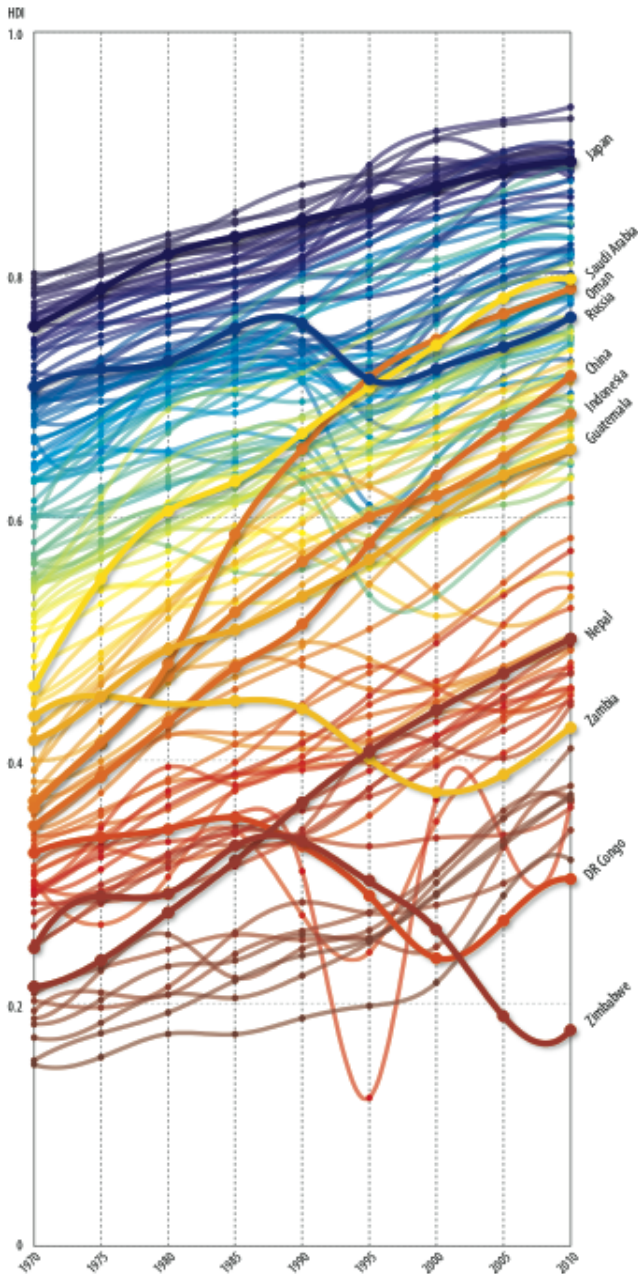


Real analysis on human development

Author : Kate Higgins

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Last Monday, the Australian launch of the 2010 Human Development Report, [The Real Wealth of Nations: Pathways to Human Development](#), took place at the new [Development Policy Centre](#) at the ANU in Canberra.

The Human Development Report is an annual stock-take of human development progress, and provides the most comprehensive collection of data, trends and analysis on human development. This year's report has been particularly celebrated because it is the 20th anniversary edition, and marks twenty years of UNDP's commitment to putting human development – and people – at the centre of efforts to define, measure and

understand development progress.

The report's lead author, Jeni Klugman (an Australian of whom we should be proud), was in Canberra to launch the report. Four panellists – Bob McMullan (former Parliamentary Secretary for International Development), Ron Duncan (Emeritus Professor at the ANU), Vincent Ashcroft (AusAID) and I – responded, and the session was wrapped up by Marc Purcell, the Executive Director of the Australian Council for International Development (ACFID).

Rather than focus on a theme (such as migration, climate change or equity, as these reports have done in the past), the 2010 report takes the opportunity to reflect on human development trends over the last 40 years. Much of the analysis is based around the report's flagship indicator of progress, the [Human Development Index](#) (HDI), which is a composite indicator of income, health and education. In essence, the HDI defines and measures development in a multi-dimensional way, and offers an alternative to traditional economic measures of development progress (e.g. GDP, income and consumption), which many, including me, believe are inadequate on their own.

