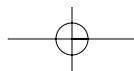
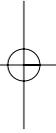
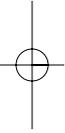
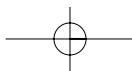
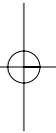
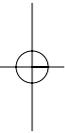
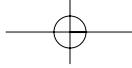


world development report 2006

Equity and Development





world development report **2006**

Equity and Development

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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org
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1 2 3 4 08 07 06 05

A copublication of The World Bank and Oxford University Press.

Oxford University Press
198 Madison Avenue
New York NY 10016

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ISBN-10: 0-8213-6249-6
ISBN-13: 978-0-8213-6249-5
ISSN: 0163-5085
eISBN: 0-8213-6250-X
DOI: 10.1596/978-0-8213-6249-5

Cover image: *Dream of a Sunday Afternoon in Alameda Park* 1947–48 (fresco) by Diego Rivera. The mural is located in Museo Mural Diego Rivera, Mexico City. Reproduction authorized by the Instituto Nacional de Bellas Artes y Literatura–Mexico; Copyright © Photograph by Francisco Kochen.

Library of Congress Cataloging-in-Publication Data has been applied for.

Contents

<i>Foreword</i>	<i>xiii</i>
<i>Acknowledgments</i>	<i>xv</i>
<i>Abbreviations and Data Notes</i>	<i>xvi</i>

Overview 1

Inequity within and across nations	4
Why does equity matter for development?	7
Leveling the economic and political playing fields	9

1 Introduction 18

Equity and inequality of opportunity: the basic concepts	18
Inequality traps	20
A brief preview of the Report	23

Part I

Inequity within and across countries 25

focus 1 on Palanpur 26

2 Inequity within countries: individuals and groups 28

Inequalities in health	29
Inequalities in education	34
Economic inequalities	36
The relationship between group differences and inequality	43
Agency and equity: inequalities of power	48
The inequality trap for women	51

3 Equity from a global perspective 55

Examples and concepts	55
Global inequalities in health	56
Global inequalities in education	60
Global inequalities in income and expenditure	62

Global inequalities in power 66
 A glimpse of the future 68

focus 2 on empowerment 70

Part II

Why does equity matter? 73

4 Equity and well-being 76

Ethical and philosophical approaches to equity 76

Equity and legal institutions 78

People prefer fairness 80

Income inequality and poverty reduction 84

5 Inequality and investment 89

Markets, wealth, status, and investment behavior 89

The evidence on underinvestment 96

Inequalities and investment 101

focus 3 on Spain 106

6 Equity, institutions, and the development process 107

The distribution of power and institutional quality:
 circles vicious and virtuous 107

Institutions and political inequality matter for development:
 historical evidence 109

Institutions and political inequality matter for development:
 contemporary evidence 113

Transitions to more equitable institutions 118

Conclusion 124

focus 4 on Indonesia 126

Part III

Leveling the economic and political playing fields 129

7 Human capacities 132

Early childhood development: a better start in life 132

Basic education: expanding opportunities to learn 135

Toward better health for all 141

Social protection: managing risk and providing social assistance 148

Summary 155

8	Justice, land, and infrastructure	156
	Building equitable justice systems	156
	Toward greater equity in access to land	162
	Providing infrastructure equitably	168
	Summary	175
	<i>focus 5 on taxation</i>	<i>176</i>
9	Markets and the macroeconomy	178
	How markets relate to equity	178
	Achieving equity and efficiency in financial markets	179
	Achieving equity and efficiency in labor markets	185
	Product markets and trade reform	193
	Macroeconomic management and equity	198
	<i>focus 6 on regional inequality</i>	<i>204</i>
10	Achieving greater global equity	206
	Making global markets work more equitably	207
	Providing development assistance to help build endowments	218
	Transitions to greater equity	221
	Summary	223
	<i>focus 7 on drug access</i>	<i>224</i>
	Epilogue	226
	Bibliographic note	231
	Endnotes	233
	References	247
	Selected Indicators	275
	Measuring Equity	277
	Selected world development indicators	289
	Index	309

