Just recovery and transition: IFIs must act to end the pandemic and achieve a sustainable future

Statement by Global Unions to the Annual Meetings of the IMF and World Bank, October 2021

Introduction

1. Global Unions[1] urge the International Financial Institutions (IFIs) to maintain crisis response footing. Developing countries face gaps in fiscal stimulus, social protection, care, public health, climate finance, and vaccine access. High-income countries have smaller gaps but in the first half of 2021 had the largest relative shortfall of working hours compared to a no-pandemic scenario.[2] The conditions are ripe for a divergent recovery between and within countries, with working people everywhere in a dangerous position. Ambitious public investment for the future is needed, including in the workforces for quality public services and the care economy. IFI pressure to reduce public sector wage bills is sapping already inadequate workforces, standing in in the way of a recovery that achieves the Sustainable Development Goals on education, health, and more. This must change.

2. Trade unions call for replenishment of the World Bank arm for low-income countries, the International Development Association, to provide the resources and policy changes for recovery.[3] Global Unions appreciate the issuance of 650 billion in Special Drawing Rights by the International Monetary Fund (IMF) to boost liquidity and free up resources. To fulfil its role as the global financial safety net, the Fund should encourage the reallocation with an emphasis on debt-free mechanisms, continue low-conditionality emergency lending, and end surcharges. IFIs are poised to expand engagement on climate but must incorporate just transition with workers and social dialogue at the centre. On loan project sites, trade union access and Bank monitoring of labour safeguard compliance should not be unduly restricted under the guise of pandemic safety.

3. Social protection has been integral to the pandemic response. The IFIs should maintain support for emergency social protection measures and help build universal social protection and the care economy. Global Unions call on the IFIs to uphold the definition agreed at the 2021 International Labour Conference: "Universal social protection entails actions and measures to realise the human right to social security by progressively building and maintaining nationally appropriate social protection systems, so that everyone has access to comprehensive, adequate and sustainable protection over the life cycle, in line with ILO standards."[4]

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[1] The Global Unions group is composed of the International Trade Union Confederation (ITUC); the sectoral Global Union Federations BWI, EI, IAEA, IFJ, IndustriALL, ITF, IUF, PSI and UNI; and the Trade Union Advisory Committee (TUAC) to the OECD.

[2] ILO, World Employment and Social Outlook: Trends 2021 , <https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_795453.pdf>.

[3] ITUC, Quality jobs and sustainable economic transformation: Recommendations for the 20th replenishment of the World Bank's International Development Association, <https://www.ituc-csi.org/ida-recommendations-en>.

[4] 109th International Labour Conference, Resolution concerning the second recurrent discussion on social protection, <https://www.ilo.org/ilc/ILCSessions/109/reports/texts-adopted/WCMS_806099/lang--en/index.htm>.

Universal vaccine access: Expanding production, distribution, and equity

4. The low vaccinations rates in developing countries constitute an emergency. Countries that escaped earlier waves can have outbreaks at any time, leading to variants and elevated risks to global public health as occurred in India. This is a potent manifestation of global inequality between countries. Inequality within countries can also hinder rollouts, particularly when supplies are limited. As of August, only 5 per cent of pre-purchased doses had been delivered to low-income countries. This comes on top of gaps between the number of pre-purchased doses and the amount needed to hit the goal of 40 per cent vaccination by the end of 2021. Middle-income countries with better delivery rates still face a gap between secured and necessary doses.

5. The Bank has established a partnership with the African Union and committed $12 billion on vaccines, testing, and therapeutics. More is needed to rapidly spur vaccine production on the scale needed. The Fund's $50 billion vaccine finance plan includes over $9 billion related to manufacturing investments and technology transfer. However, the estimated cost of vaccine purchasing is based on market prices under the current concentration of production and sales in the hands of a few pharmaceutical companies. This is not the only option. Leveraging the role of public funding in the research and development of vaccines alongside knowledge transfer and investments in expanding capacity could create a more affordable pathway.[5] The IFIs should use their influence to support intellectual property measures, including a WTO TRIPS waiver and the WHO COVID-19 Technology Access Pool. This can be part of a strategy for industrialisation in Sub-Saharan Africa, which has experienced both unjust access to COVID-19 vaccines and shortages of pharmaceuticals during the pandemic. The IFC Global Health Platform aims to address this issue and should be complemented by more efforts on the public sector side.

6. Working people face significant challenges to access, including the time and lost income from seeking out the vaccine. Marginalised groups, including undocumented migrant workers who fear deportation or have no linkage to health services, face unique obstacles. Funding from the Bank should ensure equity, including through plans for paid time off, income compensation for informal workers, anti-discrimination measures, and inclusion plans for marginalised groups.

