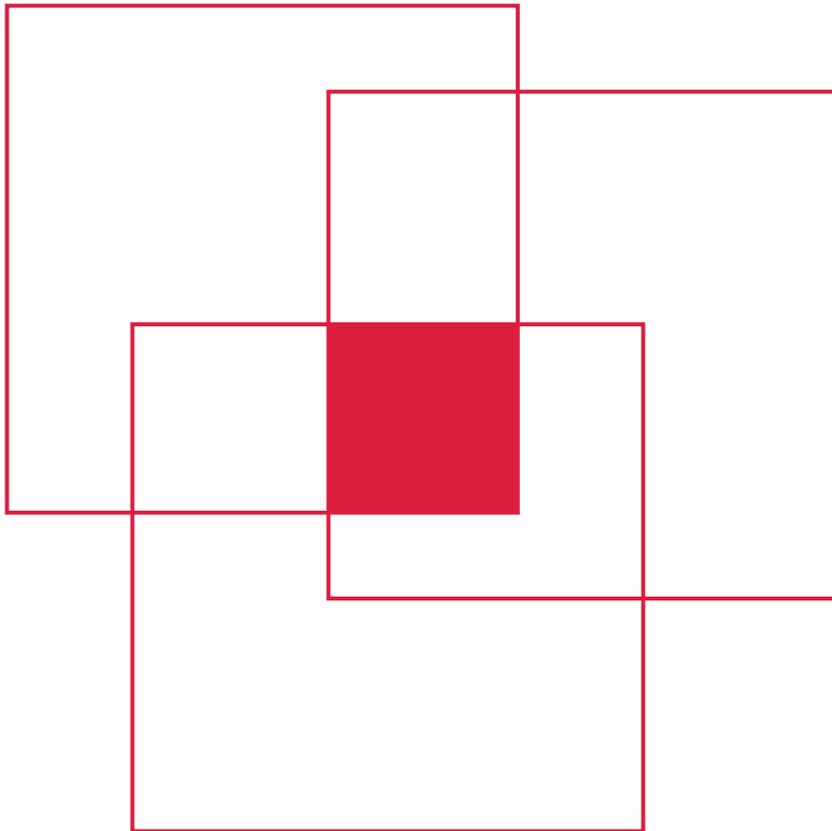




THE DIRECTOR-GENERAL'S
PROGRAMME AND BUDGET
PROPOSALS FOR
2020-21



Governing Body

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The Director-General's Programme and Budget proposals for 2020–21

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Preface

I am pleased to submit to the Governing Body my Programme and Budget proposals for 2020–21. It is the fourth biennial programme and budget proposed under my responsibility, and the second corresponding to the ILO's Strategic Plan for 2018–21. Because of the exceptional circumstances of the ILO Centenary, the proposals this time are presented according to the modified process agreed on by the Governing Body at its 333rd Session (June 2018), meaning that the present document will be supplemented by further programme proposals in October–November 2019.

We are all conscious of the enormous opportunity presented by the ILO Centenary in 2019, and of our responsibility to take fullest advantage of it to reconsider and renew the work of the ILO to promote social justice in the face of transformative change and formidable challenges in the world of work.

In 2019, the ILO's Future of Work Initiative will position the Organization to address these challenges. The particular importance of the Programme and Budget for 2020–21 is that it provides the mechanism through which the crucial debates of the Centenary year must be translated into ILO action. The expectations placed on the ILO are high and we must set our ambitions at the same level.

By adopting the proposed programme and budget, the Governing Body can start the process of follow-up to the Centenary and place the ILO on the right trajectory as it enters its second century.

January 2019

Guy Ryder
Director-General

1. Introduction

1. The ILO's Programme and Budget for 2020–21 will be implemented at a time of unprecedented change and of exceptional challenges for the world of work. Its success will be measured by its contribution to shaping that change and meeting those challenges to advance the cause of social justice and the availability of decent work opportunities for all women and men, in all countries.
2. It will also be implemented at a time when there is widespread scepticism about the capacity of policymakers to offer credible responses to people's most pressing concerns, concerns whose roots, for the most part, can be traced to the world of work. The application of digital technologies – the impacts of which are felt more than they are understood – is itself disorienting for most. But added to this is incomprehension as to how the dramatic advances made possible by human invention and ingenuity have not been harnessed to improve the lives of people in any proportionate way.
3. In his speech of acceptance of the Nobel Peace Prize, awarded to the ILO on its 50th anniversary in 1969, Director-General David A. Morse remarked that:

What has happened in our contemporary period is that we have come to worship technological progress, but are horrified by the growing dimension of poverty in the world; that we are impressed by what science has devised, but are concerned at society's inability to find the means of applying its benefits fairly and equitably ... The fear, anger and frustration which are caused by these frightening contradictions confront mankind with a vast and growing social and political danger. The efforts of the ILO ... must more than ever before be committed to the reduction and ultimate elimination of this danger.

4. Can we say anything different today? Long-standing challenges of unacceptably high levels of unemployment, of persisting poverty and exclusion, of profound human uncertainty and of denial of fundamental rights are today compounded by the newer imperatives of combating climate change and managing the large-scale movement of people. These have combined to create a qualitatively new political context in which the ILO is called upon to advance its objectives. Frustration at perceived policy failures, anger at growing inequalities and uncertainty verging on fear in the face of change are increasingly expressed through social media and in ballot boxes. They are in large measure caused by social injustice, and in turn they run the risk of making the realization of social justice more difficult.
5. An immediate consequence of these circumstances is the questioning of the value of international cooperation, and the pressures on a multilateral system described as being in crisis. Because such cooperation is of intrinsic importance to a globalized and interdependent world of work, and because the ILO is a committed team player in that multilateral system, it has a strong interest in and responsibility towards its success.
6. The ILO's Programme and Budget for 2020–21 will be conditioned significantly by the ongoing process of the United Nations (UN) reform and in particular by the terms of resolution 72/279, adopted by the UN General Assembly on 31 May 2018, on "Repositioning of the United Nations development system in the context of the quadrennial comprehensive policy review of operational activities for development of the United Nations system". The Governing Body has held detailed discussions on the implications of the changes involved, which have a significant impact on country-level activities in particular, and has insisted strongly on the need for the ILO to promote and protect the practice of tripartism and its essential normative functions.

7. Underpinning the ILO's steadfast engagement in the reformed UN system is its commitment to contribute fully to the 2030 Agenda for Sustainable Development (2030 Agenda), in which decent work objectives occupy a central place. It is therefore proposed that, in 2020–21, the existing alignment between the programme and budget and the 2030 Agenda should be strengthened.
8. The Programme and Budget for 2020–21 provides a unique opportunity for the ILO to integrate expeditiously the outcome of its Centenary Initiatives, and notably the Future of Work Initiative, into its activities. Indeed, it is precisely because the Governing Body wished to exploit that opportunity to the full that it decided at its 333rd Session (June 2018) to follow an exceptional process, with the budget for 2020–21 being adopted by the International Labour Conference at its 108th (Centenary) Session in June 2019, in full compliance with the Financial Regulations, and substantive policy matters being determined by the Governing Body at its 337th Session, in October–November 2019, when the outcome of the Conference's deliberations on the future of work will be known to it.
9. Without prejudice to the decisions that the Governing Body will make in October–November 2019, it will be recalled that the report of the ILO's Global Commission on the Future of Work is already available to members of the Governing Body. The report will be transmitted to the International Labour Conference at its Centenary Session, and may provide indications of some of the substantive issues to be addressed in the outcome document that should be adopted. It will be further recalled that the programme and budgets of the last two biennia have contained a limited number of policy outcomes, which have identified key areas for ILO action on questions of broad priority interest to constituents, and have enabled the ILO to bring a critical mass of resources and multidisciplinary approaches to bear, in order to impact upon them. Moreover, there has been a high degree of continuity in the choice of policy outcomes between biennia, reflecting the need for medium- to long-term interventions. In the 2018–19 biennium, these outcomes concern: more and better jobs for inclusive growth and improved youth employment prospects; ratification and application of international labour standards; creating and extending social protection floors; promoting sustainable enterprises; decent work in the rural economy; formalization of the informal economy; promoting safe work and workplace compliance including in global supply chains; protecting workers from unacceptable forms of work; fair and effective international labour migration and mobility; and strong and representative employers' and workers' organizations.
10. The question arising, and which will need to be answered concretely in October–November 2019, is whether the programme should continue to be structured around a similar number of policy outcomes. If so, the subsequent question is whether to retain, or to significantly modify, the content of those outcomes in the light of the decisions taken by the Conference at its Centenary Session. If not, what options should be selected as replacements? The high ambitions of the Centenary would seem to indicate an interest in a significant change of direction and, that being the case, the biennium 2020–21 – following which a new strategic plan would normally be adopted – could serve as one of reorientation in which activities tailored to Centenary follow-up and adjustment to UN reform processes could be accommodated.
11. Whatever the options selected, they can be made fully compatible with the six objectives of the ILO's Strategic Plan for 2018–21, which are: enhanced capacities to respond to constituents' needs; increased capacity to reach out to and address the needs of those most vulnerable and disadvantaged in the world of work; a sustained and reinforced normative function; a strengthened role as knowledge leader; become a leading actor in the implementation of the 2030 Agenda; and enhanced capacity to perform as an effective and efficient organization.

12. It will also be recalled that the ILO's Strategic Plan for 2018–21 provides for four cross-cutting policy drivers on international labour standards, social dialogue and tripartism, gender equality and non-discrimination, and a just transition to environmental sustainability.
13. The proposals in this document show how a number of these objectives will be pursued. There is strong emphasis on continued efficiency improvements and effective governance, which, together with qualitative improvement in results-based management systems, will increase the ILO's capacity to deliver what its constituents want and need.
14. The ILO's role in helping deliver the 2030 Agenda is reflected throughout. The role of the Organization as a knowledge leader will be fully addressed in the substantive policy proposals that will be presented to the Governing Body at its 337th Session (October–November 2019). This role will be determined on the basis of the proposed retention and development of the existing enabling outcome on effective knowledge management for the promotion of decent work, alongside the other two enabling outcomes, on effective and efficient governance of the Organization and on efficient support services and effective use of ILO resources.
15. The continuation of activities already initiated under the Standards Initiative will provide the necessary basis for sustaining and reinforcing the ILO's crucial normative function. The exact manner in which the ILO responds to the needs of the most vulnerable and disadvantaged in the world of work will need to be determined in October–November 2019, and that process will no doubt benefit in particular from the deliberations on the future of work that will take place before then. For an ILO that remains faithful to its social justice mandate, this is a crucial challenge.
16. As required by the Financial Regulations, these proposals present a draft strategic budget for the consideration of the Governing Body and for transmission to and eventual adoption by the International Labour Conference at its Centenary Session, in June 2019.
17. Two features of the proposed budget for 2020–21 should be underlined, as set out below.
 - First, it continues the long-term redeployment of resources through efficiency savings. This is most visible in the further increase in front-line technical services of US\$2.9 million, including the transfer of US\$1.0 million from management and support departments to technical and regional departments. But in addition to this, some US\$5.6 million of efficiency gains from reform initiatives have been reinvested in improving the provision of governance and support functions across the Office.
 - Second, proposals are made for investments in our institutional infrastructure and extraordinary expenditure items amounting to US\$31.7 million. This exceptional departure from the long-term path of zero real growth is required to ensure that the Organization remains fit for purpose and can effectively provide high-quality services to constituents and Members.
18. Finally, consistent with the long-standing practice of the Organization, a provision has been made for cost increases of US\$8 million, or 1.0 per cent, to compensate for price inflation and other financial factors that would otherwise erode the real level of the budget.

