

Human Development Reports



- Annual report since 1990, created by Mahbub ul Haq with Amartya Sen, among others
- Addressing emerging development challenges from the human development perspective
 - Using new measurement indicators
 - Elaborating new dimensions
 - Advocating new policies
- Independent report commissioned by UNDP, but not a statement of UNDP policy
- National reports since 1992; regional reports since 1994

The Human Development Indices



- **The HDI (Human Development Index)**
 - a summary measure of human development
- **The GDI (Gender-related Development Index)**
 - the HDI adjusted for gender inequality
- **The GEM (Gender Empowerment Measure)**
 - Measures gender equality in economic and political participation and decision making
- **The HPI (Human Poverty Index)**
 - Captures the level of human poverty

The dimensions and indicators of the HDI



- HDI has three dimensions, measured by one or two indicators each:
- Leading a long and healthy life
 - Life expectancy at birth
- Education
 - Adult literacy rate
 - Gross primary, secondary and tertiary enrolment
- A decent standard of living
 - GDP per capita (PPP US\$)

What dimensions to include



- The concept of human development has many dimensions
- Health, education and standard of living are dimensions that are basic and can be measured
- Proposed additions either are hard to measure or overlap with existing dimensions - Examples: political freedom, environment, child mortality
- HD can never be captured in single indicator!

Combining indicators for the HDI

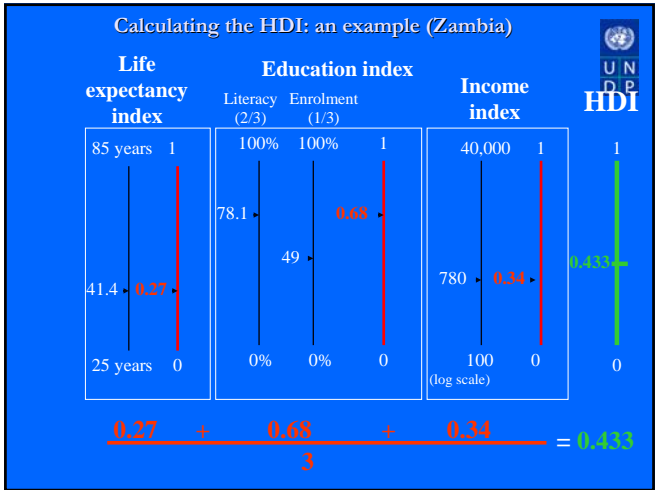
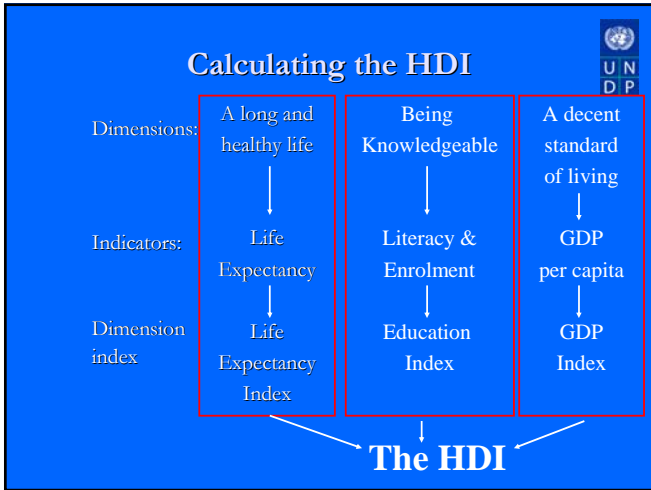


- In order to create the HDI, 'goalposts' are chosen for each indicator
- Using goalposts rather than observed minima and maxima allows comparisons over time
- Set with the timeframe 1960-2050
- Also set to allow for disaggregation – some subgroups can have lower values than observed in country data

Goalposts for calculating the HDI



Indicator	Minimum value	Maximum value
Life expectancy	25 years	85 years
Adult literacy	0%	100%
Gross enrolment	0%	100%
GDP per capita	100 (PPP US\$)	40,000 (PPP US\$)



- ### The weights in the HDI
- The three dimensions in the HDI – health, education, standard of living – weighted equally
 - Equal weighting is not an accident; reflects a belief that all three are equally important
 - Assumption of substitutability – central, but sometimes forgotten
 - Changing the weighting, even drastically, maintain

Changing weights – what would happen?

