Multilateralism that Delivers

Transforming Multilateralism For 21st Century Social Justice and Inclusion

Brief for Working Group On Social Justice and Inclusion
We must seize this moment to produce results for the millions of vulnerable made even more vulnerable in the pandemic but also to emerge from the pandemic with renewed multilateral institutions which respond to people’s basic needs. It’s time to ‘shake the trees.’

— Aminata Touré, Prime Minister of Senegal, (2013-2014)

Working Group on Social Justice and Inclusion

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The ideas expressed in this Background Paper do not necessarily represent the views of the organisers or of the individual Working Group members
Introduction

As World Leadership Alliance-Club de Madrid (WLA-CdM) Members President Laura Chinchilla (Costa Rica, 2010 – 2014) and Prime Minister Aminata Touré (Senegal, 2013-2014) have noted, the Covid-19 pandemic has thrown into sharp relief the inadequacies of the multilateral framework to deliver inclusivity, both among the community of nations and among groups within countries, while also ensuring social justice. However, the Covid crisis has also revealed opportunities for international cooperation to help mitigate the impact of the pandemic and produce an inclusive recovery.

Vulnerable populations: people living in poverty or marginalized due to ethnicity, gender, age, migration status or lack of legal identity, religion or national origin, least-developed countries, countries and individuals in debt distress, and conflict affected countries, as well as all the small and medium enterprises around the world that have been destroyed or negatively impacted, and the middle and working classes which have grown mistrustful of top-down political systems led by elites; all need practical, people-centered solutions to global problems like the pandemic, challenges that can only be solved by international cooperation and a responsive multilateral system.

The disproportionate impact of the pandemic on excluded and vulnerable groups, and the potential for social unrest this produces, combined with economic uncertainties; labor redundancy as digitalization proceeds; dislocation and other social impacts of climate change; increasing political polarization; and the concentration of wealth and entrenched inequality (including of power and influence) around the globe leads us to believe that social justice, inclusion and equity can no longer remain just guiding principles: they must be placed at the core of our efforts as advocates for global economic security.

WLA-CdM Members President Danilo Türk (Slovenia, 2007-2012) and President Cassam Uteem (Mauritius, 1992-1997, 1997-2002) have therefore called on our global economic governance institutions to go beyond building better capacity for understanding and impacting goals of social cohesion and equity to making them mission-level objectives of their economic philosophy. Though tremendous progress has been touted in reducing poverty globally, all too often the institutions created 70 years ago in Bretton Woods are seen as supporters of the status quo and benefactors of entrenched interests. Gross Domestic Product metrics are simply not sufficient for responding to the expectations of people who experience deprivation, unemployment, exclusion and infectious disease as individuals and groups, not as aggregates. In this sense, the economic is the political. Governance is being impacted by economic grievances related to stagnant wages, precarious work, rising inequality, informal labor markets, and fiscal austerity. Political systems are failing to respond, as political capture by special interests and the “thinness” of representative democracy are eroding democratic practice around the globe and increasing polarization. The challenge is, therefore, to ensure that our global economic institutions become visible standard-bearers for broad-based economic well-being, inclusion and equity. This in turn reaffirms the social contract – a just transition - in which governments develop policies and tools to more effectively safeguard people. As more than a million have perished during the current pandemic and tens of millions face economic catastrophe, the urgency of strengthening our multilateral
capacity to respond effectively with results people experience firsthand cannot be overstated.

To do so, this brief – informed by perspectives from governments, international institutions, civil society organizations and social movements – presents a way forward for policymakers worldwide, based on the most actionable policies they can champion and implement to strengthen social justice and inclusion.

We focus on how to incentivize:

- **Actions for equity:** mobilize funding to promote equity, including universal social protection floors (USPFs). We want to ensure that international financial institutions enact USPFs in their development assistance strategies and programs.

- **Actions for tax reform:** embrace greater transparency, democratic oversight and taxation of profits and wealth in national and global tax systems. This can create a larger tax base for social development initiatives like the UN 2030 Agenda’s Sustainable Development Goals, particularly goal 8 on inclusive and full employment.

- **Actions for debt relief:** overhaul the debt regime that keeps both countries and individuals from developing. Debt relief must be linked to inclusive social development.

  - **Convincing skeptics** that social justice, equity and well-being outcomes are part of the core institutional missions of the global economic governance institutions.