2. Towards a new results framework

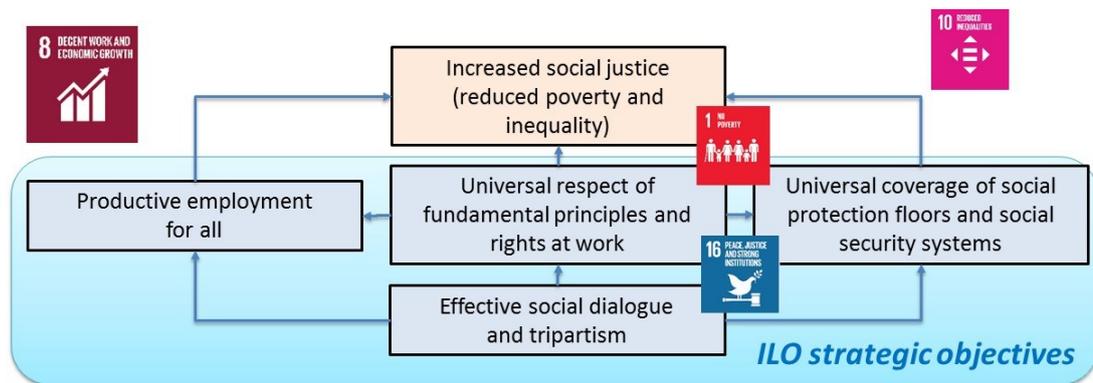
19. The Governing Body and the International Labour Conference have already provided important guidance setting clear parameters for the Programme and Budget for 2020–21. These are reflected particularly in the objectives of the ILO’s Strategic Plan for 2018–21, the ILO Declaration on Social Justice for a Fair Globalization, adopted in 2008, and the 2016 Conference resolution on Advancing Social Justice through Decent Work, and serve to frame the delivery of the substantive programme content to be decided in October–November 2019.
20. This guidance has reaffirmed in strong terms the centrality and continued relevance of the ILO’s four inseparable, interrelated and mutually supportive strategic objectives that make up the ILO’s Decent Work Agenda: employment, social protection, social dialogue and rights at work. It has underlined that decent work is a key driver in the achievement of the Sustainable Development Goals (SDGs), and stressed that the ILO’s normative function and tripartite character are crucial to all aspects of its activities.
21. This guidance has been accompanied by explicit calls to the ILO to strengthen further its results-based management system, with a view to showing better how the Office’s actions to develop the capacities of its tripartite constituents can lead to improvements in policies, legislation and institutions for decent work, which in turn have positive effects on the lives of people and the realization of the SDGs.
22. It is therefore proposed that the Programme and Budget for 2020–21 be set in a new results framework based on an explicit theory of change. By focusing the results framework more at the higher level of the ILO’s strategic objectives, it will be possible to provide a much clearer picture, in an integrated manner, of how the Organization is performing in the delivery of its mandate. This approach offers considerable advantages over the more fragmented approach of the past. Moreover, by anchoring this framework in an explicit theory of change that identifies how results can be brought about by the efforts of the ILO and of other actors, the Organization will have at its disposal a powerful new tool to inform how it can work most effectively and where it can best direct its efforts. These innovations build on past improvements in results-based management and mark a step change in the accountability of the ILO to its constituents by enhancing their capacity to track the concrete contribution of ILO action to the attainment of desired results.

2.1. A results framework to operationalize the ILO’s strategic objectives

23. The 2016 Conference resolution on Advancing Social Justice through Decent Work calls on the ILO to “review the programme and budget results framework, including indicators and the reporting on outcomes, good practices and lessons learned, to allow the ILO to assess results and to demonstrate to its constituents how its work has contributed to the realization of the four strategic objectives”. In a similar vein, the Report of the External Auditor for 2016 recommended that the strategic objectives be crafted as higher-level measurable changes to be achieved, and that outcomes be aligned with them. Similarly, the Multilateral Organisation Performance Assessment Network (MOPAN) institutional assessment report for 2015–16 on the ILO concluded that the “comprehensiveness of the results framework could be further improved by incorporating indicators for decent work and the four strategic objectives”.

24. Accordingly, the ILO's strategic objectives will be integrated into the results framework in a more explicit manner, as they embody the ILO's contribution to poverty eradication and sustainable development. This will position the ILO as a prominent actor in the UN reform, as called for by the Governing Body, aligning the Organization's planning process with those of other UN entities in conformity with UN General Assembly resolution 71/243 of 21 December 2016 on the "Quadrennial comprehensive policy review of operational activities for development of the United Nations system", which called upon the entities of the UN development system to mainstream the SDGs in their strategic planning documents.
25. Figure 1 illustrates how these strategic objectives connect with the SDGs, especially Goal 8 on decent work and inclusive economic growth, Goal 1 on ending poverty, Goal 10 on reducing inequalities, and Goal 16 on peace, justice and strong institutions.

Figure 1. The Decent Work Agenda meets the 2030 Agenda



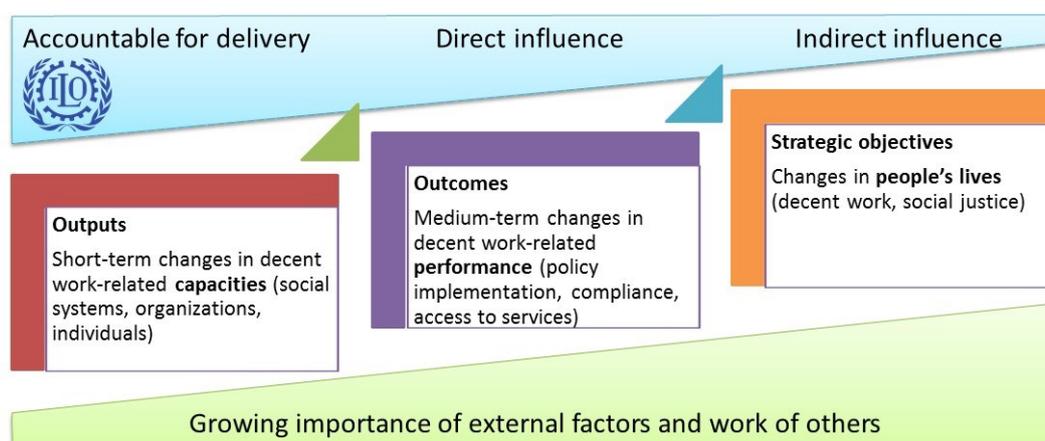
26. For each strategic objective, a limited number of impact indicators will be identified and systematically tracked. These will include most SDG indicators for which the ILO already has a responsibility and other decent work indicators as appropriate. Using SDG indicators to track progress towards the ILO strategic objectives will have the additional benefit of showing the links between the Decent Work Agenda and the 2030 Agenda. This will serve to identify gaps and priority areas for future work, foster consensus on common goals and promote partnerships, reflecting the ILO's commitment to transparency, greater accountability and collective action towards the achievement of the Decent Work Agenda and the SDGs.

2.2. A theory of change for social justice through decent work

27. The results framework for 2020–21 will be grounded in a clearly articulated theory of change. This road map will explain the process of change required to realize the strategic objectives and Decent Work Agenda as a whole by unpacking the causal relationship between the different types of results required to address interdependent decent work challenges in the context of the current increasingly complex world of work. Developing such a theory will facilitate the selection of priority programme areas where the potential decent work impacts are highest, as well as provide a framework for monitoring, evaluation and learning throughout the programme cycles.
28. The theory of change will take into consideration the trends that are shaping the future of work, international labour standards and evidence about "what works" in promoting decent work. It will also include external factors influencing change and will not be limited to the actions or mandate of any single organization or actor.

29. In this context, in consultation with ILO constituents and external experts, an ILO multidisciplinary team will develop the theory of change during the period March–August 2019. This process will take into account the report of the ILO’s Global Commission on the Future of Work and the outcome of the Centenary Session of the International Labour Conference.
30. The results framework will be derived from this theory of change, prioritizing areas where the ILO can make the most difference, and informed by the experience and lessons learned from the current results framework. Priority areas will also be determined in the light of what other organizations are doing or planning to do, enabling the ILO to advocate to influence others’ initiatives where appropriate.
31. In each priority area, the results framework will include the outputs to be delivered by the ILO for the achievement of the established outcomes, which in turn will lead to the strategic objectives. The outputs are the short-term changes in the enabling environment for decent work and capacities of the ILO constituents,¹ while the outcomes are the medium-term changes reflected through policy implementation, compliance with legislation and access to decent work-related services. The ILO is accountable for the delivery of the outputs and has direct influence on the outcomes of its work. The achievement of the strategic objectives is a shared responsibility between national governments, the social partners, civil society and the international community, with the ILO being an important contributor (see figure 2).

Figure 2. The chain of results in the framework for 2020–21



32. The results framework will contain indicators to measure progress for outputs and outcomes, including SDG indicators as appropriate. Baselines will be defined for all indicators, but targets will be set only for the outputs included in the programme and budget.
33. The strategic budget for each outcome will be presented on a full-cost basis covering costs at both headquarters and in the regions, including those relating to direct support services such as information technology (IT), internal services, communications, and meetings and document services essential to the achievement of the outcomes.
34. The four cross-cutting policy drivers defined in the ILO’s Strategic Plan for 2018–21 – international labour standards, social dialogue and tripartism, gender equality and non-discrimination, and a just transition to environmental sustainability – will continue to be

¹ This corresponds to the ILO definition of capacity development as a process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time.

permanent elements of the strategy for all priority areas of work. The marker system introduced in 2016–17 for planning and monitoring purposes will be further strengthened to ensure country results systematically contribute to the advancement of these drivers. Improved monitoring of the resources associated with these drivers, and of their impact, will be achieved through the new results framework and more comprehensive resource tracking during 2020–21.

2.3. Implications

35. The approach to the results framework has several implications for ILO operations as set out below.

- The increased complexity of the measurement system based on indicators for the strategic objectives, the outcomes and the outputs will require the development of an Office-wide monitoring system, with the participation of several departments, including the Department of Statistics, and increased synergy with the knowledge management strategy.
- Biennial reporting will include information on global and regional trends at the higher level of the strategic objectives and outcomes, as well as on achievements at the lower level of outputs (in relation to capacity development); the links between these levels will be established through qualitative evidence-based analyses, drawing out positive as well as negative performance.
- The aim of reporting at the level of outcomes and strategic objectives will require an increased effort from the ILO to build the statistical capacities of the member States so that there is sufficient national data to build the regional and global aggregates.
- At the country level, programming will continue to be based on nationally defined development priorities and aligned with ILO outputs through the programme and budget indicators.
- Enhanced monitoring of progress towards the achievement of results will allow decisions to be made on any needed reallocation of resources during the biennium, based on emerging priorities.

3. Managing for results: An ILO that is fit for purpose

36. The delivery of the programme in 2020–21 requires an ILO that is effectively and efficiently governed and managed. Progress made in the context of the ILO reform agenda in the last biennia will be continued and strengthened in 2020–21 through enabling outcomes that facilitate the effective and efficient functioning of the ILO in accordance with its Constitution, rules and procedures. They provide the required conditions for delivery of the policy outcomes.
37. In the light of the discussions at the Centenary Session of the Conference, the current enabling outcome “effective knowledge management for the promotion of decent work” will be reviewed and presented in October–November 2019. Research, knowledge and labour statistics, together with capacity development, constitute the core components of the services that the ILO provides to the tripartite constituents and member States.
38. In line with the ILO’s Strategic Plan for 2018–21, the strategy elements of the enabling outcomes on governance (including oversight and evaluation) and support services are described in this section, together with the strategic risk register for 2020–21. The measurement frameworks of these enabling outcomes will be presented together with the new ILO results framework at the 337th Session of the Governing Body in October–November 2019.

3.1. Effective and efficient governance of the Organization

39. This outcome aims to ensure the optimal functioning of the ILO’s governance organs and processes, building on the Governance Initiative and the follow-up to the 2016 Conference resolution on Advancing Social Justice through Decent Work. These processes have yielded important benefits, including the enhanced engagement and strengthened capacity of the tripartite constituents in the decision-making and priority setting of the Organization, improved Office support to constituents, timely delivery of concise and high-quality documents and effective meeting preparation and facilitation. Confidence and trust among constituents and between constituents and the Office through broad and intensive consultations will continue to be critical to the success of governance reform.
40. In 2020–21, the Office will strive to achieve:
- continued improvement in the functioning of the main governance organs through the consolidation of the reform process, the follow-up to the outcome of the discussions on the future of work at the 2019 session of the International Labour Conference, and enhanced efficiency of the Office’s support functions for the implementation of meetings and the provision of legal advice;
 - continued enhancement of oversight in order to help senior managers identify areas for improvement and to prioritize the allocation of resources; and
 - improved use of evaluation findings to inform decision-making by ILO governance organs and management of programme implementation and to enhance the ILO’s delivery of its decent work programme as well as its contribution to the SDGs.

