

## Information annex 2

## Details of cost increases

## Proposed operational budget – Analysis of increases and decreases

|   | 2000-01            | 2002-03 Estimates           | Programme Increases |                 | Cost Increases (Decreases) |                 | 2002-03            | % of Total    |
|---|--------------------|-----------------------------|---------------------|-----------------|----------------------------|-----------------|--------------------|---------------|
|   | \$                 | in Constant 2000-01 Dollars | (\$)                | (Decreases) (%) | (\$)                       | (Decreases) (%) | \$                 | Budget (%)    |
| <b>PART I. ORDINARY BUDGET</b>                          |                    |                             |                     |                 |                            |                 |                    |               |
| Policy-making organs                                    | 60,896,671         | 59,388,651                  | -1,508,020          | -2.48           | 685,064                    | 1.15            | 60,073,715         | 12.66         |
| International Labour Conference                         | 9,602,562          | 9,602,562                   | –                   | –               | 240,065                    | 2.50            | 9,842,627          |               |
| Governing Body  | 3,729,458          | 3,729,458                   | –                   | –               | 49,634                     | 1.33            | 3,779,092          |               |
| Major Regional Meetings                                 | 558,700            | 848,630                     | 289,930             | 51.89           | 20,369                     | 2.40            | 868,999            |               |
| Legal Services  | 2,522,832          | 2,522,832                   | –                   | –               | 23,884                     | 0.95            | 2,546,716          |               |
| Relations, meetings and document services               | 44,483,119         | 42,685,169                  | -1,797,950          | -4.04           | 351,112                    | 0.82            | 43,036,281         |               |
| Strategic objectives                                    | 351,728,503        | 352,421,185                 | 692,682             | 0.20            | 5,700,380                  | 1.62            | 358,121,565        | 75.47         |
| <i>Technical programmes</i>                             | <i>157,881,091</i> | <i>160,538,278</i>          | <i>2,657,187</i>    | <i>1.68</i>     | <i>1,979,373</i>           | <i>1.23</i>     | <i>162,517,651</i> | <i>34.25</i>  |
| Standards and Fundamental Principles and Rights at Work | 25,406,270         | 26,356,829                  | 950,559             | 3.74            | 323,685                    | 1.23            | 26,680,514         |               |
| Employment  | 36,200,027         | 34,772,248                  | -1,427,779          | -3.94           | 424,682                    | 1.22            | 35,196,930         |               |
| Social Protection                                       | 25,281,168         | 24,712,315                  | -568,853            | -2.25           | 325,176                    | 1.32            | 25,037,491         |               |
| Social Dialogue   | 39,200,687         | 38,838,092                  | -362,595            | -0.92           | 447,698                    | 1.15            | 39,285,790         |               |
| Decent Work: Inter-sectoral Operational Support         | –                  | 2,969,474                   | 2,969,474           | 100.00          | 27,980                     | 0.94            | 2,997,454          |               |
| Gender Equality   | 2,026,622          | 2,026,622                   | –                   | –               | 17,577                     | 0.87            | 2,044,199          |               |
| Statistics  | 6,579,622          | 6,293,830                   | -285,792            | -4.34           | 63,950                     | 1.02            | 6,357,780          |               |
| International Institute for Labour Studies              | 4,931,020          | 4,931,020                   | –                   | –               | 78,896                     | 1.60            | 5,009,916          |               |
| International Training Centre of the ILO, Turin         | 5,340,000          | 5,540,000                   | 200,000             | 3.75            | 99,720                     | 1.80            | 5,639,720          |               |
| External Relations and Partnerships                     | 4,515,784          | 4,515,784                   | –                   | –               | 75,177                     | 1.66            | 4,590,961          |               |
| International Policy Group                              | 1,246,414          | 1,532,206                   | 285,792             | 22.93           | 11,718                     | 0.76            | 1,543,924          |               |
| Communications  | 5,599,375          | 5,704,924                   | 105,549             | 1.89            | 58,276                     | 1.02            | 5,763,200          |               |
| ILO Web Development                                     | –                  | 790,832                     | 790,832             | 100.00          | 10,706                     | 1.35            | 801,538            |               |
| Technical Meetings Reserve                              | 1,554,102          | 1,554,102                   | –                   | –               | 14,132                     | 0.91            | 1,568,234          |               |
