



FIRST ITEM ON THE AGENDA

**Poverty reduction and decent work
in a globalizing world**

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Introduction

1. One of the conclusions drawn by the Chair of the Working Party at its meeting in November 2000 was that it would be useful to take the debate on the social dimension of globalization forward by focusing on poverty reduction and decent work, through consideration of a preliminary synthesis of how ongoing ILO work, set in the context of globalization issues, is progressing and contributing to more coherent economic and social development strategies at the national level.¹ The current paper aims to provide background information for this discussion.

I. Perceptions of poverty

2. In many ways the ILO was a pioneer of international action against poverty. The preamble to the Constitution adopted in 1919 mandates the ILO to pursue social justice, and the 1944 Declaration of Philadelphia states "... poverty anywhere constitutes a danger to prosperity everywhere ...". In more recent times the World Employment Programme launched in 1969 led to extensive work on how employment strategies could help in the realization of basic needs and was a major influence on development thinking during the 1970s and early 1980s. Amongst other things, ILO research during this period pioneered analysis of the problems of rural and urban workers in the "informal sector" who were marginalized from the then dominant view of development through industrialization.²
3. The concept of decent work is thus built on the foundation of long experience in working with constituents in a variety of programmes and in analysis of the interactions between employment, labour market and social protection policies in many different circumstances.³ Within this perspective, a persistent theme of the ILO's work is the importance of embedding labour and social policies in an institutional framework that creates opportunities for full, productive and freely chosen employment. However, the decent work approach also recognizes the need for the Organization to re-examine how, based on an enduring set of fundamental principles and rights, existing institutions of and around the labour market should respond to increasing international economic integration while at the same time contributing to a more coherent international architecture for sustained and equitable growth.
4. The international community has as a result of a recent series of international conferences and meetings – including the 1995 Copenhagen Social Summit, the Geneva 2000 General Assembly Special Session review and the Millennium Summit – set a number of international development targets, including reducing the proportion of people living in

¹ GB.279/16 para. 14.

² See Institute for International Labour Studies: *The ILO and the informal sector: An institutional history*, Paul E. Bangasser, Employment Paper 2000/9.

³ See ILO: *The poverty agenda and the ILO*, edited by Gerry Rodgers, 1995. This survey was prepared as part of the ILO contribution to the Copenhagen Social Summit.

extreme poverty defined as a minimum income equivalent to less than \$1 a day by half between 1990 and 2015. In 1998 this figure stood at about 1.2 billion people.⁴

5. A further 1.6 billion people live on \$2 a day or less and are thus also poor, insecure and at risk of falling below the level of bare subsistence. In global terms about half the world's population, almost exclusively in developing and some transition countries, live in severe poverty. However, poverty is also a relative concept. In many countries, including the richest, inequalities in the distribution of income and wealth leave a substantial proportion of the population living in conditions which most would regard as unacceptably low by comparison to, say, national average incomes, and likely to deprive them of the opportunity to fulfil and develop their capabilities. As living standards rise, definitions of what constitutes basic needs for a decent life also rise. Thus, few countries would claim to have eliminated poverty entirely.
6. In this context it is important to note that poverty prevention is often as important as poverty reduction, and the ILO also aims to enlarge the scope and coverage of social protection systems and promote improvements in productivity and working conditions, not least because more equitable patterns of growth can ensure that problems of extreme poverty are avoided. Nevertheless, as a global organization, the ILO has a responsibility to maximize its efforts to reduce and ultimately eliminate the extreme poverty that afflicts the poorest in the world whilst setting in place policies that secure these gains for the future.
7. Studies of poverty and relative deprivation, while usually founded on a comparison of income against basic material needs for food, shelter and clothing, have from the earliest days also encompassed a wider appreciation of the cumulative effect of a number of aspects of the life of poor people, perhaps best summed up as the loss of dignity or the humiliation poverty engenders. Dignity is, of course, much less susceptible to quantification as it implies a sense of self-respect and of respect from the rest of the community, as well as material well-being. However, many surveys of the poor reveal that the most injurious and debilitating characteristic of poverty is loss of dignity, because it seriously weakens relationships within families and communities and with persons in authority, and thus the capacity to escape from a cycle of deprivation that can endure for generations.⁵
8. Increasingly, analysts have tried to capture the multifaceted character of poverty in their research and policy proposals. Since 1990 the UNDP has developed its analysis of human development through an annual report on a composite index of measures reflecting achievements in the most basic human capabilities – leading a long life, being knowledgeable and enjoying a decent living standard. Their reports also include a wealth of information on other important factors, including gender inequalities, access to safe water, health services and sanitation, food security and nutrition. For many of the poorest,

⁴ See *UNDP Poverty Report 2000: Overcoming human poverty* and www.paris21.org/betterworld/ The six other central international development goals are to enrol all children in primary school by 2015, make progress toward gender equality and empowering women by eliminating gender disparities in primary and secondary education by 2005, reduce infant mortality rates by two-thirds between 1990 and 2015, reduce maternal mortality rates by three-quarters between 1990 and 2015, provide access for all who need reproductive health services by 2015, and implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015.

⁵ This aspect of poverty was strongly revealed in a recent large-scale survey by the World Bank, the results of which were published in a series of volumes entitled “*Voices of the poor*”.

crime represents a major threat to their personal security and income-earning capacities, and the UNDP provides statistics to measure exposure to the impact of criminal activity. In addition, the *Human Development Report 2000: Human rights and human development*⁶ presents information on participation in the political system and the ratification of international human rights instruments as proxy indicators of the extent to which poor people have a voice in deciding their own futures.

9. The UNDP's analysis of human development is built to a large extent on the notion of development as freedom expounded by Amartya Sen, who for many years has also been closely associated with the ILO.⁷ He analyses poverty in terms of various forms of "unfreedom" that prevent people from realizing and enlarging their capabilities. This view of development is broad and integrated, encompassing both civil and political liberties and economic and social rights as primary *goals* of development and the principal *means* of progress.
10. The decade of the 1990s and the experience of successive phases of structural adjustment policies since the early 1980s have also stimulated considerable reflection in the World Bank about poverty, its causes and the strategies for its reduction. Its 1990 *World Development Report* focused on health and education as two key determinants of poverty-reducing growth. By contrast, its 2000-01 report,⁸ also on the theme of poverty, enlarged its analysis using the concepts of opportunity, empowerment and security to develop a broader foundation for its thinking, a number of elements of which are similar to those of the *Human Development Report*.
11. The decision of the ILO in 1999 to focus its mission on the goal of "decent work for all" comes at a time when, although it may be premature to speak in terms of a consensus about the nature and causes of poverty, there are signs of some convergence around components of a broad-based strategy. One of the foundations of the decent work approach is awareness of the interrelationships between the policies needed to raise both the quantity and quality of work opportunities as an integral part of a renewed search – in the changed environment of a globalizing world economy – for a balance between the goals of efficiency and equity.
12. Following the World Summit for Social Development (Copenhagen 1995), and in response to growing concerns about the social dimension of globalization, poverty reduction has become increasingly emphasized as a major challenge for international policy-makers and the capacity of the multilateral system to construct coherent economic and social policies. This issue is a priority topic for the UN system, and the ILO Director-General has been invited to present a paper on policy integration to a meeting of the Administrative Committee for Coordination (ACC). The forthcoming UN Conference on the Least Developed Countries (Brussels May 2001) and the 2002 UN High-Level Event on Financing for Development will provide further opportunities to mobilize international action for poverty reduction. The Office is following the preparatory process and the Director-General plans to present statements at both meetings. The World Summit on Sustainable Development (Rio+10) will also be held in 2002 in South Africa and will focus on ensuring "a balance between economic development, social development and

