

Introduction – On Inclusiveness and Equity



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Introduction

Improving the quality of life of the people of East Africa is at the heart of the regional integration process. The East African Community's vision and mission are clearly stated as follows;

*'The Vision of EAC is a prosperous, competitive, secure, stable and politically united East Africa; and the Mission is to widen and deepen Economic, Political, Social and Culture integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments.'*ⁱ

Given that these are the *raison d'être* of the regional integration process, this chapter anchors itself in the following three dimensions of the objectives, fundamental and operational principles of the Treaty for the Establishment of the East African Communityⁱⁱ:

1. [The] attainment of *sustainable growth and development* of the Partner States by the promotion of a more *balanced and harmonious* development of the Partner States (Article 5)
2. *Equitable* distribution of benefits (Article 6)
3. *People-centred* and market-driven co-operation (Article 7)

That the five East African Community states have registered impressive economic growth rates during the past decade is undisputable. The region averaged a 6.3 per cent economic growth rate between 2005 and 2010, a pace which has been maintained up to 2012. There is much less consensus on how this stellar growth performance has affected the welfare of ordinary East African citizens. To what extent have they participated in growing the economy? How has the growth in national income changed income and consumption at the level of the household or individual? The annual change in

ⁱwww.eac.int

ⁱⁱ<http://www.eac.int/treaty>

income per capita is a widely used indicator of how citizens are benefitting from growth.

Even more contentious is the distributional question which explores the equity with which the growing income is shared among a country's people. Are the rewards of economic growth being concentrated in the hands of a few wealthy households – the top 10 per cent – or are they being disproportionately shared with the poor in society, namely the bottom 40 per cent? These fundamental questions of the inclusiveness and equity of economic growth have always exercised the minds of political, academic, business and civil society leaders, with varying degrees of intensity across time.

Defining Inclusiveness and Equity

The concepts of 'inclusiveness' and 'equity' are normative, meaning that they are about 'expressing value judgements or prescriptionsⁱⁱⁱ' on 'how things should or ought to be, how to value them, which things are good or bad, and which actions are right or wrong.^{iv}' They are therefore prone to a range of definitions and interpretations about what they mean. In a June 2013 policy brief, the International Policy Centre for Inclusive Growth (IPC-IG) notes that,

'The conceptualisations are diverse, ranging from an emphasis on participation in the growth process and enjoying its benefits, to depending on distributional value judgements and policy priorities, emphasizing 'reduction in poverty' (absolute pro-poor growth) or 'reduction in both poverty and extent of inequality' (relative pro-poor growth) or a progressive improvement involving a reduction in the 'disadvantages of the most disadvantaged people.'^v

In this State of East Africa Report, *inclusiveness* refers to how much the most disadvantaged East Africans are participating in the process of growing the region's economy. Are some being left out? From this perspective, focusing on an average metric to evaluate inclusiveness leads to misleading conclusions. Per capita income can be dramatically expanded by a tiny minority of a country's citizens engaged in the extraction and export of precious metals or oil. This average masks the fact that the majority of the people have not participated in the growth process.

However, the fact that the average changes does not say anything about what is happening to the first and last person in the income distribution. In this report, *equity*, describes how the fruits of economic growth are shared among the region's citizens. Recent analysis is showing that 'inequality is really about how much income the rich (top 10 per cent of the population) and the poor (bottom 40 per cent of the population) get.' The Palma Ratio is defined as the ratio of the richest 10 per cent of the population's share of gross national income divided by the poorest 40 per cent's share. It is based on the work of Chilean economist Gabriel Palma who found that middle class incomes almost always represent about half of gross national income while the other half is split between the richest 10 per cent and poorest 40 per cent, but the share of those two groups varies considerably across countries^{vi}. Simply stated, inequality is about what is happening at the tail ends of a country's income distribution.

ⁱⁱⁱ<http://www.thefreedictionary.com/normative>

^{iv}See <http://en.wikipedia.org/wiki/Normative> for an accessible discussion contrasting normative and positive concepts.

^vSuryanarayana, M.H., (June 2013) *What is Inclusive Growth? An Alternative Perspective* International Policy Centre for Inclusive Growth, One Pager No 205.

^{vi}For a more detailed discussion of the Palma index, see Alex Cobham and Andy Sumner (2013) 'Is It All About the Tails? The Palma Measure of Income Inequality', Centre for Global Development, Working Paper 343 (revised 10.23.13).

Inclusiveness and Equity beyond the Economic Metrics

It must be recognized though that inclusiveness and equity go far beyond economic measures of income and how it is distributed. At least two more dimensions are crucial. The social dimension, at the most basic level, encompasses people's physical health and wellbeing, and their access to livelihood opportunities as determined by the quality of the education they receive. Access to health and education services is important, but even more so is the quality of the service delivered, especially by the public sector to the bottom 40 per cent of the population.

Economic activity generates the resources with which to invest in these social goods, but the way in which these resources are harnessed and deployed has an enormous influence on the quality of life for the majority. That decision is largely affected by the political context. Political inclusiveness is often reduced to voting in periodic elections. However, this is not enough to provide the poor with access to real power and public resources. Equity in the political dimension requires, at a minimum, that peoples' participation in political processes is assured, unhindered, credible and that voters' choices are respected. More important however is the extent to which the poorest citizens have access to power and state resources, and whether they are able to hold their representatives, leaders and civil servants to account to deliver on the social and economic agendas.

Exploring Inclusiveness and Equity in East Africa

The State of East Africa Report 2013 has as its central theme, the exploration of inclusiveness and equity in the context of the East African region. The objective is to describe the region from an inclusiveness perspective and explore the dynamics that are influencing equity, in order to get a sense of how the economic, social and political integration agenda could both shape and be shaped by the equity dynamics at play in the region.

By casting an evidence-based and analytical light on the issue, this report aims to achieve four things. The first is to catalyze and inform a vibrant debate about the real nature of the ultimate goals of regional integration and whether they are the 'right' ones, from a normative perspective. The second is to explore the distance between those aspirations and the current reality in terms of the inclusiveness of the integration process. The third is to encourage some creative imagination about the future of inclusiveness and equity in East Africa as far forward as 2040. The fourth is to propose some strategic policy options for enhancing inclusiveness and equity, as a way of starting a dialogue on how East Africa's regional integration process can best advance the mission of improving the quality of life of all East Africans.