



# Inequalities and Development – G20 Action and UN Summit of the Future

## Inequality and Sustainable Development

The UNSG's SDG Progress Report 2023 presented an alarming scenario on the progress of the SDGs. The recurrence and persistence of the perceived challenges lie in the interlinkages where, inequality, poverty, and climate change are self-perpetuating and reinforcing each other. This is reflected in G20 becoming more sensitive towards integrative and holistic approaches on development. The evolving agenda of the Development Working Group testifies this fact as it facilitates implementation of the SDGs drawing upon initiatives across various tracks of the G20. With revolving Presidencies of the G20 and with countries of the Global South at helm fortunately this has progressed faster than expected.

The recently agreed new G20 2023 Action Plan on Accelerating Progress on the SDGs and the High-Level Principles on Lifestyles for Sustainable

Development (LiFE) during the Indian G20 Presidency are comprehensive and complementary templates. These address intertwined issues of intersectional inequalities and sustainability covering an overwhelming number of dimensions of individual, institutional, enterprise and community level actions, thereby, leveraging innovative finance for impact, alternate rewards for technology among others. These are aimed at creating more equitable societies that are sustainable through addressing the developmental aspirations of all by focusing on localization, ensuring protection of nature and biodiversity, and creating resilience. The Brazilian Presidency of the G20 has prioritized core issues of poverty, inequality, and hunger for concerted action.

Before the G20 Leaders meet in Rio, Brazil in November, world leaders are also expected to join the Summit of the Future on the sidelines of the UN General Assembly in September in New York. These are important

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<sup>1</sup> UNSGR. 2023. Progress towards the Sustainable Development Goals: Towards a Rescue Plan for People and Planet. United Nations Secretary General Report.

<sup>2</sup> UNSGR 2024

<sup>3</sup> World Bank. Poverty and shared prosperity 2022: correcting course. The World Bank, 2022.

<sup>4</sup> UNICEF. "The state of food security and nutrition in the world 2023." (2023).

occasions where key decisions would be made. The Summit of the Future has identified several conventional and unconventional future threats that might affect humanity as an outcome of complex interrelated crises and calls for systemic preparedness. We argue that given the scale of challenges there is need to effectively fulfill all past commitments and at the same time unleash new processes where global takes care of the local, and create spaces for unorthodox approaches enabling sustainable and equitable development that starts with stemming growing inequalities. In practical terms, a large share of the population in the Global South is already negotiating pre-existing development gaps accentuated by growing inequalities; the costs in terms of lost generations suggests that the window for action by world leaders may be even narrower.

## Persistent Inequalities Adding to Setback of the SDGs

United Nations Secretary General 2023 Progress Report on SDGs signaled alarming trends at mid-way in timeline

for the SDGs: only 12 percent of 140 targets that were tracked showed progress, while 30 percent of targets have regressed below the 2015 baseline. According to the report, if current trends persist, 575 million people will continue to endure extreme poverty by 2030<sup>1</sup>. The Sustainable Development Goals Report 2024 finds marginal improvement and only 17 percent of the SDG targets are on track, nearly half are showing minimal or moderate progress, and progress on over one third has stalled or even regressed.<sup>2</sup>

According to the World Bank Shared Prosperity Report (2022) there was a 11 percent increase in people living in extreme poverty between 2019 and 2020 i.e. around 71 million more people. This increase in global poverty, an increase from 8.4 to 9.3 percent, has been the largest increase since 1990 and likely the largest increase since World War II<sup>3</sup>. This reflected the devastation caused by the pandemic and opportunities lost in terms of wealth generation at the bottom. On hunger and food security, the number of food insecure people worldwide has risen every year, from 1,544 million in 2014 to 2,357 million in 2022<sup>4</sup>. Even before

2. We are at a time of profound global transformation. Too many of our fellow human beings face avoidable suffering. We are confronted by a growing range of catastrophic and existential risks. If we do not change course, we risk tipping irreversibly into a future of persistent crisis and breakdown.

22. We express our deep concern at persistent inequalities within and between countries and at the slow pace of progress towards improving the lives and livelihoods of people everywhere, including people in vulnerable situations. We must meet the Sustainable Development Goals for all segments of society and leave no one behind, including through the localization of sustainable development.

Pact for the Future: Rev.2 (July, 2024)

the current phase of global pandemic and geo-political crises, 43.3 percent of humankind, around 3192 million individuals, were reportedly unable in 2020 to afford a healthy diet valued at 3.51 (PPP dollars per person per day).