| <i>Regions and technical co-operation</i>               | <i>138,281,517</i> | <i>138,220,372</i>          | <i>-61,145</i>      | <i>-0.04</i>    | <i>3,042,380</i>           | <i>2.20</i>     | <i>141,262,752</i> | <i>29.77</i>  |
| Development Cooperation                                 | 3,057,272          | 2,996,127                   | -61,145             | -2.00           | 29,900                     | 1.00            | 3,026,027          |               |
| Field Programmes in Africa                              | 40,073,294         | 40,073,294                  | –                   | –               | 875,793                    | 2.19            | 40,949,087         |               |
| Field Programmes in the Americas                        | 36,680,263         | 36,680,263                  | –                   | –               | 691,664                    | 1.89            | 37,371,927         |               |
| Field Programmes in Arab States                         | 8,129,430          | 8,129,430                   | –                   | –               | 477,185                    | 5.87            | 8,606,615          |               |
| Field Programmes in Asia and the Pacific                | 37,960,606         | 37,960,606                  | –                   | –               | 325,944                    | 0.86            | 38,286,550         |               |
| Field Programmes in Europe and Central Asia             | 12,380,652         | 12,380,652                  | –                   | –               | 641,894                    | 5.18            | 13,022,546         |               |
| <i>Support services</i>                                 | <i>55,565,895</i>  | <i>53,662,535</i>           | <i>-1,903,360</i>   | <i>-3.43</i>    | <i>678,627</i>             | <i>1.26</i>     | <i>54,341,162</i>  | <i>11.45</i>  |
| Library and Information Services                        | 7,397,379          | 7,046,035                   | -351,344            | -4.75           | 146,398                    | 2.08            | 7,192,433          |               |
| Information Technology and Communications               | 11,625,682         | 11,768,578                  | 142,896             | 1.23            | 151,357                    | 1.29            | 11,919,935         |               |
| Internal Administration                                 | 31,150,832         | 29,849,552                  | -1,301,280          | -4.18           | 186,273                    | 0.62            | 30,035,825         |               |
| Publications  | 5,392,002          | 4,998,370                   | -393,632            | -7.30           | 194,599                    | 3.89            | 5,192,969          |               |
| Management services                                     | 37,694,107         | 38,203,907                  | 509,800             | 1.35            | 272,632                    | 0.71            | 38,476,539         | 8.11          |
| General Management                                      | 6,339,726          | 6,339,726                   | –                   | –               | 54,440                     | 0.86            | 6,394,166          |               |
| Human Resources Development                             | 15,002,862         | 15,308,597                  | 305,735             | 2.04            | 92,604                     | 0.60            | 15,401,201         |               |
| Financial Services                                      | 11,554,763         | 11,854,763                  | 300,000             | 2.60            | 65,979                     | 0.56            | 11,920,742         |               |
| Programming and Management                              | 4,796,756          | 4,700,821                   | -95,935             | -2.00           | 59,609                     | 1.27            | 4,760,430          |               |
| Other budgetary provisions                              | 20,243,879         | 20,549,417                  | 305,538             | 1.51            | 448,047                    | 2.18            | 20,997,464         | 4.43          |
| Adjustment for staff turnover                           | -3,968,160         | -3,968,160                  | –                   | –               | -46,658                    | 1.18            | -4,014,818         | -0.85         |
| <b>TOTAL PART I.</b>                                    | <b>466,595,000</b> | <b>466,595,000</b>          | <b>–</b>            | <b>–</b>        | <b>7,059,465</b>           | <b>1.51</b>     | <b>473,654,465</b> | <b>99.82</b>  |
| <b>PART II. UNFORESEEN EXPENDITURE</b>                  |                    |                             |                     |                 |                            |                 |                    |               |
| Unforeseen expenditure                                  | 875,000            | 875,000                     | –                   | –               | –                          | –               | 875,000            | 0.18          |
| <b>PART III. WORKING CAPITAL FUND</b>                   |                    |                             |                     |                 |                            |                 |                    |               |
| Working Capital Fund                                    | –                  | –                           | –                   | –               | –                          | –               | –                  | –             |
| <b>TOTAL (PARTS I-III)</b>                              | <b>467,470,000</b> | <b>467,470,000</b>          | <b>–</b>            | <b>–</b>        | <b>7,059,465</b>           | <b>1.51</b>     | <b>474,529,465</b> | <b>100.00</b> |

