

# From Rhetoric to Action

## Delivering Equality & Inclusion



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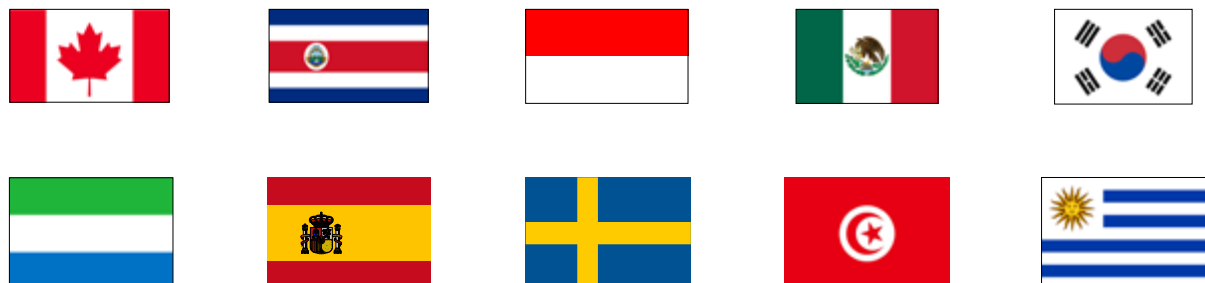
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## Multilateral, Civil Society, and Member State Partners





# Consultation Events

- High Level Retreat on Inequality & Exclusion, May 2019
- Building Momentum on the Grand Challenge on Inequality & Exclusion Event, July 2019
- Future of Social Contract, June 2020
- Roundtable: Sharing Economic Benefits: Social Protection as a Tool for Building, July 2020 (in collaboration with the World Bank and OECD)
- High-Level Event: “The challenge of a lifetime: Ensuring universal access to COVID-19 health technologies,” with Costa Rica, WHO, UNAIDS, and Pathfinders, September 2020
- Mind the Gap – Understanding Urban Inequality & Exclusion, November 2020 (in collaboration with the World Bank)
- Leading the Fight Against Corruption: UNGASS & Beyond, March 2021 (in collaboration with Open Government Partnership)
- Wage Inequality & Social Justice, March 2021 (In collaboration with UN-ESCWA)
- Grand Challenge Policy Roundtable: Fiscal Reforms Supporting Equitable and Inclusive Recoveries, May 2021 (in collaboration with the World Bank, and Oxfam)
- Policy Roundtable: Pro-equity and Inclusive Approaches to Digital Connectivity, May 2021
- Policy Roundtable: Renewing Social Contracts, June 2021
- Policy Roundtable: Inclusive Urban Development to Address Spatial Inequalities, June 2021

# Commissioned Reports

**This report was authored by a core team at CIC, which hosts the Pathfinders secretariat**, led by Faiza Shaheen and under the guidance of Liv Tørrres and Sarah Cliffe. **The team included** Alexander Bossakov, Avner Cohen, Amanda Lenhardt, Nendirmwa Noel, Paula Sevilla Núñez, and Paul von Chamier.

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- Moayed, Tara, “Recognizing Communities: Local Level Responses to the Pathfinder's Grand Challenge Policy Report Contributing to the Challenge Paper on Inequality and Exclusion,” NYU Center on International Cooperation, May 2019.
- Evans, Alex, “Rebuilding Common Ground: An Agenda for 21st Century Democratic Health and Resilience, Policy Report Contributing to the Challenge Paper on Inequality and Exclusion,” NYU Center on International Cooperation, June 2019.
- Klugman, Jeni, “What’s Good for Women and Girls can be Good for Men and Boys, Policy Report Contributing to the Challenge Paper on Inequality and Exclusion,” NYU Center on International Cooperation, June 2019.
- von Chamier, Paul, “Creating political space for fiscal compromises: How to build consensus around progressive taxation and spending, Policy Report Contributing to the Challenge Paper on Inequality and Exclusion,” NYU Center on International Cooperation, June 2019.
- Martin, Niel, Andrés Irarrazaval, and William Matheson, “Recognition – An OECD Perspective Policy Report Contributing to the Challenge Paper on Inequality and Exclusion,” NYU Center on International Cooperation, July 2019.
- Varghese, Robin, “The Graduation Approach and Universal Basic Income Policy Report Contributing to the Challenge Paper on Inequality and Exclusion,” NYU Center on International Cooperation, July 2019.
- Githongo, John, “Beneficial Ownership: The Global State of Play 2019 Policy Report Contributing to the Challenge Paper on Inequality and Exclusion,” July 2019 (with additional research by Salma Mwangola).
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- Goldin, Ian, “Essential Workers,” NYU Center on International Cooperation, September 2021, forthcoming.
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**All reports are available for download at [www.sdg16.plus/inequality](http://www.sdg16.plus/inequality)**

# Overview

In the last eighteen months, our world has seen divides that brutally contradict the vision of equality and inclusion aspired to in the Sustainable Development Goals. How is it possible that poor people and excluded minorities could die in huge numbers in cities from New York to New Delhi, while others survived because they could protect themselves at home or procure private medical care? How is it possible that we have an additional 120 million extreme poor<sup>1</sup> and 75 million<sup>2</sup> newly unemployed, and yet during the pandemic the wealth of the world's billionaires rose from USD 5 to 13 trillion?<sup>3</sup> How is it possible that some countries have secured supplies of vaccines so ample that they risk expiration at current rates of usage, while other societies are begging not only for vaccines, but even for basic medical equipment?

These stark divides are made crueler once one realizes they are avoidable. Inequality and exclusion are not destiny, or even an inevitable part of growth and development. Despite rising global inequality, 46 percent of countries made decisions which led to some improvements in the last thirty years. For example, Botswana<sup>4</sup> and Ireland<sup>5</sup> have experienced fast yet highly inclusive growth periods.

This flagship report of the [Pathfinders Grand Challenge on Inequality and Exclusion](#) is about **solutions**, based on recent and longer-term experiences. It is the culmination of several years of research and mobilization undertaken by a unique partnership of Member States, the United Nations, the World Bank, the OECD, Oxfam, and CIVICUS, along with numerous other partners and international experts.

**The report has three main messages:**

- **People around the globe demand new forms of social contracts to heal a divided world. Opinion surveys show an immense preoccupation with societal divisions and a consensus that more needs to be done to address them in a way that gives power and respect.**
- **Countries and local communities that have made sustained progress toward more inclusive and equal societies have generally taken a three-pronged approach: They have delivered visible results that make a material difference in people's daily lives, in areas such as social protection, housing, and wages; they have built solidarity through, for example, truth-telling exercises, police and justice reform, and community empowerment; and they have secured credibility and sought to avert reversals by fighting corruption and broadening political power, as well as increasing the public financing needed for policy development.**



- International policies are a critical complement to national and local action. At present, the three most urgent global priorities are vaccine equity, access to finance, and tax norms and agreements incentivizing those who have most profited from growth to contribute to COVID-19 recovery and averting the climate crisis.

#### What's new about this report:<sup>6</sup>

- It lays out key statistics explaining how reducing inequality and exclusion is in everyone's interest, by ensuring more stable growth, pandemic containment, the ability to address the climate crisis, and political stability.
- It links the economic and social aspects of inequality to the civil and political, including the links between state capture and inequality, and the benefits of maintaining civic space.
- It looks at the "how to" of practical policy making, with a starting point of political and practical viability. It describes a menu of twenty-plus policy areas that can be adapted to country circumstances, rooted in polling, research and government, and civil society consultations.
- It gives attention to both income- and identity-based inequalities, including gender, race, and ethnicity: prejudice is a target for broad-based socio-economic action, not just legal protections.
- It is explicit about the relationship between national and international policies in combating inequality and exclusion.

