



EU-AFD Research Facility on Inequalities

2017-2020 synthesis

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AFD Group contributes to the implementation of France's policy in the areas of development and international solidarity. The Group includes Agence Française de Développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and soon, Expertise France, a technical cooperation agency.

The Group finances, supports and accelerates transitions towards a fairer, more resilient world. With our partners, we are building shared solutions with and for the people of the Global South. Our teams are active in more than 4,000 projects in the field– in overseas France, in some 115 countries and in crisis areas, working to promote the “common goods” that are climate, biodiversity, peace, gender equality, education and health. It's our way of contributing to the commitment France and the French people have made to achieve the Sustainable Development Goals.

Towards a world in common.

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“ Turning research into action with a multistakeholder approach ”

With the advent of the Covid-19 crisis, inequalities have

been increasing at a fast pace. The virus has affected us all but it does not affect us all equally. In 2020, according to Oxfam, the pandemic may have pushed an additional 200 to 500 million people below the \$5.50 a day poverty line, while it took just nine months for the fortunes of the 1,000 richest people worldwide to return to their pre-pandemic highs. These rising economic inequalities are likely to have regressive effects on gender equality for it is estimated that women's jobs are 1.8 times more vulnerable to this crisis than men's jobs (McKinsey, "Covid-19 and gender equality") along with a myriad of disparities on the socioenvironmental front, including territorial fractures that result from or have been exacerbated by the current turmoil (OECD, "Tackling coronavirus").

Given the multidimensional nature of inequality, we are convinced that only through a multistakeholder approach based on joint actions, synergies and knowledge-sharing can we address the challenges ahead. This is the *raison d'être* of the EU-AFD Research Facility on



Rémy RIOUX
CEO of
AFD Group

Inequalities. Since the launch of this initiative, a hundred research papers and around fifty policy briefs have been published to springboard academic debate into public policy dialogue with partner countries and national exchanges. Findings on topics such as the distributional impact of tax and health policies or the linkages between climate change and inequalities participated in building a body of knowledge that will be used to inform global implementation of policies designed to reduce inequalities.

I am delighted to announce that we are taking this partnership further with the second phase of the Facility. The extension of our partnership will capitalize on research findings and will aim at accompanying the governments of South Africa, Colombia, Mexico and Indonesia, to implement fine-tuned policies on inequality reduction. Such an initiative will pave the way to further coordination and cooperation among all the actors that have a role

to play in the fight against inequalities, including Public Development Banks (PDBs) such as the AFD Group, which are well-placed to build partnerships designed to advance inequality reduction in line with the Sustainable Development Goals (SDGs) and the Paris Agreement. In this endeavor, the 450 PDBs, which gathered for the first time at the Finance in Common Summit (FICS) in November 2020, committed to joining forces *"to strengthen the means of implementation and revitalize the global partnership for sustainable development"* in line with SDG 17.

The time to act is now and the action we take must be taken together. With the support of the European Union, we are able to build a platform for multi-stakeholder dialogue. As researchers, partner countries, and financial institutions convene, we can come together and use the power of research and the diversity of resources to draw accurate conclusions for action-oriented strategy to further sustainable development and support the implementation of public policies aimed at reducing inequalities. We are eager to see now the power of collective action in coming together as an ecosystem to bring about impactful change. We are eager to build this vision together; to build a world in common. ●

***The time to
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“ The end of a project, the beginning of a **recovery** ”

Covid-19 has exacerbated inequalities by hitting the most vulnerable in society. It also hits hardest the most vulnerable countries which can rely less on a fiscal and monetary firepower to cope with the impact. In the absence of effective and immediate action, this impact will be felt for generations to come. We can already see this from its consequences on the education of children across the world – the growth in drop-out rates, the increase in child labor and child marriages – and on vulnerable individuals, such as the 42% of women who work in high-risk sectors of the informal economy.

The European Union and its Member States are unwavering in their commitment to reduce inequalities. Team Europe provides the opportunity for a strategic culture of cooperation around transformative, impactful actions in supporting our partner countries to develop evidence-based policies for a just, inclusive, green, digital and resilient Covid-19 recovery. This means we must address inequalities as well.

As Team Europe we have already mobilised more than 40 billion euros for the global response to the coronavirus, for addressing the pandemic and its socioeconomic consequences, and for supporting the most vulnerable. For maximum impact, the EU has also proposed to link investment and debt relief to the 2030 Agenda.

Commissioner Urpilainen has made reducing inequalities the overarching objective of our European development cooperation. We will “fight inequalities by building inclusive and sustainable societies” across a wide spectrum of policy areas. We will work to enable people and ensure equal opportunities for all: investing in education; facilitating access to assets; addressing gender inequalities and ensuring non-discrimination for all; and investing in democratic and inclusive participation. We will work to support and safeguard sustainable and inclusive growth, promoting decent working conditions and fair wages and maximizing the employment potential of investment and trade. We will support partner countries to improve the collection and redistribution of resources, supporting domestic resources mobilisation and progressive fiscal

***We must be guided
by research and
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values and our
commitment to
building back better***

policies, fighting tax evasion, illicit financial flows and corruption. And we will protect people from all risks, expanding universal social protection and universal health coverage, fighting climate change and promoting natural disaster preparedness.

Koen DOENS
Director-General
for International
Partnerships (INTPA),
European
Commission



We must be guided by research and evidence, while standing firmly rooted in our values and our commitment to building back better, for the sake of our planet and the people on it. Global collaboration is now more important than ever, and international partnerships are essential in ensuring that we co-create solutions to our common challenges. The work we have done with AFD under the Research Facility on Inequalities is invaluable. It has yielded innovative tools that will help us better target the Bottom 40 and fully align with SDG Target 10.1.

We will achieve a just, inclusive, green, digital and resilient recovery by doing the necessary work to understand the needs of our international community, and by harnessing our tools, resources and institutions to work for the people. As we give voice to the most vulnerable, we can look toward a new normal of collaboration, resilience, agility and most importantly – hope. ●

San Salvador.

El Salvador is one of the countries studied by the Facility during phase 1 (see page 31).

OVERVIEW

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Inequality reduction, at the heart of **human development**

In the global South, the gap between the poorest and the richest households is quickly increasing, and the issue is only growing more urgent with climate change.

Between 1998 and 2013, global income inequality dropped as inequality between countries was reduced. Is this good news? Not necessarily: other figures show that inequalities within countries have been on the rise since the late 1980s. Moreover, climate change hinders the reduction of inequality among countries and produces stronger inequalities at every level.

Evidence shows that inequality negatively impacts human development and that high levels of income inequality can obstruct economic growth and hinder poverty reduction. Additionally, economic and social inequalities are often at the root of political, social and macroeconomic instability. A high level of inequality within a society is known to weaken social consensus and overall population resilience.

Placing inequality at the top of stakeholders' priorities

In 2015, the United Nations launched the 2030 Agenda and its 17 Sustainable Development Goals (SDGs). Hence, it acknowledged that poverty eradication calls for strategies for health, education, inequality reduction, economic growth, as well as for environmental remediation and protection.

In 2017, the European Union and its Member States adopted the European Consensus on Development which aligned the EU's development strategies and priorities with the UN 2030 Agenda for Sustainable Development and its 17 SDGs. Likewise, AFD's 2018-2022 strategy is centered around its two priorities: "100% social cohesion" and "100% Paris Agreement". It makes the fight against inequalities and for the strengthening of social ties one of its five operational priorities, and concurrently acts for the protection of biodiversity and support for low-carbon resilient development.

Both the European Consensus on Development and AFD's 2018-2022 Strategy converge toward the same goals and assert the need to build strong partnerships and reinforce existing ones. To foster sustainable growth, it is imperative to act on inequalities through public policies and to build a coordinated response to the widening wealth gaps observed worldwide.

To address the issue, we need to understand it first



175

times faster

This is how the global economy would have to grow to provide every person an income of at least 5 dollars a day, if inequalities persist at their current level

Source: Oxfam International

Addressing inequalities requires knowledge and understanding of their complexity and the extent to which they are linked with poverty and with a weakening of social cohesion. The problem is that stakeholders are still missing key elements to drive effective public policies. Measures of inequality and existing studies in low- and middle income countries rarely showcase the entire spectrum of inequalities, or their impact on societies, which is key in reaching SDG 10 "Reducing inequality within and among countries". Furthermore, research on the impact of development cooperation projects and strategies on inequalities need to be stepped up. Literature on the factors explaining why some policies work more effectively in some contexts than in others is cruelly lacking. To fill these knowledge gaps and to build a coordinated response to one

of the most alarming global challenges of our time, the EU and AFD launched the Research Facility on Inequalities. ●



Researching inequality to guide public policies

The EU-AFD Research Facility on Inequalities is a program funded by the European Union and coordinated by Agence Française de Développement. Its aim? To improve knowledge of socioeconomic inequalities and to help design the most effective strategies to reduce them.

A 4-million euro program to better understand inequalities in low and middle income countries, the EU-AFD Research Facility on Inequality was funded by the European Commission's Directorate-General for International Partnerships (INTPA). It has been implemented over a three-year period by AFD, jointly with research centers from low, middle and high income countries.

Solution-oriented research

Researchers with various backgrounds were brought together to investigate all kinds of facets of inequality, from fiscal issues to perceptions of inequalities. Their objectives are twofold:

→ **To better understand economic and social inequalities.** The Facility funds research projects that look beyond disparities in income and wealth to grasp the environmental, social, cultural, spatial and political characteristics that shape inequalities in different countries. These projects aim to help design public policies that better tackle inequality.

→ **To fuel joint strategies on inequalities** among EU Member States, in the framework of the 2030 Agenda and the Sustainable Development Goals. The ultimate objective is to build a coordinated response and to strengthen the contribution of European development agencies to inequality reduction.



€4 M

is the amount of funding provided by the European Union to improve the knowledge about inequality

Multiple angles to grasp inequality

From 2017 to 2020, the Research Facility funded 22 projects in more than 20 countries. These projects are divided into four categories, spanning various scales and angles to better grasp the many facets of inequality.

