



INTERNATIONAL LABOUR OFFICE

GB.292/PFA/8(Rev.)
292nd Session

Governing Body

Geneva, March 2005

Programme, Financial and Administrative Committee

PFA

EIGHTH ITEM ON THE AGENDA

The Director-General's

**PROGRAMME AND BUDGET
PROPOSALS
FOR THE BIENNIUM
2006-07**

ISBN 92-2-115381-9
ISSN 0074-6681

First published 2005

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email:

pubvente@ilo.org

Visit our website: www.ilo.org/publns

Photocomposed and printed by the International Labour Office, Geneva, Switzerland

Contents

	<i>Page</i>
Abbreviations	v
Message from the Director-General	vii
Overview and budgetary features	1
Making decent work a global goal.....	1
Demands and opportunities for ILO action.....	2
The need for a strategic medium and long-term institutional investment plan.....	3
The Programme and Budget and the Strategic Policy Framework.....	5
The budgetary basis of the Programme and Budget proposals.....	7
Institutional investments and extraordinary items.....	7
Proposed budget level.....	18
Proposed strategic budget (table 1): Proposed expenditure budget by appropriation line.....	19
The strategic budget and results-based budgeting.....	20
Extra-budgetary resources.....	22
Regional priorities	27
Africa.....	27
The Americas.....	28
Arab States.....	30
Asia and the Pacific.....	32
Europe and Central Asia.....	34
The strategic objectives	37
Strategic Objective No. 1: Promote and realize standards and fundamental principles and rights at work.....	41
Operational objective 1a: Fundamental principles and rights at work.....	42
Operational objective 1b: Normative action.....	45
Strategic Objective No. 2: Create greater opportunities for women and men to secure decent employment and income.....	51
Operational objective 2a: Employment, labour markets, skills and employability.....	52
Operational objective 2b: Employment creation.....	56
Strategic Objective No. 3: Enhance the coverage and effectiveness of social protection for all.....	63
Operational objective 3a: Enhanced social security coverage.....	64
Operational objective 3b: Effective labour protection.....	67
Strategic Objective No. 4: Strengthen tripartism and social dialogue.....	73
Operational objective 4a: Strengthened social partners.....	74
Operational objective 4b: Governments and institutions of social dialogue.....	77
Operational objective 4c: The development of social dialogue at sectoral level.....	80
Mainstreamed strategies and InFocus Initiatives	85
Mainstreamed strategies.....	85
A fair globalization.....	85
Working out of poverty.....	86

Advancing gender equality	87
Greater influence of international labour standards in development	88
Expanding the influence of social partners, social dialogue and tripartism.....	89
InFocus Initiatives.....	90
Informal economy.....	90
Corporate social responsibility.....	91
Export processing zones.....	91
Institutional capabilities.....	97
Extending partnerships.....	97
Strengthening statistical capacity.....	97
Strengthened knowledge and information development.....	99
Strengthening communications strategies for promoting decent work.....	100
International Training Centre of the ILO, Turin	100
International Institute for Labour Studies	101
Governance, support and management.....	105
Results-based management	105
Services to governance.....	107
Oversight and accountability.....	108
Infrastructure	108
Draft budget of expenditure and income for 2006-07	109
Information annexes	
1. Operational budget.....	113
2. Details of cost increases.....	125
3. Proposed operational budget by item and object of expenditure	135
4. Schedule of established posts.....	138
5. Estimates of expenditure on technical cooperation funded from extra-budgetary sources by operational objective	139
6. Estimates of expenditure on technical cooperation funded from extra-budgetary sources by region and strategic objective.....	140
7. Summary of regular budget technical cooperation resources	141
8. Evolution of programme and expenditure levels	142
9. Potential areas for additional extra-budgetary funding.....	143

Abbreviations

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
AU	African Union
CCA	common country assessment
CIS	Commonwealth of Independent States
DWCP	decent work country programmes
EPZ(s)	export processing zone(s)
EU	European Union
FDI	foreign direct investment
GEMS	Gender Mainstreaming Strategy
IFIs	international financial institutions
IPEC	International Programme on the Elimination of Child Labour
IRIS	Integrated Resource Information System
IT	information technology
ICT	information and communication technology
KILM	Key Indicators of the Labour Market
LDCs	least developed countries
MDGs	Millennium Development Goals
MERCOSUR	Common Market of the Southern Cone
MNE Declaration	Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
NEPAD	New Partnership for Africa's Development
PRSPs	Poverty Reduction Strategy Papers
SAARC	South Asian Association for Regional Cooperation
SMEs	small and medium-sized enterprises
SP	Stability Pact
TBPs	time-bound programmes
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
WCSDG	} World Commission on the Social Dimension of Globalization
World Commission	
YEN	Youth Employment Network

Message from the Director-General

1. I have the honour of submitting my Programme and Budget proposals for 2006-07.
2. The ILO has dealt with complicated financial situations and difficult budget approval processes in the past. We are again facing tough choices.
3. Simply put, the demand for ILO services to constituents is growing exponentially while our regular budget resources have been decreasing, with all the resulting strains. The total decline amounts to 15 per cent since 1978. This is compounded by the need to make significant institutional investments that take the budget beyond the zero real growth level.
4. This comes at a time when governments are also facing tough choices in their own budget processes and when fluctuations in the value of major currencies are generating multiple uncertainties worldwide. Many countries find themselves resorting to fiscal deficits and to increasing national debt. These are not easy times for anyone.
5. As is well known, deficit spending is an avenue that the ILO has refused to take. We have continued the prudent policies of the past of “living within our means”. That is, within the budget approved by the Conference.
6. This approach has been facilitated by the wise use of resources made available by important payments of arrears. However, we must plan on the expectation that contributions will be paid on time in the future and that significant arrears do not again build up.
7. I am fully aware that many governments would like to see us deliver more with less. I have followed that line in my three previous budgets by reducing administrative and support expenditure to favour technical programmes and increased spending in the regions. And I continue to push our managers and staff to find efficiency savings whenever possible. But the scope of this “whenever possible” – as these budget proposals make evident – is becoming smaller and smaller.
8. In many ways, the resources available define the possibilities of an institution. That decision is in the hands of the Programme, Finance and Administration Committee, the Governing Body and, ultimately, the International Labour Conference. Your choices will guide the future of the ILO, and will also demonstrate in the public eye the extent to which governments, employers and workers support our unique tripartite structure.
9. A budget decision is also a policy decision. The direction taken following our budget discussions will reflect the importance we all attach to the ILO’s role in shaping policies concerning the world of work in national development, the global economy and the multilateral system. It expresses our will to be relevant.
10. We know the ILO touches the real lives of people and responds to the declared policy priorities of most governments with its Decent Work Agenda, its working out of poverty approach to development and its role in shaping a fair globalization.
11. Decent work is a widespread demand in countries the world over. Few politicians can be elected without talking about more and better jobs. It is a major component of the way government and enterprise performance is judged. And many international organizations, the IMF and WTO included, have full employment in their mandate.
12. Any person living in poverty will tell you that the dignity of work and the possibility of a decent job are what she or he needs most to regain self-confidence and begin climbing the ladder of opportunities.
13. And as the World Commission on the Social Dimension of Globalization found, people do not have an ideological view of globalization. They have a very practical approach. Basically, how much of its benefits reach me, my family, my community, my country? And the key factor influencing whether globalization brings the prosperity people hope for and expect is how it impacts on their life and work.

14. Today, there is wide recognition of the need to strengthen the social dimension of globalization. The United Nations General Assembly, in a unanimous resolution adopted at its 59th session, recognized the World Commission report, *A fair globalization: Creating opportunities for all*, as a contribution to the international dialogue towards a fully inclusive and equitable globalization. It calls on governments to consider the report. It also calls on organs and bodies of the United Nations to consider it within their mandates,¹ and invites relevant UN system and other multilateral bodies to provide information on their activities to promote an inclusive and equitable globalization to the Secretary-General. Such an immediate reaction of the community of nations represented in the General Assembly is quite unprecedented. It is a significant recognition of the ILO's decision to promote common ground on this.

15. Globalization confronts constituents and the world of work with new challenges and opportunities. A necessary feature of a more inclusive and equitable globalization, nationally and internationally, is the pursuit of policy coherence and policy dialogue. Achieving the goal of decent work for all therefore requires increased cooperation within countries and among multilateral bodies and organs. My proposals include a number of initiatives based on the debate on my report to the International Labour Conference on the role of the ILO in shaping a fair globalization and your discussions in the Governing Body. They envisage a key role for the Governing Body through its Working Party on the Social Dimension of Globalization in the further development of areas of consensus.

16. The ILO is rooted in the real lives of enterprises and of working women and men. This is the foundation for the demand for ILO knowledge, experience and services from around the world. Our importance derives not from major funding capacities or the power to insist on policy conditionalities. It stems from the relevance of our policies to a people-centred development.

17. It is also founded in the voluntary nature of participation in the ILO. Countries choose to be a member of this institution, choose to ratify a Convention, choose to request our advice, and choose to support an institution with a long and proud tradition, a recipient of the Nobel Peace Prize.

18. The level of the budget is also a choice. A choice of what and how much you, the members, want the ILO to do; a choice to reinforce – or not – the only international institution in which business and workers' representatives have a seat at the decision-making table alongside governments; an institution that has proven its capacity to find common ground on complex global issues.

19. History has vindicated the values expounded in our Constitution, not least the principle and practice of tripartism. But we have not completed our task. The resolve to secure peace and uphold social justice remains. And our mandate takes on new significance in the light of the opportunities and threats posed by heightened competition in global markets. New ways of balancing freedom and dignity, economic security and equal opportunity, competitiveness and decent work within and across countries, are in the offing.

20. At the November 2004 meeting of the Governing Body we discussed the strategies the ILO should pursue in order to make decent work a global goal. The Office paper on a Strategic Policy Framework 2006-09, together with the many comments and suggestions made in the debate, as well as subsequent consultations, have guided the preparation of the proposals for the 2006-07 Programme and Budget.

21. It is centred on working with constituents in the 177 member States of the ILO to focus on the goal of decent work from the local to the international level. Our aim is to ensure that in the sphere of work national and international policies shape the conditions under which, as stated in the Declaration of Philadelphia, "all human beings, irrespective of race, creed or sex, have the

¹ Resolution A/RES/59/57: A Fair Globalization: Creating Opportunities for All; report of the World Commission on the Social Dimension of Globalization (adopted on 2 December 2004).

right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity”.

22. Our historical mandate and its continuing relevance to the challenges that the new era of globalization pose for our constituents provide the rationale for my proposals. I trust that they represent a reasonable balance between the increasing demand for our services and the constrained resources likely to be at our disposal.

* * *

23. My proposals are organized around our four strategic objectives. These are underpinned by five mainstreamed strategies, and a limited number of InFocus Initiatives on specific topics of concern to constituents.

International labour standards and fundamental principles and rights at work (Strategic Objective No. 1)

24. The world needs a floor of social rights. We have several means of action. One is our campaign to promote fundamental principles and rights at work and the universal ratification of the eight Conventions covering these principles and rights. Another is technical cooperation to assist constituents in applying the labour standards contained in these fundamental Conventions and others they have ratified. A third is the recognition by all international development organizations of the key role that the respect of international labour standards plays in social and economic development.

25. We will continue to promote and monitor the application of labour standards, with a particular eye on those instruments proposed for an integrated approach. This will shed light on how to strengthen our standards-setting system and our supervisory machinery. We must have the ambition to expand the recognition and the coverage of rights at work to all workers, whether in the formal or informal economy.

Decent employment and income (Strategic Objective No. 2)

26. The divide between those who have poor-quality jobs – or no jobs at all – and those with decent employment, is a main fault line in our societies. The employment implications of global, regional and national policies will be the focus of work with constituents. Employment for youth and for women is a priority. We shall strive to make decent employment and income, enterprise development and enhanced skills development and employability for social inclusion the cornerstone of poverty reduction policies. This would act as a safeguard of the effectiveness and sustainability of poverty reduction policies in the long term. Particular attention will continue to be given to bringing informal enterprises and workers progressively into the formal economy as a means to boost productivity, employment and protection. The ILO will strengthen its work on corporate social responsibility in close collaboration with constituents. Within the framework of the Global Employment Agenda, we will assist constituents in formulating, evaluating and sharing experiences on employment issues.

Social protection for all (Strategic Objective No. 3)

27. Workers and their families need social protection. We will vigorously promote our global campaign on social security and coverage for all. Tools and methods will be prepared to improve governance of social security systems and assess feasible options for extension. We will work with constituents to design and test innovative approaches combining social and labour protection, family and working lives, employment and enterprise promotion and poverty reduction. Occupational health and safety and working conditions will remain a priority area for advice and technical assistance to constituents. The world of work strategy to combat HIV/AIDS will be strengthened. Work on a non-binding rights-based multilateral framework to better manage labour migration will be pursued.

Tripartism and social dialogue (Strategic Objective No. 4)

28. Social dialogue and tripartite consultations are proven methods for conflict resolution, effective policy development and sound reforms. Our purpose is to strengthen the representative organizations of employers and workers, and labour ministries and administrations, to enlarge their influence on the range of policies that affect the world of work nationally and internationally. Their voices must be better heard. Reinforcing the capacity of constituents and tripartism to act on global debates is key to the continued relevance of the ILO's mandate. Particular attention will be given to ensuring respect for fundamental principles and rights at work and sound enterprise development, including in export processing zones.

Mainstreamed strategies and InFocus Initiatives

29. Since strategic budgeting was first introduced, it has been clear that some issues involve the whole of the ILO, drawing from and contributing to all four strategic objectives. My proposals build on the strategy first pioneered for gender equality: "mainstreaming" – that is, ensuring that the work we do to support gender equality is integral to the work we do under all four strategic objectives. I have identified mainstreamed strategies for five areas in these proposals: globalization, poverty, gender equality, tripartism and standards. In response to the need to develop new research and products in a limited number of areas of high interest to constituents, "InFocus Initiatives" are proposed as Office-wide efforts to advance knowledge and services on the informal economy, corporate social responsibility, and export processing zones. 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 all relevant parts of the ILO. The former "InFocus Programmes", which were introduced with strategic budgeting as a way to accelerate the transition to results-based management, have been fully integrated into the Office's organizational structure.

Institutional capabilities

30. Recognizing the importance of ensuring the Office has the capacity to respond to the priorities of constituents, we are giving particular attention to strengthening the institutional underpinnings for our strategic objectives. Assessing the effectiveness of policies requires sound statistical information and the capacity to compile and analyse it. My proposals include measures to strengthen our capacities to process and analyse labour and decent work statistics, data and indicators to make the ILO the authoritative body on global social and labour policy information.

31. The momentous changes under way in work and society pose a major challenge to the ILO's knowledge base. For example, it would be sheer complacency to think that we know all we need to know on how globalization impacts on our four strategic objectives. Our comparative advantages can wither away easily if they are not fed and fertilized by top-flight information gathering, research and knowledge development.

32. We need a sound and integrated policy research agenda, headed by the International Institute for Labour Studies, with the participation of relevant programmes in the regions and headquarters. It must be targeted, tight and strategic with sufficient space to explore and debate new ideas. I believe the review of the Institute's work, which I launched last year, permits us to move forward better on this urgent need.

33. As part of a more comprehensive communications and information strategy, we are revising our publications policy to publish fewer products in total, while ensuring they are all of high quality. The Turin Centre is continuing to develop its capacity-building methodologies to support ILO constituents. Further key aspects of programme implementation include continued attention to maintaining and strengthening the ILO's network of governments, employers' and workers' organizations; enhancing the technical skills of staff as well as our organizational and management capacities and improving our capacity to mobilize extra-budgetary resources. We

will also expand our international and national partnerships, prioritizing those that hold good prospects for policy synergies.

34. The Strategic Policy Framework noted the need to reinforce evaluation capacity before the end of the next biennium. I welcome the requests made in that discussion that we begin this work sooner. This corresponds to my commitment to transparency, effectiveness and organizational learning. I will set up an evaluation unit this year, and submit proposals in November for a more substantial, effective and independent evaluation policy.

* * *

35. The application of results-based management in decent work country programmes is a strong feature of my proposals. We will build our programme of cooperation in member States around a manageable number of priorities combining country requests and characteristics with overall ILO goals in an integrated package. This will enable us to put scarce resources to better use. It will strengthen our capacity to respond to issues and problems for which our constituents seek ILO assistance, in particular as regards integrated solutions to complex multidisciplinary problems in the world of work. We will distinguish our promotion of decent work as a goal for member States to adopt (around which their own major economic, social and environmental policies can converge) from decent work country programmes which constitute the ILO contribution to this national goal.

36. A significant share of some of our programmes is financed through extra-budgetary resources. We take pride in the confidence of our donors. I want to thank them for enabling the ILO to expand its services. This trend has given rise to concerns in the Governing Body, in particular when compared to declining resources of the regular budget. Our capacity to service a rapidly growing technical cooperation programme is reaching its limit. Already there is inadequate regular budget funding for programmes with particularly large extra-budgetary contributions. I share these concerns but we do not have the means to redress this situation.

37. The International Labour Conference and the Governing Body regularly review our technical cooperation programme. This governance role needs to be reinforced. I believe a debate in the Governing Body on these matters could help us explore satisfactory solutions for all.

38. In line with budget decisions over the past two biennia, an increasing proportion of total ILO resources is managed in the regions. It is my intention to pursue further decentralization of responsibility for programme implementation, despite resource constraints on regional budgets. Technical departments will increasingly work within the framework of decent work country programmes, in close collaboration with the field structure. Decentralization depends on strengthening our presence in your countries and regions, in the context of a participatory review of the ILO's field representation.

* * *

39. I propose for the next biennium an ordinary budget (Part I) of \$528.7 million identical in real terms to that of 2004-05.² I have made a prudent increase in the provision for unforeseen expenditure (Part II) of \$1.1 million. There is no provision for any payment into the Working Capital Fund (Part III). I propose to introduce a Part IV to the budget, as allowed for in our Financial Regulations,³ of \$21.7 million making provision for essential investments in our institutional infrastructure and extraordinary items. It should be noted that our total needs in this regard over the next two years is \$45.4 million (see table A), of which \$18.3 million are absorbed in Part I of the budget, leaving an unbudgeted shortfall of \$5.4 million. In sum, the total budget for 2006-07 (Parts I-IV) is 4.3 per cent (\$22.8 million) higher in real terms than that of 2004-05.

² Information annex 2 presents in detail the cost increases foreseen for 2006-07.

³ Article 31(d).

40. I have arrived at these budget proposals with the following rationale.
41. Within the constraint of zero real growth, I have consistently sought to maintain and, when possible, increase the budget for the regions and technical services. But whereas for earlier biennia I deemed it possible to achieve this by reducing resources for management and support services, this is no longer viable.
42. The ILO is faced with the coincidental convergence of new and extraordinary expenses in four areas identified in the Strategic Policy Framework 2006-09, namely human resources development, security of persons and premises, information technology, and maintenance of ILO property.
43. Given its other priorities, the ILO has lacked the resources to maintain a flow of investment in these four areas commensurate with requirements. It now faces the consequences.
44. Expenditure in human resources development has been low in the ILO, as observed by the External Auditor.⁴ As the ILO looks to a higher turnover in staff for several years to come, adequate resources are required to maintain and improve our basic asset, the knowledge and skills of our staff. Resources for staff development equivalent to 2.4 per cent of total staff costs are included in my proposals.
45. As for other institutions, security is a growing responsibility with rapidly escalating costs. Investments to bring all ILO premises to minimum United Nations standards by the end of 2007 are included in my proposals. This comprises new and growing payments to UNSECOORD as approved by the General Assembly, most recently in December 2004.
46. We have begun to address underinvestment in information technology. In early 2005 we are closing down the antiquated computer mainframes that have served us well and at very moderate cost for over 30 years. At the same time the new Integrated Resources Information System (IRIS) is moving into operation at higher levels of expenditure but well within international benchmarks. My proposals include the costs of the full deployment of IRIS throughout the Office by the end of 2007. The new system will enable the ILO to monitor its programming decisions, staff movements and financial flows much more effectively. It will provide valuable and more timely information for your governance decisions.
47. The Governing Body is discussing an ILO accommodation strategy. We are in the meantime faced with major building repairs, some of which can no longer be postponed. For example, in several of our meeting rooms interpretation equipment no longer works. In parallel, we will continue working with the Governing Body to define a comprehensive strategy to endow the Buildings and Accommodation Fund with the resources needed to ensure the safety and long-term viability of our buildings.
48. My budget proposals maintain the services to constituents in the regions and at headquarters at close to their 2004-05 level. The increase I propose above the level of resources in 2004-05 relates mainly to investments in the four domains described above.
49. I would fail in my commitment to responsible management if I submitted to you budget proposals that ignored the consequences of no real budgetary increase for 18 years. Despite slight increases for two biennia, the real level of the ILO's regular budget in 2004-05 is below that of 1987-88, which has restricted investments necessary to maintain our Organization's capacity. The four areas I have outlined as needing significant new investments cannot be wished away or ignored. Left unattended, these would substantially reduce our capacity to maintain our services to constituents in the coming years.
50. It is important to note that I have arrived at my proposals by reducing costs across almost all budget lines and achieving efficiencies wherever possible. Cost control is a constant concern, which is under systematic review, and I will continue to press this issue. But it is illusory to believe that vast additional savings can be found in the ILO of today.

⁴ Report of the External Auditor, 92nd Session of the International Labour Conference (June 2004).

51. Administrative structures and positions have and will continue to be regularly reviewed with a view to decreasing the overall number of management positions, combining units to reach an optimum size and achieve greater coherence. IRIS will streamline procedures and further reduce the flow of paper communication.
52. Competitive bidding is standard procedure in the purchase of goods and services in order to retain the least-cost proposals at the standard required. This applies to all sources of funding. The use of videoconferencing has increased by over three-fold since 2000, producing savings compared to the cost of an official mission. Further reductions in the amount of documentation submitted to the Governing Body will be pursued.
53. As you read this message you will have noticed that my Programme and Budget proposals are printed as a standard document of your Committee.
54. With staff costs absorbing some 68 per cent of the total budget, options for cutting costs and reducing inefficiencies are limited.
55. Should your debate on my Programme and Budget proposals conclude that the ILO ought to deliver its mandate within a zero real growth budget without a provision for institutional investments, you should be aware that this option would imply significant reductions throughout programmes servicing constituents.
56. I look forward to a thorough debate on these Programme and Budget proposals at the 292nd Session of the Governing Body in March 2005.
57. As you examine them, I invite you to remember the history of our Organization, its distinguished achievements and its singular contribution to our common future.
58. I invite you to draw inspiration from the pioneering spirit of Albert Thomas and David Morse and other heads of our house who, together with so many of our predecessors in the Conference, the Governing Body and the ILO staff, built an institution meant to last. They left with us an indelible legacy: the mandate to be true to our values and continue to be relevant as the world continues to change.
59. We have faced difficult situations in the past and overcome them. I am certain we will do so again with your commitment and dedication and our eyes on the future.

OVERVIEW AND BUDGETARY FEATURES

Making decent work a global goal

**The budgetary basis of the Programme and
Budget proposals**

Proposed strategic budget

Overview and budgetary features

60. This introductory section provides an overview of the Programme and Budget, its context within the Strategic Policy Framework 2006-09, and the basis on which the budget proposals set out in table 1 has been constructed. Following table 1 there is a short section covering the strategic budget and results-based budgeting.

61. The Strategic Policy Framework (SPF) 2006-09, which guides these proposals, was discussed extensively at the 291st Session of the Governing Body in November 2004. The present Programme and Budget proposals have been developed in response to the comments and guidance given on the SPF and on the preview of the Programme and Budget contained within it. That debate raised a number of important concerns which are noted throughout the proposals. All references in these proposals to the SPF refer to the full document *Strategic Policy Framework for 2006-09 and report of its discussion in the Programme, Financial and Administrative Committee of the ILO Governing Body*¹ including both the SPF and the comments. The document has been published on the ILO web site.² Subsequent discussions with constituents have also provided important guidance that has been taken into account in the preparation of these proposals.

62. The ILO's Strategic Policy Framework establishes the structure within which each budget period, and the specific results sought for that period, are situated. The main feature of the Strategic Policy Framework for 2006-09 is continuity as it builds on the Strategic Policy Framework for 2002-05, maintaining and reinforcing the four strategic objectives.

63. Each Strategic Policy Framework also has an integrating theme. For 2002-05 this was "Consolidating the Decent Work Agenda", a theme to be measured through progress in mapping the concept; developing integration and coherence across the ILO; building decent work into policies for the global economy; and putting it into practice at the national level. The theme for 2006-09 is "Making decent work a global goal" which builds on the main elements of the earlier theme, recognizing in particular that much has been done under the first Strategic Policy Framework to map the concept. This theme was fully supported in the discussion of the Strategic Policy Framework.

Making decent work a global goal

64. As with the first integrating theme, "Making decent work a global goal" serves to orient ILO's work both internally and externally. Internally, it provides a common framework to ensure consistency and coherence in the work the ILO is doing under each strategic objective. Externally, it orients the ILO's links to the broader multilateral and national development and rights agendas. This external linking is reflected both in how the ILO seeks to influence other agendas, and in how the ILO links to major multilateral agendas that impact on its mandate. As emphasized by the Governing Body in their discussion of the preview of the Programme and Budget at the 291st Session, the work of the ILO in 2006-07 will focus on decent work as a global goal. The Decent Work Agenda offers a balanced strategy for social and economic progress composed of the four strategic objectives. They form the basis for the organization of the means of developing and delivering the ILO's knowledge and expertise in support of the work of constituents.

¹ The ILO Governing Body, at its 291st Session (November 2004), decided to:

- (a) note the Office document GB.291/PFA/9 (Strategic Policy Framework for 2006-09), taking into account the views expressed during the discussion including the closing remarks of the Director-General;
- (b) request the Director-General to take the discussion of the Strategic Policy Framework for 2006-09 and the preview of the Programme and Budget proposals for 2006-07 into account during the preparation of the programme and budget proposals for the next biennium.

² The full document is available on the ILO web site at <http://www.ilo.org/public/english/bureau/program/download/pdf/06-07/gbspf.pdf>

65. The theme of decent work as a global goal brings together the four strategic objectives to provide a coherent framework for ILO action at all levels from the local to the global. A global goal calls for global action through both the international coordination of national policies and also cooperation among international organizations. But a goal is only truly global when it is equally integrated into national and local action.

66. Decent work country programmes, which constitute the backbone of the ILO's support to national constituents, are central to the global strategy. It is at the national and local level that the decent work goals are embedded in the lives and aspirations of people, and where the mutual reinforcement between progress on rights at work, employment, social protection and social dialogue is most apparent and most effective.

67. The ILO is well placed to take up the challenge of connecting local and national action to regional and global initiatives. Employers' and workers' organizations have a vertically integrated structure of representation that enables enterprises and trade unions to connect to each other and exert influence wherever decisions affecting their interests are taken from the local to the global level. Few, if any, other organizations have similarly far-reaching and time-tested networks. The governmental network of employment and labour ministries built up over the 85 years of the ILO's existence is also one of the strongest mechanisms for cooperation on matters of public policy in the multilateral system.

68. Powerful reinforcement to the four strategic objectives of the ILO's agenda and to tripartism was provided by the report of the World Commission on the Social Dimension of Globalization which argues that decent work as a global goal lies at the heart of a fair globalization and should be pursued by every country and the international community. To make decent work a global goal calls for cooperation between the ILO's policy agenda, a rights-based methodology, a tripartite process of decision-taking and work with other international partners on key national, regional and global objectives such as United Nations Development Assistance Framework (UNDAF), common country assessments (CCA), Poverty Reduction Strategy Papers (PRSPs) and the Millennium Development Goals (MDGs).

Demands and opportunities for ILO action

69. The ILO is increasingly called upon to play a leading role in global action. In September 2004, the United Nations Secretary-General recalled that in the Millennium Declaration "... world leaders pledged to work to make globalization a positive force for all the world's people". He added: "... the best anti-poverty programme is employment. And the best road to economic empowerment and social well-being is decent work."³ In November 2004, the Working Party on the Social Dimension of Globalization identified a number of areas and priorities for follow-up on the report of the World Commission on the Social Dimension of Globalization and invited the Office to put forward more detailed proposals on the most important areas for future action.⁴

70. The concept of decent work as a central goal of economic and social development has found resonance in a number of high-level international conferences. In Latin America and the Caribbean, a series of ministerial and heads of government meetings endorsed decent work. This included the Heads of State and Government of the Americas Special Summit (Nuevo León, Mexico, January 2004) which declared: "We are committed to the principles of decent work proclaimed by the International Labour Organization, and we will promote the implementation of the Declaration on Fundamental Principles and Rights at Work in the conviction that respect for workers' rights and dignity is an essential element to achieving poverty reduction and sustainable social and economic development for our peoples." The main message in working out of poverty, that productive employment is the sustainable way out of poverty, is underpinning many national policies based on community and local development

³ Secretary-General's remarks on 20 September 2004 at event: "A Fair Globalization: Implementing the Millennium Declaration" at www.un.org/apps/sg/printsgstats

⁴ Report of the Working Party on the Social Dimension of Globalization, Governing Body, 291st Session, November 2004.

initiatives. The Extraordinary Summit of Heads of State and Government on Employment and Poverty Alleviation in Africa, convened by the African Union in Ouagadougou in September 2004, gave resounding support to this approach.

71. Another indication of demand is the growing ILO technical cooperation programme with expenditures in 2004 estimated at US\$134 million. Between 1996-97 and 2004-05 the increase in technical cooperation expenditure is estimated to be over 35 per cent (in current dollars). It is estimated that extra-budgetary expenditure for 2004-05 will amount to some \$275 million, an increase of 21 per cent over 2002-03 extra-budgetary expenditure. For 2006-07, the estimated expenditure forecast amounts to some \$306 million.

72. While the above increases in extra-budgetary estimated expenditure reflect the increasing demand for our services and the interest of international donors in working with the ILO, it also reflects the tendency of relying on extra-budgetary resources for supporting core services. This issue has been brought up in many instances during Governing Body sessions for the risks it entails. The work covered by these funds is work of high priority which is under-funded in the regular budget but for which there is high demand from constituents.

73. The November 2004 Governing Body discussion of the Strategic Policy Framework 2006-09 recognized the capacity issues facing the Office. IMEC, for example, commented that:

Both the Strategic Policy Framework and the Programme and Budget should incorporate strategies for improvement of the ILO's management of finance, human resources, property, knowledge and IT ... There should be resources dedicated to achieving this objective, in the same way they are to the ILO's other strategic objectives. This would ensure that past under-investment was not repeated.⁵

74. The programme and budget proposals come at a time when significant investments in the capacity of the Office, and Organization, are required. Adequate investment in the development of its staff and management is crucial to ensure that the ILO, as a knowledge-based organization, is able to continue to deliver products and services of the quality demanded by constituents.

The need for a strategic medium and long-term institutional investment plan

75. The ILO regular budget in real terms has continued to decline (5.85 per cent lower or over \$33 million less than in 1996-97) while the ILO's visibility and demand for its services have sharply increased over the same period. Service levels have been maintained through delays in investments and maintenance and through increasing reliance on extra-budgetary resources.

76. In response to discussions at successive Governing Body sessions which identified the need for a strategic approach to institutional investment, this budget proposal differs significantly from previous budgets. These proposals respond to the budgetary impact of a number of very real challenges that the Organization now faces as a result of a continuing trend of real decreases in the budget over 20 years. Within the limitations of zero real growth budgets, priority has been given to maintaining and, where possible, increasing resources for technical services and the regions. Inevitably, this has meant reduced resources for support services and the deferral of important short, medium and long-term institutional investments. We are now faced with the stark consequences of this choice of priorities. In addition, we are confronted with new and extraordinary costs such as those associated with security. It is clear that the time has come to address these needs so as to ensure that the Organization can continue to fulfil its mandate and respond to the new challenges and priorities identified by constituents.

77. The future investment needs under some of the items listed in "Institutional investments and extraordinary items" in this budget proposal should be absorbed into the regular budget over time. But a significant initial injection of resources is required to assist the Organization to

⁵ GB.291/8/1(Rev.) para. 155.

“catch up” and compensate for the consequences of the choices which had to be made as a result of successive budget decreases. This approach would enable the Office to put in place a more strategic medium and long-term investment plan for a number of priority areas so that resources can be set aside and investments undertaken in a timely manner. Member States increasingly use capital budgeting in their own budgets. This is accepted as good accounting practice and has the advantage of prudent provision for future expenditure as well as avoiding budgetary swings based on timing of needed investments. The initial approach in the proposals to a form of capital budgeting was discussed with constituents, who appreciated the attention given to these matters, and welcomed the potential for increased transparency.

78. Based on an internal review of short, medium and long-term institutional needs in the four key areas of security, staff development, information technology and communications, and accommodation, an investment requirement of \$180-\$203 million is estimated over the period 2006-11 (see table A).

Table A. Projected institutional investment needs and extraordinary items for 2006-11

	All figures in US\$			
	Estimates for 2006-11	Relating to 2006-07	2006-07	
			Absorbed in the proposed RB	Proposed as investments
Security	\$9 - 12 million	4,300,000		3,770,000
Accommodation	\$75 - 85 million	9,300,000		6,610,000
Information and communication technology	\$15 - 20 million	5,500,000		3,300,000
Staff capacity	\$20 - 25 million	5,800,000	5,800,000	
Maritime Session of ILC	\$3.5 million	3,465,000		3,465,000
Adjustment for staff turnover	\$15 million	4,540,931		4,540,931
IRIS	\$35 million	11,600,000	11,600,000	
Evaluation	\$3 million	900,000	900,000	
Subtotal	\$180 - 198 million	45,405,931	18,300,000	21,685,931
Unforeseen expenditure	\$3.6 million	1,125,000		1,125,000
Total	\$180 - 203 million	46,530,931	18,300,000	22,810,931

79. A differentiated approach can be taken to financing these items. For example, as a follow-up to the discussion at the Building Subcommittee in November 2004 on the refurbishment needs of the headquarters building, which is estimated to cost somewhere between \$75 and \$85 million, the Office is currently exploring alternative methods of financing the majority of this investment. Nevertheless, an estimated \$9.3 million is required to undertake structural and other work during 2006-07 which is required to prevent further deterioration of the building and some of the facilities (e.g. parking area). In other cases, the Office is proposing to absorb some of these institutional investment costs through savings in the regular budget.

80. Based on this approach, the total institutional investments and extraordinary costs identified for 2006-07 amount to \$46.5 million as noted in table A. Of this, a total of \$18.3 million has been absorbed within the RB proposal at the current (2004-05) level. The remaining amount cannot be absorbed without further reductions in the ILO's technical programmes and services. Following consultations with constituents, the investment proposal has been reduced from some \$28 million to \$22.8 million. This means that \$41.1 million would be available to meet the requirements projected at \$46.5 million – leaving a shortfall of \$5.4 million. Further details on each item proposed for 2006-07 are set out in later sections.

The Programme and Budget and the Strategic Policy Framework

The strategic objectives

81. Under the general theme of “Making decent work a global goal,” the four strategic objectives define the core work of the ILO. The biennial Programme and Budget establishes the results that will be sought and reported on for the biennium, the strategic budget that will be used for this, and a summary presentation of the strategies that will be undertaken in order to achieve the indicated results.

82. The results the ILO seeks are defined, in most cases, as changes in policies, programmes or conditions affecting working people in member States. Hence, the strategic objectives section opens with a review of the expected contexts and priorities for each region, which will affect the types of results sought and the strategies pursued under the strategic objectives. Implementation of the strategies at country level will be within the framework of decent work country programmes.

Mainstreamed strategies and InFocus Initiatives

83. The mainstreamed strategies build on the issues introduced from the start of strategic budgeting, initially called “cross-cutting” and then, with the introduction of performance indicators in 2004-05, “Shared policy objectives.” The current stage in formulation continues the initial recognition that these issues “cut-across” all areas, and that they should be articulated in terms of concrete results, which are shared. However, the 2004-05 formulation combined both results sought by the ILO (poverty alleviation, gender equality) and objectives related to the Office’s own capacities (partnerships, knowledge, communication). The latter are now found in the new category “Institutional capabilities.” The 2006-07 mainstreamed strategies build on those articulated in 2004-05, around the issues of: a fair globalization; working out of poverty; advancing gender equality; greater influence of international labour standards in development; and expanding the influence of social partners, social dialogue and tripartism. InFocus Initiatives offer a means of pooling the work of the Office as a whole to produce new, valuable products in areas of specific interest to constituents. The former “InFocus Programmes”, which were introduced with strategic budgeting as a way to accelerate the transition to results based management, have been fully integrated into the Office’s organizational structure.

Decent work country programmes

84. Decent work country programmes (DWCP) were established formally as the next step in the development and implementation of results-based management through an ILO Circular issued in May 2004.⁶ The Circular notes the Governing Body’s ongoing support for the design and delivery of coherent ILO programmes in countries. Country programmes, informed by international development agendas and based on the priorities of constituents and national development objectives, detail the policies, strategies and results required to realize progress, in each country, towards the goal of decent work for all. The circular specifies that DWCP have two basic objectives. First, they promote decent work as a key component of development policies so that decent work becomes a national policy objective of governments and social partners as well as of other local actors and cooperating agencies. Second, decent work country programmes put ILO’s knowledge, instruments and advocacy at the service of our tripartite constituents to advance the Decent Work Agenda within the fields of competence of the Organization.

⁶ ILO Circular Series 1, No. 599, Decent work country programmes.

Figure 1. The Strategic Framework at a glance

Decent work as a global goal			
Strategic objectives			
Promote and realize standards and fundamental principles and rights at work	Create greater opportunities for women and men to secure decent employment and income	Enhance the coverage and effectiveness of social protection for all	Strengthen tripartism and social dialogue
Operational objectives			
1a: Fundamental principles and rights at work	2a: Employment, labour markets, skills and employability	3a: Enhanced social security coverage	4a: Strengthened social partners
1b: Normative action	2b: Employment creation	3b: Effective labour protection	4b: Governments and institutions of social dialogue
			4c: The development of social dialogue at sectoral level
Operational outcomes			
1a.1: Improved implementation of fundamental principles and rights at work	2a.1: Employment as central to economic and social policies	3a.1: Improved policies and strategies to extend social protection to all	4a.1: Employers' and workers' organizations are more valuable to their membership and to potential members
1a.2: Targeted action against child labour	2a.2: Skills and employability policies and programmes for decent work	3a.2: Better instruments and tools for policy analysis and formulation and good governance in social protection	4a.2: Social partners influence socio-economic and governance policies
	2a.3: Youth employment		
1b.1: Improving the impact of standards	2b.1: Employment creation through enterprise development	3b.1: Improved labour protection within the formal and informal economy	4b.1: Strengthening the social dimension of regional integration
	2b.2: Employment creation through employment-intensive investment approaches	3b.2: Tripartite action on labour migration	
	2b.3: Decent work through local development: Poverty reduction through local employment and empowerment	3b.3: National plans for combating HIV/AIDS in the world of work	4b.2: Improving governance
			4c.1: Improved labour and social outcomes in specific sectors
Indicators (means by which progress on the outcomes will be measured)			
Targets (expected value of each indicator at the end of the biennium)			
Mainstreamed strategies			
A fair globalization Working out of poverty Advancing gender equality Greater influence of international labour standards in development Expanding the influence of social partners, social dialogue and tripartism			
InFocus Initiatives			
Informal economy Corporate social responsibility Export processing zones			
Decent work country programmes			

85. Decent work country programmes will, over the biennium 2006-07, become the main framework for ILO work within countries, complemented by research and services at a regional and global level. Recent developments in implementing the DWCP approach are documented in the implementation report 2004,⁷ complementing previous information on the experiences with the decent work pilot programmes, such as the report *A review of the ILO decent work pilot programmes* discussed at the Governing Body in November 2003. The Integrated Resource Information System (IRIS) has been developed to track and record programming, results and expenditure for the entirety of the ILO's programme within a given country, subregion or region. On full implementation of IRIS in 2006-07, internal transparency and accountability for DWCP will be greatly enhanced. Work is currently under way, with the assistance of the United Kingdom Department for International Development, on building the capacity of ILO staff to fully implement DWCP.

86. DWCP is the ILO's contribution to system wide planning in countries in the framework of the MDGs, PRSPs, UNDAF and CCA. It encourages the integration of ILO's contribution to national development strategies. It will also provide considerable support to resource mobilization, which is now often decentralized to country level.

The budgetary basis of the Programme and Budget proposals

Institutional investments and extraordinary items

87. The following sections provide additional detail on the different elements of the overall institutional investments and extraordinary items listed in table A.

Security

88. The evolution of the world security situation in recent years has required the Organization to make significant investments in headquarters and field duty stations. Those investments have been possible through a special allocation from the 2000-01 surplus (\$3.45 million), partial use of Part II of the 2004-05 budget (\$780,000) and, thereafter, by programme cuts in order to meet unforeseen additional requirements, such as the ILO's contribution to the United Nations Security Coordinator (UNSECOORD) in 2004-05 (\$1.1 million).

89. The Governing Body has clearly signalled its commitment to ensuring that the overall level of security needs is appropriately addressed. Unless additional investment is allocated, expenditure on such security needs will have to be absorbed through further reductions in the ILO's technical programmes. The figures in table B cover investments that are still necessary to achieve compliance with Minimum Operating Security Standards (MOSS), Minimum Operating Residential Security Standards (MORSS) and country-specific MOSS in the ILO's network of 60 established offices. The proposal also provides for additional investment in headquarters, the ILO's share of and increasing UNSECOORD budget, the additional staff costs necessary to liaise with UNSECOORD, monitor and coordinate security measures, ensure training and develop policies in keeping with evolving MOSS requirements.

90. The ILO's policy is always to meet the UN security standards in the duty station concerned. In cases where evacuation or related steps have been necessary, it has placed special emphasis on measures to protect local staff and their families. The ILO does not have a policy of going beyond the minimum security requirements prescribed by UNSECOORD, and is especially sensitive to the need to maintain access for all ILO constituents to its premises. However, there is a clear trend towards higher minimum security standards, which inevitably has cost implications. The General Assembly has recently approved a significant increase in the budget for UNSECOORD and has also decided that the collective cost of UNSECOORD will

⁷ Report on programme implementation in 2004, GB.292/PFA/7.

continue to be covered through cost-sharing arrangements with each United Nations specialized agency. The ILO contribution to UNSECOORD will therefore increase in constant dollar terms by some \$870,000 in 2006-07. Increased levels of protection and security can be costly. For example, should there be a change in the MOSS requirements for headquarters duty stations, significant additional resources would have to be found.

