



SECOND ITEM ON THE AGENDA

Resource mobilization for technical cooperation: Policy and implementation status

1. The Governing Body in November 2004 adopted the broad lines of an ILO resource mobilization strategy.¹ These included: (a) promoting multi-annual partnerships with donor agencies consistent with the ILO's own cycles and priorities; (b) upgrading the capacity of ILO field offices to mobilize local resources; (c) streamlining internal priority-setting mechanisms; (d) facilitating greater coordination among ILO donors; and (e) developing incentives for promoting tripartism and specific proposals tailored to employers' and workers' organizations.
2. The Governing Body in March 2005 recommended² that all future donor partnership agreements make provisions to support gender mainstreaming. Finally, the March 2006 session endorsed the proposal³ to introduce donors to decent work country programming, with a view to developing more effective partnership strategies.
3. The thrust of this strategy was reiterated by the International Labour Conference in June 2006 as it concluded that:

The ILO should continue to encourage multi-year partnership agreements with donor agencies consistent with the ILO's own programming cycles, strategic priorities and rules, while at the same time recognizing the need to incorporate single-year funding when available. It should also actively promote the mainstreaming of gender equality in donor partnership agreements; design technical cooperation proposals supporting the development of employers' and workers' organizations and tripartite activities; upgrade the capacity of ILO field offices to mobilize additional resources from donor representatives; streamline internal priority-setting and resource allocation mechanisms; and facilitate greater coordination among ILO donors.

4. The Conference also indicated that "The ILO should continue with its gradual move towards a common programming framework with the donor community by endeavouring

¹ GB.291/TC/1, para. 17.

² GB.292/TC/1, para. 50.

³ GB.295/TC/1, para. 29.

to harmonize the various agreements with individual donors, so as to ensure greater stability, predictability and consistency and to reduce the transaction costs of ILO's technical cooperation programme".

5. The purpose of this paper is to inform the Governing Body of progress made on the ILO's resource mobilization strategy, challenges encountered and options on the way forward. The analysis is based essentially on funds approved in the period 2005-06 as the most significant indicator to identify recent trends.

Overall trends

6. In 2005, new extra-budgetary approvals totalled US\$176,277,000. Estimates for 2006 point to a likely volume of around US\$200 million. This figure would represent an all-time record in annual voluntary contributions pledged to the ILO. The aggregate volume of approvals in 2005-06 would approximately represent a 25 per cent increase over 2003-04. This increase can be explained by both circumstantial and structural reasons.
7. Circumstantial reasons include the extraordinary international solidarity effort that followed the tsunami tragedy in December 2004. The ILO generated around US\$18 million from donors to support employment-friendly recovery and reconstruction programmes. This effort was especially complex in view of the separate treatment of relief and reconstruction by the international development community and inadequate mechanisms for inter-agency cooperation. However, the Office's good performance raised the ILO's profile as a key actor in post-emergency processes.
8. Another circumstantial reason is the renewal of a number of multi-annual agreements with donors in 2006, which makes comparison between individual years difficult. The volume of new approvals registered this year may not necessarily be sustained in 2007.
9. Structural reasons for the increase of extra-budgetary funding include first of all the growing international recognition of decent work as a central driver for development and poverty reduction as reflected in the conclusions of the United Nations World Summit in September 2005 and the High-level Segment of ECOSOC in July 2006. Donor agencies have increasingly acknowledged the critical role of employment and decent work in their policy documents and statements, as reflected in the OECD/DAC Tidewater group meeting (June 2005), the communication from the European Commission to the European Council, the European Parliament and the European Economic and Social Committee and the Committee of Regions on Promoting Decent Work for All (May 2006) and the conclusions of the Ministerial Panel on decent work as a global goal: The role of development cooperation (International Labour Conference (June 2006)).
10. Funding from the ILO's four main donors –United States, Netherlands, United Kingdom and Italy – remained significant. Three major supporters of the promotion of decent work in the development cooperation agenda, namely Sweden, Norway and the European Commission, increased their financing to ILO programmes in 2005 and 2006. In the case of the European Commission, a number of large additional operations are under negotiation as this report goes to press. Ireland intends to double the ILO partnership budget as from 2007. New donors such as Brazil, Czech Republic, Greece, New Zealand and regional development banks made contributions. Non-state funding also increased, including a US\$2 million grant from OPEC in 2006. Despite the budgetary constraints some public development agencies are faced with, it is hoped that donor support will continue to grow.

