

Saint-Petersburg Initiative for Strong, Sustainable, Balanced and Inclusive Growth

Civil 20 Task Force on Equity

Economic inequality is increasing both within and across countries. Global inequalities remain unacceptably high at Gini coefficient of 0.70 as a measure of dispersion of income across the whole population. The increase in within-country income inequality is one of the persistent trends of the past three decades across most of the G20 countries.

Growing inequality has negative economic, social and political consequences, it constrains economic growth, undermines social cohesion and political stability. Eradicating causes of inequality and turning structural barriers to equality into opportunities is fundamental for generating strong, sustainable, balanced and inclusive growth. Transition to this growth model will depend on G20 coherent policy actions globally and nationally.

In the run up to the St. Petersburg G20 summit the Civil 20 initiated preparing a report and recommendations to G20 focused on surmounting the risks originating from growing income inequality. A special Task Force, bringing together experts from G20 member countries has been established to draft the report.

This set of policy recommendations on how G20 can address inequality is a product of broad consultations. It builds upon the authoritative analysis and evidence of international organizations and relevant scholarly, civil society and policy communities of the causes and practical policy cures for income inequality in the G20 member countries, as identified in the country reports prepared by and for the members of the Civil 20 Task Force on Equity (currently including Australia, Canada, China, France, India, Indonesia, Mexico, Korea, Russia, Turkey and the US).

Building on the G20's foundational mission of making globalization work for the benefit of all the G20 should agree the **Saint Petersburg Initiative for Strong, Sustainable, Balanced and Inclusive Growth** affirming the value of equality and inclusion along with economic growth and efficiency. The Initiative could begin with general principles and extend to specific supporting actions relevant to all G20 members.

As a matter of priority G20 should:

1. Assess the social impacts of proposed economic policies in order to openly discuss which policy options may most effectively address equality and growth. The first step is to formally include distributional impacts and equality measures, and subsequently aspirational targets, within the Framework for Strong, Sustainable and Balanced Growth.
2. Emphasize the G20 actions that simultaneously enhance economic and equity growth. This should start with those equity enhancing actions that most directly and inexpensively contribute to new sources of economic growth and jobs, and fiscal sustainability where possible, in the short and the medium term.
3. Affirm the need to strengthen public policy and the role of the state to tackle inequality, through: a) macroeconomic policies promoting employment and boosting aggregate demand; b) fiscal and monetary policies encouraging productive investment; c) stemming corruption, reducing tax evasion and improving the effectiveness of public expenditure.
4. Strengthen the social security systems in ways that move toward wider and ultimately universal coverage, in an effective and fiscally responsible way.

5. Create a G20 Working Group on Equality to collaborate with appropriate international organizations and civil society groups to help refine and implement these recommendations, and devise new ones for actions by G20 leaders at their Brisbane summit in November 2014.

6. Encourage the United Nations to include the goal of reducing inequality as one of the post-2015 Millennium Development Goals.

In addressing inequality, utmost consideration must be given to the specific challenges and opportunities of different country contexts. However, four areas of focus can be identified:

1. Ensuring inclusive economic growth through reducing primary inequality

- Adopt macroeconomic and industrial policy framework that promotes employment creation, stimulating aggregate demand and economic recovery friendly macroeconomic stabilization;
- Adopt industrial policy measures encouraging the creation of more productive jobs with living wage incomes that are above the poverty line;
- Enact fiscal and monetary policies encouraging productive investment over financial speculation and stimulating sustainable growth;
- Ensure equitable access to capital and benefits of entrepreneurship, human capital, key factors of production, markets and more generally improving the business environment (including support to small and medium enterprises, young entrepreneurs and innovative industries).

2. Creating universal opportunities by ensuring more equitable distribution:

- Implement opportunity equalizing measures such as investment in human capital through promoting high quality universal health services, education and training systems sensitive to economic and social developments, providing opportunities for acquisition of relevant knowledge, competencies and skills, enabling citizens to fulfill their potential in the labor market and businesses to improve their innovative capacity and competitiveness;
- Enact revenue generation and taxation policies to broaden the tax base, make taxation fairer and more progressive (increase taxes on capital, inherited income, real estate and land wealth, beyond an individual's primary residence or productive plot for self-sufficiency, increase taxes on the very rich, decrease regressive taxes);
- Improve public pension plans for aging populations, in ways that maximize the economic contribution of experienced, aged workers.
- Shift subsidies from those that in practice privilege the rich to those that directly target the poor. Ensure that subsidies accomplish their particular policy purpose, are not distorted by corruption, and assist with achieving the G20 governments' goal of fiscal sustainability in the medium and longer term.

3. Ensuring transparency and accountability of government institutions

- Reduce tax evasion and avoidance: at the national level, broaden the tax base, and make taxation fairer and more progressive by reducing tax evasion and avoidance, including illicit financial flows, starting by elaborating on the relevant measures approved by the G20 Finance Ministers and Central Bank Governors at their meeting in Washington in April 2013. As purely domestic measures may prove insufficient to deal with the issues of tax evasion the G20 countries should consider engaging in international tax cooperation mechanisms, such as: automatic exchange of information; multilateral simultaneous tax examinations; and international assistance in the collection of tax due.
- Improve effectiveness of public expenditure by creating effective mechanisms for holding governments accountable, which allow civil society organizations and citizens' groups

to monitor the delivery and quality of social services as well as the effectiveness of public expenditures through a variety of different instruments such as public hearings, social audits, community score cards, citizens' report cards, participatory public expenditure and budget reviews.

4. Addressing horizontal inequality through providing equal access to social opportunities:

- Provide the most vulnerable with access to the basic social services through more efficient redistribution and social programs, including expansion of social protection floors;
- Adopt regulatory measures which support the full implementation of international labor standards, addressing exploitative work and enabling workers' collective action for full realization of labor rights. Though necessarily these measures would need to be introduced over time given institutional weaknesses and financial constraints in various developing countries;
- Ensure universal and equal access of the vulnerable and disadvantaged to food, water, healthcare, education, social protection, affordable housing, and other social rights such as the right of free movement for citizens within the country.
- Build more inclusive formal financial systems providing access to appropriate financial services to a larger proportion of the population, including the most vulnerable and unserved groups;
- Promote regional economic growth by supporting region-specific pro-poor initiatives, including programmes relating to physical infrastructure, human capital, and inter-regional equality and integration policies.

Civil 20 stand ready to contribute to implementation of G20 commitments on equalizing opportunities and outcomes within and across countries.