

► Appendix II

Reply by the Director-General to the debate on the Programme and Budget proposals for 2024–25 (Thursday, 16 March 2023)

I would like to start by thanking the Governing Body for the rich and constructive debate that took place.

My colleagues and I have been listening very carefully to capture all the comments and questions. It is heartening that we heard global support for the strategic direction of the Programme and Budget for 2024–25.

At the same time we heard a number of concerns. Let me focus on five key areas.

First, the fight against discrimination.

I was very much impressed that, despite the diversity of views, all constituents in their interventions reaffirmed their commitment to the principle of non-discrimination on any grounds. This is about social justice, this is about fighting against inequalities, this is about principles, this is about the *raison d'être* of our Organization. This is about what the ILO stands for. Fighting against discrimination has been and shall remain core and central to ILO actions. And the programme of work of the Office of the International Labour Organization, that I have the privilege of leading, shall continue to encompass all groups that are subject to any form of discrimination, including on the grounds of sexual orientation and gender identity. As I mentioned at the November 2022 Governing Body and reiterated in my opening remarks last Monday, our work shall continue at all levels, national, regional and global. You cannot be effective at the national level without knowing what is happening at the regional and the global levels.

Second, let me turn to the Global Coalition for Social Justice.

Your support for the Coalition has been clear from the very beginning.

At the same time, we heard very clearly that you do not want what could be seen as a blank cheque. You want us to confirm the Coalition's **objectives, its priorities, its criteria for engagement, and its governance**. We will respond to all those issues when we return to that item next week.

You also raised a range of concerns and questions in relation to the Coalition's articulation in the programme and budget, and its implications in terms of human and financial resources. In that regard, let me reiterate that the Global Coalition is an overarching goal for the ILO as a whole. It is not an outcome in itself; it cuts across and will be **embedded into all policy outcomes and enablers**, drawing on the contributions of all units across the Office.

This explains why my programme and budget proposals do not include a specific budgetary provision for the Coalition.

Pending the outcome of the discussion on that agenda item, let me reiterate that the Global Coalition is rooted in the ILO Constitution **and is aimed at fulfilling the ILO's mandate, that is, advancing social justice through decent work with a human-centred approach**.

Building on the guidance of this Governing Body, we will organize the necessary tripartite consultations in order to gain your full confidence. We will try to do that next week or make proposals through an acceptable consultation that the tripartite parties feel comfortable with.

We also took note of the communication from the Africa group and the Employers about the convocation letter. I want to reiterate that there was no ill intent; the objective was solely to save the date. But I recognize that the letter as it went out could be interpreted in the way you did, and I take full responsibility for that.

Third, several speakers, including the Employers, the Workers, the group of Latin American and Caribbean countries (GRULAC), the group of industrialized market economy countries (IMEC) and Regular Budget Supplementary Account (RBSA) donors, requested further clarifications on the **use of the RBSA**.

Over the years the Office has made steady progress in the strategic allocation of RBSA funds to achieve results, thanks to the support of and continuing dialogue with RBSA donors.

The proposed allocation of RBSA resources for 2024–25 pursues the same approach, with an upfront targeted focus on the priorities of the programme and budget – notably the priority action programmes because of their central role in leveraging advocacy and policy convergence, and to galvanize resource mobilization from other sources.

The RBSA will also be instrumental in mobilizing resources in support of the institutional capacity of employers' and workers' organizations. The RBSA will also be used, together with other resources, to reinforce integrated responses to key decent work challenges and as seed money to kick-start activities, with a view to attracting other donors and boosting our resource mobilization capacity.

The 15 positions proposed for RBSA funding are **all technical positions** focused on the priorities of the programme and budget. These positions are for the next biennium alone and **will not generate long-standing liabilities for the Office**. We will ensure that they are absorbed in the 2026–27 biennium within the regular budget and extra-budgetary resources mobilized for this purpose.

In addition, the RBSA will continue to be used to develop activities in the field in key areas. I was pleased that in the statement led by Belgium on Monday, activities in the field were again highlighted.

