FIFTH ITEM ON THE AGENDA

The impact of the ILO’s engagement with the Poverty Reduction Strategy Papers (PRSPs) process

Introduction

1. The ILO’s contribution to national poverty reduction strategies (PRSs), and in particular to the World Bank/IMF-endorsed Poverty Reduction Strategy Papers (PRSPs)1 process, has been regularly reported to the Committee. A substantive paper, “Poverty Reduction Strategy Papers (PRSPs): An assessment of the ILO’s experience” was discussed at the Committee’s meeting of November 2002.2 This paper was reviewed favourably by the Committee which recommended that the ILO involvement in PRSPs be continued and that, financial and technical resources permitting, it be broadened and deepened. The Committee also requested the Office to prepare a further report for its consideration.3 At the last meeting of the Committee in March 2005, it was agreed that a paper would be presented and discussed at the November 2005 session.

2. This paper is divided into three sections. First, there is a description of the background to the PRSP process and in particular, the ILO’s engagement in it, including an outline of the rationale, objectives and value added of the ILO, illustrated with examples of some of the new analytical and capacity-building tools developed to support country-level work. The next section describes the country-level experience, highlighting some of the initiatives undertaken by the Office and constituents and the impact on national development dialogues and PRSs. Finally, the third section seeks to take stock of lessons learnt and indicate possible directions for the future.

---

1 This paper distinguishes between PRSPs defined as the World Bank/IMF-endorsed national poverty reduction strategies which are in place in most low-income countries (LICs) and the similar PRSs which other non-LICs have chosen to implement that follow similar principles but are not designed necessarily to access concessional finance and/or debt relief. Most countries referred to in this paper have PRSPs with the notable exception of Indonesia.

2 GB.285/ESP/2, 285th Session. See also GB.289/ESP/3, 289th Session.

3 Governing Body Record of decisions, GB.285/205, para. 53.
Background and ILO approach to PRSPs

3. In 1999, the Bretton Woods institutions agreed to support nationally owned PRSPs as the basis for their respective concessional lending programmes and as a trigger for debt relief under the heavily indebted poor countries (HIPC) initiative. Of the approximately 70 low-income countries eligible for PRSPs, around 50 (roughly half from Africa) have World Bank-endorsed PRSPs in place, the majority have produced at least one progress report and a few of the first countries to develop a PRSP, such as Burkina Faso, Uganda and the United Republic of Tanzania, have moved on to develop second-generation PRSPs. Many donors have subsequently structured their programmes, especially budgetary support, around a country’s PRSP. Since 2000 and the adoption of the Millennium Declaration and Millennium Development Goals (MDGs), most PRSPs have placed a strong emphasis on outcomes which resonate with the MDGs. It is fair to say that PRSPs and the MDGs now define the development architecture in most low-income countries and PRSPs are often the most important policy framework around which governments and donors allocate resources.

4. There have been many critiques, evaluations and reviews of the PRSP process by a variety of stakeholders. A recurrent observation has been that, although the PRSP framework has begun to orient the policy discussions in low-income countries toward a focus on poverty, attention to results and a new more coherent framework for aid management, tension clearly exists in designing a World Bank/IMF-driven initiative involving conditionality that is simultaneously meant to foster a country-driven and home-grown process. Questions have often been raised about the quality of the participatory process and the degree to which there has been a real discussion of different policy options.

5. Poverty reduction is a critical part of the ILO agenda as grounded in the Constitution and the Philadelphia Declaration. The Director-General’s Report to the International Labour Conference in 2003, Working out of poverty, set the new context for the ILO’s work and reviewed the multiple dimensions in connecting the Decent Work Agenda with the fight against poverty. The increasing centrality of the PRS processes for defining policy priorities for internal and external resource allocations has made it necessary for the ILO to engage in and influence the processes in order to better promote decent work goals at the national level.

6. In 2002, the Office reported to the ESP Committee that, overall, from the perspective of the ILO, there were three challenges to engagement in PRSPs: the need for PRSPs to include a more thorough analysis of employment and other aspects of decent work; the need for labour ministries, employers’ and workers’ organizations to be more integrated into participatory processes; and for more attention to be placed on equity in addition to growth in PRSPs.

