



FIRST ITEM ON THE AGENDA

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

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1. A detailed update on relations with the Bretton Woods institutions was supplied to the Committee at its meeting in November 1999, and again at its request in March 2000. Since then, the main thrust of ILO efforts to promote institutional cooperation and coherence with the Bretton Woods institutions has focused on carrying forward the insertion of the ILO's decent work agenda into an integrated approach to economic and social policies, particularly in view of the key role that the institutions play in the multilateral development process. Special attention has been devoted to follow-up on the agenda for joint ILO-World Bank cooperation, as developed during the ILO mission to the World Bank led by the Director-General in March 2000, which was reported to the Committee at that time.¹
 2. The ILO will continue to pursue its cooperation and collaboration with the Bretton Woods institutions in these and in other areas, with continued emphasis on the range of policy issues that are central to strengthening the role of the ILO in an integrated approach to the social and economic issues arising from the globalizing world economy. This emphasis, which directly concerns the ILO's Working Party on the Social Dimension of Globalization, is in parallel with the new priority being assigned by the Bretton Woods institutions, as reported below in paragraph 7, to their role in providing for more equitable distribution of the benefits of globalization.

I. Latest developments

3. Thanks to its recent official entry as an observer institution into the governance structure of these institutions, the ILO has had the opportunity to convey its messages and concerns at the highest levels. Since the ILO first gained entry in 1994 as an official observer to the main Annual Meetings of the IMF and the World Bank group, and more recently to the related meetings of the joint Development Committee (September 1999) and the IMF's Interim Committee (April 1999), which was strengthened last year by its transformation into the new International Monetary and Financial Committee (IMFC), it has been evident that a progressive movement towards greater policy convergence with the ILO and greater recognition of common concerns has been taking place.
4. Following its participation in 1999 in the Bretton Woods spring and annual meetings, as reported to the Committee in November, the ILO again participated in and circulated statements at the International Monetary and Financial Committee (IMFC) and the Development Committee at the Bretton Woods spring meetings in April, and participated in the related meetings of the deputies and ministers of finance of the G-24. In the Director-General's statements to the April meetings, special attention was drawn to the need to avoid complacency in the light of the apparent robust recovery since the financial crisis. It was stressed that very little progress had been made in redressing some of the fundamental policy and institutional weaknesses that had been identified in the wake of the crisis, and that progress here was essential in order to avoid the repetition of severe crisis-related social trauma in the future.
5. The IMF's twice-yearly *World Economic Outlook* (WEO) is a significant component of the IMFC's agenda, and since 1995 the ILO has had the opportunity to provide its views to the IMF secretariat on the draft reports. From the outset, the impact of ILO inputs was generally perceived to have been less than anticipated. Nevertheless, some welcome changes were noted in the draft of the April WEO, including acknowledgement of the need to promote domestic ownership of the reform agenda through the closer involvement of unions, employers' organizations and other representatives of civil society in its design.

¹ GB.277/ESP/4(Add.1).

Also welcome was the more cautious stance taken on capital account liberalization, with poor and some middle-income countries being advised to delay this until they are better able to cope with the greater risk involved. The statements at the IMFC provide an opportunity to reinforce the ILO's main messages, and it is interesting to note that the ILO's comments on the April 2000 draft WEO had a more substantive impact on the final document than in the past.

6. The ILO once again sent an observer delegation to Prague in September to the IMF/World Bank Annual Meetings, including the IMFC and the Development Committee, as well as to the meetings of the G-24. The ministers of the G-24 stressed their key concerns in such matters as the slow progress in the financing of the enhanced heavily indebted poor countries (HIPC) initiative and the serious under-funding of the HIPC trust fund, despite the expressions of intent by the G-7 and other industrialized countries, and the need to streamline conditionality, especially with respect to programmes supported by the IMF's Poverty Reduction and Growth Facility (PRGF). Both institutions were encouraged by the G-24 to resist non-economic considerations in their decision-making.
7. From the proceedings at the Annual Meetings, it was apparent that ILO-Bretton Woods institutional convergence has been strengthened. "Making globalization work for the benefit of all" was adopted as the theme of the meetings and as a guiding principle for future action. In this context, the fight against poverty was reconfirmed as the overriding objective for the Bank (with a focus on the institutional, structural and social dimensions of development) as well as for the Fund (with a focus on the promotion of international financial stability, macroeconomic stability and growth and crisis prevention). The enhanced role and strong engagement of the IMF in the poor countries and in the Poverty Reduction Strategy Paper (PRSP) approach, based on comprehensive development principles, was specifically endorsed. A joint statement by the executive heads elaborated on these principles and included the need for equitable growth and development, overcoming barriers related to gender, ethnicity and social status, with benefits accessible to all. The application of the Comprehensive Development Framework (CDF) remains a key objective for the Bank; for the poorest countries the Bank is developing a new Poverty Reduction Support Credit (PRSC) to link its financing to a country's PRSP.
8. As reflected in written statements by the Director-General² which were circulated to the ministers and other observers at the Development Committee and the IMFC in September,³ the ILO expressed its support for, and readiness to cooperate in, work towards the main objectives of poverty reduction through a comprehensive, participatory and nationally owned approach. Addressing some of the key issues on the agenda of the Annual Meetings, it expressed the view that economic conditions in the advanced economies were now favourable for efforts to arrest the decline in official development assistance, enhance debt relief and make trade concessions to the poorest countries. At the same time, it noted that the global economy had performed poorly in meeting people's aspirations for decent work, and emphasized that employment creation and the promotion of the decent work agenda should be central to the international policy agenda.
9. IMF Managing Director Horst Köhler, in a public statement at the Annual Meetings seminars, stressed the importance of – and IMF support for – core labour standards, and highlighted the importance of employment creation. In an informal contact with the ILO delegation he emphasized his wish to further strengthen IMF cooperation with the ILO. In

