Reply by the Director-General to the debate on the Programme and Budget 2020–21 with revised proposals

Madam President,
Members of the Governing Body,

For the first time in the period I have served as Director-General, it is my task to reply to the debate that took place last week on my Programme and Budget proposals for 2020–21 by presenting to you as I do now a revision to the real level of those proposals.

It is worth recalling at the outset that on the previous three occasions that it engaged in this exercise, the Governing Body was in a position to adopt the original proposals without any revision to the level of the budget, which was consistently set at the level of zero real growth.

This experience demonstrates two things.

The first is that the Office has consistently shown realism and restraint in the programme and budget proposals it has made. It has shown real consideration for the financial circumstances of its member States, has not made any attempt to seek increases in the volume of programme activities by simply asking them for a greater financial effort, and has understood that if it wants to do more for its constituents – and we do – then it must be through funding generated by efficiency savings and the mobilization of extra-budgetary resources. And this, of course, goes hand in hand with our duty and commitment to give more value for money – to use the resources that you put at our disposal to the very best effect.

The second is that the departure from the practice of the last six years, with the inclusion of a series of institutional investments that would mean an increase to the real budget, is not the result of any abandonment of this approach of budgetary rigour nor of any random initiative in the face of admittedly growing demands – and opportunities – facing the organization. Rather, it is a considered and rational response to circumstances facing the organization and which demand of it, unavoidably, a number of actions which are required to sustain its operational capacities at a prudent and acceptable level.

Madam President,

These were the issues which stood at the heart of our debate last week, and we listened with great attention to what you had to say to us. As a consequence, I will focus my reply on the five areas of institutional investment that I originally proposed – totalling $31.7 million dollars – and how they may be adjusted now in the light of a careful consideration of your comments with a view to finding consensus on a programme and budget which this Governing Body can recommend to the Centenary Conference in June.

Before turning to those matters, let’s remember too that the modified procedure for the adoption of the programme and budget means that it will still remain for decisions to be made on substantive programme content next November in the light of the outcome of the future of work centenary initiative agreed at the Conference. In the programme and budget debate last week you gave us some guidance in that regard, including on the extent and balance of continuity and change to be expected, while discussion on several other items on our agenda foreshadowed, without prejudging, a number of specific issues which we will no doubt return to in November. We have been able to respect fully our obligations under the financial regulations while addressing the questions before us in a coherent and meaningful way; which is to say that we have made this modified procedure work as intended.

This said, a considerable amount of work remains before us from here until November and it will need to be accomplished under great pressure of time. Close consultation with constituents will be a key to its successful completion and I want to assure the Governing Body that the Office is committed fully to it.

That applies equally to the full elaboration of the improved results framework which the Governing Body has expressed support for and offered important guidance upon. You have stressed the need for a full and balanced approach to the ILO's four strategic objectives, the importance of integrating the ILO's contribution to delivering the 2030 Agenda, and alignment with the ILO Strategic Plan 2018-21 and the 2008 Social Justice Declaration. My colleagues will initiate consultations with constituents as soon as possible after this Governing Body session, with a view to publication of a final draft of a new results framework in September.

Madam President,

Let me then turn to the question of institutional investments that were contained in my original proposals. Last Monday I said in my presentation that these investments were required, "to meet pressing organisational needs which, if unattended, would significantly damage vital operational capacities". I have to reiterate that reality at the same time as I must acknowledge the difficulties expressed by many Governments in assuming the financial burden of these investments as put to them. My clear reading of our debates was that while the need for investments in the five areas concerned was well understood, there was a strong body of opinion that these investments should be stripped back to their minimum essentials and where possible made over a longer period of time, and that the Office needed to revisit the means of their financing, with a particular view to an increased effort by it to reprioritise spending within existing regular budget levels.

It is on this basis that I now present the following adjustments to the proposed institutional investments. They are reflected in a document which will be made available to you along with the text of this intervention in the official languages, immediately after the conclusion of my remarks.

For clarity I will take each area of investment individually.

The first area of investment is in respect of the Building and Accommodation Fund where an increase of $3.8 million dollars was proposed in order to meet the terms of the strategy agreed by the Governing Body in 2011 to make an annual provision of 1% of the insurance value of the ILO owned buildings for their future refurbishment and renovation. While this provision is in line with industry best practice I am constrained to propose that the increase originally proposed be halved. That means that instead of moving to the 1% target from the current level of approximately 0.5% we would arrive at some 0.75%. By so doing the originally proposed institutional investment would be reduced by $1,885 000.

The second area is Information Technology where I had proposed an investment of $12.2 million all of which, I would stress, would serve to finance the IT Strategy 2018-21 which the Governing Body agreed in

2017. You have told us to further prioritise the expenditures proposed and we have done so, so that what is left corresponds only to the most critical needs of the next biennium.

Concretely, I now propose to postpone investment in the items on electronic records management, and on mobile device management, which are set out in detail in paragraphs 174-179 right at the end of the programme and budget proposals. Additionally, I now propose to defer replacement of the ILO Intranet. Taken together this would represent a reduction of $5.3 million in the originally proposed investment. But the Governing Body should be aware that it also represents a clear constraint on the operational efficiency of the Office; we will have to maintain paper-based storage; knowledge-sharing will be hindered; staff remote access to ILO systems will be limited; Intranet software will be unsupported by the end of the biennium, multiple formats of intranet will persist and delivery of the Office communications plan will be jeopardized. Furthermore, some business process review recommendations will not be able to be acted upon.

The third issue is security where an investment of $10 million was proposed in the coming biennium as the first phase of a $25 million programme to ensure full compliance with UN Security Standards. Many of you, while recognising the obligation to assure adequate security of staff, constituents and visitors, questioned whether some aspects of the proposed enhancement were required and whether expenditure at this level was absolutely necessary, and urged the Office to explore less costly options.

We have done that – and indeed the Governing Body has also begun a separate debate on these very matters in the context of the renovation of this building. The upshot is that there are essentially two options before us. Either the “two ring” approach involving securing the full perimeter of the ILO’s grounds as well as the building itself as I have proposed. Or the “one ring” approach involving investment in securing only the building itself. There really are no sensible intermediary options.

In the light of your deliberations I see no option but to now propose measures focussed on the latter. That means we will not be able to meet fully UN standards for our- your - security. But improvements can be effected by an investment of $3.5 million plus funding from existing sources as detailed in the document GB.335/PFA/3, and the establishment of an access point for visitors located outside the main building.

There are two unfortunate side effects of this course of action. Firstly, abandonment of the comprehensive option would require a new round of negotiations with the host Government which had offered financial support for it to see what assistance might still be forthcoming from it. And secondly, if at a later stage we were in a position to implement a more comprehensive security solution then the investment I am now putting to you would become largely redundant.

Fourth, I come to the unforeseen expenditure item where I had proposed an increased allocation to bring the programmed provision closer to the real levels of such expenditure in recent biennia. I now propose to leave the proposed allocation at its current level of $875,000 instead of the $2 million I had proposed. The fact is that, in all probability, this provision will be inadequate – unless of course the Governing Body exercises greater restraint than it has in the past. In any case, I do think it incumbent on us all to be much more rigorous than we previously have at the moment of incurring new items of spending in identifying what the implications are for other areas of spending. There are no free lunches.

Madam President,

The overall budgetary consequences of these revisions is that the real increase in the budget, including institutional investments would be some $16.9 million as opposed to the $31.7 million originally presented – a reduction of some $14.8 million.

While the revisions are a genuine attempt to respond to what we believe the Governing Body would consider an acceptable budget level, they are above all the result of a strenuous effort to distinguish those investments that are absolutely essential to vital functions of the ILO and which must be maintained, and those which – while impacting significantly the life of our organization - would not, by their absence be life threatening.

The subsequent question is how the remaining, essential, investments can be financed. Last week I recalled the efforts made by the Office over past biennia to redeploy resources from backroom to frontline services and to invest in areas relevant to our current discussion, and put it to the Governing Body that this reflected a significant record of effort and achievement, and I reiterate that these efforts will continue. Your recognition of that record was accompanied by a renewed call on the Office to make further efforts at redeployment to meet in part the remaining, critical institutional investment needs.

To respond to that call, I now propose that of the remaining $16.9 million of investments, $4.6 million be met from within the existing level of the regular budget, this corresponding to the sum needed to cover the specific increased costs of the UN Resident Coordinator system.

Governments have said clearly and firmly that in line with decisions already taken in New York they are not prepared to meet this expenditure through an increase in assessed contributions, and hence through any increase in the ILO's regular budget. I would recall that in this house decisions have already been taken that the ILO will assume its responsibilities to contribute to the System, and those decisions should not be revisited. By its nature, this item does not offer any option of being deferred or spread over a longer period of time. Accordingly I now propose that this item of expenditure be financed within Part I of the regular budget, and the proposed institutional investment be eliminated.

This would involve:

- the use of $940,800 previously proposed for redeployment towards policy outcomes. Nevertheless I maintain my proposed strengthening of the Internal Audit and Investigation function by some $370,000;
- a further reduction of some 1% in the Management item of the Strategic Budget, in addition to the considerable savings already made there. My colleagues will be instructed to identify those further economies, amounting to $500,000 without impacting negatively essential oversight and accountability functions; and finally
- a reduction of $3.1 million in the funding currently earmarked for policy outcomes, representing one half of 1% of the total of that allocation. In line with the modified procedure we are applying, the exact content of this reduction will need to be decided in November.

In this context, I would additionally recall that reference was made last week to the possibility of applying equitable cost recovery to include extra budgetary-funded activities to meet some of our investment costs. The Office is currently reviewing its practices in this respect so as to ensure that such activities do not constitute a financial liability on member States. This is a requirement of our Financial Regulations and any issue identified will be addressed to guarantee equitable cost-sharing. Nevertheless, at this time we are not in a position to introduce this measure in our budget decision-making.

Madam President,

These revised proposals which reduce substantially, and to their critical minimum, the institutional investments to be made in 2020-21, and which include a further requirement on the Office to redeploy funds to cover a significant proportion of the costs of that investment would reduce the real budget increase asked of Governments to $12.3 million, equivalent to 1.57%.

I very much hope that the Governing Body will see in these revisions a satisfactory response to last week's debate and a basis for consensus on a draft programme and budget of $804.1 million to be recommended to the Centenary International Labour Conference for adoption.

Thank you.