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Statement by Mr. Houngbo
International Labour Organization

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Statement by Mr Gilbert F. Houngbo, Director-General, International Labour Organization, to the IMF International Monetary and Financial Committee and to the joint World Bank-IMF Development Committee

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Summary

- Global unemployment is expected to reach 4.9 per cent in 2024, marking an improvement from earlier projections. However, labour underutilization remains an issue, with 183 million people unemployed and millions more facing job gaps, particularly in developing countries and among women. Youth unemployment is deteriorating, and inequalities persist.
- Mobilizing domestic public resources is essential for achieving Sustainable Development Goals (SDGs) and building inclusive economies. Developing countries need progressive tax systems and efficient revenue collection to invest in social protection and economic resilience. Currently, only 52.4 per cent of the global population has access to social protection. To extend universal protection, low- and middle-income countries require an additional US$1.4 trillion annually. Investments in social protection yield high returns in poverty reduction and GDP growth, with a focus on progressive taxation and reducing fossil fuel subsidies.
- Global development efforts require strong international cooperation, especially to close the financing gap in developing countries. Official Development Assistance (ODA) plays a crucial role in supporting countries in Africa and least developed regions. North-South and South-South cooperation are essential for sharing resources and knowledge. Multilateral Development Banks (MDBs) should reform their financial models to better align with the SDGs, using innovative tools like blended finance to attract private capital for high-impact projects in developing countries.
- Developing countries face mounting debt crises, which limit their ability to invest in essential services such as social protection and healthcare. Current debt relief efforts are moving slowly, and many countries are spending more on debt service than on vital social needs. Multilateral debt restructuring mechanisms must improve to ensure private creditors share the burden equitably. Sovereign debt management can unlock resources for sustainable development, enabling countries to prioritize social justice and invest in long-term growth.
- A significant gap exists between available resources and the financing required for sustainable development and climate action. International financial institutions (IFIs) like MDBs and the IMF hold untapped potential to mobilize resources for developing countries. While recent reforms have been made, deeper changes are needed to align financial systems with the SDGs. These systemic reforms are necessary to foster a more just, inclusive, and sustainable global economy.
- The international financial architecture needs reforms to meet the financing needs of developing countries and strengthen their participation in global governance. Recent global crises have deepened inequalities, and modernizing financial institutions is crucial for fostering social cohesion and sustainable development. Collective leadership and international cooperation are essential to fully utilizing the tools available to advance the SDGs and create a more just and resilient global economy. The Global Coalition for Social Justice aims to address social justice deficits and accelerate the implementation of the SDGs. The Coalition unites governments, international organizations, and civil society to collaborate on concrete actions that reduce poverty, inequality, and environmental degradation.

Economic and social outlook

The International Labour Organization's (ILO) latest revised projections indicate that the global unemployment rate is expected to reach 4.9 per cent in 2024 (vs 5.2 per cent projected in November 2023) and remain at that rate in 2025. This revision reflects mainly lower-than-expected unemployment rates in China, India, and high-income countries.[1] Notwithstanding these revisions, labour underutilisation remains pervasive around the world. An unemployment rate of 4.9 per cent translates into 183 million persons that are unemployed in 2024. In addition, there are 219 million persons who do not meet the strict unemployment criteria and yet have an unmet need for a job. Moreover, the jobs gap is unevenly distributed, with more significant gaps occurring in developing countries and among women.

While labour markets are tight in certain advanced economies, the latest incoming data points to a softening of labour markets, including considerable declines in job vacancy rates in the United States and the European Union. Unemployment rates are also on the rise in a number of countries, with youth unemployment rates deteriorating to a larger degree than the rates for adults. Youth are typically more vulnerable than adults in softening labour markets as they are often the "last in" and the "first out" given their relative lack of experience and tenure. In addition to the unemployed, there are a large number of young people who are not in employment, education or training. This rate has only seen a modest decline since 2015, falling from 21.3 per cent to 20.4 per cent in 2024.[2] NEET estimates show that large gender inequalities remain in young people's access to education and employment, with the female youth NEET incidence (28.2 per cent in 2024) more than double the incidence among young men (13.1 per cent).

