

2008 REPORT TO CONGRESS ON LABOR  
ISSUES AND THE INTERNATIONAL FINANCIAL  
INSTITUTIONS

UNITED STATES DEPARTMENT OF THE TREASURY

OFFICE OF THE  
UNDER SECRETARY  
FOR INTERNATIONAL  
AFFAIRS  
November 21, 2008

## TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
I. Introduction.....	2
II. Treasury Department Policies and Practices.....	3
III. IFI Policies and Practices .....	5
A. World Bank Group.....	5
B. Asian Development Bank.....	6
C. Inter-American Development Bank .....	8
D. African Development Bank.....	9
E. European Bank for Reconstruction and Development .....	9
F. International Monetary Fund.....	11
Textbox 1: Better relations between ILO and the World Bank Group lead to knowledge transfer and project replication .....	6
Textbox 2: Mainstreaming CLS into the ADB's broader agenda .....	7
Textbox 3: Beyond the project: EBRD intervention at the sector level .....	10
Text of Law.....	Appendix 1
Core Labor Standards.....	Appendix 2

---

# 2008 REPORT TO CONGRESS ON LABOR ISSUES AND THE INTERNATIONAL FINANCIAL INSTITUTIONS

## EXECUTIVE SUMMARY

---

The Treasury Department presents this report in compliance with section 526(e) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1995 (Pub. L. No. 103-306), which directs Treasury to urge the establishment of a process within the International Financial Institutions (IFIs) to evaluate borrowing member countries' recognition of internationally recognized worker rights, and to include the status of such rights as an integral part of the IFIs' policy dialogue with each borrowing country. The Act requires that Treasury report annually to Congress on the IFIs' progress toward these two goals, as well as on efforts to establish formal procedures to screen projects and programs funded by the IFIs for any negative impact on internationally recognized worker rights.

The Treasury Department's strategy is to maintain the forward momentum in the IFIs' recognition of core labor standards<sup>1</sup> (CLS) as an important issue to be integrated into their development agenda. To this end, Treasury encourages enhanced cooperation among the IFIs and the International Labor Organization (ILO), uses opportunities such as multilateral development bank (MDB) replenishment negotiations to establish best practices on CLS policies, and monitors and takes appropriate action on individual lending and non-lending programs that come before the respective Boards of Directors for decision.

### Highlights of Recent Activities:

- Labor issues are an integral part of IFI due diligence for projects and country strategies. Operation manuals have been revised to clarify and expand the requirements with respect to CLS.
- All of the IFIs have been working closely with the ILO. The Asian Development Bank (AsDB) jointly developed with the ILO a *Core Labor Standards Handbook*. The African Development Bank (AfDB) signed a new Cooperation Agreement with the ILO in 2004.
- Many MDBs now include CLS requirements in their standard bidding documents and the rest are working to adopt similar requirements.

---

<sup>1</sup> For the purposes of this report, the terms "internationally recognized workers' rights" and "core labor standards" are used interchangeably and refer to the International Labor Organization (ILO) Conventions 29, 87, 98, 100, 105, 111, 128, and 182.

# **2008 REPORT TO CONGRESS ON LABOR ISSUES AND THE INTERNATIONAL FINANCIAL INSTITUTIONS**

## **I. INTRODUCTION**

This report is presented in compliance with section 526(e) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1995 (Pub. L. No. 103-306) (hereinafter referred to as the Act).<sup>2</sup> The Act requires the Department of Treasury, in conjunction with the U.S. Executive Directors (USEDs) of the International Financial Institutions (IFIs), to urge the IFIs to: adopt policies encouraging borrowing countries to guarantee internationally recognized worker rights and include the status of such rights as an integral part of the policy dialogue with borrowing countries; use the relevant conventions of the International Labor Organization (ILO) in the development of these policies; and establish formal procedures to screen projects and programs for any negative impact in a borrowing country on internationally recognized worker rights. The Act requires that Treasury report annually to Congress on the IFIs' progress toward these goals, as well as the extent to which each borrowing country guarantees internationally recognized worker rights.

