

*Planning Commission - UNDP sponsored*  
*"Strengthening State Plans for Human Development"*

# Training of Trainers Workshop on Human Development

## **MODULE: 1**

*Introduction to Human Development*

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## **MODULE 1**

### **Introduction to Human Development**

**Time – One hour thirty minutes**

#### **Learning Outcomes:-**

Knowledge acquired through this module will allow the participants to:-

- Explain the common characteristics of Developing nations
- State the concept of Human Development
- Discuss the issues relating to Economic Growth & Human Development
- Explain Human Development Strategies

We attempt to provide an overview of the great diversity of developing countries. Despite these variations, however, Third World nations share a common set of problems, both domestic and international – problems that in fact define their state of underdevelopment.

#### **Common Characteristics of Developing Nations**

Common economic features of developing countries permit us to view them in a broadly similar framework. We will attempt to identify these similarities and provide illustrative data. For convenience, we can classify these common characteristics into seven broad categories:

1. Low levels of living, characterized by low incomes, inequality, poor health, and inadequate education.
2. Low levels of productivity
3. High rates of population growth and dependency burdens
4. High and rising levels of unemployment and underemployment
5. Substantial dependence on agricultural production and primary-product exports.
6. Prevalence of imperfect markets and limited information.
7. Dominance, dependence and vulnerability in international relations.

#### **Low Levels of Living**

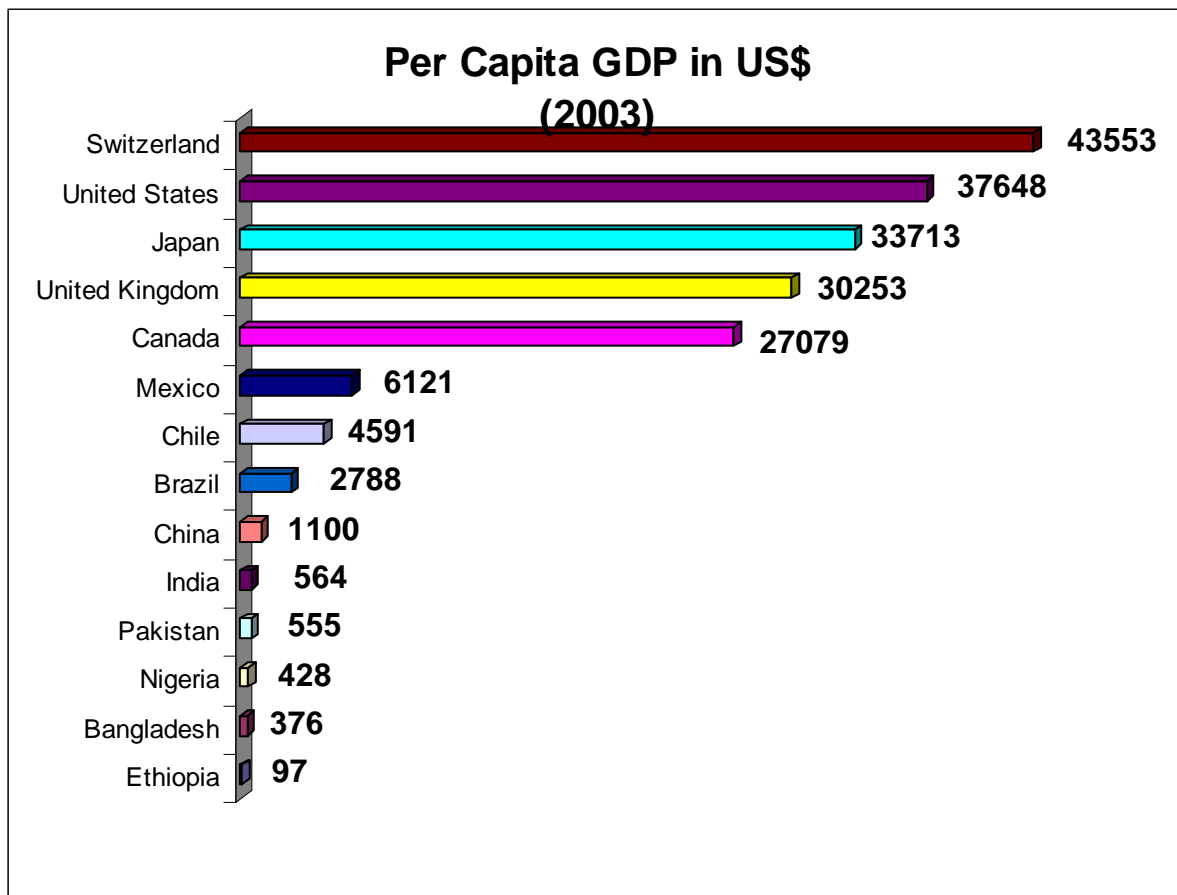
In developing nations, general levels of living tend to be very low for the vast majority of people. This is true not only in relation to their counterparts in rich nations but often also in relation to small elite groups within their own societies. These low levels of living are manifested quantitatively and qualitatively in the form of low incomes (poverty), inadequate housing, poor health, limited or no education, high infant mortality, low life and work expectancies, and in many cases a general sense of malaise and hopelessness. Let us look at some recent statistics comparing certain aspects of life in the underdeveloped countries and in the more economically advanced nations. Although these statistics are national aggregates,

