

## **REFORM OF THE IFIs TO CREATE EFFECTIVE INSTRUMENTS AGAINST GLOBAL INEQUITY AND FINANCIAL INSTABILITY**

### **Trade Union<sup>1</sup> Statement to the 2006 Annual Meetings of the IMF and World Bank (Singapore, 19-20 September 2006)**

#### ***Introduction***

1. Noting that a growing number of countries are questioning the role that the International Monetary Fund (IMF) and World Bank play in their domestic affairs, as well as the institutions' effectiveness in meeting major international challenges, the international trade union movement proposes a major rethinking of the roles that they currently play. This is particularly imperative in the case of the IMF, whose role as a global lending institution has diminished along with its credibility on several policy issues. The international financial institutions (IFIs) could play a positive role in favour of a more equitable globalization, but this would require developing totally different approaches on issues such as trade liberalization, privatization and labour market deregulation, which have been imposed on developing countries through the IFIs' loan conditions or coercive policy advice. Even though much more needs to be done, the progress made over the past year in debt cancellation for poor countries shows that, when the IFIs choose to work in cooperation with the global trade union movement and other civil society organizations, important advances can be made towards achieving the Millennium Development Goals.

#### ***The IMF's new mandates and new difficulties***

2. Following new mandates given to the IMF at last April's spring meetings, the annual meetings are scheduled to discuss implementation of decisions aimed at enhancing the IMF's role concerning international financial stability in a global economy characterized by unsustainable trade imbalances, commodity price pressures, currency fluctuations and sharp inequalities of income. The new mandates include multilateral consultations of "*systemically important members*", increased surveillance over exchange rates, and the design of a new crisis-prevention loan facility. Discussions about new roles for the IMF are taking place in a context where a growing number of countries have chosen not to renew IMF loans or have prematurely reimbursed existing loans for reasons that frequently include a desire to escape from intrusive conditions. The Fund's revenues from interests on loans are expected to decline significantly, such that decisions will have to be taken to find alternative sources of financing of the Fund's operations or to reduce the scope of its activities. The annual meetings will also discuss proposals for changing the distribution of votes and representation in the governing structures of the IMF.

3. While the international trade union movement agrees that issues such as trade imbalances and currency fluctuations require multilateral coordination and action, it is doubtful whether the measures taken at the IMF's spring meetings will succeed in

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<sup>1</sup> This statement has been endorsed by the GLOBAL UNIONS GROUP and the WORLD CONFEDERATION OF LABOUR (WCL). The Global Unions group is made up of the International Confederation of Free Trade Unions (ICFTU), the Trade Union Advisory Committee (TUAC) to the OECD, and the Global Union Federations (GUFs) which represent their respective sectors at the international trade union level (UNI, BWI, IUF, IMF, PSI, EI, ITGLWF, IFJ, ITF and ICEM).

creating the political momentum necessary for correcting global imbalances. Earlier initiatives, such as the Financial Stability Forum – created in the wake of the late 1990s financial crises in Asia, Russia and Latin America – also consisted of closed-door meetings among a few global players deemed to be sufficiently important, and failed to put in place adequate instruments for addressing international financial instability. Two initiatives specifically taken on by the IMF, the Contingent Credit Line (CCL) and the Sovereign Debt Restructuring Mechanism (SDRM), were conceptually flawed and never used. In the case of the CCL it was unworkable, and in the case of the SDRM it was never adopted because of lack of support.

### ***Achieving international support for a reformed IMF***

4. The international trade union movement is in favour of closer coordination of major currencies; of an emergency credit facility without the unacceptable pre-conditions that rendered the CCL inapplicable; of an international debt restructuring mechanism to help work out unsustainable debts to both private and public lenders; and of measures to limit speculative capital movements, including an international Tobin tax. However recent history has shown that significant steps forward on major issues such as these will only take place when a degree of consensus develops among all of the relevant institutions, including the UN system, and has the support of a substantial part of world public opinion. It is doubtful that the actions taken in 2005 to cancel the debts of several highly indebted countries would have occurred without advocacy by and broad support among international organizations, governments and global civil society.

