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FIFTH ITEM ON THE AGENDA

An integrated strategy to address decent work deficits in the tobacco sector

Purpose of the document

This document provides an update on the development of an integrated strategy on decent work in the tobacco sector and the mobilization of the necessary resources for the implementation of this strategy (see draft decision in paragraph 46).

Relevant strategic objective: Standards and fundamental principles and rights at work.

Main relevant outcome/cross-cutting policy driver: Outcome 8: Protecting workers from unacceptable forms of work, and Outcome 5: Decent work in the rural economy.

Policy implications: Depending on the Governing Body.

Legal implications: None.

Financial implications: Need for focus in the allocation of regular budget and mobilizing of extra-budgetary resources.

Follow-up action required: Depending on the Governing Body's decision.

Author unit: Fundamental Principles and Rights at Work Branch (FUNDAMENTALS).

Related documents: GB.329/POL/6; GB.331/POL/5; GB.332/POL/5.

Introduction

1. The Governing Body discussed the ILO's engagement with the tobacco industry at its 329th (March 2017), 331st (November 2017) and 332nd (March 2018) Sessions. The discussion has centred on the ILO's public-private partnerships (PPPs) with Japan Tobacco International (for a project from 2011–18, with a value of approximately US\$10 million) and the Eliminating Child Labour in Tobacco Growing Foundation (for a project from 2012–18 with a value of US\$5 million) ¹ and the implications for the ILO's engagement with the industry of the WHO Framework Convention on Tobacco Control (FCTC) and a *Model Policy for agencies of the United Nations system on preventing tobacco industry interference* ² (*Model Policy*) of the United Nations Interagency Task Force on the Prevention and Control of Non-communicable Diseases (UNIATF) of which the ILO is a member.
2. In March 2017, the Governing Body discussed whether or not the ILO should continue to receive funding from the tobacco industry and deferred further consideration of the issue until its 331st Session in November 2017, requesting additional information on the ILO's work in the tobacco sector. In June 2017, the Economic and Social Council (ECOSOC) adopted a resolution that encourages UNIATF members, "as appropriate and in line with their respective mandates, to develop and implement their own policies on preventing tobacco industry interference, bearing in mind the *Model Policy* for agencies of the United Nations system on preventing tobacco industry interference, in order to ensure a consistent and effective separation between the activities of the United Nations system and those of the tobacco industry". ³
3. In November 2017, the Governing Body continued its discussion, informed by an Office paper that provided detailed information on the rationale, strategy and history of the ILO's work in the tobacco sector; the nature and impact of the PPPs with the tobacco industry and potential alternative sources of funding; the ILO's collaboration with the member agencies of the UNIATF, particularly those that work on alternative livelihoods in tobacco-growing communities; and potential legal obligations for the ILO under the *Model Policy*. The question of ILO receipt of funds from the industry was also discussed, but not settled, and the Governing Body requested the Office to develop an integrated strategy to address decent work deficits in the tobacco sector.
4. To ensure that the proposed integrated strategy reflects the needs and priorities of constituents, in January 2018 the Office held consultations in Geneva and subsequently proposed a strategy at the March 2018 meeting of the Governing Body. This integrated strategy has three central goals: (a) to promote an enabling policy environment for decent work in tobacco-growing countries; (b) to strengthen social dialogue; and (c) to assist tobacco-growing communities to address decent work deficits, including child labour, including through a transition to alternative livelihoods.

¹ The objective of these projects is to eliminate child labour and promote fundamental principles and rights at work in tobacco-growing communities in Brazil, Malawi, United Republic of Tanzania, Uganda and Zambia.

² The purpose of the *Model Policy* is to "ensure that efforts to protect tobacco control from commercial and other vested interests of the tobacco industry are comprehensive, effective and consistent across the United Nations system".

³ E/RES/2017/8.

