

INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS  
AFRICAN REGIONAL ORGANISATION

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TO THE ECOSOC HEARINGS AND DIALOGUE WITH REPRESENTATIVES OF  
CIVIL SOCIETY  
ECOSOC CHAMBER, UN HEADQUARTERS  
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**Panel 5: “Policy Coherence”**

**Introduction**

1. Allow me Chairperson to take this opportunity to thank the President of the Economic and Social Council (ECOSOC) for inviting the trade unions to this important hearing and dialogue, which is part of the preparations for the High-Level Meeting of the ECOSOC with the Bretton Woods institutions and the World Trade Organisation on the 14<sup>th</sup> of April.

2. The ICFTU, representing 158 million trade union members organised in 231 national centres in 150 countries and territories around the world, strongly believes that the United Nations system has the potential of fostering cooperation, and harnessing the political will for the attainment of the Monterrey Commitments. These include the achievement of the Millennium Development Goals (MDGs).

**Success in achieving the MDGs as a Measure of Policy Coherence**

3. The trade union movement maintains that a lack of coherence between economic and trade policies on the one hand, and social policies on the other, remains a major obstacle towards the achievement of the Millennium Development Goals. The Monterrey Consensus sets the important objective of achieving coherence between the international monetary, financial, and trading systems in support of development. Yet, misguided policies and poor governance are undermining rather than supporting development. There is a need for greater and more effective management of the international system in particular the IFI's and the WTO in a way that is consistent with development.

4. The trade union movement insists that for policy coherence to take root, the formulation of international policy especially financial and monetary policy should be consistent with the outcome of sustainable development. It is not acceptable, for instance, if financial interventions bailed out investors affected by a crisis while workers faced massive lay-offs and increasing poverty.

## **Policy Incoherence – The Case of Privatization in Zambia**

5. A significant policy shift is needed, at both international and national levels. The development objectives enshrined in the Millennium Development Goals imply a people-centred development. Policies must focus on reducing poverty, and the sustainable way to do so is through employment promotion with decent jobs and adequate social protection. The lack of coherence between economic and social policy can be well illustrated by the example of privatisation in Zambia, where the government adopted a fast track approach. Within a space of less than ten years Zambia had privatised 257 state enterprises out of 280 marked for privatisation under IMF and World Bank conditionality. The costs to labour were enormous with over 61,000 jobs lost without adequate compensation and social protection. Some privatised companies collapsed soon after privatisation. These include Kabwe Pharmaceuticals and Lusaka Engineering Companies, which were, stripped of their assets leaving behind mere warehouses for imports, and workers without jobs; a sure passport to poverty.

6. Another example is the Roan Mines Corporation, where the receivers closed the company soon after privatisation, putting 4000 miners out of jobs, and depriving their families of a source of livelihood. This had also a negative impact on the Copperbelt and the entire economy, given the importance of copper mining to the Zambian economy.

7. Regrettably, the government ignored pleas by the trade unions to be involved and negotiate a just transition for workers during the privatisation process. The government in fact claimed it was under pressure from the Breton Woods institutions to meet benchmarks in order to keep credit worthiness for loans and secure development assistance.

## **GATS and the Privatization of Social Goods**

8. The privatisation of social goods in particular education, health and water is another example of incoherence between economic, market-led approaches and social policies geared towards meeting the Millennium Development Goals. The WTO GATS is a case in point. It will be difficult to tackle poverty where the majority of the population have no access to social goods. User fees have been introduced across the board in the health care system. The hospitals are empty, not because the population is healthy but because those that cannot afford to pay die quietly at home.

9. Privatization of water has created the dual problem of lack of access, and declines in the quality of service. Those that cannot afford to pay for water often have services withdrawn, forcing them to go for unsafe drinking water, leading to disease.

10. The trade unions therefore maintain, that in the interests of policy coherence, the 5<sup>th</sup> WTO Ministerial in Cancún should amend the terms of the GATS agreement to

exclude formally public services (that is, education, health and essential public utilities). Also public services provided at sub-national levels and socially beneficial service sector activities should be excluded from all further GATS negotiations.

