

Chapter 5

Inclusive Development: Definition and Principles for the Post-2015 Development Agenda

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1. Defining inclusive development and equality of opportunity

Over the past few years, “inclusiveness” has attracted increasing attention in the international community. Several countries and development institutions have incorporated the term “inclusive” into their strategies, and now “Inclusive Development” is gathering momentum as a global development agenda.¹

While the concepts of Inclusive Growth and Inclusive Development have been discussed in a number of papers by development institutions and researchers, the definitions found in the literature of these two terms vary and in some cases even contradict each other.

Some of this variation is related to the definition of growth within the term “Inclusive Growth” as compared to the definition of development. In general, economic growth is measured on one dimension—income—while development refers to multi-dimensional well-being, which includes not only increases in income but also improvements in other sectors such as health and education. Some literature on Inclusive Growth adheres to the standard definition of growth, and focuses mainly on the dimension of income; however, other literature using the term Inclusive Growth is actually concerned with multiple sectors, and

1. In 2007, the World Bank’s then president, Robert Zoellick, declared that the vision of the World Bank Group was to contribute to inclusive and sustainable globalization (World Bank 2007). The next year, the Japan International Cooperation Agency (JICA) positioned inclusive and dynamic development as its new vision (JICA 2008), and the Asian Development Bank (ADB) set inclusive growth as one of the three agendas in its long-term strategic framework, Strategy 2020 (ADB 2008). The UN System Task Team on the Post-2015 UN Development Agenda (2012) proposed that inclusive social development and inclusive economic development should be two of the four core dimensions for the framework of the post-2015 development agenda.

in this regard resembles the term “Inclusive Development” discussed in another literature. To avoid the ambiguity, this chapter follows the general definitions of these terms, and therefore uses the phrase “Inclusive Development,” to include various types of well-being beyond income.

The meaning of “inclusiveness” within this term is also subject to debate. Most of the literature recognizes that equality is the central concept of inclusiveness, but differs in regards to the type of equality that should be attained through development. It is therefore necessary to define both inclusiveness and equality in relation to Inclusive Development.

This chapter defines Inclusive Development as development that enhances people’s well-being by advancing the equality of opportunity for all members of society, with particular attention to the poor, the vulnerable, and those disadvantaged groups normally excluded from the process of development.

To define the core concept of “equality of opportunity,” this chapter draws on the idea formulated by modern egalitarian philosophers, such as Ronald Dworkin and John E. Roemer, who have explicitly added the perspective of individual responsibility to the theory of equal opportunity.

Their concept of equal opportunity is often rephrased as “leveling the playing field,” and stands in contrast to equality of outcome, the critical difference being that the latter secures an equal outcome for all individuals without questioning the choices they made to affect that outcome. In contrast, equality of opportunity holds individuals responsible for the actions under their control and compensates only for the disadvantages beyond their control, so that all have the potential to achieve the same outcome.

However, these philosophers have slightly different ideas regarding what an individual has to take responsibility for and what she does not. Defining individual responsibility, Roemer (1998) distinguished the factors that affect an individual’s outcome and divided them into *circumstances* and *effort*. These circumstances consist of a person’s social and biological backgrounds, which are beyond the control of the individual and can include innate ability, race, gender, culture, family background, and other characteristics, depending on the outcome of interest. On the other hand, effort is an individual’s choices under her

control; by expending more effort, the individual can enhance her level of outcome. Under this definition, an individual is responsible for the degree of effort she expends, but is not responsible for her circumstances.

For Roemer, equal opportunity means guaranteeing that those who apply equal degrees of effort end up achieving equal results, regardless of their circumstances. To form an equal opportunity policy, he proposed that the population be partitioned into several types according to their circumstances. Then, a policy should be chosen that maximizes the minimum level of advantage of individuals, across all types, who expend the same degree of effort.

