Are the Multilateral Organizations Fighting Inequality?
2017 Financial Impact Report

Executive Summary

1. Overview

Since 2012, New Rules for Global Finance (New Rules), in partnership with many other civil society organizations, has been assessing the governance and performance of the global financial rule-making system. In 2016–2017, New Rules, the Friedrich-Ebert-Stiftung New York Office, and Development Finance International (DFI) partnered to create a 2017 Financial Impact Report. This report assesses whether the United Nations (UN), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), World Bank Group (WBG), Financial Stability Board (FSB), and Group of 20 (G20) are being successful in helping governments across the world to fight inequality, including gender income inequality, and it scores them on a scale of 1–5 on their efforts and performance.

Each assessment begins with the organization’s formal mandate. The team of analysts consulted extensively with representatives from each organization throughout the process to better understand and reflect what the organizations themselves are trying to do and how they measure their progress via policy monitoring, analysis, surveillance, and advice – the »transmission mechanisms« through which these organizations seek to impact inequality. The objective was to ensure that the report was as useful as possible to the organizations while at the same time shining a light on the overall role of the global financial rule makers in addressing economic inequalities. The authors relied on the most recent publicly-accessible information (in many cases supplied by staff of the organizations themselves) on the degree to which each organization’s analysis and policy advice takes account of inequality and the degree to which these are implemented and contribute to the achievement of measurable changes in inequality. Organizations might have internal data or analysis that shows them to be performing better or worse than this assessment, in which case the authors look forward to working with the organizations concerned to analyze this material.

Overall the report finds that the UN is performing best in fighting inequality, with a moderately progressive score including some important evidence of impact, as shown by the continuous
black line in Figure 1, which represents the average of the scores in five broad policy area indicators: inequality focus, labor, taxation, social policy, and development finance. The UN is followed by the IMF and the OECD, which have mostly slightly progressive scores but need to demonstrate more country-level impact. The WBG has some progressive scores but others which hold it back. The least impressive performance has been that of the G20, reflecting the inconsistency of its focus on inclusive growth since its increased influence in global leadership after the 2008 financial crisis.

The FSB, which is analyzed by a slightly different set of metrics than the other five organizations under consideration, is only just beginning to integrate impact on inequality into its work. Nevertheless, it is possible to show an approximate comparison to the other organizations (Figure 2) because the inequality-related dimensions along which the FSB’s performance is measured, taken together, intersect with those used to calculate the other organizations’ scores. For example, policies towards financial inclusion and cross-border financial flows reflect social policies and development financing choices. The FSB’s average score thus measured is comparatively low, above only that of the G20.

For all organizations, scores deemed impactful (4 or above) or inequality reducing (5) will have taken into account one key feature of the organizations: that their roles are ultimately limited to policy advice, and that demonstrable impact requires national-government buy-in and action. It would be difficult to score highly without the political will to do so because none of these organizations can require governments to follow their recommendations, though some may have more »clout«, especially with low-income, smaller countries.
2. Priorities for Action

The overarching message of this report is that, to varying degrees (depending on their governance, mandate, and the enthusiasm of their leadership), the formal organizations scored in the report (UN, IMF, OECD, WBG, and FSB) are making some progress in monitoring and analysing inequality as well as providing policy advice and support to countries on measures to
reduce it. This is especially true of the UN. In contrast, the G20 – an informal group of the leaders of the largest and richest economies – has not performed as well.

It is unfortunate that the G20 – which became a meeting of Heads of State in 2008 to reinforce global economic and financial governance in response to the 2007–2008 economic crisis – has, after a promising start, failed to deliver adequate monitoring, analysis, or action, and has been taking a very selective and partial view of its commitment to implementing the UN’s Agenda 2030. As a result, key global policies that all the formal institutions have shown are crucial to fighting inequality, like progressive taxation, social policy and spending, enhanced labor and union rights to promote decent work and living wages, and access to anti-inequality financing, are being sidelined or ignored.

It is our strong recommendation that the G20 commit themselves fully to fighting inequality and to working with the other countries of the world via the UN. This is necessary to produce a comprehensive agenda to promote progressive tax, social spending, decent work, and sustainable development financing. Renewed leadership is needed by the whole global community. Without it, the achievement of Agenda 2030’s Sustainable Development Goal (SDG) 10 to reduce inequality within and between countries could be beyond reach.

3. Methodology

Despite the different mandates, functions and activities of the UN, IMF, OECD, WBG, and G20, the innovative methodology used in this report has made possible a robust cross-organizational comparison of performance across five broad policy areas. These were decided upon with key staff from the organizations as areas on which they should be assessed.

1) Inequality focus: the degree to which their monitoring, analysis, and strategy or policy recommendations are focused on fighting inequality, including gender inequality.

2) Labor: the degree to which their labor analysis, surveillance, and advice are focused on measures to fight inequality.

3) Taxation: the degree to which their tax analysis, surveillance, and advice are focused on progressive tax measures that will reduce inequality.
4) **Social policy:** the degree to which their social sector spending analysis and policy advice are focused on progressive anti-inequality spending.

5) **Development Finance:** the degree to which their analysis of and support to domestic financial and private sectors, as well as their international development cooperation flows, are focused on fighting inequality.

Because the mandates of each organization vary considerably, the exact content of the broad policy areas does too. For example, in the case of Development Finance, the G20 chapter looks at what the G20 is doing about financial-sector regulation and mobilizing finance for development; the section on the IMF focuses on the IMF’s role in national-level financial-sector reforms; the OECD section examines the OECD’s work on development finance and Development Assistance Committee (DAC) member-state development policies; the WBG section looks at the WBG’s private-sector lending and financial-sector reform recommendations; and the UN section focuses on the whole range of UN development finance tools.

The FSB is a special case because of its narrow mandate of financial-sector reform. The FSB chapter therefore focuses on the degree to which the FSB has integrated inequality into different aspects of financial regulatory work, including on 1) its overall analysis of progress and efforts to preserve and push forward reforms; 2) its regulations to reduce the frequency and impact of financial crises; 3) its regulations to reduce excessive executive compensation and risk-taking; 4) its regulations to promote financial inclusion; and 5) its regulations to encourage cross-border financial flows.

The »scoring« of the organizations’ policies and activities is as follows:

- **Regressive: Numeric Score = 1**

Lacks consideration of distributional consequences and/or ultimately increasing economic inequality.

- **Neutral: Numeric Score = 2**

Has limited or no impact on inequality, weak consideration of distributional consequences, and/or weak efforts to gather data and/or other evidence to assess the potential impact of recommendations on policies to reduce inequality.
• **Progressive: Numeric Score = 3**

Integrates distributional considerations into research, analysis, and policy recommendations, gathering data and/or other evidence related to inequality, then making anti-inequality policy recommendations.

• **Positive Impact: Numeric Score = 4**

Has a positive impact on reducing inequality, based on strong distributional analysis and strong anti-inequality policy recommendations, which are being followed by governments.

• **Inequality Reducing: Numeric Score = 5**

Demonstrates contribution to decreasing inequality, following implementation of policies by member countries and supported by data and/or other evidence.

4. Analysis

Expanding on the comparative scoring chart from Part 1 of the Executive Summary (Figures 3 and 4) reveals the full table of numerical data behind the scoring of each institution, organized according to transmission mechanism.

**Figure 3**

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The following are the rationales for the scoring assessments and the policy recommendations for each institution, starting with the UN, which scored highest overall, and ending with the G20, which scored lowest.

**United Nations**

**Mandate**

The United Nations (UN) was established in 1945. Its mandate (defined in its Charter) is very broad, including: maintaining international peace and security; developing friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples; achieving international cooperation in solving international problems of an economic, social, cultural, or humanitarian character; and promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion. Currently, 193 governments are UN members. Its other powerful mandate is the Universal Declaration of Human Rights, adopted in 1948, which includes universal rights to social security, healthcare, education, and labor rights.
Its more detailed mandate has been defined by member states in periodic global agreements. In the area of development, the most recent have been the Millennium Development Goals (MDGs) during 2000-2015 and the Sustainable Development Goals (SDGs) since 2015. The UN has the broadest mandate of all the organizations in this report, with the SDGs now covering virtually all economic, social, and environmental policies. This gives it a tremendous potential leadership role in defining norms and setting goals for the international community and in monitoring progress globally, especially through its central organs, the Economic and Social Council (ECOSOC) and the General Assembly (GA). However, the SDGs are not binding on member states, and the UN conducts most of its country work via multiple programs, funds, and specialized agencies, many of which are chronically under-funded.

The UN’s influence has also been undermined in recent years by the parallel decision-making processes of the G20. On many occasions, G20 discussions and agreements have had a major influence on subsequent UN meetings, or the G20 has given specific tasks to the IMF, OECD, or WBG instead of to the UN (e.g., assigning key roles to the OECD on development cooperation and international tax cooperation). This delegation of tasks effectively reduces the influence and the mandate of the UN in the policy areas concerned.

Organization’s average score = 3.2

- **Inequality Focus: score = 3.5**
  The UN has a strong anti-inequality focus. Its headline indicator in Sustainable Development Goal (SDG) 10 is disappointingly centered on increasing the income share of the bottom 40 per cent compared to the average, rather than reducing the gap between rich and poor, but the UN also targets reducing inequality in all other SDGs to Leave No One Behind, and it has comprehensive goals for reducing gender inequality.

  Recommendation: The global community should provide greater funds to the UN to compile data on inequality and to monitor a crosscutting indicator of inequality across all major SDG sectors, showing for which deciles action is needed.

- **Labor: score = 4**
The International Labour Organization (ILO) has had a huge impact in setting labor standards and providing anti-inequality policy advice (on labor rights, minimum wages, and decent work), with faster progress since 2000. However, monitoring Agenda 2030 labor targets is voluntary, engendering doubt regarding enforcement.

**Recommendation:** Monitoring of SDG 8 (labor goals) should be compulsory and participatory, with independent representation for trade unions. To achieve this and meet SDG 8, the ILO will need greatly increased resources.

- **Taxation: score = 2.25**
  The UN Tax Committee has conducted useful work on tax treaties and conventions, transfer pricing, and taxing extractive industries, all with the progressive aim of collecting more corporation tax. The Tax Inspectors Without Borders (TIWB) initiative of the United Nations Development Programme (UNDP) has helped to audit multinationals. However, these bodies have not paid attention to the use of progressive domestic tax systems to fight inequality.

  **Recommendation:** The Tax Committee should focus its future work on the impact of tax policies on global and national poverty and inequality, and the TIWB should assess its impact on inequality.

- **Social policy: score = 3.5**
  UN sectoral and beneficiary agencies, including the ILO, United Nations Organization for Education, Science and Culture (UNESCO), United Nations Children’s Fund (UNICEF), UN Women, and the World Health Organization (WHO), have long advocated universal, free, and public social services and reaching the most marginalized people in research and policy support to countries. However, they have suffered from fragmentation and competition between sectors and beneficiaries, as well as a lack of funds.

  **Recommendation:** The UN must step up multi-sectoral and all-beneficiary policy advice
to countries on how to prioritize social spending to ensure that it maximizes inequality reduction and “budgeting for beneficiaries” to reach the most marginalized.

- **Development finance: score = 2.5**

The Financing for Development (FfD) process and the Inter-agency Task Force on Financing for Development report have focused on regulation for financial inclusion, and the Development Cooperation Forum (DCF) of the United Nations Economic and Social Council (ECOSOC) has looked at how to focus finance on Leaving No One Behind through allocation both between and within countries. However, none of these has yet looked in detail at the potential role of development finance in fighting inequality.

**Recommendation:** The FfD Forum and its Inter-agency Task Force report, and DCF should focus on how development finance can directly target reducing inequality, and how all FfD can be screened for its impact on inequality.

1) Inequality Focus

The UN’s mandate of promoting universal human economic and social rights has long led it to focus on fighting inequality. Various UN conferences have defined its mandate more precisely on equal rights, two of the most effective being the World Summit for Social Development in Copenhagen and the Fourth World Conference on Women in Beijing, both held in 1995. The Millennium Summit in 2000 set even clearer goals: to halve extreme poverty and fight gender inequality.

The UN secretariat and agencies have analyzed inequality for many decades. Inequality was a key element of the first Human Development Report (HDR) published by the UNDP in 1990. Since 2000, the UN has gradually stepped up its analytical work on inequality, notably through the HDR (which introduced an Inequality-Adjusted Human Development Index in 2010); the World Economic and Social Survey (WESS) and the World Economic Situation and Prospects (WESP), especially the 2013 WESS entitled “Inequality Matters”; the United Nations Conference on Trade and Development (UNCTAD) Trade and Development Report; and other
sectoral reports such as the United Nations Organization for Education, Science and Culture (UNESCO) Education for All Monitoring Report. These reports have brought the pernicious effects of growing inequality to the attention of world leaders.

However, the key recognition of economic and income inequality as a global issue has come with the adoption in 2015 of the SDGs, which treat reducing inequality as a stand-alone goal (SDG 10), with targets in terms of income inequality that are intended to:

1. By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average;
2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status;
3. Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies, and practices and promoting appropriate legislation, policies, and action in this regard;
4. Adopt policies, especially fiscal, wage, and social protection policies, and progressively achieve greater equality
5. Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.

The first target is similar to the WBG’s inequality target and has been criticized for a) not using a measure of inequality which looks at the relationship between the highest and lowest incomes, such as the Palma ratio or the Atkinson index; b) not setting a definite numeric target, such as increasing the share of the bottom 40 per cent to a specific percentage of national income; and c) not considering wealth inequality. The other targets are ambitious in dealing with inequality by “identity” and describing key policies needed to fight inequality. All were watered down in negotiations to remove detailed targets and policy references (e.g., redistributive fiscal policy). Target 5 is especially interesting because it emphasizes the link between financial stability and inequality reduction.
In addition, reducing gender inequality is a separate goal (SDG 5), and inequality is a crosscutting issue impacting all the other targets, which have now become universal and aim to “leave no one behind.” The UN framework for assessing inequality is therefore the most comprehensive of those provided by all the institutions in this report, but it is, unfortunately, neither granular nor ambitious enough. As with all the inequality targets in this report, effective monitoring will require much more frequent (preferably annual) household surveys to check trends in income and wealth in every country, but the UN lacks the resources to lead this process.

However, the HDR is starting to go further: in 2016 it contained several advanced ways to measure inequality. The most important of these are the Atkinson measure, which shows more clearly than the Gini coefficient which end of the income spectrum is responsible for inequality, and a “Coefficient of Human Inequality,” which measures average inequality across income, education, and health. The United Nations University World Institute for Development Economics Research (UNU-WIDER) has also published the first global tally of wealth inequality,7 and hosts the highly regarded World Income Inequality Database (WIID). The global community should provide greater resources to the UN to compile data and to design and use a similar measure of inequality across all major SDG sectors, providing a genuine crosscutting indicator of inequality that shows clearly which end of the income spectrum is more responsible for inequality. It is vital that these UN institutions continue to push the envelope and assess inequality more comprehensively.

It is also essential that the targets and global analysis directly influence UN policies and programs via the work of all its organs and agencies. As a result, the key issues assessed in the rest of this chapter are the UN’s impact in ensuring that overall development policies, sectoral policies, labor policies, and financing for development (including progressive taxation) fight inequality.

To what degree is this high-quality monitoring and analytical work being translated into policy change at global, regional, and national level?
The UN is in principle well placed to have a major impact on national development policies and to ensure that they have a strong impact on SDG progress, including on inequality (SDG 10). At national level, all agencies, including those with no in-country representation, are brought together in a common plan via the UN resident coordinator. (The coordinators are currently mostly UNDP staff, but are becoming increasingly diversified.) These plans are being adapted from an MDG to an SDG focus, in particular to the reduction of poverty and inequality (both for SDGs 1 and 10, and as a crosscutting lens for all other goals, with a particular focus on national targets for equity across regions and ethnicities), and leaving no one behind (LNOB).

The UN system is also implementing a program of assisting countries to construct SDG-linked national development plans much more rapidly than under the MDGs, when this process was slowed by a lack of coordination at country and global levels, and also to improve inter-agency coordination, set donor-specified priorities, and ensure ultimate reliance on the IMF and WBG through their Poverty Reduction Strategy Papers (PRSPs). By the end of 2016, the UN had completed a mapping of all national development strategies to assess their SDG content, and had set up nine country missions to provide support. Another 40 missions are planned for 2017, as well as regional workshops to explain the process to countries and exchange best practices.

At a regional level, the UN’s regional economic commissions and their secretariats (United Nations Economic Commission for Africa (UNECA), United Nations Economic Commission for Europe (UNECE), United Nations Economic Commission for Latin America and the Caribbean (UNECLAC), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the United Nations Economic and Social Commission for Western Asia (UNESCWA)) are also in principle well placed to conduct analysis, promote dialogue among member states, and assist them with technical support to ensure that their development strategies and any common regional initiatives are more focused on inequality. So far, UNECLAC has performed best in terms of high-quality analysis and dialogue, with its flagship Panorama Fiscal and Panorama Social reports focusing on progressive taxation and spending and their impact on inequality; its high quality regional databases on tax and spending; the publication of joint reports with the ILO on labor developments and their impact on decent work; and its strong gender inequality analysis. It has also been assisting many member countries to analyze
inequality issues and incorporate relevant measures in their national plans. The other regional commissions have (partly due to lack of resources) done much less work in this area, though UNESCAP is scaling up its work.

Another key issue will be global policy analysis, dialogue, and leadership. In principle, the United Nations Department of Economic and Social Affairs (UN DESA) is the UN agency responsible for this, and it has strong tools at its disposal in:

i) the High-Level Political Forum (HLPF), the annual Ministerial conference on the SDGs, which will track progress. This will not deal with the specific inequality goal until 2019, but many different organizations are already using the forthcoming 2017 HLPF as a forum to recount national success stories or suggest frameworks for the UN to use in monitoring, analyzing, and making policy suggestions to fight inequality;

ii) the acknowledged leadership role of the Secretary-General (SG) and Deputy Secretary-General (DSG), at the top of the UN “development system” group of agencies through the Chief Executives Board and the UN Development Group, in ensuring the SDGs are implemented. By the end of 2016 this group had adopted a Framework for Action, a common set of tools and indicators to assess progress by UN agencies on supporting the SDGs, including SDG 10 on fighting inequality; in May 2017 they produced an Inter Agency Task Force report to enhance coordination by mapping all agency efforts to avoid duplication and identify gaps among agencies, giving particular priority to fighting inequality and supporting SDG 10. In 2018 this group will submit the first monitoring report on progress within the UN system to the High-Level Political Forum (HLPF);

and

iii) regular analytical reports, notably the WESS and WESP discussed above, and the Quadrennial Comprehensive Policy Review (QCPR) process which is supposed to monitor and drive the UN’s operational activities towards a sharper focus on the SDGs. This process has mainly been focused on looking at whether flows are going to vulnerable countries, but the intention is to move by 2018 towards assessing the
alignment of flows with each of the SDGs, including measurement of how much of these flows is focused on fighting inequality.

