
Strategic Policy Framework for 2006-09 and report of its discussion in the Programme, Financial and Administrative Committee of the ILO Governing Body

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.

During the Governing Body's deliberations, the Office reconfirmed that the Strategic Policy Framework for 2006-09 would be considered jointly with the report of its discussion in the Programme, Financial and Administrative Committee, during the preparation of the Programme and Budget proposals for 2006-07. It was announced that a document with both the Strategic Policy Framework for 2006-09 and the paragraphs covering its discussion in the report of the Programme, Financial and Administrative Committee would be placed on the ILO Internet.

This is the combined document described above.



NINTH ITEM ON THE AGENDA

Strategic Policy Framework (2006-09)

(and preview of the Programme and
Budget proposals for 2006-07)

Making decent work a global goal*Contents*

	<i>Page</i>
Introduction	1
Part I: Mandate and priorities	2
An evolving strategic framework for decent work.....	2
Making decent work a global goal	5
Mobilizing tripartism, social dialogue and international labour standards for a fair globalization.....	6
Strengthening the ILO as a regional and global player.....	7
Investing in ILO effectiveness	9
Results-based management	10
Enhancing the strategic framework.....	10
Deciding on action	11
Part II: Strengthening institutional capacities	11
Core strategic capacities.....	12
Extending partnerships	12
Strengthening analytical and statistical capacity	13
Sharing and managing knowledge and information	14
Strengthening communications strategies for promoting decent work.....	15
Management capacities	15
Integration of technical cooperation resources	15

Enhancing staff capacities and competencies	16
Oversight.....	17
Investments and infrastructure	17
Sustaining cost-effective improvements in information technology	17
Office accommodation and security	18
Financing medium-term charges.....	18
Part III. Preview of the Programme and Budget proposals 2006-07	19
Overall outline of programme and budget proposals	19
Strategic objectives, operational objectives, outcomes and indicators proposed for the Programme and Budget 2006-07.....	20
Overall objective: Decent work as a global goal	20
Context and ILO response	20
Strategic Objective No. 1: Promote and realize standards and fundamental principles and rights at work.....	21
Context and ILO response	21
Operational objective 1(a): Standards and fundamental principles and rights at work	21
Operational objective 1(b): Normative action	22
Strategic Objective No. 2: Create greater opportunities for women and men to secure decent employment and income.....	22
Context and ILO response	22
Operational objective 2(a): Employment, labour markets, skills and employability	23
Operational objective 2(b): Employment creation	24
Strategic Objective No. 3: Enhance the coverage and effectiveness of social protection for all.....	25
Context and ILO response	25
Operational objective 3(a): Enhanced social security coverage	25
Operational objective 3(b): Effective labour protection	26
Strategic Objective No. 4: Strengthen tripartism and social dialogue	27
Context and ILO response	27
Operational objective 4(a): Strengthened social partners	28
Operational objective 4(b): Government and institutions of social dialogue	28
Operational Objective 4(c): The development of social dialogue at sectoral level to improve global labour and social outcomes	29
Innovations in programme and budget proposals	30
Mainstreamed goals	30
A fair globalization.....	30
Working out of poverty	30
Advancing gender equality	30
Greater influence of international labour standards in development.....	30
Expanding the influence of social partners, social dialogue and tripartism	30
InFocus initiatives.....	31
Transparent budgetary information.....	31

The ILO budget in perspective.....	31
Trends in the ILO regular budget	32
More services with less resources.....	33
Increased pressures on the ILO budget.....	34
Regular budget level	34

Introduction

1. The Strategic Policy Framework (SPF) is a key tool in the process of strategic budgeting launched by the ILO with the 2000-01 programme and budget. It is an organizational framework outlining medium-term priorities and the core strategies needed to pursue the ILO's mandate in the context of globalization. As such, it is the first step in the ILO's results-based planning, programme budgeting, implementation, reporting and evaluation cycle. Among the issues it addresses are the capacities that are available and can be developed to achieve these objectives. It therefore provides a basis for the Governing Body to give guidance to the Office on the orientation of the programme and budget and constitutes a compass for its implementation in a rapidly changing world. Discussion on the SPF will greatly assist in the finalization of the proposals for the 2006-07 programme and budget. To facilitate the preparation of these proposals, an outline and background information is included as Part III of this paper.
2. As was established by the Governing Body's discussion of the first SPF, in an uncertain world a rigid medium-term plan is not useful.¹ The idea of a framework captures the need to implement programmes flexibly within parameters that express the broad priorities of the Organization. In a continuing process, the SPF is thus the stage when the Organization takes the time and space to gain a sense of perspective on its activities. The biennial programme and budget together with the annual implementation reports are further opportunities to assess progress. These have all informed the preparation of the SPF 2006-09.
3. The SPF is based on the reasoning set out in the first SPF, which covers the period 2002-05. Early and extensive consultations, both informal and formal, with constituents and throughout the Office, beginning with the discussion in the Programme, Financial and Administrative Committee (PFAC) of a preliminary paper² in November 2003, have confirmed the continuing relevance of the approach of the first SPF determined by the 279th Session of the Governing Body in November 2000. This second SPF therefore seeks to build on an established framework whose general perspective is fully valid rather than propose a completely new approach. Both documents constitute the basis for our future work.
4. For the period up to the end of 2005, the theme for the SPF is consolidating the Decent Work Agenda. The Governing Body in November 2003 strongly reaffirmed the Decent Work Agenda and the four strategic objectives as set out in the SPF 2002-05. The SPF for 2006-09 therefore seeks to deepen this existing tripartite consensus, developing a number of the concepts and areas of activity that grew in significance over the last four years. The Governing Body's discussion a year ago included frequent requests for full reflection of the Conference resolution concerning tripartism and social dialogue (2002), and the discussions of the Reports of the Director-General to the International Labour Conference: *Reducing the decent work deficit – A global challenge* (2002); and *Working out of poverty* (2003) and for consideration of the report of the World Commission on the Social Dimension of Globalization.

¹ GB.279/PFA/6.

² GB.288/PFA/10; GB.288/9/1.

5. The discussion of the Director-General's Report to the International Labour Conference in 2004: *A fair globalization: The role of the ILO*, which received general support, also revealed the strong interest of ILO constituents from around the world in the theme of decent work as a global goal. It is thus proposed to make decent work as a global goal the integrating theme guiding ILO actions for the next period on the basis of its progressive implementation from the national (decent work country programmes (DWCPs)) to the international level (Millennium Declaration, Millennium Development Goals, Poverty Reduction Strategy Process).
6. The second SPF aims, by making decent work a global goal, to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity. It is based around the four strategic objectives of promoting and realizing standards and fundamental principles and rights at work, creating greater opportunities for women and men to secure decent employment and income, enhancing the coverage and effectiveness of social protection for all and strengthening tripartism and social dialogue. It continues to emphasize the importance of integrated policies drawing from each of the four strands of knowledge to generate synergies that strengthen the overall objective of making decent work a global goal. It is perhaps useful to imagine the framework as a matrix in which a number of integrating themes or cross-cutting objectives, such as gender equality, can be woven across the four vertical strands or objectives. It is the ILO's contribution to more coherent national development policies and a better convergence and synergy in international policy advice between macroeconomic, trade, labour, social and investment policies. Increased tripartite involvement of the ILO in greater national coherence and international policy convergence around employment and enterprise creation can be a significant contribution to a fair globalization that creates opportunities for all.
7. In addition to wider policy issues, such as the continuing effort to achieve gender equality, the SPF also identifies investing in the ILO's effectiveness as a priority for the medium term. One of the lessons of the SPF 2002-05 is that the demand for ILO services has regularly surpassed available capacity, in spite of sustained rationalization and cost savings. In several areas, the squeeze on Office resources has now reached a limit beyond which service to constituents could be jeopardized. The SPF addresses the challenge of balancing needs and resources and proposes means to strengthen ILO effectiveness to safeguard the level and quality of services to its constituents.
8. This document is composed of three parts. Part I underscores the growing relevance of the ILO mandate in the emerging international context and proposes a set of priorities for the period 2006-09. Part II discusses the strengthening of the ILO's capacity to achieve its objectives. Part III presents an outline of the Programme and Budget proposals for 2006-07 with a new formulation of operational outcomes. Background budgetary information is provided. The views of the Governing Body will guide the finalization of the programme and budget proposals to be submitted to the PFAC in March 2005.

Part I: Mandate and priorities

An evolving strategic framework for decent work

9. The Strategic Policy Framework (SPF) 2006-09 sets out the Organization's priorities for the coming years; it is useful to begin by reviewing the lessons learned in the previous SPF. The 2006-09 SPF builds on the four-pronged strategy identified in 2002-05, namely: mapping out the concept of decent work; 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.

10. The ILO has developed through tripartite consensus three interlinked concepts which orient its priorities for the medium term:
 - the Decent Work Agenda as a tool for development and social inclusion;
 - productive employment for women and men as the main route out of poverty;
 - achieving a fair globalization as a source of global stability and rising living standards.
11. The response of constituents and many others suggests that these concepts express in simple terms the perceptions, the needs and the growing political pressure that women and men everywhere place on their leaders. They are an expression of the ILO's mission – age old and yet forward looking – to connect values and ideals with the demands and concerns of families and communities today. As the Director-General said at the 2004 International Labour Conference: “We continue to be a value-based institution. It is the source of our legitimacy. The ILO has always been about finding its place, its space, its voice to be an advocate for social justice at different moments in history. We have achieved it through the vehicle of dialogue and consensus building and we can be proud of the ILO today and its history.”
12. Since the Director-General's Report to the International Labour Conference in 1999, a variety of reports and publications have thoroughly explored the policy dimensions and applications of decent work in various settings. The Office has reformed programming processes through the introduction of results-based management techniques. This is supported by improved consultative and collaborative procedures, although greater integration of ILO programmes is a continuing task. The perspectives charted by the World Commission and the guidance of the Governing Body and the International Labour Conference have strengthened the ILO's role in shaping a social dimension to the global economy.
13. The Decent Work Agenda is informing ILO tripartite action in countries, with governments, employers' and workers' organizations working together with support from the Office, to design and implement policies to promote the components of decent work. In a number of countries, ILO action has begun to be organized within decent work country programmes (DWCPs), supporting national policies and priorities of constituents. Decent work as a unifying concept is forging ILO policy development and services in many different contexts. It is particularly important to emphasize the promotion of gender equality as an integral part of the Decent Work Agenda since non-discrimination and equal opportunity and treatment in employment and occupation are basic principles of social justice, as well a means to greater efficiency and inclusive societies all over the world.
14. The main message in *Working out of poverty*, that productive employment is the sustainable way out of poverty, is taking hold. It is underpinning many national policies based on community and local development initiatives. It is the ILO's policy contribution to reaching the Millennium Development Goal (MDG) of reducing poverty by one-half and the strategies that underpin it. 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. Meetings of the African Union's Tripartite Labour and Social Affairs Commission, of African finance ministers and of the social partners prepared the Summit. A background issues paper drawing on contributions from 15 international agencies put together by the

ILO showed that practical steps toward policy coherence are possible. The ILO is actively involved in following-up on the Summit's recommendations.

- 15.** The Decent Work Agenda was endorsed in a series of summits throughout the Americas. From the XIII Inter-American Conference of Ministers of Labours of the Organization of American States to the Summit of Heads of State and Government of the Americas from Latin America, the Caribbean and the European Union, leaders identified decent work as key to poverty reduction and social progress. As the Heads State and Government of the Americas declared at a special summit (Nuevo León, Mexico, January 2004): “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.”
- 16.** The report of the World Commission on the Social Dimension of Globalization opens up new scope for ILO action. It is a balanced call for integrated and coherent action to make globalization work for all, and highlights the central role of work and employment in the way people view its impact on their lives. Since its launch in February 2004, the report has received widespread support from many quarters.³ The participation of over 20 Heads of State and Government at a launch of the report by the co-chairpersons in New York on the eve of the General Assembly this year showed the growing recognition of the role of the ILO as a valued partner in the drive to meet the MDGs. The United Nations secretariat has distributed the report as an official document of the General Assembly.
- 17.** Applying the lens of decent work to the challenges posed by globalization enables the ILO to address a major and widespread concern across all societies. “Give me a fair chance at a decent job”; today, that call by women and men is a worldwide demand. The ILO’s response lies in entrepreneurship, investment and productivity together with decent jobs, social protection and employability – bound together by respect for rights at work, the practice of social dialogue and tripartism. The ILO’s tripartite structure, rooted in the knowledge and networks of work and society, enables us to bring together an emerging global community of multiple actors in the shaping of a fair globalization. The experience of the World Commission proves that it is possible to find common ground among non-likeminded personalities with a diversity of experiences and interests. This can be replicated on a wider scale. As Secretary-General, Kofi Annan, said on 20 September commenting on the World Commission’s report, “employment creation, the protection of fundamental rights at work, strengthening social protection and broadening social dialogue are keys to a globalization that promotes not just economic reform, but social progress”.⁴
- 18.** To move forward, the ILO must exercise fully the mandate on labour, social and economic policies and their interrelationships given to us by our Constitution, especially the Declaration of Philadelphia⁵ which is particularly relevant today.

³ GB.291/WP/SDG/1: Follow-up to the report of the World Commission on the Social Dimension of Globalization: Next steps.

⁴ For the full text of the Secretary-General’s statement see <http://www.un.org/News/Press/docs/2004/sgsm9487.doc.htm> .

⁵ Article II of the Declaration of Philadelphia states that: “Believing that experience has fully demonstrated the truth of the statement in the Constitution of the International Labour Organization that lasting peace can be established only if it is based on social justice, the Conference affirms that:

19. As the only tripartite international organization, the ILO is uniquely able to integrate the practical knowledge and experience of the enterprise and the workplace, drawn from organizations representing millions of enterprises and hundreds of millions of working women and men with the economic and social policy tools of governments.
20. The mandate of the ILO is thus clear and the priorities can be summed up as making decent work a global goal. An important means of achieving this goal is through the mobilizing of the ILO's tripartite constituency in the moulding of a fair globalization, beginning at home. The networks of labour, employment and social affairs ministers, employers' and trade union organizations, supported by the services of the Office, are far-reaching and influential.
21. Furthermore, their role in the economy and society is underpinned by the ILO's international labour standards, which represent one of the most comprehensive internationally agreed set of principles for cooperative action available to meet the challenges of globalization.
22. Together, promoting tripartism, social dialogue and labour standards are a solid foundation to strengthen the ILO as a global player during the critical years ahead as new forms of governance of globalization, both nationally and internationally, are constructed.
23. A key component of this strategy is investing in the ILO's effectiveness. We need to pull together and augment our resources to contribute to the closely linked priorities of creating a fair globalization and achieving the goals established in the Millennium Declaration. Responding creatively to these challenges will help the ILO deliver better services to constituents, enlarge the opportunities for constructive partnerships within the multilateral system and attract increasing international support and development cooperation resources. The ILO must demonstrate that it can achieve significant results and make best use of limited public resources. Through results-based management, we have raised performance standards and reduced costs. More can and will be done to improve our effectiveness and accountability.

Making decent work a global goal

24. Making decent work a global goal is the most far-reaching implication of the World Commission's message. It stresses the importance of work as a prism through which people see globalization and the way it impacts their lives. By acknowledging that decent work, in its four strategic dimensions, is a widespread democratic demand of women and
 - all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity;
 - the attainment of the conditions in which this shall be possible must constitute the central aim of national and international policy;
 - all national and international policies and measures, in particular those of an economic and financial character, should be judged in this light and accepted only in so far as they may be held to promote and not to hinder the achievement of this fundamental objective;
 - it is a responsibility of the International Labour Organization to examine and consider all international economic and financial policies and measures in the light of this fundamental objective;
 - in discharging the tasks entrusted to it the International Labour Organization, having considered all relevant economic and financial factors, may include in its decisions and recommendations any provisions which it considers appropriate.

men everywhere and the best recipe for stability and social justice in all societies, the Commission has called on the ILO to play a leading role in shaping globalization.

