

## Presentation by Dr. Róbinson Rojas Sandford

For Session 7 of module

### **Managing and Planning for Development: International and National Dimensions**

(Academic year 2011-2012)

## **7 - Equity and Development. The struggle for reducing poverty. PRSPs and SWAPs.**

## On equity and Development

“Globalization is political, technological and cultural, as well as economic” ... “Globalization, some argue, create a world of winners and losers, a few on the fast track to prosperity, the majority condemned to a life of misery and despair” ... Along with ecological risk, to which is related, **expanding inequality** is the most serious problem facing world society”

(A. Giddens, 1999, “**Runaway world. How globalization is reshaping our lives**”, Profile Books, London)

## On equity and Development

**“Although economic inequalities are clearly part of the story, this chapter goes beyond incomes to emphasize inequalities in key dimensions of opportunity, such as health, education, and the freedom and capacity of people to participate in and shape society.”**

“There is a special concern with inequalities that tend to perpetuate differences across individuals and groups over time, within and across generations.”

“These result in “inequality traps” that are pervasive in many countries.”

“Such inequality traps reinforce our concern with equity on intrinsic grounds, but they can also be particularly detrimental to the development process, because they act to curtail economic dynamism”.\*

( World Bank, 2006, **“Inequity within countries: individuals and groups”**, in World Development Report 2006, chapter 2)

## On equity and Development

### Inequalities in health

“Alongside the intrinsic importance of health as a dimension of welfare, poor health can directly influence an individual’s opportunities—his or her earnings capacity, performance at school, ability to care for children, participation in community activities, and so on.”

“This important instrumental function of health implies that inequalities in health often translate into inequalities in other dimensions of welfare. And these inequalities are reproduced over time. **We focus here on children, while recognizing that differences in social status, wealth, and health also matter for adults.**”\*

( World Bank, 2006, “**Inequity within countries: individuals and groups**”, in World Development Report 2006, chapter 2)

## On equity and Development

### Inequalities in education

“Education is of great intrinsic importance when assessing inequalities of opportunity.

It is also an important determinant of individuals’ income, health (and that of their children), and capacity to interact and communicate with others. Inequalities in education thus contribute to inequalities in other important dimensions of well-being.

**Measuring inequality in education is not easy. It is fundamental to capture the quality of education and how that might vary across individuals. Nor is it easy to compare years of schooling across countries, because those years might mean something quite different from country to country.”\***

( World Bank, 2006, “**Inequity within countries: individuals and groups**”, in World Development Report 2006, chapter 2)

## On equity and Development

### Economic inequalities

“An individual’s consumption, his or her income, or his or her wealth have all been used as indicators of the command of an individual over goods and services that can be purchased in the market and that contribute directly to well-being.

It is clear too, that individuals’ economic status can determine and shape in many ways the opportunities they face to improve their situations.

Economic well-being can also contribute to improved education outcomes and better health care. In turn, good health and good education are typically important determinants of economic status.

An ideal measure of economic well being for assessing inequality will capture an individual’s long-term economic status.” \*

( World Bank, 2006, “**Inequity within countries: individuals and groups**”, in World Development Report 2006, chapter 2)

## On equity and Development

### On inequalities (a conceptual model)

There are social, political and economic historical causes:

**Religious**: historical evidence shows that the members of the religion that got the “upper hand” in a given society will “enjoy” a better access to resources than the rest of the people. This primary inequality will reproduce itself through political means (brute force, laws, government, state, cultural habits, etc)\*

## On equity and Development

### On inequalities (a conceptual model)

There are social, political and economic historical causes:

**Ethnic**: historical evidence reveals that ethnic colonialism (both internal and external) create conditions by which inequality is justified based on racism and transformed in “legal” either by brute force or making it a “rule” in social life, generating unequal access to resources like good jobs, education, health, housing, etc.



## On equity and Development

### On inequalities (a conceptual model)

There are social, political and economic historical causes:

**Gender**: based on religious and ethnic social arrangements, women and men will have also differentiated access to resources.

**Sexuality**: especially based on religious beliefs, particular sexualities will be cornered in society forcing them to have limited access to resources. This discrimination could be even a law of the land, but mainly appears as a covert “correct” social behaviour.