11. Another structural reason is the increasing capacity of ILO field offices to generate additional resources from local donor representatives. This is partly due to increased attention to employment and decent work in national development processes, including poverty reduction strategies. The Office's deliberate policy to empower its field structure to play an active role in donor relations is another essential factor. Locally mobilized funds represented approximately 15 per cent of the total in 2002 and 2003. This share rose to 25 per cent in 2004 and to over 40 per cent in 2005 – also due to the post-tsunami effort. Early indications for 2006 indicate an approximate share of 30 per cent in locally mobilized resources – over a larger total.
12. The following paragraphs describe action taken by the Office in follow-up to specific recommendations made by the Governing Body between 2004 and 2006.
13. **New/improved/expanded partnership agreements.** Partnership agreements were renewed between 2005 and 2006 with the Governments of Denmark, France, Netherlands, Norway, Republic of Korea and the United Kingdom. In each case, the ILO made concrete proposals to enhance the effectiveness of partnership mechanisms, expand the time frame to allow for greater impact and strengthen the relevance to ILO strategic objectives, mainstreamed strategies and decent work country programme (DWCP) priorities. Two large partnership programmes (United Kingdom and the Netherlands) were formally evaluated in 2005 and recommendations from the evaluation reports were used as inputs for the design of the new agreements.
14. The cooperation programme signed in May 2006 with the Netherlands included important elements of innovation, such as the extension of the implementation schedule to four years, in line with the ILO Strategic Policy Framework cycle; focus on DWCPs; and an explicit strategy to mainstream tripartism and gender equality. The framework agreement signed with France in June 2006 also set 2006-09 as the time frame and introduced support to DWCPs. The agreement signed with the Department for International Development (DFID) in October 2006 places emphasis on DWCP planning and implementation. The Government of the Republic of Korea agreed to move from annual to biennial planning. The programme cooperation agreement signed in May 2006 with Norway included an expanded budget in recognition of the ILO's increasing role in international development cooperation.
15. After several years of ad hoc collaboration, Sweden and the ILO signed a pilot partnership agreement in December 2005. Initial discussions took place with Austria, Belgium, Canada, Czech Republic, Finland, Germany, Italy, Luxembourg, Portugal and Spain with a view to converting the current project-by-project cooperation into more strategic partnership frameworks.
16. Despite progress made with several donors, the development and harmonization of different partnership programmes must accommodate national policy, legal, administrative and budgetary constraints. Also, moving to a four-year programming cycle aligned to the ILO's own planning requires adjustments that can only be implemented gradually. On the other hand, the Governing Body will be discussing at this same session the possibility of a longer programming cycle for the ILO in the framework of the RBM roadmap. The results of such discussion will have to be taken into consideration for further alignment. Therefore, the success of the donor partnership approach can only be measured over a longer period of time. A critical factor will be donors' availability to progressively harmonize their modalities and to pool funding at programme or country level.
17. **Greater coordination among ILO donors.** Following the conclusions of the International Labour Conference in 2006, a first meeting of the ILO's main bilateral donors was organized in September 2006 in Turin. While the meeting had an informal and consultative

nature, it allowed a process of dialogue to be initiated between the Office and its donor community on ILO operational strategies and processes against the background of new multilateral policy coherence concerns. It allowed the Office to explain the institutional process behind the submission of individual proposals to individual donors and the link between the development of technical cooperation portfolios and the DWCP strategy. As a result of the meeting, ILO donors better understood the ILO strategy and process for the development of its technical cooperation programme in the light of the conclusions of the World Summit Outcome document of September 2005 as well as the ECOSOC meeting in July 2006, and in the context of the United Nations reform process; they explored the scope for greater harmonization of planning and implementation cycles, policies, processes and procedures; they offered to the ILO constructive feedback and suggestions as to the relevance and effectiveness of its current policies, strategies and programmes to enhance decent work in national and international development processes. Donor participants agreed that such meetings should be convened periodically and urged the ILO to set up an information-sharing system for its donors.

- 18. Local resource mobilization.** The Office undertook a survey of field resource mobilization needs and capacity in mid-2004. An information package and toolkit on local resource mobilization was posted on the Intranet in 2005 and subsequently updated in 2006. A training workshop was held in May 2006 in Turin for staff from 35 ILO field offices. This triggered the development of individual local resource mobilization plans. In general, support to field offices' efforts to be fully active in national development and United Nations field coordination processes has become a priority, with a view not only to generating additional resources, but also to leveraging support for the decent work approach. The results of this effort are encouraging as mentioned in paragraph 10 above.
- 19.** ILO field offices are faced with a specific challenge as to promoting decent work in the context of donors' direct budget support to governments or pooled funding through United Nations Country Teams. This aspect is to be systematically addressed when developing ILO country strategies and strengthening existing cooperation modalities within United Nations Country Teams which actively contribute to United Nations reform processes.
- 20. Streamlining internal priority setting.** The Office has sought to: (a) ensure an emphasis on Africa in the negotiation of different donor programmes; and (b) apply consistent criteria for prioritizing proposals for donor submission, including quality of design, relevance to ILO strategic and mainstreamed objectives, relevance to DWCP, UNDAF and national development priorities and evidence of constituents' demand.
- 21.** New approvals for Africa increased in volume in 2005 over 2004. They represented 25.4 per cent of total approvals (not counting a sizeable share of interregional programmes), i.e. a slight increase over a 23.9 per cent average in the period 2001-04. Africa's share is expected to be around 30 per cent of the total in 2006 and to further grow in future years.
- 22.** The share of the Employment Sector increased to over 40 per cent in 2005. This is due to strong demand from national constituents, as reflected in DWCP and national development priorities. Because of the overall increase in approvals, the growth of the employment programme did not penalize other sectors. However, more needs to be done to convince national counterpart and donor agencies of the development dimension of social protection and social dialogue programmes.
- 23.** As the Office is tightening its procedures for appraising the relevance and quality of technical cooperation proposals, more integrated processes and products among technical sectors and between technical sectors and field offices shall be developed in the context of DWCPs. Field offices should progressively take the lead in formulating integrated

responses to national demands, with technical sectors playing an essential role in policy and product development, quality assurance and cross-fertilization. More training on planning, negotiation, design and management of technical cooperation will be required.

