
Director-General's address to the Programme, Financial and Administrative Committee (9 March 2009)

Ambassador Rapacki, Chairperson of the ILO Governing Body,

Sir Roy Trotman, spokesperson of the Workers' group,

Mr Julien, spokesperson of the Employers' group,

Distinguished Government, Employers' and Workers' delegates, members of the ILO Governing Body,

Dear friends,

As you know, I consider the guidance and recommendations of the PFAC as central to the work of the Organization, and you know my commitment to being present at your meetings.

All of your meetings are important, but this one is particularly so because of the global financial and economic crisis. We meet at a time when so many things, so many certainties, are falling apart, causing hardship and frustration to many hundreds of millions of people throughout the world.

You will be discussing the context and implications of the crisis in the coming weeks in the committees, in the High-level Tripartite Meeting on the Global Financial and Economic Crisis, and in the Governing Body itself. I will therefore not now go into the substance of the issue but, as you will be considering the Strategic Policy Framework and the Programme and Budget for 2010–11, I wish to make some comments on these items in relation to the crisis.

One overarching comment: the next six years of our work will be critically affected by the crisis – the unfolding and likely deepening of the crisis in the immediate future, its eventual stabilization and recovery, and its longer term impact.

We know from past experience that the damage to the social fabric can be immense; that employment figures and social indicators take much longer to recover than economic indicators. The longer a person is out of employment, the greater the human cost. Capital markets tend to recover more quickly than labour markets.

I believe that the role of the tripartite ILO, together with other organizations in the UN system, is to promote policies that make both recoveries go hand in hand. One should not be given priority over the other; we need to find ways to develop them both together.

In that context, three main questions arise:

1. Do we have the right agenda to confront the impact of the crisis?
2. Are we responding adequately at the global, regional and national levels?
3. How are we reorienting our activities to service constituents' needs and requests resulting from the crisis?

With regard to the first point, I am convinced that the Decent Work Agenda is the right approach for today. Citizens are asking governments and business to protect and promote job creation, to deepen and expand social protection and to be able to participate in crafting solutions, from the enterprise to the national level.

And, certainly, this is not the time to take advantage of the crisis to weaken workers' rights. The technical paper on the crisis is available today on the ILO web page and will be distributed at the Governing Body. It contains a study of 40 national fiscal stimulus recovery packages. They all place important emphasis on jobs and protection, somewhat less on social dialogue, and less again on workers' rights and gender equality.

The Decent Work Agenda conceived for normal times is proving to be equally valid in times of crisis. This validates the vision of the Declaration on Social Justice for a Fair Globalization, which placed the decent work concept at the heart of the integrated policy framework for the ILO today.

Globalization has blatantly shown the extent of its own imbalances. It is now time to redress these imbalances and make globalization more equitable and inclusive.

The Decent Work Agenda offers the means for making progress in this direction, with policies that can respond to the crisis now, be a part of the recovery tomorrow and usher in a fairer globalization along the way.

But we must understand that people today are asking for social justice *now* in the way the crisis is handled.

Second, I believe that the institution has responded rapidly and coherently with a clear vision of how to address the crisis. In fact, the ILO was the first UN institution, after the Bretton Woods institutions, to take up a position – through a statement of the Officers of the Governing Body – only two months after the crisis erupted. Indeed, I had made the point already in October 2007 at the International Monetary Fund's IMFC of the dangers emerging from the already visible financial problems.

At the *global level* and in the inter-agency process, we are in contact with the G8 (under an Italian Presidency), which will hold a meeting of G8 labour ministers and labour ministers from six other countries, the G20 (chaired by the United Kingdom), and the General Assembly. Many of you will have heard the President of the General Assembly who visited us recently in connection with the preparation of a special session at the beginning of June, where the ILO's voice will be essential. As chair of the UN High-level Committee on Programmes, a body of the UN Chief Executives Board for Coordination, I convened a meeting to agree on common policy action among international organizations.

All of these processes recognize the pertinence of the Decent Work approach to the crisis and the role of the ILO. We should remember that at the last session of the Governing Body a number of international Heads of State or Government, many of them part of the G20, expressed this view.

Regionally, we have rapidly organized different forms of consultation with constituents in Africa (in Addis Ababa in February), in Asia and the Pacific (in Manila in February), in Latin America and the Caribbean (in Santiago in January and in other countries); and the European Regional Meeting was rearranged to address the crisis. The outcomes of these consultations will be made available to the Governing Body.

