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13th AFD International Conference on Development

INEQUALITIES AND SOCIAL COHESION

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#ConfInequalities



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Summary

Opening statement by Rémy Rioux (Director-General of AFD)	04
Intervention by Stefano Manservigi (General Director DEVCO – European Commission)	06
Discussion-debate: Can growth reduce inequalities?	09
Gaël Giraud (Chief Economist, AFD)	09
Branko Milanović (Luxembourg Cross-National Data Center)	11
Round table 1 - How does the question of inequality and social cohesion change the way we view development?	13
Alicia Bárcena (United Nations Economic Commission for Latin America and the Caribbean)	
James K. Galbraith (University of Texas at Austin)	
Nizar Baraka (Economic, Social and Environmental Council, Kingdom of Morocco)	
Lucas Chancel (Paris School of Economics)	
Round table 2 - How does the emergence of the middle classes impact inequalities and social cohesion?	16
Murray Leibbrandt (University of Cape Town)	
Gisela Nauk (United Nations Economic and Social Commission for Western Asia)	
Shanta Devarajan (World Bank Group)	
Round table 3 - How is social cohesion shaped by perceived inequalities?	19
Frances Stewart (University of Oxford)	
Alice Evans (King's College)	
Farida El Kalagy (Banati Foundation)	

Round table 4 - How do we support the reduction of inequality and promotion of social cohesion?	22
Vera Songwe (Executive Secretary, United Nations Economic Commission for Africa)	
François Bourguignon (Paris School of Economics)	
Michel Houdebine (French Treasury)	
Jean-Pierre Marcelli (AFD)	
Closing interventions	25
Thomas Melonio (Executive Director for Innovation, Research and Knowledge, AFD)	25
Gaspar Frontini (Head of Unit “SDGs, Policy and Coherence” Directorate-General for International Cooperation and Development)	27

Opening statement by Rémy Rioux

Director-General of AFD

Inequalities have become a key topic in public debate and development policy has a major impact on social cohesion. The French G7 presidency has chosen to put inequalities on the agenda, and we aim to contribute to tackling it with all of our partners. The AFD is keen to join the debate on the issue, and to discuss the matter with researchers and all stakeholders who focus on development policies. Some of the reasons why we decided to delve deeper into the issue of inequality and social cohesion include:

PROMOTING RESEARCH INTO INEQUALITIES TO GET A BETTER INSIGHT INTO THE DYNAMICS BEHIND THEM

Whenever economy science has focused on inequalities, it has made a leap forward. A few examples are the work by Vilfredo Pareto on the distribution of income, and the later works by Simon Kuznets on modern macro-economic statistics and by Anthony Atkinson, who contributed greatly to the development of tools that help us get a better understanding of inequalities.

Today, we need to conduct more research so as to better measure inequalities and to better identify their causes and determining factors in all socio-economic fields. In recent years, the AFD has conducted several research projects focusing, among other things, on the middle classes in Ivory Coast, Brazil, Turkey and Vietnam, as well as social cohesion in South Africa in collaboration with researchers from the countries in question.

Moreover, we regularly mobilise the research community through the ID4D platform or conferences like this one, which bring together researchers from a variety of fields.

TRANSPOSING THE LESSONS LEARNED THROUGH RESEARCH INTO AN EFFECTIVE AND TARGETED APPROACH TO REDUCING INEQUALITIES

Sustainable Development Goal 10, the fight against inequalities and in favour of social cohesion, is one of the operational priorities in our strategic plan for 2018-2022. We aim to be an agency that is “100% Paris Agreement”, in a bid to preserve environmental commons, and “100% Social Link”, ensuring all of our contributions lead to stronger social cohesion.

The issues of justice and social cohesion between generations, territories, individuals and social groups within the population are the key to a balanced economic and social development. This pushes us to shape our actions in an innovative way and to join in the development of public policies that facilitate access to essential goods and services, boost economic opportunities, and promote civil liberties, solidarity and rights.



While a major ecological transformation needs to be achieved, the issue of inequalities should be seriously reconsidered. After all, these two issues are intrinsically linked. The climate puts justice issues in a new framework and the quality of social cohesion is a key factor in winning the fight against climate change.

JOINING FORCES IN A PLATFORM TO TACKLE INEQUALITIES

In 2017, the AFD invested 550 million euros of European funds into 38 projects. Today, through this research facility, we have 4 million euros at our disposal, which will allow us to conduct 20 research projects and identify the causes of phenomena that impede transition.

In fact, we have joined forces with research centres in the South to promote an informed public debate with decision-makers and societies. Thanks to systematic co-financing between research centres and sponsors, we will be able to establish a dialogue with all stakeholders to define the research and actions needed in terms of public policies and projects. On a European level, we will be joining forces with our European counterparts and their partners, particularly with DEVCO, to develop a global vision for the fight against inequalities so as to promote sustainable development. That is, in a nutshell, what our mission is at the AFD, the French Development Agency (Agence Française de Développement). Acting as a platform means networking, highlighting the know-how of our partners, boosting collaboration, and combining our efforts and viewpoints into a common vision.

The Universal Declaration of Human Rights has legally established a framework for a world without inequalities. Based on the cycles of history, the works by François Bourguignon, Lucas Chancel, James Galbraith, Branko Milanović and Thomas Piketty indicate a world in which fewer inequalities is a possibility. ♦



Intervention by Stefano Manservigi

General Director DEVCO – European Commission

This is the first time we have joined forces with the AFD to contribute to research into development and to seek inspiration from research into inequalities to shape our actions. It has been a positive experience and we are determined to further consolidate and expand this partnership.