often incorporate substantial errors of measurement, and in some cases are not strictly comparable due to exchange rate variations, they do provide at least a summary indication of relative levels of living in different nations.

### Per Capita National Income

The gross national product (GNP) per capita is often used as a summary index of the relative economic well-being of people in different nations. The GNP itself is the most commonly used measure of the overall level of economic activity. It is calculated as the total domestic and foreign value added claimed by a country's residents without making deductions for depreciation of the domestic capital stock. The gross domestic product (GDP) measures the total value for final use of output produced by any economy, by both residents and non-residents. Thus GNP comprises GDP plus the difference between the income residents receive from abroad for factor services (labour and capital) less payments made to non-residents who contribute to the domestic economy.

As an illustration of the per capita income gap between rich and poor nations, look at **Figure 1**.



Per capita GNP comparison between developed and less developed countries like those shown in Figure 1 are however, sometimes exaggerated by the use of official foreign-

exchange rates to convert the LDC national currency figures into U.S. dollars. This conversion does not measure the relative domestic purchasing power of different currencies. In an attempt to rectify this problem, researchers have tried to compare relative GNPs and GDPs by using purchasing power parties (PPPs) instead of exchange rates as conversion factors. PPPs use a common set of international prices for all goods and services produced. More precisely, purchasing power parity is defined as the number of units of a foreign country's currency required to purchase the identical quantity of goods and services in the local (LDC) market as \$1 would buy in the United States. In India, your pay less than Rs. 10 to travel 5 km by bus but in UK you are to pay more than Rs. 100 for same service. Clearly if LDC domestic prices are lower, PPP measure of GNP per capita will be higher than estimates using foreign-exchange rates as the conversion factor.

**Table 1: A comparison of Per Capita GNP in selected Developing Countries Using Official Exchange-Rate and Purchasing Power Parity Conversions, 1997**

Country	Exchange Rate	Purchasing Power Parity
Argentina	3524	12106
Bangladesh	376	1770
Brazil	2788	7790
Chile	4591	10274
China	1100	5003
India	564	2892
Indonesia	970	3361
Malaysia	4187	9512
Sri Lanka	948	3778
Thailand	2305	7595
Venezuela	3326	4919

### **Relative Growth Rates of National and Per Capita Income**

In addition to having much lower levels of per capita income, many developing countries and regions have experienced slower GNP growth than the developed nations. But the situation is improving since 1990s.

**Table 2: Growth Rates of Real Gross National Product Per Capita: Percentage Average Annual Growth, 1980-1990, 1990-2000, 2000-2004**

Country	1980-1990	1990-2000	2000-2004
Kenya	0.3	2.2	2.7
Nigeria	-3.0	2.5	5.4
Bangladesh	1.0	4.8	5.2
India	3.2	6	6.2
Indonesia	4.1	4.2	4.6
Sri Lanka	2.4	5.3	3.7

Brazil	0.6	2.9	2
Mexico	-0.9	3.1	1.5
Venezuela	-2.0	1.6	-1.2

### Distribution of National Income

The growing gap in per capita incomes between rich and poor nations is not the only manifestation of the widening economic disparity between the world's rich and poor. To appreciate the breadth and depth of Third World poverty, it is also necessary to look at the growing gap between rich and poor within individual LCDs.

