

Poverty and development

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Neoclassical economics has traditionally posited that the process of development entails changes in incomes over time. Larger income levels achieved via positive economic growth, appropriately discounted for population growth, would constitute higher levels of development. As many have noted, however, the income measure fails to adequately reflect development in that per-capita income, in terms of its levels or changes to it, does not sufficiently correlate with measures of (human) development, such as life expectancy, child/infant mortality and literacy.

The United Nations Development Programme's (UNDP) human development index (HDI) constitutes an improved measure for development. HDI has been modified to be gender-sensitive with variants that reflect gender inequality. Various measures reflecting Sen's "capability" concept, such as civil and political rights, have also been incorporated.

Countries where the level of poverty is relatively large tend also to exhibit low values of human development, thus lowering the mean values of the development measures. Where inequalities of development indicators are very large, however, the average values may not sufficiently reflect the conditions of the poor, requiring the need to concentrate on poverty per se.

The most recognized indicator of (income) poverty is the headcount ratio, which simply measures the proportion of the population considered to earn an income less than the standard required for basic needs (the other poverty measures are those for the depth and severity of poverty). This poverty line may vary from country to country and over time. However, to simplify comparability across countries and over time, the poverty line has been standardized as a

daily income of US\$ 1 at international standards. As an indicator of extreme poverty, this poverty rate is also the yardstick for Goal 1 of the Millennium Development Goals (MDGs).

The above measures do not necessarily reflect deprivation in human development. Thus in 1997 the UNDP introduced the human poverty index (HPI) for developing countries. This measure is intended to reflect deprivations in the three indexes of human development: long and healthy life, knowledge and a decent standard of living. For more developed countries, HPI is further modified to reflect social exclusion.

Despite the myriad criticisms levelled against such measures of development and poverty, these indicators provide us with reasonable pictures of how well various countries are performing beyond mere income growth. What the evidence shows is that countries that rank at the bottom of the HDI scale tend also to exhibit the largest HPI values. Hence, these measures are useful in that they at least signal specific countries that may require special attention. Both indices are needed, however, to gauge the nature of the development challenge. For example, a relatively low HDI value despite a high per-capita income suggests that growth is not being efficiently transformed into human development. Similarly, if both HDI and HPI are high, then the achievement in human development is not being sufficiently shared by those at the bottom, suggesting the need to address the human-development distribution picture. Ideally, HDI should be high and HPI low.

What policies are considered pro-poor or pro-development? Employment generation is a particularly salient linchpin between economic growth on

the one hand, and poverty reduction and development on the other. Policies that augment the demand for labour are therefore likely to produce desirable social-impact outcomes for developing economies.¹ Thus, appropriate policies are generally those that increase employment in sectors with reasonable levels of productivity, as well as those that provide essential public goods.

The nature of the sociopolitical environment is a particularly salient determinant of the effectiveness of transforming growth to development or poverty reduction. Higher levels of inequality, for instance, lower the effectiveness of growth in reducing poverty.^{2,3} Similarly, greater rates of political instability tend to retard the rate at which growth is transformed to human development.⁴

Health is critical. Impaired health exacerbates poverty and undermines development, whether directly or indirectly via lowering growth.⁵ Malaria, historically one of the deadliest diseases in the tropics, has been deleterious to development and has contributed considerably to poverty, especially in Africa,⁶ as has HIV/AIDS more recently.⁷ Both morbidity and mortality are important contributors to the above development and poverty woes emanating from diminished health.⁸ Health standards, as exemplified by Goal 6 of the MDGs for instance, are essential for attaining poverty eradication and development success.

The *Bulletin*, in conjunction with over 230 other journals, is participating this month in a Global Theme Issue on Poverty and Human Development (see: <http://councilscienceeditors.org/globalthemeissue.cfm>) by publishing a number of papers on this topic. ■

References

Available at: <http://www.who.int/bulletin>

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