



ELEVENTH ITEM ON THE AGENDA

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

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1. The Committee on Employment and Social Policy (ESP) met on 7 and 8 November 2005. Ambassador Fernando, permanent representative of the Government of Sri Lanka, was appointed Chairperson upon nomination by the representative of the Government of the Philippines, speaking on behalf of the governments of the Asia-Pacific group.
2. The Chairperson thanked the Committee for endorsing her election to chair the Committee, which she regarded as an honour for her country as Sri Lanka was returning to the Governing Body of the ILO following an absence of 15 years, and the Committee dealt with key issues at the forefront of the global economic debate. She remarked that it was the first time that a woman had been appointed as Chairperson of this Committee, which, in its original mandate, included gender issues.
3. Ms. Goldberg was appointed Employer Vice-Chairperson upon nomination by Ms. Horvatic (Employer member). Mr. Patel was appointed Worker Vice-Chairperson upon nomination by Mr. Trotman (Worker member).
4. The Chairperson welcomed Mr. Salazar as the new Executive Director of the Employment Sector and invited him to make a statement.
5. Mr. Salazar congratulated the Chairperson on her nomination. He expressed excitement about his new responsibilities as Executive Director, partly in the light of the importance of ILO principles and issues in the fight against poverty and the achievement of a fair globalization. While stressing that the Employment Sector had a role to play in ensuring that the ILO remained the worldwide centre of excellence and leading agency for policy advice and capacity building on employment and labour market issues, he noted that the support and guidance of the Committee would be needed to achieve this. The ILO needed to ensure that its approach was strengthened through concrete results in terms of national employment strategies in the context of the Global Employment Agenda (GEA) and decent work country programmes (DWCPs). The Committee discussions would provide guidance on ensuring how best to integrate GEA contributions into the ILO's DWCPs. He noted that at the next Committee session he would be presenting his vision for the next stages of work for the Employment Sector in promoting decent work and stressed the importance of the Committee in shaping not only the ILO's policy advice but also its research agenda.
6. The Chairperson urged the Committee members to take into account and respond in their interventions to the views expressed by the representative of the Director-General, especially with regard to the future work of the Committee.
7. The Worker Vice-Chairperson congratulated the Chairperson and the Employer Vice-Chairperson on their nominations, as well as the Executive Director of the Employment Sector and the Director of the Social Security Department on their recent appointments. He noted that there was considerable scope for ensuring that the Committee could be turned into a more effective governance structure. He recalled that, following the adoption of the GEA in March 2003, the Committee had decided to guide the work of the Office on the basis of the views expressed and conclusions reached in the Committee. He stressed the importance of the work of the Committee to the ILO's mandate and wished to see the function of the Office and the Committee strengthened further. While noting that he looked forward to hearing about the new vision and organizational arrangements to be proposed by the Office, he expressed support for the establishment of medium-term work programmes and agenda, for the idea of specificity of policy and concrete results in order to ensure ILO as a centre of excellence, and for the building of a strong research capacity.

I. Social protection as a productive factor (Fourth item on the agenda)

8. A representative of the Director-General (Mr. Diop, Executive Director of the Social Protection Sector) thanked the Committee for providing the opportunity for discussing the contribution of the Social Protection Sector to the GEA. He stressed that social protection was first and foremost a human right, acknowledged in the Universal Declaration of Human Rights and in ILO Conventions and Recommendations, and should meet with the acceptance of the whole of society. Social security thus meant not only income replacement transfers but also a basic element of decent work. Furthermore, social protection had a role to play in ensuring economic growth and a high level of employment. Within the framework of the Global Campaign on Social Security and Coverage for All, the aim was to find the best means to ensure that this was achieved. The report described the interrelationship between the economy and social protection and presented a few pragmatic steps to make national social protection systems as efficient as possible. He requested the Committee's guidance to ensure that the economic and social dimensions remained the engines of decent work and of development in member countries.
9. A representative of the Director-General (Mr. Cichon, Director, Social Security Department) introduced the Office paper.¹
10. He noted that the objective of the report was to obtain guidance for further outcome-oriented research and action from the Committee. He described the key elements of the debate on social protection and economic performance presented in the report. While stressing that the potentially positive economic role of social protection had tripartite consensus in the GEA through its core element 8, the report noted that this view was not always shared elsewhere as there was widespread perception that there was a trade-off between equality (social protection) and efficiency (productivity). The report argued that both historical and factual evidence showed that the trade-off paradigm could not be maintained, as high social expenditure and labour productivity have coexisted. However, it acknowledged the existence of a knowledge gap and presented proposed areas of action to close this gap. These included the analysis of the winners and losers in the context of the design of social security systems and proposed areas of further research.
11. The Worker Vice-Chairperson welcomed the Office paper and remarked that it contained useful suggestions. Referring to the Global Employment Agenda² and to social security as a human right,³ he cautioned that social protection should not be subsumed into a consideration simply of its impact as a productive factor. Recognizing that the GEA was designed in part to explore the extent to which both rights and economic benefits were complementary rather than competing, he drew attention to the poor evidence on an inevitable trade-off between levels of social protection and economic growth. He gave the example of country-level HIV/AIDS programmes, which were premised precisely on the notion that access to health-care facilities and anti-retroviral drugs provide not only substantial social but also economic benefits, not least on labour market performance and productivity. He recalled evidence from a World Bank study on Sri Lanka that showed that preventive health care had a strong positive impact on GDP growth, as well as the insight provided in a recent World Development Report showing that increased equity was complementary to long-run prosperity. Commending the usefulness of the correlations

¹ GB.294/ESP/4.

² GB.286/ESP/1(Rev.), para. 11.

³ Article 22 of the Universal Declaration of Human Rights.

between productivity and social protection, he proposed that the ILO investigate the causalities of this relationship. He noted that the ideologically constructed nexus between social security spending cuts and economic growth was not justified by available evidence.

12. Referring to the 11 potential conduits for positive growth effects of reliable social protection systems set out in paragraph 14, he added four additional factors, namely the positive impact on female labour force participation of maternity and child benefits; the positive impact of access to adequate health care in ensuring longer periods of productive employment in addition to increasing labour productivity; the low transaction and administration costs of well-managed social security schemes; and the economic price of shifting the costs of ill health and other life risks to individuals, often the most vulnerable, in the absence of social security schemes. The case for social protection was overwhelming, but there was scope for more work on the form, shape and size of social security systems in order to achieve or maximize their benefits while reducing the potential negative conduits. He endorsed the seven proposed areas for future work for the ILO (paragraph 30) and particularly emphasized work on best practices, migration policies, the need for a fairer globalization and tripartite involvement in the design, governance and administration of social security schemes.
13. The Employer Vice-Chairperson started by endorsing the Worker Vice-Chairperson's earlier outlook on the next phase of the GEA, which she noted was also at the heart of employers' concerns. She stressed the complexity of the elements of the GEA, in terms of both technical aspects and policy implications. She noted the GEA was an effective operational tool to be used by countries in accordance with their priorities. She noted that more attention should be devoted to the interrelationships between the elements of the GEA, and suggested that the Office work closely together with other organizations working on related issues. Suggesting that the GEA should be a more demand-driven exercise, she remarked that it should become a permanent and evolving mechanism in which elements could be emphasized and de-emphasized as required.
14. Turning to the Office paper on social protection as a productive factor, the Employer Vice-Chairperson noted that it addressed a vast subject with many areas for potential disagreement. Referring to the conclusions adopted at the 89th Session of the International Labour Conference in 2001,⁴ she recalled the consensus reached on the programme of work on social security. She evoked the priorities for research and technical cooperation stated in those conclusions and referred to the campaign on the extension of social security as the most central element of this work programme. She expressed her concern that the research programme presented for discussion did not correspond to the priorities outlined in the conclusions of the 89th Session of the International Labour Conference in 2001. Reiterating the Employers' group's general commitment to social security and adequate levels of social spending, she noted that there might be trade-offs in real life, depending on national circumstances. She concluded that the Office should help countries to deal with those trade-offs by assisting them in putting minimum safety nets in place.
15. The representative of the Government of Kenya, speaking on behalf of most of the Africa group, congratulated the Office for the paper. There was a need for social protection in developing countries, and it was crucial to mobilize resources.
16. The representative of the Government of the United States stated that he did not share the Office view on the three positive points for growth. There was literature that dealt with what were considered efficient social security systems, and the ILO should look at what

⁴ Resolution and conclusions concerning social security, ILC, 89th Session, 2001.

others had to say in this area. He inquired about the progress mentioned in paragraph 30 of the document and suggested an independent evaluation of the work of the ILO.

