

INCLUSIVE FUTURE

INEQUALITY, INCLUSIVE GROWTH AND
THE POST-2015 FRAMEWORK



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Executive Summary

This Policy Note summarizes the main content of the workshop on 'Inequality, Inclusive Growth and the post-2015 Framework' convened by UNCDF - in cooperation with UN-DESA and UNDP - on March 7th, 2013 in New York.

The workshop brought together some of the lead thinkers on the topic of inequality. These included senior officials from UN agencies, National governments as well as senior representatives from the private, academic and NGO sectors. This multi-stakeholder approach allowed discussing perspectives on inequality from organizations as diverse as ILO, UNAIDS, UNDP, UN-DESA, UN-Habitat, UNICEF, UN-Women, OECD, Oxfam, Save the Children, Google.org, London School of Economics, Urban Institute, United Cities and Local Governments (UCLG), Citi and UNCDF.

The Note addresses **3 key questions**: (1) *Why* is inequality a critical topic in the context of the post-2015 discussions? This section presents some of the current trends in inequality with particular emphasis on developing countries. (2) *What* are the key dimensions of inequality? This section 'un-packs' the concept of inequality. It explains that inequality can mean different things to different people. And that it needs to be understood and addressed as a cross-cutting issue. (3) *How* can inequality be integrated into the post-2015 framework? This section highlights some of the options for including set of measurements of inequality in the post-2015 development framework and discusses the political and technical challenges involved.

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Foreword

The Millennium Declaration in 2000 was a milestone in international cooperation inspiring coordinated effort to improve the lives of hundreds of millions of people around the world. At the time of writing, world leaders are reviewing progress to meet the Millennium Development Goals (MDGs) by 2015 and discussing what could be the 'goals' that will guide global development efforts after 2015. The ongoing consultations on the post-2015 development framework have entered a crucial phase and concerns to address 'inequality' and promote inclusive growth within a new framework for development have emerged as two major, cross-cutting issues. Being cross-cutting and complex by nature, these require a multi-stakeholder approach: expert know-how from different partners coming together to work towards the same goal.

It is precisely in this spirit that UNCDF – in cooperation with UN-DESA and UNDP – organized the workshop on 'Inequality, Inclusive Growth and the post-2015 Framework', bringing together representatives from various UN agencies as well as from the private, academic, financial and NGO sectors. Drawing on the content of the workshop, this Policy Note addresses some of the key questions in the on-going debate, ranging from the key trends in inequality, to the options for embedding 'inclusiveness' in the future development goals. It is my hope that this Policy Note will be a useful tool for policymakers and development practitioners engaged in the post-2015 consultations and committed to paving the way for a more inclusive future.



Marc Bichler
Executive Secretary
UN Capital Development Fund

Why Inequality matters?

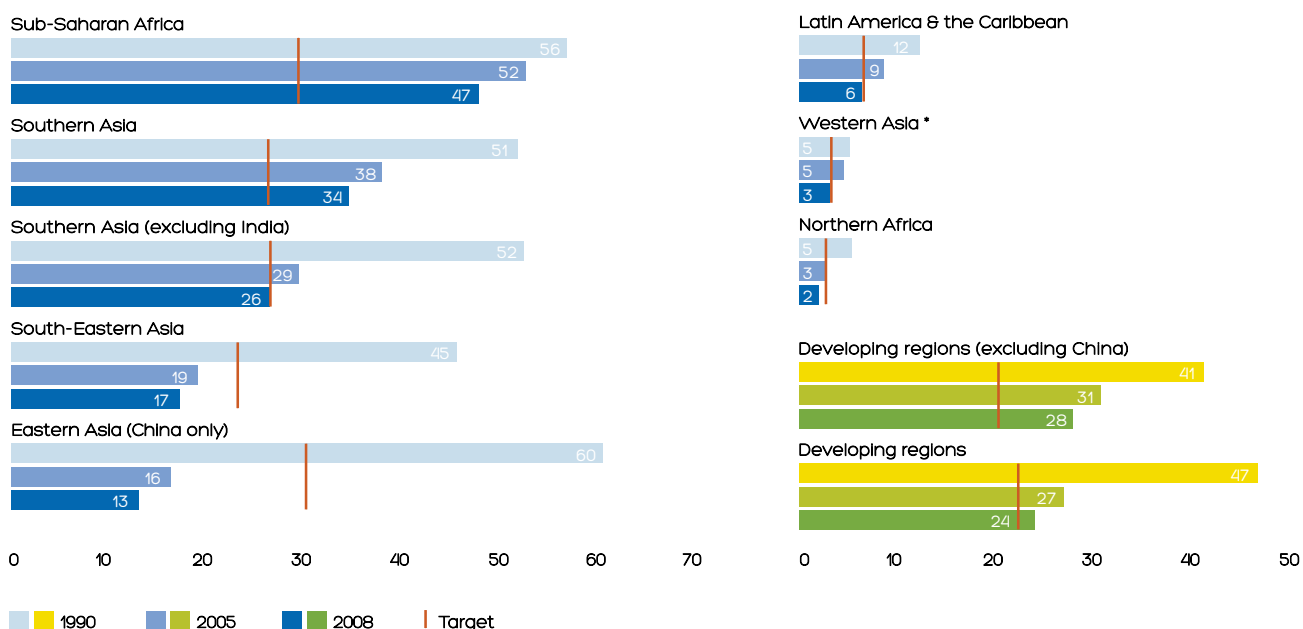
Progress towards the MDGs has been remarkable in aggregate ...

Evidence presented at UNCDF's workshop and recent official UN reports¹ show that important progress towards the MDGs has been made on many fronts since 2000, despite significant setbacks due to the recent economic downturn, food and energy crises. The developing world as a whole remains on track to achieve the poverty reduction targets: during the period 1990-2008, for the first time since poverty trends began to be monitored, the number of people living in extreme poverty and poverty rates fell in every developing region. The global target of reducing poverty by half was met

well ahead of the 2015 deadline.² Driven by national and international efforts and inspired by the Millennium Development Goals Agenda, major advances have been made in various development areas. This has included getting millions of children into schools, progress in HIV/AIDS prevention and treatment, malaria control, improvements in the lives of 200 million slums dwellers, expanded access to clean water, reduced deforestation, and wider access to information and communication technology.³

Extreme poverty falls in every region

Proportion of people living on less than \$1.25 a day, 1990, 2005 and 2008 (Percentage)



* The aggregate value is based on 5 of 13 countries in the region.

