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Civil 20 Media Brief

A WORLD ECONOMY FOR ALL

The G20 Heads of State Summit is being held in Antalya, Turkey from 15 – 16 November. This wealthy and powerful bloc of countries represents two-thirds of the world's population, 85 percent of the global GDP and over 75 percent of global trade.

This media brief gives an overview of some of the critical issues facing today's world that are up for discussion in Turkey - **inclusive growth, gender equality, international taxation, corruption, climate change, and the migration crisis**.

This media brief has been produced by the C20 (Civil 20), the officially-recognized engagement group tasked with representing the views of national and international civil society. The recommendations presented here are drawn from the C20 Communiqué 2015, which was jointly written and endorsed by over 500 civil society representatives during the C20 Summit 2015, and draws on a participatory and consultative process that has engaged over 5000 individuals and more than 500 civil society organizations from 91 countries around the world. More information on the C20 is available at: www.c20turkey.org.

INCLUSIVE GROWTH

The G20 has made achieving inclusive growth a key theme of this year's summit with the Turkish presidency giving specific emphasis to issues affecting small and medium-sized businesses, gender equality in employment, tackling youth unemployment and addressing the challenges faced by Low Income Developing Countries.

While many of the measures under discussion may go some way to ensuring the benefits of growth are shared more equally among all sections of society, G20 leaders have yet to define an economic model of growth that promotes equity and sustainability and includes poor and marginalized people.

The result is an increasingly unequal society characterized by the extreme concentration of wealth and power on one side, and unemployment or poor quality employment and persistent poverty on the other.

Inequality is rising across the globe and the G20 is no exception. For the nine G20 countries that have sufficient data available, the richest 1 percent of people (as measured by their income) have increased their income share significantly since 1980[i]. While Credit Suisse's Global Wealth Report 2015 revealed that the richest one percent of the world's population now own as much as the rest of the world put together[ii].

Discrimination based on gender, ethnicity, race, caste, social position, age, disability, religion, gender identity or sexual orientation also prevents people from benefiting from economic growth. Growth practices with insufficient measures to protect the environment, create further social and economic vulnerabilities and undermine economic growth and the natural resources on which we all depend.

The C20 calls upon G20 leaders to match their repeated commitments to address the multi-faceted inequalities facing our world today, by integrating inclusive growth, gender equality, sustainability, anti-corruption and tax justice into all aspects of its work, and investing in solutions that create a world economy that works for everyone.

The C20 calls on G20 leaders to:

- Systematically track the income growth rates of the poorest 40 percent against the richest 10 percent and modify growth strategies accordingly

- Commit to tackling inequalities by ensuring all sections of society have access to social protection and free, quality public services, including education and health.
- Guarantee a living wage and provide more, better-paid and safer jobs for women, men, and especially young people.
- Strengthen the opportunities for civil society to participate in national and international policy-making processes, including in G20 processes.

INTERNATIONAL TAXATION

Following the financial crisis and a spate of high profile corporate tax dodging scandals, the G20 mandated the OECD to come up with a package of measures to tackle aggressive tax avoidance by multinational companies. In response, the OECD set up the Base Erosion and Profit Shifting (BEPS) process in 2013 to redefine international tax rules in order to curb profit-shifting activity, and ensure companies pay taxes where their economic activity takes place and value is created. G20 Finance Ministers endorsed the OECD tax package when they met in Lima in October, and the reforms will be formally adopted by the G20 Heads of State in Turkey.

Reform of global rules governing corporate taxation could help countries access billions of dollars in unpaid taxes. This money is desperately needed to tackle poverty and inequality, particularly in the world's poorest countries. Developing countries lose around US$100 billion in tax revenues each year as a result of just one type of corporate tax avoidance scheme involving tax havens[iii]. Corporate tax dodging hits poor countries hardest, as corporate tax revenues comprise a higher proportion of their national income. For example, recent IMF research indicates that revenue loss to developing countries is 30 per cent higher than for OECD countries as a result of base erosion and profit shifting activities of multinational companies[iv].

The BEPS tax package is a step forward. Some measures should strengthen existing rules and provide tax authorities with better tools to identify corporate tax cheats if they have the capacity to use them (the proposed template for country by country reports is, for example, a step forward). However, on the whole, this package of measures simply patches up the existing rules, making them more complex and in many cases contradictory. It does not provide the coherent and comprehensive set of reforms that are needed.

For example, BEPS will still not ensure multinational companies pay tax where they do business – a practice which costs G20 countries billions of dollars every year. In 2012 it estimated that US multinationals shifted between $500 and 700 billion - a quarter of their annual profits - out of countries including the United States, Germany, Canada, China, Brazil, France, Mexico, India, UK, Italy, and Australia in order to reduce their tax bills[v]. Neither will BEPS put a stop to harmful tax competition that promotes the race to the bottom in corporate taxation. For example, in Sierra Leone, tax breaks in 2012 amounted to an astonishing 59 percent of the entire government budget, more than eight times the health budget and seven times the education[vi].