In this context, the ILO stresses the urgency of scaling up the financing and investments in social protection, training and education, healthcare and employment policies, and calls for international cooperation to address systemic challenges, such as inequality, climate change, and digital transformation. The ILO supports the need for a just transition to sustainable economies that ensure decent work for all, especially in the context of emerging global risks.

Financing sustainable development

Financing investment in social protection and just transition

Generating domestic public resources is fundamental to achieving the Sustainable Development Goals (SDGs) and building inclusive economies. For developing countries, sound economic, social, and environmental policies must create an enabling environment for securing the necessary fiscal space and a sustainable mobilization of domestic public resources. As highlighted in the Financing for Development Forum 2024, investments in social protection, job creation, and economic resilience depend on developing countries' ability to raise sufficient domestic resources through progressive tax systems, efficient tax collection, social security contributions and modernized revenue administrations. Investments in social protection should be prioritized as they generate considerable benefits in terms of poverty and inequality reduction,[i] as well as GDP growth through its multiplier effects.[ii] This is in line with the Social Protection Floors Recommendation, 2012 (No. 202), which calls for at least basic income security and access to essential healthcare for everyone as a key step to realize the human right to social security as enshrined in the Universal Declaration of Human Rights (1948). However, ILO estimates show that only 52.4 per cent of the global population had access to at least one social protection benefit (effective coverage), leaving 3.8 billion people uncovered. Under-investment in social protection continues to be one of the main reasons for the low coverage rates. Public expenditure on social protection (excluding healthcare) was, on average, 12.9 per cent of GDP worldwide (in 2023) and expenditure on health was 6.5 per cent of GDP.[iii]

To ensure at least a social protection floor, low- and middle-income countries require an additional US$ 1.4 trillion or 3.3 per cent of the aggregate GDP (2024) of these countries per annum, composed by 2.0 per cent of GDP or

[1] ILO. 2024. World Employment and Social Outlook: May 2024 Update.

[2] ILO. 2024. Global Employment Trends for Youth 2024: Decent work, brighter futures.

US$ 833 billion for essential health care and 1.3 per cent of GDP or US$ 552 billion for five social protection cash benefits.[iv] This represents an average increase in social protection expenditure of 10.6 per cent of the existing government expenditure in low- and middle-income countries. These estimations show that to deliver on the agreed goals of universal social protection (USP) under SDG target 1.3 and universal health coverage (UHC) under target 3.8, there is a need to broad the tax base with progressive taxation and social security contribution levels from employers and workers, which in turn also supports the formalization of enterprises and employment.

In most countries, social security contributions are proportional to earnings and, thus, provide the necessary income-smoothing mechanisms. However, certain workers do not have sufficient contributory capacity and therefore need to rely on non-contributory (usually tax-financed) social protection benefits and/or contribution subsidies. For this reason, it is of paramount importance to complement social security contributions with progressive taxation, including progressive taxes on income and profits, as well as wealth taxes, rather than over-reliance on largely regressive consumption taxes. Such sources of government finance are usually managed by ministries of finance, therefore it is crucial to facilitate their engagement with ministries of labour, as well as with workers and employers' organizations, in order to enhance policy coherence in the formulation of financing strategies for social protection.

In the context of the climate crisis, reallocating some public expenditures, such as fossil fuel subsidies, is of utmost importance to both mitigate a warming planet and expand domestic financing of social protection.[v] Such reforms can support increasing expenditure for non-contributory social protection benefits, eliminating or reducing user fees for health care services or subsidizing the extension of social insurance coverage for those with low contributory capacity, thereby facilitating transitions of enterprises and workers from the informal to the formal economy. Furthermore, at the domestic level, eliminating illicit financial flows, including money laundering, tax evasion, trade mispricing, and other financial crimes, is essential to generate additional fiscal space for social protection and health systems.

