

Challenging the IFIs:

Practical Information and Strategies for Trade Union Engagement with International Financial Institutions



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ACRONYMS

ACTRAV	The Bureau of Workers' Activities of the ILO
ADB	Asian Development Bank
AfDB	African Development Bank
ALNI	Asian Labour Network on IFIs
CAS	Country Assistance Strategy (World Bank)
CLS	Core labour standards
EBRD	European Bank for Reconstruction and Development
G8	Group of eight countries - Canada, France, Germany, Italy, Japan, Russian Federation, United Kingdom, United States of America
HIPC	Heavily indebted poor country
ICFTU	International Confederation of Free Trade Unions (predecessor organisation of ITUC)
IDA	International Development Association (World Bank)
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFI	International financial institution
ILO	International Labour Organization
IMF	International Monetary Fund
ISDS	Integrated Safeguards Data Sheet (World Bank)
JSA	Joint Staff Assessment
ITUC	International Trade Union Confederation
ITUC-Africa	African Regional Organisation of the ITUC
ITUC-AP	Asia and Pacific Regional Organisation of the ITUC
MDG	Millennium Development Goal(s)
MIGA	Multilateral Investment Guarantee Agency (World Bank)
ORIT	Inter-American Regional Organisation of Workers (predecessor organisation of TUCA)
PAD	Project Appraisal Document (World Bank)
PCN	Project Concept Note (World Bank)
PGD	Programme Document (World Bank)
PID	Project Information Document (World Bank)
PIN	Public Information Notice (IMF)
PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Programme
TUAC	Trade Union Advisory Committee to the OECD
TUCA	Trade Union Confederation of the Americas (ITUC regional organisation for the Americas)
WCL	World Confederation of Labour (predecessor organisation of ITUC)

I. Introduction: Facing the Challenges

What Can Trade Unions Do About the International Financial Institutions?

When trade union leaders are asked what they think about challenging the policies of the World Bank, the International Monetary Fund (IMF) and regional development banks¹ (called international financial institutions, or IFIs) their first response is, “Yes we must!” Then they ask “How?” and then a little later, “Can we get anything out of it?” These are good questions.

After all, the World Bank and the IMF are huge institutions, employing tens of thousands of bureaucrats, researchers, technical experts, and consultants to oversee their work. They have vast resources at their disposal, and they seem to be able talk directly to governments whenever they want. For over sixty years, these powerful institutions have determined the economic policies and development models that countries have to follow to win approval for loans and other forms of assistance.

Many trade union leaders are sceptical of the IMF and World Bank. Trade unionists have found these institutions unapproachable or even dismissive of the views of workers’ organisations and civil society organisations in general, in spite of the IFIs’ rhetoric about involving civil society in their work.

In numerous countries, the IMF and World Bank have disregarded the views of workers’ organisations. In the 1980s and 90s, Structural Adjustment Programmes (SAPs) were forced upon developing countries to the extent that discussion of alternative approaches was relegated to the sidelines. Often, the staff of the World Bank and the IMF would visit countries seeking loans, staying only a few days to meet with the government and business community and then promptly returning to Washington—leaving governments to sell the “negotiated” terms of the loans to their own people. Governments repeated the slogan, “There is no alternative”, and criticized unions and civil society organisations that pointed out the consequences of adopting IFI policies. Even when a profound body of evidence indicated that the IFIs’ “one size fits all” policy recommendations were proving catastrophic for working people and the poor, union movements that tried to argue for a different approach were sometimes repressed, and nearly always attacked for being unrealistic.

The Difficulty of Challenging the IFIs

It is still not easy to challenge the IFIs, but it is essential. The world economy is changing rapidly as a result of globalisation: Trade and investment imbalances between the North and the South continue to pauperize many developing countries, while in the North, failures to meet development commitments coupled with the rigid application of market-driven policies have undermined social solidarity.

¹ The major regional development banks are the Inter-American Development Bank (IDB), the Asian Development Bank (ADB), the African Development Bank (AfDB), and the European Bank for Reconstruction and Development (EBRD).

Many governments see trade unions as a de facto opposition to their economic policies and all around the world, unions are facing difficult times, compounded by restrictive legislation introduced by governments to curtail the rights of workers' organisations. The Annual Survey of Violations of Trade Unions Rights explained, "One of the principal reasons for the steady increase in violations is that economic globalisation continues to be driven by a neo-liberal agenda, to the detriment of workers' rights. Many governments wishing to ensure their foothold in the global market see trade unions as an obstacle to their economic development".²

In spite of these challenges, the union movement, often in alliance with civil society organisations and non-governmental lobbies, has begun to turn this situation around. Despite a relative lack of resources compared to the IFIs, trade unions and other organisations have gathered evidence to show that the policies being pursued by the World Bank and the IMF are simply not working.

The IFIs' Failure to Help the Poor

More than twenty years after the IFIs began implementing structural adjustment programmes, there has been little progress for the poor. In fact, numerous cases suggest that the IFIs' policies may have actually done more harm than good and certainly did not pay sufficient attention to distributive impacts of their programmes. World Bank data show that the number of people in poverty (less than \$2 per day) increased in all regions except the East Asia - Pacific region between 1991 and 2004. Most poor households have at least one wage-earner, but low wages, especially for women workers, are a primary cause of poverty. In Sub-Saharan Africa, the number of people living in extreme poverty (less than US \$1 per day) nearly doubled during more than two decades of structural adjustment, increasing from 164 million in 1981 to 298 million in 2004, according to World Bank data.

In Latin America and the Caribbean, where most countries followed the strict structural adjustment programmes prescribed by the IFIs, overall economic output in the region grew by only 3.2 percent annually between 1990 and 2006. In contrast, developing countries in the East Asia - Pacific region, which in large part rejected the IFIs' across-the-board free market prescriptions, experienced growth of 8.5 percent annually during the same period.

Argentina is a particularly compelling example of the failure of structural adjustment programmes. Argentina became the darling of the IMF and World Bank in the 1990s when it adopted a radical structural adjustment programme that included dollarisation of the economy, on the pretext of combating inflation, and privatizing everything up to and including the national postal service. Yet the country's gross domestic product shrunk by 21 percent between 1998 and 2002, and by 2002, Argentina had fallen into a severe economic crisis. The IMF cut off further lending to Argentina, and both the Fund and the Bank abandoned the country in early 2002. Argentina was then forced to stop payments on more than \$100 billion of government bonds, in what remains the largest debt default in world history. After 2002, Argentina's economy recuperated quickly and enjoyed one of the highest growth rates in Latin America. Argentina cut

² ICFTU, "[Annual Survey of Violations of Trade Union Rights](#)." 2004. pg 5.

all links with the IMF in late 2005 when it decided to reimburse the totality of its outstanding loans to the Fund.

The IFIs Make Some Attempts at Change

In the face of increasing criticism from trade unions and others, the World Bank and IMF have acknowledged that a purely free-market growth model is not always the most appropriate option. They have also begun to address some of the concerns of civil society organisations, including trade unions.

In September 1999, after unparalleled joint pressure from trade unions, civil society groups, and campaign networks, the World Bank and the IMF announced that they would grant debt relief to up to 37 heavily indebted poor countries (HIPC). They also stated that Poverty Reduction Strategy Papers (PRSPs) would henceforth govern lending to the 80 poorest countries of the world. In 2005, and after further campaigning of unions and other organisations that joined in a Global Call for Action against Poverty (GCAP), the IFIs agreed to not just reduce but fully cancel the debts owed to them by the HIPC countries. By 2008, thirty countries were scheduled to have their IFI debts cancelled.

PRSPs were supposed to provide a framework for countries to develop their own poverty reduction plans that integrated the views of trade unions and other civil society groups. PRSPs were to take note of the particular social and economic conditions and challenges facing low-income countries, and perhaps more importantly, to ensure that new economic development policies did not exacerbate poverty further.

Several years into the PRSP process, however, it is clear that the approach is deficient. With few exceptions, PRSPs simply replicate the privatisation and liberalization policies that have long been at the heart of the IMF and World Bank programmes, even though governments, not the IFIs, are supposed to be responsible for formulating their own poverty reduction strategies.

The Choices Facing Trade Unions

So where does this leave the trade union movement?

Some trade unionists argue that it is impossible to change the IMF and World Bank because the IFIs are so utterly unaccountable, except to the powerful governments that control their Executive Boards. Others say that carefully building concerted pressure on the IFIs has had a positive impact, especially in terms of convincing the IFIs that they must adopt a broader view of development and not simply focus on helping private businesses thrive. They argue that unless trade unions and civil society engage with the IFIs, they will continue unchecked to undermine the social and employment standards that unions have fought so hard to ensure.

It is unlikely that trade unions will resolve this debate, not because they disagree on the objectives, but simply because different circumstances call for different strategies. In some countries, the IFIs and governments have only responded to trade unions' concerns when the unions organized mass mobilisations or even countrywide work

stoppages. In a growing number of cases, however, the IFIs appear to understand the strength and representative power of the trade union movement and have agreed to engage in dialogue with unions and address their concerns before decisions are taken.

Challenging the IFIs is thus no different from dealing with employers and governments: unions can use a number of different tactics. No one has ever said that unions are engaging in contradictory tactics when they go on strike against an employer one day and then sit down at the bargaining table to negotiate an agreement the next day. In dealing with the IFIs, unions will find that confrontation is necessary in some situations, while constructive dialogue leading to meaningful change can take place in others.

Regardless of their choice of strategy, trade unions will agree that it is simply not possible to ignore the IMF and World Bank and concentrate only on domestic issues. In the global economy, local and domestic issues are often linked to the policy prescriptions of institutions like the World Bank and IMF, so understanding and responding to the IFIs can play a crucial role in mobilizing union members and maintaining a strong organisation.

Moving Forward

It's clear that there is no quick and easy way to challenge the IFIs, particularly when unions are under attack on so many other fronts and when their resources are already stretched to the limit. But there are reasons to remain optimistic.

Workers' organisations in different parts of the world have built solidarity domestically and internationally to win significant gains in the face of IMF and World Bank programmes. Strategic alliances between trade unions, civil society organisations and activist networks have developed and promoted alternative approaches to alleviating poverty, often with amazing success.

The aim of this guide is to encourage trade unionists to remain strong in the face of opposition from government and the IFIs and to continue to fight for alternatives to the harmful policies these institutions so often promote. The following sections provide concrete information about engaging with the IFIs, so that trade unionists can approach the IFIs equipped with the knowledge and tools to demand change. Of course, it is expected that unions will not only make use of these suggestions, but will also work to find new ways to challenge and change the IFIs.

II. The Basics of IFIs: Questions and Answers

What are the IFIs and where did they come from?

The term “international financial institution”, or “IFI”, refers to the World Bank and International Monetary Fund, as well as four large regional development banks that were created later. These regional banks—the Inter-American Development Bank (IDB), Asian Development Bank (ADB), African Development Bank (AfDB), and the European Bank for Reconstruction and Development (EBRD)—operate autonomously from the IMF and World Bank. That said, the regional banks frequently coordinate their policies and programmes with those of the World Bank and the IMF.

The World Bank and the International Monetary Fund (IMF) are the oldest and best known of the IFIs. They were founded in 1944 to promote economic growth and financial stability following the end of the Second World War and several years of depression. Both institutions were created during a meeting in Bretton Woods (New Hampshire, USA) and are thus sometimes referred to as the “Bretton Woods Institutions”. Both the World Bank and the IMF have their headquarters in Washington DC.

Each institution has its own field of responsibility, but there is intense cooperation between them. The IMF promotes policies to ensure the stability of the international monetary and financial system by monitoring international payments and exchange rates that enable trade to take place between countries. The World Bank is an intergovernmental lending institution that aims to promote economic development and poverty reduction by providing technical and financial support to countries.

Even though the two organisations have different roles, they have the same membership consisting of most of the world’s countries.

How are the IFIs different from private banks?

The World Bank and the IMF operate like any other financial institution in that they provide loans that must usually be paid back with interest. In the cases of the poorest countries, though, loans are made on “concessionary” terms, meaning that borrowing countries are not charged interest. Both the Bank and the Fund devote a lot of their energy to providing advice to borrowing countries and others on how to run their economies.

The main difference between the IFIs and private financial institutions is that the IFIs’ shareholders comprise 185 countries. Shares are allocated according to countries’ wealth, meaning that both voting power and the number of seats on the board of directors of each institution are heavily weighted towards the world’s richer countries. For example, there are nine Executive Directors from Western Europe, but only two representing all of Sub-Saharan Africa. The Executive Director from the United States alone holds one-sixth of the voting power. In 2008 the IMF announced with some fanfare a voting share reform to give greater “voice” to developing countries,

but in reality only a few “emerging market” countries received a slight increase in their voting power.

How have the IFIs changed since their creation?

Initially, the World Bank’s main role was to provide loans for the reconstruction of Europe following the Second World War. Its emphasis was on rapidly restoring prosperity and economic stability, which were then believed to be crucial to the political stability of Europe. Since the 1950s, however, the World Bank and the IMF have provided assistance to other countries for development projects and the promotion of fiscal and monetary stability.

In the 1980s, the IFIs began attaching rigid conditions to their loans, which had dramatic negative effects in many countries. These conditions often required the implementation of Structural Adjustment Programmes (SAPs) that forced governments to jettison trade and investment barriers, privatize public services, weaken labour laws and cut social programmes. Some countries only implemented these policies out of fear of jeopardizing their loans, while in other countries, corrupt leaders suppressed critics and agreed to the conditions just to acquire more money for themselves. In this era, governments’ dealings with the IFIs were rarely transparent, and most governments made little attempt to inform trade unions and the public of the terms of loans or the reasons for seeking the loans in the first place.