The objectives of this report are to: (a) outline the procedures that the Treasury Department follows to promote the systematic integration of internationally recognized worker rights into IFI operations and analytical work and (b) discuss developments in IFI policies and practices toward this end.

The report covers the period from October 1, 2002 through September 30, 2007.

### **Interpretation of the Legislation**

The Act requires that Treasury urge the respective institutions to use the relevant ILO conventions on internationally recognized worker rights in developing their policies.<sup>3</sup> These conventions are: the right of association; the right to organize and bargain collectively; a prohibition on the use of any form of forced or compulsory labor; and certain minimum labor standards that take into account differences in development levels among nations, including a minimum age for the employment of children,

---

<sup>2</sup> For the text of the law, see Appendix 1.

<sup>3</sup> In the legislation mandating this report, the International Financial Institutions (IFIs) are defined as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD - the World Bank Group), the Inter-American Development Bank Group (IDB), the Asian Development Bank Group (AsDB), and the African Development Bank Group (AfDB). The IMF is broadly responsible for macroeconomic policy recommendations and short-term balance of payments financing, while the multilateral development banks (MDBs) promote economic development through sector specific project and program loans and technical assistance. While not specifically identified in the legislation, the European Bank for Reconstruction and Development (EBRD) is also included as an IFI for purposes of this report.

acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

The ILO's *Declaration on Fundamental Principles and Rights at Work* lists the standards covered by the ILO's conventions (see Appendix 2), usually referred to in the United States as core labor standards (CLS). This is the most widely recognized international definition of labor standards. These CLS have received widespread international recognition and have been used in multilateral discussions in such fora as the United Nations, the Organization for Economic Cooperation and Development (OECD), and the World Trade Organization (WTO). CLS include: the right of association; the right to organize and bargain collectively; a prohibition on the use of any form of compulsory or forced labor; nondiscrimination in employment; and the elimination of exploitative child labor.

In developing policies and engaging on labor issues at the IFIs, Treasury focuses primarily on CLS, but also includes those minimum labor standards specifically outlined in the legislation and other labor issues often associated with IFI programs. This report also includes information on efforts by the IFIs on social safety net issues, workplace health and safety, and certain other minimum standards related to labor.

The Act also requires a report on the extent to which each borrowing country guarantees internationally recognized worker rights. The State Department's *Country Reports on Human Rights Practices*, which is issued annually, fulfills this requirement. That report evaluates human rights and worker rights conditions in all countries receiving foreign assistance from the United States; in all countries that are members of the United Nations; and in any other countries or territories that the Department of State considers merit inclusion in the report.

## **II. TREASURY DEPARTMENT POLICIES AND PRACTICES**

At the heart of Treasury's strategy to promote the CLS is enhanced cooperation among the IFIs and the ILO. Treasury has been working with the IFIs to establish best practices on CLS while monitoring and taking appropriate action on individual lending and non-lending programs.

With regard to individual lending and non-lending programs, the Treasury Department has internal guidelines for engaging CLS issues at the MDBs and the International Monetary Fund (IMF). These guide the development of internal Treasury positions on CLS issues and inform U.S. Executive Directors (USEDs) for their interventions at the Executive Board and staff levels. Projects are screened to ensure that CLS are not violated, labor standards are adequate and the participation of civil society, including labor unions, is promoted.

Working with the respective USED office, the Treasury Department reviews all MDB loans and grants to ensure that proposed projects and programs address CLS where appropriate. In addition, Treasury and the USED offices review all MDB Country

Assistance Strategies (CASs) to ensure that CLS are addressed. The CASs are the primary documents used to express the institutions' policy approach to individual borrowing member countries. In addition, the Treasury Department reviews IMF Article IV surveillance reports, program proposals, and program reviews, for consistency with core labor standards and related labor issues. These collaborative efforts guide the development of internal Treasury positions on CLS issues and serve as the basis for USED interventions at the Boards of Directors.

