



**A RESEARCH
FACILITY
TO BETTER UNDERSTAND
INEQUALITIES**



Financed by the
Development Cooperation
Instrument
of the European Union



“Identify the mechanisms which create inequalities”

RÉMY RIOUX, CEO of the AFD group



Over the last 30 years, inequality between the very rich and the very poor has risen in most countries in the world. In the global South, 75% of the inhabitants live in a country that is more unequal now than it was in 1990. But inequalities affect countries' economic trajectories, tear the social fabric and can

generate tensions and political instability. The reduction of inequality has been unanimously recognized as a global concern by all countries and with particular force by the UN Secretary-General himself. Indeed, this issue has been recognized as a Sustainable Development Goal in its own right, SDG 10—a considerable challenge to be met by 2030. Reducing inequalities will also be at the top of the agenda for the G7, which France will host in 2019.

At the AFD, the fight to reduce inequality and strengthen the social fabric has become one of the five operational priorities of our strategic plan for 2018-2022. We intend to be a “100% Paris Agreement” agency, on the one hand, in order to preserve the environmental commons, and a “100% social link” agency, on the other, so that all our interventions contribute to strengthen social cohesion. At a time when a great ecological transformation is finally being achieved, we believe the question of inequality must be forcefully raised anew. Climate change calls for new terms in which to address issues of social justice and the social link, as they take shape among generations, territories, individuals and social groups. The strength of the social fabric is one of the conditions for success in the fight against climate change. Climate and the social fabric are inseparably linked.

However, to take effective action against inequality and its links with climate, we must

first understand it. We must learn to measure inequality better, we must better grasp its causes and determinants, we must find the best means of counteracting it in all areas (education, health, gender, labor market, tax reforms, development of territories, etc.). In recent years, at the AFD, we have led several research projects dedicated to this issue, on the middle classes in Côte d'Ivoire, Brazil, Turkey and Vietnam, and on social cohesion in South Africa, in partnership with researchers from these different countries. These projects are enabling us to identify the mechanisms which engender inequalities, as well as to support the development and implementation of effective strategies and actions in the field.

“Building a common vision for combatting inequality effectively.”

Today, we wish to go beyond this indispensable country-by-country approach and to contribute to build a common vision for effectively tackling inequality

This is exactly what the European Union—which I thank—is enabling us to do with this €4 million-research facility and the 20 research projects it funds. Funds delegated by the European Union, which represent €550 million deployed in 2017 by the AFD to support 38 projects, have been essential for it. They are allowing us to go further and deeper in understanding the causes of phenomena which delay developmental transitions. Together with the European Union, we are building a platform for dialogue with all stakeholders (researchers, partner countries, financial institutions), so that we can do research and draw conclusions together, in order to implement effective strategies and actions in the field. Together we are building an ecosystem, at the service of sustainable development, a concept that has been at the heart of our European project since its very beginning.

“A new research facility dedicated to inequalities”

STEFANO MANSERVISI, Director General for International Cooperation and Development at the European Commission

Has humankind ever enjoyed living standards as high as nowadays? If we are to believe the Human Development Index (HDI), calculated by the UNPD, the progress has been dazzling: the HDI's average has risen from 0.597 in 1990 to 0.728 in 2017. At the same time, inequality has never been so extreme. Could it be the necessary consequence of growth?

In-depth research in several countries has demonstrated that this isn't the case. It is possible, in fact, to attack the root causes of inequalities and reduce their impact, as it has been done in Latin America or Ethiopia with the adjustment of the minimum tax threshold and the extension of the Productive Safety Net Program.

These actions require the implementation of concrete policies for promoting economic inclusion, adaptive fiscal policies, and social policies which leave no citizen behind, in order to ensure a level of social cohesion that enables everyone to find their place in society. It also depends on a thorough understanding of all the kinds of factors which generate inequality. To better address this complex challenge, we must first know its causes and consequences. That's what we believe.

“It is possible, in fact, to attack the root causes of inequalities and reduce their impact”

This is why in 2017 we launched a new research facility dedicated to social and economic inequalities in the context of our thematic program on issues related to global public goods. The goal is to analyze inequality and its origins, but also to bolster European development cooperation's contribution in the fight against inequality and the enactment of the 2030 Agenda.

