The Spring Meetings of the IMF and World Bank must produce a plan to coordinate economic stimulus, public health action and debt relief

Statement by Global Unions, April 2020

Introduction

1. COVID-19 is creating a crisis of unprecedented proportion. As the shocks caused by the public health crisis ripple through global supply chains and depress demand, layoffs and loss of income are devastating working families. The pandemic lit a match next to an existing powder keg of debt burdens, inadequate financial and labour market regulation, increasing inequality, and years of austerity that undermined public health, social protection and the ability of states to fulfil their human rights obligations. The IMF and the World Bank should join governments in executing coordinated and sustained stimulus as the launchpad of a reformed multilateralism that puts working people, shared prosperity and the real economy first. In this statement, Global Unions[1] outline urgent measures to overcome the crisis and lay the groundwork for an inclusive recovery that achieves the Sustainable Development Goals (SDGs). At the centre is a full-scale response by the International Financial Institutions (IFIs) that ensures frontline health workers have the resources and protections to save lives, and measures to guarantee safe employment and income support for all. The response must be sustained until full recovery and not utilise conditionality to constrain social protection, public health and services, or labour market programmes. Social dialogue and collective bargaining will help rebuild trust and assist in crafting IFI programmes to address the dual health and economic crises. **There is no time to waste. Global Unions urge IFI leadership, the Development Committee, and the International Monetary and Finance Committee to agree on specific commitments for coordinated fiscal and monetary stimulus, urgent public health measures and support to developing countries.**

An urgent and equitable response to the crisis

2. A global recession is inevitable, but the scope and length depend upon the responses of the IFIs and policymakers. The International Labour Organization (ILO) estimates up to $3,440 billion in lost labour income, and up to 35 million people being pushed into working poverty.[2] Years of low interest rates by major central banks fuelled an explosion of speculative capital inflows into emerging and low-income countries as financial markets sought higher returns. Now, capital is flowing out of emerging markets at a faster rate and higher volume than in 2008 or prior crises, in an acute threat to economic stability and employment. **The Spring Meetings should result in a two-part plan, comprised of an issuance of IMF Special Drawing Rights and an agreement for coordinated fiscal stimulus that includes developing countries and provides them with all necessary support.** Through multilateral and bilateral surveillance, the Fund should

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[1] The Global Unions group is composed of the International Trade Union Confederation (ITUC); the sectoral Global Union Federations BWI, EI, IAEA, IFJ, IndustriALL, ITF, IUF, PSI and UNI; and the Trade Union Advisory Committee (TUAC) to the OECD.
See also: Joint Statement, "COVID-19 urgent economic stimulus and workplace measures required", <https://www.ituc-csi.org/IMG/pdf/cgu_joint_statement_-_workers_rights_welfare_covid-19.pdf>.

[2] ILO, "COVID-19 and the world of work: Impact and policy responses", <https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf>.

support policymakers in designing and executing coordinated fiscal stimulus measures that benefit the real economy and employment while reducing inequalities. Once the pandemic is contained, prematurely ending stimulus and returning to business as usual is not an option.

3. As countries face a liquidity crunch which puts pressure on their currencies and creates further financial instability, the US Federal Reserve is providing some central banks with dollar liquidity through swap lines. This asymmetric support adds to pressure on countries without access. The IMF controls the issue of Special Drawing Rights (SDRs), an international reserve asset that can be redeemed for five major currencies. Global Unions urge the Fund to support liquidity needs through an issuance of SDRs, as was done during the global financial crisis. Without support, even countries that are not directly impacted by the virus will face immense financial pressure and the possible collapse of their currencies, leading to economic crises and massive job losses. By issuing more SDRs, the Fund can stop liquidity problems from turning into financial crises in developing countries, avoid defaults on private debt denominated in foreign currencies, and create fiscal space for governments to respond. **SDR issuance should be commensurate with the level of need among developing countries and be accompanied by the creation of a trust fund for donor governments to transfer SDRs to developing countries, earmarked for real economy stimulus, public health, social protection and jobs.**