In accordance with these guidelines, the United States has abstained on two textile projects in Uzbekistan. In 2005, the United States abstained on an European Bank for Reconstruction and Development (EBRD) loan to a textile company in Uzbekistan because the client planned to use cotton cultivated under labor practices that violated core labor standards. A briefing note provided by the EBRD said that child labor and forced labor were endemic during cultivation and harvest of cotton. In 2006, the United States abstained on another EBRD investment in a textile plant in Uzbekistan for the same reason.

Trafficking in persons presents another serious labor issue. The "Victims of Trafficking and Violence Protection Act of 2000", requires the United States to vote against assistance to countries that do not meet the minimum standards for elimination of trafficking. "Severe forms of trafficking in persons" is defined as: "(a) sex trafficking in which a commercial sex act is induced by force, fraud, or coercion, or in which the person induced to perform such act has not attained 18 years of age; or (b) the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery." Reducing trafficking in persons addresses the CLS relating to forced labor and child labor

Treasury has voted no on over twenty projects in countries that do not comply with the minimum standards for the elimination of trafficking in persons and are not making significant efforts to become compliant. For example, between 2003 and 2006 the United States voted no on three IFI projects in Cambodia, citing Cambodia's failure to comply with U.S. policy on trafficking in persons. Cambodia's policies subsequently improved to the point that, in June 2006, the State Department determined that Cambodia no longer should be sanctioned. While the role of Treasury votes in motivating the Government of Cambodia to make these changes is impossible to determine, the situation on the ground for Cambodian laborers is better.

Treasury will continue to emphasize the importance of CLS in its reviews of country strategies and projects. We will make a special point of doing so in the AfDB, because the AfDB's progress in recent years on these important issues has lagged behind that of its peers.

### **III. IFI POLICIES AND PRACTICES**

We describe below each international financial institution's cooperation with the ILO, as well as details on actions being taken to incorporate CLS into that IFI's policies and programs:

#### **A. World Bank Group**

The World Bank's development policies and operations are screened for issues relating to CLS. Three key mainstreaming actions include:

1. In February 2006, the World Bank Group's private sector lending arm, the International Financial Corporation (the IFC), adopted a new set of project preparation standards that included a labor performance standard that requires IFC's private sector clients to comply with all core labor standards and certain other workplace practices.
2. In 2007, the World Bank revised its "Standard Bidding Document for Procurement of Works" to require that all contractors on bank projects respect core labor standards.
3. Since 2003, all World Bank departments have strengthened their staffing with regard to labor issues. For example:
  - The regional departments have more staff focused on labor market analysis.
  - In 2005, the Poverty Reduction and Economic Management network (PREM) built a unit dedicated to employment and introduced a new working group on migration.
  - The Research department (DECRG), to provide deeper analysis on labor issues, hired a Senior Labor Economist.

The Bank regularly engages with the ILO. For example, the World Bank holds quarterly meetings with ILO technical staff to share relevant research findings in the area of employment, growth, and poverty reduction. The World Bank and the ILO jointly host an annual seminar series on these issues with a number of development agencies. The World Bank Group also participates in the following specific initiatives with the ILO:

- The World Bank, ILO and the United Nations created in 2000 the Youth Employment Network (YEN). The YEN focuses on four global priority policy areas to improve youth employment: Employability, Equal opportunities, Entrepreneurship, and Employment creation. YEN has trained over 1,500 youth employment advocates, and has helped 45 countries prepare National Action Plans on youth employment.

- In 2004, the World Bank Group partnered with the ILO, bilateral donors and African countries to create the Partnership on Job Creation, Core Labor Standards, and Poverty Reduction in Africa. Objectives of the project are to (a) improve understanding of the poor labor market outcomes in the region; (b) build analytical capacity of the governments and social partners in this field; and (c) test promising approaches in selected countries (Burkina Faso, Ghana, and Ethiopia).

***Textbox 1: Better relations between ILO and the World Bank Group lead to knowledge transfer and project replication***

Better Work, a partnership between the IFC and the ILO, aims at improving labor practices and competitiveness in global supply chains. The Better Work Program has developed models that have shaped IFC investments in the apparel industry and agribusiness.