⁶ <http://www.undp.org/hdro/>

⁷ See "Work and rights" in ILO: *International Labour Review* 2000/2, based on his [speech to the 87th Session of the International Labour Conference](#) (1999).

⁸ *World Development Report 2000/2001: Attacking poverty*.

environmental protection as these are interdependent and mutually reinforcing components of sustainable development”.⁹

II. From analysis to action

13. The effort to strengthen poverty-reduction policies has, over the last two to three years, come to focus on how assistance, from both multilateral and national sources, can be best set in a comprehensive framework developed by national authorities in dialogue with the international agencies. Considerable impetus to this idea was provided by the President of the World Bank, Mr. James Wolfensohn, in his 1998 Annual Meetings speech in which he suggested the need for a more integrated approach to development based on a framework articulated and “owned” by the country itself. The Comprehensive Development Framework, as it is now known, suggests a long-term holistic approach to development that recognizes the importance of macroeconomic fundamentals but gives equal weight to the institutional, structural and social underpinnings of a robust market economy. It emphasizes strong partnerships between governments, donors, civil society, the private sector, and other development actors. The Bank now stresses that in the CDF approach the country is in the driver’s seat, both “owning” and directing the developing agenda, with the Bank and the country’s other partners each defining their support in their respective business plans. The CDF is thus essentially a process rather than a blueprint to be applied to all countries in a uniform manner. In the short run, the CDF aims to establish mechanisms to bring people together and build consensus, forge stronger partnerships that reduce wasteful inter-agency competition, and emphasize the achievement of concrete results. In the long run, the CDF process is expected to enhance development effectiveness and contribute toward the central goal of poverty reduction and reaching agreed targets such as the International Development Goals.¹⁰
14. Building on the principles of the CDF, the World Bank and the IMF are collaborating to support a process aimed at producing national Poverty Reduction Strategy Papers (PRSPs) which in turn form a basis for the funding of specific programmes, including debt relief for the highly indebted poorest countries under the HIPC initiative and the IMF’s Poverty Reduction and Growth Facility.¹¹ The UN Development Assistance Framework (UNDAF) similarly aims to link together the work of the UN development agencies. Both processes are based on a leading role for national authorities in the elaboration of a broad-based set of policies and programmes through consultation both with international partners and also representatives of civil society. For many developing countries, and in particular the least developed, achieving the target of reducing extreme poverty by half by 2015 will revolve around the success or failure of the policy integration that emerges from the PRSP and UNDAF processes.
15. A Poverty Reduction Strategy Paper (PRSP) is an annually updated document that a country prepares in collaboration with the Bank and the IMF. The PRSP outlines the country’s plans to foster growth and reduce poverty through three-year economic

⁹ UN General Assembly A/RES/55/199, 20 December 2000 <http://www.un.org/rio+10/webpages/resolution.htm>

¹⁰ See www.worldbank.org/cdf/

¹¹ See www.worldbank.org/hipc/ and www.imf.org/external/np/exr/facts/prgf.htm

adjustment programmes that include macroeconomic, structural and social policies.¹² In addition, the PRSP describes associated external financing needs and major sources of financing. By February 2001 some 28 countries had prepared interim PRSPs, which enabled debt relief programmes to start, and three have full PRSPs.¹³ Six core principles underlie the development and implementation of PRSPs. The strategies should be:

- country-driven, involving broad-based participation by civil society and the private sector in all operational steps;
- results-oriented, and focused on outcomes that would benefit the poor;
- comprehensive in recognizing the multidimensional nature of poverty, but also prioritized so that implementation is feasible, in both fiscal and institutional terms;
- partnership-oriented, involving the coordinated participation of development partners (bilateral, multilateral, and non-governmental);
- based on a long-term perspective for poverty reduction.

16. Three steps are envisioned in the preparation of PRSPs :

- developing a comprehensive understanding of poverty and its determinants, beginning with an understanding of who the poor are, where they live, and the main barriers they face in moving out of poverty. This analysis phase also aims to capture the multidimensional nature of poverty (low income, poor health and education, gender, insecurity, powerlessness, etc.);
- choosing the mix of public actions that have the highest impact on poverty reduction. A solid understanding of the nature and causes of poverty is a basis for selecting and prioritizing macroeconomic, structural and social policies based on their expected impact on the achievement of a country's poverty targets;
- selecting and tracking outcome indicators. An appropriate framework for selecting and tracking measures to indicate progress for chosen poverty outcomes is needed to test the effect of policies and programmes and adjust them as needed.

17. Following discussions with the World Bank, the ILO has initiated a pilot programme of cooperation with the Governments and social partners of Cambodia, Honduras, Mali, Nepal and the United Republic of Tanzania to support the development of a decent work component in these countries' poverty-reduction strategies and facilitate tripartite consultations on the strategy. The first phase of this work has involved ILO regional and area experts in reviewing the countries' interim PRSPs. In a second phase the ILO will provide, with the support of the government and social partners, an analysis of the role of employment and decent work in poverty alleviation, and organize – in close collaboration with the World Bank – a tripartite meeting to discuss the PRSP and the ILO's contribution. This work will involve contributions by a number of the ILO's areas of expertise, depending on the priorities of the country concerned. Its overall goal is to ensure that a

¹² See [GB.279/ESP/1](#) for the latest in a series of reports on ILO relations with the Bretton Woods institutions.

¹³ See <http://www.worldbank.org/poverty/strategies/overview.htm> and www.imf.org/external/np/prsp/prsp.asp

decent work dimension to poverty reduction is integrated into national strategies in the five pilot countries and that the lessons learnt are made available to the many other countries also engaged in the PRSP/CDF process.

18. A related initiative by the ILO concerns the *operationalization of decent work*. This aims to build up a comprehensive perspective on the challenges and policy options for the integration of employment, social protection, labour standards and social dialogue policies as part of national development strategies. Pilot programmes have started with Denmark, Panama and the Philippines.

