



## THIRD ITEM ON THE AGENDA

**Poverty Reduction Strategy  
Papers (PRSPs)****An assessment of the ILO's experience****Introduction**

1. The development of the Poverty Reduction Strategy Paper (PRSP) process, and the ILO's role in it since its inception, have been regularly reported to the Committee.<sup>1</sup> A progress report on ILO experience in the five PRSP countries (Cambodia, Honduras, Mali, Nepal and the United Republic of Tanzania), which had been selected for a special effort to demonstrate the role of the Decent Work Agenda, was provided to the Committee in November. The present paper responds to the Committee's request for a more detailed assessment of the ILO's PRSP experience, with focus on two countries.<sup>2</sup>
2. The PRSP process was initiated by the Bretton Woods institutions in Autumn 1999 to ensure that their concessional financing through the IMF's Poverty Reduction and Growth Facility (PRGF) and the World Bank Group's International Development Association (IDA), as well as debt relief under the heavily indebted poor countries (HIPC) initiative, address poverty reduction more effectively. The PRSP process combines the comprehensive development principles of national ownership, a fully participatory process, a holistic approach and long-term vision, as well as stakeholder partnerships with the shorter time frames required for decisions on concessional financing and debt relief. The ILO has joined the international development community in supporting the development of the PRSP process and, in consultation with the IMF and the World Bank, selected five countries for an especially focused effort to demonstrate the effective role of the Decent Work Agenda.
3. For the purpose of assessment, Mali and Nepal were selected to provide regional diversity. Special mention has also been made of the ILO's recent experience in the United Republic of Tanzania, as it demonstrates the importance placed by the ILO on social dialogue. This

<sup>1</sup> GB.276/ESP/5, paras. 10-14 and 24; GB.277/ESP/4, paras. 2-8; GB.279/ESP/1, paras. 7-12; GB.282/ESP/3, paras. 9-20 and Appendix I; see also GB.280/WP/SDG/1.

<sup>2</sup> GB./282/9 and Add., para. 77.

paper first reviews ILO experience in general terms and second in relation to specific countries. It concludes with some of the lessons learned.

4. The implementation of the PRSP at the country level involves a learning process for the national authorities as well as for all partners in the process, including multilateral partners such as the ILO, and that, as a result of differing circumstances in each country, the rate of progress will vary. It is expected that over time the PRSP process will improve in terms of content, preparation and implementation, as the institutions and capacities are built and developed to improve the application of the integral comprehensive development principles. This will lead to a better balance between the short- to medium-term requirements of concessional financing and debt relief, and the longer term requirements of a comprehensive development vision. Key areas to be addressed in this process include: improving institutions and processes for national consultation, participation and ownership; maximizing results in terms of poverty reduction and development impact; improving harmonization and convergence of the activities of bilateral and multilateral donors and partners; linking national expenditure management systems with long-term strategy formulation; and measuring impact through the selection and tracking of outcome indicators.<sup>3</sup> All these elements will be fundamental in strengthening the linkage between economic and social policies.
5. The PRSP cycle usually includes an initial interim PRSP (for countries where urgent decisions concerning concessional financing and debt relief are required from the Bretton Woods institutions), followed by completion of the full PRSP, which is subject to two annual progress reports, with a new PRSP prepared after the third year. The process is expected to be participatory and nationally owned through each of these stages. Partners, including bilateral donors and international organizations, may be associated at each stage of this process, as well as in the implementation phase. Each completed, formal stage in the process is subject to a World Bank/IMF joint staff assessment (JSA), which serves as a basis for financing decisions made by their respective boards and provides a Bretton Woods perspective on where improvements could be made. Throughout the process, continuing efforts are made to improve a PRSP and to check the realism of resource figures, while new elements can be introduced at each stage. At any stage of the cycle, the national authorities may seek and obtain the advice and support of development partners to strengthen elements of both the process and the content. Beyond preparation, the implementation stage of the PRSP provides opportunities for donors and technical assistance partners to work together with the national authorities in contributing to the achievement of policies and programmes identified in the strategies.
6. PRSPs vary in length and detail as well as in their internal logic and sometimes have a different title. Essential elements include: a review of the current levels of poverty, going beyond income poverty to include access to services and other features associated with poverty (distance from roads, etc.); a review of government-provided education, health and other services; a macroeconomic and government financing and expenditure framework; a review of strategies to reduce poverty, sometimes including the specification of sectoral strategies to promote income-earning opportunities; proposals for the improvement of service delivery and for the management of government expenditure; often proposals for the improved and more transparent enforcement of laws and a comprehensive review of possible poverty indicators and of the mechanics for their collection and analysis. Private sector development is central to the overall strategy but legal and other constraints on business activity are not consistently addressed. Employment, and especially the

