

# **Development diplomacy and partnerships for social policy at the time of PRSPs: the case of Decent Work**

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## **Abstract**

In 2002, the International Labour Organization (ILO) decided to start an initiative aimed at increasing the Decent Work content of World-Bank convened Poverty Reduction Strategy Papers (PRSPs). As the ILO Governing Body recently concluded its consideration of work in this area (March 2008), the present paper reviews the ILO experience from a partnership-building and development diplomacy point of view. The paper argues that, while significant progress has been achieved, there is a need to take the process one step forward in order to trigger a significant reframing of the PRSP debate and a shifting of its boundaries. This step will involve a partial repositioning of the ILO's partnership building within the PRSP process and an effort to move beyond the traditional tripartite constituency of the ILO and build more systematic alliances with other segments of the national civil society as well as global poverty reduction advocacy groups.

## **Keywords**

Poverty Reduction Strategy Papers, Decent Work, Social Policy, Development Diplomacy.

## **Word count**

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## **Poverty Reduction Strategy Papers and Decent Work**

### *The PRSP initiative*

One of the Millennium Development Goals (MDGs) is to eradicate extreme poverty and hunger by halving the proportion of people living with less than US\$1 per day. To achieve this goal, the development community has been supporting the initiative of Poverty Reduction Strategy Papers (PRSPs) spearheaded by the World Bank and the International Monetary Fund (IMF).

Launched in 1999 as an instrument to improve the situation of the poor in low-income developing countries, PRSPs represent different strategic intentions such as: a policy device to achieve poverty reduction through social inclusion; a framework to coordinate bilateral and multilateral development assistance; and a driver to integrate low-income countries into the global financial and trade architecture (Craig and Porter, 2003).

Six core principles are to be adhered to in the preparation of PRSPs (World Bank/IMF, 1999 and 2002). These stipulate that PRSPs should be:

- *Country-driven*: promoting national ownership by involving broad-based participation of civil society;

- *Result-oriented*: setting goals for poverty reduction which are tangible and monitorable outcomes, for instance, universal primary education;
- *Comprehensive*: stressing the need for integrating macroeconomic, structural, sectoral and social elements, and aimed at ensuring that policies in these areas are consistent with the goal of poverty reduction;
- *Participatory*: requiring that all stakeholders in the country participate actively in the process of choosing poverty reduction strategies in a transparent manner;
- *Partnership-oriented*: involving coordinated participation of development partners such as the beneficiary government, the domestic stakeholders and external donors;
- *Informed by a long-term perspective*: reforming institutions and building capacity.

Poverty Reduction Strategy Papers are to provide the basis for assistance from the World Bank and the IMF as well as debt relief under the HIPC initiative. Initially, Joint Staff Assessments (JSAs) provided the ground for recommendations made to the Bank and the IMF regarding specific country PRSPs. However, after the 2004 PRSP progress review (World Bank/IMF, 2004), the Joint Staff Assessment was replaced by a Joint Staff Advisory Note (JSAN). Unlike Joint

Staff Assessments, Joint Staff Advisory Notes do not have a final paragraph recommending that the Fund and Bank Boards take the presented assessment as a satisfactory basis for concessional lending. According to the World Bank, this change was introduced ‘to help address the perception that Washington “signs off” on a country’s PRS; to enhance the candor and focus of staffs’ feedback on a country’s PRS; to increase transparency in how Bank and Fund concessional assistance is aligned with a country’s PRS, and to encourage better alignment of the PRS process with existing domestic processes’<sup>1</sup>. In any case, to use the World Bank own words, these modifications ‘do not change the fundamental underpinnings of the PRS initiative’<sup>2</sup> and the policy matrix supposed to inspire the autonomous development of national poverty reduction strategies – matrix which is summarized in the 2002 PRSP Sourcebook (World Bank/IMF 2002b) – remain intact.

The PRSPs’ key point of departure from other development instruments previously supported by the Bretton Woods Institutions is a strong emphasis on the centrality of national ownership along with extensive civil society participation. Recipient countries are – at least at the level of stated principles – encouraged to take ‘the driver seat in

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<sup>1</sup><http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:20639328~menuPK:384207~pagePK:148956~piPK:216618~theSitePK:384201,00.html>. Accessed on 2 May 2008

<sup>2</sup> Ibid.

the PRSP process<sup>3</sup> and urged to give their citizens a greater role in both the policy planning and implementation process.

Although there has been much criticism regarding the conditionalities imposed by the World Bank and the IMF<sup>4</sup> and the participation process itself, several actors opted for joining the PRSP process, reckoning that PRSPs could present genuine opportunities for like-minded organizations to come together and influence macroeconomic policies at the country level. The PRSP process – many have felt – could provide an entry point for alternative policy advice, while the PRSP social dialogue component may offer opportunities to assert influence in the policy debate and to take up significant roles in the monitoring, implementation and assessment of the policy impact of poverty reduction strategies.

