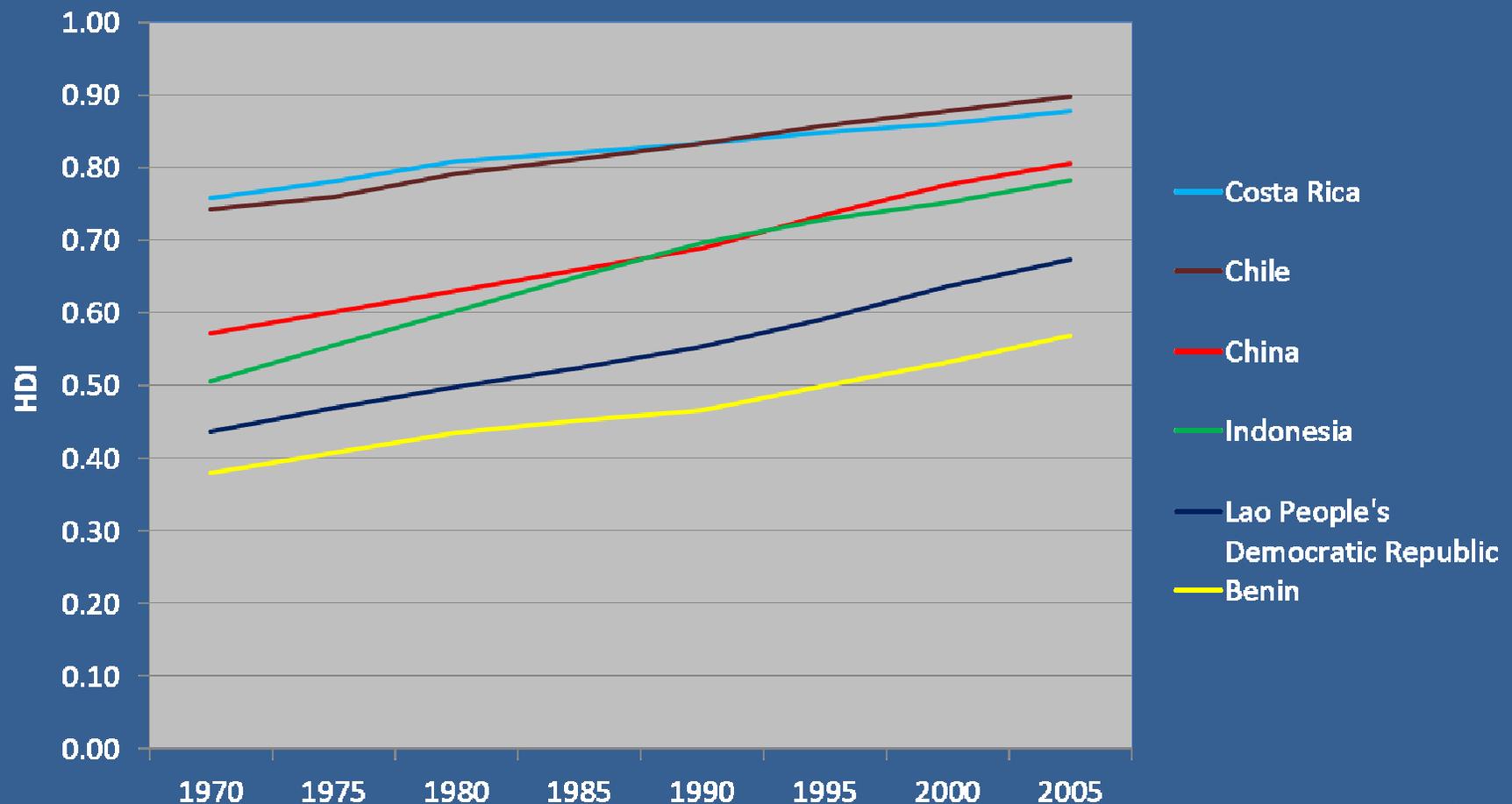


Success and Failure in Human Development

Frances Stewart

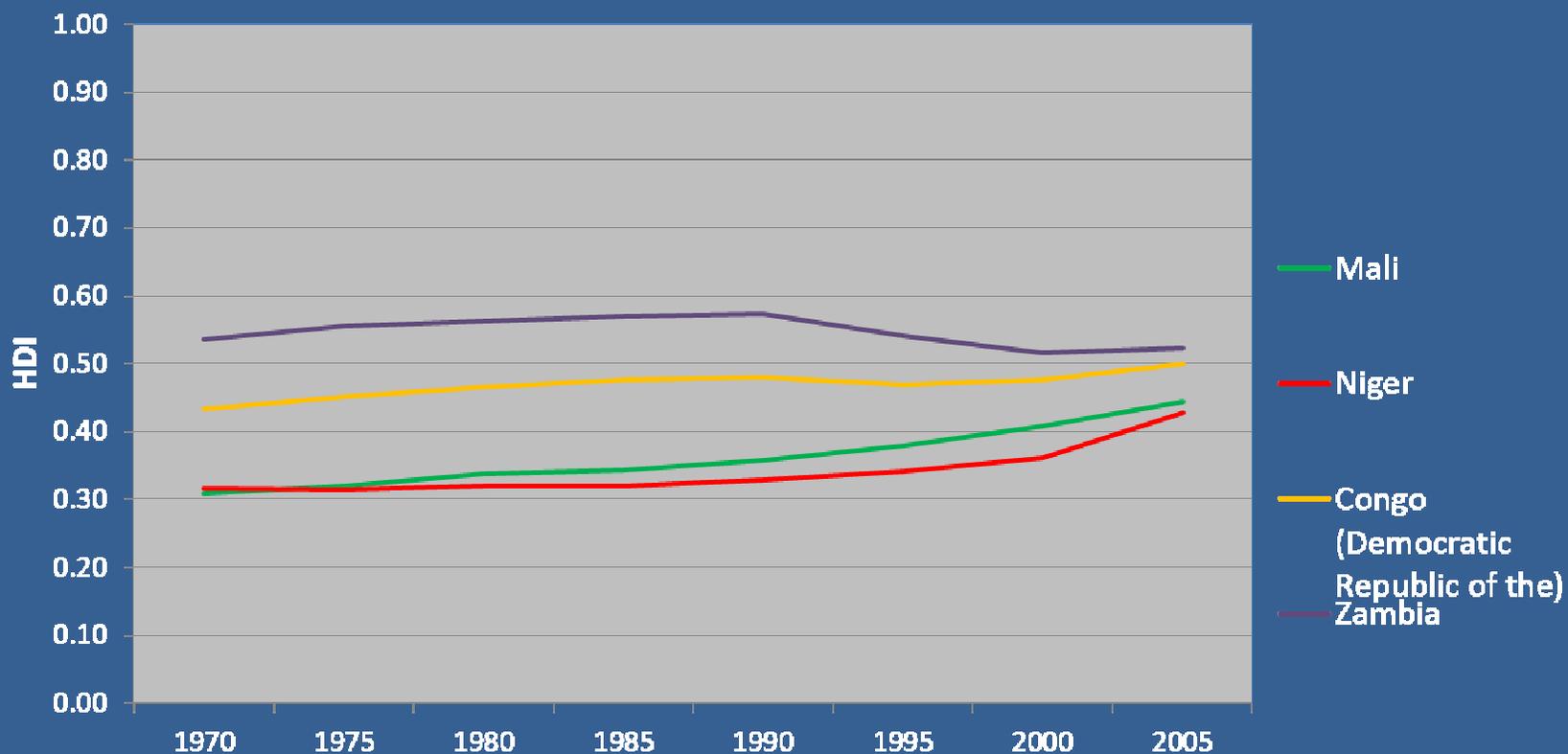
Some spectacular successes

Progress on the HDI, 1970-2005



And some failures

Change in HDI, 1970-2005



Aim of lecture

- To explain why some have succeeded and some failed.
 - Brief review of origins of approach
 - Evidence from all developing countries:
 - The average relationship between economic growth and human development;
 - Factors related to particular success and failure for given economic resources .
 - Evidence from the ‘best’ and the ‘worst’ performers on HD, 1970-2007.

The origins of Human Development

- **Changes in thought and in practice tend to be the outcome of reactions to previous situations, to consequences and 'excesses' of models.**
- Post-colonialism a reaction to the colonial state:
 - strategy of development – maximise growth through investment, industrialisation, planning and import-substitution.
 - widely adopted, 1950s-1970s.
- **Successful: investment and share of industry rose, but left serious problems:**
 - Poverty remained very high – failure of trickle down
 - New issue of un and underemployment
- **A new reaction:**
 - advocacy of 'Basic needs' strategy in 1970s.
 - Sen began work on capabilities.
- **Debt crisis and focus of stabilisation** and pro-market structural adjustment
 - Falling incomes; Rising poverty and inequality.
 - Adjustment with a Human Face
 - Human development

What is Human Development?