III. The relationship between globalization, economic growth and poverty reduction

19. The background to the ongoing discussions on the composition and sequencing of policies for poverty reduction at national level is the continuing debate on how economic growth impacts on the condition of the poor, and in particular whether, or to what extent, the liberalization of internal and external markets stimulates growth that favours the poorest. The research programme discussed at the Working Party's last meeting is aimed at providing more empirical evidence on these relationships for consideration at future meetings.¹⁴
20. Over the last decade the proportion of the world's population living in extreme poverty in developing countries fell from about 28 to 24 per cent, although the total number remained constant at about 1.2 billion and showed some signs of increasing after 1996. Halving these numbers is a major challenge especially since world population is projected to increase by 2 billion over the next 25 years, 97 per cent of which will be in developing countries. Within these total figures the numbers of absolute poor fell in East Asia, mainly in China, where growth rates were high against a background of policies that were opening up internal markets and allowing increased international competition, but increased by one-third in Africa where 48 per cent of the population live in extreme poverty. This has reinforced the conviction of many that international integration stimulates growth and that growth reduces poverty. However, there is also growing evidence of increasing inequality within some industrialized and the developing countries that may well be associated with the differential impact of the economic trends associated with increased international integration on different groups in society. A fall in the numbers of absolute poor is not inconsistent with rising inequality, since although the poorest may be better off by comparison with their own previous situation, they may also be falling further behind average or higher income groups.
21. Three-quarters of the absolute poor live in rural areas, with women accounting for 60 per cent of those living in rural areas below the poverty line.¹⁵ Agricultural wage workers consistently display the highest incidence and most acute forms of poverty, due mainly to seasonal unemployment and low pay. Much employment in agriculture in developing countries is on small and marginal farms and in casual wage employment. In many countries, e.g. India and Brazil, the share of rural wage labour households is rising, standing at close to 40 per cent in the early 1990s, with the proportion headed by women

¹⁴ [GB.279/WP/SDG/3](#).

¹⁵ See International Fund for Agricultural Development: *Rural Poverty Report 2001* and other publications.

increasing most rapidly. Casual labour performed by marginal farmers would increase that figure at least by half to 60 per cent. Progress in the alleviation of rural poverty is primarily linked to the rate and pattern of agricultural growth, and often to progress in land reform.

22. Opinions differ sharply on how growth relates to poverty reduction. However, most would agree that sustainable growth is a necessary condition for poverty reduction but that the national policy and institutional framework is critical to whether in practice growth is equitable and raises the conditions of the poorest members of society. Rapid growth in countries with a high level of inequality is likely to benefit the better off disproportionately, whereas moderate growth in a less unequal country could have a significant impact on the conditions of the poorest. As a recent World Bank study notes, “gender inequality slows growth and makes policies less effective – and gender equality enhances development”.¹⁶ Indigenous peoples in many countries are among the poorest. The differential impact of growth on rural and urban areas is an important aspect of the relationship between economic performance and poverty reduction.
23. An additional emerging dimension of the growth debate is the interrelationship between social and economic and environmental sustainability. Looking to the future, it will be increasingly important to ensure that poverty reduction and sustainable production and employment are part of integrated development policies. The UNDP has contributed to this effort by further developing the concept of sustainable livelihoods initially contained in the Copenhagen Declaration and subsequently the subject of a special ACC Taskforce led by the ILO.¹⁷ Conceptually, livelihoods connote the means, activities, entitlements and assets by which people make a living, and include not only natural and biological assets, but also social, human and physical assets. In this approach, sustainability implies the ability to cope with and recover from shocks and stresses; economic efficiency; ecological integrity; and social equity.¹⁸ There are thus important potential synergies between decent work and sustainable livelihoods that are revealed in the work of a number of ILO sectoral activities, notably the recent report for the Tripartite Meeting on Moving to Sustainable Agricultural Development.¹⁹
24. There are many dimensions to a comprehensive development framework for growth and poverty reduction. Furthermore, policies focused on poverty need to be viewed against the background of policies designed to open markets, both internally and externally. In addition to addressing issues such as poor health and lack of education highlighted by international development targets, governments also place high priority on the need to ensure a sound foundation for the effective functioning of markets through, amongst other things, the development of the legal system, financial institutions that secure savings and facilitate investment, sound public finances and efficient and accountable public administration. The timing, sequencing and scale of measures to stimulate the integration

¹⁶ World Bank, 2000: *Engendering development: Enhancing development through attention to gender*.

¹⁷ [GB270/ESP/1/1](#).

¹⁸ See UNPD/SEPED Conference Paper, Series 5: “Employment and natural resources management: A livelihoods approach to poverty reduction” by Naresh Singh and Jonathan Gilman, 2000.

¹⁹ See ILO: *Sustainable agriculture in a globalized economy*, Report for discussion at the Tripartite Meeting on Moving to Sustainable Agricultural Development through the Modernization of Agriculture and Employment in a Globalized Economy, Geneva, 2000. See also [GB.280/STM/3/1](#).

of national economies into the international market are also likely to be important influences on both the rate of growth and its impact on the conditions of the poorest. Within a comprehensive approach, it is widely recognized that the framework of institutions and rules within which labour markets function is one of the most important determinants of whether patterns of growth favour the employment and income-earning opportunities of the poor. This presents a direct challenge to the ILO to construct an effective decent work component for inclusion in strategies for poverty-reducing growth and thus make a major contribution to ensuring that globalization works for all.

IV. The role of the ILO in poverty reduction

25. Like poverty itself, the concept of decent work is multifaceted. Decent is a positive word that implies that one's work meets one's expectations and those of the community, but is not exaggerated. Decent work suggests both a reasonable aspiration of how one is treated at work and the return one receives, and also that, similarly, the quality of the product is reasonably good. The report of the Director-General to the International Labour Conference in 1999²⁰ proposed that the goals of the ILO should be the promotion of "opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity". Whilst relevant to workers who are not poor, the concept connects directly to discussions on poverty reduction. As the *World Employment Report, 2001* estimates, the 1.2 billion absolute poor are almost entirely supported by the earnings of the 500 million workers amongst them.²¹ These working poor certainly do not enjoy decent work. An additional 500 million people who are either unemployed, underemployed or rarely earn enough to keep themselves and their families out of poverty might also reasonably be defined as not enjoying decent work. This implies that about one-third of the world's workforce, mainly living in developing and transition countries, are poor and unable to support their families because they do not have decent work.
26. Translating the concept of decent work into a policy framework for poverty reduction will require attention to its four broad and interconnected components, as follows:
- employment;
 - standards and fundamental principles and rights at work;
 - social protection;
 - social dialogue.
27. With respect to poverty reduction, the immediate goal will certainly involve a combination of measures to promote productive employment and social protection, but rights and representation are needed to achieve these advances. Realizing the mutually reinforcing potential of these dimensions of decent work will need a focus on the institutional conditions that create opportunities for women and men to enlarge and exploit their capabilities through work.

²⁰ *Decent work*, (<http://www.ilo.org/public/english/standards/relm/ilc/ilc87/rep-i.htm>).