5. The strategy calls for the development of national employment plans to support economic diversification; promoting greater focus on decent work deficits in national economic and social development frameworks; strengthening the capacity of governments, employers' and workers' organizations to engage in and promote social dialogue to address decent work deficits in the sector, and scaling up proven interventions to tackle child labour, including by improving livelihoods and reducing dependence on child labour.
6. The proposed integrated strategy recognizes that securing decent work in tobacco-growing areas is a challenge in all regions and in countries of all stages of development. In the near term, however, the Office would focus implementation of the integrated strategy in those countries where PPPs are currently operating, with the aim of expanding it to cover other countries if requested and as additional resources are secured.
7. During the March 2018 meeting, member States stressed that further consultation, particularly in the countries where PPPs currently operate, were needed, to ensure that the integrated strategy reflected well the situation in target countries, and the views of constituents at the national level. Since the meeting, the Office has carried out those consultations in Malawi, United Republic of Tanzania, Uganda and Zambia, and remains available to conduct similar consultations in other tobacco-growing member States.

Summary of country consultations

8. ILO officials from headquarters and field offices conducted visits to tobacco-growing communities, which provided opportunity to hear directly from tobacco farmers, district authorities, social partners, employers, children and other stakeholders about their priorities and views on addressing the challenges that they face. During workshops in tobacco-growing communities and districts, the Office facilitated an in-depth review of the proposed integrated strategy and subsequently presented the results of this review at tripartite-plus national level workshops, continuing to gather feedback on the strategy. In addition, a number of high-level bilateral meetings took place with constituents, UN organizations and development partners.
9. Participants in the district and national workshops largely agreed that the three broad areas for action under the strategy were relevant and aligned with nationally determined development priorities. Organizing the strategy around these three goals was considered to be conducive to an efficient use of resources and to achieving sustainable impact. A summary of the main challenges and opportunities identified in each country follows.

Malawi

10. The policy environment in Malawi is generally conducive to addressing decent work deficits in tobacco-growing areas. The Malawi Growth and Development Strategy III (2017–22), for example, highlights the importance of eliminating child labour for achieving full employment and decent work, the National Export Strategy includes crop diversification, and the National Social Support Programme provides a wide-ranging framework for the development of the social protection system in the country; indeed Malawi invests 6.8 per cent of GDP in social protection. The tenancy system, however, requires a holistic policy and legal response, and, as in all countries where consultations took place, the implementation of relevant policies needs to be strengthened. Priority measures identified include increasing coverage of social protection among women, men and vulnerable groups such as tenants and their children; increasing the Ministry of Labour's human and financial resources to increase the coverage of inspections in all districts and sectors; strengthening

the employment regulatory framework, including the eventual elimination of the tenancy system; and enhancing transparency of price setting and input costs of tobacco.

11. While important structures for social dialogue, such as the Minimum Wage Advisory Committee and the Tripartite Labour Advisory Council, are in place in Malawi, the consultations indicated a clear need to strengthen social dialogue to tackle decent work deficits in tobacco-growing areas. Priority measures identified include: promoting the outreach of trade union representatives to improve occupational safety and health (OSH) in unorganized workplaces; promoting freedom of association and the effective right to collective bargaining in order to promote decent incomes and working conditions for small farmers and agricultural workers; organizing agricultural workers and tenants to fight child labour through formalization, protection under the law and improved incomes; promoting cooperatives and enhancing their capacity to bargain with regard to prices, wages and working conditions; strengthening the capacity of trade union leaders and members to negotiate fair and prompt payment; and providing training to farmers on price-setting mechanisms.
12. An important role for tobacco-growing communities in Malawi is to formulate and implement community action plans to address decent work deficits, including child labour. Other priorities identified in the consultation include: educating farmers on contract farming; encouraging alternative food crops and livelihoods diversification among farmers; providing tailored training on financial management and functional literacy and numeracy to farmers and their workers, including to women; and promoting good agricultural practices among smallholder farmers, including with regard OSH.
13. As in the other countries where consultations were held, tripartite constituents would welcome further exchange of knowledge and good practice with other tobacco-producing countries, including those that have successfully diversified production.