Note: No sufficient country data are available to calculate the aggregate values for Oceania.

Source: Millennium Development Goals Report, United Nations, 2012.

¹ UN-DESA (2012).

² This achievement was greatly helped by accelerated poverty reduction in populous China and India.

³ UN-DESA (2012).

...but disparities among and within countries are a significant cause of concern

Progress towards the MDGs is highly uneven across and within regions and countries. This is part of a long-term trend of increasing global inequality. As figure on the right shows, inequality at a global level has been on the rise for a long time. This global trend might have come to a halt around 2006. However, workshop participants agreed that the consequences of the recent economic crises will need to be carefully assessed to clarify their impact on inequality, particularly in poor countries.

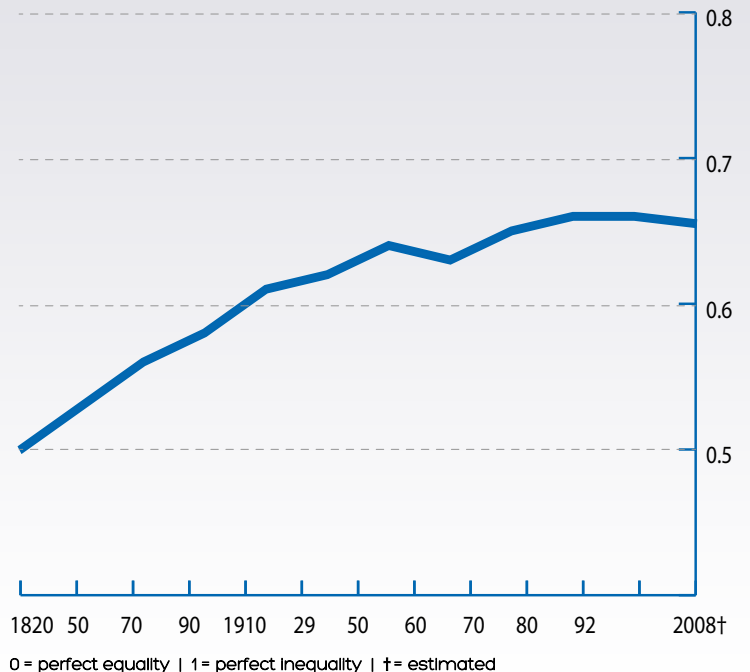
'Inequality within countries has been a long-standing feature of human societies. Yet, the magnitude, complexity and scope of the deterioration observed in the last 30 years make it stand apart.'

Shamshad Akhtar
Assistant-Secretary-General
for Economic Development
(United Nations)

During the last decade, many developing countries have enjoyed relatively high rates of growth. These were largely driven by foreign direct investment, open markets, and development assistance. In this context, public policies have tended to overlook inequality. This development model has worked well at the aggregate level, but it has been accompanied by widening individual and territorial disparities: often only a small part of the population has been able to take advantage of economic growth. As a result of these development dynamics, the economies of many developing countries remain concentrated in few urban centers, characterized by a narrow base and highly vulnerable to external shocks.⁴

⁴ Global Forum on Local Development (2010).

Global Inequality, Gini coefficient



Sources: The World Top Incomes Database; World Bank: 'Inequality among World Citizens: 1820-1992', by Bourguignon & Morrison, The American Economic Review, 2002; 'A short history of global inequality: The past two centuries', by Branko Milanovic, Explorations in Economic History, May 2011.

'We are living in an age of shocks: we must build more equal societies to stay resilient to those shocks.'

Arvin Gadgil
State Secretary for
International
Development (Norway)

The impact of the recent financial and economic crises have been severe on this system, especially in the Least Developed Countries (LDCs): in many regions delocalized factories have started to close, construction shrank, tourism flows declined, exports became less competitive, remittances dwindled. What was working for only a part of the system before the crises, was even less effective after these shocks. In a number of countries, both high and low income, economic growth has not been accompanied by equally rapid rates of job generation, entailing what is perceived as 'jobless growth'. Even for those employed, decent work 'deficits' in the form

of underemployment, poor quality and unproductive jobs, unsafe work and insecure income are widespread. In developing countries globalization and the rise of technology are partially behind the increase in inequality, as they have simultaneously reduced the number of low-skill jobs, and increased the incomes of high-skill ones. At the same time, an ever lower share of productivity gains goes to workers.

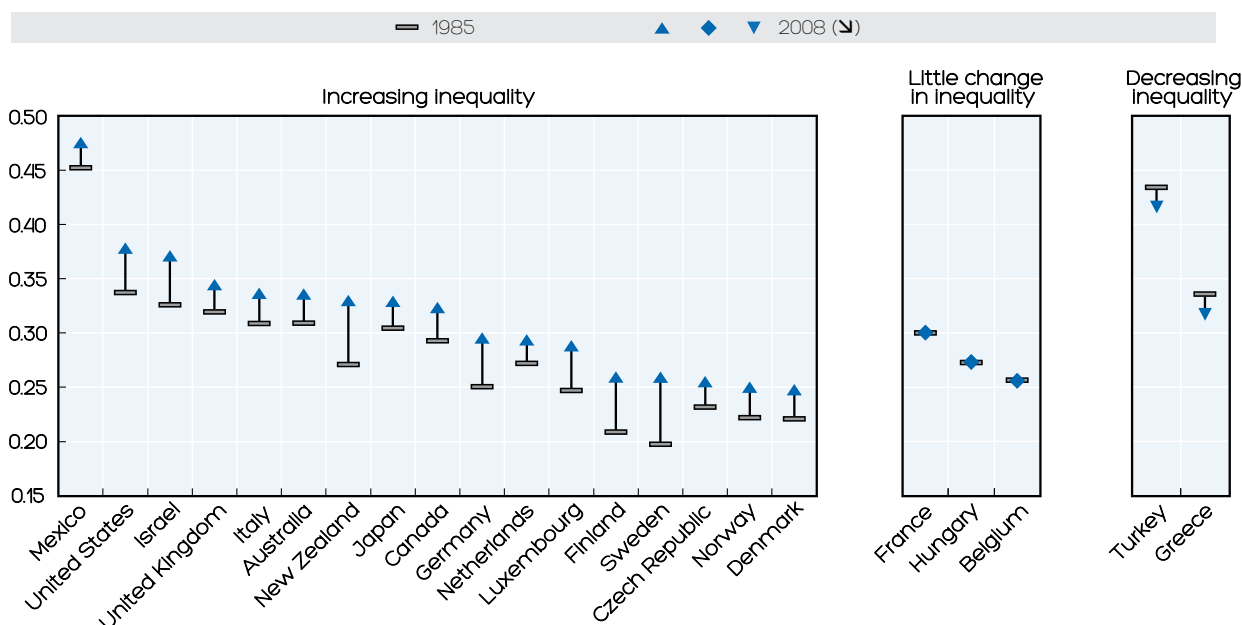
These dynamics have strong spatial and social dimensions since different localities and social groups are hit by these global trends in different ways. Moreover, international crises affect national public finances, which in turn impact on the availability of fiscal resources for

