



NINTH ITEM ON THE AGENDA

**Reports of the Programme, Financial
and Administrative Committee****Third report: Programme and Budget
proposals for 2006-07***Contents*

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1. The Programme, Financial and Administrative Committee of the Governing Body met on 9, 10, 11 and 17 March 2005 to consider the Programme and Budget proposals for 2006-07. It was chaired by Mr. P. Séguin, Chairperson of the Governing Body. Mr. B. Botha (Employer spokesperson) was the Reporter.
2. The Committee had before it the Director-General's Programme and Budget proposals for 2006-07. This document¹ comprised a message from the Director-General; overview and budgetary features including a proposed strategic budget for 2006-07; regional priorities; detailed information on the strategic objectives, mainstreamed strategies and InFocus Initiatives; information on institutional capabilities and on governance, support and management; a draft budget of expenditure and income for 2006-07; and a number of information annexes.
3. The Committee's discussion was opened by the Director-General, who made a statement introducing his programme and budget proposals. The statement is attached to this report as Annex I.
4. The Chairperson opened the discussion on item 8 of the agenda by introducing the order of the discussion suggested in document GB.292/PFA/8/D1, which was agreed by the Committee.

General discussion, overview and budgetary features and regional priorities

5. Mr. Blondel, speaking on behalf of the Workers' group, drew attention to the relatively unfavourable trend in the ILO budget by comparison with those of other United Nations agencies and the United Nations itself. He supported the Director-General in revisiting the issue of zero real growth, and said he believed that certain ILO activities, such as those relating to freedom of association, international labour standards and relations with the social partners, were irreducible. He referred to the new challenges taken up by the ILO in response to the new requirements in relation to a fairer globalization. He recalled that support had been expressed on several occasions recently for the proposals of the World Commission on the Social Dimension of Globalization, by the United Nations General Assembly, the Extraordinary Summit of the African Union, and the European Regional Meeting.
6. The Workers' group recognized the need for the institutional investments identified in the Programme and Budget proposals for 2006-07, although it also believed that more detailed examination was needed. Mr. Blondel emphasized that the ILO faced a painful dilemma, as it now had to fund urgent maintenance which successive zero-growth budgets had made impossible. He hoped that the meeting of the Building Subcommittee would be able to formulate a long-term investment plan.
7. Mr. Blondel said that he endorsed the basic thrust of the programme and budget proposals, which were in line with the Strategic Policy Framework 2006-09 and the recommendations of the World Commission, even if some of the proposals seemed too general and imprecise regarding the choice of countries. He noted that the InFocus Initiatives were far from being focused with regard to resources, indicators and responsibilities for implementation. He was concerned at the impact on the ILO's technical services of the proposed savings

¹ GB.292/PFA/8.

amounting to US\$18.3 million, and reiterated his opposition to making sacrifices in ILO activities regarded as irreducible in order to fund other expenditure.

8. With regard to the regional priorities, he regretted the absence in the proposals for Africa of any reference to workers' rights or greater participation by the social partners. He would have preferred to see greater recognition of the role of trade unions in helping people to get out of poverty, and of the need to strengthen the capacities of trade unions. Social dialogue and international labour standards merited a place in the process of regional integration.
9. Mr. Blondel recalled that consolidation of democracy in the Americas required a strengthening of social dialogue and of the social partners, and a prerequisite for this was an end to violations of freedom of association and killings of trade unionists. Pension system reform and the extension of social protection to cover migrant workers, among others, were priority issues for his group. He also referred to the question of identity documents for migrant workers, including those in other regions.
10. With regard to the Arab countries, he regretted the absence of any mention of Palestine, and recalled the demand that existed for the translation of more ILO documents into Arabic. Social dialogue and an environment more favourable to the social partners in the Arab countries were, in his view, a priority.
11. Mr. Blondel emphasized the importance of follow-up to the recommendations of the World Commission for the Asia and Pacific Region. He recalled that there could be no decent work without freedom of association, and stressed the importance of the promotion and ratification of international labour standards in the region. All too frequently, trade union rights were disregarded in export processing zones. He noted that Japan was very vulnerable to delocation and relocation to countries where decent work did not apply.
12. He regretted the absence of more extensive information on the ILO's contribution to reconstruction efforts in the tsunami-affected areas and the scale of its activities in the economic and social spheres. There was an opportunity to incorporate decent work and international labour standards in the calls for tender issued as part of the reconstruction effort. He also regretted that there was no mention of the need to strengthen the independence of trade unions in Europe, where some countries still had no independent trade unions, if any.
13. Mr. Blondel said he hoped to see an improved linkage between the regular budget and extra-budgetary resources. The significant scale of projected extra-budgetary funding required greater involvement by the Governing Body in determining priorities, in order to prevent the ILO's mandate being "mortgaged" or the Governing Body's prerogatives being eroded.
14. He indicated that the main concerns of the Workers' group had been reflected in the proposals submitted by the Director-General, although the group had many more specific observations to make.
15. Mr. Botha, speaking on behalf of the Employers' group, said he wished at the outset to express his appreciation of the benefits derived from the early consultations held on the Programme and Budget proposals for 2006-07. He shared the views expressed by the Worker spokesperson concerning the importance they jointly attached to freedom of association, the continued vigilance required for it to exist in all member States, as well as the strengthening of independent organizations of employers and of workers. He recalled the views and expectations of his group expressed last November when discussing the Strategic Policy Framework for 2006-09 and the priorities he had formulated on that occasion with a focus on the world of work. He was pleased to note the importance given

in the Programme and Budget proposals for 2006-07 to poverty alleviation through employment promotion, the global campaign for social protection, including combating HIV/AIDS, and the continuity with previous programmes and budgets. The Employers' concerns with regard to a socio-economic floor remained.

16. Mr. Botha stressed that the relevance of the ILO lay in what it did rather than in what it said, and the Employers therefore fully supported stronger action at the national level.
17. He observed that the strategic approach of the document provided less detail, thereby making it difficult to ascertain what exactly was proposed. He invited the Office to rethink the process, perhaps drawing on good practice in other organizations. The present proposals in his view provided too much of a "carte blanche" to the Office.
18. Mr. Botha expressed concern at the cuts in the Employment Sector. He called for greater support for employers' organizations in IPEC and Declaration programmes. The Employers were opposed to any cuts in ACT/EMP and ACTRAV and wished to see greater support for the Global Employment Agenda, and for occupational safety and health.
19. In recalling the Employers' support for a more balanced approach to globalization, Mr. Botha pointed out an unfortunate suggestion in paragraph 172 linking globalization with the spread of HIV/AIDS. He noted with satisfaction that the Employers' reservations on the Strategic Policy Framework for 2006-09 as discussed last November would be the basis for this discussion. He insisted that it should be up to the Governing Body to decide on the follow-up to the World Commission report.
20. Mr. Botha expressed his surprise at the difficulty in attracting more donor support for employment, given that most governments viewed employment as their top priority. He encouraged the Office to develop a strategy in this regard. He recalled his group's concerns on the TC-RAM process.
21. Mr. Botha pointed out that in the future his group would not support cuts in programmes in order to finance capital investments and information technology. He pointed to the proposed cuts in Employment and in Social Dialogue, in particular in ACT/EMP and ACTRAV, which were not acceptable, particularly in view of the proposed budget for policy integration. A proposal for a budget increase for the benefit of constituents might have been easier to support. Nevertheless, the suggestion to establish a capital investment budget to finance long-term investment was a sensible one that needed to be explored.
22. Mr. Botha expressed his support for decent work country programmes (DWCPs), recalling that those employers that had been involved were enthusiastic, but he regretted that the Governing Body had not been more fully informed and involved. His group supported the Maritime Session of the Conference but saw no need for a plenary session. He requested more information on the cost for staff turnover.
23. Mr. Botha recalled his group's support for thorough, independent and transparent evaluation. He welcomed the establishment of a new unit but wanted more information about it.
24. On the proposed regional priorities, Mr. Botha observed that they were not concrete enough, particularly in the Americas and in Asia. His group's view was that the regional priorities should respond to constituents' needs. He welcomed the emphasis on constituents' participation in national poverty reduction programmes and called for urgent measures to combat HIV/AIDS in Africa and in Asia. He welcomed the response to the tsunami-affected areas but would have appreciated more information. In general he was

concerned with the speed of ILO action. He hoped that the outcome of the Seventh European Regional Meeting would influence the programme and budget proposals, particularly with regard to employment, the foremost priority for the region. Regarding partnerships with other organizations in the United Nations system, he cautioned against straying away from the ILO agenda and world of work issues.

25. The representative of the Government of the United Kingdom, speaking on behalf of IMEC, expressed her support for results-based management, including results-based budgeting in the ILO, and welcomed the efforts made so far. She had hoped that information now available in IRIS would be used to a greater extent in the programme and budget proposals submitted for 2006-07. She encouraged the ILO to pursue this approach, particularly with a view to establishing clearer linkages between inputs and outputs as a means to more informed choices in view of scarce resources.
26. IMEC supported the overall aim of making decent work a global goal as the integrating theme for the 2006-07 period, as well as the continued emphasis on international labour standards and on employment, key areas in which the ILO could make a unique contribution. IMEC also supported further decentralization as a means of strengthening the organization's overall capacities within its existing budget.
27. The speaker expressed the view that dynamic leadership, well-managed, qualified and motivated staff, as well as agreed and clearly defined policies, were as important as financial resources in defining the potential of an institution. She was of the view that results-based management would help the Organization in making informed decisions on ILO priority areas and core responsibilities.
28. She requested the Office to provide further information on the details of the cost increases and how the Office had arrived at the suggested 7.1 per cent cost increase.
29. IMEC was concerned about the way in which accommodation, security and human resources had been managed and the need for emergency investments and expenditure. No programme of regular maintenance seemed to be in place. The resources available from previous budgetary surpluses could have been used to finance such expenditure. IMEC had on previous occasions called the Office's attention to the need to properly plan for such expenditure within existing budgetary resources. She observed that the items listed under Part IV of the proposals needed to be carefully scrutinized and better prioritized. Urgent expenditure for staff security could not be postponed, and the Maritime Session of the Conference had to be financed. However other items listed under Part IV were less convincing. The proposed increase in unforeseen expenditure in Part II of the proposals was also questioned.
30. The speaker stressed that the Governing Body and the Office had a collective responsibility to identify and implement more efficient methods and practices. IMEC suggested a number of areas for reducing expenditure that should be given serious consideration, such as: a comprehensive review of the ILO field structure; a shorter, more efficient and focused International Labour Conference; starting and finishing Governing Body meetings on time; continued improvements to the effectiveness and efficiency of the Sectoral Activities Programme; addressing the serious problem of over-grading, especially in senior grades, as a means of producing substantial savings; and greater use of electronic distribution of documents.
31. IMEC welcomed the proposed reduction in travel and urged greater use of economy-class travel. IMEC encouraged the Office to make greater and faster efforts to realize cost savings through IRIS. The speaker noted that the proposals provided for 51 staff members in information technology, or 20 more than in the core area of employment strategy.

- 32.** In conclusion, the speaker recalled that governments are also under spending pressure, which has led in many cases to cuts in departmental budgets and jobs. Where extra resources were not available they – and international organizations – needed to prioritize and take difficult decisions. IMEC was prepared to work with others to consider efficiencies that would allow ILO to pursue its mandate without sacrificing quality delivery. She hoped that the Director-General would guide the Governing Body towards a more consensual budget proposal.
- 33.** The representative of the Government of South Africa, speaking on behalf of the Africa group noted that the programme and budget proposals were in line with the African position of supporting the Decent Work Agenda as a tool for poverty alleviation. The speaker welcomed the five mainstreamed strategies, which were in line with the Plan of Action adopted by the Extraordinary African Union Summit on Employment and Poverty Alleviation in September 2004. He welcomed the emphasis given to DWCPs as a means to strengthen country ownership and promote decent work as a central objective of national development strategies.
- 34.** The Africa group had called for greater regular budget allocations to priority programmes. The speaker also stressed the need for continued decentralization of responsibility for programme implementation. He welcomed the proposals listed under Part IV of the budget. The speaker noted, however, that the proposals were silent regarding regional and field offices. He hoped that the Building Subcommittee would elaborate a comprehensive strategy covering all offices. In conclusion, the speaker noted that the Africa group supported the Programme and Budget proposals for 2006-07. A secure environment for the ILO was critical to the achievement of the Decent Work Agenda in Africa.
- 35.** The representative of the Government of Japan, speaking on behalf of the Asia and Pacific group welcomed the early consultations on the programme and budget proposals, the strong emphasis on the Decent Work Agenda, on DWCPs, as well as the use of more rigorous data made available by IRIS. However, the speaker noted that further improvements were still possible to improve the transparency of the budget. In particular, resources should be linked to outcomes rather than to strategic and operational objectives, providing thereby a clearer view of what was proposed. Performance indicators should be more clearly linked to cost, quality and timeliness.
- 36.** The speaker recalled that the group had consistently identified employment as its foremost priority. He requested more information on the level of proposed expenditure for each strategic objective, including the proposed decline in real terms.
- 37.** The speaker urged the Office to pursue its efforts in implementing results-based management, including monitoring and evaluation, drawing on best practices in and beyond the United Nations. He requested the Office to report on the progress of these improvements to the Governing Body in November 2005. The potential benefits of IRIS should be more clearly identified as a means of achieving greater cost savings. The Governing Body should be regularly informed on the costs and benefits of IRIS and on the management of the IRIS project.
- 38.** The Asia and Pacific group requested more information on the proposed cost increase of 7.1 per cent, including in relation to inflation projections and exchange rate movements. In relation to the real budget increase proposed, the speaker hoped for more concrete cost-saving measures beyond the savings already realized. A thorough reform of the grading structure was required, particularly in the light of the high average grade when compared with other United Nations organizations. He regretted that no concrete plan was proposed in this regard that would provide measurable targets, particularly in the light of forthcoming retirements. He requested the Office to establish a plan to reduce the current

over-grading of positions. The speaker sought clarification on the US\$5.4 million shortfall mentioned in paragraph 39, in particular as to whether the Office would absorb this cost or seek additional funding later. He also expressed some concerns on the adjustment for staff turnover.