91. In consultations on the proposals, it was originally proposed to include \$500,000 as a specific provision for unforeseen security expenditure. This proposal has been removed because of budgetary constraints. If minimum security standards continue to be strengthened or other security situations emerge during the biennium, the lack of such a provision will require diversion of the resources of the region concerned and will reduce services to constituents.

Table B. Security

	One-time investment in 2006-07	Ongoing increased cost per biennium	Total for 2006-07
Total	1,215,000	2,555,000	3,770,000
Supplies and materials to ensure MOSS and MORSS compliance in established offices	840,000		840,000
Additional safety and security requirements for headquarters	375,000		375,000
Security coordinator		325,000	325,000
MOSS related training		260,000	260,000
ILO's contribution to UNSECOORD		1,970,000	1,970,000

Accommodation

92. At its 291st Session (November 2004), the Governing Body had a preliminary discussion on the financing of major repairs and maintenance for the headquarters building in Geneva and requested the Office to explore available options. The cost of maintaining and upgrading the 30-year-old building is substantial and is estimated to amount to some US\$75-85 million.

93. The main source of funding for the refurbishment and major maintenance requirements of ILO premises is the Building and Accommodation Fund which is financed in part from the regular budget and is also credited with income from the rental of available office and parking spaces, as well as transfers from budgetary surpluses as approved by the Conference. The Fund was intended to finance normal ongoing building maintenance, alterations and, where necessary, replacements. However, at current income levels additional funding arrangements will be required to finance the considerable investment referred to above. A multi-biennium funding strategy will be required with renovation and refurbishment work being carried out over the short, medium and long term with realistic priorities being set to ensure urgent work is identified and suitably addressed.

94. The most immediate needs have been included in a separate financing proposal to the Governing Body at its 292nd Session (March 2005).⁸ Further expenditure related to work which has been identified as necessary in the short to medium term (1-5 years) is estimated to amount to some \$6.6 million and details of this expenditure can be found in table C.

95. The items listed in table C have a direct impact on the functionality and security of the building as follows:

- Without repairs to the interpreters' booths, meeting rooms will progressively be removed from service when interpretation is required. If this situation continues, it will require costly and inconvenient rental of other facilities.

⁸ GB.292/PFA/9.

- Structural repairs to the roof and parking facilities are required to prevent further deterioration of the structural elements of the building. Without repair, some parts of the building and garages will become unsafe or unusable.
- Repair costs to elevators and escalators are now so high that progressive replacement and adaptation to new construction standards are essential.

96. Consultations suggested that repairs to the kitchen and conference rooms could not be supported and would have to be delayed due to budgetary constraints. Alternative solutions will be sought.

Table C. Accommodation

	One-time investment in 2006-07	Ongoing increased cost per biennium	Total for 2006-07
Total	6,610,000		6,610,000
Interpreters' booths repair and upgrade	2,450,000		2,450,000
Roof insulation and waterproofing	1,400,000		1,400,000
Repairs to parking garage	1,280,000		1,280,000
Structural repairs to concrete on building	1,280,000		1,280,000
Elevator and escalator renovation	200,000		200,000

Information and communication technology

97. Over the past 15 years, the Office has made substantial investments in information and communication technology (ICT), including both hardware (servers, cabling, videoconference equipment) and software (systems, licences). In addition to the initial purchases, ongoing maintenance and regular upgrades are required. The significant investment in new, integrated systems should be matched with prudent anticipation of the need to upgrade and update them so as not to repeat the previous experience of running outmoded systems and eventually requiring complete replacements – ongoing upgrades and renewals would avoid this. The Governing Body has consistently endorsed the need for responsible provision for such future needs. However, to date all substantial investment in ICT has been achieved through “windfall” surpluses on the regular budget. The purchase of the ILO’s existing field financial systems, its cabling and planned Wide Area Network, telephone network, the first and second versions of electronic voting systems and the recent replacement financial systems have all been possible only because of arrears payments which created surpluses, portions of which the Governing Body agreed to direct into the Information Technology Systems Fund (ITS Fund) for specific purposes. There is however no other source of revenue for the ITS Fund, and all funds directed to it are immediately consumed on the approved purchase.

98. The most recent benchmarking data obtained from an international survey of trends in information technology costs shows that for the government sector, information technology operating budgets are on average between 7 and 9 per cent of total costs. The total direct and indirect provisions for information technology and communication costs office-wide, including the proposed transfers to the ITS Fund, is equivalent to approximately 6 per cent of total expenditure.

99. A prudent provision for future ICT needs would require that the ITS Fund be more predictably replenished. Consultations have indicated support for this more strategic approach to ICT investments. Table D includes proposed biennial provisions that would cover approximately one-half of the identified ICT needs. The provisions are based on an analysis of the normal cycle of renewal for ICT investments (using the longest prudent time period), the estimated total cost of each component and the number of occurrences of the charge during the next three biennia. Due to continuing concerns expressed over the impact on the budget level, only a partial provision is proposed for the 2006-07 biennium. While this will not adequately

address future needs, the need for regular funding will be established and efforts will be made to increase the provision in future biennia.

100. The use of any amounts available in the ITS Fund would continue to require specific approval by the Governing Body on the basis of fully costed proposals.

Table D. Information and communication technology

	One-time investment in 2006-07	Ongoing increased cost per biennium	Total for 2006-07
Total	770,000	2,530,000	3,300,000
Regular replacement of servers after 3-year warranty period		270,000	270,000
Replacement of network cabling		190,000	190,000
Provision for major IT investments and upgrades		1,870,000	1,870,000
Provision for telephone system upgrades		200,000	200,000
Deployment of electronic document management system	500,000		500,000
Videoconference facilities – equip all remaining field offices	270,000		270,000

Maritime Session of the International Labour Conference

101. The Maritime Session of the International Labour Conference is a major undertaking, which occurs on average once every ten years. The previous three were held in 1996 (84th Session); 1987 (74th Session) and 1976 (62nd Session). Covering the total cost of Maritime Sessions of the Conference in a single biennium would have a significant impact on the resources available for other programmes during that biennium.

102. As table E shows, the most recent estimates for the cost of a Conference involving three full committees, two meetings per day for all groups, and plenary sittings before and after the committee work, amount to \$3.47 million, assuming that the plenary is continuous, with associated transcription and production of the *Provisional Record*. If a full plenary is not used, the cost could be reduced to \$3.1 million.

Table E. Maritime Session of the ILC

	One-time expenditure in 2006-07	Ongoing increased cost per biennium	Total for 2006-07
Total	3,465,000		3,465,000
GB delegate travel	35,000		35,000
Conference staff	570,000		570,000
Interpretation	1,850,000		1,850,000
Documentation	610,000		610,000
Security, facilities and supplies	400,000		400,000

Adjustment for staff turnover

103. For many biennia, when adopting the Programme and Budget, the International Labour Conference has applied an undistributed reduction of approximately 1.2 per cent of staff costs to reduce the overall level of the budget. The assumption behind this adjustment is that due to delays in recruiting or replacing staff, full funding is not required.

104. Under strategic budgeting, the Governing Body and the Conference expect delivery of the specified performance results and the Office uses all of its approved resources to attain these results. Resources becoming available due to any recruitment delays are immediately used to finance other means of action to ensure the required results are achieved.

105. The effect of this adjustment for staff turnover has been to decrease the real level of resources available to individual programmes to deliver the approved strategic outcomes of the Office, below the amount contained in the appropriation decision.

106. Historically it has been possible, through general under-spending by the Office, to absorb the adjustment for staff turnover. The improved delivery rates now being achieved by the Office against both regular budget and extra-budgetary resources have eliminated the capacity of the Office to realize the required budgetary savings represented by the adjustment for staff turnover. As a consequence, to ensure that the full level of appropriated resources is available to support achievement of all strategic outcomes, it is proposed that the adjustment for staff turnover of US\$4.5 million be removed from the budget calculations (table F). This will ensure that a more transparent and realistic appropriation decision is made and that programme management actually have the resources indicated on the budget line of their programmes. Otherwise, programme reductions will have to be applied.

Table F. Adjustment for staff turnover

	One-time expenditure 2006-07	Ongoing increased cost per biennium	Total for 2006-07
Total		4,540,931	4,540,931

Reserve for Governing Body decisions

107. In each biennium, there are unforeseen events that the Governing Body decides require action more urgently than is permitted by the relatively slow biennial budgetary process. Many of these are related to the fundamental work and core mandate of the organization. Others are essential for reasons of security or decisions imposed by the common system, for example. Some Governing Body decisions can be accommodated by re-prioritizing the Office's programme of work. To cover situations where re-programming is not possible, Part II of the Budget provides an amount for unforeseen expenditures. Any use of funds available under Part II must be approved by the Governing Body, as provided for in article 15 of the Financial Regulations. Funds remaining unused in Part II at the end of a biennium are returned to member States under the normal provisions for the treatment of surpluses.

108. Over the past five biennia (table G), the average biennial amount of new expenditures approved by the Governing Body has been in excess of \$3 million, not all of which can be covered through the provision for this expenditure – which has remained at \$875,000 since the 1988-89 biennium – and readjustments of priorities within the ordinary budget have been required.

Table G. Historical unforeseen approved expenditure

	New expenditures authorized by the Governing Body
Average per biennium	3,314,050
1994-95	1,378,500
1996-97	438,900
1998-99	8,682,250
2000-01	2,550,600
2002-03	3,520,000

109. To date in 2004-05, the Governing Body has decided on:

- Actions related to its fundamental constitutional role on standards questions: a Commission of Inquiry to Belarus (\$550,000); and representation in Myanmar (an estimated \$900,000). The total cost of \$1.45 million far exceeds what could be found in the

Standards Sector, even at the cost of stopping other fundamental work. The amount of \$700,000 will be covered by the 2000-01 surplus, but this will not be available in later biennia.

- Additional headquarters security (\$780,000).

110. In addition, the security situation in Abidjan is expected to cost some \$730,000 by the end of the biennium, mainly through costs of evacuation and relocation. In addition to the problems caused by disruption of the work of the Regional Office, the financial losses have been a major burden on the delivery of regional programmes.

111. The total provision for unforeseen expenditure in 2004-05 is \$875,000 (table H). This is clearly insufficient to meet even the needs identified to date. Consequently, required funds will have to be identified Office-wide, and there will be an impact on planned programmes, with serious consequences for services to constituents. The low level of this provision was noted as long ago as 1982, when the Governing Body at its 221st Session supported the Director-General's proposal that it be set at a more realistic level. However, in the context of zero real growth budgets and with the Governing Body's direction to focus expenditure on technical services, increases approved in the mid-1980s have not been sustained.

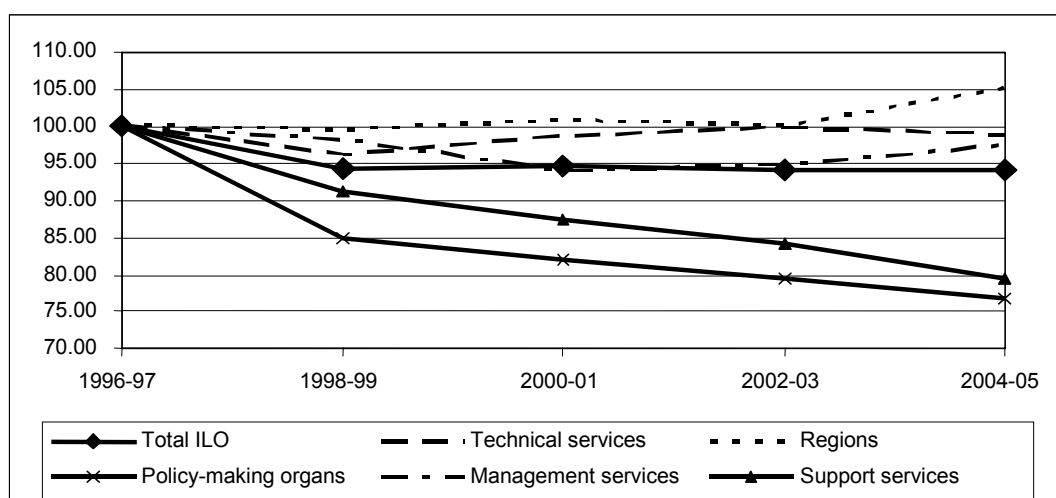
Table H. Unforeseen expenditure

	Existing provision (2004-05 level)	Ongoing increased cost per biennium	Total for 2006-07
Total	875,000	1,125,000	2,000,000

Savings and efficiencies reflected in the proposals

112. These proposals include substantial internal savings and efficiencies so as to provide resources for new and expanding areas of products and services identified by the Governing Body. As noted above, the decline in the real budget since 1996-97 amounts to some 6 per cent.

Figure 2. ILO budget trends⁹
Trends in ILO regular budget and components, constant 1994-95 dollars
(1996-97 = 100)



⁹ Figure 1 from *Strategic Policy Framework for 2006-09 and report of its discussion in the Programme, Financial and Administrative Committee of the ILO Governing Body* (see footnote 2).

113. Comparisons with earlier budgets show a steady reduction in administrative and support costs. As noted in the Programme and Budget for 2004-05, steps have been taken to redirect funds towards the regions and the technical sectors, so as to maximize services and products to constituents within the resources available. As noted above, this approach has led to some significant shortfalls in necessary institutional investments over recent biennia.

114. Further savings and efficiencies are summarized below. Efficiencies are intended to ensure that the Organization can continue to provide high-quality services and products to constituents even with a real decline in resources available relative to demand. Savings may also generate resources that can be invested in new products or services, redirected to existing needs where there are shortfalls. As with the Programme and Budget for 2004-05, all units were required to make initial budgetary proposals at no more than 95 per cent of 2004-05 levels. This, in conjunction with the strategic budgeting process of identifying regional priorities, outcomes and targets, assisted staff to identify areas for readjustment within their resources target, and areas for collaboration, synergy or merger with other units.

115. As personnel is the major budget category for the Office, most savings and efficiency measures involve changes in the number of staff. The Office is committed to minimizing any adverse impact on staff through reorganization, redeployment and retraining. The operational budget in Annex 1 briefly describes the economies realized, which include:

- Elimination of smaller units and subunits in technical programmes. This reduces the number of management staff and allows for better use of professional and support staff, and reduces the number of senior grades. For example, D.2 positions have been eliminated in the Standards and Fundamental Principles and Rights at Work Sector, Policy Integration, External Relations and Partnerships, and Gender Equality.
- Reduction in the number of Professional positions upon retirement of incumbents.
- Retirements have also provided regions and technical programmes with the opportunity to restructure their skills profiles. For example, in the Arab States region, the imbalance of technical expertise will be addressed through creating new positions in under-represented technical areas upon the retirement of staff in over-represented areas.
- Regions are also restructuring their technical teams to provide for technical positions that combine a number of technical areas. For example, the Americas has proposed positions that combine expertise on social security and working conditions, to provide a better range of front-line service to constituents while continuing to be able to draw on in-depth expertise in the region and in headquarters.

116. Governing Body discussions and subsequent consultations with constituents have made it clear that the Office is expected to make substantial progress in re-balancing the grade structure with consequent savings. At the same time, there has been insistence that the new grade structure should not be achieved through arbitrary decisions but through a planned and principled approach taking into account both the common system grading standards and the need to ensure that staff have the qualifications and experience to provide services of high quality in response to constituents' needs.

117. In calculating the potential to realize savings through grade reductions, it is necessary to take into account the following:

- Grade targets set on an objective basis, taking into account the potential to reorganize work as described above.
- The timing of retirements and departures, and the organizational location and skills requirements of the positions concerned.
- The provisions of the ILO grading machinery, including elements such as regrading on appeal and personal promotions.
- The link between promotions and motivation and gender objectives.

118. It is expected that the Governing Body's discussion of the revised ILO Human Resources Strategy¹⁰ paper will include a detailed discussion on grading issues. Targets for an improved grade structure are set in broad terms in the relevant part of these proposals. At this stage, an important budgetary question is the level of savings that could be achieved. In calculating the standard costs for 2006-07, a reduction of some \$2 million has been made to provide for a net decrease in grades and steps (within grades) for both Professional and General Service staff. These savings are reflected in the standard cost factor described in Information annex 2.

119. Savings and efficiencies have also been realized in non-staff areas.

- A 24 per cent reduction in travel costs has been proposed, amounting to some \$4.7 million. In practice, this will be implemented through reduction in travel and use of more economical means of travel and by making extensive use of tele- and videoconferencing, where appropriate.
- Other discretionary non-staff expenditures have also been reduced, though in the case of fixed costs such as rent, this can be difficult. Reductions to equipment purchase and maintenance have been proposed.

120. There are as well a number of other areas where savings and efficiencies will be pursued during the course of this and subsequent biennia. These are described in the following paragraphs.

121. An **effective strategy for knowledge development based on accurate information and reflected in quality publications**. The ILO's analytical work must provide the evidence and ideas that support policy development and implementation within the Decent Work Agenda, reach a range of important actors and constituencies, and identify new opportunities and priorities. To that end, the ILO will renew its publication strategy, giving priority to a small number of high-profile publications which can carry key facts and messages to a wide audience, while establishing a broader policy which promotes quality, accuracy and efficiency in a reduced overall number of publications, designed to provide the policy analysis and information which constituents need. This will be based on a cross-office research policy which encourages quality analysis focused on ILO priorities, strong networks with world-class external think tanks and research institutions and exchange with research and analysis undertaken by constituents. And it will be built on a reliable and broad-based statistical foundation. There will therefore be a renewed statistical strategy, which will integrate the statistical work under way in different parts of the Office into a centrally managed and therefore more efficient programme. This programme will be designed to provide authoritative and consistent statistical data, indicators and other information to constituents and external communities on all aspects of the Decent Work Agenda, as well as supporting high-quality analysis by ILO technical services and regional programmes.

122. Continuing **reform of administrative structures**. Under administrative budgeting, there was a tendency to establish small units as a way of showing resources devoted to specific priorities. In a results-based budgeting system, resources are allocated to strategic priorities and are used flexibly to achieve measurable performance goals. The historical fragmentation is being addressed over time, through establishing departmental structures managed by a director and deputy rather than several branches and chiefs, and through addressing implementation with time-limited task forces rather than establishing permanent administrative structures.

123. **Reform of field structures**. Members of the Governing Body have noted the potential to generate savings through a review of the field structure. As part of this proposal, a target has been set for savings of \$1 million in 2006-07, to be realized through efficiencies and re-examination of the ILO's representation in developed countries. These savings will be re-directed to improve services within the regions in which savings are realized. This target, though ambitious, is realistic based on new approaches that have evolved in recent years in

¹⁰ GB.292/PFA/17.

western Europe, where offices in Portugal and Spain operate under a formula in which the host country provides significant support as part of its partnership with the ILO.

124. Further rebalancing of the grade structure. Experience during the current biennium with the grade/step reductions described above should show practical ways to achieve further reductions in 2006-07. These reductions will require consultations with the Staff Union and administrative reform that goes beyond the restructuring described above. The Office will be guided in its approach to this issue by the discussion of the revised Human Resources Strategy at the Governing Body in March 2005.

125. Re-engineering procedures to take advantage of IRIS capacities. Savings linked to the implementation of IRIS will include both immediate and longer term savings. Currently, the Office has identified an estimated US\$1.75 million in staff savings and some US\$450,000 in annual non-staff savings. It will be recalled that the approved budgets of support departments were also reduced in previous biennia, most notably by 5 per cent in 2004-05 (some \$1.2 million). These reductions were only possible given the anticipated introduction of new automated systems. The savings will be used, in some cases, directly for the maintenance and support of IRIS and, in other cases, for real reductions in resources, where manual tasks have been automated. Once IRIS has been fully stabilized at headquarters and in the field, there will be considerable potential to eliminate inefficiencies in existing operating procedures. The Office will identify and implement improved procedures and pursue the resulting savings.

Use of savings

126. The savings described above have ensured that the proposals can fully accommodate three areas of institutional investment (table I). These areas have all had strong support from the Governing Body.

Table I. Absorbed by the 2006-07 proposals

	Total for 2006-07
Total	18,300,000
Staff capacity	5,800,000
Cost of IRIS	11,600,000
Evaluation	900,000

Staff capacity

127. The External Auditor (GB.286/PFA/14, March 2003) recommended that an adequately funded training strategy was critical to the success of the Human Resources Strategy. This implied making staff and competency development a central feature of the Strategy. The External Auditor estimated the cost of implementing the Human Resources Strategy at US\$10.3 million per biennium, including management training, assessment centres, the young professionals programme and other training activities.

128. The revised Human Resources Strategy will examine how to put greater emphasis on management by results and accountability to performance. Achieving this depends to a large extent on the skills and commitment of ILO staff. In this sense, an adequate level of investment in maintaining and upgrading those skills ranging from management to technical and communication skills is critical.

129. OECD public sector reviews indicate that most OECD governments have increased investments in training. In 2003, 56 per cent of OECD countries invested between 2 and 5 days per year per public servant. Many governments have linked substantial organizational reform and new information technology to major investments in human capital development. Large enterprises typically spend 3 per cent or more of their payroll on staff training.

130. As observed by the External Auditor, current ILO spending on staff training is inadequate. The success of the Human Resources Strategy, of results-based management, of IRIS, is contingent upon an adequate level of investment in staff training. Additionally, a sustained investment in staff capacity is justified in view of the age of ILO staff and the predicted high level of retirements in senior positions over at least the next five years.

131. An investment of \$8.9 million is proposed for 2006-07 in human resources and staff development (table J). This is equivalent to 2.4 per cent of total staff costs, and is an increase of \$5.8 million over the amount budgeted in 2004-05.

132. Seven areas of staff training are identified below as the main components of investment in training:

- management training;
- decent work country programme management, including strategic management, technical cooperation project design, monitoring and evaluation, and local resource mobilization;
- a revitalized recruitment and development programme to attract and retain younger professionals and those from under-represented countries;
- training in improved business processes and new information technology;
- technical skills upgrading; reflecting the need to develop staff to meet vacancies and support mobility;
- in-service training regularly provided by management and support units to new and incoming staff;
- regular training in staff security (security procedures, knowledge of security hazards, security officials).

Table J. Staff capacity

	Existing provision (2004-05 level)	Ongoing increased cost per biennium	Total for 2006-07
Total	3,100,000	5,800,000	8,900,000
Leadership development		1,400,000	1,400,000
DW CP training		600,000	600,000
Induction and in-service training	450,000	1,800,000	2,250,000
Business process training		1,300,000	1,300,000
Technical and language skills training	2,650,000	700,000	3,350,000

IRIS

133. The design and development phases of IRIS were completed in 2004 at a total development cost of \$40 million. The transition into production, including initial training and stabilization at headquarters, will take place over a period of 13 months from November 2004 to December 2005 at an estimated cost of \$ 10.7 million. An allocation of \$10.4 million from realized exchange gains on the 2000-01 surplus was approved by the Governing Body at its 291st Session (November 2004) to finance the costs to support the transition.¹¹ An update on the status of the development and transition phases will be provided to the Governing Body in March 2005.¹²

¹¹ GB.291/PFA/7.

¹² GB.292/PFA/5.

134. The update on IRIS¹³ presented to the 291st Session (November 2004) of the Governing Body estimated the total running costs of IRIS at \$8.0 million per year or \$16.0 million for the biennium. The Director-General reported to the Governing Body (November 2004) that the costs of operating IRIS after implementation and stabilization at headquarters would be included in the 2006-07 Programme and Budget proposals. In the proposals, \$11.6 million (table K) is being provided for running costs on the basis that any balance will be recuperated from resources currently being used to support the legacy systems and from further efficiency gains in the related business areas. The running costs of IRIS will continue to be closely monitored with a view to reducing them further and identifying more savings as the system is stabilized and integrated fully into the Office.

135. The \$11.6 million will cover the creation within the Bureau of Information, Technology and Communications (ITCOM) of units responsible for IRIS business and technical support; the outsourcing of highly specialized software maintenance and technical services; infrastructure including disaster recovery support; license and maintenance fees and other miscellaneous costs, such as equipment and backup telecommunications. As reported to the Governing Body in November 2004, user support, training, functional maintenance and development will be undertaken by ILO staff to maximize the retention of business knowledge within the Office. The hosting and maintenance of the central computers and specialized technical services can be more efficiently and economically provided using external expertise benefiting from economies of scale.

136. The process of change that is now under way has fundamental implications for how the Organization is governed and managed. In order to derive the best possible return from this change and on the sizeable financial and human investment being made, the Organization must seize the opportunity at hand, exploit the tools being provided, and realize the benefits on offer.

Table K. IRIS

	Ongoing increased cost per biennium	Total for 2006-07
Total	11,600,000	11,600,000
Staff costs	5,100,000	5,100,000
Technical services	2,500,000	2,500,000
Infrastructure outsourcing	2,400,000	2,400,000
Software licences and maintenance	1,300,000	1,300,000
Other expenses (equipment, travel, back-up telecoms)	300,000	300,000

Evaluation

137. The Governing Body as a whole, and individual constituents, have consistently called for reinforced and more independent evaluation capacity within the ILO, to support programme evaluations, technical cooperation project evaluations, ongoing organizational learning and application of learning to new project and programme development. In line with accepted UN and government good practice, the Director-General has decided to strengthen the capacity and independence of evaluation in the ILO by establishing a new organizational unit in 2005 that is reflected in the 2006-07 Programme and Budget proposals. During the transitional year of 2005, the unit will develop plans and procedures addressing, for example, the greater use of external evaluators. Further details on the new evaluation unit will be provided to the Governing Body in November 2005. The resources shown (table L) will be supplemented from technical cooperation project support income. Together, the resources permit a unit of three full-time professional positions plus some resources for external evaluators as needed.

¹³ GB.291/PFA/3/2.

Table L. Evaluation

	Ongoing increased cost per biennium	Total for 2006-07
Total	900,000	900,000

Proposed budget level

138. The Governing Body discussion in November 2004 set out a range of views on the budget level, ranging from IMEC and some other governments' position that further savings and efficiencies were possible, to the view of the Workers' group that an increase should be proposed. Others expressed a willingness to review the situation. More in-depth consultations undertaken since the Governing Body session suggest that there is a willingness to consider the need for strategic institutional investments in the ILO.

139. There is no doubt that within a zero growth budget the ILO has reduced administrative expenditure by large amounts and over a long period. Essential internal services have now reached the point that both short-term investments and longer term provision for foreseeable future investments are the only prudent option.

140. Rising extra-budgetary resources have helped to meet the gap between constituents' needs and expectations and the ILO's capacity to respond. Investments such as IRIS will help to ensure that the estimated levels of technical cooperation expenditure can be delivered efficiently and effectively.

141. Tables B-L set out the details of the proposals in terms of total expenditure requirements, savings proposed by the Office towards these requirements and proposed investments in capacity. These tables accumulate to the total proposals made in table A.

142. In addition, several priorities are proposed for extra-budgetary resources (Information annex 9). If donors are willing to provide funding to allow us to apply more widely in member States the core products and services the ILO is developing, this will be a major contribution to filling the gap between needs and resources.

**Table 1. Proposed strategic budget:
Proposed expenditure budget by appropriation line**

Item	Revised strategic budget	Proposed strategic budget	Proposed strategic budget
	2004-05	2006-07	2006-07
	(US\$)	(in constant 2004-05 US\$)	(recosted (US\$))
Part I. Ordinary budget			
A. Policy-making organs	65,078,793	61,077,991	64,013,258
B. Strategic objectives	397,926,949	402,910,307	430,893,089
Standards	70,766,259	78,646,937	84,032,096
Employment	125,931,103	123,533,963	131,934,014
Social protection	72,717,717	86,539,711	92,980,468
Social dialogue	128,511,870	114,189,696	121,946,511
C. Management services	45,791,102	44,808,546	47,375,379
D. Other budgetary provisions	24,459,087	24,459,087	30,247,809
Adjustment for staff turnover	(4,540,931)	(4,540,931)	(4,843,025)
Total Part I	528,715,000	528,715,000	567,686,510
Part II. Unforeseen expenditure			
Unforeseen expenditure	875,000	2,000,000	2,000,000
Part III. Working Capital Fund			
Working Capital Fund	-	-	-
Total (Parts I-III)	529,590,000	530,715,000	569,686,510
Part IV. Institutional investments and extraordinary items			
Institutional investments and extraordinary items	-	21,685,931	22,174,027
TOTAL (Parts I-IV)	529,590,000	552,400,931	591,860,537

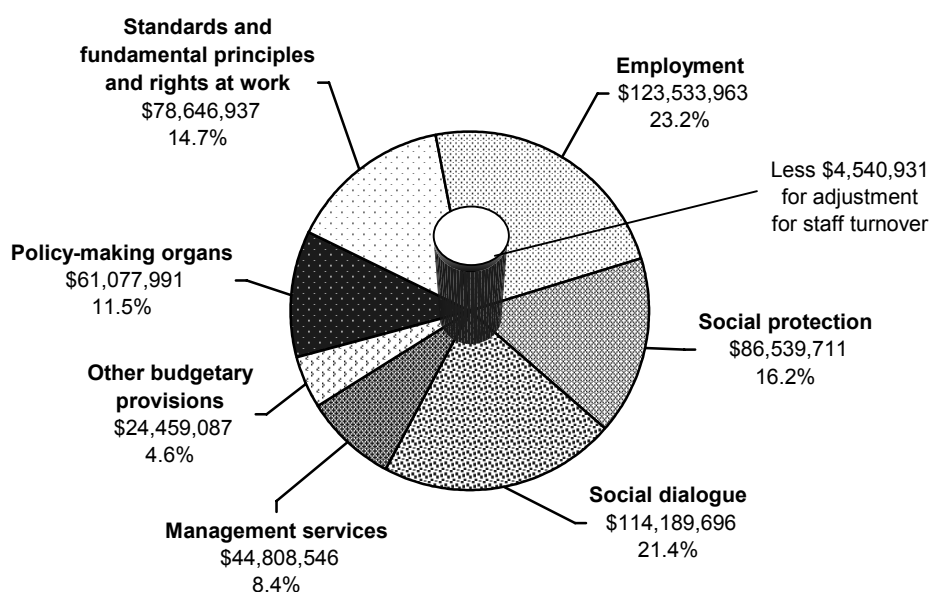
(a) The distribution of funds by strategic objective in the Programme and Budgets for 2002-03 and 2004-05 was based entirely on a formula which allocated the administrative budgets of headquarters and regional units to the strategic framework. The headquarters formula assumed a 100 per cent concurrence between sector and strategic objective; the regional formulae were weighted based on the technical specialties of the multi-disciplinary teams. In the current proposals, the allocation of technical resources to the strategic framework is made by programme managers based on their commitments to contribute to outcomes. This has enabled a more accurate reflection of cross-sectoral work, e.g., the significant technical contributions expected to be made by worker and employer specialists to the achievement of all of the strategic objectives. Details are provided in the figures under each operational objective, and the net results shown here. Non-technical resources are distributed to the strategic objectives following the existing formulae.

(b) In the light of this change in methodology, the 2004-05 figures are not comparable to the 2006-07 figures. This is particularly the case for the regions, where the previous methodology was based only on the distribution of technical specialists. This did not take into account other work required to backstop technical cooperation, or the work done on topics for which there was no decentralized specialist on the regular budget. The significantly smaller strategic figures for standards and social protection in 2004-05, as well as the larger strategic figures for employment, can be attributed to this limitation of the old methodology. This is consistent with the observation that it is the regional strategic figures that show significant change, not the technical programmes. See table 2 below.

(c) This is a first iteration of more transparent strategic and results-based budgeting. Reporting on the actual strategic expenditure will be possible through IRIS, and will enable a comparison between the expected strategic expenditure and the actual at the end of the biennium, which was not previously possible. This information will in turn inform more accurate strategic budgeting for the 2008-09 Programme and Budget proposals.

(d) The revision to the 2004-05 operational budget (Information annex 1) has been used in all strategic budget tables.

Figure 3. Distribution of Part I of the proposed budget, and the impact of the adjustment for staff turnover



The strategic budget and results-based budgeting

143. This section provides additional information on the strategic budget in table 1, complementing the information on the proposed results to be achieved which are set out in the “Strategic objectives” section. Annexes provide information on the operational aspects of the budget, with the proviso that in line with the Governing Body’s direction, it is the strategic budget shown in table 1 which is presented for adoption.

A results-based approach

144. As with the past three Programme and Budget proposals, these have been developed in accordance with strategic budgeting methods first introduced in the Programme and Budget for 2000-01. The proposals have been developed in close cooperation with the tripartite constituents of the ILO, following the policies and specific directions set by the Governing Body.

145. Results-based management systems emphasize the results or outcomes that are achieved, rather than the outputs that are produced or the activities that are carried out. In the case of the ILO, the dominant outcomes that are sought are more effective policies, better aligned with the ILO’s tripartite policy guidance. In line with principles of strategic budgeting confirmed by the Governing Body, the budget shown in table 1 shows resource levels required to achieve the level of results set out in the strategic objectives text which follows. As a result of the initial use of the ILO’s new IRIS to develop budget proposals, the strategic resources shown throughout are based on collaborative planning and the allocation of operational budgets to the achievement of specific results, rather than, as in the past, an estimate based on assumptions about the contributions of different technical areas and regions to various objectives. This initial iteration of true strategic budgeting will be progressively refined through monitoring implementation and results – a process made possible through the use of IRIS.

146. The investment to date in modern information management systems is already showing results in terms of improved strategic budgeting and the basis for accountable, transparent

management of resources against results. The IRIS strategic management application, demonstrated to the Governing Body in November 2004, has supported collaborative development of the proposed results found in this document, the strategies to achieve them, and identification of the technical contributions from different sectors and regions. This information is shown in the strategic objectives section.

147. There is evident progress in how the Office is articulating and managing to results. The outcomes proposed in this Programme and Budget have been informed by the three previous strategic budgets, by the implementation reports on 2000-01 and 2002-03, and by the guidance and feedback of the Governing Body on each of these. The new management information systems under IRIS will provide greater organizational support to the full realization of strategic budgeting and results-based management.

Details of the strategic budget

148. Tables 2 and 3 show the strategic budget in more detail: table 2 shows the breakdown to technical programmes, the regions, support services and institutional capabilities; table 3 shows the total strategic budget including both regular and extra-budgetary funds.

Table 2. Proposed regular budget strategic resources

	Revised strategic budget	Proposed strategic budget
	2004-05	2006-07
(in constant 2004-05 US\$)		
Technical programmes	149,251,986	146,380,219
Standards and fundamental principles and rights at work	31,624,295	30,454,414
Employment	41,567,953	39,974,301
Social protection	29,663,489	31,100,527
Social dialogue	46,396,249	44,850,977
The regions	159,146,526	157,044,843
Standards and fundamental principles and rights at work	22,198,293	28,786,413
Employment	57,169,876	53,107,524
Social protection	26,213,143	33,971,935
Social dialogue	53,565,214	41,178,971
Support services	46,612,647	57,618,659
Standards and fundamental principles and rights at work	8,289,468	11,239,396
Employment	14,751,406	17,636,901
Social protection	8,518,058	12,433,141
Social dialogue	15,053,715	16,309,221
Institutional capabilities	42,915,790	41,866,586
Standards and fundamental principles and rights at work	7,632,029	8,166,714
Employment	13,581,470	12,815,238
Social protection	7,842,490	9,034,108
Social dialogue	13,859,801	11,850,526
Total	397,926,949	402,910,307

In the light of the change in methodology, the 2004-05 figures are not directly comparable to the 2006-07 figures. Institutional capabilities 2004-05 includes the operational budgets of Communications, External Relations and Partnerships, ILO Web Development, International Institute for Labour Studies, International Training Centre of the ILO, Turin, Library and Information Services, Publications, and Statistics.

Table 3. Summary of proposed strategic and estimated extra-budgetary resources

	Revised strategic budget 2004-05		Proposed strategic budget 2006-07	
	(in constant 2004-05 US\$)			
Regular budget				
Standards and fundamental principles and rights at work	70,766,259	17.8%	78,646,937	19.5%
Employment	125,931,103	31.6%	123,533,963	30.7%
Social protection	72,717,717	18.3%	86,539,711	21.5%
Social dialogue	128,511,870	32.3%	114,189,696	28.3%
	397,926,949		402,910,307	
Extra-budgetary				
Standards and fundamental principles and rights at work	128,309,000	46.8%	171,031,000	55.9%
Employment	83,011,000	30.2%	78,641,000	25.7%
Social protection	32,430,000	11.8%	31,749,000	10.4%
Social dialogue	30,780,000	11.2%	24,579,000	8.0%
	274,530,000		306,000,000	

Extra-budgetary resources

149. Figures 4 and 5 show the expected levels of extra-budgetary resources for 2006-07 in comparison to 2004-05 and in comparison to regular budget levels. They indicate that extra-budgetary resources will continue to grow most rapidly under the strategic objective on standards and fundamental principles and rights at work, principally on child labour.

Figure 4. Regular budget and extra-budgetary resources by strategic objective for 2004-05

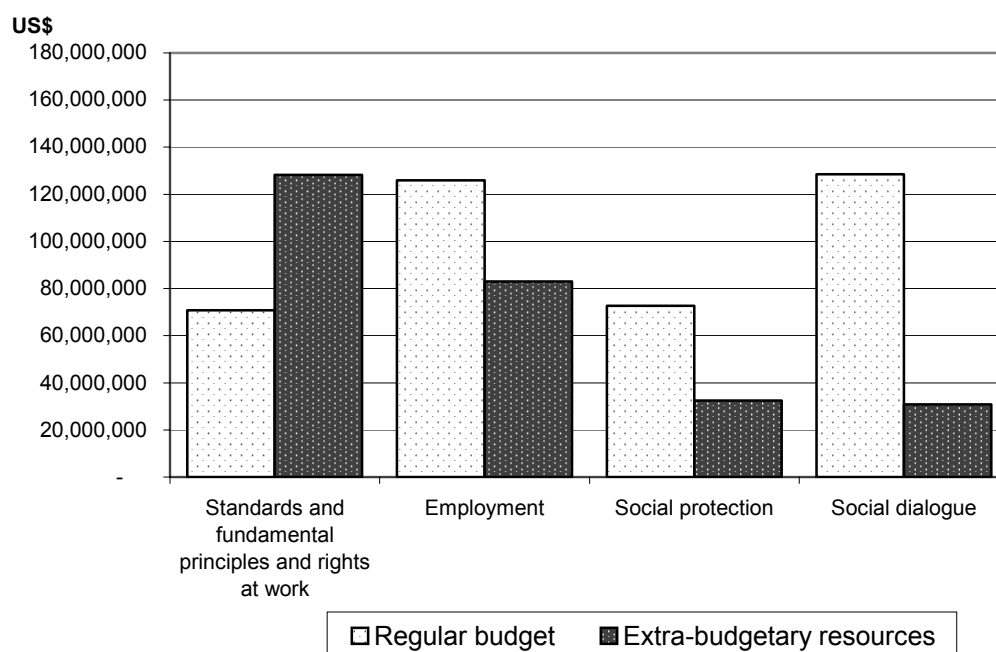
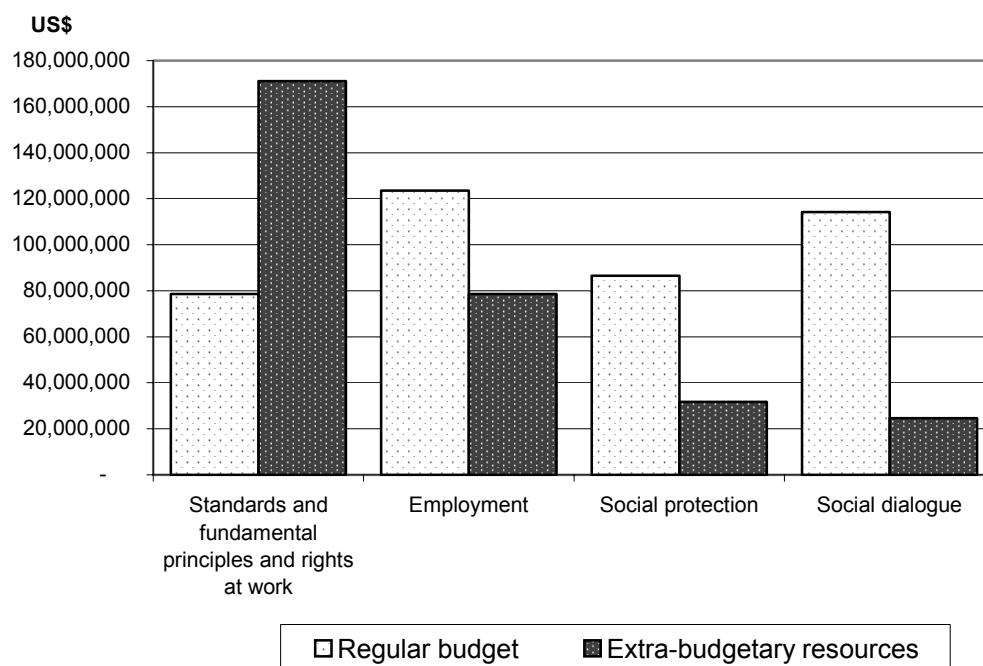


Figure 5. Regular budget and extra-budgetary resources by strategic objective for 2006-07

150. The ILO's contribution to eliminating child labour has been recognized and supported with extensive extra-budgetary funding over the past several biennia. However, as noted, support and donor interest in other objectives has been weaker, despite strong support from ILO constituents for expanded work and services in the areas of employment, social protection and social dialogue. While the Governing Body has a continuing concern about the relative proportion of regular to extra-budgetary resources in some areas, as a practical matter the only way to meet the rising demand for ILO services is to expand work with extra-budgetary funding. An indicative list can be found in Information annex 9.

151. A further concern noted by the Governing Body has been the perceived imbalance between the levels of regular budget and extra-budgetary resources for key areas of work such as child labour. The capacity of the ILO and in particular its field structure to absorb constantly increasing responsibility for a growing technical cooperation programme is limited. Resources for research and other indirect support are stretched at headquarters. While it would be desirable to have a larger regular budget programme in support of extra-budgetary work, in practice zero growth does not permit the building of major regular budget programmes. Extra-budgetary support to core activities is therefore essential.

