

Discussion on Measuring Inequality

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Presenters

Peter Chen, Asia-Pacific Development and Communication Centre

Glen Moore, UNDP's Asia Regional Center

Khilji

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Peter Chen

Moore

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Peter Chen:

My name is Peter Chen, I'm with the Asia-Pacific Development and Communication Centre, here with USAID. Just a little bit about how -- in terms of this topic. I used to work for the UN as well and I retired from the UN two years ago and now I'm with the USAID here. At USAID we also teach a course in capacity-building in monitoring and evaluation.

Looking at what Susan presented and the takeaway that she had what I see also is the tool that she's been using is, it's very good, it's under the MCP, that it's useful in facilitating resource allocation and so on. But for those of you -- I'm sure some of you will have seen also, in terms of visualization of the data, some of you will have seen _____'s you know, _____ presentation, that actually makes the presentation on the data much more interesting, which I think brings it to light. But particularly what Susan was trying to show in terms of the strengths that actually make it more interesting. But she's right: visualization is very important in terms of as we also heard this morning, but even when we try to present to decision-makers who are politicians who do not understand the technicalities. And they will only use, will only be convinced if they see it visually and they understand it.

Actually linking, in terms of measuring trends and also results to, the development gap. I'd like to read to you a small excerpt which in fact the MPG

goals, the report, the development goal report for 2013 was released on the first of July, right? And a lot of positives. And one of the positives is that -- if I may-- just to highlight, in terms of the first goal, for instance, in terms of poverty, what it said was that the relative proportion of slum dwellers in the cities and metros of the development world -- it said between -- we're looking at trends now -- between 2000 and 2010 over 200 million slum dwellers benefited from improved water sources, sanitation facilities, etc., etc. So it's very positive. In fact it goes on to say that we actually met the target.

But linking that now to the development gap it also goes on to say actually there was less aid money for the poorest countries most adversely affected. Is that a contradiction or what? So we sort of reached MPG one, in terms of reducing poverty, but at the same time it's saying that yes, in terms of the development gap there's less aid money. In 2012 net aid disbursement from developed to developing countries totaled \$126 billion dollars. This represents a 4 percent drop in real terms compared to 2011, which is almost 2 percent below 2010 levels. This decline affected, of course, the least developed countries.

Now we are talking about an evaluation using data. I think it's important for us to look at this. And you're also talking of indicators; you're talking about looking at setting trends and results, of in the courses that we teach, particularly to development workers in M&E, setting indicators is the most difficult part in terms of how you set real measured result-oriented indicators. A lot of people set indicators in terms of just process indicators, that's easier to measure. But to really get results it's not what we look at it.

So when we're looking at it in terms of measuring results and trends and comparing to the second development gap, linking these two, I think we need to be more specific in setting results-based indicators, do our research well and make presentations using visuals of _____, for decision-making, for resource allocation, to then bridge the development gap. Because it's -- we see that while on the one hand they're improving, but at the same time they are actually not very improved. The whole discussion this morning in terms of poverty as well, that who are the real poor? If you're looking at economic statistics it'll show that they are actually improving, but yet at the same time, as I think _____ mentioned this morning, that if you earn, what was it, 70 baht a day or so? But you get only two meals. But that is a whole day. But you see, still go, and you can't get out of poverty. So that's my take and comments.

Glen Moore:

Hello everyone, my name's Glen Moore. I'm from UNDP's Asia Regional Center and I work on MPGs but I also worked in the past on inequality, and also on issues of greater social protection in the private sector.

I think just a few short remarks. One, when I first joined UNDP in 2003, MPGs at that time were all the rage. They came to be accepted globally, as you know. And in that sense they really set the stage for holding certain governments, if not to a caliber, at least the statistics are published in terms of how they're faring -- in terms of these goals. I think that framework, for all its shortcomings, was able to -- I mean the first time in history to set sort of quantifiable goals and a timeline to achieve them. Asia is not well, in most respects. But what we've noticed, I think, is that

each country reports at the national level, at the aggregate national level. So while in China, and a number of East Asian countries, have achieved the poverty target, which was to reduce the number of poor people by half, there are a number of regions within these countries where there's still a lot of poverty.

