

**JOINT REPORT ON MEETINGS BETWEEN THE INTERNATIONAL TRADE UNION MOVEMENT AND
THE IMF AND WORLD BANK
11-13 December 2006, Washington D.C.**

Summary

IMF and World Bank management and staff met on December 11-13, 2006 with 62 labor union leaders, advisors and observers from 35 countries. Discussions focused on issues of common interest to the unions and the IMF and the World Bank, including debt relief, loan conditionality, and core labor standards. Guy Ryder, General Secretary of the newly formed International Trade Union Confederation (ITUC), gave an open seminar to WB/IMF staff on the challenges that globalization poses to trade unions. In his meeting with the unions, World Bank president Paul Wolfowitz emphasized the centrality of "jobs, jobs, jobs" in the development agenda, a goal that both the Bank and the unions wholeheartedly endorsed. In his discussion with the unions, IMF Managing Director Rodrigo de Rato underlined that the current state of the global economy presents opportunities not seen in two generations, but also new and complex risks. The IMF's role in helping countries to better understand those risks is complementary to union efforts to make globalization work for workers, he said. In the concluding session, the World Bank agreed to (a) consider trade union candidates for a secondment to the WB to work on the Labor Market Research Strategy; (b) facilitate more communication among sectoral focal points within the Bank and the union movement in some sectors; and (c) continue the WB's leadership role in promoting adoption of all core labor standards (freedom of association; non-discrimination; elimination of child labor; and ban on forced labor) in multilateral development bank procurement guidelines. The IMF expressed its interest in deepening dialogue with trade unions on global issues such as decent work, and said that it would explore the possibility of a trade union secondment to the IMF. Both IFIs and the trade unions agreed to hold a series of technical meetings on the following topics before the next high level meeting scheduled for 2008: pension reform, gender and labor markets, and reviewing the protocol for TU-IFI dialogue.

December 11, 2006

Report on Regular Enhanced Dialogue between Unions, IMF, and WB, including country-level consultation of unions: Stocktaking and next steps.

The Washington representative of ITUC/Global Unions gave a progress report on dialogue between the trade unions and the WB and IMF since the 2004 implementation of an agreement for regular enhanced TU-IFI dialogue. Commenting on some areas of agreement, such as regular thematic meetings, trade union secondments to the World Bank, and IMF country-level consultation of unions, he recognized areas of progress and highlighted areas where improvement was needed, including trade union "focal points" within the World Bank and the quality of IMF country-level consultations. He proposed specific improvements to the consultation process including: (i) implementation of two proposed TU secondments (telecom and labor market reform) and discussion on 1-2 additional secondments at the WB; (ii) a TU secondment at the IMF focused on country-level dialogue, and (iii) future technical meetings with both IFIs on the dialogue process, pension reform, and the impact of IFI policies on women workers.

The Director of Social Protection (SP) at the World Bank welcomed the trade unions to this meeting and congratulated them on the establishment of ITUC. He noted that the deeper level of interaction between the trade unions and the IFIs is a sign that the structure for dialogue introduced in 2002 is working well. He underlined that the dialogue is increasingly decentralized, both within sectors and geographically. At the sector level, the WB has developed a network of focal points corresponding to the appropriate Global Union Federation. Furthermore, Bank staff is encouraged to consult with unions at the national level. In response to a trade union comment that the IFIs had not supported or monitored trade union participation in the PRSP process, he explained that the emphasis of the PRSP on country ownership means that outcomes of the process vary considerably from one country to the next. With regard to the TU proposals for next steps, he affirmed that a secondment in the sector area of telecommunication to the WB would take place, subject to budget availability. The secondment for a project on labor market reform requires funding, which the Social Protection was seeking through a new multi-donor trust fund. The question of additional secondments would be discussed at the next technical meeting on the review of the TU-IFI. The director of SP concluded that the unions' proposals for the next technical meetings-- a the review of practice on WB involvement in pension reform, and (ii) the specific impact of IFI programmes on women workers--will be on the agenda.

The Chief of IMF Public Affairs welcomed participants and congratulated union members on the establishment of ITUC. She said that while having the same aims—managing globalization for the better good of all—union and IFI participants may sometimes favor different ways of doing so.. On consultation and interaction, she saw unions to be one of the groups whom the Fund talks to regularly through organized and substantive meetings. She explained that one of the positive results of the dialogue over these past few years has been to start to move on from an ideological debate to a more constructive one (at least at this “high level”). She hoped that making sure that this result “trickles down” would be one of the things to shape the dialogue going forward. She underlined that there is no benefit to these meetings if union members continue to be convinced that IFIs are simply following “neo-liberal” and “Washington Consensus” policies; and that IFI staff were to regard unions as simply trying to defend unsustainable status quos. She said that on the Fund side, most staff, and especially management, are convinced of the benefits of interaction with civil society; and that while not always agreeing with what they hear from the outside, they are generally willing to listen, and to be convinced of their error—if that is the case. She said she hopes that there is also an effort from trade union leaders to inform members about the IMF to dispel at least some misguided perceptions that persist.

The Deputy Chief of the Development Issues Division in the IMF's Policy Development and Review Department talked about a survey of mission contacts with trade unions. The survey covered both program and surveillance missions, but not technical assistance missions (other staff contacts with unions were also not covered). He said that all country desk economists had been surveyed regarding mission meetings with unions in the past two years and the overall response rate was 96 percent. The survey revealed that missions meet with unions in the majority of IMF member countries. Only two governments objected to such meeting. However, on a comparable basis, the proportion of country team meetings with trade unions on missions declined from 69 percent (2002 survey) to 63 percent (2006 survey). In about half of countries, missions met unions at least once a year. According to the survey, the dialogue covered mission's policy advice in all countries as well as union perspectives. 90 percent of responses

indicated that Fund staff found that the meetings were useful. There was general agreement that the meetings added to staff's understanding of local economic conditions. Staff found that there was a significant impact of the meetings on policy advice (45 percent of countries with mission meetings). In a number of cases, staff amended their policy advice in light of union assessment of political climate. The meetings helped sharpening the focus on addressing wage and pension arrears in some countries as well as on the need to raise social expenditure. He said that a secondee could follow up on why there might have been a decline in consultations.