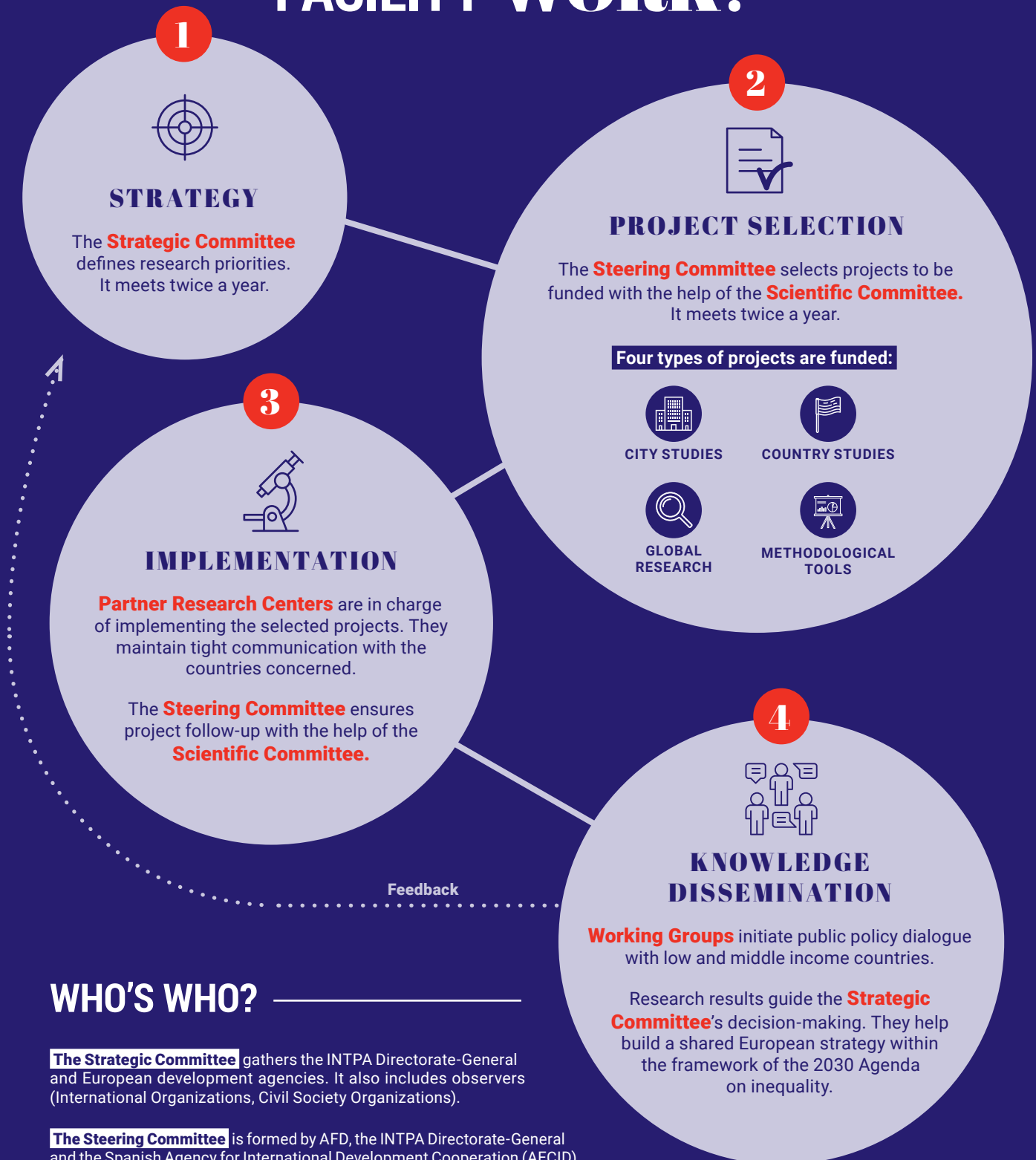
- **Global research projects** are thematic projects on the determinants and dynamics of economic and social inequalities, with a regional or comparative perspective between several countries or regions. They are proposed by European donors and developed by research centers in partnership with AFD research officers.

- **City studies** and **Country studies** are conducted by partner research centers and AFD research officers with the participation of the governments concerned. They aim to meet the needs of the cities and countries studied and to create an opportunity for public policy dialogue on inequality with partner governments.

- **Methodological tools** are developed to better analyze and address inequalities. They lead to the production of inequality diagnostics, fiscal incidence analyses and methods to measure the distributional impacts of development cooperation projects. Additionally, the Facility supports the European Commission in developing a reference document on addressing income inequalities through development cooperation. These tools are designed to facilitate public policy dialogue and to promote the inclusion of inequality reduction in development strategies by enabling governments and donors to identify potential solutions and priorities for action. ●



HOW DOES THE RESEARCH FACILITY WORK?



WHO'S WHO?

The Strategic Committee gathers the INTPA Directorate-General and European development agencies. It also includes observers (International Organizations, Civil Society Organizations).

The Steering Committee is formed by AFD, the INTPA Directorate-General and the Spanish Agency for International Development Cooperation (AECID).

The Scientific Committee is composed of United Nations University World Institute for Development Economics Research (UNU-WIDER) researchers.

Partner Research Centers are located in low, middle and high income countries. They can manage projects alone or in consortiums.

Working Groups are research-based sharing and discussion meetings of researchers and stakeholders from low and middle income countries.

“An exceptional collective involvement”

A member of the steering committee, the Spanish Agency for International Development Cooperation (AECID) was also involved in the implementation of a global research project covering a dozen countries in Central America and West Africa (see page 31). This ambitious program was led in partnership with Oxfam Intermón.

– What is the place of the reduction of inequality in the strategies and operations of AECID?

F. J. J. G. Strategies to reduce inequalities have been part of AECID's regular activities since its creation in 1988. Development cooperation and the fight against inequalities are closely related concepts. The approach is reflected in several of our sector strategies. It is intended to be a cross-cutting approach that is not limited to being treated from a single point of view or sector, as health, food safety, education, gender (in particular gender is one of the hallmarks of Spanish cooperation, where all interventions are based on the principle of equality), environment, etc. have traditionally been addressed. Of course all of this is being done while ensuring coherence with the Sustainable Development Goals.

Though typically we have not framed our interventions under the specific “fight against inequality” category, they are focused around several areas that contribute to reducing inequalities in our partner countries. Our cooperation with the middle-income countries we work with is based on the fight against inequality. These are countries where there are large layers of the population in a situation of serious vulnerability.

– How would you describe the experience of the collaboration between AECID, AFD and Oxfam Intermón in the framework of the Research Facility on Inequalities?

F. J. J. G. Frankly speaking, I can only say that the experience has been very positive. It has been the first time that we have worked as a team, collaborating with



Francisco Javier JIMÉNEZ DE GREGORIO
Senior Advisor,
Director's Office,
AECID

the experts from the NGO Oxfam Intermón throughout the Research Facility on Inequalities. From the very moment of formulation, identifying the countries in which the study should be carried out, even in the negotiation of the budget allocation, and of course throughout the regular meetings to monitor and draw up the conclusions, the involvement of the NGO, of the AECID staff, and of AFD experts has been exceptional. I would like to emphasize that the regional seminars that were held in each region with international experts, local experts and from the organizations responsible for the study were truly productive in validating the conclusions. A complete methodological success!

– How will the results of the reports produced by the research project be mainstreamed in AECID's approach to reducing inequalities?

F. J. J. G. It could be summarized through two major conclusions or lessons, which in fact we were already expecting to see in advance. In the first place, assuming as a principle that in order to face policies that contribute to reducing inequalities there must be a clear political commitment on the side of our country partners, we need to ensure that the development strategies that are supported by our operations incorporate the reduction of social, economic and political inequalities in a broad sense. Secondly, we need to introduce this approach throughout the project cycle, as a cross-cutting issue. This implies introducing this approach from the identification, aligning with the national policies on the matter, until the end of the intervention. Otherwise, the risk of failure for all parties involved will be very high. ●

“
The regional seminars that were held with international experts, local experts and from the organizations responsible for the study were truly productive
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Ozama River.

On the outskirts of Santo Domingo, capital city of the Dominican Republic, 300.000 people live in slums. The Dominican Republic is one of the most unequal countries in the world and has been studied by AECID and Oxfam Intermón (see page 31).

Designing new strategies to tackle inequality

Implementing 22 research projects that involved stakeholders in the North and the South initiated new types of international cooperation. What were the operational outcomes of these projects? How did they contribute to the design of new strategies to tackle inequality worldwide?

From the beginning, the Research Facility on Inequalities was designed to promote research, work with local institutions, deepen knowledge and provide new evidence to reduce inequalities. Three major outcomes emerged: strengthening of research capacities, partnership creation and policies dialogue enhancement.

Enhancing dialogue between national and local stakeholders

The program sought to create tight work relationships with key institutions. The city-level study held in Johannesburg with the Human Sciences Research Council (see page 15) exemplifies this perfectly: it involved engaging with the Social Housing Regulatory Authority (SHRA), the National Association of Social Housing Organizations (NASHO) and urban planning authorities. The project nurtured dialogue between stakeholders which enabled the team to collect key documentation and essential secondary data for analysis.

In some regards, the inequality diagnostic in South Africa, Côte d'Ivoire, Ghana and Kenya (see pages 17 and 20-22) are flagship products of the program. They allow a multidimensional analysis of inequalities at the national and sub-national levels, and highlight priorities for their reduction. They form key operational tools jointly developed by national statistics institutes, research centers and AFD researchers.

Developing institutional partnerships

The program was based on the development of new partnerships with national or local research centers and universities in the partner countries. These in turn made developing new partnerships at the national scale (with governments) and or at the local scale (with regional or municipal entities) possible. As stated by Jean-Pierre Bou, Deputy Head for the EU Delegation in Mexico: *"Reducing inequalities and ensuring effective access to social rights is a common challenge."*

Helping structure research in the South

Last but not least, the Research Facility built research capacity on inequality in partner countries. For instance, the project in La Paz (see page 16) helped expand the research agenda on water by supporting knowledge production and dissemination on public service access. It helped deepen the agenda on urban inequalities and develop Universidad Mayor de San Andrés' Area of Territorial and Environmental Transformations. Four master's students were certified following their contribution to the project, and dialogue was initiated with a possible new institutional ally.

The Research Facility also helped set up the African Center of Excellence for Inequalities Research, together with the African Research University Alliance and three universities (see page 36). This is the first of its kind to be created on this topic in Africa. It aims to inform evidence-based strategies to overcome poverty and inequality, on the continent and globally. ●

10



A document to guide cooperation in addressing inequalities

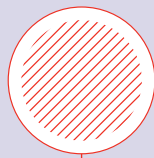
The Research Facility directly supported the European Commission in developing the reference document *Addressing Income Inequalities Through Development Cooperation*, to be published under the Tools & Methods Series. It aims to support the EU's ongoing reflection on how to strengthen its development cooperation to address inequalities in partner countries. This strategic study compounds and develops knowledge produced under previous studies, including the Facility, and provides operational guidance to improve the responsiveness of INTPA strategies, instruments and programs to the challenge of inequality reduction.