Borrowing Roemer's example, let us consider access to a good life to be an outcome, and education to be an input by which one achieves a good life. Under the above definition, equality of opportunity becomes more than providing equal educational resources for all individuals, since different children have different circumstances and therefore different abilities to turn educational resources into a good life. Simply offering equal educational resources will, therefore, not result in equalizing educational achievement among children who expend the same degree of effort. To equalize opportunity for educational achievement, the differing abilities of those children should be compensated for as far as their abilities are determined by circumstances beyond their control.² This chapter incorporates this equal opportunity principle into the definition of inclusive development.

Once this equal opportunity view is adopted, the measures for evaluating the level of development need also to be redefined. The indicators that have been commonly utilized are (1) Gross Domestic Product (GDP) per capita, which is based on utilitarianism, and (2) the Human Development Index (HDI),³ which takes into account the mean value of life expectancy, educational attainment and income. The ideas

2. Roemer (1998) did not intend to apply this principle into every policy in its full extent. It may be even inappropriate to adopt this in some cases, such as a competition for a specific job position like a medical doctor or athlete. The scope and the extent of equal opportunity should be determined depending on the issue in question and be customized to the particular context of each society.

3. The UNDP's Human Development Report introduced the Inequality-adjusted HDI (IHDI) in 2010, which adjusted the HDI for inequalities in the distribution of outcome of education, health, and income. However, IHDI is a supplemental index to the original HDI, not a replacement.

behind these indicators are quite different from the equal opportunity principle, since these measures focus on outcome rather than opportunity and on the average over the population rather than on the people with disadvantaged circumstances. To reflect the equal opportunity view, Roemer (2013) proposed new measures in terms of two dimensions: (1) the average income of those who are most disadvantaged by circumstances and (2) the extent to which differential effort, as opposed to differential circumstances, contribute to total inequality in a society. These measures can be applied to analyze the level of Inclusive Development in a society.

This equal opportunity view is ethically superior and has convincing appeal to the broader public. In fact, Roemer's theory has had a significant influence on the thinking about development, such as the concept of equity discussed in *World Development Report 2006: Equity and Development* (World Bank 2006).

Incorporating the equal opportunity principle into Inclusive Development will help clarify its confusing concept, and pave a way for measuring the level of Inclusive Development. Furthermore, it will make Inclusive Development attractive to the international community and citizens as a global development agenda.

2. Different definitions of inclusive growth and development

Discussions on Inclusive Growth and Development have been led mainly by Multilateral Development Banks such as the World Bank, the Asian Development Bank, and African Development Bank, and by researchers who have contributed ideas to these institutions. The following sections of this chapter compare how these authors define the concepts of Inclusive Growth and Development, and discuss how they are related to other development concepts such as pro-poor growth and equity, and how they differ from this chapter's Inclusive Development.

The document *What is Inclusive Growth?* (World Bank 2009) is one of the most frequently cited documents in this field. In its view, for growth to be sustained, it should be inclusive, broadly based across sectors, and include a large portion of the country's labor force. The document focuses on both the pace and pattern of growth; inclusive growth increases the size of the economy while ensuring equality of opportunity in terms of access to markets and resources, and an unbiased regulatory environment for

businesses and individuals. As the primary instrument for Inclusive Growth, the document supports productive employment over direct income redistribution, or more specifically, aims to improve the productive capacity of individuals and create an environment conducive to employment.

Strategy 2020 (Asian Development Bank 2008) advocates Inclusive Growth with two mutually reinforcing strategy focuses: high sustainable growth and broader access to opportunities. Although a unified definition for Inclusive Growth is not reached by these reports, more precise conceptual discussions on Inclusive Growth can be found in articles written for the Asian Development Bank, such as those by Ali (2007a and 2007b), Ali and Zhuang (2007), Kanbur and Rauniar (2009), Klasen (2009), and McKinley (2010). Ali and Zhuang (2007), which should have had significant influence on the Asian Development Bank's strategy, defines Inclusive Growth as growth that creates opportunities and allows all members of a society to participate in and contribute to the growth process on an equal basis. Ali and Zhuang employ Roemer's distinction between inequalities arising from effort and those arising from circumstances, and maintain that Inclusive Growth strategy should address circumstance-related inequalities.

