



INSTITUTE
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MEDICINE
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Enabel 

Ex ante Equity Assessment Tool

2020

Rationale

The present **ex-ante Equity Impact Assessment Tool (EIAT)** is the second deliverable¹ of the specific cooperation agreement ‘Development tools inequality and poverty & note inequality’ between Enabel (the Belgian development agency) and ITM (the Institute of Tropical Medicine)².

As such, it responds to the task to develop an **ex-ante assessment tool to examine the possible impact on inequality and poverty of Enabel’s projects**³, and to the instructions to take in account the state-of-the-art of the literature, to build on initiatives of other agencies where possible, to consider inequity in its entirety (opportunities, process and outcome), to use both qualitative and quantitative aspects, to make substantiated choices, and to be clear to read and easy to use⁴.

The ex-ante EIAT aspires accordance with – from the global to the local:

- The [2030 Agenda for Sustainable Development](#) and particularly its core principle [Leave no one behind](#)
- The [Sustainable Development Goal 10](#) of reducing inequalities
- The [call of the European Council](#) to its member states “to strengthen their tools and approaches to make them more effective in addressing inequality and to mainstream the reduction of inequality in their development cooperation”⁵
- The identification by Enabel of social and economic inequalities as a global challenge⁶
- The commissioning of Enabel’s EST department⁷ to spearhead the development of a state-of-the-art strategy for inequality reduction, including a tool to assess the equity impact of planned interventions

¹ *The first one being a concept note on inequalities:*

Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM.

² Enabel-ITG/BEL/ACC65/ASC007/2019 ‘Bijzondere samenwerkingsovereenkomst over ontwikkeling tools ongelijkheid en armoede & review strategische nota ongelijkheid Enabel’ (December 2019), as modified by ‘Wijziging nr. 1 aan de specifieke samenwerkingsovereenkomst BEL/ACC65/ASC007/2019 over ontwikkeling tools ongelijkheid en armoede & nota ongelijkheid Enabel’ (January 2020).

³ “Het ontwikkelen van een ex ante assessment tool om de mogelijke impact op ongelijkheid en armoede van projecten na te gaan”. See: Enabel-ITG/BEL/ACC65/ASC007/2019.

⁴ “De tools en de review bouwen verder op de ‘state-of-the-art’ van de literatuur: ze houden rekening met actuele discussies en inzichten van de wetenschappelijke literatuur en van de literatuur afkomstig van internationale organisaties (Europese Unie, Wereld Bank, OESO, UNDP, IMF ...) over ongelijkheid en armoede. De tools bouwen verder, indien mogelijk, op initiatieven van andere agentschappen voor ontwikkeling. De tools houden rekening met economische en sociale ongelijkheid, met ongelijkheid inzake uitkomsten (inequality of outcomes) en ongelijkheid inzake mogelijkheden (inequality of opportunities). Ook ongelijkheid inzake processen zal aan bod komen (inequality of process). De tools belichten zowel kwalitatieve als kwantitatieve aspecten van ongelijkheid en armoede. De voorstellen van tools beargumenteren de gemaakte keuzes: situering van het voorstel ten opzichte van de bestaande literatuur (waarom welke keuzes gemaakt). De tools zijn helder geformuleerd en eenvoudig te gebruiken voor diverse mensen van Enabel headquarter en Enabel terrein. Correcte verwijzing naar bronnenmateriaal”.

See: Enabel-ITG/BEL/ACC65/ASC007/2019.

⁵ *For development cooperation, the EU describes mainstreaming the reduction of inequality as: (1) in the “programming phase: further integrate inequality in country-situation analysis, the development of country programmes, and the priority objectives for cooperation”; (2) in the “identification and formulation phase: consider inequality and distributional impacts in the design of new programmes and projects, through ex-ante assessments”; (3) in the “implementation phase: include inequality-related indicators in programmes and projects’ monitoring systems and reports”; and (4) in the “valuation phase: analyse the performance of programmes and projects in relation to inequality, and draw lessons for future operations”.*

Phases (1) & particularly (2) are the focus of the present ex-ante Equity Impact Assessment Tool; phases (3) & (4) are the focus of the subsequent processual Equity Impact Assessment Tool.

See: European Commission (2019) *Implementation of the new European Consensus on Development – Addressing inequalities in partner countries*. Commission staff working document (adopted by the European Council). Brussels: EC (p 29).

⁶ *Alongside climate change & environment, human mobility, urbanisation, peace & security, and global citizenship.*

⁷ *Sectoral and thematic expertise (EST = Expertise sectorielle et thématique).*

What to expect ?

Adhering to the instructions as formulated by Enabel, the ex-ante Equity Impact Assessment Tool

1. *Builds on the state-of-the-art of the literature, taking in account the insights from both the scientific literature and the publications of international organisations*

The ex-ante EIAT does so by building on the concept note⁸, in which this state-of-the-art was reviewed, interpreted and synthesised already.

2. *Builds on initiatives of other agencies where possible.*

In practice, inequity-specific ex-ante tools to be used at project level are few⁹. Where feasible, inspiration was sought and lessons were drawn from the available corpus of guidance for inequity and poverty assessment¹⁰.

⁸ When preparing the present ex-ante EIAT, the Enabel strategy note on inequalities was still in the making. Naturally, consistency is expected between concept note, strategy note, and tools.

⁹ Closest to an equity-specific ex-ante tool comes possibly the GIZ's 'Inequality diagnostics' (2019). Unfortunately, it is still in a draft stage and unpublished.

Besides, though it provides useful guidance for diagnostic assessment of inequality at national level, it focuses on interventions that have inequality reduction as main objective.

Next is an AFD-endorsed handbook with a focus on Africa, but equally focusing on the national level only.

It is demandingly technical, and with the preparation of a full country level study as main objective.

See: Shifa M & Ranchhod V (2019) .

Cape Town: University of Cape Town, African Centre of Excellence for Inequality Research.

¹⁰ Apart from publications specific for sector- or theme-based inequity (like health inequity or gender inequality), or with an exclusive focus on poverty measuring, among the consulted publications should be mentioned:

(i) Alkire S, Bastagli F, Burchardt T, Clark D, Holder H, Ibrahim S, Munoz M, Tsang P & Vizard P (2009) [Developing the equality measurement framework: selecting the indicators](#). Manchester: Equality and Human Rights Commission.

(ii) Boarini R & Mira d'Ercole M (2006) [Measures of material deprivation in OECD countries](#). OECD Social, Employment and Migration working paper 37. Paris: Organisation for Economic Co-operation and Development.

(iii) Boarini R, Johansson Å & Mira d'Ercole M (2006) [Alternative measures of well-being](#). OECD Economics Department working paper 476. Paris: Organisation for Economic Co-operation and Development.

(iv) D'Errico S, Geoghegan T & Pierrgallini I (2020) [Evaluation to connect national priorities with the SDGs: a guide for evaluation commissioners and managers](#). London: International Institute for Environment and Development.

(v) Equality and Human Rights Commission (2017) [Measurement framework for equality and human rights](#). Manchester: EHRC.

