

From Rhetoric to Action

Delivering Equality & Inclusion



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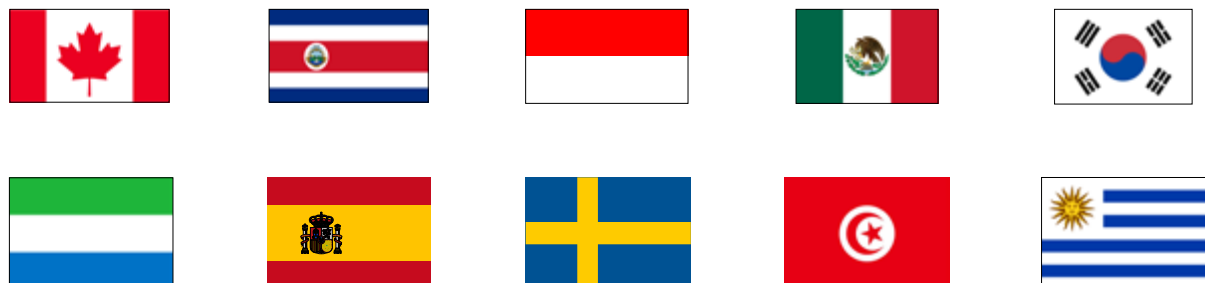
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- Building Momentum on the Grand Challenge on Inequality & Exclusion Event, July 2019
- Future of Social Contract, June 2020
- Roundtable: Sharing Economic Benefits: Social Protection as a Tool for Building, July 2020 (in collaboration with the World 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
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- Goldin, Ian, “Essential Workers,” NYU Center on International Cooperation, September 2021, forthcoming.
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Table of Contents

| | | |
|----|--|-----|
| | Overview | 1 |
| 1 | Introduction | 22 |
| 2 | Public Opinion on Inequality & Exclusion | 27 |
| 3 | Gaps and Trends | 39 |
| 4 | Why Do Inequality and Exclusion Matter? | 59 |
| 5 | What Has Gone Wrong? | 75 |
| 6 | Framing a Renewed Social Contract | 82 |
| 7 | Introducing a Policy Package | 93 |
| 8 | Policies That Deliver Visible Impact | 103 |
| 9 | Policies That Promote Solidarity | 136 |
| 10 | Policies That Secure Credibility and Trust | 164 |
| 11 | How Do We Pay for It? | 183 |
| 12 | Conclusions and Recommendations | 204 |
| | Endnotes | 211 |

Boxes

- Box 1 How much inequality is too much? 44
- Box 2 COVID-19 and inequality: the risks of an uneven recovery in an unequal world 45
- Box 3 Cultures of privilege and cultures of solidarity 47
- Box 4 Women in informal employment and COVID-19: insights from WIEGO's COVID-19 and informal workers impact study 53
- Box 5 Child marriage in Bangladesh 57
- Box 6 The impact of inequality in the Arab region 70
- Box 7 Inequality, exclusion, and trust in OECD countries 81
- Box 8 The Korean new deal 86
- Box 9 The social contract, international trust, and vaccine justice 88
- Box 10 The importance of visible change post-revolution 107
- Box 11 To beat pandemics, fight inequality 111
- Box 12 Experiences and challenges in focusing on equality and inclusion in COVID-19 recovery 125
- Box 13 Policies to make a visible impact on peoples' lives in Mexico 134
- Box 14 Combining universal, targeted, and community social services and social protection mechanisms 141
- Box 15 Canada: National reconciliation with Indigenous peoples 147
- Box 16 Policing and race 153
- Box 17 Delivering equality and inclusion through COVID-19 recovery spending 159
- Box 18 Fighting state capture in South Africa 165
- Box 19 Tackling military influence on politics 166
- Box 20 Using a specific corruption scandal to launch broader reforms against corruption and capture 167
- Box 21 Rebuilding trust from the top and bottom 171
- Box 22 Targeted public funding for inclusion of people with disabilities in South Korea 175
- Box 23 Funding for youth, women, and ethnic minorities in Colombia 175
- Box 24 Reaching compromise in financing between DRM and international FFD policies 191
- Box 25 Reforming our global corporate tax system 198

Policy Boxes

| | |
|--------------|---|
| Policy Box A | Delivering vaccines and a new global health commons 111 |
| Policy Box B | Extending social protection policies 114 |
| Policy Box C | Securing higher compensation and rights for essential workers 116 |
| Policy Box D | Increasing access to affordable housing 120 |
| Policy Box E | Enhancing digital connectivity 124 |
| Policy Box F | Transforming care work 128 |
| Policy Box G | Green job creation and re-skilling 133 |
| Policy Box H | Building unity through reconciliation, community ownership, and reparations 145 |
| Policy Box I | Tackling the generation divide through youth inclusion 150 |
| Policy Box J | Creating people-centered justice systems 151 |
| Policy Box K | Police reform 154 |
| Policy Box L | Preventing corruption 167 |
| Policy Box M | Reforming political funding 176 |
| Policy Box N | Youth representation 177 |
| Policy Box O | Enlarging and protecting civic space 179 |
| Policy Box P | Addressing the debt crisis 189 |
| Policy Box Q | A new allocation of special drawing rights (SDRs) 193 |
| Policy Box R | Tax justice 199 |

Tables

| | |
|---------|---|
| Table 1 | Actualization of Pancasila as a COVID-19 handling protocol and readiness toward a safer and more productive society (new normal) 90 |
| Table 2 | Policies to deliver equality and inclusion 96 |
| Table 3 | Top ten countries that saw biggest decline in inequality across different measures 101 |
| Table 4 | Policies for visible change 108 |
| Table 5 | An adapted OCED DAC scoring system for public investments' impact on inequality 158 |

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 poor¹ and 75 million² newly unemployed, and yet during the pandemic the wealth of the world's billionaires rose from USD 5 to 13 trillion?³ 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, Botswana⁴ and Ireland⁵ 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:⁶

- 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.⁷ 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

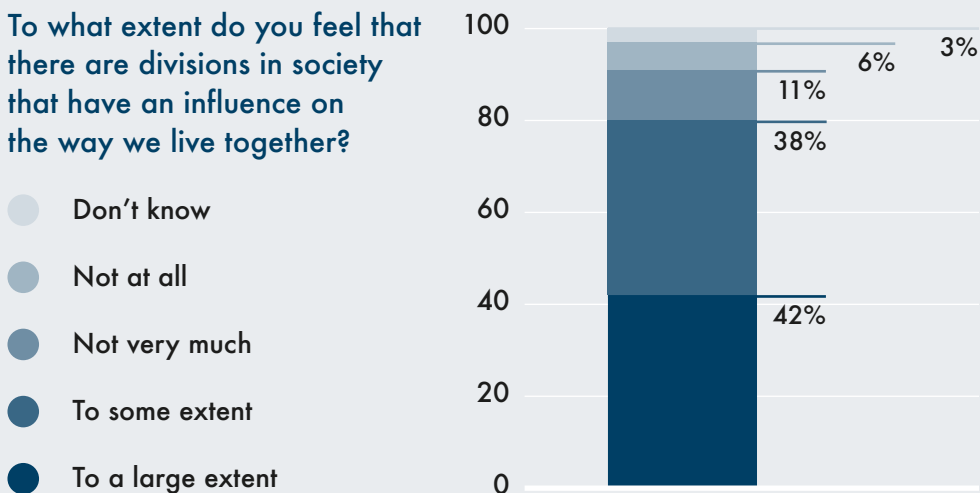
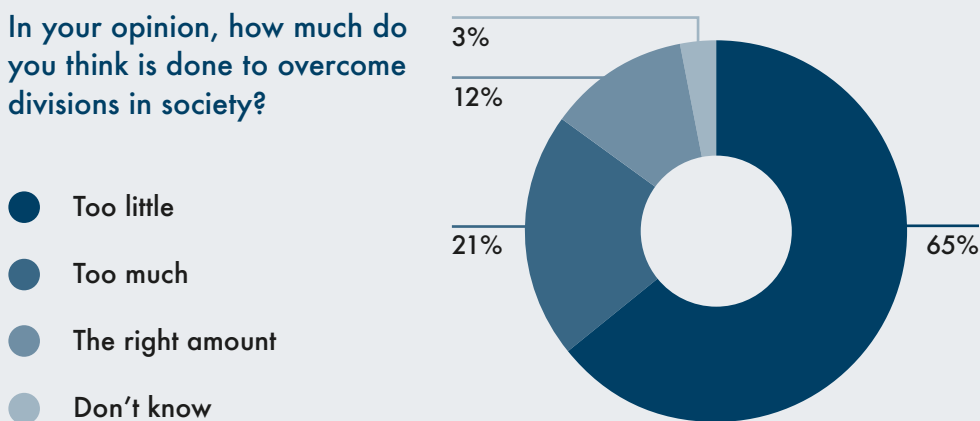


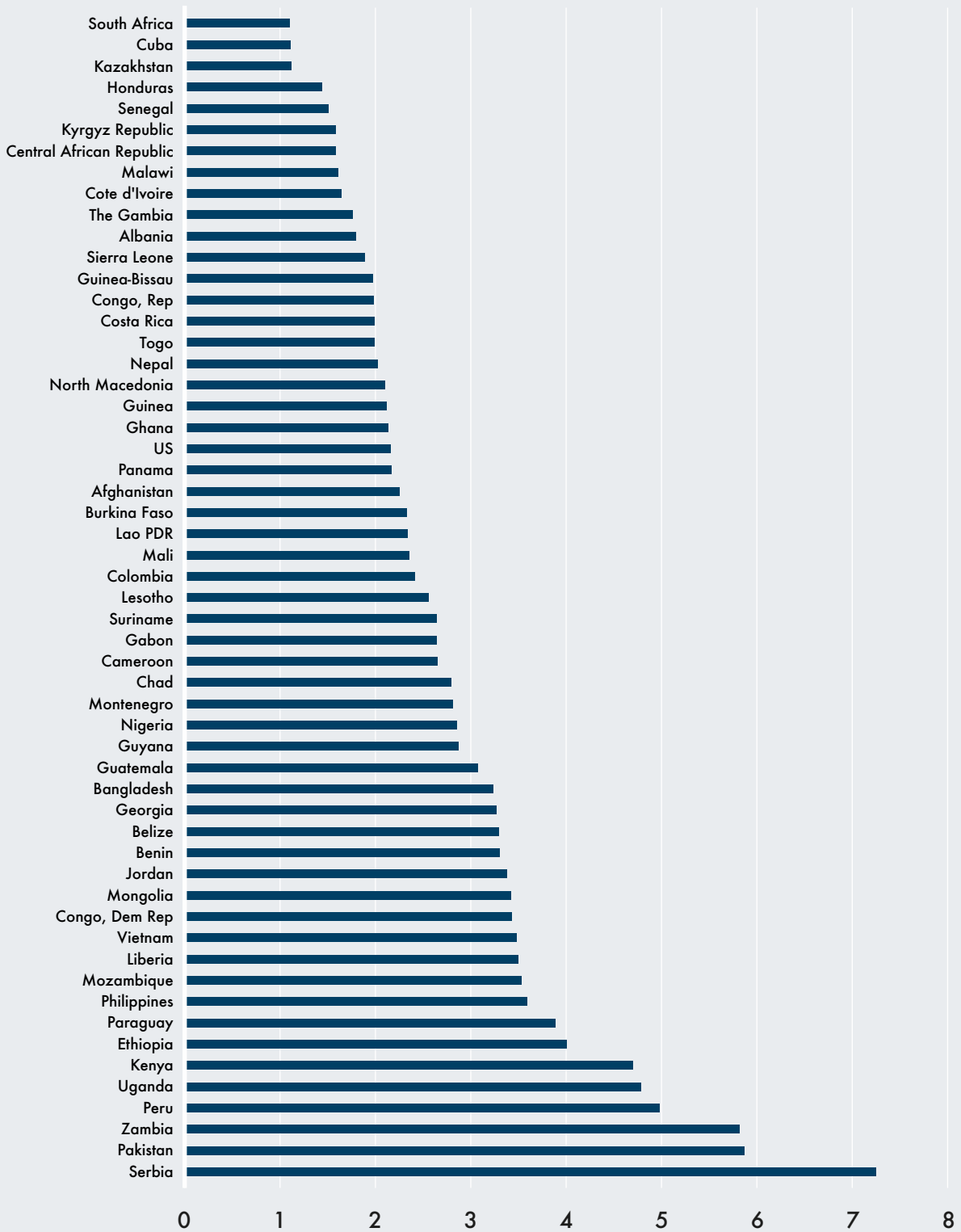
Figure 2 – Political inclusion: efforts to overcome division



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.⁸

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.

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.

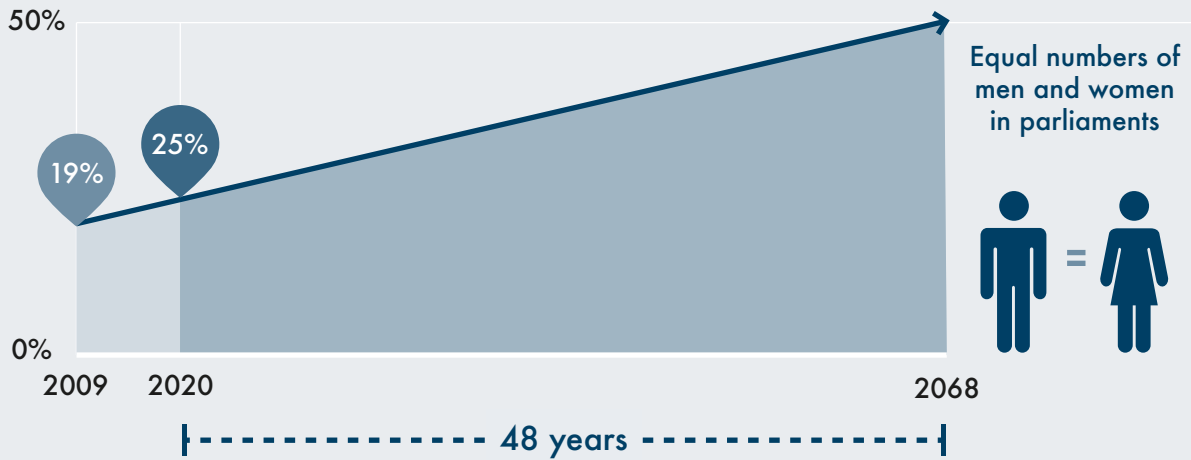
Perceptions and reality converge on most of these issues for which there is hard data. Declines in social mobility for low-income families have been well-documented globally,⁹ along with lagging progress for the rural and small town poor.¹⁰ This is backed up by Branko Milanovic’s work on lagging growth for working and middle-class families in high-income countries in the last three decades, including after the 2008 depression.¹¹ 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).¹² 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.¹³ 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 Sandbu¹⁴ and Minouche Shafik¹⁵—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,¹⁶ which they perceive the pandemic has exposed (see Figure 5).¹⁷

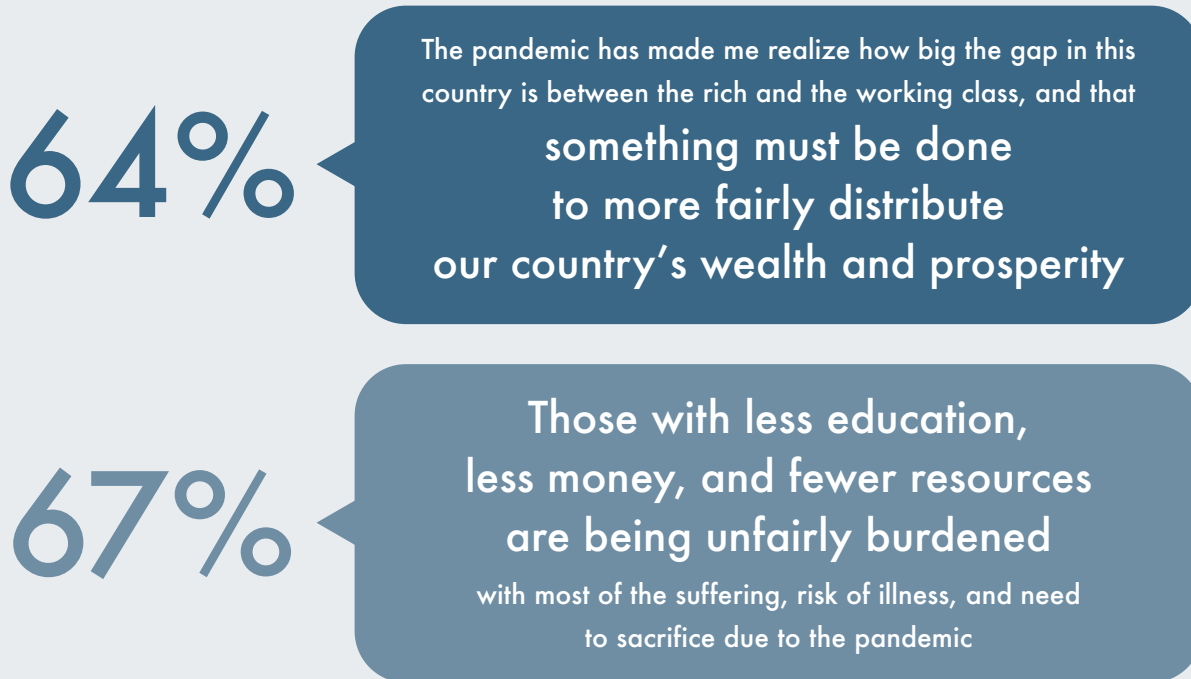
Figure 4 – Forecast progress toward equal political representation between men and women globally



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

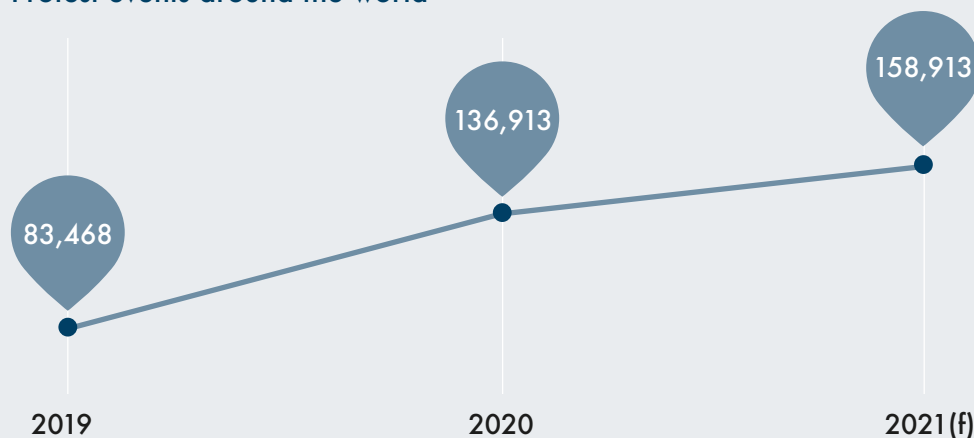
Percent who agree



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.¹⁸ CIC concludes that over 100 countries are at risk of harsh fiscal consolidation by the mid-2020s, which could exacerbate inequality.¹⁹ Protests on a variety of issues have already been increasing globally²⁰ 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.²¹ 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",²² and Margaret Thatcher's "There's no such thing as society."²³ Narratives are important in politics and economics.²⁴

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.²⁵

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,²⁶ and their periods of growth are shorter (by 1.4 years on average for every additional point of the Gini coefficient).²⁷

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),²⁸ 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.

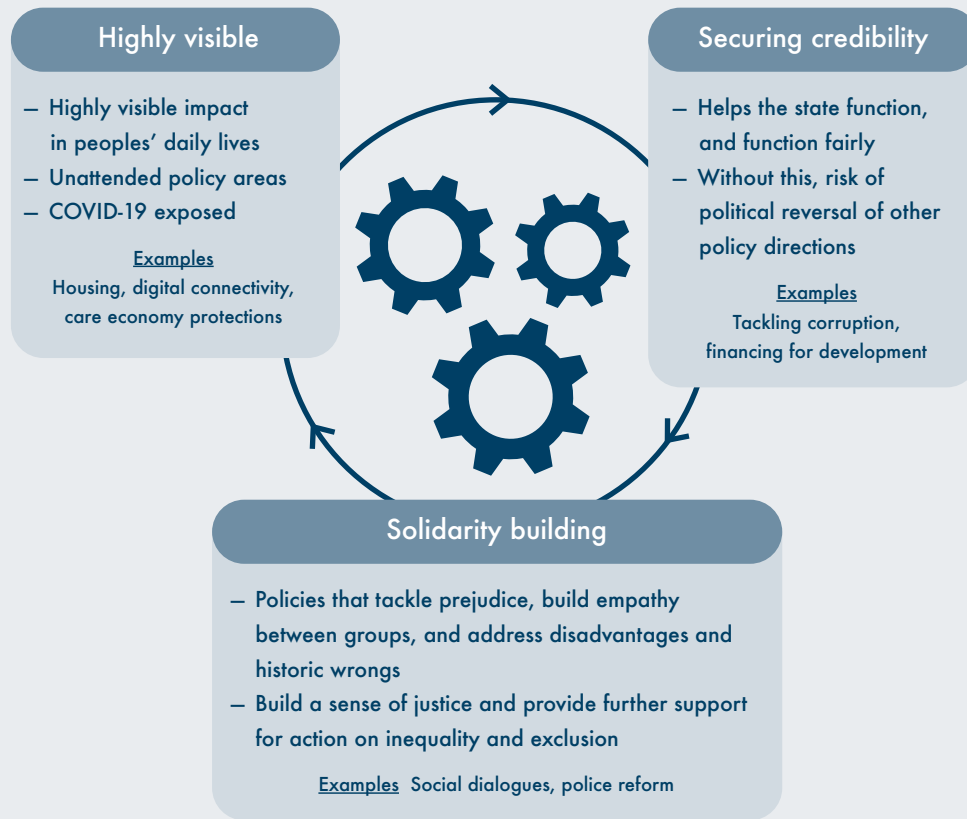
In the longer term, inequality and exclusion may also constrain our ability to address climate change. The inequalities spurred by climate change are legion, from Indigenous people in the Andes whose historical water supplies are drying up, to nomadic herdsman in the Sahel who are being driven out of 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 players²⁹—has been shown to explain failures of action on climate.³⁰ 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.³¹

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,³² and exclusion of ethnic groups from political power is even more strongly related to risk of conflict.³³ 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.³⁴ Even in the many countries where outright civil conflict is not a short-term risk, inequality and exclusion translate to physical insecurity.³⁵

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.³⁶

The second part of the narrative we need comes from research³⁷ 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

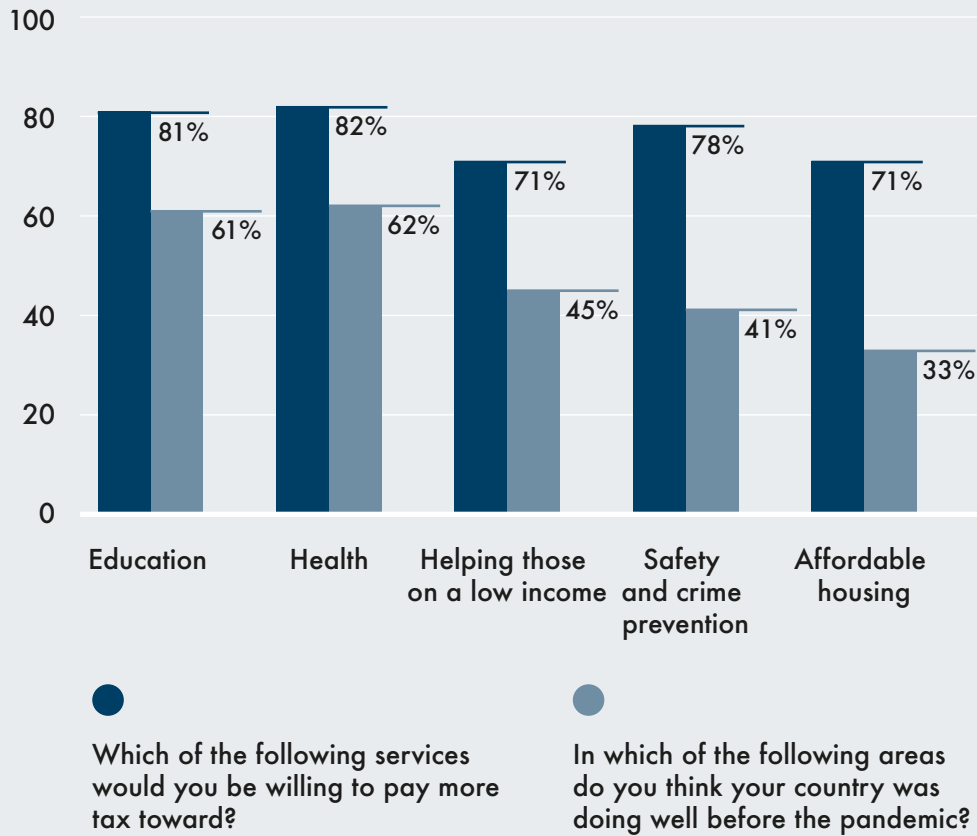
Findings on what practical policies work—the “how to” of reducing inequality and exclusion—tend to show that a combination is required, adapted to each country's circumstances but containing some progress in each of the three clusters of tangible results. Countries that made progress on credibility (such 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 population³⁸ 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 system³⁹; and (iv) sustained improvements in anti-corruption measures, albeit from a low base.⁴⁰ 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.^{41,42} 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.⁴³ 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.⁴⁴

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.⁴⁵ A similar dynamic can be seen in compensation for essential workers:⁴⁶ 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 connectivity⁴⁷ 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,⁴⁸ 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.⁴⁹

Practical tools are available to support governments in implementing visible results that build confidence. One is the Mind the Gap Index⁵⁰ 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.⁵¹ 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,⁵² and local and community codesign of programs.^{53,54}

Approaches to social dialogue in today's polarized societies can learn from the experience of post-conflict countries.⁵⁵ 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.⁵⁶ 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.⁵⁷ Alongside governments, business and trade unions remain key partners to deliver practical results,⁵⁸ 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.⁵⁹

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.⁶⁰

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.⁶¹ Police reforms centered on community policing can build solidarity, and can benefit both majority and minority groups.⁶² 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.⁶³

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 codesign⁶⁴ have shown

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

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.

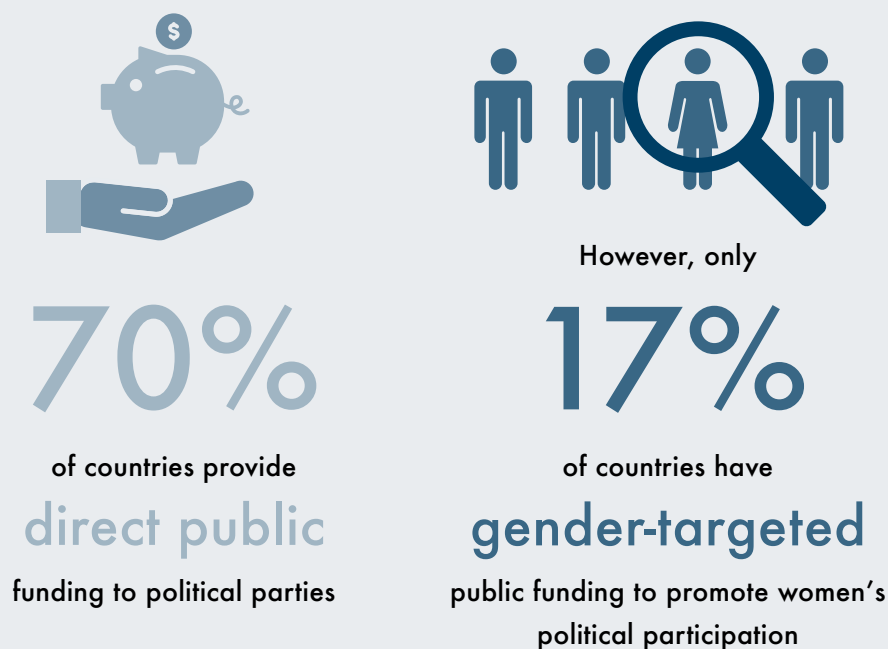
One key factor that correlates with reversals and failure to reform is corruption and capture—in particular upstream state capture. State capture is a process in which narrow interest groups gain control over the distribution of state assets and resources, affecting laws, policy, and the implementation of policy to their advantage.⁶⁹ 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.⁷⁰ 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;⁷¹ and support for the Judicial Commission of Inquiry into Allegations of State Capture, known as the Zondo Commission.⁷²

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.⁷³

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

Another vital action that emerges as important to prevent reversal is to expand the political power and voice of the marginalized. Public financing⁷⁶ 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.⁷⁷

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.⁷⁸

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.⁷⁹

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.⁸⁰ 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.⁸¹ 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.⁸²

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.⁸³ This is a significant amount, but some of that cost could be achieved through incentivizing companies and cooperatives,⁸⁴ 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.⁸⁵

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.⁸⁶ 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.⁸⁷

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.⁸⁸ 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.⁸⁹

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>How to pay for it</p> <ul style="list-style-type: none"> — Domestic resource mobilization through building the tax base, introducing solidarity taxes, clamping down on tax exemptions, and increasing inspection and collection capacity — Debt relief, redistribution of special drawing rights to low- and middle-income countries — Global action on tax evasion and avoidance, as well as illicit financial flows | | |

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.

“The worker and the farmer who work hard every day for you so you can find food. Those who wake up early every day, take the bus, and go to work. The country is alive thanks to these people, it’s not alive because of those in higher positions riding Mercedes every day.”

Tunisia, female, age 25–40

1

Introduction



As the world emerges from the devastating COVID-19 pandemic that has taken over four million lives globally,⁹⁰ there is already a drift back to an old normal. This ‘normal’ created the absence of basic social protection, health, and education services in large parts of the world; growth that predominantly benefited the wealthy rather than the poor and middle class; stubborn gender inequalities, racism and ethnic exclusion; and increasing indecencies of a climate catastrophe. This ‘normal’ built the apparatus for a global pandemic that resulted in the biggest-ever increase in billionaire wealth while tens of millions have been thrown into poverty and hardship,⁹¹ and has left much of the Global South without access to vaccines.

COVID-19 should be the inflection point at which we finally undertake the bold changes needed to address humanity’s key challenges. The pandemic leaves us with an opportunity to make all people in society—regardless of their income status or identity—feel that they belong, and that their rights are recognized; to value the essential workers without whom we literally cannot function; and to build a story of our inherent interconnectedness.

The good news is there is nothing inevitable about the levels of inequality and exclusion we face. Inequality of all kinds—whether income, wealth, or group-based—is a product of human decisions. As such, they can be solved. However, we cannot change if we don’t know what change looks like. This report has three key aims:

- 1 Make a case for why inequality and exclusion must be addressed, including the inherent connection between economic and identity-based inequalities, and the relationship with other social and political ills such as political instability and the climate crisis. The multiple drivers of today’s inequalities also mean that we will need both redistribution policies that reshape material conditions, and recognition policies that enhance human respect and dignity.
- 2 Describe the national policies that work—including in traditional areas like tax reform, but also to address issues highlighted by COVID-19, such as the global affordable housing crisis, low or unpaid care work performed predominately by women, and digital connectivity. We also consider what

works specifically to mend historical divides between groups, as well as roadblocks to change such as state capture and corruption. This is not just a set of technical ideas: it is a consideration of the politics of inequality and exclusion, including the best sequencing of policies to involve the public, communication strategies, and the best combination of policies to deliver a new social contract.

- 3 Provide ideas on the international policies that are needed to support the renewal of national social contracts, including on equitable access to medical technologies, financing for development, and international collaboration on corruption and capture.

When Member States signed up to the Sustainable Development Goals, the 2030 target felt distant. Now, in 2021, the clock is ticking. Six difficult years have already passed, and the COVID-19 pandemic significantly stalled or reversed⁹² the small progress made from 2016–2019. There is now less than a decade to fulfill the aims laid out by the unprecedented SDG process. This report provides a framework that can be adapted by different societies for progress on inequality and exclusion targets across the Sustainable Development Goals (see Figure 1 in the main report). It also constructs a bridge between the rhetoric of “build back better” and action: a bridge between promise and progress.

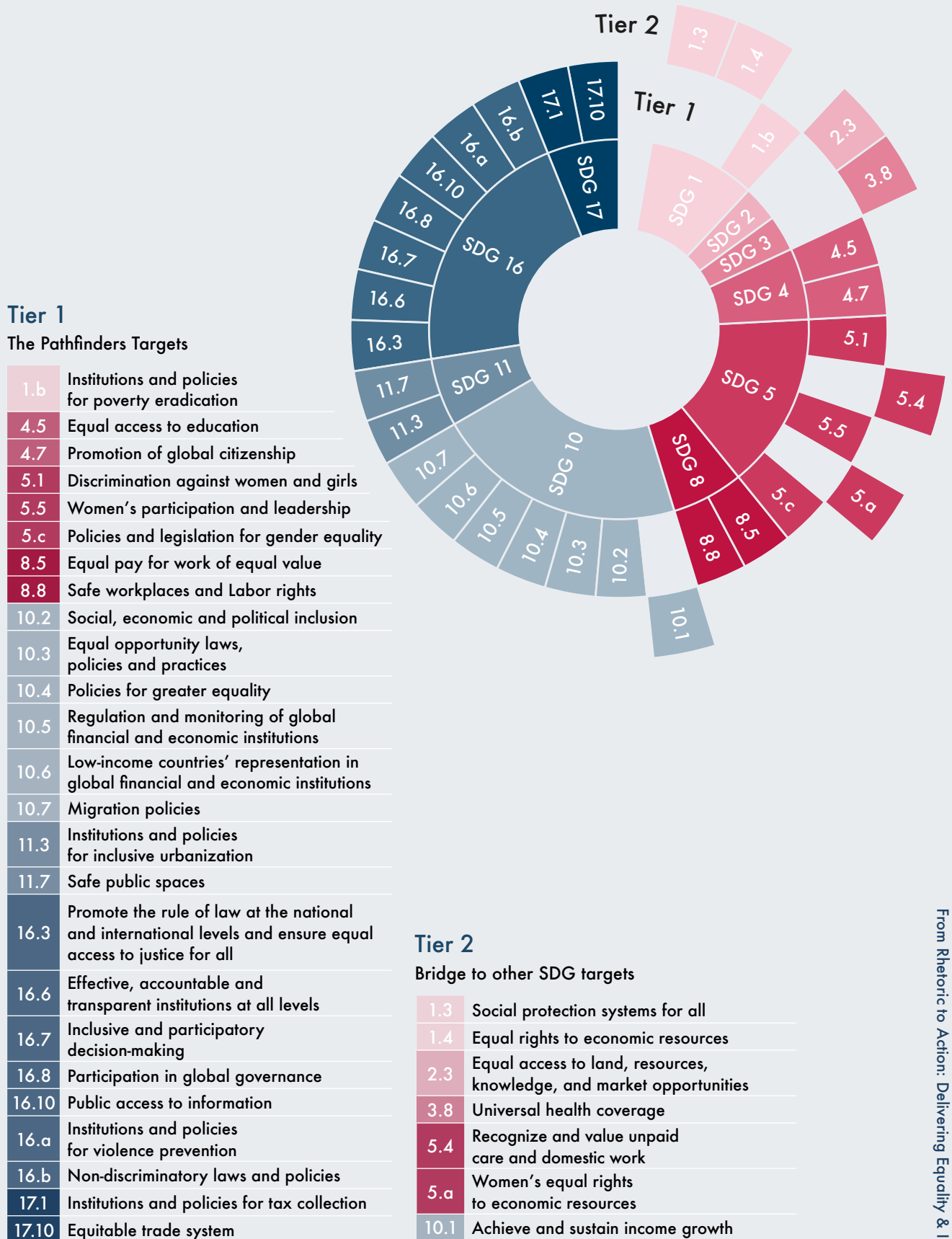
How we define inequalities in this report

Inequality and exclusion are socioeconomic phenomena that can be understood in several ways. Income inequality has traditionally been the primary focus of researchers and politicians, conveniently measurable in the form of the Gini coefficient. However, inequality can also be measured in terms of accrued wealth; access to education and healthcare; social mobility opportunities; quality of available infrastructure (including digital connectivity); and other criteria. Each of those aspects can in turn be measured in a variety of ways, including the income inequality itself. The Palma ratio (income of the top 10 percent earners divided by the income of the bottom 40 percent earners in

a society) or the share of GDP held by the top 10 percent in a society are some examples of alternatives to the Gini Coefficient. Exclusion can be understood just as broadly. In this report we use “political exclusion by social group” by V-Dem. Alternative measures might include access to public services by social group; police hostility toward identity group; trust levels toward disadvantaged social groups; and many other methods.

This report aims to capture all these different dimensions, laying out how they affect societies and how they can be addressed effectively through policy action. To that end, “inequality” or “inequalities” in the following chapters is meant to represent that full range. |

Figure 1 – SDG targets encompassed by the Pathfinders’ grand challenge initiative



“My mother always says why do they listen to those people and not to us?”

Tunisia, male, age 52, manual worker

A blue-tinted photograph of a group of people, including a woman in a patterned headscarf, looking at documents together. The image is overlaid with a semi-transparent blue filter.

Public Opinion on Inequality & Exclusion

This chapter summarizes findings from a global poll and on-the-ground interviews surveying public opinions and concerns on inequalities. Headlines include high and universal concerns about divisions in society, anger because of corruption, and desire for action on multiple issues—including access to affordable housing and improving the justice system. Similarities in poll answers across countries demonstrate clearly that inequalities are neither a rich nor poor world problem, and that addressing them is now a global necessity. The pandemic has thrown into a sharp relief a long-standing human urge for living in a fair society. This new context can provide governments with the necessary impetus for delivering pro-equity policies that will support the call for an inclusive economic recovery.



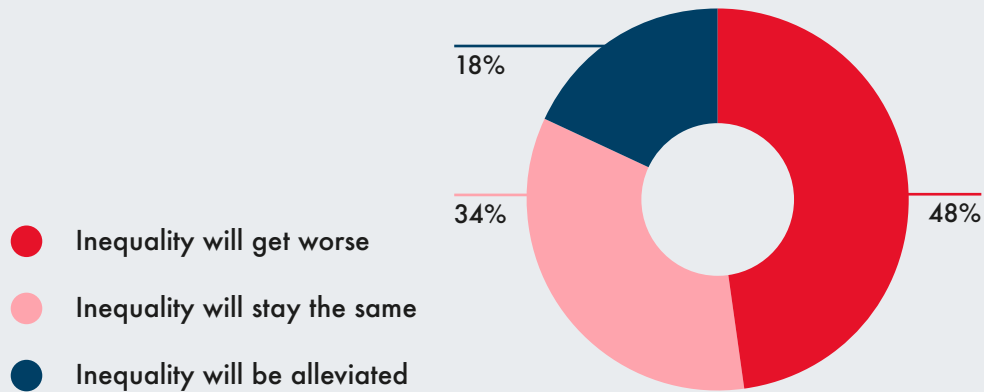
Public consultation is a critical tool in effective policy making. To understand the views of people in our partner countries, their concerns about inequalities, and their desire for change, the Pathfinders commissioned a global survey. Over 17,000 respondents (above the age of eighteen) across eight countries representing diverse world regions and income levels—Canada, Costa Rica, Mexico, Republic of Korea, Sierra Leone, Sweden, Tunisia, and Uruguay—were polled by the Pathfinders and Kantar (political polling company) between June 4 and July 23, 2021. The poll was followed by in-depth interviews and focus groups in August 2021, involving over 60 participants across four of these countries: Canada, Costa Rica, Sierra Leone, and Tunisia. The exercise allowed for a deep dive on opinions eighteen months after the COVID-19 pandemic’s global spread, offering a temperature check on public perceptions on the ongoing fallout of the pandemic, and the ways in which they want governments to move forward.

2.1 Are people worried about rising inequality and exclusion?

In short, yes, very much so. Around half of those polled (48 percent) believe there will be more inequality following the pandemic, while only 18 percent think the situation will improve. This pessimistic outlook is shared across all

analyzed societies regardless of region or development status. At the same time, there is a division within societies, consistently across countries, in terms of respondents' education. Those representing a higher level of education are more likely to say inequality will worsen (54 percent) than those less educated (41 percent) across all countries.

Figure 2 – Pessimistic outlook on inequality dynamics in the post-pandemic context



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

2.2 Which impacts of inequality and exclusion are of most concern to people?

Among the various potentially negative impacts of inequality and exclusion, three draw particular attention. These are:

- **The role of poverty, disability, and being born in a rural area for children's life outcomes.**
- **Lack of accountability on the part of the rich, who can defy paying taxes.**
- **Tensions between social groups that carry risk of undermining harmony in a country.**

When asked which circumstances limit a child's opportunities of having a successful life, most respondents list being born with a disability and being born in a low-income family. The share of participants listing either

of these two circumstances is exactly the same (67 percent), putting poverty on par with disability in terms of saliency. Being born in a rural area is also perceived as an impediment for success. This factor plays an especially

“It always brings us back to the dichotomy of the haves and the have nots, for example, when I am [a] resident in the city, [it] is not the same thing as in the countryside where most of the amenities are not provided.”

||

Tunisia, female, age 18–24, student

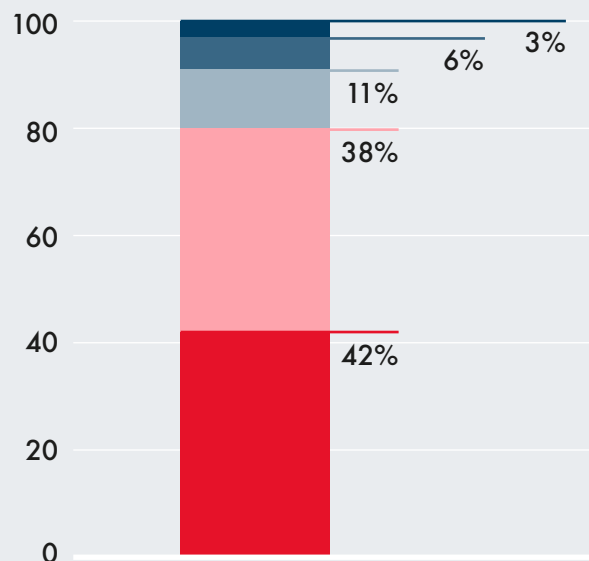
big role for respondents in Tunisia (65 percent), Mexico (60 percent), and Costa Rica (55 percent), but has minimal relevance among the two high-income countries in the poll: Canada and Republic of Korea. This point was backed up in the qualitative interviews, with those in Tunisia speaking at length about the extra hardship those in rural areas face.

Perceived impunity enjoyed by the wealthy is drawing public attention as well. Eighty-three percent of respondents say to be bothered that there are wealthy people who they perceive to not pay a fair share of taxes, 82 percent believe that some wealthy people find a way to avoid paying their due share of taxes, and 80 percent are convinced that large companies are currently not taxed enough. Overall, 76 percent are aggravated by the lack of transparency of the tax system, and 65 percent by the amount they pay in taxes. This negative sentiment appears to be mostly focused toward the rich and corporations, with a much lower share of respondents (41 percent) claiming that low-income individuals don’t pay their fair share of taxes.

Figure 3 – 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

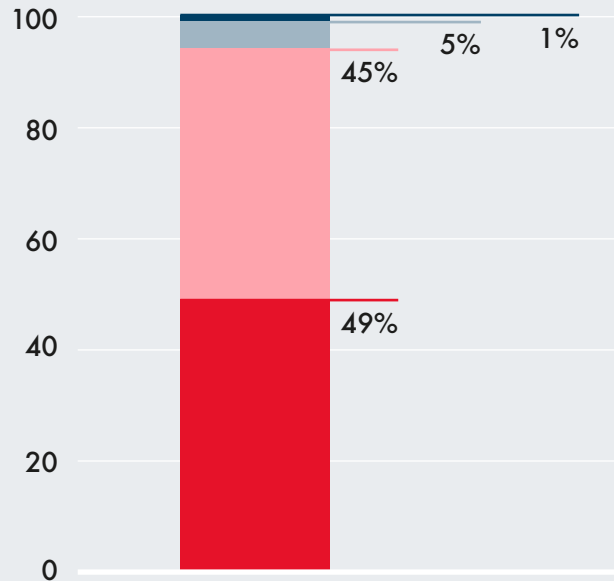


Source: NYU CIC and Kantar 2021; countries: Canada, Costa Rica, Mexico, Republic of Korea, Sierra Leone, Sweden, Tunisia, Uruguay.

Figure 4 – Perception of societal tensions

How much tension do you think division in society create?

- Don't know
- No tension
- Some tension
- A lot of tension

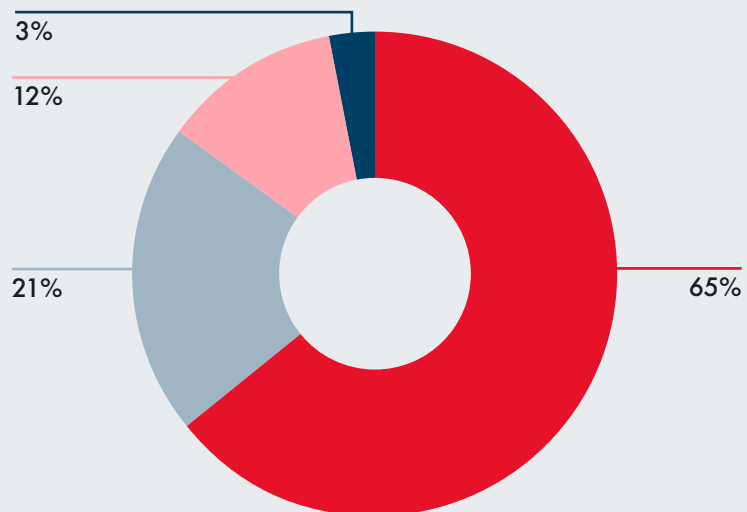


Source: NYU CIC and Kantar 2021; countries: Canada, Costa Rica, Mexico, Republic of Korea, Sierra Leone, Sweden, Tunisia, Uruguay.

Figure 5 – 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.

The most striking result in our polling is the strength of people’s feelings on divisions within their societies (see Figures 3, 4, and 5). In asking this question, our limited expectation was that countries that had experienced past conflict or had very visible ethnic differences might be more aware of divisions. Yet this did not appear to be the case—the feeling was resounding.

