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PFA

SEVENTH ITEM ON THE AGENDA

The Director-General's

PROGRAMME
AND BUDGET
PROPOSALS FOR
2002-03

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Message from the Director-General

1. I have the honour of submitting my Programme and Budget proposals for 2002-03.
2. The strategic budgeting concepts introduced in Volumes 1 and 3 of the Programme and Budget proposals for 2000-01 are consolidated in this single volume and the concepts themselves have been given operational reality across all of our programmes. The proposals for 2002-03 are presented both in strategic form and in operational terms.
3. As foreseen in the Strategic Policy Framework for 2002-05, the four strategic objectives remain. However, taking account of comments made in the PFAC last November, the 16 operational objectives in the 2000-01 programme and budget are reduced to ten in 2002-03, targets are established for each objective, the number of indicators is reduced and the indicators and targets for service and support activities are reformulated and reduced in number. A new form of reporting based on objectives and targets will be introduced at the current session of the Governing Body regarding the implementation of the 2000-01 strategic budget. I believe we have successfully introduced a modern and dynamic results-based management system to aid decision-making and evaluation and, importantly, to provide the staff of the Office with a clear sense of purpose and of expectations for their performance.
4. The Strategic Policy Framework set as a central priority the need “to consolidate decent work across the four strategic objectives in the context of a rapidly changing global economy”. Decent work is an integrating agenda. It is by focusing on decent work that we seek to link activities and achieve synergies to attain the four strategic objectives. Decent work recognizes that creating jobs is the essential starting point for progress on rights at work, social protection and social dialogue, for it is through jobs that the latter objectives become a reality. Decent work also recognizes that progress in attaining the four strategic objectives within countries depends greatly on a growing global economy of benefit to all. Its practical implementation at the country level is a key managerial and political challenge, which my proposals for 2002-03 are intended to address.
5. I propose a zero real growth budget by comparison with 2000-01, with provision for some \$7 million in cost increases. The adjustment for the US dollar-Swiss franc exchange rate will be decided at the June Conference in accordance with financial policy over the past several years. There have been recent calls to absorb cost increases which, if heeded, would effectively reduce the level of the programme. There have also been appeals to breach the zero real growth barrier. As one who is confronted daily by growing demands from constituents that the ILO do more and do it more quickly, I cannot but be sympathetic to these appeals.
6. Within the zero real growth envelope, I propose to redistribute resources to provide for an overall increase in our technical programmes, creating new programmes on HIV/AIDS and decent work and increasing resources for the existing programmes on standards policy, freedom of association, child labour and the Declaration. An increase is proposed also for the International Policy Group because of the important work to be done on decent work and the global economy. Regional programmes retain the same level of resources as in 2000-01. Support programmes are reduced and there is a modest strengthening of management services. A reserve for technical meetings is proposed. Only two meetings are identified now for convening in 2002-03. Others will be decided by the Governing Body at later dates. The challenge arising from these resource shifts is to ensure, through the techniques of strategic budgeting and good management practices, that more is achieved by programmes with increases in resources and that more efficient methods enable programmes with fewer resources to maintain their performance standards.
7. One measure of our success is that we have been able to attract a much higher level of extra-budgetary resources for the programmes on child labour and the Declaration and new resources for the programme on HIV/AIDS. This is accompanied by an expected decline in some of our other programmes, notably employment, because of UNDP funding decisions. As the overall level of technical cooperation activity is not increasing as yet, this represents a shift in donor preferences. Although the Employment sector remains the largest in terms of regular budget allocations, the situation of extra-budgetary funding must be redressed. We will need to invest in the development of new approaches to technical cooperation in this field. I also intend to convene a special donors’ meeting before the end of 2001 to seek fresh funding for our employment activities. More generally,

my proposals provide for a closer integration of regular budget and extra-budgetary funding and explain how regular budget technical programmes could be extended or expanded with infusions of extra-budgetary resources.

8. I recall stating in my introduction to the Programme and Budget proposals for 2000-01, "In a world of competition for limited public resources, cost-effectiveness, impact and image are crucial to the challenge of explaining why the ILO should be funded. One of the biggest bureaucratic mistakes that I have seen repeated so often is to take funding for granted. In the long term, only relevance and effectiveness ensure success and only success ensures adequate funding. Even so, the realities of financial constraints tend to prevail." I do not take funding for granted and it is for the Governing Body to appraise whether the financial constraints of yesterday need be those of today.

