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PUTTING DEMOCRACY AT THE HEART OF THE INTERNATIONAL FINANCIAL ARCHITECTURE

Trade Union Submission to the Elements Paper of the UN Financing for Development Conference 2025 - October 2024

- **Organisation's name**: **INTERNATIONAL TRADE UNION CONFEDERATION (ITUC),** *which represents 191 million workers in 169 countries and territories, and leads the **UN Workers and Trade Unions Major Group**.*
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I. OVERARCHING REFLECTIONS:

The 4th FFD Conference must deliver for a New Social Contract

The world faces multiple **interconnected crises** – including the proliferation of armed conflicts – that are turning decent work into an illusion for most workers and leaving the promises 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.**

The 4th UN Financing for Development Conference has a key role to play in making the New Social Contract a reality. The Conference should be the place to back SDG commitments with adequate funding. Moreover, its outcomes should agree upon a **structural reform of the international financial architecture**, to align it with social justice and democratic values.
Last but not least, the Conference should ensure **policy coherence** with other key UN processes, such as the 30th anniversary of the adoption of the Beijing Declaration and Platform for Action (March 2025) and the 2nd World Summit on Social Development (November 2025), in order to systematically back policy commitments with adequate financing.

What FFD means to workers: trade union policy priorities at the FFD4

The International Trade Union Confederation calls on UN Member States to prioritize the following policies and back them with adequate and sustainable funding:

1. **CREATION OF DECENT AND CLIMATE-FRIENDLY JOBS WITH A JUST TRANSITION**: to achieve full employment as mandated by SDG 8, we need to create 575 million new, decent jobs in the formal economy by 2030. FFD4 should therefore commit to **public investment increases and support industrial transformation** to achieve net-zero carbon emissions, along with investments in strategic economic sectors such as the care economy, the green economy and sustainable infrastructure, and formalizing the informal sector.

2. **RIGHTS:** regardless of their employment arrangements or migration status, rights must be extended to all workers to fulfil the promise of the ILO Centenary Declaration with its labour protection floor that includes rights, maximum working hours, living wages and health and safety at work.

3. **UNIVERSAL SOCIAL PROTECTION**: social protection must be at the centre of government policies to fight poverty and inequalities. Governments' commitments in FFD4 must prioritize investments to extend **social protection** to achieve universal coverage in line with ILO standards. Moreover, greater international solidarity is needed to support countries that lack sufficient domestic resources to finance social protection in the short term. Trade unions are also determined to be meaningfully engaged in the implementation of the **UN Global Accelerator on Jobs and Social Protection for Just Transitions.**

4. **MINIMUM LIVING WAGES:** over the past 30 years, the world's GDP has quadrupled, but the labour share of GDP has been constantly decreasing. Millions of workers worldwide do not earn enough to live in dignity, while the number of millionaires continues to increase across the world. **Wage policies should be central to FFD4 outcomes**: statutory **minimum living wages**, along with social dialogue and collective bargaining, are essential to fight poverty and address inequalities.

5. **EQUALITY:** the global trade union movement urges UN Member States to seize the opportunity presented by the parallel negotiations of FFD4 and the UN Commission on the Status of Women (CSW69). UN Member States must make bold commitments on financing for a **gender-transformative agenda**, including equal pay for work of equal value and ending all discrimination, whether based on gender, gender identity and sexual orientation, ethnicity, migration status, ideology, religion, social status, or any other grounds in the workplace and in society.

6. **INCLUSION**: the FFD4 must contribute to building a rights-based development model, a peaceful world, and a truly inclusive multilateral system engaged in redressing existing imbalances of power and wealth, using tripartism and social dialogue as key means of implementing the 2030 Agenda. The FFD4 should result in concrete steps being taken to **reform the International Financial Architecture**, in order to ensure that all countries, especially developing countries, can meaningfully and democratically participate in global decision-making on financing for development strategies.

II. INPUTS ON "ACTION AREAS"

a) DOMESTIC PUBLIC RESOURCES / TAXATION

Increased mobilization of domestic resources through **progressive and fair taxation systems** is the most sustainable way to enhance government budgets and enable more funding for quality **public services**. This involves fair and progressive taxation systems not only at national but also at international level, to stop competition that results in a race to the bottom among countries. Governments should reduce their reliance on indirect taxes, which are disproportionately levied on those with lower incomes. Therefore, ODA should also be dedicated to supporting the building of national fiscal capacity, including a fair taxation system, improving tax administration and reducing reliance on regressive taxes like VAT, in line with international standards of good governance.