All the countries polled showed an extraordinarily strong sense of divisions in society: each country except Sierra Leone had over 75 percent of respondents perceiving such divisions. The percentage of respondents who say these can lead to active tensions is even higher, at over 90 percent of every country polled.

A lower percentage of those that believed there were divisions, but still 50–80 percent, believe that the country is not doing enough to heal these divisions. It should be noted that this question has not been asked in past surveys, so we do not have a clear conclusion on whether this perception has improved or deteriorated. But it is certainly surprisingly high. However, a question in the survey asking if the country was doing well on overcoming divisions between different social groups scored particularly low, at only 36% across the countries with little regional variation, suggesting this division might be one of the key drivers. As much as 65% of respondents across studied countries said that too little is being done to overcome divisions in society, revealing a strong expectation that governments should do more to counter these negative dynamics.

What did people mean by these responses? In interviews and focus groups in four of the nine countries polled, people highlighted a wide range of issues on which divisions were based, most notably wealth and geography, but this was primarily in connection to different opportunities in life and the corresponding difference in voice. In addition, there were notable references to race and ethnicity as a point of difference in treatment and in injustice. In Canada, there was repeated reference to Indigenous peoples, especially in connection to the discovery of physical remains of children in unmarked graves at school sites.

“Well, they have to connect to virtual classes and maybe a child from Matina Limón did not have a computer, did not have a cell phone, did not have one, so what do they do to continue studying? True, the government in some cases provided, let us say, computers or technological things to help them, but there was an inequality in the fact that not everyone had access to internet to be able to continue their studies.”

||

Costa Rica, female, age 25–35

“The whole thing when they started finding the bodies of those children in the residential schools. And the whole thing about how the native people on the reserves are living and how years ago it was promised that they were going to get clean, running water, or something like that. And it still hasn’t happened, and it was years ago. You can’t really blame COVID, that’s only been a short amount of time compared to the amount of time that they promised.”

||

Canada, female, age 50–65

Corruption was a particularly salient point in qualitative interviews, with multiple interviewees talking about specific episodes of government corruption and connecting this with a breakdown in trust of the state. This was especially true in Tunisia, but also evident across all countries including high-income countries. A lack of visible change and failure to deliver on election promises was another stated reason for diminishing trust in government, and vice versa, with access to vaccines noted as something that was building faith in government.

“Trust, what trust? They lied! They harassed me to vote for them, they followed me on the street threatening me, they promised they would help me find a decent source of income after my husband’s death. And I haven’t seen anything since the elections!”

||

Tunisia, female, age 40–50,
paid housemaid

“Those who are eligible for political offices must have money or get it, and those who lend them money do so because they expect to receive favors.”

||

Costa Rica, male, age 60–70,
delivery man

2.3 What change do people want to see?

“For me it would be prevention, number one is to prevent and reduce corruption, that is the most important thing, because if there are no corrupt people, if the finances of the state move cleanly and there are no thieves, money is enough for everything, enough for projects, for missions, for the functions of each governmental organ, and Costa Rica would come out ahead and we would have an economically stable nation, with sources of income, work and everything else”

||

Costa Rica, male, age 31, immigrant

“As a young woman struggling to find a job and struggling to provide for my family, I would say job opportunities to young people has to be a priority.”

||

Tunisia, female, age 18–24

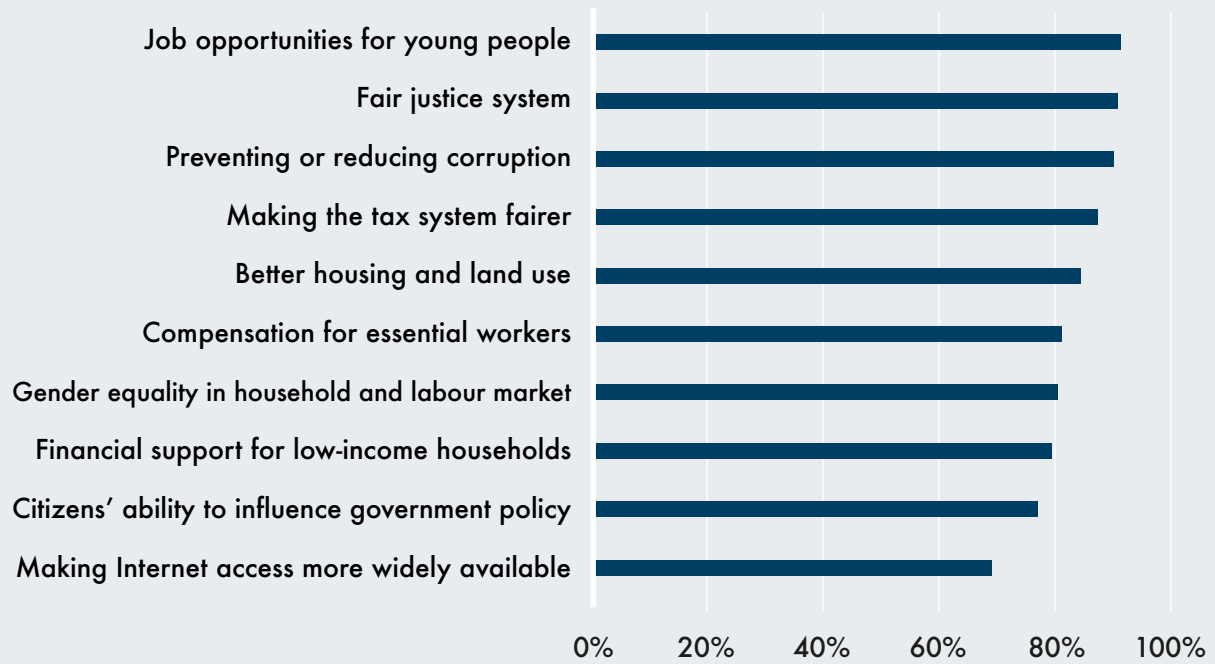
The five policy priorities receiving the most support among the respondents are:

- **Job opportunities for young people**
- **Fairer justice system**
- **Fighting corruption**
- **Fairer tax system**
- **Better and more available housing**

These results coincide with the policy areas that were perceived as most poorly managed by governments prior to the pandemic. In particular, those issues exacerbated by COVID-19, such as unemployment and unaffordable housing, rose in importance. It must be noted that we did not ask if people wanted education and health to be a priority, in part because those issues have been well covered in surveys in the past, and in part because we wanted to make room for other issues that haven’t been typically the focus of development.

A demand for a fairer, more just society is being strongly manifested by several simultaneous post-pandemic policy priorities: a fair justice system that is responsive to people’s voices; fair taxes; and curbing corruption.

Figure 6 – What are your policy priorities for the future?



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

Figure 7 – The gaps between where people think government is doing well and where they are willing to pay more taxes

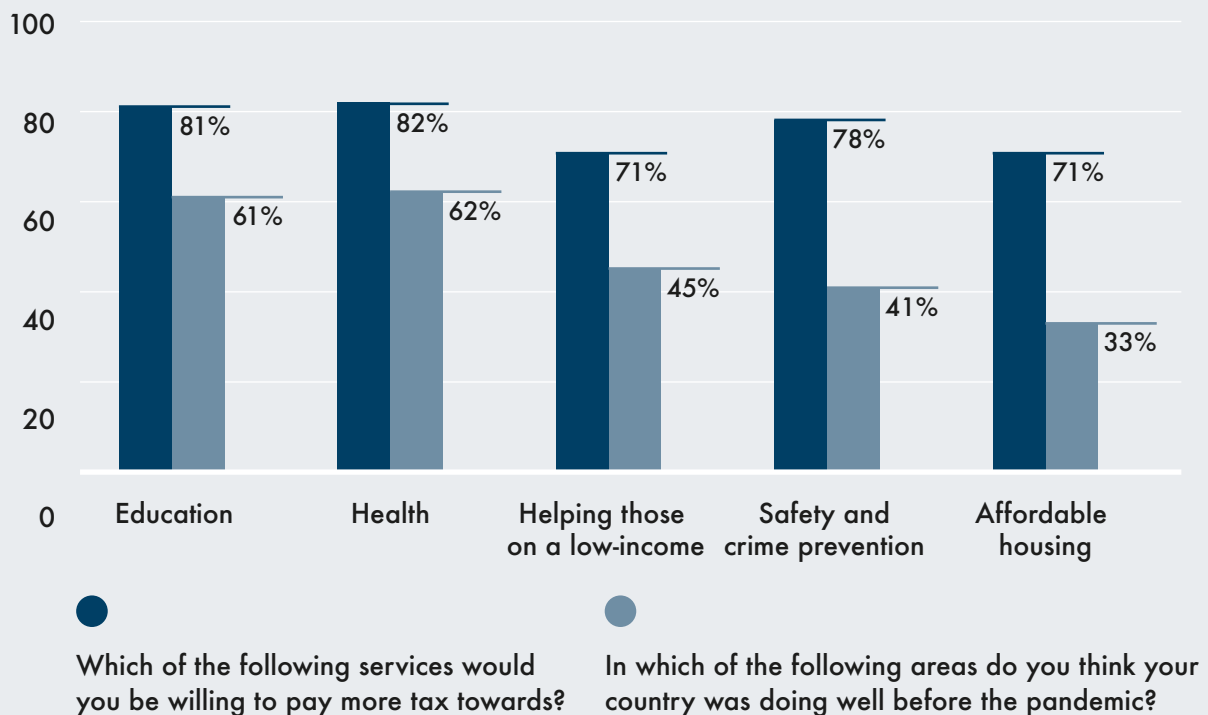


Figure 7 brings together perceptions of where people feel governments are doing well or poorly alongside the willingness to pay more taxes. It shows that while education and health are an absolute priority for which people would be prepared to pay higher taxes and governments seem to be delivering, there are clear gaps on other policy issues. Areas of disconnect between peoples' satisfaction before the pandemic and their willingness to pay more taxes in future include housing and safety and crime. Here there is a gap of more than 35 percentage points on average between people's willingness to pay more taxes for these areas and their sense of whether the country was doing well on them before the pandemic.

2.4 The public are willing to support each other

"All these topics are important, but the precarious situation of low-income families must come first."



Tunisia, female, age 20, student

"Just because I'm a Canadian and I'm young, doesn't mean that I deserve that vaccine more than somebody else wherever."



Canada, male, age 25–35, operations manager

Despite difficulties, there is prevailing sentiment across countries to help those within their societies who are most in need. Seventy-nine percent of respondents expressed their preference for governments to financially support low-income families. Such support is even more pronounced among young people (83 percent versus 76 percent), those with lower level of education (87 percent versus 72 percent), and those with lower economic status (86 percent versus 74 percent) and stays consistently above 70 percent across various categories.

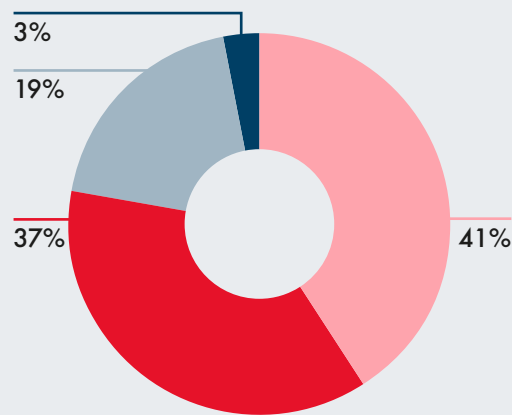
The above tracks with NYU Center on International Cooperation's previous research, which found that the pandemic has triggered an increase in support for social policies that go well beyond the immediate crisis. For instance, 91 percent of Pakistanis support their government's cash transfer initiative (and just 4 percent think it is "bad"), even though only 7 percent were receiving any assistance from the program. This pattern was repeated around the world, with most people supportive of redistributive policies aimed at the poorest and most marginalized, regardless of whether they themselves stand to benefit.⁹³

This sense of solidarity with the poorest is also apparent at the international level. The majority of respondents in all countries, but most readily in middle-income countries, want to either maintain or expand existing levels of financial support for poorer countries (see Figure 8 below). Similar to views on supporting the most vulnerable within countries, the youngest age group (18–24) was again the most likely to express their support for more global solidarity. Those with the lowest education (primary and below) were also more likely to share this attitude.

Figure 8 – Attitudes toward global financial solidarity across analyzed countries

Considering the global impact of the COVID-19 pandemic, do you think your country should provide more financial support, less support or same support to poorer countries compared to before the pandemic?

- The same
- Less
- More
- Don't know



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

“The market has gone down too much, the businesses, the street sales, almost everything. If you sometimes go for a walk and offer your services, you realize that many people have taken away that service or rather that market, it has dropped a lot.”

Costa Rica, female, age 50+



Gaps & Trends

This chapter demonstrates how several measures of general inequality have worsened. It also presents new research that inequalities between groups are larger than previously discussed, that cultures of privilege as well as actual inequalities are a source of grievance, and that the impact of COVID-19 on inequality is profound and potentially long-term.



The global income dynamics since the 1980s described here lead us to believe that gaps and trends in inequality and exclusion are more complex than often portrayed. Inequalities are different from poverty: they can be salient if the elites of society are seen to be disproportionately gaining in wealth or demonstrating cultures of privilege, even if the poor have also made small gains. If some identity-based groups make more or are perceived to make more gains than others, this both drives outcomes and can be a cause of grievance.

3.1 Income inequality

As the preceding chapter shows, people around the world believe inequalities have worsened during the COVID-19 pandemic. Awareness of the urgency of countering rising inequalities has also risen among politicians and policymakers, with mention of “rising inequality” in international publications increasing by an astonishing 2,900 percent between the periods of 2000–2004 and 2016–2020.⁹⁴

What does the data reveal to be behind these perceptions? Two widely-used measures of income inequality—distribution of income between countries, and the population-weighted Gini coefficient which measures intra-country inequality—decreased between 2000 and 2019. The first decreased quite significantly, driven by growth in China and India; the second marginally by a single percentage point. Does this mean public perceptions are wrong?

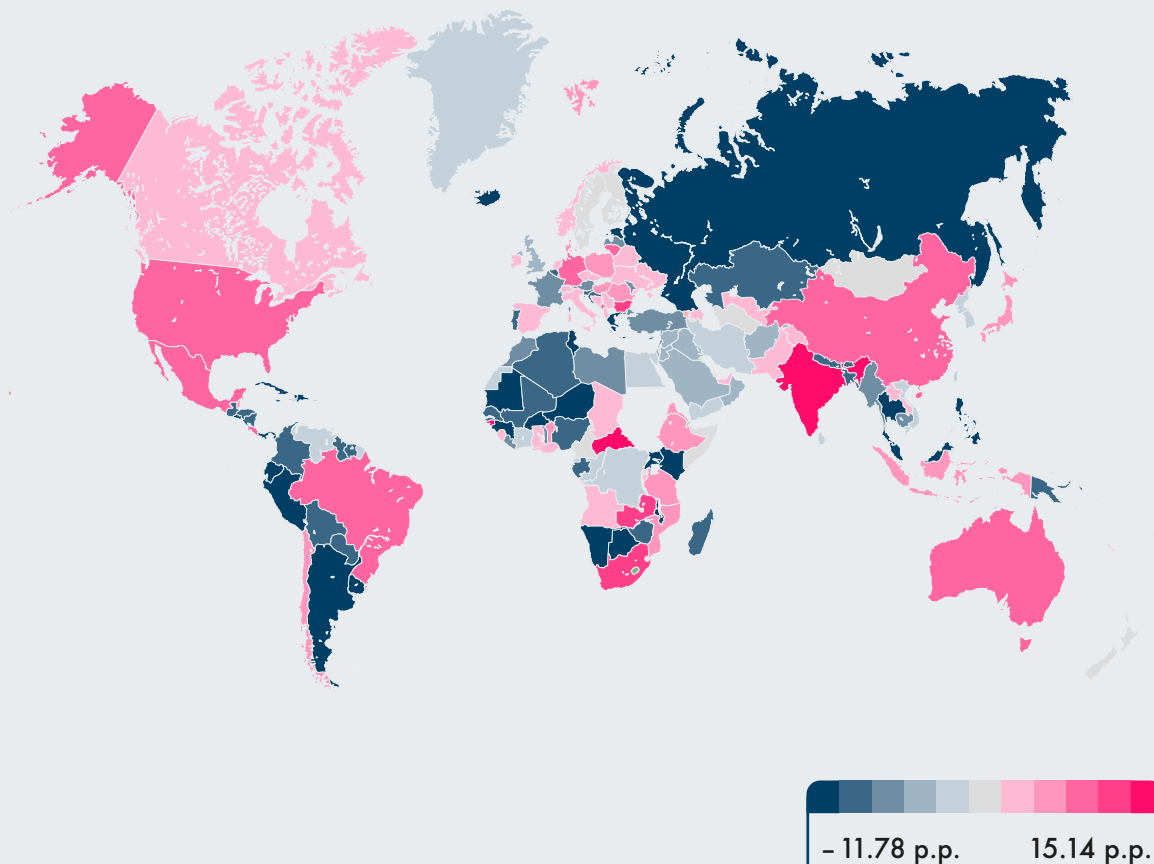
Ultimately, it depends on what you measure. The rates of inequality are quite different for high-income countries, China, India, and some other East and South Asian countries, where income inequality increased. By contrast, it stagnated in much of sub-Saharan Africa and the Middle East and improved in a majority of Latin American countries (albeit from very high pre-existing levels). More importantly, the Gini coefficient may not measure what people are angry about: based on household surveys, the Gini is not very good at

capturing the income of the rich. When we look at the share of the annual GDP captured by the top 1 percent and top 10 percent earners in each country, the picture is very different: countries of all development statuses have experienced an increase in the share of national income regularly going to families at the very top.

While being the most popular measure of inequality, the Gini coefficient hides two key factors that are important for both welfare and people’s trust in the future: **social mobility, and territorial differences between regions and neighborhoods**. Social mobility is of concern to everyone who cares about their children, or more generally the future of youth in today’s societies.

A study by the World Bank⁹⁵ spanning 111 countries, 87 percent of the world’s population over five decades, shows that “average relative mobility is lower in low-income economies, with no sign that the gap with high-income countries is getting smaller.”

Figure 9 – Change in the share of GDP held by the top 10% of highest earners between 2000–2020



National measures of inequality also hide large diversity across subnational regions and within cities in all continents. Harvard’s Opportunity Atlas⁹⁶ shows that the city block in which children are born in New York City determines inequality of outcomes decades later. A study on São Paulo in Brazil⁹⁷ finds similar patterns: two neighborhoods in close proximity, Pinheiros and Parelheiros, have human development indices respectively equivalent to Switzerland and Iraq. Figure 10, where the Paraisópolis favela is next to its wealthier neighbor Morumbi, illustrates this phenomenon clearly.

Figure 10 – Contrast in neighboring areas in housing conditions



The Paraisópolis Slum and Morumbi, a high-income neighborhood, São Paulo, Brazil –
 Photo: © iStock – C_Fernandes. Retrieved from www.istockphoto.com/photo/favela-do-parais%C3%B3polis-gm619650946-108101981.

All these factors create grievances, and indeed concern for the disproportionate power of the wealthy. COVID-19 has exacerbated these pre-existing inequalities (see Box 1).

Box 1 – How much inequality is too much?

There is no magic number to determine how much inequality is too much. Research on individual inequality seems to show that there is a hump where levels can be both too low and too high. Many low-inequality former Soviet societies have correspondingly low trust, corruption, abuses in human rights, and problems in delivering green and equitable growth. Equally, many high-inequality capitalist countries have these same problems. In both cases this is primarily because the centers of power protect insiders, and not the bulk of the population.

We need some inequality of outcomes to give people incentives to work and save. But too much undermines social cohesion, particularly when the source of inequality is seen to be not hard work but unfair advantage. Economies with huge wage disparities—especially where those at the top are perceived produce no social value—also create discontent. A certain degree of inequality based on effort is therefore good, whereas too-extreme outcomes, rigged outcomes, and unjust rewards are bad.

Prejudice—by definition a preconceived opinion not based on reason or actual experience, whether on the basis of gender, race, disability or class—falls in the sphere of rigged outcomes. The aim should therefore be to eliminate discrimination and focus within countries on reward for effort within one’s lifetime, avoiding a concentration of inherited wealth.

There are further social, economic, and political reasons for reducing inequality that are becoming common knowledge, and which provide impetus for significant reductions in inequality. The empirical research presented here indicates that rising inequality has significant effects on public goods such as pandemic containment, political instability, conflict, and violence, and (though the evidence is much more preliminary) on climate action. |||

Box 2 – COVID-19 and inequality: the risks of an uneven recovery in an unequal world

Carolina Sanchez-Paramo

Senior Director, Poverty and Inequality, World Bank

The COVID-19 pandemic has had a pronounced impact on the world’s vulnerable populations: lost lives, health, jobs, incomes, assets, and education. As a result, poverty and inequality are on the rise. Data from the World Bank’s High-Frequency Phone Surveys⁹⁸ (HFPS) tell an unambiguous story of vast and unequal impacts in low-income countries, and hint at an uneven recovery, which could leave an even more inequitable world for future generations. The world must turn its collective attention to the long-term threats posed to social mobility and inequality.

Wide gaps were emerging in the first three months of the pandemic

Early insights from the harmonized data in April–June 2020 suggest extremely large impacts⁹⁹ on incomes, jobs, food security, and children’s education, associated with the stringency of policy measures taken to mitigate the pandemic’s health risks. More than a third of those working prior to COVID-19 stopped working in the period April–July 2020 across fifty-two countries, and more than 60 percent of households reported income losses across thirty countries. Pandemic-related economic impacts were much more common among households in poorer countries,¹⁰⁰ and emergency social transfers were often inadequate to offset these impacts.

Within low-income countries,¹⁰¹ the crisis severely exacerbated pre-existing inequalities. Large segments of the labor market that were disadvantaged even before the shock—women, youth, and workers with lower levels of education—were much more likely to lose their jobs in the first three months of the pandemic. Women have also shouldered the responsibility for additional care needs with school closures and increased illnesses among family members, which will affect their ability to return to work as economies reopen. As women lost paid work¹⁰² at a higher rate relative to men, their unpaid work went up. Women entrepreneurs were also at greater risk of having their businesses closed than men.

Unequal impacts have been felt well beyond labor markets. Access to learning while schools were closed was more severely limited for children in larger households and in households where the survey respondents were less educated. Similarly, while men have been more likely to lose their lives from COVID-19, women have lost out more than men in other dimensions of well-being. Women have disproportionately suffered from mental health impacts, while having higher risks of dying in childbirth and experiencing stillbirths. We also find evidence suggesting a steep increase in violence against women during the pandemic.

Evidence from high-income countries also suggests that, while those at the bottom of the distribution are struggling to cope with the consequences of the crisis, those at the top have experienced significant growth in income and wealth, driven by both

the outstanding performance of financial markets and growth in selected industries such as e-commerce. Similar data is not available for low-income countries, but there is no doubt that, combined, negative shocks to the less-well off and potential positive shocks to the already wealthy can only have exacerbated their internal inequality.

An unequal recovery can foreshadow the risk of higher long-term inequality

Given its highly unequal initial impacts, the pandemic may worsen longer-term inequality and social mobility through three main channels:¹⁰³ the lasting impacts of jobs and business losses that can be particularly severe for vulnerable workers; the higher likelihood among poor households to adopt strategies to cope with income losses, such as selling productive assets and reducing nourishment, that reduce their productivity over time; and disruptions to schooling that are likely to widen learning gaps between children from different socioeconomic strata.

Our recent analysis of the HFPS data¹⁰⁴ shows early indications of this occurring. After severe dips in April–June 2020, income and employment saw a rebound by September in the 17 countries in our sample where policies restricting mobility became less stringent. This period can be taken as an early snapshot of the pattern of recovery for countries where policies are becoming less restrictive. However, in September 2020, households and individuals still had a long way to go before reaching pre-pandemic levels of employment and income. Improvements were not enough to significantly reduce the gaps in initial job losses between women and men, urban and rural, non-college and college educated, and young and older workers. Data from the US and other high-income countries suggests similar patterns of recovery within countries.

A global shortage of vaccines will only exacerbate the risk of an uneven recovery. In several advanced economies, more than half of the population has already received at least one dose of the COVID-19 vaccine, but in all low-income countries vaccination rates remain in the single digits. Obstacles to vaccination weigh heavily on economic activity and will likely undermine prospects of a strong recovery: according to the June 2021 GEP, last year’s per capita income losses will not be fully unwound in about two-thirds of emerging markets and low-income economies (EMDEs) by the end of 2022.

A recovery that leaves no one behind requires taking on structural inequalities

Making our societies more equitable and resilient to future crises requires taking on structural inequalities today. Such action is crucial in order to help women, low-skilled workers, and urban informal sector workers recover from the deep losses they suffered, and also to keep them from falling further behind as economies recover. The most important policy priority is ensuring widespread and equitable access to vaccines. Beyond that, the pandemic has underscored the need for building an effective and equitable public health system backed by investment in safety nets and social insurance and instituting fiscal policy to raise resources in a fair and efficient way to finance these investments. |||

3.2 Inequality of status and recognition

Alongside tangible inequalities, lack of respect by elites for the poor and for historically disadvantaged groups plays a strong role in fueling grievances. Terms like Hillary Clinton’s “deplorables” during the momentous 2016 US presidential election were seen by many to convey a deep sense of superiority over a large segment of the society. The sense of a disconnect between the societal winners and losers is by no means restricted to high-income countries: in the Arab world, grievances about *hogra* (Algerian dialect conveying a sense of disdain and contempt by elites for the population) were a critical driver of protests in 2011 and continue to fuel discontent today. In South Korea, the use of the term *kkhonda*, analogous to “boomers” in the United States, is a term of protest to denote the disparaging way in which older people with secure employment talk about the young. Box 3 discusses the dynamics of cultures of privilege and cultures of solidarity in Latin America. It is important to understand that this lack of respect and recognition works as strongly across classes as across identity groups.

Box 3 – Cultures of privilege and cultures of solidarity

Alicia Barcena

Under-Secretary General and Executive Secretary, UN Economic Commission for Latin America, and the Caribbean

Almost at the halfway mark of the 2030 Agenda timeline, we live a change of epoch rather than an epoch of changes. The international system faces key structural challenges reflected in climate change, the deep crisis of multilateralism and rising social discontent. These challenges are also expressed, in a still more intense form, in the Latin America and Caribbean (LAC) countries, where the COVID-19 pandemic aggravated deeply rooted problems, in particular the prevalence of historical inequalities in the distribution of income and wealth. These inequalities are reinforced—at the same time perpetuates—a culture of privilege that deprives the majority of LAC citizens access to their health, social, economic, and political rights.

Inherited from the colonial political, economic, and social structures that justified the exploitation of Indigenous communities and slavery,¹⁰⁵ the culture of privilege naturalizes social hierarchies, inequalities, discrimination, and disparities in access to the fruits of progress and production, as well as excluding populations from decision-making.¹⁰⁶ The culture of privilege contributes to keep most of the population in a structural poverty trap, without access to formal employment, learning opportunities, and social protection. It is also manifested in a high rate of tax evasion and avoidance, which totals 6.7% of the regional GDP, and foreign trade-related illicit financial flows, which amounted to about 0.5 points of GDP in 2013 as a result of price manipulation.¹⁰⁷

In the response to the COVID-19 pandemic, countries in the region have mobilized unprecedented amounts of resources, which ECLAC has documented in its COVID-19 Observatory.¹⁰⁸ These efforts included 263 social protection measures, covering close to 50% of the population and keeping 230 million people out of poverty. With an estimated additional spending of US\$86 billion on emergency measures between March and December 2020, the region spent an equivalent to 1.25% of its GDP.¹⁰⁹ In order to effectively recover from this crisis, however, these temporary measures have to lead to more transformative action, one that takes a non-negotiable stance against inequality and poverty, and drives a shift towards more inclusive structural change.

All throughout the region, citizens are manifesting their resentment about the culture of privilege that fosters corruption and distorts policies and institutions in such a way that they only favor concentrated powerful actors. The recovery from the COVID-19 pandemic should bring about new political and social pacts that actively combat the culture of privilege with a culture of equality through investment in healthcare, social protection, pension, and education systems, while also denouncing negative distributive effects of tax privileges, the orientation of investment—particularly public spending—and combating all forms of discrimination, especially those based on gender or ethno-racial status.

Furthermore, new forms of governance based on regional and international solidarity are needed to build the region’s technological and productive capacities, collaborate in the fight against corruption, and ensure its countries, including middle-income countries, access to financing for development including access to ODA, DSSI, green and SDG bonds, among others. The shift from a culture of privilege to one of equality and efficiency should also equip countries with enough resources and policy space to contribute to the provision of global public goods, such as universal health care, climate security and protection of the atmosphere, financial stability, peace, and human rights. |||

3.3 Inequalities between groups

Often referred to as exclusion, inequality between social groups means differences that are marked by identities: gender, race, ethnicity, religion, national origin or migrant status, disability, or sexual orientation. Figure 11 reveals the strong correlation between income inequality and exclusion across the world. The analysis shows that more economically equal countries perform consistently better in terms of social inclusivity. It is based on data from a diverse group of seventy-four countries and shows that income inequality (Gini-measured) predicts 64 percent of variation in social exclusion levels between countries, regardless of geographic or income per capita category. The social inclusivity score is a composite measure that was developed based on data from Varieties of Democracy (V-Dem) to show a percentile position of

a country (compared to other countries) in terms of equal access of diverse social groups to civil liberties, public services, economic opportunities, and political representation. The higher the position, the more inclusive the society. This analysis reveals that while more affluent countries generally enjoy lower economic and social disparities, there is much diversity in that regard, with a number of middle- and low-income economies performing better than some high-income ones.

Figure 11 – Economic inequality and social exclusion go hand in hand



Source: Adapted by NYU CIC for new research.
 Data: Data: The World Bank Open Data - Gini coefficient for the years 2015-2018; V-Dem Exclusion by Social Group Index (inversed) for the years 2015-2018 from the Dataset 11.1.
 Note: Social inclusivity score is a country's percentile position on the V-Dem social exclusion metric where the most exclusive country in the world has as score of zero and the least inclusive one has a score of one hundred. Gini coefficient measures the extent to which income is unequally distributed across society's households.

3.4 Gender, income, and wealth inequality

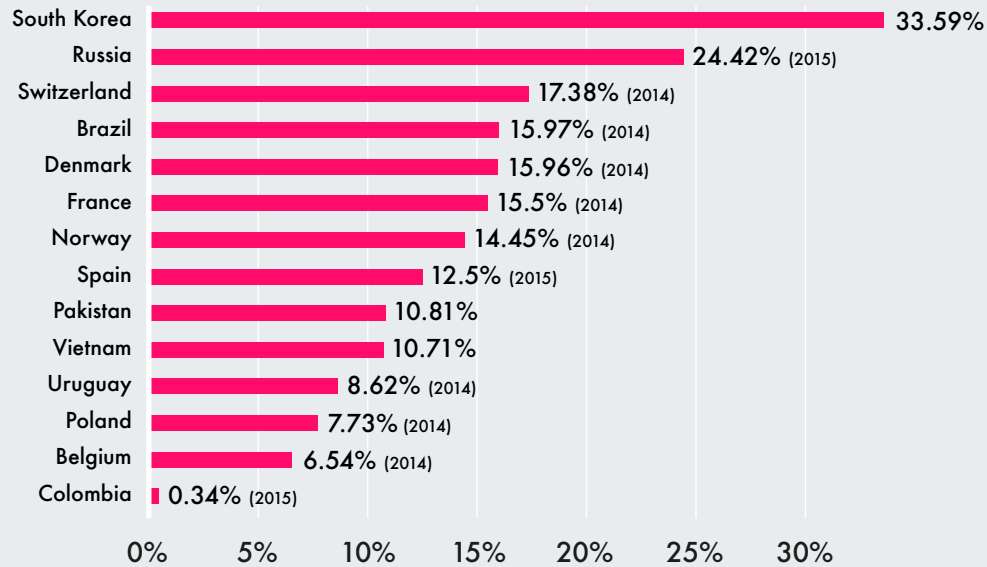
Many countries still face a large gender pay gap. In most countries, men are more likely to own land and control productive assets than women¹¹⁰ (see Figure 12), and to influence household decisions. There are, however, positive developments that move us closer toward redressing gender imbalances. The gender pay gap has decreased globally in recent decades—

albeit only by 8 percent¹¹¹—women have however seen other advances.¹¹² Gender-equal inheritance laws (although not always fully implemented), which were rare until recently, are now common around the world.¹¹³

Figure 12 – Gender gap in wages and land ownership

Unadjusted gender gap in average hourly wages, 2016

Gender wage gap, unadjusted for worker characteristics. Estimates correspond to the difference between average earnings of men and women, expressed as a percentage of average earnings of men.



Source: ILOSTAT.

Note: The data corresponds to gross hourly earnings and includes both full-time and part-time workers.

3.5 Understanding the intersections—gender, ethnicity, race, and wealth

Many of these gains have, however, been greater for women who also enjoy a high-income status within their societies. The share of women among top income earners has increased. In most high-income countries and many lower-income countries, more women than men complete tertiary education. Low-income women have also made gains, with notable improvements in maternal mortality. On income measures, however, working class women have seen dramatically less progress, and have been largely excluded from progress made on parity in universities and boardrooms.

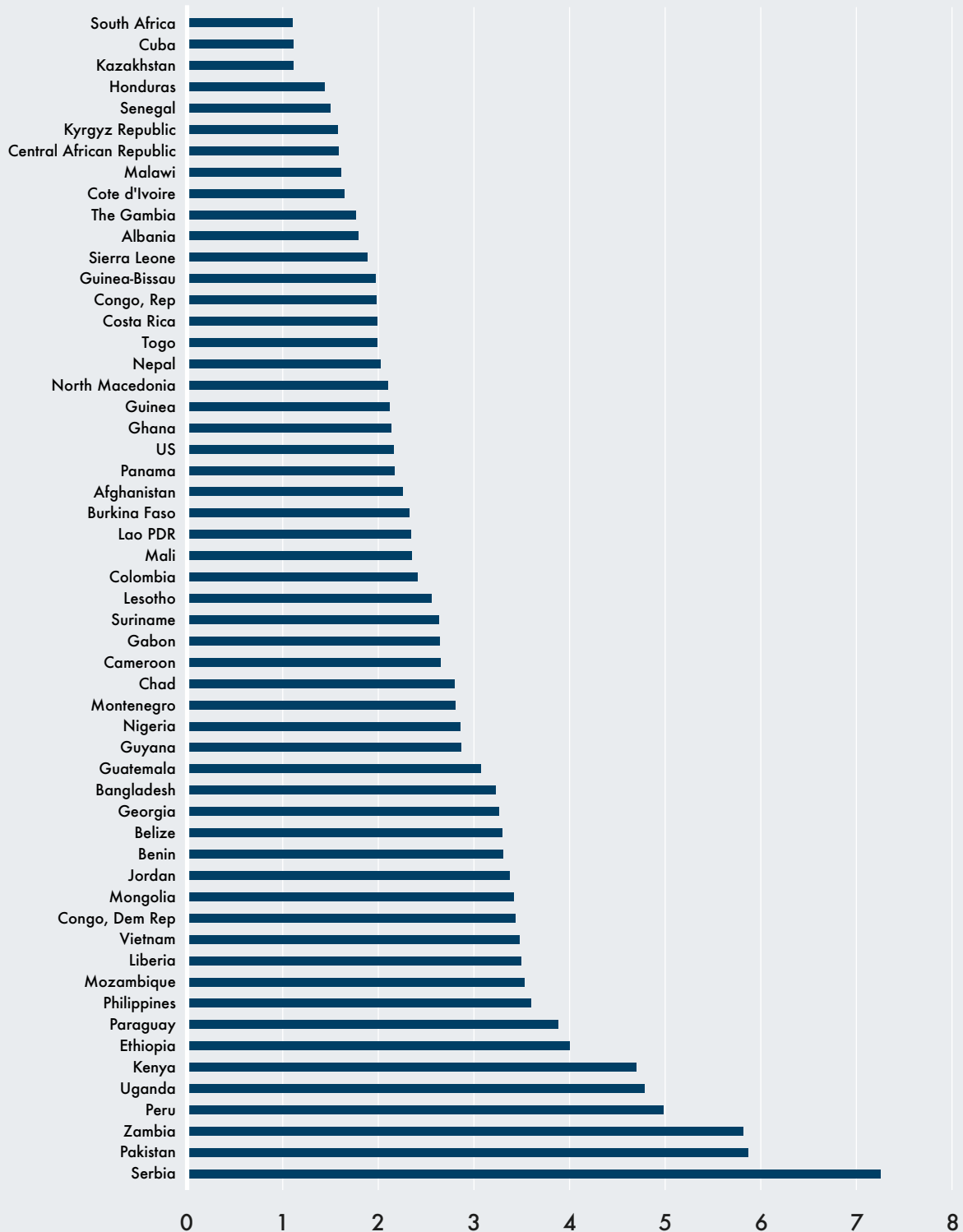
In addition to class, gender becomes a more potent socio-economic issue when it intersects with race and ethnicity. A 2010 study found that the head count poverty is higher among black South African females than the rest of the population, while the lowest incidence of poverty was found among white males followed by white females. In Brazil, the intersection of race and gender yielded a somewhat different ranking, with white men reporting the highest earnings and black women earning the lowest at all levels of education, but with black men earning more than white women at higher levels of education. In Nigeria, girls from poor Hausa communities living in rural areas were least likely to go to school, while boys from affluent urban households were most likely.¹¹⁴

3.6 Wealth and ethnicity or race

Ethnicity and race are also key factors determining inequality. Using nationally representative data for fifty-six countries,¹¹⁵ we explored the distribution of each ethnic, racial, or language group across wealth quintiles to determine whether these groups are disproportionate in lower or upper wealth quintiles relative to their population size. The results were startling. People from the most disadvantaged ethnic, racial, or linguistic groups are nearly four times more likely to be among the poorest households relative to their population size on average (see Figure 13). Among these fifty-four countries, seven countries showed more than four times the increased likelihood of poverty among disadvantaged ethnic groups. These cases span geographic and income divides. Of special note, in none of these countries are recent migrants involved in the most disadvantaged groups, indicating that prejudice and discrimination are likely to be more important factors than childhood access to health and education. These include:

- **Serbia, where a Roma person is 7 times more likely to be among the poorest households.**
- **Pakistan, where a Marwari person is 5.9 times more likely to be among the poorest households.**
- **Zambia, where a Senga person is 5.8 times more likely to be among the poorest households.**
- **Peru, where an Indigenous language speaker is 5 times more likely to be among the poorest households.**
- **USA, where an African American/ Black person is 2.1 times more likely to be among the poorest households.**

Figure 13 – 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.

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.

Box 4 – Women in informal employment and COVID-19: insights from WIEGO’s COVID-19 and informal workers impact study

Sally Roever
International Coordinator, WIEGO

In most countries, women are disproportionately represented in the informal economy: in low- and middle-income countries, for example, 92 percent of women’s employment is informal. From the outset of the COVID-19 crisis, the International Labour Organization estimated that globally almost 76 percent of informal workers (or 1.6 billion workers) would be significantly impacted by lockdown measures and/or working in the hardest hit sectors of the economy, with incomes in the informal economy predicted to decline by 60 percent. Increasingly, the data emerging from various crisis studies shows that these predictions have been borne out in reality, and women have borne the brunt of this impact.

While workers across the informal economy have been severely impacted by the crisis, the heterogeneity of informal employment has meant that the pathways of impact have differed according to occupation, status in employment (self-employment vs. wage employment), place of work, and the type of labor market in which informal workers operate. The first wave of WIEGO’s COVID-19 and the Informal Economy Impact Study, run in 12 cities during 2020, found variation in the pathways of impact across four occupational sectors in the informal economy.

Domestic workers, who are wage workers in households, faced both a loss of employment (especially if live-out), and an intensification of workload (especially if live-in). For self-employed workers, the issue was a loss of income due to interrupted market relationships, with 70 percent of survey respondents reporting zero earnings in April 2020. Workers operating in urban public space—such as street vendors and market traders—were impacted by public health restrictions resulting in the closure of markets or restrictions on movement, as well as punitive state actions resulting in the destruction of vending infrastructure.

In countries where informal employment dominates the labor market (such as many West African countries), specific groups of informal workers—such as food vendors—were able to continue operating as essential workers. Yet this did not mean they were given greater protection, with over 90 percent of home-based workers and street vendors having to purchase personal protective equipment themselves.

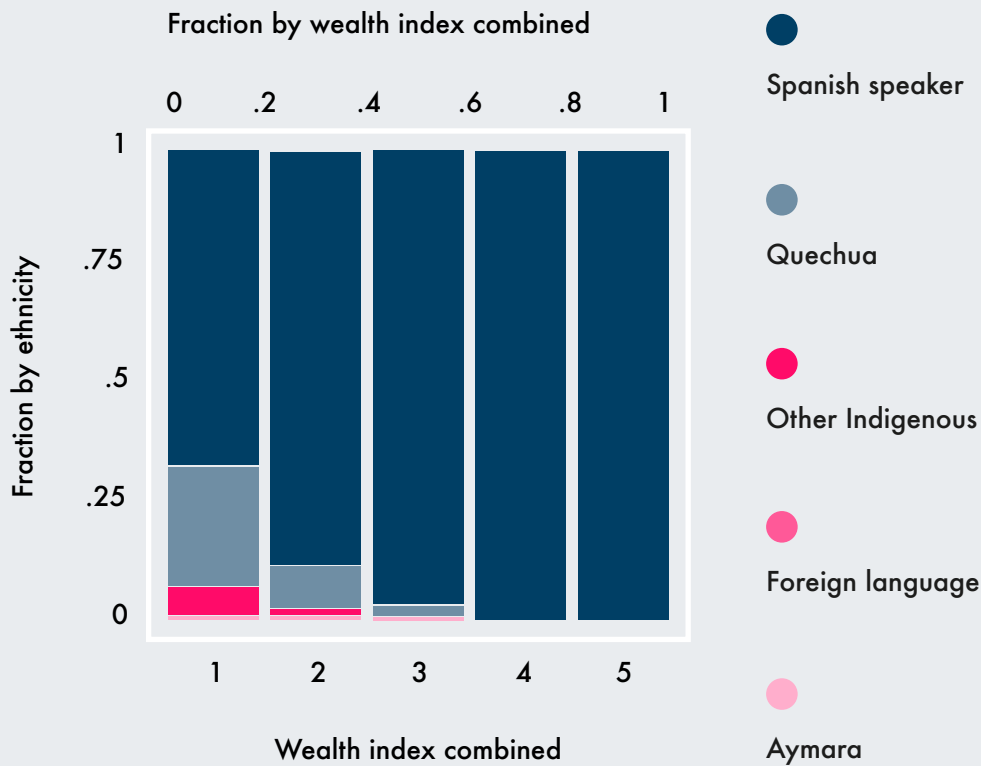
Despite the rhetoric, state-provided relief efforts were uneven and did not reach most informal workers surveyed, with just under 40 percent of the sample reporting access to cash or food relief. Even where workers had accessed relief, it was not adequate to make a significant difference to food security. Relief efforts were often undermined by punitive state actions leading to the further destruction of informal livelihoods. Ultimately, informal workers have been left in a precarious situation, having sold off assets, and taken on more debt in order to survive. Reducing poverty and inequality will require a focus

on the recovery of informal livelihoods. Moreover, economic recovery will be slower and less robust if it excludes informal workers.

To ensure a better deal for informal workers going forward, policy makers should follow three guiding principles:

- 1 **Do no harm:** stop harassment, evictions, confiscation of goods, and the criminalization of informal workers and their livelihoods.
- 2 **Leave no one behind:** provide tailored recovery support for different sectors within the informal economy, and extend social protection to all types of workers.
- 3 **Nothing for us, without us:** invite leaders of organizations of informal workers to the policymaking processes that design and monitor recovery and stimulus schemes, social protection, economic plans, and local development plans. |||

Figure 14 – Wealth distribution in Peru based on language spoken, 2012



Source: CIC's own elaboration based on Demographic and Health Survey data. "Demographic and Health Surveys (various) [Datasets]," ICF, 2004–2017, Funded by USAID. Rockville, Maryland: ICF [Distributor].

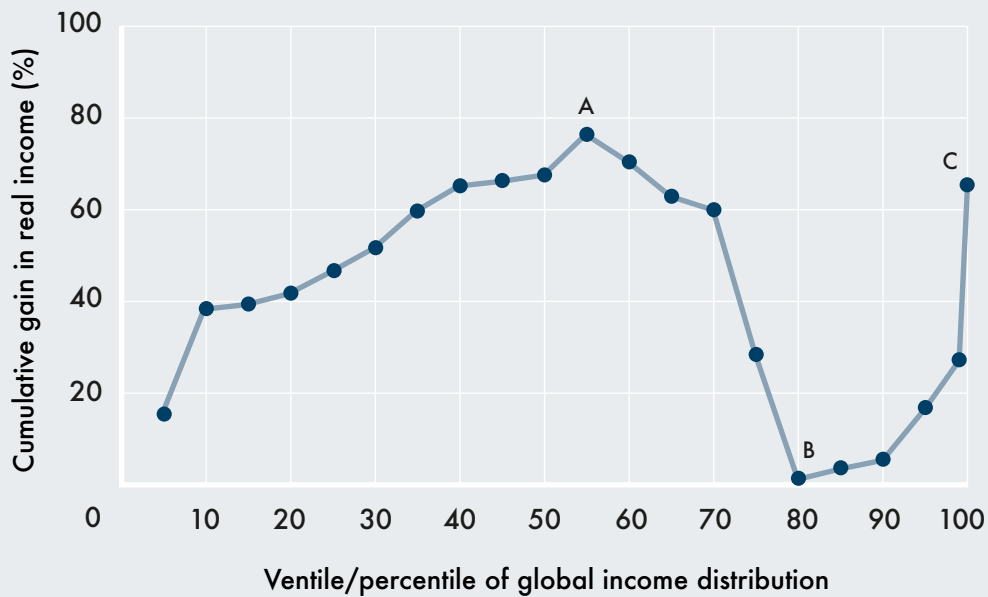
We can illustrate this through a case study of Peru. Spanish speakers in Peru, accounting for 83 percent of the population, comprise a diverse range of ethnicities including persons of a combined White and Indigenous American ancestry generally known as Mestizo. The data shows that wealth distribution for Spanish speakers as compared with the non-Spanish speaking Quechuan and Aymaran populations is stark, with the top two quintiles being represented exclusively by Spanish speakers, leaving the majority of Quechuan and Aymaran ethnicities in the bottom two quintiles (see Figure 14).