**Table 3: Global Income Disparity between the Richest and Poorest 20 Percent of selected countries during 1998-2002**

Year	Share of Income or Consumption	
	Poorest 20%	Richest 20%
Argentina	3.1	56.4
Chile	3.3	62.2
Malaysia	4.4	54.3
Brazil	2.4	63.2
Thailand	6.1	50
Venezuela	3.0	53.4
China	4.7	50
Sri Lanka	8.3	42.2
Indonesia	8.4	43.3
Egypt	8.6	43.6
South Africa	3.5	62.2
India	8.9	43.3
Pakistan	8.8	42.3
Bangladesh	9.0	41.3

Source: Human Development Report 2005

### Extent of Poverty

The magnitude and extent of poverty in any country depends on two factors: the average level of national income and the degree of inequality in its distribution. Clearly, for any given level of national per capita income, the more unequal the distribution, the greater the incidence of poverty. Similarly, for any given distribution, the lower the average income level, the greater the incidence of poverty.

**Table 4: Income poverty by region, selected year 2001**

Region	Number of people living below \$1 per day (\$1.08 per day) (Million)	Head Count Indices: Percentage of Population living below \$1 per day
East Asia	271.3 (24.8)	14.9
of which China	211.6 (19.4)	16.6

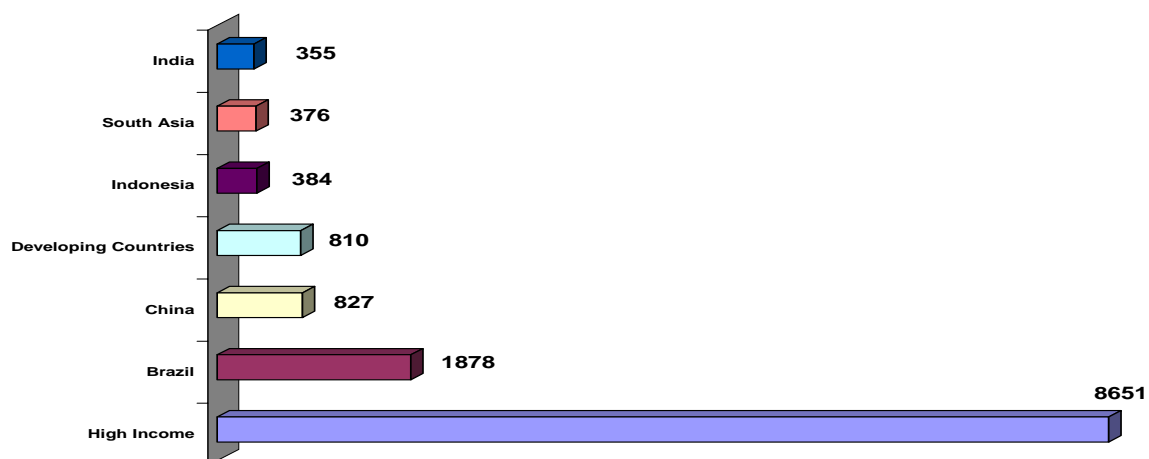
Eastern Europe & Central Asia	17.6 (1.6)	3.7
Latin America & Caribbean	49.8 (4.6)	9.5
Middle East & North Africa	7.1 (0.6)	2.4
South Asia	431.1 (39.5)	31.3
of which India	358.6 (32.8)	34.7
Sub Saharan Africa	315.8 (28.9)	46.9

Source: How have the world's poorest fared since the early 1980s: Shaohua Chen & Martin Ravallion, Development Research Group, World Bank

### Electricity

Consumption of electricity is an important indicator of development. It is revealed from the Figure 2 that there is a wide disparity in the consumption of electricity.

**Figure 2 - Per Capita Electricity Consumption**



### Health

In addition to struggling on low income, many people in developing nations fight a constant battle against malnutrition, disease and ill health. Although there have been some significant improvements since the 1960s.