- How sensitive is the HDI to changing weights?
- Not very: for the full set of countries, the components are highly correlated
- Does not implicate redundancy: in sub-groups, large differences in how income is translated into other dimensions

	Life expectancy	Education	GDP
Life expectancy	-	0.74	0.78
Education		-	0.75
GDP			-

- ### Why include GDP per capita?
- GDP per capita included as a proxy for a decent standard of living
 - Reflects a number of issues not explicitly included: the expanding choices available in many areas with increasing income
 - Logarithm of GDP is used – reflects diminishing return in expanding choices

- ### Critiques of the HDI
- Are these all the dimensions of HD?
 - Are these indicators good measures of the dimensions?
 - What about inequality?
 - Can it capture policy changes?
 - Ranking countries – unknown uncertainties
 - Why cap values?
 - Why have an index at all?

Critiques, cont.

'Missing' components



- What about future generations – an environmental degradation component?
- Political freedoms and rights?
- Culture
- Nutritional status
- Uncertainty
- Personal security

Critiques incorporated in the HDI



- Absolute maximum and minimum values for each indicator
- Supplementing literacy with a second education indicator
- Changing the adjustment of GDP per capita

Political freedom



- Political freedom index (PFI) presented in HDR 1991
- Meant to be incorporated in the HDI
- Caused technical and political controversy
- Ultimately dropped because of the difficulties of measurement

Key data problems



- Literacy
 - Conceptually and practically limited
 - Definition and collection of literacy varies widely from country to country
 - Culturally specific: script systems and other factors vary across the world
 - UNESCO Institute of Statistics LAMP programme

Key data problems, cont.



- GDP per capita (PPP US\$)
 - Based on the ICP programme, limited to some 60 countries
 - Based on regressions for other countries
 - Imperfect measure but certainly better than exchange rate terms
- Life expectancy
 - Should measure "long and healthy life" but does not take into account health, just length

Why has the HDI been successful?



- HDI has become one of the best known and most used indicators of development.
- Despite some remaining controversies, broadly accepted and used by media, policymakers and academics
- What factors likely contributed?

Other indices



The Human Poverty Index (HPI-1)

$$HPI = [1/3(P_1^\alpha + P_2^\alpha + P_3^\alpha)]^{1/\alpha}$$

Where:

P_1 =Probability of not surviving to age 40 (times 100)

P_2 =Adult illiteracy rate

P_3 = Average of people without access to safe water and children underweight

As α rises greater weight is given to the dimension in which there is most deprivation. $\alpha=1$ implies simple average (perfect substitutability), $\alpha=\infty$ sets HPI = highest value (no substitutability). In the global HDR $\alpha=3$, giving additional but not overwhelming weight to areas of most acute deprivation

α in the HPI formula



- As α rises greater weight is given to the dimension in which there is most deprivation.
- $\alpha=1$ implies simple average (perfect substitutability),
- $\alpha=\infty$ HPI = highest value (no substitutability).
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The Gender-related development Index (GDI)



- Same components as the HDI
- After calculating dimension index for each sex – they are combined in a way to penalize gender equality (**equally distributed index**)
- The GDI is calculated by taking the unweighted average of the three equally distributed indices

The Gender-related development Index (GDI)



Formula for the equally distributed index:

$$\{[Female.pop.share(female.index^{1-\epsilon})] + [male.pop.share(male.index^{1-\epsilon})]\}^{1/1-\epsilon}$$

ϵ determines the size of gender equality in a society. In the global HDR it is set at 2.

Other indices



Goalposts for calculating the GDI

Indicator	Maximum Value	Minimum value
Life expectancy		
Female	27.5 years	87.5 years
Male	22.5 years	82.5 years
Adult literacy	100%	0%
Gross enrolment	100%	0%
GDP per capita	\$40,000(US)	\$100(US)

The Gender Empowerment Measure



Dimensions:	Indicators:
Political participation and decision making	Share of parliamentary seats
Economic participation and decision making	Share of positions as legislators, senior officials and managers; and professional and technical workers
Power over economic resources	Share of estimated earned income