## **B. Asian Development Bank**

AsDB addresses labor issues, including CLS, in projects as part of the social analysis required for loan projects. For example:

1. In April 2007, the AsDB approved a new section in its Operations Manual “Incorporation of Social Dimensions” requiring that all AsDB operations take into account key social dimensions including (i) participation; (ii) gender and development; (iii) social safeguards; and (iv) management of social risks, especially among vulnerable groups.
2. In December 2006, AsDB and the ILO launched a *Core Labor Standards Handbook* to support AsDB staff in ensuring compliance with the CLS. It provides practical knowledge on how to consider CLS in project level interventions, and in planning and design of country strategies and programs.
3. The AsDB completed a Handbook of Social Analysis to assist AsDB staff in effectively addressing the social dimensions, including CLS and other labor issues, in AsDB operations.
4. The AsDB requires an initial poverty and social analysis (IPSA) for all loan and grant-based investment projects and programs. The analysis includes labor, gender, and involuntary resettlement concerns. The AsDB requires that these issues be addressed during project implementation.
5. In 2007, the AsDB adopted an important improvement in the documents it generally requires borrowers to use for procurement of public works. The documents now require compliance with all the relevant labor laws applicable to the contractor’s personnel, including laws relating to their employment, health, safety, welfare, immigration and emigration. For national competitive bidding, loan covenants on labor issues are now required.

The AsDB also has taken a major step forward in reinforcing its formal relationship with the ILO. The AsDB held a first consultation meeting with the ILO on April 4, 2006 in accordance with a 2002 memorandum of understanding between the two institutions. They identified specific steps for strengthening collaboration and coordination during the meeting. The follow-up included:

1. A workshop on “Labor Issues on Enterprise Restructuring and Infrastructure Reforms”, held in March 2006 with AsDB staff and members of trade unions.
2. During the 40<sup>th</sup> AsDB Annual Meeting in Kyoto, Japan in May 2007, the AsDB held a Panel Discussion on Supporting the Core Labor Standards with panelists from trade unions, ILO and AsDB staff. The panel discussion explored how governmental and inter-governmental organizations can strengthen the application of CLS in development projects.

In addition to its relationship with the ILO, AsDB regularly interacts with a broad range of NGOs and other civil society organizations (CSOs), including groups representing workers. The AsDB organized regular dialogues with CSOs like Public Services International–Asia Pacific Regional Organization (PSI-APRO), International Confederation of Free Trade Unions (ICFTU-APRO), and the Asian Labor Network on IFIs (ALNI). These CSOs promote the integration of CLS in all loans and projects funded by AsDB and campaign to improve the accountability of IFIs to ensure the protection of displaced workers.

***Textbox 2: Mainstreaming CLS into the AsDB’s broader agenda***

The AsDB has made important progress in addressing risks related to trafficking in persons by requiring that staff analyze as part of project preparation whether the project has trafficking vulnerabilities, especially when the project is designed to improve rural-urban and/or cross-border connectivity. When such vulnerabilities are high, the AsDB supports efforts to control these risks. A typical counter-trafficking component may include: (i) awareness-raising of trafficking risks and safe migration among the high risk communities, construction laborers and others; and (ii) socioeconomic empowerment and/or social protection targeted at the groups with high vulnerability to human trafficking.

The AsDB recently completed a regional technical assistance program in the Greater Mekong Subregion (GMS) that supported ministerial level policy dialogue on trafficking, a regional anti-trafficking action plan implementation support, conducted research to determine key factors that contribute to trafficking, and developed recommendations on how to develop community-based monitoring and referral systems. The program also produced an operational guide for the GMS to integrate human trafficking concerns into AsDB’s cross-border regional investments.

