



INTERNATIONAL TRAINING
CENTRE OF THE ILO

CC 69/5
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Board of the Centre

Geneva, 29 – 30 October 2007

FIFTH ITEM ON THE AGENDA

Report of the Working Party

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1. The Programme, Financial and Administrative Committee addressed, at its 298th session (March 2007), the issue of the role of the Turin Centre (International Training Centre of the ILO – ITC-ILO) within a coherent ILO capacity building strategy¹. The Governing Body suggested a set of proposed measures that could achieve a more stable budgetary and funding platform from which the ITC-ILO could fulfil its mandate as the training arm of the ILO.
 2. It was proposed to ‘*prepare a working paper to submit to the Board of the Centre and the PFAC Committee of the GB of the ILO in November 2007*’ (para 27). The report states further that ‘*there will be prior consultations with the members of the GB, and the paper will put forward options and proposals*’. As Chairperson of the Board of the Centre, the ILO Director General endorsed this idea and, moreover, invited the Employers’ and Workers’ Groups to provide their support.
 3. The Director of the ITC-ILO facilitated the setting-up of a Working Party, composed of representatives of 18 countries and representatives of the Workers’ and Employers’ Groups. The Working Party, on the basis of background papers provided by the ITC-ILO, identified broad elements of a funding strategy. The attached paper ‘*A funding strategy for the Turin Centre*’ is provided for information.
 4. There was agreement that by more closely linking the work of ITC-ILO to the overall ILO programme, including through the proposed measures in the March 2007 PFAC discussion (para 28, GB.298/PFA/14/3), it should be possible to provide a more sustainable funding basis for the Centre. The recommendations on the Field Structure Review regarding effective and efficient arrangements of ILO external offices (including in relation to ITC-ILO) will also contribute to this. On this basis, the Working Party proposes the following:
 - (a) In order to develop synergies and complementarities the ITC-ILO and the ILO departments and regional offices should be encouraged, where appropriate, to engage jointly in programme identification, planning, resource mobilization and in exchange of personnel to further the implementation of the ILO’s strategic objectives. This should enhance the predictability of resources necessary and required for the delivery of relevant services by the ITC-ILO. The ILO should provide for reporting on the cooperation and the follow-up.
 - (b) ILO departments and regional offices and the ITC-ILO should make arrangements to facilitate better coordination, including through a direct link between technical sectors and departments at headquarters and corresponding ITC-ILO technical departments and through the appointment of ITC-ILO focal points in regional offices.
 - (c) ILO departments and regional offices should liaise closely with the ITC-ILO in the identification, formulation and implementation of the ILO programmes of technical cooperation. The ITC-ILO shall be entrusted with the relevant training and capacity development components of the ILO programme of technical cooperation in areas of ITC-ILO’s expertise.

¹ GB.298/PFA/14/3

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- (d) The strategy would be to provide support to ITC programmes in line with the 2007-2011 Development Plan, covering:
- Training support to the delivery of Decent Work Outcomes (P&B);
 - Country (responding to DWCP outcomes), Subregional or Region specific training support;
 - Knowledge management: training & learning capacity, technology;
 - Infrastructure and systems alignment with the ILO.
- (e) Donors are encouraged to increase their voluntary contributions to the ITC-ILO, based on the Development Plan and the '*Funding Strategy for ITC-ILO*' which suggests priority areas and modalities for such contributions.
- (f) In line with its Development Plan, the ITC-ILO should actively seek direct voluntary contributions from a broad range of potential partners, in consultation with the ILO and its constituents. This includes other UN agencies in the context of 'One UN'.
- 5.** In the light of the Working Party discussions, the PFAC is invited to:
- endorse the broad strategy defined by the Working Party as summarized here;
 - request the Office to put in place with the ITC-ILO the necessary arrangements for this strategy to be implemented as mentioned under a, b and c in paragraph 4 above;
 - request the Director of the Centre to initiate a resource mobilization strategy for the ITC-ILO, in close coordination with the ILO, especially PARDEV.