## On equity and Development

### On inequalities (a conceptual model)

There are social, political and economic historical causes:

**Economic**: The mode of producing goods and services will be organized upon mixed social effects of religion, ethnicity, gender and sexuality over time, and this will be reflected in dividing society into at least two groups:

- 1) Those who decide **what to produce**, **how to produce** and **for whom to produce**, and
- 2) Those who will do **the actual work for producing**.

**One outcome of the above will be an unequal distribution of resources ( income, etc.) \***

## On equity and Development

### On inequalities (a conceptual model)

There are social, political and economic historical causes:

**Ideological**: from the combined effects of the above totality, **manners, points of view**, etc. will become the accepted way of thinking of the rulers of a society, and they will impose their ideology on the rest of society. This dominant way of thinking will supply the main components of stereotypes like “**common sense**”, “**being realistic**”, “**natural order of things**”, etc. They will be the foundations of the “**culture**” of that society which will help to reproduce over time the “**accepted economic arrangements**” for producing goods and services. \*

## On equity and Development

### On inequalities

A simple model (1):

We can look at inequality as a continuum of differentiated access to natural resources (fertile land, water, minerals, forests, etc.) and human made resources (knowledge, capital, irrigation systems, roads, preventive and curative medicine, shelter, etc.).

At one end of the continuum there will be extreme poverty, at the other end extreme affluence, with shades in between \*

## On equity and Development

### On inequalities

A simple model (2):

The **dominant ideology** (values, culture, “common sense”, etc.) will reflect the beliefs and economic and political needs of the wealthy members of society, which will lead to the creation of **technologies** able to produce goods and services demanded by the wealthy and relatively wealthy sectors of society, and also **this polarized distribution of wealth will drive “overconsumption”, which, if the technology is environmentally damaging, will lead to constant destruction of ecosystems, local and global.**

## On equity and Development

### On inequalities

A simple model (3):

If the mode of production chosen fits the needs of mass production and mass consumption **of those who can afford mass consumption**, the economic system could shape itself into securing a type of **economic efficiency** needing:

- a) Increased **differentiation** in access to resources,
- b) Structural creation of **affluence** and **poverty**,
- c) Making poverty a support for affluence (**urban and rural poverty, informal economy and subsistence farming** as a reproductive system for a **surplus supply of labour**)

## On equity and Development

For example:

(A)

**“We are living with appalling inequalities, in which the poor of the world die of AIDS, and, more broadly, where poor people around the world die of diseases that are *readily preventable* elsewhere, including in the first-world hospitals and clinics that serve the rich in poor countries.” \***

(Deaton, A. and Kozel V. , 2004, *“Data and Dogma: The Great Indian Poverty Debate”*.  
New Delhi:McMillan.)

and (B)

“A review of African Poverty Reduction Strategy Papers (PRSP) suggests that their elements of policy are strikingly similar to those pursued under **structural adjustment programmes**, adding that expectations of what would be acceptable by bilateral donors and International Finance Institutions may influence significantly the way PRSPs are prepared.”

(UNCTAD , 2004, “*Trade and Development Report 2004*”. United Nations Press.)

Read also UNCTAD (2007), “**The transformation of the PRSPs**”, chap. 3 in **Least Developed Countries Report 2008**, United Nations Press in your Study Pack) \*



On equity and Development  
On Income distribution

Income share in quintiles as percentage of Gross Domestic Product

<b>East and Central Europe</b> pop.: 446 mill.	<b>Bottom 20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>Top 20%</b>	<b>Average in US\$ 2007</b>
<b>1970</b>	8.2	13.1	17.4	23.2	38.1	
<b>1980</b>	8.1	13.0	17.4	23.4	38.1	
<b>1990</b>	7.7	12.9	17.5	23.5	38.4	
<b>2000</b>	5.0	9.4	14.6	22.9	48.1	
	<b>0.25</b>	<b>0.47</b>	<b>0.73</b>	<b>1.15</b>	<b>2.41</b>	
<b>US\$ p/capita</b>	<b>1513</b>	<b>2844</b>	<b>4418</b>	<b>6960</b>	<b>14555</b>	<b>6052</b>

( Based on Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”, UNDP)

