

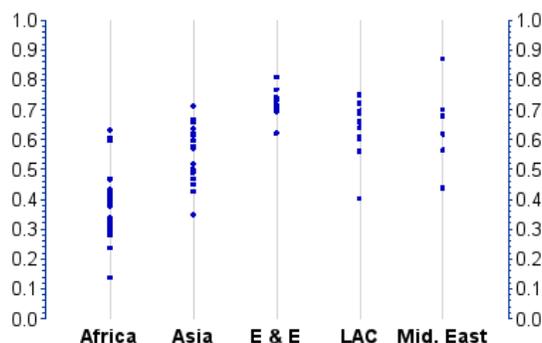
## Human Development Report 2010: The Real Wealth of Nations

The *Human Development Report 2010* is the 20<sup>th</sup> anniversary of UNDP's flagship report. Due to the historic nature of the report, this year's represents a marked change from previous Reports. While the Human Development Index (HDI) remains, three new indices have replaced the ones used in previous Reports. The new indices are: the Inequality-adjusted HDI, Gender Inequality Index and Multidimensional Poverty Index. Each serves to provide greater information to users of the HDI and attempts to present a fuller view of human development throughout the world. All tables, charts and graphs refer to countries receiving at least \$2 million in USAID assistance for fiscal year 2008.

### The Human Development Index: Mixed Results for USAID Countries

The HDI is a measurement meant to indicate how well a country is doing in meeting the challenge to provide not only increased economic well-being, but an environment that creates health and education opportunities for the entire population. The principles of the HDI (with scores from 0.14 to 0.938, numbers closer to 1.0 being better) have not changed, but its components have. The Report emphasizes that none of the new indices mean that the older ones are invalid or were incorrect, the new indices serve as compliments and the Report asserts they provide a better picture of human development throughout the world. While the countries with very high human development continue to be developed countries (with Norway leading again this year), the reformulation of the HDI provides greater insight into the progress of USAID assisted countries.

**HDI: 2008 country scores**



Of the countries receiving USAID assistance, Israel is the highest ranked country this year at 15<sup>th</sup> overall and one of the countries included in the very high human development category. Cyprus, at 35<sup>th</sup>, is also considered to be in that group, while the rest of the top 10 USAID assisted countries fall in the high human development category. The bottom 10 USAID assisted countries represent seven of the bottom 10 countries overall. According to the Report, Zimbabwe and Congo (Kinshasa) represent two of three countries that have seen an overall decline in HDI score since 1970, but even these countries have posted improvements in recent years.

Top 10 USAID Assisted Countries		
Rank	Country	Score
15	Israel	0.872
35	Cyprus	0.81
49	Montenegro	0.769
54	Panama	0.755
56	Mexico	0.75
58	Bulgaria	0.743
60	Serbia	0.735
61	Belarus	0.732
62	Costa Rica	0.725
63	Peru	0.723

Bottom 10 USAID Assisted Countries		
Rank	Country	Score
157	Ethiopia	0.328
158	Sierra Leone	0.317
159	Central African Rep.	0.315
160	Mali	0.309
162	Liberia	0.3
163	Chad	0.295
165	Mozambique	0.284
166	Burundi	0.282
168	Congo (Kinshasa)	0.239
169	Zimbabwe	0.14

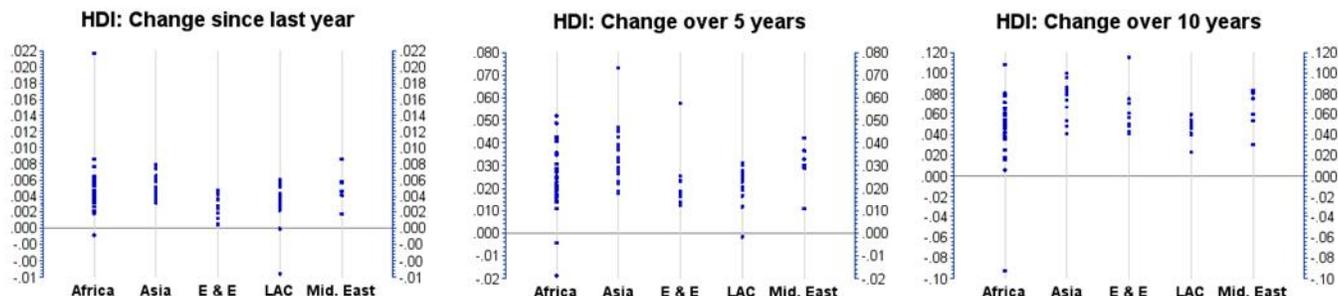
Most Improved Countries 2009-2010	
Country	Change in Score
Zimbabwe	0.022
Yemen	0.009
Malawi	0.009
China (P.R.C.)	0.008
Turkmenistan	0.008
Zambia	0.008
Afghanistan	0.008
Burma (Myanmar)	0.007
Botswana	0.007
India	0.007

