



THIRTEENTH ITEM ON THE AGENDA

**Report of the Committee on Employment  
and Social Policy**

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1. The Committee met on 14 and 15 November 2002. Ambassador Umer, representative of the Government of Pakistan, was elected Chairperson upon nomination by the representative of the Government of the Republic of Korea, speaking on behalf of the Governments of the Asia and the Pacific group, seconded by the representative of the Government of Portugal on behalf of the Governments of the Western Europe group. Mr. Patel was nominated Worker Vice-Chairperson, while Mr. Niles was reconfirmed as the Employer Vice-Chairperson. Mr. Umer welcomed the delegates and recalled that there were seven substantive items on the agenda to be discussed.

## I. Follow-up to the Global Employment Agenda

(First item on the agenda)

2. A representative of the Director-General (Mr. Hultin, Executive Director, Employment Sector) introduced the Office paper on the Follow-up to the Global Employment Agenda.<sup>1</sup> He briefly recalled the origins of the Global Employment Agenda, which was a response to a request from the ESP Committee and the Governing Body, as well as from the twenty-fourth Special Session of the United Nations General Assembly. In recalling the seven principles underlying the work on the Global Employment Agenda as set out in the document submitted to the Committee session in March 2002,<sup>2</sup> he stressed that the consultations held with the Governments, Workers and Employers over the last 18 months had transformed the approach into a more elaborated and coherent framework.
3. The seven principles underlined the core elements in the Office paper before the Committee, which were in line with the Employment Policy Convention, 1964 (No. 122). The paper endeavoured to operationalize the seven principles with the help of the core elements. This was illustrated by case studies drawn from the ILO's employment policy work, requested by its constituents. These country examples also demonstrated that putting the Global Employment Agenda into action required political will at the national level.
4. The Global Employment Agenda stressed the need for alliances at the global level to improve implementation by considering a variety of benchmarks and indicators. He pointed out that the ten core elements would help to achieve the Agenda's main objective, which was to place employment at the heart of economic and social policies. While in some of these core elements the ILO had a comparative advantage, in others, equally important, this was not the case. However, the ILO needed to be in a position to advise its constituents on the employment implications as well. The Office was looking for continuing guidance from its constituents on how to operationalize the Agenda and translate it into action at the international and national levels.
5. Finally, he encouraged the Committee members to present their views on paragraph 39 and more specifically: (i) to examine ways to encourage member States and the social partners to elaborate on decent work programmes with the ILO's assistance; (ii) to examine ways to analyse and share country experiences on poverty reduction; (iii) to determine which elements of the Agenda should be further elaborated and discussed by the ESP Committee; and (iv) to decide how to report on the progress in formulation and implementation of employment strategies as well as how to build alliances with other organizations.

<sup>1</sup> GB.285/ESP/1.

<sup>2</sup> GB.283/ESP/1.

6. The Chairperson thanked Mr. Hultin for the introduction and invited the participants to focus the discussion on the abovementioned four points.
7. The Employer Vice-Chairperson congratulated the Chairperson on his nomination. He thanked the Office for its excellent paper and stressed that it was a good follow-up to the work done so far. The paper appropriately put employment at the heart of the ILO's work. Now was the right time to provide decent work to millions of people. Yet, there was still a need to move from generalities to concrete actions and he called for the launching of pilot projects and sharing of best practices. He remarked that a number of member States would be interested in cooperating with the ILO in implementing the Global Employment Agenda at the national level, and that consideration should also be given to a regional approach. Country programmes should be elaborated in close cooperation with Governments, Workers and Employers. The China Employment Forum, which would take place in April 2003 (as mentioned in paragraph 11 of the paper), represented a very important step forward in two respects: not only did it advance the Global Employment Agenda but also the integration of China into the global economy. Several members of his group had expressed a strong interest in holding similar events in their countries or regions, such as a South Asian employment forum, for example. In referring to paragraph 3 of the paper, he expressed his expectation that the Global Employment Agenda would make a significant contribution to achieving the Millennium Declaration Goals. His group agreed with all recommendations in paragraph 39; however, it felt that the component elements referred to in paragraph 39(c) could only be further elaborated once some concrete country experiences had been gained. It was now time to move on to country programmes.
8. Mr. Tabani (Employer member) reported on the outcome of the ILO Round Table recently held in Montreal, referred to in paragraph 19. He thanked the Office for having been invited to chair the session on knowledge and skills for productivity and decent work, which he considered to have been a successful exercise. The Round Table had preceded a G8 meeting on a similar topic. Some 16 countries had been invited to the Montreal meeting and the discussions held there had been very constructive. He thanked the Office for the high quality of documents that had been prepared for that meeting. However, it was regrettable that only two or three member States had submitted country papers. Due to this lack of concrete inputs, discussions had sometimes been too academic. It would have been useful if the conclusions of the Round Table had been attached to the Office paper before the Committee.
9. The Worker Vice-Chairperson congratulated the Chairperson and the Employer Vice-Chairperson on their nominations and expressed his group's deep appreciation of the work of his predecessor, Mr. Ito. He said that the recommendation contained in paragraph 39(a) to encourage member States to draw on the framework of the Global Employment Agenda and the technical assistance of the ILO in elaborating decent work country programmes was so important that it deserved careful consideration. In this context, it was necessary to review carefully the evolution of the Global Employment Agenda over the past two years. The Global Employment Agenda had been discussed three times: during the Global Employment Forum in November 2001 and at the Governing Body sessions in November 2001 and in March 2002. The Workers had made a good deal of positive and constructive comments on all these occasions and this constructive approach had been adopted for three reasons. First, he recalled that the paper had been prepared as a response to a mandate given to the ILO by the Special Session on Social Development of the United Nations General Assembly (Copenhagen +5), calling for the preparation of a coherent and coordinated international employment strategy. The United Nations system had thus invested considerable responsibility in the ILO. The elaboration of the Global Employment Agenda was critical since it was a test of the ILO's capability to respond to this challenge. Second, the Director-General also put great emphasis on the need to develop an integrated approach to social and economic policy throughout the international system. This was a

highly desirable objective. The Global Employment Agenda was one of the first substantive opportunities for the Office to demonstrate an integrated approach to economic and social policy, which, in the Workers' view, should include macroeconomic policy, trade and industrial policy, development policy, labour market policy and social policy. It was essential for the ILO to have the necessary technical capability to respond to the abovementioned challenges and contribute to a truly integrated international economic and social policy; otherwise, the organization would carry the risk of being marginalized in major economic and social policy debates. Third, the global economy was currently experiencing a significant and protracted economic slowdown with a danger of falling into a global economic recession. The Global Employment Agenda should contribute to the discussion on appropriate policies to stimulate economic recovery. In the view of the Workers, the focus of subsequent Global Employment Agenda versions had changed significantly at each discussion in the last two years. The original draft circulated in the summer of 2001 had emphasized the importance of international labour standards, decent work, and the values for which the ILO stood. With regard to national economic policy, income and asset redistribution, policies had been emphasized for empowering the poor and promoting growth. A major role had been attributed to counter-cyclical monetary and fiscal policy in stimulating economic and employment growth. He referred to the Director-General's speech at the Global Employment Forum, in which he had called for a global stimulus package for the world economy and cautioned against applying expansionary policies only in developed countries and more austerity and structural adjustment policies in developing countries; the speaker underlined that the original drafts of the Global Employment Agenda had been fairly consistent with the economic policies advocated by the Director-General. The Workers' group had strongly supported this thinking and had consequently been prepared to support the Global Employment Agenda.

- 10.** In the early versions of the Global Employment Agenda the approach had had the potential of developing a range of important recommendations on international economic policy, such as: revisiting stabilization policies and slowing the pace of financial market liberalization; encouraging longer term productive foreign direct investment (FDI) with the help of a Tobin tax; promoting an industrial policy which would help developing countries to move from primary production to higher value added manufacturing; changing current unfair trading regimes discriminating against agriculture and textile exports from developing countries; improving domestic legislation to overcome the negative impact of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); significantly raising overseas development assistance (ODA); implementing international labour standards; and ensuring that the productivity gains engendered by labour standards were accrued. This potential, however, had not been fully used in later versions of the Global Employment Agenda.
- 11.** The report of the Global Employment Forum delivered by Professor Rodriguez had highlighted the importance of the ten points of a comprehensive employment strategy that had emerged from the discussions. However, the present document had lost the essence of this outcome. The differences were numerous. In three out of the ten core points, the approach was still the same: point 3, the fostering of environmentally sustainable development and the resulting job opportunities; point 6, the importance of training and education; and point 9, the importance of a social safety net as an enabling condition for people to adapt to change. The differences concerned the following points: point 1, the importance of market access for developing countries for their agriculture and labour-intensive products, had now been replaced by core element one: the promotion of trade and investment for productive employment. Point 2, the reduction of the digital divide by coming up with an IT Marshall plan for developing countries, had been replaced by core element two: the promotion of technological change for productivity improvement and job creation. Point 4, monetary and fiscal policy stimulus to avoid the risk of recession, had now been substituted by the call for policy coordination for growth and employment (core

element nine). In the original document, point 5 had requested that in developing countries stability and structural adjustment policies should be modified to allow more fiscal spending on health, education and social policies; debt relief should be accelerated; and development aid increased. This point had been deleted. Point 7 in the original version had stressed that occupational safety and health (OSH) constituted a basic investment in people with positive implications for productivity; now, the only goal of investing in OSH was to increase productivity. Point 8, which had addressed active labour market policies, including the fight against discrimination, assistance to the working poor and strategies for the informal economy to increase employability and adaptability, had all been replaced by core element six: labour market policies for the management of change. Point 10, social dialogue and core labour standards for promoting decent work, had been replaced by promoting decent employment through entrepreneurship, labour standards, business creation and growth (core element three). The final section of the Rapporteur's report had contained three critical conditions for an employment strategy, namely: a global stimulus package; urgent action for a more equitable and just international economic order based on greater financial flows to developing countries through debt relief and improved market access; and the promotion of change for decent work and a widely shared prosperity.

12. Last November, the Workers had been supportive of the Global Employment Agenda because it emphasized that decent work and the four strategic objectives must advance together. The Workers had also agreed with the analysis of the role of social policy, industrial relations and social dialogue, and globalization, highlighting the instability of financial markets, declining aid to developing countries, and unfair trade practices. Moreover, a good case had been made for income and resource redistribution in developing countries. In the Committee discussion in November 2001, Mr. Ito, former Worker Vice-Chairperson, had suggested that in order to boost growth in the industrialized countries there was a need for tax cuts for lower income groups, which would have a positive impact on the aggregate demand and increase employment. He had suggested that the Office develop a package to stimulate growth, but this suggestion had been ignored. Furthermore, many positive elements of the November 2001 draft had been removed or watered down in subsequent versions of the paper.
13. The Worker Vice-Chairperson also recalled the view expressed by the Employers and Workers at the March 2002 session of the Committee, namely that their concerns were not fully reflected in the March document before them at that time. However, the Workers had supported some of the aspects of that paper. Yet these had been downgraded or even eliminated in the paper before the Committee, such as, for example, the references to: the "race to the bottom"; international labour standards; putting an end to discrimination in the labour market; and freedom of association. The few references to decent work in the current draft seemed to have been inserted as an afterthought. His group was of the opinion that the Global Employment Agenda, as presented to this Committee, was inconsistent and incompatible with the Decent Work Agenda since its primary objective was to place productive employment at the centre of "pro-poor" policies rather than to start out with the core values of the ILO as expressed in international labour standards.
14. He recalled some of the statements made in March 2002 by the Government representative of Sudan, on behalf of the Africa group, which in his view had not been adequately taken into account in the present paper. Neither was there a reference to the WTO development agenda. Similarly, comments made by the Government representative of Brazil, on behalf of GRULAC – on macroeconomic policies, development strategies and socially responsible enterprises – had been ignored. The Government of India's suggestion for the establishment of a global skill development fund and a global stimulus package had also been omitted, as had the call for a reform of international rules and institutions to allow for fairer conditions for developing countries made by the representative of the Government of the Islamic Republic of Iran. The text provided no indication of how to tackle the digital

divide or how to promote technology transfers to the developing world. The Global Employment Agenda was silent on the importance of the public sector in promoting employment, and on the employment impact of privatization of state-owned enterprises, as stated by the representative of the Government of Cuba last March. Both the World Bank and the IMF had recently recognized in meetings with trade unions that too much emphasis had been put in the past on privatization for ideological reasons; indeed, they had admitted that in some cases privatization had led to job losses. The paper contained no guidance regarding the financing of more skills development. The comments of the representative of the Government of the Netherlands on the need for a global stimulus package, as well as the representative of the Government of Portugal's comments on the importance of the macroeconomic framework, had not been responded to appropriately either.

