<u>Annex to the letter dated 25 June 2021 from the Permanent Representatives of the People's Republic of Bangladesh and the Republic of Korea to the United Nations to the Secretary-General of the United Nations</u>

Group of Friends of SDG 10
(Reducing inequality within and among countries)

Summary of Discussions

Updated and submitted to the 2021 High-Level Political Forum held under the auspices of the Economic and Social Council

The Group of Friends of SDG 10 (GoF-SDG 10) was launched in May 2016, following the Special Meeting of the ECOSOC on Inequality held that March under the Korean Presidency. The core idea that steers the Group is that inequality is not a given reality. Indeed, some countries have managed to reduce inequality with targeted policy measures despite the overarching trend of increasing income and wealth disparities in many parts of the world. Such examples demonstrate that inequality is not inevitable, but rather depends on identifying/implementing a functional policy mix.

The Group's guiding objectives are, among others, to (a) advance understanding of intersectional drivers that widen inequality, (b) explore and promote policy options for addressing inequality, and (c) help maintain the political momentum of taking action on inequality, within the framework of the UN.

<u>9th Meeting: Addressing Inequality in the Era of COVID-19 (10 February 2021)</u>

The ninth meeting of the Group brought together representatives from the private sector and international organizations to discuss the subject of "Addressing Inequality in the Era of COVID-19". The meeting benefited from an in-depth presentation by Mr. Simon Baptist, Chief Economist of the Economist Intelligence Unit.

Speakers:
- **Mr. Simon Baptist**, Chief Economist, Economist Intelligence Unit, The Economist Group
- **Ms. Beate Andrees**, Special Representative of the ILO to the United Nations
- **Mr. Robin Ogilvy**, Special Representative of the OECD to the United Nations

- **Mr. Baptist** noted that while the economic growth projection for 2021paints an optimistic picture of recovery, much of this growth will be a mere rebound from the economic slowdown caused by the pandemic. Importantly, the divergence in the speed of the recovery by countries and regions will continued to be observed, which would, in turn, further delay the implementation of SDG10 by another two or three years at least. The pace of the COVID-19 vaccine rollout will remain the key determinant for the paths of recovery. Other factors that will drive diverging speeds of recovery will include fiscal space, monetary policy flexibility, sectoral composition of the economy, degree of export market exposure, levels of public risk aversion and public tolerance for economic uncertainty.

While global poverty levels predictably increased with the economic slowdown, the actual aggregate increase in poverty observed as of February 2021 was slightly below the level projected in early 2020. However, both developed and developing countries are experiencing diminished labor market participation and stock market index increases. If this trend continues for extended periods, the long-term implication for wealth inequality is huge, as capital income levels diverge further and further from labor income levels.

A key difference between the 2008 financial crisis and the current, pandemic-induced slowdown is the emergence of a policy consensus around the need for massive public spending to support the economy. The levels of such "fiscal stimulus", however, also diverge between countries based on the degree of capital market access and other factors. Still, despite the absolute rise in debt stock for many countries, low interest rates, coupled with generally low inflation rates, help to keep debt repayment burdens at levels less disastrous than initially expected compared to those of pre-pandemic times. One major risk in the coming months and years, however, is a sudden increase in interest rates following an inflation spike.

A critical factor in determining the pace of global recovery will be the speed of the vaccine rollout. Faster rollouts are expected in developed countries, while regions with high populations such as Africa and parts of Asia are expected see sufficient coverage by 2023 at the earliest. Such uneven rollouts will not only sap the recovery prospects of countries in these regions but also weigh heavily on the overall global recovery.

While climate change is not directly linked to the pandemic, these two phenomena combined together will present a double threat to long-term recovery from the economic slowdown triggered by the pandemic. Countries that depend on agriculture and outdoor labor—the majority of which are in the developing world—will be especially affected, presenting a massive drag on their fiscal space.

- **Ms. Andrees** noted that one unique aspect of the current pandemic is the massive, unprecedented hit to labor markets around the world, estimated to be over four times the job loss experienced globally during the 2008 financial crisis. This should be a wake-up call for the world and the way it approaches labor, as we wrestle with the impacts of the pandemic and manage the structural changes resulting from climate change, digitalization and other megatrends.

