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Global Unions statement to the 2024 annual meetings of the IMF and the World Bank

This year is the 80th anniversary of the Bretton Woods Conference, a 1944 meeting of states to construct an international economic system for the postwar era, which led to the creation of the IMF and the World Bank.

The world had been wracked by political upheaval, authoritarianism, imperialism and war for decades. The conference projected optimism and ambition for what could be achieved following the defeat of fascism.

Unfortunately, in 2024, we find ourselves in a very different world. Less than five years after the Covid-19 pandemic exposed the flaws in our global economic system, the Bretton Woods institutions remain mired in paradigms that undermine workers' rights, exacerbate inequality, and promote global instability.

As we approach the 2024 Annual Meetings, the global trade union movement demands a radical shift in approach that delivers robust and inclusive growth and development, democracy and social dialogue, and a comprehensive response to global challenges, including violent conflict, disease and climate change.

The world demands reform of an international financial architecture that has left countries indebted and underdeveloped; Bretton Woods institutions must listen and deliver.

While geopolitical tensions between great powers shape debates about the governance of the IMF and the resolution of the debt crisis threatening global development, political unrest in developing countries demonstrates the need for urgent change. In Bangladesh, Kenya, and Sri Lanka, countries otherwise diverse but similarly indebted and, therefore, subject to ongoing IMF programmes, governments have collapsed under the pressure of popular frustration with their policies. Equally critically, an estimated four billion voters worldwide are participating in 2024 elections, expressing frustration with the trajectory of their countries.

The multilateral system, beset by stagnation and dysfunction, reflects these tensions and fractures. Nevertheless, it remains our best hope of moving beyond them. We note with optimism the UN Secretary-General's proposed reforms to the international financial architecture, the Financing for Development process, and the progress toward a UN Tax Convention. However, despite rhetorical shifts and notable actions, such as the issuance of Special Drawing Rights during the height of the Covid-19 pandemic, the Bretton Woods institutions have failed to respond effectively to global challenges and have often exacerbated them. While the IMF increased Board representation for Sub-Saharan Africa, it left its quota formula unchanged. In the face of an unprecedented debt servicing crisis for developing countries, it has primarily coordinated among creditors rather than leading them towards a new system.

The IMF maintains that we are not in a debt crisis. That may be true for creditors who, unlike in previous moments of crisis, can negotiate comfortably with their borrowers. However, the situation for debtor countries remains grim. Low-income countries now spend more on debt servicing than on social protection, education, health, and climate mitigation combined, making

the achievement of the Sustainable Development Goals (SDGs) nearly impossible and the promise of political democracy unattainable. While debt restructurings under the Common Framework have become faster, it offers little consolation. The crisis in Kenya, instigated by regressive fiscal reforms that penalised ordinary people to respond to global financial tightening, reveals the fundamental flaws in a system where governments, and international financial institutions are blind to their populations' needs. We are heartened that the IMF has introduced analytical tools such as social spending floors that can shift the prescription away from austerity, and vehicles – such as its partnership with the ILO – in which it can focus on expanding rather than reducing social protection. However, its interventions often yield familiar outcomes, with the pain of austerity felt in countries as diverse as Ecuador, Egypt, and even wartime Ukraine. The IMF decries the "too little, too late" phenomenon in which governments delay debt restructurings, but shrugs off responsibility for the cohesion-shattering consequences of its unpopular policies.

The call for tax justice was a central part of recent popular uprisings in Kenya and elsewhere, and it is reshaping the multilateral system as the UN moves toward a global tax convention under the impetus of African countries. This presents an opportunity for the IMF and the World Bank to shift direction and strengthen state capacity and equity. Their current focus on tax collection, government efficiency, and borrowing capacity is insufficient to address the causes of resource scarcity in developing countries. The institutions have set an arbitrary goal of helping developing countries achieve a 15% tax-to-GDP ratio, primarily through personal income tax and regressive measures such as VAT and excise taxes. This approach disproportionately burdens ordinary workers and low-income households. Notably absent are progressive taxation measures such as wealth taxes, meaningful corporate taxes, and financial transaction taxes. Also absent is a commitment to crack down on corporate tax abuse, tax avoidance and evasion by wealthy individuals, which, according to the Tax Justice Network, is costing countries US$480 billion a year. As Oxfam reports, the world's richest 1% captured more wealth than the rest of the world combined in the past two years. This narrow view of resource mobilisation not only undermines the foundations of a just and sustainable economy but also threatens political stability and democracy as the burdens placed on ordinary workers become too great to bear.