² The statements by the Director-General are appended.

³ See Appendix II.

a letter to the Director-General just before the Annual Meetings, Mr. Köhler had expressed keen interest in the work of the Governing Body's Working Party on the Social Dimension of Globalization as an important complement to the work of the IMF, particularly within the framework of its PRGF. These new approaches by the Bank and the Fund open up wider possibilities for strengthening cooperation with the ILO. In this connection it is recalled that representatives of the Bank and the Fund, as well as from the WTO, all addressed the ILO Working Party at its session in March.⁴

II. ILO cooperation in the Comprehensive Development Framework (CDF) and Poverty Reduction Strategy Paper (PRSP) processes

10. As indicated to the Committee in March, the ILO is giving high priority to cooperating with the Bretton Wood institutions in the preparation of country-led CDFs and PRSPs. Their focus on a comprehensive approach to development and on targeting poverty reduction outcomes in an increasingly globalized economy has particular relevance to the ILO's Working Party on the Social Dimension of Globalization. These mechanisms provide a framework in which the ILO can work together with its constituents to introduce the decent work agenda into the development and poverty reduction process, as well as contributing, through social dialogue, to broader participation and national ownership of these processes. At the institutional level, ILO technical and field units are working together to reach a better understanding of how to contribute to these processes. ILO staff have attended meetings and seminars organized by the Bank and Fund in Washington, and relevant Bank staff have on several occasions held discussions with ILO staff in Geneva, including a meeting between senior staff of the ILO and the Bank involved in PRSP design, which was held in Geneva in June. ILO focal points regularly participate in meetings of the World Bank-UN CDF/PRSP learning group. Information and guidelines have been passed to ILO representatives in the field encouraging participation at the country level.
11. Five countries (Cambodia, Honduras, Mali, Nepal and United Republic of Tanzania) have been selected, in consultation with the Bank and the ILO field structure, as special focus countries where ILO engagement will be carefully supported and monitored to demonstrate the effective contribution of the ILO's decent work agenda. In these, as in all CDF and PRSP countries, the involvement of the ILO must be invited and developed in the context of a nationally owned process. The ILO approach is to work with tripartite representatives in the five countries to ensure that the objective of employment creation and decent work is introduced as an explicit objective of any poverty reduction strategy; and to hold tripartite dialogue to discuss the PRSP report and the ILO's contribution in order to ensure ownership of the recommendations. Action has already been set in motion in Mali, United Republic of Tanzania and Nepal, where ILO involvement has been welcomed by the national authorities and dialogue with ILO constituents has been initiated. The World Bank and the ILO have agreed to convene a meeting involving the ILO field directors covering the five countries, to be held in Geneva to discuss progress in such collaboration.
12. In addition, cooperation in the implementation of the CDFs and PRSPs is expected to supplement and strengthen ILO-Bretton Woods cooperation at the field level, and takes place on a continuing basis in a wide variety of technical areas. The ILO is in contact with

⁴ For further details of the September meetings, see GB.279/WP/SDG/1.

the World Bank to identify additional joint work that may contribute to the process. For example, the ILO is participating in and contributing to the multi-donor Partnerships in Statistics for Development in the Twenty-first Century (PARIS21) – a new international process to build statistical capacity as the foundation for effective development policies – which is seen as crucial, especially with respect to the development of the statistics and indicators needed to measure poverty and poverty reduction outcomes.

