

# EXECUTIVE SUMMARY

## Chapter 2: A Fair Shot

The COVID-19 pandemic has exacerbated preexisting inequalities and poverty and has demonstrated the importance of social safety nets. It has also laid bare inequalities in access to basic services—health care, quality education, and digital infrastructure—which, in turn, may cause income gaps to persist generation after generation. In the months ahead, universal access to vaccines and progress in vaccination will be decisive. For the recovery period and beyond, policies will need to aim at giving everyone a fair shot at lifetime opportunities by reducing gaps in access to quality public services. For most countries, this will require mobilizing additional revenues and improving the delivery of services while fostering inclusive growth.

This chapter documents how large preexisting inequalities have worsened the effect of the COVID-19 pandemic, while the crisis, in turn, has escalated those inequalities. For example, countries with better access to health care have had lower mortality rates, considering the age of the population and the number of cases. Countries with higher relative poverty have had more reported infections, especially where urbanization is more extensive. Some effects on labor markets will be long lasting, as will be the impact on education. The unprecedented scale of school closures has resulted in education losses equivalent to about one-quarter of the school year in advanced economies and one-half in emerging market and developing economies. The largest losses have accrued to children from poorer and less-educated families. Moreover, in 2021, net school enrollment rates in emerging market and developing economies could drop by 1 percentage point (or about 6 million children dropping out of school). Children who drop out of school will experience major learning losses.

Policy responses should recognize that various aspects of inequality (income, wealth, opportunity) are mutually reinforcing and create a vicious circle. Interventions thus need to combine predistributive policies (which affect incomes before taxes and transfers) and redistributive policies (which reduce market income inequality, mostly through transfers and to a lesser extent through taxes,

especially in advanced economies). Policy responses should thus include the following:

- *Investing more and investing better in education, health, and early childhood development.* Additional spending on education, for example, can reduce the enrollment gap between children from poor and rich households. Inefficiencies should also be tackled. In emerging markets and low-income developing countries, the difference between a country's spending efficiency and that of best performers ranges from 8 percent to 11 percent for health care and 25 percent to 50 percent for education.
- *Strengthening social safety nets by expanding coverage of the most vulnerable households, and increasing adequacy of benefits.* Beyond making more resources available, these objectives can also be attained by reallocating spending to the most effective programs and by improving identification of and delivery to beneficiaries.
- *Mustering the necessary revenues.* Advanced economies can increase progressivity of income taxation and increase reliance on inheritance/gift taxes and property taxation. COVID-19 recovery contributions and “excess” corporate profits taxes could be considered. Wealth taxes can also be considered if the previous measures are not enough. Emerging market and developing economies should focus on strengthening tax capacity to finance more social spending.
- *Acting in a transparent manner.* For most countries, these reforms would be best anchored in a medium-term fiscal framework as early as possible. Strengthening public financial management and improving transparency and accountability, not least for COVID-19 response measures, will reinforce trust in government.
- *Supporting lower-income countries that face especially daunting challenges.* Meeting the Sustainable Development Goals—a broad measure of the access to basic services—by 2030 would require \$3 trillion for 121 emerging market economies and low-income developing countries (2.6 percent of 2030 world GDP). Support from the international community is needed to aid reform efforts, with the immediate priority being affordable access to vaccines.

The COVID-19 pandemic has focused attention on governments and their ability to respond to the crisis. Popular support for better public services, already significant before the pandemic, has likely risen. Cross-country surveys administered before the pandemic suggest that respondents in advanced and emerging market economies have long expressed favor for more tax-financed spending on education,

health care, and old-age care, and more progressive taxation. A recent survey suggests that, if a household member becomes ill with COVID-19 or loses employment, the probability of favoring progressive taxation rises by 15 percentage points. Meeting the rising demand for basic public services and more inclusive policies is crucial for policymakers to strengthen public trust and support social cohesion.