Firstly, the paper frames the conversation by defining what is meant when we say, “social justice” and which understanding of “inclusion” will be relied upon in this scope. Secondly, the paper unpacks opportunities to pursue actionable policies that match the goals of the working group. Finally, the paper provides practical recommendations for the way forward, highlighting policies and actions that can be taken by WLA-CdM members and their partners to respond to the urgent need to reshape multilateral efforts for the formidable challenges of this century. The implementation strategy and subsequent efforts to realize these recommendations builds on a 14 year Shared Societies Project effort at the WLA-CdM, which in 2011, in partnership with Friedrich-Ebert-Stiftung and others, developed a Guiding Principles of the Economics of Shared Societies that demonstrated the benefits of and delineated the policy parameters for inclusive economies, and which called on the G-20 in 2013 to build jobs for inclusive growth, among other initiatives.

**Context**

What is meant by “social justice”?

Social justice depends on a social contract that ensures people’s basic needs will be met by their governments via tax revenues and policies to guarantee that the interests of the market are not allowed to prevail over the needs of people and that the interests of any one group, whether majority or minority, does not deny the rights of any other. In parallel, a just international order ensures that all countries are enabled to develop, especially through the mobilization of domestic resources and in the context of fair international economic rules, to provide for the wellbeing of their citizens/residents. To address these shortcomings, the United Nations member states have adopted a set of economic, social and cultural rights on which a just global order should be built. They have also committed to 17 Sustainable Development Goals, including Goal 10, to reduce inequality within and among countries. Organizations as far ranging as the WLA-CdM and the International Trade Union Confederation have called for a new Social Contract between citizens, workers, employers and governments.

Employment – decent, environmentally sustainable and legally recognized jobs - must be conceived as a public
good and end in itself beyond simple consideration as a factor or cost of production

What is meant by “inclusion”?

Within the spectrum of policies for inclusion, we focus on the provision of equal opportunities for economic, social and political inclusion/inclusive growth, backed up by actually inclusive outcomes so that everyone, regardless of background, is able to achieve their full potential in life. “Inclusion is not just about income but all aspects of people’s well-being, including the capacity to shape political decisions” at both national and international levels. As to how we assess “actually inclusive” outcomes, the Club de Madrid’s Shared Societies program and the United Nations, which have had many dialogues in the past decade on the topic, predict greater social cohesion as an outcome of social inclusion, recognizing a socially cohesive society as, “one where all groups have a sense of belonging, participation, inclusion, recognition and legitimacy.” This perspective informed our assessments of social inclusion and cohesion.

Related concepts of “fairness and equity”

In the context of rising populism and nationalism, economic inequality and instances of political capture, which together work to undermine governmental and multilateral efficacy, we recognize that political exclusion (e.g. of youth, women, ethnic groups, religious and other groups), in particular, prevents equitable outcomes and destroys social cohesion. Inclusion necessitates that people be enabled to participate meaningfully in the decisions that affect their lives. Among our guiding questions was this, “What do ‘the people’ say they want?”, and how can the multilateral system respond to it? The working group’s deliberations are therefore informed by perspectives of multiple stakeholders from governments, international institutions, civil society organizations and social movements on the state of social justice, inclusion, cohesion, and equity within different societies and in the community of nations.

The concepts of fairness and equity are linked intrinsically to social justice. Equity describes a state of social justice, characterized by peace, diversity and inclusion, in which social dialogue and political representation have produced outcomes in which people and countries get what they need to succeed. The group’s recommendations therefore link opportunities for positive reforms and initiatives to those with the potential to contribute most to a structural transformation for inclusion and equity.
Our top recommended action for equity:
Support the August 2020 call for a Global Fund for Social Protection, based on the principle of global solidarity, to support countries to design, implement and, in specific cases, provide temporary...
Our top recommended action for tax reform:

Join, amplify and challenge existing multi-stakeholder and multilateral processes to reform international taxation regulations to think boldly and globally to ensure that countries and the global system can finance inclusive social development initiatives to achieve the SDGs.

• We recommend policies to increase tax revenues via progressive income and wealth taxation - including emergency solidarity taxes on high profits, private wealth and risky financial products - and corporate taxation, including taxes to the largely untaxed financial sector.

• We recommend strong measures to stop illicit financial crimes. But fast shifting norms are evidence of a growing movement to recognize and reward transparency around wealth and responsible tax behavior that offers opportunities to push for heightened democratic oversight of taxation of profits and wealth in national and global tax systems. For developing countries, this would yield critical domestic resources for economic development. For developed countries this provides a means to counteract increased economic inequality exacerbated by the virus.