The *Inclusive Growth Agenda* (African Development Bank 2012) defines inclusive growth as "economic growth that results in a wider access to sustainable socio-economic opportunities for a broader number of people, regions or countries, while protecting the vulnerable, all being done in an environment of fairness, equal justice, and political plurality" (p. 2). Like World Bank (2009), the African Development Bank is concerned with broad-based growth across sectors, the rate and pattern of growth, and long-term sustainable growth, and it focuses on productive employment rather than income redistribution.

3. Inclusive growth and development in relation to pro-poor growth

Pro-poor growth was one of the central development agendas in the 2000s, and is defined as "a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to and benefit from growth" (OECD 2006: 10).

The primary difference between Pro-poor Growth and Inclusive Growth is

found in their targets. While Inclusive Growth is concerned with poverty reduction, it focuses not only on the poor but on other groups excluded from the process of growth, such as the disabled, minorities, and people living in poorly developed regions. In some literature, Inclusive Growth targets an even broader segment of people. World Bank (2009) and African Development Bank (2012) are concerned with the majority of the labor force, the poor and middle-class alike, and Klasen (2009) admits that Inclusive Growth could benefit all levels of society, including even the rich.

The literature differs with regard to whether Inclusive Growth is in line with absolute pro-poor growth or relative pro-poor growth. Absolute pro-poor growth focuses on the pace of poverty reduction and is measured by how fast the average income of the poor increases; relative pro-poor growth, on the other hand, focuses on income distribution between the poor and the non-poor, and is achieved when the income of the poor grows faster than that of others, and income inequality therefore declines (DFID 2004).⁴

World Bank (2009) aligns its definition of Inclusive Growth with absolute pro-poor growth rather than relative pro-poor growth because, according to the document, the relative definition could lead to sub-optimal outcomes for both poor and non-poor households. In contrast, Klasen (2010) relates inclusive growth to the relative definition of pro-poor growth. Kanbur and Rauniar (2009) claim that the distribution of income and well-being needs to be considered; the authors argue that, if growth is accompanied by poverty reduction and yet an increase in inequality, growth is pro-poor but not inclusive. In their definition, Inclusive Growth is necessarily pro-poor, but not vice versa.

These contradictory views on income inequality may to some extent be a reflection of different economic and social situations in different regions. Developing countries in Asia face rising inequalities, which is of concern to the Asian Development Bank. The benefits of rapid economic growth and poverty reduction in these countries have not been equally shared. While extreme poverty has decreased significantly, the number of people living on less than \$2 a day remains high (Asian Development Bank 2012). The Asian Development Bank is concerned

4. In this discussion of Pro-Poor Growth, the Department for International Development (DFID) prefers the absolute definition of pro-poor growth in light of their commitment to the MDG Goal of halving absolute income poverty by 2015.

that inequality could hinder reform, or could lead to social and political tension and armed conflict (Ali and Zhuang 2007). On the other hand, in many African countries, the extreme poverty rate remains high despite robust economic growth in recent years and the existence of rich reserves of natural resources (African Development Bank 2012). These countries may prioritize the pace of poverty reduction.

Inclusive Development as defined in this chapter does not make a determination as to whether absolute pro-poor growth or relative pro-poor growth is preferable. It is concerned more with processes of growth that cause income inequality than income inequality itself. If income inequality arises due to different degrees of effort expended by individuals, the result could be acceptable to those concerned with Inclusive Development. If, on the other hand, income inequality results from unequal circumstances, policies to level the playing field should be sought. The same view is found in Ali and Zhuang (2007) and Ali (2007a and 2007b).