*Development in which people are at the centre
in both agency and outcomes*

Three critical statements from 1990 HDR

- ‘Human development is a process of enlarging people’s choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. Additional choices include political freedom, guaranteed human rights and self-respect’
- ‘People are the real wealth of a nation. The basic objective of development is to create an enabling environment for people to live long, healthy and creative lives’
- Quotes Kant: ‘so act as to treat humanity, whether in their own person or that of any other, in every case as an end withal, never as a means only’

Advantages compared with BN and capability approaches

- Goes beyond 'basic': an approach that encompasses all nations and income levels.
- Goes beyond physical condition to institutional and political elements.
- Tries to add up and assess country progress. Here better than capability approach.
- To some extent a political agenda, work-in-progress, a rallying cry for all those seeking human and humane alternatives, evaluating our current condition.

HDI as a measure of Human development

- HDI includes
 - health (life expectancy);
 - education (literacy and enrolment);
 - and modified incomes (other choices).
- But does *not* include important aspect of HD:
 - political freedom and participation
 - freedom from violence and insecurity
 - freedom to enjoy cultural diversity
 - Employment.
- And *not* adjusted for distribution across individuals and groups.
- Yet often HD and HDI are equated.

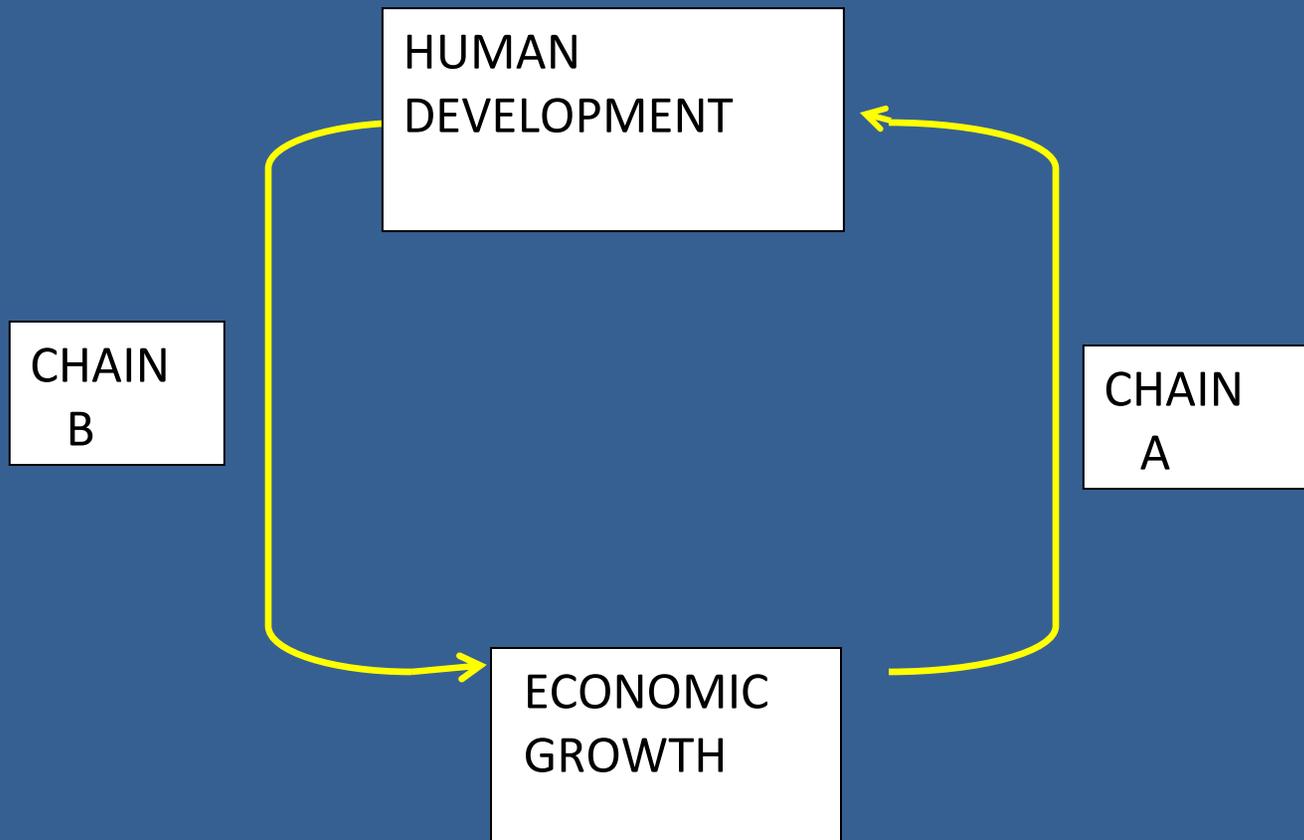
Defining success and failure

1. Which dimensions? Research has shown dimensions are not strongly correlated with each other.
2. In this lecture
 1. Take HDI (for some purposes, exclude income).
 2. Explore some wider dimensions, 'beyond the HDI'
3. A critical question: what is relationship between HD and economic growth? Consider this first, then discuss features of most successful and unsuccessful countries.

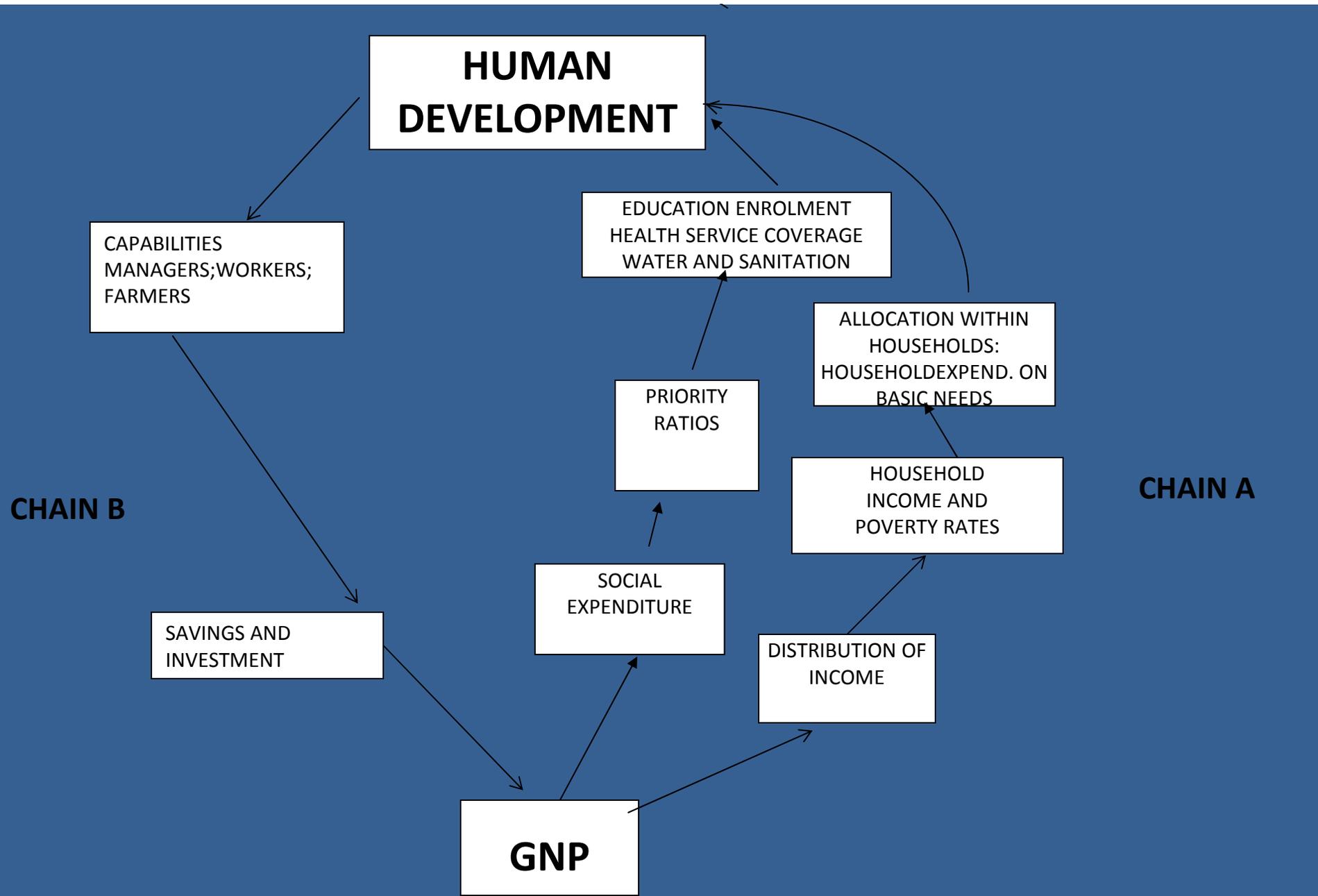
Growth and HD

- HD intended to displace exclusive focus on economic growth – because of deficiencies of GDP as measure of progress:
 - Ignores distributional issues
 - Ignores ‘public’ goods (unpriced) and bads – e.g. environmental effects
 - Ignores agency and process.
 - Issue of ‘adaptive preferences’.
- Yet:
 - measure of incomes is included in HDI
 - Incomes needed to pay for improved conditions for HD; and HD advances incomes

The growth- HD connection



- Economic growth (EG) provides the financial resources for HD
- And HD provides the human resources for EG



Links in the chains, supported by micro-evidence

Critical role of female education in growth-HD chain

1. Determining household expenditure patterns (food/school/health expenditure).
2. Determining the effectiveness of different expenditure patterns-
 1. Nutritional standards
 2. Use of health services(female education a key input into Human Development Improvement Function = how a set of resources translate into actual improvements in outcomes).