Taxation

Inequalities, both within countries and among them, are aided by an international tax system that has fostered global competition to attract foreign business with low taxes, creating a “race to the bottom” with a potentially negative impact on developed and developing countries alike. In addition, the use of “offshore” structures by high net-worth individuals to effectively hide the real ownership of their wealth, as well as its location and often its very existence, has created fertile ground for tax avoidance, tax evasion, and other financial crimes. But fast shifting norms are evidence of a growing movement to recognize and reward transparency around wealth and responsible tax behavior that offers opportunities to push for heightened democratic oversight of taxation of profits and wealth in national and global tax systems. For developing countries, this would yield critical domestic resources for economic development. For developed countries this provides a means to counteract increased economic inequality exacerbated by the virus.

Debt

Since the pandemic began, the International Monetary Fund (IMF) has suspended its Article IV bilateral surveillance to focus on global surveillance. In response to the crisis, it has engaged in 80 emergency and precautionary lending operations, whereas in a more normal year they would have processed only 3-4 emergency loans. While emergencies are up, regular lending (both concessional and general resource account) is way down. Compounding the challenge, in recent years the composition of lending and debt has been shifting to include more private creditors. They have not fully signed up to either of the debt relief measures enacted thus far by the multilateral creditors: neither the Catastrophic Containment Relief Tranche (CCRT), which writes off debt servicing to 34
**Convincing skeptics**

Mounting evidence supports movement towards inclusive, wellbeing economies, yet transformation requires convincing skeptics with evidence that economic inclusion and equality produce economic benefits for all. “Shared Societies, in which diverse groups and individuals are economically integrated and utilise their talents and skills, tend to be more stable societies, which enjoy higher economic growth than divided societies.”

We must continue to work to demonstrate these benefits by ‘forging’ inclusive and wellbeing economic practice. “The forgers are the policy makers – civil servants and politicians – rolling up their sleeves and delivering the sort of changes needed.” Members of the WLA-CdM and this Working Group are ready to join an effort to push forward these “frontiers” as “pockets of good practice.” By combining the leadership experience of the WLA-CdM with the increasing evidence for the benefits of inclusive, equitable wellbeing economies we have a powerful lobby for replicating and expanding this demonstration effect.

The imperative for transformation is obvious beyond the analytical, policy sphere: we are witnessing the call for revolution in the streets. The global rise of protests by people demanding respect for diversity and inclusion, economic security, gender equality, climate adaptation and accountable
public institutions means that our multilateral framework will either adapt and respond effectively or be left redundant. Building more accountable institutions means bringing together key stakeholders in social dialogue, certainly including labor, the private sector and decision-makers, but also other stakeholder groups impacted by policies, to forge a new consensus on policies that have been decided in exclusive political deliberations and behind closed doors to date. Making the social impacts of policy apparent to multilateral institutions like the G-20, United Nations, World Bank and IMF, through public engagement is critical for not only for their ability to respond but also for their legitimacy going forward. We believe social dialogue with concrete outcomes is the best way forward.

Our top recommended action to convince skeptics:

Build a multi-stakeholder lobby to transform international finance institutions towards mission-level objectives of equity, inclusion and well-being.

- We recommend policymakers integrate the increasing abundance of empirical analysis demonstrating the benefits of equity, inclusion and wellbeing economies in economic policy and governance initiatives.

We recommend that policymakers “listen” to the people they represent, including taking stock of an increasing number of protests that express grievances with the political and economic system.

- We must convene the framing for a global reflection on moving a new social compact forward. Twenty-five years ago, the World Summit for Social Development brought together 117 Heads of State and Government to redefine investments that evolved into a consensus of 193 nations in the Agenda 2030 Sustainable Development Goals. It is now time to do so again, not just to Build Back Better, but to reset our multilateral framework for equity, inclusion and wellbeing.

The Road Forward

By transforming our global economic governance framework from traditionally measured macroeconomic growth and average income used as parameters for poverty reduction towards standards of equity, inclusion and wellbeing, we are working not just for social justice but for greater stability. The transformations required are not merely economic, but political, as they require a negotiation of prerogatives almost always controlled by elites which produce unequal political and policy leverage and exclude those outside the realms of power.

“We can implement an agenda to revitalize income and well-being across the economic spectrum and strengthen the economy. Time and time again, both democracy and the market economy have delivered vast improvements in living standards. To deliver on their promises, both require a high degree of inclusiveness, and institutions and rules that balance the power of economic interests.”

At the same time, the structural inequities that block such successes exist not only inside of nation-states but also among them. “Making globalization more inclusive will require policies that tackle inequality within advanced economies and boost convergence in living standards between Africa and high-income countries. African policymakers, with support from external partners, can play their part by accelerating regional integration, bridging gaps in labor skills and digital infrastructure, and creating a mechanism to own and regulate Africa’s digital data.”