III. Other key areas of cooperation

1. International labour standards

13. In November 1999 the Committee was informed⁵ of the World Bank's IDA Twelfth Replenishment decision, which included an important linkage between the development of Bank Country Assistance Strategies (CAS) and core labour standards. In response to this, the Bank has initiated work, and is in consultation with the ILO, on the development of a toolkit on core labour standards for use by Bank staff who are working with governments in the development of the Bank's CAS. A member of the Bank's social protection team is participating in the November training course on labour rights, international labour standards and globalization being given by the International Training Centre of the ILO, Turin. Since the CAS represent the Bank's plan for its contribution to the CDF and PRSP in countries where these are being developed and implemented, this should help to facilitate greater cooperation and complementarity between the ILO and the Bank at the country level, especially in promoting decent work as a solution to poverty.

14. In another important development, the IMF and the World Bank jointly held a second High-Level IMF/World Bank/ICFTU/ITS Meeting, with ILO participation, in Washington in late October, following the first such meeting held in Washington in January 1999.⁶ Once again the High-Level Meeting made possible a frank discussion on a broad range of issues, including labour standards in Bank operations, lending and procurement. Implementation of the CDF and PRSP processes and the role of trade unions and social dialogue was also a key area of discussion.

2. Social security and social protection

15. The ILO's work on social security and social protection is particularly relevant to a comprehensive approach to development and poverty reduction. Regular consultations take place between the ILO and Bank staff working in this field. The ILO's project on Strategies and Tools against Social Exclusion and Poverty (STEP) has based a staff member in Washington to enhance its cooperation with the Bretton Woods institutions and the Inter-American Development Bank. Substantial progress is also being made on several fronts in follow-up on priorities established during the Director-General's visit to the World Bank last March:

- (a) *Joint expenditure and performance reviews of national social protection sectors (SPERS)*. Work has started and a proposal is under review with the Bank. It is expected that the ILO will use its conceptual framework to undertake the SPERS

⁵ GB.276/ESP/5 (appendix), para. 2.

⁶ *ibid.*, para. 3.

work already planned under the regular budget, but will continuously incorporate improvements as they emerge from the World Bank-ILO consultations. A joint ILO/WB/IMF blueprint for national social expenditure reviews is foreseen, which is intended to be presented as a discussion paper. This will constitute a major improvement with respect to creating a joint factual basis for social policy recommendations. A donor is being sought to finance a three- to four-year project that would establish SPERS activities in some 30 to 40 countries.

- (b) *Collaboration in the framework of the International Financial and Actuarial Service.* The ILO has begun to market this service to a wider range of client countries, and contacts with the ISSA and the Bank have been initiated to explore closer collaboration. Funds are being sought for a study on the feasibility of a joint actuarial service; meanwhile, efforts are being made to start a joint approach in pilot country projects, possibly starting with Zambia.
- (c) *Collaboration on QUATRRAIN.* The ILO's new programme on quantitative training for social protection specialists through a mid-career Master's degree programme in social protection financing with the University of Maastricht was launched in Geneva in June 2000. The Bank's Director for Social Protection is a member of the programme's advisory board. The first meeting of the board will be in spring 2001, and teaching will commence in September 2001.
- (d) *Collaboration on social reinsurance.* Execution of the ILO's social reinsurance project⁷ under the World Bank Development Market Place scheme is in full swing. The contract has just been signed with the World Bank. Completion is scheduled for the fall of 2001. A first joint ILO/WB mission will be undertaken in October in the Philippines. This innovative pilot programme is designed to demonstrate how to extend health protection to poor communities and the informal sector through reinsurance for community-based health insurance.

3. Labour market policies in Asia

- 16. Follow-up on the joint World Bank/ILO/Japan seminar on economic crisis, employment and labour markets in East and South-East Asia, held in October 1999, was seen as a priority area for cooperation. In this connection, with sponsorship by the World Bank, the ILO, the Ministry of Labour of Japan and the Asia-Europe Meeting (ASEM) Fund, new studies are being carried out on policy options in the areas of active labour market policies and income support for unemployed workers. These include a case study of policy options and design and implementation issues in the Philippines, a review of the recent experience of the Republic of Korea in active labour market policies and income support, an overview of best practice in active labour market policies in Europe, and a paper discussing the wider implications for the region. Further ILO-World Bank-ASEM cooperation included a joint seminar on good governance of social policy in Bangkok in late October, and a further seminar is planned to be held in Manila in February 2001.