Boxes

- | | | | |
|---|-----|---|-----|
| 2.1 Unequal opportunities persist across generations in Brazil | 29 | 7.8 Better maternal health in Malaysia and Sri Lanka | 144 |
| 2.2 Unequal assets, unequal opportunities: AIDS orphans in Southern Africa | 33 | 7.9 Mobilizing support for universal coverage in Thailand | 146 |
| 2.3 Health improvements and greater health equity in Peru | 34 | 7.10 Public works programs: key issues | 152 |
| 2.4 Child test scores in Ecuador: the role of wealth, parental education, and place of residence | 35 | 7.11 Africa's orphans and public action | 155 |
| 2.5 Beware of intercountry comparisons of inequality! | 38 | 8.1 Increasing legal literacy and public awareness: "My Rights" on Armenian public television | 157 |
| 2.6 Revisiting the Kuznets hypothesis for economic growth and inequality | 44 | 8.2 Affirmative action in India and the United States | 158 |
| 2.7 Inequitable agencies and institutions in Pakistan | 48 | 8.3 State frameworks and customary institutions in South Africa | 160 |
| 2.8 Legacies of discrimination and the reproduction of inequalities and poverty among the Batwa in Uganda | 49 | 8.4 The impact of legal aid in Ecuador | 160 |
| 2.9 Sex ratios and "missing women" | 51 | 8.5 Bogota, Colombia: civic culture program | 161 |
| 3.1 Three competing concepts of inequality: global, international, and intercountry | 57 | 8.6 Land reform in South Africa: picking up steam | 164 |
| 4.1 A simple representation of different concepts of equity | 78 | 8.7 Clarifying how customary rights fit with formal systems | 166 |
| 4.2 Capuchin monkeys don't like inequity either . . . | 82 | 8.8 Land and output tax combinations | 168 |
| 4.3 Worker perceptions of unfairness, product quality, and consumer safety | 83 | 8.9 Lagging infrastructure in Africa | 170 |
| 6.1 Banking in the nineteenth century, Mexico and the United States | 109 | 8.10 The distributional impact of infrastructure privatization in Latin America: a mixed bag | 171 |
| 6.2 Growth with poor institutions does not last | 113 | 8.11 The pro-poor agenda for urban water in Senegal | 173 |
| 6.3 Polarization, conflict, and growth | 118 | 8.12 Addressing accountability and transparency in telecommunications in Brazil and Peru | 174 |
| 6.4 Aiding equitable growth in early modern Britain: the role of the Poor Laws | 120 | 9.1 Markets and development: policy, equity, and social welfare in China | 180 |
| 7.1 ECD programs are an essential ingredient for the attainment of education for all | 134 | 9.2 Too much and too little regulation: Russia before and after the transition | 182 |
| 7.2 School fees—an instrument of exclusion or accountability? | 137 | 9.3 Organizing in the informal economy | 190 |
| 7.3 Desegregating Roma schools in Bulgaria: the Vidin model | 138 | 9.4 Employment protection legislation | 191 |
| 7.4 Remedying education: the Balsakhi program in India | 140 | 9.5 Two cases of labor market reform: One comprehensive, one partial | 192 |
| 7.5 School vouchers: efficient and equitable? | 141 | 9.6 Did the Russian 1998 crisis have equitable consequences? | 201 |
| 7.6 Working with mothers to treat malaria | 142 | 10.1 International law, globalization, and equity | 207 |
| 7.7 Poor people and ethnic minorities receive lower-quality care | 143 | 10.2 Making migrant worker schemes more development friendly | 210 |
| | | 10.3 Cotton subsidies are huge—and tenacious | 212 |
| | | 10.4 Will improved working conditions in Cambodia's textile industry survive the end of the quota system? | 214 |
| | | 10.5 Expanding access to antiretroviral drugs in South Africa | 215 |

Figures

- | | | | |
|---|---|--|---|
| 1 Wealth matters for the immunization of children | 5 | 4 A long-run diverging trend in income inequality begins to reverse because of growth in China and India | 7 |
| 2 Opportunities are determined early | 6 | 5 Children's performance differs when their caste is made salient | 8 |
| 3 Life expectancy improved and became more equal—until the onset of the AIDS crisis | 6 | | |