In 2018, the UN Committee on the Elimination of Racial Discrimination raised concerns about the persistent structural discrimination faced by Indigenous peoples and the Afro-Peruvian population, reflected in their difficulties in gaining access to employment, education, and quality health services. The Committee emphasized the lack of effective mechanisms for the protection of Indigenous peoples’ rights to their lands and resources, continued racial prejudice demonstrated by the media in Peru, and reports of members of Indigenous peoples in the Amazon regions continuing to be subjected to forced labor.

3.7 Overlap between income inequality and race or ethnicity

Groups defined by ethnicity and race have been left behind for a long time,¹¹⁶ and have in general benefitted little from economic growth in their residing countries. However, the study of inequality between identity groups is further complicated by the fate of majority ethnic working-class groups. Such people have oftentimes experienced a deterioration of their socioeconomic position over the past thirty years, converging with the underprivileged identity groups within their societies. Branko Milanovic’s famous “elephant diagram” (see Figure 15) shows that the working class in high-income countries—clustered around the 80th–90th percentile of world income distribution—have been squeezed since 1990. At the same time, the top 10% earners—especially the top 1%—have experienced real income growth in the range of 60–70% during that time and getting richer at a faster rate than even rapidly low-income emerging economies. While newer updated data sheds new light on the trend,¹¹⁷ the point remains that working class and lower middle class earners have seen their wages stagnant in recent decades in many Western countries including the USA and the UK.¹¹⁸ This divergent trend created parallel societies within high-income countries and is a combustible combination that only worsened during the COVID-19 pandemic. Just over the past year, 500 new people joined the ranks of billionaires (measured in US dollars), a new record that means there is now a new billionaire every 17 hours, while societies at large still suffer from the economic fallout of the pandemic.

Figure 15 – Real income per capita growth by percentile around the world, 1988–2008



Source: “Harvard University Press, https://harvardpress.typepad.com/hup_publicity/2016/06/branko-milanovic-elephant-chart-brexit.html.

Economic stagnation among low- and middle-class citizens representing the majority ethnicity in a country is connected with a risk of civil disorder and political instability. While data is much better for high-income countries, this phenomenon is to be restricted to them. In Sri Lanka, for instance, slow or stagnating incomes amongst working-class communities representing the majority Sinhalese ethnicity¹¹⁹ are linked to the higher mobilization of internal conflict (which also translate into the Tamilese minority in the cultural, social, economic, and political spheres). This is important when we consider the politics of inequality, and the vicious cycles which reinforce its dynamics, in the following chapter.

Box 5 – Child marriage in Bangladesh

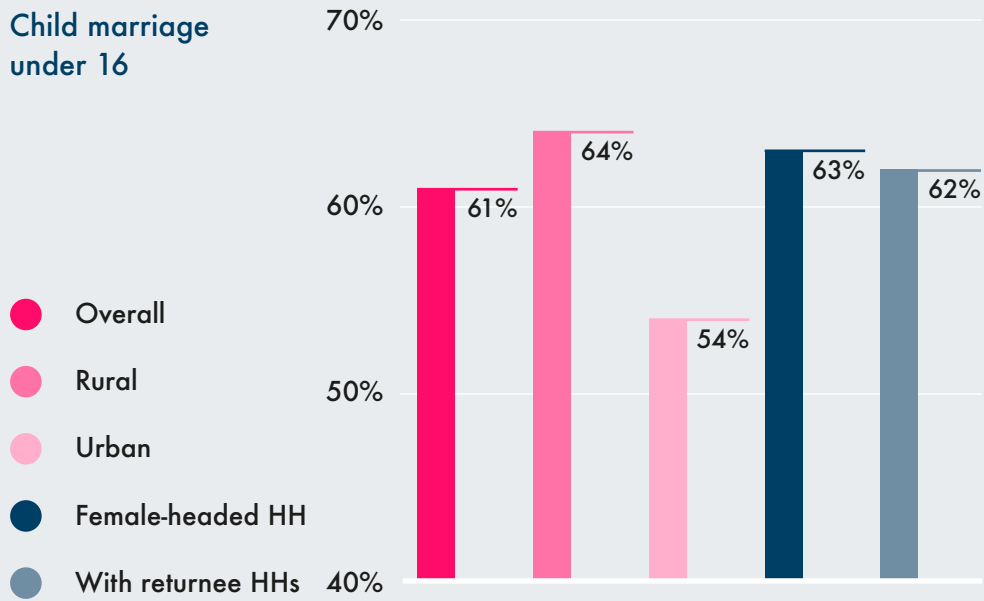
The devastation of the pandemic has been wide-reaching. Its impacts have had a significant gender slant, with disproportionate effects on women. Bangladesh is one example, although the trends are global. Emerging research found that while the pandemic had affected women’s earning capacity and economic outlook in Bangladesh, it also stalled or worsened progress on several contentious social issues such as child marriage, domestic violence,¹²⁰ and unplanned pregnancies (particularly among refugee and migrant women).

A recent UN Women, UNFPA, and Quilt.AI report found a startling increase in child marriage. In 2020, 61 percent of girls under the age of sixteen and 77 percent below the age of eighteen were married. By comparison, 51 percent of pre-pandemic women had been married before the age of eighteen in Bangladesh¹²¹ representing a 16 percent increase on previous child marriage rates. Child marriages were less prevalent in urban areas compared to rural locations (70 percent versus 81 percent), and more prevalent among female-headed households (81 percent) compared to male-headed (76 percent), possibly reflecting the strain female-headed households have endured as a result of the pandemic. Female college and university students also reported facing pressure from their parents to marry during the pandemic despite preferring to first complete their studies.

In a report coauthored by CIC, BRAC, and UN Women, it emerged that the average monthly income of female-headed households dropped by 29.5 percent, slightly higher than male-headed households at 28.9 percent. Evidence also showed that social protection measures did make a difference for women, with a higher segment of female-headed households receiving government/NGO support than their male counterparts (24 percent versus 17 percent).¹²²

When reporting on issues they faced because of the pandemic, female migrant returnees (mostly internal migrants) highlighted their inability to take up income opportunities (53.1 percent), problems in child-rearing and ensuring their education (12.4 percent), and the increased burden of unpaid care work such as household chores, childcare, and children’s education (17.9 percent). |||

Figure 16 – Rate of the marriage of children under 16 in surveyed households (using proxy indicator)



Source: Advocacy for Social Change (ASC), BRAC UN Women Bangladesh Country Office and Center on International Cooperation (CIC), New York University, “Demographic and Socioeconomic Changes Induced by the COVID-19 Pandemic in Bangladesh: Dynamics and challenges of new circumstances,” Advocacy for Social Change (ASC), BRAC UN Women Bangladesh Country Office and Center on International Cooperation (CIC), New York University, July 2021.

“I feel that the country is going to reach a point where people are going to start stealing instead of working, because there are people who do get upset, that is, they see they have no way out, do you understand?”

Costa Rica, male, age 18–24

Why Do Inequality and Exclusion Matter?



In this chapter we look at the harm caused to everyone by rising inequalities, not just the poorest individuals. We then briefly summarize the existing findings and present new research on the links between inequalities, pandemic management, political instability, and state capacity to tackle complex policy challenges such as climate change. We conclude by looking at the evidence on what drives inequalities in the contemporary world and makes them hard to reduce.



The analysis reveals how policies reinforcing equality, inclusion, and anticorruption measures lay the groundwork for sustainable growth, as well as progress on issues from well-being to the climate crisis. Investment in this direction, moreover, has a proven track record in terms of strengthening state capacity and broadening the tax base, two goals that are especially valuable in a low- and middle-income country contexts. High-income countries also stand to benefit, as exclusionary societal stances are strongly linked with suppressed social mobility.

4.1 Why does it matter?

One can of course argue that the trends described above do not matter—inequality is simply part of growth and development, and provides positive incentives for people to strive, save, and invest. However, several countries have exited poverty without a significant rise in inequality,¹²³ or with a rise that was quickly reversed. Examples include the Republic of Korea in the 1980s, or Ireland and Italy in the 1970s. All three countries experienced dynamic economic expansion during that period while reducing their Gini coefficients by 3–5 points. A more recent example is Botswana,¹²⁴ a country that between 2002 and 2015 saw its GDP grow by around 200 percent while its Gini coefficient dropped by more than eleven points (albeit from a high level).

Deepening inequalities are not a necessary component of economic development. While countries reducing inequalities during periods of high GDP growth are rare in modern history, it is feasible. Botswana’s success results in part from establishing a Sovereign Wealth Fund in 1994,¹²⁵ with the aim of investing public budget surplus in a sustainable and equitable way. Even on very narrow measures such as the impact of inequality on growth, researchers find¹²⁶ that there is a threshold above which inequality hurts GDP expansion.

But growth alone is not a good measure of the impact of inequality, and of course issues of environmental sustainability should not be ignored within growth models.

4.2 Inequality, exclusion, and management of pandemics

There is nothing equal about COVID-19. It is now well-established that poor and underprivileged social groups have absorbed most of the pandemic’s negative impact, including a profound economic recession. Recent research has revealed that the connection between COVID-19 and inequality might run in both directions, meaning that the pandemic not only generated more inequality but

“We could live a happy and a peaceful life only when we have enough money. Even inside our subconscious and psychology, when we’re at the end of the month and our salary almost runs out, we become more angry and nervous.”

||||

Tunisia, male, age 25–45

also was compounded by existing inequities. Specifically, during the first wave of the COVID-19 pandemic, one additional point of the Gini coefficient correlated with a 1.34 percentage point higher rate of weekly new infections¹²⁷ across countries. This relationship coincided with aspects such as crowded housing, societal trust issues, lockdown compliance, poor access to public services, and systemic exclusion from government response policies, with unequal societies scoring worse on each of them. This difference in infection rates compounded like interest every week and meant that after twenty-one weeks of the pandemic, just one additional Gini point correlated with approximately one-third higher overall number of cases in a country.

More equal countries might enjoy an “equality dividend” that is associated with more shock resilience during the ongoing crisis. Conversely, unequal societies are now vulnerable to falling into a vicious cycle of pre-existing inequities being exacerbated by the pandemic dynamics.

The findings from this and past pandemics can inform countries’ policy responses. The same underprivileged communities that have been hotspots of SARS-CoV-2

infections can become fertile ground for the virus to develop new strains before enough people are vaccinated. In fact, inequality in vaccine rollout, both within countries¹²⁸ and between them,¹²⁹ already display a strong income-related pattern. This suggests inherent risk in repeating the mistake of letting inequities undermine pandemic response.

These patterns in inequality are not new to the COVID-19 pandemic. All six major global pandemics that took place since the beginning of the 21st century (SARS in 2003, H1N1 in 2009, MERS in 2012, Ebola in 2014, Zika in 2016, and COVID-19 currently) led to a spike in income inequality. Another parallel, and important point for political stability, is that these pandemics were also coupled with governmental street protests. Available empirical

evidence for the COVID-19 pandemic—which overshadows others in scale—appears to substantiate this hypothesis. The Carnegie Global Protest Tracker identified a 31 percent increase in large-scale protests worldwide from 2019 to 2020, and 2019 was already a record-breaking year in terms of civil disorder¹³⁰ (see Figure 18). ACLED data for years 2019–2021 tracking protest activity around the world (without a distinction of anti-government and other types of protests) shows the frequency of such events around the globe almost doubled over the past two years. This dynamic was not constrained by widespread government lockdowns.

Figure 17 – Infection rates across countries after 21 weeks since pandemic outbreak—more unequal countries experienced worse outcomes



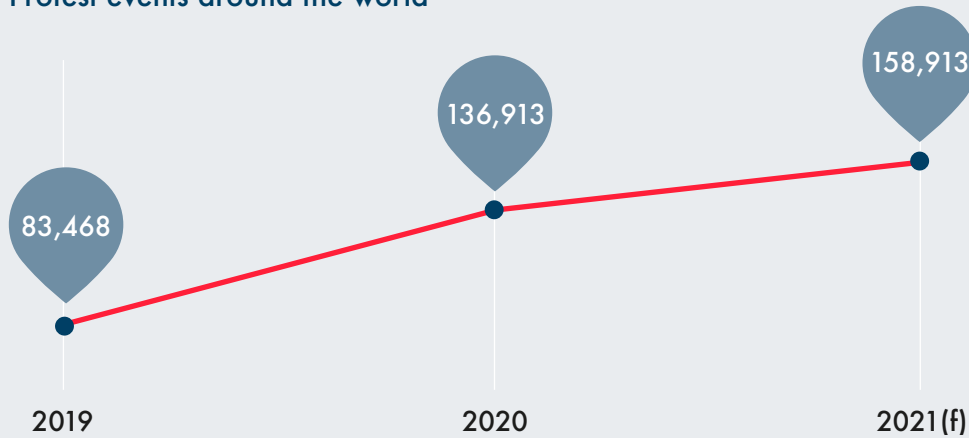
Source: Adapted by NYU CIC for new research; Data: The World Bank Open Data – Gini coefficient for the years 2015-2019, John Hopkins University – Infection rates per country for the year 2020.

The overarching lesson is that equality and inclusion, already core values of the UN Sustainable Development Goals should also become the center of a broader strategy of building resilience against future shocks. This goes beyond the fragile state context, in which shock resilience is usually discussed, and applies to both low-income and high-income countries. Diminishing social compliance with lockdown restrictions shows that such compliance has a shelf life. Studies now affirm that regions within countries such as Italy¹³¹ that have

higher civic capital and social trust measures display greater and more enduring lockdown compliance levels from early on, which is decisive in halting viral spread. In this context, a policy commitment to socioeconomic equality and inclusion can be perceived as part of the social contract, a genuine investment in a nation's development, and a way to build back better after the pandemic.

Figure 18 – Protest events globally between 2019–2021

Protest events around the world



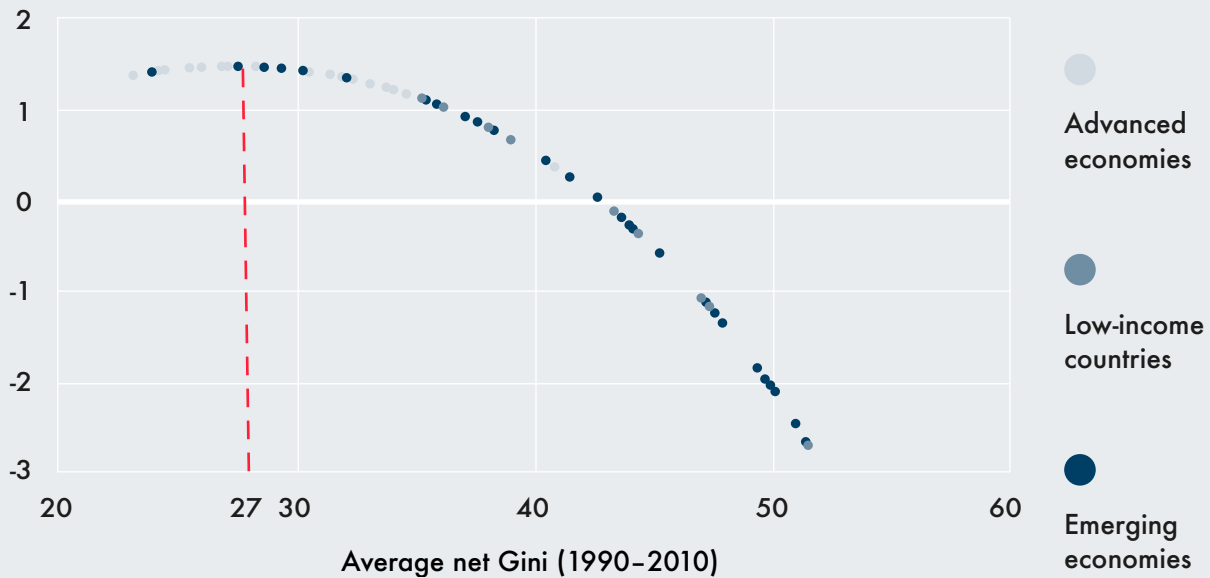
Source: CIC estimates using ACLED global data as of August 2021.

4.3 Inequality, exclusion, and growth

Growth has become contentious given its links to the climate crisis. The high-income countries in particular need to decide “how much is enough,” in the words of Ted Skidelsky: how much can we keep growing without irrevocably damaging the planet and even our own cultures? What kind of life do we aspire to? More material goods, or more time with family and self-enrichment as people? For middle- and most low-income countries, however, growth remains a both necessary and justifiable objective. Overall, the new global growth paradigm should balance its focus between the quantity and quality of GDP expansion, making sure economic development is both environmentally and socially sustainable.

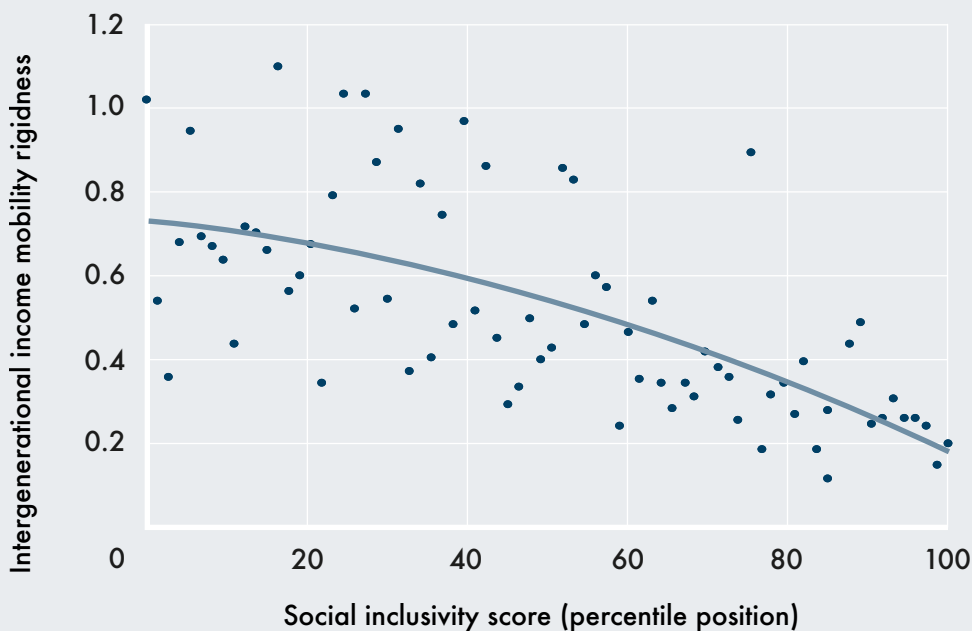
Figure 19 – Relationship between the net Gini coefficient (after government transfers) and economic development

Average per capita real GDP, percent, 1990–2010.
 Beyond the Gini coefficient score of 27, the correlation becomes negative.



Source: Grigoli, Francesco and Adrian Robles. "Inequality Overhang." IMF Working Papers. International Monetary Fund, March 28, 2017, www.imf.org/-/media/Files/Publications/WP/2017/wp1776.ashx.

Figure 20 – Social exclusion correlates with limited social 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.

This non-linear relationship between economic inequality and growth has been analyzed by the International Monetary Fund. Their empirical analysis of a diverse group of seventy-seven countries over twenty years (1990–2010) yielded a Gini coefficient threshold above which countries are likely experiencing a GDP growth gap caused by income inequality. That threshold is a Gini coefficient of 27 points,¹³² a very low score by current global standards. Importantly, as a country gets more unequal, that GDP growth penalty becomes ever bigger for each additional point.¹³³ This holds true for all countries, not just low-income ones. The findings indicate that the world at large, currently experiencing a within-country, population-weighted Gini coefficient of 38, could achieve higher GDP growth rates by investing in pro-equity policies. Not only the scale but also the durability of the economic growth period improves in more equal societies. Jonathan Ostry has found that just a three-Gini-point drop in a country increases the expected uninterrupted length of its GDP growth spells by 50 percent.¹³⁴

Exclusion also matters for economic growth. The World Bank has estimated¹³⁵ a loss in human capital wealth at \$160 trillion across 141 countries (for a comparison, the US annual GDP is around \$22 trillion), simply if we assume that women should earn as much as men and would do so if they were given equal opportunities and did not face discrimination and prejudice. Exclusion based on ethnic, religious, and cultural identity has a similarly detrimental effect. Social prejudices and hostilities link with lower social mobility across populations, hurting optimal talent allocation and deepening intergenerational poverty.

Figure 20 reveals how more inclusive societies enjoy more intergenerational social mobility. While wealthier countries generally display better results in this area, the correlation is not set in stone. Several low-income countries are more inclusive and socially mobile than some wealthier countries, suggesting that space for policy adaptations exists regardless of GDP per capita position.

4.4 Inequality, exclusion, and political instability and violence

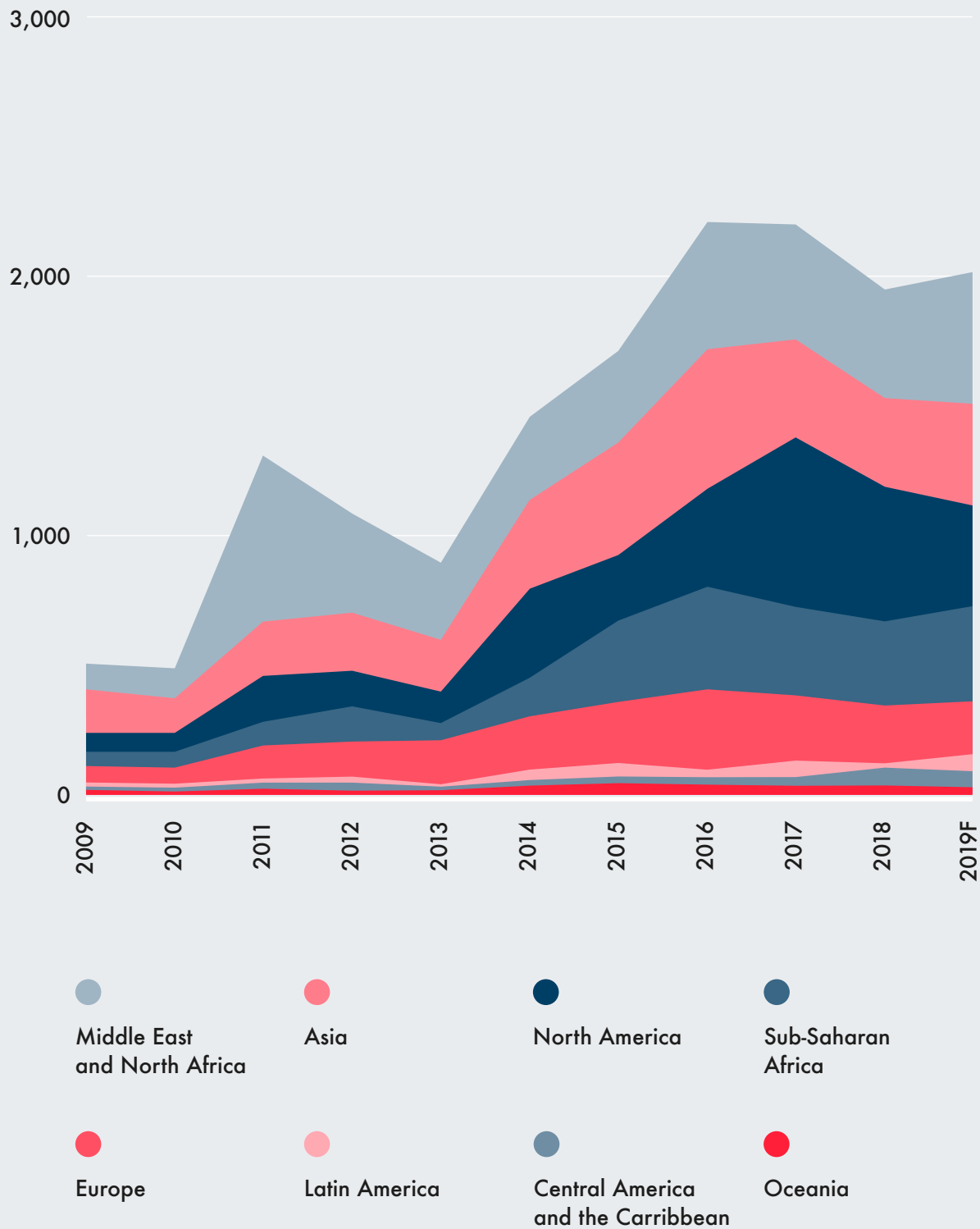
Historically, proving the linkage between inequality and political instability has been challenging.¹³⁶ Thanks to advances in big data analytics, such as the Google GDELT project,¹³⁷ we are now able to utilize new types of insights to shed light on how political unrest goes hand-in-hand with rising inequality. This is especially valuable as it allows us to gain a fresh perspective on developments in this area following the Great Recession of 2008 and subsequent uneven recovery. As Figure 21 shows, the world has experienced a four-fold increase of anti-government protest over the past decade, creating a palpable sense of instability.

Using the data prepared by Haig, Schmidt, and Brannen¹³⁸ (based on the GDELT database), CIC mapped the protest dynamics in forty-two countries where data was available against shifts in inequality and exclusion, revealing a strong link. We looked at the connection between protests and the absolute values of inequality metrics as well changes in them. The exercise showed that protest dynamics correlate with both, but the recent changes in inequality and exclusion metrics correlate the strongest.

Specifically, over twelve years (2008–2019), every one-Gini-point increase over a three-year period was associated with 0.5 additional antigovernment protests per one million people over the following three-year period. For a country the size of the United States, this means that a one-point increase in the Gini Coefficient should correlate with approximately 160 more antigovernment protests per year three years later, a result confirmed by the Google GDELT data. This is significant, but exclusion dynamics can have even more explosive consequences: every additional point in the societal exclusion score over a three-year period linked with around twenty additional antigovernment protests per one million people in the following three-year period. Again, for a country the size of the United States, a shift of just one percentile point toward more social exclusion is correlated with approximately 6,000 more anti-government protests per year on average (however, countries usually experience V-dem score shifts on a much smaller scale—a fraction of a percentile point a decade). According to the data, these increases are even more pronounced during election periods, posing additional challenges state stability. To the extent that this correlation might indicate a causal dynamic, the findings show that societies in the process of becoming more unequal and exclusionary are more vulnerable to political unrest and instability.

Perhaps even more compelling are the links between inequality, exclusion, and violence between social groups. The 2018 UN/World Bank Pathways to Peace report noted that “many of today’s violent conflicts relate to group-based grievances arising from inequality, exclusion, and feelings of injustice.”¹³⁹ In countries with high levels of education inequality between ethnicities and religions, the risk of violent conflict was double that of countries where education was more equitably distributed.¹⁴⁰ Exclusion of ethnic groups from political power is even more strongly related to conflict than economic inequality,¹⁴¹ in line with the findings on protest activity. Low status of women—particularly their vulnerability to domestic violence—is also a good predictor of a country’s propensity toward violence overall.¹⁴² Even in the many countries where outright civil conflict is not a short-term risk, inequality and exclusion translate to physical insecurity. Every additional point of the Gini index lowers the share of the population expressing their trust in others and corresponds with up to ten more homicides per 100,000 people.¹⁴³

Figure 21 – Annual instances of civilian anti-government protests by world region



Source: Brannen, Samuel, S. Haig, Christian and Katherine Schmidt. "The Age of Mass Protests: Understanding an Escalating Global Trend," Center for Strategic & International Studies, March 2, 2020, www.csis.org/analysis/age-mass-protests-understanding-escalating-global-trend.

4.5 Inequality, exclusion, and human well-being in a country

The human cost of inequalities on families can be stark. For instance, inequality means more unplanned teenage pregnancies and a higher infant mortality rate. A study in Brazil¹⁴⁴ reveals that a one-point increase in a national Gini coefficient results in thirty-two more births for every 10,000 girls between the age of 15–19. Similar studies done in other Latin American¹⁴⁵ countries and the United States¹⁴⁶ found consistent results, with both income and education inequality driving up pregnancy rates among school-age girls. Teenage pregnancies are proven to both diminish the life prospects of young mothers and place a burden on social protection systems. Women often end up excluded from the labor force,¹⁴⁷ bequeathing poverty to the succeeding generation in a pattern that reinforces the overlap between income inequality and identity-based exclusion. Newborn infants are also at higher risk of dying in unequal societies. A one-point increase in the Gini coefficient is associated with a 3 percent higher rate of infant mortality due to communicable diseases.¹⁴⁸

Income inequality also drives up obesity rates and associated diseases. A study of thirty-one OECD countries¹⁴⁹ found that around 20 percent of variation in weight in a society is driven by income inequality, with a one-point increase in the Gini coefficient corresponding to a one percentage point increase in the obesity rate among women and a 0.82 percentage point increase among men. Analogous results were observed in Latin America.¹⁵⁰ Obesity is linked to noncommunicable diseases, most notably Type-2 diabetes, cardiovascular disease, gallbladder disease, and cancer, which burden the healthcare system.¹⁵¹ Change in the Gini coefficient explains around 80 percent of changes in diabetes mortality rates¹⁵² among high-income countries of similar income.

Anxiety contributes¹⁵³ to a variety of mental illnesses and aggravates problems like drug abuse and suicide. The pattern is striking. Both depression and drug use are higher in more unequal neighborhoods of New York City,¹⁵⁴ in more unequal American states, and in more unequal countries. This is likewise the case for suicide rates.¹⁵⁵ A number of studies analyzing data from more than ninety countries point to a consistent pattern: more inequality translates to more suicides. A study from Brazil¹⁵⁶ assessed that each ten-point increase in the Gini coefficient results in a 5.5 percent increase in the suicide rate. Even if mental illness is avoided, income inequality reduces life expectancy.¹⁵⁷ Even wealthy people suffer from more anxiety in high-inequality countries. Anxiety declines as incomes rise but is higher for everyone in more unequal societies. The richest 10 percent in high-inequality countries are actually more anxious and depressed than all but the bottom 10 percent in low-inequality countries.

Box 6 – The impact of inequality in the Arab region

Rola Dashti

Executive Secretary, UN Economic Commission for Western Asia

Prior to the COVID-19 outbreak, the Arab region had made huge investments in capabilities, and achieving immense human development gains. Yet, it had one of the highest levels of wealth inequality globally. The top 10 per cent of the adult population held 76 per cent of the household total wealth, and the poorest half held only 2 percent. Lopsided economic growth and unsustainable social interventions increased exclusion and State dependency; stunted upward mobility; reduced economic opportunities; and undermined inclusive growth.

The region had also seen an accelerated fall in per capita income, and rampant unemployment among women and young people that is now the highest worldwide, at 23 per cent. It witnessed a rapidly shrinking middle class; increasing social tensions between rich and poor; a mounting economic conflict between businesses and citizens; and rising political frustration and social instability.

In the GCC countries, for example, unsustainable social policies had fostered a dependent middle class consuming national wealth rather than creating wealth and driving economic change and innovation. Policies that promoted economic reforms focusing on enhancing the role of the private sector in economic activity lacked citizen buy-in: they were viewed as means to transfer wealth from the state to the business community.

As soon as COVID-19 struck, many decades-long challenges were magnified, and boundless weaknesses were exposed: vulnerable health systems, unsustainable social protection policies, broken institutions and poor governance, a squeezed middle class, and an overlooked informal sector.

Nevertheless, despite the additional challenges it has brought with it, the pandemic provides new opportunities. Opportunities for recovering forward better, enabling a transformation in the modes of governance, development, and implementation. The required transformation is one premised on shared responsibility and societal solidarity, that promotes responsible and effective partnerships for development, and strengthens social and economic solidarity, leaving no one behind in the pursuit of the SDGs.

A triangular partnership approach can be one of the foresighted transformative policies, such as public-affluent-poor (PAP) partnerships and public-business-citizen (PBC) partnerships. PAPs, embodied by mechanisms such as the creation of a societal solidarity fund that targets the poor and creates opportunities for upward mobility and economic benefits, entrepreneurial ventures, and innovation, can help in bridging the ever-widening social tensions between rich and poor. PBCs, embodied by mechanisms such as shared ownerships in privatized and transformed public economic activities, create economic opportunities for all, and can help in assuaging the growing economic conflict between businesses and citizens.

Inaction towards structural transformation or towards transforming modes of governance with a view to achieving inclusive, just, and prosperous Arab region is not an option. “More of the same” decision-making mechanisms and implementation processes should no longer exist if we aim for political stability, social cohesion, and an all-inclusive prosperity. ||||

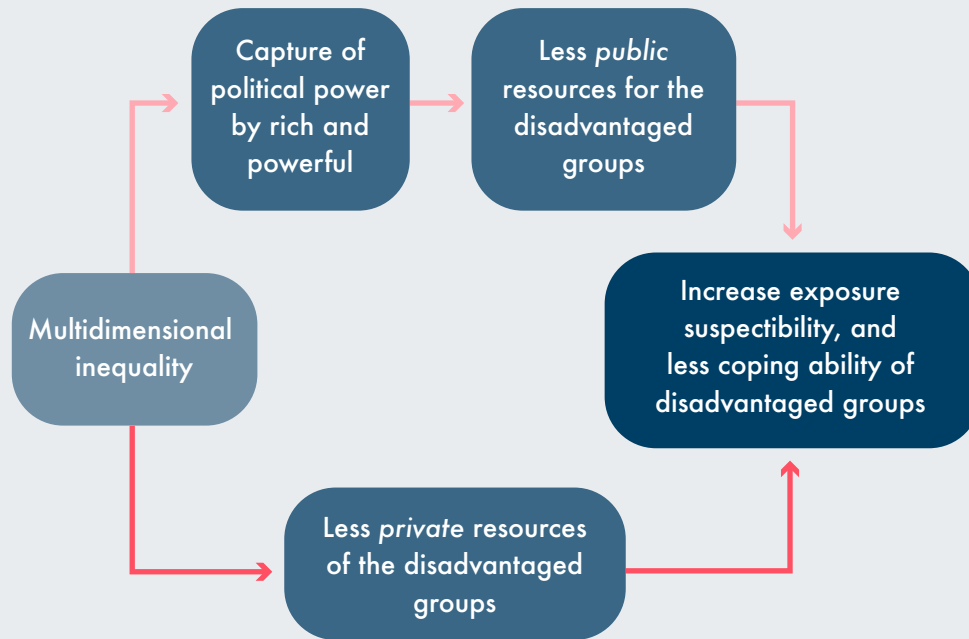
4.6 Inequality, exclusion, and the climate change crisis

This interplay between inequality and climate change is increasingly evident. Climate change disproportionately affects those who are already marginalized in society, including Indigenous people,¹⁵⁸ women,¹⁵⁹ those from poor communities, and people in low- and lower-middle-income countries. These groups are around five times more likely¹⁶⁰ than people in high-income countries to be displaced by sudden extreme weather disasters. Interestingly, populist governments which often decry elitism are more resistant to enacting climate policies¹⁶¹ and thus end up contributing to the inequality they claim to abhor. During CIC's country visit to Indonesia in 2019, we found that communities affected by the destructive effects of the 2018 tsunami had higher poverty relapse levels among households which previously managed to escape it. This impact is then visible in the income inequality statistics.

Climate change is both a consequence and an amplifying factor when it comes to inequalities. Disruption to coastal shantytowns further entrenches the predicament of some of the most underprivileged communities. Political pressures resulting from desertification and migration in the Sahel region have the capacity to disrupt and collapse governments in climate refugees' region of origin and their destination. For that reason, any policy response must include both adaptations to unfolding changes and addressing their root factors, limiting further expansion of negative impacts.

Most people now acknowledge that global warming has increased¹⁶² global income inequality. The discourse on inequality not just as a consequence of climate change, but as a *cause*, has less consensus. However, we know that in unequal societies, most of the productive assets are owned by influential elite groups who can skew policies to their advantage, maintaining a status quo that benefits them; a pattern that also applies to climate issues. Take, for example, the recent accusation by Greenpeace¹⁶³ calling for an investigation into ExxonMobil for its role in staging a colossal climate denial scheme and buying political influence in order to protect its interests. Finally, one indirect consequence of inequality can be a country's diminished ability to tackle complex policy challenges as a result of more unstable and short-lived governments. This disruptive effect lowers state capacity to react to urgent global crises like climate change. CIC's study of thirty-four high-income countries showed that over the past three decades, for every two-Gini-Coefficient-point increase in a country in a decade, there has been one more government change in the following decade, on average across countries.¹⁶⁴

Figure 22 – The effects of inequality on climate mitigation for disadvantaged groups

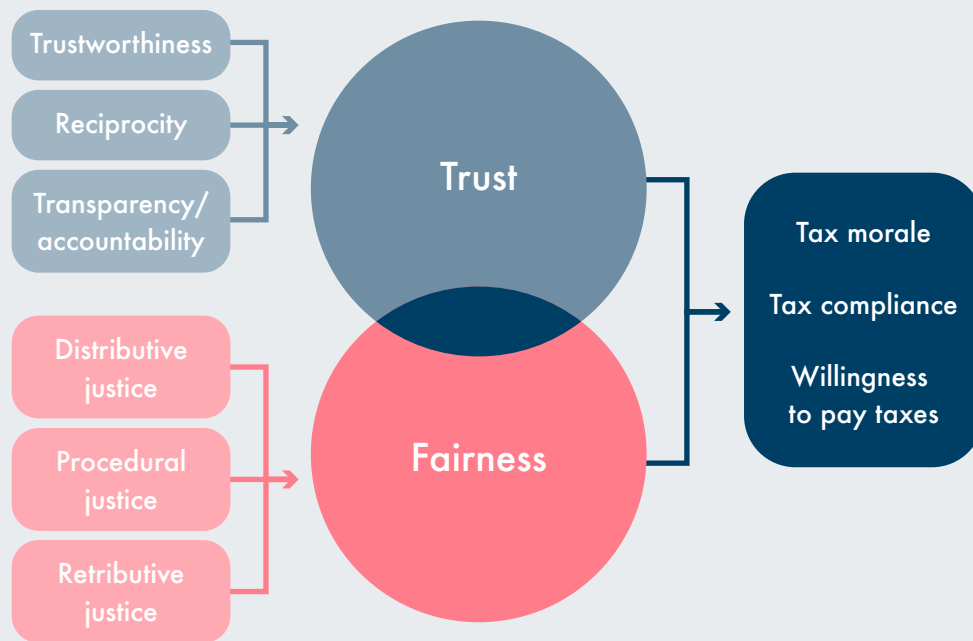


Source: Islam, Nazrul and John Winkel, "Climate Change and Social Inequality," title adapted by CIC.

4.7 Tax morale, inequality, and reciprocity

The best-known and most widely-tested path to more developed, more equal societies requires creating fiscal space, collecting taxes, and developing institutional capacity and legitimacy. To that end, it is essential to understand how countries can facilitate this process by establishing a robust and equitable social contract that compels citizens to voluntarily comply with state regulations, including by paying taxes. CIC's recent research¹⁶⁵ found two key elements in voluntary tax compliance: trust in the system, and perception of its fairness. Six mechanisms can be utilized to improve societal perceptions in a way that achieves both goals. These are: trustworthiness (credibility); reciprocity; transparency; distributive justice; procedural justice; and retributive justice (see Figure 23).

Figure 23 – Mechanisms facilitating voluntary tax compliance in a country



Source: NYU CIC: The Way We Voluntarily Pay Taxes, Ricardo Fuentes-Nieva, May 2021.

An issue of particular interest is corruption as a hindrance to both justice and a sense of legitimacy of governments and the tax regime. Demonstrating transparency and trustworthiness in anticorruption efforts is among the most effective ways of encouraging positive societal perceptions of the system, which in turn can improve a tax system’s efficiency and create space for more reforms.

To change this pervasive dynamic, it is important to understand the mechanisms of trustworthiness. A recent paper by the World Bank¹⁶⁶ collected information in fifty countries via an online survey. A total of 65,000 people responded to the survey. The findings revealed that perception of fairness is positively affected by public efforts aimed at holding corrupt officials accountable. In a different study in four sub-Saharan countries¹⁶⁷—Kenya, South Africa, Tanzania, and Uganda—the authors use data from the Afrobarometer to also identify which factors affect people’s willingness to pay. Corruption emerges as a key predictor in two of them: South Africa and Uganda, where corruption of tax officials reduces the probability of tax-compliant attitudes by 6 percent and 4 percent respectively. A reverse effect can be achieved by making a case for reducing corrupt practices by public officials.

Another key issue impacting societal perception of fairness is tax evasion and avoidance. This problem affects both low-income and high-income countries and causes inequality directly if it is disproportionately done by the wealthy—as when the top twenty-five billionaires in the US were found to have paid an effective tax rate of 3.4 percent.¹⁶⁸

“If corruption is totally wiped out, our trust will increase in government.”

Sierra Leone, female, age 24, hairdresser



What Has Gone Wrong?

In this chapter we consider what has gone wrong: if more equal societies benefit the majority in terms of sustained welfare, public health, and political stability, why has it been so difficult to adopt inequality-reducing policies?



The discussion of vicious cycles in this chapter suggests that societies are not helpless in the face of rising inequalities and divisions. The deliberate manipulation of inequalities and polarization of groups to hide failing development delivery are created by political action and public policy. We have the opportunity to reverse this if we understand that successful action must renew trust between citizens as well as between citizens and the state, and if international cooperation delivers greater fiscal space for low and middle-income countries.

5.1 Choices

Part of what has gone wrong is simple public policy. From the late 1980s, and in constant crescendo after the end of the Cold War, policymakers embraced an ethos that self-interested individual economic actions would be the main driver of societal welfare. It is interesting to consider whether this was a backlash manipulated by political and economic elites against the relative inclusive development of the post-WWII years in most countries. The effect was born out in deregulation and less progressive tax regimes that tended to favor already dominant social groups, and also in the dilution of public investment that had protected the poor. The predominant ethos was disseminated to lower-income countries through academic and policy links, and the provisions of budget support and development policy operations. Some countries used their national cultural norms to resist this, but almost all were affected.

5.2 Vicious cycles

Once countries set out on the path of increasing inequalities, they also got caught in a momentum that seemed difficult to reverse: a vicious cycle, or a spiral where each cycle responds to a stimulus from the one above or below. The idea that inequality feeds itself has been a key factor of several influential academic works in the last decade. Thomas Piketty presented evidence that the growth in returns to capital above GDP growth creates a dynamic of

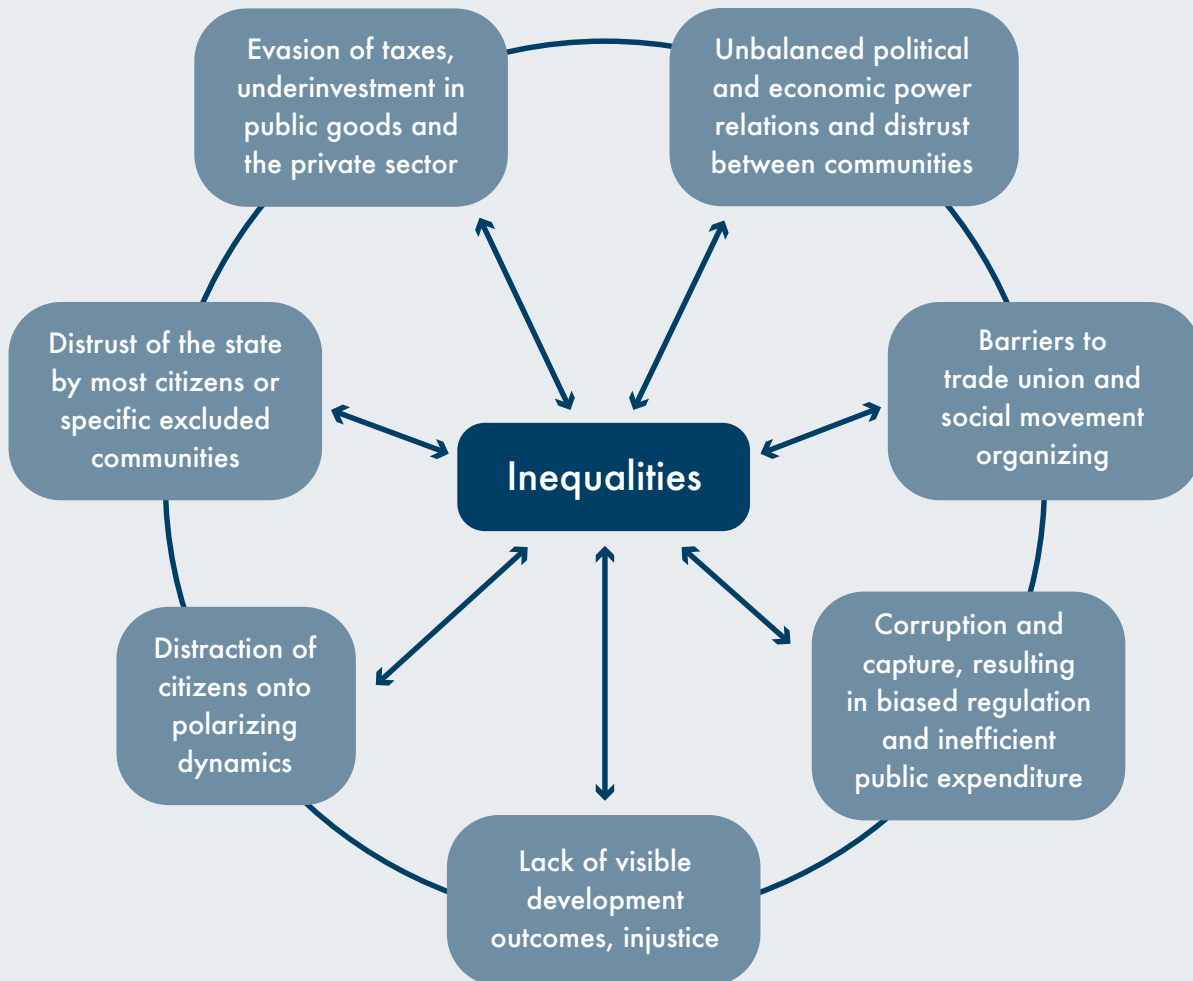
“The government needs to do more in the area of housing because many people do not feel comfortable [in their] dwelling place.”