The situation is complex and efforts to streamline activities, avoid duplication and competition for donor funds, and ensure all headquarters and operational activities are reported in an SDG framework have been delayed, with crucial reforms now postponed until 2018. The areas that seem to be advancing faster are those discussed in the next section, where one SDG is largely the responsibility of only one or two UN agencies.

2) Labor

The UN has a long history of promoting labor and workers’ rights, and of promoting decent work through higher wages and better working conditions. The agency responsible is the International Labor Organization (ILO), which has existed since 1919. Having a clear lead agency dramatically reduces coordination problems within the UN. The ILO has a unique structure that brings together governments, trade unions, and employers to reach multiple agreements to promote the implementation of labor rights, as well as a framework for monitoring whether governments are ratifying and implementing them, including assessment by all three groups. Tripartite commissions meet regularly to assess progress and update the content of agreements. The Trade Union Development Cooperation Network (TUDCN) of the International Trade Union Confederation (ITUC) believes that this ILO framework provides a living example of how accountability mechanisms can function at global and national levels and form the basis of overall progress assessments.\(^8\) The ILO also plays a key support role for the ITUC’s Labour 20 (L20) meetings and the G20, but remains controversial with less labor-sympathetic OECD member governments, which have recently cut funding for the ILO.

SDG 8\(^9\) is to promote “full and productive employment and decent work for all.” Trade unions have welcomed the inclusion in the SDGs of this goal, as well as others for universal social protection, health coverage, and education.\(^10\) Of the 230 indicators to be monitored for progress towards the SDGs, five relate directly to labor and employment:
By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

By 2020, substantially reduce the proportion of youth not in employment, education, or training.

Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking, and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.

Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants and those in precarious employment.

By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the ILO.

Trade unions have welcomed the SDGs as a much more ambitious labor rights and decent work agenda than the MDGs, notably including ILO standards on freedom of association and collective bargaining.\(^1\) However, they are concerned that there may be considerable future confusion on how SDG 8 will be interpreted and monitored within the UN, and whether it will be adequately resourced. In particular, the follow-up and review process remains voluntary at both national and global levels. The UN did not adopt proposals put forward by the trade union movement and other civil society organizations for binding labor commitments based on existing international standards. Trade unions and other organizations have stated that there should be compulsory monitoring of progress towards agreed labor standards as part of the SDGs, and that national-level reviews should be genuinely participatory.

The ILO is also the key custodian of UN labor data and analysis. It collects data through surveys of labor rights, employment, labor market, and wages, and assists countries to conduct them. It produces flagship publications such as the World Employment and Social Outlook (WESO)\(^1\) and the Global Wage Report\(^1\), which have argued consistently and strongly for maximum labor rights, higher wages, and better working conditions, and against deregulation and excessive
labor-market flexibility. The ILO spends two-thirds of its funds providing policy advice and technical assistance to countries in designing and implementing decent work policies through its regional and national offices. In principle, this is an excellent basis for implementing the SDGs on labor and social protection. However, the ILO is constrained in all activities by its annual budget of only 797 million US dollars (equivalent to 20 per cent of the WHO’s budget and two per cent of the WBG’s budget), which has been frozen for the last three years. This low level of funding reduces the ILO’s impact at country level and a key priority should be to increase its budget during the SDG period, otherwise it is unlikely that SDG 8 will be met, or that we will know what progress is being made in all countries.

3) Taxation

Past editions of this report have discussed UN efforts to support global tax policy reforms via the UN Committee of Experts on International Cooperation in Tax Matters and the efforts of many governments and civil society organizations to strengthen this committee’s mandate before and during the Addis Ababa Financing for Development conference. However, this mandate has remained limited both in terms of its status (only experts appointed on a personal basis to suggest technical improvements, rather than intergovernmental representatives to agree joint decisions or programs) and its breadth (limited only to the international tax agenda). It is defined as follows:

“[Reviewing and updating] the United Nations Model Double Taxation Convention … and the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. It also provides a framework for dialogue with a view to enhancing and promoting international tax cooperation among national tax authorities and assesses how new and emerging issues could affect this cooperation. The Committee is also responsible for making recommendations on capacity-building and the provision of technical assistance to developing countries and countries with economies in transition.”

As a result of this narrow mandate and very limited resources, this Committee has not focused intensively on other key global issues that have an impact on inequality, such as the race to the
bottom on corporate and personal income tax, or tax avoidance by corporations and individuals. However, these were discussed at its recent first “Dialogue with ECOSOC” and could form the basis for a future refocusing or expansion of its work. Nor has it been able to analyze or discuss the impact of tax progressivity on national-level inequality. Given the SDGs, it should be a priority for the committee to focus some of its future work on the impact of tax policies on inequalities between and within countries.

The Committee’s secretariat and experts have also provided some assistance to countries through regional workshops and a limited number of national missions on tax treaties, transfer pricing, and extractives taxation. Much more could be done in future years if the Committee’s resources are expanded, especially through South-South cooperation. Finally, the United Nations Financing for Development (FfD) committee secretariat is one of the organizations contributing to the global Platform for Collaboration on Tax, working with the IMF, the OECD, and the WBG.  

Another key program of the UN on tax is Tax Inspectors Without Borders (TIWB). Since 2016, the UNDP has been partnering with the OECD to assist countries in auditing large taxpayers via this program, with a focus on enhancing its provision of country demand-led long-term capacity building and South-South support. As discussed in the OECD chapter, this initiative got off to a slow start, partly because it had very little ability to reach out to developing country policymakers and assess their needs. Partnership with the UNDP has improved this outreach and allowed the program to accelerate its activities, based on stronger evidence of country demand. It has also recently mobilized separate funding to support the provision of South-South expertise, and around half the experts on the TIWB roster are now from the global South. It is now assisting 14 countries, up from four countries 18 months ago, and six more contracts are being prepared. More focus is also being placed on long-term and sustainable capacity-building, hiring experts with a proven track record of skills transfer and making this a key part of their terms of reference. However, political leadership by the host countries to take forward the recommendations made by auditors, collect taxes due, and renegotiate tax agreements with companies will be essential to further success. Separately, the UNDP’s Extractive Industries
program is providing support to countries in renegotiating contracts with extractives companies, including on tax issues.

4) Social Policy

The UN’s specialized agencies have (on the whole) divided up responsibilities for most of the sectors that impact inequality, and for groups of key sustainable development beneficiaries, much more clearly than the other organizations covered by this report, reducing uncoordinated or duplicate activities. The lead agencies for the sectors most concerned in this report are ILO for social protection, UNESCO for education, and WHO for health. Lead agencies for beneficiaries are UNICEF for children and UN Women for women. However, there remains some overlap (for example, UNICEF works on education, health, and social protection for children) and some gray areas or gaps – for example it is not clear which UN agency deals with youth (17-25) or elderly people in the context of an ageing society.

The sectoral agencies have long had a strong focus on inequality and on “leaving nobody behind.” The ILO has been at the forefront of global advocacy for universal social protection floors; UNESCO has long advocated Education for All (EFA), notably through the EFA Global Monitoring Report (GMR) office, which has produced a series of analytical reports on how to make sure all citizens (especially those under 16) get access to education; and the WHO has placed special emphasis on reaching the most marginalized people with free universal health care. These agencies are also clear in their support for universal education, health, and social protection coverage; for public rather than private financing; and for the most equitable and cost-effective implementation systems that maximize redistributive effects, either in the form of income supplements from social protection or of reductions in expenditures by the poor on education, health, and social care. UNESCO and the WHO have equity targeting units assisting countries to design formulas to allocate public spending in ways designed to meet the greatest need (i.e., to the most marginalized geographical areas and population groups), and to leave no one behind.
The 2030 Agenda for Sustainable Development (2030 Agenda) reinforces their mandates by giving them even clearer indicators to work towards for universal coverage, but is much less clear on the public, free, and redistributive implementation of the goals in ways that reduce inequality. A key priority for the UN must be to link these sectoral goals for universal coverage to SDGs 1 and 10 to ensure that social sector and beneficiary strategies genuinely leave no one behind and to ensure that this link is made fully operational through national strategies that target universal coverage and the most marginalized.

These agencies are faced with financial and human resources constraints. While the WHO and UNICEF have large budgets and are represented in more than 150 country and regional offices, UN Women has only around 50 offices, and UNESCO and the ILO have much smaller networks and budgets, leaving their programs, and their data collection and analysis, underfunded, so that data are often out of date.

The “beneficiary group agencies” have tended to focus on promoting the interests of all beneficiaries within their target group, and on promoting equality for them compared to other groups. Relatively little of their analysis has been of inequality within these target groups, though both have produced reports on reaching the more marginalized. Both have also had key roles in making sure that the whole UN system is acting together to promote the rights of these beneficiaries through System-Wide Action Plans on Gender Equality and Children coordinated respectively by UN Women and UNICEF. Both of these contain well-defined results indicators at global and national levels and for the UN itself.

Another common thread among all agencies is that they need to step up their monitoring and policy analysis of, and advice to, developed countries to increase the impact of their policies on fighting inequality, having so far focused almost all their work on developing countries. All agencies are convinced that OECD member countries have a lot to learn from best practices in developing countries, especially on fighting inequality and leaving no one behind. The question is how much political openness there will be in these countries to listen to countries which are “less developed” than they are (in terms of GDP levels) and how much additional funding they will provide to these specialized agencies to implement this broader mandate.
5) Development Finance

On broader Financing for Development, the two key UN monitoring and discussion processes are the ECOSOC Financing for Development Forum (FfD) and Development Cooperation Forum (DCF).\(^1\) The last FfD conference in Addis Ababa in 2015 and ECOSOC resolutions have reinforced the mandates of both: for FfD to analyze and discuss trends in all FfD, and for DCF to analyze and discuss trends in development cooperation (aid). However, except for the longstanding 0.7 per cent of GNI target for aid from OECD countries (and for 0.15-0.2 per cent to go to Least Developed Countries (LDCs)), neither Forum has the power to set targets for finance to support the 2030 Agenda – relegating them to monitoring and discussing targets and processes set elsewhere (generally in processes run by the G7/G20, OECD, IMF/WB, or FSB).

In addition, attempts early in the SDG process to set financing targets linked to individual SDGs have foundered, as have efforts to set detailed targets for SDG 17 (the “global partnership goal,” which covers financing). It is a priority for SDG success to set much clearer financing targets, especially for domestic resource mobilization (in the form of taxation) and international concessional finance, to improve prospects of countries reaching the SDGs without a new global debt crisis. It is also desirable for the UN to set clear targets for mobilizing national savings in ways which fight inequality, and for financial-sector regulation to reduce instability and encourage pro-poor finance (as mentioned in SDG 10).\(^2\)

In spite of this rather vague mandate, the Inter-Agency Task Force (IATF) monitoring FfD and SDG 10 has produced an excellent report, summarized in the Secretary-General’s report to the FfD Forum.\(^3\) There are a few mentions in these reports of financing to combat inequality. For example, there is a strong emphasis on the need to fund universal social protection, the need for long-term financing, and the need for the private sector to align its goals more closely with the SDGs. The strongest sections are on enhancing financial regulation to promote financial inclusion, reduce remittance costs, and reduce global financial instability, building on earlier FfD-associated work by the Stiglitz Commission. All of these recommendations, if implemented,
could have a strong impact on reducing inequality – though at the moment this link is not explicit in the analysis.

The DCF has also examined how to align financing more closely with the SDGs, especially through providing more resources to the most vulnerable countries and to sectors likely to reduce inequality such as social protection, education, and health.\textsuperscript{21} It has suggested how the UN and private actors could track SDG alignment of all development cooperation, using goals directly linked to fighting inequality, such as decent work and fair payment of corporate taxes\textsuperscript{22}. It has also looked at how development cooperation could be channeled to increase its impact on leaving no one behind, whether by allocating more funding to vulnerable countries (Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), Small Island Developing States (SIDS), and post-conflict countries) or by allocating more funds to assist the most marginalized within countries.\textsuperscript{23}

Future work by both Forums should focus on the crosscutting issue of inequality. The next edition of the Inter-Agency Task Force Report should focus on how FfD can directly target reducing inequality (by making taxes more progressive, focusing financial inclusion on reducing inequality, and allocating more domestic and international public finance to anti-inequality spending within all key sectors) as well as on how all FfD can be “screened” for its impact on inequality. Work by the DCF should also focus on the degree to which development cooperation is being allocated to reduce inequality. Finally, it will also be vital for countries to have coherent development finance strategies that channel resources to fighting inequality. The UNDP (which has led in providing support to countries through the MAPS missions) needs to ensure that financing to fight inequality is a key focus of its support.\textsuperscript{24}
**Mandate**

The International Monetary Fund (IMF) describes itself as “working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.” Its Purpose, set forth in its Articles of Agreement, is “to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.”

The IMF currently condenses this to ensuring economic growth and economic stability.

Until around 2000, the IMF saw stability as the priority for growth. It focused on reducing budget deficits, debts, and inflation – leading to austerity and cuts in government spending. Inequality was not on the agenda because growth was expected to benefit all people.

However, austerity did not automatically yield growth, and by-products of austerity included social instability, poverty, and inequality, all of which hampered growth. In recent years, the Fund has increasingly focused its mandate on reducing poverty in low-income countries and on generating more “inclusive” growth in high- and middle-income countries. The IMF Managing Director has explicitly said:

> “I hear people say, ‘Why do you bother about inequality? It is not the core mandate.’ Well, sorry, it is also part of the mandate. Our mandate is financial stability. Anything that is likely to rock the boat financially and macroeconomically is within our mandate.”

Given this broad interpretation of its Mandate, this chapter assesses the IMF’s impact on inequality through: 1) its overall focus on inequality; 2) specific policy recommendations on employment, decent work, and wage levels; 3) progressive domestic resource mobilization; 4) anti-inequality spending; and 5) anti-inequality financial systems. One additional vital issue that was considered in past issues of this report is the Fund’s dwindling ability to provide finance to help countries combat shocks to their economies – shocks that exacerbate inequality and poverty.
Organization's average score = 2.7

- **Inequality Focus: score = 3.5**
  
  There has been a major focus on inequality in IMF leadership speeches and overall research and policy documents. This focus is beginning to be institutionalized at country level and to have an impact through pilot analysis in 25 countries.

  *Recommendation:* The IMF needs to conduct systematic ex ante analysis of the impact of its policies on income, wealth, and gender inequality in all countries, and to recommend targets for reducing inequality sharply in each country by 2030.

- **Labor: score = 2.5**
  
  The IMF has conducted strong research showing that there is a need for higher minimum wages, decent work, and greater unionization, but it is not clear that this is producing strong national policy suggestions. Its work on gender equality is producing systematic gender-focused country recommendations.

  *Recommendation:* The IMF needs to systematically assess the impact of its labor policy proposals on inequality and decent jobs, and set targets for decent jobs, minimum wages, and labor rights.

- **Taxation: score = 2.5**
  
  The IMF has led global analysis and research on the need for higher collection of progressive corporate and personal income taxes. However, this is not yet being translated into systematic country analysis, technical assistance, or recommendations to make tax policy fight inequality.

  *Recommendation:* The IMF needs to analyze incidence of tax on inequality for all countries and focus programs and technical assistance on making tax systems more progressive, combating tax evasion and exemptions, and increasing property and wealth taxes.
• **Social policy: score = 2.5**

IMF research has shown that spending on education, healthcare, and social protection reduces inequality. Country “floors” have helped slightly to protect social spending, but need to be reinforced. The IMF continues to favor targeted social protection and some country programs have cut social spending.

*Recommendation:* The IMF needs to analyze the incidence of spending policies on inequality; recommend rises in spending on universal education, healthcare, social protection, and water and sanitation; and monitor spending levels annually in all countries.

• **Development finance: score = 2.5**

The IMF has conducted strong research supporting financial inclusion and regulation to reduce inequality. There have been a few excellent pilot country studies and recommendations.

*Recommendation:* Such studies need to be conducted, and the resulting recommendations implemented, in all countries.

1) Inequality Focus

The IMF now interprets combating inequality as “macro-critical” (i.e., essential to fulfill its mandate) because its own research has repeatedly shown that inequality undermines growth. It has begun to move from research to implementation, conducting extensive pilot analysis in countries to provide advice on implementing policies that take account of their impact on inequality.\(^{32}\)

The IMF has also learned important lessons from an overall analysis of these pilot studies,\(^{33}\) including those on tax, infrastructure spending, financial inclusion, and agricultural reform policies. More broadly, it has suggested that pro-growth reforms that exacerbate inequality should be altered to “alleviate” this effect. These are welcome forward steps. However, IMF
analysis still contains much discussion of “trade-offs” between growth and distribution, and a
tendency to prioritize growth over distribution. It is not yet clear that IMF policies will
henceforth be designed with reducing inequality as a primary goal, even though its own research
has shown that this will accelerate growth and make it more sustainable, or that overall policy
packages will be targeted at reducing inequality fast enough to make eliminating extreme
poverty achievable by 2030, consistent with the SDGs. In addition, this type of work needs to be
mainstreamed into all country policy advice, loan conditions, surveillance, technical assistance,
and training.34

The way the IMF helps countries design macroeconomic policy has a key impact on whether
growth is inclusive and reduces inequality. In its programs, the IMF sets specific growth targets
but does not set targets for poverty or inequality. The IMF should conduct systematic ex ante
analysis of its programs’ impact on poverty and inequality, and set targets for reducing inequality
as part of each country program that are compatible with eliminating poverty by 2030.

Almost all analysis conducted by the IMF has looked at inequality of income or consumption,
using the Gini coefficient as its preferred indicator. The IMF should conduct more analysis of
policies that impact wealth inequality (such as property and land rights, ownership of equity, and
corresponding taxes on capital gains, inheritance, property taxes, and land rights). Wealth
inequality is increasing even more rapidly than income inequality and is gradually widening the
income divide. One way of tracking changes in wealth inequality, in industrialized economies as
well as in low-income countries (LICs), is to explore the key institutional quality indicators that
provide an enabling environment for policies used to reduce wealth inequality.