41. The Office will continue to support the implementation of the outcomes of the Governance Initiative, with a focus on the consolidation of the two-week format for sessions of the Conference and continuous improvements to the efficiency of processes, based on the simplification, modernization and standardization of the rules and procedures for governance organs and official meetings. It will strengthen support for tripartite engagement in agenda setting and provide quality services for enhanced consultation processes for pre-Conference planning and standard-setting items. The Office will also strengthen the capacity of staff and delegates in Conference procedures and practices.
42. The Office will work to ensure that the ILO's governance structures contribute to the evolving UN reform and that the ILO takes full advantage of the opportunities presented by the reform, while recognizing the ILO's constitutional mandate and unique identity as the leading UN agency for the world of work.
43. The Office's oversight system is designed around well-established principles and reflects the "three lines of defence" concept endorsed by the UN High Level Committee on Management. The Governing Body, the Director-General and the Senior Management Team perform an overarching oversight role, and are best positioned to provide leadership in ensuring that accountability is embedded throughout the Office's risk management and internal control processes. The Office of Internal Audit and Oversight fulfils an independent oversight function established under article 30(d) of the ILO Financial Regulations. In addition, external lines of defence such as external audit, the Independent Oversight Advisory Committee and the Joint Inspection Unit provide further assurance. Oversight functions are focused on ensuring compliance with regulatory requirements and best practice with respect to financial, management and governance matters.
44. The 2017 evaluation policy approved by the Governing Body and its corresponding strategy for 2018–21 calls for developing the evaluation capacity and conducting strategic, credible and quality evaluations that contribute to an enhanced knowledge base. The Office will fine-tune evaluation approaches to make them more strategic and specific to the ILO's mandate and develop the internal evaluation capacity and competencies required to evaluate the contribution of the ILO's Decent Work Agenda to the SDGs.
45. In order to deliver concrete results and ensure good practices in terms of governance, oversight and evaluation, the Office will continue to maintain its sound relations with UN institutional bodies and other relevant entities, including the UN high-level political forum on sustainable development, the United Nations System Chief Executives Board for Coordination, the Joint Inspection Unit, the International Civil Service Commission (ICSC), the United Nations Evaluation Group and the UN transition team for reform. Budget constraints will require the Office to prioritize its level of engagement in the rapidly increasing number of coordination and consultative forums.

3.2. Efficient support services and effective use of ILO resources

46. Constituents' demand for quality services is growing steadily as the world-of-work challenges become more complex. Increasing competition in the international development arena is generating pressure to better demonstrate the ILO's added value and creates incentives to improve organizational performance. Transparency and accountability for results and value for money must continue to underpin the ILO's work. Addressing these issues in an effective, efficient and responsive manner requires continued improvement in core business processes and support services at headquarters and in the regions.

47. The Office's efforts in this area will be undertaken against the background of progress in the UN reform. Initiatives relating to common premises, harmonized business processes and pooled resource management are expected to present opportunities for change during 2020–21. As and when further clarity emerges on these initiatives, the Office will, in consultation with the Governing Body where appropriate, implement measures that serve to improve the delivery of services to constituents.
48. Activities in 2020–21 will build on lessons learned during the implementation of the ILO reform. Experience shows that work to make business processes more efficient and effective, in particular through the Business Process Review, has the greatest impact when parallel efforts are made to improve organizational health and strengthen management practices at the service-delivery level. A participatory approach, based on a high level of engagement with the staff delivering and benefiting from the services, not only improves the quality of solutions but increases buy-in and sustainability, in addition to building the foundation for a system of continuous improvement. Highly visible support and involvement from senior management has been of critical importance, and must continue. Strategic investment in IT solutions is a key component in realizing savings and will lead to further efficiency gains.
49. In 2020–21, the Office will strive to achieve:
- better value for money through business improvements in the delivery of more and better services across the Office;
 - improved results-based management founded on strengthened strategic programming frameworks, monitoring systems and resource allocation mechanisms, aligned with the 2030 Agenda at the global and national levels;
 - deepened, expanded and diversified partnerships, including as part of the UN reform, giving effect to the 2018 Conference conclusions concerning effective ILO development cooperation in support of the Sustainable Development Goals and enhancing resource mobilization;
 - improved effectiveness of human resources management, leading to: (a) significantly improved workforce diversity; (b) enhanced workforce planning by leveraging the benefits of functional and geographical mobility; (c) improved accountability for results at the individual level through the Performance Management Framework; and (d) upgraded staff capabilities to meet current and future strategic needs of the Office;
 - enhanced scope and availability of IT services to inform decision-making, increase retention of institutional knowledge, improve operational effectiveness while maintaining effective financial controls, and achieve greater agility in order to respond to increasing demand from constituents, donors, the UN reform and the international development community at large; and
 - enhanced safety and security for ILO staff and assets and enhanced environmental sustainability through improved management of Office facilities.
50. The following paragraphs describe the key means of action to achieve the expected changes in terms of business improvements, results-based management, development cooperation and partnerships, and human resources development. In line with the Information Technology Strategy 2018–21, which was endorsed by the Governing Body at its

331st Session (October–November 2017),² detailed information related to IT is presented in the section on the strategic budget for 2020–21.

Business improvements

51. The Business Process Review will be continued by a self-financing team, with the goal of further improving efficiency and effectiveness of service delivery, while maintaining an appropriate balance of governance, oversight and risk management. A team of ILO experts will guide units in redesigning working methods that capitalize on good practices and reduce bureaucracy. The focus will also be on maximizing the use of resources by introducing better systems for planning and on the continuous monitoring of process efficiency and results. The team will form a business innovations unit and will be financed from savings identified as a result of its work. The unit will focus on priorities where the greatest impact can be expected, as identified by managers and staff in the policy and field operations and partnerships portfolios. Where appropriate, relevant IT systems will be enhanced in order to support the new ways of working, collaborating, reporting and carrying out effective and timely decision-making.
52. The results of each wave of the Business Process Review to date have identified significant opportunities for savings that have been, and will continue to be, realized through natural attrition. These efforts will enable the Office to deliver higher quality, more effective support services and to further redeploy resources from administrative tasks to policy, technical and analytical work, for the direct benefit of constituents.

Results-based programming and management

53. As indicated earlier, the revision of the results framework, including its measurement system and improved monitoring, will lead to better results-based management and resource allocation. In this context, systems will be set up to provide guidance to managers and staff to further demonstrate the impact of the ILO's programmes on people's lives and to improve delivery to constituents. This will also lead to improved reporting on results and on the use of resources.
54. At the national level, the Office will provide guidance on the establishment of new Decent Work Country Programmes that are well aligned to national development strategies integrating the 2030 Agenda and to the United Nations Development Assistance Frameworks, as a follow-up to the 2016 Conference resolution on Advancing Social Justice through Decent Work and the 2018 Conference conclusions concerning effective ILO development cooperation in support of the Sustainable Development Goals.

Development cooperation and resource mobilization

55. Following discussions at the 108th Session (2019) of the International Labour Conference and the adoption of the Programme and Budget for 2020–21, the Office will submit a development cooperation strategy for 2020–25 to the Governing Body in March 2020. This document will contain information on partnerships and resource mobilization, with related targets and business processes.
56. Official development assistance will remain fundamental to ensuring the advancement of development cooperation, and can be used to leverage other funds, including domestic funding. Under the impulse of the UN reform and its push for more integrated programmes

² [GB.331/PV](#), para. 798.

and funding, the ILO will deepen and expand its partnerships, including with other UN entities, international financial institutions and the private sector. It will actively promote multistakeholder partnerships and explore innovative finance modalities.

57. The ILO will continue to cooperate with other UN entities in the implementation of the 2030 Agenda and the UN reform. The Office will co-chair the UN Sustainable Development Group's Strategic Results Group on strategic partnerships. At the country level, this will include contributing to funding the offices of the UN resident coordinators, common security services and facilities, and through joint procurement and other common administrative services. Headquarters-level initiatives will include common health and conference services, joint procurement, leveraging IT investment and sharing expertise.

Human resources development

58. In line with the Human Resources Strategy 2018–21: Agility, engagement and efficiency, which was endorsed by the Governing Body at its 331st Session (October–November 2017),³ the Office will implement an action plan to ensure geographical diversity and gender balance among its staff. The new e-recruitment system will enable the Office to better target candidates, including and in particular from less than adequately represented countries.
59. The Office will enable current and future leaders to drive change and foster a culture that embraces innovation by further developing its comprehensive leadership development framework. It will continue to nurture a workplace and organizational culture that is inclusive and respectful, with a view to supporting the retention of a highly qualified and committed workforce.

3.3. Risk management

60. The ILO uses risk management techniques at multiple levels throughout the Office to identify, prioritize and prepare for potential challenges – and opportunities – in meeting its targets and fulfilling the commitments made to constituents and other partners. In the most recent risk management review, carried out in 2018, ILO departments, external offices and selected project offices prepared and updated risk registers. The strategic risk register for 2020–21 (see table 1) was prepared from the resulting risk profile of the Organization, against the wider context of the ILO's Strategic Plan for 2018–21 and the programme and budget. Three groups of risks are represented in the strategic risk register. These relate to:
- the external context, including risks that arise in response to changes in levels of commitment, coordination and policies, whether among groups of member States, in individual governments or in the UN system;
 - the management of technical work, projects and programmes, including risks that range from understanding the needs of target groups, through the quality and take-up of outputs to the relevance and persuasiveness of performance information on the results achieved; and
 - operations, including risks that arise in respect of: matching staff skills to changing requirements; fraud and corruption; disruption caused by cyberattacks, civil unrest or natural disasters; and the approval of phase 2 of the Headquarters Building Renovation Project.

³ GB.331/PV, para. 886.

- 61.** The Senior Management Team, under its collective responsibility for the strategic risk register, will review progress on these risks, with support from the Risk Management Committee.

Table 1. Strategic risk register for 2020–21

Risk event	Potential consequences	Comment	Proposed response from the Office
1. The Governing Body or the International Labour Conference fail to reach agreement on a key issue.	Suspension of ILO activities. Influential partners lose trust in the ILO's operating model, which affects levels of political and financial support.	The broad base of the ILO's governing structures gives it a unique strength, but it also makes the Organization more vulnerable to a decision becoming blocked, due to, for example, a breakdown in trust or difficulties in reconciling strongly held views on complex issues in limited timescales.	The ILO will continue regular transparent communications and dialogue with constituents on developing issues. It will take pre-emptive action to identify, prevent and/or defuse potential institutional discord.
2. Constituents and donors modify their commitment to decent work.	Increase/decrease in the achievement rate of agreed outcomes, or in the level of extrabudgetary contributions. A member State or influential external partner withdraws its support from the ILO.	ILO's strategy to advance the Decent Work Agenda depends on multilateral approaches and regulations. These are under increasing threat from increased bilateral agreements, protectionism and public concerns about the uneven effects of globalization. The priority given to decent work by governments is also coming under stress from competing priorities, an accelerating pace of change and an increasing rate of political, economic and environmental shocks.	The ILO will update the ILO strategy and the programme and budget based on the conclusions of the Future of Work Initiative. It will influence the policy climate by: (1) issuing the results of research and undertaking advocacy to demonstrate the relevance of decent work for sustainable development and the social and economic return on investment from the ILO's work; and (2) building new strategic partnerships, and reinforcing existing ones, especially through international and national policy forums.
3. Fundamental change in the UN policy or practice for inter-agency coordination and the UN development system has an impact on the role and influence of the ILO and its policies, products and services nationally and internationally.	ILO's leadership and progress in implementing the Decent Work Agenda is affected, for better or worse.	The reform of the UN development system, including the strengthening of the resident coordinator system and changes in funding, accountability and reporting systems, presents significant potential opportunities and challenges for the ILO's normative mandate, its country-level operations, and the integration of Decent Work Country Programme priorities into United Nations Development Assistance Frameworks.	The Office is working with colleagues across the UN transition team for reform and various subgroups to support a productive and mutually beneficial implementation of the Secretary-General's reform of the UN development system, ensuring the recognition of tripartism and of the ILO's normative function. It will keep the Governing Body and the International Labour Conference informed.
4. ILO data on impactful, lasting and sustainable results are insufficient or not convincing.	Failure to deliver outcomes agreed in the programme and budget or in extrabudgetary projects; reduced stakeholder confidence; reduced flows of regular budget and extrabudgetary funds.	The ILO has a complex mission. Building on comments from the Governing Body and evaluation reports, * the ILO is improving how the principles of results-based management are applied in the design and management of its projects and programmes.	A revised results framework and performance measurement strategy is contained in the Programme and Budget for 2020–21, and will be applied in the course of the biennium. Improved results-based management tools are being developed for development cooperation work in response to the International Labour Conference resolution concerning effective ILO development cooperation in support of the Sustainable Development Goals (107th Session, 2018).