  Such high job losses and impending paradigm shifts call for an immediate and ambitious strengthening of social protection systems in the short term to protect workers from disruptions in economy and society. In the longer term, protection for workers and social dialogue between governments, employers and workers must be strengthened to ensure that workers as well as employers can adapt to the coming changes in a fair and equitable manner.

  It is vital also to initiate political discussions on innovative solutions for worker protection and reducing inequality, such as some form of "universal basic income", as changes and reforms within the existing structure of our economies and societies may not be enough to shield the population from negative consequences of the coming changes.

- **Mr. Ogilvy** noted that the OECD has consistently advocated for an inclusive, resilient recovery from the pandemic, and this applies not only to the domestic situation of each country but also between countries. It is therefore more critical than ever to increase development cooperation to strengthen the social protection and public health systems of all countries.

  One decisive factor for the recovery—and also a major source of inequality in the era of COVID-19—is the pace of vaccine rollout in each country. The OECD estimates that if the current, uneven model of global vaccine distribution persists, the net economic effect due to delayed recovery that the world must bear will amount to over 9.2 trillion USD.

- During the Meeting's **interactive discussion**, some Member States expressed their agreement with the speakers' emphasis on the key role of vaccines in enabling global economic recovery and called upon all governments and relevant stakeholders to work towards fairer, more equitable distribution of vaccines.

- Other Member States noted that we need more than macroeconomic indicators to fully capture the vulnerabilities, inequities and other challenges faced by vulnerable or marginalized people, such as women, youth, persons with disabilities and indigenous peoples, and that continued UN-led discussions on how the pandemic, climate change, digitalization and other megatrends will negatively affect these groups of people are needed.

8th Meeting: Main findings of the World Social Report 2020 (19 February 2020)

The eighth meeting of the Group brought together experts from the UN Secretariat, civil society and representative of the Member States to discuss the key findings of the 2020 World Social Report on the subject of "Inequality in a Rapidly Changing World", with a focus on the economic, social and environmental "mega-trends" that are affecting and will impact levels and dynamics of inequality around the world.

Speakers:
- **Mr. Elliott Harris**, Assistant Secretary-General for Economic Development and Chief Economist, Department of Economic and Social Affairs
- **Ms. Liv Torres**, Director of Pathfinders for Peaceful, Just and Inclusive Societies, New York University Center for International Cooperation
- **Mr. Savior Mwambwa**, Program Officer, Economic Justice Program, Open Society Foundation

- Presenting the main findings of the Report, **Mr. Harris** emphasized that inequality in human society is not destiny but rather a matter of public policy. Against this backdrop, the world faces four megatrends that will affect the prospect of reducing inequality depending the on the policy measures taken at different levels of governance: technological revolution, climate change, urbanization and international migration.

  These megatrends and the current state of inequality are not foregone conclusions. Rather, judicious policymaking can manage the negative effects of these megatrends and ensure that the benefits of their disruptive changes are equitably shared. While traditional thinking on inequality focused on income and wealth individually or combined together, a more prominent focus on "access to opportunities" is needed in thinking about inequality. In more practical terms, this means applying an "equity lens" to all relevant policymaking decisions, assessing how each new policy or update to existing policy will contribute to (1) promoting equal access to opportunities, (2) instituting a macroeconomic policy environment conducive to reducing inequality, and (3) promoting the participation of disadvantaged groups in economic, social and political life.

- **Ms. Torres** noted that inequality cannot be fully understood in absolute terms and that relative "perceptions" of inequality play a heavy role on how inequality is felt, understood and digested by people, with racial, ethnic, gender and other identities accentuating and putting inequality into starker relief.

  As other speakers have noted, politics and governance are both a source of and a solution for inequality in our societies. SDG 16 in all its facets (peace, justice and inclusive institutions) faithfully captures the key elements required for actions and the enabling political, social and economic conditions for reducing inequality in all its forms. Its full implementation is an urgent priority, and the role of civil society and other stakeholders is essential. It is thus alarming and concerning that the civic space required for meaningful stakeholder participation is shrinking in many countries.