During the subsequent discussion, a trade union representative from Mauritius emphasized the need for effective dialogue with the IMF, stating that in previous meetings there hadn't been sufficient time for consultation, trade union suggestions were not taken under consideration, and the IMF had told the unions they were being unfair to the government. A union representative from Serbia said the quality of dialogue with the IFIs had declined recently, which he attributed to a change in personnel. He said that quality dialogue with unions should be an institutional policy, and should not be dependent on the will of a particular IFI country representative. Finally, a trade union representative from Pakistan gave examples of the negative effects privatization in his country.

Developments in WB policy lending and conditionality reviews and IMF loan conditionality (Chair: WB Executive Director for Germany)

Representatives of the IMF and the World Bank made presentations on the status of WB's conditionality review and IMF loan conditionality. The IMF speaker (Chief of the Policy Review Division in the IMF's Policy Development and Review Department) explained that the origin of IMF conditionality draws from requirements in the Articles of Agreement regarding the need to provide safeguards for Fund resources and assurances to member countries of the availability of funds. But concerns with the reach of conditionality led to some revision in 2002 of the Conditionality Guidelines—a document that has evolved over the years. The revised guidelines state that national authorities should be in charge of designing and implementing their economic programs, with conditionality attached only to measures critical to program success—but to all such measures. The bottom line of the early record of the new conditionality guidelines shows a mixed set of results and indicates that, in some cases, more realistic timetables are needed. Concluding his presentation, the IMF speaker said that the IMF needs to always avoid “conditionality creep”. Further reviews are planned by IMF staff and the IMF's Independent Evaluation Office (IEO).

The WB speaker referred to the recent WB conditionality review, which shows that the number of conditions per policy-based operation declined from more than 30 in the mid-1990s to about 11-13 in recent operations. She discussed the good practice principles recommended in the review: (i) the Bank must reinforce country ownership; (ii) The government, WB, and other development partners should agree on a single, harmonized framework for measuring progress under the government's program (iii) the Bank should customize the accountability framework to the country's circumstances and never use it to add policy actions to the government's agenda or leverage outside preferences; (iv) only actions critical to the achievement of results should be made conditions; and (v) transparent progress reviews should be conducted to ensure predictable and performance-based financial support to countries. The WB speaker concluded that the Bank's recent practice in the use of conditionality is broadly consistent with the good

practice principles of the review. Though monitoring and review is ongoing, Bank management believes the WB has made satisfactory progress in implementing the recommendations of the 2005 Review of World Bank Conditionality. Further progress can be made in (a) disclosing analytic work upstream; (b) avoiding conditions on sensitive policy areas if ownership is uncertain or the political environment is fragile, and avoiding duplication of IMF conditions; (c) avoiding process conditionality; (d) reducing benchmarks; (e) aligning harmonized review cycles with financing needs to avoid intra-year cuts; and (f) providing baselines for results.

In the ensuing discussion, trade union leaders questioned whether changes to the IFI conditionality were merely semantics, for example whether a “benchmark” was just another term for “condition”, and referred to a recent government-sponsored conference in Norway where research papers showed a continuation of many types of intrusive economic policy conditionality. Trade union representatives provided examples of the negative effects of IFI conditions in their countries, such as IMF conditions on labor market flexibilization that had reduced trade union strength and led to a decline in collective bargaining in Colombia. One trade union representative disagreed with the WB’s assessment that its use of conditionality was consistent with good practice principles, citing Zambia, Uganda, and Mozambique as examples of countries where the Bank apply the principles. Another trade union representative said the IMF’s fiscal policy conditionality limited governments’ capacity to pay public sector wages, adding that trade unions opposed the use of economic policy conditionality. She also noted that IFI’ conditions, frequently determined without input from civil society, undermine PRSPs, which are supposed to be based on civil society consultation.

In response, the World Bank speaker stated that some of the issues raised by the trade union representatives concerned policy debates the IFIs held with government, rather than formal conditions; and that the Bank does not perceive benchmarks to be requirements. Both the WB and IMF speaker agreed that PRSPs are useful instruments for encouraging debate and help governments in making policy choices, but the IMF speaker reminded participants that policy making always involves some trade-offs. He said that fiscal policy conditionality reflects the resources that are available and that these choices have to be made by the government. The chair expressed the view that there was real change taking place as to the limitation of policy conditionality, that it was more than a public relations exercise by the IFIs. He also stated that it was incumbent on governments, not the IFIs, to make their policy choices.

