The Need for a New Framework for Defining a Development Measure for the Arab Countries

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Contents
Introduction ............................................................................................................................................. 3
1. Developments in the HDI and Related Indices .................................................................................. 3
2. Related HDI Indices ............................................................................................................................ 4
3. Inequality and Human Development .................................................................................................. 6
4. Integrating Sustainable Human Development ................................................................................ 7
5. Evaluating Employment Outcomes .................................................................................................... 9
6. Historical Overview: Human Development, Poverty and the MDGs ............................................. 11
7. Integrating Development Measures into Planning Frameworks ...................................................... 12
8. The Need for an Inclusive Development Framework .......................................................................... 14
9. Adding Indicators for Access to Economic Infrastructure .................................................................. 15
10. Outline of a New Development Measure for the Arab Countries .................................................. 16
   10.1 Assessment of Life Expectancy ..................................................................................................... 16
   10.2 Assessment of Educational Attainment ....................................................................................... 17
   10.3 Assessment of Income Per Capita ................................................................................................ 18
11. Incorporating Employment Barometers .......................................................................................... 19
Conclusion ............................................................................................................................................. 20
   Reworking the HDI ............................................................................................................................ 20
   Supplementing the HDI ....................................................................................................................... 21
Bibliography .......................................................................................................................................... 22

List of Tables
Table 1: The Results for the Gender Inequality Index ............................................................................. 5
Table 2: Results for the Inequality-Adjusted HDI .................................................................................. 6
Table 3: Comparative Results for Environmental Indicators .................................................................. 8
Table 4: Changes in the Employed based on Average Labour Incomes, 1990s to 2000s ..................... 11
Introduction

One of the proposed purposes of the new *Arab Development Outlook* report is to rethink development within a broader lens that is relevant to the context of the Arab region. One of its key aims is to offer innovative proposals on indicators and indices for development that are most suited to the concrete conditions and challenges facing Arab countries.

This background paper strives to contribute to the above task. In particular, it seeks to identify development measures that could effectively be applied in development planning and general policy-making. In the process, it will assess the degree of relevance of the Human Development Index and associated indices and indicators. The specific focus of this assessment will be the applicability of such indicators and indices to conditions in the Arab region.

1. Developments in the HDI and Related Indices

The Human Development Index (HDI) was first presented in the inaugural publication of the *Human Development Report* in 1990. Its indicators were designed to capture the dimensions of ‘longevity, knowledge and basic income for a decent living standard’. The initial indicators corresponding to these dimensions were life expectancy at birth, the adult literacy rate and the logarithm of real GDP per capita. Real GDP per capita was expressed in purchasing power parity terms and was not given any weight beyond a global ‘poverty’ threshold.

By the 1991 *Human Development Report*, the indicator of mean years of schooling was added to the adult literacy rate to provide a broader measure of the attainment of ‘knowledge’. For real GDP per capita, the global threshold for giving zero weight to increases was modified and an Atkinson discounting formula was used beyond this threshold.

In Human Development Reports starting in 1995, the indicator for mean years of schooling was replaced by the combined gross primary, secondary and tertiary enrolment ratio. Also, between 1991 and 1998 the global threshold for discounting real GDP per capita was changed various times, and beginning in 1998 the Atkinson discounting formula was replaced by a logarithmic transformation (but on the basis of a global cap on the level of real GDP per capita).

Finally, in the 2010 *Human Development Report*, the combined gross enrolment ratio was replaced by two education indicators: *attained* mean years of schooling and *expected* mean years of schooling. Also, a natural logarithmic transformation was imposed on real GNI per capita, instead of GDP per capita, and the cap on the income level was removed altogether.

The various changes to the dimensions for income per capita and educational attainment described above were designed to grapple with the important issue of the *comprehensiveness* of the Human Development Index, namely, its ability to capture human development across a broad spectrum of achievement. Initially, both the education and income indicators were designed to focus on basic levels of human capability. This was one of the HDI’s initial weaknesses.

