Working Group B - Identification of emerging development challenges

Widening Disparities

Relevance of the issue

With less than five years to go before 2015, work has already begun in crafting the post-2015 development agenda. ESCAP/ADB/UNDP through their regional partnership on MDGs have joined that effort with the launching of the partnership’s sixth regional MDG report on 17 February 2012 in New Delhi.

The report, *Accelerating Equitable Achievement of the MDGs: Closing Gaps in Health and Nutrition Outcomes*¹, addresses the key development challenge of intra-country and inter-country disparities which have become major obstacles in making MDG progress in Asia and the Pacific region. Although the region as a whole has become the source of global growth, there are underlying concerns that this growth is not equitably shared and existing inequalities are widening rapidly. Even countries making rapid economic progress continue to lose shocking numbers of children before their fifth birthdays as well as thousands of mothers die unnecessarily during the natural process of childbirth.

Arresting widening disparity in all its socioeconomic manifestation remains the single most important policy challenge for developing countries. Unless promptly addressed, widening disparities may not only derail decades of socioeconomic progress in Asia and the Pacific, but could also manifest in social and political unrest.

Rising income inequality—new drivers

Rapid economic growth in developing countries in the past decade has brought high hopes of income convergence. Despite the optimism, not all countries are closing the income gap. In the Asia-Pacific region, although many countries have experienced historically high growth rates, the catch-up of the periphery has been driven mainly by accelerated growth of some economies, particularly China.

The manufacturing-led growth strategy followed in Asia has caused a sharp reduction in the price of manufactured goods and boosted global demand for all sorts of primary products. Breaking the historical downward trend in prices of commodities, since 2000 the average annual price growth rates have ranged from 8.5 per cent for raw materials to 17.4 per cent for metals and minerals. The countries that experienced the highest increase in their terms of trade in the past decade were major exporters of energy resources or minerals. On the other hand, countries whose main exports are manufactures have seen their terms of trade deteriorate. These trends have created new incentives—those who face declining terms of trade of manufacturing goods the incentive is to increase production and trade to secure revenues; and commodity exporters have the incentive to further specialize in primary products.

This new incentive structure creates three main long-term risks for increasing divergence. First, there is the risk that some developed countries, facing high unemployment and slow growth, will oppose the catching-up countries’ unorthodox growth strategies and prevent them closing the income gaps. Second, there is the risk that the commodity-boom countries could get trapped in specializing in fewer economic activities that are more volatile and prone to rent seeking, thus reducing the prospects for long-term growth – similar to the experience of periphery countries during the industrial revolution. Third, the aspiring countries, faced with decreasing prices for their manufactures and the incentives to specialize in low-skill industries, fail to create new economic activities and productive employment and fall further behind.

To mitigate these risks, it is necessary national action and international enabling environment that promote and accept diversity of development strategies; prevent countries to fall prey of the natural resources curse; assist countries in building up their productive capacities and engaging in balanced economic integration; and protect the vulnerable from increasing hunger and poverty caused by high commodity prices by strengthening social protection and boosting agricultural productivity.

Disparities in MDG achievement—lessons from Asia and the Pacific

The key findings and messages contained in the regional report, Accelerating Equitable Achievement of the MDGs: Closing Gaps in Health and Nutrition Outcomes, suggest that the region as a whole has made impressive but uneven progress in many areas. But particular challenges continue to be encountered in achieving health and nutrition targets. For several countries that are lagging behind, progress must be accelerated. There are also large gaps with and across countries that are increasing.

Asia and the Pacific is still lagging in some major areas particularly those related to health. It has been slow, for example, in ensuring that all children complete primary school and in providing basic sanitation. Most disturbing of all however, it has been slow to reduce the extent of hunger and child mortality and improve maternal health care services and prevent mothers dying from causes related to childbirth.

The picture continues to be mixed. The region as a whole has achieved the targets or are well on its way to achieve them in reducing poverty, universal primary education, gender equality in education, reducing the prevalence of HIV and stopping the spread of tuberculosis, increasing the proportion of land area that is covered by forests or has protected status, while also reduced the consumption of ozone-depleting substances, as well as expanding access to safe drinking water.

However, if Asia and the Pacific moves at the same pace as it has been, it is unlikely to meet the other targets, particularly the targets of eradicating hunger, reducing child mortality, improving maternal health, extending basic sanitation sufficiently rapidly, among others.
Many of the targets that the region as a whole is likely to miss on current trends are health-related (in a broad sense). Still, the acceleration in progress needed in many currently off track countries to hit the targets appears feasible in relation to the impressive progress since the early 1990s in countries that already have achieved the targets, or are on track to do so. This is in particular the case for halving the prevalence of underweight children, where all of the 14 off track countries (out of the 27 with data) are required to accelerate progress to less than 2 percentage points per year to reach the target by 2015.