15. Last March, the Workers had noted what they perceived as inconsistency in terms of macroeconomic policy between the two documents presented in November on the Global Employment Agenda and on policy responses to address the employment and social consequences of 11 September 2001. The Global Employment Agenda paper was essentially a continuation of the Washington consensus; the second paper put forward strong arguments for a global stimulus package. The Employers had rejected the need for a global stimulus package and had instead referred to global recovery in the United States, which would spread quickly to developing countries through trade. However, this recovery had been short-lived, and the United States and European Union economies continued to suffer from economic stagnation.
16. Asymmetrical macroeconomic policies were prescribed by the international financial institutions. The United States now quite rightly used Keynesian policies to stimulate the domestic economy, while the developing countries were advised to stick to the Washington consensus. Mr. Patel quoted from the *Economist* and the *Financial Times*. He noted that interest rates in the United States were the lowest in 40 years. Fiscal pump-priming measures were highlighted. The Global Employment Agenda said nothing on this duality of policies and contained no economic analysis or policy proposals. This was unfortunate, since the Global Employment Agenda needed to be well argued in order to have any impact on the thinking and decision-making of the international financial agencies as well as of finance ministers and central banks. It did not reflect any of the policy ideas contained in the new Promotion of Cooperatives Recommendation, 2002 (No. 193), and the conclusions on the informal economy adopted at the International Labour Conference last June. As it stood, the Global Employment Agenda did not fulfil the mandate given to the ILO by the Special Session on Social Development of the United Nations General Assembly and the G15 and was inconsistent with the Decent Work Agenda, the only agenda the ILO should have. The Workers therefore rejected the point for decision contained in paragraph 39(a) for a Global Employment Agenda as currently constructed. They hoped that on the basis of the ensuing debate a document could be developed that would give full expression to the mandate given by the United Nations, drawing from the Global Employment Forum consensus, that would be consistent with the Decent Work Agenda and make a substantive contribution to contemporary economic debate.
17. In summarizing the previous intervention, the Chairperson highlighted the Workers' concern that extensive comments on the March version of the Global Employment Agenda had not been taken into account and that the Workers were not ready to accept the point for decision contained in paragraph 39. In view of the need to transmit a recommendation to the Governing Body, he asked for the Committee's cooperation to work towards a consensus on this issue.
18. The representative of the Government of France, speaking on behalf of the Governments of the IMEC group, thanked the Office for the paper and the way it had dealt with the points raised at the last Committee session in March. The paper quite rightly placed

employment at the centre of economic and social policies and stressed the link between productivity, employment, and poverty reduction. The Office's intention to devote the next World Employment Report to this subject was most welcome. It was also gratifying to see how the Global Employment Agenda was becoming increasingly integrated into the work of the Office. She recalled the origins of the Global Employment Agenda, namely the resolution adopted by the twenty-fourth session of the General Assembly of the United Nations on the need to elaborate a global employment strategy; she indicated that the Global Employment Agenda formed a basis for such a strategy. The Office paper was to be considered a living document, and the IMEC group welcomed the references it made to specific activities. A two-pronged approach should be followed to implement the Global Employment Agenda: on the one hand, this Committee should continue reflecting on the further elaboration of the elements of the Global Employment Agenda; on the other, attempts should be made to pursue its operationalization. She requested the Office to provide more information on how to integrate this strategy into the overall ILO agenda and the programme of work for the 2004-05 biennium, and to demonstrate where the ILO's added value was. While the ten core elements of the Global Employment Agenda were interlinked, the ILO should concentrate on elements three, four, five, six and seven, where it had a comparative advantage. The ILO had a major role to play in encouraging member States to take appropriate measures in these areas, for example, by elaborating guidelines for the formulation of national and regional employment strategies. In this connection, the outcome of the General Survey on employment-related instruments, to be completed in 2003, could prove to be extremely useful. More information was also needed on the planned methodology and mechanisms for follow-up to and evaluation of the implementation of the Global Employment Agenda; furthermore, the IMEC group would welcome periodic progress reports on the implementation of the Global Employment Agenda at national, regional and international levels. The group had previously pointed out the need to discuss the various core elements of the Global Employment Agenda in greater detail so as to ensure that the work was carried forward and that it was consistent with other work of the ILO. Notwithstanding further comments her group might wish to make at a later stage in the discussions on other agenda items, it was important to note that the Global Employment Agenda should take into account the follow-up to the Madrid and Johannesburg summits.

- 19.** In conclusion, the representative of the Government of France requested the Office to prepare for the next session of the Committee a detailed analysis of one of the core elements of the Global Employment Agenda, including recommendations on how this could be dealt with at global, regional and national levels; she also asked for an analysis of how it was integrated into other work done by the Office. The first core element taken up in March could be number three concerning the promotion of decent employment through entrepreneurship, labour standards, business creation and growth. Such a document could contain an analysis of: potentially successful job creation strategies; ways in which labour standards could be applied without creating a trade-off between the quantity and the quality of jobs created; and ways to ensure that economic growth leads to job creation. In this the Office could draw on its own experience at the country level as well as outside expertise. The Office should also present an account of the implementation of the agenda as a whole, taking a specific example such as the countries mentioned in paragraphs 29 and 31. This could include a presentation by one of these countries of their own experience. Finally, the IMEC group wished to be informed about ongoing contacts with other organizations and to make suggestions as to the organizations with which to form alliances. She emphasized that the document requested should also address those core elements where the ILO did not play a key role, in particular core elements one and two, but where it contributed to the work of other organizations. Finally, she suggested that the paper before the Committee be transmitted to the Working Party on the Social Dimension of Globalization to ensure a wider discussion.

20. The representative of the Government of Sudan, speaking on behalf of the Governments of the Africa group, congratulated the Chairperson and Vice-Chairpersons on their nominations. He stated that the Global Employment Agenda raised expectations of greater productivity in accordance with the Employment Policy Convention, 1964 (No. 122). The Global Employment Agenda represented an important step towards achieving the Millennium Development Goals. He appreciated that country solutions and concrete examples of how to face national and regional challenges were provided. Referring to paragraph 9 of the Office paper, he regretted that some core elements that were of particular concern to African countries – and that had been the outcome of the Global Employment Forum last year – were not included in the Global Employment Agenda, such as promoting labour-intensive investment, self-employment, infrastructure development and training. The resolutions adopted at the last International Labour Conference also related to these issues. He hoped that the concerns of the Africa group could be taken into account in the next version of the document.
21. The representative of the Government of the Republic of Korea, speaking on behalf of the Asia and the Pacific group, congratulated the Chairperson on his appointment and thanked the Office for the paper. He appreciated the emphasis put on productive employment being critical for poverty alleviation and the ten core elements identified in the Global Employment Agenda. Last year's Global Employment Forum had been a step in the right direction. The Forum had enumerated three critical conditions for employment creation: (1) the need for a global stimulus package to revive economic growth; (2) greater financial flows to the developing world through debt relief and improved market access; and (3) the promotion of change for decent work, productivity and prosperity. While the ten core elements were useful in addressing employment deficits at the national level, the importance of an enabling international environment had not been taken into account in the paper before the Committee. The Global Employment Agenda raised expectations among ILO constituents at the national level; however, the level of available resources raised doubt as to the capacity of the Office to work on employment issues in a satisfactory manner. The group noted with great concern that over the last three years resources for the Employment Sector had been declining, including those from bilateral and multilateral projects. This was surprising in view of the fact that employment generation had been recognized internationally as being crucial to achieving the Millennium Development Goals. His group called upon the Office and the donors to make special efforts for resource mobilization; it also requested that the Office should report on this at the next Committee session. Finally, he requested the Office to present concrete action plans, including targets, objectives and reporting schedules, at the next session. In conclusion, the Asia and the Pacific group supported the point for decision in paragraph 39, provided that the Office addressed these issues meaningfully.
22. The representative of the Government of China congratulated the Chairperson and Vice-Chairpersons on their appointments and thanked the Office for the paper. Referring to paragraph 11 and the China Employment Forum, he expressed his Government's appreciation of the Office's efforts to form global alliances with other international organizations for the promotion of the Global Employment Agenda based on policy coordination and more efficient use of resources. In recalling the severity of the unemployment and skills mismatch problem in his country, he underlined the emphasis his Government put on employment promotion through, for example, developing labour-intensive industries and macroeconomic policies conducive to employment expansion. The National Re-Employment Conference held last September had set up a new active employment policy. The China Employment Forum in April 2003 represented a great opportunity to exchange views and share international experience on employment issues. He considered that China's efforts in the area of employment promotion could make a useful contribution to the ILO's work in this area, and to the promotion of the Global Employment Agenda.