- **Mr. Mwambwa** noted economic inequality and political inequality are mutually reinforcing in a "vicious cycle" that constantly lessens the opportunities and space for reducing inequality in our societies.

  Strategically, it is necessary to highlight the "costs" of inequality on the people's wellbeing, health, political participation and our environment. Concerted efforts to increase the visibility of these costs in the lives of ordinary people and vulnerable populations can eventually become the necessary political incentives to act in the institutions of power.

  In that regard, creating a "political infrastructure" that meshes together stakeholders in public institutions, political arena, civil society and other parts of society is critical in translating political will and public demands into real changes. One specific aspect that should not be overlooked in building such political infrastructure is increasing the capacity and role of local governments, which can be most responsive to public demands and intimately identify specific areas needing support and change.

- During the Meeting's **interactive discussion**, some Member States noted that forging a common sense of belonging based on a physical, fiscal, and emotional "common arena" is essential in fostering social cohesion and reducing inequality. Continued investments into and prioritization of such an objective must be led by national governments, with a particular focus on increasing access to education and progressiveness of tax systems that can be the fiscal basis for inclusion, social cohesion and common identity. Support from public-private partnerships and innovative forms of development cooperation will also be necessary.

- Other Member States noted their support and subscription to the "cross-sectoral" approach to reducing inequality as highlighted by the 2020 World Social Report, underlining that action to boost inclusion and reduce inequality in the four issue areas highlighted by the Report can be mutually reinforcing.

- Other Member States also noted that historical and ongoing examples suggest that regional cooperation between countries can contribute significantly to reducing inequality within countries and between countries in the same region, benefiting from policy peer-learning, mutual assistance and more.

- Other Member States further noted that the World Social Report and similar analytical reports from the UN Secretariat could be better utilized by the UN Country Teams in planning and executing tailored country support.

The following was previously submitted to the 2019 High-Level Political Forum held under the auspices of the Economic and Social Council

7th Meeting: Private sector's role in reducing inequality (19 February 2019)

Seventh meeting of the Group brought together experts from private sector, academia, and UN funds and programmes to discuss various ways the private sector can help reduce inequality of all kinds and how partnership between the public and private sectors can be strengthened.

- Speakers noted that the private sector can help reduce inequality of all kinds by mainstreaming sustainability and inclusivity into their operations and by implementing programs and projects specifically aimed at improving economic and social inclusion through capacity building and offering economic opportunities. One speaker offered an example of how companies are leveraging their supply chains with sustainable and inclusive supply chain management programs to incentivize improved environmental sustainability, human rights, improved working conditions and to improve access of small and medium enterprises into the supply chain through capacity building.

- With the rise of technology based global companies and the importance of technology in economic activity, education and etc, it was also noted that the private sector can play an important role in ensuring digital inclusion and, and in the process, also provide opportunities for higher educational attainment, decent work and social mobility, especially for underserved and vulnerable groups.

- Other speakers noted that it was important to determine which sectors of our economy and society that public-private partnerships can be useful in increasing access to service and economic opportunities for people. For example, big infrastructure projects vital for economic growth were pointed out as clear cases where such partnerships are both useful and essential, while in other areas with more social objectives such as slum upgrading or nutrition, the benefits of public-private partnerships in reducing inequality remain ambiguous. These speakers also expressed the need for more incentives and regulatory measures to encourage private sector to take on sustainability and inclusion concerns into their practice, especially emphasizing the role that 'soft laws' such as industry norms, social expectations and publicity can have in persuading the private sector.

- It was also noted by the speakers from the private sector that, in their experiences, there were substantial demands from governments in both developed and developing countries for partnerships with the private sector to increase sustainability and inclusion. These speakers also highlighted the value of UN entities in providing a bridge between the public and private sectors and also in the global policy expertise they can provide in developing and refining private sector programs in sustainability and inclusion.

- Member States participating noted that the contribution of the private sector in sustainable development reducing inequality can be enormous, especially in developing countries with growing youth populations and SIDS countries and especially in areas such as financing for development, though private sector development is lagging behind and there is a need for better incentives and enabling policy environments for the private sector. Other Member States emphasized that the private sector can sometimes increase inequality in a country, evidenced for example by the massive amounts of illicit financial flows that exit developing countries via companies. The need for better tools to measure the sustainability impact of private sector activities was also noted.