4. Child labour

- 17. The ILO has been intensifying its cooperation with the World Bank and UNICEF on child labour issues. Joint efforts to enhance inter-agency cooperation have drawn compliments

⁷ GB.277/ESP/4(Add.1), para. 8(iv).

from donor agencies. The joint project on conceptual development and research, based in Florence, has commenced its work with financial support already obtained from Finland and expected from other donors. This project has begun to have a beneficial catalytic effect in incorporating other research work, analyses and primary data.

5. Training and skills development

18. The agreement reached in March to strengthen cooperation in the field of training and skills development, particularly between the World Bank Institute (WBI) and the International Training Centre of the ILO, Turin, has been effectively pursued. A Memorandum of Understanding has been agreed between the Turin Centre and the WBI to enable more systematic planning of joint activities and to facilitate firmer financial and other contributions to these activities by each party in shared areas of concern, which include the promotion of fundamental and human rights, the creation of employment and income opportunities for women and men, the extension of social protection for all, the promotion of social dialogue, development management, training and learning design, management and evaluation, the empowerment of women and gender equality. Cooperation will emphasize the preparation, delivery and evaluation of joint learning products, cooperation through the Global Development Learning Network,⁸ and in distance learning activities in terms of both instructional content and the sharing of distribution capacity. Within this framework, a first activity-specific contract has been agreed to carry further the joint work on skills development and training in Africa.

6. Post-conflict reconstruction

19. Consultation and cooperation with the Bank in the area of post-conflict reconstruction has also made progress. Joint staff consultations have taken place and ILO staff have attended a number of training seminars organized by the Bank. In the Democratic Republic of the Congo, ILO work in this area generated interest from the Bank, which approved a Post-Conflict Fund grant to the ILO to formulate a broader programme for the reintegration of ex-combatants, which may also serve as a model for replication elsewhere.

7. United Nations initiatives

20. There has been close cooperation and consultation with the Bretton Woods institutions within the framework of United Nations initiatives. These have included the preparations for, and the events surrounding, the Special Session of the General Assembly of the United Nations: World Summit for Social Development and Beyond – Achieving Social Development for All in a Globalizing World (Geneva, 26-30 June 2000);⁹ preparations for the Millennium Summit;¹⁰ and ongoing preparations for the future conferences on financing for development and on the least developed countries. Together with representatives of the Bretton Woods institutions, the ILO participated in a UN retreat on poverty issues in Tarrytown (New York) in July. This provided a useful opportunity for officials of various UN organizations to discuss the action to be taken on the outcome of

⁸ Launched by the World Bank in June 2000 as part of a worldwide exchange of learning activities: <http://www.globalpolicy.org/socecon/develop/gdln.htm>

⁹ GB.279/ESP/3.

¹⁰ GB.279/WP/SDG/1.

the Special Session of the General Assembly, and to engage in a fruitful exchange on the macroeconomic and social dimensions of national policy-making and international integration.

21. There is also close cooperation with the World Bank in respect of the UN Secretary-General's Millennium Summit initiative to create a high-level Policy Network on Youth Employment, which includes the UN Secretary-General, the ILO Director-General and the President of the World Bank. The UN Division for Social Policy and Development (UN/DESA), the ILO and the World Bank have complementary roles and have already held in-depth consultations on implementing this initiative. The network will also draw on the experience of the private sector, civil society and social and economic policy-makers. Following a meeting of the joint secretariat in August, it was agreed that youth employment should be addressed as a critical dimension of major development programmes, rather than by initiating single initiatives which have only isolated impact, and that policy recommendations on youth employment should be linked to concrete and visible action. Five thematic areas of action were agreed: (i) incorporating youth employment into development strategies and major UN initiatives; (ii) promoting youth employment in poverty reduction programmes at the country level; (iii) improving the impact of education and training on youth employment; (iv) generating opportunities for young people through information and communications technology; and (v) bridging the gap between the informal sector and the knowledge economy. In the division of labour, UN/DESA will take the lead on the first theme, the Bank has been invited to take the lead on the second and third themes, while the ILO will lead on the fourth and fifth. The objective is to develop a set of recommendations for adoption by world leaders at the UN General Assembly in 2001. The network would also provide major input for the ILO's World Employment Forum in 2001, regarding which consultations with the Bank and Fund to obtain their cooperation and participation have already commenced.

Geneva, 26 October 2000.