23. The representative of the Government of India congratulated the Chairperson and Vice-Chairpersons on their appointments and associated himself with the statements made on behalf of the Asia and the Pacific group. He expressed his appreciation for the Office paper, which stressed key policy challenges and called for alliances with partner organizations. The Global Employment Forum had stimulated a vibrant debate on how to place employment at the centre of economic and social policy-making. It was now time to examine how to further promote the Global Employment Agenda at national, regional and international levels. While the Global Employment Agenda offered some suggestions in this regard, there was still scope for more. Rapid growth in FDI and trade led to greater competition and caused companies to move to cost-effective locations. If developing countries had to implement labour standards and social security measures more rigidly, this would effectively preclude them from accessing global markets. Technological change led to job creation, but only in those countries that had an educated and skilled workforce. Skills development, the modernization of training systems and the monitoring of labour market information were therefore essential, perhaps more so than concerns about international labour standards. In this context he referred to the possible establishment of a global skills development fund that had been supported by his Government earlier. However, resources for funding training were scarce in developing countries, and multilateral agencies invested less and less in these areas. In view of severe and persistent poverty in most developing countries, his Government fully supported a need for formulating common initiatives to promote productive employment. Any measures in this regard had to take into account the different economic and social conditions in developing countries. Finally he called on the Office to take note of the comments made by the Worker Vice-Chairperson and other speakers and to prepare a truly comprehensive paper for the next session of the Committee.
24. The representative of the Government of Bangladesh congratulated the Chairperson on his appointment and associated himself with the statement made by the representative of the Government of the Republic of Korea on behalf of the Governments of the Asia and the Pacific group. Two years ago, his Government had requested the ILO to launch a decent work initiative in his country, and he was pleased to learn that the Office had recently sent an exploratory mission to Bangladesh. He requested the Office to elaborate, on the basis of case studies, how the elements of the Decent Work Agenda could be integrated into a consistent policy programme that would lead to a virtuous cycle of growth, employment generation, social protection and poverty reduction. Poverty was the most urgent problem for developing countries, and productive employment generation the principal means for eradicating poverty. However, he sought further information on how the ten core elements of the Global Employment Agenda could be integrated into a country-level policy framework that was consistent with the Decent Work Agenda. In referring to the garment sector in his country, where 80 per cent of the workers were female, and which would be seriously affected after the expiry of the Multi-Fibre Agreement, he emphasized the need to analyse the policy focus of each of the ten core elements – in this case trade and employment – in the context of concrete problems faced by developing countries. In conclusion, he expressed his thanks to Mr. Hultin for his excellent introductory presentation.
25. The representative of the Government of Pakistan expressed his satisfaction at the identification of the core elements of the Global Employment Agenda. He agreed with the need to put employment at the heart of national and international policies but considered that a difficult task. As the document underlined, productive employment was critical for poverty reduction. That was also one of the issues addressed in the Poverty Reduction Strategy Papers (PRSPs) process in which his country was involved and for which the ILO had provided considerable support. The positive effects of globalization were not evenly distributed, and consequently there was an urgent need for coordinated action to overcome disparities, especially in the current global economic slowdown. The Global Employment

Forum had been the right step at the right moment. His Government had taken note of the ten core elements of the Global Employment Agenda and appreciated the work accomplished by the Office. It was, however, necessary to make the following observations with regard to the critical conditions for a successful strategy, cited at the Global Employment Forum, namely: (i) the need for a global stimulus package; (ii) the need for greater financial flows to developing countries through debt relief and improved market access; and (iii) the need for improved promotion and management of change for decent work, productivity and prosperity. A successful global strategy could not ignore the absence of an enabling economic environment as reflected in trade barriers and debt burdens. Despite the assertions made in paragraph 5 of the document, the scope of the paper was somewhat limited as it ignored the links between the national and the international dimensions. The Global Employment Agenda also raised expectations among ILO constituents for increased assistance, and he therefore associated himself with the concerns expressed by the representative of the Government of the Republic of Korea regarding the declining level of regular budget and extra-budgetary resources for the Employment Sector. The Office should develop a strategy to reverse this trend, while donors should not restrict their voluntary contributions to standard-setting activities. The Global Employment Agenda should be implemented across the board, with clearly defined objectives and targets. All strategic objectives should work towards achieving a target within a given time frame, and similar targets as those for labour standards could be developed in the area of productive employment generation. He hoped that the Office would look into these concerns before the next session of the Governing Body. An outline of the Office's approach and targets in implementing the Global Employment Agenda at the regional and global levels should be provided in a future document. Finally, his Government supported the four items in paragraph 39, as they reflected a first step towards the practical implementation of the Global Employment Agenda.

26. The representative of the Government of the Islamic Republic of Iran congratulated the Chairperson and the Vice-Chairpersons on their appointments and expressed his appreciation for the Office document. Endorsing the statements made on behalf of the Asia and the Pacific group, he hoped that the Global Employment Agenda would stimulate discussions and encourage member States to formulate policies which would promote full, productive and freely chosen employment. While cautioning against a "one-size-fits-all" approach, he recognized that the Global Employment Agenda, with its ten core elements, could play a crucial role in operationalizing the Decent Work Agenda and eradicating poverty. Referring to the figures on global unemployment and poverty given in the Global Employment Agenda, he urged governments to implement the Agenda in close collaboration with the social partners. Trade and investment could not provide decent livelihoods if corruption, armed conflicts, social injustice and discrimination were not stopped. Security was the basic infrastructure for trade and investment. The ILO had a vital role to play in reducing the digital divide between the developing and the developed countries. As information and communication technology was an excellent instrument to boost business, employment and economic growth, it should be made more accessible and affordable for developing countries. Referring to core element ten of the Global Employment Agenda, he outlined his country's ongoing programme for promoting employment, including for women, youth, and the rural sector, and for increasing social protection to workers in hazardous occupations.
27. The representative of the Government of Argentina, speaking on behalf of the group of Latin American countries, congratulated the Chairperson on his appointment. As previous speakers had already mentioned, the weakness of the document lay in the inadequate reflection on the international dimension. An example of this was trade and the application of a protectionist agricultural policy by the industrialized countries, which prevented developing countries from using their comparative advantage. Similarly, the document presented to the Committee in March 2002 had contained a reference in paragraph 2 to the

need to give priority to dismantling the barriers to trade. During that session, the Latin American and Caribbean countries group had recommended that the ILO examine trends in international trade and its impact on employment, and the group had made similar statements on previous occasions. Referring to paragraph 39(c) in the document before the Committee, he suggested that it be amended to read:

request the Office to analyse the impact of asymmetries in the globalization process, especially the trends which lead to a distortion of the international market with respect to the level and quality of employment in developing countries.

The amendment would be submitted to the secretariat in writing.

- 28.** The representative of the Government of Brazil congratulated the Chairperson on his appointment and thanked the Office for a document that provided valuable information. Globalization indeed had to be an instrument of justice, equity, and distribution of wealth. It was very important that investments and capital markets were directed towards the productive sector with a view to improving infrastructure conditions where necessary. In other sessions of the Governing Body, mention had been made of the importance of mobilizing productive investments within the framework of development strategies, applying a concept of social responsibility with a view to avoiding or minimizing the effects of a possible global economic recession. Paragraph 26 focused only on the link between occupational safety and health and productivity. Greater emphasis should be placed on prevention of accidents and the provision of safe work, as that also concerned the families of affected workers. Prevention of accidents was important for the sustainability of currently overburdened social security systems. Finally, he underlined the need to sensitize the international community about the principle of decent work in order to promote effective employment policies at the appropriate international level. Such policies needed to take into account the various geographical, regional and cultural specificities, as well as labour standards.
- 29.** The representative of the Government of Italy supported the statement of the representative of the Government of France made on behalf of the IMEC group, particularly with regard to the request for more detailed information on how to give effect to the objectives of the Global Employment Agenda. His Government also supported the request for an analysis of core element three and for clarification of the link between decent work and entrepreneurship as envisaged in paragraph 14, which was somewhat unclear. He also sought clarification of the link between the right to freedom of association and the school-to-work transition referred to in that same paragraph. His country attached great importance to core elements five, six and eight. With regard to core element five, he considered that education and training were fundamental for improving productivity and promoting access to the world of work. He emphasized the importance of round tables, such as the one in Montreal, which had brought together policy-makers from a number of countries as well as workers' and employers' organizations and representatives of international organizations such as the EU and UNESCO. With regard to element six, he emphasized the importance of labour market policies for protecting workers from negative effects of changes and for improving the functioning of the labour market. With regard to core element eight, he stressed the need for strengthening the capacity of governments and enterprises to formulate and implement more effective prevention and protection policies. In this context, he wished to reiterate the support of his country for the work done by the ILO in the area of HIV/AIDS in the workplace. This programme and the related code of practice constituted good practice examples. Finally, special attention should be given to women workers, as indicated in the Office paper.
- 30.** The representative of the Government of South Africa congratulated the Chairperson and Vice-Chairpersons on their appointments and thanked the Office for the timely delivery of the document. He endorsed the statement made on behalf of the African countries. The ten

core elements of the Global Employment Agenda as set out in November 2001 were in many ways similar to those of the New Partnership for Africa's Development (NEPAD). The ILO had a central role to play in all efforts to create employment and reduce poverty. The core elements in the current document differed from those presented by Professor Rodriguez at the end of the Global Employment Forum, which his Government considered to contain useful guidance for a comprehensive employment strategy. In paragraph 18 of the paper before the Committee, reference should be made to the importance of labour market information and the role of employment services. Referring to paragraph 21, he suggested that active labour market programmes in developing countries should be directed at providing a base from which self-employment could be launched so that economic independence could be achieved. That comment was also appropriate in the context of paragraph 25. He wondered why there was no paragraph about action at the local level preceding paragraph 32. Surely it would be worthwhile to disseminate good practices and promote social partnerships at that level too. In conclusion, he suggested that the Committee request the Office in a point for decision to ensure that the next draft would be consistent with the conclusions presented by Professor Rodriguez and with the Decent Work Agenda.

31. The representative of the Government of the United States congratulated the Chairperson and Vice-Chairpersons on their appointments and thanked the Office for the paper, which highlighted ten core elements, or goals as his Government preferred to call them. He associated himself with the statement made by the representative of the Government of France on behalf of the IMEC group. For some time, his Government had been advocating the use of the document for organizing the work of the Committee. Each future session should concentrate on one, or at most two, of the core elements with the objective of achieving consensus on how to achieve those goals. With the goals now in place, it was important to build consensus on the strategies, and various suggestions on that issue had already been contributed at the current and at previous sessions of the Committee. That approach should be reflected in paragraph 39(c). Points (b) and (d) could be subsumed within these detailed individual discussions, and, where appropriate, the Office could report on country-level experiences, regional and global alliances, and cross-cutting elements. Finally, his Government supported point (a).
32. The representative of the Government of Barbados congratulated the Chairperson and Vice-Chairpersons on their appointments. Speaking on behalf of the English-speaking Caribbean countries, she thanked the Office for the document on the Global Employment Agenda and took note of the ten core elements contained in it. She referred to the unemployment situation and the growing informal economy in her region and emphasized the importance of the link between productivity, employment and poverty reduction as stated in paragraph 8. It was gratifying to see that the Office planned to address that issue in its next World Employment Report. Human resource development was also of crucial importance in her region, where people were the main productive resource. She therefore supported the recommendations made in paragraph 39(a), (b) and (d), on the understanding that the appropriate mechanisms would be put in place to make these activities meaningful. Regarding point (c), she recommended further elaboration by the Committee on the following core elements, in order of priority: five, ten, one and two. In summary, for her region the focus was on knowledge and skills development, the creation of productive employment opportunities and improved access to the markets of developed countries. Such strategies would contribute to poverty eradication as well as to national and regional development.
33. The representative of the Government of Mali congratulated the Chairperson and Vice-Chairpersons on their appointments and expressed his appreciation for the exceptionally high quality of the Office paper. He underlined the clarity of the document, which was reinforced in its analysis by concrete examples. All the ten core elements were important

for his country, which was reflected in the fact that they were also included in Mali's PRSP, adopted recently. His country had greatly benefited from ILO assistance in the development of employment strategies and action programmes. He hoped that more countries, in particular those in the African region, could benefit from such an exercise.

