

Executive Summary

『Transforming our World: The 2030 Development Agenda for Sustainable Development』 was finally drawn up on September 2015 at the United Nations Summit. Successors to Millennium Development Goals (MDGs), Sustainable Development Goals (SDGs) are composed of 17 goals and 169 targets. One of the core principles of the 2030 Development Agenda is ‘No one left behind’, which pursues ‘inclusiveness’ as a main value of development. Thus SDGs can be achieved through “inclusive growth” by eradicating all forms of poverty among all social groups. Despite such importance, any consensus of the definition of inclusive growth has not yet been drawn by the international community including academia.

In this report, we discuss inclusive growth based on 1) growth and redistribution 2) pro-poor growth 3) inclusive growth 4) measuring inclusive growth, and highlight equity and opportunity as core elements of inclusive growth. There have been incremental inequality during the initial stage of development, but this was expected to be reduced automatically when the economy keep the pace of high growth. Contrary to such belief, it was not the case in most countries. As a result, the need for redistribution has been emerged and entailed by a number of studies on ‘pro-poor growth’ which shares identical concept to inclusive growth.

Intuitively, pro-poor growth is growth that benefits the poor. But the definition requires specifying the meaning of ‘to benefit the poor’ and that is where the conceptual debate over pro-poor growth lies. There are two definitions of pro-poor growth emerged in the literature. One of them focuses on poverty reduction, thus considering pro-poor growth any growth accompanying with a drop in the poverty

rate (Ravallion and Chen, 2003; Grosse et al., 2008). The other definition of pro-poor growth focuses on the improvement of the income of the poor relative to the wealthier, rather than on an absolute increase of their income. It requires that poor's income grow more than wealthier people's income. More strictly speaking, it takes in a consideration of the relationship between incremental growth in the income of the poor and the share of the population. It, of course, considers that the poor's share of increased income exceeds not simply their current share of income but also their share of the population (White and Anderson, 2001). In addition to the debate, more recent work has taken non-income dimensions of poverty to the exercise of conceptualizing pro-poor growth concerning that poverty is multidimensional (Kakwani and Silber, 2008). The debate, however, over pro-poor growth remains unsettled.

With those unsettled debates on the definition of pro-poor growth, inclusive growth refers both to the pace and pattern of growth. Inclusive growth recognize economic growth as a necessary condition for poverty reduction. The definition of inclusive growth takes a longer term perspective as the focus is on productive employment rather than on direct income redistribution unlike the most debates on pro-poor-growth. For growth to be sustained in the long run, it should be broad-based across sectors. Thus, the structural transformation for economic diversification is prioritized. Inclusiveness, in this sense, refers to equality of opportunity in terms of access to markets, resources and enabling environment for businesses and individuals.

Chapter 3 shows the relative tendency between economic growth and inequality of developing countries. 26 sample with more than seven variables during observed periods (2000–2013) were selected as target countries. Gross Domestic Production per capita (GDP per capita) was used for an economic growth indicator, and

inequality was represented by Gini coefficient, Human Development Index (HDI), enrollment rate, and employment rate.

As a result, in case of Columbia, Gini coefficient did not improve despite the increase in GDP per capita. On the other hand, HDI and overall employment rate increased including female employment rate. This implies less gender inequality. Peru's Gini coefficient and HDI both improved with increase in GDP per capita. Female employment rate increased but the overall enrollment rate declined. Similar to Columbia, HDI of Bolivia increased but inequality was not mitigated. Furthermore, enrollment of female students decreased more than the male students, indicating greater gender gap. In Paraguay, GDP per capita and Gini coefficient were negatively correlated. Gender gap decreased in terms of enrollment and employment rates. HDI of Indonesia increased with greater economic growth, but Gini coefficient also increased. Gender gap was not significant in terms of education but noticeable for employment. In Venezuela, inequality was mitigated as economic growth increased. However, there still remained gender inequality in regards to education. Inequality, HDI, female enrollment rate improved in case Brazil. Ecuador's Gini coefficient, HDI, female enrollment, employment rates also improved. HDI increased and Gini coefficient decreased in Chile, but gender gap in education and employment sectors were witnessed. Panama's trend was similar to Chile, as gender inequality remained in two sectors. In case of Belarus, HDI increased as well as Gini coefficient, implying worsened inequality. Improvement in inequality was not significant in Serbia, and HDI dropped recently. Employment gap was reduced, but female enrollment rate was still lower than male. In Kazakhstan, the gap of inequality, HDI, female enrollment and employment rates has been improved.

In Chapter 4, we draw implications for successful inclusive partnership through two cases of innovative Public Private Partnership (PPP) in Latin America Countries. The first case is Pro Uni (University for all) program in Brazil. The purpose of this program is to provide higher education for students from lower income households by offering scholarship as well as internship opportunity. This program was effective as it led to higher income and employment of target students.

Second case is 'Promotion of Productive Development through the Inclusion of Women in Quality Employment' in Central America. This initiative establishes policy for quality employment of women with various entities including government, academia and private organizations. First initiated in Costa Rica, the initiative had built 34 project assistance networks and it is now being implemented in Panama and Peru. These two cases give a lesson to diverse sectors and stakeholder for achieving inclusive growth .

In conclusion, we propose several approaches to reflect inclusive growth into practical development interventions. First, inclusive growth should be broadened and recognized as 'sector inclusive issue'. In other words, development programs should be implemented in a sustainable way, and designed to obtain not just outcome but positive impact. This will be possible with integration of diverse sectors including public administration, education, health, social infrastructure, economic infrastructure and environment. Second, value chain that can promote fair income distribution should be considered. KOICA is proceeding 'Better Life for Girls' as one of five brand programs for sustainable development. This can be a start point to benefit excluded group and to achieve comprehensive growth. Third, donors should support partner countries to identify national inequality and help establish relevant policy. Inclusive growth takes different forms in each country as

observed, thus individual country strategy should be set. Fourth, income should be equally distributed by setting an adequate target group. As analyzed in case study, inclusive partnership should be pursued to identify policy priorities and monitor target group selection of partner countries. Lastly, appropriate incentives should be offered for public and private entities to maintain inclusive partnership.