Uganda

14. In Uganda, important elements of a legislative framework conducive to addressing decent work deficits in tobacco-growing areas are in place, however relevant legislation and policies are not well known by workers and employers, pointing to the need for greater dissemination and training on their application. There is no national employment plan; developing such a plan was identified as a priority and a key opportunity to build an enabling policy environment for the implementation of the strategy. Social protection for vulnerable people is provided for under the Social Protection Plan, which is a key policy platform for implementation of the integrated strategy.
15. Workers' and employers' organizations are actively engaged in efforts to combat child labour in the tobacco sector, however small farmers and agricultural workers lack representation, and the capacity of national unions, cooperatives and employers' organizations to organize workers and farmers, including women, is weak. Ensuring translation from English into local languages of all formal contracts in supply chains was identified as a priority.
16. Trade unions have adopted as a strategic priority outreach to the informal economy and engagement with farmers' cooperatives and were supportive of the strategy. The national employers' organization and enterprises in the tobacco supply chain actively participated in the consultation and demonstrated commitment to achieving the goals of the integrated strategy.

17. In tobacco-growing communities, challenges include limited understanding of child labour and its adverse consequences; limited access to social protection; limited employment opportunities and high levels of unemployment, and household poverty. Several opportunities were identified, including to promote market access for alternative crops and crop diversification and improve financial services available to farmers; to support government and social partners' efforts to empower youth and expand their self-employment opportunities and improve their livelihoods; and to expand training on OSH.

United Republic of Tanzania

18. In the United Republic of Tanzania, the National Action Plan for the Elimination of Child Labour is pending final publication, and the national social protection policy is currently being formulated, offering an opportunity to include measures that are responsive to the particular challenges presented by child labour in tobacco-growing areas, and challenges faced by girls and young women. As a "Pathfinding Country" of the Global Partnership to End Violence against Children (VAC), the United Republic of Tanzania has linked relevant national action plans under a broad, national VAC strategy, which may promote synergies and policy coherence.
19. The United Republic of Tanzania's well-established network of agricultural cooperatives may be an important advantage for boosting productivity and facilitating a transition to alternative livelihoods at scale. Tanzanian plantation workers' unions have included membership drives among smallholders in their strategic plans, and the national employers' organization has contributed actively to the formulation and implementation of national strategies to promote decent work in the rural economy. However, farmers' organizations and cooperatives still lack mechanisms to enable a collective voice and coordinated policies and action. Mechanisms for social dialogue exist at the national and regional levels, however at the village level, they should be strengthened. Strengthening the awareness of social partners on the importance of social dialogue was identified as a priority in the consultation.
20. In tobacco-producing communities, scarcity of resources to strengthen provision of public services is a challenge. Weak education provision and persistent gender inequalities limit the ability of rural families to secure adequate incomes. Low productivity, inadequate investment and skills gaps, and poor working conditions are persistent problems, and there is a need to continue sensitizations and trainings on OSH and to implement gender mainstreaming programmes at the community level.

Zambia

21. The Seventh National Development Plan (2017–21) places a strong emphasis on rural development, diversification and increasing productivity in the agricultural sector, particularly for crops such as cashew nuts, coffee and maize. Zambia is currently developing its second National Action Plan against Child Labour (2018–22), presenting an opportunity to strengthen efforts to tackle decent work deficits in tobacco-growing areas. However key social protection and other programmes are underfunded and the capacity of the labour inspectorate should be strengthened.
22. With regard to the second pillar of the integrated strategy on social dialogue, during the consultations the significant asymmetry of information between farmers and enterprises in global agricultural supply chains was discussed. Farmers are price takers, having no say in determining prices for their crop, and often have a poor understanding of the terms of loans that they receive for the purchase of inputs. Loan default is not uncommon, resulting in disruption to supply chains. Priorities identified include strengthening structures for social

dialogue in agriculture, encouraging the development of farmer associations, and the provision of training on financial management.