39. The representative of the Government of El Salvador, speaking on behalf of the Latin America and Caribbean group (GRULAC), noted that the programme and budget proposals were in line with the Strategic Policy Framework for 2006-09 and emphasized making decent work a global goal as well as strengthening the four strategic objectives, including as a means to influence the agenda of other organizations in areas relevant to the ILO mandate. The speaker pointed out that a fair globalization and the promotion of social justice were more necessary than ever, and hoped that all ILO activities would be directed towards that goal, thereby following up on the recommendations of the World Commission.
40. The speaker welcomed the emphasis on DWCPs as a key element for the promotion of decent work through national policy.
41. The speaker expressed concern at the lack of reference to employment in the regional priorities for the Americas, although this remained the foremost priority for the region. He noted that an increase in extra-budgetary resources was a sign of confidence in the ILO, but requested clarification on the criteria used to distribute regular budget and extra-budgetary resources across the four strategic objectives.
42. He pointed out that Millennium Development Goal Number 8 related to youth employment, an issue of the foremost priority in the region. He requested further information on how the ILO programme would support the achievement of that goal.
43. Finally, the speaker recalled the difficult fiscal situation of governments in the region. Speaking only on behalf of the Government of El Salvador, he noted that in spite of the difficult budgetary situation of his Government, he would support the Director-General's proposals.
44. The representative of the Government of France expressed his support for the Programme and Budget proposals for 2006-07, in particular with regard to the underlying strategic policy principles, and for the measures to enhance the ILO's involvement in the debates on the effects of globalization. Nevertheless, he regretted the lack of transparency of the methods used to calculate the budget proposals, the ever-increasing reliance on extra-budgetary resources, and the absence of any new measures to promote decent work objectives in member States.
45. The speaker expressed the hope that, in future, the Office could adopt a clearer method for presenting its budget, showing new expenditure and proposed savings in constant dollar terms. A cost adjustment rate taking into account the foreseeable movement of salary costs would be applied to the proposed budget in constant dollar terms; in the case of expenditure other than staff costs, a new consolidated index of inflation in Geneva and the rest of the world would be applied, reflecting the geographical distribution of ILO activities.
46. He recalled the consistent position of France with regard to the growing trend towards reliance on extra-budgetary resources, which weakened the authority of the Office and the guiding and supervisory role of the Governing Body. He cited the example of standards-related activities, where extra-budgetary funding amounted to more than double the regular budget credits. He hoped that this trend could be modified by, for example, funding the

posts of permanent staff assigned to manage technical cooperation projects from the regular budget.

47. This trend explained why the Office's budget proposals were becoming increasingly inward-looking and focused on in-house activities.
48. He expressed disappointment at a budget increase in real terms that was limited to operating expenses, with no new measure or expenditure for field programmes or activities; those were reliant on extra-budgetary contributions and thus on the good will of richer member States. He noted a number of areas concerned by recent major Conference decisions which could have been proposed, such as social protection, the informal sector, migrant labour and gender equality.
49. He drew attention to three issues of crucial importance for the ILO: promotion of international labour standards; DWCPs; and the training activities of the Turin Centre on the social aspects of globalization. He said that it was possible to identify about 1 million dollars that could be used to fund certain priority measures in these three key areas.
50. He said that his delegation was basically in favour of positive real growth, but with priority given to field activities that had an impact on decent work. His delegation endorsed the economy measures requested by the IMEC group, in so far as those savings would in large part be relocated to field activities.
51. In conclusion, he emphasized that enhancing the ILO's presence on the international stage would mean increasing its resources. His delegation was willing to join a consensus.
52. The representative of the Government of Belgium recalled his country's commitment to the ILO, while encouraging it, in accordance with the principles of sound governance, as far as possible to reduce, or avoid altogether, any increase in its budget. She acknowledged the considerable investments which the ILO now faced, and the limits of zero growth which had now been reached. She thought it difficult to prioritize the four areas proposed for extraordinary investment, and emphasized that these institutional investments should not lead to significant reductions in programmes for the constituents. She believed that it was difficult to see how further savings could be made in the ILO's policy-making bodies. She wanted more information on expenditure proposed in connection with the IRIS programme, building maintenance and unforeseen expenses. In conclusion, she said that, in the light of the explanations given by the Office, Belgium could accept a budget increase.
53. The representative of the Government of the Bahamas, speaking on behalf of Barbados and the rest of the English-speaking Caribbean group, expressed his support for the Strategic Policy Framework for 2006-09 and its integrating theme of making decent work a global goal. He supported employment creation as a means of eradicating poverty, fundamental standards and rights at work, social protection and social dialogue. He wished to see continued support given to programmes on child labour and HIV/AIDS, and hoped that adequate funding for the ILO Caribbean Office would be available.
54. The representative of the Government of Italy agreed with the IMEC statement. He expressed his support for the four strategic objectives, but recognized that further efficiency gains and cost control measures were required. He noted that the overall increase in the proposed budget amounted to 11.7 per cent. He would have welcomed a clearer link between proposed activities and resources. He declared himself committed to reaching a consensus.
55. The representative of the Government of New Zealand expressed support for the ILO decent work mandate. Employers, workers and governments had a joint responsibility to

support balanced economic and social outcomes from globalization, and the ILO was a key asset in achieving that goal. She congratulated the Office for making significant cost savings, the clear separation in the different parts of the budget contributing to greater transparency, and for strengthening of the ILO's evaluation capacity. She noted the limitations of the ILO budget in financing investment and maintenance expenditure, and hoped that beyond the present discussion a sustainable plan for medium- and long-term investments would be presented. The speaker supported the substantive points conveyed by IMEC and the Asia-Pacific group and called for further discussion of the proposals. She pointed out that over-grading was a serious issue that needed to be addressed. She called for a comprehensive review of field offices and further prioritization of the items currently listed in Part IV. Further, she considered the Maritime Session to be part of the ILO's core business and funding. She cautioned against making uniform cuts in the budget.

- 56.** The representative of the Government of India expressed support for the overall objective of making decent work a global goal and the four strategic objectives, provided that the specific context of each country was clearly set out. He had carefully considered the budget figures presented in the proposals and had arrived at a lower calculation. His Government had difficulty in accepting the proposals as presented, and would prefer a zero nominal growth budget. He was of the opinion that real savings could be made and awaited further explanations.
- 57.** The representative of the Government of Malawi supported the Programme and Budget proposals for 2006-07. He pointed out that, in all ministries of labour, staff costs absorbed the greater part of total resources. He observed that the proposed increase of 4.3 per cent was less than the 5.8 per cent decline in the budget since 1996-97.
- 58.** The representative of the Government of Argentina noted that the programme and budget proposals were centred on making decent work a global goal and on national, regional and international decent work programmes. Such programmes provided a unifying framework for services to constituents. He recalled the importance of promoting a fair globalization, and drew attention to the importance of the proposed InFocus Initiative on the informal economy. The arguments of the Office on having reached the limits of zero real growth were convincing. His Government supported the proposal for zero real growth in Part I, and the speaker agreed with the Director-General that expenditures proposed in Part IV were urgent.
- 59.** The representative of the Government of Germany pointed out that many governments in Europe were following a very prudent budgetary policy. Such a context made it difficult to assume greater obligations towards the ILO. The speaker stated that he reserved his position. He noted that the budgetary surpluses should have been used to finance new expenditure. He was concerned about the long-term investment plans suggested in the proposals, and found proposed expenditure for IRIS and for staff capacity, the latter with a 300 per cent increase, difficult to accept. Although he was prepared to discuss the matter further, he expected a lower budgetary proposal with a clear focus on core areas of the ILO.
- 60.** The representative of the Government of Kenya expressed her support for greater regular budget support to priority programmes, given that extra-budgetary resources were often unpredictable. She supported greater decentralization, the proposed new evaluation unit as well as the three areas identified for InFocus Initiatives. She supported the budget proposal.
- 61.** The representative of the Government of Uruguay observed that the Programme and Budget proposals for 2006-07 provided for less support to the four strategic objectives and for greater expenditure on lower priority items. He was of the view that the budget for the

four strategic objectives should not be reduced. An increase in the budget was necessary in order to promote reconstruction efforts in Latin America, poverty eradication and greater social cohesion.

- 62.** The representative of the Government of Canada, referring also to the position of a government not represented in the Governing Body, considered that results-based budgeting was a work in progress in the ILO. He listed a number of areas in which he would have liked to see greater specificity and transparency, namely by linking resources to outcomes rather than to strategic and operational objectives, sharper indicators focused on cost, quality and timeliness, poor linkages to previous programmes and budgets in justifying resources changes, and too much space given to narrative text. He noted that not all investments proposed in Part IV were extraordinary, and some, such as information technology and staff training, clearly formed part of current expenditure which should be included in the regular budget.
- 63.** He identified a number of areas in which further cost savings could be realized without impacting on the main programmes. These included reducing the cost of conferences and meetings, merging the Maritime Session of the Conference with the regular June session, possibly as one committee, a comprehensive review of field offices, particularly in developed countries, a comprehensive review of publications, further reductions in travel and more economy-class travel, elimination of supplemental per diem payments, and eliminating the proposed increase for unforeseen expenditure.
- 64.** He requested further clarification on the increase in relation to adjustments for staff turnover as well as on the US\$5.4 million unbudgeted shortfall mentioned in the proposals. The Canadian Government remained committed to budget discipline and applied a consistent policy of zero nominal growth across the United Nations system. Results-based management was the tool to achieve such discipline, and the priority tasks of the ILO could be achieved within the available budgetary resources.
- 65.** The representative of the Government of the Republic of Korea expressed concern over the way in which the budget proposals were presented, which should be more transparent. He considered that budget increases should be absorbed through various cost-cutting measures. Limited financial resources called for the establishment of priorities. He observed that, since staff costs amounted to 68 per cent of the total budget, it was the area in which savings efforts should be concentrated. He concluded by suggesting that the Office introduce additional measures to guard against currency fluctuations.
- 66.** The representative of the Government of Japan indicated that the financial situation of Japan was extremely difficult and that half of total government revenue was financed through government bonds. Any increase in contributions to the ILO in such a context would be very difficult. His Government's policy was for zero nominal growth in all United Nations agencies, including the ILO. He pointed out that the Office proposals provided for an increase in the total budget but a decrease in resources for technical programmes. The increase was concentrated in management, in particular personnel expenditure. He called for concrete plans to reduce staff and lower the average grade, and for greater information on the provision for cost increases. He pointed to the approach used by WHO, which proposed to absorb inflation and currency fluctuations. He hoped the Office would submit a revised budget proposal showing a marked reduction in expenditure.
- 67.** The representative of the Government of China agreed with the Asia and Pacific group statement. She supported the four strategic objectives, and expressed concern at the proposed decline in technical and regional programmes. The ILO should first and foremost respond to the demands of constituents. She hoped that internal restructuring, reduced staff

costs and other measures would improve efficiency and realize additional savings. She expressed some concern over the expenditure proposed in Part IV.

- 68.** The representative of the Government of the Russian Federation regretted that the performance indicators were not specific enough, making it difficult to assess whether they were achievable. In addition, no baseline indicators were available. He further regretted the absence of a clear link between results and resource allocations. A results-based format similar to the one used for the report on programme implementation in 2004 would be desirable. He hoped that expenditure in relation to security and information technology could be absorbed in Part I as a result of greater savings. He expressed some reservation in the large increases proposed for staff training, which seemed premature before the debate on the revised human resources strategy had taken place. He indicated the discussion should be continued, and awaited a new set of proposals.
- 69.** The representative of the Government of the United Kingdom added to his support for the IMEC position by noting the tension between increased demands for technical services and advice and for investment in support areas. However, the choice for the Governing Body should not be between the two but, rather, the Office should propose achievable and well-targeted results within the available budget, considering priorities within the four strategic objectives and the ILO's important role in combating poverty. He recalled that the governments providing more than 60 per cent of the budget supported the call for a substantial reduction in the proposed budget, and noted that, for his Government, for example, any increase in support for the ILO would require reductions in other programmes, such as those for unemployed people.
- 70.** The representative of the Government of Pakistan expressed his satisfaction with the document, the prior consultations and its responsiveness to Governing Body priorities of decent work and DWCPs. He expressed concern at the reduction in the Employment Sector budget, noting the importance of reflecting employment in poverty reduction strategies (PRSS) and other national frameworks. He asked for more information on the budget and the cost increases, requesting that savings not affect core activities in the field.
- 71.** The representative of the Government of Nigeria amplified her support for the Africa group position, observing the importance of improved statistical capacity for her country. She asked that savings realized from a review of field structures be used to strengthen structures in Africa.
- 72.** The representative of the Government of Cameroon noted that the African region was the main victim when there were budget cuts in other United Nations agencies, and expressed regret that other delegates would support reductions. He shared Mr. Blondel's concern that as far as budget levels are concerned, the ILO was declining in importance in relation to other agencies. While agreeing on the need for savings, he did not agree that a reduced field presence in Africa would be appropriate.
- 73.** The representative of the Government of Mexico supported decent work as a global goal, as the basis of local, national, regional and international decent work programmes, and called for continuity in DWCPs. Creating more and better quality jobs was a priority for Mexico, and any reduction in resources for employment would be a matter of concern. As the tenth largest contributor to the ILO, Mexico accepted its responsibility to ensure that the proposed programmes were financially and operationally viable. For that reason, Mexico, despite its internal budgetary restrictions, was ready to make an extraordinary effort to support the programme and budget proposals. In its present difficulties, the ILO needed the support of its constituents. However, it would be possible to reduce the increases proposed in Part IV of the budget, especially concerning the building, and to maintain the amount for unforeseen expenditure at the 2004-05 level of \$875,000.

74. The representative of the Government of the United States added specific concerns to her support for the IMEC statement. She referred to positive developments in the formulation of indicators, noting indicator 3a.1 as a good model that linked ILO action with outcomes. She provided a list of potential additional areas for savings to be considered, including a comprehensive review of field structures to identify fiscal efficiencies, a phase-in of increased training funds for 2006-07, to increase the projected savings under IRIS by an additional \$2 million, pay for security in the same manner as in 2004-05 saving nearly 2 million dollars, to wait on all but the most urgent accommodation matters pending an overall strategy and expert analysis, to reduce the set-aside for ICT needs, to retain the adjustment for staff turnover, and to maintain the current level of provision for unforeseen expenditure. She supported the establishment of an independent evaluation unit. In addition, she urged that a cost comparison on approaches to the Maritime Conference be considered. She summarized the budget increase at the present exchange rate, and noted that the United States Government's basic position on budget levels of zero nominal growth which meant an increase of over US\$100 million or more than 20 per cent did not imply lack of support for the ILO and its activities, but reflected the fiscal constraints of the Government and the need to prioritize and make difficult decisions.
75. The representative of the Government of Norway affirmed his support for the IMEC statement. He recalled that past budget discussions had dealt with zero real growth versus zero nominal growth, and that Norway had in the past not wanted to weaken the organization by reducing its real budget level. He observed that many of the items in Part IV of the proposals would be considered part of the regular budget, but that he was prepared to contribute to seeking a consensus that would not preclude a certain real increase, particularly in respect of security which could be considered extraordinary. He asked the Office to consider the suggestions for savings that had been made. He was concerned to see that past increases in the proportion of resources in the regions were not being continued, and that many significant regional programmes were listed in Information Annex 9 as areas for additional extra-budgetary support. Finally, he addressed the issue of regular and extra-budgetary funding raised by the representative of the Government of France, and his concern that many core items were vulnerable to decisions by donors and have inadequate support in the regular budget. He called on the Office to prepare a paper on this question for the November 2005 session of the Governing Body, with a view to exploring the implications of donor choice for strategic priorities, and ways in which the Governing Body could influence this.
76. The representative of the Government of the Dominican Republic expressed appreciation for the work of the ILO but underlined the challenges faced by developing countries in meeting their obligations to international organizations. She would not oppose a consensus on the proposed budget if there were some recognition of the challenges faced by developing countries.
77. The Chairperson called on the Treasurer and Financial Comptroller (Mr. Johnson) to provide additional details on the cost increases and exchange rates.
78. The Treasurer and Financial Comptroller (Mr. Johnson) explained that the financial methodologies and presentation of information had been used consistently for the past eight biennia. The purpose of the methodologies was to clarify the changes due to programme adjustments, as opposed to those required to account for the effect of cost increases, inflation and exchange rates. He referred to table A2-1 which set out historical cost increases. Elaborating on the basis of the calculations, he noted that increases in staff costs were based on actual costs at the time of calculation, not the estimates used in the programme and budget. To that actual cost was applied the impact of decisions taken by the International Civil Service Commission (ICSC), and the United Nations General Assembly, and of entitlements under the Staff Regulations. A provision was then made for

inflation, using independent verifiable indices. Other cost drivers were post adjustment rates, also set by the ICSC, and pensionable remuneration set by the United Nations Joint Staff Pension Board. In addition, the ILO's costs were driven by contractual commitments, such as those to the Staff Health Insurance Fund (SHIF) and to rental and service contracts which were regularly renegotiated. A case in point was the cost of insurance. For the headquarters building which had recently been re-tendered, the only offer received was at a cost 88 per cent higher than the previous agreement. The preceding cost increases could be considered non-discretionary. Other contingencies did not include a statutory or contractual obligation but, in practice, as for the regular budget for technical cooperation (RBTC), cost increases were required to maintain equivalent service levels. There was a specific cost increase for the SHIF which was explained in the Information annex. He noted that cost comparisons made between specific years would be influenced by prevailing exchange rates, and that, while the nominal increase of \$200 million that had occurred since 2002-03 had been referred to during the discussion, comparison with a period with a similar dollar-Swiss franc exchange rate, 1996-97, would show an increase of only \$59 million. He indicated that using the real level of the budget would allow more accurate comparison of the values of inputs. He advised that a more detailed information note with a fully worked example was available, and recalled that the actual cost of the budget decision in national currencies could be determined only after the June 2005 session of the Conference and would ultimately depend on the exchange rate between their national currency and the Swiss franc at the time of payment.

