



THIRD ITEM ON THE AGENDA

ILO relations with Bretton Woods institutions**Contents**

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I. Latest developments

1. In recent years, the ILO's relationship with the Bretton Woods institutions has increasingly been guided by an awareness of the increasing impact of globalization and by the perception that its positive impacts must be multiplied and spread, and its negative consequences reduced, and that, to achieve this, close institutional cooperation with the Bretton Woods and other key institutions must be developed in an integrated approach. This has now become the prevailing view, and the World Bank and the IMF adopted "globalization must be made to work for the benefit of all" as the theme of their Annual Meetings in Prague in September 2000. At meetings held since the last report to the Committee on this subject¹ the view has been emphasized that, in this context, the bilateral relationship between the ILO and the Bretton Woods institutions must increasingly take into account a broader multilateral approach to the insertion of the Decent Work Agenda into integrated approaches to economic and social development. This is the frame of reference for the continuing collaboration of the World Bank and the IMF in the work of the Governing Body Working Party on the Social Dimension of Globalization.

Spring Meetings of the World Bank and IMF

2. The ILO again participated as an observer at the Spring Meetings (Washington, DC, April 2001) of the IMF's International Monetary and Financial Committee (IMFC) and the joint World Bank-IMF Development Committee. The meetings took place against the backdrop of a slowdown in the world economy, and reflected an overall concern for the resulting increased risk faced by the poorest countries. As usual, prior to the meetings, the ILO sent its written comments to the IMF on the draft *World Economic Outlook*. The Director-General's statements, circulated in advance to the members of the committees, addressed the key issues and are available on the ILO web site.² Highlighted was the importance of creating an environment conducive to employment and job creation, where the centrality of employment and good quality employment is essential for economic and social policy-making, and where human rights, including fundamental labour rights, are seen as an essential component of the fight against poverty and underdevelopment, especially in view of the importance attached to good governance and democratic participation in the Poverty Reduction Strategy Papers (PRSP) process. Also stressed was the increased importance of greater policy coherence across the whole multilateral system demanded by the more comprehensive approach to development which was being promoted. In this regard, the need to strengthen partnerships was a recurrent theme in the Communiqués adopted at the Meetings. Areas of principal concern to the ILO are reported below.

International Monetary and Financial Committee (IMFC)

3. The IMFC, recognizing the increasingly interconnected global economy, concluded with a commitment to work towards open trade for greater global prosperity, by maintaining the momentum in the reform of the international financial system, strengthening economies through structural reform, maintaining sound macroeconomic conditions for non-inflationary growth, and encouraging poverty reduction and growth in the poorest

¹ GB.279/ESP/1, Nov. 2000.

² <http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/2001/imf.htm>;
<http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/2001/devcom.htm>.

countries. It also concluded that developing countries, as part of a commitment to poverty reduction and growth and in order to create a favourable environment for domestic and foreign investment and private sector activity, needed to develop strong institutions, while the advanced economies had a special responsibility to assist the efforts of developing countries to achieve the International Development Goals (IDGs) through overseas development assistance, relief under the Heavily Indebted Poor Countries (HIPC) initiative for sustainable debt levels, and the rapid opening of markets to developing country exports. Protectionism was seen as the wrong response to the economic slowdown. The IMFC also welcomed the cooperation between the Bank and Fund, especially with respect to education and the need for global action to combat HIV/AIDS and other communicable diseases, and further endorsed steps to increase cooperation and complementarity with other organizations, especially the World Bank, in strengthening financial sectors, fighting poverty, and achieving the IDGs. In other areas the IMFC strongly supported redoubling the IMF's efforts to put crisis prevention at the heart of its activities and welcomed further discussions on an agreed framework for private sector involvement relying as much as possible on voluntary, market-oriented approaches. Finally, it welcomed the Managing Director's review of Fund conditionality, to make it better focused, more effective and less intrusive while enhancing national ownership. It endorsed the principle that IMF conditionality should focus on those measures, including structural, that were critical to the macroeconomic objectives, implying enhanced collaboration and a clearer division of labour between the Fund and other international agencies, in particular the World Bank.

Development Committee

4. In its Communiqué, the Development Committee emphasized that the Bank should continue supporting the efforts of middle-income countries to achieve growth and poverty reduction, which was essential to the achievement of the IDGs, through the development of good policies and institutions, but its role should be highly selective and strategic, and it should act as a catalyst for policy and institutional change, for pro-poor policies, for sustainable private investment flows, and for policy and financial support from development partners in promoting sustainable, equitable growth and poverty reduction. Bank support should be tailored to widely differing country needs and be grounded in each country's own vision of development to ensure country ownership. It should draw increasingly on analyses by other development partners and by the countries themselves, and let others take the lead in supporting reforms where they had the comparative advantage. The Committee welcomed progress made by the Bank on global public goods, particularly in the areas of communicable diseases, trade integration, financial stability and knowledge and environmental issues, provided it remained selective and focused, and consolidated its cooperation and division of labour with other development partners. Increasing trade for economic growth and poverty reduction was critical, and the Bank had an important role in leveraging trade for development, in collaboration with its development partners, to help developing countries increase their access to global markets. Finally, the HIV/AIDS epidemic was a grave threat to development progress in many areas of the world, especially Africa, and the Committee urged that it be addressed on a multi-sectoral basis, in development policies and in assistance to governments in health and other sectors. The Bank should analyse the impact and suggest appropriate responses, during its country assistance strategy (CAS) process, working with partners in the context of each country's national HIV/AIDS strategy.