Today, the IFIs continue to play a major role in shaping the world economy by setting and implementing policies that govern aid and loans. Their policies address a broad range of topics including the exchange rate, social protection, investment and labour regulation. The IFIs also work with the World Trade Organisation to promote trade liberalization.

Do the IFIs still enforce Structural Adjustment Programmes?

The IFIs proclaim that the “Washington Consensus” of structural adjustment policies of the 1980s and 1990s is dead, but they continue to push many of the key elements of SAPs on developing countries through conditions on aid. Countries receiving loans, grants, and even debt relief are required to implement specific economic policy conditions, such as privatizing public enterprises or liberalizing trade, in order to get aid from the IFIs. The IFIs argue that these conditions, collectively referred to as conditionality, are necessary to protect their investments in developing countries.

Trade unions and other groups have pressured the IFIs to give up economic policy conditionality, leading the World Bank and the IMF to undertake a review of conditionality in 2005. While the IFIs have since made some small changes to their use of conditionality, they continue to apply classic structural adjustment conditions to debt relief and many loans. Additionally, the IFIs regularly recommend in their country reports that governments adopt specific policy changes. Although these recommendations are not formal conditionality, they have considerable weight because many countries treat them as possible conditions for future IFI loans, or as actions they must undertake to increase financial flows from other sources than the IFIs.

What are trade unions and their allies demanding from the IFIs?

Through the determination of committed activists in trade unions and other organisations, successful campaigns have been waged to focus attention on the IFIs and demand that they stop acting in the narrow interests of private enterprise and adopt policies that tackle poverty and respect human rights. Often working with other civil society organisations, trade unions have recently succeeded in reversing or substantially modifying IFI programmes in many countries. The ICFTU and the Global Union Research Network (GURN) published a report in 2006 detailing some of these successful efforts.³

The global trade union movement has held several meetings with the leadership of the IMF and the World Bank to insist that trade unions be consulted on decisions such as privatizing state-owned enterprises or changing social protection laws, and to urge the IFIs to ensure that their operations are consistent with the core labour standards.

How have the IFIs responded to this pressure from trade unions?

Starting around 1999, both the IMF and World Bank began responding to certain demands of the international trade union movement and other organisations. They began releasing documents about their programmes that were previously secret. In 2000, during meetings with trade union leaders, the IFIs promised to systematically consult unions on country-level policies. In 2002, the Global Unions groups (ICFTU, Global Union Federations, TUAC) and the WCL also got the World Bank and IMF to agree to a mechanism to monitor the application of commitments the IFIs made.

In 2002, the World Bank endorsed the core labour standards, and in 2004, it began working to adopt rules that would make respect of the core labour standards a condition of all loans made by the International Finance Corporation (IFC), the Bank's private-sector lending arm. The IFC finally incorporated core labour standards requirements into its lending in April 2006, meaning that all companies that borrow from the IFC have to respect the core labour standards as a condition of their loans. The following year, the World Bank implemented a similar set of core labour standards requirements for construction contractors on major infrastructure projects.

Working in coalition with other organisations, unions have also had some impact on other important issues, such as debt cancellation for impoverished countries. Despite enormous resistance, a broad alliance of organisations that included the world trade union movement succeeded in convincing the G8 countries and the IFIs in 2005 to cancel the debts of several of these countries.

III. Trade Union Engagement with the IFIs: Practical Information

While some unions will choose not to engage with the IFIs at all, there are good reasons to try to begin a constructive, if adversarial, dialogue with the World Bank

³ ICFTU and GURN, "Challenging the IFIs: Successful Case Studies of Trade Union Resistance and Alternatives to the Policies of International Financial Institutions." 2006.

and IMF. Citizens have a right to be involved in the decisions that affect their livelihood, and trade unions can play an important role in opening up the debate. Trade unions and workers can provide valuable insights on the issues that the IFIs address, and in many cases, they can contribute information and views that the IFIs have not considered in their analyses. Workers' perspectives may be neglected unless unions can assert their rights to represent their members' interests in such discussions. Union participation in consultations on IFI programmes can be an opportunity to bring this important information to national policy debates.

The following section outlines ways that unions can engage with the IFIs. The first section considers trade union participation in processes for formulating key IFI policy documents, like the Poverty Reduction Strategy Papers, the World Bank's Country Assistance Strategies, and the IMF's Article IV Consultation Reports. The IFIs and governments follow very specific procedures when formulating these country-level policies, so it's important that trade unionists understand the content of these documents and how they can participate in the processes.

The second part of the section examines the windows for programme-level engagement with the IFIs, looking at how trade unions can influence World Bank and IMF-sponsored programmes in their countries.

1. Windows for Trade Union involvement on IFI Policy

Typical IFI Policy Reforms

The IFIs continue to insist that certain structural reforms are necessary for economic stability and growth, even though many of these reforms have not been successful in achieving high, equitable growth in developing countries. The types of measures listed below can have significant impact on trade unions and working people in general, so unions should look for them in all IFI documents. Here is a brief explanation of some of the most common policy reforms:

- **Privatisation** can be very costly to public sector workers and those who rely on government-provided services. The Bank and the Fund can recommend that national governments sell off publicly owned utilities and services or otherwise involve private corporations in their provision as a way to reduce government expenditures and to create more efficient firms. While very specific targets are set for the speed and breadth of privatisation, much less attention is given to oversight of the process, negotiations with workers and unions who will be affected, and the regulation of newly created private businesses.
- **Labour Market Flexibility** reforms often undermine many of the legal protections unions have gained for working people. Typical labour market reforms include lowering or capping the minimum wage, getting rid of job security provisions (IFIs call this "reducing the cost of hiring and firing") restricting the right to bargain collectively, eliminating national or industry wide collective bargaining in favour of local bargaining agreements, and eliminating limits on working hours and on temporary employment contracts. The World Bank often bases these recom-

mendations of the findings of one of its major publications, *Doing Business*, which claims that labour regulations are an impediment to private investment but ignores the negative impact on workers when labour markets are completely deregulated.

- **Trade Liberalization** reforms encourage poor and developing countries to become more open to foreign trade and investment, often by relying on exports to promote economic growth and by reducing or eliminating tariffs on imported goods. If trade liberalization is executed too quickly and without proper safeguards, it can lead to the rapid influx of goods formerly produced domestically, resulting in job losses for the workers who produce them. Many countries have been encouraged to set up Export Processing Zones (EPZs) or Free Trade Zones (FTZs) that offer tax breaks and other incentives to companies to attract investment. Lower minimum wages and relaxed labour standards in EPZs/FTZs are also used to lure corporations. Women workers offer suffer the most from the reduction of workers' protection.

- **Domestic Market Liberalization and Deregulation** often complements trade liberalization. Reforms can include dismantling price controls and price subsidies, removing the government from the market as a buyer and seller, and loosening regulations of the private sector. These reforms can be part of privatisation schemes, and can result in the imposition of user fees or service charges for public services. Markets can be liberalized even for essential commodities such as rice or maize and for basic services such as health and education. Sometimes a safety net is created simultaneously to protect the poorest consumers from the harsh effects of liberalization, but without careful planning and financing these safety nets can be inadequate and difficult to administrate.

- **Civil Service Reform** is typically undertaken to reduce the government's payroll with the declared intention of helping it to run more efficiently. It can mean shifting from a seniority-based pay scale to merit-based pay. In practice, it often translates into massive dismissals of public sector employees or a restructuring of the civil service pay scheme to reduce salaries, and a drastic decrease in services.

- **Pension Reform** usually consists of privatizing or partially privatizing the pension system so that benefits are no longer guaranteed by the government. It can involve changing the way that pension benefits are measured, accrued or adjusted, so that the amount of benefit a worker receives is smaller. Women retirees are often particularly affected by these reforms.

- **Fiscal and Monetary Policies** concern the allocation of the country's overall budget, tax policies, and underlying macroeconomic policies– including the amount of fiscal or monetary tightening, the devaluation of the national currency or pegging the currency to the euro or US dollar. The IFIs and governments are particularly reluctant to discuss these policies with unions and other organisations. Unions should insist that the entire budget and all macroeconomic issues be on the table during consultations with the IFIs, as they have serious consequences in the lives of poor and working people.

- **Judicial sector reform** is promoted as a way to improve the efficiency of the court system and increase citizens' access to justice. However, judicial reform programmes also aim to create a business-friendly legal environment. Objectives of a judicial

reform include improving property rights, making it easier for investors to settle disputes in court and creating protections for shareholders. Judicial sector reform may entail retraining and performance monitoring for judicial sector workers.

- **Procurement reform** aims to standardize the country's public procurement system to international standards. The objective of procurement reform is to ensure that private businesses—whether domestic or foreign—can participate in a fair public bidding process for public contracts. Increasing transparency, disclosing information about open contracts, creating a complaints mechanism, and other measures designed to make country procurement systems more comparable to that of the World Bank are common requirements of procurement reform programmes. Although the World Bank's own procurement system includes a requirement that contractors must abide by core labour standards, the Bank does not encourage countries to adopt similar requirements in their procurement systems.

- **Decentralization** requires that authority for the provision of certain services, such as water, electricity, health care or social programmes, be transferred from the central government to provincial, state or municipal governments. According to the World Bank, decentralized service provision can be better attuned to local needs and is more efficiently managed. Unions are concerned, however, that decentralizing service provision simply makes it easier for the IFIs to privatize, because “private sector participation” on a local level will not draw as much attention or protest as privatization on a national scale.

Researching and Presenting Alternative Proposals

While the IFIs still believe that market-based policies are the best engines of economic growth and that growth is the surest way to reduce poverty, their proposals may sometimes be positive. In particular, they recognize that social safety nets, investments in human capital, gender equality and other pro-poor policies also help reduce poverty. In the past, such policies have included increased public spending on health and education, improving the access of the poor to infrastructure and credit, and improving governance by making budgetary processes more transparent and reducing corruption. So in addition to keeping an eye out for policies which may be harmful, unions should identify and develop positive reform proposals that they support, and press for their inclusion and prioritization in IFI policy documents.

In developing alternatives, unions should not rely solely on existing IMF and World Bank programmes that might include aspects that are good for workers and the poor. Innovative proposals can be developed with the help of allies in civil society and social movements, academics, UN development agencies, and perhaps sympathetic government officials. While governments and the IMF and World Bank may not accept these proposals, it is important to show that trade unions have a positive contribution to make and are willing to work with other social groups, where appropriate, to construct an alternative vision of how to stimulate high-quality growth, create jobs for women and men, and reduce poverty.

Poverty Reduction Strategy Papers

The Basics of PRSPs

The World Bank and IMF began to use Poverty Reduction Strategy Papers (PRSPs) in 1999 to govern their lending to poor countries, and now require a PRSP of any country eligible to receive debt relief under the Heavily Indebted Poor Country (HIPC) initiative or to receive new concessionary loans. By 2008, 67 countries had prepared PRSPs. According to the World Bank, an increasing number of donor countries align their own programmes to PRSPs, meaning that PRSPs are also an important determinant of bilateral aid priorities.⁴

PRSPs are intended to measure poverty in a country, identify goals for reducing poverty, and create spending and policy programmes for reaching those goals. According to the Fund and the Bank, the PRSP should ensure that a country's macroeconomic, structural, and social policies are consistent with the objectives of poverty reduction and social development. Countries are supposed to write a new PRSP every three years, but they can make changes to their existing PRSP every year using an Annual Progress Report.

Unlike the Bank's Country Assistance Strategies and the IMF's Article IV Consultation Reports, which are developed by IFI staff in consultation with country governments, PRSPs are supposed to be prepared by governments though a participatory process in which trade unions and other civil society organisations take part. In fact, the IMF and World Bank require country governments to develop their PRSPs with input from civil society representatives, although there is no specific requirement on the consultative process (hence leaving it open to abuse by some governments), and they don't require governments to actually include comments from civil society participants in the final paper.

Despite the IFIs' emphasis on civil society participation and country "ownership" of the PRSP process, the IFIs' traditional structural adjustment policies still dominate many PRSPs. The IFIs themselves admit that, "The PRS process has had a limited impact in generating open public discussions of alternative macroeconomic policy options and related structural reforms".⁵ PRSPs often include policies that trade unions and civil society organisations around the world have actively opposed, such as:

- Privatization of public services and utilities;
- Implementation of "labour market flexibility" measures that restrict freedom of association and the right to collective bargaining;
- Liberalization and deregulation of domestic markets and trade; and
- Reform or elimination of civil service systems and public pension schemes in ways that lower income and decrease job security.

⁴ World Bank/IMF Development Committee, "2005 Review of the Poverty Reduction Strategy Approach: Balancing Accountabilities and Scaling Up Results." September 2005.

⁵ *ibid.* pg. 5.

Trade Union Participation in the PRSP Process

Many trade unions initially saw the PRSP process as an essential way to hold governments and the IFIs accountable for their policy decisions. They used the opportunity of PRSP consultations to insist on respect of fundamental labour rights, as well as to support or propose policies that promote social and economic equity.

A 2003 study of the PRSP process in 23 countries found that, in most cases, governments did invite trade unions to participate in PRSP discussions. However, the stage at which unions were invited to participate in the process varied between countries, as did governments' responsiveness to the trade unions' suggestions. In a number of cases, trade unions felt that they did not have the capacity to do elaborate research or did not receive timely, adequate information necessary to propose alternatives to IFI policies. In no case were trade unions involved in drafting the final version of the PRSP.⁶

Today, many trade unions and other civil society groups have abandoned the PRSP process. Some felt that the process itself was disappointing, in that the unions were not given sufficient opportunity to present their positions, while others felt that despite a thorough consultation process, the final document did not reflect trade unions' input. Some unions that are no longer involved in the PRSP process have chosen other means to weigh in on their government's development policies, such as participatory budgeting.