- 79.** Mr. Botha referred to the fact that many concerns had been expressed and said that the Employers' group shared many of them. He added that excellent proposals had been put forward for cost savings. He shared the concern at the disparity between regular budget and extra-budgetary resources, and endorsed the suggestion made by the representative of the Government of Norway for a Governing Body paper. He was concerned that a zero nominal growth budget would lead to programme cuts particularly affecting employment creation in developing countries, where social security nets were non-existent. He appealed for governments to reconsider their positions, noting their support for the work done by the ILO, in particular in the area of employment. He therefore requested the Office to review the suggestions that had been made concerning items in Part IV and the Maritime Conference. He asked whether the accommodation issues at headquarters also existed in the field, and expressed concern that they be attended to in a timely way.
- 80.** Mr. Blondel, speaking on behalf of the Workers' group, emphasized that the Workers were not qualified accountants but members of the Governing Body, and that they wanted to see management that was beneficial to the Organization. He asked for Mr. Johnson's comments to be provided in writing, given their density, in order to facilitate examination. The Workers were not there to make a declaration of principle, but to take an active part, as Governing Body members, in the Organization's management. He said that countries which endeavoured, whatever their difficulties, to contribute to the world of work had the support of the Workers. Some Governments were alarmed to see 68 per cent of the budget allocated to staff costs, although they demanded constant improvements in training, while reducing training costs. This was contradictory. He recalled that the ILO was not an enterprise but a public institution. Its activities could not be quantified, and its available resources were not sufficient to allow it to carry out its mandate. It needed professional staff and specialists, but its goals were not profit or productivity. It was not possible to put a price on wider ratification of Convention No. 87.
- 81.** He said that he had found it difficult to follow the arguments of some States, along the lines that there were two separate budgets for contributions to the ILO, one more limited through the ministry of labour and another, broader one, for IPEC. He emphasized the potential advantages, in his view, of the proposal made by the representative of the Government of Norway, that a proportion of the donations could be converted into regular

contributions. He regretted that some smaller contributors were aligning themselves with the larger ones for political reasons. In conclusion, he expressed the hope that the consensus reached in the end would serve the interests and the role of the ILO, and urged fidelity to the ideals of the Organization's founders, who believed that poverty was often a source of conflict and needed to be fought through employment, social protection and social justice. This called for solidarity from all parties.

Strategic objectives, mainstreamed strategies and InFocus Initiatives

82. The Chairperson opened the discussion on strategic objectives. Executive Directors would briefly introduce their respective strategic objectives and would respond to questions raised during the discussion.

Strategic Objective No. 1

83. The Executive Director of the Standards and Fundamental Principles and Rights at Work Sector (Mr. Tapiola) said that international labour standards and fundamental principles and rights at work were clearly mainstreamed into the Decent Work Agenda and the country programming approach. The Office's work under Strategic Objective No. 1 was clustered into two operational objectives, with complementary but distinct functions. There had been a dramatic rise in ratifications of fundamental Conventions in the ten years since the Copenhagen Summit had identified the fundamental rights, while the ILO's largest technical cooperation programme, IPEC, had shown how new standards (Convention No. 182) could be supported with new practical products, such as time-bound programmes.
84. The proposals showed how rights and standards were integrated throughout into objectives and outcomes – from EPZs, through youth employment and trafficking, to the informal economy. The normative approach thus stimulated social dialogue at three levels: through the supervisory processes, between the ILO and member States; at the national level, building bridges to solutions to problems of application with the involvement of the tripartite constituents; and in the multilateral system, where ILO standards and rights were an indispensable component of fair globalization. This made for a growing demand for international labour standards, to which the ILO must respond.
85. Mr. Botha noted that the Employers' group had three main priorities under this strategic objective: continued visibility of the Declaration of Fundamental Principles and Rights at Work and a greater role for employers in promoting it; ongoing emphasis on the elimination of the worst forms of child labour and better use of employers' organizations in that fight; and the modernization of international labour standards, covering the creation of new standards, the revision of outdated instruments, the consolidation of existing instruments and continuing discussion under the integrated approach. Mr. Botha recalled that the ILO principle is the effective recognition of the right to collective bargaining and not collective bargaining itself.
86. He considered that the text for the objective was too broad and should include more information on intended ILO activities and the response to constituents' needs. He asked for further information on paragraphs 179, 181 and 182, and for clarification regarding indicators 1a.1(iv), 1a.2(ii), 1b.1(i) and 1b.1(iv), particularly in terms of which actors and what actions were meant. He stated that the Employers' group did not support the promotion of Convention No. 183 mentioned under indicator 1b.1(iii), for the reasons expressed at the time of its adoption.

- 87.** On the issue of mainstreamed strategies, Mr. Botha reported that the Employers' group did not understand the value added of the concept as stated and saw a risk of confusion with the ILO's work. Instead, the Employers' group would encourage an integrated approach to major goals requiring action under all of the strategic objectives. The text was confusing as to how integration would be achieved. Regarding fair globalization, the justification was the discussion of the report of the World Commission. Since the report was currently being discussed by the Governing Body, the programme and budget discussions should not anticipate that discussion. A task force and its mandate should be decided by the Governing Body, and should be focused on policy discussions of the working party. Explanation was needed on gender budgeting (paragraph 265), and further information was needed on how the resolution on gender would be implemented and how constituents would be involved. Concerning tripartism, it was important to reinforce the Office's internal tripartism.
- 88.** Mr. Blondel, speaking on behalf of the Workers' group, supported strengthening the International Labour Standards Department, which was the backbone of the Organization, while he regretted the use of vague terminology replacing ILO "standards" by "core values", "products and services" by "products", and "supervisory machinery" by "procedures". No mention was made of the need to improve labour relations, and the speaker noted the weakness of references to standards in the section on regional priorities, particularly in Europe. Overhauling the standards system could not be a perpetual process. Concerning operational objective 1a, the increase in resources did not reflect a redistribution and a policy choice by the Office, but meant a massive increase in hours of work, in ACTRAV in particular. The Workers did not accept the dependence of the standards sector on extra-budgetary funds, as this undermined the authority of the Governing Body. Would national diagnosis (paragraph 185) replace universal standards and the ILO supervisory machinery, in the case of the informal sector? Workers' organizations should be fully involved in the strategy on combating human trafficking (paragraph 186). The objectives in terms of ratification of Conventions were too modest, and there could be no flexibility when it came to application. Collective bargaining should remain a priority, and the tendency to replace it by social dialogue should be countered. In paragraph 190, concerning "other complaints under articles 24 and 26 of the Constitution", the words "will continue to be handled as time and resources permit" should be deleted, as this approach would undermine the standards system. With regard to export processing zones, the Workers considered that failure to apply international standards was the *raison d'être* of ILO action. They were in favour of funding and holding the Maritime Session of the International Labour Conference, since the social partners and governments had made a tremendous effort to consolidate the maritime labour standards and, depending on the success of this exercise, the same could be envisaged with respect to other standards.
- 89.** The representative of the Government of South Africa, speaking on behalf of the Africa group, supported the proposal for a more streamlined management, and reinforced the Africa group's position that all Conventions should be promoted equally, and that resource mobilization efforts should support this. The group appreciated the proposed strengthening of supervisory mechanisms, and called for more fine tuning of the operational objectives to reflect the priority given to ratification and updating of Conventions.
- 90.** The representative of the Government of Japan commented that the ILO should review its products and services to better serve constituents in countries and regions, and called for balanced progress in all aspects of implementation, application and enforcement.
- 91.** The representative of the Government of Spain supported standard-setting activities as the ILO's primary mandate. He mentioned the importance of the Maritime Session of the Conference. He believed that the three groups represented in the Governing Body would be able to reach consensus after studying the proposals carefully.

92. The representative of the Government of the United Kingdom said that the outcomes and indicators should be able to measure accurately the work of the ILO. He requested clarification on how targets were set and countries identified. He expressed the United Kingdom's full support for the ILO's work on international labour standards, and said that priority should be given to implementation and monitoring of Conventions. While the ILO should continue to develop standards when relevant and timely, he believed that the Conference could have valuable general discussions, without necessarily discussing a standard-setting item each time.
93. The representative of the Government of the United States reiterated her country's view that the essential roles of the ILO had not changed since its formation and were well captured in the four strategic objectives. She expressed appreciation for the return of an indicator on processing of reports and sought the assurances of the Office that the Standards Department would receive sufficient resources to do its work. She requested more information on progress in forced labour and trafficking. She expressed concern that the introduction of five mainstreamed strategies added confusion and might well dilute the importance given to the strategic objectives. The proposed work could fit more logically under the existing four strategic objectives. She emphasized the importance of the ILO's role in combating exploitative child labour.
94. The representative of the Government of the Russian Federation also considered that the indicators were not concrete enough, and asked which countries were selected and on what basis. The Office's role in achieving the outcome should be more visible, rather than the outcome statements simply indicating that member States had done something. He requested that the indicators be improved.
95. The representative of the Government of Canada expressed her full support for the ILO's work on international labour standards, which were the ILO's core mandate. She emphasized the need to prioritize and to focus on support to implementation, as resources were limited. She agreed with the proposal to review the supervisory process and supported the points made by the representative of the United States.
96. The representative of the Government of Italy echoed other questions on how target levels were set and countries selected.
97. In response to questions raised, the Executive Director of the Standards and Fundamental Principles and Rights at Work Sector confirmed that DECLARATION and IPEC retained their separate identities while taking advantage of synergies and seeking technical efficiencies. Various aspects of the proposals might need to be revisited in the light of the discussion. Regarding questions on specific outcomes and indicators, he clarified that in indicator 1a.1(iv) the target of 8 refers to the sum of employers' and workers' organizations. In 1b.1(i) the indicator refers to the Committee of Experts on the Application of Conventions and Recommendations, rather than the Conference Committee on the Application of Standards, because the former is comprehensive, whereas the latter is selective in examination of cases. 1b.1(ii) referred to the role of the Committee on Freedom of Association in noting progress actually achieved. 1b.1(iv) concerned the operation of article 23 of the Constitution and the work of the Office to encourage participation in the supervisory process by both employers' and workers' organizations. On the question of forced labour and trafficking, there were programmes in both IPEC and DECLARATION, and they were being looked at for potential synergies: full information on these programmes was reported to the Technical Cooperation Committee and in the Global Reports. Responding to questions of how targets were set and countries selected, he stated that targets were established in line with resources available: the specific countries in which the ILO seeks results were decided in consultation – normally tripartite – with the

countries involved. Work continued elsewhere in the Governing Body to review the efficiency and effectiveness of the relevant processes.

Strategic Objective No. 2

- 98.** The Deputy Executive Director for the Employment Sector (Ms. Stewart) introduced the discussion on Strategic Objective No. 2: Create greater opportunities for women and men to secure decent employment and income. She stated that the achievement of this objective was predicated on a comprehensive understanding of the diversity of the world of work, in terms of countries, productive activities, size of enterprises, and persons participating in employment. She made reference to specific regional priorities that supported sustainable development, social inclusion and political stability in all countries. She mentioned the operational activities carried out under the Global Employment Agenda, promoting integrated employment solutions adapted to the specifics of each situation and country. Youth employment had been identified as an area of high demand for which the forthcoming International Labour Conference discussion would provide guidance.
- 99.** Ms. Stewart briefly described the main operational objectives of the proposals as well as the new departmental structure of the Sector. She further indicated the multiple linkages established with social dialogue and tripartism, standards and gender equality, including the greater role for the social partners. She made reference to the mainstreaming of gender into employment policy and programmes and the proposed InFocus Initiatives on the informal economy and on corporate social responsibility.
- 100.** The spokesperson for the Workers' group expressed his agreement with the wording of paragraphs 193 and 194, which fully met his group's concerns. The focus should be on employment and income, and on the quantity and quality of employment, including income distribution. He highlighted the importance of strengthening the capacity of employers and workers to participate constructively in the debate on economic and social policy. The Workers wished to be consulted and heard.
- 101.** Mr. Blondel made a number of remarks on the formulation of the operational objectives and indicators presented in the document. He recalled the importance of referring to international labour standards rather than ILO core values. He requested clarification concerning the participation of other partners. He emphasized the importance and the role of trade unions in all enterprises, irrespective of their size, including cooperatives. Good cooperatives should not be opposed to unionization; on the contrary, they were an expression of it. Trade unions contributed to employment as engines of enterprise development. He highlighted the importance of youth employment, in particular from the standpoint of basic education and skills. Lastly, he noted that gender equality was an inviolable principle that had to be applied to all policies, and wished to see more recognition of this point in the document.
- 102.** Mr. Botha acknowledged the new structure of the Sector as a means to enhance coordination and performance. He felt encouraged to see the many references to employment as a centrepiece of ILO action, but could not accept a decision leaving the Employment Sector with fewer resources than in the current biennium, in which it had already suffered a decline. He suggested that resources could be diverted towards the Employment Sector from policy integration and socio-economic floor that did not constitute a priority for the Employers. Employment creation was at the heart of the ILO mandate and he looked towards greater regular budget support as well as more active promotion of extra-budgetary resources.