5. Workers are often the members of society most affected by economic crisis. Their organizations should therefore be closely involved in discussions on measures to avoid or mitigate the impact of crises. **Necessary support for new measures to avoid international economic crises cannot be developed behind closed doors among a few select groups. It will require that the IMF engage in wide public debate, including through meetings with trade unions and other civil society organizations.**

6. The IMF's own problems of legitimacy are evidenced by the fact that several middle-income developing countries with the means to do so have ended their loans with the IMF. These countries have frequently expressed, as a motive for ending their borrowing, the desire to achieve greater independence in setting their macroeconomic and structural reform policies. Both IFIs need to re-examine their policies in light of the negative impact of structural reform loan conditions and policy advice that have led several countries, particularly in Latin America and Asia, to seek to limit their relations with the institutions. The IFIs would achieve greater legitimacy if they ensured that their policies were fully consistent with broadly accepted goals such as poverty eradication and the other Millennium Development Goals (MDGs). Instead, the IMF's managing director issued a statement in June announcing that the IMF would seek to define "*limits of Fund accountability and responsibility in the PRS [poverty reduction strategy] process and in the broader context of the MDGs*".

7. It is not by turning its back on the MDGs that the IMF will make itself more relevant to the needs of the global community. Whether it be in designing a new emergency credit facility to assist countries in financial crisis or in redesigning the distribution of votes and representation in the IMF's governing structures, **the IMF must assure that its financial**

**instruments protect the interests of the most vulnerable members of society.** The Fund should thus refrain from adopting an emergency credit facility which would require the borrowing country to adopt macroeconomic policies that increase job losses or to reduce social expenditures. Similarly, **a redistribution of representation in the IMF and the World Bank must not be limited to increasing the vote of a few emerging economies but should also ensure an enhanced presence of the countries where the IFIs' policies have the biggest impact, notably low-income countries, many of which are African.** The international trade union movement judges unacceptable the current situation at the IFIs' boards, where only two executive directors represent 47 sub-Saharan African countries while thirteen directors represent 30 OECD countries.

### ***Rapid implementation of debt cancellation commitments***

8. One year after the decisions of the World Bank and IMF, taken at the 2005 annual meetings, to cancel the debts of several poor indebted countries, trade unions welcome the fact that the debt cancellation initiative has allowed the recipient countries to devote more of their resources to fighting poverty and improve the welfare of their citizens. One example has been the government of Zambia's announcement that it would use the proceeds of debt cancellation to abolish medical fees, which previously prevented many Zambians from having access to health care. Many of the countries that received IFI debt relief are now making important progress towards achieving the MDGs.

9. Recognizing the positive outcomes, the international trade union movement urges the World Bank and IMF to build upon the momentum of last year's decision by providing debt cancellation to more countries. **The World Bank and IMF must act quickly to forgive the debts of all 42 countries potentially eligible for debt relief that respect human rights and should extend eligibility to other heavily indebted countries currently excluded from the initiative.** The World Bank and IMF must also encourage the Inter-American Development Bank, which has not yet offered debt cancellation to HIPC countries in its region, to follow the example of the other IFIs. Four countries in the Americas have already received debt cancellation from the IMF and World Bank, but not the IDB, and others could become eligible later. **Noting that the African Development Bank already agreed to debt cancellation of eligible African countries, the international trade union movement calls on the IDB to follow the example of the AfDB and implement its own programme this year.**

10. Trade union organizations continue to stress that debt cancellation must be implemented quickly and efficiently, without subjecting countries to burdensome economic policy conditionality. Countries like Haiti, which will see its debt relief delayed at least three years because of conditions attached to the debt relief programme, should not have to continue paying service on odious debts while its citizens are forced to forgo basic education, health and social services. The economic policy conditionality attached to debt relief, such as privatization, trade liberalization, or the requirement that countries adhere to IMF prescriptions of spending limitations, is often at odds with the MDGs, which put health, educational, and social needs at the centre of the development agenda. **The international trade union movement calls on the World Bank and IMF to honour their endorsement of the MDGs as well as their commitments to promote country ownership of development strategies by ceasing to attach economic policy conditionality to debt relief.**