Update on implementation and impact of debt relief and cancellation

Representatives of the IMF and the World Bank made presentations on the status of various initiatives, including the Heavily Indebted Poor Countries (HIPC) Initiative, directed at low-income countries. The WB/IMF representatives stressed that the HIPC Initiative has reduced debt stock and debt service, allowing indebted countries to increase poverty reducing expenditures. With increased financing flows directed at low-income countries, one challenge is to ensure that this aid can be used effectively to help them meet the Millennium Development Goals without disturbing macroeconomic stability. Another challenge is helping pre-decision point HIPCs through the process and maintaining debt sustainability in post-completion point HIPCs. In this regard, the IMF has designed, jointly with the WB, a debt sustainability framework for low-income countries to help them craft appropriate financing strategies to meet that goal. Avoiding

an unsustainable debt buildup is particularly important for countries that have received debt relief but remain saddled with poor debt management practices. The speakers concluded that although debt relief has given HIPC countries a larger perceived borrowing space, they remain highly vulnerable to exogenous shocks and often lack institutional strength. "Borrowing-as-usual" could lead to a rapid re-accumulation of debt in many of these countries. The international community must recognize the necessity of providing appropriate and predictable amounts of concessional funds to low-income countries and supporting focused technical assistance to help low-income countries build their own debt management capacities.

Trade union representatives expressed concern that debt relief initiatives included too many structural adjustment conditions, resulting in a delay in aid to needy countries. A representative from Nepal said that the IFI debt relief program conditionality had required labor market flexibilization and had actually increased his country's debt. Citing a paper by IMF Managing Director Rodrigo de Rato that called for a flexible approach in post-conflict countries, a TU representative suggested that the IFIs use more technical assistance and less rigid conditionality in debt relief programs, lest indebted countries turn to other lenders for aid. In response, the WB speaker said that the debt relief process is complex and requires technical assistance from the IFIs. She said that conditionality was necessary to achieve better performance in indebted countries, but that an appropriate balance was needed. Trade union representatives called attention to that the role of the trade union movement had in mobilizing IMF and WB for debt relief initiatives and in activating public support in industrialized countries for increased development assistance. They emphasized that trade unions be involved in the implementation of debt relief plans so as to reduce the social costs and ensure that debt relief monies are appropriately allocated.

Seminar: Creation of unified International Trade Union Confederation and of Global Unions Council: Implications for policy and actions

The Seminar was open to WB/IMF staff and well attended. The German ED introduced the General Secretary of the newly formed International Trade Union Confederation (ITUC), Guy Ryder, who reported that in November 2006 two international trade union bodies (ICFTU and WCL) and several previously non-affiliated national trade union federations, unified to become the ITUC. He described the new organization as highly representative, with 168 million members worldwide, and extremely pluralistic. Noting that while some unions saw the IFIs as unaccountable and monolithic, and a small minority of unions within the ITUC opposed TU-IFI dialogue, important progress had been nonetheless been achieved on TU-IFI consultations and core labor standards. Emphasizing that the TU-IFI dialogue must continue to show results, he identified policy coherence with other international institutions and achievement of the Millennium Development Goals and the Decent Work Agenda as areas where further work was needed within the IFIs.

The President of the Communications Workers of America (CWA) then spoke about the impact of globalization on workers in both developing and industrialized countries. Comparing waning trade union strength in the United States to growing trade union movements in Brazil and South Africa, he explained that there was a strong link between workers' rights and political rights and democracy. He emphasized that unions must work together internationally, or workers would lose jobs when companies chose to outsource their core functions in order to deny workers' rights. He praised the

International Finance Corporation's new performance standards on core labor standards, saying that the trade union movement and the IFIs must work together to implement them.

A WB representative encouraged the trade unions to comment on the latest WB publication *Global Economic Prospects 2007*, which finds strong growth in developing countries and lower growth rates in industrialized countries. He said globalization presents both challenges and opportunities for labor, in that it is contributing to a reduction in poverty and a growing middle class in developing countries, while putting pressure on high-income countries and jobs. The Bank predicts that over the next 25 years, the global economy and the middle class in developing countries will continue to grow, accompanied by a decrease in absolute poverty, especially in Asia. Africa would remain relatively stagnant.

In the ensuing discussion, a trade union representative questioned whether the Bank's economic interventions in developing countries were intended to increase shareholder value, rather than to protect workers' rights. Another TU representative pointed to the adverse impact of IFI-imposed economic policies on growth rates, noting that countries that had adhered to structural adjustment policies in the 1980's experienced lower growth than countries that had disregarded the IFIs' advice. He said Bank publications such as *Doing Business* define all forms of labor regulation as impediments to investment and promote reduced workers' protection. Other trade union representatives asked about the outlook for Africa. A Kenyan TU representative cited numerous impediments to growth in Africa, including poor family planning, HIV/AIDS, corruption, a lack of formal sector jobs, and low government revenue. In response to the union comments, the WB representative said that the discussion of equality of income and wealth is key. In Latin America, for example, income inequality is one of the underlying factors of poor growth rates in the region. However, this does not mean that the discussion should focus on workers' versus shareholders' rights, he concluded.

December 12, 2007 A member of the Board of Executive Directors at the IMF chaired the following sessions of December 12.

Employment, labor markets, and poverty reduction at the World Bank and IMF

World Bank's Approach to Social Protection

In his welcoming remarks, the chair underlined the importance of the tripartite relationship between business, governments, and labor unions to build an effective shared development agenda and meet the challenges of globalization. The Director of the Bank's Social Protection Unit then gave an overview of the department's recent work department, pointing to success in promoting labor and social protection issues within the Bank. The Bank has increasingly been engaged at the country and regional level in labor market and employment issues – from analytical studies to support of reforms and capacity building. Drawing from country and regional studies on labor markets, the Bank organized an international conference to consolidate the acquired knowledge on labor market conditions and identified areas for further research. Other areas of work include a major study on "pro-poor growth," and a joint research program with the Institute for the Study of Labor (IZA) research program on "Employment and Development," and joint initiatives with other international organizations, such as the Youth Employment Network

(with the UN and ILO), as well as informal cooperation with ILO. The SP unit of the WB has recently developed the MILES approach, a multi-sector approach to foster job creation, poverty reduction and growth. The WB representative asked the unions for their active participation in policy dialogue and input in identifying binding constraints to investment, functioning labor market institutions, education and skills development, and job creation. He said he envisioned the proposed multi-donor trust fund on labor markets could entail a technical committee in which unions could participate, TU participation in capacity building initiatives, and a secondment to the WB's labor market team.