PHASE 1 IN KEY FIGURES



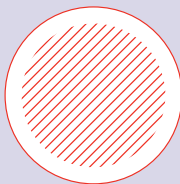
€4 M
provided from
2017 to 2020

32 countries
covered



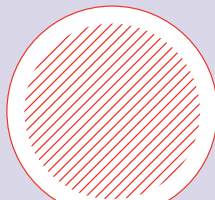
Asia and
the Pacific

7
countries



Latin America
and the
Caribbean

10
countries



Africa

15
countries



9 cities covered

22 research
projects funded



2 City studies



10 Country studies



7 Global research projects



3 Methodological tools

32 partner research centers
throughout the world

North America

3%

Europe

30%



Over **60**
researchers mobilized



Africa

55%

12%

Latin America



Over **40**
AFD agencies,
EU delegations and local
authorities involved



Over **100**
research papers and
policy briefs produced

RESEARCH PROJECTS ACROSS THE GLOBE



CITY STUDIES

1 Impact of affordable housing on inequalities in South Africa

Johannesburg – Cape Town – Ekurhuleni – Tshwane – eThekweni – Nelson Mandela Bay – Buffalo City

2 Inequalities in urban water services in Bolivia

La Paz – El Alto

COUNTRY STUDIES

3 Understanding the dynamics of the earnings distribution

South Africa

4 Analyzing inequalities from the perspective of health, education, and employment trajectories

Burkina Faso

5 Structural change, growth models and inequalities

Cameroon

6 Inequalities in access to basic services and impact of public policies

Côte d'Ivoire

7 The dynamics and interactions of income inequality and inequality of opportunity

Ghana

8 Inequalities diagnostic and fiscal incidence study

Kenya

9 Inequalities, social mobility and perceptions

Mexico

10 Agroecology public policies and income inequalities in rural regions

Senegal

11 Economic, social and regional inequalities

Tunisia

12 Multidimensional inequalities study

Vietnam



GLOBAL RESEARCH

- 13 Assessing equity in health spending in Sub-Saharan Africa**
 Burkina Faso – Malawi – Zambia
- 14 Public policies, private higher education development and inequalities**
 Argentina – Mexico – Peru – DRC – Senegal – India – Vietnam
- 15 Understanding the role of taxation in the fight against inequalities**
 Côte d'Ivoire – Mali – Senegal

- 16 The distributional impact of social protection: short- and longer-run inequalities**
 Ethiopia – India – Peru
- 17 Analysis of multidimensional inequalities and impact of regional policies on inequalities in Central America and West Africa**
 Dominican Republic – Guatemala – Honduras – Nicaragua – El Salvador – Burkina Faso – Ghana – Mali – Niger – Senegal

- 18 Climate variability and inequalities**
 Indonesia – Vietnam
- 19 Inequalities and environmental changes in the Lower Mekong River Basin**
 Cambodia – Laos – Myanmar – Thailand – Vietnam

METHODOLOGICAL TOOLS

- 20 Inequalities diagnostic: a tool for analyzing inequalities in Africa**
 South Africa – Côte d'Ivoire – Ghana – Kenya
- 21 Fiscal incidence analysis**
 Kenya – Morocco – South Africa
- 22 The distributional impact of development cooperation projects**
 Cameroon – Colombia – Tunisia

Abidjan.

No less than three studies covered Côte d'Ivoire during phase 1 (see pages 20, 29 and 34).

AT A GLANCE

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Understanding the impacts of **public social housing** policy on inequality



SOUTH AFRICA

Project name Impact of affordable housing on inequalities in Durban, Johannesburg, Cape Town – South Africa

Amount EUR 110,000

Partner Human Sciences Research Council (HSRC, South Africa)

How do housing policies affect inequality? In South Africa, while the 1990-2000s policies offered free houses far away on urban periphery, the goal of the present policy is to offer cheap accommodation within city centers. But this project reveals that the social housing policy's impact on inequality was not very high. It provides insights for policy improvement.



Why this project?

Since the end of apartheid, South African governments have offered 2.7 million housing units to low-income households, but mostly in the outer peripheries of cities, hindering access to jobs and services. The social housing policy aim, on the other hand, was to offer rental accommodation within inner cities. It had been developed since the late 2000s, but further improvement could be made.

What were its goals and method?

This project aimed to understand the impact of social housing policies on inequality in the seven biggest cities in South Africa. It also intended to define determinants and constraints regarding the production of public affordable housing in these cities, such as tax incentives for the private sector.

The project looked for the most disaggregated data possible regarding inequality, inclusion and exclusion. The impact of accessing cheap housing on households outcomes were analyzed through income, changes in employment status, education, access to healthcare, cost of public transport, and personal safety. The project also included a qualitative component on the spatial distribution of affordable housing and on regulation frameworks.

The results

The research project mapped the spatial distribution of all social housing projects since the 1990s, and revealed a steady spatial drift of new projects from inner urban areas toward outlying areas. This drift contradicts the very goals of urban restructuring and social integration. Furthermore, it evaluated evidence of tenant-level outcomes from a sample of 1,636 households living in 10 social housing projects and concluded that more could be done to improve the chances of upward mobility.

Findings-based recommendations

- **Targeting well-located inner-urban areas for social housing** with municipalities.
- **Increasing experimentation to make social housing viable in high cost areas**, using cross-subsidisation from private sector development.
- **Regularly upgrading subsidy levels** and providing development finance.
- **Strengthening the technical capacity and viability of social housing agencies**, the sector regulator (SHRA) and stakeholder organisations (NASHO).
- **Updating the national monitoring and evaluation framework** to include regular collection of socioeconomic information on tenants.
- **Encouraging SHIs to provide** packages of social support.
- **Designing special support for tenants that experience negative income shocks.**
- **Encouraging upwardly mobile tenants into homeownership.**
- **Improving policy flexibility** in balancing support for more vulnerable households with financial sustainability.

➡ **FIND OUT MORE**
bit.ly/afd-housing-policy

CONTACT: Irène Salenson,
Research Officer, AFD



Analyzing inequality in urban water services



BOLIVIA

Project name Inequalities in urban water services in La Paz and El Alto – Bolivia

Amount EUR 116,000

Partner Posgrado en Ciencias del Desarrollo (CIDES), Universidad Mayor de San Andrés (Bolivia)

What kinds of inequality are experienced in urban water services in El Alto and La Paz, Bolivia? This project was born out of the observation that water inequality goes beyond technical access to a public network. By combining historical and statistical analyses, this project identified ten types of urban water inequality and formulated recommendations to mitigate them.

Why this project?

Analyzing urban water services often amounts to evaluating whether or not inhabitants enjoy access to water through a public service. But inequality in water supply is not merely a matter of technical access to a network, and data on other types of water inequalities is still scarce.

What were its goals and method?

This project aimed to examine and analyze the various types of inequalities linked to water and sanitation services in La Paz and El Alto, as well as their trends in recent years, above and beyond the typical determinants such as income (vertical inequalities) and localization (spatial inequalities). Other, less-studied types of determinants were to be analyzed, such as exposure to climate change, social representation and political resources, all of which can affect social cohesion. The goal was to refresh interpretations of urban inequalities and fuel dialog with municipal and sectoral authorities. The project followed a multi-disciplinary and multi-theme approach that combined qualitative field surveys covering different areas of the two cities on key subjects related to inequality in water services, historical analyses and statistical analyses.

The results

The project identified 9 types of urban water inequalities that are not related to network access. It concluded that associativity is a key factor in achieving symmetrical water governance, and that works with neighborhood participation for water coverage expansion tend to develop corruption, deepen and/or reproduce water inequality. Moreover, the study showed that socially instituted gender roles are not modified by water access, and that the urban imaginary underlying the urbanization of water in La Paz has been decisive in the creation of a social and spatial hierarchy of inhabitants. In the context of climate change and institutional insecurity in the water sector, La Paz was found to be increasingly exposed to a supply crisis. Sustainable management of its underground water resources is a prerequisite for maintaining daily life. Finally, the project proved that access to water without sanitation does not guarantee population health and well-being.



Findings-based recommendations

- **Planning health and drinking water/sewerage services jointly.**
- **Developing an ambitious sanitation coverage plan** with the aim to eliminate open air defecation.
- **Factoring in water–resource and service–quality** when evaluating coverage.
- **Incorporating the urban rural interface** as a specific category in territorial policies, considering the option of decentralized systems in the area.
- **Realigning aspects of the regulatory framework including:** Works with Neighborhood Participation and sale of water from private tank trucks
- **Prioritizing investment in infrastructure** in peri-urban neighborhoods.
- **Consolidating programs favoring female economic agency.**
- **Promoting sustainable management of water resources** and developing research on the springs.

➡ **FIND OUT MORE**
bit.ly/afd-urban-water-services

CONTACT: Sarah Botton,
 Research Officer, AFD



Understanding the link between vulnerability and inequality dynamics



SOUTH AFRICA

Project name Understanding the dynamics of the earnings distribution in South Africa

Amount EUR 135,000

Partner Southern Africa Labour and Development Research Unit (SALDRU), University of Cape Town (South Africa)

How does vulnerability, in its various aspects, contribute to perpetuating inequality in South Africa? This project investigated the link between inequality and vulnerability in terms of earnings, but also vulnerability when faced with a pandemic. It found that there is a persistent legacy of apartheid policies, in terms of labor market income and spatial inequalities.

| Why this project?

Despite a democratic governance, well-established judicial, financial and human rights institutions and a positive policy framework, poverty and inequality are still largely cast along historical lines and racial dimensions in contemporary South Africa. The country remains highly unequal in its distribution of wealth, living standards, employment opportunities and household incomes, whereas persistently high levels of inequality can have serious detrimental effects on a society and its economy.

| What were its goals and method?

This project aimed to better understand the links between inequalities and vulnerabilities through multidimensional analysis.

It first gathered existing knowledge on South African inequality trends and policies, all while trying to expand on this knowledge by using new available data. After exploring the implications of this new work, it aimed to identify data needs in order to make further progress in framing policies to overcome inequality.

The project also investigated household inequality dynamics, building off preliminary evidence that a key aspect of the lack of support from the labor market into households is the volatility of employment for the self-employed and other vulnerable workers. Lastly, the research program provided a spatial analysis of vulnerability when faced with a pandemic taking the example of Covid-19 and the lockdown measures adopted by the South African government.

| The results

The project shows that despite the high level of inequality in the country, there has been a decrease in inequality within groups between 2006 and 2015. For example, all provinces except for Limpopo and Eastern Cape reported a decrease in their respective Gini coefficients. While inequality decreased for Indians/Asians, it remained fairly constant for Whites and Coloureds, but increased for Black Africans.