January 2001.

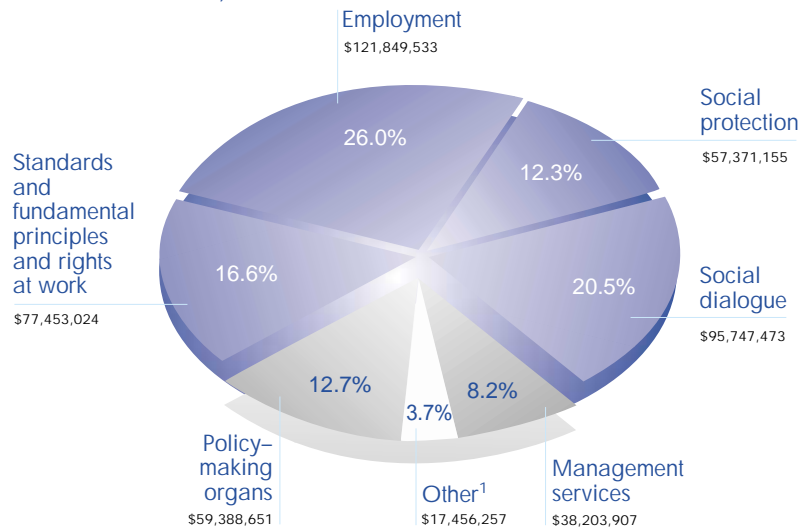
Juan Somavia,
Director-General

Executive summary

9. During 2002-03, the International Labour Organization will operationalize its decent work agenda through a comprehensive set of initiatives across all four ILO strategic objectives. Those efforts will involve collaborative work between headquarters sectors, between headquarters and the field, and between the ILO and external partners. Within the framework of a strategic budget that identifies performance standards and strategies for each objective, some activities will be expanded while others will be reduced. Due to budgetary constraints, gaps remain in the resources required to meet the needs of its constituents, and these are identified for dialogue with donors.

Regular budget: Proposed expenditure budget for 2002-03

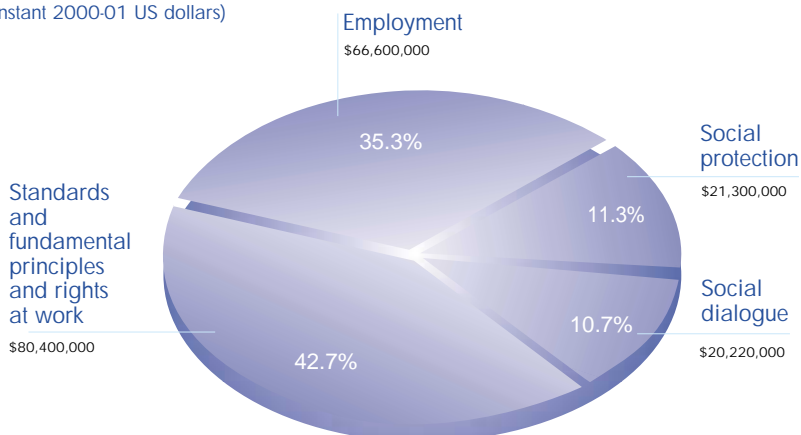
(in constant 2000-01 US dollars)