(vi) Haughton J & Khandker S (2009) *Inequality measures*. In: J Haughton & S Khandker [Handbook on poverty and inequality](#). Washington DC: the World Bank (pp 101-120).

(vii) OECD Better Life Initiative (2019) [Measuring well-being and progress](#). Paris: Organisation for Economic Co-operation and Development.

(viii) Stewart F (2013) [Approaches towards inequality and inequity: concepts, measures and policies](#). Discussion paper 2013-01. Florence: UNICEF Office of Research.

(ix) Sustainable Development Goals Platform (2019) [Sustainable development goal 10 \(reduce inequality within and among countries\): targets & indicators](#). New York: United Nations Department of Economic and Social Affairs.

(x) United Nations Department of Economic and Social Affairs (2020) [Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development](#). A/RES/71/313, E/CN.3/2018/2, E/CN.3/2019/2 & E/CN.3/2020/2. New York: United Nations Department of Economic and Social Affairs, Statistics Division.

(xi) United Nations Development Programme (2013) [Humanity divided: confronting inequality in developing countries](#). New York: United Nations Development Programme, Bureau for Development Policy.

(xii) United Nations University World Institute for Development Economics Research (2019) [World income inequality database \(WIID\): user guide and data sources](#). Helsinki: United Nations University World Institute for Development Economics Research.

(xiii) The World Bank (2019) [PovcalNet: an online analysis tool for global poverty monitoring](#). Washington DC: the World Bank.

(xiv) The World Inequality Lab (2019) [World inequality database](#). Paris: Paris School of Economics.

None except one (xi) of these publications, frameworks and databases focuses on LMIC or is contextualised for use in development cooperation. Three of them (Boarini & Mira d'Ercole; Boarini, Johansson & Mira d'Ercole; and OECD Better Life Initiative) focus on HIC; two of them (the Alkire et al. framework; and the EHRC framework that replaced it in 2017) focus on one HIC only. Nevertheless, insights can be gained from all of them, particularly so by searching for complementarity, and by comparing their rationale and their applicability for relatively fast ex-ante assessments when formulating development cooperation projects.

3. *Considers inequity in its entirety (input¹¹, process and outcome).*

The ex-ante Equity Impact Assessment Tool does so by applying the definition and framework of inequity as provided in the concept note.

To define inequity, we started shifting the focus from things to people:

“When two things are different, they are **unequal**, and the condition of being unequal is called **inequality**.

When we talk about people, there’s nothing wrong as such with being different: every person is unique. Plenty of differences can be taken for granted”¹².

We then defined inequity based on what sets it apart from mere material differences – unfair treatment:

“When people are *treated* unfair, that is **inequitable**, leading to unequal outcomes which are also unfair, and the whole of both the process and the inequalities involved is called **inequity**”¹³.

We also recognised that, at least in policy circles, inequality (in singular, as umbrella term) has become synonym of inequity, including its connotation of unfairness.

This framing allowed us to provide the following definitions in the concept note’s glossary¹⁴:

Inequity

The whole of unequal inputs (e.g. goods, resources and opportunities) and outcomes (including utilities) of people that lead to or are the result of unfair treatment, including the process that connects, causes and reinforces those inequalities.

Inequality

1. The condition of being unequal; 2. A synonym for inequity

¹¹ In current discourse, inequity of input (or inputs) is most often reduced to inequity of opportunities.

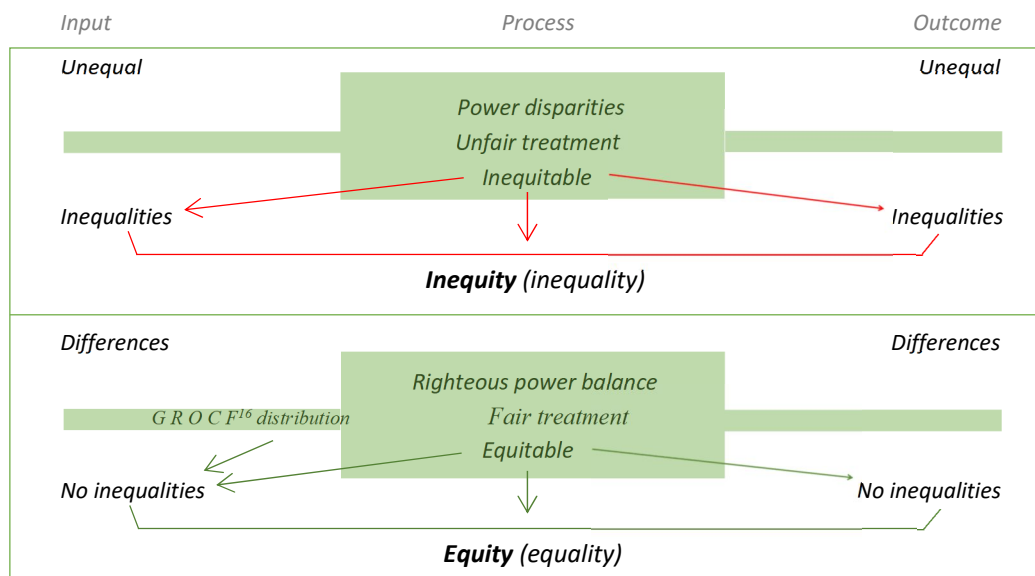
Inputs however are more than opportunities only. For conceptual clarification, starting with Amartya Sen’s [Equality of what?](#), see: Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (p 3).

¹² Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (p 1).

¹³ Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (p 1).

¹⁴ Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (p 31).

A schematic visual representation, of inequity (*top*) and of ideal equity (*bottom*), was also provided¹⁵:



This delineation has obvious implications for *how* and *to what extent* the ex-ante EIAT will assess inequity (input, process and outcome)¹⁷.

This delineation also has implications for the proposed *terminology*: today, we can use **inequity** and **inequality** interchangeably (but always encompassing unfairness); we use **inequalities** (plural) for those unequal inputs and outcomes of people that lead to or are the result of inequitable treatment; and we reserve the term **differences** for those unequal inputs and outcomes that cannot be considered unfair¹⁸.

¹⁵ Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (pp 1&25).

¹⁶ *Goods, resources, opportunities, capabilities, and freedoms*.

¹⁷ See further under 'Features'.

¹⁸ Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (pp 30-31).

4. *Uses both qualitative and quantitative aspects.*

Prior to an equity assessment at project level, elementary insight in equity and equity trends at national level is essential¹⁹.

The use of quantitative data is a first step, though their availability might be limited: granular data, providing information on between-group inequalities, might be lacking²⁰.

Some indicators for assessing inequality at national level will always be available, particularly so for economic inequality²¹, generally based on income or consumption data.

Whenever available and reliable, to these monetary indicators should be added non-monetary and multi-dimensional indicators that are locally relevant²².

Whenever possible, the evolution of these indicators should be documented over time.

To make sense of the available indicators, within the national context, it is useful to consider them (this being a qualitative appraisal) in the light of the partner country's National Development Plan and other relevant national policy plans.

Inclusion in the project formulation's country-analysis section of an elementary national equity assessment as described above should be considered mandatory.