<sup>3</sup> This last activity, the PARis 21 initiative, is being supported by the ILO Bureau of Statistics and the KILM (key indicators of the labour market) programme.

functioning of labour market institutions, is generally insufficiently addressed. Gender equality is another issue where coverage is patchy. Similarly, insufficient attention is given to social protection. Rarely do PRSPs consider the design of the employment and labour relations policies needed to attract, retain and train the significant numbers of people who will be required to provide the quality and quantity of services needed to meet the targets in national poverty reduction.

7. The main problem with PRSPs as documents, however, is the difficulty of linking proposed actions and strategies to poverty reduction outcomes, a relationship which may anyway be extremely hard to trace. These issues do not go unnoticed. Thus the JSA for the first PRSP Progress Report of the United Republic of Tanzania comments that the report “does not bring out the major linkages between macroeconomic policies, structural reforms and poverty reduction. ... Exploring these linkages remains an important task (JSA, 1 November 2001) ...”. For Honduras, the JSA regretted that past trends in income inequality were not analysed and, in Cambodia, the JSA listed several omissions including “A more comprehensive assessment of the link between labour markets and poverty, especially in view of the large-scale military demobilization under way and forthcoming civil service reform”; “measures that tackle the governance problems most relevant to poverty reduction”; “more detail on the economic and social participation of women”; and, “explicit measures in support of private sector development” (JSA, 26 December 2000). These examples are cited as areas where a review of good practice in each field would provide a valuable input at the country level.
8. An essential element of PRSPs is that they are intended to be more than frameworks drawn up between the Ministry of Finance, ministries responsible for major expenditure and donors. They are intended as plans based on widespread consultation with resulting national ownership. “Ownership” with its implications of solidarity in execution can only follow from in-depth consultation and possibly negotiation. Of course, consultation between a government and elements of civil society is likely to be asymmetric. Furthermore, consultation need not imply consensus. Thus it was noted that, in Honduras, “some groups while endorsing the process ... criticized ... some structural measures (for example, privatization) ... Other more vocal groups ... rejected the final PRSP as a document which does not represent a national consensus” (JSA, 17 September 2001). Governments must accept criticism as a possible consequence of consultation and use it constructively. In the Mali PRSP, some negative comments of NGOs regarding structural adjustment programmes were recorded.
9. With respect to the role that organized worker and employer groups have played in the consultation process, countries differ widely in the degree to which the participation of any organized group in social and economic decision-making is recognized and encouraged. In Nepal, the preparation of the previous (9th) Five-Year Plan did not include such consultation. In Mali, a “civil society” group participated in various PRSP working groups and held regional seminars. This group included employers’ and workers’ organizations, NGOs and church associations. By and large it was NGO inspired. Workers’ organizations in particular do not appear to have always identified themselves as an element of either civil society or the “private sector”. However, it is important that workers’ organizations take every opportunity to make their voices heard, as indeed the ICFTU urged its affiliates in July 2000, referring to them as the most structured element of civil society.<sup>4</sup>
10. However, it must be acknowledged that in many PRSP countries considerable restrictions on the freedom of workers and employers to associate and form or join organizations of

<sup>4</sup> ICFTU OnLine, 25 July 2000.

their own choosing hamper the development of social dialogue on poverty reduction. Landless rural workers, small tenant farmers, small traders and producers are frequently excluded from laws providing for the legal establishment of employers' and workers' organizations or protecting such organizations and their members from acts of intimidation and violence. Reforms in these areas are essential if the poor are to be able to organize themselves and articulate their interests in society and the PRSP process. This will assist employers' and workers' organizations to extend their action towards the unorganized parts of the economy.