This suggests the significant development challenges that are yet to be addressed. The predominant theory of the vicious trap of poverty discounts the growing influence of inequalities on poverty alleviation. Similarly, the inequalities as measured traditionally lack a multidimensional perspective, and is largely confined to just income and wealth metrics with some progress towards measuring inequality based social indicators including health and education. However, the impact of unequal distribution of burden of climate change related vulnerabilities and responsibilities among and within nations are now gradually being analyzed within new frameworks. The recent evidence abundantly suggests that poverty, inequality, and climate vulnerability, and related dimensional manifestations have been intertwined with each other.

The post-pandemic period has seen the most dramatic rise of inequalities both among and within countries. Inequality has been widening across the world and within societies, and the pandemic has reversed the era of global income convergence – the income losses of the world poorest was twice as high as the world's richest. Average incomes of the bottom 40 percent in 2020 were about 4 percent lower than in 2019, compared with less than 2 percent lower for the top 40 percent. Median incomes fell by 4 percent. The further granular

data shows that inequality gaps are more prominent when we look at the income distribution within societies<sup>5</sup>. Impact of the pandemic suggests a high degree of vulnerability in situations of deeper inequalities. Such lessons should not be discounted.

The post-pandemic recovery has exacerbated existing inequalities according to the UNDP Global Human Development Report 2023/24. On one hand all OECD countries are expected to either match or exceed their pre-2019 Human Development Index (HDI) values by 2023, while on the other hand only 49 percent of the Least Developed Countries (LDCs) are projected to do so. This divergence in recovery is also evident across different HDI groups, with only 48 percent of low HDI countries achieving pre-2019 levels in contrast to 92 percent of very high HDI countries. Consequently, there has been a resurgence in between-country inequality in human development, marking a departure from two decades of convergence. Currently, countries are confronted with difficult choices between servicing their debts or funding social programs. In 24 out of the 51 most debt-vulnerable economies identified by the United Nations Development Programme (UNDP), HDI values are not expected to recover in 2023 from the dip experienced in 2020-2021<sup>6</sup>.

The pandemic caused a significant drop in nearly all sources of financing for sustainable development. As per the OECDs SDGs Bottleneck Report 2023, financing flows to developing countries, excluding China, declined by 17 percent, sinking from USD 4.6 trillion

<sup>5</sup> World Bank. Poverty and shared prosperity 2022: correcting course. The World Bank, 2022.

<sup>6</sup> UNDP. "Human Development Report 2023/2024." (2023).

in 2019 to USD 3.9 trillion in 2020. The largest drop in absolute terms was in availability of government revenues (i.e., government revenue after debt service repayments), which shrank by USD 689 billion, or 22 percent from USD 3.1 trillion in 2019 to USD 2.4 trillion in 2020. The shocks induced by COVID-19 and geopolitical tensions are widening the SDG financing gap in developing countries, which increased by 56 percent in 2020<sup>7</sup>.

Exit from poverty becomes hugely difficult in the face of rising inequalities and looming climate crisis. In this context, the global south has had miniscule share in overall carbon emission historically, while the developed world, which has been the largest contributor to the carbon emission has repeatedly failed to fulfill their climate commitments. Between 1850 and 2019, the United States of America and the European Union were responsible for 25 percent and 17 percent of total fossil Co2 emissions, respectively. China accounted for 13 percent, the Russian Federation for 7 percent, while India, Indonesia, and Brazil each contributed 3 percent, 1 percent, and 1 percent, respectively. Least developed countries collectively contributed only 0.5 percent to historical Co2 emissions from fossil fuels and industry during this period<sup>8</sup>. This disproportionate burden and impact of climate change has exacerbated the vulnerabilities of the global south. International public climate finance flows to developing countries decreased by 15 per cent to US\$21.3 billion in 2021 after having increased to US\$25.2 billion between 2018 and 2020<sup>9</sup>.

## The need for a New Development Paradigm

With unequal societies it would be difficult to allocate resources for the poor, ensure their income security, reduce burdens such as out of pocket expenditure on health, provide access to quality education and skills at affordable prices, blend resilient infrastructure needs with sustainable lifestyles all of which are critical enablers of sustainable future without letting situations to spiral out of control. Making sustainable living a way of life without compromising on opportunities of human ingenuity and sustainable prosperity demands a new development model.