So you see that aggregate or national level figures tend to mask the disparities in a number of countries and emerging economies among them. In fact the middle income countries, or the so-called middle-income countries, by World Bank's definition, at least in Asia, the majority of the poor are now located in these middle income countries.

So in that sense I think statistics have been very useful and the MPGs in this case have been useful, and the drive to sort of get more data has been useful. I think it's also the first time in history that we've had access to so much data through the internet, through social media. And in that sense there is an abundance of it but to what extent is it being used and to what extent -- and what's the purpose of it?

I think we need to go back to the foundational questions as well. When we do come up with an index, for instance, we need to ask ourselves what's the purpose of this index? How do we want to use it? How do we expect governments to use it, or how do we expect them to respond to it, for example. So I think these sort of foundational questions are important because often the conclusions we draw from relatively weak data sometimes – there are extremely strong conclusions with regard to countries, we rank the countries, we name and shame them sometimes on the data when the approaches we've used to get

that data aren't very robust. But the conclusions we draw are extremely sharp and focused. But I think the other sort of questions we need to ask ourselves, especially in a world now which is more interconnected and where I think emotions can run high sometimes.

So I leave you with that, and I would also I think like to point out that in terms of the work that I think the UN family and institutions or organizations like USAID, which is also to advise governments, I think we need to sort of be strategic in the way we -- in how we approach the policy with change. And in that sense I think we need to be better integrated into the planning, into the budgetary aspects of the government. A lot of the governments, sectors or the ministries, they work in siloes from one another, and a lot of our data requires that we have to work across ministries. So in that sense we need to know exactly how are we going to help them. So in that sense they have to be tailored to each country's needs, which would require I think stepping away from the sort of standardized approach. Thank you very much.

Khilji:

Thank you very much for having me here. It's such a great opportunity to be able to exchange and learn from all of you today. First of all I want to thank Susan for her interesting and informative presentation. And introducing us to a new technique in order to present all the data sets into a big picture where we can more easily highlight this message.

I think she has really highlighted the importance of this data, especially as a background information and also the supportive evidence for the purpose of policy-making and also monitoring. I

particularly liked the gap analysis that she did when she tried to show the difference between ten countries in ASEAN communities. We can see clearly that even within these ten countries there seems to be significant inequalities among them. These kind of indicators made us understand where actually our countries stand.

I'm particularly interested in the result from all the trade liberalization. From her results it seems that developing ASEAN countries seem to be more advanced than those advanced ASEAN countries in terms of trade liberalizations. I think this kind of information, since we know exactly where do we stand, among other countries. So it makes us to be able to set goals in which way or which direction that we need to excel in order to catch up with other countries. So this is another interesting information development.

But with this information how can we make use of them? To me, particularly as a development economist I'm very grateful that they have really rich information now today. But how does data, we have to bear in mind that no single tool is actually perfect. Each indicators of each index has its own limitation. So each indicator has different purpose and of course different implications.

So in this sense we have to make sure that we fully understand the underlying implication or the co-meaning of each indicator. I will give you an example like of the one that Susan showed us, on the subscription of mobile telephones per 100 inhabitants.

According to these indicators we couldn't claim that this indicator is another indicator that can reflect a country's development progress, right?

Because we couldn't say that a country with higher subscription rate are likely going to be more advanced than those with lower subscription, because there's no actual benchmark of those _____, that we should achieve these higher goals and be like that. There is no such goal.

So there might be some like consequence, negative impacts of that technology advancement. For example, _____ similar form we'll expect negative effects such as higher crime rate and so on and so forth. So each indicator -- what I'm trying to say is that we sometimes tend to over claim the success of our policies because of any improvement that we found in a specific indicator.