**Table 5: Survival: progress and setbacks**

Country	Life Expectancy at Birth 2000-05	Infant Mortality Rate 2003 (per 1000 live birth)	Under five Mortality Rate 2003 (per 1000 live birth)	Maternal Mortality Rate (per 100,000 live birth) 1985-2003

Argentina	74.3	17	20	46
Chile	77.9	8	9	17
Malaysia	73	7	7	50
Brazil	70.3	33	35	75
Thailand	69.7	23	26	36
Venezuela	72.8	18	21	60
China	71.5	30	37	50
Sri Lanka	73.9	13	15	92
Indonesia	66.5	31	41	310
Egypt	69.6	33	39	84
South Africa	49	53	66	150
India	63.1	63	87	540
Pakistan	62.9	81	103	530
Bangladesh	62.6	46	69	380
Nigeria	43.3	98	198	..

Source: Human Development Report 2005

### Education

As a final illustration of the very low levels of living that are pervasive in developing nations, consider the spread of educational opportunities. The attempt to provide primary school educational opportunities has probably been the most significant of all LDC development efforts. In spite of some impressive quantitative advances in school enrolments, literacy levels remain strikingly low compared with the developed nations.

**Table 6**

Country	Adult Literacy (% of ages 15 and above) 2003	Children reaching Grade 5 (% of grade 1 students) 2001/02
Argentina	97.2	92
Chile	95.7	99
Malaysia	88.7	87
Thailand	92.6	94
Venezuela	93	84
China	90.9	99
Sri Lanka	90.4	98
Indonesia	87.9	89
Egypt	55.6	98
South Africa	82.4	65
India	61	84
Bangladesh	41.1	54

Source: Human Development Report 2005

We can list the following common characteristics of developing countries:

1. Low relative levels and in many countries slow growth rates of national income.
2. Low levels and in many countries stagnating rates of real income per capita growth.

3. Highly skewed patterns of income distribution, with the top 20% of the population receiving 5 to 10 times as much income as the bottom 40%.
4. Consequently, great masses of Third World populations suffering from absolute poverty, with up to 1.3 billion people living on subsistence incomes of less than \$370 per year.
5. Large segments of populations suffering from ill health, malnutrition and debilitating diseases, with infant mortality rates running as high as 10 times those in developed nations.
6. In education, low levels of literacy, significant school dropout rates, and inadequate and often irrelevant educational curricula and facilities.

Most important is the interaction of all six characteristics, which tends to reinforce and perpetuate the pervasive problems of “poverty, ignorance and disease” that restrict the lives of so many people in the developing world.

### **High Rates of Population Growth and Dependency Burdens**

More than four-fifths of world’s population live in the less developed countries and less than one-fifth in the developed nations. Both birth and death rates are strikingly different between the two groups of countries. Birth rates in less developed countries are generally very high. Whereas those in the developed countries are less than half that figure. Indeed, as shown in Table 7, the crude birthrate (the yearly number of live births per 1,000 population) is probably one of the most efficient ways of distinguishing the less developed from the developed countries. There are few less developed countries with a birth rate below 20 per 1,000 and no developed nations with a birth rate above it.

Death rates (the yearly number of deaths per 1,000 population) in Third World countries are also high relative to the developed nations, but thanks to improved health conditions and the control of major infectious diseases, the differences are substantially smaller than the corresponding differences in birthrates. As a result, the average rate of population growth is now about 2.0% per year in Third World countries (2.3% excluding China), compared to population growth of 0.5% per year in the industrialized world.

A major implication of high LDC birthrates is that children under age 15 make up almost 40% of the total population in these countries, as opposed to less than 21% of the total population in the developed countries. This in most developing countries, the active labour force has to support proportionally almost twice as many children as it does in richer countries. By contrast, the proportion of people over the age of 65 is much greater in the developed nations. Both older people and children are often referred to as an economic

dependency burden in the sense that they are non productive members of society and therefore must be supported financially by a country's labour force (usually defined as citizens between the ages of 15 and 64). The overall dependency burden (i.e both young and old) represents only about one-third of the populations of developed countries but almost 45% of the populations of the less developed nations. Moreover, in the latter countries, almost 90% of the dependents are children, whereas only 66% are children in the richer nations.

