

# Consultation for HDR2010: Rethinking Human Development

## Harvard Kennedy School of Government

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The one day joint HDRO/Harvard consultation on the Human Development Report 2010 took place on December 7th 2009. The discussions were structured around five broad topics – (I) scope for reform and improvement of the Human Development Index, (II) performance and trends of human development (III) inequality and the HDI, (IV) the role institutions, and (V) establishing the way forward. This note briefly summarises highlights from the discussions.

The agenda and list of those in attendance is appended below. A bullet point summary of additional points discussed is also appended. The summary documents points raised in the discussions without implying consensus on any particular point.

### Summary

#### I. The Human Development Index

Participants described the HDI as the ‘trade mark’ of the Human Development Report. Its popularity and appeal among the general public were thought to render it valuable in stimulating the interest of the public around development issues, making it useful as both a public education tool as well as a strong political tool. Its ability to garner attention to topics that are underappreciated in the world favor its continuation, but an expanded dashboard - easily accessible - was also recommended. Another recommendation was to look at threshold levels instead of averages (i.e. some defined minimum for education, health, income).

There were concerns that the simple usefulness of an index may lead to a simple linear idea of development. Participants discussed the danger that simplistic proxy measures of human development overtake and obfuscate the broader concept of human development. It was remarked that although HDI numbers are powerful, they are based on limited data and should not drive the definition of concepts. Thinking about the theoretical underpinnings about what is aggregated is also important.

The participants acknowledged that the current index was poorly suited for measuring more qualitative issues, for example, quality of the educational system. One proposal suggested we move to a new HDI that evolves/graduates dimensions. The new HDI would cover more current development issues and depending on the progress and if the variance of current indicators fell to a certain level, the “graduated” dimension(s) would be replaced with more relevant indicators. The new components could be used to lead new debates about human progress, and could contribute to the setting of a new agenda for measurement. The new agenda would push for development of more complete and current set of measures with larger coverage. National and regional experts would be encouraged to set policies and develop an agenda for meeting the next generation of human development goals.

Quality of life and malnutrition were proposed as alternative indicators for improving the health component of the HDI. Another recommendation was to expand the HDI to include 5 components:

income, health, education, environment, and security and vulnerability (including inequality), each measured by 3 indicators, analyzed separately.

Although other indicators were highlighted as important to human development (e.g. political rights), the usefulness of additional components to the HDI remained unclear to some participants. There was debate as to whether the index should include only 3 components, with some participants underlying the value of its current simplicity. However, others believed that expanding the index so it addressed more aspects of human development does not add to the complexity of the messages that the HDI attempts to convey.

## II. Human Development Performance

The empirical findings of convergence among non-income components of the HDI and divergence in income provoked considerable discussion. It was argued that the convergence in non-income dimensions shows that countries had actually set and met a number of development goals, aside from GDP growth. Thus, at the current juncture, countries need to focus more of their attention on the income dimension of human development, and to higher level non-income goals.

The convergence in the non income dimensions could be taken as a signal of the success of the HD approach. The recommendation by one of the participants is that HDRO recognize the success in this front and then move the focus to other areas beyond basic levels of education and health, including quality of services provided. Others argued that since cross-sectional correlation between income and HDI was getting better, countries could be converging to a situation in which income was determinant of health and education. However, it was cautioned that this did not necessarily reflect causality as it could well be that health was causing income. Another argument was that improvements in health and education were essentially driven by global trends. Others cautioned that the convergence did not hold for the least developed countries.

Some argued that the convergence in the HDI is partially due to targeted efforts and vertical programs. For example, the WHO made it a priority to vaccinate children. Concerted efforts such as the GAVI for example, have had a large, positive impact on life expectancy in most developing countries. However, the global dimension underlying these trends, e.g., stock of knowledge as a driving force, technological advances, etc require further exploration.

## III. Inequality

There was discussion about how to consider inequality in the Human Development Index. Inequality in income for instance, is important to capture, but problems related to heterogeneity in price levels across countries were highlighted. Asset measures were suggested as an alternative to income. The possibility of moving beyond the country-level as a unit of analysis and at human development by region, ethnic group, etc was also recommended.

One participant suggested we distinguish inequality of the several sub-component indices: for instance full equality of education was not the goal, especially for higher levels of education - we want people to specialize. However, *opportunities* to extend education above minimum should be equal.

Another participant encouraged HDRO to think through more carefully the value of the HDI. Is it intrinsic or instrumental or both? What are the instrumental reasons, and to what extent will addressing inequality solve the concerns we are trying to address? What is the role of inequality?

Should the unit of analysis continue to be at the country or should we be looking at human development by region, ethnic group, etc?

