



THIRD ITEM ON THE AGENDA

Technical cooperation-Resource allocation mechanism (TC-RAM)**A. Introduction**

1. The ILO established the Technical cooperation-Resource allocation mechanism (TC-RAM) in 2001 to allocate funds in line with ILO's strategic budgeting framework. This report responds to a request of the Committee on Technical Cooperation at its November 2003 session for further information on the process. The following section provides a brief on the rationale for introduction of the process as well as its objectives. This is followed by an account of what has transpired in its implementation, what has been learned in implementation and changes made as a result of what has been learned. A third section outlines the findings of a survey and review undertaken by an independent external consultant. The report concludes with some indications on the way ahead.

B. The approach – Rationale and objectives

2. The impetus to set up this new approach was the implementation of strategic planning throughout the ILO, as well as a strong request from selected donors to be assured that the Office had the tools available to appraise proposals and to set priorities for extra-budgetary technical cooperation in line with the Office's results-based framework.
3. More specifically, the process was instituted to:
 - (a) ensure that all technical cooperation activities were consistent with ILO, constituent and donor priorities;
 - (b) provide an ILO-wide mechanism to replace ad hoc systems for technical cooperation funding;
 - (c) enable the ILO to become more proactive in signalling to and engaging with donors on the basis of a more transparent and formal method to allocate technical cooperation resources;
 - (d) support strategic and results-based programming and planning, and integrated approaches to development cooperation; and

- (e) provide a mechanism for increased donor and ILO accountability for technical cooperation activities on the basis of better quality documents.

C. The initial rounds of TC-RAM

4. To provide a perspective to the exercise, it is worth noting that funds allocated through the TC-RAM process amount to 15 per cent of the annual allocated resources from all donors.
5. The first round of the TC-RAM had been launched in September 2001 to programme funds made available as from 2002 from both the Netherlands and the United Kingdom Department for International Development (DFID) – the only donors which thus far participate in the TC-RAM.
6. The first exercise was subjected to an internal review, as well as a review by an external consultant. In-house there was a considerable amount of dissatisfaction. It was felt that the template used to submit proposals was not adequately specific, the screening and priority-setting roles of the technical sectors were carried out unevenly, there were no guidelines and a lack of assistance throughout the process, and that most of the 59 proposals originated at headquarters.
7. The multi-bilateral donors providing funds that were allocated in the first TC-RAM round had also been critical about the absence of a rigorous appraisal system. They also believed that there was a lack of clarity about how groups of poor people were identified and how the impact on the lives of poor people would be measured. Lack of integration between sectors and between the field and headquarters, as well as the absence of linkage with the wider policy environment was also pointed out.
8. It was clear that there was a need for more transparency, guidelines and assistance throughout the process, for more field involvement and for a more rigorous appraisal system.
9. Building on the experiences of the first round, new procedures were developed and applied in the second round to allocate funds available under the ILO/United Kingdom DFID Partnership Framework 2004-05.
10. DFID wanted the proposals: (a) to have a poverty focus; (b) to be strategic; and (c) to be demand driven. Technical units at headquarters were invited to prepare “concept notes” describing project ideas in their fields of competence. Twenty-three concept notes were prepared by the sectors and reviewed by ACTRAV, ACT/EMP, PROGRAM, INTEGRATION, GENDER, DCOMM and TURIN. On the basis of their comments and taking the criteria given by DFID into account, the Senior Management Team of the ILO decided to focus programme development in this round of TC-RAM on two themes: (i) informal economy, employment and poverty; and (ii) trafficking, vulnerable groups and poverty. INTEGRATION was asked to prepare an overall note for the first theme and the Employment Sector for the second. In accordance with the approaches described in these notes, the regional directors were then requested to organize the preparation of project proposals or summary project outlines (SPROUTS) for countries in their regions. Fourteen SPROUTS, amounting to US\$18 million were prepared and submitted to ACTRAV, ACT/EMP, INTEGRATION, PROGRAM, GENDER and TURIN, for comments. Taking their comments into account, an independent review panel of ILO officials, selected for their personal competence on technical cooperation issues, appraised the proposals and made recommendations for final approval.

11. CODEV served as the secretariat and provided support at all stages of the process. Templates for the concept notes and the SPROUTS as well as related guidelines were prepared. In order to ensure transparency, the whole process was documented and posted on the Intranet.
12. The TC-RAM exercise and procedures adopted for allocating DFID funds revealed that:
 - (a) the process had gained in transparency and participation. This was the result of laying out the process beforehand, disseminating documents and decisions and providing more time for the different stages in the process;
 - (b) the process generated a model for a project appraisal system including peer review for all extra-budgetary funding;
 - (c) the process served as a catalyst to promote Office-wide collaboration, exchange of information and joint programming;
 - (d) the quality of proposals was higher than that of the previous round of the TC-RAM;
 - (e) the review procedure went well and was perceived as a very useful component of the process, as it strengthened the participatory approach and ensured that shared policy objectives would be included in the projects;
 - (f) this round of the TC-RAM, however, showed again that it remains difficult to set priorities.