It is also striking that, while insisting that growing inequality is a major risk for sustainability of
growth and development worldwide, and greater equality leads to more sustainable growth, the
IMF has not done any in-depth multi-country analysis of the impact of its programs on
inequality, and has acknowledged that its analysis of growth and anti-poverty/inequality
strategies in LIC programs and surveillance is insufficient.35 The IMF should publish an annual
global report on the impact of its work on inequality. Much more needs to be done to ensure IMF
programs produce faster growth and reduce poverty and inequality. These overall
recommendations would ensure that the IMF makes a major contribution to the achieving the
2030 global development agenda.
The IMF and Gender Equality

Under the current Managing Director, Christine Lagarde, the IMF has started to include gender inequality within its analysis. In its April 2016 communiqué, the International Monetary and Financial Committee (IMFC) welcomed work on the issues of “income inequality, gender inequality and financial inclusion,” provided they are “within the Fund’s mandate and where they are macro-critical, and by leveraging the experience of other institutions.” The Fund, in partnership with the UK’s Department for International Development (DFID), has initiated groundbreaking research on Gender and Inequality, Gender Budgeting, and Gender and Macroeconomics. Its gender budgeting research found that “boosting the proportion of women in the formal labor market not only boosts growth, but also reduces income inequality and supports economic diversification.” It has also begun to apply these research findings in pilot countries as reported here:

On another essential aspect of inequality—gender—we have carried out 13 country pilots: Chile, Costa Rica, Guatemala, Germany, Hungary, India, Italy, Jordan, Mali, Mauritius, Nigeria, Pakistan, and Sweden. Again, these have complemented our existing advice to many other countries on raising female labor force participation—in Japan and Korea, for instance, among other measures, we have also been calling for higher wages including for women and non-regular workers, in addition to other steps to reduce labor market duality.

Going forward, single-country pilots need to extend into cross-country studies analyzing the impact of macroeconomic policies on gender gaps and gender inequality. In order to implement this welcome and ambitious agenda and achieve meaningful impact, the next phase of work also needs to extend the analysis to a broader range of countries; encourage countries to accept best practices, especially in gender budgeting and labor policies; and integrate gender inequality throughout the Fund’s full spectrum of policy guidance and training. Also, in the context of the wealth inequality recommended earlier as an important focus for future analysis by the IMF, the recommended work on cross-country gender gaps and gender inequality should also explore the issue of the gender asset gaps, in the sense that a key structural issue that underpins gender
inequality is their access to, and ownership of, assets for generating income streams for improved livelihoods.

2) Labor

Historically, the IMF has recommended labor market deregulation, which reduces workers’ wages and benefits, as essential for increasing employment. However, recent research shows that the claimed causal link between labor market regulations and employment levels is at best “insignificant or modest.”

Recent IMF research acknowledges that fiscal austerity and deregulation have prolonged recessions. Other IMF researchers have concluded that labor market deregulation, declining trade union density and collective bargaining coverage, and falling real minimum wages, have been the main drivers of inequality in many countries. The IMF’s Managing Director, Christine Lagarde, frequently mentions the reduced share going to labor compared to capital.

There is little evidence that this research has influenced the Fund’s operations:

- In 2010, the IMF and the ILO agreed to work together, both internationally and at country level, to support job-rich recovery strategies, help implement social protection floors, and increase consultations with trade unions and social partners. Beyond a few pilot projects, this joint work was abandoned by 2012.
  - While formal conversations between the IMF and ILO may not have continued, conversations with trade union and IMF officials do occur as needed.
- Labor market deregulation has been a feature of most policy advice in Europe, even after the 2008 global financial crisis. Recommendations for more flexible labor markets were also dispensed to countries that encountered no economic difficulty such as Germany, where the IMF criticized the introduction of a minimum wage in 2015, as well as to crisis countries such as Greece, Portugal, and Spain, where particular emphasis was placed on weakening employment security and dismantling sector-level collective bargaining.
In Germany’s 2016 Article IV documents the Fund found no negative fallout from the introduction of the minimum wage, neither in inflation, nor in the incorporation of immigrants into the work force, nor in reduced employment. There was actually some shift from part-time to full-time employment.\(^\text{49}\)

Occasionally the Fund recommends higher minimum wages, as in the case of the United States in 2016.\(^\text{50}\)

- Advice favoring deregulatory labor market reforms and fiscal austerity measures still features prominently in IMF lending programs in the Middle East and North Africa, which in 2016 overtook Europe as the region receiving the highest volume of IMF loans.\(^\text{51}\)

Positive examples of the IMF promoting decent work are hard to find, even as it encourages increased participation of women in the formal labor force, safe transport for women to their jobs, better training for unskilled workers, and enhanced mobility for poor rural workers to find better pay in the urban areas. The Fund needs to adopt a consistent approach by supporting decent work laws and their enforcement, strengthened collective bargaining and robust minimum wages as part of a coherent set of fiscal and labor market policies for more inclusive growth.\(^\text{52}\)

Recommendation: The IMF should work with the World Bank, OECD and ILO to set standards for national decent work and minimum wage policies. It should systematically assess the impact of proposed labor market policies on inequality, poverty and creation of decent jobs, and set targets for decent jobs and minimum wage levels consistent with reducing inequality and poverty.

The Fund should conduct additional analysis of labor market policies towards a “living wage”, especially for LICs where employment has consistently failed to serve as a pathway out of poverty and inequality.

3) Taxation

In the last two decades, most IMF tax policy advice and technical assistance (TA) have focused on increasing revenue as a proportion of gross domestic product (GDP), meeting with considerable success. However, the IMF has been criticized for focusing excessively on
“efficiency” to maximize revenue, and far less on the “equity” impact of its advice, i.e., whether taxes are progressive/redistributive and thereby reducing inequality. This was reflected in the composition of taxes collected, with a sharp rise until 2010 in the share of “indirect” taxes on consumption (such as VAT), which are usually regressive, because the poor consume a higher share of their income. On the other hand, there was a fall in the proportion of more progressive “direct” income taxes. The IMF failed to resist a “race to the bottom” globally in cutting corporate and individual income tax rates. Little was done about widespread proliferation of exemptions from paying taxes, due to tax incentives, and bilateral treaties between OECD and developing countries; or to help countries combat tax dodging.

This trend has been moderating in more recent IMF programs, in several ways:

- some countries have been encouraged to increase the share of revenue coming from direct taxes, especially from extractive industries, to keep corporate and personal income tax rates high, or to reduce corporate tax exemptions and personal tax deductions;
- a few have been helped to make VAT less regressive (by exempting goods consumed by the poor or increasing minimum turnover thresholds for payment, to exclude small traders); in some cases the VAT has been directly criticized for its regressive outcomes;
- more TA has been provided to help collect more tax from major corporations, especially by establishing large taxpayer units, fighting Base Erosion and Profit Shifting (BEPS) practices, and helping countries to negotiate stronger extractive tax regimes;
- the IMF has also begun to take a more positive attitude toward some types of wealth taxes, notably recommending progressive property taxes in many countries and global analysis/speeches;
- it has also been more proactive in assessing the negative impact of OECD tax policies on developing countries, through research and seminars (e.g., on renegotiating tax treaties);
- most recently, the IMF has begun in a few countries to analyze the “incidence” of taxes to assess how tax systems could be more progressive and combat inequality, in cooperation with the Commitment to Equity Institute (CEQ).

However, there continues to be a lack of systematic analysis of the equity or “incidence” of taxes on different income groups in all Fund programs. As a result, tax policy recommendations lack a consistent focus on making tax systems more progressive, by making the structure and coverage
of income and consumption taxes more progressive, and by the relative absence of attention to
taxing wealth and property. Equally, there is not a systematic analysis in Fund documents of the
key reasons for gaps in tax collection, such as exemptions, treaties, and tax dodging. From
public documents, IMF TA rarely focuses on progressivity of the tax system, and IMF tax-
related training barely mentions these issues. Recommendations: the IMF should analyze tax
incidence for all countries, and focus country programs and TA on reducing inequality by
making tax systems more progressive, combating tax evasion and eliminating exemptions, and
increasing property and wealth taxes. At a global level and in OECD country policy reviews it
should oppose measures that reduce developing country revenues, and oppose cuts in corporate
and income taxes.

4) Social Policy

Historically, there was a marginal increase in education and health spending under IMF
programs during 1985-2009. Nevertheless, since the global financial crisis, spending on
education, healthcare, and a broader range of related sectors (agriculture, social protection,
water, and sanitation) has performed less well for countries with IMF programs, and recent
commodity price falls have led to spending cuts in many countries. As a result, spending levels
remain far short of those needed to attain the SDGs.

Since around 2014, the IMF has been monitoring and trying to protect social spending using
“social safeguards” conditions in all Poverty Reduction and Growth Trust (PRGT) programs.
However, there are major problems with the methods it uses, with dramatically different
proportions and types of spending being monitored. In most cases they are limited to education
and health, with little attention to three other types of spending which are crucial to combating
inequality and poverty: smallholder agriculture, social protection, and water and sanitation.
Several of these issues have been studied more recently through the gender, labor, and inequality
case studies. However, the social spending floors are only indicative policy benchmarks, with
no analysis of performance in program review.

There is no similar monitoring of, or attempt to protect, social spending in middle- and high-
income countries. Independent analysts have suggested that recent programs in Europe and the
Middle East-North Africa (MENA) regions have often involved sharp cuts in social spending, regardless of the inequality consequences. Furthermore, the IMF does not publish any annual comparative multi-country data or analysis assessing trends in social spending across all member states.

The IMF has taken a strong negative attitude against generalized subsidies (for example on gasoline and foodstuffs), suggesting that they be replaced by targeted cash transfers. This is based on the idea that the non-poor are benefiting more from subsidies than the poor because they consume higher absolute amounts of the products. Incidence analysis indicates that they are progressive in most countries, because the poor spend a higher proportion of their income on these products, but that their redistributive effect is much less significant than government spending on education, healthcare, or social protection.64 In addition, targeting the (especially rural) poor is complex, and removing subsidies often causes major political unrest among the middle classes and the “nearly poor”, who will not qualify for cash transfers.65 The Fund has encouraged countries to have efficient distribution systems in place before removing universal subsidies and introducing cash transfers. To date there is no comprehensive assessment of the effectiveness of this advice.

Most recently, the IMF has begun to conduct pilot incidence analysis of spending’s impact on poverty and inequality, so as to better inform its country policy recommendations.66 It has also found that infrastructure spending can reduce inequality when it is targeted on sectors or regions where poorer citizens work and includes additional measures to ensure that poorer people benefit.

Recommendations: The IMF should analyze the incidence of spending on inequality and poverty in all countries; recommend increases in the spending which will most reduce poverty and inequality, with a particular focus on education, healthcare, social protection, and water and sanitation; and monitor spending and inequality trends annually across all countries.

5) Development Finance

The IMF plays two key roles in financial sector reform and stability. At the global level, it produces analysis and provides advice on potential risks to global macroeconomic and financial
stability – principally through the “Global Financial Stability Report” (GFSR). It was heavily criticized for its failure to foresee the global financial crisis and has since beefed up its analytical and surveillance capacities. Reports and speeches by the Managing Director regularly criticize the slow pace of G20 agreement and implementation on financial sector regulations, and place more stress on potential downside risks – most recently on the risk of overdependence on pumping liquidity into financial sectors, rather than ensuring that they promote growth and sustainability.67

At the national level, the IMF is the main organization responsible for assessing financial development and stability in Low-Income Countries (LICs), through its Financial Sector Assessment Program (FSAP), and for seeing that Financial Stability Board (FSB) recommendations and global regulatory standards and codes, such as Basel III, are implemented in LICs. The high capital buffers in Basel III may have unintended adverse consequences for LICs, who have no ‘voice’ in the architecture of the new rules for governing global finance. Indeed, as discussed in the chapter on the FSB, this agenda is set by developments emanating at the global level, leading to over-emphasis on banking-sector reform and too-big-to-fail (TBTF) financial institutions, and insufficient emphasis on other non-bank financial institutions with a longer-term and more stable investment perspective, such as insurance companies, pension funds, micro-finance, or community-based financial systems.

Equally importantly, there is no consideration in IMF global or national financial-sector assessments of equity in access to financial assets and saving/borrowing instruments and in financial intermediation costs. There is an underlying assumption in IMF financial-sector recommendations that integrating poorer citizens into the commercial banking system is the most efficient way to increase their access to financial products, in spite of widespread global evidence that such systems discriminate against and marginalize the poor. Some of the new rules on correspondent banking are beginning to hurt financial remittances to LICs, despite the fact that remittances are large, predictable, and have a more positive impact on households’ and enterprises’ access to finance. There is a need to prioritize financial-sector policies for enterprise development and to support financial inclusion systems – ranging from microfinance institutions, banks, the capital market, and regulatory agencies – with respect to enterprise development at all levels, including start-ups, small and medium-sized firms, and large corporations.68
Recommendations: The IMF should prioritize national-level reforms that will enhance access to savings and investment for the poorest households, such as low-cost microfinance and community-based financial systems. In addition, the IMF should conduct systematic ex ante analysis of its financial-sector programs’ impact on inequality and stability, and set targets for enhancing financial inclusion and reducing inequality as part of each country program. These actions are compatible with eliminating poverty by 2030, specifically with respect to two neglected dimensions: (i) policies for enhanced access to finance at the company level, because the poor tend to be employed in, or derive livelihoods from, highly vulnerable start-ups and micro-small-medium enterprises; (ii) policies to support financial innovation and the identification of new financial products which target inequality and poverty (e.g., weather insurance).
Organisation for Economic Co-operation and Development

Mandate

The Organisation for Economic Co-operation and Development (OECD) was established in 1948 as the OEEC (Organisation for European Economic Co-operation) to run the US-financed Marshall Plan to reconstruct Europe. It became the OECD when Canada and the US joined in 1961 and has since grown to 35 members.69

The mandate of the OECD is more limited than those of the other organizations analyzed in this report. Its main function is to discuss and analyze problems identified by its member countries and to promote policies to solve them. It has broad subject coverage, including issues that strongly affect inequality, including tax policies, social spending and social policies, and labor policies. However, it has little “hard power” in terms of binding agreements among its members (exceptions include formal agreements on tax policy and aid definitions), and relies largely on standards, models, guidelines, peer pressure, and regular surveys and data collection to promote implementation of its ideas.

To some degree, OECD influence extends beyond its member states. It has an Enhanced Engagement process with five “Key Partners” (Brazil, China, India, Indonesia, and South Africa) and works with more than 100 other countries on various initiatives, providing scope for influencing their policy discussions. It also has an important influence on member state policies on global development and aid through its Development Assistance Committee (DAC). Also, the G20 has in recent years given the OECD mandates to analyze and suggest global policies, most notably on taxation.

Organization’s average score = 2.5

- Inequality focus: score = 3

The OECD has emphasized inequality in recent analyses and surveys, with 2017 bringing in a comprehensive monitoring framework. However, some aspects are missing (trade union rights, fundamental financial and enterprise reform) and there is so far no strong evidence of impact.
Recommendation: The OECD must implement its 2017 framework, scale up analysis of inequality in all country reports, expand the framework to cover trade union rights, financial-sector and private-sector reform to reduce market inequality, and demonstrate its impact on country policies more clearly.

- **Labor: score = 1.75**
  The least progressive area of OECD work has been labor. It has changed somewhat from pre-2000 “flexibility” and deregulation, by promoting decent work guidelines for MNEs and active labor market policies to help the excluded, but virtually ignored trade unions and collective bargaining.

  Recommendation: The next review of the OECD Jobs Strategy should set very clear targets for raising minimum wages, for promoting decent work, and for reinforcing labor market institutions to promote collective bargaining and reduce market-generated inequality.

- **Taxation: score = 2.25**
  OECD work on global tax reform can generate more income tax, but it has not assessed the progressivity of tax policies, and may benefit OECD countries rather than low-income countries (LICs). Analysis and surveillance of member state policies has been progressive, supporting wealth taxes and lower tax deductions for the wealthy, but has failed to stop accelerating cuts in corporate tax.

  Recommendation: The OECD should focus on making the tax policies of its own members more progressive to fight inequality, and on assisting other international institutions to make developing country policies more progressive and effective.

- **Social policy: score = 3**
  The OECD has conducted some of the most detailed and progressive analysis of the incidence of social spending on inequality and poverty (although analysis of education
and healthcare incidence has been less frequent). It has also been consistent in recommending universal, free, and public provision of services as the best way to reduce such inequalities.

Recommendation: The OECD should conduct annual analyses of the incidence on inequality of all social spending and make this a key feature of single country and multi-country monitoring, to ensure that its analysis and policy recommendations have an impact.

- **Development finance: score = 2.5**
  The OECD Development Assistance Committee (DAC) and Development Co-operation Directorate (DCD) have a very strong track record in analyzing and recommending policies to reduce poverty and promote gender equality, but have not yet adapted to the new demands of the 2030 Agenda in terms of a crosscutting focus on reducing inequality.

  Recommendation: The DAC should reinforce its peer review and monitoring systems so that they can screen member states for the intended and actual impact on inequality of policies and projects which support progressive taxation, social protection, basic education, primary health, smallholder agriculture, and institutions which promote equality.

1) Inequality Focus

The OECD has for many years put gender at the center of its analysis, especially in terms of development issues (see section 5 below). It has developed a Gender Data Portal that covers gender inequalities in education, employment, entrepreneurship, and health and development in OECD and key partner economies. More detailed analysis began with the 2010 Gender Initiative and gender considerations have been mainstreamed across the Inclusive Growth Initiative. Policy recommendations and surveillance have existed since the Gender Recommendation of 2013 and the Gender Recommendation in Public Life of 2015. The latest OECD secretariat report on the
implementation of these recommendations finds that there has been some progress on more technical issues such as gender balance in access to education and training, and enhancing representation on private sector boards and in politics. However, on the three most important issues, violence against women continues to be a “pandemic”; gender pay gaps are persistent; and measures to share caregiving more equally among men and women are lagging. OECD analysis has also correctly identified that a more comprehensive mainstreaming of gender analysis across government (including gender budgeting) and a focus on broader structural barriers (notably rights to access property, land, and finance, and stronger laws to stop violence against women) are essential to achieve fundamental change. These measures are monitored through the Social Institutions & Gender (SIGI) tool, but it is not clear that the OECD is having much impact on these “more difficult” issues. It should also be noted that less than a quarter of member countries’ ambassadors to the OECD and an even smaller percentage of OECD senior management are women. The OECD should put women’s rights at the heart of its gender framework and focus strongly on violence against women, unpaid care work, and access to property, land, and finance.

