

## International Trade Union Confederation recommendations for IDA-19

*Measures to promote quality jobs and sustainable economic transformation in the 19<sup>th</sup> funding replenishment of the World Bank Group's International Development Association:*

1. Track the job quality outcomes of IDA lending
2. Create a Tier III Results Measurement System indicator on the creation of jobs that boost shared prosperity
3. An eligibility, assessment and results approach for the Private Sector Window
4. Focus on strengthening labour market institutions, transitions and international standards in the Jobs and Economic Transformation (JET) theme
5. Limits on the issuance of IDA bonds

### 1. Track the job quality outcomes of IDA lending

Research conducted under IDA-18 was clear: “Low-income countries need better jobs, not just more jobs”.<sup>1</sup> The IDA-18 mid-term review on jobs and economic transformation noted the importance of an “agenda that prioritizes jobs as a focus rather than simply an outcome of the development process.”<sup>2</sup> Following this conclusion, all IDA investment project lending should be assessed on the quality, and not just quantity, of jobs created. Given the importance of jobs and economic transformation to IDA-19 and development overall, this be measured in all IDA lending – not just projects explicitly related to jobs. The tracking of jobs and decent work outcomes under IDA-19 would complement the IDA-18 creation of ex ante tools on investment and employment, and the work on jobs diagnostics.

The ILO Global Commission on the Future of Work elaborated a universal labour guarantee as a floor for renewal of the social contract. The elements of the guarantee provide an excellent reference point for assessing job quality: fundamental labour rights including freedom of association and equal opportunity, a living wage, a safe workplace and limits on hours of work, alongside social protection.<sup>3</sup>

Jobs outcome tracking should include both project implementation and post-project results. The long-term, post-project jobs impact is crucial to economic transformation and

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<sup>1</sup> Merotto, Weber & Aterido, World Bank, “Pathways to Better Jobs in IDA Countries : Findings from Jobs Diagnostics”, <<http://documents.worldbank.org/curated/en/675281538594680783/Main-Report>>.

<sup>2</sup> IDA, “IDA18 Mid-Term Review: Progress Report on Jobs and Economic Transformation”. <<http://documents.worldbank.org/curated/en/542151542811870260/IDA18-Mid-Term-Review-Progress-Report-on-Jobs-and-Economic-Transformation>>.

<sup>3</sup> Global Commission on the Future of Work, “Work for a brighter future”, <[https://www.ilo.org/global/publications/books/WCMS\\_662410/lang-en/index.htm](https://www.ilo.org/global/publications/books/WCMS_662410/lang-en/index.htm)>.

sustainable development. There has been a lack of attention to tracking longer-term jobs effects of projects, which can be significantly different from workforce mobilization during project execution. Tracking jobs outcomes during project implementation would complement the labour safeguard of the Environmental and Social Framework by addressing a broader range of issues related to quality rather than compliance.

Key elements of tracking quality of jobs and employment creation:

- a. The type of employment contract – including permanent, fixed-term, temporary, seasonal, self-employed and independent contractor – and whether the employment is direct or provided through subcontracting or labour agencies
- b. Wages and earnings, assessed relative to the cost of living and local, sector and national levels
- c. Provision of social protection and adequacy of social security
- d. Working hours including overtime and leave, including gender disaggregated parental leave policies
- e. Gender disaggregated data on pay, job classifications, hiring and terminations
- f. Occupational health and safety information including incidents, exposure, injuries and fatalities
- g. Workforce training and skills development
- h. Conditions consistent with international labour standards and fundamental worker rights, including freedom of association, equal opportunity and collective bargaining

Analytical research and pilots are merited on tracking indirect job creation prior to implementing it across the portfolio.