Joint session of the IMFC and the Development Committee

5. Exceptionally, in the light of the important common efforts to strengthen growth and fight poverty, the IMFC and the Development Committee met in a joint session. In their

Communiqué, highlighting earlier IMF-World Bank consultations with African leaders which had stressed the importance of tackling major problems such as conflict, weak governance and the need to build a strong human resource base, including education and the attack on HIV/AIDS and other communicable diseases, the joint session pledged to work to provide required international support in pursuit of the IDGs to complement strong action by African leaders to assume their own responsibilities. The joint session also welcomed progress made in implementing the PRSP approach, and urged the Bank and Fund and other multilateral institutions and bilateral donors to help countries fully to develop, implement and monitor their poverty-reduction strategies. On debt relief, it welcomed the progress made and urged the countries concerned to demonstrate a firm commitment to reform programmes and, while recognizing the special needs of developing and transition country creditors, urged all donors and creditors to participate in HIPC debt relief and to meet their commitments of financial support. It urged countries preparing PRSPs to improve expenditure management and monitoring, and donors to harmonize the delivery of aid in ways that strengthened national planning and budgetary systems. It urged the Bank to implement at the country level its work in developing improved methods to assess the social impact of policies (including its own recommendations), and the IMF to implement its related contribution, including the integration of the social impact analyses of others into its macroeconomic policy advice. The joint session also reiterated a commitment to the enhanced HIPC initiative as a means for achieving a lasting exit from unsustainable debt, while emphasizing that this should be additional to official development assistance provided on concessional or grant terms. In this respect, debt sustainability and the broader fight against poverty required a two-pillar strategy with: (1) poor countries taking charge of their own future and creating opportunities for equitable and sustainable growth and poverty reduction, by macroeconomic management (including prudent borrowing), outward-oriented reforms supportive of private sector development, governance and social policies (especially education and health); and (2) the international community providing strong support, not only through existing commitments for debt relief, but also through increased aid and expanded trade opportunities. It strongly reaffirmed the importance of greater access by developing countries to world markets, called upon countries to open up their markets further to exports from the poorest countries, and stressed the major role of industrialized countries in following policies to ensure sustainable non-inflationary growth for the world economy, as concerted actions by both rich and poor nations needed for the achievement of the IDGs. Finally, helping countries, particularly in Africa, to resolve conflicts and re-establish a basis for economic and social progress was seen as a critical priority for the international community, requiring technical and capacity-building assistance, including from the Bank and Fund in close cooperation with the UN system organizations so as to ensure full use of their specialized skills.

Group of 24

6. The ILO was also represented at the preparatory meetings of the Group of 24, which expressed deep concern at the effects of the economic slowdown on commodity prices and weakened adjustment efforts and growth. An increase in official development aid was urged to make up the shortfall in private capital flows, and debt relief was thought too slow: faster implementation and quicker access to resources were needed. Technical assistance and simpler, more focused conditionality in respect to the PRSPs was needed, as well as the reduction of trade protectionism in developed countries, with the removal of trade barriers especially for agricultural products and textiles.

Fourth Special High-Level Meeting of ECOSOC with the Bretton Woods institutions (New York, May 2001)

7. The conclusions of these meetings were immediately discussed at the Fourth Special High-Level Meeting of ECOSOC with the Bretton Woods institutions in New York in May 2001, which viewed them as contributing to a better understanding of the main issues related to financing for development and the reform of the global financial system, in the broader context of the commitment to achieving the development goals of the *Millennium Declaration* and the fight against poverty in developing countries.

September Annual Meetings

8. The 2001 IMF-World Bank Annual Meetings planned for September-October did not take place as planned. Following a series of anti-globalization protests, including in relation to the World Bank's Third Annual European Conference on Development Economics, planned for Barcelona in June 2001 (which had to be cancelled and reorganized as an electronic on-line conference in the face of anticipated serious protests involving possible violence), the 2001 Annual Meetings, facing similar protests, were rescheduled into a compressed agenda. This not only cut short the time allocated to each of the committees and the Board of Governors, but also cancelled the programme of Annual Meetings Seminars which had been organized on the theme of "Sharing the benefits of globalization". Sadly, the disruption was complete when the meetings were finally cancelled following the tragic events of 11 September in New York and Washington. Items which could have been addressed in the IMFC were expected to include discussions on the world economic outlook, responding to the challenges of globalization, streamlining conditionality and enhancing ownership, assisting low-income countries – an update on PRSP/PRGF and the HIPC initiative – and private sector involvement in the management and prevention of crises. The Development Committee had been expected to discuss the UN Conference on Financing for Development, progress reports on the HIPC initiative and the PRSP process, and progress towards education for all.

Progress in approaches to poverty-reduction and development strategies

9. Clearly, the Spring Meetings placed major emphasis on the need for the IMF and the World Bank to enhance their partnerships in a concerted effort to meet the overarching objective of reducing poverty, and to achieve the International Development Goals (IDGs), which both institutions, as well as the UN and OECD-DAC, had incorporated in their institutional strategies. The ILO participated in a meeting organized by the Bank in March 2001 to discuss the implications of the IDGs for the future work of the Bank and for its development partnerships. These goals were based on the outcomes of the major UN conferences of the 1990s. They were restated and expanded in the *Millennium Declaration*³ endorsed by the Heads of State and Government at the Millennium Summit in September 2000,⁴ and reaffirmed at the Third United Nations Conference on the Least Developed Countries (Brussels, May 2001).⁵ The Communiqué adopted at the G8 Genoa

³ <http://www.ilo.org/public/english/bureau/exrel/events-major.htm>; <http://www.un.org/millennium/declaration/ares552e.htm>.

⁴ GB.280/8.

⁵ <http://www.ilo.org/public/english/bureau/exrel/events/ldciii.htm>.

