

**Joint Background Paper:
Review of Five Years of Structured Dialogue between the International
Trade Union Movement and the International Financial Institutions
December 2007**

I. Introduction

1. Although the International Monetary Fund (IMF) and World Bank were founded in 1944, the policies of the international financial institutions' (IFIs) only became issues of major concern for the international trade union movement around the early 1980s. The concern coincided with the application of structural adjustment policies by the IFIs in programmes supported by loans to developing countries. Some of these programmes included conditionality involving liberalization of trade and investment, limitations on public spending, privatization of state-owned enterprises and services, and changes to labour market regulations. These conditions were perceived by many developing-country trade unions to negatively affect employment and conditions of work in formal labour markets. Starting in the early 1990s, trade unions in the "transition countries" of Central and Eastern Europe and the former Soviet Union began expressing similar preoccupations after their governments joined the IMF and World Bank and, in many cases, embarked on rapid restructuring of their formerly centrally planned economies.

2. The World Bank and the IMF for their part, began interacting with trade unions in the 1990s as the International Confederation of Free Trade Unions (ICFTU), World Confederation of Labour (WCL) and other international trade union bodies began attending policy dialogue sessions and meeting with IFI officials to discuss macro-economic policies. Both the World Bank and the IMF found this interaction important as trade union confederations have large membership bases and thus come to the table with a clear representation mandate, and also are accustomed to working with broad economic issues such as employment, labour laws and trade. On the other hand, the World Bank and IMF felt that trade union confederations were overly critical of their economic policies and failed to recognize many instances where sound economic policies led to sustained economic growth, sustained job creation and poverty reduction. For this reason, the World Bank and the IMF have welcomed this intensified engagement as it allows both sides to better understand the differences in views and find common ground.

3. In several countries, trade unions made their positions about the impact of IFI-sponsored structural reforms known to their governments. Frequently, governments deflected trade unions expressions of concern about these policies by claiming that they had no control over the loan conditions they had agreed to. The World Bank and the IMF, however, often pointed out that governments had the responsibility for decisions taken on economic policies. Trade unions began to meet with representatives of the IFIs to express their views on their policies, which was facilitated by the IFIs' policies to provide more public information and intensify the dialogue with civil society organizations. These took place first on a country level and later, multi-country delegations of trade unionists met with officials of the IMF and World Bank to discuss the impact of certain IFI policies on workers and proposals to mitigate negative impacts.

4. By the end of the 1990s, high-level meetings of the IFIs with the two international trade union organizations, ICFTU and WCL, started taking place approximately every two years. In February 2002 all parties concerned – ICFTU/Global Unions, WCL, IMF, World Bank – decided to adopt a protocol for regular enhanced dialogue, making official a schedule of biennial meetings along with follow-up mechanisms to ensure that commitments made were applied. The protocol also included provisions for joint technical meetings on specific themes, possibilities of other forms of exchange, and the objective to arrive at more regular structured dialogue between trade unions and the IFIs on the country level (the protocol is annexed to this report). Importantly, the two international trade union organizations, which had held separate relations and meetings with the IFIs until then, decided to carry out all of their IFI-related work jointly from February 2002 on. Five years later, in November 2006, the ICFTU and WCL unified to create the International Trade Union Confederation (ITUC).

5. The present joint background paper reviews the activities that have taken place since the adoption of the February 2002 protocol for regular enhanced dialogue between the international trade union movement and the IMF and World Bank. It presents some assessments of the impacts of the protocol that have been made by the international trade union organizations and by the IFIs. It includes some suggestions for improvement, submitted for examination at a joint meeting organized to study the functioning of the protocol and to recommend changes to it (10-11 December 2007 in Washington), but not to the exclusion of any other proposals that may arise.

II. Country-level dialogue

Surveys

6. **IMF.** In November 2007, the IMF conducted a new survey about mission contacts with trade unions during programme and surveillance missions. The first of these surveys was held in 2002, followed by a second in 2006. As in previous years, all IMF country teams were surveyed regarding mission meetings with unions in the previous two years. The latest survey reveals that mission teams continue to meet frequently with unions in the majority of IMF member countries. In addition, in many countries the IMF's resident representatives regularly meet with labour unions as part of their outreach activities; these meetings, however, are not covered by the survey. Only two governments objected to meetings between Fund staff and labour unions, and the proportion of country teams meeting with trade unions on missions increased from 63% (2006 survey) to 67% (2007 survey).