## C. Inter-American Development Bank

The IDB has taken steps to ensure that IDB projects and policies incorporate CLS issues and an analysis of CLS vulnerabilities at both the project and sector levels. Such efforts include:

- In July 2007, IDB Management issued a note to clarify that project sponsors must analyze compliance with labor standards as a part of project due diligence.
- IDB public sector operations focus efforts on providing tools to strengthen government capacity and incentives to bring about improved labor conditions and enforce labor standards, consistent with the ILO approach.
- In 2006, the IDB published *Guidelines on Labor Issues in Infrastructure Projects* to assist project teams in their due diligence work. The Guidelines require clients to observe 152 requirements in seven thematic categories.
- The Inter-American Investment Corporation (IIC), the IDB Group's small and medium enterprise lending arm, addresses environmental and labor impacts in its *Procedure for Environmental and Labor Review* (1999), which prohibits harmful child labor practices and forced labor. The IIC's updated *Operating Policy* (2006) calls for compliance with national labor laws and regulations.

The IDB has also sponsored a number of conferences and issue-oriented seminars that advance CLS-related actions and concepts. These have addressed trade, labor conflict and social discrimination. Details of such engagement include:

- In 2004, the IDB sponsored a meeting for the ministers responsible for trade and labor in the Central America and the Dominican Republic involved in the CAFTA-DR free trade agreement. At the conclusion of the meeting, Ministers issued a joint statement establishing a working group to make further recommendations to enhance the implementation and enforcement of labor standards and strengthen labor institutions in the countries of the region. Prior to this meeting, the governments of Central America and Dominican Republic invited the ILO to prepare studies of the conformity of the labor laws in each country with respect to the obligation enshrined in the ILO's 1998 Declaration on Fundamental Principles and Rights at Work.<sup>4</sup>
- The Bank provides assistance in borrowing countries on implementing the standards of freedom of association and the right to strike, particularly the resolution of labor conflicts. The Bank has launched a regional public awareness campaign on human trafficking, collaborating specifically on public campaigns

---

<sup>4</sup> All information obtained from IDB OPS operation system and the report of the Joint Ministerial on trade and labor can be found on line at [www.iadb.org](http://www.iadb.org)

with the Ricky Martin Foundation, and has funded country-specific assistance to reduce forced labor in national contexts.

- On child labor, the Bank has financed a series of pilot projects, significant policy research, and some outreach events, including a regional conference on child labor in Lima in late 2006.

#### **D. African Development Bank Group**

Neither the AfDB's efforts to increase borrowing countries' implementation of core labor standards nor the results of such efforts appear as significant as those of other IFIs. As such, Treasury is committed to increase the focus it puts into its oversight of the AfDB on these issues.

While efforts to date are disappointing, the AfDB is working to mainstream attention to core labor standards in its policies and projects. In channeling its investments (grants and loans) to client countries, the Bank Group ensures that its projects adhere to internationally recognized core labor standards. The AfDB also works on the country strategy level, although such efforts often appear incomplete. For example, the Kenya Country Strategy for 2005-2007 details the status of Kenya's ratification of the ILO's CLS conventions and lists the steps taken by the Kenyan government to reduce child labor. It does not identify a role for the AfDB to support these efforts, however. Similarly, the AfDB's 2003 Malawi Country Strategy notes that Malawi has ratified all of the ILO CLS conventions. The strategy explains that these conventions have been incorporated in Malawi's labor legislation and identifies challenges associated with implementation of the legislation. However, the AfDB does not identify capacity building interventions it plans to make to support such needs.

The AfDB is improving relations with the ILO. The AfDB signed a Cooperation Agreement with the ILO in May 2004 replacing a 1990 Memorandum of Understanding. The new Agreement enables the ILO to provide advice and expertise relating to the AfDB's work in four areas: 1) promoting standards and fundamental principles and rights at work; 2) creating greater opportunities for women and men to secure decent employment and income; 3) enhancing the coverage and effectiveness of social protection for all; and 4) strengthening social dialogue.

#### **E. European Bank for Reconstruction and Development**

The EBRD took significant steps during this reporting period to mainstream CLS issues into its policies and operations.

When the EBRD revised its Environmental Policy in 2002/2003, the bank broadened its definition of the term "environment" to include community impacts, as well as worker protection issues, which include occupational health and safety, harmful child labor, forced labor and discriminatory practices.