First of all, inequalities and their consequences in today's world are a problem both in developed and developing countries. Globalisation has created a lot of opportunities and has contributed significantly to a decrease in poverty. The high inequality rates, which are constantly on the rise, are the best indicator of this. Today, the 2030 Agenda for Sustainable Development shows how important it is to reduce inequalities on a global level. The same goes for the Sustainable Development Goal 10. However, there is no set of guidelines for the policies that need to be implemented. That is a gap we are trying to bridge on a European level. Moreover, the Sustainable Development Goals must be interpreted as "our problem is their problem". That is how we should look at inequalities worldwide, including in developing countries.

By working on these issues, the European Union has the opportunity to send out the message that building a more sustainable world contributes to consolidating and reshaping our model, our society and our approach to integration. The indicators in developing countries are alarming: the inequalities today are higher than 30 years ago, particularly in Latin America and Sub-Saharan Africa, and often in countries with an average or above-average income. This is due to various factors: the unequal distribution of products through globalisation, technological development, unequal access to education and healthcare, poorly conceived fiscal programmes and tax evasion.

As for the negative impact of inequalities on economic growth, two econometric studies conducted by the IMF showed that an increase in the Gini coefficient by 5 points reduces growth on average by 0.5%, and a decrease in inequalities by 10% increases the duration of a growth period by 50%. As for the negative impacts on poverty, a recent study in Sub-Saharan countries showed that a reduction in the Gini coefficient by 1% reduces the poverty rate by 0.5%.

In developing countries, inequalities can only worsen weaknesses, including the risk of conflicts, a lack of resilience, non-compliance with the rule of law, etc. Through the European consensus for development that was reached, the entire world has politically committed to the Sustainable Development Goals. The Member States and the European institutions are trying to put words into



action. The 2030 Agenda is a tool that was specifically developed to tackle the negative impacts of globalisation and to ensure we go beyond mere growth by also reducing inequalities.

We must join forces, because Europe counts, and not simply as a single market. Europe counts when we work together. We are the main supplier of public development aid, which should not be limited to simple statistics—Europe has an important role to play. At the European Commission, we have discovered how to tackle inequalities through budgetary aid, which is one of the main tools we use to intervene in countries. We encourage a stable macro-economic environment and progressive taxation for sustainable growth. That allows us to conduct an efficient policy for domestic revenue mobilisation so as to redistribute revenue in a more equitable manner. At the same time, we need to take it one step further, with sectoral contracts in support of more sustainable public policies to contribute to the fight against structural inequalities.

Another approach is to mobilise resources to promote economic growth. We have launched an investment plan to support private investments in order to promote sustainable growth. We recently spoke about our partnership with Africa in favour of sustainable development and growth through job creation. The first results are positive. We often join forces with the AFD to invest in energy, digitisation and urban management in order to promote SMEs and access to funding.

Moreover, we must take our fight against discrimination to the next level. The gender gap is still too pronounced and it has a negative impact on growth. Analysts are well aware of this phenomenon. We must take action on this, and the fight against discrimination must become a key pillar of a reliable and efficient approach. Therefore we have launched several related initiatives, a key one of which was a partnership with the United Nations called the Spotlight Initiative, to fight violence against women and girls worldwide.

We must also intervene more in countries with a median income. This may not be an immediate priority, because in some of these countries, poverty is already decreasing, the income indicators are higher and - theoretically at least - these countries have resources. However, these countries, especially those in Latin America, are transitioning towards more sustainability, and inequalities are truly at the heart of our programmes, such as EUROsociAL, some parts of which are implemented by Expertise France.

The 2030 Agenda aims for greater inclusion, and that is also the main objective of the European Union. It is very important from a development perspective and to highlight the fact that inequalities are a global phenomenon. Our society is linked to that of developing countries. Therefore, investing in those developing countries contributes to the sustainability of the whole world. Public opinion must understand that there is a link with what we are doing there.



This year, the European Development Days will focus on addressing inequalities, allowing stakeholders in the field of development to reflect on the matter and take action. We need to work harder to ensure the fight against inequalities becomes a key goal in all of our efforts. If we want our institutions to be credible and our citizens to see concrete results, we need credible actions. Inequalities are one of the main threats to democracies and the credibility of institutions today in capturing the hope of citizens.

Development is so much more than just a monetary transfer. It is a contribution to sustainable policies at a global level. As Europeans, we have every interest in joining forces, because at the end of the day, that is more or less our model. ♦



Discussion-debate:

Can growth reduce inequalities?

Moderator:

Christian CHAVAGNEUX Alternatives Economiques

Gaël GIRAUD Chief Economist, AFD

MEASURING INEQUALITIES AND SOCIAL COHESION

First of all, there is the issue of data. Data must be harmonised and we must understand how it fits together to get an insight into the evolution of inequalities. Metrics are also fundamental. From one system to the next, the analysis can differ. Moreover, we are talking about public policies, so are our debates on the evolution of inequalities on a global level even relevant? The AFD prefers to use the national geographical unit, because without global governance, decisions are taken on a national level.

However, emerging and developing countries lack the necessary data or have failed to measure all the necessary data since it is not yet possible to obtain all the measurements. The AFD is trying to counter this situation by joining forces with academic and national institutions. It has thus accompanied the analysis of social links within a community and developed a relational capacity indicator to measure their quality based on a three-dimensional analysis: the stakeholders' capacity to join networks, their immediate personal relationships and their level of commitment towards issues of general interest. Surveys in the field tend to show that when inequalities in terms of income or status increase excessively, social cohesion is destroyed, resulting in this social capacity indicator plummeting. So the question is, how can we measure the quality of social cohesion? This indicator is a possible solution.