### ***End economic policy conditionality for debt relief, loans and grants***

11. As well as creating long delays in the implementation of debt relief and attainment of the MDGs in many countries, economic policy conditionality has been used to block loans and grants from the IMF and World Bank or to impose policies that are sometimes of doubtful relevance to attainment of the MDGs, inappropriate to national conditions or even contradictory. In one case concerning Nicaragua, the World Bank made it a condition of its lending programme earlier in the decade that the government undertake the partial privatization of its pension system. The Bank subsequently acquiesced to the government's decision not to go through with the reform when it discovered that the "transition costs" to the Bank-sponsored system would have a devastating effect on Nicaragua's public finances. The most recent IMF *Poverty Reduction and Growth Facility* (PRGF) loan to Nicaragua (May 2006) has made it a condition that Nicaragua *not* implement any change to the social security system.

12. Both IFIs have claimed to reduce loan conditions through conditionality reviews that included promises to "streamline" conditionality or to limit conditions to only the most critical measures. The most notable change has been in terminology rather than in reality. A recent World Bank analysis showed that the average number of "conditions" per IDA loan decreased from 22 in 2001 to 13 in 2006, but that there was a simultaneous increase in the number of "benchmarks" per loan from 8 to 32 over the same period. Benchmarks have the same eventual impact as conditions, in that future World Bank lending to the country depends on their attainment.

13. Similar semantic changes to avoid the word "condition" have taken place at the IMF. The current PRGF loan to Nicaragua includes 25 requirements, any of which can lead to suspension of the loan if not fulfilled, grouped into four categories: "prior actions", "structural performance criteria", "benchmarks" and "quantitative performance criteria". The conditions range from limits on public sector wage bills to electricity rate increases and a requirement to devolve central government responsibilities to municipalities. Ghana's PRGF loan includes several conditions, one of which is also a ceiling on the government's wage bill. If the wage bill ceiling were to be exceeded, the IMF's loan payments could be suspended. Although the loan also defines a floor for "poverty related expenditures", they are subject to less stringent control under the category of "indicative targets", meaning that IMF loan payments would not be threatened even if the anti-poverty expenditures were not made.

### ***IFI conditions should not undermine achievement of development goals***

14. Two of the Global Union Federations, Public Services International (PSI) and Education International (EI), have frequently informed the World Bank that certain efforts to reduce the costs of public services can undermine the quality of services and eventually hinder achievement of the MDGs. For example, EI has objected to the Bank's requirement that some African countries hire "volunteer teachers" as a condition for receiving financial assistance for education. The policy exists purportedly to achieve the attainment of MDG 2 of universal primary education at lowest cost possible, but EI has pointed out that the hiring of unqualified teachers leads to schooling of dubious quality.

15. EI's position was recently supported by a report on *Evaluation of World Bank Support for Primary Education* issued in July 2006 by the Bank's own Independent

Evaluation Group, which warned that the World Bank and client countries *"will need to resist the persistent temptation to increase access first and improve learning outcomes later, since experience has shown that it is difficult to retrofit quality onto a system that is operating at a low level of performance"*. The practice of requiring some African countries to hire under-qualified teachers has continued, although more recent World Bank education sector loans, such as the current loan to Niger, have changed the term *"enseignants volontaires"* to *"enseignants contractuels"*. These employees receive less training than regular teachers and are paid about one-half of the regular teacher's salary.

16. The international trade union movement believes that a more positive type of relation between borrowing countries and the IFIs should be possible. However this would be contingent on the IFIs abandoning trade liberalization, privatization and other economic policy conditionality, as well as the ideologically-driven policy advice that has often rendered a disservice to developing countries. These have included loan conditions or policy advice that developing countries engage in unilateral trade liberalization – based on highly-inflated and subsequently disavowed predictions as to the benefits of free trade –, thus causing job losses in vulnerable sectors and reducing developing countries' bargaining power in global trade negotiations. They have also included conditions that, in order to receive assistance for investment in their potable water services, countries have to contract the services out to the private sector even though water privatization has mostly been a failure, as acknowledged by World Bank representatives during a World Water Forum held in March 2006.