²¹ GB.280/ESP/4/1 (<http://www.ilo.org/public/english/relm/standards/gb/docs/gb280/pdf/esp-4-1.pdf>).

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28. Most of what the ILO does has a direct or indirect bearing on the goal of poverty reduction. In attempting to provide the synthesis requested by the Working Party, one way to view ILO activities is in terms of its research, analysis and advocacy, standard setting and supervision, and project support. This is somewhat artificial in that the three forms of action are in practice closely connected. Research is often followed up by projects or the development of standards, knowledge gained through standards supervision and projects informs research, and the promotion of standards often takes the form of advisory and capacity-building projects. However, this categorization may help in building up a picture of the means of action available to the ILO and to a system of information management that could help the ILO to bring its expertise to the service of members wishing to develop a decent work component in poverty-reduction strategies.
29. A common element in these three types of activities is the ILO's role in catalyzing action by its tripartite constituency through the exchange of experience, information and analysis and, to the extent possible, by support for the implementation of policies and programmes designed to expand and deepen decent work opportunities and thus realize the targets for poverty reduction. The overall goal is to create an institutional framework within which working women and men are able to use and develop their capabilities to earn a decent living for themselves, their families and communities. The ILO has a special responsibility to articulate and advocate poverty reducing strategies that ensure that people's own work over their lifetime is the primary means of supporting themselves and their families, and of contributing to the welfare of those unable to provide for themselves.
30. The ILO's work on the poverty-related programmes mentioned in the Appendix to this paper has attracted significant donor support, with approvals totalling nearly \$150 million in 1999-2000, about two-thirds of all extra-budgetary approvals. It includes a significant body of information and analysis on global trends in employment and the labour market and more specific reports on the impact of policies on poverty and vulnerable groups. In the follow-up to the 1998 ILO Declaration on Fundamental Principles and Rights at Work, the relationship between standards and development is being pursued more systematically. The drive to eliminate the worst forms of child labour is also enabling constituents to construct a range of activities for a key target group amongst the poor, working families. A range of services is provided through programmes on issues such as micro- and small business development, employment-intensive investments, microfinance, social protection systems and special programmes to enhance the security of excluded groups. The Appendix provides examples, rather than a complete listing, of a large body of work undertaken by ILO staff in various departments and InFocus Programmes at headquarters and by regional offices and multidisciplinary teams in different parts of the world, including the effort to mainstream gender in all ILO activities.²²

V. Decent work as a strategy for poverty reduction: Issues for discussion

31. Rough estimates, which should be further investigated, suggest that about one-third of the world's workforce do not have decent work and that they constitute the main providers of the nearly 3 billion people who subsist on less than \$2 a day, mainly in developing and some transition countries. The ILO has a special responsibility to articulate and advocate strategies that ensure that people's own work over their lifetime is the primary means of supporting themselves and their families, and of contributing to the welfare of those unable

²² See GB.277/5/2, available in [HTML](#) and in [Acrobat](#) format.

to provide for themselves as part of the international community's drive to cut by half the proportion of the world's population living in extreme poverty by 2015.

- 32.** Scarcely an international meeting passes nowadays without expressions of concern that current trends in globalization, while holding great potential for increasing living standards – including those of the world's poorest people – are associated with widening social divides which could ultimately threaten both international economic integration and social development. Many organizations are addressing these issues, and the comparative advantage of the ILO within the multilateral system is to build on its knowledge of the world of work and tripartite systems of social dialogue to focus on the institutional frameworks needed to promote decent work and thus poverty-reducing growth. In doing so it will respond to the common-sense observation that the best way to avoid a life of poverty is to find decent work.
- 33.** The Organization has significant expertise in important aspects of poverty reduction, especially the building of institutional frameworks based on standards and social dialogue needed to ensure that growth favours the expansion of opportunities for the poorest. The sample of the wide variety of ILO activities on poverty reduction summarized in the Appendix suggests that the decent work agenda could add strength to the efforts of the international community to achieve its development targets. However, ILO activities on poverty reduction, partly because they developed in response to demand from its Members, have evolved in a somewhat compartmentalized way. The preliminary synthesis provided in the Appendix shows the scope for improving the Organization's capacity to manage its knowledge base and make it available in a coherent form to constituents and partner agencies
- 34.** The decent work concept should be used to organize the knowledge of the Organization and give it a stronger focus on the priority of poverty reduction. The challenge is to focus our knowledge and services more effectively in support of the efforts of our constituents and to find ways to enlarge our cooperation with partner agencies. Some of these issues are addressed in various aspects of the Programme and Budget proposals for the 2002-03 biennium that are to be discussed by the Programme, Financial and Administrative Committee at the Governing Body's present session²³ and in a planned partnership programme between the ILO and the UK Department for International Development. The Working Party may wish therefore to focus on the issue of how to advance the poverty-reducing potential of decent work in its continuing discussions on the social dimension of globalization and in building partnerships with other agencies in this shared endeavour.
- 35.** The perspectives presented in this paper on the ILO's own activities and their relationship with the work of the multilateral system as a whole suggest five complementary elements in the development of an ILO strategy for focusing decent work on the goal of poverty reduction:

 - a more comprehensive effort to "map" ILO work on poverty reduction is needed to give a better picture of the way in which action on employment, social protection, standards and social dialogue relate to each other;
 - a parallel mapping exercise is also needed to enable the ILO and others to see how its work connects with that of other agencies with a view to maximizing its specific contribution within an integrated policy framework;

²³ GB.280/PFA/7.

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- the planned further research by the ILO on the scope for integrated policies in the context of the challenges of globalization should address the relationship between, on the one hand, international and regional integration processes, and on the other growth, decent work and poverty reduction;
 - further work is needed to deepen the intellectual underpinnings of decent work and demonstrate its relevance to the challenges posed by globalization;
 - the ILO needs to test the operational value of the decent work agenda as a tool for progressing towards integrated economic and social policies for poverty-reducing development.

Geneva, 26 February 2001.

Appendix

An illustrative overview of ILO activities on poverty and decent work

This Appendix provides examples, rather than a complete listing, of a large body of work undertaken by ILO staff in various departments and InFocus Programmes at headquarters and by regional offices and multidisciplinary teams in different parts of the world, including the effort to mainstream gender in all ILO activities.