25. Meeting the challenge will require a combination of actions. It means deepening the effectiveness of existing programmes and mandated activities, such as strengthening the labour standards system, advising and supporting constituents on enterprise development, employment policy or gender equality. It means a new way of looking at things – for example, addressing the policy challenge of global production systems or building a socio-economic floor for the global economy by making basic social protection a key development goal.
26. Decent work as a global goal calls for the building of processes that foster convergent approaches to linked objectives to produce greater coherence and consistency between economic and social policies, nationally and internationally. This in turn will require strong advocacy and improved governance.
27. Coherence must grow from the local to the global. Social dialogue has proved its value many times in many places as a method of developing a convergence of objectives and policies. The objective of greater policy coherence is built on the vital importance of dialogue. With more voices and interests participating in the formulation of policies, the more balanced the policies will be and the more likely to be implemented with the acceptance of key actors.
28. Many sound national efforts are under way, for example, to implement the MDGs and to make poverty reduction strategies more attuned to social and employment priorities. Coordination of the work of international organizations at country level is improving.
29. But, when it comes to international policy convergence to implement sustainable development objectives, the need for more integrated and balanced economic, social and environmental policies has never been more urgent as economic globalization intensifies. This was a central message of the Johannesburg Summit. This is an area where the multilateral system is underperforming. There is clearly an untested potential for working better together and making the whole greater than the sum of the parts.
30. Among other initiatives to achieve policy coherence, the Commission calls on the relevant international organizations to work together on sustainable growth, investment and employment creation. This would respond to a major political demand in all countries and demonstrate the capacity of the multilateral system to find creative solutions to multiple uncertainties in the lives of workers, families, enterprises and communities. People are looking at the multilateral system and asking: “Why don’t these organizations make their knowledge and policy experience converge in practical ways to give me, my family and my community a fair chance at a decent job?”

Mobilizing tripartism, social dialogue and international labour standards for a fair globalization

31. Our Constitution gives the ILO a special place in the multilateral system. With governments, employers and workers together, our actions are grounded in a deep understanding of the realities of work all around the world; and our Organization benefits from a much broader representation and support than purely intergovernmental organizations. The Organization is also inspired by values and principles of social justice, providing an ethical foundation for responses to the profound transformations represented by globalization.

32. Tripartism is the key that can open the door to a fair globalization. Social dialogue and tripartism has concentrated on workplace matters, productivity, wages and working conditions. This fundamental role remains at the centre of the ILO's functions and in many ways is of renewed importance given the pace of change in the world of work. The new additional challenge is to articulate the importance of tripartism as a vital instrument in obtaining a stable global community, warranting a greater voice in national and international policy-making. The reconciliation of competitiveness with social justice in the global economy calls on strong representation of the diversity of voices of the world of work and renewed capacity to contribute to policies creating opportunities for all, especially women and men working in the informal economies of the developing world. To this end, promoting entrepreneurship, enterprise creation and an enabling environment for productive investment are central to the ILO's Decent Work Agenda. The community of work represented through tripartism will increasingly need to develop dialogue and cooperation with other groups in society to form the broadly based coalitions for change needed to shape a fair globalization.
33. The ILO draws authority from international labour standards. They are a cornerstone of good governance and balanced economic and social development. There is growing recognition of the positive contribution of labour standards and rights at work to efficient enterprises, productive workforces and fairness in the distribution of the benefits of economic growth. In addition to guiding the action of member States and the contents of international treaties, they are a source of reference for voluntary private initiatives. Efforts to raise the coherence and impact of the corpus of labour standards underpinning the Decent Work Development Agenda as well as improving the supervisory machinery must continue.
34. An enabling environment for the creation of decent work opportunities is related to issues such as fairness in trade access, debt reduction, financial conditionalities and the increasing aid required to support developing countries in their national efforts. Good national governance to be successful requires good global governance. The ILO will need to use its voice as a partner in the multilateral system to foster the search for a more equitable and sustainable pattern of global development based on the central importance in people's lives of decent work.
35. The ILO must continue to be available with its tripartite experience to support countries facing the economic and social complexities of moving from central planning economies to open market economies in both developed and developing countries. It must also be prepared to selectively address issues of importance to developed countries such as the impact of ageing societies, pension reform, outsourcing or delocalization.

Strengthening the ILO as a regional and global player

36. On all these issues, social dialogue and tripartism can have a significant positive influence in identifying a balanced policy approach. There is a hunger today for the type of global problem-solving approaches that the ILO through its broad and representative membership is developing. Dialogue on the search for practical solutions between diverse voices inspired by common values and principles is a vehicle for both change and stability.
37. For decent work to become a global goal, the ILO needs to develop partnerships, which express shared hopes and deepen common understandings. These partnerships need a firm foundation nationally and regionally. As the World Commission report emphasizes, globalization begins at home. Furthermore, decisions in global institutions are made by member States. Policies to support decent work as a global goal must therefore be built on the foundation of dialogue nationally and regionally amongst ILO constituents and with

our partners. We must draw lessons from the way the African Union successfully applied this approach to the Summit on Employment and Poverty Alleviation.

38. The ILO's regional structures are thus a key part of strengthening the position of the Organization in policy development for a fair globalization. Over the cycle of regional meetings, the Decent Work Agenda has been steadily enriched with the perspectives, specificities and means of action available to our constituents at the regional level.
39. The Tenth African Regional Meeting in Addis Ababa in December 2003 marked a new and deeper partnership with the African Union which led to the ILO's full engagement with the Extraordinary Summit in Ouagadougou in September 2004 on employment and poverty reduction. For African constituents, the five main priorities are: poverty reduction through employment promotion and social protection; combating HIV/AIDS through workplace action; social dialogue as a means of good governance; post-crisis reconstruction; and the social dimension of regional integration. The social dimension of regional integration is a priority in the Americas where, following the 15th American Regional Meeting in Lima in December 2002, collaboration with the Organization of American States, and other regional structures such as MERCOSUR, has considerably increased. Of particular importance was the Inter-American Conference of Ministers of Labour in Bahia, Brazil (October 2003), which defined a road map for the Decent Work Agenda in the Americas.
40. The 13th Asian and Pacific Regional Meeting in 2001 launched the idea of DWCPs which are becoming a worldwide means of integrating ILO activities nationally. The Regional Meeting in 2005 will further define the ILO programme for Asia and the Pacific. The ILO's work with constituents in the Arab States, the Arab Labour Organization and the Gulf Cooperation Council is also taking forward the contribution that integrated policies for decent work can make to key issues such as youth employment, disability, increased participation of women in the workforce, enterprise diversification and development, and the strengthening of respect for fundamental principles and rights at work. The Governing Body has given particular attention to the situation of Palestinian workers in the occupied Arab territories and the technical cooperation support the Office can give them in their ongoing critical circumstances. A special conference in the Middle East to examine the World Commission's report is planned for 2005.
41. The Seventh European Regional Meeting in February 2005 in Budapest is set to play an important role in developing a shared economic and social policy agenda based on decent work as a global goal between the members of the newly enlarged European Union and other ILO member States in the region. A particularly strong relationship has been developed with the Commission of the European Union in the context of both the Lisbon strategy and development cooperation policies. The Commission made a very supportive communication to the European Council and the European Parliament on the fair globalization report.
42. An important element of an ILO strategy for strengthening its voice globally over the next five years will be to ensure that the goal of decent work for all continues to resonate in regional and subregional structures for economic integration. The ILO's own structures and activities are a vital means of building a social dimension into their policies and commitments.
43. Globalization is shaped by many forces other than governments. What are needed are mechanisms that, like the ILO, move the international community from the exclusively intergovernmental form towards what the World Commission calls an emerging global community of diverse actors: governments-plus; business; trade unions; parliaments; local authorities; private international organizations; the international cooperative and consumer

movements, citizens' organizations and so many others. The Commission suggests this might be the time and place for a globalization policy forum that brings the diverse actors of the emerging global community together. The ILO could help organize it together with other interested international organizations. In time, it could lead to a global event where diverse actors converge on the need to make decent work a global goal.

44. In the discussion of the Director-General's Report to the International Labour Conference in 2004, delegates gave broad support to six major areas where the ILO is well placed to take the agenda forward:
- national policies to address globalization;
 - decent work in global production systems;
 - dialogue for global policy coherence;
 - constructing a socio-economic floor of the global economy;
 - a multilateral framework for the cross-border movement of people;
 - strengthening the international labour standards system.
45. These are critical medium-term objectives for the Organization defining priority domains where an integrated Decent Work Agenda can raise the profile and influence of the ILO, its constituents, values and goals. They constitute a programme which enables the ILO to play a key role in shaping both globalization, based on its ample mandate, and also delivering better policy advice and technical cooperation to constituents on the ground.

Investing in ILO effectiveness

46. The challenge of making decent work a global goal is a shared responsibility of all constituents together with the Office. The Office stands ready to assist constituents both separately and as tripartite partners in developing their capacity to shape economic and social policies. The knowledge and networks of constituents combined with the technical capacity of the Office to promote decent work has the potential to become a significant influence on policy-making nationally and internationally.
47. The tempo of policy changes is never predictable but the Organization will continue to work with interested national, regional and global institutions to promote not only the feasibility of policies placing decent work at the centre of development policies, poverty reduction and a fair globalization but also the means to measure the initial dividends of such a focus.
48. The Office's effectiveness in fulfilling its responsibilities within the Organization depends on its ability to work with constituents both within countries and internationally. As well as through formal meetings, this rests on regular consultations with constituents and close relations with other development partners. It involves better harnessing of our resources, at headquarters and in the field, through DWCPs. Comparative information and international data are the basis of our ability to advise constituents and to support action within countries. The ILO needs to ensure that its staff has the skills and vision to deliver the high-quality knowledge on which the Organization's work and credibility is built. A good balance and synergy between a strong presence in the regions and adequate capacity at headquarters is critical.

49. The objectives of the ILO are global, but priorities and application depend on regional, country and local circumstances. The ILO is committed to improving the relevance, effectiveness and efficiency of its work at all levels. In 2006-09, there will continue to be an emphasis on decentralized planning and programme execution backed up by effective support from headquarters through the progressive extension of DWCPs to as many countries as our capacity permits.
50. DWCPs will be the main tool to plan, programme, monitor and report on the ILO's work in the field. DWCPs are being introduced in 2004-05 throughout the ILO's field structure. They provide an instrument to define the ILO's role within wider United Nations country-level programming, such as the United Nations Development Assistance Framework (UNDAF), as well as debt and poverty reduction strategies. Country programmes reflect the ILO strategic framework by defining medium- and short-term outcomes reflecting country characteristics and priorities of constituents. They give expression, at Members' request, to the ILO strategic framework in a specific country context. They are developed and implemented with the active participation of constituents. DWCPs are funded by regular budget resources at headquarters and in the field, and mobilize extra-budgetary resources.

Results-based management

51. Results-based management is a tool used by the ILO since 2000 to translate its main objective, the promotion of decent work, into a coherent four-year policy framework and biennial programme and budget. It is supported by annual implementation reports and regular evaluations. Strategic management is a governance tool, enabling policy-making organs to determine the broad orientations of the programme and budget of the Organization. It is also a management tool to assess actual performance against expected outcomes.
52. The ILO has been working with other United Nations organizations to introduce and refine results-based management. A recent Joint Inspection Unit (JIU) report on *Managing for results in the UN system*⁶ provides useful guidance on experience to date. The JIU identifies key techniques of managing for achieving results centred on improving performance. These include the formulation of objectives and results with adequate indicators and explicit targets to assess performance, the regular monitoring of progress, analysis of actual results vis-à-vis targets, and regular evaluations to complement performance information. The JIU also underscores defined accountability for achieving results as well as alignment of organizational structures to objectives. These techniques have guided the ILO's own efforts to systematically apply results-based management to the preparation, implementation, monitoring and evaluation of programmes.

Enhancing the strategic framework

53. In response to the views of the Governing Body and in order to enhance the operational content of the SPF and the measurement of performance, the logical framework structure adopted in 2002-05 has been continued and further refined. In addition, greater transparency in budget allocations was requested, particularly in the attribution of resources at regional level and to cross-sectoral activities.

⁶ *Managing for results in the UN system*, 2004, Joint Inspection Unit, United Nations.

54. The proposed SPF for 2006-09 introduces an additional level in the logical framework, namely operational outcomes. Operational outcomes define results the Organization expects to achieve, and measure, in the medium term, as a consequence of actions taken by the ILO. An operational outcome defines an expected result from implementation of the programme within a particular operational objective. As well as addressing a component element of one of the strategic objectives, operational outcomes will also capture progress towards five common mainstreamed goals. These are a fair globalization, reduced poverty, greater gender equality, stronger tripartism and increased respect for international labour standards.
55. Each outcome is complemented by a set of indicators and targets (detailed in each programme and budget in the planning period). These will be more tightly stated and measurable than before. Indicators aim to reflect a range of performance measures, including qualitative dimensions. The new framework and the outline of the Programme and Budget proposals for 2006-07 are detailed in Part III. The organizational structure of the Office is informed by the strategic framework, although for practical reasons it will not correspond exactly to the hierarchy of strategic objectives, operational objectives and operational outcomes.

Deciding on action

56. Results-based management has taught us to look outward and to measure our performance in terms of our impact on the lives of working women and men. To achieve a high level of performance, we rely on modern systems, tools and infrastructure. In recent years, under pressure to meet immediate performance goals with limited resources, the ILO has underinvested in staff development, information and communications technology, office accommodation and security. Recent investments, made possible by the 2000-01 surplus, have enabled parts of these gaps in our capacities to be filled. Now the Organization must develop a sustainable path forward, on the basis of a hard and strategic look at costs and benefits.
57. The ILO must push ahead decisively with measured ambition aware of the means at its disposal. Today it does not have the resources to do everything its constituents request. In the face of growing demand the ILO needs to set priorities, concentrate its efforts, avoid dispersal and produce quality products, based on its wide-ranging mandate. If it advances too slowly when globalization is moving forward by leaps and bounds, it will miss the chance to make a contribution many see as of critical importance. But it must act within limited means. We need strategic thinking.

Part II: Strengthening institutional capacities

58. The realization of the ILO's mandate and challenges set out in this SPF requires a foundation of sound management practices and institutional capacities. Our vision is one of highly qualified and trained staff supported by modern systems and infrastructure providing the tools and environment to achieve the Organization's goals, at headquarters and in each field office.
59. In the period 2002-05, with resources available under the 1998-99 and 2000-01 surpluses, a good start has been made in addressing a number of capacity problems that had built up over many years. Without the decision to invest a significant part of the surpluses in capacity building, the problems would be more severe. However, given relatively low regular budget allocations to such areas as information and communications technology,

management and staff development and buildings and facilities, this has been a difficult task.

60. Strengthening these capacities and enabling the Organization to achieve the management and organizational excellence necessary to the achievement of our mandate and priorities will require serious and sustained attention to capital investments and human resource development in the next strategic period. Increased investment in these areas will be required.

Core strategic capacities

Extending partnerships

61. The ILO's Decent Work Agenda is a contribution to sustainable economic, environmental and social development as envisioned in the Millennium Declaration. Indeed, as the report of the World Commission on the Social Dimension of Globalization advocates, making decent work a global goal is central to the shaping of a fair globalization. Just as the Declaration of Philadelphia holds that social progress cannot be achieved solely by social policies, so making decent work a key pillar of development strategies cannot be achieved by labour policies alone. The ILO's strategic objectives are an important contribution to the appeal in the Millennium Declaration that only by "broad and sustained efforts to create a shared future, based upon our common humanity in all its diversity, can globalization be made fully inclusive and equitable".⁷ The goal of decent work calls on the ILO to work with other organizations and institutions in partnership.
62. As an organization built on the logic of partnership, the ILO is well placed to absorb and act upon the imperative of constructing a process of policy convergence. To that effect, the ILO must seek to achieve synergy of action with strategic partners. Priority in extending partnerships will naturally be given to those organizations with a mandate that intersects with that of the ILO. For example, the ILO has long-standing relations with the FAO, WHO, UNESCO and UNIDO focused on issues such as employment and rural development, health and safety at work, the school-to-work transition and industrial development and entrepreneurship, which should be deepened and made more effective. While in the past relations with other organizations were a separate function within the Office, a new approach will necessitate most functions within the Office developing a strategy for partnership. Policy briefs and materials to explain and connect the ILO's policies to those of strategic partners are essential tools in such an approach.
63. The participation of the ILO as observer in the International Monetary and Financial Committee of the International Monetary Fund and the Development Committee of the World Bank gives us an opportunity to be present in important policy discussions. A continuing task of the ILO tripartite constituency and the Office is to ensure that the Decent Work Agenda, which has acquired such solid national, regional and global support, is adequately taken into account in policy advice.⁸ A significant evolution in these last

⁷ For the full text see <http://www.un.org/millennium/declaration/ares552e.htm> .

⁸ Paragraph 17 of the Communiqué of the Group of 24 Ministerial Meeting on 1 October 2004 states "Ministers welcome the report of the World Commission on the Social Dimension of Globalization, which provides guidance for placing employment at the centre of the MDGs and the development agenda. They underscore the role of employment in poverty reduction and call for the Bretton Woods Institutions to stress employment creation in their programmes and policy advice.", at <http://www.g24.org/09-04ENG.pdf> .

years has been the evidence that the concepts of employment as a sustainable way out of poverty, decent work as a development tool and a fair globalization are resonating strongly with their constituents – particularly developing countries and many developed countries. This certainly opens the way for better cooperation in the future.