1. This Information Annex provides information on the cost increases which have been included in the budget and which are calculated either on the basis of the object of expenditure, or on the basis of an analysis of a particular activity.

### Inter-agency coordination regarding calculation of cost increases in Geneva-based portions of the budget

2. For a number of biennia, the ILO has used assumptions agreed upon in common with other organizations of the United Nations system having headquarters or major offices in Geneva as a basis for the calculation of cost increases in the Geneva-based portion of its budget.

3. In continuing this established practice, endorsed by ACC, representatives of these organizations held a meeting in November 2000 to consider rates of exchange and inflation to be assumed for Switzerland in their proposed budgets covering 2001 or 2002-03. The conclusions of the meeting were as follows:

#### US dollar-Swiss franc exchange rate

4. The rate of exchange assumed for budgetary purposes between the United States dollar and the Swiss franc was of particular importance for organizations whose budgets were denominated in dollars and whose expenditures were incurred to a significant extent in Swiss francs. However, the rate also had importance for organizations whose budgets were denominated in Swiss francs, since it affected the Swiss franc equivalent of estimates for dollar income and expenditure for activities in which costs were incurred in dollars, and contributions to the United Nations Joint Staff Pension Fund, which were calculated in dollars.

5. As was the case in previous meetings, participants recognized that market conditions made it impossible for organizations to predict the evolution of exchange rates, especially for periods as long as the one extending from the time of preparation of proposed budgets up to the end of the financial period that they covered. The latest actual rate was therefore normally taken as a basis in drawing up budget estimates. Since governing bodies considered proposed budgets at different times and the timing of their reviews determined the dates at which the estimates had to be established, no common cut-off date, and hence no common rate, could be contemplated. Each organization might wish, however, to adopt the last United Nations operational rate of exchange that was known at the time of the completion of its proposed budget. Adjusted estimates could subsequently be presented at the time of governing bodies' reviews where this was judged to be appropriate by the Executive Head concerned.

#### Rates of inflation in Switzerland and other cost increases

6. The other cost changes for which it was necessary to make provision in proposed budgets included both the expected effects of inflation and "statutory" changes resulting from upgradings and downgradings of posts, recruitments and promotions, annual salary increments, etc. It was for each organization to make allowance for these latter factors in the light of its own experience and trends; consequently, it was difficult to encourage uniform rates in this area. On the other hand, a common set of assumptions could be agreed upon with regard to the evolution of economic factors in Switzerland in the period considered. However, since for a variety of reasons the estimates for the *preceding* period embodied different assumptions on cost levels, each organization would need to decide on the adjustments required in its 2000 and 2001 estimates in order to provide an adequate cost base in budgeting for the economic conditions jointly assumed for 2002 and 2003. Elements that could involve changes in cost levels but depended on decisions still to be taken by governing bodies might need to be included in proposed budgets, but, in that case, would be specially identified as conditional items.

7. The official Swiss consumer price index had shown a year-on-year increase of 1.7 per cent in 1999 and an increase of 2.0 per cent from September 1999 to September 2000. Participants discussed forecasts made by financial institutions and concluded that a 1.8-1.9 per cent general rate of inflation should be used for 2000, 2001 and 2002. However, it was understood that the general rates of inflation to be used by individual organizations in their budget estimates would be subject, as were budgetary rates of exchange, to the dates of preparation and review of their budget proposals. In view of the evolution of the inflation rate, organizations would need to take account of any new developments or revised predictions made up to those dates.