Risk event	Potential consequences	Comment	Proposed response from the Office
5. The ILO fails to involve target groups sufficiently in policy formulation/implementation.	The needs of a target group of ultimate beneficiaries are not understood, leading to policy solutions that are misdirected or do not produce sustainable, beneficial results.	The 2030 Agenda, the ILO's Strategic Plan for 2018–21 and the International Labour Conference resolution concerning effective ILO development cooperation in support of the Sustainable Development Goals require the ILO to reach out to workers and employers, and in particular the poor, disadvantaged, vulnerable and exploited sectors of society. This will require the ILO to develop new ways of working and, potentially, to create new strategic alliances and outreach to the different groups.	Guidance, tools and oversight mechanisms are available and will be reviewed in the light of experience.
6. The ILO fails to explain clearly and persuasively difficult or potentially controversial analyses, or to promote effectively significant achievements.	Avoidable reputation damage reduces the take-up of the ILO's products and services, its perceived relevance and its access to funds.	The ILO publishes country comparisons and takes positions on socio-economic topics that some groups may find uncomfortable. To compete effectively in the attention economy, the ILO needs to use a variety of tools to ensure that decision makers and influencers are alerted to new analyses, messages and guidance.	The ILO will maintain and update its communication strategy, including the support to local communication, local press and social media coverage, and the monitoring of results and uptake by target readerships.
7. Staff skill sets do not meet changing operational and strategic requirements.	Dissatisfaction among stakeholders on progress in advancing the Decent Work Agenda; poor quality outputs; inefficient working practices.	The skills and competencies of ILO officials are evolving to meet the requirements of the 2030 Agenda and the ILO's Strategic Plan for 2018–21. The Future of Work Initiative is likely to require a change in strategic direction and a further upgrade in staff skills.	The ILO will continue the roll-out and strengthening of the Employee Profile tool, workforce planning (including succession planning), competency-based recruitment, training and staff development, and contract and staff mobility policies.
8. Projects or programmes suffer from a significant act of fraud or corruption.	Loss of confidence in ILO management affects engagement of strategic partnerships and flows of regular budget and extrabudgetary funds.	Anti-fraud awareness is improving at the ILO, as the growth in referrals to the Office of Internal Audit and Oversight demonstrates. Nevertheless, continued vigilance is required as ILO operations take place in geographical and functional areas (procurement, recruitment, use of implementing partners) that are susceptible to fraud and corruption.	The ILO has a mature set of internal and management controls covering fraud and corruption. Additional fraud and corruption risk management tools will be developed during the biennium.

Risk event	Potential consequences	Comment	Proposed response from the Office
9. Cyberattack on ILO systems disrupts operations or alters/discloses sensitive and confidential information.	Delay to the delivery of agreed outcomes; financial loss; harm to individuals; reputational damage to the ILO.	Cyberattacks, globally, are increasing in frequency and operational effect. The ILO relies on IT platforms to share knowledge with policymakers, and its databases contain information that is potentially politically or economically sensitive. As for other organizations, the ILO faces challenges in building the necessary level of awareness and discipline in IT security matters. The protection of personal data is under increased scrutiny.	The ILO's approach to information security has recently been certified as conforming to the standard ISO/IEC 27001:2013, the international standard on IT security. The ILO keeps emerging threats under constant review, tests potential vulnerabilities and takes appropriate corrective action. Common principles on data privacy are being developed under the UN Global Pulse Initiative as well as a response to the EU General Data Protection Regulation.
10. A force majeure incident (such as a natural or human-induced disaster) injures personnel, or damages ILO premises or assets.	Disruption to operations; financial loss; loss of morale and staff engagement.	UN premises and staff are subject to attack by armed conflict, terrorism, crime and civil unrest. The ILO also has operations in countries vulnerable to natural disasters and in zones of recent conflict. Its strategy requires it to expand its work in fragile States.	All ILO locations are required to implement measures for the safety and security of staff and premises established by the UN Security Management System. They all also have a Business Continuity Plan, which, during the biennium, will be updated and renewed.
11. Phase 2 of the Headquarters Building Renovation Project is delayed or suspended.	Significant increase in refurbishment costs; areas become unusable due to serious failure of infrastructure and/or technical installations; fire or other security event is more likely to occur and to have a greater impact.	The lower parts of the headquarters building do not meet the safety and security standards set by national authorities. A decision on continued funding is required by the Governing Body to upgrade the lower floors, in order, inter alia, to provide adequate fire safety infrastructure, replace obsolete and degraded physical and technical infrastructure and to reduce the frequency with which equipment breaks down. Furthermore, a break in the continuity of the Headquarters Building Renovation Project would have direct costs in terms of construction site infrastructure that would need to be replaced, and indirect costs in terms of the loss of key project personnel.	The Office will continue to provide funding options to the Governing Body.

* See, for example: ILO: *Decent work results and effectiveness of ILO operations: A meta-analysis of development cooperation evaluations, 2013–2016*, 2018.

4. The strategic budget for 2020–21

62. The proposed strategic budget for 2020–21 is US\$815,785,000, an increase in real terms of 4.0 per cent as compared to the budget for 2018–19, as set out in table 2. It is anticipated that, in addition to the contributions of member States to the regular budget of the Organization, development cooperation partners will continue to support the Organization so as to leverage the funding needed to deliver the ILO's core mandate.

Table 2. Strategic budget: Proposed expenditure by appropriation line

	Strategic budget 2018–19 ¹	Proposed strategic budget 2020–21	Proposed strategic budget 2020–21
	(in US\$)	(in constant 2018–19 US\$)	(recosted (US\$))
Part I. Ordinary budget			
A. Policymaking organs	50 735 649	50 735 649	51 558 242
B. Policy outcomes	627 872 964	628 073 901	635 931 680
C. Management services	62 171 040	62 270 103	63 024 343
D. Other budgetary provisions	45 457 712	45 157 712	43 203 398
Adjustment for staff turnover	-6 420 379	-6 420 379	-6 446 399
Total Part I	779 816 986	779 816 986	787 271 264
Part II. Unforeseen expenditure			
Unforeseen expenditure	875 000	2 000 000	2 000 000
Part III. Working Capital Fund			
Working Capital Fund	–	–	–
Total (Parts I–III)	780 691 986	781 816 986	789 271 264
Part IV. Institutional investments and extraordinary items			
Institutional investments and extraordinary items	3 428 014	33 968 014	34 504 539
Total (Parts I–IV)	784 120 000	815 785 000	823 775 803

¹ The strategic budget proposals for policymaking organs include resources from the Official Meetings, Documentation and Relations Department and the Internal Services and Administration Department, which directly support the governance activities. To facilitate comparison with 2020–21 figures, the 2018–19 budget was revised to reflect a revised methodology of apportionment.

63. In real terms, the proposed budget for 2020–21 remains 11 per cent lower than that of 1978–79. During the past 40 years, the demands on the ILO for enhanced levels of service in both existing and new fields of activity have grown considerably. Similarly, member States and constituents have required the Office to improve its governance, reporting, representation and communication practices, all of which have entailed considerable resource implications. These budget proposals have been prepared taking into account these continuing demands, the increasing demands from member States for ILO technical support for advancing social justice through decent work to achieve the SDGs, and the financial implications of the UN reform, while bearing in mind the pressure on public finances faced by governments.

4.1. Efficiency savings

64. The proposed budget for 2020–21 focuses on value for money, quality services and efficient methods of work. As indicated in previous sections, the Office continues to invest in changing and adapting its methods of work in order to be fit for purpose and to promote a culture of accountability for results, focused on the delivery of high-quality services to ILO tripartite constituents. The results-based management task force, the Business Process Review and the resource monitoring mechanisms set up for these purposes have delivered good results and will continue.

65. Seeking further savings through efficiency gains remains a priority in order to strengthen the Organization's capacity to deliver effectively the ILO programme and its services to constituents. As reported in the Programme and Budget for 2018–19, efficiency savings resulting from the ILO reform and from the continuous improvement process have enabled the redeployment of some US\$58 million from administrative processes to front-line technical work over the last three biennia, and the equivalent of an additional 66 posts are now assigned to front-line technical work.

66. The current proposals include the redeployment of a further US\$2.9 million towards front-line technical work – equivalent to a further eight positions, bringing the total redeployments to the technical and regional function to US\$60.9 million, equivalent to 74 positions.

67. A key driver within the reform process has been the Business Process Review initiative. The reviews completed within the Management and Reform portfolio have resulted in the elimination of a number of clerical support functions, releasing resources for both front-line technical work and the upgrade of professional support provided in areas such as IT, publishing and facilities management. The Programme and Budget proposals for 2020–21 reflect the reprofiling in this way of some US\$5.6 million (equivalent to 13 positions), further improving the level of support provided to all areas of the Office, which is in addition to the redeployments to front-line technical work referred to in paragraphs 65 and 66 above.

68. The total efficiency gains of US\$8.5 million included in the Programme and Budget proposals for 2020–21 comprise redeployments within all portfolios, as well as some US\$1.3 million to be transferred from management and support departments to front-line technical work and other priorities. It is proposed that these transferred resources be distributed as follows: US\$376,800 for strengthening the Office of Internal Audit and Oversight, with a particular focus on investigations; and US\$940,800 for strengthening policy outcomes (distribution to be decided in October–November 2019).

69. In the context of zero-real-growth budgets, and with priority being given to the redeployment of efficiency gains to meet the increased demand from constituents and member States for technical support, it has not been possible in previous biennia to provide for sufficient investment in one-off or non-routine major capital items nor in meeting other exceptional

needs. Yet, investing in these areas is essential in order to be effective in providing high-quality services to constituents and member States and in addressing new demands that could lead to increased expenditure requirements. Table 3 summarizes the proposed increases to meet these needs. Additional details are provided in section 4.2 of this document.

Table 3. Proposed budget increases (in US dollars)

	Provision for 2018–19	Proposed increase	2020–21 proposals
Unforeseen expenditure	875 000	1 125 000	2 000 000
UN resident coordinators system	4 124 531	4 570 014	8 694 645
Building and Accommodation Fund	3 428 014	3 769 986	7 198 000
Information Technology Systems Fund	0	12 200 000	12 200 000
Security	0	10 000 000	10 000 000

The Business Process Review

- 70.** The annual savings opportunities identified by the Business Process Review initiative across all sources of funds to date amount to the equivalent of 89 full-time equivalent (FTE) positions, estimated at US\$16.8 million per annum. Benefits relating to 51 FTE positions have already been realized, some of which are included within the posts identified in the previous paragraphs. Some 22 FTE positions have been reinvested within the source department to improve or modernize services and the equivalent of 29 FTE positions have been freed up for redeployment to other units. These realized savings opportunities have been incorporated in the structure of the Office and will continue in future biennia.
- 71.** The full realization of benefits from many of the identified efficiency improvements is in part dependent on natural attrition. The decision to align the mandatory retirement age at the ILO with that of the United Nations by introducing a mandatory age of separation of 65 has had a significant impact on the capacity to realize savings in the current proposals. Effectively, a hiatus in staff retirements for the next three to five years has occurred, delaying the realization of identified savings and redeployment opportunities and limiting the capacity to influence gender and geographical balance indicators. Furthermore, investment in IT is a prerequisite for realizing a significant number of the savings opportunities and the constraints on such resources have also affected the speed with which improvements can be realized.
- 72.** The Business Process Review initiative has entailed a direct cost of US\$17.2 million over the past five years. On an annual basis, this cost has been decreasing as external consultants have been phased out and ILO staff have assumed full responsibility for the initiative. The anticipated cost of a business innovations unit in 2020–21 is slightly less than US\$1 million per annum, to be financed from the first-year savings arising in the departments to be reviewed. The cost benefit of this initiative is clear, with the financial savings continuing each year.
- 73.** As evidenced by each of the previous waves of the Business Process Review, considerable opportunities for efficiency and savings are possible. The work that has commenced within the Policy portfolio is revealing that similar gains are possible in functions associated with front-line technical work. The expected benefits in this portfolio and in the regions will not result in resource transfers between portfolios, but in increased capacity to deliver direct support to constituents.