Historically, the OECD has focused on promoting GDP growth. Although it has collected data on poverty and inequality since the 1970s, inequality has been treated in top-level discussions either as a social policy issue, or it was ignored. This was also true in the earlier stages of its 2005 “Going for Growth” Initiative, which marked a broadening of its mandate in terms of “coordinated structural surveillance” of its members’ policies. However, since around 2010, the focus of its analysis has begun to change. In 2011, it launched a Better Life Initiative, based on a recognition that the standard economic growth paradigm does not translate into higher well-being for all. The OECD now monitors a broad set of “well-being” indicators (Better Life Index) going well beyond Agenda 2030. Since 2012, it has pursued an “Inclusive Growth” initiative, building on a 2008 flagship report (Growing Unequal?) that suggested rising inequality was undermining growth. It is now producing annual reports which in 2015 began to focus on progress in making growth more inclusive (In It Together) by recommending strong anti-inequality fiscal and labor policies, notably a shift to taxation of property and wealth, and reducing taxes on low-wage workers. There was a brief hiatus in 2016, when the Going for Growth report relegated analysis of inequality to one graph and a text that emphasized tradeoffs between growth and equality.
The 2017 report\textsuperscript{73} has extended the framework to cover policy measures on inequality and poverty, job quantity and job quality, labor market gender gaps, the inclusion of vulnerable groups (including migrants and minorities), and equity in education, with policies designed to reduce inequality accounting for 45 per cent of all policies recommended. The OECD will henceforth monitor and assess each country’s policies to assess whether the country is doing what the OECD has recommended to make growth more inclusive. However, there is relatively little discussion about what could be done at the top end of the income spectrum (apart from reducing tax perks), and some of these policies are controversial in terms of recommending tighter targeting or “work incentives” for social benefits, or “avoiding too high a minimum wage level.” In addition, the policy priorities and recommendations are set by comparing them to countries with “average” rather than lowest levels of inequality, meaning that anti-inequality policies may receive less priority than they should.

The OECD has also produced some excellent country reports urging members to fight inequality.\textsuperscript{74} It has drawn lessons from the global financial crisis via a New Approaches to Economic Challenges Initiative to “identify trade-offs and complementarities between growth and distribution.”\textsuperscript{75} It has increasingly monitored wealth inequality,\textsuperscript{76} finding it worst in the United States, Austria, Netherlands, and Germany. It has created a Social Institutions and Gender Index (SIGI) to monitor the impact of social institutions that drive gender inequality in 160 OECD and non-OECD countries.\textsuperscript{77}

Nevertheless, inequality is an area in which there have been no binding agreements on policy targets, or strong OECD instruments of multilateral surveillance. As a result, the degree to which its recent research and analysis is changing all OECD policy recommendations (by influencing its economic model and the work of all its departments and member state committees) varies considerably, as discussed below. There is little evidence that countries have changed policies as a result of its analysis. Crucially, the OECD has yet to propose more fundamental reforms to challenge short-term, shareholder-dominated business models that are among the key drivers of market inequality.\textsuperscript{78}

2) Labor
Has the OECD been a force for positive change to enhance workers’ rights to decent work and job creation, thereby reducing inequality? Historically, the OECD was a leading advocate of labor market deregulation and a shareholder-value model to run private businesses (rather than a model which delivered more value to stakeholders such as workers and customers). Structural reforms that reduced labor rights were praised in the OECD’s annual publication Going for Growth\(^79\); long-term growth benefits would supposedly outweigh any short-term labor costs.

Since 2000, labor issues have been given more focus. The OECD made decisive progress on business responsibility to meet decent work and human rights standards with the 2011 revised Guidelines for Multinational Enterprises (MNE Guidelines), and in 2016-2017 by drafting due diligence guidance for businesses\(^80\), which fill a gap in global governance by providing robust stakeholder instruments that can hold businesses to account.

The OECD’s main recommendation to address labor inequality has been improving education and training to increase access to skills and technology, so enhancing access to full-time and “higher quality” work.\(^81\) There has also been increased attention to “Active Labor Market Policies” (e.g., job search assistance and subsidies to corporations to hire workers) to increase employment, and to trying to ensure more “precarious” (part-time, temporary, and self-employed) workers have enhanced rights. There has also been a strong focus on improved quantity and quality of work for groups facing discrimination (i.e., women, migrants, minorities and youth) though some of the recommendations, for example in the 2017 Going for Growth report, have involved reducing minimum wages or increasing “flexibility” to encourage employers to employ workers from these groups.

These recommendations also ignore the more fundamental need to rebuild labor market institutions: reducing inequalities requires reinforcing collective bargaining systems and raising minimum wage levels, on which the OECD has not been supportive. OECD country-specific economic surveys\(^82\) often recommend reducing employment protection, minimum wages and sector-wide collective agreements, and facilitating dismissals\(^83\) – measures that are at odds with the OECD’s social affairs and labor studies warning that these may exacerbate inequality. The ongoing review of the OECD Jobs Strategy\(^84\) could offer an opportunity for change; trade unions and civil society should monitor it closely.
3) Taxation

Past editions of this report have discussed OECD efforts to lead global taxation policy reforms to combat Base Erosion and Profit Shifting (BEPS), and to combat illicit financial flows through Automatic Exchange of Information (AEOI) among tax authorities. They have emphasized that these initiatives can help generate more tax revenue, which may be spent on combating inequality. On the other hand, by not tackling more fundamental issues such as “source country taxation”, or pressure on developing countries to sign tax-reducing (tax competition) treaties, they run the risk of strengthening the relative ability of large OECD countries to collect revenue at the expense of smaller developing countries, exacerbating inter-country inequality. This reflects the fact that developing countries have been “consulted” on decisions which are taken by OECD member countries, without the involvement from the beginning of the developing countries so that the latter have equal power in determining the discussion agenda, the analysis and the policy recommendations.85

The OECD’s specific “Inequality” reports have focused on tax measures to fight inequality. They have been clear that income and wealth taxes can be more progressive and redistributive than taxes on consumption, and have suggested increasing wealth and income taxes and eliminating exemptions and deductions on them, while avoiding increasing consumption taxes. They have also shown very transparently the degree to which each member state’s tax policies are reducing inequality, with Israel and Portugal achieving the most redistribution and Switzerland achieving none. However, broader OECD macroeconomic reports have not always been so clear in giving priority to fighting inequality: the 2016 Going for Growth report praises countries for having moved the tax burden away from progressive income taxes to regressive consumption taxes, and praised Estonia’s action in reducing its flat income tax from 15 per cent to 14 per cent, on the dubious grounds that income taxes might discourage employment.86 The 2017 report appears to modify this stance by encouraging reductions in labor taxes only for low earners and urging reductions in income tax breaks and allowances for high-income households.

The OECD has also recently been trying to help developing countries to mobilize more tax revenue, through joint work by the OECD Centre for Tax Policy and the Development Co-
operation Directorate (DCD), notably via the “Tax Inspectors Without Borders” initiative with the UNDP and the joint Platform for Collaboration on Tax with the IMF, UN, and World Bank.\textsuperscript{87} In principle, this initiative is fighting inequality by mobilizing one of the more progressive types of tax: corporate income tax paid by large companies. It was criticized (for example by the UK’s Independent Commission for Aid Impact) for getting off to a slow start,\textsuperscript{88} but has recently accelerated its activities.\textsuperscript{89} The OECD has also strongly advocated that all donors should spend more of their aid on helping countries to collect more tax, and is introducing new classifications to monitor donor funding of technical assistance for tax collection. However, it is not clear how much of this taxation technical assistance will be devoted to helping tax systems fight inequality.

4) Social Policy

The strongest “take up” of inequality analysis has been in the Directorate for Employment, Labour and Social Affairs (DELSA), which has led the analysis of anti-inequality fiscal and labor policies. In its analysis of spending, it has looked in detail at the equity impact of government (and private) spending on education, health, social protection, and housing. The main focus has been on social protection and transfers, the impact of which is analyzed every year for their “incidence” (impact) on household income inequality. The latest round of data assessing this impact covers 2012, 2013, or 2014, and finds that Ireland, Greece, and Finland have achieved the most redistribution through their social protection transfers, and Mexico, Chile, and Turkey the least.\textsuperscript{90} The EU and OECD have also constructed models that allow the estimation of trends in inequality between household surveys, a practice that should be spread to far more countries.

On the other hand, analysis of the “virtual income” (i.e., expenditure savings) provided to households by education and health spending has been much less regular, relying on specific studies that seem to be occurring approximately every 3 to 5 years.\textsuperscript{91} This analysis has also been instructive, showing a huge variation in the anti-inequality impact of spending between countries where social spending reduces inequality more sharply (headed by Mexico, Portugal, the UK, Ireland, and the US) and those where it has less impact (Slovenia, Slovak Republic, Austria,
Finland, and Norway). Though technically challenging, such analysis should be conducted far more frequently, especially when policies change.

This analysis has led to strong recommendations in OECD reports to focus education and health spending more on poorer citizens and on reducing inequality, especially by targeting pre-primary and primary education and preventive health care, and by reducing financial barriers to ensure that social services are universally and equitably available. The 2016 inclusive growth report put much more emphasis on improving skills to help poorer people access better jobs, with little discussion of making public services more equalizing or pro-poor. The 2017 report has provided a framework for ensuring that every OECD country report focuses on universal and pro-poor provision. It now needs to be used to measure the impact analysis is having on policy change, and the impact of such change on inequality.

5) Development Finance

The OECD Development Assistance Committee (DAC) has since the late 1990s had a mandate to “promote development co-operation and other policies so as to contribute to sustainable development, including pro-poor economic growth, poverty reduction...” The original MDGs were drafted in the DAC before being refined by UN discussions, and the DAC has drafted guidelines for members on gender equality (1999), poverty reduction (2001), and pro-poor growth (2006). Early in discussions on Agenda 2030, its Development Co-operation Report (2013) suggested goals on inequality such as relative income shares of the bottom and top ten per cent, and monitoring redistributive policies. However, this did not become a consensus DAC position, and discussions have continued to focus on eradicating extreme poverty.

The DAC has been among global institutions leading on gender equality issues, assessing the gender content of member state development aid policies and the proportion of the aid which is directly targeted at (or indirectly contributes to) gender equality, and convening a key forum for global dialogue on gender equality via Gendernet.
One key instrument for influencing member development cooperation policies is peer review. The rigorousness of peer reviews has improved since 2010, especially in assessing the priority given to fighting poverty and reducing gender inequality, and in tracking the implementation of previous recommendations, but as such reviews are only conducted every three to four years, their impact may be limited. Most importantly for the SDGs, they do not treat inequality more broadly, nor assess accountability to the poorest people: recently they have begun to assess the degree to which development cooperation and national policies on Agenda 2030 are integrated (finding that they are not).\textsuperscript{97} Moreover, the DAC and the Development Co-operation Directorate (DCD), which supports its work, have done no comprehensive multi-country analysis of whether member states are prioritizing inequality in their policies and aid.

The recent High-Level Panel on the reform of the DAC has recommended that the DAC “change its mandate and working methods” to promote development cooperation in support of Agenda 2030. In terms of tackling inequality, this would mean reinforcing peer reviews and broader DAC monitoring systems to screen member states for their intended and actual impact on inequality (by funding progressive tax collection, social protection, basic and pre-primary education, primary health, and smallholder agriculture, as well as funding institutions which promote equality, including trade unions and women’s rights organizations).
Mandate

The World Bank Group (WBG) mandate from 1944 onward has been all-encompassing: to promote reconstruction and development, initially in post-war Europe and subsequently globally. Over the decades, the Bank has prioritized different aspects of development, focusing mainly on infrastructure in the 1970s and on structural adjustment in the 1980s. From 2000, the Bank focused on reducing extreme poverty in line with the Millennium Development Goals (MDGs). While it recognized that tackling inequality would be vital to reducing poverty (for example in the 2000 World Development Report), no goals were set for doing so. In April 2013, the WBG Board set two key targets in a strategic plan: to eradicate global extreme poverty down to three per cent by 2030 and to promote shared prosperity (where income of the bottom 40 per cent of the population grows faster than that of the top 60 per cent). This is a major step forward in acknowledging that inequality is a key development issue, partly driven by the fact that Goal 1 is impossible to meet without tackling Goal 2.98

In terms of allocating funds to low income countries the WBG uses the Country Policy and Institutional Assessment (CPIA), which evaluates how much money countries “merit” from the International Development Agency (IDA). Funds are allocated according to country CPIA scores in four categories.99 As of 2017 the CPIA includes only one of the four categories, (Section C), which focuses on Social Inclusion and Equity (gender equality, equity and public resource use, building human resources, social protection and labor, and policies and institutions for environmental sustainability). The other categories (economic management, structural policies, and public sector management and institutions) are not explicitly linked to their intended impact on poverty and shared prosperity, and the CPIA fails to promote equitable, inclusive growth. It requires revamping to ensure that the Bank’s financial allocation system is based on whether countries’ policies and institutions are designed to reduce poverty and inequality. For example, efficiency of revenue mobilization should be redesigned to assess the efficiency of progressive and pro-poor revenue mobilization.
Organization’s average score = 2.4

Inequality focus: score = 3

The WBG results targets are strong on gender equality, but disappointing for focusing on “sharing prosperity” rather than sharply reducing inequality. The WBG has conducted strong analysis and is redesigning country strategies but the impact of these measures is not yet clear, and its country assessment systems (Country Policy and Institutional Assessment (CPIA), Doing Business) pay no attention to inequality.

Recommendation: The WBG needs to: analyze progress on sharing prosperity, using multiple income and wealth indicators; accelerate transformation of country strategies and projects to maximize impact; and revamp country assessment systems to base them on country actions to reduce inequality.

- Labor: score = 2
  There is little evidence that the WBG is changing its policies on labor at the country level (or in its projects) to encourage higher wages, decent work, and stronger trade union and labor rights. The Doing Business report continues to encourage more “flexible” (i.e., anti-union) labor policies.

Recommendation: The WBG needs to set goals for all its programs and projects to: fulfill decent work criteria and respect workers’ rights; encourage governments to raise minimum wages and reinforce labor rights; and reform Doing Business to promote anti-inequality labor policies.

- Taxation: score = 2.5
  The WBG leads on anti-inequality tax incidence analysis, but does not always recommend more progressive tax systems. Widespread tax exemptions on WBG
(especially IFC) projects, and a Doing Business tax criterion which encourages lower corporate taxation, are negative.

Recommendation: The WBG needs to: scale up its work on tax incidence; ensure that this results in progressive taxation advice to countries; eliminate the Doing Business "low corporation tax" criterion; and end IFC project tax exemptions.

- **Social policy: score = 2.5**
  The WBG has been progressive on universal and free public healthcare, and usually also on universal education, but policy declarations advocating universal social protection contrast with recommendations to countries for tightly targeted schemes, and with the IFC’s promotion of fee-paying/PPP-based social services.

  Recommendation: The WBG needs to: standardize its support for universal, free, and publicly provided education, health, and social protection across all institutions of the Group; make clear recommendations to all countries; and monitor countries’ progress on SDG indicators.

- **Development finance: score = 2**
  The WBG is a leading player in the Alliance for Financial Inclusion, promoting inclusion via many programs and projects. However, this is offset by IFC emphasis on larger enterprises and by the WBG’s lack of analysis of its impact on poverty or inequality, thereby exacerbating market inequality.

  Recommendation: The WBG needs to enhance its work on financial inclusion by assessing its own impact on inequality. The IFC needs to channel a far larger proportion of funds to Micro, Small, and Medium Enterprises (MSMEs) and partner only with companies that pay fair taxes, ensure decent work, and have fair supply chains.

1) Inequality Focus
Assessing the WBG’s overall impact on inequality is immensely complex because of the multi-dimensional nature of its interventions in supporting country policies. The WBG’s Independent Evaluation Group (IEG) is evaluating the WBG’s Support for Shared Prosperity in June 2017, with the intention to provide a clearer evaluation framework.

The first key issue is how to measure the WBG’s impact on inequality. The Shared Prosperity goal is tracked by measuring the income growth of the bottom 40 per cent of the population. The WBG publishes an additional indicator, putting more of an inequality lens on its welfare reporting, comparing the growth of the bottom 40 per cent to that of the top 60 per cent. This indicator has been adopted as the first target in SDG 10 (reducing inequalities) and is also being used by the G20 as a measure of inclusive growth. Neither definition mentions distribution within the bottom 40 per cent. The IEG approach paper has concluded that the WBG needs stronger relative income inequality indicators, as well as analysis and indicators to measure the interactions between income and non-income inequality, if it is to have a sustained impact on reducing inequality.

The World Bank and Gender Equity

The World Bank has in the past made significant contributions to incorporating gender perspectives into different sector areas, under the rationale that gender mainstreaming is essential for achieving all the global development goals. However, when it comes to the WBG’s work on macroeconomics, there is still a problematic lack of awareness and consensus on the importance of gender perspectives. Despite its rigorous analytical work, backed up by strong statistical data, much work remains to be done in terms of developing the arguments, collecting the data, and supporting the development of awareness, commitment, and capacity of staff working in these areas. A key challenge will be to provide a holistic framework for the analysis, for example by including the gender aspect in all sectors and all projects, including in areas where gender perspectives are not normally considered, for example in investment projects. More work is also needed to illustrate the value of including gender perspectives in these areas (i.e., further developing effective development rationales for gender mainstreaming). The lack of assessment
of impacts on the situation of women and men, gender relations, and the achievement of gender equality (as opposed to routine monitoring of processes and outcomes of programs) has been one of the weak points of much gender mainstreaming work. The development of adequate indicators and the incorporation of monitoring of the gender equality aspects into overall monitoring processes and mechanisms by the WBG will constitute a big step forward in achieving an ambitious impact. Finally, a stand-alone gender “safeguard mechanism” is crucial to prevent or mitigate the negative societal impacts and externalities, which are likely to affect marginalized and poor women and girls much in particular, that can result from WBG projects.

In addition, the IEG intends to provide suggestions for assessing the Bank at all four stages of its “results chain” (i.e., “data, diagnostics, strategy and implementation”),¹⁰⁴ to assess where the implementation of its strategy is succeeding and failing. Particularly vital will be the Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs), which identify key drivers of and barriers to reducing inequality, and target key actions the Bank can support. The SCD and CPFs were introduced in fall 2016. It will also be essential to separate the WBG’s impact from that of other development partners.

In terms of more specific transmission mechanisms, this report, based on the conclusions of an expert workshop (including representatives from the WBG and its IEG) has chosen: social sector policies and projects, taxes, labor, and private sector/infrastructure operations.¹⁰⁵

2) Labor

For many years, the quality of jobs as a key policy lever in fighting inequality did not feature in the WBG’s analyses or policy advice. The WBG’s basic approach until the 2008-2009 global crisis was epitomized by the pre-2008 Doing Business labor market flexibility criterion, which had given top scores to countries having the lowest minimum wages, longest working hours, and least protections against dismissal. It believed that governments should be encouraged to deregulate labor markets, to promote economic growth and accelerate job creation. The fact that deregulation was exacerbating inequality by making employment more vulnerable and less well-paid was not considered.
The Bank’s policy shift began in 2009, when it suspended the labor criterion of Doing Business, because: “In the current global economic crisis … it is important that government actions focus on the needs of the labor force and lower income households, as well as those designed to help businesses.” In 2013, the WBG published World Development Report 2013: Jobs, which debunked the notion of a consistent link between labor market deregulation and employment growth – it found in most cases that the link was “insignificant or modest.” The WDR advised the WBG to pay attention to the quality of jobs and workers’ rights, informed it that some of its development strategies actually destroyed jobs, and recommended that all strategies should be assessed using a “jobs lens.” In 2013, Understanding Directions in Poverty found that poverty reduction coincided primarily with good work, especially in moving from more vulnerable informal and temporary employment to salaried, permanent, full-time jobs.