- 34.** The representative of the Government of Indonesia congratulated the Chairperson on his appointment and expressed her gratitude at receiving such a comprehensive and informative document. She endorsed the position presented by the representative of the Government of the Republic of Korea on behalf of the Asia and the Pacific group. Her Government attached great importance to employment creation and poverty alleviation and had already undertaken certain measures in that respect. Recently, a national plan of action for decent work had been developed as part of the PRSP and the draft was currently being discussed with the relevant partners. She hoped that the ILO would provide continuous technical support to her Government in these endeavours, which would be greatly facilitated by the presence of an employment specialist in her country.
- 35.** Mr. Anand (Employer member) associated himself with those speakers who appreciated the link between productivity, employment and poverty, referring to paragraph 8. The evolution of the Decent Work Agenda paid special attention to the forces of change, namely globalization and trade, which had far-reaching impacts on most countries. In South Asia, rural and informal employment dominated. The level of skills and labour productivity was rather low but many new jobs emerged in the high-tech industries. In India, the number of jobs in this field and the export of information and communication technology products showed enormous growth rates. However, agriculture, manufacturing and traditional services should not be ignored as they had a large potential for creating sustainable employment. In South Asia, despite some decline in poverty, the countries were still far from achieving decent work, especially with regard to conditions of employment in the rural and urban informal sectors, particularly in micro, small and medium-sized enterprises. He stressed that without productivity, skills development and social security there would be no hope for change. These issues should be taken into account in the Global Employment Agenda as well as in the next World Employment Report. He welcomed the support that his country had received recently from the ILO's Employment Sector, and hoped that even more could be done in the future. He felt that the Worker Vice-Chairperson had failed to understand that real employment growth came from vibrant businesses and not through bureaucratic obstacles to private sector development, which still existed in many parts of the world. The overarching goal must be decent work that respected workers' rights and enabled business growth. Finally, he wished to emphasize that the Employers had always supported the concept of freedom of association. However, while freedom of association was essential, it was not sufficient for poverty eradication and employment generation.
- 36.** The Chairperson expressed appreciation for the rich discussion and saw merit in the points of view brought forward by both the Workers and the Employers. It was important to find a way to reconcile these different positions.
- 37.** The representative of the Government of Japan congratulated the Chairperson and Vice-Chairpersons on their appointments. He endorsed the statements of the IMEC group and the Asia and the Pacific group and expressed support for the point for decision in paragraph 39. However, after having listened to the interventions made by the Workers and some other speakers, he felt that the social dimension should be more elaborated in the further development and promotion of the Global Employment Agenda.
- 38.** The Chairperson concluded the debate, which he described as provocative, representing a broad spectrum of opinions. To give more time to the Office to prepare an adequate

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response to all those valuable contributions, he suggested to return to the item in the course of the next day.

39. The representative of the Government of France suggested returning to agenda item I immediately after concluding agenda item II, as those two items were interrelated.
40. The Worker Vice-Chairperson sought clarification as he had been under the impression that agenda item I could be continued immediately at the beginning of the next session and completed before starting on agenda item II.
41. Mr. Hultin indicated that, as the Office response required consultation with some of the Committee members, it would be preferable to leave sufficient time to do so.
42. The Worker Vice-Chairperson agreed to start with agenda item II at the next session.
43. The Chairperson agreed to that order of proceedings but hoped that agenda item I could be concluded before the end of the morning session.
44. The Employer Vice-Chairperson agreed that the Office response would have to be postponed until the following day. He hoped that he could be given an opportunity at the beginning of the morning session to respond to some of the comments made in the debate. In his view, that would also help the Office in preparing its response.
45. The Chairperson reiterated his suggestion to devote some time after concluding agenda item II to the conclusion of agenda item I, and proposed that the Employer Vice-Chairperson be given the floor immediately at the beginning of the discussion on agenda item I.
46. The Worker Vice-Chairperson hoped that the Workers would also be given the opportunity to react to the debate.
47. The Chairperson emphasized that, in view of the limited time available for the remaining agenda items, it would be necessary to restrict the time for concluding agenda item I to about half an hour, and that both Employers and Workers would be given the opportunity to make brief interventions before the Office presented its response.

### **Continuation of the discussion of agenda item I on 15 November 2002**

48. The Employer Vice-Chairperson stated that the position of the Employers' group remained unchanged from that of the previous day.
49. The Worker Vice-Chairperson said that initially the Workers had had a number of comments related to the statements made by the various Government representatives. However, he felt it was better to focus on the new proposal for paragraph 39, rather than revisiting yesterday's discussions.
50. The Chairperson inquired about the origin of this new version of paragraph 39.
51. The Worker Vice-Chairperson replied that, as requested by the Chairperson, a discussion among the Employer and Worker Vice-Chairpersons, the Chairperson and representatives of the secretariat had taken place prior to the afternoon session, and the Vice-Chairpersons had then requested the secretariat to prepare the amendment. The amendment was an

attempt to try to reconcile differences and reach a solution. He suggested that the secretariat introduce the amendment to the Committee.

52. The Chairperson, expressing concern that he had not been fully involved in the preparation of this amendment, requested the secretariat to present the amendment.
53. Mr. Hultin emphasized that the amendment attempted to take into account the points made yesterday. He hoped this was a way forward with which the constituents might feel more comfortable. The amended paragraph 39(a) was an attempt to recognize the concerns expressed during yesterday's discussion by the Workers and some Governments, namely that the core elements of the Global Employment Agenda did not adequately reflect their interpretation. Paragraph 39(a) proposed that between now and March next year there should be a re-examination of all the elements that should constitute the Global Employment Agenda, taking into account the current and previous discussions, with a view to achieving a formulation by March 2003 that was acceptable to all. As regards paragraph 39(b), he stated that this was intended to place the elements as they were to emerge in March against the background of work currently in progress on the status of employment in the world entitled *Global Employment Trends*. This would give the Committee an overview of the latest developments and outlooks for the global employment situation. On paragraph 39(c), he stated that its purpose, as proposed by some speakers, was the long-term use of the Global Employment Agenda as an organizing tool for the work of the Committee. From March 2003 onwards, political and policy directions in important areas of the Global Employment Agenda would be sought from the Committee. Paragraph 39(d) foresaw that the constituents and the Committee would be provided on a regular basis with country-level experiences, particularly in the light of the outcomes of the General Survey currently under way on the application of the ILO instruments relating to employment (Conventions Nos. 122 and 142 and Recommendations Nos. 169 and 189).
54. The Chairperson thanked Mr. Hultin and invited comments from the floor.
55. The representative of the Government of France, on behalf of the IMEC group, stated that the amendment was a perfect compromise as it stood and that there was no need for further improvements. The group was ready to accept it as it was.
56. The representative of the Government of the Republic of Korea, on behalf of the Governments of the Asia and the Pacific group, stated that the issue at stake was of great importance to his group. As there had not been enough time to consider the amendment properly and his group had not been involved in the consultations, he suggested that this matter be referred to the Governing Body, with the record of this meeting indicating that there had not been sufficient time to reach an agreement.
57. The representative of the Government of Argentina, on behalf of the Latin American Governments, also expressed concern that his group had not been consulted on the proposed amendment. Furthermore, the amendment submitted by the group yesterday was not reflected in the new proposal. The group was therefore not able to take a position on the amendment.
58. The representative of the Government of Sudan, on behalf of the Africa group, stated that the presentation and the analysis of the amendment provided by the secretariat took into account the concerns of the African countries, in particular regarding the ten core elements from the Global Employment Forum. His group therefore endorsed the amendment.
59. The representative of the Government of France pointed out that the Committee could not entrust the Governing Body with this work in its stead. If no consensus could be reached

on the concluding paragraph, this should be put in the report that went to the Governing Body.

60. The Chairperson confirmed that this was indeed an option but hoped that consensus could still be reached.
61. The Worker Vice-Chairperson pointed out that the Employers and the Workers supported the amendment, as did the Africa and the IMEC groups. The Latin American Governments group and the Asia and the Pacific group had not rejected the amendment but had pointed out that they had not had sufficient time to conclude their consultations. He wondered if these groups could not accept the amendment as the decision of the Committee in the light of the substantial support it had received from the other members. It had been a difficult discussion, and it would be preferable to transmit to the Governing Body a recommendation based on a decision of the Committee, as opposed to simply a record of the discussion.
62. The Employer Vice-Chairperson supported the view expressed by the Worker Vice-Chairperson and proposed a brief recess in order to allow for discussion of the amendment by the Latin American and the Asia and the Pacific government groups.
63. The representative of the Government of Japan supported this proposal.
64. The Chairperson indicated that, if acceptable, he would prefer to continue the work on the next item on the agenda, while the Latin American and the Asia and the Pacific government groups could consult informally outside of the room.
65. The representative of the Government of the Republic of Korea, on behalf of the Asia and the Pacific group and supported by the Worker Vice-Chairperson, asked for a suspension of the meeting.

[Suspension of the meeting for 20 minutes]

66. After the meeting was resumed, the representative of the Government of the Republic of Korea, on behalf of the Asia and the Pacific group, expressed his group's deep concern that there had not been sufficient time to review the proposal and about the disrespect for the tripartite structure since his group had not been consulted on the amendment. He wished to place on record the serious reservations his group had expressed as well as the suggestions it had made regarding the reflection of the summary of the proceedings of the Global Employment Forum in paragraph 39(a). However, in a spirit of extreme flexibility his group did not want to oppose the amendment.
67. The Chairperson noted the concerns expressed about the lack of consultation with certain groups in the Committee.
68. The representative of the Government of Argentina emphasized that he was speaking on behalf of Latin American countries only, not including the English-speaking Caribbean. He stated that his group was not very satisfied with the way in which this matter had been dealt with. First, there was a lack of time considering the importance of the issue for developing countries. Second, the amendment was distributed only in English, and not in Spanish, one of the official languages of this Organization. That is why he could only make some preliminary comments. He expressed concern that the amendment submitted by the Latin American countries yesterday had not been more clearly reflected in the amended paragraph 39(c). In addition, the proposed subparagraphs (a) and (c) were not clear on the purpose and framework of the proposed consultations with the Officers. Referring to paragraph 39(d), he felt that it contained a mixture of questions pertaining to

the monitoring of standards issues and employment policy issues. Such a combination seemed not advisable and would require further analysis. It was his understanding that the elements of the Global Employment Agenda referred to in paragraph 39(a) would include an analysis of the impact of asymmetries in the globalization process and their impact on the level and quality of employment in developing countries. The same understanding applied to the identification of specific component elements referred to in paragraph 39(c).

69. The Chairperson summarized the concerns expressed by some of the group representatives on behalf of their Government members about the consultation process. He agreed that all constituents should play their due roles in such important issues as the Global Employment Agenda. He stressed the need to ensure that in future all the regional coordinators were present at such consultations. The concerns expressed about the lack of time and unavailability of the amendment in all official languages would also be taken into account in future. He noted that the amendment referred to in the last intervention by the representative of the Government of the Republic of Korea on behalf of the Asia and the Pacific group of Governments had not been formally submitted by that group, but he took note of the request regarding the inclusion of the *Summary of Proceedings* of the Global Employment Forum. A similar concern had been expressed by the Latin American governments, whose amendment had indeed been formally submitted. This should also be reflected in the record of this meeting. The Chairperson also explained that, in his interpretation, the Officers of the Committee included the Employer and Worker Vice-Chairpersons, the regional coordinators, and the Chairperson. Regarding paragraph 39(d), he sought clarification from the Office about the origin of this subparagraph.
70. Mr. Hultin explained that the General Survey was an Office activity currently under way. The survey examined the applications of employment-related ILO instruments, namely Conventions Nos. 122 and 142 and Recommendations Nos. 169 and 189, and was a unique way to learn from country-level experiences. For this reason, the suggestion made by the IMEC group to take into account the outcome of the survey had been included in paragraph 39(d).
71. Seeing that there were no further objections, the Chairperson invited the Committee to adopt the point for decision as amended. It was so decided.
72. *The Committee on Employment and Social Policy recommends that the Governing Body:*
- (a) *instruct the Office to produce a paper re-examining the elements of what should constitute the Global Employment Agenda, taking into account the current and previous discussions of the Committee, for discussion by the Officers of the Committee prior to the March 2003 Governing Body session, and subsequent presentation at that session;*
  - (b) *request the Office to report on global employment trends in the current economic conjuncture, and to present an analysis with country examples of the effectiveness of economic and employment policies to promote employment growth in the current context;*
  - (c) *request the Office, in consultation with the Officers of the Committee, to identify specific component elements of an agreed Agenda for in-depth discussion and further refinement by the Committee at its future meetings;*
  - (d) *request the Office to provide an overview of comparative country experiences as revealed by the General Survey on the application of the ILO*

