
Director-General's presentation of the Programme and Budget proposals for 2018–19

**329th Session of the Governing Body
13 March 2017**

Mr President,

Members of the Governing Body,

Let me add my words of welcome to all participants at this 329th Session of the Governing Body. The last session indeed before its membership is renewed in the elections to be held in June.

Once more, we have a very full agenda before us – some of you have told me that it may be a little too full. That is a matter to which we can return; but the Office has sought through the intense consultations which have taken place, and through the careful preparation of documents, to provide you –our tripartite constituents – with the best conditions to exercise your governance responsibilities which are at the core of the effective functioning and accountable management of the ILO.

At this session the Governing Body is called upon to recommend a programme and budget for 2018–19 to the International Labour Conference for adoption and I will take advantage of this opportunity to introduce my proposals to you. But before turning to that, allow me some brief reflections on the context for our meeting and on two other areas of work that we will need to address.

As for the general context, I would suggest that globally the most prevalent feeling is uncertainty – even insecurity: the uncertainty of people about finding a decent job or keeping the one they have; uncertainty about the sustainability of enterprises in conditions of considerable economic turbulence; uncertainty about implications of national and regional political choices; uncertainty about the future path of globalisation; about the future of multilateralism; uncertainty about the future of work. And with that uncertainty comes a questioning of the capacity of the actors and institutions of public life to provide credible and effective responses. That is a challenge not only for Governments and for workers' and employers' organisations but for the ILO as well.

Seen in this context, the issues before this Governing Body are both a test and an opportunity. The test is whether we can come together to say clearly what this organisation stands for – our shared values and objectives – and then what we intend to do to advance them in ways which make a difference to the lives of people who expect more from us. And the corresponding opportunity is to demonstrate our capacity to do just this in the many key issues on our agenda.

As I see it, the first signal we need to transmit is that tripartism works and works well. Not as a formality or a ritual, but as a problem-solving, value-adding, living way of addressing tough issues and providing answers which, if perfect for nobody can be acceptable to all, are fair, and enhance legitimacy. Nearly a hundred years of experience tell us that this is hard work, but that is worth it. It tells us also that the shared commitment to compromise and find consensus is what makes tripartism work.

And because the ILO's normative function is so essential to everything we do it is particularly important that we bring that commitment to the standards-related items before us.

Step back from the specifics of these items – which we know are complex – and bring to your minds how those outside the ILO understand what is at stake. Put simply, it is whether or not Governments, employers and workers are able to agree on the basics of international law in the world of work - both its content and its application.

This is no small matter and I think the imperative of achieving agreement on it must be evident to everybody. So I want to draw particular attention to the initial assessment of the Standards Review Mechanism which addresses the content of our standards, and the follow-up to the “two chairpersons” report under the Standards Initiative which addresses the mechanisms of their application. These two complementary processes are, let us to be honest, the product of the very difficult situation that this Governing Body faced when it began its mandate nearly three years ago. It will not be the least of its achievements if, as it completes that mandate, it passes on to its successor a clear consensus on the way forward to a strengthened and authoritative standards system.

Still in the area of standards, the Governing Body once again has a significant number of country cases on its agenda which follow from the use of constitutional complaints mechanisms. These will probably not be the easiest bits of our work: by their nature contentious, some of them have been on our agenda for quite a long time. While this is not the moment to address their substance, I would just offer two general points about them:

- Firstly, we must deal with these issues objectively through due process and with the sole aim of ensuring the full application of the Conventions concerned in the member States in question. Nothing other than that but nothing less either.
- Secondly, whatever the difficulties encountered, let’s not forget at a moment when we are engaged in writing a history of the first 100 years of the ILO, that some of its most important episodes and most telling achievements have had their origins in its treatment of such complaints. Perseverance and principle have combined to produce remarkable progress.

President, Members of the Governing Body,

The other very important opportunity we have is to reiterate and act on the ILO’s determination to be a fully committed team player in the United Nations and to be as supportive and useful as we can to the new Secretary-General as he gives leadership in the multilateral system’s response to the challenges I have referred to.

The Governing Body’s High-Level Session discussion next week on “Decent Work for Sustainable Development”, has a clear strategic purpose – that of guiding the on-going ILO contribution to the implementation of the 2030 Agenda through its input to July’s High-Level Political Forum, it reminds us that we must not dwell on our success in placing decent work firmly at the heart of that Agenda but rather put all of our energy into its implementation. We will be helped in that, and honoured, by the participation of the ECOSOC President, Ambassador Frederick Makamure Shava of Zimbabwe. In addition, our discussion on the ILO and the UN Development System introduces important context for our contribution, setting out as it does the implications for the ILO, not least in our country-level work, of the General Assembly’s Quadrennial Comprehensive Policy Review resolution.

President, Members of the Governing Body,

It is indicative of the interconnectedness – indeed the coherence – of the Governing Body’s agenda that alignment with the SDG’s targets and indicators figures prominently in the reinforced results-based framework which underpins my Programme and Budget proposals for 2018–19 which I now present to you.

