

## **Director-General's reply to the PFA Section: Programme and Budget proposals for 2016–17**

323rd Session of the Governing Body – 25 March 2015

Mr President,

Members of the Governing Body,

I would like to begin my reply to last week's debate on my Programme and Budget proposals for 2016-17 with two general comments before moving on to more specific issues and some ideas for modifications.

The first general comment has to do with process. The need for full and continuing consultations in the process of formulating, finalizing and then implementing the programme and budget has been emphasized by all and I have said and reiterate now that my colleagues and I understand that need and are absolutely committed to meeting it.

Many in the Governing Body have welcomed the consultations that have taken place to date, but some have expressed concerns about their inadequacy. This is despite the fact that the Office is a vigorously "equal opportunity consulter" – we must and do engage with you all equally.

This may be the result of different expectations in our tripartite constituency. But it leads me to a somewhat different thought which is that the responsibility of the Office to listen carefully and respond to the views of the Governing Body is matched by the need for the different groups to listen to each other and to judge the proper outcome of our work in the light of the totality of all the ideas expressed. That is the road to consensus building which is the way our Organization works and can only work and the basis upon which this reply is formulated.

That leads me to the second general point. It is that there was wide and strong support for the fundamental rationale, structure, and intent of my programme and budget proposals.

All of those who addressed the issues – the great majority of you – welcomed the concentration of resources on ten policy outcomes backed by three enabling outcomes and the use of multidisciplinary approaches to their realization. You equally welcomed the significant redeployment of resources from support and administrative functions to frontline technical work of direct benefit to constituents and from Geneva to the regions. And mostly the continuing involvement in research and analytical work was recognized as strategically crucial to the overarching objective of establishing ILO leadership and influence.

In all of these areas, the proposals were recognized – and positively received – as being consistent with ongoing reform in the Organization and benefiting from the demonstrable results that the reform process was yielding within the unchanging guiding framework of the decent work agenda and the 2008 Declaration on Social Justice for a Fair Globalization. This came with a warning to the Office not to relax in its reform commitment or to become complacent – we will not. An accompanying warning was for us to be alert to the danger that the changes we have introduced in the Office designed, inter alia, to break down silos in our structures and working methods might inadvertently give rise to new silos. I understand the point – we will not let that happen.

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President,

These two general reflections provide what is a very positive platform from which to address specific matters of concern. Because not only is there general support for the choice of the ten policy outcomes at the heart of the programme proposals and its reform-driven rationale but also for the proposed level of the budget. Partly, no doubt, because of the positive (or negative!) evolution of our costs, but also I believe in recognition of the real efforts made by my colleagues to render better value for money to our member States, nobody has asked for the proposed budget to be cut below its proposed zero real growth trajectory. That is exceptional and means that our debate now does not have to address how much money you entrust to us but can focus instead on how we spend it.

And that leads me to more specific matters.

The first of them concerns the nexus of issues surrounding our attempts to reinforce the results-based management framework of the proposed programme and budget and the setting of baselines, indicators, targets, and outcome statements.

There were many inputs on this from all Groups. And while you were supportive of the intent of strengthening our systems, shortcomings and difficulties were also highlighted, some of them regarding problems with specific indicators or targets and others of a more general nature, for example on the extent to which we have been able to translate the real substance of our outcomes into appropriate measurable forms.

It is not possible for me to address all the points raised – but do want to acknowledge the particular stress placed on the need to reflect more fully the key role of international labour standards and tripartite involvement in the work we do, and for a better alignment of targets with stated regional priorities.

But let me make a proposal of a procedural character. We need to work further to fine-tune our indicators and targets and a number of you made explicit and generous offers to help us do so. We want to take advantage of that. So I would propose that we undertake a process of consultations with all of the Groups to rework some indicators and targets in the light of the comments that have been made here. To help the process, and respond to requests that have come from many members of the Governing Body, we will share with you information – indicative and provisional as it has to be – on baselines which we can only fix definitively at the end of the year.

Following previous practice, refinements to targets and indicators resulting from the consultations would be presented in an addendum to the proposals approved by this Governing Body for presentation to the Finance Committee of the Conference in June.

This process cannot and should not be a wholesale reopening of our results-based framework but rather a valuable opportunity for improvement which will also have to take on board the consequences of a number of proposals for modification of programme outcomes which I will come to in a moment. Please join with us to extract the full potential of such a process.

One purpose this exercise can serve is to provide greater assurance that the three cross-cutting drivers that are proposed to inform the implementation of all policy outcomes are fully integrated into their implementation.