1. Research, analysis and advocacy

1. At the level of global analysis both the ILO's *World Employment Report 2001* (WER) and its *World Labour Report 2000* (WLR) were focused on how the impact of trends in the information economy and social protection were affecting different groups, and in particular the least well-off. The WER included a chapter on overcoming the digital divide and poverty alleviation. It concluded that, to the extent that information and communications technology (ICT) can improve aggregate economic growth, this could generate linkages to activities that provide livelihoods for those who are poor. Poor people could also benefit directly through access to the information that the technologies provide, and through the potential for greater collective voice and empowerment they allow. It also found that if the potential of the technologies were realized, they could make governments more transparent and extend their services more broadly and at lower cost, thus enabling the poor to benefit from the improved quality and reach of health, education, and social services. This could also create opportunities for women through access to learning, incomes, and greater autonomy. Access to ICT for poor segments of the population is more likely to occur at the community level. A key focus for expanding such access could be through the improvement of NGO capacities and other local development agencies in, for example, the fields of health care, child welfare, basic education or nutrition. The WLR highlighted the importance of extending the coverage of social protection to the informal sector both through compulsory schemes, and where this was not yet feasible, through pilot micro-insurance and other grass-roots initiatives. Of continuing relevance to the design of decent work strategies for poverty reduction is the *World Employment Report 1998-99: "Employability in the global economy – How training matters"*.
2. The ILO also produces a stream of *thematic studies* of global issues related to poverty reduction. The most recent include *Workers without frontiers: The impact of globalization on international migration* by Peter Stalker; *Social security for the excluded majority: Case studies of developing countries* edited by Wouter van Ginneken; *Credit unions and the poverty challenge: Extending outreach, enhancing sustainability*, edited by Bernd Balkenhol; *Learning to change: Skills development among the economically vulnerable and socially excluded in developing countries* by Paul Bennell and *Adjustment, employment and missing institutions in Africa: The experience in eastern and southern Africa* edited by Willem van der Geest and Rolph van der Hoeven. Each of these substantial volumes highlights important aspects of the challenges that face policy-makers in addressing poverty.
3. A rather different recent publication, which draws on research and analysis for the purposes of advocacy, is a modular package on "Gender, poverty and employment". The package is intended for use by trainers to support capacity building by a wide range of social actors and institutions in developing countries and could be used to address a number of gender-specific poverty development issues. The ILO's strategy on combating gender discrimination in employment is outlined in *More and better jobs for women: An action guide* by L. Lean Lim.
4. The Employment Strategy Department of the ILO has an ongoing programme of research, much of which is devoted to analysis of the impact of economic policies on the labour market and poverty reduction in developing countries. A series of papers have been published and more are in preparation on topics including "Poverty and structural adjustment: some remarks on trade-offs between equity and growth", "Assessing aid and global governance – why poverty and redistribution objectives matter", "Redistribution matters: growth for poverty reduction", "Is a minimum wage an effective tool to promote decent work and reduce poverty?" and "Trade

liberalization and manufacturing employment”¹ A recent publication, *Employment revival in Europe* by Peter Auer analyses the relative success of Austria, Denmark, Ireland and the Netherlands in achieving strong, stable and equitable economic growth with high levels of employment and social protection.

5. The Employment Strategy Department, in collaboration with ILO regional experts and national officials, has also conducted a series of country employment policy reviews over the last few years that provide a rich source of information and analysis on labour market developments, including trends in incomes. Recent examples of particular interest to the issue of decent work and poverty reduction cover Thailand, Brazil, Kenya and Pakistan. The series of country studies on the social impact of globalization presented to the Working Party in November 1999 are also highly relevant to the examination of the relationships between international economic integration, growth, decent work and poverty reduction.²
6. In November this year the ILO will host a Global Employment Forum which, amongst other things, aims to establish a comprehensive employment strategy.³ An ILO background report is currently in preparation and will address the central challenge of how to ensure higher and more stable growth rates with levels of labour force participation that reduce and eliminate unemployment and underemployment. A major theme of the report will be the relationship between employment growth and poverty reduction. In parallel with preparations for this conference the Office has also started to prepare a report on the informal sector for general discussion at the International Labour Conference in 2002, as agreed by the Governing Body at its last session.⁴ The Office preparations for this item will entail a broad examination of how the concept of decent work can be operationalized in the informal sector and thus of the contribution that the ILO can make to the issue of poverty reduction.⁵

2. Standard setting and supervision

7. The Working Party discussed at its last meeting the relationship between development and the ILO's promotional work on follow-up to the Declaration on Fundamental Principles and Rights at Work.⁶ For the purposes of the current paper it is sufficient to note that conceptual and some empirical work demonstrates that institutions of voice founded on freedom of association and the rights to organize and bargain can play an important role in building consensus around successful national strategies for development. Enlargement of the scope of legal guarantees for freedom of association could also be important in addressing the problems of both micro- and small enterprises and of workers in the informal sectors of developing countries, who often face major difficulties in ensuring that their interests are represented in policy-making. The sequence of annual and global reports on fundamental principles and rights at work, coupled with the growing promotional programme of the InFocus Programme, will enlarge the ILO's understanding of how the promotion of the observance of standards on forced labour, child labour and discrimination interact with the development process. The Declaration InFocus Programme has \$9.7million of approved extra-budgetary support for 1999-2000, a figure set to grow over the next biennium.

¹ See the *Employment Papers* series available through the [Employment Strategy web pages](#).

² [GB.276/WP/SDL/1](#).

³ See [GB.280/ESP/3](#) (<http://www.ilo.org/public/english/standards/relm/gb/docs/gb280/pdf/esp-3.pdf>).

⁴ [GB.279/3](#), para. 15.

⁵ [GB.277/2/1](#).

⁶ [GB.279/WP/SDG/2](#).

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8. Child labour is both a cause and a consequence of poverty. The progressive eradication and prevention of child labour is thus to a large extent associated with long-term efforts to reduce poverty and requires a three-pronged strategy built on measures to reduce family poverty through the creation of decent work opportunities for adult family members; to enlarge access to education for children – especially girls – of poor families; and to introduce and apply labour market regulations. The large and still growing IPEC programme is the biggest single ILO programme having a direct bearing on poverty reduction. IPEC is presently enhancing the poverty and development perspectives of its country programmes by way of a time-bound approach that aims to prevent and eliminate the worst forms of child labour in each participating country. IPEC is the single largest ILO poverty-related programme, with over \$88 million of extra-budgetary resources approved in 1999-2000.
 9. In addition to the fundamental rights Conventions referenced in the Declaration, numerous other Conventions and Recommendations are also potentially important instruments for poverty reduction. The reports of the Committee of Experts on the Application of Conventions and Recommendations thus provide an invaluable reference for ILO action in areas such as Human Resources Development (C142), Employment Policy (C122), Occupational Health and Safety (C155), Indigenous and Tribal Peoples (C169), Right of Association (Agriculture) (C11) and Rural Workers' Organizations (C141), and Minimum Wage Fixing Machinery (C131). Given the importance of the role of good governance in strategies for poverty reduction, the reports on Labour Relations (Public Service) Convention, 1978 (No. 151) are also likely to be important in considering how to best carry through reforms in the public service. The Cooperatives (Developing Countries) Recommendation, 1966 (No. 127) will be reviewed at the International Labour Conference in 2001 with a view to adopting a new, more universal standard on the promotion of cooperatives in 2002. One of the main reasons that led the Governing Body to place this item on the agenda was the potential of cooperatives for addressing problems of unemployment and social exclusion.