64. The relationship with the UNDP and UNCTAD is certainly significant for the ILO and important areas of convergence can be developed further. This is equally valid for IFAD, UNEP, Human Settlements and UNICEF, as well as WIDER, UNRISD and the United Nations University in our research agenda.
65. Links with the Inter-Parliamentary Union and regional parliaments have strengthened these last years and should be intensified given the importance of parliaments for the approval of Conventions and their political influence on the Decent Work Agenda at the national level. Also, local authorities play a central role in the implementation of decent work country programmes (DWCPs) at the community and national levels. A more systematic and effective link with the recently created United Cities and Local Governments (UCLG) should be established.⁹
66. The regular participation of the ILO in the World Economic Forum and the World Social Forum and other organizations active on ILO issues has proven to be an important source of information, contacts and opportunities to present different dimensions of the Decent Work Agenda. It should be continued.
67. The Office will, of course, maintain and wherever possible, further strengthen its long-standing and fruitful cooperation with a number of international associations grouping practitioners in fields of direct interest to the ILO, such as the International Cooperative Alliance (ICA), the International Social Security Association (ISSA) and the International Industrial Relations Association (IIRA).

Strengthening analytical and statistical capacity

68. High-quality research and comprehensive statistical data disaggregated by sex are essential to the ILO's ability to service constituents and influence global and national policy orientations. The ILO, because it is able to draw on the global tripartite network and research institutes around the world, should be a leader in the development of knowledge, information and analysis on topical issues in the world of work. As a catalyst of knowledge networks organized around these concerns, the ILO should ensure that research, policy analysis and technical cooperation are mutually reinforcing and lead to policy advice of the highest quality. This should involve comparative analytical work on labour issues, based on extensive statistical information. The International Institute for Labour Studies with an enhanced link to technical sectors and the regions can play a key role in this endeavour.¹⁰
69. An essential counterpart to good research is an adequate statistical foundation for the ILO's concerns. Reliable, comprehensive and accessible statistical data, which reflect the key priorities of the Decent Work Agenda, provide a vital input to policy choices and debates, and to assessment of progress towards goals. Sound statistics provide the basis for evaluation, for good analysis and for communicating the ILO's messages to a wider audience. A stronger statistical base for the Decent Work Agenda is needed, addressing key concerns such as gender equality, security, representation and living standards. In the 2002-05 period, resources from the surplus have been invested in strengthening ILO

⁹ See http://www.lgib.gov.uk/ukint/ukint_e3.htm .

¹⁰ See INS.B.XLVI/1.

statistical capabilities, and this must be consolidated in 2006-09 by organizing ourselves better and strengthening our support to work at the country level which is, after all, where the information comes from in the first place. Statistical and data collection work is today dispersed throughout the Office. It must be integrated into a unified policy and management structure reflecting both priority needs and technical requirements of sectors and regions.

70. The ILO should follow a three-pronged strategy. First, development of knowledge, policy analysis and compilation of statistical data should better align with the policy agenda. There should be better coordination of statistical activities throughout the Office leading to enhanced capacity and increased assistance to countries to improve their statistical activities. The contributions of international labour standards and of social dialogue in these fields should be reflected.
71. Second, the ILO should strengthen its in-house policy research capacity, not only for direct primary research but, most importantly, for tapping, orienting and capitalizing on external capacities of think tanks, research institutions, universities and other knowledge networks working on ILO issues throughout the world. This should be reflected in the research capacity of all major units, including the regions. It should be decentralized but coordinated. It should have a substantial impact on the recruitment criteria of the Office, since the Office needs a body of younger officials with top-level technical skills in each of its main disciplines. Working relationships and exchanges with academic and research institutions should be actively pursued. The International Institute for Labour Studies has a particular role to play here.
72. Third, the ILO should improve the quality and impact of its research and policy approach. A limited number of major reports should be prepared, including a flagship report issued regularly on a topical theme and produced by a dedicated multidisciplinary team. This should be complemented with shorter policy briefs on major issues. Different types and forms of publications should reach different audiences, with extensive use made of the Internet. All major ILO publications should undergo a peer review prior to publication. An ILO electronic research newsletter should be issued regularly as a means of sharing recent and forthcoming developments.

Sharing and managing knowledge and information

73. To maintain its status as a leading knowledge institution in the world of work and influence global and national policy debates, the ILO must invest in strategies on knowledge management and knowledge sharing. The experience and knowledge gained 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 the wealth of knowledge collected by the ILO, in addition to managing the wide range of ILO products, would 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 would 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 would also promote better partnerships within the ILO and, through knowledge networks, outside of the ILO.
74. A knowledge-sharing and management strategy involves people and supportive processes and technology. During the 2006-09 period the Office should address the following goals:
 - enlarging and organizing systematically our knowledge on the world of work so that it can be easily retrieved and communicated;

- making available in various ways the extensive and practical knowledge of ILO constituents themselves, including by region and country;
- facilitating access to comparative databases on decent work indicators and policies to constituents and the wider public;
- elaborating new knowledge-sharing systems and tools, including communities of practice.

Improving the Office's capacities to share and manage knowledge will involve the International Training Centre (Turin). The Centre works closely with ILO constituents to enhance their capacity to play an effective role in economic and social development. This expertise will be invaluable in assisting in the development of knowledge-management systems and connecting them to the needs of constituents. The continuing integration of the capacities of the Turin Centre with those of the Office will help to build an Organization-wide strategy on knowledge sharing and management. In addition, the Centre, in collaboration with the United Nations Staff College which shares its campus, provides training services to staff of the UN system and other international bodies. This will greatly assist with the objectives of extending partnerships and enhancing staff capacities.

Strengthening communications strategies for promoting decent work

75. A strong communication strategy and capability is vital for promoting the Decent Work Agenda. First and foremost, the Office must provide constituents, especially members of the Governing Body, with timely and accessible information on the activities of the Organization. An effective communications policy also enables the ILO to reach a wide audience across the world often only faintly acquainted with the ILO, its values and policies. Making decent work a global goal requires the engagement of all constituents in information sharing, reporting on progress and experiences, as a vital stimulus to concerted action across the Organization. In addition, the ILO must communicate its messages to both non-specialized audiences, as well as to the more informed and technical counterparts.
76. The ILO must develop a culture of delivering clear, concise and timely information through a variety of means (publications, information services, databases, web sites, media channels) and in different languages. A communication strategy must be an in-built element of the main areas of ILO work, using the Internet as the major means of dissemination of ILO knowledge and products. This should also change the nature of the products documenting and analysing trends in the world of work produced by the ILO. Upgrading the communication skills of ILO staff is a priority for staff development, for example, for relations with the written and broadcast media, writing skills especially for the Web, public speaking and the use of visual aids. The creation of a new culture of communication is vital to the future success of the ILO. All principal activities should incorporate a communications dimension at the planning stage.

Management capacities

Integration of technical cooperation resources

77. Extra-budgetary resources for technical cooperation activities have risen faster than the ILO regular budget over the last six years. In 2002-03, the ILO expended US\$227 million

in extra-budgetary technical cooperation, equivalent to 52.3 per cent of the 2002-03 regular budget or 34.3 per cent of total resources (regular budget and extra-budgetary contributions) available to the ILO. By comparison, in 1996-97 these ratios were, respectively, 31.4 per cent and 25.6 per cent.

- 78.** Three measures have been introduced in recent years to better manage technical cooperation resources:
- integration of regular budget and extra-budgetary resources in the strategic budget of the ILO as in 2004-05;
 - continued decentralization to field offices of primary responsibility for implementation of technical cooperation activities;
 - more transparent procedures to prepare and approve technical cooperation proposals.
- 79.** The better integration of extra-budgetary activities with regular budget activities, reflected in these measures, will be pursued in 2006-09 with the following emphasis:
- further strengthening of managerial and technical capacity in field offices to implement ILO activities by enhancing the essential range of ILO competencies in all regions, in particular project formulation and local resource mobilization;
 - full application of DWCPs as an instrument to better align extra-budgetary resources with priorities of constituents in member States; and better coordination with development assistance;
 - better reflection of basic orientations for extra-budgetary resources in the programme and budget proposals for discussion and guidance by the Governing Body.

Enhancing staff capacities and competencies

- 80.** By 2009, some 50 per cent of present senior managerial and Professional staff (P5 and above), as well as support staff, will have retired. This will result in a significant loss of institutional knowledge and experience. Managing human resources in a complex and diverse organization such as the ILO requires a balance between the continuity, stability and commitment which a professional and secure career path brings, alongside a dynamic approach which is flexible and adaptable to the changing needs of the Organization. Replacement of retiring staff presents an opportunity to tailor recruitment of highly competent and qualified staff to the Director-General's commitment to a more appropriate grading structure, more women in senior positions and geographical balance.¹¹
- 81.** Meeting these challenges will require a significant investment in staff capacity in three major ways: prospection and recruitment, initial and continuous learning and development, and career and succession planning.
- 82.** Forward-looking staffing plans will be introduced in each major unit based on the knowledge and competency requirements and the human resource policy priorities around age, grade structure, gender balance, national diversity and staff mobility. While considering the reality of competition for quality talent, it should be possible over the medium term to lower the average point on the ILO grade structure to reflect a more evenly distributed staff age and experience profile than has been the case for several years.

¹¹ See GB.291/PFA/17. ILO Human Resources Strategy update, summary of developments.

By early 2006 a new prospection strategy and recruitment procedures will be in place in order to fill vacancies within five months of a vacancy notice. Transparent and merit-based procedures will be applied in line with the ILO's human resources priorities.

83. UN-wide principles on organizational learning and development will be applied. Initial and continuous learning will be met providing staff with ILO-specific core (for all staff), level (required at a particular grade) and technical competencies (to meet the requirements of a particular position) necessary to meet the ILO's strategic objectives. Resources equivalent to 2 per cent of regular budget staff costs will be earmarked during 2006-07 for learning and development following agreed guidelines. The Turin Centre will be a key tool for capacity building and staff learning and development.

Oversight

84. In recent years, the oversight functions of the Office have been significantly strengthened. An evaluation framework has been elaborated and evaluations have been carried out for six of the eight InFocus programmes, with the remaining two foreseen for 2005. Strategic budgeting in the ILO will also be evaluated in 2005. The Office of Internal Audit now reports directly and independently to the Governing Body, and the use of risk analysis and the issuing of an internal audit manual have reinforced its internal systems and procedures. Nonetheless, the evaluation and audit functions of the Office should be strengthened. Results-based budgeting and management require means to examine programmes and themes in depth, to draw and communicate lessons and to inform budget and management decisions.
85. Current arrangements in the Office separate project evaluation from programme evaluation, weakening the idea of an integrated budget covering all sources of funds. The Governing Body has expressed concern about the need for greater independence of evaluations, and at the same time has insisted on a strong traditional audit function, including an adequate capacity for investigations. The process of deepening the ILO's results-based management systems will create needs for decentralized systems for performance monitoring and self-evaluation. Systems of accountability should be reinforced, including, where necessary, by structural reform and management training.
86. A comprehensive system of oversight and evaluation should be in operation by the end of 2007 and include strong central policy guidance and support, visibly increased independence, decentralized capacity in technical programmes and regions, and a clear link with performance reporting and self-evaluation. In addition, an annual report summarizing evaluation activities, major findings and recommendations of evaluations and follow-up as well as future plans could be submitted to the Governing Body for future guidance.

Investments and infrastructure

Sustaining cost-effective improvements in information technology

87. Information and communication technologies play a pivotal role in enabling the ILO to meet its strategic objectives and better serve its constituents. The combination of computing and telecommunications technologies support improved access to and sharing of knowledge, the modernization of work practices and improved service delivery.
88. The ILO's global telecommunications infrastructure (headquarters and external offices) should be incrementally upgraded to ensure that information technologies can deliver the

existing services (e.g. email, Intranet) and new applications (e.g. Integrated Resource Information System (IRIS)) that the Office increasingly depends on to serve its constituents and improve administrative efficiency. For example, the deployment of IRIS and the Electronic Document Management System/Web Content Management System (EDMS/WCMS) to all ILO offices should be completed before the end of 2007. Videoconferencing must be more widely used in 2006-09 and seen as a viable alternative to physical travel. Eventually, this will lead to expanded services such as telephone communications via the Internet and desktop-to-desktop videoconferencing.

89. An appropriate yet cost-efficient technological infrastructure, which takes due account of all the existing and new information technology and information management requirements of all offices, individually and collectively, will have to be in place to support the requirements. The ILO will continue to assess options in order to ensure a secure, manageable and scalable environment for existing and new applications. Future decisions should be compatible with the UN system-wide comprehensive strategy on information and communications technology.

Office accommodation and security

90. Successive zero-growth budgets, combined with a concern to enhance service to constituents, have led to significant reductions in expenditure on basic building maintenance and security. New commitments made to security of staff and constituents in the light of increasing security concerns and manifestations of hostility towards international agencies and officials have exacerbated this situation.
91. Restricted budgets for maintenance and upgrading have led to deteriorations such that interpretation booths and equipment in headquarters meeting rooms are no longer functional. In the absence of funds for equipment purchase and repairs, this has led to significantly higher costs as temporary equipment has had to be rented to support constituent meetings. The situation has now reached the point where investment is needed in a broad range of equipment and facilities for reasons of costs, functionality and safety.¹²

Financing medium-term charges

92. Over the last ten years, the steady reduction in the real value of the regular budget and the effort to maintain programme delivery has led to constraints on provisions for maintenance and replacement of the ILO's buildings and equipment. Two areas now require action in order to improve services and, in some cases, prevent deterioration in services to constituents. In addition to the major investment in the new information resource system (IRIS), it would be prudent to foresee a continuing process of general upgrading of information and communication technology at headquarters and in field offices. Renovation, refurbishment and construction of ILO-leased and owned buildings, not least to meet new security and occupational safety and health norms, require the ILO to make substantial investments. A multi-biennium strategy is the best option to finance these expenditures from dedicated provisions in the biennial regular budget.
93. An additional issue is financial liability for after-service health insurance for retired officials. ILO practice has been to treat this cost on a "pay-as you-go" basis, charging the biennial budget with the amount of the Office contribution as it is incurred. Generally

¹² The Governing Body, through its Buildings Subcommittee is examining an overview of ILO office accommodation (GB.291/PFA/BS/4). The PFAC is also reviewing a report on security and safety of staff and premises (GB.291/PFA/5).

accepted accounting principles now require that an organization recognize the future liability for retired officials and the current service costs in the financial statements. Within the UN system a minority of organizations have established funding mechanisms for this liability; the majority follow procedures identical to the ILO. A document is being prepared by the United Nations secretariat for discussion by the General Assembly on modalities for addressing this significant and increasing future cost. An actuarial study conducted by a reputable firm experienced in such issues has determined that for the financial period 2002-03 the potential maximum liability in after-service health insurance for all current and future retired ILO officials is valued at US\$437 million. Any change in the ILO's current accounting practice in this regard could only follow a UN-wide decision.¹³

Part III. Preview of the Programme and Budget proposals for 2006-07

Overall outline of programme and budget proposals

- 94.** The Director-General's Programme and Budget proposals for 2006-07 will be presented to the Governing Body in March 2005. Following the suggested Strategic Framework for the period, the Programme outlined below comprises the four strategic objectives, eight operational objectives and 22 operational outcomes. The programme and budget proposals will further elaborate the operational outcomes with strategies, indicators and targets for each two-year period, together with a budget linked to expected results.
- 95.** This outline is provided at the request of the Governing Body which expressed an interest in discussing a preview of proposals at an early stage. The final programme and budget proposals will benefit from the views of the Governing Body on the Strategic Policy Framework (SPF) and on the outline presented here. This preview is necessarily brief, while providing information and context on which the constituents may wish to provide further direction.
- 96.** The outline of the Programme and Budget proposals for 2006-07 contains:
- for each strategic objective, a brief section on context and ILO response is followed by the relevant operational objectives, proposed operational outcomes and a preliminary listing of the indicators being developed;
 - a brief description of innovations introduced in the Programme and Budget proposals, including changes in procedures for their preparation and greater transparency in the budgetary presentation.

¹³ Successive financial reports and audited financial statements to the ILC and the GB have disclosed this liability.

Strategic objectives, operational objectives, outcomes and indicators proposed for the Programme and Budget for 2006-07

Overall objective: Decent work as a global goal

Context and ILO response

97. The ILO-sponsored World Commission on the Social Dimension of Globalization delivered a message centred on shifting national and global policies from a narrow focus on markets to a broader concern with people. It has set the ILO the challenge of making decent work a global goal to be pursued in every country and in the international community. A number of recommendations seek to improve global governance, including through a greater role for international labour standards and social dialogue, and to strengthen international policies to promote employment and social protection.
98. This calls for action under each of the strategic objectives. It also calls for integrated action in several domains. These include coherence in economic and social policies in support of decent work at national, regional and global levels, including in poverty reduction strategies. Greater awareness of the need for policy coherence and measures to promote such coherence nationally, regionally and globally are expected. The importance of global production systems invites the ILO to explore the conditions under which such systems can become effective promoters of decent work. These efforts will require information and statistical data to monitor trends in decent work and assess the effects of different policies. This work will be characterized by a common approach in close coordination with the regions and activities under each of the strategic objectives.