The empirical evidence, using regression techniques: Chain A, from EG to HD improvement (1960-2001)

- Significant determinants of HD [ex-income] include:
 - Level and growth in income per capita;
 - Education expenditure per capita
 - Health expenditure per capita
 - Gross primary enrolment
 - Female primary enrolment
 - Poverty rate
 - Positive dummy for non-African countries
- (Source: Suri, Boozer, Ranis, Stewart,)

Empirical evidence: from HD to EG (Chain B)

- Significant determinants of EG, include:
 - HD variables (life expectancy; gross secondary enrolment; infant mortality rate)
 - Share of domestic investment
 - Poverty rate (inverse; also an HD variable)
 - Again positive dummies for non-African regions.

Interactions between EG-HD have strong implications for cycles of development

1. Virtuous
2. Vicious
3. HD-lopsided
4. EG-lopsided

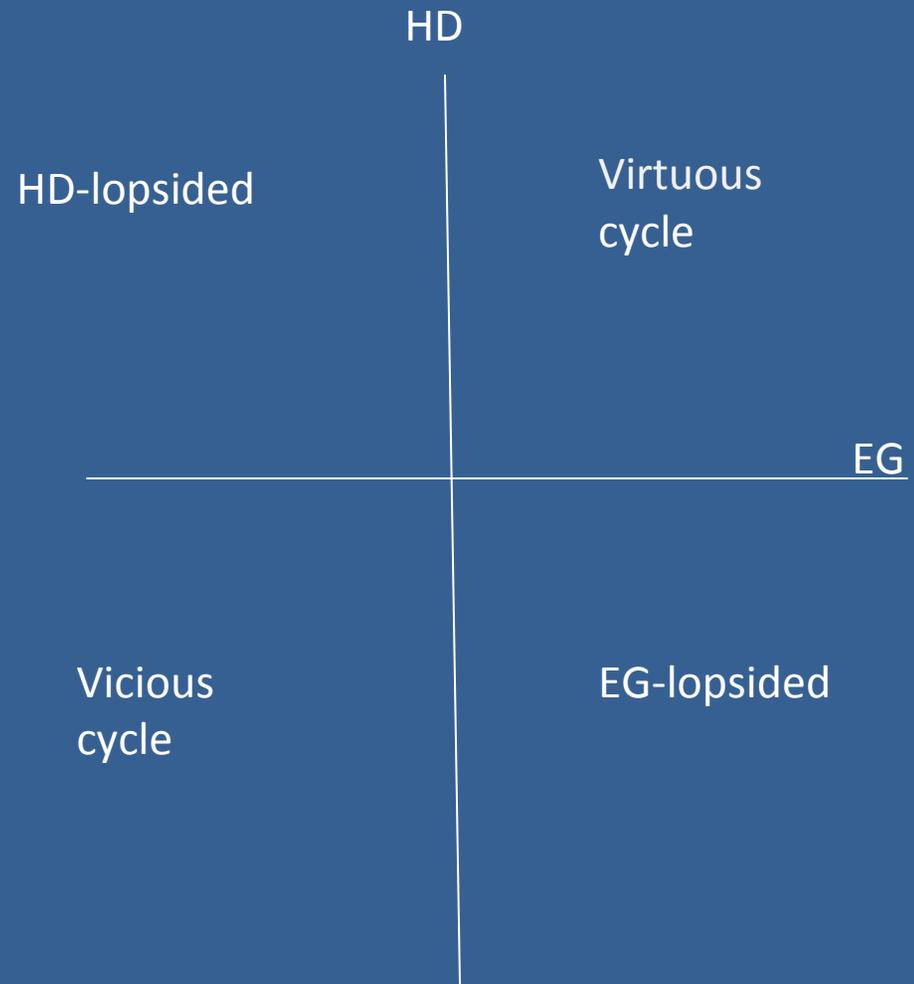
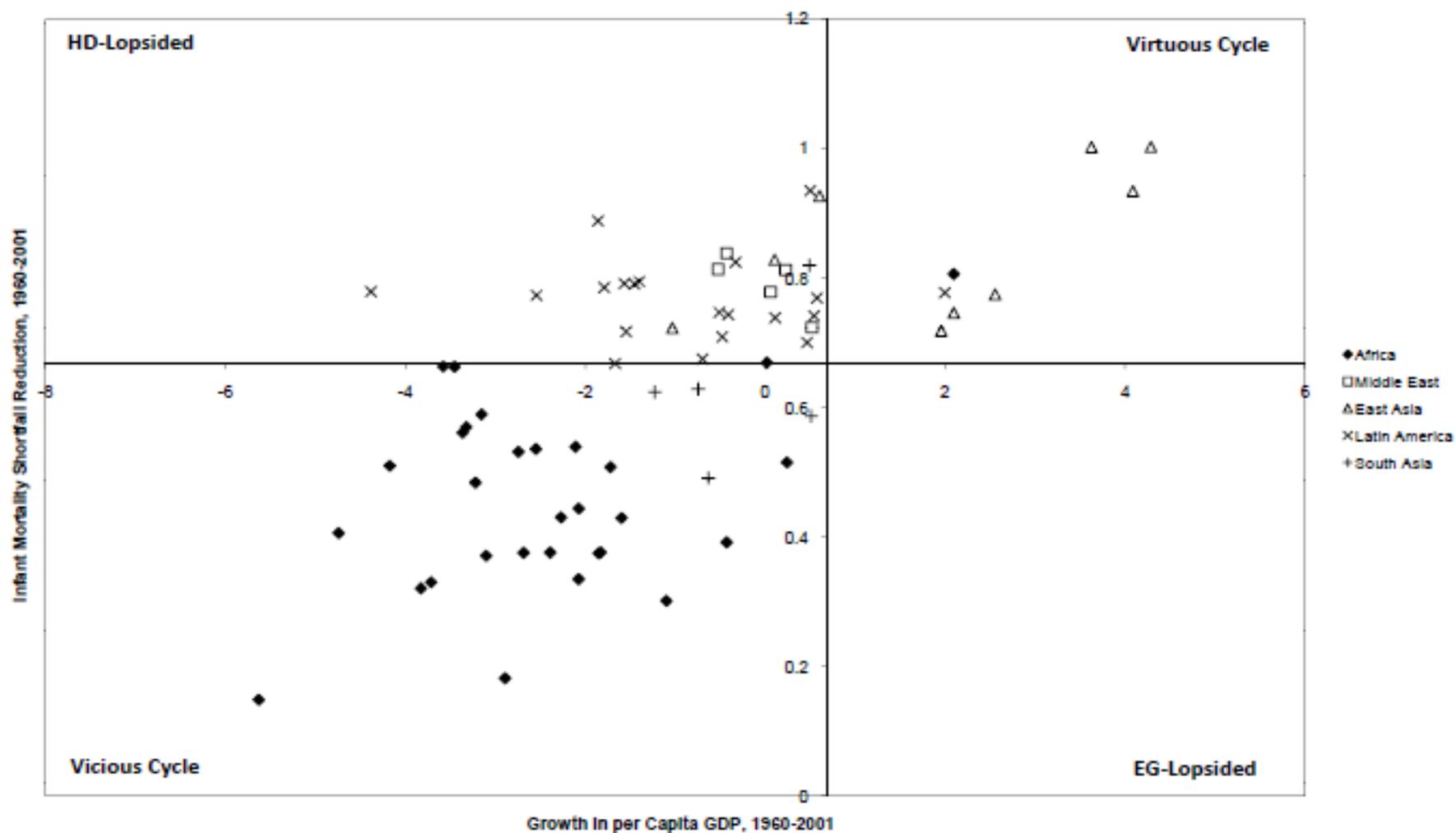


