



International  
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## Issue paper for Session 5

# Policy coherence among international organizations

## *Creating the tools to make it work*

### A national imperative and an international obligation

Countries share many common objectives. The intertwined goals of the eradication of poverty and decent work for all are amongst the most widely expressed aspirations of people everywhere. They have formed the foundation of the renewed efforts to forge a global platform for development and cooperation through the internationally agreed development agenda and the Millennium Development Goals. International organizations, individually and collectively, have been tasked by the UN General Assembly and the Economic and Social Council (ECOSOC) to support these goals and ensure that action across the range of policy fields involved is convergent and coherent.

Increased trade and capital flows and the tighter integration of world markets and societies have heightened the importance of effective and coherent governance of globalization as the pace of economic integration has quickened and the necessity of coordinating action on global public goods has increased. The potential gains from international cooperation have increased but so too have the risks from failed policies.

The World Commission on the Social Dimension of Globalization argued that a fair globalization was possible, indeed essential. It saw the promotion of decent work for all as central to the creation of a more equitable process of economic integration. Furthermore, it identified the need for an enlarged notion of policy coherence, beyond trade, aid and financial policies, to economic and social policies more broadly. “The normal pressures in national politics to strike a compromise based on a trade-off between competing economic, social and environmental goals are typically absent in the global context” (paragraph 352). The Commission observed that international organizations should “apply their mandates in practice in ways that do not place their members in contradiction with obligations which they have also undertaken in other international instruments and treaties” (paragraph 603).

The need for policy coherence in global governance was a prominent theme of many follow-up meetings to the World Commission’s report, such as the international conference organized by the German Government on “Fair globalization – A coherent policy for more employment and decent work” held in November 2006 and addressed by Chancellor Merkel and President Halonen of Finland. Regional mobilization to this end has been extensive from the African Union Extraordinary Summit on Employment and Poverty Reduction (Ouagadougou, September 2004) to the Fourth Summit of the Americas (Mar del Plata, November 2005) and pronouncements of the European Council and the European Parliament.

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## The ILO, United Nations and policy coherence

The multilateral system reflects both pressures towards specialization and also recognition of the need for integration and coherence. As in national governments, the international system evolved over the second half of the twentieth century into a large number of specialized agencies. Yet from its origins there were also efforts to construct institutional mechanisms for coordination. The post-Second World War reconstruction of the architecture of global governance also reflected the need for specialized agencies to work in harness.<sup>1</sup> The UN and in particular ECOSOC was envisaged as playing a key role in this regard, a vision thwarted by the long Cold War and the concentration of international economic and development policy-making in the Bretton Woods institutions. Interestingly, the ILO Constitution originally drafted in 1919 and amended in 1946 notes that "... the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries ..." and that "... it is a responsibility of the International Labour Organisation to examine and consider all international economic and financial policies and measures ..." that impact on its mandate.

The challenge today is how to adapt this fragmented architecture, divided between economic and financial institutions, specialized agencies of the UN system and various funds and programmes established for particular purposes and groups, into a genuine system that ensures coherent policy-making. This is particularly vital to international efforts to support poverty reducing development. Some progress has been made by the Bretton Woods institutions through for example their shift from narrow and strongly conditioned structural adjustment programmes to more comprehensive poverty reduction strategies based on the encouragement of processes for building national ownership. Within the UN, processes such as the UN Development Assistance Framework have been strengthened. The Monterrey Consensus (March 2002) squarely established the principle of shared responsibility committing developing and developed countries to specific principles and objectives aimed at increasing and improving financing for development in the context of an integrating global economy.

<sup>1</sup> Article I(ii) of the International Monetary Fund (IMF) dating from 1944 states that the organization's goal is: "To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy."