The most improved countries indicate the marginal nature of most human development improvements. While Zimbabwe has the lowest HDI score this year, it also had the most improved score. Zambia was also one of the most improved countries and the third country with a lower HDI score now than it had 40 years ago. Such small increases in score representing the greatest HDI improvements only illustrate the difficulty of raising human development.



### Trends in Human Development: Positive Long-Term Trends

The Report paints an overall bright picture of human development over the past 20 years. It notes the vast majority of countries are seeing improvements in their development over the long-term. From 1970 to 2010, the world’s average HDI score increased from 0.48 to 0.68, in part due to strong influences from India and China. Improvements in HDI score are not purely income driven; many of the top improvers are those who increased access to health and education, which include Nepal and Tunisia. However, three countries have lower scores today than they did 40 years ago: Congo (Kinshasa), Zambia and Zimbabwe. All had their scores decline, but all three also exhibit recent rebounds in their HDI scores.



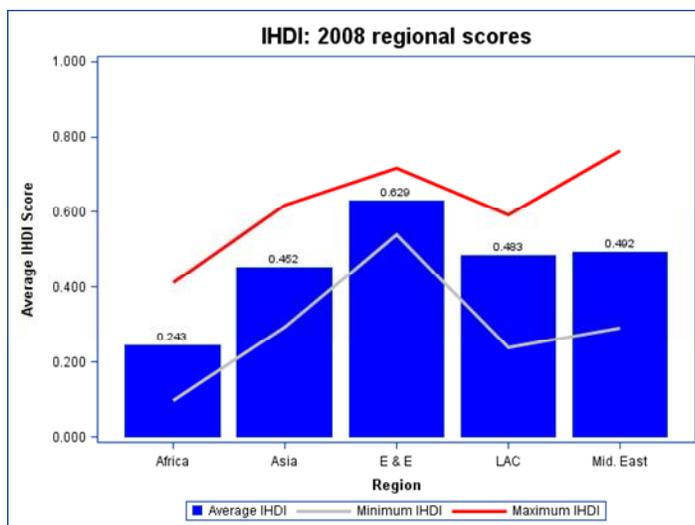
The changes in HDI score over one, five and 10 years indicate the general positive trend noted in the Report. Countries in Asia and the Middle East are consistently making positive improvements in HDI, and these changes are not solely dependent on improved per capita incomes. A key insight from these charts is that the vast majority of countries are improving. There are some countries with negative changes over the one, five and ten year periods, but negative changes are limited to one or two countries, even in sub-Saharan Africa.

### Inequality-adjusted HDI: Unequal Health and Education Outcomes Slow Development

One of the new indices introduced for the 2010 Report is the inequality-adjusted HDI (IHDI). Like the traditional HDI, it varies from 0 to 1, with higher values indicating a greater level of development. However, adjustments are made to account for disparities in how health, education and income are distributed across a country’s population. UNDP found that the average loss in HDI score to inequality was 22 percent, with Mozambique suffering the greatest loss at 45 percent. Sub-Saharan Africa was affected in all three areas from inequalities, while Asia lost ground due to health inequality, the Middle East from education inequality and Latin America from income inequality.

The Report notes that generally, countries with less overall development tend to have higher degrees of inequality. When adjusted for inequality, there are some changes in the top and bottom 10 USAID assisted countries. Israel is still the top country and Cyprus is second, but no Latin American countries remain. All the Latin American countries were replaced with countries from Eastern Europe and Eurasia, where the Report notes a more egalitarian distribution. While the bottom 10 countries continue to all be African, with Zimbabwe and Congo (Kinshasa) still at the bottom, but Ethiopia no longer among them.

Examining regional averages and ranges for IHDI illustrates where some of these changes in rankings originate. LAC and the Middle East are the most affected by disparate levels of inequality, while Eastern Europe has less variation in inequality. Sub-Saharan Africa is less developed and suffers from a gap about as large as Asia’s. These factors contribute to the disparities in the resulting IHDI scores.

