



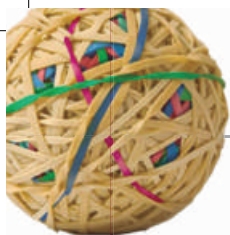
# **TOWARD A GLOBAL SHARED SOCIETIES AGENDA TO PROMOTE LONG-TERM INCLUSIVE AND SUSTAINABLE GROWTH**

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# Toward A Global Shared Societies Agenda to Promote Long-Term Inclusive and Sustainable Growth

## The Concept of Shared Societies

The working definition of Shared Societies used here is based on an approach to social inclusion developed and adopted by the Club de Madrid. It is defined as a society based on equity, where each and every person, including those from all the identity groups that make up the society, feels at home, feels that they belong, that they can play a full part in that society and, at the same time, fulfill themselves. A Shared Society can be understood as one in which individuals share an equal capacity to participate in economic, political and social opportunities regardless of their religion, ethnic or linguistic group, and where as a consequence relations between groups are peaceful.

There is, correctly, a growing concern about current levels of overall inequality and their negative impact on economic performance. Equally Shared Societies are not only inherently desirable but they too offer an economic dividend. Shared Societies may offer more certainty for investors; less transaction costs for entrepreneurial activity; facilitate greater domestic resource mobilization for governments; ensure a more sensitive and sustainable approach to resource exploitation and development as a result of greater public involvement; and improve creativity, productivity and overall human wellbeing. The costs of social divisions, and of missing out on the Shared Society dividend may be significant and the ultimate consequences for the sustainability of human economic and social life, devastating.

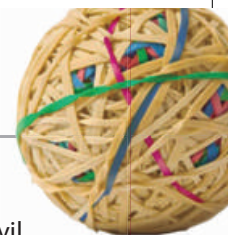
The following proposals address the question of what policy options provide the best opportunities to encourage greater equality, inclusion and sharing and thereby facilitate the creation of a more effective, efficient and sustainable economic system. They were developed during a seminar in Washington on 22 April 2012 in the context of the Spring meetings of the IMF/World Bank in which representatives of the following organizations took part: Asian Development Bank, G20 Mexican Presidency, International Labour Organization, International Monetary Fund (IMF), International Trade Union Confederation, Organisation for Economic Co-operation and Development, UN Children's Fund, UN-Department of Economic and Social Affairs, UN Development Programme, UN Regional Commissions (ECLAC and ESCWA), UN Women and World Bank.

## Objective of a Global Shared Societies Agenda

1. To create agreement that the social dimension should become an integral part of macroeconomic and financial policy-making through the application of robust economic and social policies that are complementary and mutually reinforcing and promote sustainable and inclusive societies.
2. To create consensus that policies should be audited by those issuing and implementing them in respect to their contribution to a Global Shared Societies Agenda.
3. To enable phased implementation of the Global Shared Societies Agenda on national, regional and global levels, thus contributing to the reduction of excessive inequality and the promotion of social cohesion in the interest of shared global stability and prosperity.

## Assumptions

- There should not be a boundary between economic and social policy.
- A Global Shared Societies Agenda is focused on promoting a long-term sustainable and inclusive growth process and as such contributes to overall national wellbeing and economic progress.
- Long-term sustainable and inclusive growth takes place in an era of greater volatility in the global economic system than previously, so planning for systemic shocks must be a part of the overall outlook. A Global Shared Societies Agenda should act as an automatic stabilizer in response to crises and protects people.
- Shared Societies reduce the threats to political systems arising from inequality and exclusion from participation in society.



- Forging a shared society is the responsibility of every government, together with local authorities, civil society organizations/non-governmental organizations (CSOs/NGOs), and relevant social partners, and every intergovernmental institution has a responsibility to encourage and support national efforts.

## Requirements

- Shared Societies require transparent governance and better coordination and coherence between national, regional and global institutions, including financial institutions.
- They also require an agreed vision of the goal of a Shared Society and specific criteria by which progress towards that vision can be assessed.

*In support of a Shared Societies agenda, we recommend action in the following policy areas:*

## National

- Public expenditure policy
- Taxation
- Monetary policy
- Social protection
- Education and Health
- Labor market institutions
- Gender Mainstreaming, including Women's Empowerment
- Economic decision-making/transparency & accountability/voice and participation
- Indicators

## Global and Regional

- International monetary system
- Sovereign debt restructuring
- International tax cooperation
- Financial and macroeconomic regulation and supervision

## NATIONAL

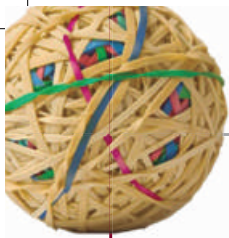
National economic policies that support a Shared Societies Agenda will limit inequality; guarantee fair and equitable access to resources, knowledge and opportunities; combat poverty; tackle exclusion and underdevelopment in peripheral areas and among marginalized minority communities; design austerity measures when required so that they target those most able to bear them and not those least able to resist, and as a result ensure that all members of society can play a full and valuable role in the economy as producers, consumers and tax payers. Specific policies can be implemented in each policy area.



