

## Trade Union position on Financing for Development (FfD)

### Financing for Development, the MDGs and Inequality

The FfD agenda is an important reference point for discussions on development finance, and serves as a unique space where governments, in particular from the South, are able to debate important issues like trade and foreign direct investment as well as systemic issues like the international financial architecture and financial regulation. These are the global economic issues that were absent in the origin and overall framework of the Millennium Development Goals and remain piecemeal in the proposed Sustainable Development Goals (SDGs) framework.

The MDGs have been able to mobilise the international community behind agreed goals and targets without giving much consideration to the enabling policy framework necessary to redress the structural causes of poverty. Between the early 1990s and mid-2000s, the economy grew substantially, especially in emerging and developing countries, but the benefits of this expansionary period were unevenly shared. Wage inequality is a key factor in income inequality and it is striking to note that during the period 1990-2008 income distribution took place away from labour, despite an increase in employment rates globally. In contrast, **the share of profits in national income increased** virtually everywhere.

### Decent Work and the Developmental Role of the State

Trade unions contend that the human rights based approach form the foundation of our development objectives. This means that shared prosperity creates decent work and sustainable livelihoods for all and that internationally agreed principles and conventions are respected and upheld everywhere for everyone. A new impetus to jumpstart the global economy is the adoption of an alternative paradigm that promotes fair distribution of wealth and resources, addresses growing inequality and recognizes the centrality decent work as a mechanism for employment generation, social protection, social dialogue and rights at work.

The creation of policy space and democratic ownership for developing countries is essential to counter-balance the current global trade, financial and investment flows and undertake when appropriate, counter-cyclical actions. Democratic States should be supported in their developmental role as the legitimate and accountable partner, driving innovation, incubating the creation of decent work through employment and labour market policies, instituting pro-equity tax policies, steering investments towards sustainable sectors and implementing effective redistribution policies for inclusive growth.

### Trade Union Priorities for FfD

#### *Domestic Resource Mobilisation, Inequality and the Public Sector*

- **Universal provision of public services** is a cornerstone to development.
- Establish or strengthen **progressive taxation regimes** and improve and raise the ambition of intergovernmental cooperation to **fight tax evasion and avoidance practices** by multinational enterprises.
- The **country-by-country tax reporting** framework for MNEs should be made public.
- Countries should effectively meet the standard **Global Forum on Transparency and Exchange of Information for Tax Purposes**.
- The **UN Tax Committee of Experts** should be transformed into a new intergovernmental body.
- **Transition to the formal economy** will contribute highly to a stabilised income and taxation (redistribution) environment, when based on a coherent implementation of the rights based decent work agenda.
- **Minimum wage and other appropriate labour market and fair fiscal policies** should be implemented.

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### *Foreign Direct Investment, International Private Finance, Business, Accountability and Decent Work*

- **Private financial institutions should be made accountable** and ensure transparency all along the investment chains and should mainstream internationally recognised environmental, **social and governance criteria in their investment policy**.
- **Ensure fair and transparent risk and reward sharing arrangements**, whenever public money is used to mobilize private finance.
- **Ensure financial inclusion and financial consumer protection** strategies and minimise cost of **remittances of migrant workers**.
- Job-creation through **private-financed investment and FDI should pursue all dimensions of the decent work agenda**.
- Enhance international cooperation to prevent mutually destructive **tax competition** between countries through “harmful tax practices”.
- Governments should protect people’s right to **universal and affordable public services** and invest in public sector capacities and **ensure fair risk and reward sharing arrangements**, whenever public money is used to mobilize (long term) private finance.

### *Delivering Effective and Innovative Development Cooperation*

- **Allocate the 0.7% GNI for ODA and .15-.2% support for LDCs**, through time bound mandatory commitments.
- Progress on **aid effectiveness commitments** needs to be ramped up.
- The **aid effectiveness frameworks** should be empowered through the **legitimate UN framework**.
- ODA should **focus on poverty reduction, be untied, and addressing essential sustainable development areas**.
- Public policy frameworks should **address the risks of new aid modalities**.
- **Effective regulation of the financial system and introducing a global Financial Transaction Tax (FTT)** are prerequisites for enhancing sustainable developmental impact of international public finance.

### *Trade, Growth and the Modern Economy*

- Multinational enterprises are responsible to guarantee respect of core labour standards, including women's rights, and environmental integrity throughout their **supply chains**.
- **Legally binding instruments** should be developed so as to hold multinational enterprises accountable for shortcomings along their supply chains.
- The current WTO negotiating round and the post-Bali working programme should deliver the mandate of the **Doha Development Agenda**.
- **Developing countries should enjoy ample policy space** in all trade agreements, including on the multilateral level.
- Domestic firms and workers should be entitled **fair shares of the gains from trade and domestic trade policies should be enhanced** and protected.
- Developing countries must not be bound to trade or aid packages designed to suit the needs of the developed world.

### *Technology and Innovation for Sustainable Development*

- The FfD agenda will need to consider measures to promote, facilitate and finance access to and the development, transfer and diffusion of environmentally sound technologies and corresponding know-how to developing countries, on concessional and preferential terms, as mutually agreed (Rio+20).

### *External Debt*

- Monterrey and Doha commitments for establishing a legitimate international debt workout mechanism should be implemented taking advantage of the recent UNGA resolution on the matter.

### *A Global System for Social Justice*

- A new and inclusive global economic architecture should be worked out accompanied by the creation of a UN Economic and Social Security Council.
- The structural reform of the international financial and trade systems must include full integration of fundamental human rights, core labour standards, and decent work, and mechanisms to ensure compliance.

**Full version: <http://www.ituc-csi.org/TUs-position-FfD>**