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Financing COVID-19 recovery and resilience plans

Dear Treasurer

The forthcoming G20 Finance Ministers meeting comes four months after the WHO declared COVID-19 a global pandemic and governments put in place essential measures to stop or slow the spread of the virus. While the predictions of jobs losses and GDP contraction are now a daily reality for millions of workers, the full scale of the economic and social consequences are yet to be felt. In less than three months, the COVID-19 crisis wiped out the employment gains painfully achieved with the slow recovery from the Great Recession of 2008.

While lockdown measures in many countries are crucial in impeding the spread of the virus, the need for a roadmap for financing immediate and long-term recovery plans is critical. Economic recovery plans will need to co-exist with government responses to control the virus. These plans must build resilience against future global shocks and will require coherence and international coordination.

We know that recovery plans that will give people hope and stabilise our economies will require the following: significant investments in jobs in infrastructure; industry policy for climate transition, public transport, health, education and care; development and repair of ecosystems; and sustainable agriculture as well as digital connectivity for all.

However, despite the commitment to a USD 8-10 trillion global spend in the first phase of responding to the impacts of COVID-19, the fiscal response in low-income developing countries is only around 1.2 per cent of GDP.[1] A clear path to financing complete containment and recovery is needed, with commitments by the G20 to ensure that no person or country is left behind.

The ACTU, along with our global trade union the International Trade Union Confederation (ITUC), urge the G20 Finance Ministers and Central Banks to undertake sustained fiscal support with a focus on the real economy, shared prosperity, and full, quality employment with a framework of sustainability and resilience. We can and must learn the lessons from the 2008/09 economic crisis, including the destructive austerity policy turn of 2010/2011, and put people and the planet at the centre of recovery plans.

While the initial response of the G20 in April through the Debt Service Suspension Initiative (DSSI) provided important breathing space, much more is needed to allow developing countries to focus on urgent health needs and put in place systems to establish resilience. As many governments have now seen, controlling the virus will take many months, if not years, and may continue to require opening and shutting down parts of their economies. The threat posed by debt and constrained fiscal space to finance

[1] IMF, "World Economic Outlook Update", June 2020, p. 18

health, jobs recovery and resilience continues to have global implications for growth.

Based on how governments have been forced to respond to COVID-19 over the past four months, we join with trade unions around the world in recommending the following actions:

- An extension of debt relief for the poorest and most vulnerable countries to two years and debt cancellation in cases of urgent need with the only conditionality being investment in the Sustainable Development Goals (SDGs). Further, the lack of a multilateral framework for negotiating binding international debt restructuring agreements is one of the most serious and debilitating gaps in global governance. Now is the time to create a mechanism to address unsustainable sovereign debt in a predictable and fair manner. This will make an enormous contribution to global financial stability and sustainable development in the difficult years to come.

- Agreement on a broader scope for Special Drawing Rights (SDRs) with liquidity swaps for development aligned with the SDGs.

- A Global Social Protection Fund with a five-year guarantee for the poorest countries to guarantee social protection floors of basic income security and public services to avoid destitution, build jobs and ensure resilience.

- Agreement on an effective minimum tax rate at global level and the secure right for countries to "tax back" under-taxed overseas profits ("pillar 2" of the G20 tax negotiations) and on fair taxation of new digital business models ("pillar 1"), elimination of tax havens and illicit trade flows along with new mechanisms including the long overdue financial transactions tax, and more broadly committing to greater progressivity in tax systems.

In addition, Central Banks must address the dissonance between their responses that focus on price stability at the expense of employment and climate action.

These measures will require a medium- to long-term approach to investment married with a medium- to long-term approach to debt repayments.

Action on debt should be part of an overall plan to finance the sustainable restoration and transformation of the real economy, particularly in developing countries, through concessional and grant financing including a Global Social Protection Fund.

Response and stimulus efforts should be carefully designed to build employment while addressing the transition required in every sector to ensure that we have sustainable economies that create quality jobs, while avoiding financialisation and premature fiscal consolidation with austerity measures that would undermine growth and increase inequality.

This will require fundamental reform of the international financial institutions such that they respect human and labour rights and orient their operations towards policies for inclusive growth and real progress on meeting the UN Sustainable Development Goals.

The ACTU and our global union the ITUC stand ready to participate in the dialogue vital to develop recovery plans that ensure a better future where the economy is aligned with the interests of people and the planet and where resilience against future global shocks is embedded.

Yours sincerely,

Michele O'Neil
President