Statement by Mr. Juan Somavia
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1. The Sixty-fifth Meeting of the Development Committee takes place against the background of hesitant optimism about the performance of the global economy. We note with relief that, according to the World Economic Outlook, ‘there are increasing signs that the global slowdown has begun to bottom out....and that forward indicators appear consistent with a recovery by mid-2002’ (p.1). We also share the concern over serious remaining downside risks and support, as a minimum requirement, the main message that ‘the stance of policies should remain relatively supportive for the time being’.

2. A premature withdrawal of stimulus based on an over-optimistic assessment of strength of the recovery would clearly be unwise. This is especially so in view of the serious social consequences the downturn has been having on many parts of the developing world. It will be recalled that I drew attention to this in my statement to the last meeting of the Development Committee.

3. Indeed what is missing is a global view of what actions need to be taken to reduce the risk of severe downturns in the future and to counteract their effects when they do occur. Here again I recall a key point made in my last statement to this Committee that “it is no longer acceptable to have double standards in terms of economic policy prescriptions”. I noted then that “the biggest danger in the current context would be to apply expansionary policies in the North and more austerity and restrictive structural adjustment in the South.” Finding ways to remove this asymmetry in terms of responses to global recessions is a major policy challenge to be addressed by the international community.

4. The volatility of the global economy underscores the need for a strategic shift on the part of the multi-lateral system in two important directions: the provision of better macroeconomic management in support of robust growth on a world scale; and the design of policies and institutions for hedging against short-term shocks and protecting the vulnerable (countries and groups) from falling into the poverty trap.

5. A coordinated international response is indispensable. We have all agreed that this is the way ahead and some progress has been made. But much more remains to be done, in particular in using and combining more effectively the strengths of the diverse institutions of the international system. The “Monterrey Consensus” has emphasized the need to strengthen the effectiveness of the global economic system’s support to development in order “to meet the Millennium Declaration Development Goals (MDG’s) of sustained economic growth, poverty eradication and sustainable development”. I fully share the views expressed at the Summit by Secretary-General Kofi Annan, that the MDG’s, especially that related to halving poverty by the year 2015, “gave us a clear measure of success or failure”.

6. It seems to me that the documents submitted to this session of the Development Committee provide a good starting point in responding to this call. The paper on “Development Effectiveness, Partnership, and Challenges for the Future” provides a fair assessment of the present situation and good suggestions for the way forward. The paper is correct in observing that development progress, over the last half a century, has been rapid but unequal; that progress has not been uniform, leaving many people, notably in Sub-Saharan Africa, behind; and that the world as a whole is falling behind the path that
is necessary to achieve the MDG’s by 2015. We also agree that the agenda for progress must have three major elements: country policies, institutions and governance; economic integration through trade and investment flows; and external assistance to support country policies. The question here again is how to combine these elements in a coherent package that results in broad-based development.

7. Employment, and in particular the creation of more and better jobs, is the most effective and sustainable way to get out of poverty. And yet, not enough priority is explicitly given to such a key objective in the design and implementation of economic policies. The ILO’s Decent work agenda brings to the table an essential component of poverty reduction strategies. This involves the recognition that maximizing the rate of productive employment creation is a key instrument for lifting people out of poverty. The extension and strengthening of social protection is also important for reducing poverty and coping with the adverse social impact of economic reform and globalization. At the same time, respect for fundamental labour rights and the strengthening of social dialogue are essential for achieving improved and more participatory governance.

8. It is from this perspective that we regard the initiative by the Bank and the Fund to create the Poverty Reduction Strategy Papers (PRSPs) as providing a vehicle to coordinate and macro-manage development and social policies and strategies at the country level. The ILO has supported the PRSP process right from its inception, and we welcome the evaluation provided by the “Review of the Poverty Strategy Paper (PRSP) Approach: Early experience with Interim PRSPs and Full PRSPs”. The ILO agrees with the central message of the Review that “there is broad agreement among low-income countries, civil society organizations and their development partners that the objectives of the PRSP approach remain valid and that the PRSP process can improve joint efforts aimed at poverty reduction”. Equally welcome is the statement by Mr. Horst Koehler at Monterrey that “Our reviews showed that there is room for improvement”. It is in this spirit that the experience of the ILO with PRSPs over the last two years may be relevant.

9. The Governing Body of the ILO will be discussing in its November session an evaluation of its role in the PRSP process. Members wanted to know what did the ILO “bring to the table”, and “what difference did it make”. The paper will be made available later, but it is pertinent to share with the Development Committee lessons of the ILO’s experience, especially as it has not been adequately reflected in the Bank/Fund Review.