### *The Decent Work agenda*

In an effort to reframe the poverty debate and to reposition the place of work in society, ILO has devised a ‘powerful tool in selecting the path to the attainment of the interrelated goals and human

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<sup>3</sup> Interesting in this respect is for instance the video: “Countries in the Driver's Seat: Making Poverty Reduction Strategies Work” produced by the World Bank and available on the web at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:21325555~menuPK:384207~pagePK:148956~piPK:216618~theSitePK:384201,00.html> (last access 2 May 2008).

<sup>4</sup> Raymond Saner, Ricardo Guilherme (2007), « The International Monetary's Influence on Trade Policies of Low Income Countries: A valid undertaking? », *Journal of World Trade*, 41(5): 931±981, 2007

development outcomes of the Millennium Declaration’ (ILO, 2003a: 7). This powerful tool is the Decent Work Agenda.

Introduced at the 1999 International Labour Conference (ILO, 1999), the Decent Work framework is based on using the work lever to promote inclusive economic growth and fair globalization. As explained on the web site of the International Labour Organization (ILO), Decent Work involves ‘opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.’<sup>5</sup>

The Decent Work Agenda has four pillars (Somavia, 2002):

- Employment - Creating greater employment opportunities for women and men to secure decent income;
- Security and social protection - Enhancing the coverage and effectiveness of social protection for all;
- Rights at work - Promoting and realizing the fundamental workers’ rights;

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<sup>5</sup> [www.ilo.org/public/english/decent.htm](http://www.ilo.org/public/english/decent.htm)

- Representation and dialogue – strengthening dialogue on an inclusive and participatory basis.

On the basis of these four pillars, a national strategy for *working out of poverty*, in the spirit of *Decent Work for All*, should include the following:

- *Skills development for sustainable livelihoods* (i.e. refocusing on vocational education and training and the skill needs of people living in poverty);
- *Investing in jobs and the community* (i.e. employment-intensive community-based programmes);
- *Promoting entrepreneurship* (i.e. small and medium enterprise creation and supportive services by the government);
- *Making money work for poverty reduction* (i.e. micro financing and micro credit-related law, regulations, and banks);
- *Building local development through cooperatives* (i.e. a new model for local participation, inclusion and combating poverty);
- *Overcoming discrimination* (i.e. the right to equality of opportunity and treatment in respect to employment);

- *Working to end child labour* (i.e. an integrated gender-sensitive family-centred strategy calling for adequate educational alternatives for children, access to income and security for their parents and stronger laws and enforcement mechanisms);
- *Ensuring incomes and basic social security* (i.e. an adequate level of social protection as a basic right for all, and a people-to-people Global Social Trust);
- *Working safely out of poverty* (i.e. occupational health and safety). (ILO, 2003b)

Commitment to the implementation of the principles contained in the Decent Work agenda has been reaffirmed by the international community on several occasions. Just to give a few examples:

- The consensus achieved at the Special Session on Social Development of the United Nations General Assembly in June 2000 recognizes the need to ‘reassess, as appropriate ... macroeconomic policies with the aims of greater employment generation and reduction in the poverty level while striving for and maintaining a low inflation rate’ (United Nations, 2000: para. 32).
- The 2005 United Nations World Summit resolved ‘to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national



development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals' (United Nations, 2005: para. 47).

However, implementation of the Decent Work Agenda requires concerted effort and policy interventions on multiple levels, cutting across the global economic structure, international and national institutional arrangements, societal norms and gender relations. Also, focusing national strategies on decent work has many policy implications which are likely to generate both structural and philosophical opposition and resistance.

In recognition of the formidable challenges connected to the full implementation of the Decent Work agenda, since when it was first framed in 1999, the ILO has been promoting this idea on the basis – at least ideally – of the notion of 'shared responsibility' among the International Labour Office (the Secretariat of the International Labour Organization) and the constituents (the Organization's tripartite membership: member states, employers and workers). Network and partnership building for social policy has also been a key component of the ILO development diplomacy in this area.

### *Some key questions*

After the first beginnings of the PRSP experiment, many observers started to point out that employment creation and other key elements of the Decent Work agenda had been under-addressed in the great majority of Poverty Reduction Strategy Papers. Echoing these assessments, the ILO articulated three specific sets of concerns regarding the Decent Work content of the first generation of PRSPs (ILO, 2005: para.6 but also ILO, 2002a:7 and ILO, 2002b, particularly para. 6 and 29):

- PRSPs need to include a more thorough analysis of employment and other aspects of decent work;
- Labour ministries, employers' and workers' organizations need to be more systematically integrated into the PRSP participatory processes;
- More attention should be placed on equity in addition to growth in PRSPs.

The strategic choice made by the ILO in order to achieve progress on the above points was one of constructive engagement, based on the conviction that the PRSP process constitutes a vehicle through which the voice of the ILO and its constituents can be heard at the level of national planning and budgeting.