7. Three years down the road, the ILO’s PRSP work is more visible, coherent and focused on these challenges. The overarching vision for the ILO work on PRS is to develop and promote coherent cross-sectoral strategies and integrated frameworks for connecting the poverty and Decent Work Agenda(s) at the national level. This work is managed as an Office-wide collaborative effort. This vision draws on all four strategic objectives of decent work and involves three specific goals:

---

4 This cross-Office collaboration and integrated support to country engagement in PRSs is facilitated by the National Policy Group of the Policy Integration Department.
- **Empowering** the constituents (ministries of labour, employers’ and workers’ organizations) by building their capacity to influence the drafting and implementation of national PRSs.

- **Incorporating** relevant dimensions of the Decent Work Agenda into PRSs by identifying appropriate entry points and country-specific priorities.

- **Influencing and developing partnerships through strategic communication.** Seeking to influence development organizations (including multilaterals, bilaterals and civil society organizations) and government ministries and departments (especially ministries of finance/planning) involved in designing and implementing PRSs to embrace fundamental principles and rights at work, employment policies and social protection and social dialogue.

8. Applying this approach to support the country-specific work described in the next section, the Office has extended its knowledge base and embarked on an awareness-raising and knowledge-dissemination strategy both for an internal and an external audience. This has involved, inter alia, frequent meetings of the cross-Office PRSP Advisory Committee, and annual staff training seminars for headquarters and field-based staff in Turin. Periodic meetings have been held with the World Bank. Wherever possible, the Office has sought to engage with common United Nations initiatives regarding PRSPs and, to this effect, it chaired in 2003 the UNDG Working Group on PRSPs, which drafted the *Assessment of the Role and Experiences of UN Agencies in PRSPs* and a related *Guidance Note on UN Country Team Engagement in PRS(P)s*. The Office has also contributed to the draft guidelines on a human rights approach to PRSs formulated by the Office of the United Nations High Commissioner for Human Rights 5 and advocated on behalf of rights-based approaches to PRSPs in various forums such as at a World Poverty Day Rights Symposium organized by UNESCO and the Social Forum of the United Nations Commission on Human Rights. Many other regional-based workshops and seminars have been organized, especially in Africa and Asia by different parts of the Office.

9. At the request of staff and constituents the Office has produced a *Manual on decent work and poverty reduction strategies (PRSs)* 6, which is used to structure capacity-building workshops and as a user-friendly reference guide. This is one of a number of tools that are now available to help constituents and staff to more effectively engage in PRS processes. 7 Both ACTRAV and ACT/EMP have put together resource materials for workers’ and employers’ groups respectively and other useful tools include a guide on gender mainstreaming in PRS produced by DIALOGUE; an advocacy guide developed by INTEGRATION/NPG; and a practical guide for constituents produced by the Subregional Office in Bangkok and based on experience in that region. In addition to these tools, various technical units of the Office have undertaken analysis and research into different aspects of the PRS agenda. Within the framework of the Global Employment Agenda (GEA), a significant number of studies commissioned by EMP/STRAT have looked at crucial employment dimensions to PRS; COOP has produced two publications on decent work, poverty reduction and the role of cooperatives; DECLARATION has drafted an ethnic audit of PRSPs, identifying their strengths and weaknesses from the point of view of indigenous and tribal peoples; SKILLS has undertaken research into the PRSP process.

---


7 A complete listing of policy and capacity-building tools for connecting decent work with PRS is available at the above web site.
through the lens of both disability and vocational training and EMP/ENT has done likewise from the perspective of enterprise development; PRS specific work has been done on child labour and poverty reduction, on HIV/AIDS, enterprise development and various aspects of social protection; whilst INTEGRATION/NPG, DIALOGUE and EMP/STRAT have published a number of working papers focused on particular country-level PRSP experiences. Virtually all of these initiatives have involved cross-Office participation and have helped foster a more coherent vision and collaborative working methods.  

The impact of selected country-level experiences

10. Since the last substantive PRSP report to the ESP Committee the ILO has supported PRS processes in an expanding number of countries. In addition to the original five pilot countries – Cambodia, Honduras, Mali, Nepal and the United Republic of Tanzania – and, in response to demand from constituents and field offices, the Office has now made substantive contributions to PRS processes in more than 15 countries.  