CLIMATE CHANGE, GROWTH AND THE INCREASE IN INEQUALITIES

The poorest are the first victims of climate change, because they have the lowest emissions of CO2 equivalent. However, the social acceptance rate of measures pushing for a shift to alternative energy sources strongly depends on inequalities. Today, the scientific community should probably help the public authorities in pursuing the carbon tax.

The link between a reduction in inequalities and a lowering of greenhouse gas emissions is not immediately clear. However, certain calculations show that in a totally egalitarian society, the average emissions rate would be significantly lower than it is today. Rather than reducing inequalities,

we must teach restraint to the 22% of people whose income is higher than average. That will open the doors to a post-growth society. On a global level, according to the Kaya identity, if the income per person continues to increase, it will become very difficult to resolve the climate-inequalities equation.

Another objection has quickly emerged (see Thomas Piketty): if the growth rate is too low, inequalities will sky-rocket. The AFD is conducting a real empirical and analytical debate on the topic. The GEMMES model, which is shared with developing countries, indicates that weak growth does not necessarily result in a massive increase in inequalities.

THOUGHTS ON THE MANAGEMENT OF COMMONS

On the ground, social cohesion may be promoted, but how should communities be organised to take care of all the resources that are scarce or becoming scarcer? Experience teaches us that privatisation does not work, and neither does management by public authorities. Temporary management by an urban community, on the other hand, does work very well, particularly when women play a key role in the process.

What are the necessary conditions for a group of people to jointly manage resources in a more or less egalitarian manner? Variants of micro-economic theories and standard game theory provide some interesting answers to this question. John E. Roemer proposes replacing the Nash equilibrium with the Kantian equilibrium. He claims that within an ego-centric logic and rationality, we should become a bit smarter: a deviation from and a lack of attention for a bad Nash equilibrium can push others to walk the same path. So in the framework of this deviation, we must focus on the impact the potential deviation of others has on us. In this view, we could theoretically solve the issues of climate change and common assets to move towards an egalitarian society. ♦



GROWING OR NOT GROWING TO REDUCE SOCIAL INEQUALITIES

Those whose work focuses on inequalities tend to neglect the importance of growth. However, growth is a key factor, also in the reduction of inequalities. Most inequalities worldwide are reduced by the growth of poor countries, which also has a role to play in developed countries. The idea of a growth decline does not take account of the differences in income between countries and individuals. If, theoretically, the wealth of a rich country can decline, in a poor country a decline or stall would be impossible to accept.

The relationship between growth and inequalities is one of the most researched economic fields. A priori there is a positive relationship between the two: major inequalities allow for high growth, which translates into profits to invest. This means we should defend inequalities to promote growth. However, it would be a somewhat unnatural situation to ask the rich not to spend money on a personal level and to invest it instead.

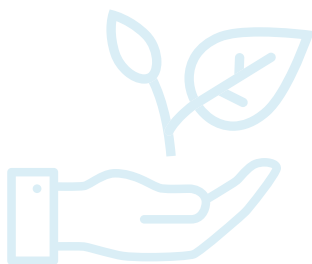
In the 1980s, research into the link between growth and inequalities was abandoned due to a lack of sufficient micro-economic data. Recently, we have started looking at growth and inequalities separately. Now we study growth per population group. Furthermore, we now dissect inequalities, because those at the top are different from those at the bottom. We have discovered that inequalities are positively linked to the future growth of the rich, and negatively linked to the future growth of the poor. The poor, who are in a way excluded from society, therefore see their growth decrease as inequalities rise, while the rich invest and increase their income. As such, the link between growth and inequalities, which we thought to be positive, has now been reversed.

ECONOMIC AND POWER INEQUALITIES

That poses the following question: can these inequalities and this incapacity to participate in society be transferred from one generation to the next? In the countries with the highest inequality rates, we have noticed that inequalities between generations tend to be more persistent. That means that leaving the poor on the sidelines does not allow them to get richer in the long term. Their lack of participation is a loss for society. This also means the different generations do not have equal opportunities.

On a political level, the rich have greater power, which they use to their advantage. This enables them to retain their position of superiority by excluding others as much as possible from the political scene. In a democracy, however, everyone should, in theory, have the same power. This situation creates a kind of social instability that pushes the rich into investing less, because they fear losing their power. So it is wrong to think that inequalities should be ignored and growth is bound to reduce them.

As for developing countries, they must be encouraged to play a greater role in globalisation. In the past, development was only possible by separating from the rest, so as not to remain merely a producer of raw materials. In the past twenty years, however, the countries in the global value chain have been flourishing. Therefore, participating in globalisation seems a must. ♦



Round table 1

How does the question of inequality and social cohesion change the way we view development?

Moderator:

Christian CHAVAGNEUX Alternatives Economiques

Participants:

Alicia BÁRCENA United Nations Economic Commission for Latin America and the Caribbean

James K. GALBRAITH University of Texas at Austin

Nizar BARAKA Economic, Social and Environmental Council, ESEC– Kingdom of Morocco

Lucas CHANCEL Paris School of Economics

Inequalities confront us with the issue of sharing growth and the dynamics of development. Observing the evolutions in inequalities, both at a global and a regional level, and comparing them with historical macro-economic trends allows us to get a better insight into the links between them. The panellists agree that inequalities are detrimental from a social point of view and that the public authorities need to take stock of this to promote a development that is shared as widely as possible. If not, contrary to what may seem obvious, the slowdown will affect all components of the economy and development will be negatively impacted.

THE FIGHT AGAINST INEQUALITIES AS A GROWTH FACTOR

Equality is a necessary driver of growth. *“Reducing inequalities is necessary to accelerate growth and ensure long-term sustainability”* (N. Baraka). Moreover, *“investing in a universal social inclusion policy allows us to emancipate young people”*, which will ultimately lead to great advancements in terms of innovations, the environment and new economic models (A. Barcena). But we must be prepared to finance it.

