PROF. DR. EHSAN RASHID MEMORIAL LECTURES

REFLECTIONS ON THE CONCEPT OF INCLUSIVE DEVELOPMENT BASED ON THE RECENT EXPERIENCE OF PAKISTAN*

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I.   Introduction

The term inclusive development has become popular in the discourse and documents of the international donor community.[1] While the concept is sometimes interpreted differently by different agencies there is a shared understanding that it has to do with a more broad-based pattern of development than has been attempted or achieved in most developing countries in the past few decades.

The prominence of the concept is reflected in the fact that inclusion was adopted as an underlying principle of the Sustainable Development Goals (SDG) agenda which is to guide international and national development efforts till 2030 which succeeded the previous effort known as the Millennium Development Goals (MDG) agenda. The focus of the SDGs is not just on achieving gains in development on average but on ensuring that these gains are better distributed within the society. This also accounts for the wide range of SDGs that were adopted. The motivation behind the proliferation of goals was at least in part the desire to include items that were of great importance to some social groups, even if not of general importance to all. The SDGs thus differ from the MDGs in both breadth and depth. More goals are covered (breadth) and more goals have been specified in a way that encompasses distributional outcomes as well (depth).

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[1] I use the term "donor community" rather than "development community" to draw attention to the fact that most guiding ideas in the development business emerge from, and are pushed by, the former. By donor community it is mean the large multilateral development banks, the United Nations agencies, bilateral aid offices of mostly the Western governments and international non-government organizations. National governments of developing countries discuss and debate these ideas, mostly in forums conducted by the United Nations, but they are rarely among the originators.

A flavor of this is provided by the language used to describe individual SDGs. For example, many of the goals (such as health, education, access to clean water and sanitation, access to energy, availability of decent work, and access to justice) are described with the phrase "for all" embedded in the text.[2] This is meant to convey that the target is not just to achieve an improvement on average but for all groups within the society. For some goals, such as education, the word inclusive is used directly in the description of goal, as follows: "ensure inclusive and equitable quality education and promote life-long learning opportunities for all." For still other goals, such as health, the inclusivity dimension is further reinforced by direct reference in the description to "all ages" as the target population. Finally, the phrases "leave no one behind" and "no goal is met unless it is met for everyone" are commonly used to convey the ethos of the SDGs.

The concept of inclusive development has also been adopted as a foundational pillar of Vision 2025 of the Government of Pakistan.[3] As the text of Pillar II of the Vision document notes: "Pakistan is marked by socio-economic imbalances. There are horizontal and vertical, intra and inter-provincial, as well as rural and urban inequalities. We envision a strategy for developing a united and equitable society through a balanced development approach, social uplift and rapid broad based growth. This will ensure provision of opportunities and fruits of economic development to all segments of the society." The words 'equitable', 'balanced' and 'broad based' are all meant to reinforce the impression that the vision is about better distribution and not just about an improvement in average performance.

Against this background, the objective of this lecture is to highlight some of the challenges encountered by empirical researchers in working with the concept of inclusive development, with illustrations from the recent experience of Pakistan. These challenges are noted in Section II. One challenge in particular relates to whether distributional outcome should be defined in absolute or relative terms. This is elaborated in Section III with data from the recent experience of Pakistan. Some concluding remarks are offered in Section IV.

II. Definition of Inclusive Development

The first challenge that empirical researchers encounter with the concept of inclusive development is one of the definition. Does it refer to a process or to certain outcome? For example, Oxfam defines inclusive development as follows: "A pro-poor approach that equally values and incorporates the contribution of all stakeholders in-

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[2] Descriptions of individual SDGs are available at the following link: http://www.un.org/sustainabledevelopment/sustainable-development-goals/

[3] Pakistan's Vision 2025 is accessible at the following link: http://pc.gov.pk/vision2025/Pakistan%20Vision-2025.pdf. The specific text reference can be found on page 42 of the document.

[4] Oxfam's definition can be found at this link: https://www.oxfam.org/sites/www.oxfam.org/files/inclusive_development.pdf

cluding marginalized groups, in addressing development issues."[4] This suggests that process is important; all stakeholders must be included in arrangements for setting priorities and selecting development projects.