On this basis, an initiative was developed that first provided support to five countries (Cambodia, Honduras, Mali, Tanzania and Nepal) and then expanded to several others. This initiative was based essentially on preparing, in collaboration with the national authorities, an analysis of the role of employment and of the various elements comprising decent work in poverty alleviation, and organizing tripartite meetings in the countries to discuss the Poverty Reduction Strategy Papers.

To ILO's credit, wherever dedicated efforts were made, PRSPs' coverage of Decent Work increased. The reviewed evidence (particularly Ghai, 2005, but also ILO Governing Body, 2002 and 2005, International Labour Conference, 2003) indicates, in fact, that ILO's efforts produced various positive outcomes bearing direct relevance to the concerns listed before. In all the countries where the ILO actively engaged with the PRSP process the Decent Work agenda – previously virtually absent in PRSP documents – was addressed, the extent of constituents' involvement in the preparation of PRSPs sharply increased, and competence on the links between Decent Work and poverty reduction was built among key ILO counterparts.

However, to what extent has the Decent Work perspective managed to become an integral part of the PRSP policy matrix globally? Or, in other words, to what extent have efforts to promote the Decent Work agenda being successful in bringing about a substantive change in the philosophy and practice of PRSPs? This question – which underpins the following sections of this article – is felt to be particularly relevant as experience shows that, in the long term, employment creation and

labour rights protection must be meaningfully included in all sector programmes in order for poverty reduction strategies to have a significant and sustainable impact.

Section 2 of this paper highlights different perspectives regarding the extent to which Decent Work issues have been received in sector-specific applications of first generation PRSPs. Section 3 analyzes the way in which PRSPs have evolved in the transition from first to second generation as well as progress that this transition involved in term of Decent Work coverage. Section 4 discusses some of the policy shaping strategies adopted by the ILO and its constituencies in advocating for greater inclusion of the Decent Work perspective in PRSPs.

### **The PRSP policy matrix from a Decent Work perspective in the first generation of PRSPs**

#### *Health*

The Decent Work Agenda recognizes the importance of health in two of its core areas: *working safely out of poverty* and *ensuring incomes and basic social security* (ILO, 2003b: 12). *Ensuring incomes and basic social security* improves access to food and sanitary and medical services, which in turn prevent sickness, enhance family planning and sanitary habits and conditions, thereby contributing to better health and less poverty. At the same time, *work security* translates into

occupational health and safety, where accidents, illness and strains on the worker are addressed.

On this account, priority issues relating to health which the PRSP should address from a Decent Work perspective are, among others: the impact of poor health on employment and incomes; reform of existing social insurance schemes to reduce financial barriers to health care; occupational health and safety policies, with particular focus on hazardous occupations, income support systems for families with school-age children, the elderly and people with disabilities (ILO, 2003b: 104).

From a World Bank perspective, the diagnosis and analysis stage of the PRSP should pay a great deal of attention to *intersectoral linkages* that have an impact on health so as ‘to show how action in sectors other than health services might help improve the health of the poor and reduce the impoverishing effects of ill health’ (World Bank, 2002b: 224). At the same time, this diagnosis should be the result of a prioritization process reflecting the most urgent needs brought forward by the relevant sectors involved – in the case of health: households and communities, the health system and the government (World Bank, 2002b: 224-226).

Various actors observed that, in the first generation of PRSPs, the outcomes of this prioritization process have been at times problematic. For instance, the *WHO monitoring project of PRSPs*, after pointing out that ‘health strategies for poverty reduction’, and ‘health strategies

to meet the needs of the poor(est)' are overlapping but different (Dood and Hinshelwood, 2002:1), observes that PRSPs have concentrated on the first component, leaving the second insufficiently addressed. As a result, various shortcomings could be observed in the health strategies of first generation PRSPs, including: lack of attention to the role of the private sector as a health provider; limited discussion of financial barriers to care; and lack of attention to the needs of people with disabilities.

### *Education*

Education-related issues on which the Decent Work agenda has so far concentrated are *skill development for sustainable livelihoods* and *working to end child labour* (ILO, 2003b:8). A number of policy recommendations have been formulated in these areas of which three are of particular relevance to the PRSP process:

- Recognition that the primary responsibility for investment in training rests with governments but has to be shared with enterprises, the social partners, and individuals so that education and training are closely linked to economic and employment growth.
- Reforms are needed to improve basic education and literacy in the poorest countries. The development of core work skills is an important part of a reform package to prepare individuals for the knowledge and skills-based society.

- Training systems need to become more flexible and responsive to rapidly changing skill requirements. Reforms should focus on how learning can be facilitated, not just on training for specific occupational categories. (ILO, 2003a: 40).

The PRSP envisages a primordial need for investing in education based on ‘the catalytic role of basic education for those individuals in society who are most likely to be poor’ (World Bank, 2002b: 233). However, in the education context, particular emphasis has often been placed by the first generation of PRSPs on improving cost-effectiveness and increasing efficiency, on the assumption that ‘the special challenge for heavily indebted poor countries (HIPC) and other low-income countries is to achieve a major improvement in the returns on their education spending as they access incremental resources for the sector through debt relief’ (World Bank, 2002b:237 and 256).