INTERNATIONAL TRAINING
CENTRE OF THE ILO

Working Party

Geneva, 10 September 2007

ANNEX FOR INFORMATION

**Funding Strategy for
the International Training Centre of the ILO**

Summary of the financial challenges

1. The medium and long-term financial sustainability of the Centre raises concerns as fixed costs continue to rise, despite stringent cost-control measures, largely because of factors outside the control of the Centre's management. If it is to remain competitive and responsive to the financial capacity of the ILO's constituents, the Centre cannot allow itself to raise the prices of its services substantially. Annex 2 provides an overview of the main parameters and trends.
2. In a context of stable direct contributions, the Centre's capacity to cover rising fixed costs through an increased margin on activities has reached a ceiling in terms of staff productivity and available capacity. To balance the budget, essential investments in infrastructure (including training hardware), systems and staff training have been deferred and recruitment frozen, while delaying the filling of vacant staff positions. The limits are being reached in terms of maintaining the high standards and capacity of the Centre to deliver its services.
3. Moreover, the constant focus on productivity has meant that the Centre has little time for innovation and development and for work with the ILO field structure to identify and respond to regional priorities for training and capacity building, and to support Decent Work Country Programmes. Eventually, such a situation will erode the quality and relevance of the Centre's services. Finally, the Centre lacks the time and resources to participate more fully in the ILO's programming processes and systems and cannot contribute sufficiently to the ILO's technical cooperation programme in terms of strengthening the training and capacity-building components.

A funding strategy for the Turin Centre

4. To address the financial challenges, a funding strategy for the ITC-ILO is proposed. The strategy reflects the discussions of the Working Party, the challenges and measures identified in earlier Governing Body documents as well as in the paper submitted by the Director of the Centre to the Working Party.
5. A *two-pronged strategy* is proposed. First of all the mobilization of new voluntary contributions by donors to fund priority ITC programmes in line with the 2007-2011 Development Plan, covering:
 - Training support to the delivery of Decent Work Outcomes (P&B)
 - Country or Region specific training support
 - Knowledge management: training and learning capacity and technology
 - Infrastructure and systems alignment with the ILO
6. The second part of the strategy is a concerted joint effort by the ILO and the ITC to entrust the ITC with the delivery of an increased number of training and learning outputs within the overall ILO's technical cooperation programme.

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7. It is expected that the successful implementation of the strategy will result in a more balanced funding structure of the ITC, with the share of more stable and predictable funding increasing, including for investments in innovation while remaining fully responsive to the demands in the training market.

Prong 1: Voluntary Contributions to the ITC Development Plan

8. The 2007-2011 Development Plan of the ITC provides the basis for resource mobilization that will support both the ongoing programmes and investments in innovation, infrastructure and systems.² Such new funding would contribute to a better coverage of fixed costs and have the same characteristics as what is presently accounted for as ‘direct contributions or ‘general contributions to activities’:
- Multi-annual and renewable commitments, providing *predictability and stability*;
 - Setting broad thematic and geographic priorities along the lines of the Development Plan but leaving detailed allocation to the ITC, providing the *flexibility* to respond to changing circumstances and new opportunities;
 - Targetting not just additional training outputs but also research and development as well as structural investments, *ensuring innovation*;
 - Contributing to cover ITC’s fixed costs.

Priority Areas for Voluntary Contributions

9. Based on the 2007-2011 Development Plan and following the directions provided by the Centre’s Board, the ITC will consult with donors³ on the basis of a prioritised list of programme areas where voluntary contributions are being solicited. The programme areas can be divided into 4 categories:

A. Training support to the delivery of Decent Work Outcomes

10. The focus will be on supporting those immediate outcomes of the ILO’s Programme and Budget for which either there is no immediate market for fee-based training services or there are no current ITC products and services (or what exists is in need of innovation and updating) despite obvious demands from constituents for training and learning services. This will be done without jeopardizing the existing programmes and services.
11. For such outcomes, selected with the ILO and interested donors, the Centre will implement comprehensive programmes that will draw upon the research, field

² In addition to modest investments made from the ITC’s General Fund reserves for a limited number of outcomes

³ As per the Centre’s statutes, article VI.1, voluntary contributions can come from a range of sources. In the context of this paper, ‘donors’ therefore refers to national and increasingly also local government institutions, workers’ and employers’ organizations, international development agencies, private enterprises and foundations etc.

experience and expertise of the ILO to develop and implement a training and learning programme with well defined and measurable outputs.