Follow-up to the WDR 2013 has been uneven, but further progress has taken place in a few areas. In 2015, the WBG published Balancing Regulations Promote Jobs, the first major WBG report to warn of the costs of under-regulated labor markets, as well as problems created by excessive regulation. This manual provides detailed advice on developing appropriate regulations in four areas and strongly emphasizes the need to involve social partners and the ILO in such reforms. In 2016, the WBG adopted a “labor safeguard,” which has some weaknesses but does make it obligatory for WBG-funded projects to comply with standards in the areas of occupational health and safety and workers’ rights.

What remains to be seen is whether the WBG takes serious steps to fully implement new initiatives such as the labor safeguard and to follow up analytical instruments and policy statements such as the labor regulations manual, by applying them on an operational level. Genuine respect by the WBG for fundamental workers’ rights, including freedom of association, could make important contributions to the achievement of decent work and reduced inequality. However, in some client countries the WBG continues to promote labor market deregulation. The WBG should follow up on the recent support it has expressed for objectives such as respect for workers’ rights and decent work by setting goals for its programs and projects to increase the share of decent work in national employment.
3) Taxation

The World Bank has identified progressive taxation as one key policy mechanism for sharing prosperity in its Taking On Inequality report\textsuperscript{110}, which recommends increasing use of property and inheritance taxes; reduction of exemptions and deductions given to wealthier citizens and corporations; relying more on direct taxes and making them more progressive; and rebalancing taxes to increase them on capital and reduce them on labor.

Until recently, WBG tax support to countries focused largely on improving administrative efficiency, often as part of broader public financial management programs, and on financing information technology (IT) systems to support tax collection.\textsuperscript{111} Separate programs are developing tools to assist countries fight transfer pricing by multinationals, to enhance collection from property taxes, and to combat illicit financial flows, but none of these has explicitly analyzed, or based their activity on, inequality issues. About ten countries have received WBG assistance on broader tax policy; around half of these programs examined equity issues, including overall taxation policy and excise duties.

There are two features of WBG practice that actually make tax collection more difficult in developing countries. Firstly, the Doing Business report has long contained criteria that favor countries having lower corporate tax rates. These criteria have been modified in recent years to set as a benchmark the Singapore rate of 17 per cent rather than encourage countries to cut tax rates without limit, but the WBG continues to contribute globally and at country level to the “race to the bottom” on corporate tax rates which is depriving governments across the world of large amounts of tax revenue. The second feature is the almost universal practice by the IFC of assisting its corporate partners to obtain tax exemptions or tax holidays for the projects it funds, again depriving host countries of significant tax revenue.\textsuperscript{112}

Since 2012, the Bank has been increasingly basing its country diagnostics on analyses of the incidence of direct and indirect taxes on poverty and inequality. These analyses (in cooperation
with the CEQ) are providing crucial information for making country policies more progressive. There are nevertheless two question marks over whether this will result in changes in country policies. The first lies in the interpretation of the incidence analysis results; for example, many of the country reports have so far concluded that the impact of direct taxation on inequality is relatively small, and therefore this area is less of a priority for action than mobilizing higher revenue from all types of taxes and spending this additional revenue on education, healthcare, and social protection, which make a greater contribution to reducing inequality. This is not an accurate interpretation, because the small impact of direct taxation reflects: high personal income tax deductions for wealthy citizens; widespread exemptions for large corporations from corporate income tax; the very limited progressivity of income tax in many countries; and the prevalence of tax dodging by corporations and individuals.

The second doubt lies in the level of influence the WBG can have over national tax policies, given that past agreements between the IMF and the WBG have mainly assigned responsibility for tax policy to the IMF as one of its core macroeconomic issues. It is essential for the WBG to cooperate closely with the IMF and other key organizations analyzing these issues such as the OECD, the EU, and the United Nations Economic Commission for Latin America in Latin America (ECLA), which place more emphasis on progressive taxation.

Given both of these concerns, it highly welcome that the WBG is taking a leading role in the joint Platform for Collaboration on Tax with the IMF. The OECD and the UN are, together with the IMF, developing a Tax Policy Diagnostic Tool in which the WBG has been assigned a lead role in designing criteria for assessing revenue progressivity. A strong focus on promoting these initiatives could lead to a greater role for the WBG in making tax systems more progressive.

4) Social Policy

In its Poverty and Shared Prosperity 2016: Taking on Inequality report, the WBG suggested that four of its six most crucial areas of intervention could be in the social sectors, through early childhood development (ECD): universal health care, good-quality education, and conditional
cash transfers (CCTs).\textsuperscript{113} The WBG’s fiscal incidence analysis program also provides strong evidence on which types of education, health, and social protection spending do most to reduce inequality.\textsuperscript{114}

The WBG’s Independent Evaluation Group (IEG) has conducted a comprehensive evaluation of WBG work on Early Childhood Development (ECD). This verifies, for the most part, Taking on Inequality’s findings and recommendations in terms of the dramatic positive impact these interventions can have on transforming inequality in the long term. However, the IEG also insists that successful implantation of ECD requires a complex coordination among WBG institutions and departments that is sorely lacking. Regrettably, Management’s and the Executive Board’s responses were that all problems, most notably with intra-institutional collaboration, had been resolved.\textsuperscript{115}

The WBG’s President has made strong declarations in favor of universal health care and against the charging of fees for healthcare.\textsuperscript{116} These declarations have been extremely welcome given the strong evidence that higher healthcare spending and the abolition of fees by governments reduces inequality sharply and immediately, and that better health outcomes for the poor reduce inequality over the longer term. Yet many projects sponsored by the International Finance Corporation (IFC) continue to charge fees, even to the poorest, despite President Kim’s denunciation of such practices. Other projects are continuing to work with private-sector insurance providers to provide health insurance, even though there is strong global evidence that public-sector-run single provider insurance is far more cost-effective and likely to benefit the poor. Best practices call for the WBG to end all fees for health services and to promote public spending and health insurance in order to ensure universal coverage across all institutions of the WBG.\textsuperscript{117}

The WBG’s policy on education remains less clear, even though the evidence in terms of fighting inequality is similar: publicly provided education without payment of any fees (especially pre-primary and primary schooling) has a major immediate impact on reducing inequality by reducing out-of-pocket payments by parents.\textsuperscript{118} Yet the IFC continues to fund for-
profit companies to provide “low cost” private education. Their teachers tend to be less well qualified and paid less than teachers in government-funded public schools. To the (very limited and disputed) extent that better performance is associated with private schools, it correlates with higher income families; further, when education fees are required, girls are usually excluded unless scholarships are provided. A coherent policy on education would mean the WBG ending all fees, and promoting public spending to ensure universal basic education across all institutions of the WBG. Probably the biggest change in WBG policy since our last report has been on social protection. President Kim has co-sponsored a global initiative with the ILO to achieve universal social protection, as “a means to reduce poverty, achieve greater gender equity, reduce economic inequalities, and to promote good jobs.” 119 This means that the Bank should be supporting: “adequate cash transfers for all who need them, especially children; benefits and support for people of working age in case of maternity, disability, work injury, or for those without jobs; and pensions for all older persons.” 120 Nevertheless, as indicated by the Taking On Inequality report, there is a continuing preference among many in the Bank for conditional and unconditional cash transfers (systems which provide means tested transfers to the poor, conditional on behavior on their part such as ensuring their children attend school). It is true that transfers “targeted” to the poorest through means testing may ensure that a higher proportion of funding reaches the poor rather than the middle class. However, there is overwhelming evidence that universal unconditional systems are more likely to cover all of the poor and not exclude the marginalized because they are hard to identify and target, so they will have a greater effect on “leaving no one behind”. Unconditional measures are also essential to generate broad political support for social protection (rather than it being seen as a “welfare” payment for the most marginalized). 121 The WBG needs to ensure that it advocates and helps countries introduce such systems worldwide.

5) Development Finance

The private-sector operations of the WBG are designed and implemented by the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Authority (MIGA). The 2014 Global Financial & Governance and Impact Report (GFGIR), relying on evaluations by the WBG’s Independent Evaluation Group, found that the IFC had no systematic means of assessing whether its investments were reducing poverty (let alone inequality), and relied on the
assumption that projects would produce growth and jobs and that this would automatically reduce poverty and inequality. The current IEG evaluation of the Shared Prosperity goal finds that the IFC, in its roadmaps for financial years 2014-2016 and 2015-2017, has mainly focused its activities on promoting broad-based growth in frontier markets (LICs and, in particular, fragile states), with less focus on shared prosperity. In middle-income countries, it has concentrated more on encouraging private-sector partners to adopt more inclusive business models by offering goods, services, and livelihoods to people at the base of the social pyramid. While acknowledging examples of IFC achievements in sharing prosperity by financing projects which promote access to finance for micro/individual and SME clients, access to mobile phones, and the integration of smallholders in the food supply chain, the report identifies a key priority of its work as the assessment of means to ensure that the IFC and MIGA are contributing more systematically to shared prosperity. The next step for the IFC ought logically to be ensuring that it partners only with companies which have fully inclusive business models and that its minimum standards on these issues should be public and verifiable, including fair taxpaying, decent work, and fair and environmentally sustainable supply chains. Since 2014, the IFC has also become even more important, because it will be organizing the vast bulk of the financing which the WBG mobilizes to support infrastructure in future years (given that the need for infrastructure in developing countries far outstrips the financing capacity of the official sector, including the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD)). The IFC’s role is therefore central to the financing of the SDGs on infrastructure, not only because it has the strongest financial mobilization capacity but also because of its “thought leadership” on how best to finance and design infrastructure projects. It could be largely leading IBRD/IDA financing allocations in this area, as IBRD/IDA funds may well be used to co-finance infrastructure projects and provide “public goods” facilities such as electricity transmission lines, water distribution systems, or to co-finance them directly and reduce their costs.
The key country-level mechanism through which IFC intends to structure many of its infrastructure projects is the Public-Private-Partnership (PPP). As indicated in the 2014 report, while PPPs can be helpful in mobilizing extra private-sector expertise, analysis by the IMF, the OECD, and various civil society organizations has shown that they are not a desirable financial solution in most cases. Even if successful, they are more expensive than other financing options such as bonds or commercial loans. Many PPPs are unsuccessful because costs are underestimated or revenue streams overestimated, resulting in fiscal bailouts and increased debt burdens which crowd out social spending to fight inequality. PPPs have also been found to be closely associated with tax exemptions and tax dodging via investment funds registered in tax havens, reducing tax revenue available for anti-inequality spending. They also often drag government policies towards increasing fees for education and healthcare, and charges for electricity and water, in order to repay funders, exacerbating inequality by depriving the poorest of access to services. The WBG should urgently develop indicators to measure whether its infrastructure projects and their financing are reducing inequality, including their broader impact on the budget and access to services.

**Financial Stability Board**

**Mandate**

At the 2015 UN Sustainable Development Summit, governments from 193 countries – including all the member countries of the Financial Stability Board (FSB) – agreed to reduce inequality, with a specific target to improve “regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations” (SDG 10, target 5). This commitment is directly related to the FSB’s mandate to promote global financial stability by coordinating the development and implementation of international financial reforms. While reducing inequality may not be an explicit part of this mandate, rising inequality matters for the FSB’s work in two important and interrelated ways:
1. Failure of regulation increases inequality: The costs of the 2007 financial crisis are still being tallied, but have been estimated to be between 14 and 20 trillion US dollars in the US alone. Governments are still grappling with the fiscal fallout, which has led to a global decrease in public spending on healthcare, education, and other human capital investments. This has resulted in protracted consequences for poor and middle-income households, while wealthy asset owners have quickly recovered due to a surge in the value of financial assets. FSB Chairman Mark Carney acknowledged that this “unjust sharing of risk and reward contributed directly to inequality.” Financial rules not only failed to protect the poor and the middle class in the recent crisis, but they have failed more broadly to marshal a financial system that benefits households at the top and bottom of the income scale. Research from the Bank of International Settlements (BIS), which hosts the FSB, concluded that there was a “pressing need to reassess the relationship of finance and real growth in modern economic systems.”

2. Inequality contributes to systemic risk: A core function of the FSB is to conduct a regular “Vulnerabilities Assessment” to analyze structural weaknesses in the financial system, including “misaligned incentives.” There are several reasons that these assessments should account for the risks related to increasing inequality and concentration of financial assets. From 1929 to 2007, historical data show that financial crises have been preceded by steep increases in inequality in the US. A growing body of research seeking to understand this correlation indicates that high levels of inequality generate vulnerabilities in the financial system, partly through a nexus of increasing inequality, rising debt levels, and vulnerability to crises. Moreover, failures in financial reform may be the result of a highly-skewed distribution of wealth and political power. These dynamics have major implications for the FSB’s mandate to address systemic vulnerabilities and to conduct implementation monitoring.

Organization’s average score = 2.3

- **Preserving reforms: score = 2.5**
  
The FSB conducts extensive monitoring and evaluation of global reforms, including consequences for developing economies. Its forthcoming Evaluation Framework can be a strong positive mechanism – if reforms are assessed for their impact on inequality.
Recommendation: FSB “post-implementation evaluation of the effects of the G20 financial regulatory reforms” should go beyond “stability” to evaluate reforms for impact on sustainable development and inequality (SDG 10, target 5).

- **Reducing crises: score = 2.5**
  As implementation of reforms progresses, the financial sector is increasingly absorbing shocks. However, much more effort is needed to reduce the exposure of the poorest and most vulnerable to “too big to fail” institutions, derivatives, and shadow banking.

  Recommendation: The FSB should ensure that crisis management processes and regulations on derivatives and shadow banking distribute losses appropriately so as to reduce inequality.

- **Excessive risk-taking: score = 2**
  The FSB has put “misconduct” on the reform agenda with positive work on compensation and over-the-counter (OTC) derivatives. However, compensation practices have not changed much, and problems with transparency and reporting threaten the derivatives reforms. Risk-taking has not fallen.

  Recommendation: The FSB should set standards linking compensation to assets that would be called on to “bail-in” an institution, and close the gaps in OTC derivatives transparency by developing a comprehensive reporting mechanism with no exemptions.

- **Financial inclusion: score = 2.5**
  The FSB has begun to incorporate “financial inclusion” into its analysis of shadow banking microfinance institutions in developing countries and of risk management impact on correspondent banking, but the analysis has yet to impact policy.

  Recommendation: The FSB should work with Regional Consultative Groups and civil society to develop regulatory proposals to enhance financial inclusion. It should also
ensure that its Standard-Setting Body members integrate financial inclusion into their work and recommendations.

- **Cross-border financial flows: score = 2**
  The FSB has helped develop information-sharing, but data gaps remain huge, reducing policy-makers’ understanding of systemic risks, especially overconcentration of financial wealth. It has also done little to promote regulations encouraging new technologies that benefit the poor.

  *Recommendation:* The FSB should promote regulations that encourage technological innovations enhancing cross-border financial flows to benefit vulnerable households (e.g., remittances) and young companies (e.g., microfinance or non-conventional partnership or cooperative-based banks).

This section discusses five “Transmission Mechanisms” through which the FSB can have an impact on inequality. The most important transmission mechanism for the FSB may be its monitoring and evaluation work that can (1) preserve reforms which have positive impacts on public welfare, and consequently on reducing inequality. The other key transmission mechanisms are the FSB’s successful (2) prevention and management of future financial crises and, related to this, the FSB’s work to address (3) excessive risk-taking and misconduct in the financial sector; (4) reforms leading to greater financial inclusion (in turn, the link between financial inclusion and inequality needs further evaluation); and (5) filling the enormous gap in monitoring, collecting data, and information-sharing on cross-border financial flows.

Post-crisis Evaluation and Preservation of Reforms

The G20 estimated that the recent financial crisis has cost the economy 25 per cent of global GDP. Through the FSB, global leaders have committed “to fix the fault lines that led to the global financial crisis.” Overall, the proposed financial regulatory reforms will make the system more robust with fewer opportunities for regulatory arbitrage.
However, the changing political landscape and decisions of some leaders have indicated possible shifts to allow some variations and regulatory rollbacks to favor national economies. Recently, post-crisis stability concerns have been replaced by low-growth considerations. The financial-sector reform agenda has grown substantially in complexity and increased the economic costs associated with doing business (e.g., lending rates). Therefore many jurisdictions have committed to run evaluations of the post-crisis agenda to avoid obsolete and inappropriate regulations. However, cost concerns have in the past led to de-regulation to liberate the financial sector without proper analysis – or appreciation – of the net benefits.

The FSB’s work is increasingly focused on monitoring implementation, and evaluating the effects, of G20 financial regulatory reforms. But without national buy-in to implement FSB policies on the national level, the FSB is powerless to minimize systemic risks. To generate greater buy-in and to evaluate whether the agreed reforms are having their intended effects, the FSB is filling the gap on impact assessment that measures benefits as well as costs of reforms (see Box XX). As many jurisdictions replace financial stability concerns with low growth concerns, the need to demonstrate the positive effects of reform on sustainable growth is greater than ever. At the same time, the FSB has identified areas to be addressed in the post-reform landscape, such as the large growth of shadow banking and the so-called “de-risking”, which have disrupted correspondent banking relationships and remittances corridors used by low-income countries. This work should be incorporated into the FSB’s overall evaluation framework, especially where unintended consequences negatively impact the poorest countries and people.

The FSB should not completely disregard growth concerns. However, the focus should be on achieving sustainable and inclusive economic growth. The foundation for sustainable development includes supporting global economic growth and financial stability and strengthening the international financial architecture. This type of growth goes beyond financial deepening and freeing financial-sector activities. Recent analysis finds that durable, sustainable economic growth requires effective financial rules that ensure a balanced, competitive financial sector that supports the economy.
Therefore, the FSB “post-implementation evaluation of the effects of the G20 financial regulatory reforms” should not only focus on “stability” goals and unintended consequences, but should also evaluate reforms for their impact on sustainable development and inequality (e.g., how far they achieve SDG 10). Given the pending assault on financial regulation, it is imperative that the FSB establish itself as the authority on evaluating the impact of reforms. The recent FSB-BIS ex-ante impact assessment of the Total Loss Absorbing Capacity (TLAC) rules, which weighed benefits as well as costs, demonstrates the value of a more structured evaluation framework. The legitimacy of the evaluation will require the inclusion of diverse stakeholders – such as developing country regulators, civil society, and academics – but the FSB is well-positioned to lead this process, which should ultimately preserve reforms that reduce instability and generate broad public benefits. The first step would be for the FSB to become the lead institution and natural coordinator on SDG inequality target 10.5 to “improve regulation and monitoring of global financial markets and institutions and strengthen implementation of such regulation.”