national and local governments. Once more, the impact is asymmetric and particularly severe on the poor and on rural regions that are already struggling with the higher cost of delivering services to sparsely populated and remote areas. More developed countries have also been affected by these trends: during the past few years, inequality has risen in the vast majority of OECD countries (see figure below)⁵.

5 OECD (2011b).

Income inequality increased in most OECD countries

Gini coefficients of income inequality, mid-1980s and late 2000s



Source: OECD Database on Household Income Distribution and Poverty.
<http://dx.doi.org/10.1787/888932535185>

What are the different dimensions of inequality?

Understanding the multiple dimensions of inequality is critical

Inequality is a multi-dimensional issue that can only be addressed effectively if its different facets and root causes are well understood. Inequality can be observed at three levels: *global* inequality refers to inequality between individuals irrespective of their nationality (as if everybody lived in the same country); inequality *between* countries focuses on differences in mean income across different countries; inequality *within* countries expresses differences at country level (usually measured by the Gini coefficient).

Workshop participants focused on inequality *within* countries as a key level for policymakers and development assistance to act. When referring to inequality at the country level, we generally refer to significant variations in living standards: economic status, access to key social services (such as healthcare or education), resources and political representation. For the sake of clarity, we can further classify inequality on the one hand in terms of *type of inequality*: inequality of outcome or of opportunity (within these two categories several variables can be considered). On the other hand, it is useful to discuss inequality in terms of *groups* among which inequality manifests itself (e.g. disparities among individuals, communities, regions, ethnic groups, or gender).

Inequality is both a matter of 'outcome' and of 'opportunity'

While emphasis is often placed on inequality in terms of development outcomes (for instance in terms of income disparity among

individuals), workshop participants underlined the importance of the concept of 'inequality of opportunity': differences in access to services and resources that influence the capability of individuals to express their potential and pursue their aspirations. A clear example of inequality of opportunity is offered by recent research on inequality among children: across 32 countries examined, a child in the richest 10 per cent of households has 35 times the available income of a child in the poorest 10 per cent of households.⁶

The gaps between the poorest and richest children are considerably larger than the gaps among adults:

Jessica Espey
Senior Research and
Policy Adviser (Save the Children)

This approach places particular emphasis on the need to design policies that build a level playing field, rather than try to achieve 'parity' in terms of outcomes. As referred to in the Istanbul Programme of Action⁷, this concept has particular relevance for Least Developed Countries (LDCs), where equality of opportunity

⁶ Save the Children (2012).

⁷ Programme of Action for the Least Developed Countries for the Decade 2011-2020. Fourth United Nations Conference on the Least Developed Countries, Istanbul, May 2011. The Istanbul Programme of Action (IPoA) states that 'equity at all levels is indispensable for the pursuit of long-term prosperity and the realization of all internationally recognized human rights, including the right to development by all. Development strategies and programmes of least developed countries and their partners should strive to enhance the participation and empowerment of the poor and marginalized in their own development and benefit the most vulnerable, ensuring social justice, democracy, gender equality and sustained, inclusive and equitable economic growth and sustainable development'.

means focusing on structural transformation through increasing productive capacity and decent work for all, particularly for youth. In the context of the post-2015 discussion, the notion of inequality of opportunities points to the importance of measuring access to key services, especially for those that tend to be excluded. The lack or malfunctioning of 'social elevators' (mechanisms that allow upward mobility) is driving a growing unease with inequality which makes it no longer an issue confined to academic debate, but places it very much at the top of political agendas throughout the world. In this context, Governments are increasingly faced with social movements that ask for more inclusive growth patterns and for opportunities and resources to be more fairly distributed.

'A key challenge for the future is to restore 'the social elevator', to promote reforms that can give opportunities to everyone, particularly in the Least Developed Countries (LDCs).'

H.E. Jean-Francis R. Zinsou,
Ambassador of Benin to the United Nations,
Chairperson Coordination Bureau for LDC Group

Five key dimensions of inequality: individual, territorial, gender, financial and digital.

Workshop participants agreed that it is necessary to understand and address the root causes of at least the following five types of inequality. These are dimensions of inequality that UNCDF targets explicitly with some of its programs across the LDCs:

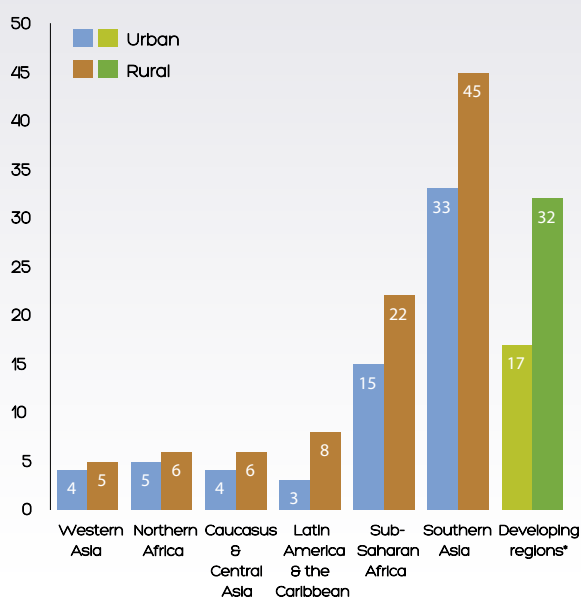
Individual (or vertical) inequality. This dimension refers to inequality between persons (as opposed to inequality between 'groups'), notwithstanding where they live or whether they belong to a particular ethnic or social

group. In the current political discourse, individual inequality is often used to quantify differences between 'the rich and the poor' or more specifically the degree of difference between the top income earners and the lower income earners. Thus, this is an important category, but in many developing countries, what matters even more for policymaking - and also in terms of perception - is inequality that is determined by people's belonging to a certain group or living in a specific area (horizontal inequality). Horizontal inequality is critical when it comes to discussing progress towards the MDGs because it tends to be long lasting: an individual finds it difficult/impossible to escape from it, because it is group characteristics (often driven by discrimination) that tend to 'trap' people.