On equity and Development  
On Income distribution

Income share in quintiles as percentage of Gross Domestic Product

<b>Africa</b> Pop.: 1113 mill.	<b>Bottom 20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>Top 20%</b>	<b>Average in US\$ 2007</b>
<b>1970</b>	2.1	4.8	8.8	15.8	68.5	
<b>1980</b>	2.1	5.0	9.4	17.2	66.3	
<b>1990</b>	1.8	4.3	8.4	17.1	68.4	
<b>2000</b>	1.9	4.2	7.3	15.7	70.9	
	<b>0.095</b>	<b>0.210</b>	<b>0.365</b>	<b>0.785</b>	<b>3.545</b>	
<b>US\$ p/capita</b>	<b>143</b>	<b>316</b>	<b>549</b>	<b>1180</b>	<b>5332</b>	<b>1504</b>

(Based on Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”, UNDP)

On equity and Development  
On Income distribution

Income share in quintiles as percentage of Gross Domestic Product

<b>South Asia</b> Pop.: 1522 mill.	<b>Bottom 20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>Top 20%</b>	<b>Average in US\$ 2007</b>
<b>1970</b>	6.0	10.8	15.8	23.1	44.3	
<b>1980</b>	6.0	10.7	15.7	23.0	44.6	
<b>1990</b>	6.0	10.8	15.8	23.0	44.4	
<b>2000</b>	7.4	12.0	16.7	23.0	40.9	
	<b>0.37</b>	<b>0.60</b>	<b>0.84</b>	<b>1.15</b>	<b>2.05</b>	
<b>US\$ p/capita</b>	<b>326</b>	<b>528</b>	<b>735</b>	<b>1012</b>	<b>1800</b>	<b>880</b>

( Based on Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”, UNDP)

On equity and Development  
On Income distribution

Income share in quintiles as percentage of Gross Domestic Product

<b>East Asia and Pacific Pop.: 1912 mill.</b>	<b>Bottom 20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>Top 20%</b>	<b>Average in US\$ 2007</b>
<b>1970</b>	6.0	9.7	13.5	19.4	51.4	
<b>1980</b>	5.2	8.6	12.3	18.2	55.5	
<b>1990</b>	4.9	8.7	12.6	19.0	54.7	
<b>2000</b>	3.8	7.6	12.1	19.4	57.1	
	<b>0.19</b>	<b>0.38</b>	<b>0.61</b>	<b>0.97</b>	<b>2.86</b>	
<b>US\$ p/capita</b>	<b>415</b>	<b>829</b>	<b>1320</b>	<b>2117</b>	<b>6230</b>	<b>2182</b>

( Based on Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”, UNDP)

On equity and Development  
On Income distribution

Income share in quintiles as percentage of Gross Domestic Product

<b>Latin America &amp; Carib.</b> Pop.: 561 mill.	<b>Bottom 20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>Top 20%</b>	<b>Average in US\$ 2007</b>
<b>1970</b>	2.4	6.1	11.2	20.7	59.6	
<b>1980</b>	2.6	6.3	11.4	20.4	59.2	
<b>1990</b>	2.7	6.4	11.5	20.4	59.0	
<b>2000</b>	2.5	6.0	10.9	19.8	61.0	
	<b>0.125</b>	<b>0.300</b>	<b>0.545</b>	<b>0.990</b>	<b>3.050</b>	
<b>US\$ p/capita</b>	<b>725</b>	<b>1740</b>	<b>3162</b>	<b>5742</b>	<b>17693</b>	<b>5801</b>

(Based on Dikhanov, Y. , 2005, "Trends in global income distribution, 1970-2000, and scenarios for 2015", UNDP)

On equity and Development  
On Income distribution

Income share in quintiles as percentage of Gross Domestic Product

<b>High Income Pop.: 1056 mill.</b>	<b>Bottom 20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>Top 20%</b>	<b>Average in US\$ 2007</b>
<b>1970</b>	7.0	11.6	16.1	22.8	42.4	
<b>1980</b>	7.3	12.0	16.5	22.8	41.4	
<b>1990</b>	7.0	11.6	16.1	22.7	42.6	
<b>2000</b>	6.7	11.4	15.7	22.3	43.9	
	<b>0.34</b>	<b>0.57</b>	<b>0.79</b>	<b>1.12</b>	<b>2.20</b>	
<b>US\$ p/capita</b>	<b>12774</b>	<b>21415</b>	<b>29492</b>	<b>41891</b>	<b>82466</b>	<b>37570</b>