Appendix I

Meetings involving ILO-Bretton Woods participation and collaboration, 2000

ILO meetings

Meeting of economists on integrated approaches	Geneva, February 2000
ILO High-Level Meeting on HIV/AIDS and the World of Work	Geneva, June 2000
Governing Body Working Party on the Social Dimensions of the Liberalization of International Trade	Geneva, March 2000
<i>Geneva 2000</i> workshops/panels:	Geneva, June 2000
– Demographic ageing and the impact on social protection	
– Microfinance, social justice and the market	

Bretton Woods and other meetings

WB Development Market Place: Presentation of first proposals	Washington, February 2000
WB <i>World Development Report 2000/2001</i> : UN consultation	Stockholm, February 2000
Partnerships in Statistics for Development in the Twenty-first Century (PARIS21) meeting	New York, February 2000
WB Human Development Week	Washington, February 2000
WB Third Mediterranean Forum	Cairo, March 2000
UN-OECD/DAC-World Bank-IMF Forum on Development Progress and PARIS21 Task Force	Paris, March 2000
WB seminar-consultation on development of the World Bank country assistance strategy for Argentina	Argentina, March 2000
WB-ADB Regional Consultation on Social Cohesion and Conflict Management	Manila, March 2000
WB Children's Week	Washington, April 2000
WB-UN system Learning Group on the CDF/PRSP Processes	New York, April 2000 Washington-Geneva (videoconference), September 2000
International Monetary and Financial Committee	Washington, April 2000
Development Committee	Washington, April 2000
ECOSOC Meeting with Bretton Woods Finance Ministers	New York, April 2000
WB-IMF Forum on Comprehensive and Country-led Poverty Reduction Strategies	Washington, April 2000
WB Seminar on Social Protection Reforms in a Globalizing World	Paris, April 2000
WB workshop on Korean labour markets	Seoul, May 2000
WB-IDB Third Inter-Agency Consultation Meeting on Collaborative Arrangements regarding Indigenous Peoples	San José, May 2000
WB Second International Conference on Social Funds	Washington, May 2000
Sixth Meeting of the Conflict Prevention and Post-Conflict Reconstruction Network	London, May 2000
WB training course on transition from war to peace	Washington, May 2000

Bretton Woods and other meetings

Geneva 2000 workshops/panels: Geneva, June 2000

- Social risk management in a globalizing world
- Participatory approaches in poverty reduction strategies

Amsterdam Institute for International Development: International Meeting on World Poverty, session on analytical underpinnings of the *World Development Report*, introduced by WB Chief Economist and Vice-President and chaired by ILO representative Amsterdam, September 2000

WB workshop on the informal sector and micro-insurance Washington, September 2000

International Monetary and Financial Committee Prague, September 2000

Development Committee Prague, September 2000

WB-IMF Annual Meetings Prague, September 2000

WB Third Expert Meeting on the Asian Financial Crisis Bangkok, October 2000

Joint ILO-Bretton Woods meetings

WB staff discussions and Bank-wide address by the ILO Director-General Washington, March 2000

Geneva 2000 workshops/panels: Geneva, June 2000

- Rethinking income support systems for the unemployed
- Combating exclusion from social protection in health
- Child labour and child protection

ILO-WB-ASEM seminar on good governance of social policy Bangkok, October 2000

Appendix II

Statements by the ILO Director-General, Mr. Juan Somavia, to the September meetings of the International Monetary and Financial Committee and the Development Committee

1. Statement by Mr. Somavia to the Second Meeting of the International Monetary and Financial Committee, Prague, 24 September 2000

1. The ILO is in broad agreement with the main message of the WEO on the need to sustain the improving growth performance in the global economy through managing a soft landing for the US economy, maintaining the expansion in Europe, and continuing to support the incipient recovery in Japan. We also share the view that sustaining growth in the major industrialized economies is a necessary condition for continuing the recovery in emerging market economies as well as the concern that disorderly adjustment to the current macroeconomic imbalances among the industrialized countries will have negative spill-over effects on the emerging market economies.

2. Against this background the ILO believes that it is timely to consider how international policies can harness the present favourable conjuncture in the global economy to contribute to poverty reduction. As noted in the report, the continuing weakness in the price of non-fuel commodity exports has meant that “regrettably, almost all the countries most adversely affected are also among the world’s poorest”. A key question is, therefore, what can be done to improve this situation. While there is agreement with the report that domestic policy reform in the affected countries is part of the solution, this needs to be supported by assistance from the international community in terms of continuing support for debt relief and reforming trade policies that discriminate against the poorest countries. In this connection it is important to emphasize the fact that the improved growth performance and progress towards fiscal consolidation in the advanced economies constitute favourable conditions for arresting the decline in ODA, for enhancing debt relief, and for trade concessions to the poorest countries.