The research identified that labor market income is overwhelmingly the largest contributor to income inequality but that market experiences of different population groups in South Africa continue to diverge substantially, and still reflect the strongly persistent legacies of apartheid policies.

Lastly, in regard to the Covid-19 crisis, the analysis indicates strong correlations between low access to assets, low readiness and high vulnerability. The analysis of individual indicators and their aggregate indices show stark inequalities across space in lockdown readiness and in Covid-19 vulnerabilities.

| Findings-based recommendations

- Considering the inclusion of the Palma ratio in addition to the Gini coefficient as an indicator for reporting on SDG Target 10.1.
- Explicitly including a spatial conceptualization in designing Covid-19 policy responses.



FIND OUT MORE
bit.ly/afd-earnings-distribution-dynamics

CONTACT: Anda David,
 Research Officer, AFD



Considering health, education and employment trajectories



BURKINA FASO

Project name Analyzing inequalities from the perspective of health, education, and employment trajectories in Burkina Faso

Amount EUR 135,000

Partner Higher Institute of Population Sciences (ISSP), University of Ouagadougou (Burkina Faso)

Why is economic growth insufficient to reduce inequalities? This project explored the mechanisms at play behind the persistence of inequalities in Burkina Faso, especially regarding access to social resources. It found that, despite an overall decrease, stark inequalities that mainly affect girls and vulnerable groups persist in specific regions and in rural areas.

| Why this project?

Burkina Faso has enjoyed relatively strong economic growth over the past ten years (on average, over 5% per year). Nevertheless, a large part of the population lives below the poverty line (40% in 2014) and inequalities remain. A thorough analysis of the mechanisms at play at the national and regional levels is required to better understand this phenomenon.

| What were its goals and method?

This research program aimed to produce an inequality diagnostic in the country, based on the analysis of the dynamics of multidimensional poverty. It used a series of inequality indices, with a focus on inequality dynamics and on multidimensional poverty, education and access to public services. An analysis of dynamics of multidimensional poverty inequalities was also conducted for the cities of Ouagadougou and Nouna, using data from their Population Observatories. The project included an analysis of the impact of the Covid-19 pandemic on inequalities across three sectors: health, education and the economy.

| The results

The research project found that, despite the progress observed during the 2000s, inequalities in access to social services persist. Whether in education, health, access to clean water and electricity, employment, or durable goods, gender, economic and spatial inequalities are still widespread.

Efforts have been made to improve access to education. However, considerable challenges remain in access to quality post-primary and secondary education. In primary education, gender inequalities have been decreasing but the gap between urban and rural areas is still high. The study identified that children from poor households, of uneducated, divorced or separated parents are disadvantaged when it comes to school participation.

The national poverty level and economic inequalities may have decreased since 2000, but the regional dynamic is quite different, with lasting economic inequalities in the majority of regions. Sociodemographic characteristics (gender, education level, employment status, etc.) of

populations in each region have been found to explain these persistent inequalities better than contextual characteristics.

The Covid-19 pandemic has revealed the limitations of Burkina Faso's health system in terms of infrastructure, equipment and human resources. It also increased educational inequalities through schools closure and distance learning. Furthermore, the pandemic severely impacted foreign trade, domestic production and demand. However, it could also be an opportunity for structural transformation of the extroverted national economy.

| Findings-based recommendations

- ➔ **Encouraging the design of local policies** to create hubs of economic growth and to prioritize job creation in regions with a high prevalence of monetary poverty.
- ➔ Implementing a policy for the **development and diversification of the value chain in the agricultural sector**.
- ➔ Implementing and strengthening policies that favor **access to education for girls and vulnerable groups**.
- ➔ **Allocating school infrastructure, equipment and staff** massively in rural areas to make post-primary and secondary education priorities.
- ➔ **Providing periurban areas with basic social services** including schools, public health services and usable roads.

FIND OUT MORE

➔ bit.ly/afd-poverty-trajectories

CONTACTS: Linda Zanfini,
Research Officer, AFD –
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Research Officer, AFD





Investigating the linkages between inequality, structural change and public policies



CAMEROON

Project name Structural change, growth models and inequalities in Cameroon

Amount EUR 135,000

Partner National Institute of Statistics (INS, Cameroon)

How did Cameroon's model for economic growth affect inequalities over the past 20 years? This research project investigated the country's structural economic transformations, the role of subsidy policies and the impacts of urbanization on inequalities. It found that development of the tertiary sector and urbanization contributed to increasing inequality.

Why this project?

By diversifying its economy, Cameroon aims to reach emerging market economy status by 2025. Whether or not its growth will be inclusive is an unanswered question. Between 2007 and 2014, poverty hardly declined and inequalities increased, both between rural and urban areas and within each of these respective areas. A thorough analysis of the structural evolution of the job market, the increasing tensions within it, urbanization and the ineffectiveness of the redistribution policies established in 2008 is required to understand this apparent paradox.

What were its goals and method?

This research project aimed to fuel the Government's and its partners' strategic reflection on the upcoming implementation phases of the 2010-2019 Growth and Employment Strategy Paper. It was designed to study three themes: the connection between inequalities and structural transformations of the economy, the role of subsidy policies in inequality trends and the impacts of urbanization on inequalities.

The results

The study found that despite a structural transformation toward the tertiary sector, inequalities in Cameroon have overall increased. At the national level, global expenditure per household inequalities have risen, with a Gini coefficient jumping from 0.39 in 2007 to 0.44 in 2014. Growing demographic pressure in urban areas has also increased inequalities in terms of employment, housing and access to public services.

Environmental inequalities impact all regions similarly. However, within regions, the study found that access to public services is a factor of resilience toward environmental inequalities.

The research project also found that the informal job market strongly contributes to the country's high level of inequality. Informal workers severely lack access to public services and to social safety nets.

Inequalities in global household expenditure and in access to employment are correlated with education level and access to public services.

Finally, the project found that the Covid-19 crisis, which struck Cameroon strongly compared with other African countries, will most probably exacerbate existing inequalities related to income level, gender and education.

Findings-based recommendations

- **Promoting the secondary sector** through policies and job creation.
- **Developing access to quality education** for the poorest.
- **Creating opportunities for wage-earning jobs and self-employment.**
- **Driving more equitable urban/rural development**, especially in terms of infrastructure.
- **Increasing production subsidies** and reducing expenditure subsidies.
- **Improving the equity of public grants and targeting vulnerable populations**, especially in health and education sectors.
- **Focusing on small and family businesses, as well as vulnerable groups** in the public response to the Covid-19 crisis.



FIND OUT MORE

bit.ly/afd-structural-change

CONTACTS: David Chetboun, Research Officer, AFD – **Maxime Terrieux**, Research Officer, AFD – **Claire Galante**, Project Manager, AFD's office in Yaoundé



Taking stock of inequalities in access to basic services



CÔTE D'IVOIRE

Project name Inequalities in access to basic services and impact of public policies in Côte d'Ivoire

Amount EUR 134,532

Partner Laboratory of Analysis and Modeling of Economic Policies (LAMPE), Alassane Ouattara University (Côte d'Ivoire)

This project studied the nature of inequalities in Côte d'Ivoire and their relationships to public policies and shocks. It found that economic inequalities within population groups have increased since 2002, while intergroup inequalities decreased. In terms of access to basic services, the gaps between groups have narrowed, while overall the causes of inequalities haven't changed.

Why this project?

While the Ivorian economy is experiencing a definite upturn, there is hardly any decline in the level of poverty and inequalities in the country. Since 2012, average growth rates in real GDP have surpassed 8% in the country. However, the level of poverty remains high (46.3%), as does the level of inequalities. The Gini index in Côte d'Ivoire for 2015 is estimated at 0.402 by the National Statistics Institute and 0.415 by the World Bank.

inequalities was based on regressions and on the Shapley decomposition method. The impact of the 2002 crisis on inequalities was tackled using an impact assessment method that took interactions between the population of the two zones in which the country was split into account.

The results

The study shows that the 2002 crisis worsened inequalities in Côte d'Ivoire, especially when one takes into account the effects of inter-regional migration.

Between 2002 and 2015, inequalities within different population groups (in social, ethnic terms, by place of residence, etc.) increased, and are greater than intergroup inequalities, which decreased. The expenditure of the poorest 10% has increased and a real improvement has been made regarding access to basic services for the entire Ivorian population. Yet, urban households and households headed by men remain favored, especially as regards spending and ownership.

From a spatial point of view, the West and Southwest are the most disadvantaged regions. Shocks such as the 2002 crisis only seem to worsen spatial inequalities.

Lastly, the determinants of inequalities have consistently and essentially revolved around access to basic infrastructure (drinking water and electricity), education and health, employment and environment.

Findings-based recommendations

- **Prioritizing access to basic infrastructure (drinking water and electricity), housing, education and employment in policies**, especially in rural areas.
- **Extending social policies** (health and education) to the entire territory of Côte d'Ivoire, considering regions outside Abidjan a priority.
- **Taking into account the effects of population migration** when evaluating the economic and social impact of crises and elaborating policies to reduce inequalities.

What were its goals and method?

The project aimed to take stock of inequalities in Côte d'Ivoire, through a general overview of public interventions fighting inequalities so far and an evaluation of their impacts. Using data from surveys on household living standards, the study calculated the main indicators for measuring inequalities and mapped their spatial distribution. It thus carried out an analysis of inequalities of opportunity, access to property and assets as well as the sources of these inequalities. The measures of the relative contributions of different factors to



FIND OUT MORE
bit.ly/afd-access-services

CONTACT: Linda Zanfini,
 Research Officer, AFD



Grasping economic inequalities through the lens of opportunity



GHANA

Project name The dynamics and interactions of income inequality and inequality of opportunity in Ghana

Amount EUR 130,000

Partner Institute of Statistical, Social and Economic Research (ISSER), University of Ghana

What are the microlevel determinants of economic inequality and what is the role played by inequality of opportunity? This project studied inequalities from a spatial, gender, ethnicity and educational perspective. It found that consumption inequality is generally higher in regions with the highest poverty, and that it is directly correlated to inequality of opportunity, although not exclusively.

Why this project?

Ghana has recently experienced rapid economic growth and significant reduction in poverty levels. However, this has not translated into a reduction in inequality. There is clear spatial inequality in the country, especially between northern and southern regions and regarding income levels. Gender inequality is persistent, especially in terms of asset distribution and job security.

By altering the capacity of households to invest in the human capital development of their children, economic inequalities hinder the next generation's opportunities for economic and social progress.

What were its goals and method?

This project drew on data on inequalities in Ghana and aimed to consolidate it to identify policy-relevant gaps. It studied how economic inequality had changed in Ghana from 2010 to 2014, and aimed to identify the reasons for these changes. To do so, the research adopted spatial, gender and ethnicity perspectives, trying to address distributional issues in both the bottom half and the top of the distribution. Last but not least, the project investigated the nature and the extent of the relationship between economic inequality and inequality in educational opportunities.