Territorial inequality. Progress towards the MDGs is highly uneven from a territorial perspective. Evidence from the country level shows that growth and development have left many regions behind. Lack of progress towards the MDGs is often localized in specific areas and dependent on local circumstances. Often, territorial inequalities coincide with inequality based on identity or ethnicity. Across the developing world territorial disparities persist in many countries and are in some cases increasing. Despite remarkable achievements at the aggregate level in many cases, large differences in terms of access to services and performance against key MDGs delineate significant rural-urban divides. For example, disparities in urban and rural sanitation remain huge, especially in Southern Asia, sub-Saharan Africa and Oceania (see figure on page 12); in all developing regions, children in rural areas are more likely to be undernourished than children living in cities and towns (see figure on next page); similar differences exist across other important areas, such as access to water, as well as schooling and mortality rates (see

Differences in undernutrition found between rural and urban children are largest in Latin America and the Caribbean

Proportion of under-five children who are underweight, developing regions, urban and rural areas, 2006/2010 (Percentage)



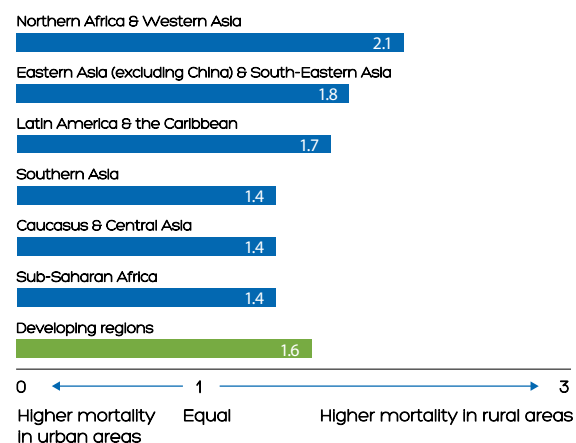
* Excluding China.

Note: Regional averages are based on a subset of 70 countries with residence area information covering 62 per cent of the rural population and 53 per cent of the urban population in the developing region. Data for Eastern Asia are not available.

Source: Millenium Development Goals Report, United Nations, 2012.

Mortality is more likely to strike children in rural areas

Ratio of rural to urban under-five mortality rates, 2000/2010

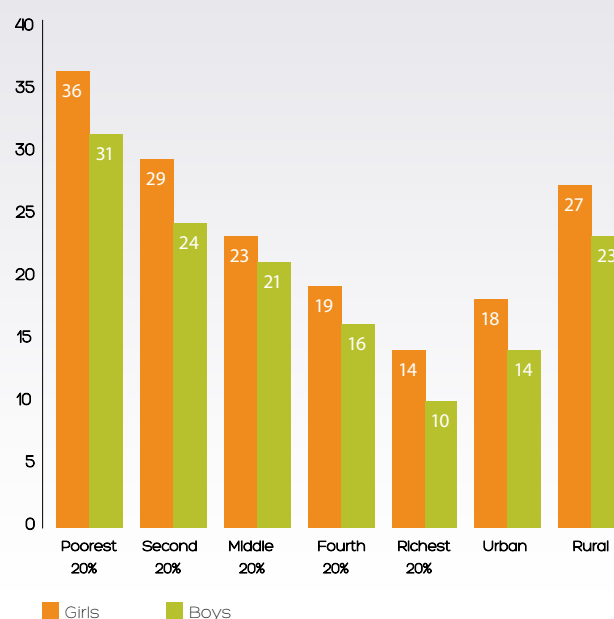


Note: Analysis is based on 82 developing countries with data on under-five mortality rate by residence, accounting for 75 percent of total births in developing countries in 2010.

Source: Millenium Development Goals Report, United Nations, 2012.

Young adolescents from poor and rural households are more likely to be out of school

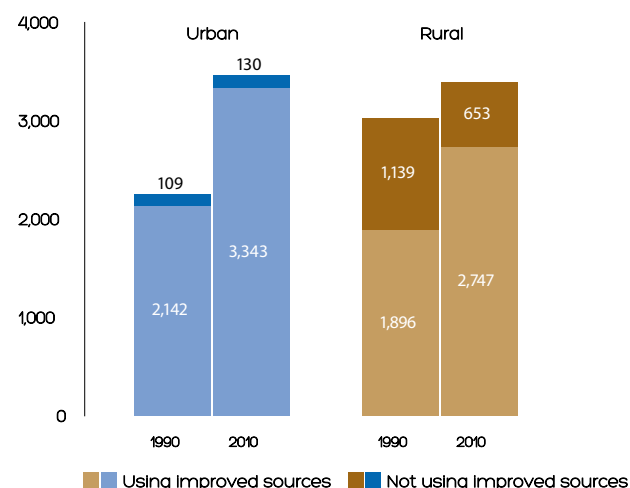
Percentage of lower secondary-age children out of school by sex, household wealth and location, 55 countries, 2005/2010



Source: Millenium Development Goals Report, United Nations, 2012.