3. The discussion on information technology and the “new economy” in the WEO also raises another international policy issue that merits deeper examination. There is an interesting discussion of the US case and of “the scope for new economies outside the US”. But the latter discussion is confined only to other advanced economies. It is true that there is some discussion of IT investments in emerging markets in the section of global equity markets and a statement that “the higher productivity of IT industries, if maintained and spread further, will tend to raise potential output worldwide, benefiting both advanced and emerging countries” still leaves out the rest of the developing world. In view of this, we believe that it would be necessary in the near future to examine in depth the macroeconomic policies needed to take advantage of the “digital opportunity” and reduce the existing “digital divide” in order to address poverty issues and international inequality. This is an important requirement for “making globalization work for everyone” a reality.

4. We also feel the discussion of the transition experience, the special theme of this issue of the WEO, could have given more attention to the issue of poverty reduction. While the report notes that “the transition process has had a major impact on poverty and conventionally measured income inequality ... [and that] there is little doubt that the economic situation for a substantial number of people, particularly at the lower end of the income scale, has worsened”, poverty reduction does not feature as an item in the “Policy Agenda for the Future”.

5. The general point that informs the preceding comments is that it might be worthwhile to consider how the WEO analysis, and the IMFC discussions based on it, could occasionally be broadened to include a more direct examination of the links between economic policies, at both the international and national level, and the achievement of overriding objectives such as poverty reduction. This would make a significant contribution to achieving the greater policy coherence within

the multilateral system that is required in order to make “globalization work for everyone”. The ILO would naturally be willing to participate actively in this process.

6. On the review of the transition process, we are pleased to note the recognition of the importance of building a sound institutional framework. We do feel, however, that this does not go far enough in that there is insufficient recognition of the crucial role of sound labour market institutions in promoting a successful transition to a market economy. For example, the discussion of this issue in the chapter on the accession of transition States to the EU is centred on fears that adoption of the European Social Charter will reduce labour market flexibility. There is in fact little basis for this fear since, as the WEO itself recognizes, “applicants will still have substantial flexibility about how labour market policies are to be applied domestically once they comply with minimum standards”. In our view these minimum standards are essential for promoting the type of labour market institutions essential to a successful functioning of market economies.

7. Free and independent trade unions and employers’ organizations are essential for developing sound institutions for collective bargaining and social dialogue. Properly run, these institutions are important for promoting democratic and transparent governance, consensual adjustment policies, macroeconomic stability and improved social protection. Similarly, the importance of a well-developed labour market information system and efficient agencies for implementing active labour market policies deserves to be stressed. Developing labour market institutions based on autonomous trade unions and employers’ organizations in all the transition countries can be an important stimulus to long-term stability, entrepreneurship and growth as they progress in the transition process.

8. Turning to the paper on progress in implementation of the PRSP process, the ILO is pleased to recall that it is cooperating with the Fund and the Bank in the PRSP development process in selected countries. We also note with satisfaction the fact that “program momentum has continued to build over the last six months” and the wide range of partnerships with multilateral and bilateral agencies, as well as with NGOs, that has already been established.

9. As the paper itself discusses in detail, much remains to be done. In this connection we endorse the view in paragraph 5 on the need for more research to improve our understanding of the links between economic policy interventions and poverty reduction. We note in particular that one of the areas for further work is “the linkages between economic growth, macroeconomic policies, and poverty reduction”. This is a field of research in which the ILO is doing a considerable amount of work that could usefully be drawn upon for the PRSP process. This work is based on our view that the level and quality of employment provides the main link between economic growth and poverty reduction. Economic growth that is accompanied by rapidly expanding opportunities for the poor to acquire decent work is the most powerful engine for poverty reduction. As such, the overarching objective of the ILO’s work is to identify the policies that maximize the rate of growth of decent work in the global economy. This involves simultaneous action to promote policies and institutions that maximize employment growth and enterprise development, improve respect for core labour standards, strengthen social protection, and reinforce social dialogue and partnerships among employers and workers. We are in the process of making this approach operational at the country level and will be happy to share the results of this work with our partners in the PRSP process. Historically, every successful experience of poverty reduction has been linked to a significant increase in opportunities for decent work. In today’s global economy that means reducing the “employment gap” resulting from 150 million unemployed women and men worldwide.

