



EXPERT GROUP MEETING: REDUCING INEQUALITIES – SDG 10 PROGRESS AND PROSPECTS
APRIL 2-3, 2019 | CICG, GENEVA, SWITZERLAND

OUTCOMES: KEY MESSAGES

Sustainable Development Goal 10 (SDG10) has brought unprecedented attention to inequality. As the SDGs are universal goals, all stakeholders, individuals, and groups have an enabling role and an interest in the progress and prospects for achieving SDG10.

- a) As an overarching policy approach, the people themselves who are most affected by inequalities need to be at the center of the process. People who are marginalized economically or socially are not only the subjects of policy discussions but also the actors and enablers for SDG10.
- b) Institutions of governance (transnational, national, regional, and local) are most likely to be the goal setters, the funders, the implementing agencies, and the evaluating agencies in any policy direction to reduce inequality. These actors therefore occupy a central role in reducing inequality. Whether it is building capacity for the excluded and marginalized to engage effectively or identifying and addressing critical data gaps, partnerships between governments, development partners and civil society organizations can play a key role in this context.
- c) Final accountability for the success of SDG10 lies with national governments. As United Nations member states, they are the actors who have committed to realizing SDG10 by the year 2030.

What solutions are needed, what actions can make these happen and how to monitor progress?

What solutions are needed – Implementing policies that directly tackle inequality and its root causes

- d) **Enact legal reforms to help remove barriers to opportunities.** Legal empowerment is an important mechanism to tackle inequality. Governments must eliminate discriminatory laws that create barriers to opportunity and laws that reinforce disadvantage. Anti-discriminatory measures could enhance access for marginal groups to labor markets, education and political processes. However, other forces in society related to informal institutions and social norms can limit the effectiveness of laws even when the necessary legislation is in place. Actions must be taken to change discriminatory social norms and behaviors.
- e) **Invest early in human capital.** To make sure that inequalities in one generation are not passed on to the next, investments in human capital must address the needs of the most economically and socially disadvantaged groups. A vast amount of inequality begins in childhood years, and this is where countries should be concentrating efforts. In particular, the children of poor families need meaningful access to social and human development opportunities such as high-quality universal health care and early

childhood education. Providing equality in opportunity requires a systemic, holistic policy package to invest in human capital development, with attention paid to both demand and supply factors.

f) **Support the informal sector.** The informal sector contributes significantly to economies and has enabled millions of people to rise out of poverty. Measures to reduce informal economic activity and to transition to the formal economy would increase security and social protection for workers and improve the business environment for firms. Interventions are more effective when they are combined to tackle different drivers of informality, enabling them to address both the diversity and scale of the informal economy. This may include easier registration of enterprises, fiscal incentives, and extension of social security, among others. For those who are self-employed, part-time workers, or cannot find work in the formal sector, universal social protection coverage needs to be made available.

g) **Combine universal and targeted measures to ensure progressivity in policies.** The bottom 40% of the population comprises a diverse group of people and many maintain multiple group identities and suffer from multiple deprivations. This requires broader interventions than redistribution of incomes. Real progressivity in policies will mean doing disproportionately more for those groups who are furthest behind, and as such, a combined approach of targeted and universal measures is appropriate, as well as addressing the “pre-distribution” of opportunities. Promoting equal opportunities for human capital development, for example, requires universal systems of coverage of quality services in education, health, sanitation, early childhood development, and so on. But these often need to be complemented by targeted programs to overcome the structural and economic barriers faced by disadvantaged groups that prevent them from accessing the full benefits of even universally available services. Furthermore, equalizing economic opportunities among different groups will require a broad range of economic and regulatory policies that aim to strengthen minimum wage laws and collective bargaining, raise labor productivity, facilitate transition of firms and workers to formality, improve security and social protection of workers, and promote financial inclusion while guarding against exploitation.

h) **Institute redistributive policies to reduce inequality and support pre-distribution.** Progressive taxation plays a key role in redistribution as well as in mobilizing domestic resources to finance investments in equalizing opportunities. Tax policies need to strike a balance between addressing efficiency and equity objectives through a combination of direct and indirect taxes. Wealth, property, and inheritance taxes are important means for increasing progressivity of taxes and generating resources, particularly in countries with limited income tax base. Increasing tax administration capacity, reducing tax evasion and limiting illicit flows of resources across countries can lead to greater resource mobilization and progressivity. Social transfers and social protection are important tools of direct spending to reduce income inequality, protect the vulnerable from falling into poverty and support families in making human capital investments. In addition to tax and spending policies, innovative approaches to budgeting, such as results-based budgeting or gender budgeting, can be helpful for raising resources.