8. Consideration was then given separately, for each of the organizations' major items of expenditure, to the cost increases which had actually taken place in 1999 and were expected in 2000 and to those increases that might be expected in 2001 and 2002, and 2003. In this review account was taken of available official statistics, statements of competent authorities, the views of reputable economic analysts and information gathered from professional associations and other appropriate sources. It was noted that in some cases these data suggested rates of inflation for individual types of expenditure which differed from the overall rate assumed. The agreements reached are set out below, subject to review by individual organizations on the basis of any further information that may become available at a later stage.

**(a) Staff costs for the Professional and higher categories in Geneva**

ICSC has recommended to the General Assembly, effective 1 March 2001, a consolidation of 5.1 per cent post adjustment on a *no gain no loss* basis. A place-to-place survey was currently under way for Geneva, but results would not be known until March 2001. However, given the existing gap between the post adjustment index and the multiplier, it is very unlikely that there will be any change to the Geneva post adjustment multiplier in the next few years.

**(b) Staff costs for the General Service category in Geneva**

A comprehensive salary survey was last carried out in 1995. This indicated that existing pay scales were some 7.1 per cent higher than in the local market. The new salary scale is adjusted every year for inflation, but the old salary scale is still higher than the new scale and it would be several years before inflation closed the gap. The next comprehensive General Service salary survey is scheduled to start in 2001. It is unlikely that there will be any significant increase in General Service staff costs in the forthcoming budget period.

**(c) Contributions to the United Nations Joint Staff Pension Fund**

The total rate of contribution to the United Nations Joint Staff Pension Fund, corresponding to 23.7 per cent of pensionable remuneration, was not scheduled for revision at present. The two-thirds share financed by member organizations would therefore remain at 15.8 per cent of pensionable remuneration in 2000 and 2001. Any recommendation by the Pension Board meeting in the summer of 2002 would only have any impact in 2003. The meeting agreed to assume that the status quo with regard to the rate would continue.

For staff in the Professional and higher categories, increases in the New York post adjustment of 3.6 per cent took effect in 2000. This figure produced a similar increase in the level of worldwide Professional pensionable remuneration and thus in the cost of organizations' pension contributions. This affects the pension costs for Geneva-based staff notwithstanding the absence of any increase in post adjustment. Similar increases of around 3-4 per cent per year could be expected in 2001, 2002 and 2003.

For staff in the General Service category, pensionable remuneration was the dollar equivalent of the sum of the local gross salary, any language allowance and any non-resident's allowance payable. Although the local gross salary may in practice be frozen for the next few years, any changes in the dollar-Swiss franc rates of exchange would impact the dollar costs of organizations' contributions.

**(d) Other common staff costs**

Proposals were currently before the General Assembly for an increase of 4 per cent in the maximum admissible education grant for Switzerland. There would also be some changes in the termination scale and in the mobility and hardship allowance, but with minimal impact on total Geneva staff costs. Increases in language allowances for the General Service category are dependent on the outcome of the salary survey mentioned above. A proposed increase of 11.89 per cent in the local currency amount for children and secondary dependent allowances would, if approved, be effective in January 2001 with no further increases foreseen in the period 2002-2003.

**(e) Travel and transport and air freight**

It was agreed to use the general inflation rate assumption in paragraph 7 above.

**(f) Contractual services**

*Contractual printing and binding:* Except for paper costs, it is expected that increases for printing and binding services will be at the general rate of inflation assumed in paragraph 7 above. In

cases where the orders are placed in other countries than Switzerland different annual rates of increase have been foreseen.

*Other contractual services (including contractual maintenance of premises and equipment):* Costs of other contractual services including contractual maintenance of premises and equipment are expected to increase at the annual rate of inflation assumed above.