10. Another aspect of the PRSP process in which the ILO has a strong interest and the relevant knowledge is the strengthening of popular participation in the formulation and implementation of poverty reduction strategies. The ILO has had a longstanding commitment to poverty reduction dating from the adoption of the Declaration of Philadelphia in 1944 and has, since its inception in 1919, been a tripartite organization involving representatives of governments and workers’ and employers’ organizations. All decision-making in the work of the ILO has thus been based on the participation of representatives of the groups most affected by it and we believe that there is much that the PRSP process can learn from this experience. For example, on the issue of the minimum requirements for a participatory process that is raised in paragraph 20 of the paper, it is relevant to note that freedom of association is a *sine qua non* for a genuine participatory process and that the ILO is actively engaged in promoting this through its Declaration on Fundamental Principles and Rights at Work. In order for markets to deliver equality of opportunity for all, freedom of enterprise and freedom of association must develop jointly. In this connection, we believe that the institutions for social dialogue that the

ILO has helped to develop in many of its member States constitute an invaluable base for the building of participatory processes for the formulation and implementation of poverty reduction strategies. Similarly, on the problem of the limited capacity of many organizations in civil society to engage in discussions of technically complex policy issues, we have two observations to offer. The first is that we have extensive experience in implementing technical cooperation programmes to strengthen the technical capacity of workers' and employers' organizations in developing countries to engage in policy dialogue. The second is that making *ex ante* social impact assessments of major policy options more widely and readily available would help significantly in overcoming this problem. With such information available to them civil society organizations could make more informed choices between competing economic policy proposals.

2. Statement by Mr. Somavia to the Sixty-Second Meeting of the Development Committee, Prague, 25 September 2000

The theme for the Annual Meetings: "making the global economy work for everyone" is most opportune. In fact, the international conferences that have taken place since last spring underscore the importance of this theme. The ILO has, on various occasions, emphasized that globalization is delivering enormous new opportunities, particularly as a result of the information and communication revolution in technology. However, there are reasons for concern as the benefits of globalization have been highly concentrated. In particular the global economy has performed poorly in meeting the majority of people's aspirations for decent work.

The Annual Meeting of the joint Bank and Fund Development Committee takes place against renewed optimism about growth of the world economy. In the words of the IMF's *World Economic Outlook*, "the outlook for the global economy has continued to strengthen, with GDP growth projected to increase in all major regions of the world". This has to be seen against the backlog of problems that drive the development agenda. Despite progress in recent years, unemployment and poverty remain pervasive. The ILO estimates that at present more than 1 billion workers – or one-third of the world's labour force – are either unemployed or underemployed. Of this total some 150 million are openly unemployed. Youth unemployment rates continue to be on average double those of adults. There are about 60 million young people between the ages of 18 and 24 who are in search of work but cannot find it. Two hundred and fifty million children below the age of 14 have to work – 60 to 80 million of them exploited in the worst forms of child labour. The task of creating jobs is becoming more and more daunting as the economically active population is projected to reach 3.5 billion by 2010.

It is against this backdrop that the issues proposed on the agenda of the Development Committee acquire added importance. The ILO welcomes in particular the novel topic on "poverty reduction and global public goods". We fully support the statement that "the trend toward global problem-solving has potentially significant implications for international institutions and for development assistance more broadly: new approaches and instruments will need to be developed to enhance the current national frame of reference". Clearly, it is necessary to develop a more integrated approach to policy proposals among major international organizations.

There is a feeling that in this crucial area, the multilateral system is under-performing. It is basically perceived to be a set of organizations working in parallel, relatively disconnected, each pursuing its own sectoral mandate despite important examples of joint cooperation. The capacity to deliver coherent policy advice is probably the most important global public good we can offer. For the international organizations to continue to be relevant as a multilateral "system", they must develop the capacity for integrated thinking on the basis of their respective mandates and experience. There is a need to promote *a shared understanding* of people's needs to reduce poverty, increase employment and promote social inclusion. Employment creation, whether wage- or self-employment, must be at the centre of that endeavour. Its absence is making democracy and markets appear unable to deliver decent work for people. It also weakens families by undermining their sense of dignity and self-worth. The Committee's document on "PRSP – Progress in Implementation" is right to note that "countries, NGOs, and donors have also stressed the importance of focusing on employment and the problem of 'jobless growth'". The Xth Summit of the Heads of State and Government of the G-15 echoed this in its statement in Cairo (June 2000) by recalling their "*initiative to the ILO under the caption 'Comprehensive Employment Strategy', which seeks to ensure the development of policies geared*

towards stable economic growth and social development. We reiterate the urgency for the ILO to design such a strategy so as to stimulate employment creation in all developing countries”.

The other issues on the agenda of the Development Committee are equally important, especially those related to progress made in the implementation of the Poverty Reduction Strategy Papers (PRSPs) and the initiative for debt relief of the heavily indebted poor countries (HIPC). Poverty reduction continues to be a central objective of international policy-making. This has been emphasized in various forums and aptly reflected in the G-8 Communiqué of Okinawa 2000 where leaders stated that they were “keenly aware that even now in many parts of the world poverty and injustice undermine human dignity, and conflict brings human suffering”. We fully share the concern to balance timeliness in the preparation of the PRSPs with their quality, but we also understand the need to speed up the PRSP process as a prelude to achieving concrete results. In this respect, the conclusions of the Committee in April 2000 remain relevant. Moreover, the question of country ownership is crucial for the success of the whole exercise. People would only support the reforms in which they have a stake.