7. In more than half of the countries, IMF missions meet unions at least once a year. As in last year's survey, almost all mission teams see their meetings as useful opportunities to learn about trade unions' views and clarify Fund policy advice. IMF staff found that there was a significant impact of the meetings on their policy advice, although this time somewhat less than last year (38% of countries with mission meetings, against 45% in

2006). The meetings help in shaping the missions' views in many areas, such as monetary policy and wage policy.

8. **World Bank.** The objective of the Bank's survey was to assess the perception of World Bank staff about the Bank-trade union consultation processes in the last two years, especially at the country level. The results reveal a rather complex mix of perceptions, evaluations and actions regarding the topic. However, they suggest the possibility of a progressive improvement of the relationship.

9. According to the survey, interaction of World Bank staff with trade unions is widespread (89% of respondents declare having contact with trade unions during the past two years), and mainly with umbrella organizations. In the majority of the cases, Bank staff meet with unions more than once a year. When Bank-union dialogue does happen, it seems to cover quite a wide range of topics. Most interviewees consider the meetings helpful: even though union leaders are not prepared in economic matters, they are knowledgeable counterparts when negotiating benefit packages and working conditions. Unions can also become good sources of information and inputs regarding broader economic, social and economic situations, thus offering valuable support in project design and implementation.

10. Bank staff consider World Bank-trade union consultations to be less helpful than consultations with other civil society organizations. The contrast between the supposedly technical approach of Bank staff with the political character of unions, seem to be one of the main reasons behind this. Lack of negotiating skills and perceived arrogance from World Bank staff, combined with perceptions of political agendas and the lack of technical knowledge of unions, are considered to represent the most important impediments to a better Bank-union understanding. However, all these barriers are perceived to be rapidly changing for the better.

11. **ITUC.** In October-November 2007, the ITUC carried out a survey among its national affiliates by written questionnaire on union organizations' relations with the World Bank and IMF – whether meetings were taking place, the subjects covered and the results – and knowledge and assessment of the global union-IFI dialogue. The proportion of respondents who stated that their organizations had some contact with the IFIs is the same for the World Bank as for the IMF, 63%. However those who had meetings (as opposed to simply “contacts”) in the past three years were only 46%, with more than one meeting per year being more frequent at the Bank. All of the respondents who did not have meetings with the IFIs stated that they had never been invited, i.e. no meetings were refused.

12. Among those unions that had meetings with the Bank, the themes mentioned most frequently as having been discussed were: poverty reduction strategies (41%), country strategies such as the CAS (36%), social protection programmes (23%) and privatization (18%). For meetings with the IMF, the topics most frequently mentioned were the country's economic conditions and policies (64%), privatization or restructuring (36%), fiscal or monetary policies (32%) and labour laws (27%). Only a small number of

respondents said that there had been follow-up to meetings: 13% with the Fund and 9% with the Bank. Asked to evaluate the results of meetings, 70% of respondents found those with the Bank to be satisfactory; with the IMF, 68% considered the meetings satisfactory.

13. Trade unions were asked what they knew of the kinds of activities in which the IMF and World Bank were involved in their country, regardless of whether they had meetings with the IFIs. The numerous and varied responses indicate a broad knowledge of IFI country-level policies and programmes. Asked to describe the impact of the Bank's involvement, 21% of respondents felt it was positive, 38% negative and 42% thought there was no impact or did not know. More than half, 51%, had a negative evaluation of the impact of the IMF's involvement, while 15% gave a positive assessment and 33% thought there was no impact or did not know. As for the global dialogue between international trade union organizations and the IFIs, the highest number – 41% – thought the dialogue with the Bank had a positive impact, 3% thought it was negative, 28% thought that the dialogue had no impact or was mixed and 28% did not know. Concerning the dialogue with the IMF, 25% thought it had a positive impact while 8% thought the impact was negative. The highest number, 42%, considered the dialogue with the IMF to have no or mixed impact and those that did not know were 25%.

b) Country cases

14. In November 2007, the World Bank, ITUC and IMF conducted a joint qualitative survey in Bulgaria and Zambia of the IFIs' exchanges with trade unions. Telephone interviews were carried out with national trade union officials and staff of the Bank and Fund engaged in country-level consultations in these countries. Issues discussed included the rationale for dialogue; perception and experience with the ongoing dialogue; and recommendations to expand relations at the country level.