3. Advisory and capacity-building services

10. The ILO has a considerable range of programmes, in addition to those referred to above, offering advisory and capacity building services often coupled with closely-related research on aspects of decent work relevant to poverty reduction. The programmes described in the following paragraphs are conducted by ILO experts based in regional offices and multidisciplinary teams and staff working in specialist units in Geneva.
11. *Small enterprise development* is a focal point for ILO efforts to boost decent work opportunities, particularly in the informal sector of developing countries. The InFocus Programme on Boosting Employment through Small Enterprise Development (SEED),⁷ with approved extra-budgetary resources of \$13.3 million in 1999-2000, focuses on this sector since this is where most women and men earn their living – in micro and small enterprises or self-employment, and as homeworkers. It is where policies, regulations, business training, market development and organization building can matter most. By taking a systematic approach to managing its knowledge of small enterprise development globally, SEED is able to set priorities for activities, develop innovative pilot projects, and advise ILO constituents and others on the most effective ways to boost employment through small enterprise development, improve their working conditions and increase their productivity, and make them more attractive outsourcing partners for larger enterprises. SEED is developing practical innovative tools which enterprises can use to improve their competitiveness through better job quality, focusing initially on working conditions and access to basic measures of social protection.
12. Often regulations and institutions are blind to existing gender inequalities and may inadvertently reinforce them. The Women Entrepreneurship Development and Gender in Enterprise (WEDGE)⁸ unit of SEED supports governments in creating a gender-balanced legal and regulatory framework

⁷ <http://www.ilo.org/public/english/employment/ent/sed/bds/fit/index.htm>

⁸ <http://www.ilo.org/public/english/employment/ent/sed/publ/pkantor.htm>

for small enterprises and in ensuring equal access to credit, training, business networking and other resources important to the success of women and men as small business owners and operators.

13. A related area of critical importance to improving the quantity and quality of income earning opportunities and extending income security for the poorest is *microfinance*. In seeking to create routes out of poverty for poor people it is necessary to overcome barriers such as insufficient and unstable resources, lack of access to resources, information and markets, powerlessness, not having control over one's life, and not having a voice. Microfinance is a strategy that combats poverty and social exclusion in different ways: it raises the level of incomes (through credit and payment services for livelihood activities), stabilizes income fluctuations (through savings and insurance) and empowers people (through group formation and self-help organizations).
14. Within the ILO, microfinance is addressed by the Social Finance Programme,⁹ an area of work that – using market forces – aims at social justice and decent work. The Programme is part of the Micro-Credit Summit Campaign, the Consultative Group to Assist the Poorest and the Donors' Working Group on Financial Sector Development. The Social Finance Programme, which has \$4.7 million of extra-budgetary resources approved in 1999/2000:
 - reviews, for example, the impact of financial sector policies on the poor and recommends alternative, pro-poor measures;
 - links debt relief and poverty reduction (debt-for-job swaps);
 - provides competition to the moneylender, thus breaking the dependency of bonded labourers on exploitative contracts;
 - links migrant workers' remittances to job creating investments in the home country;
 - promotes member-based savings and credit associations and similar community-based pooling mechanisms.
15. The *Employment-Intensive Investment Programme* (EIIP)¹⁰ of the ILO is concerned with developing coherent policy packages that combine investments targeted at the needs of the poor with appropriate social policies.¹¹ EIIP has attracted substantial extra-budgetary support, and its poverty-related project approvals in 1999-2000 total \$14.9 million. It targets sustainable employment creation as a means of achieving lasting poverty reduction. Its work to develop coherent and comprehensive policy packages includes work on poverty and investment strategies, working out appropriate technology delivery options, delivery through private sector development with appropriate labour standards, and community development with accessibility planning. The employment-intensive investment programmes are a major component of the ILO's InFocus Programme on Crisis Response and Reconstruction.¹² Major features of the technology development work include local level planning (tools like Integrated Rural Accessibility Planning (IRAP), community contracting, labour-based technology (using local resources like labour, materials, skills and funds with the support of light equipment), small-scale contracting (capacity building of – and support to – contractors, consultants and contracting agencies or clients) and sectoral programmes (in roads, water, urban upgrading etc.). The Advisory Support, Information Services and Training Programme (ASIST)¹³ aims to spread awareness of labour-intensive

⁹ <http://www.ilo.org/socialfinance>

¹⁰ <http://www.ilo.org/public/english/employment/recon/eiip/index.htm>

¹¹ See ILO, 2000: *Employment intensive investment in infrastructure: Jobs to build society*.

¹² <http://www.ilo.org/public/english/employment/recon/crisis/index.htm>

¹³ <http://www.ilo.org/public/english/employment/recon/eiip/asist/index.htm>

investment methods through its offices in Bangkok, Harare and Nairobi by providing advisory support, information services and training to projects, consultants, policy-makers, donors, training institutions, universities and others involved in the promotion and application of labour-based technologies.

16. In the Russian Federation and a number of other transition countries, ILO regional and area offices have developed programmes on *enterprise restructuring* aimed at preventing mass layoffs and dealing with the consequences of labour force reductions. As part of a multi-agency anti-poverty strategy for the Russian Federation, the ILO has sponsored a Socially Responsible Enterprise Restructuring Programme. The programme is also active in Belarus and Georgia.
17. The ILO's African Regional Office, in conjunction with the UNDP, is currently implementing with governments and the social partners an Employment Generation for Poverty Reduction Programme, otherwise known as *Jobs for Africa*, as a follow-up to and in support of the Copenhagen Declaration of March 1995.¹⁴ The Programme was initially launched in 1997 in ten countries (Burkina Faso, Cameroon, Côte d'Ivoire, Ethiopia, Mali, Nigeria, Senegal, Uganda, Zambia and Zimbabwe). It has since extended to seven more countries (Algeria, Egypt, Ghana, Kenya, Namibia, the United Republic of Tanzania and South Africa). The conceptual framework is based on an investment-led macroeconomic policy reorientation strategy geared towards promoting poverty-reducing employment. This initiative complements and supports the World Bank/IMF national Poverty-Reducing Strategy Papers (PRSPs) and/or Comprehensive Development Framework (CDFs) as well as exploring the application of HIPC funds for a coherent effort to addressing the challenge of creating employment and alleviating of poverty in Africa. The main objective of the Programme is to implement mutually reinforcing actions to combat poverty through employment creation by:
 - developing a conceptual framework based on an investment-led growth strategies that maximize employment and reduce poverty;
 - identifying policy tools and operational systems (impact assessments of public/private investment on employment and poverty are the main policy tools and national advocacy groups to influence the shift of investment policies for more pro-poor, pro-employment and pro-growth activities are the main operational systems);
 - designing a comprehensive regional programme to support country level employment creation activities.
18. In the short term, Jobs for Africa aims at developing and strengthening the capacity of national and regional institutions and networks in Africa to assess, design and advocate policies for poverty reduction through employment creation. In the longer term, the objective is to build subregional and regional capacity to design and adopt poverty reducing employment strategies based on an investment-led macroeconomic policies that are explicitly targeted towards the poorest segments of the population and are coherent at the micro, sectoral and macro levels. Jobs for Africa, for which an allocation of \$4.6 million in extra-budgetary funds was provided in 1999-2000, provides a strong foundation for the integration of the ILO's decent work approach into the PRSP process in which most African countries are now heavily engaged. The programme is also attracting considerable interest as a component to national PRSPs that is likely to lead to substantial additional funding from multilateral and bilateral donors.
19. The Governing Body received a full report on the ILO's response to the financial crisis in East and South-East Asia at its March 1999 session. The report summarized a range of actions focused on social protection, job creation and enterprise development, social dialogue and standards, many of