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1 UNDP 1990, p. 14
2 UNDP, 1991
3 Klugman et al. 2011
This is an important point to highlight in the context of searching for an appropriate measure of human development for the Arab region. One of the principal issues that need to be addressed is whether the HDI has been helpful in this region in addressing shortfalls from a level of human development that is considered relevant for the region. In other words, has the HDI been too focused on basic human capabilities and achievements, so that any shortfall has been considered a severe deprivation?

With regard to this issue, the education component of the HDI does not appear to be inherently problematic for the Arab region. If such a component were expressed in terms of gross combined enrolment ratios, mean years of schooling (already attained) or expected mean years of schooling, it would likely fulfil the initially basic prerequisite of being comprehensive.

There has been little controversy about the inclusion of life expectancy as the preferred main indicator in the HDI to express the ‘healthiness of life’. Despite all of the changes to the education and income components over the years, the indicator for life expectancy has remained unchanged. Of course, there is the inherent problem that as people live longer, the quality of their life tends to deteriorate in later years. Were reliable data available to register such deterioration, it would be welcome. One possible alternative would be ‘disability-adjusted’ life expectancy but the data for this variable would have to be examined closely in order to determine whether they are reliable.

Income per capita has always been a theoretically problematic indicator in the HDI. As a proxy for a ‘decent standard of living’, it obviously has limitations. Moreover, it also has the troubling characteristic that it is regarded essentially as an input into human capabilities, including health and education, not as an end in itself.

A useful supplement to income per capita would be an employment indicator. But there are few viable candidate indicators, due both to lack of suitably defined indicators and lack of data. However, recent work for the ILO by Kapsos and Boumpourla (2013) offers PPP estimates of labour income per employed that are differentiated by five ‘classes’ (i.e., those employed earning less than $1.25 per day, less than $2, between $2 and $4, between $4 and $13, and above $13). This paper will revisit this specific research below and give an illustration of its possible application to countries in the Arab region.

### 2. Related HDI Indices

Another important issue with regard to the HDI that also needs to be addressed is that it has not remained a stand-alone index. Over time, it has been supplemented by various other indices that have been designed to respond to critical issues, such as poverty and inequality in the achievement of human development and gender inequality in particular.

For example, in the 2013 Human Development Report, three indices were presented as supplements to the HDI: an Inequality-Adjusted HDI (IHDI), a Gender Inequality Index (GII) and a Multidimensional Poverty Index (MPI). The last index, the MPI, is a refinement of the original Human Poverty Index, which first appeared in the 1997 Human Development Report. However, compared to the HPI, the MPI is a more complex aggregation of various indicators. This index need not concern us in this discussion since, like the indicator for extreme income poverty (such as that based on the threshold of $1.25 per day per person), the MPI is not adept at assessing broader forms of deprivation in the Arab region. In contrast,
both the Inequality-Adjusted HDI and the Gender Inequality Index do indeed deal with important issues that need to be taken seriously in the Arab region.

The Inequality-Adjusted HDI was introduced in the 2010 Human Development Report. It is based on discounting average achievement in each of the three dimensions of the HDI by inequality in actual achievement levels across the population. In this sense, while the HDI can be regarded as registering potential human development (assuming, unrealistically, equality of achievement across the population), the IHDI can be regarded as registering actual varying achievement levels.

The first global indices that took into account gender inequalities in human development were introduced in the 1995 Human Development Report. These were the Gender-Related Development Index and the Gender Empowerment Measure (UNDP 1995). However, the 2010 Human Development Report replaced these two indices by the Gender Inequality Index (GII), which covers three critical dimensions for women: labour market participation, empowerment and reproductive health.

The GII’s coverage of these dimensions was designed to replace both the Gender-Related Development Index (which incorporated only the three dimensions of the HDI) and the Gender Empowerment Measure. The results from the GII are certainly relevant for the Arab region since gender disparities are acute in some of the dimensions that this index covers.