15. All parties agreed that the dialogue has allowed the unions, the IMF and the World Bank to learn about each other's analyses of problems faced by the countries' economies and to exchange views regarding challenges for policy. The unions stated their overall assessment that the meetings were valuable as a source of information, noting that it was useful to learn directly from the IFIs what their positions were rather than having to rely solely on governments' depictions of the institutions' views. However in one country, unions expressed disappointment with the level of discussion and in both they felt their advice was not taken into consideration by the IFIs. Concerns were also raised about the difficulty of access to IFI documents in locales with poor Internet access as well as the scarcity of country-level reports in languages other than English. The countries' unions recommended that the IFIs consult alternative sources of information and economic analyses and suggested an increase in the frequency of dialogue at the country level.

16. Both the IMF and World Bank saw the consultations as useful opportunities to learn about trade unions' views in the countries and an important source of information, especially in areas such as working conditions and wage policy. The IFIs in both countries stated that the consultations had an impact on their policy advice. However

they expressed some concern about the consistency of unions' positions and felt that it would be useful if unions devoted more research to their policy analyses. Noting that in a few cases emotions tended to run high in meetings, the staff of IFIs thought that efforts could be made for the dialogue to be more constructive, for example by unions being willing to rectify possible misperceptions about IFIs' policies. A point on which all parties appeared to agree was that the level of discussion could improve if unions were to have greater access to capacity-building on economic policy. There was also agreement that all parties would benefit if meetings between the IFIs and unions were held regularly and that all participants should have an open mind to learning about the views of the other party during the meetings.

III. Sector-level Dialogue

Focal points

17. Focal points within two World Bank sector units, Education and Public Sector Reform and the corresponding Global Union Federations (Education International and PSI), were formally established in early 2004 to enhance the communication between trade unions and World Bank staff on projects and policies that involve both parties. The Bank agreed with a trade union proposal at the October 2004 high-level meetings to expand the system of focal points. Subsequently, it was agreed to create a total of eleven sector or thematic focal points (Education, Education and HIV/AIDS, Energy, External Affairs, Health, Private Sector Development, Public Sector Reform, Social Development, Social Protection, Transportation, and Water and Sanitation) and Terms of Reference were formulated.

18. World Bank-trade union focal points can create a point of entry for trade unions inquiring about Bank projects and policies, while for Bank staff – and especially programme task team leaders – trade union focal points can serve as a counterpart that provides direct access to country level trade unions. If both parties agree and resources are available, the work of and with focal points may lead to a focused, joint and sector-specific work programme (e.g. surveys, capacity building events, staff secondment or research initiatives). The World Bank's Social Protection unit held a meeting with the Bank's focal points in October 2007 to take stock of past and current interactions with TUs. At the same time, ITUC/Global Unions interviewed the trade union focal point counterparts individually and determined that some were used for regular Bank-union dialogue but that others were not functioning. The World Bank and Global Unions agreed that a review of focal points in sectors and themes, including possible additions or deletions and actions to help them attain their intended goals, should be undertaken.

b) Secondments

19. During a meeting with an ICFTU/Global Unions delegation held in October 2000, World Bank president James Wolfensohn proposed that some trade union officials be "seconded" to work for short periods within specific departments on themes agreed

between the Bank and the international trade union movement. The Bank president's office provided limited financing to facilitate the pilots. After further discussions to work out the modalities, five trade union secondments to the World Bank took place between 2003 and 2005. The following paragraphs present a brief description of the secondments and their results.

20. ICFTU-AFRO on trade unions in PRSPs. The economic policy director of the African Regional Organization (AFRO) of the ICFTU, Lawrence Egulu, was assigned to the Bank's Social Protection unit (HDNSP) for an 11-month secondment in 2003 to study the role of trade unions in the formulation and implementation of Poverty Reduction Strategy Papers (PRSPs). The secondment followed an earlier meeting between trade unionists from several countries and the Bank on poverty reduction strategies. He carried out research on PRSP processes in 23 countries, interviewing trade union officials in each country as well as IMF and World Bank staff, focussing on whether unions had been invited into the national process or encountered obstacles, the nature of their participation, and the impact unions had, notably on labour-related issues in the PRSP. The results, which the Bank published in an SP Discussion Paper entitled "Trade union Participation in the PRSP Process" (August 2004), highlighted positive examples of participation, as well as difficulties encountered by trade unions in attempting to take part in PRSP processes in some countries. While most governments have incorporated unions in the PRSP formulation; a few did not involve them, or opted to deal with some specific groups. In countries where more than one national trade union federation existed, at times, some unions did not participate. The lack of capacity within unions remains a major deficiency, and shallow and ill-prepared consultations seem to deter effective trade union engagement. The research appears to have contributed to ensuring that unions were invited more regularly into national PRSP processes, since the ICFTU observed that the number of complaints concerning exclusion of unions from PRSP preparations diminished starting in 2004.