#### IV. Institutions

Participants discussed the possibility of including some measure of governance and government efficiency. Governments play a very important role in development through the provision of public services. It was argued that policies and politics of development should be taken seriously in the 2010 Report. For example, the Report should explore why some states are ineffective and how the transition to states that competently provided a basic level of public goods happens.

One participant commented that in the past most thinking about development had been based on an idea that societies developed by becoming more modern. This approach has been extremely successful in increasing basic access to education and health but is much less capable of meeting future challenges related to quality for example. Thus future institutional approaches have to accommodate more flexibility.

Another participant suggested that the problem with the single index HDI approach is that it suggests a single way of doing things; but the evidence shows that there are multiple routes to development, making certain openness to the diversity of approaches (“institutional pluralism”) desirable. It was however noted that measures of political freedom are highly controversial and attempts to introduce these measures into the HDI could derail the whole process.

It was argued that the measure of political freedom should not be a subjective index like the one produced by Freedom House. but instead something that captures a government’s effectiveness to provide basic services. This discussion also highlighted the need for institutional pluralism, particularly at a time when basic needs are being met and improving the quality of service is an increasing priority.

#### V. The Way Forward

When Keynes first thought about setting up a system for national accounts, there was no generally accepted systems for collecting and analyzing information on a country’s macroeconomy. In the midst of the Great Depression, Keynes worked to convince policy makers about the importance of collecting these data. HDRO is at a similar point in its history. HDRO has an opportunity with this anniversary edition to set the agenda for the next generation of human development goals. It was recommended that the 2010 HDR be used to map this ambitious agenda, including clear goalpost and a defined timeline for achieving it.

One innovative example for gathering information is through the use of current and widely available technology such as cell phones (e.g. data from text messages).

It was suggested that the HDR take up the line that human development as conventionally defined is close to being achieved. The next steps now will be to redefine the goals, broaden the discussion and move to the next generation of human development goals. In this regard, the HDR will also need to move past the “cookie cutter” template of policy recommendations, as mimicry in policy design will no longer work and institutional pluralism is a necessary route to reach the next generation of HD goals.

## **Annex: Additional points**

### Other suggestions for improving the HDI and measuring human development

- Use data to identify clusters of countries with certain characteristics which explain their development. By doing this it would be possible to define a series of enabling environments across a number of dimensions.
- Life expectancy might not be the proper measure for health. In Africa infant mortality rate is falling but malnutrition measures – e.g. stunting – are getting worse. Even when LE is increasing it says nothing about quality of life, for example rise of disability amongst seniors (e.g. India and China).
- Malnutrition is a possibility for a new indicator of health. It embraces many other aspect of development: food is partly linked to availability, household income but also the care given to children and even women’s empowerment.
- Do not confuse form and function. It should be an ‘outcome’ value index. Issues of means and ends: set the goals and then look at the evidence base to identify the means.

### Inequality (by S. Alkire)

- How to consider/include inequality in HD? Data issues are a challenge rather than an obstacle.
- If we don’t want equality, how do we weight progress – more when is for poor/at bottom, that for rich/ at upper limit. How to bring discussion on inequality since we have to deal with relative prices within countries?
- Due to problems on relative prices, we could stick with assets rather than income. Also of concern is what is happening with health in Sub-Sahara Africa.

### Policies institutions and human development (by D. Acemoglu)

- More emphasis should be given to the politics of development.
- Institutional failure will be relevant to move forward the dialogue in development. HDR should highlight the importance of these issues. Is the government a problem or a facilitator for development?
- In developing countries the problem is frequently the type of government. Governments with minimum degrees of competency are necessary.
- We can think of models where everything will be voluntary, but if we want to have provision of services in practice we need governments and we need that they have a minimum quality of governance/ non corruption.
- Good governance has an instrumental value, but the formula for transforming failed states into successes is not known. There are things that have been tested and tried, others less so, but they still need to be part of the agenda. Good governance is important.

### Comments

- Why was the index of political freedom ended? There were several tentative: in beginning of 1990s, in 2000 and in 2002, but in the end the decisions was to not continue.
- Even if controversial and potentially explosive, political rights dimension needs to be included. It would be a big omission in the report not to have the government as a big player. Even though it can be an uncomfortable topic, it is very important.

- Outcomes matter, but ends/participation also matters.
- The challenge is that a lot of the problems are created by governments. So nothing will happen without the right involvement of governments.

New directions in the study of development and their relevance to human development debates  
(Presented by M. Kremer)

- There have been advantages on techniques, e.g., random experiments. Also concrete development policy questions, some easy hanging fruits.
- Access fees disincentive participation. There is cumulative evidence that dropping small fees on relevant interventions (treatments for diseases, mosquito nets, education, etc) is very effective in increasing access and therefore has a positive impact in overall welfare. These fees don't generate high revenue, so they are easier to abolish. A much harder question is on quality. For example, reducing pupil-teacher-ratio has a much lower impact than expected. Think of ways to tackle quality in education problems (e.g. remedial education is relatively cheap and effective).
- About quality of services provision: some options are coming out as not that much valuable (e.g., teachers' incentives), but other can have more impact (e.g., local hiring teachers, public-private partnerships...).
- If HDR can have an impact, e.g., making chlorine access for free and other quick wins can easily be in the report, for example in boxes.