103. He raised questions regarding the two InFocus Initiatives on the informal economy and on corporate social responsibility with regard to resources and administrative units.
104. Mr. Botha advocated a greater role for national reviews and activities under the Global Employment Agenda in order to enhance country activities. He referred to the role of employers' organizations in better linking multinational enterprises to local small enterprises. The promotion of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy was an important item for the Employers and he hoped this would provide a basis to develop more technical cooperation activities. He asked that the new Human Resources Development Recommendation, 2004 (No. 195), including the Employers' concerns, be duly followed up. He regretted that his suggestion for a dedicated unit on youth employment had not been retained, including a specific objective. He hoped that employment strategies would include the development of public and private partnerships.
105. Mr. Botha offered a number of specific suggestions on the text of the operational outcomes and indicators, recalling the centrality of job creation and entrepreneurship. He raised two specific questions on flagship publications and on references to other partners mentioned in the text.
106. The representative of the Government of South Africa, speaking on behalf of the Africa group, appreciated the financial effort made for employment in the regular budget. He requested the deployment of employment specialists in the field offices in the African region. He welcomed the approach proposed that highlighted employment policy, enterprise development, youth employment, employment-intensive approaches, local economic development and poverty reduction. This was in line with the priorities identified in Africa. He welcomed the emphasis placed on data collection as well as on responses to and recovery from crises.
107. The representative of the Government of the United Kingdom supported the approach that employment was the absolute priority. His Government was committed to the goal of full employment, and a fair society. He referred to employment as the best route out of poverty and welcomed the call for decent work to be taken up in wider international circles, as it had been recently by the United Nations Social Development Committee reviewing the Copenhagen Declaration on Social Development, ten years after the World Summit for Social Development. He made reference to the importance of knowledge networks and the ILO's role therein. He sought clarification on how outcomes, indicators and targets had been arrived at, as well as greater detail on proposed work in relation to youth employment.
108. The representative of the Government of the United States welcomed the emphasis placed on employment – and within employment on skills, employability and youth. She stressed the importance of adequate labour market information as a means to tailor employment policy to specific situations. She offered a number of specific comments in relation to the formulation of outcomes and indicators.
109. The representative of the Government of Canada appreciated the importance given to employment and to skills, youth and enterprises. She also underscored the importance of corporate social responsibility. She suggested a closer linkage between employment creation and DWCPs.
110. The Deputy Executive Director for the Employment Sector provided detailed replies to the questions raised and clarifications sought. In particular she emphasized the diversity of the means of action used by the Sector to achieve the objectives stated in the proposals, as well as the focus on tangible responses to the needs of constituents. She clarified that

publications included the *World Employment Report*, the periodical *Global Employment Trends*, and the *Key Indicators of the Labour Market*, as well as other publications on youth, women and the informal economy. She also explained that other partners and intermediaries included small business support organizations, ministries of trade and commerce, skills development agencies and financial service institutions. She had taken good note of the many useful drafting suggestions made regarding the formulation of outcomes and indicators.

Strategic Objective No. 3

- 111.** In his introductory remarks, the Executive Director of the Social Protection Sector (Mr. Diop) stated that the objective of social protection was set out in the ILO Constitution and that the proposed programme was carefully balanced and centred on finding ways to extend coverage and effectiveness of social protection in the formal and informal economies. In the formal economy, the focus was on good governance, and strengthening labour inspectorates and the legal framework for minimum-wage fixing. The proposed programme was coherent: it combined improved knowledge base, development of new instruments and tools, promotion of standards and social dialogue to strengthen and extend social protection. It also included balancing social protection, labour market and employment policies. He noted that the issues addressed such as migration and HIV/AIDS are urgent priorities of member States. He recalled that the proposed programme had been designed as a direct response to decisions recently adopted by the International Labour Conference concerning extension of social security, occupational safety and health and labour migration. Within resource constraints, difficult choices had to be made. Greater emphasis on extending social security to the informal economy entailed fewer resources on pensions; the high demand for assistance on minimum wage issues meant less focus on wage discrimination and on the role of social dialogue in wage determination. Similarly, follow-up to the Safety and Health in Agriculture Convention, 2001 (No. 184) had not been as strong as originally envisaged.
- 112.** Mr. Botha, speaking on behalf of the Employers' group, stated that his group had three priorities under this strategic objective, namely the Global Campaign on Social Security and Coverage for All, occupational safety and health and action to combat HIV/AIDS. He welcomed the emphasis placed by Mr. Diop on these areas. However, he regretted that occupational safety and health was no longer referred to under a specific outcome. The Employers' request to turn the programme on HIV/AIDS into an InFocus Initiative had not been heard. He requested greater involvement of employers and workers in the programme. He warned against a possible confusion between social protection and social security, as these were not interchangeable words; his preference was for "social security". He questioned the value of another database on socio-economic security to rank countries and suggested the resources might be better used for specific activities. Social security was not to be confused with economic security. He made a number of detailed observations in relation to the formulation of specific outcomes and indicators. He warned against confusing trade with migration policy and asked for a progress report on the Global Social Trust.
- 113.** The spokesperson for the Workers' group recalled certain underlying principles concerning social security, emphasizing that his group supported the programme proposed. Social security went far beyond the resources allocated to this purpose, because it contributed to people's solvency by supporting consumption, sustainable development and solidarity. Social security was for everyone and should not depend on people's income or social status, or on whether they were rich or poor. Social security belonged to everyone, whether it was financed by taxes or workers' and employers' contributions. Everyone should have guaranteed access to social security, irrespective of their employment status or whether

they were unemployed, day labourers, retirees, workers without a contract or people with disabilities. Health was not a commodity. These were the principles underlying the Workers' approach.

114. Referring to indicator 3a.1, Mr. Blondel pointed out that his group wished to see a public scheme open to everyone. He commended the references to work in the informal economy, suggesting that social security contributions were an excellent means of formalizing the informal. He expressed appreciation for the work that had been done on the minimum wage and wished to see it expanded to support trade unions in wage bargaining.
115. Concerning occupational health, Mr. Blondel recommended extending the concept to include protection of the environment, including stress, harassment and mental health. This was made necessary by the increase in the pace of work and productivity.
116. Mr. Blondel stressed the importance of labour inspection and of the independence of the inspectorate, which sometimes came under pressure from employers. He highlighted the importance of safety and health in agricultural and in export processing zones. Setting up occupational health and safety committees was often a positive first step.
117. Concerning HIV/AIDS, Mr. Blondel pointed to the need for social security to provide access to the necessary medication to combat the disease. Participation by the trade union movement was essential.
118. The representative of the Government of South Africa, speaking on behalf of the Africa group, recalled that the challenges of social protection were immense, particularly in Africa. They included protection in the informal economy; combating HIV/AIDS; labour inspection and administration; and reducing the costs of occupational safety and health breaches. He found the proposed programme adequate and in line with the expressed priorities in Africa. He supported the programme.
119. The representative of the Government of Spain pointed out that in his country there were as many female as male labour inspectors. He questioned why labour inspection had been placed in this sector, separate from labour administration. As established in the Labour Administration Recommendation, 1978 (No. 158), the efficiency of labour inspection rested on it being closely linked to labour administration. He also pointed out that labour inspection was linked to respect for workers' rights, a much broader concept that included protection at work.
120. The representative of the Government of Japan recalled the extent and the costs of work accidents in the world of work. Labour protection should be given the highest priority. He was happy to inform that the Asbestos Convention, 1986 (No. 162), was being examined by the Parliament in Japan.
121. The representative of the Government of the United States expressed strong support for ILO work in occupational safety and health and in conditions of work. She recalled that the ILO was mandated to protect the rights of migrant workers; it should not seek to limit the sovereign rights of nation States and should avoid duplication with other international organizations. She suggested a number of modifications in the formulations of outcomes and indicators.
122. The representative of the Government of the United Kingdom fully supported the coherent approach presented and found the mix of actions proposed adequate. Labour protection was an important element in poverty alleviation, employment promotion and enterprise development. He observed that the Global Social Trust was a good initiative that should be sustained at the local level. He requested information on its progress. He noted the

important contribution of the ILO in bringing the social partners into programmes addressing the HIV/AIDS epidemic.

- 123.** In his reply to the speakers, Mr. Diop recalled that the proposed programme responded directly to the decisions of the International Labour Conference. He observed that social protection was a wider concept than social security. Mr. Diop strongly supported the need for an integrated approach to social protection combining prevention (occupational safety and health), income (minimum wage) and coverage (social security) based on a policy that was appropriate to the realities in this sector. The lack of occupational safety and health tools contributed to an increased occupational accident and disease rate in an environment where there was often a high degree of illiteracy. The absence of a guaranteed minimum wage made it difficult to contribute to social security, so that workers and their families had to pay their own way in the event of illness, placing a serious strain on their meagre income and exacerbating poverty. The Global Campaign on Social Security and Coverage for All was the appropriate response to achieve inclusion by providing access to health care through mutual health organizations on a voluntary basis, with the aim of making the system compulsory.
- 124.** Mr. Diop welcomed the strong support by Governing Body members for the InFocus Programme on Safety and Health at Work and the Environment (SafeWork), emphasizing the expertise of labour inspectorates, which carried out prevention and control independently of labour administration. In relation to labour migration, Mr. Diop referred to the Plan of Action adopted by the Conference and noted that the forthcoming meeting of experts would provide more specific guidance on priorities.
- 125.** Concerning HIV/AIDS, Mr. Diop welcomed the very positive outcome of the Programme, which had certainly gained visibility at the international level. The time had come now to focus ILO activities on the enterprise, in line with the joint IOE-ICFTU declaration which met an explicit demand by the constituents. He mentioned that the Global Social Trust was an innovative pilot project based on international solidarity. He informed the Committee that a progress report will be presented at the November 2005 session of the ESP Committee and the March 2006 session of the Governing Body will be requested to decide on whether to continue the pilot project. Mr. Diop pointed out that the Social Protection Sector would make a significant contribution to the Office's policies to be implemented with regard to export processing zones and corporate social responsibility.

Strategic Objective No. 4

- 126.** The Chairperson opened the discussion on Strategic Objective No. 4: Strengthen tripartism and social dialogue. He noted that the Executive Director of the Sector would not be able to make an opening presentation but that a number of experts from the Sector would provide information. The Executive Director for Management and Administration (Ms. O'Donovan) provided a correction to the text, as follows: Indicator 4a.2(i) on page 76 in the English version should read "Employers' organizations influence policies at the national, regional or international level to improve enterprise performance and competitiveness."
- 127.** Mr. Blondel, speaking on behalf of the Workers' group, reaffirmed the group's full support, in regard to Strategic Objective No. 4, for the InFocus Initiative on export processing zones, as well as the priority given to the application of national legislation and international labour standards. The speaker wished to see a more balanced utilization of extra-budgetary funds in favour of social dialogue, which was a priority of the Organization. The capacity of the Office should be strengthened in the field of labour relations, in order to better meet the needs of the tripartite constituents. The promotion of

the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), and the Labour Relations (Public Service) Convention, 1978 (No. 151), should be ensured. It should be the task of the Social Dialogue, Labour Law and Labour Administration Department (DIALOGUE) to coordinate all the aspects of labour inspection.

128. Concerning operational objective 4a, the Workers wished to see international labour standards integrated in all activities in order to strengthen the trade unions' capacity to participate in developing constructive labour legislation. The end of the paragraph should mention the social dimension of globalization.
129. Referring to outcome 4c.1, the use of the term "performance" was ambiguous, in particular when it was not accompanied by the words "rights and protection". There should be no reduction with respect to social dialogue at sectoral level; quite the contrary.
130. The ILO should encourage countries to be open to the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144). However, this Convention was no substitute for collective bargaining, labour relations or social dialogue. The latter was currently becoming increasingly difficult at every level and in all countries. Assistance should be given to trade union organizations that did not yet engage in social dialogue and collective bargaining, as they should not only have an opposition role. The speaker wondered whether tripartite dialogue worked in the Office and whether ACTRAV and ACT/EMP should not be consulted on a permanent basis on all strategic activities.
131. Mr. Botha agreed on the need for tripartism – both within the Office as well as externally – and emphasized the need for the Office to have adequate resources to support employers' organizations and to respond to internal demands for expertise. He recalled earlier objections to a separate operational objective on sectoral issues, questioning the appropriateness of this with limited sectoral standard setting apart from maritime. Sectoral activities were clearly constituent-driven, and the role of the Committee on Sectoral and Technical Meetings and Related Issues in defining the programmes remained important. He reminded the Committee that the Employers were in favour of effective recognition of the right to collective bargaining and requested the ILO to promote an environment within which social partners might choose to pursue this. He suggested that the indicator in 4b.1(i) was perhaps too limited by a desire to integrate gender results.
132. Turning to InFocus Initiatives, he queried how and why the three proposed had been chosen and recalled that the Employers had identified youth employment and HIV/AIDS as areas requiring attention.
133. Mr. Blondel, speaking on behalf of the Workers' group, expressed their approval of the three InFocus Initiatives on the informal economy, corporate social responsibility and export processing zones, especially the latter, because the problems arising in these zones were a matter of deep concern to the international trade union movement. The speaker requested more detailed information on the budget, indicators and intended impact of the initiatives, and considered that the Initiative on export processing zones belonged within the remit of the social dialogue sector.
134. It behoved the Office to follow up on the World Commission, and hence the issue of a fair globalization could not be overlooked in the mainstreamed strategies. The Workers therefore approved paragraph 251.
135. The representative of the Government of South Africa reported the Africa group's commitment to social dialogue and stressed that enhanced capacities for and institutions of social dialogue were critical to improved governance in the region. The representative of

the Government of Kenya added that involving the informal economy in social dialogue was important.

- 136.** The representative of the Government of the United Kingdom emphasized the value of social dialogue. On the issue of using ratifications as a target, he asked for more information on the basis upon which countries were selected and on the relationship these targets had for those of Strategic Objective No. 1 – as well as on the resources devoted to ratification as compared to the development of new Conventions.
- 137.** The representative of the Government of the United States recalled IMEC's earlier comment on the lack of concrete benefits of sectoral activities and expressed concerns about the relative size of the budget, at one-fourth of the total for the Sector. Commenting on InFocus Initiatives, she noted that the earlier proposal for an InFocus Initiative on decent work indicators had been dropped, but that it was now presented under strengthening statistical capacities. She believed that the problems inherent in data collection and comparison made the value of this work questionable and did not support resources for it at this time.
- 138.** The Director of the Department of Social Dialogue, Labour Law and Labour Administration (Ms. Walgrave) replied to the points raised, clarifying that assistance on labour legislation administration was provided at the request of countries, about 25 per year. She observed that assistance to modernize labour administrations was often useful to the social partners as well as to the labour ministries. She took note of the Committee's recommendation to coordinate responses for assistance on labour inspection and labour administration, and confirmed that ratification as a target represented only part of the range of technical assistance and support provided to all constituents.
- 139.** The Deputy Director of the Department of Sectoral Activities (Mr. Jennings) commented that sectoral activities were among the most constituent-driven work of the Office, and that recent reforms had led to a new mix of shorter meetings and action programmes which seemed to be making good progress. He confirmed that work programmes for the next biennium would be established based on constituents' priorities, and new demands, such as that concerning the textile and clothing sector. He reminded the Committee that the sectoral activities budget was a quarter of Sector 4's budget because it included meeting costs and because SECTOR had no field-based specialists.
- 140.** The Executive Director for Management and Administration responded to the discussion on the mainstreamed Strategies and InFocus Initiatives. She recalled that during the Committee's debate in November 2004, mainstreamed goals and associated indicators and targets had been criticized as introducing too much complexity. This matter had therefore been addressed in the revised formulation, which continued the same themes but clarified the intention. As the spokesperson for the Employers' group had stated, these were issues that needed to be kept in mind by the whole Office working on all strategic objectives. She clarified that gender budgeting was usually used to refer to the examination of national governments' planned and actual expenditure in terms of its implications for women and men, and that the intention within the ILO would be to use IRIS to ensure that gender was systematically mainstreamed. The mainstreamed strategy advancing gender equality described part of the follow-up to the 2004 resolution concerning the promotion of gender equality, pay equity and maternity protection, with the rest found in all four strategic objectives. The mainstreamed strategy on a fair globalization was intended to pull together the ILO's work on this issue to better enable constituents to influence developments in globalization, by supporting the work of the Working Party on the Social Dimension of Globalization, the Governing Body and regional meetings.