Several donor agencies have expressed their support for UNESCO’s *Education for All* and the role that the World Bank has played in supporting it. A different perspective on the education component of PRSPs, however, has been expressed by some analysts such as the Overseas Development Institute (ODI) which found public expenditure programmes in poor countries lacking in terms of ‘demand-side factor, resource allocation, governance and the influence of vested interests, financial management, performance management,

motivation and technical efficiency, as well as to low levels of external financing' (Roberts, 2003:82).

### *Rural development*

Redressing the imbalances between rural industries and urban sectors are, from a Decent Work point of view, key elements of pro-poor growth, particularly in light of the need to expand work opportunities for the rural poor and avoid increasing the pressure of migration to already stressed urban environments (ILO, 2003b: 34). Against this background, the Decent Work agenda envisages that 'along with the generation of non-farm rural employment, the construction of better communications infrastructure and the provision of vital social services such as health and education, improved agricultural performance is a significant force in the fight against poverty' (ILO, 2003b:29).

Since the rural sector tends to reflect higher poverty rates, the World Bank has been recommending already from the first generation of PRSPs that poverty reduction strategies pay special attention to pro-poor growth in the rural sector (World Bank, 2002b: 68-69). However, in an internal Bank review on the content of rural development of 12 PRSP countries, it was noted that: 'A major drawback of the rural strategies in the PRSPs is the lack of a systematic and consistent approach to addressing core rural issues... Another concern is that almost all the strategies refer to the rural poor as a homogenous group



and the heterogeneity of the rural poor is not adequately recognized' (Proctor, 2002:4).

Various other analyses point to the not always satisfactory results obtained by the first generation of PRSPs in the area of rural development. FAO for instance, while praising various aspects of the PRSP initiative, expressed concerns about their impact on the rural poor noting that a key element of pro-poor policies in the rural context – livestock-based rural employment – is virtually absent from PRSPs (FAO, 2003) and observing, more in general, that: 'difficulty of access to markets, high transaction costs and low prices resulting from inefficient markets have often resulted in a regression of small farmers to subsistence agriculture denying these poor farmers the growth opportunities the market has to offer them' (Jadhav, 2002:2).

### *Trade*

The ILO's research (ILO, 2001) admits that it is difficult to draw any firm conclusions regarding the relationship between changes in trade regimes, growth and employment performance. The Decent Work agenda recognizes, however, the considerable adjustment cost related to trade liberalization and recommends therefore the following policies:

- *Improving the governance of labour markets*, by respecting the fundamental rights at work as defined in the ILO Declaration.

- *Moving up the value chain in terms of exported goods and services*, by improving the skill sets and productivity of the workers.
- *Strengthening the competitiveness of national companies*, by encouraging the strengthening factor conditions through appropriate employment and industrial policies.
- *Increasing the employment intensity of growth* pursuing active labour market policies to facilitate adjustment to changes in the structure of production strategy brought about by trade liberalization, and the strengthening of social protection.

The theoretical framework underpinning the first generation of PRSPs was largely based studies confirming the link between trade and growth as well the notion that trade protection creates distortions transferring income from the poor to the rich. The World Bank has been recognizing the negative impact of trade liberalization on some of the poor during the early phases of trade liberalization. However, it has emphasized that the adjustment costs are typically short term and that trade liberalization should favour labour in developing economies, since their exports are typically labour intensive. As a result, some of the corrective measures envisaged in the context of the Decent Work agenda have been neglected.

This point is for instance made by UNCTAD, which, in its *Least-Developed Countries Report* (UNCTAD, 2002), criticized the first

generation of PRSPs as still over-emphasizing short-term stabilization over long-term development and pointed out that trade issues are not treated in depth in PRSPs as an important aspect of long-term development strategies with the potential to build productive capacities and generating livelihoods.

### *Environment*

The Decent Work agenda extended the world of work traditional emphasis on occupational safety and health to include strengthening the role of trade unions and employers' organizations in securing sustainable development as well as addressing environmental concerns related to women and indigenous and tribal people (EARTHSCAN, 2001:234).

The need to move 'beyond the traditional definitions and approaches to poverty reduction' to give attention to 'factors and processes that constrain or enhance poor people's ability to make a living in an economically, ecologically and socially sustainable manner' has been accordingly emphasized by ILO (Walter and Holden, 2003:34), which, in this context, has given special attention to the rights and active participation of those that most directly rely on natural resources and stand to benefit the most from their conservation (Downing, et al., 2002:34).

