

**FOR DEBATE AND GUIDANCE**

## FOURTH ITEM ON THE AGENDA

**Technical cooperation in support  
of the ILO's response to the global  
economic crisis****I. Introduction**

1. This paper examines the relationship between ILO technical cooperation and the current financial and economic crisis. It takes stock of the impact of the crisis on official development assistance (ODA) and technical cooperation. It also discusses how ODA and ILO technical cooperation specifically have been used to tackle the social dimensions of the crisis. The paper does not examine the nature of the crisis and only briefly touches on the ILO's wider policy response to the crisis, as these are discussed in other documents at the current session of the Governing Body.<sup>1</sup>

**II. The impact of the economic crisis on ODA**

2. Despite the impact of the global economic crisis on national budgets, its effect on ODA has not yet been fully felt, due in part to commitments made before the crisis hit at the end of 2008. According to figures released by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) in March 2009 ODA by DAC countries in 2008 reached an all-time high of US\$119.8 billion, an increase in real terms of 10.2 per cent over the previous year. The same analysis projected that overall ODA in 2010 would reach US\$121 billion, expressed in 2004 dollars; an increase of US\$20 billion from the 2008 level. A survey of donors' forward-spending plans suggests an 11 per cent increase in programmable aid between 2008 and 2010, including larger disbursements by some multilateral agencies. Nonetheless, since 2005, the OECD estimates that the ratio of ODA to gross national income (GNI) has declined from 0.33 per cent to 0.30 per cent for DAC countries, due mainly to changes in debt-relief components. The 2008 ODA level of nearly US\$120 billion for these countries remains short of the estimate of US\$150 billion deemed necessary to attain the Millennium Development Goals (MDGs). Development assistance to Africa also remains significantly short of the pledge

<sup>1</sup> GB.306/3/1, GB.306/STM/1, GB.306/WP/SDG/1.

made by the G8 in 2005 at Gleneagles to double annual development assistance to the region by 2010 from US\$25 billion to US\$50 billion per year.<sup>2</sup>

3. While aid commitments appear to remain stable, it is clear that crisis response spending will put an immense strain on public funds in the medium term. This may provoke a political reaction away from multilateral engagement, including ODA. There are signs this is happening among some of the ILO's ten most important donor countries. However, an equally plausible scenario is that the increasing demand for decent work in crisis responses, as seen in the G20 meetings in London and Pittsburgh, will lead to greater resources for the Decent Work Agenda and other internationally-agreed development goals, including MDGs.

### III. ODA initiatives in response to the crisis

4. At the end of 2008, as the financial crisis became increasingly acute, the Outcome document of the Financing for Development Review Conference held in Doha, Qatar, urged "all donors to maintain and deliver on their ODA commitments", while stressing that the realization of full and productive employment and decent work was essential for human development.<sup>3</sup> At the London G20 summit in April 2009, leaders pledged an unprecedented sum of US\$1.1 trillion to restore confidence, growth and jobs. US\$50 billion would go to supporting social protection, boosting trade and safeguarding development in low-income countries. The leaders also endorsed the conclusions of the London Jobs Conference which included the promotion of active labour market policies; social protection linked to employment measures; and better education and skills with a focus on green jobs and new technology services. Another important aspect of the G20 meeting was that the ILO was specifically requested to contribute to the crisis response through its social agenda, namely the promotion of decent work. The Rome Social Summit in March 2009 also stressed the commitment to promote policies to support jobs, income and social protection. The World Bank consequently established a vulnerability financing facility, which includes a Rapid Social Response (RSR) Programme to finance interventions in the provision of basic social services, supporting safety net programmes and labour market policies to assist the unemployed. Recently, the G20 leaders at Pittsburgh also reaffirmed their commitment to the MDGs and their respective ODA pledges.
5. In the UN system, the Chief Executives Board for Coordination (CEB), at a meeting in April 2009, called for nine joint initiatives to confront the social effects of the crisis, including additional financing for the most vulnerable (including renewed commitment to ODA targets), the creation of a global jobs pact, a social protection floor, a green economy initiative, humanitarian responses, combating the food crisis, the need to finalize the Doha trade round, supporting technology and scientific innovation and building a monitoring system. These initiatives had been originally mapped out by the Director-General in his capacity as Chair of the High-Level Committee on Programmes, the CEB's principal mechanism for system-wide coordination in the programme area.
6. With the adoption of the Global Jobs Pact, and to assist constituents in giving effect to it, the ILO is providing expertise to support a coordinated crisis response, gathering and

<sup>2</sup> United Nations: *Review of trends and perspectives in funding for development cooperation* (E/2009/85), p. 5; OECD: *Development Co-operation Report 2009*, Paris, 2009.