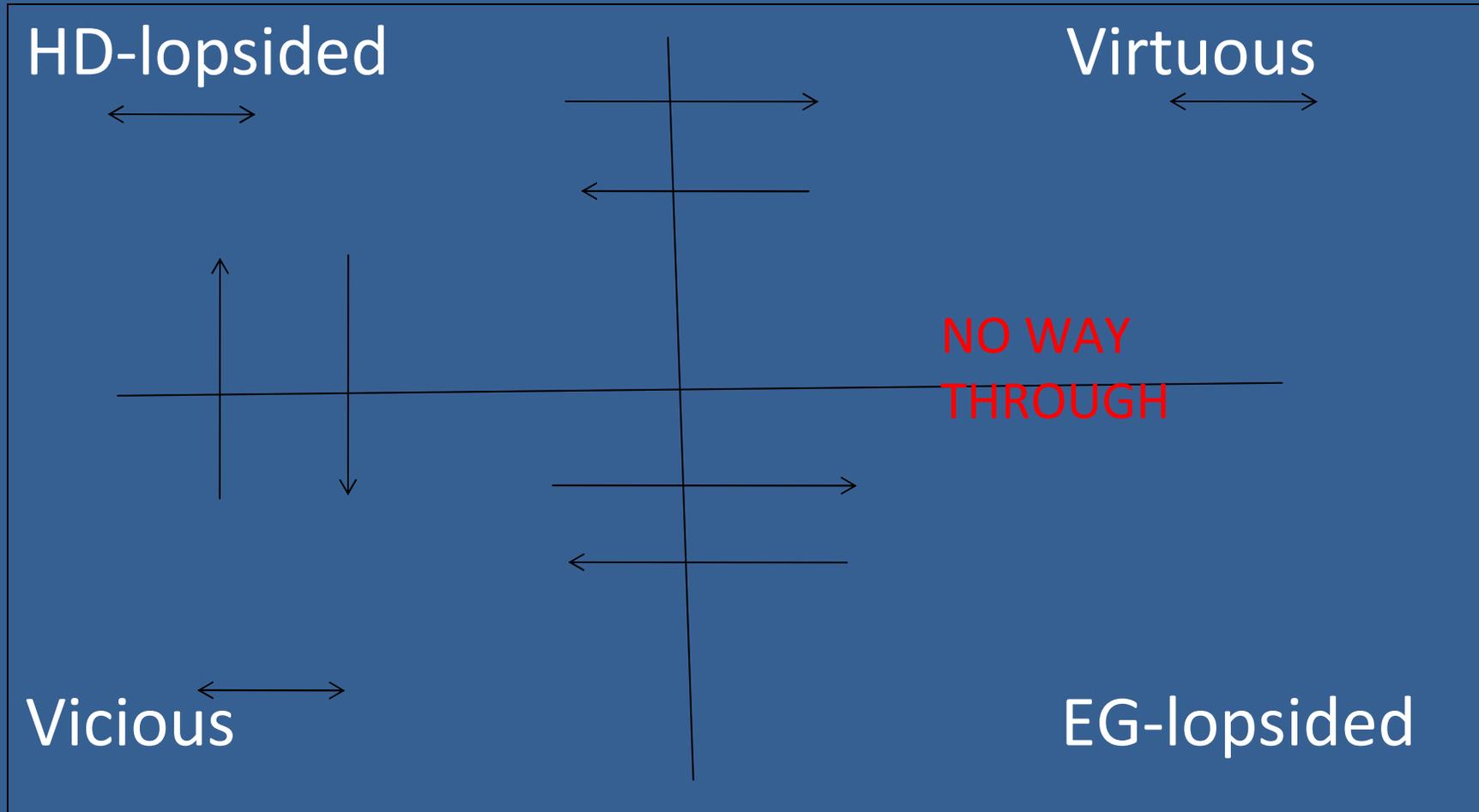
Figure 2
 HD and EG Performance, 1960-2001 (HD Measured by Infant Mortality Shortfall Reduction)



Decade by decade analysis shows

- 17 countries remained in 'vicious' category throughout; in a low level equilibrium trap
- 3 remained in virtuous; 4 in HD-lopsided.
- No countries remained in EG-lopsided.
- A number of countries moved from vicious to lop-sided; from HD-lopsided to virtuous (and conversely).
- But NO countries moved from EG-lopsided to virtuous.

Decade by decade movements, 1960-2001



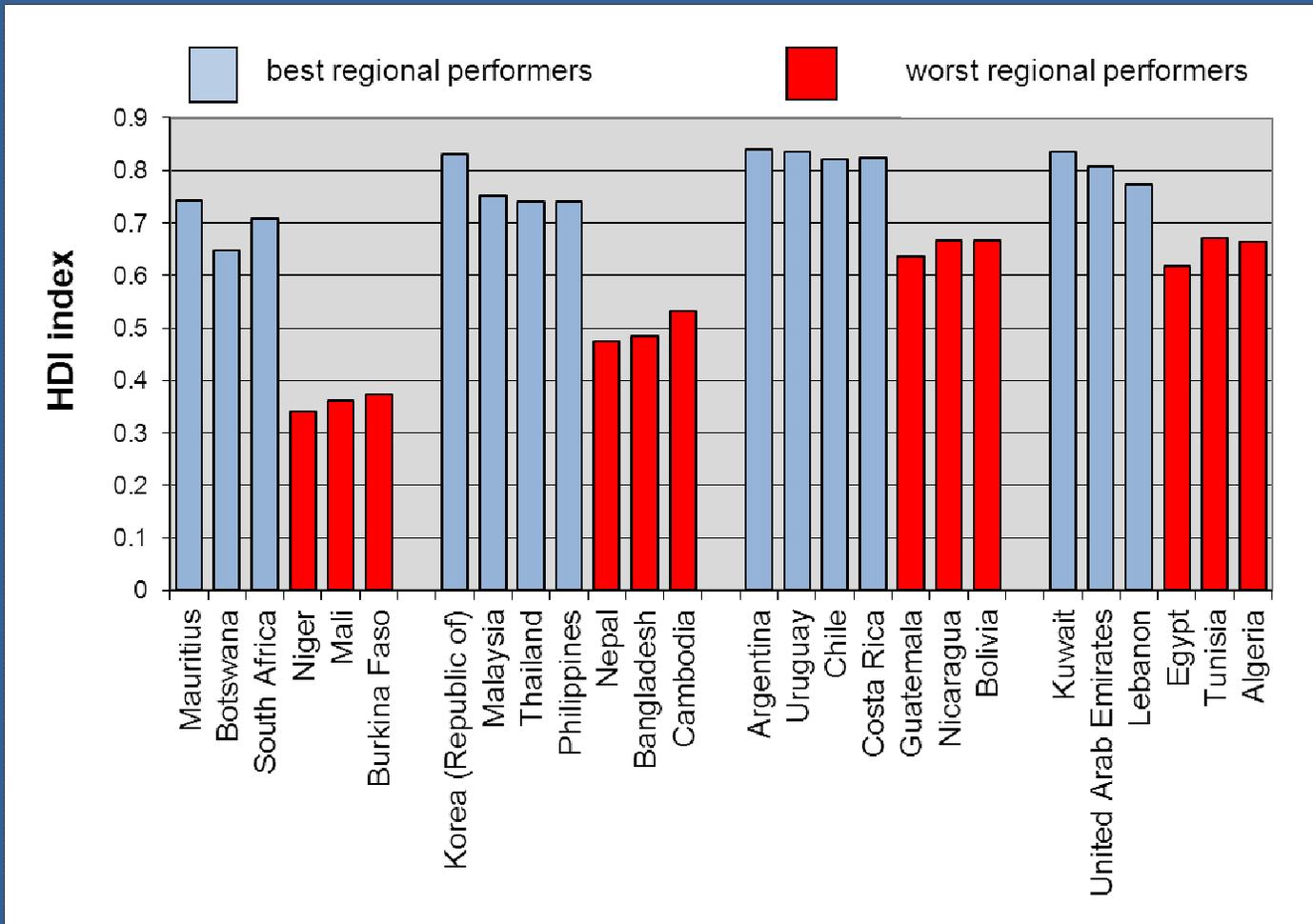
The cross-country analysis suggests

1. HD is essential to achieve good growth outcomes, as well as being the objective of development.
2. Must promote HD first or at least simultaneously; prioritising growth alone will not work.
3. Regression analysis suggests HD is promoted by social expenditure; poverty reduction; education, especially female; and economic growth.
4. But can do well on HD without growth; cannot sustain good performance on growth without HD.