17. A recent World Bank *Country Assistance Strategy (CAS)* for Argentina – a country that underwent economic collapse in 2001-2002 after having been the poster-child of the IFIs during the 1990s for its free-market agenda – could set an example for a new type of cooperation between an IFI and a developing country. The CAS recognizes that Argentina suffers from severe under-investment in infrastructure as a result of the privatization policies of the 1990s. Contrary to the IFIs' optimistic assurances over a decade ago, private investors did not offset the almost total withdrawal of the state from investment in infrastructure. The CAS mentions that Argentine civil society expressed a strong aversion to seeing the Bank get involved in new policy lending, which would entail structural conditionality and require putting in place an IMF-approved economic programme. It also notes that the Argentine government had opted for early reimbursement of its IMF loans precisely so as *"to achieve more independence in macroeconomic management and the structural reform agenda"*. Argentina proposes to increase public infrastructure investment and the new CAS is largely limited to defining areas of World Bank assistance for this effort.

18. In light of the manifest failure of structural conditionality to achieve development goals, as well as representing an unacceptable and frequently counter-productive intrusion in decision-making over national policy, **the IFIs should adopt a policy of removing all economic policy or structural adjustment conditionality attached to debt relief, loans or grants. Conditions should be limited to ensuring that assistance is used for its intended purposes, such as controls against corruption or diversion into military expenditures or other misuse of IFI financial support, and to preclude giving assistance to governments that do not respect human and democratic rights.**

***Policy coherence on MDGs and the decent work agenda***

19. Cooperation and joint work with other organizations will be one of the principal means by which the IFIs will contribute to achievement of the MDGs and to a globalization whose benefits are broadly shared, rather than contributing to greater inequality between and within countries. The report of the World Commission on the Social Dimension of Globalization, published in 2004, called for increased coherence between the IMF, World Bank, WTO, International Labour Organization (ILO) and other relevant UN bodies. A central recommendation was that the creation of full and productive employment and decent work were key instruments for poverty eradication and equitable development. Unfortunately, **both the IMF and World Bank have limited their participation in the follow-up to the World Commission report to joint discussions on analyses of some labour and development issues, rather than engaging in policy coherence initiatives as the World Commission report recommended.**

20. The failure to engage fully in policy coherence initiatives has led to major inconsistencies and even working at cross-purposes by major international institutions. For example, the ILO has made a priority of helping its 179 member states implement the decent work agenda, meaning the creation of jobs that provide adequate wages, social protection and respect the core labour standards. On the other hand, the main instrument used by the IMF and World Bank in promoting labour market reforms has been the blueprint set out in the annual *Doing Business* report prepared by the Bank's Private Sector Development department, in which workers' rights and decent work objectives are clearly made subservient to investors' rights. The basic approach of *Doing Business* is that any labour law or regulation that is perceived to be an obstacle to the unfettered rights of private investors should be removed. In many countries this publication has been used by both IFIs to make specific recommendations for labour market deregulation and in some cases they are made into conditions of lending by the Bank or the Fund.

#### ***The World Bank's "Palau Model" of labour regulation***

21. In the section of the World Bank's *Doing Business* publication on "*Hiring and Firing Workers*", countries are evaluated according to a wide variety of labour regulations, including hours of work, minimum wages, advance notice for dismissal, and restrictions on employers' right to dismiss without compensation and without motive. To countries that have anything but some very basic protections, which are often below what ILO conventions call for, *Doing Business* gives bad marks for overly restrictive labour regulations, which are asserted to harm investment. For example, countries are deemed to be investor unfriendly if the legal workweek is anything less than 66 hours or if workers are allowed to contest dismissals they consider unjust or discriminatory. The World Bank's *Doing Business* web site hails Palau – a Pacific island country of 21,000 inhabitants that is not an ILO member and has no labour code – as the world's overall "*Best Performer*" in terms of labour regulation. **According to the World Bank's *Doing Business* data base, Palau merits the Best Performer designation because, among other exemplary features, it allows workers to be required to work up to 24 hours per day and up to 7 days per week. For an employee having 20 years of seniority, employers are required to provide zero days of annual leave.**

