



**Remarks of Director-General Juan Somavia  
Programme, Financial and Administrative Committee  
298th Session of the Governing Body**

Geneva

12 March 2007

Honourable Minister of Labour of the Republic of South Africa and  
President of the ILO Governing Body,  
Spokespersons of the Employers' and Workers' groups,

Distinguished delegates, dear friends,

This week and next your deliberations will centre on the programme and budget of the ILO.

I will first give a brief overview of the context that shaped the priorities of the programme and budget proposals before you.

I will go on to highlight the main substantive features of my proposals; report on progress in our continuing agenda to renew and revitalize the working methods of the Organization.

I will explain the rationale for the budget proposal; and conclude with a few remarks on collaboration with the UN and its reform.

**I. Context: A window of opportunity**

The ILO is facing a unique window of opportunity.

The world is looking for paths to reconcile economic, social and environmental development on a sustainable basis. Sustainable development calls for reviewing national and international policies, institutions and operational frameworks.

There is a quest for a fair and equitable globalization that can spread its benefits more widely among countries, enterprises and workers.

The Decent Work Agenda is part of both these processes.

In a vast majority of countries, data concur that, in spite of relatively robust economic growth, progress is insufficient on productive employment and the social dimension of development in the context of globalization.

Everywhere people expect economic growth to deliver more and better jobs.

This widespread democratic demand is driving a strong convergence between people and country priorities and the ILO agenda.

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There is today a broad and solid political consensus that full and productive employment and decent work for all is essential to national and international development strategies.

Reflecting this national reality, our tripartite constituents turn to us for increased cooperation and support to implement the four strategic objectives.

I believe that we have – as an institution – a shared responsibility to respond each day better to these growing expectations.

Our central task is to enhance the capacity of constituents, in countries and regions, to move forward a balanced strategy for decent work, reflecting their priorities.

This is the sense of my proposals. The constituents' priorities are our priorities. This is the essence of Decent Work Country Programmes.

Preparing our institution to deliver its mandate in a changing world is a matter of constant concern. Two moments – one past and one future – illustrate how the ILO is addressing this responsibility.

In February 2006, the Maritime Labour Convention was unanimously adopted. You demonstrated the pertinence of ILO standard-setting in a very globalized sector. You showed the strength of social dialogue and the relevance of tripartism.

Next June – at the International Labour Conference – we will address the future: the item on “Strengthening the ILO’s capacity to assist its Members’ efforts to reach its objectives in the context of globalization”. A rather long title to say a simple thing – we want to deepen and expand our capacity to serve our constituents.

We are not standing still. We are looking at ways to better our governance and methods of work.

## **II. Programme and budget**

This brings us to our programme and budget.

In response to your suggestions, the presentation and format of the programme and budget have been revised. Our aim is clarity and transparency on our strategy.

The programme proposals build on the solid consensus around the four strategic objectives and their balanced implementation in response to regional and national priorities.

As in previous budgets, I propose more resources for the regions to support Decent Work Country Programmes. The largest increase is for Africa.

Additional resources are proposed for statistical data to support the Decent Work Agenda in countries and regions.

As you requested, more resources are allocated for internal audit and for in-depth evaluation of ILO programmes.

Under Part IV there are provisions to meet security requirements as well as to upgrade information technology. I propose resources for the Building and Accommodation Fund for the renovation of buildings.

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A new budget line is introduced to facilitate the ILO's participation in UN reform and inter-agency cooperation. I will address this later on.

These additional expenditures are financed out of savings from future efficiency gains, rationalizing the assignment of headquarters General Service staff, planned reductions in documentation and meetings, cuts in administrative expenditure, and overall discipline in the use of resources.

**(a) Progress on results-based management**

A dedicated effort has been made to clarify the strategic framework. Within each strategic objective there is a sharper focus on the essential elements of the Decent Work Agenda. Quite logically you wish to know more about their impact on the ground and the results they are contributing to achieving.

The formulation of outcomes, indicators and targets has been made more precise. Immediate outcomes reflect our mandate and respond to the guidance provided by the Governing Body and the Conference as well as to the demand for services by constituents.

Work on the measurement of indicators is continuing in order to report on progress in an increasingly precise way, consistent with our commitment to results-based management.

Decent Work Country Programmes contribute to the programme and budget in three distinct stages:

- (a) In the preparation of proposals, indicators, targets and strategic resources to a *large extent* build on outcomes proposed in country programmes.
- (b) During implementation, resources will be assigned to Decent Work Country Programmes' outcomes in line with the strategic budget approved by the Governing Body and Conference and through extra-budgetary resources.
- (c) In reporting, the Office will describe the outcomes achieved in countries and will report the resources used to achieve targets under each of the 34 immediate outcomes.