We have decided to entrust this facility to the AFD. Not only because it is one of the rare bilateral stakeholders to boast a built-in research structure, but also, importantly, because it has already been leading innovative research projects on this topic. In South Africa, for example, the AFD partnered with the University of Cape Town in a study that contributed to revealing the critical role that inequality, as perceived by South Africans, exerts on social cohesion. The partnerships the AFD has developed with research centers in developing countries, which our facility seeks to strengthen, are an essential—and fruitful—aspect of our collaboration.

We wished to harness this momentum to develop an European-scale effort to better understand socioeconomic inequality. Our common vision is based first and foremost on in-depth research—based on the analysis of facts and evidence—on extraordinarily complex issues that also have a tendency to arouse passionate debate. We are very pleased to contribute to these debates.



Funding research to better understand inequalities

This European Commission initiative implemented by AFD aims at improving knowledge and understanding of economic and social inequalities in order to more effectively tackle the issue of inequality. A challenge which we must take on so as to contribute to development.

Certain economists have shown that inequality hinders growth. It also generates negative externalities on poverty and social cohesion. Inequality not only reduces the effectiveness of development policies, it also undermines the social links that are essential to ensure trust and solidarity within societies.

Excessive inequality can erode social cohesion, lead to political polarization and ultimately lower economic growth.

It is therefore vital to reduce inequality in order to promote growth that is sustainable and shared by all. It is essential to gain a better understanding of the factors which determine inequality and their consequences in order to improve public policies that aim to fight it.

A better understanding of inequality for a more efficient response

This is the goal of this extensive research program involving the Member States of the European Union and actors of development (from the fields of academia, politics or civil society) who are working on the topic. The aim? To strengthen the overall contribution of the European development cooperation to the fight against inequality.

The program is financed with €4 million from the European Commission and coordinated by AFD, which is leading various studies with academic and institutional partners in a number of developing, emerging and developed countries. The research projects supported in this context will be used to identify the most relevant approaches and policies to fight inequality. In other words, their goal is to outline solutions.