FSB: Defending Financial Reforms with Balanced Evaluation

With the goal of ending taxpayer-funded bailouts, the FSB has led global efforts to develop new Too-Big-Too-Fail rules. The flagship reform is called Total Loss Absorbing Capacity (TLAC), which is intended to ensure that large financial institutions have enough capital and loss-absorbing debt to “bail” themselves “in”. Large financial institutions have asserted that this will increase business costs and therefore hurt the economy. While the costs are easily calculable, the benefits are not. To address this problem, the FSB, with the BIS, conducted an impact assessment of TLAC which weighed the costs of this TLAC rule on lending and also its broad welfare benefits. Overall, the benefits (0.15 to 0.2 per cent of GDP) outweighed the costs (0.02 to 0.04 per cent of GDP) by a factor of about 5 to 1.

While TLAC may reduce the need for a taxpayer bailout, the money would still need to come from somewhere. So who would “bail in” a failing financial institution? The answer is: entities and individuals holding TLAC-eligible assets. This could include a retired teacher’s pension, a young saver investing in a mutual fund, or a sovereign wealth fund for a small developing
country. While shifting the burden away from taxpayers is progressive, this still leaves many middle-income households and others exposed.

**TLAC costs:** bank costs Euro 195-511 mill and lending rate increase of 0.02-0.037 for borrowers, and from .02-.04per cent output/GDP loss globally; **TLAC benefits:** reduce bank failure by one-third, reduce cost of crises by 5.4per cent; overall benefits are .15-.2per cent of GDP (most conservative estimate) [http://www.bis.org/publ/othp24.pdf](http://www.bis.org/publ/othp24.pdf)

Reducing the risk of financial crises

The post-crisis financial reforms undertaken until now have generally increased the stability of the system. However, this assessment is presumptive, since much of the reform agenda is still work in progress, from regulation on capital standards, shadow banking markets, and derivatives, to the mechanisms of recovery and resolution of cross-border firms. The remaining question is whether the FSB has addressed the fundamental problems that destabilized the financial sector while enhancing the preparedness of institutions and markets for the next crisis, with an emphasis on limiting the impact on taxpayers and vulnerable households.

The FSB agenda stems from commitments the G20 countries have made in their Summit communiqués. The FSB can only make recommendations to member countries and other sovereign states. All implementation occurs at the national level, where design and implementation are the tasks of national legislatures and regulators. The result is a global financial architecture that is highly uneven, which facilitates rather than impedes regulatory arbitrage. The FSB has designed peer review processes as a tool for monitoring and encouraging implementation through peer pressure and publication of findings. Its counterparts from other countries assess national regulators and supervisors to ensure full, coherent, and equitable implementation of international commitments.

Despite imperfect and messy implementation of the reforms at the national level, much has been done to stabilize the system and ensure that appropriate tools and mechanisms are in place. As
implementation progresses, the financial sector is increasingly absorbing shocks rather than amplifying them. However, there is still much more to be done to address “too big to fail” banks, derivatives, shadow banking, and the recovery and resolution of central counterparties.

The FSB has demonstrated genuine commitment to developing a consistent and comprehensive framework of reforms and to evaluating post-implementation effects. Its work has stressed the need to assess the vulnerabilities of the financial sector and to identify gaps in the regulatory framework. In 2017, the core focus remains on the implementation of post-crisis reforms and on evaluation of their effects and effectiveness (with recommendations on transforming shadow banking into stable and resilient market-based finance and addressing the vulnerabilities of the asset management sector). The FSB is also addressing new potential sources of instability: due to the increased role which the central counterparties (CCPs) have started to play in the modern financial sector, the FSB is also exploring how to enhance the resilience, recovery, and resolvability of CCPs. Similarly, the FSB is assessing possible emerging vulnerabilities stemming from misconduct, correspondent banking, and climate-related financial risks, while monitoring the potential systemic implications of financial technology innovations. Despite these tremendous efforts, the current regulatory regime remains weak, as vital components like capital levels and stress tests remain insufficient. Financial-sector reform is far from complete.

While financial crises may be inevitable, regulators and financial institutions can control how crises are managed and how losses are distributed. Managing systemic risks, however, requires transparent information on risk exposure throughout the global financial system, which is why the FSB developed the Global Legal Entity Identifier System (GLEIS). Implementation of GLEIS has slowed considerably and the FSB’s recommendations to the G20 should include boosting it. Overall, the FSB should ensure that crisis management (TBTF, Resolution Processes, GLEIS, etc.) distributes losses appropriately, protects public welfare, and ultimately reduces inequality.

Supporting Analysis:

Global Capital Rules
Since the beginning of the post-crisis financial reform the discussion of capital adequacy standards has triggered a lively debate. “Basel III” capital requirements have necessitated a revision of the rules, and reforms are being implemented gradually in member jurisdictions with the deadline for full implementation set for 1 January 2019. Basel III requires financial institutions to hold higher-quality capital for trading positions, securitization, and counterparties’ exposures in derivatives and secured lending transactions. The rules also require banks to hold Tier 1 capital at no less than six per cent of risk-weighted assets. Basel III also introduces a new Common Equity Tier 1 requirement, reduces the ability of banks to rely on riskier, less-absorbent forms of regulatory capital, and requires institutions to hold a countercyclical “conservation buffer”.

Although Basel III introduced more stringent capital rules, more work is required to strengthen the global capital framework, at least for the largest firms. The current debate on risk-based capital requirements and emphasizing simpler or standardized models, rather than banks’ internal models, for calculation of capital requirement, has resulted in a lively debate among various jurisdictions, significantly slowing the rule-making process. As a result, nearly ten years after the last crisis, some badly managed banks are still poorly capitalized and overleveraged.

Derivatives and Wholesale Funding Markets

During the 2009 Pittsburgh summit, the G20 leaders also committed to significant reforms in the over-the-counter (OTC) derivatives market. The objective was to move standardized OTC derivatives onto exchange-trading platforms and thus to be centrally cleared. Additionally the OTC trades should be reported to trade repositories. The rules in most of the jurisdictions are already in place. However the comprehensive information on the global derivatives markets is still lacking due to technical, liability, and jurisdictional problems with trade reporting and trade repositories. Other issues that have not yet been properly addressed relate to repo and other short-term funding markets where the rules are in a very early stage of implementation.

Structural Reform and Resolution
Globally, much work remains to be done in the area of structural reform and resolution. There has been a significant effort by many global jurisdictions to implement the recovery and resolution tools and to appoint specialized bodies to enhance the probability of resolving Global Systemically Important Banks (G-SIBs). Some jurisdictions such as the US and the UK have embraced the need for ring-fencing and stronger horizontal buffers between retail deposit banks and other, riskier, financial functions, while the EU’s proposed draft regulation on this has not been adopted.

**Box XX Financial instability & Trade Offs for fighting inequality in developing countries**

More and more developing countries have at least partially opened up their financial systems, increasing exposure to risks in the global financial system. Without sufficient financial safeguards in place for cross-border bank resolution and various systemic risks, developing countries have increasingly built foreign-exchange reserve buffers as insurance. This is an important opportunity cost, as governments sacrifice investments in essential public goods, education, health, and other inequality-reducing programs.

DATA: common indicators thus suggest that developing countries markedly increase their precaution in the era of progressing financial globalization, especially in response to financial crises, starting in the late 1990s. [http://dgff.unctad.org/chapter1/1.2.html](http://dgff.unctad.org/chapter1/1.2.html)

**Excessive Speculation and Misconduct**

“The wealthiest Americans have recovered much more quickly than those without investments in the stock market, which is a major reason why income inequality in America is now worse than it’s been at any time since the Great Depression.” Federal Reserve Board, Morgan Stanley Research (2014).

Speculation and risk-taking in the financial sector benefit “asset owners” and “non-asset owners” very differently. Wealthy assets owners (only eight per cent of global population\(^{136}\)) are overwhelmingly the beneficiaries of growth in financial assets.\(^{137}\) Low- to middle-income households are indirect beneficiaries, but only to the extent that financial assets reflect productive investments in the real economy. Unfortunately, this is rarely the case as global
financial assets are now ten times larger than actual economic output. The “search for yield” in this top-heavy environment is driving excessive risk-taking and misconduct in the financial sector – the latter costing global banks at least 320 billion US dollars, which could have supported up to five trillion US dollars in lending, according to the FSB Chairman. It is encouraging that the FSB is starting to address some of these “misaligned incentives” and rules through its work on misconduct, which includes two areas: governance and compensation structures; and standards in the fixed income, commodities, and currency (FICC) markets.

Compensation and Excessive Risk-taking: Compensation in the financial sector has fueled income inequality since 1979 and standards have failed to address the related factors driving wealth inequality such as short-term, rent-seeking behavior in the financial sector. The average holding period for stocks has decreased by 1,600 per cent since the 1960s in the US alone. Therefore, the FSB’s focus on implementation of its Principles and Standards for Sound Compensation Practices is a positive initiative, which has made some progress since 2009. However, short-termism seems to be getting worse, with more than half of senior executives expressing pressure to perform within a year, an increase since 2013. While big bonuses are being deferred, pay is being shifted to fixed salaries, breaking the link between compensation and performance. The FSB, particularly its Compensation Monitoring Contact Group, should prioritize efforts to strengthen this pay-risk link, starting with standards that link compensation to assets that would be called on to “bail-in” an institution (e.g. variable compensation in the form of TLAC-eligible assets). This would help deter excessive risk-taking and limit losses for other groups holding these “bail-in” assets, such as pension funds.

Excessive Speculation and OTC Derivatives Reform: Speculation can be a healthy characteristic of financial markets, but excessive speculation and rent-seeking can be corrosive, distortionary, and generate systemic risks – particularly when it is channeled through the 553 trillion US dollar OTC derivatives market. The FSB has made some progress on OTC Derivative Reforms: trade reporting requirements for OTC derivatives and higher capital requirements for non-centrally cleared derivatives (NCCDs) are mostly in force. However, the FSB needs to tackle the problems with local reporting exemptions by strengthening its monitoring and reporting of exemptions. Frameworks to aggregate trade data, which are key to prevent market manipulation and excessive speculation, remain “relatively undeveloped”. According to a former US
Commodity Futures Trading Commission (CFTC) enforcement chief, a "massive amount of misconduct" in these markets goes undetected because of insufficient data. The FSB’s creation of the Aggregation Feasibility Study Group is a positive step, but more transparency in these markets is essential, given the potential for commodities, foreign exchange, and interest rate derivatives to affect households.

Commodities: Although commodity derivatives account for only a fraction (less than one per cent) of the OTC derivatives market, excessive speculation and manipulation can have broad consequences, especially for citizens in 94 commodity-dependent countries. Evidence from academia and public institutions demonstrates the potential for excessive speculation to generate volatility in commodity prices. Poor households, especially women, who spend the majority of their income on food, are disproportionately harmed by price volatility, but volatility also affects how governments plan and manage foreign-exchange reserves (as food and fuel import bills, or export revenue, can be unpredictable).

Foreign Exchange derivatives, which account for around 13 per cent of derivatives markets, are of concern for developing economies, whose currencies are particularly vulnerable to the whims of financial flows and speculation, which impact the cost of borrowing to finance public investments and social safety nets that help combat inequality. As with commodity markets, there are concerns that the dominance of certain actors exacerbates the costs of misconduct (noted by the FSB’s predecessor, the Financial Stability Forum, 17 years ago). The FSB is hoping to address misconduct by coordinating work on foreign exchange benchmarks, as well as by looking into Fin-Tech (e.g. High-Frequency Trading), which handles around 40 per cent of all foreign exchange trading.

Interest Rate derivatives, which account for 80 per cent of the OTC market, have vast distributional consequences when interest rates benchmarks (e.g., LIBOR) or instruments such as interest rate swaps are manipulated or used inappropriately. LIBOR underpins around 350 trillion US dollars of mortgages, bonds, student loans, and other financial products linked to household consumption and financial inclusion. The use of interest rate swaps, especially where there is asymmetric information between market maker and customer, can be devastating. The city of Detroit is still paying 547 million US dollars in penalties to terminate costly interest rate swaps from Goldman Sachs, which impacted access to water for at least 46,000 households.
There have been similar negative outcomes for other cities, such as Baltimore, Chicago, and Orlando. Interest rate swaps have positive applications, but the FSB, which is coordinating work on benchmarks, including LIBOR, should ensure that benchmarks and other standards protect taxpayers.

Overall, the FSB should be credited for propelling global regulators to address misconduct as a systemic risk and for its continued progress on OTC reforms but, there is still a need to build a consensus on compensation standards that reflects long-term performance as it relates to systemic risks and productive investment. Given continuing challenges with reporting and transparency in OTC derivatives – and in the financial sector as a whole – it is concerning that the FSB terminated its Enhanced Disclosure Task Force Working Group because the private-sector-led Task Force concluded that its work was complete.

Positive Regulation for Financial Inclusion

It is tempting to use the term “financial inclusion” to refer to the reversal of financial exclusion whereby households and companies that are unable to access and use financial services from formal financial institutions and markets are able to do so at an affordable cost and within a reasonable geographical distance. This interpretation holds true, but is parochial. Financial inclusion has a broad spectrum, which covers the main elements of the flow of funds: the sources and uses of funds, and the assets and liabilities that enable households, companies, governments, and foreign financial agents to offer, or access and use, high-quality financial services at affordable cost and within a reasonable distance. Herein lie the seeds for reversing inequality and poverty, in the sense that the “main function of the flow of funds accounts is to reveal the sources and uses of funds that are needed for growth and development.”

In addition to households and companies, governments and foreign-sector agents are an important part of the financial inclusion story. For example, the flow of funds accounts by government help to underpin the key fiscal stance, reflecting a snapshot of the government’s expenditure and revenue position, as fundamental policy tools for addressing inequality, for example, through equitable allocation of budgetary resources to provide social safety nets. It is
useful to note that, for many low-income countries, the government sector is excluded from
direct access to international capital markets. There are some recent breakthroughs in financial
inclusion by African countries, with countries issuing government bonds on international capital
markets, but more could be done. Also, the sources and uses of funds between one country and
the rest of the world show the country’s net position of capital flows, including unobservable
capital flows, such as capital flight, which is at the heart of inequality and the loss of essential
capital resources for many low-income countries.

An additional important development in the financial inclusion narrative is the power of financial
innovation and technological diffusion to shrink the geographical distance between households,
companies, banks, and governments on the one hand, and financial services on the other. For example, the mobile-phone-based money transfer service M-Pesa in Kenya has been able to do
exactly that, thanks to the enabling regulatory environment established by the Central Bank of
Kenya.

Financial inclusion is a major factor in reversing inequality. The broad interpretation of financial
inclusion invokes a flow of funds framework to aid the understanding of financial-sector
development and resource mobilization issues so as to identify effective financial-sector policies
and private-sector practices for reducing inequality and promoting poverty-reducing economic
growth.

We also emphasize positive regulation for financial inclusion. Positive regulation covers the
standard requirement of addressing market failure, but there are at least three critical elements of
positive regulation for financial inclusion that FSB work must recognize. The first is that in cases
where market failure is accompanied by regulatory failure, as was the case during the global
financial crisis, the regulatory framework must be revamped to address highly mutating risk in
the current migration of financial regulation to Basel III. The making or breaking of Basel III
will be in its ability to craft appropriate regulations to reverse financial exclusion and enhance
financial inclusion, including regulations for microfinance and non-conventional banking. The
second critical element is that positive regulation for financial inclusion must address the key
elements highlighted above with respect to the flow of funds, precisely in the sense that
regulation must enhance both the demand and supply of financial services by households,
companies, governments, and foreign financial agents at affordable cost and within a reasonable geographical and virtual distance. Also important here are flows of timely information to all agents and the provision of a level playing field with respect to international mobility of financial flows. There are risks of unintended consequences of the new rules, for instance where regulation of international financial flows may impede remittances and private capital inflows to low-income countries at a time when these countries are trying to reverse capital flight. Third is the regulation of new financial products. Researchers are seriously seeking new financial products for enhancing financial inclusion and reversing inequality, for example using randomized controlled trials to design weather insurance products for rural farmers in Africa.

Regulating Cross-Border Financial Flows

One important aspect of financial globalization is the increasing trend towards cross-border financial flows in many low-income countries (LICs). The origins of this trend can be traced to widespread financial liberalization policies in LICs by the IMF during the early 1990s, especially the requirement that member countries open up their capital accounts, followed by the WTO requirement for General Agreement in Trade in Services (GATS) signatory countries to open up their countries to international trade in financial services. Cross-border financial flows include private and public foreign direct investment (FDI), remittances, and trade flows. However, in many LICS, cross-border banking dominates not only cross-border financial flows but also features as the largest component of FDI; for example, FDI in the banking sector of West African Economic and Monetary Union (WAEMU) states, who have a regional central bank, is mainly through foreign bank ownership and cross-border banking. Cross-border banking in Africa has expanded from four main hubs: South African banks have spawned banking markets across the continent, but mainly in Southern Africa; Kenyan banks have dominated the banking space in Eastern Africa; Nigerian banks dominate the banking market across the continent, but mainly in West Africa; and Moroccan banks dominate the banking space in North Africa.
The challenge of regulating cross-border financial flows mainly arises from the fact that the current Basle Bank Capital Accord (Basel III) regulation proposes to increase banks’ capital adequacy ratios in order to contain risk-taking behavior and contribute to making the banking sector more stable and resilient to crises. However, policy makers have mixed views on high capital requirements. For example, at the G20 meetings on 22-23 July 2016 in Chengdu, China, European Union finance ministers sought to protect their banks from high capital requirements. The concern is that while high capital requirements may provide a buffer against expected risk, they constrain the banks’ capacity to lend. The jury is still out among researchers on the exact impact of capital increases on banks’ risk-taking and profitability. Indeed, while some researchers have documented a positive relationship between capital and risk (i.e., banks’ capital and risk appetite increase together). Others find a negative relationship between capital and risk (i.e., banks tend to increase (decrease) their risk positions as capital declines (increases)). Similar dichotomous conclusions have been found regarding the relationship between banks’ capital and profitability. Overall, these issues remain unresolved.

With respect to inequality, only LICs with considerable financial deepening are likely to benefit from enhanced cross-border financial flows. New research shows that capital account liberalization only tends to lower income inequality if the level of financial deepening, as measured by the ratio of private credit to GDP, exceeds 25 per cent.