17. The representative of the Government of Japan pointed out that his Government could not agree with some of the descriptions in the report but that, on the whole, the efforts undertaken by the Office in compiling the document were appreciated.
18. The representative of the Government of Finland felt that the report had made an effort to widen the exercise and had referred to endogenous growth theory, which could explain some of the correlations described in paragraph 11 of the paper. Furthermore, he noted that they had direct implications on the work of the ILO. Finally, he supported the tentative agenda proposed in paragraphs 30 and 31.
19. The representative of the Government of Pakistan thanked the Office for producing an extremely useful paper. Although he would have preferred more practical ideas, he appreciated the idea of safety nets. He further inquired about the Global Social Trust and the Global Campaign on Social Security and Coverage for All.
20. The representative of the Government of France thanked the Office for the quality of the document. Her country clearly saw social protection as a vehicle for economic growth. Social protection was at the core of the ILO's mandate, and it should therefore strengthen its dialogue with other multilateral institutions.
21. The representative of the Government of the United Kingdom welcomed the useful and informative paper. While there was no clear consensus, the paper made a case for a positive relationship between social expenditure and productivity. He supported further research in this area, as well as the tentative agenda, and requested dissemination of "success stories".
22. The representative of the Government of South Africa supported the statement made on behalf of the Africa group. Social protection should not be seen in a negative light. His country had benefited from the ILO's actuarial advice for its unemployment insurance funds and he supported the suggested agenda as laid out in paragraph 30.
23. The representative of the Government of Germany thanked the Office for the report and the empirical evidence presented in the document. She also appreciated the fact that the Office had opened the debate on this issue.
24. In his response, Mr. Diop stressed that he was aware of the complexity and the sensitivity of the subject matter. He noted that the Officers of the Committee, while aware of the conclusions adopted by the Conference in 2001, had nevertheless included this subject as an item to be dealt with by the ESP Committee. This showed that the Committee wanted "something more" to be included in its discussions. He pointed out that the Office presentation took into account the Global Campaign on Social Security and Coverage for All. In addition, he presented a practical example of the relationship between productivity and social security in the informal economy.
25. Mr. Cichon, in his response to the debate, pointed out that an information note on the status of the Global Social Trust had been made available. Concerning the Global Campaign on Social Security and Coverage for All, he noted that it needed a clear-cut intellectual basis. One of the questions the ILO was being asked at a country level was whether social protection was affordable. He also stressed the fact that the ILO had assisted over 70 member States and believed that this had contributed to the efficiency of social security systems. Finally, he welcomed the idea of an independent evaluation raised by the representative of the Government of the United States.

26. The Employer Vice-Chairperson expressed her surprise at the need for an intellectual basis for the Campaign. She also mentioned that the Governing Body would be discussing an independent evaluation of an ILO InFocus programme which showed that the Office had not been able to turn analytical work into practicable policies. She underlined the importance of assessing the progress of ongoing work before embarking on new projects.
27. The Worker Vice-Chairperson supported the comments of the Employer Vice-Chairperson to the effect that the GEA was a comprehensive interconnected programme and that the Office should look at linkages between its elements. He stressed the importance of the GEA as an integrated response but raised concerns on de-emphasizing certain core elements which might amount to renegotiating core elements. In his view there was no incompatibility between the report and the conclusions adopted by the Conference in 2001, which were operationalized in the paper. Furthermore, the Office had been asked to present this paper. Referring to the intellectual debate, he called on the ILO to undertake its own research in order to inject better empirical evidence in policy discussions and to present a strong basis for challenging the frequent assertions of trade-offs between growth and social protection.
28. The Committee took note of the report.

II. The impact of the ILO's engagement with the Poverty Reduction Strategy Papers (PRSP) process (Fifth item on the agenda)

29. A representative of the Director-General, Ms. Berar-Awad (Director of the National Policy Group, Policy Integration Department), introduced the paper.⁵
30. The context of ILO's engagement with the PRSPs was their increasing dominance in the development architecture in most low-income countries. With some 50 countries producing World Bank/IMF-endorsed PRSPs, they had emerged as the most important policy framework around which governments and donors allocated resources. Against this background, the Office had reported to the ESP Committee in 2002 that the PRSPs needed to include a more thorough analysis of employment and decent work, that the constituents needed to be better integrated into the PRSP process, and that more attention needed to be given to equity alongside growth.
31. With the encouragement of the Committee, the ILO had successfully put in place an integrated and coherent three-pronged approach. One major area of focus had been empowering the constituents by building their capacity to influence their national PRSP, through practical assistance, tools and guidelines including a comprehensive manual on decent work and poverty reduction strategies. A second dimension had been country-level policy analysis and support for incorporating the Decent Work Agenda into the national PRSPs, which had expanded from the original five pilots to more than 15 countries in Africa, Asia and Latin America. The third dimension had been influencing and developing partnerships with key stakeholders through advocacy for the Decent Work Agenda. This included dialogue with the World Bank, chairing of the UNDG Working Group on PRSPs, and bilateral exchange with and support from key donors, such as the United Kingdom's Department of International Development (DFID), the Danish International Development Agency (DANIDA), and German programmes.

⁵ GB.294/ESP/5.

- 32.** The impact in the 15 countries had been visible. It had broadened the scope of policy options in the PRSPs, as in Ghana and Pakistan. It had expanded and deepened country-level capacity, as in Ethiopia and Indonesia. It had generally increased outreach to ministries of finance and planning. As a result, a second generation of PRSPs was now being observed to be generally more sensitive to employment and decent work. An evaluation of the ILO engagement in PRSPs had brought out this visible impact.
- 33.** This experience implied some key directions for ILO's future engagement in the PRSPs. Capacity building for the constituents had to be deepened. There had to be further promotion of employment-based growth and of rights in the PRSPs. There had to be more work on analysing and influencing national budgets. Decent work outcomes needed to be integrated into monitoring and evaluation frameworks. Finally, the PRSP agenda needed to be incorporated into the DWCPs.
- 34.** The Employer Vice-Chairperson remarked that several aspects of the presentation resonated with her. She believed the national programmes on which engagement had been reported to be very important. What was of special importance was the enhanced participation of the constituents and the strengthening of their capacity to enable this. She considered the proposed integration of the DWCPs into the necessary PRSPs. It was important for the ILO to engage with other institutions in the course of the PRSP exercise, such as the World Bank. She sought more detail about the nature of this engagement, for instance whether the ILO had participated in the World Bank's Five-Year Review.
- 35.** The Employer Vice-Chairperson had two queries concerning the document. One was related to the issue of resources. Paragraph 29 stated that the demand by the constituents for increased engagement and support by the Office in the PRSPs overstretched the ILO's institutional capacities and tight budget. There appeared to be some tension between this need for more resources and the future programme of work set out in paragraph 31, which could be carried out across the house. A second clarification was sought on the last sentence of paragraph 31 referring to the need for country-specific advocacy strategies reaching out to a broad platform of academics, parliamentarians, donors and civil society, which appeared to imply some form of national policy forum.
- 36.** The Worker Vice-Chairperson welcomed the Office paper. The ILO did have an important role to play with respect to the PRSPs. He recalled that the PRSP approach was premised on a different basis to the structural adjustment programmes because the ultimate objective would be poverty reduction rather than intermediate goals of macroeconomic equilibrium, and because it was going to be participatory. Feedback from Worker representatives suggested, however, that the reality of PRSPs was often characterized by a lack of policy space and of national ownership with no systematic integration of decent work goals. Participation by ILO constituents was rather uneven. These perceptions had been confirmed by the findings of the World Bank's Operations Evaluation Department in 2004, from whose report he quoted extensively. He shared the view of the Employers that the key goal for the ILO was to strengthen the capacity of its three national constituents. This work needed to put more emphasis on the employment impact of macroeconomic, fiscal and trade-related aspects, areas where the Office needed to increase its own technical capacity. He suggested that the usefulness of a multidisciplinary regional ILO employment team should be tested by setting one up in the African region with expertise in economic policy and labour market areas. Future ILO work at the country level should not only build DWCPs into PRSPs, but also integrate the Global Employment Agenda and the Youth Employment Network.
- 37.** The representative of the Government of the United States expressed his appreciation for the paper. He lauded in particular the Office's acknowledgement that the positive results

concerning PRSPs were the result of many contributors. He wondered why the support for PRSPs required dedicated funding.