To foster continued horizontal collaboration, five joint outcomes are proposed with resources from technical sectors and regions. These are: coherent economic and social policies; integrated policies for the informal economy; strengthening labour inspection; advancing gender equality; microfinance.

There is information on the total financial contributions to the ILO: the regular budget, the estimated extra-budgetary contributions and our prudent aspirations for the new Regular Budget Supplementary Account.

There is greater integration of extra-budgetary resources into the strategic framework of the regular budget. In this respect, we are grateful for the technical cooperation contributions made available by donors to implement programmes in line with the priorities of the Governing Body.

I wish to point out that the programme and budget has entirely been prepared through IRIS.

With the intent of sharing information and knowledge, we have created a dedicated page on the ILO's public web site on Decent Work Country Programmes. Here, you will find information by country and other useful reference materials.

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Most recently and further to the Global Management Team meeting held in October, we have established technical groups chaired by Regional Directors to support Decent Work Country Programmes and apply a quality assurance mechanism.

In addition, at the Conference next June, as we have done last year, there will be a briefing session for delegates providing up to date information on what is happening in country programmes in each of the regions.

Finally, all our interventions are guided by a set of common principles: a fair globalization, working out of poverty, gender equality, international labour standards, and social dialogue and tripartism.

## **(b) *Continuing the agenda for ILO renewal***

In continuation of my commitment to a reform agenda begun in 1999, this programme and budget supports further progress on the ten points for renewing and revitalizing the ILO presented to you in March 2006.

Your Sectoral and Technical Committee is to consider reorganizing ILO's sectoral work into eight main clusters to better reflect ongoing restructuring of industries and services. I believe this renewal of our sectoral activities will permit, throughout the Office, a sharper eye for the sectoral dimension of the four strategic objectives.

I hope that discussions on the reorganization of the International Labour Conference will yield agreements that can be acted upon already this year.

We have started on an external review of ILO research and of ILO statistical indicators. In parallel, steps are being taken to arrive at a coordinated and focused knowledge and research strategy.

This is in line with the results-based management strategy paper of last November which will be fully implemented in 2008–09.

We have introduced new ethical standards. By 28 February 2007, all ILO officials had signed disclosure of interests forms. A financial disclosure requirement for all senior officials and those in sensitive positions, such as in Procurement, will be introduced on 1 April 2007.

We have strengthened our accountability systems.

The proposal before you to appoint a new external auditor for a four-year period has been preceded by a comprehensive and transparent selection procedure.

A similar open and transparent selection procedure led to my recommendation for the position of internal auditor, which will be before the Governing Body.

You are to consider the establishment of an independent oversight committee with the purpose of guiding your decisions and providing you with independent expert advice on financial, audit and oversight matters.

## **(c) *ILO regular budget***

If we are serious about the ILO fully developing its potential to service constituents, together with enhancing our efficiency and effectiveness, we need to significantly increase

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the resources of the regular budget. As you know, this has been and continues to be what I believe is best for the institution, given the relevance of our agenda for countries.

Zero budget growth as a permanent policy, however much constituents may appreciate the value of our services, is not a good management tool. Last November, I looked for ways to build a consensus on a higher level of resources that our Organization needs.

At that time, some of you indicated that you supported a real increase in the ILO regular budget. At the same time, several government representatives, from developing and developed countries, informed that, although agreeing on the principle, binding fiscal constraints prevented them from supporting this option now.

This difficulty in no way diminished your shared attachment to the ILO and your agreement with the overall priorities of the ILO programme.

In the light of this situation, I concluded that, for this time, there would be no consensus on an increase in the ILO regular budget.

As a result, I decided to submit, for 2008–09, a regular budget at the same level, in real terms, as for the current biennium.

This should not, in my view, preclude agreement in the future on a significant increase in the regular budget. I want to invite the Governing Body to put this issue on its agenda in order to have a serious discussion outside of the budget approval process.

I believe that financing the renovation of the headquarters building requires a balanced and practical approach. You will shortly receive the report of your Building Subcommittee. Within the zero-growth budget proposed to you, the options to finance the large investment required are limited. I am looking for your guidance on this important matter.

**(d) *A new Regular Budget Supplementary Account***

Faced with this difficulty on the regular budget, I called for a different approach to overcome this situation.

Based on preliminary ideas, we began consultations within weeks of the end of the November 2006 Governing Body. We have progressively adapted our original ideas to accommodate your concerns and reflect your many useful suggestions.