## **2. Create a Tier III Results Measurement System indicator on creation of jobs that boost shared prosperity**

The October 2018 IDA-18 Results Measurement System update shows a decline in the share of countries with income growth concentrated in the bottom 40 per cent of the population from 56.3 per cent of IDA countries in 2013 to 50 per cent in 2015, and a drop in the income growth rate of the bottom 40 from 2.9 per cent in 2013 to 1.8 per cent in 2015.<sup>4</sup> The October 2017 World Bank corporate scorecard examining IDA and IBRD

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<sup>4</sup> World Bank, "IDA18 Results Measurement System (RMS), October 2018, <<http://pubdocs.worldbank.org/en/963471547825681392/IDA18-RMS-October-2018.pdf>>.

borrower countries found a drop in countries where income growth is concentrated in the bottom 40 from 68.1 percent of countries in 2011 to 57.1 per cent in 2013.<sup>5</sup>

Greater efforts are needed to ensure that IDA lending directly contributes toward the achievement of the Bank's shared prosperity goal and the Tier I indicators on income growth concentration in the bottom 40 per cent, and the income growth rate for that group.

We recommend a Tier III indicator that measures the extent to which IDA projects contribute to raising incomes for the bottom 40 per cent in the project area or borrower country. This can be derived from the project data collected on wages in jobs outcomes, as proposed above. This indicator could be added as a complement to current economic transformation indicator or replace it entirely. The IDA-18 indicator on economic transformation was left undefined in the final *Toward 2030* report and later set in an overbroad manner as the share of IDA-18 Country Partnership Frameworks that reflect at least one of four principles underpinning economic transformation. A jobs and shared prosperity indicator would better measure the effectiveness of IDA lending.

### **3. An eligibility, assessment and results approach for the Private Sector Window**

A model framework is described in further detail in the document "Criteria on private sector investment in development programs: Trade union key asks", [https://www.ituc-csi.org/IMG/pdf/criteria\\_private\\_sector\\_engagement\\_en.pdf](https://www.ituc-csi.org/IMG/pdf/criteria_private_sector_engagement_en.pdf)

We note the conclusion of the IDA-18 Mid-Term Review in which participants "encouraged Management to pay closer attention to evaluating PSW projects' impact."<sup>6</sup> In the final IDA-18 *Towards 2030* report, it is noted that participants "called for a results framework that demonstrates the clear additionality of the PSW to IFC's and MIGA's activities, in terms of scale, scope (new sectors, new countries, and new approaches) and development impact of the PSW, including linkages to the IDA18 Special Themes". Based on public disclosures, the current IFC Anticipated Impact Measurement and Monitoring system is not systematically tracking job creation nor is it tracking job quality. Further, additionality checks are needed with regards to financing models and development effectiveness.

Development outcome tracking is especially needed for the Private Sector Window (PSW) to determine whether the approach effectively drives economic transformation and the expansion of private sector employment. This would include the jobs outcome tracking

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<sup>5</sup> World Bank, "Corporate Scorecards", October 2017, <http://pubdocs.worldbank.org/en/708101514916144314/Scorecard-October-2017.pdf>.

<sup>6</sup>"IDA18 Mid-Term Review Meeting and Launch of the IDA19 Replenishment : Co-Chairs' Summary", <http://documents.worldbank.org/curated/en/520481546028666021/IDA18-Mid-Term-Review-Meeting-and-Launch-of-the-IDA19-Replenishment-Co-Chairs-Summary>.

applied to all IDA-19 lending, with additional procedures on eligibility, assessment and results. This promotes and measures additionality, as well as results.

The PSW directs precious resources toward a small number of private sector actors; it is highly questionable whether this narrowly targeted approach has the same effect as traditional IDA lending that focuses on creating the infrastructure, human development and the governance environment for economic growth, transformation, and creation of quality jobs in low-income countries. Traditional IDA lending creates the foundation for the broad-based expansion of the private sector and supports inclusive growth. It is also concerning that the PSW reversed the standing procedure in which IFC, operating profitably in middle-income countries, transferred money to IDA to support urgent development needs. Governments and World Bank management should consider whether the PSW should be continued, or if instead IFC and MIGA should be mandated to devote a portion of their financing to IDA countries.

The PSW should utilize an approach that filters private sector actors for eligibility based on their proven ability to support sustainable development and adhere to responsible business conduct and international standards. An appraisal process for a proposed project should analyse the funding model compared to public procurement, examine risk sharing, and determine the contribution to knowledge transfer, domestic revenue mobilization and social dialogue. Finally, a results assessment should check these pre-project analyses against reality, including contribution to the tax base, well-functioning social dialogue and industrial relations, and an assessment of financial profits and losses of private and public entities involved in the project – particularly in relation to risk-sharing.