Fourth, several of your interventions, including from the Africa group, the Asia and the Pacific group (ASPAG) and the Employers' group, expressed concerns about the projected reduction in the regular budget allocation for **outcome 3**, and the fact that skills and lifelong learning is now subsumed as an output under this outcome.

Let me reassure you that employment and decent work creation remains a priority of my proposals for 2024 and 2025. Globally, there is no reduction. The apparent "reduction" of the regular budget for the outcome stems from the fact that some resources that were dedicated to employment creation in the social and solidarity economy in the current biennium, especially in rural areas, will be redirected to the new output 4.5.

In addition, some of the resources dedicated to crisis and post-crisis situations have been redeployed to the priority action programme under outcome 8.

In fact, **we anticipate an increase in the extrabudgetary resources available for outcome 3**. Skills and upskilling was one of the major issues I advocated during my campaign, and it certainly will not be abandoned.

As regards the integration of skills and lifelong learning under outcome 3, this reflects the importance of addressing skills development as part of comprehensive employment policy frameworks. It is based on the recognition that an integrated approach is needed, to ensure that skills and training ultimately lead to real and decent job opportunities.

In terms of resources, **output 3.2 is by far the output with the highest regular budget allocation**. On top of that, a significant amount of resources attributed to other outputs are also dedicated to skills development.

All of this reflects the significance of the skills agenda that will be required to correspond to the huge changes that the world of work will face in the years to come. So once again, I can assure you that **the resources dedicated to skills and lifelong learning will actually increase in the next biennium**.

Fifth, the last point that I want to make is related to the **level of the budget**. We have taken seriously the concerns expressed by ASPAG and IMEC, among others.

To address these concerns – and despite the fact that upcoming vacancies and retirements were already taken into account at the time of the preparation of these proposals, yielding cumulative savings of some US\$18.4 million – we undertook a further in-depth review of the need to fill all remaining upcoming vacancies, including those arising through retirements. The review resulted in further reprofiling, and in some cases the elimination of posts that will become vacant, resulting in an additional saving of US\$1.9 million.

This amount will be used to fund the two meetings of the Standards Review Mechanism Tripartite Working Group. It will also be used to reinforce the capacity of the offices of Internal Audit and Oversight and of the Mediator as I said on Monday.

This will keep the baseline level of the budget unchanged in constant terms.

These new savings will of course have a corresponding negative impact on other parts of our activities. However, I can assure you that this is the only way to address these critical priorities within the limits of a zero-real-growth budget, as was requested.

A number of concerns were raised in relation to cost increases, in particular by IMEC, GRULAC, China and Japan. And I am well aware of the impact of inflation and rising costs on everyone in this room.

I am pleased to report that, since the preparation of my proposals, the ILO was able to set the price of electricity for 2024 at a more favourable rate than forecast in the proposals. This reduces the level of anticipated cost increases by some US\$1.8 million and brings down the overall cost adjustment from 4.6 to 4.4 per cent.

If we consider separately the exceptional and one-off adjustment of US\$7 million for relocating the Conference to PALEXPO, which we propose to ring-fence, the overall percentage adjustment for cost increase stands **at what I believe to be a very reasonable level of 3.6 per cent across the Office**. This amount is largely due to International Civil Service Commission (ICSC)-related staff costs and existing contractual obligations for ILO premises around the world.

Let me underline the importance of reaching agreement on adopting the budget.

Yes, it requires trust; it requires mutual understanding. I know it is difficult, but we have a responsibility to come with very clear support to this programme and budget. As I said on Monday, it should not be paralysed because of the ongoing difficult discussion that we are having.

So often in the past, you, the constituents of the ILO, have overcome divisions and differences and achieved consensus. But consensus or not, my plea – not only with regard to the decision on this programme and budget – is to ensure that two years from now we do not find ourselves in the same situation. Having policy discussions is very welcome but we have to preserve the programme and budget and move forward.

I therefore invite you to recommend the proposed programme and budget for adoption by the International Labour Conference in June this year.

That will be crucial for the future of the ILO and, **above all, for the people we serve.**

Thank you.