11. The PRS process is first and foremost a national one and, in this regard, the contribution of the ILO’s field structure is vitally important to full participation in PRS processes. Taking initiatives on decent work issues and participating in the regular and frequent working groups, theme groups and formal and informal networking opportunities require presence and capacity in countries. In those countries where there is an ILO field presence, it has been easier to muster capacity and to actively support the participation of constituents in policy dialogues.

12. The ILO has sought to engage in PRS from many different angles but two broad approaches prevail: an integrated, longer term and multidimensional approach or a more specific thematic, focused input (which is probably more feasible in countries where the ILO does not have a physical presence). In general, the approach adopted will depend on the stage of a given country’s PRSP cycle and the interest and capacity of constituents and the Office to participate in and add value to the process. In addition to the original five focus countries, the Office has adopted an integrated, multidimensional approach to the PRS process in Ethiopia, Ghana, Indonesia and Pakistan, amongst others. More limited, specific inputs have been made into the PRSP processes in, for example, Uganda where the work focused on cooperatives, in Sudan where the emphasis was on the macro economy and employment strategies and in Yemen where the input was organized around a gender workshop. In addition to these two broad approaches, staff and constituents from many countries have also benefited from subregional meetings on different aspects of the contribution of decent work to PRSs, for example on social protection at a subregional meeting in Senegal, at a workshop for trade unions from the Commonwealth of Independent States held in Georgia and at seminars organized for cooperatives’ leaders from Africa and Asia, held in the United Republic of Tanzania and Thailand, respectively. In addition, ACTRAV has been particularly active in many countries in supporting capacity building of trade unions to participate effectively in PRS processes.

13. The PRSP work in Ethiopia has centred on capacity building in tripartism and social dialogue for constituents. Generally, PRSP processes have encouraged social partners to look outwards and examine the role they can play in broad development and planning processes. In Ethiopia, for example, training has been provided to help the trade union

---

8 For an exhaustive list of ILO/PRS focus countries, resource material capacity-building initiatives and country papers, see the synopsis table at the above web site.

9 idem.
movement to undertake economic analysis so that they can engage in and critique national policy. Promoting social dialogue for poverty reduction also has multiplier effects. In Ethiopia, PRSP capacity-building workshops and awareness-raising seminars helped strengthen and reinvigorate the National Labour Advisory Board and have added weight to the process towards ratification of Convention No. 144 on tripartite consultation. This work on strengthening tripartism has included a major emphasis on productivity enhancement through improved labour relations and has served to highlight gender issues in the context of the PRSP. The Office has published two working papers on poverty reduction in Ethiopia which have been widely disseminated. These papers, which have drawn on work done under the GEA on the nexus of growth, employment and poverty reduction and on labour market policies have been used by the Ministry of Labour and Social Affairs as the basis for formulating the Ministry’s input to the PRSP revision process and have helped to convince the World Bank to consider more seriously labour market issues in poverty reduction. The working papers have also been used to help draft the nascent decent work country programme (DWCP) in Ethiopia.

14. The ILO has provided substantial and well-received inputs into the long-running PRS process in Indonesia. In addition to capacity building for constituents, the ILO’s support towards the PRS process in Indonesia centred on providing substantial technical contributions to the PRS drafting process, in the form of a series of 12 technical briefing notes and a comprehensive report entitled Working out of poverty: An ILO submission for the Indonesia PRSP which provided specific policy recommendations for the Government. The short and focused technical briefing notes – on topics such as employment dimensions of macro and sectoral policies; youth employment: pathways from school to work; promoting good governance in the labour market; and addressing gender issues in poverty reduction – served two key purposes: as background documents, on issues and policy choices critical to poverty reduction, and as building blocks towards the comprehensive ILO report. The ILO Office in Jakarta has been actively involved in awareness raising and promoting decent work as a component of poverty reduction via an active PRSP communication strategy. This has been based on the technical briefing notes and full report but has also included publishing various brochures, posters, a PRS diary and even the launch of a commemorative stamp under the banner “ILO supports Indonesia to tackle poverty”. The Office has engaged on a regular basis with donors and through the auspices of the United Nations country team on decent work issues and poverty reduction. A good working relationship has been established with the World Bank office in Indonesia. Through its involvement in the PRS process, the ILO has also built up a sound working relationship with the Planning Ministry (BAPPENAS) and was actively involved in providing technical support to the formulation of the new mid-term/five-year national development plan. The final draft of the PRS adopted a pronounced rights based approach and included a chapter on the right to employment. In this regard, it can be assumed that the technical inputs and advocacy agenda adopted by the ILO have had a significant impact. The PRS has subsequently been integrated into the new mid term/five year national development plan. In sum, the visibility of the ILO has been enhanced enormously through its engagement in the PRS process and the ILO now has a hitherto unprecedented profile vis-à-vis other development organizations in Indonesia as well as with the Planning Ministry.