€4M

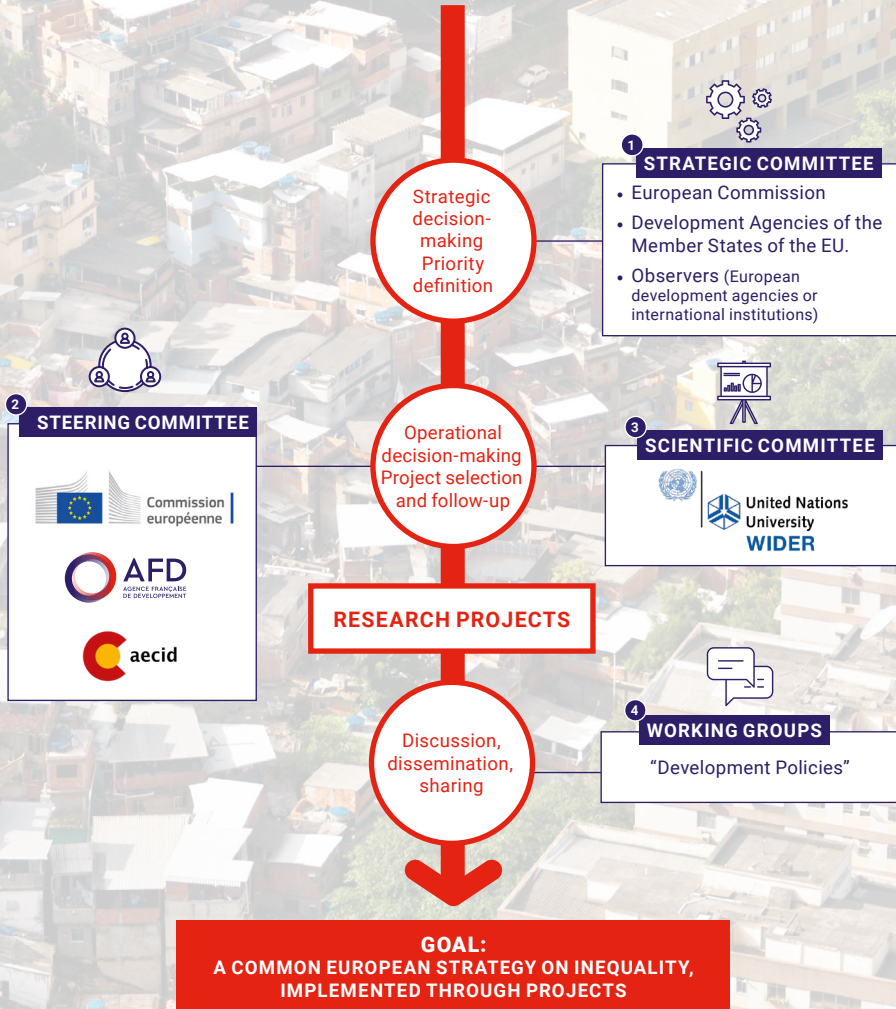
over 3 years

20 research projects are being financed for three years (2017-2020). At urban level, in emerging or developing countries or at global level, they are exploring various thematic dimensions of inequality: taxation and fiscal policies, social protection, health, education and employment, access to housing and water services, agricultural practices, etc.

Building a common response

With this research facility, the AFD and the European Commission Directorate-General for International Cooperation and Development (DevCo) want to initiate a common thinking with EU Member States on inequality in the context of the implementation of the 2030 Agenda. The aim is to ultimately build a coordinated response and strengthen the contribution that European development agencies make to the fight against inequality.

Research Facility governance



- ① **A strategic committee** constituted of organizations active in the fight against inequality meets once a year. It determines the strategic priorities of the research facility and ensures the Member States coordination with respect to the 2030 Agenda on inequality.
- ② **A steering committee** consisting of AFD, DevCo and AECID meets twice a year. It selects the research projects to be funded and carries out their scientific monitoring.
- ③ **A scientific committee** whose role is to support AFD in selecting the research projects, as well as their scientific monitoring.
- ④ **“Development Policies” working groups** whose role is to reflect, together with the governments involved in the country/city research projects, on the way in which the projects’ results can be used to develop inclusive public policies.

20 research projects financed

Over 60 researchers, 40 AFD agencies, EU delegations and other local authorities mobilized



CITY STUDIES

1 Housing
Affordable housing and inequalities in South Africa
 ■ Human Science Research Council (HSRC)
 📍 Durban, Johannesburg, Cape Town (South Africa)

2 Water
Inequalities related to urban water services
 ■ Postgrado en Ciencias del Desarrollo, Universidad Mayor de San Andrés
 📍 La Paz, El Alto (Bolivia)

3 Housing
Urban inequalities within cities hosting refugees in Jordan
 ■ University of Yarmouk
 📍 Amman, Irbid (Jordan)

COUNTRIES STUDIES

4 Labor market
Understanding the dynamics of the earnings distribution
 ■ Southern Africa Labour and Development Research Unit (SALDRU), University of Cape Town
 📍 South Africa

5 Social policies
Inequalities through multidimensional poverty and trajectories of school leavers
 ■ Institut supérieur des sciences de la population (ISSP)
 📍 Burkina Faso

