



Are the Multilateral Organizations Fighting Inequality?

2017 Financial Impact Report Executive Summary

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- This Financial Impact Report assesses the role of the international financial rule-making organizations in reducing economic inequalities.
- The report reviews policies of 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) and scores them on a scale of 1–5 on their efforts and performance.
- José Antonio Ocampo, Co-Director of the Central Bank of Colombia and Professor of Economics at Columbia University, highlights in the Foreword the key role that multilateral organizations should be – but are not yet – playing to ensure that we reverse disastrous trends in inequality and allow all of the world’s citizens to benefit from future growth and development.



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Foreword

What Multilateral Organizations Should Do About Inequality

José Antonio Ocampo

Inequality has come to the top of the global agenda over the past decade. This is reflected notably in its inclusion as the 10th Sustainable Development Goal (SDG) approved by the United Nations (UN) in September 2015: its Agenda 2030. This goal also includes a specific target to increase the income growth of the poorest 40 per cent of households in all countries, which is also the core target of the objective of »shared prosperity« previously adopted by the World Bank Group (WBG). Both goals are in addition to the poverty targets, which are summed up in Agenda 2030 in its aims to »End poverty in all its forms everywhere« (SDG 1) and the WBG's objective of eliminating extreme poverty within a generation.

As SDG 10 states, the objective is to »Reduce inequality within and among countries.« This makes clear that world inequality is a mix of these two factors. Indeed, according to historical analysis, rising inequality between countries was the main driving force of growing international inequality through the nineteenth and the first half of the 20th centuries, and is still today the major determinant of world inequalities.¹ Rising inequalities within countries were also a major factor in the late 19th and early 20th centuries, but were reversed in developed countries from the 1920s to the 1960s, fueled to a large extent by the rise of the welfare state and progressive taxation.²

Since the 1980s, rising inequalities within countries have been the major adverse global trend, particularly during the last two decades of the 20th century. This trend has been moderated by falling inequality between countries during the first decade of the 21st century,³

but this moderation is probably over, as it was partly a result of the super-cycle of commodity prices that fueled positive income trends in Africa, Latin America, and the Middle East. Since the 2007–2009 North Atlantic financial crisis,⁴ inequality within countries has been rising again, and it has come to the forefront of global political discussions as »excluded« voters have caused political earthquakes in the UK and US.

What can and should be done to reverse these trends? And what in particular can multilateral organizations do? Cooperation with developing countries, particularly with the poorest of them, is an essential part of the agenda. Such cooperation can be accomplished through a mix of financial support (official development assistance and financing from multilateral development banks) and »special and differential treatment« in trade relations (preferential access to developed country markets and less binding trading rules).

Such measures have been central to international cooperation for several decades, though their effectiveness in fighting poverty and inequality has been mixed and should be enhanced.

An essential missing element in the agenda in recent decades has been the need for more active production and technology development strategies for both poor and middle-income countries. These strategies were considerably weakened by the free-trade and free-market policies pushed particularly by international institutions, especially the International Monetary Fund (IMF),

1. See Bourguignon, François and Morrison, Christian »Inequality among world citizens: 1820–1992«, *American Economic Review*, 92 (4), September 2002.

2. See in particular Piketty, Thomas (2014), *Capital in the Twenty-First Century*, Cambridge: Telknep Press of Harvard University Press, and Bourguignon and Morrison, op cit.

3. There is a booming literature on inequality, which includes the previously quoted works, as well as Milanovic, Branko (2016): *Global Inequality: A New Approach for the Age of Globalization*, Cambridge: Harvard University Press, Atkinson, Anthony (2015): *Inequality: What Can*

Be Done?, Cambridge: Harvard University Press, Bourguignon, François (2015): *The Globalization of Inequality*, Princeton: Princeton University Press, Ortiz, Isabel and Cummins, Matthew (2011): »Global Inequality: Beyond the Bottom Billion: A Rapid Review of Income Distribution in 141 Countries«, UNICEF Social and Economic Policy Working Paper, July 2011 (available at www.unicef.org) and the regular data collected by the United Nations University's World Institute for Development Economics Research.