Chapter 2, Article II of the Havana Charter of 1948 which was intended to define the role of an international trade organization states: "The Members recognize that the avoidance of unemployment or underemployment, through the achievement and maintenance in each country of useful employment opportunities for those able and willing to work and of a large and steadily growing volume of production and effective demand for goods and services, is not of domestic concern alone, but is also a necessary condition for the achievement of ... the expansion of international trade, and thus for the well-being of all other countries." The Havana Charter was the product of the United Nations Conference on Trade and Employment. It was not adopted by the US Congress and instead of an organization, the General Agreement on Tariffs and Trade (GATT) came into force in 1948 with a small secretariat. Only in 1994 did the World Trade Organization (WTO) come into existence. The Marrakech Agreement establishing the WTO includes the following preambular clause on its objectives, "Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development."

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The effort to forge a global consensus on creating “an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty” and the identification of key priorities for development was a major thrust of the Millennium Declaration. Indeed it resolves “to ensure greater policy coherence and better cooperation between the United Nations, its agencies, the Bretton Woods institutions and the World Trade Organization, as well as other multilateral bodies, with a view to achieving a fully coordinated approach to the problems of peace and development” (A/RES/55/2, 18 September 2000). Much needs to be done to achieve this goal.

In 2005, the international community again stressed the importance of facilitating national and global action in support of sustainable development “in its economic, social and environmental aspects” as stated in the 2005 World Summit Outcome (United Nations 60th General Assembly (A/RES/60/1, 24 October 2005)). On this occasion Heads of State “strongly supported fair globalization and resolved to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals” (paragraph 47 of the Outcome document). This was followed up by ECOSOC in July 2006 through a Ministerial Declaration which “... strongly encouraged multilateral and bilateral donor and inter-agency cooperation and coordination in the pursuit of the goals of full and productive employment and decent work for all”.

## Searching for policy synergies

Other fields in which increasing efforts are under way to pull together more consistent policy approaches include mainstreaming gender equality and action to reduce and reverse climate change. The Aid for Trade discussions at the WTO and elsewhere suggest an increasing focus on building institutions that enable developing countries to take advantage of market opening. A common feature of all these efforts to improve policy coherence is the search for mechanisms that focus attention on both the danger that policies can work at cross purposes and also the opportunities for policy synergies.<sup>2</sup>

In 2004 the ILO launched a Policy Coherence Initiative on investment, growth and employment, involving the Bretton Woods institutions, the WTO and relevant organizations of the UN system. The idea for such an initiative was one of the proposals of the World Commission on the Social Dimension of Globalization. A number of meetings have covered a range of technical issues in labour market and economic policy formulation, and confirmed the shared interest in policies related to employment, often embedded in constitutional mandates. The initiative is based on the premise that each agency has a distinctive comparative advantage which can be brought to bear on a common issue and on the need to avoid conflicting advice on intersecting mandates.

It is important to note the current efforts to strengthen the functions of ECOSOC to become an effective organ for policy coordination, review and dialogue on economic and social development issues. The 2005 UN Summit decided that ECOSOC should hold a biennial high-level development cooperation forum to promote coherence amongst actors in the development sphere. This would provide the first global platform where all actors involved have an opportunity to engage in dialogue on key policy issues affecting development cooperation.

<sup>2</sup> See ILO and Secretariat of the WTO: *Trade and employment: Challenges for policy research*, a joint ILO/WTO Secretariat study (Geneva, 2007).

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In this context, and as a follow-up to a 2006 request of ECOSOC, several agencies of the UN system, through the Chief Executives Board (CEB) chaired by the Secretary-General, decided to develop together a Toolkit for Mainstreaming Employment and Decent Work into their activities. The Toolkit strives to be a lens that the agencies could look through to see how their strategies, policies, programmes and activities are interlinked with employment and decent work outcomes and how they can enhance employment and decent work-friendly outcomes. In July 2007 ECOSOC urged all UN agencies and the international financial institutions to collaborate in developing further the Toolkit.

The overall objective of the Toolkit is to enhance the employment and decent work impact of UN organizations as a contribution towards a system-wide coherent approach to poverty alleviation, development and employment promotion. The Toolkit is also a means to share knowledge, identify policy synergies, avoid overlaps, to promote policy dialogue, and thus to focus inter-agency cooperation around a shared international development agenda.