38. The representative of the Government of Kenya appreciated the positive impact of the ILO's work in Africa and supported the directions for future work outlined in paragraphs 30 and 31 of the paper, as well as the regional team of experts suggested by the Workers. Additional financial resources were required in the light of the need to link decent work and poverty reduction in most developing countries. Her country was particularly interested in including the promotion of productivity and competitiveness as well as wage policies into the PRSP for Kenya.
39. The representative of the Government of South Africa also welcomed the paper and expressed appreciation of the growing number of countries covered, especially in Africa. The ILO and its field structure needed to be proactive. Given the large number of PRSPs in Africa, he supported the establishment of a regional employment team on the African continent.
40. The representative of the Government of Nigeria agreed with the strategy to mainstream involvement in PRSPs into the ILO's work. Her Government had consulted all stakeholders and included employment as an explicit goal in drawing up its National Economic Empowerment and Development Strategy (NEEDS) modelled on the PRSPs. It was now consulting with the ILO to ensure the DWCP supported the NEEDS.
41. In response to the debate, Ms. Berar-Awad explained that the Office had frequent contacts with different parts of the World Bank with varying degrees of common ground. There were regular contacts with the Bank's PRSP group, including on the Five-Year Review. These allowed fruitful exchanges about country experiences, such as the need for growth and employment strategies in PRSPs and the need to consider the impact on employment and decent work of all components of involvement of the Bretton Woods institutions in the country: the Poverty Reduction and Growth Facility (PRGF), PRSPs and the Poverty Reduction Support Credits (PRSC). The Bank was making references to the ILO manual and had begun to engage in joint research and policy advice in Burkina Faso, for example. Referring to paragraph 31, she clarified that there was no intention to multiply policy coherence forums, but rather to engage with a broad cross-section of stakeholders in the thematic groups under the PRSPs as exemplified by the work in Indonesia. The Office's support to its constituents was aimed at contributing to a more level playing field in the participatory process, emphasizing effective national ownership. This had worked well because of the successful integration of decent work components and Office expertise in relation to PRSPs. The lessons from this integrated strategy had informed the framework for the DWCPs in the ILO. Dedicated funding for involvement with PRSPs was necessary to respond in a timely fashion, to invest in capacity building of constituents and to support advocacy strategies and tools.
42. The Worker Vice-Chairperson commended the Office's intention to widen consultation to include all World Bank and IMF activities in a given country, including PRGFs and PRSCs. The Office needed to strengthen its technical capacity and should extract the lessons from the countries that have been successful in establishing strong national ownership of their PRSPs. He looked forward to the establishment of the African regional employment team in the light of support expressed for the idea by the Africa group.
43. The Employer Vice-Chairperson particularly welcomed the Office's remarks concerning growth and employment, as well as productivity and competitiveness, as elements of PRSPs. PRSPs were "the main game in town". More ILO involvement was therefore necessary, building on its core mandate and with the constituents as the main conduit.

44. The Committee took note of the report.

III. Implementation of the Global Employment

Agenda: An update

(First item on the agenda)

45. A representative of the Director-General (Mr. Amjad, Director of Policy Planning, Employment Sector) introduced the Office paper.⁶ This regular update took into account the interests expressed by the Committee and was an opportune moment to examine ways to improve the reporting process. Moreover, with the DWCPs now serving as the main vehicle for the ILO's work, this would ensure maximum synergies between different initiatives being taken by the ILO, cost effectiveness and more coordinated action. The paper reported on how discussions in the Committee on the core elements of the GEA were reflected in the Office's analytical and policy advisory work as well as in discussions with multilateral institutions. The ILO's overall work programme in Africa fitted well with the Plan of Action adopted by the African Union Extraordinary Summit on Employment and Poverty Alleviation in Africa, and the Office had committed additional resources to these efforts. The paper also mentioned the work carried out in Aceh Province as part of the ILO response to the tsunami. The ILO was also actively supporting relief work for the victims of the Pakistan earthquake.

Country presentation on the Philippines

46. The Chairperson welcomed Mr. Augusto B. Santos, Secretary of Socio-economic Planning, National Economic and Development Authority (NEDA) of the Philippines, and Ms. Patricia Santo Tomas, Secretary of Labor and Employment of the Philippines. Mr. Santos made a presentation on the progress that his Government had made towards making employment central in its development plans. He presented an overview of employment trends, with employment growth of 2.6 per cent, accompanied by structural transformation that had led to a decline in the proportion of people working in the agricultural sector, while increasing the number of people finding jobs in the service sector. This trend had been accompanied by an improvement in the quality of employment towards more sustainable and remunerative work. However, despite this level of employment growth, it had not produced enough employment to match the fast-growing labour force. This meant that some 4.2 million Filipinos were unemployed in 2004, with the highest prevalence among women and youth. The Philippines was committed to cutting poverty by providing 6-10 million jobs by 2010. This target would be reached within a number of key employment-generating industries, including tourism, agribusiness, housing, information and communication technology (ICT), exports and mining. In order to reach this goal, the Philippine medium-term development plan had adopted a framework for employment generation which reflected the GEA.
47. Ms. Santo Tomas made a presentation focusing on the implementation of the Decent Work Agenda. The decent work concept was enshrined in the national development agenda and tripartite consultations took place at every stage of developing, implementing and monitoring plans of action. The Development Plans for 2001 and 2004 had served as a framework for trade unions, employers and governments to align their programme with the pillars of decent work. Local-level representatives were actively involved in implementing initiatives and integrating them across sectors. Substantive rights at work were guaranteed in the Philippines, which had ratified the eight ILO core Conventions. In order to create

⁶ GB.294/ESP/1.

employment opportunities, priority was given to an enabling environment conducive to business and investments and to providing support to the private sector. Access to employment, bridging programmes for marginalized and displaced workers, employment opportunities abroad, and productivity and employability of workers were being enhanced. Measures were being taken to extend existing social protection to the informal sector and migrant workers. Tripartism was part of the Labour Code, and social dialogue was regularly practiced via institutional mechanisms and accords between the social partners and the Government. Thus, the lessons learnt were as follows: decent work objectives needed to be grounded in the development agenda of the Government and the social partners; joint ownership and support from the social partners were needed; local involvement was required; and there was a need for continuous capacity building. She concluded that decent work was a dynamic concept, while calling for support towards a common development agenda.

- 48.** The Employer Vice-Chairperson gave the floor to the representative of the Employers' Confederation of the Philippines (ECOP), Mr. Ancheta Tan. Mr. Tan recognized the achievements made, although they were still modest by international standards of decent work. The progress achieved was the result of close consultations with the social partners. Despite differences in views amongst the social partners on the exact formulation of the Decent Work Agenda and the GEA, a consensus had emerged that decent employment must be made central to economic and social policy-making. Employers had struggled to make the decent work concept more specific in terms of the four pillars of decent work. Successful promotion of fundamental principles and rights at work and social dialogue was demonstrated by the legislation adopted, as well as social accords on productivity and other issues. While efforts relating to social protection were not easy and might be costly for employers, the pension fund had been made viable in the long term. In other words, priority has been given to all the initiatives, but not at the expense of the employers' priority. Regarding creating employment, competitiveness and productivity, the Annual National Employers' Conference this year had focused on entrepreneurship with a view to promoting it as an engine of employment growth. As part of the DWCP, the ECOP had very active programmes, supported by the ILO and the Department of Labor and Employment. While he was aware of the challenge of reducing the unemployment rate of 8 per cent and a steady rise in the number of new entrants into the labour market, he nevertheless thought that the economic fundamentals were sound and well conceptualized by NEDA. He was optimistic that employers' initiatives would bear fruit in the long run, provided that the Government continued to show political will and push economic reforms for growth. He also trusted that decent employment would increase if growth was sustained and if all stakeholders did their part.
- 49.** The Worker Vice-Chairperson introduced Mr. Gerard R. Seno, Vice-President of the Trade Union Congress of the Philippines. Mr. Seno expressed his appreciation of the efforts made by the Office to highlight success stories of countries that were in the process of implementing the GEA. The action plan presented by the Government of the Philippines had been formulated with the active participation of the social partners, and he was proud to say that they felt a strong sense of ownership over the National Development Plan that had been developed in the spirit of decent work. As had already been mentioned, consultation with the social partners in decision-making processes had become an almost daily occurrence. However, rather than being perfect, it was a living and dynamic plan that recognized the existing decent work deficits, but was based on shared values of participation, dialogue and consensus building. One positive development among the social partners had been the increased focus on the need to work together in tackling the challenges of globalization and in reaching a consensus to adopt a common agenda to promote decent work.