On an exploratory and prudent basis, I am proposing to you a new mechanism in the form of a voluntary Regular Budget Supplementary Account. We will take into account the experience of other international organizations.

This proposal has to my mind several qualities.

It would provide countries with the option of voluntarily contributing above their regular assessed contribution to priorities identified by the Governing Body.

It would provide additional voluntary contributions within the regular budget and its monitoring and accountability process. This would strengthen the oversight of the Governing Body on the allocation of resources and in reviewing their use.

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The resources made available would be directed primarily at technical support to constituents in the regions through Decent Work Country Programmes. The contributions would be earmarked to a region or a strategic objective, and any combinations of these.

I have highlighted the opportunity this offers for strengthened South-South cooperation. As we know, making available experiences among developing countries is sometimes the best policy advice.

Donors would be nominally and publicly acknowledged. There would be reduced transaction costs by reporting within the normal programme and budget cycle before the Governing Body and the International Labour Conference.

I should like to here publicly acknowledge that the Government of Spain has contributed 3 million euros in 2006 to the ILO. This exceptional and voluntary contribution will be handled along the lines of the future supplementary account.

The proposed mechanism is straightforward.

With energetic resource mobilization, in an environment of increasing voluntary commitment to more resources for international development cooperation, I believe we should be able to move beyond the limits of the regular budget to implement ILO programmes.

### **III. The ILO and a changing United Nations**

The relationship between the UN and the ILO has seen a qualitative change since the introduction of the Decent Work Agenda. This flows directly from the high-level pronouncements of the United Nations General Assembly and its Economic and Social Council embracing the Decent Work Agenda.

ECOSOC has called on United Nations funds, programmes and agencies and financial institutions to mainstream the goals of full and productive employment and decent work for all.

As the Governing Body will separately address matters of UN reform, let me mention only a few points here. In addition, my address to the Executive Board of the UNDP in January is available in this room.

I believe that movement towards a “One UN” is possible by drawing on the rich diversity and comparative advantages of agencies, programmes and funds. This calls for respecting the identity and characteristics of each.

For the ILO this means, in particular, appreciating the value that our tripartite and standard-setting identity, together with our policy development experience brings to the UN system as a whole. This, as well as respecting our governance structure.

In this framework, I am a strong proponent of strengthened collaboration among UN agencies.

UN reform is reform of the entire multilateral system, including the Bretton-Woods institutions and the development cooperation community.

This needs a practical, step-by-step, approach.

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In the eight pilot countries, selected for an experimental application of the “One UN”, we are focusing on the ILO contribution, with our tripartite identity, to the common UN country programmes. A brief description of the current state of our activities in the pilot countries will shortly be made available in this room.

I propose a specific allocation in the budget to facilitate ILO participation in UN reform and in inter-agency collaboration. This is meant to strengthen technical support for inter-agency cooperation and ILO contributions to UN reform efforts. It will also facilitate our participation in countries in which we do not have a local presence.

The tripartite constituency should be regularly informed of progress made in the pilot countries through national and subregional exchanges.

As a practical step forward, with the UNDP Administrator Kemal Dervis, I have signed a joint letter on 9 February 2007 addressed to all United Nations Resident Coordinators, UNDP Country Directors and ILO external office Directors, requesting their support to mainstream the Decent Work Agenda into UN country programmes and national development strategies.

To move forward, the UNDP and the ILO are organizing an executive workshop in April 2007 in Turin for a group of UN Resident Coordinators and ILO country Directors to become familiar respectively, with the Decent Work Agenda and the ILO tripartite identity, and with UNDP business practices.

## **Concluding words**

Dear friends,

International and national agendas are converging with the ILO Decent Work Agenda. More countries are interested in a decent work strategy. We are facing many new requests for additional support.

My programme and budget proposals provide a realistic and measured response.

The proposals are centred on the four strategic objectives and building the capacity of constituents.

Decent Work Country Programmes are the tool to put concrete motion to our strategic approach.

To pursue this, constituents need your support, including for additional resources.

Dear friends,

This discussion is about programme priorities, available resources, effectiveness and efficiency.

But it also about hope.

It is about our capacity to connect with the hope that the ILO’s Decent Work Agenda brings to people – to individuals, to families, to communities.

We stand for the dignity that people want out of their life at work.

This opportunity to serve is not given to everybody.

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Today, with the support that we have, we are custodians of a trust. You are custodians of a trust.

A trust that ILO's tripartism – beyond its differences – can stand tall and with conviction, say “All of us together are making every possible effort – within our mandate and our means – to make the world of work a place of dignity for everybody.”