



## SECOND ITEM ON THE AGENDA

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

1. The development of the Poverty Reduction Strategy Paper (PRSP) process and the ILO's role since its inception has been regularly reported to the Committee. A progress report on the ILO experience in the five pilot or special focus PRSP countries (Cambodia, Honduras, Mali, Nepal and the United Republic of Tanzania), which have been selected in collaboration with the World Bank and the IMF for a special effort to demonstrate the role of decent work in poverty reduction strategies, was provided to the Committee in November 2001.<sup>1</sup> A further, more detailed assessment of the ILO's PRSP experience, with a focus on two countries was requested by the Committee for discussion at the March 2002 Session of the Governing Body<sup>2</sup> but time constraints meant that it was postponed to the November 2002 session. The present paper provides a revision and update of the March paper.
2. The background to PRSPs is outlined below, followed by a discussion of the value added of the ILO and its social partners in contributing to PRSPs and helping low-income countries to design and implement them. The next section focuses on the practical steps taken by the ILO to integrate decent work into poverty reduction strategies (PRS) and to empower the ILO's social partners to influence the process, focused on the experience over the past two years in the five special focus PRSP countries, with a particular emphasis on two of them.<sup>3</sup> The paper concludes with a summary of key lessons learnt and a description of the challenges as the overall PRSP process moves from focus on design to a greater emphasis on implementation.

<sup>1</sup> GB.282/ESP/3, paras. 9-20 and Appendix I.

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

<sup>3</sup> Funding for these activities has come from the United Kingdom Department for International Development. Funding from the Government of the Netherlands has contributed to related work on capacity building for effective social dialogue in PRSPs.

## Background

3. In 1999, the Bretton Woods institutions agreed that nationally owned participatory PRSPs should provide the basis for all World Bank and IMF concessional lending and for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. This approach, which builds on the principles of the Comprehensive Development Framework, is reflected in the PRSPs, which describe a country's economic, social and political policies and programmes over a three-year or longer horizon. It is intended to be a comprehensive document prepared by governments, with support from Bank/Fund teams, which identifies the poor and develops strategies for overcoming poverty, including policy and expenditure targets. It is supposed to be locally generated and owned, and developed through wide participatory dialogue. Further, the PRSP should encourage accountability of governments to their own people and domestic constituencies rather than to external funders, enabling the poor to become active participants in development and not just passive recipients. To date, almost 70 countries have been identified by the Bank and Fund as eligible for this initiative, nearly 50 have produced Interim PRSPs (I-PRSPs) and around 20 have full PRSPs in place.
4. In this context, the ILO is working to ensure that employment and other aspects of decent work are addressed as an integral part of the economic and social analyses and policies comprising the initiative. The exercise provides a framework in which the ILO can work with its constituents to introduce the Decent Work Agenda into the development and poverty reduction process,<sup>4</sup> as well as contributing, through social dialogue, to broader participation and national ownership of these processes. This involves preparing, in close collaboration with the national authorities, an analysis of the role of employment and other elements comprising decent work in poverty reduction, organizing tripartite meetings in the countries to influence the design and implementation of PRSPs and an ongoing process of networking, advocacy and influencing among a variety of stakeholders in addition to the ILO's constituents, such as bilateral donors, NGOs, the multilateral development banks, other UN organizations and think tanks.
5. The PRSP is seen as an instrument for achieving the Millennium Development Goals (MDGs), which were established after the adoption of the Millennium Declaration by nearly 150 Heads of State or Government and 189 UN member States at the Millennium Summit of the United Nations in New York in September 2000.<sup>5</sup> Decent work cuts across most MDGs and the ILO has a role to play in contributing to their attainment, including the major goal of halving the incidence of income poverty by 2015. Of particular concern is MDG Target 16 on youth employment under Goal 8, and Indicator 11 on the share of

<sup>4</sup> A World Bank definition of poverty states that: "Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty often has a woman's face. Poverty is powerlessness, lack of representation and freedom." When estimating poverty worldwide, the same reference poverty line has to be used, and expressed in a common unit across countries. Therefore, for the purpose of global aggregation and comparison (as used by the World Bank and the UN system) it is common to use reference lines set at \$1 and \$2 per day in 1993 purchasing power parity (PPP) terms, where PPPs measure the relative purchasing power of currencies across countries. However, this serves as an imperfect first approximation of poverty and does not adequately embrace its multidimensional nature.

<sup>5</sup> See July 2002 report of the Secretary-General to the United Nations General Assembly (A/57/270) on action and progress in implementing the Millennium Declaration.

women in wage employment in the non-agricultural sector, which appears under Goal 3 on gender equality and the empowerment of women.