4. Due in part to the failure of quota renewal, the Fund has limited lending firepower. Global Unions urge the IMF and governments to examine the resourcing of the global financial safety net. Additional resources are needed but must be accompanied by a reform of loan conditionality to end deregulatory structural reform, opposition to centralised collective bargaining and other measures that create neither employment nor growth. IFI loan programmes should be designed with repayment schedules and interest rates appropriate to the pressure facing developing countries. Equitable responses can be crafted through social dialogue and collaboration with international organisations including the ILO and World Health Organization (WHO). The Bank will need to deliver adequate resources without counterproductive structural reform requirements to assist in health, social protection, education, labour market programmes and infrastructure.

Protecting jobs and the real economy

5. Sustainable Development Goal 8.B calls for the implementation of the Global Jobs Pact, created in the recovery from the last crisis.[3] **Global Unions urge IFIs to work with the ILO, United Nations and governments to implement and finance the Pact**. This should include a plan to sequence measures during activity restrictions through to recovery, and social dialogue at the national and international level to assure coherence between the Pact and IFI programmes. Targeting the real economy for stimulus is the first order of business, but proper design is crucial. Stimulus must keep workers safe and protect jobs, and not be diverted to enrich creditors, executives and shareholders while eliminating jobs or shifting toward a subcontracted or insecure workforce. Response

[3] "Recovering from the crisis: A Global Jobs Pact", <https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_115076.pdf>.

funding to firms need clear terms including no layoffs, provision of paid sick leave and personal protective equipment, respect for the core labour standards and social dialogue, and responsible business conduct.

6. Global Unions welcome the $8 billion from the International Finance Corporation (IFC) as part of the World Bank Group response. The $2 billion to real sector clients and $6 billion through financial intermediaries can be a source of stability for workers and employers in developing countries if utilized to protect jobs and maintain the safety of essential workers through personal protective equipment and other measures.[4] **Global Unions encourage the IFC to monitor compliance with the binding labour safeguard requirements on retrenchment, health and safety, and collective bargaining, with special attention to recipients of funding provided through intermediaries. Loan covenants should be used to require paid sick leave for all, and childcare support for essential workers.** Monitoring should include systematic procedures to collect information from workers and trade union representatives.

Public health and education systems, universal social protection at heart of response

7. The clock is ticking to provide developing countries with the supplies and resources to prevent the further spread of COVID-19 and brace for health emergencies. Global Unions urge the World Bank to closely coordinate with the WHO on funding immediate public health actions. Emergency funding should ensure that frontline health workers and essential workers have protective equipment, are paid on-time and receive ample sick leave. The focus must be on robust public health systems, not the promotion of private involvement that fractures provision and undermines equity. Structural adjustment programmes, austerity, and excessive debt burdens have constrained the formation of well-staffed public health systems and social protection floors in developing countries. IMF policy advice on public wage bills, especially in the context of loan programmes with strict fiscal conditionality, has put pressure on the ability of countries to have an adequate health workforce. After the recent Ebola outbreaks, the World Bank looked to financial engineering including pandemic bonds and backed public-private partnerships in healthcare, such as labour rights violator and tax-dodger Fresenius.

8. The IFIs should swiftly support developing countries in financing, expanding and creating programmes for social protection including income support and paid sick leave for all workers regardless of their employment relationship. Essential workers should receive additional support for childcare, and social protection measures should account for added care responsibilities. Protecting jobs and incomes will require innovative solutions and programme expansion. For example, enabling access to unemployment benefits for workers who are furloughed but not dismissed to minimise dislocation and speed a jobs-centred recovery. The response should address inequalities, labour market gaps and weak aggregate demand that pose a liability to recovery and sustained growth.