## Listening to people's concerns

Listening is a critical tool in good policy making. To understand the views of people in our partner countries, their concerns about inequalities, their policy priorities, and their desire for change, we commissioned a public opinion survey in eight countries.<sup>7</sup> A striking result of the poll was the strength of peoples' feelings on divisions within their societies (see Figures 1 and 2). In all the countries polled except Uruguay (narrowly, 49 percent), an absolute majority of respondents felt that too little is being done to address divisions.

Peoples' classification of divisions emerged in focus groups as diverse—poor versus wealthy, divides of ethnicity and national origin, rural or small town versus urban, young versus old, pro-science versus anti-vaxxers. The common thread is a fear that tensions between groups are rising.

Figure 1 – Perception of exclusionary divisions

To what extent do you feel that there are divisions in society that have an influence on the way we live together?

- Don't know
- Not at all
- Not very much
- To some extent
- To a large extent

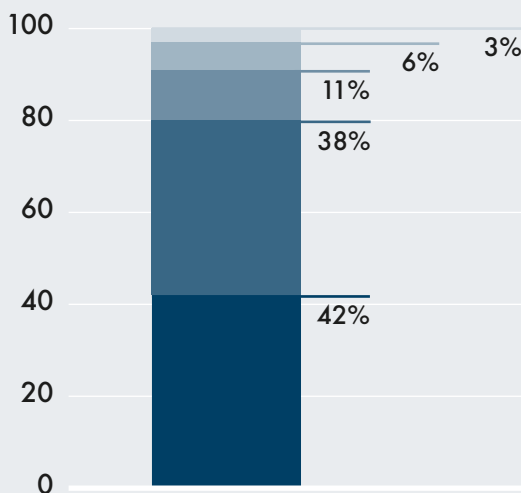
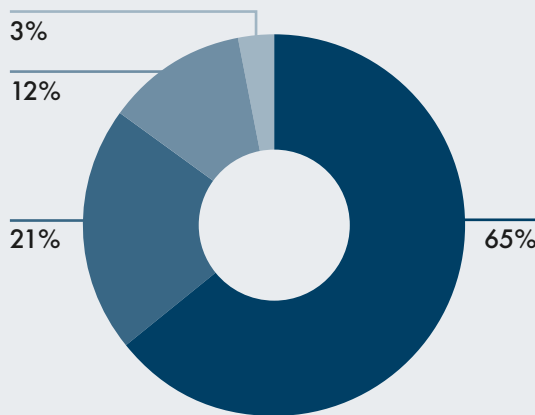


Figure 2 – Political inclusion: efforts to overcome division

In your opinion, how much do you think is done to overcome divisions in society?

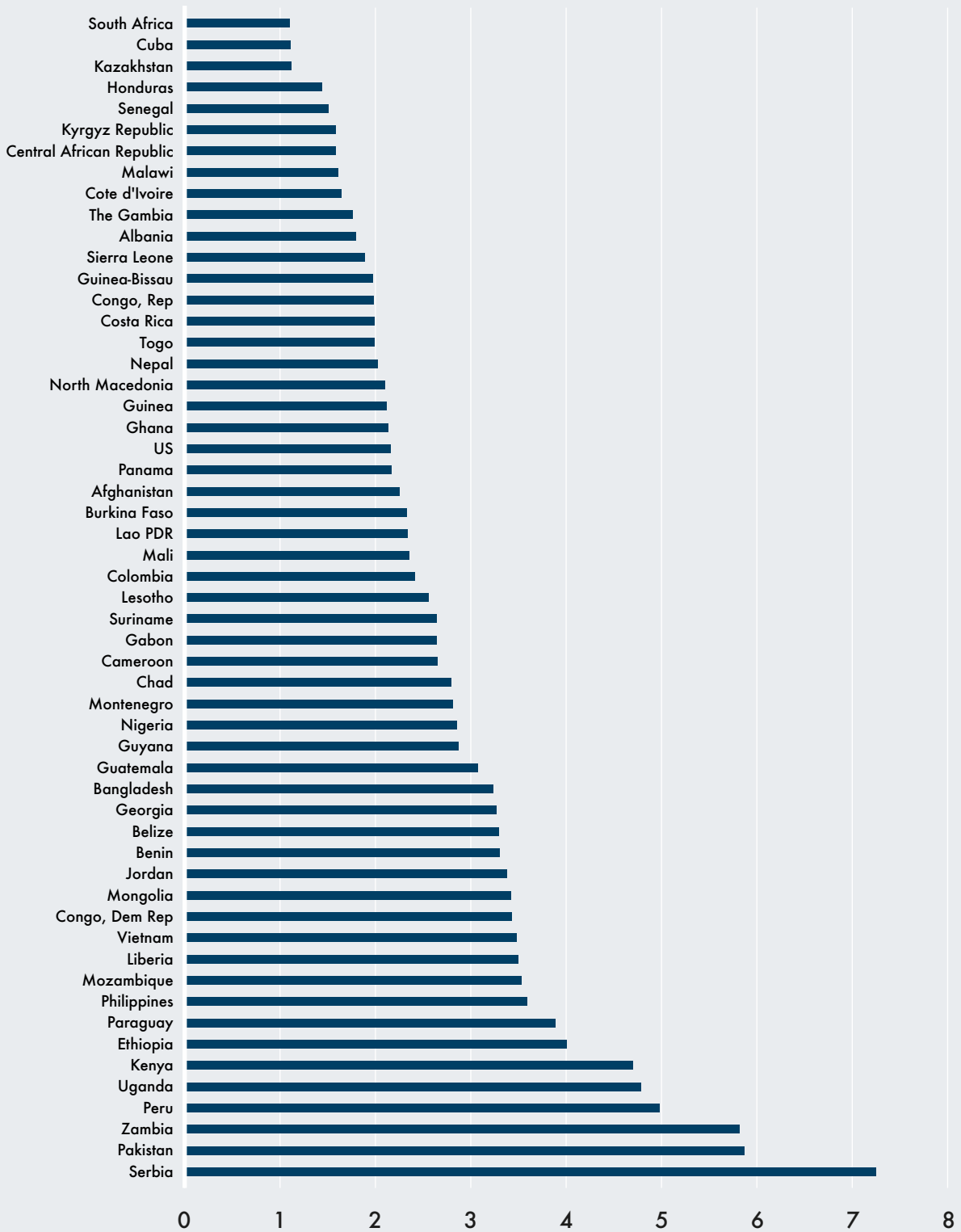
- Too little
- Too much
- The right amount
- Don't know



Source: NYU CIC and Kantar 2021; countries: Canada, Costa Rica, Mexico, Republic of Korea, Sierra Leone, Sweden, Tunisia, Uruguay.

Polling results show perceived class, urban and ethnic or racial privilege. 67 percent of people across countries surveyed thought that being born into a low-income family was equivalent to being born with a disability. Second in line, roughly equal proportions across all surveyed countries felt that being born in a rural area, to a particular ethnic group, or to a family that came to the country recently was viewed as putting children at a significant disadvantage. Because this question was about a child's disadvantage at birth, it does not explore divisions between generations, but these are apparent in broader research.<sup>8</sup>

Figure 3 – Increased likelihood of being poor if in most marginalized ethnic or racial group compared to most privileged group



Source: CIC's own elaboration based on DHS and US household data. "Demographic and Health Surveys (various) [Datasets]," ICF, 2004–2017, Funded by USAID. Rockville, Maryland: ICF [Distributor]; "Survey of consumer finances (SCF) 2019," U.S. Federal Reserve Board, 2020, [www.federalreserve.gov/econres/scfindex.htm](http://www.federalreserve.gov/econres/scfindex.htm).

