UNITED NATIONS DEVELOPMENT PROGRAMME
**Lebanon Country Office**

6

**LEB/95/010 Management Support for Sustainable Human Development**

Republic of Lebanon
Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)

SEMINAR

# ENTRY POINTS FOR SUSTAINABLE HUMAN DEVELOPMENT IN LEBANON

## Human Development:
## (a) The Concept and its Policy Implications
## (b) The Relationship between Economic Reconstruction and Social Reconstruction

by

**Riad Tabbarah**
**President, Centre for Development Studies and Projects**

9 July 1997
UNESCO Education Bureau for Arab States (UNEDBAS), Beirut

a.c.b.ls

# UNDP Seminar on Entry Points for Sustainable Human Development in Lebanon

UNDEBAS, BEIRUT, 9 July, 1997

## On Human Development

Riad Tabbarah

The Concept of Human Development came into prominence in the literature with the publication of the first UNDP Human Development Report in 1990. This first report dealt exclusively with the concept and measurement of human development while subsequent yearly reports had each a theme subject (e.g., people's participation, gender, etc.) as its main focus. During these seven years, the concept was inevitably misused by some and it is time to refocus attention on the concept itself and its measurement.

In this presentation I shall concentrate on two main issues in this regard: the difference between human development and economic development and the difference between human development and human resources development. I believe that these two relationships are at the heart of the misconceptions existing at present regarding the essence of human development. I shall then deal with the measurement of human development and the policy implications of this concept.

There is a major difference between human development and economic development in terms of the definition, the implied socio-economic policies and the measurement of performance under each concept. As indicated in the UNDP Human Development Report of 1996, "links between [economic] growth and human development are failing for people in the many countries with lopsided development—with either good growth but little human development or good human development but little or no growth." The report concluded "that more attention must go to the structure and quality of … growth—to ensure that it is directed to supporting human development, reducing poverty, protecting the environment and ensuring sustainability." (p.1).

Strictly speaking, economic development attempts to maximize the rate of economic return on all investments. At the macro level, this is translated into a maximum increase in the Gross National Product (GNP) in relation to total investment. To the advocates of economic growth, this is the most appropriate way of maximizing welfare in a society.

This school of thought admits that substantial economic growth may be accompanied by increase in poverty but this could presumably be remedied by measures aimed at a better distribution of income, as long as they do not unduly interfere with the growth of income. They also admit that economic growth has been, in many instances, accompanied by a deterioration in the environment, increase in social ills such as crime, drug abuse, suicide, divorce and the breakdown of family values, but these environmental and social disruptions are considered as "externalities" to the economic system and are dealt with in a curative manner, after the fact, and from the fruits of economic growth.

Aware of these weaknesses in the argument, some economists have attempted to incorporate some of these externalities into the economic system. Air pollution, for example, causes health problems that require income expenditure to deal with them so the value of these expenditures is added to the cost of production and incorporated as a negative value in the calculation of GNP. If pollution causes a death, then the value of the economic contribution of the deceased individual would be also considered as a negative value in the calculation of national income.

While this addendum is a step in the right direction, it falls short of resolving the problem. There are first a number of distributional goals that may, in the short run, reduce the rate of growth of GNP. The elimination of poverty, for example, may require a level of taxation that reduces the rate of economic growth. The fact that a maximum rate of economic growth remains the ultimate aim of development policy pauses a serious problem in this regard.

Furthermore, if air pollution causes health problem, doctors bills are not the only negative consequence. Being ill is a "cost" that cannot be measured in monetary terms but that must be, nevertheless, taken into account. In other words, being healthy is not equal in terms of welfare to being ill and seeing a doctor. On the other hand, the death of an individual cannot be measured only by the loss in production but must include also the psychological cost incurred by the family and friends of the deceased.

Most important, it is often the pursuit of the single goal of maximizing income growth that *causes* the social ills in question. The establishment of economic activities, for example, is decided upon, by the entrepreneur or the public policy maker, on the basis of economic criteria (e.g. economies of scale, maximization of profits, etc.) and the social order is left to adapt itself to these economic decisions to the best of its ability. In such cases, mass movements of labour may need to take place, thus promoting the appearance and growth of the nuclear family at the expense of the more traditional extended type. The resulting change in the nature of the family is not the intended goal, but an unintended consequence of the economic decisions. In other words, while it is generally agreed that the ultimate goal of economic policy is the creation of a viable and socially healthy society, the truth of the matter is, as the example shows, that the actual goal is to maximize economic growth to which the society structure must be adapted.

Human development attempts to incorporate the "externalities" into the goals of development policy. Thus, if the goal is to preserve the family then the location of economic activities must be such as to promote this goal even if economic growth is not maximized. In Lebanon, for example, maximum growth may entail location of most economic activities in and around the capital but such growth, according to the advocates of human development, is not sustainable. Policies aimed at a better geographic distribution of economic activities, to include such areas as Akkar and the South, may result in a lower rate of growth of GNP in the short run but a more sustainable and humane development in the long run.

It must be emphasized that the human development approach still considers income growth as an important component of development. However, it maintains that there may be, in the short run, a tradeoff between income growth and other social goals that must be made in order for development to be sustainable. This approach refutes the proposition that these social ends are to be treated after the fact and from the fruits of economic growth. Instead, they should be treated *simultaneously*. Accordingly, the goal of development, even in the short run, should not be income growth alone but a combination of targets that must be reached together in a concerted fashion. To measure performance in a given year, therefore, should not be restricted to the rate of growth of GNP but to a combination of goals represented in a composite index, the human development index, that incorporates social as well as economic variables.

But here lies the weakness of the human development approach: in the measurement rather than in the concept. While GNP is a relatively clear and simple index, the human development index is a complicated one, which inevitably contains a good deal of value judgments that are open to debate.