(Based on Dikhanov, Y. , 2005, "Trends in global income distribution, 1970-2000, and scenarios for 2015", UNDP)

On equity and Development  
On Income distribution

Income share in quintiles as percentage of Gross Domestic Product

<b>WORLD</b> Pop.: 6610 mill.	<b>Bottom 20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>Top 20%</b>	<b>Average in US\$ 2007</b>
<b>1970</b>	1.4	2.8	5.9	19.9	69.9	48.5
<b>1980</b>	1.3	2.6	5.3	18.9	71.8	50.0
<b>1990</b>	1.4	3.0	5.6	16.6	73.3	52.4
<b>2000</b>	1.5	3.5	6.3	14.6	74.1	54.4
	<b>0.075</b>	<b>0.175</b>	<b>0.315</b>	<b>0.730</b>	<b>3.705</b>	
<b>US\$ p/capita</b>	<b>600</b>	<b>1399</b>	<b>2518</b>	<b>5836</b>	<b>29621</b>	<b>7995</b>

( Based on Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”, UNDP)

## **“Income Inequality in the age of Financial Globalization**

**The ongoing global economic slowdown is affecting low-income groups disproportionately. This development comes after a long expansionary phase where income inequality was already on the rise in the majority of countries.**

**Employment growth has ...occurred alongside a redistribution of income away from labour.**

**In 51 out of 73 countries for which data are available, the share of wages in total income declined over the past two decades.**

**The largest decline in the share of wages in GDP took place in Latin America and the Caribbean (-13 points), followed by Asia and the Pacific (-10 points) and the Advanced Economies (-9 points).“ \***



## Income Inequality in the age of Financial Globalization

“The gap in income inequality is also widening – at an increasing pace – between the firms’ executives and the average employee.

For example, in the United States in 2007, the chief executive officers (CEOs) of the 15 largest companies earned 500 times more than the average worker.

This is up from 360 times more in 2003.

Even in Hong Kong (China) and South Africa where executives are paid much less than their United States’ counterparts, CEO pay still represents 160 and 104 times, respectively, the wages of the average worker...”. \*

## Income Inequality in the age of Financial Globalization

**“Rising income inequality can be a good thing** to the extent that it is crucial to reward work effort, talent and innovation – key engines of economic growth and wealth creation.

**However**, there are instances where income inequality reaches excessive levels, in that it represents a **danger to social stability while also going against economic efficiency considerations.**

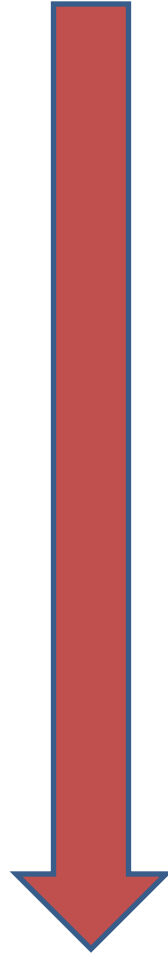
Indeed, higher income inequality is associated with higher crime rates and lower life expectancy.”\*

**“Higher inequality may also deepen macroeconomic instability** in the sense that low-income households may adjust more slowly to economic shocks.

In addition, there are instances where **richer groups may secure economically-inefficient advantages**, such as regressive taxes or an allocation of public funds that goes **against the economic interests of the country as a whole**.

More fundamentally, when income inequalities are perceived to reach excessive levels, social support for pro-growth policies may be strongly eroded.