INEQUALITIES SLOW DOWN GROWTH

From both a purely economic and a practical point of view, inequalities are counterproductive. *“In the long term, investments in heavily inegalitarian societies are discouraged”*, because they generally have low productivity (A. Barcena). Likewise, in mainstream economics, the labour market must be flexible in order to tackle unemployment, but the latter is lower in countries with a more egalitarian wage structure (J. Galbraith). Low-income and the most inegalitarian countries therefore struggle

to shake off the status of low-wage exporting countries (A. Barcena). *“Inequality results in economic migration, a search for employment and chronic unemployment.”* (J. Galbraith)

FROM INEQUALITIES TO FRACTURES

Rather than speaking of inequalities, we should call them fractures (social, territorial, technological and climate fractures). These fractures result in frustration and crises (N. Baraka). *“That translates into the conviction that governments are incapable of reducing inequalities”* (N. Baraka). Inevitably, such defiance causes instability. In recent years, instability - whether real or perceived - has been identified as one of the major causes for a lack of investment in developing countries.

Moreover, we must take into account that institutions generate *“a kind of segregation and a culture of privilege that normalise inequalities, hierarchical structures and unequal opportunities”* (A. Barcena). These failures and this reluctance to reduce inequalities lead to *“a re-emergence of conservative programmes due to corruption and failing institutions, which lie at the basis of the disillusionment felt in inegalitarian countries”* (A. Barcena). *“We need to reshape institutional governance to enable it to show its capacity to face the issues linked to inequalities”* (N. Baraka).

Today, Oxfam estimates that 1% of the world’s population holds 50% of the world’s wealth and in 2017, the richest 1% was responsible for 82% of all the wealth generated. It is not easy to obtain this type of information on wealth distribution and value capture: *“Governments do not have a standardised way to measure the distribution of growth in assets between groups and surveys underrepresent the evolution of inequalities and fail to properly illustrate what goes on at the top of the wealth distribution pyramid.”* (L. Chancel)

FIGHTING INEQUALITIES TO BOOST DEVELOPMENT

Public investment allows us to break the culture of privilege and create a more egalitarian society: *“That has an impact on the revenues of the future”* (A. Barcena). Structural income disparities between countries in Latin America and the OECD countries, for example, are much more significant than before taxation, which shows that the OECD countries have opted for public investment (A. Barcena). However, acting upon inequalities is not enough to encourage development: *“In Morocco, in the past 15 years, the income per capita has increased, poverty has decreased and the Gini index has been corrected, but the inequalities continue to persist, negatively affecting territories, opportunities and social mobility”* (N. Baraka).

Budgets should be allocated to fighting inequalities. Furthermore, *“the benefits assigned should be thoroughly reconsidered and all the fiscal, budgetary and financial policies should be reviewed”* (N. Baraka). This is not only a matter of justice, but policies to reduce inequalities also allow for *“better social acceptance of the reforms needed for the development of the country”* (N. Baraka). In this field, *“Indonesia leads the way, with an increase in the price of fossil fuels. The money earned through this measure is invested in social protection, healthcare, education and support for vulnerable groups”* (L. Chancel).



INEQUALITIES AND A GLOBALISED ECONOMY

“Instinctively, inequality is perceived as a national policy issue, but the global dimension is fundamental” (J. Galbraith). That is, in fact, a key element in the fight against inequalities, because *“the global development model has pushed inequalities to the extreme”* (N. Baraka).

“So it is not enough to focus on inequalities on a regional level, because international economic interactions are one of their key causes” (J. Galbraith). By combining our recent economic history with data on inequalities, like that gathered by the World Inequality Lab, we can see that global financial liberalisation has increased inequalities over the past 30 years. However, if we compare the Indian and Chinese models, for example, we can see that *“there are diverging paths in the general pattern of growth, which show a more egalitarian growth is possible.”* (L. Chancel)

“Countries like China can set their own objectives, while smaller countries have more difficulties and need to join forces with others. Unless the global system is overhauled, that is” (J. Galbraith). That is a possibility, if we consider that *“it will be impossible to advance significantly and properly assess budgetary policies without standardised measurements for wealth distribution”* (L. Chancel). ♦



Round table 2

How does the emergence of the middle classes impact inequalities and social cohesion?

Moderator:

Clea CHAKRAVERTY The Conversation

Participants:

Murray Leibbrandt University of Cape Town

Gisela Nauk United Nations Economic and Social Commission for Western Asia

Shanta Devarajan World Bank Group

It is often thought that the middle classes greatly contribute to development. In reality, according to the panellists, as the dynamics in the middle classes undoubtedly reflect the dynamics of societies all over the world, it is not guaranteed that they will directly and voluntarily contribute to development and a better access to essential goods and services. Perhaps they will boycott a public service they are dissatisfied with and substitute it with a private service that meets their requirements in a more targeted manner. At times, their revolt will benefit a larger group of people, which proves strength in numbers to make one's voice heard.

WHAT EXACTLY ARE THE MIDDLE CLASSES?

"When we talk of the emerging middle class, the first words that come to mind are privilege, pressure and disorientation" (G. Nauk). "Mobility, stability and progressiveness" can also be used to describe these groups, which lie somewhere between the 40th and the 80th percentile of wealth (M. Leibbrandt). The middle class, or rather the middle classes, are also, if not mainly, a "transformative force in society, if there are economic foundations to build on" (M. Leibbrandt). This makes it a benchmark of global socio-economic progress, and rightly so: "The success of the middle class is an indicator for the success of society in general" (M. Leibbrandt).