Sierra Leone, female, age 24, hairdresser

automatically rising inequality that can only be checked by state intervention. Diego Sanchez Ancochea presents a vicious cycle of inequality and violence, where the well-documented link between vertical inequality and criminal violence subsequently results in low investment in poor neighborhoods; this in turn increases the incentives for violence. Pathfinders have just presented new research on inequalities and pandemic performance¹⁶⁹ which, in real time, has the possibility to spur a new vicious cycle of inequality: the exposure of the poor to COVID-19 has resulted in lost income, savings, and health status, lowering their future prospects while the assets of the affluent have increased.

Figure 24 – The vicious cycles of inequality



Source: NYU CIC own elaboration.

We believe that a fundamental vicious cycle has been at play in perpetuating inequality and exclusion at the national level (international is a different story), and that power is at the core of this. Figure 24 illustrates these dynamics. This cycle does not need to follow the full circle before inequalities grow further, instead there is feedback at each stage. Inequality is thus promoted and reinforced again and again in this cycle, such that it builds a strong foundation across societal institutions and becomes embedded.

- 1 Inequality increases corruption and capture¹⁷⁰ by increasing the influence of elites over political, legislative, and administrative decision making.
- 2 This throws up barriers to cross-sectional organizations such as trade unions. Trade unions played a significant role in 20th century gains by lowering the gap, democratization, and the building of welfare states, but their power has been reversed in many countries over the past several decades.
- 3 Corruption and capture of legislative and state processes, as well as a weakening of organized citizen power to oppose it, in turn produces ineffective public spending and biased state regulation. These feed more unequal distribution of human and financial assets, and weaker and less inclusive growth and services.¹⁷¹
- 4 This then results in a lack of actual and visible development results, and actual or potential dissatisfaction amongst citizens.
- 5 Political leaders, increasingly, are responding to this with divisive rhetoric about specific groups, effectively scapegoating and avoiding the larger problems of governance. An interesting point from behavioral science is that making identity salient may also produce unequal outcomes by reinforcing perceptions of privilege and underperformance (see Box 7).
- 6 The cumulative result is greater distrust between citizens, and between citizens and the state. Research¹⁷² shows that the combination of socioeconomic inequality and corruption are more significant drivers of distrust than heterogeneity of societies (whether societies have one or many ethnic, religious, or racial groups), but that tensions are exacerbated by divisive political rhetoric.
- 7 Corruption and lower trust, in turn, correlate with tax evasion and consequent underinvestment in public goods.¹⁷³ A recent study covering ninety-two countries over thirty years¹⁷⁴ concludes, consistent with others, that trust improves tax morale and tax compliance. Low domestic resource revenue mobilization, in turn, leads to lower opportunities for both pre- and redistribution.

Thus, the vicious cycle moves into another spiral: inequality to capture or corruption to poor development results to deliberate polarization to distract from development outcomes to underinvestment and, hence, further inequality.

5.3 The cycle in recent history

This vicious cycle can also be tracked historically. The previous section on trends described the “diagonal inequality” that exists in many societies, where being from a minority ethnic, racial, or religious group, or a female, locks in material deprivation, and is a form of triple exclusion. The stubborn persistence of certain groups at the bottom of the income and wealth hierarchy demonstrates combined and connected issues of social and economic exclusion.

Here we consider the dynamic effects of simultaneous income and wealth inequality and identity-based inequality. The 1980s/90s break from the post-WWII economic consensus—when Milton Friedman’s ideas caught hold in the West—spurred a withdrawal of investment in society-wide progress that left many middle- and working-class families behind.¹⁷⁵ The same period saw considerable gains for the feminist movement, the rise of LGBTQ+ activism, and high migration, which augured new demands for equal respect and belonging in society and new goals for material redistribution.

This could have become a virtuous cycle in the form of new alliances, but in many countries, it has instead become a vicious one: political forces pushed narratives that encouraged groups left behind to blame their fortunes on ethnic minorities, on rises in migration, or on women’s rights. Political parties and civil society organizations such as trade unions struggled. For trade unions, it was particularly challenging in the face of demonization and unfavorable changes in labor laws. As such, in some countries, they fell short in organizing the most marginalized, particularly at the cross-section of women, informal sector workers, and minority ethnic or racial groups. In some countries these entities lost the coalitions that had previously supported progress. The support of the poor for parties that ran on identity-blaming rather than socioeconomic platforms increased. This in turn exacerbated declining shares of national wealth for the poor and middle-class of all identities since the majority were no longer using their collective political power to demand more equal societies, and politicians had less pressure on them to deliver equality.¹⁷⁶

Box 7 – Inequality, exclusion, and trust in OECD countries

Romina Boarini

Director, Center on Well-being, Inclusion, Sustainability and Equal Opportunity (WISE), OECD

Inequalities have risen over the past decades. Across OECD countries, the average income of the richest 10% of the population has increased from 7 times that of the poorest 10% 30 years ago to 9.7 times today. Disparities in household wealth are even starker. Around 2018, the top 10% of households held 52% of all wealth on average, while the bottom 40% barely owned 3% and saw their average wealth shrink over the past decade. The middle class has also suffered. In some OECD countries, middle-class incomes have barely grown over the period. Meanwhile, their financial burden has increased as the cost of housing, education and healthcare have risen faster than inflation.

An important lesson to remember is that today's inequalities cast a long and lasting shadow over our economies and societies. They frame opportunities for tomorrow and reduce social mobility. For instance, at current levels of inequality and social mobility, it would take on average 4 to 5 generations (up to 150 years) for the offspring of a family from the poorest 10% to reach the average level of income in OECD countries. Inequalities in educational outcomes and health status are also highly persistent across generations. Effects are notably visible in education, where higher income inequality undermines opportunities for disadvantaged individuals to invest in their skills and human capital.

Inequalities also shape long-term societal attitudes. OECD research shows that people incorporate information about income disparities into their perceptions and concerns. In countries where conventional estimates of income inequality increased the most, concerns about inequality also grew the most.¹⁷⁷ This has translated into increased dissatisfaction. Before the outbreak of COVID-19, around 80% of respondents agreed that income disparities were too large in their country, according to ISSP and Eurobarometer data.

Dissatisfaction risks weakening trust in government, solidarity and, among some groups, engagement with regular democratic processes. Countries with higher inequality, actual or perceived, also display lower trust in others, both at local and national level.¹⁷⁸ Similarly, trust in public institutions fell the most in OECD countries that were hardest hit in terms of household income loss and unemployment during the Great Recession. Resulting social discontent can manifest itself in the ballot box and on the streets. In Latin America, for example, the share of the population who perceive the income distribution to be fair has fallen since 2013. In parallel, the propensity to demonstrate has risen in various LAC countries and the number of actual protests has increased since 2014.¹⁷⁹

The pandemic has come on top of these longer-term trends. In this context, it will be important to monitor its impact on different groups and across a range of outcomes.¹⁸⁰ Without appropriate policies, this impact will be significant. Unemployment has been unevenly distributed, so have opportunities for remote work and education. Available data show for instance that children from disadvantaged backgrounds have suffered larger learning delays due to COVID-19. Monitoring its impact on perceptions and policy preferences is equally crucial to seize opportunities for reform. Data from the OECD's *Compare Your Income* web-tool indicate widespread bipartisan consensus in favor of public health and education spending over the past year.¹⁸¹ ||||

**“People like me
are in a cooking pan,
and they do whatever
they want with us.”**

Tunisia, female, age 43

A photograph of a wind farm in a rural landscape. In the foreground, there is a field of tall grass. In the middle ground, there are several trees and a small cluster of buildings. In the background, there are rolling hills and two large wind turbines. The sky is overcast and grey. The entire image has a blue tint.

Framing a Renewed Social Contract

What policies work to disrupt the vicious cycles described above? In this chapter we describe how social contracts work to address trust at different levels, between citizens, and between the governed and their governors. We look at the origin of thinking on social contracts across regions, and consider the key elements needed in a renewed social contract. All of this argues that we need to renew our approaches to trust between citizens and between governors and the governed. And this points to the need for a new social contract.



6.1 What is the social contract?

Social contract theory refers to the tacit agreement between citizens to cooperate to ensure collective security and welfare, along with the idea that authorities provide protection and services in exchange for citizens' consent to be governed. Individuals cede some of their personal freedoms to the government in exchange for protection from some of the physical and structural violence of life outside of society. At the same time, those who govern accept limitations on the exercise of arbitrary power.

Historically, the social contract has been used for many purposes: in the sphere of public policy, to justify taxes, citizen security, protection, and the provision of public goods; politically, to challenge poor governance; as an underpinning of theories of justice; as the basis for the welfare state; and the extension of social protections. Social contract theory is often understood to refer to the work of European philosophers Thomas Hobbes, John Locke, and Jean-Jacques Rousseau (see below). In fact, when we look back with a less Western-centric perspective, political thought on the rights and responsibilities of governments and citizens, and on what drives governance by consent rather than governance by force alone, occurs in all regions. Outside the Western tradition, the social contract theory is not always stated in explicit terms but is still part of social organization.

6.2 What are some of the similarities and differences in social contract thinking historically and across continents?

The debate on why society matters, and what people should expect of each other and their leadership, goes back a long way across all continents. Within the same 300-year timespan from 2nd and 3rd to the 5th century BCE, Confucius, and Mengzhi in ancient China, the Indian *Digha Nikaya* and *Arthashastra*, and Plato and Aristotle in ancient Greece all present discussions of the relationships between governors and the governed, as do Islamic, African, and Latin American political thought.

There are some striking similarities in thought: while all wrote from a background of divine origins of authority, all these traditions had some element of norm-setting to constrain arbitrary authority. Most contain some form of reference to life outside of society: Hobbes' state of nature which is "nasty, brutal and short" has something in common with the *Arthashastra* framing of the law of fishes (*mastyā nyaya*), where there is no barrier to big fishes eating little ones. In the Islamic traditions, the Medina Charter of 622 CE was based on the idea that equal social and political rights for different groups would allow all citizens to unite against external attack. All of these, in their different ways, set up the perceived need for a social contract.

But there are also differences. African and Latin American traditions (which have primarily been passed down in oral form) give more role to the obligations of both people and rulers to protect nature. Chinese and European traditions are explicit about the circumstances under which the legitimacy of authority can be lost, while other traditions are less so. Islamic and European thought are direct on forms of consultation between governors and governed. Latin American political thinkers in the 17th and 18th centuries have clear statements on racial and ethnic identity and citizenship, as well as women's rights.

"I don't think I really have a relationship with the government. I don't expect much from them, I guess I haven't really seen anything that would tell me that they're going to do great things or anything like that."



Canada, female, age 50+

Looking outside Western traditions reminds us that it is not just about the form of the social contract or that all political organizations must be identical. These theories also remind us that compulsion and punishment are not a good foundation for strong systems of governance. We must create societies that people want to live in.

The current problem, outlined in the preceding chapters, is that people all over the world believe strongly that their current societies have too many divisions. This anger is borne out by actual empirical results, as shown by the research presented on unequal societies and pandemic containment, violence, and political instability.

Box 8 – The Korean new deal

The Republic of Korea has achieved remarkable economic growth over the past several decades, becoming the seventh country to join the 30–50 club (> USD 30,000 average income, >50 million people). As Korea’s economy matured, however, the country began to see a decline in its growth rate, while its insufficient social security system further widened levels of polarization. The average annual growth rate reached 6.9 percent in the 1990s, and then declined to 4.4 percent and 2.9 percent in the 2000s and the 2010s, respectively, while inequality increased.

Against the challenges of slower growth and polarization, Korea has been shifting its paradigm toward a people-centered economy. In the face of the COVID-19 pandemic, the Korean economy has encountered two major challenges: aiding recovery from a severe economic recession, while addressing the structural transformation. In fact, Korea, along with many other countries, is faced with an employment crisis that is more brutal on the vulnerable. Youth entering the labor market for the first time, women working in in-person service industries, and temporary and daily workers with little protection were the first ones hit by the crisis. In particular, young people at the start of their careers have suffered. The difficulties they face directly translate into hardships for their parents’ generation, as well as pain across the whole of society. There is increasing need to provide close-knit support for jobs and housing, thereby serving as a “ladder of hope” for young people.

Against this backdrop, the Korean New Deal is a national development strategy intended to support the country’s recovery from the pandemic crisis in an equitable way, with a specific emphasis on youth inclusion. Its three main objectives are as follows: First, the Korean New Deal aims to minimize the economic shock by creating jobs. It creates not only government-supported jobs for low-skilled workers, but also jobs that support the structural transition toward a digital and green economy. Second, this strategy supports the Korean economy’s quick return to its normal growth path by building the necessary infrastructure for a digital and green economy that will restore investments and support job creation. Third, it sets the groundwork for Korea not only to adapt to the structural changes but also to lead the global community in the post-pandemic era. |||||

6.3 How do we form a new social contract for the 21st century?

The 21st century social contract needs to be underpinned by a different kind of practical action than the thinking described above. Five aspects merit mention. The new social contracts must be delivery oriented, participatory, long-term, global, and be underscored by a new narrative.

First, the 21st century social contract needs delivery based on people's priorities and needs. Repeated surveys reveal that people expect and demand better services and delivery from governments. Investment in social protection and broader social and economic inclusion is fundamental to a social contract that encompasses all members of a society and that builds broad trust.

Second, social contracts should aim to be participatory, consultative, and establish processes and systems for dialogue and discussion. In a climate of polarization and tensions, strengthened dialogue and principles of consultation regarding distribution and reconciliation will serve to reduce tensions and prevent longer-term conflict. Countries that have managed to successfully establish systems of social dialogue have also managed to contribute positively to growth, development, and lowering of inequality.

Furthermore, the new social contracts must be underpinned by a different kind of practical action: long-term and more global. It needs to be long-term, because climate change is an all-encompassing challenge and requires thinking of future generations' rights. It needs to take account of the long-term impacts of technological substitution, and address these before they create despair amongst the young and societal divisions. Box 8 shows an example of the Republic of Korea's efforts to address these issues, the outcome of a negotiated process with business and civil society, kickstarting a new transition in wake of the pandemic.

The modern social contract also needs to have stronger global underpinnings. At the time the theorists cited above were writing, war was the primary global challenge, and issues like the natural environment (important in African and Latin American thought) were still considered largely local problems. In this century, we face not only our new knowledge about the global aspects of climate change, but other challenges that were not considered by the founding theorists: pandemics, and international financial system instability.

Box 9 – The social contract, international trust, and vaccine justice

Carlos Alvarado
President of Costa Rica

The commonly heard claim that “no one is safe until everyone is safe” is much more than a cliché and bears being repeated. 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. We rapidly faced the dilemma of choosing between equipping hospitals and medical staff, providing social support stimulus, and continuing investing in long-term development goals such as climate action, or servicing our debt and looking after our debt profile. 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 people economically affected by the crisis. In keeping with our view that building social solidarity is the key to tackling many issues, we implemented the strategy “Costa Rica works and takes care of itself,” encouraging reduced mobility and limited business hours rather than restrictive lockdowns, a strategy which produced one of the lowest lethality rates in the region. The burdens and challenges were formidable, and compounded by serious fiscal constraints, societal divisions, and the need for national dialogue in a period that has been one of our most trying.

Our national efforts will only effectively protect our citizens’ health and livelihoods if they are bolstered by the support of 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 developing therapies, 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 by 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. Regrettably, current efforts for production and universal distribution of vaccines and medical technologies have fallen short. Vaccine nationalism jeopardizes our ability to overcome the COVID-19 pandemic, undermines national attempts to secure the social contract, and creates international tensions. If we act collectively and embrace our interconnectedness, 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 as well as the fulfillment of the 2030 Agenda. |||||

The new social contract needs different types of narratives to underpin it, though research on narratives (the stories we tell to motivate political, social, and economic action) is a relatively new area in most disciplines. It is generally acknowledged that the policies that led to increasing inequality in the last 30 years—and indeed to the fracturing of the previous social contract—had a strong narrative component. “Government is not the solution to our problem, government is the problem,” said Ronald Reagan in his inaugural speech in 1981.¹⁸² Or as Margaret Thatcher in 1987 commented, “There’s no such thing as society.”¹⁸³

These narratives have been negated by facts on the ground, not least during COVID-19 when everyone has realized what governments and a collective sense of society are for: without government and cross-society action, we cannot address this type of collective threat. Yet they have not been replaced with competing narratives that can take us forward into a new social contract.

We need new narratives like those that have been important in recent years in reducing exclusion. For example, switching¹⁸⁴ from a narrative of how LGBTQ+ couples lost out on social benefits to one where the focus was on the human desire for people to express love and commitment played an important part in advances in LGBTQ+ rights.

We looked at the evidence for narratives that could take us forward into a new social contract to create more equal societies better fit to face future crises like COVID-19 and climate change. For the polling, we tested the difference between narratives of injustice and narratives of unity. However, these did not make a significant difference to how people responded to polling questions. During qualitative focus groups in Sierra Leone, Costa Rica, and Tunisia, we presented a statement on corruption and power at the top of society, a statement also used in recent US,¹⁸⁵ and UK qualitative research on narratives that helps to build solidarity across working class groups of all ethnicities:¹⁸⁶

“No matter where we come from or what our cultural background, most of us work hard for our families, but today in [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, we need to address corruption at the top of society.”

There was resounding agreement and endorsement of this statement and—to our surprise—this was the case across countries, even those with very different starting conditions. This sort of narrative that emphasizes what we have in common, as well as where the blame lies deserves further consideration in inequality communication work. It could prove especially effective in moving anger away from immigrants and marginalized groups, to those who are actually driving inequality.

A different form of narrative with evidence of effectiveness is one that emphasizes what we share. In many countries this comes in the form of attachment to constitutions and historical memory (although, as noted in Chapter 8, these can also be divisive). A recent example is Indonesia’s use of *Pancasila*. The concept of *Pancasila*¹⁸⁷ is included in the preamble of Indonesia’s 1945 constitution and is the state’s official, philosophical foundation. *Pancasila* is a culmination of five principles: belief in one supreme God; social justice; humanitarianism; consultative democracy; and nationalism expressed in the unity of Indonesia. Introduced by President Sukarno, *Pancasila* aimed to unite a new and extremely diverse nation and was modelled on the idea of an idealized village that was egalitarian, with decisions being made by consensus and with an economy based on *gotong royong* (mutual self-help).

During the COVID-19 crisis, the Indonesian government used the tenets of *Pancasila* as a blueprint for their national pandemic response. For example, the pillars of humanitarianism and social justice formed the basis of the Indonesian government’s expansion of the health system to account for all members of society while also expanding social assistance coverage according to proportional need.

Table 1 – Actualization of Pancasila as a COVID-19 handling protocol and readiness toward a safer and more productive society (new normal)

| No. | Principles of Pancasila | Embodiment as ideology/ philosophy | Actualization in COVID-19 | Pancasila as protokol | Implications in handling COVID-19 | Implication for new normal |
|-----|--------------------------------|------------------------------------|--|--|--|---|
| 1 | Belief in the one and only God | Religion as a philosophy of life | Disaster as a test faced with trust | Religious moderation (restrictions on worship) | Restrictions on worship activities and people who are trusting | Improve discipline in new normal situations |
| 2 | Just and civilized humanity | Human rights | Health as a human right that needs to be protected | Community-based health system improvement | Application of a healthy lifestyle (4 healthy 5 perfect) | Expansion of the public health system (promotive-preventive) |
| 3 | The unity of Indonesia | National unity and togetherness | Togetherness in the face of disaster (National-Regional-Community) | Local government involvement in localized handling | Implementing PSBB (lockdown) proportionally in affected areas | Decentralization of the new normal protocol to affected local governments |

| No. | Principles of Pancasila | Embodiment as ideology/ philosophy | Actualization in COVID-19 | Pancasila as protokol | Implications in handling COVID-19 | Implication for new normal |
|-----|---|------------------------------------|---|---|---|---|
| 4 | Democracy led by wisdom in deliberation/ representation | People's sovereignty and democracy | Paying attention to community aspirations and involvement | Optimal community participation | Increased community participation in the prevention and recovery of impacts | Community involvement starting from individuals, families, communities, in the new normal |
| 5 | Social justice for all people of Indonesia | Social justice and welfare | Access to treatment reaches the whole community | Protection and social assistance for affected victims | Social assistance and SSN incentives for affected victims | Expansion of social assistance coverage equally proportional |

Source: Dr. Suprayoga Hadi, Deputy of Human & Equality Development, the Vice President Office, Republic of Indonesia, June 9, 2021.

Another narrative emphasizing what we share comes from behavioral science research on nudging: it has been shown to be more effective to convey to people that, for example, most people they see as peers are paying their taxes, rather than to belabor them for not paying their taxes.


Nudging is not only restricted to the economic sphere but can be applied to a wide array of issues. The city of San José, California used the technique to address the expensive citywide problem of illegal trash dumping.¹⁸⁸ The issue was so pervasive that it affected property values. As a result, the city's Environmental Sciences Division (ESD) piloted a new initiative, the Large Item Collection program, along with a three-month study on how residents responded to different postcards advertising the program.

Postcard 1 was sent to 3,280 households, Postcard 2 was sent to 3,281 households, and a control group of 135,686 households received no postcards. Both postcards had text from the most spoken languages in the city. As seen below, the first postcard took on a disciplinary tone. The second postcard was more positive. When the study concluded, the city found that Postcard 2 resulted in a 150% increase in the use of the service, compared to 75% from Postcard 1.

What all research on narratives shows, however, is that narratives alone are not enough: for them to be effective, they must be underpinned by real action that creates confidence and turns our vicious cycle into a virtuous one. Policies with the ability to achieve this are the subject of the next chapter.

Figure 25 – Postcards from San José Large Item Collection program resident survey

Postcard 1



The City of San José spends \$87 each time someone improperly disposes a large item.
Do it the right way for **FREE**

La Ciudad de San José gasta \$87 cada vez que alguien se deshace incorrectamente de un artículo grande.
Hágalo de la manera correcta **GRATIS**

Thành Phố San José tốn \$87 mỗi lần có người vứt bỏ một đồ vật lớn không đúng cách.
Làm đúng cách được **MIỄN PHÍ**

Postcard 2



You've been selected to receive a **FREE** large item removal.

Usted ha sido seleccionado para recibir la remoción **GRATIS** de un artículo grande.

Quý vị đã được chọn để lấy đi một đồ vật lớn **MIỄN PHÍ**.

Source: Wright, Lenka, "What Works Cities Blog Post: Using behavioral science to keep San José clean," What Works Cities, August 31, 2016, <https://whatworkscities.bloomberg.org/works-cities-blog-post-using-behavioral-science-keep-san-jose-clean>.

“The trust I have for government institutions is great, because they are doing so much for us. For example; the water, electricity, and transportation we use is being catered for by the government, freedom of movement and association, etc.”

Sierra Leone, female, age 24, hairdresser



7



Introducing a Policy Package

Research, polling on public opinion, and country experience collectively indicate that there are three pillars needed to deliver sustained equality and inclusion: policies that create visible material change; policies that build solidarity; and policies that secure government credibility. Countries that have succeeded in addressing inequality and exclusion in a sustained way acted under all three of the policy pillars. Those that failed in one area saw progress stall. As such, the evidence indicates that policy makers should consider policies in these three categories in order to not only make progress but sustain it.



A renewed social contract needs to have concrete policy actions attached—policies that speak to the demands of the times. Addressing divisions, creating good jobs for everyone in a new technological age, and confronting the existential challenge of the climate crisis will take multiple actions by multiple actors. The vicious and self-reinforcing cycle of inequality will also require tackling cultures of privilege that maintain elite power. All of the above will require not only bold and innovative ideas, but also bold and innovative politics.

In 2018, the Grand Challenge on Inequality and Exclusion set out to find policies and approaches that:

- 1 Provide meaningful and measurable progress on issues of inequality and exclusion.
- 2 Include both redistribution and recognition elements, so that we ensure we consider issues of power, voice, and dignity alongside the technical redistribution fixes.
- 3 Consider the intersectionality of socioeconomic, gender, and group-based inequalities, in tune with the lived realities of those most left behind (or rather, held back) because of the prejudices that have been absorbed across societies and into our institutions.
- 4 Can, by various means including good communication strategies and social movements, attract political and public support, making policy change feasible and ensuring those policies cannot be undone by future government turnover.
- 5 Address the points described in the linked vicious cycles in the previous chapters, notably blocks to change such as state capture, alongside prejudice and material deficits.

Thirty-one expert papers were written on these policy areas in which authors brought together evidence of what works and how policies withstood political realities. These papers document the political journey policies have had to travel, including providing details on how winning coalitions of political support were built.

Table 2 – 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>How to pay for it</p> <ul style="list-style-type: none"> — Domestic resource mobilization through building the tax base, introducing solidarity taxes, clamping down on tax exemptions, and increasing inspection and collection capacity — Debt relief, redistribution of special drawing rights to low- and middle-income countries — Global action on tax evasion and avoidance, as well as illicit financial flows | | |

In the three years of research, country visits, expert meetings, and debate, we found consensus across twenty-one different policy areas that are relevant in different country contexts. These policies are listed in Table 2. Turning the vicious cycle described in Chapter 4 into a virtuous cycle will require multiple interventions across traditional redistribution mechanisms like taxation, but also in terms of housing, social protection, digital connectivity, and building people-centered justice systems. We have grouped these policies as those that provide visible change; those that build solidarity between groups; and those that promote credibility and government accountability.

7.1 A policy framework for delivering equality and inclusion

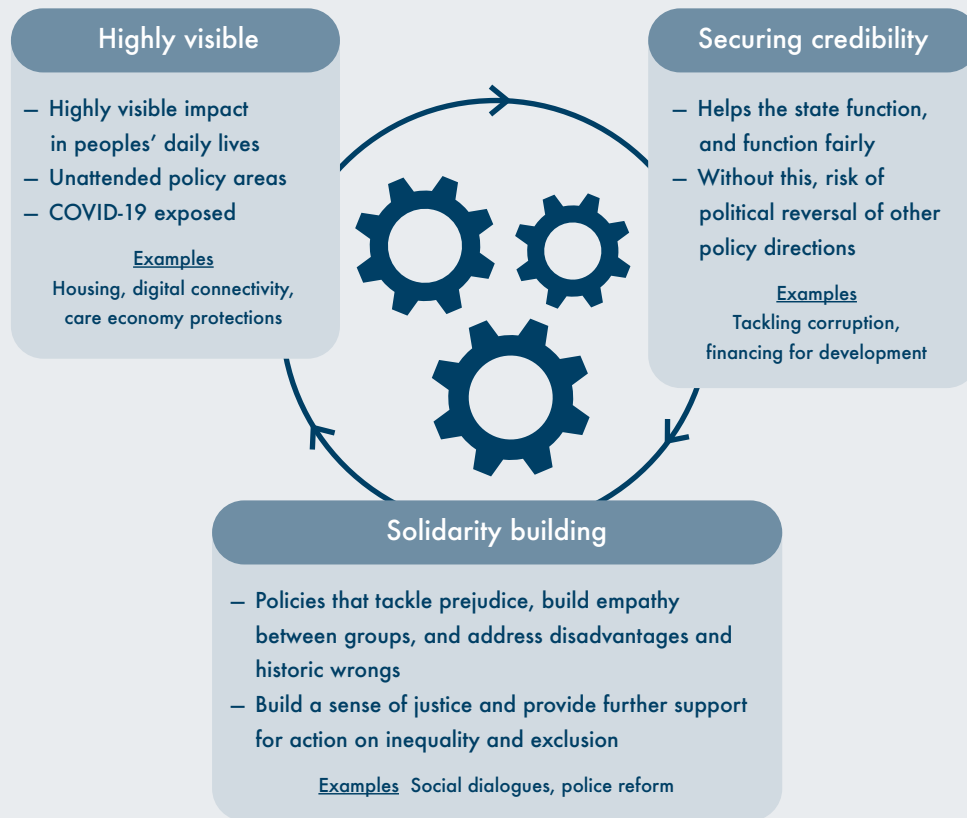
Table 2 provides a simple illustration of how the three pillars—highly visible, solidarity building and securing credibility—can work together.

Highly visible policies are defined as those that are the ‘big ticket’ items that could move us forward to equality and inclusion in a noticeable and impactful way. Many of the policies listed underneath this heading have been further exposed by COVID-19 and are areas where governments are struggling. Our global poll listed affordable housing as the area in which governments were performing most poorly, with a global average of just 32 percent of respondents feeling their governments were delivering on this. These are also popular policies. Polling shows 84 percent of people support pay increases for essential workers, and 79 percent believe financial support for low-income households should be a policy priority for their government.

While these concrete policies are vital for economic recovery centered on the needs of everyday people, they do not in themselves deliver unity across groups and recognition for marginalized group. *Solidarity building* policies increase trust between groups, which in turn results in more support for redistribution. Such policies are also fundamental to reducing exclusion and tackling divisions in society. The focus on divisions reflects public opinion, with 65 percent of those polled from Sierra Leone to Sweden to Costa Rica believing that not enough is being done to tackle divisions in society and wanting their governments to take more action in this area.

The third pillar of policies speak to securing credibility and trust in government. 63 percent of those polled believe their governments are heavily influenced by the very rich. Only 34 percent globally think their government was doing well on tackling corruption. The third pillar of policies speaks to the challenges of tackling corruption, increasing transparency, and addressing financing. These improvements help the state to function, and function fairly. Without the means to implement them, governments will always disappoint, and populations will see government policy announcement as empty rhetoric.

Figure 26 – A policy approach to tackling inequality & exclusion

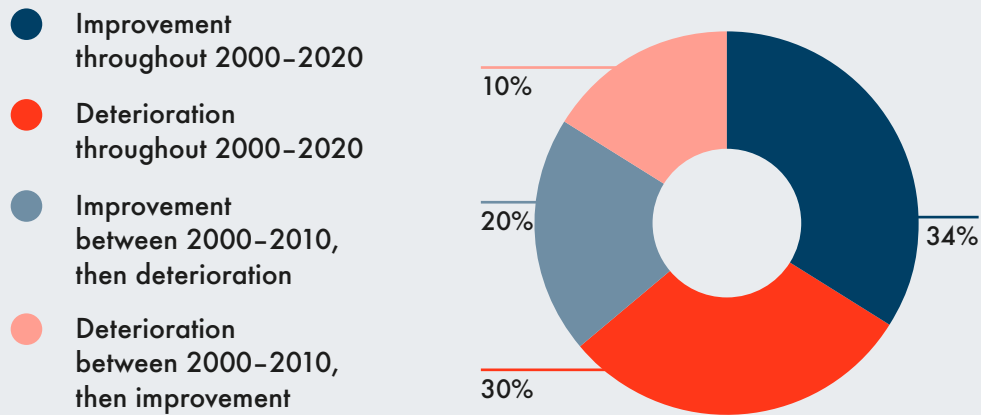


Source: NYU CIC own elaboration

7.2 How this framework relates to country experiences

We explored the countries that saw declines and increases on different measures of inequality (using measures of the Gini, share of GDP held by top 10 percent earners, and top 1 percent earners). Focusing on the top 10 per cent measure, and notwithstanding data limitations,¹⁸⁹ we found that between 2001–2020, over a third of the 155 countries for which there was data have seen a consistent reduction of the inequality measure. 36 percent of countries had a mixed track record over that period with the measure gyrating up and down. 30 percent of countries worldwide have experienced a consistent deterioration during the past two decades, meaning that the share of national income collected by the 10 percent richest citizens every year just kept growing.

Figure 27 – Changes in the share of national income held by top 10 percent earners’ across countries between 2000-2020



Source: NYU CIC own elaboration; Data: World Bank Open Data; World Bank Poverty and Equity Data Portal.

What does this tell us? On the one hand, there is something positive to be taken from the findings. Seventy percent of the countries saw improvements in at least one of the decades between 2001-2021. However, that so many (50%) saw either an outright deterioration or a reversal of earlier progress demonstrates that it is difficult to achieve and sustain improvements in inequality. This becomes even harder when various dimensions of inequality are tracked simultaneously. When we looked across 10 percent income share and the V-dem exclusion metric, the number of countries that had seen improvement in both over the past two decades was just 19.5 percent.

Countries seeing progress over the decades include Botswana, which has done especially well on visible change, as well as on solidarity building. Botswana is a well-known economic success story, growing from one of the poorest nations of the world into a middle-income country. This was achieved in part by using mineral wealth to build social and economic infrastructure, increase access to education and health, and tackle poverty. But an important component to growth has been in-depth social dialogue to build country development plans in an inclusive way.¹⁹⁰

A significant part of Botswana’s strategy was the establishment of an inclusive social safety net system which targets the most vulnerable communities.¹⁹¹ AIDS has hit the country hard, but almost 95,000 patients—86 percent of those who need it—receive antiretroviral treatment. In 1992, women’s rights groups led a successful challenge to discriminatory statutory citizenship laws in the Unity Dow case, giving women in Botswana equal rights to citizenship. The outcome also had impacts on the law in other countries in the region. In the 2013 Mmusi vs. Ramentele case, these same groups challenged

the customary law practice of favouring male heirs, and again won. The suit claimed this practice contradicted constitutional principles of equality.¹⁹² Other countries that have made sustained progress include Sierra Leone and Guyana.

Drilling deeper into the policies and political contexts of countries which have experienced a deterioration across various metrics, we find a number of leading causes of growing inequality and reversals. Six of the thirty-one countries which are seeing simultaneous growth in inequality across the V-dem exclusion metric, top 10 percent, and 1 percent share of national income are or have been labeled as affected by FCV (fragility, violence, and conflict) by the World Bank. This includes, among others, Guinea-Bissau, and the Central African Republic. Addressing inequality in such unstable environments is obviously difficult. For the other countries, there are a number of high-income economies that are deteriorating from an otherwise good starting position, such as Germany and Denmark, and countries that have seen declines or reversals after earlier improvements.

It is notable that corruption and issues of sufficient fiscal space have been consistent tripwires. Brazil is one well-known case of this pattern. Between 1992 and 2014, Brazil saw a dramatic decrease in inequality. As one of the most unequal countries in the world, this reduction was unprecedented. This progress has been attributed to a combination of social protection policies, investment in education, and changes in labor market policies.¹⁹³ In education, the number of university students doubled between 2000 and 2011. In 2013, the government enacted one of the world's most sweeping affirmative action laws, requiring public universities to reserve half of their admission spots for predominantly poor students of African descent. But after more than two decades of moving forward, inequality indicators started to reverse, accompanied by rising polarization between political parties and a highly divisive election in 2016.¹⁹⁴ Corruption is key to understanding this backlash. Years of brewing scandals came to a head in an all-encompassing corruption investigation called *Operação Lava Jato* (Operation Car Wash), launched in 2009. Several members of the Workers' Party were implicated, as well as leaders from other political parties and officials. Brazil is a prime example of where efforts to deliver visible change and to build solidarity fall short when not bolstered by efforts to build trust through clean and open government.

Considering the collective country cases of inequality trajectories we examined, the following stood out:

- **On action across all three areas: in countries that have seen prolonged decreases in inequality (e.g., Botswana and Sierra Leone), all have taken steps to address material conditions and build solidarity either through strengthening legal protections or new constitutions. While nearly all had some cases of corruption, there has also been clear action either through policy or through the legal system to address it.**
- **On the need for action on visible policy areas: While progress was not a direct line, with many countries making missteps (especially on corruption), all countries that saw progress on inequality had clear programs on social protection and widening access to public services (e.g., Peru and Bolivia).**

- **On the role of corruption:** High-profile cases of corruption were a common feature in countries that saw periods of inequality growth, this was especially the case in low- and middle-income countries.
- **On workers’ rights:** There are a number of high-income countries including Sweden and France that feature as countries with the largest growth in inequality. Notably, these countries have adopted policy changes that have often loosened workers’ rights, employment protection laws, and undermined the power of trade unions resulting slower wage growth for those at the bottom and middle of the income-spectrum.¹⁹⁵
- **On financial means:** Some countries such as Argentina experienced reversals that can in part be explained by bouts of inflation, debt defaults, and wider fiscal constraints.
- **On solidarity building and nationalism:** Countries such as Poland, India, and Pakistan, which saw prolonged increases in inequality, have performed especially badly on solidarity building, with growing exclusion and rising nationalist currents. This of course is not the sole policy challenge these countries face, but it does highlight a worrying intertwined pattern of worsening inequality and exclusion.

Taken as a whole, our country study provides evidence of both the complexity and the possibility of addressing inequality. While issues beyond the control of national governments (e.g., global financial crises) are factors driving inequalities, and many of the countries discussed have struggled with legacies of violent colonial histories, the evidence across country case studies demonstrates the usefulness of the *highly visible, building solidarity, and securing credibility* policy framework developed here.

Table 3 – Top ten countries that saw biggest declines across different measures of inequality between 2000 - 2020

| Gini coefficient | | | Share of GDP held by top 10% earners | | |
|------------------|-------------|--------|--------------------------------------|------------|-----------|
| No. | Country | Change | No. | Country | Change |
| 1 | Bolivia | -15.8 | 1 | Cabo Verde | -11.8p.p. |
| 2 | El Salvador | -12.6 | 2 | Comoros | -11.2p.p. |
| 3 | Moldova | -12.3 | 3 | Botswana | -10.3p.p. |
| 4 | Nepal | -11 | 4 | Niger | -10.1p.p. |
| 5 | Argentina | -10.4 | 5 | Maldives | -9.7p.p. |

| No. | Country | Change |
|-----|------------|--------|
| 6 | Peru | -9.8 |
| 7 | Guinea | -9.3 |
| 8 | Nicaragua | -9 |
| 9 | Paraguay | -8.9 |
| 10 | Kazakhstan | -8.2 |

| No. | Country | Change |
|-----|--------------|----------|
| 6 | Ecuador | -9.2p.p. |
| 7 | Guinea | -8.9p.p. |
| 8 | Burkina Faso | -8.4p.p. |
| 9 | Cuba | -8.2p.p. |
| 10 | Peru | -8.2p.p. |

Share of GDP held by top 1% earners

| No. | Country | Change |
|-----|--------------|-----------|
| 1 | Maldives | -12.5p.p. |
| 2 | Comoros | -10.9p.p. |
| 3 | Malawi | -10.5p.p. |
| 4 | Niger | -9.7p.p. |
| 5 | Cabo Verde | -9.3p.p. |
| 6 | Peru | -8.2p.p. |
| 7 | Burkina Faso | -6.3p.p. |
| 8 | Gabon | -6.1p.p. |
| 9 | Bostwana | -6.1p.p. |
| 10 | Senegal | -5.9p.p. |

V-dem exclusion index percentile posit.

| No. | Country | Change |
|-----|---------------|--------|
| 1 | Uganda | -2p.p. |
| 2 | Guinea-Bissau | -2p.p. |
| 3 | Chad | -2p.p. |
| 4 | Mali | -2p.p. |
| 5 | Eritrea | -2p.p. |
| 6 | Sudan | -2p.p. |
| 7 | Mozambique | -2p.p. |
| 8 | Burkina Faso | -2p.p. |
| 9 | Tajikistan | -2p.p. |
| 10 | Guinea | -2p.p. |

Source: NYU own elaboration based on the World Bank and V-Dem data.

**“We didn’t get
to benefit from our
country’s wealth.”**

Tunisia, female, age 24–40

A high-angle, blue-tinted photograph of a dense urban area. The buildings are multi-story and packed closely together. Numerous balconies and windows are visible, many with laundry hanging out to dry. The scene is cluttered with utility wires and air conditioning units. In the lower part of the image, a street is visible with people walking and some small structures or stalls. The overall atmosphere is one of a busy, crowded city environment.

Policies That Deliver Visible Impact

Visible change in people’s lives—through easier access to affordable housing, better digital connectivity, and renewable energy investment deliver huge dividends for equality and inclusion, for public satisfaction, and for jobs. The right mix and sequencing of such highly visible policies to address inequalities will vary by context. As such, the level of effort required to reach these objectives will depend on a country’s current situation. However, the menu of policies presented in this chapter offers a range of tried and tested measures to help inform that mix and sequencing. Consultation within governments, and crucially, with wide sections of society will be necessary to set detailed priorities within these policy areas and to unpack what each policy will mean for all affected groups.



Perhaps the ultimate marker for success of any government is the extent to which it has changed lives for the better. In 2018, the New Zealand Prime Minister, Jacinda Ardern, read out the achievements of her government in its first 100 days in a two-minute video. It included efforts to strengthen social protections for the poorest, tackle the lack of affordable housing, and achieve gender equality. The video went viral, being watched and shared hundreds of thousands of times along with subsequent videos that marked one and two years of her government.¹⁹⁶ The format was copied by other politicians around the globe.¹⁹⁷ One conclusion that can be drawn from this success is the importance of communicating change; another is ensuring there is change to communicate. Our polling and in-depth interviews with members of the public across Sierra Leone, Tunisia, Costa Rica, and Canada found that there are several areas where the public thinks governments should be prioritizing action. These include housing, ensuring essential workers including care workers, have adequate income, jobs for young people, and in some countries improving digital connectivity (see Chapter 7).

The visible policy changes discussed in this section are those where robust efforts will demonstrate not only that we have learnt the lessons from COVID-19, but from the last forty years of development. They are actions that will disrupt patterns of inequality and exclusion. They are also policies that build confidence in the possibility of change, providing governments the cover needed to take longer-term actions that do not deliver immediate results.

8.1 Key lessons on creating visible change

Policies below cover a wide range of issues, but there are overarching lessons to be gleaned from the evidence and examples:

- 1 These policies provide a politically expedient way to address inequalities, avoiding issues of perceived targeting through a more general approach. For example, housing, higher wages for essential workers, reform of the care economy, and last mile digital connectivity disproportionately help migrant labor and minority groups in multiple countries, but also help all on lower incomes.
- 2 Many of the policies here would also be good for climate action. For instance, care jobs are naturally green jobs; housing investment can be done in a way to make urbanization more sustainable; and job creation can go hand-in-hand with building green infrastructure.
- 3 Action on these areas is also good for growth—and has the ability to create jobs.
- 4 Some of these policy ideas can seem impossible due to cost, but adaptations are in reach for all countries. The policy sections below provide a sense of the stepping stones to change. Chapter 11 examines in greater detail costs and financing issues.
- 5 As always, there is not a one-size-fits-all solution. Different public and private-sector models may need to be applied in different settings. However, it is notable that in sectors most important to visible change, such as housing and digital connectivity, an over-reliance on private sector solutions has so far failed to deliver.
- 6 It is not just about *what* policies, but about *how* those policies are implemented and devised:
 - A The use of community-driven development or codesign methods, whereby both budgetary and decision-making power is given to local communities and those who will be most affected, legitimizes policy change.
 - B Innovative ways of building shared wealth and community ownership can enhance policies on housing and other visible areas, ensuring that equality is baked into the core of policies.
- 7 The sequencing of policies can be vital to gaining public approval. An example is reducing fuel and electricity subsidies around the world. According to CIC’s research, of the thirty-one cases of energy subsidy reduction done by low- and middle-income countries between 1990 and 2012, seventeen were preceded or accompanied by a simultaneous cash transfer that targeted vulnerable social groups most exposed to the cuts. All these seventeen reforms ended up being at least partially successful in removing the subsidies. At the same time, among the fourteen reform attempts that had no cash transfer component put in place ahead of time, ten had to be cancelled under pressure of significant antigovernment

protests. Five of these unsuccessful reforms were attempted again, this time successfully. These countries are Poland in 1990 and 1998; Ghana in 2003 and 2005; Indonesia in 2003 and 2005; Yemen in 2005 and 2008; and Mauritania in 2008 and 2012. Each of these second attempts had a cash transfer program launched at the same time as the reform, suggesting this might have been the key element contributing to their success.

Box 10 – Producing visible change with limited fiscal space

Governor Marouane El-Abassi
Central Bank, Tunisia

After the revolution we faced a huge task. In the early years after 2011, we did well in establishing political compromise over values, resulting in the Nobel Prize for our post-transition settlement. Tunisians were able to undergo a transition without taking up guns, but by sitting down at the negotiation table. But people cannot eat politics or values, and we had a harder time mediating the interests that would produce visible change Tunisians wanted: jobs, housing, better social services, addressing corruption, and a narrowing of the gap between urban and rural areas.

We chose to focus economically, early in the transition, on getting an IMF program in place which would allow us to consolidate our debts. According to this approach, we were making progress. Our problem is that, as the reform benchmarks improved and our financial credibility increased, public support went down. There was simply not enough in what we had agreed, to give visible results to the population, particularly the youth. We were focused too much on invisible reforms—laws, payments systems, monetary policy, and organizational changes.

Now, COVID-19 has brought growth to a halt. Economic growth contracted by 8.8 percent in 2020, more than most of our neighbors, and unemployment increased from 15 percent prior to the pandemic to 17.8 percent by the end of the first quarter of 2021 with women (24.9 percent) and young people aged 15–24 (40.8 percent) particularly affected. Public debt jumped 15 percentage points to 87 percent of GDP in 2020 and external debt is now 2.7 times exports. We have also struggled to keep up with the increased demands of health and social protection, and with only 15 percent of our population fully vaccinated against COVID-19, our struggle is far from over.

I will not speak about our current political situation, but I want to draw attention to the economic underpinnings. An understanding that we were losing popular support in addressing inequality could and should have been better incorporated into our own national program and our agreements with international donors, supporting greater targeting of the early deliverables of reform to build confidence in the population and taking on difficult reforms that address entrenched interests. For example, it is crucial that social protection programs be in place before the removal of energy subsidies. Vaccine access, reallocation of IMF special drawing rights, and international financial support adapted to the difficult political economy we face will be crucial for any form of recovery.

Tunisia remains the lone country in the Middle East to have effectively changed its system of governance after the Arab Spring, but our situation is very fragile. The message from the Tunisian people on economic issues is very clear—we must deal with corruption and secure government credibility while delivering meaningful visible material change in their lives. Only an agreement which spans politics and bread will sustain and renew the democratic hope that still lives in the country. |||||

8.2 A menu of options for policies that deliver highly visible change and impact

The following list of policy areas and ideas are by no means exhaustive. Most notably they do not cover health and education, in part because this has been covered elsewhere,¹⁹⁸ and in part because this is a moment where other issues exposed by COVID-19—the failure to deliver an equitable distribution of vaccines, the lack of recognition of essential work and care work in the economy, digital connectivity, and housing affordability—have also come to the fore. These issues below address both horizontal and vertical inequalities and offer fresh perspectives on how we can move forward. Table 4 summarizes the policies for each section.

