



FOURTH ITEM ON THE AGENDA

ILO relations with the Bretton Woods institutions**Addendum**

1. This addendum to the report on relations with the Bretton Woods institutions¹ provides the Committee with expanded information concerning the ILO events organized at the World Bank at the beginning of March. ILO participation in the Bank's Human Development Week (28 February-1 March 2000) helped set the stage for the special ILO programme on 2 March, which comprised a half-day policy dialogue that culminated in a working lunch led by Mr. Wolfensohn and Mr. Somavia. This was followed by a meeting between the two executive heads, after which the Director-General delivered an address to the Bank as the second in the Bank's UN lecture series. The programme ended with a presentation of the World Bank Institute's distance learning facilities and its capacity-building, learning and knowledge programmes that are being developed, in particular through the Institute's Global Distance Learning Initiative.
2. The Bank's Human Development Week was the fifth annual conference of its kind, bringing together some 1,400 human development network staff of the Bank and external partners and collaborators. ILO technical specialists were able to contribute to the discussions and act as panellists on training, social protection, labour markets, and response to crisis. The activities included follow-up on the joint work done by the ILO and the Bank together with the Government of Japan in the joint ILO/World Bank Seminar on the Economic Crisis, Employment and the Labour Market in East and South-East Asia (Tokyo, 13-15 October 1999).² ILO participants were able to introduce and discuss the role of decent work within the conference's broad theme of human development and poverty reduction. This conference provided an excellent introduction to the ILO programme which immediately followed.
3. The centrepiece of the programme was the Director-General's address to the staff of the Bank on the subject of "decent work for all in a global economy", given at the invitation of the President of the World Bank. The Director-General's address was the second in a series

¹ GB.277/ESP/4.

² GB.276/ESP/5, appendix, para. 7.

of UN lectures, the first having been delivered by the UN Secretary-General in October 1999. Following an introduction by Mr. Wolfensohn, and speaking to what the Bank reported as “overflow numbers”, the Director-General elaborated on the concept of rethinking development put forward by Mr. Wolfensohn on the occasion of UNCTAD X, and stressed the importance of international organizations’ understanding globalization from the perspective of how policy decisions affect people’s lives and their families. Unlike the positive technological revolution driving globalization, there was nothing inevitable about the policies accompanying globalization. It was necessary to design a new policy architecture that made poverty reduction through the creation of decent jobs a central component of people-oriented globalization. The ILO’s contribution was the promotion of the new decent work agenda, which integrated the traditional values-based approach of promoting basic workers’ rights and social protection with a sustainable growth and development agenda centred on jobs, enterprise creation and human resource enhancement, and which relied on dialogue, negotiation and consensus-building, with a strong, cross-cutting gender policy. Importantly, it required working together in a connected way which meant going further than merely bringing together multidisciplinary teams from different agencies.

4. The Director-General explained that the traditional dichotomy between economic and social policy had often led to poor policy choices and under-investment in social capital. The Bank and the ILO could show the way to more integrated solutions by cooperating to integrate the Bank’s poverty reduction and the ILO’s decent work agendas. Both were founded on the necessity of ownership and participation, and they shared an analysis based on empowerment, security and opportunity. The failure of globalization to deliver an increasing number of productive and remunerative jobs required urgent attention, and job creation was imperative. Small and medium enterprises were a prime source of jobs, and they could also provide necessary links between the rapidly expanding but diverging knowledge and informal economies. The Declaration on Fundamental Principles and Rights at Work and its Follow-up was a cornerstone, and the promotion of those rights was a collective responsibility. Participation and dialogue, and ensuring basic rights at work, were yardsticks of decent work and goals in their own right. They also helped to develop support for other social and economic goals and to generate legitimacy for policy measures. It was important to embed the value of such principles and rights into development policies themselves, especially since poverty reduction was more than the mere provision of material needs, but also involved respect and dignity at work and in society. Concluding by stressing the importance of partnerships as intrinsic to a comprehensive development framework strategy, the Director-General drew attention to the increasing convergence between the ILO and the Bank in understanding key questions such as the empowerment of the poor, overcoming social risk, the importance of institutions and good governance, the need for sound economic policies, and the centrality of productive employment in reducing poverty. This provided a solid basis for enhancing cooperation on several fronts.
5. Much of the discussion at the joint ILO/Bank policy dialogue elaborated on the main themes contained in the Director-General’s address. Both teams used the opportunity to present their main agendas. The Bank participants explained the comprehensive development framework and poverty reduction strategy paper process, including their link to concessional lending, debt relief, and to the conceptualization of the forthcoming World Development Report 2000-01 on poverty. The relationship to the Bank’s country assistance strategies was also explained. The ILO participants described the decent work agenda and its linkages to poverty reduction, and focused on social dialogue and the process for creating alliances, as well as on other components, as ILO tools for development. The practical importance of job creation and a rights-based approach to poverty reduction was stressed, highlighting the dependency of job creation on enterprise and the inseparable link between freedom of enterprise and freedom of association. The

rights embodied in the ILO Declaration represented the social floor of globalization and were essential enabling rights. While the Bank participants confirmed their strong support for the Declaration – to be manifested in their operational and advisory work but not through conditionality – they felt that they may need on occasion to question the efficiency of the outcomes of a collective bargaining process, even though it would not be appropriate to question the process itself.