23. As in the other countries where consultations were held, supply chains of non-tobacco crops are not well developed. Farmers are reluctant to risk forgoing tobacco cultivation for crops for which there may be no ready buyer.
24. During the consultations, the importance of implementing direct action to tackle decent work deficits in agricultural communities was stressed. Priorities identified include: capacity building; the implementation of poverty reduction strategies; strengthened monitoring and enforcement; awareness raising; and the introduction of skills training programmes for children above the minimum legal working age, including support for smooth school-to-work transition.

Way forward for the implementation of the integrated strategy to address decent work deficits in the tobacco sector

25. The Governing Body's discussion has allowed constituents to identify certain key areas of agreement. There is consensus that the ILO has a mandate to promote decent work in the tobacco sector, as it does in any legal industry. Referring to the principle of acting in the best interest of the child, constituents further agreed that the ILO should continue its efforts to eliminate child labour in tobacco-growing communities, not least because of the hazardous nature of tobacco production and the detrimental health impact for children. Such efforts are required for a sustained period of time in line with SDG target 8.7 to eliminate all child labour by 2025.
26. Moreover, there was agreement that the Office should expand its efforts and create an integrated strategy, discussed above, that addresses multiple facets of the Decent Work Agenda, including the promotion of all fundamental principles and rights at work. Constituents further agreed that tripartism and social dialogue are key to addressing decent work deficits in tobacco-growing areas: engagement with governments, social partners and the industry itself is essential.
27. In the Office's analysis, the implementation of such an integrated strategy – leaving aside the mode of funding – does not interfere with the public health policies on tobacco control of the States parties to the FCTC. Nor does it compromise the policy options of the WHO's Global Action Plan for the Prevention and Control of Non-communicable Diseases 2013–20, nor does it contravene the terms of reference of the UNIATF.
28. Constituents also agreed that member States and social partners must drive the process. In light of the size of the sector and the magnitude of the issues, full implementation of the strategy will require tobacco-growing countries to create new paths for economic and social development.
29. As indicated by the consultations already undertaken, the Office will be most effective by playing a convening and facilitating role, including by mobilizing key actors at all levels to facilitate dialogue, in order to ensure adequate resources, generate and manage knowledge, and promote the necessary policy changes, paying due attention to gender-specific issues.
30. The Office stands ready to contribute to the integrated strategy in this manner. As noted in document GB.332/POL/5, this implies a reorientation of the ILO's current work in the tobacco sector, from a project focus to a programme approach set within and driven by national policies for sustainable development.