The results

Inputs for good educational outcomes, such as the quality of school infrastructure, books and other educational materials are not equally available to pupils due to economic inequality. This influences educational outcomes and the welfare of these pupils.

Inequality of opportunity accounts for about 8.1% of total consumption inequality in Ghana, and while consumption inequality negatively affects learning outcomes, its impact flows entirely through inequality of opportunity. The place of birth, locality of residence, parental education and the presence of parents within the household contribute significantly to inequality of opportunity.

While some factors seem to have increased poverty and inequality, such as urban farming and higher household dependency ratios, other factors have had the opposite effect, such as urbanization and the provision of social safety nets.



At the national level, consumption inequality has increased while the incidence of poverty has declined. At the regional level, the dynamics appear more mixed. Generally, the project found that consumption inequality is high in regions with high incidence of poverty and low in regions with low incidence of poverty. This association appears to have strengthened over time.

Findings-based recommendations

- ➔ **Implementing policies which ensure the general population has access to education** and has the potential to shape the opportunities the current generation present to their children for the future. In Ghana's context, the free senior high policy could serve this purpose. The policy should be reviewed to ensure it is sustainable and does not compromise on the quality of educational outcomes.
- ➔ **Designing more nuanced policy interventions** to ensure that both welfare outcomes (poverty and inequality) are satisfactorily and simultaneously achieved.

FIND OUT MORE

bit.ly/afd-inequality-opportunity

CONTACT: Anda David,
Research Officer, AFD



Gauging the **incidence** of fiscal policy



KENYA

Project name Inequalities diagnostic and fiscal incidence study in Kenya

Amount EUR 119,828

Partner School of Economics, University of Nairobi (Kenya)

How to address persisting inequality in a country that has already made substantial progress against poverty, disease and illiteracy? This project did an in-depth analysis of inequality and studied the incidence of fiscal policy on inequalities in Kenya. It found that government fiscal actions lead to a reduction in inequality, but they can also have a negative impact on the poorest.

| Why this project?

The poverty rate in Kenya has fallen from 52% of the population in 1997 to 36% in 2015. However, in 2015, more than half of the total wealth was controlled by the richest 20% of the population. Assessing the causes of this inequality could help design and implement policies to mitigate it while averting other social problems. Policies with well-designed redistributive fiscal components could play a substantial role in reducing income inequality.

| What were its goals and method?

The project had two main objectives: studying the inequality and poverty trends in Kenya since the country's independence and assessing the impact of its fiscal policies on inequality.

To conduct an in-depth assessment of the impact of fiscal policies, the project used the Commitment to Equity methodology (Lustig and Higgins, 2017). In doing so, the study intended to determine who mostly pays taxes and who benefits from transfers and public spending in the country, as well as the fiscal policy instruments having the greatest impact on inequality reduction.

| The results

While the period 1995-2005/06 has not seen a reduction in per capita spending inequality, the following period, 2005/06-2015/16 was marked by a significant decrease. The main inequalities in the country concern landholding, asset-owning and earnings from labor. In the labor market, a larger proportion of females and youth do not have access to decent jobs. Finally, disparities in access to basic services disadvantage rural areas, arid and semi-arid countries and, more broadly, the poor.

While the government fiscal actions (taxation and transfers) lead to a reduction in inequality, they also tend to increase the proportion of people below the poverty line and the amount by which the income of the poor is below the poverty line.

The role of fiscal policy is crucial in reducing inequality in. The combined effect of government taxes and expenditures reduced the Gini coefficient by 20.8 percentage points. The public provision of education and health services leads to a considerable reduction in inequality.

| Findings-based recommendations

- **Conducting further research** to identify the main drivers of inequality reduction.
- **Increasing access to education in secondary and tertiary levels** while ensuring gender parity in tertiary enrolment.
- **Increasing access to basic services** such as safe drinking water, sanitation and electricity with enhanced interventions in rural areas.
- **Enhancing the periodicity and quality of household budget surveys.**
- **Taxing items that are used predominantly by low-income households** (e.g., kerosene) at a lower rate or not at all.
- **Enhancing the progressivity of cash and near cash transfers** by improving coverage and increasing the amounts disbursed.



➡ **FIND OUT MORE**
bit.ly/afd-fiscal-incidence

CONTACTS: Hélène Ehrhart,
 Research Officer, AFD –
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Deciphering the determinants of social mobility



MEXICO

Project name Inequalities, social mobility and perceptions in Mexico

Amount EUR 164,236

Partners Centro de Estudios Espinosa Yglesias (CEEY, Mexico) – El Colegio de México (COLMEX)

Can the persistence of socioeconomic inequalities in a society be partly imputed to the level of tolerance of its people toward economic inequality? This project explored the relationship between social mobility, inequality and perceptions in Mexico. It found that while social mobility in the country is very low, especially at the extreme ends of the distribution, the people have little aversion to inequality.



Why this project?

In Mexico, more than 40% of the population is under the official poverty line. While socioeconomic inequalities among its population are pronounced, not only between the poorest and the richest but also between regions, Mexico has very low social mobility, especially on the extreme ends of the socioeconomic distribution. For example, only four people out of a hundred will move during their lifetime from the poorest quintile of the population to the richest, and only two out of a hundred will take the opposite path.

What were its goals and method?

Using a multivariate analysis method across space and time, this project aimed to investigate the relationship between economic inequality and social mobility. It initiated discussion on the mechanisms behind this relationship and the best way to address it.

In order to shed light on the Mexican people's perception of inequality and social mobility, the project conducted surveys in multiple spots and among populations with various levels of socioeconomic performance in four different cities.

The results

At the aggregate national level, social mobility is low. Each generation starts with a level of wealth inequality that is at least 62% of that of the previous generation. There is also substantial variation in the degree of social mobility across Mexican states. Social mobility is higher in the northern states than in the central states (with the exception of Mexico City) and is inexistent in the southern states.

The research finds that individuals have a relatively accurate perception of poverty rates, but that they substantially overestimate the prevalence of affluence. The study also shows that perceptions vary by wealth. Poorer people estimate higher proportions at the extreme ends of wealth and poverty than richer people.

Lastly, the aversion of the population to inequality seems low given their unwillingness to pay in order to achieve a decrease in inequality. And their representations of tax regimes and of the tax base of the country are misinformed.

Findings-based recommendations

- **Investing heavily in early childhood intervention, family planning, housing, and social infrastructure**, especially in states with lower upward mobility.
- **Improving the quality of high school education**, reducing dropout rates and fostering formal employment.
- **Distributing the boost to growth from trade fairly**, by direct redistribution of public spending on social and economic development, or by supporting firms in poorer states to join the value chains in the North American economic system.
- **Informing people about their true economic position** and informing the public about the number of high-income individuals, as well as about their average income.
- **Educating the population better in regard to the connection between tax regimes and the income distributions** that they can produce, preparing a path toward better public policy.

➔ **FIND OUT MORE**
bit.ly/afd-social-mobility

CONTACT: Anda David,
 Research Officer, AFD



Assessing the relevance of pro-agroecology public policies



SENEGAL

Project name Agroecology public policies and income inequalities in rural regions in Senegal

Amount EUR 134,054

Partners CIRAD (France) – Senegalese Institute for Agricultural Research (ISRA) – University of Thiès (Senegal)

Is agroecology the most relevant way to boost yields in Senegal while reducing inequalities and preserving the environment? This project analyzed inequalities in the Senegalese peanut basin and assessed the impact of pro-agroecology public policies. It found that fertilizer subsidies would best tackle inequalities in access to land and to production factors.

| Why this project?

The fight against poverty and inequalities has been one of the priorities of Senegalese governments since the end of the 1990s. Yet, poverty and inequalities persist, especially in the rural areas of the country. To promote growth that is beneficial to the poorest, developing the agricultural sector seems crucial. In Senegal, one of the best possible trajectories to do so appears to be the intensification of agroecology, from a productivity and environmental perspective. National incentives can be set up to carry out this agroecological transition, but few studies had quantified its impact on farmer income and especially on income inequalities.

| What were its goals and method?

This study aimed to examine inequalities in the Senegalese peanut basin, one of the major regions for agricultural production in the country, and to understand their determinants. It analyzed the impact that several types of public policies with incentives may have on income inequalities and the agroecological intensification. The end goal of the research was to determine which type of grant directed at Senegal's agricultural sector would be most likely to reduce inequalities.



| The results

Fertilizer subsidy policies, with or without insurance, appear to be the most effective solution to reduce poverty and inequalities, allowing a balanced growth in grain production and helping areas which are cultivated with agroecologically intensive techniques expand. Although the spatial distribution of poverty is rather homogenous in the study area, inequalities can derive from rainfall shocks. But it is access to land and the capacity to invest that appear to be the main determinants of farm income inequalities between households. Finally, if non-farm income and transfers exacerbate inequalities today, they also could allow a massive exit from poverty.

| Findings-based recommendations

- **Expanding mineral fertilizer subsidies** by ensuring that these inputs reach all farmers, even the poorest, while supporting the vegetable sector.
- **Observing the evolution of fertilization practices** to anticipate the implementation of additional measures and prevent fertilizer abuse, if necessary.
- **Protecting the existing agroforestry park and the remaining uncultivated areas** to maintain the current carbon storage, and preserving extensive livestock farming.
- **Developing activities upstream** (supply of inputs or mechanized services) **and downstream** (transformation) **of farming** to provide extra-agricultural jobs.
- **Targeting the poorest farmers** to promote access to land and to the means of production.
- **Boosting direct transfers and farming-related service activities** to increase non-farm employment opportunities and access to factors of production.
- **Developing safety nets** (insurance) **and risk-anticipation strategies** (weather and seasonal forecasts) for years of poor rainfall.

➡ **FIND OUT MORE**
bit.ly/afd-agroecology-incentives

CONTACT: Philippe Roudier,
 Research Officer, AFD



Investigating the impact of human and social capital



TUNISIA

Project name Economic, social and regional inequalities in Tunisia

Amount EUR 100,000

Partners Agence Nationale de la Promotion de la Recherche Scientifique (ANPR, Tunisia) – Faculty of Economics and Management of Tunis, University of Tunis El Manar

Do historical factors like intergenerational transmission of skills and know-how contribute to inequality in Tunisia? This project analyzed the impact of inherited human capital and social capital on inequalities among regions. It found that while inherited human capital is definitely an explanatory factor for those inequalities, social capital is not.

Why this project?