- 50.** The Worker Vice-Chairperson thanked the Philippine delegation for its presentation. He was struck by the interesting combination of social and economic measures employed in the Philippines. He requested clarification on a number of issues: (1) what proportion of job creation was aimed at activities that were geared to export, and how many were directed at the domestic market; (2) whether the exchange rate issue had been a fundamental concern around competitiveness for the Philippines; (3) whether there had been any efforts by the Government to address the labour conditions of migrant workers in other countries – and to what extent migrant labour resulted in a loss of high-level skills in the Philippine economy; (4) to what extent there had been any engagement of the social partners and the ILO in the elaboration of industrial policies; (5) what role the ILO had been playing in labour inspection; (6) whether any special measures had been implemented to narrow the gender wage gap or whether this was largely the result of collective bargaining outcomes; (7) what was the intention of the labour index; and (8) what measures had been taken when dealing with informal economy workers.
- 51.** Turning to the Office paper, he suggested having a focused high-level report on the implementation of the GEA. He expressed concern about the follow-up to the African Union Summit, given its ambitious programme, and requested that much more be done urgently. The report was too anecdotal and in future should consist of a list of the Summit outcomes measured against outcomes achieved and future plans. Regarding GEA support for DWCPs, a future document could contain information on areas of future work in addition to the description of work already carried out. The GEA had added value in that it allowed the ILO to examine key policy areas that critically impacted on employment outcomes. He noted the statistics in the paper of strong demand for all core elements by constituents. In this regard, it was important that the ILO continue to offer the full range of GEA core elements. Otherwise, the DWCP might risk being supply-driven rather than demand-driven. The section on discussions in the Committee on the core elements of the GEA did not fully reflect the considerable scope for benefit from the insights they offered on active labour market policy, entrepreneurship and poverty reduction. Referring to the Constitution and the Declaration of Philadelphia, he emphasized that the ILO's mandate was clearly to examine international economic and financial policy measures in the light of the fundamental objective of social justice. He looked forward to hearing the Executive Director's forthcoming presentation and future operational plans in March 2006.
- 52.** The Employer Vice-Chairperson commended the comprehensive and fascinating presentations, which showed the highest level of commitment. Firstly, while the programmes and policies in the Philippines related to almost every element of the GEA, she wondered to what extent the GEA had been used as a framework and had added value. She wondered how to go forward with this concept to ensure its usefulness as an operational tool and framework both for the ILO and for its constituents. Secondly, she was struck by the importance of reducing "red tape", which was a topic of extreme importance for employers, and asked what aspects of this issue were highest on the Government's agenda and what was the value added. Thirdly, regarding the overseas workers' programme, she wondered to what extent the Government took into account brain drain issues when designing the programme.
- 53.** Regarding the follow-up to the African Union Summit, she agreed with the concerns expressed by the Worker Vice-Chairperson. Concerning the future of the GEA, she suggested considering an annual review, on a tripartite basis, of its operationalization and benefit to countries. The Employers thought that the ILO had a particular capacity and contribution to make in international forums. The more the ILO focused on bringing in this value added, the more effective the Organization would be and the more likely it was to influence the international debate.

54. The representative of the Government of Finland recognized that there had been positive developments in the implementation of the GEA, although challenges remained. He suggested including a summary of key global employment statistics in the future. Strategies for productive employment as a means of reducing poverty were too macro-oriented; a micro approach was also needed. Knowing about the critical elements behind any single job was necessary in order to have a sustainable GEA. He suggested that the Office put more emphasis on issues such as endogenous growth and job creation, perhaps in the context of the annual review proposed by the Employers.
55. The representative of the Government of Pakistan appreciated sharing country experiences. He also looked forward to hearing the proposals from the Executive Director of the Employment Sector in March, which he hoped would be well balanced, with a strong analytical framework and proposals for concrete action towards job creation. Pakistan was committed to reducing the decent work deficit and to pursuing its cooperation with the ILO. The Pakistan PRSP had established the employment-poverty nexus with ILO support, and the DWCP aimed at creating productive employment opportunities. The recent earthquake in Pakistan was considered as big a disaster as the tsunami. Therefore, creating decent employment was a great challenge for the Government, and he hoped the ILO could help in this process in the same way as it had in the case of the tsunami. Finally, he was grateful to the ILO Staff Union and the Office for making resources available to help the country in its relief and reconstruction efforts.
56. The Chairperson conveyed the sympathy and solidarity of the Committee to the Government and people of Pakistan as they coped with the devastating earthquake and its aftermath.
57. The representative of the Government of Japan expressed admiration for the Philippines' successful efforts, which encouraged Japan to keep on improving employment and the welfare of workers. He suggested that such results and experiences be followed and communicated to all member States so that other countries could benefit from them.
58. The representative of the Government of South Africa said that the Philippine experience was a showcase for developing countries. He recognized the importance of social dialogue and participatory democracy in promoting decent employment in the Philippines. He also welcomed ILO initiatives to assist in implementing and reporting on the Ouagadougou Plan of Action adopted by the African Union Summit and the part played by the ILO in the recent meeting of the regional economic communities (RECs) in Addis Ababa, which he had chaired. He urged the continuation of this support and the development of a monitoring and evaluation system. He advocated the incorporation of employment goals in macroeconomic policies and framework.
59. The representative of the Government of Nigeria indicated that decent work as an explicit core of the development agenda was lacking in most African countries. She congratulated the Philippines on its efforts in the areas of trafficking of women and children and migration, areas in which her country faced similar problems. African countries could learn a lot from the Philippines' experience.
60. The representative of Government of the United States found the presentations very useful. He wished to have more details on the extent to which the GEA was used to design programmes and policies that might not have existed otherwise, versus the extent to which it was used to validate home-grown initiatives, as well as on the usefulness of the ILO's contribution and the extent to which an evaluation of its work had been carried out or was planned.

- 61.** Mr. Arbeloa (Employer member) pointed out that the Philippines' case was an excellent example for developing countries. He noted that non-compliance with international labour standards might result in social conflict and social instability, informalization, unemployment and poverty. Therefore, it was essential to support tripartism, social dialogue and trade union freedom, as well as the implementation of Conventions.
- 62.** In his response to the debate, Mr. Santos explained that 10 million jobs were expected to be created by 2010, of which 10 per cent would be in the export sector and 60 per cent in tourism and agribusiness. Development plans were formulated in close consultation with all sectors of society. The exchange rate had been flexible and floating, and there was no intervention from the Central Bank. The reduction of red tape was an overarching goal to reduce corruption.
- 63.** Ms. Santo Tomas pointed out that all these efforts required a constant struggle for resources, and developments were not always as smooth as the presentation suggested. Regarding the GEA and the national employment programme, it was difficult to specify the ILO's contribution, but collaboration had been very intense. However, it was evident that the GEA elements had been incorporated as, for example, in the case of social protection for overseas workers.
- 64.** The representative of the Government of Honduras, speaking on behalf of GRULAC, stressed the importance of the GEA as an instrument to analyse national situations and as a framework of reference for the elaboration of employment promotion policies. In this regard, the Philippine experience was useful, as it showed achievements under difficult circumstances. She underlined the importance of proper follow-up to the African Union Summit, while drawing parallels with the IVth Summit of the Americas that had taken place recently. With regard to the discussion on DWCP, one of the elements of the GEA which had not been sufficiently addressed in the work of the Office, as reflected in the document, was the international dimension and the role of external factors influencing employment policies. The discussions in this Committee could perhaps benefit from interaction with the Working Party on the Social Dimension of Globalization, which was discussing the issue of growth, investment and jobs at its session the following week. Finally she wondered whether the Office had done any statistical or analytical work on the difference between unemployment in the formal and informal economies.
- 65.** The representative of the Government of France, speaking on behalf of IMEC, noted with satisfaction that the Office paper included descriptions of the follow-up to the debates taking place within the Committee, as requested previously by IMEC. He also supported the integrated approach of the implementation of the GEA within the framework of the DWCP. This was a good way of ensuring that the Office operated in a targeted way, and it could reinforce the global efficiency of its interventions and adapt them to a decentralized context.
- 66.** The representative of the Government of Nigeria expressed his appreciation of the efforts made by the Office in placing employment at the heart of economic and social issues through the GEA. In relation to the follow-up to the African Union Summit, the Ministry of Labour of his country had prepared an interim report on the various stages of implementation and actualization of the Plan of Action. This report also served as a basis for input into the DWCP.
- 67.** The representative of the Government of Argentina associated himself with the statement made by GRULAC. He recalled the recent Summit of the Americas, where the issues discussed had clear similarities and linkages with the work of the ILO, particularly those concerned with employment creation and the promotion of decent work. He outlined some of the main concepts and issues contained in the Declaration and Plan of Action adopted

by the Summit and stressed their relevance to the discussions of the Committee and to the follow-up to the African Union Summit.