Data provided by the 2014 Human Development Report for the Gender Inequality Index help to highlight the relative degree of gender inequality in the Arab region. Examining these data, which are some of the most recent available, can help clarify what is most relevant for the Arab region. The average GII for the region is relatively high (meaning that there is a high level of inequality). Its GII is 0.546 while the global average is 0.450 (Table 1). For the purposes of comparison, it is also worthwhile mentioning that the GII for the Arab States is just below that for the Least Developed Countries (i.e., 0.571).

### Table 1: The Results for the Gender Inequality Index

| Arab States | 0.546 | 164 | 45.4 | 13.8% | 32.9% | 24.7% |
| World       | 0.450 | 145 | 47.4 | 21.1% | 54.1% | 50.6% |

*Source: Human Development Report 2014*

Table 1 also contains the values for the five indicators that make up the Gender Inequality Index. As mentioned above, these five indicators are presented as reflections of three major categories: reproductive health, empowerment and labour market participation.

Under the reproductive health category, there are indicators for the maternal mortality rate and the adolescent fertility rate. The maternal mortality rate in the Arab region is 164 deaths per 100,000 live births (compared to a global average of 145). But the adolescent fertility rate is actually lower than the global average, namely, about 45 births per 1,000 women aged 15-19 years compared to about 47 births.

Under the category of empowerment, the GII presents indicators for seats in parliament and the level of secondary education. In the Arab region women occupy only 14% of all seats in the national legislature.
parliament whereas the global average is about 21%. There is a notable differentiation between men and women in the Arab region with regard to educational attainments—even though the attainments of men are also relatively low. For example, the percentage of females (aged 25 years or older) who have at least a secondary-school education is only about 33% whereas the global average is about 54%.

However, there is even starker gender inequality in the last major category of the GII, labour market participation. The percentage of all women (aged 15 years or older) who participate in the labour force in the Arab region is only about 25% whereas the global average is twice as high, reaching 50%.

The above results suggest several development areas in which gender inequality in the Arab region should be carefully monitored and assessed. Obviously, supporting the achievements of women in education and employment would be tremendously important. But there are also relative shortfalls in maternal health and the political sphere.

The kind of dimensions incorporated into the Gender Inequality Index should definitely be monitored in the Arab region. However, this monitoring and reporting should probably be done on a separate basis, likely on the basis of registering changes in individual indicators instead of overall changes in one composite index.

3. Inequality and Human Development

The Inequality-Adjusted Human Development Index (IHDI) adjusts the HDI for the degree of inequality in each of its three dimensions: life expectancy, education and income. The inequality data are based on information from ‘life tables’ (provided by UNDESA) for the first dimension and various ‘household surveys’ for the other two dimensions.

The IHDI’s adjustment for inequality in the Arab region is about average taking all three dimensions together. For instance, in the Arab region the value of the IDHI represents a 25% loss compared to the value of the HDI. Globally, the average loss represented by the IHDI is 23% (Table 2).

In two dimensions of the HDI, namely, life expectancy and income, the loss due to inequality in the Arab region is lower than the global average. For life expectancy, for example, there is a loss of 17% in the region which matches the world average. For income, there is a loss of 17% in the region while globally there is a 24% loss.

But these results contrast sharply to those for education. In the Arab region there is a loss of 38% due to inequality in educational achievement compared to a loss of only 27% across all countries. Hence, if these results are credible (a judgment that relies heavily on the data sources), educational inequality is a severe problem in the Arab region. At the same, the results for IHDI might lead one to believe that inequalities in health outcomes and in income per capita are not severe problems.

Table 2: Results for the Inequality-Adjusted HDI

<table>
<thead>
<tr>
<th></th>
<th>IHDI</th>
<th>Loss compared to HDI</th>
<th>Inequality Loss: Health</th>
<th>Inequality Loss: Education</th>
<th>Inequality Loss: Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arab States</td>
<td>0.512</td>
<td>24.9%</td>
<td>17.4%</td>
<td>38.0%</td>
<td>17.3%</td>
</tr>
<tr>
<td>World</td>
<td>0.541</td>
<td>22.9%</td>
<td>17.3%</td>
<td>27.0%</td>
<td>24.1%</td>
</tr>
</tbody>
</table>