15. The ILO’s active involvement in the PRS process provided an important foundation for the Office’s contribution to the Government’s Master Plan for Post Tsunami Reconstruction, following the 26 December earthquake and tsunami in Aceh province. 10

16. For the past three years, the ILO has been engaged with the Ghana Poverty Reduction Strategy (GPRS) process as part of its overall Ghana Decent Work Pilot Programme (GDWPP). There have been a number of interrelated components to this concerned with, in broad terms, supporting the constituents to ensure that the many issues to do with employment and labour are better addressed in planning processes. In seeking to influence the GPRS revision process, a joint ILO-UNDP-Government of Ghana paper on An employment framework for poverty reduction was prepared in 2004 and a national employment summit is scheduled for later this year. A significant part of both these initiatives is concerned with helping Ghana to improve its competitiveness and productivity through promoting decent work. Thus, as part of the GDWPP and, following consultations with ILO constituents beginning in 2003, it was decided that increasing productivity and distributing the benefits through wages and work-related income was a key factor for effective poverty reduction (it was also considered that this was a neglected and underdeveloped component of the existing GPRS). Consequently, the Ghana Employers’ Association and the Trade Union Congress decided to work together on identifying options for productivity improvements at the firm, sectoral and national levels and sought to link this with an appropriate wages and incomes policy. As a result, two separate studies were completed, one focused on the wage setting and incomes policy dimension to productivity (from the workers’ perspective) and the other largely focused on firm-level productivity factors at the enterprise level in three subsectors (from the employers’ perspective). These two studies were then synthesized into a joint paper which has been published as an ILO working paper. The constituents have organized a tripartite forum for discussing productivity issues and have used this forum for agreeing a set of contributions to the GPRS revision process. Finally, it should also be noted that the Ministry of Manpower, Youth and Employment in Ghana has successfully accessed HIPC funds, allocated through the PRSP process, to finance vocational training programmes. Finally, Ghana enacted a national social health insurance law establishing the National Health Insurance Scheme which aims at universal coverage and which has formed part of the GPRS process.

17. The ILO contribution to the PRSP document produced by the Government of Pakistan and the process underlying its development and implementation has been based on three elements: technical support to the Government; a project to improve its capacity to plan and implement its PRSP; and the search for greater inclusion of constituents in the PRSP process to better articulate their concerns and priorities. Technical support to the Government consisted of contributions to the PRSP document to elaborate and embed decent work as a poverty reduction tool. This is reflected in two chapters incorporated into the PRSP. One sets out an employment policy to generate decent work and the other presents the characteristics of the poor and estimates of poverty incidence and of the number of working poor. The provision of technical support raised the issue of sustainability and the need to build the Government’s own technical capacity to conduct such work. A technical capacity building project on formulating policy for poverty reduction was sited at the Planning Division at the request of the Minister, executed by the ILO and funded by UNDP. This played an important role in the formulation of the Medium-Term Development Plan 2005-10 and in the allocation of resources for employment generation. The provision of technical support and capacity building for the PRSP was based on the third critical element: the inclusion of and voice for workers, employers and the Ministry of Labour in the PRSP process. The ILO organized periodic forums for consultations between the constituents and the Government on the PRSP. This allowed the constituents to directly articulate their policy priorities through dialogue and reports submitted to the Government as well as for the Office to represent their views in its own contributions.
Lessons learned and challenges for the future

