

Foreword

Poverty reduction comes about through individuals, families and communities taking advantage of the opportunities available to them by working, investing and innovating to better their lives. But we live in a world of extraordinary inequalities in opportunity, both within and across countries. Even the basic opportunity for life itself is disparately distributed: whereas less than half of one percent of children born in Sweden die before their first birthday, this is the case for close to 15% of all children born in Mozambique. Within El Salvador, the infant mortality rate is 2% for children of educated mothers, but 10% for those whose mothers have no schooling. In Eritrea, immunization coverage is close to 100% for children in the richest fifth of the population, but only 50% for the bottom fifth.

These children can not be blamed for the circumstances into which they are born, yet their lives—and their ability to contribute to the development of their nations—are powerfully shaped by them. That is why the *World Development Report 2006*, the twenty-eighth in this annual series, looks at the role of equity in the process of development. Equity is defined in terms of two basic principles. The first is *equal opportunities*: that a person's life achievements should be determined primarily by his or her talents and efforts, rather than by pre-determined circumstances such as race, gender, social or family background. The second principle is the *avoidance of deprivation in outcomes*, particularly in health, education and consumption levels.

For many if not most people, equity is of intrinsic importance as a development goal in its own right. But this report goes further, by presenting persuasive evidence that a broad sharing of economic and political opportunities is also instrumental for economic growth and development. This is for economic reasons, because greater equity can lead to a fuller and more efficient use of a nation's resources. It is also for political and institutional reasons: excessive inequalities in power and influence can lead to political, social and economic institutions that are less conducive to long-term growth. Few today's prosperous societies, if any, developed by excluding the majority of their people from economic and political opportunities.

The implication of this message for the work of the World Bank and others in the development community is that a focus on equity should be a central concern in the design and implementation of policy for development and growth. This insight needs to be integrated into both analytical and operational work on core areas of development design, including the role and functioning of markets. Public action should seek to expand the opportunity sets of those who, in the absence of policy interventions, have the least resources, voice and capabilities. It should do so in a manner that respects and enhances individual freedoms, as well as the role of markets in allocating resources.

Equity in the international arena is also a central concern, and can play a powerful complementary role to domestic action. In a globally interconnected world, leveling the international playing fields, both economically and politically, will help domestic efforts to combine equity with efficiency and growth.

In my view, the evidence that equity and economic efficiency as well as growth are complementary in the long run helps to integrate the main two components of the World Bank's poverty reduction strategy. The focus on broadening opportunities strongly supports the first

pillar of the Bank's development strategy, namely enhancing the investment climate for everyone. Together with the interdependence between the economic and political dimensions of development it also reinforces the importance of empowerment. This report shows that the two pillars are not independent from each other in supporting development, but instead are intricately linked with one another. It is my hope that this report will have a real influence in the way that we and our development partners understand, design and implement development policies.

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Abbreviations and Data Notes

Abbreviations

The following abbreviations are used in this Report:

AA	Affirmative action	NGO	Nongovernmental organization
AIDS	Acquired immune deficiency syndrome	ODA	Official development assistance
CCP	Chinese Communist Party	OECD	Organisation for Economic Co-operation and Development
DAC	Development Assistance Committee	PPA	Participatory Poverty Assessment
DHS	Demographic and Health Survey	PPP	Purchasing-power parity
ECD	Early child development	PROMESA	Promoción y Mejoramiento de la Salud
EPL	Employment protection legislation	SMEs	Small and medium enterprises
FDI	Foreign direct investment	TAC	Treatment Action Campaign
GDP	Gross domestic product	TIMSS	Third International Mathematics and Science Study
GHG	Greenhouse gas	TRIPs	Trade-related aspects of intellectual property rights
GNI	Gross national income	U.N.	United Nations
HIPC	Heavily Indebted Poor Countries	UNCTAD	United Nations Conference on Trade and Development
HIV	Human immunodeficiency virus	UNDP	United Nations Development Programme
ICOR	Incremental Capital-Output Ratio	UNAIDS	Joint United Nations Programme on HIV/AIDS
ICRISAT	International Crop Research Institute in the Semi-Arid Tropics	UNICEF	United Nations International Children's Emergency Fund
IDA	International Development Association	VAT	Value added tax
ILO	International Labour Organization	WHO	World Health Organization
IMF	International Monetary Fund	WTO	World Trade Organization
IMS	Intercontinental Marketing Services	WWII	World War II
KDP	Kecamatan Development Project		
MDG	Millennium Development Goals		
MMM	Movement Militant Mauricien		
MSF	Médecins Sans Frontières		
NAFTA	North American Free Trade Agreement		

Data notes

The countries included in regional and income groupings in this Report are listed in the Classification of Economies table at the beginning of the Selected World Development Indicators. Income classifications are based on GNP per capita; thresholds for income classifications in this edition may be found in the Introduction to Selected World Development Indicators. Group averages reported in the figures and tables are unweighted averages of the countries in the group, unless noted to the contrary.

The use of the word *countries* to refer to economies implies no judgment by the World Bank about the legal or other status of a territory. The term *developing countries* includes low- and middle-income economies and thus may include economies in transition from central planning, as a matter of convenience. The term *advanced countries* may be used as a matter of convenience to denote high-income economies.

Dollar figures are current U.S. dollars, unless otherwise specified. *Billion* means 1,000 million; *trillion* means 1,000 billion.