Source: Ibid

However, the results for inequality should be treated with some reservations. There are a number of important countries in the Arab region that provide no information on income inequality. These include Bahrain, Kuwait, Libya, Oman, Saudi Arabia and the United Arab Emirates. Conversely, even some countries that provide information on income inequality do not provide corresponding data for inequality in health and education outcomes. These include Iraq, Palestine, Qatar, Sudan and Tunisia.
In general, it seems that the available statistics on income inequality do not fully capture the widely perceived inequities in the region. This applies to the indicators for the Gini coefficient as well as the ratio of the income of the richest quintile to the income of the poorest quintile.

In the same table for the IHDI, for example, there are also results for these two indicators. In Qatar, for example, the Gini coefficient is about 41 (i.e., it is above-average) and the ratio of the income of the richest 20% to that of the poorest 20% is 13.3. But generally, the corresponding results for the other countries in the Arab region are below these levels. In Egypt, for example, the Gini is only about 31 and the quintile ratio only 4.4. In Jordan, the Gini is only about 35 and the quintile ratio only 5.7.

4. Integrating Sustainable Human Development

It is noteworthy that while addressing issues of poverty and inequality, the Human Development Report has not showcased an index that could effectively incorporate issues of environmental sustainability. In other words, it has not chosen to prioritise the framework of Sustainable Human Development. This shortcoming is particularly problematic for the Arab region since some environmental issues, such as the access to water and land, are critically important.

Amartya Sen and Sudhir Anand sought to address, in a theoretically systematic way, the issue of integrating sustainability with human development in a seminal 1994 Occasional Paper for the Human Development Report Office.7

Their basic argument was that sustainability is, in essence, a matter of intergenerational equity. In other words, the present generation should strive to preserve the environment in such a fashion as to equitably bequeath comparable human-development benefits to future generations.

If this principle were accepted, then any significant damage to the environment should lead to a discounting of the value of the Human Development Index, i.e., the average achievement of the present generation. This approach could be similar, in some ways, to the inequality-adjusted HDI, which discounts the ‘average-based’ value of the HDI on the basis of current inequalities in the achievement of human capabilities across population subgroups.

One of the problems in implementing such an approach is that there seems to be no agreed compact set of environmental indicators (for which there are also ample data) that could be utilised for such a discounting exercise. For example, the key May 2013 report prepared by the Joint UNECE/Eurostat/OECD Task Force on Measuring Sustainable Development, ‘Framework and Suggested Indicators to Measure Sustainable Development’, includes a large set of 30 ‘environmental’ indicators (or 30 general descriptions of the intended focus of such indicators) in five thematic areas: land and ecosystems, water, air quality, climate, energy resources, and non-energy resources.

Some of these 30 ‘indicator-related’ general descriptions include ‘protected areas’ (under the land and ecosystems thematic area), ‘water resources’ (under the water thematic area), ‘emissions of ozone precursors’ (under air quality), ‘global CO2 emissions’ (under climate) and ‘renewable energy’ (under energy resources).

It is theoretically possible to aggregate a key set of such indicators into a composite index that is separate from the Human Development Index. But difficult choices will have to be made on the choice of a limited set of ‘headline’ indicators (such as no more than 1-2 indicators in each thematic area). Moreover, any resultant Environmental Sustainability Index would then have to be used as an

7 Sen and Anand, 1994
adjustment of the Human Development Index, in order to reflect, in other words, the lack of intergenerational equity in human development. For the Arab region, the applicability of such an Environmental Sustainability Index would have to be based on choosing the set of indicators most relevant to environmental challenges in the region.

The 2014 Human Development Report supplies valuable information on a set of global environmental indicators for which there appears to be widespread availability of data.\(^8\) For example, there is extensive data at the global level (at least for some years in the 2000s) on 1) the percentage of primary energy supply that is provided by fossil fuels (2012), 2) carbon dioxide emissions per capita (2010), 3) fresh water withdrawals as a percentage of total renewable water resources (2007-2011) and 4) the percentage of the population living on degraded land (2010).