6. There was a sound basis for a discussion of synergies and potential areas for strengthened collaboration, with a strong emphasis on the way ahead and reaching agreement on specific areas of joint work and collaboration. This was strongly supported by both executive heads. Broad agreement was reached on the need for enhancing cooperation in the following five areas:
 - enlarging and improving policy analysis for more complete and consistent options, improved policy choices, and a more coherent framework;
 - increased collaboration to bring together the decent work and poverty reduction agendas in specific countries;
 - improving the ability to measure and assess policy outcomes and impact on people through both traditional statistical tools and more in-depth inquiry;
 - extending the joint knowledge base of the component elements of development in developing member States, taking into account their specificity and differences between them;
 - cooperation between staff training programmes to improve joint efforts and mutual understanding.
7. More specifically, on the issue of promoting the role of the decent work paradigm in comprehensive development and poverty reduction, the ILO informed the Bank of its intention to identify a limited number of countries where the decent work agenda is best placed to contribute effectively to the national process, in which a concentrated effort would be made at the country level in full collaboration with the national authorities and the social partners. The Bank warmly welcomed and strongly supported this proposal.
8. In the field of social protection, five concrete areas of collaboration were identified. In the area of policy analysis, this included an examination of the adequacy, effectiveness and efficiency of unemployment benefit systems. The remaining four, concerned with improving governance in social protection, included:
 - (i) joint expenditure and performance reviews of national social protection systems to provide a crucial diagnostic basis for the formulation of national poverty relief strategies, by identifying weaknesses and inefficiencies in existing social transfer systems and identifying the potential fiscal room for manoeuvre for the design of new schemes;
 - (ii) further collaboration in the framework of the International Financial and Actuarial Service in the provision of direct financial and actuarial advice to client governments and social security institutions;
 - (iii) training of quantitative managers in social protection, where the ILO is developing, in cooperation with the University of Maastricht in the Netherlands, a one-year mid-career Masters course in Social Protection Financing which would be pivotal in the building of national capacities for good governance;

- (iv) social reinsurance under which reinsurance arrangements will help to financially stabilize small-scale community-based health care financing schemes. This is based on a proposal submitted to the World Bank Development Market Place scheme by an ILO-led joint ILO/WB/University of Lyon team in February 2000, which won the highest financing award (US\$380,000) among all the initial 1,300 contenders. A feasibility study and initial piloting will be undertaken within the next 12 months.
- 9.** In the field of labour markets, it was agreed, as direct follow-up on the joint World Bank/ILO/Japan project on economic crisis, employment and labour markets in East and South-East Asia, to develop proposals for joint work on: (i) feasibility studies of income support and active labour market programmes in one country, and a regional seminar for presenting and discussing the above studies where other countries of the region would also be invited; and (ii) a new project on monitoring the employment and labour market behaviour of the crisis-affected countries of Asia during their period of recovery, with particular focus on the possible emergence of atypical forms of employment and their implications for the quality of jobs; and also examining the case for a renewed employment-intensive growth strategy during the recovery period.
- 10.** Emphasis was placed on improving the overall knowledge base through the development of a joint research agenda linking decent work and poverty reduction and developing shared methodologies and indicators for comparing results. Child labour was another important area of collaboration that should be strengthened further, and this would be discussed and elaborated during meetings planned to take place in mid-April.
- 11.** Training and skills development policies were also a field where good collaboration is ongoing. Previous joint work on constraints and innovations in the reform of vocational education and training will soon be published by the Bank as a joint publication, and will be followed by related joint work on skills development in Africa.
- 12.** In addition, further collaboration will be pursued between the World Bank Institute and the International Training Centre of the ILO, Turin, particularly in the area of distance learning. The Turin Centre is also in the process of developing, in collaboration with the Bretton Woods institutions, a training workshop on the employment dimension of economic reform in developing countries. The training programme for trade union members was also to be continued.
- 13.** More broadly, it was important to enhance understanding and knowledge among the staff of both institutions of their respective policies and strategies, and to improve trust and mutual cooperation to bridge the institutional culture gap. In this regard, more frequent meetings and briefings between the staff of both institutions are to be encouraged. Opportunities are being explored for the possible joint training of young professional staff and exchange of staff between the institutions. It was also stressed that communications strategies in both institutions should help build a stronger and visible partnership.
- 14.** It was understood that modalities for cooperation in these areas will have to be worked out, and funding considerations and sequencing will have to be taken into account, but it was agreed that early progress was essential, and that the two institutions would get together just before the Special Session of the General Assembly of the United Nations on the World Summit for Social Development and Beyond in late June in order to take stock of the progress made.

Geneva, 16 March 2000.