It must be noted that domestic resource mobilization is the main avenue for financing social protection, considering that building both health and social protection systems implies long term commitments. Priority should be given to building social protection floors that can guarantee at least a basic level of protection. The FfD4 process should consider establishing a quantitative target on increasing social protection coverage, which is preferable to one on expenditure, as not all expenditure on social protection leads to an increase in social protection coverage. In countries where social protection is not yet universal, Member States should commit to raising social protection spending to increase effective coverage (SDG indicator 1.3.1) by 2 percentage points annually. This level of ambition is close to the annual increase in social protection coverage observed in upper-middle-income countries between 2015 and 2023 (1.8 pp/year).[vi]

Investments should have both positive environmental and social outcomes, particularly ensuring that workers and vulnerable populations are protected and empowered. *Just transitions* are the means for achieving structural transformations that are truly inclusive and environmentally sustainable. A just transition requires private capital to be aligned with climate action and social justice, with mechanisms in place to ensure that benefits are shared equitably.

In line with their development mandate, the IFIs and MDBs with the support ILO and the broader UN system can drive the financing of just transitions and make them a key components of a truly sustainable development. Member States can review the current policies guiding the operations of national and international development banks and increase the importance of social aspects in decision-making, driving change in national financial sectors and thus amplifying their impact through their influence on private finance.

Moreover, Member States can facilitate a wider use of instruments that channel both private finance from the global financial markets and public resources towards projects contributing to decent work, as well as facilitate capacity building on financing for sustainable development of key stakeholders in the financial system underlying the need to consider social aspects of the transition to a low carbon economy and other emerging social topics.

International development cooperation

International development cooperation remains crucial for achieving the SDGs through shared responsibility and collaboration. In particular, for African countries, international solidarity is crucial to support their efforts in ensuring universal social protection, given their significant financing gap 17.6.[vii] In many of these countries, Official Development Assistance (ODA) should kick-start and support efforts to strengthen the delivery of social protection and healthcare benefits, which in turn contributes to enhanced productivity and inclusive growth, thereby broadening the tax base and expanding government revenues.

It is known that jobs gaps are exceedingly high in developing countries under financial stress, debts.[viii] North-South cooperation, through financial aid and technical support from developed countries, continues to be a cornerstone of development efforts, but there is a growing recognition of the increasing impact of South-South cooperation, where countries in the Global South share knowledge, experiences, technologies, and resources to address common challenges, which should complement the traditional North-South cooperation. In this regard, it is essential that all countries scale up and fulfil their respective official development assistance commitments, including the commitment by many developed countries to achieve the targets of 0.7 per cent of gross national income for official development assistance to developing countries and 0.15 to 0.20 per cent to the least developed countries.

Current levels of assistance remain insufficient to meet the ambitious targets of the 2030 Agenda, particularly in the least developed countries (LDCs). ODA must be seen not only as a financial contribution but as a comprehensive tool to support institutional capacity-building and technology transfer, helping countries achieve sustainable development goals. Furthermore, by aligning ODA with national priorities of recipient countries and empowering local governance, development cooperation can ensure that external assistance fosters development that is tailored to each country's specific conditions, effectively addressing each country's unique challenges and opportunities.

Multilateral Development Banks (MDBs) play a central role in financing international development cooperation, but their current models need reform to meet today's complex challenges. MDBs possess significant untapped capital that can be deployed more efficiently to mobilize both public and private investments for sustainable development. By updating their mandates and expanding their focus on social justice and climate resilience, MDBs can better align their activities with the SDGs. Reforms should prioritize using innovative financing tools, such as blended finance and risk-sharing mechanisms, to attract private capital into high-impact projects, particularly in developing countries.

Moreover, MDBs need to strengthen their coordination with national governments to ensure that development assistance aligns with domestic priorities, henceforth the enhancement of project relevance, sustainability, ownership and effectiveness. By improving governance models and enhancing cooperation with governments, MDBs can play a pivotal role in directing international financial flows toward projects that reduce inequality and build long-term resilience. These efforts would ensure that MDBs contribute more effectively to a truly global partnership for development, enhancing the impact of international cooperation on the ground.

Debt and debt sustainability

Debt relief has been moving at a very slow pace for the dozens of heavily indebted poor countries that have been spending more on debt service than vital domestic social needs; only two countries have benefited thus far from the initiative established for this purpose during the Covid crisis, the Common Framework for Debt Treatments. Tackling debt distress is critical for ensuring that developing countries can meet their economic and social goals, particularly in light of the rising costs of debt servicing, which are squeezing fiscal space and limiting the capacity of nations to invest in essential services like social protection, education and training, and healthcare. Debt challenges must be addressed through concerted international cooperation and improved multilateral debt mechanisms.