11. A further consideration is that, while PRSPs explicitly stress the organic linkage between programme elements and indicator collection, and thus the necessity of impact monitoring, governments, at this early stage, generally do not seem to have addressed adequately how to continue the process of consultation with key relevant groups in society, beyond the initial preparatory effort. This needs to be addressed to avoid neglecting the development of institutions in which all parts of civil society could liaise and consolidate a joint position, and also to avoid the risk that popular perceptions of the PRSP may not be soundly based, which in turn may jeopardize its effective implementation.

## **ILO experience in the five focus countries**

12. By mid-2000, in consultation the World Bank, the IMF, the ILO field structure and national partners, the ILO had decided to make a special contribution to the PRSP in five pilot countries, namely, Cambodia, Honduras, Mali, Nepal and the United Republic of Tanzania.<sup>5</sup> The intention was for the ILO to demonstrate the positive contribution of the Decent Work Agenda in reducing poverty and the role of tripartite consultation in strengthening national ownership. Cooperation with the two institutions at the field and headquarters levels generally has been open and helpful, and a meeting was organized in Geneva in mid-2001, which brought ILO field staff from the five countries together with World Bank representatives. ILO contributions, however, in keeping with the principle of national ownership, have been mainly addressed to, and developed in consultation with, ILO constituents and the national PRSP authorities. While there has been some concentration of resources from both headquarters and the relevant MDTs on the five countries, other countries engaging in the PRSP process have not been neglected, and indeed some have received substantial ILO assistance. ILO field offices and MDTs were made fully aware of the various stages of the PRSP process and were provided with access to the evolving documentation but the degree and scope of ILO action has varied from country to country, depending on local circumstances. Concentration of resources on five countries is justified at the outset to the extent that lessons are learned and new methodological approaches are tested but it is evident that ILO support has to be both comprehensive in covering all relevant countries and sustainable through time.

13. The role of decent work in reducing poverty was spelled out in the Report of the Director-General, *Reducing the decent work deficit: A global challenge*,<sup>6</sup> and was reaffirmed in the Global Employment Agenda. The concept of decent work integrates the four pillars of ILO activities: employment, social protection, social dialogue and labour standards, and rights. Gender equality is an integral cross-cutting theme in the Decent Work Agenda with particular focus on the process of creating equal opportunities for women, enhancing their social protection, ensuring that the human rights of women are

<sup>5</sup> A statement of ILO action in each country was included as Appendix 1 to GB.282/ESP/3.

<sup>6</sup> Report of the Director-General to the 89th (2001) Session of the International Labour Conference.

addressed and enabling them to participate in social dialogue. Decent work recognizes that the global economy has to deliver increased employment but that this has also to involve the improvement of working conditions, social protection and representation based on respect for fundamental principles and rights at work. Decent work stems from peoples' own perception of what they can realistically expect from their working environment (be it paid or unpaid work in the formal or informal economy). It recognizes that work defines peoples' sense of themselves and that dignity is important in its own right, is a contributory factor in productivity, as well as in the prevention of social exclusion. Decent work underpins efforts to enhance global security.