Meanwhile, though the achievement of the SDGs is in peril, the IMF continues to advise countries to pursue austerity policies and cut public spending. Countries are encouraged to cut or freeze public sector wage bills, meaning that public sector workers – disproportionately women – suffer salary cuts, and public services are impacted by worker shortages. These cuts hamper recruitment and retention in fields like education, impeding the provision of quality education for all and leading the UN High-Level Panel on the Teaching Profession to recommend that "international finance institutions should end all public-sector wage bill constraints and austerity measures that impact education spending, in particular on teacher recruitment, retention and wages."

For the World Bank to achieve its job creation goals, it must promote full employment, minimum living wages, decent work, and accountability, not flexibility and privatisation. This goal requires a comprehensive, programmatic approach and full country ownership, not a mere project focus.

In response to global calls for reform after the peak of the Covid-19 pandemic, the World Bank undertook a review of its work and internal practices known as the "evolution roadmap." Two outcomes of the Bank's recent shifts are an increased focus on job creation and climate, encapsulated in the incorporation of "a livable planet" into the Bank's mission statement. Unfortunately, despite these welcome shifts in rhetoric, the importance of the Bank's work is undermined by an overreliance on the private sector and a relentless push for deregulation and flexibilisation, despite overwhelming evidence of their destructive effects. Recent Bank products, including the 2024 World Development Report and the B-Ready Index, are emblematic of this approach.

This year's World Development Report, focusing on the so-called middle-income trap that hampers development into rich countries, reveals the Bank's regressive and anti-worker posture. The report's emphasis on "creative destruction" – explicitly undermining workers, the public sector, and certain incumbent industries to promote vague productivity gains in the future – is deeply troubling. By undermining economic sectors and policies that have historically reduced inequality, created jobs, and promoted decent work, and in fact discarding the goal of reducing inequality entirely, the Bank's approach will foster instability rather than growth and undermine democracy rather than strengthen it. This is underscored by the Report's emphasis on the economic success of Chile, the Republic of Korea, and Spain during periods of authoritarian government and repression of trade unions. Meanwhile the Business Ready (B-Ready) Index, the successor to the infamous Doing Business Report, is poised to continue promoting flexibilisation and the erosion of social protection. While it ostensibly promotes the ILO's Fundamental Principles and Rights at Work, the index ultimately promotes low wages and precarious work arrangements and penalises the widespread practice of funding social protection at least partially through employer contributions. This creates a race to the bottom in labour standards and undermines social protection at a time where both must urgently be bolstered.

But at a moment when investment in infrastructure, public goods, state capacity, and equitable growth is badly needed, the World Bank has a vital role to play in promoting development and significant opportunities to do so in the coming months. One opportunity to act will be through the International Development Association (IDA): in December of this year the IDA21 replenishment process will conclude, with donor countries pledging funds to this key source of concessional finance for low-income countries. Despite ambitious goals, donor governments are set to fall short of what is needed, with many governments reducing their contributions in real terms. This

outcome is symptomatic of a global wave of austerity and uncertainty in which governments slash public and social expenditures, including official development assistance, while interest rates in financial centres remain elevated, and the private sector is unleashed to fill in the gaps. At a policy level, while the Jobs Lens released by the World Bank commits to creating millions of new or better jobs through IDA 21, the Bank has yet to disclose how job quality will be promoted or measured. Job creation is essential, but close collaboration with trade unions and with the ILO, along with a focus on metrics that track decent work, inequality, and labour's share of income will be crucial to achieving development results.