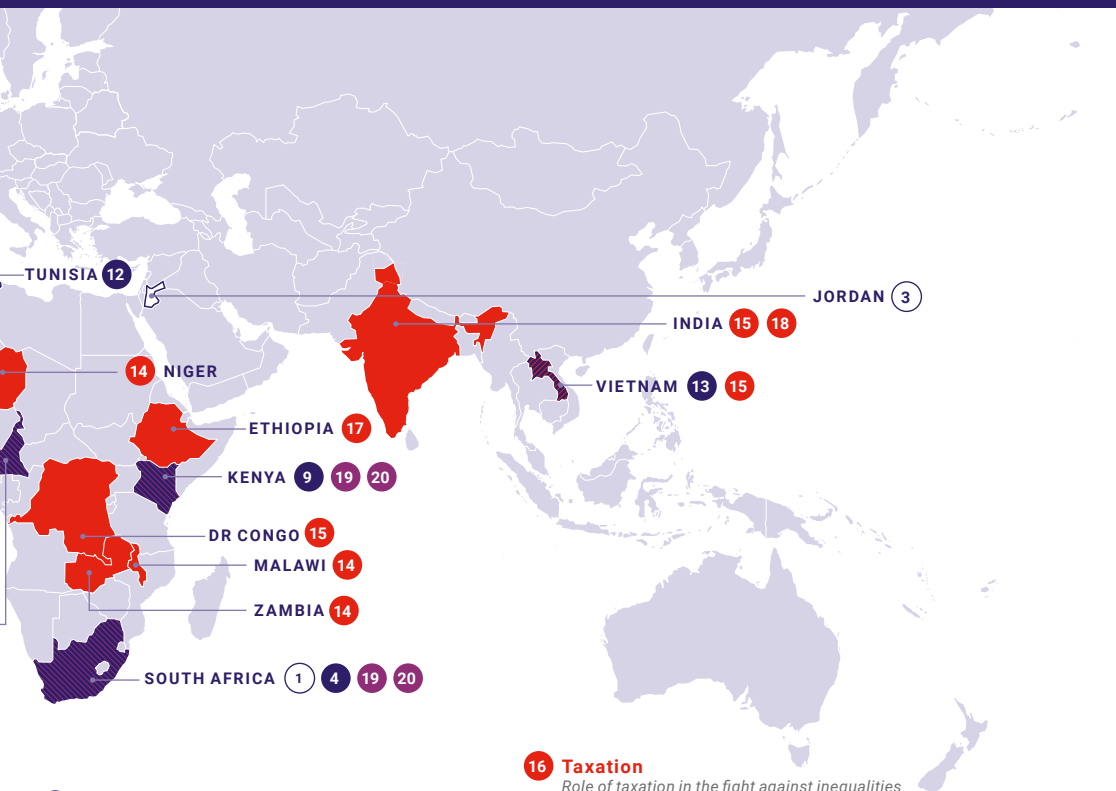
6 Structural transformations
Structural change, growth models and inequalities
 ■ Institut national de la statistique (INS)
 📍 Cameroon

7 Social cohesion
Inequality in access to basic services and the impact of public policies
 ■ Laboratoire d'analyse, de modélisation et de prospective économique (LAMPE), Université Alassane Ouattara de Bouaké
 📍 Côte d'Ivoire

8 Inclusion
The dynamics and interactions of income inequality and inequality of opportunity
 ■ Institute of Statistical, Social and Economic Research (ISSER), University of Ghana
 📍 Ghana

9 Taxation
Inequality diagnostic and fiscal incidence
 ■ University of Nairobi
 📍 Kenya

10 Social mobility
Inequalities, social mobility and perceptions
 ■ El Colegio de México and Centro de Estudios Espinosa Yglesias
 📍 México

**11 Sustainable agriculture**

Agroecology public policies and income inequalities in rural regions

📄 Institut sénégalais pour la recherche agricole (ISRA)
📍 Senegal

12 Territorial development

Social, economic and regional inequalities

📄 Agence nationale pour la promotion de la recherche (ANPR)
📍 Tunisia

13 Analysis framework

Multidimensional inequalities study

📄 Oxfam Intermon
📍 Burkina Faso, Vietnam

GLOBAL RESEARCH PROJECTS**14 Health**

Assessing equity in health spending in Sub-Saharan Africa

📄 Institute of Public Health, Heidelberg University
📍 Burkina Faso, Malawi, Niger, Zambia

15 Education

Public policies, private higher education development and inequalities

📄 Centre population et développement (CEPED), Institut de recherche pour le développement (IRD)
📍 India, Mali, México, Peru, Democratic Republic of the Congo (DRC), Senegal, Vietnam

16 Taxation

Role of taxation in the fight against inequalities

📄 Unité mixte de recherche Développement, Institutions et Mondialisation (DIAL)/Institut de recherche pour le développement (IRD)
📍 Côte d'Ivoire, Mali, Senegal

17 Social protection

The distributional impact of social protection: short- and longer-run inequalities

📄 Université du Luxembourg
📍 Ethiopia, India, Peru

18 Regional policy

Analysis of multidimensional inequality and impacts of regional policy on inequality

📄 Oxfam Intermon
Project cofinanced by the Spanish agency of international cooperation for development (AECID)
📍 Central America and West Africa

TOOLS**19 Diagnostic**

Inequality diagnostics – a tool for analyzing inequalities in Africa

📄 African Center of Excellence for Inequality Research
📍 South Africa, Côte d'Ivoire, Ghana, Kenya

20 Taxation

Fiscal incidence analysis

📄 Commitment to Equity
📍 Cameroon, Kenya, Morocco, South Africa

Close-up on 6 projects

Inequality diagnostics—a tool for analyzing inequalities

 **Partner:** African Center of Excellence for Inequality Research

The trend toward inequality reduction that has been observed on a global scale over the past 25 years appears to have been driven by the convergence in GDP per capita across nations. In reality, the average level of inequality within countries has been on the rise since the 2000s.