10. In consultation with the Bank and Fund, and national partners, the ILO is making a special contribution to PRSPs in five pilot countries, namely, Cambodia, Honduras, Mali, Nepal and the United Republic of Tanzania. The intention is for the ILO to demonstrate the positive contribution of the Decent Work agenda in reducing poverty and the role of tripartite consultation in strengthening national ownership. Other countries engaging in the PRSP process have not been neglected, and indeed some have received significant ILO assistance. Demand for ILO support to countries preparing PRSPs continues to rise and we are now receiving requests from countries to help them implement their poverty reduction strategies (e.g. Tanzania).
11. The ILO contributions to PRSPs have laid great emphasis on the principle of national ownership, convinced that broad based consultation and participation in poverty reduction strategies, rather than being a costly waste of time as some feared, is an important means of improving the analysis of the incidence and causes of poverty and the effectiveness of poverty reduction strategies. The experience in a number of countries (e.g. Mali and Nepal) suggests that this aspect of PRSPs is now more widely appreciated and is becoming embedded in broader political systems.

12. Cooperation with the Bank and Fund in both the field and at Headquarters has been generally good. For example, a successful meeting was organized in Geneva in mid-2001, which brought ILO field staff from these five countries together with World Bank representatives to discuss how Decent Work could be integrated into the PRSP process. Closely linked to its support for the PRSP was the ILO’s contribution to the Third United National Conference on the Least Developed Countries (LDCIII, Brussels, May 2001), where the role of Decent Work in contributing to the MDGs was further outlined. In September 2001, the IMF invited the ILO to make a specific contribution to the Joint Bank-Fund Review of the PRSP process, in response to which the ILO provided a detailed paper.1 However, in our view, the resulting Bank-Fund paper should have highlighted more explicitly the centrality of employment to poverty reduction and the role of the ILO in supporting governments to address issues within our competences. Pro poor growth has by implication to be about promoting employment and livelihood opportunities and this needs to be more explicitly addressed in a number of PRSPs.

13. In the coming year, the ILO will continue to devote substantial resources to the PRSP initiative (with significant funding from the Governments of the United Kingdom and the Netherlands). We will build on our experience to date responding wherever possible to country driven demand for support, with a particular emphasis on building the capacity of our social partners to ensure that the voices of workers and employers – the real actors of the economy - can be heard and acted upon in the context of national poverty strategies. As the PRSP Review Paper points out, PRSPs are an ambitious and very important tool but the success of countries’ strategies aimed at improving the lives of the poor will ultimately depend on the actions of the countries themselves and the concerted aid of all their development partners – including the ILO. It is only through such concerted actions that the challenge of meeting the MDGs for 2015 can be addressed. In sum, our experience suggests that two aspects of poverty reduction are essential: (i) concrete solutions to bringing the poor into the mainstream of economic activities through employment is the most effective mechanism to achieve such an objective; and (ii) social dialogue is the guarantee to improving the integration of PRSPs into other decision-making processes, and achieving sustainability of the process of reform.

14. National action, necessary as it is, will not be sufficient to achieve the development goals we have set for ourselves. We have to see things in a broader context. There is a

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1 The Decent Work Agenda and Poverty Reduction: ILO Contribution to the IMF/World Bank Comprehensive Review of the Poverty Reduction Strategy Papers Approach
growing consensus that globalization’s opportunities must be shared and used much more effectively to deal with the growing problems of poverty, insecurity, inequity and exclusion. In response to this challenge, and to strengthen the global capacity to promote social objectives alongside economic ones, the ILO has launched the World Commission on the Social Dimension of Globalization in February this year. The 25-member World Commission is co-chaired by Finland’s President Tarja Halonen and Tanzanian President Benjamin Mkapa, and brings together a select group of eminent people representing different regions, civil society, business, trade unions and academia. According to the Chairpersons, the Commission provides “a space to move from confrontation to dialogue, to review the facts and the perceptions; and an opportunity to seek a consensus for action on globalization”. In articulating a realizable vision, the Commission is expected to examine how to increase the effectiveness of existing policies and institutions, and seek out and evaluate new perspectives, new means and new mechanisms.

15. The World Commission is expected to make a valuable contribution by identifying policies for globalization which promote open economies and development with social justice. While increasing opportunities for all, such policies need to benefit the poor and excluded, promote social coherence, and reduce uncertainty and insecurity. The work of the Commission will be rooted in the Millennium Development Goals, and take into account the outcomes of major global conferences, in particular, the Financing for Development Summit held in Monterrey last month, as well as the forthcoming World Summit for Sustainable Development and the World Summit on the Information Society.

16. The Monterrey Consensus explicitly recognized (para. 64) that “To strengthen the effectiveness of the global economic system’s support for development, we encourage the following actions:

- Support the International Labour Organization and encourage its on-going work on the social dimension of globalization”.

The ILO has invited the Bank and the Fund, together with other organizations of the UN system, to participate actively in the work of the World Commission, and has received a widespread positive response. It plans to carry forward this endeavour in an open and cooperative spirit which offers support to the goals of the multilateral system as a whole.