So we have to make sure that when we make use of these tools or measuring systems we should be very cautious. Let me give you an example of the education in Thailand. We know that, normally, when we want to measure education we normally use either enrollment ratio, attainment rate, years of schooling as well as the average rate. For Thailand it's we want to look at the success of our policies that the government gave the full tuition fee for students to enroll from kindergarten until they graduated the second three level. Its 15 years of free education.

When we look at this policy we can claim that, because from the figures -- I took the figures from the Global Development Report and we found that for pre-primary 100 percent of children in Thailand who are eligible for pre-primary to attend, actually enroll in that educational level. But when you look at the successful, or the attainment rate, even if we don't have the quality data on attainment rate but the years of schooling the average rate here of

schooling of Thai people is actually around seven to eight years.

So if you look at the enrollment rate we might presume that this policy is actually very successful. But that is steep -- how do you say? -- it might link to the earlier panel in the morning. I would like to mention that opportunities is not the same thing as the outcome. So we give them access, 100 percent free, to education. But that doesn't mean that all children would be able to attain the 15 years of education. So this is what we should be cautious using this kind of data set.

And you might, of the news, recent news about the Thailand rank, number eight among ASEAN countries in terms of quality of education. I think this is from the World Economic Forum's Global Competitiveness Report 2013 to 2013. So if you look at this rank you might think that, oh, the quality of education in Thailand is so poor. I personally must argue about this finding. And when we look at the way that this report came across this conclusion is that they asked respondents their opinions regarding the quality of the system in Thailand. So that is very much -- that's very subjective in my opinion. So we wouldn't be surprised to find that we ranked number eight. Okay some part, maybe people's views what they actually -- okay, in some part how to explain that our quality of education is not comparable to those in Western countries. But anyhow we see this data might be a little bit doubtful in my opinion.

Moderator I:

Thank you. Those are very helpful comments. Questions or comments from the audience?

Edgar

Good afternoon, my name is Edgar, I'm with the Economic and Social Commission for Asia Pacific. I am a program officer, I am responsible for the evaluation on ASEAN countries.

It's a very exciting and interesting discussion we've had this afternoon. And so far I've been hearing two kinds of messages. First message, that there's a need to have a robust monitoring system to support economic decision-making. And at the same time we've been hearing also a lot of issues about – problems with lack of data, reliability of data and using macro level data in terms of producing these trends. Of course, the fact that macro data will not capture the disparity and inequalities.

So having said that I'm a bit concerned about using strengths indicators like this in making both decisions -- like I think I heard someone say, the decision of closing the mission based on things like this. And I think this is related also to one statement they were saying that despite the weak data we come up with a very sharp and very bold statement of the trends. So I think it's something we can consider in our discussion and say what would be your experiences in this regard.

Moderator 1:

Would one of the panelists like to answer that?

Female Speaker 2:

As far as specifically closing the missions, it's primarily used in the Europe and Eurasia region, it's just middle to high development countries already. It's a little different than the rest of the world. It's not used anywhere else. So that's part of your answer is it's not at all the same as in Asia. But yes, I understand your concerns. And we know that too and that's why this is only one, as I mentioned, there's other assessments, analysis,

evaluations. This is just one that goes into – to get the conversation started.

Peter Chan:

If I may add to what Edgar was saying, I think even in the UN _____. I think even -- so I do care about the UN and I want it to improve. So that's why I think some healthy criticism is – ought to be welcomed. So I think amongst the development agencies and also the UN, want a smaller footprint in middle-income countries. At the same time we're seeing that because of the sheer size of these countries like India and China and so on, even if they have 15 percent poverty that's a large number and it's a huge problem for those countries. So in that sense I think we can move away from the traditional aid-driven approach. I think they would be a benefit from learning from other countries, or learning from countries which have had successes, even though their average income is lower.

So I think purely basing decisions on the average level of income of a country, and important decisions on that, is a bit questionable. On inequality specifically we often use the Gini coefficient and I think in all our reports we use this as a fairly standard indicator. Now you can have a Gini that is reducing, which means that inequality is going down. But I think you can have it in a case where the difference between the rich and the poor, or the gap between them, is actually increasing, even though the Gini is decreasing. And two countries can have the same Gini but very different distributions of income. In fact there're like a million possibilities with the same Gini. So these are the things we ought to take note of but we don't usually and we just assume that since the Gini's going on, then inequality must be going down in that country, where I think we need to

look at these sort of indicators a bit more carefully as my fellow co-panelists have also mentioned.