How development happens and the role of international reports in enabling change (L. Pritchett)

- Global HDRs just legitimize the global discussion. Regarding impacts, the NHDRs are perceived as having much more impact. Current HDR agenda has been played out. HDRs provide a framework, and then the national HDRs implement the framework.
- HDR should push the envelope towards new generation of challenges: more focus on services quality (beyond access), insurance, advance curative care, income insecurity, etc.
- It is time to move beyond the 20 year old discourse on access to basic services. There has been a revolution of progress in wellbeing that should be recognized.
- It is important to have a non-bureaucratized system, open for innovation.
- Agents make choices; they are embedded in organizations, and in institutions/systems. On one dimension we have: capability of state and bureaucracy – vs – pluralism and citizens' participation.
- Is the problem that countries don't innovate enough to progress? Danger is that policy response goes into a dominant type of discourse: where each person has its own role, and there is no innovation (bureaucratic agendas) – organizations only mimic other successful organizations, but that is a terrible way of getting quality education and system because the system is not prepared to make progress (there is no constructive creation, instead only adoption/compliance with other ways that may worked, but no innovation).
- HDR focus on how governments can address human development needs in a more flexible way. Pluralize discourse into modalities of response. What we don't want is to recreate the modernization literature.

## Comments

- HDRO should ask “Am I only another supplier of information, what is my comparative advantage in giving an index? Specially with UN statistics base, what is our ‘niche’/relevant market?”
- There is US model of liberty and flexibility, Europe – welfare and social protection, South America – institutional arrangements. Resource mobilization by institutions and governments is another way of going forward? The role of HDR and UN is not to repeat what is said, but to supply another voice....
- Policy agendas of developing countries are not consistent at all with policy agendas recommended in the HDRs.
- The HDI is on a dead-end road. The goals are close to be achieved.
- There is no central planner anymore on the international development policy arena. Now we have a plethora of organizations and forum. All organizations are interacting, and we would like to give some order. One of the most articulated is MDGs – set targets, make up a plan with UNDP on how to achieve those goals, and set an advisory body to evaluate the performance/evolution. But the goals that have no connection with what happens on the ground since at the internal level the goals are defined by the democratic means, while international goals are not democratically defined. Alternative would be to set international rules of creating goals. Everybody would claim their goals and agenda, but there would be some coordination on the process.
- Goals can emerge endogenously. How can we move away from setting the goals?
- The HDR can have 2 roles:
  - 1<sup>st</sup>. As pure feedback –the goal is known; the report only says how well countries are doing.
  - 2<sup>nd</sup>. Catalyst for change. Set an agenda by defining a goal. By giving information, the report has the ability to affect allocation and perceptions, e.g. gender index puts focus on gender issues.
  - The two roles are not necessarily contradictory...

## Measurement of development from an evolutionary perspective – some ideas and analogies to start a conversation ... and some potential avenues to new solutions. (C. Hidalgo)

- Every country is developing albeit in different ways. It is important to identify / sense which dimensions are most important at a given point in time and how weights would differ given the different priorities at the national level. The use of technology can be relevant for this.
- Anna Karenina Principle: “happy families are all alike, every unhappy family is unhappy in different ways”
- The purpose of measuring is to get feedback, so that the system can react and adapt based on the feedback.
- The sophistication of the feedback depends on the sophistication of the system.
- There are adaptive agents of the system, who take the inputs and make them into outputs.
- Deploy sensor’s/ communication channels in all corners of the globe and make them accessible to the largest possible amount of people.

- Gather information around the world through the use of current and widely available technology such as cell phones (through text messages). Extract locally defined goals and find groups of countries with a similar set of development challenges. This process creates ownership of the goals through its participatory aspect.

Comments:

- There is a risk of raising expectation, non-compliance is high.

Other points

- Need to look at the income and non-income components of the HDI in greater detail – explore why the negative correlation?
- In the absence of no substitutability of dimensions, what does aggregation provide? Are we providing better information for countries if we average them out or are we just losing information? Yet, the argument is not aggregation – everything is an aggregation, even GDP is an aggregation of bundles of goods and services. The question is what makes sense? The other question is what level of aggregation and what dimensions and weights?
- There is value in multidimensionality and in the identification of key dimensions.
- Instead of maximizing GDP, we may want to maximize other dimensions – but this goes against the principle of capabilities: why should we define dimensions as priority for all? Doing this is a violation of the principle of capabilities.