



Newsletter 1

September 2005

Inter-Regional Inequality Facility

sharing ideas and policies across Africa, Asia and Latin America

The Inter-Regional Inequality Facility was initiated in 2004 to promote inter-regional dialogue and knowledge sharing on MDGs and inequality. It aims to influence existing policy processes, by:

(i) monitoring progress of MDGs with respect to inequality, bearing in mind horizontal issues such as gender, race, disability, as well as vertical issues across income;

and by:

(ii) sharing regional knowledge about the links between inequality and MDGs: methods of analysis, policies and programmes, and case studies of successful — and unsuccessful — interventions.

Institutions participating in the Inter-Regional Inequality Facility include:

- African Development Bank
- African Union Commission
- Asian Development Bank
- Inter-American Development Bank
- New Partnership for Africa's Development
- United Nations Economic Commission for Africa

This is the first newsletter of the Inter-Regional Inequality Facility. The Facility exists to promote inter-regional dialogue and knowledge sharing on the issue of inequality - how it affects development, and how it can be addressed by policy – between Africa, Asia and Latin America.

The Facility funds research, exchanges and advocacy activities which strengthen South-South dialogue on this issue, and help build a coalition in favour of a more equal and inclusive development process. It is a collaboration between the Inter-American Development Bank, the African Development Bank, the Asian Development Bank, the African Union Commission, the New Partnership for African Development and the United Nations Economic Commission for Africa.

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Workshop

On July 11th – 12th 2005 the Facility held a two-day workshop on the theme: 'Addressing Inequality: Policies for Inclusive Development'. The event was hosted by the Economic and Social Policy Division (ESPD) of the United Nations Economic Commission for Africa in Addis Ababa. The main purpose of the workshop was to highlight and discuss ways in which policy-makers can tackle inequality. It brought together around 50 researchers and policy-makers from governments and research institutions in Asia, Africa and Latin America. The structure of the workshop was organised around four key sessions, each covering an important area through which governments can address inequality:

- transfers and safety nets;
- labour markets and training;
- access to public services;
- affirmative action.

Each session consisted of a series of presentations on existing policy initiatives under each of these headings, drawn from Asia, Africa and Latin America. A report of the event and copies of the case-studies presented can be obtained from the website: www.odi.org.uk/inter-regional_inequality/events.html.

Regional synthesis papers

Earlier in 2005 the Inter-Regional Inequality Facility commissioned a series of three synthesis papers designed to review the most recent evidence in Africa, Asia, and Latin America on:

- levels of inequality in its various dimensions, e.g. income, education attainment, access to public services, political participation;
- recent trends in inequality in those same dimensions;
- the effects of inequality, e.g. on economic growth, poverty reduction, and progress toward the Millennium Development Goals (MDGs);
- the causes of recent trends in inequality, including the effects of external shocks (e.g. macroeconomic crises and adjustment), government policies (e.g. market liberalisation), and social and cultural factors (e.g. discrimination).

Copies of these papers are available at: www.odi.org.uk/inter-regional_inequality/papers_regional_syntheses.html

Forthcoming opportunities

Throughout the remainder of 2005, members of the Facility's Steering Group would like to hear from researchers, policy-makers and advocates interested in contributing to the Facility's objectives. The Facility will consider proposals for briefing papers, exchanges and visits, and other networking and/or advocacy-related activities. For more information, please contact the Secretariat of the Inter-Regional Inequality Facility.

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Three Development Reports on Inequality

In 2005, the collective mind of the international community has been focused on freeing the world of extreme poverty and deprivation. Recent progress toward the Millennium Development Goals (MDGs) for reducing the number of people who live on less than \$1-a-day, who go hungry, who do not complete primary school, and who die from easily preventable causes has been disappointingly slow. Great efforts are quite rightly being expended to accelerate progress towards these goals.

Important as these efforts are, eliminating poverty and extreme deprivation is not the only goal that we can and should aim for. We also believe strongly that the societies in which we live are fair, or just, or equitable. Of course, no society in which extreme poverty co-exists with extreme wealth can be considered any of these things. But it does not follow that the elimination of extreme poverty necessarily makes for a fair, or just, or equitable society. And as we approach the end of 2005, three major Development Reports – the 2006 World Development Report (WDR), the 2005 Human Development Report (HDR), and the 2005 Report on the World Social Situation (RWSS) – make this point strongly, and reveal its important implications.