9. COVID-19 is deepening the care crisis as burdens on working families, especially women, and social infrastructure increases. Universal social protection including floors, in

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[4] See: <https://www.ituc-csi.org/letter-to-the-international>.

line with ILO Recommendation 202, is a pillar of the response. **In the immediate term, the IFIs need to help countries scale-up social protection and health coverage, eliminating barriers for precarious or informal workers and avoiding narrow targeting of benefits that leaves too many behind. Recovery and stimulus measures should include public investments in the care economy to reduce unpaid work burdens and create quality jobs.** These investments will drive significant growth in emerging countries.[5] COVID-19 has likewise led to a crisis in education with widespread closure of schools and urban transport. In this context, investment in education, transport and other public services must not be deprioritised. Countries should protect the rights of furloughed workforces, ensuring that everyone is kept employed and paid their normal salaries. World Bank advice on public spending and teacher accountability measures has contributed to the casualisation public workers including teachers and transport workers. The Bank should encourage governments to protect jobs in the public workforce, especially for workers on precarious contracts.

Debt relief for sustainable development and survival

10. At least 46 low-income countries spent a greater share of GDP on public debt servicing than healthcare systems in 2018.[6] Many developing countries dependent on commodity exports for income and access to foreign currency are acutely suffering amid the oil price war, supply chain disruptions and the COVID-19 demand drop. Already, debt severely outweighs exports in emerging countries, and a growing portion of public debt is owed to shadow non-bank financial institutions.[7] Global Unions welcome the advocacy of the IFIs for bilateral creditors to suspend payments if requested by low-income countries. This should be accompanied by a moratorium on payments to multilaterals for countries with debt and health distress or high vulnerabilities. Global Unions support the full resourcing of the woefully underfunded IMF Catastrophe Containment and Relief Trust.

11. As the decade to achieve the SDGs opens with a multifaceted crisis, broader solutions will be needed to achieve the 2030 Agenda. The world desperately needs a binding sovereign debt workout mechanism to provide an orderly and fair process The Enhanced Heavily Indebted Poor Countries (HIPC) Initiative is inadequate to handle the quantity of debt that will mature in the 2020s and is weighed down by conditionality that restricts policy space and inclusive growth. **Global Unions call for a twin approach of sweeping SDG debt relief and a sovereign debt workout mechanism. This should include cancellation, restructuring, and reprofiling of debt owed to the IFIs.** The IFIs need to reorient debt relief toward patient investment for the SDGs, backed by genuine progress on international corporate tax reform, progressive domestic revenue mobilization and financial regulation. After the last crisis, bailouts and incomplete regulatory reform helped too-big-to-fail financial institutions rebound and non-bank financial institutions grow rapidly. Designing debt relief based on the SDGs means moving beyond eligibility based

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[5] ITUC, "Investing in the Care Economy – Simulating employment effects by gender", <https://www.ituc-csi.org/IMG/pdf/care_economy_2_en_web.pdf>.
[6] Munevar, "COVID-19 and debt in the global south", <https://eurodad.org/covid19_debt1>.
[7] IMF, "Global Financial Stability Report: Lower for Longer", October 2019, ix, <https://www.imf.org/en/Publications/GFSR/Issues/2019/10/01/global-financial-stability-report-october-2019>.
UNCTAD, "Trade and Development Report 2019", 78, <https://unctad.org/en/PublicationsLibrary/tdr2019_en.pdf>.

on macroeconomic adjustment and a preference for private involvement in public services that has not helped supersede cycles of indebtedness. Relief should enhance, not restrict, public spending on health, education, low-carbon infrastructure and social protection that is executed to create and enable quality jobs, equitable access and gender equality. Debt sustainability analyses should incorporate the longer-term positive effects of these investments. Debt forgiveness is the foundation for an enabling environment. Where robust national development strategies exist, some debt swaps can be used.