Although government borrowing is not a sustainable solution for closing the financing gap for universal social protection, the effective management of sovereign debt can unlock additional resources to allocate to social protection and health spending. In 2022, 3.3 billion people lived in 48 countries where interest payment on debt was greater than investment in education and/or healthcare.[ix] Member states should explore solutions to reduce borrowing costs and improve access to more sustainable financing options. In particular, there is an urgent need for multilateral mechanisms that ensure private creditors actively participate in debt restructuring efforts alongside public lenders, sharing the financial burden equitably. The international community must support the reform of these mechanisms to align debt management with the long-term development needs of heavily indebted countries. This will enable these nations to restore fiscal health while prioritizing investments that promote decent work and social justice.

It is essential that all stakeholders, particularly private creditors, are held accountable in these debt treatments, ensuring that restructuring efforts contribute to sustainable development outcomes. Further, wealthier countries should continue to support initiatives that alleviate the pressure on highly indebted nations, enabling them to achieve their development objectives without sacrificing progress on the SDGs.

Addressing systemic issues

The primary systemic issue in respect of financing for development is the large gap in resources necessary to drive the major increase in action on sustainable development and climate change implied by the SDGs and Paris agreement. This relates to all of the topics addressed above. The primary missed opportunity in this regard is the ongoing underutilization of the resources and authorities already invested by the international community in the international financial institutions. The MDBs and IMF have unexploited potential to mobilize a step change in the resources available to developing countries. While they recently have taken significant steps to harness their resources and authorities more effectively for this purpose, for which their leadership and board shareholders deserve credit, much more reform along these lines is both needed and feasible. [x]

Indeed, far more is possible through the deeper reform of the international financial architecture that leaders called for in the recent UN Pact for the Future. Member states should commit to implementing such reform to help deliver a systemic shift towards a more socially and economically just, inclusive, peaceful, resilient and sustainable world for people and planet, for present and future generations, taking into account current and ongoing initiatives.

The Global Coalition for Social Justice

The ILO was founded by the Treaty of Versailles in 1919 with justice at its core. This mandate was renewed through the ILO Declaration on Social Justice for a Fair Globalization in 2008 and the Centenary Declaration in 2019. In response, we established the Global Coalition for Social Justice to intensify collective efforts to address jointly social justice deficits and to accelerate the implementation of the Sustainable Development Goals. It creates a collaborative space for action, dialogue, and advocacy, in which partners shape individual and collective opportunities for concrete actions and tangible outcomes. The ultimate goal will be to achieve a greater balance amongst the economic, social, and environmental dimensions of sustainable development, to significantly reduce inequalities and poverty, and to meet essential needs and opportunities worldwide.

Since the establishment of the Coalition in November 2023, more than 300 partners have joined it. This includes more than 80 governments and more than 40 international and regional organizations and bodies. The participation of the varied group of partners is driven by a shared belief in the importance of a social justice-centred agenda, aligned with their respective mandates and perspectives, and the opportunity to enhance policy coherence across economic, social, and environmental domains and for renewed and strengthened collaborations to achieve the SDGs.

The Coalition's plan of activities centres on i) the 6 thematic areas, encompassing now 16 new key interventions, supported by ii) advocacy and communication efforts to elevate and position the social justice paradigm more prominently in the post-2030 global development framework, and iii) knowledge generation & dissemination activities to position the Coalition as a key "solution provider" for those aiming to enhance their efforts and action towards social justice particularly in the lead-up to the Second Social Summit for Development scheduled for 2025.

Since April 2024, the Secretariat has been engaging with Coalition partners to co-develop the thematic focus of the Coalition. Currently being consulted with partners and possible co-convenors (international organizations), all proposed key interventions are designed as multi-stakeholder collaborations, with a view to advance concrete action on the ground. Among them there are both new, about to be launched or existing interventions. And the list is not exclusive; some more are in the making but require still more preparations and discussions. In addition, many partners have expressed their intention to take specific actions, individually or jointly, to advance one or more thematic areas of the Coalition, at the national, regional and global levels. Some also plan to step up advocacy efforts, leverage leadership in international forums, and share resources and expertise.