Summit made a commitment to working with the developing countries to meet the IDGs, and the forthcoming UN Conference on Financing for Development (Mexico, May 2002)⁶ will be looking at more practical ways of achieving these goals through a global alliance for development, and for ensuring better governance of globalization for the benefit of all. In his report *Roadmap towards the Implementation of the United Nations Millennium Declaration* (September 2001), the UN Secretary-General redefined and restated the IDGs as a set of eight “Millennium Development Goals” (MDGs),⁷ and the World Bank immediately announced its full partnership in their implementation, while the Fund also immediately announced its commitment to support and contribute within its area of expertise.

10. The foundation for the country-level operations of both the Bank and the Fund in addressing the poverty issue and within the framework of the MDGs continues to be the Comprehensive Development Framework (CDF) approach, operationalized in poor countries through the Poverty Reduction Strategy Paper (PRSP) process,⁸ which now also appears to be comprehensively embraced by the multilateral and bilateral development communities, as well as a broad spectrum of developing countries. In a recent progress review of the implementation of the CDF,⁹ based on the experience of 45 (mainly PRSP) countries), a number of issues concerning the key CDF principles were highlighted which reveal the weaknesses in the implementation of the process, which is still considered to be in an early phase. These issues also reveal a number of areas where the ILO and its constituents could make positive contributions.
11. *Long-term vision:* There is a difficulty in linking the long-term strategic vision required by the CDF with the PRSP preparatory process and annual expenditure management systems, and the process of long-term strategy formulation is often still dominated by short-term macroeconomic needs, which hinders the achievement of a balance in addressing macroeconomic, social, sectoral and structural issues, such as the integration of macroeconomic policy, employment creation, rural/urban strategy, and poverty reduction. Longer term objectives and trade-offs need to be stated more clearly if short-term decisions are to be sustainable; upstream analytical support is needed to articulate key strategic and sequencing issues; and the capacity to cost sectoral policies and develop medium-term expenditure frameworks needs to be improved.
12. *Country ownership:* Success depends on national capacity, which in many cases is still deficient. Despite efforts at internal consultation there is still weakness in formulating and implementing strategies and programmes drawn from internal consultation and debate. Parliaments have been largely absent from the process, and engaging the private sector has been difficult in many cases. Consultation needs to be inclusive, and the exclusion of those with different or opposing views challenges the legitimacy and sustainability of

⁶ <http://www.un.org/esa/ffd/>.

⁷ The MDGs are: (1) Eradicate extreme poverty and hunger (including halving the number of people living on less than \$1 a day by 2015); (2) Achieve universal primary education; (3) Promote gender equality and empower women; (4) Reduce child mortality; (5) Improve maternal health; (6) Combat HIV/AIDS, malaria and other diseases; (7) Ensure environmental sustainability; (8) Develop a global partnership for development.

⁸ <http://www.ilo.org/public/english/bureau/exrel/partners/prsp.htm>.

⁹ *Comprehensive Development Framework: Meeting the Promise? Early Experiences and Emerging Issues*, CDF secretariat, World Bank, 27 Aug. 2001. <http://www.worldbank.org/cdf/boardreport091301/boardreport.pdf>.

government action. Institutional channels should be identified for discussing and acting on national consultations, and ad hoc consultations without a clear link to elected institutions should not be encouraged.

13. *Stakeholder partnership*: This has been slow to develop. Donors have expressed a willingness to align their support, yet so far little progress has materialized at the country level. National coordinating capacity needs to be strengthened, and the World Bank needs to be proactive and to strengthen its work with bilaterals, multilaterals, and the UN system to seek the harmonization and convergence of approaches in country strategies, as well as the integration between global and country concerns.
14. *Development results*: The least progress has been made with respect to the focus on development results and how to operationalize the link between policy measures and development results. This is partly the result of a lack of appropriate and transparent national monitoring capacity, development information systems, and baseline data, which can be improved through the more effective involvement of local institutions and international support through the PARIS21¹⁰ and other initiatives.
15. *Linking country experience and the IDGs*: The study also examined the relevance of, and links between, these country experiences and the IDGs. Most countries focused on achieving important development results without specifically recognizing the IDGs as such, which were seen as too prescriptive for national application: they should link with national priorities as a result of the process, not by imposition from outside. The IDGs were seen as complicating factors which, though relevant, needed to be interpreted to fit local situations. While they were politically important, they could not be translated simplistically into country-level goals, but would help to inform debate and focus it on key areas of public policy.

II. The ILO's role in the Poverty Reduction Strategy Papers (PRSP)

16. Following the orientations suggested by the Director-General, the ILO maintained contact with the five pilot countries to introduce employment and decent work into the PRSP process. The ILO continues to strengthen its commitment and support (with substantial assistance from UK/DFID) to the PRSP process and to maintain close contact with the Bank and the Fund on related policy developments. Review meetings were held in Geneva with representatives of the Bank and the Fund to exchange lessons from experience in the PRSP process. The ILO participates in inter-agency consultations on the CDF/PRSP process. Progress at the country level continues to be monitored: information is fed to the ILO field structure, which is actively encouraged to contribute to the national processes in close consultation and cooperation with ILO constituents, and to do its best to support their participation. Internal work is being carried out to elaborate on the links between decent work and poverty reduction. Special efforts are being made, in many cases on the basis of published Interim PRSPs (I-PRSPs), to introduce employment and social protection issues, and to promote social dialogue in the preparation of the full PRSPs which, without the intervention of the ILO, would generally be either absent or weakly addressed. Even though governments have embraced the idea of civil society and private sector consultation, in the PRSP process this has often not included trade unions. The ILO, the World Bank and others must do more to promote the idea that social dialogue is an

¹⁰ PARTnerships In Statistics for development in the 21st century. See [GB.279/ESP/1](#), para. 12. Web site: <http://www.paris21.org/>.

important part of building a broad-based consensus. Specifically, through its interventions, the ILO hopes to link poverty-reduction strategies with economic growth through employment and decent work, and to introduce the ILO's tripartite structure as a platform to ensure national ownership. With respect to the HIPC debt relief initiative, these ILO efforts should help the affected countries as they undergo the qualifying process, and should contribute to the reallocation of savings towards appropriate poverty-reducing expenditure.

