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**PANEL I**

**Integration of gender perspectives in macroeconomics**

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\* The paper has been reproduced as submitted.

## **Integration of Gender Perspectives in Macro-economics**

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The World Bank's mission is poverty reduction, and addressing gender inequality is an integral part of this mission. Despite recent gains in many countries, significant gender disparities in basic legal rights, access to resources and economic opportunity, and decision making remain pervasive around the world. And these disparities are inextricably linked to income and non-income measures of poverty.

The reduction of gender inequality is a development goal in its own right. In addition, there is now growing recognition among economists of the adverse effects of gender inequality on economic growth and on the prospects for poverty reduction. This paper focuses on the economic case for addressing gender inequality, and in this context presents some of the World Bank's recent experience in integrating these perspectives into its work. The first section of this paper presents some of the evidence on gender equality and economic growth; the second section describes what the World Bank has been doing to integrate gender perspectives into its work; and the third section concludes by highlighting some challenges that remain.

The link between economic growth and poverty, and gender inequality goes both ways. On one level, poverty and the lack of growth exacerbate gender disparities. Inequalities between girls and boys in access to schooling or adequate health care are more acute among poor people than among those with higher incomes. And while poor people have less access to such productive resources as land or credit, poor women generally have the least access of all. Similarly, girls' and women's health and schooling is more vulnerable to economic downturns than those of boys and men.

On another level, gender inequalities undermine the prospects for poverty reduction in fundamental ways. While disparities in basic rights; in access to schooling, credit, and jobs; and in the ability to participate in public life take their most direct toll on women and girls, the evidence shows that gender inequality ultimately hinders economic growth. So, ignoring gender disparities comes at significant cost—to well-being and to countries' abilities to grow sustainably, and reduce poverty.

### **1. Gender equality is good for growth and poverty reduction**

There is now both cross-country and country-specific evidence that points to the positive effects of increased gender equality on economic growth and therefore, on poverty reduction. There are various reasons for this, including increased labor participation and productivity, decreased dependency ratios, more efficient allocation of resources, and technology upgrade.

At the cross-country level, there is an empirically well-established link between closing gender gaps in education and increasing the level of economic growth.<sup>1</sup> Econometric simulations estimate that during 1960-1992 the average annual per capita growth rates in Sub-Saharan Africa and South Asia would have been between 0.5 and 0.9 percentage points higher if these countries had closed their gender gaps in schooling as East Asia did. In Africa, capturing this difference would have doubled annual per capita growth over this period. And, at the country level, it has been estimated that as much as 30 percent of the difference between Botswana's annual per capita GDP growth rates between 1960 and 1992 (5.5 percent) and Ghana's (about 0.3 percent) can be accounted for by differences in gender inequalities in education.<sup>2</sup>

There are several explanations that lie behind this relationship:

- Women with better education have healthier and better-educated children, both of which indirectly and in the long run boost economic growth;
- Gender inequalities in education hurt the prospects for growth by reducing the human capital in a society;<sup>3</sup>
- Female education is negatively correlated to fertility and lower fertility levels favor economic growth by decreasing dependency ratios and increasing savings.

Apart from education, gender differentials in other areas such as access to land and complementary agricultural inputs, labor force participation and labor productivity also matter for economic growth. On agricultural production, for instance, a study in Burkina Faso showed that shifting existing resources between men's and women's plots within the same household could increase agricultural output by 10-20 percent.<sup>4</sup> Another study in Kenya concluded that giving women farmers the same level of agricultural inputs and education as men could increase their yields by more than 20 percent.<sup>5</sup>

Differences in labor force participation that reflect gender-based barriers to women's entry into the labor market can impose significant economic costs, as women are

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<sup>1</sup> E.g. Caselli F., G. Esquivel, F. Lefort (1996), "Reopening the convergence debate: A new look at the cross-country growth empirics", *Journal of Economic Growth*, vol. 1, pp. 363-389., Klasen S., (2002) "Low Schooling for Girls, slower Growth for All? Cross-Country Evidence on the Effect of Gender Inequality in Education on Economic Development." *World Bank Economic Review* 16: 345-373; Knowles, Lorgelly and Owen (2002), Knowles, S, Lorgelly, P K and Owen, P D, "Are educational gender gaps a brake on economic development? Some cross-country empirical evidence", *Oxford Economic Papers*, 54(1), 118-149.

<sup>2</sup> Klasen (2002).

<sup>3</sup> Klasen (2002); and Klasen and Abu-Ghaida (2004), "*The Costs of Missing the Millennium Development Goal on Gender Equity*," IZA Discussion Papers 1031, Institute for the Study of Labor (IZA).

<sup>4</sup> Udry, Hoddinott, Alderman and Haddad (1995). "Gender Differentials in Farm Productivity: Implications for Household Efficiency and Agricultural Policy." *Food Policy*, 20(5).