**Reasons why it should be part of the global development agenda**

1) Addressing inequalities is one of the objectives in the Millennium Declaration that did not receive sufficient emphasis in the MDG agenda and global income inequality is expected to persist in the medium- to the long-term.

2) A concerted effort is needed to reduce and ultimately eliminate disparities. There reasons are compelling:

   - Disparities are intrinsically unacceptable
   - They also pose a threat to economic and social stability within countries
     - Wide differences in income and social attainments can lead to discontent and provoke social and political unrest
   - Uneven development between countries can provoke friction between countries and undermine regional cooperation efforts
   - In many cases, such disparities are widening over time
   - This is true for extreme poverty, child hunger, child mortality, maternal mortality and TB incidence - as shown in the Table below
   - Disparities within sub-regions contribute more to overall disparities than disparities between sub-regions
   - This indicates that sub-regional cooperation efforts can play a big role in reducing disparities

Just as there are wide disparities in MDG achievement within many of the countries of the region; overall, and not surprisingly, these disparities tend to be larger in countries with relatively low levels of achievement. Targeting the administrative regions and subpopulations within countries that are left most behind is therefore an important means of accelerating MDG progress in off track countries. Overall disparities tend to be larger in countries with relatively lower levels of attainment. Attainments are generally higher with low disparities.

What are the drivers of disparities among different groups of people within a same country in achieving the health-related MDG targets? What could be done to close the gaps so as for countries to meet the MDG targets? Our analysis has shown some common features in within-country disparities across the region. One common feature is that across countries and indicators, economic status of households is consistently related to
the attainment of MDG targets. Economic status is represented by an index of household wealth, which was constructed on the basis of, for example, the ownership of such assets as televisions and bicycles, and on materials used for housing as well as on access to basic services.

**Possible ways to address the issue**

- Income inequality could be a specific global goal/target. It could take the form of a ratio between the 75 and 25 percentiles of the global mean income distribution.
- In addition, the long-term risks for increasing global divergence could be included in the post 2015 development agenda as conditioning factors requiring special policy approaches.
- Increase health spending as insufficient spending on health is a major cause of poor health outcomes, as demonstrated for child mortality below
- Augment the supply of health workers as lack of health staff is another crucial factor
- Improve the effectiveness of public health spending
- Differences in health outcomes also result from factors outside the health sector indicating need for a multi-disciplinary approach
- For example, differences in access to basic infrastructure play a crucial role.
- Another example: better roads and rural electrification improve the proportion of births attended by skilled health staff as shown below.

Some countries are doing better that others, suggesting other policy options to address the issue

- Countries doing better in health were associated with several other attributes such as
  - Effectiveness in controlling corruption and addressing other governance issues
  - High state of women’s development
  - Spread of education and literacy, particularly among women
  - Extent of access to clean water and improved sanitation, and
  - Access to family planning services

Aside from economic status, other important drivers of within-country disparities in MDG achievements include:

-- Education of mothers (as well as other family members), reflecting the potential of raising the achievement of the low-performing populations by raising their ability to take advantage of existing resources, knowledge of benefits of intervention, etc.
-- We learned that mortality was lower among children who were breast-fed, after considering other household and individual characteristics. In addition, girls in some countries (India, Nepal and Viet Nam) were less likely to survive beyond their 5th birthday than boys, contrary to the trend elsewhere in the region and the world, highlighting the urgent need to protect girls.
-- In some countries, the achievement gaps among various ethnic groups and castes remain even for families at similar levels of economic status, suggesting the necessity of removing cultural and institutional discrimination, above and beyond the need of ensuring equality in the provision of health and public services.

Assessment of the context in which the issue should be incorporated into the intergovernmental process

The issue of disparities and how these are holding back MDG achievement in Asia and the Pacific region should be regularly brought to the attention of the Commission. The Regional Coordination Mechanism which serves to coordinate the activities of the Bangkok-based UN organizations, funds and programmes can have a thematic working on “Reducing Disparities in MDG achievement” so that coherent and system-wide support measures can be made available to the countries of the region. A closer interface with ECOSOC through the ARM process can also help in highlighting the issue and galvanize global and regional efforts in reducing disparities and accelerating MDG achievement.