It is true that FSB members have identified a number of regulatory reforms that may affect long-term financial flows, including Basel III, over-the-counter (OTC) derivatives market reforms, and the regulatory and accounting framework for different types of institutional investors. But, as pointed out above, many of these reforms are still in the process of policy development or are at an early stage of implementation. So, what is to be done?

Regulating cross-border financial flows as part of Basel III will require at least three major actions. The first is to maintain mechanisms for timely sharing of information on financial regulatory practices among countries. These mechanisms must be part of the incomplete Basel III and by
2019 the mechanisms will be monitored across different countries even if the countries are likely to be at various stages of signing and then implementing Basel III. The second imperative is that the coordination of regulatory practices in regulatory cross-border financial flows may be impeded by the fact that ‘one size fits all’ may not work. The puzzle here is how to tweak some special effects of common regulatory practices across countries that have high and stable cross-border financial flows. The third is that, for cross-border financial flows to have a positive impact on reversing inequality and enhancing poverty-reducing economic growth, regulators must resist the temptation to choke off the technological diffusion of financial innovations that promote cross-border financial flows which benefit vulnerable households (e.g., household remittances) and young companies (e.g., microfinance or non-conventional banking based purely on partnerships).
The G20 is very different from the other institutions considered in this report. It began in 1999 as an informal gathering of developed and developing country finance ministers and central bank governors, designed to broaden discussions on financial issues beyond the previous dominance of the G7/G8 grouping of major industrialized countries. Since then, its membership has included ten developing and ten developed countries, including the European Union (EU).\footnote{159}

The G20 came to the fore in global financial governance in 2008 in response to the economic crisis. Given the seriousness of the crisis, it was upgraded into a heads of government “summit” forum which met semiannually in 2008 and 2009 and annually thereafter. It has subsequently developed a supporting architecture of meetings of finance ministers and central bank governors, as well as agriculture, foreign, trade, and labor ministers. Notable omissions from this list have been global development and social sector ministers of OECD countries and planning and social development ministers of developing countries, who would perhaps have wished to establish a closer link to Agenda 2030.

A multi-faceted, near-chaotic “consultation architecture” of different stakeholders has emerged around the G20, including Business (B20), Civil Society (C20), Labor (L20), Think-tanks (T20), and Women (W20). While this emergent structure should have led to a much greater focus on issues affecting or concerning civil society, labor, and women, and therefore on combating inequality, the degree to which any of these groups has influenced the conclusions of the G20 summit and ministers’ meetings, and the instructions they give to the other institutions analyzed in this report, has varied dramatically.

In spite of this proliferation of meetings, the G20 remains an organization without a formal mandate or any legal basis, so it has very little legitimacy. This is ironic, given that it now has a very large degree of power to determine how all the other international institutions discussed in
this report, which have much stronger formal mandates and legal underpinnings, will respond to the need to fight inequality as part of the 2030 Agenda.

Insofar as it has any mandate, this has been self-defined by the summit meetings. The closing document of the 2009 Pittsburgh Summit articulates this mandate most clearly as:

13. To launch a framework that lays out the policies and the way we act together to generate strong, sustainable and balanced global growth. We need a durable recovery that creates the good jobs our people need.

Since then, the mandate has been interpreted as whatever the heads of government (especially the rotating country chairing the G20) want to prioritize in terms of supporting financial stability and growth. The danger in this “informal” grouping with an ill-defined mandate is that policy priorities can change dramatically depending on the election of new governments in major countries, undermining prospects for a consistent set of policies to reduce inequality.

Organization’s average score = 2

- **Inequality focus: score = 2**
  Focus on inequality (including gender inequality) has been inconsistent, depending on commitment by individual G20 leaders, resulting in little progress. Even the G20’s Action Plan on the 2030 Agenda gives inadequate priority to fighting inequality.

  *Recommendation:* The G20 should set concrete targets for each of its member states to reduce inequality during 2017-2030, and produce an annual report on measures taken to reduce inequality in G20 countries and beyond. It should also empower the W20 to conduct an annual assessment of the impact of all G20 policies on equality between women and men.

- **Labor: score = 2**
Since 2010, the G20 focus on stimulating global demand to create more decent jobs has disappeared and has been replaced by supply-side measures that have so far resulted in yet more poor quality jobs with low wages and that have failed to stop unemployment rising.

*Recommendation:* The G20 must adopt a comprehensive action plan to combat unemployment and increase decent work by stimulating global demand, setting targets to boost labor’s share of national income and reach living wages for all, and increasing enforcement of workers’ rights.

- **Taxation: score = 2.25**
  The G20 has launched important initiatives to combat global tax dodging via the Base Erosion and Profit Shifting (BEPS) initiative and the exchanging of information among tax authorities, but the implementation of these measures is now stalling and it is unclear whether they will result in more revenue for developing countries.

  *Recommendation:* The G20 must set targets to reverse its members’ race to the bottom on income tax, close the proliferating tax loopholes for the wealthy, and make national tax systems more progressive. All countries should be involved in a similar discussion conducted within the UN system.

- **Social policy: score = 2**
  Apart from the Bachelet report on Social Protection, and statements on Ebola and on healthcare systems, the G20 has shown virtually no global leadership on social issues. This abdication of responsibility can only lead to greater social and political instability worldwide.

  *Recommendation:* The G20 should immediately establish a Social Development Working Group, supported by UN agencies as well as the IMF, WBG, and OECD, to design a Global Social Policy and Spending Action Plan to Fight Inequality for the 2018 Summit.
• Development finance: score = 2

The G20 has promoted financial inclusion but its impact on inequality is unclear. Its focus has been on private finance for large infrastructure and agribusiness, which can have negative social and environmental consequences, and which may be fueling a new global debt crisis. It has almost entirely failed to reduce transaction costs and widen channels of global remittance flows.

Recommendation: The G20 must urgently reexamine its global financial policies, making sure financial inclusion reduces inequality, focusing on mobilizing finance to pro-poor small-scale projects and introducing much more fundamental reforms of the global remittance transfer architecture.

1) Inequality Focus

The G20 focus on inequality has varied dramatically over the years, depending largely on which country holds the presidency. During the urgent financial crisis in 2008-2009, there was little consideration of inequality, and the sole priority was restoring growth with stability. The first move to discussing “shared growth” and the adoption of the Seoul Development Consensus tied to the MDGs came with the Korean presidency in 2010. This was enhanced in the French Presidency of 2011 with the commissioning of the Bachelet report on enhancing social protection provision. The Russian presidency of 2013 expanded this discussion into “inclusive” growth, but included no substantive measures in this direction, and under the Australian presidency in 2014 the G20 joint communiqué largely failed to mention inequality. A second wave of progress, with an attempt to define inclusive growth more clearly, has come in 2015-2017 under the presidencies of Turkey, China, and Germany.160

The Turkish G20 in 2015 was particularly vital in recognizing for the first time in its communiqué that “rising inequalities pose risks to social cohesion and the well-being of our citizens and can also have a negative economic impact and hinder our objective to lift growth.” The summiteers tasked Finance, Labor, and Employment Ministers to “review growth strategies
and employment plans to strengthen action against inequality.” This 2015 communiqué was complemented by the G20 Policy Priorities on Labor Income Share and Inequalities and the Antalya Action Plan, which includes concrete measures for fostering more inclusive growth, including expansion of social protection, based on a strong report prepared for G20 Labor Ministers by the ILO, IMF, OECD, and WBG, which highlighted the need to reverse the trends towards more precarious work, lower minimum wages, and declines in trade union membership, as well as towards enhanced social protection and education spending.

However, the Chinese presidency in 2016 did not accelerate this progress. The Hangzhou communiqué did reiterate the need to “strive to…reduce inequality in our pursuit of economic growth,” and included a substantive paragraph on jobs, while committing to develop labor plans by 2017 – but it did not add any new measures to fight inequality. At the same time, the Chinese presidency did make enhanced efforts to align G20 work with the attainment of the SDGs. Supported by UNDP, it designed an accountability framework, the Action Plan on the 2030 Agenda, which links G20 commitments to the SDGs. However, there is little in this document on actual measures against inequality beyond multiple mentions of inclusive growth and achieving gender equality. In a section of the document entitled Human Resources and Employment, it commits the G20 to “review growth strategies and employment plans to … strengthen actions against inequality and in support of inclusive growth.”

G20 member countries also produced national reports on how they are intending to implement the SDGs. Only Indonesia, South Africa, and the US even mentioned inequality in their reports.

German priorities for the G20’s Hamburg summit in July 2017 do not address inequality directly. The summit takes place against a growing fear of a backlash against globalization, identified as a key concern by the 2017 World Economic Forum. Germany has decided to conduct a comprehensive assessment of the benefits and risks of globalization, which offers an opportunity to discuss inequality. Omens from the G7 summit held in May 2017 are not good, as its final communiqué barely mentioned inequality (though it did give slightly more attention to gender inequality) and referred back to a “menu of policy options” agreed by Finance Ministers from which countries can choose, indicating zero agreement among G7 members on priority steps.
The G20 must prioritize reducing inequality, recognizing that inequality is a major risk to global economic growth and stability. As discussed in the remaining sections of this chapter, it must take concrete actions to make taxation more progressive and stop the race to the bottom on income taxes, increase spending on anti-inequality public services, enhance labor rights, and make sure financial inclusion and global remittances policies fight inequality. This will require much closer collaboration between finance, labor, and development ministers within G20 processes: they should establish a joint working group to reduce inequality, with the aim of setting concrete targets for G20 member states to reduce inequality during 2017-2030 and producing an annual report on measures taken to reduce inequality in G20 countries and beyond.

The G20 and Gender Equality

Since its 2014 Australian presidency, the G20 has sought to enable women to have the flexibility to deal with economic crises, through gender-sensitive growth and gender-equal employment policies. In 2015, the G20 formally established a Women 20 (W20) dialogue to promote gender-inclusive growth and set itself ambitious goals such as reducing the gap between male and female employment by 25 per cent by 2025. The German presidency has expanded this agenda to focus on improving the quality of women’s employment through higher earnings and improved job security, social security, and working conditions; on promoting women’s’ access to finance and information technology; and on strengthening the dialogue between the G20 and women’s’ organizations.

The W20 meeting in April 2017 marked a major step forward, producing a proposed implementation plan for “Putting Gender Equality at the Core of the G20.” This plan incorporates many suggestions made by civil society, including the establishment of a working group to ensure gender-inclusive growth and gender-responsive budgeting across G20 member states and a dashboard to monitor progress, as well as much more concrete actions to advance women’s economic participation; support women entrepreneurs and cooperatives; bridge the digital gender divide; grant full property and legal rights to women; offer full and equal access to education and finance; ensure decent working conditions, equal pay and pension rights; fairly
redistribute unpaid care work; promote equal representation in decision-making for women; and ensure W20 access to all G20 meetings. This declaration represents a clear agenda for ensuring that the G20’s growth and development agenda gives women equal rights to benefit and could increase gender equality dramatically.¹⁶⁴

Nevertheless, given that most G20 countries are currently gender-blind, and the G20 itself has devoted precious little time to issues going beyond economic participation, it remains to be seen how many of these recommendations will be agreed at the G20 summit. The W20 should be empowered to conduct an annual assessment of the impact of all G20 policies on equality for women and to monitor progress against a clear set of targets for gender-responsive budgeting, gender-sensitive employment, and broader women’s rights.

2) Labor

Faced with the global economic crisis and huge job losses, one of the first decisions of the G20 was a coordinated global move towards expansionary policy through fiscal stimulus, which prioritized “Putting Quality Jobs at the Heart of the Recovery.” At the September 2009 Pittsburgh Summit, the leaders assessed the measures decided in the Summits of Washington DC (November 2008) and London (April 2009) with two words: “It worked”. Such job-intensive growth could have helped allow the recovery to reduce inequality but, unfortunately, most of the jobs growth came through precarious or vulnerable (temporary, part-time, “gig”, or ”zero hours” employment) rather than “decent” jobs.¹⁶⁵

Since 2010 many G20 OECD governments have switched policy to focus on austerity to reduce debt levels. This has resulted in a collapse in policy coherence, given that financial and fiscal policies have been suppressing demand, making it impossible for supply-side measures to address the persistent jobs crisis. Labor 20 convinced two G20 Presidencies (Russia in 2013 and Turkey in 2015) to convene Joint Ministerial Meetings of finance and labor ministers with a view to aligning financial and fiscal policies with jobs policies. But on both occasions the finance ministers avoided making commitments to launch the ambitious plans needed to increase
demand and redistribution so as to increase decent work. Since 2014, the G20 has attempted to paper over this policy incoherence by making marginal growth more “job-rich,” most recently during the 2014 Australian presidency when the G20 set the unambitious target of increasing real annual GDP growth by two percentage points by 2020.

In 2010, the G20 decided to start convening its labor ministers to agree on a coordinated policy reaction to the looming jobs crisis. From 2011, they also encouraged these ministers to meet with G20 countries trade union representatives, who were assembled in a Labor 20 (L20) grouping. This was an important step forward in ensuring that labor voices are heard formally as an input to G20 summits (which is rarely the case in the FSB, IMF, OECD, or WBG). However, these trade union representatives have been damning in their assessments of the policies of individual G20 governments and of the G20 as a whole. In 2014, they rated more than half of G20 policies as “having marginal or negative effects, or as being ineffective in addressing the economic and social situation in G20 countries.”

According to reports by the ILO and the International Trade Union Confederation (ITUC), there is no evidence that the limited measures taken by the G20 since 2014 (mainly revolving around increasing skills training to reduce youth unemployment and reducing the gender gap in labor force participation) are delivering any increase in decent work. In 2017, more than 2.4 billion people worldwide are formally unemployed or doing poor-quality (vulnerable and low-paid) work—up by 25 per cent since the start of the financial crisis. As a result, 73 per cent of people surveyed in 16 of the G20 countries are worried about losing their jobs and 80 per cent say the minimum wage is not enough to live on.

The German government’s priorities for its 2017 summit include the need to create more and better jobs and that “A particular focus will be placed on the quality of women’s employment and on the labor market integration of migrants and recognized refugees.” It is not clear yet what further actions this may entail and the German government remains strongly committed to further “structural reforms” and austerity. For the first time in seven years, the German Presidency seems to be taking seriously the input received from the L20 of trade unions and
workers’ representatives, and is focusing on improving global supply chains and the rights of women, youth, and refugees.

The German G20 Summit must adopt a comprehensive action plan to combat unemployment and increase decent work by stimulating global demand for workers; raising minimum wages with targets to boost the labor share of national income and reach living wages for all global citizens; and by increasing legal protection and enforcement of workers’ rights across the globe.\textsuperscript{169}

3) Taxation

Reform of the global tax system, especially the reduction of tax dodging by multinational corporations and high net worth individuals, has been high on the rhetorical and policy agenda of the G20 since the financial crisis, championed by leaders such as Gordon Brown of the UK and Nicolas Sarkozy of France. On corporate tax, the G20 commissioned the OECD to design a Base Erosion and Profit Shifting (BEPS) initiative, aimed at tackling the shifting of profits by multinational corporations to low tax jurisdictions. However, even though major developing countries were at the table in the G20 discussions, BEPS was flawed from the outset in both its limited scope and its failure to address the concerns of developing countries. Though some steps have since been taken to remedy these omissions, as discussed in the OECD chapter, the BEPS initiative could result in a move of tax payments from poorer to richer countries, exacerbating global inequality.

At its 2016 summit in Hangzhou, China, the G20 once again reaffirmed the importance of BEPS and encouraged its “widespread and consistent implementation.” It is not clear whether major economies, including the US, are actually likely to implement what was agreed as part of the BEPS process. All major economies and financial centers must implement BEPS or its impact on corporate tax abuse will be marginal. The G20 in China also reiterated its call for as many countries as possible to join the BEPS framework “on an equal footing.” The G20 has supported the OECD’s “inclusive framework,” which reaches out to developing countries on BEPS and which met for the first time in 2016. The call to join on an “equal footing” is disingenuous as
many countries are now being asked to implement rules designed without them that (arguably) favor rich nations. Even G20 countries like Argentina, Brazil, and South Africa, which were involved in commissioning the initial work on BEPS, have publicly expressed the view that they had little say over the outcome – and some fear being forced to implement standards which are lower than they already have nationally.

The G20 has supported some significant forward steps more generally on tax dodging, such as the automatic exchange of tax information between national jurisdictions to combat tax dodging. The G20 in China in 2016 endorsed the OECD’s proposal for a new objective list of “non-cooperative jurisdictions,” but there is widespread concern that the eventual G20 definition of such jurisdictions will be so watered down that it will be extremely easy for tax havens to avoid being on the list while continuing to facilitate tax dodging. The list will only focus on tax transparency measures, and not on other core elements of being a tax haven (such as having a zero rate of corporate tax). It is also likely to be subject to significant political influencing to avoid listing tax havens embarrassing to major G20 members like the US State of Delaware.

These are the only serious tax measures on the table at the German G20. As a result, the G20 is effectively ignoring an accelerating race to the bottom in terms of collapsing corporate tax rates and exponentially proliferating loopholes, exemptions, and deductions, benefiting the wealthiest corporations and citizens at the expense of the poor. And, in contrast to all other organizations considered in this study, at no stage in G20 deliberations has there been any serious discussion of whether its tax systems are fighting inequality through progressive taxation, which pushes the wealthy and corporations to pay their fair share.

The G20 must move to a second generation of global tax reform, going beyond BEPS. This must be much more comprehensive and stop the hemorrhaging of progressive government revenue across the world through tax dodging; the accelerating race to the bottom on corporate and personal income tax rates; and the proliferation of tax loopholes benefiting the wealthy. It should also look explicitly at how to make national tax systems more progressive to ensure that all are paying their fair shares. All countries should be involved in this discussion, so it would be appropriate for it to be initiated within the UN system.
4) Social Policy

The weakest area of performance by the G20 has been on social-sector policy and spending – the areas which, together with labor issues, can have the greatest impact on reducing inequality across the globe. There have been occasional flashes of interest in these areas, notably under the French Presidency, when the ILO was commissioned to support the Bachelet Commission in producing a high-quality report on a “Social Protection Floor for a Fair and Inclusive Globalization.”

As discussed in other chapters of this report, the Bachelet Commission had a huge impact on the global debate, leading to a much stronger focus on social protection issues in the SDGs, as well as cascading onward to a more detailed discussion of these issues and refinements of policies in the IMF and WBG, and reinforcing the role of the ILO as the global lead agency on these issues. However, it was equally striking that, after a very positive reception for the report at the French G20 Summit, the issue of social protection has disappeared from the G20 agenda.