6. Many countries are not in a position to complete a full and comprehensive PRSP. In order to prevent delays for countries seeking debt relief under the HIPC Initiative as well as other concessional financing, an interim PRSP can be formulated. An I-PRSP is meant to provide a road map for the development of a full PRSP (a timeline for poverty diagnostics, recognition of policy areas that need evaluation and reform, envisaged participatory process, etc.). With an I-PRSP in place, reports on progress, coupled with joint staff assessments by the Bank and the Fund need to be submitted in support of decisions regarding continued assistance and at yearly intervals once a full PRSP is in place.
7. Both the IMF and the World Bank have aligned their respective lending programmes to a country's PRSP. In the case of the IMF, the Poverty Reduction Growth Facility (PRGF) – which has superseded the old Enhanced Structural Adjustment Facility – and the Financial Programming Framework are expected to derive from the PRSP. In the case of the World Bank's activities in low-income countries, the Country Assistance Strategy and all loans – including the directly related Poverty Reduction Support Credit (PRSC) – and grants must be based on the PRSP. The United Nations Development Assistance Framework (UNDAF) process is also aligned to the PRSP. Indeed, PRSPs have a leveraging role beyond debt relief and concessional credits. They have become the key policy instruments in the relations between low-income countries and the wider donor community.

## The ILO and poverty reduction

8. Most OECD members have fully endorsed the PRSP approach and have agreed to base their respective aid programmes in low-income countries on the results of the PRSP process. Many have also agreed to co-finance poverty reduction credits, grants and technical assistance in line with the PRSP. The OECD Development Assistance Committee (DAC) Guidelines on Poverty Reduction reinforce the efforts of the World Bank, UNDP and others to promote a more comprehensive participatory approach to development programming, into which the ILO must assert the role of social dialogue. They mention decent work, follow very similar lines of thinking to the ILO approach and recognize that policies addressing problems in and around the labour market are central to the development process. They are of valuable assistance to the ILO's efforts to promote the Decent Work Agenda as a development tool. Although not drafted as guidelines for multilateral agencies like the ILO, they could easily be used for the ILO's purposes in looking at how the Organization plans and implements development cooperation activities and collaborates with other agencies.
9. This conceptual framework underlines the point that economic growth is an essential but not sufficient condition for poverty reduction. Poverty reduction involves growth with a substantial reorientation in favour of the poor (what is often referred to as “pro-poor growth”). It includes changes in institutions, laws, regulations and practices that are part of the process that creates and perpetuates poverty and detailed, targeted interventions that will enable all categories of the poor to more fully integrate into economic processes so that they can take advantage of opportunities to improve their economic and social well-being. This is why the concept of decent work, which brings together the economic and social goals in people's lives, is so important to poverty reduction.
10. The ILO has always worked to address poverty: “poverty anywhere is a danger to prosperity everywhere” (the Philadelphia Declaration, 1944). Thus, there are many programmes and projects which seek, directly or indirectly, to address poverty such as Jobs for Africa (JFA); the Employment Intensive Investment Programme (EIIP); the InFocus

Programme on Boosting Employment through Small Enterprise Development (SEED); and the Social Finance Programme. Furthermore, many of the ILO's initiatives are cross-cutting and have important components of poverty reduction, such as work on gender; on socio-economic security; on the Declaration on Fundamental Principles and Rights at Work; on social protection (STEP); on child labour (IPEC); and on forced labour. However, the challenge in terms of work on PRSPs is to integrate these activities around the concept of decent work to ensure that the components add up to more than the sum of their parts by making sure that they address commonly defined definitions of poverty and link with broader poverty reduction strategies as developed in a country's PRSP. In general, the ILO urges all concerned with PRSPs to focus on the development of simple and reliable indicators of progress and to seek the involvement, where appropriate, of all stakeholders, including the social partners, in monitoring and evaluating progress.<sup>6</sup>

- 11.** In principle, the ILO's comparative advantage in the design and implementation of PRSPs lies in the integrated approach of decent work, which embraces rights, employment, social protection and social dialogue. Although it is generally accepted that the well-being of any individual does not depend on income only, it is obvious that income from work is the overwhelmingly most important means of survival for poor people.<sup>7</sup> It is, therefore, rather surprising how few PRSPs make explicit reference to, and even less, include an analysis of labour markets and employment issues (the same could also be argued with respect to social security/social protection policies). This may have something to do with the perspective in some quarters that equates employment with wage employment in the formal economy, which might not be so relevant for many of the world's poorest people (in most PRSP countries less than 20 per cent of the labour force is in wage employment), as well as the notion that labour markets are best left to the vagaries of the market. The outcomes concerning decent work and the informal economy adopted by the 2002 International Labour Conference are of considerable assistance to overcoming these misconceptions. In some cases, it is also evident that this relative neglect of employment policy probably reflects the relative absence of labour ministries and other social partners from the consultation processes for many Interim and full PRSPs.
- 12.** Furthermore, given that the PRSP process in any country is usually driven by the World Bank and the Ministry of Finance and/or Ministry of Planning, it has not always been easy for the ILO and its constituents to engage in the process, especially in those countries where the ILO does not have its own official representation. It is very difficult to develop a relationship with these bodies or with other agencies and donors on the basis of intermittent visits. It must also be recognized that within the development discourse, some protagonists are wary of the role of the trade union movement, and argue that the demand for labour should be left to the market and that social protection is affordable only for the formally employed. For those holding this view labour standards are not relevant to poverty reduction strategies. Overcoming such misconceptions will require continued research and advocacy of the continuity of decent work strategies to poverty reduction.
- 13.** Nevertheless, in many countries and most particularly in the five special focus countries, the ILO has successfully drawn attention to active labour market policy as a tool for poverty reduction. This typically includes an attempt to identify the economy's potential leading sectors in line with dynamic comparative advantage; the fiscal strategy and range of policies on interest rates, exchange rates, customs tariffs, wage rates, etc., that would

<sup>6</sup> The IPEC methodology provides a good model in this regard.

