

Dear Ma Xiaoying (colleagues).

Thank you for the updates on the SPU consultation in Manila this November. I have read the updated agenda (attached) and would like to raise our oft-repeated concerns on the seeming exclusion – once again -- of social protection and core labor standards (CLS) in the agenda. Since early this year, PSI and other global union federations have raised this issue with the Bank, including how trade unions were not at all invited to the earlier consultation processes. (My earlier email to you and the SPU team has outlined these concerns, along with pertinent documents).

We view ADB's 'update' of its safeguard framework as an opportunity to strengthen and incorporate social protection/CLS in ADB's 'social safeguards'. Without having reviewed a more recent version of the draft SPU, please find below some specific concerns related to the program/agenda and the participation of trade unions:

1. **ADB's Social Protection Strategy** was approved by the Bank's Board of Directors in 2001; **ADB's Core Labor Standards Handbook** was launched in 2006 to 'formally adopt' CLS as part of the 2001 Strategy. Among others, ADB's *CLS Handbook* (<http://www.adb.org/Documents/Handbooks/Core-Labor-Standards/default.asp>, pp 16-17) states that:

- Vulnerable groups that may be negatively affected by an ADB intervention must be adequately compensated and mitigation measures put in place to avoid creating further poverty (e.g., in case of public or private sector restructuring, workers, particularly low income workers, should not be unfairly disadvantaged, regardless of race, skills, gender, age, or religious and political beliefs); mitigation measures should always aim to adequately balance social objectives and economic sustainability; and
- (i) in the design and formulation of its loans, ADB will comply with the internationally recognized CLS; (ii) take all necessary and appropriate steps to ensure that for ADB financed procurement of goods and services, contractors, subcontractors and consultants will comply with the country's labor legislation (e.g., minimum wages, safe working conditions, and social security contributions, etc.) as well as with the CLS;
- As part of its regular loan reviews, ADB will monitor that (i) and (ii) are complied with.

2. '**Country Safeguards Systems**' – ADB's *CLS Handbook* is very clear on Bank compliance with both national laws and internationally-recognized CLS.

3. **IFC's Performance Standards (PS2)** - We hope that, as with a similar draft at JBIC, ADB's current SPU draft has made reference to IFC's new Performance Standards, which trade unions consider a key benchmark for IFIs. IFC's Performance Standard 2 (PS2) -- effective since May 2006 -- commits IFC clients to respect national law and international standards on: Freedom of association and collective bargaining; Non-discrimination and equality of opportunity; Freedom from child labour; Freedom from forced labour; Retrenchment – required to have a retrenchment plan; Working relations – documentation and communication of conditions; Working conditions – compliance with collective bargaining and national law on pay, hours, OSH; Grievance mechanisms – must be in place for workers; Human resource policy - the client is also expected to have a human resource policy in place.

- Moreover, IFC's policy applies to non-employee workers, contract labour, sub contractors and suppliers. The new IFC policy also requires that all proposed IFC projects include an

assessment of the labor, health and safety impacts and risks of the project and adopt measures to respond to any deficiencies or negative impacts commensurate with the level of impact and risk. Non-compliance with CLS could lead to cancellation of the IFC loan.

- IFC's Performance Standards also has a chapter on "**Delivery of Essential Services**" that is of considerable interest to PSI: "For projects involving the final delivery of essential services, such as the retail distribution of water, electricity, piped gas, and telecommunications, to the general public under monopoly conditions, IFC encourages the public disclosure of information relating to household tariffs and tariff adjustment mechanisms, service standards, investment obligations, and the form and extent of any ongoing services, IFC also encourages the public disclosure of concession fees or privatization proceeds. Such disclosures may be made by the responsible government entity (such as the relevant regulatory authority) or by the client. (para. 23)"

- [For more info, see:

[http://www.ifc.org/ifcext/policyreview.nsf/AttachmentsByTitle/Policy+and+Performance+Standards+FINAL+03-06-06/\\$FILE/Policy+&+Performance+Standards+PUBLIC+FINAL-03-06-06.pdf](http://www.ifc.org/ifcext/policyreview.nsf/AttachmentsByTitle/Policy+and+Performance+Standards+FINAL+03-06-06/$FILE/Policy+&+Performance+Standards+PUBLIC+FINAL-03-06-06.pdf)]

4. **Nov 19-20 Agenda/Program** should incorporate these major concerns from trade unions, and we do not see that reflected in the current version (attached). Break-out groups, for instance, do not include a group on 'Social Protection/CLS' and such other safeguards that may have been raised by others, and not necessarily included in the current limited framework of the Bank's' social and environmental safeguards.

5. **Trade union participation** – Last but not least, we have been informed earlier that only two (2) trade union participants (from PSI and ITUC) out of a total 70-80 pax had been invited to the November consultation. We hope your team can still rectify this imbalance, in lieu of fact that trade unions had NOT been invited – and consequently were NOT able to participate – in the earlier round of SPU consultations.

**PSI, therefore, strongly urges ADB to invite at least one participant from each Global Union Federation (GUF), and additional participants from PSI affiliates, especially those who have been negatively affected by ADB-funded projects in the region (e.g. workers affected by power sector reforms and state enterprise restructuring of the kind that ADB supports).**

We raise these concerns now, as we've done in the past, and will continue to do in future, including at the SPU consultations.

With kind regards,

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