Our Call to Action

We are compelled by the Covid crisis to rebuild our economies and societies. To do so we will have to muster the political will to redirect the international economic governance institutions towards these ends, guided by a strategy to ensure inclusion and equity both within and among nations. This is the result of the dire need in evidence of a once-a-century convergence of
all stakeholders: public, private and increasingly, people on the ground in communities and identity groups across the world. COVID-19 has tragically forced us to face a reality that many analysts were promoting already: the economy is a not an objective in-of-itself but rather a tool in service of higher goals. Our global economic governance institutions must go back to the drawing board to reorient economic goals beyond macroeconomic growth towards human and ecological well-being.

In other words, making our global economic governance institutions transformative is returning them to their original philosophical purpose of building prosperous, resilient and stable societies is no less formidable a task than was creating the multilateral economic governance system over the last 75 years. The COVID – 19 pandemic is just the latest of a daunting catalogue of challenges including climate change, dislocation, food insecurity, political polarization and public anxiety about globalization and whether digitalization, the prevailing multilateral framework, and rule of law are meeting the needs of the 21st century. The global economic governance framework cannot simply try to muddle through, nor adhere to the policy agendas and mindsets of the previous century. The times demand vision and verve.

To this end we call for the convening of a multi-stakeholder campaign to urge the governments of Member States and the international financial institutions to implement standards of equity, inclusion and wellbeing; enact universal social protections; develop an effective international tax revenue regime; and enact a moratorium on debt for 2021.

Our global economic governance institutions must become clear proponents for economic transformation beyond a notion of purely financial profitability driving market economies. There is an opportunity for the multilateral system to play a powerful, and not merely functional, role, in leading forward with vision and political will to accomplish an historic commitment to the spirit of peace and equitable wellbeing for all humanity which inspired the foundation of the United Nations and Bretton Woods institutions 75 years ago. That means that our multilateral framework integrates the evolution of our increasingly diverse and interconnected societies to respond demonstrably to the people, and particularly those made most vulnerable, by global challenges. Increased frustration by citizens and migrants around the globe is calling into question the social compacts in place and require a renewed focus on democratic governance that is finally participatory, accountable and inclusive. If global institutions cannot rise to this task, we face a stark scenario of zero-sum competition not unlike the period that created the tragedies which led to our current framework for global cooperation. We must heed these warnings, expressed in so many signs of urgency and despair, and move forward towards a more inclusive and equitable framework for global cooperation, as we have delineated in this Policy Brief.
Endnotes


2. This refers both to formal institutions including the United Nations system, especially the International Monetary Fund and World Bank Group, but also to regional development banks and financial rule-setting institutions like the Financial Stability Board and OECD, as well as to “informal” multilaterals like the G20.

3. The World Bank’s measure of $1.90 a day is too low a bar: other measures like the Ethical Poverty Line suggest poverty has gotten worse.


10. One example is “The Economy of Well-Being”. This is a policy agenda launched at the EU level by Finland during its Council presidency in 2019, leading to the adoption of EU Council Conclusions on the Economy of Well-Being. One of Finland’s aims in launching this agenda was to help connect the well-being approach to the European Pillar of Social Rights.


15. “Globally, the inadequacy of social protection coverage is clear from the fact that less than half of the world’s population is covered by any form of social protection, and only 29 per cent are covered by social protection over the life-cycle. In the developing regions, such coverage is even lower: for example, in India only 22 per cent of the population has any form of social protection, while several countries in Africa have coverage rates of only 10-15 per cent.” (Ghosh ILO 4/2020)


21. Ocampa and Facio “The poor and vulnerable are already suffering the most from the COVID-19 pandemic; they must not be left to carry the economic burden of rescue packages as well. It is time for those who have the most – and have long avoided paying their fair share – to start pulling their weight.” (Making Multinationals and the Wealthy Pay)

22. Since a multinational actually functions as one entity, it should be treated that way for tax purposes. The total global profits of a multinational should be calculated, and then apportioned across countries according to some formula based on sales, employment and users (for digital companies). The beauty of this proposal is that just a few large countries can move the debate and make it less advantageous for global companies to shift their profits around. (Ghosh Tax Policy 2020).

23. Roadmap to Global Asset Registry http://static1.squarespace.com/static/5a0c602bf43b55948465aabb81/t/5c988368eef1a538c2a7eb/1553498989277/GAR.pdf

24. Ocampa and Facio “automatically exchanged information on 47 million financial accounts [is] worth approximately €4.9 trillion (US$5.5 trillion), through the OECD Global Forum’s Automatic Exchange Of Information program.” (Making Multinationals and the Wealthy Pay)


30. WLA-CdM, The Economics of Shared Societies, 2011


34. Boushey, Unbound: How Inequality Constricts Our Economy and What We Can Do About It, op.cit. pps. 191, 197.


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