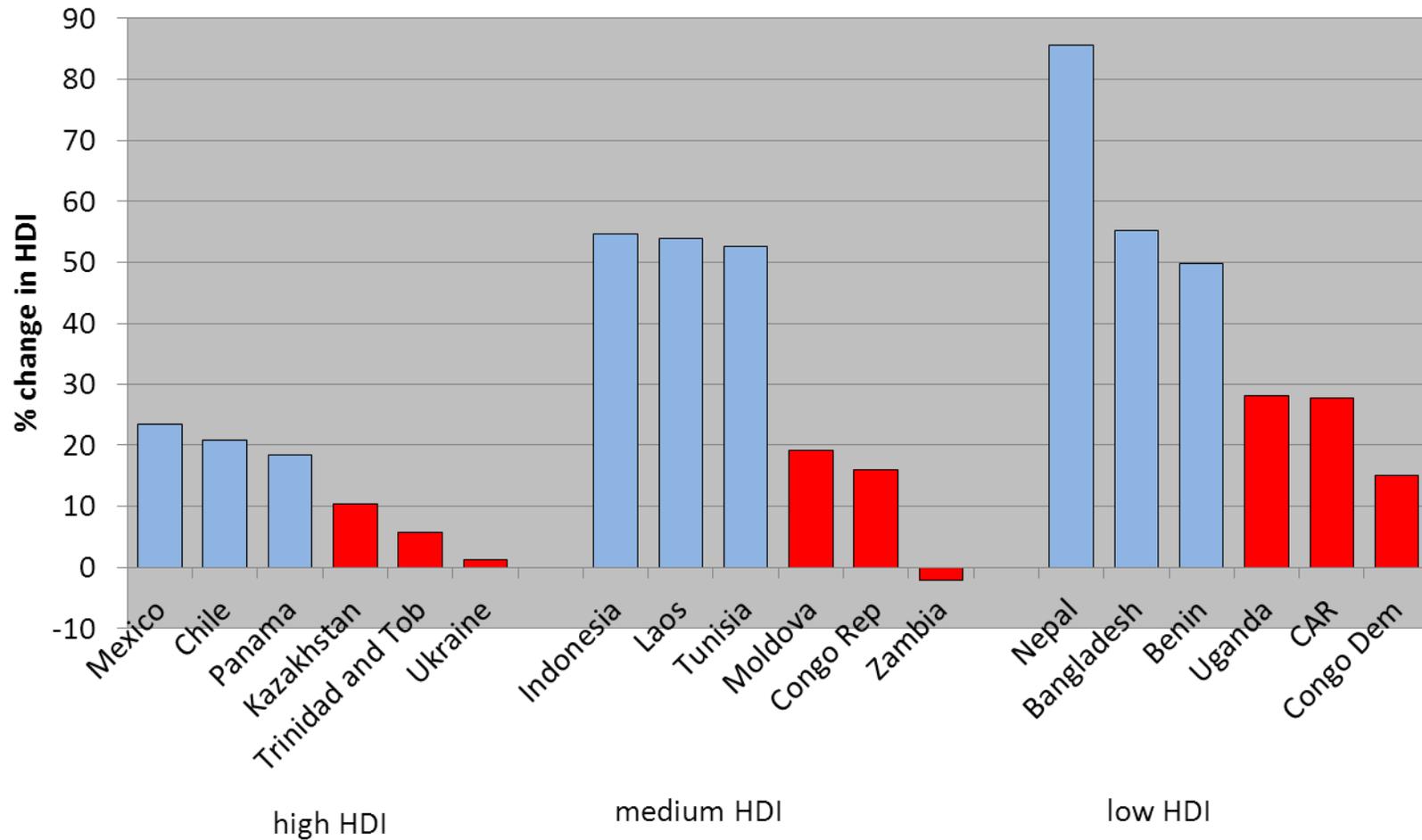
Analysis of best and worst country performers

- Regression analysis tells us general relationships.
- Country analysis can indicate effective and alternative combinations of policies; necessary and sufficient conditions.
- Two types of success/failure:
 1. *Sustaining HDI at highest level over long period* (conversely for failure). Important, but partly reflects good initial conditions, not recent policy.
 2. *Improving HDI most*. Most relevant to current poor performers. Define success here as best shortfall gap reduction within HDI category (low/medium/high). Need categories because starting point matters.

Best and worst sustained levels of achievement, 1970-2005: average HDI 1970-2005 by region



% change in HDI, 1970-2007 for best and worst performers by HDI level



Typologies of success in levels, 1970-2007

F/M enrolment ratios	Economic growth	Income distribution	Social expenditure	Examples
+	+	+	0	Mauritius S.Korea
+	+	0	+	Malaysia Botswana
+	0	0	++	Costa Rica Argentina

+ indicates exceptionally good performance; 0 average; and – exceptionally weak performance

All good on F/M ratio; education; and income per head); otherwise different combinations

Typologies of failures (levels)

F/M enrolment ratios	Average growth	Income distribution	Social expenditure	Examples
-	-	-	0	Mali Burkina Faso
+	-	-	+	Bolivia
0	+	0	-	Cambodia

No consistent patterns; fail on different aspects

Success/failure in change

- Both levels and change in variables might be relevant (e.g. education; F/M ratio; inequality).
- But find very little systematic on levels of indicators:
 - All had good F:M ratios. But so did most ‘failures’
 - Successes and failures had both high and low social expenditure;
 - And good and bad distribution (although medium and low HDI successes generally more equal, and failures more unequal)
- Much more systematic findings on changes in indicators

Typologies of success: improvements

F/M ratio changes	Change in social expenditure	Growth in GDP per capita	Change in inequality	Examples
+	+	+	-	Laos
+	+	0	+	Bangladesh
+	0	+	+	Tunisia
0*	+	0	0	Mexico

* was very high initially

All good on F/M ratios, except where very high initially –high HDI countries; all high or moderate on social expenditure; otherwise alternative combinations

Typologies of failures: change

F/M ratio changes	Change in social expenditure	Growth rate	Change in inequality	Examples
-	0	-	-	Ukraine
0	-	-	+	Zambia
0*	0**	0	-	Trinidad and Tobago

*Was very high initially; ** guesstimate.

Different combinations of negatives.

Behind the successes and failures: the economics and politics.

1. Bangladesh: low HDI improver

- Not due to strong government. Moved between autocracy and democracy. High levels of corruption (ranked 139 of 180 countries by Transparency International).

The patronization by successive governments of a criminal class, who have become instrumental to the functioning of our principal political parties has brought the machinery of law enforcement into contempt...The days when bureaucrat were driven by a sense of public mission, built on expectations of professional recognition and advancement, remain in distant memory. (Sobhan)

- Success due to dynamism of:
 1. NGOs: Grameen Bank; BRAC and many others. Extensive coverage.
 2. Dynamic local private sector; small and medium entrepreneurs exploited world market opportunities especially in textiles.Growth accelerated and remained fairly egalitarian.

2. Chile: high HDI improver

- Political system also included autocracy and democracy, both efficient; and both put human development at centre (for different reasons; in different ways). Strong bureaucracy. Low corruption (25th in ranking of Transparency International).
- Under Pinochet strongly targeted services. Democratic era, more extensive anti-poverty programmes.
- Open market policies very successful in generating agricultural diversification, again with many local entrepreneurs.

3. Indonesia: medium HDI improver

- Again both autocracy and democracy.
- Government under New Order :
 - Compact national elite with durable agreement between military and bureaucrats, led to long term policy perspectives
 - Strongly committed to expansion of social and economic infrastructure using oil and gas revenues (111 in corruption ranking).
 - Successful expansion of rice and of textiles.
- Post-New Order, economy slowed with political disorder. Massive decentralisation contributed to large rise in HD expenditures, with strong pressures from below.

4. Understanding 'failure'

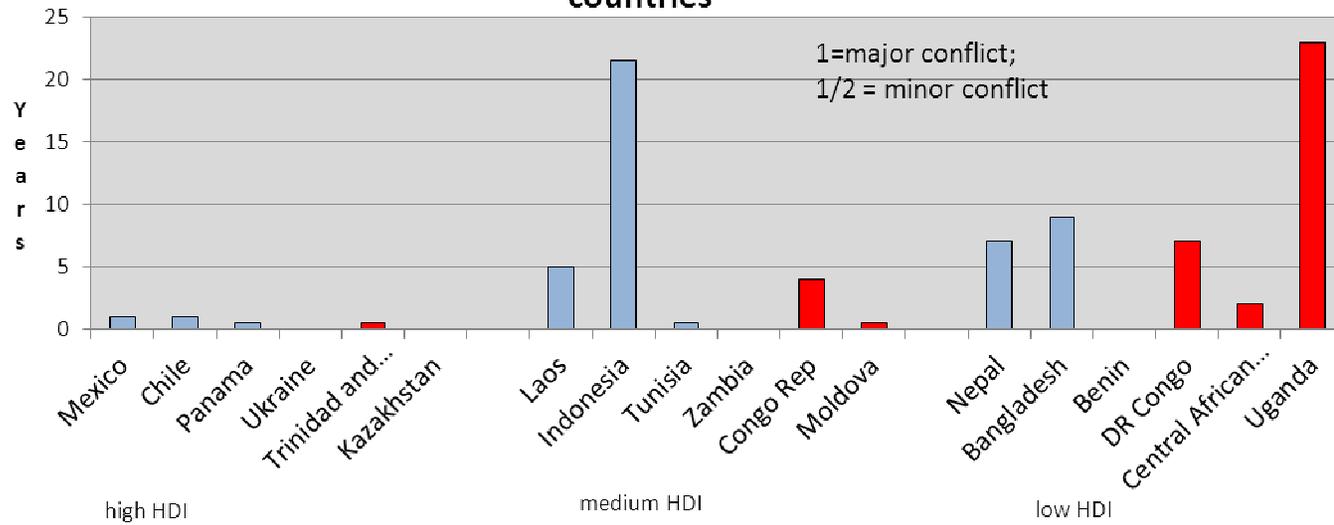
Zambia - fell from middle HDI to low HDI category

