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## THE GLOBAL CRISIS AND AID EFFECTIVENESS

### New Paths for Development

#### ITUC Conference Conclusions on the crisis and international development policies

Madrid, 16-17 March 2010

The ITUC organized a Conference on the theme "The Global Crisis and Aid Effectiveness – New paths for Development". The Conference was held in Madrid from 16 – 17 March 2010, with the support of the ITUC's Spanish affiliates, CCOO, UGT and USO, and of the Government of Spain. The Conference brought together some 200 participants and was attended by ITUC regional organisations, ITUC affiliates, the GUFs representatives and some CSOs from Spain. The opening address was given by the Spanish Secretary of State for International Cooperation. A number of experts from the United Nations, UNIFEM, the ILO, the OECD-DAC, the EU, the Spanish Agency for Development Cooperation and the ITUC made presentations on the following themes: "The Consequences of the Crisis for the South, and New Paths for Development", "Trade Unions and the Principles of CSO Effectiveness – Their Enabling Environment and Donor Support," and "Improving Development Effectiveness and the New International Development Architecture". The Conference Conclusions which follow are drawn from these presentations and ensuing dialogues with Conference participants.



Trade union participants highlighted their decade-long struggles to change the neo-liberal economic policies that were at the root of the crisis. Coupled with inadequate global governance, these policies had resulted in fundamental economic imbalances; and the crisis was brought to a head by reckless financial speculation. The widespread increase in inequality over the past two decades was not only socially unjust, it was at the core of the macroeconomic imbalances that sparked the crisis. Deregulated financial markets and financial innovation did not lead to more efficient economies, but simply increased the risks. It has become clear that the activities of some financial players amounted to criminal behaviour, and those concerned should be brought to justice.

### ***The economic and human cost of multiple crises***

Trade unions wished to highlight the stark reality of the disastrous consequences for workers in the north and the south, as a result of a financial crisis they had no stake in. In fact there were multiple, on-going crises in finance, fuel and food. The brunt of these crises were being borne by the most vulnerable and poorest people, with negative consequences for the livelihoods and well-being of households, women and children. In many developing countries, the crisis has meant a



wrong economic hypothesis are at the basis of the deregulation excesses

rise in precarious employment and working poverty, and any progress that has been achieved in reducing informality is threatened by millions of job losses in the formal sector. The surge in rural, precarious and informal employment will mean a setback in putting decent work at the heart of sustainable development.

The global economic crisis is a threat to eradicating poverty. It is a threat to continued, sustainable development. It is a threat to social justice for workers everywhere. The magnitude of the global economic crisis can be measured by falling income levels, reduced access to health services and education and inadequate social safety nets for many in the developing countries. There has been an erosion of



decent work is the answer to the global crisis

people's savings, a lower purchasing power as a result of the food crisis and a fall in remittances by more than 7 percent<sup>1</sup>.

The latest global employment trends from the ILO predict a continuation of high unemployment rates despite an increase in global economic growth, and in the emerging

<sup>1</sup>ITUC: *Jobs – the Path to recovery, how employment is central to ending the global crisis*, September 2009

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and developing countries, employment levels will not recover substantially before 2011<sup>1</sup>.

The crisis has severely undermined progress made in attaining the Millennium Development Goals (MDGs), as well as nationally agreed development objectives, especially in low income countries; Sub-Saharan Africa is projected to fall short of reaching the MDG target 1.A<sup>2</sup>. As a result of the crisis, between 47 and 84 million more people are estimated to remain poor or to have fallen into extreme poverty<sup>3</sup>. And in total, currently about 28 percent (or about 1.4 billion people) of the world's population live on less than US\$ 1.25 per person per day<sup>4</sup>. Among the most severely affected are the rural and urban poor, landless farmers, female-headed households, women workers, children, and those recently made unemployed.

Differing impacts of the crisis for women and men are beginning to be evident. Whereas the manufacturing sector was the first to be affected and men took the first hit in terms of lay-offs, the evidence suggests that the manufacturing sector is stabilizing, and that women are now gradually swelling the ranks of the unemployed, and of employees of the informal economy. Studies have shown that gender-based and domestic violence increase in times of crisis, predominantly affecting women and girls.



Despite talk of "green shoots", the global economy's recovery is at best fragile, and a further recession is entirely possible. What growth has occurred is unevenly distributed among developing and emerging countries and dependent on the pace of international trade and on the stability of capital flows. A few emerging market economies that had built up their own reserves have been able to cushion themselves from the worst effects of the crisis. This is the case for

China, India and Brazil, while countries that were heavily dependent on external financing, (CEE and Russia), remain in deep recession.