141. Ms. O'Donovan described InFocus Initiatives as a way of consolidating existing ILO resources and expertise to produce new products for constituents in areas of particular interest to them, not to create new administrative units but to better use existing resources. She reminded the Committee that proposals to create InFocus Initiatives on youth employment and HIV/AIDS were not necessary as these issues were incorporated in the operational outcomes under the relevant strategic objective with considerable resources allocated to them.

Institutional capabilities and governance, support and management

142. The Chairperson opened discussion on the final sections of the Programme and Budget proposals for 2006-07: Institutional capabilities and governance, support and management.
143. The spokesperson for the Workers' group, Mr. Blondel, commenting on the savings presented in the document, regretted that there would be a negative impact on the Office's programme of activities, in the form of a drastic budget cut, because of the extraordinary expenditures expected in the 2006-07 biennium.
144. Mr. Blondel would have liked to see more precise estimates in the document on a number of chapters concerning savings, in particular those necessitated by the introduction of IRIS. While acknowledging the need for this, Mr. Blondel expressed concern that when it was introduced there would be a digital gap between the Office and its constituents. He urged caution in considering possible savings, taking into consideration the potential repercussions for constituents, in particular in the area of publications.
145. Concerning security, he expressed concern at the considerable increase in costs generated by the new security measures. He expressed the Workers' support for ensuring a minimum level of security in line with the standards fixed by UNSECOORD, while cautioning against blindly following the measures taken by other agencies. He also recalled the need to ensure a certain amount of flexibility in access to the Office for the Organization's constituents during the sessions of the Governing Body and the International Labour Conference. He pointed out that the image of the Organization was a stake.
146. He expressed the support of the Workers' group on the emphasis laid in the budget on developing staff capacity. He stressed that active participation by departments such as ACTRAV, as well as the Turin Centre, was essential in identifying training needs and managing the training effort.
147. Concerning recruitment policy, he suggested that it take into consideration the unique feature and value added of the ILO, namely tripartism. He proposed that his group hold exchanges of views and discussions with the Human Resources Department and the Staff Union on recruitment policy. He also requested additional information on reductions in the salary and grade structures proposed as a means of achieving savings.
148. Concerning the efficiency measures envisaged in the document, he recommended that this should not jeopardize the needs of units such as ACTRAV and ACT/EMP, as well as other technical departments, in particular those dealing with labour relations.
149. With regard to staff costs, he noted that the increase referred to in the information annex was on the order of US\$25.8 million, while at the same time the Office was planning to freeze 166 posts at the Professional level and above, and 62 General Service posts.

- 150.** In annex 3 on the operational budget, he drew attention to the fact that there had been a spectacular increase in budgetary allocation for external collaboration contracts by the Employment Sector for the next biennium. He pointed out that there was a contradiction between the context of budgetary restraint in which the Office planned to freeze a large number of posts, on the one hand, and advocating an increase in the use of external services, on the other. He requested clarification on this point.
- 151.** With regard to travel on official business, he regretted that most sectors registered drastic cuts on this item, in particular the Social Dialogue Sector, in which ACTRAV and ACT/EMP had to keep in close contact with their constituents in the field.
- 152.** He expressed support for the establishment of a new separate evaluation unit, which he hoped would provide a strengthened and independent evaluation of technical cooperation projects.
- 153.** Concerning the section on “governance, support and management”, given the impending mass retirements and ensuing loss of institutional memory, he called on the Office to recruit more staff with practical experience in labour relations, experienced trade unionists and staff with a background in labour administration, while recalling the importance of all new staff undergoing orientation on the values and principles of freedom of association, tripartism and social dialogue.
- 154.** In conclusion, he reiterated his group’s opposition of the Workers’ group to the proposal to suppress the *Provisional Record* at the International Labour Conference, pointing out that these publications, which were translated into different languages, were an indispensable tool for effective participation by the Workers’ group.
- 155.** Mr. Botha, speaking on behalf of the Employers’ group, emphasized that extending partnerships should involve constituents, and called for clearer indicators and more information on the intended strategy. On strengthening statistical capacity, he reiterated the reservations expressed by his group about decent work indicators, and asked for the section to be rewritten to reflect recent consultations and agreements. The need for stronger communications strategies and for the ILO to be better known was supported, but he requested more clarity on who the key decision-makers referred to in the goal statement were, and suggested that the total budget might be large for the size of the ILO. The text on the International Training Centre of the ILO, Turin, inadequately prioritized constituent needs, and the reference to a socio-economic floor in the text on the International Institute for Labour Studies was unacceptable. He also noted that while budgets in the technical sectors and regions were declining, that for administration and management had increased. Finally, he expressed concern that decisions of the Governing Body on the International Labour Conference had been anticipated in terms of the suppression of the *Provisional Record*, and that this might not be realized.
- 156.** The representative of the Government of Italy welcomed the focus on partnerships as a way of avoiding duplication of effort. He endorsed the strategy for the International Training Centre in Turin but suggested some indicators for progress on the Task Force recommendations be included. He supported the call for an improved grade level balance. As regards governance, he wondered whether savings might be realized with improved information technology infrastructure. His Government also supported efforts to improve independent evaluation, particularly of project evaluations.
- 157.** The representative of the Government of the Russian Federation observed that the ILO was the only United Nations agency whose web site was in only three languages and suggested that it would be used more widely if it was in six languages. He recommended that the indicators under external audit should emphasize the implementation of recommendations.

On human resource indicators, he raised the concern that the indicators listed did not match those of the human resource strategy, and asked for greater clarity on the grade reductions. He queried the IT indicator of 99 per cent availability. Regarding security, he believed more discussion should be undertaken to arrive at an appropriate level for the Office.

- 158.** The representative of the Government of the United States commended the development of a sound and integrated research agenda, strengthened analytical and statistical capabilities, and a focus on fewer, high quality publications. These would respond to constituents' needs, provide useful policy advice and influence other organizations. She suggested a percentage target for peer-reviewed publications. She asked what the relationship of various current units would be to these new approaches: would the Institute lead all research work and, if so, how would this be done to ensure quality and non-duplication? She noted that three different Departments currently produced statistical products (*KILM*, *Yearbook* and *SIMPOC*) and asked how these would be consolidated and who would be responsible. She reiterated her Government's question of the need for the Policy Integration Department as significant elements of its work had either ceased or were now the responsibility of other ILO offices. She asked how the Inter-Office Task Force on a Fair Globalization would relate to the Policy Integration Department.
- 159.** On governance, support and management, the United States supported moves to reduce travel costs and increase the use of videoconferencing. However, she believed further savings could be achieved through use of economy class fares on all ILO-paid travel including Employers' and Workers' delegates to the Governing Body except in limited extenuating circumstances. Further savings could also be required in staff grading, where over-grading of Professional posts added an additional US\$30,000 per position per year. A correction in this area could save an additional \$2 million and generate further savings in the long term. Further savings could be realized by setting aside only \$2.5 million for the Staff Health Insurance Fund, with further amounts in subsequent biennia if required. Under the financial circumstances, the budget for Communication and Public Information should be held at its nominal 2004-05 level, saving over 1 million dollars. Finally, she suggested that results-based management principles would require targets attached to all expenditures in this area.
- 160.** The representative of the Government of Canada stated that she would add a few points to those mentioned by the representative of the Government of the United States, which she supported. She agreed with the United States and the Employers' group that no consensus had been reached on decent work indicators and that more consultations were needed before any resources should be expended. She suggested that a target for savings resulting from a strategy should be included. She noted the absence of targets for Turin and the Institute, and joined others in their requests for clarification on the relationship between the Policy Integration Department and the new Task Force, and their respective mandates and targets.
- 161.** The representative of the Government of the United Kingdom, whilst agreeing with the earlier statements from the Government representatives of Canada and the United States, wished to add the following points in relation to the proposals on governance, support and management. She pointed out that for the sake of clarity and transparency all indicators should be available in the programme and budget proposals and not referred to in other documents. All targets needed to be measurable, realistic and time-specific. For example she found the second target under "Technical cooperation management indicators" particularly weak. Under "Financial management indicators", she observed that the current target should be expanded to include timely follow-up to the recommendations of the external auditor and annual reports thereon to the Governing Body. She suggested that, under "Human resources management indicators", target 5 should also take into account

the principle contained in the Staff Regulations that all positions should be filled through a transparent and merit-based process.

- 162.** Regarding “Services to governance”, she recognized the real progress made in the timely production of documents, but was unhappy with the formulation of the target concerning delivery of Governing Body documents, suggesting instead that, at a minimum, such documents should be with members no later than 15 days before the start of the Governing Body. Governing Body members needed to undertake consultations in order to participate fully in its meetings. Regarding the introduction of digital recording services, she would be interested in seeing a cost-benefit analysis of the proposal.
- 163.** The speaker further suggested her wish to see an indicator on internal audit services. Regarding “Internal administration and security indicators” she requested clarification of the target on minimum operating security standards, as she believed not all offices were compliant with such standards. She suggested an alternative formulation of the target on accommodation reading as follows: “ILO formulates, agrees with the Governing Body and implements an effective accommodation strategy as soon as possible.” In concluding she thanked the departments concerned for the progress made in implementing results-based management.
- 164.** The representative of the Government of Japan, in reference to the target on the grading structure, observed that the average grade level of the ILO was much higher than in other United Nations agencies. He pointed out that document GB.292/PFA/16 indicated many recruitments at P.4 and P.5 grades for persons aged 46-55 years. He suggested two main elements contributed to the high average grade. First, a single standard cost was applied whereby managers had an incentive to recruit personnel at a higher grade regardless of the real cost. The speaker noted that his Government fully supported document GB.292/PFA/17 in which the Office stated that a system of differentiated standard costs would be introduced to assist in achieving a more balanced grade structure.
- 165.** The second element identified by the speaker was the imbalance in recruitment decisions and budget allocations between the Human Resources Department and other Office departments. The speaker referred to the experience of the Young Professionals Programme introduced in 2001, which had had a strong impact on the recruitment of younger staff. This positive development had ended with the discontinuation of the programme, which the speaker regretted. He further pointed out that the Human Resources Department had little cooperation from other Office departments in integrating young professionals. He observed that a new human resources strategy would be difficult to implement if the Human Resources Department did not have the power and budget on personnel matters.
- 166.** The speaker indicated three areas in which he sought clarifications from the Office. He wished to know why the Office had postponed the introduction of differentiated standard cost and when it was likely to be introduced. He expected the Office to detail in its proposals for 2006-07 the expected savings to be derived from the application of differentiated standard cost. Finally, he asked what plans the Office had to recruit young professionals upon the many expected retirements at higher grades.
- 167.** The speaker noted that the target for national representation under “Human resources management indicators” was limited to non-represented countries and with a rather low target of ten staff. Whilst recognizing the importance of this target he urged the Office to set a more aggressive target including under-represented countries.
- 168.** The speaker referred to the poor formulation of the second target on IRIS under “Information technology indicators” and suggested an alternative formulation, stating that

the operational costs of IRIS should be met through its cost-savings effects. He requested the Office to identify further cost savings in the forthcoming biennium as a result of IRIS in its revised budget proposals.

- 169.** In response to questions from the Worker and Employer spokespersons and from the Government representative of the Russian Federation regarding the high cost of security, the representative of the Director-General (Mr. Thurman) indicated that minimum operating security standards would be applied throughout ILO offices by the end of 2005. The United Nations General Assembly had decided that funding for central security operations would be charged to each agency of the system. Mr. Thurman pointed out that the ILO had no control on the level or rate of increase of these costs.
- 170.** In reply to a question posed by Mr. Blondel, Mr. Thurman indicated that the freezing of established positions as indicated in Information Annex 4 did not affect staffing levels and only reduced the proportion of staff with “without limit of time” contracts.
- 171.** In reply to a question from Mr. Botha, Mr. Thurman explained that each sector decided on a ratio between staff and non-staff expenditure appropriate to its situation and that the Employment Sector had budgeted for a higher level of non-staff resources in relation to staff costs in pursuit of overall cost-effectiveness. He further indicated that except for IRIS the overall budget for management and administrative services showed a significant reduction when compared with the present biennium, although the newly decided centralization of these services resulted in a higher budget line for the Executive Director’s Office.
- 172.** Mr. Thurman observed that many members of the Committee had made excellent suggestions to improve the formulation of indicators and that work would commence immediately in order to take these into account.
- 173.** The Executive Director for the Management and Administration Sector replied to a number of queries and comments made on the proposals submitted. On labour statistics, she indicated that the Director-General had already stated his intention to build a coordinated and centrally managed statistical programme. However, the details had still to be finalized. Several members had raised questions in relation to decent work indicators. Ms. O’Donovan indicated that the initial proposal of an InFocus Initiative in this area had not been pursued. She pointed out that the ILO needed a strong and high-quality labour statistics programme to support the formulation of advice on policies around the Decent Work Agenda. Available statistics were more developed in some areas than in others, and improvements were necessary in order to respond to the priorities of our constituents. She underscored that there was no intention of developing oversimplified aggregate measures of decent work or to rank countries or enterprises.
- 174.** In reference to comments made on ILO publications and research, Ms. O’Donovan indicated that the thrust of the Director-General’s policy was to have fewer publications of a high quality, even at the expense of quantity, and for a well-coordinated cross-Office research strategy delivering high quality research products and policy development. The Institute of Labour Studies had a pivotal and catalytic role to play in this regard, and its strategy had been defined in November 2004 when its Board had approved a strategic review. However, research would continue to be carried out in other parts of the Office. For this reason, the Director-General had recently decided to establish a cross-Office committee on research policy and publications, as a means to strengthen the linkages between research and knowledge strategies. Furthermore, she pointed out that all official ILO publications would be subject to a peer review which was already the case for flagship publications.