- 24. Promotion of tripartism and support to employers' and workers' organizations.** The new agreement with Norway maintained a strong focus on support to social partners through ACT/EMP and ACTRAV. The agreements signed with Sweden and the Netherlands set aside special allocations to build employers' and workers' organizations' capacity and to mainstream social partners' concerns. The Office intends to pursue this strategy in all negotiations with donor agencies. In addition, the technical cooperation appraisal policy introduced in 2006 ensures that proposals will be systematically screened in relation to involving ILO constituents and mainstreaming tripartism. In the case of the new Netherlands/ILO programme, ACT/EMP and ACTRAV were represented in the Office panel screening and prioritizing proposals for submission to the donor.
- 25.** At the same time, the relevance to and participation of social partners in operational programmes designed and submitted by the field structure needs to be further enhanced. While most DWCP outcomes and related technical cooperation proposals do mention the need for systematic consultation with employers' and workers' organizations, relatively few activities aim at strengthening these organizations' capacity to represent and service their membership and to influence economic and social policies. A joint effort is required on the part of CODEV, ACTRAV, ACT/EMP and the employer and worker field specialists to identify and develop tailor-made products and approaches linking the ILO tripartite agenda to broader development priorities, such as employers' and workers' association to national consultative processes and the labour dimension of regional integration and free trade agreements.
- 26. Mainstreaming gender equality.** Agreements signed with Denmark, France, Netherlands, Norway, Sweden and the United Kingdom included specific reference to mainstreaming gender equality. In addition, the agreements with Denmark, Netherlands, Norway and Sweden established specific allocations for gender mainstreaming. The new technical cooperation appraisal policy ensures that proposals will be systematically screened as to their strategy to mainstream gender equality. The Gender Bureau also participated in the selection panel set up for the review of proposals under the new Netherlands/ILO cooperation programme.
- 27.** The Office is pleased with progress made in this domain as extra-budgetary donor resources are providing critical support to gender mainstreaming and to gender-specific technical cooperation activities. An area for improvement is the development of technical and programming staff's skills in effectively mainstreaming gender equality throughout the project cycle in order to reduce dependency on a limited number of gender specialists.
- 28. Decent work country programmes and technical cooperation.** The link between the roll-out of the DWCP strategy and the planning and design of the ILO's technical cooperation portfolio was the core message of Office resource mobilization initiatives. The intimate connection between DWCPs, national development priorities and technical cooperation plans was explained to donors in the September meeting in Turin and in bilateral meetings. This was also the focus of the field staff training in May 2006 and of programming work with individual field offices and technical departments.
- 29.** New agreements with the Netherlands, United Kingdom, France and Spain provided or will provide direct financial support to the implementation of DWCPs identified in accordance with the donors' respective priorities. The Netherlands and the DFID also earmarked upfront resources to enhance the planning, operation and evaluation of the

DWCP strategy. Relevance to DWCP, UNDAF, PRS and national development priorities has become a systematic criterion for appraising technical cooperation proposals.

- 30.** The Office has set a target of 70 per cent of fresh extra-budgetary resources to be generated in 2008-09 to make a direct contribution to DWCP outcomes. This requires a strong focus in setting priorities and reconciling them with donor interests in the negotiation of new funding agreements. At the same time, specific tools shall be elaborated in the context of the Office's results-based management to monitor and measure contributions made by regional and global activities to the attainment of DWCP outcomes.
- 31. Non-state funding and public/private partnerships.** The Office is articulating a policy and a procedure in the light of the guidance received by the International Labour Conference in June 2006. While non-state funding to the ILO has grown over the years, a more proactive resource mobilization policy vis-à-vis this category of donors will only be possible under a clear set of rules of engagement.
- 32. *The Committee may wish to recommend to the Governing Body that it endorse the ILO's proposals to:***
- (a) expand and consolidate partnership agreements with donor agencies around ILO strategic objectives, mainstreamed strategies and DWCP priorities;*
 - (b) enhance field offices' capacity to generate extra-budgetary resources for the implementation of DWCPs;*
 - (c) make a special resource mobilization effort for Africa;*
 - (d) mainstream tripartism and support social partners in the negotiation of donor partnership programmes;*
 - (e) mainstream gender equality in the negotiation of donor partnership programmes;*
 - (f) organize periodic planning and review meetings with the donor community; and*
 - (g) develop clear guidelines for public/private partnerships.*

Geneva, 12 October 2006.

Point for decision: Paragraph 32.