

Notes from working lunch discussion - Oslo Conference 2010

Table 5: Chair Hugo Gobbi, Ministry of Foreign Affairs of Argentina

Fiscal sustainability

Main determinants of fiscal sustainability are: credibility of policies, transparency, predictable incomes. Very significantly, the fiscal challenges should be thought in the context of their social effects, as they cannot be separated. A key question is what are the levels of fiscal deficit, the inflation rate and the debt-to-GDP ratio compatible with fiscal sustainability. But one single metric of fiscal sustainability does not work. There is an important connection to be made between fiscal sustainability, democratic governance and social dialogue. In Brazil, it has been possible to combine ambitious social policy and social investments, with results in the reduction of both inequality and poverty, with fiscal sustainability. Pensions were fixed at the same level of the minimum wage and coverage expanded. Consumption increased and so did fiscal earnings.

Macroeconomic and employment policies

In this seminar the debate was very focused on the reality of developed countries, but this is not the reality of many developing countries, for instance Brazil is growing at 8%, Argentina at 7%. Participants argued that the IMF global discourse sounds good, but in practice, its recommendations at the country level have not changed much. What happened was not a change in the policy paradigm but a change forced by the reality of the crisis. The ILO also has to get a reality check and not only advocate what is desirable, but also recommend what is possible. Discussants said that the Oslo background document does not analyze the causes of the crisis, without which it is not possible to develop clear policies. Developing countries in fact have financial regulation systems which are much stronger than those of developed countries. Therefore, the negotiation in the G20, is carried fundamentally between the US and Europe, which have strong deregulated systems and need to tighten these regulations.

Participants expressed the need of a new vision about informality, i.e. in the Dominican Republic informal workers represent 50 per cent of the total workforce. Policies have to look at their needs: lack of social protection, low productivity and incomes.

Discussants commended the fact that the IMF is concurring with the ILO vision. The ILO has a great responsibility in promoting this dialogue. Only in this tripartite forum, workers have a space to exchange views and build common agendas. A great opportunity to promote ILO-IMF cooperation is the G20, where this common agenda has to be tabled. The ILO should use this space. It is equally important to further this dialogue and bring it to the regions and at the country level. The Oslo Conference should be followed by regional conferences. The IMF should also think more about the social cohesion consequences of the policies it promotes.

ILO and IMF collaboration

Participants called for a follow-up to the Oslo Conference to include:

- The organization of ILO-IMF regional conferences, inviting also regional development banks. Expand the agenda to items such as how to increase access to credit, the role of national development banks and how to develop new financing instruments
- Strengthen the mechanisms of social dialogue and their role in defining development policies, fiscal sustainability policies, etc.