In accordance with the new Environmental Policy, in 2004 the EBRD introduced a procedure to screen and monitor all projects for labor risks, as part of the environmental and social due diligence carried out by the Environment Department (now the Environment and Sustainability Department or “ESD”). ESD screens all projects for labor issues, by reference to the country, industry, sector, client reputation and employment impact. The screening identifies specific risks that need to be addressed to comply with core labor standards and national labor laws. If the Bank identifies a particular risk, it assesses the extent of the risk and asks the project sponsor to take remedial actions. Bank staff or specialized consultants may undertake site visits or audits to verify the issues and evaluate proposed mitigation measures.

The EBRD requires that projects it finances meet applicable provisions of the relevant ILO conventions, as well as all applicable national laws and standards on employment. If necessary, the Bank requires the project sponsor to undertake specific actions to meet these requirements and to report periodically on implementation. The EBRD has taken a number of steps to assure that these ILO convention requirements are met in practice:

1. In developing its labor due diligence process, the Bank used the services of international labor rights consultants, who continue to advise ESD on labor issues. The consultants have conducted several audits of EBRD-financed projects.
2. To support implementation, ESD has put in place a range of guidance materials, and provided several rounds of training for all ESD professional staff, including a 2-day course on practical aspects of labor due diligence, with a focus on site inspections and labor audits.
3. In addition, ESD and the labor consultants conducted a series of Labor Issues Training Workshops for EBRD bankers between November 2005 and February 2006.

To broaden the impact of these steps, in 2007 ESD engaged expert consultants to conduct a review of its current policies, procedures and practices related to occupational, health and safety (OHS), as well as a comparison of various OHS standards and benchmarks. The consultants’ recommendations are feeding into the next Policy Revision.

The EBRD has also taken numerous steps to maintain constructive relations with the ILO. ESD consulted with the ILO in the development of its labor due diligence procedures, to ensure that the Bank’s approach had the support of this key stakeholder. The EBRD shared draft guidance materials with ILO staff, as well as with social experts from other IFIs. Since then, ESD staff has been in regular contact with the ILO, formally and informally, including:

- In May 2006, ESD staff participated in an ILO-sponsored workshop to discuss, the integration of international labor standards in emerging market project finance.
- In December 2006, the EBRD and ILO signed a Memorandum of Understanding to update and expand the 1992 Agreement of Cooperation between the two institutions and to reflect the increasing level of collaboration.

***Textbox 3: Beyond the project: EBRD intervention at the sector level***

Due diligence and project monitoring sometimes reveal violations of labor rights that are endemic in the sector or country, and are beyond the scope of remedial actions taken by the client. Where this occurs, the EBRD may explore possibilities for technical co-operation initiatives to improve overall labor conditions, in cooperation with other organizations, such as the ILO. For example, to help address endemic labor issues in the Russian construction industry, EBRD has teamed up with the ILO to carry out technical cooperation aimed at improving labor practices in the industry by developing and promoting an industry code of conduct.

During 2006, ESD undertook a review of its labor due diligence process and identified construction as one of the main sources of labor risks associated with EBRD's project portfolio, mainly due to: (i) the large number of EBRD projects affected, (ii) the hazardous nature of the work, (iii) the high fluctuation in the workforce (temporary workers, migrant workers, workers hired through contractors or labor providers) (iv) ILO reports on forced labor exploitation of migrant workers in the Russian Federation, and (v) difficulties to enforce regulatory compliance through a sub-contracting chain. The EBRD prepared a construction toolkit for use by ESD staff during due diligence. Attendees also discussed the issue and shared best practices during the annual meeting of Development Financing Institution's Social Experts and the meeting of Micro Finance Institution Heads of Procurement, both of which were held at EBRD in 2006.

## **F. International Monetary Fund**

The IMF and the ILO continue to collaborate and exchange views on labor market issues, such as employment creation, wage policy, and social protection mechanisms, and the implications of globalization. IMF and ILO collaboration and interaction take place through several channels. The two institutions exchange drafts of reports of relevance for comment, such as the IMF's World Economic Outlook and the ILO's annual report.