## **The need for a new policy paradigm**

In some respects, these new challenges for enhanced policy coherence mark a break with the so-called Washington Consensus which set the parameters for international policy coherence and was dominated by the policy setting of the World Bank and the IMF for much of the last 25 years. The Washington Consensus approach to achieving policy coherence in pursuit of shared social goals was that the price mechanism in free markets basically ensures that individual choices add up to the best social outcomes. Both as a result of practical experience and increasingly powerful theoretical critiques of such heavy reliance on the market mechanisms and also to achieve social development goals, many policy-makers are looking for a new framework that embraces social and environmental goals without jettisoning financial stability, openness in trade and finance and the dynamism that private enterprise brings to economies. Within the international policy-making processes this rethinking began at the World Summit for Social Development in Copenhagen in 1995.

At the Johannesburg World Summit on Sustainable Development in September 2002, a commitment was made to “promote the integration of the three components of sustainable development – economic development, social development and environmental protection – as interdependent and mutually reinforcing pillars. Poverty eradication, changing unsustainable patterns of production and consumption and protecting and managing the natural resource base of economic and social development are overarching objectives of, and essential requirements for, sustainable development”.

The ILO recognized that following through on the implementation of all that was agreed at the Johannesburg Summit is a huge challenge but also a massive opportunity for technological breakthroughs, investment, skills development, gender equality and decent work. Five years after the Johannesburg Summit and 12 years after the Social Summit, the international system, including the ILO, has not yet built the strong synergies between social, environmental and economic sustainability and, as a result, progress in policy convergence and practical results is disappointing. Yet the urgency cannot be greater. As the World Commission on the Social Dimension of Globalization warned, “The current process of globalization is generating unbalanced outcomes, both between and within

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countries. ... These global imbalances are morally unacceptable and politically unsustainable.”<sup>3</sup>

The ILO’s Decent Work Agenda, based on tripartism and the sound governance of the labour market for fair, productive and competitive market economies, is playing a central role in defining the convergence of public and private policies that, together with market mechanisms, can produce the balances necessary for sustainable development. In social terms this means jobs must be equally open to all and the rewards equitable. Inequality and discrimination provoke frustration and anger and are a recipe for social dislocation and political instability. In economic terms, jobs must be productive, enterprises able to compete fairly with others, and policies must be designed with employment outcomes as a central objective in mind. And environmentally, productive activities must use natural resources in ways that conserve the planet for future generations and are safe for working women and men and for communities. Sustainability in all its three dimensions obliges us to develop a new paradigm for policy coherence for the era of globalization that enables all countries to take the opportunities it creates and manage the adjustments that it provokes.

## Issues for discussion

- (1) Improving policy coherence requires bringing together various policy specialists and decision-makers for discussion and dialogue about how to ensure that they are not working at cross purposes and are able to spot and use opportunities for collaboration. What are the key elements of a new policy paradigm that would frame an agenda for the development of coherent sustainable development policies?
- (2) It is not sufficient to improve policy coherence between international agencies. It is equally essential to ensure real dialogue between governments and international agencies – which requires enough flexibility to calibrate national policies to local conditions and needs – and within countries between governments, their international partners and representatives of trade unions and employers’ organizations and civil society. What sorts of forums for policy dialogue are needed to bring such actors together?
- (3) Is there enough consensus internationally and nationally about policy objectives around which to converge? How can the widely endorsed goal of decent work for all provide a focal point for policy dialogues at national and international levels?
- (4) Opening up dialogue and escaping the practice of policy conditionality by some organizations and countries is unlikely to happen without stimulation. Does the recently agreed UN CEB Toolkit for Mainstreaming Employment and Decent Work offer a practical way forward in the realm of action covered by its member organizations?
- (5) Policy coherence starts at home. How can governments and parliaments best move forward towards greater policy coherence of their countries’ positions in international organizations?

<sup>3</sup> *A fair globalization: Creating opportunities for all*, report of the World Commission on the Social Dimension of Globalization, ILO, 2004, Geneva.