



A paradigm shift to meet the moment?

Statement by global unions to the Annual Meetings of the IMF and World Bank, October 2023

Since the beginning of the Covid-19 pandemic, the world has appeared to be in a permanent crisis in which compounding global shocks have stressed an unequal and unstable international economic system. As corporate profits soared and wealthier countries endeavoured to preserve their own economies, workers around the world saw their purchasing power eroded and public services cut to the bone, while developing countries have slipped into dire debt distress. Women and vulnerable groups have suffered most, and inequality has increased for the first time in decades. Calls for change have resounded from millions of workers on picket lines, refugees displaced by war and climate catastrophe, and the billions whose livelihoods, educations, and lives were interrupted or cut short by crisis.

Urgent calls for reform have reached the highest levels of power, but the World Bank and the International Monetary Fund (IMF) are responding to today's crises with yesterday's playbook. Calls for reform of the Bretton Woods Institutions spread from Bridgetown to the G20, and the stakes are underscored by the expansion of the BRICS alliance and the search for alternatives. This year, the UN Secretary-General published a policy brief advocating systemic reforms to the International Financial Architecture. Realistic assessments of the state of the Sustainable Development Goals (SDG) paint a dire picture with the ILO concluding that "the world is well off track on nearly two thirds of SDG8 indicators of progress" and that "the international community today is almost as far from reaching the targets of SDG8 as it was in 2015." And while the Bank and Fund stress that they have changed their approach, their response to the myriad crises facing the world today has remained familiar and insufficient.

In response to growing calls for reform, the World Bank Group's Development Committee released an *Evolution Roadmap* for the institution earlier this year. Instead of taking the opportunity to democratise and revitalise the Bank's operations, the document doubles down on the 'cascade' approach, with its focus on private sector financing and the privatisation of global public goods. This focus on private sector solutions and financial primacy are also reflected in the Bank's approach to social protection as well as its methodology for the B-Ready Project, the successor to the controversial Doing Business Report which replicates the earlier publication's undermining of workers' rights.

The IMF has made constructive analytical changes in its approach to inequality, revenue-raising, and social protection spending. But despite this nuanced approach and an unprecedented need for investment and liquidity in recent years, distressed countries are faced with familiar recommendations of cuts to wages, the public sector and social spending. Despite remarkable momentum for systemic reforms and tireless advocacy by indebted and climate-vulnerable nations, the economic outlook for workers in countries like Argentina, Ghana, Sri Lanka and Tunisia do not look much brighter than they did during the lost decades that were the result of previous crises.

Global frustration with a stagnant model of international development financing is the predictable result of decades of failed policies that rewarded the rich and pushed the burden of sacrifice onto workers and their families. The challenges of the current moment and the frustration of billions present an opportunity to change that dynamic and initiate a renewed multilateralism based on solidarity — a New Social Contract to define our century. But to achieve this, the World Bank and the IMF need to seize it.

A case study: Morocco, MENA, and the African continent

This year, the Annual Meetings will take place in Marrakech, Morocco. Only a month before the meetings were scheduled to begin a tragic earthquake hit the area, leaving more than 3,000 dead and injuring thousands more. Earthquakes strike by chance, but their impacts reflect policy choices. Sustained investment in public services and a reconstruction characterised by safety and transparency is needed to avoid even more losses due to this tragedy. We call on the Bretton Woods institutions to commit to a reconstruction that will promote sustainable and inclusive growth in Morocco long after the Annual Meetings are over.

Long-standing challenges in North Africa illustrate the need for a strong focus on decent work, social dialogue, and the public sector. The legacies of the Arab Spring still reverberate through the region today — and many of its underlying structural causes remain unaddressed. Weak labour markets have failed to absorb graduates, and opportunities for secure employment are particularly scarce for young people and women in the region. The public sector cuts promoted by the IFIs, including in education, erode not only a key source of decent work but a pillar of gender-equal employment; flexibilisation and precarious work kick the ladder further away for

marginalised workers. This structural exclusion from decent work not only perpetuates both social unrest and gender-based oppression, but also undermines equitable development.