<sup>7</sup> In applying its work on the Global Employment Agenda to the goal of enlarging decent work opportunities as a key instrument in reducing poverty, the ILO has encouraged all those working on PRSPs to see employment as a principal means of social inclusion and integration.

best support such sectors and labour demand in other sectors; the crucial reforms of institutions and regulations that are needed to boost labour demand; policies to improve the quality and adaptability of labour to the benefit of productivity and hence demand for labour; and the special policies and programmes needed for social protection and to integrate the poor and particularly vulnerable groups like indigenous people in the growth process.

## Poverty reduction and the social partners

14. The ILO's social partners are fundamental stakeholders in PRSPs and should play a pivotal role in their design and implementation. The actual role played by the social partners and the issues on which they focus will vary from country to country but there are some common themes, not least the idea of participation as a process towards legitimizing PRSPs. It has repeatedly been argued that without the voice of the social partners it is hard for either governments or the Bretton Woods institutions to claim that PRSPs represent the product of broad-based, national participation and dialogue.
15. In principle, ministries of labour will benefit from ILO involvement in PRSPs mainly because this will help bring them closer to the centres of policy-making. The Ministry of Labour in a typical low-income country has a wide range of technical powers and duties but these often do not include a role in the determination of policy on employment and rarely in the determination of policy on poverty reduction. Moreover, given that PRSP processes tend to be heavily budget-orientated intra-governmental processes, it is often difficult for labour ministries to carry the same weight in PRSP discussions compared to other ministries such as health or education. The objective is to secure a seat at the PRSP table for the Ministry of Labour, raise its status and influence, and increase its capacity to analyse the interactions of employment and poverty and to contribute to the development of appropriate policies.
16. In many countries, the private sector is the principal engine of growth and this is clearly recognized in most PRSPs. The private sector is usually given a voice in PRSP dialogues, although often via major companies or bodies concerned with the commercial side of business rather than through employer organizations. There are a number of common themes espoused by representatives of business usually centred on what can be termed the enabling environment for private enterprise, including:
  - the importance of a stable macroeconomic environment;
  - ensuring political stability, good governance and the rule of law; policies which promote open and transparent markets, including sound property rights and transparent fiscal policy; and
  - the development of an adequate physical and social infrastructure.

The PRSP is an important vehicle for taking forward this agenda which invariably has strong support from the Bretton Woods institutions and donors.

17. Generally, trade unions have found it difficult to influence PRSP discussions and in several countries have been effectively excluded from the participatory processes. Sometimes this is a reflection of "political issues" which contrive to marginalize or exclude trade unions, in others it might be based on the limited capacity of some trade unions to engage in national dialogue on poverty. On other occasions it may transpire that the principal architects or coordinators of a country's PRSP perceive that trade unions, because their membership is concentrated in the public sector and larger private enterprises in urban

settings, do not add sufficient value to poverty reduction strategies which focus on the poor in rural areas and in the informal economy. This is probably a common point of view but it is also narrow and misguided and the ILO has sought to refute it in its engagement on PRSPs. For example, the ILO has emphasized the dynamic link between the rural and urban sectors (many urban workers come from rural areas and remittances from urban workers constitute a major income source for many rural areas); the importance of trade unions in improving the terms and conditions for public sector workers which is likely to impact significantly on the quality of public service provision (including primary education and basic health services), especially as it affects the poor; and of the role of trade unions as a vehicle for public education and advocacy, such as on HIV/AIDS policy. In Africa, the prevention of HIV/AIDS is vital to the achievement of the MDGs and the mobilization of the social partners and other stakeholders in the world of work forms an essential strategy for mitigating the social and economic impact of the pandemic, especially for the poor who bear the heaviest burden. It has also been argued that trade unions have a particularly useful role to play in terms of their experience in organizing and giving voice to a significant part of civil society. They are often the leading exponents of the principle of solidarity, a good example of participation in action and of democratic organization. It should nevertheless be noted that a few workers' organizations have themselves preferred not to get involved in what some regard as a continuation under a new acronym of previous policies to which they were opposed, and some employers' and workers' organizations have decided to concentrate their limited resources on other aspects of public policy.

18. Finally, it is important to recognize that in some PRSP countries considerable restrictions on the freedom of workers and employers to associate and form or join organizations of their own choosing hamper the development of social dialogue on poverty reduction. Landless rural workers, small tenant farmers, small traders and producers are frequently excluded from laws that provide for the establishment of workers' and employers' organizations or protect such organizations and their members from intimidation and acts of violence. Reforms in these areas are essential if the poor are to be able to organize themselves and articulate their interests in society and the PRSP process.