In South Africa, the post-apartheid dream to transform society in order to guarantee a better future for the children of the middle class has not been achieved: *"The middle class is very small, and 50% of it is black and under-represented" (M. Leibbrandt). In Middle Eastern countries, on the other hand, the middle classes are engaged in the formal economy, mainly in public services, and they represent 50% of the population. "They are close to where the decisions are taken, they are highly educated and they enjoy job security and average salaries, but quite generous social coverage" (G. Nauk).*



DEFINING SOCIAL CONTRACTS AND THE ROLE OF THE STATE

The chances of the public sector being the main employer in a society are steadily decreasing. *“Demographic growth has had an impact on the entire system. It is impossible for everyone to be employed by the public sector, and the private sector is unable to deliver jobs to all these job seekers”* (G. Nauk). In the context of a transformation strategy, as is the case in Saudi Arabia, the state supports the private sector to cover for the lack of employment in the public sector. *“But where will those jobs in the private sector come from, considering governments have been held hostage by the elites, which hold monopolies in their countries and which hamper growth and competition in the private sector?”* (S. Devarajan).

“The state must reinvent itself to play a role in the organisation of infrastructure, education, healthcare and social services” (M. Leibbrandt). To give an example, in late 2018, the minimum wage was established for the first time in South Africa. *“This reflects the willingness to take steps to regulate the formal labour market, which is one of the most inegalitarian in the world in terms of wages”* (M. Leibbrandt). Yet these types of ‘safety net’ approaches fail to do away with the *“division between the formal and the informal sector, and they create differences and inequalities of power within society, which must be tackled”* (G. Nauk).

REFORM OF PUBLIC SERVICES

Privatisation of social services requires strict regulations, because *“the organisation of the supply of public goods to the general public is essential; infrastructure is a key element in the debate on social cohesion”* (G. Nauk). The private sector, schools and hospitals do not necessarily concern all groups. This brings us back to the dichotomy of the labour market, formal and informal: services and society are organised by and for the middle class. *“Subsidy issues affect the poor populations, but generally, social services are distributed in a horizontal manner”* (G. Nauk). *“Private schools are founded in response to frustration with the lack of quality in public schools. It is not a political decision”* (S. Devarajan).

EXPECTATIONS AND DISSATISFACTION OF THE MIDDLE CLASSES

Moreover, the middle class does not simply contribute to development and a reduction in inequalities; *“it does even more for the prevention of poverty, rather than for its correction”* (G. Nauk). Between 2000 and 2010, in the Middle East and Africa, growth rates reached 4-5%, and poverty diminished by 3%. However, the income was not properly distributed. *“The income of the 40% in the lowest income bracket went up to the average bracket, yet there were revolutions in four of those countries”* (S. Devarajan).

“Low salaries and jobs with little added value can help people out of poverty” (G. Nauk). But what about the skilled workers? The Arab Spring can be partly explained as follows: the middle classes, which

are high in number, did not obtain what they were promised by their social contracts, their highly educated children were unemployed and they demanded more social stability (S. Devarajan). This called for social insurance schemes and social assistance systems (G. Nauk).

In addition to this, the life satisfaction index of the World Happiness Report shows that the most unhappy populations in Africa and the Middle East lie between the 40th and the 80th percentile for wealth. *"They are more negative about their life than the 40% poorest populations."* In these regions, the employment rate in the public sector is declining and there is a high unemployment rate among the highly educated classes. They have no hope for a better future and have therefore revolted. In some places, these revolts persist to this day (S. Devarajan). ◇



Round table 3

How is social cohesion shaped by perceived inequalities?

Moderator:

Sylvain BOURMEAU France Culture

Participants:

Frances STEWART University of Oxford

Alice EVANS King's College

Farida El KALAGY Banati Foundation

The issues of social cohesion and inequalities are often tackled together by researchers. And rather than focusing on inequalities as such, it is their perception that is one of the keys in the analysis of social cohesion. People can react in different ways, from resignation to protests or disruptions. *"When faced with inequalities, there are three possibilities: do nothing at all, promote redistribution or find a scapegoat, and turn to the far right"* (A. Evans). The three panellists agree that public policies should take account of inequalities and the demands of the population, because turning a blind eye to them can be risky for both societies and social cohesion. When demands for change are not met, they will rarely fade away in silence.

PERCEIVED INEQUALITIES AS A DRIVER FOR ACTION?

Rather than objective inequalities, it is the perceived inequalities that influence the behaviour of populations. *"People react based on their perceptions, and not necessarily based on an objective situation"* (F. Stewart). That being said, *"whatever those perceptions may be, we must recognise that objective inequalities are extremely unjust"* (F. Stewart).

"All the ideas that we may have internalised" tend to normalise inequalities (A. Evans), e.g. the supposed incompetence of women, or a lack of access to education for indigenous populations in Latin America. *"These popular beliefs may increase inequalities to the point where they are collectively accepted"* (A. Evans) and no one fights them any more, or perceives them as problems. *"There is a kind of tacit acceptance of the status quo"* (F. El Kalagy). *"It should also be noted that people feel trapped in their positions"* (F. Stewart).

EXPLAINING A LACK OF INDIGNATION OR REVOLT

When faced with inequalities - regardless of whether they are objective or perceived - *“the key is to find out how people will react”* (F. El Kalagy). The problem is that *“people tend to surround themselves with like-minded people and, to a certain extent, lose track of others”* (A. Evans). Typically, *“poverty is depicted as an African child, which results in a lack of sympathy. People simply stop demanding change”* (F. El Kalagy).