The Sector Director of WB's PRMPR unit reinforced that country specificity has to be taken into consideration when looking at the constraints to growth and job creation. He underlined that when dealing with issues of strong social relevance, dialogue and partnership with stakeholders is as important as the content of the issue. He furthermore added the importance of international migration in the debate on employment and job creation and encouraged the unions to play a strong role in this discussion.

The Deputy Chief of the Development Issues Division in the IMF's Policy Development and Review Department said that while the Fund, unlike the Bank, recognizes in its Articles of Agreement high levels of employment and real income among its objectives, it is much less directly involved in labor and employment issues than the Bank and the ILO. He underlined that the Fund sees macroeconomic stability as critical for generating growth, employment, and higher real wages. In highly unstable macroeconomic situations, growth usually immediately falters and has negative impact on labor markets (including on the informal sector). Regarding the Fund's country work and its advice on labor market issues, he said that in preliminary research on IMF conditionality regarding labor markets, public sector wages, and public sector employment, the IMF found that of 69 IMF-supported programs, 24 included at least one structural reform linked to one or more of these areas. In analysis, it was found that there is not much policy advice relating to employment in low-income countries, more in middle-income countries, and even more in advanced countries. The IMF speaker said that while a common theme in the latter is promoting increasing flexibility in labor markets, this advice is fairly nonspecific. It tends to state the importance of flexible labor markets rather than how to achieve it, as that should be up to the countries. In low-income countries Fund staff advice did not address the structure of labor markets directly: it did not target minimum wages, job security, or regulations much. He said that the guidance on wages was always in the context of fiscal policy, but acknowledged that this can have direct or indirect implications for the labor market in general.

A representative from the ILO elaborated ILO's decent work agenda and the policy shift over time - moving away from a focus on the simple employment/unemployment divide and towards an emphasis on at quality of work.. ILO has promoted dialogue with local workers and employers' organizations, governments, and other stakeholders to define and analyze a decent work agenda in a country-specific context and draw policy programs.. Recent studies undertaken by ILO include an analysis on labor market conditions in more than 90 countries worldwide using 8 variables (unemployment rates, employment to population ratio, average earnings, percentage of working poor, government expenditure of social security, ratification gap, children in the workforce, and gender gap), which showed a reduction in or a worsening of labor market conditions in low-income countries, even when unemployment rates showed a downward trend.

The Washington representative of Global Unions gave a presentation on the joint report of the TU meeting with WB and IMF that took place in March 2006 and made suggestions on further improvements for cooperation. He suggested that the WB increase its focus on gender within its employment agenda, and that it recognize and specifically define the role of the ILO role as partner in its labor market research strategy. He criticized the Bank's "Doing Business" approach for as arbitrary and simplistic in its conclusion that labor market regulation is an impediment to investment and job creation. He cited cases in which countries' Doing Business scores were used to justify loan conditions requiring on labor market deregulation. Referring to regional studies on Central and Eastern Europe and China that encouraged countries to relax minimum wages, dismantle centralized collective bargaining, and be skeptical of "so-called labor standards", the union representative said the World Bank's advice to countries should focus more on Core Labor Standards and should take into account that coordinated forms of centralized collective bargaining lead to more equal distribution of income. The TU representative supported WB's intention to further analyze migration, and proposed the Bank further examine informality within the labor market. He concluded by welcoming WB's proposals on secondments and cooperation.

Following the presentation, union representatives from Croatia, Nepal, Colombia, Kenya, and the Dominican Republic explained the consequences of labor market flexibilization conditions in their countries, which they said had reduced workers' protection and increased poverty without producing a decrease in unemployment or improvements in social protection. A union representative from Nepal said that the Bank had instructed the government to bypass tri-partite negotiations with business and unions on a new labor and social protection system, resulting in a labor law that was unacceptable to the public. A trade union representative from Georgia noted that *Doing Business* had named his country a top reformer, but that WB staff was encouraging the government to make the labor market even more flexible. He questioned the labor market policies endorsed by the WB, such as restrictions on collective bargaining and reductions in job security for workers were coherent with the social policy reforms required by the European Union.

In their responses to the trade union comments, all three IFI representatives emphasized the importance of dialogue. The ILO representative said that improved collaboration between WB, IMF and ILO in the field of labor market diagnostics has a lot of potential and is needed. The IMF representative said both extreme rigidity and extreme flexibility in the labor market should be avoided, and that a middle ground could only be achieved through dialogue and greater sensitivity on both sides. The WB representative from the PRMPR department commented that country-level consensus was necessary to the success of reforms, but suggested that some of the unions' grievances were best addressed in national forums rather than directed at external institutions. The WB representative from SPU clarified that WB approach to the labor market aims to identify binding constraints to job creation, which may or may not include labor market institutions. He noted that *Doing Business* considers more than labor market regulation, but that some improvement and revision the report's labor market metrics were underway. He emphasized that the Bank had a good track record of working with countries, including some of the countries mentioned in the discussion, to improve social protection. He concluded that the WB takes collaboration with the ILO very seriously, but that the ILO needed to improve its research capacity in order to be a credible participant. The ILO representative concurred that in the area of labor market diagnostics, ILO-IFI collaboration lagged behind coordination other areas like health and education.