The 2030 Agenda is one of the key contextual factors for these proposals, but let me begin by recalling the others:

- Firstly, the ILO's Strategic Plan for 2018–21, which we adopted last November, and which now brings the ILO's medium-term planning cycle into line with that of the United Nations. The Programme and Budget proposals which cover the first two years of the Plan's implementation period are framed within the parameters established for the ILO's work in its "ILO 2021 Vision", namely:
 - Technical excellence;
 - Relevance and usefulness;
 - Focus on key world of work issues;
 - Continuous effectiveness and efficiency gains;
 - Redeployment of resources to technical and analytical work;
 - Permanent commitment to social justice;
 - As well as Implementation of the 2030 Agenda.
- Secondly, the ILO's Centenary, which falls within the coming biennium. In ways which are different – but always of fundamental importance – the seven Centenary initiatives which we have decided upon to mark the Centenary will inform and orient the work of the ILO during the biennium and beyond. That is most particularly the case for The Future of Work Initiative but applies also to the other six.
- The third contextual factor will be the action to be taken on last year's Conference resolution concerning the realization of the full potential of the 2008 Social Justice Declaration, which provides valuable new elements and guidance for the governance of the Organization.
- And finally, the Programme and Budget proposals benefit quantitatively and qualitatively from the achievements of the reform efforts of the last nearly five years, and reflect commitment to continuous improvements as we move forward. I will return to this when I speak about resource allocations in a few moments.

Now, what of the substance of the programme proposals?

Let me add here that the Office is persevering in its "one ILO approach" to ensure a balanced and integrated use of all resources – regular and extra-budgetary, headquarters and field, and that in this context, the progress already made to maximize the valuable work of the Turin Centre will continue in the coming biennium.

As was commented upon in detail during the preliminary discussion last November, there is a mix of continuity and innovation in the proposals – with, it may be felt, continuity outweighing innovation at least in the selection of the 10 policy outcomes. The primary reason for this is that these outcomes address major policy challenges in the world of work which it is not reasonable to expect the ILO to address at scale and with lasting impact in a single biennium. We need to persist with them over a longer period.

This does not mean immobility. Each of the policy outcome proposals has been carefully framed to address emerging challenges, to define the changes expected through the ILO's work, and to say how they are to be pursued.

The two most important substantive modifications to the policy outcomes – already signalled and debated in November – are the specific reference to global supply chains in outcome 7 on safe work and workplace compliance, and the extension of the scope of outcome 9 on international labour migration to include mobility, so as to allow the labour market implications of flows of refugee and displaced persons. I would recall that this is being proposed following extensive debates in the Governing Body which have clearly defined what the ILO should and should not do, and underlined the need for it to operate only within the limits of its established mandate.

It is proper to recall that during preliminary discussions in November, a number of suggestions were made concerning new or modified policy outcomes which have not been retained in their original form in the proposals before you. For example, the idea of merging existing outcomes – notably those on formalization and on the rural economy – was tabled. This has previously been considered and discarded by the Governing Body – because of the inherent divergence of the issues addressed and the loss of coherence and focus that would result.

It is understandable that when the Governing Body has come to the view that 10 is probably the maximum number of policy outcomes compatible with the need for real prioritization, such mergers may appear to be the only – or the easiest – way to create space for new ones. But I have not felt it right to propose this course to you.

In addition, interest was expressed in a new outcome in the area of industrial relations, collective bargaining and social dialogue. We have tried to accommodate this by a reinforcement of these aspects within the proposed policy outcomes without compromising their coherence or integrity.

The proposals also retain the introduction of a new cross-cutting policy driver on just transition to environmental sustainability in addition to the three established cross-cutters – on international labour standards, social dialogue, and gender equality and non-discrimination.

This innovation is not tabled lightly because it is recognised that these cross-cutting themes need to be limited in number and restricted to address issues which are truly inherent to the mandate of the ILO and relevant to all areas of its activity. But the proposition is that that is the situation which now prevails. World of work circumstances mean that the green-streaming of the decent work agenda is now an imperative and that with the Paris Agreement and the 2030 Agenda there is a strong institutional basis for the ILO to act on it. One day we will have to come to terms with reality, and the longer we leave it, the more difficult it will get. So now is the time.

President, Members of the Governing Body,

Before concluding with the bottom line issues of budget levels and allocations, let me emphasize the efforts made to ensure that, however allocated, those resources are used efficiently and effectively, and that the Office is properly accountable for the results obtained with them. The three enabling outcomes, as in the past, establish measurable targets for better knowledge management, for governance, and for improved support services, all of which have been key components of the reform effort of recent years.

In addition, the commitment to strengthen results-based management systems is taken forward through a series of inter-connected improvements – and I thank the groups for the written comments you have submitted that have helped to improve the results framework. The following steps have been taken

- More systematic linkages are introduced between the expected changes cited for each outcome and the outcome indicators;

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- your calls for better identification of changes attributable to ILO action have led to the introduction into indicators of systemic policy, institutional and capacity changes in member States which are to be achieved with ILO support;
 - each indicator is now accompanied by criteria for success which specify the scope for change together with qualitative dimensions, and the cross-cutting drivers are better integrated into those criteria;
 - the methodology for establishing baselines and targets, broken down by region, has been thoroughly revised;
 - and when it comes to targets, we have sought to be realistic about the scope and nature of indicators with full account taken of office capacities to support desired results and expected resource availability.

And all this with the major innovation of identifying for each policy outcome the principal SDG targets to which it contributes directly, as well as the relevant SDG indicators that the ILO will apply in its support to member States in measuring and monitoring progress.

President, Members of the Governing Body,

Viewed in the macro perspective the most important resource feature of the proposals before the Governing Body is the continuing transfer of resources from “the backoffice to the frontline” that is to say from support and administrative functions to those policy, analytical and technical ones that directly deliver value to tripartite constituents. \$15 million has been reallocated in this way, and that is reflected in the proposed creation of the equivalent of 26.5 new professional positions.

You will be aware that this is a continuation of a trend which has been at the heart of the reform process from the beginning, aimed at giving you more value for money. Since 2014 when I first presented a programme and budget these proposals would bring the accumulated migration of resources from backoffice to the frontline to some \$58 million, including the equivalent of 66 new professional positions. And this within a zero real growth environment. This is being pursued through a rigorous and systematic approach to efficiency improvements, re-profiling, elimination of vacant administrative and managerial positions and reductions in non-staff budgetary provisions.

Let me underline that these measures are being taken with due consideration to the need to maintain quality administrative and support services as reflected in the enabling outcomes. Moreover, the on-going business process review in the ILO is expected to generate significant further potential for reallocations – as indicated in the commitments made in the Strategic Plan. These proposals embody a prudent budgetary approach as to how they will come on stream and be realized during the 2018-19 Biennium. We should be in a position to return to this in due course.

This redeployment is intended to be used to further strengthen technical capacities in the regions and at headquarters. This is reflected in increased budgetary allocations to all regions, including new professional positions in the regions.

A particular effort has been made to strengthen ILO capacities in areas which have emerged as being of particular importance for the Organization or where existing allocations seem inadequate.

In this regard, let me recognize that there is justification for significant differences in the scale of resources allocated to the different policy outcomes – for example with outcome 1 on more and better jobs getting much more than any other in view of the high global priority accorded to employment. But I do think that an effort has to be made to

boost investment in those policy outcomes which get the least. It is a matter of credibility. If we believe these issues deserve priority attention then to be coherent we need to invest resources in them beyond a minimum threshold. And that is why a particular effort is being made for the rural economy and the migration outcomes which stand at the bottom of the resource league table.

It is true that this has resulted in reallocations from other policy outcomes with outcome number 8 experiencing a reduction in its proposed regular budget allocation which we have tried to accommodate through better synergies with other outcomes.

Significant additional capacity in statistics is a determined response to the growing recognition that without better data neither the ILO nor its member States can make better policy, and to the new responsibilities of our Organization for the 13 SDG indicators of which it is the sole or joint custodian.

Similarly, new positions to work on greening of the decent work agenda is a necessary investment to give substance to the proposed new cross-cutting policy driver in that area.

In addition, professional positions have been proposed either in Geneva or the regions on social protection, skills and youth, collective bargaining, formalization of the informal economy, global supply chains, employment in recovery from crisis, inter-related labour standards, and labour law. These would fill identified capacity gaps and respond to demands voiced by constituents including in the Governing Body.

I have also felt it appropriate to resource an additional position in ACT/EMP.

Other areas of new or increased allocations include \$965,000 to support the roll-out of the Integrated Resource Information System, IRIS, to all external offices; \$835,000 to strengthen administration of the Staff Health Insurance System; \$500,000 for enhanced security of the building here in Geneva; and \$ 200,000 for oversight purposes.

President, Members of the Governing Body,

In the overall endeavour to deliver more to you our tripartite constituents, my colleagues and I have kept to the fore the reality of the financial constraints in public finances still prevailing in many of our member States. That, above all, is why, once again, the proposal before you is for a zero real growth budget. Because of expected cost decreases attributable to lower than expected inflation, changes in the common system remuneration package, and currency fluctuations, this translates into a provisional nominal budget reduction of US\$4.1 million or 0.5 per cent. This comes on top of a corresponding reduction of \$3.8 million or 0.5 per cent for the biennium in course.

In conclusion, I believe that the Programme and Budget proposals for 2018–19 which I have put before you, combine a sharp focus on key world of work priorities; are a judicious combination of continuity and innovation; benefit from and deepen the process of ILO reform; embody efficiency gains which deliver more value for fewer dollars; are faithful to the social justice mandate and will take our Organisation forward to its centenary with confidence and purpose.

I commend them for consideration and adoption by the Governing Body.