- 175.** Ms. O'Donovan explained that, as a result of reorganization, the Department of Communications now encompassed library services and publications. The budget proposed for 2006-07 amalgamated the resources of these three units and should be compared with the present biennium on that basis. In response to a query from the Government representative of the Russian Federation, she indicated that the availability of the Moscow Office web pages in Russian was being examined in conjunction with that Office.
- 176.** She further explained that the proposals presented no indicators for the Institute for Labour Studies and the Training Centre in Turin in view of the specific nature of these bodies which had separate boards and programmes of work where details could be found.
- 177.** In response to several observations regarding the amount of US\$5.4 million mentioned in paragraph 39 of the proposals, the speaker indicated that the Office would have to find other means to finance this shortfall and would not make any request for additional resources this biennium in relation to this item. She further pointed out that information on projected institutional investments provided in table A between paragraphs 78 and 79 was only indicative. There was no intention to seek the acceptance of the Governing Body on these projections in any way and no implications on the budgetary discussions for 2006-07.
- 178.** The Director-General made a statement which is reproduced in Annex II.
- 179.** The Committee reconvened on 17 March. It had before it the document ² on the Director-General's proposals for adjustments to the Programme and Budget proposals for 2006-07, comprising a revised point for decision (paragraph 5), and two appendices, the first presenting adjustments to the operational budget and the second showing the provisional programme level resulting from the proposed adjustments. These adjustments were presented by the Director-General and his statement is reproduced in Annex III.
- 180.** Mr. Blondel, speaking on behalf of the Workers' group, recalled that when the programme and budget proposals had first been presented by the Director-General, the Workers had expressed support for the proposed 4.3 per cent increase in the interest of reaching consensus, although they would have preferred a bigger and more appropriate increase. They now regretted that the Director-General was obliged to abandon even that modest ambition, while the Governing Body faced conflicting demands to provide ever more numerous services and to make further budget cuts. The Organization's budget was the practical reflection of its policy objectives. Did the ILO have policy objectives, and did it still want workers to believe in it? The Workers regretted in particular the fact that the Director-General had been obliged to choose between maintaining the Resolutions Committee and maintaining the Maritime Session of the Conference, and that standards, despite being regarded as a core area by a number of Governments, were also bearing the brunt of these new cuts. Decentralization of departments and integrated management might succeed in mitigating the effects of budget cuts by encouraging a more cross-departmental approach to financial management. The Workers would refrain from entering into a dispute on the matter, and instead requested the Governments to give the matter further thought. Rather than express a reservation, they preferred to avoid expressing any position regarding document GB.292/PFA/8/1 until after hearing the views of the other constituents on the matter.
- 181.** Mr. Botha, speaking on behalf of the Employers' group, recognized and appreciated the new, more transparent approach to the budget development process. The Employers would have preferred to discuss adjustments of priorities within the originally proposed budget level to ensure that all interests were being met, and regretted that they were now

² GB.292/PFA/8/1.

considering whether the interests of the constituents were addressed within a lower overall figure. He believed that the new proposals responded to the priorities that had been expressed for employment, especially youth employment, and for social dialogue. The Employers would work to ensure that DWCPs also had an emphasis on employment. The Employers were of the opinion that further savings were possible, but that such savings should be reallocated within the budget, and that essential areas such as investment in staff capacity should not be reduced. The need to provide for capital expenditure and maintenance was also noted. He stated that the Employers would prefer to achieve a full consensus on the budget and would reserve their position until they heard from governments.

- 182.** The representative of the Government of South Africa, speaking on behalf of the Africa group, expressed appreciation for the document on proposed adjustments. He noted that the Africa group had been prepared to support the original proposals the previous week, although it shared many of the concerns that had been raised. In the revised proposals, he welcomed the proposed level of support for the regions and the maintenance of some provision for unforeseen expenditure. However, further reductions to the budget would tend to cause the Organization to stagnate and become irrelevant, a situation no one would want. Therefore, the Africa group supported the revised proposals and counselled against further reductions, which would tend to suggest a lack of seriousness about the Organization. The representative of the Government of Kenya endorsed that position, and the representative of the Government of Cameroon added that the revised proposals were balanced and relevant, and would ensure the survival of the Organization in the spirit of its founders.
- 183.** The representative of the Government of Nigeria agreed with the Africa group's statement, and added her concern that the proposed provision for unforeseen expenditure was inadequate. That point was also noted by the representative of the Government of Sudan, who reminded the Committee that changes and new demands might arise as a result of the priorities of the constituents, and by the representative of the Government of Malawi, who also drew attention to the relatively high cost of travel in Africa and the concern that budget reductions in that area would disproportionately affect the region.
- 184.** The representative of the Government of El Salvador, speaking on behalf of GRULAC, recognized the efforts that had been made to respond to the interests expressed and supported the increased allocation to regions and to youth employment. He noted the reductions to Parts IV and II, and said that the proposed budget level was reasonable to ensure the continued functioning of the Organization. Acknowledging that the revised proposals would lead to an increase in their contributions, and noting that that did not imply a precedent with respect to any other United Nations organization, being based as it was on the unique character of the ILO, its objectives and its tripartite nature, GRULAC was prepared to support the revised proposals.
- 185.** The representative of the Government of Jordan, speaking also on behalf of the Government of Saudi Arabia, expressed appreciation for the serious and constructive efforts made by the Director-General and the Office in response to the demands of the constituents to review the budget. He quoted a proverb to the effect that people should be asked only to do what was in their capacity to do, and asked that the Committee respect a balance between the budget and the tasks it expected the Office to undertake.
- 186.** The representative of the Government of New Zealand expressed her appreciation for the consultations and for the revised budget level, as well as for the approach of specific modifications rather than across-the-board cuts. She reiterated a request that the Director-General propose a plan to the Governing Body for sustainable medium- and long-term funding and maintenance of ILO assets and systems. Recognizing the significant role the

ILO had to play in supporting the labour and employment components of globalization, she supported the need for adequate resources and was committed to working towards a consensus.

- 187.** The representative of the Government of Bulgaria joined those calling for a consensus on the revised proposals, on the grounds that they responded to the need for institutional investment while protecting regional programmes and strengthening initiatives for decent work for youth within the framework of country programmes.
- 188.** The representative of the Government of the Islamic Republic of Iran observed that increases in the contribution level would entail tightening his national budget in important areas. However, given the positive revisions made by the Office and in anticipation of an increased value of the ILO's presence and activities, he supported the revised proposals.
- 189.** The representative of the Government of Italy noted that additional savings would have been welcomed, for example in the efficiency and duration of ILO meetings, an area in which the constituents also bore some responsibility and wished that the Office would show leadership in this and other issues. He supported a continuous quest for further efficiencies and savings, from IRIS and other measures, and stated that despite Italy's strict budget constraints, he would join a consensus on the revised proposals.
- 190.** The representative of the Government of Argentina, recalling his support for the initial proposals and stating his intention to support consensus on the revised proposals, emphasized that the revisions reflected the outcome of intensive consultations. He supported increased resources for regions and youth employment, and welcomed the fact that no reductions were proposed for Turin and technical cooperation. He hoped that programme execution and quality would not be impacted by reductions elsewhere. He agreed that donors should use the Decent Work Agenda to ensure a more balanced approach to the development agenda.
- 191.** The representative of the Government of the United States appreciated the effort that had gone into producing the revised proposals. She noted that adjustments had protected programmes and had focused on cost increases, thus responding to the views of the Governing Body on the importance of the ILO's work and on preserving its core activities. However, she was of the opinion that additional efficiencies could still be found. She reiterated that the position of her Government was not a lack of support for the ILO or its activities, but a recognition of very real budget limitations. While the revisions had moved in the right direction, the level of the budget was still too high, and could not be accepted by her Government. She urged the Office to carefully consider options for additional savings and to return with a budget that all could accept.
- 192.** The representative of the Government of Germany expressed her satisfaction that many of Germany's comments and concerns were reflected in the revised current budget proposals. She also emphasized her commitment to tripartite processes and consensus, noting her willingness to accept the revised budget, despite a preference for stronger reductions and savings, particularly from IRIS. Considering that only a few member States could at the moment not support the revised budget proposals, she invited the Director-General to make another attempt to get also these Members on board.
- 193.** The representative of the Government of Norway approved of the adjustments made in favour of the regions and youth employment, noting that Norway, in principle, did not approve of increases beyond zero real growth. However, given extraordinary needs, such as investment in security, he was prepared to join a consensus on the revised proposals.

- 194.** The representative of the Government of United Kingdom, speaking also on behalf of the Government of Canada, and referring to the positions of governments not represented in the Governing Body, recalled his statement the previous week that there was scope for substantial savings and reiterated the very high value that was placed on the work of the ILO. While he appreciated the consultation process and noted that some of his proposals had been taken into account, he considered that there was scope for further efficiency savings, and asked the Office and the social partners to reconsider the revised proposals, as his Government could not agree to them as presented.
- 195.** The representative of the Government of Japan recalled that the position of his Government was for zero nominal growth. He expressed disappointment that his request for more savings in staff and management costs, and further savings from IRIS, were not adequately reflected in the revised proposals. He therefore could not accept the revised proposals.
- 196.** The representative of the Government of France thanked the Director-General for having undertaken such far-reaching reductions, even if they were somewhat excessive in some cases, especially in staff training and provision for unforeseen expenditure. The Government of France welcomed the fact that all the funds needed for the operation of the regional offices had been left untouched, as well as the funding for the Maritime Session of the Conference, and that the provision for cost increases would be of the order of 6 per cent, rather than 7.1 per cent. However, the savings made should be used in the field to promote decent work. Measures to support the transformation of the informal economy had hitherto given rise to speeches but little in the way of specific initiatives. He greatly regretted the absence of new developments in respect of the Office's standards-related activities. He continued to believe in the integrated approach, but noted that the Organization did not allow itself the resources needed to put this into practice. The Government of France accepted the consensus but with a heavy heart. It had wanted a rigorous and ambitious budget with regard to decent work, but the budget was actually rigorous only in purely accounting terms. He was also surprised that States claiming to be suffering from budget difficulties of their own, which forced them to push for savings in the regular budget, were nevertheless major contributors of extra-budgetary funds. In conclusion, he hoped that a consensus regarding the appropriate budget would be reached quickly, in order that the Organization could avoid sending out a regrettable policy signal and undermining its credibility just a matter of months away from the 2005 Summit on the Millennium Declaration and the Copenhagen +10 meeting.
- 197.** The representative of the Government of the Philippines expressed her support for the revised proposals, appreciating the support for the regions and the proposed participatory approach to reviewing the ILO's field representation. She expressed concern at the reduction of the revised budget proposal, particularly with regard to sectoral activities programmes, which focused on finding where real problems lay and addressing the needs of the constituents.
- 198.** The representative of the Government of China recognized the efforts that had been made to adjust the proposals, balancing the needs of the ILO with the economic challenges faced by member States. He asked the Office to follow prudent and cost-saving approaches, and to continue to seek additional extra-budgetary needs, and stated that China was not opposed to the revised proposals.
- 199.** The representative of the Government of the Bahamas, speaking on behalf of Barbados and the rest of the English-speaking Caribbean group, supported the position of GRULAC and added his disappointment that cuts had been made. He said that cuts would impact on the delivery of programmes dealing with HIV/AIDS, youth employment and job creation for women. Nevertheless, he supported the revised proposals.

- 200.** The representative of the Government of Ghana expressed his appreciation for the role of DWCPs in supporting democratic rejuvenation in Africa and added his support for the Africa group position.
- 201.** The representative of the Government of Spain congratulated the Director-General and the Office for their efforts in presenting a balanced revised proposal which he supported given his Government's wish to achieve consensus. However, he asked for further clarification of the information in Annex II.
- 202.** The representative of the Government of Belgium thanked the Director-General for his revised proposals, which partly took into account his Government's concern that reductions should not have an impact on the effectiveness of the services provided to constituents. However, it appeared that the budget reduction still affected all of the strategic objectives. His country understood the reasons behind the proposal to increase expenditure on the regions, although it considered that this would logically entail a decrease in expenditure for programmes and certain strategic objectives. However, standards and fundamental principles and rights at work should not be reduced in the same proportion as other items. Belgium was not fully satisfied with the current presentation of the budget but considered nonetheless that the only area in which cuts could still be made was a part of the cross-cutting activities. It was for this reason the speaker joined the representative of the Government of France in supporting consensus, while recommending that the budget adjustments should improve the visibility of the Office's flagship programmes and reaffirming that his country wished to see the ILO functioning in the difficult context of globalization.
- 203.** The Chairperson, having noted that no other Government wished to take the floor, informed the Committee of his intention to adjourn the sitting in order to confer with the Officers. First, however, he wished to know whether the Workers' and Employers' groups were in a position to give their consent to the Director-General's proposal.
- 204.** Mr. Blondel, speaking on behalf of the Workers' group, thanked all of the Governments that had taken the floor, irrespective of their positions. He wished to point out that decentralization to the regions also included that of programmes and training, and not only staff. He reaffirmed that the ILO would be judged by what it could contribute to the world of work, given that the purpose of its existence was to fight for the rightful place of work in society, as well as peace and democracy. He was concerned at the fact that the problem of infrastructure had been glossed over in the new proposals, and wondered whether this attitude was not somewhat irresponsible. He concluded by commending the Director-General's efforts and stated that despite his group's aspirations and a certain amount of bitterness, the Workers were prepared, in a spirit of consensus, to accept the Director-General's revised proposals.
- 205.** Mr. Botha, speaking on behalf of the Employers' group, appreciated the views of those countries looking for reductions in the budget, noting that many were major funders. He noted the strong support for the ILO in the developing regions and asked that that be considered by major funders. He called for continuing transparency in the budgeting process as the basis of good governance. He encouraged a continuous approach to savings that would allow for savings to be reinvested in constituents' priorities. He stated that the Employers supported the revised proposals.
- 206.** Upon resumption of the sitting, the Chairperson noted there was not full consensus, but that there was a very large majority in favour of the Director-General's proposal. Following various consultations, he submitted to the Committee an amended point for decision, as follows:

207. *Subject to the positions taken and opposition expressed during the course of the discussion, as noted in the report, the Committee recommends to the Governing Body:*

- (a) *that it recommend to the International Labour Conference at its 93rd Session (June 2005) a provisional programme level of \$568,589,939, estimated at the 2004-05 budget exchange rate of 1.34 Swiss francs to the US dollar, the final exchange rate and the corresponding US dollar level of the budget and Swiss franc assessment to be determined by the Conference;*
- (b) *that it propose to the Conference at the same session a resolution for the adoption of the programme and budget for the 70th financial period (2006-07) and for the allocation of expenses among member States in that period in the following terms:*

The General Conference of the International Labour Organization, in virtue of the Financial Regulations, passes for the 70th financial period, ending 31 December 2007, the budget of expenditure for the International Labour Organization amounting to \$..... and the budget of income amounting to \$....., which, at the budget rate of exchange of Swiss francs to the US dollar amounts to Swiss francs....., and resolves that the budget of income, denominated in Swiss francs, shall be allocated among member States in accordance with the scale of contributions recommended by the Finance Committee of Government Representatives.