The breakdown of each population was by ethnicity, race or language spoken. The number of categories varied by country, linked to how group-based data has been collected or group differences historically understood in that country. Please note, the probability is calculated in line with the proportion of that population in the bottom and top wealth quintiles. As such, where historically marginalized groups are also in the middle class, such as in the South Africa, the ratio is lowered.

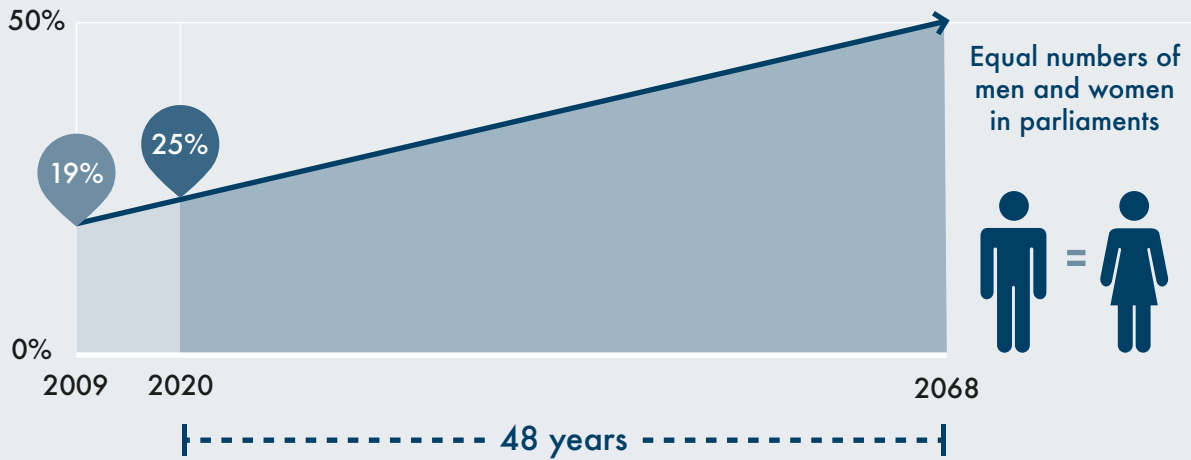
Perceptions and reality converge on most of these issues for which there is hard data. Declines in social mobility for low-income families have been well-documented globally,<sup>9</sup> along with lagging progress for the rural and small town poor.<sup>10</sup> This is backed up by Branko Milanovic's work on lagging growth for working and middle-class families in high-income countries in the last three decades, including after the 2008 depression.<sup>11</sup> CIC's analysis shows that marginalized ethnic groups are more likely to be in the poorest quintile across a wide range of countries (see Figure 3).<sup>12</sup> For instance, in Pakistan the Marwari speaking group is almost six times more likely to be in the bottom quintile of wealth when compared to the most affluent group, Panjabi speakers. Overall, on average, across 55 countries for which there was data, people from the most disadvantaged ethnic, racial, or linguistic groups are nearly three times more likely to be among the poorest households relative to their population size.

While survey respondents identified gender as a significant disadvantage, it ranked lower than income or ethnicity. Yet Figure 4 shows the slow progress made to achieve gender parity in parliaments, one locus of decision-making power.<sup>13</sup> Focus groups also raised divides between men and women on the issue of gender equality, with men in some groups stating that too much has been done for women, while women and girls indicated that progress is too slow. This point was also evident in the polling, where women were considerably more likely than men to think that being a female will give fewer opportunities in life (42 percent versus 34 percent).

In our analysis of what drives both real inequality and perceptions of divisions, a vicious cycle appears to have accelerated after the 1980s. Different authors—including recent books by Martin Sandbu<sup>14</sup> and Minouche Shafik<sup>15</sup>—have described this as a decline in the economics of belonging and a broken social contract. It is manifest in narratives justifying self-interested economic action, the increased capture of policymaking by the wealthy, the impact of financial deregulation, declining labor power or other forms of popular organization, and widening development gaps between the wealthy and the rest. Politicians in many countries have fostered perceived competition between majority working and middle-class groups and minorities, and between men and women. This has resulted in further policies that exacerbate inequality and exclusion, rather than building coalitions based on common interests between these groups.

COVID-19's differential impacts within and between countries have undoubtedly impacted this mix. We will not have conclusive data on the effect of COVID-19 on either generalized inequality or the welfare of disadvantaged groups for some time. But we do know that many people are aggrieved by these inequalities,<sup>16</sup> which they perceive the pandemic has exposed (see Figure 5).<sup>17</sup>

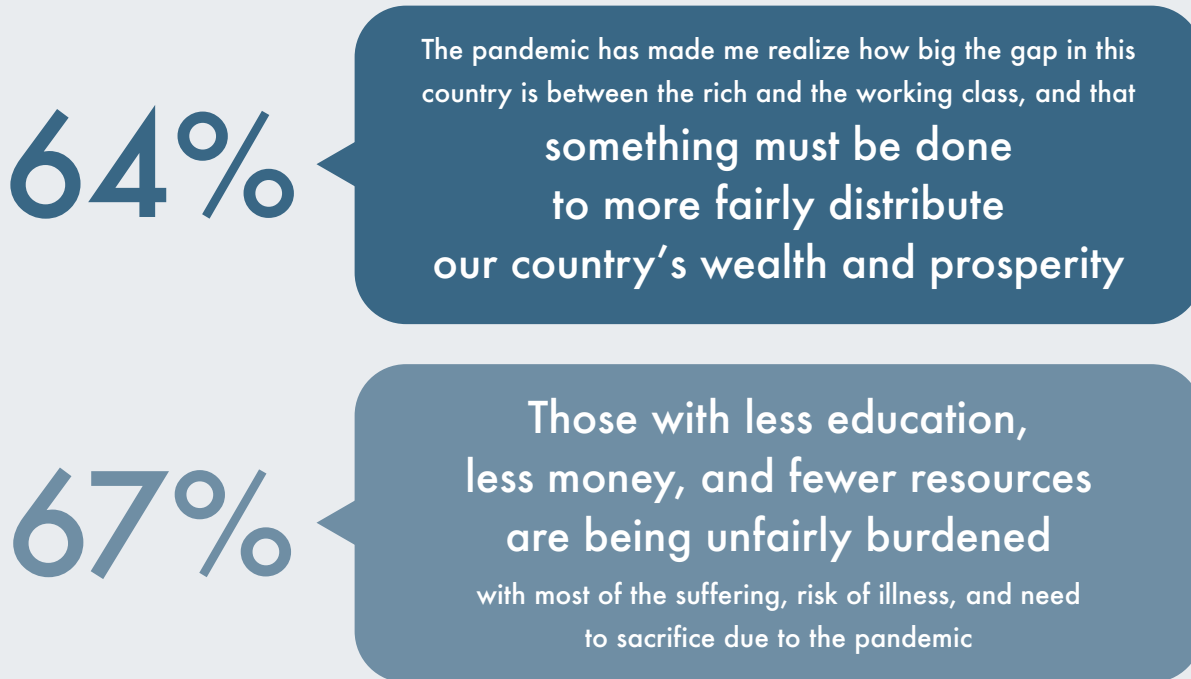
Figure 4 – Forecast progress toward equal political representation between men and women globally



Source: International IDEA, "The Global State of Democracy: Addressing the Ills, Reviving the Promise," International IDEA, 2019, <https://doi.org/10.31752/idea.2019.31>.

