world development report 2006

Equity and Development
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Poverty reduction comes about through individuals, families and communities taking advantage of the opportunities available to them by working, investing and innovating to better their lives. But we live in a world of extraordinary inequalities in opportunity, both within and across countries. Even the basic opportunity for life itself is disparately distributed: whereas less than half of one percent of children born in Sweden die before their first birthday, this is the case for close to 15% of all children born in Mozambique. Within El Salvador, the infant mortality rate is 2% for children of educated mothers, but 10% for those whose mothers have no schooling. In Eritrea, immunization coverage is close to 100% for children in the richest fifth of the population, but only 50% for the bottom fifth.

These children can not be blamed for the circumstances into which they are born, yet their lives—and their ability to contribute to the development of their nations—are powerfully shaped by them. That is why the World Development Report 2006, the twenty-eighth in this annual series, looks at the role of equity in the process of development. Equity is defined in terms of two basic principles. The first is equal opportunities: that a person's life achievements should be determined primarily by his or her talents and efforts, rather than by pre-determined circumstances such as race, gender, social or family background. The second principle is the avoidance of deprivation in outcomes, particularly in health, education and consumption levels.

For many if not most people, equity is of intrinsic importance as a development goal in its own right. But this report goes further, by presenting persuasive evidence that a broad sharing of economic and political opportunities is also instrumental for economic growth and development. This is for economic reasons, because greater equity can lead to a fuller and more efficient use of a nation's resources. It is also for political and institutional reasons: excessive inequalities in power and influence can lead to political, social and economic institutions that are less conducive to long-term growth. Few today's prosperous societies, if any, developed by excluding the majority of their people from economic and political opportunities.

The implication of this message for the work of the World Bank and others in the development community is that a focus on equity should be a central concern in the design and implementation of policy for development and growth. This insight needs to be integrated into both analytical and operational work on core areas of development design, including the role and functioning of markets. Public action should seek to expand the opportunity sets of those who, in the absence of policy interventions, have the least resources, voice and capabilities. It should do so in a manner that respects and enhances individual freedoms, as well as the role of markets in allocating resources.

Equity in the international arena is also a central concern, and can play a powerful complementary role to domestic action. In a globally interconnected world, leveling the international playing fields, both economically and politically, will help domestic efforts to combine equity with efficiency and growth.

In my view, the evidence that equity and economic efficiency as well as growth are complementary in the long run helps to integrate the main two components of the World Bank's poverty reduction strategy. The focus on broadening opportunities strongly supports the first

Foreword
pillar of the Bank's development strategy, namely enhancing the investment climate for everyone. Together with the interdependence between the economic and political dimensions of development it also reinforces the importance of empowerment. This report shows that the two pillars are not independent from each other in supporting development, but instead are intricately linked with one another. It is my hope that this report will have a real influence in the way that we and our development partners understand, design and implement development policies.

Paul D. Wolfowitz
President
The World Bank
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Abbreviations and Data Notes

Abbreviations
The following abbreviations are used in this Report:

AA  Affirmative action
AIDS Acquired immune deficiency syndrome
CCP Chinese Communist Party
DAC Development Assistance Committee
DHS Demographic and Health Survey
ECD Early child development
EPL Employment protection legislation
FDI Foreign direct investment
GDP Gross domestic product
GHG Greenhouse gas
GNI Gross national income
HIPCs Heavily Indebted Poor Countries
HIV Human immunodeficiency virus
ICOR Incremental Capital-Output Ratio
ICRISAT International Crop Research Institute
in the Semi-Arid Tropics
IDA International Development Association
ILO International Labour Organization
IMF International Monetary Fund
IMS Intercontinental Marketing Services
KDP Kecamatan Development Project
MDG Millennium Development Goals
MMM Movement Militant Mauricien
MSF Médecins Sans Frontières
NAFTA North American Free Trade Agreement
NGO Nongovernmental organization
ODA Official development assistance
OECD Organisation for Economic Co-operation and
Development
PPA Participatory Poverty Assessment
PPP Purchasing-power parity
PROMESA Promoción y Mejoramiento de la Salud
SMEs Small and medium enterprises
TAC Treatment Action Campaign
TIMSS Third International Mathematics and Science
Study
TRIPs Trade-related aspects of intellectual property
rights
U.N. United Nations
UNCTAD United Nations Conference on Trade and
Development
UNCTAD United Nations Conference on Trade and
Development
UNDP United Nations Development Programme
UNAIDS Joint United Nations Programme on HIV/AIDS
UNICEF United Nations International Children’s
Emergency Fund
VAT Value added tax
WHO World Health Organization
WTO World Trade Organization
WWII World War II

Data notes
The countries included in regional and income groupings in
this Report are listed in the Classification of Economies table
at the beginning of the Selected World Development Indicators.
Income classifications are based on GNP per capita; thresholds for income classifications in this edition may be
found in the Introduction to Selected World Development Indicators. Group averages reported in the figures and tables
are unweighted averages of the countries in the group, unless
noted to the contrary.

The use of the word countries to refer to economies implies
no judgment by the World Bank about the legal or other status
of a territory. The term developing countries includes low- and
middle-income economies and thus may include economies in
transition from central planning, as a matter of convenience.
The term advanced countries may be used as a matter of conve-
nience to denote high-income economies.

Dollar figures are current U.S. dollars, unless otherwise
specified. Billion means 1,000 million; trillion means 1,000 bil-
lion.