Although the IFIs have downplayed the importance of PRSPs in recent years, they continue to require them of HIPC countries, so unions may wish to familiarize themselves with their country's PRSP.

Reading and Understanding a PRSP

Basic Elements of a PRSP

According to the World Bank, all PRSPs should include four basic components⁷:

- 1) Comprehensive poverty diagnostics;
- 2) Clearly presented priorities for macroeconomic, structural, and social policies;
- 3) Appropriate targets and indicators for monitoring progress;
- 4) A description of the participatory process that was used to develop the paper.

These elements are described further below; along with suggested approaches trade unions can take at each point.

1. ***Poverty Diagnostics:*** The government must demonstrate that it understands the extent and nature of poverty in the country and is aware of the obstacles to poverty

⁶ Egulu, Lawrence, "Trade Union Participation in the PRSP Process." *Social Protection Discussion Paper*, The World Bank. August 2004.

⁷Adapted from World Bank/IMF PowerPoint Presentation, "The Development of Poverty Reduction Strategy Papers: Background".

reduction. The first section of the PRSP contains numerical statistics measuring national and regional poverty, as well as less technical descriptions, such as gender and ethnic perspectives, as expressed by the poor themselves through surveys or by advocacy groups.

- Trade unions should offer their views on aspects of poverty that are missing from the government's analysis. This may be a good opportunity to explain how a lack of employment, failure to implement labour law, poor working conditions, or violations of core labour standards contribute to the persistence of poverty.
- Trade unions can participate directly in the poverty diagnosis research. In some countries, the World Bank will provide technical assistance to government-organized "Participatory Poverty Analyses", in which the poor and local civil society organisations, like unions, can participate.

2. ***Policy and Strategy:*** The government must determine the cost of planned policy actions and prioritize them according to their importance in promoting growth and reducing poverty. Assigning these priorities requires an understanding of the likely impact of different policy actions on vulnerable social groups.

- Unions should point out the potential impact of implementing policies that harm workers, providing specific examples to support their arguments.

3. ***Targets and Indicators:*** All PRSPs contain tables that lay out specific goals, targets and indicators. These charts explain how the country will measure the impact of its efforts under the poverty reduction strategy and thus determine how successful it has been in achieving its goals. Most PRSPs will include these tables in an annex. The tables usually contain columns listing the policy area or sector of activity, the objectives or "indicators" in that area, the specific policy actions to be taken, the time-frame for execution, the government agency carrying out the action, and the method of financing it.

For example, the country might list improving higher education as a goal, using total enrolment and the gender breakdown of enrolment as indicators, and set a target of increasing total enrolment by a certain number of students while raising the percentage of female enrollees by a specific date. According to World Bank officials, these goals are not as binding as structural adjustment conditions, but priority for future loans is nonetheless given to those countries that have made the most progress towards achieving their objectives.

- Unions should examine the relative importance placed on different components of the PRSP—social policies should not take a back seat.

4. ***Description of Participatory Process:*** The final PRSP includes a description of the participatory process that was used to develop the paper.

- If the description of the participatory process bears no resemblance to what actually occurred, unions should say so. They should communicate this to the IFIs as well to the ITUC, other allies, and the media before the PRSP is submitted to the IMF and World Bank.

Participating in the PRSP Process

- If you plan to participate in the drafting of a new PRSP or the review of the existing PRSP, contact relevant government authorities and notify them of your intention to engage. Request copies of all relevant documents, timetables, meetings, etc.
- Send copies of correspondence to the Global Unions Washington office, in addition to the IMF and World Bank country and regional offices.
- Contact your local IMF and World Bank representatives. Make sure they know you want to be included in the PRSP process, and ask for all relevant documents.
- Review previous PRSPs and Annual Progress Reports, as well as other recent strategy and loan documents from the government, local IFI representatives or IFI websites. Demand to see recent documents and drafts that are not yet public.
- Research and prepare alternatives and positive proposals. During consultations, express concerns clearly and in detail; provide data and supporting evidence for your positions. The more information you can provide in writing, the better.
- Consider coordinating with other unions, local NGOs, academia, the media, sympathetic government officials and legislators to strengthen your position.
- Request written feedback on your comments from government authorities, and follow up on any promises made by government officials and IFI staff to provide information or hold additional consultations.
- Keep copies of all correspondence and notes from meetings with the government.
- Demand a copy of the final draft of the PRSP *before* it is submitted to the IFIs.
- For further assistance and support, contact the Global Unions Washington Office or the ITUC regional organisation.

Core Labour Standards in Cambodia's CAS

The International Development Association (“IDA”—the part of the Bank that provides interest-free loans to the poorest countries) recommends that an assessment of Core Labour Standards be included in the CAS for each IDA-eligible country, but most CASs still do not address the CLS. In Cambodia, the International Labour Organization (ILO) worked to make sure that Cambodia’s observance of CLS was reflected in the CAS. As a result, the CAS for Cambodia not only makes mention of the CLS, but also ties the CLS to the Bank’s private sector development work:

“The World Bank Group will help the Government to establish a policy and regulatory environment which will sustain and build on Cambodia’s current advantage in corporate social responsibility. This will involve...(i) maintaining Cambodia’s position in what is in effect a niche market for garments produced in compliance with the core labor standards...” (pg.25).

The footnote to this passage remarks on Cambodia’s progress in improving CLS enforcement: *“Although labor market regulations provide limited protection to a small segment of the workforce, progress has been made in the enforcement of labor standards, particularly in the garment sector”* (pg.25).

Later, the CAS returns to the Bank’s role in supporting CLS protection: *“Over the past few years, the division of labor has been that the Bank leads the policy dialogue with a focus on governance-related issues, [IFC’s Foreign Investment Advisory Service] supports the development of a sustainable framework for core labor standards...”* (pg. 122).

From: World Bank, “CAS for the Kingdom of Cambodia FY2005-2008”. 2005.

Zambia

Trade unions played a principal role in Zambia’s early PRSP consultations. The Zambia Congress of Trade Unions (ZCTU) was officially invited to participate in the PRSP process and to name representatives to a number of working committees. The ZCTU and its affiliates made a point of expressing union views on issues like social security, a living wage and privatization. Privatization, in particular, was a contentious issue for the union because lay-offs resulting from past privatizations contributed to a significant increase in the unemployment rate. Trade union recommendations for a living wage policy and social security did not make it into the final PRSP, but fortunately, the unions’ recommendations on privatization did. The government of Zambia made a point of excluding any further privatization plans from the 2002 PRSP, even though the World Bank and IMF made strong recommendations to the contrary.

Zambia, like a number of other countries, has since moved away from a traditional PRSP and adopted a “second generation” PRSP that goes beyond the narrow requirements of HIPC programme conditionality. The new policy, called “Vision 2030,” is a national development plan that includes many labour elements, including promoting decent work, managing labour market information, and addressing HIV/AIDS in the workplace. The ZCTU and its affiliates participated in the programming of the national development plan and now, through its implementation and monitoring teams at provincial and district level, tracks project budgets and implementation. It feeds this information back to the national team for follow up and possible responses.

Discussion and Follow-up

Implementing the PRSP

Few trade unions have been involved in implementing PRSPs, although unions in some countries have taken part in monitoring or evaluating the PRSP. If your union has the capacity, however, it is worthwhile to monitor specific loan programmes and policies that result from the PRSP. If there is a lack of consistency between the PRSP and subsequent IMF and World Bank programmes, unions should publicize their concerns and enlist the support of organisations like the ILO, ITUC, and other civil society organisations to draw attention to the IFIs' inconsistency. Although the IFIs are by no means required to follow the PRSP's proposals when designing country programmes,⁸ they do put a lot of rhetorical emphasis on "country ownership" of development programmes. Unions should not hesitate to challenge the IFIs if their lending programmes conflict with the country's stated poverty reduction strategy.

World Bank Country Assistance and Partnership Strategies

The Basics of Country Assistance Strategies

The Country Assistance Strategy (CAS) or Country Partnership Strategy (CPS) is the most important World Bank document on country-level⁹ programmes and policies. It explains the Bank's assessment of the needs and priorities in a given country and describes how the Bank will work to address them. Every developing or transition country receiving World Bank assistance – currently well over one hundred – has a CAS or CPS. For each identified priority, the CAS/CPS details what programmes or policies the Bank will support to achieve it, including the type and level of assistance the Bank will provide. The CAS/CPS also identifies the conditions the country must meet to ensure the Bank's continued financial support. According to the Bank, the CAS or CPS is the "central tool" for guiding and evaluating its country-level work. It states: "The objective of the CAS is to identify the key areas in which the Bank Group support can catalyze the most, and most sustainable, poverty reduction".¹⁰

Unlike a PRSP, the CAS or CPS is not a negotiated document: It is the Bank, not the government, which determines the content of the CAS/CPS. Until 1994, the Bank didn't even consult governments when it formulated the strategy. "Stakeholders",

⁸ All PRSPs are reviewed by the World Bank and IMF in a "Joint Staff Advisory Note" (JSAN), but the IFIs' boards no longer "endorse" the PRSP, as they did prior to 2005. The IFIs are free to go against the policies and programmes outlined in the PRSP. For example, the World Bank states, "The Country Assistance Strategy is prepared with the government in a participatory way and is likely to reflect the government's priorities as outlined in the PRSP. Nonetheless, there may be differences between the country's own agenda and those of the Bank". (World Bank website, "PRSP, CAS and PRSC: Basic Definitions", <http://info.worldbank.org/etools/docs/library/164047/sector/cas.htm>)

⁹ In addition to country-level CASs, the Bank produces some regional CASs.

¹⁰ World Bank Operations Policy and Country Services, "Country Assistance Strategy/CAS Programme Report Guidelines". September 2004. pg. 1.

including trade unions and other civil society groups, were not consulted until 1996. Even then, civil society organisations were kept in the dark about the final CAS, until the Bank agreed to make the reports available to the public in 1999. Today, CAS and CPS reports are available on the Bank's website unless a country's government requests that the report be kept confidential.

A CAS or CPS is usually prepared every four years by a World Bank country team. In some countries, a CAS/CPS will be completed every three years to better coordinate the strategy's preparation with the PRSP cycle. Midway through the CAS/CPS cycle, the country team produces a Progress Report, which reviews the CAS/CPS strategy, looks at the country's progress in meeting the objective described in the CAS, and makes changes to the original programme if necessary.

Trade Union Participation in CAS and CPS Consultations

The World Bank country team will usually work in close coordination with the government to prepare the CAS or CPS. It will ask the government for approval to hold consultations with "stakeholders", such as civil society organisations or private sector groups. The consultations often consist of surveys, workshops, roundtable discussions or interviews with civil society leaders. According to a World Bank study, civil society organisations were consulted in 50 of 68 (74 percent) country strategies between 2005-2006. Of those, trade unions participated in consultations in at least 12 countries.¹¹

Some trade unions may not see the utility of participating in CAS/CPS consultations because they will likely be lumped together with other civil society organisations, and may have fewer opportunities to express their views than they do in consultations for a PRSP or Article IV report [see the next section]. Nonetheless, it is important that trade unions participate in CAS or CPS preparations, because it is the CAS or CPS, and not the PRSP, that ultimately sets the binding conditions a country must adhere to in order to receive assistance from the Bank.

Reading and Understanding a CAS or CPS

Basic Elements of a CAS/CPS

CAS and CPS reports are divided into three to five basic sections, addressing:

- The overall "country context", including recent developments, the government's plan for economic development or poverty reduction, and the major economic, political, and social challenges the country faces.
- The history of the World Bank's engagement with the country, including past loans and cooperation, and a general assessment of the lessons learned from the most recent CAS or CPS.

¹¹ World Bank, "Civil Society Engagement, Review of Fiscal Years 2005 and 2006". World Bank, 2007.

- Details of the World Bank’s current development strategy for the country, including priorities for sector and policy reform, goals for social and economic development, and the types of financial and non-financial assistance the Bank provide to the country. The CAS/CPS also describes the criteria that the Bank will use to determine the relative amount of aid it will give to the country.¹²

The CAS/CPS includes an annex section, which is often as long or longer than the report itself. In addition to some country-specific information on topics like debt sustainability or the Millennium Development Goals, the strategy will include the following annexes:

- A Completion Report, which summarizes the goals and programmes of the previous CAS/CPS and explains which targets the country did and did not meet.
- A description of CAS/CPS Consultations, explaining which groups the country team consulted with during preparations for the strategy, and the significant concerns or ideas of those groups
- Summaries of Bank programmes, such as loans, sector-level projects or technical assistance, which will be carried out in the country during the next CAS/CPS cycle.
- A table of expected “results”¹³, or conditions, that the country must meet under each Bank programme.

Policy Areas Covered in the CAS/CPS

The CAS or CPS covers a vast range of topics—virtually any issue related to a country’s economic and social development can be the subject of the Bank’s work, including:

- **Poverty** – Including diagnostics on incidence of poverty, poverty trends, causes of poverty, obstacles to poverty reduction and an assessment of the country’s progress in reducing poverty.
- **Sociopolitical and institutional factors** – Such as the political economy, social and institutional factors that influence the Bank’s strategy in the country.
- **Macroeconomic framework** – An analysis of the country’s macroeconomic and structural policies and performance, including the country’s relationship with the IMF.

¹² The CAS sets out requirements, sometimes called “triggers” that the country must fulfill in order to move between a “base case lending scenario”, in which the country gets a basic level of aid, to a “high case lending scenario”, in which the country gets relatively more aid. If the country does not make satisfactory progress on these criteria, it risks moving to a “low case lending scenario”, in which its amount of aid is reduced.

¹³ The World Bank does not always use consistent terminology when it describes the conditions that a country should meet under a given aid programme. In addition to listing “results” in these tables, the Bank may refer to “indicators”, “milestones”, “triggers”, and “outcomes”. A more detailed description of this terminology is provided in the section entitled *The Debate on Conditionality* in this guide.