Figure 5 – Global inequality perceptions in the context of the COVID-19 pandemic

Percent who agree

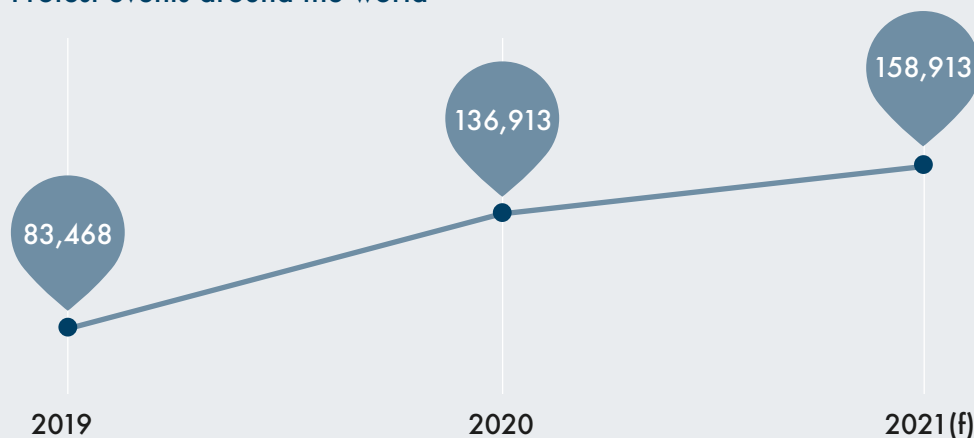


Source: Edelman, "Edelman Barometer 2020," Edelman, 2020, [www.edelman.com/sites/g/files/aatuss191/files/2020-05/2020 Edelman Trust Barometer Spring Update.pdf](http://www.edelman.com/sites/g/files/aatuss191/files/2020-05/2020%20Edelman%20Trust%20Barometer%20Spring%20Update.pdf).



Figure 6 – Protest events globally between 2019–2021

Protest events around the world



Source: CIC estimates using ACLED global data as of August 2021.

The pandemic is also not over yet. Vaccine rollout remains highly unequal, as does access to financial liquidity, leading the IMF to conclude that fault lines are widening in the global economy.<sup>18</sup> CIC concludes that over 100 countries are at risk of harsh fiscal consolidation by the mid-2020s, which could exacerbate inequality.<sup>19</sup> Protests on a variety of issues have already been increasing globally<sup>20</sup> despite the risks of participation during the pandemic (see Figure 6). While some forms of protest are positive spurs to action on inequality, others can be negative.<sup>21</sup> The rise and the diversity of protests—from demands for tax reform, higher wages, and social protection to anti-vaccination and lockdown action—do seem to signal a fraying of the social contract. This is a potent cocktail which could see the health and socioeconomic crises translate into greater political instability without alternative policy approaches.

## We need a new narrative: reducing inequality and exclusion is in everyone's interest except those at the very top

Redefining the political narrative is part of the solution. COVID-19 has helped demonstrate once and for all the deep flaws in the slogans and theories that played a role in spurring global inequality, such as Ronald Reagan's "Government is not the solution to our problem; government is the problem",<sup>22</sup> and Margaret Thatcher's "There's no such thing as society."<sup>23</sup> Narratives are important in politics and economics.<sup>24</sup>

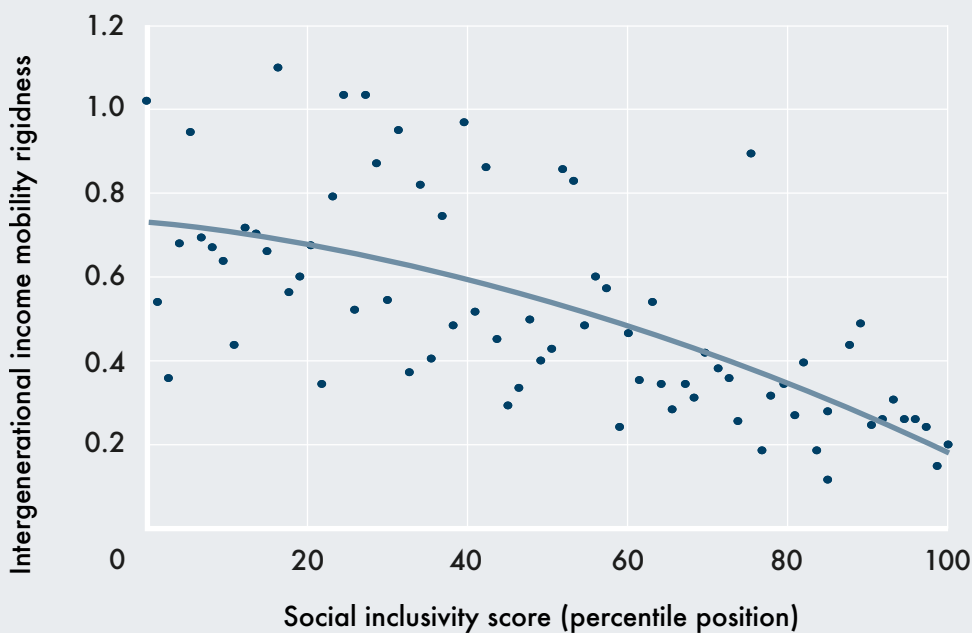
Research backs up a narrative that in fact everyone benefits from strong and inclusive societies. Recent CIC-Pathfinders Grand Challenge research shows that more equal societies did a better job of containing the pandemic: a country with 10 Gini points higher than the average levels of inequality accrued around 300 percent higher infections after twenty-one weeks of the pandemic.<sup>25</sup>

**This is a big deal: just based on public health goods, more equal and inclusive societies deliver.**

More equality also delivers more growth and more sustained growth: the IMF has calculated that above a threshold Gini of 27 (which is a low number, well below the current global average of around 38), countries start to experience a growth gap,<sup>26</sup> and their periods of growth are shorter (by 1.4 years on average for every additional point of the Gini coefficient).<sup>27</sup>

Exclusion based on identity also matters for economic growth. McKinsey has estimated that \$12 trillion could be added to global GDP by 2025 by advancing women’s equality (for a comparison, annual global GDP is around \$85 trillion),<sup>28</sup> simply if we assume that women should earn as much as men and would do so if they did not face discrimination and prejudice. Exclusion based on ethnic, religious, and cultural identity also has detrimental effects. Social prejudices limit social and economic mobility (see Figure 7), deepening intergenerational poverty and curtailing society-wide growth.

**Figure 7 – Social exclusion correlates with limited intergenerational advancement**



Source: own elaboration; Data: The World Bank 2015 Fair Progress Report. (The data measures intergenerational income mobility per country by comparing respondents' income position at the age of 40 with the one of their parents when they were at that age. It includes cohorts of people born in the 1970s and the 1980s.); V-Dem Exclusion by Social Group Index (inversed) for the year 2015 from the Dataset 11.1.