Discussion on IMF approach to international financial stability

In her presentation on international financial stability, an Assistant Director of the IMF's Policy Development and Review Department noted the IMF's Medium-Term Strategy (MTS) is trying to get the IMF back to basics laid out in Article I of the IMF's Articles of Agreement: achieving the ultimate objective of promoting growth, employment, and income, through international financial stability. The IMF's prime mission is to promote financial stability by serving as a forum for discussion among countries on how they affect each other and by providing a neutral, candid assessment of the world economy and country policies. The IMF also pursues stability and crisis prevention through financial assistance, debt relief, capacity building, technical assistance and training. After highlighting how the IMF mission of promoting stability changed in the last 10 years, she explained how the IMF now focuses on helping its member countries overcome the challenges of globalization. Among the focuses of the MTS are strengthening the effectiveness of surveillance, implementing multilateral consultations (MCs) between key parties on issues such as global imbalances, and a Remit-Independence-Accountability framework. Other priorities include increasing regional work to identify common issues within a region, and a possible new instrument for crisis prevention called the reserve augmentation line (RAL).

In the ensuing discussion, union members questioned that the IMF achieved the ultimate goal of job creation through its work on international financial stability. Positive remarks by a previous IMF speaker about positive effects of labor market flexibility on economic growth, living standards and employment levels were questioned. Union members asked how the MC was progressing and if it, given political power structures, could have a positive outcome with real impact. It was stressed that exchange rate adjustments should be done gradually. Union members asked if the IMF was still biased in favor of capital account liberalization, and questioned the role of hedge funds. Union members brought up the Fund's decreasing lending function, and asked if the RAL could fill the gap that the contingent credit line failed to address, maybe due to too much conditionality.

The IMF speaker responded that while she could not comment on the progress of the MC and while there may be inherent problems of asymmetry in the impact of surveillance the aim of the IMF is to treat countries alike. She said that the recently merged Monetary and Capital Markets Department will help the IMF move forward with the analysis of the interactions between financial sector activities, including hedge funds, and financial stability. On the IMF's role in regard to labor market flexibility, she said that while in the process of focusing surveillance the IMF acknowledges that sometimes these issues are not critical to external stability, there will always be cases where they are. She said it is too early to talk about the potential success of the RAL, while it is still being discussed by members. She also noted that there was a limit beyond which one could not move in terms of relaxing conditionality because the IMF needed to ensure that in a crisis its funds would 1) help the country adjust rather than add to its troubles, and 2) be repaid and made available to the other member countries.

Video-Presentation on HIV-AIDS in the transport sector

During the lunch-break union representatives from ITF showed a video on HIV-AIDS in the transport sector.

A World Bank ED chaired the following sessions:

Core Labor Standards in WB operations (IFC performance standards, IBRD-IDA procurement of works, etc.)

The Executive Vice President of IFC gave an overview of IFC's mission to support the private sector through investments and technical assistance to governments and the private sector. He elaborated the process of the adoption of the new IFC Performance Standards that were approved by the Board of Directors in February 2006 after an extensive consultation process with NGOs, labor unions, civil society groups, and other stakeholders. The standards create an ex ante requirement for each potential investment project in which compliance with the key features of all four core labor standard would be assessed. If violations are found, the IFC will not invest unless a corrective action plan is agreed with the client. If the client does not implement its obligations IFC could cancel the investment. Current initiatives multiply the effectiveness of these performance standards, e.g. through the updated Equator Principles, cooperation on this issue with export credit agencies in the OECD, as well as with other bi- and multilateral donor agencies. The IFC president encouraged unions to support the principles on a national and regional level, and thanked ITUC for its ongoing participation in IFC's labor advisory group. He declared that IFC's aim is to deliver good results on the ground for workers and clients and have a positive impact on development. Performance Standard 2 is a shared opportunity, he concluded, and implementation depends on collaboration with all stakeholders including trade unions.

The Director of WB's Operations, Policy, and Country Services (OPCS) addressed labor standards in WB procurement and the WB's use of the Country Policy and Institutional Analysis (CPIA) to measure country performance. He noted that the World Bank and other multilateral development banks already had clauses on forced labor, harmful child labor, and employment records in their standard bidding documents (SBD) for procurement of works, but that the WB would soon adopt all four CLS in its SBD, adding non-discrimination and freedom of association to existing requirements on child labor and forced labor. He said the WB intended to harmonize the wording of its procurement standards to that of the IFC performance standards. He underlined that the WB would continue its leadership role in promoting adoption of all core labor standards in multilateral development bank procurement guidelines. With regard to the CPIA, he said that an indicator has been introduced that refers to social protection and the labor market, meaning that the protection of basic labor rights is one of the standards against which the WB measures country performance.

Trade union representatives began the discussion by thanking IFC for its role in shaping Performance Standard 2 and for working together with unions to achieve positive results. They asked for an institutionalized machinery of systematic practice of consultation in order to enable the trade unions to contribute effectively to the implementation of the new labor standards and asked for further specification as to how IFC would ensure that the standards were respected by both clients and staff. IFC representatives replied that continuous information from the trade unions on the labor situation in client countries and firms is needed to identify cases of concern or high-risk situations as well as best practices. IFC is planning to recruit consultants to monitor labor standards and envision

staff trainings on CLS on a broader scale. IFC said it would discuss these issues with its labor advisory group. Responding to trade union inquiries about whether other multilateral development banks would be applying similar standards, the WB representative said the Bank was making an effort to get other banks to revise their SBDs to include the CLS, and that there had been some progress on this already.