How this can be done -- Strengthening the enabling environment for effective policymaking

- i) **Ensure the poor are part of the solution.** Excluded people intimately understand inequality, and for this reason policymakers should include the perspectives of the under-privileged in discussions about addressing inequality. Giving voice to the perspectives of the poor will provide a more authentic analysis of the challenges and contexts of inequality and ensure more appropriate and effective policy approaches. This will require creating processes and platforms for the excluded to participate in discussions about inequality at the international, regional, national and local levels.
- j) **Tackle unacceptable levels of inequality of opportunity.** Inequality is frequently driven and compounded by a combination of social circumstances such as what kind of family one is born into, geographical location, ethnicity, and gender. This kind of inequality between groups, which is a consequence of inequality of opportunity, contributes to and is exacerbated by income inequality. Inequality of opportunity is inherently unfair as it reduces social mobility from one generation to the next, which in turn can lead to persistent inequality traps. While some degree of income inequality is unavoidable in society as a natural consequence of differences in effort, luck, or talent across individuals, inequality of opportunity is unacceptable and can also be harmful for economic growth due to the waste of human potential it implies. For these reasons, policies to reduce inequality must focus on reducing inequality of opportunity by addressing the root causes of vast opportunity gaps between different groups in society.
- k) **Strengthen political will to address the risk to social cohesion posed by inequality.** The barriers to inequality-reducing policies are often due to a lack of political will. The politics behind exclusion create and re-create inequality across generations and even for generations not yet born. High and persistent inequality between groups elevate the risk of social instability in countries. Some countries have witnessed explosive social discontent in recent years, which indicates that a revision of the social contract is in order. Social cohesion affects people's trust in institutions and in different social groups, and trust is necessary for a well-functioning policy process. Where the narratives and norms built around inequalities are divisive, negative or hostile, SDG10 actors need to change mindsets and behavior. For this to happen, the difficult issues of politics and power structures need to be made explicit in an evidence-based, technical way.

How progress can be monitored -- Building an evidence base for policy making and progress implementation

- l) **Map and measure inequality.** Lack of data is a barrier to effective policy design. To comprehensively map inequality, decision makers must be able to answer the question of 'Who benefits?' with respect to the current policies, laws, political structure and cultural and social norms. Some countries do not collect or disseminate disaggregated data for historical and political reasons. In these cases, deep cultural and political shifts are necessary to accurately assess inequality, not to mention movement of resources. Education, climate, health, food security, and infrastructure are just a few of the many areas where more and better data is needed to deliver progress. While data collection is an expensive and highly skilled exercise, recent innovations have substantially increased the range of possibilities. For example, traditional sources of data like household surveys, which are unable to adequately capture incomes at the top (including the top 1%), are now being complemented by administrative and tax data to fill such knowledge gaps.

m) **Establish mutual accountability and greater policy coordination across multiple fronts to reduce inequality between countries.** While most of this document is laying out actions to address inequality within countries, there are certain important drivers for reducing inequality between countries – financial flows, migration, and trade. Stakeholders need to ensure the voice and representation of developing countries in the governance of the global financial system, and to deliver on existing official development assistance commitments for countries that are most in need. Migration needs to be governed by well-managed and coordinated policies that are rooted in three principles: adherence to international standards, evidence-driven, and advancing the socioeconomic well-being of migrants. Governments should promote equality of opportunities for firms across countries to participate in global markets and reduce tariffs while instituting non-tariff measures to level the playing field for workers in all countries so that they can participate and harness the benefits of trade to reduce welfare gaps between countries.

n) ***Develop appropriate metrics to measure progress and ensure accountability.*** A review mechanism with clear indicators of inequality would enable all SDG10 actors to measure progress toward reducing inequalities. Policies need to be evaluated based on their effect on the poorest individuals and whether gaps in well-being and capabilities between the disadvantaged and the privileged (such as those at the top of the income and wealth distributions) are being closed. These measures can complement the existing indicator in SDG10 that focuses on the average income of the bottom 40%.

It is the consensus of this Expert Group Meeting on the progress and prospects of SDG10 that there is nothing immutable about inequality. Inequality is a political choice. If governments work with other partners to provide equal opportunity and promote enabling legal, political, fiscal and policy environments with unifying narratives, social cohesion can be sustained and trust in institutions and between groups of people can be strengthened.