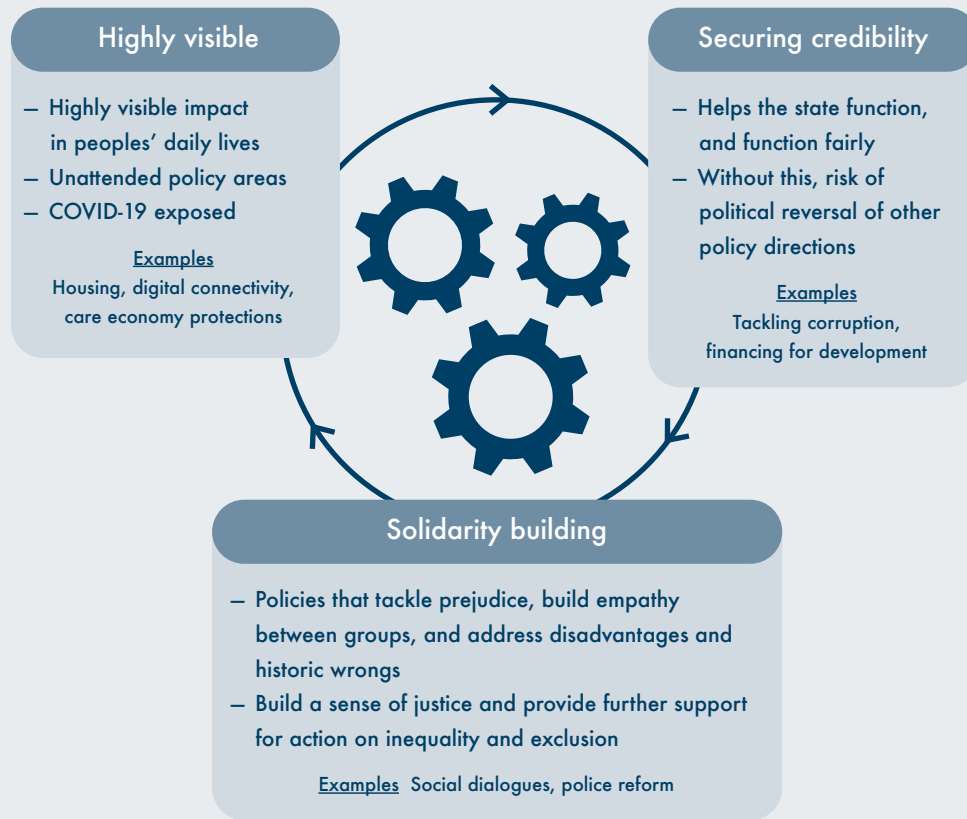
In the longer term, inequality and exclusion may also constrain our ability to address climate change. The inequalities spurred by climate change are legion, from Indigenous people in the Andes whose historical water supplies are drying up, to nomadic herdsman in the Sahel who are being driven out of their traditional areas. There is also good theoretical argument (backed by concrete examples) on how inequality is a contributor to climate change, not simply an effect. State capture—whether through businesses lobbying against regulation, entrenched monopolies, or a composite of ethnopolitical and military players<sup>29</sup>—has been shown to explain failures of action on climate.<sup>30</sup> By contrast, a broad-based social contract can help make progress on climate change, as, for example, in Costa Rica, the only tropical country worldwide to have reversed deforestation.<sup>31</sup>

Last, inequalities and exclusion have an effect on the probability of conflict. Research suggests that countries with high levels of education inequality between ethnicities and religions have double the risk of violent conflict compared to countries where education was more equitably distributed across groups,<sup>32</sup> and exclusion of ethnic groups from political power is even more strongly related to risk of conflict.<sup>33</sup> Low status of women in relation to men, in particular their experience of domestic violence, is a good predictor of a country's overall propensity for violence.<sup>34</sup> Even in the many countries where outright civil conflict is not a short-term risk, inequality and exclusion translate to physical insecurity.<sup>35</sup>

All these impacts show that inequality and exclusion affect not only the poor and marginalized, but all of us: pandemics, climate, and violent conflict are public ills which no one can entirely avoid, including the most privileged. Yet those at the top of the ladders of wealth, income, and privilege can be significant blockers of real change. This is the first part of the new narrative we need: *those who block more inclusive policies are acting against the common interest*. All citizens need to contribute to realize these benefits, including those who have profited from the last three decades of growth.<sup>36</sup>

The second part of the narrative we need comes from research<sup>37</sup> into countries that have made progress— and demonstrate that success is possible. Pathfinders' database of 113 countries showed that between 1990–2021, 46 percent experienced improvements in at least one of the decades, both in the share of GDP going to people in the bottom 90 percent of earners and the Gini Coefficient. However, 42 percent of these countries experienced subsequent reversals in their progress. The handful of countries that saw continuous progress include Argentina and Rwanda. Three types of action were revealed as critical for countries that achieved successful reduction of inequalities and exclusion: highly visible programs; solidarity building initiatives; and policies to secure credibility and prevent reversal (see Figure 8). They are rooted in actions that help build political support as well as leveraging broad impacts.

Figure 8 – A policy approach to tackling inequality & exclusion



Source: NYU CIC own elaboration

So the narrative starts by saying that success is possible. Success benefits everyone, in terms of social mobility, political stability, preventing pandemics and conflicts, and (with more tentative evidence) combatting climate change. Those who block more inclusive policies are not acting in the common interest. The following narrative on this issue got favorable responses in country focus groups:

*“No matter where we come from or what our cultural background, most of us work hard for our families, but today in our country there are some powerful people—certain politicians, and a small number of extremely wealthy individuals—who use their power to benefit themselves. We need policies that redistribute wealth, we need more equality, and we need to address corruption at the top of society.”*

We know quite a lot about the policies that work: they need to show visible results that make a difference in peoples' daily lives, build solidarity, and secure the credibility that prevents reversals. And action has to be local and national as well as international.

## The “how to” of reducing inequality and exclusion: visible results, solidarity-building, and securing credibility

Findings on what practical policies work—the “how to” of reducing inequality and exclusion—tend to show that a combination is required, adapted to each country's circumstances but containing some progress in each of the three clusters of tangible results. Countries that made progress on credibility (such as anti-corruption reforms) but did not deliver visible results often failed to sustain momentum. Likewise, countries that delivered visible results, but did not root these in solidarity-building change or secure credibility, often faced reversals.