Table 4 – Policies for visible change

| Highly visible policies | Policy options |
|---|---|
| Global health commons, access to medical technologies, and vaccines | <ul style="list-style-type: none"> — OECD countries and China should finance the USD 50 billion estimated by the IMF as necessary to vaccinate 60 percent of global citizens by mid-2022 — Push for at least temporary TRIPS waiver — Companies currently producing vaccines should establish active programs of data transfer and capacity to regional centers |
| Universal, targeted, and community based social protection | <ul style="list-style-type: none"> — Keeping COVID-19 extensions to social protection — Extension of social protection to informal workers — Supporting gender equality through support from caregivers, those affected by domestic violence, and vulnerable women |

| Highly visible policies | Policy options |
|---|--|
| Higher earnings for essential workers | <ul style="list-style-type: none"> — Enhancing rights — Hazardous pay — Permanent pay increases for wage workers |
| Increase affordable housing accessibility | <ul style="list-style-type: none"> — Land and housing governance reform — Address gap in protections and legal housing support — Support nonmarket housing as viable alternative |
| Digital connectivity acceleration | <ul style="list-style-type: none"> — Make digital connectivity a key part of public investment strategies — Introduce a digital basket — Development actors reframe digital infrastructure as an essential development enabler |
| Transforming the care economy | <ul style="list-style-type: none"> — Redefine spending on care as “investment” rather than “expenditure” — Adopting the ILO Convention on Decent Work for Domestic Workers — Recognize the rights of workers to take leave to care — Supporting community-based care programs — High-quality universal care provision — Fundamentally rethinking the working week — Make unpaid work more visible in headline economic indicators |
| Green job creation and skills investment | <ul style="list-style-type: none"> — Introduce green industrial policies — Investment in upskilling — Invest in economic inclusion of young people |

8.3 Delivering vaccines and a new global health commons

No issue has brought global health inequalities into sharper focus than the distribution of vaccines to fight COVID-19. Public health principles of maximizing lifespan have been shattered as economic and political power have dictated who around the world gets the vaccine and who doesn't. By late July 2021, over 50 percent of people in high-income countries had received at least one dose of the COVID-19 vaccine, compared with 30 percent in upper middle-income countries, 14 percent in lower middle-income countries, and only 1 percent in low-income countries.¹⁹⁹ Advance purchase agreements for vaccines against COVID-19 have favored affluent countries, allowing them to secure 150–500 percent of their predicted needs,²⁰⁰ while many citizens of

“...gender equality, household and labor market, this is very important again. Because being a woman doesn't mean you should only in the kitchen cooking, [but] you can be able to have meaningful contributions in society.”



Sierra Leone, female, age 24, hairdresser

low- and middle-income countries will remain unvaccinated until 2023. People are losing trust both in the multilateral system, and in the international inaction of their own governments which cannot secure vaccines for them.²⁰¹

Although the rapid development of several vaccines against COVID-19 is an unparalleled scientific achievement, one made possible through the collaboration of researchers, industry, and funding bodies, the absence of a system that secures equitable access to vaccines has uncovered deep fissures in global governance systems for health. COVAX, the demand-side mechanism to purchase vaccines for low- and middle-income countries, has been unable to meet delivery targets because of constraints on supply.

A waiver of the Trade Related Aspects of Intellectual Property (TRIPS) Agreement for COVID-19-related technologies, proposed in October 2020 by South Africa and India, has been described by experts as an indispensable part of reaching global vaccination goals.²⁰² They believe other options on the table—expanding company voluntary

licensing agreements, and compulsory licensing—are insufficient. Voluntary licensing agreements have not progressed in the last year, with no vaccine manufacturers agreeing to share IP-protected information with the World Health Organization (WHO) COVID-19 Technology Access Pool. Compulsory licenses have to be negotiated on a slow case-by-case basis with each country. TRIPs require such compulsory licenses to be used for domestic supply, which would prevent regional hubs from exporting to low-income neighbors. Moreover, expanded vaccine production will create global shortages of raw materials and active ingredients. A TRIPs waiver would address this, while licensing by companies will not.

Expanding manufacturing capacity and the active sharing of know-how with new manufacturing sites is an important complement to action on intellectual property. There are also other important actions, such as streamlining distribution systems and, on the demand side, overcoming vaccine hesitancy. But these are areas the international community is learning how to address. The binding constraint remains supply.

Action on this issue will not only be highly visible to the global population, but safeguard against future pandemics. If communicated well, such action will also build solidarity across countries (see Chapter 9).

Policy Box A – Delivering vaccines and a new global health commons

Real action to get vaccines to people globally is the greatest credibility challenge for the actors coming together at the UN General Assembly (UNGA) 2021. The world needs the following policies to be agreed to at the UNGA:

- 1 OECD countries and China should finance the USD 50 billion estimated by the IMF as necessary to vaccinate 60 percent of global citizens by mid 2022.²⁰³ It should not be necessary for countries to take loans to purchase vaccines: this is a global public good, and it should be provided for free to countries just as it is provided for free to citizens of most wealthy countries. It is less than 1 percent of what OECD countries have spent on domestic stimulus programs to date.²⁰⁴
- 2 Countries opposing the TRIPS waiver at the World Trade Organization should see a temporary waiver as a key need in exceptional circumstances, and shift to support it accordingly.
- 3 Global philanthropists, who can move money quickly, should partner with the IFIs to finance the transfer of know-how and production capacity to regional centers for vaccines, raw materials, and active ingredients.
- 4 Companies currently producing vaccines should establish active programs of transfer of data and capacity to regional centers, in liaison with the WHO and IFIs, drawing early lessons from the WHO’s new mRNA technology transfer hub. |||||

Box 11 – To beat pandemics, fight inequality

Winnie Byanyima

Executive Director of UNAIDS and Under-Secretary-General of the United Nations

The newly agreed Global HIV and AIDS strategy commits us, as the UN and as countries, to fighting intersecting inequalities. When asked why, our answer is a simple one: it’s the only realistic approach to beating pandemics. AIDS, COVID-19, and other viruses feed on inequalities. Tackling inequalities is essential for our health.

The inequalities which drive pandemics are perpetuated by social norms and prejudices, by national policies and resource allocation, and by global policies and finance. And key to determining all those are inequalities of voice and power. Action is needed at all levels—not to build a perfect world, but to enable a resilient one. For example, six in seven of adolescent HIV cases in sub-Saharan Africa are girls. These numbers are rooted

in inequalities of power. When governments enable girls to finish school, they halve their risk of acquiring HIV. When they ensure access to a complementary package of empowerment and rights alongside schooling, they further reduce that risk.

When people are criminalized or socially ostracized, denied jobs, or a seat at the table, their risk of acquiring pandemic diseases dramatically increases; for example, in countries where same-sex relations are criminalized, gay men are over twice as likely to have HIV than in countries with no criminalization.

Keeping monopolies in the hands of a few pharmaceutical companies drives inequality of access to life-saving health technology. Mass use of antiretrovirals to prevent AIDS came only when low-income countries defied pressure and contracted generic supplies. But even today, key HIV medicines which can save lives are still priced beyond the means of all in low-income countries except the rich. And now we have seen in COVID-19 that only by opening patents and know-how, enabling vastly upscaled simultaneous production, can we get all eight billion people vaccinated in time before new strains endanger everyone.

The evidence is clear. Inequalities kill. The policies we need are clear too:

- 1 We need to end inequalities in access to health technologies by spurring the best science and getting it to everyone. We need funding, but we also need to reform failing rules on intellectual property and support globally distributed production to ensure that access to life-saving science is no longer dependent on the passport you hold.
- 2 We need to end inequalities in access to essential services by delivering on guaranteed health and education for everyone, integrating community-provided services.
- 3 We need to keep moving forward from harmful, punitive, outdated, often colonial laws, and away from all forms of discrimination that drive people from life-saving health services.

The most unrealistic thing we could do now is to imagine we can overcome our crises through minor adjustments or tinkering. COVID-19 has reminded us that populism's false promises are proving no match to biology: we're not just interconnected, we're inseparable. We can only win together. |||||

8.4 Social protection: providing an income floor

Social protection is the primary tool in the fight against poverty and vulnerability, providing a means to cope with life's major risks. Definitions and applications of social protection vary but generally involve state obligations to ensure access to essential services (education, health, and other social services), as well as a basic set of social transfers in cash and in kind, and compensatory support in old age, in the event of unemployment, illness,

and other contingencies. These forms of social protection can be seen as the fundamental floor from which other aspects of policy change can be built. The right to social protection is enshrined in the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and in other major UN human rights instruments. Nevertheless, coverage remains low in many parts of the world.

Cash transfers and income support have been the go-to government intervention during the COVID-19 era. Measures have been adopted in nearly all countries either to fill longstanding social protection gaps magnified by the crisis, or to adapt existing systems in response to ongoing shortcomings. According to the World Bank, social assistance accounts for 62 percent of global policy responses since March 2020, with cash transfers emerging as the most widely used form of social assistance.²⁰⁵ These measures have been a major lifeline to mitigate the worst impacts of COVID-19, but in many countries, support has been far from adequate to prevent households from falling into poverty. Research from OXFAM and Development Pathways at the end of 2020 found that 2.7 billion people did not receive any public financial support through the COVID-19 crisis. Most benefits have moreover been both tiny and temporary, with 41 percent of payments being one-off.²⁰⁶ There is also a question of who is being covered, and how these programs can be expanded moving forward (see Chapter 11).

“I was on scholarship and in fact [the government] gave me a computer and I had internet, so for that aspect they did help.”



Costa Rica, male, age 18–24

Both universal and targeted approaches to social protection are needed to address entrenched inequalities and extend full coverage to every person. Universal programs are needed to ensure all citizens have access to social protection provisions when they need them, but also to build broad buy-in from different sections of society. Mexico’s well known *Prospera* program (formerly *Progres*a and *Oportunidades*) ended after twenty-one years, in large part due to the unpopularity of its exclusive targeting of poor households among middle-income voters. *Prospera*’s funding has since been reallocated to two universal schemes intended to benefit everyone across the income distribution.²⁰⁷

At the same time, universal programs need to be complemented by targets for specific groups that have less access to available protections or who may be systematically excluded despite their right to a provision. Ethnic and racial minorities facing institutional racism, remote or unconnected communities with limited access to information about their rights, women confronted by harmful gender norms, and people with disabilities are among those that may need additional outreach and support to guarantee they have full access to adequate social protection. A false dichotomy is often made between universal and targeted approaches to social protection. Both can coexist, and indeed one may not be possible without the other. Indonesia’s approach to social protection (see Box 14) shows the complementarity of universal, community-targeted, and household-targeted mechanisms.

Policy Box B – Extending social protection policies

Social protection is a well-explored policy area, with considerable literature pinpointing basic policies and lessons.²⁰⁸ Here, we consider how it can be extended.

Social protection coverage for informal workers

The COVID-19 pandemic has shown us how countries with strong health and social protection systems in place can react relatively quickly to new challenges, both by scaling up existing protection mechanisms and extending and adapting them to cover previously uncovered populations. Policymakers should implement programs that target informal workers and businesses and expand social protection programs to cover currently excluded or marginalized groups.

Examples include:

- **Tunisia’s Ministry of Social Affairs collated previous poverty programs and called for people to come forward to register for financial help.**²⁰⁹ The Tunisian government has also been working toward the digitization of social protection delivery since 2019, with an aim to include vulnerable populations and enable citizen feedback.²¹⁰
- **Argentina acted quickly in March 2020, to extend social protection transfers to the unemployed, low-income, self-employed, and domestic workers under the Ingreso Familiar de Emergencia (Emergency Family Income) program. The program was based on self-targeting, allowing for more rapid and effective reach to those who needed it.**²¹¹
- **Brazil’s opposition-led emergency initiative Auxilio Emergencial (Emergency Aid), which began in April 2020, introduced cash transfers for low-income informal workers, self-employed workers, and those already registered in noncontributory schemes. The program has been the largest COVID-19 social protection response in the Latin American region, with a monthly transfer of equal to 120 percent of the national poverty line for the first five months and 60 percent for the subsequent four months, reaching around one-third of the population.**²¹²

Examples of social protection to enhance gender equality

The value of social protection measures is particularly obvious when it comes to various gender issues, including childcare, violence against women and girls, and health and education. Examples of gender-sensitive or gender-transformative²¹³ COVID-19 measures that address unpaid care directly include:

- **Canada provided an Emergency Care Benefit for parents with children who are unable to earn income. This was set at \$CA900 biweekly for up to fifteen weeks.**

- Uruguay put in place a one-off doubling of family allowances under its Equity Plan, which benefitted 118,000 households.
- Finland provides full cover for loss of income where children are placed under quarantine, leading to parental absence from work.
- Sweden extended the temporary parental benefit for parents who must stay home to care for children when schools and daycare closed. This was set at 90 percent of their usual temporary parental benefit.
- South Africa increased the Child Support Grant, which covers around 12.5 million children, by R500 (USD 26) per month (June-October 2020).
- India provided 500 rupees (USD 6.50) a month to 200 million vulnerable women between April and June 2020. |||||

8.5 Higher earnings and social protection for essential workers

There is no standard definition of essential workers, but during the COVID-19 pandemic the category has included health care personnel and workers in other essential workplaces (e.g., first responders in emergency services, food production and sales, and delivery workers), as well as those working in critical infrastructure like energy and water. These workers may be wage employed or self-employed. The fundamental difference between ‘essential work’ and other occupations comes down to the impact on society if the work in question were to be suspended. While the temporary absence of various professions has certainly caused inconvenience during the pandemic, they have not precipitated the collapse of society.

Societies have applauded essential workers, but this has not translated into improved conditions of employment. Our survey of 43 of the most populous countries found that a maximum of 15 had given a permanent pay rise to their healthcare workers. This discrepancy between rhetoric and action is especially noticeable given the widespread public support for increased compensation: our own polling found a minimum of 75 percent of people in each of the eight countries surveys support higher compensation for essential workers. As such, policy action in this area would both be visible and popular.

Less visible but equally important are self-employed workers who provide essential services and are part of the informal economy: examples include street food traders, waste pickers, and transport workers who fill gaps in service

provision in economies with high rates of informal employment. These workers likewise need income support measures and stronger protections against risk in the workplace, most often in the public space.²¹⁴

A new deal for essential workers is not merely the right thing to do on ethical and other grounds: it is in everyone's interest. Without a new deal for essential workers, societies will not be able to respond to the intensifying cycle of crises that arise from an increasingly complex, interconnected, and unstable world. Whether it is a natural disaster, large-scale terrorism, geopolitical hostilities, or another pandemic, it is only a matter of time before society must again face a crisis of unprecedented scale. To build resilience, we need a well-trained, deeply committed, full complement of essential workers who will rise to the challenge. A new deal for these workers should be seen as a central tenet of creating more resilient economies, and an investment to reduce risk and future-proof our societies.

Policy Box C – Securing higher compensation and rights for essential workers

Enhancing rights

The legislative framework needs to include mechanisms to provide pay for essential workers when conditions become hazardous. Maximum hours and minimum days off need to be stipulated, as should the provision of health and safety and other training. Adequate supplies of PPE and other safety equipment should be a legally binding provision for all workers in frontline jobs, regardless of their employment status. The legislative framework should also recognize self-employed workers and be consistent with ILO Recommendation 204 on Formalizing the Informal Economy.

Enhancing and enforcing laws and policies on equality and nondiscrimination in employment is required in all countries. This will have positive spillover for essential workers where minority groups and women are overrepresented.

The introduction of hazard pay

Governments should mandate a framework that automatically triggers hazard pay and no-fault compensation for workers and their families who suffer illness or death in the line of duty. The amount of additional compensation should be proportional to the risk and burden endured. Compensation in the event of harm should similarly be scaled to the suffering caused. It could be argued that essential workers should receive the same amount of compensation and hazard pay as those employed by the armed forces, where the harms, risks, and burdens are equivalent and where they are accepting risks on behalf of society.

Longer-term pay increases

Introducing hazard pay and enhancing rights are basic steps governments can take to protect essential workers at times of crisis. Longer-term pay increases can also be appropriate, especially where workers have not been fairly financially compensated for their efforts given the value they produce for society. In the UK, for instance, National Health Service workers experienced real-term pay cuts in the decade preceding the pandemic. |||||

8.6 Housing: a human right, rather than a financial investment

The affordable housing crisis is affecting cities ranging from San Francisco in the United States to Accra in Ghana, as affordable housing production is not keeping up with demand, and the housing sector becomes increasingly financialized and treated as a commodity rather than a human right. Across the globe, particularly in urban areas, the gap between the demand and supply of affordable and adequate housing is growing rapidly, with regions like Africa undergoing the most rapid urban transition that we have yet experienced.

The drive for homeownership has often dictated urban and housing policy. From the rise of the suburbs in the United States following World War II to the structural adjustment programs in the Global South in the 1980s and 1990s, housing has been promoted as a promoter of wealth.²¹⁵ For many, however, the price of a home is simply not affordable; this is the case anywhere from North America, where housing prices have increased at a much faster rate than wages,²¹⁶ but is particularly stark in low- and middle-income countries, where the percentage of people able to afford an average formal home is as low as 0.58%. Zoning, land use, financing, fiscal, and governance mechanisms established to promote homeownership have also determined who is entitled to the right to housing, excluding (often intentionally) certain populations based on their income or identity and contributing to the segregation of cities.

For some people their homes have made them even more susceptible to the health consequences of pandemic; research has shown that the virus is more easily spread in areas with overcrowding,²¹⁷ often in poor sanitary conditions that made preventing the transmission of COVID-19 nearly impossible. While rental assistance and eviction moratoriums sought to keep people in their homes, it is yet unclear how societies will effectively prevent a large-scale eviction crisis as temporary measures expire and people who have lost their income struggle to find ways to pay rent or their mortgage.

A silver lining of the pandemic, however, is that it demonstrated the radical actions that can be taken when an issue becomes pressing in the minds of citizens and policymakers, and that the way in which the pandemic has shown the stark inequality in people’s living conditions offers an opportunity to such, access to affordable and adequate housing is increasingly being recognised not only a necessity but rather as a fundamental human right.²¹⁸

The public perception across low-, middle-, and high-income countries that governments are failing on this issue is a testament to the complex web of causes and implications of the housing status quo. Our polling found that housing was one of the policy areas that saw the least progress before the pandemic.

Some of the key challenges include:

- **Governance.** Attention must be paid to the power dynamics and governance challenges of implementing affordable housing and inclusive urban policies. Homeowners and landowners are often disproportionately represented in local decision-making, organizing into associations that can successfully lobby against zoning reforms and inclusive housing mandates in their areas,²¹⁹ whereas inadequate renter protections and insecure tenure of those living in informal settlements exacerbate the inequalities between home and landowners and those unable to purchase a home. Housing and land use governance has thus an “insider-outsider” problem where existing property owners are represented—but the interests of renters, young people, and those seeking to migrate to thriving urban areas are not. Expanding the diversity and shifting levels should make results more equitable.
- **Financing housing provision.** Unclear land ownership, especially in cities experiencing unprecedented urban expansion, hinders sustained and cohesive investment in services and urban management, leading to fragmented urban development that not only has detrimental effects on the environment but keeps people away from economic opportunity and connections to the city. In low- and middle-income countries with underdeveloped construction sectors and reliance on imported materials, housing construction can be very costly.²²⁰ Finance is scarce due to high risks²²¹ perceived by investors and developers concerned over underutilization of housing units constructed. Outdated and discriminatory zoning laws and land use regulations²²² often incentivize building only upper-class housing, restricting the supply of housing for the middle and lower classes²²³ both in the Global North and Global South, who then have no option but to seek informal housing. Incentives to privatize land and sell it to developers also strip local governments of potential revenue from urbanization.
- **Financialization²²⁴ and speculation.²²⁵** Housing does not just offer shelter: it also provides wealth, recognition, and status. Many private individuals and entities invest in real estate as a way of “parking” their wealth and extracting value.²²⁶ While this was an existing phenomenon in the Global

North, there is evidence that these practices have become increasingly popular in other regions of the world following the 2008 financial crisis.²²⁷ The formalization of informal housing is a deeply contentious issue, as political elites often sustain deep relationships with real-estate developers, and the power of allocating land is a key mechanism for securing votes and extracting rent.²²⁸

- **Gentrification and urban dispossession.**²²⁹ Cities around the world, whether London or Dar es Salaam, are struggling with reaping the benefits of increased value of housing while preventing displacement through gentrification. The rise of tourism has also led to initiatives to address the reduction in available housing for urban residents in favor of touristic apartments. Similarly, the narrative of creating “global hubs”²³⁰ and the desire to become international players,²³¹ whether for a specific mega-event²³² or through ambitious master plans, can come at the expense of the poor, who are typically excluded from consultation.²³³ Evictions have detrimental effects on a household’s well-being in a multiplicity of ways, from economic stability to childhood development.²³⁴ Urban displacement can fuel unrest and discontent, and can also lead to violence when brokering, speculation, and land grabbing are politicized.²³⁵ Furthermore, urban displacement can fuel unrest and discontent. It can also lead to violence when brokering, speculation, and land-grabbing are politicized.²³⁶
- **The role of the state.** Recently, greater emphasis has been placed on the role of government as an enabler, rather than a direct provider of housing. As such, it is recommended that, instead of spending large sums of money on massive public housing projects, the government focuses on making room for urban expansion by providing serviced land that can then be used to build affordable housing. Specifically, local governance is gaining increasing attention with the recognition that local governments are often delegated to deliver a substantial part of basic services, but usually don’t have the appropriate capacity to do so. Local governments are often charged with providing basic services without having the required resources to do so. Increased attention to the need to properly fund and capacitate local governments to deliver on urban services has also opened opportunities for inclusive housing policies, where governments are not necessarily the providers of housing but do determine incentives and regulations that facilitate the provision of affordable housing and the financing of public services to their populations.

The complexities of the issues call for multiple policy responses—and again, these vary depending on the starting situation of the country. Regardless of context, the first step is to get a more comprehensive understanding of who it is that we are looking to house. Too often there is a mismatch in size and location of housing, and an overemphasis on building for the rich or upper middle classes, which exacerbates the housing crisis and causes grievances that often fall along class, race, and ethnicity lines. Increased convergence between different communities calling for environmental, racial, and social

justice has refueled the debate around the right to housing, contesting the impact of viewing housing as a commodity and advocating for the needs of all urban dwellers. As the COVID-19 crisis injects an unprecedented sense of urgency to the affordable housing crisis, a political window of opportunity has opened for action to effectively deliver on the right to housing, including those for whom the home is also the workplace.

Policy Box D – Increasing access to affordable housing

Undertake reform of land use and housing governance arrangements to reverse harmful national and local laws, regulations, and incentives that restrict affordable housing supply in favor of building wealth and encouraging speculation

This includes:

- **Working with social justice and environmental groups to set up powerful coalitions that build support for the promotion of affordable housing through healthy urban densities and transit-oriented development.**
- **Revisiting single-family zoning, minimum lot sizes, and building standards that are based on outdated regulations, to allow for the construction of more affordable units across cities.**
- **Exploring legalizing practices such as the rental of accessory units and incremental housing to provide security of tenure to those who have previously been informally renting, as well as a safe and cheaper way of finding housing.**
- **Establishing taxes on vacant and/or foreign-owned land to discourage speculation.**

***Example – Upzoning in US cities:** Environmental and social justice advocacy groups came together with the media and public officials to lobby in opposition to neighborhood groups where owners opposed upzoning proposals. By recognizing 1) the racist history of zoning and redlining, 2) the importance of density for sustainable and green urban development, and 3) the importance of affordable housing for middle-income workers, communities in the US have been able to push forward legislation to upzone areas previously zoned for single-family units.²³⁷*

Develop comprehensive financing and upgrading policies that reflect rather than penalize citizens’ needs, prevent displacement, and can trigger further investment in housing and urban public services

Given the fact that the informal sector has figured out how to provide housing on a large scale and at an affordable rate, one of the policy areas should be how to regulate it to incentivise better living conditions. Public and private investment in upgrading affordable new housing units can also serve as a catalyst and facilitator of other kinds of investments,

including savings groups and national funds. Successful examples of informal settlement upgrading include the *Ban Mankoong* program in Thailand and programs in Brazil and Medellín. These programs have explored alternative forms of financing that are more appropriate to the needs and capacities of local communities, leveraging their savings groups and financing schemes.²³⁸

Example – Indonesia’s approach to kampungs: Since 1969, Indonesia has provided resources to the *Kampung Improvement Program*, allowing low-income populations to settle in and around villages at standards of their choice, while the government focuses on the gradual improvement of the housing infrastructure. This approach benefits everyone including those within and outside of kampungs.²³⁹

Example: Tunisia’s ARRU: Tunisia’s *Urban Rehabilitation and Renewal Agency* works to upgrade neighborhoods through the provision of public services and collective facilities, paired with a national fund for house improvement and rehabilitation.²⁴⁰

Address the gap in protections and legal housing support

Provide mechanisms for protection of all urban dwellers through a human rights-based approach, protecting tenants from political manipulation and landgrabs. This includes:

- **Working with public authorities to update public cadasters, digitalize land ownership schemes, and formalize individual and customary land titles. Particular attention needs to be paid to the security of land tenure for women, as it is a key to their economic empowerment.**
- **Investing in the enforcement of legal protections from discrimination, right-to-council, and renter protection legislation to prevent evictions.**
- **Balancing the power of neighborhood associations—where landowners and homeowners are often disproportionately represented—with the establishment of human rights and committees to provide resources to tenants about their rights.**

Example – Seoul’s human rights office: Since 2012, Seoul’s city ordinance has established new human rights policies, a human rights division in the local city government, a local committee on human rights, and an ombuds office to which local residents can take their complaints. The city ordinance also creates guidelines for forced evictions in order to protect the housing rights of its residents.²⁴¹

Scale up efforts to support nonmarket housing as a viable alternative

Expanding the stock of nonmarket forms of housing offers opportunities for populations unable to access the financial market. Social housing directly provided by governments for the most vulnerable can be an important investment if paired with access to schools and services that can enable residents to improve their quality of life. Beyond the direct provision of housing, however, establishing an enabling environment for

the creation of nonprofit housing (e.g., housing cooperatives and community land trusts) also provides a key opportunity for the public and private sectors to work with communities to deliver adequate housing. To succeed, these models need appropriate institutional support, ranging from access to land—usually the most difficult challenge—to leverage for negotiating flexible financing schemes. Sustained political commitment and institutional setups, from formal associations to public land banks, can ensure that these models offer a nonspeculative alternative to housing.

Example: Uruguay’s cooperatives. The FUCVAM (*Federación Uruguaya de Cooperativas de Vivienda por Ayuda Mutua*) model is based on collective ownership of housing by a cooperative, to which members contribute through sweat equity. It is strongly supported by government through the provision of technical assistance in negotiations with credit agencies and the private sector, as well as through land banks that provide housing options for the cooperatives.²⁴²

Increase the ability of local governments to provide serviced land and boost affordable housing supply

Local governments are often delegated to deliver a substantial part of basic services, but usually don’t have the appropriate capacity. Properly equipping local and regional governments with sufficient staffing, legal, and financial capabilities can help unlock the development of affordable housing in several ways. The role of local governments can be enhanced by:

- **Facilitating the land acquisition and housing construction process, reducing the bureaucratic cost of providing housing.**
- **Using public land to provide public services and develop urban expansion plans that prevent fragmented urban sprawl.**
- **Negotiating land sharing agreements and inclusionary zoning regulations with the private and nonprofit sectors.**
- **Establishing land-based financing mechanisms to invest in public services and strengthen taxation reforms.**

Example – Freetown’s property tax: *Freetown in Sierra Leone recently established a property tax based on a points system that is easier to administer and seeks to be more transparent. The city council has now registered virtually every property in Freetown and calculates the new system could multiply the city’s revenue by up to five times.*²⁴³ |||||

8.7 Digital connectivity

The COVID-19 pandemic has raised the profile of another critical socioeconomic marker: digital connectivity. Who has reliable access to high-speed internet? Who is able to adopt and use digital tools when they are available? During periods of lockdown and other restrictions, the question of connectivity has determined who can go to school, set up a business, shop, see loved ones, and attend medical appointments.

Poor connectivity isn't just about a country's GDP—it is also about inequality.²⁴⁴ Data on internet use in thirty-nine countries from across the national income spectrum shows that national wealth does not always correlate to universal access and varies considerably based on factors like rural versus urban, gender, or refugee status.²⁴⁵ For instance, in the United States currently only 66 percent of children under the age of fifteen have regular access to the internet, compared to 82 percent in Brazil. While mobile phones have contributed greatly to increasing access, they can also lock in various aspects of inequality. An estimated 72 percent of people in the world connecting to the internet are connecting through their mobile phones, with about two billion connecting through their phones exclusively. However, young girls and women are often disadvantaged with mobile phone access.

Even before the pandemic, governments invested in internet connectivity. Still, many adopted policy stances that implicitly considered it somewhat of a 'luxury good,' depending on private sector solutions to bridge the gap when experience shows only significant public infrastructure investments can have the necessary transformative impact on access. Predictably, the 2020 COVID-19 pandemic drew attention to digital tools as part of the pandemic response, including incorporating digital elements in economic recovery plans, and using them to improve access to critical social services like education and health.

However, only a small fraction of digital-enabled or digital-focused pandemic interventions targeted marginalized groups and vulnerable individuals explicitly or included groups that had already been marginalized in previous planning, focusing instead on broadly increasing reach in rural communities. This does not close the access gap. Indeed, most countries are using a combination of public resources and policy incentives to private operators to address the issue, but only a small fraction of these experiences explicitly center equality and inclusion.²⁴⁶ Even so, there are some emerging practices that provide direction for stakeholders who wish to invest in digital initiatives that more directly seek to bolster equality and inclusion. These lessons are summarized in the policy box below.

Governments must be mindful of trust and surveillance issues when it comes to digital expansion. These are not insurmountable. Governments can articulate a core policy package that includes social and legal elements around technology to encourage trust from the citizens and transparency

from the state. Trust in digital platforms can be gained through transparent, accountable, and inclusive measures sustained throughout technology rollout, as when Singapore launched its COVID-19 tracking app with a promise that the information would not be made available to the police. The government, however, reneged on this promise and in January 2021 announced that the information would indeed be made available to the police, undermining public trust and participation in its COVID-19 surveillance.²⁴⁷ Such reversals damage the relationship between citizens and their state, and using civic tech as a “Trojan horse” to expand surveillance undermines public confidence in the use of technology in general. In contrast, Taiwanese privacy and anonymization is built into the DNA of all the technology used in that country’s COVID-19 surveillance, leading to widespread public participation. In India, failed consultations around the Aadhar digital ID system not only alienated large swathes of the population²⁴⁸ but compounded existing inequalities by building them into a more efficient but no less unjust system²⁴⁹

Policy Box E – Enhancing digital connectivity

Make digital connectivity a key part of public investment strategies

Prioritize state investments in connectivity that are self-targeting to underserved communities and persons:

- **Expand use of ‘kiosk in a box’ approach to rural and poor urban communities, embedded in larger infrastructure and economic recovery packages with broad appeal. Examples include Ghana, IntelSat in the Ampain refugee camp, or RuralStar across the country; the WTL Vivada ‘Rural Infrastructure Ecosystem’ in three African countries.**
- **Include connectivity access as standard elements in public investment projects that build or upgrade schools, clinics, and municipal buildings, rolling out first to the most marginalized and underserved communities, with the eventual goal of universal coverage.**

Introduce a “digital basket”

Provide access to a universal “digital basket” that combines hardware and affordable internet access. During the pandemic, several countries including the UK provided laptops and portable internet technology to disadvantaged children.

International action

Development partners, especially international financial institutions, can reframe digital infrastructure as an essential development enabler like potable water and electricity: a utility, with guaranteed basic access irrespective of household income, and supported by an enabling policy environment that empowers communities and respects human rights. |||||

Box 12 – Experiences and challenges in focusing on equality and inclusion in COVID-19 recovery

Maja Fjaestad

State Secretary, Health and Social Affairs, Sweden

A report recently published by the Public Health Agency of Sweden shows that conditions for good and equal health have changed during the pandemic. Groups that had an increased risk of ill health before the pandemic have been most negatively affected in school, on the labor market and in society at large. This illustrates the increased need for long-term, health-promoting and preventive cross-sectoral public health work.

Put more bluntly, the COVID-19 pandemic has clearly exposed cracks in our societies, based on underlying social and economic inequalities. It has disproportionately affected people living in vulnerable situations and socioeconomically disadvantaged groups, determined by factors as diverse as physical and mental health, socio-economic circumstances, age, and level of digitalization. This has made it clear that the world is falling short on the promise to leave no one behind.

In Sweden, as in many other countries, elderly persons have been disproportionately affected by measures to limit the spread of the virus, in particular isolation. During the pandemic, visiting bans to care homes for elderly and strict recommendations for people over the age 70 to avoid physical contact with others have been in place. In an effort to address this negative trend, the government has increased the grants to the pensioners' organizations and distributed financial assistance to organizations for initiatives that contribute to counteracting involuntary loneliness among elderly women and men.

Persons with disabilities have also been overly affected by the pandemic because of disruptions to the services that they rely on. Some persons with disabilities also experience higher levels of social isolation that can impact their mental health. Most likely, the pandemic is going to lead to an increased need for support from the social services, especially within groups and in areas that are already vulnerable. The social services' ability to meet urgent needs are manageable in the short term, but there must be a preparedness for how increased needs are to be handled to ensure inclusive recovery from the pandemic.

Furthermore, the COVID-19 pandemic has accentuated the need to bridge the digital divide. The pandemic has underlined the important role of digital technologies in our daily lives and in our economy. It has enabled many of us to work remotely, to stay connected while being physically apart and helped us to access services. However, the pandemic has also increased social exclusion for many individuals' due to inaccessibility or a lack of access to the internet and digital tools. We need to make sure that digital solutions are available and usable for everyone irrespective of, for instance, age, disability, or level of knowledge. Such efforts will facilitate a sustainable and inclusive recovery.

Finally, let us not forget the bigger picture. The outbreak of the COVID-19 pandemic has highlighted the interconnectivity of the above-mentioned challenges. In order to be successful, our efforts to recover from the COVID-19 pandemic need to take into account the broader determinants of health and well-being to ensure no one is left behind. |||||

8.8 Transforming the care economy to deliver gender equality²⁵⁰

The care work done in society, most often by either low-paid or unpaid women and migrant workers, is systematically undervalued. While COVID-19 has demonstrated the primacy of care work and its importance to human survival, the pandemic has also exposed how policymaking is too often still undertaken in a gender-blind way. As such, while there have been some examples of policy that sought to mitigate the unequal impacts of the gendered care economy, the majority did not.²⁵¹ This reflects a longer-term lack of attention paid to the way care works in society. Policymakers ignore this vital sector at their peril: without positive steps here, we will fail in achieving any sense of gender equality in society. When investment in the care economy is married with efforts to drive up pay and improve conditions, the gender-equalizing benefits can be substantial.

The ILO defines paid care work as “care work performed for profit or pay within a range of settings, such as private households (as in the case of domestic workers), and public or private hospitals, clinics, nursing homes, schools and other care establishments.”²⁵² This includes a wide range of personal service workers, such as nurses, teachers, doctors, and personal care workers, including domestic workers. Using this inclusive definition, the paid care workforce is estimated to represent 11.5 percent of total global employment.²⁵³ Approximately two-thirds of this workforce are women, and this proportion rises to over three-quarters in the Americas, Europe, and Central Asia. Care work accounts for 19.3 percent of total female employment compared with 6.6 percent for males. Many of these women are migrant domestic workers. Transnational migration of low-waged migrant

carers from poorer countries has been termed the “Global Care Chain.”²⁵⁴ Originally coined to describe the pattern of migration which involves women leaving their own families in low- and middle-income countries to care for children in higher-income countries,²⁵⁵ it has now been extended to include transnational care workers involved in elder care²⁵⁶ and other forms of caring work such as health, educational, sexual, and religious care.²⁵⁷

In many countries, COVID-19 exposed the failure of market-driven systems of elder care and social care that were already plagued by staff shortages and safety issues prior to the pandemic.²⁵⁸ Overstretched long-term care providers struggled to mount an effective response to COVID-19. Moreover, the fragmented nature of the care economy in countries with market-driven approaches that see care delivered by a range of private and public providers also hampered a coordinated response. As a result, there were workforce and PPE shortages, as well as insufficient testing in many settings. Further, the lack of value ascribed to social and elder care often saw these settings deprioritized in decisions around resource allocation and the discharge of potentially infectious patients from hospitals.²⁵⁹

Unpaid care work, as opposed to paid care work, is defined as work provided without monetary reward by an unpaid carer and includes three kinds of activities: domestic labor for own use within the household; caregiving services for household members; and community services and help to other households.²⁶⁰ The economic contribution of unpaid care workers is roughly estimated at USD 10 trillion per year, around 13 percent of global GDP.²⁶¹ There has been no systematic effort to incorporate unpaid work within national income accounts, leaving its contribution to economic activity and growth largely ignored by policymakers.

There are strong economic arguments for public investment in the care of the young, elderly, and people with disabilities. Economists have demonstrated in numerous country contexts that such investment would do more than investment in physical infrastructure to increase total employment and generate significant fiscal returns. In addition, investment in care would contribute to reducing inequality and promoting inclusion in several ways. First, such investment would reduce the burden of unpaid work which disproportionately falls on women, limiting their economic participation and agency. Second, it would increase employment particularly for women, given the current distribution of women and men by occupation.

When the employment and economic benefits of investing in the care economy for Canada were calculated in 2008, researchers found that each \$100 CAD that was invested by the Quebec government in childcare returned \$104 to the provincial government and \$43 to the federal government through increased labor market participation and associated income taxes.²⁶²

Policy Box F – Transforming care work

Redefine spending on care as ‘investment’ rather than ‘expenditure’

Economic policy has historically treated public spending on paid care as consumption, meaning it is treated as a cost to the economy rather than as an investment which contributes to human capital, productive workers, individual capabilities, and social cohesion. This approach, in turn, is mirrored in a range of business practices within the care economy which treat people as disposable units of human capital: zero-hour contracts, denial of sick or care leave, and failure to provide COVID-secure working environments.

In order to thrive, an economy (and society) requires investment in social, as well as physical, infrastructure. While investment is generally thought of as physical assets which produce economic output over time, such as roads and bridges, investment is needed in the social infrastructure, including social services such as health care, social care, and education. These also contribute over time to the well-being of society as well as to immediate service users.

Adopting the ILO Convention on decent work for domestic workers

For domestic workers, who often have the worst conditions and face the greatest precarity, the adoption and enforcement of the ILO Convention on Decent Work for Domestic Workers is imperative.²⁶³ This Convention seeks to address a range of issues including information on terms and conditions, hours of work and rest periods, remuneration and right to minimum wages where applicable, occupational health and safety, and social security protection. There are also specific recommendations to protect live-in workers and migrant domestic workers, for the regulation of employment agencies, and a mechanism for setting disputes. Although difficult to enforce, over thirty countries including Argentina, Mauritius, Madagascar, Uruguay, Mexico, and Sweden have ratified the convention. Several countries have also passed new laws or regulations improving domestic workers’ labor and social rights, including Venezuela, Bahrain, the Philippines, Thailand, Spain, and Singapore. Legislative reforms have also begun in Finland, Namibia, Chile, and the United States, among others.²⁶⁴

Recognize the rights of workers to take leave to care

Ensuring that fathers are able to care for children from an early age is key to disrupting the gendered division of childcare. Evidence from a number of countries shows that dedicated paternal leave increases uptake.²⁶⁵ In Sweden, equal rights to parental leave were introduced in 1974. However, uptake remained low until 1995 when a dedicated one-month period of paternal leave was introduced. At that point, uptake went from 9 percent to 47 percent over a period of eight years.

Similarly in Quebec, introduction of dedicated five weeks of paternal leave at a replacement rate of 70 percent saw fathers' uptake increase from 21.3 percent to 74.9 percent.²⁶⁶ (Over the same period, fathers' uptake in the rest of Canada fell from 11 percent to 9 percent under a special paid leave system with a 55 percent replacement rate.²⁶⁷) It is also worth noting that time-use data from Quebec shows that fathers taking up their quota of leave spend more time in unpaid care work and their partners spend more time in paid work.

In Sweden, the Care for Related Persons Act (1988) provides a right to take leave to care for seriously ill relatives. Up to one hundred days are available per cared individual, compensated for through the National Insurance System. In Italy, unpaid carers are entitled to three days' leave per month paid for through the national social security agency.

Supporting community-based care programs

Innovative community-based care programs may provide a relatively cost-effective means of addressing care needs. The *Programa Major Cuidado* (PMC) in Brazil is an example of such a program. The city government of Belo Horizonte has developed an intersectoral approach to community-based health and social care for care-dependent older people. It offers an alternative to residential long-term care, or to the assumption that family members, usually women, will take on this task. Taking a holistic approach to the needs of family members as well as older people, trained PMC workers support between one and three families, offering ten to 40 hours of support a week. PMC carers are recruited from similar communities and paid a basic wage. They are jointly supervised by local health and social assistance center staff. This program supports family carers with respite care while building up their competence and care skills.

The PMC schemes, started back in 2011, provided a structure on which to build community support during the COVID-19 pandemic in 2020. This multi-agency, community-based approach offers an innovative solution, facilitating home-based care while supporting and training family members in appropriate care skills. Paid care work offers carers a degree of professionalism, and links their work to wider health and social work teams.²⁶⁸

High-quality universal care provision

The expense and scale of universal care provision, where children and the elderly have free or inexpensive access to caring facilities, can seem too daunting for many low- and middle-income countries. However, costs are offset over the longer term by impacts on employment outcomes, better child outcomes, and lower inequalities.²⁶⁹ Investment in early childhood education and care (ECEC) contributes to reducing the gender employment gap, with Sweden and Iceland having some of the highest levels of maternal employment in the OECD²⁷⁰ and lowest overall gender employment gap. It has also been shown to contribute to reducing socioeconomic inequalities by improving outcomes for disadvantaged children and narrowing the gap between immigrant and nonimmigrant children.²⁷¹

The Nordic economies—Sweden, Norway, and Finland—have developed a concept of caring economics which emphasise empathy and care, together with cooperation (between government and citizens) as well as trust and solidarity.²⁷² The Nordic model of the care economy stresses quality, in terms of the nature of the care delivered as well as the pay and working conditions and esteem of care workers across the care sectors, all of which are far superior to those in other OECD economies.²⁷³

Universal provision is not just about access: it requires increased standards of training and qualifications to ensure childcare is always of high quality, and better working conditions for childcare workers, including decent wages, stable contract hours, and career and pay progression opportunities.

Fundamentally rethinking the working week

Advocates argue that a shorter working week for all would encourage a more equal sharing of paid and unpaid work.²⁷⁴ Suggestions vary, but there is growing momentum behind calls for a four-day working week. The Spanish government has proposed a three-year pilot project to help companies switch to a four-day work week, and will help fund part of the scheme to cover those who may need to hire additional staff or reorganize workflows. In Sweden, there were also a number of trials of a six-hour working day.²⁷⁵ Trials have also been conducted by individual companies/public bodies, and some have implemented them as permanent changes.²⁷⁶ One of the most high-profile was Perpetual Guardian, a New Zealand insurance company with 240 staff. Perpetual Guardian trialled a four-day week (with same pay) for six months, and made the switch permanent after finding staff had increased well-being and reduced stress, with no cost to productivity.

International action

Make unpaid work more visible in headline economic indicators

In almost all countries, the most important economic indicator is the Gross Domestic Product (GDP), which measures the market value of output. Most governments aim to maximize the growth of GDP in the belief that this will increase living standards. However, economic growth today is not correlated with improvements in well-being but is instead associated with rising inequality and severe environmental degradation. Moreover, the focus on GDP as a measure of economic output renders unpaid work invisible even though global evidence demonstrates that the visible paid economy could not function without it.

Despite decades of research to develop alternative measures such as the Genuine Progress Indicator, there has been no systematic effort to meaningfully incorporate unpaid work within national accounts. Economic indicators matter, because ultimately these are what policymakers work toward. Until unpaid work is counted within national accounts and headline economic measures, it is unlikely to receive the attention it needs from policymakers and politicians. Experience has also shown that the creation of separate satellite accounts for unpaid work, as occurred in the UK for example, and well-being measures, as trialled in New Zealand, have had little impact on economic policymaking. |||||

8.9 Job creation for a new age

Multiple challenges are coming to a head in the labor market including technological change, the climate crisis, and demographic change. The last factor involves an ageing population in rich countries and a youth bulge in many low- and middle-income countries. The transformation of work—if steered to overcome structural inequities through careful policy action—could provide an opportunity to create more inclusive, equitable, and dynamic societies of shared opportunity. Allowing all workers to benefit from future opportunities represents the single most important challenge to policy makers. A multistakeholder approach focusing on this employment transition is essential. This requires concentrated effort on job creation, social mobility, reskilling, life-long learning, establishing appropriate social safety nets, public infrastructure, and decent wages as the building blocks toward an agile, resilient, and thriving workforce.²⁷⁷

The COVID-19 crisis has already seen some backing for a sustainable recovery. G20 finance ministers committed to an “environmentally sustainable and inclusive recovery”²⁷⁸ and EU leaders backed “measures necessary to get back to a normal functioning of our societies and economies and to sustainable growth.”²⁷⁹ Coordinated green investment can create good-quality jobs, which simultaneously addresses inequality and brings down energy costs to people and the planet. This is not to mention that better air quality, water and sanitation, biodiversity, and waste management can reduce the vulnerability of communities to pandemics such as COVID-19 and at the same time strengthen resilience to other types of risk, including climate-related dangers.

Key to a just transition and delivering green equitable growth is the development of a coordinated national industrial strategy coproduced by social partners: government, employers, and trade unions. Any strategy intended to create transformation through a comprehensive, well-worked plan for action is legitimized by being coproduced. Such a strategy can amount to much more than the collection of tweaks and minor policy changes that tend to comprise typical policy approaches.