¹⁴ See *Jobs for Africa: A policy framework for an employment-intensive growth strategy*: Report of the ILO/UNDP Programme on Employment Generation and Poverty Reduction. ILO, Geneva, August 1997.

which involved collaboration with other agencies.¹⁵ Since then the ILO's Regional Office for *Asia and the Pacific* has developed its partnership with the Asian Regional Development Bank around its new emphasis on poverty reduction and contributed three papers to the February ADB Poverty Forum.¹⁶

20. In the *Americas*, the ILO Regional Office is undertaking a number of activities contributing to poverty reduction including a project with the Labour Ministry and the National Council for Women on More and Better Job for Women in Mexico aimed at improving the situation of women workers in the informal sector and studies on micro-health insurance programmes in Bolivia, Venezuela, Peru, Ecuador and Colombia as part of the STEP programme. In response to Hurricane Mitch's devastating effects in Central America, ILO has provided assistance at a national and local level especially for women through labour-intensive infrastructure projects and the development of small and micro-enterprises. PROMICRO is a project in support to over 100 micro-enterprise programmes in Central America. It aims to improve the quality of employment, in terms of productivity, income and working-conditions, and consequently the quality of life of self-employed persons and micro-entrepreneurs in the informal sector. One of the most important results of this technical assistance is the creation of COCEMI, a subregional organization formed by national micro-enterprise entities that in some countries, has proved able to influence national programmes and advise on policies for this sector. Two linked programmes are DIPLOMADO, which has trained around 600 promoters, credit officers and consultants working in the micro-enterprise sector, and SIPROMICRO, which offers information services to over 3,900 micro and small enterprise clients.
21. A research project on the promotion of employment stability in Argentina, Peru and Panama is analysing labour law reforms that have caused an increase in the precariousness and instability of employment. Although the reforms have reduced hiring costs, numbers of workers on temporary contracts or without any formal contract have increased. There is concern that these trends will cut productivity in the medium or long term since workers' access to training systems is diminished and employers have no incentive to invest in upgrading the knowledge and skills of the workforce. The results of this research are intended to promote tripartite debate and if possible start a negotiation process on how to generate permanent jobs with social protection while increasing enterprise competitiveness. In the Andean countries the ILO has conducted case studies, seminars, as well as direct consultancies to governments, workers and employers' organizations concerning the employment impact of different macroeconomic policies. Research has focused on employment performance and projections regarding expected growth areas. Advisory services have supported reforms in labour legislation aimed at increasing decent work opportunities. In view of the high degree of consensus among ILO constituents throughout the region on the key role of training, the CINTERFOR project has conducted an extensive survey of vocational training and educational systems in the region, aiming to promote closer relations between countries in conducting horizontal cooperation activities such as certification systems that facilitate labour mobility, reform of the national institutes of vocational training and linkages between training institutions and enterprises. In addition, a project funded by the IDB is focusing on training for women heads of poor households.
22. The ILO's *Cooperatives* Department is running an Interregional Programme to Support Self-Reliance of Indigenous and Tribal Peoples through Cooperatives and other Self-Help Organizations (INDISCO). The objective of the INDISCO Programme is to demonstrate, through pilot projects and dissemination of best practices for policy improvement, viable models of participatory indigenous peoples' development through country-specific pilot projects. By raising the capacity of indigenous and tribal peoples' cooperatives and self-help organizations to plan and manage

¹⁵ [GB.274/4/3](#).

¹⁶ *Poverty alleviation, employment and the labour market: Lessons from the Asian experience* by Riswanul Islam; *Social protection policy and governance: The ILO experience* by Anne Drouin; *Micro-Insurance: Extending health insurance to the excluded* by David Dror and Christian Jacquier, available through <http://www.adb.org/Poverty/Forum/papers.htm>

development activities, projects in the Philippines, India, Belize, Viet Nam, Thailand, Namibia, Tanzania, Cameroon and Laos have created practical partnerships in the field of sustainable development. Rather than providing blueprints for indigenous peoples and governments, the programme has aimed at supporting the implementation of country specific models and experiences, which could inform more sustainable government and indigenous peoples' programmes. The approach has been one of sensitization and discussion through concrete experiences, successes and mistakes. INDISCO has, as an ILO programme, a particular advantage to mediate between grass-roots level experiences and governments' long-term planning through its national coordination structures. The core issues identified in the initial phase included threatened subsistence economies, displacement, environmental deterioration, indigenous and tribal women and cooperatives. Extra-budgetary approvals for all the projects of the Cooperatives Department totalled \$4.5 million in 1999-2000.¹⁷

23. Depending on their state of development, countries redistribute between 5 to 30 per cent of GDP through national *social protection systems*. These transfers have a fundamental impact on the income distribution, the level and structure of production and its costs, the government budget, the level and allocation of aggregate demand, hence on the economic behaviour of financiers and beneficiaries and therefore on economic and social development itself. The ILO's Social Security Financial Actuarial and Statistical Services Department (SOCFAS) activities aim at the improvement of financial and fiscal governance of social transfer systems. Social transfers provide, on the one hand, a key policy device to alleviate pre-transfer poverty and, on the other hand, entitlements to social transfers that help to prevent future poverty. SOCFAS has developed three programmes, social expenditure and performance reviews, social budgeting, and a quantitative training initiative that aim to stabilize and extend social security through better governance.¹⁸
24. *Social expenditure and performance reviews* (SPERS) aim to help countries monitor the effectiveness of social protection systems through compiling comprehensive information and a methodology and capacity to interpret that information with respect to the effectiveness and efficiency of the scope and the coverage of national social protection systems. In close collaboration with the Social Protection Network of the World Bank, SOCFAS is developing the concept of Social Protection Expenditure and Performance Reviews and will implement it in selected countries during the period 2000-2001. Amongst others, reviews are planned in Thailand, Poland, the United Republic of Tanzania, Luxembourg, Panama, Nepal, South Africa, and the Philippines. The reviews are expected to identify the scope of social protection in terms of risks and needs covered as well as existing gaps in coverage, establish the costs in terms of annual expenditure and financing structures; and analyse the effectiveness of the performance of the existing social protection schemes. One focus is to identify vulnerable groups which are not covered or whose coverage is not sufficient to alleviate or prevent poverty. The performance of the schemes (inter alia in terms of poverty reduction) is measured through a set of specifically developed indicators. SPERS will serve as social protection inputs to the ILO's support for the inclusion of decent work components into the PRSP process.
25. *Social budgeting* is one of the most powerful tools for the quantitative management of a national social protection system. Built on the basis of SPERS, they provide an economic, financial and fiscal feasibility check for all national social policy measures through medium-term forecasts of the income and expenditure of a national social protection system and simulations of social expenditure and revenues under alternative economic, demographic and/or legislative assumptions. Social budgeting is thus a critical aspect of the improvement of overall government budgeting at the increasingly sensitive intersection between social policy and national financial planning which can have a major influence on poverty prevention and reduction. In order to build the capacity of governments especially in developing countries to construct and use the tool of social budgeting, the ILO and the Universiteit Maastricht (UM) have jointly set up a Masters' Course in Social Protection