The C20 calls on G20 leaders to:

- Support a second round of deeper global tax reforms that involve all countries on an equal footing in negotiating new rules.
- Ensure future tax reforms force multinational companies to pay tax where they do business; curb the use of tax havens wholly for the purpose to dodge paying tax dues; and stop harmful tax competition that promotes the race to the bottom.

CLIMATE CHANGE

The signals sent from Turkey by G20 leaders, who represent the biggest and most powerful economies on the planet, could make or break the global climate deal due to be agreed in Paris in two weeks' time. The G20 is likely to discuss all key elements of the Paris deal including a Long Term

Goal for emissions reductions, a mechanism to ratchet-up ambition on 2020 emissions reductions pledges, and climate finance.

Mitigation

The G20 regularly reports back on how much progress is made on their 2009 commitment to phase out inefficient fossil fuel subsidies. Unfortunately, not much progress is recorded: According to Oil Control International, G20 countries spent $US 77 billion a year on fossil fuel subsidies during 2013 – 14. Overall G20 support, including state investment and cheap loans, benefit the fossil fuel industry to the tune of $450 billion[vii]. Shifting these subsidies to renewable energy, energy conservation and pro-poor investments would benefit the climate, the economy and the billions of people who do not have access to the electricity grid. Many studies show that, by 2050, 100 percent of global energy demand can be met through renewable resources[viii].

The combined emission reduction pledges of the international community will – in a best-case scenario where all countries deliver their maximum pledged emissions reductions – lead to a rise in global temperatures of 3 degrees[ix]. The consequences of this level of warming would be catastrophic – particularly for the world's poorest and most vulnerable people. For example, a rise in global temperatures of 3 degrees is likely to reduce yields of cereal crops across Africa by up to 35 percent in the next 35 years[x].

As G20 countries account for 76 percent of global greenhouse gas emissions, it is essential that they act. They must agree to revise and ratchet up their emissions reduction plans, with those countries most responsible and capable moving first and fastest, while also providing the finance and technology to support developing countries' mitigation efforts.

The G20 should also build on the G7 agreement for a Long Term Goal to decarbonize the global economy during this century, by ensuring that the required emissions reductions are fairly shared between countries, and developing countries are given the support they need to play their part in meeting the goal.

Climate Finance

The Turkish presidency has put climate finance on the official agenda of the G20. It is important that heads of state do not dodge the major outstanding political questions about climate finance as part of the Paris Deal - setting out how they will address the funding gap for adaptation, and a guaranteed increase in climate finance to help poor countries reduce their emissions and adapt to a changing climate after 2020 (for example, by agreeing a specific adaptation finance goal).

A number of countries including Germany, France and the UK have made new climate finance pledges in recent months – injecting some positive momentum towards meeting the existing developed country commitment to deliver $100bn by 2020 – and it is hoped that other countries will make similar announcements at the G20 or ahead of Paris.

Developed countries have said they are 60 percent of the way towards delivering on their $100 billion commitment by 2020, but this figure is inflated as it includes loans which have to be paid back, as well as private investment from companies that governments claim to have "mobilized", as well as finance for projects which do not have climate mitigation or adaptation as their primary focus. What is concerning is that adaptation finance is being neglected: only 16 percent of finance flows are being used to help the poorest and most vulnerable communities adapt[xi]. Oxfam estimates that around $4 - 5 billion per year in grant-based public funds are directly targeted at adaptation in developing countries[xii].

The C20 is calling for the G20 to steer the world towards an ambitious climate deal which will prevent a catastrophic rise in global temperatures and help the world's poorest people – who are already facing climate-driven hunger and hardship – adapt to a changing climate.

The C20 calls on G20 leaders to:

- Agree on a fair and equitable long term emissions reduction and decarbonization goal, and commit to a 100 percent renewable energy future by 2050.
- Take immediate action to completely and equitably phase out fossil fuel subsidies by 2020.
- Make energy efficiency and renewable energy an infrastructure investment priority.
- Significantly increase public climate finance – including from new, innovative sources – to help developing countries adapt to the impacts of climate change (including climate-resilient agriculture), and allow every country to participate in the just transition to decarbonization.

GENDER EQUALITY

During the G20 summit in Australia G20 leaders agreed to reduce the gap in labor force participation rates between men and women by 25 percent by 2025 and bring more than 100 million women into the labor force. With the launch of the Women 20 (W20) during the Turkish Presidency in 2015, leaders have given a strong signal that strengthening gender equality will be an important focus area of the G20 for years to come. This is a welcome and significant step forward.