- **Debt Sustainability** – Unless the country has no debt sustainability issues, an analysis of the debt situation will be included.
- **External Environment** – Analysis of the country’s situation with regard to neighbouring countries, regional issues, and trade integration.
- **Governance** – Discussion of governance issues such as corruption and public financial accountability that may influence the Bank’s work in the country.
- **Private Sector Development** – Analysis of obstacles to the Bank’s private sector development programme in the country, as well as a discussion of IFC and MIGA programmes in the country.
- **Other Crosscutting issues** – Issues related to gender, health, nutrition, infrastructure, energy, financial sector, etc. For low-income countries eligible for concessionary loans, the Bank recommends that the CAS/CPS also include a discussion of the Core Labour Standards (CLS) in this section, though it is rarely included.

Participating in CAS/CPS consultations

There is no standard protocol for CAS or CPS consultations. The type and quality of the consultation process varies between countries—in some cases, “consultation” consists of little more than the Bank presenting its plans at a public meeting and answering a few questions, while in others, consultations have produced real debates on Bank policies. Given the lack of a standard protocol for CAS/CPS consultations, it is critical that unions push for meaningful participation and discussion during the process. It is also important to find out how the Bank will respond to proposals and questions that come up during the consultations, as well as how they will address them in the final CAS/CPS.

Preparing for Effective Participation:

- Request that information and documents for the consultations be provided well ahead of time.
- Insist that an agenda for the consultation be made available before the process begins.

Since CAS/CPS consultations will likely include a variety of civil society organisations, such as environmental groups, community organisations, trade unions and others, it is easy for labour issues to be overlooked amidst other important topics that come up. It’s up to unions, then, to press the Bank team to address labour issues and workers’ rights. Unions should consider working together, even if they don’t represent workers in the same sector or don’t belong to the same national centre, to ensure a strong labour voice in the consultations. One way to do this is to insist that an assessment of the core labour standards be included in the CAS.

Trade unions should also read through the previous CAS/CPS or the CAS or CPS Progress Report for their country to get a sense of the issues and sectors on which the Bank team will focus. Although the World Bank’s country teams do not follow the

same procedure when preparing the CAS or CPS as the IMF's teams do when preparing the Article IV report, trade unions should consider the suggestions in the following section of this guide on preparing and participating in Article IV consultations.

The quality of consultations has improved considerably in recent years as a result of pressure from civil society groups. Additional pressure from trade unions to expand the consultation process and require better accountability from the country team could produce more positive changes in the consultation process.

IMF Article IV Consultation Reports

The Basics of Article IV Consultations

The IMF considers regular monitoring of countries' economic and financial policies to be essential to maintaining stability in the global economy. It thus requires all 185 IMF member countries to submit themselves to annual surveillance missions carried out by Fund staff as a condition of membership in the IMF, regardless of the country's level of development or whether it has a lending programme with the Fund. These missions are called Article IV Consultations, after Article IV of the IMF's Articles of Agreement.¹⁴ During Article IV Consultations, an IMF team travels to the country to collect economic and financial information and to discuss the country's economic developments and policies with national officials.

Upon returning to IMF headquarters in Washington DC, the mission team prepares an Article IV Staff Report and submits it for discussion to the IMF's executive board, a decision-making body composed of representatives of member country governments. The executive board reviews the Article IV Staff Report and prepares a short Public Information Notice that typically repeats the recommendations put forth in the Staff Report. The board uses the Public Information Notice to commend country governments for applying recommendations from previous Article IV reports and to urge governments to implement new recommendations.

The recommendations in both the Staff Report and the Notice outline policy steps that the Fund claims are necessary to ensure the country's economic growth and monetary stability. Countries are not formally obligated to abide by the recommendations in the Article IV report or Public Information Notice, but borrowing countries will nonetheless be pressured to do so. In fact, the recommendations from these documents will often be repeated word-for-word in a country's Memorandum on

¹⁴ Article IV of the IMF *Articles of Agreement* concerns "Obligations Regarding Exchange Requirements" and states that "each member undertakes to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates". To achieve this goal the article further states "each member shall [...] endeavor to direct its economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability [...] and] seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions". The same article gives the Fund the mandate to "oversee the compliance of each member with its obligations" as expressed in this article.

Economic Policies¹⁵, which is binding. Because non-borrower countries do not submit a Memorandum to the Fund, they will not feel the same pressure to follow the recommendations of the Article IV report. As country finance ministries work closely with the IMF, however, they may still use the Article IV report to support or justify unpopular reform measures.

Although Article IV Consultations are supposed to address exchange rate agreements, the IMF uses them to make recommendations on an extremely broad range of topics that it considers pertinent to financial stability, such as:

- Privatizing state-owned enterprises
- Ending subsidies for essential consumer goods
- Eliminating trade barriers
- Dismantling controls on foreign capital
- Reducing benefits from public pension schemes or unemployment insurance
- Labour market flexibility

Trade Union Participation in the Article IV Consultations

Unions may find it useful to meet with the IMF's Article IV mission team simply to better understand the Fund's intentions regarding national economic and social policy. Even if the country is not a borrower country that will later submit a Memorandum to the Fund, the Fund's recommendations will likely be reflected in future government policies. Meeting with the IMF staff also gives trade unions an opportunity to express their views on IMF policies and to forcefully voice their opinions on IMF-supported reforms. The IMF is becoming more aware that reforms can only be successfully carried out when there is some degree of consensus within the country, so trade unions' insistence that they will not accept certain reforms can influence the Fund's course of action.

The IMF did not consult with trade unions at all until the late 1980s, and even then it did so only when trade union consultations were explicitly requested by governments. More systematic consultations with trade unions did not begin until 2000 when the Fund accepted trade unions' demands and instituted a policy of consulting trade unions at its own initiative, rather than waiting for the government. An IMF survey of its country missions found that 67 percent had consulted with trade unions during the previous year. Results from a 2007 Global Unions survey of ITUC affiliates indicate a slightly lower number of consultations--63 percent of respondents had had some contact with the IMF, although only 46 percent said they had had one or more meetings with the IMF in the past year.

Trade unions are currently the only civil society organisations that the IMF systematically consults during its Article IV consultations. While many trade unions have reacted positively to the opportunity to consult with the Fund, they have also questioned the purpose and usefulness of the meetings. Some participating trade

¹⁵ Borrowing countries submit a *Memorandum of Economic Policies* and a letter of understanding, usually signed by the Minister of Finance and the head of the central bank, to the managing director of the IMF. The letter of understanding includes a specific commitment to implement the measures described in the Memorandum.

unions have reported that the IMF is not open to trade union proposals and does not integrate trade unions' analyses into its final recommendations.

Reading and Understanding an Article IV Consultation Report

Basic Elements of an Article IV Consultation Report

An Article IV report is usually between 30 and 50 pages long, divided into several main sections. All reports contain at least three principal sections:

- 1) A description of recent economic and financial developments in the country
- 2) A report on policy discussions that the mission held with the government or other groups
- 3) A “staff appraisal” that summarizes the mission’s conclusions and recommendations

When applicable, a report will contain more detailed sections on particular economic challenges or risks the country faces. The report includes economic data and other indicators in an annexed section that is usually as long, or longer, than the report itself.

Policy Areas Covered in Article IV Reports

Article IV reports address not only fiscal and monetary policies, but also cover the banking and financial sector, international trade and investment policy, social policy and labour policies. These subjects are raised under the rationale that an unsound financial system, obstacles to free trade and investment, overly generous social programmes and rigid labour markets can threaten long-term economic growth and stability.

While each Article IV report and its recommendations are specific to individual countries, the IMF always covers the same five policy areas. According to the IMF, those areas are:

1) Exchange rate, monetary, and fiscal policies

Specific recommendations in this area have included:

- Reducing the fiscal deficit
- Implementing ceilings on public spending
- Improving tax collection
- Reforming the pension system and increasing the retirement age
- Eliminating fuel subsidies

2) Financial sector issues

Specific recommendations in this area have included:

- Liberalizing the national pension system
- Establishing a stricter regulatory framework for the banking system
- Mobilizing domestic resources to promote private sector activity
- Increasing available credit for the SME sector
- Eliminating taxes on financial sector transactions

3) Assessment of risks and vulnerabilities, such as large or volatile capital flows, current account position and external debt sustainability

Specific recommendations in this area have included:

- Guarding against capital flight
- Reaching agreements with creditors on debt relief

4) Institutional issues such as central bank independence, financial sector regulation, corporate governance, policy transparency and accountability, and adherence to internationally recognized standards and codes

Specific recommendations in this area have included:

- Improving corporate governance
- Implementing a code of conduct for civil servants

5) Structural policies governing international trade, labour markets, and energy sectors.

Specific recommendations in this area have included:

- Reducing job protection and encouraging more flexible employment contracts
- Limiting minimum wage increases to increase external competitiveness
- Liberalizing trade laws to increase export competitiveness
- Reducing unemployment benefits and limiting eligibility periods
- Removing trade protections on the agricultural sector
- Increasing utility tariffs
- Privatizing utilities or giving concessions to private companies

Participating in Article IV Consultations

Before the Consultations Begin

The IMF mission typically visits a country every 12 months. If the Fund recommends visiting the country sooner or later than one year from the last consultation, it will note this at the end of the Staff Appraisal section of the Staff Report. However following financial difficulties and a 15 per cent reduction of its staff in 2008, the IMF has been obliged to cut back on some of its operations and has announced that Article IV reports will be less frequent for non-borrowing countries, such as once every two years instead of every year.

The IMF team will prepare a list of questions for the government in advance of the consultations to request detailed information on specific topics, usually those that appeared as recommendations in the previous year's Article IV Staff Report. These are the priority areas that the IMF will focus on during its consultations.

Preparing for Effective Participation:

- Determine when the IMF mission will visit your country for its annual or biennial Article IV consultations.
- If you are having difficulty getting in touch with the IMF or can't get a meeting with the Fund mission, contact the Global Unions Washington Office. It can also assist you in preparing for the meetings.

- Read past reports and contrast the IMF's recommendations to trade union proposals on specific themes.
- Based on the themes presented in recent reports, prepare talking points for the meetings.
- Read Global Unions' general statements to the spring and annual meetings of the World Bank and IMF to familiarize yourself with trade union critiques of current IMF policies.
- Try to get your government to give you the list of questions that the Fund has prepared for its meetings with the government. The IMF does not generally give these questions to civil society organisations.

Active Engagement During Consultations

IMF missions will use the opportunity of the consultations to explain the Fund's views on the country's policies and its recommendations for change. The IMF team may also have specific questions about trade union positions particular issues. Trade unions will find that their positions will be taken more seriously if they provide alternative proposals and support them with research and documentation.

- Be cautious about disclosing union negotiating strategies or revealing too much information about issues where unions are involved, such as reform of government programmes or collective negotiations. Use the same level of discretion in the IMF consultations that you would with government or private sector employers.
- Ensure that there is enough time for discussion: listen to the Fund's presentations, but make sure that time is set aside for the union to ask questions and present its own proposals.
- Clearly express trade union positions, using supporting documents or research and presenting alternative proposals when possible.
- Request that the IMF mission reply in writing to specific questions if the IMF staff claims it does not have the necessary information to reply during the consultations.
- Request that the IMF respond directly to trade union proposals, either during or following the consultation. The IMF does not systematically follow up on consultations with trade unions, but instead simply publishes its final Article IV report online, where trade unions and others can access its conclusions.

Sufficient Follow-Up

When the IMF team has concluded its consultations, it will organize its findings in a Staff Report, which is submitted to the executive board about two to three months after the consultations have concluded. The board's exact discussions on the Article IV Staff Report are confidential, but the conclusions are included in the Public Information Notice annexed to the report. The country's representative to the board may also submit a written statement but is not required to do so. All of the documents are publicly released about three or four months after the conclusion of the consultations. In a few cases, a government may demand that the Article IV report not be made public, or it may permit publication only if certain sections are deleted.

According to the IMF, eighteen percent of Article IV reports discussed in 2007 were never published.¹⁶

Trade unions should therefore:

- Request that the meeting be recorded in the Article IV Staff Report.
- Ask that trade union positions on specific topics be noted in the report.
- Ask the government to provide the union with a copy of the report before it is posted on the IMF website.
- If there are inaccuracies in the report or other points in the document that you disagree with, send a written response to the IMF. Contact the Global Unions Washington Office and send copies to the government as well.
- Publicize specific parts of the report when the Staff Report and Public Information Notice are released to create greater media and public awareness of the implications of the Fund's policy recommendations.
- Share information from the meetings with other civil society organisations to increase cooperation on key issues.

Following Up on a Biased Report: Australia

The 2005 Article IV Staff Report for Australia praised recent government reforms to make the labour market more flexible, arguing that unemployment had been reduced as a result. It also strongly endorsed the government's plans for additional reforms, including reducing employment protection for workers in small and medium-size businesses and changing the laws on the minimum wage and collective bargaining. The report noted that trade unions opposed the reforms, but dismissed their concerns without any further discussion.

Australian trade unions were outraged by the report. When the Article IV documents were made public, they immediately sent a letter to the IMF explaining their disagreements. They publicized factual inaccuracies in the report and provided evidence to discredit the IMF's assertion that Australia's minimum wage system contributed to job loss. They also publicly criticized the IMF for disregarding the evidence that trade unions had submitted during the consultations. Australia's trade union federation, the ACTU, contacted the ICFTU/Global Unions office in Washington to arrange a meeting between the president of the ACTU and the IMF officials responsible for the report, during which the IMF agreed that a more substantial dialogue with the ACTU on labour issues should take place during its next mission to Australia. The IMF officials also agreed that an in-depth dialogue on the IMF's analyses and positions on labour issues with the ICFTU and WCL should take place in the near future. Two years later, in November 2007, the outgoing government was defeated and the new Labour Party government was elected with a promise that it would roll back the anti-labour reforms that the IMF had endorsed.