- Also autocracy and democracy. Corruption less than Bangladesh and Indonesia (ranked 99)
- Economic collapse, due to copper price decline; hit by debt crisis of the 1980s.
- Cuts in social services. AIDs epidemic compounded situation. Rising infant mortality.
- Politics patrimonial and ethnic. Urban-biased.
 - 'Those seeking high office...were not constrained by electoral mechanisms.. They did not have to champion the interests of those at its lower reaches' (Bates and Collier 1995).
- When democracy introduced, sectional politics prevailed with a 'disconnect between people's needs and the way the county affairs are run' (Abdi and Shiza). Made possible partly by huge aid inflows.
- Weak civil society including local NGOs.

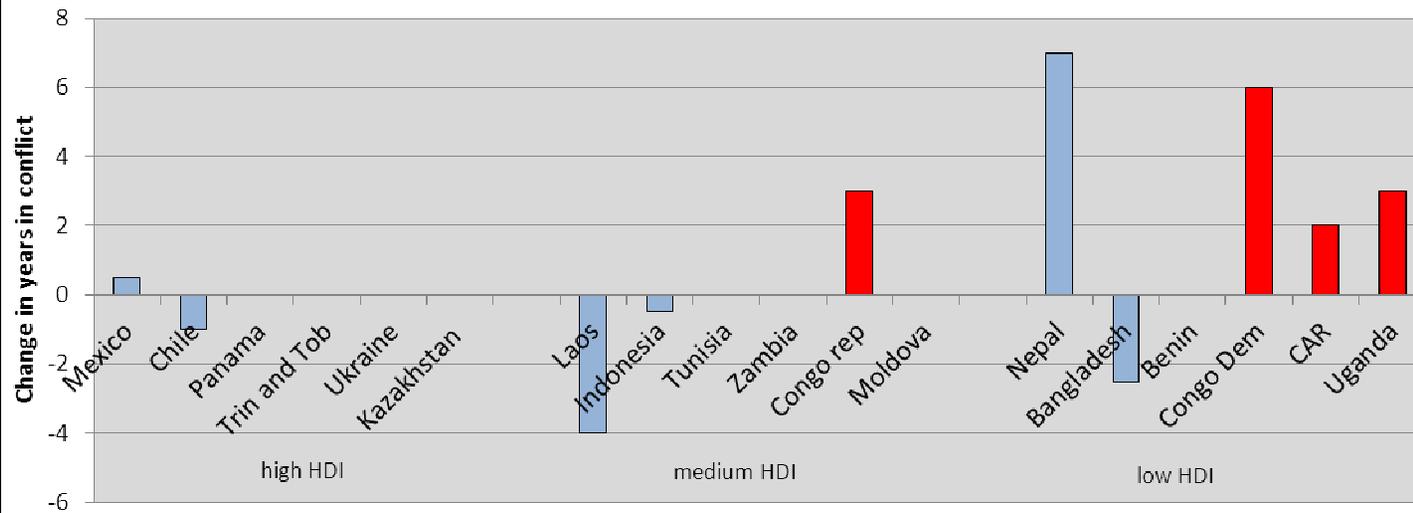
Failure can be due to violent conflict

- Feature of all low HDI 'failures' in progress: Congo (DRC); Central African Republic, Uganda). Undermines growth and social services.
- But also a feature of some successes: Laos, Indonesia, Nepal, Bangladesh.
- But successes generally saw greater reduction in conflict years than failures from 1970s to 1996-2005, apart from Nepal.

Years in Conflict, 1970-2005, among best and worst shortfall reduction countries



Change in years in conflict, from 1970-79 to 1996-2005 among best and worst shortfall reduction countries



Beyond the HDI

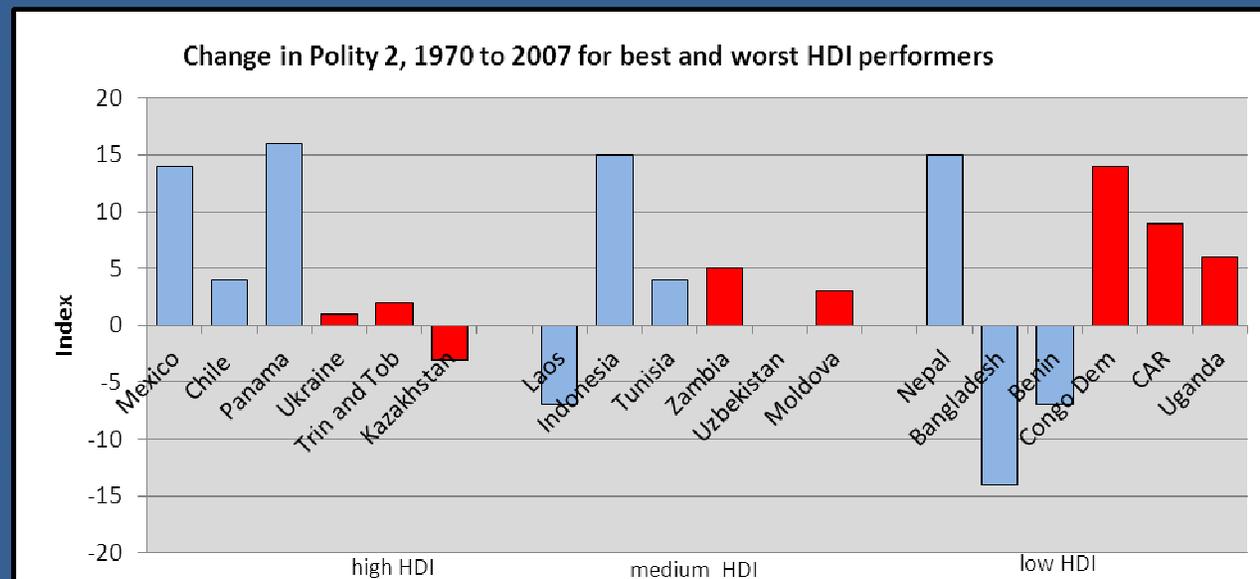
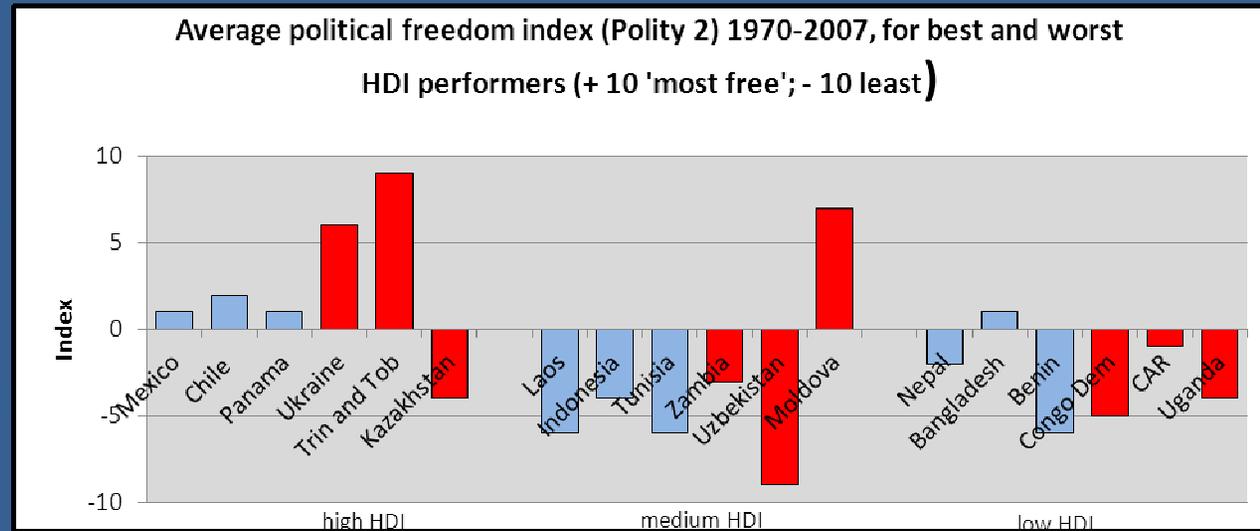
Identified 11 categories: (derived from philosophical investigations)