¹⁷ See the [INDISCO](#) pages in the [ILO Cooperatives website](#), which also contains information on poverty reduction-related projects on cooperative reform and human resources development.

¹⁸ See [SOCFAS](#) web page.

Financing (QUA-TRAIN) that aims at in-depth training of experts in social protection financial management and long-range financial planning, including social policy design and evaluation. Students in the one-year programme will mainly be mid-career officials in social protection institutions or government agencies primarily in developing countries and transition economies.

26. The InFocus Programme on *Socio-Economic Security*¹⁹ starts from the view that basic security for all is fundamental for social justice. It believes this can be achieved while creating economically dynamic societies, and maintaining sustainable development. Basic security requires policies and institutions by which everybody has access to health services, a decent level of education and the basic needs of their existence, which would enable them to function to the best of their capabilities. The Programme's objectives are to work towards developing a sound knowledge base and policy frameworks, contributing to the founding of a just society that provides work-based security to all. Fundamentally, the Programme intends to identify policies and institutions that provide a growing proportion of the world's population with social and economic security. It will give particularly strong emphasis to ways by which the poor and insecure can obtain basic income security most effectively. It will also seek to identify cost-effective and equitable ways by which social protection can be extended to all groups, and assist and advise policy-makers on schemes to promote social and economic security. It wishes to promote policies that reduce inter-group differences in socio-economic security, to achieve gender equality, and to ensure that forms of insecurity affecting particular groups, such as workers with disabilities, are taken into account in policy formulation. Beginning in 2001 a series of reports on innovatory programmes will be published aimed at enlarging the ILO's knowledge of how vulnerable and excluded groups can in various ways secure themselves from the risks they face and enlarge their decent work opportunities. Extra-budgetary allocations to the programme totalled \$3.5 million in 1999-2000.
27. There is a growing consensus that the extension of social protection cannot be achieved on the basis of traditional national social security systems alone. The *Strategies and Tools against Social Exclusion and Poverty (STEP) Programme*, a technical cooperation project implemented since 1998, is a response to this need. STEP develops and disseminates innovative methods to fight social exclusion and extend social protection that reconciles economic efficiency with social efficacy by combining social justice, efficient management and economic realism. At the local level, STEP is mainly involved in the identification of new and complementary social protection mechanisms aiming to address the priority needs of the disadvantaged groups. This work is based on actively involving the excluded themselves and civil society organizations in finding solutions to the problems they are facing. In this field, STEP has introduced the micro-insurance concept that has now been widely recognized in the development world. At the national level, STEP has been active in developing methods and advisory services for governments and social partners requesting assistance to better analyse the specific situation of exclusion in health in their country as well as to design and operationalize innovative strategies and policies on inclusion by means of realistic, context specific mechanisms. At the global level, STEP has been active in building strategic partnership with key international development organizations in the field of social protection, such as the World Bank, WHO, ADB, the UK Department for International Development, as well as organizations of the civil society. By working closely and learning from its partner organizations, STEP has been able to design technical cooperation projects and other services which combine best practice from various institutions, and ones which incorporate the real needs of the target population. Furthermore, STEP is participating as a core member in the WHO Commission on Macroeconomics and Health, actively shaping the conceptual framework on community health financing. The outcome of this work will have considerable impact on health policies and their redesign in many countries. STEP operates in more than 30 countries with total approvals of extra-budgetary financing for 1999-2000 of \$7.6 million.
28. Paying for health services is one of the major problems for poor households. Few developing countries have national health schemes and those that do often fail to reach the poorest because of the relatively high costs of contributions. *Community-funded micro-insurance schemes* can enhance

¹⁹ See the [SES page](http://www.ilo.org/public/english/protection/ses/index.htm) in the social protection section of the ILO website (<http://www.ilo.org/public/english/protection/ses/index.htm>)

the effectiveness of protection of the poor from the financial impacts of illness.²⁰ However, they sometimes get into difficulty as a result of sudden shocks affecting all or a large part of the insured group. The *Social-Re*²¹ project, jointly initiated by the ILO, World Bank and the Université Claude Bernard Lyon 1, aims to provide an instrument for financial stabilization of micro-insurance schemes. It sets out to model, pilot and assess the viability of applying risk-pooling insurance and reinsurance by covering risks and costs outside the scope of often relatively small schemes. The project has a core funding allocation of \$200,000 starting in 2000 from the ILO and won an additional \$380,000 at the 2000 World Bank Development Marketplace. The immediate outputs will be a book on the conceptual foundations of Social-Re, a toolkit to help in the design of reinsurance schemes and a pilot project in the Philippines starting in 2002.

29. One of the most dramatic challenges to poverty reduction is the rapidly spreading impact of the HIV/AIDS epidemic. More than 90 per cent of the estimated 34 million people infected with HIV/AIDS live in developing countries. The distribution of infection is strongly correlated with poverty. Preventing the spread of the epidemic has become a vital part of anti-poverty strategies not least because it is decimating the prime income-earning generation of entire communities especially in Africa. As part of a multilateral mobilization led by UNAIDS, the ILO has developed a programme built around the workplace to increase awareness, combat the spread of the disease and address its implications for workers and employers and public policy. For many developing countries especially in Africa effective action to arrest the epidemic is critical to poverty reduction and the community of the workplace offers many advantages as a base for mobilization.²² This new programme has \$400,000 of extra-budgetary approvals in the 1999-2000 period with more funding in the pipeline for 2001.

²⁰ “Micro-insurance: Extending health insurance to the excluded” by David Dror and Christian Jacquier, in *International Social Security Review* 1/99.

²¹ <http://www.developmentmarketplace.org/html/report118.html>

²² See [GB.279/7](#) and [GB.280/ESP/5](#).