

A New Social Contract in development cooperation to tackle converging crises

Trade union statement to the DAC HLM

15 November 2023

The 2023 High-Level Meeting of the OECD's Development Assistance Committee comes at a time of multiple and converging crises which have hampered the recovery from the Covid-19 pandemic, exacerbated pre-existing vulnerabilities and are further challenging the achievement of the Sustainable Development Goals (SDGs).

The huge development challenges that we are facing call for an all encompassing response that puts the fight against poverty and inequalities at the centre of development policies, ensures solid and sustainable responses to the climate crisis and builds resilience to face future shocks.

For trade unions the response needs to be based on **a New Social Contract** aligned with SDG 8 that provides for decent climate-friendly jobs with just transition, ensures labour rights and minimum living wages, guarantees universal social protection, and promotes equality and inclusion.

A New Social Contract to Accelerate Climate Action and Progress on the SDGs

At the mid-point of implementation of the 2030 Agenda for Sustainable Development and in light of the slow progress outlined in [The Sustainable Development Goals Report 2023](#), development cooperation efforts need to focus on high impact initiatives that will contribute to achieve the SDGs with a strong focus on the fight against poverty and inequalities, including working poverty. **The [UN Global Accelerator on Jobs and Social Protection for Just Transitions](#)** is a key high impact initiative, which will be fundamental to accelerate progress on the SDGs. **Trade unions call on DAC donors to strongly support this initiative and deliver targeted support to:**

- **Creating decent climate-friendly jobs with just transition**

Countries should not have to choose between climate action and fighting poverty, and the benefits of a green transition should be better communicated. A green transition should bring more jobs than those that are lost, and renewable energy in most parts of the world can lead to reduced energy costs. Decent green jobs that respect rights and provide living wages are fundamental to keep people out of poverty and fight inequalities, and they are also an engine of sustainable economic growth. Investing in decent jobs in climate-friendly industries and sectors that directly benefit people such as infrastructure development, care and the green economy is fundamental for more sustainable economies and societies.¹

- **Supporting a just transition in the fight against climate change**

The Paris Agreement acknowledges “the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities”², recognising the importance of workers in the fight against climate change. **Trade unions call on DAC members to support a just**

¹ <https://www.ituc-csi.org/ituc-report-shows-big-economic-returns>

² http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

transition through their climate finance and in the mobilisation of private finance for the fight against climate change. Supporting skills development through training and education, strengthened social protection and decent jobs plans will be key to ensure just transitions negotiated with workers' and employers' representatives.

- **Formalising the informal economy**

Over half of the world's workforce works in the informal economy. Their vulnerable and precarious situations make them the first victims of economic shocks. Creating formal jobs and enhancing decent work requires a comprehensive combination of incentives and enforcement measures. **Clear strategies need to be put in place by DAC members to contribute to formalise the informal economy (in line with ILO Recommendation 204) as a way to extend social protection coverage to all workers.** Formalising the informal economy and preventing the misclassification of workers will help lift these workers out of poverty while positively contributing to public finances through increased taxes and social security contributions.

- **Extending social protection and supporting a Global Social Protection Fund**

Social protection has been the lifeline for people around the world during the Covid-19 pandemic and is key to building resilience to crises. It is also an economic stabiliser that contributes to growth and is a catalyst for domestic resource mobilisation. Strengthening the capacity of partner countries to finance their social protection systems will be key to build robust and sustainable systems. But ODA spending on social protection is currently extremely low compared to other social spending such as health and education. **Trade unions call on DAC members to increase funding to social protection to reach 7 per cent of ODA by 2030 and 14 per cent beyond that, and support a Global Social Protection Fund** that will allow the poorest countries to put in place social protection systems. DAC members should work towards a recommendation on the role of social protection in ensuring economic and social resilience to crises.

Mobilising and aligning financing with the SDGs and the Paris Agreement

The challenges that we are facing today also require strong responses to close the huge SDG financing gap and strengthen climate finance. **Trade unions believe that there is a strong need to reform the international financial architecture and call on DAC member governments to:**

- **Increase ODA to reach 0.7 per cent of Gross National Income (GNI)**

While preliminary ODA figures for 2022 point to an increase of 13.6 per cent in aid funds, this figure amounts to only 0.36 per cent of donors' combined GNI, slightly over half of the amount of aid that could have been mobilised if DAC members had lived up to their international commitments. It is therefore urgent to increase development aid to reach the 0.7 per cent target and ensure 0.15 to 0.20 per cent is allocated to least developed countries, prioritising grants over loans.

- **Promote domestic resource mobilisation**

Given its key role in development funding, and building on the Base Erosion and Profit Shifting (BEPS) initiative, DAC donors should further promote domestic resource mobilisation through progressive taxation at national level and a strong and fair multilateral corporate tax architecture, fighting illicit financial flows, tax avoidance and profit shifting.

- **Ensure private sector accountability in development cooperation and the contribution to decent work**

Private finance mobilised through ODA should be aligned with the SDGs and SDG 8 in particular, contribute to decent-climate friendly job creation and guarantee workers are paid decent wages. It should ensure the application of ILO standards and be guided by responsible business-conduct principles and due diligence, including the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance. Stronger social safeguards are needed when supporting investments in partner countries.

- **Ensure climate finance is additional to ODA**

Given the huge needs of climate finance and the urgency of responding to the climate crisis at the same time as responding to economic and social crises, climate finance should be additional to ODA to avoid that important priorities are left behind, in addition climate finance should not contribute to further indebted countries.

- **Provide debt relief and debt cancellation**

Limited and inadequate action by Multilateral Development Banks and International Financial Institutions, together with tight fiscal and monetary policies and increasing interest rates in developed countries have soared the cost of borrowing for developing countries, jeopardising development spending to achieve the SDGs and enhancing a debt crisis. DAC members need to urgently respond to this crisis by providing debt relief for the poorest and most vulnerable countries, and debt cancellation for those in urgent need, with the only conditionality being investment in the SDGs. In a context of growing indebtedness delivering aid in the form of grants should be prioritised over loans to avoid further increasing debt burdens. Trade unions urge DAC members to support an ambitious reform of the international financial systems to deliver on countries' development imperatives and respond to the climate emergency.

The DAC's Evolving Partnerships and Outreach

The fragile geopolitical context in which we are living requires increased social cohesion and a deepening of democracy through building trust, enhancing solidarity, inclusiveness, democratic ownership, transparency and accountability.

Supporting the democratic participation of workers in economies and societies is key to increase social cohesion and building more robust democracies. Good governance entails a **strong support to the role of social dialogue in development cooperation which has to be reflected in both donor and partner countries and at all levels, from the policy to the programme level.** Workers' participation requires the creation of an enabling environment for trade unions to be able to exercise their mandate, for which enforcing the rights to freedom of association and collective bargaining and the right to organise as established in ILO Conventions 87 and 98 will be fundamental (as underlined in the DAC Recommendation on enabling civil society).

Trade unions therefore urge DAC members to reaffirm their commitments to these principles as core values, and to include a specific reference to the role of these instruments in fostering democracy and sustainable development.