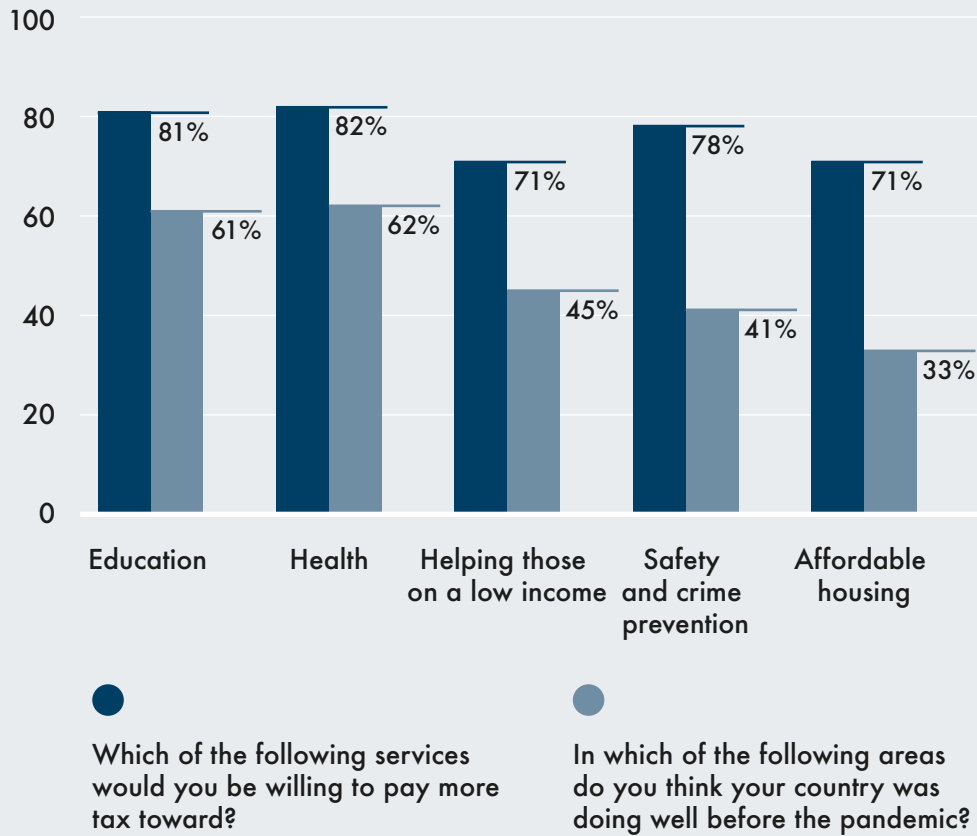
For example, Sierra Leone after its brutal civil war of 2002 (i) implemented policies that delivered tangible benefits to the population<sup>38</sup> in health, education, and access to justice; (ii) conducted extensive truth and reconciliation exercises to diminish polarization and build solidarity; (iii) reformed the police and justice system<sup>39</sup>; and (iv) sustained improvements in anti-corruption measures, albeit from a low base.<sup>40</sup> As a result, it has weathered the devastating Ebola outbreak as well as navigating COVID-19's impacts with relative success. Brazil, by contrast, made impressive progress on visible policies to reduce inequality (and saw this reflected in its Gini coefficient) but failed to build the solidarity and anti-corruption measures necessary to sustain progress.

### Visible results

Tangible and visible actions can include education and health, social protection, access to housing, digital connectivity, increased real wages and jobs, and better protections in the care economy and other essential occupations.<sup>41,42</sup> Some interesting results emerge from polling (see Figure 9). These show that while education and health are an absolute priority for which people would be prepared to pay higher taxes, people in the countries surveyed also felt that these areas were doing fairly well before the pandemic. Replace with: People are also willing to pay more taxes for public safety, affordable housing and support for low-income families, but think that much less progress has been made in these areas.



**Figure 9 – The gaps between where people think government is doing well and where they are willing to pay more taxes**



Source: NYU CIC and Kantar 2021; countries: Canada, Costa Rica, Mexico, Republic of Korea, Sierra Leone, Sweden, Tunisia, Uruguay.

Aside from identifying underattended sectors of inclusive delivery in housing and safety and crime prevention, our research and consultations suggest some conclusions on the longstanding development question of targeted versus universal socioeconomic programs. With regard to the sequencing of reforms, Guggenheim et al. find that social protection programs that are either universal or very broad-based are more successful in sustaining political momentum in reforms such as the elimination of regressive electricity subsidies.<sup>43</sup> Our country consultations show that this aspect of sustaining broad political support can be achieved in various ways: by prioritizing broad-based programs that “target out” rather than “target in,” or, as in Indonesia, combining universal reforms such as health insurance with those that more tightly target communities and households.<sup>44</sup>

Our findings also support the idea that in general it is better to choose broad-based socioeconomic programs in sectors that benefit the poor and precarious middle-class and marginalized communities, rather than specifically targeting households based on identity. This is because the same tangible benefits can be achieved without provoking backlash.

Urban planning and land use is an example: exclusion from urban housing opportunities is an issue for the precarious urban poor, middle class, and those seeking to migrate from rural areas. It is also a locus of disadvantage in most countries for female-headed households, ethnic, racial, and religious minorities, and can be a source of tension because of the proximity of rich and poor neighborhoods.<sup>45</sup> A similar dynamic can be seen in compensation for essential workers:<sup>46</sup> exclusion benefits the urban precariat, informal sector workers, rural workers through remittances, and women, ethnic or caste-based minorities, and migrant workers who make up a large share of formal and informal sector essential services in many countries. Likewise, action on social protection and the last mile in digital connectivity<sup>47</sup> can have strong results for disadvantaged minorities, including the rural population, while also benefiting majority ethnic and racial groups within the poor and middle class.

The nature of partnerships between governments, community groups, and civil society also plays a role in the visible success of programs. Uruguay, which has made significant progress in supporting access to housing through the establishment of broad-based cooperatives and mutual aid systems that draw upon local community partnerships,<sup>48</sup> is the only country in our polling exercise where a majority are satisfied with progress on housing. Another successful partnership in coalitions for change is Mexico, which established new minimum wage legislation in 2020. This came about through a combination of pressure from government and parliamentary reformers, trade unions, and NGOs.<sup>49</sup>

Practical tools are available to support governments in implementing visible results that build confidence. One is the Mind the Gap Index<sup>50</sup> developed by Pathfinders and piloted in Jakarta, Mexico City, and Addis Ababa. This tracks the gaps between underlying inequalities and government responses at the local level: e.g., do the areas with lowest education standards get the highest per capita investment in education? And do the areas with highest crime receive the fastest police response times?

Timing is important for successful implementation of visible programs, since delays undermine confidence. The pandemic has shown that rapid actions are possible in digitizing social protection or providing benefits to informal sector workers.<sup>51</sup> Timing is also crucial for the top visible result targeted in this report: global vaccine equity. Accelerating the rollout of vaccination programs globally and at the national level will require rapid national and international action. Although some countries are also facing barriers of vaccine hesitancy on the demand side, the primary constraints are in supply. As the powerful message from President Alvarado of Costa Rica outlines (Box 1), bold international action is needed to overcome this.

## Box 1 – The social contract, international trust, and vaccine justice

Carlos Alvarado  
President of Costa Rica

The claim that “no one is safe until everyone is safe” is commonly heard in the response to COVID-19, but it bears repeating—the pandemic knows no borders and can only be tackled through an unprecedented effort of global solidarity and international cooperation.

In the early stages of the pandemic, we realized the only way forward was to prioritize everyone’s health equally, paying special attention to the most vulnerable. The Government of Costa Rica quickly expanded the social security system, increased hospital capacity, and provided access to COVID-19 tests and treatment. The “Bono Proteger” program was launched to provide temporary subsidies to affected people. In keeping with our view that building social solidarity is the key to tackling many issues, we implemented “Costa Rica works and takes care of itself” with reduced mobility and limited business hours rather than strict lockdowns. This produced one of the lowest lethality rates in the region—although our challenges have been deep, and accompanied by serious fiscal constraints, societal divisions, and the need for national dialogue.

Our national efforts will only effectively protect our citizens’ health and livelihoods if they are supported by international cooperation in the production and distribution of vaccines. Early in the pandemic we spearheaded the COVID-19 Technology Access Pool (C-TAP), with the objective of providing open, collaborative knowledge sharing on data and intellectual property for existing and new health tools to combat COVID-19 including the development of vaccines.

Costa Rica believes that we have a responsibility to our future and to each other. Our commitment to the planet through reaching net zero emissions by 2050 and reversing deforestation also requires that we collaborate with the international community in securing global public goods, such as COVID-19 vaccines. Vaccine nationalism jeopardizes the global ability to overcome the COVID-19 pandemic, undermines national attempts to secure the social contract, and creates international tensions. If we act collectively now, our resilience will extend beyond responding to the COVID-19 crisis, enabling us to face future pandemics, combat climate change, and secure the future of new generations.