However, individualisation does play a role in the capacity to revolt. *“It is quite a pernicious phenomenon that must be understood”* (F. Stewart). In the 19th century, the European working class was underprivileged but very homogeneous as a group. *“It succeeded in forging a collective identity, joining forces in trade unions and reducing inequalities”* (F. Stewart). The current individualisation and fragmentation of society is a result of urbanisation combined with neoliberalism (F. El Kalagy).

THE IMPORTANCE OF BELIEVING IN CHANGE

We should not just open our eyes, but *“must also believe change is possible”* (A. Evans). The capacity to make a change partly depends on the belief that the action in question can work. *“If we are scared and we think the government will not or cannot do anything, we get stuck”* (A. Evans). It is a vicious circle because *“the public policies that could tackle it are not implemented, maybe because no one speaks up”* (F. Stewart). On the other hand, *“the lack of protective measures gives rise to inequalities and a lack of political commitment”* (F. El Kalagy), and *“the current crisis, which questions how legitimate policies truly are, is linked to an increase in inequalities”* (F. Stewart).

In Latin America, inequalities have reached very high levels: *“People took to the streets and started questioning this status quo”* (A. Evans). And as a result, it is the collective interests that prevail. *“The dynamics have changed, and these approaches give us hope”* (A. Evans). In this view, sharing experiences is essential for people to inspire one another, but *“it is difficult to make changes without being backed politically, and at the end of the day, it is the people who choose their representatives”* (F. El Kalagy).

A NEED FOR POLITICAL COMMITMENT

Today, ignoring inequalities and not intervening on a political level, *“shows a lack of understanding of the fact that those inequalities will eventually turn against us”* (F. El Kalagy). We must consider that when people complain and protest against inequality, *“they do not just want their voice to be heard, but they want to see concrete actions”* (F. Stewart).

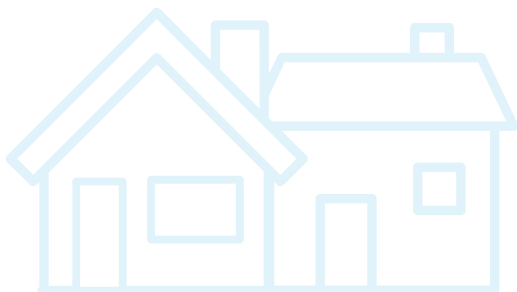
The issue of power is essential at all levels. *“NGOs are important, but we need more than that. Not only do governments have a responsibility, but there is also an international responsibility to not accept the current level of inequalities”* (F. El Kalagy).

In fact, the biggest inequalities in the world are not those within one country, but between different countries, so action must be taken on an international level. *“Companies must be held more accountable and we must ensure the fundamental human rights are respected in the supply chains of multinationals.”* That is what is currently happening in Switzerland, and it is possible in France too (A. Evans). In fact, national policies are essential, but *“certain inequalities must be fought at a global level, through the taxation of large enterprises and the fight against tax evasion”* (F. Stewart).

THE BULWARK OF SOCIAL COHESION

When it comes to social cohesion, we can focus on inequalities, trust and identity, but the problem is that social cohesion *“is not about equality between groups, but rather about a need for respect between groups”* (F. Stewart). Inequalities between groups break up society, creating even more inequalities: *“When faced with a lot of inequalities, people feel the need to strengthen their identity and join forces to fight against another group”* (F. Stewart). And it works: *“People jump into action, power is ceded and there is continuous conflict”* (A. Evans).

It is a global challenge: *“We need to prepare to tackle global inequalities, because those are the main inequalities. We must manage CO2 emissions and welcome migrants into our societies”* (A. Evans). The lack of solidarity on environmental issues is terrible, because these issues *“require solidarity between countries and with future generations”* (F. Stewart). ◇



Round table 4

How do we support the reduction of inequality and promotion of social cohesion?

Moderator :

Didier POURQUERY The Conversation

Participants :

François BOURGUIGNON Paris School of Economics

Michel HOUDEBINE French Treasury

Jean-Pierre MARCELLI AFD

Vera SONGWE Executive Secretary, United Nations Economic Commission for Africa

Inequalities are multidimensional. In developing, emerging and developed countries alike, the mechanisms that generate inequalities are the same, and the levers to reduce them can be tackled through the same public policies. Social cohesion is jeopardised when the perceived inequalities are too great, but also when the public policies, particularly those pushed by the development stakeholders, insufficiently focus on preserving the existing framework. The panellists agree that growth and the redistribution of its yields are major levers in the fight against inequalities. Lastly, at all levels of action or intervention, it is essential to safeguard what is in place. *“To preserve social cohesion, we cannot destroy it or accelerate the breach of social contracts”* (J.-P. Marcelli).

UNDERSTANDING TO INTERVENE

The most visible and most analysed inequalities are those related to income. However, they are not necessarily the inequalities with the biggest impact on people's lives: *“The inequality that counts is that of the income potential”* (F. Bourguignon), which goes hand in hand with unequal opportunities. After all, without the capacity to generate income, the growth potential cannot possibly increase. *“With the decrease of growth in Africa, people are suffering; they fall into poverty again and inequalities become even more marked”* (V. Songwe).

Inequalities may extend into three dimensions, which calls for different analyses. So by focusing on inequalities in terms of income, opportunities or territory, we cannot obtain one and the same image of a developed country. Likewise, *“there may be inequalities according to the employer”* (M. Houdebine). As for developing countries, this analysis grid can be linked with that of profound



demographic, ecological and territorial changes. *“They generate opportunities that must be seized to become solution incubators, in order to compensate for the negative effects, because these transformations come with a major risk of generating inequalities”* (J.-P. Marcelli).