Outcome

Greater coherence and consistency between economic and social policies conducive to decent work at national, regional and global levels; including incorporation of decent work goals and policies in poverty reduction strategies, and in global production systems; and better information on the levels and deficits of decent work around the world contribute to making decent work a global goal.

Indicators under development:

- constituents and multi-bilateral partners agree on measures to strengthen coherence in key global policy areas;
- constituents agree on methodology to review decent work, impact of globalization and policy packages for national responses;
- decent work targets are built into national and international policies on poverty reduction;
- constituents are better equipped to integrate decent work goals into national poverty reduction strategies;
- constituents and national and international actors introduce decent work dimensions in policies for global production systems;
- constituents and other organizations use ILO decent work data and analysis in developing economic and social policies.

Strategic Objective No. 1: Promote and realize standards and fundamental principles and rights at work

Context and ILO response

- 99.** The fundamental principles and rights at work laid down in the 1998 Declaration are now firmly established as a universal set of minimum requirements for a “social floor” in a globalizing economy. This has resulted in a sharp increase in the ratification of fundamental Conventions. By implication, more countries now require assistance to apply the standards they have ratified and adopted. Supervisory dialogue with tripartite participation is a constructive way of identifying solutions to problems and monitoring progress. The continued promotion of fundamental standards must shift towards country- or region-specific efforts. Further specific measures may be needed in the event of grave and persistent violations.
- 100.** The list of up-to-date Conventions and Recommendations provides a more concise set of decent work labour standards on which promotional efforts could concentrate. This could also strengthen the role of the supervisory machinery. The approaches promoted in maritime and occupational safety and health standards set good examples for the future.
- 101.** The renewed emphasis on assistance for the application of international labour standards has important implications. It calls for strengthened linkages between standards and economic and social policies in order to make good use of labour standards as tools for the promotion, attainment and monitoring of economic and social progress.
- 102.** Further efforts are needed to enlist the support of all organizations of the multilateral system to fundamental principles and rights at work. All multilateral mandates should be carried out in a way consistent with universally accepted principles and human rights.

Operational objective 1(a): Standards and fundamental principles and rights at work

- 103.** 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.

Outcome 1(a).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. Constituents are provided with practical tools and guidelines based on accumulated operational experiences on gender-sensitive and effective action to support implementation of fundamental principles and rights at work.

Indicators under development:

- action on freedom of association collective bargaining;
- policies and programmes on gender and racial discrimination;
- national action plans on forced labour;
- new legislation on forced labour and trafficking;
- use of tools and methodologies to implement fundamental principles and rights at work.

Outcome 1(a).2

Member States undertake action against child labour in line with fundamental Conventions

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 under development:

- progress in applying Conventions Nos. 138 and 182 via time-bound measures.

Operational objective 1(b): Normative action

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

Outcome 1(b)

Improving the impact of standards

The governments and employers' and workers' organizations in the member States have better knowledge of ILO standards and are able to improve their capacities and skills to implement the standards according to their identified needs and national priorities, on the basis of the comments of the ILO supervisory mechanism and assistance provided by the Office.

Indicators under development:

- member States improve application of standards;
- member States improve the application of freedom of association standards;
- participants in training on ILO standards;
- increased knowledge and capacity of constituents to advocate and support ILO standards;
- continuing improvement in percentage of timely reports processed.

Strategic Objective No. 2: Create greater opportunities for women and men to secure decent employment and income

Context and ILO response

- 105.** Decent employment and incomes are the cornerstones of social integration and sustained improvements in living standards. Many have seized new opportunities opened by globalization, but for many more a fair chance at a decent job has remained elusive. This calls for placing employment at the heart of economic and social policy. As poverty reduction strategies spearhead national and multilateral efforts to meet the 2015 Millennium Development Goal, it is important to embed employment as a central objective and instrument in local, national, regional and global policies.
- 106.** The massive entry of women into the labour market presents a unique opportunity to promote equal treatment at the workplace, in particular by reconciling employment and working conditions with reproductive and family responsibilities. Many countries are

looking for better ways to ensure a smooth transition from education and training to work for youth.

- 107.** The Global Employment Agenda (based on conducive macroeconomic policies, including employment-intensive investment, promotion of enterprises, in particular small enterprises and entrepreneurship, and labour market, skills and employability policies) offers a comprehensive framework to review country policies and provide advisory services and assistance. Enterprise policies can promote decent work with an appropriate policy and regulatory environment. In turn decent work policies can strengthen enterprises. Tripartite support to corporate social responsibility, including the Declaration on Multinational Enterprises, is key to decent work in enterprises.

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

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

Outcome 2(a).1

Employment as central to economic and social policies

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

Indicators under development:

- labour market indicators and analysis disseminated;
- dissemination of research findings through key publications;
- adoption and implementation of strategies and policies of the Global Employment Agenda;
- adoption and implementation of employment and labour market policies.

Outcome 2(a).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 under development:

- gender-sensitive reviews of training policies and systems;
- effective skills and employability policies and programmes.

Outcome 2(a).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.

Indicators under development:

- assessments of youth employment challenges;
- tools and strategies adopted to apply gender-sensitive youth employment policies.

Operational objective 2(b): Employment creation

- 109.** ILO constituents are better equipped to design, implement and assess policies and programmes to promote decent work and reduce poverty through enterprise development and employment-intensive investment, paying particular attention to women, youth, vulnerable and crisis-affected groups.

Outcome 2(b).1

Employment creation through enterprise development

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

Indicators under development:

- use of ILO tools to improve policy and regulatory environments supporting decent jobs through start-up and growth of small businesses and cooperatives;
- use of ILO tools to provide business development and financial services to small businesses and cooperatives;
- use of ILO tools to upgrade sectoral and rural enterprises and cooperatives.

Outcome 2(b).2

Employment creation through employment-intensive investment approaches

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

Indicators under development:

- increased investments in employment-intensive infrastructure programmes;
- application of employment-intensive investment approaches in crisis-affected countries;
- infrastructure and construction programmes demonstrating decent work and job creation.

Outcome 2(b).3

Decent work through local development: Poverty reduction through local employment and empowerment

Strengthened capacity of ILO constituents and key partners to 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 under development:

- organizations share information on local development strategies;
- application of innovative local economic development, employment promotion and income-generating activities, including microfinance, to reduce poverty and social exclusion.

Strategic Objective No. 3: Enhance the coverage and effectiveness of social protection for all

Context and ILO response

- 110.** The lack of adequate social and labour protection is increasingly perceived as a major cost to society and the economy. Conversely, access to social and labour protection is recognized as a significant means to reduce poverty, raise labour productivity, particularly among small enterprises and the agricultural sector, and facilitate structural change. The full potential of social and labour protection systems to contribute to welfare, economic performance and social stability can be enhanced through improvements in their design, financing and governance.
- 111.** The ILO is carrying out a global campaign on social protection for all. The World Commission on the Social Dimension of Globalization supports a universal socio-economic floor of rights, social protection and employment. The challenge is to devise technically feasible and financially viable policies to enhance social protection coverage, particularly in basic health and old-age pensions. Decent work in small enterprises requires adequate modalities of social and labour protection.
- 112.** Coherent policies to improve working conditions and the working environment are increasingly recognized as closely linked to the quality of jobs and enterprise competitive strategy. The ILO Global Strategy on Occupational Safety and Health provides the framework for national occupational safety and health systems based on the principles of prevention, protection and compensation. Decent wages, working-time arrangements, reconciling work and family life and general conditions of work are becoming major issues not only in social dialogue but also in response to aspirations of workers and their families for a better quality of life.
- 113.** As part of the implementation of the ILO code of practice *HIV/AIDS and the world of work*, the ILO will continue to promote prevention campaigns and actions centred on the workplace, together with facilitating access to affordable treatment and care, including through occupational health services. As called for by the International Labour Conference, the ILO will give effect to the plan of action calling for a fair deal for migrant workers in the global economy. Assistance to tripartite constituents will centre on the development of a non-binding multilateral framework for a rights-based approach to labour migration.

Operational objective 3(a): Enhanced social security coverage

- 114.** 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 build a socio-economic floor for all men and women during their different life cycles.

Outcome 3(a).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 health care, guaranteeing income security, providing occupational health and safety and promotes social inclusion.

Indicators under development:

- member States adopt and implement effective policies and strategies to strengthen and extend social security schemes;
- member States integrate social security, safety and health and income-generating activities in the informal economy and rural areas to reduce poverty and social exclusion.

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

Member States have the technical and analytical tools, knowledge base and skills to formulate and implement social protection policies and better manage social protection schemes, including their financial sustainability.

Indicators under development:

- member States enhance capacity for good governance of social protection;
- member States use tools, methodologies and data, which incorporate the gender dimension, to formulate policy and improve capacity for management and administration of social protection systems.

Outcome 3(a).3**Exploring the concept of a socio-economic floor for all**

To investigate the scope for a basic socio-economic floor of social protection, employment and related opportunities, income and status, as a central objective for social progress and decent work.

Indicators under development:

- tripartite meetings discuss tools and policies to achieve a socio-economic floor;
- policies to achieve a socio-economic floor are developed and piloted by interested member States;
- partnerships with agencies dealing with aspects of a socio-economic floor are extended, e.g. education, health.

Operational objective 3(b): Effective labour protection

- 115.** ILO constituents are better able to develop and implement labour protection at national and enterprise levels in both the formal and informal economy and take effective action to promote a safety culture as a basis for a safe and healthy workplace, and to improve safety and health conditions and employment, with special attention to the most hazardous conditions at the workplace and the most vulnerable groups.

Outcome 3(b).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 under development:

- improved constituents' knowledge of key principles in selected Conventions and Recommendations;
- use of ILO tools to improve the quality of working life, particularly in the informal economy and rural areas;
- improved national safety and health systems in member States;
- ratification and application of ILO standards on safety and health at work and labour inspection, conditions of work and employment, including wages, working time and work and family balance.

Outcome 3(b).2

An agenda for tripartite action on 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 under development:

- member States adopting policies and programmes protecting the rights and providing for equal treatment of women and men migrants, and against their trafficking.

Outcome 3(b).3

National plans for combating HIV/AIDS in the world of work

Alleviate the socio-economic impact of HIV/AIDS in the world of work.

Indicator under development:

- member States incorporating workplace components in their national strategies and action plans to combat HIV/AIDS in the formal and informal economies.

Strategic Objective No. 4: Strengthen tripartism and social dialogue

Context and ILO response

- 116.** Social dialogue is both an objective and a means of achieving decent work. 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 competent 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.

- 117.** In line with the resolution concerning tripartism and social dialogue adopted by the 2002 International Labour Conference, the ILO will further strengthen the capacity of the tripartite constituents to engage in social dialogue and to use it as a tool for addressing and resolving issues with a focus on the informal economy and poverty reduction.
- 118.** 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 scope of the employment relationship following on its debate of 2003.
- 119.** The integrated approach to social dialogue, labour law and labour administration will be pursued in order to provide a strong framework for good governance. The new approach to sectoral activities will focus on practical programmes in countries tailored to constituents' requests as well as global reviews responding to technical innovation, regional integration and other issues of globalization.

Operational objective 4(a): Strengthened social partners

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

<p>Outcome 4(a).1</p> <p>Employers' and workers' organizations are more valuable and attractive to their membership and to potential members</p> <p>Employers' and workers' organizations providing new and better services addressing the needs of their affiliates, and extending the representation of their organizations.</p> <p>Indicators under development:</p> <ul style="list-style-type: none"> - employers' organizations providing new or better services relevant to their members; - workers' organizations providing new and better services.

<p>Outcome 4(a).2</p> <p>Social partners influencing socio-economic and governance policies</p> <p>Employers' organizations influencing policies to create an environment conducive to economic growth and job creation; workers' organizations making an effective input into an equitable, sustainable and participatory socio-economic development.</p> <p>Indicators under development:</p> <ul style="list-style-type: none"> - employers' organizations that make use of ILO tools and advice to influence policies at the national or international level; - workers' organizations making an effective input into an equitable, sustainable and participatory socio-economic development.

Operational objective 4(b): Government and institutions of social dialogue

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

Outcome 4(b).1**Strengthening the social dimension of regional integration through effective, informed use of social dialogue**

Regional integration processes include a stronger social dimension, making effective use of social dialogue. ILO constituents better understand key issues related to social and economic integration processes, and are able to impact on them through their participation in the dialogue process.

Indicators under development:

- tripartite constituents in regional or subregional groupings whose capacities for participating in social dialogue on regional integration issues are enhanced;
- tripartite constituents influence gender sensitive regional/subregional accords on economic and social policy issues;
- an international knowledge base on regional integration issues is developed.

Outcome 4(b).2**Improving governance through social dialogue, labour law and labour administration**

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

Indicators under development:

- member States that modernize ministries responsible for labour and upgrade the skills of officials;
- member States using tripartism and social dialogue as a tool of economic and social governance;
- member States adopting legislation based on ILO standards with the involvement of the social partners;
- member States applying ILO Conventions on social dialogue and labour administration.

Operational objective 4(c): The development of social dialogue at sectoral level to improve global labour and social outcomes

- 122.** 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.

Outcome 4(c)**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 under development:

- member States using social dialogue to improve social and labour outcomes in specific economic sectors;
- member States that ratify the Convention on maritime labour standards (to be adopted);
- member States that ratify the Convention on fishing (to be adopted);
- member States that ratify the Seafarers' Identity Documents Convention (Revised), 2003 (No. 185);
- constituents that take action to implement sectoral codes of practice and guidelines;
- constituents investigate mechanisms for increasing opportunities for decent work within global production systems.

Innovations in programme and budget proposals

Mainstreamed goals

123. Mainstreamed goals draw on lessons learned regarding effective ways to document, manage and report on themes cutting across all the strategic objectives. Mainstreamed goals permit: (a) a specific definition of an outcome sought; (b) the elaboration of an Office-wide strategy; and (c) the identification of indicators of progress which simultaneously measure progress on a mainstreamed goal (such as gender equality or poverty eradication) and one falling within a specific strategic objective (such as improvements in employment policies in member States). This reduces fragmentation and encourages greater focus and integration ensuring the ILO's limited resources are used to maximum effect, without compromising accountability and coherence.

124. The programme and budget proposals include five mainstreamed goals, which are only briefly described here as the strategies and indicators are still under development.

A fair globalization

125. Progress is made towards a fairer and more inclusive pattern of globalization through the development and implementation of more coherent and integrated economic and social policies and rules at local, national, regional and global levels, and the promotion of institutions for representation, participation and dialogue which support a more effective policy response by the actors concerned.

Working out of poverty

126. National and international policy debate and strategies to eradicate poverty are influenced by decent work goals. ILO member States and constituents are better equipped to design, implement and assess poverty reduction strategies that combine integrated programmes for job creation, income generation and the extension of social protection with respect for fundamental rights at work, the strengthening and extension of social dialogue, and a particular focus on the situation of women, youth and vulnerable groups.

Advancing gender equality

127. The ILO strategy will focus on ensuring that the principles of gender equality are incorporated in the work of the ILO in all areas, that concrete results are sought, and that ILO Constituents introduce positive changes in policies, legislation, programmes or their institutions aimed at bringing about significant improvements in equality between women and men in the world of work

Greater influence of international labour standards in development

128. Impact of international labour standards in all member States is strengthened through a fuller integration of standards in the technical work and the field activities of the ILO. Meanwhile, the relevance of standards for development is further enhanced in the process of new standard setting and revision of standards.

Expanding the influence of social partners, social dialogue and tripartism

129. The ILO must act at several levels to strengthen the organization of workers and employers and give social dialogue and tripartism greater national and international influence. The

Office should be ready to provide assistance when requested to enhance constituents' representativeness, capacity and knowledge. Such support should also serve to back up their effective participation in economic and social development, as well as tapping their knowledge and experience to boost the Decent Work Agenda. The ILO must better incorporate tripartism and social dialogue as principles and tools in delivering decent work. The ILO must improve its advocacy within the development community of the value that tripartism and social dialogue can add to policy-making and implementation.

