EXECUTIVE SUMMARY

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SOVEREIGN DEBT, THE SUSTAINABLE DEVELOPMENT GOALS (SDGs) AND TRADE UNION RESPONSES

The growing global debt crisis threatens workers' rights and a lost decade in development: trade unions have a key role in achieving sustainable solutions

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Countries around the world face multiple overlapping crises that threaten living standards for workers everywhere. The Covid-19 pandemic, global geopolitical conflict, and climate change are all complex shocks that go beyond any country's borders, but they have profound impacts on the ability of governments to meet the sustainable development goals and deliver the new social contract the global labour movement demands.

One consequence of these crises is a growing number of countries with an unsustainable debt burden. The International Monetary Fund (IMF) has stated that "the situation is increasingly grave for economies in or near debt distress, including 30 per cent of emerging market countries and 60 per cent of low-income nations."[1] The head of the World Bank has warned that "many more countries are in a situation where their debt is unsustainable," and there is "just not going to be enough money for them to pay the debt service."[2] The consequences of this situation for workers is dire: recent research shows that low-income countries are now spending more on debt service than on social protection, education, health and climate mitigation measures *combined*, leading some experts to call this 'the worst ever debt crisis'.[3]

The debt crisis impacts workers directly, and trade unions must act to ensure that sustainable solutions to it are put forward. Trade unions have already been on the frontline of recent efforts to protect workers against the devastating effects of economic catastrophe in countries including Argentina, Sri Lanka, Ghana, Zambia and Tunisia. But we must deepen our engagement because sovereign debt distress harms workers in multiple ways, from the initial shock to long-term economic damage. Austerity policies implemented by governments, often in consultation with international financial institutions, have in many cases affected unions' collective bargaining power, limited workers' rights and freedoms, reduced their wages, curtailed public services, and limited funding for social protection and social security. Over the long term, unsustainable debt drains away the scarce resources that are so urgently needed to meet the Sustainable Development Goals (SDGs) and invest in a Just Transition.

Unfortunately, the international response to the debt crisis has so far fallen far short of what is required in terms of comprehensive and lasting solutions:

- The G20's Debt Service Suspension Initiative and Common Framework attempted to address the complex problems of debt relief but have not provided the kinds of comprehensive solutions the current situation requires. Trade unions can support concrete improvements to these structures.

- The international Financial Institutions (IFIs), particularly the IMF, continue to advocate for austerity and fiscal consolidation, which can undermine the

1 Kristalina Georgieva, IMF Blogs
2 https://www.devex.com/news/china-is-owed-37-of-poor-countries-debt-payments-in-2022-world-bank-102463#
3 See Debt Service Watch (2023) 'The Worst Ever Debt Crisis'

goal of debt sustainability by eroding growth. Trade unions urge them to adopt updated and comprehensive models of sustainability, embrace needed social protection spending, and create more avenues for meaningful social dialogue and participation in frequently opaque negotiations for loan programmes.

The insufficient speed and scale of debt relief jeopardises not only the achievement of the sustainable development goals, but the democratic legitimacy of development finance. Governments around the world are currently unable to respond to even urgent domestic needs because outside shocks saddled them with unpayable debt — and our existing international financial architecture has not provided adequate relief. As the largest democratic movement in the world, the trade union movement must engage and respond with proposals that protect workers and allow decent work and sustainable development to continue.

This report is designed to provide trade unionists, governments, and multilateral institutions with the tools they need to confront the global debt crisis and understand the position of workers within it. The tools of the trade union movement — democratic representation, social dialogue, and collective agreement — will all be necessary to resolve this growing crisis, and workers can't afford to stay on the sidelines.

RECOMMENDATIONS: TRADE UNIONS CAN PLAY A KEY ROLE IN ADVANCING AN AGENDA FOR LASTING CHANGE ON SOVEREIGN DEBT

Trade Unions have a unique role to play in helping shape policy responses at various levels of the debt crisis. This report has outlined priorities for trade unions within an agenda for lasting change. Internationally, trade unions should:

Support efforts for faster and deeper debt relief for those in urgent need

- Demand that the G20 and IFIs urgently reverse the failures in their response to the debt crisis and address the shortcomings of the Common Framework.
- Lobby for deep debt relief including 'haircuts' by official and private creditors with the provision of adequate finance to ensure rapid jobs-led recoveries while avoiding a new cycle of debt.
- Demand for the removal of IMF surcharges that punish countries most in need of the global financial safety net.
- Support further issuance of Special Drawing Rights by the IMF to ease liquidity pressures without adding onto existing debt burdens.

Shift the response of international financial institutions and national governments to debt crises

- Demand an overhaul of the outdated approach used by IFIs to assess debt sustainability, to prioritise long-term growth and productive investment to meet the SDGs rather than short-term fiscal contraction.

- Fight back against destructive and counter-productive austerity policies and attacks on workers' rights and instead encourage job-led recoveries and the mobilisation of domestic tax resources in a progressive manner.

- Shift the IFI's approach to social protection to ensure that IMF and World Bank programmes truly build universal social protection systems as opposed to inefficient and problematic targeted measures.

- Demand meaningful participation and dialogue for trade unions in discussions between governments and the IFIs on the design of loan programmes to ensure that workers' views are heard and reflected.

Achieve lasting solutions to resolve debt crises in the future

- Continue advocating for the long-term goal of establishing a proper international Sovereign Debt Restructuring Mechanism that can quickly resolve sovereign debt crises and focus on protecting the human rights of affected populations.

- Support ongoing efforts to force private creditors to participate fully in debt-relief initiatives, including through new legislation in major financial centres such as New York and London.

- Fight to improve transparency around sovereign debt both internationally (including new binding principles for responsible borrowing and lending) and nationally through strengthened reporting and accountability mechanisms and proper scrutiny of public finance decision-making more generally.

- Critically assess and monitor proposals for new instruments for debt financing, including state-contingent bonds (natural disaster, GDP warrants, SDG bonds, climate bonds), and local-currency bond markets to ensure that debt is used sustainably in the future as a tool for achieving the SDGs and a Just Transition.

- Ensure that domestic debt is handled carefully and separately from claims by foreign creditors within a careful assessment of the costs and benefits of any domestic debt restructuring, especially where there are threats to the savings and pensions of workers who are already suffering under debt crises.

At the *national level* trade unions can:

- Work to put pressure on governments and creditors to ensure that policy responses are shaped to protect workers and vulnerable people.

- Build their understanding and capacity on debt and public finance, as well as make linkages with national CSO networks on these issues.

- Demand active and meaningful participation in debt discussions and put out clear positions and statements at an early stage in negotiations (e.g. with the IMF or government).

- Support greater scrutiny and transparency of government debt and public finance, for example through enhanced civil society involvement in the budget process, and monitoring. There must be greater transparency around ‘contingent liabilities’ (resource-backed loans) and non-disclosure clauses in debt contracted by governments. More broadly there is a chance to use debt crises to reform governments’ approaches to development financing, fiscal and investment policies to enhance their impact on growth, job creation and social protection.

- Share information and best practice experiences about engaging on debt and finance related issues with trade unions in other countries and at the regional and global level – whether for example as part of negotiations on an IMF programme or with government on planned budgetary measures aimed at reducing debt levels.

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