Three sectoral meetings on public procurement, on financial services and on food prices have been organized over the last two months. For the meetings that had already been prepared, we reoriented part of their discussion to take a look at the implications of

the crisis. As the crisis hits different economic sectors of activity across the globe, further emphasis on the sectoral approach to the crisis will be crucial. Social dialogue at the sectoral level is an irreplaceable ILO contribution.

Nationally, we have responded to specific demands from our constituents in over a dozen countries since December. Examples include socially responsible restructuring in south-eastern Europe, employment-intensive infrastructure investments in Indonesia and the Philippines, the role of cooperatives in responding to the crisis in Africa, migrant workers in the Republic of Moldova and the Russian Federation; national tripartite workshops on the crisis in Panama, Pakistan, Sri Lanka and Ukraine, and analysis of the employment and social implications of the crisis in Bangladesh, Cambodia and Chile. We will continue to respond to such specific demands.

Third, in order to better serve our constituents, we are reorienting our programmes to meet their demands as they come in. This requires adaptability and rapid response capacity in management, resource allocation and staff deployment.

For the moment, our technical in-house capacity should suffice. As demand expands, we will need to have more recourse to external knowledge networks, academic and research institutions, and national-level expertise, including from among our constituents. We will use the UN-approved *Toolkit for mainstreaming employment and decent work* to enhance “Delivery as One” and leverage the knowledge of other international organizations in dealing with the demands.

The most important part of our readiness to respond is the proactive identification of the crisis-related demands we may receive, mainly in relation to employment and social protection, and the fine-tuning of ILO policy tools to respond to them. We have not yet received the volume of demand we are expecting in the future, but we are already preparing in terms of recognizing the general areas of this type of demand, the appropriate policy tools and who is behind them, in terms of expertise and knowledge. The first schematic analysis of needs and tools will be made available to the Governing Body.

I believe that you, the constituents, with Office support, should be proactive in promoting your active involvement as social partners at the national, sectoral and enterprise levels in the search for sustainable solutions, and I invite you to do so. You will have all our support in that endeavour.

There is a key role for social dialogue in times of crisis, and there is a need to focus on the protection of all workers’ rights, particularly those of the most vulnerable – women, the young, older and migrant workers.

We must also continue to have a presence in ongoing international discussions, insisting on the need for the voice of workers’ and employers’ organizations, as well as the labour and social dimensions of government to be part of the search for solutions. At the international level, I believe we should be a strong voice in support of enhanced development cooperation for Africa and the least developed countries. This will be an ethical test of multilateralism. As you know, the tendency towards inward-looking policies is strong, the danger of development cooperation breaking down is real and this is not a time to let the least developed countries down.

Please excuse me for the lengthy setting of the scenario as I see it. I believe that we can draw two key conclusions.

On the one hand, it is important for us to have the capacity to adapt rapidly to changing circumstances. None of the activities we have undertaken together were described in detail or foreseen in our Strategic Policy Framework or the current

programme and budget. We simply acted in response to needs and demands. With a sense of our responsibility, we seized the opportunity together.

When we moved from administrative budgeting to strategic results-based management, you gave the Office a clear strategic orientation, reinforced by the 2008 Declaration, and a mandate to implement programmes responding to changing circumstances and then report back on results. It is efficient and it works.

Secondly, at the same time, we have continued to act on our change agenda, deepening results-based management practices, including training for staff, ensuring high-level delivery of services, tightening ILO systems and processes, including staff performance – all of which are priority areas of the Strategic Policy Framework and the next programme and budget.

Let me turn to the specifics of my proposals.

My proposals aim to make the ILO stronger, technically and operationally.

As you know, I believed it was necessary to have extensive consultations on the Strategic Policy Framework. You have before you a Framework which you have substantially shaped over a period of more than a year. It provides the strategic direction to these and future programme and budget proposals.

Seventeen substantive outcomes centred on the world of work form the backbone of the Strategic Policy Framework and the programme and budget. They are based on the four strategic objectives of the Decent Work Agenda and respond to the criteria of the ILO Declaration on Social Justice for a Fair Globalization on the inseparable, interrelated and mutually supportive nature of the four strategic objectives. Each of the 17 outcomes combines regular budget contributions and estimated voluntary contributions.

These proposals are underpinned by specific changes in working methods, ranging from a renewed emphasis on teamwork, through cross-cutting approaches across the 17 outcomes, shared responsibility across the sectors at headquarters and within the regions, and strong emphasis on collaborative work within the regions.