4. Inclusive growth and development in relation to equity

The concept of “equity” is also related to Inclusive Growth and Development. World Bank (2006) defines equity in terms of equal opportunity—meaning that the outcome of a person’s life should be influenced most by her efforts and talents, not her background—and the avoidance of absolute deprivation, which means that the livelihoods of the most deprived people should be protected.

While the Inclusive Growth defined by Ali and Zhuang (2007) and Ali (2007a and 2007b) is aligned with this equity conception, the idea Inclusive Growth used by World Bank (2009) does not seem to be in the same line. Although the latter also uses the concept of equal opportunity in its definition of Inclusive Growth, its idea is less demanding, since it intends to equalize resources and access to markets and jobs for everyone without emphasizing different individuals’ circumstances.

Inclusive Growth could even contradict the concept of equity if it seeks to maximize GDP per capita as utilitarianism does. The definitions found in World Bank (2009) and African Development Bank (2012) can potentially lead to this contradiction as they focus on both the pace and pattern of growth, and prefer productive employment to direct income redistribution. If the goal is to expand GDP per capita, it is understandable

to choose productive employment over income redistribution, because the latter can create a disincentive for individuals to work hard and, as a result, may lower the country's total production or GDP per capita. If the goal is an equitable society, however, income redistribution can serve as an alternative or a complementary policy option to redress inequality borne out of the differing circumstances of individuals.

The goal of this chapter's definition of Inclusive Development is achieved through equity, and is not based on the utilitarian ethic. Income redistribution therefore will not be removed from the policy options just because it can be inefficient in expanding total production. This chapter does not advocate for income redistribution without evidence, as it advocates for the best policy to be chosen among the various alternatives in accordance with the situations in each country.

5. Inclusive development for the post-2015 development agenda

In order to advance Inclusive Development in the global development agenda, several goals should be set to redress inequalities that arise from individuals' differing circumstances. To develop measures of Inclusive Development, those outlined by Roemer (2013) can be utilized, though they are meant for analyzing and comparing the degree of Inclusive Development of each country as a replacement for GDP per capita, and may not be suited for defining specific and uniform targets that every country should aim for.

Alternatively, the international community can establish goals that aim to ensure everyone attain a minimum level of outcomes in critical sectors, with particular attention focused on disadvantaged people.

Although many of the MDGs have already included this idea of minimum requirement, some specific sectors and disadvantaged people should attract more attention from the perspective of Inclusive Development. For example, education and early childhood development are critical sectors because they are fundamental in building children's physical and cognitive capacities, and because inequality of opportunity in these areas will exacerbate inequality in the future. Other areas such as employment and infrastructure should also be incorporated into the new global framework so that disadvantaged people gain equal opportunities for a decent job and a better life.

Education is a key sector for Inclusive Development, but despite its critical role, there is a growing concern that education may be losing its priority status (Burnett and Felsman 2012). This section of the chapter discusses why this concern should be dispelled, and includes a more concrete discussion on what policies should be prioritized from the perspective of Inclusive Development.

The MDGs include two goals related to education: (1) universal primary education (Target 2.A): ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling by 2015; and (2) gender equality in primary and secondary education (Target 3.A): eliminate gender disparity in primary and secondary education by 2005, and in all levels of education by 2015. Relative to the other goals, and particularly to the MDGs related to health, significant progress has been made toward the education goals. According to the World Bank's Global Monitoring Report, primary school completion is close to being on track to reach its target, and gender parity in school enrollment is on track (World Bank 2012). The numbers may give the impression that education will become a less challenging and less important issue in the near future.

In spite of these gains, UNESCO's Global Monitoring Report takes a more cautious view of the prospects for Target 2.A. Although many countries had been successful in achieving the goals for enrollment, progress has stalled in recent years. For example, between 2008 and 2010, the number of out-of-school children in sub-Saharan Africa has increased by 1.6 million, and the other regions in the world saw little progress (UNESCO 2012).