These challenges are not unique to North Africa. For years, the ITUC's Global Rights Index has identified the Middle East and North Africa (MENA) region as the worst in the world for labour rights. Escalating repression against trade unionists in Tunisia represents an alarming trend, but countries across the region persistently undermine workers' fundamental rights at work. Qatar notably passed sweeping labour law reforms in 2017. In cooperation with the ILO and the global trade union movement, further meaningful progress will have to be made toward protecting freedom of association and instituting social dialogue. Host country Morocco itself is considering reforms that may curtail the right to strike in the country. While workers wait for an update of the World Bank's stance on labour market policies, new schemes, such as the B-Ready Project are troubling indicators, promoting precarious employment and the erosion of social protection. This approach will only entrench the region's problems and hinder the development of a more sustainable growth model.

While many countries on the African continent enjoy stronger labour rights than Arab states, they struggle with a debt crisis that undermines decent work and equitable development. In August, trade unionists from more than a dozen countries gathered in Dakar for a Continental Workshop on Sovereign Debt to address the pressing problems of debt in Africa, calling for substantial debt relief and a jobs and wages-led recovery to thwart a lost decade in countries like Chad, Ghana, Senegal, Tunisia, and Zambia. At a moment that calls for global structural reform, cuts to retirement funds in Ghana mock the concept of fair burden-sharing between global financiers and African workers. To get out of their debt trap, African countries will need more than cuts to public sector spending which would in fact be counter productive. Instead, they need relief, reform, and unprecedented investment.

This year the World Bank's *World Development Report* explores the topic of migration. The theme is appropriate, as the European Union increases pressure on North African countries to stem the tide of migrants from the region and from across Africa, and the Bank is correct in its assertion that migration "can be a force for prosperity." However, in the absence of full legal rights and social protections, migrants are particularly vulnerable to exploitative and dangerous working conditions that perpetuate a global race to the bottom in working standards that impoverishes all workers and enriches the few. Beggar-thy-neighbour policies cannot break this cycle; without adequate investments in public sector capacity and delivery of social services, national leaders risk turning to politically expedient yet inhumane policies, including mass expulsions and mistreatment of migrant workers. To break the cycle of brutality here, the international financial institutions (IFIs) must promote sustainable development that can guarantee a dignified life for workers in each country in ways that renders migration a genuine choice and not one led by economic coercion and increasing inequalities.

By implementing new ideas, the World Bank and the IMF can help Morocco, the MENA region, and the African continent chart a new course and break the cycle of debt and

underdevelopment. To that end the IFIs should lend their policy expertise to help countries implement progressive tax reforms that promote equality and discourage speculation; they should help state-owned enterprises provide services that meet today's needs rather than privatising them; and they should support countries that use industrial policy to build more equal and sustainable economies rather than joining a global race to the bottom.

A necessary path forward: Multilateralism based on solidarity

A growing number of the world's workers live in increasingly indebted countries with a lesser weight in global economic governance; in many countries the hope of sustainable and equitable development has been fading for more than a generation. And in nearly every state across both high and low-income countries, workers face decreasing real wages, mounting debts, and hollowed-out public services. The rise of the far-right and fascist political movements can only be understood in this context, and it is no surprise that powerful actors across the world are cracking down on the trade union movement and other forms of organising that can deliver a better future. The growing calls for a New Social Contract come from the bulk of the world's people who have been left out of the global financial architecture, and for the World Bank and the IMF to ignore or underestimate their demands risks undermining their legitimacy in these troubled times.

Multilateral institutions also face a crisis of coherence as, while international commitments have been made to strengthen decent work and expand social protection, notably through the SDGs, the advice and lending practices of international financial institutions often run contrary to these objectives. There is an urgent need to reform our multilateral system to ensure that IFI policies are coherent with agreed international objectives and with international labour standards that have been carefully negotiated and agreed between governments, employers and workers.

The current moment demands a new playbook and this provides opportunities for solidarity and change. A renewed multilateralism can provide the strength and legitimacy to undertake the bold projects our moment needs: to reform our broken "non-system" for sovereign debt resolution, to invest in an energy transition without leaving communities behind, to guarantee universal social protection, and to support inclusive growth through decent work characterised by robust social dialogue, freedom of association, and collective bargaining – in other words, a New Social Contract.