- 14.** The Global Employment Agenda explains how employment is a principal means of social inclusion and integration and how jobs are created through the processes of trade, investment and enterprise creation. Correspondingly, the quality of jobs depends on participation through social dialogue, skill acquisition, social protection and forms of labour market regulation and intervention. Direct job creation for the poor is often possible through targeted programmes, often involving labour-intensive processes, but the main thrust is through enterprise creation and expansion, including small and micro-enterprises. All this bears repetition because job creation is not something added on to other economic processes but rather interacts with them. In this way, there are various entry points where the ILO can contribute to bringing about decent work, through strengthening social dialogue, extending social protection and greater attention to labour market processes and measures, often strengthening the role of the labour ministry in the process.
- 15.** In all five focus countries, ILO's offers to contribute to an understanding of the linkages between economic growth and poverty reduction, concentrating on the functioning of labour markets, on means of skill acquisition and on the extension of social protection have been welcomed. The ILO has usually either commissioned new work to shed light on these issues or has been able to make use of recent reports covering the same ground. In the United Republic of Tanzania, for example, the Jobs for Africa Programme made a significant contribution.
- 16.** ILO technical assistance at the level of national working groups has usually been welcomed. In Mali, for example, a working group on employment and training was set up on the advice of the ILO and the social partners. At the level of working groups, ILO technical cooperation projects and programmes have been instrumental in underlining countries' commitments to certain objectives. In the United Republic of Tanzania, the IPEC programme, for example, has encouraged the use of a figure for the incidence of child labour as an indicator of household poverty. Technical cooperation project staff have working networks within government ministries and push for the inclusion of a statement on their strategies in the PRSP. Labour-intensive construction processes, an area where the ILO has acquired recognized expertise over a long period, are mentioned in the PRSPs of all the focus countries. However, the ILO could do more to present its technical cooperation activities at the national level as an integrated whole. In Mali, for instance, technical services are integrated under the National Programme for Employment (PNE), which is part of the PRSP. This is a considerable challenge given the variety of often relatively small projects and programmes the ILO undertakes and the differing requirements of donors.
- 17.** The positive contribution of social dialogue with employers' and workers' organizations has not always been recognized by the authorities and there is a perception that more weight should be given to the role and contribution of labour ministries in PRSP preparation. Social dialogue is relevant to PRSP preparation, both as an input into the consultative process, showing that employers' and workers' organizations can contribute usefully to programme design, and as a continuing source of proposals to improve labour market functioning. Social dialogue will play a most effective role when employers' and

workers' representatives can define at least some common ground together, i.e. when they have a practice of reaching consensus through negotiation.

18. In the United Republic of Tanzania, the ILO has worked to develop and present social dialogue as an integrating framework for all its PRSP inputs. Initial PRSP consultations in the country centred on regional workshops and, in all, 426 randomly selected villagers, 215 district or town councillors, 110 district executive directors and 53 NGO representatives took part. Parliamentarians were also consulted. The executive director of the Association of Tanzanian Employers and the secretary-general of the Trade Union Congress of Tanzania participated in the national stakeholders' meeting and made contributions; however their organizations did not participate in the district and regional meetings and did not have the opportunity to form separate or negotiated views. The Office did what it could to share its knowledge with the constituents. (An example of the impact of its efforts is illustrated by a section on "employment", which was initially introduced into the draft PRSP but subsequently excluded from the final text, and then reintroduced in the first formal annual progress report.) Although the United Republic of Tanzania is well advanced through the initial PRSP cycle, the continuing and changing character of that process encouraged the ILO to undertake a special Dutch-funded initiative to strengthen social dialogue and the role of ILO constituents. A Tripartite Conference on Social Dialogue was held in Dar-es-Salaam in mid-December 2001. At separate preliminary meetings, employers and workers had identified the following gaps in the final PRSP: from the workers' viewpoint, poor emphasis on agricultural development, neglect of social dialogue institutions, insufficient attention to issues of occupational safety and health (including HIV/AIDS), absence of proposals on gender mainstreaming and on strengthening the vocational training system; from the employers' side, lack of emphasis on creating a business-friendly environment and new infrastructure, no vision on transforming the education system to suit business needs, lack of gender mainstreaming, no proposals for better labour market information and no tax incentives for promoting corporate social responsibility. Tripartite agreement to push for a comprehensive national social security system and agreement that proposals for employment programmes put forward by the Jobs for Africa Programme should be recommended for donor funding were among the conclusions of the December meeting. However, perhaps the major conclusion dealt with the need for an effective and properly financed tripartite forum. It was felt that if an effective tripartite body were created it could take its own initiatives to consult with NGOs and donors, and other stakeholders in the PRSP process.