<sup>3</sup> UN: *Outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus*, December 2008, A/CONF.212/L.1/Rev.1, paras 12, 81.

disseminating information on policy responses and impact on the labour market, strengthening partnerships with the United Nations (UN) system and other multilateral institutions, and assisting countries to prioritize employment and social protection in national crisis response and development strategies. The Global Jobs Pact was endorsed in a resolution adopted by the UN Economic and Social Council at its Substantive session in July 2009, which called for the provision of funding, including existing crisis resources, for the implementation of the Pact.<sup>4</sup> Also in July, leaders at the G8 summit in L'Aquila, and in September, leaders at the G20 summit in Pittsburgh, reaffirmed their commitment to ODA targets and to tackling the social dimension of the crisis through a focus on employment promotion and enhanced social protection, and pledged their support for the Global Jobs Pact.

#### **IV. ILO technical cooperation in response to the crisis**

7. In March 2009, the Governing Body approved the use of US\$2.5 million under the Special Programme Account for activities related to crisis response.<sup>5</sup> At the time of writing, the Office has also successfully mobilized and reprioritized some US\$5 million in resources to give effect to the Global Jobs Pact, through both new voluntary contributions to the Regular Budget Supplementary Account (RBSA), and use of resources kept in the general reserve funds, with permission from the respective donors. The Office is grateful for these strategic and generous contributions that will allow the ILO to continue its leadership efforts in the multilateral system in response to the global jobs crisis.
8. A detailed account of the ILO's action in response to the crisis can be found in document GB.306/3/1. What is interesting to note in particular is that the programming flexibility offered by the RBSA allowed the ILO to quickly launch a number of initiatives aimed at crisis response, including the African Decent Work Symposium held in April 2009, which resulted in a number of recommendations on tackling the social effects of the economic crisis; a Tripartite Caribbean Conference on the global financial crisis in April 2009; a discussion on crisis response for the East African Community in November 2008; and a social dialogue and crisis response forum in Central America. RBSA was also used to carry out a rapid impact assessment in Egypt, skills training in the sugar industry to encourage greater mobility within and outside the sector in Mexico, labour market information capacity building within the Ministry of Labour in Jordan, and the development of social protection systems in the Syrian Arab Republic. Another RBSA-financed project provided technical assistance in the design and planning of the infrastructure component of national policy packages in Cambodia, Indonesia, Nepal, Philippines and Timor-Leste. RBSA was also used in Turkey for a project to increase labour participation rates for women in the context of the crisis, and in Serbia to address the issue of wage fixing.
9. Moreover, numerous regular technical cooperation projects were reoriented to combat the effects of the crisis. Project interventions included providing policy advice to constituents, such as in Uruguay and Indonesia, where resources were provided to support the government design of programmes to tackle the impacts of the crisis, and capacity-building activities for employers' organizations in Eastern Europe. Other initiatives focused on sharing information, such as the Regional Crisis Centre in the Americas, which was launched to identify good practices to serve policy-makers and other actors in the region.

<sup>4</sup> UN ECOSOC: *Recovering from the crisis: A global jobs pact*, 21 July 2009, E/2009/L.24.

<sup>5</sup> GB.304/8/1(Rev. 2), para. 57.

The ILO–Japan Project on Labour Migration carried out a rapid assessment on concentrations of migrants in Cambodia, Lao People’s Democratic Republic, Indonesia (East Java) and Malaysia, so as to better inform policy responses to protect the rights of returned migrants and help them reintegrate into labour markets. Skills training was also stepped up in several countries; in the Americas, for example, a number of vocational training institutions are implementing programmes to respond to the crisis in cooperation with ILO/CINTERFOR.