4. I prefer this term to that of »global financial crisis« because, although the crisis had global effects, its epicenters were the United States and Western Europe.

the WBG, and the Organisation for Economic Co-operation and Development (OECD). This issue is back on the international agenda under SDG 9, which calls for »Resilient infrastructure, industrialization and innovation.« The pursuit of efficient production development policies to enhance industrialization in low-income countries and stop the strong de-industrialization trends in many parts of the developing world are central for creating decent work and so achieving SDG 10.

A new crucial issue in international inequalities is the management of the adaptation to, and mitigation of, climate change, given the stronger vulnerability of tropical countries and small island states to this problem, and also the historical responsibilities and differential capabilities of developed countries. Developing countries need financial and technological support for adaptation and mitigation.

In the technology area, both the push for industrialization and management of environmental degradation and enhanced social policies (notably in the area of medicines) also require a rethink of rules on intellectual property rights, to enhance the public goods character of technological knowledge and make sure that it is available equitably to all of the world's citizens.

Equally importantly, growing domestic inequalities within countries call for strong domestic policy action,⁵ for which multilateral organizations need to provide support through strong monitoring, analysis, and policy advice. This action is the subject of this report by New Rules for Global Finance and Friedrich-Ebert-Stiftung (FES).

The first and most important action is the construction of effective welfare states, a task confronted by the weakening of welfare arrangements in developed countries and their insufficient progress in the developing world. The fulfillment of Agenda 2030 clearly calls for such an effort, and has to be implemented with specific initiatives, such as that by the International Labour Organization (ILO), with support from the WBG, to develop and expand social protection floors. Such measures should be combined with a push for universal social protection

systems (including, in particular, universal pension and healthcare systems), and not just targeting (or means testing) social policies, which has been an obsession of the WBG since the 1980s.

Universal social protection systems are much better instruments of redistribution than targeted policies, and indeed indicate that targeting should be an instrument of, rather than a substitute for, universalization.⁶ Other types of spending that are also vital to reducing inequality are universal, free, and publicly-provided education.


Equally important today, given the strong changes in labor markets, are very active labor market policies, which include retraining and labor intermediation services, as well as much higher minimum wages and enhanced labor and union rights, especially for women.

The financial and private sectors also have a vital role to play in reducing inequality. Not only must they provide decent work and pay fair taxes: they also need to do much more – in partnership with providers of official development cooperation – to ensure that the financing they provide for global and national development reaches the poorest and targets the reduction of inequality. Financial regulation needs to ensure that it is not just guaranteeing poor people's access to finance, but reforming the financial systems more broadly to ensure that they fulfill the needs of the poor.

Finally, a rising area of international cooperation, which is central to the reversal of growing inequality, is tax cooperation. This is associated with the syphoning of personal and corporate incomes toward low-tax jurisdictions (or tax havens), tax competition to reduce tax rates on capital income (supposedly to encourage investment, an effect which has been at best weak) and increasingly less progressive tax systems, which redistribute the tax burden toward consumption and less mobile factors of production.

5. See the previously quoted books and papers and, among many others, Stiglitz, Joseph E. (2012): *The Price of Inequality: How Today's Divided Society Endangers our Future*, New York: WW Norton, and Galbraith, James K. (2016): *Inequality: What Everyone Needs to Know*, New York: Oxford University Press.

6. See the seminal contribution of Korpi, Walter and Palme, Joakim (1998): »The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality and Poverty in the Western Countries«, *American Sociological Review*, Vol. 63, No 5. My contributions to this debate include Ocampo, José Antonio »Las concepciones de la política social: universalismo versus focalización«, *Nueva Sociedad*, No. 215, May-June 2008, and Ocampo, José Antonio and Gómez-Arteaga, Natalie »Social Protections Systems in Latin America: An Assessment«, ESS Working Paper, No 52, Geneva and Lima: International Labor Organization, Social Protection Department and Regional Office for Latin America and the Caribbean, 2016.



Elements of this problem have been raised more strongly in the international agenda in recent years, under the leadership of the Group of 20, notably via the »Base Erosion and Profit Shifting« initiative and the Global Forum on Transparency and Exchange of Information for Tax Purposes, both under the coordination of the OECD.