21. Public Services International (PSI) on restructuring of public services. A former member of the executive committee of PSI, John Fryer, was assigned to a three-month secondment in 2003 to the Public Sector Governance department (PRMPS) to advise the Bank on improving consultation with trade unions during Bank-sponsored public service restructuring programmes. His report, "The World Bank and Public Sector Unions: In Search of a Policy?", recommended early information and consultation with local trade unions on Bank-sponsored reforms. It was followed up by meetings involving the Bank, PSI and Global Unions' Washington office, which led to the creation of the first trade union-World Bank "focal point" relationship in 2004. At the October 2004 high-level trade union-IFI meetings, it was agreed to extend the focal point formula, a mechanism for rapid and direct communication between a World Bank unit and the relevant international trade union entity, to other departments of the Bank.

22. International Federation of Building and Wood Workers (IFBWW) on labour standards in World Bank procurement contracts. During a two-month secondment in 2004, the director of occupational health and safety at the IFBWW (later changed to BWI: Building and Wood Workers International), Fiona Murie, formulated and presented

recommendations to the Bank's Procurement team (LCOPR) for improving the labour clauses in the Bank's Standard Bidding Document for Procurement of Works (SBDW). The SBDW is used to establish legal obligations for contractors who carry out Bank-financed works, most often for infrastructure projects. Her report, "Improving Working and Living Conditions in Construction: Addressing Needs through International Labour Standards in World Bank Procurement", was used by the World Bank and the regional multilateral development banks (MDBs) for revision of a harmonized SDB. New labour clauses were incorporated into the revised SBDW, some as common clauses applied by all of the MDBs and some as World Bank-only clauses. Since May 2007, the World Bank's SBDW includes a requirement that contractors observe all four of the ILO's core labour standards.

23. *World Confederation of Labour (WCL) on country-level dialogue between unions and the World Bank.* Faustina Van Asperen from WCL headquarters spent six months in 2004-2005 with the civil society team in the World Bank's External Affairs department (EXT) in which she met with staff throughout the Bank, participated in numerous policy discussions, and helped organize a global Bank-CSO policy forum. She also carried out research which resulted in a report published by the WCL in May 2006 entitled "Building Strategic Relations: The Evolving Relations between the WCL and the Bretton Woods Institutions – Progress and Difficulties". (In November 2006 the WCL became part of the newly unified ITUC.) The report, based on a survey of WCL affiliates and interviews with some World Bank staff, included recommendations for the improvement of communications and relations between trade unions and the World Bank and IMF, particularly on the country level. The report was distributed at the December 2006 high-level meetings between the IMF and World Bank and the ITUC/Global Unions, where the issue of IFI-trade union communications on the country level was one of the items of discussion.

24. *International Transport Workers Federation (ITF) on labour issues in Bank-financed railway restructuring.* The policy research officer of an ITF affiliate in South Africa, Jane Barrett, carried out a four-month secondment in 2005 with the Infrastructure and Energy Services Department of the Bank's Europe and Central Asia Region (ECSIE). ITF's representative worked on some specific railway restructuring projects that the Bank was involved in, most of which had important repercussions for railway workers, including significant downsizing of the workforce. In a report entitled "Report to the World Bank and the ITF on the transport trade union secondment to the ECA region of the Bank", she formulated recommendations for both trade unions and the Bank with the aim of improving the manner in which labour issues were dealt with during restructuring projects. Near the end of the secondment in July 2005, ITF convened a conference in Washington of railway union representatives from all regions of the globe, who met with several World Bank staff. The meeting began a series of exchanges between ITF and the Bank, many of which were facilitated through a focal point with ITF in the Bank's Transport and Urban Development department (TUDTR).