## **Assessment of the experience in Mali and Nepal**

### ***Mali***

19. The PRSP process in Mali has become an example to be emulated in the West African subregion, in terms of content, stress on employment and the degree of participation and political pluralism involved in its preparation. ILO technical cooperation has been useful in this respect. The PRSP document acknowledges employment as a cross-cutting theme whose discussion is not limited to the chapter on employment and training. The value of labour-intensive processes is stressed throughout, as is the need to support small enterprises, informal sector employment and forms of cooperation among the self-employed. Decent work is emphasized as contributing to long-term growth through its components of social dialogue, respect for labour standards and above all the extension of social protection. Respect for the consultative role of employers' and workers' organizations is shown by their membership of the steering committee which vets the final PRSP draft. This committee is chaired by the Prime Minister and comprises nine ministers and an additional five representatives of chambers of commerce and the self-employed besides employers' and workers' representatives. Employers' and workers' organizations

were associated with the preparation of the PRSP from its inception both separately and as members of the “civil society” group.

20. Mali therefore had a head start over many other countries. The Development Assistance Committee of the OECD had already initiated efforts there to improve aid coordination and to avoid donor-driven and unintegrated initiatives. A national anti-poverty strategy had been formulated in 1998, which gave a major role to employment generation. A national action programme for poverty reducing employment has also been agreed with provisions for biannual meetings of an interministerial steering committee and a tripartite technical committee. This programme arose out of an earlier ILO-sponsored employment study<sup>7</sup> undertaken within the framework of the Jobs for Africa Programme. A tripartite solidarity pact for growth and development was signed in August 2001, which aims both at job creation as well as at improving working conditions in the public and private sectors. Through the pact, employers’ and workers’ organizations committed themselves to negotiating new collective agreements to help workers without social protection. The solidarity pact is highlighted in the PRSP. Workers and employers additionally provide the principal officers for Mali’s Economic, Social and Cultural Council, which reports to Parliament. Thus, in preparing the PRSP, Mali benefited from a great deal of prior research and indeed advocacy concerning the role of employment in poverty reduction, as well as from the Government’s demonstrated political will to involve employers’ and workers’ organizations effectively as the leaders of civil society.
21. The ILO’s technical role is widely acknowledged as professional, helpful and timely. Within the administration assistance was given both to the Employment Ministry and others. The Jobs for Africa Programme within the country developed an effective network whose various members chaired many of the PRSP working parties. Interventions from the Dakar-based MDT were frequent and effective in recognizing and meeting the need for assistance in the later drafting of the PRSP itself. The MDT also convinced the Government to reiterate the components of decent work in the PRSP section on employment. A meeting held in Dakar, outside Mali, for the Employment Minister, the PRSP coordinator (from the Finance and Economy Ministry) and employers’ and workers’ representatives was considered particularly helpful and suggested the detailed framework adopted for the final PRSP document.

## Nepal

22. PRSP preparation in Nepal has been long drawn out. An interim PRSP was available late in 2000 but the full PRSP is only expected in June 2002. The timetable was partly the result of the decision to merge the PRSP and the 10th Five-Year Plan (2002-06). However, a deteriorating fiscal situation, partly linked also to increased internal insecurity, has delayed the development of a medium-term framework for public expenditure. The rolling nature of PRSP revision and reporting will give an unprecedented degree of annual feedback to the planning process. The PRSP document has been approved for submission to both the National Development Council, which includes both the president of the FNCCI (Federation of Nepalese Chambers of Commerce and Industry) and the president of the NTUC (Nepal Trade Union Congress), and to the National Development Forum (donor agencies). It sets out the strategy for poverty alleviation – growth, social and infrastructure development and good governance – and a list of other actions needed to complete the PRSP. This includes a section on “labour, employment and targeted programmes” which among others stresses training, labour market information,