The HDI has three components: *Longevity*, *knowledge* and *standard of living*. Longevity is measured by expectation of life at birth, knowledge by literacy levels and mean years of schooling (two thirds to one third weights) and standard of living by the purchasing power of per capita income. The method of combining the three indicators is relatively simple: A choice of minimum and maximum for each component is first determined and the position of the indicator for the given country on this scale is calculated as a value between zero and one. The resulting value of the three indicators is then averaged out to give the human development index for that country. (Where the minimum and maximum values of the indicator are not zero and one hundred, the method is similar to the conversion of Fahrenheit to Centigrade. Thus, expectation of life limits are taken as 25 and 85 years so a country with an expectation of life of 55, that is in the middle of that range, would have an index of 0.500 for this variable).

Because the number of components are limited, the Human Development Reports do two additional things: First, two basic adjustments of the index are published, one to reflect the situation of the different groups within a country (disaggregation) and the other to take into account the distribution of human development within each country in international comparisons of the HDI. (Another adjustment, for environmental conditions, is contemplated but data on this are still scarce). Second, a large number of other human development indicators are given for the countries for which they are available. UNDP is continuously looking for improvements. The last major revision was made in 1994 on the basis of criticisms and comments received or published.

Value judgments are both implicit and explicit. An implicit value judgment, for example, arises not only from the variables chosen but also from the choice of limits for the variables that do not naturally vary between zero and one hundred. For example, if the maximum expectation of life value is increased, all countries will have a lower index for this variable hence the variable is given a lower weight in the final HDI. A country that is better off in expectation of life would lose more in rank than countries that are worse off. An explicit value judgment arises from the choice of component indicators. This is clear when one looks at the additional human development indicators. Thus, participation of women in economic activities is taken as indicating a better human development situation meaning that the elimination of housewifery is an ideal situation, a proposition that may not be accepted by certain societies. Furthermore, The percentage of women in Parliaments is also taken as an indicator of a better human development situation meaning that an ideal situation is reached where all members of Parliament were women.

Another problem with the HDI and the other human development indicators is that they include only variables that are presumed to be positive ones. Negative social variables are largely neglected. For example, indicators of drug abuse, crimes, suicide, divorce, AIDS and others are absent from the list. It is clear, however, that a country with high HDI that has, at the same time, high rates of these negative indicators is worse off, in terms of human development, than one that is free of such social pathologies. Incorporating these negative indicators would certainly change the ranking of countries by HDI quite drastically. Statistics on these indicators are often available and where they are not efforts should be made at obtaining them. This is perhaps one of the most important next steps in improving the measurement of human development.

Improving the value judgment question is also a very important next step. While this is not the place to discuss at length methods for doing this, it may be suggested that efforts at obtaining universal norms, through international discussions, might be worthwhile. Worthwhile also might be the avoidance of indicators that have strong cultural connotations.

But in spite of the above-mentioned difficulties, the human development approach remains a better one than the economic growth approach in that it attempts to internalize the externatlities of the latter and it gives better guidance to development policies that result in a long run sustainability of development efforts.

There is also some confusion in the literature between human development and human resources development. The latter concept forms part of the economic growth concept and, therefore, differs from the former in its conceptual philosophy. The economic growth concept was developed immediately after the Second World War and was influenced a great deal by the reconstruction of Europe which was taking place at the time. The Harrod-Domar model was a typical embodiment of this concept. It simplified the process by the simple equation: $g = s/k$ where $g$ is the economic growth rate, $s$ the savings ratio (i.e. investment) and $k$ the capital-output ratio. What the model tells us is that economic investment is the key to growth although $k$, the productivity of investment, plays also a role. $k$ was assumed, on the basis of the European experience, to vary little between countries and was hence largely neglected. With the advent of data from the newly independent and largely underdeveloped countries, it became clear that $k$ varies a great deal and is, hence, an important factor in the equation. While the value of $k$ was assumed to be around 3, in some of these developing countries, $k$ reached over 10 or 15 and became the major impediment to economic growth. The reason for the high value of $k$ was rightly judged to be due largely to the low quality of the labour force and a body of literature arose dealing with the need to develop the human resources of these countries. Workers were thus viewed as a resource, similar to land and capital, that need to be developed to reduce the value of $k$, that is, to increase their productivity, in order to increase the rate of economic growth.

The concept of human resources development, therefore, views human beings as factors of production to be developed as the need for them arises. The purpose for investing in them is to increase output given the level of investment. Thus the purpose of investment in them is to increase productivity and redundant labour falls outside this investment. Human development, on the other hand, views human beings not only as factors of production, but also as the ultimate end of development. Investment is not only geared to increasing their productivity but also to increasing their welfare. Accordingly, redundant labour, indeed the entire population, are the subject of human development policy. In other words, the two concepts differ both in the nature of investment and the population coverage of investment.

Perhaps the greatest contribution of the human development approach is that it forces policy makers to look more globally at development. The social implications of economic policies become part of development thinking and policy making. It is erroneous to say that economic growth will solve social problems or that social problems could be solved at a later stage after economic growth has taken place. This is particularly true in the context of the reconstruction efforts underway in Lebanon. Take, for example, the question of the disabled. Building sidewalks without ramps, buildings with accessibility to the disabled, elevators with button down instead of up, etc. involves no additional cost, but building them without and then correcting them will probably involve prohibitive financial outlay. Rebuilding communities on purely economic grounds without taking into account social requirements may result in socially dysfunctional neighborhoods that are impossible to make functional at a later stage. In other words, economic and social goals have to go hand in hand, from the beginning of the process, and this is really the basic message of the human development approach, irrespective of its shortcomings.

Republic of Lebanon
Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)