- 68.** The representative of the Government of Cuba expressed support for the statement made on behalf of GRULAC. Referring to the action plan adopted at the African Union Summit, she emphasized its importance as a frame of reference for other regions and countries. It was important that the ILO examine the social impact of macroeconomic policies. Lessons learned could be drawn from examples of how employment had been incorporated as a core element into economic and social policies. She expressed interest in receiving more information from the ILO regarding the upcoming employment forum in the Caribbean.
- 69.** The representative of the Government of Malawi welcomed in particular the information contained in the Office paper on the follow-up to the African Union Summit. A recent conference on youth employment in Harare had brought out the serious deficits in job creation capacities in the region. One of the outcomes of the conference had been an agreement among the countries in the region to come up with a subregional and national work plans on how to combat youth unemployment. He expressed gratitude for the assistance provided by the ILO Subregional Office in Harare in arranging and supporting the conference.
- 70.** The representative of the Government of India expressed appreciation for the efforts made by the ILO in implementing the GEA. There was an urgent need to pursue common goals to generate employment and to focus on new jobs in technology and in the service sector. Encouraging self-employment and skills development initiatives in the informal economy should play a crucial role in employment strategies.
- 71.** The representative of the Government of Kenya recalled the importance of follow-up to the African Union Summit, particularly to address poverty among women and youth. With the support of the ILO, a number of countries had already developed initiatives within a broad range of economic and social policy areas.
- 72.** In his response, Mr. Amjad thanked all the members for their valuable discussion and the many suggestions and guidance on how to improve the reporting on the implementation of the GEA. He noted the comments made by the Employer and Worker Vice-Chairpersons on the need for focused high-level reports. The idea of having an annual tripartite review of the GEA was also noted. He was grateful for the direction the members had given on the issue regarding the relevance of the GEA to DWCP. He reconfirmed the commitment of the Office to ensure proper follow-up to the African Union Summit. The similarities that had been drawn up between the importance of the African Union Summit and the Summit of the Americas with regard to the GEA's future development were both relevant and useful. The ILO was actively involved in supporting the development of an integrated plan for job creation in earthquake-affected areas of Pakistan. He emphasized that people working in the formal and informal economies were equally considered employed, but that the working conditions in the informal economy often implied particular elements of decent work deficit.
- 73.** Mr. Salazar thanked the members of the Committee for welcoming him as the new Executive Director. He assured them that the views expressed would feed into the work of the Employment Sector. He also reiterated his commitment to increasing the operational relevance and usefulness of the GEA as the employment pillar of the Decent Work Agenda, to ensure proper follow-up to the African Union Summit, and to provide information in March 2006 on the operational framework and how the challenges of the GEA could be addressed in the forthcoming biennium.

74. The Worker Vice-Chairperson felt that the time allocated for the country presentations had not been sufficient to do justice to the interesting inputs from the Philippines' constituents. He expressed his appreciation for the way the various ministries in the Philippines had involved the social partners in areas that were not directly linked to the labour market. This underlined the importance of tripartite consultations and trade union rights in GEA issues, as well as the ILO's capacity in the area of industrial sector policies. He was struck by the fact that 90 per cent of jobs in the Philippines development plan were directed at opportunities in the domestic economy, and took note of the efforts undertaken in the area of migrant workers. A number of governments had emphasized the link between macroeconomic policies and employment. The ILO's core competence was clearly in the evaluation of economic and financial policies in relation to the impact on employment and decent work. Finally, he expressed his support for the idea of an annual review of the GEA, and hoped the views expressed would facilitate better reflection of the follow-up to the African Union Summit. The idea of a regional employment team could be helpful in this regard. Finally, the suggestion made on behalf of GRULAC concerning interaction with the Working Party on the Social Dimension of Globalization was an interesting one that could be further pursued.
75. The Committee took note of the report.

IV. Promoting sustainable development for sustainable livelihoods (Second item on the agenda)

76. A representative of the Director-General (Mr. Henriques, Director, Job Creation and Enterprise Development Department) introduced the paper.⁷ He explained that this core element had been included in the Global Employment Agenda because environmental sustainability had implications for the scale, quality and viability of employment. He clarified that "environment" referred to both the internal and external environment of the workplace and sustainability in production and consumption patterns.
77. Although the relationship between sustainable development and jobs was complex, examples of environmentally friendly job creation opportunities existed, which could create sustainable community jobs and preserve resources. Infrastructure creation based on labour-based methods had created three to five times as many jobs as more technology-intensive methods, maximizing job creation without sacrificing either job or product quality and providing more sustainable use of resources.
78. Social dialogue could play a critical role in finding policies and strategies to balance the economic, social and environmental dimensions of sustainable development. A tool was needed to throw light on the relationship between these three pillars. He summarized the suggestions of the paper as the need to: mainstream sustainable development as a cross-cutting concern; strengthen the Office capacity to support constituents on the link between employment promotion and environmental sustainability; strengthen existing partnerships with other agencies; and develop methodologies and approaches for an integrated investment assessment and sustainable development strategies promoting decent employment creation.
79. The Employer Vice-Chairperson thanked Mr. Henriques for the clear and comprehensive presentation. Although she had prepared remarks on the paper, she preferred addressing the presentation as it made a better link between the analysis and outcome. She agreed that

⁷ GB.294/ESP/2.

employment creation was compatible with environmental sustainability and confirmed that there was a natural role for the ILO to play in supporting the sustainable development agenda. Since it was based on the three pillars of environment, economic growth and social development, there was no need for the ILO to justify its interest in this area. Care should be taken to avoid using the terms “environmental” and “sustainable development” interchangeably.

- 80.** She cautioned against using the over-simplistic argument that any “green policy” automatically created jobs. Poorly designed environmental regulations, including green tariff barriers on trade, had cost jobs rather than created them. Sustainable development leading to better environmental management was a promising sector for job creation. Enabling frameworks for entrepreneurship, stronger institution building and well-regulated environments could create favourable conditions for job creation.
- 81.** The Worker Vice-Chairperson found the paper useful both in scope and number of observations made. He argued for the role of international assistance to build the capacity of more developing countries, such as Brazil had done with sugar-cane ethanol as a substitute for non-renewable oil, to develop a competitive edge in green technologies. Recent natural disasters emphasized the importance of sharing technologies to predict and respond to such events, especially in developing countries with less access to technologies. Resource-based economies were not sustainable, and policies should aim to increase value added of products to reduce dependence on raw material prices. The avian flu outbreak could significantly affect the number of productive persons in an economy, with devastating results, and the ILO could assist countries to develop readiness plans.
- 82.** He supported the areas for further exploration mentioned in paragraph 15 of the paper, but suggested that the proposed employment impact assessment as regards investment be used more widely to include trade. He acknowledged the role of trade unions in policy and advocacy work and the contributions made by the Bureau for Workers’ Activities (ACTRAV) described in paragraph 25 on building trade union capacity. The cross-cutting nature of the core element was worth further consideration. The point for decision was supported.
- 83.** The representative of the Government of France, speaking on behalf of IMEC, thanked the Office for the paper. While the questions raised in paragraphs 15 and 16 on the relationship between environment, growth and employment were part of the mandate of the ILO, he felt the paper did not answer these questions. He requested more details on how the ILO contributed employment dimensions to the work of international organizations, and how sustainable development concerns were integrated in some of the ILO flagship programmes. He also noted the lack of references to corporate social responsibility (CSR) and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).
- 84.** The representative of the Government of Japan supported the IMEC statement and explained the concept of the “smooth cycle of environment and economy”, in which environmental protection and economic development are mutually reinforcing. He urged workers and employers to take a leading role through the efficient use of energy in production, distribution and the development of environmentally friendly products.
- 85.** The representative of the Government of the Netherlands endorsed paragraph 34(a), but emphasized that countries themselves should determine whether to make use of these methodologies. He expressed reservations regarding paragraph 34(b), as sector programmes could lead to suboptimal results in terms of job creation, among others. The delegation sought the secretariat’s assurance on this point. He remarked that the paper was broad in approach and suggested that a more focused approach be taken in the future.