The actual ex-ante Equity Impact Assessment at project level uses qualitative and quantitative evidence all the way through. With the planned intervention's theme and sector as a starting point, the project formulation team identifies, collects, analyses and synthesizes context-relevant qualitative and quantitative information in the literature and in the field²³.

¹⁹ GIZ (2019) *Inequality diagnostics* (draft, unpublished).

²⁰ *Inequity between identity groups ('identity groups' being an umbrella term for social, cultural and ethnic groups) is usually technically termed horizontal inequality, whereas inequity between individuals and households is then termed vertical inequality. While indicators for between-group inequalities are still too often absent from national statistics, indicators for interpersonal inequalities within society are generally available, and indicators for interpersonal inequalities within household are usually absent altogether. It is worthwhile then to consider a contribution to the generation of the latter as part of the processual Equity Impact Assessment, and include this task in the foreseen project activities.*

For an introduction to horizontal inequality and its importance, see:

Stewart F (2002) [Horizontal inequalities: a neglected dimension of development](#). QEH working paper 81. Oxford: Queen Elisabeth House.

Stewart F (2016) [The dynamics of horizontal inequalities](#). UNDP Human Development Report 2016 think piece. New York: United Nation Development Programme.

²¹ *Among them the Gini coefficient and possibly the Palma ratio, see further.*

²² *Non-monetary indicators would include, among others, common access and outcome indicators for basic services (education, health, ...). Multi-dimensional indicators would for example include the pre- and post-taxes difference in monetary indicators.*

²³ *The field mission, regular part of a project formulation, is the evident opportunity to collect contextual information – relevant for equity assessment of the project concerned – from local actors (institutions, academia, civil society, community).*

5. *Makes substantiated choices.*

The ex-ante Equity Impact Assessment Tool does so by:

- (1) Building on the review, interpretation and synthesis of the state-of-the-art of the literature as carried out and substantiated in the concept note;
- (2) Building on the delineation (definition and framework) of equity as arrived at in the concept note and repeated above;
- (3) Ultimately, by taking in account what is feasible within a project context.

Three immediate implications of this approach are worth mentioning:

- (1) As noted in the concept not, the delineation of inequity as **‘the whole of unequal inputs and outcomes of people that lead to or are the result of unfair treatment, including the process that connects, causes and reinforces these inequalities’** has a series of conceptual implications, which in turn have practical implications for assessing inequity:

Conceptual implications	Assessment practice
Process is part and parcel of inequity	• Check for people’s capabilities and freedoms
Monopolisation of power is a key mechanism within that process	• Check for power disparities
Inequity is essentially about people Equity is human-centred, and relational	• Measure things, think people
Inequity is generated by people & therefore also remediable	• Explore leverage for change
Inequalities are systematic They don’t happen just occasionally	• Check for structural causes
Inequalities are systemic They will manifest in all spheres of life and should be addressed by a systemic approach	• Apply an intersectional perspective ²⁴
Consensus on what fairness entails is needed We conceptualise fairness as the progressive realisation of human rights	• Check for enablers ²⁵ of people’s rights

²⁴ For a short introduction to intersectionality and a dozen of useful references, see: Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (p 17).

²⁵ For a very short introduction to our concept of enablers, borrowing from Max-Neef’s ‘satisfiers’, Robeyns’ ‘conversion factors’ and Hvinden and Holversen’s ‘enablers’, see: Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (p 29).

- (2) As amply corroborated by empirical research over the last decade²⁶, it is clear by now that poverty reduction on its own is insufficient to close current widening inequality gaps, and that a focus on reducing inequalities is urgently needed to reach all and any of the Sustainable Development Goals, including further poverty reduction. Acknowledging this insight, and recognising that only so much can be done within a project formulation context, **the focus of this ex-ante EIAT is on inequity assessment:** poverty measurement strictly speaking is not explicitly addressed. By doing so we hope to avoid overburden with technical indicators with risk of losing focus, while still contributing to both inequality and poverty reduction;
- (3) The locus and sphere of influence of projects being sub-national or national, **the ex-ante EIAT focuses on within-country inequity²⁷**, from the bigger inter-group to the smaller inter-personal (household) level.

²⁶ For a brief overview: Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM (pp 26-27).

²⁷ This is not to deny the importance of reducing inter-country inequity, but the latter is most often external to project influence.

6. *Aims to be clear to read and easy to use.*

The format adopted

– with additional recommendations and non-essential details grouped in footnotes and references presented as hyperlinks when available –
is meant to facilitate reading,
while also allowing in-depth understanding.

Besides, the use of technical language is limited to the needful,
and explained when needed.

When clarification would then still be lacking,
the reader is invited to consult the concept note and/or its glossary²⁸.

Efforts were made to make the tool as user-friendly as possible.

First of all, account was taken of the need
to be **applied within the limits of a project's formulation**²⁹,
and not as a full stand-alone exercise.

This implies that the ex-ante EIAT is compact enough to be performed
in a relatively short time frame (thus involving prioritisation and choices, see above)
and to be **embedded in well-established ENABEL project formulation proceedings**
(as part and parcel of the context analysis, co-shaping the final formulation).

Second, the ex-ante Equity Impact Assessment Tool is conceived as a logical sequence,
leading the user step-by-step through the assessment process following a flow chart,
with unambiguous indications provided in every step.

Still, comprehensiveness is strived for (considering equity in its entirety, see above):
it should always be remembered that the output of the ex-ante EIAT
will define the input of the processual EIAT.

It would be a pity if points of attention and vulnerable people would be left out of sight.

²⁸ Enabel & ITM (2020) *Inequalities: a concept note*. Brussels & Antwerp: Enabel & ITM.

²⁹ *As can be deemed appropriate when formulating any project where mainstreaming equity and reducing inequalities complement the core project objectives (all current and future Enabel projects). When reducing inequalities would be the principal objective of a project, a more elaborate proceeding will be needed. In that case, the [AFD inequality diagnostic tools](#), GIZ's 'Inequality diagnostics' (then hopefully completed and publicly available) and Shifa & Ranchod's [Handbook on inequality measurement for country studies](#) would be inspiring to enlarge the present ex-ante Equity Impact Assessment Tool.*

Output & objectives

The ex-ante Equity Impact Assessment Tool facilitates **the identification of groups**, within the project's social space, beneficiaries and non-beneficiaries of the project, **of which the people can be expected to experience an equity impact** (positive or negative) **of the project**, in any sphere of life, be it short-term, in the medium term or long-term.

This in turn will allow:

1. **To fine-tune the project design** where needed and possible³⁰
2. **To inform the equity impact monitoring and evaluation during the project implementation**, based on the identified groups and areas of attention³¹

³⁰ The *ex-ante* EIA being embedded in the context analysis part of the project formulation, its immediate output will be the mainstreaming of equity in the context analysis itself, but evidently also in the risk analysis section. Ideally, this will then facilitate the fine-tuning of all other relevant parts of the formulation (strategic approach, description of action, ...) and its logical frame.

³¹ The *processual* EIA being based on longitudinal follow-up of identified groups and areas of attention, using testimonials from members of the identified groups and key indicators where possible, it becomes evident that good quality equity monitoring and evaluation (and eventually learning) are subject to the realisation of this objective in the ex-ante EIA.