¹⁶ International Monetary Fund. *Key Trends in Implementation of the Fund's Transparency Policy*, 31 January 2008.

The Debate on Conditionality

What is conditionality?

“Conditionality” has recently been at the centre of many civil society organisations’ complaints against the IFIs. Global Unions have repeatedly called for an end to economic policy conditionality, such as privatization of public services, labour market reform and unilateral trade liberalization, which is attached to debt relief and other assistance. Donor governments, too, have decried the IFIs’ use of conditionality. The UK temporarily withheld its contributions to the World Bank in 2006-07 and Norway reduced its contributions for 2008-11 to protest the Bank’s use of conditionality in its lending.

But what is conditionality, exactly? As the word implies, conditionality is a set of conditions that a country must fulfill to receive aid under a given programme. When a country borrows money from the IMF or the Bank, or when it receives debt relief through an IFI programme, the government must commit to enact specified economic and financial policies. If the country doesn’t follow through on these commitments, it puts its aid agreement with the IFIs in jeopardy.

Conditionality can include both quantitative conditions, such as maintaining a minimum level of foreign reserves or a maximum level of government borrowing, and structural conditions, like reforming labour market laws or privatizing state-owned businesses and services. Even though conditions for IFI aid are specific to each country, they always echo the IFIs’ usual policy agenda [discussed earlier in this guide].

Trade unions and other civil society organisations are particularly opposed to structural conditionality, which they also call economic policy conditionality. Global Unions argue that this type of conditionality undercuts countries’ efforts to eliminate poverty by pushing reforms that may not be in the best interest of the poor, such as privatizing public services or introducing user fees for health care. Stated the UK government, “...Some conditionality has promoted reforms that have made poor people worse off.... For example, structural adjustment reforms during the debt crisis of the 1990s sometimes failed to take account of the social impact, especially on poor people”.¹⁷

The rationale for conditionality

Although both the World Bank and IMF made some efforts to review and reduce their use of conditionality, they continue to rely on it as a major component of their aid and debt relief programmes. The IMF defends its use of conditionality as way to link aid to reforms it considers necessary for a country’s economic development: “Conditionality is a way for the IMF to monitor that its loan is being used effectively in resolving the borrower’s economic difficulties, so that the country will be able to repay promptly, and make the funds available to other countries in need”.¹⁸ The IMF

¹⁷ Government of the United Kingdom, “Partnerships for poverty reduction: rethinking conditionality”. March 2005. pg 6.

¹⁸ International Monetary Fund, “Factsheet: IMF Conditionality”. Sept. 2005.

also says that conditionality helps clarify to countries the terms on which the IMF will continue to provide aid.

Critics of conditionality see it differently. They do not see conditionality as a way to make the IFIs' aid programmes more effective or reliable, but rather, as an attempt to force the IFIs' reform agenda on unwilling countries. By making aid dependent on the country's acceptance of certain conditions, critics argue, the IFIs are essentially trying to "buy" reform.

Determining Conditions

The IFIs contend that they do not create conditions unilaterally, but that conditionality is negotiated between the government and the Bank or the Fund. The exact conditions imposed on a country reflect the recommendations outlined in the IFIs' policy documents for that country, specifically, the CAS (for Bank programmes) and the Article IV report (for IMF programmes). The IFIs explain their overall vision for a country's development in the CAS and the Article IV reports, emphasizing specific sectors or policies that they consider in need of reform. Drawing from the recommendations in these documents, the IFIs determine concrete steps that the country must take, usually within a specified time frame, to make progress towards an objective.

It is important to note that the IFIs do not consider all of these required steps to be actual conditions—some are merely non-binding "indicators" of the country's progress. Confusingly, though, the IFIs will still look at progress on indicators when they determine aid for the country. For example, the Bank will determine whether to give a country more aid ("high case lending") or less aid ("base- or low case lending") depending on its progress in meeting "trigger" requirements, even though it doesn't consider these "triggers" to be "binding conditions".¹⁹ Because of pressure to reduce their use of conditionality in aid programmes, the IFIs insist that only actions "critical" to a programme's success will become binding conditions.

To understand the many types of requirements that countries must meet, it is important to recognize the terms the IFIs use to describe different types of requirements and conditions. Here are some of the basic ones:

World Bank terms

- **Prior Actions** – The most common form of Bank conditionality, prior actions are conditions that a country must meet before a specific programme is presented to the Bank's board for approval. They are legally binding conditions.
- **Tranche-release conditions** – Like prior actions, tranche-release conditions are actions that a country must take in order to receive aid. Unlike prior actions, which apply to one-time aid disbursements, tranche-release conditions

¹⁹ In its summary of its 2005 review of conditionality, the Bank writes, "Increasingly, the Bank applies ex post conditionality in programmatic settings and set expected prior actions (so-called triggers) for future loans rather than binding conditions". (executive summary, pg.ii) In late 2005, the Bank began to abandon triggers in its new aid programmes, replacing them with benchmarks.

are used when aid is being dispersed in separate instalments. A country must meet the tranche-release conditions for each tranche, or disbursement, before it receives its subsequent aid payment.

- **Triggers** – Also known as “*expected* prior actions”, triggers are requirements that a country is expected to meet prior to the *negotiation* of the next aid agreement. The Bank will look at a country’s progress in meeting specific triggers to decide whether to move from one loan to the next, or whether to the country qualifies for a “high-case” lending scenario (meaning the country gets relatively more aid) or a “base-case” lending scenario (meaning the country will get a basic amount of aid.) The Bank does not consider triggers to be legally binding conditions, but it notes that triggers will usually become prior actions (i.e. legally binding conditions) for the next aid agreement.
- **Benchmarks/Milestones** – Benchmarks, which are sometimes called milestones, are “small steps in a reform process (such as the preparation of studies and action plans) that represent significant, though not necessarily critical progress markers for the implementation of a programme”.²⁰ The Bank monitors achievement of benchmarks, but says it does not use them as legal conditions. However, NGO critics note that the Bank considers “unsatisfactory progress” on meeting benchmark conditions as an indication that the country is “off-track” with its programme, resulting in a delay or ultimately, a halt in aid.²¹
- **“Umbrella” actions** – In lieu of specific conditions, some CAS policy matrices set broad goals that encompass a number of required actions. These may not be spelled out, but instead are captured by an “umbrella” condition, like “Achieve satisfactory progress in the education sector”. The Bank recommends these only for sectors in which there is already good dialogue between the Bank and country and no major reform is necessary. Otherwise, the Bank warns that, “Umbrella actions can result in arbitrariness and misunderstanding about exactly what is needed to make progress.”²²

IMF terms

- **Performance criteria** – A performance criterion is a formal condition that the IMF evaluates in order to decide whether or not to continue with aid disbursements or other payments. Unlike the Bank conditionality, which is often based on prior actions before an aid programme is approved, these IMF conditions can apply to actions expected of the country *after* it receives aid. Countries that do not meet these conditions can face suspension of aid. In the words of the Fund, “Performance criteria...are so critical for the achievement of the programme goals or monitoring implementation that purchases or disbursements should be interrupted in cases of nonobservance”.²³

²⁰ World Bank, Review of World Bank Conditionality Summary Findings. 2005. pg. 9.

²¹ Wood, Angela, “World Bank’s Poverty Reduction Support Credit: Continuity or Change?” Debt and Development Coalition Ireland, July 2005.

²² World Bank, “Conditionality in Development Policy Lending.” 15 November 2007.

²³ International Monetary Fund, “Guidelines on Conditionality”. September 2002. pg 4.

- **Prior Actions** – Like the prior actions used by the Bank, these require a country to meet certain requirements before an aid deal is approved.
- **Indicative Targets** – Indicative targets are as important as performance criteria, but they are not legally binding only because “they cannot be established as performance criteria because of substantial uncertainty about economic trends”.²⁴ When this uncertainty is reduced, indicative targets will likely become performance criteria.
- **Structural Benchmarks** – Structural benchmarks are requirements that are not legally binding because it is difficult to accurately measure progress on them. Failure to meet a structural benchmark is not alone cause for suspension of aid, but the Fund will nonetheless use structural benchmarks to assess a country’s progress when it reviews the programme.

Possibilities for Civil Society Input on Conditionality

Conditionality is not negotiated with civil society organisations, and there is no consultation process in which trade unions or other groups can give their views on conditionality. Instead, conditions are negotiated between the IFIs and government authorities, usually representatives of the ministry of finance or economy, or an equivalent body.

To express their opposition to IFI-supported policy reforms before they become conditions, it is advisable that trade unions work to ensure that their views are reflected in their country’s PRSP, CAS, or Article IV report, since many of the recommendations in these documents will eventually become conditions. [To see how IFI recommendations become binding conditions, refer to the case study on Turkey at the end of this section]. If trade unions find that, despite participating in consultations and lobbying the government and the IFIs to support pro-poor and pro-worker policies, final conditions enforce unfavourable polices—they obviously still have a right to dissent. Trade unions in a number of countries have waged successful campaigns against IFI-sponsored reforms, reversing privatizations and other programmes mandated by conditionality.²⁵

²⁴ Ibid. pg. 5.

²⁵ To learn more about these cases, see the 2006 ICFTU publication, “Fighting for Alternatives: Cases of Successful Resistance to the Policies of the IMF and World Bank.”

Fighting Labour Market Conditionality in Nepal

In 2004-2005, Nepalese trade unions, supported by the ILO, agreed to take part in a tripartite negotiation process with the government and employers aimed at improving social protection, ratifying all core labour standards conventions and making job termination rules more flexible. The process was abruptly put on hold when the king of Nepal seized absolute power in early 2005. The World Bank then pressured the king to unilaterally decree a substantial deregulation of labour markets, using recommendations based on the Bank's *Doing Business* report, while ignoring the ILO ratifications and social security improvements. In January 2006 the Bank even threatened to cut off financial support to the king's government if it did not proceed with the labour market deregulation. In March 2006 the king promulgated the labour ordinance demanded by the Bank, but this only added to the determination of the trade union organizations to rid Nepal of dictatorial rule and they joined in a massive mobilization to restore democracy. A democratic government took power six weeks later and within two weeks it repealed the king's labour ordinance.

Later in 2006, the tripartite process for labour and social protection reform started up again with ILO support and by October 2007 there was agreement on the way forward, involving establishment of some basic social protection programmes, ILO ratifications and a new labour law. The World Bank almost succeeded in derailing the process once again when, in November 2007, a Bank vice-president told Nepalese media that there would be no additional assistance for Nepal, which was then preparing for the election of a constituent assembly, unless it met the condition of deregulating "rigid labour laws". Nepalese unions quickly obtained a meeting with the country's prime minister, who assured them that his government would not accept a new World Bank loan if it included the labour market deregulation condition threatened by the Bank official. In December 2007, the government of Nepal government and the World Bank concluded the largest ever Bank loan to Nepal, for US\$253 million. There was no condition to reform Nepal's labour law attached to the loan. The tripartite agreement for introducing improvements to social protection and workers' rights simultaneously with changes to employment protection laws was able to move forward without interference from the World Bank.

From Recommendation to Condition: The Case of Pension Reform in Turkey

The Bank and the Fund have been insisting on pension reform in Turkey for several years. In 1999 Turkey undertook major reforms to its pension system in accordance with the pension reform specifications outlined in earlier CAS and Article IV reports. The IFIs applauded Turkey's progress on pension reform in subsequent reports, but they continued to press for further changes to the pension system. The chronology below outlines how the IFIs' demands for pension reform in Turkey took shape in various IFI documents, eventually becoming a condition of a \$10 billion IMF loan.

2003 World Bank Country Assistance Strategy

The 2003 CAS²⁶ lists reform of Turkey's social protection and pension systems as a major objective. It includes specific actions that Turkey must complete to show progress on this objective. These actions are listed as "indicators" and "benchmarks", rather than as binding conditions, but it is clear that Turkey is supposed to follow through with them:

- **Indicators:**
 - *"Social security system restructured to ... (ii) separate pension system from health insurance and unemployment benefit programmes ... (iv) reduce the deficit of the social security system.*
- **Benchmarks:**
 - *"Social security system restructured".*
 - *"Legal and regulatory framework for individual supplementary pensions established".*

2004 Article IV Staff Report

In the "Supplementary Information Section" to the Article IV report, the IMF staff echoes the recommendations of the Bank's CAS, emphasizing that Turkey must proceed with reforms. It notes which specific actions the IMF will consider as indicators of progress:

*"With social security reform preparations now at an advanced stage, it is expected that draft legislation will be submitted to parliament by mid-December. The authorities explained that the planned administrative reform, aimed at combining and unifying the three existing pension systems, would be the most critical element in reducing the social security outlays in the long run. The main effects of this unification would be to reduce the generosity of the civil service pensions.... The political sensitivity of such reforms called for continued careful preparations.... A final decision would be made by the Council of Ministers on the proposal for reform in September (**new structural benchmark**). Draft legislation would then be sent to parliament in December (**new performance criterion**), with the aim of securing parliamentary approval by early 2005".*

²⁶ Note that because Turkey is a middle-income country, it does not have a PRSP—so the recommendations for pension reform originated only from IFI documents. In the preface to the CAS for Turkey, the Bank explains that while "key elements" of the CAS were discussed with the government and civil society, "The CAS is not a negotiated document".

July 2004 Public Information Notice

The IMF's board of directors reiterates the Article IV report's call for reforms in the Public Information Notice on the Article IV Staff Report.

“Directors stressed the importance of adopting high quality measures to help sustain this fiscal consolidation. This should include reform of the social security system...”