4.2. Resource appropriations

74. In accordance with the Financial Regulations, the strategic budget is divided into parts and items.

Part I. Ordinary budget

75. The ordinary budget is composed of four items, the most substantial of which is the item “Policy outcomes”. Within the constraints of zero growth in the ordinary budget, it has been possible to propose a real increase of US\$1.0 million for this item. Resources will be redeployed from the administrative area to increase the capacity of the Office to deliver front-line technical services. In addition, within the 2018–19 resource envelope for policy outcomes, US\$1.9 million has been redeployed, further increasing this service potential. As agreed by the Governing Body, the content of this item – covering the policy outcomes and their indicators and targets – will be discussed and decided upon in the light of the discussions at the Centenary Session (June 2019) of the International Labour Conference. The other three items, “Policymaking organs”, “Management services” and “Other budgetary provisions” are described in detail in Information Annex 1 on the operational budget.

Part II. Unforeseen expenditure (reserve for Governing Body decisions)

76. In each biennium, unforeseen events arise that the Governing Body decides warrant urgent action within the ongoing budget cycle. Some of these are related to the fundamental work and core mandate of the Organization. Others are essential for reasons of security or as a result of decisions by the UN common system, for example. In most cases, these unforeseen expenses are covered by reprioritizing the Office’s programme of work and are reported to the Governing Body and the Conference in programme implementation reports. To cover situations where reprogramming is not possible, Part II of the budget provides an amount for unforeseen expenditure. Any use of funds available under Part II must be approved by the Governing Body, as provided for in article 15 of the Financial Regulations. Funds remaining unused in Part II or in other parts of the budget at the end of a biennium are returned to member States under the normal provisions for the treatment of surpluses.
77. Over the past ten biennia, the average biennial amount of unforeseen expenditure approved by the Governing Body is some US\$2.6 million (table 4), considerably in excess of the provision for this expenditure which has remained at US\$875,000 since the 1988–89 biennium. As a result, readjustments of priorities within the ordinary budget have been required.

Table 4. Authorized unforeseen expenditure 1998–2017 (in US dollars)

Biennium	Unforeseen expenditure authorized by the Governing Body
1998–99	8 682 250
2000–01	2 550 600
2002–03	3 520 000
2004–05	1 473 500
2006–07	1 013 700
2008–09	1 244 900
2010–11	809 930

Biennium	Unforeseen expenditure authorized by the Governing Body
2012–13	1 796 400
2014–15	1 895 200
2016–17	3 381 250
Average per biennium	2 636 773

78. In the current biennium, as at the end of 2018, the Governing Body has authorized the use of resources under Part II of the budget in respect of: actions related to the Standards Initiative and the Standards Review Mechanism; actions related to Guatemala; the establishment of a Commission of Inquiry for the Bolivarian Republic of Venezuela; the call for increased investment in the UN resident coordinator system; and additional linguistic arrangements for the 14th African Regional Meeting. The total amount of this additional authorized expenditure is more than US\$5.2 million, significantly exceeding the provision for unforeseen expenditure of US\$875,000. The funds needed to cover such expenditure have to be identified Office-wide, affecting planned programmes, with potential consequences for services to constituents.
79. The low level of the provision for unforeseen expenditure was noted as long ago as 1982, when the Governing Body at its 221st Session supported the Director-General's proposal that it be set at a more realistic level. However, in the context of zero-real-growth budgets, and with the Governing Body's focus on resources for technical services, it has not been possible to restore the provision to a more appropriate level.
80. To partially redress this shortfall, it is proposed that the provision for unforeseen expenditure in the budget for 2020–21 be increased to US\$2 million (see table 5).

Table 5. Proposed unforeseen expenditure for 2020–21 (in US dollars)

	Provision for 2018–19	Proposed increase	2020–21 proposals
Part II. Unforeseen expenditure	875 000	1 125 000	2 000 000

Part III. Working Capital Fund

81. As defined in article 19(1) of the Financial Regulations, the Working Capital Fund is established: (a) to finance budgetary expenditure pending receipt of contributions or other income; and (b) in exceptional circumstances and subject to prior authorization of the Governing Body, to provide advances to meet contingencies and emergencies.
82. The level of the Working Capital Fund was set at CHF35 million on 1 January 1993 by the International Labour Conference at its 80th Session (June 1993).
83. Under the provisions of article 21(2) of the Financial Regulations, any sums withdrawn from the Working Capital Fund to finance budgetary expenditure pending the receipt of contributions shall be reimbursed from arrears of contributions received in the following financial period or periods. However, where the sum withdrawn is used to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, it shall be reimbursed from an additional assessment on member States. It is expected that no provision will be necessary under this part of the budget in 2020–21.

Part IV. Institutional investments and extraordinary items

- 84.** Provision is made under this part of the budget to cover institutional investments not included in Part I. Currently, the provision relates exclusively to the long-term reserve for major renovations of ILO-owned properties. For 2020–21, it is proposed that the level of resources under Part IV be increased to meet the emerging demands relating to the UN resident coordinator system, to provide for the financing of the Building and Accommodation Fund for the long-term reserve and the financing of the Information Technology Systems Fund, and to respond to the demand for increased security.

UN resident coordinator system

- 85.** The Programme and Budget proposals for 2020–21 include an increase of the ILO contribution to the UN resident coordinator system.
- 86.** To meet the financing needs of a reformed UN development system, the Member States of the United Nations decided, in General Assembly resolution 72/279, on a hybrid formula involving, inter alia, a doubling of the contributions of UN development system entities under the United Nations Sustainable Development Group's cost-sharing arrangement. At its 334th Session (October–November 2018), the Governing Body agreed to the payment of this increased contribution for 2019.
- 87.** Currently, the ILO's budget includes a provision within the estimates pertaining to the regions of some US\$4.1 million towards the cost of the UN resident coordinator system. The UN Development Operations Coordination Office implemented an increased cost-sharing arrangement for 2018–19, increasing the ILO's biennial obligation to contribute US\$4.4 million subsequent to the ILO's budget decisions. This unilateral increase, together with the General Assembly decision referred to above, requires that an additional US\$4.6 million be provided for in the Programme and Budget for 2020–21. Given the exceptional nature of this decision by UN Member States, a real increase in the ILO budget is proposed to cover this expenditure.

Building and Accommodation Fund

- 88.** At its 310th Session (March 2011), the Governing Body endorsed a long-term strategy for the financing of periodic refurbishment and renovation of ILO buildings.⁴ A goal of the strategy was to establish an annual provision equivalent to 1 per cent of the insurance value of ILO-owned buildings, in line with industry professional recommendations.
- 89.** The strategy foresaw a hierarchy of possible sources of income to supplement the existing provision in the regular budget: rental income; interest earned on surplus funds in the Building and Accommodation Fund; the partial use of future surpluses; and an increase in the amount provided under Part IV of the regular budget. In accordance with subsequent Governing Body decisions, rental income is now being deployed to finance the interest and principal repayments of the loan relating to the Headquarters Building Renovation Project. The global financial environment has severely limited any meaningful interest earnings.
- 90.** As the headquarters building renovation was not scheduled for completion until 2019, the current provision, equivalent to approximately 0.5 per cent of the insurance value, has been considered sufficient. From 1 January 2020, the full provision should be foreseen to ensure that funds are accumulated to address future renovation needs and that the Organization does

⁴ [GB.310/PV](#), para. 139.

not find itself in the situation of not being able to undertake the periodic major refurbishment needs of its properties. An incremental amount of US\$3.8 million per biennium would be required to ensure the sufficient funding of this provision. The provisions in Part I of the budget are sufficient to meet the ongoing regular maintenance needs of refurbished ILO properties.

Information Technology Systems Fund

91. Over the past 15 years, the Office has made substantial investments in IT. Most of the one-off costs associated with these investments were funded from budgetary surpluses approved by the Governing Body and in some cases from unanticipated savings emerging across the Office. Of particular note are investments in: the Integrated Resource Information System (IRIS); the modernization and centralization of the global IT infrastructure; the shift from Novell to Microsoft technologies for email and desktop videoconferencing; mobile computing and communication devices; the introduction of SharePoint; improved IT and information security; and various other software products to automate manual processes and improve ways of working. Many of these initiatives were driven by necessity, as legacy software and hardware had either reached the end of their useful life, or were no longer fit for purpose.
92. Meeting the continuing demands of users – both internal and external – and supporting this growing range of technologies has placed a significant strain on existing resources, leaving very limited capacity to meet the cyclical demands of large-scale hardware and software purchases and upgrades and to fund any new strategic large-scale IT initiatives. In its approval of the Information Technology Strategy 2018–21, the Governing Body endorsed in principle the reactivation of the Information Technology Systems Fund, originally established in 2000, with an indicative biennial provision of US\$9 million.⁵ The exact provision was to be determined in the context of future programme and budget discussions, in order to ensure that funding would be available across biennia. The use of any amounts available in the Information Technology Systems Fund would continue to require specific approval by the Governing Body on the basis of fully costed proposals.
93. As funding has not been available during the first biennium (2018–19) of the strategy period, it will not be possible to fully deliver on all targeted initiatives and needs. Therefore, the level of investment proposed for 2020–21 takes into account only what is considered to be an immediate priority and achievable in a compressed time frame of two years (2020–21). Table 6 provides a breakdown of key items and the related institutional investment. A description of each item is provided in Information Annex 3.

Table 6. Proposed investments in IT upgrades for 2020–21 (in US dollars)

	Proposed investment
ILO intranet replacement	2 700 000
ILO public website replacement	1 000 000
IRIS upgrade	1 000 000
Microsoft Office and other software upgrades	2 300 000
Electronic records management system	2 600 000
Mobile device management	600 000
IT equipment replacement	2 000 000
Total investment 2020–21	12 200 000

⁵ GB.331/PV, para. 798.

Security

- 94.** The continuous evolution of the external security situation requires the Organization to make significant investments in security at headquarters and in field duty stations. There is a clear trend towards higher minimum security standards, which inevitably has cost implications. Member States have reaffirmed their commitment to ensuring appropriate levels of security and, in resolution 71/129 adopted on 8 December 2016, the UN General Assembly underlined the need to allocate adequate resources for this purpose.
- 95.** The ILO's policy is always to meet UN security standards at all duty stations. In cases where evacuation or related steps have been necessary, special emphasis has been placed on measures to protect local staff and their families. In respecting the minimum security requirements prescribed by the UN Department of Safety and Security (UNDSS), the Office remains sensitive to the need to maintain access for all ILO constituents to its premises. Urgent needs have been met at headquarters and in field locations from provisions within the regular budget, through office relocations or through modest investments in infrastructure.
- 96.** Following a review by the UNDSS of the security situation in Geneva, a specific assessment was undertaken of security needs at the headquarters site. In collaboration with the host Government, and in response to the security assessment, a proposal has been endorsed for the design and construction of a security perimeter for the headquarters building that meets UNDSS requirements and Office needs and takes into account local security advice. The total cost, which includes infrastructure and technical elements, has been estimated at some CHF25 million. The proposal includes a controlled reception area to meet and screen visitors, issue security passes and prevent unauthorized entry. It also includes equipment for the basic surveillance of the building's interior, exterior and perimeter. Without additional resources, it will not be possible to implement these measures.
- 97.** This proposal will be considered by the Governing Body at its 335th Session in the context of the discussion on the update on the headquarters building renovation project. Given the cost implications, an alternative approach, commissioning the work in phases to reach UNDSS compliance over a longer period of time, will also be presented to the Governing Body with a lower cost in 2020–21 of some US\$10 million. The Programme and Budget proposals for 2020–21 include only this lower estimate of US\$10 million.

