



FIRST ITEM ON THE AGENDA

Programme and Budget for 2006–07**Treatment of the net premium earned**

1. This paper proposes a derogation from the Financial Regulations to enable an amount of 32,270,415 Swiss francs to be transferred to the Building and Accommodation Fund as an indirect contribution by member States towards the cost of refurbishing the ILO headquarters building.
2. In June 1989, the International Labour Conference decided to introduce a system of Swiss franc assessments combined with the forward purchasing of the biennial dollar requirements to avoid the disruptive effects on the implementation of the Organization's approved programme and budget and unforeseeable and major increases in member States' assessed contributions.¹ The Conference also decided that the "net premium" earned from forward purchasing of the dollar requirements would be distributed in the ratio of one half to member States and one half to the incentive scheme for early payment of member States' contributions.² The net premium earned consists of the difference between the spot rate at the date of entering into the forward purchase contracts and the actual exchange rate paid due to the interest rate differentials between the US dollar and Swiss franc after allowing for any gains or losses from the operation of the Swiss franc assessment system.³
3. Since its introduction for the 1990–91 biennium, net premiums available for distribution to member States have been as follows:

¹ Resolution concerning the long-term strategy on budget exchange rates, adopted by the 76th Session (June 1989) of the International Labour Conference.

² Financial Regulations, article 11.5.

³ Financial Regulations, article 11.6.

| Biennia | Amount (Swiss francs) |
|---------|-----------------------|
| 1990–91 | 10 704 334 |
| 1992–93 | 1 858 140 |
| 1994–95 | 5 464 400 |
| 1996–97 | 1 783 818 |
| 1998–99 | 22 823 367 |
| 2000–01 | 12 830 034 |
| 2002–03 | 645 993 |
| 2004–05 | 4 257 665 |

The amount of the net premium for the current biennium, subject to completion of the biennial audit, is 32,270,415 Swiss francs. Should the amount of the net premium change during the final stages of the biennial close, amendments would be made to any decisions taken by the Governing Body related to the current paper.

4. Given the significant financing required for the refurbishment of the headquarters building, it would be possible for member States to agree to forego their share (50 per cent) of the net premium earned during 2006–07 and agree to its transfer to the Building and Accommodation Fund. Member States could similarly agree to transfer to the Building and Accommodation Fund the 50 per cent of the net premium earned that would otherwise be transferred to the Incentive Fund. These funds would be immediately available for the headquarters refurbishment without any additional assessment on member States. This would be an important part of the total financing plan and represent a contribution, albeit indirect, by member States.
5. Such a decision would require a derogation of article 11.5 of the Financial Regulations by the International Labour Conference and would apply only in respect of the net premium earned in 2006–07.
6. *The Committee may wish to recommend that the Governing Body propose to the 97th Session (June 2008) of the International Labour Conference that, in derogation of article 11.5 of the Financial Regulations, the 2006–07 net premium earned of 32,270,415 Swiss francs be credited to the Building and Accommodation Fund to finance partially the refurbishment of the headquarters building, and that it adopt a resolution in the following terms:*

The General Conference of the International Labour Organization,

***Noting* that the operation of the Swiss franc assessment system has resulted in a net premium earned of 32,270,415 Swiss francs in the 2006–07 biennium,**

***Decides*, in derogation of article 11.5 of the Financial Regulations, to transfer the full amount of the net premium earned amounting to 32,270,415 Swiss francs to the Building and Accommodation Fund.**

Geneva, 21 February 2008.

Point for decision: Paragraph 6.