- 6 Catching up through early interventions 11
- 7 Better to be close to economic opportunities 15
- 1.1 The interaction of political, economic, and sociocultural inequalities 20
- 2.1 Infant mortality varies across countries but also by mother's education within countries 30
- 2.2 Stunting levels of children born in rural versus urban areas are far from the same 30
- 2.3 Access to childhood immunization services depends on parents' economic status 31
- 2.4 Stunting and underweight in Cambodia 33
- 2.5 Education levels vary across countries, but they also depend on gender of household head 36
- 2.6 Education levels vary by country and between rural and urban sectors 37
- 2.7 The share of inequality in years of schooling attributable to differences between males and females has been declining 37
- 2.8 Market capitalization controlled by the top 10 families in selected countries, 1996 38
- 2.9 Africa and Latin America have the world's highest levels of inequality 39
- 2.10 Between-group inequality decompositions: social group of the household head 40
- 2.11 Between-group inequality decompositions: education of the household head 41
- 2.12 Location, education, and social groups can make a difference: regressions of total inequality on shares of between-group inequality of different household characteristics 43
- 2.13 Women work longer hours than do men 53
- 3.1 Vanishing twin peaks in life expectancy at birth 58
- 3.2 Life expectancy is highly correlated with income, particularly in poor countries 59
- 3.3 The distribution of years of schooling improved greatly in the second half of the twentieth century 60
- 3.4 Mean years of schooling increased while inequality declined across birth cohorts 60
- 3.5 Gender disparities in years of schooling declined but remained significant in some regions 61
- 3.6 Incomes range broadly across countries and individuals 62
- 3.7 Since 1950, intercountry inequality increased while international inequality declined 63
- 3.8 Unlike relative inequality, absolute inequality has been steadily increasing 63
- 3.9 The inequality decline between countries was neutralized by increases within countries 64
- 3.10 Inequality between countries became much more important over the long run 65
- 3.11 Absolute poverty declined globally, but not in every region 66
- 3.12 There is no one-to-one relationship between voice and income 67
- 4.1 The distribution of observed offers in ultimatum games 80
- 4.2 Views on inequality from the World Values Survey 84
- 4.3 Growth is the key to poverty reduction . . . 85
- 4.4 . . . and, on average, growth is distribution-neutral 85
- 4.5 The national growth incidence curves for Tunisia 1980–1995 and Senegal 1994–2001 86
- 4.6 Greater inequality reduces the power of growth to reduce poverty 87
- 5.1 In rural Kerala and Tamil Nadu, the rich access most of the credit and pay relatively low rates 90
- 5.2 Children's performance differs when their caste is made public 96
- 5.3 Returns to capital vary with firm size: evidence from small Mexican firms 97
- 5.4 Inefficient allocation of resources; the example of the Gounders vs. the outsiders 98
- 5.5 Average returns for switching to pineapples as an intercrop can exceed 1,200 percent 98
- 5.6 Profit-wealth ratios are highest for the smallest farms 99
- 6.1 Countries with more secure property rights have higher average incomes 108
- 6.2 Low population density in 1500 is associated with a lower risk of expropriation today 110
- 6.3 Worse environments for European settlers are associated with worse institutions today 110
- 6.4 A worse environment for settlers is associated with fewer constraints on the executive at independence 111
- 6.5 Constraints on the executive are greater in Mauritius than in Guyana 116
- 6.6 GDP per capita is rising in Mauritius, not in Guyana 116
- 6.7 Inequality in Britain began to fall around 1870 121
- 7.1 Children from better-off households have a big edge in cognitive abilities by age three 133
- 7.2 Early childhood interventions are good investments 133
- 7.3 Catching up through early intervention 134
- 7.4 Boosting enrollments is not enough to overcome the learning gap 139
- 7.5 Almost all countries spend more on social insurance than on social assistance (percent of GDP) 149
- 8.1 Unequal initial land distributions go together with slower economic growth 163
- 8.2 Title to land increases investment and access to credit 165

x CONTENTS

- | | |
|--|---|
| <p>8.3 Poor families did not benefit from an expansion of access in Africa 172</p> <p>8.4 Poorer households have lower-quality water and pay more in Niger 173</p> <p>9.1 Poland's stock market started slowly but then surpassed the Czech Republic's 185</p> <p>9.2 Patterns of employment and unemployment vary widely across African countries 187</p> <p>9.3 Different labor market institutional setups can yield equally good productivity growth paths: Scandinavia versus the United States 188</p> | <p>9.4 It's better for household welfare to be close to economic opportunities 195</p> <p>9.5 Weaker institutions are associated with macroeconomic volatility and crises 199</p> <p>9.6 Labor shares fall during crises and don't fully recover afterward 200</p> <p>9.7 In Argentina, the wealthy had a way out during the crisis 201</p> <p>10.1 Wage differentials are substantially larger today than at the end of the nineteenth century 208</p> <p>10.2 More subsidies than aid 220</p> |
|--|---|