Secondly, the International Financial Corporation (IFC), the World Bank's private sector lending arm, will undertake a review of its Sustainability Framework soon, reconsidering the policies and requirements that govern its project lending. While investments in the private provision of public goods, such as healthcare and education, have deteriorated the quality and accessibility of these crucial services, the private sector and the IFC nevertheless have a vital role to play in development. Unfortunately, nearly 20 years after the institution's pathbreaking introduction of explicit labour rights protections for project workers, these policies have proven extremely difficult to implement in practice. The right balance of policy changes and an institutional shift toward social dialogue and accountability for clients will not only promote international labour norms for workers on IFC projects but also enhance the development outcomes of the IFC's lending by promoting decent work.

To meet their goals, the IFIs must change course.

Every account of progress toward the SDGs notes that we are badly off track, and developing countries, in particular, bear the brunt of upheavals in financial markets, climate patterns, and digital technologies that they did not create. Even by the IFI's own organising principles – in the IMF's case, the promotion of monetary cooperation, trade, and exchange stability; in the World Bank's the goal to "end extreme poverty and boost shared prosperity on a livable planet" – we are heading in a dangerous direction. Unrest, instability, conflict, and climate change are exacerbated by injustice and austerity, posing existential threats to not only the stated goals of the Bretton Woods institutions but also to the multilateral order they inhabit.

The global workers' movement demands a different approach grounded in a New Social Contract that guarantees decent work within the framework of a Just Transition, labour rights, universal social protection, equality, and inclusion. To meet the challenges facing humanity and achieve their own goals, the international financial institutions should take heed.

Recommendations for the International Financial Institutions (IFIs):

1. **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, surveillance reports, and country strategies.
2. **Cooperate within multilateral processes** for international coordination on progressive taxation and support the implementation of progressive tax systems while tackling tax evasion at the national level.
3. **Provide countries with investment and technical assistance** to guarantee the provision of quality public services, such as education, healthcare, and transport, and bring an end to damaging, opportunistic privatisation in services and strategic sectors.
4. **End all public-sector wage bill constraints and austerity measures** that impact recruitment, retention, and wages of public sector workers.
5. **Help governments enact and enforce policies** to ensure that the "digital transition" – from platform work to Artificial Intelligence to digital services – does not erode decent work and promote inequality.
6. **Join the international movement to reform the international financial architecture** to meet the unique development challenges of the moment, tackle inequality and address the burden of unpayable debts by:
    - Committing to multilateral debt relief.
    - Promoting a fair and binding mechanism to restructure sovereign debt in accordance with UN Resolution A/RES/69/319.
7. **Collaborate with trade unions in social dialogue** to ensure that all climate financing supports Just Transition measures. This includes:
    - All climate finance flows to align with Just Transition principles as defined by the Paris Agreement, the Just Transition Work Programme, and the ILO's 2023 resolution and 2015 guidelines on Just Transition.
    - Incorporating social dialogue, impact assessments, worker-led formalisation, measures of occupational safety and health and social protection to guarantee decent work and provide economic security for workers.
    - Funding for workforce development, training and redeployment; funding for necessary adaptation and resilience measures, such as ensuring safe and healthy workplaces; explicit consideration of dimensions in all loss and damage assessments, including the irreversible loss and damage impacts on workers' lives, livelihoods and working conditions; funding for social protection from all mitigation, adaptation, loss and damages, and funding to support social dialogue with trade unions over all change processes.
    - Ensure that policy advice and financing do not add to existing debt burdens.

8. Ensure that investments in social services and social protection, in line with international labour standards, are protected and expanded according to development needs, and not cut in times of crisis.

Trade unions recommend that the IMF should:

1. **Support equitable, resilient growth** by promoting jobs-led recovery and ensuring that the creation and promotion of decent work is incorporated into debt sustainability analyses, lending programmes, and macroeconomic surveillance.
2. **Support progressive tax reforms**, including corporate taxes, wealth taxes, taxes on capital and dividends, and financial transaction taxes, which strengthen public finances and governance capacity, reduce inequality and avoid disproportionately burdening ordinary workers.
3. **Strengthen implementation of social spending floors** with the to protect and expand universal social protection, including by expanding the IMF's current partnership with the ILO on financing social protection.
4. **Promote debt sustainability and just restructuring** by:
    - Updating methods of analysing debt sustainability in a way that incorporates labour market analysis, as well as the needed investments for meeting the SDGs.
    - Protecting workers and their retirement funds from the unfair effects of domestic debt restructuring, and work with debtor countries to find constructive alternatives that do not harm workers and citizens.
    - Eliminating regressive surcharges that penalise countries that are already in significant debt.
5. **Increase transparency** of consultations and negotiations between the IMF and countries on both surveillance and programmes lending, incorporating trade unions so that sustainable agreements with greater legitimacy can be reached through social dialogue.
6. **Safeguard and support investments** in jobs and working conditions for public sector workers, including teachers, nurses, and transport workers, with special attention to the gendered impacts of public services and public sector employment, which are crucial for reducing inequality between genders and within society.
7. **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 or direct transfers with no conditionalities attached.
8. **Work with multilateral partners** to think critically about how to improve and strengthen state-owned enterprises rather than privatising them.

Trade unions recommend that the World Bank should:

1. **Improve implementation of the International Finance Corporation's (IFC) Sustainability Framework** by increasing engagement with trade unions, transparency, and accountability for IFC management and clients. Concrete steps proposed by trade unions include the adoption of the Early Engagement Labour Framework Agreement for the hotel sector.
2. **Incorporate more robust protections for fundamental labour rights** in the forthcoming revised IFC Sustainability Framework. These reforms should include timely management of complaints, firm deadlines for responses and negotiated corrective action plans. It also means notifying relevant trade unions about projects before board-level approval and facilitating dialogue and binding agreements between clients and labour to resolve potential issues.
3. **Strengthen independent oversight** of the IFC to ensure timely, impartial investigations by the Compliance and Accountability Ombudsman and meaningful accountability for upholding the institutions' standards.
4. **Remove the labour pillar from the B-Ready Index**, which promotes a dangerous race to the bottom in terms of labour standards and will undermine social protection around the world.
5. **Use the IDA21 replenishment** to strengthen the impact of the International Development Association (IDA) by locking in substantial concessionary lending and enhancing policy design and monitoring to create and track quality jobs, with the goal of decreasing inequality through the creation of decent work.
6. **Prevent platform work and generative AI** from further exacerbating informality and precarity by ensuring strong labour protections that, among other things:
    - Combat disguised employment and employee misclassifications.
    - Regulate and limit algorithmic management.
    - Safeguard workers' freedom of association and collective bargaining.
    - Ensure adequate wages and access to social protection.
    - Protect workers' data, privacy, and occupational safety and health.
7. **Promote full employment and decent work** – founded on freedom of association and social dialogue – instead of flexibilisation and precarity in the Bank's research, policy recommendations, and investments.
8. **Enhance gender equality** by:
    - Aligning the Bank's gender strategy with other multilateral institutions such as the ILO.
    - Supporting women's ability to advocate for inclusion and inequality at work by promoting the Fundamental Principles and Rights at Work, including the right to a voice at work.

- Supporting public sector work, such as health and education, where women are already disproportionately employed, and provide robust public services that facilitate the expansion of gender-equal employment in all sectors.
- Including women workers and their unions in decision-making, project design, implementation, and evaluation.

9. **Support investments in adequate and comprehensive social protection** in line with ILO Conventions 102 and Recommendation 202 to ensure universal coverage. This includes addressing the lack of social protection for workers in the informal economy through strengthening access to social protection floors and enhancing their access to contributory systems, while collaborating with trade unions to promote worker-led formalisation.
10. **Collaborate with trade unions on projects and national strategies** (including the 'Nationally Determined Contributions as agreed in the Paris Agreement) to ensure that all forms of climate investment truly promote a Just Transition and deliver the investment necessary to tackle climate change and protect workers affected by it. This should include rigorous collaboration with trade unions at the national and sectoral levels to ensure decent work.
11. **Address structural challenges to equality** by incorporating the need for robust labour market institutions in the World Bank's strategy for improving conditions for women, migrant workers, young workers, informal workers, and other marginalised populations who are more likely to engage in informal and precarious work.