4.3. Cost increases

- 98.** The real level of the budget has been analysed in the context of the international economic environment to ensure that the impact of inflation, exchange rate movements and any other factors are incorporated in the budgetary estimates and do not result in an erosion of the Organization's capacity to deliver its approved programme of work. Following two successive biennia where cost increases were negative, allowing a nominal decrease in the budget, for 2020–21 a nominal increase of US\$8.0 million is proposed. This modest increase of 1.0 per cent over the two-year period results from a detailed analysis of all expenditure items in the budget and a review of economic and inflation projections provided by independent financial institutions.
- 99.** The estimated changes in costs are developed from detailed calculations of each component of staff and non-staff expenditure, which are further described in Information Annex 2. Specific consideration is given to costs and their trends in external offices, as inflation varies significantly between and within regions where the ILO operates. The overall average cost increase for regional budgets is 1.2 per cent, while for headquarters' budgets it is 0.9 per cent. As the ILO is part of the UN common system, remuneration levels and benefits are

determined by the UN General Assembly and the ICSC. Full account has been taken of the decisions to reduce the remuneration of Geneva-based international staff and no provision has been made in respect of the pending legal challenges to these decisions.

5. Draft budget of expenditure and income for 2020–21

- 100.** The Programme and Budget proposals for 2020–21, after providing for movements in costs, valued at the 2018–19 budget rate of exchange of 0.97 CHF to the US dollar, amounts to US\$823,775,803.
- 101.** Following a detailed analysis of cost factors, both at headquarters and in field locations, cost increases have been reflected at an overall rate of 1.0 per cent for the biennium. Information on movements in cost factors is provided in Information Annex 2.
- 102.** The budget rate of exchange for the biennium 2020–21 will be set at the market rate at the time the budget is reviewed by the Finance Committee of Government Representatives at the 108th Session (June 2019) of the Conference. These proposals have accordingly been valued at the same budget rate of exchange (CHF0.97 to the US dollar) as the Programme and Budget for 2018–19, both to facilitate comparison and because the cost of the proposals in both US dollar and Swiss franc terms will continue to evolve with the exchange rate changes until the budget is finalized.
- 103.** As an indication, however, the market rate of exchange at the time of preparation of these proposals in early 2019 was CHF0.99 to the US dollar. Should this rate remain valid in June 2019, the proposed budget level in US dollar terms would be some US\$814 million, with resulting assessments on member States of some CHF806 million.
- 104.** The contributions payable by member States in 2020–21 will thus depend on the overall budget level, on the budget rate of exchange which is finally set, and on the scale of contributions approved by the Conference.
- 105.** The draft expenditure and income budget in the form required for adoption by the Conference, with the corresponding figures for 2018–19, is shown in table 7.

Table 7. Draft budget of expenditure and income for 2020–21

Expenditure	Income			
	2018–19 budget		2020–21 estimates	
	US\$	CHF	US\$	CHF
Part I				
Ordinary budget	779 816 986	787 271 264	Contributions from member States	784 120 000 760 596 400 823 775 803 799 062 529
Part II				
Unforeseen expenditure	875 000	2 000 000		
Part III				
Working Capital Fund				

Expenditure	2018–19		2020–21		Income				
	budget		estimates		2018–19 budget		2020–21 estimates		
	US\$	US\$	US\$	US\$	CHF	CHF	US\$	CHF	
Part IV									
Institutional investments and extraordinary items	3 428 014	34 504 539							
Total budget	784 120 000	823 775 803	784 120 000	823 775 803	760 596 400	799 062 529			

106. After completing its examination of the draft estimates submitted in this document, the Governing Body will wish to submit to the International Labour Conference a draft resolution for the adoption of the programme and budget for the 77th financial period (2020–21) and for the allocation of expenses between member States for 2020–21.

Draft decision

107. *The Governing Body:*

- (a) *recommended to the International Labour Conference at its 108th Session (June 2019) a provisional programme level of US\$823,775,803 estimated at the 2018–19 budget rate of exchange of CHF0.97 to the US dollar, the final exchange rate and the corresponding US dollar level of the budget and Swiss franc assessment to be determined by the Conference; and*
- (b) *proposed to the Conference at the same session a resolution for the adoption of the programme and budget for the 77th financial period (2020–21) and for the allocation of expenses among member States in that period in the following terms:*

The General Conference of the International Labour Organization,

- (a) in virtue of the Financial Regulations, adopts for the 77th financial period, ending 31 December 2021, the budget of expenditure for the International Labour Organization amounting to US\$..... and the budget of income amounting to US\$..... which, at the budget rate of exchange of CHF to the US dollar, amounts to CHF, and resolves that the budget of income, denominated in Swiss francs, shall be allocated among member States in accordance with the scale of contributions recommended by the Finance Committee of Government Representatives;
- (b) requests the Director-General to present for examination and adoption by the Governing Body at its 337th Session (October–November 2019) complementary information pertaining to the results framework comprising outcomes, indicators, baselines and targets for the biennium, reflecting the relevant outcomes of the 108th Session (June 2019) of the International Labour Conference.

Information annexes

- 1. Operational budget for 2020–21**
- 2. Details of costs increases**
- 3. Details of proposals for IT upgrades**

Information Annex 1. Operational budget for 2020–21

	Professional	General service	Staff costs	Non staff costs	Total resources
	(work-years/months)				
Part I					
Governance organs					
International Labour Conference	29 / 10	35 / 8	21 103 380	4 173 459	25 276 839
Governing Body	33 / 3	41 / 1	15 669 244	3 018 817	18 688 061
Major Regional Meetings	5 / 5	4 / 4	2 362 710	693 227	3 055 937
Office of the Legal Adviser	13 / 4	1 / 11	3 568 899	145 913	3 714 812
	81 / 10	83 / 0	42 704 233	8 031 416	50 735 649
Policy, Field Operations and Partnerships, and employers' and workers' activities					
	1491 / 10	956 / 6	370 285 737	126 328 812	496 614 549
Management and Reform					
Support services					
Internal Services and Administration	38 / 0	103 / 6	22 545 847	23 561 955	46 107 802
Information and Technology Management	102 / 6	70 / 7	32 306 424	19 689 623	51 996 047
Official Meetings, Documentation and Relations	22 / 11	31 / 1	16 301 879	1 240 735	17 542 614
Communications and Public Information	41 / 0	14 / 0	11 280 612	1 650 022	12 930 634
Procurement	10 / 5	3 / 0	2 753 530	128 725	2 882 255
	214 / 10	222 / 2	85 188 292	46 271 060	131 459 352
Management services					
Human Resources Development	48 / 11	52 / 8	19 334 748	4 697 295	24 032 043
Financial Management	42 / 9	38 / 9	15 355 555	410 523	15 766 078
Strategic Programming and Management	15 / 2	4 / 0	4 354 660	126 141	4 480 801
Deputy Director-General's Office	6 / 0	2 / 0	2 162 145	282 265	2 444 410
	112 / 10	97 / 5	41 207 108	5 516 224	46 723 332
Office of the Director-General	10 / 0	16 / 0	5 699 405	1 392 773	7 092 178
Oversight and evaluation					
Internal Audit and Oversight	10 / 4	3 / 0	3 179 918	254 763	3 434 681
Independent Oversight Advisory Committee	1 / 0	0 / 2	325 472	294 871	620 343
External audit costs	0 / 0	0 / 0	0	1 067 400	1 067 400
Ethics function	0 / 6	0 / 3	159 760	141 743	301 503
Evaluation	8 / 0	2 / 0	2 269 911	760 755	3 030 666
	19 / 10	5 / 5	5 935 061	2 519 532	8 454 593

	Professional	General service	Staff costs	Non staff costs	Total resources
	(work-years/months)				
Other budgetary provisions	9 / 0	9 / 10	3 839 254	41 318 458	45 157 712
Adjustment for staff turnover	0 / 0	0 / 0	0	-6 420 379	-6 420 379
Total Part I	1 940 / 2	1 390 / 4	554 859 090	224 957 896	779 816 986
Part II. Unforeseen expenditure	0 / 0	0 / 0	0	2 000 000	2 000 000
Part III. Working Capital Fund	0 / 0	0 / 0	0	0	0
Part IV. Institutional Investments and Extraordinary Items	0 / 0	0 / 0	0	33 968 014	33 968 014
Total (Parts I-IV)	1 940 / 2	1 390 / 4	554 859 090	260 925 910	815 785 000

108. This information annex provides additional information on the operational budget of the ILO.

109. As described in the introduction, the proposed allocations reflect the redeployment of resources from administrative and support functions to front-line analytical and technical services at headquarters and in the regions.

Governance organs

110. International Labour Conference, Governing Body and Regional Meetings resources show the direct costs (such as interpretation, preparation and printing of reports, rental of facilities, Governing Body members' travel and some staff costs) of holding two sessions of the Conference and six sessions of the Governing Body, as well as two Regional Meetings, in the biennium: the 17th Asia and the Pacific Regional Meeting in 2020 and the 11th European Regional Meeting in the course of 2021. Certain costs identifiable from the Official Meetings, Documentation and Relations Department and the Internal Services and Administration Department related to the support of these governance organs have also been shown under this item to provide a more complete cost estimate for these meetings.

111. The Office of the Legal Adviser is responsible for providing legal advice and other legal services to the Organization, including legal opinions concerning the Constitution, membership, rules and activities of the ILO. It also provides legal expertise on personnel matters, commercial and technical issues, and contracts.

Policy, field operations and partnerships, employers' and workers' activities

112. The resources for policy, field operations and partnerships, employers' and workers' activities consolidate the ILO's capacity to develop and deliver high-quality, relevant and useful policy advice, advocacy and development cooperation. They will enhance the efficiency, effectiveness and impact of ILO activities in the regions, strengthen the capacity

of the ILO's tripartite constituents and support its member States in implementing the 2030 Agenda, develop and support external partnerships and manage relations with the United Nations and the multilateral system. The indicative allocation reflects the deployment of resources towards front-line technical activities and is provisionally based broadly on existing structures. Following the decisions of the Governing Body in November 2019 on a new results framework, a reorganization within these portfolios and departments may need to be considered. Pending these decisions it is not possible to anticipate the detailed administrative allocation of resources between organizational units.

Management and reform

113. The resources for management and reform consolidate the effective and efficient delivery of ILO support services and the drive for further efficiencies through the Business Process Review, with a particular emphasis on managerial and administrative practices. The main functions of the departmental structure are outlined below.
114. **Internal services and administration:** General management of facilities, property and inventory; safety and security; printing, publishing and distribution; diplomatic privileges; travel and transport; the use of public spaces; and general internal services.
115. **Information and technology management:** All IT and information management and the development and implementation of an information management strategy.
116. **Official meetings, documentation and relations:** Support to the governing organs and other official meetings of the Organization, official relations with the constituents, official documentation (translation, revision, editing and formatting services) and meeting services (including interpretation services, planning, programming and technology support services).
117. **Communications and public information:** The ILO's communication through relations with the media, public information initiatives and the management of the ILO's public and internal websites.
118. **Human resources development:** Human resource policy and operations, staff development and the administration of health insurance, as well as leading relations with staff representatives.
119. **Financial management:** Financial governance and ensuring that financial duties and obligations are carried out effectively and efficiently and are consistent with the Financial Regulations and Rules.
120. **Procurement:** The administration of procurement procedures, the procurement of equipment and services, and subcontracting.
121. **Strategic programming and management:** Providing the Governing Body and the International Labour Conference with the analysis and proposals necessary to define the ILO's programme of work and to report on its implementation.

Oversight and evaluation

122. The resources for oversight and evaluation will further enhance effective monitoring and oversight in the use of resources entrusted to the ILO and full accountability of the Office with regard to the delivery of its programme. The main functions are outlined below.