Deregulation to accommodate speculative investors has no place in recovery

12. For decades, the IFIs have promised development through the adoption of reforms to attract foreign investment. This supply-side model has done little for human development or higher country incomes. Instead, the IFIs encourage a race to the bottom fed by wage suppression, deregulation, investor-state dispute resolution, and privatisation. This is exemplified by the Bank's Doing Business report that undermines revenue mobilization and extols fewer protections for workers, and the consideration of a return to structural reform packages in the October 2019 IMF World Economic Outlook.[8] Not all investment is productive or supports growth. Speculation and financialization increase inequality while undermining productivity, sustainable development and financial stability. The growing debt of non-financial corporations in developing countries has outpaced investments in capital stock.[9] This compounds the issue of companies chasing the frontier of low-wage, unsafe jobs and therefore avoiding investments in the workforce.

13. Unproductive and speculative lending stands to grow under the Bank's private-led Maximizing Finance for Development approach. The COVID-19 response viscerally demonstrates the importance of long-term public investment in all kinds of infrastructure and innovation, and the promotion of private investment that is patient, productive and governed by rules upholding the international labour standards. Most capital flow management measures have been discouraged by the IMF in the name of investor confidence. The IMF institutional view on capital flow management acknowledges that certain measures might be needed, especially when a country is in crisis, but lending and policy advice usually moves in the opposite direction.[10] COVID-19 demonstrates that no matter how accommodating countries are, impatient investors will pull out of emerging countries in uncertain times. It is time for the IFIs to shift away from market fundamentalism and promote development and reconstruction that is not dependent on capricious foreign investors and structural reforms that feed financialization and inequality. Policymakers in developing countries must be able to properly tax international corporations, limit sudden outflows of capital that threaten stability, and promote full, quality employment. Beginning with the fiscal stimulus to address the crisis, the IFIs should promote increased public investment, coordinated wage hikes and industrial policy for the transition to low-carbon economies.

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[8] Baunach, "World Bank Rankings Promote Deregulation at the Expense of Working People", <https://inequality.org/research/world-bank-deregulation/>.
[9] UNCTAD, "Trade and Development Report 2019", 82.
[10] Merling, "After Argentina debacle, the IMF endorses weakening capital controls in Ecuador", <https://www.opendemocracy.net/en/oureconomy/after-argentina-debacle-imf-endorses-weakening-capital-controls-ecuador/>.

Recommendations to the International Financial Institutions

The IMF and World Bank should:

- Support a plan for coordinated and sustained economic stimulus to improve employment, the real economy, and frontline public healthcare. Ensure all necessary support to developing countries.
- Lead creation of a debt relief initiative that including multilateral debt, to achieve the Sustainable Development Goals, and a sovereign debt workout mechanism.
- Offer immediate debt moratoriums to low-income countries facing a public health emergency and debt distress. Work with governments to fully resource the IMF Catastrophe Containment and Relief Trust.
- Collaborate with the ILO, UN and governments to implement and fund the Global Jobs Pact.
- Provide funding and policy advice to immediately expand public health systems, social protection, and investments in the care economy, laying the groundwork for achievement of universal health coverage and social protection.
- Design response measures including loan programmes through social dialogue and collaboration with the ILO and WHO. Assess measures based on adherence to core labour standards, contribution to reducing inequality, bolstering aggregate demand, strengthening labour market institutions, providing income support, and boosting public investment.

The IMF should:

- Support the issuance of Special Drawing Rights commensurate with the needs of developing countries and assist in the creation of a donor trust fund to enable the transfer of SDRs from developed countries.
- Reform conditionality for job-rich growth, ending promotion of deregulatory structural reform and attacks on collective bargaining.
- Address the structural threats to recovery and financial stability through the regulation of the financial sector, especially non-bank financial institutions, and promote the tackling of international corporate tax reform and tax havens. Support scaling-up of progressive domestic resource mobilisation and public investment.

The World Bank should:

- Ensure that all recipients of IFC response funding provide paid sick leave, childcare support for essential workers, and comply with requirements on retrenchment, collective bargaining, health and safety, and retrenchment.
- Provide all necessary funding for the health systems of developing countries facing the spread of COVID-19, prioritising safety and resources for frontline health workers. Cease support of measures that weaken resilience including marketising healthcare, labour market flexibility and narrowly targeted social protection.