25. Most of the trade union representatives who took part in the secondments experienced various types of challenges in adapting to the Bank's institutional culture and different

degrees of frustration at what they perceived to be a lack of receptiveness by many Bank staff to deal seriously with trade unions' concerns. However, from the unions' point of view, all of them were useful experiences and led to tangible results. These included opening channels of regular communication between unions in specific sectors and the relevant Bank divisions (for example in the case of the public services and transport workers' secondments), increasing the attention paid to national unions' attempts to be consulted on development strategies (as in the case of the PRSP secondment and the secondment on union-Bank relations), and improving the labour standards requirements in contracts for Bank-financed projects (in the case of the secondment with the procurement department). Factors which seemed to determine the 'success' of the secondment experience included the openness of the receiving unit, a clear work plan, adaptability of the secondee, and the issue area itself as some are more suited for a collaborative approach. At the December 2006 high-level union-IFI meetings, the trade union delegation proposed an extension of the programme and put forward additional specific secondment proposals. The unions also asked the IMF to create a similar programme. The IMF agreed to consider the proposal and the Bank agreed to discuss modalities for additional secondments. The Bank's Social Protection and Labor unit (HDNSP) unit has offered ITUC to host a secondment/research fellow in their unit to work jointly with the team on the labour market research agenda.

IV. Headquarters-level Dialogue

High-level meetings

26. Three high-level meetings between the IMF and World Bank and the international trade union organizations have taken place on the basis of the February 2002 protocol. Whereas prior to 2002, the ICFTU/Global Unions and WCL held separate meetings with the institutions, joint ICFTU/Global Unions-WCL delegations were organized for the high-level meetings with the IFIs in October 2002 and October 2004. The December 2006 meetings took place one month after the two labour organizations had unified into the new International Trade Union Confederation. This section reviews the main discussions that took place and decisions made at each of these three high-level meetings, and also the "interim meetings", which were smaller meetings on a staff level held on alternate years to prepare the next high-level meetings and to monitor progress in carrying out the commitments made at previous meetings.

27. The February 2002 joint ICFTU/Global Unions-WCL meeting with the IMF and World Bank (attended by 14 trade union representatives) began planning for the first joint high-level meetings, as well as adopting a structure for "regular enhanced dialogue" between unions and the IFIs. The first high-level meeting took place in October 2002 and included the following agenda items: IFI involvement in labour issues, PRSPs, HIV/AIDS programmes, social protection, privatization and other loan conditionality and international financial reform. A total of 89 trade union officials, many of them general secretaries or presidents of their organization, attended the 2½-day October 2002 high-level meetings. These leadership-level meetings, and all those that followed, included

sessions with the managing director of the IMF and the president of the World Bank, a number of other members of the IFIs' management and senior staff, and several executive directors .

28. At the October 2002 meetings, the World Bank responded to trade unions' demands that the core labour standards (CLS) be observed in Bank-funded projects by stressing that the Bank supports the promotion of CLS but that the board would have to discuss further policy actions. The Bank proposed to explore options to develop a scorecard for union participation in PRSPs, to host a thematic meeting on pension reform the following year, to provide briefings for accessing financial support for union-sponsored AIDS projects and to organize additional trade union secondments to the Bank. Part of the discussion with the IMF concerned unions' calls for the Fund to change its policies in response to the economic collapse of Argentina in 2001-2002 and to adopt measures that would protect national economies and the international financial system against the destabilizing impact of speculative capital flows. The IMF emphasized the work it was carrying out to create a sovereign debt restructuring mechanism and the fact that it had adopted a more flexible approach to national capital controls. Unions discussed with both institutions proposals for increasing the frequency and quality of IFI consultations with unions and it was agreed to work further on this issue.

29. An interim meeting attended by 14 trade union representatives took place in November 2003 and devoted part of its discussion to trade unions' experience with consultations by the IFIs, particularly in Central and Eastern Europe and Asia, and with the results of research done on trade unions' participation in the PRSP process in 23 low-income countries. The meeting also received reports on some IFI-union thematic meetings (summarized below), on trade union secondments to the Bank, on support for union-sponsored HIV/AIDS projects, and on further steps taken by the Bank concerning observance of CLS.

30. The subsequent high-level meetings, held in October 2004, were attended by 70 trade union officials. Among the issues discussed at this encounter were the work of the IMF and World Bank in low-income countries, where the unions urged the IFIs to increase the number of countries eligible to debt relief and to increase the level of debt reduction, as well as to reduce associated conditionality. Other discussions concerned measures taken by the IFIs and campaigns by the trade unions to contribute to the attainment of the Millennium Development Goals, and follow-up to the report of the World Commission on the Social Dimension of Globalization, which had called for the creation of policy coherence initiatives between the IFIs, the WTO and the UN system.