- 123. Office of Internal Audit and Oversight:** Responsible for the internal audit function in accordance with Chapter XIV of the Financial Rules of the Office. It reports directly to the Director-General. A real increase of US\$376,800 has been included representing one additional position to reinforce the investigation function.
- 124. Independent Oversight Advisory Committee:** Provision of advice to the Governing Body and the Director-General on the effectiveness of internal control, financial management and reporting, risk management and internal and external audit outputs.
- 125. External audit:** Provision for the cost of the audit of all the funds for which the Director-General has custody (regular budget, United Nations Development Programme projects, trust funds, extrabudgetary accounts and all other accounts). Also included are costs related to independent evaluations of land and buildings and after-service health insurance liabilities required to ensure compliance with International Public Sector Accounting Standards.
- 126. Ethics function:** Ensures support and compliance with ethical standards of conduct and that integrity is observed by all staff in the Organization.
- 127. Evaluation Office:** Responsible for providing independent, high-quality evaluation services to the ILO. It reports directly to the Director-General.

Other budgetary provisions

- 128.** This item includes the budgetary provisions for contributions to various ILO funds and United Nations common system and inter-agency bodies, as well as provisions that do not appropriately fall elsewhere in the programme and budget.
- 129. *Loan annuities for the ILO building:*** Provision is made for the payment of two annuities of CHF3,702,300 in 2020 and 2021 (equivalent to some US\$7,634,000 for the biennium) for the loan from the Swiss Property Foundation for the International Organizations (FIPOI) in connection with the original construction of the ILO headquarters building. The loan will be fully repaid by the year 2025. Loan repayments relating to the second loan from the FIPOI in connection with the 2016–19 renovation works are being met from rental income and do not have an impact on the regular budget.
- 130. *ILO Staff Pension Fund:*** The provision remains at the same level in real terms (some US\$302,000) to cover the cost of the remaining beneficiary of this Fund.
- 131. *Special Payments Fund:*** The purpose of this Fund is to make periodic ex gratia payments to former officials or their spouses in accordance with criteria approved by the Governing Body. The regular budget contribution to the Fund of CHF232,000 (some US\$239,000) is maintained at the same level in real terms as in the previous biennium.
- 132. *Staff Health Insurance Fund:*** Contribution for the insurance of retired officials. This provision, which amounts to some US\$30.1 million, covers the ILO's contribution to the Staff Health Insurance Fund in respect of the insurance of retired officials, invalidity pensioners, surviving spouses and orphans. The amount for 2020–21 for the retired officials in real terms has been reduced by US\$300,000 due to an agreement to progressively transfer the subsidy provided by the ILO in respect of retirees of the International Social Security Association to that Association.
- 133. *Contribution to the Building and Accommodation Fund:*** The regular budget provision under this heading is some CHF397,000 per biennium (some US\$409,000). Under Part IV of this programme and budget – Institutional Investments – a provision of some US\$7.2 million has

been proposed towards the financing of the Fund for future periodic refurbishment and renovation of ILO buildings.

- 134.** *Contribution to various UN common system bodies and inter-agency committees:* The total provision of some US\$1.6 million is the same level in real terms as the previous biennium. It covers ILO contributions to various UN common system entities, including the Joint Inspection Unit, the United Nations System Chief Executives Board for Coordination, the Common Procurement Activities Group, the International Civil Service Commission (ICSC), the United Nations System Staff College and salary survey activities.
- 135.** *Medical Service:* The ILO operates an occupational safety and health unit as an integral part of the Office to provide a range of medical services and advice. The same amount in real terms (some US\$2.1 million) has been provided for as in the previous biennium.
- 136.** *Administrative Tribunal:* The resources under this heading provide for the Registrar of the Administrative Tribunal, part-time secretarial support and a share of other operating costs. Other operating costs consist of the costs of the Assistant Registrar, clerical assistance, mission credits, translation work, the maintenance of the computer database of the Tribunal's case law and the judges' fees and travel expenses, which are apportioned on the basis of the proportion of ILO staff to the total number of staff of organizations that have accepted the jurisdiction of the Tribunal and the number of cases involving the ILO to the total number of cases brought before the Tribunal during the biennium. The amount provided (some US\$1.3 million) remains the same in real terms as in the previous biennium.
- 137.** *Staff representation:* In accordance with article 10.1 of the Staff Regulations, members of the Staff Union Committee are allowed time off for the purpose of representing the staff of the Office on questions of conditions of work and terms of employment. As in previous biennia, a provision of 4/00 Professional and 1/00 General Service work-years is included to partially finance replacements in those units in which members of the Staff Union Committee normally work. A further 2/00 General Service work-years provides for a secretary for the Staff Union. The total provision for staff representation amounts to some US\$1.4 million.
- 138.** *Childcare facilities:* The total provision amounts to some CHF573,000 (some US\$591,000) and remains the same in real terms as in the previous biennium.
- 139.** *Unpaid liabilities:* The amount of US\$2,000 provides for the payment in 2020–21 of such transactions in respect of previous years, as it would not be appropriate to pay from any other item of the budget. This provision is required by article 17 of the Financial Regulations.

Information Annex 2. Details of cost increases

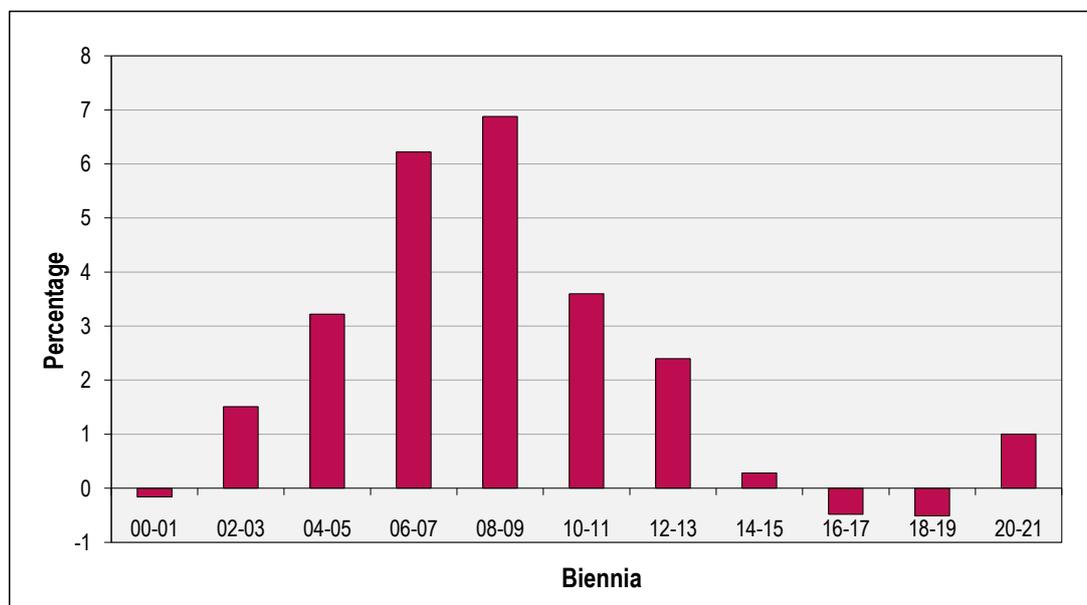
	2018–19 ¹	2020–21 estimates in constant 2018–19 US dollars	Programme increases (decreases)	Cost increases (decreases)	2020–21	% of total budget		
	US\$	US\$	US\$	%	US\$	%		
PART I. ORDINARY BUDGET								
Governance organs								
International Labour Conference	25 276 839	25 276 839	0	0.0%	486 678	1.9%	25 763 517	3.1%
Governing Body	18 688 061	18 688 061	0	0.0%	269 284	1.4%	18 957 345	2.3%
Major Regional Meetings	3 055 937	3 055 937	0	0.0%	62 116	2.0%	3 118 053	0.4%
Office of the Legal Adviser	3 714 812	3 714 812	0	0.0%	4 515	0.1%	3 719 327	0.5%
	50 735 649	50 735 649	0	0.0%	822 593	1.6%	51 558 242	6.3%
Policy, Field Operations and Partnerships, and employers' and workers' activities	495 638 257	496 614 549	976 292	0.2%	5 085 297	1.0%	501 699 846	60.9%
Management and Reform								
Support services								
Internal Services and Administration	46 327 211	46 107 802	-219 409	-0.5%	1 425 786	3.1%	47 533 588	5.8%
Information and Technology Management	52 251 256	51 996 047	-255 209	-0.5%	823 905	1.6%	52 819 952	6.4%
Official Meetings, Documentation and Relations	17 844 726	17 542 614	-302 112	-1.7%	327 774	1.9%	17 870 388	2.2%
Communications and Public Information	12 929 259	12 930 634	1 375	0.0%	165 920	1.3%	13 096 554	1.6%
Procurement	2 882 255	2 882 255	0	0.0%	29 097	1.0%	2 911 352	0.4%
	132 234 707	131 459 352	-775 355	-0.6%	2 772 482	2.1%	134 231 834	16.3%
Management services								
Human Resources Development	24 034 285	24 032 043	-2 242	0.0%	400 095	1.7%	24 432 138	3.0%
Financial Management	15 788 169	15 766 078	-22 091	-0.1%	282 364	1.8%	16 048 442	1.9%
Strategic Programming and Management	4 740 731	4 480 801	-259 930	-5.5%	24 621	0.5%	4 505 422	0.5%
Deputy Director-General's Office	2 444 410	2 444 410	0	0.0%	-27 928	-1.1%	2 416 482	0.3%
	47 007 595	46 723 332	-284 263	-0.6%	679 152	1.5%	47 402 484	5.8%

	2018–19 ¹	2020–21 estimates in constant 2018–19 US dollars	Programme increases (decreases)	Cost increases (decreases)	2020–21	% of total budget		
	US\$	US\$	US\$	%	US\$	%		
Office of the Director-General	7 092 178	7 092 178	0	0.0%	48 061	0.7%	7 140 239	0.9%
Oversight and evaluation								
Internal Audit and Oversight	3 051 355	3 434 681	383 326	12.6%	25 849	0.8%	3 460 530	0.4%
Independent Oversight Advisory Committee	620 343	620 343	0	0.0%	-482	-0.1%	619 861	0.1%
External audit costs	1 067 400	1 067 400	0	0.0%	0	0.0%	1 067 400	0.1%
Ethics function	301 503	301 503	0	0.0%	530	0.2%	302 033	0.0%
Evaluation	3 030 666	3 030 666	0	0.0%	1 130	0.0%	3 031 796	0.4%
	8 071 267	8 454 593	383 326	4.7%	27 027	0.3%	8 481 620	1.0%
Other Budgetary Provisions	45 457 712	45 157 712	-300 000	-0.7%	-1 954 314	-4.3%	43 203 398	5.2%
Adjustment for Staff Turnover	-6 420 379	-6 420 379	0	0.0%	-26 020	0.4%	-6 446 399	-0.8%
TOTAL PART I.	779 816 986	779 816 986	0	0.0%	7 454 278	1.0%	787 271 264	95.6%
PART II. UNFORESEEN EXPENDITURE	875 000	2 000 000	1 125 000	128.6%	0	0.0%	2 000 000	0.2%
PART III. WORKING CAPITAL FUND	0	0	0	0.0%	0	0.0%	0	0.0%
PART IV. INSTITUTIONAL INVESTMENTS AND EXTRAORDINARY ITEMS	3 428 014	33 968 014	30 540 000	890.9%	536 525	1.6%	34 504 539	4.2%
TOTAL (PARTS I–IV)	784 120 000	815 785 000	31 665 000	4.0%	7 990 803	1.0%	823 775 803	100.0%

¹ To facilitate comparison with 2020–21 figures, the 2018–19 budget was revised to reflect: (a) a revised methodology to apportion support department costs to and between governance organs; (b) internal restructuring between the departments of Human Resources Development, Internal Services and Administration, Communication and Public Information, and Information and Technology Management.

140. This information annex provides details on the methodology used for calculating the cost increases for 2020–21. In approving successive programme and budgets, the International Labour Conference has recognized the need to incorporate adjustments (both increases and decreases) to the constant dollar budget to ensure that sufficient funding is available to maintain the desired level of service to constituents. Figure A2-1 provides a summary of approved cost increase percentages for recent biennia.