**(g) General operating expenses**

*Fuel oil:* It was difficult to estimate the evolution of fuel prices in the light of recent major increases in crude oil costs. It was agreed that organizations should take into account the latest price levels in effect at the time of the completion of their proposed budgets and assume a general inflation rate thereafter.

*Other utilities:* It has been announced that water rates will increase by 7 per cent in 2001; they are expected to remain at that level through 2002 and 2003. For electricity, it was anticipated that price increases, if any, would not exceed the general inflation level assumed in paragraph 7 above.

*Communications (telephone, telex and facsimile services, postage):* Communications costs in Switzerland are currently stable and increases beyond the general rate of inflation are not expected; telephone rates are not expected to exceed current levels.

*Pouch services:* Pouch costs are expected to reflect a tariff increase of 3 per cent in 2001 together with a fuel surcharge of 7 per cent; thereafter a general rate of inflation might be assumed.

**(h) Supplies and materials**

*Paper and printing supplies:* Based on a market study, an inflation rate of 5 per cent per year could be assumed.

*Other supplies and materials:* The cost of other supplies was expected to increase at around the general rate of inflation.

**(i) Acquisition of furniture and equipment**

The steady price decreases for office automation equipment (hardware and software) during 1999 and 2000 were expected to continue. However, the need to replace the old equipment by more sophisticated equipment, which is more expensive, and the purchase of new software packages, were expected to completely offset the anticipated savings. For furniture and other equipment, average increases were expected in line with the general inflation assumption in paragraph 7.

9. In the ILO's Programme and Budget proposals, unless otherwise disclosed, these commonly agreed assumptions have been used to calculate cost increases in 2002-03 as regards expenditure to be incurred in Switzerland. A general rate of inflation of 1.8 per cent for Geneva costs has been applied in accordance with the commonly agreed assumptions and this rate is consistent with projected rates obtained by the Office. For duty stations outside Switzerland, cost increases have been calculated on the basis of detailed analyses of price and salary movements at each duty station since these may vary widely from region to region and within each region.

### Details of cost increases by object of expenditure

10. Cost increases are applied to the budget either on the basis of the object of expenditure, or on the basis of an analysis of particular activities.

#### Staff costs

*Staff calculated at standard cost*

11. The increases in the standard costs are explained in paragraphs 32 to 52 below.

*Interpreters, committee secretaries and short-term Conference staff*

12. A provision for cost increase has been made in line with cost increases provided for staff costs.

*Locally recruited staff*

13. Cost increases applicable to locally recruited staff in field duty stations are discussed in paragraph 31 below.

### Travel on official business

14. No increases have been provided for the cost of air tickets after taking account of competitive pricing available in most markets.

### Contractual services

#### *External collaboration*

15. In general the cost of external collaboration contracts should evolve in relation to the cost of Professional staff. A cost increase of 1.9 per cent for the biennium has been provided for external collaboration, in accordance with the increase for Professional staff (paragraph 32).

#### *External printing and binding*

16. Cost increases of 5 per cent per annum for paper supplies, as agreed between the Geneva-based agencies, have been applied to this category of expenditure.

### General operating expenses

17. The range of items under this object of expenditure is so varied that any significant cost increases provided for are mentioned below under the programme concerned, in particular for those provisions under Internal Administration (paragraphs 26 to 28).

### Supplies, materials, furniture and equipment

18. Following a recent survey of furniture and equipment prices, conducted by the Office, no increases are considered necessary under this category of expenditure.

### Other expenditure

19. This is composed of joint administrative activities within the United Nations system, e.g. CCAQ, UN Joint Inspection Unit. The budget estimates for these bodies have been used as a basis where available, with cost increases being based on the general rate of assumed inflation in the location of the various bodies (1.8 per cent for Geneva and 3.5 per cent for New York). In addition, minor modifications have occurred in the apportionment of the costs between participating agencies. Forecast increases in pensionable remuneration of retirees of some 3.5 per cent per annum have been applied to the provision for the ILO contribution to the Staff Health Insurance Fund for retirees.