11. Article XXI of the GATS agreement should be amended to include an explicit clause to enable governments to withdraw or diminish their GATS commitments, so that they can improve their public services without any risk of challenge under WTO rules. The policies of the IFIs should also be brought in line with these development-friendly shifts in WTO rules. Privatization should not be included as conditionality in IFI loan agreements.

### **Lack of Transparency and Accountability**

12. At national level, poor governance and lack of accountability hamper the attainment of the Millennium Development Goals. In Zambia, the past government turned a blind eye on corruption. Government and parastatal officials and their private sector counterparts were engaged at high level in misplacement and mismanagement of tax revenue, of state enterprise resources and privatised assets. For instance, the Zambian government through dubious cobalt sales deals lost over US\$150 million. Meanwhile public service workers, teachers and lecturers, doctors and nurses were being denied decent wage adjustments and good working conditions. Workers in local authorities have had to go for up to 40 months in some cases without pay. The government was claiming that it was under pressure from the World Bank and IMF to cut government spending, but appeared to have enormous resources for personal spending.

13. Fighting corruption must be a priority. The trade unions continue to support the idea of a UN comprehensive convention on corruption, including stronger cooperation to eliminate money laundering, terror financing, and repatriate transferred funds of corrupt or illicit origin.

### **Promoting Core Labour Standards as Enshrined by the ILO**

14. While sound macroeconomic policies are important in achieving sustainable economic growth, promoting stable industrial relations is of equal importance. This is a critical dimension of policy coherence. It is a pre-requisite for achieving an enabling domestic environment for sustainable development, employment and productivity growth, and poverty eradication. This means observing core labour standards as enshrined in the ILO Declaration of Fundamental Principles and Rights at Work, facilitating social dialogue between business and labour, and promoting collective bargaining as a mechanism to ensure decent conditions of work and a fair share of profits and productivity gains to workers.

15. In this regard, trade unions view core labour standards as a crosscutting issue in the quest to provide an enabling environment for the fulfilment of the development goals contained in the Millennium Declaration, aimed at drastically reducing poverty and improving social conditions.

16. The trade unions are concerned that the World Bank and the IMF, despite recognizing the positive impact of Core Labour Standards and the important role of organized labour in reducing inequality and poverty, have exhibited a contrary stance in many country interventions. Once again, we have many examples of policy incoherence. In Croatia, for example, the Bank and the Fund rejected the trade unions' approach to social protection and labour laws and urged the government to bypass the established tripartite consultative body, and unilaterally introduce labour law amendments. Similar developments have taken place in Sri Lanka where, at the IFI insistence, labour law reforms were pushed through parliament while bypassing the established tripartite labour advisory council.

### **Mobilization of Financial Resources**

17. Debt is a major impediment facing poor and developing countries' quest to mobilize resources for development. The HIPC programme has failed to achieve sustainable debt levels. The enhanced HIPC adopted in 1999 has so far cancelled the debt stock of only six of the 41 countries deemed eligible by the International Financial Institutions. A number of developing countries are finding it extremely difficult to achieve a balance between savings for domestic investment and debt servicing. Africa's debt has become unsustainable. At a peak of over US\$ 350 billion, there is no miracle cure for this problem. How does one for example, expect Uganda to have a developed health system if only US\$ 3 per person is spent on health, compared to US\$17 per person on debt payment? In Zambia, between 1990 and 1993, US\$37 million was invested in primary school education, while US\$1.3 billion went to foreign creditors. With the current systemic imbalances, more defaults are likely in troubled Latin American countries. Once again, policy coherence requires a move towards debt cancellation for the heavily indebted poor countries, and instituting a fair and transparent arbitration mechanism for other debt restructuring, with determination of sustainability linked to a country's ability to achieve the Millennium Development Goals.

18. Finally, the international community is still not doing enough to increase ODA towards the official UN target of 0.7% of GNP. In the interests of coherence with its own policy objectives, the ECOSOC meeting with the IFIs and WTO must look at means of bringing about the implementation of this target as a prerequisite towards meeting the Millennium Development Goals.

Thank you Chairperson.