REDISTRIBUTION IS ONE OF THE KEYS TO REDRESSING INEQUALITIES

Redistribution is a key tool to countering inequalities in terms of revenue, opportunities and land: *“We must redistribute by progressively taking a certain amount of tax and investing it in human capital and infrastructure, particularly for the poorer populations”* (F. Bourguignon). Well-organised taxation and redistribution are a step towards more social cohesion. That being said, we can leverage resources *“while limiting taxes on society to 10-20% so as to finance this type of programme”* (M. Houdebine).

However, when it comes to the financing of development, we must be cautious: when public policies are financed less through taxes and more through external aid, not provided by the state, *“the populations will not feel they have contributed and the state will feel less liable towards citizens for the policies they have implemented”* (F. Bourguignon). In terms of development, *“the issue of redistributive taxation is a key element of justice and equality”* (J.-P. Marcelli). Likewise, *“diminishing poverty means taking from one to give to another”* (F. Bourguignon).

PUBLIC POLICIES TO PROMOTE COHESION

Different levers for public policies can be adopted to stop the dynamics of inequalities. The aim is to progress in five fields: *“human capital, social welfare systems, the diffusion of technological progress, local development and mobility, and international cooperation”* (M. Houdebine). Education and job training are recognised solutions to level out inequalities related to equal opportunities for citizens. On a global level, the fight against inequalities and the pursuit of sustainable development calls for *“investing in young people”* (J.-P. Marcelli). Social sectors may be fundamental, but *“it is equally important to invest in infrastructure that will allow for the country to grow even further”* (F. Bourguignon).

In the implementation of targeted public policies against inequalities, *“we must be aware that it will be a time-consuming process”* (M. Houdebine). Furthermore, we must remember that *“preserving social cohesion also means fighting against horizontal inequalities, i.e. unequal treatment of different groups on the labour market, or inequalities related to credit. Often the only way to counter these is by legal means”* (F. Bourguignon). Public intervention is a must for more equality on the markets. However, despite the potential efficiency of these policies, *“the political economy prevents them from being implemented and the elites tend to block their implementation based on short-term arguments”* (F. Bourguignon). That is partly why *“whenever the opportunity arises, the AFD supports transformational policies, knowing only too well they require time and a lot of courage on a political level”* (J.-P. Marcelli).

SHARED GROWTH TO REDUCE INEQUALITIES

GDP growth does not fully equal a reduction in inequalities, but it does contribute to it, particularly if *“the bottom tier participates in the growth process through effective programmes”* (V. Songwe). That is why the stakeholders in development aid must help accelerate growth dynamics *“so as to ensure that those in need benefit the most from their income”* (J.-P. Marcelli).

Moreover, *“the perception of inequalities is closely linked to the process of income growth”*: there is a decrease in unequal opportunities as some more opportunities arise for everyone. *“Therefore, proposing a dynamic approach for all is a key tool to solve the issue of perceived inequalities”* (M. Houdebine). This dynamic approach could partly be found in commons, a concept backed by the AFD that aims to *“preserve common goods and maintain a collective approach to ensure common management and shared benefits.”* This is a possible response to reducing inequalities and achieving an increasingly shared growth. ♦



Closing intervention by Thomas Melonio

Executive Director for Innovation, Research and Knowledge, AFD

EVOLUTIONS IN RESEARCH ON DEVELOPMENT ISSUES

The AFD has had a research team since the early 2000s. The first major conference focused on inequalities in the framework of the MDGs, essentially based on a North/South perspective and a course of action anchored on the link between growth and an escape from poverty. This world view was maybe somewhat a caricature, with rich countries getting richer, poor countries getting poorer, and middle-income countries definitely on the decline.

Today, the focus is more on inequalities within countries rather than between countries. In a way, this can be more politically explosive, as the excessive wealth of one's neighbour may seem more scandalous than the wealth of a citizen in a faraway country. This issue has become the main focus of our work.

OUTCOME OF THE DEBATES

When the issue of growth was discussed by the last panel, we also saw dissent, a destruction of social cohesion and a move towards greater ego-centrism. The issue was discussed in 2017 at the AFD conference on commons, but in the decade that followed the year 2000, it was a neglected topic. Today, it is getting more attention. The gender gap was discussed to see how development policies can affect it.

There were also new insights into the issue of perceived and anticipated inequalities. In some cases, the violence of society may not be based on inequalities but rather on a lack of social mobility and the idea that nothing is changing. Today, those factors are even more difficult to digest when the perceived and anticipated inequalities are very significant.

Another important topic that was discussed was the issue of relative and absolute inequalities, which are becoming more significant in the development process. In a development phase, if the relative income relationships remain unchanged, the absolute income relationships change. Currently, the absolute inequalities raise more questions, particularly between countries, because the inequalities are strictly relative. That calls for innovations or a greater emphasis on criteria such as the absolute Gini.

THE EVOLUTION OF RESEARCH QUESTIONS SHOULD IMPACT DEVELOPMENT ACTIONS

In the past 15 years, the questions asked have changed, which implies that the operational strategies of the stakeholders in development are also changing. We have also noticed an increase in new questions, for example on the development of social protection to reduce the inequalities and vulnerabilities of the poorest populations in case of shock. This raises the question of how low-income states can tackle this issue. I was recently stunned by several papers that prove social protection works less in developing countries than in developed countries, essentially due to the latter's incapacity to assist the most vulnerable population groups. Today we have also repeatedly discussed the challenges in education.

Compared to the paradigm of the MDGs, which aimed at increasing access to education, the focus is now more on the quality of education and how it is geared to the labour market. In the past 15 years, we have witnessed a massification of education, but unfortunately the quality of the service has decreased, particularly public education. This raises questions about the sometimes enormous growth of private education and the disillusionment of children and young people educated in the public system. The political consequences cannot be underestimated. I believe this makes for a very powerful appeal to governments, agencies and development banks: a reform of the public services, and an increase in quality, must take centre stage in public policies.