REGIONAL PRIORITIES

Africa

The Americas

Arab States

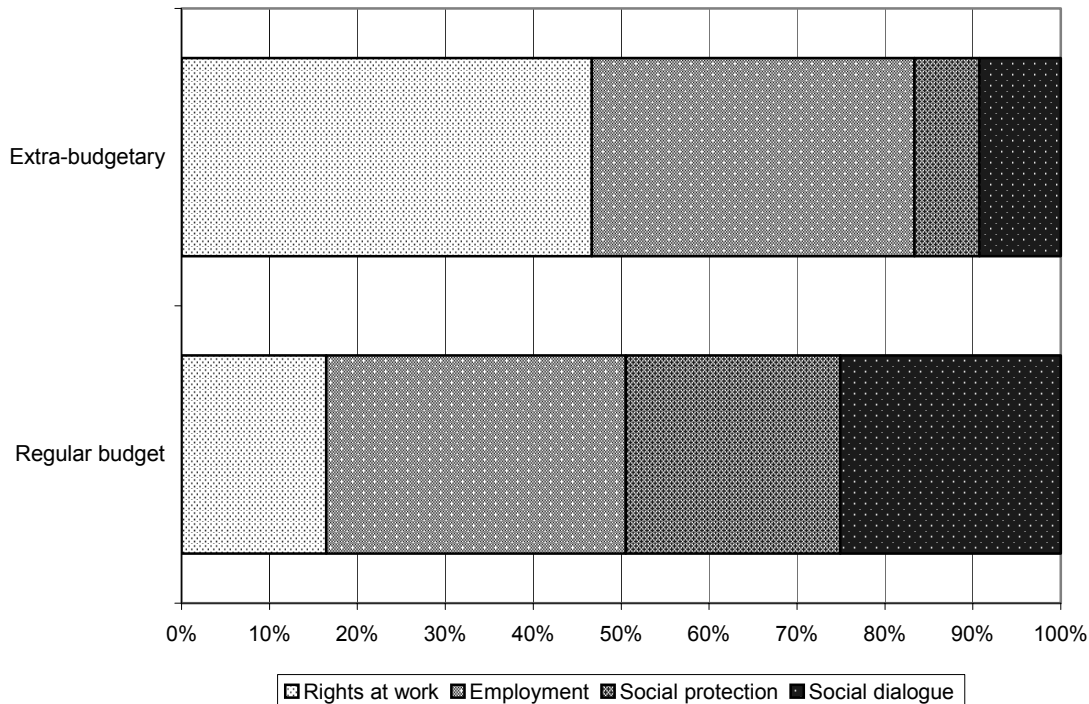
Asia and the Pacific

Europe and Central Asia

Regional priorities

Africa

Figure 6. Distribution of regular budget and estimated extra-budgetary resources to strategic objectives, Africa region



152. Despite recent positive economic growth in Africa, poverty, unemployment and under-employment (especially among youth and women), combined with conflicts and crises and the increasing impact of HIV/AIDS on the economy and social fabric of the continent, remain grave. The modest regional economic growth rates of 3.6 per cent in 2003 compared to 3.2 per cent in 2002 and an estimated 4.4 per cent in 2004, have not been translated into poverty reduction in most countries. Around 49 per cent of the population, some 323 million people, live below the poverty line. Over 29 million people are without employment and 110 million of those who are employed are defined as working poor. These factors will hinder the achievement of the Millennium Development Goals (MDGs), the New Partnership for Africa's Development (NEPAD) and the Poverty Reduction Strategy Papers (PRSPs) objectives. Exacerbating this scenario is a lack of coherence at both the national and international levels on policy and programme formulation and implementation.

Regional engagement

153. However, a number of signals indicate a collective commitment to address the above, including: the conclusions of the Tenth African Regional Meeting, 2-5 December 2003; national consultations leading up to and African constituents' response to the Director-General's Report *Working out of poverty* during the 91st International Labour Conference, 2003 and increased interest by Bretton Woods institutions to incorporate decent work within their development paradigm. The African Union Heads of State and Government Extraordinary Summit on Employment and Poverty Alleviation in Africa (8-9 September 2004) highlighted the centrality of employment to poverty alleviation and sustainable development and its Declaration gave support to implementing the recommendations of the World Commission on the Social Dimension of Globalization report. The remaining challenge is to ensure that PRSPs at national level, NEPAD at regional level and MDGs fully incorporate the Decent Work Agenda. This requires the ILO to maintain a strong knowledge base, effective country programmes, and compilation and replication of success stories.

Mainstreaming decent work for poverty reduction

154. The main focus for the ILO in Africa is poverty reduction through the achievement of decent work. The strategy focuses on influencing policy and funding decisions of national governments, tripartite constituencies, regional and subregional institutions, international financial institutions and bilateral and private donors. ILO's contribution to that is knowledge and sharing of effective approaches. The ILO will develop policy proposals and a knowledge and experience base in different areas, such as small and medium-sized enterprises (SMEs); the rural sector; microfinance; training; occupational safety and health; productivity; wages and incomes, child labour; social protection extension to the poor and to older people; prevention, protection of rights and care and support for women and men affected by HIV/AIDS; investment, infrastructure and employment; macroeconomic policy, trade policy and employment impact; and tripartite participation in the PRSP process.

Strategic partnerships and social dialogue

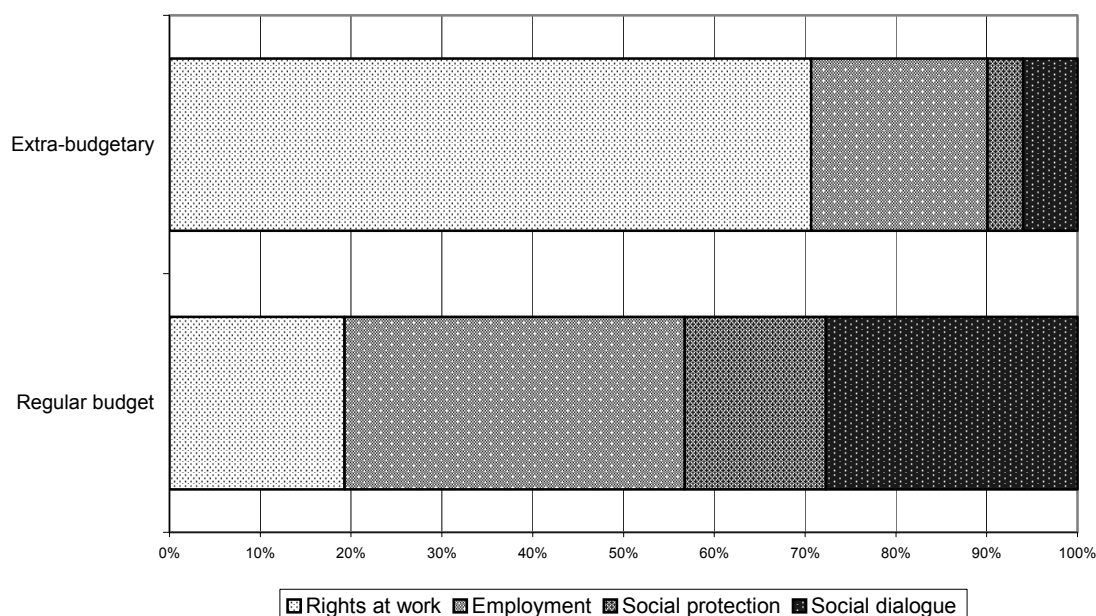
155. The ILO's success in influencing the development process will depend on its ability to build strategic partnerships with United Nations institutions and other bodies, for example, the World Bank, the African Union (AU), Regional Development Banks, and the Economic Commission for Africa. It also compels the ILO to build the capacities of its tripartite constituents to participate and contribute effectively to the integration of decent work into PRSPs. With regard to regional integration and NEPAD implementation, the ILO will continue to use tripartism and social dialogue and also strengthen its work in industrial relations and harmonization of labour laws.

Implementation

156. A key means of action for the ILO in the region will be the full elaboration of decent work country programmes. This approach involves a number of elements: developing a knowledge base on effective policies and programmes; establishing priorities for action that focus on the most vulnerable groups; developing programmes at the national level that integrate the demands and priorities of the ILO, the AU Summit, and nationally based frameworks such as PRSPs, the United Nations Development Assistance Framework (UNDAF), etc.

The Americas

Figure 7. Distribution of regular budget and estimated extra-budgetary resources to strategic objectives, Americas region



157. In spite of economic growth and improvement in employment rates in some countries, poverty, a growing informal sector, insufficient social protection, and unemployment that especially affects young people and women, still remain tremendous challenges. The experience achieved by the ILO and recent reports by the UNDP and World Bank concur that three factors underlie the difficulties affecting the region overall: increasing uncertainties about the capacity of democracy to solve economic problems, with job creation as the main concern; a progressive deterioration of social cohesion due to the accelerating gap between rich and poor; and the concern that the whole region (with the exception of very few countries) may not attain the MDGs by 2015, especially the goals oriented to poverty reduction.

Social cohesion

158. In this framework, the ILO will strive to provide concrete responses to reinforce democracy by strengthening the mechanisms that contribute to social cohesion, and combat poverty through the integration of economic and social policies and social dialogue, application of the Decent Work Agenda and the relevant recommendations of the report of the World Commission on the Social Dimension of Globalization. Decent work is being promoted in the common agenda of the region in subregional and regional processes for the adoption of community policies and regional and international summits at ministerial and heads of state and government level. At the national level, the Decent Work Agenda will be implemented through the decent work country programmes, the development of programmes and projects for the generation of decent jobs, respect for ILO standards, especially those contained in the Declaration on Fundamental Principles and Rights at Work and other priority Conventions and through broadening social protection coverage and workers' protection and strengthening social dialogue.

Poverty reduction

159. Poverty reduction is a priority for the region. The ILO's work will focus on achieving concrete results in the area of employment policies and programmes, enterprise development, and the promotion and application of international labour standards in the member States of the region. With ILO support, it is expected that additional member States will design and implement decent work employment policies and programmes with special emphasis on women and youth; that the Latin American Network on Youth Employment will be extended beyond the current eight countries; local development will be promoted through improving the capacity in education and skills in local communities, enabling them to create and manage new enterprises that will generate decent jobs and promote gender equality; and that member States will expand their policies of prevention and eradication of child labour and forced labour, with a special focus on girl child workers and indigenous forced labourers.

Regional integration and social dialogue

160. Strengthening social dialogue, so that the social and labour dimension is included in regional and subregional integration processes and in the national development frameworks is a second priority for the region. For the biennium, the ILO's focus will be on improved knowledge of the ILO's Declaration on Fundamental Principles and Rights at Work and priority Conventions among all actors and the inclusion of these in regional integration agreements; on helping to operationalize at the national and subregional level the conclusions of the Regional Employment Conferences of the Common Market of the Southern Cone (MERCOSUR), and the upcoming meetings of the Comunidad Andina (CAN), the Sistema de la Integración Centroamericana (SICA) and the Caribbean Community (CARICOM); and that, as agreed at the Fourth Summit of the Americas, region-wide actions will incorporate decent work in efforts to consolidate democracy and combat poverty in the region. The ILO employment strategy will focus on placing the Decent Work Agenda as a core component of national economic policies. Support to employers' and workers' organizations will enable them to better participate in the negotiations of free trade agreements as well as in the subregional integration processes, the formulation of the PRSPs and the development of national employment policies, by

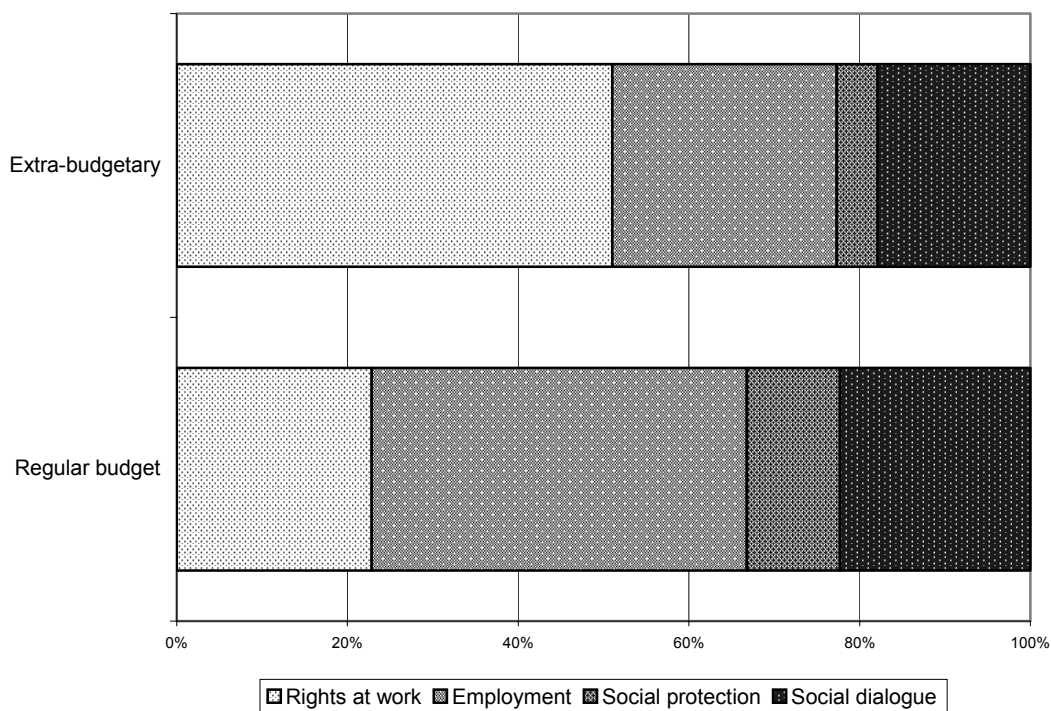
strengthening tripartite consultations and technical reinforcement of their institutions. Successful strategies for strengthening institutional mechanisms for social dialogue will be further extended in the region.

Worker protection

161. The social protection of workers in the framework of decent work is the third priority for the region for the biennium. Results expected include: governments adopting general or sectoral measures with the involvement of the social partners for extending or strengthening social protection instruments, especially to women and informal economy workers; adopting policies and programmes to protect the safety, security and health of workers; and adopting action programmes for the prevention and elimination of HIV/AIDS and discrimination in employment.

Arab States

Figure 8. Distribution of regular budget and estimated extra-budgetary resources to strategic objectives, Arab States region



162. Continued political instability is expected to characterize the situation in the region. There is urgent need for job creation and employment in order to cope with the rising poverty that is fuelling widespread social and economic tensions. Many countries are taking gradual steps to effect positive changes in legislation, policies, programmes and institutions targeting improvements in their human capital, most notably in human rights, social dialogue and gender equality. However, the region still lags behind other regions, in particular in terms of the low participation rate of women in the workforce, parliament and public life. Unemployment is accelerating, especially among youth, in countries whose employment generation trails economic and population growth or whose cultural barriers prohibit women's access to the job market. The transition to a market economy has not yet resulted in high productivity of the labour force; instead, it is putting pressures on social protection systems in the midst of cutbacks in public expenditure.

Post-crisis reconstruction

163. Post-crisis reconstruction in a number of countries in the region and social and economic rehabilitation continue to remain a priority that calls for regional and international cooperation. This presents a challenge for greater coherence within the United Nations system and solid grounds for regional integration of policies and programmes through a participatory approach.

Fundamental principles and rights at work

164. Since the adoption of the Declaration in 1998, the region has recorded 22 ratifications of fundamental Conventions, with a relatively low ratification of those concerning freedom of association and collective bargaining. Progress is being made to effect greater awareness of these two instruments in line with the regional trend towards greater openness. This is noted in requests for increasing standards-related activities in ILO technical cooperation at the country and regional levels. Constructive policy dialogue and technical assistance will constitute a socio-economic floor for development programmes taking account of basic human rights.

165. The region is witnessing increasing child labour and trafficking of children and women. Ratification of Convention No. 182 by all member States provides a sound basis for region-wide action programmes to eradicate the worst forms of exploitation. Work is under way to set up a regional knowledge base to tackle the root causes of the problem in conjunction with implementation of policy and legislative measures. Advocacy through the media to highlight these issues will reinforce understanding of the long-term repercussions of children at work.

Employment promotion

166. Creating decent jobs requires improvements in the quality, availability and accessibility of labour market information in order to formulate labour market policies that promote the quality and quantity of employment. The case is most crucial in the Gulf States, where nationalization of the labour force is prominent on the agenda. The conventional approach to training and skill development is clearly inadequate to meet the new demands of a globalized economy. While micro- and small enterprises and the informal economy have proved a viable vehicle for generating jobs and growth, the right environment for entrepreneurship development and local initiatives is lacking. Following the conclusion of the Arab Regional Tripartite Experts Meeting on Youth Employment and Labour in 2004, decent work country programmes for the region will include assistance in designing national action plans that pave the way to establishing national and regional networks on youth employment within the framework of decent work. Employment-intensive investment approaches remain a priority in countries affected by the devastating consequences of political and armed conflicts. The ILO will continue to address employment needs and community-based rehabilitation programmes in post-crisis situations.

Good governance and social protection

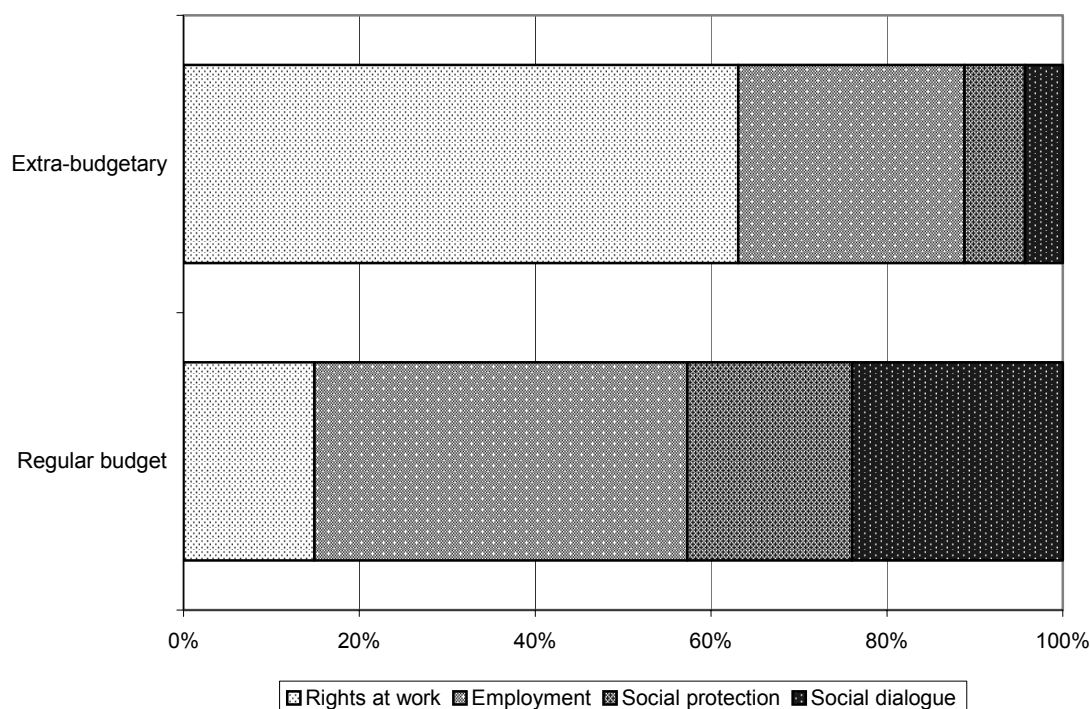
167. One challenge of economic integration is good governance in social protection systems. Given the high incidence of poverty and vulnerability, social security reforms are taking place in several countries to include unemployment insurance funds and pension schemes. Improved policies and strategies to achieve basic social protection for all, including the self-employed and migrant workers, in particular women migrant domestic workers, are identified areas of technical cooperation. Rapid technological developments have major implications on working conditions and occupational safety and health. In the area of worker protection, occupational hazards posed by new industrial and agricultural technologies, and the epidemic of HIV/AIDS continue to generate significant demand for ILO technical services.

Social dialogue

168. Participation of partners in social dialogue is limited across the region. Further development of an enabling environment will focus on establishing legal and institutional frameworks for independent social partners, negotiation skills and a knowledge base.

Asia and the Pacific

Figure 9. Distribution of regular budget and estimated extra-budgetary resources to strategic objectives, Asia Pacific region



169. The Indian Ocean earthquake and tsunami disaster of December 2004 will have a profound impact on jobs and livelihoods in the region. The ILO's response is evolving in close cooperation with constituents, and will impact on work undertaken into the 2006-07 biennium. Asia has experienced a significant increase of foreign direct investment (FDI) and is currently the largest FDI destination. It is the locus of major global production systems and multinational enterprises. But employment elasticities have been low, production is shifting and competition is growing among countries in the region. The more developed countries are internally restructuring to move up the technology ladder, add value to production and strengthen linkages with the domestic economy. The social implications are in terms of job creation and job losses, cross-border movements of labour, the quality of employment, changing skills mix requirements and working conditions for informal economy workers. The Fourteenth Asian Regional Meeting called upon the ILO to assist constituents to achieve a fair globalization through national plans of action and local, subregional and regional initiatives on decent work; through coherent policy frameworks that support gender-sensitive, decent employment creation; integration of the informal economy into global supply chains on fair terms; and improved social dialogue and enhanced capacity of labour ministries and employers' and workers' organizations to be more effective in economic and social policies.

Regional integration

170. Subregional groupings, notably the Association of South-East Asian Nations (ASEAN), South Asian Association for Regional Cooperation (SAARC) and the Pacific Islands Forum, and cross-subregional groupings such as ASEAN + 3 and Asia-Pacific Economic Cooperation

(APEC) have been deepening in form and expanding in areas of cooperation. Their increasing interest in labour and social issues offers the potential for ILO collaboration in the areas of research, information systems, policy dialogue, common frameworks and joint action on employment strategy, human resource development, decent work indicators, promotion of fundamental labour rights, social protection and managing labour migration and trafficking. Workers' and employers' organizations, particularly in ASEAN, are calling for efforts to enhance their capacity to participate in regional integration processes.

Working out of poverty

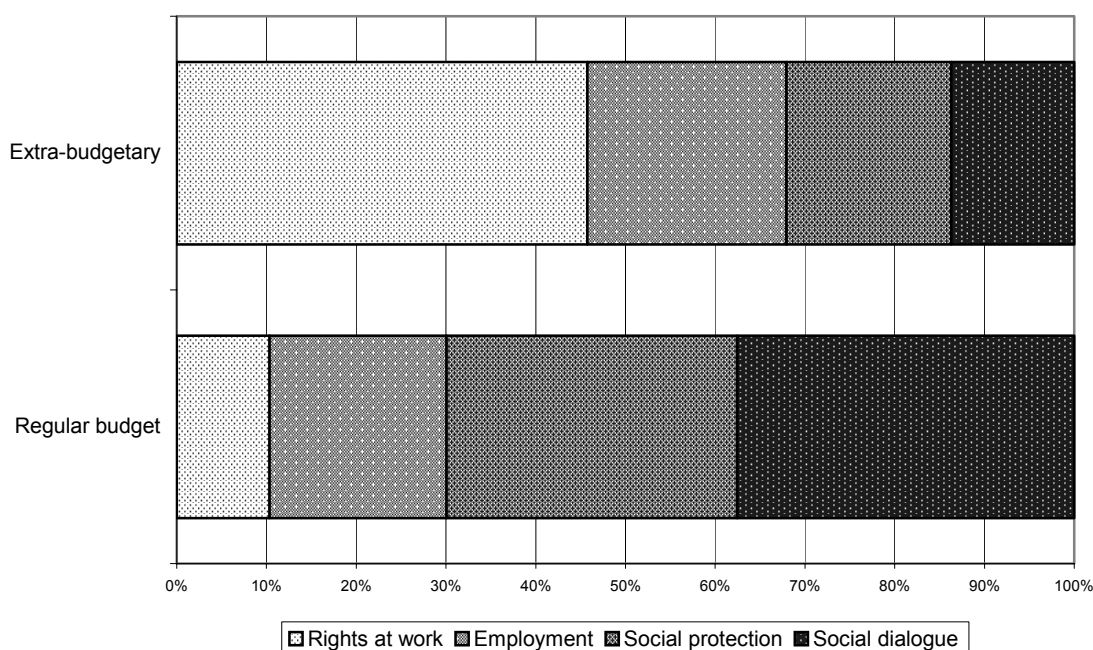
171. The region is home to two-thirds of the world's extreme poor living on less than one dollar a day, of whom two-thirds are women and three-quarters live in rural areas. These numbers swell in crisis situations because of the lack of basic social protection. Poverty is also evident in high levels of child labour and youth unemployment and underemployment, lack of productive assets including basic education, lack of markets for informal economy operators and lack of voice of the poor. Gender-sensitive, age-specific labour market information is critical for the formulation of policies and programmes that promote employment-intensive growth, protect workers throughout all stages of their lives and prevent the perpetuation of poverty from one generation to the next. Promoting basic education for all children and facilitating the transition from school to productive employment for youth is critical, given that 18 per cent of the population is between 15-24 years, another 30 per cent is below 15 years and youth unemployment rates are more than double total rates. The trend towards decentralization of authority and resources to the local level together with the need to reach the poor where they live and work calls for greater attention to local development strategies.

Addressing vulnerabilities and advancing gender equality

172. Globalization has resulted in new and intensifying forms of discrimination and vulnerability, which have significant gender dimensions and affect specific groups. These vulnerabilities include trafficking of human beings, occupational safety and health risks and HIV/AIDS. Among the most vulnerable are children and young women in particular from ethnic minorities and indigenous groups, contract migrant workers (in particular those entering domestic service), workers in the informal economy and workers with disabilities. Asian women have been among the main beneficiaries of new employment opportunities created in the expansion of trans-national production chains and international labour migration. However, their working conditions remain poor, if not deplorable, and deep-rooted gender inequalities have been slow to change. The region is expected to fully operationalize its gender mainstreaming strategy (GEMS) to achieve equality of opportunity and treatment for men and women at work, and in relation to work and life; the elimination of all forms of discrimination against women workers; and the equal participation of women and men in decision-making in the employment, labour, social protection and social partner fields in the countries served by ILO in the region, with a specific focus on gender equality and empowerment of low-income women. Since gender discrimination cuts across other forms of discrimination, targeted action will be on women and girls facing multiple forms of discrimination.

Europe and Central Asia

Figure 10. Distribution of regular budget and estimated extra-budgetary resources to strategic objectives, Europe and Central Asia region



173. Implementation of the Programme and Budget for 2006-07 will be informed by the conclusions and recommendations adopted at the Seventh European Regional Meeting (Budapest, 2005). The ILO will also be responsive to different needs of the emerging groups of countries within the region: new European Union (EU) members, the Stability Pact (SP) and the Commonwealth of Independent States (CIS) countries. The enlargement of the EU to 25 member countries has a significant impact on ILO work in the region. The economic and social policies of the non-EU member States, together with the EU's strategies for relations with its European and Central Asian neighbours, form in large measure the context for the ILO programme in this region. In this respect, the Decent Work Agenda provides an integrating framework for all ILO member States, which is highly relevant to the challenges they face. For example, the last enlargement brought the EU closer to South-East Europe. The cornerstone of long-term EU commitment to this subregion is the stabilization and association process, which offers the policy framework for political, economic and social reform. Similarly, a number of CIS countries are developing country programmes with the ILO, focused on the social and labour policies needed for the establishment of stable democracies and functioning market economies.

Good governance

174. Although there are significant differences between the new EU member countries and the SP countries, they share several common issues: the need to improve good governance in social security; awareness-raising on gender equality and gender mainstreaming; labour legislation reform and employment policies; the consequences of ageing for pension and employment policies; and the increasing importance of social dialogue as a tool to improve policy-making and to empower the social partners.

Sustainable economic development

175. Some of the features observed in South-East Europe are even more valid in the CIS. The key challenge for this subregion is to achieve sustainable economic development by economic diversification and socially responsible restructuring of enterprises, ensuring appropriate skills development, greater labour mobility (within and between countries), sound systems of social

protection, well functioning social partner organizations and well-developed social dialogue. The issues of trafficking, labour migration and HIV/AIDS are becoming more and more relevant.

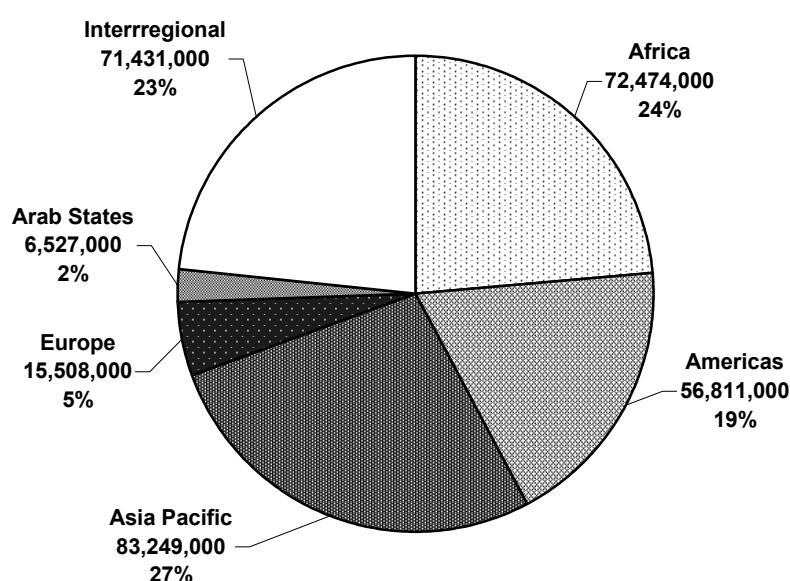
Decent work objectives

176. Despite their very real achievement in progressing so far in the transition process in little over a decade, the countries of Central, South-Eastern, Eastern Europe and Central Asia still face numerous problems in attaining the objectives of decent work for their populations as a whole. The drastic decline in employment rates in many of these countries has left a legacy of rising levels of poverty and social exclusion, with particularly adverse effects on the vulnerable groups of society, including women, youth, older workers, ethnic minorities and persons with disabilities. Timely and adequate responses must be found by mobilizing the ILO's own resources together with a substantial portfolio of technical cooperation projects. In order to prioritize its limited resources, the focus of the ILO's intervention is required to shift towards and concentrate on the SP beneficiary countries, the CIS and Turkey. The new EU member countries, which are shifting their role from recipient to donor countries (both technically and financially), will continue to be supported upon request on very specific issues. Europe's field structure will also be adapted by closing down National Correspondent positions in the new EU member countries and opening new ones in the SP countries and the CIS.

Social dialogue

177. Special attention will be given to the field of social dialogue. Its important role in achieving social consensus is broadly recognized but achievements are still fragile. Employers and workers' organizations will continue to be assisted in establishing the legal framework, institutions and mechanisms that would give them the instruments and means for a stronger basis of representation, and enhanced capacity to make proposals, to engage in tripartite dialogue and to reach consensus on issues such as flexicurity, pension reforms, employment strategies, occupational safety and health and accidents at work, gender equality, youth employment, child labour, labour migration/trafficking and HIV/AIDS. Labour administrations will also receive assistance to enable them to improve labour inspection, to play their role in the tripartite social dialogue and to provide support to the social partners in their bipartite social dialogue.

Figure 11. Regional distribution of estimated extra-budgetary technical cooperation resources, 2006-07
Total \$306 million



THE STRATEGIC OBJECTIVES

Strategic Objective No. 1: Standards and fundamental principles and rights at work

Operational objective 1a: Fundamental principles and rights at work

Operational objective 1b: Normative action

Strategic Objective No. 2: Employment

Operational objective 2a: Employment, labour markets, skills and employability

Operational objective 2b: Employment creation

Strategic Objective No. 3: Social protection

Operational objective 3a: Enhanced social security coverage

Operational objective 3b: Effective labour protection

Strategic Objective No. 4: Social dialogue

Operational objective 4a: Strengthened social partners

Operational objective 4b: Government and institutions of social dialogue

Operational objective 4c: The development of social dialogue at sectoral level

STANDARDS AND FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK

STRATEGIC OBJECTIVE No. 1:

Promote and realize standards and fundamental principles and rights at work

Operational objective 1a: Fundamental principles and rights at work

ILO member States give effect to the principles and rights concerning freedom of association and collective bargaining and the elimination of forced labour, child labour and discrimination in employment and occupation.

Operational objective 1b: Normative action

International labour standards and the standards supervisory process influence legislation and policies of member States for achieving decent work and international development goals.

Strategic Objective No. 1:

Promote and realize standards and fundamental principles and rights at work

178. Principles and rights at work establish the basis for decent work and underpin many aspects of the social dimension of globalization. The ILO's unique normative role has been underlined by the report of the World Commission. The fundamental principles and rights reaffirmed in the 1998 Declaration are now firmly established as a universal definition of minimum requirements for the "social floor" in a globalizing economy. They facilitate, together with tripartism and social dialogue, a strategy for achieving progress in the social and economic sphere. The ILO has to consider how its normative role can best meet the legitimate demands of constituents and have an impact nationally and on the multilateral system. The successes of past biennia reflected in the unanimously adopted the Worst Forms of Child Labour Convention, 1999 (No. 182) and its ratification have led to intensified dialogue on its implementation.

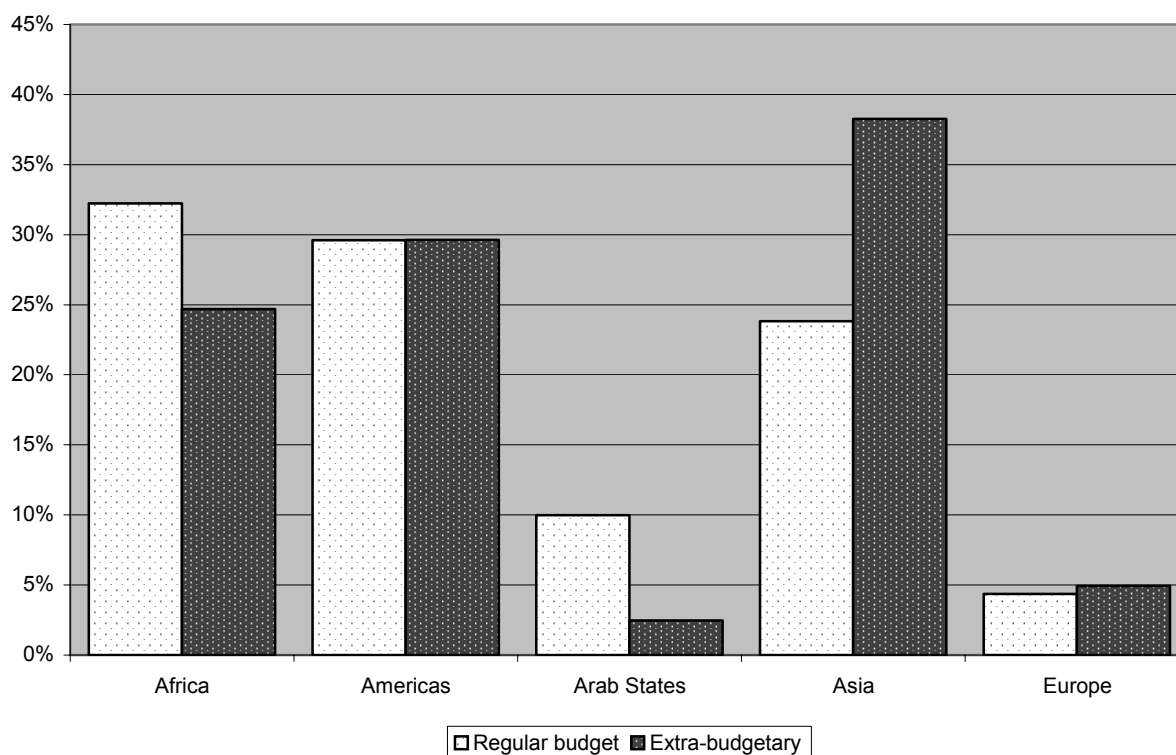
179. Implementation is also the focus of the Declaration follow-up. The initial wave of activity and resources surrounding annual reporting has provided a better indication of progress and what remains to be done in different countries. The Global Reports on each of the categories of principles and rights have attracted increased attention to the issues and demand for tools and services to assist in implementation. It is now clear from reviews and evaluations that much of the promotional and technical cooperation work of the International Programme on the Elimination of Child Labour (IPEC) and the Declaration follow-up is closely related. Internal synergies and avoidance of duplication can be realized by combining the two management structures, focusing resources on a fundamental principles and rights at work "package".

180. The shift in emphasis towards the developmental role of international labour standards underscores that Conventions and Recommendations are also tools for the promotion, attainment and monitoring of economic and social progress, in terms both of labour legislation and of measurable improvements in working conditions and living standards. The lessons learned regarding the impact of the fundamental Conventions can be applied to ratification and implementation of other up-to-date Conventions in an integrated approach. The International Labour Conference discussion of the general survey of employment policy standards illustrates the importance of normative instruments in implementing the Declaration and pursuing policies for full, productive and freely chosen employment which is the ILO's distinctive input into the achievement of the MDGs. The abolition of child labour is one aspect of the promotion of appropriate employment for young persons. As another example, women's socio-economic empowerment requires eliminating discrimination in occupation and employment and promoting the right to organize and negotiate. Standards and the Declaration follow-up are thus elements of a single, coherent framework.

181. A strengthened standards system requires a re-examination of how standards policy and the supervisory and complaints processes contribute to overall aims. This includes ongoing review of the structure and the products of the Office in order to better address the needs of individual countries and regions. More coherent supervision of the fundamental Conventions and other up-to-date Conventions will aid in realizing all strategic objectives. This process will coincide with the review of the revised article 22 reporting schedule used since 2003, and its further simplification.

Table 4. Strategic resources for standards and fundamental principles and rights at work by operational objective

	Proposed regular budget strategic resources (in constant 2004-05 US\$)	Estimated extra-budgetary expenditure (in US\$)	Total
Operational objective 1a: Fundamental principles and rights at work	32,982,353	168,983,000	201,965,353
Operational objective 1b: Normative action	45,664,584	2,048,000	47,712,584
Total	78,646,937	171,031,000	249,677,937

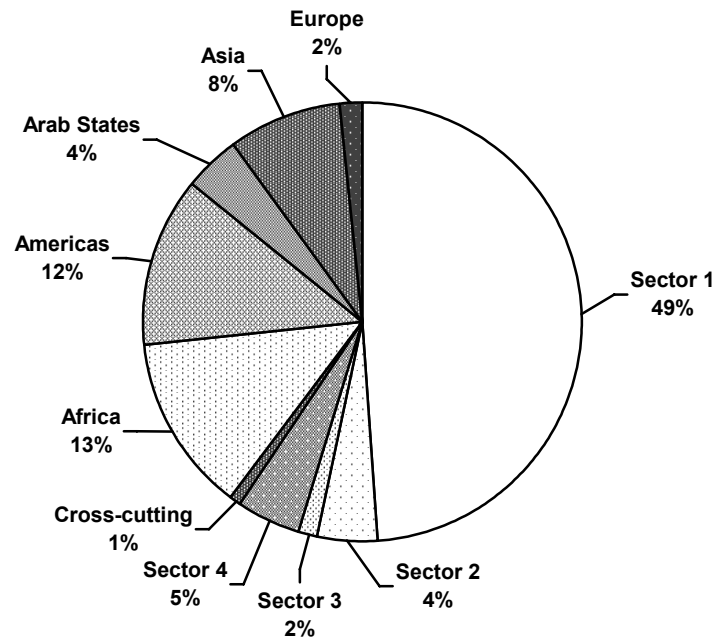
Figure 12. Distribution of regular budget technical resources allocated to this objective and estimated extra-budgetary resources for this objective, by region

Operational objective 1a: Fundamental principles and rights at work

ILO member States give effect to the principles and rights concerning freedom of association and collective bargaining and the elimination of forced labour, child labour and discrimination in employment and occupation.

Two operational objectives have been combined. This reflects the completion of the first cycle of the Declaration follow-up and the completed identification of the obstacles to implementation of the principles and rights in member States in annual reports. It has become increasingly evident, as the aim of mainstreaming child labour in national employment and social policies is pursued, that similar considerations apply to all four categories. This adjustment takes account of the now widespread commitment to all eight Conventions and the need to promote synergies that reduce cost and duplication.

Figure 13. Regular budget technical resources allocated to this objective, by source



Outcome 1a.1: Improved implementation of fundamental principles and rights at work

Member States are increasingly aware of the content of fundamental principles and rights at work (freedom of association/collective bargaining, freedom from forced labour, child labour and discrimination) and undertake progressive steps to respect, promote and realize them, including in their national development and poverty reduction frameworks, national law and practice, and in the policies and practices of employers' and workers' organizations and their members.

All of the indicators for this outcome build on more general indicators used in 2004-05. The previous ones focused on ratification, these focus on implementation, with more specific indicators of progress.

Indicators 1a.1

- (i) Constituents use tools and other practical measures to implement fundamental principles and rights at work.

Target: 50 instances (although this is provisional, as this is a new indicator). Data will be gathered from international labour standards supervision and Declaration follow-up.

Previous indicators focusing on ratification have been dropped as emphasis has shifted to implementation.

- (ii) Member States take action for improved respect for freedom of association and effective recognition of the right to collective bargaining.

Target: 7 new countries in which progress is made following ILO intervention.

- (iii) Tripartite constituents are more capable of promoting freedom of association and collective bargaining; social partners have greater capacity to organize the unorganized.

Target: 7 new initiatives in which the tripartite constituents take action based on ILO assistance, including in the informal economy.

- (iv) Member States establish or improve national policies and programmes to address gender and racial and ethnic discrimination.

Target: 8 countries.

This indicator focuses on racial/ethnic discrimination alongside a mainstreamed gender concern, and aims to measure new policy formulation as well as programmes to tackle multiple discrimination within specific time frames. Countries to be targeted will be identified through annual reporting under the Declaration follow-up and supervisory comments.

- (v) Workers' organizations adopt plans to promote gender equality (especially pay), advance racial/ethnic equality; employers and their organizations display awareness and act on non-discrimination and equal opportunity.

Target: 8 organizations. Impact in terms of publications, training organized by employers and workers and in collective agreements will be tracked and reported.

- (vi) National authorities adopt and implement national plans to combat forced labour or trafficking.

Target: 8 new plans.

Outcome 1a.2: Targeted action against child labour

Member States undertake targeted action against child labour in line with fundamental ILO Conventions on child labour, giving priority to the urgent elimination of the worst forms of child labour and the provision of alternatives to boys and girls, as well as to their families.