However, these processes should be seen only as constituting a starting point for enhanced international cooperation in this area, as reflected in the rising funds being channeled toward tax havens in recent years⁷ (even after these initiatives were put in place), the incomplete character of the agenda, and the lack of cooperation by low-tax jurisdictions, including those of OECD member countries. New governance arrangements are also required in this area, under the leadership of the UN, as the OECD is not a globally representative organization. An alternative institutional arrangement in this area would be the transformation of the current UN Committee of Experts on International Cooperation in Tax Matters into an UN intergovernmental organ.

This was proposed by developing countries in the 2015 Addis Ababa Conference on Financing for Development, but was opposed by the developed countries. Transforming this Committee into one which ensures that tax cooperation reduces inequality both between and within countries, as well as approving the UN Conventions on Harmful (or Abusive) Tax Practices, and on Tax Competition, will be a crucial forward step.⁸

I therefore wholeheartedly welcome this report, for highlighting all of these national policy issues and the key role international institutions should be – but are not yet – playing in ensuring that we reverse the current disastrous trends in inequality, and allow all of the world's citizens to benefit from future growth and development.

7. Gabriel Zucman (2015): *The Hidden Wealth of Nations: The Scourge of Tax Havens*, Chicago: University of Chicago Press.

8. See in this regard the proposals by the Independent Commission for the Reform of International Corporate Taxation (ICRICT), available at: <http://www.icrict.org/>.

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.⁹ 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.

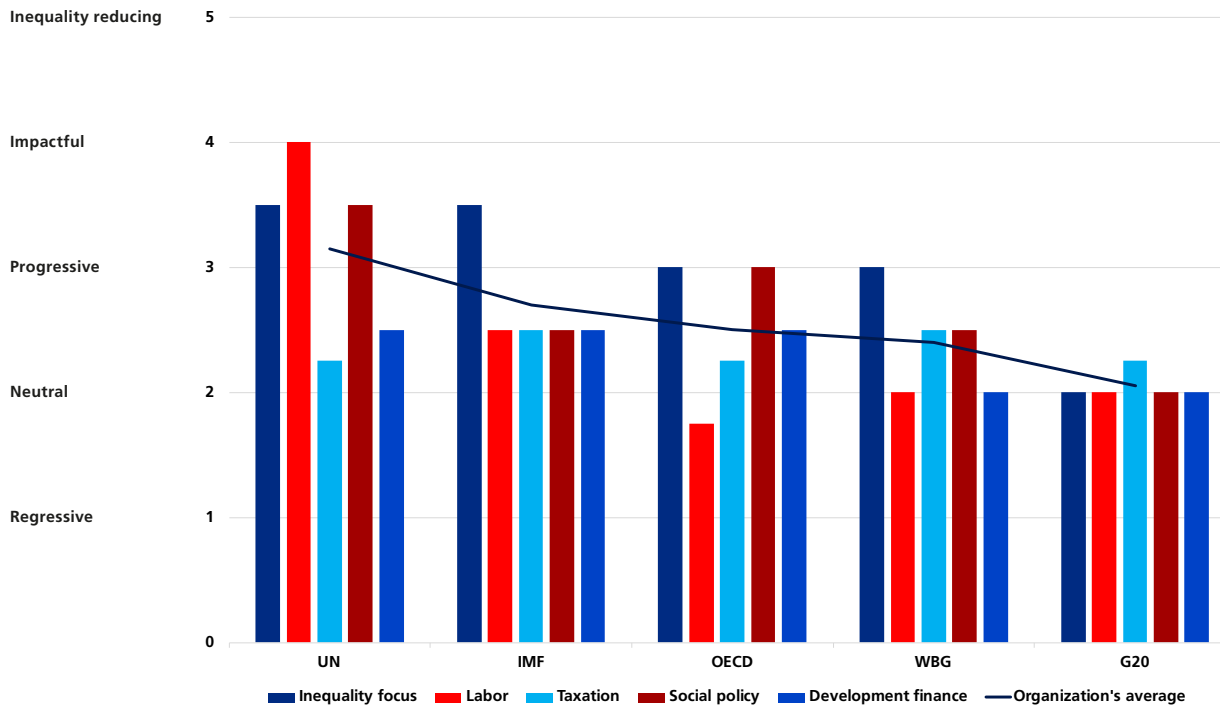
The FSB, which is analyzed by a slightly different set of metrics than the other five organizations under consideration, is only just beginning to integrate impact on inequality into its work. Nevertheless, it is possible to show an approximate comparison to the other organizations (Figure 2) because 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.