The Coalition looks forward to deepening its cooperation with International Financial institutions that are already partners in the Coalition, welcoming new ones and searching for new avenues for additional collaboration with IFIs that have raised their support for the Coalitions' cause.

Conclusion

The international financial architecture, including its business models and financing capacities, must be made more fit-for-purpose, equitable and responsive to the financing needs of developing countries, to broaden and strengthen the voice and participation of developing countries in international economic decision-making, norm-setting and global economic governance.

Recent crises and global warming are further entrenching inequalities and perceptions of injustice around the world. Many shareholder governments and the leadership of MDBs are committed to modernizing these organizations to enable them to serve the international community much more effectively in this unprecedented moment of need. Reforms are needed in the interests of the long-term cohesion of the international system as well as of countries' own national security, in the spirit of the ILO's 1919 Constitution words: "If you desire peace, cultivate justice."

A global resource mobilization partnership would greatly accelerate implementation of the objectives set out in the Paris climate agreement, 2030 Agenda, ILO Centenary Declaration for the Future of Work and Global Call to Action by greatly increasing investment in the people of low- and middle-income developing countries—in their health, decent work, labour productivity and economic opportunity, as well as in their social and environmental security.

The multilateral system already has the means at its disposal to become a truly transformational force for the reversal of global disease, inequality and greenhouse gas emissions, strengthening social cohesion and political stability along the way. The United Nations has called for a "decade of action" on the SDGs and the Secretary General has presented a supporting "SDG Stimulus" proposal; this agenda would go a long way towards bringing about the more networked and effective form of multilateralism required to make such action and financing a reality. The resulting sustained increase in median household income, decent work, labour productivity and consumer confidence would raise aggregate demand and economic growth within developing economies and far beyond, creating a virtuous circle of more rapid and resilient global growth and development.

One of key systemic risk for financing sustainable development is the ongoing failure to fully utilize the tools of international cooperation already at its disposal. To be certain, strong collective leadership will be necessary to bring about these changes.

In this context and based on these shared objectives, the ILO is fully committed to work together with all partners, developed and developing countries, the IMF and the WB, other IFIs and MDBs and the UN System to expand the financing capacity and effectiveness of the international financing for sustainable development system.

[i] Razavi S., Cattaneo U., Schwarzer H. and Visentin A., 2024 forthcoming. "Combatting Inequalities: What Role for Universal Social Protection?"
[ii] Cardoso, Dante, Laura Carvalho, Gilberto Tadeu Lima, Luiza Nassif-Pires, Fernando Rugitsky, and Marina Sanches. 2023. 'The Multiplier Effects of Government Expenditures on Social Protection: A Multi-Country Analysis'. Department of Economics - FEA/USP, Working Paper Series.
[iii] ILO 2024, 'World Social Protection Report 2024-26: Universal Social Protection for Climate Action and a Just Transition', 2024.
[iv] Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024. Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space, ILO Working Paper 113 (Geneva, ILO).
[v] ILO, 'World Social Protection Report 2024-26: Universal Social Protection for Climate Action and a Just Transition', 2024.
[vi] ILO, 2024, 'World Social Protection Report 2024-26: Universal Social Protection for Climate Action and a Just Transition'.

[vii] Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024. Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space, ILO Working Paper 113 (Geneva, ILO).
[viii] See ILO Monitor. https://ilostat.ilo.org/methods/concepts-and-definitions/description-ilo-monitor/

[ix] GCRG (United Nations Global Crisis Response Group on Food, Energy and Finance). 2022. "Global Impact of the War in Ukraine: Billions of People Face the Greatest Cost-of-Living Crisis in a Generation." Briefing 2. New York: United Nations.

[x] The G20's independent expert group on MDB reform has estimated that ten times the amount of reform now in the pipeline will be required and is within the realm of possibility. In addition, of the approximately $100 billion in SDRs pledged to be rechannelled to poor countries, only about $6 billion have been committed and 1 billion disbursed for climate change thus far.