Governments should tackle the structural causes of precarious and undeclared work by strengthening skills development and lifelong learning, labour inspection and promoting **formalization of the informal economy**, in order to improve working conditions and strengthen the tax base. Governments also have the responsibility to fight tax evasion, corruption, bribery, illicit financial flows and money laundering of companies that undermine the sustainability of public finances and social protection systems. Governments should clearly distinguish between the portion of the informal economy aimed at tax evasion and illegal activities, and self-employed and independent workers with incomes that are not sufficient to meet their formalization or tax requirements. Additionally, Governments should reduce as much as possible indirect taxation, which disproportionately burdens lower incomes.

At the international level, **improved global governance of taxation** should be promoted to address inequalities between countries, and to tackle tax evasion, tax avoidance and illicit financial flows. This can also be used as a lever to drive just transition and create decent and climate-friendly jobs. It is important to have a tax system that penalizes short-term speculation and capital flight, especially in those forms that affect emerging economies. 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 meet our call for accountable, ambitious and transparent global decision-making on tax matters. It can also provide a level playing field for developed and developing countries, while nowadays developing countries have no real voice in international tax governance. It is time for countries to democratize how global tax rules are determined, by having the UN at the forefront of global tax policy and establishing common rules that ensure consistency, fairness and efficiency.
We call for cooperation and articulation between all the initiatives at a multilateral and bilateral level that would help to achieve the objectives to improve global and national fairness by means of functional taxation that benefits workers and their families.

b) PRIVATE FINANCE

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 and due diligence**, to ensure the respect of human and labour rights along the entire supply chain, through independent monitoring mechanisms and binding accountability frameworks. It is imperative to move towards the adoption of a binding **UN 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 about its increasing relevance in development cooperation strategies to 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 skills development and access to **finance for micro, small and medium enterprises (MSMEs**) will enhance their job-creating potential and could contribute to the formalization 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 the support of workers, considering its potential in terms of jobs creation and formalization.

c) INTERNATIONAL 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 met. Given this year's multiple elections in donor countries too, 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,** as well as prioritizing concessional finance and grants.

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

Blended finance mobilized 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.

d) TRADE

We are living with an unbalanced global trading system that prioritizes the interests of businesses from wealthier countries over the development of less wealthy nations. The international trading system needs to be reformed to prioritize 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 digitalization strategies.

Labour standards must be embedded in the WTO through an authoritative interpretation of its treaties that recognizes 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 help to increase 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 under the framework of a UN binding treaty on business and human rights.

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 skill and qualification development, to enable the expansion and use of green technologies and green manufacture in developing countries. Mobilizing investment towards environmentally sustainable activities will also require a country-specific mix of macroeconomic, industrial, sectoral and labour policies that must be defined through social dialogue.

Trade must serve people, 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. Trade-related regulations on intellectual property rights should also allow for exceptions when it comes to technologies needed for the green transition and industrial digitalization.

e) DEBT AND DEBT SUSTAINABILITY

Multiple global crises 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. For many countries, high debt servicing costs are suffocating emerging economies with no end in sight. **Debt relief, restructuring and cancellation** should be applied on request and in a timely manner 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 and allows them to invest in critical sectors such as education, healthcare, social protection and infrastructure.

The **G20 Common Framework for debt treatment** has thus far proven inadequate in fulfilling this task. It needs urgent improvement 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**. Moreover, multilateral institutions and governments should proactively work to hold private creditors accountable for their share of debt relief and discourage holdouts. Debt relief and new multilateral financing should be additional to existing commitments and used alongside international tax reform and an expansion of public development finance to ensure adequate investments in recovery and to avoid debt traps while creating fiscal space for investments in the SDGs.

f) SYSTEMIC ISSUES

- **MORE CLIMATE FINANCE WITH JUST TRANSITION:** climate finance and just transition are in urgent need of increased resources. A new climate finance goal needs to be agreed upon at COP29 in November 2024. Without the necessary international financial support, adequate climate action is impossible. Global North governments should provide at least US$5 trillion per year to the Global South in public finance for adaptation, loss and damage, and a just transition. The provision of public finance under the New Collective Quantified Goal must prioritize grant finance and ensure no added debt burden to developing countries. The use of these resources must guarantee that the transformation towards a sustainable economy effectively tackles the climate crisis as decided in the Paris Agreement and guarantees the creation of decent jobs, in line with the ILO Guidelines for a just transition. Closing this gap will require a system-wide approach based on social dialogue and stakeholder engagement. Just transition priorities must be included in the new climate finance pledge from industrialized to developing countries. The MDBs need to implement robust just transition principles rooted in social dialogue with trade unions 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.

- **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 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, privatization of publicly owned infrastructure and resources, and the introduction of precarity into 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.

- **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 recognizing that **transformative measures are needed** to anticipate and mitigate shocks related to climate, health, digitalization 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, to put an end to austerity policies and avoid making financial support dependent upon the undermining of labour rights.

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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.

[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.

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