208. The representative of the Government of the United States thanked the Committee and the Director-General, his staff and the Office, as well as the social partners and the other delegations they had been consulting with, particularly during the last round of discussions, for their helpfulness and constructive approach and desire to have a successful and satisfactory consideration of all the views that had been expressed. He stated for the record that the Governing Body members of the United States, United Kingdom, Japan and Canada, as well as two other governments not members of the Governing Body, noting that they contribute more than 50 per cent of the assessed contributions, did not support the budget level as proposed.

209. Mr. Blondel, speaking on behalf of the Workers' group, said that any member of the Governing Body was free to place on record any statement he or she saw fit to make. However, for his part the speaker wished to put on record that the statement by the preceding speaker had also been made on behalf of countries which were not members of the Governing Body, contrary to established practice.

210. After making sure that there were no objections in the Committee to adopting the point for decision, the Chairperson declared that it was approved as amended.

Geneva, 21 March 2005.

Point for decision: Paragraph 207.

Annex I

Remarks of Director-General Juan Somavia Programme, Financial and Administrative Committee 292nd Session of the Governing Body

Dear friends,

I am pleased to launch the formal discussion of our Programme and Budget proposals for 2006-07. But, in many ways, our conversation is already well under way. I made sure that we set in motion an early and ongoing consultation process with our constituents.

Building blocks

The building blocks of my proposal are the following:

- The focus is on decent work as a global goal and the interrelated actions needed at the local, national, regional and international levels to make it happen.
- The emphasis is on continuity – reinforcing, deepening and interrelating the four strategic objectives under the Decent Work Agenda.
- Decent work country programmes provide the unifying framework for the delivery of ILO services to our constituents at the country level.
- Five mainstreamed strategies are interwoven through the strategic objectives to reinforce the integrating nature of decent work.
- InFocus initiatives are proposed in three areas of particular interest to constituents: corporate social responsibility; export processing zones; and the informal economy.
- And, strong emphasis is placed on institutional capabilities to cope with increasing demands and to improve our knowledge base and service capacity.

Consultations

Following the substantive directions given by you in the initial discussions last November on the preview of my Programme and Budget proposals for 2006-07, the Office undertook an extensive exchange with all regional government groups and many individual governments as well as with the employers' and workers' groups. These consultations have facilitated an exchange of information and better appreciation of the respective views and positions. They certainly helped to fashion the proposals before you.

Let me mention a few such ways. All constituents valued highly continuity around a stable medium-term strategy based on the four strategic objectives set six years ago. The utility of identifying cross-cutting issues was recognized by all, but constituents warned about introducing too much complexity into programmes, so these have been simplified.

In a similar vein, we dropped one of our ideas for an InFocus initiative and are covering the topic within an established programme. The decent work country programmes are more clearly identified as the main delivery vehicle for the programme following widespread support and interest for the concept. And, we took a second, and indeed third, look at our proposals on investments and found ways to cut them back including on areas such as security and buildings maintenance. We heard the strong voice of many countries urging us to protect programmes and regional resources and we acted accordingly.

In this process, I observed a tremendous amount of common ground. We all want to see a stronger ILO which is more efficient and effective. As you know, I am committed to organizational change – making sure that the ILO is ready to adapt to changing demands and to adopt best practices to enhance quality and knowledge. It is not just about changing administrative structures –

but spreading a culture of change throughout the Organization, throughout headquarters and between headquarters and the region.

Balance

Our Organization is diverse and your interests and needs are varied.

The budget proposal acknowledges your rising demand for technical services and programmes in traditional areas within the policy challenges that globalization brings to our doors. This, of course, together with the need for a reasonable level of the budget. Our proposals address these very legitimate but often conflicting claims.

We all know that seeking the right balance is not an easy exercise. My colleagues and I have spent long hours carving out what we see as a reasonable compromise.

Every budget must stand on its own, addressing the specific challenges of its day and the special demands of the immediate future.

Perhaps, above all, this is a budget that recognizes that these are not easy times for anyone. In all of your countries, public budgets are under pressure and subject to close scrutiny. As ours should be. In times of shrinking budgets and growing demands, we all need to make choices while evaluating risks and implications.

In the end, it is for you to defend the choices made here with your respective constituencies and ultimately with your public opinions.

Our duty in the Office is to honour the trust you place in us and deliver efficiently the quality services and products you request within the means you will define.

This budget seeks to protect, consolidate and deepen the progress we have made in the past in increasing resources to technical programmes and regions – while recognizing the need to respond to extraordinary expenditures and institutional investments we must make for the future.

Achieving real savings

In the last three budgets, we did more with less by cutting administrative and support expenditures. This budget sticks to the line of pushing for more savings and efficiency.

Savings equivalent to 3.5 per cent of the 2004-05 budget have been identified amounting to 18.3 million dollars. All units throughout the Office have contributed to this very significant effort. We are proposing a 24 per cent reduction in travel costs. We are streamlining administrative structures and procedures. We have begun reducing senior positions and consolidating management responsibilities. In time these and other reforms will produce higher efficiency. Again this corresponds to a strong consensus of your Committee.

Financing investments

Resources released through savings and efficiency gains will be used to finance, under Part I of the regular budget, ongoing expenditures in relation to human resources development and IRIS.

We are committed to investing in the knowledge and skills of our staff. Our comparative advantage as an international organization is based on a sound knowledge of the world of work. But that essential foundation can be easily lost.

As the ILO looks to higher staff turnover for several years to come, adequate funding in human resources development is essential. Resources for staff development equivalent to 2.4 per cent of total staff costs is included in our budget.

In addition, the need to finance a new information system was rendered inevitable given the increasing obsolescence of our old systems which have served us well, at very low cost, for a long time.

The annual operational cost of IRIS has been revised downward and it compares favourably with those of other public and private organizations. Your Committee will be closely associated in determining the future policy orientations of IRIS and information technology.

Institutional investment and extraordinary items

Savings in Part I have funded an important component of our investment needs, but not all. So let me now turn to Part IV which covers institutional investments and extraordinary items. We have a responsibility to provide for the security of our staff, ensure the integrity of our buildings, make essential updates to our information technology and provide for an extraordinary expenditure item for the Maritime Conference. After consultations, initial estimates in this overall area were revised downward.

Expenditure on security of persons is growing rapidly. Standards are evolving constantly. New measures have and are being introduced, from new accommodation to new equipment and procedures.

The normal wear and tear of intensely used equipment and buildings periodically also requires new investments, the returns of which are seen over several years. The debate in the Building Subcommittee should guide us in this respect.

I have included in Part IV, as an extraordinary expenditure, the holding of the Maritime Session of the International Labour Conference as soon as possible in 2006. This concerns a vital sector in our globalized economy.

The proposed real increase of 4.3 per cent against the 2004-05 budget only partially compensates the cumulative 5.8 per cent real decline in the budget since 1996-97. Our means to accommodate investment and extraordinary expenditure are severely curtailed because the budget is today significantly lower in real terms, and because we have already made important reductions in administrative and operational costs in our three previous budgets, as well as in this proposal.

I trust that we can find a way to finance the extraordinary expenditure listed in Part IV of my proposals. Clearly, it will be very difficult to absorb into Part I expenditure itemized in Part IV.

Cost increases are determined outside of the ILO

You well know that staff remuneration – which accounts for the bulk of the provision for cost increase – is largely beyond the control of the ILO's Governing Body. We are required to follow the decisions of the United Nations common system as approved by the General Assembly.

Estimates of cost increases on goods and services purchased by the ILO are technically sound and prudent, in line with our past record.

Charting our course

A budget sets policies, defines possibilities and charts a course.

The course that you have set has helped ensure that the ILO touches the real lives of people and responds to the declared policy priorities of our constituents with our Decent Work Agenda. The choices you make now will guide the future – and demonstrate in the public eye the extent to which governments, employers and workers support this unique tripartite structure of ours.

Let us recall our predecessors left us with a living legacy – the mandate to be true to our values and continue to be relevant as the world continues to change. We have known difficulties and tough times. We have faced them and overcome them together. I am confident we will do so again with commitment and dedication, a common focus on the future and the will to find solutions that are acceptable to all.

I thank you for your attention.

* * *

Annex II

Interim reply of the Director-General to the Programme, Financial and Administrative Committee

Thank you for a very rich discussion.

These meetings are always for me a learning experience.

I think it's empowering for all of us to observe this solid partnership between the Governing Body – you, the representatives of tripartism who decide on the strategic direction of the ILO – and the Office, entrusted with implementing your decision and reporting back to you on the actions taken within our strategic budgetary process.

What I think is most stimulating for all of us, is the significantly high level of consensus among you as to where you want to lead the ILO.

You have all highlighted the importance you attach to the Organization, your satisfaction with much of what we are doing and, naturally, your belief that on many issues, we can do better. I concur. Thank you for the many directions you have given us so as to pursue more efficiency and better effectiveness.

I see in this room a positive approach.

I see the will to find common ground both on programme and budget issues.

I am sure we can build on this spirit to move forward and actually agree, in the course of this Governing Body session, on a consensus proposal to the Conference.

It is in this spirit that I will address both: this response to some of the specific programme issues you have raised in the general discussion and the budget proposal I will bring before you next week for your consideration.

Let me make three general comments.

First, I think we have all profited from the open consultation process we have undertaken, from our November meeting up to our discussion this week. It has assisted the Office greatly in developing the proposals.

I want to thank the many speakers who acknowledged that the proposals reflected more closely their interests and responded to many concerns raised during the November discussion and afterwards.

I appreciate the time and effort by Governments, Workers' and Employers' groups given to this process through participation in meetings and preparation of written comments.

Second, I welcome the widespread support expressed in the general discussion for the overall thrust and strategy of the proposals. There was strong endorsement for the main elements:

- making decent work a global goal;
- ensuring continuity;
- reinforcing the substantive technical work around the four strategic objectives with due consideration, in their implementation, of the five mainstreamed strategies;
- developing decent work country programmes (DWCPs) as the main delivery mechanism at country level with strong tripartite participation;
- reinforcing our institutional capacities.

Third, there was universal support for strengthening our action in the regions where we are closest to constituents.

As you know, this has been a priority in my three previous budgets resulting in an increase in constant dollars of 5.6 per cent for the regions as well as 2.8 per cent for technical programmes.

Decent work country programmes were welcomed as a means to focus national action and mobilize resources throughout the Office. We will ensure adequate support to the development of DWCPs with tripartite participation according to national and regional priorities.

We all need to work together to ensure that UNDAF, PRSs and bilateral development cooperation incorporate the objectives of decent work country programmes into their own policy frameworks in those countries where they operate.

As you know, the way your consideration of my proposals is taken up is through a special report of your proceedings, the Part II report, to the Conference that faithfully records the questions, comments and suggestions you have made. This is used by the Office in implementation planning and the first report on implementation is made to you in 2006.

Having said that, let me refer briefly to some of the more specific issues you have raised.

Employment, particularly youth employment, was emphasized by all regions as a priority, as well as by the Employers and Workers. We must respond well to this demand in the implementation of our programme and budget both at headquarters and in the regions. We must also address the issue of the significant drop in extra-budgetary resources in this area we have suffered over the last ten years or so. We need convincing new technical cooperation approaches. An issue your Committee on Employment and Social Policy should address.

The fact that international labour standards are the cornerstone of our Constitution has been reiterated, together with the importance of our technical cooperation projects on child labour and the implementation of the Declaration.

Budget decisions must ensure that our mandated responsibilities in this field are adequately covered. For instance, should the Governing Body decide that a serious case calls for a commission of inquiry, the resources will have to be there.

The Governing Body takes regularly a certain number of decisions on different topics, for which financing has to be found.

I am disappointed that the provision for unforeseen expenditure received little support, as then, in fact, the Governing Body's possibilities of deciding on action become more limited.

As pointed out, in the case of Belarus and Myanmar, or a situation like Colombia, decisions by the Governing Body have strong financial implications that cannot be planned ahead.

Improvements in results-based management and budgeting

Several of you pointed out the need to make our performance more measurable, better linked to budgets, and more clearly planned in terms of major outputs and activities. I agree. I think we are tightening up and making our performance indicators more measurable. But we can do better.

Clearer analytical thinking, side by side with the use of the new IRIS technology, will support these improvements; 2006-07 will be the first biennium in which IRIS budgeting is fully applied, and I am committed to ensuring that it results in better planning and reporting, as requested by you.

One response to the improvements requested will be a discussion by the Committee in November on the external evaluation of results-based management and budgeting in the ILO. Another will be a discussion of evaluation policy and the role of the new evaluation unit, also in November.

On the issue of measurement of performance and the many suggestions for more precise indicators to respond to your concerns, I plan to ask all ILO programmes to establish, as part of their implementation planning for 2006-07, quantitative and qualitative criteria for measuring progress under each operational outcome.

As appropriate, this will be linked to DWCPs, and will be reported to you in the interim programme implementation report for 2006.

This will need to be a reasonably light procedure, not a burden on programme delivery, but it responds to your requests for more specific information.

Executive and regional directors will be responsible for driving this initiative.

The need to have a more balanced grade structure was referred to by many speakers. I would like to confirm my previous statement on reducing the grade structure from the level into which it has developed, and I have already started by decisions at senior level. This will be continued as retirements offer opportunities at the P.5 level and above.

It is important that we use these resources to rejuvenate the Office and incorporate, in a stable way, young officials in the priority areas of activities of our programme and budget.

Extra-budgetary versus regular budget resources

Concern was expressed at the growing ratio of extra-budgetary resources to the regular budget and the real risks for the work of the ILO, by reflecting donor priorities more than those of the Governing Body. Dependence on extra-budgetary resources for core functions of the Office was not seen as appropriate.

My first reaction is to thank the countries that have trusted the ILO with resources they have no obligation to put at our disposal. In themselves, they clearly permit us to increase the reach of our programmes. But as many pointed out their positive contribution is not devoid of problems.

At the same time, there are constant calls for more technical cooperation, and the regular budget is not being expanded to meet these calls.

The Office works well with donors to ensure that the activities funded fall fully within the ILO's mandate and that they follow closely the priorities set by the Governing Body.

I count on DWCPs to help convince donors to respond to local priorities determined by the ILO's constituents.

A more detailed discussion of these issues at the Governing Body would be useful.

IRIS

You have already discussed a separate paper on IRIS. But I believe we can enhance the governance of our IT policies. I would welcome the establishment of a PFAC subcommittee on information and communications technology analogous to the Building Subcommittee.

This would respond to calls for improved oversight. I trust that you would agree to arrangements that will minimize the operational costs of this subcommittee.

In addition, as soon as IRIS is stable at headquarters, the focus will turn to specific goals: field rollout, and process engineering to achieve savings. The Office is already actively engaged in putting in place the necessary organizational structure to meet these goals.

Situation of the 2000-01 surplus

Last November, the Office reported on allocations and expenditure against the 2000-01 surplus as of September 2004 in GB.291/PFA/7. At that time some \$7.9 million had not been allocated, and the Office reported that for all remaining resources preparations were at an advanced stage.

Since then I have approved, among others, proposals on staff security measures, response to the tsunami in Asia, follow up to the African Union Extraordinary Summit on Employment and Poverty Alleviation in Africa, and an inter-American agenda for the promotion of decent work.