Trade union representatives asked how the IFC and certain parts of the WB could, on one hand, affirm support for the CLS by making them a requirement in project lending, while on the other, continue to push for labor market deregulation and refer to labor standards pejoratively in other documents and policies. The chair of the session responded that the discrepancy could in part be explained by the fact that IFC works with private sector entities and chooses its clients whereas the World Bank works with countries and cannot intervene in their policies. He said that the “*Doing Business* approach” to labor market policy had been the subject of a lively debate among Executive Directors, and agreed that some of the indicators in the “Employing Workers” chapter of the publication were biased. Trade union representatives said that *Doing Business* should not be used as a guidepost in the WB’s CPIA exercise, to which the chair replied that the WB must be cautious with rankings because of their effect on markets and investors. The WB representative from OPCS reminded trade unionists that the CPIA considered both worker protections and labor market flexibility, and said that the Bank was continually improving transparency with regard to the CPIA.

Workplace HIV/AIDS programs

The Global HIV/AIDS Coordinator for the International Transport Worker's Federation (ITF) and a member of WB’s AIDS campaign team for Africa both gave presentations on workplace and HIV/AIDS programs. The ITF speaker highlighted the importance of HIV/AIDS prevention for development and stressed the impact that prevalence rates of more than 10 percent (as in most African countries) have on the world of work. In order to address HIV/AIDS issues, the workplace is a crucial place to (i) educate workers, (ii) hand out drugs, medication, and condoms, (iii) reduce vulnerability of (transport) workers, and (iv) unite the workers in the fight against HIV/AIDS. He said trade unions have a direct connection to the workforce and hence a comparative advantage in getting the message to the workplace, and that trade union programs also guarantee sustainability. He identified migrant and mobile workers as a particularly vulnerable group because of their long stays away from home, harsh working conditions, long waiting times at the borders, as well as due to limited access to health facilities, SDI treatment, and education programs on HIV/AIDS.

The representative of the Bank emphasized the role of trade unions in the battle against HIV/AIDS, which can affect economic growth through a variety of channels. To address this problem, the World Bank’s Multi-country HIV/AIDS program in Africa (MAP) offers long-term support to the countries most affected by the disease. At the national level, this program involves the establishment of AIDS Councils to coordinate this multi-sectoral demand-driven response, and a significant share of the program’s resources is channeled through communities. Moreover, the World Bank uses standard HIV/AIDS contract clauses and agreements in transport and infrastructure sector projects to protect workers’ rights; and liaises closely with ILO’s World of Work approach which aims at integrating HIV in existing world of work programs and strengthening the capacity of employers and workers to promote prevention and combat stigma. She agreed that trade unions could support the development of HIV/AIDS programs and

efforts to build awareness around HIV/AIDS issues through their privileged position as representatives of worker interests and their membership in national AIDS councils and commissions.

During the discussion, a TU representative from Angola pointed out that the discussion on AIDS should not focus only on Africa but should take a more global approach is needed. She said that preventative measures are crucial, but treatment - especially for the poorest and most vulnerable - is equally important. A representative from Public Services International (PSI) highlighted the need for more coordinated action, and offered the assistance of the trade unions to mainstream the WB's work on HIV/AIDS. A speaker from the ILO concluded by citing ILO's latest publications on HIV/AIDS, which are available on ILO's website.

Meeting with IMF/WB-Executive Directors

20 Executive Directors (EDs) and alternate EDs from the World Bank and IMF attended a separate meeting with the trade union delegation. The ITUC General Secretary welcomed the EDs and began the meeting with a short presentation of trade union views on conditionality, debt cancellation, *Doing Business*, and core labor standards. Following his presentation, several EDs expressed their view that both institutions were taking positive steps towards reducing the use of conditionality. Some EDs explained that while some conditionality was necessary, they agreed that it had been over-used and unfairly imposed on countries in the past. They indicated that there was important progress on conditionality, and that in many cases, the IFIs were moving towards a cooperative "partnership approach" with countries in determining appropriate loan conditions. Many EDs commented on *Doing Business*. Some argued that the publication should be scrapped entirely, many criticized only the chapter on labor market regulation, and a few defended the publication as an important tool for presenting a "snapshot" of countries' policies. Some EDs also expressed concern that *Doing Business* was incorrectly interpreted and wrongly used as a policy driver, and that its methodology was questionable. A few EDs agreed that the IFIs should support the CLS, but were firm in their assertions that the IFIs should not make adherence to CLS a condition of policy-based lending. One ED questioned whether it was not, in fact, contradictory for unions to complain about IFI interference in countries' labor market policies while at the same time asking the IFIs to be concerned about countries' adherence to CLS. None of the EDs commented on debt relief.

December 13, 2007 An Executive Director from the IMF chaired the following sessions.

Meeting with the President of the World Bank

The President of the World Bank welcomed the trade union delegation by acknowledging the impressive breadth and quality of the delegation. He congratulated the unions on the recent formation of a unified international trade union movement. He affirmed the World Bank's commitment to continued dialogue with the trade unions at both the international and national level, citing recent meetings he'd had with trade union leaders in Davos and with the president of the ILO. The president of the WB then raised the importance of CLS and the leverage lenders have to require adherence to CLS and encourage other multi- and bilateral donors to follow IFC's and WB's approach. Stressing that trade unions and the WB have a strong common interest in job creation, Mr. Wolfowitz then discussed labor market regulations. Using the example of Burkina Faso, he explained that regulation in some of the poorest countries is much higher than

in any OECD country and is as a major obstacle to job creation. He said small and micro enterprises in the informal sector have huge potential to grow into medium and large enterprises if the business environment is right, so it is key to create a regulatory framework in which people have incentives to participate in the formal sector. High taxation, bureaucracy, and restrictive labor market regulations can hinder small business development and hence, job creation. As a third point, Mr. Wolfowitz stressed the importance good governance to foster growth and improve employment. The new governance agenda of the WB is an opportunity for jointly pursuing WB's and trade unions' shared objectives. Trade unions are well placed to work with the WB on issues related to corruption, accountability, and transparency. Mr. Wolfowitz closed his statement with an appeal to all parties to lobby for more foreign aid worldwide in order to fight poverty and foster growth and job creation in the developing world.