### Regular Budget Technical Cooperation (RBTC)

20. A cost increase of 1.5 per cent for the biennium, which represents the average rate of inflation forecast for the regions (paragraph 31), has been applied to Regular Budget Technical Cooperation field projects.

### Details of cost increases by programme

21. For certain programmes involving specific types of expenditure, it would not have been realistic to use the average rates of increase indicated above. In such cases, cost increases are based on an appraisal of the particular conditions applying to each case. Details of these increases, and of other cost increases which are considered sufficiently important to be mentioned separately, are given below.

### Governing Body

22. Increases reflecting the forecast rate of inflation for Geneva will be provided for daily subsistence allowances payable to Governing Body members.

### International Standards and Human Rights

23. No increase has been foreseen in the honoraria paid to members of the Committee of Experts on the Application of Conventions and Recommendations.

### International Training Centre of the ILO, Turin

24. Cost increases of 1.8 per cent per annum have been provided to reflect forecast inflation in Italy.

### International Institute for Labour Studies

25. The ILO's contribution to the Institute has been adjusted to take into account the anticipated movement in the average standard costs for Professional and General Service staff.

### Internal Administration

26. The main non-staff items under this programme are: building running expenses (water, electricity, heating oil and maintenance, cleaning contracts); purchases of equipment, supplies and materials; telecommunications, postage and pouch expenses; and rental and maintenance of furniture, equipment and vehicles.

#### *(a) Building running expenses*

27. The rates agreed upon between the Geneva-based agencies, have been applied to this category of expenditure.

#### *(b) Telecommunications, postage and pouch expenses*

28. Due to the increased competition in these sectors and agreements that have been negotiated by the Office, no increase has been considered necessary.

### Library and Documentation

29. Based on a recent competitive bidding exercise for serials and periodicals and advice from suppliers it has been found necessary to provide for anticipated cost increases of 7 per cent per annum for this category of expenditure.

### Cost increases in the regions

#### *(a) International costs*

30. Provision has been made for internationally recruited staff in the field on the basis of the standard costs described in paragraphs 32 to 52 below. The provisions for cost increases for RBTC are described in paragraph 20 above.

#### *(b) Local costs*

31. Increases in local costs, including those for salaries and allowances of locally recruited staff, are calculated individually for each of the ILO's offices outside Geneva. The latest 2000 costs are increased for estimated inflation in 2001, 2002 and 2003, and take account of the effect of adjustments in the rate of exchange between the local currency, and the US dollar and the Swiss franc (where for budgeting purposes the local currency is assimilated to the Swiss franc). The annual rates of cost increases vary considerably between and within regions. The average annual rate for each region, in dollar terms, is as follows:

|                      | <i>Percentage increase per annum</i> |
|----------------------|--------------------------------------|
| Africa               | 0.65                                 |
| The Americas         | 0.55                                 |
| Arab States          | 2.80                                 |
| Asia and the Pacific | —                                    |
| Europe               | 2.20                                 |

### Standard costs

32. Separate standard costs are used for Professional and General Service category staff in Geneva. They do not cover staff in grades D2 and above.

33. The standard costs are composed of a number of elements, the cost of which can vary from one biennium to another with changes in the cost of living, conditions of service, places of recruit-

ment and assignment of staff, etc. The 2002-03 standard costs are essentially a projection of actual costs in 2000 with appropriate allowances for expected trends of inflation, changes in staff entitlements, and the movement of staff.

34. The compositions of the standard costs, with comparative figures for 2000-01, are given below. The Professional category standard cost is based on an exchange rate of 1.53 Swiss francs to the US dollar. The General Service category standard cost is expressed in Swiss francs.