InFocus initiatives

- 130.** New areas of work or those requiring new developments are supported by special cross-organizational arrangements. These are InFocus initiatives under which the Office will develop new technical capacity in a particular field. An example might be global production systems, which would essentially provide a new perspective on the way work is organized in the global economy bringing together expertise from the regions and all four sectors. This builds on experience with InFocus programmes during the last two budget cycles. It is proposed that they should concentrate on new areas of work which require some testing before they become part of the ILO's regular activities. InFocus programmes were more loosely conceived. It is envisaged that most of the work they undertook now becomes part of the ongoing work of the different sectors.
- 131.** The InFocus initiatives should provide tangible demonstrations of the feasibility of a particular course of action, design workable concepts, policies and tools elaborated and validated through knowledge networks assembling doers and thinkers from a variety of institutions, as well as developing partnerships with major actors in the respective fields. InFocus initiatives are located within one operational unit, but are financed and implemented with resources from across the Office and geared to generating substantial support from extra-budgetary sources. In Focus initiatives have evolved from InFocus programmes that combined one administrative unit and one topic. The Programme and Budget for 2006-07 will feature a reduced number of InFocus initiatives.

Transparent budgetary information

- 132.** The programme and budget proposals will, for the first time, contain a series of new elements of budgetary information, presented with greater clarity and methodological soundness, permitting a more detailed analysis of financial allocations against strategic priorities. This increase in transparency is made possible using a strategic management module within the new IRIS system that substantially increases the scope for information sharing and thus integration of programmes between sectors and regions. As well as enabling a more efficient management of resources, it will also ensure that the Governing Body is able to have a strategic overview of the allocation of resources. The two main elements for this overview will be:
- resource allocation by strategic and operational objectives, showing the direct budgetary contribution of each sector and region to each objective; and
 - resource allocation of each region, showing budgetary contributions to each strategic and operational objective.

The ILO budget in perspective

- 133.** In discussing the strategic framework of the ILO for 2006-09, as well as preliminary proposals for 2006-07, the Governing Body will wish to have a perspective on the financial

resources available to the ILO, particularly its regular budget. In recent biennia the Governing Body and the Conference have adopted ILO budgets with no real increase. As the Director-General has pointed out on various occasions (and particularly in his message presenting the 2004-05 programme and budget discussed by the Governing Body in March 2003), the ILO is faced with a difficult dilemma between growing demand for its services and declining resources. The current situation is not sustainable as successive cuts in essential support services and deferred investments have reached a limit beyond which support to constituents will clearly be reduced. The 2000-01 surplus funds have helped to reinforce technical services and made some essential investments, particularly in IT and security, but a sustained longer term investment pattern is needed.

Trends in the ILO regular budget

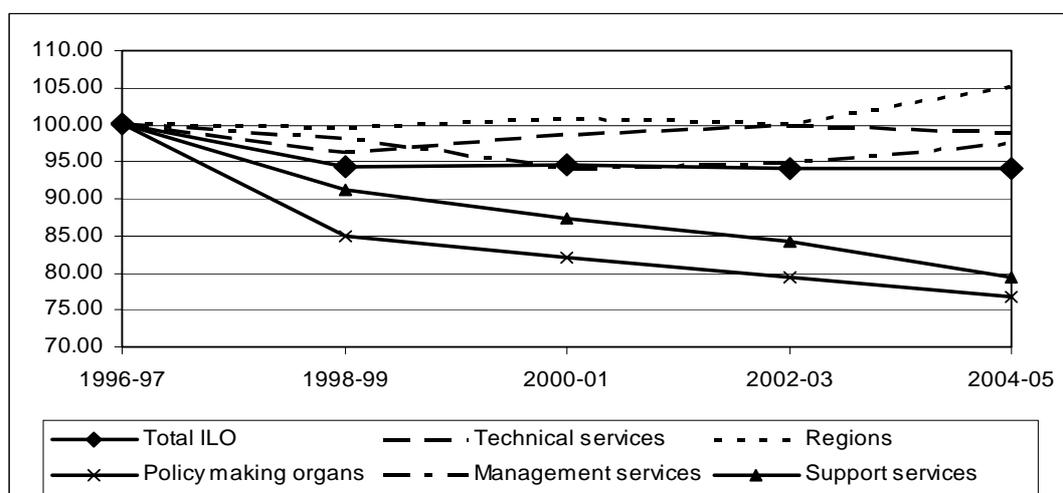
134. In real terms, the ILO regular budget in 2004-05 is below its level of 1996-97. This prolongs a trend started much earlier, with a decline in real terms of 15.07 per cent between 1978-79 and 2004-05. Over the last five biennia (1996-97 to 2004-05) the ILO regular budget, in constant 1994-95 dollars, declined by 5.8 per cent. Resources for the regions show a cumulative increase of 8.2 per cent over the same period. Resources available to policy-making organs and support services have dropped by 25 per cent and 23 per cent respectively, whilst those for management services and technical services have declined by 4.1 and 0.8 per cent respectively. A number of services have been particularly affected over the five biennia by declining resources such as publications, internal administration, and programming and management.

Table 1. Trends in ILO regular budget 2004-05/1996-97, constant 1994-95 dollars (in percentages)

Total ILO	-5.85
Technical services	-0.81
Regions	8.25
Policy-making organs	-24.97
Management services	-4.14
Support services	-22.56

Source: ILO programme and budget. Calculations based on approved biennial budgets excluding provision for cost increase and exchange rate adjustments.

Figure 1. Trends in ILO regular budget and components, constant 1994-95 dollars (1996-97 = 100)



135. Over the period from 1996 to 2003, the budgets of the UN, WHO and FAO have been more or less stable in nominal dollar terms. The ILO's nominal budget has declined by some 25 per cent in the same period. Exchange rate fluctuations and inflation impact UN agencies differently, so a precise assessment of real budget levels is difficult. The decline in the ILO's budget in real terms is 5.85 per cent (paragraph 134). By comparison, government final consumption expenditure in seven major OECD countries (contributing 70.2 per cent of the ILO regular budget) increased in real terms by 16.8 per cent between 1996-97 and 2003.¹⁴

More services with less resources

136. During the same period, the ILO has been delivering a progressively more comprehensive programme of services to constituents. New activities have been introduced such as HIV/AIDS work, responses to crises, and the social dimension of globalization; major work has started in response to requests of the International Labour Conference on poverty reduction, youth employment, informal employers and workers, social dialogue and tripartism, and maritime standards to name but a few. Start-up allocations from the surpluses have enabled a number of these activities to be undertaken. Some activities have radically changed in nature such as the Sectoral Activities Programme with a drastic reduction in meetings, greater use of the internet for publications and change in emphasis in all major programmes towards more focused and tangible results.
137. Greater visibility of the ILO has resulted in wider press coverage, an over tenfold increase in visitors to ILO web pages (between June 1999 and June 2004) matched by an equally substantive growth in the number of documents and files placed on the Internet. The ILO is delivering a much larger technical cooperation programme with total expenditures in 2004 estimated at US\$134 million compared with US\$78.2 million in 1999 (an increase in nominal terms of 71.4 per cent). We know the cost of servicing the technical cooperation programme is higher than the standard amount charged for project support. Expenditures on cases of freedom of association and forced labour have also increased.

¹⁴ OECD: Quarterly national accounts, 2004/2, table 1(b).

Increased pressures on the ILO budget

- 138.** In recent years the Director-General, responding to requests by the Governing Body, has given priority to technical services, particularly in the regions. Within a zero real growth budget, such increases have had to be financed from savings and reductions in other parts of the budget. Successive reductions in support services, including services to conferences and meetings, have now reached a limit. Investments in maintenance and refurbishing of buildings and equipments not financed for several years can in a number of cases not be postponed any longer. The Office is elaborating a medium-term strategy and will seek a replenishment of its Building and Accommodation Fund.
- 139.** The security of staff, constituents and visitors to ILO premises has been a cause of new expenditures. Compliance with UN security standards in all ILO offices across the world will require additional resources.
- 140.** The cost of developing IRIS has been financed out of the 2000-01 surplus funds. The full introduction of IRIS, replacing the current antiquated systems, will require a longer term perspective to finance its running and maintenance costs and possible upgrades.
- 141.** The need to invest in buildings and equipment came at a time when requests for assistance, advice, information and policy developments by constituents are placing increasing demands on the ILO. The appreciation this demonstrates for the relevance of the Office's services is welcome, but is stretching its resources to a point where clear choices have to be made.

Regular budget level

- 142.** The ILO is committed to pursuing its efficiency drive, to continue modernizing its processes, to realize savings wherever possible and to discontinue non-priority activities. The deployment of IRIS will entail reorganization of tasks and functions permitting a greater control of costs and efficiency gains, although it will increase its operating costs. One of the lessons of strategic budgeting has been greater attention to capacity issues in addition to programme priorities.
- 143.** The Programme and Budget for 2004-05 introduced a number of performance measures for support and management functions of the Office. Monitoring and reporting on these will provide useful information to guide future performance, and performance measurement. The impact of new management information systems will become clearer as the preparation of the second programme and budget for this SPF is launched in 2006.
- 144.** Should the budget level status quo continue, the ILO would be faced with the need to realize essential investments and reduce programme activities and services to constituents at a time of growing demand. An adequate response to the emerging international responsibilities of the tripartite ILO with a level of resources sufficient to support activities and maintain the value of the Office's capital assets will inevitably require a serious discussion by the PFAC on the regular budget level and how to address the priority investments for which resources are not available.

145. *The Programme, Financial and Administrative Committee may wish to invite the Governing Body to:*

- (a) endorse the SPF for 2006-09, taking into account the views expressed during its discussion;*
- (b) request the Director-General to take the SPF for 2006-09, as well as its discussion of the preview of the Programme and Budget proposals for 2006-07 into account during the preparation of the Programme and Budget proposals for 2006-07.*

Geneva, 19 October 2004.

Point for decision: Paragraph 145.



EIGHTH ITEM ON THE AGENDA

**Reports of the Programme, Financial
and Administrative Committee**

First report: Financial questions

***Extract: Paragraphs concerning the
Strategic Policy Framework (2006-09)
(and preview of the Programme and Budget
proposals for 2006-07)***

**Strategic Policy Framework (2006-09)
(and preview of the Programme and
Budget proposals for 2006-07)**
(Ninth item on the agenda)

97. The Committee considered a paper¹⁰ on the Strategic Policy Framework, as well as the Director-General's presentation (see appendix).
98. Mr. Botha referred to the Director-General's statement and asked the Director-General to clarify the relationship between the Treasurer and the Executive Director and himself.
99. The Employers regarded debate on the proposed Strategic Policy Framework as key to the future of the Organization, at a time when partners were being asked to adapt the nature and focus of the ILO. The Employers considered that for them the ILO was an organization centred on the world of work. However, they were concerned that the ILO could be being increasingly driven by the report of the World Commission on the Social Dimension of Globalization. They were concerned that the World Commission's report was not yet ILO policy and that it had not yet been meaningfully debated in the PFAC and the Governing Body. The Employers were concerned about a global advocacy role for the ILO which focused on voice, rather than representation, on globalization in all its facets and on general poverty reduction rather than focusing on the world of work and the needs of workers and employers to fight poverty. The Employers were also sensitive to the prospect of the Organization moving into the worlds of finance and macroeconomic policy.
100. He believed that the ILO's contribution to the present challenges in the world came from the effective pursuit of its historic purpose as adapted by the ILO governing institutions over time. It was only through that focus that the ILO could be seen as a credible actor in policy development and implementation. The Employers needed to be able to identify with what the ILO represented. The Employers' vision of the ILO was of a tripartite organization with a tripartite spirit; an organization that looked to assisting in the creation of the right national labour market environments, in that they were conducive to business and enterprise creation which promoted employment, protected workers in their work and through social protection ensured an affordable and sustainable safety net in times of adjustment and need. For the Employers, this was decent work.
101. He did not think that the Strategic Policy Framework document was sufficiently clear in this respect. It was only through an environment conducive to business and enterprise creation that the ILO could contribute to poverty alleviation within the Millennium Development Goals. It was also through successful business that ILO objectives could be achieved on employment creation and promotion of higher labour standards. He sought to see these priorities reflected within both the Strategic Policy Framework and standards and fundamental principles and rights at work.
102. The first strategic objective was one of the main pillars of the Organization. However, it had to remain relevant to the real world of today's workplaces and this required new approaches on standards and fundamental principles. The Employers continued to view the strengthening and improving of the Declaration as priorities to which sufficient resources must be devoted.

¹⁰ GB.291/PFA/9.

- 103.** In strengthening the Declaration, the Employers supported programmes that increased the visibility and the effectiveness of technical cooperation. This required the Organization to ensure that constituents were actively involved in the development and implementation of technical cooperation programmes. In improving the Declaration, the Employers supported the allocation of resources towards the revision of the follow-up mechanisms.
- 104.** The term “standard setting” should include creation of new instruments, revision of outdated instruments, consolidation of existing instruments and discussion under the integrated approach. Priority should be given to the revision of outdated standards identified by the Working Party on Policy regarding the Revision of Standards, and to implementing the discussions under the integrated approach and its follow-up.
- 105.** The Employers continued to support IPEC, particularly in its efforts to eliminate the worst forms of child labour. However, the Office should involve employers’ organizations more closely in its activities.
- 106.** The text on the first strategic objective was general and too broad. He asked how the Office would proceed to achieve the objectives. He questioned the choice of indicators, the guarantee of an outcome, and the role of the ILO supervisory mechanism for the promotion of standards. For instance, the Office needed to explain why it labelled the up-to-date list of Conventions and Recommendations as “a more concise set of decent work labour standards”. The Office should make efforts to obtain technical cooperation for the implementation of standards and not only for IPEC and the Declaration.
- 107.** The Employers heard frequently how employment should be at the heart of economic and social policy and at the heart of the ILO. The Employment Sector as a whole must be supported by the regular budget funding necessary for it to fulfil its mandate as well as being given a focus by the Office for extra-budgetary resources. Enterprise development, together with improving productivity and competitiveness, were equally important contributors to employment creation. The Employers could not accept that these objectives received proportionately less funding in the future.
- 108.** Outcomes and their achievement should be more detailed. The first priorities for the Employers were job creation and enterprise development. He strongly believed that the ILO was uniquely positioned to give assistance to its constituents to implement meaningful job creation programmes particularly in terms of entrepreneurship, small and medium enterprises and micro, small and medium enterprises, whether in the formal or informal economy. In this respect, he expected to see the Job Creation and Enterprise Development Department given the strongest possible support. The recent report of the UNDP, “Unleashing entrepreneurship”, and the report of the World Bank, “A better investment climate for everyone”, could assist in this area.
- 109.** The second priority was in the informal economy and the regulatory environment. In terms of policy coherence, this was a topic which would help to bring together efforts of different agencies and donors to devise focus strategies that drew on the expertise of specialists in labour law, small and medium enterprise development, employment and microfinance to deliver specifically designed recommendations to address the identified causes of the informal economy.
- 110.** The third priority was the Global Employment Agenda. He saw this as the ILO’s collective response to the employment challenge. The Employers expected to see national reviews and national initiatives to get the Global Employment Agenda more fully operationalized at country level.

111. The fourth priority was business linkages. The ILO should develop strategies to integrate multinational enterprises with local SMEs in developing countries. This had great potential for advancing economic and social objectives simultaneously.
112. The fifth priority was skills. The ILO should consider carefully how to give effect to the new Recommendation on human resources development. The Employers' group could not support a global campaign for its promotion, which ignored their concerns. Nevertheless, most areas were positive and should be promoted in a tripartite collective effort.
113. A sixth priority was youth employment. A specific ILO youth employment programme was required with clear objectives and clear lines of coordination within the Office. The ILO needed to follow through on the recent United Nations resolution on youth employment which specifically asked the ILO to play a role in development of national action plans on youth employment.
114. On employment strategy, the Office needed to develop innovative strategies for national development, new methods of capitalization, financing and public/private partnerships, in order to improve the ability of constituents to influence national economic and social policies, thereby playing a stronger role in the PRSP processes.
115. On multinational enterprises, he supported the BASI database as a source of good practices in the area of CSR. In addition, increased resources should be devoted to the promotion of the MNE Declaration, which he viewed as an important reference for companies in the area of CSR. Given that the Global Compact was addressed primarily to business and sought the engagement of business in the promotion of the ten fundamental principles, the ILO should ensure the intimate involvement of employers in future activities related to the Global Compact.
116. The work of the ILO on social protection should be based on the resolution concerning social security adopted by the International Labour Conference in 2001 and the conclusions on occupational safety and health in 2003, as well as on the work done on HIV/AIDS in the workplace. The Employers had three priorities in this objective: Firstly, the Global Campaign on Social Security and Coverage for All. At the ILC 2003, this Global Campaign was launched officially with the participation of the social partners. It was a good example of an ILO project, supported by workers and employers and strongly involving them in its implementation including through an informal supportive group. The Campaign must therefore be funded through the regular budget and through other mechanisms, such as TC-RAM, to give effect to the constituents' priorities. Secondly, regarding occupational safety and health (OSH), the Employers believed that the ILO must implement the priorities outlined in the conclusions adopted in the June Conference. There was a need to raise widespread awareness of the importance of OSH and to strengthen the capacities of ILO constituents, and to raise the visibility of the ILO and its occupational safety and health instruments, including through free access to information. There was a need to promote a culture of prevention, to develop national programmes with the involvement of employers' organizations and to provide technical advisory services and financial support to developing countries. Finally, there was a need to collaborate with other international organizations on a tripartite basis, particularly with the World Health Organization at national level.
117. As far as HIV/AIDS was concerned, greater emphasis and support must be given to HIV/AIDS and the world of work. The constituents, especially the social partners, appeared to have been forgotten in the texts of the proposed outcome. The Office should provide sufficient resources for the implementation of the IOE/ICFTU joint statement and efforts. HIV/AIDS was resulting in heavy costs for employers due to the loss of skilled workers and the need to train new workers. Awareness raising in the education of workers

and employers in this area should receive a higher priority. Like the Global Campaign on Social Security and Coverage for All, this could be done through InFocus initiatives. He awaited greater clarification on the third outcome on the social economic floor before giving support, since it raised concerns.

