

**Summary of the Panel Discussion with the International Labour
Organization, the World Bank and the International Monetary Fund
Wednesday, 9 February 2005 (10:00 am)
Conference Room 4**

Mr. José Antonio Ocampo, Under-Secretary-General of the Department for Economic and Social Affairs welcomed the panellists and opened the discussion by stressing the importance of the link between economic and social policies. He pointed out that the recognition of this link is essential for building the capacity of economic systems to contribute to poverty alleviation and social development. He remarked that how social development is financed, especially in poorer countries, is central to achieving the objective of improving social conditions as highlighted in the Copenhagen Declaration.

Following this introductory statement, presentations were made by Mr. Ian Johnson, Vice-President of Environmentally and Socially Sustainable Development of the World Bank; Mr. Gerry Rodgers, Director of the Policy Integration Department of the International Labour Organization (ILO), and Mr. Mark W. Plant, Senior Advisor of the Policy Development and Review Department of the International Monetary Fund (IMF).

Presentations

Ian Johnson (World Bank) noted the importance of the social dimensions of development, adding that failure to deal with them could foil efforts at sustainable development. Inspired in large part by the goals of the Copenhagen Declaration, the World Bank has become more sensitive to the social dimensions of development. Particular progress has been made in four areas: First, there is greater recognition, by the Bank, of the need to embed social policy within economic policy as a way of fostering overall development. As a result, the Bank since 1999 has provided most of its assistance to countries within the context of Poverty Reduction Strategies that recognize the links between economic and social policies. In addition, the Bank's analytical work pays substantial attention to social development issues. Secondly, the Bank recognizes that a pro-poor approach to economic growth is essential. It has therefore fostered community centred development, which has become a dominant aspect of the Bank's assistance to countries. Thirdly, given the importance assigned in the Millennium Development Goals to health and education, the Bank has moved to expand its lending to these sectors to about 25 per cent of its total annual lending. Finally, the World Bank considers the particular needs of Africa as a priority in its lending. Africa currently receives the bulk of the Bank's no-interest loans which it offers through the International Development Association (IDA).

Gerry Rodgers (ILO) noted that the ILO was fully engaged with the Social Summit from the beginning. He stated that the Copenhagen Declaration helped to set the direction of ILO work in part because each of the commitments made in Copenhagen had a bearing on ILO concerns. By the time of the 2000 Special Session of the General Assembly, there was evidence that progress towards meeting the Summit's goals was slow and the global picture with respect to employment, in particular, was wanting. The Special Session turned to the ILO for leadership in developing a coherent international strategy on employment. Mr. Rodgers added that unfortunately the momentum created by the Special Session of the General Assembly to tackle global employment challenges was insufficiently echoed and developed in the Millennium Declaration. The ILO has nevertheless responded to the challenges with respect to employment in several ways: Within the context of a Global Employment Agenda, ILO has developed a decent work agenda which emphasizes employment, rights at work, social protection and social

dialogue. The ILO has also put more emphasis on ensuring that employment and decent work goals are incorporated both in the formal and informal sectors and in poverty reduction strategies. An important contribution of the ILO was its establishment of an independent World Commission on the Social Dimension of Globalization whose report was produced in 2004. The report highlights the immense potential of globalization to improve social welfare and the ways in which Governments, business, labour, parliamentarians, civil society and the international community can all work towards promoting a more inclusive globalization. In follow-up to the Commission's findings, the ILO has initiated a "policy coherence initiative" among multilateral organizations to develop better policies to promote sustainable growth, investment and employment.