**Table 7: Crude Birth rates throughout the World, 1996**

Crude Birthrate	Countries
50 & above	Niger, Congo, Dem. Rep. Guinea-Bissau, Liberia, Uganda
40-49	Mali, Angola, Chad, Burkina Faso, Sierra Leone, Burundi, Somalia, Congo, Rep., Malawi, Benin, Guinea, Mauritania, Nigeria, Rwanda, Zambia, Ethiopia, Yemen, Rep.,
30-39	Eritrea, Kenya, Madagascar, Mozambique, Togo, Côte d'Ivoire, Tanzania, Senegal, Cameroon, Gambia, The, Guatemala, Lao PDR, West Bank and Gaza, Swaziland, Sudan, Ghana, Cambodia, Gabon, Haiti, Papua New Guinea, Zimbabwe
25-29	Bolivia, Honduras, Nepal, Paraguay, Tajikistan, Lesotho, Nicaragua, Syrian Arab Republic, Bangladesh, Jordan, Pakistan, Saudi Arabia, Botswana, Egypt, Arab Rep, Oman, Philippines
20-24	Dominican Republic, El Salvador, India, South Africa, Ecuador, Libya, Morocco, Namibia, Peru, Kyrgyz Republic, Malaysia, Mongolia, Panama, Turkmenistan, Venezuela, RB, Algeria, Colombia, Israel, Uzbekistan, Brazil, Indonesia, Myanmar
15-19	Iran, Islamic Rep, Kuwait, Lebanon, Mexico, Sri Lanka, Turkey, Argentina, Jamaica, Vietnam, Albania, Costa Rica, Tunisia, Azerbaijan, Chile, Ireland, Korea, Dem. Rep, Mauritius, Thailand, United Arab Emirates, Kazakhstan, Uruguay
10-14	New Zealand, Puerto Rico, Trinidad and Tobago, United States, Australia, France, Armenia, China, Denmark, Macedonia, FYR, Netherlands, Norway, United Kingdom, Belgium, Cuba, Finland, Georgia, Russian Federation, Serbia and Montenegro, Spain, Sweden, Austria, Canada, Czech Republic, Estonia, Italy, Moldova, Portugal, Romania, Singapore, Slovak Republic, Switzerland
9	Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Germany, Greece, Hungary, Japan, Korea, Rep., Latvia, Lithuania, Poland, Slovenia, Ukraine

Source: World Development Indicator 2006

We may conclude, therefore, that not only are Third World countries characterized by higher rates of population growth, but they must also contend with greater dependency burdens than rich nations.

### **Substantial Dependence on Agricultural Production and Primary Product Exports**

The vast majority of people in LDCs live and work in rural areas. Over 65% are rurally based, compared to less than 27% in economically developed countries. Similarly, 58% of the labour force is engaged in agriculture, compared to only 5% in developed nations. Agriculture contributes about 14% of the GNP of developing nations but only 3% of the GNP of developed nations.

The basic reason for the concentration of people and production in agricultural and other primary production activities in developing countries is the simple fact that at low income levels, the first priorities of any person are food, clothing and shelter. Agricultural productivity is low not only because of the large numbers of people in relation to available land but also because LDC agriculture is often characterized by primitive technologies, poor organization, and limited physical and human capital inputs. Technological backwardness persists because Third World agriculture is predominantly non commercial peasant farming. In many part of the world, especially in Asia and Latin America, it is characterized further by land tenure arrangements in which peasants rent rather than own their small plots of land.

**Table 8** indicates the agricultural share of the Gross Domestic Product.

Country	Agricultural Shares
Argentina	10
Brazil	10
Bangladesh	21
Burundi	51
Cameroon	44
Chile	4
China	13
Costa Rica	9
Ghana	38
Guatemala	23
India	21
Indonesia	15
Kenya	27
Malwai	39
Malaysia	10
Nicaragua	19
Sri Lanka	18
Thailand	10
Venezuela	5
Zambia	21
Zimbabwe	18

Source World Development Indicator 2006

### **Dependence on Primary Exports**

Most economies of less developed countries are oriented towards the production of primary products (agriculture, fuel, forestry and raw materials) as opposed to secondary (manufacturing) and tertiary (service) activities. These primary commodities form their main exports to other nations (both developed and less developed). For example, all non Asian developing countries, the primary products account for over 70% of exports. Except in countries blessed with abundant supplies of petroleum and other valuable mineral resources and a few leading Asian exporters of manufactured goods, most LDC exports consists of basic foodstuffs, non food cash crops and raw materials. In sub Saharan Africa, for example primary products account for over 80% of total export earnings.