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*instruments relating to employment (Conventions Nos. 122 and 142, and Recommendations Nos. 169 and 189) in the Committee's future meetings.*

## **II. Poverty Reduction Strategy Papers (PRSPs): An assessment of the ILO's experience**

73. The Chairperson recalled the agreement that had been reached regarding item I of the agenda. As the Office needed more time to prepare a response, he had arranged for a meeting with the Vice-Chairpersons immediately after the morning session to discuss how to proceed further.
74. A representative of the Director-General (Mr. Radwan, Special Adviser to the Director-General) welcomed a representative of the World Bank and presented the Office paper.<sup>3</sup> He introduced the concept of PRSPs and their link with the Heavily Indebted Poor Countries (HIPC) initiative, for which 70 countries were eligible. Currently 50 of those countries had interim PRSPs and about 20 had full PRSPs. The ILO had initially identified five special focus countries. The “value added” of the ILO lay in empowering the social partners, incorporating employment and other aspects of the Decent Work Agenda into the PRSPs, and influencing those involved in the process to embrace the fundamental principles and rights at work and social protection and listen to the social partners. Summarizing the experiences in the five pilot countries, he set out the three main lessons that had been learned. First, more attention should be placed on equity, in addition to growth, in the PRSPs. Second, participation by trade unions, employers and labour ministries in the PRSP process was essential. Third, many PRSPs needed to include a more thorough analysis of employment and other aspects of decent work. The next steps would be to go beyond the five pilot countries in response to demands for further country-level support, which in turn required greater capacity, especially at the field level; to develop integrated comprehensive decent work approaches to poverty reduction strategies; to develop tools such as manuals; and to work on capacity building for the ILO and the social partners. In conclusion, he recalled that a new PRSP Task Force had been created by the Director-General.
75. The representative of the World Bank thanked the Chairperson for the opportunity to address the Committee and stressed that he spoke on behalf of both the World Bank and the IMF. He welcomed the Office paper and its balanced assessment of where the PRSP process stood and the role it laid out for the ILO in taking the process forward. He welcomed the ILO's commitment to continue allocating substantial resources to this process. Two major points emerged from the paper. As the PRSP approach was a dynamic and evolving one, it was essential that external partners supported countries in building national capacity for policy design and implementation. In that regard the ILO had a particularly important role to play with regard to its social partners in countries preparing PRSPs and implementing their strategies. There was a need to assist governments through analytical work and technical support, particularly in such areas as the sources and determinants of “pro-poor” growth and the distributional impacts of specific policy and institutional reforms. Moreover, there was a need to institutionalize and deepen the participatory processes that underpinned the formulation and implementation of PRSPs. Building on its structures and its existing relationships within countries, the ILO could play an important role in promoting a more meaningful involvement of labour unions and

<sup>3</sup> GB.285/ESP/2.

employers' associations, as well as ministries of labour, within the process, so that employment issues received due consideration.

76. The Worker Vice-Chairperson thanked the Office for its excellent paper. His observations fell into two main parts. First, general observations on the overall PRSP process and how it had evolved under the leadership of the Bretton Woods institutions; and second, more specific comments on the background paper and the ILO's involvement in the PRSP process. He said that when the move towards poverty reduction and increased participation had been announced by the international financial institutions a few years ago, the trade union movement had welcomed the development. In particular, unions had strongly endorsed promises from those institutions about how the PRSPs would dramatically improve the consultation process. They had also welcomed promises about how the PRSPs would be used to modify economic reforms and the conditionality attached to debt relief and loans. He noted that the international trade union movement was beginning to get frustrated, as the IMF and World Bank were failing to meet these expectations. Referring to paragraphs 19 to 21 of the Office paper, he said that the Office had presented a fair and accurate appraisal of the total PRSP experience to date, and endorsed the final sentence of paragraph 20. He strongly supported the three general criticisms of the PRSP process outlined in paragraph 21. The Workers were concerned at the need to avoid repackaging old policies under new labels, and reaffirmed the need to address debt and the impact of privatization. In relation to the first sentence of paragraph 16, he pointed to the dynamic relationship between public investment, employment and private sector growth. He acknowledged that the Office was starting to make the PRSP process a priority area of activity. The Workers fully supported efforts to get ILO staff and constituents involved in economic and social dialogue around the PRSP process and would encourage the Office to build on the work described in the paper. He fully endorsed the first sentence of paragraph 11. Referring to paragraphs 11 and 12, he expressed his appreciation for the attempt by the Office to present an honest appraisal of the ILO impact on the PRSP process. He noted the concerns on the African continent about the quality of participation and consultation in the PRSP process, and pointed to significant weaknesses and problems. He endorsed the final sentence of paragraph 11 and the related comments in paragraph 15 regarding labour ministries. Commenting specifically on the PRSP work in Nepal referred to in paragraph 24 of the paper, he stressed that the Workers' group felt that the comprehensive approach gave the social partners the best chances of influencing the final PRSP and future economic and social policy. He was, however, also aware that the approach adopted in Nepal absorbed considerable time and resources and that, with regard to the PRSPs, the most pressing constraint on the Office was in fact human resources, rather than money. The Office was therefore fortunate to receive considerable extra-budgetary support from the United Kingdom Government to fund ILO involvement in the PRSP process. He noted that the Office lacked a sufficient number of highly trained and experienced economists who were capable of working with the social partners to develop a consistent and comprehensive economic strategy. He set out the case for a substantial increase in resources and capacity building for ILO constituents, particularly trade unions, to enable an effective response to PRSPs. He therefore fully agreed with the final sentence of paragraph 39, and endorsed the final sentence of paragraph 41. The capacity problem went beyond the PRSP process, in view of the extreme disappointment expressed by African countries regarding the lack of human resources available to the Jobs for Africa programme. It was essential that the Office took steps to rebuild the quantity and quality of economic capacity that had existed in previous decades, and he therefore suggested that paragraph 43(b) should be reworded in the following way:

recommend to the Governing Body that this work be continued, and that the necessary steps be taken to secure the technical and financial resources needed to enable this important work to be broadened and deepened.

He supported the other points of paragraph 43 as drafted.

77. The Employer Vice-Chairperson commended the Office paper, which in his view was one of the better papers setting out the ILO's role in the PRSP process. He stressed that the ILO's role was to ensure that employers' and workers' organizations were fully involved in the PRSP process. However, he was puzzled by certain aspects of the paper. Paragraph 20 suggested that the PRSP process was "overly driven by the World Bank". That was hardly surprising, given that it was a World Bank initiative. The implied adversarial relationship between the ILO and the World Bank was also somewhat puzzling. Referring to paragraph 16, he wondered in which country the principal engine of growth was *not* the private sector. He said that any additional resources in support of PRSP exercises should be drawn from the tripartism proposal in the PFAC document on the 2000-01 cash surplus, related to capacity building of the workers and employers for participation in the PRSP process. With this understanding, the Employers were prepared to accept paragraph 43(b). He emphasized that the resources in question should not be used for capacity building for ILO staff at headquarters or in the field, and that highly skilled economists were already available at the World Bank and the Fund.
78. The representative of the Government of France, speaking on behalf of the IMEC group, thanked the Office for an interesting paper. The IMEC group generally shared the view expressed in paragraph 7 of the paper, that the PRSP process went beyond debt relief. He stressed the importance of the ILO to continue its work on PRSPs, as it was vital for the social partners to be involved in the process. However, he was also concerned by certain problems raised in paragraph 21 of the paper. First, there was a need to enhance coordination within the ILO, possibly by structuring ILO activities around one approach, by country, focusing on poverty reduction aspects. Second, emphasis needed to be placed on institutional capacity development involving the social partners and ministries of labour, giving priority to the highly indebted countries and decent work pilot countries. Third, better coordination was needed between the ILO and other international institutions, in particular the World Bank and the UNDP, to favour a more strategic approach to poverty reduction by the donor countries. Fourth, greater efforts were needed to disseminate the ILO's strategic objectives and priorities among, for example, UNDP country representatives. Fifth, he recommended that the Office paper be transmitted to the World Commission on the Social Dimension of Globalization.
79. The representative of the Government of China thanked the Office for its very comprehensive paper and highlighted the importance of making the link between the PRSP process and that of the Millennium Development Goals. He flagged the importance of participation as something that underpinned the validity of PRSPs, and noted the importance of employment and social protection as poverty reduction strategies. He called for the Office to produce a paper explaining in more detail the ILO's role in poverty reduction and the contribution of decent work as a means for reducing poverty. He endorsed the point made in paragraph 9, that economic growth was an essential but not a sufficient condition for poverty reduction, and the point in paragraph 11 concerning the importance of income from work as being crucial to poverty reduction. The Government of China endorsed paragraph 43.
80. The representative of the Government of the United States endorsed the statement made on behalf of the IMEC group. He noted that the paper suggested that the experiences had not always been entirely positive. The Government of the United States would therefore have difficulty in supporting the recommendation in paragraph 43(b) if it meant that more financial resources were to be allocated. Some questions would first need to be answered. First, how did the ILO propose to increase its involvement in the PRSP process? Second, what factors could the Office cite that suggested that the PRSP process overall and its own involvement in that process would be more successful in the future? Third, since poverty reduction and participatory decision-making were long-standing foci of the Office and were presumably integrated into most of what the Office did, why could it not promote

those activities in the PRSP process with its present resources? He had no particular objection to paragraph 43(c).

- 81.** The representative of the Government of Sudan, speaking on behalf of the Africa group, thanked the Office for an excellent paper and noted that more African countries would welcome support from the ILO on their respective PRSPs which, by definition, were likely to be fairly diverse from country to country. He called on governments to include the ILO social partners in PRSP processes and in national planning processes more generally. He endorsed paragraph 43.
- 82.** The representative of the Government of the United Kingdom supported the statement of France on behalf of the IMEC group. She welcomed this assessment of the ILO's role and the comparative advantage it had in the design and implementation of the PRSPs. She noted that the Office paper identified three important areas in which the integrated decent work approach could add value: emphasizing equity in "pro-poor" growth; broadening participation; and strengthening the underlying social and economic analysis. However, she wanted to raise three additional points on which further information would be welcome. First, she noted that most of the poorest people survived outside the formal economy and that there was therefore a need for a clearer ILO strategy to ensure that those in the informal economy participated in and benefited from PRSP processes. Second, she stressed that there was a need for a clearer picture of the human and financial resources currently available and envisaged to meet the demand of this growing area of work. Lastly, she welcomed the further details on the internal organizational arrangements referred to in paragraph 42 of the paper.
- 83.** The representative of the Government of Malawi endorsed the statement made on behalf of the Africa group. He commended the paper, and said that it largely reflected the experience of Malawi. He noted that paragraph 12 correctly outlined the nature of the power dynamics underpinning participation in and drafting of PRSPs, and recalled the need to constantly reinforce the message of employment policy as a crucial component of poverty reduction strategies. He endorsed paragraph 43.
- 84.** The representative of the Government of the Islamic Republic of Iran stated that the Decent Work Agenda should be integrated in the PRSP process. Paragraph 37 demonstrated the great importance of decent work in the PRSP package. He supported the suggestion that the paper should be transmitted to the World Commission on the Social Dimension of Globalization.
- 85.** The representative of the Government of Mali fully endorsed those paragraphs in the paper which covered the PRSP experience in his country. He called for the ILO's work on PRSPs to be extended to other countries in Africa, and thanked donor countries for their support to the PRSP process in countries like his own. He supported the statement made on behalf of the IMEC group and endorsed paragraph 43.
- 86.** The representative of the Government of South Africa said that the Office paper was a very good one. He agreed with the principles underpinning the PRSP process, and noted that the world had moved on from the notion that poverty could be reduced through the "trickle-down" effect of economic growth. He called for the ILO to expand its efforts on PRSPs. That was fully justified, given the need to advance decent work as a poverty reduction strategy. He raised the importance of trade and equitable trade rules as a key component of poverty reduction, and flagged the important task of raising the awareness of the Bretton Woods institutions regarding the need to incorporate decent work in their respective strategies.