12. Each programme would provide for staff and non-staff resources to define training needs, develop materials and courses in multiple languages, validation and testing, series of interregional and regional training courses, distance learning products and tools, tailor made courses in specific regions and countries etc. Where relevant, post-graduate programmes jointly with prestigious academic institutions are also foreseen. The implementation of programmes in this area would be closely coordinated with respective ILO units and field offices.
13. *Taking into account the Centre's absorptive capacity, two such programmes could be taken forward at the same time. One example would be to support immediate outcome 2b.1: **Increase member States and constituents capacity to develop or implement training policies.** There is strong demand from constituents to provide support in revitalizing vocational training systems, centers and methodologies. The expertise of the ITC and the ILO (SKILLS) can be harnessed to rebuild a focused series of training services. This is all the more relevant since in many UNDAFs, under the 'education' heading there are references to vocational education and training where the ILO is considered within the UN as the lead-agency.*

B. Country or (sub) region specific training support

14. Responding to the DWCP outcomes or subregional and regional priorities, the ITC would implement a tailor-made learning programme for a country or a region. Examples would be a comprehensive programme for the PALOPs, a special programme for Palestine, a regional initiative for the CIS countries, a programme with ASEAN etc.
15. *One example, taking into account the priority in the ITC Development Plan for Africa, could be a programme for the Portuguese-speaking countries in Africa (PALOPs), drawing on existing materials and responding to DWCP priorities and wider opportunities in UN context. Such a programme for the PALOPs would work closely with the ILO field offices for the implementation.*

C. ITC knowledge management: training & learning capacity and technology

16. To maintain the relevance, quality and effectiveness of the Centre's interventions, there is a need to invest in human resources and in the technology available to the technical programmes of the Centre. So far this has only been possible to a very limited extent, the focus being on the actual delivery of (income-earning) activities. Three key areas for investment have been identified for the period 2008-2011:
 - **Upgrading the skills of ITC staff on advanced training and learning technology**, covering the complete learning cycle, using a learner-centred approach. Special focus on ICT to make learning more effective and contextualised, suit different learning styles, increase the effects of learning and create knowledge in collaborative networks.

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- **Creating an on-line repository** of referenced learning materials, training guides, manuals and other available tools. This will be connected to those of other UN agencies, using the UN Learning Portal⁴.
 - **Strengthening the evaluation and impact assessment** capabilities of the Centre⁵ to measure the impact on the participants' work and on their institution. It would require a significant upgrading of the capacities of the existing Evaluation Unit at the ITC-ILO and close cooperation with the ILO's evaluation unit.

D. Infrastructure and systems alignment with the ILO

- 17.** To facilitate close collaboration with the ILO, the Centre needs to invest in its systems and capacity that take into account and where possible adopt the latest developments in the ILO on results based management, programming and reporting. There is also a need for continued investment in the ITC's infrastructure, as part of a Master Plan that includes renovation of older pavilions, IT infrastructure etc.
- 18.** An important component is the upgrading of the financial systems to reach compatibility with IRIS, an overhaul of the Centre's programming processes and systems (MAP) so that planning, implementation and reporting formats can be incorporated in overall ILO reporting on results, including through IRIS's Strategic Management Module and based on a results-based management approach.
- 19.** *Further analysis is needed but an initial step would be to upgrade the existing MAP programme to gain in administrative efficiency and to allow ITC to be fully compatible with ILO programming and reporting requirements. Another area would be to accelerate the campus renovation plan, focusing on rehabilitating class-rooms etc.*

Funding Arrangements

- 20.** In line with the 2007-2011 Development Plan, donors would make voluntary contributions to the work of the Centre in line with their priorities, specific thematic and geographic interests. The modalities would take into account the constraints and requirements for instance attached to the multi-bilateral funding windows of donor countries' development agencies. Contributions can be made to any of the four categories described above, with the ITC providing programme and budget descriptions as well as reporting arrangements.

Choice of Funds

- 21.** In terms of the actual funding arrangements it is proposed to make use of existing modalities. The ITC currently operates 3 different 'Funds' to administer income, each of them established and managed under the financial rules of the ITC and covered by all the existing auditing and reporting arrangements:

⁴ Being established by UN agencies under the overall coordination of the United Nations System Staff College.

⁵ Currently systematic end-of-activity evaluation of satisfaction, without further evaluation of application or impact.