A review of the results for these indicators in the Arab countries suggests that the region has a relatively high reliance on fossil fuels (about 97% of its primary energy supply), average carbon dioxide emissions per capita (4.6 tonnes), an astoundingly high level of fresh water withdrawals as a percentage of total renewable water resources (about 71%), and a relatively high percentage of the population that lives on degraded land (about 24%) (Table 3).

Thus, it seems clear that any review of the general performance of the Arab region with regard to environmental sustainability should certainly target the tracking of the indicators for its reliance on fossil fuels, its rate of fresh water withdrawal and the percentage of its population living on degraded land. Also, indicators of carbon dioxide emissions per capita should be prioritised in order to track whether their levels become above-average over time.

### Table 3: Comparative Results for Environmental Indicators

<table>
<thead>
<tr>
<th></th>
<th>Fossil Fuels (% of Total)</th>
<th>Carbon Dioxide per capita (tonnes)</th>
<th>Fresh Water Withdrawals(% of Total Renewable)</th>
<th>Population on Degraded Land (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arab States</td>
<td>96.8%</td>
<td>4.6</td>
<td>71.1%</td>
<td>24.3%</td>
</tr>
<tr>
<td>World</td>
<td>81.4%</td>
<td>4.6</td>
<td>7.6%</td>
<td>10.2%</td>
</tr>
</tbody>
</table>

Source: Ibid

It seems plausible that an aggregate index of environmental sustainability for the Arab region could be constructed from the four indicators just mentioned. Scores for each country could be generated by setting maximum and minimum global values for each indicator, either by taking actual extreme historical values (at the global level) or values just above or below these points and setting these boundaries to be equivalent to 0 and 100. Then the four resultant scores could be combined in some reasonable fashion to generate an overall index for environmental sustainability (an Environmental Sustainability Index).

Logically, such an environmental index should be used in conjunction with an inequality index to discount the value of the average current level of human development in the Arab region. The environmental index would discount a composite index of human development for intergenerational inequity while an index of inequality (such as the IHDI) would discount it for current intragenerational inequity.

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\(^8\) UNDP, 2014 see Table 14, pp. 212-215
5. Evaluating Employment Outcomes

As mentioned above, the HDI has relied on income per capita (i.e., real GNI per capita since 2010) as a proxy for a ‘decent standard of living’. But income per capita is a generally inadequate proxy for such an outcome. In this regard, it would be worthwhile to try to incorporate a major employment indicator as part of the assessment of a country’s standard of living. It would also be useful if such an indicator gave some indication of inequalities within the labour force or the employed.

Recent research by Kapsos and Bourmpoula for the ILO has made some progress on developing a global data set on labour incomes as well as inequalities among various ‘classes’ of the employed.\(^9\) Specifically, this data set incorporates information on the absolute levels of labour incomes of the employed, expressed in PPP terms (or international US dollars).

This ILO framework disaggregates the employed into five categories: 1) those earning labour incomes below $1.25 per day (namely, the extremely poor); 2) those earning labour incomes below $2.00 per day (namely, the moderately poor); 3) those earning labour incomes between $2.00 and $4.00 per day (the ‘near-poor’); 4) those earning labour incomes between $4.00 and $13.00 per day (what it calls the ‘developing middle class’); and 5) those earning labour incomes above $13.00 per day (what it calls the ‘established middle class and above’). It is important to note that in PPP terms, $13.00 per day corresponds to the U.S. poverty line.

Instead of using the ILO designations of these categories of the employed (which we believe can be misleading), we re-label them. We aggregate both categories of the poor (i.e., those below $1.25 per day and those below $2.00 per day) into one group, which we designate as the ‘absolute poor’. Thus, those employed that the ILO labels as the ‘near-poor’ we re-designate as the ‘near absolute poor’.

For the last two categories, we drop altogether the designation of middle class. Instead, we take $13.00 per day (the U.S. poverty line) as the upper threshold to define the ‘relatively poor’. These employed are deprived on the basis of a global standard (that is linked to a developed-country poverty line). Thus, the last category, those employed earning labour incomes above the U.S. poverty line are defined as the non-poor. These non-poor could be working class, middle class or capitalist class.

