

# INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS

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## Action by World Bank's IFC on Workers' Rights a Major Step Forward

**Brussels, 22 February 2006 (ICFTU online):** The ICFTU has applauded yesterday's adoption by the International Finance Corporation (the private sector lending arm of the World Bank) of a new loan performance standard on labour rights and working conditions. After the new standard is implemented in the coming weeks, all companies that borrow from the IFC will be required to abide by the core labour standards (CLS) as defined by the International Labour Organization (ILO). The CLS prohibit the use of forced labour, child labour and discriminatory practices, and require recognition of freedom of association and the right to collective bargaining. The new standard also obliges IFC clients to observe some other basic conditions, including health and safety standards, protection for contract workers, and a policy for managing reductions in employment.

"Thousands of workers in IFC-financed projects stand to benefit from this decision, which we believe should be a precedent for international lending in both the private and public sectors", said ICFTU General Secretary Guy Ryder. "The World Bank funds billions of dollars of development projects each year, and we will be working to ensure that this landmark decision is extended across the entire scope of its activities. In the meantime, we have offered to work with the IFC to implement this new standard", he added.

The IFC decision demonstrates what can be achieved when the World Bank engages in serious consultation with trade unions. "In the two years during which the standard has been developed, the IFC sought input from trade unions and the ILO as well as IFC's traditional partners, governments and business. As a result, the IFC corrected several problems and weaknesses in earlier drafts that we helped them identify," said Ryder.

At the ICFTU's suggestion the IFC accepted two years ago, on a pilot basis, to include a CLS condition in a loan to a clothing manufacturer, Grupo M, which opened new production facilities in Haiti. The firm initially dismissed hundreds of workers when they attempted to create a union, and it took several months of pressure by the Haitian union, along with international support from trade unions and other organizations, before the workers were rehired and the company recognized the union. In December 2005 Grupo M and the Haitian union signed the first collective agreement aimed at improving wages and working conditions.

The Haitian example demonstrates both the challenges and opportunities created by the new IFC standard, especially the need for an effective implementation mechanism. An effective mechanism, coupled with the CLS standard, can have a tremendous positive impact on workers' living standards and working conditions. This is particularly significant in a country such as Haiti, where workers' rights have been ignored and the poor disenfranchised for so long.

Ryder believes that the onus is now on the other branches of the World Bank, namely those that lend to the public sector, to follow the positive step taken by the IFC: "This is not a matter of asking the Bank to do the job of the ILO, governments or anyone else. It is a matter of asking the Bank to ensure that all of its operations abide by internationally-recognized workers' rights' standards."

In 2004, a coalition of Indonesian trade unions and researchers published a report showing that child labour, discrimination against women workers and denial of freedom of association were taking place in public infrastructure projects financed by the World Bank. The Bank's spokesperson in Indonesia acknowledged at the time that the practices were inconsistent with Bank policy and promised corrective action. However, except for this IFC standard, the Bank has not taken measures to ensure respect for CLS in its projects.

The ICFTU represents 155 million workers through its 236 affiliated organisations in 154 countries and territories <http://www.icftu.org>. The ICFTU is also a member of Global Unions: <http://www.global-unions.org>

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