Features

Building on what precedes leads to the following features of the **ex-ante Equity Impact Evaluation Tool**, paired with the features of the subsequent **processual Equity Impact Evaluation Tool** for comparison:

	<i>Ex-ante EIAT</i>	<i>Processual EIAT</i>
<i>Frequency</i>	Once	Recurrent reporting / Longitudinal data collection & analysis
<i>Embedded</i>	In the project formulation (contextual analysis)	Reporting in the project mid-term and final evaluation
<i>Driver's seat</i>	Project formulation team (EST)	Project team
<i>Flow</i>	HQ to field, and back	Field to HQ (and back)
<i>Data</i>	Quantitative & Qualitative (conceptual & empirical)	Qualitative & Quantitative (testimonial & empirical)

Ex-ante EIAT : Ex-ante Equity Impact Assessment Tool for project development teams

*“Everything
should be made
as simple as possible,
but not simpler”³²*

The
ex-ante Equity Impact Assessment Tool,
a structured
10-step course of action³³



1. *Internalise the inequity/equity framework*
2. *Do an equity-focused quick desk review of the country where the project will be implemented*
3. *Assess the information collected so far*
4. *Check for missing and complementary information*
5. *Assess and synthesize the information collected & proceed to the project-level section*
6. *Explore and systematically forecast the possible equity impact of the project on its direct target population*
7. *Assess and synthesize the figured possible impact on the direct target population*
8. *Explore and systematically forecast the possible equity impact of the project on other population groups (beyond the direct target population) within the project's social space*
9. *Assess and synthesize the figured possible impact on these identified groups*
10. *Bring together, assess and synthesize all information for inclusion in the project formulation document*

³² Usually attributed to Albert Einstein (first by Roger Sessions and Louis Zukofsky in 1950, but possible dating back to 1933).

³³ Feel free to remember the hopping you did in childhood, and the main lesson learned: practice makes perfect.

Internalise the inequity/equity framework, step ①

<i>Do</i>	<i>Consider</i>	<i>Points of attention</i>
<p>① <i>Read the equity concept note</i></p>	<p>At the minimum: all concept & definitions in headings (red text) and glossary</p>	<p>Make sure that all concepts and definitions are internalised <i>Not yet the case?</i> <i>Consult full text & references, plus additional literature when needed</i></p>

At the national level, steps ②, ③, ④ & ⑤

Do	Consider	Points of attention
② Do an equity-focused quick desk review of the country where the project will be implemented³⁴	Distributional indicators: monetary Gini index ³⁵ , Palma ratio ³⁶ , others ³⁷ <i>Useful sources are the UNU-WIDER's World Income Inequality Database (WIID) (downloadable in Excel, survey-based, last updated December 2019), the World Bank's PovcalNet (survey-based, last updated October 2019), and the World Inequality Lab's World Inequality Database (WID) survey- & national accounts-based, continuously updated)</i>	Ensure validity: make sure to use most recent & accurate data and indicators Look for differences between groups and locations: complement national indicators with indicators for subgroups where possible Look for changes over time: complement with same indicators over the past decade where possible
	Distributional indicators³⁸: non-monetary A limited selection of common access <i>and</i> outcome indicators for basic services ³⁹ : education and health ⁴⁰ <i>A useful source on educational inequalities is the UNESCO's World Inequality Database on Education (WIDE) (online & downloadable, yearly updated)</i> <i>A useful source on health inequalities is the WHO's Health Equity Assessment Toolkit (HEAT) (online & downloadable, continuously updated)⁴¹</i>	Ensure validity: make sure to use most recent & accurate data & indicators Look for differences between groups and locations: complement national indicators with indicators for subgroups where possible Look for changes over time: complement with same indicators over the past decade where possible

³⁴ Not to replace but to complement the desk review that would already be done for the country analysis.

³⁵ An income or consumption Gini index at national level will always be available. Making use of it is a minimum requirement. Gini's for subgroups (e.g. per region) may or may not be available.

³⁶ When Palma ratio (top 10% over bottom 40%) is available, make use of it: it highlights inequality at both tails of the distribution better than the Gini does. When not available, construct it when feasible. As for Gini, complementing national with regional Palma's is useful. For rationale & how to calculate, see:

Cobham A & Sumner A (2013) [Is it all about the tails? The Palma measure of income inequality](#). CGD working paper 343. Washington DC: Center for Global Development.

Cobham A, Schlogl L & Sumner A (2015) [Inequality and the tails: the Palma proportion and ratio revisited](#). DESA working paper 143. New York: United Nations Department of Economic and Social Affairs.

³⁷ In principle, Gini and Palma should suffice for an elementary monetary national equity assessment. If other indicators would be available (e.g. SDG indicator 10.1.1 'Growth rates of household expenditure or income per capita among the bottom 40% of the population and the total population'), make their use dependable on added value for the project under consideration.

³⁸ Distributional indicators compare groups of individuals for example according to their position in the income distribution (e.g. the richest 10% versus the poorest 10%).

³⁹ Particularly relevant for long-term equity improvement (building human capital: transgenerational effect). To these can be added relevant indicators beyond basic service provision, as provided in the SDG framework, e.g. SDG 10.7.4 'Proportion of the population who are refugees, by country of origin', SDG 16.1.2 'Conflict-related deaths per 100,000 population, by sex, age and cause', etc.

⁴⁰ A *limited* selection of distributional education and health indicators (yet comprising both the access and the outcome dimension) will suffice in most cases. To this can be added distributional social protection indicators. Do not forget that for any of these indicators, besides national averages, also income-stratified versions (Gini, Palma) might be available or can be calculated.

⁴¹ For an introduction to the Health Equity Assessment Toolkit HEAT and its customizable offspring HEAT Plus, see:

Hosseinpoor A, Nambiar D, Schlotheuber A, Reidpath D & Ross Z (2016) [Health Equity Assessment Toolkit \(HEAT\): software for exploring and comparing health inequalities in countries](#). *BMC Medical Research Methodology* 2016 16:141.

Hosseinpoor A, Schlotheuber A, Nambiar D & Ross Z (2018) [Health Equity Assessment Toolkit Plus \(HEAT Plus\): software for exploring and comparing health inequalities using uploaded datasets](#). *Global Health Action* 11(s1): 20-30.