The proposals on the field structure have to be seen in this light. These will strengthen our technical capacity in the regions and our service to constituents in countries. They will put us on a stronger footing to work with the United Nations Resident Coordinators and contribute to the UNDAF programmes.

Taken together, direct services to constituents in countries and regions absorb three-quarters of the proposed budget. The highest share of resources is in employment, with 31 per cent, followed by social dialogue (29 per cent), and then social protection and rights at work, each with 20 per cent. Once again, it is important to emphasize the inseparable, interrelated and mutually supportive nature of work under each of the strategic objectives.

Measurement of results

The Strategic Policy Framework establishes the 17 outcomes for the six-year period to 2015. This provides a good time horizon to adequately measure and evaluate the impact of the ILO's work.

In response to your concerns, a major effort has been made to craft measurable indicators that will be valid for the Strategic Policy Framework period, with variable targets, specific to each programme and budget period. I welcome this effort as I strongly

believe in the importance of being able to measure our performance as accurately as possible.

In 2008, a training strategy was implemented on the development of performance indicators, with the assistance of international experts, including from the World Bank; training materials were developed in collaboration with the International Training Centre in Turin. Training was delivered in several regional offices, with particular focus on results-based Decent Work Country Programmes. Intensive training accompanied the preparation of the programme and budget proposals, which led to the development of a measurement statement to accompany each indicator.

The methodological difficulties with which all public institutions grapple, including the United Nations, mean that we will need to make further improvements as we go along, in the light of our experience in applying those we have defined.

At this stage, I believe that the progress made has been significant and will enable us to move forward with far more precise performance measurement.

Further improvements should be introduced on the basis of experience and with special emphasis on improving the results orientation of the Decent Work Country Programmes.

Our efforts will continue in line with the ILO road map on results-based management adopted by the Governing Body in November 2006. We will focus our efforts on how to better align our work with your priorities on the ground. We have difficult choices to make, and it will be important to devote a maximum of time to making those choices. In this period of economic turbulence it would be surprising if we did not find it necessary to modify strategies and targets, and I pledge to report to you transparently on the measures we take as a result of our constituents' demands.

Resource allocation

The budget proposals before you provide for a substantial increase for the regions: 2.8 per cent on average, or a total of US\$5.3 million. This continuous response to the many calls from constituents for more direct services in regions and countries, especially in the context of the current crisis, is where ILO services, limited as they are, can make the greatest difference.

The largest increase in volume is for the Africa region, followed by the Arab States, whose budget has lagged behind for many years, then Asia and the Pacific, the Americas, and Europe and Central Asia.

The increase for the regions has not been to the detriment of resources for technical sectors. The latter have been maintained, by and large, at 100 per cent of their current levels. The same applies to resources for the Gender Bureau, the International Training Centre in Turin, and the International Institute for Labour Studies.

A higher level of resources is proposed for our statistical work, so essential to progress in measuring decent work, for labour administration and inspection, for evaluation, essential to assessing our performance and drawing lessons, and for the Independent Oversight Advisory Committee, now functioning under the mandate you approved in November 2007. In addition, for follow-up to the standards supervisory mechanism and sustainable enterprises, we will undertake special knowledge and product development work on green jobs, expanded social protection and rural employment, which often overlap with the informal economy.

Savings

The increases have been funded through the redeployment of resources, especially from the administrative services. My proposals include a total of \$7.9 million of savings, including important savings in documentation and servicing of the Governing Body and the Conference.

Without pre-empting the outcome of discussions on improvements to the working methods and functioning of the governing organs of the Organization, which you have committed yourselves to addressing, there is already room to streamline the flow, in terms of translation and printing, of Governing Body and Conference documents.

The ILO is consistently praised for the high quality of its conference services. The European Regional Meeting held in Lisbon, Portugal, last month was another example of our capacity. We do not want to reduce quality, but it is important to address the overall cost of these services.

I urge you to continue assuming your responsibilities as constituents to make the Conference and the Governing Body more strategic, as you have already done through the 2008 Declaration. The Office will continue to review and adapt its institutional practices and is at your service to help enhance our governance practices.

Budget level

For some time now, and more formally in December last year, I have openly shared with you my intention to submit a budget for 2010–11 that would simply maintain our capacity to deliver the same level of services. What we know today of the financial and economic situation of our countries has further reinforced my decision.