July 2004 Letter of Intent:

In a letter to the managing director of the IMF, the head of Turkey's central bank and the minister of economic affairs make commitments to implement the reforms recommended in the Article IV report:

*“Over the summer we will work on a range of reform options. We will decide our preferred pension system reform strategy by end-September 2004 (**new structural benchmark**)”*.

This commitment becomes part of the structural conditionality for IMF aid to Turkey. It is listed as a “**prior action**”, meaning Turkey is supposed to meet the condition before the next review:

*“**Structural Conditionality** -- September: Decide on preferred pension system strategy”*.

April 2005 Letter of Intent and Memorandum of Economic and Financial Policies

In a letter of intent to the Managing Director of the Fund the following year, the head of Turkey's central bank and the minister of economic affairs request a three-year loan agreement from the IMF. In an attached Memorandum of Economic and Financial Policies (MEFP), they inform the Fund of their progress on pension reform and commit to pushing ahead with further reforms.

*“The draft pension reform law has been submitted to Parliament (**prior action**). Parliamentary passage of the pension reform law is expected by end-June, a **structural performance criterion** under the programme”*.

In an annex attached to the MEFP, the conditionality for the loan is listed along with Turkey's progress in meeting each condition. Under structural reform conditions, it lists:

- *“Parliamentary submission of pension reform legislation. Done”*.
- *“Parliamentary approval of pension reform legislation. End-June 2005”*.
- *“Parliamentary approval of the administrative social security reform law. End-June 2005”*.

May 2005 Loan Approval

The Executive Board of the International Monetary Fund approves a three-year, \$10 billion loan to Turkey. The board's announcement affirms, “Implementation of structural fiscal reform will be central to the success of the new programme”.

July 2005 Loan Suspension

The IMF suspends its loan to Turkey, explaining, “*The pension reform law could not be approved before Parliament recessed for the summer and IMF management decided to postpone its recommendation that the Executive Board consider completion of the first programme review. The implementation of this law is a key component of the programme's structural reform agenda and is needed at an early stage to bring Turkey's social security deficit under control*”.

September 2005 Loan Payments Resumed

3 months later, the IMF announced that it would resume payments on the loan. Five months later, in March 2006, the Turkish parliament returned to the subject of pension reform.

March 2008 Trade unions protest proposed IMF Reforms

More than two years later, the Turkish parliament still had not passed the reforms demanded by the IMF. In mid-March 2008, Turkish unions staged a two-hour “warning strike” against the planned reforms to the social security and pension system. Government officials denounced the unions’ actions, saying the reforms had already been negotiated and that the strike was illegal.

April-May 2008

The Turkish parliament finally passed a pension reform bill in April 2008, but less than a month later the government chose not to renew its \$10.8 billion loan with the IMF. Until the lending agreement expired on 10 May, Turkey was by far the IMF’s most important client country as measured by the size of its loan.

2. Windows for Trade Union Involvement on IFI Projects

The previous sections of this guide have addressed ways in which trade unions can influence IFIs’ policy-based loans in their countries. In addition to policy lending, the World Bank and its private-sector arm, the International Finance Corporation, also finance specific projects. The World Bank finances projects in the public sector, whereas the IFC finances private sector projects. The IMF does not provide any project financing.

Project loans present a unique opportunity for trade unions to engage with the World Bank and IFC, as both institutions recently adopted policies requiring their projects to be implemented in compliance with the core labour standards. The CLS requirements were the result of more than seven years of trade union campaigning, and now guarantee that workers on all IFC and some World Bank projects have the right to organize and bargain collectively. Since the implementation of the standards, some unions have taken advantage of this guarantee by organizing workers at the project site or by demanding that the IFC or World Bank address CLS violations that occur during the project.

The following sections will describe World Bank and IFC projects in more detail.

*Trade Union Involvement in World Bank Projects*²⁷

- The World Bank provides financial and technical assistance for thousands of projects every year in developing and middle-income countries. Between \$15-20 billion in World Bank loans go to support projects focused on specific sectors or policy areas, like infrastructure, health, and government financial management²⁸. Influencing the Bank's project-based work can be difficult, since there is no formal civil society consultation procedure for Bank projects.

Identifying Potential Projects

Here are some examples of recent projects:

- Modernizing the Ministry of Finance through restructuring (Paraguay)
- Reforming the national social security system (Brazil)
- Creating a management system for coastal fisheries (Tanzania)
- Developing hydropower resources (China)
- Restructuring the national railways system (Romania)
- Improving corporate governance in the commercial banking system (Nepal)
- Developing social programmes to mitigate unemployment after privatizations (Turkey)
- Creating a pilot job placement programme for at-risk youth (Honduras)
- Establishing a business-friendly regulatory regime (Macedonia)

The types of projects that the Bank will support in a given country depend on the priorities identified in that country's CAS or CPS [discussed in the previous section]. In low-income countries, these priorities might also echo the goals of the PRSP. A good place to get a sense of potential project areas is the table in the annex of the CAS/CPS, which identifies goals and actions that the World Bank considers necessary for the country's successful development.

- Look at your country's CAS/CPS and PRSP to find out which sectors, industries, or enterprises might be targeted.

Using the CAS/CPS as a starting point, the Bank will work with the country's government to identify potential projects. The Bank will create a Project Concept Note (PCN) for each project that identifies the project's objective, possible risks, alternatives to the project and a timeline for completion. The Bank does not release the PCN publicly, so trade unions should ask their governments to see drafts of this document.

- Get drafts of relevant project documents from the government

²⁷ This section will only address World Bank-sponsored projects, even though the regional development banks (ABD, AfDB, IDB, EBRD) do very similar project-based work. The IMF does not provide project loans.

²⁸ From World Bank website general information on projects:
<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:20120731~menuPK:41390~pagePK:41367~piPK:51533~theSitePK:40941,00.html>

The Bank reviews the PCN internally, then releases a Project Information Document (PID) online²⁹, which includes much of the same information as the PCN, as well as the name of the Bank employee who is supervising the project. The project manager, sometimes known as the Task Manager or Team Lead for the project, runs the project and is an important contact for trade unions. At about the same time, the Bank will also prepare and publicly release an Integrated Safeguards Data Sheet (ISDS), which details how the Bank will deal with social and environmental issues related to the project. This document includes the names of other members of the project team, including specialists like sector- or policy experts. Often, these specialists will be charged with handling consultations with unions or other civil society groups. While they may be helpful contacts for information, they do not necessarily have any say in determining the parameters of the project. Trade unions should be aware that only the project manager can make final decisions about the project.

- Get involved in project discussions as soon as possible.
- Insist that the Bank discuss with unions fundamental decisions such as whether or not to undertake a privatization or workforce reductions, not just the details of conditions of dismissal and workout of severance pay.
- Read both the PID and the ISDS to determine if the Bank is giving adequate consideration and sufficient responses to labour issues related to the project.
- Reach out to allies and the general public to build support for the union's position and proposals.
- Seek a meeting with the Bank's project manager and other members of the project team to discuss the union's perspective on the project.
- Demand that the union be consulted at every stage of the project cycle—do not just settle for an informational meeting with the project team.
- Make sure that the project team actually responds to your questions and concerns, rather than simply making note of them.
- Request a written record of any meetings.

South Africa

In 2002, the South African Transport and Allied Workers Union (SATAWU) successfully defeated the government's plan to privatize the national railway system, which was modeled after the World Bank's programme for railway restructuring, even though the Bank did not provide loans for the project. After mobilizing workers and the public to support SATAWU's position, organizing a march to the transport ministry, lobbying parliament, and publicizing the union's struggle in the press, SATAWU convinced the government to engage in meaningful negotiations with the union. The union's own experts developed a detailed plan for modernizing the railway system under continued public ownership. After more than six months of consultations, the government eventually sided with the union and rejected its own privatization plan in favour of the restructuring scheme supported by SATAWU.

If no meeting is scheduled to take place, trade unions should insist on one. If possible, unions should seek to work with other unions whose members might be

²⁹ All PIDs are available at: http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?dt=540659&psz=20&ptype=advSrch&pcont=results

affected by the project, even if those workers are employed in a different trade. The Global Unions Washington Office can help arrange a meeting between unions and the Bank if the project manager or other officials from the World Bank country office are unresponsive.

Preparing the Project

Once the PID and ISDS have been released, the project enters the preparatory phase, during which it is analyzed in detail for several months. As mentioned above, there is no formal consultation process during this period, even though under the Bank's "best-practice" guidelines consultations should take place. Although consultations with trade unions do occur fairly regularly, especially in public sector restructuring projects, the nature and quality of these consultations are inconsistent. Trade unions need to be assertive about getting full information about the project and an opportunity to prepare and present their concerns.

- If the union does not support the project at all, it may make strategic sense to present alternative proposals that meet the same goals. For example, if the Bank's goal is to make a public utility company more efficient through privatization, present the union's plan for improving efficiency without privatization.
- Make sure that the union can negotiate on every aspect of the project that affects workers.
- If the project will involve restructuring, make sure that the union negotiates for provisions to minimize job loss and measures to support retrenched workers.

What's at Stake in Workforce Restructuring:

Projects that focus on modernizing or privatizing certain sectors, industries or state-owned enterprises will often call for significant workforce restructuring. The World Bank's 2004 guide, *Labor Issues in Infrastructure Reform: A Toolkit*, highlights several labour issues that come up during restructuring, such as:

- Staff reduction
- Introduction of flexible work rules
- New worker recruitment practices
- Different skill requirements
- Change in salary structure
- Reduction of pension or social benefits
- New discipline and firing procedures
- Change in shifts and working hours
- Different relationship with unions

If restructuring is unavoidable, trade unions can negotiate for measures that protect and support workers during the restructuring process. When faced with new work rules, changes in pay and benefits or worker retrenchment, unions can bargain for provisions like:

- Agreeable severance terms, including non-discriminatory procedures for timing and selection of employees, and severance pay
- Retraining and job placement assistance for retrenched workers
- Voluntary retirement option to reduce dismissals
- Career development and retraining courses for current employees
- Assurance of future pension and social benefits
- Fair grievance and arbitration procedures
- Premium pay for certain shifts and extra work hours
- Employee Share Ownership Plans (ESOP) in privatized companies

Approval of the Project

Once the project staff has completed preparation of the project, it will update the PID and submit either a Project Appraisal Document (PAD) or a Programme Document (PGD)³⁰ to the Bank's management for approval. When the project is approved, the Bank and the country will negotiate the final terms and conditions of the project loan. The PAD or PGD, as well as other legal documents pertaining to the project loan are available on the Bank's website after the project has been approved³¹. The PAD or PGD should explain the consultations that took place during the preparations.

- Check PAD/PGD to make sure that the account of consultations is accurate.

³⁰ The Bank uses a PAD for investment projects and a PGD for adjustment programmes. Both documents explain the financial details of the project.

³¹ The World Bank website includes a list of all approved projects, including the amount of assistance the Bank is providing for each. It can be accessed at:
<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,menuPK:115635~pagePK:64020917~piPK:64021009~theSitePK:40941,00.html>

BULGARIA

Adapted from: ICFTU, "Fighting for Alternatives: Cases of Successful Trade Union Resistance to the Policies of the IMF and World Bank". 2006.

In August 2000, the World Bank provided an \$83.4 million project loan to the government of Bulgaria to improve the education system by updating the curriculum, changing teacher training, consolidating schools, increasing class sizes and reducing teaching staff. When Bulgarian unions finally saw the PAD for the loan in the spring of 2001, they were shocked to read that "Representatives of practically all direct beneficiaries of the programme have been involved", including students, teachers and NGOs, a term that in the Bank's lexicon includes trade unions.* This was patently false: none of the teachers' unions had been consulted. Moreover, the unions contested much of the factual information and analysis presented in the PAD, which was often outdated. They also believed that the restructuring would have a profound impact on the quality of public education and on teachers' working conditions.

With the Bank and the Bulgarian government preparing a nationwide campaign to implement the project, the teachers unions organized a counter-offensive. With the assistance of the Washington office of the ICFTU/Global Unions and the American Center for International Labor Solidarity (Solidarity Center), the unions developed proposals for a joint action plan, which involved doing a joint analysis of the education restructuring programme, drawing up a joint statement with alternative proposals for education modernization, presenting this statement to the government and the World Bank and doing a public campaign on the reform.

Despite these efforts, the unions were still unable to obtain a meeting with Bulgaria's education ministry to discuss the World Bank programme. In protest, the two teachers' unions organized a half-day, nationwide work stoppage. This action caught the attention of the World Bank's country director, who drove to the unions' offices and acknowledged that the Bank had acted erroneously. The director also promised direct consultations with the unions and offered to completely revise the reforms. Ultimately, the World Bank decided not to go through with the whole reform and admitted it hadn't properly informed the public. The project was finally withdrawn in March 2004.

**Project Appraisal Document on the first phase of the proposed adaptable programme loan to the Republic of Bulgaria for an Education Modernization Project, World Bank Report No. 20234-BUJ. August 7, 2000.*

Because the PAD or PGD is made public after the project is already approved, it is by then too late for unions to have any impact on the project's design. Nonetheless, they can still influence its implementation.

Implementing the Project

Once the Bank and the government have agreed on the terms of the loan and the country has met the initial conditions for the loan, the Bank disburses the funds to the government. The borrower is responsible for implementing the project in accordance with the Bank's social and environmental standards.

If the project entails construction of infrastructure, the government will evaluate bids from a number of companies. The Bank will supervise this process, to ensure that the

company selected meets the Bank's procurement standards, which for large construction projects include compliance with the core labour standards.³²

- Pay attention to the project's implementation. If the selected bidder does not meet the Bank's standards, inform the project team.
- Monitor the project to ensure that labour rights are respected and document any instances of violations of core labour standards. If CLS violations occur on a large infrastructure project, inform the Bank and the Global Unions Washington Office, as well as the relevant national trade union centre or GUF. Do not hesitate to draw the attention of national authorities or the press.