I say this because concerns were expressed that these drivers – standards, social dialogue, and gender equality and discrimination – needed to be real and not cosmetic. Let me be clear. They must be real drivers of everything we do. I must acknowledge that, in the current stage of evolution of our resource management processes, I am not in a position to give a comprehensive

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quantification of how much we will devote to each of them. But I can give you the undertaking that they will be integrated into our outcome strategies and that outcome coordinators will be accountable for performance which will in turn be reported to the Governing Body.

The way in which the seven Centenary initiatives fit into the proposed programme and budget was referred to in several interventions and in my introductory remarks last week. I made the basic point that they are woven into the structure of the proposals rather than added on top of them. The way this happens varies according to the initiative which, as you know, are each of a quite different nature.

Some of them are very firmly embedded in ongoing processes which have been advanced significantly at this Governing Body session. This has been the case for the governance initiative and the standards initiative, and in each case we understand where we are going and the challenges ahead. Equally, we have had detailed discussions in the past on precisely how we will implement and review progress on the enterprise initiative. The end to poverty initiative is, I believe, quite extensively provided for in many of the policy outcomes – notably those on unacceptable forms of work, informality and the rural economy. But it will gain real impetus with the adoption of the United Nations Post-2015 Development Agenda and we are all conscious of the work the ILO has already done, and will do, to take up its responsibilities in that context.

The women at work initiative is reflected most notably in the gender equality and non-discrimination cross-cutting driver – but also in our research agenda where we have the important task of taking stock of the achievements recorded to date, the realities of continuing inequality, and the obstacles to progress. All of this is critical to the elaboration of new and innovative initiatives on which I believe that progress depends.

The future of work initiative will be the subject of my Report to the Conference this year and I look forward to the opportunity to present more fully proposals for its implementation at that juncture.

That leaves the green jobs agenda. It is part of policy outcome 4, and finds expression elsewhere too. But, having listened to you, having reviewed again my proposals, and having in mind the guidance provided in past Conference discussions as well as the crucial rendez vous at COP-21 in Paris in December, I must acknowledge that we will need to do more in the future to shape proposed activities into a broader and more coherent initiative worthy of the name. I think we will need to return to this in the light of the decisions made in Paris so that this initiative can gather momentum all the way up to 2019.

Much of the initial discussion last week focused on the allocation of resources between the ten proposed policy outcomes. Questions were asked about the reasons for the significant differences between the levels of these allocations and suggestions made to modify them.

Let me first address the underlying logic of these allocations.

It begins with the idea that if this Governing Body considers that the ten issues addressed by these outcomes are of key importance in the world of work and that ILO activity should have a serious impact on them, then we cannot do otherwise than invest a given minimum critical mass in each of them. That minimum we have set around the US\$34 million mark that we have proposed to spend on policy outcomes 5 and 9 – the smallest of all, on the rural economy and on fair migration respectively. They are relatively small not because they are less important but because they are relatively new or renewed areas of priority where, whether we like it or not, the ILO has to grow its capacities and this is an organic gradual process. But I do not believe we can invest less in them than what has been proposed and still claim for them the status of a full policy outcome.

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We have been challenged – justifiably I think – to explain where we will be doing less as we seek to assemble critical resource mass around priorities in a zero real growth scenario. The answer is to be found in the reduced allocations to some policy outcomes as compared to 2014-15: this is the case for five such outcomes – generally the largest. Such reductions, taking the whole situation into account, are inevitable. But questions have been raised about whether each of them is appropriate or rather a departure from proper strategic priorities and balance across the four pillars of the decent work agenda.

I am mindful of the concerns expressed that the programme and budget should address each of these four strategic objectives in a proportionate way. With the modifications which I am about to propose I am confident that it will go further in meeting your concerns. But let us not make the mistake of regarding each policy outcome as constituting a silo, each hermetically sealed off from the other. Rather, they are inter-related in multiple ways and most of them address more than one strategic objective and some arguably all of them. We are simultaneously asked to exploit synergies between them and avoid overlap. We will do our best to distinguish between them and ensure maximum coherence and complementarity.

Responding to specific remarks made in debate last week, I have the following modifications to present to my original proposals.

As regards Outcome 4 (Promoting sustainable enterprises), I propose to add US\$7 million to the allocation in order to maintain the Organization's commitment in this area: \$4 million of this are to go to Indicator 4.1 on the enabling environment, with the remaining \$3 million being equally shared between Indicators 4.2 and 4.3.