Gender inequalities are a pervasive and systematic aspect of economic life. Across G20 countries and beyond, women get paid less, do most of the unpaid work, are over-represented in part-time work, and are denied the right to own land or access productive inputs such as credit, training or an education. For example, it is estimated that women undertake an average of 2–5 hours more unpaid work then men – the monetary value of unpaid care work is estimated at anything from 10 to over 50 percent of countries GDP[xiii]. While globally, women earn approximately 77 percent of what men earn[xiv], with the gap widening for higher-earning women. At the current rate of progress, pay equity between women and men will not be achieved before 2086[xv].

For women to realize their full potential, it is essential for policies and programs across sectors ranging from infrastructure to manufacturing, from trade to financial regulations to tax systems to health and education, to include gender equality concerns.

The C20 calls on G20 leaders to:

Recognize and reduce women's unpaid work: this should include a significant increase in investment in social infrastructure – child care, care for the elderly and social protection, and basic services and infrastructure such as water, health, sanitation – which would ease the burden of care. The investment in social infrastructure should match the investment that G20 countries are making in physical infrastructure such as bridges and telecommunications.

Establish legal and policy frameworks that eliminate gender-based wage gaps and occupational segregation, penalize gender-based discrimination, as well as introduce gender quotas for employment, public procurement and representation on corporate boards up to 50 percent.

Set up and finance national mechanisms to systematically monitor the progress which the G20 makes for its commitments on gender equality and empowerment.

MIGRATION

As conflicts continue to rage across the globe, millions of people have been forced to flee their homes – often taking desperate measures and using risky and at times fatal routes in the search for a safe and dignified life. There are nearly 60 million displaced people around the globe[xvi]. More people have been forced to flee their homes than at any time since World War II and the number is rising. It affects every region in the world, as, in the last 5 years, 8 conflicts have erupted or reignited in Africa, 3 in the Middle East, 1 in Europe, and 3 in Asia[xvii].

People who have fled conflict must be allowed to live in hope and with dignity. Refugees must have the opportunity to work so that they can support themselves and their families, and they must have access to basic services such as healthcare and education. This would allow refugees to contribute to the economies and societies of their hosts, but is also important for when they eventually return home to rebuild their countries.

G20 action to address this situation must go beyond the provision of humanitarian assistance and include medium- to long-term economic support for refugees and the nations which host them. The G20 is best placed to provide this support given its composition, geopolitical and economic clout, and its focus on economic coordination.

The C20 calls on G20 leaders to:

- Work towards the recognition of refugees' right to work, and enact measures to make this right a reality. This should include requesting international institutions such as the World Bank to create labor programs in support of job-creation for refugees; working with national institutions in host countries to finance skills development programs for refugees; and taking concrete measures to encourage innovative economic activities that would benefit refugees and host communities alike. Such measures are crucial to support refugees' social integration in host countries.
- Act in the spirit of international solidarity and agree to resettle a fair proportion of those Syrians forced to flee to neighbouring countries.
- Increase the funding available to meet refugees' needs and invest in basic social services to reduce the burden on host countries.

ANTI-CORRUPTION

Corruption is a major obstacle to democracy and the rule of law. Corruption undermines economic growth - approximately 5 percent of global GDP is lost to corruption each year[xviii]. It hinders the development of fair market structures, distorts competition, and undermines development and humanitarian assistance. Corruption strips money from education, health and infrastructure budgets leading to projects or services that are wasteful, costly, faulty or at worst, deadly. In addition, corruption leads to a huge loss of citizen trust in governments and institutions when misused for personal gain. This is harmful in established democracies and potentially fatal in emerging democracies.

The G20 Anti-Corruption Working Group is now half way through their current action plan. The G20 will adopt high level principles on integrity in public procurement when they meet in Turkey. The OECD estimates that between 20 and 25 percent of public procurement budgets are siphoned away from the services and infrastructure they were meant to provide[xix]. The G20 will also adopt Open Data principles, which may commit G20 leaders to release important data – for example, on government budgets or spending or political party funding - in a good quality format that allows the public to hold governments to account.

The G20 should also report back on how well they are doing in implementing the 'G20 High Level Principles on Beneficial Ownership Transparency' that were adopted in Brisbane last year. "Beneficial ownership" refers to the real, living person who owns or is in control of a company. Often anonymous shell companies with hidden ownership are used by the corrupt to transfer funds from one country to another. This makes it harder for law enforcement to follow the money back to the source. Corrupt politicians used secret companies to obscure their identity in 70 percent of more than 200 cases of grand corruption surveyed by the World Bank[xx].

A regulatory environment with high standards of transparency and accountability in the public and private sector, including a well-regulated banking sector, is the best way of tackling corruption. The G20 is perfectly placed to lead on this by example.