On the other hand, one may also consider the inclusive development to refer to outcome, such as improvement in income, health and education of various groups. The description of the SDGs noted in the introductory section suggest that certain distributional outcomes for various groups of interest (such as the poor, the young, the disabled, ethnic minorities, refugees and so on) are clearly considered to be of critical importance. Certainly, the monitoring measures in place, or being designed, are focused on outcomes. For the purposes of this lecture, let us also focus on outcomes.[5]

This leads to a second challenge. Which outcomes? This is, of course, a familiar debate within the broader subject area of development. By now, it is safe to say that focusing on a single outcome, such as income, would not command broad assent. While income growth is clearly an important outcome, most development practitioners would prefer to add at least two other items, namely, health and education. Thus, increasing income, health and education attainment simultaneously among target social groups would be the preferred measure of inclusive development.[6]

This leads to a third empirical challenge in which social groups should be included? The phraseology of the SDGs is not particularly helpful here because, as already noted, it often refers to 'all' as the target groups. Other definitions, often found in the UN documents, also cover a very wide range of overlapping groups by using such markers as gender, ethnicity, age, disability, and poverty. A truly encompassing approach would require that progress be shown for each and every one of these groups. This is hard to adopt as an operational target simply because of the lack of data at this level of detail. A more practical approach would be to pick a marker for which data is more easily available, and it is likely to correlate strongly with other markers. The poverty marker would be preferred in this case. One could argue that whatever is happening to the poor is likely to correlate well with the experience of marginalized and disadvantaged groups defined by other markers such as ethnicity or caste or language. Thus, one could choose the poor (as defined by income or consumption) to be the appropriate social group of interest in empirical approaches to inclusive development. I will adopt this group as focus of attention in this paper.

Now we come to a fourth empirical challenge which is best illustrated by thinking of two outcomes over time for a given country:

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[5] The distinction between the process and outcome also implies a difference in empirical methodology. The outcome-based definition of inclusive development lends itself more readily to statistical evaluation while the process-based definition requires a case study approach.

[6] This is also the concept that underlies the Human Development Index (HDI) pioneered by Mahbubul Haq at the United Nations in the 1980s. The HDI combines income, health and education indicators into one composite measure. However, it is not, focused on distribution as the component measure refer to national averages.

- Outcome - A is a situation where income, health and education indicators, all improve among the poor; this is an outcome featuring an absolute improvement in situation of the poor.
- Outcome - B is a situation where the distribution of incomes, health and education indicators improves; this would be consistent with the relative rate of improvement an among the poor being greater than the pace of improvement on average or among the rich.

Does it matter which distributional approach, absolute or relative, is picked as the appropriate measure of inclusive development? Let us shed more light on this by considering the experience of Pakistan in recent years.

III. How Inclusive has Development been in Pakistan in the Recent Years?

It is a straightforward matter to measure Outcome-A. For Outcome-B, however, we first have to choose a distribution measure from among the great variety available, such as Gini coefficients, Theil coefficients, the Palma ratio and the share of some defined segment of the population. For my present purposes, I pick a ratio that's simple to understand and simple to implement. This is the parity ratio between the top 20 per cent and the bottom 20 per cent of the population. This is easily understood and interpreted: think of the bottom 20 per cent as being the poor and the top 20 per cent as being the rich. Thus, this measure simply tells us whether the poor have done better than the rich. Fortunately, this measure is becoming easier to track over the time because health and education indicators, by wealth quintile are now available in global databases for many countries.

The relevant data is presented for Pakistan in sequence for poverty, health and education outcome. The poverty measure used is the standard international poverty line of PPP$1.90 per person per day. Health status is measured by under 5 child mortality rate. For education, I use years of schooling completed by those over 15 years of age.[7]

1. *Income Change and Inclusion*

Figure 1 shows, trends in poverty in Pakistan at two points in time over the last fifteen years or so. Poverty can be seen to have declined substantially, from around 29 per cent in 2005 to around 7 per cent in 2012. Therefore, in terms of the income component of Outcome-A, we would consider this to be a sign of inclusive development. Average incomes among the poor have risen in such away that enough of them have crossed the poverty line significantly to reduce the national incidence of poverty.[8]

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[7] I have picked these measures for health and education because they are widely used in the literature. Other measures could also be used such as life expectancy for health and secondary school enrolment rates for education.

[8] It should be noted that poverty lines are usually defined in terms of consumption expenditures and so we should really refer to consumption (rather than income) rising among the poor. It should also be noted that the exact level of the poverty line does not matter here since we are focusing on the trend over time.

Now the big question. Did income distribution improve over time? To determine this, we look at the relevant parity ratio in Figure 2. The consumption share of the top 20 per cent has declined over time, relative to the share of the bottom 20 per cent.[9] So, in terms of the income component of Outcomes A and B, we would have to conclude that development in Pakistan has been inclusive.
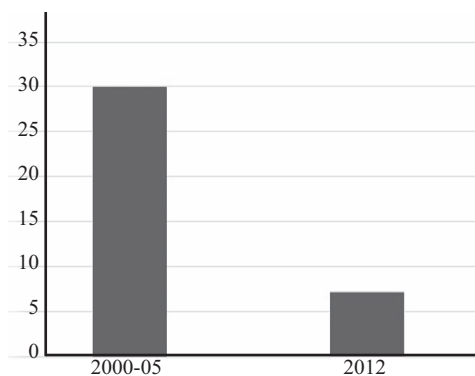
Source: World Development Indicators, World Bank.