18. Since the last substantive report to the ESP Committee in November 2002, the Office has scaled up and deepened its PRSP activities in response to specific requests from field offices and social partners. Engagement in PRSP dialogues has enabled the ILO to raise its profile and visibility in a number of countries and at the same time helped build up the capacity of the constituents to actively contribute to policy dialogues. In general, the ILO’s engagement in the PRS process at the country level has led to improved participation by the tripartite constituents in the process and resulted in opening the scope of policy dialogues to employment and labour market issues and providing a range of alternative policy options. 11

19. PRSPs are considered a “learning by doing” process by the international community. More recent PRSPs and second generation PRSPs are better addressing some of the weaknesses identified in earlier PRSPs, including greater coverage of equity issues as in the case of Indonesia and Cape Verde, for example, and greater coverage of employment issues as in the case of the recently completed Sierra Leone PRSP which is subtitled a “National Programme for Food Security, Job Creation and Good Governance”. Many of the more recent transition country PRSPs contain better coverage of social protection issues based on poverty diagnoses which stress the vulnerability of people on low incomes slipping into and becoming trapped in acute poverty.

20. It is also worth noting that there is evidence to suggest that the principal architects of PRSPs (ministries of finance and planning), and the donors who influence PRSPs are increasingly receptive to some aspects of the Decent Work Agenda. The ILO has sought to build on this arguing for the centrality of employment growth in PRSs, especially through policies designed to promote the private sector and enterprise development, labour-based public works programmes, productivity improvement and better management of the informal economy. Generally, the ILO’s engagement has broadened the scope of policy options and their critical review during the PRS process.

21. There are also examples – in Cambodia, Ethiopia and Indonesia, among others – where work on the PRS process has fostered more and better working relations both between constituents and within constituent groups. In Indonesia, for example, different trade union federations came together to form a task force around the subject of poverty reduction with the objective of submitting a joint trade union input to the PRS process. Having achieved this outcome, the task force has continued to function as a trade union policy network thereby fostering closer working relations between trade union bodies and helping ensure that there is a coordinated approach to policy dialogues with government and international financial institutions.

22. It is essential to empower and build the capacities of the ministries of labour to add value to national policy dialogues on poverty reduction. PRSPs also provide the opportunity for the ILO to work with other parts of government in addition to labour ministries. In particular, PRSP processes enable the ILO to sensitize the finance and planning ministries at the country level to decent work. This has been done successfully in Ghana, Indonesia, Nepal and Sudan, among others.

23. However, it has to be recognized that PRSPs constitute a “crowded market place” for what are often competing ideas, programmes and claims on resources, so “selling” the Decent

11 An evaluation of the ILO’s PRSP work was recently undertaken by an independent consultant. This evaluation is an impact assessment of selected PRSPs from a decent work perspective and from the point of view of constituents as well as the Office.
Work Agenda is not always easy. It requires a proactive approach by ILO field-based teams and mobilization of constituents backed by sound policy and technical analysis. It also involves a communication strategy for building alliances with like-minded organizations including academic and civil society institutions in order to increase support for particular aspects of the Decent Work Agenda. The PRSP manual, the accompanying advocacy guidebook, and the ILO information folder on decent work and the Millennium Development Goals, support such work. Important political endorsement has come in the pledge by Heads of State at the World Summit in New York to make the goals of full and productive employment and decent work for all a central objective of national development strategies, including poverty reduction strategies.

24. To be most effective, it requires sustained contributions over a full cycle involving inputs to the design of the strategy, its monitoring and, ultimately, its review and assessment. As a country-driven process, it is not time bound in the sense that the policy dialogue process does not have a discrete start and finish. The dividends on the ILO investment accrue in the medium run, in terms of orientation of policy and resources towards decent work goals. This implies the need, on the one hand, to be focused in prioritizing where the ILO can add most value and, on the other hand, identifying synergies with existing ILO initiatives in given countries and making the links between those projects and programmes and the broader policy environment.

25. In this context, there are numerous good examples of where the Office has made clear links to ongoing work: in Indonesia, for example, with respect to child labour; and in Mali where the ILO’s work on a national employment programme has fed into the PRSP which is one of the few that treats employment not simply as a consequence of growth but as a factor of growth. This is a direct outcome of the active engagement of constituents and ILO staff in the participatory process.