Rural areas are still far behind cities in water access

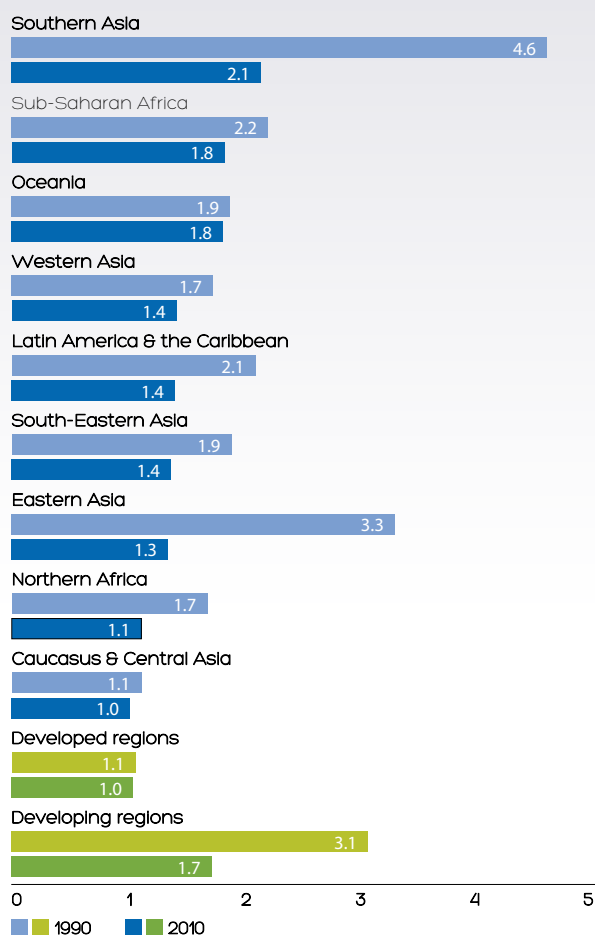
Population with and without an improved drinking water source, world, urban and rural residence, 1990 and 2010 (Millions)



Source: Millenium Development Goals Report, United Nations, 2012.

Urban-rural differences in sanitation coverage are starting to even out, but remain stark

Urban/rural ratio for the proportion of the population using an improved sanitation facility, 1990 and 2010



Source: Millennium Development Goals Report, United Nations, 2012 (figures on previous page). Overall, inadequate finance, lack of focus and of targeted interventions have largely excluded the poorest regions and groups from advances towards several MDGs. A focus on territorial disparities is not only important to understand inequality trends: it is critical for policy making. A better understanding of territorial inequality can lead to more attention for disaggregated data on development trends and drive a rethinking of territorial development policies and the allocation of resources across and within levels of governments.⁸

⁸ Global Forum on Local Development (2010).

“Spatially-blind’ policy approaches have often failed to develop balanced, diversified rural and urban economies’.

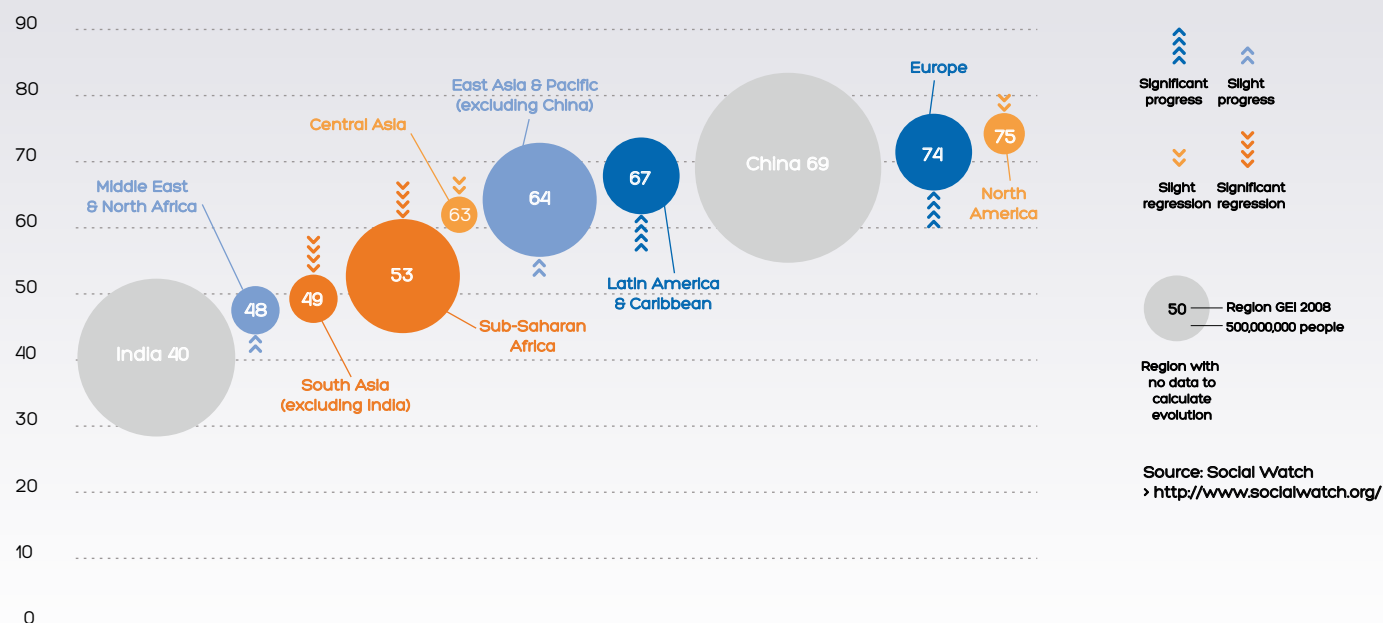
Nicola Crosta
Head of Policy
(UNCDF)

Gender inequality. Workshop participants agreed that this is a key dimension. As the figure on next page shows, global progress towards gender equality is highly uneven, with entire continents lagging behind. The 2011 report ‘*Progress of the World’s Women*’ highlights stark, persisting disparities between men and women across several MDGs.⁹ Today, 75 per cent of women face physical or psychological violence: this is a clear manifestation of gender inequality. Exclusion and discrimination are not limited to women in poor households: in all groups - poor or rich - women are most likely to endure secondary social status, lower access to basic services, restricted participation and threats to personal security.¹⁰ There is broad consensus that progress towards the MDGs is impossible without substantive progress in gender equality. From an economic perspective, gender equality should indeed be considered as a powerful tool to ‘unlock’ unused or underused productive capacity.

⁹ UN Women (2012).

¹⁰ 2012 Report on the Global Thematic Consultation on Inequalities (co-led by UNICEF and UN Women), New York.

Gender Equity Index



'We are not drawing on all capacities in society if we don't address gender equality.'