31. Successful implementation of the integrated strategy will require political will, increased budget allocation and strong financial support from development partners and other actors in the international community.
32. With regard to funding, three principles are particularly important:
- First, each country has primary responsibility for its own economic and social development, and domestic funding should be the primary source of implementation of national policies.
 - Second, the integrated strategy should drive resource mobilization efforts. The success of the integrated strategy hinges on support from a wide range of institutions, including national governments, other members of the UNIATF, and a broad coalition of development partners.
 - Third, as a member of the UN family and in the context of UN reform, the ILO has a responsibility to make every effort to ensure coherence within the UN system, including by seeking to align itself with the *Model Policy*. A related point, agreed during the Governing Body discussion, is that ILO efforts to promote decent work in tobacco-growing communities must be consistent with members States' obligations as Parties to the FCTC. In particular, its efforts to promote decent work in the sector must not interfere with tobacco control measures nor hinder the achievement of the FCTC's objectives.
33. In seeking to ensure coherence with the UN and consistency with member States' obligations under the FCTC, the Office has conducted thorough analyses of the implications of the FCTC and the *Model Policy*, particularly with regard to the ILO's receipt of funding from the tobacco industry in support of the integrated strategy.
34. As stated in GB/329/POL/6, the FCTC is binding on its States parties⁴ but not the ILO, which is called upon to facilitate its implementation as an international partner under the WHO's Global Action Plan for the Prevention and Control of Non-communicable Diseases. Article 5.3 of the FCTC requires Parties to protect their public health policies with respect to tobacco control "from commercial and other vested interests of the tobacco industry in accordance with national law".
35. Guidelines for the implementation of Article 5.3, elaborated by the Conference of the Parties⁵, which Parties to the FCTC are encouraged to implement, aimed at making Parties' implementation efforts comprehensive and effective, state that Parties should "Reject partnerships and non-binding or non-enforceable agreements with the tobacco industry", and "denormalize and, to the extent possible, regulate activities described as 'socially responsible' by the tobacco industry, including but not limited to activities described as 'corporate social responsibility'". The *Model Policy*, although not binding on the ILO, is directed to it as a member agency of the UNIATF. Its purpose is "to ensure that efforts to protect tobacco control from commercial and other vested interests of the tobacco industry are comprehensive, effective and consistent across the United Nations system including the UN itself and its funds, programmes, specialized agencies, other entities and related organizations".

⁴ 174 member States of the ILO are Parties to the FCTC, including Brazil, China, India, United Republic of Tanzania, and Uganda.

⁵ Decision FCTC/COP2(14). See the [Guidelines](#).

36. Consistent with its purpose, the *Model Policy* sets forth guiding principles and a list of non-exhaustive specific measures from which the ILO, as a member agency, “should select the most appropriate ones that are applicable to [its] case”. The *Model Policy* sets out stringent measures to “limit interactions and avoid any real or perceived partnership with the tobacco industry”, including in particular “reject[ing] partnerships, joint programs, non-binding or non-enforceable agreements and any other voluntary arrangements with the tobacco industry”. The ECOSOC resolution, despite its non-binding character, reinforces significantly the global policy framework and level of coordination against tobacco industry interference.
37. In the analysis of the Office, the current PPPs, which predate the formulation of the *Model Policy*, run counter to certain key provisions, notably the recommendation that UN agencies should “reject partnerships, joint programs, non-binding or non-enforceable agreements [...] with the tobacco industry”. In light of the principles enumerated in paragraph 32, and as elaborated in subsequent paragraphs, and without prejudice to the existing PPP policy, it would therefore not be appropriate to renew the PPPs with the tobacco industry after their expiry in 2018.
38. In assessing alternatives to the current PPPs, the Office has also explored whether, and if so how it could receive funds from the tobacco industry in support of the integrated strategy consistent with the *Model Policy* as well as its own mandate and avoid interfering with the obligations of member States who are Parties to the FCTC. The option of establishing a Fund that had safeguards ensuring against interference by the tobacco industry was raised during the previous Governing Body discussion. Building on that suggestion, one option could be to establish a Fund focusing on Agricultural Development more broadly, for example. The potential implications of such a Fund are examined below to facilitate the discussion of the Governing Body.
39. The Office analysis assumes that the ILO would administer the Fund in accordance with its Financial Rules and practices and that private enterprises would be eligible to contribute to it. The analysis further assumes that such a Fund would promote decent work in the tobacco sector and agricultural diversification, in line with the integrated strategy and Article 17 of the FCTC. The Office has assessed the feasibility of such a Fund in light of the principles enumerated in paragraph 32 and as elaborated in subsequent paragraphs. Consistency with the *Model Policy* would require that special safeguards be put in place, including the following: (a) neither the ILO nor private donors would publicize the identity of Fund contributors; (b) disclosure of the identity of private donors to the Fund, except for purposes of compliance with legal reporting rules and other binding requirements, including through promotion, advertisement, or other means, would be prohibited; (c) donors would not be involved in, nor influence, decision making about the specific use of resources in the Fund to implement the integrated strategy, nor would they be permitted to; (d) use the ILO logo in any written materials they disseminate; and (e) disseminate any correspondence or other materials related to the Fund that they might receive from the ILO. Such safeguards would be established in the Terms of Reference of the Fund and all donations would be subject to a written acceptance of those Terms of Reference.
40. With respect to the ILO, such a Fund could be a means to prevent conflict of interest and real or perceived interference in tobacco control policies by the tobacco industry, while allowing the industry to financially support the implementation of the integrated strategy. Ensuring that no donor has control over the use of any contribution to the Fund, and is unable to advertise or otherwise promote a contribution, would establish a separation between the activities of the ILO in the use of the Fund and activities of the tobacco industry, and does not therefore seem to raise the same legal objections as the PPPs do with regard to the *Model Policy*. Unlike a PPP, in which discussion of cost estimates and tailored strategies would normally take place prior to the conclusion of an agreement, donors to the Fund would