The use of such categories can provide, we believe, a more informative depiction of trends in labour incomes in Arab countries. In order to carry out our analysis, we begin by gauging the change in average labour incomes between the 1990s and 2000s among all of the employed that are not absolutely poor (i.e., the employed who do not earn incomes below $2.00 per day).

We are able to carry out this analysis on data for five countries in West Asia (Jordan, Lebanon, Syria and Turkey, as well as Iran) and another five countries in North Africa (Algeria, Egypt, Libya, Morocco and Tunisia). Table 4 shows the results.

The first column of the table also identifies whether each country is an Emerging Economy (EE) or a Lower Middle Income country (LMI). Among these ten countries, there are only three LMIs (Egypt, Morocco and Syria), with the rest being Emerging Economies.

The second column records the percentage change in all of the employed who earned more than $2 per day, i.e., were not absolute poor. The results were quite varied across the 10 countries. In Tunisia, for example, there was an 8 percentage point increase in this grouping between the 1990s and 2000s and in Morocco there was a 9.7 percentage point increase. Even in Egypt there was a 6.3 percentage point increase and in Jordan a 5.3 percentage point increase.

\(^9\) Kapsos and Bourmpoula, 2013
But in Iran there was, in fact, a -0.2 percentage point decline and in Libya a -1.1 percentage point decline. Even in Lebanon there was an increase of only a 0.6 percentage point and in Turkey an increase of only 2.1 percentage points. In Turkey’s case, this small overall increase was due mostly to a decline in the near-poor (i.e., -6.8 percentage points). This can be seen in the third column of the table, which records the percentage point changes in the employed who were earning only between $2 and $4 per day.

It is important to note, however, that the proportions in the parentheses in the second column suggest that by the 2000s absolute poverty affected a relatively small proportion of the employed (about 5-10 percent) in the seven Emerging Economies and, at most, only about 15 percent in the three Lower Middle Income countries.

For all Emerging Economies in the world the average proportion of the employed that were not absolutely poor (i.e., were not below $2 per day) was about 90% and for all Lower Middle Income Countries in the world about 65%. So it is important to note that even among the Lower Middle Income Countries in West Asia and North Africa (e.g., Egypt, Morocco and Syria), absolute poverty among the employed was significantly lower than the global average (about 15% versus 35%).

Consistent with these results, we would argue that the last two columns of the table are the most relevant ones for the Arab region. For example, the fourth column records the percentage point change for what we call the employed that were still ‘relatively poor’, those who earned between $4 and $13 per day. These employed were neither the absolute poor nor even the ‘near absolute poor’.

All of the percentage point changes among this group are positive. But they range widely between 12.7 percentage points for Tunisia and 10.7 percentage points for Jordan, on the one hand, and a 0.3 percentage point for Libya and a 0.9 percentage point for Lebanon, on the other. However, in accordance with the international threshold of $13 per day (the U.S. poverty line), the employed in this category could still be considered relatively poor.

The results in the fifth column are even more interesting. This column reports the percentage point changes in the proportion of the employed who definitively became non-poor (i.e., were not even relatively poor) during the 2000s. These were the employed that succeeded in earning more than $13 per day (the U.S. poverty line).
Table 4: Changes in the Employed based on Average Labour Incomes, 1990s to 2000s