Lucia Hanmer
 Senior Economic Adviser
 (UN Women)

Financial inequality. Half of all working-age adults globally – an estimated 2.5 billion people – do not have access to formal financial services. Amongst the poor, three out of four people are excluded. There are further gaps in financial inclusion between different demographics, with women, youth and rural populations at the greatest disadvantage. These groups are without access to formal financial services due to both lack of supply (high-income countries have on average 30 times more automated teller machines per 100,000 adults than low income countries) and demand side factors: costs, distance, paper work and other constraints faced by the poor. Just thirty years ago it was a revelation that

the poor could borrow and repay loans. But continuing to focus on micro-credit alone is not the solution. There is growing evidence that the poor need a broad range of financial services, and that these should be quality services that provide value for money. When such services are available, there is evidence that financial inclusion becomes a powerful driver towards MDGs achievement, reduction of inequality and inclusive growth.¹¹

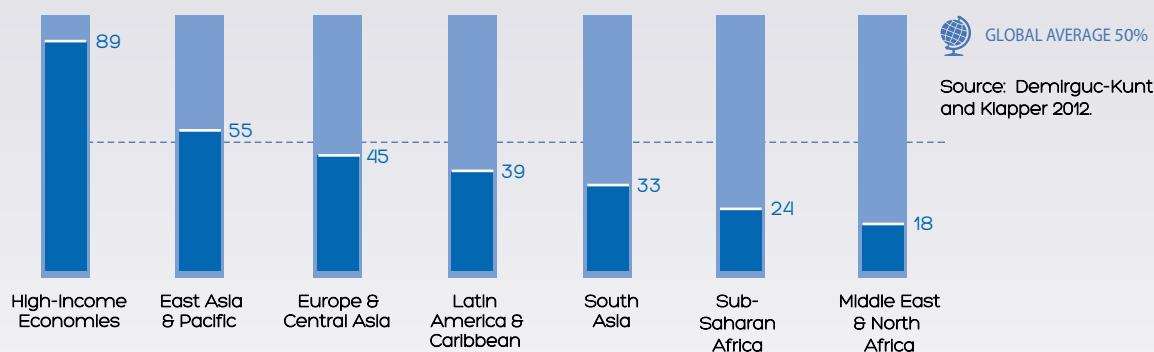
'Improved access to finance is not only pro-growth, but also pro-poor, reducing income inequality and poverty.'

Beth Porter
 Policy Advisor
 (UNCDF)

¹¹ Beck, Demirguc-Kunt, and Levine (2007) and Demirguc-Kunt et al. (2008).

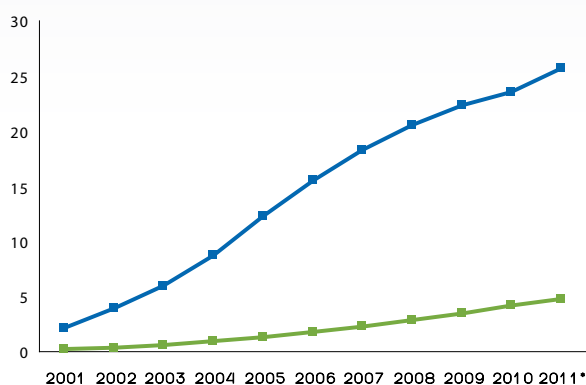
Account penetration

Adults with an account at a formal financial institution (%)

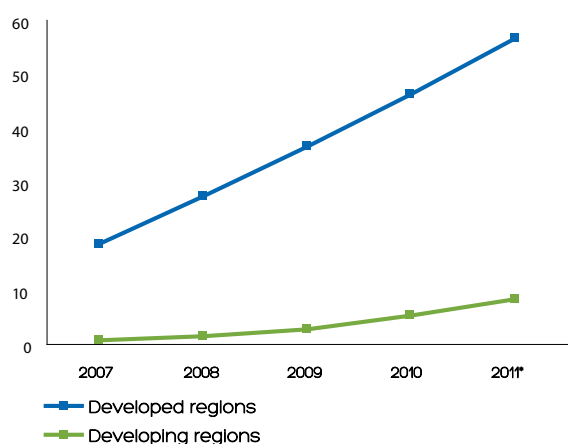


A global “digital divide” remains in terms of quantity and quality of broadband Internet access

Fixed broadband subscriptions per 100 population, 2001-2011



Active mobile broadband subscriptions per 100 population, 2007-2011



* Data for 2011 are preliminary estimates.

Source: Millennium Development Goals Report, United Nations, 2012.

Digital inequality. Over the past decade, the rise in mobile cellular subscriptions has been extraordinary in both developed and developing countries. The number of Internet users has also risen sharply. Major differences remain, however, in terms of quantity and quality of broadband access. According to the most recent data available, in developing regions mobile broadband penetration stands at less than 10 per cent, compared with approximately 5 per cent fixed broadband penetration (see figures on the left).

Workshop participants concluded that mobile technology and access to broadband Internet can play a key role to overcome geographical barriers and help bring key services and information to those who need them the most. For instance, advances in connectivity can provide the basis for mobile banking and for moving away from cash-based transactions to electronic payments, which can have sizeable impacts in terms of cost savings, transparency and financial inclusion. When it comes to promoting the use of technology for development purposes, the quality and quantity of innovation currently taking place is enormous. There is a need for the international community to act more deliberately in terms of codifying these experiences and bring them to scale, building particularly on the potential for public-private partnerships and innovative finance mechanisms.

How can inequality be integrated into the post-2015 development framework?

There is growing consensus that the current MDGs do not properly tackle inequality...

The Millennium Declaration committed to creating a more equal and just world, recognizing equality and solidarity as essential to international relations in the twenty-first century. The Millennium Development Goals, which emerged as practical and measurable articulation of the Millennium Declaration, have been source of inspiration and change. Yet, despite their many successes, they did not integrate all principles outlined in the Millennium Declaration, including equality. Also, analysis of the implementation of MDG frameworks at the country level, has pointed out that the emphasis on national averages can actually provide an incentive *not* to focus on the most disadvantaged social groups and regions.¹² There is growing consensus, across on-going post-2015 consultations, that the future development framework will need to deliberately address this.

... and that addressing inequality should become an integral part of the post-2015 development framework for economic, political and ethical reasons.

Workshop participants addressed several of the economic, political and moral rationales for addressing inequality and promoting inclusive growth.

First, until recently, the idea that inequality is 'good for growth' was widespread. Inequality was understood by many as providing incentives to accumulate and produce more

and more efficiently. However, recently the perception has changed and inequality is increasingly seen as a serious obstacle to inclusive and sustainable development. The increasing importance of human capital in development in relation to physical capital has been behind the shift towards the reverse view.¹³ A solid body of evidence shows that highly unequal societies tend to have shorter and less robust periods of economic growth¹⁴.