AFRICA

Africa is now the most unequal continent in the world: in 2016, the wealthiest 10% of the Sub-Saharan African population took in more than 54% of national revenues. It is essential that international initiatives address the continent effectively. Its specific challenges must be integrated into analyses of inequality, which serve as the basis for public policy.

Developing diagnostic tools and building capacities on the topic of inequality.

Without fully understanding the context and structure of inequalities, interventions designed to reduce them run the risk of proving ineffective, or even counterproductive. The Center for Excellence, which specializes in studying inequality in Africa, addresses the problem of analysis and measurement. It aims to develop diagnostic tools and capacity-building related to socioeconomic inequalities.

The role of tax policy in reducing inequality

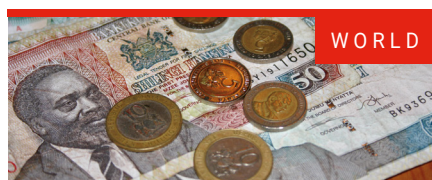
 **Partners:** Unité mixte de recherche Développement, Institutions et Mondialisation (DIAL) – Institut de recherche pour le développement (IRD)

Meeting SDG 10 targets for inequality requires the implementation of economic policies which mobilize tax policy, social transfers and public expenditures and are favorable to the poorest segments of societies. The mobilization of fiscal revenues can also work to finance sustainable development goals. But are higher tax levels compatible with reducing inequality?

Improving the understanding of the relationship between income inequality and fiscal policies.

improve understanding of the relationship between income inequality and fiscal policy in developing countries. It is based on three

This research is led by the joint research unit Development, Institutions and Globalization (DIAL) of the IRD. It aims to



WORLD

components. The first examines the distributional effects of taxes and transfers in three West African countries (Côte d'Ivoire, Mali, Senegal). The second studies the impacts of different kinds of taxes on economic inequalities in order to compare the progressiveness of fiscal instruments in developing countries. Finally, the third aims to understand the links between inequalities and individuals' attitudes toward the tax system.

JORDAN



Urban inequality in refugee host cities

Partner: University of Yarmouk

At the end of 2015, Syrian refugees represented almost 12% of Jordan's population. As the refugees leave camps managed by the United Nations, they move into cities. This impacts economic life and resource distribution in urban areas and increases inequality among residents.

Undertaken with the University of Yarmouk, the study investigates changes in inequality between 2010 and 2016 in Amman and Irbid.

Undertaken with the University of Yarmouk, the study investigates changes in inequality between 2010 and 2016 in Amman and Irbid, where 194,000 and 140,000 Syrians live, respectively, according

to the High Commissioner for Refugees. On the one hand, it analyzes the impact of the influx of Syrians on economic inequalities (income, growth, poverty, etc.), and on the other hand, it analyzes their impact on the housing market (housing market prices, the proportion of household expenses devoted to housing, etc.). The project also addresses the urban development policies implemented in response to urban population growth. Insofar as possible, the study will consider informal housing and economic activities.

Inequalities, social mobility and perceptions

Partners: El Colegio de México
– Centro de Estudios Espinosa Yglesias

Mexico has one of the highest rates of economic inequality in Latin America: 40% of the population lives below the poverty line and social mobility is very limited. The research project led by El Colegio de México and the Centro de Estudios Espinosa Yglesias investigates the link between economic inequality and social mobility. What are the mechanisms behind the relationship between economic inequality and social mobility? This is one of the questions the project aims to answer.

Does low social mobility contribute to tolerance for economic inequalities?

MEXICO



The project also explores Mexicans' perceptions of inequality and social mobility. The project's results will provide important recommendations for public policy, but, above all, will offer insight into the differences between perception and reality.

TUNISIA



Economic, social and regional inequalities

Partner: Agence nationale pour la promotion de la recherche (ANPR)

Economic, social and regional inequalities are a major issue in Tunisia for political as well as social justice reasons. Their increase threatens social stability and harmony in the country, which discourages private enterprise, slows investment and reduces productivity.

Advancing the description and diagnosis of inequalities and exploring the factors that determine their spatial distribution.

