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Putting democracy at the heart of the international financial architecture

Trade Union demands to the Financing for Development Forum 2024

The FFD Forum must deliver for a New Social Contract

The **world of work has been undertaking key transformations** linked to technological changes, climate change, demographic shifts and globalisation, but also to growing inequalities within and among countries. At the same time, the world faces multiple **interconnected crises** - including the proliferation of armed conflicts – that are turning decent work into an illusion for the majority of workers and leaving the promise of the SDGs severely off track.

Given this framework, the ITUC has been calling for a **New Social Contract, based on six key demands: 1) the creation of decent and climate-friendly jobs with just transitions; 2) rights for all workers; 3) minimum living wages and equal pay; 4) universal social protection; 5) equality and non-discrimination, and 6) inclusion.**

Moreover, in a historic year when more than four billion people will go to the polls, **democracy and the rule of law** are increasingly under attack, with direct consequences on labour rights and fundamental freedoms. For this reason, the ITUC has launched its "For Democracy" campaign, aiming to unify the power of working people towards a trade union vision for democracy and social dialogue.

The **UN Financing for Development Forum has a key role to play in making the New Social Contract a reality.** The Forum should be the place to back SDGs commitments with sufficient funding, commit to bold financing policies that contribute to social justice, and democratise the governance of international finance, taxation, and trade. Moreover, it should pave the way for an ambitious 4th UN Financing for Development Conference 2025, where UN Member States link the policy and financing debates on SDGs and agree on a structural reform of international financial architecture, to align it with social justice and democratic values.

Specific recommendations on financing for development workstreams

1. **INCREASE AND IMPROVE DEVELOPMENT COOPERATION:** International commitments to provide 0.7 per cent of donor GNI for ODA, and to adhere to the effectiveness principles, have not been delivered on. Given this year's multiple elections also in donor countries, far-right, authoritarian, and populist forces could continue to rise, bringing along a negative impact on development cooperation budgets, the latter being subjected to national interests and priorities. We urgently need to **scale up ODA and meet the 0.7 per cent commitment, with 0.15 to 0.20 per cent of GNI for the least-developed countries.**

   Moreover, ODA should be directed towards supporting key SDG 8 related policies, such as decent job creation, full employment, social protection, occupational health and safety, equal pay for work of equal value, decent work for migrants and youth, formalisation, eradication of forced labour, quality public services including the care economy and just transition.

Blended finance mobilised through ODA should promote decent job creation and ensure compliance with ILO standards, due diligence and responsible business conduct instruments. Donors should significantly increase funding to social protection to reach at least 7 per cent of ODA allocated to social protection by 2030, and gradually increase this to 14 per cent, including through the aforementioned Global Social Protection Fund.

2. **MORE CLIMATE FINANCE WITH JUST TRANSITION:** climate finance and just transition are in urgent need of increased resources. The target of USD 100 billion of climate finance per year is still not being met. Annual net-zero investments have to grow three- to six-fold by 2030, according to the latest report from the IPCC. In developing countries, the need is even greater, with an investment expansion of four to eight times required, growing annual green investment from less than USD 500 billion a year to potentially over USD 3 trillion per year. The use of these resources must guarantee that the transformation towards a sustainable economy does not leave workers behind and guarantees the creation of decent jobs, in line with the ILO and the United Nations Convention against Climate Change.

   Closing this gap will require a system-wide approach based on social dialogue and stakeholder engagement. Just transition priorities must be included in the longstanding USD 100 billion climate finance pledge from industrialised to developing countries. The MDBs need to implement robust just transition principles rooted in social dialogue and incorporate them into scaled-up capital flows to help overcome market and policy barriers to inclusive climate action, notably in the Global South. Climate finance is required not just for climate mitigation but also for dealing with the impacts of the climate crisis. Development finance must increase for **climate adaptation**, which is currently underfunded.