1. Mental well-being (i.e., an individual's psychological state)
 2. Empowerment
 3. Political freedom
 4. Social relations
 5. Community well-being
 6. Inequalities
 7. Work conditions
 8. Leisure conditions
 9. Dimensions of security – political (i.e., freedom from political violence or instability)
 10. Dimensions of security – economic (i.e., freedom from economic fluctuations)
 11. Environmental conditions
- NB found little relationship between measures of these and the HDI (and even less with income per capita)

Beyond the HDI, 1970-2007

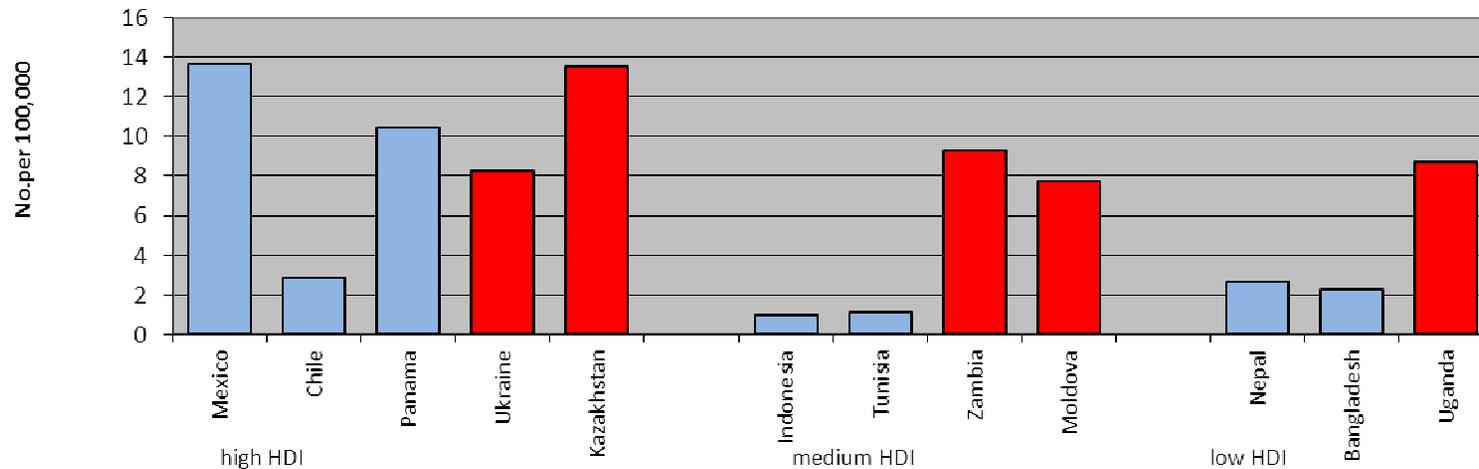
1. Political rights (Polity2)
2. Community wellbeing, measured by homicide rate and incidence of violent conflict
3. Environmental stability (index from Yale Center for Environmental Law and Policy)
4. Inequality, measured by Gini
5. Gender empowerment (measured by GEM)

Political rights and political change

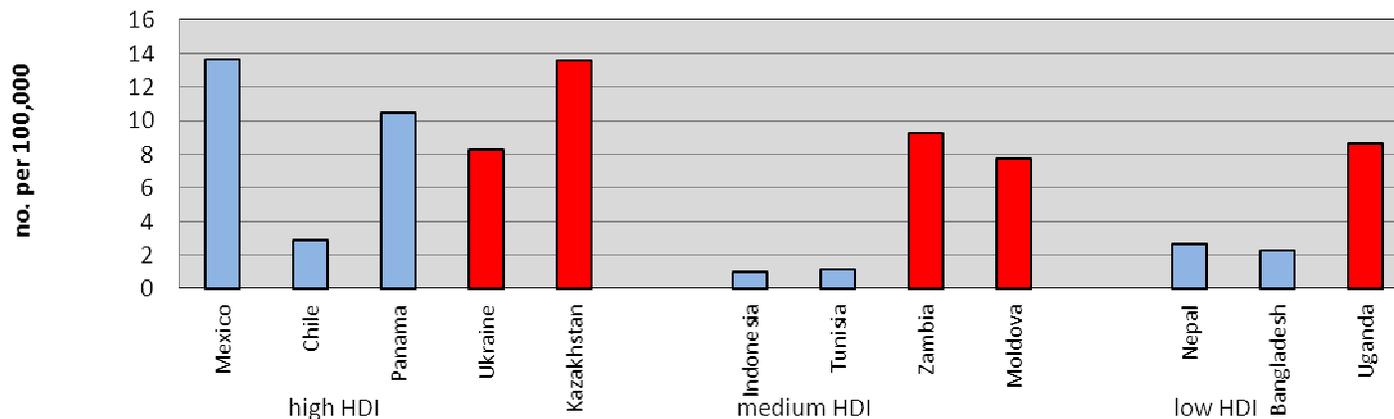


Community well being: prosecuted homicides

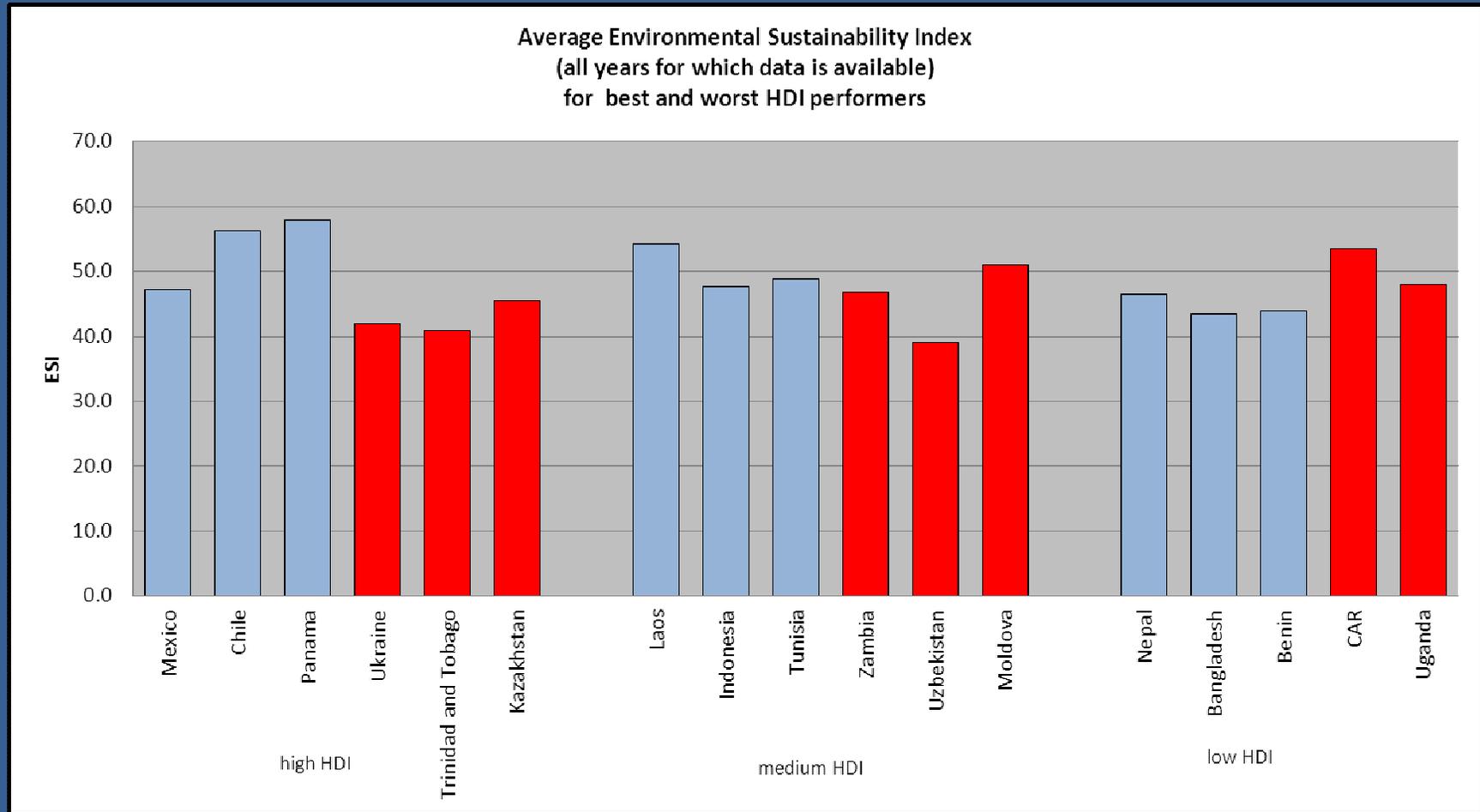
Average rates of prosecution for homicide, 1995-2005, per 100,000 among best and worst HDI performers