Led by the National Agency for the Advancement of Scientific Research (ANPR), the University of Tunis and the University of Tunis El Marsa, this project bears on inequality in all its forms, in

particular in its territorial and regional dimensions. It is a question of deepening the description and the diagnosis of inequalities and to explore the factors that determine its spatial distribution. The goal is to achieve a new perspective on the roles played by human capital, both acquired and inherited, as well as by social capital. Ultimately, the project will allow for the conception of new decision-making tools to improve policies for fighting inequality in Tunisia.

Inequality in access to basic services and the impact of public policies

Partner: Laboratoire d'analyse, de modélisation et de prospective économique (LAMPE), Université Alassane Ouattara de Bouaké

While Côte d'Ivoire's economy has flourished since 2012, with a growth rate of around 8%, inequality has barely decreased: nearly 40% of the population is missing out on the growth.

Important exchanges on research conducted by the AFD, Ivorian authorities and local researchers.

This research project aims, firstly, to diagnose inequality in Côte d'Ivoire, and secondly, to launch scientific/academic studies on three topics: the impact of shocks on inequality,

inequalities in access to education and high-quality health services, and public policy's impacts on inequality.

Led by the University of Bouaké, this project is part of a broader research initiative conducted by the AFD, Ivorian authorities and local researchers. The AFD and the Ivorian Ministry of Planning and Development have been affiliated through a Strategic Dialogue Memorandum since 2016.

CÔTE D'IVOIRE



It is essential to reduce inequalities because they hinder development



**AN INTERVIEW WITH
GAËL GIRAUD**
Chief economist at AFD

It is essential to gain a better understanding of what determines economic inequalities, as well as their consequences and the public policy drivers able to reduce them.

While global wealth is increasing, income inequalities are rising inside countries. In developing countries, income inequalities rose by 11% between 1990 and 2010, according to the United Nations Development Programme.

Inequalities weigh down development

The rise in inequality weakens the social fabric, jeopardizes sustainable development and undermines the effectiveness of poverty reduction policies. The sense of frustration over inequality and social injustice fuels tensions which are likely to degenerate into conflict.



**7 in 10
people**

are living in a country where the wealth gap between the rich and poor has increased over the past 30 years.

through the interest payment mechanism. If it exceeds a certain threshold, private debt can plunge an economy into deflation: sluggish growth, lack of inflation, zero interest rates... Inequalities hinder development. For this reason, it is essential to reduce them.

In terms of the economy, inequality even undermines growth: when inequality increases, the middle and lower classes tend to borrow money to maintain their standard of living. It leads to an increase in private debt which increases inequality

Understand inequalities to better reduce them

The Research facility, which the European Commission has delegated to the AFD, allows the AFD to finance research studies conducted by research institutes in 20 developing and emerging countries (see pages 6-7). The purpose: to help these countries refine their understanding and analysis of inequalities so that they can design appropriate public policies and reduce inequality harming social balance.

“Helping countries refine their understanding and analysis of inequalities so that they can design appropriate public policies.”

How to diagnose inequalities? Why are they tolerated in certain contexts while they generate strong social tensions elsewhere? What role are human and social capital playing in the persistence of economic inequalities? How are they impacted by shocks like conflict, economic crisis or refugee influx? These are some of the questions that the research projects conducted thanks to the European research facility aim to answer, each in their way, to contribute to the fight against inequalities and to the preservation of social links.

AFD is an inclusive public financial institution and the main actor in France's development policy. It makes commitments to projects that genuinely improve the everyday lives of people, in developing and emerging countries and in the French overseas territories. AFD works in many sectors – energy, health, biodiversity, water, digital technologies, training – and supports the transition to a safer, more equitable and more sustainable world: a world in common. Its action is fully in line with the Sustainable Development Goals (SDGs). Through its network of 85 agencies, AFD operates in 110 countries and is currently supporting over 3,600 development projects. In 2017, it earmarked €10.4 Bn to finance these projects.

#WorldInCommon



Contact for more information
on the research facility :
researchfacilityinequality@afd.fr
#ResearchInequalities

Agence Française de Développement
5 rue Roland Barthes
75598 Paris Cedex 12
T. + 33 1 53 44 31 31 | www.afd.fr/en



Financed by the
Development Cooperation
Instrument
of the European Union

This publication was achieved with European Union's financial support.
Its contents are the responsibility of AFD
and so not necessarily reflect the views of the European Union's.