Research on the genesis of regional inequalities has already been conducted around the globe, showing the importance of certain factors linked to geographical differences or the role played by social capital. However, such historical and social approaches to the analysis of inequality have not yet been used in Tunisia. It could help understand Tunisia's strong social and regional inequalities in terms of income and access to essential services, especially education and health.

What were its goals and method?

This project examined various inequalities in Tunisia to provide an in-depth description and analysis, and eventually propose decision-making tools for designing better policies to reduce them. The project explored the determinants of spatial inequalities, to allow the drafting of new proposals on the role of human capital (both acquired and inherited) and social capital.

The project also focused on the impact of inherited human capital and social capital on inequalities among regions. Inherited human capital reflects the skills and know-how transmitted by previous generations. It is measured by an index summarizing the grandparents' level of education, their level of competence, and the complexity of their profession. A community's social capital is proxied by the beliefs and values shared by its members. These values determine the level of cooperation and trust among the community and with others.

The results

The project produced a global and regional diagnostic of monetary and non-monetary inequalities in Tunisia. It found monetary inequalities to have decreased between 1985 and 2015, although they remain high and are still a cause for political concern. Non-monetary inequalities also remain high throughout the country, despite recent progress. Inequalities of opportunity for children, youth and women are persistent.

The data for four regions in the country clearly confirm the importance of inherited human capital as an explanatory factor for inequalities. The standard of living is higher where the inherited human capital is higher.



The project also shows that with respect to social capital, Tunisians remain confined within narrow communities that tend to be limited to the family. This reveals a structural weakness in the way social capital can spread and develop.

The research did not conclude that social capital has a significant impact on inequality. The collected data however calls for better investigations on the measurements of social capital for these and all other regions of Tunisia.

Findings-based recommendations

- **Carrying out a systematic inventory** of the inherited human capital (know-how and intangible heritage) of each region.
- **Restructuring the education system** to ensure equal opportunities for all and effective universal access to education for all children and young people.
- **Encouraging schools to devote more resources to civic education** and to the dissemination of socially beneficial values, essential to the development of social capital.

FIND OUT MORE



bit.ly/afd-human-social-capital

CONTACT: Cecilia Poggi,
Research Officer, AFD



Unraveling the many faces of inequality



VIETNAM

Project name Multidimensional inequalities study in Vietnam

Amount EUR 100,000

Partner Oxfam Intermón (Spain)

What policies should national governments prioritize to reduce inequality? This project conducted a multidimensional analysis of inequality in Vietnam. It found critical, persistent inequalities between subpopulation groups across spatial, socioeconomic and ethnic axes of inequality, mostly to the detriment of women, ethnic minorities and rural households.



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| Why this project?

In Vietnam, nearly 30 million people have been lifted above the official poverty line over the last three decades, and the country's human development index (HDI) has risen significantly. However, data show that income inequality in Vietnam has increased over the last two decades. According to the World Bank, the Gini index rose from 35.7 to 38.7 from 1992 to 2012. Oxfam-Vietnam calculations indicate that the richest man in Vietnam earns more in a day than the poorest Vietnamese earns in 10 years.

| What were its goals and method?

This project aimed to shed light on inequalities in Vietnam through a multidimensional analysis, using the Oxfam and LSE Multidimensional Inequality Framework (MIF) which draws on Amartya Sen's Capability Approach to assess inequalities in individual well-being within seven domains. In addition to income and asset inequality, the study analyses inequality in key domains in life, including life and health, education and learning, and participation, influence and voice. The results are meant to help engage with relevant stakeholders, especially in debates on policy options to tackle inequality.

| The results

The research identified large gaps between subpopulation groups across spatial, socioeconomic, and ethnic axes of inequality in their capability to enjoy the right to quality education and to experience a life free of illness while accessing quality healthcare facilities. People belonging to ethnic minorities, women and people living in rural provinces are more affected by inequalities in health and education than the Kinh, men and higher-income households living in predominantly urban areas. Furthermore, inequality in the capability to participate, raise one's voice and influence public matters is extremely acute between men and women and between the poorest, rural households, with a lower level of education, and the richest, urban, highly educated households.

| Findings-based recommendations

- **Taking a human-centered approach to policy design** which focuses not only on promoting economic growth but also on the diverse dimensions of populations' well-being.
- **Implementing income redistribution policies and pro-poor policies**, making national taxation more progressive.
- **Increasing budget spending on public health and education** and improving access to safe drinking water infrastructure in schools and homes.
- **Designing specific policies and programs** for people belonging to ethnic minorities, women and small-scale farmers from remote areas.
- **Consolidating data, analysis and research**, making this information accessible to citizens and civil society, and integrating these indicators into national development policies.
- **Promoting critical thinking, active-citizenship education and awareness-raising** programs for women, less educated people and the poorest households.

➡ **FIND OUT MORE**
bit.ly/afd-multidimensional-inequality

CONTACT:
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 Research Officer, AFD



Assessing equity in health spending



BURKINA FASO



MALAWI



ZAMBIA

Project name Assessing equity in health spending in Sub-Saharan Africa – Burkina Faso, Malawi, Zambia

Amount EUR 125,000

Partners Heidelberg University (Germany) – University of Zambia – University of Malawi – NANEBO Consult (Burkina Faso)

Has recent investment in universal health coverage (UHC) reforms had a positive impact on reducing inequalities in health spending? This project studied the equity benefit of UHC reforms in Malawi, Zambia and Burkina Faso. It found that they help push toward more equity in the distributional incidence of health spending at national levels, although persisting gaps remain.

Why this project?

To reach the Sustainable Development Goals, countries must maintain and increase investments in health, while reducing existing inequalities in access and health status between groups. However, evidence on the equity benefit of recent universal health coverage reforms (ranging from user fee removal to results-based financing) is still limited.

What were its goals and method?

This project questioned the equity benefit of health spending with particular focus on the recent universal health coverage (UHC) reforms in three countries of sub-Saharan Africa: Malawi, Zambia and Burkina Faso. The research investigated the distributional incidence of total and public spending for curative and maternal services. It examined both individual beneficiaries and differences by districts or facilities. To inform future investments in health, the project considered the social and political circumstances that have shaped the emergence of specific UHC policies.

The results

Across countries, the distribution of both public and overall spending has become increasingly egalitarian, which is even more noticeable at lower levels of care (health centers) than at higher levels (hospitals). The distribution of public spending tends to be more egalitarian or pro-poor than the distribution of overall spending. There are remarkable differences across regions, provinces or districts that cannot easily be explained by the reach and content of the UHC reforms, especially in Burkina Faso and Malawi. In Burkina Faso and Zambia, there is greater inequality in spending on institutional delivery of maternal services than on curative services.

Findings-based recommendations

- **In Burkina Faso and Malawi, investigating the reasons for the regional differences** to identify suitable solutions and **channeling resources** toward regions that currently experience greater inequalities in the distribution of health spending.
- **In Burkina Faso, sustaining the engagement in health financing reform initiatives** that promote user charges removal, with a focus on inpatient services and promoting reforms that remove user charges for institutional deliveries.
- **In Malawi, investing further in public-private partnerships** to expand and strengthen service level agreements with both the Christian Health Association of Malawi (CHAM) and private facilities.
- **In Zambia, designing policies** to increase the use of delivery services and improve referral systems, **establishing effective emergency** transport from primary to secondary levels of care, and **addressing the causes of persisting inequality** in public and overall spending for institutional delivery of maternal services.



➡ **FIND OUT MORE**
bit.ly/afd-health-spending

CONTACT: Cecilia Poggi,
Research Officer, AFD



Questioning the impact of private higher education development



Project name Public policies, private higher education development and inequalities

Amount EUR 125 000

Partner Centre Population et Développement (CEPED), Paris Descartes University/French National Research Institute for Sustainable Development (IRD)

Has the recent development of the private higher education sector contributed to a democratization of higher education and to the reduction of inequalities? This project investigated the link between higher education, development of the private offer and inequalities in seven countries on three continents. It found that the private sector overall contributes to reinforcing inequalities.

Why this project?

Education plays a crucial role in both the production of and the fight against inequalities, within a single country and between countries. The rapid increase in the private higher education offerings observed in emerging and developing countries over the past 15 years is contributing to the growth in mass higher education, but it also brings up questions concerning social cohesion. For this movement is not necessarily synonymous with reduction in inequalities in access or with conditions of academic success becoming more equal. For example, in the poorest quintile of Mexico, only 1% of the age 15-24 segment pursue studies in higher education, compared to 32% in the wealthiest quintile.

What were its goals and method?

This multidisciplinary research program (covering sociology, economics, demography and education sciences) investigated the link between higher education, development of the private offer and inequalities. The selected field of study was a purposive sample of developing or emerging countries: India and Vietnam for Asia; Argentina, Mexico and Peru for Latin America; Senegal, and the DRC for Africa. The main goals were to describe trends in both public and private higher education, to identify the extent and the manner in which public policies take inequalities in higher education into consideration, as well as the growth of its private sector and its impact on inequalities. Lastly, the project aimed to detect whether the actors of private-sector higher education include the fight against inequalities in their objectives and, if so, how and why.

The results

The privatization and deregulation of higher education is justified by the widespread idea that the free market is more efficient than public services when it comes to increasing access to higher education and reducing inequalities. The results of this research project challenged this assumption. They showed that the disengagement of States and the lack of public services, the deregulation and commodification of the system and the absence or lack of regulation in higher education all combine to increase educational and social inequalities.



In each of the seven countries of the study, the private higher education sector is heterogeneous and hierarchical, and reproduces existing social segmentations and fractures. While it is impossible to establish a comparison among these countries, it can however be observed that the private higher education sector contributes to reinforcing inequalities everywhere.

The fees applied by private institutions tend to exclude the vast majority of the population. Furthermore, access to these private institutions, which offers opportunities for integration into the most remunerative professions, is also differentiated according to the level of education and the professional status of the parents. This double mechanism feeds a circle of reproduction of inequalities, whether they are socio-economic, educational, professional, or based on ethnic, geographic, gender or caste parameters.

FIND OUT MORE
bit.ly/afd-higher-education

CONTACT: Linda Zanfini,
 Research Officer, AFD



Understanding the role of taxation



Project name Understanding the role of taxation in the fight against inequalities

Amount EUR 125,000

Partner French National Research Institute for Sustainable Development (IRD)

Is the increase in tax revenues linked to a reduction or an increase in inequalities? This project investigated the links between fiscal policies and inequality in Africa. It found that the tax component of budget policies is a crucial instrument for governments in their fight against inequalities.

Why this project?