Do	Consider	Points of attention
	<p>Institutional & legal framework National Development Plan, other relevant national policy plans Ratification and/or legal adaptation of international frameworks</p>	<p>Is equity addressed? How? Are target populations defined? <i>Do the project's target populations correspond to these?</i> Any legislative gaps?</p>
	<p>Government commitment Translation of plans in national budget Compliance with legal frameworks</p>	<p>The scope of attention can be extensive: a selection should be made. The SDG indicators provide useful entry points <i>Examples: SDG 1.a.2 'Proportion of total government spending on essential services (education, health and social protection), SDG 8.8.2 'Level of national compliance with labour rights (freedom of association and collective bargaining) based on ILO textual sources and national legislation, by sex and migrant status', and SDG 10.4.2 'Redistributive impact of fiscal policy'</i></p>

<p>③ <i>Assess the information collected so far</i></p>	<p>Did you find all core data you needed? Do you miss any additional information you need to make sense of these data?</p>	<p>Recent, accurate & stratified⁴² distributional indicators (income, education, health)? Political economy⁴³ of national plans, policies, frameworks and commitment?</p>
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<p>④ <i>Check for missing and complementary information</i></p>	<p>Beyond your web-based search: contact and ask local experts to complement your information <i>Consider a range of sources in the country where the project will be implemented: academia, government staff, civil society actors & community representatives If in place, the resident representative might facilitate these contacts</i></p>	<p>Recent, accurate & stratified distributional indicators (income, education, health) Political economy of national plans, policies, frameworks and commitment</p>
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⑤
Assess and synthesize the information collected

& proceed to the project-level section of the ex-ante EIAT

⁴² Stratified data refers to data for subgroups

⁴³ *In its present general understanding as the influence of the socio-political environment, past and present, on choices made.*

Project level, steps ⑥, ⑦, ⑧, ⑨ & ⑩

Do	Consider	Points of attention
<p>⑥</p> <p><i>Explore and systematically forecast the possible equity impact of the project on its direct target population</i></p>	<p>First entry point: the expected and foreseeable results regarding equity⁴⁴ for the project's target population⁴⁵, in the sphere(s) of life directly corresponding with the project's theme⁴⁶</p> <p><i>Always consider, beyond the literature, a range of sources in the country where the project will be implemented: academia, government staff, civil society actors & community representatives</i></p>	<p>In which constitutive elements of equity? Inputs (resources & opportunities), process (treatment), outcomes?⁴⁷</p> <p>When to be expected? Immediate/short-term, in the medium term, long-term?⁴⁸</p> <p>Does this forecast duly take into account the information generated previously in the national equity assessment?⁴⁹</p>
	<p>Second entry point: the expected and foreseeable results regarding equity for the project's target population, in other spheres of life than the one(s) directly corresponding with the project's theme</p> <p><i>Always consider, beyond the literature, a range of sources in the country where the project will be implemented: academia, government staff, civil society actors & community representatives</i></p>	<p>In which constitutive elements of equity? Inputs (resources & opportunities), process (treatment), outcomes?</p> <p>When to be expected? Immediate/short-term, in the medium term, long-term?</p> <p>Does this forecast duly take into account the information generated previously in the national equity assessment?</p>

⁴⁴ In any sense, positive or negative, or none.

⁴⁵ Please notice that, here and in the subsequent processual EIAT, 'target population' is employed in a broad sense: if a project or supported programme targets the national population (e.g. a universal social protection floor), then that national population is considered the target population. In this sense, even a universal policy has a target population. Notice also that target population corresponds with what can be called the 'direct' or more precisely the 'specific direct beneficiaries', expressed as people.

⁴⁶ This will be one of the 10 themes in which Enabel is currently active: (1) agriculture and rural development; (2) digitalization; (3) education, training and employment; (4) energy; (5) environment and climate; (6) gender; (7) governance; (8) health; (9) private sector; and (10) water and sanitation. The corresponding sphere(s) of life can be summarized as one (for example, for a project in the health theme: health) or more elaborated (for example, for a project in the health theme: physical health, mental health, self-esteem, productive and valued activities, ...). Unless valued spheres of life are locally adapted and validated, inspiration can be sought in the 10 'domains' as proposed by [Alkire and colleagues](#) (life; health; physical security; legal security; education and learning; standard of living; productive and valued activities; individual, family and social life; identity, expression and self-respect; and participation, influence and voice) and in the extensive range of 'satisfiers' (enablers) as proposed by [Max-Neef](#).

⁴⁷ This distinction will serve as a checklist not to forget any constitutive part. See again the visual representation, page v of this document. For a similar classification of constitutive elements (there called 'aspects'), see: Alkire S, Bastagli F, Burchardt T, Clark D, Holder H, Ibrahim S, Munoz M, Tsang P & Vizard P (2009) [Developing the equality measurement framework: selecting the indicators](#). Manchester: Equality and Human Rights Commission (pp 2-4).

⁴⁸ Two caveats apply: (1) Observed short-term changes do not always have a lasting equity impact. Particularly what [Olivier de Sardan and Piccoli](#) call 'unsurprising a priori impact' (for one example, see Concept note, p 18) should be scrutinized for its equity impact over time; (2) Reduction of inequalities tend to appear slower in statistics than reduction in poverty levels. The implications are twofold: (i) Gathering quantitative evidence for reduction of inequalities might well be beyond the time span of a project; (ii) For monitoring and evaluating reduction of inequalities within a project, qualitative information from the people concerned is essential (thus the importance of following up with the processual EIAT, of the groups identified in the ex-ante EIAT).

⁴⁹ A convenient way of taking this in account is complementing the expected results in the description of the intervention (best-case scenario) with an explicit risk analysis (what if?).

⑦

Assess and synthesize⁵⁰ the information collected on the target population

Do	Consider	Points of attention
<p>⑧</p> <p><i>Explore and systematically forecast the possible equity impact of the project on other population groups (beyond the direct target population) within the project's social space</i></p>	<p>Third entry point: the expected and foreseeable results regarding equity in other population groups within the project's social space, in the sphere(s) of life directly corresponding with the project's theme</p> <p><i>Consider both those groups that might claim or compete for the project's benefits (but were not included in its direct target population) and all actors that – because of their power or privilege – might influence the realisation of the project's benefits by the direct target population</i></p> <p><i>Always consider, beyond the literature, a range of sources in the country where the project will be implemented: academia, government staff, civil society actors & community representatives</i></p>	<p>In which constitutive elements of equity? Inputs (resources & opportunities), process (treatment), outcomes?</p> <p>When to be expected? Immediate/short-term, in the medium term, long-term?</p> <p>Does this forecast duly take into account the information generated previously in the national equity assessment?</p>
	<p>Fourth entry point: the expected and foreseeable results regarding equity in other population groups within the project's social space, in other spheres of life than the one(s) directly corresponding with the project's theme</p> <p><i>Consider both those groups that might claim or compete for the project's benefits (but were not included in its direct target population) and all actors that – because of their power or privilege – might influence the realisation of the project's benefits by the direct target population</i></p> <p><i>Always consider, beyond the literature, a range of sources in the country where the project will be implemented: academia, government staff, civil society actors & community representatives</i></p>	<p>In which constitutive elements of equity? Inputs (resources & opportunities), process (treatment), outcomes?</p> <p>When to be expected? Immediate/short-term, in the medium term, long-term?</p> <p>Does this forecast duly take in account the information generated previously in the national equity assessment?</p>

⑨

Assess and synthesize⁵¹ the information collected on these identified groups

⁵⁰ A convenient way to do so is constructing a matrix, with the three constitutive elements (inputs, process, outcomes) in one axis, and the selected spheres in the other.

⁵¹ A convenient way to do so is constructing a matrix, with the three constitutive elements (inputs, process, outcomes) in one axis, and the selected spheres in the other.