In addition, the ILO meets with senior management and Board members of the Fund every two years to further enhance collaboration and the ILO regularly sends observers to spring and fall meetings of the International Monetary and Financial Committee (IMFC). There are also periodic interactions of the managements and staffs of the two institutions, including meetings and participation in major conferences.

Meetings between the International Trade Union Movement and the IMF and World Bank were held in December 2006. IMF and World Bank management and staff met with 62 labor union leaders, advisors and observers from 35 countries. Discussions focused on issues of common interest, including debt relief, loan conditionality, and core labor standards. In his discussion with the unions, the IMF Managing Director Rodrigo de Rato underlined that the current state of the global economy presents opportunities not seen in two generations, but also new and complex risks. The IMF's role in helping countries to better understand those risks is complementary to union efforts to make globalization work for workers.

## **APPENDIX 1: Text of Law**

### **P.L. 103-306, SECTION 526 (e)**

Section 526 (e) of P.L. 103-306, the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1995, passed on August 23, 1994, as amended, states:

(a) The Secretary of the Treasury shall direct the United States Executive Directors of the international financial institutions (as defined in Section 1701(c)(2) [of the International Financial Institutions Act]) to use the voice and vote of the United States to urge the respective institution:

(1) to adopt policies to encourage borrowing countries to guarantee internationally recognized worker rights (within the meaning of Section 507(4) of the Trade Act of 1974) and to include the status of such rights as an integral part of the institution's policy dialogue with each borrowing country;

(2) in developing the policies referred to in paragraph (1), to use the relevant conventions of the International Labor Organization, which have set forth, among other things, the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, and certain minimum labor standards that take into account differences in development levels among nations including a minimum age for the employment of children, acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health; and

(3) to establish formal procedures to screen projects and programs funded by the institution for any negative impact in a borrowing country on the rights referred to in paragraph (1).

(b) The Secretary of the Treasury shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate by the end of each fiscal year a report on the extent to which each borrowing country guarantees internationally recognized worker rights to its labor force and/or progress toward achieving each of the goals described in subsection (a) of this section.

## APPENDIX 2: The Core Labor Standards

The internationally recognized core labor standards and their corresponding ILO conventions are:

- **Freedom of Association (ILO Convention 87)** - The right, freely exercised, of workers and employers, without distinction, to organize for furthering and defending their interests.
- **Right to Organize and Collective Bargaining (ILO Convention 98)** - Protection for workers who are exercising the right to organize; non-interference between workers' and employers' organizations; promotion of voluntary collective bargaining.
- **Forced Labor (ILO Conventions 29 and 105)** - Suppression of forced labor for certain purposes (political coercion; labor mobilization for economic development; labor discipline; punishment for participating in strikes); prison labor permitted under state supervision and in accordance with due process of law.
- **Minimum Age (ILO Conventions 138 and 182)** - Minimum age for employment not less than the age of completion of compulsory education (normally not less than 15 years). Convention 182, the Worst Forms of Child Labor Convention, was adopted at the ILO's General Conference in 1999 and went into effect in November 1999. This convention prohibits the employment of children in especially abusive situations such as prostitution, pornography, armed conflict, and bonded labor.
- **Equality of Opportunity and Treatment (ILO Conventions 100 and 111)** - Equal remuneration for men and women for work of equal value and equality of opportunity and treatment in respect of employment and occupation.

There are five core labor standards. Freedom of association and the right to organize and bargain collectively are sometimes combined under one rubric for a total of four, most recently in the ILO's Declaration on Fundamental Principles and Rights at Work. Note also that there are seven ILO conventions that are relevant. Freedom of association (Convention 87) has been interpreted to mean the right of all citizens to associate in defense of their rights, free from government interference. Convention 98 (right to organize and bargain collectively) obligates the government parties to protect workers from reprisal by employers and to promote collective bargaining. As workers associate for the purpose of collective bargaining with their employers, the two are often combined.