

► Appendix II

Director-General's reply to the discussion of the Programme and Budget proposals for 2022–23

341st Session of the ILO Governing Body (Tuesday, 23 March 2021)

Chairperson, members of the Governing Body,

As is our usual practice, I will now respond to last week's discussion of my programme and budget proposals for 2022–23.

With your agreement, Chairperson, I will begin with my reaction to the major issues that arose in the debate, the “big picture” issues. Then I would ask my colleague, Mr Jiang, Director of the Strategic Programming and Management Department, to provide information and answers to some of the more specific, or technical points before concluding with some comments on the all important resource issues and the level of the budget.

The underlying rationale in my proposals of continuity with adaptation with the intent of applying the Centenary Declaration to the task of promoting human-centred recovery from the COVID-19 crisis met with overwhelming support in the Governing Body.

From this flowed the very broad and strong approval expressed for the eight policy outcomes proposed. Nevertheless, the Employers' group, but it alone, argued once more for the splitting up of proposed outcome one so as to provide for a stand alone outcome for employer and business membership organizations (and by implication further such outcomes for workers' organizations and public labour administrations).

I am, of course, aware of the strength of feeling on this matter. The positions taken on all sides reflect exactly those expressed in previous programming exercises and it follows from the absence of any change in this regard that the proposal should stand, as was.

There was nothing in last week's debates that would justify a change of course at this stage.

But it is worth noting, perhaps, that on this occasion it was said explicitly that the point of disagreement was not about the level of resource allocations, but of visibility and of substance, let me address both of these.

Firstly, it is well understood, and I welcome the opportunity to confirm this, that activities for employers' organizations are not limited to their role in social dialogue and the fact that they are located within a broader outcome does not imply that. There is much else that must be done to assist in their capacity to recruit and to represent members and their interests.

Nor are concerns about the visibility of these activities borne out by our experience to date. On the contrary, the ILO's ability to advocate persuasively for the role of employers', and indeed workers' organizations, for example in United Nations (UN)

processes and to increase resources for the relevant outputs in the current biennium have benefited from the integrated approach under Outcome 1.

This will be reflected in the implementation report that will be presented to the Governing Body one year from now. In line with the decision of the Governing Body in November 2019 I therefore propose that outcome one be retained in its existing form.

Some other very important points were made about the content of different policy outcomes, and I want to focus on three of these.

Firstly, the issue of “just transition” to environmental sustainability, where the concern was expressed that the proposed approach might be unduly narrow, concentrated in a single policy outcome – outcome 3 – or even one single output – output 3.3. I agree strongly that at a time when the world is focusing its efforts on overcoming the multiple challenges of COVID-19, the ILO must not lose sight of the reality that climate change remains the defining global challenge of our time, and that we must act accordingly.

In this regard, let me underline that just transition is embedded in several policy outputs, in particular those relating to enterprise development, business practices, lifelong learning, equal opportunities and treatment, and social protection, and that the Office will continue to reduce its own carbon footprint as indicated under enabling outcome C. The new Just Transition Innovation Facility will identify, enhance, test and disseminate high potential ideas for new solutions and support constituents in applying innovative methodologies.

Let me add too that this is an area where partnerships are at a premium, the ILO will contribute actively to existing ones – I think particularly of the Climate Action for Jobs – and to developing new ones.

Secondly, it was the Africa group, in particular, that stressed compellingly the responsibilities of the ILO in respect of youth employment. I believe it is absolutely right to do so, because as the ILO has itself reported, the impact of the COVID-19 pandemic on youth has been more devastating than for any other demographic, and that impact is likely to continue long after the pandemic is overcome.

Therefore, we are taking our responsibilities for a human-centred recovery with decent jobs for youth very seriously. The proposals before you include a stronger focus on the renewed follow-up to the plan of action on youth employment for the period 2020–30 endorsed by the Governing Body in November 2020, in particular under output 3.1 on employment policies and output 3.5 on labour market programmes and employment services. We are continuously monitoring and analysing the situation with respect to youth employment for effective policy dialogue and responses, and in this context we have set up an Employment Policy Action Facility to streamline our country assistance for recovery from the pandemic. We are also working closely with the UN and other partners, especially our partners in the Global Initiative on Decent Jobs for Youth, in developing new knowledge including through global surveys, and country action to address the situation. Finally, as you have seen, many of the targets set for the corresponding indicator are in Africa.

Thirdly, I revert to the issue of productivity which has been much discussed at this Governing Body session both in the context of my programme and budget proposals and in last Thursday’s policy debate on decent work and productivity, at the end of which the Office was instructed to take into account the guidance provided in the implementation of the ILO programme.

This instruction was anticipated in the Executive Overview to my proposals where I addressed the issue of “evolving demands” in respect of global supply chains, and occupational safety and health, as well as productivity – all of which are on the agenda of this Governing Body session. As a consequence, I believe we are well placed to move forward on all these fronts.

I should underline that already, and building on and beyond what we are doing in the current biennium, productivity is now addressed in several of the proposed policy outcomes, including those on employers’ activities, the rural economy, an enabling environment for sustainable enterprises, transition to formality, and social protection coverage and adequacy as well as in output 4.2 on enterprise productivity enhancement.

It is encouraging that our Governing Body debate showed clearly that productivity is recognized by all groups as an important area of ILO work and that all constituents have an interest in it and the productivity ecosystem model which offers an integrated, holistic approach. That gives us a good basis for the further development of our activities in line with the guidance you have provided. There is, for example, immediate scope for further research work to strengthen our evidence base and it may be that the Governing Body will wish to renew its discussion of productivity to monitor progress and update its guidance.

There were quite a lot of questions last week on my proposal to establish a unit to drive knowledge and innovation across the Organization.

The intent here is to respond to the need, which I believe is an urgent priority, to promote, encourage, and facilitate new thinking, skills, competencies and ways of working in the Organization. There is always a danger of inertia in secretariats such as ours; of existing practices perpetuating themselves; of simply reacting to requests and events as they unfold rather than applying foresight, anticipating and innovating.

The reasons to move in the direction I am proposing come from two sources: firstly, everything that emerged during the future of work exercise, which instructed us all on the need to look at key emerging world of work issues differently – not just for the single year of the centenary but on a permanent basis and to apply that lesson to the Office as well as to the external environment; and secondly, from the processes being developed across the multilateral system where the need to promote internal innovation has been underlined by the Secretary-General, the United Nations System Chief Executives Board for Coordination (CEB) and the Joint Inspection Unit and was also reflected in the 2020 High-level evaluation of ILO research strategies and knowledge management.

In short, we are striving to adopt recognized best practice with the necessary investment of leadership and resources.

In this context, the objective of the proposal is to provide ILO staff and management with an internal resource which they can call upon to develop, guide and implement improvements in operations, and for policy advice, knowledge products and services, all with the final objective of better delivery to you, our constituents. The proposed unit would provide expertise on change, innovation, and knowledge management methodologies and stimulate a culture of staff enablement and participation.

All of this would meet clear demands we encounter every day in our work. But we do not begin from a standing start. The Governing Body may recall that the Office set up in 2015 a Business Innovation Unit (BIU) as part of my reform programme. Its reviews of ILO business processes have been instrumental in generating the efficiency and

effectiveness improvements which have enabled us to redeploy some US\$80 million to front line service delivery over recent biennia.

The intention now is to consolidate capacity in the existing BIU and the Knowledge Management Team to support sustainable, dynamic change processes. Inter alia this will allow the Office to reduce its resort to external consultants and strengthen sustained support and monitoring of what, I have always maintained, needs to be continuous improvement across the Office.

Concretely the Unit would comprise one P5 and four P4 staff and be located in the Management and Reform Portfolio.

I turn now to the question of why the presentation of the strategic budget is at the level of the proposed outcomes rather than the proposed outputs.

This is not a new story. In fact it is quite an old one, going back to 1999 when the International Labour Conference instructed the Director-General to implement result-based management. As a result, for the last 20 years the ILO has presented the budget by outcome, moving away from operational/departmental budgets to strategic ones. We have done so in the interests of enhanced accountability, on instruction and with guidance from you, our constituents. We have strengthened and improved the systems as we have gone along.

The approach that you have told us to adopt allows for stronger accountability and a more integrated use of resources, linked to the results they generate. It has been an essential contribution to strengthened governance, and helps us to present the programme implementation report at the end of each biennium.

It should be clear that the outcome-level resource presentation in my proposals is synonymous with the choice of strategic budgeting. That can be changed, but that would mean throwing the direction of travel of the last two decades into reverse.

This said, in response to concerns expressed by the Employers' group in particular, an effort is made to provide more granular information on the relationship between the operational and the strategic budgets and this is to be found in Information annex 4 of my proposals. Certainly, the Office can explore ways to build further on this.

Finally, before passing the floor, with your permission Chairperson, to my colleague Mr Jiang, let me say a few words about our presentation of estimated extrabudgetary funding, on which there were a number of comments last week.

Here, there are two fundamental realities that need to be clear to all.

The first is that the figures we present are our best estimates, based on resources already available, commitments already made, and our expectations for future resource mobilization. We simply cannot do otherwise, and I have considered it prudent to adopt a cautious approach with regard to the figures we have given you, combined with assurances that we will do all possible to mobilize more funds.

The second reality is that, because it is voluntary, extrabudgetary funding frequently comes with different degrees of earmarking attached. That is to say the use to which it is put is not at the full discretion of the Office, or indeed of the Governing Body. This is a partial explanation and response to those who expressed concern about the level of extrabudgetary allocations to certain outcomes. The other part of the response is that the Office will direct its resource mobilization efforts particularly to areas where funds are scarce, in line with our Development Cooperation Strategy, and will use

unearmarked Regular Budget Supplementary Account (RBSA) funding strategically to meet key and emerging needs.

I take the opportunity to express sincere thanks to our voluntary funding partners and particularly those who contribute through our RBSA modality which is such an invaluable asset.

With this, may I ask you, Chairperson, to authorize Mr Jiang to intervene, after which I will have some concluding remarks?

[Statement by Mr Jiang]

Finally, let me return to the level of the budget.

As I said last week when I presented my proposals to the Governing Body, I am conscious that in pursuing a zero-real-growth trajectory, an important effort is being asked of Governments in conditions of pandemic and significant fiscal constraints. A number of members of the Governing Body said that they would await this response from the Office before taking a definitive position on this matter.

I very much hope that our response has served to clarify points that were raised and to reinforce my central message that, particularly in view of the difficulties of the moment and the needs that flow from them, rather than in spite of them, the proposed programme is one that justifies this investment. And I would urge you to agree to it.

In maintaining, as I now do, the proposal for zero real growth let me end by adding one further point from a purely financial perspective.

It is true that I am asking the Governing Body to recommend a nominal increase of \$12.9 million in appropriations for the 2022–23 budget, and that this is an important amount.

But, as the Governing Body is aware from its consideration of the impact of COVID-19 in programme and budget delivery for 2020–21, it is inevitable that we will arrive at the end of the current biennium with an underspend that will exceed that \$12.9 million. Already, the underspend in 2020 on meetings alone totals some \$9.27 million and this cannot be repurposed to other areas. There is further underspend in other areas.

It follows that through no decision of ILO management, and for objective reasons which fall beyond its discretion, we will record an underspend this biennium which will exceed, and more than compensate, the nominal increase implied by zero real growth for the next biennium.

And since the financial regulations require that a budgetary surplus be credited back to Member States once their contributions have been paid in full, it follows that their overall financial contributions, when taking all of these elements into account will most likely be less in nominal terms for 2022–23 than it was for our current biennium.

Viewed pragmatically and on the whole I would hope that these circumstances which, I repeat, are beyond the influence of the Office, and the explanations and clarifications that we have provided, will allow the Governing Body to come together in recommending the proposed programme and budget for adoption by the International Labour Conference.

I thank you for your attention.