The environment is seen as one of the crosscutting issues of poverty also by the World Bank which noted that 'the many links between

environmental management and poverty alleviation provide the rationale for systematic mainstreaming of the environment in PRSPs and their associated processes' (World Bank, 2002b, Vol. 1, Ch. 11:36). The World Bank recognized the existence of good practices in the first generation of PRSPs processes and highlighted several successful experiences in this context (World Bank, 2002b, Vol. 1, Ch. 11:392, 393 and 395). However, once again, views are mixed regarding the success with which some of the rights-based issues related, in the Decent Work framework, to the link between environment and poverty reduction have been reflected in the first stages of the PRSP process.

An interesting perspective is that of the NGO Forum of Cambodia, a group of NGOs directly involved in the PRSP in Cambodia. In their assessment of the Cambodian PRSP, the main critique in relation to the environment focused on the need to establish 'clear indicators for monitoring the environmental impact of the plan in order that short term economic growth is not achieved by destroying the resources that future generations will depend on for their livelihoods' (ANGOC, 2001a, Recommendations Section). Issues of land reform, fighting large-scale illegal operations and better protection of the rights of poor communities and indigenous groups, however, were also highlighted (ANGOC, 2001b, Appendix 3).

## *Governance*

As noted by the ILO, ‘...weaknesses in governance result in a large informal economy where development is inhibited by barriers to investment, enterprise development and increased employment in decent conditions’ (ILO, 2003b: 67). At same time, the ‘decent work strategy offers an integrated framework for promoting institutional change... that can help countries shape the governance of the labour market to promote opportunities for women and men to obtain productive work in conditions of freedom, equity, security and human dignity’ (ILO2003b: 68).

The World Bank *PRSP Sourcebook* highlights the links between good governance and poverty reduction stressing that, when seeking to raise the quality of governance, PRSPs should focus on: empowering the poor; improving capabilities of the poor by improving basic services; providing economic opportunities by increasing access to markets; and providing security from economic shocks and from corruption, crime and violence.

In a staff report by the World Bank and the IMF on PRSP implementation, there was recognition that among the main issues in nine full PRSPs, addressing governance effectively was critical to success. At the same time, the report noted that: ‘while governance issues are partly technical, they also have to do with incentives and the political context in which institutions function at the national and local levels’ (World Bank/IMF, 2002b: 14). Despite this recognition,

however, the feeling that the highly political nature of PRSPs had not been adequately taken into account in the design of their policy matrix and development procedures inspired substantial criticism from non-governmental institutions as well as researchers.

A particularly outspoken voice in this sense was that of the Institute of Development Studies (IDS) of the University of Helsinki (Gould and Ojanen, 2003:9) which, in reviewing the PRSP process in Tanzania, noted:

The dominance of the public policy arena by a narrow corps of transnational development professionals occludes the possibility of deepening democratic oversight measure for national development. At the same time, the sites and structures of policy implementation are overseen by a de facto single-party political establishment driven by clientelist relations and procedures. [...] This disjuncture between policy formulation and policy implementation forms an obstacle to poverty reduction inasmuch as the social relations of governance at the local level preclude an effective implementation of the PRS

*Overall mainstreaming of Decent Work into the first generation of PRSPs*

Even a cursory look at the sectoral debates around the PRSP process – like the one offered in the previous sections – points to the fact that,

by a large number of accounts, despite the ILO's significant efforts (and achievements), the full integration of the Decent Work perspective into the Poverty Reduction Strategy Papers policy matrix was, in the first generation of PRPS, far from complete.

This matches overall assessments of the Decent Work content of first generation PRSPs (especially Ghai, 2005, Global Unions, various years, ILO, 2002a, but also Rizwanul, 2004 and, indirectly, World Bank Operations Evaluation Department, 2004 and World Bank Independent Evaluation Group, 2006). These evidence, in fact, that, by and large, first generation Poverty Reduction Strategies have been extremely selective in drawing on the Decent Work agenda – usually analyzing employment in some length, giving limited consideration to social protection, and often ignoring rights at work and social dialogue altogether. According to Ghai (ibid, 'Overall findings' section), in particular, employment creation and other Decent Work elements have been on many occasions treated as add-ons without being embedded in thoroughly pro-poor growth strategies.

To what extent this assessment seems to be holding true for the second generation of Poverty Reduction Strategy Papers?

## **The second generation of PRSPs: new trends?**

### *Overall assessments*

Even leaving aside Decent Work related considerations, the actual impact of PRSPs on poverty reduction is a debated matter. From a human development point of view, many PRSP intentions – such as country ownership, broad representation in decision making, focus on vulnerable and excluded populations – are highly commendable. However, PRSP practice has been criticized – particularly with reference to first generation PRSPs – by many who point to a continued macroeconomic stabilization bias; unrealistic projections regarding the speed and scope of proposed adjustments; the persistence of a ‘one-size-fits all’ approach; and the tokenistic nature of civil society participation.