### **Prevalence of Imperfect Markets and Incomplete Information**

There seemed to be a growing consensus that there had been too much government intervention in the workings of Third World economies and that free markets and unfettered competition held the key to rapid economic growth. In the developing countries information is limited and costly to obtain, thereby often causing goods, finances and resources to be misallocated. Whether or not these imperfect markets and incomplete information systems justify a more active role for government (which is also subject to similar problems of incomplete and imperfect information) is an issue that we will be dealing with in later chapters. But their existence remains a common characteristic of developing nations and an important contributing factor to their state of underdevelopment.

### **Dominance, Dependence and Vulnerability in International Relations**

For many less developed countries, a final significant factor contributing to the persistence of low levels of living, rising unemployment and growing income inequality is the highly unequal distribution of economic and political power between rich and poor nations.

### **Concept of Human Development**

We are rediscovering the essential truth that people must be at the centre of all development. The purpose of development is to offer people more options. One of their options is access to income — not as an end in itself but as a means to acquiring human well-being. But there are other options as well, including long life, knowledge, political freedom, personal security, community participation and guaranteed human rights. People cannot be reduced to a single dimension as economic creatures. What makes them and the study of the development process fascinating is the entire spectrum through which human capabilities are expanded and utilised.

UNDP has undertaken to produce an annual report on the human dimension of development. The Human Development Report 1990 is the first such effort.

The central message of the Human Development concept is that while growth in national production (GDP) is absolutely necessary to meet all essential human objectives, what is important is to study how this growth translates — or fails to translate — into human development in various societies. Some societies have achieved high levels of human development at modest levels of per capita income. Other societies have failed to translate their comparatively high income levels and rapid economic growth into commensurate levels of human development. What were the policies that led to such results? In this line of enquiry lie promising seeds of a much better link between economic growth and human development, which is by no means automatic.

The orientation of this Report is practical and pragmatic. It aims to analyse country experience to distil practical insights. Its purpose is neither to preach nor to recommend any particular model of development. Its purpose is to make relevant experience available to all policymakers.

The Report is of a seminal nature. It makes a contribution to the definition, measurement and policy analysis of human development. It opens the debate. Subsequent reports have gone into further detail regarding the planning, management and financing of human development.

#### Defining and measuring human development

The basic objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives. This may appear to be a simple truth. But it is often forgotten in the immediate concern with the accumulation of commodities and financial wealth.

Human development is a process of enlarging people's choices. In principle, these choices can be infinite and change over time. But at all levels of development, the three essential ones are for people to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living. If these essential choices are not available, many other opportunities remain inaccessible. But human development does not end there. Additional choices, highly valued by many people, range from political, economic and social freedom to opportunities for being creative and productive, and enjoying personal self respect and guaranteed human rights.

Table 8 indicates that development must, therefore, be more than just the expansion of income and wealth. It is revealed that GNP per capita in South Africa is as high as 3489 US Dollar. But the life expectancy adult literacy infant mortality rate and under five mortality rate are 48.4 years, 82.4 percent, 53 and 66 respectively. On the other hand, GNP per capita

in Sri Lanka is as low as 948 US dollar. But the life expectancy, adult literacy, infant mortality and under five mortality rate are 74, 90.4%, 13 and 15 respectively.

**Table 8: GNP per capita and selected social indicators (2003) of selected developing countries.**

Country	GNP per capita (US\$)	Human development Report	Life expectancy (years)	Adult literacy	Infant mortality (per 1,000 live births)	Under Five Mortality rate
South Africa	3489	0.658	48.4	82.4	53	66
Venezuela	3326	0.772	72.9	93	18	21
Tunisia	2530	0.753	73.3	74.3	19	24
Equador	2091	0.759	74.3	91	24	27
China	1100	0.755	71.6	90.9	30	37
Sri Lanka	948	0.751	74	90.4	13	15

Source: Human Development Report 2005

### **Economic growth and human development**

Economic growth is essential for human development, but to exploit fully the opportunities for improved well-being that growth offers, it needs to be properly managed. Some developing countries have been very successful in managing their growth to improve the human condition, others less so. There is no automatic link between economic growth and human progress. One of the most pertinent policy issues concerns the exact process through which growth translates, or fails to translate, into human development under different development conditions.