Key trends and messages are reflected in the report's [summary](#), which is well worth a read. For me, highlights from this summary, and Jeni's presentation, were:

- **There is plenty of good news, and efforts to improve human development outcomes across the globe have not been in vain.** Of the 135 countries in the 1970 – 2010 sample, only three – the Democratic Republic of Congo, Zambia and Zimbabwe - have a lower HDI today than they did in 1970. As well, there has been some global convergence on human development – poor countries are catching up with rich countries on the HDI.
- **There is a surprisingly weak relationship between changes in growth and improvements in health and education.** The message here is not that growth is not important for poverty reduction – it can be incredibly powerful. But it demonstrates that significant human development gains are possible when high rates of growth are difficult to attain. In the face of climate change, and the reality that the high rates of growth that spurred development in past decades may not be achievable in a carbon-constrained world, the report shows us that even with lower rates of growth, but fundamentals such as political commitment and knowledge and technology transfer, progress on health and education is possible.
- **People are healthier, wealthier and more educated than they were two decades ago, but it is important to look beyond the averages.** While there is evidence of progress overall, international, intergroup and interpersonal inequalities remain huge in all dimensions. Income inequality has risen in many more countries than it has fallen, and in the Asia-Pacific region, most countries have higher income inequality now than they did a few decades ago. The report finds large HDI losses due to inequality and estimates that average losses in HDI due to multidimensional inequalities are about 22 per cent. Rising inequality accompanies a related trend: according to [Andy Sumner](#), three-quarters of the world's poor now live in middle income countries. This is a dramatic shift since 1990, when 93% of the world's poor were in low-income countries. It is not that the poor have moved over the last two decades, it is just that their countries are on the whole better off and have achieved middle-income status. This demonstrates that in many countries, good rates of growth have been achieved, but this hasn't been accompanied by significant drops in poverty. While countries have become richer, a good proportion of their population remains in poverty.
- **Progress in the Asia-Pacific has varied.** An excellent [post](#) by Annmaree O'Keefe delves into this from a Pacific perspective.

The report also introduces changes to the way the HDI is calculated, and two new indices: the [multidimensional poverty index](#) and the [gender inequality index](#). The methodological construction of these indices, and their policy usefulness, received much attention from Vincent Ashcroft and [Ron Duncan](#) at the launch. Of course they're not the first to air these concerns – see [Easterly's critique](#) and the debate between [Martin Ravallion](#) and [Sabina Alkire](#) on the MPI. While I acknowledge the importance of these debates, and methodological rigour, I also believe that we should take what we can from these indices, recognising potential shortcomings, and use them to inform policy choices.

I hope and expect that the [Aid Review](#), and AusAID, will reflect on the report's findings. For instance, should Australia's aid program be concerned about rising inequality in a number of our development partner countries? Does this trend call for a change to the modalities and priorities in some of AusAID's country programs (for instance, does this mean that tax policy, inclusive growth and redistributive transfers need greater prominence in aid policy dialogue?) Related to this, and with the aid program's current and likely future Asia-Pacific focus in mind, what should the break-down of aid allocations be between the poorest countries, where a quarter the world's poor live, and middle-income countries, where three-quarters of the world's poor live?

Of course, Australia's place in all of this goes beyond aid. As my [previous post](#) highlighted, Australia's trade, migration, security, climate change and technology policies have implications for human development globally, including opportunities for the world's poorest. Australia has the second highest HDI in the world, meaning in terms of our income, education and health, we're only behind Norway. Given this, there is no excuse for ensuring that our policies do not harm those less fortunate.

Kate Higgins is a Research Fellow with the Growth and Equity Programme at the [Overseas Development Institute](#) and a Research Associate at the [Development Policy Centre](#).