- 118.** As far as social dialogue was concerned, the major priority was to strengthen the representation services and influence of employers' organizations. However, employers needed to see their concerns on tripartism within the ILO and the role of ACT/EMP also taken into account. ACT/EMP needed to be equipped to build alliances and communication networks within the Office and to guarantee that employers were consulted on all ILO projects. They also needed to be resourced to enable them to undertake the technical cooperation programmes designed to strengthen employers' organizations. He viewed the present situation as highly counter-productive in terms of both human and monetary resources. The issue of the differential funding of ACT/EMP and ACTRAV had been raised in the past. ACT/EMP should be properly funded through the regular budget to increase its influence in the work of the ILO across all the sectors and particularly for funding technical cooperation activities for employers, as well as helping to ensure that the Employers' group's strategy was reflected in the thinking and working of the Office.
- 119.** He was strongly opposed to any cuts in the budgets of ACT/EMP and ACTRAV and wanted to see additional funding made available. Social dialogue should remain focused on constituents, that is employers, workers and governments. The references in paragraphs 17, 20 and 131 to a global community of multiple actors or key actors were confusing. The ILO should have clear and transparent partnerships. The resolution concerning tripartism and social dialogue adopted by the 90th Session of the International Labour Conference in 2002 should guide the ILO on this issue. Paragraph 32 should be reworded by reference to this resolution.
- 120.** With regard to tripartism, he was surprised to see the ILO wishing to work directly with parliaments (paragraph 65), and not through governments. How would this work in practice?
- 121.** He pointed out that the ILO was not the only organization that could bring NGOs, employers and workers together. As far as sectoral activities were concerned, follow-up of the conclusions of the numerous meetings that had been held must be ensured. The financial envelope for sectoral activities should be clearer so that employers could better monitor ongoing activities. Sectoral activities must remain constituent-driven and provide for the involvement of ACT/EMP in design and implementation. Outcome 4(c) needed a clearer explanation with respect to the indicators.
- 122.** He believed that the ILO must increase the focus of the Decent Work Agenda on a more practical basis to identify opportunities linked to the world of work. In the Employers' view, it could be more realistic, such as the generation of sustainable employment through the effective working of labour markets. Another concern was the trend to measure decent work by statistical indicators whilst the concept itself remained largely subjective and included several intangibles, especially in the areas of rights and dialogue, which could not be measured. Despite the opposition of the ILO Labour Statisticians Conference and a Governing Body decision, the Office had forgotten these recommendations and had developed a composite index ranking all countries. He was concerned by the way measurement tools and statistical indicators, not always linked to the world of work, had been developed. He awaited tripartite debate on this issue before any further actions were taken. Any attempt to use statistics should be first discussed politically to avoid misuse and wrong messages, and recent work in this regard affected ILO credibility.

- 123.** With regard to the World Commission's report, activities related to the follow-up relevant to the ILO should remain within the scope of strategic objectives of the ILO and be subject to the direction of the Governing Body. The ILO's role in following recommendations of the World Commission's report had to address only those recommendations which the Governing Body supported as being relevant to the work of the ILO in line with the Strategic Policy Framework. The report included a number of proposals related to the ILO's core responsibilities. Their implementation needed to be considered against other priorities and the needs of constituents. The ILO should not look to the World Commission's report follow-up at the expense of expressed constituents' needs.
- 124.** He was of the opinion that the ILO should not compete with other United Nations bodies in areas of the World Commission's report. The financial constraints would be detrimental to the main objectives of the ILO.
- 125.** In the Programme and Budget for 2004-05, the emphasis was on poverty reduction. However, the ILO should focus on labour issues related to the workplace and the labour market. There was a danger that the purpose of the Organization would move away from serving constituents' needs in these fields. Poverty reduction and social justice should be consequences of ILO activities in the world of work.
- 126.** He wanted to see the Employers' vision of the ILO strategy reflected in the Strategic Policy Framework and how the Office would deliver its programmes. Employers were not encouraged by some of the current text of the document since it did not focus on their priorities and gave only general indications on future work without giving sufficient ideas as to how these would be achieved. The proposal on global production systems could not be supported as it was not regarded as a priority given current fiscal constraints. It did not respond to urgent needs in developing countries. Similarly, the proposal on building a socio-economic floor remained vague. The reference in paragraph 34 on issues not linked to the world of work, debt relief and trade access, while true, was not relevant to the mandate of the ILO and must not distract from the need for a focus on productive work. The Office also needed to recognize current financial realities. The budget was not increasing, extra-budgetary support was declining and too many decisions were taken with regard to expenditures not foreseen in either the programme or the budget.
- 127.** Paragraph 7 was deeply worrying because it implied cuts in technical activities especially in the Employment Sector. Activities that were identified by the Governing Body as suitable for ILO follow-up to the work of the World Commission should also be done via extra-budgetary funds when donors were willing to support them. The Employers would like to see this policy framework elaborated bearing in mind the constituents' expectations. He looked forward to seeing a new document in March which reflected these views so that it could be considered with the Programme and Budget for 2006-07. Employers would appreciate seeing a presentation of future activities through workplans presented by each Executive Director.
- 128.** At the national level, better involvement of the social partners was required. The Office needed to explain exactly what decent work country programmes were (DWCPs), and how they functioned, and worked towards the realization of the ILO's mandate. Only two out of about 40 Employers present were involved with DWCPs in their country. In the Programme and Budget for 2004-05, six shared policy objectives cutting across the four strategic objectives were presented. He required information on the purpose of the five mainstreamed goals. It was clear that they were not necessarily the major priorities but elements to take into consideration when the Office was working to achieve ILO objectives. The first goal – a fair globalization – was very broad and not always easy to relate to the historic mandate of the ILO. With regard to technical cooperation, the main discussion would take place at the technical committee, but some points could be stressed

at the present meeting: the Employers were concerned last year about the use of the TC-RAM mechanism to finance activities which were far from the constituents' priorities. This mechanism was supposedly created to finance those projects which responded to constituents' needs. The mechanisms should be transparent and constituency-driven. He did not support the evolution of technical cooperation with a decreased budget. The Office should determine a strategy to balance donors' priorities with constituents' needs.

- 129.** Some other managerial issues came under other points of the PFAC agenda, for example, security, IRIS, IT projects and HR strategy. The Employers wanted to see a new, ambitious and comprehensive setting out of the HR strategy. As indicated in paragraph 80, a number of officials would be leaving and their replacements and transmission of knowledge should also be addressed. Few improvements in terms of results on the wider issue of placing suitable persons with enterprise experience in the ILO had been seen and the Employers considered this as detrimental to the institution.
- 130.** With regard to evaluation, the Office needed to start a reflection with constituents on how to improve the evaluation process in order to achieve an independent and transparent process and robust outcome. The text mentioned a system operating by the end of 2007 and the Office needed to give details on this programme. The Employers could also not support paragraph 43.
- 131.** The Employers expected prudent fiscal planning and implementation of a programme centred on constituents' needs and awaited a new paper incorporating all the views that had been expressed.
- 132.** Mr. Blondel, speaking on behalf of the Workers, thanked the Director-General for having pointed out, in his opening remarks, that the decline in the financial strength of the Organization since 1996-97 was 6 per cent. In fact, re-establishing that strength alone would already give rise to great satisfaction. The Workers were pleased that 2 per cent of the budget would be allocated to training, but they hoped that the management of that 2 per cent would, as soon as possible, be the subject of some clarification. Moreover, the duties of the Treasurer should be clearly defined, in accordance with the Financial Regulations.
- 133.** With regard to the proposed Strategic Policy Framework, the speaker was pleased that it was based in part on the comments of the Workers. The Organization's budget was one way of expressing its policy and was not just a financial instrument. The Workers supported the approach based on outcomes used. They were particularly convinced of the crucial importance of the comparative advantage of the ILO, i.e. tripartism, standards and the unique role of the Organization within the United Nations system. They believed also that the Organization should integrate into its own work the conclusions of the World Commission on the Social Dimension of Globalization that were of interest to it. With regard to the three concepts listed in paragraph 10, the Workers wished to add that of tripartism, as a priority instrument. Strengthening institutional capacities, particularly those relating to knowledge management, statistics and communication, should involve not only the Office but also the tripartite constituents of the Organization. The Workers were ready to place their skills and their vast networks at the disposal of the ILO.
- 134.** There were some gaps in the document. Its response to the challenges being faced by the world of work was not sufficiently specific. With regard to paragraphs 33 and 101, the Workers recalled that their fundamental rights were human rights, independent of any economic consideration. The supervisory mechanisms should be maintained, if not improved, and the promotion of the ratification and implementation of standards should remain at the heart of the work of the Organization.

- 135.** Parallel to the objective of decent work, and in the framework of the Global Employment Agenda, the ILO should not ignore the situation of workers who had lost their jobs as a result of relocation and those whose economic situation had worsened or who had lost their social protection, issues that paragraph 35 only touched on. In that context, more specific measures should be taken to compensate, for example, the consequences of the ending of the Multifibre Agreement, which would leave millions of people unemployed, particularly in developing countries.
- 136.** The Workers shared the idea proposed in paragraph 43 of joint action by the various actors in the emerging global community. However, the ILO should not deviate from its basic mandate, which was to serve its own constituents, i.e. the social partners, whose role in the sphere of work was unsurpassed when compared to that of the various actors in the global community.
- 137.** With regard to the long-term strategic framework, the six major areas for a fairer globalization, cited in paragraph 44, should be transformed into action programmes integrated into the strategic and operational objectives defined by the Governing Body. With regard to gender equality, the resolution adopted in June 2004 should be implemented, and the implementation of the resolution concerning tripartism and social dialogue should be continued in 2006-09. The establishment of national decent work programmes with the active participation of the social partners could be a key instrument in the planning of ILO activities in the field.
- 138.** In the framework of the more extensive programmes, employment and the exercise of freedom of association in export processing zones were not mentioned in the document. It was vital that the ILO undertake work in that regard and also tackle the problems of relocation, a cause of labour and employment insecurity.
- 139.** Paragraph 62, on partnership, did not mention the World Trade Organization, and the Workers wished to include that in their deliberations. In order to strengthen governance and management transparency, they were prepared to contribute to reinforcing the role of the Governing Body in that regard, it being understood that the responsibility of the Director-General would remain absolute. They supported the idea of greater transparency in the preparation and approval of technical cooperation programmes, as covered in paragraphs 73 and 74, and they believed that using the IRIS system should help with that. As was highlighted in paragraph 77, in 2002-03, the Organization allocated extra-budgetary funding equivalent to 52 per cent of the regular budget for the same biennium to technical cooperation. The Governing Body should give its opinion more clearly and more regularly on that subject. Moreover, the Director-General should clarify further the following issues: taking into account regional developments such as the social dimension of regional and subregional integration in the strategic framework; striking a balance in the resources allocated to large meetings and their follow-up; strengthening of the capacity of constituents; and the participation of ACTRAV and ACT/EMP in technical cooperation and in the implementation of the strategic framework.
- 140.** The employers' and workers' organizations had at their disposal high-calibre expertise, which should have a significant impact of recruitment criteria. With regard to the management of human resources, a long-term strategy for the recruitment and strengthening of staff capacities should be developed. The strategic framework should clearly define the areas and criteria for the use of the 2 per cent of the budget allocated to staff training.
- 141.** In the third part of the document, dealing with the Programme and Budget for 2006-07, the allocation of extra-budgetary resources according to operational objective and the

outcomes by country and by region should be included. The Office should indicate the amount of the technical funding from the regular budget for all strategic objectives.

142. With regard to Strategic Objective No. 1, the Workers were concerned about certain passages in paragraph 99, as they believed that the implementation of standards should come under independent supervisory machinery, even if the efforts made by the countries as far as ratification was concerned would always be appreciated. Ambiguous terminology with regard to monitoring standards should be avoided and there should be reference to a system or a mechanism rather than to a process. Ratification of standards should remain central to ILO concerns. Decent work for all depended on it.
143. As the World Commission had recommended, it was necessary to analyse the impact of the policies of other organizations such as the IMF, the World Bank or the WTO on the rights of workers to ensure that their policies did not run contrary to those of the ILO. In the general interest, workers should also be encouraged to join trade unions.
144. With regard to Strategic Objective No. 2, the strategy should aim to strengthen the capacities of employers' and workers' organizations to ensure their involvement in the planning and implementation of economic and social policies. It should also transform the informal economy in a integrated framework of decent work. Policies and programmes aiming to create decent jobs and education and training opportunities for workers in the informal economy would help their integration into the formal economy.
145. The document did not make sufficient reference to the Global Employment Agenda, nor to the role of trade unions. Outcome 2(b).1 should not refer to "values" but rather to core "standards" of the ILO. The Workers supported the idea of training to improve industrial relations. The social responsibility of enterprises should be defined on the basis of standards and the ILO Declaration.
146. With regard to Strategic Objective No. 3, social protection was an essential factor in poverty reduction and the social partners should participate in governance in the area. Social protection should be based on the principles of solidarity, universality, equality and dignity.
147. With regard to occupational safety and health, and working conditions, the Decent Work Agenda should be based on the wide variety of standards adopted by the ILO. The Workers were particularly pleased with the last paragraph of Outcome 3(b).1 in paragraph 115. With regard to work on migration and HIV/AIDS, there should be more collaboration with the employers' and workers' organizations. The resolution concerning tripartism and social dialogue, adopted in 2002, should allow the consultation process with the social partners to be strengthened. The Workers wished to see the concerns of the constituents duly reflected in the operational objectives and the outcomes of the Programme and Budget for 2006-07.
148. The campaign for the ratification and implementation of the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), should be diligently pursued.
149. In the framework of Strategic Objective No. 4(b), it was not enough to offer services to the informal economy; its conversion to a formal economy should be encouraged. The Workers wished to have better information on the new InFocus initiatives referred to in paragraphs 130 and 131.
150. Overall, the training, whether directed at staff or at constituents, showed serious gaps. The ILO should therefore develop better integrated training and research policies, with the

International Institute for Labour Studies, the International Training Centre in Turin and the training centres in the field, in order to achieve all the operational objectives.

- 151.** With regard to the section entitled “More services with less resources”, and in particular paragraph 137, the speaker recalled that in 1997-98, the share of the technical cooperation budget for ACTRAV and ACT/EMP was 10 per cent. In 2003-04, that share had fallen to 3 per cent, in spite of the constant increase in requests for assistance from trade union organizations worldwide.
- 152.** The Workers wondered why the financial resources of the ILO were steadily decreasing and why, in spite of the example provided by other international organizations, the Organization did not seem to be able to discard the principle of zero growth. They hoped to have some discussion on the issue.
- 153.** The speaker concluded by hoping that the 2006-07 budget would be a growth budget.
- 154.** The representative of the Government of the United Kingdom, speaking on behalf of IMEC, supported the overall aim of making decent work a global goal the integrating theme guiding ILO actions during the period 2006-09. The Organization had an important role to play in the follow-up to the World Commission but she was concerned that some of the six proposed medium-term objectives outlined in paragraph 44 were overambitious. The proposal for a multilateral framework for the cross-border movement of people was very different from the non-binding multilateral framework for a rights-based approach to labour migration envisaged by the 2004 ILC. The ILO had a role to play with regard to employment and labour rights of migrant workers but the cross-border movement of people generally was beyond the scope of the Organization’s mandate and expertise. She requested further elaboration of what was meant by a socio-economic floor.
- 155.** The document had identified the need for the Organization to invest in its own effectiveness and she believed that this should be an ongoing, rather than a medium-term goal. Both the Strategic Policy Framework and the programme and budget should incorporate strategies for the improvement of the ILO’s management of finance, human resources, property, knowledge and IT. Such strategies would set goals to be achieved within each biennium and would include indicators of achievement. There should be resources dedicated to achieving this objective, to ensure past under-investment was not repeated.
- 156.** With regard to Part I of the document, she asked for clarification of what was meant in paragraph 25 by strengthening the labour standards system. IMEC fully supported the partnership approach outlined in paragraph 37. The development by the ILO and other international organizations of a globalization policy forum could be considered but the idea that the ILO would organize such a global event required further thought and consultation. IMEC also welcomed the elaboration of operational outcomes but stressed that indicators and targets had to be relevant, specific and realistic.
- 157.** In Part II, IMEC strongly supported the partnerships already established and encouraged continued efforts to contribute to PRSPs and to UNDAF. IMEC agreed that the Organization needed to strengthen its analytical and statistical capacity, particularly the quality and impact of its research and policy approach. More information was required about the flagship thematic report mentioned in paragraph 72 and on how this would differ from other ILO publications. IMEC supported the development of an effective communication strategy as an ongoing objective. Paragraph 86 referred to a system of oversight and evaluation being put in place by the end of 2007. IMEC encouraged a more rapid implementation of this objective. There was a clear link between the Strategic Policy Framework and an accommodation strategy and yet, despite IMEC’s request in June 2004

for the provision of the latter, no such strategy had been produced. There was an urgent need for a review of the field structure to ensure that field offices were both responsive to constituents' needs and cost effective.