COUNTRY SYSTEMS

The World Bank is slowly moving away from Bank-supervised procurement in favour of country systems for procurement. In 2007, the World Bank began a pilot programme of letting certain countries use their own procurement systems instead of the Bank's procurement system for large-scale construction projects. In order to be able to use its own procurement system in lieu of the Bank's, a country must first demonstrate that its system is equivalent to the World Bank's own. Unfortunately, the Bank does not consider whether the country requires contractors to conform to the CLS when it assesses the equivalency of the country's system. Therefore, countries using their own procurement systems for Bank-funded infrastructure projects may not have to require that contractors abide by the CLS. Global Unions, the ILO, and some donor country governments and industry associations urged the World Bank in 2007-08 to slow down its shift towards country systems unless it could ensure that the core labour standards would still be enforced on World Bank-funded projects.

Even if no official labour standards apply to a project because it is too small in scale, trade unions should inform the World Bank of violations of core labour standards or other problems with the project. They should insist that the Bank address these problems and that it record them in subsequent evaluations of the project.

³² The World Bank's procurement standards, which require contractors to abide by the core labour standards (See pages 154 and 222-23) , are available online at:
<http://siteresources.worldbank.org/INTPROCUREMENT/Resources/Works-4-07-ev1.pdf>

INDONESIA

Adapted from: "Fighting for Alternatives" ICFTU, 2006.

In 2004, the Indonesian branch of the Asian Labour Network on IFIs (ALNI), a network of unions, academics and NGOs, conducted a research study of core labour standards at major World Bank-funded infrastructure projects in Bali. The three-person study team met in advance with World Bank officials, who agreed to cooperate as long as the study was conducted impartially. The Bank introduced the team to the general contractor running the project and secured his cooperation, assuring ALNI access to the worksites. The ALNI researchers found significant violations of child labour laws and discrimination conventions, as well as local labour laws.

ALNI found several serious violations, including children assigned to hazardous construction jobs, one of the worst forms of child labour; children paid discriminatory wage rates; discrimination in pay against women; little provision of safety equipment and poor training on the equipment provided; and failure to pay legally required social security payments, which provide medical coverage for on the job injuries. In addition, two workers had been killed due to accidents on the project, and 34 percent of the respondents reported they had had a work accident. Finally, none of the workers at any sites belonged to a union. The ALNI study team recommended that the Bank establish procedures for "proper use of human resources" on future Bank-funded projects. They also asked the Bank to conduct, with the Government of Indonesia, interventions and positive monitoring on labour issues at Bank-funded workplaces, and to monitor "the exact percentage of a grant allocated for labour costs" and to take action where the actual percentage falls below a rate which cannot sustain normative rights under Indonesian law. ALNI's reports and recommendations received considerable attention in the Indonesian press. ALNI's experience in Indonesia illustrates that the IFIs can be responsive when presented with complaints from trade unions about working conditions.

Trade Union Involvement in IFC Projects

The International Finance Corporation (IFC) is a part of the World Bank Group, the Washington-based international financial institution (IFI) that provides development assistance to poor and emerging market countries. Founded in 1956 with the mission of promoting private sector investment in developing countries, the IFC is the "private sector arm" of the World Bank. Unlike the other major branches of the World Bank, the IBRD and IDA, which lend to national governments, the IFC provides loans directly to the private sector and operates like a commercial bank, in that it charges market rates for its services and seeks to profit from its operations. However, the terms and length of an IFC loan may be better than what some companies could obtain from a commercial bank. The IFC undertakes some projects in companies or countries that a commercial bank might otherwise consider too risky. The IFC also differs from a commercial bank in that its 179 shareholders are governments.

Types of IFC Investments

The IFC invests in for-profit businesses in developing countries. Sometimes, it invests in a specific project such as the construction of a pipeline or factory, and may help mobilize other commercial banks or financial institutions to invest in the project. In other cases, the IFC invests in a company without designating the loan for a particular project. In these cases, the IFC might provide a loan to the company,

become a long-term investor in the company by purchasing equity, or provide other types of financial or technical assistance. Often, the IFC lends to banks and financial institutions in developing countries so that they can in turn make loans to domestic businesses.

Although the IFC is legally independent from the World Bank, its lending priorities are often closely aligned with World Bank country strategies. In the 1990s, for example, the IFC was involved in privatizing state-owned enterprises in former Soviet countries and increasing private sector participation in infrastructure in Latin America,³³ because these were major goals of the World Bank. Today, the IFC provides more financing to the developing world than does any other IFI.³⁴ It approves between 200 and 250 project and loans annually, such as:

- The upgrade of a paper mill in India
- Construction of a cyber-business park in Turkey
- Investment in a Brazilian electricity company
- Renovation of a hotel in Mauritania
- Investment in a commercial bank in Nigeria
- Expansion of a port terminal in Vietnam

How does IFC determine whom to lend to?

To be considered for IFC financing, a company must be operating in a developing country that is an IFC member and must meet basic economic, environmental, and social criteria. It approaches the IFC to submit an investment proposal describing the proposed project, information about the company's structure and finance, projections on the project's profitability and the external environment in which the company operates. The IFC then reviews this proposal, meets with the company and decides whether or not it will proceed with a more detailed feasibility study or business plan before it undertakes a formal appraisal of the project. Depending on the type and scale of the project, these initial assessments may take place months or even years before a formal proposal is submitted to the IFC's board for consideration.

If the IFC decides to do a formal appraisal of the project, it will request that the company do a self-evaluation of its labour practices to determine whether they are in compliance with its performance standards on labour. If this initial screening process reveals that the company may have potential labour problems, the IFC will undertake further investigation and prescribe remedial measures to bring the company into compliance before the loan is approved. When the project is ready, it is sent to the management of the relevant IFC sector department, which can approve or deny the project. If the department approves the project, the IFC will prepare the legal documents for the loan before sending it on to the IFC board of directors. Although the IFC board (comprised of World Bank board members) is officially responsible for approving loans, formal approval by the board is usually just a formality. By the time proposed loans reach the board of directors, the IFC has invested significant time and work into preparing the company and the loan proposal, and it is rare that loans are not approved. Once the board approves the project, the company will sign a legal

³³From "A Short History of the IFC and its role in Emerging Markets" IFC Website: http://www.ifc.org/ifcext/50thanniversary.nsf/Content/Short_History_of_IFC_English

³⁴ *ibid.*

agreement with the IFC committing to the terms of the loan before any money is disbursed.

Legal Requirements of an IFC Loan Agreement

In addition to agreeing to the financial terms of the loan, all companies that borrow from the IFC must agree to meet the IFC's Performance Standards, a set of 8 social and environmental conditions required of all IFC clients. In 2006, the IFC implemented a revised set of performance standards requiring all clients with loans originating after 1 May 2006 to respect the core labour standards (forced labour, child labour, non-discrimination, and freedom of association and collective bargaining) as defined by the International Labour Organization.³⁵ The labour standards requirement, known as Performance Standard 2, also requires clients to meet requirements on workplace health and safety, retrenchment, grievance procedures, and supply chain issues.

If the client company fails to adhere to the performance standards or other legal conditions of the loan, the IFC can take several approaches to rectify the situation. Initially, it may simply discuss the problem with the client, decide on an "action plan" to remedy to problem, and then increase its supervision of the project to confirm that the client is making the necessary changes. If non-compliance persists, the IFC could bring in a third party arbitrator to intervene. The IFC can enforce its adherence to the performance standards by withholding future disbursements of the loan, if any remain, or by calling the loan, thereby requiring the company to pay back the loan ahead of schedule. Until the client has repaid the loan in full, the IFC must continue to supervise the project and enforce its standards.

³⁵ The conventions that define the 4 core labour standards are:
ILO Convention 87 on Freedom of Association and Protection of the Right to Organize
ILO Convention 98 on the Right to Organize and Collective Bargaining
ILO Convention 29 on Forced Labour
ILO Convention 105 on the Abolition of Forced Labour
ILO Convention 138 on Minimum Age (of Employment)
ILO Convention 182 on the Worst Forms of Child Labour
ILO Convention 100 on Equal Remuneration
ILO Convention 111 on Discrimination (Employment and Occupation)

What Does Standard 2 Require?

- **Human resources policy** – The client must adopt a human resources policy through which it will inform employees of their wages, benefits, and their rights under national labour and employment law.
- **Freedom of association and collective bargaining** – The client must not interfere with workers’ right to organize and bargain collectively, even when national law does not protect this right. The client must respect collective bargaining agreements, or comply with national labour law if no collective bargaining agreement exists.
- **Non-discrimination and equal opportunity** – The client must adhere to the principle of non-discrimination as it is defined in the IFC performance standards (based on ILO Conventions 100 and 111).
- **Retrenchment** – The client will consult with workers, workers’ organizations, and in some cases, the government to develop a retrenchment plan, based on the principle of non-discrimination, that will mitigate the negative effects of retrenchment on employees.
- **Grievance mechanism** – The client must provide a grievance mechanism for workers and their organizations to raise concerns. The grievance mechanism is not a substitute for other arbitration procedures, such as those provided through national law or through collective bargaining agreements.
- **Child labour** – The client will not employ children and will follow national laws if employment of minors is allowed in the country.
- **Forced labour** – The client will not employ forced labour (as defined by ILO conventions 29 and 105).
- **Occupational health and safety** – The client must provide a safe and healthy work environment and address health and safety issues in a manner consistent with industry standards of good practice.
- **Supply chain** – The client will use “commercially reasonable” methods to ensure that subcontractors and intermediaries apply the requirements of the performance standards. It will “inquire about and address child labour and forced labour in its supply chain.”

An early test of labour standards in IFC lending

Before the IFC revised its performance standards to include requirements on the core labour standards, it agreed to a “test case” by including a labour standards clause in a loan contract with a clothing manufacturer operating in the Dominican Republic and Haiti. The contract required the client to respect workers’ right to organize and bargain collectively.

Soon after the company had agreed to the loan conditions, however, a worker organizing a union at the company’s plant in Haiti was dismissed and then beaten by factory guards, prompting his coworkers to organize a work stoppage in protest. The management then terminated 33 of the protesting workers, all of whom were known union activists. The local union in Haiti communicated the news of the violations to the ICFTU, the ITGLWF, and unions and NGOs in the US and other countries, which in turn protested the dismissals to both the company and the IFC. A few days later, the IFC sent a mission to Haiti and confirmed that the company had violated the loan condition on respecting workers’ freedom of association. Pushed by the IFC to meet its commitments, the company agreed to reinstate all of the fired workers, provide back-pay for the six-week period during which they had been out of work, and read a statement to the entire workforce promising that no worker would ever again be punished for supporting or joining a union.

Though the situation improved initially, the company again violated the conditions of its loan a few months later by refusing to meet with the union, locking out workers, threatening to move its operations elsewhere, and dismissing 250 workers. Faced with the new violations, the ICFTU and ITGLWF demanded that the IFC stop loan payments to the company. In response, the IFC sponsored mediation to push the company to meet with the union and reinstate the fired workers. About eight months after the mass dismissal, the company agreed to rehire all of the dismissed workers, recognize the union and engage in collective bargaining with the union. The first collective bargaining agreement at the factory was concluded in December 2005 and from then on the union and employer met regularly to resolve any new disagreements. The total workforce expanded as orders increased and several new employees were hired.

Using the IFC Performance Standards to Organize Workers and Defend Workers’ Rights

1. Learn about proposed IFC projects in your country before they are approved. The IFC Performance Standards have the potential to be a powerful tool to enforce workers’ rights, but it is up to trade unions to use the standards to their advantage. This requires that trade unions be aware of potential IFC projects in their country. Especially for large projects, information is sometimes available through the media or from other sources before the IFC officially makes public disclosures about the investment on its website as it required to do..

Public information about all IFC projects is available on the IFC website at least 30 days prior to the formal approval of the project (or 60 days in advance in the case of high-risk projects). Project information remains on the website throughout the life of the project and even after it is completed. For every project, a Summary of Project Information (SPI) provides all of the basic information about the proposed investment, including background on the company, the purpose of the project, possible social or environmental risks and links to relevant documents like environmental impact assessments. The IFC projects database is searchable by country and sector and is online at <http://www.ifc.org/projects>

In addition to the online database, there are a number of other sources of information about IFC projects:

- **IFI Country Strategy Documents:** The World Bank's Country Assistance Strategy (CAS) usually includes an appendix detailing the IFC's current portfolio and its broad investment plans for the country, though it does not name individual companies or projects. Because the IFC sometimes provides loans or technical assistance to support the World Bank's reform agenda, sectors that are identified in the CAS as targets for development, restructuring or privatization may become the focus of IFC investment in the future. That said, many IFC investments, particularly those in smaller companies, are developed independently of the World Bank and may not be reflected in the CAS.
- **IFC Country Web Sites:** The IFC's website explains its investment strategies for particular regions or countries, as well as past and active projects. Often, the information presented here is less detailed than that which is available in World Bank CAS documents. <http://www.ifc.org/ifcext/about.nsf/Content/Regions>
- **IFC Field Offices:** The IFC has more than 80 country and regional field offices. As it is the field office staff, rather than the Washington headquarters staff, which is charged with initial interaction with clients and research of potential projects, it may be useful for trade unions to develop open communication with local field staff. Contact information for field offices and staff is available on the IFC website. http://www.ifc.org/ifcext/about.nsf/Content/Contacts_Regions
- **Locally Available Information:** Well before the IFC posts an SPI on its website, its staff engages in meetings with the company, consultations with stakeholders and environmental impact studies in the country. In the case of high-profile projects, information about IFC visits and consultations is often published in the local press.