## Overall experience on PRSPs

19. There have been a large number of studies and reviews of the PRSP process. It is important to highlight that it is still in its early stages, that all stakeholders are learning by doing and that the biggest challenge will be in implementation. It is widely accepted that the PRSP approach is extremely challenging for countries and their development partners alike due to the difficulties of its objectives as well as the tensions between them.<sup>8</sup> Among the issues most frequently raised are: improving the participatory process; achieving an appropriate balance between speed and quality in the drafting process; improving poverty diagnostics, targets and indicators and monitoring and evaluation; clarifying the priority public actions in PRSPs; improving public expenditure systems; improving the integration of PRSPs with other government decision-making processes; improving the alignment of donor assistance to PRSPs; and ensuring the implementation and updating of PRSPs.<sup>9</sup> In a statement to the Development Committee of the World Bank/IMF in April 2002, the Director-General of the ILO broadly agreed with these findings but reiterated that, "pro-poor growth has, by

<sup>8</sup> For a critical review of PRSPs see, "Masters of their own development: PRSPs and the prospects for the poor" (2002), published by World Vision.

<sup>9</sup> "Review of the Poverty Reduction Strategy Paper (PRSP) approach: Early experience with Interim PRSPs and full PRSPs" (2002), prepared by staff of the IMF and World Bank

implication, to be about promoting employment and livelihood opportunities and this needs to be more explicitly addressed in a number of PRSPs”.

20. There is also as yet little evidence available on what impact PRSPs are having on poverty outcomes. It is important to be realistic about what progress can be expected as it is necessary to strike the right balance between pushing for more rapid achievement of PRSP objectives and ensuring that the approach is realistic in light of country constraints and the need for the process to be participatory and country driven. Applying the PRSP approach requires flexibility and both Bank and Fund staff appear to accept that this means that both the process and the content of poverty reduction strategies can vary across countries in light of national circumstances. However, in some cases the PRSP process seems to be overly driven by the World Bank to the extent that some critics argue that the process has as much to do with achieving its political and institutional objectives as with developing a new instrument for poverty reduction strategies.
21. From the perspective of the ILO, experience of PRSP processes has varied significantly from country to country depending on a number of factors both internal and external to the Organization but overall there are three major overarching concerns which have arisen on a recurrent basis, all of which have been alluded to above. Firstly, insufficient attention has been placed on equity in contrast to growth in PRSPs. This has resulted in inadequate coverage of the policy implications related to the redistribution of asset endowments and exchange entitlements through, for example, reform of land rights, development of a fair, efficient and effective fiscal policy, and promotion of fundamental principles and rights at work. Secondly, trade unions, employers’ organizations and ministries of labour have too often had difficulty in participating in the PRSP. Thirdly, few PRSPs contain much analysis of the labour market, employment issues and social protection, principles and rights at work and other aspects of decent work, so that the latter is too often absent from poverty reduction policy. The World Bank, for example, needs to be regularly reminded of its own tool kit on core labour standards (CLS) which describes how “an assessment of compliance with CLS helps refine the Bank’s advice to borrowers on poverty reduction strategies”.

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

22. The ILO continues to engage with the Bretton Woods institutions and other development organizations on PRSP policy. For example, review meetings were held in Geneva with the World Bank’s director responsible for the PRSP programme in July 2001 and again in July 2002, and an ILO paper on decent work and poverty reduction was presented to the IMF/World Bank Comprehensive Review of PRSPs in Washington in January 2002. Internally, the ILO organized a poverty workshop in Turin in July 2002 which was important for exchanging expertise and sensitizing staff to the importance of poverty in the work of the ILO and its role in PRSPs. Regular contact between the field and headquarters has been maintained and ILO country staff involved in PRSP work met in Geneva in July 2001 and again in June 2002.
23. In taking forward the ILO’s contribution to national PRSPs, the focus has been on an integrated approach to support national initiatives aimed at reducing decent work deficits. This draws on the numerous ILO initiatives already under way in most countries and seeks to demonstrate how an integrated package of policy measures around the theme of decent work is likely to have a more significant and sustainable impact on poverty than would a series of independent initiatives. However, it is evident that many of the factors that need to be tackled lie in the global economy and are linked to trade and capital flows. Thus, promoting decent work also means changing the way the global economy works so that its benefits reach more people. Decent work, then, is not only a development objective at the

national level but also a guiding principle for the global economy. The five special focus countries illustrate the type of practical steps taken by the ILO to integrate decent work into poverty reduction strategies and to empower the social partners to influence the design and drafting of PRSPs.<sup>10</sup>

24. The PRSP process in **Nepal** has been long and rather disjointed largely because of a deteriorating fiscal position allied to the precarious internal security situation over the past two years since the I-PRSP was first put together. The PRSP process in Nepal has very much been in the hands of the Government which has directly linked the drafting of the PRSP to the development of Nepal's Tenth Five-Year Plan (2002-06) and Medium-Term Expenditure Framework. Unlike in many other countries, the World Bank in Nepal has adopted a relatively hands-off role in the preparation of the PRSP. The ILO Office in Kathmandu has actively assisted the Government since it was requested by the National Planning Commission to provide input in late 2000. The ILO's work on the PRSP in Nepal has reinforced the work of some dynamic and active social partners and aided a Government which has looked to the ILO for advice and has generally been open to broad-based consultation and dialogue with its development partners. The ILO's experience in Nepal clearly illustrates the value added of the development of an integrated framework comprising various elements of decent work for poverty reduction (see box 1).