31. The issue of ensuring that World Bank-financed activities did not violate CLS was also discussed at the October 2004 meeting, as was the involvement of both IFIs in labour market reforms. The union representatives welcomed the steps that had been announced towards incorporating CLS requirements in IFC loans and in World Bank procurement contracts and urged the Bank to carry forward with this work. However, they noted that the Bank appeared to be moving in a contradictory fashion when it used its *Doing Business* report to press for deregulation of the labour market. The Bank agreed to invite

trade unions to take part in its labour market research programme, to monitor employment and labour issues in PRSPs, to explore possibilities for additional trade union secondments, and to create several World Bank-trade union focal points with different Bank departments. It was agreed to hold a thematic meeting on labour issues in PRSPs with trade union representatives from the countries concerned.

32. An interim meeting, with thirteen trade union participants, took place in March 2006 and reviewed progress on fulfilling commitments made in previous high-level meetings. These included involvement of unions in the Bank's labour market research strategy, monitoring of labour and employment questions in PRSPs, consultation of unions for revision of the Bank's pension reform policy, trade union secondments and focal points at the Bank, CLS in World Bank procurement, IFI follow-up to the Commission on the Social Dimension of Globalization, and IFIs' country-level consultations of unions.

33. The high-level meetings of December 2006 were attended by 52 trade union leaders. Among other subjects, the discussions covered IFI loan conditionality, implementation of debt cancellation for low-income countries, and support for union-led HIV/AIDS projects. The World Bank announced further steps in making CLS a contractual requirement of Bank-financed works projects and promised to review the methodology of the labour section of the *Doing Business* publication, which unions had heavily criticized. There was also a discussion about the Bank's anti-corruption strategy, with labour leaders urging the Bank to pay greater attention to the role that trade unions, particularly in the public sector, could play in combating corruption. The discussions with the IMF concerned the impact of unregulated hedge funds and private-equity funds engaged in highly leveraged buy-outs, the Fund's role in addressing global economic imbalances, and progress in creating a new emergency loan facility. Concerns about evidence of lack of progress in IFI consultations of trade unions were discussed. It was agreed that a meeting to evaluate union-IFI dialogue on the national, regional, sector and global levels should be the subject of a thematic union-IFI meeting in the second half of 2007. Further thematic meetings would be held on pension reform and the impact of IFI policies on women workers.

b) Thematic meetings

34. **Privatization.** Five thematic meetings were held after the adoption of the February 2002 protocol on regular enhanced dialogue between trade unions and the IFIs. The first of these was a meeting with the World Bank on "Labour issues in privatization and public enterprise restructuring", held in July 2002 and attended mainly by representatives of certain Global Union Federations and their affiliates. The meeting examined three cases of Bank-sponsored privatization in developing countries from the Bank's and unions' perspectives and discussed the experience with privatization in the transition countries of Central and Eastern Europe and Central Asia. Union representatives highlighted the job losses, deteriorated working conditions and service quality issues associated with many privatizations and the insufficiencies in social safety nets for mitigating labour problems. The Bank informed unions about plans for a proposed toolkit on labour issues in private participation in infrastructure and asked the union

representatives for comments. The unions postponed submitting comments as they had not been given the opportunity to read the draft material. They expressed concerns about the basic assumption that there was no alternative to privatization and that labour issues should be dealt with only with the objective of reducing costs, not respecting rights of workers. In the April 2004 and after further rounds of consultation, the unions participated in the launch of the final toolkit, expressing appreciation for the chapter on engaging workers.

35. *Pension Reforms.* A thematic meeting on World Bank involvement in pension reforms took place in May 2003 and was attended by 24 trade union representatives, as well as ILO and IMF speakers. The Bank presented its overall approach to pension reform, which the unions criticized for placing too much emphasis on mandatory privatized second pillar savings accounts. Eight specific cases were examined in detail, four of them in Latin America and four in Central and Eastern Europe. Bank speakers noted that, in several of the cases, the public pension schemes had become unsustainable and did not cover a large proportion of the workforce. The reforms were motivated by the need to address these problems. Union speakers emphasized problems created by the reforms, including high administrative costs associated with private accounts and decreased benefits, and observed that promises to extend pension coverage were unfulfilled. Bank representatives agreed that the issue of coverage deserved greater attention and stated that the Bank had adopted a more flexible approach and recognized that differing national circumstances required different kinds of reforms. The Bank also agreed to consult unions on pension reforms on both the national and global level.