17. Closely linked to its support for the PRSP was the ILO's contribution to the *Third United Nations Conference on the Least Developed Countries* (LDCIII – Brussels, May 2001).¹¹ Accepting that the ILO's contribution to the achievement of the Millennium Goal of reducing poverty by half by 2015 should focus on the operationalization and introduction of the Decent Work Agenda into national poverty-reduction strategies, the ILO-led thematic session on "Human resources and development" was specifically oriented towards elaborating the contribution of decent work to poverty reduction in LDCs,¹² and among the set of "deliverables" presented by the ILO¹³ was that on "Decent work and poverty reduction: Social dialogue and employment promotion in national poverty-reduction strategies" which was designed to contribute directly to strengthening the PRSP process.
18. The ability effectively to measure poverty and poverty-reduction outcomes is seen as crucial to the success of the PRSP process. The PARIS21 donor consortium is supporting national capacity building for this purpose, and as an active contributor to PARIS21 the ILO has taken the lead in promoting support for improving the capacity of ministries of labour in data collection and analysis, and in the monitoring and evaluation of employment indicators. Separate discussions are taking place with the Bank concerning the possible financing of an ILO project in this area. Furthermore, the ILO, which attaches importance to both *ex ante* and *ex post* analyses, will be examining ways to increase its cooperation in this area.
19. The ILO special-focus initiative to introduce the Decent Work Agenda into the PRSP process in five countries¹⁴ has made significant progress through field-based initiatives, strengthened by significant technical support, and continues to develop. In July 2001, the ILO country staff involved were brought to Geneva for a meeting to take stock of progress and exchange information and experience, and to meet and exchange views with the World Bank's Director in charge of implementing the PRSP programme. Progress to date in the five countries is described in [Appendix I](#).
20. Both Bank and IMF staff have recognized the importance of ILO intervention and expressed their reliance on it for employment and decent work inputs, including the strengthening of social dialogue. In September the IMF invited the ILO to make a specific contribution to the Joint Bank-Fund review of the PRSP to be completed in spring 2002, pointing out that this was the best opportunity for the ILO, as a partner organization, to address specific weaknesses in the PRSP process that were of main concern.

¹¹ [GB.280/TC/4](#); <http://www.ilo.org/public/english/bureau/exrel/events/lciii.htm>.

¹² <http://www.ilo.org/public/english/bureau/exrel/events/lciii-issues.htm>.

¹³ <http://www.ilo.org/public/english/bureau/exrel/events/lciii-deliver.htm>.

¹⁴ Cambodia, Honduras, Mali, Nepal, and the United Republic of Tanzania. See [GB.279/ESP/1](#), para. 11; <http://www.ilo.org/public/english/bureau/exrel/partners/prsp.htm>.

III. Other areas of cooperation

21. *International labour standards, fundamental principles and rights at work.* The ILO will continue to build further on progress made with the Bretton Woods institutions in this area. Particular emphasis will be applied at the country level, especially in developing the link to CDF/PRSP processes. The International Development Association (IDA) is the main World Bank Group institution assisting the poorest countries through concessional financing. Approximately 80 poor countries are eligible for IDA financing, and potentially for inclusion in the PRSP process. The Bank is currently in the process of negotiating the IDA's thirteenth replenishment (IDA 13). The important link between the development of the Bank's Country Assistance Strategy (CAS) and core labour standards, which was contained in the IDA 12 decision, has been reported to the Committee on previous occasions.¹⁵ This has led to the development and publication on its web site of the Bank's tool kit for Bank staff on core labour standards following consultations with the ILO. A number of CASs include consideration of core labour standards, including those for Armenia, Bangladesh, Benin, Chad, Djibouti, the eastern Caribbean States and Barbados, India and Indonesia. A major advantage of this provision in the context of ILO-World Bank cooperation is that it encourages the staff of the Bank's country departments to acquire an understanding of the content and relevance of core labour standards to their country programmes for IDA-eligible poor countries, and provides a major incentive for both the ILO and the World Bank to encourage their field staff to engage in needed country-level dialogue on core labour standards and related labour and employment issues.
22. During the preparations for the *Global Employment Forum* in November 2001,¹⁶ the ILO has consulted the Bank and the Fund closely both in the preparation of the "Global Employment Framework" report, and in arranging their appropriate participation in the Forum itself. This process will be used to strengthen the ILO's strategic alliances with these and other important institutions in an effort to promote international and national policies that will result in the faster growth of productive and remunerative employment, and help to place employment at the centre of economic and social policies.
23. In follow-up on the Millennium Summit, the ILO is collaborating with the World Bank and the UN in the Secretary-General's *Network on Youth Employment*¹⁷ which held the first meeting of its High-Level Panel at ILO headquarters in July 2001 with the participation of the UN Secretary-General, the President of the World Bank, the Director-General, and 12 eminent persons from throughout the world. At the meeting the Secretary-General asked the ILO to act as lead agency for the High-Level Network, including the work of organizing and seeking the necessary funding for a permanent secretariat.
24. *HIV/AIDS.* The importance of ILO-World Bank cooperation in the field of HIV/AIDS was emphasized during a dialogue between the Director-General and the President of the Bank in June 2001 in Washington. In follow-up discussions at the Bank in July, the ILO put forward a proposal for the integration of the ILO code of practice¹⁸ in Bank programmes in selected countries in Africa on a pilot basis. The ILO's experience in workers' education activities and labour policy issues would assist the World Bank Institute (WBI) in executing a distance-learning labour policy course in Africa later this year. Other areas of

¹⁵ GB.276/ESP/5 (appendix), para. 2, and GB.279/ESP/1, para. 13.