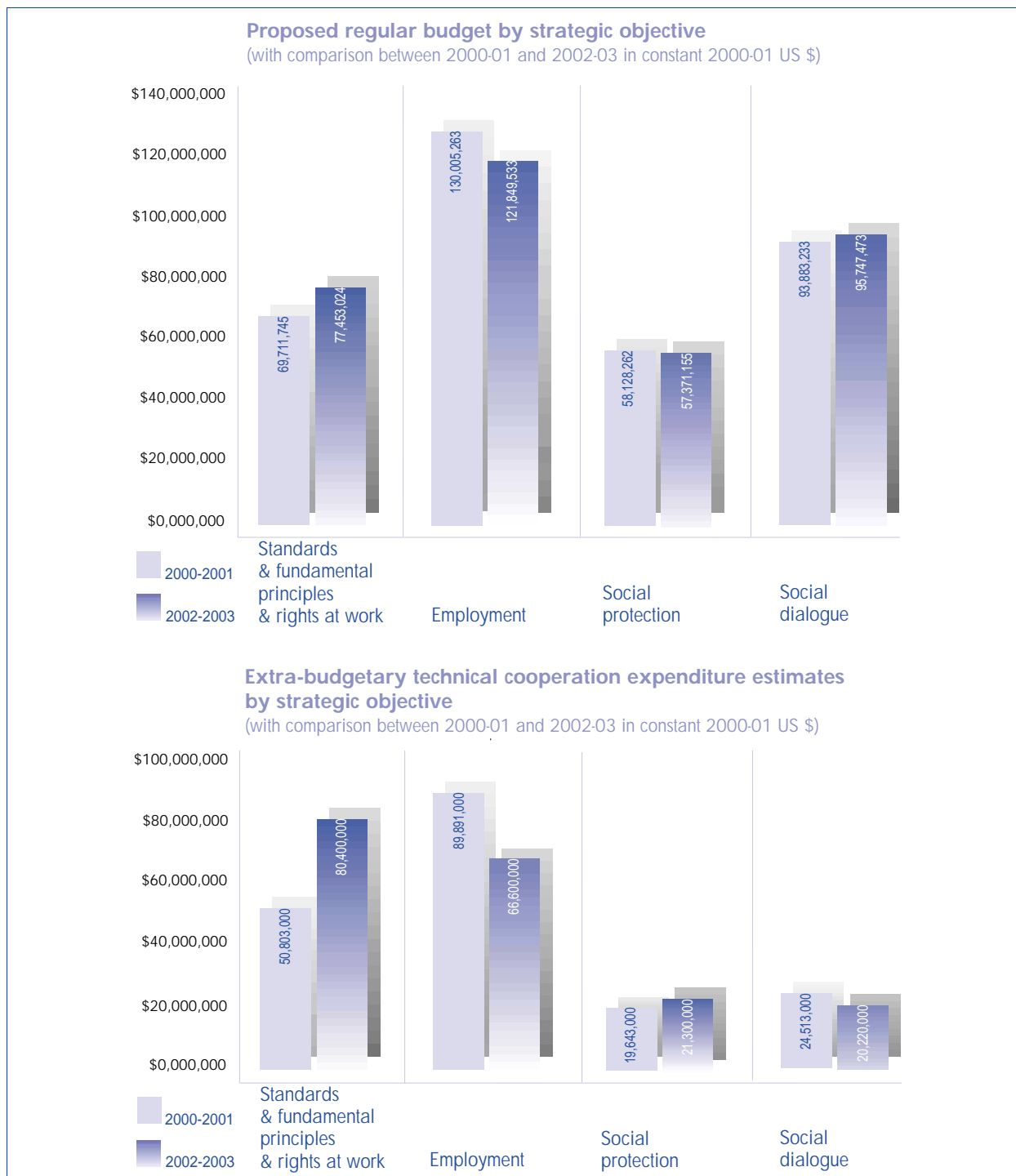


1- Includes Other budgetary provisions, Adjustment for staff turnover and Unforeseen expenditure.

Extra-budgetary resources: Technical cooperation expenditure estimates by strategic objective for 2002-2003

(in constant 2000-01 US dollars)





10. The first chart above shows the proposed regular budget for 2002-03, while the second shows expected extra-budgetary technical cooperation expenditures in the same period. The third and fourth charts compare levels of regular budget resources and expected extra-budgetary expenditure with those for 2000-01.

11. The principal areas of expansion relate to *standards and fundamental principles and rights at work*. The ILO will use extra-budgetary resources to develop the capacity of specific member States to reduce the incidence of child labour, especially in those States with time-bound targets. It will support efforts to build knowledge and advocacy on child labour. The ILO will also campaign vigorously for more ratifications of the fundamental Conventions. It will expand efforts to improve the

application of fundamental principles and rights in practice, in particular through follow-up to the ILO Declaration on Fundamental Principles and Rights at Work. The ILO will also review standards policy, in particular through an in-depth review of occupational safety and health standards decided upon by the Governing Body as a means of exploring an integrated approach.

12. For the second strategic objective on *employment*, all work will take place in the existing comprehensive employment framework, which has seven elements –

- Strengthening the ILO's knowledge of employment outcomes of different policies.
- Policies to promote enterprises, particularly micro, small and cooperative enterprises which have the biggest potential for creating new jobs.
- Policies to enhance knowledge, skills and employability for men and women.
- Promoting employment through reconstruction and employment-intensive investment.
- Improving livelihoods through micro-finance, self-employment, local economic development and other income-generating activities.
- Promotion of decent work through voluntary private initiatives and corporate social responsibility.
- Policies and programmes to promote gender equality in employment so as to translate key gender and employment perspectives in the context of decent work into mainstreaming policy and programme tools.