An industrial strategy for the 21st century is not about the much-criticized idea of ‘picking winners’ in the form of investment in specific businesses or even sectors, but rather about establishing a solid platform for supporting innovation, learning, and creativity that can cut across sectors and generate activity and advantage.²⁸⁰ It is also about investing in coordination, with a view to achieving carefully-defined, measurable objectives, with good job creation high on the list. Asian examples help to show that industrial policy can be part of an integrated economic policy approach that works to support both public and private sectors. To be truly transformative, however, we need a strategy that explicitly embeds an objective for reducing economic and spatial inequalities and recognizes the shared space occupied by people and business. For this to be achieved, genuine codetermination with social partners is essential.

New employment sectors mean demand for new skills in the workforce. To ensure that workers can exit from declining sectors, labor markets need to become more flexible. This flexibility is about how workers get retrained and move from one geographic location which is losing jobs to another where employment is growing. It is not about undermining collective bargaining, minimum wage, health, and safety legislation.

Two country examples of robust and comprehensive jobs and skills plans include:

- **Rwanda: Over the past decade, Rwanda has been the tenth fastest growing economy globally, having focused on investing in infrastructure, digital literacy, and expanding knowledge-intensive employment sectors such as green energy.²⁸¹ The Rwandan government has identified six priority areas as drivers of growth under its 2050 vision plan: 1) human capital development; 2) export dynamism and regional integration; 3) well-managed urbanization; 4) competitive domestic enterprises; 5) agricultural modernization; and 6) capable and accountable public institutions.**
- **Republic of Korea: We discussed Republic of Korea’s New Deal earlier in this report (see Box 8), but it is worth expanding further on the specifics of their multifaceted plan. The Korean New Deal encompasses twenty-eight key projects ranging from smart healthcare to the green transition of infrastructure and the energy sector, as well as green industry innovation.²⁸² Financial investments include: transitioning to a digital economy; climate action and realizing a green economy through green infrastructures, renewable energy, and green industry; and a stronger social safety net. In sum, the New Deal includes plans to invest USD 144 billion and create 1,901,000 jobs by 2025.²⁸³**

Of particular importance in forging new social contracts, as reflected in the global poll conducted for this report, is ensuring the economic inclusion of young people. Across the world, young people are three times more likely to be unemployed than older adults,²⁸⁴ and up to 75 percent are estimated to work in the informal economy, without access to labor rights or protection.²⁸⁵ The rise in precarious contracts and the undermining of labor protections mean that having a degree is no longer a guarantee of economic stability. For all these reasons, the COVID-19 pandemic has hit young people particularly hard, as they were the first ones to be left out of a job.²⁸⁶ For the first time in history, many societies don’t expect new generations to experience better economic prospects than their parents.²⁸⁷ Addressing intergenerational inequality will require innovative and bold policies.

Policy Box G – Green job creation and re-skilling

Introduce green industrial policies

Governments should accelerate the creation of jobs as they explore new sectors. Recent estimates suggest that the new renewal energy sector has the potential to reach 100 million by 2050, up from around 58 million today, with incentives to accelerate this transition serving to address both the climate emergency and employment needs.²⁸⁸

This transition should embrace the following:

- 1 Decarbonizing the energy sector via renewable clean energy projects such as wind, hydrogen, and solar.
- 2 Promoting new forms of entrepreneurship targeting digital and green jobs.
- 3 Working with private and third-sector firms to invest in new firms and jobs.
- 4 Investing in cheaper and healthier forms of public transport.²⁸⁹

Investment in upskilling

- 5 Investment in training and reskilling, fostering digital literacy, STEM-based logical reasoning, and creativity, together with emotional and social skills. Additionally, governments should create incentives for companies to train people on the job. Initiatives may include training and apprenticeship programs, and reskilling opportunities for midcareer or people returning to the workforce.
- 6 Subsidization of transition costs, targeting government and corporate reskilling, as well as stimulating childcare subsidies for parents undergoing reskilling or pursuing higher education. Particular attention should be given to transitions requiring relocation: housing vouchers, schools and nurseries, and care places for elderly dependents should be part of the package to encourage individuals to move from high-unemployment to low-unemployment places.
- 7 Investment in digital education platforms, creating industry partnerships with massive open online courses (MOOCs).
- 8 Increased transparency in labor demand trends, rolling out informational campaigns targeting workers whose jobs may become displaced.
- 9 Increased support for women and other marginalized groups to engage in the sector. Women are disproportionately affected by energy poverty in LICs and MICs, and harmful gender norms limit their participation in the energy labor market.

Invest in the economic inclusion of young people

Training and apprenticeship programs are useful in ensuring that young workers have the needed skills to access the labor market, as well as programs that connect young people with employers. These however cannot be temporary measures, but rather require long-term investment in the transformation of educational systems and training programs.

***Example:** In Mexico, the program Jóvenes Construyendo el Futuro is an active labor market program that provides unemployed or out of school youth with the possibility to gain work experience for 12 months at a public, private, or not for profit employer.²⁹⁰*

Programs that provide young people with the ability to build their assets, while not the silver bullet, provide an avenue for fostering intergenerational solidarity and building the necessary support for youth to withstand future shocks. Governments can introduce policies that build up productive assets through citizen endowments, such as through transitional training and retraining, pairing savings made by workers with matching mechanisms the savings made by workers during the training program period. Other examples of intergenerational solidarity include the issuing of baby bonds, like recently approved in the United States to seek to address the damage of racism and institutional discrimination. |||||

Box 13 – Policies to make a visible impact on peoples’ lives in Mexico

Martha Delgado Peralta

Undersecretary of Multilateral Affairs and Human Rights, Ministry of Foreign Affairs of Mexico

Mexico has placed the most vulnerable populations at the heart of our welfare policies, making sure “no one is left behind” by considering well-being as a multidimensional phenomenon, adopting a human rights-based approach, and designing our flagship social programs from a life cycle perspective. Progress should be made towards a universal basic income, prioritizing families with children and adolescents, and betting on universal, comprehensive, and sustainable social protection systems, increasing their coverage as a central component of a new welfare state.


Mexico was the first country to introduce an official multidimensional poverty measure, linking economic well-being and social rights into a coherent framework. The social protection systems and direct cash transfer contributions introduced have

proven to be the most effective policy instruments to simultaneously reduce inequality and poverty, while promoting inclusive growth that reaches a broader base of the population. These measures including three strategic social programs applied from a rights and life cycle perspective, include Sembrando vida; Pensión para el Bienestar de las Personas Adultas Mayores; and Pensión para el Bienestar de las Personas con Discapacidad.

Mexico established a New Minimum Wage Policy that seeks to advance in a path of progressive, responsible, and sustainable recovery of the minimum wage; dignify the labor factor; reduce informality; settle a historical debt with the workers of lower income; and boost the country's domestic market. Its goal is to reach the necessary income level to guarantee the well-being of workers and their families.

Another main priority is the generation of opportunities for the development and inclusion of young people, as well as taking advantage of the demographic bonus, the capacities, and talents of this group to achieve productive capital. The Program “Jóvenes construyendo el Futuro” offers young people space, support, and structured activities to develop or strengthen work habits and technical skills that increase their chances of employability in the future. Equally critically, the Program aims to create the conditions for young people who until today have not been integrated into the economically productive processes of Mexican society to perceive themselves as co-participants in them.

To advance the access of young people to higher education and promote their permanence, and favor an increase in coverage, the new program “Universidades para el Bienestar ‘Benito Juárez García’” seeks to confront the exclusion suffered by young people, especially those who live in municipalities with high poverty and marginalization.

COVID-19 recovery efforts, led by the Program for the Well-being of People in Social Emergency aim to uphold the social rights of families, with special attention to children, people with disabilities, and the elderly to whom a monetary transfer will be granted per family during the period that the emergency or vulnerability lasts or, until the emergency is considered over according to governmental criteria. A program was also implemented to support family micro-enterprises with “créditos a la palabra” and the restructuring of consumer, housing, and commercial loans, among several other measures to protect family income, production, employment and to guarantee the supply. In the recovery, we seek to reactivate the economy from a perspective of equality and sustainable development that will grant people autonomy and respect for their customs and dignity. 

“Well, they don't see us the same, they don't see us as a normal person, you go to a restaurant and everyone sees you, they are not minding their own lives but someone else's, they make their comments and without wanting to, you hear those comments and then that makes [you feel] like you always walk with the idea that they are always going to point at you, that they are not going to accept you and even though they have already accepted many things, people still lower your self-esteem repeatedly.”

Costa Rica, female, age 50+



Policies That Promote Solidarity

The universal feeling of division across polled countries—regardless of income level, or whether civil conflict has been a recent phenomenon—tells us that the work of unifying people is a task for all governments, and one that speaks directly to public desires for more peaceful, equitable, and unified societies. Every country needs tailored plans to bring people together across gender, race, ethnicity, disability, sexual preference, and regions adapted to their context, and to do so both locally and nationally.



This chapter outlines some well-evidenced policy options to help inform these plans. Key areas of activity include building people-centered justice systems, addressing the role of the police, and moving toward community-driven development. Social dialogue and peacebuilding are important means for building solidarity, but they need to be accompanied by practical steps to correct past wrongs. Finally, data and transparency are needed to demonstrate progress on issues of inclusiveness and maintain transparency. Without these, solidarity and justice for marginalized groups cannot be achieved.

Group-based divisions in society are socially corrosive, lead to political polarization, and can escalate into violent conflict.²⁹¹ Without a concerted effort to heal divisions and build unity, tackling inequality through economic policies alone is an uphill battle that will fail to deliver on inclusion. The impact of societal division at the macro scale is well-documented, but the micro level impacts of these same divisions, which find their home in prejudice, is too often overlooked.

In a controlled experiment in India, boys from high and low castes displayed the same ability to solve mazes under monetary incentives, but low-caste boys performed worse if the name and caste of the boys were announced at the beginning of the session.²⁹² Another study found that female university students who read scientific essays asserting that there are no gender differences in mathematical ability performed better in mathematical problems.²⁹³ All over the world, wherever you find discrimination and undignified treatment over a sustained period of time, children internalize inequality, believing they are inherently ‘worth less’ than others. **That is the power of prejudice.**

As discussed in Chapter 1, one of the starkest findings of the Pathfinders' 2021 global poll is the overwhelming concern about divisions in society, and that roughly two-thirds of respondents—whether in Sweden, Tunisia, Costa Rica, or Sierra Leone—feel that their politicians are not doing enough to address these divisions.

This chapter sets out measures that address prejudices and build solidarity. We also consider how to address historical grievances for marginalized groups. What is clear across country examples is that building solidarity cannot be achieved by bringing people together and focusing on what they have in common alone. Groups that have been historically oppressed have legitimate grievances that should not be dismissed, nor should uniqueness be denied. While there must be recognition of all people as equal in dignity and rights, the needs of different groups must also be realized through policy and political systems. More recently, action has turned to increasing 'allyship'—with majority groups able to recognize their privileges and work to advance the interest of those that have been oppressed or marginalized. One reading of the polling, especially that a majority feel governments are not doing enough to address divisions, and the desire for governments to do more to help the poorest in society, is that people are willing to exercise more allyship.

Linking back to the discussion on how we can deliver a new social contract, this chapter looks at the importance of social dialogue methods alongside practical steps governments can take. Of course, no single approach or policy is a silver bullet. Regardless, there are lessons for both conflict-prone and relatively peaceful societies. Given that for most countries there is no previous era where there was social harmony and justice for all groups, the aim here is to create something new and robust—able to withstand the inevitable appearance of divisive political leaders.

9.1 Lessons on building solidarity

As COVID-19 hit, various local initiatives appeared overnight around the world—from Mutual Aid groups and solidarity kitchens to raising awareness in informal settlements.²⁹⁴ While slogans of “we’re all in it together” can ring hollow when you consider the vast distributional differences in who has been affected by the health and economic costs of the pandemic, the ability of some communities to pull together did indeed help to build connections, and can also help foster resilience.²⁹⁵ As painful and deadly as the pandemic has been, it has demonstrated the need for building solidarity. It also provided fertile ground on which to make the argument for unity and empathy for each other. Political leaders can learn from community efforts and take on the mantle of solidarity with a renewed energy.

The literature and case study research has uncovered the following key lessons when devising approaches to building bridges between groups:

- **Tackling group-based prejudices produces a virtuous cycle.** Promoting solidarity across groups helps to address prejudices between groups, which is a prerequisite to getting more support to address inequality.²⁹⁶ Trust between groups means more empathy, making it easier for governments to enhance targeted policies.
- **Building solidarity between groups is not just an end in itself but is also a tool to address inequality.** There is strength in unity; this holds true in fighting inequality just as in other human challenges. One of the most important factors in ensuring low levels of inequalities is the presence of strong and well-functioning trade unions and high levels of collective bargaining coverage.²⁹⁷ Other parts of civil society and social movements can play a similar role. Ultimately, the ability of people to come together and be a balancing force against elites provides pressure on those at the top to build fairer economies and societies.
- **Organizing builds power for marginalized groups.** The National Afro-Colombian Peace Council (CONPA) is a coordination space for Afro-Colombian organizations. It was created to structure a national peace proposal from an Afro-ethnic perspective to influence the country's negotiation and peacebuilding processes. One objective of CONPA is to guarantee inclusion in the construction of peace through collective and consensual proposals among participants. CONPA has been considered the most significant organizational achievement of the Afro-Colombian people, guaranteeing their social and political inclusion in the current post-conflict process.²⁹⁸
- **Words matter.** So much of building solidarity stems from how visions of a country are curated, and policies narrated. Angela Merkel's well-documented stance in Germany in the wake of 2015 'refugee crisis' is an interesting, although controversial case. The considerable political resolve displayed in her 'we can do it' ('Wir schaffen das'²⁹⁹) stance risked major backlash, some of which did materialize. An upsurge in nationalist extremism was brought under control through a combined rationalization of economic foresight, moral responsibility, and appeals to more tolerant and hospitable conceptions of national pride.
- **Mainstream solidarity.** This inclusive vision of nations can be built into many policies. For example, the onset of COVID-19 prompted calls for solidarity taxes from several countries, economists, and the IMF.³⁰⁰ Vitor Gaspar, the IMF's head of fiscal affairs, told the Financial Times that a symbolic rise in taxation from those who have prospered over the past year would strengthen social cohesion even if there were no pressing need to repair public finances. We will discuss the merits of solidarity taxes in terms of raising funds in Chapter 11, but the framing of solidarity taxes can be used to promote a narrative of interconnectedness and duty to each other to tackle a fundamental underlying ideology of inequality: individualism.

- **Sequence policies.** With visible policies, the how is just as important as the what. Technically proficient policies are not enough on their own, especially when tackling sensitive issues like prejudice. The sequencing of policies is important not just in avoiding backlash against change, but also because a focus on targeting policies toward marginalized groups stigmatized by the broader population can prompt further resentment and lead to accusations of favoritism. The example of Indonesia, who first focused on universal healthcare provision and then added targeting is notable in this respect (see Box 14).
- **Words must be accompanied with actions.** Perhaps one of the biggest lessons from solidarity-building efforts is the importance of backing up narrative with real change. One case of this inability to live up to the promise of change is South Africa. While there was some alignment between the Constitution, legislation, and national development plans—each building on constitutional obligations and using the language of equality and dignity before the law, as well as notable efforts on jobs and housing—inequality has actually grown. Indeed, the Black South African population now has one of the highest levels of inequality in the world.³⁰¹

Building solidarity and tackling prejudice may be necessary, but it is not easy. Change is often slow, but it is possible. Take for example interracial marriage in the United States: in 1967, when miscegenation laws were overturned in the US, only 3 percent of all newlyweds were married to someone of a different race or ethnicity. By 2015 the number had just risen to 17 percent.³⁰²

Next, we lay out both the types of dialogues necessary for successful solidarity, and the practical policy steps needed to achieve them.

Box 14 – Combining universal, targeted, and community social services and social protection mechanisms

Dr. Suharso Monoarfa & Vivi Yulaswati

Minister of National Planning & Senior Advisor, National Planning, Indonesia

The double storm of health and economic shocks of COVID-19 affected the poor and made Indonesia's lower-middle-class households—which make up more than half of the population—vulnerable to becoming poor. Improving the targeting system is one of the most critical actions to ensure we can push this storm to a halt.

At the same time, improving the targeting system for eligible households is a complex issue with many challenges. The first challenge is the high vulnerability of poverty, which makes it difficult to distinguish between the poor and near-poor. Indonesia's poverty is very fluid, with high exit and entry into poverty. The second challenge is maintaining the accuracy and timeliness of the targeting system whenever

needed. It is not just about current needs, but more about ensuring the government can react quickly to correct exclusion and inclusion errors. The third challenge is to ensure that the targeting system meets broader coverage needs when any crisis or disaster strikes.

With these challenges, the main question is whether we should bother targeting or have universal coverage for all social assistance and social security programs. The main trade-off between universal and targeting is choosing between higher coverage versus adequate benefit of the transfers. Considering the scarcity of budget, low percentage of tax to GDP ratio, and Indonesian experiences, we currently choose to target beneficiaries' households for many social assistance programs. Among these non-contributory programs include the Family Hope Program, or Indonesia's conditional cash transfer that provides cash transfer to the poor households with kids, pregnant mothers, the elderly, and people with disabilities; the Food Voucher Program that enables poor households to purchase necessary nutritious foods; scholarships for students from poor and vulnerable households; and different kinds of temporary social assistance that target different groups of people who are impacted by the COVID-19 pandemic. Furthermore, as part of social protection scheme, we applied universal coverage for social security, which based on contributory social insurance and mandatory saving. It is mandatory for people to pay contributions in order to have health insurance and work-related insurance s for work accidents, pension, death, and senior benefits. However, there is also government subsidies for the poor and vulnerable's health insurance premiums.

The necessary steps are taken to improve the targeting system, especially in minimizing exclusion error. Considering the geographic condition of the country, Indonesia uses the local wisdom of the communities to record the excluded but deserving households. Throughout 2020, Indonesia asked communities in more than 75,000 villages to propose and register these households. Lessons from several targeting experiments³⁰³ indicated that communities were more accurate at identifying ultra-poor families. In addition, satisfaction in outcomes from community targeting was high, and elite capture was insignificant.

Indonesia is preparing to improve its targeting system by designing an on-demand system for the national social registry. On-demand application is the middle choice that still allows deserving families to register anytime but lower the total budget in comparison with universal coverage. An on-demand application mechanism can quickly increase the coverage needed in times of crisis. With proper dissemination about the targeted beneficiaries, we can discourage the rich from applying. World Bank-GOI and JPAL experiments have shown that affluent households, which the screening models sometimes select as beneficiaries if we do survey swept, actually self-select themselves by not applying.³⁰⁴ In addition, technology can help make on-demand application systems available at any time and automatically verify with other data such as utilization data and spatial data. Digitalization is a key to develop comprehensive social protection.

Disasters create poverty, and disasters can come and go. With a better targeting system based on the national registry, Indonesia is ready to face it and ensure that poor and vulnerable families can be protected. |||||

9.2 How it works: policies and actions that promote solidarity

9.2.1 Peacebuilding: not just for post-conflict societies

In the summer of 2021, thousands of unmarked graves of Indigenous children were discovered on the grounds of former boarding schools in Canada where Indigenous children were once taken (see Box 15). Indigenous peoples have spoken about the atrocities at these schools for many decades, but this was the damning evidence to back up what was already known to them. Canadian Prime Minister Justin Trudeau immediately provided statements on the shame of this past, directing his comments to the Indigenous peoples: “The hurt and the trauma that you feel is Canada’s responsibility to bear.”³⁰⁵

Building solidarity between groups must include a recognition of any past pain caused. Groups who have been historically marginalized will struggle to feel part of a society where the grave injustices they have experienced (and still face) are not recognized. Apologizing is an important first step in any reconciliation process.

Tools that provide a process for honesty and apologizing for past aggressions and repression fall under the banner of ‘transitional justice.’ When followed properly, transitional justice is a *comprehensive* policy implemented to cope with the legacies of massive and systematic human rights violations and abuses, and to restore or establish anew the currency of human rights. Each element of a comprehensive transitional justice policy is supposed to impart (criminal) justice, disclose truth, redress violations, and prevent their recurrence. A comprehensive transitional justice policy aims to strengthen the rule of law and to promote social integration or reconciliation.³⁰⁶ This includes providing recognition to victims not only as victims but as rights-holders, and to promote civic trust.

As in the South African case, where transitional justice processes were implemented, consideration should be given to prioritizing victim-centered proceedings alongside truth-seeking and reconciliation. While conceptually challenging, establishing clear links to intersectional experiences and structural consequences of conflict may heighten the experience of recognition amongst disenfranchised groups. When paired with equitable, just, and dignified redistribution policies, transitional justice can contribute to reconciliation.

Sierra Leone’s Truth and Reconciliation Commission and Uruguay’s Peace Commission addressed the legacies of civil war and authoritarian rule, and how to prevent them in future: both are considered to have made a significant contribution to the prevention of further conflict or human rights abuses. Even many years after conflict, societies find value in transitional justice mechanisms:

Spain is currently debating a Democratic Memory bill to honor the victims of dictatorship. Internationally, the Indonesia-Timor Leste Truth and Friendship commission helped avoid future tensions after Timor-Leste's independence.

Even for countries that have not emerged from war or authoritarian rule, social dialogue tools could be of use. Political polarization in many non-conflict settings has grown in the last few decades, especially after the Great Recession of 2007–2009.³⁰⁷ European parties became polarized around austerity measures, the treatment of countries in crisis within the monetary union, and more generally, the European Union itself. Regarding the latter, for instance, the difference in views between those who support or condemn populist parties can reach nearly 35 percentage points.³⁰⁸ The Brexit vote in the UK split the population across a new line, one that fell upon generational divides as well as views on British culture and immigration.³⁰⁹ Political actors and influencers have stirred these divisions through a narrative that divides the working class into ‘white working class’ and ethnic minorities and immigrants, despite considerable shared experiences of precarity and powerlessness.³¹⁰

These rifts are a reminder that in rich and relatively stable countries, there is a growing need to increase trust between groups and in governments and institutions to increase civic trust. Transitional justice can offer a way forward, and countries are adopting these tools: in the US, the Commission of Inquiry into January 6th violence dominates headlines,³¹¹ but there are other truth-telling processes ongoing, such as those related to the forced sterilization of women in California’s jails³¹² and abuse of migrants in El Paso, Texas.³¹³ Canada’s, which concluded in 2015, Truth and Reconciliation Commission targets the devastating legacy of abuse in Indian Residential Schools.³¹⁴ Spain is currently debating the Law of Democratic Memory that would adopt various measures of truth, memorialization and equitable reparations, more than 80 years after the Civil War and 46 years after the end of the dictatorship.³¹⁵

In recent years, debates about statues and the memorialization of aggressors have resurfaced. The Black Lives Matter movement in the US and a re-energizing of conversations about decolonization has prompted the tearing down of statues of slave owners and colonizers from Bristol to Boston. The anger toward such memorialization lies in the social elevation of individuals that have caused great harm, or that represent a settlers’ story rather than the truth. The Mayor of London, Sadiq Khan, announced a review of slavery-related statues in the city in the wake of George Floyd’s murder in June 2020, acknowledging that these statues may be causing harm to Black Londoners.³¹⁶

Political leadership can be key to ensuring that divisions are not created or deepened to start with. New Zealand’s Prime Minister, Jacinda Ardern, immediately took steps to comfort the victims of the far-right attack where fifty-one people were shot dead at two mosques in the small city of Christchurch as they prayed. Prime Minister Ardern used speeches

and comments repeatedly to define a New Zealand that stood resolutely against hate toward Muslims. This repetition of shared norms, followed by actions on gun control, visible support, and empathy for the victim’s families and the Muslim community, led to global accolades for Prime Minister Ardern in New Zealand and globally, and an increase in trust and sense of belonging in New Zealand. Language lies at the heart of peacebuilding.

Symbols and words matter but taking away the symbols of oppression is also not enough. One issue that is getting increasing attention is disinformation and the spread of incorrect facts. The proliferation of lies which can spread quickly through social media, is leading to confusion and division—affecting community cohesion, trust in government and science, as well as democracy around the world. The UN Secretary General, Antonio Guterres, has called for a global code of conduct that promotes integrity in public information to address this issue.³¹⁷ There is also growing pressure on social media companies to monitor what is posted and shared on their platforms. Examples of appropriate actions are listed in the policy box below.

Policy Box H – Building unity through reconciliation, community ownership, and reparations

Building unity through reconciliation

National dialogues that build reconciliation

Multiple options exist for governments, from full-blown truth and reconciliations processes such as in South Africa and Canada to citizen assemblies such as those used in Ireland to develop consensus and pathways forward on divisive issues including abortions rights and gay marriage.³¹⁸

What works on unifying narratives

Experiments have found narratives work best to unify people when they: call out those that are trying to divide us; overtly discuss different groups and include everyone, e.g., “No matter where we come from or what our color, most of us work hard for our families;” name scapegoating as a weapon that economically hurts us all; emphasize unity and collective action to solve the problem; invoke previous examples of where solidarity helped to bring about positive change to combat cynicism; and connect to the need for a government for all.³¹⁹

Education and art as tools of truth-telling

A more long-term intervention involves education. Independent reports on the importance of reform in British history curricula,³²⁰ alongside wider lessons drawn from Germany's seemingly more self-critical and introspective conceptions of national history,³²¹ reveal that radical interrogations of national history via key institutions (not least, schools) is crucial. In other words, an approach to historical memory that refuses nationalist tendencies nurtures a more literate and inclusive approach to contemporary issues. Such measures help cultivate enduring and empathetic public literacy regarding the exclusion and struggle of minority and outsider communities. It is also important to include histories of shared multi-ethnic struggles in curricula and related cultural production, in order to recognize solidarities and multi-ethnic, internationalist identification and politics.³²² Higher education access and humanities and arts funding should also be extended and/or defended as these sectors have been historically key to normalising both critical and inclusive perceptions of community and oppressed groups.

Practical policies to redistribute and address historic oppression

Land titling

In Colombia, collective title rights allow communities to ensure other fundamental rights, both individual and collective, such as the right to prior consultation and to the preservation of culture and customs. Likewise, collective titling allows communities to generate strategies to mitigate forced displacement or the incursion of illegal armed actors into their territories. While Law 70 of 1993 allows organized Afro communities to access collective titling of their territories, it is important to note that in recent years applications for collective titling both in the Caribbean region and in the Colombian Pacific have been paused for long periods without any justification.

Community ownership

Black families and other economically excluded populations have piloted collective ownership models³²³—including communal farming plots,³²⁴ Black commons,³²⁵ Freedom Farms,³²⁶ Black credit unions,³²⁷ mutual aid networks,³²⁸ and community land trusts.³²⁹ The combination of this localization and community ownership is also referred to as 'solidarity economies.'

Reparations

In 2019, Aboriginal Australians won a groundbreaking case stipulating that the Northern Territory government pay AUD 2.53 million (USD 1.64 million) in damages to the Ngaliwurru and Nungali groups for “*extinguishing*” their native title rights when the government built infrastructure on their land in the 80s and 90s. Around USD 1.3 million of the damages was awarded for spiritual or cultural harm.³³⁰

Box 15 – Canada: National reconciliation with Indigenous peoples

Gina Wilson

Deputy Minister, Diversity and Inclusion and Youth; Deputy Minister, Women and Gender Equality; Senior Associate Deputy Minister, Canadian Heritage

The government of Canada is working to advance reconciliation and renew the relationship with Indigenous peoples based on a recognition of rights, respect, cooperation, and partnership. First Nation, Métis, and Inuit are the original inhabitants of what is now Canada.

Over time, a number of discriminatory and paternalistic Canadian laws resulted in their social and economic exclusion. Under the residential school system, for instance, which began in 1876, at least 150,000 Indigenous children were forcibly separated from their parents and communities and sent to boarding schools where their languages and culture were prohibited. Many of these children suffered malnutrition and neglect as well as emotional, physical, and sexual abuse. Thousands died or never returned home. The last residential school closed in the late 1990s. Such discriminatory policies and practices, together with the imposition of other rules banning Indigenous cultural practices, forms of governance and justice systems at various times over the last century and a half, have interfered with the transmission of Indigenous cultures and contributed significantly to the erosion of Indigenous languages. This dark chapter in Canadian history reveals both the impact of colonization as well as the resilience of generations of Indigenous peoples seeking justice to ensure the survival of their cultures, languages, and way of life.

The intergenerational impacts of these policies continue to be felt today. Compared to the Canadian averages, Indigenous people have lower life expectancies, higher child mortality rates, lower access to clean drinking water, lower education levels, higher rates of poverty and higher suicide rates. In Canada, Indigenous people are under-represented in positions of public leadership and over-represented in the criminal justice system. The lived experience of violence and poverty is even higher for Indigenous women, girls and two-spirited people, and Indigenous people with disabilities.

In recent years, Canadians have become more acutely aware of these injustices and inequalities, past, and present. The courts have played a role in advancing reconciliation through formal recognition. One example is the Indian Residential Schools Settlement Agreement, the largest class-action settlement in Canadian history. Beginning in 2007, the IRS Settlement included the establishment of the Truth and Reconciliation Commission of Canada (TRC) to facilitate reconciliation among former students, their families, their communities, and all Canadians.

For six years, the TRC travelled to all parts of Canada and heard from more than 6,500 witnesses, educated people about the history and legacy of the residential schools system, and shared and honoured the experiences of former students and their families. The TRC created a historical record of the residential schools system and its final report (2015) contained 94 "calls to action" (or recommendations) to further reconciliation between Canadians and Indigenous peoples.

Since that time, Canada has continued the journey along the path of reconciliation. The federal government has been working together with Indigenous peoples to build nation-to-nation, Inuit-Crown, government-to-government relationships. From this recognition of rights, efforts are being undertaken to close socio-economic gaps, support greater self-determination, and establish opportunities to work together on shared priorities. This involves a host of initiatives, such as:

- **The TRC Calls to Action: The federal government will work closely with provinces, territories, First Nations, the Métis Nation, Inuit groups, and church entities to implement the recommendations of the TRC and further reconciliation to the benefit of all Canadians.**
- **The development of the Principles Respecting the Government of Canada's Relationship with Indigenous Peoples. Based on the special constitutional relationship that Indigenous peoples have with the Crown, and aligned with UNDRIP, these ten principles begin with the recognition and implementation of the right to self-determination, including the inherent right of self-government.**
- **The government of Canada has established three permanent bilateral mechanisms with First Nations, Inuit, and Métis Nation leaders to identify joint priorities, co-develop policy, and monitor progress.**
- **The federal government has been working with Indigenous groups at over 80 discussion tables across the country to advance the recognition of Indigenous rights and self-determination. These discussions start with priorities identified by Indigenous groups and explore new ways to recognize rights and title, advance treaty rights, and address the unique needs of each group.**
- **The Clerk of the Canadian Public Service released Many Voices One Mind: A Pathway to Reconciliation (2017), a reconciliation strategy to achieve the full and meaningful participation of Indigenous peoples at all levels of a respectful, inclusive federal public service. This report was the culmination of a process led by Deputy Minister Gina Wilson, Champion for Indigenous Federal Employees, working closely with DM colleagues through Interdepartmental Circles on Indigenous Representation, with consultation sessions that engaged thousands of Indigenous federal employees across the country.**

- **The Indigenous Languages Act (2019) supports Indigenous peoples in reclaiming, revitalizing, maintaining, and strengthening Indigenous languages in Canada.**
- **The government of Canada funds a Nation Rebuilding Program, to support activities that facilitate Indigenous communities' own path to reconstituting their nations in ways that respond to their priorities and unique needs.**
- **The government of Canada launched a National Inquiry into Missing and Murdered Indigenous Women and Girls (“The National Inquiry”) which released a final report (2019) and a national action plan (2021). “The Federal Pathway,” outlines the government of Canada’s holistic, inclusive, and intersectional approach to the action plan, affirming its commitment to safety and freedom from violence for Indigenous women, girls and 2SLGBTQIA+ people.**
- **Both the TRC and the National Inquiry called for the Canadian government to implement the United Nations Declaration on the Rights of Indigenous peoples (the Declaration) as the framework for reconciliation. Recently passed legislation sets out a framework for federal implementation of the Declaration over time. In addition, a number of federal laws include acknowledgement of the Declaration and the Government commitment to implementing it, including federal laws on Indigenous languages, Indigenous child and family services, and Indigenous participation in environmental impact assessments. The federal government work on these and other initiatives takes place in consultation and cooperation with Indigenous peoples, acknowledging that implementation of the Declaration is generational work.**

Canada’s journey of reconciliation is only beginning. It requires an acknowledgement of truths about the past, a recognition of rights, and a commitment to cooperate in respect and partnership towards a more peaceful, just, and inclusive Canada. |||||

9.2.2 Young people, key players in building solidarity

The COVID-19 pandemic has increased the chances of falling into poverty for young people, reduced their access to decent jobs, and exacerbated the digital divide.³³¹ It is, however, only the latest of a series of crises that have shaped the coming of age of young people today; these range from the global war on terror to the 2008 financial crisis that resulted in unmanageable levels of unemployment among young people.³³² Being young today, however, also implies being connected to the global young community to a greater extent than any other generation prior, and understanding the ways in which the 21st century challenges of economic inequality, conflict and climate change have both local manifestations and global ramifications.

Negative stereotypes of youth as reckless and immature, and securitized measures focused on the violent minority, run the risk of overlooking an immensely important source of resilience and creativity and ignoring key partners in tackling inequality and exclusion and building solidarity in society. Very much in contrast to the stereotype of “idle youth,” young people “are strikingly creative in forging alternative places of belonging and meaning.”³³³ The ways in which young people engage with their communities present invaluable opportunities to address the complex challenges of society, from economic inequality to climate change, and ensure no one is left behind.

Civic engagement and political mobilization by young people encompass a wide and ever-widening range of activities and efforts, but it is seldom given appropriate support. Youth work in these areas is many times voluntary and not properly remunerated; youth-led organizations are severely underfunded and lack access to capacity building opportunities. Meaningful partnerships with young people that leverage their knowledge of local contexts as well as their global consciousness can be an immensely important source of resilience and creativity and demonstrate that young people are key partners in tackling inequality and exclusion and building solidarity.

Policy Box I – Tackling the generation divide through youth inclusion

Mobilize institutional, financial, and technical support—and provide the necessary protection³³⁴—to young people building inclusive societies

Provide adequate financing and capacity building to youth-led organizations and youth-led programs, fostering partnerships with civil society and government agencies that engage young people in the design, implementation, and monitoring of programs and policies. The case of Sierra Leone’s Youth Partnership for Peace and Development is illustrative: established as a post conflict initiative, the organization has continued to partner with NGOs and the government to develop youth-led peacebuilding and reconciliation processes at the community and local level, as well as education, child protection services and water, sanitation, and hygiene.³³⁵ |||||

9.2.3 The justice system: delivering people-centered reform

Rights mean little if people have no way of realizing them or challenging the systems that do not prioritize them. Two-thirds of the world’s population do not have meaningful access to justice, and therefore cannot participate

in their society on an equal footing.³³⁶ Access to justice is best understood as the ability of people to resolve and prevent their justice problems, and to use justice as a platform to participate in their economies and societies.³³⁷ The essence of access to justice is that it should address the practical ability of people to activate their formal economic and political rights.³³⁸ Access to justice is therefore not only “a right in itself, but an enabling right in that it allows individuals to enforce their substantive rights and obtain a remedy when these rights are violated.”³³⁹ Until equal access to justice is realized for all, the justice system will exacerbate—not reduce—inequality.

Too many of the world’s justice systems serve only the few, and do not deliver justice for all.³⁴⁰ When the rules do not apply to everyone, the playing field on which control of power and resources is contested is tilted in favor of some groups over others. The links between the justice system and solidarity building can thus be seen as twofold: 1) enabling individuals to effectively exercise their rights and resolve their justice problems, and 2) building credibility and trust in the state by delivering justice regardless of background or identity.

The Task Force on Justice’ *Justice for All* report provides concrete evidence for the need to put people and communities, rather than institutions, at the heart of justice systems.³⁴¹ The Task Force found that an estimated 1.5 billion people around the globe experience justice problems they cannot resolve. Often these are victims of unreported violence or crime, or they have a civil or administrative justice problem such as a dispute over land or the denial of a public service. The report makes clear that the quality of people’s justice journeys must be improved as a key to addressing the global justice gap. A class-based approach, as discussed earlier in this chapter, offers greater aid to marginalized groups while limiting claims of favoritism which can prompt nationalist or racist responses.

Solutions to seemingly ingrained justice issues are not as out-of-reach as they may seem. In many countries, access to justice movements have a long history with a detailed understanding of different communities, their justice problems, and routes to solving them.³⁴² These organizations provide community-level justice assistance focused on empowering people to understand and use the law to resolve their issues. They are often the first point of contact in people’s justice journeys and are mandated to focus on problems like family disputes, land, and lack of access to government services. The evidence demonstrates that this approach works, is cost-effective, and can be scaled as it continues to grow.³⁴³

Policy Box J – Creating people-centered justice systems

Financing, protecting, and strengthening community justice organizations

Community justice organizations have multiple strengths. First, they are located in communities they serve and are aware of the everyday justice problems that impede these communities' access to livelihoods and political equality. Second, they are adept at supporting individuals and communities in their attempts to solve these problems. They do this by increasing knowledge, providing legal assistance in the form of paralegals or legal aid. For example, community justice organizations in Sierra Leone have deployed paralegals which support marginalized and remote rural populations by conducting legal literacy campaigns and providing legal advice and consultation. This support provides access to justice by resolving disputes that would otherwise go unsettled. Interviewees felt these services were accessible, helped meet their needs, and empowered their communities.³⁴⁴ Countries such as Northern Macedonia³⁴⁵ have invested in specifically supporting ethnic minorities by improving access to justice³⁴⁶ in civil matters such as property, contracts, and family law.³⁴⁷

Invest in legal aid

Vulnerable litigants will usually need support to be able to address their justice problems effectively. Legal aid is essential for those facing criminal prosecution who cannot afford their own defense. People also need legal aid for civil cases, since a significant share of the most common justice problems involve civil and administrative issues. Well-designed legal aid programs provide incentives to address the underlying problem. They can recoup their costs through benefits that include reduced time in court or prison, and the improved quality of life outcomes that result from faster resolution of cases. Legal aid clinics were established in Ecuador to aid low-income women and children. Their work reduced domestic violence by 17 percent after a divorce and increased by 10 percent the probability that female clients would receive child support.

Increase participation in justice

People are more likely to feel empowered when the justice system is representative and diverse. Broad participation increases people's expectations that they will be treated fairly, and can help build community support for the rule of law. Inclusive employment policies are needed to increase diversity within justice institutions, but other roles can also give people a stake in the provision of justice as activists and paralegals, community mediators, volunteer jurors or magistrates, etc. Engaged citizens can also play an important oversight role, monitoring progress toward delivering justice for all. Community-based volunteers of the NGO RENEW in Bhutan work with local elders and the police to respond to domestic violence reports. Survivors often feel more comfortable reporting to community volunteers than to the authorities. These volunteers are trained to be "gender-informed"

facilitative problem solvers. They use a consensus-building approach to help parties come to an agreement.³⁴⁸

9.2.4 Justice and the police

The police operate on the frontline of the contest for power in society and are the justice actors that people most typically interact with. Their posture—which can range from paramilitary, armed, and hostile, to unarmed, engaged, and respectful to diverse people and groups—carries a powerful message about who counts. The links between policing and racism are well documented all over the world (see Box 16).

The police are also frequently utilized to avoid having to engage in conversation with aggrieved groups. Recently in Colombia, the continuing precariousness of living conditions for Black people, heightened by the COVID-19 pandemic, forced thousands of Afro-Colombians to take to the streets. At first, the government opted more for police repression than for dialogue. During the Inter-American Commission on Human Rights' (IACHR) working visit to Colombia, they verified that protests on June 24 resulted in fifty-four dead and more than 1,140 civilians injured.³⁴⁹ Once the police are used in this way, it can be very difficult to re-establish trust. The situation for Northern Ireland's police force can be instructive in this regard (see Policy Box K).

Box 16 – Policing and race

According to the most recent government data for England and Wales, between April 2018 and March 2019, Black people in England were stopped-and-searched at a rate four times higher than white people. Black people are also more likely to be subjected to use of force by police. Across the UK, Black men have tasers drawn on them at a rate eight times higher than white men. While there is no evidence to suggest that Black people are responsible for greater proportions of crimes committed, what is clear is that Black people are the subject of police attention more often than white people, so the crimes detected are crimes committed disproportionately by Black people.³⁵⁰

In the US, more than a third of people in prison are Black, despite the fact that Black people comprise less than 13 percent of the population.³⁵¹ The Black Lives Matter movement is both a response to the discriminatory and illegitimate use of force against a particular sector of the population, and evidence of the global distrust police

engender in Black citizens. When the evidence about police use of force is disaggregated by ethnicity, a consistent picture of excessive use of (sometimes lethal) force against Black citizens emerges.³⁵²

Similarly, in Australia, Aboriginal and Torres Strait Islander people are significantly over-represented in prisons. About 27 percent of Australia’s prison population were Indigenous in 2017, yet Aboriginal and Torres Trait Islanders make up only about 3 percent of the population.³⁵³

Finland, which has received for successive years a perfect score in Freedom House’s Freedom in the World Index, paradoxically recorded the highest rates of race-based harassment and violence in the EU, according to the survey.³⁵⁴

Across the European Union, only 14 percent of victims of race-based harassment reported their experiences to the police or any other authority, in the belief that reporting would make no positive difference despite awareness of antidiscrimination laws.³⁵⁵ |||||

Policy Box K – Police reform

Learning from police reform in Northern Ireland: two steps forward, one step back³⁵⁶

History

In response to the riots and sectarian violence of the summer of 1969 at the start of the most recent phase of the Irish conflict, the British Army was tasked with maintaining order in support of the Royal Ulster Constabulary (RUC). The RUC was staffed predominantly with Protestant personnel. During the conflict, and because of the focus on ‘order,’ the RUC became a militarized force with a counterinsurgency mission. This alienated Nationalist communities because their economic and political activities were strictly policed and often curtailed in conflict-affected areas.

The Good Friday Agreement (1998) sought to ensure fair representation and equal treatment of communities, political neutrality, and accountability. A key objective of the peace process was a fundamental transformation of the relationship between the police and society, with the aim of achieving ‘a police service capable of attracting and sustaining support from the community as a whole.’ One year after the Good Friday Agreement, the Independent Commission on Policing in Northern Ireland reported on the series of changes that would be required to achieve this objective.

Increasing diversity within the police service of Northern Ireland (PSNI)

The Commission went on to implement these changes, which included a critical recommendation to promote diversity within the police force that reflected the composition of the population. The goal here was to encourage perceptions of a more neutral and representative police. The 50:50 rule was also introduced in 2001. At that time, only 8 percent of the PSNI identified as Catholic. Representation ultimately reached 70:30 but has remained static due to increased disincentives—including concern about the risks of attacks from paramilitary forces.

Community engagement

The PSNI has focused on community engagement as a way of ensuring fair representation and building trust between the police and all communities. Policing and Community Safety Partnerships are independent bodies which institutionalize the commitment to consultation. They reflect on community needs and priorities in justice delivery and lead community policing. Nevertheless, confidence in the police fluctuates, and overall, Nationalist communities have less confidence in the police than Unionist communities.

There has been a long-term and consistent commitment to reform within the PSNI over the past twenty-two years. Nevertheless, the situation remains contested, and so does the position of the PSNI. The UK's exit from the European Union and resulting border arrangements have again increased tensions between the different communities. |||||

9.2.5 Community-driven development and co-production

Devolution and community-led development provide an opportunity for solidarity to be built from the ground up. Delegating greater governmental power to cities allows municipal politics to develop progressive and inclusive platforms of multi-ethnic, migrant-receptive environments and narratives alike, even where national governments may be moving in a different direction. Alongside delegation of power to the municipal level, nurturing of political engagement among and within local communities can help them perceive the benefits of participation, countering the perceived disenfranchisement upon which nationalism feeds.

Digging deeper, we find methods that fall under community-driven development (CDD). CDD refers to a national development programming approach that emphasizes community control over planning decisions and investment resources. Such an approach is anchored in principles of participation, transparency, and accountability. It is derived from the understanding that inequalities—and often the policy failures that have caused them—are best understood by those who experience them.

A key tenet of policy codesign is that citizens and community members, as 'experts' of their own experience, are central to the design and implementation process, rather than merely beneficiaries of investments designed for their apparent benefit by technocratic experts. When those who experience injustice and inequality come together, they have more influence than when acting individually. CDD facilitates group mobilization and action to put communities at the center of development and work together with their respective governments to find solutions to challenges.³⁵⁷

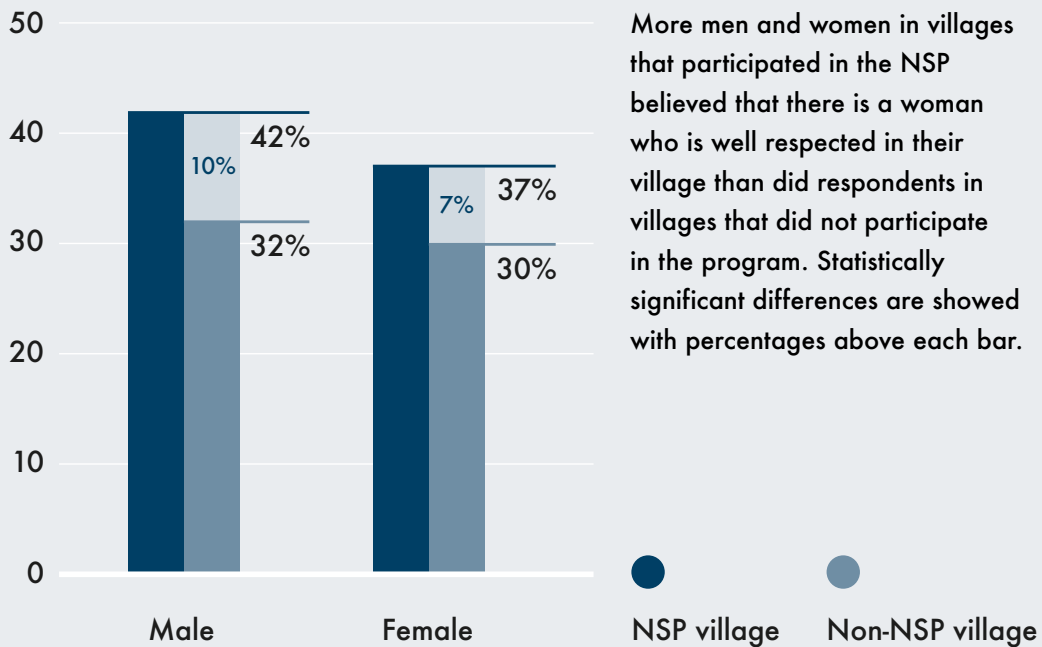
While CDD can be used with the best of intentions, any development initiative that introduces new resources into a community also risks changing local conflict dynamics and power relationships. As Barron et al. notes, the challenge for development projects and particularly CDD projects is “to ensure that these conflicts are constructively addressed so that they do not become violent but, rather, become part of a force for progressive social change.”³⁵⁸ In one World Bank-supported CDD project in Indonesia, the subdistrict head of Ruteng, Manggarai reported, “The implementation of **Kecamatan Development Program (KDP)**, through the coordination of groups, has increased levels of trust between different clans, ethnic and religious groups as well as between the rich and poor.”³⁵⁹ CDD projects alone cannot bring about this change, but complemented by other initiatives, they have a potential to enable communities to improve their overall cohesion by creating the necessary space for dialogue. This can be important in areas impacted by migration, conflict, and fragility. In Afghanistan, community approaches were statistically significant in raising the status of women (see Figure 28). It remains to be seen if any progress for women in Afghanistan will be sustained under the new Taliban government.