- 86.** The representative of the Government of Finland pointed out that the job creation potential of sustainable development resulted from the ecological dimension and, to an even larger extent, from the concept of decent work as a form of social sustainability. The paper described decent work as a basis for sustainable development, but that in itself was not sufficient to generate work opportunities. The point for decision was acceptable on the understanding that the notion of social sustainability was included.
- 87.** The representative of the Government of France fully supported the IMEC statement. He added that the interaction between sustainable development and decent work and its contribution to the number and quality of jobs created needed to be highlighted, as well as other important dimensions such as occupational safety and health. He supported the point for decision in paragraph 34.
- 88.** The representative of the Government of Canada supported the IMEC statement. She felt that the parenthesis in paragraph 19 needed clarification, since it was not only the search for employment but also other factors such as war and HIV/AIDS that contributed to the vulnerability of households headed by women.
- 89.** The representative of the Government of Nigeria described a number of programmes implemented to monitor environmental degradation and take advantage of the country's unique environment to create jobs and ensure sustainable development. Such programmes included environmental impact assessment by new businesses, including employment implications. She described some programmes the Government had put in place to ensure health and safety at work and the protection of workers' rights. She supported identifying areas where employment and sustainable development strategies could be mutually reinforcing and endorsed paragraph 34.
- 90.** The representative of the Government of Sri Lanka expressed appreciation for this paper, yet found that "livelihoods", rather than "employment" would be more applicable for countries such as Sri Lanka. He noted that new employment opportunities that sustain natural resources could provide alternatives for people in rural areas, who were dependent on the natural resource base. The use of participatory approaches was considered more suitable in managing natural resources, particularly in rural areas. When addressing the quality of work and sustainable development, he recommended the inclusion of areas such as training, skills development, adequate compensation and introduction of new technology, with a focus on poverty alleviation. The delegation supported the point for decision in paragraph 34.
- 91.** The representative of the Government of South Africa thanked the Office for a comprehensive and insightful report. He suggested that the nexus between employment creation and environmental preservation, as part of sustainable livelihoods, should be incorporated into the employment and economic growth strategies of developing countries. He cited several government initiatives that linked employment creation, environmental preservation and poverty reduction, including the creation of labour-intensive and environmentally sensitive jobs, such as coastal care, land rehabilitation and eco-tourism. He referred to important ILO activities in the area of labour-based infrastructure investment, such as the upgrading of access roads in previously disadvantaged areas. He supported the point for decision.
- 92.** The representative of the Government of China noted that increasing attention had been paid in recent years to the quality of employment and environmental protection. She emphasized the importance of the relationship between sustainable development and decent work, and the role of the ILO. She noted that labour institutions in developing countries had carried out projects in the areas of employment promotion, infrastructure and regional economic development, as well as enterprise development strategies. Labour

institutions had thus been strengthened and cooperation with other international organizations facilitated, with a view to ensuring the central place of employment in sustainable development. Her delegation supported paragraph 34.

93. The representative of the Government of Italy expressed support for the IMEC group's statement. He agreed with paragraph 11 relating to the promotion of sustainable models of consumption and production. The role of social dialogue was supported, as was the role of the ILO in disseminating good practices, providing technical support and collaborating with other agencies. He also endorsed the inclusion of this element as a cross-cutting issue in the GEA and supported the point for decision in paragraph 34.
94. The representative of the Government of the United States indicated that it was not clear from the point for decision what the Office was proposing to do. He wondered if the Office could revise the paper along the lines of the presentation and resubmit it for future decision.
95. Following requested clarification, the Chairperson proposed that in view of the many expressions of support by delegations for the point for decision, the delegate could state his reservation for the record.
96. The representative of the Government of the United States stated that, although paragraph 34(b) asked for technical assistance in the formulation of operational programmes that support sustainable development, the paper presented "sustainable development" as an umbrella term covering much current ILO work, already defined as "decent work". He expressed his concern that introducing another term could confuse matters or, at worst, could lead to new programmes, duplicating existing work.
97. In paragraph 34(a), on the development of methodologies such as impact assessments, he stressed that the paper did not provide sufficient guidance as to who would do this work, what the nature of the assessment would be, who the targeted audience or end user would be, and whether that audience would turn to the ILO for advice.
98. The representative of the Government of Malawi supported the point for decision. He explained that sustainable livelihoods were largely dependent on environmental protection, especially where agricultural activities dominated, as environmental degradation had led to climate changes, soil erosion, deforestation and desertification. He urged further research in this area, since decent work could only be promoted through sustainable development and livelihoods, including in countries where environmental degradation continued to increase.
99. The representative of the Government of Mexico supported the point for decision. She suggested the following areas for creation of productive employment: jobs and subsistence in the rural sector, linked to the preservation of non-renewable natural resources; new schemes for redistribution and economic incentives promoting both environmental protection and job creation; international standards promoting intellectual property rights of traditional knowledge; occupational safety in the environment and the workplace; environmental certificates for companies to attract customers and investors interested in more environmentally friendly products; and environmental regulation for the variety of activities related to distribution of goods and services.
100. The representative of the Government of Côte d'Ivoire confirmed the difficulty in bringing about change when sources of income relied upon maintaining environmentally unsustainable practices, especially in the informal economy. Technical support and capacity building in this area were needed. He drew attention to the consequences of soil degradation that reduces agricultural productivity. He agreed that sustainable development

was an excellent opportunity for Africa, and supported the point for decision in paragraph 34.

- 101.** Mr. Henriques thanked the Committee for the rich discussion and guidance he had received. Summarizing the delegates' views on the strong rationale for the ILO to be involved in this area of work, he noted the general support, with a few reservations, for the point of decision. The comments had provided a list of relevant topics on sustainable development and job creation in developing countries, such as: opportunities for moving up the value chain as a way to enhance value added and improve raw material and environmental sustainability; the effect of FDI; an enabling business environment and environmental regulations on employment; links between environmental issues and employment promotion in rural areas; disaster response job creation and sustainability; and finally, best practice cases on the relationship between the three sustainability dimensions and employment. In response to the query on paragraph 34(b), he noted that the intention was to highlight best practice mechanisms between job creation and sustainability that operate in different sectors. It was not in the interest of the Office to promote sub-optimal solutions but rather to identify lessons learned and important trade-offs. The points on the MNE declaration as well as CSR were well taken and he concluded that the guidance of the Committee would be reflected in the work plan for the next biennium.
- 102.** The Worker Vice-Chairperson concluded that the topic was of importance to all areas of the ILO's work and that it would be helpful to make sustainable development a cross-cutting issue across the Office. He requested that his group's comments on the avian flu and on industrial policy initiatives be taken into account in the Office follow-up.
- 103.** The Employer Vice-Chairperson felt that the clarity of the Office presentation had been eroded during the discussion. She agreed with the representative of the Government of the Netherlands who asked for a more focused approach, as many of the sustainability relationships that had been mentioned were not priority areas of the GEA or of the ILO. She confirmed that the ILO's role was at the intersection of environment and decent work. CSR was important, and indeed was already being addressed elsewhere in the ILO. It did not belong in this discussion.
- 104.** The representative of the Government of the United States reiterated his request that his reservations be noted in the report.
- 105.** The representative of the Government of Finland, in response to the Chairperson's search for a suitable solution, commented that the usual manner of resolving this type of problem was to put the reservations on record and approve the point for decision.
- 106.** Following a brief break to permit consultation between the representatives of the delegations concerned, the Chairperson reported the agreement that the point for decision in paragraph 34 would be adopted, on the understanding that the reservations placed on the record by some delegations would be taken into account in implementation.
- 107.** The representative of the Government of the United States expressed his support for the language proposed.
- 108.** In response to a query from the Worker Vice-Chairperson, the Chairperson confirmed that paragraph 34 was adopted in its entirety, and that the reservations made would go on the record of this Committee.
- 109.** *The Committee on Employment and Social Policy recommends that the Governing Body request the Office to identify areas where employment strategies*

and sustainable development strategies can be made mutually reinforcing, with reference to specific projects and sectors. Such efforts could include:

- (a) the development of methodologies and approaches, such as impact assessments for integrated environmental and employment outcomes of investment plans and programmes. Such tools could include ways to strengthen social dialogue to achieve integrated employment and environmental impacts; and*
- (b) the formulation of operational programmes necessary to support sustainable development strategies that promote job creation either at the national or sectoral levels, involving constituents and social partners.*

V. ILO policy statement: Microfinance for decent work

(Third item on the agenda)

- 110.** A representative of the Director-General (Mr. Balkenhol, Head, Social Finance Programme) introduced the Office paper.⁸ He indicated that the document reflected the outcome of an extensive tripartite consultation process. He emphasized that the Office needed to have the capacity to respond to the demands from constituents, and that future work had to be embedded in the 2006-07 programme and budget and the Strategic Policy Framework 2006-09. The drafting process had shown the importance of microfinance in relation to the informal economy, social protection and other areas. Endorsing the policy statement was timely in view of the fact that the International Year of Microcredit was coming to a close and of the importance of demonstrating the ILO's position on this issue.
- 111.** The Worker Vice-Chairperson stated that micro- and social finance had been discussed on a number of occasions and that at the ESP Committee meeting in March the Workers' group had emphasized that microfinance had both positive and negative aspects. He reflected on both aspects relating to the economic activities and social justice impact. The downside of microfinance, i.e. the unscrupulous use of schemes, could lead to debt traps and exploitative interest rates. The aim of the ILO was to maximize the positive aspects and serve the objectives of the Decent Work Agenda, ensuring that terms and conditions were fair and reasonable. He stated that the Workers' group broadly endorsed the policy statement, and in particular the section on the role of the ILO and its comparative advantages in respect of social finance, but emphasized that microfinance was only one element within a range of policies needed for decent work to be achieved.
- 112.** The Worker Vice-Chairperson expressed support for the document, although the language could be improved here and there. The ILO could in future examine successful examples – as well as not-so-successful examples – to draw lessons from. He noted for clarification that the point on the link with debt relief should not be misinterpreted as a new debt relief conditionality. He further suggested emphasizing the positive role that regulatory and other policies could play to protect the vulnerable. These concerns should be recorded, and should inform Office publicity and follow-up of the policy statement.
- 113.** The Employer Vice-Chairperson expressed her appreciation for the Office's initiative to prepare a paper on a very important subject. She commended the tripartite drafting process as innovative and transparent, and there was scope for the Committee to learn from and

⁸ GB.294/ESP/3.

improve on this process. Regretting that not enough time had been available for concrete examples on the work of microfinance on the ground, she suggested that this could be done at a separate event. She hoped that efforts advocating microfinance as a tool for employment creation and poverty alleviation could be intensified. The Employers would also have liked to see a stronger emphasis on the relationship between microfinance and entrepreneurship, especially with regard to youth employment and the empowerment of women. More clarity on the role of the ILO in this process would also have been appreciated, given the ILO's network with workers, employers and governments. In conclusion, she looked forward to future collaboration on these issues.

- 114.** The representative of the Government of France, speaking on behalf of IMEC, supported the point for decision. He welcomed the fact that the drafting process had allowed the integration of governments' views. The ILO's advice was particularly useful for ensuring the sustainability of microfinance schemes, given their reliance on social networks and social collateral. It should not be involved directly in providing loans or other financial services.
- 115.** The representative of the Government of Japan supported the statement made on behalf of IMEC. Microfinance was an effective means for encouraging entrepreneurship, lifting people from unemployment and poverty, and formalizing the informal economy. Efforts to further advocate and disseminate knowledge and experience to constituents should be intensified. He also addressed the need for closer cooperation with other organizations. Finally, he suggested that the programme be reinforced through appropriate capacity building, such as advance guidance and training.
- 116.** The representative of the Government of the Islamic Republic of Iran welcomed the valuable strategic document. He elaborated on several aspects of microfinance that underlined the social and economic aspects of development. Microfinance could support the systematic increase of the minimum wage and the promotion of productivity and competitiveness. He suggested having regional and national seminars aimed at policy-makers at national and international level, capacity building measures for national financial institutions, and assistance in the development of new mechanisms to facilitate access of the working poor to collateral-free microfinance.
- 117.** The representative of the Government of Canada supported the IMEC statement and stressed that microfinance institutions were generally faced with the difficulty of achieving both financial self-sustainability and the provision of affordable financial services to the poor because of the high transaction costs. She underlined that the ILO had the comparative advantage to deal with this, and this should have also been addressed in the policy statement.
- 118.** The representative of the Government of Nigeria shared the ILO's view that microfinance opened up opportunities for the less privileged to participate in the economy and that it fostered solidarity and empowerment of the working poor. Through the National Directorate of Employment, her Government supported microfinance for small and medium-sized enterprises in conjunction with entrepreneurship development training. She concluded by stating that microfinance should be institutionalized within the ILO as it would promote and ensure decent work, and supported the point for decision in paragraph 3.
- 119.** The representative of the Government of Italy thanked the tripartite group for drafting the policy statement and supported the statement made on behalf of IMEC. He referred to the positive effects of microfinance on employment. Italy had used microfinance for many years as part of active labour market policies, and as a means of promoting self-employment. This had had a significant impact, particularly in the south of Italy. He

expressed support for the work of the Office in the field of microfinance and for the policy statement as a whole.

120. The representative of the Government of Germany supported the statement made on behalf of IMEC. She welcomed the fact that the document was clear and brief and yet very substantive. Commending the drafting team, she hoped that this positive experience could be replicated in the future. The ILO had a comparative advantage in this area and should share best practices.
121. The representative of the Government of Kenya supported the call for sustainable microfinance institutions and the statement that the ILO was seeking a common vision on the role of microfinance in helping to attain the Millennium Development Goals. Experience in her country had shown that microfinance was indeed a major contributor to employment creation. Some of the principles of microfinance could have been expanded in the policy statement and its values better highlighted. Finally, she recommended that the policy be further elaborated at a future session of the International Labour Conference.
122. The representative of the Government of South Africa welcomed the policy statement. While he recognized the importance of microfinance as a means of promoting decent work, he underlined the need for active advocacy on the management of microfinance and for enhancing business skills in order to reduce dependence on microfinance. He emphasized that attention should be given to monitoring and evaluating the impact of microfinance interventions, to improving financial literacy, and strengthening social dialogue in the design, implementation and evaluation of microfinance policies. He supported the point for decision in paragraph 3.
123. In his response, Mr. Balkenhol assured the Committee that the observations made would be taken into account. He explained the rationale for choosing the concept of social finance. It was important to ensure that access to financial services led to greater net social benefits, to decent work. Regarding specific examples, he indicated that the Office had just produced a video on this topic. Many microfinance institutions were indeed facing a trade-off between financial performance and poverty outreach, although there were also many examples of successful institutions. In conclusion, he commended the very useful consultation process.
124. A representative of the Director-General (Mr. Picard, Legal Adviser) proposed three adjustments to the text of the policy statement. In the French version of the document, the title of the paper and the appendix should be changed to refer to “*Déclaration sur la politique*” instead of “*Déclaration de principes*”. This would reflect the intention of the Governing Body, expressed in GB.292/ESP/4 and GB.292/12(Rev.), and avoid the reference used for a more formal text. In addition, in order to accurately reflect the text of the Declaration of Philadelphia, he recommended that the following adjustments be made to the first sentence of the quotation at the beginning of the statement: “All national and international policies and measures, in particular those of an economic and financial character, should be ... accepted only in so far as they may be held to promote and not to hinder the achievement of [lasting peace ... based on social justice]”. The citation should refer solely to the Declaration of Philadelphia. Finally, he recommended that the wording in the second paragraph of the section “Role of the ILO: Its comparative advantages” be revised to read “The tripartite structure of the ILO facilitates a global private public partnership”.
125. The Worker Vice-Chairperson supported the points raised by the Legal Adviser and requested that the changes be made accordingly. He also thanked the Office for further clarification on the issues raised and asked that they be reflected in the report and in the advocacy work by the Office. He expected the Committee to be provided with a report on

implementation after the policy statement had been operational for a reasonable amount of time. Finally, he supported the view that the tripartite drafting process was useful and could be applied in other instances.

126. The Employer Vice-Chairperson thanked the Chairperson for her leadership and the Worker Vice-Chairperson for his engagement.