¹⁶ <http://www.ilo.org/public/english/employment/geforum/index.htm>.

¹⁷ <http://www.ilo.org/public/english/bureau/exrel/partners/youth.htm>.

¹⁸ <http://www.ilo.org/public/english/protection/trav/aids/pdf/acodeen.pdf>.

collaboration discussed included the fielding of joint missions to develop, implement and monitor the Bank's HIV/AIDS country programmes and activities, and it was agreed that the ILO could develop specific HIV/AIDS modules for conventional data collection exercises such as labour force, household and enterprise surveys. Cooperation between the ILO Programme on HIV/AIDS and the World of Work and the Bretton Woods institutions has taken place at both international and national levels. The ILO Programme made technical contributions on the impact of HIV/AIDS in the workplace to the HIV/AIDS Emergency Action Plan (HEAP) in Nigeria as part of the World Bank's Multi-Country HIV/AIDS Programme (MAP).¹⁹ Similar activities are envisaged for Ghana and Uganda. The ILO also participated in the Partnership Consultation on the MAP for Africa (Kampala, June 2001), where the code of practice was well-received and the lead role of the ILO in workplace HIV/AIDS interventions was emphasized by Bank officials. Regular contacts have subsequently been maintained with the coordination groups in Africa and with the Global Coordinator for the World Bank HIV/AIDS Programme in order to move collaboration forward. In a complementary activity, the ILO proposed, at LDCIII, a specific "deliverable" on combating HIV/AIDS in the workplace.

25. *Child labour.* ILO-World Bank collaboration in the area of child labour has focused mainly on the joint ILO/World Bank/UNICEF Florence-based project on "Understanding Children's Work and its Impact", which is financed by Norway, Denmark and Sweden, and aims to improve child labour research, data collection and analysis; enhance related capacity at local and national levels; and improve impact assessments. In preparation are an inventory of surveys and analyses of data sets; a comparison of relevant survey instruments; a database of child labour researchers; a structured database of interventions and best practices from the three agencies; and an Internet web site with a standardized, complete view of their child labour data. An inter-agency meeting on relevant survey methodologies was organized in Washington in June 2000. The project is an exceptional example of good inter-agency cooperation, and has greatly improved contacts between the agencies and developed a shared understanding of their respective approaches, objectives and priorities. It is proving to be of great benefit to several core areas of IPEC activity. Future emphasis will be given to economic, country-level research on child labour in selected regions, and to the development of local research capacity.
26. *Global public goods.* The ILO is contributing its advice to the Bank's in-depth evaluation of its role in this area, having received two visits from the Bank's evaluation staff in January and October 2001, and participated in the Bank's consultation meeting in Washington in July. One example of where the Bank has taken a special interest is the ILO's concern with working conditions in the ship-breaking industry. The ILO was invited to make a presentation on this at the Bank in May, and consultations with the UNDP's Global Environment Facility are being supported as a source of possible financing for expanded ILO activities. Other major areas identified by the Bank include child labour and HIV/AIDS, but the issue of global public goods has broader implications, and discussions will continue in an effort to identify the related aspects of the ILO's Decent Work Agenda and its components, as a basis for clarifying institutional responsibilities and strengthening cooperation.
27. *Employment-intensive investment.* The introduction of the PRSP and the strengthened Bretton Woods focus on poverty reduction has re-energized cooperation between the ILO's Employment Intensive Investment Programme (EIIP)²⁰ and the World Bank and regional development banks. This aims to maximize the employment impact of public investment

¹⁹ <http://www.worldbank.org/afr/aids/map.htm>.

²⁰ <http://www.ilo.org/public/english/employment/recon/eiip/>.

policies, demonstrate the cost-effectiveness and competitiveness of employment-intensive methods, promote private sector capacity while ensuring quality and respect for labour standards, and ensure appropriate labour clauses in the relevant contracting processes. In response to government requests, direct support to the PRSP process has been provided to several countries including Cameroon, Gambia, Guinea, Mali, Senegal and the United Republic of Tanzania. ILO work with the World Bank's Sub-Saharan Africa Transport Programme and the International Forum for Rural Transport and Development has provided increased opportunity to influence government development programmes supported by the World Bank, regional banks and bilateral donors. The aim is to shift the focus from physical output to include also poverty reduction through increased employment generation and income distribution, and improved accessibility of the poor to productive resources, markets and basic social services. Cooperation with the banks and the influence of this ILO programme is reaching many countries, not only in Africa, but also in Asia and Latin America. A good example is ILO collaboration with the World Bank in the preparation of a US\$50 million investment programme in Madagascar executed with labour-based construction techniques, creating some 17 million workdays of employment, equivalent to some 15,500 full-time jobs per year over the period 2002-07 – about four times more employment than under conventional construction methods. It will involve 100-150 contracts per year for local contractors trained in labour-based construction techniques through the Training Centre for Labour-Based Techniques, which was established in Madagascar by the ILO with support from NORAD, and covering not only technical, but also labour-management issues, including working conditions.