simply contribute to an overall strategy that they have no ability to formulate or influence. In this respect, the Fund arrangement could not be deemed to create any “partnerships, joint programs, non-binding or non-enforceable agreements” with the industry, nor would it be a “voluntary arrangement [...] with the tobacco industry”.

41. On the other hand, with respect to implications for member States, recalling the Guidelines for implementation of Article 5.3 of the FCTC, establishing such a Fund might give rise to inconsistencies related to compliance with the FCTC and the Guidelines. Some States parties to the FCTC have stated that the ILO’s possible acceptance of funding from the tobacco industry, even if channelled through a Fund, would preclude them from becoming development partners for the integrated strategy, based on their own initiatives to comply with the FCTC. In addition, enforcing the anonymity of donors might at times present some challenges; and this could hamper efforts to ensure that no publicity with respect to donors’ contributions to the integrated strategy as “socially responsible” measures occurred. A number of member States have also raised concerns about reputational risk to the ILO from accepting funding from the tobacco industry, even if received from such a Fund, particularly in the context of UN system-wide coherence and reform efforts.
42. Given these considerations, the establishment of such a Fund could limit substantially the possibility of establishing a broad base of development partners for the integrated strategy, violating the second principle described in paragraph 32.
43. With regard to alternative sources of funding, constructive discussions are under way with public partners to provide development cooperation funds for affected countries which are expected to be available in the near future. Consultations are under way to identify possible synergies with World Bank loans and programmes. In addition, and as discussed in GB.332/POL/5, the ILO will also make available Regular Budget Supplementary Account funds for the integrated strategy to ensure continuity of existing projects. As a result, the Office does not anticipate a disruption of technical assistance.
44. The Office believes that this combination of alternative funding will provide a basis on which to begin implementation of the integrated strategy and to ensure continued presence of the ILO in affected countries. At the same time, the industry has the possibility to continue funding its own programmes in tobacco-growing communities through national and international civil society organizations.
45. For sustainable results, national governments should continue promoting enabling policy environments. Industry should invest in improving working conditions in enterprises in its value chain to ensure that they respect labour rights. Both should invest in strengthening the capacity of social partners to steer and contribute to the implementation of the integrated strategy. Development partners should invest in supporting the implementation of relevant nationally owned policies.

Draft decision

46. *The Governing Body welcomed the integrated strategy for decent work in the tobacco sector, including the outcomes of national consultations in some of the most affected countries and requested the Office:*
 - (a) *as a matter of urgency to organize a tripartite meeting to promote exchange of knowledge for the implementation of the strategy, with the participation of the directly affected countries and social partners in the tobacco sector;*

- (b) to begin implementation of the integrated strategy using Regular Budget Supplementary Account funds in the short term as well as public funding that has become available; and*
- (c) to continue efforts to mobilize alternative sources of funding for the integrated strategy and to build a broad coalition of development partners, taking into account the views expressed by members of the Governing Body.*