D. The current round of the TC-RAM

13. For 2004-05, under the ILO/Netherlands Partnership Programme, the Netherlands Ministry of Foreign Affairs has indicated a level of funding of 23 million euros.
14. There had been an agreement with the donor that continuity in the thematic focus of the 2002-03 partnership programme should be maintained. However, for this round the donor requested the Office to put a tight focus on education, which resulted in adjustments to the proposals and to funding levels by theme. The five themes for 2004-05 are:
 - (a) Promotion of the Declaration (ILO operational objective 1a);
 - (b) Elimination of child labour (ILO operational objective 1b);
 - (c) Employment creation (ILO operational objectives 2b and 2c);
 - (d) Social security (ILO operational objective 3b);
 - (e) Gender equality (ILO's shared policy objective).
15. Building on the lessons learnt from the last round with DFID, the process has been further streamlined. The SPROUTS template, as well as respective guidelines, have been revised and improved. Five theme coordinators, appointed by the executive directors and the Director of the Gender Bureau, have prepared concept notes. They had been requested to draw on the experience of different technical units and to collaborate closely with ACTRAV, ACT/EMP, INTEGRATION, PROGRAM and GENDER during the course of the drafting process. The concept notes were sent to the Netherlands Ministry of Foreign Affairs for review and have been approved. Approvals of project proposals prepared by the regions on the basis of the concept notes are to be made at the end of February. The

comments of cross-cutting programmes on the original SPROUTS prepared by the field structure have been made known to the latter and they have been given the opportunity to revise their SPROUTS before submission to the independent review panel.

E. External review of the process

- 16.** As noted, initial rounds of the TC-RAM had already been subjected to internal and external reviews. For purposes of preparation of the present paper another external review was commissioned. The focus of the review was principally on the objectives of the TC-RAM.
- 17.** In addition to a desk review, the external consultant obtained information from the field as well as from the technical sectors, cross-cutting units, ACTRAV and ACT/EMP at headquarters through a limited number of interviews and questionnaires. The sample, not being representative of the ILO, and the number of persons responding being very small, the findings can only be taken as illustrative. There were differences of opinion and perceptions, especially between the field and headquarters units. Nevertheless, there was a near unanimous opinion that the TC-RAM was superior to other programming tools, that it should be maintained but its modalities modified. The main findings are the following:
 - (a) Consistency with ILO and donor priorities: The TC-RAM has contributed to bringing more consistency and strategic emphasis to the allocation of extra-budgetary funds. This is the opinion of the regional staff and some but not all headquarters staff.
 - (b) Alternative mechanism: Clearly, with the improvements in the process and implementation of the TC-RAM, the mechanism provides a useful alternative to ad hoc arrangements. There is therefore scope for the Office to encourage other donors to use the mechanism.
 - (c) Support to ILO programming: In general, the TC-RAM approach has contributed to new ways of working in the ILO. However, the TC-RAM is not the only driving force behind these changes, although it is now the case that these new working methods are a basis for extra-budgetary resource allocation. Cross-unit and integrated working methods are being systematically promoted throughout the ILO. Although the TC-RAM actively encourages integrated and multi-unit working, it may also, at the same time, discourage this process. The reasons for this may be twofold: firstly, integrated working requires time and often TC-RAM deadlines militate against developing and negotiating partnerships; and, secondly, the TC-RAM is essentially a competitive process which discourages sharing. The appraisal system does, however, explicitly require field/headquarters consultation and negotiation and is a criterion for project approval.
 - (d) Dialogue between the field and headquarters: The TC-RAM process requires concept notes written by headquarters and field-generated proposals. Compared to earlier rounds, there are more integrated proposals from the field. However, there is still concern about the quality of the dialogue between field and headquarters/sectors.
 - (e) Bureaux of Employers' and Workers' Activities: ACTRAV and ACT/EMP both emphasize their fundamental support to the process. However, the perception is that donor criteria exclude what are called traditional core ILO projects of building capacity for constituents. Although these are core activities, the TC-RAM requires a justification of the link between capacity building of constituents and outcomes/results for poor people.

- (f) Quality: The TC-RAM process has improved the consistency and quality of project documentation but further improvement is necessary and possible.
- (g) Accountability: The link between the TC-RAM as an approval mechanism and monitoring and evaluation has not been established. Accountability requires not only a transparent approval process, but also monitoring and reporting procedures and an evaluation system which informs the approval process. Learning to respond better to donor requirements for focus and impact on poverty reduction is essential.

F. Concluding observations

- 18.** The TC-RAM allocates only a portion of the total funds received for extra-budgetary technical cooperation in the ILO. It responds to a request from two major donors for improvements in the Office's governance system. However, it is also a chance to improve the overall quality and visibility of the ILO's technical cooperation activities.
- 19.** Like any new system, it has had teething problems, has been going through a learning phase, making necessary adjustments and corrections. The external review was not meant to be a thorough evaluation exercise as the process has been operational for a relatively short period of time and that alone would make the exercise premature. The review and survey results are illustrative of the range and complexity of issues involved and have clearly shown that there are wide differences within the Organization on the perception of the TC-RAM process, expectations from it and understanding and interpretation of its mode of operation. This underscores the need for the Office to follow the exercise closely and, at an opportune time, undertake an in-depth evaluation of the process.
- 20.** In the meantime, measures will be introduced to improve the TC-RAM in terms of both procedures and substance.

Geneva, 17 February 2004.

Submitted for information and observations.