Cote d’Ivoire’s Emergency Post-Conflict Assistance Project established Village Development Committees to ensure community involvement in implementation of local investments and “therefore reinforcing social cohesion and promoting sustainable social development.”³⁶⁰ Since the country’s civil war, the project has helped to bring communities together by giving people a channel to start talking to each other. Yeo Pefougne, Monitoring & Evaluation Specialist for the project, said, “Building infrastructure brought communities together. By showing how to mediate internal conflicts, CDD contributes to conflict resolution.”³⁶¹

Local- and community-driven development links to another way in which solidarity across groups can be built: literally bringing people together through access to local services and common spaces. Such mixing allows a process of humanizing, often referred to as ‘contact theory.’³⁶²

Figure 28 – Afghanistan national solidarity program: impact of co-design on status of women

Opinions on the role of women in community life: “Is there a woman in the village who is well respected by men and women?”



Source: Beath and others 2010; UN Assistance Mission in Afghanistan and UNOHCHR 2010.

9.2.6 Knowing who has been left behind: tools to deliver and demonstrate inclusiveness

Information on how government resources are being spent—and, crucially, how they are divided among different groups and sectors that touch people’s lives—is critical to building the transparency needed to maintain solidarity in the long term. Budget transparency fosters trust that public money is being used well, promotes informed and inclusive debates about how public money is spent, and allows citizens to hold their governments accountable for their shared vision of society between election cycles.

Comprehensive and accessible budget transparency is not easy. It requires accurate, up-to-date data on spending across ministries and different levels of government, clear definitions of spending allocations to demarcate which

groups and sectors are benefiting, and some degree of financial literacy among the population to access the information and make informed decisions. Despite these challenges, a wealth of advice on how to develop effective spending indicators and good budget reporting regimens has emerged from various countries' experiences with trying to get it right.

One area where spending indicators have developed to account for inequality is gender. Gender-responsive and gender-transformative budgeting has become a mainstream policy tool for most countries, though reporting remains highly imperfect. By opening budgets up to show how resources are allocated across different ministries with respect to gender, countries have been able to explore the ways in which gender inequality has become embedded in public policy decisions. Data collected by the **UNDP** and **UN Women COVID-19 Gender Response Tracker**, both of which monitor the extent to which governments' responses to the global protection have considered women's needs, reveals that only one in eight countries worldwide has measures in place to protect women against social and economic impacts. The tracker examines measures across three domains: those that tackle violence against women and girls (VAWG), support unpaid care, and strengthen women's economic security. Only twenty-five countries have introduced measures that cover all three areas. These may include the provision of helplines; shelters; judicial responses to counter the surge in violence against women and girls during the pandemic; cash transfers directly targeted at women; the provision of childcare services; or paid family and sick leave.³⁶³

Beyond gender, few initiatives have been taken to monitor spending for other groups whose inequalities are likely to be similarly embedded within public policy decisions. But we don't have to start from scratch: much can be built from the precedent set by work already done to define, measure, and report budget allocations based on gender. A simple measure that could be adapted as a minimum standard would be to apply the **OCED Development Assistance Committee (DAC)'s Gender Equality Policy Marker** to other groups at risk of being excluded by public investments (see a possible adaption in Table 5). The marker simply asks that all significant investments be scored on a three-point system to observe the extent to which policies do, or do not, consider the possible exclusion of different groups. The exercise of asking these questions could at the very least serve as a reminder to policymakers to consider the possible implications their investments have on different groups.

Table 5 – An adapted OCED DAC scoring system for public investments’ impact on inequality

| | |
|-----------------------------------|--|
| Not targeted (score 0) | The investment has been screened against the marker but has not been found to target equality on the basis of <i>x group</i> . |
| Significant (score 1) | Equality on the basis of <i>x group</i> is an important and deliberate objective, but not a principal component of the investment. |
| Principal (score 2) | Equality on the basis of <i>x group</i> is a principal objective of the investment and is fundamental to the design and expected results. The investment would not have been undertaken without this equality objective. |

Some countries and regional institutions have taken things a step further, introducing robust and well-guided processes to not only monitor the impacts of their policy decisions on inequality but also to truly integrate considerations of inequality into the fabric of policy design. The government of Canada’s **Gender Based Analysis Plus (GBA+) tool** is designed to assess the impact of policy options on diverse social groups and take decisive steps toward minimizing inequalities in all policy decisions where this is possible. The tool offers a detailed process by which to examine the direct and indirect effects that decision-making, and policy guidance can have on a wide range and multiple intersections of identity groups. Some practical measures that can be drawn from this approach include:

- **Challenging assumptions about how different groups are affected by policy decisions.**
- **Building in a consultation component to policy decisions that includes people impacted by inequality and exclusion.**
- **Addressing data and information gaps that prevent a complete understanding of inequality and exclusion.**
- **Deeper consideration of the full range of identity groups that might be impacted by a policy.**
- **Documentation and effective communication of policy decisions and the process which they have undergone to promote transparency and buy-in.**

Another tool that can be used to account for the impacts of policy decisions on inequality is **ESCWA’s Social Justice Policy Gap Assessment Tool**,³⁶⁴ currently being piloted among countries in the region. This tool narrows in on the dynamics of decision making and the range of stakeholders involved in making public policy decisions, with the aim of integrating principles of

social justice into a more participatory policymaking process. The tool advises on which constituencies should be included in decision making to entrench justice and equal rights; guidance on how to bring these stakeholders together to assess policy options in a structured and meaningful dialogue; and a robust assessment methodology to be applied by these stakeholders to measure the extent to which policies are fostering—or hindering—social justice and equality.

Box 17 – Delivering equality and inclusion through COVID-19 recovery spending

Office of Planning and Budget
Uruguayan Mission to the UN

When the pandemic hit, Uruguay announced the closure of public venues as well as other measures, asking people to stay at home to prevent the spread of the disease rather than ordering it. Our approach was considered unorthodox; however, the results were successful. We are aware that, like all countries facing this pandemic, our approach has not been perfect; we believe however that our success in containing the spread of COVID-19 can be explained, at least in part, by a strong social contract and high levels of trust in government. Our efforts in “participatory democracy,” alongside our commitment to low inequality and expansive social policies have been essential in our pandemic response.³⁶⁵

In 2021 Uruguay saw an important increase of COVID-19 cases, hospitalization, and death, reaching a peak on the month of June. At the same time, from March to August 2021, an implemented vaccination program has reached 70% of the target populations inoculated. This program was very successful, reducing dramatically the cases, hospitalization, and death to a very low level today.

Uruguay has maintained low levels of poverty and income inequality over the last ten years. The Gini coefficient declined sharply from a high of 46.4 in 2007 to around 39.9 in 2012 and has remained around 39.7 since 2016. Between 2007 and 2014, a period of economic growth in Uruguay, labor income inequality also fell significantly, largely due to the reestablishment of collective bargaining, an increase in the minimum wage, regulations on domestic services, changes to unemployment insurance, successive extension of the legal periods of health coverage, parental leave, labor formalization, and modifications of the tax structure.³⁶⁶

We have tried to model our economic and social sectors not just to prioritize growth, but also to be effective in reducing inequalities. Direct taxes are progressive and indirect taxes are practically neutral, while social spending on education and health is highly progressive. Just over three quarters of persons above statutory pensionable

age receive a pension, and 94.5% of the population is covered by at least one social protection benefit.³⁶⁷

During the pandemic, we introduced a COVID-19 Solidarity Fund by creating a COVID-19 Sanitary Emergency Tax to raise monies for the Fund. The tax applied to gross income exceeding \$2,850, at a rate of 5–20 percent, depending on the amount of gross monthly income derived from personal services provided to the state, departmental governments, state entities, and decentralized services.³⁶⁸ Relief programs are largely targeted towards employment protections, with programs aimed at including informal workers and extending health coverage to unemployed people. An extraordinary cash benefit was also introduced for vulnerable families and as a top-up for family allowance beneficiaries.

Despite all this, we know that we still have work to do in ensuring equality for all. There are higher rates of poverty, lower education, and lower employment participation for people of African descent and the descendants of Indigenous peoples. Gender inequalities also remain, leading to inequalities in ownership of resources, labor market inequalities, and limited representation of women in politics. Guided by Uruguay's well-known phrase, "because nobody here is better than anybody else," we believe that the social contract and participatory democracy must serve all Uruguayans despite their gender and descent, and we are committed to achieve further advancements in solidarity, equality, and the redressing of historical injustices.³⁶⁹ |||||

9.2.7 Measuring urban inequality

Pathfinders has also developed a tool to measure urban inequality, the **Mind the Gap (MTG) Index**, recognizing that cities can have huge spatial inequalities with considerable repercussions for life outcomes and peace in cities.⁴⁹⁸ By tracking multiple dimensions of well-being across indicators and granular geographic units, the MTG Index underlines key facets of urban inequality. Five potential dimensions and indicators that can be included, in part depending on available data, are:

- 1 **Opportunities:** income, unemployment, youth NEET (neither in employment, education, or training), commuting time.
- 2 **Services:** education and health.
- 3 **Security:** crime, perceptions of safety, police, or emergency service response times.
- 4 **Sustainability:** safe water, risk of flooding/landslides.

Voice: electoral turnout, representativeness of government (share of women). Using this tool, policymakers can identify priority challenges and key areas that need greater investment and support. For example, in Mexico City, the largest disparities were found in the services dimension (access to health care, for example, ranged from 99 percent in Tlatzala, to as low as 12.5 percent in Ejidos de San Andrés Totoltepec). In Jakarta, the greatest disparities between subdistricts were found in housing. This underlines the need to tailor policy solutions where deprivation is greatest.

Following these pilots, a further iteration of the tool has been developed which compares underlying indicators of inequality with government responses; for instance, if areas with lowest health are getting the greatest per capita health investment, and if areas with the most violent crime are getting the fastest police response times.

The index was compiled for Jakarta, Mexico City, and Addis Ababa. In all three cities, the scores illuminated how advantage and deprivation exist side-by-side.

9.3 Building solidarity across borders

The pandemic is a reminder of our interconnectedness not just with our neighbors, but also with strangers on the other side of the planet. Even with restricted travel, new variants can spread rapidly. Furthermore, skewed distributions of vaccines mean that new variants have had the time to develop. The case for global collaboration on the borderless vectors of pandemics, the climate crisis, and issues of global taxes has also never been as strong.

There is scope to make a fresh case for the pooled strength that intraregional harmonization facilitates, such as the EU pursuing collective ‘Eurobonds’ in the economic wake of COVID-19. However, to create room for governments to think beyond their borders over the longer term, they need to have a significant share of the public on board. On this front, the picture is mixed. For the seven high- and middle-income countries surveyed in our polling, the middle-income countries were more likely to think their country should provide more global financial support considering COVID-19 than those in high-income countries. This view is more common among the youngest age group (18–24).

In some countries, governments are already taking steps to lower international contributions, blaming domestic recovery needs. For example, in July 2021 the UK cut its development assistance. Years of encouraging an antidevelopment aid position in the electorate through the media has made such cuts politically feasible, and even expedient.⁴⁹⁹ This outcome is about political leadership and is also a symptom of the UK public’s relatively poor knowledge of the negative consequences of British colonialism on many poor and middle-income countries. More widely, many rich countries can make arguments for the need of responsibility through being more honest about the impacts of colonization, war, and trade (as discussed in Policy Box H). We return to the issue of building global solidarity through the prism of global tax changes, financial aid, and debt relief in Chapter 11.

“I feel that the president has to be a person who comes from very bottom-up and who becomes president in order to have empathy and to know what life costs.”

Costa Rica, male, age 18–24



Policies That Secure
Credibility and Trust

In this chapter, we focus on how we can dismantle networks of privilege that can undermine progress in reducing inequality and exclusion. Building trust within society and trust in government institutions is instrumental in securing public support and critical to preventing backsliding on progress.



A key finding of our research is that many countries that started to successfully reduce inequality subsequently faced reversals: of thirty-four countries that reduced the share of GDP held by the top 10 percent of earners by at least 3 percentage points between 2001 and 2010, nineteen (over 55 percent) saw at least a partial reversal of progress between 2011 and 2020. These include Angola, Greece, and Russia.

A pattern in these cases has been state capture and lack of financing for development. The policies in this chapter address how individual countries and the international community can help avoid these traps by dismantling and preventing the formation of state capture networks, increasing the voice of poor and excluded groups in politics, and instituting stronger financing for development.

10.1 Combatting corruption and state capture at national level

State capture is a process in which narrow interest groups gain control over the distribution of state assets and resources. It fosters inequality by:

- **Shaping law making and policy implementation to benefit those who already occupy the most powerful positions.**
- **Neutralizing institutions and organizations that are intended to act as checks on that power and facilitate representation of the less powerful.**

State capture undermines the social contract by subverting the state's purpose of serving the public interest. It can be contrasted with a pluralist system, in which all interest groups have a voice—a chance to influence policy—while the institutions of the state are obliged to consult widely and consider varied interests.

Box 18 – Fighting state capture in South Africa

After South Africa's official end to apartheid in 1994, expectations of change were high and for a while, it seemed as though the country was headed in the right direction. Researchers found that social interactions across racial groups increased immediately after the end of apartheid but declined after 2008. The study showed that racial groups grew more inclusive at the start of the post-apartheid period, but the trend did not hold. South Africa's post-apartheid period, which once held such promise, was marred with allegations of inequality, corruption, and capture, posing formidable barriers to securing credibility and further progress.

The emblematic case of state capture in South Africa relates to the collusive relationship between a network of politicians and businesspeople. Most high profile of these is the Gupta family business group and former South African president Jacob Zuma. The Guptas had begun doing business in South Africa at the beginning of the country's transition from apartheid, starting in IT but expanding over time into several other sectors including mining and defense, industries which typically lack transparency and involve close relationships with the government. A dependency relationship emerged under Zuma's rule. Zuma allowed the Guptas to influence government appointments to the cabinet and key state-owned enterprises and agencies, thereby enabling them to benefit from large state contracts. Zuma in turn sought their protection and support—for example through positive coverage on their television channel—to help him secure and maintain power.

President Cyril Ramaphosa has now sought to make the country more resilient to state capture through several initiatives. The primary response is embodied in the National Anti-Corruption Strategy, which was produced with input from key stakeholders including the public and private sectors, civil society, and the media, and involved nine regional public consultations. The strategy seeks to encourage citizens to engage in holding institutions to account, to improve professional standards in the public sector, and to enhance oversight and accountability. Public procurement is noted as a priority sector, with reforms intended to improve transparency in line with the citizen-led accountability approach. 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.³⁷⁰

The Judicial Commission of Inquiry into Allegations of State Capture (aka the Zondo Commission) was, somewhat ironically, formed in 2018 by the government of former President Zuma. It was given the mandate to "investigate allegations of state capture, corruption, fraud, and other allegations in the public sector including organs of state."³⁷¹ |||||

Box 19 – Tackling military influence on politics

During the Indonesia “New Order” regime (1965–1997), the military was endowed with *dwifungsi* (dual functions). This meant that the military was not only an armed force, but that military personnel could serve concurrently as government officials and manage social and economic activities. After the election of President Susilo Bambang Yudhoyono, reforms were enacted placing the military under the jurisdiction of the Ministry of Defense and liquidating the military’s business activities. The national armed forces were required to play “supportive roles” in four areas: safeguarding human rights, civil affairs, assisting the police in maintaining security and public order, and UN peacekeeping operations. The reforms also enshrined the principle of “civilian supremacy”. ■■■■■■■■■■

In “preventative” scenarios where countries are vulnerable to or sliding into state capture, it is important to build political momentum for action which may seem not to be urgent. This is extremely difficult, because it is more problematic to generate emotional or intense support for the status quo and for an inclusive democratic message. The groups that engage in capturing the state, by contrast, often justify their actions by referencing narratives of fear and identity politics, which tend to mobilize people by generating emotional responses and hostility to out-groups.

While the public has become much more aware of corruption and generally expresses strong sentiments against it, including in our own poll, there is also some evidence that anticorruption narratives may backfire because they exacerbate a perception that corruption is all-pervasive and there is nothing to be done. Thus, messages should be carefully crafted to empower, but also to provide concrete examples of what has been achieved in similar contexts. Narratives of rectifying injustice may be more effective at mobilizing emotional support, while efficiency gains can be difficult to convey. However, an efficiency framing may be useful in targeting reformers *within* the elite, who can leverage such a narrative to build coalitions inside government where an anticorruption framing would be too threatening. Taking advantage of pressure from journalists on one specific corruption case to launch much broader reforms—as Canada did in the example below—can be effective.

Box 20 – Using a specific corruption scandal to launch broader reforms against corruption and capture

In 2011, the Quebec government launched an inquiry into corruption in the province’s construction industry, following mounting pressure after a Radio Canada investigation revealed widespread abuses of power. Municipal governments had been awarding contracts to construction companies which, in turn, illegally financed political parties. The construction companies colluded to increase the base price of contracts and bribed contracting authorities to favor some projects over others, permit lucrative contract modifications, or influence members of the selection committee. The inquiry, known as the Charbonneau Commission, heard testimony from more than 250 witnesses. It also recommended several reforms including the creation of an independent authority to oversee public contracts, better protection for whistleblowers, and increased penalties for construction companies that break the law, including cancelling their license to operate. |||||

In cases where state capture has already reached the level where it is acknowledged as a central problem, all the policies in Policy Box L apply, but there are additional political considerations around mobilizing public support, neutralizing opposition to reform, and conveying the depth of threat that state capture can pose to democracies and to all aspects of social and economic progress. The following case study from South Africa provides an example.

Policy Box L – Preventing corruption

In situations where corruption exists (as it does in all societies) but has not reached too strong a level of capture of laws and policymaking, there are a number of preventative measures that can be taken:³⁷²

- **Open and competitive recruitment into key roles in state-owned enterprises. Ensure that public procurement laws apply to their spending and are subject to regular and extensive oversight by the supreme audit institution, reporting to parliament and publishing reports.**
- **A transparent foreign and national investment framework, accountable to stakeholders, where investments are justified according to market principles and where business is conducted in ways that support ethics and integrity in business environments.**

- Meritocracy in civil service recruitment and promotions. Require all staff above a certain level to disclose their assets and any conflicts of interest.
- Transparent procurement and tender processes, publishing data about procedure type, number of bidders, and advertisement period, among other factors. Train public procurement officials on how to carry out these procedures competently. Ensure evaluation committees do not have conflicts of interest.
- Reform party finance. This is extremely difficult to achieve, but the most universally helpful reform is to increase transparency so that civil society organizations can investigate possible links between policy positions and donations. In addition, seeking to bar use of government resources for political campaigning is key, as is banning anonymous donations. Including limits on donations from one source and requiring disclosure of the names of large donors is also useful, as is providing free airtime to parties. Importantly, rules should be put in place relating to fair decision making in public policy, requiring public consultations, and publishing details of meetings with lobbyists. This action can help to ensure donations cannot easily buy influence. More broadly, careful consideration of context is needed when considering which reforms are needed and how they might be abused. For example, while spending limits are often recommended as best practice, these can be abused to undermine political opponents.³⁷³ In 1996, Mexico's former ruling party, PRI, and the opposition parties agreed to allocate equal shares of public resources to different parties contesting elections. This created a competitive environment during transition years and initiated a peaceful transition to open elections in a multiparty democracy. However, it required strong commitment from political leaders to explicitly reshape the balance of power between parties.
- Consider introducing limits on former military officers taking on civilian roles, in the way that 'revolving door' legislation limits certain post-public appointments.
- Ensure a process of open and competitive recruitment methods and meritocratic career development for Supreme Audit Institution (SAI) leaders and staff, with long terms of office. The SAI mandate should be broad, and with considerable autonomy to decide on the nature, scope, and extent of audits; it should include jurisdiction over state-owned enterprises (SOEs) or, alternatively, a right to oversee the independent audit of SOEs by private sector firms. Ensure that SAIs have full access to records and information, and ideally legislate to allow sanctions on those who fail to comply. Ringfence SAI funding so that any cuts require both parliamentary and executive approval. Require the SAI to report to parliament annually and ensure sufficient government time is given to scrutinize the report. Ensure that the SAI has power to monitor compliance with its recommendations and, if necessary, impose sanctions for noncompliance. Citizens, meanwhile, could establish a tool to monitor the independence of the SAI, perhaps using a benchmark such as the INTOSAI standards or World Bank InSAI index.
- Guarantee the functions of a free press and active civil society, both of which are integral to avoiding state capture. When allies of the government are placed at the helm of independent institutions such as media houses, the lines begin to blur between party and state, amplifying the oppressive systems held by the ruling

elite.³⁷⁴ A free press and civil society encourage robust dialogue and self-reflection for governments. In situations of state capture, the media plays a critical role in exposing corruption and providing evidence.

- Ensure beneficial ownership and asset recovery. Informal and formal channels for accountability enable citizens to actively use ownership data to uncover corruption. By returning corrupt funds, governments can change the narrative on corruption, encouraging their citizens to join in the fight against it.³⁷⁵

10.2 International action against corruption

International action to reduce corruption and state capture can strengthen and backstop national and local institutions seeking to return policy and government practice to the public at large. While there are myriad ways that reforms can do this, four pathways are highlighted here, with concrete examples that may help empower reformers within governments to take concrete action.

- **Supporting country systems.** The core of reform will need to take place at the national and, in some cases, the subnational level. This means international flows of finance will need to support those institutions which serve to balance the interests of all members of society, with special attention to the less well-connected. These institutions can be supported by official development assistance in the short term, but better models suggest legal and budgetary independence. The latter of these can be reinforced through revenue models that include maintaining a portion of the fines leveraged during investigations or through building mass memberships. More finance than is currently provided as a percentage of total ODA could, at countries' request, be devoted to equal representation in electoral systems, the right to associate, access to justice, and evaluating fairness in administrative procedures law.
 - **Equal representation:** In some cases, this will mean financing reform and capacity building at electoral management bodies to ensure that all citizens have access to the ballot and representation. Croatia has taken major steps to ensure that political finance declarations are online, and the relevant data is increasingly interoperable with asset disclosures and public contracts.³⁷⁶ This publicity allows journalists and watchdog groups to raise the issue of conflicts of interest, ethics violations, and potential legal issues.
 - **Right to associate:** In other cases, it will mean support for independent labor and trade associations and nonprofit organizations, as well as the institutions that protect their right to organize. In an attempt

to balance free assembly with community safety, Northern Ireland has made some strides with its civilian Parades Commission, which seeks to approve routes for major parades.³⁷⁷

- **Evaluating fairness:** Country systems cannot only promote policies for the poorest in society. They must also look at whether the wealthy are paying their fair share of tax and whether that revenue is providing public goods rather than private patronage. This may include development of rules that consider and weigh disproportionate costs to poorer or otherwise disadvantaged members of society. In the United States, a recent executive order directs the Office of Management and Budget to identify key measures of equity in regulations and policies.³⁷⁸
- **Norm-setting. International organizations play a vital role in supporting more fair decision making at the national and local levels through norm- and standard-setting.**
- **Some do so through hard reporting standards.** Such organizations include the International Standards Organization, which has a variety of standards on management systems for governance and ethics.³⁷⁹ While such standards by themselves may not be able to eliminate capture, they are a valuable way to signal that governance systems are in place to control corruption.
 - **Other norms are less about “standards.”** Rather than promulgate a certain set of norms directly, several international organizations and initiatives convene and share between countries in the hope of incentivizing a race to the top and building policy consensus. Examples that fit into this category include organizations like the Open Government Partnership (OGP), or many of the initiatives of the Organization for Economic Cooperation and Development(OECD).
- **Removing opportunities for corruption. Corrupt actors do not act alone. They often need the help of otherwise legitimate actors to peddle influence or whitewash their activities—criminal or otherwise—that lead to state capture. Professional enablers may have expertise in tax, finance, real estate, law, or public relations, and often serve otherwise legitimate clients. Their cooperation with individuals involved in “grey area” or outright fraudulent practices can, however, be disincentivized. Elements of a robust approach would include capacity for financial intelligence units to investigate and bring cases against enablers, harmonization of law, and information exchange across jurisdictions.**
- **Capacity.** Regulators and investigators such as financial intelligence units (FIUs) and electoral management boards can be trained and equipped to understand how to locate enablers in their jurisdiction. Organizations such as the Egmont Group have been working to establish FIUs around the world and to aid coordination.

- **Harmonization of law.** Legislators may consider whether there is an adequate liability regime to deter enabling behavior and determine that such an approach protects and rewards corporate whistleblowers, disincentivizes misreporting, and limits evasion through settlements.³⁸⁰
 - **Information exchange and cooperation.** Ensuring a high degree of compliance depends on the sharing of information across borders. The gold standard would be to have relevant data verified and made shareable according to interoperable data standards. This is especially important regarding beneficial ownership standards.³⁸¹
- **Incentivizing fiscal governance for equity. Finally, international standard-setters, investors, and researchers can help to incentivize more equitable governance. There is growing interest in ensuring better access to finance in cases where there is stronger governance. This can be achieved by creating bond markets which give lower rates to companies and governments that have systems in place to support better social, environmental, and governance outcomes.**
- **Bond markets:** Of note are the efforts to introduce sovereign and corporate sustainability bonds, which offer below-market interest rates for national governments and companies that can meet predefined sustainability targets. Such targets could include abstention from bribe-paying, support for human rights, and climate-related bonds.
 - **Rating and risk disclosure:** These bond markets can only function where there is comparable information across countries, in major markets, or where regulations support disclosure of governance risks (such as political contributions, lobbying activities, and subsidiary companies) and other sustainability risks. Further international financial actors, such as rating agencies, must be able to evaluate this risk to create useful financial tools.

Box 21 – Rebuilding trust from the top and bottom

Sanjay Pradhan
CEO, Open Government Partnership

Economic and social inequality cannot be reduced without tackling political inequality. This means changing the rules of the game, which cannot simply be done at the bottom of society. Inequality must also be tackled at the top, where the powerful hoard wealth and opportunity.

Before I worked at OGP, I watched with amazement the story of transformation in South Kivu Province in the Democratic Republic of Congo through the power of participatory budgeting. People showed up and voted on how a portion of the budget would be allocated. But just as impressive as the fact that they voted is what happened

afterward: a significant number of citizens began—for the first time—to pay taxes, and tax collection jumped by a factor of seventeen. By being given a voice and knowing that they had been heard, these citizens continued to invest in their community and to trust the work of their government. Much work remained to be done, but the social contract, for so long broken, began to mend. This convinced me of the value of openness. But openness cannot only be about the voice of people living in poverty. It must also weaken the networks of personal patronage and clientelism at the top of society. That’s why I’m particularly proud of the work we’ve done in Nigeria.

In 2011, a former Nigerian minister negotiated a bad deal, losing the country billions of dollars in revenue. But he did not do this on his own. He had been bribed and used fraudulent companies to move the money overseas to fund his lavish lifestyle. When the Open Government Partnership launched in Nigeria, well-organized civil society groups led a campaign to end anonymous shell companies in the country. They won, and the president, cabinet, and parliament passed a law making the ultimate “beneficial owners” of oil-related companies public. Together with civil society groups, the reformist ministers within the cabinet pushed the reform across the finish line. It will be some time before there is a complete stop to money laundering by the powerful and connected. Regardless, it is an indispensable first step toward making it more difficult to steal public money and erode public trust.

This combination—including and empowering the less powerful, reining in abusers of power, and joining reformers in civil society and government—time and time again proves to be a recipe for tackling our toughest issues, including inequality. |||||

10.3 Expanding voice and participation in politics

The section above deals with dismantling networks that seek to capture or corrupt, and that oppose progress on inequality and exclusion because it affects their privileged access to public resources. But sustaining credibility and preventing backlash requires expanding political participation to give more voice to the marginalized.

Research with our partner IDEA shows that systemic and legal barriers to equal political participation persist at all levels and take different forms, including unfavorable electoral systems, lack of support from political parties, socioeconomic, and cultural barriers.³⁸² Women, people with disabilities, racial minorities, Indigenous people, LGBTQ+ individuals, and young people face all these barriers, particularly insufficient access to political finance. Campaigning has become an expensive affair, and political aspirants and candidates from these groups find it challenging to secure the substantial sums of money usually required to run a campaign and win an election.

To address these barriers and level the playing field, several targeted political finance measures have been designed and adopted by some governments, political parties, and private initiatives, although they vary in their target and effectiveness. These measures can be categorized into targeted public funding for political parties, intraparty measures, and private funding initiatives. Governments in many countries are using public funding to encourage political parties to nominate candidates from traditionally underrepresented groups and, then get them elected by tying the provision of public funding to enforcement of electoral quotas where they exist. Public funding gives political parties financial incentives to meet the quota target or penalizes them if they fail to meet the agreed proportion of candidates from underrepresented groups. While gender-targeted public funding is utilized in thirty countries, there are few countries that have adopted such targeted funding measures for people with disabilities, ethnic minorities, Indigenous populations, and LGBTQ+ individuals.

Political parties also play a key potential role in addressing this funding gap. They could go beyond legislated measures and adopt their own brand of reforms to promote equitable participation, also raising funds on behalf of underrepresented groups with limited access to political funding. Finally, partisan and non-partisan private initiatives have been introduced in some countries to support certain groups in accessing campaign funds, in addition to providing candidates with training and necessary tools to run effective campaigns. Such measures have contributed to improved political participation and representation of underrepresented groups in many countries. It should be noted that in several contexts, funding will be less important than societal views: change can happen through internal party processes, priority settings, quotas, and campaigns to target specific groups (these are covered in more detail later in the chapter).

10.4 Political funding for women

Women frequently have less access to the resources needed to successfully seek a party nomination or stand in an election, including lack of access to moneyed networks, credit, and political clientelism. A growing number of countries are using public funding of political parties and election campaigns to encourage gender equality.

Gender-targeted public funding has two distinct avenues. In the first, eligibility of a political party to receive a certain amount of public funding (or all of it) is connected to the level of gender equality among the candidates it puts up for election (or manages to get elected). In the second, a certain proportion of public funding that a political party receives is formally tied to provisions related to gender or earmarked for gender-related activities, including training and development of female members, developing a gender-action plan, or gender-sensitization within the ranks of political parties. In many countries,

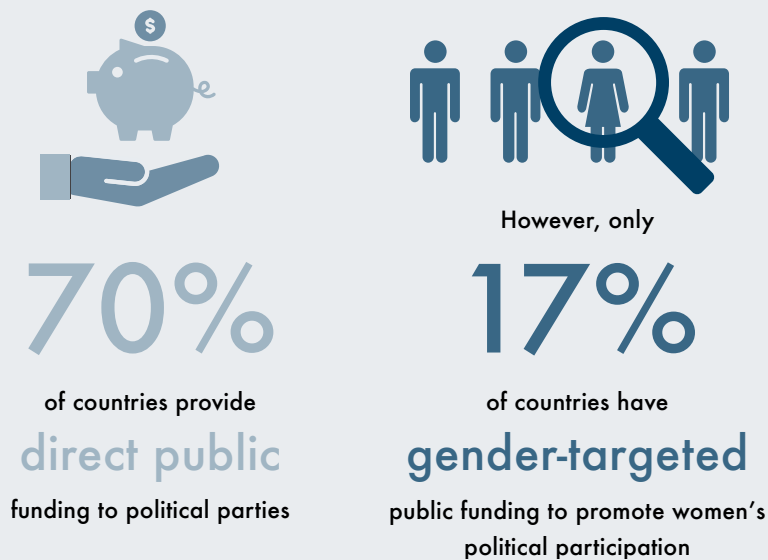
additional public funding is provided to political parties depending on their degree of gender equality or is reduced if a political party does not meet a set definition of gender equality.

The three-fold objectives of gender-targeted public funding are:

- **Provide incentives to political parties to include more women as electoral candidates.**
- **Improve capacity of individual women to run successful campaigns for party nomination and winning an election.**
- **Undertake strategic work within parties to improve attitudes and support toward gender equality.**

The broader aim of gender-targeted public funding, therefore, is to not only address the issue of underrepresentation of women in politics, but also to empower women beyond formal representation in elected bodies. The first use of gender-targeted public funding is found in Finland, where in 1974 a certain proportion of public funding was earmarked for activities to enhance gender equality. As of 2020, thirty countries around the world provided some form of gender-targeted public funding to political parties, a six-fold increase in the last twenty years. However, only 17 percent of countries have gender-targeted public funding to promote women’s political participation (Figure 29), although all regions have several countries that do so.

Figure 29 – Countries with provision of public funding and gender-targeted public funding



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

10.5 Supporting people with disabilities

Recognizing the financial challenges faced by people with disabilities when running for office, some countries have set up funds or decided to support their political aspirations.

Box 22 – Targeted public funding for inclusion of people with disabilities in South Korea

In 2010, South Korea introduced public subsidies to political parties that nominate persons with disabilities to run for public office. As part of this initiative, political parties were required to nominate 1 percent or more candidates with disabilities for National Assembly elections. Initially, none of the political parties received this subsidy, as none met the requirements. In 2014, USD 520,000 was distributed in subsidies to two political parties for nominating candidates with disabilities.³⁸³

So far, very few countries have enacted provisions to provide public funding to support political participation by ethnic minorities, although they also face barriers to inclusion in the political arena. Box 23 gives an example. |||||

Box 23 – Funding for youth, women, and ethnic minorities in Colombia

Colombia's Bill 1475 (2011) outlines regulations related to the organization and functioning of political parties and movements, for electoral processes and some other dispositions, including provisions for public funding for ethnic minorities and youth. Article 18 of the bill affirms that public funding must be earmarked for 'effective inclusion of women, youth, and ethnic minorities in a political process.' It emphasizes that 'in any case, parties and movements will allocate in their annual budgets a sum not less than fifteen percent (15%) of the State contributions they were granted to conduct political and electoral training courses for the activities of their centers of thought, and for the effective inclusion of young people, women and ethnic minorities in the political process.'³⁸⁴ |||||

10.6 Broader measures to support political voice and inclusion

For these measures to be effective, some broader success factors also need to be targeted. Such factors include adoption of appropriate electoral systems, implementation of quota provisions, gender-sensitive political party strategies, lobbying by civil society, and a positive and enabling social and cultural environment. This requires legislators, regulatory bodies, political parties, and civil society to all play their part.

Policy Box M – Reforming political funding

For any kind of targeted public funding to work, three factors come into play, as follows.

- **Party dependency on public funding:** although direct public funding of any kind is currently used in over two-thirds of the world, in many countries the amounts provided are too small to have any real impact on party activities. Where parties rely almost exclusively on private funding, earmarking or altering the amounts of such funding based on political parties' inclusion initiatives is unlikely to have much effect. In Germany, parties receive matching funding from the state for private donations at a ratio of 0.45—but only where private donations are small (below €3.300). Although this does not restrict private funding, it does provide an incentive to raise small donations.³⁸⁵
- **Strength of connection between public funding and political equality:** the formal connection made between public funding and political inclusion must be large enough to have an impact. If a tiny proportion of the funds is earmarked for activities to support political participation of underrepresented groups, or a party must significantly alter its nomination decisions to receive a very small additional amount of public funding, it is unlikely that targeted public funding will have much impact. However, if parties stand to gain a significant additional amount of public funding or risk losing a large proportion of the funds they would otherwise have received, results are likely to be significant.
- **Party perception of societal views on equality:** this is more subtle as it relates to how party officials view societal opinion on the political participation of traditionally underrepresented groups. The impact of changes in public funding must be more important to party leaders than the fear of their perceived loss of votes from nominating women, people with disabilities, LGBTQ+ individuals, youth, and Indigenous people to electable positions. Parties cannot achieve their goals without electoral success, and targeted public funding must consequently be designed to be sensitive to the incentive structures of party officials. To foster inclusivity, parties could consider making diversity pledges, and balancing

requirements for experience with diversity in line with these pledges. They could also set up multiple appointments/offices at once to make rapid change easier, reducing the chances of the process being viewed as a zero-sum game in which women are viewed as competition to men.³⁸⁶

10.7 Young people: leaders of today and tomorrow

“How dare you,” climate activist Greta Thunberg famously accused world leaders, illustrating how the lack of commitment toward young people’s future, from the desecration of the world’s resources to the disinvestment in education and public services, broadens “the gap between the promise of equity, individual freedoms, and prosperity, and their lived experience of marginalization, exclusion, and lack of opportunities.”³⁸⁷ The dismissal of young people’s knowledge and experience, and the undervaluing of their role as bridges between their communities and the state, further erodes their trust in institutions and reinforces their sense of hopelessness and exclusion.³⁸⁸

Increased opportunities for representation of young people in government (some examples outlined below) can take a wide variety of forms, from youth advisory councils to youth quotas, as well as career opportunities and partnerships with educational and electoral institutions to encourage their participation. These must be accompanied with the financial resources and communication efforts needed to include all young people, including those from discriminated groups.³⁸⁹ Some, including the UN Secretary General, have called for lowering the voting age and the eligibility age for standing as a candidate for elected office.³⁹⁰

Policy Box N – Youth representation

- **Increasing youth political representation: adopting the use of quotas for young people in government parties and political parties and linking financial backing to the inclusion of young people, as well as reforming registration rules and lowering minimum age requirements. In Tunisia, recent legislation declared it mandatory for partisan lists, electoral coalition, and independent lists to have at least one candidate thirty-five years and under, as one of their top three candidates; as a**

result, more than 37 percent of elected candidates in 2018 were under the age of thirty-six.³⁹¹

- Work with young people to legitimize electoral processes and strengthen transparency and accountability mechanisms: invest in disseminating information about opportunities for political participation, and partner to develop communication and accountability channels with young people as well as to build the conflict management and policy deliberation skills of all actors in policymaking. The Ushahidi tool originally created in Kenya to allow citizens to send data to monitor and prevent violence has been replicated in other contexts, including the 2012 US presidential election, where it was used to map polling locations and allow citizens to identify where and how to vote.³⁹²
- Engaging young people as partners in public policy and decision making: establishing youth councils and advisory boards that offer direct input to the policymaking and budgeting process, and investing in intergenerational partnerships in service delivery. For example, youth committees in the cantons of Costa Rica design and implement projects with funding from the national Young Person Council.³⁹³ |||||

10.8 Increasing civil society space

“People get jobs because of who they know. And there are people more qualified than them, but because they’re friends of friends and they’re associated in some capacity with that person. I’ve seen it. It’s who they like and who they’re not biased against.”



Canada, female, age 25–50

Civil society is integral to the institutional architecture that impacts whether we get fair distribution and inclusive societies or hit with polarization and conflict. The extent to which civil society is coordinated and trusted is relevant to the levels of tensions and conflicts within a society, and how these are negotiated with governments.

Trade unions, student and women's organizations, religious affiliations, and other organizations have historically spearheaded democratic change and redistribution of resources in many parts of the world. While civil society has become increasingly complex and fragmented over the past decades, it has always had a crucial role to play in reset and recovery, which is especially timely due to the pandemic.

Civil society is not perfect: NGOs and mass movements can suffer from the same corruption problems as states, and some civil society organizations have acted in uncivil ways, stirring up hate speech or fostering divisions.³⁹⁴ However imperfect, though, civil society is an indispensable partner in efforts to reduce inequality and exclusion. When civic space is open, citizens can organize, assemble peacefully, and freely express opinions; democracies

can deliver better, and trust is generally higher.³⁹⁵ When civic space is restricted, this restricts the ability of certain groups who—because of their ethnicity, race, national origin or age—are traditionally prevented from taking part in other forms of political engagement, fueling their sense of hopelessness and exclusion.³⁹⁶ Essential to this process, states must respect and facilitate fundamental civil rights.

Civil society can ensure provision of basic services that the state is unable to deliver, and that the corporate sector sees as unprofitable. As the pandemic swept the world, civil society stepped up in many countries³⁹⁷ and responded with fast and vital support.³⁹⁸ Civil society is also an institution of communication and accountability, expressing popular sentiments and views which may not always be welcome but are still informative and a useful barometer of general views and perspectives.

Several countries have well-established relations with civil society and enjoy systems or social dialogue processes where delivery in specific sectors relies on consultation and/or negotiations with civil society representing key constituencies. Examples will be found across the geographical spectrum: South Korea, Sierra Leone, Costa Rica, Uruguay, and several Nordic countries, where such partnerships have brought growth, development, redistribution and have hindered major conflicts.³⁹⁹

Civil society has also proved to be a key party in peacebuilding processes, such as in Colombia, Sudan, and Tunisia; and during major transitions and political and economic stress, such as in South Africa, Indonesia, and Costa Rica. Civil society is, all in all, the expression of the people. And like the people, Civil society does not go away—it becomes friendly and constructive when listened to and treated with respect.

In 2015, a Tunisian coalition of civil society groups comprising a large labor union, lawyers, activists, workers, and employers won a Nobel peace prize. This group worked to strengthen democracy in Tunisia particularly following the difficult years of the Arab Spring demonstrations. The group pushed for political compromise and dialogue, steps which mitigated some of the polarization and distrust that emerged following the protests.⁴⁰⁰

Policy Box O – Enlarging and protecting civic space

Ensure access to information

It is important to develop policies that promote participation from all members of society. This should include providing easy access to information in a variety of languages spoken by the general populace and through varied sources to ensure inclusive access to information and viable feedback loops for civil society.⁴⁰¹

Build trust with civil society actors

This can be done by firstly ensuring a diversity of voices when it comes to decision making, this should include women, marginalized communities, and grassroots activities. Trust building takes time and is fragile. Governments will need to uphold promises made to develop goodwill.⁴⁰²

Protect and promote online civic spaces

As the use of the internet becomes more accessible, it is necessary to recognize the online space now functions as a new meeting ground and governments can invest in new technologies which promote online civic engagement while protecting the digital safety of users.⁴⁰³

Enlarge and protect the media

The media is a key member of any healthy civic space and when they are allowed to thrive, they are strong enablers of accountability and transparency. Protections should be provided to the media (including bloggers) so that they are not seen as enemies of the state but facilitators of public debate.⁴⁰⁴

Strengthen government will to bettering the social dialogue process

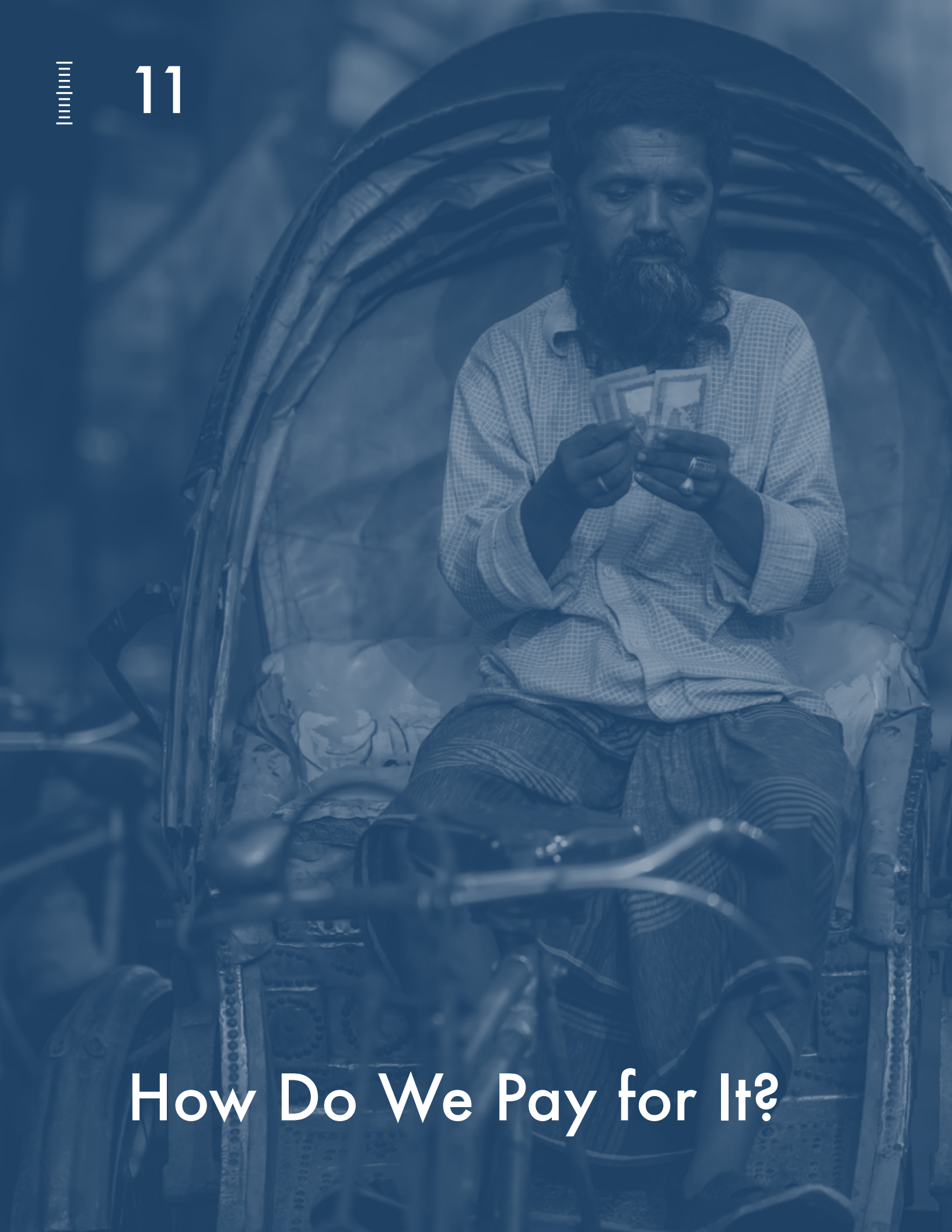
When social dialogue processes are limited to items such as negotiating low minimum wages, while other issues are escalating, the commitment of the government to expanding civic space will be thrown into question. A positive example of the benefits of this is in the Scandinavian context where the state demonstrated willingness to issues such as improved education, pension, health etc., wage negotiations were also facilitated.⁴⁰⁵ |||||

There is another practical issue underlying credibility in implementation not covered in this chapter: access to sufficient finance to ensure that commitments are sustainable, and that additional finance is mobilized to support them when they make progress.