Mr. Mark Plant (IMF) began by noting the scepticism during the 1990s about the role of the IMF in social development. There was a contention at the time, he noted, that the Fund should cede its role in social development to the World Bank and instead focus on macroeconomic policy and reform. The IMF however rejected this view in favour of an approach that takes social aspects into account in macroeconomic development. In this regard, the IMF works with its partners to ensure that the social dimensions of development are addressed at the macroeconomic level. This focus of the IMF has led it to make substantial changes in a number of areas of work. For example, at the field level, the focus has been on poverty reduction strategies and how macroeconomic policies affect social development. In this regard, the IMF's lending has become more linked to the poverty reduction strategy of individual countries. At Headquarters, poverty reduction and pro-poor growth are issues of major concern. An important question in this regard is what forms of budgetary allocations are needed to achieve pro-poor growth without diminishing macroeconomic performance. The IMF has also made major strides in the area of donor coordination to ensure that the Fund's programmes do not disrupt donor involvement and continuity. In this connection it has also strengthened its collaboration with other international organizations, and with NGOs, labour unions and Central Statistical Offices.

Discussion

A number of participants discussed poverty and poverty eradication initiatives. In response to a question on good practices to ensure the poor benefitted from social development, Mr. Johnson emphasized the importance of country specific poverty reduction strategies and the importance of community participation in development projects. In addition, he echoed the chairman's comments on the linkages between social, environmental and economic issues, remarking that although poverty has a critical economic aspect, a more holistic view should take environmental and social issues into account. Several questions were raised about the IMF's policy recommendations and their effects on poor countries and their efforts to combat poverty. Mr. Plant replied by emphasizing the IMF's priority focus on economic stabilization. This, he said, was one of the essential preconditions for sustained economic growth and poverty reduction. He added that although progress has been made in recent decades towards increased stabilization, it has often failed to generate rapid growth.

On the subject of growth, the moderator, Mr. Ocampo, mentioned ongoing debates on growth and poverty and whether the term pro-poor growth was redundant, since growth will always benefit the poor to some extent. He also wondered whether pro-poor growth should be associated with decreasing inequality. Mr. Johnson added that although growth usually has some positive impact on the poor, it is important to ensure that growth be sustainable and its benefits be redistributed for sectors such as education and health.

Mr. Gerry Rodgers, responding to questions on the interdependency of global economic relations and on realizing full employment, stressed that the goals of employment creation and

decent work need to be placed at the heart of economic and social policies. Citing the World Commission on the Social Dimension of Globalization and its recommendations for a policy coherence initiative to develop better global policies to promote growth, investment and employment, Mr. Rodgers emphasized that despite some negative recent trends, globalization can be a positive force for the creation of decent work. The goal of full employment is possible, but only if all relevant actors take responsibility for full employment. Concern was expressed over the high levels of unemployment amongst young people, especially young women. The establishment of the Youth Employment Network and its recommendations for addressing this situation were recognized.

The effects of international migration on labour markets were of concern to several participants. Several speakers mentioned the growing recognition of international migration as a central issue on the global agenda and the need for global, regional and bilateral frameworks. The “brain drain” from developing countries which has resulted from the free movement of skilled labour while the movement of unskilled labour remains restricted, has led to increased inequalities between countries and regions. Concern was also expressed that the increased flow of remittances, although a valuable source of income for many developing countries, may become a justification for donors to withdraw or limit aid to developing countries.

Mr. Ocampo pointed to the relationship between globalization and risk. Globalization has increased the risks borne by countries (e.g. macroeconomic risk through financial volatility) and individuals (e.g. through the privatization of socialized risks as in the case of the privatization of pensions as witnessed in Latin America in the recent past). He posed the question of what possibilities there were for a better sharing of these risks.

Mr. Rodgers commented that shifts in the patterns of production and trade, as in the case of outsourcing were creating new winners and losers and that 80 per cent of the global population has no access to social protection. Mr. Johnson expanded on the idea of risk and vulnerability adding issues such as environmental and health risks and how these cut across countries. These issues call for public and private policy responses at both the national and international level.

Concern was expressed over the narrow economic definition of development inherent in the Millennium Development Goals, which omits the consideration of human rights. Replying to a question on the Global Compact and its potential contribution to alleviating employment inequality, Mr. Ocampo pointed out that the Global Compact is primarily a mechanism to promote corporate responsibility in several agreed areas. With regard to research on social development, concern was expressed that the increased tendency for such research to be funded from private rather than public sources could have a negative impact on the nature and volume of research output.