This outcome reflects the expected result of ILO action in terms of promoting national responses to the child labour problem, with emphasis on the worst forms of child labour and the needs of the girl child. In broad terms, member States are expected to implement action as described in the fundamental Conventions on child labour Nos. 138 and 182 and in the relevant Recommendations.

Indicator 1a.2

- (i) Member States make progress in applying Conventions Nos. 138 and 182 through at least two interventions associated with the time-bound programme approach, including legal change, data collection, time-bound targets, child labour monitoring systems and mainstreaming of child labour in relevant development policies.

Target: 10 member States, in addition to the number reached at the end of 2004-05. Progress will be measured based on commitments made under Conventions Nos. 138 and 182.

This is more specific than the 2004-05 target.

Strategy for fundamental principles and rights at work (operational objective 1a)

182. The 1998 Declaration on Fundamental Principles and Rights at Work is a restatement of the relationship between rights and development, and the basis for the ILO's own practical contribution to poverty alleviation. Its follow-up builds on IPEC experience in providing assistance to implement instruments adopted by the Conference; and making the vital link between prescriptive provisions and practical policies. The environment created by legislation and practices guaranteeing the principles and rights opens entry points in many areas – agriculture, labour migration, export processing zones (EPZs), the informal economy, the public sector – where rights deficits prevent progress towards decent work. Declaration follow-up

experience shows that tripartism brings advantages in the prioritization, technical design and collaborative execution of practical programmes.

183. Extra-budgetary funds have been critical for maintaining the level of research, advice and support that has led to the progress documented to date in action for improved implementation of all four categories of fundamental principles. The level of results proposed in the indicators here is built on the assumption of continued extra-budgetary technical cooperation. It should also be noted that extra-budgetary funds come with their own requirements that may lead to over- or under-emphasis on different elements of a coherent strategy, or to focus in regions which would not otherwise be priorities. However, within these constraints, the strategy for 2006-07 will build on the experience of past biennia, focusing available resources to secure sustained results.

184. A core strategy is to further develop the fundamental principles and rights knowledge base, raise awareness and promote the growing worldwide movement to support implementation. Documenting the use of different approaches so that this can be shared across different countries is proving to be one of the most effective ways to support practical implementation. Research which develops, tests and shares information, reflecting gender equality, legal, and other perspectives will be undertaken.

185. A number of issues within fundamental rights will receive particular attention during 2006-07, with the goal of realizing significant improvements in member States within the biennium. Freedom of association and collective bargaining are long-standing priorities of the ILO, but special efforts will be made to improve results, using national diagnosis that addresses formal and informal economy needs, leading to action plans. This will provide evidence that can be disseminated as good practice in subsequent biennia. Discrimination is also a long-standing concern, and it is particularly challenging because of the risk for it to be multiplied – for example, on the grounds of race, ethnicity and gender together. To concentrate efforts, a strategy focusing on equal remuneration for men and women will be undertaken.

186. The strategy on forced labour aims at global understanding and national legal and policy frameworks. To address human trafficking, Global Reports issued in 2005 and 2006 should raise visibility of the issues and provide entry points. Upstream policy and law reform and downstream eradication of coercive recruitment and where possible rehabilitation will be pursued, as these approaches have been successful for IPEC.

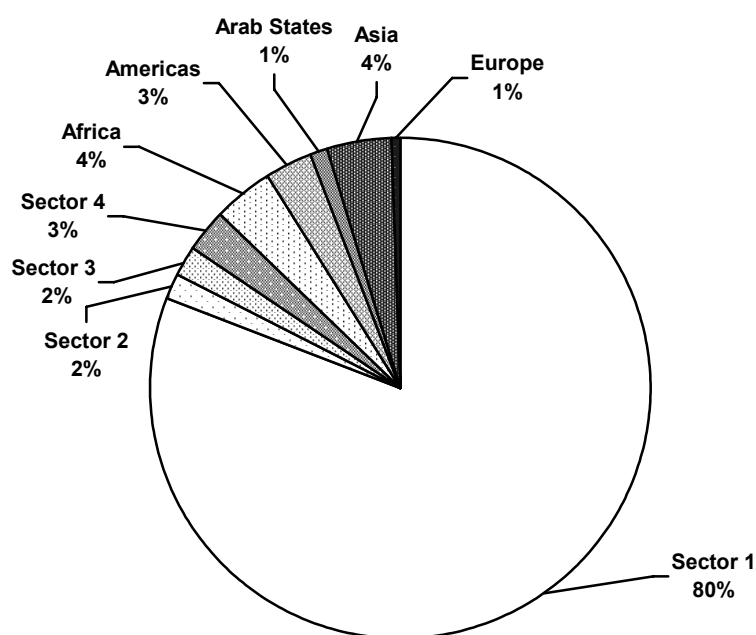
187. Strategies for the elimination of child labour will continue to use the time-bound programmes (TBPs) approach, through which adequate alternatives are provided to child workers and their adult family members. This strategy is particularly effective because it builds the capacity and involvement of member States and key actors within them – government agencies, employers' and workers' organizations and other partners – leading to sustained action following the conclusion of direct ILO project support. TBPs also make significant contributions to poverty eradication, fair globalization and gender equality by focusing on education, decent work, broad dialogue, and coherence between government and donor-supported programmes. Sex-disaggregated data and gender analysis enable TBPs to address differing needs: girls are especially vulnerable to sexual exploitation, trafficking and inappropriate domestic service. The strategy for IPEC as a whole will be reviewed in the light of the evaluation as discussed by the Governing Body in November 2004. More detailed information and in-depth impact information is provided in the context of the Steering Committee. Donor support is essential to achieving the sustained results set out for this biennium.

Operational objective 1b: Normative action

International labour standards and the standards supervisory process influence legislation and policies of member States for achieving decent work and international development goals.

Promotion of fundamental principles and rights at work is linked in practice with the promotion of the fundamental Conventions. The wider range of priority Conventions are likewise normative instruments at the Organization's disposal. In practice, technical and advisory services offered by the Office take account of these instruments as a whole. And, in the multilateral system as well as in member States, the Declaration and the ILO Conventions are generally assimilated. Measurement of progress may increasingly use the same methods.

Figure 14. Regular budget technical resources allocated to this objective, by source



Outcome 1b.1: Improving the impact of standards

Constituents in member States have better knowledge of ILO standards and have improved capacities to support implementation of standards in accordance with national priorities, benefiting from the ILO supervisory mechanism and assistance provided by the Office.

Indicators 1b.1

- (i) Member States improve the application of standards as noted by the Committee of Experts.
Target: 400 instances where improvement is noted.
This is an increase on the 2004-05 target of 350.
- (ii) Member States improve the application of standards as noted by the Committee on Freedom of Association.
Target: 50 instances where improvement is noted.
This is the same as in 2004-05.
- (iii) Member States ratify or make progress in implementation of the key provisions of the main gender equality Conventions.
Target: 15 additional ratifications of Conventions Nos. 100, 111, 156 and 183 during the biennium; 7 countries to have ratified all 4; and constituents in 15 member States

introduce positive changes to policies, legislation, programmes and institutions aimed at improving gender equality.

This new indicator is based on the 2004-05 gender equality indicator on labour standards,¹ with revised targets based on experience to date.

- (iv) Employers' and workers' organizations make observations on the application of standards.
Target: 330 observations received. This measures tripartite participation in the implementation of ratified Conventions.

This is a new indicator.

- (v) The Office processes supervisory reports which are received on time.
Target: 90 per cent of on-time reports are processed for the relevant Committee. (Note that the 2004 level is 60 per cent.)

This is an indicator from 2002-03, not used in 2004-05. It has been reintroduced to ensure better visibility of the quality of Office services.

Strategy for normative action (operational objective 1b)

188. The international labour standards system, with its supervisory machinery, is a key distinctive feature of the ILO's comparative advantage among international organizations in the social policy sphere. In practice, it leads to improvements in the application of labour standards in countries, which have a direct impact on workers' lives. A strategy to increase the coherence, relevance and impact of the system will continue, building on lessons learned from the integrated approach to standards-related activities over past biennia and incorporating improvements in the efficiency of the supervisory system, including the article 22 process.

189. Consultation with the tripartite constituents will be critical to articulating and implementing this strategy. Improving the dialogue between the supervisory bodies and governments, with improved participation by employers' and workers' organizations is essential. An effective programme of advice and information on standards, including the integration of information from and to the supervisory system will be reinforced. This includes reinforcing synergies among the fundamental Conventions and their implementation and emphasizing up-to-date Conventions dealing with the essential elements of decent work. Better information and training on standards will be provided to all ILO technical and field offices to ensure their collaboration. This will form an important component of decent work country programmes. More active promotion, including focused advice to member States and in the multilateral system on standards and their supervision will contribute to achieving the targets.

190. Most complaints received are within the competence of the Committee on Freedom of Association: although these continue to grow in number and complexity, they continue to be examined in good time. Assistance to governments to comply with procedures and information required by constituents continue to be made available. Other complaints under articles 24 and 26 of the Constitution will continue to be handled as time and resources permit. As complaints procedures tend to be complex and time-consuming, more efficient and effective means of dealing with such complaints will be pursued.

191. Further development of the standards-related databases and data processing capacity will facilitate the efficient processing of reports and contribute to greater dissemination and use, both inside and outside the Office, of labour standards, data and results of the supervisory procedures. The impact of standards specialists and SROs, the technical departments and the Turin Centre, will be maximized through more systematic cooperation. Wider dissemination of the databases, together with more user-friendly presentation of supervisory comments, will increase the availability of ILO standards in the multilateral and development network: this is intended to provide material support to multilateral processes and to increase the visibility of international labour standards as a priority for donor investment.

¹ Para. 279 in the Programme and Budget for 2004-05.

EMPLOYMENT

Strategic Objective No. 2:

Create greater opportunities for women and men to secure decent employment and income

Operational objective 2a: Employment, labour markets, skills and employability

ILO constituents adopt and implement employment, labour market and skills policies and programmes that promote decent employment for women and men.

Operational objective 2b: Employment creation

ILO constituents are better equipped to design, implement and assess policies and programmes to promote enterprise development and employment-intensive investment, with particular benefit to women, youth, vulnerable and crisis-affected groups.

Strategic Objective No. 2:

Create greater opportunities for women and men to secure decent employment and income

192. The employment challenge is immense and growing. At the end of 2003, one-third of the global labour force of around 3 billion are either unemployed, underemployed or belong to the working poor. In most regions, the size of the informal economy, where workers bear a particularly high risk of becoming part of the working poor, is growing. Young people are particularly vulnerable with risk of unemployment and underemployment at three times the world unemployment rate of 6.2 per cent, and women remain among those groups most affected by unemployment.

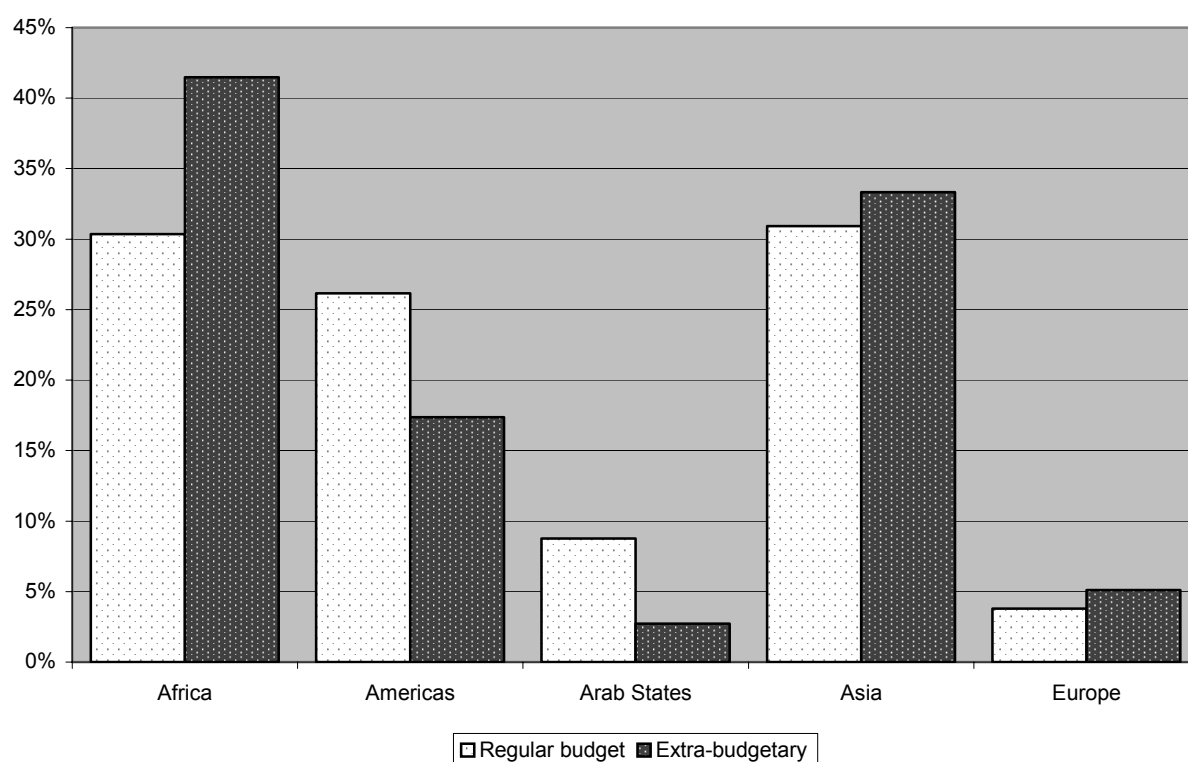
193. Employment is the only sustainable way out of poverty and is critical to the achievement of the MDGs. The report of the World Commission identifies the promotion of decent and productive work as central to the achievement of a fairer globalization. The Commission's report also makes clear that progress in this direction requires coherent policies at local, national and international levels, backed by effective implementation of programmes, particularly at local and national levels. The focus of the ILO's work, within the framework of the Global Employment Agenda, is on growth, investment and employment, building on the ILO's *World Employment Report 2004-05*. Primary attention is given to research and the development of practical frameworks, tools and approaches which support ILO constituents in their efforts to promote quality jobs and economic growth with improved distributional effects. An important thrust of the work is the mainstreaming of employment concerns in macroeconomic, financial, investment and trade policies.

194. The Global Employment Agenda, as the employment pillar of the global decent work programme, provides the framework for the ILO's work on employment. It aims to place employment at the heart of economic and social policy-making. Implementation at the global level requires building alliances and developing policy coherence with other UN agencies and the Bretton Woods institutions. At the regional level, implementation is being undertaken, as in the case of Africa, under the overall framework of the follow-up to the African Union Extraordinary Summit of Heads of Governments on Employment and Poverty Alleviation in Africa. Work at the national level in all regions starts from the framework of decent work country programmes and includes supporting constituents to develop integrated national employment strategies in support of decent work and embedding decent work as a central concern in PRSPs and UNDAF. Action at the local level is taken through new approaches to policy formulation and the design of area-based development that promotes enterprise clusters and sectors, competitive economic districts and sectors, employment-intensive programmes, skills development and access of the working poor to finance, while integrating rights, social protection and social dialogue. The Global Employment Agenda puts the highest priority on the active involvement of tripartite constituents through social dialogue and other means, on demonstrating that decent work is a productive factor, and on promoting non-discrimination.

195. Work under this strategic objective will centre on: skills and employability, youth employment, employment creation through enterprise development and employment-intensive investment approaches, labour market policies, productive employment for poverty reduction and development, and employment and globalization. These key areas of focus are reflected in operational objectives 2a and 2b.

Table 5. Strategic resources for employment by operational objective

	Proposed regular budget strategic resources (in constant 2004-05 US\$)	Estimated extra-budgetary expenditure (in US\$)	Total
Operational objective 2a: Employment, labour markets, skills and employability	76,290,153	20,329,000	96,619,153
Operational objective 2b: Employment creation	47,243,810	58,312,000	105,555,810
Total	123,533,963	78,641,000	202,174,963

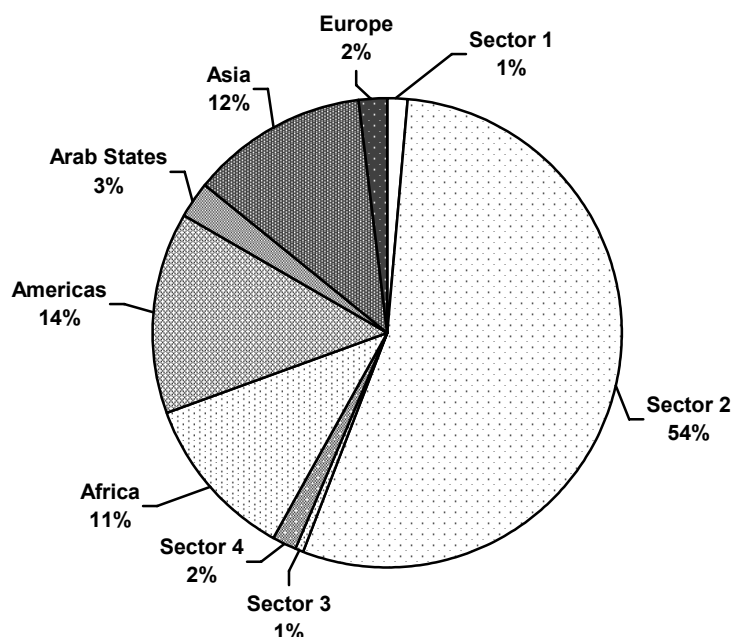
Figure 15. Distribution of regular budget technical resources allocated to this objective and estimated extra-budgetary resources for this objective, by region

Operational objective 2a: Employment, labour markets, skills and employability

ILO constituents adopt and implement employment, labour market and skills policies and programmes that promote decent employment for women and men.

For reasons of focus and clarity, only two operational objectives are proposed. Here, objectives 2a and 2b as found in the 2004-05 Programme and Budget are combined.

Figure 16. Regular budget technical resources allocated to this objective, by source



Outcome 2a.1: Employment as central to economic and social policies

ILO constituents have enhanced capacity to make employment central to economic and social policies for a fair and inclusive globalization and for poverty alleviation.

Indicators 2a.1

- (i) Countries improve labour market information and analysis and formulating, implementing and evaluating employment and labour market policies, with special attention to employment and income security and equal access to decent and productive employment for all women and men.

Target: 50 countries.

- (ii) ILO employment knowledge products anchor the ILO as a global knowledge centre on topics pertaining to decent and productive work. Measurement is based on the number of flagship knowledge products.

Target: 20 products.

The above two indicators are based on those for 2004-05,¹ but are now more specific.

- (iii) Countries use tripartite social dialogue as a means of devising, implementing and evaluating strategies and policies based on the Global Employment and Decent Work Agendas.

Target: 25 countries.

This is a new indicator.

¹ 2a.1 and 2a.2 in the Programme and Budget for 2004-05.

- (iv) Major international initiatives (e.g. plans to implement the United Nations Millennium Declaration, United Nations Millennium Development Goals, and poverty reduction strategies) and national governments include decent work, Global Employment Agenda and working out of poverty approaches in social and economic development strategies.

Target: 25 national and international initiatives.

This is a new indicator.

Outcome 2a.2: Skills and employability policies and programmes for decent work

ILO constituents have strengthened capacity to develop and implement effective skills and employability policies and programmes for productivity, social inclusion and decent work.

Indicators 2a.2

- (i) ILO constituents use international labour standards, in particular Recommendation No. 195 (human resource development) and Convention No. 142 (human resource development), as a guide for the development of human resources development policies and programmes.

Target: 15 instances, including ratifications of Conventions Nos. 88 (employment services), 142 and 159 (vocational rehabilitation).

This is a new indicator.

- (ii) Member States develop more effective, gender-sensitive skills and employability policies, programmes and strategies at the national, local and regional levels. Will monitor the number of member States that adopt improved human resources development policies and programmes through departmental advisory services and technical cooperation programmes.

Target: 15 new policies or programmes.

This builds on an indicator for 2004-05² but is more specific, although the target level remains the same.

Outcome 2a.3: Youth employment

ILO constituents have improved data, methodologies, best practice examples and technical support to develop and implement integrated, effective and inclusive policies and programmes to promote opportunities for young women and men to obtain decent and productive work.

Indicator 2a.3

- (i) Member States develop national action plans and implement operational programmes promoting youth employment that reflect core elements of the Global Employment Agenda and the Employment Policy Convention (No. 122).

Target: 15 countries.

This is a new, more specific indicator. Based on a more general indicator in 2004-05,³ it retains the same target level.

² 2b.1 in the Programme and Budget for 2004-05.

³ 2b.2 in the Programme and Budget for 2004-05.

Strategy for employment, labour markets, skills and employability (operational objective 2a)

196. Defining what is meant by making employment central to economic and social policies, and applying that analytical task in the formulation of appropriate policies are the core elements of this strategy. To this end, the ILO organizes its work in an upstream to downstream sequence: from the collection and monitoring of labour market information, to the use of that information and other empirical sources for analysis and understanding the main economic and social factors impacting on the functioning of labour markets and, finally, for the elaboration of effective employment policies with a view to making employment a central aim of economic and social policies from the local to the international level.

197. Labour market information is one of the empirical bases upon which effective policies must rely. This arm of the strategy establishes and refines global, regional and national networks to ease access to up-to-date labour market indicators for policy advisers, analysts, researchers and other users in policy formulation and monitoring. The second arm of the strategy continues to strengthen the ILO knowledge base on the linkages between economic and employment growth and poverty reduction, as well as on effective employment and labour market policies (based on labour market information provided but also on original research and analysis using established global, regional and national data bases). Gender concerns will be mainstreamed, so that employment policies promote equality between women and men in the world of work.

198. The analysis and research base and sound labour market information supports the third arm of the strategy, that of directly enhancing the capacity of ILO constituents to place decent and productive employment at the centre of domestic policies which are associated with fair and inclusive globalization and poverty reduction, and improving the effectiveness of national employment and labour market policies.

199. The ILO is well positioned to assist tripartite constituents in improving national training policies and programmes, together with a range of employment-related support services, through the provision of technical advisory services. Issues related to skills and employability can provide a constructive starting point for national and sectoral level social dialogue. In 2006-07, making use of the new Human Resources Development Recommendation,⁴ the focus will be on assisting countries to strengthen their national training and employability policies and programmes to cope more effectively with globalization and a rapidly changing world of work. Issues of concern raised by constituents, including developing skills in the informal economy and workplace learning, are priorities. Emphasis will be placed on skills development and employment-related support services for young people and women of all ages, and on the training and employability of people with special needs. The experience gained in developing innovative approaches will contribute to expanding the ILO's knowledge base to the benefit of future interventions. New product development will focus on skills for poverty reduction, particularly in the informal economy and communities, improved employability for youth, strengthened workplace learning, and social dialogue in skills development.

200. Promoting the HRD Recommendation will also contribute to the enhancement of regional integration by advocating the portability/recognition of skills across national boundaries. The development of tripartite action in the migration of skilled workers will also be supported.

201. Addressing the issues of quantity and quality of jobs for young women and men, the ILO, in addition to its normative instruments and tripartite networks, will base its work on using decent work as the paradigm and the Global Employment Agenda and decent work country

⁴ The Human Resources Development Recommendation arose from a resolution of the 88th Session of the International Labour Conference (2000) and was further developed through discussions at the Governing Body and International Labour Conference, leading to Recommendation No. 195 on Human Resources: Development: Education, Training and Lifelong Learning being adopted by the International Labour Conference at its 92nd Session, June 2004.

programmes as the framework for action. It will work with constituents to make employment and youth employment policy central to national policy frameworks, PRSPs and DWCPs. This focus will help constituents to design and implement effective youth programmes that respond to the unique requirements of youth at the country and community level. The results of work in this area will be greatly enhanced by strengthening the capacity of workers' and employers' organizations to support decent work for young people, improving dialogue among the social partners in tripartite contexts and enhancing the representation and voice of young workers in employment relations.

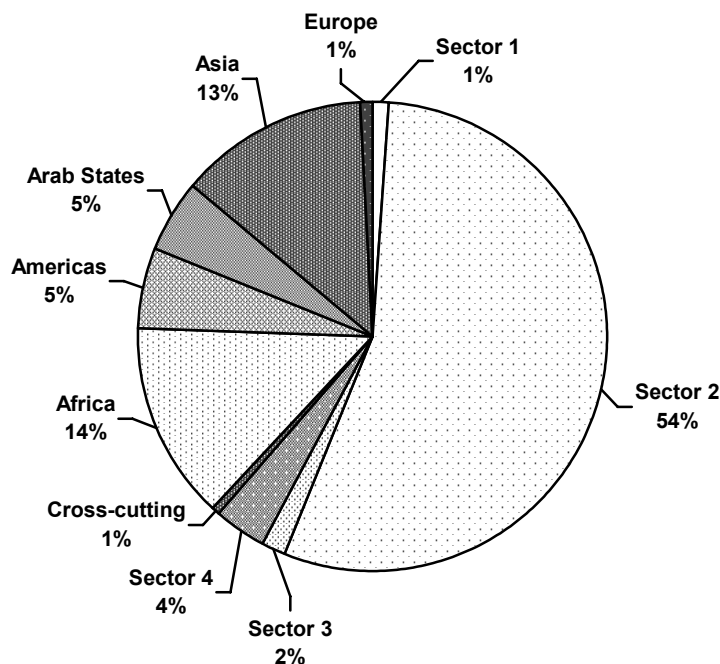
202. Work in the 2006-07 biennium will build on the work completed by the Youth Employment Task Team, the conclusions of the Tripartite Meeting on Youth Employment: The Way Forward in 2004, and the directions proposed by the International Labour Conference general discussion on youth employment in 2005. It will inform the ILO's inputs and commitments emanating from the UN Secretary-General's Youth Employment Network.

203. Under this operational objective, technical cooperation will be used to contribute to data collection and analysis on labour market developments, the provision of technical advice to tripartite constituents on implementation of employment policies and strategies, and of training and employability policies and programmes. A particular focus will be the development of national action plans for youth employment, based on the Global Employment Agenda and decent work. Extra-budgetary funding will also support the development and application of innovative approaches such as, for example, community-based training as a means to increase employment and hence reduce poverty.

Operational objective 2b: Employment creation

ILO constituents are better equipped to design, implement and assess policies and programmes to promote enterprise development and employment-intensive investment, with particular benefit to women, youth, vulnerable and crisis-affected groups.

Figure 17. Regular budget technical resources allocated to this objective, by source



Outcome 2b.1: Employment creation through enterprise development

ILO constituents and other key stakeholders and intermediaries apply tools and approaches that are grounded in ILO core values to assist enterprises, including cooperatives, to increase employment and incomes for women and men.

Indicators 2b.1

The first three indicators are based on a single indicator in 2004-05,⁵ and set out more specific means of reporting progress.

- (i) Governments, employers' and workers' organizations use ILO tools to improve the policy and regulatory environment for enterprises, and promote an enterprise culture that supports the creation of decent jobs. This measures the extent to which governments and the social partners have made significant use of ILO tools and advice in the policy, regulatory and enterprise culture area.

Target: 20 organizations.

- (ii) Constituents and public and private support agencies newly apply or extend current use of ILO tools and approaches to provide effective business development services, credit and other financial services, particularly for small businesses and cooperatives, to create decent jobs.

Target: 100 organizations.

- (iii) Constituents establish programmes using ILO tools and approaches for enterprise upgrading and rural enterprise and cooperative development, to create decent jobs.

Target: 10 programmes.

- (iv) Multinational and domestic enterprises make use of the provisions of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and other relevant ILO instruments in social initiatives.⁶

Target: At least 50 per cent of the company codes of conduct and multi-stakeholder initiatives registered in ILO's database on Business and Social Initiatives (BASI) include references to ILO instruments.

Outcome 2b.2: Employment creation through employment-intensive investment approaches

ILO constituents and key stakeholders integrate employment and social policy concerns into public and private investment policy in the infrastructure and construction sector.

Indicators 2b.2

- (i) Member States show an increasing share of public and private investments that go to employment-intensive investment programmes in infrastructure and construction. Monitoring will cover countries where the ILO supports major investment activities.

Target: 10 countries.

- (ii) Member States adopt infrastructure and construction programmes demonstrating the technical and operational feasibility and the economic and social advantages of combining job creation with decent working conditions.

Target: 12 programmes.

⁵ 2c.1 in the Programme and Budget for 2004-05.

⁶ This indicator was developed following the discussion at the Programme, Financial and Administrative Committee meeting (PFAC), November 2004.

The above two indicators are based on a single indicator in 2004-05⁷ and set out more specific indicators of progress.

- (iii) Number of member States in crisis situations using employment-intensive investment approaches.

Target: 15 countries.

This is a restated indicator from 2004-05⁸ with a higher target value.

Outcome 2b.3: Decent work through local development: Poverty reduction through local employment and empowerment

ILO constituents and key partners apply employment-centred, integrated local development strategies that reduce poverty and fight social exclusion among women and men, including in the rural and urban informal economy.

Indicators 2b.3

These are new indicators.

- (i) Member States apply ILO innovative approaches and policy orientations to integrate local economic development, employment promotion and income-generating activities with workers' rights, social protection, social dialogue, gender equality and poverty reduction.

Target: 8 countries.

- (ii) Constituent and key partner organizations actively participate in the global knowledge-sharing network on integrated local development strategies.

Target: 30 organizations.

Strategy for employment creation (operational objective 2b)

204. The capacity of ILO constituents will be strengthened to promote a policy and regulatory environment favourable for start-up of new enterprises and expansion of existing ones, the protection of workers' rights, and to assist enterprises, including cooperatives, to participate in new structures of global and domestic production resulting from globalization. Strategies and tools for the delivery of sustainable business development services to support these efforts will be strengthened, as will efforts to promote an enterprise culture in line with ILO Standards. Effective policies and strategies will promote the upgrading of informal enterprises to join the mainstream economy. Innovative and gender-sensitive financial measures to ease access to finance for the working poor and micro- and small enterprises will be developed.

205. This strategy is built around ILO's comparative advantage and distinctive competence in the enterprise development area. Enterprise development is an integral part of a wider decent work promotion strategy while social dialogue and tripartism are essential for effective formulation and reform of enterprise policies and regulations. Emphasis is placed on the positive link between productivity, competitiveness and job quality, and the promotion of non-discrimination and workers' rights and social dialogue.

206. The capacities of ILO constituents will be developed based on ILO's earlier work linking knowledge, services and advocacy. Tools, guides and manuals will be adapted and applied widely for use by ILO constituents and others. Direct technical assistance will be provided and greater effort will be given to training, action research and knowledge sharing including benchmarking of international practice, and advocacy programmes. Work will be targeted to combating inequalities and removing barriers that limit the participation of and protection

⁷ 2c.2 in the Programme and Budget for 2004-05.

⁸ 2c.3 in the Programme and Budget for 2004-05.

afforded to women, young people, and other disadvantaged groups involved in operating and working in enterprises of all sizes.

207. Larger enterprises often work through global production and supply chains which may extend into the informal parts of developing-country economies. Assisting such enterprises with tools to manage social issues is therefore a priority and will be an important contribution to wider Office work on this issue. Efforts will be intensified to ensure wider observance of the provisions of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, while the ILO will also continue to participate in the UN Global Compact.

208. Globalization, market liberalization, and the expansion of trans-national production have multiple effects. Some countries benefit from new opportunities, while others face increased vulnerability of local industries. These changes have led to new approaches to policy formulation and the design of area-based development strategies that promote enterprise clusters, innovative rural production and competitive economic districts and sectors. ILO's local development approach is based on the premise that poverty can be reduced sustainably only when poor women and men have access to productive employment. This needs to be generated through growing economic activity at the local and territorial level linked to domestic and international markets, respecting the fundamental principles and rights at work. The ILO will therefore elaborate an ILO-specific local development approach that achieves policy coherence at the local level and formulates policy guidelines for promoting decent work locally, within the framework of decent work country programmes. Field programmes that apply this local development approach and build local capacities will be implemented. A global knowledge-sharing network on decent work and local development will be created based on relevant databases, tools and strategies developed in the ILO over the past ten years.

209. The ILO will also continue to strengthen its knowledge base in order to enhance its advisory services on economic and employment-intensive growth for poverty reduction. The capacity of planning and development agencies will be bolstered to build on the experience in the infrastructure and construction sectors, which has shown that with the same level of investment, without compromising quality and efficiency, it is possible to influence the rate of job creation significantly. Through employment-intensive investment, the ILO will seek to assist member States to integrate employment and investment. At enterprise level, the programme will support policies and approaches to combine job creation with decent working conditions through national and international capacity building and social dialogue. At the local government and community level, the aim is to improve access of low-income groups to productive infrastructure and social services, applying the ILO's approaches to organization, social dialogue, community partnerships and gender equality, as a means to assist people working out of poverty.

210. Crisis caused by various factors aggravate poverty in many countries. ILO's work will focus on building constituents' capacities to develop and implement a decent work approach to crisis response, including policies to rebuild sustainable livelihoods, institutions and support services.

SOCIAL PROTECTION

Strategic Objective No. 3:

Enhance the coverage and effectiveness of social protection for all

Operational objective 3a: Enhanced social security coverage

Member States broaden the scope and instruments of social security, including the informal economy, rural areas and the poor, improve and diversify benefits, strengthen governance and management, improve their methods for implementing ILO technical standards, develop policies to combat the adverse effects of social and economic insecurity and to support all women and men throughout their life cycles.

Operational objective 3b: Effective labour protection

ILO constituents develop and implement labour protection policies and programmes at national and enterprise levels in both the formal and informal economy.

Strategic Objective No. 3:

Enhance the coverage and effectiveness of social protection for all

211. The ILO's social protection strategy calls for action on several fronts: addressing the needs of workers with limited or no access to basic services; strengthening institutional capacity to develop appropriate national policies and to ensure good governance; integrating social protection in policies aimed at poverty alleviation, employment and enterprise development, gender equality, fundamental rights and principles at work; combating HIV/AIDS through workplace policies and action; capitalizing on social dialogue as a means to secure participation in designing and implementing policies, and promoting wide partnerships; and improving the knowledge base to identify emerging priorities, monitor progress and share information.

212. Social protection is at the heart of national, regional and global development strategies for poverty reduction. It was an important issue at the 2004 African Union Extraordinary Summit of Heads of State and Government on Employment and Poverty Alleviation in Africa. The Summit illustrated the global challenge to implement decent work as a development strategy. Extending basic social protection to workers in the informal economy, rural areas and to the poor will build on the Global Campaign on Social Security and Coverage for All. A coherent approach is essential: social protection will be integrated with programmes on job creation and small enterprises, occupational safety and health, and conditions of work and employment. To promote good governance and effective administration and management of social security schemes, better tools will be developed and training of policy-makers and social partners will be reinforced. The ILO database on socio-economic security and social security indicators will be expanded and made more widely available.

213. There is an urgent need to improve labour protection by strengthening institutional capacity to enforce standards on occupational safety and health and conditions of work and employment. Policies and programmes must reach women and men, in micro- and small enterprises, the informal economy, and in agriculture and rural occupations falling outside the scope of traditional protective measures. This calls for innovative ways to incorporate labour standards in conditions of work and employment in national policies and workplace training, using social dialogue to achieve this. The programme will also contribute to combating the worst forms of child labour.

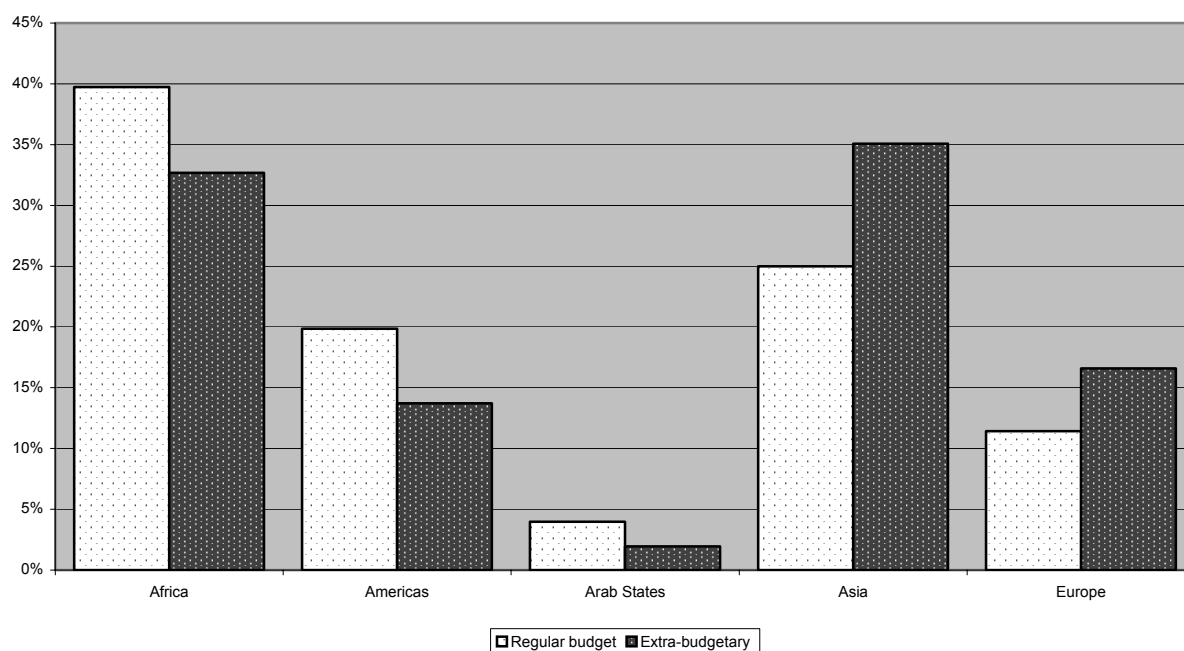
214. The 2004 International Labour Conference general discussion on migrant workers has drawn attention to the vulnerability of migrant workers and to the symptoms of policy failure such as the violation of the basic rights of migrant workers, the irregular status of a growing number of workers, the lack of social integration and social protection. In line with the Conference resolution adopted by the 2004 International Labour Conference, the ILO is developing a non-binding rights-based multilateral framework for migrant workers based on best practice, which can become a key reference for policy-makers.

215. The ILO's social protection strategy, building on the conclusions concerning social security (International Labour Conference, 89th Session, 2001), represents a renewed effort to contribute to the achievement of MDGs, the follow-up to the World Summit on Sustainable Development, as well as national development coordination mechanisms such as the PRSP, UNDAF and CCA processes. The African Union Declaration and Plan of Action on Employment and Poverty Reduction and similar regional initiatives provide an important framework. This strategy builds on enhanced collaboration with the International Training Centre in Turin, the International Institute for Labour Studies, the International Social Security Association and interested international organizations.

Table 6. Strategic resources for social protection by operational objective

	Proposed regular budget strategic resources (in constant 2004-05 US\$)	Estimated extra-budgetary expenditure (in US\$)	Total
Operational objective 3a: Enhanced social security coverage	42,322,656	12,290,000	54,612,656
Operational objective 3b: Effective labour protection	44,217,055	19,459,000	63,676,055
Total	86,539,711	31,749,000	118,288,711

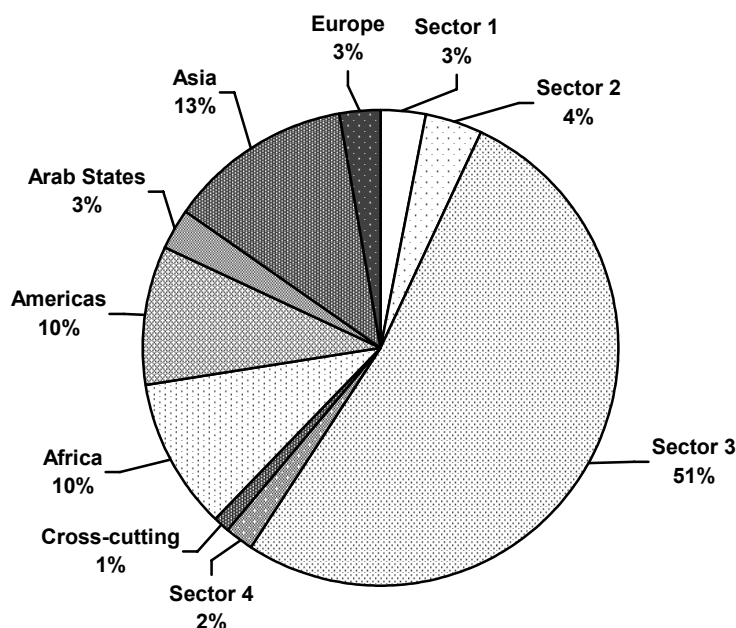
Figure 18. Distribution of regular budget technical resources allocated to this objective and estimated extra-budgetary resources for this objective, by region



Operational objective 3a: Enhanced social security coverage

Member States broaden the scope and instruments of social security, including the informal economy, rural areas and the poor, improve and diversify benefits, strengthen governance and management, improve their methods for implementing ILO technical standards, develop policies to combat the adverse effects of social and economic insecurity and to support all women and men throughout their life cycles.

Figure 19. Regular budget technical resources allocated to this objective, by source



Outcome 3a.1: Improved policies and strategies to extend social protection to all

Member States implement improved policies and strategies to achieve basic social protection that ensures access to healthcare, guarantees income security, provides occupational health and safety and promotes social inclusion.

Indicators 3a.1

These indicators are more specific, staged measures of progress, building on the single indicator used in 2004-05.¹

- (i) Member States adopt or implement effective policies and strategies to extend social security coverage.

Target: 20 countries where ILO technical assistance leads to (i) the adoption or implementation of social security policy statements, national action plans or legislation; and (ii) the development of statutory or voluntary schemes.

- (ii) Member States strengthen existing social security schemes through policies and strategies to ensure their effectiveness and sustainability.

Target: 10 countries where ILO technical assistance on existing social security schemes leads to (i) concrete proposals to improve their institutional, organizational, administrative and financial effectiveness and sustainability; and (ii) the design and implementation of their reorganization within the framework of a national social security policy.

- (iii) Member States improve their capacities to combine actions on social security and safety and health in the informal economy and rural areas.

¹ 3a.1 in the Programme and Budget for 2004-05.

Target: 5 countries where ILO support leads to innovative projects, dissemination of good practices, production of tools, training and capacity building for governments, social partners and socio-economic organizations in the informal economy and rural areas.

- (iv) Member States test innovative approaches to integrate social protection with local development and income-generating activities in order to reduce poverty, gender inequality and social exclusion.

Target: 7 countries where ILO support consists of (i) the design and implementation of field projects; and (ii) capacity building and the production of guidelines and manuals for actors at the national and local level.