Tables

- | | |
|---|---|
| <p>2.1 Decomposition of inequality between and within communities 42</p> <p>2.2 Percentage of women who have ever experienced physical or sexual violence by an intimate partner 54</p> <p>3.1 Increases in life expectancy at birth slowed down dramatically in the 1990s 58</p> <p>3.2 Mean years of schooling increased continuously while inequality declined 61</p> <p>3.3 Mobility matrix in absolute country per capita incomes, 1980 to 2002 66</p> <p>5.1 The effect of income shocks on consumption, Côte d'Ivoire 92</p> <p>5.2 Farm size productivity differences, selected countries 99</p> <p>7.1 Examples of social protection programs 150</p> <p>7.2 Targeting performance of conditional transfer schemes 153</p> <p>9.1 Two pathologies in the interaction between equity and growth 179</p> | <p>9.2 Financial policy and institutions are often captured by the few: case study evidence 181</p> <p>9.3 Fiscal costs of selected banking crises 200</p> <p>10.1 ODA as a share of GNI, 2002, 2003, and simulation for 2006 220</p> <p>A1 Poverty 278</p> <p>A2 Income/consumption inequality measures 280</p> <p>A3 Health 282</p> <p>A4 Education 284</p> <p>Classification of economies by region and income 291</p> <p>1 Key indicators of development 292</p> <p>2 Poverty and income distribution 294</p> <p>3 Economic activity 296</p> <p>4 Trade, aid, and finance 298</p> <p>5 Key indicators for other economies 300</p> |
|---|---|

Foreword

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.

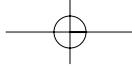
These children can not be blamed for the circumstances into which they are born, yet their lives—and their ability to contribute to the development of their nations—are powerfully shaped by them. That is why the *World Development Report 2006*, the twenty-eighth in this annual series, looks at the role 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.

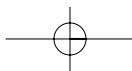
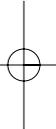
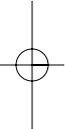
Equity in the international arena is also a central concern, and can play a powerful complementary role to domestic action. In a globally interconnected world, leveling the international playing fields, both economically and politically, will help domestic efforts to combine equity with efficiency and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



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



Acknowledgments

This Report has been prepared by a core team led by Francisco H.G. Ferreira and Michael Walton, and comprising Tamar Manuelyan Atinc, Abhijit Banerjee, Peter Lanjouw, Marta Menéndez, Berk Özler, Giovanna Prennushi, Vijayendra Rao, James Robinson, and Michael Woolcock. Important additional contributions were made by Anthony Bebbington, Stijn Claessens, Margaret Ellen Grosh, Karla Hoff, Jean O. Lanjouw, Xubei Lou, Ana Revenga, Caroline Sage, Mark Sundberg, and Peter Timmer. The team was assisted by Maria Caridad Araujo, Andrew Beath, Ximena del Carpio, Celine Ferre, Thomas Haven, Claudio E. Montenegro, and Jeffery C. Tanner. The work was conducted under the general guidance of François Bourguignon.

Extensive and excellent advice was received from Anthony B. Atkinson, Angus Deaton, Naila Kabeer, Martin Ravallion, and Amartya Sen, to whom the team is grateful without implication. Many others inside and outside the World Bank also provided helpful comments; their names are listed in the Bibliographical Note. The Development Data Group contributed to the data appendix and was responsible for the Selected World Development Indicators. Much of the background research was supported by a multidonor programmatic trust fund, the Knowledge for Change Program, funded by Canada, the European Community, Finland, Norway, Sweden, Switzerland, and the United Kingdom.

The team undertook a wide range of consultations for this Report, which included workshops in Amsterdam, Beirut, Berlin, Cairo, Dakar, Geneva, Helsinki, Hyderabad, London, Milan, Nairobi, New Delhi, Oslo, Ottawa, Paris, Rio de Janeiro, Stockholm, Tokyo, Venice, and Washington, D.C.; videoconferences with sites in Bogota, Buenos Aires, Mexico City, and Tokyo; and an on-line discussion of the draft Report. The team wishes to thank participants in these workshops, videoconferences, and discussions, which included researchers, government officials, and staff of nongovernmental and private-sector organizations.

Rebecca Sugui served as executive assistant to the team, Ofelia Valladolid as program assistant, Madhur Arora and Jason Victor as team assistants. Evangeline Santo Domingo served as resource management assistant.

Bruce Ross-Larson was the principal editor. Book design, editing, and production were coordinated by the World Bank's Office of the Publisher under the supervision of Susan Graham and Monika Lynde.

Abbreviations and Data Notes

Abbreviations

The following abbreviations are used in this Report:

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

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 convenience to denote high-income economies.

Dollar figures are current U.S. dollars, unless otherwise specified. *Billion* means 1,000 million; *trillion* means 1,000 billion.