36. *Labour Market Reforms.* A total 31 trade union participants took part in a meeting on IFI involvement in labour market reforms held in November 2003. The World Bank speakers pointed that lack of aggregate demand and inappropriate labour market institutions are the main explanatory factors behind unemployment. Trade union speakers stated that there was little evidence that labour market deregulation contributed to expansion of employment and warned of the negative impacts of such policies. The meeting discussed a Bank research study on collective bargaining and its impact on micro-and macroeconomic outcomes, which concluded that if sound labour policies are in place, governments, employers and organized labour can work together in many ways to foster higher productivity growth and lower unemployment, while securing for workers a greater share in the benefits of growth. The meeting also examined four specific developing and transition country cases where the Bank was involved in labour law reforms. Another discussion took place with the IMF on a Fund study on labour market institutions in Western Europe. The trade union group urged the IFIs to monitor their own involvement in labour law reforms on a country level and ensure that unions are consulted on the reforms, to engage unions in their research strategies on labour issues, and to take further steps to promote observance of CLS and ensure that IFI operations are consistent with the standards. The World Bank committed to seek ways to continue to monitor its involvement in labour market reforms including: (i) on whether unions were consulted; (ii) trade union involvement in PRSPs; and (iii) to do further work on the links between CLS, job creation and poverty reduction in low-income countries in Sub-Saharan Africa.

37. **PRSPs.** Twelve trade union representatives participated in a meeting in April 2005 on labour and employment issues in Poverty Reduction Strategy Papers. The meeting took place in the context of the IFIs' 2005 review of the PRS process, which had begun in 1999. Trade union speakers at the meeting noted that there had been improvements from the first years of the programme as to the number of countries where trade unions were involved in PRSP consultations, but these remained perfunctory in many countries. In most countries, there was little focus in the final PRSP on issues brought forward by unions, such as labour standards, wages and health and safety issues. Additionally, unions were not included in implementation or monitoring of PRSPs in all but a few countries. The unions put forward several proposals for correcting these weaknesses. Speakers from the IFIs expressed support for a higher degree of involvement of trade unions, since civil society participation is one of the key characteristics of the PRSP process. However they also underlined that "country ownership" is a key characteristic of the PRSP process and World Bank staff were not authorized to evaluate the specifics of the consultative process in each country.

38. **Labour Market Reforms.** A second thematic meeting on IFI involvement in labour market reforms took place in March 2006 and was attended by 33 trade union representatives. Discussion took place on a proposed three-year World Bank research strategy on labour markets, growth and poverty; on the causes and policy responses to informality; on the use of the Bank's *Doing Business* publication to promote labour market deregulation; on the IFC's new loan performance standards on labour; and on five specific country cases. Trade union representatives from the five countries and IMF or World Bank staff exchanged views on the IFIs' policy recommendations for labour market reform in each case. IMF and World Bank speakers noted that interactions between unions and the IFIs had taken place in all countries where they made proposals for labour market reform, even if there was not always agreement on the policies. The Bank added that much internal debate was taking place on the appropriate approach to labour market issues, and invited unions to take part in an upcoming conference on the Bank's research strategy. While welcoming promises to engage unions more fully in the Bank's labour market research, the unions asked the Bank to follow through on a commitment made in 2003 to consider regular monitoring of the Bank's involvement in country-level labour law reforms so as to address perceived inconsistencies between support for decent work at headquarters and calls for labour market deregulation on the country level.

Annex

Joint Report on Meeting between the International Labor Movement and Bretton Woods Institutions 27 February 2002

Representatives of the international trade union movement, including the International Confederation of Free Trade Unions (ICFTU), World Confederation of Labour (WCL), and Trade Union Advisory Committee (TUAC) to the OECD met with staff members of the World Bank and IMF to discuss modalities of regular dialogue. The meeting began with introductions of the delegations and words of welcome from the WB and IMF. The WB recapped recent meetings, pointing out key themes and lessons learned in the last 18 months of regular dialogue. The trade union representatives presented their assessment of recent meetings and indicated the areas in which they hoped to achieve some progress in the present meeting.