Finally, the HIPC initiative must be supported. There is a need here also to balance macroeconomic cohesion with timely and tangible debt relief. The Millennium Assembly of the UN (September 2000) has emphasized the need “to implement the enhanced programme of debt relief for the heavily indebted poor countries without further delay and to agree to cancel all official bilateral debts of those countries in return for their making demonstrable commitments to poverty reduction”.

The ILO is actively working with its constituents to achieve these objectives in its areas of competence. It is within this framework that collaboration is taking place with the Bank and the Fund in their efforts to implement the PRSPs in two ways: (a) by promoting an enabling environment for job and enterprise creation as key components of sustainable poverty reduction strategies; and (b) ensuring the ownership of PRSPs by the countries concerned through dialogue between the social partners, governments, employers’ and workers’ organizations as well as pertinent civil society voices, using the Organization’s unique tripartite structure. Plans are under way to put this collaboration into practice at the national level in some selected PRSP countries.

This is being done within the framework of the *decent work* agenda, which has been endorsed by our constituency as well as the General Assembly of the United Nations and the Millennium Summit. Accordingly, “*the primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity*”. Decent work is the way ordinary women and men express their needs and aspirations. We have been focusing on building up the four pillars of decent work: creating employment, ensuring fundamental rights at work, providing social protection and promoting social dialogue, and now we are in the process of deepening and operationalizing the decent work agenda at the national level. In developing our mandate, we want to be a team player within the multilateral community in “making the global economy work for everyone”. We start from the premise that we all need each other to understand better the way globalization impacts on the different areas of our activity; in the case of ILO it is the world of work. We do not just mean coherence and coordination, but a truly integrated thinking, defining the big picture collectively, the new realities of a knowledge-based society in a competitive global market. In the statement to this Committee last April, we highlighted the major issues that needed to be addressed. Now, three areas are suggested where contributions could be made and synergies could be further achieved.

Understanding the way the global economy functions and its impact on the world of work. Major shifts are taking place in both the structure and nature of work. These will provide new opportunities, but may also result in different short- and long-term insecurities, and will certainly require fresh approaches to labour issues. A major challenge is how to understand the processes of change and design appropriate policies for coping with their impact on workers and their families. There is a need for a well-studied and broad-based understanding of the processes involved and their outcomes for human beings. These issues are being addressed by the Working Party on the Social Dimension of Globalization, which benefits from the participation of the World Bank, the IMF, WTO, UNCTAD, UN Development Group and other organizations of the multilateral system.

Acknowledging rights at work as part of development. A promotional approach is adopted based on constructive partnership, dialogue with the stakeholders, ownership by countries and joint definition of policy advice and technical cooperation needs. An active campaign to help member States implement the Declaration on Fundamental Principles and Rights at Work is under way. Particular

emphasis is put on the elimination of child labour, especially in its exploitative forms, following the unanimous adoption of Convention No. 182 on the worst forms of child labour. We are happy to see the World Bank accelerating its efforts in the area of international labour standards in general and child labour in particular in cooperation with interested countries. It is hoped that through international cooperation we can help every society to find ways to acknowledge that everyone at work has rights.

Ensuring that global public goods, represented by multilateral policy advice, help attain national objectives. Efforts are required to re-engineer international cooperation efforts to support national policy options. This is particularly important in the area of poverty reduction. The ILO strongly supports the objective of halving poverty by the year 2015, and is prepared to play its role in achieving this objective especially through technical policy advice based on the strong linkage between the promotion of decent work and poverty reduction. In this respect, the Bank and the Fund, as well as other members of the multilateral system, are invited to become partners in the preparations for, and the work of, the **World Employment Forum** to be organized in Geneva in November 2001. This has been endorsed by the 24th Special Session of the General Assembly entitled “World Summit for Social Development and Beyond” which “*recognized the need to elaborate a coherent and coordinated international strategy on employment to increase opportunities for people to achieve sustainable livelihoods and gain access to employment, and in this connection support the convening of a World Employment Forum by the International Labour Organization in 2001*”. It has also invited “*the International Labour Organization to facilitate a coordinated exchange of best practices in the field of employment policies to stimulate and expand employment generation, reduce unemployment, enhance the quality of work and improve labour market and employment services*”.

The ILO reiterates its readiness to be a partner in a team effort which aims at charting a global social agenda to ensure that the global economy works for everyone.