⑩

Bring together, assess and synthesize all information for inclusion in the project formulation document

Make sure to do so
in terms of identified groups of people to
be followed up with the processual EIAT
during the project implementation,
on the criterion of foreseen
possible equity impact

Annex : Quantitative indicators – the basics

While a large part of equity assessment is qualitative, assessing economic inequalities hinges on quantitative measurement⁵². Of the many monetary indicators in existence for that purpose, three are most relevant for this ex-ante EIAT: the Gini index, the Palma ratio, and the SDG indicator 10.1.1 ‘Growth rates of household expenditure or income per capita among the bottom 40% of the population and the total population’.

The Gini index, a long story short

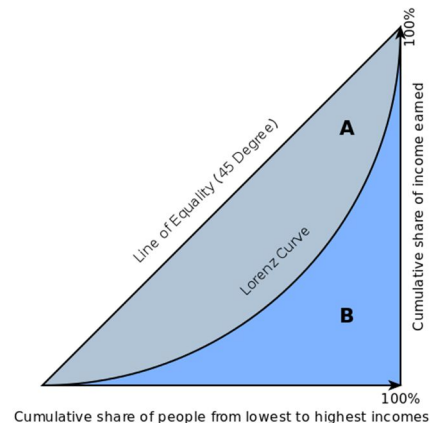
Corrado Gini (Italy, 1884-1965) is best remembered for introducing his ‘concentration ratio’ in 1912⁵³. A stubborn eugenicist, Gini later became a close collaborator of Benito Mussolini⁵⁴. In the meantime, his measure - now called Gini coefficient, ratio or index - had started a life of its own.

The Gini coefficient expresses, in a single number (0-1), the dispersion from a population mean for a given characteristic. That characteristic is usually income (or expenditure, or wealth), but a Gini can be calculated for any characteristic that can be described as a good, an opportunity or an outcome⁵⁵. When used as a measure of inequality⁵⁶, 0 represents perfect equality (considered as equal share for all, 0% concentration), and 1 represents extreme inequality (one person has it all, 100% concentration).

Calculation of a **Gini index** can be done in many different ways⁵⁷. When visualised, the Gini coefficient corresponds to the ratio of area A over areas A+B when plotting a Lorenz curve (see graph).

Max Otto Lorenz (USA, 1876-1959), rejecting a range of earlier techniques to measure wealth inequality, in 1905 proposed to plot the “cumulated per cents of the population from poorest to richest” against “the per cent of the total wealth held by these per cents”⁵⁸.

The resulting curve was later called the **Lorenz curve** (the curved line between A and B, see graph). The straight 45-degree line (on top of A) is then called line of equality.



⁵² For a basic comparison of a range of metrics, see: Afonso H, LaFleur M & Alarcón D (2015) [Inequality measurement](#). Development issues 2. New York: United Nations Department of Economic and Social Affairs.

For an alternative comparison, see: Trapeznikova I (2019) [Measuring income inequality](#). IZA World of Labor 2019:462. Bonn: IZA Institute of Labor Economics.

⁵³ Gini C (1912) [Variabilità e mutabilità: contributo allo studio delle distribuzioni e delle relazioni statistiche](#). Bologna: Paolo Cuppini.

⁵⁴ Gini C (1927) [The scientific basis of fascism](#). *Political Science Quarterly* 42(1): 99-115.

⁵⁵ Today, for example, also opportunity Gini coefficients and education Gini coefficients exist.

For a statistical introduction to opportunity Gini coefficients, see: Weymark J (2002) [Generalized Gini indices of equality of opportunity](#). Working Paper 01-W14R. Nashville TN: Vanderbilt University, Department of Economics; and Roemer J (2013) [Economic development as opportunity equalization](#). Policy Research Working Paper WPS 6530. Washington DC: the World Bank.

For a statistical introduction to education Gini coefficients, see: Thomas V, Wang Y & Fan X (2001) [Measuring education inequality: Gini coefficients of education](#). Policy Research Working Paper WPS 2525. Washington DC: the World Bank.

⁵⁶ Not Corrado Gini’s rationale: his main concern was raising the population mean of the nation state, the latter in his belief “the concept of organic unity to which the interest of the individual must be subordinated” ([Gini, 1927](#)). Uplifting the population mean, besides countering the advance of communism, also was his motivation as a co-founder of the post-WWII [Italian Unionist Movement](#) (1944-1948), which wanted the US government to annex Italy and lead a world government.

⁵⁷ For an overview, see, among others: Xu K (2004) [How has the literature on Gini’s index evolved in the past 80 years?](#) Halifax: Dalhousie University, Department of Economics.

⁵⁸ Lorenz M (1905) [Methods of measuring the concentration of wealth](#). *American Statistical Association* 9(70): 209-219. Lorenz’ equality-focused rationale is worth mentioning: “There may be a wide difference of opinion as to the significance of a very unequal distribution of wealth, but there can be no doubt as to the importance of knowing whether the present distribution is becoming more or less equal”.

The Gini coefficient soon became, and still is, the most widely used indicator of inequality. Attractive as it is for its simplicity (a single number between 0 and 1, a lower number for lower inequality, comparable for different populations and between different moments in time), its shortcomings largely outweigh its advantages⁵⁹, which makes correct interpretation far less consistent than expected and – ultimately – limits its usefulness for comprehensive equity assessment.

From Gini to Palma, a tough row to hoe

Hugh Dalton (UK, 1887-1962) in 1920 still ranked the Gini coefficient first among alternative indicators for measuring inequality, based on its perceived theoretical advantages⁶⁰ and on “the graphical convenience of the Lorenz curve”. As an economist however, Dalton added that “account must also be taken of practical applicability”, particularly of the difficulty to accurately calculate a Gini where markedly “imperfect statistics” prevail. As a Fabian reformist, Dalton also stressed that – while inequality should be measured in terms of income – its definition depends on how welfare and wellbeing are conceptualized.

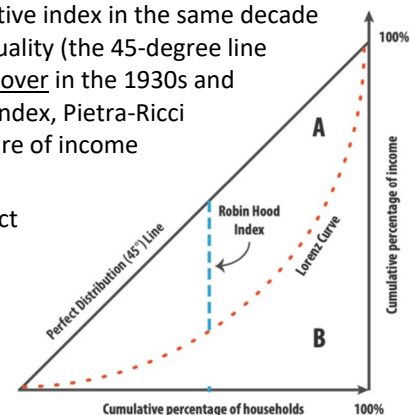
It was not until five decades later that Antony Atkinson (UK, 1944-2017) was the first in making a social welfare function explicit in what became known as the **Atkinson index** of income inequality (Ae)⁶¹. Inspired by Rothschild and Stiglitz’ work on risk measurement in decision-making under uncertainty⁶², Atkinson included in his index an ‘inequality aversion’ coefficient e (with $e=0$ for no aversion to inequality, and $e=\infty$ for infinite aversion to inequality). This allowed him to conclude that the Gini coefficient actually hides the fact that it corresponds to the view of an observer with little aversion for inequality ($e \leq 1$), and that its focus on the centre of the distribution does not necessarily accord with social values.