### ***The way forward in creating a favourable, inclusive environment for development***

There is a need for globally coordinated measures to tackle what is still a global crisis, and deep systemic reforms are needed if developing countries are to find a way out, and a path to sustainable growth. In moving forward, it would be premature to abandon stimulus packages, as is being suggested by those who have a vested interest in the status quo. The application of stimulus packages must continue for some time to come, with an emphasis on productive investment, green jobs and decent work. This is needed to begin a process of fair re-distributive growth in the global economy. It must, however, be linked to longer-term systemic reforms within a new financial and development architecture

<sup>1</sup>International Labour Organisation: Global Employment Trends, January 2010

<sup>2</sup>"Half, between 1990 and 2015, the proportion of people whose income is less than one dollar a day."

<sup>3</sup>World Economic Situation and Prospects 2010, United Nations

<sup>4</sup>UN Secretary General's draft report (2010): *A forward-looking review to promote an agreed action agenda to achieve the MDGs by 2015*: [http://www.un.org/millenniumgoals/pdf/sgreport\\_draft.pdf](http://www.un.org/millenniumgoals/pdf/sgreport_draft.pdf)

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that effectively regulates the financial sector, and ensures that it carries out its real function, namely to serve the interests of the productive economy and sustainable development.

The International Financial Institutions (IFIs) must end their misguided structural adjustment conditions and allow developing countries to pursue effective stimulus programmes, and to introduce countercyclical measures aimed at mitigating the impacts of the crisis. WTO and bi-lateral trade policies must not be allowed to undermine the productive bases of national and local economies. The principles of fair trade must apply, including less than full reciprocity, and adequate policy space for developing countries to determine the pace of import liberalization and tariff reductions.



the importance of anti-cyclical policies and public banks in the fight against crisis

The expansion of precarious forms of work and deregulation of the labour market are not the answer to the employment crisis – the insecurity of working people over recent decades has been a significant contributor to today's recession. A major challenge faced by both industrialised and developing countries is how to build labour market security in a globalised economy. Labour market flexibility must not be achieved through the severing of the standard employment relationship, the erosion of workers' fundamental rights and a significant reduction in workers' welfare.

Employment generation must be placed at the centre of all macroeconomic policies. Stimulus packages must be used to finance the implementation of the ILO Global Jobs Pact at country level, with special emphasis paid to the creation and strengthening of social protection

schemes. In this regard, adequate social services, including child care, are important to ease the burden of unpaid care work borne by women, and to ensure women's access to paid, decent work. A hopeful sign for the advancement of gender equality was the recent UN decision to establish a new, well-resourced gender unit that would consolidate the existing bodies: the UN Development Fund for Women (UNIFEM), the Division for the Advancement of Women (DAW), and the Office of the Special Adviser on Gender Issues (OSAGI), and have strong political leadership at its helm, by the appointment of an Under-Secretary General.



Empowering women economically is smart economics

Trade unions and the ILO highlighted the importance of the other pillars of decent work enshrined in the ILO

Global Jobs Pact, namely social dialogue and respect for fundamental principles and rights at work. These are critical components for achieving distributive justice within a new consensus for restored growth with equity, in a climate-resilient economy, and must remain priorities in trade union development cooperation.

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### Regulation : the key towards more stability

A key lesson arising from the crisis, and from the resulting bank bailout, is the need for effective, transparent and publicly accountable supervisory authorities with strong regulatory and enforcement powers over banks and other financial institutions. Some lessons may be derived, also, from a review of countries that were more or less vulnerable to the external shocks engendered by the crisis.

There is a need for countries to end excessive dependence on external sources of financing, and focus on domestic resource mobilization and savings. Robust tax administration, and progressive taxation regimes provide ways to raise domestic revenue, and domestically capitalized public banks can be effective instruments for investing in development, public goods, and decent work. Stemming and reversing the tide of net capital outflows from developing countries is a critical issue for the global development agenda, notably through a regulatory framework that would address illicit capital flows, transfer pricing and tax havens, as well as the need for capital controls.



International resource mobilization should also be stepped up, with a view to meeting new financing needs such as debt-servicing in light of the crisis, and financing of mitigation and adaptation to climate change. Trade unions are lending their full support to initiatives aimed at establishing a financial transactions tax, (FTT), that would address the social consequences of the economic and environmental crises and generate additional funding for development.

Rebalancing domestic with export-led growth was another important item for the development agenda, while regional market integration should be promoted, with a view to providing economies of scale. Africa should resist pressures to become the commodity producer for emerging markets such as China, and focus on industrialization and production of value added from primary commodities.

