

Country:

Colombia

Project name:

***Inequality research and
policy support for a more
inclusive fiscal system***

Partners:

Fedesarrollo; National Administrative
Department of Statistics (DANE);
Ministry of Finance (*Hacienda
y Crédito Público*); National Planning
Department (DNP)

Duration:

2020-2025



The EU-AFD Research Facility on Inequalities

The Agence Française de Développement (AFD) and the European Union (EU) have made the fight against inequality one of their respective priorities. It is in this context that they began their collaboration to reduce inequalities, with the implementation of the first phase of the EU-AFD Research Facility on Inequalities in 2017,

and its Extension since 2020. The programme aims to contribute to the implementation of the 2030 Development Agenda, in particular the fight against inequality (Sustainable Development Goal 10).

In order to better understand socioeconomic inequalities, their determinants, effects and dynamics,

22 research projects were carried out in 32 countries between 2017 and 2020. More than 100 research papers and policy briefs were published during the first phase of the Facility, which have enriched the academic debate as well as initiated national exchanges on the theme of inequality in the countries concerned.

Phase 2: the Extension

Following the success of the Facility's first phase, the AFD and the European Union have decided to continue the programme with a second phase: the Extension. This new phase, financed with €3 million by DG INTPA over the period 2020-2025, will focus on four middle-income countries: Colombia, Indonesia, Mexico and South Africa.

In the short and medium-term, this programme will enable partner countries to better understand the factors leading to inequality

and to identify possible solutions that could be implemented to better respond to the challenge of reducing inequalities through effective public policies. The policies supported under the Extension will be the result of close dialogue

with the governments and will be based on research conducted with local research centres, building on the results achieved so far by the Facility, both in terms of methodologies developed and synergies established.

2017 —————> **2020** —————> **2025**

PHASE 1

- 1/ Projects selection (22)
- 2/ Implementation
- 3/ Research - Methodologies and approaches development
- 4/ Knowledge dissemination

PHASE 2 THE EXTENSION

- 4 projects - Colombia, Indonesia, Mexico and South Africa:
- using the methodologies and approaches from the first phase
 - building more effective public policies to reduce inequality

Context

With a Gini coefficient of income distribution between 0.55 and 0.6 (before and after redistribution), Colombia has one of the highest levels of income inequality in the world, the second highest in Latin America and the Caribbean (PNUD, Desarrollo Humano 2021) and the highest among all OECD countries. Despite overall growth rates above 3% per year, which has enabled many people to escape poverty, the

high level of inequality in Colombia remains a significant constraint to economic growth and social progress. Territorial and ethnic inequalities continue to hinder social mobility, with the result that Colombia is one of the countries with the most persistent inequality between generations. The Covid-19 pandemic has also certainly reinforced these levels of inequality, particularly in terms of access to education and health. To

address this, Colombia has made considerable efforts in its latest national development plans, showing its willingness to move in the right direction to fight poverty and inequality in line with SDGs. For example, the country has implemented social programmes to support certain sectors of the population, such as the 'Ingreso solidario' (solidarity income) for the most vulnerable during the Covid-19 pandemic.

Share of income by population decile in Colombia (2002-2020)



Source: Multidimensional inequality diagnostic for Colombia

1 to 5 6 to 7 8 9 10

Extension initiatives

Through the Extension of the Research Facility, the AFD and the EU seek to accompany the Colombian government in implementing effective public policies to reduce inequalities.

In an initial step, an inequality diagnostic based on the methodology developed under the first phase of the Facility will be carried out in collaboration with the Fedesarrollo think tank. The diagnostic will provide a detailed overview of inequalities in the country and make it possible to identify the critical factors that shape inequalities. With the aim of leading to evidence-based public policies, this research will also promote spaces for dialogue between the different stakeholders in Colombian society to raise awareness and facilitate the implementation of the reforms

or programmes the country needs to reduce inequalities.

Considering the major social and climate challenges facing the country despite significant government investment, particular emphasis will be placed on the discussion of Colombian fiscal policy and public spending. This aspect will be addressed and supported within the framework of the Extension, using the fiscal incidence assessment methodology developed by the Commitment to Equity Institute, which was also used during the first phase of the Facility in different contexts. This study will allow a simulation of the impacts of a set of policies and programmes on inequalities, and aims to be a crucial tool for the Colombian National Planning Department and Ministry of Finance.

Implementation
of the Colombian
inequality diagnostic

Identification of opportunities
and policy initiatives with an
inequality-reducing impact

The AFD and the EU provide
technical and thematic support
to the Colombian government

YEAR 1

YEAR 2

YEARS 3-5



researchfacilityinequality@afd.fr
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