127. *The Committee on Employment and Social Policy invites the Governing Body to endorse the draft ILO policy statement⁹ on the understanding that follow-up action will be taken with the framework of the approved programme and budget together with any extra-budgetary funds that will be mobilized.*

128. The Chairperson thanked the delegations for their cooperation and constructive contributions in accomplishing the work of the Committee and expressed her gratitude to the secretariat, as well as the interpreters, translators and other support staff for their excellent collaboration.

Geneva, 14 November 2005.

(Signed) Ambassador Fernando,
Chairperson of the Committee.

Points for decision: Paragraph 109;
Paragraph 127.

⁹ Contained in the appendix to this document.

Appendix

ILO policy statement: Microfinance for decent work

Mandate, principles and values

All national and international policies and measures, in particular those of an economic and financial character, should be ... accepted only in so far as they may be held to promote and not to hinder the achievement of [lasting peace ... based on social justice ...]. It is a responsibility of the International Labour Organization to examine and consider all international economic and financial policies and measures in the light of this fundamental objective (Declaration of Philadelphia).

The ILO policy on microfinance for decent work is grounded in the ILO Constitution. A range of international labour standards deal with access to finance and the capacity to manage it as conditions for decent work. In particular, the 2002 ILC resolution on the informal sector presents microfinance as a bridge to help informal operators find their way into the mainstream economy.

Microfinance translates fundamental ILO values into action: it opens up opportunities for participation in the economy, it fosters solidarity and it empowers the working poor.

The concept

Decent employment and incomes depend critically on the financial market, its competitiveness, accessibility, equity, fairness and efficiency. Strategies that open up access to finance on fair terms have an obvious social significance.

Microfinance is the provision of financial services to the poor on a sustainable basis. Financial services that the working poor need and demand include different types of credit, savings, guarantees, insurance, transfer payments, remittances and other transactions. Microfinance is addressed to the poor and those excluded from market transactions. It seeks to broaden and deepen the market by emphasizing that ultimately microfinance institutions have to be sustainable, i.e. self-financing.

Scope

Initiated by the Governing Body in March 2005 to mark the International Year of Microcredit and adopted by the Governing Body in November 2005, this policy statement positions the ILO in the area of microfinance, internally and externally. Considering the complex and diverse roles that microfinance plays to help attain the Millennium Development Goals,¹ the ILO has to have a common vision and speak with one voice. Its approach should integrate and harmonize its strategic objectives. The policy thus provides the framework for Office operations and technical programmes and it is expected that as a result the Office acts coherently and in line with established international performance standards in microfinance.

¹ See also www.cgap.org; G8 summits in 2003, 2004 and 2005; the Micro credit Summit in Santiago in April 2005; the UN Initiative on Inclusive Financial Sector Development in which the ILO participates with the World Bank, IMF, IFAD and UNCDF and UNDESA; the Financing for Development (Monterrey) process.

Goals

Given its mandate the ILO strives for a world with better opportunities in the access to markets, resources and services. That is particularly valid for financial services, as they give choices, allow sustained improvements in livelihoods and opportunities for decent work, stabilize family incomes, reduce vulnerability and help the poor to cope with and mitigate risk. Obviously, access to finance is not an alternative to decent incomes: both objectives have to be addressed simultaneously.

Microfinance makes a powerful contribution to decent work in a variety of ways:

- integrating financial and social policies (for example by raising awareness of central banks to the distributional effects of measures regarding access to the financial market);
- creating conditions for wage and self-employment (for example by informing governments of different options to create conditions for job-intensive private sector investments or facilities for start-ups coming out of unemployment);
- reducing vulnerability (by giving people in debt bondage the possibility to access village banks and other microfinance institutions);
- strengthening the voice of the social partners (for example by developing tools and advisory services to inform migrant workers of the costs and risks of different options for remittances);
- promoting gender equality (for example by disseminating what works in targeting); and
- empowering the poor (for example by developing techniques to organize families with working children in joint liability groups and combining them with education and awareness raising).²

Beneficiaries

The Office has the responsibility to operationalize the ILO policy on microfinance for decent work. The direct beneficiaries of Office know-how, advice and services are the constituents. Employers' and workers' organizations as well as governments interact with financial institutions. By taking position on financial market and policy issues that affect decent work and incomes, ILO constituents positively and constructively influence the environment for microfinance institutions and their clients.

This should indirectly benefit employers and workers, the self-employed, homeworkers, migrant workers, the working poor in the informal economy whose labour is their main – and often only – asset, working women³ and all those who may find it difficult to access the financial market for resources that would allow them to secure decent work.

² Taken from ILO press release *Microfinance paves the way for decent work* (18 Nov. 2004).

³ *Working out of poverty*, Report of the Director-General to the ILC, 2003.

Role of the ILO: Its comparative advantages

The rationale for ILO interest in and commitment to microfinance is decent work, i.e. the net social outcome in terms of employment, incomes and social dialogue. Microfinance that is oriented towards decent work is “social” finance. This emphasizes the finality and unique angle of the ILO’s interest and involvement. Social finance is the ILO’s accepted and recognized brand in this field, signalling its distinctive position and identity, and communicating to donors and the outside world in general the ultimate purpose of the ILO’s conceptual and policy work on microfinance.

The tripartite structure of the ILO facilitates a global private public partnership. Because of its alliances with global employers’ and workers’ organizations, the ILO’s views, advice and analysis weigh in most effectively with regard to the outcomes of finance on decent work.

The suitable ILO intervention levels are with regard to policy analysis and advice, markets and institutions. It is at the macro and meso levels that ILO analysis and advice can best be brought to bear. The ILO cannot or should not seek to make loans itself or provide other financial services directly.

Implementation: Instruments and priorities

For microfinance to effectively contribute to decent work and help attain the Millennium Development Goals, several challenges will need to be met over the next ten years: scale-up the access for the working poor to affordable financial services; integrate microfinance institutions into the domestic and international financial markets; improve policies in support of microfinance for decent work;⁴ advise and guide microfinance institutions to become and remain sustainable and competitive, trimming their own and their clients’ transaction costs, develop innovative products and services like savings, housing finance, education loans and consumer finance and generally respond efficiently to changing demand and market conditions.

This ILO policy provides a coherent and comprehensive framework for different outcomes under the ILO strategic objectives. This policy is to be operationalized along the lines of the CGAP peer review and Task Force Action Plan: an effectively mandated, staffed and resourced focal point, the Social Finance Programme, and a framework approach for fund raising and resource mobilization. The Office is also called upon to pursue and deepen its existing partnerships with other international organizations, notably within the framework of CGAP and similar networks. Progress in implementation should be reviewed, in connection with a general debate at a future International Labour Conference.

In the next biennium and within the Strategic Policy Framework 2006-09, the Office is to develop services and tools in response to the expressed demand by constituents in the following priority areas:

1. More employment
 - Analysis of the employment impact of microfinance; successful experiences, policies that work at the domestic and international levels, good institutional practices: what has worked and why has it worked so well?

⁴ ILO press release *Microfinance paves the way for decent work* (18 Nov. 2004).

- Policy packages involving microfinance, taking into account experiences in the “social economy”, involving Member-owned intermediaries such as savings, credit, and insurance cooperatives and generally giving due consideration to the particular socio-economic conditions of member States.
2. Less vulnerability
- Facilitate the access of migrant workers to remittances, through financial literacy programmes, measures to reduce their costs and risks and leverage remittances for investment via links to microlending programmes.
 - Pilot test, disseminate and evaluate the impact of risk-coping and mitigating techniques for a more stable access of bonded labourers and other vulnerable groups to affordable and convenient savings, credit, insurance and payment facilities.
 - Identify good practices that lead informal operators into the mainstream economy, taking into account the key role of property rights and access to collateral.
3. Stronger social partners
- Document policies that undermine microfinance markets and those that enhance competition; participate in the design of national microfinance policies and help governments to ensure good governance in MFIs, with regard to regulatory frameworks that protect small depositors and facilitate access to financial services.
 - Advise ministries of labour on the design and management of social funds, exploring the scope of linking debt relief to microfinance.
 - Enhance the capacity of employers’ and workers’ organizations to adopt informed positions on financial policies that affect decent work.
 - Maximize the impact of microfinance in the context of wage policies and wage protection to protect workers against over-indebtedness and in situations of firm insolvencies.
 - Explore the role of collective bargaining in relation to access to microfinance and payroll deductions.