Such a new development paradigm must address the burgeoning inequalities that are leading to deepening climate crises and is effectively closing the development space for a large majority of the world population. This is reflected in grossly unequal emission intensities across regions, countries, and income distribution. Inequalities lead to delayed political, institutional, and social response to development deprivations. Technological disruptions in the 21<sup>st</sup> Century are causing unprecedented accumulation of wealth. This necessitates a new paradigm of development and wellbeing that is designed on Access, Equity, and Inclusion (AEI), which has recently been discussed and highlighted in the Statement of the Think20 India Task Force 3 LiFE, Resilience, and Values for Wellbeing<sup>10</sup> crafted by leading scholars and experts from across the globe. It suggests building resilience against recent setbacks in the social

<sup>7</sup> OECD (2023), Bottlenecks to Access Sustainable Development Goals Finance for Developing Countries, OECD, Paris

<sup>8</sup> United Nations Environment Programme (2022). Emissions Gap Report 2022: The Closing Window — Climate crisis calls for rapid transformation of societies. Nairobi.

<sup>9</sup> UNEP. “Adaptation Gap Report.” (2023)

<sup>10</sup> G20 India. T20 Task Force 3 LiFE, Resilience and Values for Wellbeing Statement. (2023)

sector that have deep implications for food security, holistic health, and gender disparities, and the need for recalibrating global cooperation based on ethics and universal well-being imperatives.

Professor Angus Deaton in his recent essay *Rethinking Economics*<sup>11</sup> unequivocally suggests, “*we have largely stopped thinking about ethics and about what constitutes human well-being. We are technocrats who focus on efficiency. We get little training about the ends of economics, on the meaning of well-being.*”

This depicts the fundamental flaw, as many scholars have argued, in the economic paradigm of the Industrial Revolution, and its components, that are further aggravating the challenges of the 21st century. The present paradigm based on the mandate to accelerate economic growth, through efficiency seeking market mechanisms disregarding the social and environmental impacts like inequalities and biodiversity loss among other issues has become unsustainable. Moreover, the continuous reliance on GDP has become detrimental for the overall wellbeing of individuals, communities, and the environment. Evidence proves that higher GDP does not necessarily result in higher or better wellbeing. This inadequacy is further exacerbated by the exclusion of natural capital, social inequities, and non-pecuniary dimensions of wellbeing measurement from our calculations of GDP. Such preoccupations also contributed towards centralization of development efforts and obfuscation of regional, and local asymmetries. Inequalities and deprivations in terms of basic needs get exacerbated with regional disparities. National efforts in most cases

are unable to deal with local dilemmas that manifest in terms of trade-offs (e.g. among various SDGs). Localisation is the bedrock of convergence and integration of approaches that SDGs demand for minimizing perceived trade-offs.

## G20 Action and UN Summit of the Future

Brazil has rightly placed poverty, hunger, and inequalities at the core of its G20 Presidency agenda and is keen on mobilizing resources for several new initiatives like *The Global Alliance against Hunger and Poverty* and the *Bioeconomy Initiative*. This may be seen as continuation of the ongoing work of the Development Working Group. As part of the key outcomes of the Development Working Group (DWG), during the Indian Presidency of the G20 last year a New Action Plan on Accelerating the Progress on the SDGs was adopted that highlighted the importance of the means of implementation (finance and technology) as well as leveraging new modalities (like Digital Public Infrastructure) that have proven benefits of scale, replicability and speed of delivering development solutions. DWG has over the years produced useful updates on G20 action on SDGs that presents an impressive list of globally relevant projects and initiatives by multilateral and inter-governmental organizations. However, difficult realities of uneven recovery from the pandemic, debt distress across developing countries and rising inequalities, destabilizing nature of technological disruptions, supply chain shocks, conflicts, and unfolding climate

<sup>11</sup> IMF. *Rethinking My Economics*, Angus Deaton. (2024)

<sup>12</sup> Aayog, N. I. T. I. "The Indian model of SDG localisation." India: Government of India. (2022).

<sup>13</sup> Aayog, N. I. T. I. "Aspirational Districts Unlocking Potentials." India: Government of India. (2018).

<sup>14</sup> UNDP (United Nations Development Programme). 2000.

crises have put unprecedented urgency on collective action and therefore, continuity of actions across G20 Presidencies is desirable. G20 can only deliver if it constantly revisits its own initiatives for fuller implementation, and simultaneously discovers new avenues to strengthen cooperation on key global challenges.

The DWG in 2023 highlighted the need to address poverty, inequality, and promote resilient economies, sustainable growth, and environmental conservation. This includes fostering green economies, halting biodiversity loss, transforming food systems, promoting gender equality, ensuring quality education and jobs, and improving health systems. They also acknowledge the importance of creating opportunities for all, particularly in developing countries. Notably, the DWG focused on Lifestyles for Sustainable Development (LiFE) to encourage sustainable consumption and production patterns wherein individual, collective, local and community level actions are strongly endorsed for addressing basic needs and environment protection and thereby amplifying the roles of local communities, local and regional governments. Unsustainable consumption and production have historically contributed to inequalities across and within countries evident from unequal shares of carbon emissions.

It is important that progress made under the G20 in 2023 and 2024 with regard to addressing some of the root causes and setbacks to the SDGs is adequately reflected in the outcomes of the Summit of the Future.

## Localization of Development for Reducing inequalities

While global cooperation is instrumental in strengthening means of implementation (finance and technology) as a universal and indivisible commitment for the SDGs, localization, at the level of countries, and further down to provinces/prefectures and local administrations, is key to achieving the SDGs in an integrated manner minimizing trade-offs, reducing inequalities and harnessing co-benefits. In developing countries localization assumes greater significance due to regional disparities, distance from economically prosperous regions, and in several instances higher population (and density) than in developed regions of the world. Localization is also an important consideration for island nations, mountain regions and agricultural, mining, rural and forest communities that face unique challenges. For example, local livelihoods and employment opportunities need greater attention to arrest distress migration. Global comparisons of human development and other indicators relaying national averages often obfuscates regional variations and local challenges.

In India, localization of the SDGs has been given top priority by its apex national institution - the NITI Aayog<sup>12</sup>, which has regularly published the national SDG performance index to track progress across States (provinces). This also involved SDGs workshops, partnerships with the civil society and strengthening capacities. The Aspirational Districts<sup>13</sup> initiative has

received wider recognition which aims to address the multidimensional poverty challenges of health, education, and standard of living in 112 districts of India where deprivations have been higher. Similar focus on localization has been observed in other South Asian countries as well. Human Development Atlas in Brazil which provide useful insights into the into the human development indicators across municipalities in Brazil can also be a good reference towards identifying the localized variations in human development pathways<sup>14</sup>.

Localization efforts are largely driven by administrative measures such as delegating functions, identifying indicators and capacity building of local agencies, institutions, and functionaries. It is natural that localization succeeds under democratic decentralization. Depending on experiences, challenges to localization have been largely identified as follows: 1) local agencies and institutions follow national priorities and scope for local adjustments are limited. 2) Just transition related measures need strong localization measures as the impact of such disruptions are felt more intensely in regions rather than at the national level. 3) People's participation and evaluation of impact is key to localization efforts.

Localization efforts as outlined above would be important for addressing human development priorities, more so in contexts where multidimensional human development remains a key challenge. Through deepening localization efforts there is a need to address emerging challenges of climate change and adopt new approaches in economic activities

to minimize damage to the environment, and induce fair and ethical business practices to reverse the slide towards iniquitous distribution of benefits of economic progress across countries.

Co-habitants of regions who may share not only common cultural connect but more importantly external conditions like common rural or urban, natural ecosystems, economic activities etc. can be categorized as a community. While community level efforts are widespread, governments need to mobilize community institutions to address various challenges, such as disaster preparedness and regenerative approaches for ecosystems, including forests and coastal ecosystems. For instance, India's tsunami and cyclone preparedness strategies involve significant community-level actions. In resilience-building efforts, the social rate of return far outweighs private returns, leading to weak price signals. However, government intervention alone may not achieve the desired results without local ownership and active community participation. Simultaneously, the private sector needs to collaborate with local communities, assess the impact of industrial activities on these communities, and incorporate better Environmental, Social, and Governance (ESG) practices for example in areas where mining is a dominant activity. SME ecosystems and social enterprises play a vital role in supporting local communities through livelihood generation and would be key enablers of positive climate action. Community-level efforts focusing on skill development and encouraging women's participation in the labor force could be particularly beneficial.

## Conclusion

If actions highlighted here are not supported, inequalities cannot be stemmed, climate action at the local level cannot be achieved, and poverty would remain endemic across countries. The G20 is currently operating on existing models of financing development, technology flows and following orthodox approaches to economic growth that ignores bottom-up efforts. While the relevance of sustainable development has robustly emerged across all workstreams of the G20, and the bottlenecks to financing development have been acknowledged, the actions remain modest in comparison to the challenges. The Pact of the Future means a new political commitment confronting uncertain prospects in the face of rising

geopolitical tensions. However, faced with existential threats to humanity, the G20 and the UN need to bolster efforts and pay significantly greater attention to rising inequalities stemming from the existing economic paradigm. As argued in this policy brief, tackling inequality would greatly support meaningful climate action and poverty reduction. It is also imperative that existing models of governance at the national and regional levels are reformed to ensure greater agency in decision making for localisation of development in its various dimensions. And, unless sustainable, inclusive and ethical economic practices are promoted, transition to a new development paradigm would remain an aspiration.

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