10. Finally, some projects focused on job creation for vulnerable people affected directly by the crisis. In Africa, for example, the global economic crisis has seriously affected copper mining in Zambia. In response to specific requests from the trade union movement in the country, the ILO Lusaka Office reoriented the activities of several technical cooperation and RBSA projects in order to mount an integrated approach aimed at supporting retrenched miners and their families in the town of Luanshya in Zambia’s Copperbelt Province. The Luanshya Integrated Support Initiative on Employment provides training to retrenched miners, women and young people to assist them in creating self-employment and small enterprises in a range of different sectors. In addition, families of retrenched miners receive support to ensure that children remain in school and do not fall into child labour, and families are supported in establishing income-generating activities. The success of the initiative has generated interest from the neighbouring Katanga Province in the Democratic Republic of the Congo, whose mining industry has also been adversely affected by the crisis. Other projects included women entrepreneurship and gender-equality projects in Lesotho, South Africa and Malawi, and efforts to promote youth employment in Azerbaijan and Kyrgyzstan.

## V. Conclusion: The future of development assistance after the crisis

11. While it is still too early to understand the full impact of the economic crisis on the future of development cooperation, a number of trends are emerging which may be worth monitoring. First, the crisis response has underscored the critical importance of international coordination of response measures, and the role of decent work and employment at the heart of crisis response measures and development. Second, the crisis has once again underscored the critical importance of predictable aid flows to developing countries, where ODA can play a critical role in mitigating the social impact of declining exports, debt distress, decline in remittances and decreasing commodity prices.<sup>6</sup> While development aid projections remain stable, the question remains whether such aid will be available as governments in donor countries deal with large budget deficits resulting from stimulus spending. As ODA resources are likely to be scarce in the medium term, a more rigorous application of aid-effectiveness principles, including donor coherence and increased results-based management, will be necessary to make maximum use of donor funds. It is hoped that the implementation of an enhanced Technical Cooperation Strategy (see GB.306/TC/1) will allow the ILO to further improve the efficiency and efficacy of its technical cooperation programme in light of the crisis.
12. The ILO has perceived the need for greater rapid response capacity to assess the social effects of the crisis and to deliver targeted technical assistance to maximize the employment-generating effect of stimulus measures. In addition to the stabilization of financial institutions and preservation of global trade, decent work measures such as

<sup>6</sup> Even in times of economic stability, the volatility of aid flows has been shown to directly aggravate negative business cycles. See H. Kharas: *Measuring the cost of aid volatility*, Working Paper No. 3, Wolfensohn Center for Development at Brookings, Washington DC, July 2008.

employment generation and protection, wage stabilization and extension and guarantees of social protection can play a decisive role in preventing the global recession from worsening. As the employment and social recovery will most likely take much longer than financial recovery, many of these measures will have to be maintained and financed long after financial indicators point to economic recovery. The ILO will therefore have to develop the capacity to mobilize resources to sustain social recovery efforts, to monitor developments, and to analyze and share knowledge on the response measures in the regions to determine which interventions had the greatest impact in mitigating the social effects of the crisis. In cooperation with the constituents, technical cooperation interventions and methods will have to be developed and tested to give effect to the Global Job Pact's aims in a tripartite and integrated manner. While elements of the Pact can be delivered through existing regular budget and voluntary resources, further funding will be needed to ensure adequate implementation throughout the crisis recovery period. Modalities might also be explored to effectively harness existing stimulus funds in countries to provide technical assistance, where needed, to develop policy responses that focus on employment generation and social protection.

13. With a view to assisting member States in developing urgent responses to address the crisis, ILO Regional Offices have developed a set of concrete proposals that correspond to the needs of constituents. These time-bound, priority proposals have been presented to donor countries, with a request for rapid financing through the RBSA or other means. In early 2010, and in accordance with the principles of the enhanced Technical Cooperation Strategy, the Office will focus resource mobilization efforts on filling identified resource gaps in the new outcome-based workplans, and will present results-based approaches and innovative initiatives to address the crisis to existing and new development partners and donors. In collaboration with other key United Nations agencies, the ILO will also support the mobilization of resources for the nine crisis initiatives launched by the High-Level Committee on Programmes and supported by the CEB.

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*Submitted for debate and guidance.*