28. With respect to *post-conflict reconstruction*, institutional contacts are maintained on the broad issues. The World Bank-financed ILO project in the Democratic Republic of the Congo has demonstrated good results, and negotiations are under way with the Bank and the Government for a major expansion of the programme. Since this is also a demonstration project, it is anticipated that this will provide a model for similar post-conflict projects in other countries. Close technical consultations have also been established between the ILO and the Bank to harmonize activities in the West Bank and Gaza, and to facilitate substantive cooperation.

29. In the area of *social protection*, the ILO continues to be actively engaged in World Bank-financed social security projects in Cameroon, Congo and Gabon, as well as the Bank's Development Marketplace innovative ILO project on social re-insurance²¹ which is progressing successfully and is expected to lead to a joint publication. Discussions are under way between the Bank and ILO/STEP concerning practical ways of extending social protection to the excluded, especially in Latin America. While joint work foreseen by the ILO Social Security Department in the areas of expenditure and performance reviews and in the framework of the International Financial and Actuarial Service is not yet progressing as anticipated, partly as a result of financial constraints faced by the Bank, firm Bank support has been provided with respect to the "QUATRRAIN" programme²² on quantitative training for social protection specialists, which has begun its substantive activities at the University of Maastricht.²³

30. In the area of *capacity building*, the World Bank Institute organized a two-week labour market policy course in Washington in April-May 2001, which brought together representatives of both developed and developing countries (including PRSP focal points),

²¹ <http://www.developmentmarketplace.org/tor118.pdf>.

²² <http://www.ilo.org/public/english/protection/socsec/quatrain/indexqt.htm>.

²³ GB.279/ESP/1, para. 15.

donors, multilateral organizations, NGOs and others. Six ILO resource people and one from the Turin Centre joined the faculty, covering labour standards and the ILO Declaration on Fundamental Principles and Rights at Work, labour regulations, training, employment services, the informal sector and child labour. Three ILO participants also contributed to the discussions. This was an excellent opportunity to bring the agendas of the two institutions together in a mutually strengthening way to serve the interests of a broad client group from developing and developed countries alike. Another important event was the special training workshop in Turin for senior staff of international agencies on “the social dimensions of economic policy reform in developing countries: the role of international institutions”, organized in May 2000 by the Turin Centre with technical support from the ILO’s Employment Strategy Department. One-third of the 21 course participants came from the IMF. The inclusion of employment and social concerns in poverty-reduction strategies, agency cooperation and political ownership of reform programmes were among the issues discussed. In November 2000, the Turin Centre and the WBI signed an institutional cooperation agreement designed to facilitate and promote cooperation, joint work and sharing of knowledge. The Turin Centre has also collaborated with the World Bank in research on training and labour markets in sub-Saharan Africa, and made staff available to teach in the World Bank Institute course on key labour market issues in Africa. It also intends to seek additional collaboration with the Bank and the IMF, particularly regarding the training dimension of developing and implementing poverty-reduction strategies.

31. *Private sector partnerships.* Contacts and cooperation with the Foreign Investment Advisory Service (FIAS) of the World Bank Group’s International Finance Corporation (IFC) have been established in relation to the Bank’s private sector partnerships, to which Bank policies and guidelines apply, including those relating to procurement, and to the IFC/MIGA policies on forced and child labour. Additionally, the FIAS uses a Corporate Social Ratings (CSR) monitoring system, and is developing an advisory service to help governments promote sustainable development by attracting CSR-friendly investors, and to improve public policy approaches, particularly in relation to environment, labour and human rights, and corruption. In discussions on such cooperation the main emphasis is placed on strengthening the involvement and capacity of those directly involved. The ILO is also working closely with the World Bank, including the IFC and other development banks, in the development and promotion of business development services for small enterprises, and the dissemination of good practices, and has conducted training for Bank staff and clients in this area.
32. In addition to these activities, the ILO has engaged with the World Bank and the IMF in a large number of related meetings during the past year, as detailed in [Appendix II](#). Unusual financial constraints faced by the Bank during this period had the effect of limiting, to some extent, participation by the Bank from Washington in certain meetings organized by the ILO; nevertheless, the newly re-established World Bank presence in Geneva has played a very positive role in this respect, and has also been contributing most effectively to strengthening institutional understanding. The IMF’s Geneva office has also continued to play an extremely supportive role representing the IMF in ILO meetings, and in enhancing institutional understanding and cooperation.
33. The ILO will continue to try to expand and strengthen its relationship with the Bretton Woods institutions, in the context of a more integrated and broader development partnership, and to take a strong lead in promoting the components of decent work so that they are mainstreamed in national and international development strategies, while contributing to the achievement of the internationally recognized Millennium Development Goals.

Geneva, 15 October 2001.

Appendix I

Progress in the five ILO special focus PRSP country exercises

Cambodia

The ILO does not have an office in Cambodia. Inputs to the PRSP are led by the ILO Office and MDT in Bangkok. An assessment of the Interim PRSP (I-PRSP) was carried out from the decent work perspective. An ILO PRSP mission in June 2001 established coordination and collaboration with the Ministry of Planning's PRSP focal point, the World Bank, the UNDP, and workers' and employer's representatives. Target sectors for poverty reduction include the agricultural sector, which has 80 per cent of the labour force of 5 million and 90 per cent of the poor, and the urban informal sector which, with approximately 1.6 million workers, dwarfs the formal sector. The Government expressed appreciation for the ILO's comments on the I-PRSP and invited the ILO to contribute to the preparation of the full PRSP, especially with a section on employment and labour markets. The ILO is fielding a consultant to formulate an overall strategy for employment generation and the improvement of employment conditions. Strong technical support is being organized from the ILO multidisciplinary team in Bangkok supported by technical inputs from headquarters.