After welcoming recent progress at the Bank on debt relief, reducing conditionality and promoting CLS and agreeing that continued, substantive WB-union dialogue was essential, the president of ITUC responded to the issues discussed by the WB President. On labor market regulation, he said that while unions accepted the utility of *Doing Business* data on some issues, such as business registration, the labor market chapter was problematic in that it suggests that the best business environment is one in which there is no labor market regulation. He expressed particular concern that *Doing Business* was sometimes used as the basis for conditionality on labor market reform.. While he agreed with the WB president that jobs were important, he emphasized that creating good jobs was a priority. He suggested the WB could make progress towards this goal through increased policy coherence with other international institutions, particularly the ILO. He agreed that development aid, debt, and trade unions were important concerns and committed that trade unions would continue to build awareness on these issues, especially in with the G8 governments. He also said that trade unions had an important role to play in the fight against corruption and the promotion of good governance.

The president of the US AFL-CIO began the discussion by affirming that development aid and debt relief were important issues for the US trade union movement, and said that recent debt relief initiatives had not gone far enough in helping poor countries. He welcomed the WB's new anticorruption strategy, but expressed regret that the strategy failed to mention the valuable role of trade unions, particularly those in the public sector, in fighting corruption. Other trade union representatives raised concerns with WB practices in their countries, such as a case in Croatia where restructuring and privatization processes had negative ramifications for workers. A union representative from India attributed deteriorating quality of employment low or no social security, poor working conditions and low wages to IFI pressure to liberalize trade liberalization and lower labor standards. In response, the WB president said that the Bank was still refining its anticorruption strategy, and needed to hear more from trade unions about their efforts. He agreed with a trade unionist's suggested that there needed to be more explicit targets on jobs within the Millennium Development Goals, and said he was interested in learning more about the country cases brought up during the discussion.

Meeting with Managing Director Rodrigo de Rato, IMF

The IMF Managing Director welcomed participants and congratulated union members on the establishment of the ITUC. He said that financial globalization has brought about strong world growth, increased the capacity of emerging economies to cope with high oil

and commodity prices, allowed the financing of large global imbalances without major repercussions on global growth, and led to a dramatic drop in the need for public funds by emerging economies that obtain financing through the markets. However, Mr. de Rato continued, globalization has also increased tension from unequal distribution of the benefits of growth, leading to dangerous results, such as protectionism. Current global imbalances are not sustainable and if they unwind in a disorderly manner, they could result in a sudden global downturn. To address this issue, Mr. de Rato explained that the Fund has organized a Multilateral Consultation, bringing key players together to talk about reducing imbalances gradually while sustaining global growth.

Mr. de Rato noted that the Fund has had to rethink its role and strategy, to become more focused and relevant in its advice, and to identify the challenges from shifts in economic and social trends. He said that the Fund is changing its governance to reflect the changing world and to ensure the voice of low-income countries is heard. This led to the decisions at the 2006 Annual Meetings in Singapore to increase the voting shares of some emerging market economies. He stated that the Fund is looking at new instruments to respond to future financial crises and to help emerging markets face external shocks. It is also clarifying its role in low-income countries. The Fund is also devoting more resources to better understand the linkages between macroeconomic policy and financial markets. Mr. de Rato observed that the IMF's work on reducing risks and helping countries understand the nature of financial risk complements ITUC's work on tackling the problems of globalization. The more the IMF understands different views, the better the advice the Fund can give to countries.

In response, the president of ITUC asked if the Fund recognizes the distributional effects of globalization as part of its core mandate and sees scope for greater coordination with other international institutions. The IMF is viewed as putting pressure through strict inflation targets and workers suffer when interest rates are set too high and countries liberalize trade. Implementation of the right policy frameworks and policy revision to properly combat corruption requires both governments and international institutions to be held accountable. Mr. de Rato replied that the Fund is a focused, public organization whose core focus is determined by its Articles of Agreement. In cases where poverty is a macroeconomic issue, the Fund includes it as part of country discussions to create fiscal space for resources for such issues. Although the Fund works closely with the World Bank and other international organizations, greater coordination is needed with public institutions and unions to achieve the MDGs. The key to the right balance in labor policies is ensuring a homegrown approach and knowing that 10-15 year business cycles are needed to make lasting changes. Rigid labor markets and high inflation do not lead to sustainable growth. Mr. de Rato stated that unions play a role in building good institutions and ensuring transparency to fight corruption.

Other union members stated that wage increases in Europe are lower than productivity and inflation rates, which is increasing inequality. Liberalization of markets undermines unions' efforts to redistribute profits. They also asked if the IMF will provide advice on regulation of hedge funds and private equity firms. An Angolan union representative said that IMF conditionality has led to greater unemployment and a deepening of poverty in the country. In response, Mr. de Rato said that financial competitiveness and market liberalization in Europe has led to higher growth rates and that inflation is not a strong risk if a neutral monetary policy can be achieved. He acknowledged that redistribution is an important issue, but is part of the domestic political debate. Turning to hedge funds, he said that regulators need more transparency to know the level of leverage behind

hedge funds and the IMF is devoting more resources to better understand the issues. Responding to the comment on Angola, he said that although the country has made significant achievements in growth rates and lower inflation, the government must work with the IMF to prioritize investment, increase transparency, and implement a macroeconomic policy to combat high poverty levels and ensure sustainable growth.