### Public Expenditure Policy

The composition of public expenditures should be guided by the support each item provides to strengthen the productive capacities of an economy and to reduce inequality.

Implementing well-designed cash transfers that tackle poverty and reduce inequality, and investing in social sectors such as health, education and social security are needed for a shared society as well as to reduce disparities that create conflict.



*Political action should be taken on the following:*

- Ensure that appropriate levels of public investment spending are maintained.
- Assess the impact and desirability of specific subsidies and where deemed necessary (especially food and energy) ensure that they do not provide perverse incentives.
- Target transfers in cash and kind to reduce excessive inequality and protect the vulnerable.
- Ensure that public expenditures are efficient.
- Assess the differential impacts of current and proposed expenditure policies on each group within society and each geographical area, in order to achieve greater economic and social inclusion.
- Support employment-intensive activities that enhance sustainability, such as investments in renewable energy and energy efficiency.
- Provide incentives and support for small and medium enterprises (SMEs).
- Ensure the representation of all groups of society in a transparent and accountable budget process.



### Taxation

Taxation policies which are progressive will reduce high levels of inequality, which are not compatible with Shared Societies. Taxes should be collected transparently and efficiently. Broadening the tax base is important to ensure equity and to secure adequate funds for implementing necessary policies and so that there is a high level of tax compliance.

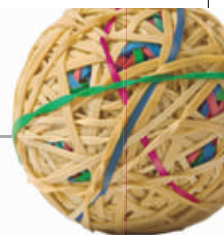
*Political action should be taken on the following:*

- Tax rates on capital income and other sources of income should be equal.
- Taxation should be progressive.
- Provide support to improve tax administrations where they are weak. Consumption taxes are an easier alternative to administer although they can be regressive and therefore need to be structured properly so as not to hit the poor and marginalized groups unfairly.
- Developing countries that strongly rely on trade tariffs for revenue should explore options to diversify their revenue base, without precluding the role that such tariffs play as an important policy option in order to protect and support employment and productive capacities. However stronger economies need to act decisively and quickly to remove tariffs which unfairly disadvantage developing economies, while unnecessarily protecting sectors of their own economies.
- Taxation should give incentives for SMEs and other opportunities for employment creation and monitor the results.
- Broadening the tax base is important – the informal economy needs to be included – not only to increase revenue but to hasten the incorporation of the informal sector in the economy and stimulate a fiscal compact which encourages greater identification with state finances.
- The financial sector, which is under-taxed compared to other sectors in most countries, should contribute more tax revenue, including through financial transactions taxes.
- Tax regimes and collection mechanisms should be designed to avoid corruption.
- International tax cooperation is necessary to curb tax avoidance and evasion.



### Monetary Policy

Monetary policies have, in recent decades, tended to target price stability and, more recently, a consensus is forming around its role in targeting financial stability. But looking at monetary policy from a Shared Societies perspective may call for tempering or trading off those targets with others such as employment, growth, exchange rates, distribution of income or financial inclusion, as the experience of some central banks illustrates. More discussion and research is needed, however, on what are the appropriate trade-offs, the most relevant targets or even the best ways to measure them in order to support Shared Societies.



*Political action should be taken on the following:*

- Assess social dimensions of monetary policies and their impact on specific groups (for example the implications for the value of pensions and savings). These considerations should determine monetary policy design, acknowledging that the models for doing so will be contingent on social and economic contexts.
- Promote open debate and study of alternative monetary policy targets and their distributional impacts with a view to increase knowledge on the issues.
- Ensure strong and well-regulated systems for managing monetary policy.



## Social Protection

Social protection structures are an integral part of a long-term sustainable growth policy that takes into account increased volatility in the global economic system and the consequent economic shocks that come from it. Social protection also serves as an automatic stabilizer in crises.

Individuals covered by social protection schemes are more secure and therefore more able to plan ahead and participate more fully in the economy. If conditionalities such as attendance by children at school or health clinics are included, they may offer additional benefits by equipping the next generation to play a full role in the economy.

The following principles for designing social protection floors enable the productive participation of all in the economy: 1) universality, 2) production of social benefits, and 3) flexibility to enable rapid deployment to identify those in temporary jeopardy and keep them from falling into long-term poverty or dependency.