87. The Worker Vice-Chairperson noted that there had been a good discussion and broad support for the lessons learned and outlined in the paper, and raised a few additional questions. First, should the ILO continue to be involved in PRSPs? If the answer of the Workers, governments and indeed the World Bank were “yes”, that would have resource implications. Second, should activities be extended beyond the five pilot countries? There was wide support for this. That would also require additional resources. Third, was there a need to undertake capacity-building activities for the social partners, which also implied additional resources? He emphasized that there was no “one-size-fits-all” approach for the PRSP, and that sound economic analysis was crucial. He stressed the need for more economic capacity and technical expertise within the ILO, and for capacity building and resources at the level of the social partners.
88. The Employer Vice-Chairperson noted that cost estimates would be needed for capacity building and for broadening activities beyond the five PRSP pilot countries. The cash surplus for 2000-01 would be a start, but requirements would go far beyond that. He expected that a clearer picture would emerge at the March 2003 session of the PFA Committee. Regarding the discussion on growth and equity, emphasis should be placed first on growth, and then on equity, because no one wanted to be in the business of spreading poverty more equally.
89. The Worker Vice-Chairperson noted that it was not a question of growth first and then equity; there was a dynamic relationship between the two, as had been indicated in some of the earlier interventions.
90. The representative of the Government of the United States pointed out that the role of the ESP Committee was to give feedback on the substance of specific activities, and that it was for the PFA Committee to address any budgetary implications.
91. The representative of the Government of France said that he found paragraph 43 to be generally satisfactory, although he would have reservations if anything contained in the paragraph had budgetary implications. It was for the PFA Committee to deal with budgetary matters, not the ESP Committee.
92. Mr. Radwan thanked those present for their positive contributions and endorsement of the paper and welcomed the benefits accruing from the rich debate and useful guidance provided. He noted that everybody was on a learning curve and that there was much to be gained from an integrated approach to poverty reduction, both from the point of view of collaboration between the ILO and other stakeholders in the PRSP process and from the point of view of the ILO’s comparative advantage in PRSP dialogues, which was its notion of “decent work”. He stressed the importance of being innovative and dynamic in how the ILO supported PRSP processes, and agreed with those who had raised the issue of the need to improve the capacity of the ILO and social partners to engage in the PRSP processes, which had been supported by donors like the United Kingdom, Italy and the Netherlands. He recalled the ILO’s internal organizational initiatives aimed at coordinating the ILO’s contribution to PRSPs.
93. Responding to concerns expressed by various speakers, the Chairperson said that those concerns would be duly reflected in the report of the session. On that understanding, the point for decision in paragraph 43 of the Office paper was adopted.
94. *The Committee on Employment and Social Policy, having commented on the review of ILO involvement in PRSPs:*
  - (a) *recommends to the Governing Body that this work be continued and that, financial and technical resources permitting, it be broadened and deepened;*

- (b) requests the Office to prepare a further report for its consideration in 2004 with a view, inter alia, to an ILO contribution to the next IMF/World Bank joint review of PRSPs in spring 2005.*

### **III. Microfinance for employment creation and enterprise development**

95. A representative of the Director-General (Mr. Balkenhol, Head of the Social Finance Programme, Employment Sector) introduced the Office paper.<sup>4</sup> He provided several tangible examples of how microfinance affected the lives of poor people, created jobs and reduced vulnerability. Microfinance was a critical concern of the Office, since it addressed a key constraint on decent employment. Moreover, the Office had a unique asset by comparison with other international organizations involved in microfinance. It was founded on the principle of association, which had immense significance in microfinance, where social capital facilitated access to financial services for the poor.
96. Microfinance was a compelling illustration of the Office's values, namely that efficiency and equity should not be mutually exclusive. One could not go against the market, but the market alone could not ensure full justice in the distribution of social benefits. As evidence of the importance of microfinance for the Office, he cited article 2 of the Philadelphia Declaration, which highlighted the responsibility of the Office to examine and consider all international economic and financial policies and measures in the light of social justice. He referred to the many ILO Conventions and Recommendations that referred to appropriate financial services and financial institutions that could ease the plight of vulnerable groups otherwise excluded from economic activities and economic inputs such as capital. This pervasiveness of microfinance in international labour standards was mirrored in the technical cooperation programmes of the Office. He further provided examples of how microfinance contributed to all four of the ILO's strategic objectives.
97. Microfinance was of critical importance to both social partners. Workers' organizations were not indifferent to the plight of homeworkers forced into extortionate loan contracts. As shown by the 1999 International Symposium on Trade Unions and the Informal Sector, the working poor needed to have access to means that reduced their vulnerability. Furthermore, workers' organizations were confronted with an increasing demand for savings and loan schemes, such as housing loans, or for advisory services on payroll deduction schemes. Financial services for workers enhanced the negotiating position of workers' organizations.
98. Employers' organizations were aware that entrepreneurship was dormant until it was unleashed with access to start-up capital. They knew that property rights in many developing countries were still poorly defined, which blocked access to collateral and capital, especially for people in the informal economy. One of the great paradoxes in the world of work was that the kind of enterprise that needed the least amount of capital for every decent job created had the most difficulty in accessing that capital. Employers and workers had a common interest in building bridges and pathways out of the informal economy, and microfinance was certainly one of the more attractive options.
99. In conclusion, he invited the Committee to provide guidance on microfinance for decent work. He suggested that, in light of the discussions at the PFA Committee in March 2001, the Office might wish to improve on the coherence of its microfinance strategy, taking into

<sup>4</sup> GB.285/ESP/3.

account the potential of microfinance as an alliance-builder. Other international organizations, including the Bretton Woods institutions, should be especially involved. He suggested that the ILO should develop programmes that would strengthen the capacities of workers' and employers' organizations to facilitate access to financial services for their members. Furthermore, the ILO should systematically improve its use of microfinance in technical cooperation and strengthen the Office's microfinance expertise in the regions.

- 100.** The Employer Vice-Chairperson thanked the Office for its excellent paper. He strongly agreed that there was an important role for the Office to play in encouraging the use of microfinance in both developing and developed countries. With regard to the latter, he drew attention to a point made in the paper that the costs of subsidizing microfinance schemes in developed countries represented a net benefit because of reduced welfare expenditure. The advantages of microfinance were incontrovertible, and included job creation, empowerment and economic growth; microfinance filled a crucial void in the financial markets.
- 101.** The Employers believed that it was important to integrate microfinance into all the ILO's relevant activities, by emphasizing it in the PRSP process and in joint work with the UNDP, and including it in the decent work pilot projects and the Global Employment Agenda. The social partners had an important role to play in microfinance. Technical cooperation could help the social partners to establish their own microfinance programmes. The Office should also work with governments to create an appropriate policy environment for microfinance. He cited research by Hernando de Soto, which had shown the importance of clear property rights in enabling people to use their assets as collateral. In conclusion, he encouraged the ILO to develop its activities in the area of microfinance and to promote microfinance wherever possible.
- 102.** The Worker Vice-Chairperson thanked the Office for the paper. Microfinance was an important area for ILO constituents, as the financial sector was in many cases not geared to the needs of small businesses or individuals, and this was often cited as an example of market failure. Public policy measures needed to be considered to ensure access to finance and capital. The Office paper provided an argument for involving the State in the development of microfinance and the role of microfinance in the market. Certain systems of microfinance relied on group solidarity and social capital mobilization.
- 103.** The paper made some interesting and valuable observations. However, certain key areas needed to be strengthened. The Office should develop its microfinance activities on the basis of its distinctive mandate. The participation of the Office in an international donor consortium of 26 members – the Consultative Group to Assist the Poorest (CGAP) – should not lead to replication of activities done by others, but should emphasize microfinance as a tool to promote the Decent Work Agenda. He would like to see the link between microfinance and decent work further developed. For example, microfinance could be used to promote fair labour standards in small businesses by extending loans underwritten by public funding or guarantees to enterprises that met certain minimum criteria. Such an arrangement had been adopted in one member State and the Office should “showcase” the initiative.
- 104.** Drawing attention to the Promotion of Cooperatives Recommendation (No. 193) adopted by the International Labour Conference in 2002, he suggested that the Office could also promote microfinance cooperatives and facilitate access to finance for cooperatives. The Recommendation indeed called for measures to promote savings, credit, banking and insurance cooperatives. The work of the Office should be directed towards helping member States to do just that. ILO constituents could use microfinance to enable informal businesses to be formalized and mainstreamed into the formal economy.

- 105.** He suggested that more consideration needed to be given to certain areas mentioned in the document. Referring to paragraph 31, he expressed concern about the elimination of interest rate controls. While it was true that very onerous restrictions on interest rates might be a disincentive to the setting-up of microfinance institutions, the target group for microfinance was precisely the group with least bargaining power, which was vulnerable to “loan shark” practices. Appropriate interest rate ceilings could well be part of a microfinance support system.
- 106.** Another area of attention could be the encouragement of mainstream financial institutions to enter the microfinance field, to ensure that microfinance transaction costs were more comparable with the costs of normal credit schemes. Citing a recent article in the *New York Times* (13 November 2002), he addressed the issue of the commercialization of microfinance. The article in question had warned that microfinance programmes should not become victims of their own success by becoming so commercialized that they became geared to the requirements of better-off borrowers. Microfinance always had to be aware of its social function.
- 107.** Microfinance for individuals at household level also needed to be addressed, with particular attention to key areas such as access, costs and terms. In addition, the relationship between microlending and wage policies needed to be taken into account. Very low wages could plunge individuals into a debt trap. Decent income and access to finance on fair terms had to be addressed simultaneously, instead of access to microfinance being seen as an alternative to decent incomes.
- 108.** He drew attention to other challenges, such as improving access for very vulnerable groups. At a recent financial sector summit in Johannesburg, banks, governments and the social partners had agreed to address the issue of access to finance for the poor, and for vulnerable people such as persons who were HIV-positive. The Office should explore ways of “showcasing” such arrangements.
- 109.** In conclusion, he suggested that the Office could explore the role of collective bargaining in setting terms of microfinance related to payroll deductions, interest rates, prudential requirements, debt consolidation and ombudsman protection. As these were taken up by trade unions, the Workers encouraged the ILO to pay attention to those subjects by incorporating them into the Decent Work Agenda.
- 110.** The representative of the Government of Sudan, speaking on behalf of the Africa group, thanked the Office for the paper, which contained extremely important information on microfinance in developing and developed countries. It reflected the importance and impact of microfinance and its contribution to job creation and improved working conditions, and the important role of the social partners in implementing microfinance. Microfinance, a global phenomenon, contributed to combating poverty and to development in general. Economic growth itself did not lead to the improved well-being of human beings. Microfinance targeted the poor and was therefore an effective instrument of poverty reduction. The poor needed to be able to choose for themselves how to improve their income. Microfinance especially was useful for those who were productive and employable. It would not be successful without the support of governments and the social partners. In that sense the ILO deserved praise for its role in assisting governments, social partners and communities, through studies, research and technical cooperation programmes.
- 111.** The representative of the Government of India expressed his delegation’s appreciation of the Office paper, which analysed how microfinance could be used for employment creation and enterprise development. Microfinance institutions that operated on the basis of the self-help group model had been found to be very successful in terms of recovery of credit.