While developing countries should strive to reduce dependence on external financing, given tremendous short falls in financing of development needs, including the MDGs, many will require official development assistance (ODA) for quite some time to come, and developed countries must maintain their commitments. Unfortunately, following the crisis, ODA to developing countries is still falling short of



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international commitments and it is expected that net aid flows will fall in absolute terms in 2009-2010 because of fiscal constraints of major donors. According to the European Commission, aid levels have decreased by EUR 22 billion in 2009<sup>1</sup>.

2010 is a major year for the review of the MDGs, with the MDG+10 review process scheduled to take place at the UN September Summit. Given the set-back in achievements on the MDGs in the wake of the crisis, the international community should

step up their efforts and support for the MDGs, with a special focus on MDG1 (poverty eradication), MDG1, sub-target 1b on decent work, prioritizing social protection, MDG3 (gender equality), linked to MDGs 4 and 5 (child and maternal mortality).



should be untied to allow partner countries the policy space to lead the development process. Mutual Accountability defined a relationship of reciprocity between donor and partner countries, with mutual responsibilities and obligations.

### ***Trade unions are actors in development***

The importance of democratic ownership was highlighted, with a clear role for trade unions as development actors in their own right, and for their involvement in consultations on aid strategies, and in the monitoring of development impacts. Moreover, trade unions are calling for consultative status with the OECD-DAC, similar to the consultative status they enjoy with the OECD, through TUAC.

Trade unions have committed to active engagement with the Open Forum for CSO Development Effectiveness, with its three-fold objectives of building an appropriate framework for CSO development effectiveness; promoting a learning environment on CSO development effectiveness, and engaging in a multi-stakeholder dialogue with governments and



<sup>1</sup> Enrique Guerrero Salom: draft report on the effects of the global financial and economic crisis on developing countries and on development cooperation, 24.11.2009

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donors to build understanding and support for an enabling environment for CSOs. From a trade union standpoint, this must include an enabling environment for the exercise of fundamental labour rights.

Trade unions have initiated their own process of defining principles on development effectiveness, and this work will be refined through a series of consultations. In this regard, the role of the ITUC regional organizations was highlighted, (TUCA, ITUC-Africa, ITUC-Asia Pacific, PERC) as well as the involvement of the GUFs.



Trade unions have an opportunity to organize for effective change. But neo-liberal voices claiming an end to the recession are gaining currency. The window of opportunity may be closing. Now is the time to work towards a new model of low carbon economic development that is sustainable, balanced and fair. Trade unions must advocate strongly for the creation of an economic development model that puts people, the environment and the public interest first; to tackle the crisis of distributive justice in the world.

Trade unions must continuously advocate for a new model of economic development that is economically efficient, socially just and environmentally sustainable. This model must rebalance the economy: the financial

and real economy; the rights of labour and capital; the trade surplus and deficit countries; and industrialised and developing countries. But first and foremost, it must bring an end to the policies that have generated massive inequalities between and within nations over the past two decades.

#### PowerPoint presentations:

- [Rosa Elcarte : la efectividad de la programación de las políticas de desarrollo españolas con respecto a la sociedad civil](#)
- [José Antonio Ocampo: the Great Recession](#)
- [Octave Brothm: l'Afrique face à la crise mondiale](#)
- [Anna Nitowska on Open Forum](#)
- [Angelo Baglio: The EU Structured Dialogue and the Effectiveness of the CSO's Channel for Development Cooperation](#)
- [Paola Simonetti: Trade Union Principles on Development Effectiveness](#)
- [Alice Ouédraogo: Mainstreaming Decent Work as a cornerstone of the development strategy facing the global crisis\]](#)

#### Video:

- [ITUC TUDCN Conference Madrid 1](#)
- [ITUC TUDCN Conference Madrid 2](#)

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# Agenda 2010

## May

TUDCN Capacity building seminar in Africa

Network meeting (Helsinki 10-11-12 May)

## June

ITUC Congress (Vancouver 21-25 June)

UNDCF (New York 28 June)

## 24-26 August

Open Forum GA

## September

TUDCN Capacity building seminar in Latin America

## October

Network Meeting (Brussels)

TUDCN Capacity building seminar (Singapore)

## November

Seminar for the new EU Member States on advocacy/capacity building

## December

Meeting Experts Group Regional Consultations (Brussels)

European Development Days (Brussels 9-10 December)



### *The TUDCN team:*

*Jaap Wienen (ITUC Deputy General Secretary), Jan Dereymaeker (Network Coordinator), Mamadou Diallo (Program Officer), Paola Simonetti (Policy and Advocacy Officer), Luc Vermeersch (Information Officer) and Peggy De Clercq (Assistant).*