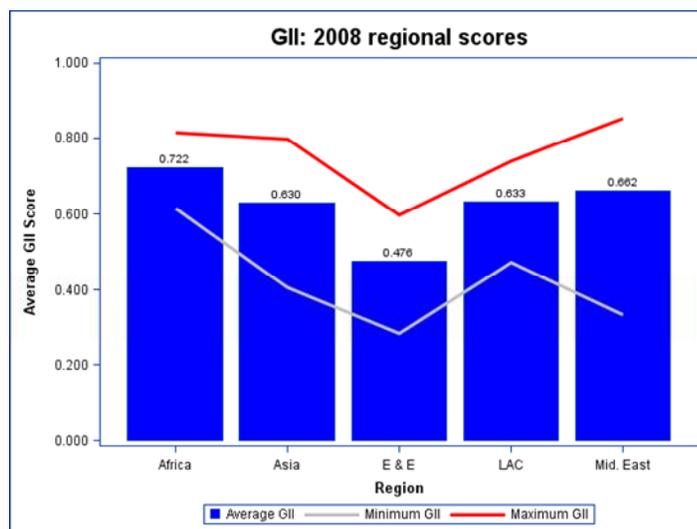


## Gender Inequality Index: A Major Barrier to Human Development

The second of the three new indices for the 2010 Report is the Gender Inequality Index (GII). The GII is a composite measure of inequalities between men and women in three dimensions: reproductive health, empowerment and the labor market. Previous HDI's used the Gender-related Development Index and the Gender Empower Measure, but they did not employ all of the information the GII uses. GII scores vary from 0 to 1, but unlike the HDI, high scores for the GII indicate greater inequality. The average score for the GII is 0.56, indicating that the loss to gender inequality in development is 56 percent. South Asia suffered the worst, with a 0.74 score, with sub-Saharan Africa and the Middle East suffering large losses as well. Indicators show that the biggest driver of gender inequality in these regions is reproductive health.

The Report compares regional differences in gender inequality and its influence on GII. This comparison not only shows that reproductive health is a critical factor, but also the weak female empowerment seen in Asia and the Middle East. Once again, the bottom 10 USAID assisted countries in the GII are in sub-Saharan Africa, but the worst GII score belongs to Yemen, which has the highest GII overall. The best USAID countries are Cyprus (15<sup>th</sup> overall) and Israel (28). They are joined by countries in Eastern Europe and Asia not previously represented, including China (38), Russia (41) and Mongolia (57).

On average, sub-Saharan Africa has the highest GII score at 0.722, while Eastern Europe and Eurasia have the lowest average at 0.476. Even the highest, and therefore most unequal, score in Eastern Europe is lower than the averages of the other countries. The range of GII scores also serves to highlight that Asia and the Middle East have countries with vastly different levels of gender inequality and that sub-Saharan Africa has relatively high inequality overall.



## Multidimensional Poverty Index: Measuring More than Economic Hardship

The third of the three new indices for the 2010 Report is the Multidimensional Poverty Index (MPI). The MPI (featured in Snapshot 22 from September 2010) is a new method of measuring the level of poverty in a country. Rather than focus largely on economic hardship (such as those living on less than \$1.25/day), the MPI looks at multidimensional deprivations and their intensity, with an emphasis on the three areas of the HDI: living standards, health and education. The MPI replaces the Human Poverty Index and addresses its shortcomings by focusing on how many deprivations on average people in a country experience and how many overlapping deprivations they face. For a person to be multidimensionally poor, the weighted indicators of deprivation must add up to at least 30 percent. Using the MPI, the 2010 Report estimates that around 1.7 billion, or a third of the entire population of the 104 countries with MPI scores, suffer from multidimensional poverty.

The first view of the MPI to emerge is that is appropriate primarily for developing countries (which is why only 104 countries have MPI scores). Another is that deprivations exist

more in Asia, sub-Saharan Africa and poorer Latin American countries. However, it also shows that the head count rate of poverty results in a higher poverty level for countries like Uzbekistan and China than the MPI. The MPI finds higher levels of poverty in Cambodia and Ethiopia. Like the GII, MPI scores closer to 1 represent more poverty, of which the bottom 10 USAID assisted countries are all in sub-Saharan Africa (with an average MPI score of 0.379) and the top 10 are primarily in Eastern Europe and Eurasia (with an average score of 0.006).