That could be attributed to the peer pressure of group members and the use of members' deposits. He highlighted the example of the Self-Employed Women's Association (SEWA) in India, which he recommended as a model to be used in other parts of the world to support semi-literate women in the informal sector. There was also a need for further documentation and dissemination of good practices and success stories, and for innovation and experimentation. The ILO should explore the implementation of such activities. Recently, the Government of India had announced its intention of introducing a scheme for providing credit to small entrepreneurs, and encouraged foreign direct investors to participate in microcredit projects. He also welcomed the ILO's prevention of debt bondage project, which used microfinance to prevent poor and deprived people from being trapped in the vicious cycle of poverty and debt bondage, and to rehabilitate those who had been so trapped. This project was expected to benefit the poorest of the poor, to reduce poverty and support basic human rights. Microfinance had the potential to improve the lives of marginal workers, and create employment. The ILO had a key role to play in that regard, and could provide international institutional support. However, it was essential to ensure that microfinance institutions worked within prudential financial arrangements. Finally, his delegation supported the view expressed in paragraph 33 of the paper, namely that microfinance institutions should be seen as private initiatives rather than as government entities.

- 112.** The representative of the Government of Mexico expressed her appreciation for the excellent paper. The ILO's microfinance strategy could contribute substantially to the Decent Work Agenda and be seen as a fundamental basis for development policies and decent work. Micro, small and medium-sized enterprises had a high potential for employment creation and development, but had not been given much attention by the financial sector because of lack of guarantees and high interest rates. Supportive schemes with appropriate rates for micro, small and medium-sized enterprises were necessary for creating a competitive position in national and international markets. Besides microfinance, attention needed to be given to an entrepreneurial culture, finance for training, equipment and market access. The role of the ILO in the field of microfinance could be to focus on the promotion of cooperation and the exchange of information between member States on appropriate policies for improving access to finance, innovative approaches, technical assistance, improved distribution of finance to women and youth and research on the impact of microfinance on job creation by promoting the Decent Work Agenda. The ILO could also look at incubators, cooperatives and innovating micro-enterprises, the promotion of guarantee funds to support microfinance, and the expansion of more institutions in the microfinance sector. In conclusion, she suggested that the Office prepare a report on the contribution of microfinance to decent work and develop strategies for this, on the basis of informal consultations with Members on their successes. This report could be presented at the Governing Body in June 2003 and discussed in the ESP Committee in November 2003.
- 113.** The representative of the Government of Germany congratulated the Office for its excellent paper. Microfinance was not a new concept. About 30 years ago, Germany and Turkey had had an agreement for Turkish guest workers, through which such workers could access savings and credit facilities upon their return to Turkey. This scheme was facilitated by a joint loan fund which provided financial services at more favourable terms for the guest workers. The key question was how microfinance could be further developed on the basis of consensus between employers and employees. He found the suggestions made by the Employers and Workers in that regard very useful and that could inspire the Office to further develop its work in this area.
- 114.** The representative of the Government of the Islamic Republic of Iran referred to paragraph 2 and the value of microfinance in poverty reduction strategies, in particular in the PRSPs. He emphasized the effectiveness of microfinance in bringing about a fair

distribution of income, especially for women and young people. Governments could play a role in the promotion of microfinance and orient actors in the informal sector towards the formal sector. Microfinance contributed to the growth of employment, including jobs for women and thus led to greater gender equality. The extension of microfinance would help extend labour standards in the informal economy. Governments should promote microfinance and concentrate on their supervisory and monitoring role, rather than act as lenders. In line with the suggestion of the Employers' group, he sought better integration of microfinance into the Global Employment Agenda and the Decent Work Agenda.

- 115.** The representative of the Government of South Africa supported the statement made by the representative of the Government of Sudan, on behalf of the Africa group. He thanked the Office for its paper, and urged the Office to continue its work on microfinance, in line with the objectives of the Decent Work Agenda and the eradication of poverty. The ILO needed to focus on the link between microfinance, the world of work and enterprise promotion, but care was also needed not to duplicate the efforts of other bodies, that were often better placed to deliver such services. Paragraph 37 outlined a number of financial sector issues on which the Office should continue to focus. The Office should also monitor the work of other multilateral institutions in those areas, and apply it to empower the social partners. The development of the microfinance sector and the role of formal financial institutions within it also needed further attention. Finally, the Office could assist the social partners by exploring how financial sector regulations could be made more favourable to the microfinance sector, whilst at the same time remaining in compliance with international standards of supervision and regulation.
- 116.** The representative of the Government of Malawi congratulated the Office for the excellent paper. He supported the statement made on behalf of the Africa group, and concurred with the statement in paragraph 5 of the Office paper referring to the socio-economic benefits of microfinance, namely job creation, poverty reduction and empowerment of the poor, especially women. He also endorsed the views expressed in paragraph 20, which underlined the fact that microfinance contributed to employment and income stabilization. In Malawi, the Government's Central Economic Policy on Poverty had resulted in the provision of financial services by microfinance institutions to unemployed people. As Malawi's informal sector grew, the challenge of decent work continued, particularly in the areas of safety and health, social protection and implementation of labour standards. Referring to paragraph 40, in which the Office asked for suggestions and guidance, he suggested that the ILO include more microfinance specialists in the MDTs, so that they could help the constituents to link microfinance with the Decent Work Agenda. Solutions that might work for one country did not necessarily work in other countries. Support to governments, employers' and workers' organizations was needed for developing country-specific strategies. The Government of Malawi fully supported the programme on microfinance.
- 117.** The representative of the Government of France found the Office paper to be very interesting. Referring to his personal experience with microfinance as the administrator of a large French microfinance institution cited in the document, he emphasized that microfinance was important in the sense that it involved public authorities, social partners and private actors. Governments had a role to play in terms of legislation, regulation, training and support for microfinance institutions. Regarding paragraph 40, he suggested that the Office could add value to the work of others engaged in microfinance, in particular by supporting the promoters of microfinance. The Office could, for example, train those actors in administration and financial management. In conclusion, he underlined the importance of combating poverty through microfinance, for example in the framework of the decent work pilot projects and the PRSPs, and of strengthening the links between the microfinance programme and work on the informal economy development strategies.

- 118.** The representative of the Government of the United Kingdom endorsed the statements made by previous speakers, and supported the continued involvement of the ILO in microfinance.
- 119.** The representative of the Government of Canada appreciated the work of the Office in the area of microfinance, which used the market to attain social improvement. The comparative analysis of microfinance in developed and developing countries was very useful; further development of the comparative analysis, for example on the subject of sustainability, would be welcomed. The administration of microfinance activities was very important, and service delivery issues needed further elaboration. The Office could, for example, look into various approaches and institutional forms through which microfinance services could be delivered. Community-based service providers merited special attention, and their impact on the success of small entrepreneurs needed to be analysed. She also referred to the High-Level Meeting on Micro-Enterprises, which had taken place in August 2002 in Mexico. That meeting had focused on microfinance and the contribution of small enterprises to economic growth and job creation. The Government of Canada shared the preoccupation of the participants of that meeting on the issue of distinguishing micro-enterprises from small and medium-sized enterprises and the wealth-producing potential of the informal or unregulated segment of the sector. The Office should pursue work on that issue and focus on integrating microfinance into the Decent Work Agenda.
- 120.** The Chairperson, summarizing the discussion, noted that the Committee had delivered broad and strong encouragement for the Office to continue its work on microfinance, and had responded constructively to the Office request for guidance with a host of practical suggestions, as indicated in paragraph 40 of the paper.
- 121.** Mr. Balkenhol thanked the speakers for their many interesting suggestions on microfinance in the framework of decent work, in particular the link between microfinance, wage policies and collective bargaining. The Office had carefully noted the suggestions and was committed to implementing them promptly and effectively.
- 122.** Referring to a comment made by a previous speaker, the Worker Vice-Chairperson emphasized the need to pay attention to the gender dimension of microfinance and to the role of microfinance as development capital for women. He hoped that the Office could do further work in this area..

#### **IV. Exploring the feasibility of a Global Social Trust**

- 123.** A representative of the Director-General (Mr. Diop, Executive Director, Social Protection Sector) introduced the Office paper<sup>5</sup> and explained the background to the development of the Global Social Trust concept. In line with the objective of the first Millennium Development Goal to eradicate poverty and hunger and, more specifically, to halve the proportion of people whose income was less than one dollar a day, with the recommendations of the 89th Session of the International Labour Conference to renew its commitment to the extension of social security coverage and the improvement of the governance, financing and administration of social security, and with the mandate of the Social Protection Sector, the Office had examined the feasibility of a Global Social Trust. The results of the study were documented in detail in the report: “A Global Social Trust network: Investing in the world’s social future”, which had been made available to all

<sup>5</sup> GB.285/ESP/4.

Committee members and could be downloaded from the web site of the Financial, Actuarial and Statistical Services Branch. The Governing Body had been informed of this activity in November 2001 and March 2002, and in May 2002 an interregional meeting of experts had reviewed the report and formulated recommendations to the Governing Body and the Director-General. Furthermore, in June 2002, the Conference Committee on the Informal Economy had indicated its support for the concept. He recalled the point for decision contained in paragraph 13, and stressed that the decision was an important one as the project submitted represented a contribution to the fight against poverty. He cited the example of how it took into account the needs of the elderly who, without benefiting from any pension, still had to act as heads of family in instances where, for example, the younger generation had no access to gainful employment or had been affected by HIV/AIDS, leaving orphans to the sole care of the older generation. In conclusion, he pointed out that the project of the Office was not in itself an integral response to the fight against poverty. However, something needed to be done, and quickly. With this in mind, he proposed to the Committee that it take this concrete opportunity to help the one-quarter of humanity who still lived on less than one dollar a day, to escape from the vicious circle of poverty.

**124.** A representative of the Director-General (Mr. Cichon, Chief of the Financial, Actuarial and Statistical Services Branch) introduced the results of the feasibility study on the Global Social Trust. He first reminded the Committee of the huge social challenge that the world was facing, namely that:

- 1.3 billion people in the world lived in profound poverty (an income of less than one dollar a day), of which about 100 million were old people and an estimated 150 million were living in AIDS-affected households;
- only 20 per cent of all people enjoyed social protection; and
- the world community had committed itself to halve abject poverty by 2015 (the first Millennium Development Goal), which meant that 650 million people should be freed from abject poverty within the next 12½ years.

**125.** Against this background and in response to the renewed commitment of the International Labour Conference in 2001 to extend social security coverage through innovative approaches, the Director-General, in August 2001, had commissioned a study to explore the feasibility of alleviating part of the global poverty problem through innovative international financing with a view to developing basic social protection mechanisms in the poorest developing countries in the form of a “Global Social Trust”. Noting that international tax resources to combat poverty remained limited, the task team had decided to base its proposal on the principle of voluntary, individual but worldwide social responsibility. It had developed a model of a global network of national social trusts that could gradually develop in richer countries and could be promoted by the ILO. The network, in its ultimate state, would collect voluntary contributions from individuals in richer countries. It would use those contributions to develop basic social protection schemes in the poorest developing countries, and sponsor or subsidize benefit payments for a limited and defined period (until those schemes became self-supporting).