Moderator I: Questions or comments?

Mun: Good afternoon my name's Mun. I'm coming from Alive and Thrive Vietnam and I want to learn more about the regional study. Because of ___ individual taking the raw data, and then you analyze our data and _____. But did you send back your report, the recommendation to our country? And after we see the report what was the individual country response and how did they use your data?

Moderator I: _____ would you like to answer that, because we -- there was a specific gap analysis done for Vietnam.

Male Speaker: I actually had a comment which somewhat relates to that, which is I think we do face challenge when we do a strategy or try to argue for budget resources. How do we communicate something that's really complex, we know it's really complex but we know the people we deal with and our legislators don't really like complicated answers. They like it very simplified and I think we're always facing this struggle of trying to simplify it. The gap analysis was one -- we recently are in the later stages of going through strategic planning process.

We actually use it for communication. We need some way to make that case simple so that people can look at a graph in Washington; who don't know a lot about Vietnam and take something away. It could be a fairly simple message, it could oversimplify and we realize, I think, that it oversimplifies at some point. But at least we get a basic message, and I think we see the graphics.

We on an annual basis argue for our budget in the Mission; that's something that we have to do every year. So we justify our budget, report to Congress. So we need those tools, and for us that's really key.

We definitely I think in our daily work have to gather tools together to take it below the country level and to look at more local phenomenon. But one thing we're asked to do globally at USAID and I'm not sure how their donor's approach this, we also need indicators that are generalized for all USAID missions throughout the world and that's, again, we give up a lot of accuracy or precision, or detail when we do that but it's something that is just -- they are looking at all countries. And as Edgar rightly pointed out, it's unfortunate if you read out annual budget justification you'll see some things in there that are like -- those are not very useful indicators but they're in there to show Congress what we're doing and try to at least give legislators a view of it.

So it's complicated but it also helps I think cross-sectorally. I like it too, it helps other teams that deal with health understand what's going on with economic growth and see some linkages. I think that's good to show it. But it's also useful for looking at areas that you're not in. We don't know a lot about maybe institutions of governance because we don't have programs there. So you can kind of look at some areas that you might not be active in and say well maybe that's the issue, or maybe that's the driver which I think is the causality linkage here I think is really also kind of a complex phenomenon, that we're not always clear. We know there's inequality but what's driving it, is it public institutions, is it education, is it access to health care -- maybe we're missing something in

our current projects or approach, so it's a bit complicated. They are very useful; I think the communications one is the one I really liked.

Moderator 2:

Any other comments?

Female Speaker:

Yeah, if I could just speak to that as well, somewhat of a challenge to us as well as a comment on our end. One of the things that we're being challenged to so right now at USAID is to minimize the number of indicators that we're tracking, particularly at a macro level as we develop our regional strategies and our country development poverty reduction strategies, we're being challenged to just choose a very limited set of indicators to monitor over time. And while in some ways we see a lot of positives to that to look at less data more meaningfully -- we also see that we miss out on several things, particularly at the regional level we've been struggling -- for example we have a very high level goal, this reduction of inequalities. But while depending on whether you use the Gini coefficient or you're looking at the inequality adjusted HDI, you have very different pictures of inequality indication, potentially very different decisions in programming based on the indicators that you're choosing.

Unfortunately we don't always have people who are very interested in going through that whole -- I think it's several, several pages long, the ADB Inclusive Growth Indicators, which we find quite interesting as M&E people. The actual policy-makers pretty much want one nice graph, one nice indicator. So it is a challenge, a continued question to us, of how we can present data in a meaningful way simply but still not miss out on these details which are so important.

Moderator 2:

We have about 15 minutes for the break so we're going to ask you to do something --

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