22. Several recent IFI country-level policy documents such as the World Bank's *Country Assistance Strategies* (CAS) and *Country Economic Memorandums* (CEM), and the

IMF's *Article IV Consultation Reports* use the *Doing Business* indicators to propose wide-ranging labour deregulation measures. In some countries, these are included as specific loan conditions. Thus, a CEM for Colombia called on the country to "*make hiring and firing decisions more flexible*" because its *Doing Business* indicators were higher than the OECD average. Colombia's CAS makes these measures into a "*trigger*" for being admissible to the Bank's "*high case lending scenario*", even though the CEM was unable to ascertain whether the previous labour reforms the Bank had promoted for Colombia in 2002 had any positive impact on growth. In another CEM, for Bolivia, the Bank noted that some *Doing Business* indicators were slightly higher than the Latin American average and recommended that firms established in the country's free trade zones be "*exempted from some of the more burdensome provisions of the Labor Code*", even while admitting that the Bank had not determined whether the reduction of workers' protection would actually induce higher investment.

23. Nepal is another country where the Bank considered that the country's *Doing Business* indicators were too high and made adoption of labour market deregulation measures a loan condition. The Bank even informed the king of Nepal in January 2006, at a time when he had assumed dictatorial powers, that his "*ability to access budget support from the World Bank*", would depend on adopting the labour reform approved by the Bank. Although the king ceded to the Bank's pressure and decreed the labour deregulation, it was all to naught since parliamentary rule was restored a few weeks later and one of the first acts of the new government was to withdraw the labour decree.

24. In South Africa, the IMF took the lead in issuing recommendations in an Article IV report that the country adopt measures "*streamlining dismissal procedures*" so as to get the *Doing Business* indicators down to the OECD average. The IMF report did not mention that doing so would require removal of anti-discrimination measures that the government had adopted to combat the country's legacy of racial discrimination as practiced by the former *apartheid* regime. Among other motives, South Africa had adopted the anti-discrimination rules in order to ensure that its labour legislation conformed to the ILO's core labour standards, one of which requires the elimination of discrimination in the labour market.

### ***Contradiction between the Palau Model and other World Bank policies on labour***

25. The *Doing Business* approach to labour market regulation, which asserts that the best level of labour regulation is no regulation at all, stands in contrast with other World Bank publications that have more seriously examined labour market issues. One example is the *World Development Report 2006: Equity and Development*. The WDR 2006 stated that private markets, when left to themselves "*can lead to unfair and inefficient outcomes*" and often result in underpaid workers, hazardous working conditions, discrimination against vulnerable groups and "*also do a poor job of protecting workers against the risk of unemployment*". While cautioning that excessively rigid work rules can lead to segmentation of the labour market, WDR 2006 concluded that appropriate public interventions, i.e. labour market regulation, "*can improve market outcomes and lead to significant equity gains*". But, whereas one finds no reference to WDR 2006 and its justification of appropriate levels of labour market regulation in the Bank's country reports, both **IMF and World Bank country-level policy documents are rife with references to the *Doing Business* indicators and their message to deregulate labour markets down to the level of "*Best Performer*" Palau.**

26. As noted in the case of South Africa, *Doing Business*-inspired policy advice sometimes includes recommendations to dismantle labour regulations that countries have put in place to implement the ILO's core labour standards (CLS)<sup>2</sup>. Countries that practice routine violations of CLS can still win top marks in *Doing Business*'s labour indicators. Thus, Saudi Arabia is granted the best possible *Doing Business* score for "difficulty of hiring" and "difficulty of firing", despite having outlawed trade unions and collective bargaining and not permitting women to work in several occupations. For a World Bank publication to implicitly endorse such practices stands in contradiction with the Bank's support for CLS, which has been affirmed by the World Bank's highest-level representatives. **The World Bank should remove labour market regulation from the mandate of its private sector development department and stop using the *Doing Business* indicators as a basis for its labour market reform proposals. Any IMF or World Bank involvement in labour reforms should require that the reforms be based on tripartite dialogue involving unions, employers and government, and are consistent with the core labour standards and with other ILO conventions ratified by the country.**