3. **STEPPING UP THE ROLE OF PUBLIC DEVELOPMENT BANKS: Increased concessional finance will need to do the heavy lifting for the recovery and resilience needs ahead.** Multilateral, regional and national development banks and other development finance institutions have an important role to play in offering long-term and counter-cyclical financing to developing countries. As highlighted by the 2024 Inter-Agency Task Force Report, "while there have been some notable efforts from MDBs to improve the terms of lending, the push for more hybrid capital and crowding in of private investment is worrisome and casts doubt on the availability of concessional financing, which has been declining as a share of total lending since its peak in 2024."[1]

   Public development banks should better support national country needs, especially in strategic sectors, and systematically integrate employment into results measurement frameworks. This includes measuring the quality and quantity of job creation, while abandoning macroeconomic conditionalities, privatisation of publicly owned infrastructure and resources and the precarisation of the labour market. Central banks should be more developmental in the way they create and guide capital, integrating other objectives, including full employment and climate, in their frameworks and mandates.[2] Regional development banks can also be key players, as long as their investments are aligned with the SDGs.

4. **TAX JUSTICE THROUGH PROGRESSIVE TAXATION AND GLOBAL REGULATION**: Domestic resources mobilisation needs to be increased by promoting progressive and fair taxation systems at the country level. This involves avoiding indirect taxes, which levy the most to lower incomes, affecting workers' consumption capacity, and generating worse results in terms of GDP growth,

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[1] See draft of the [2024 Financing for Sustainable Development Report] p.101.
[2] ITUC, [Financing a just and sustainable recovery in developing countries], October 2020.

employment creation and household incomes. Therefore, ODA should also be dedicated to supporting the building of national fiscal capacity, in the respect of international standards of good governance. Governments should also tackle precarious and informal work and promote the formalisation of the informal economy, in order to improve working conditions and strengthen the financing base. Governments also have the responsibility to fight tax evasion of companies that undermine the sustainability of public finances and social protection systems

At the international level, **improved global governance on taxation** should be promoted to address inequalities between countries, and to tackle tax evasion, tax avoidance and illicit financial flows. Moreover, there is an urgent need for a multilateral reform of the current **corporate tax architecture**, including a minimum tax floor of 25 per cent for all corporations, a switch to unitary taxation with fair allocation factors, a billionaires' or wealth tax, and a financial transactions tax.

The ITUC supports a strengthened international tax cooperation framework, where the UN can be central to meet our demands for an accountable, ambitious and transparent global decision-making on tax matters. It can also provide an equal playing field for developed and developing countries. We call for the cooperation and articulation between all the initiatives at multilateral and bilateral level that would help to achieve to objectives to improve global and national fairness by means of functional taxation that benefits workers and their families.

5. **BUSINESS ACCOUNTABILITY:** SDG 8 must be at the centre of private sector financing strategies. Supporting decent work requires an adequate **regulatory framework to ensure that investments comply with ILO standards, responsible business-conduct principles, and due diligence to ensure the respect of human and labour rights along the entire supply chain**. It is imperative to move towards the adoption of a binding **United Nations treaty on multinationals and human rights** and to support regional initiatives in terms of due diligence.

   The UN Guiding Principles on Business and Human Rights are equally relevant when it comes to “**innovative” financing vehicles, such as blended finance, despite existing concerns on its increasing relevance in development cooperation strategies at the detriment of public-based ODA**. In the absence of consistent evidence on its added value in terms of development impact, increased accountability and transparency mechanisms are needed through binding criteria for eligibility and compliance with international labour, fiscal and environmental standards.

   Facilitating access to **finance for micro, small and medium enterprises (MSMEs**), will enhance their job-creating potential and could contribute to the formalisation of the informal economy when complemented with the right incentives and enforcement measures. The social and solidarity economy, as highlighted in the UN resolution “Promoting the Social and Solidarity Economy for Sustainable Development”, can also play a role in support of workers, considering its potential in terms of jobs creation and formalisation.