Many poor economies already provide social protection systems and have demonstrated that they are affordable, but nonetheless more affluent economies should support and help to finance such programs.

*Political action should be taken on the promotion of, among others, the following, necessary components of social protection:*

- Establish, nationally and internationally, the basic components of a social protection system and determine the necessary level of provision required for individual countries.
- Identify an appropriate mix of cash transfers and provision in kind, including food based programs and provision of facilities and equipment to allow participation in training and employment.
- Programmes which include conditionalities must be designed, targeted and monitored carefully, or they will fail to reach those most in need either because they live in remote areas, they are not registered in national data or they belong to marginalized communities.



## Education and Health

Beyond being necessary components of social protection, strong educational and health care systems are central to the very creation of Shared Societies, as quality education and health are prerequisites for meaningful participation in a Shared Society in order to achieve long-term sustainable growth. Resources are a necessary though not sufficient requirement for ensuring access to good and effective health and educational provision.

*Political action should be taken on the following:*

- Protect spending on education and health services, even in times of budgetary constraints.
- Provide adequate access to training for personnel and ensure, perhaps with incentives, that well trained staff are available to all sections of the community, including the most remote regions of the country.
- Assess if services are provided in culturally sensitive ways so that all section of society including women feel able to avail of the provision.
- Establish monitoring systems, with international support where necessary, to check regional and identity group differentials in access to education and health services and correct imbalances.
- Use conditionalities in transfers as an incentive to participation in education and preventative health programs and monitor if the programs reach all sections of the community and if they have an impact on education and health outcomes.



### Labor Market Institutions

Deregulated labor markets have weakened employment security provisions and taken away basic social protection (e.g. ineffective unemployment benefit systems), thus contributing to rising inequalities. Strong labor market institutions are necessary to redress the undesirable consequences of deregulated labor markets. As such, they support shared societies and help to prevent inequalities from developing.

*Political action should be taken on the following:*

- Apply International Labor Standards appropriate to local circumstances.
- Review and if necessary enhance anti discrimination laws to ensure equality of access to job opportunities and protection of those in employment.
- Create or strengthen fair employment agencies to assess policy for its impact on employment transitions, job creation and decent work.
- Strengthen collective bargaining and trade union rights (freedom of association).
- Apply national —but not necessarily uniform— minimum wage systems.
- Strengthen social dialogue processes.



### Gender Mainstreaming and Women's Empowerment

Ensuring the full and equal participation of women is not only necessary from a human rights perspective, but women play a critical role in supporting their families and communities and thereby secure the economic benefits of shared societies. Therefore it is essential that policies ensure that the benefit of economic, political and social opportunities are available to all regardless of gender or sexual orientation.

*Political action should be taken on the following:*

- End practices of gender-based exclusions from all sectors of economic participation, especially the job and assets markets.
- Wage-setting processes should include a commitment to end disparities between men and women, taking into account the cost of social reproduction and reproduction of the labor force.
- In embedding social indicators in macroeconomic and financial policy-making, a special effort is required to consider gender-disaggregated data and identify and overcome gender biases in data-gathering methodologies.

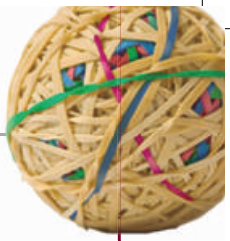


### Economic Decision-Making/Transparency & Accountability/Voice and Participation

Voice and participation for all groups regardless of race, ethnicity, religion, gender, class or other group identity ensure that the interests of those groups are taken into account and that the kind of policies proposed here are more likely to be adopted. It limits the influence of vested interests that reject or dismiss the policies needed to overcome social division and marginalization of certain groups. It enhances the sense of recognition for individuals, an important dimension of the well-being fostered by Shared Societies. Voice and participation are necessary to foster a sense of ownership of public affairs and to arrive at broadly-accepted solutions to economic challenges faced by society. Ignoring and suppressing the views of all sections of the population has significant costs in the form of limiting potential contributions to economic life.

*Political action should be taken on the following:*

- Promote transparent audits of economic and social policies, with participation of the countries and people, followed by concrete commitments and action.
- Ensure accountability of leaders regarding the objectives of shared societies.
- Foster and invest in empowerment for all sectors to participate without conforming to a dominant culture.
- Increase the use of mechanisms, such as polls, consultations, town hall meetings and referenda as well as modern electronic media, that allow wider participation by the whole population.



## Indicators

Social policy interventions require the expansion of the range of information available for decision-makers on macroeconomic and financial policy. Indicators on social cohesion and shared societies are relevant to evaluate macroeconomic and financial outcomes. Therefore, quantitative data on hard economic performance need to be weighed together with more qualitative measures such as levels of social capital, wellbeing and social trust to see how one can make more nuanced assessments of socio-economic development and produce improved decision-making. The fact that qualitative data is harder to collect than quantitative data does not make them less relevant and important in policy formulation and assessment processes.