9. New Rules for Global Finance, Global Financial Governance and Impact Report, 2014; available at: http://www.new-rules.org/storage/global_financial_governance_and_impact_report_2014.pdf (last accessed on 28.6.2017). New Rules for Global Finance, Global Financial Governance and Impact Report, 2013; available at: http://www.new-rules.org/storage/documents/global_financial_governance__impact%20report_2013%20.pdf (last accessed on 28.6.2017).

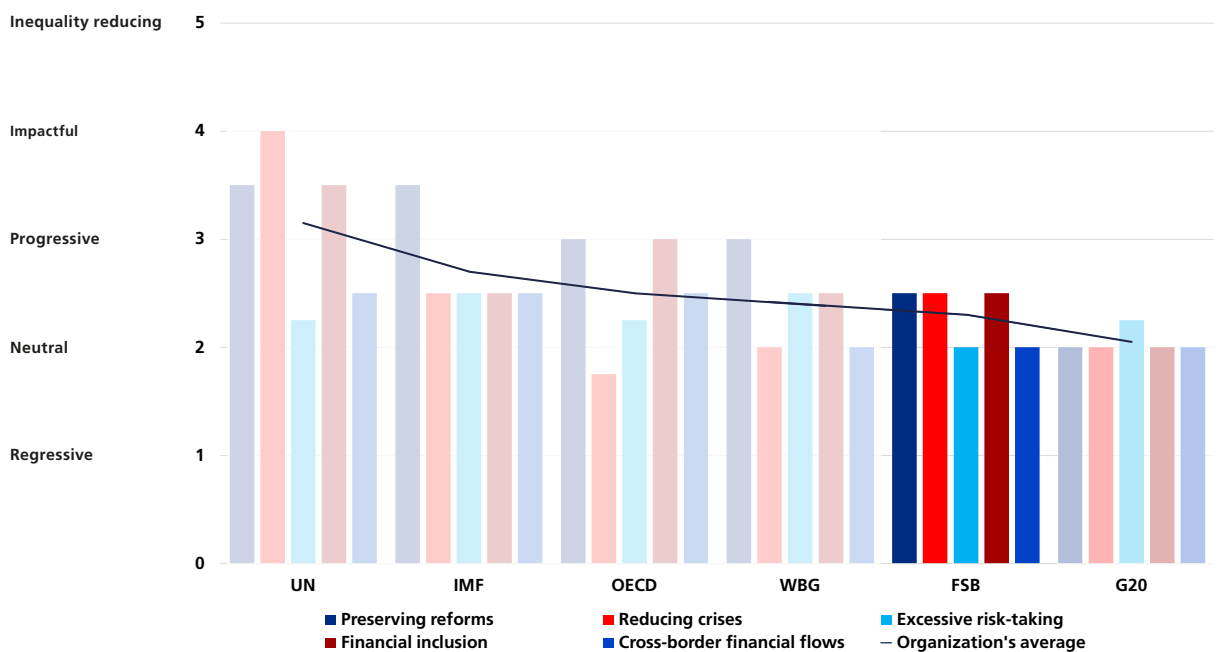


Figure 1: How the UN, IMF, OECD, WBG, and G20 score on reducing inequality, on a scale of 1–5



All scores are derived from assessments detailed in the full report, »Are the Multilateral Organizations Fighting Inequality? 2017 Financial Impact Report« (July 2017) available at globalfinancialimpact.org.

Figure 2: How the FSB scores on reducing inequality, on a scale of 1–5



All scores are derived from assessments detailed in the full report, »Are the Multilateral Organizations Fighting Inequality? 2017 Financial Impact Report« (July 2017) available at globalfinancialimpact.org.

