



**Remarks of Director-General Juan Somavia
Programme, Financial and Administrative Committee
292nd Session of the Governing Body**

Geneva

7 March 2005

Monsieur Philippe Séguin, Président du Conseil d'administration,
Monsieur Marc Blondel, porte-parole du groupe des travailleurs,
Mr. Bokkie Botha, spokesperson for the Employers' group,
Representatives of Government delegations members of the Governing Body,

Dear friends,

I am pleased to launch the formal discussion of our Programme and Budget proposals for 2006-07. But, in many ways, our conversation is already well under way. I made sure that we set in motion an early and ongoing consultation process with our constituents.

Building blocks

The building blocks of my proposal are the following:

- The focus is on decent work as a global goal and the interrelated actions needed at the local, national, regional and international levels to make it happen.
- The emphasis is on continuity – reinforcing, deepening and interrelating the four strategic objectives under the Decent Work Agenda.
- Decent work country programmes provide the unifying framework for the delivery of ILO services to our constituents at the country level.
- Five mainstreamed strategies are interwoven through the strategic objectives to reinforce the integrating nature of decent work.
- InFocus initiatives are proposed in three areas of particular interest to constituents: corporate social responsibility; export processing zones; and the informal economy.
- And, strong emphasis is placed on institutional capabilities to cope with increasing demands and to improve our knowledge base and service capacity.

Consultations

Following the substantive directions given by you in the initial discussions last November on the preview of my Programme and Budget proposals for 2006-07, the Office undertook an extensive exchange with all regional government groups and many individual governments as well as with the employers' and workers' groups. These consultations have facilitated an exchange of information and better appreciation of the respective views and positions. They certainly helped to fashion the proposals before you.

Let me mention a few such ways. All constituents valued highly continuity around a stable medium-term strategy based on the four strategic objectives set six years ago. The utility of identifying cross-cutting issues was recognized by all, but constituents warned about introducing too much complexity into programmes, so these have been simplified.

In a similar vein, we dropped one of our ideas for an InFocus initiative and are covering the topic within an established programme. The decent work country programmes are more clearly identified as the main delivery vehicle for the programme following widespread support and interest for the concept. And, we took a second, and indeed third, look at our proposals on investments and found ways to cut them back including on areas such as security and buildings maintenance. We heard the strong voice of many countries urging us to protect programmes and regional resources and we acted accordingly.

In this process, I observed a tremendous amount of common ground. We all want to see a stronger ILO which is more efficient and effective. As you know, I am committed to organizational change – making sure that the ILO is ready to adapt to changing demands and to adopt best practices to enhance quality and knowledge. It is not just about changing administrative structures – but spreading a culture of change throughout the Organization, throughout headquarters and between headquarters and the region.

Balance

Our Organization is diverse and your interests and needs are varied.

The budget proposal acknowledges your rising demand for technical services and programmes in traditional areas within the policy challenges that globalization brings to our doors. This, of course, together with the need for a reasonable level of the budget. Our proposals address these very legitimate but often conflicting claims.

We all know that seeking the right balance is not an easy exercise. My colleagues and I have spent long hours carving out what we see as a reasonable compromise.

Every budget must stand on its own, addressing the specific challenges of its day and the special demands of the immediate future.

Perhaps, above all, this is a budget that recognizes that these are not easy times for anyone. In all of your countries, public budgets are under pressure and subject to close scrutiny. As ours should be. In times of shrinking budgets and growing demands, we all need to make choices while evaluating risks and implications.

In the end, it is for you to defend the choices made here with your respective constituencies and ultimately with your public opinions.

Our duty in the Office is to honour the trust you place in us and deliver efficiently the quality services and products you request within the means you will define.

This budget seeks to protect, consolidate and deepen the progress we have made in the past in increasing resources to technical programmes and regions – while recognizing the need to respond to extraordinary expenditures and institutional investments we must make for the future.

Achieving real savings

In the last three budgets, we did more with less by cutting administrative and support expenditures. This budget sticks to the line of pushing for more savings and efficiency.

Savings equivalent to 3.5 per cent of the 2004-05 budget have been identified amounting to 18.3 million dollars. All units throughout the Office have contributed to this very significant effort. We are proposing a 24 per cent reduction in travel costs. We are streamlining administrative structures and procedures. We have begun reducing senior positions and consolidating management responsibilities. In time these and other reforms will produce higher efficiency. Again this corresponds to a strong consensus of your Committee.

Financing investments

Resources released through savings and efficiency gains will be used to finance, under Part I of the regular budget, ongoing expenditures in relation to human resources development and IRIS.

We are committed to investing in the knowledge and skills of our staff. Our comparative advantage as an international organization is based on a sound knowledge of the world of work. But that essential foundation can be easily lost.

As the ILO looks to higher staff turnover for several years to come, adequate funding in human resources development is essential. Resources for staff development equivalent to 2.4 per cent of total staff costs is included in our budget.

In addition, the need to finance a new information system was rendered inevitable given the increasing obsolescence of our old systems which have served us well, at very low cost, for a long time.

The annual operational cost of IRIS has been revised downward and it compares favourably with those of other public and private organizations. Your Committee will be closely associated in determining the future policy orientations of IRIS and information technology.

Institutional investment and extraordinary items

Savings in Part I have funded an important component of our investment needs, but not all. So let me now turn to Part IV which covers institutional investments and extraordinary items. We have a responsibility to provide for the security of our staff, ensure the integrity of our buildings, make essential updates to our information technology and provide for an extraordinary expenditure item for the Maritime Conference. After consultations, initial estimates in this overall area were revised downward.

Expenditure on security of persons is growing rapidly. Standards are evolving constantly. New measures have and are being introduced, from new accommodation to new equipment and procedures.

The normal wear and tear of intensely used equipment and buildings periodically also requires new investments, the returns of which are seen over several years. The debate in the Building Subcommittee should guide us in this respect.

I have included in Part IV, as an extraordinary expenditure, the holding of the Maritime Session of the International Labour Conference as soon as possible in 2006. This concerns a vital sector in our globalized economy.

The proposed real increase of 4.3 per cent against the 2004-05 budget only partially compensates the cumulative 5.8 per cent real decline in the budget since 1996-97. Our means to accommodate investment and extraordinary expenditure are severely curtailed because the budget is today significantly lower in real terms, and because we have already made important reductions in administrative and operational costs in our three previous budgets, as well as in this proposal.

I trust that we can find a way to finance the extraordinary expenditure listed in Part IV of my proposals. Clearly, it will be very difficult to absorb into Part I expenditure itemized in Part IV.

Cost increases are determined outside of the ILO

You well know that staff remuneration – which accounts for the bulk of the provision for cost increase – is largely beyond the control of the ILO's Governing Body. We are required to follow the decisions of the United Nations common system as approved by the General Assembly.

Estimates of cost increases on goods and services purchased by the ILO are technically sound and prudent, in line with our past record.

Charting our course

A budget sets policies, defines possibilities and charts a course.

The course that you have set has helped ensure that the ILO touches the real lives of people and responds to the declared policy priorities of our constituents with our Decent Work Agenda. The choices you make now will guide the future – and demonstrate in the public eye the extent to which governments, employers and workers support this unique tripartite structure of ours.

Let us recall our predecessors left us with a living legacy – the mandate to be true to our values and continue to be relevant as the world continues to change. We have known difficulties and tough times. We have faced them and overcome them together. I am confident we will do so again with commitment and dedication, a common focus on the future and the will to find solutions that are acceptable to all.

I thank you for your attention.

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