The next chapter will detail the financial costs of implementing the policies so far discussed and, where possible, will provide differentiated estimates for countries facing variable financial constraints. It will also examine stepping stones and investments that can set these countries on the right track. The remainder of the chapter will then explore different options for raising the necessary revenues to meet these costs, ensuring effective and sustainable implementation that lives up to people's expectations, and maintains public trust over the long term.

“When you fight corruption, you’ll get our money back and then the value added [is that] tax would decrease. That’s when you’ll be able to build better houses and widen the internet coverage. Without fighting corruption, you wouldn’t have money to do any of that.”

Tunisia, male



How Do We Pay for It?

Public finance and finance for development are expansive areas, with far more themes than can be covered by this report. The aim of this chapter is to consider the policy mix required to address inequality within a financial framework that is practical and politically viable. Some of the reforms covered in this chapter will require significant efforts on the part of governments, multilaterals, the private sector, and the public: but the wind is changing in this direction, and leadership can benefit by being ahead of the curve. We have already seen positive steps taken toward greater economic justice, from tailored national-level solidarity funds to multinational tax agreements. Such initiatives demonstrate the feasibility of policies to redress economic inequalities, and to raise funds to support public initiatives to address broader inequalities.



“Where will the money come from?” is a natural question when politicians propose bold policy packages. The answer often narrows to issues of taxation rather than the reality of debt and the use of monetary policies. Of course, the potential scale and combination of financing tools available varies from country to country. Many rich countries, including the US and the Republic of Korea, opted to introduce sizeable economic stimulus packages to aid recovery from the COVID-19 pandemic. Meanwhile, the option to spend billions on infrastructure and green jobs is a dream for most low- and middle-income countries. Increased spending to protect populations from COVID-19 means already highly indebted countries face debt levels not seen for fifty years.

The IMF estimates 35–40 countries as debt distressed.⁴⁰⁶ However, this is a gross under-estimation. We compiled a list of countries that are labeled as debt-distressed across a number of criteria, and estimate around 100 countries will have to reduce budget deficits in this period, even though the majority are still facing the third or fourth wave of the pandemic.⁴⁰⁷ We have labelled this group as “at risk of abrupt fiscal consolidation.” Furthermore, the ability to cancel this debt is complicated because many of these countries have taken on debt under non-concessional terms from private lenders. The trends in Financing for Development (FFD) were entirely insufficient to meet the SDGs even prior to COVID-19—now there is a full-blown crisis.

The majority in five of the eight countries polled by Pathfinders—Tunisia, Uruguay, Sierra Leone, Canada, and Sweden—want governments to use this time to prioritize investment rather than repay public debt. Even in the other three countries where people think their government should be paying back public debt—Mexico, Republic of Korea, and Costa Rica—the margins are thin. Sizeable populations across the world want their governments to spend. And they are right. A UN study found that even before the pandemic, meeting SDG targets would require budget outlays on the order of 45–59 percent of GDP in low-income countries, and around 27–37 percent in lower-middle-income countries. The total financing gap for these 59 countries was on the order of USD 400 billion per year from 2019 through 2030.⁴⁰⁸ The consequences for this shortage in funds are wide-ranging and profound.

To state the realities of government financing is not to admit defeat. After all, whether we look at inequality, exclusion, or the climate, there is an even bigger cost to doing nothing. Though the total SDG financing gap of USD 400 billion seems daunting, it amounts to just 0.7 percent of the advanced economies' GDP, and just 0.4 percent of the world economy.⁴⁰⁹

“He said that he pays taxes every year, but he sees no changes.”



Tunisia, female, age 25–40

This section will explore both domestic fiscal and international financing options. Domestically, it will look at issues of tax morale, building a broader tax base through social contract dialogue, and the case for temporary or longer-term solidarity taxes on wealth, or solidarity funds. Internationally, it will highlight the potential for additional actions on ODA, debt relief, illicit financial flows, asset recovery, corporate taxation, and tax evasion. By confronting the issues of fiscal constraints for low- and middle-income countries, we can also see where the international community and international financial institutions (IFIs) must do more. Building fiscal credibility in poorer countries is not wholly in their control.

While not covered directly here, it is important to also acknowledge the need for a wider rethink of the process and speed of financialization. Economic inequality, and especially the gains at the top of society have been driven by inflated asset prices in recent years.⁴¹⁰ This process is resulting in financial bubbles which carry significant risk,⁴¹¹ as demonstrated by the global financial crisis. Regulation of the financial sector is key to building economic stability and credibility going forward.

11.1 How much will it cost?

While some of the policy options listed in this report increase the resources available to address inequalities, several come with a price tag. We explore those costs here, both to offer a pragmatic view on enacting these policies and to recognize the financial constraints that governments are working within. Unfortunately, not all policy options have well-defined costs and most will need to be adapted to local context. However, the following estimates offer a good overview of their anticipated costs. Where possible, cost estimates are also provided for stepping stone policies for lower-income or financially-constrained countries.

Social protection coverage is closely associated with a country's wealth, leading some to conclude that universal social protection is the privilege of wealthier countries. Nevertheless, there is growing consensus that meeting the costs of universal coverage is within reach for all, given the right mix of domestic and international policies. The ILO estimates the price of filling the financing gap for universal social protection coverage globally to be USD 792.6 billion per annum.⁴¹² Upper middle-income countries make up nearly three-quarters of this gap, largely driven by financing gaps in Latin America and the Caribbean, followed by lower-middle income countries (23 percent) and low-income countries (LICs) (4 percent). The smaller share of finance needed in LICs is partly explained by their smaller populations and the lower costs of benefits in these countries.⁴¹³ Though LICs make up a smaller share of the total financing gap, these economies have the highest gap as a percentage of GDP on average (5 percent) compared to lower-middle income countries (1.9 percent) and upper-middle income countries, meaning that the financing needed for social protection is greatest in LICs relative to the size of their economies.⁴¹⁴

There are no detailed estimates available for the costs of affordable housing. In 2014, McKinsey estimated the housing affordability gap to be around 1 percent of global GDP, with two-thirds of the gap concentrated in one hundred large cities among the 2,400 cities they analyzed.⁴¹⁵ They further estimate the gap to be as large as 10 percent of area GDP in large lower-income cities such as Lagos, Dhaka, and Mumbai. A recent report from the OECD found the highest direct support for social rental housing to be in New Zealand at 0.36 percent of GDP, followed by Australia with 0.27 percent, and the US and France (both 0.21 percent), with all other OECD countries spending less than 0.1 percent.⁴¹⁶ However, the report also finds no direct correlation between current spending on social rental housing and the size of the sector, with the Netherlands having the largest share of social housing among OECD countries without public spending on the sector since 1995.

In the Netherlands, a system of guarantees backed by the central government is used to encourage corporations to invest in social housing. In some countries, a common approach is to raise debt among social housing providers by pooling

financing through special circuits, or to rely on private capital from banks or capital markets. In other countries, the not-for-profit sector has established revolving funds.⁴¹⁷ Public spending on housing allowances, comprised of means or income-tested transfers direct to households, is more variable across OECD countries. The UK makes by far the largest investment at 1.4 percent of GDP, followed by Finland at 0.8 percent, Germany, Denmark, and France all at 0.7percent, and less than 0.1 percent for a large share of OECD countries.⁴¹⁸

Comprehensive estimates on the costs of equitable care services are also not available. There are however some estimates on the possible returns from investments in social care. Simulation results for selected OECD countries reveal that investing 2 percent of GDP in public care services would create almost as many jobs for men as investing the same amount in construction industries in the UK, US, Germany, and Australia, and up to four times as many jobs for women.⁴¹⁹ This investment is also predicted to have a larger positive effect on growth and debt reduction by 2030 than the same investment in construction. UN Women’s Gender Equality Forum recently recommended a 3–10 percent increase of investment of national income in equitable quality public care services.

In 2019, the Pathfinders’ Task Force on Justice and ODI produced the first estimate of what would be required to close the justice gap and deliver SDG16.3. They gauge the cost to be USD 20 per person per year in low-income countries, USD 64 in middle-income countries, and USD 190 in high-income countries.⁴²⁰ These estimates include legal advice; assistance and empowerment in communities; the costs of formal justice institutions playing a frontline role in resolving conflicts, disputes, and grievances; alternative mechanisms to resolve legal problems such as community mediation, traditional court, and ombudsman; and mechanisms that improve the accountability of the justice system. They note that most of these costs are needed for formal justice institutions, whereas legal empowerment and informal approaches make up less than 10 percent of the total cost. While they argue that more research is needed in these areas, investments in these mechanisms, costing as little as USD 1 per person in low-income settings, could be a cost-effective stepping stone to closing the social justice gap.

The costs of policies are not always transparent, and the global policy community must do more to collect and publish data on government budgets and to collate costs for the purposes of sharing lessons. What we do know is that these expenditures have clear returns on investment in addition to the critical role they play in tackling inequalities, so this will decidedly be money well-spent. But even with clear knowledge of these returns, some countries will struggle to cover the total costs of the full policy mix required to address inequalities. We need to look at how governments and the international community can work toward increasing the size of the finance envelope available to financially constrained counties, in order to provide support for them to meet these objectives as soon as possible.

11.2 Financing equality and inclusion

11.2.1 Debt

“The developing world is on the precipice of financial ruin and escalating poverty, hunger and untold suffering.”



Antonio Guterres³⁸⁷

At least 25–35 low- and middle-income countries worldwide have reached levels of acute debt distress, and several—including Argentina, Belize, Ecuador, Lebanon, and Zambia—have already defaulted on some of their loans.⁴²² Still more countries have reached a level of indebtedness where their fiscal space to invest in COVID-19 recovery and long-term development is severely constrained. The problem predates the pandemic: sixty-four low-income countries spent more on external debt service than on healthcare in 2019,⁴²³ and as of early 2020, fully half of low-income countries were at high risk of debt distress.⁴²⁴ COVID-19 has only exacerbated the situation: average debt ratios are expected to rise by up to 10 percent of GDP⁴²⁵ in low-income countries compared to pre-pandemic levels. By the end of 2021, total debt is projected to stabilize at around 50 percent in low-income countries, and around 70% in middle-income countries and emerging markets, but not until 2025.⁴²⁶ Low- and middle-income countries face a double whammy of COVID-19 and a debt crisis.

In May 2020, as the reality of the COVID-19 pandemic was unfolding, the G20, urged by the World Bank and the IMF,⁴²⁷ offered a ‘Debt Service Suspension Initiative’ (DSSI)—an offer for seventy-seven of the poorest countries to suspend interest payments to official bilateral creditors (i.e., rich governments), initially until December 2020, but recently extended to December 2021. Suspended payments will be added to debt, to be paid within five years. This debt ‘relief’ only applies to interest owed to governments, not what they owe private lenders. The World Bank excluded itself from this relief, rejecting calls to freeze USD 7 billion in interest payments owing to it, saying that forbearance would harm the Bank’s ability to make new loans.⁴²⁸ As such, only 41 percent of the USD 42.7 billion that DSSI countries owed in debt payments in 2020 is eligible for relief. So far,⁴²⁹ forty-four countries have applied for relief under the DSSI, and a total of USD 5.4 billion in interest payments have been postponed, to be added to their total outstanding debt, which stood at USD 477 billion in 2018.⁴³⁰

To receive relief, DSSI countries must request a suspension of their interest payments. The act of making this request brings their creditworthiness into question and invites credit rating agencies to consider downgrading their debt, as has already happened with Ethiopia, Pakistan, and Cameroon. Instead of getting debt relief, their borrowing costs have jumped, thereby increasing their debt burden. It is thus perhaps not surprising that, according to one account,⁴³¹ more than thirty eligible countries have declined to participate, citing the

threat of a downgrade as an important factor in their decision. Other sources indicate a similar dynamic.⁴³² Positive public-private initiatives that could have assisted in this situation, such as the Liquidity Sustainability Facility, were not financed.⁴³³

The ripple effects of adverse credit actions extend well beyond the DSSI program. At least thirty-six low-income countries saw their credit downgraded in 2020, with effects on investment and interest rates. As a result, a number of countries (e.g., Nigeria and South Africa) had to abandon plans to raise resources for countercyclical COVID-19 responses from foreign markets.⁴³⁴ Indeed, just one country in sub-Saharan Africa—Cote D’Ivoire—has had access to the sovereign debt market⁴³⁵ since the beginning of last year. Meanwhile, at least one ratings agency has indicated that further adverse ratings may be in store unless governments signal their intention to begin withdrawing⁴³⁶ the fiscal stimuluses they have managed to put in place during the first nine months of 2021. The power wielded by the three major private credit-rating agencies—Moody’s, S&P Global Ratings, and Fitch Ratings, who control more than 94% of outstanding credit ratings,⁴³⁷ is immense and unjust.

Of course, fiscal space can also be an issue for rich countries. Myths around the need for fiscal contraction after the financial crisis in countries such as the UK have proven to not only be socially damaging, but economically irrational⁴³⁸—yet debates on fiscal contraction, better known as austerity packages, still rage on. This is unnecessary: countries with strong tax bases and a huge store of wealth and assets can borrow relatively easily on international markets, and at low interest rates. The decision, then, is often political, as Nobel prize-winning economist Paul Krugman put it: “...scare talk about debt and deficits is often used as a cover for a very different agenda, namely an attempt to reduce the overall size of government and especially spending on social insurance.”⁴³⁹

Rich countries should be looking at their own spending—especially on greening their economies—at this critical juncture in human history, as well as considering seriously their role in producing and solving the global liquidity and debt crisis. Even if not for benevolent reasons, rich countries will suffer if poor and middle-income countries falter increasingly through trade and production costs,⁴⁴⁰ climate spillovers, and political instability.⁴⁴¹ It should also be noted that many of the climate problems the Global South face today are the consequence of industrialization and dirty growth in the West.

Policy Box P – Addressing the debt crisis

Debt moratoria and debt relief

A series of disorderly and protracted debt crises would be catastrophic for the world's poorest countries and create political instability which will have spillover consequences for all regions of the world including high-income countries. Debts are also preventing low and middle-income countries from vaccinating their populations, elongating the pandemic and its human and economic costs. Debt standstills organized in 2020 and extended in 2021 are economically and morally insufficient.

The DSSI should be extended to all creditors (including multilateral and private), provide cancellation of interest payments (instead of suspension), and be extended to all developing countries in distress (not just low-income ones). The global community must move quickly to:

- **Ensure debt restructuring and debt forgiveness. The G20, international financial institutions, China, and the Paris Club should work together to implement guiding principles for a COVID-19 common framework for debt relief. A large part of the current problem is one of liquidity—the ability to roll over principal repayments at affordable rates. This challenge requires urgent attention, including supporting initiatives such as the Liquidity Sustainability Facility. There is also a strong case for further cancellation of debt accrued because of COVID-19.**
- **A fair, transparent, binding, and multilateral framework for debt crisis resolution that addresses unsustainable and illegitimate debt.**
- **Thorough national and global review and changes in lending, borrowing and payment policies and practices aimed at preventing the re-accumulation of unsustainable and illegitimate debt, strengthening democratic institutions and processes, and upholding human rights and peoples' self determination.⁴⁴²**

Scaled-up lending capacity among multilateral development banks (MDBs)

Current MDB lending is constrained by “headroom,” i.e., lending limits set by the MDB governments to preserve AAA ratings. Indeed, the main MDBs maintain equity-to-loan ratios of between 20–60 percent, many times higher than commercial banks’ ratio of 10:15 percent, which significantly reduces the amount of MDB funds available for lending. In effect, this forces the governments of, for example, Ghana or Kenya to borrow on the commercial markets at 9 to 10 percent interest instead of increasing borrowing at around 1 percent interest from the MDBs. This further constricts their fiscal space and aggravates their debt situation.

Without the need for any country to increase investment, a relaxation of the MDB rules could provide low-income countries with a major injection of development funds over the next ten years. Nor would even a substantial relaxation of the rules pose risk to the MDBs’ AAA ratings. This is because the MDBs exclude their “callable

capital”—funds that shareholders commit to making available if required to prevent MDBs from defaulting on their own loans—when determining capital adequacy. The credit ratings agencies, by contrast, include callable capital when determining MDB ratings. This is no minor discrepancy: callable capital represents 94 percent of the World Bank’s total subscribed funds.⁴⁴³ As a result, MDBs could significantly increase lending *without* jeopardizing their AAA ratings: by USD 600 billion, according to one estimate,⁴⁴⁴ or even USD 750 billion according to another.⁴⁴⁵ If MDB’s shareholders were willing to risk a downgrade to AA+, they could boost lending by as much as USD 1.3 trillion⁴⁴⁶ (even before the pandemic, sound arguments were made that the benefits of a AA+ rating outweighed the costs,⁴⁴⁷ at least for several of the MDBs).

Accelerated replenishment and disbursement of International Development Association (IDA) concessional financing

The International Development Association (IDA), part of the World Bank and one of the major sources of concessional financing for low- and some lower middle-income countries, is distinct from other MDBs when it comes to options for securing additional financing. Rather than drawing funds from private markets (backstopped by callable capital), IDA is funded by donor governments through regular “replenishments.” A relaxation of the rules around MDB lending would therefore not lead to increased IDA spending, but there are other avenues that would, at least in the near term. Notably, IDA replenishments have always run for three years. The current round, IDA19, should normally last through 2022. However, the devastating impacts of COVID-19 among IDA-eligible countries have led the World Bank to accelerate its IDA19 spending, with commitments increasing by 65 percent in 2020⁴⁴⁸ compared to 2019. As a result of these extraordinary circumstances, the World Bank has started discussions with its shareholders to agree to an earlier replenishment for IDA20 by the end of 2021, with disbursements starting six months early in mid 2022.⁴⁴⁹

Rethinking the role of credit-rating agencies

One way to quickly change incentives in this regard would be to secure agreement from credit ratings agencies that countries will not be downgraded for participating in programs like the DSSI, or the Common Framework if and when it is operationalized. A broader agreement may also be necessary. A major lesson from the 2008 financial crisis was that governments around the world turned away from countercyclical spending too early, neglecting to invest in sufficient spending to reach the poor and the middle class. The risk of (further) downgrades in 2021 may ensure that this dynamic repeats itself.

Regulating private ratings agencies may not be enough. The UN Conference on Trade and Development has argued at the world needs an independent public ratings agency to conduct objective evaluations of the creditworthiness of sovereigns and companies.⁴⁵⁰ |||||

Box 24 – Reaching compromise in financing between DRM and international FFD policies

Minister Francis Kai-Kai & Sarah Cliffe
National Planning, Sierra Leone & Director, NYU CIC

For Sierra Leone, tackling the problem of inequality and exclusion is central to our development, and its dimensions are both international and national.

Sierra Leone went through a brutal civil war from 1991–2002. As part of our recovery from conflict, we undertook community-based development programs to provide social protection, economic opportunities, and access to justice. We also established a Truth and Reconciliation program which provided a shared understanding of what drove the conflict and how to prevent it from recurring and amongst other drivers, inequality and exclusion at that time were quite high. Since the conflict, we have reduced extreme poverty rate from 73 to 43 percent of our growing population and consistently reduced inequality, with our Gini coefficient moving from 40.2 to 35.7 points.

In 2013, we were suddenly faced with the heartbreak and deep social and economic costs of the Ebola crisis. However, the devastation of that period prepared us in the fight against COVID-19, reinforcing our view that the major problems of the day can be handled best when societies are peaceful, just, and inclusive. During the outbreak, Sierra Leone prioritized our youth. The government provided food for more than 300,000 pupils in 2020, benefitting 2.5 million pupils. We do not have sufficient internet coverage for zoom-based remote schooling, but children were able to keep up with their studies through an innovative radio educational program that was piloted in the Ebola crisis and remained useful during the pandemic. Education and access to people-centered justice will be central to our national development plan in the future.

Despite our national efforts, Sierra Leone cannot achieve its goals alone. We have excellent development partnerships and have benefited from support and flexibility from our international partners during the pandemic. Yet we still face urgent challenges. The first is access to vaccines. We have received only 96,000 vaccines to date through COVAX or bilateral donations. We need to dramatically accelerate vaccine rollout during late 2021 and early 2022 so that people can go back to work in safety. The second is access to finance: we have seen our GDP contract by 2.2 percent and our national deficit grew to 2.6 percent in 2020, as the effects of the pandemic continue to severely constrain private sector operations. We cannot afford to continue social protection programs indefinitely. We have received \$50.4 million in new financing from the IMF for COVID-19 recovery, but this is only a fifth of the contraction in GDP. Sierra Leone will benefit from debt relief, accelerated disbursement of the IDA20 replenishment, special drawing rights that can be reallocated to low-income countries, continued progress on international corporate tax agreements with attention to low-income world rights of “usership,” and action on illegal financial flows and asset recovery.

Sierra Leone is not unique in this issue: they are common to most low-income countries and to our peers in the G7+ alliance of fragile states. A highly unequal economic recovery internationally seems to be in the works— Kristalina Georgieva (IMF) recently said: “It bears repeating that this is a critical moment for the world. If we are to

address this worsening two-track recovery, we must take urgent policy action now".⁴⁵¹ This international disconnect has diminished international trust for collaborating on issues such as climate change, and fuels instability and political instability around the world. Unequal recoveries may fuel populism and nationalism, making it difficult to collaborate on global commons such as future pandemic prevention. While we close the gap domestically, we must remember that an international gap still exists which deepens inequalities—a contradiction of our shared goals. |||||

11.2.2 A new allocation of special drawing rights (SDRs)

High-income governments have responded to the pandemic-induced economic crisis by dramatically increasing stimulus spending, with record-breaking outlays being financed largely by their central banks.⁴⁵² Low- and middle-income governments are severely constrained in their ability to self-finance such a surge in countercyclical spending, not least because a substantial portion of their expenses must be paid in foreign currencies that their central banks cannot issue.

One of the swiftest and least expensive ways of getting real “hard currency” relief to low-income countries comes in the form of IMF special drawing rights (SDRs), a reserve asset that can be traded between countries in exchange for liquidity or cash. Created by the IMF in 1969, SDR allocations help nations around the world during times of economic stress.

An allocation of SDRs is similar to the printing of money by a central bank, allowing countries to purchase foreign exchange reserves needed to pay for imports.⁴⁵³ Crucially, SDRs are allocated according to quotas of IMF holdings, so the basic rule would benefit all countries—but high-income countries would benefit far more than low-income countries, the latter receiving roughly 3 percent of a new allocation compared to 68 percent for G20 countries.⁴⁵⁴

In July 2021, the International Monetary Fund (IMF) announced plans to allocate USD 650 billion worth of reserve funds to support a global economic recovery from COVID-19.⁴⁵⁵ Distributed in the form of SDRs,⁴⁵⁶ this financing source could help countries purchase COVID-19 vaccines, invest in an equitable economic recovery, and access lifesaving health care treatments. While there were discussions of a possible higher figure, the USD 650 billion general allocation in SDRs would still provide a lifeline to low-income countries estimated at USD 21 billion, or roughly double the amount of IMF spending on low-income countries in 2020.⁴⁵⁷


Policy Box Q – A new allocation of special drawing rights (SDRs)

Redistribution of SDRs

Through the IMF’s process of allocating SDR holdings, G20 nations—which already have ample financial resources and borrowing space to support their economic recoveries—will receive 68 percent of the new SDRs, or USD 442.8 billion. This is why G20 finance ministers should commit to collectively on-lend at least half of their new SDR allocation to support economic recovery in low- and lower middle-income countries this year. It is possible for high-income countries to grant or loan their SDRs at cost to low-income countries, either bilaterally or through the IMF’s Poverty Reduction and Growth Trust facility.

The IMF can undertake a “special” allocation of SDRs,⁴⁵⁸ distributed based on need rather than quotas, as it did in 2009. This option, however, would require amendment to the Fund’s Articles of Agreement and, at a minimum, would take time when time is of the essence.⁴⁵⁹

Making sure SDR on-lending mechanisms are concessional and in addition to existing aid commitments

The financial support offered through new SDRs should be as debt-free and concessional as possible to provide the best means of support for struggling poor countries without adding to their debt burden. Similarly, donated SDRs must be new, additional aid, and not a substitute for foreign aid that wealthy countries were already planning to give. 

11.2.3 ODA

ODA is a core feature of many government budgets, and ODA finance often plays a key role in investments in social sectors at the heart of the policy mix discussed in this report. This is true not just for low-income countries, but also fragile and conflict-affected countries and small island states. Tuvalu had the highest share of ODA to GNI in 2019 (55.8 percent), followed by Somalia (38 percent), Yemen (34 percent), Central African Republic (31.6 percent), and Nauru (31.2 percent). There are infinite historical and moral reasons to support the case for more investments in ODA from wealthier countries—but global crises such as climate change and the COVID-19 pandemic are also stark reminders that the global community sinks or swims together, and investments in ODA are investments in the global community at large.

While ODA makes up an important share of public spending in low-income, fragile, and small island states, or a critical component of spending on key social sectors in less aid-reliant middle-income countries, it makes up a fraction of public spending among OECD countries. In 1970, Development Assistance Committee (DAC) members agreed to a spending target of just 0.7 percent of GNI on ODA. Despite the modesty of this target, only six countries have ever reached or exceeded it, and in 2020 OECD DAC countries spent a mere 0.3 percent of GNI on ODA on average.⁴⁶⁰ The UK, which was the last of the six countries to meet the target, reduced its ODA commitment to 0.5 percent in 2020, citing the exceptional circumstances of the COVID-19 crisis. This was done in the face of demonstrated need for increased ODA to help countries cope with the direct and indirect effects of the pandemic. The decision was met by backlash from across civil society, the public, and even within the sitting government’s own party.

ODA will be a key feature of the financial envelope countries must draw from in order to deliver the mix of necessary policies to address inequalities in the foreseeable future. Discussions can be had on reducing aid dependence (graduation) in the medium to long term, but aid contributing countries should at present be focused on meeting or exceeding their four-decades-old target and ensuring that money is spent effectively and efficiently on the types of policies that will lead to systemic change.

11.2.4 Taxes

Amid the current crisis and clear unequal economic effects of the pandemic, calls for higher taxes—both short-term solidarity taxes and longer-term increases in domestic resource mobilization—are inevitable, and also warranted. Governments are struggling with a “scissors effect” of decreasing tax revenues due to a sudden stop in economic activity and rising expenditures due to higher demands for health, social protection, and welfare services. The issue of tax collection will require both efforts at national and international level.

At the national level, building the tax base is a key part of the social contract. As such, it offers a double dividend of increasing fiscal space while also solidifying the two-way relationship between state and citizen. It is beyond the remit of this paper to detail the various methods of increasing the tax base, but CIC’s recent research found the two key elements that compel people to comply with tax regulations are trust in the system, and perception of its fairness.⁴⁶¹ There are six mechanisms that can be used to improve societal perceptions in a way that achieves these two goals. These are: trustworthiness (credibility); reciprocity; transparency; distributive justice; procedural justice; and retributive justice.

Fiscal legitimacy must be enforced through legislating access to information.⁴⁶² Many low- and middle-income countries lack such enforcement owing to outdated information on their government websites. Most citizens of these countries have limited access to state information. Lack of confidence and trust in the system results in limited compliance. The media can also be leveraged to make some information available to foster awareness. In Zimbabwe, for instance, periodic public reporting mechanisms detail how citizens' tax money is used. These updates have helped foster transparency and accountability, which in turn has contributed to greater public support of taxation.⁴⁶³ Countries that provide further examples of what works to increase the tax base include El Salvador and Sierra Leone.⁴⁶⁴

Our own polling found that the public are willing to pay more taxes, in particular for health, education, housing and crime and safety. However, there was also clear discontent about the way the tax system was currently working. A significant share (83%) across countries who expressed that they were bothered that some wealthy people don't have to pay their fair share, and 80% that large companies are currently not taxed enough. Overall, 76% are bothered by the lack of transparency of the tax system.

11.3 The case for a solidarity tax

Solidarity taxes are not a new practice, especially in times of crises. Over many centuries these taxes have been used for a wide range of purposes with varying levels of success, serving a variety of economic, political, and social purposes depending on their form, target, and time of implementation. This versatility is perhaps a key contributory factor in the suitability of solidarity taxes for solving short-term problems during emergencies.

COVID-19 is one such emergency, with unprecedented global impacts on lives, livelihoods, and economies. Governments need more revenue, but any increase in income taxes and VAT is likely to face backlash from taxpayers, especially those in low- and middle-income households.⁴⁶⁵ Recent protests in Colombia provide an example of the consequences of imposing regressive taxes.⁴⁶⁶ Consequently, the burden rests on the wealthy,⁴⁶⁷ i.e., those with a greater ability to pay. Accordingly, several countries are resorting to the introduction of solidarity taxes to soften fiscal deficits resulting from COVID-19, especially on wealth. Others are creating voluntary funds to pool together resources from public and private sectors for COVID-19 funding.

Solidarity taxes can take various forms. They may be levied on corporate and individual income, as wealth taxes, or as different forms of levies or surcharges. Alternatively, voluntary contributions can be directed toward a solidarity fund. However, it must be borne in mind that every country has a different set of circumstances and needs. Any response to the effects of the pandemic must therefore be tailored to a country's specific circumstances. Any such efforts

can also be hampered by a lack of data. Waris points out that the tax base is severely limited in most African countries, with only part of the population paying personal and corporate income tax.⁴⁶⁸ This reality must be considered in formulating any effective response to the crisis, but the pandemic and its unequal social consequences also provide an argument for expanding the tax base in such circumstances.

Pathfinders research investigated the pros and cons of solidarity taxes, as well as their success in the past.⁴⁶⁹ Notwithstanding the different realities in each country, several common factors emerged that serve as indicators of the success of any solidarity tax. The primary indicator is the achievement of the purpose for which the tax was introduced. Other indicators include whether the revenues raised were significant; levels of compliance, public acceptance, and support; whether other measures were needed as a supplement to the tax; and, above all, transparency over whether the tax was temporary or longer-term (if so, how long), and the purposes for which it would be spent.

The amount of money raised will of course vary based on the design of the solidarity tax. An estimate for Argentina's one-time tax of 2 percent on fortunes over 200 million pesos (around USD 3 million),⁴⁷⁰ with the rate increasing to 3.5 percent on individuals worth over 3 billion pesos, forecast that it would net upwards of USD 3 billion from 12,000 people.⁴⁷¹

A well-designed solidarity tax includes clear communication of its aims and deadlines, with a narrative of solidarity building. Clear spending plans for the revenue generated from these initiatives are critical, and the impacts of these funds must well be well-documented to maintain buy-in and to promote future use if necessary. Collaboration between different stakeholders and between government ministries is also key to the success of solidarity taxes. Solidarity funds enacted in South Africa and Nigeria included collaboration among government, private sector, and citizens.⁴⁷²

11.4 Beyond solidarity taxes

The COVID-19 pandemic has reignited policy and academic discussions on raising revenues through new wealth and inheritance taxes, financial transaction taxes, and reforming the international tax regime in general. In Latin America, the idea of a wealth tax is not new: Switzerland, Norway, Argentina, Colombia, and Uruguay are already implementing such taxes with different rates. Brazil, Colombia, and Argentina have implemented taxes on banking and financial transactions in the past.

India is a particularly good case study of where solidarity and wider wealth taxes could have significant fund-raising ability, especially crucial now when such funds are badly needed after the devastating impact of COVID-19. While India is still home to 180 million poor people, the country has the world's fastest-growing population of millionaires. According to a report by Credit Suisse Research Institute,⁴⁷³ dollar millionaires number 759,000 in India. The report further notes that number could reach 1.2 million in 2024. According to the Hurun Global Rich List 2020, India also occupies the third position globally (after China and the US) with dollar billionaires, having 137.⁴⁷⁴

For India and many other low- and middle-income countries, the issue is that the basic infrastructure is not there to apply wealth taxes in the short term. India's tax-GDP ratio (excluding states' share in taxes) was just 8.1 percent in March 2021, far lower than the average OECD ratio of 34 percent.⁴⁷⁵ On the other hand, indirect taxes (such as excise taxes) impose a greater burden on poor people, thereby aggravating the already high degree of inequality. The lack of institutional infrastructure to collect wealth taxes and to guarantee how they would be spent is a real constraint: this has spurred discussion of solidarity funds, ringfenced to purpose, instead of taxes.⁴⁷⁶ We consider this to be a second best but merited in some country circumstances.

Others have come forward with ideas for a new sovereign wealth funds that are owned and invested for the benefit of the young and the marginalized, as well as negotiating dividends with tech companies that reflect that our personal data is of great value to these companies in the digital economy.⁴⁷⁷

11.4.1 Tackling corporate tax abuse

Corporate tax abuse presents one of the most daunting challenges to equitable resource distribution. It fundamentally undermines efforts toward solidarity, not to mention government revenue generation needed to fund critical social policies and address inequalities. Thanks to a recent initiative by the OECD to release data on multinational corporations' financial affairs, it is now possible to track corporate tax abuse in greater detail at a country-by-country level. A significant global tax agreement has recently been signed by 130 countries and jurisdictions with the aim of updating the highly-outdated tax system. We view this deal as a ground-breaking advance towards international agreement on corporate tax, but understand the flaws that Oxfam and others (see Box 25 below) have raised. The path toward global corporate tax justice is a long one: momentum built by these recent initiatives must be harnessed to push reforms further.

Box 25 – Reforming our global corporate tax system

Gabriela Bucher

Executive Director, Oxfam

A long-awaited global corporate tax deal offers a historic chance to address the tax injustice that is core to today's inequality crisis. The past several decades have seen a relentless shift in the burden of taxation from capital and multinational profits to labor and consumption, entrenching wealth and power at the top, while gutting government's ability to meet people's rights. Countries were already losing as much as USD 240 billion to corporate tax avoidance every year.⁴⁷⁸ Now, the pandemic sees low-income nations' fiscal crises accelerating, along with crippling debt burdens⁴⁷⁹ as austerity menaces⁴⁸⁰ and inequality deepens.

Recently, more than 130 countries endorsed the broad contours of a corporate tax deal set to be agreed to this year by the G20. France's Finance Minister called it a "tax revolution."⁴⁸¹ Perhaps it is for a handful of rich countries—but certainly not for women street-sellers in Uganda, nurses in Nepal, or small businesses on their knees.

The deal is structured around two 'pillars,' each with great shortcomings. The first pillar tries to make multinational companies pay more tax where they have their sales, which is long overdue. However, the rules are beyond narrow, as they would apply to as few as seventy-eight corporations,⁴⁸² and redistribute only a small sliver of tax.⁴⁸³ It is also greatly concerning that, as part of the deal, countries need to remove any pre-existing domestic taxes on tech companies. Countries as wide-ranging as Nigeria, the UK, and India have adopted such national tech taxes in recent years. Removing these taxes means big tech companies could get a tax cut. Estimates show that under the new agreement, Google would only have to pay less than one-third of what they would pay under the UK's current digital tax.⁴⁸⁴

The second pillar of the tax deal is a much-lauded global minimum tax fixed at 15 percent. But here as well, there are several major problems. First, the rate is simply too low and could normalize rates of corporate taxation associated with tax havens such as Ireland and Singapore. Second, the 15 percent is not a true minimum: a range of loopholes will allow many companies to continue to pay rates far below this amount.⁴⁸⁵ Finally—and shockingly—the proposal grants a handful of rich countries (mainly G7 and EU nations) two-thirds of all revenue generated by the minimum tax,⁴⁸⁶ leaving the poorest countries with less than 3 percent—despite being home to more than a third of the world's population.

The world needs a fair, ambitious deal that reduces inequality, not a rich-country money grab that deepens today's inequality crisis. Instead of a tax cut for tech companies and exemptions for the financial industry, we need a much more ambitious redistribution of tax to countries where sales take place. Countries should be able to implement unilateral measures to tax corporations not covered by the tax deal. Further, we need a global minimum tax of at least 25 percent as proposed by The Independent Commission for the Reform of International Corporate Taxation. That could raise nearly USD 17 billion more per year for the world's poorest countries than a 15 percent rate, or enough to provide the COVID-19 vaccine to more than 80 percent of their populations.⁴⁸⁷

But even that would only be a start. It is worth recalling that in the wake of World War II, leaders such as Franklin D. Roosevelt ensured corporations paid 40–50 percent tax rates, which remained in place for decades. Governments must rally that level of ambition if they are to truly boost investment in universal services and protections, in nurses and teachers, and in small enterprises the world over. Only then can we truly begin to meet today’s crisis of inequality. |||||

11.5 The role of illicit financial flows

An equitable, sustainable global recovery is difficult to envision without concerted action to combat illicit financial flows. Low-income and high-income countries alike lose trillions of dollars every year due to IFFs, but the impact is disproportionately felt by low- and middle-income countries, where financial malfeasance not only deprives societies of desperately needed resources but also undermines trust, stokes grievances, and exacerbates inequality. Although stemming the tide of IFFs has long been a priority of the multilateral system, progress has been slow. In fact, in 2015, African countries lost an estimated USD 50 billion per year to IFFs,⁴⁸⁸ and by 2020 the UN put that figure at USD 88.6 billion.⁴⁸⁹ There is growing evidence that COVID-19 has made the situation worse.⁴⁹⁰

Policy Box R – Tax justice

Build the tax base

There has been some success in sharing the expertise of tax inspectors and experts from rich countries to those trying to build their tax base.⁴⁹¹ El Salvador was able to more than double its tax-to-GDP ratio from 11% to 22.9% with support from USAID to introduce information technology (IT) systems, improve taxpayer services, expand public information on the tax system, and upgrade professional skills within the tax service.^{492, 493} Initiatives such as the OECD’s ‘Tax inspectors without borders’ should be expanded, and any technical support for tax reform be readily available. General tips to countries trying increase the tax base include:

- **Keep it simple: Simple tax codes make it more difficult for tax evasion and corruption, and encourage compliance.**

- **Be transparent:** People need to trust their governments to put their contributions to good use, to do this government should be as transparent as possible and allot money to visible policy areas. They can also publish medium-term revenue strategies, and a breakdown of government spending by department so that people can be informed about how their tax dollars are being used.
- **Go digital:** E-filing can save time and increase compliance. However, basic infrastructure and access to reliable internet needs to be in place for this work
- **Think beyond income taxes:** Countries can expand to wealth taxes and property taxes to maximize tax resources in a progressive way. This can also include innovative ideas like finding ways to charge big technology companies, such as Amazon, Google, and Apple, when they use our private data.⁴⁹⁴

Introduce a solidarity tax

- Given the disproportionate impacts on the poor and the role of essential workers who had to face the pandemic, governments should explore the role of a solidarity tax on the richest. Whether this is a tax on wealth or income, and the length should be dependent on what will maximize revenue.
- A — tax should be used to build a narrative of interconnectedness and the responsibility the rich have to ‘pay their dues’, done well this can build the basis for reciprocity in the longer-term between taxes and services.

Tackle corporate tax avoidance

- As Oxfam’s Gabriela Bucher explains (see Box 25), the G20/ OECD Inclusive Framework is a step forward in a normative sense (in the precedent it sets) but a missed opportunity in scope and scale. We need comprehensive reform that would see all multinationals’ worldwide profits taxed in line with their real activities in each country, as well a more ambitious global effective minimum tax on multinationals, perhaps around 25 %, putting an end to harmful tax competition between countries and reducing the incentive for multinationals to shift profits to tax havens.
- Apply immediately the OECD beneficial ownership rules for tax havens. The Tax Justice Network estimates that \$427 billion is tax is lost every year to tax havens,⁴⁹⁵ billions that could be spent on health, education, housing, and other policy areas listed in this report. Financial centers who want to enhance their reputation should also consider establishing pilots of global asset registries to make transparent the beneficial holdings of funds in their jurisdiction.
- Enable citizen engagement in tax debates and provide civil society access, information, and training to productively engage in those debates.⁴⁹⁶

Action on illicit financial flows

Many of the actions required on illicit financial flows also speak to issues of transparency raised in the previous chapter on tackling corruption. Increasing financial transparency is an effective way to limit illicit financial flows, and requires policies that:

- Eliminate anonymous shell companies through introducing beneficial ownership registries in line with international transparency standards, including tax havens.
- Detect and deter cross-border tax evasion. The OECD’s automatic exchange portal has assisted by allowing countries to share information.
- Strengthen anti-money laundering laws and practices.
- Curtail trade misinvoicing, including through building capacity in relevant institutions such as customs and tax revenue authorities, which make it possible to identify trade misinvoicing.
- Improve transparency of multinational corporations in line with the OECD’s Base Erosion and Profit Shifting (BEPS) Action Plan and Pillar One in the new global tax agreement (see previous section to tackling tax abuse). Country-by-country reporting requires large multinational corporations to provide an annual return that breaks down key elements of the financial statements by jurisdiction. |||||

“We ourselves have done things, perhaps without thinking that we have made mistakes, I think that if we all put our hands on our hearts, we can change things.”

Costa Rica, female, age 50+



Conclusions and Recommendations

In Glasgow, Scotland, May 2021, a quiet residential street became a focal point in the battle for inclusive societies. By 10am a small crowd had gathered as local residents heard two men had been bundled on to a government van to be deported in a dawn raid. The two men of Indian origin had not been provided due legal proceedings in their asylum claims. Both were well-liked and respected members of the local Sikh Gurdwara temple where the two friends worked feeding the homeless. The crowd—a group of everyday local people swelled to hundreds by the afternoon. They included neighbors and families celebrating the first day of Eid alongside asylum rights activists. They chanted “these are our neighbors, let them go.” Eight hours later, after the crowd blocked the van from moving, the two men were released back into their community with local human rights lawyers offering to help them fight wrongful deportation.



The two asylum seekers thanked the crowd, with one, Lakhvir Singh, speaking through a translator, saying “I was taken unannounced from my flat, they barged in and took me into the van. I was anxious and upset wondering how I would be treated at the detention center. I’m so happy that my fate brought me here to live in Glasgow where the people are so connected that they’ll come out into the streets to help one of their own. I’ve been astonished and overwhelmed by the support I’ve received from the people of Glasgow It’s the happiest feeling. Thank you very much.”

It is a story of joy, of love, and of hope. It is also a story of community, humanity, and of fighting back.

We talk a lot about the costs of inequality, but the benefits of a society that values each person as an equal and that doesn’t allow unjust rewards to the runaway rich also deserve naming. Simply put, the sorts of outcomes equality and inclusion deliver—high well-being, material security, opportunities for our children, care for our sick and elderly, safety, justice, strong community pride and a sense of belonging—provide the basis of societies we all want to live in.

Throughout this report we have demonstrated that change is possible. Countries such as Botswana have taken wide-range reforms to narrow the gap between the rich and poor and give more voice to marginalized groups. Sierra Leone has charted a path through social dialogue, investment in health, and education to see persistent improvements since the 1990s, even in the face of very tough starting conditions. In the USA, extra welfare support for the poorest meant that poverty actually fell in record numbers during the pandemic, reminding us that policy makes a difference.

“I think I’m saying it’s a slow progress, but because there’s progress—baby steps, I guess, is better than no steps at all.”



Canada, female, age 50+

This is not to say progress is easy. The political calculation for addressing inequality and exclusion is complicated by various factors. States captured by private and corporate interests, deep-seated prejudices towards marginalized groups, and political leaders willing to stir up divides to maintain and gain power, are too often the stubborn factors preventing change. We cannot be naïve about the institutional change equality requires.

Countries cannot always address these challenges alone. Limited finances and high levels of national debt, combined with historical and geographical obstacles mean that countries can often have one hand tied behind their back. The global financial system, including the threat of ratings downgrades from private credit-rating agencies for wanting to invest more in health systems, is casting a shadow over dozens of country’s prospects. Despite this, there are options for all countries, regardless of income and existing levels of inequality and exclusion. Ultimately change will require multiple actors—politicians, civil society, international financial institutions—as well as a global effort if it is to succeed.

There is no longer any doubt that both economic and group-based inequalities are hampering the progress of humanity. There is also no longer any doubt that action is urgent.

Three main findings emerge from this report:

- **People around the globe demand a new social contract 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 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 and use of strong community-based programs; and they have secured credibility and averted reversals by fighting corruption in the early stages of reform and expanding political power, as well as increasing the public financing needed for policy development.**

- **International policies are a critical complement to national action. The three urgent priorities now 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 climate change.**

Three recommendations for national leadership and their partners:

- **Target under-attended areas that deliver visible improvements to people, such as access to housing, broad-based (not only tightly targeted) social benefits, and essential and care economy worker compensation and protection.**
- **Invest in approaches 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. Combine these efforts with narratives that unite to build solidarity across society and to build consensus for a renewed social contract.**
- **Address credibility and secure public trust, through anti-corruption measures, expanding political office-holding and protecting civic space. Understand that even when governments have a strong mandate and capacity, action is needed in these areas to prevent later risks of reversal.**

Four recommendations for the international community, civil society, and other partners include:

- **Immediately expand vaccines supply and financing as well as access to other medical technologies.**
- **Agree new mechanisms and debt relief for the one hundred-plus countries that are fiscally constrained, threatening their COVID-19 recovery.⁴⁹⁷**
- **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.**

This report should serve as a practical handbook for policymakers and influencers; as a source of possibility for the public; and a call to all political leaders to act. It is not a lack of ideas or experience that is stopping us from moving forward, now is the time for action.

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Chapter openings

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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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