EFFECTIVE SUPPORT FOR THE DEVELOPMENT OF PUBLIC POLICIES

This is not the only appeal we must make: public policies must become more efficient everywhere, particularly in terms of taxation and redistribution of wealth. François Bourguignon, for example, spoke about the necessary evolution of a tax and spending model towards an investment model to allow public funds, which are scarce and difficult to get hold of in the informal economy, to be invested more in public policies. The aim is to prevent future inequalities rather than to simply reduce the existing ones.

Needless to say, this calls for follow-ups, publications, reforms and public policy debates. We will need to start off by summarising these works, support tools and publications to capture the attention of politicians. Today's debates were particularly relevant and will help us prepare for our efforts in the year ahead. The issue of inequalities will be the mobilising theme of the G7, under French presidency, and it will also be the theme of the next DevDays.

Now that we have discussed the results of the past 15 years of research, let's meet in another 15 years for a new conference on inequalities. And let's hope that by then, we will have found solutions for the issues we are facing today to enable us to tackle the issues of tomorrow. ♦



Closing intervention by Gaspar Frontini

Head of Unit “SDGs, Policy and Coherence”
Directorate-General for International Cooperation and Development

DEBATES TO INSPIRE THE WAY FORWARD

All of today’s discussions and debates will help us think of ways to better integrate inequalities into our cooperation policies. It is essential for academic institutions and more political institutions like ours to meet. Research, analysis and policy development must become more closely linked and mutually strengthen one another. Opportunities like today’s event are extremely useful because they allow us to move in the same direction.

The debates clearly showed that inequalities pose a major challenge, and that is no big surprise. They affect social cohesion worldwide, including in European countries. This challenge lies at the crossroads between three dimensions of sustainable development: the social, economic and environmental dimensions. Inequalities are an obstacle to sustainable development all over the world, and the fight against inequalities through development and cooperation will allow us to achieve a more sustainable world order. That is the real challenge we face today.

We know there is a negative correlation between inequalities and sustainable growth. This hampers the reduction of poverty, and prevents women and girls from nurturing their skills. All aspects of sustainable development are affected: health, education and environmental protection. All of this was discussed in some form or another today.

AN INTERNATIONAL ACTION PLAN

On a positive note, we now have a universal agenda, namely the 2030 Agenda for Sustainable Development, which allows us to negotiate and include the fight against inequalities in a substantial manner. It also enables us to convey our message more easily on an international level. In my opinion, this is an excellent platform for all the Member States to join forces in tackling inequalities. Sustainable Development Goal 10 is directly linked to today’s topic, and calls for a reduction of the inequalities between and within countries. Apart from that, this idea of inclusion, of not leaving anyone on the sidelines, is one of the factors that has allowed all the UN countries to agree on this Agenda. Having a platform like this one is extremely important in our policy-making efforts.

THE DEVELOPMENT POLICY OF THE EUROPEAN UNION

Now we have a framework to work with, the new European consensus on development. One of its main characteristics is that it covers development cooperation both at the EU level and through



bilateral agreements. The consensus has truly put the fight against inequalities and discrimination, and for inclusion, centre stage. The aim is for us to reduce inequalities and promote equal opportunities.

As our Director General Stefano Manservigi put it, through various actions, we are fighting inequalities in one way or another: the fight against discrimination, the promotion of decent employment, financial inclusion, the promotion of local development to tackle territorial disparities, the promotion of access to basic services for all, and support to access land or natural resources. However, the scale of the problems is so significant that we need even greater efforts to reduce inequalities in our partner countries.

HOW CAN WE FIGHT INEQUALITIES TOGETHER MORE EFFECTIVELY?

At the European Commission, we are thinking about the best tools to improve our efforts. We will continue to support and strengthen EU cooperation policies to tackle inequalities more efficiently. For example, the investment plan that we are going to implement - which will be essential for growth and job creation - must benefit the entire population, including the poorest and most vulnerable.

We must also consider tools to fight inequalities in the programming, identification, formulation, implementation and follow-up phases. We are committed to strengthening our partnerships in a more targeted manner. After all, when faced with different situations, we must come up with different solutions. We will also need to improve our coordination efforts with the EU Member States to work towards the resolution of these problems together. Faced with issues this serious, Europe can really make a difference, if we all work together. It is also very important to strengthen our cooperation with civil society.

Lastly, we must continue to improve our knowledge and capacities on these particularly complex issues. In this framework, our collaboration with the research team of the AFD is very important. I am delighted to be able to respond to this invitation to strengthen our partnership to see what we can achieve together.

As we have seen, we are facing some significant problems, but we have an agenda that has shown us the way and we have all the tools and determination we need to succeed. We will continue to debate the issues of inequalities and social cohesion, as well as the solutions we can put in place together.

EUROPEAN DEVELOPMENT AGENDA

From our side, the European Union, we will continue to actively focus on this topic. In this framework, we have two key events scheduled:

- 18-19 June 2019: The European Development Days - also known as DevDays - which will be dedicated to inequalities. We will bring together managers, legislators and stakeholders from all over the world to share their analyses and experiences, and to establish the priorities for the future.
- 8-19 July 2019: the High-level Political Forum on Sustainable Development, which will be held in New York. The progress towards a number of Sustainable Development Goals, including goal 10, will be discussed at this event. This is yet another opportunity to discuss inequalities with partners from all over the world. We will be presenting a joint report (EU and Member States) that tries to assess how we can jointly support developing countries in achieving the sustainable development goals. Inequalities play a key role in this report. ◇





More info about the event:

