**Policy dialogue on poverty and inequality in Rwanda**

**Opening remarks for the Resident Representative**

***May 28th, 2019 – Kigali***

Honourable Permanent Secretary MINALOC,

Deputy Director General NISR,

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Ladies and gentlemen, all protocols observed

Mwaramutse, good morning and welcome to this policy dialogue!

It is a real pleasure for me to be here today to testify of UNDP’s continued support to quality economic research and debate in Rwanda. After the success of the 5th EPRN Research Conference in March, we are very happy to double down with today’s debate on poverty and inequality.

The topic is indeed cogent and timely. Globally, the gap between the rich and the poor keeps widening. We are all familiar with the staggering figures highlighted by Oxfam at Davos earlier this winter; in 2018 26 people owned the same as the 3.8 billion people who make up the poorest half of humanity[[1]](#footnote-1). This figure was criticized as too simplistic. But think of it; even if it were 100 people owning the same as 3 billion, one thousand owning the same as one billion, how painfully unfair would these figures still be? In 2009, it took the combined wealth of 380 individuals to equal the wealth of the world’s poorest 50 percent[[2]](#footnote-2); in 2018, as we saw, this number was down to 26[[3]](#footnote-3). While there can be disagreement about the number, we cannot refute that inequalities within and among nations continues to be a significant concern despite progress and efforts in narrowing disparities of opportunity, income and power.

Globalization, the disruption of the usual value chains, the lifting out of poverty of millions around the globe has spurred levels of growth unheard of. Yet, this has not translated in reduced inequalities; quite the contrary, as we saw earlier on. Why? Because not every country, region, city and social group was equipped to reap the fruits of economic growth. Quality of education and skills received, access to the global value chains, responsive employment policies and nature of the tax regimes are all part of the policy mix that allowed, or not, for growth to be shared across countries, regions and social groups.

Growth, if any, has disproportionally benefited higher income groups while lower income households have been left behind. Since 1980, the share of national income going to the richest 10 percent has increased rapidly in the United States, Canada, China, India, and Russia and more moderately even in Europe. Over the same period, it has remained stable but at very high levels in Brazil, the Middle-East and, unfortunately, Africa, where the richest 10 percent of the population absorbs 54.5 percent of the national income as per the data published in the Inequality report (2018) by the World Inequality Lab. In Rwanda, from the latest Household survey result, we have learnt that inequality trend is on the decline but not significantly from the pervious survey. With a Gini coefficient of 0.429[[4]](#footnote-4); the UNDP book on inequality puts Rwanda among the countries with declining trend and among the low- inequality category. This however does not mean the fight is over. Rwanda losses close to 33% of its human development index value because of inequality[[5]](#footnote-5). Hence, a call for action.

You will agree with me that such inequalities are detrimental to human development because they hamper the capability of a human being to become who he or she wishes to be, they constrain the freedom of the individual to achieve its maximum potential. I shall remind that inequality is significantly negatively associated with per capita income levels: not only are the poorest countries the most unequal, but also no country has successfully developed beyond middle-income status while retaining a very high level of inequality in income or consumption. The relationship between inequality and growth is more complex, it is clear, however, that inequality increases poverty for any level of growth, all else being equal.

Inequality goes beyond merely an economic phenomenon. It is a matter of opportunities being barred or taken away from people because of were they live (spatial inequality, but also access to quality education, social services and healthcare) and who they are (women, minority groups) and not just of what they earn. Together, these many facets of inequality adversely affect many dimensions of human life and well-being. Highly unequal countries experience tensions due to weak social cohesion which in turn associates with intolerance, discrimination against others, and the corrosion of rule of law and national identities. High inequality levels are also linked to high crime rates and instability. The divisive impact of the rise of inequality worldwide is for all to be seen in the tensions running through western democracies, with calls for protectionism, shutting of borders and tighter controls of migratory flows in the bid to recreate a mythical past prosperity.

When crafting Agenda 2030 the global community was mindful of this holistic adverse impact of inequality on all possible gains that the Agenda itself meant to foster. This is the reason of Goal 10, reduced inequalities. The global community realized that without a clear commitment to the reduction of inequalities globally, between and within nations, no progress in terms of poverty eradication, prosperity and peace can be achieved. Every country, in Africa and elsewhere, and Rwanda itself should then keep the reduction of inequality at the core of their policy making activities.

Identifying the main drivers of inequality is the first step in properly designing and targeting policies to counter it. In many countries, the drivers of inequality are anchored on our education polices and how better they are preparing the population to benefit from the ensuing economic growth; it is also true that inequalities are affected by the fiscal policies that are distributing national resources (e.g, budget) to reach the most vulnerable; and similarly, inequality is also rooted in the way labor and capital are rewarded in the economy including if a nation has a minimum wage policies that ensures that labor is fairly rewarded.

In mentioning the increase in inequality worldwide after the 1980, I talked about how some group of countries did better than others in containing inequality, e.g., Nordic countries such as Norway; but some countries have seen significant rise in inequality e.g., USA; others have seen a stagnation of inequality but at already much higher inequality levels[[6]](#footnote-6). What are we learning from these trends?

Ladies and gentlemen;

First, policies that reduce poverty are not necessarily the once that will reduce inequality. A blind focus on economic growth as the only leverage to achieve human development will only make this problem more acute. We also learnt that equity considerations should not be an afterthought. For inequalities to be reduced, growth should be inclusive, and this requires a clear commitment from the policy makers. Structural transformation and adaptation of the economy to the global challenges need to be followed by complementary social protection policies. States should strive to invest in human development, leveraging also on the power of fiscal policies to even out the playing field; a progressive tax system is not only fair, but also a key element of a more balanced development.

Second, national policies and institutions matter in setting the most optimal level of inequality in a nation. There is no ideal level of inequality. The optimal level of inequality should be guided by a national inclusive discussions and dialogue using the most up to date data and cutting-age measurements. Similarly, appreciating the multi-dimensional causes of inequality is key if we are to address it. In this sense, only policies that are integrated in nature will have a gravity to pull on inequalities. For example, policies, both social and fiscal, do matter in fighting off or reducing inequalities. Since inequality has territorial dimension (spatial exclusion), as well as gender dimension; optimal policies to reduce inequalities must have the ability to go sub-national and local level.

Third, countries experience indicate that those countries proactively engaged national policies and institutions to come up with faire welfare and redistributive policies; progressive tax policies and well thought out national industrialization and labor laws have maintained low levels of inequality. The SDGs offer a viable policy platform to address inequalities, structurally. We commend the Government of Rwanda for imbedding the most powerful doctrine of Leave No One Being- LNOB, we have in the 2030 Agenda, a most effective framework for action. We believe that by strengthening national policies that Rwanda has we can enhance our understanding and action to leave no one behind and address inequality from its root causes. We should jointly enhance Government effort to invest significant portion of resources, including from national budgets, on people that have been marginalized such as women, youth, indigenous groups, persons with disability, older persons; and seeing them not just as beneficiaries, but also as agents of change in their communities.

To conclude, ladies and gentlemen, let me stress once again the necessity to put inequality on top of our political agenda. With the profound appreciation of the issue at hand, UNDP’s next series of the Global Human Development Reports, starting this year, will zoom on how the world can accelerate the reduction of inequalities! As you all know, the August 2019 Biarritz G7 Summit will focus on inequalities[[7]](#footnote-7). We believe that as we did for human development index, the forthcoming Human Development Reports will shade important light into measuring inequality in a right way; identify the manifestation of inequality; fundamentals and determinants as well political economy of inequality with possible policy mixes that countries can implement. At national level, we wanted to adopt the same approach, i.e., to initiate dialogue on inequality and bring cutting age knowledge to measure inequality using nationally available data. I believe that events such as today’s will contribute to this push towards a more complete understanding of the disruptiveness of unchecked inequalities on our societies and welfare; and feed into national report that will inform our future action.

Murakoze cyane, thank you!

1. Oxfam, 2019. 5 shocking facts about extreme global inequality and how to even it up <https://www.oxfam.org/en/even-it/5-shocking-facts-about-extreme-global-inequality-and-how-even-it-davos> [↑](#footnote-ref-1)
2. Inequality.org, 2019. Facts, Global Inequality

<https://inequality.org/facts/global-inequality/> [↑](#footnote-ref-2)
3. Oxfam, 2019. [↑](#footnote-ref-3)
4. NISR, 2018. EICV5 Rwanda Poverty Profile Report 2016/17. [↑](#footnote-ref-4)
5. UNDP, 2018. Inequality Adjusted Human Development Index. <http://hdr.undp.org/en/countries/profiles/RWA> [↑](#footnote-ref-5)
6. Inequality.org, 2019. Facts, Global Inequality

<https://inequality.org/facts/global-inequality/> [↑](#footnote-ref-6)
7. <https://www.elysee.fr/en/g7> [↑](#footnote-ref-7)