One of the targets of Sustainable Development Goal (SDG) 10 is for income growth of a country's poorest 40% to be higher than the national average. Reaching this objective requires setting up economic policies on public expenditures and taxes that will benefit the poorest people. At the same time, mobilizing tax revenue can play a key role in financing the efforts toward achieving the SDGs. But it is important to understand under what conditions a higher level of tax revenue collection can best serve the goal of reducing inequalities. Widespread tax avoidance makes the mobilization of domestic revenue challenging in sub-Saharan countries such as Côte d'Ivoire, Mali and Senegal. In these countries, inequality does not drive civil pressure on governments for redistribution the way it does in other contexts because of relatively weak governance and lack of democracy and voice.

What were its goals and method?

This project aimed to analyze various linkages between fiscal policies and inequality such as identifying the progressivity of taxation and public spending, but also looking at how episodes of fiscal consolidation affected health inequalities. The project also investigated tax compliance behaviors in Africa by measuring how inequality levels affect citizens' attitude toward taxes.

The results

A positive correlation between fiscal consolidation and infant mortality was found, suggesting that the poorest and middle-class mothers experience more infant death in time of fiscal austerity than the richest mothers. The study also found a direct correlation between inequality and attitudes towards taxation. For example, individuals who live in areas more plagued by lack of access to night light tend to be more favorable toward taxation, in line with the idea that they may benefit more from redistribution.

Moreover, the positive contribution of taxes on local inequality seems to be sensitive to trust in institutions and perception of corruption that populations grant to their fiscal and ruling institutions. Finally, it also found that fiscal systems in Mali, Senegal and Côte d'Ivoire have a

progressive impact on inequality. This results from the combination of slightly progressive direct taxes, regressive indirect taxes and progressive public spending on education.

Findings-based recommendations

- **Targeting priority expenditures** that do not consist of spending cuts to ease the poorest and tax increases for the richest.
- **Improving tax compliance** by taking into account the taxpayers' demand for redistribution.
- **Targeting poor citizens** located away from economic centers with the allocation of public goods.
- **Considering local indicators when designing taxation policies** to improve the local support for those policies and therefore domestic resource mobilization.
- **Increasing transparency** on public spending, civil servant recruitment and public procurements.
- **Improving data collection** through household surveys and **making fiscal data** at the individual or micro level **available** to researchers.



FIND OUT MORE

bit.ly/afd-taxation-Africa

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Evaluating the impact of **social protection** schemes on inequality



ETHIOPIA



INDIA



PERU

Project name The distributional impact of social protection: short- and longer-run inequalities in Ethiopia, India and Peru

Amount EUR 125,000

Partner University of Luxembourg

What are the short and long term impacts of large-scale social protection schemes on inequality and poverty? Using a longitudinal dataset, this project carries out a comparative analysis of three schemes in India, Ethiopia and Peru and finds that the social protection schemes analyzed, while reducing poverty, have a limited effect on inequality.

| Why this project?

Social protection schemes are a popular tool among governments and the international development community. However, empirical evidence on their efficiency is still scarce, particularly as regards their distributional incidence, their impact on poverty, and on horizontal and spatial inequalities. This research project intended to fill this gap.

| What were its goals and method?

The project aimed to go beyond measuring the direct intended impacts of the programs to focus on their indirect consequences instead. It wished to consider the effects of these programs on the income and wealth of participant households in the short and long term. Then, it aimed to study the programs' impact on horizontal and spatial inequalities, as well as their effect on household social relations and the distribution of resources within households.

Three nation-wide social protection schemes were inspected, in countries presenting diverse social, cultural, political and economic contexts:

- The Productive Safety Net Program (PSNP) in Ethiopia.
- The Mahatma Gandhi National Rural Employment Guarantee Scheme (NREGS) in India.
- The Juntos conditional cash-transfer program in Peru.

Unlike traditional benefit-incidence studies, this project exploited policy differences across time and space, within each country, to provide causal estimates of the social policy impacts.

| The results

The project shows that there is a strong correlation between living standards and social protection program coverage, indicating positive targeting efficiency. Inequality among program participants is also much lower than among non-participants. However, the transfers from these programs did not lead to an automatic reduction in the average differences between groups, implying the need for policy initiatives dedicated to marginalized communities.

Overall, the programs significantly reduced the incidence and intensity of poverty for the severely poor and for households experiencing multiple deprivations. The effects observed were sustained in the medium and long term. In all programs, social protection schemes also improved asset ownership and school attendance of children. However, the relationship between increased household wealth and children's nutrition appears very weak.

| Findings-based recommendations

- ➔ **Integrating inequality measures based on socially and culturally constructed boundaries** in policies' monitoring to increase outreach to marginalized groups.
- ➔ **Considering local environments and intra-household resource allocation** to design policy interventions.
- ➔ **Adding indicators of multidimensional poverty** to money metric measures to monitor trends in poverty, to understand what is driving them and to evaluate policy efficiency.
- ➔ **Enriching targeting criteria** with intra-household information to extend programs to less poor households that are also vulnerable.



➔ **FIND OUT MORE**
bit.ly/afd-social-protection

CONTACT: Cecilia Poggi,
 Research Officer, AFD



Analyzing multidimensional inequalities, their drivers and the role of regional policy

**CENTRAL AMERICA
AND DOMINICAN REPUBLIC****WEST AFRICA**

Project name Analysis of multidimensional inequalities and impact of regional policies on inequalities in Central America and West Africa

Amount EUR 125,000

Partners Oxfam Intermón (Spain)
– Spanish Agency for International Development Cooperation (AECID)

How to understand growing multidimensional inequalities in a context of global economic growth, and design effective policies to address them? Using an innovative inequality framework, this project analyzed available disaggregated data in West Africa and Central America, and found that gender and spatial inequalities are particularly difficult to reduce and tend to reinforce each other.

| Why this project?

In Central America and the Caribbean, high levels of income and wealth inequality have damaged sustainable growth and social inclusion. In West Africa, the region with the highest average economic growth in the continent, there is concern that the benefits have not been equitably shared.

| What were its goals and method?

This comparative project aimed to bridge the gap between research, policy and practice by offering a multidimensional framework with which to analyze inequalities in a given region, identify causes and design policies to tackle them. The project was based on Amartya Sen's capability approach and used the Oxfam and LSE Multidimensional Inequality Framework. This framework allows context-specific diagnostic and policy recommendations, as it covers horizontal, vertical and spatial inequalities.

| The results

The project shows that, across Central America and West Africa:

- Gender inequalities often compound disadvantages related to socio-economic status, ethnicity, location, religion, disability, age and race.
- The greatest inequalities are spatial, especially between urban and rural areas. Public services are mainly absent in rural areas.
- People at the bottom of the income distribution ladder are the most exposed to multidimensional inequalities.
- Education is both an expression and a driver of inequalities.
- Informal work translates into poor access to social protection systems and especially affects women in Central America.
- The proportion of young people who are neither employed nor pursuing education or training is high in Central America.

In West Africa, three structural drivers and four policy drivers were identified to explain these findings:

- Historical context.
- Traditional, cultural and religious norms.
- Dynamics of political capture by a few powerful groups.
- Inadequate investment in essential services, including education, health, and social protection.
- Inadequate investment in smallholder agriculture.
- A dual labor market structure, with large informal sectors and very limited formal employment, which is monopolized by a labor elite.
- Regressive taxes.

In Central America, two structural drivers were identified:

- The countries' minimalist States, which induce low economic development, social investment and tax collection.
- Sub-regional social institutions and norms, which influence the allocation of public goods and services and the accumulation of assets.

| Findings-based recommendations

- **Designing policies that target women, young people, other minorities and marginal groups** living in rural areas.
- **Including elements of citizen participation, transparency and social accountability** in policy packages.
- **Implementing policy packages focused on providing essential services, supporting agriculture and ensuring opportunities for dignified work** in areas of social exclusion.
- **Launching progressive fiscal reforms.**
- **Strengthening public institutions.**
- **Investing in the production of reliable disaggregated data** to identify the people being left behind and design effective policies.

🖱️ **FIND OUT MORE**
bit.ly/afd-regional-policies

CONTACT: Anda David,
Research Officer, AFD



Investigating the impact of climate variability on inequality



INDONESIA



VIETNAM

Project name Climate variability and inequalities in Indonesia and in Vietnam

Amount EUR 100,000

Partner Alliance of Biodiversity International (Italy) and International Center for Tropical Agriculture (CIAT, Colombia)

How does climate variability cause economic damage to the most vulnerable parts of society? This project investigated the impact of climate variability on inequality in Vietnam and Indonesia. It found that climate variability is regressive and identified the vulnerable groups most exposed and less able to cope.



In Vietnam, ethnic minorities are also particularly affected, and inequality has mostly increased in the regions affected by El Niño events, such as the Central Highlands and the Mekong Delta. In Indonesia, elderly households and those headed by women are also highly affected.

In both countries, the strongest observed effects concerned extreme temperature variations (temperatures below 18 and above 30 degrees Celsius). More moderate variations (between 24 and 30 degrees Celsius) were associated with reduced provincial inequality. This suggests a non-linear relationship between changing climatic conditions and inequality.

In Indonesia, changes in climatic conditions might have an equalizing effect at the higher end of the income distribution but an inequality-enhancing effect at the lower ends.

Why this project?

Vietnam and Indonesia are among the fastest growing lower-middle income countries in Southeast Asia. They are also among the most affected by climate variability. However, their poverty and inequality patterns and trends remarkably differ and the project aims to inspect what are the direct effects for each country of variability on monetary measures and for whom are such effects stronger.

What were its goals and method?

This project aimed to find out whether climate variability contributes to increase the inequality gap and to identify the groups it impacts the most. It also aimed to provide policy-makers with evidence to target social equity and equality interventions effectively.

It analyzed the direct effects of annual and seasonal temperatures on income and income inequality over time, using local random deviations of household income and provincial-level Gini coefficients.

The results

The project shows that climate variability is regressive, reducing incomes (in Indonesia) and increasing inequality (in Vietnam). Farming activities bear the biggest burden: rural and farming households are the most affected groups in both countries.

Findings-based recommendations

- **Helping rural and farming households, as well as ethnic minorities, elderly households and those headed by women** cope with increasing climate instability.
- **Favoring long-term solutions for coping with climate variability**, rather than using transfers and remittances.
- **Real-time monitoring of climate impacts** across rural and agricultural households.
- **Providing enhanced social protection and formalizing the employment status** of the least skilled, poorest and most marginalized groups in the construction sector, also deeply affected by climate hazards and variations.
- **Designing ad-hoc social protection schemes** and active labor market policies for girls and women.
- **Tailoring policy actions** to the needs of ethnic minorities and migrant workers.