Nepal

Inputs into the PRSP in Nepal are coordinated by the ILO representative in Kathmandu, with technical support from the MDT in New Delhi and from Bangkok. After a slow start during the preparation of the Interim PRSP, due in part to the National Planning Commission's wish to ensure that the process remained a fully national process, and following subsequent consultations, the national authorities became more receptive to ILO inputs. A round table meeting on the I-PRSP was organized for trade unions with the participation of the National Planning PRSP authorities, but unfortunately a similar round table planned for employers' representatives unavoidably had to be cancelled. IPEC officials also participated in the national consultation in working groups on social sectors and governance. ILO comments on the I-PRSP were provided. Contacts with the Ministry of Labour and Transport showed that the initial involvement of line ministries had been limited; however, as the preparations for the full PRSP get under way, it is now recognized that unemployment and underemployment are among the most serious obstacles to poverty reduction.

It is also understood that the newly strengthened Employment Promotion Commission will be more closely involved in the preparation of the full PRSP, for which it is now accepted that employers' and workers' organizations will be partners in the consultative process. The ILO action programme includes the appointment of ILO national and international consultants to carry out related studies and to provide technical inputs at national PRSP forums, including participation in the six PRSP/10th National Plan sectoral task forces organized by the authorities. They are also supporting ILO technical missions, assisting local employers' and workers' organizations to strengthen their participation, and helping to organize ILO-supported activities. At the invitation of the Government, a high-level ILO employment mission was fielded in September to help give greater emphasis to employment and decent work issues as part of an effective poverty-reduction strategy.

Following intensive consultations, the authorities welcomed the ILO's offer to contribute to the PRSP process in two areas: (1) a substantive analysis of the employment implications of the range of poverty-reduction strategies being proposed in the I-PRSP – with the view that employment is central to poverty reduction, the aim will be to analyse the quantity and quality of employment, and the policies and institutions that support them in both the informal and formal economies; and (2) a procedural contribution: while the PRSP process has been substantially participative, employers' and workers' organizations have not fully participated. On the basis of a document that the ILO will prepare in January 2002, the ILO will organize bipartite seminars involving workers' and employers' organizations in each of the five development regions of the country in March, followed by a national tripartite seminar. The result will be to allow the ILO's constituents to voice their needs and views on the PRSP prior to its finalization in May 2002. The

exercise could be all the more important as it is the Government's intention to make the PRSP the country's 10th Five Year Plan.

Honduras

The ILO does not have an office in Honduras. Inputs to the PRSP in Honduras are led by the ILO Office and MDT in San José, which carried out an initial mission in February 2001 to find out about the status of the preparation of the PRSP. An ILO consultant was engaged to carry out a three-month study from the employment and decent work perspective, with terms of reference prepared in consultation with ILO constituents and the World Bank Office and cleared by the national authorities. A second round of discussions on the terms of reference was conducted by the MDT, together with the consultant who was introduced to the national counterparts in May 2001. Both the employers' and workers' representatives designated a focal point to be associated with the consultancy throughout.

The study, to be completed by mid-October, will: (1) analyse the relationships between employment and poverty, using indicators from existing household surveys; (2) analyse the relationships between public investment and employment at the national level, and by sectors and regions, based on the national accounts and other relevant information sources; (3) analyse and evaluate the relationships between economic growth, employment and poverty; (4) examine the impact of macroeconomic policies on the pattern and pace of economic growth and employment generation; (5) analyse the impact of existing social programmes on the socio-economic conditions of Honduran households and the most vulnerable groups, reviewing criteria and policy orientations to harmonize these programmes with employment and income policies conducive to poverty alleviation and decent work; and (6) prepare a proposal to formulate employment and income policies in conformity with the PRSP, based on consultations with Employers', Workers' and Government representatives. On completion, a national tripartite seminar co-sponsored by the World Bank will be organized to present and discuss the results of the study, which are expected to include policy recommendations on the formulation of employment and income policies conducive to alleviating poverty and promoting decent work, and to seek commitments to carry out the necessary follow-up action. Since the full PRSP was already being finalized during this process, it was agreed with the national authorities that the results of the ILO study would be taken into account in the implementation stage and during the subsequent annual review of the PRSP.

Mali

The ILO does not have an office in Mali. Inputs to the PRSP are led by the ILO Office and MDT in Dakar. The PRSP is expected to reduce poverty through improved macroeconomic management and political choices geared towards employment and income generation. It builds on the UNDP-assisted National Strategy for the Fight Against Poverty adopted in July 1998, and on the Mali 2025 prospective document. The I-PRSP was produced in July 2000, with the full PRSP expected in December 2001. The ILO was well-positioned to support the PRSP, since it has been assisting the Government in the formulation and implementation of a national employment policy since 1996. Since 1999, the UNDP-ILO programme on "Jobs for Africa" (JFA) has worked towards a conceptual framework and implementation mechanisms to ensure that investments result in employment creation and poverty reduction. It established a national network, trained its members, conducted a study on the poverty-reduction potential of investment policies, and elaborated a national employment programme to reduce poverty which the Government has committed itself to incorporate as an integral part of the PRSP.