These points emerge fairly strongly from HIPC Ministers and PRSP coordinators reviews (Mkwezalamba, 2002), and even more from the analyses provided by high profile academic and civil society observers. Stewart and Wang can thus claim that ‘PRSPs do not significantly empower poor countries’ (2003:1), while Oxfam notes that ‘despite opening some new space for dialogue ... PRSPs have been disappointing both in terms of process and content.’ (2004:1). Even the World Bank Operations Evaluation Department’s review of Bank’s support to PRSPs through 2003 is very cautious in attributing a definitively positive impact to PRSPs observing that ‘The initiative is relevant but its benefits vary’ and that ‘There is inherent tension in a



Bank/IMF-driven initiative involving conditionality that is also meant to foster a country-driven process.’ (2004: vi-vii)

The second wave of PRSPs is still pretty much at its beginning. Of about 70 countries which have embarked on the PRSP process, at the time of writing (May 2008) only 22 had developed a second Poverty Reduction Strategy Paper, while only 11 have developed their first PRSP after the landmark Joint World Bank/IMF 2005 PRS Review (World Bank/IMF, 2005) which was presented in September 2005. However some trends can already be seen. As to whether these trends represent a shift from first generation PRSP efforts, it is probably fair to say that most views remain sceptical.

The Overseas Development Institute (ODI, 2004), mentioning the decreasing role of the HIPC Initiative as a driver of the PRSP process and the shift from ‘principled rhetoric’ towards ‘practical action’, sees the passage from second to first generation PRSPs as an opportunity to institutional learning and gains obtained during the first phase of the PRSP initiative. But Bergamaschi (2007:2), looking at Mali concludes that ‘Not much changed in policy process and content between the first and second generation PRSP’, while an AFRODAD (2007) series of four country studies (Burkina Faso, Uganda, Tanzania and Mozambique) analyzing differences between first and second round PRSPs shows that, although some degree of change can be recognized largely due to the increased preparedness and competence of participating civil society actors, elements of continuity remain preponderant.

### *Coverage of Decent Work*

Similarly mixed results can be inferred with respect to the Decent Work content of second generation PRSPs from the most recent report prepared by the ILO on the subject, ‘The Decent Work agenda in Poverty Reduction Strategy Papers (PRSPs): Recent Developments’ (ILO, 2007), and the ensuing debate in the Employment and Social Policy Committee of the ILO Governing Body (2008).

The ILO paper, underlines that, as a whole, Poverty Reduction Strategies are more sensitive to the Decent Work agenda with more thorough employment-related analyses and a significant, although still very uneven from country to country, improvement of social constituents participation in the development phase (ibid: para. 13-15). Indeed, these points are convincingly illustrated by country examples as well as by a table, provided in the annex to the report, which shows, for each country in which ILO played a role, the PRSP Decent Work strategic entry points and actionable areas together with the modalities of constituents’ participation.

Concurrence with the ILO analysis of the results obtained to date is declared in virtually all the statements made during the debate – both from social constituents and member states, with the European Union being perhaps the most vocal in affirming that: ‘the new generation of Poverty Reduction Strategies have become much more sensitive to decent work goals by seeking the achievement of the internationally agreed development goals, especially poverty eradication, full

employment and social integration’ and that ‘the ILO can indeed claim its share in this positive outcome.’ (European Union, 2008).

At the same time, however, the ILO analysis has to recognize that several significant challenges remain both in terms of shaping the PRSP policy matrix and in terms of facilitating the constituents’ meaningful participation. In particular (ibid: para 36):

- ‘[E]mployment and poverty linkage, considered within all dimensions of the development policy such as macroeconomic, trade, financial and investment policies, are present in very few PRS processes. Nor are systematic efforts made to determine the employment intensity of different patterns and rates of growth and impact on poverty’.
- The latter analysis is hardly ever becoming part of the PRSP development process even when available, being ‘seldom put forward for public policy debate and within the participatory space underlying the PRS’.
- ‘The notion of an integrated strategy to provide social protection to all is receiving increasing attention, but PRSPs have rarely developed and operational long term strategy for attaining the goal of social protection for all’.
- Although specific rights such as those related to gender equality and child labour receive a significant degree of prominence, still

to date ‘rights at work are not discussed systemically in PRSP documents’.

In summary, it would appear that, even in the second generation of PRSPs, while there has been unquestionable progress in Decent Work coverage, this has been fairly incremental and confined within the boundaries of a policy matrix which continues not to have Decent Work elements at its core and does not seem to be changing at the speed and with the depth that many would wish.

### **Decent Work and development diplomacy: successes, challenges and opportunities**

#### *The ILO approach to date*

In one of his reports to the International Labour Conference, Juan Somavia, the current Director-General of the ILO, stated that (ILO, 2003a:9):

Given that the causes of poverty are many and interconnected, one of the most encouraging aspects of the new approach to poverty reduction and eradication is the emphasis on policy coherence based on a comprehensive development framework. However, coherence should not be imposed but constructed by people organized in networks of public and private social

institutions, respecting each others' fundamental human rights, and thus able to agree to act together for a common goal'

The ILO, through its PRSP initiative, has been investing a lot of energies in establishing such a network around Decent Work in the context of poverty reduction strategies. How can we make sense of this effort from a development diplomacy point of view?