|   | 2000-01 budget in US\$<br>at a rate of 1.53 SFr | 2002-03 budget in US\$<br>at a rate of 1.53 SFr |
|---|---|---|
| <b>Professional category:</b>   |   |   |
| Basic salaries  | 69,220  | 74,400  |
| Post adjustment   | 27,526  | 23,810  |
| Dependency allowances   | 1,880   | 2,085   |
| ILO contribution to pension fund  | 19,760  | 20,085  |
| ILO contributions to the Staff Health Insurance Fund and other staff insurance  | 3,010   | 3,065   |
| Education grants and scholastic travel  | 5,780   | 6,545   |
| Travel and removal expenses incurred on appointment, home leave, transfer, etc. | 5,840   | 4,975   |
| Allowances paid on appointment and relocation                                   | 7,430   | 8,035   |
| Terminal payments   | 2,450   | 2,548   |
|   | <b>142,896</b>                                  | <b>145,548</b>                                  |
|   |   |   |
|   | 2000-01 budget<br>(in Swiss francs)             | 2002-03 budget<br>(in Swiss francs)             |
| <b>General Service category:</b>  |   |   |
| Basic salaries  | 97,138  | 96,663  |
| Dependency allowances   | 5,575   | 5,860   |
| ILO contribution to pension fund  | 20,235  | 20,014  |
| ILO contributions to the Staff Health Insurance Fund and other staff insurances | 3,045   | 3,039   |
| Education grants and scholastic travel  | 1,325   | 1,155   |
| Travel and removal expenses incurred on appointment, home leave, transfer, etc. | 615   | 590   |
| Allowances paid on appointment and relocation                                   | 350   | 325   |
| Terminal payments   | 1,190   | 1,498   |
|   | <b>129,473</b>                                  | <b>129,144</b>                                  |
|   | <b>\$84,624</b>                                 | <b>\$84,408</b>                                 |
|   | at SFr 1.53 to 1 US\$                           | at SFr 1.53 to 1 US\$                           |

35. As the budget proposals are presented in constant 2000-01 dollars, the standard costs per work-year used in the estimates in the budget tables are those for 2000-01, i.e. \$142,896 for the Professional category and \$84,624 for the General Service category. The standard costs given above for 2002-03 (\$145,548 per Professional work-year and \$84,408 per General Service work-year) have been used in calculating the total expenditure budget including cost increases. When the budget has been adopted by the Conference, the final standard costs, taking account of the budget rate of exchange, will be used for costing the individual budget tables. An explanation of the method of calculating the standard costs follows.

### Professional category

#### *Basic salaries*

36. The estimate represents net basic salaries, i.e. gross salaries less staff assessment. Using the current actual average base salaries as a base, allowance has been made for increases in salaries due to the net effect of such factors as annual increments payable in accordance with the Staff Regula-

tions, regradings, retirements, new appointments, etc., and includes a provision for the commutation of accrued leave at the end of service. The increase in the base/floor salary scale of 5.1 per cent effective March 2001, as proposed by the ICSC has been included. Although further consolidations of post adjustment into net basic salary at an average rate of 4 per cent per year in 2002 and 2003 have been assumed for the calculation of those elements which are based on the base/floor salary scale alone (mobility, hardship and terminal payments), they have not been applied in the calculation of basic salary in order to preserve as far as possible comparability with the 2000-01 cost of this category. Since such consolidations increase basic salary while at the same time decreasing post adjustment on the no gain/no loss principle, the net combined effect on these two categories of the standard cost would be nil.

*Post adjustment*

37. The decrease in this category results from the consolidation of post adjustment into basic salary described above combined with the impact of lower than forecasted post adjustment rates, particularly in field locations. In line with the assumptions made by the inter-agency meeting which was held in Geneva in November 2000, no increases in post adjustment have been provided for in respect of staff based in Switzerland. A provision has been provided for officials serving in field duty stations in line with projected rates of inflation in the regions (paragraph 31).

*Dependency allowances*

38. The provision for dependency allowances takes account of the recommendation of the ICSC to increase the children's and secondary dependent's allowances by 11.9 per cent effective 1 January 2001.

*ILO contribution to pension fund*

39. This category covers the cost of the ILO contribution (15.8 per cent of pensionable remuneration) to the United Nations Joint Staff Pension Fund (UNJSPF). The actual increase in the scale of pensionable remuneration of 3.6 per cent in November 2000 has been taken into account. Provision has been made for increases in the scale in 2001, 2002 and 2003 based on estimates of salary inflation in the base duty station, New York.