Top 10 MPI Countries		
Rank	Country	Score
2	Belarus	0
5	Kazakhstan	0.002
9	West Bank/Gaza	0.003
9	Bosnia and Herzegovina	0.003
9	Georgia	0.003
9	Serbia	0.003
12	Albania	0.004
13	Russia	0.005
15	Montenegro	0.006
20	Armenia	0.008

Bottom 10 MPI Countries		
Rank	Country	Score
92	Angola	0.452
93	Mozambique	0.481
94	Liberia	0.484
95	Sierra Leone	0.489
96	Guinea	0.505
97	Central African Rep.	0.512
98	Somalia	0.514
99	Burundi	0.53
101	Mali	0.564
102	Ethiopia	0.582

## How the 2010 Human Development Scores and Rankings are Determined

The methodology for calculating the HDI scores as well as each of the new sub-indices is obviously different than in previous Reports. The HDI remains a composite index, but the way that health, education and standards of living are measured has changed slightly. Health is still determined by life expectancy at birth, but education is measured by expected years of schooling and standard of living is measured by gross national income adjusted for purchasing power parity. Both indicators were changed to create a more complete picture of how knowledge and income influence human development. HDI scores are now calculated as geometric, meaning differences in performance are more easily captured across dimensions and therefore substituting a high income for low health outcomes will not result in higher HDI scores. Additionally, the lower bounds for HDI components were set at: 20 years for life expectancy, education variables at 0 and GNI per capita at PPP \$163. All three dimensions are weighted equally in determining HDI scores.

The previous indices used in the HDI construction were replaced, requiring an explanation as to how each sub-index score was created. The first sub-index is the IHDI. IHDI is determined by using the geometric mean of dimension indices that have been adjusted for inequality. The adjustments are based on the Atkinson family of inequality measures. The IHDI is subgroup consistent, meaning that if inequality declines in one subgroup, but remains constant in the rest of the population, inequality overall will decline. IHDI can also be computed by first computing inequality for each dimension and then across dimensions, implying IHDI could be determined by combining data from multiple sources. The Gini index was not used as it was not consistent for all subgroups.

The second sub-index is the GII. The GII is created from major publically available databases and covers three dimensions: reproductive health, empowerment and the labor market. Reproductive health is further broken down into the maternal mortality ration and adolescent fertility rate. Empowerment is based on the share of parliamentary seats held by the sexes and educational achievement levels. The labor market participation rate of women is the final indicator. While the reproductive health dimension is not directly comparable to men, the Report views lower maternal mortality and adolescent fertility as societal goals. The GII replaces the Gender Development Index, because it only measured HDI with relation to gender, and the Gender Empowerment Measure, primarily because it was more relevant to developed rather than developing countries.

The third sub-index is the MPI. The MPI was created to measure the level and intensity of deprivations in health, education and standard of living. The MPI replaces the Human Poverty Index and can more easily identify individuals, households or larger groups that are jointly deprived by capturing overlapping deprivations and how many deprivations are faced on average. The MPI used in this Report identifies overlapping deprivations at the household level, to be multidimensionally impoverished a household must be deprived in multiple indicators at the same time. A person is multidimensionally poor when the weighted indicators add up to at least 30 percent. The MPI does not use income in its poverty determinations due to most countries not being able to identify if the same person was both income and MPI poor.

## Limitations of the Data

There are several limiting factors influencing each of the indices used in the current Report. The UNDP cautions against comparing HDI scores across years as the process of computing the HDI changes. In the report, UNDP calculated HDI that are comparable for the years 1980, 1985, 1990, 1995, 2000, 2005, 2009 and 2010. For the new indices, only a single year of scores is available and comparisons across time cannot be made until the UNDP decides if and how to continue the specific index. Due to data limitations, the IHDI does not capture all overlapping inequalities. The GII also faces data limitations and a limited number of available indicators. The GII does not include information on a woman's income in the labor market nor time use that decreases leisure, such as family care. The MPI is also limited by data constraints. MPI indicators are both outputs and inputs, health data is relatively weak, careful judgments were needed for some missing data, intra-household inequalities could not be reflected, MPI does not measure inequality among the poor and the data cover various years between 2000 and 2008, limiting direct cross-country comparability.

### How Can I Get the Human Development Report Data?

To access the complete country Human Development Report dataset, visit the Economic and Social Database (ESDB) on the USAID Intranet at <http://esdb.eads.usaidallnet.gov/>. The ESDB website also offers related datasets from the United Nations and other sources. Use the Analytic Tools (<http://esdb.eads.usaidallnet.gov/analysis/>) on the site to access standard country profiles or to generate customized tables and graphs.