The Gender Empowerment Measure



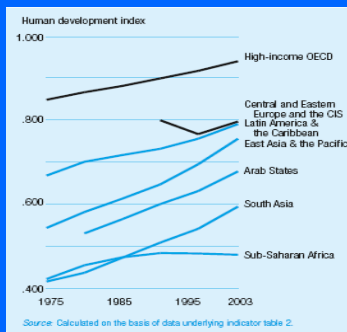
- Calculate dimension index and equally distributed equivalent percentage (EDEP) for each dimension (like GDI)
- For political and economic decision making divide EDEP by 50 (the ideal share women should have)
- N.B. For political and economic decision making EDEP can be calculated directly (as indicators are already %)

Agenda



- The argument
- **Tracking past progress and mapping the future**
- Inequality: a navigation tool to guide policy
- Reshaping international cooperation
 - Aid
 - Trade
 - Conflict

Human development has improved in most regions



But the human development record of the 1990s is mixed



Progress	Downside
130m lifted out of extreme poverty	2.5b still live on less than \$2 a day; poverty reduction slowed down in the 1990s
2m fewer child deaths	10m unnecessary child deaths each year
30m additional children in school	115m children still out of school; average years of schooling in South Asia half that of rich countries; even lower in SSA
1.2b gained access to clean water	Still more than 1b have no access to safe water; 2.6b lack access to sanitation

18 countries with 460m people had a decline in their HDI in the 1990s

Income poverty reduction continuing but slowly in the 1990s



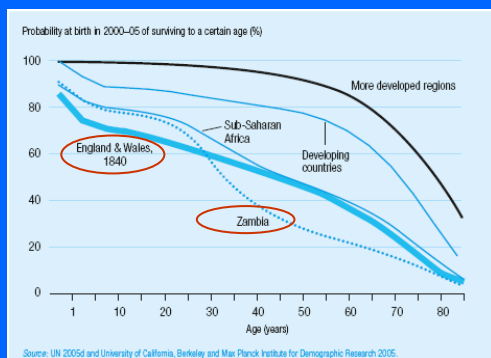
- Poverty in the past decade fell at one-fifth the 1980-96 rate
- Sub-Saharan Africa
 - 100m people more people living on less than \$1 a day in 2001 than in 1990
 - Average incomes lower today than in 1990
- Central and Eastern Europe and the CIS
 - Proportion of people on less than \$2 a day increased from 5% in 1990 to 20% in 2001
 - Since 1990 real per capita incomes fell by over 10% in Kyrgyzstan, Russia, Ukraine; over 40% in Georgia, Moldova and Tajikistan
 - But recent economy recovery helped Russia halve poverty during 1999-2002

Life expectancy – the great reversal

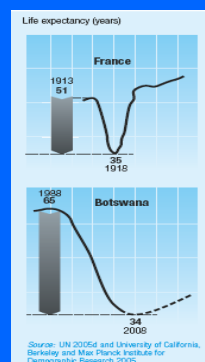


- Since 1960 life expectancy in developing countries increased by 16 years
 - But most of the advance occurred before 1990
- Asia, Latin America and Middle East have been converging to rich country levels
 - South Asia increased life expectancy by a decade in the last 20 years
- But SSA experienced reversals
 - Gap between SSA and rich countries increased from 24 years to 33 years in last two decades
- Life expectancy also fell in the CIS
 - Russian males surviving up to 59 years today, on average, compared with 70 years in mid-1980s

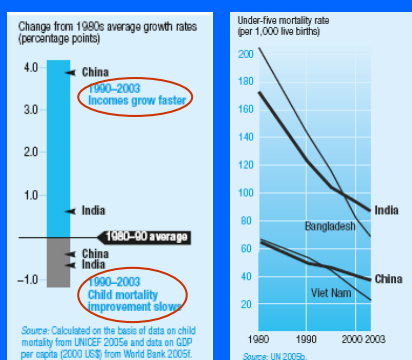
Place of birth determines life-chances



The demographic shock of AIDS exceeds that of the first World War



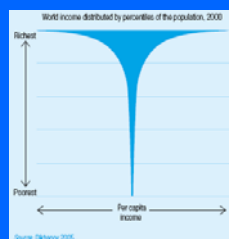
China and India: Globalisation's success stories fail their children



We live in an unequal world – the champagne glass effect

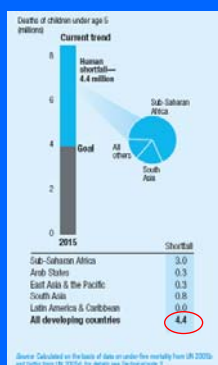


Global income distribution is severely skewed



- Annual income flows of the richest 500 people exceeds that of the poorest 416 million
- Cost of ending extreme poverty – \$300 billion – less than 2% of the income of the richest 10% of the world's population