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- The ‘General Fund’ to administer contributions to the ongoing operational programmes, covering training activities and courses, scholarships etc. For these activities, a standard ‘contribution to fixed cost’ is included.
 - The Investment Fund captures contributions linked to the Development Plan, not geared towards delivery of training but rather research and programme development, learning technology, monitoring and evaluation systems etc. They represent one-off investments that enhance the overall capacity and know-how of the ITC. A significant part of these investments concern staff time.
 - The Campus Improvement Fund would be used to administer all contributions to enhance the ITC infrastructure of the campus in Turin.
- 22.** New voluntary contributions will mainly flow through the Investment Fund, while some donors may directly sponsor ongoing work at the Centre through the General Fund or contribute to the infrastructure through the Campus Improvement Fund.

Choice of earmarking

- 23.** The greatest flexibility exists with unearmarked contributions, where the donor makes a general multi-annual contribution to the ITC programme, indicating yearly allocations but leaving detailed allocation decisions up to the ITC. Reporting on the contribution is part of the general financial reporting and the annual ‘Director’s Report’.
- 24.** It is however possible to earmark contributions to a certain extent, the donor providing a contribution on the basis of a programme proposal that specifies the outputs to be achieved by ITC as well as an output-based budget. The ITC will provide annual financial statements and progress reports.

Channeling of Funds

- 25.** Voluntary contributions can be made directly to the ITC on the basis of a ‘Contribution Arrangement’ or other form of legal agreement acceptable to the donor, specifying legal issues, annual allocations, payment and reporting schedules etc.
- 26.** Some donors may find it preferable to route funding through the ILO, for instance by allocating to the ITC a part of their voluntary contributions to the ILO. Whether as part of a partnership programme or funding for the RBSA, the ILO would be requested to pass on the funding on the basis of an administrative agreement that uses (reporting) systems currently in place between the ILO and the ITC.

Prong 2: Training and Learning in the ILO TC portfolio

- 27.** This second prong of the strategy aims to increase the part of the ILO’s technical cooperation portfolio that is channelled to the ITC, identifying the specific training and learning outputs to be delivered by the ITC.

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- 28.** Each biennium a fixed allocation from the ILO's Regular Budget for Technical Cooperation (RBTC) is reserved for services and training provided by the ITC-ILO. Beyond that, from the ILO's extrabudgetary resources (donor funding), a small portion of is channelled through the ITC⁶. This is complemented with ad-hoc funding from ILO projects in the course of their implementation, funding for instance participants to specific courses. While this is useful, such unpredictable funding does not support the development of training programmes as such.
- 29.** It is therefore essential that in the design and formulation of projects, specific objectives on capacity development are identified which will be achieved through training and learning outputs. Provided the ITC can deliver such outputs in a competitive way⁷, these outputs will then be entrusted to ITC. Donors should indicate their support for the inclusion of such specific training and learning outputs in ILO project proposals presented to them for funding.
- 30.** The process needs to follow a number of steps:
- At the time PARDEV identifies new donor funding for the ILO, triggering new project formulation, the ITC is asked to contribute specific training and learning outputs, drawing on its in-house expertise, available tools and know-how on training needs assessment, capacity development and training course design.
 - The outputs to be delivered by the ITC are costed using the ITC's standard internal budgeting and costing systems to arrive at the full cost to the ITC (including the contribution to fixed costs) of delivering such outputs.
 - In budgets, resources to be channeled to the ITC must be clearly identified in separate budget lines⁸ that are transferred to the ITC upon approval of the project.
- 31.** What is essential is that the ITC can plan ahead for the outputs it is requested to deliver, disposing upfront of the overall corresponding yearly budgetary allocations of the project instead of being provided for each activity in a piece meal fashion. Provided donors actively support this process, the appropriate detailed arrangements can be rapidly worked out, with certain targets being set if needed.

⁶ From 2004-2006, on average 0.4% of ILO TC approvals were directly entrusted to the Centre (figures from CODEV).

⁷ Competitive as compared to private training providers or to the full cost of the ILO delivering such training (including the cost of ILO staff time funded from the regular budget).

⁸ ITC costs can be broken down in budget lines for staff-time, missions, training costs, etc.