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:

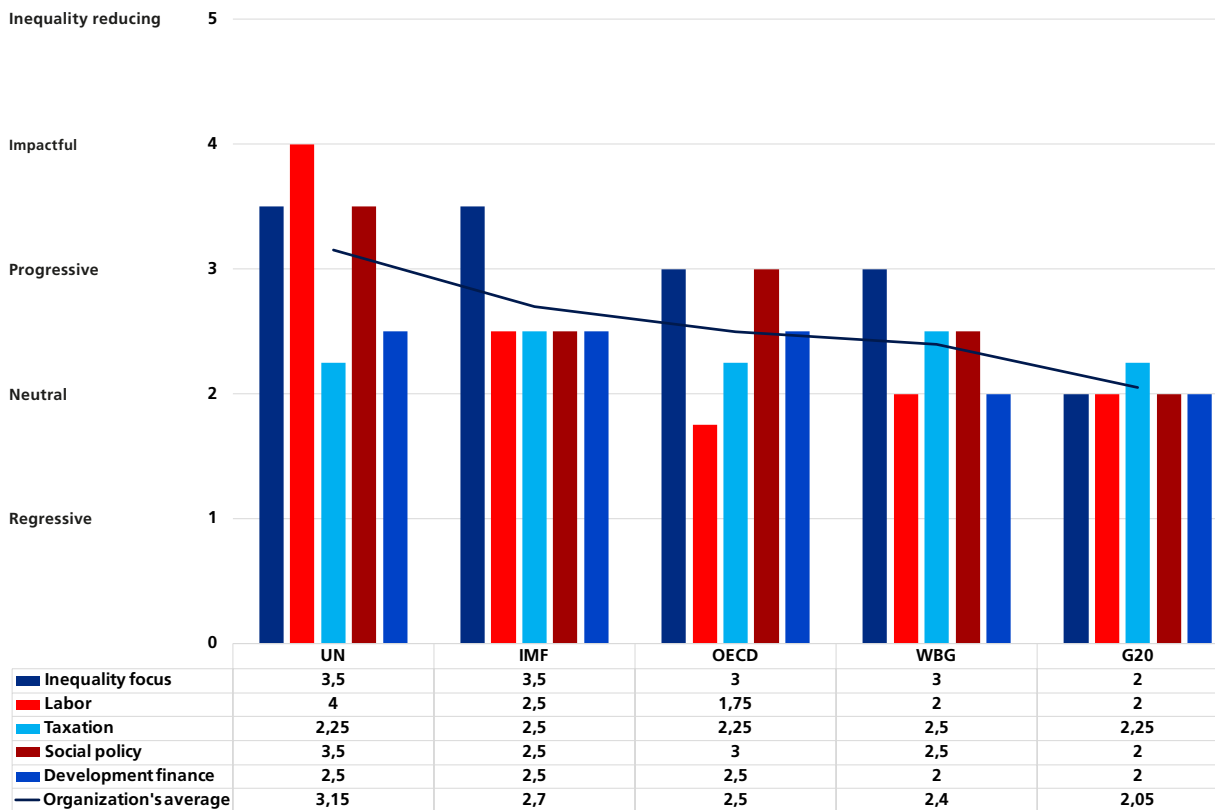
- **Regressive: Numeric Score = 1**
Lacks consideration of distributional consequences and/or ultimately increasing economic inequality.
- **Neutral: Numeric Score = 2**
Has limited or no impact on inequality, weak consideration of distributional consequences, and/or weak efforts to gather data and/or 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

