Overseas Development Institute

Policy brief

June 2010

The MDGs and equity

Key points

- Inequity undermines the chances of achieving the Millennium Development Goals, making it essential to close the gap between the 'haves' and the 'have nots'
- Policy-makers can learn from success stories in equitable public investment and dual track approaches to liberalisation
- The time is right for better measures of progress, including equity-adjusted league tables on progress towards the MDGs

'The case for focusing on equity goes way beyond economic issues. If poor people do not participate in, and benefit from, national progress, we will not reach the MDGs by 2015'

Five years from the Millennium Development Goals (MDGs) 2015 deadline, there is growing debate on how to accelerate progress – particularly around this year's MDG review process. In the past, development progress has been seen in terms of economic growth, but our research suggests that promoting equity in human development by reducing the gap between the 'haves' and the 'have-nots' is crucial to accelerate progress towards the MDGs.

When one part of a society is excluded from development processes, as seen in the widening disparities of recent years, the impact is felt across that society.

In essence, the choice is between a virtuous circle, with reductions in inequity accelerating reductions in poverty, or a vicious circle, with high levels of inequity undermining the potential of sustained progress to reduce poverty.

Rising inequity leads to more financial instability, not only because of its political consequences, but because people sink into debt to achieve an unsustainable lifestyle. When boom turns to bust, as we have seen, the result is a crisis that hits the poorest first and hardest.

Inequity contributes to poor health and lower life expectancy – the probability of a man dying between the ages of 15 and 60 is smaller in countries with less inequity, and higher in countries with greater inequity.

The case for focusing on equity, therefore, goes way beyond economic issues. If poor people do not participate in, and benefit from, national progress, we will not reach the MDGs by 2015.

Two policy approaches

Two policy approaches have helped to reduce inequity: equitable public investment for human development, and a two-track approach to trade liberalisation.

Equitable access to social services, such as health and education, is essential to reduce inequity and boost economic development. Brazil, for example, has reduced inequity in 20 years, with cash transfer programmes playing a key role. In Uganda, the elimination of user fees at health facilities in 2001 resulted in an 80% increase in visits, with the poorest 20% of the population accounting for half of this increase.

This policy brief draws on ODI's work on growth and equity:

http://www.odi.org.uk/work/themes/inequality

Mauritius is one country that has achieved success with a **dual-track approach to liberalisation** – with inclusive growth matched by inclusive development to propel the country into the world economy and into the World Trade Organization.

The experience of Mauritius and a number of other countries that have adopted a dual-track approach confirms the benefits to both economic growth and human development.

Policy recommendations

Policies to promote equity can accelerate progress towards the MDGs. But equity has not been integrated into policy design or implementation. What can be done about this?

At international level:

- There should be more focus on non-economic progress. In the past, development progress has been measured in terms of economic indicators. The MDG indicators provide a more comprehensive way to assess progress in human development.
- There should also be more focus on disaggregated measurement. MDGs continue to be measured at the aggregate level – concealing inequalities. But improvements in data collection allow more disaggregated analysis of progress by wealth groups, by location, by gender, by ethnicity, etc.
- The time is right for league tables to measure progress in economic and social development, with equity-adjusted indicators that capture disparities across socio-economic groups. We are working with partners to develop just such a set of league tables for the 2010 MDG review meeting.

At national level:

- Reducing inequality requires more than 'business as usual'. It demands a comprehensive and coherent macro-policy framework to reduce inequity. Line ministries, the donor community, the private sector and civil society must collaborate to design and implement a macro-policy framework.
- The challenges lie in the political-economic disincentives to collaborate across ministries, donors and sectors of society, as well as elite capture. In societies with high levels of inequity, those who control the resources also tend to control the political system and use it to support their interests, marginalising the rest of society.

It is important to recognise that **human development, equality and poverty reduction are central for growth** rather than seeing these critical factors as secondary.

Policy design continues to focus on aggregate economic growth, often disregarding sustainability and the distributional impacts of growth. Financial regulations, for example, are often portrayed as anti-growth and, therefore, anti-development. However, the recent financial crisis illustrates the importance of adequate financial regulation to avoid unsustainable growth patterns and speculative bubbles.

Learn from success, including the Asian Tigers and Mauritius (sequenced liberalisation and investment in human capital), Brazil (inclusive growth), and West African countries (closing the gap between girls' and boys' education). These lessons can then be adapted for different country contexts.

We know that equity matters for accelerating progress in development and – by extension – on the MDGs. What is needed now is the courage to put these lessons into widespread action.

Written by Milo Vandemoortele, ODI Research Officer, Growth and Equity programme (m.vandemoortele@odi.org.uk).

Useful resources

This policy brief draws on ODI Briefing Paper No. 59, 'The MDG fundamentals: improving equity for development', written by Milo Vandemoortele. For a full version of the Briefing Paper, please go to: **http://bit.ly/odibp59**

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