**Box 1**

**ILO PRSP policy recommendations to the Nepal National Planning Commission**

1. Make employment-impact analysis an explicit criterion of macroeconomic policy decision-making, and make employment-intensive growth objectives an explicit criterion of public expenditure programmes.
2. Link essential investments in infrastructure to private-sector development with a focus on products and services in which Nepal has a distinctive comparative advantage or the opportunity to develop one.
3. Train for emigration of Nepalese workers, systematize and streamline public support for outward-bound and returning migrants, render transparent and expand the productive uses of remittances.
4. Begin the reform of Nepal's system of vocational training, linking it more closely to employment policy objectives and labour demand, and extending it to workers in the informal economy.
5. Strengthen the implementation of measures already agreed, including the enforcement of relevant legislation, including land distribution to former *kamaiya* (bonded labour) families, laws on minimum wages and child labour, and the extension of targeted labour inspection services to informal/unorganized sectors.
6. The pervasive nature of gender discrimination warrants that specific policy measures for women be "mainstreamed" throughout the strategies and activities of policy recommendations. It is advisable, however, that specific proposals for impact analysis and affirmative action accompany all poverty alleviation strategies contained in the PRSP policy matrix.
7. Bring a draft of the updated Social Security Bill before Parliament, following full consultations with the social partners and a full-scale technical assessment and design exercise, and strengthen support to the most vulnerable members of society through an increase in allocation to the existing national social assistance scheme.
8. Develop a national strategy for extending social protection to the poor and excluded. Priority could be given to identify ways to provide access to better healthcare, including HIV/AIDS, life insurance, maternity protection, livestock insurance, etc.
9. Promote the organization of workers and employers in those economic sectors, industries and forms of work that are currently unorganized.

<sup>10</sup> The purpose here is to illustrate the broad approach undertaken in each country with an emphasis on the ILO's experience in two countries – Nepal and Mali. This will serve to outline the basic methodology and highlight key issues rather than attempt to cover in detail each and every activity undertaken in each country.

10. Review and prepare recommendations for an integrated set of reforms to labour legislation, the institutions for social dialogue, labour administration, and possibly other related policy fields, such as wage policy, social security, training and patterns of employment. Facilitate the development of consensus on a mutually beneficial package of reforms and monitor the implementation of this reform strategy.

25. Following a request from the Government, the ILO commissioned eight national studies looking into different aspects of the Decent Work Agenda in Nepal and this initiative was supported by a technical backstopping mission involving officials from the field and headquarters in late 2001. There followed a series of tripartite roundtable meetings during 2001-02, which contributed to the drafting of a logical framework matrix and a report on “Decent work for poverty reduction (An ILO contribution to the PRSP in Nepal)”. This document was further discussed and refined following a series of national and regional tripartite meetings in April 2002 and after consultation with other development partners (substantive comments were received from the Asian Development Bank and from the United Kingdom Department for International Development). It was finally presented to the National Planning Commission in May 2002 with a set of ten recommendations (box 1). Since then the ILO has remained engaged in PRSP dialogue and continued to seek to influence the final drafting (centred on the set of ten recommendations and supporting analysis) of the PRSP/Tenth Five-Year Plan, which is due for completion before the end of 2002. At the same time, the ILO has sought to develop projects usually in collaboration with donors, to help the Government to implement its PRSP commitments, including one on international migration and another on methodologies for monitoring and evaluating the impact of the PRSP with respect to decent work indicators.
26. The PRSP process in **Mali** has been well managed by the Malian authorities. A fairly comprehensive and broad-based participatory process has been followed and both the Interim and full PRSPs contain good coverage of decent work issues backed up by a National Action Plan for Employment. Employment is recognized as a cross-cutting theme, and respect for the consultative role of employers’ and workers’ organizations is illustrated by their membership of the steering committee which examines the drafts of the PRSP. Indeed, Mali had a headstart over many other countries. The Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) had already initiated efforts there to improve aid coordination and to avoid donor-driven and unintegrated initiatives. A national anti-poverty strategy was formulated in 1998, which gave a major role to employment generation. A national action programme for poverty reducing employment has also been agreed with provisions for biannual meetings of an interministerial steering committee and a tripartite technical committee. This programme arose out of an earlier ILO-sponsored employment study undertaken within the framework of the Jobs for Africa (JFA) Programme. A tripartite solidarity pact for growth and development was signed in August 2001, which aims at job creation as well as at improving working conditions in the public and private sectors. Through the pact, employers’ and workers’ organizations committed themselves to negotiating new collective agreements to help workers without social protection. The solidarity pact is highlighted in the PRSP. Workers and employers additionally provide the principal officers for Mali’s Economic, Social and Cultural Council, which reports to Parliament. Thus, in preparing the PRSP, Mali benefited from a great deal of prior research and indeed advocacy concerning the role of employment in poverty reduction, as well as from the Government’s demonstrated political will to involve employers’ and workers’ organizations effectively as leading voices of civil society.
27. Employers’ and workers’ organizations were associated with the preparation of the PRSP from its inception, both separately and as members of the civil society group and the ILO’s technical role in providing assistance in the drafting of the PRSP is widely acknowledged. Interventions from the Dakar-based multidisciplinary team were frequent and effective in

recognizing and meeting the need for assistance in the drafting of the PRSP itself. The Government was thus well positioned to include the components of decent work in the PRSP section on employment. A meeting held in Dakar for the Employment Minister, the PRSP coordinator (from the Finance and Economy Ministry) and employers' and workers' representatives was considered particularly helpful and suggested the detailed framework adopted for the final PRSP document. As a result of the JFA programme, an effective network was already in place which meant that JFA members were well-placed to actively participate in and chair some of the PRSP working groups. A working group on employment and training was set up explicitly on the advice of the ILO and the social partners. Overall, the ILO's experience in Mali has illustrated the importance of an integrated and coordinated policy framework based on pre-existing structures and ongoing ILO programmes and this has, in turn, led to important "demonstration effects" for the ILO's policy level work elsewhere. As in other countries, more work is needed to assess the full impact of such employment policies on poverty reduction.