Fairness, justice and equity mean different things to different people. Nevertheless, a common theme underlying all conceptions, and one which is stressed in all three reports, is that they require some degree of equality of ‘opportunities’ or ‘life chances’. This typically means two things. First, we should start out in life with reasonably similar levels of key endowments (e.g. education, health and savings), rather than vastly different levels related to differences in our social background. Second, we should throughout our lives face similar treatment in the market-place and by public-institutions, rather than very different treatment according to the social group to which we belong. Societies in which these conditions do not hold – like those in which extreme wealth and poverty co-exist – cannot be considered equitable.

Opportunities in life are highly unequal, as each report makes clear. The WDR is especially adept at showing the large extent to which infant mortality rates, child stunting, and school test scores vary according to parental background. It also shows how a substantial proportion of inequality in life achievements (e.g. income or expenditure) can be attributed, statistically speaking, to factors beyond people’s control (e.g. their race or place of birth) as opposed to those under their own control (e.g. post-school training, hours worked). Nor is this an area in which the North can always preach to the South: measured inequality of opportunity is higher in several developed countries than in many developing countries.

Opportunities are also highly unequal at the international level. Because of migration restrictions, a labourer based in rural China is faced with a very different set of job opportunities than a similarly skilled labourer in Western Europe. And because of much higher trade restrictions on the sorts of commodities in which they have a comparative advantage, the exporters in many developing countries are faced with less opportunities than those in developed countries. This means that the world is currently doubly inequitable: first because of the co-existence of extreme wealth with extreme poverty, and second because of the unequal opportunities or chances people face in terms of which of these states they end up in.

What then can be done about inequality of opportunities? Each report contains a discussion of the types of policies which can address inequality of opportunities. At the international level, all three reports call for increased aid and for more rapid trade liberalisation at the multi-lateral level, while the WDR also calls for

relaxation of restrictions on international migration. At the domestic level, there is a focus on policies for promoting widespread access to public health and education, particularly pre-school learning (to reduce inequalities in key endowments), and on ways of achieving greater fairness in markets and access to justice and infrastructure. Nevertheless, each report also recognises the existence of trade-offs between achieving greater equality of opportunities and other social goals, which need to be considered carefully.

How can the required policy changes be brought about? The danger, in the current MDG-driven climate, is that most of the MDGs are distributionally blind, meaning that progress is measured by aggregate national-level indicators. To combat this, the HDR argues that governments should ‘expressly commit themselves to targets for reducing inequality and gaps in opportunity, in addition to aggregate MDG targets’ (p.71). The RWSS takes a slightly different approach, pointing instead to the 10 Commitments set out at the 1995 World Summit for Social Development in Copenhagen, and re-affirmed at the recent 10-year review meeting held in New York. These contain more explicit policy commitments to tackling inequality, including ‘fostering societies based on non-discrimination and equality of opportunity’ (part of Commitment 4), and ‘rectifying inequalities [in education and primary health care] relating to social conditions and ... to race, national origin, gender, age or disability’ (part of Commitment 6).

There are some substantive differences between the Reports. The HDR and the RWSS, for instance, outline arguments for addressing inequality of outcomes, and not just opportunities (such arguments are generally dismissed in the WDR). The HDR also places much greater emphasis on actions at the inter-national level, whereas the WDR places more emphasis on the domestic arena, believing the key to greater inter-national equality being policies within developing countries themselves. Despite these differences, each makes a convincing case that the eradication of extreme poverty and deprivation must go hand in hand with, and cannot come at the expense of, attempts to forge fairer and more equitable societies. We do not yet have all the answers as to how this can be done, but do at least have from these Reports a good idea of what needs to be done.

More information:

World Bank (2005). *World Development Report 2006: Equity and Development*. New York: Oxford University Press. Downloadable at: <http://econ.worldbank.org/>

United Nations Development Programme (2005). *Human Development Report 2005: Aid, Trade and Security in an Unequal World*. New York: United Nations. Downloadable at: <http://hdr.undp.org/reports/global/2005>

United Nations Department for Economic and Social Affairs (2005). Report on the World Social Situation 2005: The Inequality Predicament. New York: United Nations. Downloadable at: <http://www.un.org/esa/socdev/rwss/media%2005/cd-docs/media.htm>

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This and other papers are on our website: www.odi.org.uk/inter-regional_inequality

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