### *Examples of useful social indicators:*

- Global Peace Index
- Social Unrest Indicator
- Inclusive Growth (ADB uses 35 indicators to evaluate inclusive growth)
- Human Development Index
- Social Cohesion (OECD uses 5 indicators to evaluate social cohesion)
- Social Inclusion Index (The Council of the Americas has recently produced one for Latin America)

There are many other useful social indicators that should be listed.

### *What useful social indicators should do:*

- Show trade-offs in political decision-making.
- Make policy choices clear.
- Create knowledge about shared societies.
- Demonstrate changes over time.
- Utilize data that is disaggregated and differentiated to household level.
- Be evaluated for their limitations (e.g. some countries in the Arab Region had very good pre-revolution human development indicators).

### *Political action should be taken on the following:*

- World Bank and UN, in collaboration with the IMF, should prioritize research for more meaningful indicators.
- Auditing systems should be developed to include these indicators in processes of policy development and negotiation of support from the World Bank and IMF.
- Surveillance procedures should include social indicators alongside the current emphasis on macroeconomic and financial indicators.

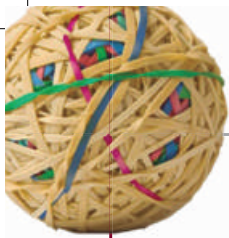
## GLOBAL & REGIONAL

The international monetary and financial frameworks should “do no harm” and support and encourage the appropriate national and regional policies leading to inclusion, stability and shared societies. The current approaches in all policy areas do not adequately take into account the social dimension. Incorporating a shared societies agenda into frameworks for policy development will significantly increase their potential to ensure global and regional financial systems that promote sustainable inclusive growth. The following areas need action:



## International Monetary System

The international monetary system should support long-term sustainable growth through an enabling environment for full employment and countercyclical fiscal and monetary policies in all countries while avoiding contractionary biases.



*Political action should be taken on the following:*

- International mechanisms to provide liquidity.
- Diversification of international currencies.
- Strengthen the role of Special Drawing Rights (SDRs).
- Governance reforms to guarantee appropriate voice and representation for all countries and proper policy coordination between countries.



### Sovereign Debt Restructuring

International frameworks for sovereign debt restructuring are required for more orderly, timely, and less costly resolutions of sovereign debt crises. By shifting the incentives of creditors they will also contribute to a fairer allocation of risks and rewards in financial activity.

*Political action should be taken on the following:*

- Develop a statutory basis for sovereign debt restructuring, which takes social impacts into account.
- Ensure that ad-hoc debt restructuring is also socially sensitive.



### International Tax Cooperation

Given the high mobility of capital and businesses and the unfair implications of tax havens, tax cooperation to avoid a race to the bottom and to ensure that individuals and companies pay their fair share of taxes in all places where they operate or transact is increasingly a requisite to enable increased revenue-raising capacity at the national level.

*Political action should be taken on the following:*

- Eliminate evasion via transfer mispricing.
- Develop an international agreement on the location of tax liability for individuals and corporations.
- Enhance capacity building in tax authorities of poor and middle income developing countries.
- Develop international co-operative arrangements to combat tax avoidance and evasion.



### Financial and Macroeconomic Regulation and Supervision

In liberalized financial systems, recurrent financial crises are inevitable. Two key principles provide the necessary framework for regulatory reforms: comprehensiveness and counter-cyclicity. Comprehensiveness of transparency for all actors and activities is required as well as comprehensive and equivalent regulation and supervision. In addition to being comprehensive, regulations should have a strong counter-cyclical focus to avoid the excessive accumulation of leverage and increase of risk-taking during booms, as well as to prevent asset-price bubbles from feeding into credit expansion. Financial and macroeconomic regulation and supervision should incorporate social and environmental elements as macro-economically relevant variables. Surveillance must be underpinned by governance reforms to ensure compliance by all countries and political acceptance in the subject countries.

*Political action should be taken on the following:*

- Regulate the “shadow financial system”, which includes unregulated agents and instruments, including offshore centers, investment banks, collateralized debt obligations, structured investment vehicles and derivatives.
- Ensure the registration and disclosure of all relevant variables for all financial institutions.
- Enable counter-cyclical regulation so that provisions and/or capital required for financial institutions will increase as risks are incurred and fall when loan-expansion slows or reverses.
- Further broaden and democratize the membership and representation in the Bank of International Settlement (BIS) and Financial Stability Board (FSB), to promote a well-functioning network of national and regional authorities, with appropriate coordinating powers given to the apex of the system.