Figure A2-1. Cost increase percentage included in the biennial budgets



Basis for calculation of cost increases

141. The ILO uses a zero budget basis in each budget cycle for determining a baseline of all operational costs anticipated in the future biennium. The strategic and operational budgets are initially developed at constant cost rates to allow comparability of the approved 2018–19 budget with the budget proposed for 2020–21.
142. An analysis is undertaken by cost component of the expenditures incurred during the current biennium, including a review of previously forecasted cost increases, of cost structures and of any anticipated changes in cost drivers. In conjunction with this, an analysis is undertaken of the geographic distribution of both current expenditure and of expected future expenditure as inflation varies significantly between and within regions where the ILO operates. The projected percentage increases are applied to the 2020–21 budget proposals for each corresponding object of expenditure and geographical location.
143. The budget projections make extensive use of verifiable and independent forecast data on consumer price indices and published data of authoritative bodies such as the ICSC, the International Monetary Fund (IMF) and central banks. Where the available inflation forecasts do not cover the full period of the budget, these forecasts are extrapolated for the 2020–21 biennium based on the latest available data and predicted trends made available by economic institutions. A review is also undertaken to determine the dollar equivalent of cost and price movements in local currencies since the last budget was adopted.
144. For Swiss-based expenditure items, the ILO has used average annual inflation forecasts issued by the Swiss National Bank for 2019, 2020 and 2021, which respectively

are 0.8 per cent, 1.2 per cent and 0.75 per cent. Unless otherwise disclosed, average annual inflation rates have been used to calculate cost increases for 2019–21.

145. The principal source of inflation estimates for field locations is IMF data. For these locations, the latest 2018 costs are adjusted for estimated inflation in 2019, 2020 and 2021 and take account of changes in the rate of exchange between the local currency and the US dollar. The annual rates of cost increases vary considerably between and within regions. Table A2-1 shows the projected average annual rate for each region, in dollar terms.

Table A2-1. 2020–21 projected average annual inflation rates by region

Region	% increase
Africa	4.8
Americas	2.5
Arab States	4.1
Asia and the Pacific	4.3
Europe	3.3

146. The application of zero-based budgeting to cost increases compares previously predicted cost increases with actual expenditure. This realigns the budget for each location and expenditure type for the new period. Where applicable, an offset was applied to forecasted inflation for 2019, 2020 and 2021 as a result of any lower than anticipated rates of inflation included in the Programme and Budget for 2018–19.

147. Table A2-2 summarizes the cost adjustments for 2020–21 by object of expenditure across the Office. The adjustments amount to a net increase of some US\$8.0 million, equivalent to an average rate of 1.0 per cent for the 2020–21 biennium.

Table A2-2. 2020–21 cost adjustments by object of expenditure

Object of expenditure	Budget (in constant US\$)	Cost adjustments (in 2018–19 US\$)	Biennial % adjustment
Staff costs	554 859 090	5 282 042	1.0
Travel on official business	14 812 726	102 995	0.7
Contractual services	38 433 065	663 975	1.7
General operating expenses	54 717 430	1 033 935	1.9
Supplies and materials	2 859 373	103 740	3.6
Furniture and equipment	4 045 870	13 608	0.3
Loan amortization for headquarters building	7 633 608	0	0.0
Fellowships, grants and regular budget technical cooperation	72 199 833	2 215 446	3.1
Other costs	66 224 005	-1 424 938	-2.2
TOTAL	815 758 000	7 990 803	1.0

Staff costs

148. Staff costs account for some 68 per cent of the overall expenditure budget and the cost increase of US\$5.3 million (1.0 per cent) constitutes the largest change in absolute terms. The staff cost increases for 2020–21 include the rebasing of staff costs to current levels.

149. Staff costs comprise:

- all officials who are budgeted at differentiated standard costs, described more fully below; and
- interpreters, committee secretaries and short-term Conference staff, where the provision for cost increase is in line with that provided for Professional and General Service staff at headquarters and agreements with the International Association of Conference Interpreters.

Staff calculated at standard costs

- 150.** Changes in the elements of the standard costs are based on the latest salary-related policies and decisions approved by the UN General Assembly under the recommendation of the ICSC for general application throughout the UN common system.
- 151.** The 2020–21 standard costs are based on the actual costs incurred in 2018 by each grade, with appropriate estimates for expected trends of inflation, changes in staff entitlements, and the movement and overall composition of staff. On average, standard costs for 2020–21 are forecasted to increase by 0.9 per cent.
- 152.** *Professional category:* Changes in Professional salaries arise in part from exchange rate fluctuations and movements in the cost of living as determined by the ICSC and reflected in the post adjustment. After adjusting for such movements, in particular the reduction in remuneration of Geneva-based officials, provision has been made for increases in post adjustment at the general rate of inflation for Geneva-based staff. Post adjustment rates in field locations are also determined by the ICSC and reflect relevant cost-of-living adjustments and the relationship between the local currency and the US dollar. In aggregate, a net reduction of 0.5 per cent has been anticipated over the biennium for officials in the Professional category.
- 153.** *General Service category:* Estimates for Geneva inflation as indicated in paragraph 144 have been included in the salary projection for General Service staff. For field-based General Service staff, the most recent salary scales at each location have been used, with provisions and adjustments made to allow for estimated inflation in US dollar terms.

Non-staff costs**Travel on official business**

- 154.** Increases in ICSC promulgated daily subsistence allowance rates in the different locations in which the ILO operates have been applied and have been partially offset by decreases in airline ticket costs reported by the Office's travel agent.

General operating expenses

- 155.** *Utilities:* Although fuel prices remain volatile and uncertain, an increase of some 5 per cent has been incorporated into budgetary estimates for 2020–21. In Geneva, a forecasted increase for electricity supply has been incorporated in the estimates to reflect current market trends. For field locations, it is assumed that water and electricity rates will increase at the local rate of inflation as per the IMF forecast.

156. *Rent*: Provisions have been made to cover contractual increases for rent and increased costs following relocations for security or other reasons.

Supplies and materials

157. Books, periodicals and other subscriptions have increased in cost by an annual average of 1.9 per cent.

Fellowships, grants and regular budget technical cooperation

158. Regular budget technical cooperation has both field and headquarters components. Forecasted cost increases have been based on location inflation rates, resulting in an average increase of 2.8 per cent. The contribution to the Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR) has been increased by 1 per cent per annum to reflect local inflation forecasts in dollar terms in Uruguay. The biennial contribution to the International Training Centre of the ILO in Turin has been increased to reflect forecasted inflation in dollar terms in Italy.

Other non-staff costs

159. All other non-staff costs have been adjusted in line with the average annual inflation rates applying to the relevant geographical area.

Other budgetary items

160. Other budgetary items include contributions to joint administrative activities within the UN system (for example, the ICSC, the UN High Level Committee on Management, the United Nations System Chief Executives Board for Coordination, the Joint Inspection Unit and the UN resident coordinator system) and for after-service health insurance. The budget estimates are based on latest information provided by the various bodies, the general rate of assumed inflation in their location and are modified to reflect any changes in the basis of apportionment of the costs between participating agencies.

Information Annex 3. Details of proposals for IT upgrades

ILO intranet replacement

161. The technology underpinning the majority of the ILO's intranet is nearly 20 years old and no longer fit for purpose.
162. A modern intranet would help to encourage, improve and streamline internal communication. The focus of a new ILO intranet would be ensuring bidirectional dialogue where teams can have open discussions, staff can share knowledge and management can stay in touch with what is happening on the ground. Benefits would include standardizing the ILO brand, improving collaboration, strengthening the vision of "One ILO", helping staff better find and leverage information, enhancing organizational clarity, boosting recognition and reward, furthering staff productivity and enriching ILO culture.
163. The level of investment requested will result in a partial delivery of a new ILO intranet in 2020–21.

ILO public website replacement

164. The technology underpinning the majority of the ILO's public website is nearly 15 years old and no longer fit for purpose.
165. The ILO public website is the single most important marketing tool the ILO has at its disposal. It serves as a virtual equivalent of a physical business for an estimated 4 billion people worldwide who use the Internet on a daily basis. It is a main source of information where the world can learn about our mission and work. The ILO public website shows and describes what the Organization is all about, what it has achieved and what it can achieve in the future.
166. A modern public website is critical if the ILO is to remain at the forefront of the world of work in an increasingly competitive environment. Research indicates that it takes about 0.05 seconds for users to form an opinion about a website and whether or not they will stay or leave the site. Benefits of a new ILO public website would include a modern user interface, improved information exchange through the leveraging of social media, blogs and other platforms, optimized responsiveness on mobile devices, content that targets individual user preferences, maximized insight into customer behaviour through improved analytical tools and enhanced customer relations.
167. The level of investment requested will result in a partial delivery of a new ILO public website in 2020–21.

IRIS upgrade

168. The current version of the Oracle e-Business Suite software underpinning IRIS was released in August 2010. This version of the software will no longer be supported by the supplier after the 2020–21 biennium and must be upgraded. Hundreds of new features and functionalities are included with the latest version of the software. Other benefits include a more intuitive look and feel, improved performance and improved security.

169. The level of investment requested will result in a full delivery of the IRIS technical upgrade in 2020–21, making it ready for Office-wide roll-out in 2022.

Microsoft Office upgrade

170. The current version of the Microsoft Office Suite 2013 will no longer be supported by the supplier in the 2020–21 biennium and must be upgraded to a later version. The targeted upgrade to Microsoft Office Suite 2019 leverages advances in technologies to provide new features such as artificial intelligence, 3D, improved text-to-speech, enhanced analytics and graphing, real-time co-authoring, smart attachments, and so on. Upgrading to the latest versions of Microsoft Office is the first step to transitioning to Microsoft Office 365 in the cloud, making it possible to collaborate, share knowledge and support an increasingly mobile and agile workforce more easily.
171. The level of investment requested will result in a full delivery of the Microsoft Office Suite upgrade in 2020–21.

Other software upgrades

172. The current versions of other enterprise software in use at the ILO will also require one-off investments to upgrade in order to ensure they are supported and compliant with the latest security requirements. General categories of software to be upgraded on a six-year cycle include those related to the desktop, communications, databases, business intelligence, data centre management, and so on.
173. The level of investment requested will result in a full delivery of other scheduled software upgrades in 2020–21.

Electronic records management

174. The current approach to collecting, managing and archiving records at the ILO is primarily manual. ILO officials are only able to request access to official records through formal requests to officials who oversee the management of ILO records and archives, often causing delays in work. In addition, there is no online search capability for ILO officials to retrieve core organizational information.
175. As a broker of knowledge, the ILO's inability to capture, organize, share and retain its greatest institutional asset has been highlighted in numerous studies and audits. The implementation of an electronic records management system has also been identified in the context of the 2018–19 Business Process Review of the International Labour Standards Department as a key requirement in the restructuring and enhancing of the supervisory mechanisms supporting the Committee of Experts on the Application of Conventions and Recommendations and the Conference Committee on the Application of Standards.
176. A fully functional electronic records management system would help to control the exponential generation and growth of records that are leading to information chaos and make it possible to automate the disposal of records in accordance with established retention policies.
177. The level of investment requested will result in a partial delivery of a new electronic records management system in 2020–21.

Mobile device management

- 178.** Mobile device management revolves around deploying, securing, monitoring, integrating and managing smartphones, tablets and laptops. It ensures that software running on mobile devices are up to date and patched to combat any identified security vulnerabilities. It is a prerequisite to implementing a “bring-your-own-device” policy at the ILO, as it will be necessary to segregate, update and encrypt ILO software and content being used on personal mobile devices.
- 179.** The level of investment requested will result in a partial delivery of mobile device management in 2020–21.

IT equipment replacement

- 180.** In order to ensure that the ILO’s IT infrastructure and applications remain reliable, secure and fit for purpose, it is imperative to upgrade and/or replace IT hardware and software underpinning critical ILO systems and services when they are no longer supported by the vendor. The typical replacement cycle for hardware and software is six years. This biennial investment makes it possible to replace one third of the ILO’s IT infrastructure footprint each biennium to ensure the six-year replacement cycle is maintained.
- 181.** The level of investment requested will result in a full delivery of IT equipment to be replaced in 2020–21.