<sup>7</sup> *Document-cadre de la politique nationale d’emploi* (Framework document for a national employment policy), Bamako, 1998.

strengthened labour inspection and revision of the Labour Act. Only the last of these fall squarely within the responsibility of the Ministry of Labour and Transport Management. The PRSP document is thus not yet complete so an opportunity remains for outside inputs to contribute to the final version, which the ILO is fully exploiting.

- 23.** There has been some government-sponsored participation in the PRSP preparation process at the regional level and with women's groups. This is a departure from the past practice of plan preparation. Although neither employers' nor workers' organizations were initially consulted, at the instigation of the ILO meetings were set up. However, because of unforeseen events, only the workers' organization meeting could take place. Separate further consultations are promised in the document itself with employers' and workers' organizations for March-April 2002. In addition, the ILO is organizing five regional tripartite meetings during March-April and a final national meeting in May. Through its office in Kathmandu, the ILO is heavily involved in Nepal in many of the programmes highlighted by the PRSP, especially the elimination of child labour and the rehabilitation of bonded labour. Employers' and workers' representatives are helping in the design and implementation of these and other projects. The ILO is also promoting informal means of social protection, an area not highlighted in the PRSP. The PRSP coordinator (the National Planning Commission) has found the ILO inputs to date extremely valuable and has welcomed the ILO's offer of a short technical paper, which will set out more precisely how employment-friendly growth can be achieved in Nepal.
- 24.** This paper will be based largely on studies recently prepared by national consultants for this purpose covering, inter alia, minimum wages, gender, social protection, employment and public investment, constraints on enterprise development and social dialogue. Two of the studies commissioned were prepared closely with employers' and workers' representatives respectively in order to reflect their concerns. Other ILO material on training policies and labour market information in Nepal will also be used and a summary version of the paper being prepared by the ILO will be available at the donors' meeting (National Development Forum), 4-7 February 2002.
- 25.** The principal tripartite institution in Nepal is the Central Labour Advisory Committee, of which the terms of reference include the promotion of employment opportunities. The Committee met six times between 1996 and 2000 but was dormant until recently when the issue of changing provisions in the Labour Act regarding, inter alia, job security was raised. Such change is mentioned in the PRSP, and the Ministry of Labour has unilaterally proposed certain amendments to the Act (a draft was also prepared by the FNCCI). To aid this process of revision and achieve tripartite consensus, the ILO is making every effort to demonstrate how job security can be combined with flexibility negotiated at the enterprise and sectoral level. However, the need to include changes in labour law in the PRSP did not leave time for an appropriate process of collective negotiation.
- 26.** In Nepal, the ILO has very fruitfully interacted with the national PRSP coordinator, through a number of workshops and contacts, has encouraged the employers' and workers' organizations to formulate their points of view and has promoted consultation between them and the Government. It has been the only specialized agency, along with the UNDP, which the NPC has invited to donor meetings on the interim PRSP. However, the role of tripartism was certainly not initially emphasized by the PRSP authorities and there is a perception, especially on the part of the workers' organizations, that much more dialogue is needed to make the PRSP process fully participatory. Importantly, full and productive employment has been recognized on all sides as the key to poverty reduction. It is hoped that in Nepal signs of positive change in respect for tripartism will continue to be built on, demonstrating the value of the ILO's many interventions in the PRSP process.