#### **4. Focus on strengthening labour market institutions, transitions and international standards in the Jobs and Economic Transformation (JET) theme**

*Towards 2030* identified many important needs on job quality, equal opportunity, social protection and the informal economy. However, the translation into research and action fell short. The approach to raising job quality and ensuring inclusion of youth and women focused on research on SMEs and entrepreneurship, and guidelines for youth employment programmes. This should be greatly expanded in IDA-19 to address major employers, labour market institutions and transitions in a changing economy. By working closely with the ILO, the World Bank can make a positive contribution toward this task.

Although informality is acknowledged as a challenge and the need to move workers into higher-productivity activities is stressed, the JET analysis of IDA-18 did not mandate action to support transitions from the informal to formal economy. An approach based on ILO Recommendation 204 should be included in IDA-19 and incorporated both into JET and

the approach on gender.<sup>7</sup> A related effort can be made to use IDA-19 financing and analysis to support the expansion of the formal care economy to drive economic growth, create quality jobs and reduce the unpaid care burden on women.<sup>8</sup> Robust support for international labour standards will also help reduce gender wage gaps and occupational segregation.

In IDA-18, participants “stressed the importance of ensuring that strategies for job creation are matched with efforts to raise the quality of jobs for workers”, but strategies were vague or non-existent. Raising quality of jobs for workers means strengthening labour market institutions and promoting international standards. Labour market institutions must be built and strengthened in IDA countries to facilitate economic transformation and shared prosperity. Additionally, compliance with the core labour standards raises productivity. Labour market institutions including social protection and lifelong learning facilitate the transitions that are needed in the world today, related to the formal economy, climate and technological change.

Creating quality jobs and facilitating economic transformation will require adequate unemployment benefits, well-functioning and centralized collective bargaining structures, wage-setting mechanisms, universal social protection including floors, employment protection legislation that provides stability and addresses discrimination, and investments in workforce skills. There is important work through IDA on active labour market policies and youth employment, but more is needed regarding other labour market institutions. Strengthening social dialogue, wage-setting and collective bargaining are also building blocks of transitions to the formal economy.<sup>9</sup>

IDA-18 approached raising incomes by moving workers into different jobs and raising productivity but did not address the role of minimum wages or collective bargaining. These are effective and proven mechanisms that need support in low-income countries. Policy advice and technical assistance, such as cost of living studies under IDA should support the creation of tripartite minimum wage fixing and building centralized collective bargaining structures, including for the informal economy. Formalization and rising incomes will not result from interventions on productivity and entrepreneurship alone.

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<sup>7</sup> Recommendation 204: <[https://www.ilo.org/ilc/ILCSessions/104/texts-adopted/WCMS\\_377774/lang-en/index.htm](https://www.ilo.org/ilc/ILCSessions/104/texts-adopted/WCMS_377774/lang-en/index.htm)>.

See also: ILO, “The Informal Economy and Decent Work: A Policy Resource Guide supporting transitions to formality”, <[https://www.ilo.org/emppolicy/pubs/WCMS\\_212688/lang-en/index.htm](https://www.ilo.org/emppolicy/pubs/WCMS_212688/lang-en/index.htm)>.

International Labour Office, “Gender and the informal economy: Key challenges and policy response”, <[https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_614428.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_614428.pdf)>

<sup>8</sup> ITUC, “Investing in the Care Economy – Simulating employment effects by gender in countries in emerging economies”, <[https://www.ituc-csi.org/IMG/pdf/care\\_economy\\_2\\_en\\_web.pdf](https://www.ituc-csi.org/IMG/pdf/care_economy_2_en_web.pdf)>.