Since then, there has been little discussion of any significant social issues in any G20 forum. The Development and Labor Ministers have talked about “Human Resource Development” in terms of skills training, especially for youth. The G20 has issued statements about Ebola, and expressed support in this context for an “improved, aligned and coordinated approach to strengthening health systems, thereby contributing to universal health coverage, which serves as a foundation to promote public health, and enhances preparedness for global health threats.”

But it has ignored broader issues of education and healthcare provision and their impact on inequality, both within member states and more broadly across the globe, leaving discussion of these to an increasingly irrelevant and divided G7. Germany has attempted to raise healthcare up the agenda during its presidency by focusing on research to improve vaccinations to combat tropical diseases, as well as improving health systems in countries which are sources of refugee flows, and discussing the global use of antibiotics and mental health. Chancellor Merkel has made strong statements supporting the universal right to healthcare worldwide. But there has been a marked lack of focus on adopting actions to make healthcare provision more equitable.
and reduce the burden of out-of-pocket private healthcare spending on the poorest in both rich and poor countries.

G20 Summit communiqués have mouthed repeated platitudes about increasing the coherence between social policy and labor development and promoting social protection – but always “in line with national conditions.” This phrase is G20 shorthand for saying that member states have failed to agree any strong policy conclusion and will continue to move in totally different directions, with some (most recently Canada, China, Indonesia, Mexico, and South Africa) dramatically increasing social spending and protection, and others (most recently Argentina and Brazil) slashing expenditure on their education, healthcare, and social protection systems. In other words, for reasons of political expediency, the G20 has collectively been turning a blind eye to all the evidence that universal free social provision funded by higher public spending is the most effective way to reduce inequality.

This abdication of responsibility can only lead to greater social and political instability worldwide. In order to fill this glaring gap in global governance, a Social Development Working Group, supported G20 members states and by UN agencies including the ILO, UNESCO, UNICEF, UN Women, and WHO, as well as the IMF, World Bank, and OECD, should be established and should design for the 2018 Summit a Global Social Policy and Spending Action Plan to Fight Inequality.
5) Development Finance

The G20 members seek to tackle inequality through promoting financial inclusion worldwide and by facilitating private remittances of financial flows from rich to poor countries.

The Global Partnership for Financial Inclusion (GPFI) platform, established after the Seoul summit in 2010, has been expanding access to, and use of, financial services for those formerly excluded, particularly youth and women, and addressing financial system challenges and legal uncertainties around financing for Small and Medium Enterprises in G20 and non-G20 countries. Enhancing financial literacy and education and consumer protection, and promoting digital financial inclusion, encourage equal access to formal financial services for all.

However, as discussed in Box XX below, its success has been limited by global financial and regulatory trends that reflect broader G20 discussions and, while the G20 has mandated the FSB and other Standard-Setting Bodies to look at how to enhance financial inclusion, this analysis has so far had very little practical impact on enhancing these flows. As a result, the Chinese presidency was able to say only that “the G20 will continue to develop evidence-based practices on sustainably increasing financial inclusion, both for individuals and SMEs, including considering how digital technologies can offer affordable opportunities for the financially excluded.”

Although in principle financial inclusion is expected to reduce inequality by providing greater access to finance for poorer citizens at lower cost and by creating decent jobs for them in smaller businesses, there has been no impact analysis of whether this is actually the case and whether income disparities really have fallen in countries where financial inclusion has grown. The G20 should urgently commission an impact analysis of whether financial inclusion is reducing inequality or just connecting poor people to unstable and inequality-exacerbating financial systems.

The other key G20 commitment has been to reduce the cost of transferring remittances, through National Remittance Plans to help reduce transaction costs of remittances to less than three per
cent and eliminate remittance corridors with costs higher than five per cent. This G20 target was reflected in the Addis Ababa Agenda for Action on financing the SDGs (paragraph 40). As Box XX shows and the last section of the FSB chapter underlines, this commitment is barely starting to be addressed, because financial institutions are offsetting any direct cost-reduction measures by “de-risking” their portfolios (i.e., reducing flows and increasing their costs) to offset the perceived risks of remittances. The G20 urgently needs to adopt more fundamental reforms of the remittance system as described in Box XX.

The G20 and Remittances – The Under-Used Resource

The G20 promised to reduce the costs of sending remittances from workers in advanced or emerging markets to families in predominantly low-income countries to no more than five per cent. To date there has been only marginal progress towards that target.

Over half a trillion US dollars continues to be remitted, but at the same time the use of legal channels is becoming increasingly difficult, due to fines, transfer company closures, banks refusing to assist, correspondent banking mishaps, over-aggressive anti-terrorism measures, and money-laundering controls. As a result, over 50 per cent of transfers go via illegal hawala networks, enabling criminals to launder drug and gambling profits.

The G20 must make every effort to change procedures and virtually eliminate costs, encourage flows via legitimate channels, and concentrate regulatory attacks on criminals, not families.

Here is how this can be done:

- Send all funds domestically to a single clearing point (lowering costs to almost zero);
- Send the total of the net amount (ie the inward less the outward payments) NET due to any one country as a single transaction per day to a single clearing point in the destination country;
- Biometrically check each sender and recipient to ensure all transfers are within the Financial Action Task Force (FATF) guidelines (no more than 1,000 US dollars each and no grouping or frequency breaches);
Distribute transfers to families by approved biometric services, such as those used by United Nations High Commissioner for Refugees (UNHCR), World Food Programme (WFP), and International Organization for Migration (IOM) for refugees in the Middle East (with a transaction cost of less than three per cent).

These steps could achieve the 2030 target of a five per cent saving on current costs, with the transaction cost reduced from eight per cent to three per cent. To reduce costs further to virtually zero, each destination country could offset remittance flows against its other purchases of foreign currencies, improving exchange rates. Reducing costs sharply would make legal channels much better able to compete with illegal networks, increasing liquidity and providing further scope for reducing marginal costs.174

More broadly on global financing for development, the G20 has mostly promoted public-private partnerships and the use of private financing for promoting global development, generally through large infrastructure projects and large-scale agriculture, both in its member states and more broadly. This has led to an excessive focus on projects which will benefit the wealthier members of society and an emphasis on making project social and environmental appraisal and procurement procedures more “flexible”, sometimes at the risk of undermining the land and human rights of poorer and more marginalized communities, and of engendering large-scale corruption.175 It has also promoted extremely expensive financial flows to fund the projects, which are making huge profits for the wealthiest international financiers and dramatically increasing debt-service burdens on countries, crowding out financing for social spending to fight inequality.

The G20 urgently needs to reorient its global development focus to make sure that it is prioritizing funding for projects that will ensure inclusive growth (rural feeder roads and markets, urban public transport systems, low-cost and publicly-provided renewable energy systems, smallholder agriculture, etc.), if it is to increase its contribution to fighting global inequality. It also needs to ensure that the financing for such projects is at a much lower cost, by maximizing the role of the multilateral financial institutions in bringing down costs to national authorities using their guarantee and risk-sharing arrangements, and ensuring that developing
country governments are protected against private-sector incompetence or exogenous shocks which make large projects unsustainable and transform potential risks into actual debts for their governments. Finally, it needs to insist that projects are properly appraised for environmental and social impact, with full participation of affected communities, and that all projects are subject to normal competitive national procurement procedures.

The G20 has generally refused to deal with issues of how best to mobilize concessional finance to support key anti-inequality spending on education, healthcare, and social protection, and has refused to deal comprehensively with the reemergence of a global debt crisis in both developing and many developed countries since the global financial crisis. This refusal is resulting in a huge global governance gap in terms of mobilizing finance to help achieve the key anti-inequality goals of the SDGs while keeping debt burdens low. For the sake of global financial and economic stability, and the successful attainment of Agenda 2030, the G20 needs to commission a comprehensive report on how its member states can contribute to financing the SDGs sustainably without provoking a renewed global debt crisis.
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End Notes


4 The IMF and World Bank Group (WBG) are officially specialized agencies of the UN, but in practice, while working closely with the UN on supporting the SDGs, they all have their own separate mandates, priorities, and work programs, including those handed down to them by the G20, which sometimes overlap with those of other specialized agencies.

5 For a complete list of UN conferences in the area of development, see http://www.un.org/en/development/desa/what-we-do/conferences.html (last accessed on 25.6.2017).


16 For more details of the program, see http://www.tiwb.org/ (last accessed on 25.6.2017). For a more comprehensive analysis of the impact of the program, see the chapter on the OECD in this report.

17 For more details of Tax Inspectors Without Borders, see http://www.tiwb.org/ (last accessed on 25.6.2017).


19 For more details on these issues see the FSB chapter in this report.


24 See also the Secretary-General’s report, para 10.


29 The focus of this report is on reducing inequality, which does not indicate a lack of concern for poverty. We regard the two goods as inseparable.

30 The report does not assess IMF performance on debt issues, inflation, and monetary policy issues, or on external sector issues, since these were assessed in the 2013 Global Financial Governance and Impact Report (GFGIR). The report also does not assess agricultural-sector reforms, because they have been relatively scarce in IMF programs, even though the recent macro-structural staff note cited in endnote 32 indicates that reforms to reduce government’s role in agriculture have often been associated with increases in inequality. The focus here is on the core IMF policies with the clearest and most direct impact on inequality. See http://www.new-rules.org/storage/documents/global_financial_governance_impact%20report_2013%20.pdf (last accessed on 25.6.2017). See also: How Global Financial Institutions Impact Inequality: A Workshop to Strengthen Understanding, Assessment & Reporting, New York, June 3-4, 2016. Co-sponsored by the Friedrich Ebert Stiftung New York Office and New Rules for Global Finance; available at: http://www.new-rules.org/events/3-nr-event/652-how-global-financial-institutions-impact-inequality (last accessed on 25.6.2017).


32 See notes 32 and 33, below.


structural_adjustment_and_health_a_conceptual_framework_and_evidence_on_pathways.pdf (last accessed on 25.6.2017).


From endnote 33 above, International Monetary Fund, Views and Commentaries, Response to Article: “The IMF is Showing Some Hypocrisy on Inequality” by Angela Gaviria at discussion of the previous six years of IMF research; available at: https://www.imf.org/en/News/Articles/2017/02/16/vc02162016-Response-to-Article-The-IMF-is-Showing-Some-Hypocrisy-on-Inequality (last accessed on 25.6.2017).

Ibid. Emphasis and links in the original. A second wave of pilots on gender equality will cover: Austria, Canada, Guatemala, India, Japan, Morocco, Niger, Poland, and Rwanda.


The IMF identifies maintaining expenditure floors for social safeguards as targeted spending on health and education for the most vulnerable; the ILO social protection is universal provision for a wider set of basic needs, including: health, education, safe water, and sanitation. The IMF’s Independent Evaluation Office (IEO) has a report on IMF and social protection slated for publication in 2017.


The Staff Report expressed concern about introducing a minimum wage could lead to possible inflationary pressures, though not large, as well as Germany’s ability to incorporate refugees into the labor market.


53 Most recently, the IMF Staff Note cited in endnote 9 has shown that increases in direct taxes have been progressive while those in indirect taxes have been regressive.

54 See Action Aid, forthcoming, Reducing Aid Dependence through Revenue Mobilization.


57 The Commitment to Equity (CEQ) Institute works to reduce inequality and poverty through comprehensive and rigorous tax and benefit incidence analysis, and active engagement with the policy community. It is based at Tulane University and headed by Nora Lustig.

58 Oxfam International, Development Finance International and New Rules for Global Finance cooperated on more detailed research into IMF tax policy advice which was published in April 2016.


62 Martin, M., & Watts, R. (2012): Development Finance International for Save the Children Norway, Norwegian Church Aid and the Norwegian Forum for Environment and Development and Enhancing the IMF’s Focus on

63 See notes 33 and 34 above.

64 Commitment to Equity [located at Tulane University, under leadership of Nora Lustig] (CEQ) incidence analysis shows that they are progressive in seven countries, regressive in three and of no significant impact in four. See Commitment to Equity Institute Data Center, 2017, based on information from CEQ country authors.


66 This will be conducted with CEQ as part of the same initiative as on taxes.


69 The member states of the OECD are Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, (South) Korea, Latvia, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.


78 There have been other important initiatives, such as on financial inclusion and literacy, which are not covered in this report because the OECD has been less of a lead institution on financial sector issues.


The WBG also prepares many regional and country reports that look at inequality of opportunity using the human opportunity index and other measures to gauge differences in access to basic services among children, for example. See www.worldbank.org/visualizeinequality (last accessed on 25.6.2017) for data dashboards on this also embedded into the LAC Equity Lab dashboard; available at: www.worldbank.org/EquityLab (last accessed on 25.6.2017). The researcher cannot learn the WBG’s role in reducing inequality, also the graphics have few points in time, although the website promises frequent updating.


85 For repeated statements to this effect by Francophone developing country ministers, see the press communiqués of the OIF Finance Ministers’ Network; available at: www.development-finance.org (last accessed on 25.6.2017).


90 Only 30 of the 35 OECD members are members of the DAC.

91 For more details on the DAC, see http://www.oecd.org/development/developmentassistancecommitteedac.htm (last accessed on 25.6.2017).


93 For example the discussions at the Nairobi Second High-level Meeting of the Global Partnership for Effective Development Cooperation; available at http://effectivecooperation.org/events/2016-high-level-meeting/ (last accessed on 25.6.2017).

94 See for details of these initiatives see http://www.oecd.org/dac/gender-development/ (last accessed on 25.6.2017).

95 For example see the peer reviews of Czech, Danish, Spanish and US assistance in 2016.


102 The WBG also prepares many regional and country reports that look at inequality of opportunity using the human opportunity index and other measures to gauge differences in access to basic services among children, for example. See www.worldbank.org/visualizeinequality (last accessed on 25.6.2017) for data dashboards on this also embedded into the LAC Equity Lab dashboard; available at: www.worldbank.org/EquityLab (last accessed on 25.6.2017). The researcher cannot learn the WBG’s role in reducing inequality, also the graphics have few points in time, although the website promises frequent updating.

See How Global Financial Institutions Impact Inequality: a Workshop to Strengthen Understanding, Assessment & Reporting,” New York, June 3-4, 2016, cosponsored by the Friedrich-Ebert-Stiftung and New Rules for Global Finance; available at: http://www.new-rules.org/events/3-nr-event/652-how-global-financial-institutions-impact-inequality (last accessed on 25.6.2017). The workshop concluded that other areas meriting evaluation in future might include financial sector development and inclusion; agriculture and rural development/infrastructure (also identified as a key area by the Taking On Inequality report); housing; and WASH. The report will aim to explore these in future years.


For repeated statements to this effect by Francophone developing country ministers, see the press communiqués of the OIF Finance Ministers’ Network; available at: www.development-finance.org (last accessed on 25.6.2017).

Poverty/Shared Prosperity 2016: Taking on Inequality, p. 129.


118 See the sources cited in note 116.


129 See the sources cited in note 116.

130 Research cited by Rupert’s PPT: a rise of credit demand as a result of high inequalities.


133 G20 growth strategies can make an important contribution to the 2030 Agenda across a wide range of SDGs (i.e., SDGs 1, 8, 10).


Credit Suisse’s 2015 Global Wealth Report finds that 8 per cent of the global population owns around 71 per cent of global wealth. See “global wealth pyramid”; available at: https://publications.credit-suisse.com/tasks/render/file/?fileId=F2425415-DCA7-80B8-EAD989AF9341D47E (last accessed on 25.6.2017).


Global banks’ misconduct costs have now reached over $320 billion, capital that could have been used to support up to $3 trillion in lending to support development; see http://www.fsb.org/wp-content/uploads/What-a-Difference-a-Decade-Makes.pdf (last accessed on 25.6.2017).


Compensation for executives and the financial sector accounted for two-thirds of the increase in income for the top 0.1 per cent from 1979 to 2005. http://www.epi.org/publication/ib331-ceo-pay-top-1-percent/ (last accessed on 25.6.2017).


https://www.ft.com/content/3c3452ac-c683-11e5-b3b1-7b2481276e45 (last accessed on 25.6.2017).


Economies that are closely linked to commodities, which straddle the real and the financial economy, will be especially exposed to heightened bubble risk. Commodities are especially prone to bubble risk because investors see them as ways to participate in the more rapid growth of emerging economies while keeping their capital in the liquid and regulated markets of the advanced economies. See http://www.bain.com/publications/articles/a-world-awash-in-money.aspx (last accessed on 25.6.2017).

According to UNCTAD, 94 countries are commodity-dependent (63 extremely dependent), which is an increase from 2011. See http://unctad.org/en/PublicationsLibrary/suc2014d7_en.pdf (last accessed on 25.6.2017).

Evidence on the Negative Impact of Commodity Speculation by Academics, Analysts and Public Institutions; available at: http://www2.weed-online.org/uploads/evidence_on_impact_of_commodity_speculation.pdf (last accessed on 25.6.2017). Empirically, Mayer (2012) finds a strong causal relationship from net positions of noncommercial traders (defined as money managers in his paper) to corn price movements. Boyd et al. (2016) find significant levels of herding by managed money traders in a broad range of commodity futures markets, but instead of being a destabilizing influence, they found that herding stabilizes prices. In a comprehensive study that evaluates bubbles in commodity markets during 2004-2013, Etienne, Irwin, and Garcia (2015) conclude that non-commercial traders positively increased bubble occurrence in grain futures markets, supporting the possibility that non-commercial traders may have a non-negligible positive impact on grain price movement. See http://www.farmdoc.illinois.edu/irwin/research/2016_SVAR_June22.pdf (last accessed on 25.6.2017).

Oil Price Volatility and Role of Speculation, IMF 2014 we find that typical speculative demand shocks in the crude oil market may increase or decrease the real oil price on impact between 10 and 35 percent, contributing to short-run oil price volatility. See https://www.imf.org/external/pubs/ft/wp/2014/wp14218.pdf (last accessed on 25.6.2017).

The OECD, and Precarious Work reports by a, the European Union, France, Germany, to 169 http://www.ilo.org/global/research/global
to 168 globalization.org/new_york/wp
Governments & the Bretton Woods Institutions Committed to Reducing Inequality ; available at:
the ILO, summarised in the report by Development Finance International and Oxfam International (2017), Are
160 United States.
159 The members of the G20 are Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, and United States.
166 For analysis of these trends see the ILO’s World Employment and Social Outlook; available at:
168 For details of such proposals, see the L20 2017 statement; available at: https://www.ituc-csi.org/l20-statement-to-the-g20-labour (last accessed on 25.6.2017).

For strong repeated expressions of these views, see the communiqués of the OIF Network of Francophone IDA-Eligible Finance Ministers at each Spring and Annual Meeting of the IMF and World Bank; available at: www.development-finance.org (last accessed on 25.6.2017).


For more details of this proposal, contact Chris Williams at http://www.rtpay.org (last accessed on 25.6.2017).