WB's anti-corruption and governance initiative

The Director of Public Sector Governance at the WB gave a presentation on WB's anti-corruption and governance initiatives with a focus on current undertakings which include: (i) a strategy paper on how to strengthen the World Bank's work on governance and anti-corruption; (ii) extensive consultations in 34 countries in the developing world; (iii) an international Anti-corruption Conferences. He elaborated the importance of the initiative for the WB. First, poor governance and corruption imposes major costs for the poor. It has major implications for inequality amongst people and amongst firms. It leads to poor service delivery and it leads to lack of competitiveness. Second, stakeholders in recipient countries are putting the agenda for good governance and anti-corruption on the map. Citizens, civil society groups, and governments are asking to fight corruption and poor governance. Third, a significant scaling up of aid is needed, but this implies to give assurances to donors/lenders that aid-money is spent wisely and not wasted. After explaining the content of the strategy, the WB-speaker described the mechanisms in place to apply the strategy, including a system of performance rating for low-income countries and analysis of governance issues in all country assistance strategies (CAS). Though, different country situations require different approaches, the WB aims to identify entry points to combat corruption. Even in countries where the government is not interested in combating corruption, the WB will try to ensure that basic services reach the poor. The WB speaker stressed that in the field of civil service reform, unions have a major role to play by holding executives accountable. Best practices of external oversight by civil society organizations and competition amongst agencies were cited and have proven to be very useful.

A representative of public sector trade unions criticized the IFI approach for focusing too much on bribes to public officials, while ignoring of corruption in high-levels of government and the private sector, a point echoed by other trade union speakers. He and other trade union representatives also noted that in many cases, privatization and structural adjustment programs had increase corruption dramatically. One TU speaker categorized the WB's approach in the 1980's and 90's as "private sector = good, public sector = corrupt" and said that this bias seemed to persist in the WB's new governance strategy. Another TU representative warned that while the Bank may see the private sector as an entry point in the fight against corruption, oversight and regulation of private sector activity was extremely weak in many countries. Several trade union speakers called attention to the role of workers and unions in the fight against corruption. Citing examples of trade unionists in the Philippines who had risked their jobs and lives to expose corruption, one called for better protection for whistleblowers. Another mentioned that in his country, the Dominican Republic, the low salaries paid to police officers and soldiers was a factor behind corruption and violence there. While the unions were generally very receptive to the WB's new strategy, some representatives expressed concern that it could lead to additional burdensome conditionality and people would be suspicious of the Bank's efforts if it carried out its work behind closed doors.

In responding to the concerns raised, the WB speaker assured the trade unions that the Bank was using a broad framework to promote good governance, and not simply “pointing the finger” at public employees. Rather than being punitive, the strategy would recognize and reward good performance in the public and other sectors. He recognized the need to spotlight courageous whistleblowers and said he accepted the trade unions had an important role to play and that unions and other civil society organizations should be empowered to work with the Bank on its governance efforts. He concluded by encouraging all parties, including IFIs, to improve their transparency and participation mechanisms.

Conclusion of high-level meetings

The German ED opened the concluding session by emphatically encouraging the trade unions to work jointly with the WB and the IMF, as well as with their local governments on issues such as job creation and the quality of jobs, good governance, HIV-AIDS, and poverty reduction.

The trade union speakers identified three points of agreement in their final statements: (i) a commitment to an improved dialogue between IFIs and the trade unions including scaling up trade union involvement in the WB’s labor market research program; (ii) the agreement to hold the next technical meeting in late fall 2007; and (iii) an effective collaboration between IFC and WB and the trade unions to implement core labor standards. Trade unions commented that significant progress has been made in the field of debt relief, but they would like to see an expansion of debt relief initiatives to other countries. Trade unionists reiterated their critique of the labor market section of the *Doing Business report* as well as their concerns about the inclusion of labor market flexibility criteria in the CPIA. They encouraged the Bank to be coherent on labor standards, and offered their help in this respect. Noting the effectiveness of WB-trade union cooperation on HIV/AIDS, the trade union speaker reminded that the Bank that similarly positive outcomes could be achieved by engaging unions in the Bank’s governance and anticorruption agenda.

The Chief of IMF Public Affairs concluded that the meetings showed that both the upside and the downside of globalization are concerns for both unions and IFIs, especially employment creation, social inclusion, and the reduction of poverty and inequality. Looking forward she said that while the process of dialogue is very useful for airing concerns and raising awareness in both directions, the Fund would like hear more from the unions on how they believe some of these global problems should be tackled, or at least analyzed. A technical meeting on dialogue should look at how to foster a deeper, more substantive forward-looking discussion of the economic debates, rather than primarily discussing the form and the frequency of the meetings. The IMF speaker said that the IMF will review its guidance to staff on steps to improve the *quality* of the country level interaction. On a possible secondment (subject to the availability of IMF resources), the IMF would like to pin down in more detail what that person could look at and what might be produced as an outcome. On a technical meeting on the specific impact of IFI programs on women workers, the IMF will look into potential impact analysis of IMF supported-programs, but it likely will rely on the Bank’s work, also reflecting the efforts to reduce duplication and promote better coherence between international institutions.

The Director of the Social Protection and Labor Market team concluded for the WB with a number of suggestions on enhancing the dialogue and next steps. First, he proposed

that interaction between the WB and the trade unions should not only be improved on the institutional level but on the country level. He enumerated topics of common interest including women workers and migration. Second, he reiterated that the WB will facilitate improved communication between focal points at the WB and the trade union counterparts. He closed the session was closed by thanking all participants and reiterating the importance of the dialogue between the WB, the IMF, and the international trade union organizations.