26. In addition to identifying synergies between existing ILO activities and PRS processes, it is also beneficial to identify where the Decent Work Agenda can add value to particular sector-wide strategies and public expenditure frameworks. For example, a major plank of the Ghana PRSP is private sector development through improved infrastructure. Public procurement policies currently do not realize the considerable potential from large investments in infrastructure for the generation of employment and income in deprived areas. They also do not make use of the positive experience in Ghana of including specific provisions on conditions of employment and workers’ rights in the tender documents. Thus, to improve this, a policy brief has been developed with guidance on the necessary modifications in tendering rules and procedures, capacity building in relevant institutions and better access to information to ensure that work-based rights, including the core labour standards are embedded in decisions to award infrastructure contracts.

27. Generally, where the ILO has managed to put together an annual, country-level plan of action for its PRSP work and mobilized staff (field and headquarters) and financial resources, this has greatly improved coherence and consistency in the PRSP engagement (Indonesia and Ethiopia provide good examples in this regard). It follows that the ILO’s work on PRSPs should help guide the development of DWCPs. Cross-country and cross-regional transfer of experience has been key to maximize the efficient use of limited staff and financial resources.


28. In view of the critical role of PRSs as the framework for policymaking and for resource allocation in numerous countries, support for integrating a Decent Work Agenda into PRSs should be a key priority in the formulation of DWCPs. The experience gained with the ILO/PRS engagement, including the approach to the empowerment and capacity building of the tripartite partners, the practical means for strengthening the capacity of ILO offices for policy analysis and dialogue at the country level and a communication strategy for broader outreach, is a vital contribution to the development of DWCPs. Building synergies across different technical entry points and mainstreaming projects’ outcomes into policy frameworks for poverty reduction should be facilitated and planned from the outset.

29. The current international reviews of the PRS and MDG processes and the converging critiques of the need to better focus on growth, equity and employment together with the achievements of the ILO’s engagement at the country level have led to increased demand by ILO constituents for support in the PRS process. Donors have recognized this need and, in the current phase, the ILO has received technical cooperation funds from Denmark, the Netherlands and, in particular, the United Kingdom for the PRSP work. The last United Kingdom Department for International Development (DFID) Annual Review of the DFID-ILO Partnership Framework Agreement, for example, commended the exceptional achievements of the ILO in supporting the PRS process and compared this favourably to other United Nations specialized agencies. Thus, it seems reasonable to conclude that demand for the ILO’s critical engagement in PRS work is likely to increase. Deepening and expanding this work, however, need to take into account institutional capacities currently overstretched and supplement tight regular budget resources with new technical cooperation funding devoted to the PRS process.

30. Whilst lessons have been learned and the ILO has now consolidated an approach and methodology to working on PRSPs which will continue to be grounded in capacity building for constituents and maximizing the broader benefits from engagement in poverty policy dialogues, the ILO will now need to become increasingly active in helping to evaluate PRSPs globally and at the country level, in seeking to influence budgetary processes, in advocating for an employment-based growth strategy and for the inclusion of the rights of sometimes neglected groups such as agricultural and informal economy workers, migrants, indigenous and tribal peoples.

31. To strengthen its ongoing policy dialogue with development partners, including the international financial institutions and within the United Nations UNDAF/CCA process and to reinforce its country-level support, there is scope and need for the ILO to continue to support constituents’ engagement in the PRS process through strengthened mechanisms of social dialogue. There is also a need to further develop empirical evidence on the linkages between macroeconomic policies, employment and poverty reduction; develop further guidance on linking rights and standards into PRS; to develop approaches to designing broad-based social protection strategies whilst addressing the issue of fiscal space within PRS; focus more on monitoring indicators of PRS and approaches to integrate decent work targets in that process. There will also be a need – as part of DWCP processes – for developing with constituents more country-specific advocacy strategies which reach out to a broad platform including academics, parliamentarians, donors and civil society.

32. The Committee on Employment and Social Policy is invited to comment on this review and provide guidance with respect to the future direction of the ILO’s engagement in PRSs.


Submitted for debate and guidance.