Cooperation, as opposed to coordination, coercion and competition, can be seen as a horizontal form of inter-organizational relationship in which the involved actors share a common objective (see figure 1 below inspired by the concepts in Robinson, et al., 2000).

Figure 1. Ideal types of inter-organizational relationships.

		REGULATION MECHANISMS	
		HIERARCHICAL	NON HIERARCHICAL
AGENDA	CONVERGING OBJECTIVES	COORDINATION	COOPERATION
	DIVERGING OBJECTIVES	COERCION	COMPETITION

Partnership, as a concrete expression of the cooperation ideal type, can be therefore defined as a set of sustained interactions, based on a non-hierarchical regulation system and a more or less extensive overlapping of agendas in which all parties have some kind of power – however unequal.

By this definition, most would agree, the ‘network of public and private social institutions’ that the ILO has tried to create around Decent Work can be seen as a partnership. But – what may be less obvious – it could be argued that, despite the sharp power imbalances, there are some elements of a partnership in the PRSP process as well: civil society organizations, in fact, do not *have to* stay in the process (they could always walk away thus harming it), while, typically, the PRSP convening agencies – the Bretton Woods Institutions and the Ministries of Finance – do have a certain incentive to strike some kind of agreement with civil society organizations in order to claim the legitimacy of the PRSP exercise. We can see, then, the ILO PRSP initiative as an attempt to shape a Decent Work-oriented partnership within the broader ‘partnership’ convened by the World Bank and the IMF.

Because of the absence of a strong hierarchical regulation mechanism, the destiny of partnerships is often decided by their conveners’ ability to achieve and maintain buy-in from different actors. Since partnerships can only exist on the basis of a common goal, the ability of different actors to steer the common agenda setting process in directions that suit them is another crucial element. These factors, in turn, are the result of the different interests, values and perceptions coming into the partnership as well as the power relations among the involved organizations. In this sense, partnerships are perhaps the most ‘political’ of all inter-organizational relations. It is therefore their politics that we need to look into to understand their course.

From this perspective, the strategic arena in which the ILO has been operating to implement its PRSP initiative presents several significant challenges. In many countries, buy-in of the Decent Work agenda – particularly of its rights-based and social dialogue elements – on the part of Ministries of Finance and Planning is still very limited, partly as a result of the specific sub-cultures prevailing in these Ministries, and partly because of the lack of incentives – from an institutional point of view – to embrace Decent Work-related policies. At the same time, trade unions and – although to a lesser extent – Ministries of Labour are frequently characterized by reduced access to PRSP decision-makers and insufficient capacity to engage in the highly technical discussions that accompany PRSP preparations. In the case of trade unions, this limited access is sometimes compounded by political resistance and limitations to the freedom of association that further reduce the unions space for action. Employers, on the other hand, tend to be technically better equipped and often have stronger ties with national political elites. This situation adds up to longstanding divergences among constituents, making social dialogue particularly difficult, generating incentives for ‘go it alone’ behaviours, and creating opportunities for successful ‘divide and rule’ approaches on the part of powerful national and international actors.

The key elements of the ILO’s approach to the promotion of Decent Work in the context of PRSPs are all very relevant to the challenges identified above:

- Dedicated research and the development of convincing policy briefs opened a channel of communication with Ministries of Finance and Planning, often raising their interest and willingness to establish a dialogue with the ILO constituents. This research, at the same time, provided an effective platform to facilitate dialogue – and at times consensus – among constituents.
- Capacity building improved the constituents’ ability to interact successfully with Ministries of Finance and Planning and World Bank and IMF counterparts on highly technical economic policy issues. Additionally, this capacity building reduced the competence gap among constituents and provided them with a common language, once again facilitating their dialogue.
- The holding of tripartite meetings helped the constituents reduce divergences, recognize points of convergence and often identify common positions thus strengthening their position vis-à-vis other actors in the process, especially Ministries of Finance and Planning and World Bank and IMF counterparts.

The relevance of these actions explains the good performance of the ILO PRSP initiative in terms of increasing Decent Work coverage of PRSPs. But we saw before that the impact of this initiative in terms of transforming the core assumptions of the PRSP policy was less than hoped. Why is that? The next section argues that this is to a considerable extent the result of how the Decent Work partnership has been positioned with respect to other actors in the broader PRSP



‘partnership’ as well as global and national poverty reduction advocacy groups.

*Taking the process one step forward*

Previous sections of this paper pointed to the serious reservations that several observers have with respect to both the process and the content of Poverty Reduction Strategy Papers. The debate may not yet have reached its conclusive stage, but for the time being, looking at the empirical data, PRSP supporters do not have much of a success story to tell since, as observed by Arandarenko (2004:27): ‘no firm evidence is found to support the assumption that more flexible labour regimes induce better economic results, contrary to what has been the leading paradigm in the region (South-East Europe), promoted by World Bank and IMF’

Some representative of the Washington Consensus family of policy makers consider it too early to tell what works and what does not work in the current poverty reduction strategies suggesting that more time should be given to the PRSP process before making any final judgments. This position is certainly not without good reasons, but, nonetheless, considering the economical – but also political – importance of employment and the heavy impact that macroeconomic stabilization policies have had on many countries, the fact that employment-related issues have not received more attention is rather remarkable.