➡ **FIND OUT MORE**
bit.ly/afd-climate-variability

CONTACT: Cecilia Poggi,
 Research Officer, AFD



Inequalities and environmental changes in the Mekong river basin



Project name Inequalities and environmental changes in the Lower Mekong River Basin

Amount EUR 76,700

Partners French National Research Institute for Sustainable Development (IRD) – WANASEA, University of Nantes (France)

How do accelerating environmental changes impact inequalities? Conversely, how do rising inequalities affect environmental dynamics? This systematic review studied the relationship between those two crucial challenges of our time in the five Mekong river basin countries and proposed lines of further research in response to the identified gaps.

Why this project?

The Mekong River Basin is crucial for the livelihoods of millions of people. Two thirds of the population of Vietnam, Cambodia, Laos, Myanmar, and Thailand rely on land, water, air, forest, fish and other resources for subsistence, as well as to develop other economic activities of the countries. More often than not, environmental changes affect groups of people differently and are themselves strongly shaped by social inequalities.

What were its goals and method?

This project proposed a scoping review of the inequality-environmental change nexus in the Mekong River Basin. It aimed at building a scientific foundation for policy action and identifying uninvestigated research issues.

After selection among more than 14,000 search results in English, Vietnamese, Thai and Burmese (and a few in Laotian and Khmer), a database of 6,200 relevant items was built, based on scientific articles as well as relevant grey literature published in the 1961-2020 period. As a parallel exercise, specific case studies referring to existing or ongoing research were compiled in a collective book to highlight different aspects of the inequalities-environmental change nexus.

The results

Most research found on the topic concerned Thailand and Vietnam. It is dominated by land issues, water, pollution, climate change and natural disaster, with growing interest in pollution, especially air pollution. Agrarian changes, biodiversity, forest degradation and health issues are less subject to studies and reports. Well-being, human rights (to land, water, forest and fisheries) and risk/capacity are the most represented themes in the existing research. Other themes are underrepresented, such as social disruption, migration, displacement, gender. The link between environmental changes and the poor, ethnic groups, highlanders, smallholders and rural communities is the subject of a large body of research, which documents their disadvantage compared to the other groups.

The case study of sand mining and infill in Phnom Penh was specifically highlighted, showing the livelihoods of sand miners and urban farmers

faced with the social, economic and ecological consequences of unabated sand exploitation. This case study shows how the governance vacuum impacts the type of development seen in and around Phnom Penh, the jobs people can access, and the environment in which people live.

Findings-based recommendations

- **Developing capacity building policies and programs based on sustainability science** on the links between environmental changes and inequalities in the Mekong region. In terms of capacity building, more attention is needed for Laos, Cambodia and Myanmar, as well as to develop a transnational perspective. Local research institutions should further invest in awareness-raising regarding equalities, equities and justice.
- **Focusing future research and development projects** on the impact of environmental changes on fishers, women, migrants, refugees, and other even more specific groups such as street vendors or small and medium size urban enterprises. Future research should also investigate the social and spiritual impacts of changes.
- **Implementing a fair transition for the promotion of sustainable urban development.** Specifically, a governance mechanism of the sand extraction sector in Phnom Penh is needed, particularly in conjunction with, or as part of, a more inclusive urban development strategy for the city.



➡ **FIND OUT MORE**
bit.ly/afd-environmental-changes

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METHODOLOGICAL TOOL

Replacing the research on African inequalities in Africa



SOUTH AFRICA



CÔTE D'IVOIRE



GHANA



KENYA

Project name Inequalities diagnostic: a tool for analyzing inequalities in Africa – South Africa, Côte d'Ivoire, Ghana, Kenya

Amount EUR 200,000

Partners African Centre of Excellence for Inequality Research (ACEIR) – University of Cape Town (South Africa) – University of Ghana – University of Nairobi (Kenya)

Is there a method to conduct a relevant and reliable comparable inequality diagnostic in Africa? This project reviewed the existing research and investigated which parameters must be considered when starting a study. It led to the production of a shared diagnostic handbook for the study of inequalities in African countries.

Why this project?

The picture of inequalities in Africa is complex and often obscured by unreliable and non-comparable data, both over time and across countries. The most careful African data analysis suggests that, measured in monetary terms, Africa is the most unequal continent. However, there are huge variations in the magnitude, dynamic and nature of these inequalities across the continent. Africa needs to be included in international measurements. It also needs to ensure that the specifics of its societies are taken into consideration, both as factors causing inequality and as consequences of inequality. Only then will policy interventions and civil society action have the right tools to turn the tide.

What were its goals and method?

The main objective of this project was to advance the analysis of African inequalities to inform policy discussions on strategies to overcome inequality and design a series of country-level engagements. After a conceptual and empirical review of the studies conducted so far on inequality in Africa, the project produced a diagnostic handbook with a common methodological framework and guidelines to analyze inequalities and to measure the impacts of existing policies. Finally, the project supported the implementation of these guidelines in four pilot countries (South Africa, Côte d'Ivoire, Ghana and Kenya) in collaboration with their local research teams.

The results

This project led to the production of a diagnostic handbook. It will serve as a reference document to guide researchers and statisticians who are writing a research report on inequality within a given country-level context. The handbook does not contain results on inequality but rather explains how to conduct a relevant, reliable and comparable diagnostic of inequalities in an African country.

It emphasizes the importance of considering the socioeconomic environment the study is located in, as well as the various surveys and alternative data sources that can be used for their study. It also spotlights different conceptual issues that a researcher is likely to



confront when starting a study on inequalities, such as underlying welfare measures, non-response or underreporting, survey comparability and equivalent scales.

The main part of the handbook is focused on data issues and requirements, and how to implement various estimators. These include estimating and interpreting common inequality measures such as the Gini coefficient, the Palma ratio, the ratio between various percentiles of the income distribution, the Theil coefficients and the Atkinson's coefficients. This common set of indicators will ensure that each report is a high-quality research output on its own, all while being comparable to other country reports.



FIND OUT MORE

bit.ly/afd-diagnostic-handbook

CONTACT: Anda David,
Research Officer, AFD



Assessing the fiscal incidence of public policies



KENYA



MOROCCO



SOUTH AFRICA

Project name Fiscal incidence analysis

Amount EUR 125,000

Partner Commitment to Equity (CEQ) Institute, Tulane University (United States)

What makes fiscal policy efficient in reducing inequalities? This project investigated fiscal incidence on inequalities in three African countries. It found that although the tax and social spending systems of these countries are progressive, improvements can be made to tackle both poverty and inequality more efficiently.

Why this project?

Evidence to prove that thoughtful redistributive fiscal policy can efficiently protect poor and vulnerable households from further impoverishment still needs significant enhancing. Three African countries (Morocco, South Africa and Kenya) were selected to participate in this threefold program which entails research, analysis and policy-prescription. The dissemination of relevant information and the promotion of skill transfer and capacity building are crucial to reduce inequality lastingly.

What were its goals and method?

By delivering Commitment to Equity Assessments, this project aimed to build empirical evidence to demonstrate the redistributive and poverty-reduction impacts of fiscal policy. It also aimed to implement mechanisms for knowledge and skill transfer to researchers and policy officers close to the ongoing policy debates. Each country was to be encouraged to learn, and in some cases draw inspiration from, other countries' successful experiences.

The results

In Morocco, the research project found that the tax and social spending system favors the poorest segments of the population. Free public services in health and education are a major contributing factor, as

well as expenditure subsidies and cash transfers. However, improvements can still be made.

In Kenya, the study found that government taxes and expenditure actions, albeit progressive, combine to reduce inequality while increasing poverty. Social spending pertaining to cash and near-cash transfers, basic education and health benefits are pro-poor. However, tertiary education benefits are not.

In South Africa, the fiscal system proved to be partially responsive to the additional burden of childcare borne by women, through social transfers such as the child support grant, public healthcare and education services. It also mildly addressed inequality of access to labor opportunities.

Findings-based recommendations

- In Morocco, strengthening social nets and increasing the efficiency of public services expenditures, reforming the value-added tax (VAT) to improve its economic neutrality, and designing territory-specific public policies.
- In Kenya, taxing items used predominantly by low-income households (such as kerosene) at a lower rate or zero-rated and enhancing the progressivity of cash and near cash transfers by improving coverage and increasing the amounts disbursed.
- In South Africa, making sure top incomes are accounted for and adjusting the main microdata set to ensure accurate inequality measurements of the impacts of fiscal instruments.



FIND OUT MORE

bit.ly/afd-fiscal-policy

CONTACTS: Hélène Ehrhart, Economist, AFD – Anda David, Research Officer, AFD



Assessing the **distributional impact** of **development cooperation projects**



CAMEROON



COLOMBIA



TUNISIA

Project name The distributional impact of development cooperation projects

Amount EUR 90,000

Partner EADA Business School (Spain)

Do development cooperation programs contribute to a reduction of inequalities? This project tested a methodology to investigate the impact of three programs in Cameroon, Colombia and Tunisia on inequality. It found that this methodology can be critical to fine-tune projects before they are implemented.

| Why this project?

Changes in inequality are due to a myriad of factors, from redistributive policies to changes in international market prices, labor market and even weather. As a result, the potential distributional impact of a development cooperation program cannot be measured by macro level changes. However, this does not mean that identifying potential distributional impacts of development cooperation programs or projects is impossible. A research team from EADA Business School has developed a methodology to do precisely that, which had not been fully tested yet.

| What were its goals and method?

This project aimed at piloting the application of this methodology on three of AFD's projects. Set in Cameroon, Colombia and Tunisia, these projects were chosen to cover a number of areas and types of interventions in order to fully test and identify the advantages and limits of this methodology. The aim was to experiment the methodology, to find out how relevant the information it provides is and, based on these findings, to review and adjust the methodology itself.

| The results

Overall, the results underscore the importance of considering a pro-poor targeting *ex-ante* when designing development cooperation interventions that explicitly (or implicitly) aim to contribute to the reduction of inequalities in partner countries. The main strength of the methodology is that it allows an assessment of the potential reach of interventions for the bottom 40 percent of the income distribution. Therefore, the information provided thanks to this methodology can be critical to fine-tuning projects before they are implemented as well as to maximizing their redistributive impact.

| Findings-based recommendations

- ➔ **Identifying direct and indirect beneficiaries** of the projects.
- ➔ **Understanding the development cooperation interventions** which are being analyzed, especially its objectives and conditionalities.
- ➔ **Using the methodology to build additional case studies**, to avoid a subjective analysis of the documentation and to improve knowledge on how to assess inequality markers.
- ➔ **Involving key stakeholders** to communicate the objectives, scope and limitations of the studies. In some cases, the inclusion of a qualitative component in the form of interviews, consultations, or eventually field missions, may be required to ensure the successful implementation and completion of studies.



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