## Lessons learned

27. The process of developing PRSPs started a little over two years ago.<sup>8</sup> Relatively few countries (eight at the time of writing) have completed full PRSPs, although there is likely to be a rapid increase as the larger number of countries with interim PRSPs move onto the next phase.
28. As already noted, the preparation of PRSPs is a learning process for all concerned – governments, employers’ and workers’ organizations, the Bretton Woods institutions and development banks, UN specialized agencies and bilateral donors. All have to learn to concentrate on what they do best. The ILO’s experience is that governments have welcomed its offers to help through providing specific technical inputs in its areas of competence, and indeed have also welcomed its promotion of consultation with employers’ and workers’ organizations. The ILO has an important role to play which, by and large, is different from, and wider than, that of other specialized agencies because it combines both the provision of technical inputs in an important area – employment – and support for the participatory process through tripartite consultations.
29. The ILO, the World Bank, the IMF and many recipient and donor countries are convinced that civil society consultation and participation in poverty-reduction strategies, rather than being a costly waste of time as some feared, is an important means of improving the analysis of the incidence and causes of poverty and the effectiveness of reduction strategies. ILO experience in a number of countries suggests that this aspect of PRSPs is now more widely appreciated and is becoming embedded in political systems. Despite these signs of progress the ILO has, however, identified some important weaknesses in the extent of involvement of employers’ and workers’ organizations in the PRSP process. The ILO has encouraged governments to invite trade unions and employers’ organizations to join fully in all phases of the process; however, in many cases the social partners have expressed concern and frustration that their views and potential support appear undervalued. There are a number of explanations for the relatively marginal role in many but not all PRSP countries of what are, in many cases, the largest democratic membership-based organizations in society:
- the traditional conduit for the views of social partners into government policy-making is the ministry of labour but in many countries they have yet to play a major role in what is still a heavily budget-oriented intra-governmental process;
  - the new approach of PRSPs has stimulated important innovations in participatory mechanisms but has yet to fully utilize established channels such as tripartite economic and social councils and parliaments;
  - some Bank and Fund officials are unfamiliar with the work of the social partners and, therefore, may have not felt the need to alert government PRSP teams to seek their involvement, despite encouragement to do so from senior management;
  - a few workers’ organizations have themselves preferred not to get involved in what some regard as a continuation under a new acronym of previous policies to which they were opposed, and some employers’ organizations have decided to concentrate their resources on other aspects of public policy.

<sup>8</sup> The Executive Directors of the World Bank and the IMF are considering a joint staff paper reviewing experience with PRSPs in March 2002, the results of which will be reported to the April ministerial meetings. The ILO participated in a special IMF/World Bank conference on the comprehensive review of the PRSPs in Washington, 14-17 January 2002.