**126.** The network would adhere to the following principles in supporting the development of basic national social protection systems:

- support would be given only to schemes that were responsive to the most pressing social protections needs of hitherto excluded groups;

- support would be given only to schemes that demonstrated a commitment to self-help and to stringent quality requirements, and had the potential to become self-financing over time;
- use would be made wherever possible of existing social protection systems in recipient countries, in order to avoid creating new parallel administrative structures.

**127.** In principle, the core benefits which the network might be able to support in developing countries would include basic income security, educational and health service benefits. There were some very positive experiences with very small so-called “one dollar a day” pensions in some African countries, and those benefits could possibly be supported through the Global Social Trust in many other countries. On the income side, the feasibility study had shown that in Germany, for example, according to special surveys, about 25 per cent of the adult population indicated that they would support the Global Social Trust idea. The financial potential of a Global Social Trust network would be substantial, even if only 5-10 per cent of the working-age population in the OECD countries could be motivated to contribute. He emphasized that at present the Office was only seeking a mandate from the Committee and the Governing Body to undertake a pilot project which would bring individuals in one donor country and in one recipient country together. The Office would report annually on progress and would seek further endorsement of the global concept only in March 2006, after the detailed report on the pilot experience had been presented to the Governing Body. The Office considered that the risks of such a step-by-step procedure were minimal and hence sought the support of the Committee for paragraphs 12 and 13.

**128.** The Employer Vice-Chairperson, Mr. Niles, said that, although in the past he had expressed scepticism on behalf of the Employers’ group on the approach proposed, he did not doubt the need for such an initiative. Nevertheless, he had doubts as to the extent of the private support that would be available, and warned that there would be fund-raising competition with other agencies. However, the Employers would not stand in the way of a pilot project but would nevertheless wish to see the Office provide more details at the March 2003 session of the Governing Body, especially with respect to the countries which would participate in the pilot project. He welcomed the reassurance that there would be careful monitoring of the process. Regarding the statement: “The funding of the pilot project should largely come from extra-budgetary resources”, in paragraph 13, he stressed that the Employers interpreted that statement to mean that only overhead costs for ILO staff on the project would come from the ILO’s regular budget.

**129.** The Worker Vice-Chairperson, Mr. Patel, welcomed the Global Social Trust as an interesting and innovative initiative which responded to the demand of the International Labour Conference in 2001 to renew its commitment to extending the coverage of social security as well as to the recommendation of the Conference Committee on the Informal Economy in 2002, which had called on the Office to develop and pilot innovative ideas such as the Global Social Trust. He drew attention to four areas in which the Global Social Trust would be helpful. First, it aimed at mobilizing resources on a scale unheard of in ILO history and, if successful, could make a real difference in the fight against poverty. Second, it would maintain and strengthen the ILO principle of universally and broadly-based systems of social security. Third, it would promote universality and sustainability of social security provisions. Fourth, it would contribute to the creation of global solidarity on a voluntary basis.

**130.** However, the Global Social Trust did raise a number of questions and concerns. The Workers were very concerned that the concept might be used to support the privatization of social security. Furthermore, voluntary contributions should not replace what governments in developed countries should do to help the South to build universal social

security systems. He pointed out that the relationship between official development assistance (ODA) and the Global Social Trust initiative needed more consideration. With regard to the issues of governance and of the relationship of the Global Social Trust with the ILO, more discussions were needed, and the Workers could not “sign off” on them during the present session. The Workers felt that a pilot project focusing on one donor country and one beneficiary country could help to develop a set of experiences as a basis for further reflection.

- 131.** As the Workers’ group had understood matters, they were not being asked to reach an agreement on the full concept for the future. They were being asked to reach an agreement on follow-up work. On that understanding, the Workers could support the proposal contained in paragraph 13. However, there would need to be more detailed discussions within the groups on the longer term policy issues to be addressed by the ILO as and when a final decision was made on the project.
- 132.** The representative of the Government of the United Kingdom, speaking on behalf of the IMEC group, thanked the Office for its paper and presentation. She pointed out that IMEC’s response to the Committee on the Informal Economy of the International Labour Conference in 2002 had been that, among the specific priority areas for the ILO’s work programme and technical assistance should be: “... to promote the renewed campaign agreed at the International Labour Conference in 2001 to improve and extend social security coverage to all those in need of social protection, especially those in the informal economy, inter alia, through the development and piloting of innovative ideas, such as the Global Social Trust”. However, much remained to be determined with this innovative idea, especially with regard to its consistency with the social protection objectives of the ILO. The IMEC group agreed that a pilot project would provide an opportunity to assess the potential for success of the proposal.
- 133.** The representative of the Government of France endorsed the IMEC statement, and emphasized the innovative character of the approach. While remarkable work had been accomplished by the Office on this innovative subject, four issues were still unclear. The first concerned the responsibilities of governments and social partners with respect to the development of social protection systems. Financial support from the Trust should be related to the efforts made within each individual country by the State and the social partners. The second issue related to the types of expenses that could be eligible for financing by the Trust, and to possible ways of maintaining the security of benefits. In this context it was not enough to enable the Trust to carry out interventions that were limited in time. The sustainability of social protection systems needed to be ensured. The third issue reflected concerns as to how to maintain the independence of national bodies within the network of the Trust. The last issue referred to the link with the ILO’s social protection strategy. It would be disastrous if an independent Global Social Trust were to develop a social protection policy different from that of the ILO. Even though the report of the experts envisaged that the ILO would host the technical secretariat of the Global Social Trust, it was important that the ILO should have a stronger role in the management of the Trust. That would be the only way to balance the strong pressures for resource redistribution and the best guarantee for donors. In that context he cited the example of UNICEF. In conclusion, he said that France supported the idea of a pilot project, but stressed that before March 2006 the Office would need to provide clarification on the issues which had been raised.
- 134.** The representative of the Government of the United States asked for clarification on the word “largely” used in paragraph 13. He noted that his Government could accept the decision point if the word “largely” were removed, or at least explained as implying redistribution of budgetary resources at the discretion of the Office, which would be recognized by the PFA Committee.

- 135.** The representative of the Government of the United Kingdom endorsed the intervention made earlier on behalf of the IMEC group. However, she had some additional comments. The United Kingdom had expressed its support for the proposal in the past and had supported and participated in the interregional meeting of experts. She recalled that, while the interregional meeting of experts had found the initial idea of the Global Social Trust to be comparatively straightforward, its possible implementation had raised a number of complex questions. Following very rigorous consideration of the different elements of the idea and of those questions, it had been decided to test the idea through a pilot project. Stressing that the proposal responded in an imaginative way to the conclusions of the 89th Session of the Conference and that it had obtained support at the 90th Session, she indicated her Government's endorsement of the points for decision in paragraphs 12 and 13.
- 136.** The representative of the Government of Sudan, speaking on behalf of the Africa group, thanked the Office for its work, which he considered extremely important and useful for millions of people as it would help to raise resources to increase and supplement social security funds. The Africa group supported the proposal.
- 137.** The representative of the Government of Malawi endorsed the statement made on behalf of the Africa group. He congratulated the ILO on the excellent paper and emphasized that the points raised in paragraphs 8 and 10 were timely and important. He encouraged the Office to continue with the exploration of the concept, as it seemed one of the most appealing ways to deal with current social and economic problems. Reiterating his Government's support for the proposal, he invited the Office to consider Malawi as one of the pilot countries. The Global Social Trust would contribute to meeting the Millennium Development Goals by creating employment, alleviating poverty and improving the living standards of the population.
- 138.** The representative of the Government of Nigeria fully supported the views expressed on behalf of the Africa group and commended the ILO for a brilliant initiative, which he regarded as an eloquent testimony to the fact that the ILO was becoming more socially responsive and responsible. Referring to the Nigerian tripartite efforts to review its social security schemes on an ongoing basis in the context of a predominantly informal economy and the fine-tuning of the activities of the National Social Insurance Fund, he indicated that Nigeria hoped thus to provide effective coverage of the needs of all. He cited the example of the National Health Insurance Scheme launched five months ago, whose wide coverage included persons in rural areas. That scheme still needed extensive fine-tuning, and Nigeria would welcome any assistance in mainstreaming its social insurance scheme so that it could become more useful to the informal sector. Finally, he emphasized that Nigeria strongly endorsed the recommendations contained in paragraphs 12 and 13 of the Office paper.
- 139.** Mr. Cichon, replying to the query raised by the representative of the Government of the United States, explained that the sentence: "The funding of the project should largely come from extra-budgetary resources", meant that the Office expected the staff time needed for technical backstopping and monitoring of the pilot project to be financed from regular budget resources. He pointed out that such backstopping was needed to ensure that important technical questions arising in the course of the pilot project would be dealt with in a proper manner. The Office agreed to delete the word "largely" on the understanding that such backstopping was considered by the members of the Committee as a routine task of the Office for conducting the pilot project.
- 140.** The representative of the Government of the United States said that if the Office felt that it would not create any difficulties with regard to the PFA Committee, his delegation would prefer to see the word "largely" deleted.

141. It was agreed that the word “largely” in paragraph 13 would be deleted.
142. Mr. Diop assured the Worker Vice-Chairperson that the Office was not promoting the privatization of social security and that the Trust would complement development aid provided by developed countries, rather than compete with it. He assured the representative of the Government of France that beneficiary countries would need to show commitment in their policies with respect to the extension of social protection.
143. Mr. Cichon, replying to the concerns raised by the representative of the Government of France and the Worker Vice-Chairperson, confirmed that their valid concerns would be taken into account when the project was implemented. Furthermore, he invited those members of the Committee who were ready to participate in the tripartite advisory board of the project to do so, to ensure that the project would benefit from their critical evaluation and monitoring.
144. The Chairperson reiterated the importance of keeping the members of the Committee informed on the progress of the pilot project. In conclusion, he invited the Committee to confirm its wish to adopt paragraphs 12 and 13 following the deletion of the word “largely” from paragraph 13.
145. It was so decided.
146. *The Committee on Employment and Social Policy, having taken note of the results of the feasibility study as summarized in Appendix I and the recommendations of the Interregional Meeting of Experts as summarized in Appendix II of the Office paper, recommends, in line with the recommendations of the Interregional Meeting of Experts and the Committee on the Informal Economy of the International Labour Conference in 2002, that the Governing Body authorize the Director-General to establish a Global Social Trust pilot project. The funding of the pilot project should come from extra-budgetary resources. Its implementation must be considered in the context of the priorities set by the outcome of the general discussion on social security at the International Labour Conference in 2001. In addition to annual reports on development to the Governing Body, the progress of the pilot project is to be the subject of a significant evaluation initiated by the Governing Body prior to the end of December 2005 and further decisions will be taken as to the continuation of the overall proposal in March 2006. The project should have a small tripartite advisory board to be appointed by the Director-General of the ILO and Governing Body officers.*
147. The Chairperson noted that, owing to time constraints, agenda items 5, 6 and 7 could not be discussed at the present session, and he proposed that those items be postponed to the next session of the Governing Body in March 2003. Closing the session, the Chairperson thanked everyone for their cooperation, help and counsel.

Geneva, 19 November 2002.

*Points for decision:* Paragraph 72;  
Paragraph 94;  
Paragraph 146.