Possible Financial Scenario

- 32.** The 2-pronged strategy will increase the more predictable, multi-annual contributions from donors and the share of ILO TC resources being channelled through the ITC. This will be partly new funding as well as funding shifted from the current 'ad-hoc funding for activities'. A possible scenario that would provide the ITC-ILO with a sound funding basis could be as follows:

		Now (2006)		Future Scenario		Change
1	Direct contributions	13,807	29.8%	14,807	30.9%	3,500
2	Regular contributions for activities	10,536	22.7%	13,036	27.2%	
3	Funds from donors (project funding)	1,097	2.4%	2,097	4.4%	1,000
4	Funds for specific services rendered	20,910	45.1%	18,000	37.5%	-2,910
		46,350		47,940		1,590

1 & 2 = increase US\$ 3,5 million/year from direct & regular voluntary contributions

3 = additional US\$ 1 million from an increased share of the ILO TC portfolio

4 = decline reflecting shift by donors of resources in favour of lines 2 and 3

Annex 1

Below are some examples of immediate outcomes from the ILO's P&B for 2008-09 that could be the target for a programme by the ITC to provide related training and learning services.

2b.1: Increase member States and constituents capacity to develop or implement training policies:

There is already quite a strong demand from countries for the ITC to provide support in revitalizing vocational training systems, centres and methodologies. The expertise in the Centre and in the ILO as a whole has somewhat eroded but there are clear opportunities to rebuild a focused series of services. Within a range of UNDAFs, under the 'education' heading there are references to vocational education and training where ILO is seen within the UN as the lead-agency.

2c.3: Increase the capacity of member States to develop post-crisis recovery programmes:

Experience has been build up across the ILO and the ITC and the ILO's involvement with wider UN post-crisis recovery coordination provides important opportunities to build up a programme in this area.

3c.1: Increase member State capacity to develop policies or programmes focused on the protection of migrant workers:

This is an area already identified in the development plan of the Centre and ties in well with the ILO's own efforts including through a range of ongoing TC programmes. The precise niche of the ITC needs to be further defined, acknowledging the expertise other organisations such as the IOM have built up.

3d. 1/2/3: Workplace policies respond to needs for HIV/AIDS prevention, treatment, care and support:

Despite attempts, the ILO and the ITC have not yet developed a comprehensive training and learning offer in this area, for which there is considerable demand among constituents. The effort would focus on bringing together ad-hoc work into a programme that would also reach out to partners beyond the constituents.

Joint immediate outcome on Strengthening Labour Inspection:

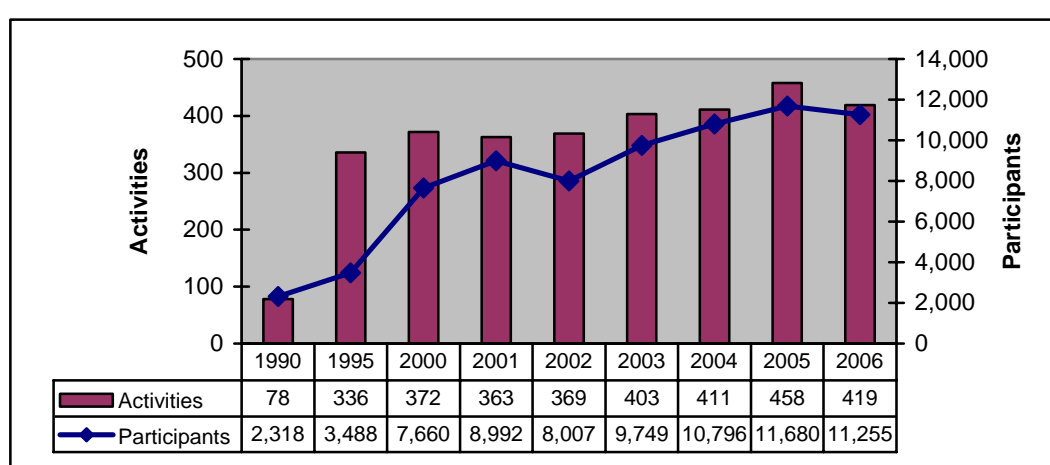
This is an area where many countries are requesting assistance in revitalizing their inspection systems. The ITC has build up experience in certain specific technical areas of labour inspections and has worked with certain countries. In collaboration with the ILO a comprehensive multi-language training package could be developed and delivered, including through country-level adaptations.