<table>
<thead>
<tr>
<th>Country</th>
<th>All Non- Absolute Poor (change and 2000s’ average)</th>
<th>Near Absolute Poor (percentage point change)</th>
<th>Relative Poor (percentage point change)</th>
<th>All Non-Relative Poor (percentage point change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria (EE)</td>
<td>+4.5 (89.2)</td>
<td>+1.9</td>
<td>+3.1</td>
<td>-0.5</td>
</tr>
<tr>
<td>Egypt (LMI)</td>
<td>+6.3 (86.2)</td>
<td>+2.8</td>
<td>+5.5</td>
<td>-2.0</td>
</tr>
<tr>
<td>Iran (EE)</td>
<td>-0.2 (93.2)</td>
<td>+5.3</td>
<td>+7.7</td>
<td>-13.2</td>
</tr>
<tr>
<td>Jordan (EE)</td>
<td>+5.3 (95.4)</td>
<td>-4.0</td>
<td>+10.7</td>
<td>-1.4</td>
</tr>
<tr>
<td>Lebanon (EE)</td>
<td>+0.6 (94.7)</td>
<td>-0.5</td>
<td>+0.9</td>
<td>+0.2</td>
</tr>
<tr>
<td>Libya (EE)</td>
<td>-1.1 (95.5)</td>
<td>+6.2</td>
<td>+0.3</td>
<td>-7.6</td>
</tr>
<tr>
<td>Morocco (LMI)</td>
<td>+9.7 (84.0)</td>
<td>+1.2</td>
<td>+9.3</td>
<td>-0.8</td>
</tr>
<tr>
<td>Syria (LMI)</td>
<td>+5.4 (86.3)</td>
<td>+0.4</td>
<td>+3.8</td>
<td>+1.2</td>
</tr>
<tr>
<td>Tunisia (EE)</td>
<td>+8.0 (93.1)</td>
<td>-5.4</td>
<td>+12.7</td>
<td>+0.7</td>
</tr>
<tr>
<td>Turkey (EE)</td>
<td>+2.1 (95.2)</td>
<td>-6.8</td>
<td>+5.6</td>
<td>+3.3</td>
</tr>
</tbody>
</table>

Notes: EE designates Emerging Economy; LMI designates Lower Middle Income. The average in parentheses in column 1 is the average proportion of the employed that were not absolutely poor during the 2000s.

In general, there was very little expansion in this group, and in many cases, there was a reduction. The latter occurred among six of the ten countries in the sample. And in Iran and Libya (even though they were classified as Emerging Economies) there were, in fact, dramatic reductions (-13.2 and -7.6 percentage points respectively).

Moreover, in Lebanon, Syria and Tunisia, there was only a negligible increase. The best performing country was Turkey, but even in it the proportion of the employed who earned more than $13 per day increased by only 3.3 percentage points. Hence, in these countries of West Asia and North Africa, there were, at best, only very modest improvements in the genuine quality of employment (i.e. employment that offered genuinely non-poor labour incomes).

These findings suggest that progress on employment in the Arab region should concentrate, first, on whether there has been significant improvement in moving the employed out of even relative poverty (above $13 per day). Secondarily, progress should be judged on the basis of whether the grouping of the relatively poor employed (still earning between $4 and $13 per day) is growing relative to both the combined grouping of the near absolute poor (earning between $2 and $4) and the absolute poor themselves (earning less than $2 per day).

Such indicators would represent a valuable complement to indicators of income per capita for at least two major reasons. They would provide useful thresholds for evaluating whether the population in the Arab region is progressing beyond both absolute poverty and relative poverty. And they would provide a useful barometer of progress on quality employment.

6. Historical Overview: Human Development, Poverty and the MDGs

The Human Development Paradigm grew in influence throughout the 1990s, driven principally by the production of the yearly Human Development Reports. Soon these global reports were supplemented by regional and national Human Development Reports. One of the reasons for the rapidly rising
influence of Human Development was that it was seen as an alternative to the stabilization and structural adjustment policies advocated by the Bretton Woods Institutions (BWIs). These policies were the response of these institutions to the severe debt crisis that gripped many developing countries in the 1980s.

Human Development had a pervasive influence on the development of the Millennium Development Goals in 2000. But its influence was mainly on increasing the importance of social development, most notably education and health. Though the Human Development Reports (global, regional and national) sought to counter the austerity bias of structural adjustment policies, they had only a moderate influence on such economic policies.