28. However, the Malian PRSP has been a long time in the making (a provisional first draft of the PRSP was completed by the Malian authorities in August 2001) and has still not been presented to the Bank/Fund boards. The reasons for this are not entirely clear. Overall, though, the Malian experience has illustrated the value and importance of national ownership and broad-based participation in drafting PRSPs. Without this, a PRSP may end up being a World Bank-driven document not dissimilar to the type of structural adjustment programme that preceded the PRSPs. In Mali, as elsewhere, this challenge has given rise to new ways of working and opened up opportunities for all stakeholders, including the ILO and the social partners, to emphasize the importance of integrated approaches to poverty reduction. As in other countries, by engaging in the PRSP process in Mali, the ILO has embarked on a long-term process which, on the one hand involves building credibility and presence in the eyes of a number of stakeholders including the World Bank, key ministries, bilateral donors, the African Development Bank and other UN organizations and, on the other, empowering the social partners. Clearly, there is a need for mutual support and trust in this process in order to reap the full benefits for the ILO, the social partners and most importantly for the poor of Mali.
29. The Government of **Cambodia** was quick to put together an Interim PRSP (October 2000) but, like in Nepal, has since struggled to develop it into a full PRSP for presentation to the World Bank/IMF. As in Nepal, a final draft is expected by end-2002 and the Government is also seeking to link the PRSP to its current national planning framework (Socio-Economic Development Plan II). There is a plethora of (donor-influenced) plans and strategies in Cambodia which severely challenges the capacity of the Government. Some commentators have also raised doubts about the degree of ownership by the Government and civil society, alleging that the PRSP process in Cambodia was too strongly driven by the World Bank, although in the latter stages of consultation and drafting, the Government appears to have been more firmly in the driving seat.
30. The ILO does not have a field office or staff dedicated to PRSP *in situ* and this has posed some problems in fully engaging with the process in Cambodia. Furthermore, the social partners were, initially at least, rather marginalized in PRSP dialogues. Nevertheless, great progress has been made in terms of empowering the social partners and influencing the Council for Social Development which is charged with coordinating the drafting of the full PRSP. This has come about through a series of capacity-building and awareness-raising workshops with workers' and employers' organizations and through discussions with government officials and donors responsible for facilitating the PRSP process. Partly as a result of this, workers' representatives were included for the first time in national consultations on the PRSP in August 2002 (employers' organizations already had a history of involvement). Furthermore, following a series of discussions in Cambodia with a variety of stakeholders and both bipartite and tripartite workshops, the ILO has presented to the

Government a comprehensive report – “Generating decent work for poverty reduction in Cambodia: The voice of workers, employers and the Government” – which served as input for the drafting of the PRSP. To reinforce this approach a consultant was employed to work directly with the architects of the PRSP during the final drafting process in autumn 2002. This, in turn, was followed up with further support from the MDT/Regional Office in Bangkok and the drafting of short policy briefing notes to make it easier for the respective ministries to integrate the ILO’s policy recommendations into their respective PRSP policy matrices.

31. The challenge was big for the ILO in Cambodia. The Interim PRSP contains virtually no reference to decent work/ILO issues. In addition, the PRSP was a new concept for most social partners and it was not evident to them how they could best participate in the process. From the outset, it was clear that empowering the social partners for the purposes of giving them a voice and influence in the PRSP process in Cambodia was inextricably linked to more general capacity building. This was, perhaps, especially true for the trade unions, many of which are new organizations (or new incarnations of old organizations). Similarly, CAMFEBA, the employers’ federation, has been in existence for less than two years and has very limited human and financial resources. This issue of broad-based capacity building for social partners is a key lesson to emerge from the ILO’s PRSP work in Cambodia. Among the most notable technical contributions the ILO has made to the drafting of the PRSP include analysis on the important link between the urban and rural economies and the role of employment-intensive investment using labour-based appropriate technology.
32. In contrast to Nepal and Cambodia and even Mali, **Honduras** moved quite quickly and successfully from drafting an I-PRSP (early 2000) to producing a full PRSP (late 2001), which has been presented to the Bank/Fund boards and forms the basis for assistance decisions. In the Joint Staff Assessment, the Bank/Fund appears to be reasonably satisfied with both the content and the participatory process of the PRSP. Unfortunately, in some instances, the ILO has not received the level of support from the Bank/Fund that it would have liked, and has found it difficult to engage them in the social dialogue process. However, despite neither the ILO nor its social partners being systematically involved or consulted in the participatory process, the PRSP contains a reasonably good treatment of labour market and employment issues and it covers social protection in some detail. Given the state of development of the PRSP in Honduras, the ILO input has not been directed at influencing its design as in Nepal and Cambodia but rather in terms of influencing its implementation and in particular empowering the social partners to engage in the process of implementation and to monitor performance. To this effect, a number of tripartite meetings have been organized around the theme of work and poverty. A report was presented to the Government which detailed the formulation of appropriate policy on the interrelationship between economic growth, employment generation and poverty reduction; the impact of macroeconomic policies on the pattern and pace of economic growth and employment generation; and the impact of existing social programmes and their impact on excluded and vulnerable groups.
33. The **United Republic of Tanzania** was one of the first countries to prepare a full PRSP and the Bank reports that this has been “characterized by strong country ownership and the broad-based participation of civil society. It provides solid foundations for attacking poverty and represents a major advance from previous poverty alleviation efforts ... elements of the PRSP are still being developed and the PRSP remains a work in progress” (Bank/Fund Joint Staff Assessment, November, 2000). Against this background, the ILO has facilitated the incorporation of employment and skills training as an integral part of the PRSP progress report as well as the recognition of child labour issues. It has also focused on encouraging the social partners to constitute a formal tripartite forum which would take its own initiatives to consult with NGOs and donors and other stakeholders in the PRSP