Moreover, even if Target 2.A. is met, a more fundamental challenge remains. The education MDGs focus on access to education alone, which is indeed the first step in education development, but they do not target the quality of education or learning, which is the real goal of education development. In this way the education MDGs are quite different from the health MDGs, which focus on both access to health care and crucial health outcomes such as child and mother mortality rates (Target 4.A and 5.A). If Targets 2.A and 3.A and Targets 4.A and 5.A are compared, as they are in World Bank (2012), it is therefore not surprising that much better progress has been observed in the education targets than in the health targets.

If the education MDGs had targeted learning outcomes, however, the results would be rather different. Cumulative evidence has demonstrated that many children are not learning at school, and that

educational disparities are widening across and within countries. It is estimated that out of 650 million primary-school-age children in the world, as many as 250 million either do not reach grade four, or reach the grade but are unable to read or write (UNESCO 2012). In response to this learning crisis, the international education community is shifting its priority to improving learning outcomes (World Bank 2010, DFID 2010, Brookings 2012, Burnett and Felsman 2012).

In light of these situations, several priorities have been identified as necessary to advancing Inclusive Development in the education sector:

First, universal primary education should continue to be the first priority. Since off-track countries tend to have other major challenges such as conflict and extreme poverty, achieving this goal may require redoubling efforts. If children in such countries are abandoned, the disparity between out-of-school and in-school children will increase even further in the future.

Second, every child should acquire basic literacy and numeracy in primary education. Priority should be placed on low-achieving children, since their performance can be affected by circumstantial disadvantages such as family backgrounds, native languages, and innate abilities, all of which are beyond their control. Recent research, such as Glewwe, Kremer, and Moulin (2009), and Pritchett and Beatty (2012), suggests that national curricula and textbooks are too difficult for the average children and only benefit academically high-performing students in many countries. Establishing targets for all children to acquire basic knowledge and skills would encourage countries and the international community to put more focus on disadvantaged children.

Third, children with disabilities should receive high-quality education in regular education systems. The number of children with disabilities is estimated to range from 93 million to 150 million, and many of them have been excluded from general education opportunities (WHO and World Bank 2011). Under the equal opportunity principle, however, people with disabilities deserve more educational resources than others because they are likely to face lower earnings and a disadvantaged life even if they expend more effort than those without disabilities.

Fourth, after achieving universal primary education, each country should expand the scope of “Education for All” into lower-secondary education. Secondary education is critical for children to develop the

skills needed for work and life, but the gross enrolment ratio for lower-secondary school is only 52% in low-income countries (UNESCO 2012). All children should acquire fundamental skills to stand at the same starting line before they look for a job.

6. Conclusion

This chapter has defined Inclusive Development as development that enhances people's well-being through advancing equality of opportunity. Although the target includes all members of society, the focus is primarily on the poor, the vulnerable, and the disadvantaged. Equality of opportunity is the central concept in this definition. While individuals are held responsible for the degree of effort they expend to enhance their well-being, disadvantages beyond their control should be compensated for. This idea of equal opportunity is more than simply non-discrimination; it aspires to achieve an equitable society.

From the perspective of Inclusive Development, the post-2015 development agenda should redress inequalities that arise from differing circumstances beyond each individual's control. To advance Inclusive Development, greater focus should be placed on education, early childhood development, employment, and infrastructure. In education, the first step is equal access, but this does not guarantee Inclusive Development. Education should take each child's circumstances into account, and special attention should be paid to disadvantaged children, such as low-performing and disabled children.

The same principle applies in other areas. Improving access to job opportunities, infrastructure, and other resources is the first step, but it is not enough. Inclusive Development requires further study into how people benefit from these opportunities: Do all types of people take advantage of opportunities in the same way? If specific types of people are deemed to be disadvantaged due to differing circumstances, these people deserve more resources to achieve the same outcomes as others who expend the same degree of effort. The post-2015 development agenda framework should include this perspective of equal opportunity.

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Chapter 5

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