Second, it is increasingly accepted that unequal countries are more susceptible to financial crises¹⁵, that inequality reduces the impact of economic growth on poverty reduction¹⁶ and that - ultimately - highly unequal growth patterns lead to social unrest, crime and political instability. The many recent and on-going social movements (e.g. those accompanying the 'Arab Spring', the 'Occupy Wall-Street' in North America or similar movements across Europe and developing countries) are a compelling demonstration of these trends. Recent studies have delved in particular into the perverse effects that inequality can have on political systems and on democracy.¹⁷

¹³ IMF Finance and development (2011).

¹⁴ Berg, A.G. and Ostry, J.D. (2011).

¹⁵ Saith, A. (2011).

¹⁶ UNRISD (2010).

¹⁷ See for instance A. Acemoglu, J. Robinson (2012), *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. The authors discuss the risk of capture of political power by 'extractive elites', which in turn can further reinforce inequality.

¹² Crosta N. (2011).

Third, there is a strong ethical rationale for tackling inequality. Workshop participants agreed that while there can be differences in terms of the level of inequality that is considered 'acceptable' in different countries, or in historical periods, policies that address imbalances have an important role to play in making sure that development is a 'fair' process. In this context, the United Nations have a critical responsibility in terms of making sure that inequality remains firmly on the post-2015 agenda.

'Inequality affects us all, not just those at the bottom: it stifles growth and creates instability.'

Vinicius Pinheiro
Deputy Director
(ILO Office - New York)

Addressing inequality could be reflected in the post-2015 development framework as a stand-alone goal, or by mainstreaming pertinent indicators across different goals...

The post-2015 development framework could greatly help to foster deliberate policies for inclusiveness at the country level. It could be a formidable tool to give visibility to inequality trends, but also provide incentives and recognition to countries that are able to address and curb those trends. The Post-2015 UN Task Team¹⁸ has suggested that goals, targets and indicators should be carefully considered and selected so that they most effectively address inequalities and the factors underpinning them.

'There are technical and political issues to a stand-alone inequality goal, but why should we lack ambition?'

Gawain Kripke,
Director of Policy and Research
(Oxfam America)

Different options are emerging: (1) One recommendation is to introduce specific goals on inequality or to have one single goal, bringing together different dimensions of inequality. Reflecting inequality at the 'goals level' would certainly give the issue more prominence, though it could be challenging to define on a global level. There is agreement that in order to be effective, such goals would most likely have to focus on national indicators, and take into account the disparities in inequalities across countries, as well as recent trends. (2) Another widely debated option is to reflect inequality across various goals. This would probably be easier to implement and could take the form of targets and indicators disaggregating progress in terms of gender, income groups or and rural-urban indicators across individual human development indicators.

'Inequality is a critical issue: we need to make sure that 'mainstreaming' it will not de facto make it disappear from the post-2015 agenda.'

Christine Roth
Deputy Executive Secretary
(UNCDF)

¹⁸ UN System Task Team (2012a).

...but this will require tackling data shortages, as well as other technical and political barriers.

While there is emerging consensus that inequality and inclusive growth should become integral parts of the post-2015 framework, it is also clear that this is not going to be simple for both political and technical reasons. From a political point of view, a number of workshop participants argued that putting inclusion at the top of governments' agendas may prove to be challenging since it can be perceived as threatening establishments and rent-seeking elites. Technically, there are also great challenges to face when it comes to designing and implementing a development framework that aims at measuring progress towards multiple dimensions of inequality.

'We cannot improve what we cannot measure'

Arnaud Sahuguet
Product Manager
(Google.org)

There are at least two challenges to be considered:

First, what should be measured to capture inequality is not straightforward. Economists tend to measure inequality in terms of incomes or consumption, although during the past two decades there has been an increasing call for multi-dimensional measurements of well-being and thus inequality. During the past few years, useful lessons have been learnt in the framework of the development of the OECD's 'Better Life Index'. One of the most important conclusions from that experience is that Governments and their statistical institutes should dedicate more resources to 'ask people what matters to them' and then measure it. As a participant put it: 'we should not just treasure

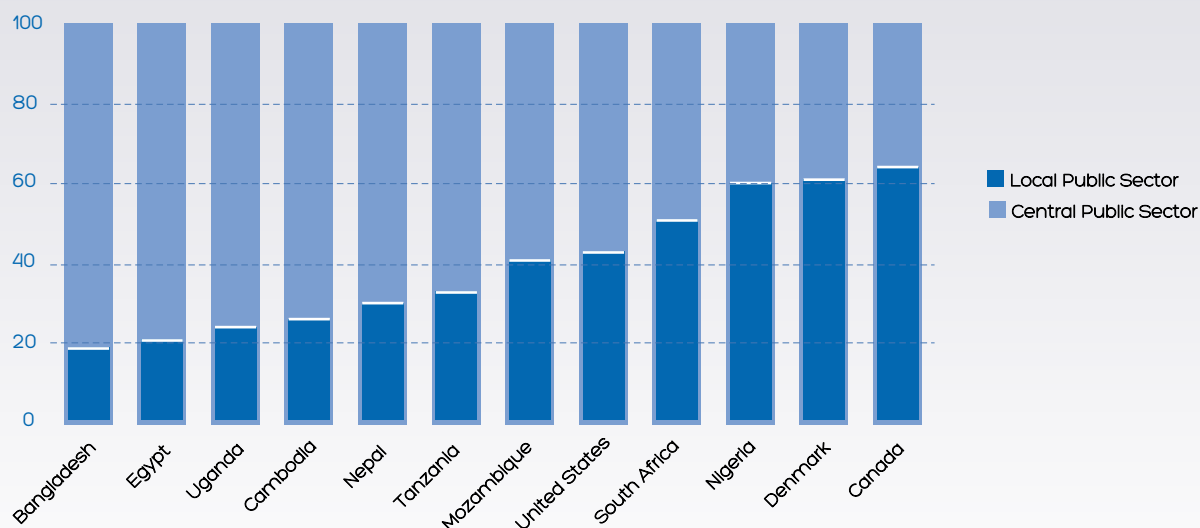
what we can measure, we should measure what we treasure'. Also, inequality is a complex issue and takes different forms in different contexts. Coming up with goals, targets and indicators that are comparable across countries is therefore difficult. For this reason, there is growing consensus that a certain degree of flexibility should be left at national levels to determine targets and/or indicators.

'The post-2015 goals should pay more attention to territorial dynamics and draw on disaggregated data, not just national averages'

Edgardo Blisky
Director of Programs
(UCLG)

Second, there is the important question of data availability. Reliable and timely data will be crucial for devising appropriate policies and for holding the international community to account. Many countries still need to set up the systems that allow for collecting and processing data, especially when it comes to disaggregated data by region, gender or income groups. Building statistical capacity in those countries will demand increased and well-coordinated financial and technical support from development partners. It will also require country ownership and government commitment to spur the institutional changes needed to ensure the sustainability of capacity-building efforts. Inadequate investment or inequitable allocations of public resources according to region or socio-economic group have been a key barrier to overcoming individual and group-based inequalities within countries (see figure on page 18 on vertical allocation of resources in different countries). In this context it is key to advance systems that allow collecting and making information on

Local Public Sector (% total expenditure)



Source: Boex J. (2013), Improving Public Services and Achieving Sustainable, Inclusive Development.

government spending across and within levels of government publicly available.

'Advancing inclusion is also a matter of obtaining information on public expenditure across and within government levels.'

Jamie Boex
Senior Research Associate
(The Urban Institute)

The potential of technology to collect, visualize and share information on inequality should not be underestimated.

The technologies at our disposal today are very different from those available when the current MDGs were formulated 15 years ago. This has at least two key, concrete implications: first, there are new ways to collect data. Today a large amount of data - for instance those generated by users of mobile phones - is being created as a by-product of people's activities at a rate that is unprecedented in human

history. This deluge of passively-produced data holds insights about people's lives and needs. Part of the future efforts towards measuring progress towards development goals will be to learn how to distill information from increasing amounts of data in order to track progress in specific areas. Second, there are new ways of *visualizing* data that can be particularly powerful in terms of facilitating the use of statistics for policymaking and for advocacy purposes. For instance, the dynamic visualization of data series (e.g. info-graphics) or the use of maps can dramatically change the clarity and diffusion on key statistical trends.

'As mobile banking has shown, technology is a key tool to level the playing field.'

Patricia Haas-Cleveland
Global Public Sector
Head of Strategy
(Citi)

The way forward: paving the way for an inclusive future

Understanding and tackling inequality will be key to accelerating progress towards the MDGs and to fostering inclusive growth after 2015. There is broad consensus that something *should* and *could* be done to tackle inequality. Participants highlighted that structural changes do not necessarily lead to greater inequality if appropriate employment, corporate governance, competition, fiscal policies, wage, and local development policies are in place. Targeted investments and smart ODA can go a long way in promoting a more inclusive future. For instance, in a globalized and high-tech world, education at all levels, from pre-school to tertiary education, job training and retraining, and access to ICTs will play a key role to increasing equality of opportunities, both in developed and in developing countries.

Workshop participants discussed the recent Latin American experience where social programmes – targeting human capital through education and health services, as well as cash transfers – and labour market reforms have played a major role in reducing income inequalities.¹⁹

Progressive tax policy, as well as deliberate action to make sure extractive industries operate more transparently, could also constitute other key ingredients of inclusive growth strategies.

The potential of innovative financing mechanisms cannot be ignored, particularly in the current environment characterized by fiscal constraints that can limit government spending

and ODA. It is critical to look carefully at the wide range of innovative financing structures through which private and public sector capital can flow towards improving development outcomes and foster inclusive growth. These include new thematic global trust funds, public guarantees and insurance mechanisms, equity investments, micro and meso finance and socially responsible investments, including various forms of impact investing.

'We need to take action against inequality: let's promote transparency in extractive industries, let's tackle tax havens'

Arvinn Gadgil
State Secretary
for International Development
(Norway)

Indeed, *political* inequality is an area where a lot of progress can be made. Changes in laws and regulations to guarantee representation and participation as well as judicial reforms to ensure fair access to justice are key elements to tackle inequality and foster inclusiveness.²⁰

While there are different options available to 'embed' inequality and inclusion in the post-2015 framework, ignoring the topic or downplaying its strategic relevance does not seem to be an option. A deliberate focus on

¹⁹ According to ECLAC's Social Panorama 2012, income distribution has improved in most Latin American countries since 2002.

²⁰ As stated in the Secretary General's report of the Legal Empowerment and Poverty (LEP): 'Legal empowerment of the poor seeks to establish the rule of law and ensure equal and equitable access to justice and tackle the root causes of exclusion, vulnerability and poverty. Security of livelihoods, shelter, tenure and contract can enable and empower the poor to defend themselves against possible violation of their rights. In that respect, legal empowerment is both preventive and curative. It goes beyond the provision of legal remedies and leads to better economic opportunities for the poor'.

inequality in the post-2015 framework would imply much more than a new 'goal' or sets of targets and indicators. It will lay the basis for a new development paradigm. A development model that relies on both public and private finance to succeed, that uses carefully disaggregated data to measure progress, that considers 'inclusion' a key ingredient to growth, justice and stability.

“There is no sustainable development without sustainable finance, there is no inclusive development without inclusive finance.”

Marc Bichler
Executive Secretary
(UNCDF)

“The emerging post-2015 agenda must make reducing all major forms of inequalities an integral part of its goals.”

Shamshad Akhtar
Assistant-Secretary-General for Economic Development
(United Nations)

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This Policy Note summarizes the main content of the workshop on 'Inequality, Inclusive Growth and the post-2015 Framework' convened by UNCDF in cooperation with UN-DESA and UNDP/BDP on March 7th, 2013 in New York. The Note addresses 3 key questions:

1. Why inequality is a critical topic in the context of the post-2015 discussions? This section presents some of the current trends in inequality with particular emphasis on developing countries.
2. What are the key dimensions of inequality? This part 'un-packs' the concept of inequality. It explains that inequality can mean different things to different people. And that it needs to be understood and addressed as a cross-cutting issue.
3. How can inequality be integrated into the post-2015? This section highlights some of the options for including a measurement of inequality in the post-2015 framework and discusses the political and technical challenges involved.

This document will be valuable for policymakers and development practitioners interested in the topic of inequality and how the post-2015 framework including the future set of development goals could contribute to foster inclusive growth.

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