- 158.** IMEC welcomed the inclusion of the preview of the Programme and Budget proposals for 2006-07 and reiterated the need for indicators and targets which were relevant and specific. The Office should not hesitate to discard those indicators which were no longer in line with the new Framework. The proposals in paragraphs 130 and 131 were not clear and further clarification was sought. Given the extensive discussions, IMEC expected to receive a revised document that reflected the views of the Governing Body. The programme and budget should be distributed as early as possible in order to allow sufficient time for its consideration.
- 159.** On behalf of the Governments of the United Kingdom and Australia, she stated, with regard to the issue of budgetary growth, that cost increases should be covered by efficiency savings and adjusting priorities. At this stage, neither government could agree to further growth in the regular budget.
- 160.** The representative of the Government of Japan, speaking on behalf of the Asia-Pacific group (ASPAG), supported many of the elements within the Framework. However, there was a need to establish clear priorities. The ASPAG had consistently believed that priority should be given to Strategic Objectives Nos. 2 and 3 but welcomed the views of the Office in this respect. He supported the process of decentralization outlined in the document and looked forward to the ILO giving the appropriate level of priority to its work in the Asia-Pacific region. As setting priorities could only be meaningful when linked to funds allocation, he requested the distribution of the Programme and Budget for 2006-07 as early as possible. The ASPAG could not comment on the future size of the budget without first seeing this document.
- 161.** In his view several aspects of the Framework and its 2006-07 programme and budget preview gave rise to considerable confusion. If the test of a good strategic plan was the extent to which it clearly set out goals, the action that would be taken to achieve them and how their achievement would be measured, then ASPAG believed that the Strategic Policy Framework required further work before adoption. The additional effort should focus on four issues: (1) the relationship between the Strategic Policy Framework and the programme and budget should be clarified, taking into account their specific purposes. The first two parts of the document discussed a range of broad objectives. However, when the strategic objectives, operational objectives and outcomes incorporated into the programme and budget preview were considered, only some of the objectives discussed in Parts I and II were given direct expression. Others were not referred to at all. Similarly, while the preview had carried over the four strategic objectives that underpinned the Programme and Budget for 2004-05, there was little direct discussion of them in the first two parts; (2) the scope of the new overall objective and its associated outcome should be made clear. ASPAG noted that an overall objective – decent work as a global goal – had been added to the programme and budget and an accompanying outcome had also been inserted. He asked if this new goal and outcome was a statement of the central goal of the Organization and if it was henceforth the central purpose of the ILO. He also asked if it was intended that this goal cover the period of 2006-07, the period of the next programme and budget, or 2006-09, the period of the new Strategic Policy Framework; (3) the rationale for reusing the 2004-05 programme and budget strategic objectives should be explained and their relationship with the new outcomes made more explicit. Noting that the four strategic objectives from the 2004-05 programme and budget had been carried over, he asked if it could be assumed that they remained unchanged even though there now appeared to be a new overall objective and outcome. He also asked how the new outcomes related to the old

strategic objective; (4) the new outcomes should be better defined and the actions taken to achieve them clearly described.

- 162.** The programme and budget included several layers of objectives or outcomes but nowhere was there a clear statement of the action the ILO would take to achieve them. He asked what specific outputs would be produced to achieve the outcomes identified. The “indicators under development” provided some information from which it could be deduced what was intended but the reader of this kind of document should not have to engage in this kind of guesswork. Some of the outcomes also remained very loosely defined. For instance, how could one measure improved labour and social outcomes in specific sectors?
- 163.** He recognized that the indicators were still under development but were sometimes confused with outputs rather than being measures of achievement. Information regarding the quality of the products delivered or their cost was also noticeably absent. Moreover, ASPAG remained strongly committed to evaluation. Getting these indicators right would create a strong information base for targeting more detailed evaluations of programme performance over time.
- 164.** He looked forward to seeing a set of indicators which would enable all those interested in the work of the ILO to easily assess, whether it achieved the goals it had set itself to the required standard and at a reasonable cost.
- 165.** ASPAG believed that the PFAC should recommend to the Governing Body that the Office be asked to undertake further work on the Strategic Policy Framework to address the issue identified. He also proposed that these revisions be subject to further consultation in the period up to the March 2005 Governing Body. The final Strategic Policy Framework could then be adopted along with the 2006-07 programme and budget at that meeting.
- 166.** On behalf of the Japanese Government, another representative added a statement supporting the ASPAG and IMEC statements, and believed that in order to implement the Framework, joint programmes between the ILO and some countries or regions were very effective in terms of cost effectiveness. There was, for example, APSDEP (Asian and Pacific Skill Development Programme) which aimed at improving the level of vocational training in the region and was a joint programme with the ILO Regional Office for Asia and the Pacific. This programme played a key role in regional skills development. He hoped for further initiatives from the ILO on this programme. He further commented on the budget proposal for 2006-07, stating that it was the most effective financial discipline to absorb cost increases through the efficiency savings which was a cornerstone during preparation of the new programme and budget. He wanted to see concrete numeral data on the result of the cost-saving efforts on the ongoing budget. In addition, he wanted to see these results and further efforts reflected in the budget proposal along with the results of the efforts for more efficient budgeting through the termination of obsolete programmes and re-examination of each programme based on the results of programme evaluation.
- 167.** The representative of the Government of South Africa, speaking on behalf of the Africa group, welcomed the principal goals outlined in the document and the ILO’s commitment to improve the relevance, effectiveness and efficiency of its work as stated in paragraph 49. He urged the Office to focus on the Decent Work Agenda. The four strategic objectives of decent work remained relevant and needed to be enhanced by reference to results achieved. Further refinement of the operational goals and indicators was required and the Africa group fully supported the idea of operational outcomes outlined in paragraph 54. Strengthening human resources capacity remained critical, particularly in Africa where many experienced staff were retiring and vacancies remained unfilled. He encouraged the ILO to further develop its partnerships with regional groupings in the

African region. Finally, the Africa group welcomed the transparent budgetary information to be produced by IRIS. The roll-out of IRIS to the regions was critical.

- 168.** The representative of the Government of Germany explained that her Government would find it rather difficult to accept any growth in the ILO budget, particularly as it was aiming for zero growth in its own domestic budget. Voluntary contributions to specific projects were not subject to quite the same constraints and she looked forward to her Government continuing to provide such contributions.
- 169.** The representative of the Government of Spain supported the IMEC statement but acknowledged that the request of the Director-General for increased resources could not be ignored. His Government would consider the request whilst further studying the Framework document.
- 170.** The representative of the Government of El Salvador, speaking on behalf of GRULAC, welcomed the focus on decent work as a global objective. Globalization was having a significant impact on labour in the region and he urged the Office to promote discussion with a view to establishing national responses to the issues arising from globalization, including the possibility of establishing a National Commission on the Social Dimension of Globalization. The Framework document lacked clarity and required a more analytical approach to the issues involved, such as the definition of decent work as a global objective. With regard to the budget, the objectives integrated were not clearly defined and the link between these objectives and strategic goals was not evident. GRULAC, whilst sympathetic to the request for increased resources, nonetheless urged the Office to make every effort to avoid an increase in the budget.
- 171.** The representative of the Government of Mexico supported the statement made on behalf of GRULAC. She therefore encouraged the Director-General, given this difficult financial situation, to make every effort to avoid increases in the budget for the next biennium and to ensure that the budget adhered to the strategic objectives in order to achieve the global objective of decent work. An increase in the ILO's budget would be difficult to accommodate.
- 172.** The representative of the Government of France thanked the Office for its succinct report and he supported the statement made on behalf of IMEC, except with regard to the principle of zero growth. The French delegation approved the first part of the document entitled "Mandate and priorities" and embraced the objectives stated therein. The 2006-09 period would be decisive in that respect for the effectiveness and the credibility of the Organization. Success came from establishing priorities, focusing on the most effective tools and making transparent the working of the Office. The speaker noted the willingness to decentralize technical cooperation on programmes by country, to continue the decentralization process towards the external offices, and to strengthen the capacities of the tripartite actors, in particular those who were involved in the PRSP process.
- 173.** He expressed concern at the lack of priority given to the least developed countries and in particular to Africa. Moreover, the fact that extra-budgetary funding had gone from 34 per cent in 1998-99 to 52 per cent in 2002-03, and that it would reach 70 per cent in 2009, showed a drift that could make every effort at budgetary programming futile. Other institutions in the system were trying to remedy the situation and France reiterated its request for an in-depth discussion on the issue before setting the budget for 2006-07. Finally, France did not subscribe to the principle of zero growth. In addition, the figures submitted in paragraphs 134 and 135 were an acknowledgement of a worrying decrease of 15 per cent in real terms between 1978 and 1979. The Governing Body should carry out a more positive estimate of the means required for the aims of the strategic plan.

- 174.** The speaker supported two innovations: the introduction of operational objectives and outcomes at an intermediary level; and the systematic and transparent provision of information on the allocation of funding according to strategic objective, operational objective and region, referred to in paragraph 132. The speaker concluded by supporting the point for decision in paragraph 145 and by recalling the need for a discussion on the evolution of the regular budget and of extra-budgetary funding.
- 175.** The representative of the Government of Argentina supported the GRULAC statement and stressed the need for the ILO to coordinate its initiatives in the area of decent work with those of other international organizations. Several of the proposals from the World Commission had been directed towards the ILO and, given its tripartite nature, he believed that the Organization could play an important role in achieving the coherence of policies, both nationally and internationally, which had been referred to by the Commission. Accordingly, he supported what was contained in paragraphs 26-30 and 43 and 44 of the document. He encouraged the Director-General to avoid an increase in the budget whilst recognizing the ILO's right to propose a budget level appropriate to the demands placed upon the Organization. His delegation would be highly attentive to the arguments and reasoning put forward by the Office and would give them due consideration when it came to taking a decision on the matter.
- 176.** The representative of the Government of Brazil supported the GRULAC statement and, whilst acknowledging the resource issues faced by the Director-General in drawing up the Programme and Budget for 2006-07, wished to remind the Office of the financial constraints prevailing in many developing countries. He hoped that cost-saving efforts would remain an integral part of the preparation of the programme and budget proposals.
- 177.** The representative of the Government of New Zealand expressed support for the statements made on behalf of IMEC and the Asia-Pacific group and endorsed the strategic priorities which aimed to reinforce the ILO's focus on the achievement of the Decent Work Agenda. She supported the prioritization of employment in the Strategic Policy Framework. The ILO played an important role in both supporting member States as they worked to achieve decent work outcomes domestically and in facilitating information on sharing best practice between members. She welcomed the reference in paragraph 98 to establishing a methodology for reviewing decent work and the impact of globalization. Given the growing demand for resources, she endorsed the ILO's recognition of the need to set priorities and looked forward to the early distribution of the programme and budget proposals.
- 178.** The representative of the Government of Italy supported the IMEC statement and was pleased to see that the role of the International Training Centre in Turin had been included within the Framework document. He shared the concerns expressed by the representative of the Government of France with regard to technical cooperation funding and believed that the Committee could act as an important forum for a discussion of the issues arising from this source of funding.
- 179.** The representative of the Government of Barbados endorsed the GRULAC statement and was concerned to see the reference in paragraph 144 to a possible reduction in programme activities and services should the budget level status quo prevail. She supported the proposals outlined in the Framework in principle but believed that the policies and programmes against discrimination referred to in Outcome 1(a).1 should be expanded to include other vulnerable groups such as young people, those with disabilities and those living with HIV/AIDS. She also wished to see a greater emphasis on country-specific and subregional programmes.

- 180.** The representative of the Government of Kenya endorsed the statement made on behalf of the Africa group. The four strategic objectives of the ILO remained relevant and he fully supported the point for decision.
- 181.** The representative of the Government of the United States supported the IMEC statement and stressed the importance of strengthening core capacity to support technical activities. The Framework lacked clarity in several respects and she questioned why the mainstream goals shown in paragraphs 123-129 of the document appeared to be what had previously been referred to as cross-cutting issues or shared policy objectives. In addition there was a lack of logic in the way in which activities had been ascribed to particular strategic objectives. What seemed to be a change in terminology gave rise to confusion and she strongly recommended that the ILO retain the same titles for its objectives in the 2006-07 programme and budget in order to convey a sense of consistency.
- 182.** The representative of the Government of the Russian Federation supported the priorities and objectives outlined within the Framework. He looked forward to reviewing the 2006-07 programme and budget proposals at an early stage but emphasized that any increase in expenditure should be covered by cost savings and a reallocation of priorities.
- 183.** The representative of the Director-General (Mr. Thurman) said that all comments would be carefully taken into account. Much of the feedback had been expressed in results-based terms and this facilitated the Office's work when drawing up budget proposals. Much progress had been made on a results-based budgeting and management system but further development was still needed. This would be supported through an external evaluation during 2005. IRIS would also enable the Office to provide greater detail on resources and increased transparency. He agreed with many of the comments regarding the need to reinforce evaluation. Many speakers had asked for results-based budgeting and management techniques to be applied to support services. This was being done and more specific and measurable results would be proposed in this area. The requirement to produce higher quality indicators applied throughout the Organization and all the sectors and regions of the ILO were involved in the process as part of the preparation of the programme and budget proposals.
- 184.** He acknowledged the comments concerning the complexities of the programme and budget process. Cross-cutting programmes, shared policy objectives and mainstream goals had evolved and it was important to ensure that the final proposals were as clear as possible. Linking budget proposals to strategic proposals was difficult to achieve given the constraints of zero growth, which tended to make the process of reviewing proposals an administrative rather than a strategic exercise.
- 185.** The Strategic Policy Framework was intended to provide a broad strategy framework, not a detailed statement of the contents of the programme and budget. Many delegates had asked for an early distribution of the programme and budget documents which, in reality, meant that these would have to be ready for translation before the end of 2004. Such a timetable would not leave time for a formal revision of the Framework, but consultation would continue on the programme and budget.
- 186.** The Director-General welcomed the wide-ranging comments of the Committee. He recalled the discussion of the Strategic Policy Framework for 2002-05 and that it had two objectives: the first was to indicate the general direction for the ILO and the second was to look at the structure of the next budget. There had been many specific comments but overall there was general agreement over the need to maintain continuity with the broad strategic framework set earlier. With regard to the next programme and budget there had been a large number of suggestions about priorities. There had also been a discussion of whether the framework was being over influenced by the World Commission report. The

Director-General did not believe so and pointed to the retention of the four strategic objectives set in the previous Strategic Policy Framework. There was no question of the institutional nature of the ILO being changed. As the document repeated many times the ILO's identity was tripartism and in delivering its activities it was reinforcing tripartism and servicing constituents' priorities.