6th Meeting: Fourth Industrial Revolution and inequality (28 February 2018)

Sixth meeting of the Group brought together experts from civil society, academia, UN secretariat department, UN funds and programmes to discuss the potential opportunities and challenges to reducing inequality posed by the emerging technological transformation represented by the so-called Fourth Industrial Revolution.

- Speakers noted that, while there is growing concerns over potential massive job losses due to automation and other technologically driven changes, it is likely that there will be a decentralization of production patterns and a restructuring of the labor markets that will lead to elimination of some professions and sectors and emergence of new jobs and sectors. Some speakers expressed that such decentralization will empower individuals to join the 'creative economy' offering bigger share of value creation to individual producers, while other speakers voiced concern that, while such decentralization may not result in massive job losses, larger portion of the workforce may be consigned to low-paid jobs with worse conditions.

- Speakers also noted that technological diffusion is not an automatic process but one that can be guided and shaped by public policy. With the emergence of 'platforms' that coordinate this decentralized economy, it may be useful to consider more innovative, 'treaty-like' approach to regulate behaviors of large companies and induce more democratic forms of economic governance, instead of more traditional regulatory regimes. A new form of social contract between different segments was also noted as a key to ensuring benefits of technologically driven changes are fairly distributed.

- One key policy recommendation echoed by the speakers was a deeper emphasis on 'transition' education that can re-tool the workforce, while other policies, such as universal basic income, more comprehensive social protection programs, strengthened labor rights, and developing more cooperative forms of production to empower individual workers and producers, were also proposed as potential solutions.

- Member States participating expressed agreement that technologically driven changes can and should be shaped by policy choices of governments at the national and international levels, and that the UN could play an important role in the governance of emerging technologies, create a compelling case for ensuring technology use benefits all, and fill the gap in governance of emerging technologies. The idea that the LDCs will be the most affected by technologically driven change given their labor market composition and that these countries will need scaled up international cooperation to prepare them for coming changes was also voiced.

5th Meeting: Data and inequality (6 July 2017)

The fifth meeting of the Group brought together experts from civil society, UN secretariat departments, multilateral development bank and other organizations to discuss the role that data can play in realizing the aim of 'leaving no one behind' enshrined by the 2030 Agenda, as well as the need and means to improve data capacity of governments to better identify such groups. One particular civil society initiative of relevance, entitled the 'P20 Project' launched by Development Initiatives, was presented as a case study.

- During the presentation on the P20 Project, the speaker from Development Initiatives emphasized that a 'data revolution' that can ensure that everyone is counted is one of the most crucial ways that we leave no one behind as the SDGs are implemented. The reality, however, is that many countries currently lack the capacity to track the extent and degree of poverty. In the absence of robust and universal data collection capabilities to directly measure poverty, it can be useful to use proxy indicators of poverty, such as income levels, health, civil registration status and others. These proxy indicators can represent interim solutions for identifying vulnerable groups and differing dimensions of poverty, thus providing evidence base for tailored policies to increase access to public services and other assistance.

- Other speakers touched upon the need to continuously improve the countries' ability to collect large quantity of quality, disaggregated data, especially through their respective national statistical offices (NSOs). Equally important is to have a robust data architecture at the national level that can effectively integrate data from disparate sources—such as complex, disaggregated data, geospatial data, private and citizen data, and etc.—that are necessary to create a detailed, realistic mapping of poverty in a given country. Another point was that developing even basic data on poverty in the least developed countries (LDCs) is an urgent task requiring priority, given that nearly 50% of those living in extreme poverty are in LDCs.

- Member States participating agreed that data is central to reducing inequality and shared cases from their respective countries of data in action to identify vulnerable groups. Some Member States noted that there needs to be more efforts to integrate data on poverty with climate vulnerability data, while others noted that poverty in conflict-affected areas should also be given due attention. Parity in collection and analysis of data between urban and rural areas was also noted, as well as the need to accelerate assistance to countries to build data related capacity.