While Atkinson is widely remembered for his contribution to inequality and poverty studies, his index hardly made it into the mainstream, despite being a substantial improvement over the Gini index. Reasons for limited acceptance include the need for contextualisation of the included inequality aversion coefficient (reducing comparability) and the difficulty to reach an agreement on the same (in societies where social values are neither outspoken nor uniform).

Atkinson was not the first who tried to overcome the Gini index’ limitations. Also reflecting the Lorenz curve, both Gaetano Pietra and Umberto Ricci constructed an alternative index in the same decade as Gini, focusing not on deviation from the mean but from perfect equality (the 45-degree line in the curve). The same indicator was reinvented by Edgar Malone Hoover in the 1930s and Robert Schutz in the 1950s. Alternatively known as Pietra ratio, Ricci index, Pietra-Ricci index, Hoover index and Schutz index, this measure expresses the share of income

to be transferred from rich to poor to reach perfect equality.

While both conceptually and graphically (the distance between the perfect distribution line and the Lorenz curve, *see graph*) more straightforward than the Gini index, its use is much less widespread. Plausibly, the fact that the Pietra/Ricci/Hoover/Schutz became best known as the **Robin Hood index** has not been particularly helpful for its acceptance among privileged actors.



⁵⁹ As summarised in by Afonso, LaFleur and Alarcón (2015) for the United Nations Department of Economic and Social Affairs: “The Gini’s main limitation is that it is not easily decomposable or additive. Also, it does not respond in the same way to income transfers between people in opposite tails to the income distribution as it does to transfers in the middle of the distribution. Furthermore, very different income distributions can present the same Gini coefficient”.

⁶⁰ See: Dalton H (1920) The measurement of the inequality of incomes. *The Economic Journal* 30(119): 348-361.

In this influential article, Dalton introduced a set of four principles for inequality measures to match, the first one being what became known as the Pigou-Dalton transfer principle. Following political economist Pigou, Dalton referred to the “principle of transfers” as the condition for an inequality measure to indicate inequality reduction “when a transfer of income takes place from the richer to the poorer”. Dalton was well aware of the limitations of his principle: “It can only be applied to some cases – and by no means to all – in which both the total income and the number of income-receivers are constant, and distribution varies”.

Arthur Cecil Pigou (UK, 1877-1959) had argued that “If a cause is introduced, which makes for an increase in the absolute share of relatively poor groups of persons (...), economic welfare is likely to be augmented”.

See: Pigou AC (1912) Wealth and Welfare. London: Macmillan (pp 24-31).

⁶¹ See: Atkinson A (1970) On the measurement of inequality. *Journal of Inequality* 2(3): 244-263.

⁶² For more theoretical insight, see: Rothschild M & Stiglitz J (1969) Increasing risk: a definition and its economic consequences. Cowles Foundation discussion paper 275. New Haven CT: Cowles Foundation for research in economics at Yale University.

In the second half of the 20th century, a range of scholars went beyond the normative ideal of an elevated population mean (Gini) or perfect equality (Robin Hood) to delve deeper into the structure of inequality. Among them should be mentioned [Serge-Christophe Kolm](#) (France, 1932) and [Henri Theil](#) (Holland, 1924-2000).

Kolm made a distinction between ‘rightist’, ‘leftist’ and ‘centrist’⁶³ inequality measures, and in each of these three categories between ‘per person’ (or ‘absolute’) and ‘per pound’ (or ‘relative’) measures⁶⁴. His elaborate analytical mathematical efforts paved the way for a whole generation of inequality scholars including Bossert, Bourguignon, Cowell, Maasoumi, Shorrocks and Tsui⁶⁵. A theoretical basis had been provided by Theil, having borrowed from information science the concept of entropy⁶⁶ to apply it on the measurement of inequality⁶⁷.

Theil also produced an index, or actually two: Theil’s L (T_L) and Theil’s T (T_T). T_L and T_T being the most popular of the family of ‘general entropy (GE) measures’, they are actually just two of a larger scale of **Theil indices**⁶⁸. Conceptualised as ratios of income to the mean, all Theil indices include a parameter α that assigns a weight to the distances between incomes at different parts in the income distribution. The most common values for α are 0, 1 and 2. When α is 0, the result is T_L , also called ‘mean log deviation’. When α is 1, the result is T_T , more commonly called *the* ‘Theil index’. When α is 2, the result is called ‘coefficient of variation’.

The Theil indices, like all GE measures, have one major advantage over the Gini index: they are decomposable, and can thus be broken down by population groups, based on age, gender, education, residence, and so on.

The T_L and T_T have a particular additional advantage: T_L is most sensitive to changes at the bottom of the income distribution (L for low), whereas T_T is most sensitive to changes at the top of the income distribution (T for top). When presented together to policy actors, they can be informative for locating the sources of observed inequality and guide corrective action.

As other GE measures, the Theil indices also have disadvantages. Above all, both their calculation and interpretation are rather complicate. The latter is due to what is called their low ‘intuitiveness’: while a Gini ranges from 0 to 1 and is thus apparently easy to understand, a Theil also has 0 for perfect inequality but has no cap on⁶⁹. Its decomposability also has a downside: Theil values are not easily comparable across populations of different sizes or groups structures.

Based on all the above, the Theil indices should be considered highly valuable for analytical empirical inquiry into inequalities, but have become less popular than the Gini or the even more straightforward ratios.

⁶³ Kolm’s term ‘centrist’ not to be confounded with ‘intermediate inequality’, a term later coined by Bossert and Pfingsten, which is intermediate between ‘absolute’ and ‘relative’ inequality.

See [Cowell](#) (2003) and Bossert W & Pfingsten A (1990) Intermediate inequality: concepts, indices and welfare implications. *Mathematical Social Science* 19: 117-134.

For a perspective on what this means for global inequality, see: Atkinson A & Brandolini A (2004)

[Global world inequality: absolute, relative or intermediate?](#) Ottawa: International Association for Research in Income and Wealth.

⁶⁴ For a synthesis of Kolm’s earlier work, see: Kolm SC (1976) [Unequal inequalities I](#). *Journal of Economic Theory* 12:416-442.

⁶⁵ For a snapshot of this still ongoing evolution, and how it can contribute to multidimensional inequality measurement, see: Tsui KY (1995) [Multidimensional generalizations of the relative and absolute inequality indices: the Atkinson-Kolm-Sen approach](#). *Journal of Economic Theory* 67: 251-265.

⁶⁶ Coined in German as ‘Entropie’ by physicist Rudolph Clausius (1865), in analogy with energy and replacing the Greek ‘ergon’ (work) by ‘trope’ (transformation), entropy in thermodynamics became a measure for the amount of energy that cannot be transformed into work.

Applied in communication theory, at first by Claude Shannon (1948), it became a measure for the loss of information in a transmitted message. ‘Redundancy’ then is the amount of wasted space to transmit information, calculated as the difference between actual entropy and its maximum value.

It is the latter concept that Theil borrowed to construct his indices, measuring inequality as redundancy of income (or wealth). Redundancy in some individuals means scarcity in others, thus inequality.