Outcome 3a.2: Better instruments and tools for policy analysis and formulation and good governance in social protection

Member States formulate and implement social protection policies and better manage social protection schemes, including their financial sustainability, based on ILO technical and analytical tools, knowledge base and skills.

Indicators 3a.2

These indicators are more specific, staged measures of progress, building on the single indicator used in 2004-05.²

- (i) Member States generate comprehensive data for policy formulation, including conducting gender-sensitive surveys, and disseminate the results.

Target: 20 countries.

- (ii) Member States conduct tripartite consultations on the state of socio-economic security and generate recommendations for social policy formulation.

Target: 10 countries.

- (iii) Member States adopt new tools and enhance national capacity for good governance through capacity-building programmes for staff of social security institutions, social partner organizations and government ministries.

Target: 15 countries.

- (iv) Member States take action to improve governance of social protection schemes or maintain good standards of governance.

Target: 15 countries.

- (v) Member States in crisis maintain a minimum level of protection for affected populations.

Target: 3 countries.

Strategy for enhanced social security coverage (operational objective 3a)

216. Social security systems worldwide are facing challenges in responding to the needs of an increasing number of workers who have limited or no access to basic protection and who are facing growing economic insecurity. The ILO strategy will consist of three complementary and interrelated approaches: progressively extending basic social protection to all; strengthening national capacity to ensure sound financial management, good governance and adequate institutional arrangements of social security schemes; and designing and testing new approaches and tools to reduce poverty, based on comprehensive responses integrating social protection with employment promotion, microfinance, small enterprises and cooperatives and local economic development.

217. Providing access to basic protection for poor workers in the informal economy and the rural sector entails strengthening existing social security schemes and designing innovative approaches, new partnerships, and the exchange of experiences and good practices. Building on the Global

² 3a.2 in the Programme and Budget for 2004-05.

Campaign on Social Security and Coverage for All,³ emphasis will be placed on integrating measures to extend coverage with policies on job creation and income generation, improving working conditions, gender equality and on HIV/AIDS and the world of work. A key dimension is social dialogue to identify priorities, develop targeted programmes and mobilize commitment.

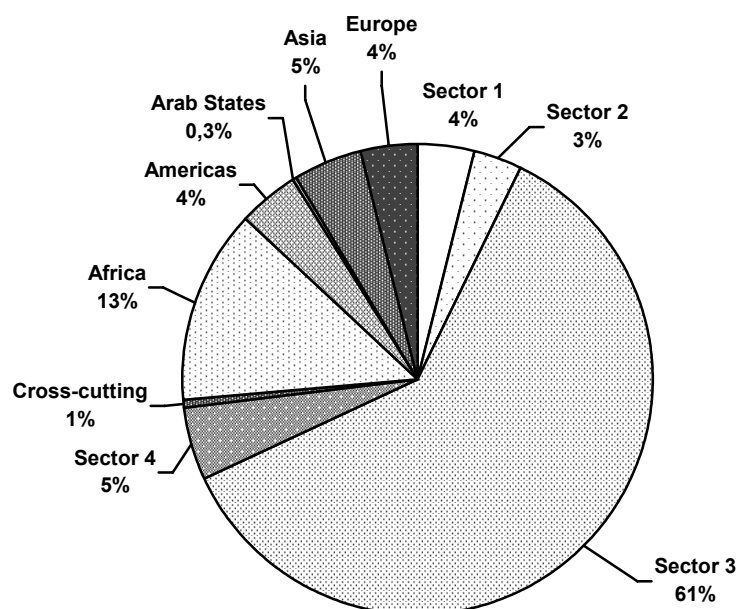
218. The success of social protection systems ultimately depends on good governance. Properly designed, legally well-defined, adequately resourced, and effectively managed social protection systems not only ensure the reliable delivery of benefits and avoid waste, but can also free resources for improved benefits and the achievement of the MDGs such as access to basic universal anti-poverty benefits in the form of basic health care, basic social pensions and basic education. Good governance for the sustainability, responsiveness and effectiveness of social protection systems underscores the need to enhance national capacities. The ILO will reinforce training activities for policy-makers, planners, managers and constituents involved in developing and supervising national social security systems. Instruments and tools for policy formulation and analysis to improve governance of national protection systems will be improved.

219. Without the appropriate knowledge base and global data, progress in effective policy formulation is unlikely. Systematic evaluation of national policies will identify measures to provide a basic level of security and assess policy alternatives, including gender implications. The ILO database on socio-economic security and social security indicators will be extended and used to monitor the effectiveness of social and labour policies, especially progress in poverty reduction, equity and efficiency of delivery, and will be made more widely available.

Operational objective 3b: Effective labour protection

ILO constituents develop and implement labour protection policies and programmes at national and enterprise levels in both the formal and informal economy.

Figure 20. Regular budget technical resources allocated to this objective, by source



³ Resolutions and conclusions concerning social security were adopted by the ILC at its 89th Session (2001), leading to the launch of the Global Campaign at the ILC in June 2003.

Outcome 3b.1: Improved labour protection within the formal and informal economy

Constituents strengthen their policies and enhance their capacity to implement principles and rights embodied in international labour standards to promote better conditions of work and employment and safety and health.

Indicators 3b.1

These indicators build on two indicators used in 2004-05, ⁴ and include more specific targets.

- (i) Member States increase their knowledge base of key principles and rules embodied in specific Conventions and Recommendations on conditions of work and employment and improve national safety and health systems.

Target: 32 countries.

- (ii) Member States use ILO tools to improve working conditions and the quality of working life, particularly in the informal economy and rural areas.

Target: 8 countries.

- (iii) Member States ratify and apply ILO standards on safety and health, labour inspection and conditions of work and employment, including wages, working time and reconciling work and family.

Target: 25 countries.

Outcome 3b.2: Tripartite action on labour migration

Constituents increase their participation in the formulation and implementation of effective rights-based and gender-sensitive policies and practices for the management of labour migration in line with the conclusions of the 2004 International Labour Conference.

Indicator 3b.2

- (i) Member States establish policies and programmes for the protection of the rights and equal treatment of migrant workers, and against their trafficking.

Target: 20 countries.

This is the same indicator as in 2004-05 ⁵ but raises the target from 10.

Outcome 3b.3: National plans for combating HIV/AIDS in the world of work

Constituents take action to alleviate the socio-economic impact of HIV/AIDS in the world of work.

Indicators 3b.3

These three indicators expand and make more specific the single indicator used in 2004-05. ⁶

- (i) Member States include a gender-sensitive strategy for the world of work in their national AIDS plan.

Target: 15 countries.

⁴ 3b.1 and 3b.2 in the Programme and Budget for 2004-05.

⁵ 3b.3 in the Programme and Budget for 2004-05.

⁶ 3b.4 in the Programme and Budget for 2004-05.

- (ii) Each of the tripartite constituents in a member State has a gender-sensitive HIV/AIDS policy, time-bound action plan and trained focal point.

Target: 15 countries.

- (iii) HIV/AIDS policies and programmes are implemented at the workplace.

Target: 15 countries with workplace programmes.

Strategy for effective labour protection (operational objective 3b)

220. Labour protection is an inclusive concept, linking decent conditions of work, occupational safety and health, fair treatment for migrant workers, and an active response to HIV/AIDS in the workplace, all of which impact directly on individual women and men at work. Instilling a safety culture at national and enterprise level will be a priority in awareness-raising and advocacy programmes. Within the framework of decent work country programmes, member States will be encouraged to develop national occupational safety and health profiles as a first step in elaborating comprehensive national occupational safety plans which, in turn, will be used as a benchmark for reviewing progress and assessing future needs. Special attention will be given to hazardous work (construction, mining, ship-breaking, specific hazards in the informal economy, small enterprises, and agriculture). Measures will also be taken to strengthen the capacity of labour inspectors to diagnose problems and suggest measures for improvement. The Guidelines on Occupational Safety and Health Management Systems have proved effective in making systematic and progressive improvements at enterprise level. Its wider application will be promoted. The International Occupational Safety and Health Information Centre (CIS), through its network, will continue to promote information-sharing. Coordination and complementarities will be enhanced with the International Social Security Association. The discussion on a new instrument⁷ for a promotional framework at the International Labour Conference in 2005 will provide further guidance on future work.

221. Efforts to improve conditions of work and employment will focus on improving and developing new methods to apply the principles and rules embodied in specific Conventions and Recommendations. This is based on the recognition that these instruments are not widely ratified and, even if ratified, not necessarily applied. Work will focus on designing national guidelines, training programmes, practical tools and information materials based on the principles and rules pertaining to these instruments. Improving working conditions and the quality of working life in small enterprises, the informal economy and rural areas will also be the focus of attention. A common element is promoting the use of social dialogue as a means to achieving improvements in conditions of work, employment and well-being.

222. The International Labour Conference 2004 general discussion on migrant workers recognized some of the main weaknesses in contemporary approaches to managing labour migration including lack of cooperative arrangements between origin and destination countries; lack of coherence between policies on labour migration and policies in other domains, notably trade; lack of adequate consultations with the social partners in framing policies; lack of transparency and poor administrative capacity. The symptoms of policy failures include violation of the rights of migrant workers, the growing number of workers with irregular status, recruitment abuse, discrimination and lack of social integration and adequate social protection. The Conference resolution asked the ILO to develop a rights-based multilateral framework for managing labour migration.⁸ Based on best practice, it will take the form of non-binding policy guidelines which are expected to become a key reference point for policy-making. The ILO will document best practices, analyse their impact and consequences, and produce information to promote adoption of ILO principles and the multilateral framework for managing labour

⁷ The Governing Body, at its November 2003 session, called for the development of a new instrument at the 93rd Session of the International Labour Conference (2005).

⁸ Report VI, *Towards a fair deal for migrant workers in the global economy*, International Labour Conference, 92nd Session, 2004.

migration. Work will be developed in close cooperation with the International Organization for Migration (IOM).

223. The ILO Programme on HIV/AIDS and the World of Work⁹ has made significant progress in raising awareness of HIV/AIDS as a workplace issue, mobilizing the social partners and guiding workplace action. Activities have been mainstreamed in most ILO programmes and field offices. Work will continue to foster national and international partnerships, especially employer-worker collaboration, and support the development of national policy-making, in particular through research and policy analysis on the socio-economic and labour market impact of HIV/AIDS. A major focus for this biennium's work is action at workplace level to identify routes by which employers' and workers' organizations can promote and support concrete measures in enterprises and the public sector regarding prevention, protection of rights, and care and support for women and men affected by HIV/AIDS. It will build on examples of good practice in workplace action and share lessons learned. In cooperation with its UNAIDS partners and donors such as the Global Fund, the ILO will promote access to anti-retroviral treatment through occupational health services.

224. ILO/AIDS technical cooperation activities assist tripartite constituents in building their capacities to address the socio-economic impact of HIV/AIDS, contributing significantly to overall national efforts. Donor technical cooperation funds are a key factor in achieving enhanced social security coverage, specifically through improved policies and strategies to extend social protection for all and the Global Campaign on Social Security and Coverage for All. The funding mechanism, the Global Social Trust initiative, currently being tested, will support and finance activities extending social security coverage and improving governance.

⁹ The ILO programme was established by the decision of the 279th Session of the Governing Body, thus giving effect to the resolution on HIV/AIDS adopted at the 88th Session of the International Labour Conference.

SOCIAL DIALOGUE

Strategic Objective No. 4:

Strengthen tripartism and social dialogue

Operational objective 4a: Strengthened social partners

The representation, services and influence of the social partners are strengthened.

Operational objective 4b: Governments and institutions of social dialogue

The legal frameworks, institutions, machinery and processes for social dialogue are strengthened and used.

Operational objective 4c: The development of social dialogue at sectoral level

The ILO's established role as a venue for social dialogue at an international level on the specific issues affecting different sectors is developed to take account of the labour and social dimensions of increasing global economic integration.

Strategic Objective No. 4: *Strengthen tripartism and social dialogue*

225. Tripartism, as a mechanism for dialogue between different interests, perspectives and views, is the most effective way to find rules and policies that work in practice. Realizing the potential for social dialogue requires strong, representative and democratic employers' and workers' organizations with the capacity for full and effective participation, as well as more effective ministries of labour. Of equal importance is the need for governments and the social partners to establish an enabling environment to promote and enhance social dialogue. Freedom of association and institutions for dialogue and collective bargaining are essential to uphold the fundamental rights of workers and to promote decent work. An integrated approach to social dialogue, labour law and labour administration will be pursued in order to provide a strong framework for good governance. Ensuring that institutions and policies are effective and equitable requires gender-responsiveness in all these areas, which will be pursued actively. The importance of tripartism and social dialogue as the Organization's unique comparative advantage is also reflected in a new mainstreamed goal in 2006-07.

226. Social dialogue is both an objective and a means to achieve decent work. The 2006-07 biennium will continue to build on the foundation established in 2004-05 for a meaningful follow-up to the resolution concerning tripartism and social dialogue adopted by the 2002 International Labour Conference. The overall aims of the follow-up to the resolution are twofold: to strengthen the capacity of the tripartite constituents to engage in social dialogue and to use social dialogue as a tool to address and resolve the key issues and problems that confront them, with a focus on the informal economy and poverty reduction. The ILO interventions will continue to move beyond institutions and into improving the substantive outcomes of social dialogue. The extension of labour administration services into the informal economy will also be a priority, in the light of the ILO resolution concerning decent work and the informal economy.

227. The social dimension of regional integration will be an area for emphasis to support a more equitable globalization. This builds on the considerable experience of the ILO in terms of legislation, institutions and processes of social dialogue at all levels, including at sectoral levels. Ratification and application of key instruments will enhance the use of social dialogue as a means to build consensus and promote good governance.

228. The employment relationship is an important component in the management of labour market change. In 2006 the International Labour Conference will consider a proposed recommendation on the employment relationship following the outcome of the 2003 Conference discussion.¹ Preparatory work for this discussion will focus on expanding the ILO's knowledge base in this area.

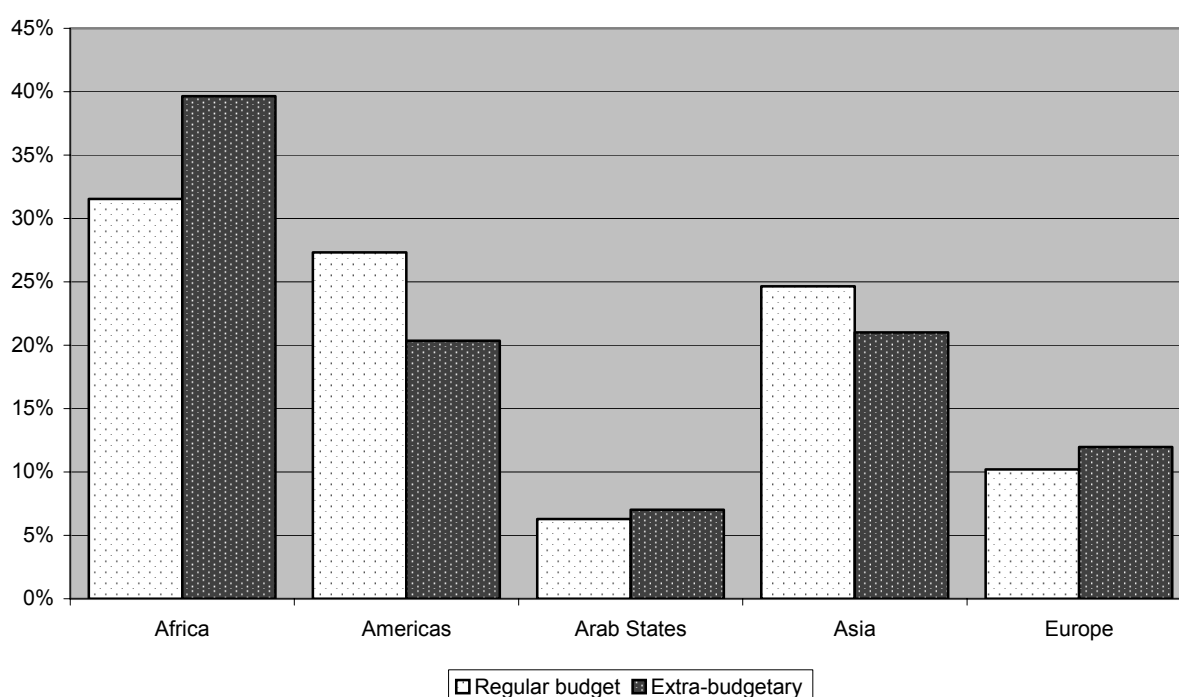
229. The new approach to sectoral activities introduced in 2002² will continue to focus on practical programmes tailored to constituents' requests as well as broader meetings which can highlight issues and strategies that need to be developed across a particular branch of economic activity in the light of technical innovation, restructuring, regional integration and other issues of globalization. A close relationship with the sectoral constituents will enable the Office to accelerate innovative standard-setting policies to maximize the potential of standards- and other instrument-related activities to contribute to a fair globalization.

¹ The 91st Session of the ILO (2003) resolution on the employment relationship was endorsed by the March 2004 Governing Body decision, para. 6, Record of Decisions, 289th Session: "The Governing Body decided ... to include the following items on the agenda of the 95th Session (2006) of the Conference: (i) the employment relationship (*standard setting – single discussion*)".

² A new approach to sectoral activities was approved by the 283rd Session of the Governing Body in March 2002.

Table 7. Strategic resources for social dialogue by operational objective

	Proposed regular budget strategic resources (in constant 2004-05 US\$)	Estimated extra-budgetary expenditure (in US\$)	Total
Operational objective 4a: Strengthened social partners	57,416,787	8,705,000	66,121,787
Operational objective 4b: Governments and institutions of social dialogue	25,592,660	14,440,000	40,032,660
Operational objective 4c: The development of social dialogue at sectoral level	31,180,249	1,434,000	32,614,249
Total	114,189,696	24,579,000	138,768,696

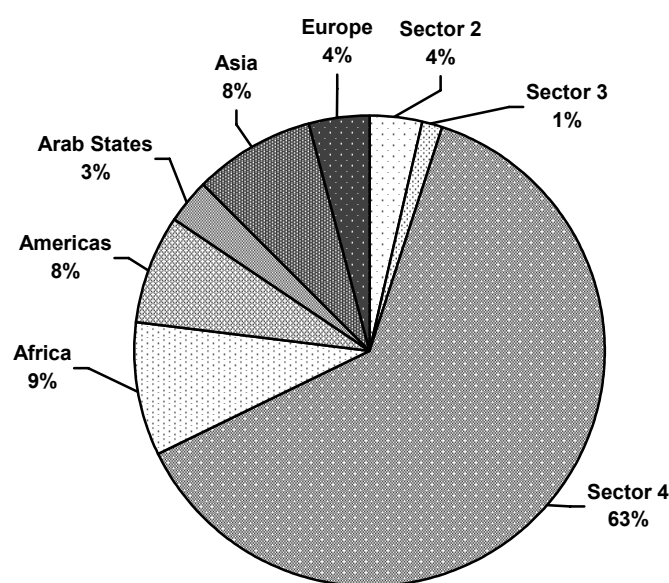
Figure 21. Distribution of regular budget technical resources allocated to this objective and estimated extra-budgetary resources for this objective, by region

Operational objective 4a: Strengthened social partners

The representation, services and influence of the social partners are strengthened.

The previous indicators 4a.1 and 4a.2 on “New and improved services” and “Expanded representation” have been merged into one outcome (4a.1) that also includes organizational strengthening. The previous outcome 4a.3 “Influencing social policy” is covered by a new outcome 4a.2, which is more comprehensive and includes governance policies as well as capacity building in all matters deemed important by the social partners. The indicators are now more explicit in expressing the intrinsic representation role of employers’ and workers’ organizations, including in the governance of the ILO.

Figure 22. Regular budget technical resources allocated to this objective, by source



Outcome 4a.1: Employers' and workers' organizations are more valuable to their membership and to potential members

Employers' and workers' organizations provide new and better services addressing the needs of their affiliates, and extending the representation of their organizations.

Indicators 4a.1

- (i) Employers' organizations provide new or better services relevant to their members and potential members, including services which meet the needs of small and medium-sized enterprises and women entrepreneurs.

Target: Employers' organizations in 30 countries.

- (ii) Workers' organizations provide new/better services, such as elimination of child labour, participation in PRSPs and other development coordination mechanisms, informal economy, social security and occupational health and safety, labour standards and workers' rights, promoting women's participation in trade unions, particularly at decision-making levels, and taking practical initiatives to extend representation.

Target: Workers' organizations in 60 countries.

The targets for 2006-07 have been decreased if account is taken of the merger of the two indicators introduced in the Programme and Budget for 2004-05, due to anticipation of lower financial resources. Targets would be revised depending on the resource level.

Outcome 4a.2: Social partners influence socio-economic and governance policies

Employers' organizations influence policies at the national or international level to improve enterprise performance and competitiveness; workers' organizations make an effective input into equitable, sustainable and participatory socio-economic development.

Indicators 4a.2

- (i) Employers' organizations influence policies at the national, regional or international level to improve enterprise performance and competitiveness.

Target: Employers' organizations in 20 countries.

- (ii) Workers' organizations make an effective input into an equitable, sustainable and participatory socio-economic development.

Target: Workers' organizations in 30 countries.

Strategy for strengthened social partners (operational objective 4a)

230. The success of this objective relies on the ILO's ability to understand the concerns, interests and perspectives of the social partners and to reflect that understanding in its work. The ILO will provide advice to all units so that ILO products and services adequately reflect workers' and employers' perspectives and needs, thus reinforcing the influence of the social partners in ILO's policies in line with the 2002 International Labour Conference resolution concerning tripartism and social dialogue.

Employers' organizations

231. The strategy to support the development of employers' organizations, to develop and improve services, and to attract new members will continue to stress strategic planning and in-depth dialogue that will enable identification of the priorities of specific organizations. Achievement of the outcome is linked to the improved management of employers' organizations. The main vehicles will be developing strategic and action plans, increasing the technical capacity, skills and knowledge base of the organizations through staff development and training, development of information/research systems, improving direct services to members which are income-generating, support for networking with other employers' organizations, and strengthening organizational capacity.

232. The approach is to build on previous results and lessons learned. One of these is that supporting and strengthening employers' organization networks to share information, exchange experiences and develop benchmarks is a valuable technique for organizational development. Another is that when key work is done at the enterprise level, the commitment of enterprise management is crucial to success.

233. Efforts will be made to develop services which meet the needs of small and medium-sized enterprises and women entrepreneurs, address youth employment, poverty reduction strategies, and assist informal economy enterprises to migrate to the formal economy. Another area of support in which employers' organizations can play an important role is corporate social responsibility, in particular its labour standards dimension, which has gained special significance in the context of globalization and access to foreign markets. The ILO is a key organization working to strengthen employers' organizations, and it is hoped that extra-budgetary resources will continue to be available in order to maintain support for this outcome as proposed.

234. Employers' organizations play a critical part in creating the conditions for the development of competitive and successful enterprises, which in turn provide the basis for employment and better living and working standards as well as for getting access to the benefits

of globalization. Effective representation depends on adequate knowledge of the subject matter, information, advocacy and negotiation skills, as well as an effective consultation process. Employers' organizations will be provided with assistance to develop these attributes. Special efforts will be made to assist them in areas such as competitiveness, productivity, poverty reduction (including PRSPs), child labour, the informal economy, HIV/AIDS, equal opportunities for women and fundamental principles and rights.

Workers' organizations

235. Strengthening workers' organizations, their capacity to provide new and enhanced services and institution-building constitutes a cornerstone of all activities. In this regard, the Programme for Workers' Activities of the ILO Turin Centre will be reviewed and strengthened. In addition to providing training in basic trade union functions, they will also address the need to increase trade union density, especially by attracting young workers and women workers. Application of strategic planning will play an important role. Emphasis will be placed on organizing workers in the informal economy and providing services to vulnerable and marginalized groups (informal economy and home workers, contract labour, women, child labour, rural and EPZ workers).

236. The Global Union Research Network will be used for supporting international trade union knowledge networks. It will cooperate with unions, research institutions and universities to establish information exchange, research and international qualification programmes.

237. Gender equality will continue to be an important part of all activities with emphasis on women's participation in decision-making bodies. Gender assessments will be carried out to assist workers' organizations in ensuring that gender equality concerns are mainstreamed in their work.

238. Promotion of decent work requires a broad strategy: promoting international labour standards and realizing fundamental principles and rights at work; creating more and better employment and income-generating opportunities; extending social protection; and promoting tripartism and social dialogue. These decent work dimensions should be integrated into the PRSP and other development coordination initiative mechanisms and decent work country programmes. This will require strengthening of workers' organizations to participate effectively in the design, monitoring, implementation and evaluation of national poverty reduction strategies and DWCP, striving to safeguard a balanced interrelation between social, environmental and economic pillars of a rights-based, equitable and sustainable development.

239. International labour standards, particularly those on freedom of association and collective bargaining, will continue to be integrated in all activities. Trade unions' ability to contribute to constructive labour legislation and policies will be strengthened. Special attention will be given to countries where there are serious violations of trade union rights. Relevance of the core labour standards and the Declaration and its follow-up will be stressed, helping trade unions analyse the causal relationship between economic development, trade and the observance of basic human rights. Workers' organizations will be prepared to enhance their participation in negotiations with regard to regional and subregional economic integration.

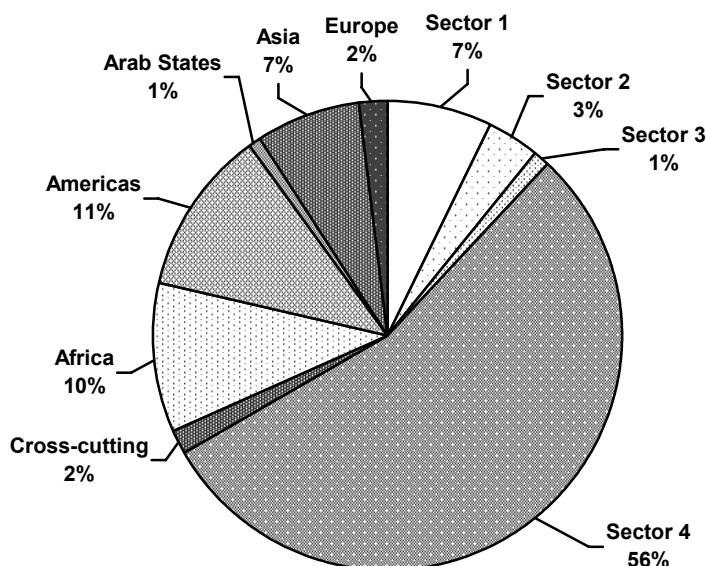
240. Emphasis will be placed on further capacity building in areas that are contained within all the ILO's four strategic objectives as well as issues that cut across the sectors. Cooperation with all ILO units will be stressed as well as building strong synergies with other programmes and projects to strengthen trade unions' capacity to effectively participate in debates on globalization and the new world financial architecture.

Operational objective 4b: Governments and institutions of social dialogue

The legal frameworks, institutions, machinery and processes for social dialogue are strengthened and used.

This operational objective remains unchanged from 2004-05. Indicators of improved governance have been grouped under Outcome 4b.2. Outcome 4b.1 builds on work measured in previous biennia under Indicator 4b.6 (Expanded use of social dialogue). It will focus on regional groupings with secretariats oriented towards promoting the social dimension in regional integration processes and the use of social dialogue and tripartism.

Figure 23. Regular budget technical resources allocated to this objective, by source



Outcome 4b.1: Strengthening the social dimension of regional integration

ILO constituents influence the social dimension of regional social and economic integration processes through effective use of social dialogue.

Indicators 4b.1

*The indicators build on and are more specific than those used in 2004-05.*³

- (i) Tripartite constituents participate more actively on regional integration issues in subregional or regional groupings.

Target: 5 subregional or regional groupings.

- (ii) Tripartite constituents influence subregional/regional accords on economic and social policy issues.

Target: 5 accords with increased gender sensitivity.

Outcome 4b.2: Improving governance

Workplace, labour market and national economic and social governance through social dialogue, labour law and more effective labour administrations.

³ 4b.6 in the Programme and Budget for 2004-05.

Indicators

These indicators build on those for 2004-05 in a more logical grouping.

- (i) Member States modernize their ministries responsible for labour, upgrade the skills of officials, strengthen their capacity on gender mainstreaming and improve representation of women, particularly at decision-making levels.

Target: 10 countries.

- (ii) Member States use social dialogue more widely as a tool of workplace, labour market and national economic and social governance, and make measurable progress at increasing the representation of women in social dialogue institutions.

Target: 10 countries.

- (iii) Member States take steps to adopt legislation based on ILO standards and advice, including on gender issues, with the involvement of the social partners.

Target: 10 countries.

- (iv) Member States extend to the informal economy labour administration services, coverage of the labour law, and issues addressed through social dialogue.

Target: 8 countries.

- (v) Member States ratify or take practical steps to apply ILO Conventions on social dialogue and labour administration (focus on Conventions Nos. 144, 150 and 154).

Target: 12 countries.

Strategy for governments and institutions of social dialogue (operational objective 4b)

241. As the report of the World Commission highlighted, the social dimension has generally not been well incorporated into regional integration arrangements. Building on work undertaken in previous biennia, the focus will be on regional groupings with secretariats oriented towards the promotion of the social dimension in regional integration processes and the use of social dialogue and tripartism to achieve results. This will involve the creation and strengthening of mechanisms for dialogue and networks among constituents and the forging of partnerships between these arrangements, constituents and the Office as well as enhancing the capacity of tripartite partners on regional integration issues and processes. Expertise and experience will be shared among constituents within and between regions. This work will be strengthened by an empirically supported knowledge base on the factors influencing the inclusion of the social dimension in regional integration arrangements and how such arrangements can contribute to a fair globalization. Emphasis is on the sectoral aspects of integration processes and the differing effects of globalization and integration processes on various sectors.

242. Three closely linked areas are crucial for good governance: participation through social dialogue, an equitable legal framework and stronger labour administrations. With respect to workplace governance, the promotion of collective bargaining and labour-market cooperation, including the ratification of the Collective Bargaining Convention, 1981 (No. 154), will be pursued through advocacy, training and information dissemination and supported by research highlighting new trends and good practices. Developing social dialogue indicators will support this work, as well as contribute to the overall ILO knowledge base. Efforts will be made to strengthen the capacity of labour ministries on gender mainstreaming and to improve the representation of women.

243. In terms of labour market institutions, the establishment of tripartite institutions and ensuring their effective functioning is essential and will remain a focus of technical cooperation. The focus of ILO assistance is shifting beyond institutions to improving the effectiveness and substantive outcomes of social dialogue. Effective dispute prevention and resolution processes

and machinery, as an important aspect of the social dialogue process, will also continue to be the subject of technical cooperation, and the results of research undertaken in 2004-05 will be further disseminated and used in conjunction with training material. As an instrument in engendering a culture of social dialogue, promoting the ratification and improved implementation of the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), will continue.

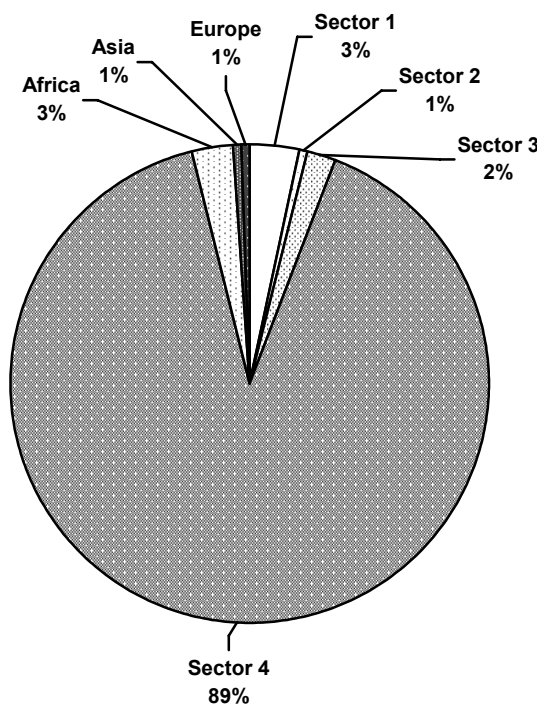
244. Regarding labour market governance, the need to modernize labour law frameworks remains a priority. Direct technical assistance in labour law reform will continue to be provided. To increase national capacity to address legislative drafting issues, training in drafting techniques will be available. Follow-up on the practical implementation of texts is another key aspect of the work to be undertaken.

245. Effective labour administrations are also an important aspect of labour market governance as well as wider social and economic governance. In carrying out its long-standing constitutional commitment to strengthening labour ministries, the ILO will support labour administrations to deliver specific services more effectively. Systems and mechanisms are also needed to promote, extend and protect workers' rights, in line with the Labour Administration Convention, 1978 (No. 150). Strategies to modernize labour ministries will be tailored to national needs and priorities. As a key element in promoting decent work in the informal economy, innovative approaches and new tools developed in the 2004-05 biennium are to be used by ministries of labour to provide assistance to micro- and small enterprises, independent or self-employed workers.

Operational objective 4c: The development of social dialogue at sectoral level

The ILO's established role as a venue for social dialogue at an international level on the specific issues affecting different sectors is developed to take account of the labour and social dimensions of increasing global economic integration.

Figure 24. Regular budget technical resources allocated to this objective, by source



Outcome 4c.1: Improved labour and social outcomes in specific sectors

Constituents use social dialogue to improve labour and social outcomes in specific economic sectors and thereby enhance performance.

Indicators for 4c.1

These build on indicators used in 2004-05 and introduce new, more specific ones.

- (i) Constituents use social dialogue to target and take effective action to improve social and labour outcomes in specific economic sectors within a member State.
Target: 20 countries.
- (ii) Member States ratify the consolidated Convention on maritime labour standards if adopted.
Target: 5 countries.
- (iii) Member States ratify the Convention on fishing if adopted.
Target: 8 countries.
- (iv) Member States ratify the Seafarers' Identity Documents Convention (Revised), 2003, (No. 185).⁴
Target: 10 countries.
- (v) Constituents take action to implement sectoral codes of practice and guidelines.
Target: 10 countries.

Strategy for the development of social dialogue at sectoral level (operational objective 4c)

246. Tailoring ILO principles, including gender equality, to the specific needs of different economic sectors will facilitate their implementation and thus improve labour and social outcomes at the workplace level. A strategic mix of global meetings, national activities, action programmes and standards-related activities will raise sectoral issues to international prominence. Sectoral social dialogue provides constituents with opportunities for interaction on issues of concern to their sector. Sectoral social partners' capacity to participate in policy discussions at all levels and to reach tripartite consensus is further strengthened through research, technical advice and information exchange. The implications for employment, working conditions and management practices of changing global production in specific economic sectors will be examined with a view to promoting decent work through sectoral social dialogue. Work is suggested in a limited number of sectors identified through tripartite consultations, with due consideration given to the social and labour implications of trade liberalization in particular in clothing and textiles.

247. Constituents' involvement at a global level (e.g. in tripartite consultations) enables focused action to be undertaken. Local ownership (e.g. through national steering groups to determine and manage action programmes) ensures ongoing relevance and practical impact. Addressing the causes of decent work deficits through sector-specific social dialogue will lead to enhanced performance and employment potential and to the achievement of the Organization's strategic objectives.

248. The development and promotion of sectoral codes of practice or guidelines enables countries to progress towards the ratification and effective implementation of international labour standards. Existing instruments are examined in an integrated manner with a view to streamlining, consolidating, revising or developing standards with a sectoral character.

⁴ Four resolutions adopted at the 91st Session of the International Labour Conference (2003) concerned aspects of decent work for seafarers and called for the Office to take steps to ensure the new Convention would be fully applied.

MAINSTREAMED STRATEGIES AND INFOCUS INITIATIVES

Mainstreamed strategies

A fair globalization

Working out of poverty

Advancing gender equality

Greater influence of international labour standards
in development

Expanding the influence of social partners, social
dialogue and tripartism

InFocus Initiatives

Informal economy

Corporate social responsibility

Export processing zones

Mainstreamed strategies and InFocus Initiatives

Mainstreamed strategies

249. The four component strategic objectives of decent work interact in many ways. To support the realization of the potential of these links, it is proposed that the Programme and Budget for 2006-07 incorporate five mainstreamed strategies. This concept is designed to reinforce the integrating nature of the theme of decent work as a global goal by fostering cross-cutting work on contemporary themes to which the goal of decent work is highly relevant. As described in the Overview section, previous Programmes and Budgets have also included similar concepts described as “cross-cutting activities” (2002-03) and “shared policy objectives” (2004-05). Mainstreamed strategies build on this experience with a results-based focus.

250. The following section describes the reasoning behind the selection of each of these mainstreamed strategies and highlights how they are reflected under the strategic and operational objectives. The five mainstreamed strategies – a fair globalization, working out of poverty, gender equality, international labour standards in development and social dialogue and tripartism – are each reflected in outcomes under the strategic and operational objectives as shown in figure 25. During the biennium, it is proposed that each of the mainstreamed strategies be assessed against these operational objectives. This will focus on the extent to which potential synergies from programme and policy integration are captured and the impact of ILO work on broader social and economic objectives is enhanced.

A fair globalization

251. The Director-General’s Report to the 2004 International Labour Conference and its fruitful discussion by constituents analysed the potential role of the ILO in a fair globalization, and noted six areas where the recommendations of the report of the World Commission on the Social Dimension of Globalization dovetailed with the mandate and competence of the ILO and the demands of constituents:

- The development and implementation of integrated local, national and regional policies to address globalization.
- The promotion of decent work in global production systems.
- Greater global policy coherence in the multilateral system.
- A global socio-economic floor.
- A multilateral framework for labour migration.
- Strengthening the international labour standards system.

252. To varying degrees, these issues are already part of ongoing work under the four strategic objectives. The proposed strategies and results under the four strategic objectives also develop a number of related areas of work. The further development of ILO policies and approaches in these areas will figure on the agenda of the Governing Body Working Party on the Social Dimension of Globalization.

253. In making its contribution to a fair globalization, the ILO will build on its unique comparative advantages of international labour standards and tripartism. Support to the ILO’s constituents to develop their capacity and extend their influence in national and international public policy is an important element of action in all these areas. Social dialogue is an essential instrument for policy-making and implementation for a fair globalization.

254. In relation to the ILO’s work with other agencies and in particular the United Nations system, the contribution of the World Commission report to dialogue towards a fully inclusive and equitable globalization was noted by a resolution adopted by the 59th session of the General

Assembly.¹ The resolution calls, inter alia, on the institutions of the multilateral system and countries to consider the report and provide information to the Secretary-General to take into account in his report to the 60th session of the General Assembly's review of the implementation of the Millennium Declaration.

255. The ILO's advocacy and policy development work for decent work as a global goal is an important contribution to shaping a fully inclusive and equitable pattern of international economic integration. An important aspect of this is the development of more coherent and integrated economic and social policies at national, regional and global levels.

256. At the national level, methods will be developed and applied to assess the impact on decent work of international economic and financial policies, and to build integrated national policy responses. At the regional level, efforts will focus on promoting decent work within processes of regional integration. Work with other organizations of the multilateral system will aim to achieve greater coherence and consistency between global economic and social policies. In particular, the ILO will continue to examine the changing relationships between growth, investment and employment with a view to finding more effective and coherent means of policy collaboration within the multilateral system to support decent work as a global goal.

257. Cross-Office work will deliver better information on how different aspects of global production are changing. This will consolidate relevant work on supply chains in key sectors, export processing zones, outsourcing, adjustment and liberalization, voluntary initiatives regarding corporate social responsibility, the contribution of global production systems to national development strategies, and related issues. Some of these issues are taken up in the In-Focus Initiatives described below. There will be a need to consider ways in which the tripartite constituents of the ILO can engage with others in policy dialogues on a number of topics related to a fair globalization.

258. Given that all sectors and regions within the Office have relevant knowledge and expertise on aspects of the promotion of a fair globalization, an inter-Office task force will organize work on this topic. The task force's main role will be to take forward the policy discussions of the Governing Body Working Party on the Social Dimension of Globalization. A specific budget line for cross-Office work is provided to ensure that the task force has resources to reinforce the work of sectors and regions. Although relatively small, this will enable the Office to attract extra-budgetary resources for an ILO contribution to the multilateral effort to respond constructively to the challenge of shaping an inclusive and equitable globalization.

Working out of poverty

259. The ILO offers a decent work approach to development built around policies aimed at stimulating remunerative and productive employment. It also stresses the valuable role of its tripartite constituents in ensuring national ownership of poverty reduction strategies. This approach was set out in the Director-General's Report to the 2003 International Labour Conference *Working out of poverty*. ILO support to national policy development and related training is resulting in more countries using decent work instruments more effectively in their poverty reduction strategies. The experience of a pilot phase to promote a Decent Work Agenda in the Poverty Reduction Strategy Paper (PRSP) processes of some 15 countries has shown the relevance of the Decent Work Agenda in national policies for poverty reduction.

260. Building on the assessment of this initial phase, the emphasis in 2006-07 will be on developing analytical tools and monitoring indicators and improving on methods for enhancing the contribution of decent work to poverty reduction at the country level. As a result, the number of countries where there is effective incorporation of the Decent Work Agenda in the PRSP process, or similar development policy coordination mechanisms, will be substantially increased to cover most countries concerned.

¹ Resolution A/RES/59/57: A Fair Globalization: Creating Opportunities for All; report of the World Commission on the Social Dimension of Globalization.

261. An important part of this effort is support for a comprehensive local development approach that integrates ILO strategies and tools to strengthen the capacity of the social partners and governments in the formulation and implementation of policies and initiatives that promote decent work. By reaching out to organizations of micro-businesses and working women and men in poor communities, the ILO and its constituents are able to demonstrate the importance to poverty reduction strategies of skills training, labour-intensive work, cooperative and SME development, microfinance and social protection. This approach includes the promotion of collective organizations of informal economy operators (workers and employers) through the social partners, with the aim of creating more decent work opportunities through a more secure and stable business environment, and facilitating a better understanding of the contribution of social dialogue at the local level. Such initiatives will be targeted at the informal economy and rural areas, where most of the poor live and work, and include special measures for socially excluded population groups.