Union representatives then shared a proposal for regular, enhanced dialogue between the international trade union movement and the International Financial Institutions (IFIs). The proposal indicated that, although important differences exist between trade unions and the IFIs, some areas of common perspectives and interest to work together on issues of mutual concern have emerged in recent meetings. The union proposal noted the shared objective of the IFIs and the labor movement to achieve the Millennium Development Goals as an important motivation for regular dialogue and enhanced collaboration. The proposal included specific suggestions for regular meetings and coordination. It noted that, while recent meetings between the IFIs and unions have been useful, there has been insufficient opportunity to pursue the dialogue in areas where more in-depth exchanges could be productive, and no mechanism to ensure that commitments jointly made are followed through. A schedule of regular meetings could be a first step in correcting these weaknesses.

Both IFIs responded favorably to the principle of enhanced dialogue and regular meetings with the global trade union movement. The Bank noted a sea change in the level of engagement with trade unions over the last five years. The IMF echoed this sentiment, also noting that a process of dialogue was clearly established and was being assiduously implemented. There was concern by the IFIs that the process be allowed to evolve without freezing it in a written agreement through specific terms of reference. It was suggested that more experience be gained with the current format and then evaluated before new modalities were decided. Though recognizing the importance of a global international policy dialogue, the impact on and the outcomes at the country and regional level should also remain in the focus.

Over the course of the discussion, representatives of trade union organizations presented a number of arguments in favor of more established mechanisms for dialogue. They agreed that gains had been made in terms of the frequency and level of dialogue, but felt

the need to consolidate these gains to ensure not only that the dialogue continues, but that it leads to progress in the way the IFIs operate on a country level. There was concern that the current degree of dialogue was largely due to the support of certain individuals and not an institutional commitment. The political context surrounding this relationship has changed, they argued, and movement from “business as usual” to impact on the ground is critical. Currently, the rhetoric on social policy coming from IFI headquarters is not necessarily followed through at the country level. IFI commitment to regular opportunities for dialogue with trade unions is important for promoting greater accountability and consistency.

Members of the trade union delegation made additional proposals as well. Some proposed that a formal contact point at each institution be appointed to take responsibility for following up on labor-related issues in country programs and more generally on the international dialogue with unions. Others suggested that leadership meetings could usefully take place more frequently than every two years. It was also suggested that trade unions be granted observer status at WB-IMF annual meetings. Trade unions also expressed interest in capacity building and secondment of their staff to IFIs, such as the recent assignment of the Chief Economist of the Deutscher Gewerkschaftsbund (DGB) of Germany in the IMF in August-November 2001.

Both sides ultimately agreed that, at this time, a mutual agreeable joint report would be made which would serve as terms of reference regarding the modalities for regular meetings and coordination for the dialogue between the organizations (see below).

Finally, the leadership meeting, tentatively scheduled for October 21-23, was discussed. The event would include meetings between the labor delegation and the heads and executive directors of each institution. The following topics were suggested for discussion at the meetings: labor market reform; core labor standards; trade union participation in PRSPs; collaboration between unions and WB on HIV/AIDS; WB and IMF programs on social security; WB and IMF policies regarding privatization; international financial reform; the IMF's review of loan conditionality; country-level IFI consultations with trade unions; the New Partnership for African Development; and the changing structure and objectives of the international trade union movement. The meetings would also consider the modalities for regular enhanced dialogue between the international trade union movement and the IFIs on the basis of the report of the present meeting.

Other issues discussed at the meeting included lessons from the recent PRSP Review. There was an announcement made regarding the anticipated July 11-12 meeting between the World Bank and a number of Global Union Federations on labor issues in privatization.

This meeting was followed on March 1 by additional sessions on a new initiative from IMF management on a Sovereign Debt Restructuring Mechanism and an exchange of views with trade unions on reform of the international financial architecture.

Schedule of regular meetings to enhanced IFI-labor dialogue

- Leadership meetings will be held in Washington at least every two years beginning in autumn 2002.
- Follow-up, staff-level meetings will be held in the alternating years, and more frequently if necessary.
- Thematic meetings on particular issues or meetings at the regional or sub-regional level may be requested by any of the organizations. The meetings will be held as mutually agreeable, tentatively at least once per year. All partner international and labor organizations should be invited to participate in such thematic meetings.

Experience with this model will be reviewed at a follow-up meeting in autumn 2003.