<sup>5</sup> Saito, Mekonnen, and Spurling (1994). "Raising the Productivity of Women Farmers in Sub-Saharan Africa." *World Bank Discussion Papers*, Africa Technical Department Series, No. 230.

effectively unable to contribute their skills to the economy.<sup>6</sup> A recent World Bank study estimates that if the female labor force participation rate had increased in the Middle East and North Africa region during the 1990s in accordance with education, fertility levels and age structure, annual per capita GDP growth could have been 0.7 percent higher, and average household income could have been 25 percent higher.<sup>7</sup>

Other gender inequalities, such as a preference for boys, may also pose future brakes on economic growth. A strong bias for boys over girls will generate significant imbalances in sex ratios, and can slow the fertility decline and the demographic transition.<sup>8</sup>

Finally, apart from its link to overall growth, there is also reason to believe that reducing gender inequality may contribute to a pattern of growth that is more poverty reducing. If gender inequalities are greater in poorer households, this may contribute to their higher fertility and larger family sizes. When large differentials in family size persist between poor and rich households, per capita income inequality may well widen with economic growth. A recent study on India found not only a strong correlation between gender equality and growth, but also that economic growth benefited the poor significantly more in states with higher gender equality.<sup>9</sup>

## **2. The World Bank is committed to promoting gender equality**

The World Bank's commitment to assisting countries to address gender inequalities is translated into practice by incorporating a gender perspective in its analytical work, its country strategy and policy dialogue, and its operational work. While much remains to be done, the Bank has made progress. Like many organizations, the World Bank began its efforts to promote gender equality from an awareness-raising perspective. In the last decade, we have moved much more towards specific targeted activities to promote gender equality, particularly at the country level, in analytical work and in our policy dialogue. The objective is of course to mainstream gender perspectives into all our activities, including into our lending operations and our analytical work. While we have made headway in this regard, the challenge will be to continue and deepen this process of mainstreaming.

### **Analytical Work**

There has been a significant amount of work focused on analyzing the gender dimensions of development. In 2001, the World Bank published a Policy Research Report, *Engendering Development—Through Gender Equality in Rights, Resources, and Voice*, which demonstrated how gender inequalities undermine development and articulated

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<sup>6</sup> Klasen and Lamanna (2003), “*The Impact Gender Inequality in Education and Employment on Economic Growth in the Middle East and North Africa*”, Background paper for World Bank Study: Women in the Public Sphere. Washington, DC: The World Bank (2003).

<sup>7</sup> World Bank (2003), *Gender and Development in the Middle East and North Africa: Women in the Public Sphere*

<sup>8</sup> Dreze and Murthi (2001). “*Fertility, Education and Development: Evidence from India.*” Population and Development Review, 27(1):33-63.

<sup>9</sup> Besley, T, Burgess, R and Esteve-Volart B (2005), “*Operationalising Pro-poor Growth: India Case Study*”, London School of Economics.

ways in which these might be addressed. Following that, the Bank has produced regional flagship reports that analyze the relationship between gender, economic growth and development, for three regions—Sub-Saharan Africa; the Middle East and North Africa; and Europe and Central Asia.<sup>10</sup>

More recently, under the Economic Policy and Gender Initiative (EPGI), the World Bank has commissioned work to identify some of the gender-related issues important for policy makers to consider with regard to a number of specific economic reforms. Some of the topics explored include:

- The interrelations between gender issues and **trade liberalization**. This work explores how the incentive structure and ability to respond to changed terms of trade and lowered trade barriers differs between men and women in a number of countries.
- The effects of **labor market regulations** that apply to women on the well-being and ability of women to participate in the labor market.
- The gender-differentiated impact of **public sector reform**. To help minimize negative effects, the World Bank has developed a gender-sensitive tool to simulate and prevent the negative distributional consequences of public sector downsizing.
- How to incorporate the degree and causes of gender differentials in access to, and use of, public services into **public expenditure reviews** and other analysis of public sector policies and budget decisions.
- **The gender-differentiated impact of reforms in pension benefits**. The Bank has developed a tool for gender-sensitive modeling of pension reform that considers differences between women's and men's employment histories and life expectancies.

Because gender disparities—and the institutional environment in which they persist—differ among societies, effective policy needs to be grounded in country-specific analysis. The World Bank's Country Gender Assessments (CGAs) seek to diagnose the gender-related barriers to poverty reduction and economic growth in client countries and use this diagnosis to identify priority interventions.

As of the end of fiscal year 2004 (FY04), CGAs had been completed for 38 of 91 active World Bank client countries, and several of these had a direct influence on economic policy. For instance, the participatory consultative process in preparation of the Republic of Yemen CGA led to a National Republic of Yemen Gender Strategy and Action Plan. The Malawi CGA (FY04) informed the Land Reform project, and the Uganda CGA is being used to support the Governments' revision of the Poverty Eradication Action Plan (PEAP) and the PRSC process (FY04-06).

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<sup>10</sup> Blackden and Bhanu (1999), Gender, Growth and Poverty Reduction; Paci (2002), Gender in Transition; and World Bank (2003), Gender and Development in the Middle East and North Africa: Women in the Public Sphere.