6. **DEBT RELIEF, RESTRUCTURING AND CANCELLATION:** Multiple crises facing the world have dramatically increased global debt levels and put many countries at risk of sovereign debt distress, threatening much-needed investments and leading to a ‘lost decade’ in progress towards the SDGs. Similarly, the interest rates applied to indebted low- and middle-income countries are suffocating emerging economies. **Debt relief, restructuring and cancellation** should be applied on request and in a timely way to low- and middle-income countries facing significant pressure. Such relief should be substantial enough to bring countries back to at least moderate levels of long-term debt sustainability, to avoid the risk of repeated cycles of crisis, and to allow them to invest in a recovery aligned with SDG 8 that contributes to decent job creation and income redistribution policies. More than two years on after its creation, the **G20 Common Framework for debt treatment** has thus far proven inadequate in fulfilling this task. It needs urgent improvements to

provide greater clarity to both debtors and creditors on timeframes and debt relief expectations. Furthermore, its eligibility needs to be expanded to indebted middle-income countries in dire need. Relief should be extended automatically to support countries affected by natural catastrophes and environmental disasters caused by climate change. Any agreement on an enhanced and expanded Common Framework should be used as a catalyst towards a **permanent multilateral process to tackle sovereign debt challenges** and to ensure private creditor participation in debt restructuring. Debt relief and new multilateral financing should be additional to existing commitments, and used alongside international tax reform to ensure adequate investments in recovery and to avoid debt traps while creating fiscal space for investments in the SDGs.

7. **AMBITIOUS TARGETS FOR SPECIAL DRAWING RIGHTS REALLOCATION**: While supporting additional issuances of IMF Special Drawing Rights, the ITUC welcomes the creation of the Resilience and Sustainability Trust (RST) to redirect Special Drawing Rights allocated to high-income countries that already have adequate reserves. The goal of redirecting USD 100 billion in Special Drawing Rights to IMF trust funds and multilateral development banks should be seen as a minimum target. The RST is a step forward in recognising that **transformative measures are needed** to anticipate and mitigate shocks related to climate, health, digitalisation and other challenges. The global community has not done enough to support middle-income countries and vulnerable island states during the pandemic, nor for climate mitigation and adaptation. The broad eligibility criteria of the proposed Trust Fund are therefore welcome. However, accessing the Trust Fund should not be tied to having an existing traditional IMF programme, which is at odds with the proactive intent of the Trust Fund and has already led to adverse impacts on workers. The IMF should be reformed to best support transformation and effective crisis response, avoiding past mistakes of weakening labour market institutions.[3] Ultimately, financing programmes led by the World Bank and the IMF should be designed and implemented through social dialogue, in compliance with international labour standards and in cooperation with the ILO.

8. **REFORM THE MULTILATERAL TRADING SYSTEM**: We are living under an unbalanced global trading system that prioritises the interests of businesses from wealthier countries over the development of less wealthy nations. The international trading system needs to be reformed to prioritise social justice. **WTO rules need to be updated to include labour and environmental standards, ensure a Just Transition and deliver on the development agenda. The corporate agenda of e-commerce has to be abandoned** to allow space for governments to pursue national digitalisation strategies.

   Labour standards must be embedded in the WTO through and authoritative interpretation of its treaties that recognises that the ILO Declaration on Fundamental Principles and Rights at Work applies to all WTO members that are also ILO members. Greater cooperation is needed between the WTO and the ILO in the context of the ILO Global Coalition for Social Justice, as well as through better participation of the ILO in WTO proceedings. This will contribute to strengthening the respect of labour rights in trade policy. In addition, due diligence and responsible business conduct instruments need to be formally included in trade agreements.

   A just transition for trade is needed to promote green pathways and low carbon supply chains that provide decent jobs with living wages and advance labour rights. Special provisions need to be put in place to ensure that developing countries benefit from the climate transition. These should include special and differential treatment, technology transfers, technical support, and capacity building including for social partners, with skills and qualifications development, to enable the

[3] Global Unions, Decent work, collective bargaining, and universal social protection: The IMF and World Bank at a crossroads, March 2022.
ITUC, Reforming the IMF for a resilient recovery, March 2021.

expansion and use of green technologies and green manufacture in developing countries. Trade must be at the service of people and not corporations. **An ambitious TRIPS waiver is required** to expand the suspended intellectual property protection rules on Covid-19 vaccines to cover all life-threatening diseases and illnesses, and include treatment and diagnostics.

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INTERNATIONAL TRADE UNION CONFEDERATION

Head Office

Boulevard du Roi Albert II, 5, Bte 1 B - 1210 Brussels, Belgium

Tel: +32 (0) 2224 0211
Fax: +32 (0) 2201 5815

E-mail: info@ituc-csi.org
Web site: http://www.ituc-csi.org