<sup>9</sup> Transition to Formality: The Critical role of Social Dialogue, <[https://www.ilo.org/wcmsp5/groups/public/---ed\\_dialogue/---dialogue/documents/publication/wcms\\_559300.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---dialogue/documents/publication/wcms_559300.pdf)>

IDA-19 can take steps to better reflect the conclusions of the World Bank's *Balancing regulations to promote jobs: from employment contracts to unemployment benefits*.<sup>10</sup> IDA-19 should avoid any discussion of deregulation, elimination of social protection or social security programmes or labour market flexibilization. Doing so would worsen the challenges in IDA countries, which already suffer from under-regulation and highly flexible and informal economy. This approach would completely undermine the identified goal of better jobs. The so-called 'flexicurity' approach has meanwhile been abandoned by the OECD in favour of policymaking to support secure job and the equitable sharing of productivity growth. IDA-19 should firmly turn the page on the World Bank's promotion of deregulation and help low-income countries realize the important goals of job security and a fair share of productivity and national income for workers.

A substantial gap in the JET theme has been the lack of attention and alignment to international labour standards. All 187 ILO member states, including all but two of IDA borrower and donor countries, must uphold the core labour standards on freedom of association, collective bargaining, forced and child labour and non-discrimination under the 1998 Declaration on Fundamental Principles and Rights at Work, regardless of ratification.<sup>11</sup> Additionally, states have ratified a broad range of conventions related to JET including social security, labour inspectorates, hours of work, occupational health and safety, conditions in key sectors for transformation such as agriculture and domestic work, and transitions to the formal economy.

It is regrettable and harmful to JET when World Bank policy advice, technical assistance and lending undermines ratified conventions and the core labour standards. Monitoring and evaluation is needed to prevent this from occurring. The labour safeguard in the new Environmental and Social Framework is one step, as it is largely aligned with the core labour standards despite the decision to break from other multilateral development banks including IFC and not cite the ILO core labour standards in the safeguard. However, more is needed in relation to policy advice and development policy lending. Specifically, internal Bank methodology is needed to prevent the undermining of international labour standards.

IDA-19 should design measures in the JET theme to ensure coherence between the World Bank and the ILO, including research and joint work, and plan IDA activities at the country level that strengthen the realization of international labour standards. Respecting and promoting international labour standards is key to IDA goals on JET and gender.

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<sup>10</sup> <<http://documents.worldbank.org/curated/en/636721468187738877/Balancing-regulations-to-promote-jobs-from-employment-contracts-to-unemployment-benefits>>.

<sup>11</sup> ILO Declaration on Fundamental Principles and Rights at Work, <<https://www.ilo.org/declaration/lang--en/index.htm>>.

## 5. Limits on the issuance of IDA bonds

IDA should limit the issuance of market-rate bonds to raise resources, which might jeopardize its development mission and goals. The first-ever bonds issued by IDA in 2018 pay a higher rate, a coupon rate of 2.75 per cent, than the approximately 1.2 per cent that IDA earns on average in its loan portfolio.<sup>12</sup> Thus, the likely outcomes of an increase in bond financed lending are either a change in IDA's loan composition towards profit-oriented projects and away from a development focus, or the use of other IDA funds to subsidize interest payments to bondholders.

It is important to note that while the justification for the IDA bond issuance was the mobilization of private capital to supplement IDA replenishment by governments, most bonds were purchased by public sector entities, and not private sector actors. A full 43 per cent of investors were central banks and official institutions, and it is likely that a significant portion of the pension fund investors represented asset managers for public-sector employees.<sup>13</sup> There is a risk that instead of attracting additional capital from the private sector, these bonds could divert public sector support away from donor contributions and concessional lending, and towards the purchase of market-rate bonds.

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<sup>12</sup> IDA, "Management's Discussion & Analysis and Condensed Quarterly Financial Statements December 31, 2018", <<http://documents.worldbank.org/curated/en/204621550248558330/IDA-Managements-Discussion-and-Analysis-and-Condensed-Quarterly-Financial-Statements-for-December-31-2018.pdf>>.

<sup>13</sup> World Bank, "IDA Makes Historic Capital Market Debut with Inaugural US\$1.5 Billion Benchmark Bond: First IDA bond nearly five times oversubscribed", <<https://www.worldbank.org/en/news/press-release/2018/04/17/ida-makes-historic-capital-market-debut-with-inaugural-usd-1-5-billion-benchmark-bond>>.