## Solidarity-building policies

The second cluster of policies crucial to sustaining reductions in inequality over time are those that **build long-term solidarity**. This can include national dialogues, truth-telling exercises, and unifying leadership (see Box 1), education, people-centered access to justice,<sup>52</sup> and local and community codesign of programs.<sup>53,54</sup>

Approaches to social dialogue in today's polarized societies can learn from the experience of post-conflict countries.<sup>55</sup> National dialogues and truth-telling that review past episodes of abuse and establish shared knowledge have been a key feature of successful post-conflict transitions.<sup>56</sup> They can be adapted to the legacies of structural racism and even to economic and social policy and business actions that have resulted in the degradation of communities, such as the calls for reparations for the opioid crisis in the US.

Dialogues designed to build solidarity need to translate into practical, concrete agreements if they are to have credibility with the population.<sup>57</sup> Alongside governments, business and trade unions remain key partners to deliver practical results,<sup>58</sup> although in many countries care will be needed to ensure these processes are representative of women and the marginalized, and also include youth and unemployed workers. Dialogues can be supported by effective analytical tools, such as the Commitment to Equity tools and the Mind-the-Gap Index referenced earlier, which can underpin municipal dialogues on services.<sup>59</sup>

Education is another useful long-term tool for building unity. Examples drawn from Germany's education programs show that incorporating truth-telling over historical memory in the education curriculum from early education through university can help cultivate inclusion and empathy for the struggles of minority and outsider communities.<sup>60</sup>

Police and justice reform can play an important part in solidarity-building, strengthening trust between communities and the state and improving confidence in equal treatment of all under the law. In some situations this will include accountability for abuses and a focus on nondiscrimination in law and practice, up to and including constitutional or legal reform. In others, community-level approaches may be most important to build solidarity and trust. Community policing has shown successes even in the most difficult circumstances.<sup>61</sup> Police reforms centered on community policing can build solidarity, and can benefit both majority and minority groups.<sup>62</sup> People-centered justice approaches can also help, prioritizing the six problems that most affect the lives of "normal" people—money/debt, land and housing, responses to crime and violence labor, access to services, family issues—and adapting these to country circumstances.<sup>63</sup>

Finally, building solidarity is not only a top-down process, but also bottom-up. The empowerment of groups and communities to identify and address local inequalities is a crucial part of broader societal acceptance and effective visible results. Approaches to community empowerment and codesign<sup>64</sup> have shown

better developmental results than more traditional top-down approaches.<sup>65</sup> They can also increase trust, both between citizens and the state, but also horizontally between identity groups:<sup>66</sup> in Indonesia, for example, they have played a role in increasing intergroup trust in areas of communal conflict.<sup>67,68</sup>

## Securing credibility

Our analysis shows that while fifty-plus countries succeeded in improving inequality and exclusion in the last three decades, 42 percent of these countries experienced subsequent reversals in their progress. We need therefore to focus not only on how to design and initiate policies suited to national and local circumstances, but also on how to secure credibility of implementation and prevent reversals.

One key factor that correlates with reversals and failure to reform is corruption and capture—in particular upstream state capture. State capture is a process in which narrow interest groups gain control over the distribution of state assets and resources, affecting laws, policy, and the implementation of policy to their advantage.<sup>69</sup> It goes beyond corruption and may be legal in some jurisdictions, but it is not in the public interest. Capture almost always excludes women and disadvantaged minorities as much as the general poor.<sup>70</sup> Some of South Africa’s inability to further reduce inequality after initial post-Apartheid progress, for example, has been attributed to state capture. President Cyril Ramaphosa has personally led the acknowledgement of state capture and the fight against it, including pushing through reforms to suspend officials within his own party under investigation for corruption; procurement reform;<sup>71</sup> and support for the Judicial Commission of Inquiry into Allegations of State Capture, known as the Zondo Commission.<sup>72</sup>

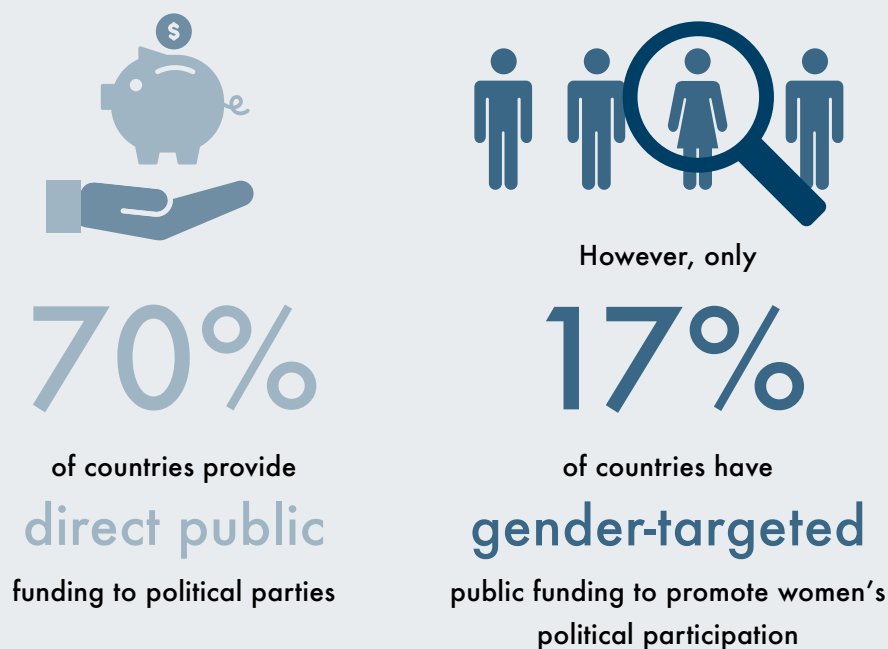
Actions to prevent corruption and capture through a number of mechanisms: transparency of political party financing and norms that government resources cannot be used for campaigning; open and competitive recruitment into the civil service; preventing a revolving door between the military and the civil service or dual functions for the military; open contracting procedures; and beneficial ownership registries.<sup>73</sup>

National efforts can be complemented by international actions—e.g., exchange of information between jurisdictions and cooperation over asset recovery.<sup>74</sup> International norms and exchange of best practice can also help support national reformers, as the Open Government Partnership demonstrates.<sup>75</sup>

Another vital action that emerges as important to prevent reversal is to expand the political power and voice of the marginalized. Public financing<sup>76</sup> for political candidates from marginalized groups can be expanded at relatively low cost (see Figure 10). Gender-targeted public financing is most common, but this could easily be expanded to disadvantaged groups on the basis of race, ethnicity, or sexual orientation.<sup>77</sup>



Figure 10 – Countries with provision of public funding and gender-targeted public funding



Source: Political Finance Database, International IDEA. Data collected between years 2016–2019.

The last area crucial to secure credibility and prevent reversal is to maintain civic space. Government reformers can easily view mass-based organizations and youth-led mobilization as an irritation or threat. But the track record of countries that have successfully reduced inequality and exclusion shows that government reformers need countervailing pressure from civil society to sustain reforms. Popular protest is unlikely to disappear if civic space is restrained, but will instead fuel grievances, reinforce experiences of exclusion, and can incentivize pursuing other, more violent forms of dissent. And strong democratic civil society organizations have been shown throughout history to contribute to growth, democratization, and constructive social compacts.<sup>78</sup>

## How to pay for it?

The practicalities of policies depend on the costs and sources of finance. Some of the policies outlined above cost relatively little: truth-telling exercises and national dialogues, for example. Some cost more: the global cost of filling the financing gap for universal social protection coverage globally to be \$792.6 billion.<sup>79</sup>

Where additional public resources are needed, we identify a number of different measures. The first is to eliminate areas where current fiscal policies actually worsen inequality, as is the case in many countries, according to the Commitment to Equity Institute.<sup>80</sup> Analyzing who pays and who benefits, publicizing this, and developing popular pressure to reduce gaps in tax compliance and exemptions and redirect spending to the poor and middle class is a basic approach to help pay for pro-equity policies.