I believe my proposals strike a reasonable compromise between a strong ILO at the service of its constituents, which now face an exceptionally difficult situation, and recognizing the very real challenges that public treasuries are facing as they allocate scarce tax resources between many competing demands.

Cost increases

The provision for cost increases is calculated at 4.3 per cent. The cost increases relating to staff costs account for 64 per cent of this amount. As a member of the UN common system, the ILO is obliged to implement decisions of the UN General Assembly and the International Civil Service Commission (ICSC), which are approved by your governments as represented in the United Nations.

This represents an overall increase of \$13.8 million annually, of which \$8.8 million are mandated by the United Nations. Other non-staff cost increases related to the ILO amount to approximately \$5 million a year. The cost increase calculations are based on independent sources that were available as recently as February 2009. Should these sources publish new estimates by June 2009, reflecting new economic data, then we would revise our cost increase provision accordingly.

Voluntary contributions

You will see that my proposals mesh together regular contributions and voluntary contributions. Our outcomes and targets are based on the two sources of funding.

We have been relatively successful in 2008, with approvals of voluntary contributions totalling over \$300 million, up from \$240 million in 2007. We aim to raise expenditure of voluntary contributions to \$425 million in 2010–11, up from \$350 million in 2008–09.

We are confident that this objective can be reached. We acknowledge that the current context presents additional risks, but the political significance and demands for the ILO agenda have also grown and it is clear that governments are thinking of the role of the international organizations in dealing with the crisis. For now, governments are concentrating on financial institutions. We have heard that a number of governments are proposing that the IMF should have access to \$500 billion in order to carry out its work, and that the World Bank needs \$100 billion. We have not yet got to the issue of what to do about jobs and social protection, but when we do the ILO will have a role to play. Seen in that context, the wish to increase voluntary contributions is relatively minor.

In 2008–09, we launched the Regular Budget Supplementary Account, as an additional window for voluntary contributions. We achieved 75 per cent of our target by collecting \$42 million in contributions. We are extremely grateful for this to all the countries that have contributed. We pledged lower transaction costs and simpler procedures to allow faster implementation. The key thing, from your point of view and ours, is our delivery. We must concentrate on ensuring that delivery is as good as we can make it, even with a new instrument. There is always a delay with implementing new instruments, a period of getting things in place. So let me say that greater management adaptability in resource allocation is in fact one direct way for you to help us increase delivery. This is particularly true in the context of the crisis.

Specifically, this means more leeway to respond to varying demands from constituents within each region, but across several strategic objectives, without jeopardizing in any way the ILO's overall objectives. Greater adaptability in the allocation and use of resources would be accompanied by the necessary accountability in reporting results. I am already appealing to donors to give us greater management space for projects already approved so that we can respond to the needs arising as a result of the crisis.

Members of the Governing Body,

I am determined that our sense of urgency in delivering assistance should match that of constituents faced with the devastation of the crisis. I am committed to mobilizing all the ILO's resources – human, financial and organizational – to accelerate that assistance.

Current programmes will be reviewed and adapted, as required, depending on circumstances, to better reflect the expressed needs of constituents in the light of the evolving situation, and we will report fully and transparently on the results achieved.

Actions taken up to now show that I have put the ILO into “emergency mode”.

Executive Directors, Regional Directors and Office Directors have all been asked to give top priority to ILO services to constituents battling with the effects of the global financial and economic crisis. I have seen how ILO staff are prepared to give their very best to ensure a sound, swift and efficient ILO response.

With the Senior Management Team, we are following closely the situation and are attentive to any additional changes that may be required to further enhance our institutional efforts to deliver more swiftly on ILO programmes.

We have consulted extensively in the preparation of the Strategic Policy Framework and the programme and budget proposals. I sincerely hope that these consultations have yielded positive returns.

In addition to addressing the crisis, we must remember that there was a crisis *before* the present crisis – the global decent work deficit. We are already seeing backsliding in poverty reduction gains, and middle classes almost everywhere are being weakened. The ILO and its tripartite constituents have a collective responsibility, as important actors in the real economy, to help guide and enrich the inevitable discussions on future global economic and social governance that have already begun.

I am sure that in the current crisis you will wish to make a resounding statement of your commitment to the ILO's objectives. I ask for your support for my proposals for 2010–11 and am looking forward to receiving your comments to enrich their content and give us clear guidance in the implementation of these very important documents.

Thank you.