Global financial safety net: Reallocate Special Drawing Rights and end surcharges

7. The Fund may not be fulfilling its role as the global financial safety net in 2021. As of July 31, the repayments, interest, and fees paid by borrower countries to the IMF exceed new financing in 2021 by 2.2 billion. There is a net positive from the IMF to the low-income countries that benefit from concessional loans and repayment cancellation, but it is outweighed by 5.7 billion in loan repayments and paying 1.7 billion in charges and fees paid by middle-income countries. Many of these countries are squeezed and will need to turn to the Fund in the coming months and years. Current surcharges based on the size of the loan and repayment timeline will create an unfair, counterproductive burden. Worse, it would mean the IMF effectively profits from the crisis.

8. Global Unions call on the IMF to eliminate surcharges, suspend other fees, and expand zero-interest lending.[6] Surcharges have only existed since the late 1990s. The Fund sees

[5] Public Citizen, $25 Billion to Vaccinate the World, <https://www.citizen.org/article/25-billion-to-vaccinate-the-world/>.
[6] Open letter, IMF Surcharges Punish Developing Countries, <https://www.brettonwoodsproject.org/wp-content/uploads/2021/06/Surcharges-Open-Letter-Former-UN-IE-on-debt-and-Human-Rights-June-2021.pdf>.

surcharges as a source of income and to “discourage large and prolonged use of IMF resources”. This is precisely what many middle-income countries will need to avoid a divergent recovery. There is no moral hazard at the current moment, only the moral obligation of international solidarity. The Fund is preparing a proposal for a Resilience and Sustainability Trust, which should include eligibility for middle-income countries, and follow the Poverty Reduction and Growth Trust by using zero per cent interest rates and limited conditionality.

9. Possibilities are opened by the largest-ever issuance of Special Drawing Rights (SDRs). This unconditional support is the appropriate reaction to an unprecedented human and economic crisis. Attacks on allocation related to illegitimate governments are spurious. IMF procedures on recognition have proven capable of handling specific cases. The impact of issuance is blunted by the proportional allocation that channels much of the new international reserve assets to countries that did not need additional reserves and have already injected trillions of additional liquidity into their economies. The Fund should create a mechanism for pooling donated SDRs and reallocating to developing countries with liquidity and reserve needs, avoiding the debt burdens and failed conditionality of loans.[7] There is a unique opportunity to leverage the allocation. Donor governments would only pay an interest rate of 0.05 on the donated SDRs. To facilitate reallocation, the Fund has the authority to set the interest rate lower or create a cap. In 2014, a floor of 0.05 per cent was instituted when the rate otherwise would have gone lower.

10. An emphasis should be placed on grant-based financing to avoid raising existing debt burdens. Reallocation can include donations to the IMF Catastrophe Containment and Relief Trust that enable the extension of repayment cancellation for low-income countries, and extension to lower-middle income countries. SDRs can also go to multilateral development banks, which are prescribed holders of SDR. Countries that had adequate reserves and liquidity before the allocation can also keep some of the new SDRs and used freed-up resources to donate to a range of urgent needs, including global funding of vaccines, social protection, health, and climate-friendly job creation. Global Unions call on high-income countries with adequate reserve assets to reallocate the entirety of their SDRs or make donations in an equivalent amount.

Alignment with Paris Agreement means supporting a just transition for workers

11. The 2021-2025 Bank Climate Change Action Plan prioritises just transition in coal and notes that “just transition must integrate sustainability, including environmental remediation, as well as decent work, social inclusion, and poverty reduction”. In contrast, the previous strategy had zero mention of just transition. The Paris Agreement recognised “the imperatives of a just transition of the workforce and the creation of decent work and quality jobs”. The Bank and IFC are working with other development banks to define Paris alignment and measuring contributions.

12. The world of work is intrinsic to just transition. However, in IFI documents, it is often used to vaguely describe fairness and assisting the vulnerable, including countries, communities, or subnational regions. Even when displaced workers are mentioned as recipients of social protection and training, or the job creation potential of climate action is presented, workers have no voice in policymaking. This ignores the prerogative of dialogue between governments, the social partners, and international organisations to integrate just transition into macroeconomic,

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[7] Bradlow and Gallagher, Making $650B in SDRs work for lower-income countries, Devex, <https://www.devex.com/news/opinion-making-650b-in-sdrs-work-for-lower-income-countries-100546>.

sector, and labour policies in the ILO *Guidelines for a just transition towards environmentally sustainable economies and societies for all*. The COP 24 *Solidarity and just transition Silesia declaration* recognised the guidelines and underlined the key elements of quality job creation, social dialogue, labour standards, and social protection.[8]

13. Global Unions call for the IFIs to align their definitions of just transition with these guiding principles. The ground-breaking industrial transformation agreement between the Korean Metal Workers' Union and the metal employers' association covers climate and digital change.[9] Implementation of the Bank action plan should always uphold social dialogue, including tripartite creation of roadmaps and collectively bargained transformation agreements at the sector and national levels. Although aiming for a just transition in energy, the plan indicates a continuation of traditional Bank advocacy for restructuring, privatisation, and outsourcing in the power and utility sector, which has consistently hurt labour rights and working people. Beyond energy, the plan aims at wide-ranging changes in agriculture, cities, transport, and manufacturing.[10] The aim of moving from informal urban transport and waste management to climate-friendly formal systems will have wide-ranging employment effects. Plan implementation should address a just transition to quality jobs for the marginalised, informal, and essential workers currently in these systems.

