



TENTH ITEM ON THE AGENDA

**Reports of the Programme, Financial and Administrative Committee**

**Report of the Government members of the Committee on allocations matters**

1. The Government members of the Programme, Financial and Administrative Committee of the Governing Body met on 16 March 2004 under the chairpersonship of Ambassador Andrea Negrotto Cambiaso, Chairperson of the Government Group of the Governing Body, who acted as Reporter.

**Assessment of the contribution of the Democratic Republic of Timor-Leste**  
(First item on the agenda)

2. The Government members considered a paper<sup>1</sup> proposing a rate of assessment for the Democratic Republic of Timor-Leste, which had joined the ILO on 19 August 2003.
3. *The Government members recommend to the Governing Body that, in accordance with the established practice of harmonizing the rates of assessment of ILO member States with their rates of assessment in the United Nations, it propose to the Conference that the contribution of the Democratic Republic of Timor-Leste to the ILO budget for the period of its membership in the Organization during 2003 and for 2004 be based on an annual assessment rate of 0.001 per cent.*

<sup>1</sup> GB.289/PFA/GMA/1.

## Scale of assessments of contributions to the budget for 2005 (Second item on the agenda)

4. The Government members had before them an Office paper<sup>2</sup> concerning the scale of assessments of contributions to the budget for 2005.
5. The representative of the Government of Mexico stated that, during discussions at the General Assembly of the United Nations in December 2003, her Government had proposed changes to the methodology used when drawing up the scale of assessment with a view to avoiding sudden rises in the assessments of member States, such as those which appeared in the scale approved for the triennium 2004-06. This scale had brought increases for several countries, including Mexico, and the appendix to the document revealed an increase for Mexico of 0.816 per cent in its contributions to the ILO. This was the largest increase of any ILO member State and would mean an increase in Mexico's contribution of nearly 3 million Swiss francs in 2005, when compared with 2004. In local currency terms, this increase could be further affected by exchange rate fluctuation. When denominated in pesos, Mexico had seen its contribution double over the period 2001-04. With the additional increase of 76 per cent proposed by the new scale for 2005 and ignoring the possibility of future exchange rate movements, Mexico's assessment would be 242 per cent above its 2001 assessment in local currency. She understood that all member States were expected to accept appropriate assessments but believed that increases should be gradual. The new scale meant that a reduced number of member States were taking on a larger proportion of the total budget and Mexico would become the tenth largest contributor. She wished to reiterate that the financial burden of paying contributions should be distributed more equitably and that increases should be gradual and reflect each country's real ability to pay. She hoped, therefore, that the ILO would prepare a new scale of assessments for 2005 and stated that she could not approve the point for decision. She reserved the right to return to this question at the Conference.
6. The representative of the Government of China requested an explanation of the basic principle underlying the increases and decreases in the last column of the table in the appendix.
7. The representative of the Government of United Kingdom, speaking on behalf of IMEC, supported the point for decision. She stated that, although she understood Mexico's concerns, she believed that the ILO should continue its practice of adopting the United Nations scale, adjusted as necessary for the difference in memberships of the two organizations.
8. The representative of the Government of Japan said Japan had also seen an increase in its contribution but accepted the ILO scale, as it was in accordance with the United Nations scale.
9. The representative of the Government of Canada supported the statement made on behalf of IMEC. Canada had also seen an increase in its contribution rate. Establishing the United Nations scale was a difficult and time-consuming process which was carried out by the Fifth Committee in New York on behalf of the United Nations family. There was no real value in moving this complicated and mathematical process out to each individual agency. He therefore urged Mexico to accept the principle of the ILO scale being based on the United Nations scale.

<sup>2</sup> GB.289/GMA/2.

10. The representative of the Government of the Russian Federation supported the point for decision. He sympathized with Mexico but believed that an increase in contributions reflected an increase in the strength of the economy of the country concerned.
11. The representative of the Government of Germany emphasized that assessments were not calculated arbitrarily and supported the point for decision.
12. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) explained that the process for calculating the 2005 scale of assessments started with the consideration of a triennial scale of assessments at the United Nations in the Contributions Committee of the United Nations, which passed through the Fifth Committee before reaching the General Assembly of the United Nations for approval. The calculations were based, inter alia, on a variety of statistical sources over a base period of three and six years, including figures from the IMF, OECD and the United Nations. The technical work entailed estimating each country's gross national product. In addition, there was a minimum and maximum contribution rate of 0.001 per cent and 22 per cent, respectively, as well as a maximum assessment rate of 0.01 per cent for least developed countries. Complicated criteria as to whether to apply the market exchange rate or a price-adjusted exchange rate applied. The ILO took the United Nations scale as approved by the General Assembly and made a simple arithmetical adjustment to take account of the 14 States that were members of the United Nations but not members of the ILO. No mechanism existed at the ILO to depart from this long-established approach, or for smoothing out increases in rates of assessments.
13. The representative of the Government of China noted that he would report details to his Government and in the meantime had to reserve his position.
14. The representative of the Government of Mexico explained that her country was aware of how the calculations were made and had indeed argued in the United Nations that the method should be revised. She could not approve the point for decision and would reserve her position until the Conference.
15. The representative of the Government of the United Kingdom asked to be reminded of the process through to the Conference and if there would be any further GMA discussions. She wondered if the point for decision could be amended to incorporate reservations.
16. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) explained that the next opportunity for discussion would be at the Finance Committee of Government Representatives in early June 2004, before the resolution on the scale of contributions for 2005 was put to the 92nd Session of the Conference.
17. The representative of the Government of Canada suggested that the point for decision could reflect the reservations and that further discussion should be deferred to the Finance Committee.
18. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) indicated that the report of the meeting would be submitted to the Finance Committee and would record the reservations of the Governments of Mexico and China. Further consultations could take place before the Conference on the basis of the full report without necessarily changing the point for decision.
19. *The Government members recommend to the Governing Body that, in accordance with the established practice of harmonizing the rates of assessment of ILO member States with their rates of assessment in the United Nations, it*

*propose to the Conference the adoption of the draft scale of assessments for 2005, as set out in column 3 of the appendix to document GB.289/PFA/GMA/2, subject to such adjustments as might be necessary following any further change in the membership of the Organization before the Conference is called upon to adopt the recommended scale.*

Geneva, 22 March 2004.

(Signed) A. Negrotto,  
Reporter.

*Points for decision:* Paragraph 3;  
Paragraph 19.