⁶⁷ For the significance of Theil’s contribution, see: Cowell F (2003) [Theil, inequality and the structure of income distribution](#). Distributional Analysis Research Programme discussion paper 67. London: London School of Economics and Political Science.

⁶⁸ For more details on the Theil indices, see, among others: [Afonso, LaFleur and Alarcón](#) (2015) and [Trapeznikova](#) (2019).

⁶⁹ This said, a Theil index can be transformed to an Atkinson index on a 0 to 1 scale, which also allows to consider the Atkinson index to be part of the GE family of indices, as shown by [Cowell](#) (2003).

The Palma ratio, young and promising

The use of ratios, comparing income groups, is a basic inequality measure, and all but new. The United Nations Human Development Programme has been using the '[income quintile ratio](#)' for long; Eurostat adopted it as the '[income quintile share ratio](#)'. Technically called S80/S20, it is calculated as the ratio of the average income of the 20% richest to the 20% poorest in a population⁷⁰. Other ratios exist and are commonly used, but none has become so relevant in actual times of increasing inequality as the **Palma ratio**.

Triggered by the then unique position of his own sub-continent, Latin America being the most unequal region in the world and still worsening, [José Gabriel Palma Penco](#) (Chile, 1947) started analysing the effects of recent globalisation on inequality. One of the things he observed, first in a range of Latin American countries but also in South Africa, was a by then unrecognised tendency: raising inequality within and between countries associated with globalisation is more than ever due to intra-country inequality, whereby the bottom 40% and the top 10% are moving further apart, while the middle and upper-middle classes (deciles 5 to 9) largely maintain their share. Palma concluded that we have entered "a distribution scenario in which what really matters is the income share of the rich – because the rest follows" (the upper-middle by successfully defending their share, the poor by grasping the leftovers). This led him to question the appropriateness of the Gini index (being over-sensitive to changes in the middle, where little happens today), to examine a range of inter-decile ratios, and eventually to propose a ratio that focuses on where change actually happens: [the share of all income received by the 10% people with highest disposable income divided by the share of all income received by the 40% people with the lowest disposable income](#)⁷¹ (or P90/P40)⁷².

In 2013, the ratio was named 'Palma ratio' and reviewed by Cobham and Sumner, who concluded "A Gini coefficient of 0.5 implies serious inequality but yields no intuitive statement for a non-technical audience. In contrast, the equivalent Palma of 5.0 can be directly translated into the statement that the richest 10% earn five times more the income of the poorest 40% of the nation"⁷³.

In 2014, having accumulated more and worldwide evidence, Palma was able to observe that "regardless of the per capita income of the country, the characteristics of the political regimes, the quality of their institutions, the economic policies implemented, the structure of property rights, or whether or not they belong to countries that managed to get their prices 'right', their institutions 'right', or their social capital 'right', the 50 per cent of the population located in D5-D9 seems *currently* to have the capacity to appropriate in the distributional struggle just half of the national income"⁷⁴. This in turn allowed him to precise the driver of increasing global inequality: "It's all about the share of the rich, *and what they do with it*". Adding still more data, Palma in 2016 reconfirmed the observed global convergence towards "huge inequalities due to mobile élites creaming off the rewards of economic growth"⁷⁵.

⁷⁰ See: OECD (2020) [Income inequality](#).

⁷¹ Disposable (personal) income meaning total income minus taxes.

For an in-depth discussion on the relationship between taxes, transfers and inequality, see: Joumard I, Pisu M & Bloch D (2012) [Tackling income inequality: the role of taxes and transfers](#). *Economic Studies* 2012(1): 37-70.

⁷² For a summary of Palma's early empirical and analytical work, see:

Palma JG (2006) [Globalizing inequality: 'centrifugal' and 'centripetal' forces at work](#). DESA working paper 35.

New York: United Nations Department of Economic and Social Affairs.

Palma JG (2011) [Homogeneous middles vs. heterogeneous tails, and the end of the 'inverted-U': the share of the rich is what it's all about](#). Cambridge working paper in economics 1111. Cambridge: University of Cambridge Faculty of Economics.

⁷³ Cobham A & Sumner A (2013) [Is it all about the tails? The Palma measure of income inequality](#). CGD working paper 343. Washington DC: Center for Global Development.

⁷⁴ An observed phenomenon also called 'convergence to the 50/50 rule'.

⁷⁵ Thereby focusing more on the agency of the privileged than on the capitalist organisation of society, as for example his contemporary Piketty does. On a lighter note: Palma later softened his dispute with Piketty by stating "like in 'Alice in Wonderland', only in capitalism (...) it is always necessary to run just to remain in the same place".

See: Palma JG (2014) [Has the income share of the middle and upper-middle been stable over time, or is its current homogeneity across the world the outcome of a process of convergence? The 'Palma ratio' revisited](#).

Cambridge working paper in economics 1437. Cambridge: University of Cambridge Faculty of Economics.

Palma JG (2016) [Do nations just get the inequality they deserve? The 'Palma ratio' re-examined](#).

Cambridge working paper in economics 1627. Cambridge: University of Cambridge Faculty of Economics.

One could have predicted for the Palma ratio a fate similar to that of the Robin Hood index. In fact, Palma did so when he cited Galbraith: “Of all classes the rich are the most noticed and the least studied”⁷⁶. But the times are changing and recent history proved otherwise: the Palma ratio gained traction and became standard tool not only for activist NGOs, but also for the OECD, the UNDP and an increasing range of international and national statistical offices. Today, and as long as the 50/50 rule holds, the Palma is the most analytically meaningful and policy-oriented⁷⁷ inequality measurement available. Adding to this its simple calculation and its intuitiveness, the use of the Palma wherever available is highly recommended.

SDG 10.1.1

One important sphere however where the Palma ratio was not welcomed was the negotiation arena over the indicators for the 2030 Sustainable Development Agenda. Wide governmental, civil society and academic support for the Palma ratio proved insufficient to replace the proposed 10.1.1 **Shared prosperity indicator**: “[growth rates of household expenditure or income per capita among the bottom 40% of the population and the total population](#)”. Arguably, the 10.1.1 indicator perfectly fits target 10.1 (“By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average”). Both indicator and target however hardly match goal 10: “Reduce inequality within and among countries”. In fact, the 10.1.1 shared prosperity indicator is not sensitive to the top and the bottom of the distribution which has become so important for increasing inequality. Being part of the globally agreed SDG framework, it should however be taken in account, preferably for what it is: a relevant indicator for a poverty reduction agenda, but much less so for the cause of equity⁷⁸.

⁷⁶ In [Palma](#) (2014).

⁷⁷ The Palma ratio’s practical implications are not limited to the top 10% only: the fact for example that the bottom 40% has a very limited capacity to appropriate the value of their productivity, is an argument for a decent legal minimal wage / basic income, and its due enforcement. See: [Palma](#) (2016).

⁷⁸ For a detailed account of the process that led to the adoption of the shared prosperity indicator and the rejection of the Palma ratio as 10.1.1, see: [Fukuda-Parr S \(2019\) Keeping out extreme inequality from the SDG agenda: the politics of indicators. Global Policy 10\(S1\).](#)