Already now, **there are widespread perceptions in many countries that globalization does not work to the advantage of the majority of the population.**”\*





On equity and Development  
**On Income distribution**

**Income share in deciles as percentage of Gross Domestic Product**

<b>East and Central Europe</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
<b>1970</b>	3.3	4.9	6.0	7.1	8.1	9.3	10.7	12.5	15.4	22.7
<b>1980</b>	3.2	4.9	6.0	7.0	8.1	9.3	10.8	12.6	15.3	22.7
<b>1990</b>	3.0	4.7	5.9	7.0	8.1	9.4	10.8	12.6	15.4	23.0
<b>2000</b>	1.9	3.1	4.1	5.3	6.5	8.1	10.1	12.8	17.2	30.9

( Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”,  
UNDP)

On equity and Development  
**On Income distribution**

**Income share in deciles as percentage of Gross Domestic Product**

<b>Africa</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
<b>1970</b>	0.7	1.4	2.0	2.8	3.8	5.0	6.7	9.1	13.8	54.7
<b>1980</b>	0.7	1.4	2.1	2.9	4.0	5.4	7.2	9.9	14.7	51.6
<b>1990</b>	0.6	1.2	1.8	2.5	3.5	4.9	7.0	10.1	15.5	52.7
<b>2000</b>	0.7	1.2	1.8	2.4	3.1	4.2	6.1	9.7	16.5	54.4

( Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”,  
UNDP)

On equity and Development  
**On Income distribution**

**Income share in deciles as percentage of Gross Domestic Product**

<b>South Asia</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
<b>1970</b>	2.3	3.7	4.8	6.0	7.2	8.6	10.4	12.7	16.5	27.8
<b>1980</b>	2.3	3.7	4.8	5.9	7.1	8.6	10.3	12.7	16.5	28.1
<b>1990</b>	2.3	3.7	4.8	6.0	7.2	8.6	10.3	12.7	16.5	27.9
<b>2000</b>	3.0	4.4	5.5	6.5	7.7	9.0	10.5	12.5	15.7	25.2

( Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”, UNDP)



On equity and Development  
**On Income distribution**

**Income share in deciles as percentage of Gross Domestic Product**

<b>East Asia and Pacific</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
<b>1970</b>	2.4	3.6	4.4	5.3	6.2	7.3	8.7	10.7	14.5	36.9
<b>1980</b>	2.1	3.1	3.9	4.7	5.6	6.7	8.1	10.1	14.3	41.2
<b>1990</b>	1.9	3.0	3.9	4.8	5.7	6.9	8.4	10.6	14.7	40.0
<b>2000</b>	1.4	2.4	3.3	4.3	5.4	6.7	8.4	11.0	15.8	41.3

( Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”,  
UNDP)

On equity and Development  
**On Income distribution**

**Income share in deciles as percentage of Gross Domestic Product**

<b>Latin America &amp; Carib.</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
<b>1970</b>	0.8	1.6	2.5	3.6	4.8	6.4	8.7	12.0	18.0	41.6
<b>1980</b>	0.8	1.8	2.6	3.7	4.9	6.5	8.6	11.8	17.6	41.6
<b>1990</b>	0.9	1.8	2.7	3.7	5.0	6.5	8.6	11.8	17.5	41.5
<b>2000</b>	0.8	1.7	2.5	3.5	4.7	6.2	8.3	11.5	17.4	43.6

( Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”,  
UNDP)

On equity and Development  
**On Income distribution**

**Income share in deciles as percentage of Gross Domestic Product**

<b>OECD</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
<b>1970</b>	2.8	4.2	5.3	6.3	7.4	8.7	10.3	12.5	15.8	26.6
<b>1980</b>	2.9	4.4	5.5	6.5	7.6	8.9	10.4	12.4	15.7	25.7
<b>1990</b>	2.8	4.2	5.3	6.3	7.4	8.7	10.3	12.4	15.7	26.9
<b>2000</b>	2.7	4.1	5.2	6.2	7.2	8.5	10.1	12.2	15.6	28.3

( Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”,  
UNDP)

On equity and Development  
**On Income distribution**

**Income share in deciles as percentage of Gross Domestic Product**

<b>WORLD</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
<b>1970</b>	0.5	0.9	1.2	1.6	2.3	3.6	7.1	12.8	21.4	48.5
<b>1980</b>	0.5	0.8	1.1	1.5	2.1	3.2	6.4	12.5	21.8	50.0
<b>1990</b>	0.5	0.9	1.3	1.7	2.3	3.3	5.6	11.0	20.9	52.4
<b>2000</b>	0.5	1.0	1.5	2.0	2.7	3.6	5.3	9.3	19.7	54.4

( Dikhanov, Y. , 2005, “Trends in global income distribution, 1970-2000, and scenarios for 2015”,  
UNDP)