13. While current trends suggest that fewer extra-budgetary resources will be available to support this work, an intensive programme of technical cooperation development will be pursued.

14. For the third strategic objective on *social protection*, the growing extra-budgetary support for work on HIV/AIDS in the workplace will mean an important addition to ILO priorities, especially in Africa and Asia. In addition, the ILO will direct resources at helping States deal with the need to create or improve social security systems that are financially sound and cover more people. It will promote a consensus on the treatment of migrant workers. It will continue its actions to support improvements in working conditions, including in small enterprises and the informal economy, in particular in relation to enhancing workplace safety and health.

15. For the fourth strategic objective on *social dialogue*, much of the projected activity will assist employers' organizations, workers' organizations and governments, especially their labour ministries, to gain greater capacity to play their critical roles in operationalizing the decent work agenda. That will mean technical cooperation and support to help strengthen social partners and to modernize labour legislation and administration in many countries. It will mean support for tripartite sectoral meetings and their follow-up. Expected ILO priorities for improved social dialogue include child labour, the application of international labour standards, employment and skills development and occupational safety and health.

16. The ILO will expand its *cross-cutting activities*. It will establish a new programme to provide operational support to its decent work agenda. It will continue to ensure that gender issues are integrated across all activities. The ILO's knowledge base will be strengthened. The work of the International Training Centre of the ILO in Turin will be more closely linked to ILO priorities. The ILO will improve its communications and will build more effective partnerships with other international organizations.

17. Four of the ILO's eight InFocus programmes will be evaluated during the biennium: Promoting the Declaration; Boosting Employment through Small Enterprise Development; Crisis Response and Reconstruction; and Safety and Health at Work and the Environment.

18. The ILO's *management and support services* will continue to find more cost-effective ways to achieve service goals. As part of becoming a more effective organization, the ILO will introduce improvements in how it manages human resources and how it implements strategic budgeting and reporting. The ILO will update its financial systems as the major part of a larger package of information technology modernization.

Proposed strategic budget

Table 1: Strategic budget: Proposed expenditure budget by appropriation line

Item	Revised ¹ strategic budget 2000-01 (US\$)	Proposed strategic budget 2002-03 (in constant 2000-01 US \$)	Proposed strategic budget 2002-03 (recosted (US\$))
Part I. Ordinary budget			
A. Policy-making organs	60,896,671	59,388,651	60,073,715
B. Strategic objectives	351,728,503	352,421,185	358,121,565
Standards and fundamental principles and rights at work	69,711,745	77,453,024	78,705,819
Employment	130,005,263	121,849,533	123,820,438
Social protection	58,128,262	57,371,155	58,299,128
Social dialogue	93,883,233	95,747,473	97,296,180
C. Management services	37,694,107	38,203,907	38,476,539
D. Other budgetary provisions	20,243,879	20,549,417	20,997,464
Adjustment for staff turnover	(3,968,160)	(3,968,160)	(4,014,818)
Total Part I.	466,595,000	466,595,000	473,654,465
Part II. Unforeseen expenditure			
Unforeseen expenditure	875,000	875,000	875,000
Part III. Working Capital Fund			
Working Capital Fund	0	0	0
TOTAL (Parts I - III)	467,470,000	467,470,000	474,529,465

¹ In the Programme and Budget proposals for 2000-01, strategic budget estimates attempted to take into account contributions of individual units to various operational objectives. Such contributions are especially common for the Social dialogue sector. Items on the agendas of sectoral meetings, for example, concern all four strategic objectives, as does much of the work of the Bureaus for Employers' and Workers' Activities. However, in the discussions of the Programme, Financial and Administrative Committee of the Governing Body, these estimates were criticized as subjective. Moreover, this practice does not contribute to clear accountability for results. Strategic budget estimates for 2002-03 therefore are based on alignment of units to operational objectives and indicators. For a few cross-cutting programmes, estimates are based on activities. To provide comparability, the same methodology was applied to the 2000-01 approved budget. The resulting resource estimates are used in all tables containing strategic figures. It should be noted that none of this affects the operational budget.