### ***Core labour standards in IFI operations***

27. Some divisions of the World Bank have gone beyond giving rhetorical support to the standards and have required that activities financed by the Bank be in conformity with them. As of May 2006, all firms borrowing from the Bank's private-sector lending arm, the International Finance Corporation (IFC), are required to comply with social and environmental performance standards that include the CLS. Non-compliance with the standards can lead to cancellation of the loan. In 2005, the Bank adopted a new contract document for procurement of works, applied principally to public-sector infrastructure projects, which includes new clauses on forced labour and child labour and a limited provision regarding freedom of association. While the requirements do not cover all CLS and fall well short of the new IFC standard, **Building and Wood Workers International (BWI) and the ICFTU, both organizations of the Global Unions group, are engaged in dialogue with the Bank for improvement of the labour clauses in procurement of works contracts.**

28. The international trade union movement cooperated with the IFC over a three-year period during consultations on the design of the new labour standard, and welcomed its adoption and implementation starting in May. Effective application of the standard will require that the IFC have access to all relevant knowledge on the social, labour and environmental practices of the firms in which it proposes to invest. In the case of labour practices, trade unions are obviously a primary source of information. **Unions can also play a key role in making suggestions for remedial plans to correct labour practices at variance with the IFC's performance standards in enterprises seeking financing, such that the firms can become eligible for IFC loans. However this will require the establishment of a consistent practice of consultation with unions for**

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<sup>2</sup> Core labour standards are internationally-agreed fundamental human rights for all workers, irrespective of countries' level of development, that are defined by the ILO conventions that cover freedom of association and the right to collective bargaining (ILO Conventions 87 and 98); the elimination of discrimination in respect of employment and occupation (ILO Conventions 100 and 111); the elimination of all forms of forced or compulsory labour (ILO Conventions 29 and 105); and the effective abolition of child labour, including its worst forms (ILO Conventions 138 and 182).

**information gathering and corrective action purposes. These practices do not yet exist and will require that the IFC take further measures to establish them.**

***Civil society must play a key role in the fight against corruption***

29. The international trade union movement welcomes the World Bank's recent focus on improving transparency and governance in its client countries in an effort to eliminate corruption. However, this effort must be complemented by increased attention to the activities of private corporations, usually based in industrialized countries, that are frequently implicated in corruption as much as the host government. The Bank's demand for greater openness on the part of the governments to which it lends will have far more credibility if the Bank were to improve the far-from-perfect transparency of its own operations. Additionally, the Bank's anti-corruption campaign will only be as effective as its seriousness in defending and supporting the "whistleblowers" – be they trade unions, other civil society organizations, the media, or the Bank's own staff – that expose corruption.

30. In a recent World Bank report on *Strengthening Bank Group Work in Governance and Anticorruption*, it was acknowledged that "lack of transparency, unequal rights of women and other groups, constrained media, weak governance...continue to be deep-seated challenges". While acknowledging the importance of strengthening civil society and free media in the fight against corruption, the Bank has not made these issues a priority in some interventions made in 2006. For example, although the Bank temporarily delayed debt relief to the Republic of Congo for alleged diversion of oil revenues, it did not issue any public statement when members of the pro-transparency group that exposed the corruption were arrested. In Kenya, where the Bank suspended some loan payments because of evidence of corruption, the Bank quickly repudiated its own country director when he stated that a police raid on the newspaper that had exposed the corruption would harm the government's relations with the Bank.

31. Free and independent civil society organizations, trade unions in particular, act to counter the "undue influence by powerful corporations", which the Bank's report identifies as an "underlying source" of grand corruption in some countries. Unions and other civil society groups are in a position to organize and mobilize the public to demand accountability from government. **While the World Bank will naturally work with governments to address corruption, an effort to support and strengthen civil society organizations must be at the heart of its approach.** The international trade union movement calls on the World Bank to increase its attention to civil society and media freedom, and to prioritize these issues in country assessments and strategies, such as the CAS and the *Country Performance and Institutional Assessment* (CPIA). **Denial of these freedoms, such as a government's refusal to allow workers to organize trade unions or its suppression of the media, should warrant public criticism or sanctions from the Bank. The World Bank and IMF must also offer protection to their own personnel who expose incidents of corruption within the IFIs.**