4th Meeting: Gender inequality and social protection (27 January 2017)

The fourth meeting of the Group brought together representatives of Member States, including at the ministerial level, and representatives of an international economic organization and a UN specialized agency for a discussion on the social and economic dimensions of inequality within countries and especially gender inequality.

- One Member State from Europe stated that while many European countries do not have a significant low-income population, the access to and gaps in social protection systems remain a problem for different segments of society. Other Member States emphasized that access to quality early childhood care and education can be a key to increasing inter-generational social mobility and to enabling more women to join the economy, while some Member States noted that many countries are focusing on early childhood care and education as a way to increase social mobility and gender equality.

- Some Member States noted the substantial contribution of diaspora populations in bolstering social protection systems, both formal and informal, in their home countries through remittances, and stated the need to include remittances and other informal instruments in planning to improve social protection systems. In addition, the constraints on remittance payments imposed by taxes on remittances and high transaction costs diminish the inequality-reducing effects of remittances, and called for solutions to solve such problems.

- The speaker from the international economic organization emphasized the need to expand social protection and welfare systems, capacity building for disadvantaged groups, move towards a more progressive taxation system, and applying more innovative and technologically based solutions to widen social protection coverage.

3rd Meeting: Regional integration and inequality (31 August 2016)

The third meeting of Group brought together representatives of Member States to discuss the challenges of overcoming inequality between countries in a given region and how regional integration can help alleviate such inequality. The meeting benefited from a case study of European integration.

- During the presentation on the European integration project, the speaker from the EU Delegation emphasized that the decades of economic integration led by the members of the European Union (EU) led to the convergence of national income between EU countries and EU accession countries, and this trend continued after the accession countries joined the EU, evidenced by their rising national income after accession. One major reason for such a successful and co-beneficial economic integration was the active use of regional and social development funds, as well as funds to help accession countries prepare for accession, and the harmonization of regulatory policies across different sectors of the economy.

  Despite such decrease in economic inequality between countries, many EU countries are currently facing rising inequality *within* countries, coupled with rising debt levels, insufficient levels of EU budget, and increasing economic competition from non-EU countries. In response to these challenges, the 'Europe 2020' plan was launched to ensure higher employment levels, higher education attainment levels, reduced social exclusion and strengthening of social protection systems across the EU.

- Some Member States noted that the EU integration case showed that pro-active and concerted policy choices at the regional levels can reduce inequality between countries, while other Member States expressed that regional integration elsewhere, in areas such as the CARICOM, may yield different results that are not convincingly positive. It was noted also that, in regions with high number SIDS countries who heavily depend on economies outside their regions for their own economic activities, premature economic integration may yield negative results.

- Some Member States noted that the EU integration case shows that, while regional integration can bring benefits of its own for countries, the rapid expansion and integration of global economic market has produced uneven results between large economic actors, such as global corporations, and the populations at large.

2nd Meeting: General debate (27 June 2016)

The second meeting of the Group brought together an inequality expert from academia and representatives of Member States, including at the ministerial level, for general debate on the implementation of SDG 10.

- Speaker from academia noted that, based on the available data of in-country inequality, inequality rates across the world is increasing on average. Current levels of inequality in many countries not only hinder the realization of the principle of "leaving no one behind" but also impede economic growth and meaningful social mobility.

- Some Member States argued that inequality is a result of political choices and therefore should be tackled with political responsibility with policies to reduce gender income gap and inequality in access to education, promote progressive taxation system, and focus on the most disadvantaged and vulnerable groups first.

- Other Member States noted that the issue of inequality, both within and between countries, is cross-cutting and therefore related to issues ranging from migration, sustainable consumption/production, taxation, healthcare access and health outcomes, trade, among others. It was also noted by some Member States that, given the cross-cutting nature of SDG 10, there was a need to clearly delineate between inequalities within and between countries and focus on the specific targets of SDG 10.

1st Meeting: Launching of the Group of Friends of SDG 10 (20 May 2016)

The first meeting of the Group was held to launch the Group and exchange ideas on the direction of discussion it will undertake. It brought together experts from UN secretariat departments and academia.