262. Poverty reduction, as expressed in the Millennium Development Goal of halving poverty by 2015, is a global priority. Most countries will not be able to achieve this goal if international and national efforts are not seriously stepped up. The review of the Millennium Declaration at the 60th session of the UN General Assembly in 2005 will provide an opportunity to embed decent work in international policy frameworks for poverty reduction, as part of renewed commitments and follow-up action to be taken by national and international actors in 2006-07. Dialogue and cooperation with international partners, advocacy on all strategic objectives of decent work and strengthening the capacities of the tripartite constituents to influence policy, and dissemination of analytical work and good practices underlie the strategy to achieve this outcome.

263. In addition to the poverty reduction-related operational objectives proposed under the four strategic objectives, progress towards the mainstreamed strategy for working out of poverty can be measured against the extent to which the decent work approach is included in international policies and national programmes for poverty reduction. The ILO envisages that decent work country programmes should play an important role in poverty reduction strategies and other development coordination mechanisms.

Advancing gender equality

264. Persistent gender-based discrimination violates fundamental principles and rights at work, human rights and social justice, weakens economic growth and reduces the efficiency of enterprises and labour markets. Strengthening the capacity of constituent organizations to play a catalytic role in promoting gender equality in the world of work is integral to achieving the Decent Work Agenda. The resolution concerning the promotion of gender equality, pay equity and maternity protection adopted by the 92nd Session (June 2004) of the International Labour Conference provides a firm foundation for the continued efforts of the Organization to build on the work undertaken with constituents in 2004-05 to increase gender equality in the world of work.

265. The overall strategy to advance gender equality in practice is to intensify the mainstreaming of gender in all ILO programmes, including decent work country programmes and national poverty alleviation policies and strategies. Support will be given to help constituents to introduce positive changes in policies, legislation, programmes or institutions aimed at bringing about significant improvements in equality between women and men in the world of work. This will be carried out through collaboration between the gender specialists and gender focal points and the constituent relations units in the Office, field offices and headquarter units which deal with technical issues. A key tool for this will be the further development of the concept of gender budgeting throughout the strategic objectives, making full use of the potential of the new IRIS system.

266. Ongoing gender briefings and training of ILO staff and constituents are essential to support this effort. The Office will assist constituents on gender audits and on ways to improve the representation of women in decision-making bodies and technical committees. The ILO will

cooperate with the Inter-Agency Network on Women and Gender Equality to share good practices such as the gender audit and in reporting requirements to the UN General Assembly in relation to the Beijing Platform for Action. Efforts will be made to ensure ILO participation in country gender theme groups and MDG promotion and reporting.

267. The mobilization of extra-budgetary resources both centrally and locally will support the advancement of gender equality at the country level. A portfolio of project proposals on a range of gender equality issues for advocacy and networking with donors will be further developed. The strategy also seeks to improve the communications and assistance to ILO constituents. Efforts will be made to strengthen networking with the women and gender structures in government, employers' organizations, women's business organizations, and workers' organizations.

268. Indicators for progress in advancing gender equality under all strategic objectives will be reviewed in a consolidated manner paying particular attention to action by constituents to introduce positive changes in their policies, legislation, programmes or institutions aimed at achieving significant improvements in equality between women and men in the world of work. Similarly, an important sign of the progress being made by ILO constituents towards balanced participation of men and women in decision-making levels is an increase to the 2004-05 biennium baseline count of the number and status of women participating in ILO meetings, seminars or training, under regular and extra-budgetary funding.

Greater influence of international labour standards in development

269. A crucial element in the strengthening of the decent work concept is a broader and deeper understanding of the role of international labour standards as a *means* of development as well as a *goal*. The provisions of the ILO's international labour standards have a great deal to contribute to the international drive to achieve the Millennium Development Goals. With growing awareness of the significance of mechanisms of governance to equitable and sustainable economic and social development, the ILO is increasingly offering an integrated perspective on the role of international labour standards as principles guiding the governance of the world of work. The content of the ILO's dialogue with constituents on the promotion of respect for international labour standards should include increased discussion of the ways in which more effective and efficient labour laws and mechanisms of social dialogue can reduce the gulf between the informal and formal economies of the developing world.

270. Such an approach contributes to the opening up of opportunities for micro- and small businesses to become more productive and offer more and better jobs. It also stresses the role of representative organizations of workers and employers, alongside public authorities, as key institutions in the world of work and its governance. Effective advice and assistance will be made available to the ILO constituents on standards-related issues through a better integration of standards objectives in the technical and field activities of the ILO in each member State.

271. Recent initiatives to revitalize standards have identified up-to-date instruments to be actively promoted. Wide-scale ratification of these is an important objective. Beyond ratification and supervision, the ILO will also assist in the practical application of standards. The ILO does this through technical cooperation and advisory services. A key strategy in 2006-07 will be to integrate standards objectives into the country programmes of technical assistance and cooperation for each member State. Such programmes can include training and capacity building for the implementation of relevant standards.

272. ILO technical assistance will be informed by the comments of the supervisory organs and the need to follow-up those comments in order to help remove the obstacles to implementation. This involves the identification of national priorities, assistance on law and practice, capacity building for implementation, and removal of obstacles to implementation.

273. A report, drawing on the experience of the ILO during the programme period, will be prepared as a basis for a tripartite examination of the influence of international labour standards

on development. The scope for national case studies and national discussion of the role of standards in development will also be investigated.

Expanding the influence of social partners, social dialogue and tripartism

274. The resolution concerning tripartism and social dialogue, adopted by the International Labour Conference in 2002, reaffirmed the importance of the ILO's tripartite nature and recalled the essential role of the social partners in stable and participative economic and social development and democratization. It reinforced the role of international cooperation for poverty eradication, promotion of full employment and decent work. The resolution further noted that social dialogue and tripartism have proved a valuable and democratic means to address social concerns, build consensus, help elaborate international labour standards and examine a wide range of labour issues on which the social partners play a direct, legitimate and irreplaceable role. The renewed emphasis on mainstreaming of tripartism in the work of the Office is a concrete response to the resolution.

275. For tripartism to have a greater influence nationally and internationally, it is necessary to act at several levels. First, support for the ILO's constituents' efforts to strengthen their representativeness and knowledge is central to their effectiveness; second, the ILO's own processes and planning need to better integrate and give expression to tripartism, both as a principle and as a tool for delivering the Decent Work Agenda; third, the ILO needs to enhance its advocacy of social dialogue, partnership and broader ownership as a core component of the overall development agenda of the international community. The interaction of these components will increase awareness of the value tripartism can add to social and economic innovation and progress within member States and strengthen the influence of the ILO as the global expression of tripartism in the multilateral system.

276. Follow-up of the 2002 International Labour Conference resolution is a responsibility of all parts of the Office. The mainstreamed strategy for expanding the influence of social partners, social dialogue and tripartism aims to stimulate a broad range of actions on a range of policy issues. In addition to the work planned under Strategic Objective No. 4, other strategic objectives will incorporate social dialogue and tripartism as a means of advancing decent work as a global goal.

277. Tripartism brings advantages in the prioritization, technical design and collaborative execution of practical programmes under standards and fundamental principles and rights at work. Time-bound programmes to combat child labour will utilize the comparative advantages of the main actors in the world of work – government agencies, workers' and employers' organizations. A key component of the labour standards system is dialogue between governments, employers' and workers' organizations in implementing recommendations of the supervisory bodies, and in advocating ratification and implementation of relevant Conventions and Recommendations.

278. The Global Employment Agenda highlights active involvement of tripartite constituents in its implementation through social dialogue. Analysis and the development of a research base on the linkages between economic and employment growth and poverty reduction, on effective employment and labour market policies and sound labour market information will enhance the capacity of ILO constituents to place decent and productive employment at the centre of national policies. Social dialogue and tripartism are also key components for the effective formulation and reform of enterprise policies and regulations.

279. Social dialogue contributes to improved coherence between economic and social objectives and the effectiveness of a range of social protection policies. Extension and modernization of social security systems depend critically on a broad-based consensus founded on the views of representative workers' and employers' organizations. Effective mechanisms for the promotion of safe work likewise depend on a strong role for employers' and workers' organizations in policy-making bodies and workplaces. The ILO's work on HIV/AIDS prevention and care at the workplace is based on the vigorous engagement of national and

international social partners. Progress in framing policies related to labour migration also depends to a large extent on the capacity of social partners to dialogue with both home and host countries.

InFocus Initiatives

280. Mainstreamed strategies are envisioned as a means of encouraging an integrated approach to, and maximizing impact on, major goals of contemporary relevance that require action under all or a number of the ILO's strategic objectives. The idea behind InFocus Initiatives is to identify a limited number of specific topics of concern to constituents on which activities are required that engage a number of the ILO's operational units. Both mainstreamed strategies and InFocus Initiatives are mechanisms to add value to the four foundational components of decent work through a multidisciplinary approach. InFocus Initiatives are specifically designed to generate new and valuable products for constituents.

281. In the Strategic Policy Framework 2002-05, certain areas of work that warranted particular priority were identified for InFocus Programmes. This was a step towards fully integrated strategic budgeting. This transitional stage of InFocus Programmes will be completed at the end of the first Strategic Policy Framework, with the evaluation of all eight programmes and the absorption of the work they undertook under the four strategic objectives. A key finding of the evaluations undertaken to date is the need for greater focus and priority setting and more attention to innovation in order to ensure that the products and services of the ILO are responsive to changing needs and contexts.

282. Responding to these lessons in the 2006-07 biennium, InFocus Initiatives will develop cross-Office approaches in three areas that reflect important needs and opportunities and respond to the priorities of constituents:

- The informal economy, a crucial area for the ILO's work if decent work is truly to become a realistic aspiration for all, and one where the follow-up to the 2002 International Labour Conference needs to be reinforced.
- Corporate social responsibility, an area of increasing importance for the ILO's agenda, which has a direct bearing on the achievement of decent work goals at both national and global levels.
- Export processing zones, a key feature of the emerging global economy, which are the locus of both problems and opportunities for achieving decent work goals.

Informal economy

283. This initiative brings together work by programmes across the Office, including in the field, following up the resolution concerning decent work and the informal economy adopted at the 2002 International Labour Conference. It will develop innovative tools and services for constituents and national frameworks that promote employment creation and enterprise development while ensuring protection of rights, adequate working conditions and extending social protection. These include skill upgrading and improved employability, better market linkages, accessible financial and business development services, improved social protection and strengthened social dialogue. The goal is to increase the Office's analytical and support capacity on formality and informality policies and programmes.

284. New tools and services focusing on improved governance will be developed for the use of national and local government institutions and employers' and workers' organizations. These will provide information on policy and regulatory framework reforms that facilitate the integration of informal enterprises into the mainstream economy, such as: innovative approaches to extend social protection to those working in the informal economy; procurement schemes for infrastructure and basic services; improved property rights and fundamental rights at work; and the gender equality impacts of different policy choices. To ensure that results can

be tracked, an innovative approach to collecting statistics and data on women and men in the informal economy will be developed. A main focus will be on means to support outreach efforts by employers' and workers' organizations to strengthen representative organizations in the informal economy.

Corporate social responsibility

285. The ILO was an early advocate of what has now come to be termed corporate social responsibility (CSR) with its Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (Multinationals Declaration). The 1998 Declaration on Fundamental Principles and Rights at Work is also a key reference point in CSR debates. The World Commission drew attention to the work of the ILO in this area and further called on the Organization to continue its research on CSR and to develop a practical agenda around the contribution of business to the social dimension of globalization. The issue was mentioned by a number of speakers in the 2004 International Labour Conference discussion of the Director-General's Report and the November 2004 meeting of the Governing Body Working Party suggested that the Office become more active in this area.

286. This initiative will use the Multinationals Declaration as the framework for ILO action in the area of CSR. In doing so, it will build on the recommendations of the Governing Body Subcommittee on Multinational Enterprises, which has called upon the Office to ensure that the different elements of the Decent Work Agenda, which are all covered by the Multinationals Declaration, are incorporated more frequently in voluntary private CSR initiatives. The Initiative will aim to promote a better understanding of the importance of international labour standards and social dialogue at the workplace level, bringing together perspectives and contributions from all parts of the Office.

Export processing zones

287. Growing numbers of countries engage in the global economy through export processing zones (EPZs). These zones aim to provide infrastructure, services and incentives to attract both foreign and national firms to produce for international markets, thus contributing to national development goals. Some EPZs have become an important link in the global production systems of certain sectors, such as textiles, clothing and footwear. In many countries they have contributed to improving employment opportunities, salaries and working conditions. However, ILO research has also shown that provisions of national labour legislation are often not applied and that working conditions often exploit the desperate need of many women and men for some form of job. The fiscal cost of EPZs in terms of tax concessions and subsidies is also being increasingly scrutinized as countries assess how much enduring benefit the zones actually bring to national social and economic development.

288. Guided by the relevant Governing Body discussions, this initiative will draw on work in different parts of the Office focused on specific economic sectors. The key issue is the examination of what constitutes the most appropriate policy package to encourage a steady improvement in the quality of production and employment in manufacturing sectors competing on global markets. Using social dialogue and a rights-based approach, the Initiative will seek to foster effective, coordinated national policies on decent work, which encourage investment and trade and promote core labour standards and adherence to national laws. Specific attention will be paid to the gender dimension of decent work. Lessons can be learned from both good practices and those where basic rights and conditions have not been respected. The aim will be to develop advisory services to governments and others that foster an upgrading of the quality of both employment and production in EPZs and their integration into broader national and international development strategies.

Figure 25. Matrix of mainstreamed strategies

	Indicators that measure progress on the mainstreamed strategies				
	A fair globalization	Working out of poverty	Advancing gender equality	Greater influence of international labour standards in development	Expanding the influence of social partners, social dialogue and tripartism
Strategic Objective No. 1: Promote and realize standards and fundamental principles and rights at work					
Operational objective 1a: Fundamental principles and rights at work					
Outcome 1a.1: Improved implementation of fundamental principles and rights at work			iii	ii, iv	ii, iv
Outcome 1a.2: Targeted action against child labour	ii	ii		i	ii, iv
Operational objective 1b: Normative action					
Outcome 1b1: Improving the impact of standards			iii	i, ii, v	i, ii, v
Strategic Objective No. 2: Create greater opportunities for women and men to secure decent employment and income					
Operational objective 2a: Employment, labour markets, skills and employability					
Outcome 2a.1: Employment as central to economic and social policies	ii, iii, iv		i	iii	iii
Outcome 2a.2: Skills and employability policies and programmes for decent work			ii	i	iii
Outcome 2a.3: Youth employment					
Operational objective 2b: Employment creation					
Outcome 2b.1: Employment creation through enterprise development		iii		i	i
Outcome 2b.2: Employment creation through employment-intensive investment approaches		i			
Outcome 2b.3: Decent work through local development: Poverty reduction through local employment and empowerment		i, ii	i	i	i

	Indicators that measure progress on the mainstreamed strategies				
	A fair globalization	Working out of poverty	Advancing gender equality	Greater influence of international labour standards in development	Expanding the influence of social partners, social dialogue and tripartism
Strategic Objective No. 3: Enhance the coverage and effectiveness of social protection for all					
Operational objective 3a: Enhanced social security coverage					
Outcome 3a.1: Improved policies and strategies to extend social protection to all		iii, iv			iii, iv
Outcome 3a.2: Better instruments and tools for policy analysis and formulation and good governance in social protection			i	ii	
Operational objective 3b: Effective labour protection					
Outcome 3b.1: Improved labour protection within the formal and informal economy	i	ii			ii
Outcome 3b.2: Tripartite action on labour migration					
Outcome 3b.3: National plans for combating HIV/AIDS in the world of work			iii	ii	
Strategic Objective No. 4: Strengthen tripartism and social dialogue					
Operational objective 4a: Strengthened social partners					
Outcome 4a.1: Employers' and workers' organizations are more valuable to their membership and to potential members		i, ii	i, ii		i, ii
Outcome 4a.2: Social partners influence socio-economic and governance policies	i, ii				i, ii
Operational objective 4b: Governments and institutions of social dialogue					
Outcome 4b.1: Strengthening the social dimension of regional integration	i, ii				i, ii
Outcome 4b.2: Improving governance		iv			i, ii, iii, iv, v
Operational objective 4c: The development of social dialogue at sectoral level					
Outcome 4c1: Improved labour and social outcomes in specific sectors.	vi				i, ii, iii, iv, v, vi

INSTITUTIONAL CAPABILITIES

Extending partnerships

Strengthening statistical capacity

Strengthened knowledge and information
development

Strengthening communications strategies for
promoting decent work

International Training Centre of the ILO, Turin

International Institute for Labour Studies

Institutional capabilities

289. The institutional capabilities set out the ILO's performance measures in the areas of: extending partnerships; strengthening analytical and statistical capacity; sharing and managing knowledge and information; and strengthening communications strategies for promoting decent work. Reference is also made to the important contributions of the International Training Centre of the ILO, Turin and the International Institute for Labour Studies to the Organization's total capacity.

Extending partnerships

Goal

The ILO works effectively with key international partners on common issues.

Indicators

- (i) International initiatives giving effect to the Copenhagen and Millennium Declarations incorporate decent work.

Target: 3 initiatives launched in 2006-07.

This indicator is developed from the 2004-05 indicator under poverty reduction.¹

- (ii) Decent work is accepted as a framework for understanding employment in a development context by United Nations agencies, the Bretton Woods institutions and other key partners.

Target: 10 citations in policy documents and reports issued by partners in 2006-07.

This indicator is developed from the 2004-05 indicator of global conferences.²

Strategy

290. The nature of the ILO's strategic mission makes it imperative to develop further the strategic role of external partnerships in promoting decent work. In order to enhance its capacity to play a catalytic role in securing the support of others for the Decent Work Agenda, the ILO must maximize its influence over the policies of others, building on the unique comparative advantage of its tripartite structure and international labour standards. Partnerships are also a means of leveraging the impact of the ILO's constrained financial resources. The ILO will continue to focus on achieving synergy of action with strategic partners, and will move to a more considered, systematic, proactive and targeted policy on relations with external partners, based on priorities that are directly linked to the implementation of the ILO's objectives.

291. Decent work country programmes will be a major means of developing and enhancing partnerships at the national level.

Strengthening statistical capacity

Goal

Member States make greater use of ILO statistics and statistical methodologies.

¹ Para. 274 in the Programme and Budget for 2004-05.

² Para. 285 in the Programme and Budget for 2004-05.

Indicators

*These indicators have been revised and made more specific from the original 2004-05 indicators under knowledge and statistics.*³

- (i) Member States have ILO official statistics and decent work indicators that meet the quality dimensions of integrity, methodological soundness, accuracy, reliability, serviceability and accessibility.

Target: 10 per cent increase in number of statistical series and indicators relevant to decent work available in the ILO statistical web site in 2006-07 compared to 2004-05.

- (ii) National statistical systems have enhanced capacity for producing decent work statistics.

Target: 15 member States improve their production and dissemination of sex-disaggregated statistics relevant to decent work as an integral part of their national statistical programmes.

Strategy

292. As a knowledge-based organization, it is essential for the ILO to have a comprehensive, reliable and up-to-date statistical foundation on which to base its policy agenda for decent work, to influence global and national policy orientations and to monitor progress towards decent work goals. The ILO's statistical system should also serve the interests of its constituents and other external users, and be responsive to significant emerging needs including globalization, poverty reduction and gender equality. The ILO's statistical strategy consists of improved data-gathering and dissemination and improved statistical capacity in member States to analyse and produce statistics for their own use and to feed into the ILO's statistical databases.

293. To enhance data gathering, headquarters and the field will work together to collect data from national institutions and international and supranational organizations. Where possible, existing joint data-gathering arrangements with other organizations will be extended. ILO official statistics and statistical indicators will be made more widely available through improved dissemination tools. A new quality assessment framework will be established to guide statistical activities throughout the Office.

294. Support to building national statistical capacity will include methodological research, standards setting, technical assistance and further work on statistical indicators to support the Decent Work Agenda, and cooperation with international and supranational organizations within the multilateral statistical system. Following the recommendations of the Seventeenth International Conference of Labour Statisticians, standards and guidelines for statistics on decent work, child labour, international labour migration, working time and the revision of the International Standard Classification of Occupations (ISCO) will be developed for consideration at tripartite meetings of experts and labour statisticians and subsequent approval by the Eighteenth International Conference of Labour Statisticians. Technical assistance consistent with the Labour Statistics Convention, 1985 (No. 160) and international standards and guidelines will be provided to countries taking into account national statistical programmes, infrastructure and requirements, and will include the preparation of technical manuals and training for tripartite constituents. The ILO will continue to act as the lead organization on labour statistics within the international statistical community, to ensure that decent work concerns are understood and taken into account, and to collaborate with other organizations in areas of mutual interest, including the development of international classifications and other guidelines relevant to labour statistics.

295. A further issue for the Office is to ensure the general quality of the research and analysis it undertakes on all issues. A recent review has identified a number of elements for a strategy to improve quality, which will integrate the statistical work of the Office into a centrally managed

³ Para. 289 in the Programme and Budget for 2004-05.

programme to ensure authoritative and consistent information is supplied to constituents and to all ILO technical and regional programmes.

Strengthened knowledge and information development

Goal

Constituents, partner institutions and the wider public turn to the ILO for quality information on social and labour issues.

Indicators

These are new indicators derived from the 2004-05 indicator on knowledge management, and provide a broader focus.⁴

- (i) Higher quality publications.

Target: An increase in the proportion of publications peer-reviewed (a net increase over a department-by-department baseline established in 2005), and a net decrease in the total number of formal, printed publications.

- (ii) Improved access to ILO knowledge.

Target: An increase in the number of key ILO information products that are available for free download by end 2007 compared to end 2005.

- (iii) ILO information centres at headquarters and in the field use common content management methods and a common database to record information on their collections.

Target: At least 12 field offices are using the ILO's database Labordoc as a centralized database by the end of 2007.

Strategy

296. The ILO's publication strategy will give priority to a small number of high-quality publications that will carry key facts and messages to a wide audience. This will be supported by a research policy that encourages quality analysis focused on ILO priorities and improved links with constituents' own research and analysis. The research and publications policies work together to ensure that the ILO is providing constituents with high-quality, consistent information that is relevant to their needs and provided in the most accessible and effective ways. A recent internal review of the ILO's publications policy noted that the ILO as a whole produces a very large number of documents annually, with uneven and inconsistent standards of editing, language version and publication type. The report recommends a much clearer approach to "knowledge output" (i.e. ensuring that the most effective way of getting high-quality information to those who need it, in the form, language and time frame required) is used, and that formal publication of official documents is focused on high-quality, flagship publications.

297. The ILO will also undertake strategies to support knowledge management and knowledge sharing. The experience and knowledge held by the ILO are organizational assets which should be safeguarded and used to inform future activities and service constituents. An integrated, systematic approach to managing this knowledge will strengthen the ILO's capacity by improving the quality and operational relevance of ILO services, avoiding duplication of effort, speeding up its processes and facilitating knowledge dissemination. Knowledge sharing will bring the field and headquarters closer together and ensure that the ILO's services and products are grounded in local realities and better customized. It will also promote closer partnerships within the ILO and, through knowledge networks, outside of the ILO.

⁴ Para. 316 in the Programme and Budget for 2004-05.

Strengthening communications strategies for promoting decent work

Goal

ILO proposals and messages shape public opinion and the views of key decision-makers.

Indicators

These indicators have been revised and made more specific from the 2004-05 indicators under communication and visibility.⁵

- (i) References to and citations of the ILO that appear in the print media worldwide.

Target: The number of references increases during the biennium and compared with the previous biennium.

- (ii) Greater visibility for the ILO on broadcast media.

Target: An increase in the number of ILO-focused reports shown on major national and international broadcast media compared with the previous biennium.

- (iii) Increased use of the ILO Internet site.

Target: An increase in the number of hits to the public web site compared with the previous biennium.

Strategy

298. Communicating the ILO's knowledge and messages to constituents and global audiences is essential for gaining greater support for the Decent Work Agenda. The ILO should use the most modern communication techniques to raise the visibility of the organization, the values it promotes and the work it does in countries and communities worldwide. ILO communication should be based on high-quality research and tailored to focus on reaching both general and specialized audiences.

299. To accomplish this, the creation of a new culture of communication is vital to the future success of the ILO. The organization must increase its capability to deliver clear, concise and timely information through a variety of channels – print, broadcast and Internet – in different languages and using idiomatic approaches aimed both at the ILO's constituents and also at a broader audience. Communication should be a built-in element of the main areas of ILO work, and should feature collaborative efforts across departments and regions to identify and develop opportunities to disseminate ILO knowledge regarding the world of work. Particular attention will be given to ensuring that constituents are alerted to ILO information in a timely and easily accessible form. ILO material should be available in electronic and printed form in universities, academic institutions and libraries in low-, medium- as well as high-income countries. The communication skills of ILO staff should be upgraded, particularly with regard to exchanges with journalists, writing for the World Wide Web and providing content to the ILO web site.

International Training Centre of the ILO, Turin

300. The Centre's work in 2006-07 will be mainly driven by the ILO's action programmes deriving from the Decent Work Agenda and the Strategic Policy Framework. It will also place ILO's concerns within the broader context of policy coherence in poverty reduction strategies, responding to capacity-building needs expressed by several of the main development actors: UN agencies, the World Bank, the Regional Development Banks, and the European Union.

⁵ Para. 295 in the Programme and Budget for 2004-05.

301. Conceived as an instrument to strengthen institutional and organizational capacities of ILO's constituency, the Centre will continue to adapt its methods of capacity building and learning. To do so, it will gradually move towards blended projects and activities, combining residential, face-to-face instruction with the extensive use of e-learning, distance learning and communication technologies.

302. As a follow-up to the recommendations of the 2004 Task Force, fostering further articulation with the Office remains a priority. The Task Force recommendations being implemented in 2004-05 and 2006-07 include joint planning; improved involvement of the Centre on ILO technical cooperation projects involving capacity building; a proposed system to facilitate staff exchanges; better collaborative use of the Centre's capacities in both product areas (document development and production) and technical areas (partnership in developing and delivering ILO staff development programmes).

303. The Centre's financial structure requires significant resources mobilization efforts with donor community and client institutions. In 2006-07, the Centre aims at mobilizing US\$58 million from donors to balance its budget. In this context, the availability of a completely refurbished residential facility will be an undeniable advantage.

International Institute for Labour Studies

304. The structure and the biennial programme of the International Institute for Labour Studies (IILS) is determined by its Board. Detailed proposals for 2006-07 were discussed in November 2004. At the direction of the Board, the Institute undertook a strategic assessment in 2004 to determine the future direction of the IILS and its further contributions to the world of work. This assessment was reviewed by the Board of the Institute and discussed in the November 2004 Governing Body.⁶ The assessment reinforced the role of the Institute as an interface between the ILO and academic institutions, and its focus on exploring issues of potential relevance to the ILO in an open and challenging way. The assessment noted three broad areas for the Institute's future research agenda: tripartism and social dialogue for the twenty-first century; fair globalization and the cross-border movement of labour; and social justice and economic development. Among the specific issues expected to be explored under these broad areas in 2006-07 are issues arising from the World Commission report, including the conceptual and policy implications of a universal socio-economic floor.

⁶ International Institute for Labour Studies report of the 46th Session of the Board, GB.291/15(Rev.)

GOVERNANCE, SUPPORT AND MANAGEMENT

Results-based management
Services to governance
Oversight and accountability
Infrastructure

Governance, support and management

305. The Programme and Budget for 2004-05 introduced a limited number of performance measures for the support and management function of the Office. Monitoring and reporting on these will provide useful information to guide future performance, and performance measurement. However, given the significant change now under way in terms of management information systems and associated processes, these measures will continue to be revised and improved.

306. Another significant change has been the creation of the Management and Administration Sector in October 2004. This new sector includes the Financial Services Department (FINANCE), the Bureau of Programming and Management (PROGRAM), the Human Resources Development Department (HRD), the Internal Administration Bureau (INTER) and the Information Technology and Communications Bureau (ITCOM). The creation of a single Sector with an Executive Director accountable for the bulk of the Organization's management and support functions is expected to drive more coherent processes for greater effectiveness and efficiency in this area.

307. The ILO's performance in governance, support and management for 2006-07 will initially be tracked against the performance measures set out below. These build on the performance measures of the Programme and Budget for 2004-05 and the issues raised in the Strategic Policy Framework 2006-09 and take account of the discussion at the PFAC, November 2004. Performance measures for the Office are presented in four categories, covering a number of related issues. These fall within the overall goal for governance, support and management:

The ILO makes the best use of its resources to achieve its objectives through improved practice in all aspects of governance, support and management.

308. One challenge for the achievement of targeted performance in this area is that while direct responsibility for support functions rests with the relevant departments the performance targets can, in most instances, only be achieved through effective coordination with timely and comprehensive input from all units concerned with the issue (for example, to ensure meeting scheduling which optimizes resource use; to achieve submission and approval of documents produced for decision-making bodies on time and to the length required; or to handle delegated financial authority correctly). This requires strict accountability and clear identification of responsibilities in order to achieve the necessary synergies and economies of scale, as well as the development and use of measures to ensure awareness and monitor performance on an ongoing basis.

Results-based management

309. The ILO's progress towards full implementation of results-based management will continue in 2006-07, supported in large part through the use of new management information systems which permit documentation and tracking of expenditure and results. This will provide the necessary monitoring tools to support the progressive adoption of results-based programming techniques at all levels, in headquarters and in the field. Information from the now regular process of programme evaluation will also inform further progress. The ILO's performance in this area will be monitored and reported in indicators representing effective management of technical cooperation, finances and human resources. *The indicators build on those of 2004-05, which will establish baselines.*

Programming indicators

- (i) Implementation of results-based management.

Target: Full utilization of performance monitoring systems available in IRIS.

- (ii) Country programming.

Target: Full implementation of country programming.

- (iii) Improvements to strategic budgeting.

Target: Implementation of all recommendations of the evaluation of strategic budgeting relevant to the biennium.

Technical cooperation management indicators

- (i) Proposal assessments.

Target: Before submission to donors, all project proposals meet the minimum standard being established in 2004-05 as regards their design quality, technical feasibility and project management criteria.

- (ii) Coherence between ILO strategic framework and technical cooperation proposals.¹

Target: Increase on the baseline results established in 2004-05.

Financial management indicators

- (i) Good procurement practices.

- Target: 1: Increased general and specialized knowledge of ILO rules and procurement/contracting procedures.

- Target: 2: To procure quality goods and services for the Office at the best possible price.

- (ii) External audit.

Target: An unqualified external audit report.

- (iii) Ensure sound management and control of the Organization's assets.

Target: Implement monitoring tools ensuring proper tracking of all assets through clear Inventory Policy.

Human resources management indicators

Note that human resource development indicators presented and reported in the Programme and Budget are an indicative sub-set of indicators under the full Human Resources Strategy, which is subject to in-depth review and examination by the Governing Body. Also, these indicators may need to be adapted in the light of the review of the Human Resources Strategy in 2005.

- (i) Time to fill positions.

Target: Positions filled in an average of four months, through a transparent and merit-based process.

- (ii) Gender balance in senior grades.

Target: The percentage of qualified women in higher grades, is at least 33 per cent. Separate targets for P and D grades will be established.

- (iii) Reduction in grievances.

Target: The incidence of grievances linked to policies, rules and procedures is reduced, as indicated by the number of grievances submitted to the Joint Advisory

¹ At the 87th Session of the ILC (1999) the Committee on Technical Cooperation asked the ILO to take steps to strengthen the strategic orientation of the ILO's technical cooperation policy. Work on this has been ongoing and was reviewed by the Committee in March 2002.

Appeals Board (JAAB) which is 30 per cent less than those submitted to the Joint Panel/JAAB in 2004-05.

(iv) Grading structure.

Target: A measurable target for reducing the average grade level among the Professional staff for 2006-07 developed, reviewed by the Governing Body, and achieved.

(v) National representation.

Target: Reduce the current (2004) number of non-represented countries by 10.

Services to governance

310. The Office provides services to the Organization and its governance structures that ensure decisions are made and carried out. The efficient organization of meetings and the production of necessary documents are critical elements in this process, as is ensuring the legal conformity of all actions taken.

Relations, meetings and documentation indicators

(i) Quality service delivery.

Target: Provision of prompt, quality relations, information and official correspondence services as measured by customer satisfaction levels at or above the 2004-05 level.

(ii) Timely materials.

Target: Governing Body documents to be in the hands of members no later than 15 days before they are to be discussed; International Labour Conference and regional meeting documents to be with delegations within the time requirements specified in the Standing Orders; Documents for sectoral and/or technical meetings to be with participants no later than one month before the meeting.

(iii) Provision of concise and quality documentation for conferences and meetings.

- Target: 1: A further 10 per cent reduction in total volume of Governing Body documents in comparison with 2004-05 levels.
- Target: 2: A 10 per cent reduction in the volume of Conference and major regional meeting documents and sectoral, technical and related meeting papers in comparison with 2004-05 levels.

(iv) Progressive transition to electronic distribution of documents.

Target: To achieve a Governing Body approved, acceptable balance between electronic and paper-based distribution of Conference and meeting documentation.

(v) Introduction of digital recording services.

Target: Full or partial replacement of paper-based Conference verbatim reports with savings compared to previous biennium.

(vi) Introduction of continuous-feed printing process.

Target: A 15 per cent reduction in in-house print production costs.

Legal services indicator

(i) Sound legal advice provided to the Organization and the Office.

Target: Sound legal advice provided to the Organization and the Office in a timely manner, and the protection of the legal interests of the Organization.

Oversight and accountability

311. Processes to ensure and systems to support effective oversight and accountability are in ongoing development within the Office, as noted in the *ILO Evaluation Framework GB.285/PFA/10* and relevant Auditor recommendations. The establishment of the Evaluation Unit is a key element of this strategy.

Evaluation indicators

- (i) Independence of evaluations.

Target: ILO evaluations adhere to Governing Body approved criteria for independence and credibility.

- (ii) Evaluation is used consistently to improve ILO services and products.

Target: Evaluations of different types (including evaluations of strategies, programmes, projects and self-evaluation) are used regularly throughout the ILO.

Infrastructure

312. Modern infrastructure comprises both capital investment and investment in up-to-date information technology. One of the requirements of the Office's new management information system is an effective, secure global telecommunications network, as well as maintenance of hardware and software. Other telecommunications investments, particularly videoconferences, can help save in travel costs. A renewed emphasis on safety and security for staff is also required, with attendant costs. Finally, there are a number of medium-term investments and charges, such as for the maintenance of ILO buildings, and contributions to employee pension and insurance plans, that must be met.

Information technology indicators

Note that the indicators for information technology presented and reported in the Programme and Budget is expanded on in the full IT strategy which is subject to in-depth review and examination by the Governing Body.

- (i) IT services (headquarters).

Target: All centrally provided IT services are operational 99 per cent of the time during office hours.

- (ii) Implementation of IRIS.

Target: IRIS is fully available in ILO headquarters and progressively rolled out to field offices.

Internal administration and security indicators

Note that the indicator for accommodation presented and reported in the Programme and Budget is expanded on in the full accommodation strategy which is subject to in-depth review and examination by the Governing Body.

- (i) Staff security.

Target: Maintain at minimum operating security standards (MOSS) and improve where possible.

- (ii) Accommodation strategy.

Target: ILO formulates and implements an accommodation strategy.

Draft budget of expenditure and income for 2006-07

313. The Programme and Budget proposals for 2006-07, after providing for movements in costs, valued at the 2004-05 budget rate of exchange of 1.34 Swiss francs to the US dollar, amount to \$591,860,537. At this level the proposed budget for 2006-07 is \$22,810,931 more in real terms than in the previous biennium.

314. Following an analysis of cost factors, both at headquarters and at field locations, cost increases have been estimated at an overall rate of 7.1 per cent. Full information on movements in cost factors is provided in the Programme and Budget proposals, Information annex 2.

315. The budget rate of exchange for the biennium 2006-07 will be set at the market rate at the time the budget is reviewed by the Finance Committee of Government Representatives at the 93rd Session (June 2005) of the Conference. These proposals have accordingly been valued at the same budget rate of exchange (1.34 Swiss francs to the US dollar) as the Programme and Budget for 2004-05, both to facilitate comparison and because the cost of the proposals in both US dollar and Swiss franc terms will continue to evolve with the exchange rate changes until the budget is finalized.

316. As an indication, however, the market rate of exchange in late January 2005 was 1.19 Swiss francs to the dollar. Should this rate remain valid in June 2005, the proposed budget level in dollar terms would be some \$638.6 million with resulting assessments of some 759.9 million Swiss francs.

317. The contributions payable by member States in 2006-07 will thus depend on the overall budget level, on the budget rate of exchange which is finally set, and on the scale of contributions approved by the Conference.

318. The draft expenditure and income budget in the form required for adoption by the Conference, with the corresponding figures for 2004-05, is shown below.

Expenditure	Income						
	2004-05 budget (US dollars)	2006-07 estimates (US dollars)	2004-05 budget (US dollars)	2006-07 estimates SF (US dollars)	SF		
Part I							
Ordinary budget	528,715,000	567,686,510	Contributions from member States	529,590,000	709,650,600	591,860,537	793,093,120
Part II							
Unforeseen expenditure	875,000	2,000,000					
Part III							
Working Capital Fund	-	-					
Part IV							
	-	22,174,027					
Total budget	529,590,000	591,860,537		529,590,000	709,650,600	591,860,537	793,093,120

319. After completing its examination of the draft estimates submitted in this document, the Programme, Financial and Administrative Committee will wish to submit to the Governing Body for proposal to the International Labour Conference a draft resolution for the adoption of the programme and budget for the 70th financial period (2006-07) and for the allocation of expenses between member States for 2006-07. The proposed text of this draft resolution is as follows:

The General Conference of the International Labour Organization,

In virtue of the Financial Regulations, adopts for the 70th financial period, ending 31 December 2007, the budget of expenditure of 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.

INFORMATION ANNEXES

1. Operational budget
2. Details of cost increases
3. Proposed operational budget by item and object of expenditure
4. Schedule of established posts
5. Estimates of expenditure on technical cooperation funded from extra-budgetary sources by operational objective
6. Estimates of expenditure on technical cooperation funded from extra-budgetary sources by region and strategic objective
7. Summary of regular budget technical cooperation resources
8. Evolution of programme and expenditure levels
9. Potential areas for additional extra-budgetary funding

Information annex 1

Operational budget

1. This information annex provides an operational view of the proposed budget, with resources for each sector and department. It lists the resources and describes the major functions of each sector and department. It explains significant changes in resource levels.

2. The table below consolidates information previously provided in several separate tables, thus making comparison less difficult. This change in presentation has been made for the following reasons:

- The new strategic budgetary tables provided using IRIS contain more complete and more relevant information on Office-wide resources allocated to specific priorities.
- In response to the Governing Body's guidance on the need for streamlining for greater efficiency and effectiveness, and for a more balanced grade structure, smaller units are being combined. This process is not complete, but it is already clear that the previous structure of this annex is outdated.
- Modern methods of organizing work using flexible task forces are better suited to strategic budgeting than large numbers of small units that are established on an administrative rather than strategic basis. The actual organization of work during the biennium will therefore correspond poorly to a detailed and fragmented structure.

3. In the explanatory texts on each sector, indications are given of structural change that is under way. In the same texts, reference to general budgetary restriction measures reflect the fact that all units submitted their initial proposals based on a 5 per cent resource reduction. These resources were subsequently reallocated to priorities described in the Overview and budgetary features section.

Operational budget for 2006-07

	Budget proposals 2006-07				Total resources	Revised budget 2004-05 ¹	Differences		
	Professional	General Service	Staff costs	Other costs				%	
	(work-years/months)		(in constant 2004-05 US\$)						
PART I									
Policy-making organs									
International Labour Conference	2 / 9	0 / 0	7,035,481	3,074,722	10,110,203	11,863,443	-1,753,240	-14.8	
Governing Body	0 / 0	0 / 0	2,181,179	2,589,453	4,770,632	4,795,632	-25,000	-0.5	
Major Regional Meetings	0 / 0	0 / 0	229,000	554,118	783,118	615,467	167,651	27.2	
Legal services	12 / 6	3 / 10	2,504,998	92,929	2,597,927	2,734,660	-136,733	-5.0	
Relations, meetings and document services	103 / 9	203 / 0	39,960,347	2,855,764	42,816,111	45,069,591	-2,253,480	-5.0	
	119 / 0	206 / 10	51,911,005	9,166,986	61,077,991	65,078,793	-4,000,802	-6.1	
Strategic objectives									
Technical programmes									
Standards and fundamental principles and rights at work (Sector 1)									
Fundamental principles and rights at work	24 / 3	9 / 7	5,063,050	1,012,347	6,075,397	6,330,491	-255,094	-4.0	
International labour standards	80 / 3	34 / 0	16,637,138	2,349,104	18,986,242	19,731,815	-745,573	-3.8	
Executive Director's Office and central support	7 / 3	2 / 0	1,522,329	578,664	2,100,993	1,776,413	324,580	18.3	
Regular budget technical cooperation	0 / 0	0 / 0	-	1,288,424	1,288,424	1,288,424	-	0.0	
	111 / 9	45 / 7	23,222,517	5,228,539	28,451,056	29,127,143	-676,087	-2.3	
Employment (Sector 2)									
Employment strategy	46 / 6	18 / 0	9,344,808	2,147,358	11,492,166	11,884,722	-392,556	-3.3	
Skills, knowledge and employability	26 / 0	8 / 8	5,179,232	1,036,403	6,215,635	6,388,447	-172,812	-2.7	
Job creation and enterprise development	50 / 0	22 / 8	10,375,376	1,953,928	12,329,304	12,725,043	-395,739	-3.1	
Executive Director's Office and central support	10 / 0	23 / 6	4,188,445	1,090,312	5,278,757	5,185,367	93,390	1.8	

	Budget proposals 2006-07					Revised budget 2004-05 ¹	Differences	
	Professional	General Service	Staff costs	Other costs	Total resources		%	
	(work-years/months)		(in constant 2004-05 US\$)					
Regular budget technical cooperation	0 / 0	0 / 0	-	2,102,040	2,102,040	2,102,040	-	0.0
	132 / 6	72 / 10	29,087,861	8,330,041	37,417,902	38,285,619	-867,717	-2.3
Social protection (Sector 3)								
Social security	37 / 6	19 / 9	8,141,385	407,163	8,548,548	8,747,725	-199,177	-2.3
Labour protection	59 / 0	28 / 0	12,614,888	1,676,978	14,291,866	14,624,857	-332,991	-2.3
HIV/AIDS and the world of work	6 / 0	2 / 0	1,173,912	79,871	1,253,783	1,282,995	-29,212	-2.3
Executive Director's Office and central support	4 / 0	4 / 0	1,193,876	235,863	1,429,739	1,504,984	-75,245	-5.0
Regular budget technical cooperation	0 / 0	0 / 0	-	1,160,607	1,160,607	1,160,607	-	0.0
	106 / 6	53 / 9	23,124,061	3,560,482	26,684,543	27,321,168	-636,625	-2.3
Social dialogue (Sector 4)								
Employers' activities	18 / 0	9 / 6	3,961,449	216,414	4,177,863	4,228,606	-50,743	-1.2
Workers' activities	42 / 0	18 / 0	8,704,847	1,861,549	10,566,396	10,694,733	-128,337	-1.2
Social dialogue, labour law and labour administration	32 / 0	16 / 0	6,880,056	666,274	7,546,330	7,719,254	-172,924	-2.2
Sectoral activities	36 / 0	14 / 0	7,333,344	2,768,221	10,101,565	10,333,044	-231,479	-2.2
Executive Director's Office and central support	6 / 0	7 / 7	1,876,846	278,580	2,155,426	2,277,140	-121,714	-5.3
Regular budget technical cooperation	0 / 0	0 / 0	-	7,479,881	7,479,881	7,479,881	-	0.0
	134 / 0	65 / 1	28,756,542	13,270,919	42,027,461	42,732,658	-705,197	-1.7
Cross-cutting programmes								
Communication and public information	61 / 7	51 / 0	15,410,882	4,801,327	20,212,209	20,441,149	-228,940	-1.1
External relations and partnerships	18 / 8	14 / 6	4,147,314	841,803	4,989,117	5,090,936	-101,819	-2.0
Gender equality	8 / 0	4 / 0	1,709,824	560,484	2,270,308	2,314,833	-44,525	-1.9
ILO contribution to fair globalization	0 / 0	0 / 0	-	894,429	894,429	941,504	-47,075	-5.0
International Institute for Labour Studies	0 / 0	0 / 0	-	4,843,164	4,843,164	4,942,004	-98,840	-2.0
International Training Centre of the ILO, Turin	0 / 0	0 / 0	-	5,874,277	5,874,277	5,874,277	-	0.0
Policy integration	25 / 4	12 / 6	5,505,487	977,122	6,482,609	6,648,812	-166,203	-2.5
Statistics	18 / 0	24 / 0	5,300,064	1,257,915	6,557,979	6,655,921	-97,942	-1.5
Technical Meetings Reserve	2 / 0	0 / 0	325,440	1,216,311	1,541,751	1,791,751	-250,000	-14.0
	133 / 7	106 / 0	32,399,011	21,266,832	53,665,843	54,701,187	-1,035,344	-1.9
Total technical programmes	618 / 4	343 / 3	136,589,992	51,656,813	188,246,805	192,167,775	-3,920,970	-2.0
The regions								
Development cooperation	10 / 9	5 / 7	2,394,778	77,331	2,472,109	2,602,220	-130,111	-5.0
Field programmes in Africa	195 / 0	286 / 0	32,843,342	13,704,388	46,547,730	47,141,362	-593,632	-1.3
Field programmes in the Americas	159 / 0	152 / 0	28,400,226	11,787,341	40,187,567	40,698,403	-510,836	-1.3
Field programmes in Arab States	34 / 0	39 / 6	6,801,193	2,823,074	9,624,267	9,748,246	-123,979	-1.3
Field programmes in Asia and the Pacific	189 / 6	241 / 6	30,980,112	12,100,894	43,081,006	43,630,219	-549,213	-1.3
Field programmes in Europe and Central Asia	70 / 10	53 / 2	11,608,552	3,523,612	15,132,164	15,326,077	-193,913	-1.3
	659 / 1	777 / 9	113,028,203	44,016,640	157,044,843	159,146,527	-2,101,684	-1.3
Support services								
Information technology and communications	69 / 0	33 / 0	14,621,586	7,986,053	22,607,639	11,601,627	11,006,012	94.9
Internal administration	14 / 2	149 / 0	17,931,819	17,079,201	35,011,020	35,011,020	-	0.0
	83 / 2	182 / 0	32,553,405	25,065,254	57,618,659	46,612,647	11,006,012	23.6
Total strategic objectives	1,360 / 7	1,303 / 0	282,171,600	120,738,707	402,910,307	397,926,949	4,983,358	1.3
Management services								
General management	15 / 9	21 / 0	5,253,619	1,910,778	7,164,397	7,541,470	-377,073	-5.0
Human Resources Development	40 / 0	80 / 9	14,917,182	3,470,880	18,388,062	19,355,855	-967,793	-5.0
Financial Services	37 / 0	60 / 5	12,102,388	371,471	12,473,859	13,130,378	-656,519	-5.0
Programming and Management	17 / 0	6 / 0	3,451,296	203,594	3,654,890	3,847,253	-192,363	-5.0
Internal Audit and Oversight	6 / 0	2 / 0	1,173,912	100,000	1,273,912	1,237,836	36,076	2.9
Evaluation	4 / 0	1 / 0	749,676	100,000	849,676	-	849,676	0.0
Executive Director's Office, management and administration	4 / 0	2 / 0	994,284	9,466	1,003,750	678,310	325,440	48.0
	123 / 9	173 / 2	38,642,357	6,166,189	44,808,546	45,791,102	-982,556	-2.1

	Budget proposals 2006-07					Revised budget 2004-05 ¹	Differences	
	Professional	General Service	Staff costs	Other costs	Total resources		%	
	(work-years/months)				(in constant 2004-05 US\$)			
Other budgetary provisions	2 / 0	0 / 5	1,313,873	23,145,214	24,459,087	24,459,087	-	0.0
Adjustment for staff turnover	0 / 0	0 / 0	-4,540,931		-4,540,931	-4,540,931	-	0.0
TOTAL PART I	1,605 / 4	1,683 / 5	369,497,904	159,217,096	528,715,000	528,715,000	-	0.0
PART II. UNFORESEEN EXPENDITURE								
Unforeseen expenditure			-	2,000,000	2,000,000	875,000	1,125,000	128.6
PART III. WORKING CAPITAL FUND								
Working Capital Fund			-	-	-	-	-	0.0
TOTAL (PARTS I-III)	1,605 / 4	1,683 / 5	369,497,904	161,217,096	530,715,000	529,590,000	1,125,000	0.2
PART IV. INSTITUTIONAL INVESTMENTS AND EXTRAORDINARY ITEMS								
Security	2 / 0	0 / 0	325,000	3,445,000	3,770,000	-	3,770,000	n/a
Accommodation	0 / 0	0 / 0	-	6,610,000	6,610,000	-	6,610,000	n/a
Information and communication technology	0 / 0	0 / 0	-	3,300,000	3,300,000	-	3,300,000	n/a
Maritime Session of the International Labour Conference	0 / 0	0 / 0	2,420,000	1,045,000	3,465,000	-	3,465,000	n/a
Adjustment for staff turnover	0 / 0	0 / 0	4,540,931	-	4,540,931	-	4,540,931	n/a
TOTAL PART IV	2 / 0	0 / 0	7,285,931	14,400,000	21,685,931	-	21,685,931	n/a
TOTAL (PARTS I-IV)	1,607 / 4	1,683 / 5	376,783,835	175,617,096	552,400,931	529,590,000	22,810,931	4.3

¹ To facilitate comparison with 2006-07 figures, the 2004-05 budget was revised to reflect: (a) the transfer of the postal budget (\$2,052,985) from Relations, meetings and document services to Internal Administration; and (b) the merger of the resources for the Executive Director's Office, Regions (\$678,311) with General Management.

Part I

Policy-making organs

4. The figures for the **International Labour Conference, Governing Body and Regional Meetings** show the direct costs (such as interpretation, preparation and printing of reports, rental of facilities, Governing Body members' travel and some staff costs) of holding two sessions of the Conference and six sessions of the Governing Body, as well two Regional Meetings during the biennium. For budgetary purposes it has been assumed that the agenda of both sessions of the Conference will include three standing items and three items placed on the agenda by the Conference or the Governing Body, and that the daily production of a printed *Provisional Record* will not be continued. The cost of Regional Meetings has increased relative to the 2004-05 provision because both will be held outside Geneva; and the 2004-05 budget was based on holding the European Regional Meeting in Geneva. The costs of the Maritime Session of the Conference are included under Part IV.

5. **Legal Services** carries out legal work pertaining to the Constitution and policy-making organs. It participates in the preparation and examination of international labour Conventions, Recommendations and other instruments. It also provides legal expertise on personnel matters, commercial or technical issues and contracts. As part of budgetary restriction measures, resources of this programme have been reduced in real terms by \$136,733, largely in terms of staff costs.

6. **Relations, Meetings and Document Services** provides services to conferences and meetings, including translating, processing, printing and distributing documents, and provides interpretation services, and maintains official relations with member States. As part of the budgetary restriction measures, resources for this programme have been reduced in real terms by some \$2.3 million. This reduction is based on the premise that the number and length of official documents will be substantially reduced. It also includes ongoing changes in work practices, increased productivity and a number of other internal efficiency measures as noted in

2004-05. Taking advantage of expected retirements, the adjustments comprise a substantial reduction in staffing, anchored on a significant reorganization of management structures.

Strategic objectives

7. Standards and Fundamental Principles and Rights at Work is the technical sector that is responsible for international labour standards, promotion of the ILO Declaration on Fundamental Principles and Rights at Work including its follow-up procedures, including the elimination of child labour. It is organized in two departments: Fundamental Principles and Rights, which manages the major technical cooperation areas of promoting the Declaration and the elimination of child labour; and International Labour Standards, with responsibility for standards-related policy throughout the ILO. The latter department is responsible for the Office's role in standards supervision, and provides support to the Governing Body Committee on Freedom of Association. The sector as a whole is managed by the Executive Director's office, which also supports the ILO's presence in Myanmar. In total the budget for the sector is reduced by 2.3 per cent. This has been achieved mainly through reductions amounting to three Professional positions and two General Service positions. These reductions were possible due to the pending retirements of senior staff, and the decision to combine the operational support to the Declaration and to IPEC to ensure greater efficiencies. One senior post (D.2) has been eliminated in the final structure of the new Fundamental Principles and Rights Department, and restructuring within the sector as a whole to reduce the layers of management will lower overall grade averages and concentrate resources in technical expertise.

8. Employment is the technical sector that supports the ILO's advancement of the Global Employment Agenda and advises on national employment policies and strategies, skills development and training, job creation and enterprise development. The sector has been streamlined into three departments: Employment Strategy, Job Creation and Enterprise Development, and Skills, Knowledge and Employability. The Employment Strategy Department anchors ILO technical work in the areas of national policy and strategy, global employment trends, gender promotion and employment-intensive investment. The Job Creation and Enterprise Development Department is responsible for the Office's work in the areas of multinational enterprises, management and corporate citizenship, cooperatives and local economic development, social finance and micro- and small enterprise development. The Department also holds focal responsibilities for crisis response and corporate social responsibility. The Skills, Knowledge and Employability Department coordinates the Office's work to support development and implementation of effective skills and employability policies and programmes, including those for disadvantaged groups. The sector also supports technical work on youth employment, the informal economy, corporate social responsibility, crisis response and social finance through interdepartmental and cross-sectoral work planning.

9. The overall sector budget is reduced by 2.3 per cent. This has been achieved mostly through reductions amounting to four Professional and two General Service positions. The operational budget has been adjusted retroactively for the 2004-05 budget period based on the new structure, better to show the distribution of these resource reductions.

10. Social Protection is the technical sector that supports the ILO's expertise on social and economic security, on national social security systems, quantitative analyses of existing or planned national social security systems; on occupational health and safety; on conditions of work and employment; on labour migration and on HIV/AIDS and the world of work. It is organized in two departments and a programme on HIV/AIDS: Social Security, responsible for research, development of policies and strategies, advisory services and technical cooperation related to social security issues; Labour Protection, responsible for safety and health at work, conditions of work and employment and migration issues; and the HIV/AIDS programme responsible for information, education and communication of the impact of HIV/AIDS in the world of work. The sector as a whole is managed by the Executive Director's office. In total the budget for the sector is reduced by 2.3 per cent.

11. **Social Dialogue** is the technical sector that supports the ILO's expertise on: strengthening employers' and workers' organizations; on the legal frameworks, institutions, machinery and processes of tripartite and bipartite social dialogue; on industrial relations at enterprise, national, sectoral and subregional levels; and on the sectoral implications of all elements of decent work. It is organized in four departments: Employers' Activities, Workers' Activities, Dialogue and Sectoral Activities, all managed under the Executive Director's office. The Bureaux for Employers' and Workers' Activities nurture and develop the Office's relationship with the social partners; Dialogue supports member States to improve institutions, processes and mechanisms that promote social dialogue; and Sector facilitates the exchange of information between the ILO's tripartite constituents on labour and social developments concerning particular economic sectors. As part of general budgetary restriction measures, resources for this sector have been reduced by 1.7 per cent. This has been achieved mainly by cutting non-staff costs.

Cross-cutting programmes

12. The **Department of Communication and Public Information** was established in September 2004 with the responsibility of coordinating the majority of the ILO's communication, publication and knowledge management work, through: advising on advocacy and relations with the media; reviewing public information initiatives and materials; managing the ILO's public and internal web sites; facilitating access of ILO staff constituents and external clients to information through the Library and its online access points; and managing the production, marketing and distribution of ILO publications. Major reductions in the budget in 2004-05 for publications have been accommodated through efficiency measures and the new ILO publications policy. Support to the ILO Internet and Intranet has been increased. A net reduction of just over one Professional and one and one-half General Service work-years from the aggregate of the pre-existing structures in 2004-05 contributes to the reduction of 1.1 per cent.

13. **External Relations and Partnerships** supports the Director-General and the Office in relations with the multilateral system, pursues stronger linkages with the United Nations organizations and other international partners, and promotes ILO perspectives and positions with those organizations and in meetings and forums of the international community. The New York Liaison Office is the principal point of contact with the United Nations and its agencies located in New York. At the aggregate level, resources for this programme have reduced by \$101,819; a 2.0 per cent decrease. Changes in the programme include the conversion of a General Service to a junior Professional position.

14. **Gender Equality** is responsible for supporting the full implementation of a gender mainstreaming strategy in all aspects of the ILO's work at headquarters and in the field. It ensures that the ILO knowledge base expands on gender equality issues and that the ILO's contribution to gender equality is visible. The level of resources has been reduced by 1.9 per cent or \$44,525 in non-staff costs.

15. **ILO Contribution to Fair Globalization** provides a limited fund to support cross-Office work, guided by a task force, to take forward the policy discussions of the Governing Body Working Party on the Social Dimension of Globalization. It is expected that this will reinforce existing Office resources for related work and attract extra-budgetary resources for an ILO contribution to this multilateral challenge.

16. The **International Institute for Labour Studies** serves as a strategic facility to explore emerging labour policy issues with implications for the ILO. It also provides an autonomous and informal vehicle for dialogue between the international academic community and ILO staff and constituents. The level of the ILO's contribution to the International Institute for Labour Studies has been reduced by 2 per cent or \$98,840.

17. The **International Training Centre of the ILO**, Turin develops and delivers training programmes related to ILO and constituent priorities. Programmes are delivered at the Centre,

in the field and through distance learning technologies. The level of resources remains unchanged.

18. **Policy Integration** is the technical department providing ILO expertise on global economic trends and globalization; integrated decent work policies and programmes and poverty reduction strategies at the national level; and on development and analysis of labour statistics. In 2004-05 the Department also included the Bureau for Statistical Activities. In 2006-07 the Policy Integration Department will continue work under the first three areas mentioned above. Work on statistical development and the Bureau for Statistical Activities will be merged and organized separately from the Department. This reorganization seeks to strengthen ILO work on labour statistics. Compared to 2004-05, the budget for the Policy Integration Department declines by 2.5 per cent and the budget for **Statistics** declines by 1.5 per cent.

19. The **Technical Meetings Reserve** is the budgetary provision for costs associated with preparing reports for and convening technical meetings. The Governing Body will be invited to decide on the subject and composition of the technical meetings at future sessions. As part of general budgetary restriction measures, resources have been reduced by 14 per cent or \$250,000, corresponding to the cost of one typical meeting.

The regions

20. **Development Cooperation** is the focal point for resource mobilization and partnerships with donors and supports development, management and evaluation of technical cooperation programmes across the ILO. This requires coordination with technical and field departments on technical cooperation policies and procedures as well as coordination of operational UN system collaboration, especially at the field level and through the United Nations Development Group. As part of general budgetary restriction measures, the resources for this programme have been reduced by 5 per cent largely in terms of staff costs. Efficiency gains are expected from exploiting better complementarity with EXREL.

Field programmes in Africa

21. The **Regional Office in Abidjan** is responsible for regional management, supervision and administrative support for ILO offices in the region. ILO offices are located in Algiers, Antananarivo, Dar es Salaam, Abuja, Lusaka, Pretoria and Kinshasa.

22. There are six ILO subregional offices:

- the Subregional Office for West Africa is located in Abidjan and covers Benin, Burkina Faso, Côte d'Ivoire, Ghana, Liberia, Niger, Nigeria, Sierra Leone and Togo;
- the Subregional Office for East Africa is located in Addis Ababa and covers Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Seychelles, Somalia, United Republic of Tanzania and Uganda;
- the Subregional Office for North Africa is located in Cairo and covers Algeria, Egypt, Libyan Arab Jamahiriya, Morocco, Sudan and Tunisia;
- the Subregional Office for the Sahel Region is located in Dakar and covers Cape Verde, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania and Senegal;
- the Subregional Office for Southern Africa is located in Harare and covers Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe;
- the Subregional Office for Central Africa is located in Yaoundé and covers Angola, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda and Sao Tome and Principe.

23. The total level of resources for the region is reduced by 1.3 per cent or \$593,632. The provision includes one Professional position for liaison with headquarters. The savings have been achieved through reductions in positions, for positions where an incumbent is retiring or where the position has been vacant for an extended period. This process will allow for some rebalancing of grade and technical specialties within the region.

Field programmes in the Americas

24. The Regional Office in Lima is responsible for regional management, supervision and administrative support for ILO offices in the region. A group of regional specialists is located in the Regional Office in Lima.

25. ILO offices are located in Brasilia (Brazil), Buenos Aires (Argentina) and Mexico (Mexico and Cuba). The ILO Office in Washington serves as a liaison point for the United States.

26. There are four ILO subregional offices:

- the Subregional Office for the Caribbean is located in Port-of-Spain and covers Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Netherlands Antilles, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago and Turks and Caicos Islands;
- the Subregional Office for the South Cone of Latin America is located in Santiago and covers Chile, Paraguay and Uruguay;
- the Subregional Office for Central America is located in San José and covers Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama;
- the Subregional Office for the Andean countries is located in Lima and covers Bolivia, Colombia, Ecuador, Peru and Venezuela.

27. The Inter-American Research and Documentation Centre on Vocational Training (CINTERFOR) in Montevideo (Uruguay), in cooperation with ILO subregional offices and ILO offices, develops and consolidates the network of vocational training institutions. It helps to advise constituents on vocational training policies and programmes.

28. The total level of resources for the region has been reduced by 1.3 per cent or \$510,836. This has been accomplished through merging positions and in some cases eliminating them, and rebalancing between Professional and General Service positions. Follow-up work on areas such as decent work and indigenous populations has been redistributed amongst directors of subregional and national offices, regional management and the regional team of specialists. The provision includes one Professional position for liaison with headquarters.

Field programmes in the Arab States

29. The Regional Office in Beirut provides regional management, administrative support for the overall management of ILO activities in the region; financial management of the regional programme; regional monitoring of social and economic developments; the maintenance of relations with regional institutions, and information on ILO activities.

30. The Subregional Office in Beirut covers Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen and the occupied Arab territories in Gaza and the West Bank.

31. The total level of resources for the region has been reduced by 1.3 per cent or \$123,979. This has been accomplished through reductions in staff levels, and restructuring to replace retiring staff with different technical professionals, at lower grades. The remainder of savings have been achieved through reductions in non-staff expenditure.

Field programmes in Asia and the Pacific

32. The Regional Office in Bangkok is responsible for regional management, supervision and administrative support for ILO offices in the region. The Regional Office covers Afghanistan, Australia, New Zealand and Pakistan.

33. ILO offices are located in Beijing, Colombo, Dhaka, Hanoi, Islamabad, Jakarta, Kathmandu and Suva. The ILO Office in Tokyo serves as a liaison point for Japan.

34. There are three ILO subregional offices:

- the Subregional Office for East Asia is located in Bangkok and covers Brunei Darussalam, Cambodia, China, Timor-Leste, Democratic People's Republic of Korea, the Republic of Korea, Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, Singapore, Thailand and Viet Nam;
- the Subregional Office for South-East Asia and the Pacific is located in Manila and covers Fiji, Indonesia, Kiribati, Papua New Guinea, the Philippines, the Solomon Islands and the island countries of the South Pacific;
- the Subregional Office for South Asia is located in New Delhi and covers Bangladesh, Bhutan, India, the Islamic Republic of Iran, Maldives, Nepal, and Sri Lanka.

35. The total level of resources for the region has been reduced by 1.3 per cent or \$549,213. This has been achieved primarily through elimination of positions and streamlining. Measures include merging the fellowship and meeting units, elimination of some local positions in Bangkok and reviewing/reassigning responsibilities of existing local staff, reviewing APSDEP operations so as to attract more external resources and streamlining of regional programming services. The provision includes one Professional position for liaison with headquarters.

Field programmes in Europe and Central Asia

36. The Regional Office in Geneva is responsible for the planning, coordination and implementation of ILO activities in the region and for relations with other institutions, particularly the European Union, the Council of Europe, and the United Nations Economic Commission for Europe.

37. There are seven ILO offices in Ankara, Berlin, Lisbon, London, Madrid, Paris and Rome and an ILO Liaison Office for the European Union and the Benelux countries in Brussels. There are also national correspondents in Albania, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Kazakhstan, Romania and Ukraine.

38. There are two ILO subregional offices:

- the Central and Eastern European Subregional Office is located in Budapest and covers Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, the UNMIK-administrated Kosovo, Latvia, Lithuania, former Yugoslav Republic of Macedonia, Republic of Moldova, Poland, Romania, Serbia and Montenegro, Slovakia, Slovenia, Ukraine;
- the Eastern European and Central Asian Subregional Office is located in Moscow and covers Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan.

39. The total level of resources for the region decreased in real terms by 1.3 per cent. These reductions are taken primarily from travel and other non-staff budget items.

Support services

40. **Information Technology and Communications** is responsible for the ILO information technology infrastructure including hardware, software and connectivity issues, application development consulting services, database administration, IT research and development activities, and IT standards as well as for running IRIS. The total level of resources has been

increased by some \$11.0 million due to the integration of IRIS into the Bureau. Some \$0.6 million of the investment of \$11.6 million referred to in table K of the institutional investments proposed have been absorbed. The integration has resulted in an increase of 30 Professional and five General Service work-years, including a new position to support the Web, as well as an increase of some \$5.5 million in non-staff costs mainly to cover technical services, software licences and maintenance costs associated with running IRIS. Included in this amount is the cost of infrastructure outsourcing, which amounts to some \$2.4 million.

41. Internal Administration manages and administers property services, travel, transport and insurance services, and the management of contracted services, including security, catering and cleaning services. It also deals with issues related to equipment, furniture and supplies; telephone, facsimile and mail services, and the maintenance of the central filing and archives system. Resources have been kept at the same level in view of the difficulties in absorbing cuts in previous biennia, increasing maintenance costs for the ageing headquarters building, and increasing security responsibilities.

Management services

42. General Management incorporates executive management of the Office. As part of general budgetary restrictions, resources have been reduced by 5 per cent. This has been achieved by reducing Professional and General Service work-years and non-staff costs.

43. Human Resources Development manages personnel planning and career development supports. It also administers personnel policies, rules and practices, as well as staff salaries, entitlements, benefits and health insurance. This programme has participated in the overall Office effort for greater efficiency and has reduced its resources by 5 per cent. The reduction was mainly achieved through non-staff costs and reduced General Service work-years. Resources for the Mediator's Office and for the Joint Advisory Appeals Board are included under this programme without prejudice to the reporting arrangements that may be made.

44. Financial Services is responsible for ensuring that financial duties and obligations are carried out effectively and efficiently and are consistent with the Financial Regulations and Rules. As part of general budgetary restriction measures and through efficiency gains to be realized following the implementation of IRIS, resources for this programme have been reduced by 5 per cent. This has been achieved by a decrease of General Service work-years, partially offset by an increase of Professional work-years to take account of the new staffing profile requirements associated with IRIS.

45. Programming and Management provides the Governing Body and Conference with the analysis and proposals necessary to define the ILO's programme of work and to monitor its implementation. It advises on and supports the implementation of improvements in internal structures and management systems. Resources for this programme have been reduced by some \$192,000, representing a 5 per cent decrease. This reduction includes cutting one Professional position.

46. Internal Audit and Oversight is responsible for the oversight function in accordance with article 30(d) of the Financial Regulations of the Organization. It reports directly to the Director-General. Resources have been increased by 2.9 per cent.

47. Evaluation is a new programme responsible for providing independent, high-quality evaluation services to the ILO. Some \$850,000 have been allocated to this new programme to cover core staff and limited external expertise, funded by transfer of resources for this purpose previously in Programming and Management and Development Cooperation.

48. Management and Administration is the Office of the Executive Director for the Management and Administration Sector and replaces the Executive Director Office formerly located under Financial Services. The new position of Executive Director, Management and Administration Sector was established as of October 2004. This new sector includes the Financial Services Department (FINANCE), the Bureau of Programming and Management

(PROGRAM), the Human Resources Development Department (HRD), the Internal Administration Bureau (INTER) and the Information Technology and Communications Bureau (ITCOM). The Executive Director has responsibility for all management and administrative services of the ILO. This provides a measure of coherence and overall control that was lacking in the previous structure. While resources specific to this line have been increased by 48 per cent or \$325,440 to cover two Professional work-years, this has been accomplished within savings for the sector as a whole through compensatory reductions elsewhere.

Other budgetary provisions

49. This programme includes the budgetary provisions for contributions to various ILO funds and United Nations common system and inter-agency bodies, as well as provisions that do not appropriately fall elsewhere in the programme and budget.

50. The amount proposed for other budgetary provisions remains the same in real terms as that provided for in 2004-05.

51. *Loan annuities in the ILO building*: Provision is made for the payment of two annuities of 3,702,300 Swiss francs in 2006 and 2007 (equivalent of \$5,525,818 for the biennium) for the loan from the Swiss Property Foundation for the International Organizations (FIPOI) in connection with the ILO headquarters building. The loan will be fully repaid by the year 2025.

52. *ILO Staff Pensions Fund*: On the basis of the most recent valuation, it is estimated that a regular budget contribution to the Fund of some \$1,057,000 will be required for the biennium 2006-07.

53. *Special Payments Fund*: The purpose of this Fund is to make periodic ex gratia payments to former officials or their spouses in accordance with criteria approved by the Governing Body. The regular budget contribution to the Fund of 200,000 Swiss francs is maintained at the same level as in the previous biennium.

54. *Staff Health Insurance Fund: Contribution for the insurance of retired officials*: This provision which amounts to some \$12.3 million covers the ILO's contribution to the Staff Health Insurance Fund in respect of the insurance of retired officials, invalidity pensioners and survivors (spouses and orphans) and is maintained at the same level as in the previous biennium. Paragraphs 32-44 of Information annex 2 describes measures required to address increased costs of SHIF operations.

55. *Contribution to the Building and Accommodation Fund*: The regular budget provision under this heading is some 370,000 Swiss francs per biennium (some \$275,000) which is at the same level as the previous biennium.

56. *Contribution to various United Nations common system bodies and inter-agency committees*: The contributions to the various United Nations common system bodies and inter-agency committees are as follows:

- Joint Inspection Unit (\$282,594).
- Chief Executives Board (\$195,302) in respect of:
 - *High-Level Committee on Management* (\$164,129)
 - *High-Level Committee on Programme* (\$31,173).
- International Civil Service Commission (\$689,827).
- United Nations System Staff College (\$52,161).
- Salary Survey Activities (\$134,099).

The total provision of some \$1.4 million (excluding JMS which is described below) covers ILO contributions to these UN common system entities and remains the same in real terms as that for 2004-05.

57. *Joint Medical Service:* The 2004-05 Programme and Budget document referred to the Office's intention to establish an Occupational Safety and Health Unit that would, inter alia, replace the current Health Services Unit. During the course of the 2004-05 biennium, following discussions between the participating organizations on reform of the Joint Medical Service (JMS), it has been decided to disband the JMS and absorb the individual medical units within each organization. The provision contained in the budget to cover ILO's contribution to the JMS will be used to establish an Occupational Safety and Health Unit as an integral part of the Office, incorporating the existing functions of the current Health Services Unit. The staffing and functioning of the Unit will be possible within the budget previously provided for the JMS of \$1,439,839.

58. *External audit costs:* The provision under this heading amounting to \$670,770 includes the cost of the audit of all the funds for which the Director-General has custody (regular budget, UNDP, trust funds, extra-budgetary accounts and all other special accounts).

59. *Administrative Tribunal:* The resources under this heading provide for the Registrar of the Administrative Tribunal, part-time secretarial support, and a share of other operating costs. Other operating costs consist of the costs of the Assistant Registrar, clerical assistance, mission credits, translation work, the maintenance of computer database of the Tribunal's case law, and the judges' fees and travel expenses, which are apportioned on the basis of the proportion of ILO staff to the total number of staff of organizations which have accepted the jurisdiction of the Tribunal, and the number of cases involving the ILO to the total number of cases brought before the Tribunal during the biennium. The amount provided remains the same in real terms as in the previous biennium.

60. *Staff representation:* By article 10.1 of the Staff Regulations, members of the Staff Union Committee are allowed time off for the purpose of representing the staff of the Office on questions of conditions of work and terms of employment. As in previous biennia, a provision of four Professional and one General Service work-years is proposed to partially finance replacements in those units in which members of the Staff Union Committee normally work. A further 2/00 General Service work-years provides for a secretary for the Staff Union. The total provision for staff representation amounts to some \$947,000.

61. *International School of Geneva:* The contribution to the International School of Geneva amounts to 88,400 Swiss francs (some \$66,000).

62. *Childcare facilities:* An amount of 270,000 Swiss francs (some \$204,000), which is at the same level as in the previous biennium, is provided for childcare facilities.

63. *Unpaid liabilities:* The amount of \$2,000 provides for the payment in 2006-07 of such transactions in respect of previous years as would not be appropriate to pay from any other item of the budget. This provision is required by article 17 of the Financial Regulations.

Part II: Unforeseen expenditure

64. Provision is made under this item for unforeseen and extraordinary expenses, i.e. those which may arise when, as a result of Governing Body decisions taken after the adoption of the budget, or for any other reason, an approved budget credit is no longer sufficient for the purpose envisaged; or when the Governing Body approves an item of work or an activity for which no provision has been made in the budget.

65. In accordance with article 15 of the Financial Regulations, no part of the resources provided under this item may be used for any other purpose without the specific prior authorization of the Governing Body.

66. The total supplementary expenditure authorizations approved by the Governing Body in respect of recent financial periods have been as follows:

<i>Financial period</i>	<i>US dollars</i>
1994-95	1,378,500
1996-97	438,900
1998-99	8,682,250
2000-01	2,550,600
2002-03	3,520,000

67. Normally, these authorizations have been provided in the first instance for financing to the extent possible out of budgetary savings; failing this, out of the credit under this item; and after exhaustion of this credit, by a withdrawal from the Working Capital Fund.

68. As described in paragraphs 107-111, it is proposed to increase the provision under Part II of the budget from \$875,000 to \$2.0 million.

Part III: Working Capital Fund

69. The Working Capital Fund is established for the following purposes, as defined in article 19(1) of the Financial Regulations:

- (a) to finance budgetary expenditure pending receipt of contributions or other income; and
- (b) in exceptional circumstances and subject to prior authorization of the Governing Body, to provide advances to meet contingencies and emergencies.

70. *Level of the Working Capital Fund:* The level of the Working Capital Fund was set at 35 million Swiss francs on 1 January 1993 by the International Labour Conference at its 80th Session (June 1993).

71. *Refund of withdrawals:* Under the provisions of article 21.2 of the Financial Regulations, any withdrawals from the Working Capital Fund to finance budgetary expenditure pending the receipt of contributions shall be reimbursed from arrears of contributions received. However, where the withdrawal was used to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, it shall be reimbursed from an additional assessment on member States. It is expected that no provision will be necessary under this part of the budget in 2006-07.

Part IV: Institutional investments and extraordinary items

72. These are fully described in the section "The budgetary basis of the Programme and Budget proposals".

Information annex 2

Details of cost increases

Proposed operational budget – Analysis of increases and decreases

	2004-05	2006-07 estimates in constant 2004-05 dollars	Programme increases (decreases)		Cost increases (decreases)		2006-07	% of total budget
	\$	\$	\$	%	\$	%	\$	%
PART I. ORDINARY BUDGET								
Policy-making organs	65,078,793	61,077,991	-4,000,802	-6.1%	2,935,267	4.8%	64,013,258	10.8%
International Labour Conference	11,863,443	10,110,203	-1,753,240	-14.8%	325,282	3.2%	10,435,485	
Governing Body	4,795,632	4,770,632	-25,000	-0.5%	107,028	2.2%	4,877,660	
Major Regional Meetings	615,467	783,118	167,651	27.2%	37,523	4.8%	820,641	
Legal services	2,734,660	2,597,927	-136,733	-5.0%	206,004	7.9%	2,803,931	
Relations, meetings and document services	45,069,591	42,816,111	-2,253,480	-5.0%	2,259,430	5.3%	45,075,541	
Strategic objectives	397,926,949	402,910,307	4,983,358	1.3%	27,982,782	6.9%	430,893,089	72.8%
Technical programmes	192,167,775	188,246,805	-3,920,970	-2.0%	11,859,117	6.3%	200,105,922	33.8%
Standards and fundamental principles and rights at work	29,127,143	28,451,056	-676,087	-2.3%	1,872,155	6.6%	30,323,211	
Employment	38,285,619	37,417,902	-867,717	-2.3%	2,388,764	6.4%	39,806,666	
Social protection	27,321,168	26,684,543	-636,625	-2.3%	1,793,984	6.7%	28,478,527	
Social dialogue	42,732,658	42,027,461	-705,197	-1.7%	2,708,318	6.4%	44,735,779	
Cross-cutting programmes								
Communication and public information	20,441,149	20,212,209	-228,940	-1.1%	1,345,091	6.7%	21,557,300	
External relations and partnerships	5,090,936	4,989,117	-101,819	-2.0%	375,957	7.5%	5,365,074	
Gender equality	2,314,833	2,270,308	-44,525	-1.9%	140,315	6.2%	2,410,623	
ILO contribution to fair globalization	941,504	894,429	-47,075	-5.0%	38,941	4.4%	933,370	
International Institute for Labour Studies	4,942,004	4,843,164	-98,840	-2.0%	72,890	1.5%	4,916,054	
International Training Centre of the ILO, Turin	5,874,277	5,874,277	-	0.0%	258,001	4.4%	6,132,278	
Policy integration	6,648,812	6,482,609	-166,203	-2.5%	430,236	6.6%	6,912,845	
Statistics	6,655,921	6,557,979	-97,942	-1.5%	367,722	5.6%	6,925,701	
Technical Meetings Reserve	1,791,751	1,541,751	-250,000	-14.0%	66,743	4.3%	1,608,494	
Regions and technical cooperation	159,146,527	157,044,843	-2,101,684	-1.3%	12,607,138	8.0%	169,651,981	28.7%
Development cooperation	2,602,220	2,472,109	-130,111	-5.0%	191,053	7.7%	2,663,162	
Field programmes in Africa	47,141,362	46,547,730	-593,632	-1.3%	4,892,795	10.5%	51,440,525	
Field programmes in the Americas	40,698,403	40,187,567	-510,836	-1.3%	2,394,798	6.0%	42,582,365	
Field programmes in Arab States	9,748,246	9,624,267	-123,979	-1.3%	797,259	8.3%	10,421,526	
Field programmes in Asia and the Pacific	43,630,219	43,081,006	-549,213	-1.3%	2,466,362	5.7%	45,547,368	
Field programmes in Europe and Central Asia	15,326,077	15,132,164	-193,913	-1.3%	1,864,871	12.3%	16,997,035	
Support services	46,612,647	57,618,659	11,006,012	23.6%	3,516,527	6.1%	61,135,186	10.3%
Information technology and communications	11,601,627	22,607,639	11,006,012	94.9%	1,538,248	6.8%	24,145,887	
Internal administration	35,011,020	35,011,020	-	0.0%	1,978,279	5.7%	36,989,299	
Management services	45,791,102	44,808,546	-982,556	-2.1%	2,566,833	5.7%	47,375,379	8.0%
General management	7,541,470	7,164,397	-377,073	-5.0%	403,030	5.6%	7,567,427	
Human Resources Development	19,355,855	18,388,062	-967,793	-5.0%	955,560	5.2%	19,343,622	
Financial Services	13,130,378	12,473,859	-656,519	-5.0%	730,100	5.9%	13,203,959	
Programming and Management	3,847,253	3,654,890	-192,363	-5.0%	274,565	7.5%	3,929,455	
Internal Audit and Oversight	1,237,836	1,273,912	36,076	2.9%	84,516	6.6%	1,358,428	
Evaluation	-	849,676	849,676	n/a	57,816	6.8%	907,492	
Executive Director's Office, management and administration	678,310	1,003,750	325,440	48.0%	61,246	6.1%	1,064,996	
Other budgetary provisions	24,459,087	24,459,087	-	0.0%	5,788,722	23.7%	30,247,809	5.1%
Adjustment for staff turnover	-4,540,931	-4,540,931	-	0.0%	-302,094	6.7%	-4,843,025	-0.8%
TOTAL PART I.	528,715,000	528,715,000	0	0.0%	38,971,510	7.4%	567,686,510	95.9%

	2004-05	2006-07 estimates in constant 2004-05 dollars	Programme increases (decreases)		Cost increases (decreases)		2006-07	% of total budget
	\$	\$	\$	%	\$	%	\$	%
PART II. UNFORESEEN EXPENDITURE								
Unforeseen expenditure	875,000	2,000,000	1,125,000	128.6%	-	0.0%	2,000,000	0.3%
PART III. WORKING CAPITAL FUND								
Working Capital Fund	-	-	-	-	-	-	-	-
TOTAL (PARTS I-III)	529,590,000	530,715,000	1,125,000	0.2%	38,971,510	7.3%	569,686,510	96.3%
PART IV. INSTITUTIONAL INVESTMENTS & EXTRAORDINARY ITEMS								
Security	-	3,770,000	3,770,000	n/a	103,419	2.7%	3,873,419	
Accommodation	-	6,610,000	6,610,000	n/a	-	-	6,610,000	
Information and communication technology	-	3,300,000	3,300,000	n/a	-	-	3,300,000	
Maritime Session of the International Labour Conference	-	3,465,000	3,465,000	n/a	82,583	2.4%	3,547,583	
Adjustment for staff turnover	-	4,540,931	4,540,931	n/a	302,094	6.7%	4,843,025	
TOTAL PART IV.	-	21,685,931	21,685,931	n/a	488,096	2.3%	22,174,027	3.7%
TOTAL (PARTS I-IV)	529,590,000	552,400,931	22,810,931	4.3%	39,459,606	7.1%	591,860,537	100.0%

Methodology

1. The strategic and operational budget proposals are initially developed at constant cost rates, to allow comparability of the approved 2004-05 budget with the budget proposed for 2006-07. This information annex provides details on the methodology used for calculating the cost increases for 2006-07 and the amounts proposed.

Basis for calculation of cost increases

2. The estimated changes in costs are developed from detailed calculations of each component of staff and non-staff expenditure, and any projected percentage increases are applied to the 2006-07 budget at constant 2004-05 cost rates for the corresponding object of expenditure. The amounts projected make extensive use of verifiable independent and consensus forecast data on consumer price indices to the extent available and published data of authoritative bodies such as the International Civil Service Commission (ICSC), the International Monetary Fund (IMF), and central banks. Specific consideration is given to input costs and trends in decentralized locations, as inflation varies significantly between and within regions where the ILO operates.

3. Standard costs are used for all Professional staff, regardless of location of assignment and for General Service staff in Geneva. The standard costs are composed of a number of elements that reflect cost of living, conditions of service, places or recruitment and assignment of staff etc. as reflected in the salaries and allowances. Increases in standard cost elements are based on the latest salary-related policies and decisions approved by the United Nations General Assembly under the recommendation of the ICSC for general application throughout the UN common system. As the ILO participates in the UN common system of salaries and allowances, the Office has an obligation to apply these statutory increases.

4. For Geneva-based non-staff costs, increases are based on inflation for Switzerland as forecasted by the major financial institutions in Switzerland and cost trends and projections by major providers of services in Geneva.

5. For the field-based portions of the budget, the most recent local salary scales have been used to which have been applied inflation forecasts as published in independent sources such as the latest *World Economic Outlook* of the International Monetary Fund for the different countries in which the offices are located. As available inflation forecasts rarely go beyond two years in advance, these forecasts are extrapolated for the 2006-07 biennium. The rates are adjusted to reflect the impact of exchange rate movements since the establishment of the previous budget.

6. In approving successive Programme and Budgets, the International Labour Conference has recognized the need to incorporate increases to the constant dollar budget to ensure funding is available to maintain the desired level of service to constituents. Table A2-1 provides a summary of the amount of approved cost increases and the corresponding percentages for prior biennia.

Table A2-1. Historical cost increases

Biennium	Biennial % increase	US dollars
1992-93	13.62	44,853,593
1994-95	9.99	40,521,000
1996-97	6.26	29,192,345
1998-99	1.95	10,682,428
2000-01	-0.16	-785,000
2002-03	1.51	7,022,705
2004-05	3.22	13,980,730

Cost increases for 2006-07

7. Inflation forecasts for Geneva are 0.9 per cent in 2005 with one institution forecasting a rate of 1.7 per cent for 2006. For the purpose of this budget, a conservative 1.0 per cent annual rate of inflation has been assumed for 2005, 2006 and 2007. For certain programmes involving specific types of expenditure, it is not realistic to use the average rates of cost increases. Where special consideration has been given, this is explicitly reported below.

8. As stated above, the principal source of inflation estimates for field locations is IMF data. For these locations, the latest 2004 costs are increased for estimated inflation in 2005, 2006, and 2007, and take account of changes 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 increase vary considerably between and within regions. Table A2-2 shows the projected average annual rate for each region, in dollar terms.

Table A2-2. Projected average annual rate by region

Region	Annual % increase
Africa	5.1
The Americas	4.0
Arab States	1.8
Asia and the Pacific	4.6
Europe	3.7

9. Table A2-3 summarizes the proposed cost increases for 2006-07 by object of expenditure. The total provision for cost increases amounts to US\$39.46 million, or 7.1 per cent over the biennium.

Table A2-3. Cost increases by object of expenditure (US dollars)

Object of expenditure	Budget proposals (in constant US dollars)	Cost increases	Biennial % increase
Staff costs	376,783,835	25,802,754	6.8
Travel on official business	15,096,774	624,323	4.1
Contractual services	28,002,292	1,820,447	6.5
General operating expenses	37,170,842	2,153,508	5.8
Supplies and materials	5,481,070	437,899	8.0
Furniture and equipment	3,890,717	42,596	1.1
Loan amortization for HQ building	5,525,818	0	0.0
Fellowships, grants and RBTC	72,312,761	3,285,931	4.5
Other costs	8,136,822	292,148	3.6
Subtotal	552,400,931	34,459,606	6.2
Staff health insurance fund	-	5,000,000	-
Total	552,400,931	39,459,606	7.1

Staff costs

10. Staff costs account for some 68 per cent of the overall expenditure budget and the related cost increase of US\$25.8 million (6.8 per cent) constitutes the largest change in absolute terms. The staff cost increases for 2006-07 reflect the full biennial effect of cost adjustments that have already occurred at this stage in the current biennium.

Staff costs comprise:

- all Professional staff costs, and General Service staff at headquarters, which are budgeted at standard cost and are more fully described below;
- interpreters, committee secretaries and short-term Conference staff, where the proposed provision for cost increase is in line with that provided for Professional and General Service staff at headquarters and agreements with the International Association of Conference Interpreters; and
- locally recruited staff, where the provision corresponds to the projected average annual rate for each office and region as tabulated above.

Staff calculated at standard costs

11. Separate standard costs are used for all Professional staff, regardless of location of assignment, and General Service staff in Geneva. The 2006-07 standard costs are an extrapolation of costs in 2004 with appropriate allowances for expected trends of inflation, changes in staff entitlements, and the movement and overall composition of staff. Cost increases are provided to cover an increase in the standard cost for one Professional staff work-year from US\$162,720 to US\$174,744. The standard cost for one General Service staff work-year at headquarters has increased from US\$98,796 to US\$102,744.

12. Although these standard cost rates have been reflected in the provision for cost increases, the standard costs per work-year used in the estimates in the budget tables in information annex 1 are those for 2004-05, as the proposals are presented in 2004-05 constant dollars. When the budget is adopted by the Conference in June, the budget tables will be restated to reflect staff costs including the estimated cost increases and the impact of the new budget rate of exchange for the 2006-07 biennium.

13. *Professional category:* The projected cost of Professional staff includes an adjustment for the increase in base/floor salary of 1.88 per cent as recommended to the United Nations General Assembly by the ICSC in July 2004. This increase was offset by a corresponding decrease in post adjustment rates. Other elements of the standard cost that are dependent upon base salary

(e.g., pensionable remuneration, contribution to health insurance and the contribution to the terminal benefits fund) have been revised accordingly. Increases in base salary resulting from statutory entitlements relating to length of service have been applied.

14. Changes in the post adjustment indices arise from exchange rate fluctuations and movements in the cost of living. As the budget is set at a fixed Swiss franc-US dollar budget rate of exchange, and the current proposals are established at the existing budget rate of exchange, there are no changes in Geneva post adjustment arising from this factor. However, there was a statutory increase in the Geneva post adjustment index in August 2004 for cost-of-living which significantly exceeded the provision made in the 2004-05 budget.

15. Post adjustment rates in field locations are determined by the ICSC and reflect the relevant cost of living and the relationship between the local currency and the US dollar. The recent weakening of the US dollar has led to an unanticipated increase of some 1.5 percentage points for this element.

16. The Pension Board has not recommended any change to the total rate of contribution to the United Nations Joint Staff Pension Fund or to the share financed by member organizations. It is assumed that the status quo with regard to the rate would continue throughout the 2006-07 biennium. However, pensionable remuneration of the professional and higher categories as determined by the United Nations Joint Staff Pension Board continues to increase at higher rates than those contained in the previous Programme and Budget. Increases promulgated by the United Nations Joint Staff Pension Fund in September 2003 and 2004 were 5.1 and 4.4 per cent respectively. Annual increments linked to forecasted New York inflation have been provided for in the 2006-07 estimates.

17. For Professional officials, an increase in the number of eligible dependants has been observed during the current biennium resulting in a significant increase in the number of claimants for this statutory entitlement.

18. *General Service category:* The next comprehensive salary survey of the Geneva duty station is not foreseen before May 2007. Therefore, only a provision for annual inflation of 1.0 per cent has been included in the salary projection for General Service staff. As most officials in this category are locally engaged, a lower provision has been made to cover expatriate benefits due to non-local staff, such as home leave.

19. Pensionable remuneration for staff in the General Service category is the dollar equivalent of the sum of the local gross salary, any language allowance and any non-resident's allowance payable. There is a net decrease in the provision for this item due to over-budgeting of the item in the 2004-05 budget.

20. During the current biennium an increase in the number of eligible dependants has been observed. This has resulted in a significant increase in the number of claimants for this statutory entitlement.

21. Table A2-4 shows the composition of the standard costs, with comparative figures for 2004-05. The Swiss franc component of the standard cost elements of the Professional category is based on an exchange rate of 1.34 Swiss francs to the US dollar. The standard cost elements of the General Service category are in Swiss francs.

Table A2-4. Composition of standard costs, 2004-05 and 2006-07

Staff category	2004-05 budget in US\$ at the rate of CHF 1.34	2006-07 budget in US\$ at the rate of CHF 1.34
Professional category		
Base salaries	78,645	81,441
Post adjustment	35,630	38,640
Dependency allowances	2,200	2,556
ILO contribution to the pension fund	22,690	26,796
ILO contribution to staff health and other insurances	2,900	3,792
Education grants and scholastic travel	5,980	6,324
Relocation travel and allowances and terminal payments	14,675	15,195
Total	162,720	174,744
	2004-05 budget (Sw.frs.)	2006-07 budget (Sw.frs.)
General Service category		
Base salaries	98,129	103,099
Dependency allowances	6,980	7,917
ILO contribution to the pension fund	20,925	20,300
ILO contribution to staff health and other insurances	3,090	3,289
Education grants and scholastic travel	1,255	1,338
Relocation travel and allowances and terminal payments	2,010	1,721
Total	132,389	137,664
	\$98,796 at 1.34 Sw.frs. to the US dollar	\$102,744 at 1.34 Sw.frs. to the US dollar

Non-staff costs

Travel on official business

22. An annual inflation rate of 1.6 per cent has been provided on ticket costs reflecting movements in published fares and takes account of anticipated greater use of more economical means of travel. Increases have also been provided for subsistence allowances to reflect real increases in DSA rates in the different locations in which the ILO operates. The projected cost increases relating to travel, include some US\$112,000 for members of the Governing Body, the Committee of Experts on the Application of Conventions and Recommendations, and participants in sectoral and technical meetings.

Contractual services

23. Cost increases for external collaboration contracts are based on the percentage increase for Professional staff at 3.8 per cent per annum. External printing and binding contracts are forecast to increase at the same rate as for paper, i.e. some 7.5 per cent. The location annual rate of inflation has been assumed for other categories of contractual services.

General operating expenses

24. *Fuel oil*: It is difficult to estimate accurately the evolution of fuel prices in the light of recent significant fluctuations in crude oil prices. Based on historical trends, an annual inflation rate of 4.5 per cent has been assumed.

25. *Other utilities*: In the absence of any other information, it is assumed that water and electricity rates will increase at the general rate of inflation.

26. *Communications*: The rapid fall in communication costs due to increased competition among service providers and technology advances over recent biennia has now slowed although the availability and increased use of mobile telephone technology has countered these cost reductions. Cost increases for this category of expenditure have been calculated at the general rates of inflation for each location.

27. *Rent*: Provisions have been made to cover contractual increases for rent and increased costs following relocations for security reasons. The unanticipated increase in insurance premiums for the headquarters building of some \$340,000 has also been included.

Supplies, materials, furniture and equipment

Paper and printing supplies, periodicals, journals etc.

28. Based on industry forecasts, pulp prices are expected to increase by between 8 and 9 per cent per annum and increases for paper are expected to range from 2 to 11.7 per cent depending on the paper type. Overall cost increases of 7.6 per cent per annum have been applied for paper and stationery supplies. The cost of library materials, in particular periodicals continues to increase at rates significantly higher than general inflation. Books, periodicals and other subscriptions have been increased by an annual average of 5.1 per cent.

Acquisition of furniture and equipment

29. In line with current price trends, no increases have been provided for data-processing equipment. Cost increases for acquisition of furniture and other equipment have been assumed at location annual rates of inflation.

Fellowships, grants and regular budget technical cooperation

30. A cost increase of 4.5 per cent per annum in dollar terms has been applied to regular budget technical cooperation field projects. RBTC activities have both field and headquarters components resulting in forecasted cost increases based on location. Cost increases of 2.9 per cent per annum in dollar terms have been provided for the contribution to the ILO Training Centre in Turin, reflecting forecast inflation in Italy, and 9 per cent per annum local inflation in Uruguay to cover the non-staff components of the contribution to the Inter-American Research and Documentation Centre on Vocational Training (CINTERFOR). As training costs comprise mainly travel, consultancy and printing elements, the inflation rates relating to each of the components have been applied in determining the level of the cost increase for this item.

Other expenditure

31. This is composed of joint administrative activities within the United Nations system (e.g. International Civil Service Commission, High-Level Committee on Management, UN Joint Inspection Unit etc.). 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 (1.0 per cent for Geneva and 2.4 per cent for New York). In addition, minor modifications have occurred in the apportionment of the costs between participating agencies. An amount of some \$673,000 has been provided to cover the increased cost of the ILO's contribution towards the Staff Health Insurance Fund for retired officials due to increasing number of retirees and local inflation.

Staff health insurance

32. A general provision of \$5,000,000 has been made to cover an expected increase in the Organization's share of the cost of providing health care to serving and retired officials. The details of this proposal follow. Although it is probable that a portion of this increase will be attributed to staff costs, until the final proposal is approved by the Governing Body, for sake of presentation, the total provision is temporarily included under other expenditure.

33. Health Insurance for ILO staff, their dependants and former officials is provided under the joint ILO/ITU Staff Health Insurance Fund. The Fund is an autonomous, self-administered scheme whose main income is derived from contributions assessed upon the salary or pension of the insured members and from contributions paid by the employing organization. Benefits are generally paid at the rate of 80 per cent of medical costs, subject to maxima in respect of such items as hospital accommodation and optical and dental care. There is a supplementary benefit arrangement to help cover very high family medical expenses falling in any particular year where benefits can be paid at the rate of 95 per cent.

34. The Regulations of the Fund prescribe that reserves shall be kept at a certain level. They shall not be less than one-sixth of the expenditure during the previous three financial years nor exceed one-half of the expenditure over the same period. When accumulated income goes above or below these statutory limits the Management Committee of the Fund is required to take corrective action either by adjustment of the contribution rate or of benefits, or a combination of both.

35. The present structure of the Fund was established in 1969 when the scheme was extended to cover field project personnel and their families. The initial contribution rate was fixed at 3.0 per cent. The insured member paid 1.5 per cent, the Organization matching this payment. Subsequent increases in contribution rate have entered into force as follows:

- 1 March 1978: 3.6 per cent (insured person 1.8 per cent/Organization 1.8 per cent);
- 1 January 1986: 4.0 per cent (insured person 2.0 per cent/Organization 2.0 per cent);
- 1 March 1988: 4.6 per cent (insured person 2.3 per cent/Organization 2.3 per cent);
- 1 January 1990:
 - Active staff: 5.6 per cent (insured person 2.8 per cent/Organization 2.8 per cent).
 - Retirees: 8.4 per cent (insured person 2.8 per cent/Organization 5.6 per cent).

36. It should be noted that in 1990 the ILO and ITU agreed to double the organizations' share of the contributions for former officials¹ in view of the growing proportion of retired staff whose contributions did not cover the cost of benefit expenditure.

37. As a result of this adjustment in 1990, the Fund was able to maintain its financial equilibrium over the 12 years from 1990 to 2002. During that period, the Fund's contribution rates remained unchanged while other comparable health schemes in the UN system significantly increased their insurance premiums.

38. Since the beginning of 2003 however, there has been a progressive deterioration in the financial situation of the Fund. Regular monthly operating deficits have been recorded. These are principally attributable to the sharp increase in medical costs, particularly in Switzerland (where 80 per cent of costs are incurred).² See tables A2-5 and A2-6 for further information.

¹ See ILO documents GB.239/PFA/12/2 and GB.239/205; GB.241/PFA/9/5 and GB.241/205.

² Spending on health care in most OECD countries has risen dramatically over the past five years. Combined with lower economic growth, the increase in health spending has driven the share of health expenditure as a percentage of GDP up from an average 7.8 per cent in 1997 to 8.5 per cent in 2002. In Switzerland health-care spending reached \$3,445 per capita in 2002, far above the OECD average of \$2,144. Health-care spending in Switzerland is the second largest in OECD countries (source: OECD health data, 2004).

Table A2-5. SHIF: Net result from operations,* 1999-2003 (US\$)

	1999	2000	2001	2002	2003	2004 (estimate)
Surplus/(deficit)	1,145,998	(835,539)	766,794	165,785	(3,726,926)	(5,920,149)

*Total contributions received less benefits paid.
Source: SHIF, annual reports.

Table A2-6. SHIF: Average benefits paid per insured member 1999-2003 (US\$)

Category	1999	2000	2001	2002	2003	% increase
Active staff	1,036	1,091	1,022	1,213	1,472	42.11%
Retirees	3,265	3,285	3,142	3,396	4,541	39.07%

Source: SHIF, annual reports.

39. This increase in costs has not been offset by a similar growth in the salaries or pension upon which contribution premiums are based, or by any improvement in demographic trends, as table A2-7 shows.

Table A2-7. SHIF membership* (ILO and ITU combined)

Category	1999	2000	2001	2002	2003	% change
Active staff	3,493	3,527	3,530	3,546	3,608	3.29%
Dependants	4,844	4,686	4,665	4,723	4,713	-2.70%
Subtotal	8,337	8,213	8,195	8,269	8,321	-0.19%
Retirees	2,173	2,251	2,329	2,394	2,448	12.66%
Dependants	1,222	1,266	1,306	1,335	1,316	7.69%
Subtotal	3,395	3,517	3,635	3,729	3,764	10.87%
TOTAL	11,732	11,730	11,830	11,998	12,085	3.0%

* Excluding voluntarily covered dependants.

Source: SHIF, annual reports.

40. The latest biennial actuarial review, which is being finalized at the moment, indicates that the current negative trend is likely to continue. According to the actuarial projection, SHIF Guarantee Fund reserves will decrease below the minimum level prescribed by the rules by the end of 2006, as table A2-8 shows.

Table A2-8. Projection of SHIF Guarantee Fund (in millions of US\$)

	2004	2005	2006	2007	2008	2009
Cash flow						
Contributions		24,386	24,923	25,481	26,046	26,626
Expenditure		(31,797)	(33,999)	(36,261)	(38,521)	(40,914)
Net cash flow		(7,411)	(9,076)	(10,780)	(12,475)	(14,288)
Guarantee Fund at the end of the year		30,532	22,885	13,068	969	(13,660)
Minimum prescribed level of the Guarantee Fund		14,486	16,139	17,009	18,130	19,282

Source: SHIF actuarial review, by Hewitt Associates, November 2004 (based on 2003 data).

41. In view of these negative trends, the SHIF Management Committee is considering the necessary measures to restore the financial equilibrium of the SHIF as required by the Regulations of the Fund. It is examining possible measures to enhance cost containment, such as more economical arrangements with health care providers through the introduction of direct payment facilities. In addition, the Management Committee is considering the possibility of

rationalizing the current schedule of benefits, with a view to reducing the reimbursement rate for non-essential medical treatments, including the possible introduction of deductibles.

42. While rationalization and reduction of benefits are being considered by the Management Committee, the current trend indicates that a significant increase in contribution income in the next biennium will be necessary.

43. According to the actuarial projections, an increase of approximately 50 per cent in contribution income would be necessary to restore the financial equilibrium of the Fund in the long run. As it is unlikely that an immediate increase of 50 per cent in contribution rates would be supported by both participants and the organizations, a smaller increase combined with cost containment measures is being considered by the Management Committee. Although a consensus has not yet been reached concerning the necessary increase in contribution rates or distribution between categories of insured members, ongoing consultations could result in proposals for an overall increase of approximately 25 per cent in contributions. Assuming a continuation of the current cost-sharing ratios between participants and organizations, this will entail a cost increase for the Office of approximately US\$5,000,000 per biennium and an increase for participants of approximately US\$3,780,000. Given that the SHIF annual operating deficit recorded at the end of 2004 was lower than the actuarial projections, the envisaged increase in contribution income would enable the balance in the Guarantee Fund to remain within the prescribed limits during the next biennium.

44. Considering the need to obtain the appropriate financial authority within the programme and budget process, the Director-General considers it appropriate to inform the Governing Body of the possible cost increase in respect of the Staff Health Insurance Fund and to include a provision within the estimated cost increases for 2006-07. A further report to the Governing Body will be provided in November 2005, as the Management Committee continues its examination of the financial trends of the Fund in the light of the actuarial study and submits concrete recommendations to the Executive Heads on contribution rates.

Information annex 3

Proposed operational budget by item and object of expenditure

		1	2	3	4	5	6	7	8	9	Total
		Staff costs	Travel on official business	Contractual services	General operating expenses	Supplies and materials	Furniture and equipment	Loan amortization for HQ building	Fellowships, grants and RBTC	Other items	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PART I. ORDINARY BUDGET											
Policy-making organs											
International Labour Conference	2004-05	8,230,980	198,626	1,749,702	1,359,606	252,194	55,720	-	16,615	-	11,863,443
	2006-07	7,035,481	55,000	1,507,956	1,240,766	244,000	10,000	-	17,000	-	10,110,203
Governing Body	2004-05	2,206,179	2,492,275	-	97,178	-	-	-	-	-	4,795,632
	2006-07	2,181,179	2,492,275	-	97,178	-	-	-	-	-	4,770,632
Major Regional Meetings	2004-05	253,092	122,600	109,368	123,611	6,796	-	-	-	-	615,467
	2006-07	229,000	204,325	93,507	250,555	5,731	-	-	-	-	783,118
Legal services	2004-05	2,602,824	24,099	83,553	-	-	8,905	-	15,279	-	2,734,660
	2006-07	2,504,998	24,099	44,646	-	-	8,905	-	15,279	-	2,597,927
Relations, meetings and document services	2004-05	42,243,338	36,366	1,517,496	239,868	274,855	741,708	-	15,960	-	45,069,591
	2006-07	39,960,347	34,548	1,368,864	239,868	261,113	704,623	-	246,748	-	42,816,111
Total	2004-05	55,536,413	2,873,966	3,460,119	1,820,263	533,845	806,333	-	47,854	-	65,078,793
	2006-07	51,911,005	2,810,247	3,014,973	1,828,367	510,844	723,528	-	279,027	-	61,077,991
Strategic objectives											
Technical programmes											
Standards and fundamental principles and rights at work	2004-05	24,695,541	1,328,620	1,686,450	-	-	128,108	-	1,288,424	-	29,127,143
	2006-07	23,222,517	1,381,678	2,160,266	32,500	-	123,510	-	1,530,585	-	28,451,056
Employment	2004-05	30,649,643	2,194,689	2,835,596	-	133,721	369,930	-	2,102,040	-	38,285,619
	2006-07	29,087,861	1,545,945	3,605,222	-	133,721	369,930	-	2,675,223	-	37,417,902
Social protection	2004-05	23,182,391	1,017,493	1,708,853	14,313	22,558	191,383	-	1,184,177	-	27,321,168
	2006-07	23,124,061	756,908	1,213,871	9,078	38,337	123,047	-	1,419,241	-	26,684,543
Social dialogue	2004-05	28,914,519	3,375,561	1,755,651	19,660	7,043	155,465	-	8,504,759	-	42,732,658
	2006-07	28,756,542	808,724	1,627,553	2,074,185	5,633	80,839	-	8,673,985	-	42,027,461
Cross-cutting programmes											
Communication and public information	2004-05	15,658,768	313,336	2,795,238	127,625	1,272,528	215,147	-	58,507	-	20,441,149
	2006-07	15,410,882	366,372	2,877,236	101,425	1,109,358	180,929	-	166,007	-	20,212,209
External relations and partnerships	2004-05	4,176,747	189,169	67,018	569,287	31,407	57,308	-	-	-	5,090,936
	2006-07	4,147,314	83,210	20,120	610,940	11,300	29,033	-	87,200	-	4,989,117
Gender equality	2004-05	1,802,104	93,820	223,462	-	1,425	22,740	-	171,282	-	2,314,833
	2006-07	1,709,824	93,820	271,217	-	1,425	22,740	-	171,282	-	2,270,308
ILO contribution to fair globalization	2004-05	-	301,188	455,756	66,710	-	-	-	117,850	-	941,504
	2006-07	-	301,188	408,681	66,710	-	-	-	117,850	-	894,429
International Institute for Labour Studies	2004-05	-	-	-	-	-	-	-	4,942,004	-	4,942,004
	2006-07	-	-	-	-	-	-	-	4,843,164	-	4,843,164
International Training Centre of the ILO, Turin	2004-05	-	-	-	-	-	-	-	5,874,277	-	5,874,277
	2006-07	-	-	-	-	-	-	-	5,874,277	-	5,874,277
Policy integration	2004-05	5,391,737	364,520	676,657	-	-	98,048	-	117,850	-	6,648,812
	2006-07	5,505,487	230,680	454,932	-	-	88,243	-	203,267	-	6,482,609
Statistics	2004-05	5,634,222	192,882	522,615	-	-	217,705	-	88,497	-	6,655,921
	2006-07	5,300,064	148,519	718,964	-	-	195,934	-	194,498	-	6,557,979
Technical Meetings Reserve	2004-05	528,840	946,278	261,524	55,109	-	-	-	-	-	1,791,751
	2006-07	325,440	916,311	300,000	-	-	-	-	-	-	1,541,751
Total technical programme	2004-05	140,634,512	10,317,556	12,988,820	852,704	1,468,682	1,455,834	-	24,449,667	-	192,167,775
	2006-07	136,589,992	6,633,355	13,658,062	2,894,838	1,299,774	1,214,205	-	25,956,579	-	188,246,805

		1	2	3	4	5	6	7	8	9	Total
		Staff costs	Travel on official business	Contractual services	General operating expenses	Supplies and materials	Furniture and equipment	Loan amortization for HQ building	Fellowships, grants and RBTC	Other items	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Regions and technical cooperation											
Development cooperation	2004-05	2,524,374	50,068	19,208	-	-	2,680	-	5,890	-	2,602,220
	2006-07	2,394,778	50,068	19,208	-	-	2,165	-	5,890	-	2,472,109
Field programmes in Africa	2004-05	33,521,944	1,797,673	173,809	3,959,960	426,952	491,805	-	6,760,419	8,800	47,141,362
	2006-07	32,843,342	1,662,964	277,072	4,061,121	339,238	327,833	-	7,018,160	18,000	46,547,730
Field programmes in the Americas	2004-05	28,893,508	1,122,446	452,607	4,179,149	319,626	277,798	-	5,453,269	-	40,698,403
	2006-07	28,400,226	1,065,603	594,033	3,808,983	265,196	178,534	-	5,874,992	-	40,187,567
Field programmes in Arab States	2004-05	7,198,818	388,629	122,606	391,032	49,050	74,410	-	1,523,701	-	9,748,246
	2006-07	6,801,193	383,054	410,945	392,414	49,350	63,610	-	1,523,701	-	9,624,267
Field programmes in Asia and the Pacific	2004-05	31,939,597	1,913,174	439,197	4,031,519	455,193	295,300	-	4,556,239	-	43,630,219
	2006-07	30,980,112	1,481,283	749,197	4,215,799	428,870	448,210	-	4,752,535	25,000	43,081,006
Field programmes in Europe and Central Asia	2004-05	11,337,555	521,551	247,130	2,150,869	106,031	136,017	-	826,924	-	15,326,077
	2006-07	11,608,552	215,486	343,822	1,721,193	87,157	102,965	-	1,052,989	-	15,132,164
Total	2004-05	115,415,796	5,793,541	1,454,557	14,712,529	1,356,852	1,278,010	-	19,126,442	8,800	159,146,527
	2006-07	113,028,203	4,858,458	2,394,277	14,199,510	1,169,811	1,123,317	-	20,228,267	43,000	157,044,843
Support services											
Information technology and communications	2004-05	9,151,006	40,964	67,670	2,113,417	-	184,960	-	43,610	-	11,601,627
	2006-07	14,621,586	40,000	6,160,000	1,418,742	-	171,718	-	195,593	-	22,607,639
Internal administration	2004-05	18,912,539	61,964	228,612	13,988,294	1,310,055	509,556	-	-	-	35,011,020
	2006-07	17,931,819	91,704	217,181	15,041,687	1,244,551	484,078	-	-	-	35,011,020
Total	2004-05	28,063,545	102,928	296,282	16,101,711	1,310,055	694,516	-	43,610	-	46,612,647
	2006-07	32,553,405	131,704	6,377,181	16,460,429	1,244,551	655,796	-	195,593	-	57,618,659
Management services											
General management	2004-05	6,512,758	277,835	262,242	467,122	7,813	13,700	-	-	-	7,541,470
	2006-07	5,253,619	264,497	1,158,722	467,122	7,422	13,015	-	-	-	7,164,397
Human Resources Development	2004-05	14,908,184	352,665	973,358	219,476	4,688	295,535	-	2,601,949	-	19,355,855
	2006-07	14,917,182	219,017	481,061	192,806	4,688	135,535	-	2,437,773	-	18,388,062
Financial Services	2004-05	12,968,596	31,488	98,914	-	3,980	27,400	-	-	-	13,130,378
	2006-07	12,102,388	15,532	5,000	80,000	3,980	25,321	-	241,638	-	12,473,859
Programming and Management	2004-05	3,677,940	72,288	97,025	-	-	-	-	-	-	3,847,253
	2006-07	3,451,296	72,288	131,306	-	-	-	-	-	-	3,654,890
Internal Audit and Oversight	2004-05	1,237,836	-	-	-	-	-	-	-	-	1,237,836
	2006-07	1,173,912	43,180	56,820	-	-	-	-	-	-	1,273,912
Evaluation	2004-05	-	-	-	-	-	-	-	-	-	-
	2006-07	749,676	-	100,000	-	-	-	-	-	-	849,676
Executive Director's Office management & administration	2004-05	668,844	9,466	-	-	-	-	-	-	-	678,310
	2006-07	994,284	9,466	-	-	-	-	-	-	-	1,003,750
Total	2004-05	39,974,158	743,742	1,431,539	686,598	16,481	336,635	-	2,601,949	-	45,791,102
	2006-07	38,642,357	623,980	1,932,909	739,928	16,090	173,871	-	2,679,411	-	44,808,546
Other budgetary provisions											
	2004-05	1,313,873	4,030	14,890	672,770	-	-	5,525,818	14,133,884	2,793,822	24,459,087
	2006-07	1,313,873	4,030	14,890	672,770	-	-	5,525,818	14,133,884	2,793,822	24,459,087
Adjustment for staff turnover											
	2004-05	-4,540,931	-	-	-	-	-	-	-	-	-4,540,931
	2006-07	-4,540,931	-	-	-	-	-	-	-	-	-4,540,931
TOTAL PART I.	2004-05	376,397,366	19,835,763	19,646,207	34,846,575	4,685,915	4,571,328	5,525,818	60,403,406	2,802,622	528,715,000
	2006-07	369,497,904	15,061,774	27,392,292	36,795,842	4,241,070	3,890,717	5,525,818	63,472,761	2,836,822	528,715,000
PART II. UNFORESEEN EXPENDITURE											
Unforeseen expenditure	2004-05	-	-	-	-	-	-	-	-	875,000	875,000
	2006-07	-	-	-	-	-	-	-	-	2,000,000	2,000,000

		1	2	3	4	5	6	7	8	9	Total
		Staff costs	Travel on official business	Contractual services	General operating expenses	Supplies and materials	Furniture and equipment	Loan amortization for HQ building	Fellowships, grants and RBTC	Other items	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PART III. WORKING CAPITAL FUND											
Working Capital Fund	2004-05	-	-	-	-	-	-	-	-	-	-
	2006-07	-	-	-	-	-	-	-	-	-	-
TOTAL (PARTS I-III)	2004-05	376,397,366	19,835,763	19,646,207	34,846,575	4,685,915	4,571,328	5,525,818	60,403,406	3,677,622	529,590,000
	2006-07	369,497,904	15,061,774	27,392,292	36,795,842	4,241,070	3,890,717	5,525,818	63,472,761	4,836,822	530,715,000
PART IV. INSTITUTIONAL INVESTMENTS AND EXTRAORDINARY ITEMS											
Security		325,000	-	-	375,000	840,000	-	-	2,230,000	-	3,770,000
Accommodation		-	-	-	-	-	-	-	6,610,000	-	6,610,000
Information and communication technology		-	-	-	-	-	-	-	-	3,300,000	3,300,000
Maritime Session of the International Labour Conference		2,420,000	35,000	610,000	-	400,000	-	-	-	-	3,465,000
Adjustment for staff turnover		4,540,931	-	-	-	-	-	-	-	-	4,540,931
TOTAL PART IV	2006-07	7,285,931	35,000	610,000	375,000	1,240,000	-	-	8,840,000	3,300,000	21,685,931
TOTAL (PARTS I-IV)	2004-05	376,397,366	19,835,763	19,646,207	34,846,575	4,685,915	4,571,328	5,525,818	60,403,406	3,677,622	529,590,000
	2006-07	376,783,835	15,096,774	28,002,292	37,170,842	5,481,070	3,890,717	5,525,818	72,312,761	8,136,822	552,400,931
Recosted	2006-07	402,586,589	15,721,097	29,822,739	39,324,350	5,918,969	3,933,313	5,525,818	80,598,692	8,428,970	591,860,537

Schedule of established posts

1. This schedule shows the number and category of established posts under the regular budget as well as those posts which the Governing Body has established from time to time under other sources of funds.

2. In accordance with the decision taken by the Governing Body at its 241st Session (November 1988) on the budgetary posts system, full information on the use of these posts for established officials will be provided by major programme and by grade as a standard appendix to the annual document on the composition and structure of the staff submitted to the Programme, Financial and Administrative Committee at the Governing Body's March sessions.

	Number of posts
Posts established under the regular budget	
Director-General	1
Deputy Directors-General	3
Assistant Directors-General	8
Legal Adviser	1
Posts at the D.2 level	16
Posts at the D.1 level	45
Posts at the Professional level	543
Posts at the General Service level	637
	1 254*
Posts established under other sources of funds:	
Programme support income:	
Posts at the Professional level	17
Posts at the General Service level	22
	39
International Social Security Association:	
Posts at the Professional level and above	9
Posts at the General Service level	8
	17
International Institute for Labour Studies:	
Posts at the Professional level and above	7
Posts at the General Service level	9
	16
CINTERFOR:	
Posts at the Professional level and above	2
Posts at the General Service level	5
	7
World Food Programme:	
Posts at the Professional level	1
Posts at the General Service level	1
	2
ILO-ITU Health Insurance Fund:	
Posts at the General Service level	1

* Of which 166 Professional and above, and 62 General Service posts are frozen.

Information annex 5

Estimates of expenditure on technical cooperation funded from extra-budgetary sources by operational objective

	Extra-budgetary resources (in constant 2004-2005 US\$)	
	Revised estimates 2004-05	Estimates 2006-07
Standards and fundamental principles and rights at work		
1a Fundamental principles and rights at work	126,664,000	168,983,000
1b Normative action	1,645,000	2,048,000
	128,309,000	171,031,000
Employment		
2a Employment, labour markets, skills and employability	25,817,000	20,329,000
2b Employment creation	57,194,000	58,312,000
	83,011,000	78,641,000
Social protection		
3a Enhanced social security coverage	15,720,000	12,290,000
3b Effective labour protection	16,710,000	19,459,000
	32,430,000	31,749,000
Social dialogue		
4a Strengthened social partners	7,683,000	8,705,000
4b Government and institutions of social dialogue	21,380,000	14,440,000
4c The development of social dialogue at sectoral level	1,717,000	1,434,000
	30,780,000	24,579,000
Total estimates extra-budgetary resources	274,530,000	306,000,000

Estimates of expenditure on technical cooperation funded from extra-budgetary sources by region and strategic objective

	Estimated extra-budgetary expenditure 2006-07 (in constant 2004-2005 US\$)
Africa	
Standards and fundamental principles and rights at work	33,797,000
Employment	26,877,000
Social protection	5,346,000
Social dialogue	6,702,000
	72,722,000
Latin America and the Caribbean	
Standards and fundamental principles and rights at work	40,556,000
Employment	11,416,000
Social protection	2,243,000
Social dialogue	3,442,000
	57,657,000
Arab States	
Standards and fundamental principles and rights at work	3,380,000
Employment	1,803,000
Social protection	317,000
Social dialogue	1,185,000
	6,685,000
Asia and the Pacific	
Standards and fundamental principles and rights at work	52,385,000
Employment	21,977,000
Social protection	5,735,000
Social dialogue	3,553,000
	83,650,000
Europe and Central Asia	
Standards and fundamental principles and rights at work	6,759,000
Employment	3,376,000
Social protection	2,714,000
Social dialogue	2,026,000
	14,875,000
Interregional	
Standards and fundamental principles and rights at work	34,154,000
Employment	13,192,000
Social protection	15,393,000
Social dialogue	7,672,000
	70,411,000
TOTAL	306,000,000

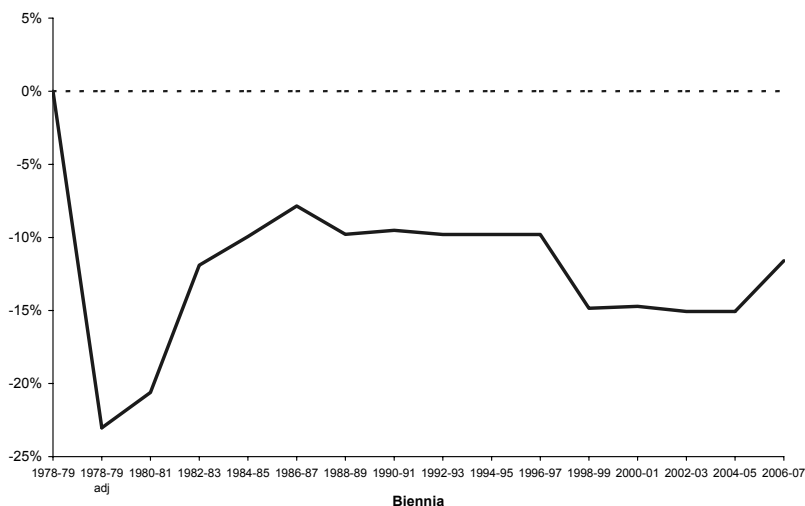
Information annex 7

Summary of regular budget technical cooperation resources

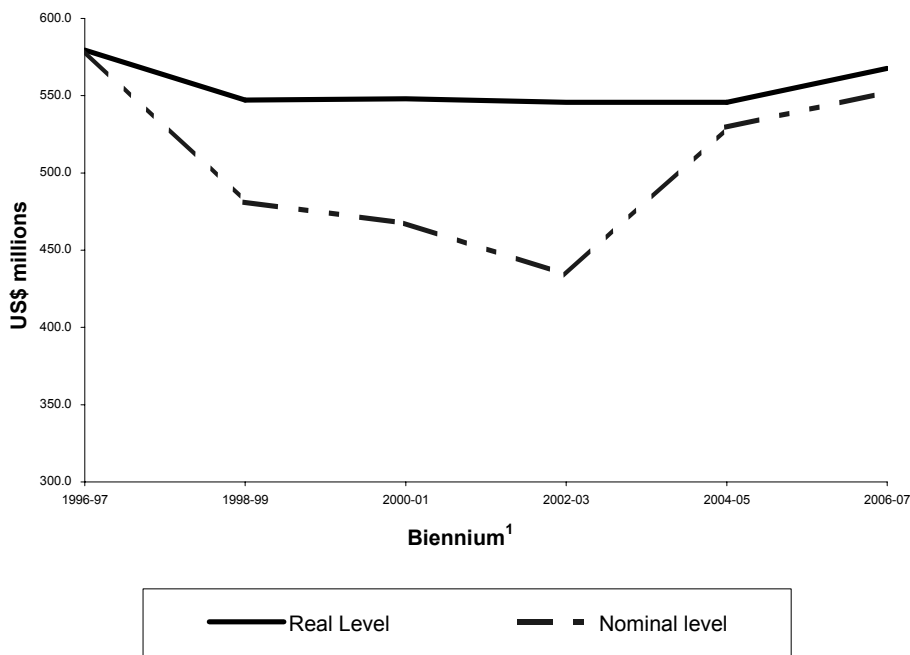
	2004-05	2006-07 (in constant 2004-05 US\$)	2006-07 (recosted (US\$))
Standards and fundamental principles and rights at work	1,288,424	1,288,424	1,376,407
Employment	2,102,040	2,102,040	2,245,583
Social protection	1,160,607	1,160,607	1,239,862
Social dialogue	7,479,881	7,479,881	7,990,665
Employers' activities	1,816,368	1,816,368	1,940,404
Workers' activities	4,634,348	4,634,348	4,950,817
Gender equality	97,502	97,502	104,160
Policy integration	88,497	88,497	94,540
Field programmes in Africa	6,531,714	6,531,714	6,977,750
Field programmes in the Americas	3,639,819	3,639,819	3,888,374
Field programmes in Arab States	1,501,901	1,501,901	1,604,462
Field programmes in Asia and the Pacific	4,521,239	4,521,239	4,829,984
Field programmes in Europe and Central Asia	820,349	820,349	876,369
	29,231,973	29,231,973	31,228,156

Evolution of programme and expenditure levels

Real programme evolution (1978 - 2007) (zero base is 1978-79 approved programme and budget)



Evolution of expenditure budget 1996 to 2007 (using 1996-97 as the base level)



¹ Biennia 1996-97 to 2004-05 are as adopted by the International Labour Conference.

Potential areas for additional extra-budgetary funding

1. The following list illustrates a range of ideas for additional extra-budgetary funding that would materially contribute to the ILO's results within the Strategic Framework. These ideas were developed during the Programme and Budget process as potential areas for regular budget funding; however, given that the necessary regular budget funds are unavailable, they are proposed for extra-budgetary funding. Other priorities will continue to emerge, for example in response to crises, such as the Asian tsunami.

- (i) The ILO's important contributions to global awareness and action to combat forced labour and trafficking are well recognized; but there are significant opportunities to expand the current level of investment to develop additional information and provide more capacity building to constituents on this issue, particularly where there is high demand in Asia and Europe. Additional resources of \$2 million would improve the level of results foreseen.
- (ii) Expanded resources are needed to fully support the evaluation functions required by IPEC and the Declaration and to improve field based delivery – an amount of some \$1.7 million would significantly address current constraints.
- (iii) To expand field-based standards expertise, training and services, for which an additional \$2 million is required.
- (iv) An additional \$1.5 million, of which \$1.1 million would be in field-based services, would support capacity building for constituents in employment policies where there is demand above the level that can be met with regular budget funds, particularly in the Arab States region and in Eastern Europe and Central Asia. The rapid development and changes in employment policies in those regions would require new research and knowledge products to support effective constituent interventions on local policies.
- (v) A \$1 million programme to develop new research and information to inform constituents, especially in Asia, of the national policy implications of globalized production, and changes in the international agreements regulating such approaches to production, would directly inform country programmes in Asia.
- (vi) \$2.4 million would support a comprehensive, regionally based programme, with particular emphasis on Europe and Africa, to deliver policy services and programming on youth employment. This would introduce a strong implementation support to the modest research and policy-focused programme already supported on the regular budget.
- (vii) An expanded programme of research on the poverty reduction impacts of different employment policies would provide practical guidance to governments, social partners and donors. Building on the work already done with expanded participatory programmes, particularly in Africa, could be accomplished with additional resources of up to \$2 million.
- (viii) There is increasing demand for solid evidence and research on the impacts of social security models and new approaches to this. Building on work already in progress with an expanded programme, principally in the Americas, could provide valuable information for policy-makers and social partners. Additional resources of \$500,000 would produce important new information.
- (ix) The need for more information on practical approaches to improved labour protection in the informal economy, as initial stages towards full “formalization”, and for immediate benefit to workers and employers in this area of work. Additional resources of \$2 million would significantly expand and accelerate ILO work and results in this area.
- (x) A small contribution of \$200,000 would support development in the ILO's policy support capacity on wages – an area of strong interest for constituents where to date only very

limited regular budget resources have been available due to competing interests. Resources to support the development of major new knowledge products would improve the level of support the ILO can give to constituents, specifically on the policy issues of wage-fixing processes, wage discrimination and wage composition, where current ILO knowledge is weak and demand is growing.

- (xi) Regional integration arrangements such as the African Regional Economic Communities and the Free Trade Agreements of the Americas have a major impact on the world of work, and place new demands on governments and social partners to intervene in policy debates and decisions. The ILO is undertaking research and providing support to constituents in this area, but additional funds would expand the scope of research and capacity building it could provide. Additional resources of \$2 million would be welcome and would have a significant impact on the results foreseen.
- (xii) While the ILO is recognized within the United Nations system as a leader in effective mainstreaming of gender equality within its programmes (reflected in the integration of gender equality results in many indicators, and supported internally through mechanisms such as gender audits of programmes), the total resources available have always been small. The Governing Body approved use of some of the 2000-01 surplus to support expanded gender equality work, including support to constituents for gender audits and training. This has been very positively received by constituents, but cannot be supported within normal regular budget levels. Some \$5 million would allow for continuing the expanded level of services and support successfully piloted through surplus funds, and support the initiatives called for in the resolution concerning the promotion of gender equality, pay equity and maternity protection adopted by the 92nd Session (June 2004) of the International Labour Conference.