process. A series of tripartite meetings organized by the ILO culminated in the production of an InFocus Programme on Strengthening Social Dialogue working paper, "Towards a decent work strategy for poverty reduction in Tanzania". This has been submitted to the Government to help inform the implementation of the PRSP. The social partners identified work on education (especially the Education for All initiative) and agriculture as being priorities and subsequently, the ILO approach has been based on addressing issues within these sectors, which are, of course, of fundamental importance to poverty reduction in the United Republic of Tanzania.

## Summary of key lessons learnt and future challenges

34. The preparation of PRSPs is a learning process for all concerned: governments, employers' and workers' organizations, the Bretton Woods institutions and development banks, the ILO, UN specialized agencies and bilateral donors. In the context of such a complex and ambitious process, each stakeholder group has to focus on its respective areas of competence and distinct comparative advantage. For the ILO, this means fields such as industrial relations and social dialogue, labour market analysis and policy, labour-intensive infrastructure development, enterprise development, social finance, principles and rights at work, social protection, technical and vocational training, and gender. All these areas are relevant to an anti-poverty strategy and are usually recognized as such by governments and development organizations, but experience to date indicates that this is not automatically and universally the case. The ILO therefore needs to systematically and proactively reinforce this message in PRSP dialogue and other development forums.
35. Generally, the ILO's experience has been fairly, although not universally, positive in that governments have usually welcomed offers to help provide specific technical inputs in ILO areas of competence and the promotion of consultation with employers' and workers' organizations. The ILO is different from other UN specialized agencies because it combines both the provision of technical inputs in important areas – rights, employment and social protection – and support for the participatory process through tripartite consultations. The ILO, the World Bank, the IMF and many recipient and donor countries are convinced that civil society consultation and participation in poverty-reduction strategies, rather than being a costly waste of time as some feared, is an important means of improving the analysis of the incidence and causes of poverty and the effectiveness of poverty reduction strategies. ILO experience in a number of countries suggests that this aspect of PRSPs is now more widely appreciated and is becoming embedded in political systems.
36. The ILO has encouraged governments to invite employers' and workers' organizations to join fully in all phases of the PRSP process. However, in some cases the social partners have expressed concern and frustration that their views and potential support appear undervalued. There are a number of explanations for this including:
  - Many low-income countries are under enormous pressure to produce PRSPs in order to be eligible for Bank/Fund loans, debt relief and grant funding, and almost by definition have a limited capacity to respond to the demands of the donor community. In recent years the latter has put great emphasis on primary education and the health sector as well as broader public sector reform and improved macroeconomic management. For some countries this might imply that in their PRSP they tend to focus on these areas and priorities in a way which makes it difficult to properly

embrace what they might see as other competing objectives such as decent work.<sup>11</sup> This is a particularly pertinent issue given that PRSP activities and targets are supposed to be properly costed with identified funding sources.