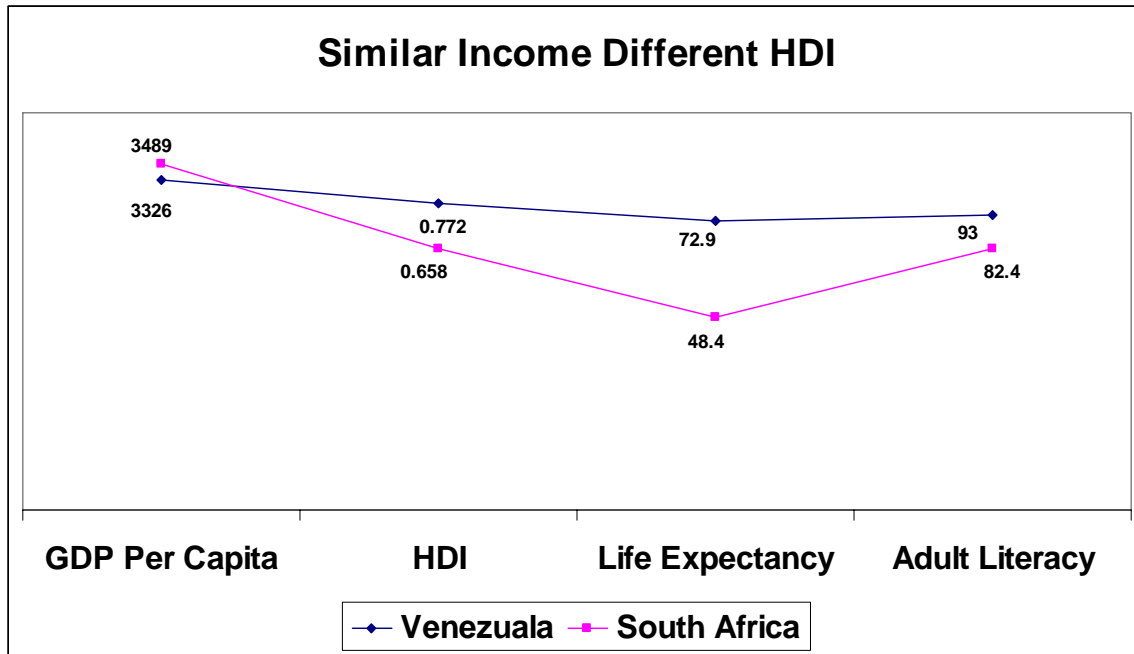
### **Typology of country experience**

The human development experience in various countries during the last three decades reveals three broad categories of performance. First are countries that sustained their success in human development, sometimes achieved very rapidly, sometimes more gradually. Second are countries that had their initial success slow down significantly or sometimes even reverse. Third are countries that had good economic growth but did not translate it into human development. From these country experiences emerges the following typology:

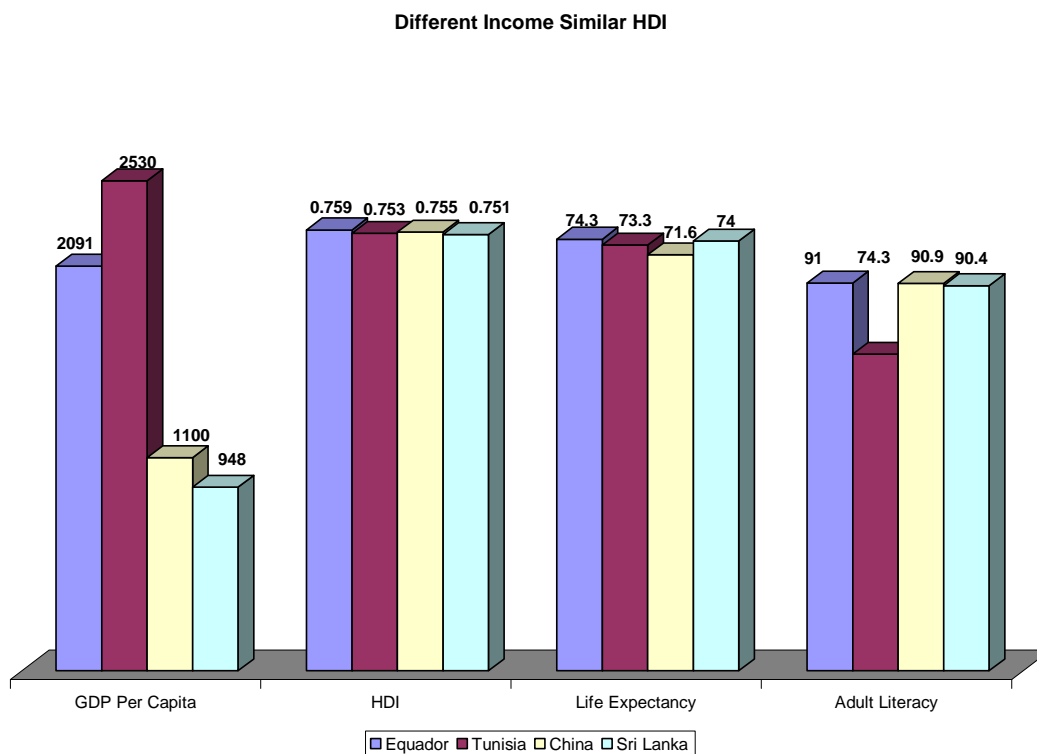
- Sustained human development, as in Botswana, Costa Rica, the Republic of Korea, Malaysia and Sri Lanka.
- Disrupted human development, as in Chile, China, Colombia, Jamaica, Kenya and Zimbabwe.

- Missed opportunities for human development, as in Brazil, Nigeria and Pakistan.

**Figure 3 shows that Venezuela and South Africa has similar income but different Human Development Index (HDI)**



**Figure 4 highlights that Ecuador, Tunisia, China and Sri Lanka have different per capita income but have similar Human Development Index.**



The analysis of these country cases leads to several important conclusions.

First, growth accompanied by an equitable distribution of income appears to be the most effective means of sustained human development. The Republic of Korea is a stunning example of growth with equity.

Second, countries can make significant improvements in human development over long periods - even in the absence of good growth or good distribution – through well-structured social expenditures by governments (Botswana, Malaysia and Sri Lanka).

Third, well-structured government social expenditures can also generate fairly dramatic improvements in a relatively short period. This is true not only for countries starting from a low level of human development but also for those that already have moderate human development (Chile and Costa Rica).

Fourth, to maintain human development during recessions and natural disasters, targeted interventions may be necessary (Botswana, Chile, Zimbabwe and the Republic of Korea in 1979-80).

Fifth, growth is crucial for sustaining progress in human development in the long run, otherwise human progress may be disrupted (Chile, Colombia, Jamaica, Kenya and Zimbabwe).

Sixth, despite rapid periods of GNP growth, human development may not improve significantly if the distribution of income is bad and if social expenditures are low (Nigeria and Pakistan) or appropriated by those who are better off (Brazil).

Finally, while some countries show considerable progress in certain aspects of human development (particularly in education, health and nutrition), this should not be interpreted as broad human progress in all fields, especially when we focus on the question of democratic freedoms. The main policy conclusion is that economic growth, if it is to enrich human development, requires effective policy management.

Conversely, if human development is to be durable, it must be continuously nourished by economic growth. Excessive emphasis on either economic growth or human development will lead to developmental imbalances that, in due course, will hamper further progress.

#### **Human development strategies:**

- Policy measures for priority objectives
- Appropriate strategies and sequencing
- Policies for adjusting countries
- Setting global targets for human development

- National plans for human development
- Financing human development
- External environment for human development
- Implementing human development strategies

In the Human Development Report there is a special focus in each year. This is a special endeavour to sensitize the policy makers, development managers, social scientists and experts. In 1990, the special focus was given on urbanisation & human development.