In addition, I propose to mitigate the reduction in the allocation to Outcome 7 (Workplace compliance through labour inspection) which was commented on by many of you by restoring to it \$2 million extra funding.

There were calls also to eliminate the reduction in the allocation to Outcome 1 (More and Better Jobs) on the grounds that it is central to the task of tackling the global unemployment crisis. Nevertheless, I cannot find justification for doing so because as now proposed it remains far and away the biggest outcome allocation and also because it is not the only one designed to help get the world back to work.

This said, I believe there is need and scope for an internal reallocation of resources within this outcome in order to bolster the focus on skills and youth. This can be achieved by a significant increase in the targets under Indicator 1.2 on jobs and skills for young people and a corresponding redeployment from each of the other indicators under the outcome.

The question arising then is where this \$9 million is to be found. My intention is that it be identified by a corresponding reduction in the allocation to Outcome 6 on formalization of the informal economy, which nevertheless results in a very substantial increase by comparison with the current biennium as is appropriate in the years that will follow immediately on the important discussion on this subject at this year's International Labour Conference.

I assure you that this does not detract from the importance of this issue and we will make every effort to tap additional resources whenever possible for related work that cannot be accommodated under other outcomes.

Some remarks now on the relationship between what is proposed in respect of regular budget funds and what is to be done with extra-budgetary resources.

As has been explained to you already, our estimates of extra-budgetary resources, and RBSA, is based on past experience and the information currently available to us. But this is not

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an exact science. Moreover, as we do our best to ensure maximum complementarity of activities regardless of funding source we must recognize that what we can do is a combination of need and possibility – that is to say what our donor partners make available to us and for what purposes. Of course, RBSA does allow us a degree of flexibility to direct resources to otherwise under-funded activities and outcomes, and tripartite involvement, and we will make use of those possibilities.

I would recall – but will not repeat – the terms of yesterday’s debate on flagship programmes. You made a strong call for continuing consultations on them, and given their strategic significance to our overall future programme I have high expectations of them.

The Office will work hard at its resource mobilization efforts, including through innovative modalities, notably South-South cooperation and public-private partnerships. Given the existing ratio between our static real regular budget resources and our extra-budgetary resources, I believe we can and should seek to increase the latter without incurring any risk of over-reliance on external funding which might eventually rebound to our disadvantage.

There has been detailed and very helpful discussion last week of the proposed outcome on unacceptable forms of work. The fact that it mostly took place in the POL rather than the PFA Section of the Governing Body reflects the fact that it focused on substantive considerations – particularly the issue of definition – rather than budgetary ones.

I am persuaded that our debates have helped us to reach a common understanding on a way forward in the implementation of this objective, and to dispel certain concerns. They made clear that while the term unacceptable form of work may be of recent origin, what it refers to are situations which are at the heart of the ILO’s mandate of social justice as set out in our key constitutional texts of 1919 and 1944 and the Declaration of 1998 and 2008. The intention is to be faithful to them, to tackle those situations which everybody here – regardless of Group membership – agree have no place in the world of work and which we must join forces to eliminate.

That means that we must carefully adhere to the definition proposed which relates to denials of fundamental rights threats to health, life, human dignity and security of workers and the subjection of workers and their families to conditions of poverty. As was said last week, “we know unacceptable when we see it” – and this is what it looks like. This policy objective is a distillation then of our historic vocation, one which presents a basic moral challenge which I am confident we all want to come together to implement.

President,

A last specific point I must address relates to the proposed allocation to the Bureau for Employers’ Activities (ACT/EMP) which the Employers’ group has asked to be increased. Let me recall that a similar call was made two years ago and I responded positively to it. But I cannot find the means to do so on this occasion. I would recall that the increase agreed two years ago was predicated on expected increased workload resulting from progressive implementation of the enterprise initiative. We will keep this and other relevant developments under review and no doubt come back to this matter in the future. The work of ACT/EMP – like ACTRAV – is critical to the operations of this house and must be accommodated fully in our internal management processes and our funding decisions.

President,

The concrete modifications I have presented now are set out in document PFA/1/1 which will be in the room and on the website along with the text of this statement at the end of my presentation. They imply no modification to the operational budget set out in the Information Annex to my proposals.

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I hope, on the basis of what I have said, and these modifications, that the Governing Body will be in a position to recommend the adoption of my Programme and Budget proposals for 2016-17, so amended, to the International Labour Conference.

Thank you for your attention.

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