Child mortality – the human cost



On current trends, the world will overshoot the MDG target by **4.4 million additional and preventable** child deaths in 2015

The human cost of a world on auto-pilot – scenario 2015



Compared with meeting the MDGs, in 2015 the world will have:

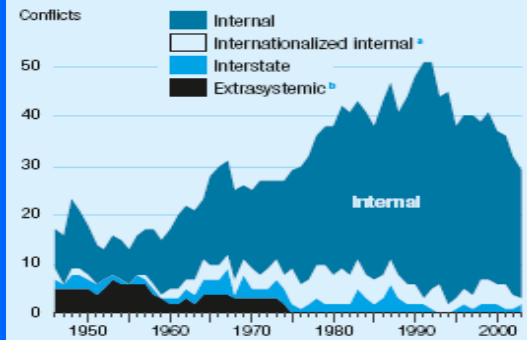
- 4.4m **additional** child deaths
- 210m **fewer** people with access to water
- 380m **more** people living on \$1 a day
- 47m children **still** out of school

Violent conflict: Bringing the real threat into focus

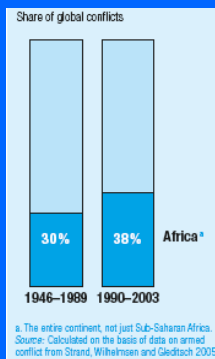


- Countries **worst off on human development** have also recently experienced violent conflict
- The challenge of **conflict-prone states**
- Regulating **enabling factors** – natural resources and small arms
- Building **regional capacity**
- Supporting **reconstruction** with improved aid and institutions

Fewer conflicts since 1991...



... but security risks have shifted towards poor countries



- Low income developing countries accounted for just over a third of all conflicts in 1946-89
- Over 1990-2003 low income countries accounted for more than half of all conflicts
- Africa's share has increased

Violent conflict is a significant barrier to human development



Some of the worst human development performers have experienced conflict at some point since 1990:

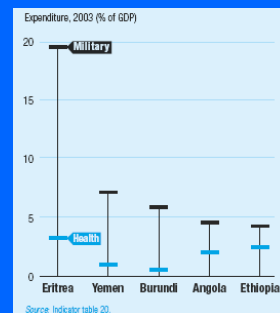
- 22 out of 32 countries with a low **HDI** ranking
- 9 out of the 10 lowest HDI countries
- 7 out the 10 countries at the bottom of GDP **per capita** tables
- 5 out of the 10 countries with the lowest **life expectancy**
- 9 out of 10 countries with the highest infant and under-five **mortality rates**
- 8 out of the 10 countries with the lowest **primary enrolment ratio**
- 9 out of the 18 countries that had a decline in their HDI in the 1990s

Beyond the bullets: conflict has many costs



- **Assets, income and growth**
 - In southern Sudan 40% of households lost all their cattle in the 20-year civil war
 - The poverty rate in the Occupied Palestinian Territories jumped from 20% before September 2000 to 55% in 2003
- **Lost opportunities in education**
 - Half of all primary schools were destroyed in Mozambique during 1976-92
 - Low-income countries that had conflict since 1990 spent one-fifth less on education than their non-conflict counterparts

Beyond the bullets: adverse consequences for public health



- Diseases like AIDS spread more rapidly
- Health infrastructure destroyed
- Low-HDI countries in conflict in 2002 spent on average 3.7% of GDP on their militaries but only 2.4% on health

Beyond the bullets: displacement, insecurity and crime



- Half of Chechnya's population is internally **displaced**
- Half of all women in Sierra Leone reportedly faced **sexual violence** during the civil war
- 250,000 **child soldiers** worldwide
- Colombia averaged 61 **homicide** victims annually per 100,000 people during 1998-2001; the United States averaged 5.7 homicide victims

Three simple messages from HDR 2005



- If we are serious about meeting the MDGs, a world on auto-pilot will not get us there
 - We have to use inequality indicators as the navigation tools to prioritise public policy at the national level
 - Beyond country-level policies, the three pillars of international cooperation – aid, trade and security – are interlinked
- Half measures will not work – the world is at a crossroad to make that choice*