Address global climate transition risks with public investment and industrial policy

14. The new IMF climate paper moves away from an excessive focus on carbon pricing. Attention is paid to the nexus of climate and financial stability, prioritises the highest emitters and most vulnerable countries, and seeks to integrate climate into macroeconomic advice. In keeping with the ILO guidelines, the Fund should convene social dialogue on integrating climate and just transition into macroeconomic policymaking. The strategy is weaker and less detailed on loan design compared to policy advice. Global Unions call for reform of IMF conditionality, including measures that undermine labour rights, collective bargaining, universal social protection, public investment, and industrial policy. All are essential parts of the enabling environment for a just transition that steers clear of both inaction and uncoordinated shifts.

15. The strategy looks to help all member countries address the 'transition risks' associated with reconfiguring tax, regulation, and other policies. The focus is on domestic policies. Attention is needed to the transition risks of global or regional carbon pricing for developing countries. The current trajectory of divergent recovery, inadequate debt relief, and Fund advice that prevents or discourages public investment in developing countries will fatally undermine sustainable transformation and development. Cross-border carbon prices would then create further structural disadvantages for developing countries in the global economy, fuelling balance-of-payment crises. This goes to the heart of the IMF mandate and should be on the top of the agenda.

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[8] ILO, Guidelines for a just transition towards environmentally sustainable economies and societies for all, <https://www.ilo.org/global/topics/green-jobs/publications/WCMS_432859/lang--en/index.htm>.
COP 24, Declaration on just transition, <https://cop24.gov.pl/presidency/initiatives/just-transition-declaration/>.
[9] IndustriALL Global Union, KMWU concludes first industry-level transformation agreement with Korean employers, <http://www.industriall-union.org/kmwu-concludes-first-industry-level-transformation-agreement-with-korean-employers>.
[10] See: ITF, Recommendations for sustainable & socially just local public transport funding; and The pandemic, local public transport funding and union responses, <https://www.itfglobal.org/en/sector/urban-transport/additional-policy-material>.

Recommendations to the International Financial Institutions

- Enable universal vaccine access by financing expanded production, fair distribution among countries, and equitable rollouts.
- Convene countries and social partners to plan coordinated public investment for recovery, including strategies to boost job creation and strengthen labour market institutions.
- Institutionalise tripartite social dialogue and input from international organisations in the creation of loan programmes, country and sector strategies, and policy advice.
- Help finance and build progressive revenue streams for universal social protection, the care economy, and quality public services to boost gender equality and living standards.
- Reform conditionality and policy advice on labour, ending promotion of deregulatory reform, discouragement of social dialogue, and decentralisation of collective bargaining.
- Assist countries in reaching the defined thresholds of workers needed to meet the SDGs, ending policy advice and loan conditions that suppress the public wage bill.
- Prepare rapid response plans for attacks on democracy, including protection of project workers and enhanced dialogue with independent unions.
- Support use of the G20 Common Framework for debt treatments, a permanent multilateral debt restructuring venue, and incorporate sustainable development in debt analyses.
- Extend use of the IMF Catastrophe Containment and Relief Trust (CCRT) to cancel repayments through April 2022 and create a similar mechanism at the Bank.

The IMF should:

- End surcharges permanently, continue rapid emergency lending, and redouble crisis response with a suspension of fees and lowering of interest rates.
- Encourage and facilitate transfers of Special Drawing Rights by high-income countries to the CCRT, a new reallocation trust, and other channels with an emphasis on grants.
- Apply guidance on economic and gender inequality to all policy advice and loan programme design, choosing alternative policy packages to avoid increasing inequality.
- Create guidelines on designing social spending floors in loans, aligned with ILO standards on social protection and the SDGs on health and education.
- Address the structural threats to recovery and stability through financial regulation, especially of non-bank financial institutions, and a financial transactions tax.
- Convene dialogue among central banks on full employment and climate in frameworks.

The World Bank Group should:

- Systematically integrate employment into results measurement frameworks at the project and institutional level, measuring the quality and quantity of job creation.
- Verify Development Policy Loans alignment with relevant international labour standards.
- Improve labour safeguard implementation with trade union dialogue in project design, anti-retaliation measures, better disclosure, and deadlines to probe and remedy violations.
- Publish annual data on worker fatalities and incidents on projects, using the information to improve outcomes. Prohibit the use of asbestos-containing materials.
- Adopt a Board-approved strategy to reduce inequality and boost shared prosperity.
- Promote tripartite just transition taskforces, aligning investments with their plans. Foster quality job creation in sectors and supply chains key to net-zero carbon emissions.