- 30.** Respecting the principle of national ownership, the ILO's activities have been with, and directed to, governments and employers' and workers' organizations. Government is responsible for preparing and implementing its PRSP although, obviously in least developed countries, implementation is virtually impossible without bilateral and multilateral donors. The reality is that least developed country governments, and their national partners, are often dependent on foreign aid flows and thus highly sensitive to the views of donors and the main international financial institutions. Many bilateral donors share the ILO's principles and have shown themselves willing to finance ILO activities in relation to PRSPs and, of course, to finance ongoing programmes such as IPEC. To date, emphasis has been placed mainly on the PRSP preparation process but, as the poverty reduction strategies are implemented, the ILO and the World Bank will need to strengthen their cooperation to support this implementation.
- 31.** Turning to the content of the PRSPs, despite the possibility for PRSPs to draw on previous analysis and policy prescriptions by the ILO, the first wave of interim PRSPs and PRSPs are disappointingly meagre in their coverage of employment issues, both in terms of the quantity of jobs that need to be created and raising the quality of conditions of work. Given that income from work is the overwhelmingly most important means of survival for the poorest, this is somewhat surprising. In part, the weakness of the employment policy dimension of PRSPs probably reflects the relative absence of labour ministries and the social partners from the consultation processes for the drafting of the initial papers.
- 32.** The ILO's technical inputs have been in areas where it has acknowledged competence such as industrial relations, labour market information and labour market regulation, enterprise development, social security, training, gender issues, child labour, labour-intensive infrastructure development and others, including support for informal sector activities and self-employment. All these activities are relevant to an anti-poverty strategy and are recognized as such by governments and should be pursued actively. To complement the Decent Work Agenda, however, not only should there in most cases be a far more explicit recognition of tripartism but also of social protection. Forms of insurance against old age, sickness, natural calamities, etc., need to be investigated and developed further. Extending social protection beyond formal social security systems is crucial for ensuring socio-economic security of the majority of workers in the informal economy.
- 33.** PRSPs recognize private sector activities as the key to job creation and place great emphasis on the development of small and micro-enterprises. The importance of microcredit programmes is usually stressed, as is the need for an enabling policy environment, the proper treatment of foreign investment, and the effective and transparent administration of regulatory and other procedures. The need for a better judicial system is often mentioned. Support for private sector development has been central to ILO activities in PRSP countries through strengthening employer's organizations, through promoting more responsive training systems adapted to recognizing and meeting employers' needs and better labour market information, through small enterprise development, including management training, and by encouraging a satisfactory mix of labour market flexibility and job security which achieves tripartite consensus.
- 34.** It is still too early to say whether having a PRSP itself strengthens a country's development efforts and, for example, leads to a better coordination of donor activities. Because of the PRSPs' close links to financing decisions they may, to some extent, have been seen too much as being a necessity, whereas more effort may be needed to focus on the opportunity they represent. Certainly, if countries can demonstrate strong broad-based national support for their poverty reduction strategy, they can insist vigorously that donor agencies live up to their promises of increased assistance. Similarly, donor agencies are aware that a well-considered nationally developed programme is likely to be more successful in

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reducing poverty than even the most technically sophisticated equivalent, which is not home-grown.

35. The ILO has devoted substantial resources to the PRSP initiative (helped by especially the United Kingdom and the Netherlands). It has made an impact, as demonstrated by the cases of Mali and Nepal, on the consultative process and the shape of the document and has stressed all components of the Decent Work Agenda. However, the contribution of different parts of the ILO's field structure has varied and, in some cases, more contributions were required from Geneva where the necessary technical expertise is concentrated at headquarters. Clearly the ILO's field structure has an important role to play but it may not be sufficiently and satisfactorily staffed for the job in all PRSP countries.
36. It has also clearly emerged that, even though for most PRSPs an adequate process of consultation may still have to be developed, and, even though their fiscal and financing framework may still seem to be very similar to that of earlier structural adjustment programmes, potentially they could mark a radical change in development strategy. A test is being implemented in the form of a poverty reduction target and, if positive output growth does not produce a commensurate fall in poverty, the basic strategy behind the PRSP will be questioned. Of course, there will always be questions concerning better targeting of transfers, more honest public administration and speedier creation of employment opportunities, but the gates to serious debate have been officially opened.
37. A second point is that the process of consultation offers opportunities which must be seized. The degree to which consultation materially and significantly alters the content of PRSPs may need further development. But that should not give way to scepticism about its potential value. There are opportunities for employers' and workers' organizations and to strengthen the role of labour ministries in the area of plan preparation as well. This in turn suggests that the areas in which a tripartite position should be negotiated and presented are broadly those which fall within the responsibility of the ministry. The advantages of negotiated labour market flexibility form one obvious area. This is not to rule out what may be the wider concerns of rural workers' organizations or of organizations of informal sector workers. However, from the consultative process, it also follows that failures to secure a tripartite negotiated position will be exposed and will weaken the advocacy of the social partners. For the ILO a test of the relevance of PRSPs is precisely the interest of its tripartite constituents in the PRSPs countries in developing the Decent Work Agenda as a means of focusing on the contribution of more and better jobs to poverty reduction.
38. Finally, the ILO's constituents increasingly demand involvement in PRSPs. This poses a challenge to provide sound technical advice, within an integrated framework, both from headquarters and the field.

Geneva, 7 February 2002.