FIGURE 1

Change in Propostion Poor in Pakistan
Using Poverty Line of $ 1.90 PPP
per Person per Day
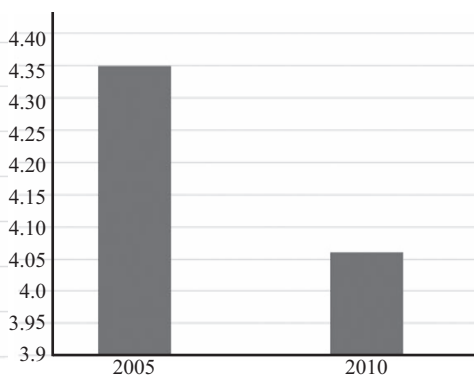
Source: World Development Indicators, World Bank.

FIGURE 2

Ratio of Consumption Shares of Top and
Bottom Quintiles in Pakistan, 2005-10

2.   *Health Indicators and Inclusion*

Now, let us look at progress in the area of health. Figure 3 reports child mortality rates for the bottom quintile in Pakistan at two points in time in the recent years. The results show the progress. Child mortality rates among the poor declined from 125 per 1000 in 2006-07 to 119 by 2012-13. Thus, in terms of health component of Outcome - A, we would conclude that development has been inclusive.

But did child mortality decline more among the poor than among the rich? Figure 4 suggests that it did not. The gap in child mortality rates between the bottom and top quintiles has widened in the recent years. The rich have done much better over time in this aspect. So, measured by Outcome - B, development has not been inclusive, at least along this dimension of health.

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[9] The dates for which consumption share information are available are not the same exact dates for which poverty data are reported in the World Bank's World Development Indicators database. I have tried to find data that are as close as possible in time so as to enable comparisons.

3. *Education and Inclusion*

Moving to education it, (Figure 5) shows as to what happened to average years of schooling for the poorest 20 per cent in Pakistan. These rose from 5.9 years in 2006-07 to 6.1 in 2012-13. If our preferred concept were Outcome-A, this would count towards inclusive development.
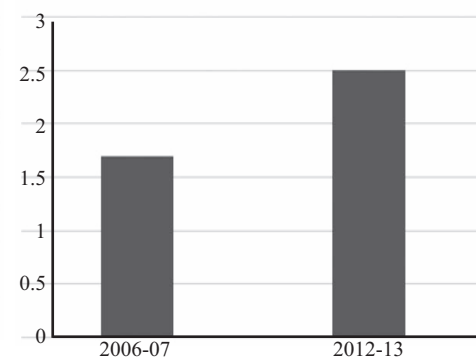
But if our preferred concept were Outcome-B and, we would need to look at the distributional outcome in relative terms as shown in Figure 6, using a parity ratio for the bottom and top quintiles.
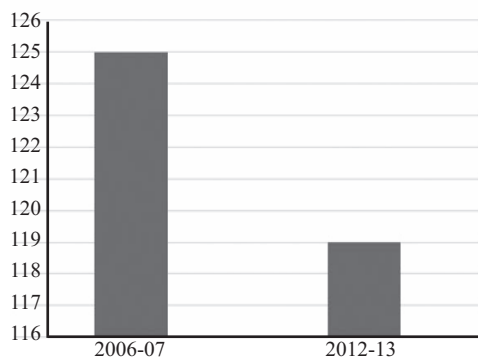
Source: Demographic and Health Surveys, reported in World Development Indicators, Online.
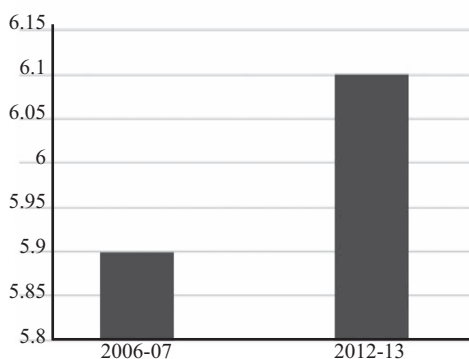
FIGURE 3

Child Mortality Rate for Bottom Quintile in Pakistan

Source: Demographic and Health Surveys, Reported in World Development Indicators, Online.
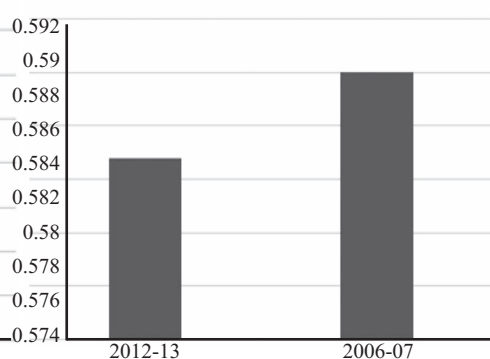
FIGURE 4

Ratio of Child Mortality rates between Lowest and Highest Wealth Quintiles in Pakistan

Source: Demographic and Health Surveys, Reported in World Development Indicators, Online.