Recommendations for the International Financial Institutions

- Ensure that funds allocated for reconstruction in Morocco, Turkey, Ukraine, and other countries in need guarantee decent work—with freedom of association and collective bargaining—and health and safety for both workers and the communities their projects serve.
- Bolster investment to meet significant global challenges in a way that is transparent, democratically controlled, and sustainable.
- Embrace calls to reform the current international financial architecture to address ballooning debt burdens and systemic inequities, including high borrowing costs and limited access to liquidity for developing countries and volatile capital flows.
- Commit to multilateral debt relief.
- Work closely with trade unions to ensure that all climate financing is aligned with a just transition for workers, including (but not limited to) the energy transition, with benchmarks on worker engagement through social dialogue, impact assessments and collective dialogue covering decent work, formalisation, resilient infrastructure, systems and protections fit for new climate realities, social protection, and affordable, sustainable energy for all.
- Provide countries with investment and technical assistance to guarantee the provision of quality public services and bring an end to damaging opportunistic privatisations.
- Adopt a rights-based approach to global challenges, including migration, that protects workers, promotes sustainable development, and prevents the commodification and exploitation of workers.
- Meaningfully consult with trade unions, as democratically elected workers' representatives, in the formulation of their economic, social and labour policies, as well as the technical advice provided to countries, including social impact assessments.

Trade unions recommend the IMF should:

- Strengthen implementation of its social spending floors with full respect for international labour standards to ensure the necessary fiscal space for a robust and inclusive recovery; these should be a true floor and not a ceiling. Moreover, the Fund should strengthen its support to states to raise revenues for social protection, rather than promote cuts to social spending under the guise of sustainability.
- Use its position to foster support and renewed commitment for a comprehensive, fair and binding mechanism to restructure sovereign debt in accordance with UN Resolution A/RES/69/319 and consider the need for social and climate investments within debt analyses.
- Issue additional Special Drawing Rights (SDRs) in response to global needs and assist in the reallocation of existing SDRs from high-income countries to developing countries via dedicated trust funds, direct transfers, or other institutions.

- Proactively protect workers and their retirement funds from the unfair effects of domestic debt restructurings, and work with debtor countries to find constructive alternatives that do not harm workers and citizens.
- Increase transparency of negotiations between the IMF and countries so that sustainable agreements can be reached through social dialogue.
- Support progressive tax reforms that reduce inequality, including financial transaction taxes that discourage speculation and encourage investment.
- End public wage bill constraints that undermine the job quality and recruitment of key public sector workers including nurses, teachers and transport workers who are indispensable to the achievement of the SDGs.
- Make lending more flexible and responsive to the needs of borrowers by limiting conditionalities and ending regressive surcharges that push economically troubled countries deeper into debt and hinder a global recovery.

Trade unions recommend the World Bank Group should:

- Promote labour market policies that promote decent work — founded on freedom of association and social dialogue — instead of precarisation and informalisation, including within its forthcoming labour policy statement.
- Support investments in truly universal social protection in line with international labour standards to fight poverty, promote equity effectively and address the lack of social protection for workers in the informal economy and atypical forms of employment.
- Eliminate the labour topic of the B-Ready Project, which will promote low-quality, precarious employment and undermine social protection.
- Address structural challenges to equality by incorporating the need for robust labour market institutions in the Bank’s strategy for improving conditions for women, migrant workers, young workers, informal workers, and other marginalised populations.
- Collaborate with trade unions to prevent exploitative practices in development projects by:
 - Assessing their labour market impacts and distributional effects before Board approval.
 - Promoting gender equality in employment, including in male-dominated sectors.
 - Improving implementation of safeguards and management of complaints, including firm deadlines for identifying performance standards violations, developing a time-based corrective action plan, and resolving any violations.
- Support robust investment in public health care, education, and sustainable, accessible transport, as well as rights-based universal social protection systems to ensure dignified living for people.