Gender issues are also increasingly being incorporated in the Bank's other instruments for country-level analytical work, including Poverty Assessments, Development Policy Reviews, Country Economic Memoranda (CEMs) and Public Expenditure Reviews (PERs). The Cambodia's PER (2003) included gender-disaggregated benefit-incidence analysis, identified the barriers to public service access faced by women and girls, especially in education and agriculture, and proposed ways of addressing these issues. Similarly, the Kenya CEM (2003) analyzes the linkage between gender inequality and economic growth and advocated reform of succession laws as applied to women as a key element in promoting stronger pro-poor reform. And, in a recent case using the Downsizing Options Simulation Exercise (DOSE) tool, analysis in Vietnam found that displaced female employees benefit more from lump-sum compensation than from standard severance packages. Based on this finding, the Vietnamese government modified its assistance package during its state-owned enterprise-downsizing program to include substantial lump-sum components.

### **Country Strategy**

In low-income countries, the Bank has been working with other development partners, including civil society, to support the Poverty Reduction Strategy Paper (PRSP) process. These country-driven strategies have the potential both to address cross-sectoral issues such as gender equality more effectively as well as to build ownership of the necessary reforms. For instance, in Vietnam, World Bank staff helped the National Committee for the Advancement of Women (NCAFW) to establish a Task Force for mainstreaming gender into the Comprehensive Poverty Reduction and Growth Strategy. Together with other donors, the World Bank funded and facilitated research on gender-based violence and on equality of economic opportunity under Vietnam law, particularly with respect to land titling.

The World Bank has also sought to build on the momentum of solid gender integration into the PRSP process by addressing critical gender issues in Poverty Reduction Support Credits (PRSCs). In the case of Sri Lanka, the latest PRSC promotes gender equality in the labor force and the protection of women's rights, which has helped facilitate a national employment policy to promote equal training and employment opportunities for women as well as support for entrepreneurship programs for women.<sup>11</sup>

One result of the completion of CGAs has been an increase in the number of gender issues addressed in the World Bank's Country Assistance Strategies (CAS). A recent review shows that 81 percent of CASs in FY04 proposed gender-responsive action, compared with about 50 percent six years earlier. The Benin CAS (2004) proposes increasing women's access to credit through a national community driven development program, increasing girls' primary school enrollment with a PRSC, and analytical work to make public policies and expenditures gender-responsive. The Jordan CAS (2003) notes that women's labor force participation and unemployment rate continues to be low, despite the progress made in girls' education. Recommended policy actions include the revision of labor laws and the introduction of social safety net regulations. The Vietnam CAS (2002) supports a program to enable a second name to be added to land tenure

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<sup>11</sup> The World Bank Annual Gender Monitoring Report 2002

certificates, which are often only assigned to the male household head. Legally allowing such joint titling on these documents provides women with the opportunity or ability to use the land for collateral to raise credit, and improve their incentives to improve the land.

### **Operational Work**

Gender issues were considered during the design of over 80 percent of the Bank's lending operations in FY03, and approximately half of them incorporated specific activities to ensure that women benefited from the programs in sectors such as health and education, water and sanitation, infrastructure, access to financial services, private sector development and transport.

While many of these project activities are not designed primarily to promote economic growth, they often result in increased women's productivity. Some examples include:

- A World Bank financed project to build rural roads in Peru in 2000, which took into account women's and girls' transport needs in the project design, led to strengthened women's productivity due to their increased access to markets and fairs, and reduced time spent in obtaining fuel supplies.
- In India, a Rural Women's Development and Empowerment Project strengthened the capacity of women's self-help groups to improve training opportunities, financial management, income generation, and marketing.
- As part of the Northwest Mountainous and Forestry Areas Development Project in Tunisia, women were trained in income-generation activities such as improved plant and animal production techniques, and received funds to raise milk and meat producing cattle. The project also installed potable water sources, which reduced the distance and time that women walk to collect water.
- Some World Bank-supported projects are helping women to participate in the private sector by providing credit to set up an enterprise, improving access to information and communication technology, and fostering the exchange of ideas and experiences. For instance, in 2004, the World Bank and IFC developed a web-based Global Directory of Women's Business Associations that has helped women worldwide to connect and network with female entrepreneurs.

### **3. Challenges**

The good news is that with the recognition that gender inequalities constrain growth, there is now greater interest in analyzing the links between gender equality and economic growth. However, a number of challenges remain and three are highlighted below.

- At the country level, there are often competing development priorities as a result of which gender quality is often crowded out. What is needed, therefore, is more country-level work that will help in assembling robust country-level evidence on the links between gender equality and economic growth and poverty reduction and on the efficacy of alternative public actions to address the key aspects of gender inequality.

- Limitations of existing analytical tools and methods are still a constraint in building such an evidence base at the country level. We still know too little about the impacts of specific policies. As mentioned in the previous section, the Bank's EPGI is one example of ongoing efforts to address these gaps in some areas.
- And, the lack of reliable sex-disaggregated data continues to be a serious problem, particularly in low-income countries. This is obviously linked to the need to improve statistical systems at the country level and to adapt the design of household surveys.