The C20 calls on G20 leaders to:

- Publish national action plans on implementing the G20 Beneficial Ownership Transparency Principles. The G20 should take strong steps to improve the systems for collecting, verifying and sharing beneficial ownership information with domestic and international law enforcement agencies and other interested groups The easiest way to do this is to establish central public registries.
- Adopt concrete measures to increase transparency in public procurement. The G20 should commit to simple measures that reduce the space for corrupt transactions on the part of business or governments to take place. For example, there should be clear processes in place that describe how awards are made and against which criteria. There should be transparency around the bidding companies – so as to ensure no conflict of interest. Contracts (and amendments) should also be published so that all stakeholders are fully aware of what has been promised. Citizens should be able to participate in the decisions that affect them and there should be independent monitoring of the procurement process to reduce the opportunities for corruption.
- Improve the quality, quantity and timeliness of government-released data (such as on government budgets or spending), that is accessible and usable by all. Emphasis should be placed on using the data for better engagement with citizens to improve decision-making and ensure public money is spent in the right place, at the right time and for the right purpose. Emphasis should also be placed on improving standards of data literacy for government officials but also for citizens.

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[i] Oxfam media brief: 'Turn the Tide' - https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/oxfam_media_brief_-_turn_the_tide.pdf
[ii] Credit Suisse Global Wealth Report (2015) - https://www.credit-suisse.com/ch/en/about-us/research/research-institute/publications.html
[iii] R. Bolwijn (2015) 'The fiscal role of multinational enterprises: Towards guidelines for coherent international tax and investment policies', UNCTAD Investment Policy Hub, http://investmentpolicyhub.unctad.org/Blog/Index/42
[iv] This is in the long run, where the revenue loss for OECD countries is approximately 1 percent of GDP, while it is 1.30 percent for developing countries. As a percentage of total tax revenue, the difference is likely to be much bigger, since the average total tax revenue in OECD countries is about 35 percent of GDP, while it stands at about 15 percent in developing countries. See E. Crivelli, R. De Moij and M. Keen (2015). IMF Working Paper: Base Erosion, Profit Shifting and Developing Countries: https://www.imf.org/external/pubs/ft/wp/2015/wp15118.pdf
[v] Still Broken: Governments must do more to fix the international corporate tax system - http://policy-practice.oxfam.org.uk/publications/still-broken-governments-must-do-more-to-fix-the-international-corporate-tax-sy-581878
[vi] M. Curtis (2014) 'Losing Out: Sierra Leone's massive revenue losses from tax incentives', Budget Advocacy Network (BAN), the National Advocacy Coalition on Extractives (NACE) and Tax Justice Network-Africa, http://www.christianaid.org.uk/images/Sierra-Leone-Report-tax-incentives-080414.pdf
[vii] Oil Change International and Overseas Development Institute: 'Empty Promises' www.odi.org/empty-promises (embargoed: 12 November 2015)
[viii] The Energy Report, Ecofys (2011) - http://www.ecofys.com/en/publication/the-energy-report/
[ix] UNEP Emissions Gap Report (2015) - http://uneplive.unep.org/theme/index/13#indcs
[x] IPCC (2014) Chapter 22: Africa; p 1218 https://www.ipcc.ch/pdf/assessmentreport/ar5/wg2/WGIIAR5-Chap22_FINAL.pdf
[xi] OECD and Climate Policy Initiative, 'Climate Finance in 2013/14 and the USD100 billion goal' http://www.oecd.org/env/cc/Climate-Finance-in-2013-14-and-the-USD-billion-goal.pdf
[xii] Oxfam estimates that developed countries have provided between US$4.1 to $5.5 billion a year in net public support for adaptation in 2014. This figure includes grants that are targeted at adaptation, as well as a component of grants that have adaptation co-benefits. It also includes the concessional part of loans. Source is OECD/CPI's $100bn report here http://www.oecd.org/env/cc/oecd-cpi-climate-finance-report.htm, as well as the OECD's climate finance database http://www.oecd.org/dac/stats/climate-change.htm
[xiii] World Bank, World Development Report 2012, p.80.
[xiv] International Labour Organisation http://www.ilo.org/global/about-the-ilo/lang--en/index.htm
[xv] International Labour Organisation http://www.ilo.org/global/about-the-ilo/lang--en/index.htm
[xvi] UNHCR reference: http://www.un.org/apps/news/story.asp?NewsID=51185#.VkKCydIrLDc
[xvii] Global Trends: World at War, UNHCR (2014) - https://refugeearchives.wordpress.com/2015/07/19/new-unhcr-report-2014-global-trends-world-at-war/
[xviii] World Economic Forum
[xix] OECD, Implementing the OECD principles for integrity in public procurement - http://www.oecd-ilibrary.org/governance/implementing-the-oecd-principles-for-integrity-in-public-procurement_9789264201385-en
[xx] http://www.worldbank.org/

CONTACTS

For more detailed policy papers developed by the C20 Working Groups: www.c20turkey.org

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