FIGURE 5

Change in Average Years of Schooling in Bottom Quintile in Pakistan

Source: Demographic and Health Surveys, Reported in World Development Indicators, Online.

FIGURE 6

Ratio of Years of Schooling for Bottom and Top Quintiles in Pakistan

This shows a slight decline in Pakistan, from 0.59 to 0.58 per cent over the period 2006-07 and 2012-13. This is the bottom quintile with 59 per cent schooling - the highest quintile in 2006-07 and six years later it dropped to 58 per cent. So the Outcome-B result for education does not show inclusive development.

Table 1 summarizes the results by development component and distributional measures. It illustrates the importance of being clear about which distributional measure, (absolute or relative), applies to the definition of inclusive development. Even after one has agreed on what components to include (in our case, poverty, child mortality and years of education) and which target group to focus on (in our case, the bottom 20 per cent), we are left with the challenge of choosing a way to capture distributional change. The Data and Figures (1 to 6) discussed for the case of Pakistan show that if we had chosen the absolute definition (Outcome-A) as our measure of inclusive development, we would have said that Pakistan has achieved inclusive development in the recent years. However, if we had chosen the relative definition (Outcome-B), we would have concluded the opposite.

TABLE 1

Has Recent Development been Inclusive in Pakistan?

Component	Distributional Measure	
	Absolute: Outcome-A	Relative: Outcome-B
Poverty	Yes	Yes
Health	Yes	No
Education	Yes	No

4. *A Further Twist*

While the absolute and relative distributional measures discussed above show contradictory trends with regard to health and education indicators, they show a uniform trend with regard to poverty component. However, this cannot be generalized since the period over which the indicator is measured is also relevant. This can be thought of as a fifth challenge for empirical work.

The importance of time dimension can be seen in Figure 7 which extends Figure 2 backwards in time by adding two more data points (for 1995 and 2000) for the parity ratios for consumption. Now the trend for relative measure (Outcome-B) is seen to be indeterminate or ambiguous for poverty as well: the parity ratio rises from 1995 to 2005 and then falls.
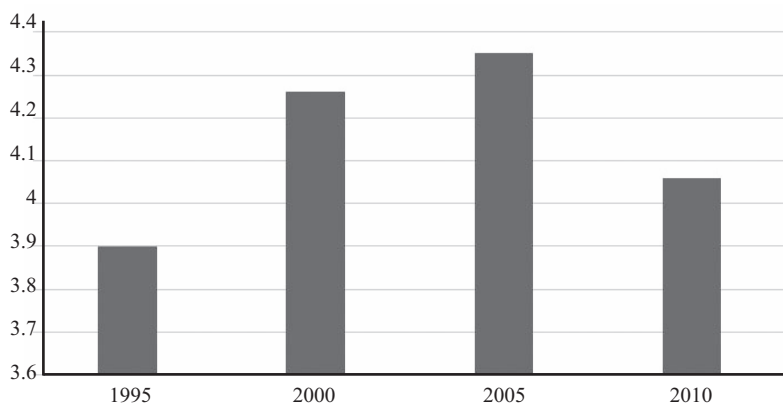
FIGURE 7

Ratio of Income/Consumption Shares of Top and Bottom Quintiles in Pakistan

Source: World Development Indicators, World Bank.

IV. Concluding Remarks

This note refers to at least five challenges inherent in the concept of inclusive development which come to the fore when one try to develop empirical measures of the concept. These include first, deciding whether the concept refers to a process or an outcome. Second, if outcome deciding whether this should focus on income change alone or other dimensions of development such as health and education attainment. Third, for the set of chosen outcome measures, which target group is to be selected. Fourth, the distributional measure, absolute or relative, is to be chosen; and, finally, over what time period, it is one to conduct the analysis.

I show in particular, a relative (as opposed to absolute) distributional measure and a long time period when both introduce ambiguity into the results for Pakistan. These results are likely to be repeated in other countries as well. In particular, without clarity on the distributional measures to be applied to determine whether inclusive development is occurring or not, we are likely to see a variety of empirical tests across different countries with similarly ambiguous results. This is likely to feed the inconclusive policy and political debates.