Both Human Development in general and the MDGs in particular had the effect of concentrating the attention of the international development community on the access of the population to social infrastructure, e.g., to education and health institutions, in particular. But this focus implied that attention to economic infrastructure was relatively neglected. For example, while the MDGs focused attention on the access of the population to water and sanitation, they did not highlight and target improvements in the access to such resources as energy, transportation and communication (though there was passing mention of ‘untargeted’ access to the internet in Goal 8).

Later in the 1990s, as the economies of many developing countries began to recover, the terms of the debate between the advocates of Human Development and the Bretton Woods institutions changed. The latter began to replace adjustment policies with a broader ‘growth-centred’ strategic approach, promoted through widespread liberalization of the economy. The Human Development Paradigm tried to counter this approach by asserting that the growth of income was merely a means to strengthening human capabilities, not an end in itself. But the incorporation of an income indicator in the HDI made its position appear theoretically inconsistent.

More fundamentally, however, the advocates of Human Development were not able to present a coherent economic alternative to the growth-centred liberalizing economic strategy of the BWIs. At first, BWI economic policies were criticized primarily if they led to cutbacks in social spending. Later, as poverty reduction strategies became more widespread, the BWI policies were criticized on the basis that they were detrimental to the poor.

The Bretton Woods Institutions effectively countered such criticisms, at least on a public-relations basis, by adopting national Poverty Reduction Strategy Papers in 1999 and linking them to their growth-centred liberalization policies. When the MDGs were adopted in 2000, the BWIs also easily took them on board as the overarching global goals and targets, but they still did not fundamentally change their economies policies, nor feel the compelling need to do so.

7. Integrating Development Measures into Planning Frameworks

At the national level, many governments also had difficulties in identifying the economic policies that were deemed most compatible with human development objectives. For example, there have been practical difficulties at least since the 1990s in incorporating development measures such as the Human Development Index into development planning (especially in economic infrastructure).

In addition, overall, planning frameworks have become less important in developing countries. This has been the case in the Arab region as well. There has been correspondingly less enthusiasm for making medium-term plans. And this trend has corresponded with a decline in the role of public investment in driving overall development efforts in the region.
Moreover, ministries of planning had become much less important during the era of economic stabilization and structural adjustment. Definitive fiscal powers had been handed over, instead, to Ministries of Finance, which have been heavily influenced by the IMF and the World Bank. It is these ministries that have come to monopolize the fiscal purse strings, and their planning horizon has tended to stretch only a few budget cycles into the future.

The HDI did have some initial traction on development planning in the Arab region beginning in the mid 1990s. This corresponded in some cases (such as in Egypt) with the publication of national Human Development Reports.

The Egyptian government played a pioneering role, in fact, in publishing a Human Development Report that was able to report on HDIs at the regional level. This innovation was of potentially significant value to the Ministry of Planning since such information could help it decide, at least, on the allocation of expenditures on education and health across regions.

The regional HDIs could also provide comparative data on income levels (although such data could be generated easily enough through other sources). But a fundamental problem with information on income per capita (such as in the form of real GNI per capita in the HDI) is that it provides little guidance, in itself, on what kind of public investment should be allocated to particular regions. In contrast, the health and education indicators in the HDI are easily used to justify sectoral investments in health and education facilities.

Instead of using a composite index such as the HDI, a Ministry of Planning would be better positioned if it had access to regular information on a broader array of development outcomes. Regular information on employment outcomes by region could be, for example, particularly valuable. But labour force surveys are generally very irregular across the Arab region as a whole.

For planning purposes, regular surveys that provide critical information on a set of key nationally relevant outcome indicators would indeed be invaluable. But few countries (or international organisations) are prepared to invest the funds necessary to support such surveys. Income and expenditures surveys became more widespread over the 1990s and 2000s but their paramount use after the late 1990s has been to record changes in income poverty at the household level.

The adoption of the Millennium Development Goals in 2000 (and the adoption of targets for these goals in 2001) helped focus the attention of the international development community on the need to carry out regular surveys in order to gauge progress towards agreed international targets. But many of the goals and targets in the MDGs are more suited to low-income countries or Least Developed Countries. With rare exceptions (e.g., