

DIRECTOR-GENERAL'S INTRODUCTION OF PROGRAMME AND BUDGET PROPOSALS FOR 2020-21

**335th Session of the Governing Body
Monday, 18 March 2019**

Madam President,
Members of the Governing Body,

Every two years at this March session of the Governing Body it falls to the Director-General to present proposals for the programme and budget for the following biennium, and to the Governing Body to recommend a draft programme and budget for adoption by the International Labour Conference in June.

Accordingly, and for the fourth time under my mandate I am pleased to submit Programme and Budget proposals for the ILO's work in 2020-21 which you now have before you.

We will all be aware that, on this occasion, and by decision of the Governing Body, the usual procedure for adoption of the programme and budget has been modified. You have taken the view that the programme for the next biennium must take fully into account the outcome of the Centenary Future of Work Initiative. As this will only be known after the June Conference, it has been agreed that the substantive programme content which is usually discussed now at this session will be decided upon by the Governing Body in November.

Nevertheless, the financial regulations require that budget estimates must be adopted by the Conference in June, and a draft is contained in the proposals before you. I take the opportunity to commend it to you for your approval.

Let me add that the appropriation decision that would be taken by the Conference under this modified procedure would not authorize the Director-General to incur expenditure on policy items. The regulations clearly require Governing Body approval where specification of the precise purpose of appropriation is pending. This is the business we will be coming back to in November.

President,

It is useful, I believe, for me to draw the attention of the Governing Body to three distinct contextual factors that should and will impact in an important way the content and implementation of the programme and budget for the next biennium.

The first, clearly, is the ILO centenary. I have seen, as our Future of Work Initiative has taken hold, and engaged our tripartite constituents in a quite remarkable way, that there is real political appetite among you, particularly evident since the publication in January of the report of the Global Commission, to grasp this unique opportunity to rethink and rework the substantive work programme of our organization so that we really do pursue the ambitions and priorities that we identify as key to the future of work. This is not a simply binary choice between continuity and disruption. But it does

mean that we will have, at the right moment, to calibrate just what level of change we want to aim at. This is a point I have emphasized in the introduction to my proposals, where I also point out that, without pre-empting or prejudicing decisions we will need to make in November, preliminary thoughts you may have in this regard would certainly be of value to the office in our continuing programme preparations.

Secondly, let us remember that the programme and budget you are now considering will cover the last two years of the ILO Strategic Plan 2018-21, and that is therefore needs to incorporate the six objectives of that plan, namely: enhanced capacities to respond to constituents' needs; increased capacities to meet the needs of the most vulnerable and disadvantaged; a sustained and reinforced normative function; strengthened knowledge leadership; a leading role in delivering the UN 2030 Agenda; and enhanced organisational effectiveness and efficiency. I would recall also that the Strategic Plan provides too for the retention of the four cross-cutting policy drivers in the current programme: international labour standards; social dialogue and tripartism; gender equality and non-discrimination; and just transition to environmental sustainability.

Thirdly, while it relates more directly to programme implementation than programme design, the backdrop to what we are now considering is on-going UN Reform. We have other opportunities at this session to discuss all of the implications of this. But the fact that the ILO has already been an early mover in aligning its programme to delivery of the 2030 Agenda which has decent work at its heart, and that delivering that Agenda is equally the underlying logic of UN Reform means that the ILO, with the continuing hard work we are putting in is well-placed to extract the fullest benefits of the reform process.

Madam President,

Let me turn now to those of my proposals which aim to strengthen further the ILO's results-based management system, primarily through a new results framework anchored in an explicit "theory of change". These proposals are a direct response to the instructions addressed to the Office, for example in the 2016 Conference resolution (on Advancing Social Justice through Decent Work), and to recommendations such as those of the Multilateral Organisation Performance Assessment Network, MOPAN. The objective, as the Conference resolution says, is to enable the ILO to demonstrate to you, our constituents, "how its work has contributed to the realization of the four strategic objectives."

This process can only be finalized in November when we will be in a position to develop the full set of targets and indicators in the light of programme priorities established then. But the opportunity now is to reach agreement on the broad parameters of a framework which would identify much better how what we do contributes to the advancement of the ILO's strategic objectives. Doing this would have important implications for the way we operate, and they are set out at the end of chapter 2 of my proposals. Moreover, in line with the office's continuing commitment to strengthening its results-based management, it would contribute substantially to our discharging optimally our duty of accountability to our constituents. These are responsibilities that my colleagues and I take very seriously.

Madam President,

Since the beginning of my mandate, the Office has been relentless in its pursuit of efficiency gains to allow redeployment of resources to frontline technical work and services to constituents. The sum total of such redeployment to date is \$58 million, with an additional \$8.5 million proposed now. This redeployment includes internal restructuring and reprofiling of positions and transfers of resources out of support and management services. That has enabled an increase of the equivalent of 74 FTE positions to deliver frontline technical work. With the same level of resources at its disposal we are doing more, doing it to a higher level of quality, and doing it more efficiently and subject to more rigorous scrutiny.

Let me stress that I intend to press forward with these efforts in the manner described in my proposals, including the continuing Business Process Review, underpinned by sound governance, oversight, risk management, and human resource development. These are areas in which the Office will take no short-cuts nor seek false economies.

As I address the proposed level of the budget for the next biennium let me briefly remind the Governing Body of the long-term trajectory of that budget. The real level of ILO's budget today is 14% lower than it was 40 years ago, and 5% lower than it was 20 years ago. Within this context of declining resources, we have nevertheless been able, under your direction to respond to your increased demands for services and reinforced governance to meet best practice. On substantive policy matters the ILO has been in a position to invest in areas which have come on to, or moved up, the list of policy priorities you have set: the green economy, informality, migration, and rural work for example. At the same time we have: established an evaluation function, ethics officer and mediator posts, and an independent oversight committee; we have adopted International Public Sector Accounting Standards, annual audits and formal enterprise risk management and we have absorbed our share of the costs of the strengthened UN Resident Coordinator system and UN Department of Safety and Security expansion; we have increased spending for internal audit and investigation, and enhanced our IT and communications environment.

There is a record of effort and achievement here, and of genuine responsiveness to the demands and expectations that you our members understandably address to us. We understand our responsibilities to you and we will continue to strive to discharge them to your satisfaction.

Madam President,

It is against this background, and fully conscious of the realities of the constraints on public finance in our member States that I propose to this Governing Body a number of institutional investments and extraordinary expenditure items which imply a departure from the long term trajectory of zero real growth or reduced budgets. These investments are not designed to expand substantive programmes in any arbitrary or capricious manner but rather to meet pressing organisational needs which, if unattended, would specifically damage vital ILO operational capacities. They are in five areas:

Firstly, the UN Resident Coordinator system. We have had difficult discussions already on this issue. The General Assembly last year decided that our contribution to the system which since 2014

have been absorbed in the ILO's regular budget should be doubled. The amount due for 2020-21 is \$4.6 million which I propose be met through an increase in the budget and not through cuts in programmes which would appear to be the only realistic alternative.

Secondly, with the physical evidence around us of the final stages of the first phase of the renovation of this building at a cost of more than CHF200 million, financed entirely from ILO funds notably through the sale of land, it seems clear that we must now act upon the decision taken in 2011 by this Governing Body to fully implement the long term strategy to finance future periodic refurbishment and renovation of ILO properties worldwide. We, or rather our successors, will not have the option of the sale of assets. I am therefore proposing that funding of the ILO reserve for this purpose be increased to the already agreed rate through an investment of \$3.8 million in the coming biennium.

Thirdly, it has been determined by the competent UN services that measures need to be taken to align access to and security of the ILO premises in Geneva to UN standards. We have worked with the host Government to specify a project to this end, and it is detailed in separate documents before this Governing Body, GB.335/PFA/3 and GB.335/PFA/3(Add). The proposed phased approach to its implementation with support from the host Government requires an investment by the ILO of \$10 million in the next biennium.

Fourthly, despite the significant efforts that have been made to invest in our IT systems, largely by use of fortuitous budgetary surpluses and unanticipated savings, the ILO does not have the capacity to meet the continuing need for growing investment in this area, to meet demands for improved access to data, enhanced knowledge sharing, assuring cyber-security risks, and meeting new standards arising from the rapid evolution in technologies. In 2017, the Governing Body endorsed an IT strategy and the proposal before you for an investment of \$12.2 million will partially fund its objectives.

Fifthly, and finally, the proposal to increase the provision in Part II of the budget for unforeseen expenditure by \$1.125 million is a straightforward and appropriate response to the reality that additional expenditure mandated by Governing Body decisions has regularly exceeded \$2 million in recent biennia. It seems to be a matter of good management to ensure that adequate provision is made accordingly.

Madam President,

The aggregated institutional investments proposed come to \$31.7 million. And I repeat they are not presented lightly or without proper preparation and reflection. Rather, they are the necessary consequence of the reality that without the right infrastructure and institutional capacities the ILO's continued capacity to deliver cannot be sustained.

In the same vein, the Office has carefully reviewed, as it always does, the prospects for the evolution of costs over the next biennium on the basis of best available information. In the last two biennia, the budgets adopted included cost decreases, so that the nominal level of the budget actually fell. But this time the situation is less benign and moderate inflation has returned and is forecast to

continue. For this reason, a cost increase of 1% or \$8 million in nominal terms for the two years of the budget period is incorporated into the proposals before you.

Let me conclude by noting that, contrary to normal practice, and precisely because our modified procedures do not allow for the definition of substantive programme priorities at this juncture, no estimates of extra budgetary or RBSA contributions have been advanced in my proposals. However, the Governing Body may wish to keep in mind that should voluntary donors continue to support ILO work at the average level of the last 6 years, then this would be in the amount of \$248 million per annum.

Madam President,

With this introduction I submit my programme and budget proposals for the consideration of the Governing Body and commend them for final adoption by the Centenary International Labour Conference in June.

Thank you.