2. Prepare Information to Present to IFC

In meetings with international trade union representatives, IFC officials have said that it is unlikely that the IFC would make a loan to a company with a bad record on labour rights. But although some IFC staff receives training on labour issues, trade unions should be prepared to point out potential problems that the IFC has overlooked. If trade unions know that a prospective IFC client has a poor history of respecting workers rights, they should prepare documentation of the company's past violations. Likewise, if they feel the proposed project has risks in terms of violations of workers' rights that the IFC hasn't sufficiently considered, trade unions should be

ready to explain why, in the context of the IFC's performance standards, the project should be more carefully considered.

3. Contact the relevant international organisation (ITUC regional organisations or structures, Global Unions Washington Office, GUF regional office

Although the IFC is training its regional staff to respond to labour issues, not all country or regional offices have the capacity to respond effectively to unions. For this reason, the ITUC has submitted its concerns about IFC projects directly to the IFC headquarters in Washington, rather than to IFC country offices. The Global Unions Washington Office has helped to facilitate meetings at the country level and to raise unions' concerns about problematic projects with high-level IFC staff, who have in turn contacted country-level staff.

Of course, unions do have the option of bringing their complaints directly to IFC country or regional staff. In countries with large field offices, trade unions can initially contact the investment officer, who is responsible for performing the initial screening of risk for the IFC.³⁶ They should request to be put in touch with the social specialist for the project, who is responsible for overseeing the labour assessment of the company. However, unless the IFC has identified the project as one with a particular risk of labour rights violations, there will not necessarily be a labour specialist assigned. According to IFC representatives, all inquiries and complaints will be logged with the IFC and followed up on by staff, but if trade unions nonetheless have difficulty obtaining information or find the country office staff unwilling to address their concerns, they should contact the Global Unions Washington Office for further assistance.

4. Monitor the Project

If the IFC's executive board approves the investment and commits financing, the company will have to sign a legal agreement with the IFC on the terms and conditions of the loan, including the performance standards. While the IFC should be expected to ensure compliance with the labour standards, trade unions should carefully monitor the project to document and report any labour violations to the IFC and the Global Unions Washington Office.

5. Suggest Appropriate Solutions

When making a complaint to the IFC, trade unions should consider what kind of action is needed to resolve the situation and make sure that the problem does not occur again. For example, periodic trade union-company-IFC meetings, increased supervision by the IFC or mediation are some options trade unions could consider suggesting. In the case of repeated violations or problems that persist despite IFC intervention, trade unions can demand that the IFC stop loan disbursements to the company or that it recall the company's loan. Again, the Global Unions Washington Office is available to engage these procedures with IFC headquarters on affiliates' behalf.

Contact information for country or regional investment officers is available on the IFC website.
http://www.ifc.org/ifcext/about.nsf/Content/Contacts_Regions

Using the IFC Standards in an Organizing Campaign

When the IFC adopted its new labour standards, the Building and Woodworkers' International (BWI) quickly recognized that the standards could be helpful in union organization campaigns. BWI looked for an opportunity to use the standards in one of its organizing campaigns, and identified a potential project in Uganda, where the IFC was expected to partially fund the construction of a large dam. Before the IFC approved the loan, BWI and its affiliate in Uganda met with the IFC to discuss how performance standard 2 would be enforced on the project. They also tried to meet with the main contractor for the project, but the contractor initially refused and was unwilling to allow the union access to the project site. BWI pointed out that the contractor's refusal to meet with unions was a violation of its obligations under IFC Performance Standard 2, and called on the IFC to intervene. The IFC contacted the contractor about the problem, and helped arrange a meeting. Shortly thereafter, BWI and its Ugandan affiliate met with the contractor and were allowed access to the project site. They were given direct access to the workers and were able to talk to them about joining the union. The majority of the workers, including some part-time and temporary workers, signed up as members of the union and the contractor later agreed to comply with an industry-wide collective agreement for construction workers in Uganda.

Annex 1:
Sources for Information, Research, Advocacy and Support

Government Agencies: The first place a trade union should look to obtain more information about their country's involvement with the IFIs is the relevant national government authorities. Typically, the Finance or Economy Ministry (or equivalent body) is the primary agency responsible for negotiating with the IFIs. Labour and Social Service ministries are often marginalized from dealings with the IFIs, but can have important information that unions can use to propose alternative policies and measures.

Unions should contact government agencies that could act as allies, such as agencies that deal with Labour or Social Services. Unions should also work with the legislature, local governments, and sympathetic parliamentarians to pressure the government and hold them accountable during consultations.

International Trade Union Organisations: The ITUC and Global Unions have an office in Washington DC, USA where the IMF and World Bank are headquartered. Unions should contact the ITUC/Global Unions Washington Office if they find that local IFI staff or offices are unresponsive to trade union requests or unwilling to provide information. The Washington Office can make arrange meetings with the IMF, World Bank and IFC on behalf of affiliate unions concerning any particular questions, complaints or proposals they may have regarding the a programme or policy in their country. Unions may also want to contact the relevant ITUC regional organisation: ITUC-Africa, ITUC-Asia Pacific, or the (TUCA) Trade Union Confederation of the Americas (Confederación Sindical de los Trabajadores/as de las Américas - CSA).

ITUC website: www.ituc-csi.org

Global Unions Washington Office:
Telephone: 202-974-8121
Fax: 202-974-8122
e-mail: washingtonoffice@ituc-csi.org

Regional or Local IFI offices: Staff in the local and regional offices of the IMF and World Bank should be able to provide unions with information about previous or current IFI loans and projects in their country. Some of this information is on the IFIs' websites, but unfortunately most of it is available in English only. These offices may be helpful in guiding unions to the appropriate government bodies and provide further assistance in the consultation process.

IFI Websites: The IMF and World Bank websites provide a good amount of general information about their policies and activities. They also have policy and programme documents on individual countries.

World Bank: www.worldbank.org

International Monetary Fund: www.imf.org
International Finance Corporation: www.ifc.org
African Development Bank: www.afdb.org
Asian Development Bank: www.adb.org
European Bank for Reconstruction and Development: www.ebrd.com
Inter-American Development Bank: www.iadb.org

Other National Civil Society Organisations: Unions can often find common ground with NGOs such as indigenous rights groups, environmental organisations, women's groups, farmers' organisations, poor people's advocacy groups and religious organisations that can be instrumental allies, even if they do not work on labour issues. Forming coalitions with groups that represent different sectors of society strengthens unions' bargaining position and makes their arguments more compelling to the government and the IFIs.

NGOs: There are many non-governmental organisations (NGOs) that work on international development issues in general and IFIs in particular and can provide unions with information and policy research. Some may even cooperate in pressuring the IMF, World Bank and country governments to listen to the concerns of trade unions. Some of these NGOs work on an international level, but there are also many local and regional NGOs who have experience and expertise in handling IFI issues all over the world.

International Organisations: International organisations, especially the United Nations agencies, can provide information on development policy. These include the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), and the International Labour Organization (ILO). The ILO has taken a direct interest in the IFIs programmes in some countries and has focused on labour and social issues that are major concerns for trade unions. As a United Nations agency, the ILO is more democratically controlled than the IMF and World Bank and has more expertise on social issues, and is thus generally more responsive to the concerns of citizens of developing member countries.

Annex 2: Structure and Decision Making at the IFIs

World Bank

The World Bank is divided into 5 institutions, which together comprise “The World Bank Group”:

1. The International Bank for Reconstruction and Development (IBRD), which provides loans on a commercial basis (with interest) to countries.
2. The International Development Association (IDA), which provides grants and interest-free loans to the world’s poorest countries (currently 81 countries).
3. The International Finance Corporation (IFC), which provides loans to private-sector corporations.
4. The Multilateral Investment Guarantee Agency (MIGA), which insures private companies’ investments in developing countries.
5. The International Centre for Settlement of Investment Disputes (ICSID), which mediates disputes between private investors and governments.

Board of Governors

The World Bank has a president, traditionally appointed by the United States. It is officially run by a board of governors, usually ministers of finance or economy from member countries. To understand how the Bank intervenes in domestic policy debates, it is important to understand the link between countries’ finance or economic ministries and the Bank. These ministries generally ally with the Bank to push specific, unpopular policy measures, so it’s often difficult to determine whether a finance minister is merely acting as proponent of a Bank-supported policy, or whether the ministry is using the Bank to give credibility to its own unpopular policy. For example, finance ministers in several countries have pushed for labour market deregulation, arguing that “The World Bank requires us to do this”, even when labour market deregulation is not actually a loan condition. The finance minister’s mere suggestion that future World Bank aid to the country may depend on labour market deregulation is often sufficient to convince recalcitrant cabinet members to adopt the reforms, even if the public is strongly opposed.

Board of Directors

Because the Bank’s board of governors only meets once a year, a separate executive board of executive directors in Washington is responsible for the Bank’s regular operations. There are 24 executive directors (EDs) on the board. France, Germany, Japan, the United States, and the United Kingdom—the largest shareholders in the Bank—each appoint one ED. Russia, China, and Saudi Arabia also have their own EDs, while the remaining 179 member countries elect and share 16 directors. The EDs are responsible for shaping and endorsing the Bank’s policies. They are also charged with approving country-level programmes and lending operations. Because the EDs are essentially the representatives of member countries, their positions on country-level policies or programmes usually echo those of their country’s government.

As the ultimate decision-makers on World Bank policy and loan agreements, the EDs can be strategic contacts for trade unions. Many unions have expressed concerns about World Bank policy to their respective EDs. The Global Unions Washington Office has also developed a practice of informing EDs of specific trade union concerns, sometimes with positive results. For example, when trade unions were excluded from consultation on some national PRSPs in the early years of the PRSP process (2000-2002), the ICFTU notified the EDs of this when the PRSPs were sent to the Bank's board for endorsement. As a result, the unions were invited to subsequent consultations. In 2004-2005, trade union lobbying of the EDs contributed to the adoption of core labour standards requirements at the IFC in 2006.

Staff

The World Bank employs 10,000 people. About 70 per cent of its staff works on project and policy development, research, and analysis at the Bank's Washington headquarters, although the World Bank announced in 2008 that it would be decentralizing some of its work to field offices, particularly in Africa.

Outside of Washington, the Bank operates regional and country-level offices in more than 100 countries. Each country office is run by a country director, who makes decisions about Bank activities in the country with a relatively high degree of autonomy. World Bank country teams, made up of staff from both the Washington headquarters and the country office, develop and implement the programmes and policies of the Country Assistance or Partnership Strategy.

In several countries, national trade union centres have found it useful to develop contacts with World Bank country offices. This can help trade unions obtain useful information about the Bank's plans and future government policies beyond what is published in Bank documents, and gives unions a way to inform Bank staff of their concerns. Unions should insist, however, that their meetings with the Bank country offices include the country director, who is the main decision maker, and not just the designated "civil society specialist", who may be very receptive but ultimately has little influence on country-level policies. World Bank country offices generally respond positively to requests to engage regularly with unions—more so than do IMF country offices—but local attitudes can vary from an enthusiastic desire to cooperate to indifference or even thinly veiled hostility.

International Monetary Fund

Leadership

The IMF has a board of governors and board of directors identical in structure and function to those of the World Bank, although they are comprised mostly of different representatives. Like the World Bank, the IMF has an appointed head, the managing director, who is traditionally appointed by European countries.

The link between finance and economic ministers and the World Bank described above applies just as equally, if not more, to the IMF. An important caveat to add is that the IMF provides policy recommendations to all member countries, industrialized

and developing, whereas the Bank's jurisdiction is limited to developing and transition countries. In some industrialized countries, finance ministers have used IMF policy recommendations to help push through changes to labour or social policy that other government ministers have resisted.

As with the World Bank, unions have lobbied the IMF EDs on labour issues, sometimes with successful results.

Staff

At the country level, the IMF has resident representatives working in most of its member countries. These representatives are less independent than are the Bank's country directors, and are generally more responsible for overseeing and reporting on activities in a given country than for actually making decisions about the Fund's policies there. The IMF country teams responsible for developing Article IV surveillance and specific lending agreements are based at the Fund's Washington headquarters. At the time of this writing, the IMF staff comprised approximately 2,600 people; however the Fund announced plans in 2008 to reduce its staff by about 15%.

Annex 3: Glossary of Terms

Article IV Consultation Reports – The IMF’s primary document for country-level policy and lending

Conditionality – The set of required conditions that a country must meet in order to receive aid, loans, or debt relief from the IMF or World Bank

Concessionary lending – Interest-free loans provided by the World Bank or IMF to the poorest countries

Consultation – The process by which the IFIs discuss or negotiate their policies with outside groups, such as civil society organisations

Core labour standards (CLS) – Four basic standards identified by the International Labour Organization as fundamental rights of all working people: freedom from forced labour, abolition of child labour, freedom of association and the right to organize and bargain collectively, and non-discrimination and equal remuneration in employment

Country Assistance Strategy or Country Partnership Strategy – The World Bank’s principal document for country-level programmes and aid

International financial institution (IFI) – Refers to the World Bank, IMF and four regional development banks: the Inter-American Development Bank (IDB), Asian Development Bank (ADB), African Development Bank (AfDB) and the European Bank for Reconstruction and Development (EBRD)

HIPC Initiative – The IFI’s initiative to provide debt relief to the world’s most highly indebted poor countries (HIPC)

Millennium Development Goals – 8 internationally agreed goals for reducing poverty and promoting economic and social development

Poverty Reduction Strategy Papers – Domestic plans to reduce poverty, developed by national governments in consultation with the IFIs

Washington Consensus – Neo-liberal economic policies promoted by the IFIs in the 1980s and 1990s as the way to promote economic growth