Can this fact be entirely explained with the powerful political and socio-economic forces that have been supporting the Washington Consensus and its successor policies? There is no doubt that these forces represent critical factors, but – this paper argues – they do not make up the entire picture. Recognizing that ideas do have some degree of independent power (Braun and Busch, 2000), it is important in fact not to overlook what has been referred to as the ‘ideational power’ of the World Bank (Stone, 2003), that is the Bank’s ability to exert an almost hegemonic influence on the way in which the poverty reduction debate is framed at least within the key policy making circles.

Indeed, the way in which the boundaries of the poverty reduction debate have been set so far has not left much space for Decent Work. But this does not mean that the International Financial Institutions are not able to think ‘development’ in any other ways than in terms of structural adjustments (or any of its successive variations). Nor it means that there would not be key actors ready to give employment and related issues a more central role in poverty reduction strategies. Let us take two examples.

The IMF Economic Forum in May 2003 discussed a paper which Prasad et al. (2003) wrote on financial globalization and its impact on developing countries. While a large part of the ensuing debate was of a highly technical nature pertaining to global flows of financial transactions, the summary and initial statements by the authors are of

direct relevance to PRSPs since they offer space to rethink some basic tenants of economic development theory.

The following quotes are taken out of context and are by no means meant to give an exhaustive rendering of what was said during the Forum. Nevertheless, it seems worthwhile to highlight some of the statements as captioned in the transcript of the Forum's discussions (...) since they appear to be suggesting that the causal relationships between macroeconomic and financial factors and economic growth rates of developing countries need to be rediscussed:

- 'Empirically, it is hard to identify a strong and robust causal relationship between financial integration and higher growth rates for developing countries' (p.6)
- 'Financial integration is not a necessary condition for a high growth rate' (p.6)
- 'Most of the difference in income per capita stems not from a difference in capital/labour ratio, but from a difference in total factor productivity which is explained by 'soft' factors of 'social infrastructure'. This suggests the importance of an 'absorptive capacity'' (p.8)

Three years later, in the Annual Review of Development Assistance, the World Bank Independent Evaluation Group (2006) requests the

Bank to take the link between employment and poverty reduction more seriously, stating among other things:

- High and sometimes worsening income inequality has dampened the poverty-reducing effect of growth in a number of countries. This effect was particularly noteworthy where growth was concentrated in sectors that generated little employment and where the poor lacked the basic skills or mobility to take advantage of the opportunities presented by growth. (p. XII)
- In the area of trade reform, for example, the Bank often failed to conduct sufficient analysis to inform its policy advice and lending about the employment and poverty effects of reforms. (p. XIV)
- To ensure that growth translates efficiently into poverty reduction, the countries, the Bank, and their partners will need to focus more on finding effective ways of helping the poor participate in this growth. This will require country-level analysis of the binding constraints to employment-creating growth and to growth in regions where many of the poor live, as well as of the factors that hinder intersectoral mobility of the poor. (p. XVI)

As a fresh wind of intellectual inquiry may be in the process of blowing off some dust from old cherished doctrines and possibly generating renewed willingness to question the current tenets of economic theory, it is important for organizations like the ILO not to

miss the opportunity to match a potentially new thinking with their own research and complementary theory building.

When EUDATA (2003) was able to persuade the IMF and the World Bank to increase debt forgiveness and to speed up the process, a lot of corroborating views were expressed within the International Financial Institution's themselves. This paper argues that the time is ready to undertake a similar effort in relation to Decent Work in order to challenge some of the hegemonic ideas that got entrenched in the current poverty reduction debate.

Indeed, some important pieces of research on the relationship between Decent Work and poverty reduction have already been undertaken. But what is missing – in order to take the good work carried out so far by the ILO to the next level – are more 'EUDATA type' campaigns, based on well thought out concept papers, credible economic and social analysis, and with a strong focus on global advocacy. Such campaigns would involve a partial repositioning of the ILO's partnership building within the PRSP process – a repositioning which would decidedly take this partnership building beyond the ILO tripartite constituencies and make systematic alliances with other segments of the national civil society as well as global poverty reduction advocacy groups in order to trigger a significant reframing of the PRSP debate and a shifting of its boundaries to make space for Decent Work.

This would be one of the “missing links in the politics of development” to which Booth (2005) refers in mentioning the importance of a ‘general climate of opinion’ to make PRSPs more effective. And it would heed Inge Kaul’s exhortation (2004) to go beyond pointing out the negative symptoms of globalization and have the courage to ask the hard questions needed to find out the root causes of the current state of global affairs.

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