A complementary approach is for individuals and companies who have profited most from economic growth in the last thirty years—including during the pandemic—to contribute more. The IMF has noted the scope and benefit of considering solidarity taxes to help finance COVID-19 recovery through surtaxes on personal income and on excess profits within companies, as well as international agreements on tax.<sup>81</sup> Our research indicates that these measures need not be as temporary as the Fund recommends. However, they should be transparent as to what they are paying for, whether new income and wealth taxes are temporary or permanent and for how long, and what triggers will determine their duration.<sup>82</sup>

Not all pro-equity spending initiatives need to be fully funded through the public purse. A McKinsey study found the global gap in affordable housing in cities to be around 1 percent of global GDP.<sup>83</sup> This is a significant amount, but some of that cost could be achieved through incentivizing companies and cooperatives,<sup>84</sup> as in the Netherlands and Uruguay. Housing and reform of the care economy are investments with excellent returns: simulated results for selected countries reveal that investing 2 percent of GDP in public care services, for example, would create almost as many jobs for men as investing the same in construction industries, and up to four times as many jobs for women.<sup>85</sup>

Internationally, more instruments are needed to bridge the gap in access to commercial finance between OECD countries and much of the rest of the world. The current Special Drawing Rights allocation in process needs quick implementation and clear reallocation mechanisms to low-income countries. Accelerating Multilateral Development Bank (MDB) replenishments is a good practical tool, but acceptance by MDB shareholders (governments) of the slightly higher risk associated with an AA rating would release far more money to a far greater number of countries.<sup>86</sup> The common framework for debt reduction initiated by the G20 needs to be operationalized more rapidly and in a more systematic manner. The recent agreement on international taxation could be strengthened to remove exemptions from particular sectors.<sup>87</sup>

There are also new tools on the table which merit attention. To increase global tax recovery and reduce corruption, Zucman has proposed piloting global asset registries.<sup>88</sup> Blyth and Lonergan have proposed borrowing for new sovereign wealth funds that are owned and invested for the benefit of the 80 percent of the population with low asset ownership in most countries, as well as negotiating dividends with tech companies that reflect the great value of our personal data to these companies in the digital economy.<sup>89</sup>

Here are all the policies identified for each of the three clusters of highly visible, solidarity-building, and securing credibility to prevent reversals (see Table 1).

**Table 1 – Policies to deliver equality and inclusion**

Highly visible	Solidarity building	Securing credibility
Global health commons, access to medical technologies and vaccines	Applying post-conflict tools to polarized societies, including truth-telling	Open and competitive process of recruitment and contracting across government
Universal, targeted, and community-based social protection	Positive narratives of diversity, immigration, and recognition of multicultural histories through education	Transparent beneficial ownership and piloting of global asset registries
Higher compensation for essential workers	Youth inclusion	International anticorruption action: asset recovery, norms on ownership, and contracting transparency
Increased accessibility to affordable housing	People-centered justice reform	Reform party finance and increase political representation of women and marginalized groups
Increased protection in the care economy	Community-driven development and codesign	Increased civic space and strengthening of partnerships between civil society and political reformers
Digital connectivity acceleration	COVID-19 recovery pro-poor and middle-class spending indicators	Guarantee the functions of free press
Green job creation and skills training	Mind-the-Gap Index for local inequality and exclusion	Financing for development: special drawing rights, debt relief, international taxation agreements, and scaled up multilateral development bank financing (see "How to pay for it" below)
<p><b>How to pay for it</b></p> <ul style="list-style-type: none"> <li>— Domestic resource mobilization through building the tax base, introducing solidarity taxes, clamping down on tax exemptions, and increasing inspection and collection capacity</li> <li>— Debt relief, redistribution of special drawing rights to low- and middle-income countries</li> <li>— Global action on tax evasion and avoidance, as well as illicit financial flows</li> </ul>		

# Conclusions and recommendations

In sum, this report has ten main conclusions and recommendations:

## Three main conclusions:

- **Success is possible: over fifty countries have seen improvements in inequality at some point in the last three decade.**
- **Success benefits everyone, in terms of social mobility, political stability, preventing pandemics and conflicts, and (with more tentative evidence) combatting climate change. Those who block more inclusive policies are not acting in the common interest.**
- **Success requires a combination of national and international approaches. Inequality and exclusion have been treated as a national issue, but national efforts alone are not enough in this day and age to succeed. We need international efforts—most urgently, access to vaccines and medical technologies, liquidity and financing, and anti-corruption collaboration— to support national efforts.**

## Three recommendations for national leadership and their partners:

- **Target measures that deliver visible improvements to people, including often under-attended areas such as access to housing and safety and crime prevention, as well as broad-based social protection and essential and care economy worker compensation and protection.**
- **Invest in mechanisms to promote long-term solidarity through dialogue and truth-telling mechanisms, police and justice reform, community empowerment and codesign, and investments in education both for skills and civic reasons.**
- **Secure credibility and trust and prevent reversals through anticorruption measures, expanding political office-holding, and protecting civic space. Understand that even when governments have a strong mandate and capacity, actions are needed to prevent subsequent risks of reversal.**

## Four recommendations for member states, civil society, and other partners together:

- **Immediately expand vaccine supply and financing, as well as access to other medical technologies.**
- **Immediately agree to new mechanisms and debt relief for the one hundred-plus countries that are fiscally constrained, threatening their COVID-19 recovery.**
- **Strengthen international mechanisms for action against corruption, including collaboration between jurisdictions, and supporting beneficial ownership and open contracting.**

- **As a basis for further improvement: (i) monitor both international and national commitments, and research the link between the two; (ii) improve data on progress in lowering inequalities and exclusion, both generalized and based on identities.**

We have a short time window to make this difference. All indications are that we will enter fall 2021 with a world of COVID-19 haves and have-nots, exacerbating underlying inequalities and manifesting both nationally and internationally. We have already seen what an unequal recovery looks like following the 2008 financial crisis: it intensifies material exclusion and increases distrust and political instability. We owe it to each other to do better this time.

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- 499 **This** number includes 36 countries labeled by the IMF as debt-distressed and at a high level of debt distress in its DSA analysis as well as 62 other countries, which had to request special COVID19-related financing from the IMF. For more details, see [www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker#REGION](http://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker#REGION).

This flagship report of the Pathfinders Grand Challenge on Inequality and Exclusion is about the solutions that will deliver equality and inclusion. It is the culmination of several years of research and mobilization undertaken by a unique partnership of ten countries, the United Nations, the World Bank, the OECD, Oxfam, and CIVICUS, along with numerous partners and international experts.

The report constructs a bridge between the rhetoric of “build back better” and action: a bridge between promise and progress. It underlines the need for renewed social contracts between citizens, civil society, the private sector, and governments, as well as between high and low- and middle-income countries. These social contracts must be built to serve future generations, to guard against climate breakdown and pandemics while delivering respect, opportunity, and justice for all.

This report should serve as a practical handbook for policymakers and influencers; as a source of possibility for the public; and, as a call to all political leaders to act.

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