- 187.** In this regard, the ILO was refining the idea of decent work country programmes. There had been a number of pilot programmes and they had differed, reflecting constituents' views and the national contexts. The ILO worked on the basis of national requests, which were growing considerably, and would thus continue to refine its work on country programmes. Similarly with regard to decent work indicators, the idea had evolved to fit local circumstances in part because it had been felt right to allow a certain creativity in developing a new concept. This was not unusual in international organizations, which often released documents to stimulate thinking and reactions to ideas. The ILO did not have a policy on decent work indicators and it would be for the Governing Body to approve one at the appropriate time.
- 188.** The discussion had brought out two clear messages – strengthen institutional capacities and regional presence. These were both integral to the Strategic Policy Framework paper and particularly important for the least developed countries. The recent Ouagadougou Summit had shown a number of interesting aspects of the ILO's potential role. One was that developing country finance ministers were very supportive of the ILO's ideas on the centrality of decent work to poverty reduction and a fair globalization. A second was that the social partners, in this case with civil society organizations, could make an important contribution to development policies. And third that the ILO had been able to collaborate with 15 other international organizations to provide an issues paper for the Summit. Coherence was a practical proposition and vital to ensuring that the international system responded to constituents' needs.
- 189.** Replying to the worries that the future direction of the Organization was being shaped mainly by the report of the World Commission, the Director-General recalled the process of establishing the Commission and addressing its recommendations. The Governing Body had felt that an independent Commission was appropriate for a comprehensive examination of globalization because it would entail examining a wide range of policy areas. Its report had been very well received in many quarters for three basic reasons: it was critical of the fact that the benefits of globalization were not reaching enough people, but it was positive that it could be reshaped and that its 57 recommendations were realistic and balanced. The report was now in the hands of governments and others, including the ILO, for their consideration. At the ILO, the Governing Body had requested the Director-General to prepare a report to Conference on the ILO role in a fair globalization. The six broad areas for action had been discussed and widely supported. Now the issue before the Committee was how to take them into the programmes of the Organization. The current discussion was a step towards the next programme and budget. The Working Party would discuss the question of relationships with other organizations.
- 190.** The issue of delocalization had been raised. It was clearly important for the ILO to respond to such concerns in industrialized countries at the same time as working for poverty reduction in the developing world. The need to address both issues illustrated the importance of the international system working together to raise growth, investment and employment. The Philadelphia Declaration gave the ILO a mandate to look at how financial, economic and other policies affected the decent work goal. The high levels of unemployment, of the working poor and of informal economy workers had to be tackled by starting a cycle of enterprise development, investment, job creation and increasing consumer demand. Countries expected the international system to respond coherently to this. The ILO could have a voice in such an effort if it decided to.

- 191.** On the proposed work regarding migrant workers, this would be a follow-up to the International Labour Conference decisions rather than the World Commission report, which had discussed migration more broadly.
- 192.** The globalization policy forum had evoked a large number of comments. He clarified that the idea would in no way affect the ILO's tripartite structure. It could be considered as a possible mechanism for engaging with potential supporters of the ILO's Decent Work Agenda. The strength of the ILO's tripartite structure was remarkable and had a huge contribution to make in addressing global issues. However there was need for further discussion and reflection on the idea of a globalization policy forum.
- 193.** Winding up, the Director-General said that he felt that redrafting the Strategic Policy Framework was not necessary. The comments made in the discussions would orient it for the future. The more urgent task was to build a Programme and Budget for 2006-07 for consideration in March. In addition to the views expressed in the debate there would need to be consultations during its preparation. He said that he would also use his introduction to the next programme and budget to offer a strategic orientation based on the discussion in the Committee. A key issue would be the budget level. He had heard the various comments, some sympathetic to a real increase, others having doubts and others saying no. He would give the question detailed consideration but the possible options were not going to make decision taking easy. His responsibility was to propose a programme and budget, with full costings, based on sound management and it would be for the Committee to make its recommendations on his proposals in March.
- 194.** The Chairperson drew the Committee's attention to the proposed point for decision in the paper. Mr. Botha said that the Employers were not in a position to endorse the Strategic Policy Framework and that he felt that this was not the sense of the Director-General's closing remarks. The Director-General agreed that the best way was to note the paper plus the discussion because not all of it had been approved and there were many comments. The document and the comments would constitute the basis for the next steps. The Chairperson agreed and this clarification was accepted.
- 195.** *The Committee recommends to the Governing Body that it:*
- (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.*

Appendix

Remarks of the Director-General to the Programme, Financial and Administrative Committee (Geneva, 10 November 2004)

Monsieur le président,

Spokespersons of the Government, Employers' and Workers' groups,

Members of the Governing Body,

Dear friends,

This session of the PFAC is seized with important programmatic and financial agenda items.

In many ways, they are encapsulated by the Strategic Policy Framework for 2006-09 submitted for your consideration and built around making decent work a global goal. This goal can be progressively achieved through different avenues, from national decent work country programmes, on which so many of you have asked the Office to cooperate with you, to putting employment at the heart of MDGs, PRSPs and next year's review of the Millennium Declaration.

Your decisions on priorities will guide the medium-term course of action of our Organization.

The preview of the Programme and Budget for 2006-07 will permit you to identify more precisely the programmes and activities we should concentrate on in the coming biennium.

Let me begin by saying how energized I feel by the challenges that lie ahead for our tripartite ILO.

Our issues, whether protection and dignity at work; or employment creation, initiative and enterprise development; or workers' rights, voice, organization and dialogue for problem-solving, lie at the heart of people's agenda and political processes in all countries. We stand for values that people and societies care for. Both our goals and our means of action respond to hopes that are widespread in today's world.

In fact, making decent work a global goal is already happening.

The common ground and the common sense proposals that our tripartite balance produces is attractive beyond our Organization.

Today that is expressed in the positive reactions to three simple but profound policy ideas we have put forward: employment as the sustainable way out of poverty; decent work and its four strategic objectives as a development tool; and a fair globalization that creates opportunities for all, as a source of global stability.

There is no reason for us to change course. The Strategic Policy Framework is a call for continuity based on the tripartite consensus of these last years and the institutional and policy challenge that globalization places at our doorstep as discussed by the ILC in June. It is strictly rooted in the mandate given by our Constitution.

Your discussions and decisions will shape the future course of our programmes. Allow me to put your debate in the context of three developments that will bear on us in the years ahead:

1. the opportunities that a shift in the international debate towards ILO goals bring to us;
2. by consequence, new demands placed on the capacity of the Office;
3. which brings me to the budgetary strictures of our Organization.

I wish to address these points in turn.

1. Opportunities

Ever since the Social Summit in Copenhagen – which centred on eradicating poverty, fostering full employment and promoting social cohesion – international policy thinking has been shifting towards ILO goals, not least, the objective to reduce poverty by half, by 2015.

The debate on achieving the Millennium Development Goals has taken a further step in highlighting the role of productive employment and decent work in poverty alleviation strategies.

This view has been echoed in several recent high-level meetings – from the first-ever African Union Summit on Employment and Poverty Alleviation in Ouagadougou to the special Summit of the Americas when leaders in Nuevo Leon, Mexico, declared their support for “the principles of decent work proclaimed by the International Labour Organization” and the importance of workers’ rights and dignity for development.

Secretary-General Kofi Annan amplified this during the UN launch of the World Commission report in September.

He stated: “The best anti-poverty programme is employment. And the best road to economic empowerment and social well-being lies in decent work”.

The message of the World Commission on the Social Dimension of Globalization has been widely disseminated and generally well received. The need for a fair globalization that creates opportunities for all is emerging as a reasonable and common sense approach from which all countries can benefit.

Yet we know that in too many countries there are large decent work deficits and that not all countries have the same opportunities. The simple – yet powerful – notion that no one should be left behind is the most sensible route to stable societies and global security.

The waste of talent worldwide represented by large-scale youth unemployment is a stark indicator of the challenges we face.

And I do not use the word “security” lightly. We all know that if the many imbalances in the life of individuals, families and communities continue, social stability is at risk.

The implementation of the ILO’s mandate and tripartite policies is one of the surest routes to people’s security and this is a solid foundation for global security.

Yet, these difficulties present us with a window of opportunity, there to be seized. The letter and spirit of our Constitution compel us to act.

The new international context has expanded the demand by our constituents to consolidate the four pillars of decent work. This continuity is a central feature of the Strategic Policy Framework 2006-09 before you.

Making decent work a global goal means first and foremost intensifying our work with constituents in countries reviewing, designing, demonstrating and supporting feasible courses of action to expand decent work opportunities for women and men. Within each member State, our constituents should be able to measure progress towards its own decent work goals and assess policies accordingly.

Regional and subregional institutions are best placed to define a balanced path to regional economic integration in support of decent work. A prime example is the approach taken at the recent African Union Employment and Poverty Summit which identified member States together with the regional economic communities and the African Union as the principal bodies responsible for implementation.

The meeting of our constituents in the European Regional Meeting next February in Budapest as well as the Asia-Pacific Regional Meeting in the Republic of Korea in October 2005 will deal with employment, poverty and governance issues. So will the Americas Summit in Buenos Aires in December 2005. In this context, I should also mention the successful China Employment Forum in April past.

Engaging with multilateral institutions and global partners is also essential.

Employment is the missing link between growth and poverty reduction in international policy-making. Indeed, inequality and informality are worsened when growth, which creates wealth, is not

accompanied by decent jobs, which spreads wealth, through investment and consumption. When that sound market cycle is broken, we are in trouble, as we are today. No single institution can claim to have a solution on its own; but together we can deliver better results for the people we serve. On this key issue, the multilateral system is underperforming.

2. Responding to new demands: Strengthening our institutional capacity to act

All of this puts new pressures on our institutional capacity to deliver. The Organization and the Office are called to task. Let me mention some key challenges as I see them.

A. *Upgrading technical capacities*

We must continually upgrade our contributions to the achievement of identifiable and measurable results. The introduction of results-based management throughout our programmes must be continued and strengthened.

Our technical capacity to carry out practical policy analysis must be enhanced, particularly with respect to the ability to deliver policy integration at the national level. We must display thorough review and analysis of recent trends, robust demonstration of the feasibility of diverse courses of action relative to different realities, and validation of suggested courses through vibrant tripartism and partnerships.

This calls for expanded statistical information and comparative analysis, a true knowledge bank of the world of work. The gender dimensions of decent work must be systematically explored in all our work.

B. *Deepening policy advice on our four strategic objectives in countries and regions*

Our Strategic Framework is best viewed through the four dimensions of decent work as central components of the social dimension of globalization, with gender and development working across these dimensions:

- consolidating a universal floor of rights at work, assisting constituents and member States and other relevant actors to promote and apply labour standards and fundamental principles and rights at work;
- putting employment at the centre of economic and social policies and promoting enterprise development;
- financing and managing expanded coverage of social and labour protection;
- reinforcing tripartism and social dialogue and stimulating wide participation of social partners in the design and implementation of policies.

In spite of an increase in resources to the regions since 2000, our capacity in the regions, subregions and countries remains far from adequate given the growing demands from our constituents. Gradually, a new generation of ILO managers in field offices should be able to count on an appropriate distribution of the core skills of the Office.

Our assistance to constituents' requests will be increasingly formulated in results-based and integrated programmes marrying our strategic priorities with local characteristics; country programmes should be fully ingrained within the activities of technical units at headquarters.

This will accelerate the integration of regular budget and extra-budgetary programmes. We must respond to the growing demand for greater technical cooperation resources for the regions within a forward-looking dialogue with donors.

C. Reinforcing tripartism and better external partnerships

Tripartism is our institutional identity. We must systematically continue to reinforce it. From the institutional strength of our tripartite structure, the ILO must expand its capacity to work in partnership with other institutions, organizations and actors sharing our messages and approach.

It is by working effectively with and through like-minded partners in countries, regions and globally that the ILO can best achieve our common goals. After all, the ILO cannot implement the Decent Work Agenda without the multilateral system and other key actors focusing on a fair globalization. But the system as a whole will not achieve a fair globalization without responding to the democratic demand for decent work at the country level.

D. Investing in staff development

A stronger ILO must be based on the development of staff capacities. I have decided to dedicate, as of 2006, a minimum of 2 per cent of the staff budget of each major programme to human resource development and training.

The Office will be facing an extensive renewal in staff. Over the next five years, almost half of present senior managerial and professional staff, as well as support staff, will have reached retirement age.

This confronts us with a huge knowledge transmission and team-building challenge – and it presents us with an opportunity to tailor recruitment of highly competent and qualified professionals, expand opportunities for women in senior positions and open attractive career paths to our most deserving and productive staff. We should broaden still more the multicultural character of our staff.

3. Budgetary strictures: The limits of zero growth

Moving from opportunities to capacities, I now turn to their budget implications.

For many years the ILO has managed its budget within the zero growth limit set by the International Labour Conference. Zero growth has meant falling real resources: in constant dollars the ILO budget has dropped by close to 6 per cent since 1996-97.

Within the constraints of a declining real budget, I have applied a very prudent management of our financial resources. I have pursued efficiency gains and generated savings wherever justified and possible. This has allowed me to channel additional resources to the regions and to technical programmes in direct support to constituents.

Since 1996, resources in the regions have increased in real terms by 8.3 per cent, whereas those of technical services have been basically maintained. During the same period, resources for management services have declined by 4.1 per cent, support services dropped by 22.6 per cent, and policy-making organs were reduced by 25 per cent.

Let me state again that our resolve to achieve greater efficiency is a continued commitment. We are vigorously streamlining administrative structures, reducing unnecessary overheads, and introducing more effective methods of work at all levels.

I have recently appointed a new Executive Director with responsibility for all management and administrative services of the ILO and an Executive Director for my office, whose responsibilities include overseeing technical cooperation and regions. I have become much more involved in the ILO activities and programmes in these areas, given the higher political importance they are receiving.

I inherited a structure where in addition to financial services, the Treasurer and Financial Comptroller was also responsible for publications, the library, information technology and internal administration. I have decided that the Treasurer should be exclusively dedicated to financial functions as described in the financial rules and regulations. Consequently, the Treasurer will report to me, through the Executive Director for Management and Administration.

These appointments have been made in consultation with the Officers of the Governing Body. They have no cost implications and have been made within the framework of the current programme and budget as approved by the Governing Body. I expect that these appointments will lead to greater efficiency and synergies in support of our technical and field programmes.

However, we are now reaching the limits in terms of efficiency gains.

Real programme increases have only been possible through corresponding cuts in other parts of the budget. In a number of our services, consecutive cuts have now reached their limit.

It is increasingly difficult to finance out of general savings additional activities decided by the Governing Body. This is because actual programme spending is now very close to approved allocations.

And most urgent, some essential “institutional” investments now need to be made.

Among them, significant investments in staff capacity development, in physical security of our premises, in information technology, and in maintenance of buildings and facilities. Application of the United Nations Minimum Operating Security Standards requires new investments. Crisis situations entail significant relocation costs. Our approach to the security of staff and premises must always be to ensure a balance which guarantees an adequate level of security while respecting the ILO tradition of openness and the privacy of staff.

Several ILO premises, including our headquarters, are ageing; maintenance costs are rising. Replenishing the Building and Accommodation Fund has become urgent. Absorbing the operating costs of IRIS and its deployment to the field will have to be addressed.

With your approval, a portion of the 2000-01 surplus funds has been dedicated to urgent expenditures. But the investments made are not commensurate with the needs.

Commitment to further savings and efficiency

So let me be clear. I am committed to pursuing savings and seeking greater efficiency in the use of our resources. The diligent application of results-based management is a tool for greater cost control and monitoring of performance.

As for previous biennia, I have asked all programme managers to prepare their 2006-07 proposals with a resource target equivalent to 95 per cent of their current allocations. To achieve this, programme managers have proposed cuts in overheads, in managerial positions, more rational structures, reduced travel and external collaboration and other measures. I am currently examining these proposals.

The stark reality is that the long-postponed investments mentioned above are larger than the significant savings we have provisionally identified.

This confronts the Office with very difficult choices.

It would not be responsible on my part to ignore the urgent investments in staff capacity, information technology, security, facilities and buildings which as I said can no longer be postponed.

Nor can I ignore your calls for greater support and services. We have only inadequately responded to calls for expansion of our regional programmes or increased regular budget support to programmes financed mainly through extra-budgetary resources. Donors suggest we should invest more in product development so as to renew our programmes. You have asked for more thorough and regular evaluation of all our programmes. The International Labour Conference supported six areas of work on the ILO's contributions to a fair globalization. Funding for a Maritime Session of the International Labour Conference is required.

This places the preparation of my Programme and Budget proposals for 2006-07 in a very difficult context.

I appeal to your guidance.

Paragraph 144 of the Strategic Policy Framework starkly states the situation: “*Should the budget level status quo continue, the ILO would be faced with the need to realize essential investments and reduce programme activities and services to constituents at a time of growing*

demand ... this will inevitably require a serious discussion by the PFAC on the regular budget level and how to address the priority investments for which resources are not available.”

Your discussion will guide my decisions in preparing the programme and budget proposals I will submit to you next March. Given the context I have just described, I cannot make these decisions without first hearing your views.

I know full well these are not easy questions for anybody and particularly those developed and developing countries that carry a heavier budgetary load. I know full well the problems you face and the positions you have taken. I know we do not have easy answers.

But I would be remiss in my own responsibilities if I did not spell out the accumulated implications of a 6 per cent decline in our regular budget over these last ten years.

Let me state, in closing, that whatever your opinions on these matters, you can count on the full commitment of the Office throughout its programmes and activities to continue servicing you to the best of our abilities. We will continue to do as much as we can to make tripartism a strong, positive and respected voice in national and international circles. And I have no doubt that together we will be successful.