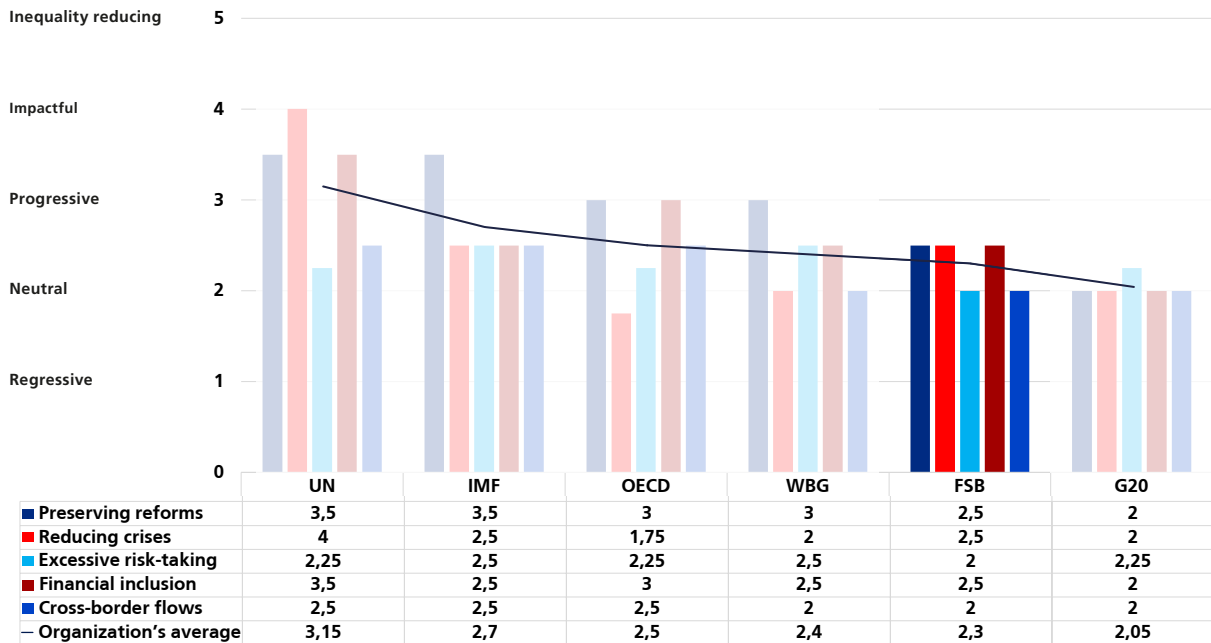
Expanding on the comparative scoring chart from Part 1 of the Executive Summary (Figures 3 and 4) reveals the full table of numerical data behind the scoring of each institution, organized according to transmission mechanism.

Figure 3: How the UN, IMF, OECD, WBG, and G20 score on reducing inequality, in detail



All scores are derived from assessments detailed in the full report, »Are the Multilateral Organizations Fighting Inequality? 2017 Financial Impact Report« (July 2017) available at globalfinancialimpact.org.

Figure 4: How the FSB scores on reducing inequality, in detail



All scores are derived from assessments detailed in the full report, »Are the Multilateral Organizations Fighting Inequality? 2017 Financial Impact Report« (July 2017) available at globalfinancialimpact.org.

The following are the rationales for the scoring assessments and the policy recommendations for each institu-

tion, starting with the UN, which scored highest overall, and ending with the G20, which scored lowest.

United Nations

Organization's Average Score = 3.2

The United Nations, established in 1945, has a very broad mandate as defined in its charter, 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. Its more detailed mandate is refined 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) of Agenda 2030 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,

giving the UN a tremendous potential leadership role in defining norms and setting goals for the international community and in monitoring progress globally.

- **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.

International Monetary Fund

Organization's Average Score = 2.7

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. However, 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.

- **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 institution-

alized 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.

Organisation for Economic Co-operation and Development

Organization's Average Score = 2.5

Established in 1948 as the OEEC (Organisation for European Economic Co-operation) to run the US-financed Marshall Plan to reconstruct Europe, the organization became the OECD when Canada and the US joined in 1961 and has since grown to 35 members. The OECD mandate 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. While 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.

- **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 Multinational Enterprises (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 pro-

gressive 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.

World Bank Group

Organization's Average Score = 2.4

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 the 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.

■ **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 re-designing 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**

Despite the more balanced approach in the World Development Report 2013: Jobs, there is little evidence that the Bank is changing policies on labor at country level to encourage higher wages, decent work and stronger workers' rights. The Doing Business report continues to encourage more »flexible« labor policies even though it has suspended its labor market flexibility indicator. The decision to apply a labor standards lending »safeguard« from 2018 could be a step forward.

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 pro-

gressive 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.

Financial Stability Board

Organization's Average Score = 2.3

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 reg-

ulations» (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; 2) inequality contributes to systemic risk.

■ **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).

Group of 20

Organization's Average Score = 2

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 semi-

annually 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. 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.

■ **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 Women's 20 (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.

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