The ILO expressed its concerns to the PRSP authorities that the I-PRSP did not sufficiently address the issues of employment, income distribution, basic human rights at work or social protection. It also briefed the social partners. Assistance was offered: (a) to better reflect the employment dimension and the decent work concept in the document; and (b) to foster the social partners' participation in the formulation process, and it was decided to establish a thematic group on employment and training issues relating to poverty which would also coordinate with other groups to cover the various aspects of the decent work paradigm. This group, with technical support from the ILO, is submitting a formal contribution to the full PRSP. In July, the ILO organized a meeting in Dakar to work on the PRSP document with the national counterparts to better reflect the decent work concept and elements in the document and include the contribution of the thematic group on employment. The ILO subsequently invited the Minister of Employment and Vocational

Training, the PRSP National Coordinator (Ministry of Economy and Finance), the Director of the National Public Debt Directorate (Ministry of Economy and Finance), the ILO Coordinator of JFA/Mali and representatives of the social partners to meet with a strong ILO technical team in Dakar in July. The outcome of these discussions was elaborated and shared in a subsequent national workshop for inclusion in the PRSP. The ILO will continue its work to ensure that the decent work concept is sufficiently present in the final PRSP and reflected in its matrix of priority interventions

United Republic of Tanzania

Support to the PRSP in the United Republic of Tanzania is led by the ILO Office in Dar es Salaam, supported by the MDT in Addis Ababa. Active ILO involvement in the consultation process commenced during the preparation of the full PRSP. Initially this was successfully reflected through the inclusion of important employment and decent work concerns in the draft PRSP document. Unfortunately, these elements subsequently proved to have largely disappeared from the final version of the PRSP. Since then the ILO has forged closer ties with the Bretton Woods institutions and other important partners through membership of the consultative groups that contribute to the PRSP process, including the Donors Assistance Coordination group (DAC), and the UN Country Management Team. In this context, the ILO was mandated to revitalize the employment and labour subgroup of the DAC to mobilize donor support for government-led interventions in reducing poverty through employment creation and income generation. In consultation with the Ministry of Labour, the ILO was instrumental in securing the allocation of funds from debt relief for skills development. In preparation for the review of the PRSP, the ILO is fielding a headquarters mission to Tanzania in mid-October to strengthen the role of social dialogue. Meetings will be organized with the national employers' and workers' groups to strengthen their engagement in the process and to lay the foundations for a broader national tripartite meeting to be organized in December, in which these groups will be substantively involved.

Appendix II

Meetings involving ILO-Bretton Woods participation and collaboration, 2000-01

ILO meetings

International Training Centre of the ILO, Turin: Course on labour rights, international labour standards and globalization	Turin, November 2000
Workshop: Making the best of globalization – Migrant worker remittances and microfinance	Geneva, November 2000
Governing Body Working Party on the Social Dimension of Globalization	Geneva, March 2001
International Training Centre of the ILO, Turin: Workshop on the social dimensions of economic policy reform in developing countries: The role of international institutions	Turin, May 2001
International Labour Conference: High-Level Meeting on Child Labour	Geneva, June 2001
International symposium to strengthen workers' participation in the United Nations system and impact on the Bretton Woods institutions	Geneva, September 2001
Global Employment Forum	Geneva, November 2001

Bretton Woods and other meetings

Government of Bangladesh/WB Workshop on power sector reform	Bangladesh, September 2000
UN/DESA/DSE International Expert Group meeting: Beyond safety nets – The challenge of social protection in a globalizing world	Berlin, October 2000
ICFTU/ITS High-Level Meeting with WB-IMF	Washington, October 2000
ILO/WB/ASEM Seminar on Good Governance of Social Policy	Bangkok, October 2000
CLC/CIDA/NSI/HRDC Workshop on core labour standards and poverty reduction: International strategies	Ottawa, December 2000
PARIS21 SADC regional workshop	Lusaka, December 2000
PARIS21 Latin America - Meeting for Europe-based donors	Paris, January 2001
AsDB/WB East Asia and Pacific Forum on Poverty: Policy and institutional reforms for poverty reduction	Manila, February 2001
WB Social development policy briefing	New York, February 2001
WBI videoconference: Health sector extension of social protection and social reinsurance	March 2001
WB/DIFD Collaborative Group on Artisanal and Small Scale Mining: 1st Meeting	London, March 2001
Donor Committee on Small Enterprise Development	Washington, March 2001
WB Institute: Labour market policy course	Washington, April-May 2001
WB-IADB joint course on business development services	Washington, April 2001
WB/IFC Managers' retreat on project development facilities	Montreux, April 2001
IMF International Monetary and Financial Committee	Washington, April 2001
WB/IMF Development Committee	Washington, April 2001
Special High-Level ECOSOC Meeting with the Bretton Woods Institutions	New York, May 2001
WB Annual Bank Conference on Development Economics	Washington, May 2001
Third United Nations Conference on the Least Developed Countries (LDCIII)	Brussels, May 2001

IMF Heavily Indebted Poor Countries (HIPC) Initiative: Discussion	Brussels, May 2001
WB Poverty Reduction Strategy Paper (PRSP) Programme: Discussion	Brussels, May 2001
PARIS21 Group meetings	Washington, 2001
Special Session of the UN General Assembly on HIV/AIDS	New York, May 2001
WB meeting on evaluating strategies for global programmes	Washington, June 2001
WB partnership consultation: HIV/AIDS Multi-Country HIV/AIDS Programme for Africa (MAP)	Kampala, June 2001
WB Meeting on evaluating strategies for global programmes	Washington, June 2001
WB Second African Forum on Poverty Reduction Strategies	Dakar, September 2001
WB Second Poverty Forum for CIS countries	Budapest, November 2001

Joint ILO-Bretton Woods meetings

WB/ILO/JMOL/PDOLE/ASEM Seminar on labour market policies in the Philippines and implications for East and South-East Asia	Manila, March 2001
ILO/IMF working meetings with workers' and employers' organizations in Senegal	Dakar, April 2001
UN/ILO/WB High-Level Network on Youth Employment (preparatory meeting)	New York, May 2001
UN/ILO/WB High-Level Network on Youth Employment	Geneva, July 2001
WB/ILO/UNICEF Meeting on Child Labour Survey Methodologies	Washington, August 2001