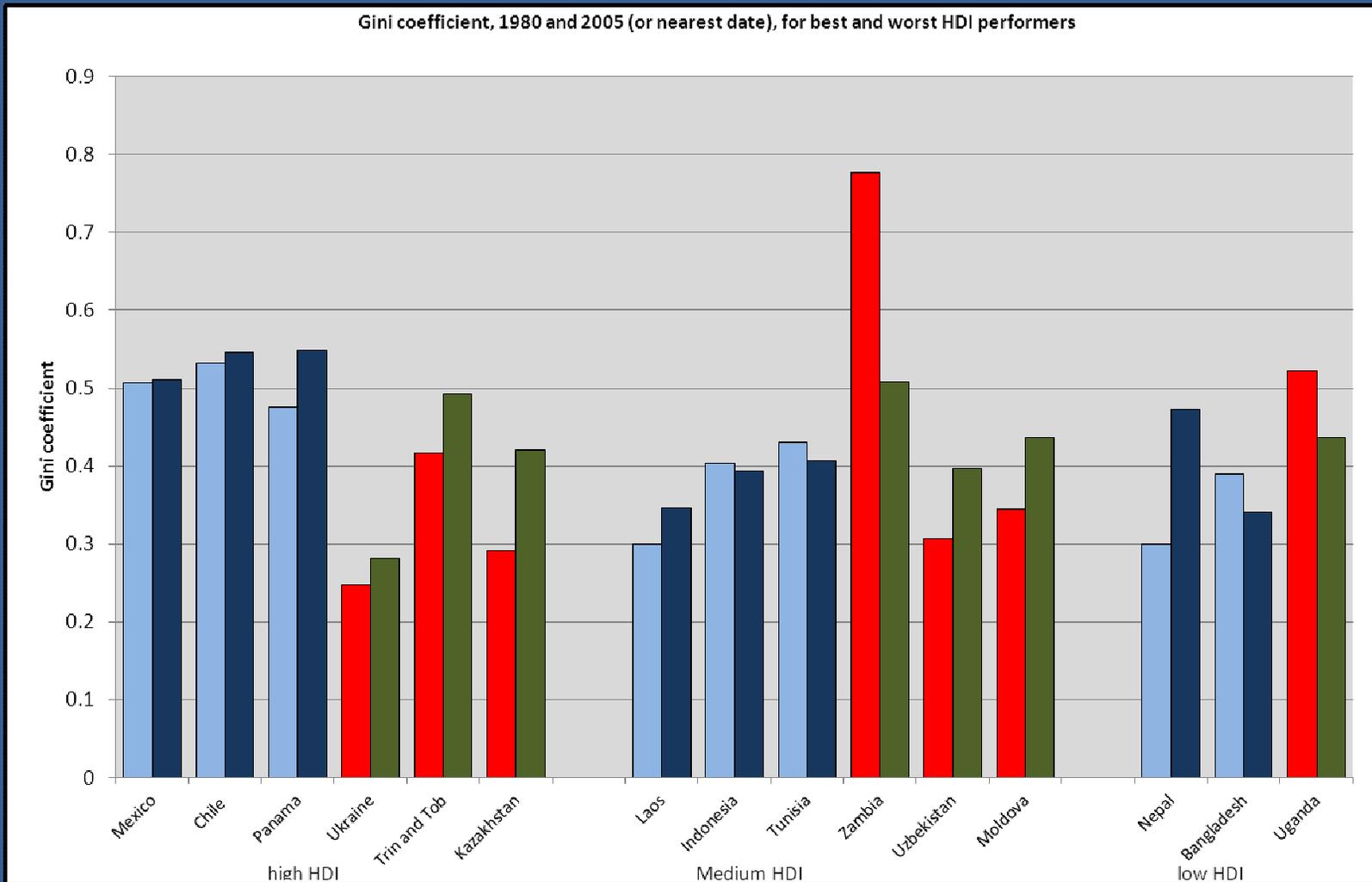
Change in rate of prosecution for intentional homicide per 100,000 population (1995-2005; all available years) for best and worst HDI performers



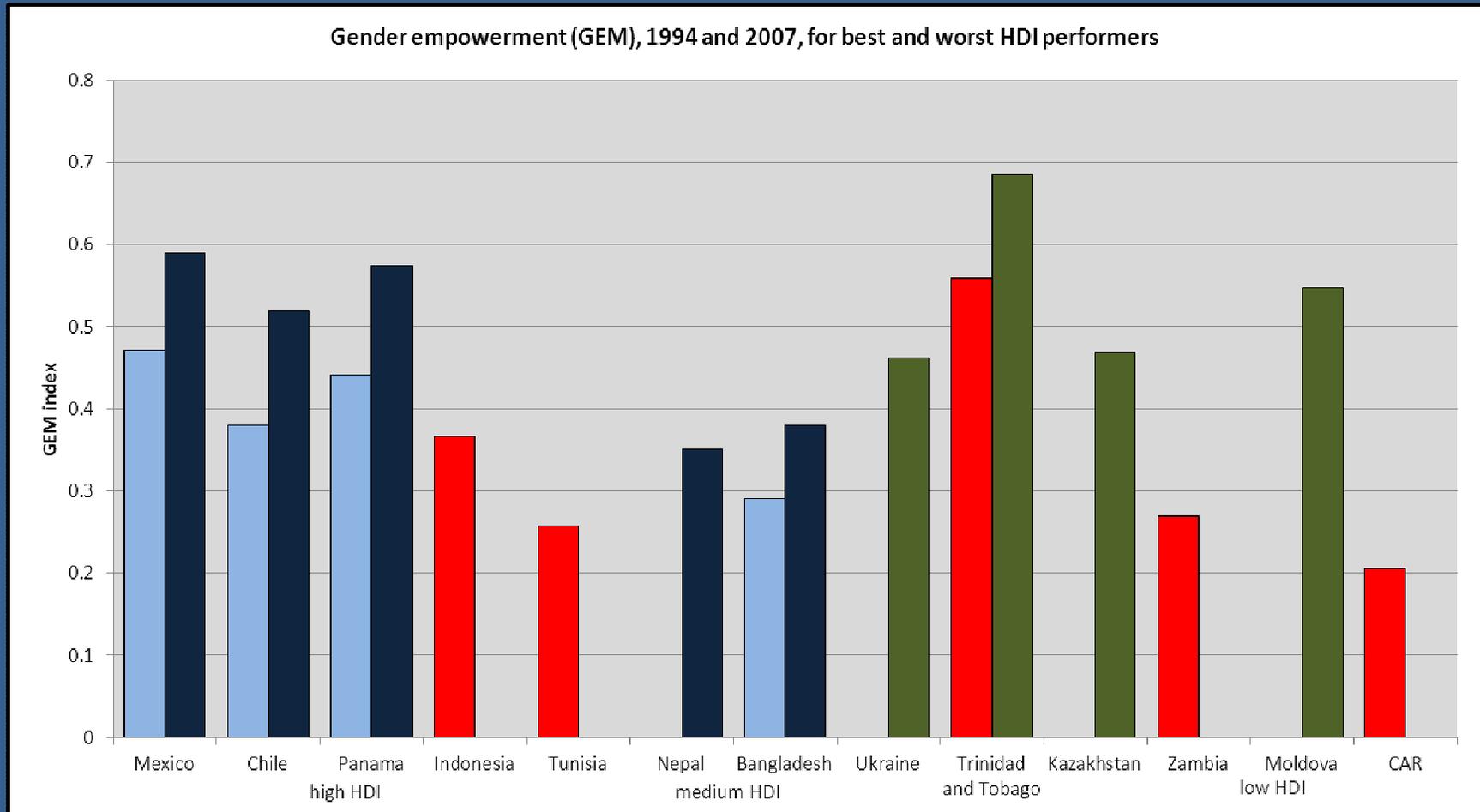
Environmental sustainability



Inequality



Gender empowerment



Conclusions

- Success in (narrow) HD due to a combination of growth, distribution, social expenditure and social priorities.
- This in turn reflects both political systems and objectives and economic structures and opportunities.
- Political system may be autocratic or democratic for success – but both systems associated with failure as well as success.
- Local NGOs can substitute for state (Bangladesh) although highly unusual.
- Not much relationship between success and failure on HDI and wider dimensions of HD, including political freedoms, security, environment sustainability.

Finally...

- HD is obviously desirable as the overriding objective of development.
- It is essential even for those who regard economic growth as the main objective.
- And it is possible, even for the poorest countries with lowest HDI, as experience of Laos, Bangladesh, and Benin show.
- A huge tribute to Mahbub ul Haq that these conclusions are widely accepted.