Annex 2 Financial Situation of the Centre (summarized from paper submitted to the Working Party)

The Programme

Since 1990 the Centre's activities have significantly increased, not only in terms of activities on campus in Turin but even more significantly in activities in the field. Distance learning and on-line courses have also seen considerable growth. Since 2004 however, the Centre has reached the limit of the volume of activities and participants it can manage within its existing resource, staffing and capacity framework. This despite evidence of further strong demand for the Centre's services.

Table: Number of training activities and number of participants



Expenditures

The budget of the Centre consists of fixed and variable costs. The variable costs are all those, including short-term and project-based staff costs, which are related to specific activities and are charged to beneficiaries or to donors. Fixed costs include regular staff contracts and permanent non-staff costs, as well as the operation and maintenance of the campus infrastructure and facilities.

Table: Staff costs and other costs in USD (000)

YEAR	2002	2003	2004	2005	2006	2007 (estimate)
STAFF COSTS						
Fixed	12,558	14,915	16,063	16,536	17,858	18,553
Variable	6,272	8,329	9,559	10,543	10,423	10,300
OTHER COSTS						
Fixed	5,779	6,180	6,345	6,967	8,559	9,027
Variable*	8,380	13,766	12,038	12,223	12,074	13,150
TOTAL COSTS	32,989	43,190	44,005	46,269	48,914	51,030

* Subsistence, travel, external tuition, books, aids and supplies, other variable costs

Fixed costs have increased significantly, despite the fact that staff numbers has been kept stable, partly due to obligations inherent in the Centre's mandate and its belonging to the United Nations system. This ranges from specific human resources regulations and compulsory periodic salary adjustments to security measures to comply with more stringent United Nations Department of Safety and Security requirements. There are further increased costs for internal and external auditing requirements as well as costs of reporting to different levels of supervision.

Income

The Centre receives less than a third of its annual budget in the form of direct, untied contributions, mainly from the ILO and the Government of Italy. The remainder of the annual budget is funded from resources provided for specific activities. The level of this category of resources is fluctuating and unpredictable, making it difficult to plan ahead. Moreover they require case-by-case negotiation, administration and reporting.

Table: Sources of funding by category in USD

Source of funding by category in USD (000)	2002	2003	2004	2005	2006
I – Direct (untied) contributions	10,237	11,966	12,909	13,008	13,807
International Labour Organization	2,770	2,765	2,937	2,937	3,043
Government of Italy	7,376	9,092	9,620	9,708	9,753
Government of France	91	109	111	119	118
Region of Piedmont (Italy)			241	244	255
City of Turin					638
II – Earmarked funds	22,563	31,533	31,252	32,299	32,543
a) General contributions for activities					
ILO RBTC allocation to the Turin Centre	1,690	1,879	1,696	1,839	1,558
Ireland, Ministry of Employment and Trade	37	40	43	56	53
Italy, Ministry of Foreign Affairs	5,954	6,601	8,178	7,896	8,487
<i>sub-total a)</i>	7,681	8,520	9,917	9,791	10,098
b) Funds from donors (project funding)					
AGFUND	108	232	296	290	78
Regional Government of Flanders (Belgium)	544	420	720	601	241
Regional Government of Walloon Region (Belgium)	131			73	79
Government of France	141	192	278	311	187
Government of Spain	267	358	460	262	532
<i>sub-total b)</i>	1,191	1,202	1,754	1,537	1,117
c) Funds for specific services rendered					
ILO	2,193	3,287	3,200	3,204	2,445
Govt of Italy, European Social Fund	2,797	8,177	5,025	4,662	3,868
Govt of Italy, Other services	436	402	1,262	2,680	1,078
DelNet Programme:					
- Spain, decentralized authorities, Caja Granada	519	576	805	497	958
- others, including individual fees	669	521	367	668	340
UNDP and other UN agencies	1,783	1,705	917	1,728	3,077
European Union	506	1,892	2,059	904	2,501
World Bank	1,251	2,217	1,402	1,334	1,010
Sponsorships, self-paying, others	3,537	3,034	4,544	5,294	6,574
<i>sub-total c)</i>	13,691	21,811	19,581	20,971	21,851
GRAND TOTAL	32,800	43,499	44,161	45,307	46,873