***Bank and Fund operations must become more transparent***

32. The World Bank's efforts to reduce corruption in its client countries must be reinforced by further steps to increase the transparency of its own operations. The

international trade union movement encourages the Bank to redouble its efforts to include civil society organizations, and particularly trade unions, in consultations and in monitoring of its country work. The Bank has increased its consultation of trade unions in recent years, but more improvement is needed to inform unions and other organizations about consultations. The Bank should publicly announce upcoming consultations as well as disclose information to the groups with which it plans to consult. To enable trade unions and other civil society groups to make informed and useful contributions to consultations, the Bank should provide them with access to all relevant documents, including drafts of documents like the CAS, well in advance of consultations.

33. Better public records of completed consultations are also needed. While detailed records of some consultations, such as those held on the Bank's recent review of conditionality, are available on the Bank's website and in some published documents, information about other consultations, such as those held on the *Poverty and Social Impact Analysis* (PSIA), is almost nonexistent. Records of CAS civil society consultations are inconsistent. They vary from a few brief paragraphs in some CASs to detailed annexes on consultations in others. The Bank should disclose adequate information about all public consultations it has completed. In the case of the CAS, the Bank should ensure that thorough records of all consultations, including records of external comments, statements from interested parties, and summaries of the consultations, are annexed to CAS reports or made available to the public on its website.

34. In addition to providing more and better public information about the civil society consultations they undertake, the IMF and World Bank must continue to make improvements to their disclosure policies. Trade unions support the Bank's recent decision to require the disclosure of all final CASs from both IDA and IBRD countries and see this as a step towards improving the transparency of Bank operations. However, the Bank still does not disclose draft CASs, making it difficult for trade unions and other civil society organizations to be informed participants in the CAS formulation process. In this respect, the World Bank lags behind the Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development, all of which require the disclosure of draft country strategies. **The international trade union movement urges the World Bank to update its Disclosure Policy to require the disclosure of draft CAS documents. The IMF and World Bank could make a significant contribution and show that the transparency they request of client governments begins at home, by publishing detailed and timely reports of their board meetings, something that is not accomplished by the brief summary minutes currently made public.**

#### ***IMF must also improve consultations***

35. The international trade union movement has noted that the IMF increased its consultation of civil society organizations and trade unions since 2000, and considers ongoing consultation between the IMF and unions essential if the IMF is to succeed in its mission to promote economic growth and reduce poverty. Consultations between Fund staff and trade unions should be systematically undertaken as part of the IMF's Article IV consultations, but unions are concerned that the Fund's commitment to undertake such consultations may be waning. Of fifteen recently published IMF country reports, only eight mention that the mission team met with civil society, and only two state that trade unions were consulted. Whether trade unions were not consulted or whether the consultations simply went unacknowledged in the reports is unclear.

36. Trade union organizations reiterate that the IMF must recognize the importance of civil society consultations to the success of its work, and must continue to pursue active engagement with trade unions. The consultations should not be limited only to Article IV reports but be expanded to discussion of lending operations as well. Although they are currently negotiated in secret between the IMF and the government, **loan agreements should be determined through more transparent and open discussions. The international trade union movement urges the IMF to consult with trade unions and other civil society organizations during the negotiation process.**

### ***Conclusion***

37. The IFIs' 2006 annual meetings will be called upon to help define an appropriate role for the IMF in dealing with major global challenges to economic stability, to develop a coherent and effective World Bank strategy for combating corruption, and to make both of the IFIs more relevant to achieving development goals. The international trade union movement, along with other organizations, have shown their capacity to work in cooperation with the IFIs in order to make progress on debt cancellation for highly indebted countries and to ensuring that the IFIs' operations respect the ILO's core labour standards. Obviously, much more work is needed to reform the IMF and World Bank on a wide variety of economic, social and labour policy issues. Consultation and cooperation with trade unions and other civil society organizations will be key to achieving successful reforms of the IFIs so as to make them into effective instruments against global inequity and financial instability.

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