The allocation balance remaining today is \$2.7 million, all of which is within the resources set aside for the regions and for which proposals are advanced in the pipeline.

Turning to the budget level, I understand full well that everyone faces financial constraints.

Let me thank those groups and individual countries that have supported my proposals despite frequently difficult economic conditions at home.

Let me also thank everyone for their constructive approach to the budget debate.

On some of the specific proposals around institutional investment and extraordinary items of expenditure, I have noted the many suggestions for increased efficiencies and opportunities for savings.

We should look at them seriously. We all need time to examine them more carefully since decisions on some of them are in the hands of the Governing Body itself. In this respect, I wish to recall that in the last three budgets, savings of 13.1 per cent in support services and 9.6 per cent in policy-making organs were made.

The key issue here is the balance between protecting the real resources for technical programmes and the regions and finding new resources, more savings or reducing or postponing certain institutional investments.

I look forward to working constructively with you to find this balance in the course of this Governing Body session.

Annex III

Reply of the Director-General to the Programme, Financial and Administrative Committee 292nd Session of the Governing Body

Dear friends,

Last week we had a guiding discussion on my Programme and Budget proposals for 2006-07. It was the arrival point of a long process of consultation that began almost two years ago, that intensified during and after the November session of the Governing Body last year and leads us to today's meeting.

The discussions and consultations have been invaluable in charting the course of our Organization for the next biennium, within the framework of decent work as a global goal. I believe we can all agree that we have come a long way towards reaching a balanced programme and budget, responding to the needs of our constituents and the aspirations of everyone touched by the world of work.

There was much support for the strategic direction of the proposals I submitted to you, and I would like to thank you for that support.

I gave my response to your general discussion last week. I will now address financial issues.

In the discussions, many of you approved and urged acceptance of my proposal including a real growth of 4.3 per cent in the budget; among them, the Workers' group, African government group and several members from the Americas and Europe. The Employers' group did not appear averse, provided it was well explained. Others asked that the proposals in Part IV be trimmed and prioritized, but supported the idea of real growth where it was fully justified.

Often this support implied a real economic sacrifice on your part and I am touched by your confidence in the value of our Organization's work and your disposition to take on a greater financial burden. Thank you for your commitment.

In the process, a generalized demand by developing countries, supported by many others, to protect the regional budgets was expressed, strong general support was given to decent work for youth, as well as the need to ensure the holding of the Maritime Session of the International Labour Conference.

At the same time, the largest contributors, made clear that their national economic situations did not permit them to support the proposed level of the budget.

They repeatedly called for substantial cuts. But, even in these cases, the comments on the work of our Organization were supportive, and the proposals that were made were directed at protecting and even strengthening our core substantive programmes.

I understand the financial difficulties and I value the positive approach taken and I would like to preserve it to the greatest possible extent.

As you know, savings and increased efficiency has been a constant theme during my time as Director-General. We have consistently moved substantial resources from administrative work to the technical sectors and regions that provide direct services to constituents. This has continued in the proposals I presented to you, with savings in a variety of areas, totalling US\$18.3 million.

I have engaged in intense consultations both with constituents and within the Office to find the appropriate balance between the demand to protect and increase resources for certain activities and the demand for substantial cuts. As you can imagine, this has not been an easy exercise. I hope that you all appreciate the honest effort the Office has made to present to you a workable proposal.

Responding to your priorities

Let me turn first to positive adjustments that respond to major priorities you identified.

The key decision before you is to re-establish the funding for the regions at 100 per cent. I will not elaborate on this point which has been a constant priority on my part. We are again ensuring that, even within a tight budgetary situation, the resources available to service our constituents at the national and regional levels are not affected.

I take note of the breadth of support in your discussions for employment issues and, in particular, youth employment. I therefore propose that the increase for regions of US\$1.9 million of regular budget funds to reach 100 per cent funding be targeted to a programme of tripartite initiatives of decent work for young people. Elaborating the details of this tripartite initiative, including a results-based framework, would lend a very concrete follow-up dimension to the discussion of promoting youth employment at the International Labour Conference this year. Together with reflecting constituents' demands, it would also respond to that key Millennium Development Goal that is squarely within our mandate and will be reviewed by the General Assembly of the United Nations in September.

Another central demand was the need to ensure the funding of the Maritime Session of the Conference. Again, I totally agree. The preparatory work undertaken, although with complex problems yet outstanding, shows the potentially historical meaning of this normative endeavour. The consolidation of maritime Conventions is a path-breaking exercise in both social dialogue and modern approach to standard setting.

I have therefore proposed to you that we include in the regular budget US\$2.4 million in order to hold the Maritime Session of the Conference at a reduced cost. We will continue to seek extra-budgetary resources that would permit the fully funded Conference that this important subject merits, and that would contribute to its follow-up.

There was also strong support for the three proposed InFocus Initiatives on export processing zones, corporate social responsibility and the informal economy. Some of you have queried why there are no resources attached to them.

As is explained in the programme and budget and my own preface, the management of each of the initiatives will be the responsibility of a technical sector – but they will be implemented in an integrated way with the participation of resources of all relevant parts of the ILO, at headquarters and the regions.

This will be organized in the course of this year and become fully operational when this budget is implemented. All this information will be available to you when the Office reports on programme implementation. Let me highlight in particular the importance that the Workers' group has given to our work on export processing zones. Their comments on developing this initiative have been fully taken into account.

Some concern was expressed about the elimination of the *Provisional Record's* coverage of plenary debate at the International Labour Conference. In view of the budgetary situation, I have not restored the entire allocation, but I do propose a digital record of the Conference debates, available both during the session and afterwards on DVD, at a cost of US\$250,000. If this experiment is unsuccessful, we can reconsider the existing system at a later stage.

I would like to point out that two items of our budget have not been reduced despite the pressures: the allocations for regular budget technical cooperation and for the Turin Centre.

Finally, let me say that I see the decent work country programmes as a means for us to continue the dialogue about priorities at the national level. Constituents in each country will be able to influence the actual work done as we implement the programme and budget. We will then report back to you on the strategic use of resources.

Finding savings in a tight budget

I now must come to the difficult issue of how we can reduce the budget level. In making my proposals in this area, I have been guided by many of your ideas for savings, by our exchange on the relative feasibility of them at this stage and your request to prioritize. All of this while protecting and, where possible, enhancing our core capacities to serve our constituents. But, above all, I have tried to respond in a significant way to the request by major funders for "a substantial reduction" of the budget level.

Consequently, I have reduced Part IV of the budget by US\$15.9 million. Only US\$5.8 million remains to cover the most essential elements. It now includes:

- Security at US\$2,670,000. In addition to this, the existing contribution from regional budgets will remain at US\$1.1 million of the DSS (formerly UNSECOORD) costs. This means that the allocation for minimum security standards is fully preserved, although – as I said in my previous response – this is an expanding and unforeseen area of costs.
- Accommodation at US\$600,000. This will permit a full study of our needs both at headquarters and in the field, as well as a number of emergency repairs. The Building Subcommittee is discussing the most appropriate way to find the resources needed.
- Information technology at US\$1,040,000. This will allow us to propose to the new Information and Communications Technology Subcommittee, if you decide to establish it, that we meet the most urgent ongoing expenditure, but it includes no provision to rebuild the Information Technology Systems Fund to finance future needs.
- A contribution to the Maritime Session of the International Labour Conference at US\$1.5 million. This funding, together with a redeployment of resources in Part I amounting to US\$900,000, will permit an allocation of US\$2.4 million for a minimum-cost session.
- A reduction of US\$1.6 million from staff capacity building in units at headquarters.
- Maintenance of the US\$4.5 million reduction for staff turnover. As a result, budgets for programmes will be adjusted correspondingly as in other years.

I have also made adjustments in Part I of the budget. These are:

- Reservation of US\$400,000 within the budget for the International Labour Conference, corresponding to suspending the Resolutions Committee in 2006, to contribute to the cost of the Maritime Session. Let me emphasize that there is a procedure for emergency resolutions that will be available if needed, and that we can return to this Committee when resources permit. This reserve will not be needed if the Conference can be held at a lower cost or with the support of extra-budgetary resources.
- Reservation of US\$500,000 within the technical meetings reserve, also to contribute to the cost of the Maritime Session.
- A reduction of one Professional position in the budget of the Policy Integration Department.
- A reduction of one Professional position in the budget of the Sectoral Activities Department.
- Elimination of the subsidy to the International School of Geneva of some US\$66,000.

The provision for unforeseen expenditure has been reduced to its 2004-05 level of US\$875,000.

Finally, I have made adjustments to the provision for cost increases.

In essence, I have eliminated or sharply decreased all cost increase provisions which constitute real costs, but do not result from obligations under the Staff Regulations, General Assembly decisions or other contractual or constitutional obligations. In practice, this means that we will absorb cost increases of US\$6.1 million, although we had fully justified them through prudent consideration of inflation and related factors. We will seek efficiency gains in order to deliver the same quantity and quality of services to constituents.

I would like to draw your attention to one particular change in cost increases relating to travel expenditure. I have removed amounts relating to the supplements on daily subsistence allowance paid to high-level officials and meeting delegates. From 1 January 2006, the maximum supplement for senior officials and delegates will be 15 per cent, which is within the limits set by the International Civil Service Commission. The total amount of reductions in cost increases from this measure is some US\$500,000.

Other budgetary considerations

In my original proposals, and in your discussions, there were a number of additional suggestions for savings, adjustments and investments.

You have been informed that we are committed to ensuring that, as soon as IRIS is fully operational and stable in headquarters, we will turn to a progressive field roll-out and savings as the two most urgent priorities. As you know, where more efficient procedures imply reductions in staff positions, it can take time to realize savings. I will work with the Staff Union to minimize impacts on individuals through retraining and redeployment. We will report regularly to the proposed Information and Communications Technology Subcommittee, if you decide to establish it, on the costs, savings and benefits of IRIS.

Several of you felt that substantial savings could result from a comprehensive review of the field structure. As stated in my proposals, I will initiate a review of ILO representation in developed countries with a savings target of US\$1 million for the 2006-07 biennium.

In relation to this review, we will actively examine all options, including alternative financing arrangements with the host country, reducing the size and staffing levels of offices and the possibility of closure of offices. As appropriate, some or all of these savings will be redeployed to improve services within the region where the savings are realized.

A full review, covering all the regions, will take time. I am ready to embark on this process but it can only yield real results if there is a clear consensus in the Governing Body on this need. Also, clear guidance to the Office on the criteria and priorities which you would like to follow will be necessary. Given the complexity of the issues involved and the need for extensive consultation and for consensus on the decisions to be taken, I would welcome your orientation on this matter.

The proposed study on our accommodation needs will provide further independent, professional and detailed information as a basis for further discussions on a maintenance plan and financing options. We will also explore possibilities for financing in the Building Subcommittee.

Another set of strategic issues relates to human resources. As proposed by the External Auditor, we need to invest more in staff development, even if we cannot afford a full allocation next biennium. The November discussion of the full proposals for a revised Human Resources Strategy, including clear targets and indicators for rebalancing the grade structure, will permit us to set a course for the future.

Let me add that I am committed to streamlining management and to ensuring that all vacancies are seen as opportunities to open positions at lower grades. However, we need to strengthen our human resources at a time when we are losing institutional memory and experience at an accelerating rate. We need to set aside resources for incentives and training to support a proper initiative on young professionals. Future savings from regrading should be devoted to these priorities.

There have been several suggestions that savings can be found in meetings, including the Governing Body and the International Labour Conference. Let me first point out that I am proposing adjustments and savings in this area: for example, a less costly solution to the *Provisional Record*, or reallocation of resources to the Maritime Session from the technical meetings reserve. Improvements in the functioning of the Governing Body and the Conference have been part of a long-term dialogue, and you have a paper before the Governing Body this session.

However, these discussions have not led to the identification of savings. The Office is in your hands on this matter. Consultations on regional and sectoral meetings have shown that these are highly valued, and that any proposal for cuts would require an important degree of common understanding.

For many of these issues and others, in particular information and communications technology and building refurbishment, a capital expenditure budget is essential. I am disappointed that we are not able, in such a tight budgetary situation, to begin to build capital investment funding for future needs. I will come back to you on this issue before the next budget debate. Some of you hope that a part of the budget can be found in voluntary contributions.

I very much appreciate the generosity of donors to our extra-budgetary programme. I hope that we can expand this important complement to our action under the regular budget.

At the same time, I am conscious that extra-budgetary resources, for good reasons, are concentrated on direct action with constituents. We are unlikely to receive extra-budgetary resources for investing in the infrastructure that permits the ILO to operate, however essential those investments might be. What I therefore ask is four things:

- First, that donors clearly establish the Decent Work Agenda as part of their development cooperation priorities, with a view to a balanced increase in resources under all four strategic objectives;
- Second, that donors work with us to design projects and programmes that include more of the necessary managerial, technical and administrative resources necessary to project execution;
- Third, in response to the many calls here for strengthened evaluation, that donors provide dedicated resources for programme and project evaluation within their contribution; and
- Fourth, most importantly, that you follow in your support the priorities set by the Governing Body for our programme activities.

A plea for consensus

Let me summarize my proposals.

The regions, the employment and the social dialogue strategic objectives have been reinforced through tripartite initiatives on decent work for youth. The Maritime Session of the International Labour Conference has been funded to reinforce our standard-setting strategic objective. We have added a lower cost response to the question of the *Provisional Record*. Investments have been sharply reduced for accommodation and information technology. Allocations have been modestly reduced in all headquarters departments due to a reduction in resources for staff development. Wherever we are already coping with provisions and requirements, as in the case of staff turnover and a part of security, they have been fully absorbed. We have eliminated or slashed most cost increase provisions not based on statutory or contractual obligations. We have found reductions in travel costs, in the Policy Integration Department and the Sectoral Activities Department. This is in addition to the 24 per cent reduction in travel costs already included in the budget.

The net result of these changes is that my proposals are now US\$23.2 million below the total in GB.292/PFA/8. We have preserved real growth of 1.1 per cent, but only by absorbing US\$6.1 million of cost increases. Cost increases are now at a 6.2 per cent level. The recosted budget proposal now amounts to US\$568.6 million. Document GB.292/PFA/8/1, which has already been distributed, provides financial details of these revised proposals.

Monsieur le Président, dear friends,

These proposals are, for differing reasons, difficult for all of us. I can assure you that it is not easy to find such savings in a budget like ours. I am concerned that we will not invest prudently in our future and that we will respond to even less of the total demand for our services. At the same time, I cannot ignore the difficult economic situation in many of your countries.

I must confess that it is not without a certain level of frustration that I observe so much support for our programmes and such difficulty to find the resources to respond to the increasing demand for our services.

I can well understand those of you who may feel disappointed.

I genuinely hope that each and every member of this Governing Body can support these proposals. They result from an exceptional level of consultation. They offer, I am convinced, a balanced response to the need for consensus in difficult circumstances. They are also, I believe, difficult to compress further.

The way forward is in your hands. This proposal is an honest effort to respond to your conflicting demands. I hope that the spirit that produced such a high level of consensus around our programme activities can express itself now on financial issues by accepting these proposals.

Thank you for your attention.

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