*ILO contributions to the Staff Health Insurance Fund and other staff insurance*

40. This category is linked to basic salary, post adjustment, dependency allowances and mobility hardship and non-removal allowances, and thus the estimate changes in accordance with movements in the cost of these elements. The ILO contribution to the Staff Health Insurance Fund is maintained at the rate of 2.8 per cent.

*Education grants and scholastic travel*

41. Account has been taken of the recommendation of the ICSC to increase the ceiling amount for education grants (ranging from 4 per cent to 23 per cent, depending on location) and provision has been made for increases in fees charged by educational institutions in accordance with general inflation estimates. An adjustment has also been made for a slight under budgeting in the 2000-01 provision.

*Travel and removal expenses incurred on appointment, home leave, transfer, etc.*

42. This category includes travel on appointment, transfer, separation and family visit, and removal of household goods and transportation of personal effects. The decrease in this category is due to a favourable budget variance in the previous biennium.

*Allowances paid on appointment and relocation*

43. This category includes assignment grant, mobility allowance, hardship allowance, non-removal allowance, rental subsidy and per diem allowance for short-term staff. The increment in this category results both from increased staff mobility and the effect on mobility and other allowances of the expected increases in the base/floor salary scale arising from the consolidation of post adjustment in 2001, 2002 and 2003, as noted in paragraph 36 above.



*Terminal payments*

44. This category consists of a contribution to a Terminal Benefits Fund of 3.5 per cent of the basic salary for eligible officials. The small increase results from the effect of increases in the base/floor salary scale, including the consolidation of post adjustment into basic salary described in paragraph 36 above.

**General Service category**

*Basic salaries*

45. The decrease in basic salary results in part from the continued freezing of salaries following the ICSC salary survey in 1995 and the retirement of a number of staff at the top of the salary scale. Provision has been made for the net effect of factors such as annual increments payable in accordance with the Staff Regulations, regradings, retirements, new appointments, etc. No provision has been made for inflation as agreed at the Geneva inter-agency meeting.

*Dependency allowances*

46. Dependency allowances change as a function of basic salary and local conditions with respect to social benefits. As the amount of spouse and child allowance has not increased over the past two biennia, an increase has been provided for.

*ILO contribution to pension fund*

47. This category covers the cost of the ILO contribution to the United Nations Joint Staff Pension Fund (UNJSPF). The decrease results from the application of new scales of pensionable remuneration for new staff and the impact of the reduced base salary described above.

*ILO contributions to the Staff Health Insurance Fund and other staff insurance*

48. This category is linked to basic salaries, dependency allowances, mobility hardship and non-removal allowances, and accordingly reflects the net impact of movements in these elements. The ILO contribution to the Staff Health Insurance Fund is maintained at the rate of 2.8 per cent.

*Education grants and scholastic travel*

49. The decrease in this provision is due to the continuing reduction in the number of non-locally recruited General Service staff, through natural attrition, who are entitled to this benefit. Account has also been taken of the recommendation of the ICSC to increase the ceiling amount for education grants.

*Travel and removal expenses incurred on appointment, home leave, transfer, etc.*

50. This category includes travel on appointment, transfer, separation and family visit, and removal of household goods and transportation of personal effects. Similarly to the provision for education grants, the provision for this category has decreased due to the reduction in the number of non-locally recruited General Service staff entitled to this benefit.

*Allowances paid on appointment and relocation*

51. This category includes assignment grant, mobility allowance, hardship allowance, non-removal allowance and rental subsidy.

*Terminal payments*

52. This category comprises two factors, namely a contribution to a Terminal Benefits Fund of 3.5 per cent of the basic salary for eligible officials who entered service on or after 1 January 1964, and the estimated average cost of actual repatriation grant payments made to eligible terminating officials who entered service before 1 January 1964. The increase in this category is due to an under provision in the previous biennium.