- The traditional conduit for the views of social partners into government policy-making is the Ministry of Labour; however, in many countries it plays a relatively minor part in what is still a heavily budget-oriented intra-governmental process.
  - The emphasis on the participation of civil society organizations (CSOs) can cause difficulty in that few trade unions and employers' organizations identify themselves with this relatively new all-embracing term. Furthermore, other CSOs sometimes do not think of unions and employers' organizations as part of their movement.
  - In some countries, governments prefer not to engage with trade unions and/or employer organizations which have a history of openly challenging or opposing the government, and have deliberately marginalized them in the PRSP process.
  - Some Bank and Fund officials are unfamiliar with the work of the social partners and have not felt the need to alert government PRSP teams to seek their involvement, despite encouragement to do so from their own senior management.
  - A few workers' organizations have themselves preferred not to get involved in what some regard as a continuation of previous policies to which they were opposed. Some workers' and/or employers' organizations have limited their engagement because either they question the real value of the participation process and/or the government's true motivations for embarking on this or because they have other priorities which override their involvement in PRSP processes.
- 37.** Despite the scope for PRSPs to draw on previous analysis and policy development work by the ILO, the first wave of Interim and full PRSPs were, in the main, disappointingly meagre in their coverage of decent work issues. In part, the weakness of the employment policy dimension of PRSPs probably reflects the relative absence of labour ministries and the social partners from the consultation processes for the drafting of the first papers. It may also arise from the failure to give sufficient prominence to the gender dimensions of poverty, even though nearly two-thirds of those working for less than a dollar a day are women subsistence farmers and agricultural labourers. As others have observed, PRSPs have not fully overcome the tendency for discussions to concentrate on the contribution of foreign aid to the national budget. Whilst public expenditure in vital areas such as education and health is of great significance to poverty reduction, the larger question of how to generate pro-poor growth has yet to be fully integrated into deliberations surrounding most PRSPs. This is likely to change as PRSPs evolve, and the ILO would expect the fundamental question of how to raise the productivity of the working poor and the returns they get from their labour to become more central in the future. This is inextricably linked to the broader issue of moving equity and redistribution further up the policy priority list alongside the inevitable emphasis on growth.
- 38.** It is evident from experience to date that the contribution of the ILO's field structure is vitally important to full participation in PRSP dialogues. Regular and frequent contact, and ideally a presence, in a country, is essential in order to properly engage and participate in the regular working and theme groups which typically guide the PRSP process. There are a

<sup>11</sup> In reality, of course, decent work is correctly viewed as a cross-cutting theme of relevance to many policy options and sectors, including in the fields of health and education.

host of formal and informal networking opportunities which ILO staff focusing on PRSPs need to follow. In due course, the challenge is for the social partners to take forward much of the advocacy and influencing role associated with the ILO's objectives on PRSPs but at present, in most low-income countries, this will require substantial support for capacity building.

- 39.** On the whole, the ILO can report significant progress in terms of the original objectives of integrating policies to promote decent work into poverty reduction strategies and to empower our social partners to influence the design and drafting of PRSPs in the five special focus countries. This has led to what can be called a “demonstration effect”, as the example of this work has prompted a large number of requests from the field for the ILO to get further involved in PRSP work in other countries. However, this has placed considerable strain on the limited financial and human resources dedicated to PRSP activities.
- 40.** The ILO's experience with PRSPs has varied significantly from country to country. It is equally clear that all concerned are still learning and that the ILO strategy will continue to evolve. Overall, there remains three overarching concerns for the ILO as the PRSP process increasingly moves from design to implementation:
- (i) PRSPs need to include a more thorough analysis of employment and other aspects of decent work. This should then give rise to a more explicit role for decent work, including fundamental principles and rights at work and social protection, in poverty reduction strategies.
  - (ii) Employers' organizations, workers' organizations and labour ministries need to be more systematically integrated into the participatory process underpinning the design and implementation of PRSPs. Without social dialogue, the participation and national ownership principles of the PRSP are seriously undermined and decent work strategies are unlikely to receive adequate consideration.
  - (iii) More attention is needed in PRSPs on maximizing the impact of growth on poverty. Thus more coverage of the policy implications related to, for example, reform of land rights, development of a fair, efficient and effective fiscal policy, promotion of principles and rights at work and other equity issues is needed.
- 41.** “The ILO will continue to devote substantial resources to the PRSP initiative. We will build on our experience to date responding wherever possible to country driven demand for support, with a particular emphasis on building the capacity of social partners to ensure that their voices and, by extension, the voices of the poor, can be heard and acted upon in the context of national poverty strategies”.<sup>12</sup> To be most effective, it is evident from experience to date that this implies the need to strengthen the ILO's field structure and especially the capacity to engage with PRSP processes at the national level.
- 42.** The ILO has undertaken PRSP-related activities in a number of other countries in addition to the five special focus countries, especially in Africa where the policy environment is so closely aligned to the development of PRSPs. The New Partnership for Africa's Development (NEPAD) now provides a continental framework for ILO engagement. As the ILO's work on PRSPs becomes more widely known, there is an increasing call on limited resources from additional countries. The ILO receives regular requests to provide support to PRSP processes at both the design stage and increasingly at the stage of

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<sup>12</sup> Statement by the ILO Director-General to the World Bank/IMF Development Committee 65th Meeting, Washington, DC, 21 April 2002.

implementation. The ILO seeks to respond positively to these requests and has put in place internal organizational arrangements to ensure a coordinated and consistent approach. In so doing the ILO will continue to stress the importance of an integrated perspective on poverty reduction. This is centred on decent work and draws on the many important sectoral initiatives already under way in many countries. There will also be an increasing need to build the capacity of the social partners to become actively involved in monitoring the implementation of PRSPs and to develop general guidelines to help field offices and social partners to make the most of the opportunity to engage in PRSP dialogues. Though donors have shown great interest in supporting the PRSP process, this will require further funding. Finally, by integrating decent work programmes with the PRSPs of low-income countries, the visibility and impact of the ILO will be increased which will strengthen partnerships at many levels including with the Bretton Woods institutions, donors and other development organizations.

**43. *The Committee on Employment and Social Policy may wish to:***

- (a) comment on this review of ILO involvement in PRSPs;***
- (b) recommend to the Governing Body that this work be continued, and financial and technical resources permitting, be broadened and deepened;***
- (c) request 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.***

Geneva, 23 September 2002.

*Point for decision:* Paragraph 43.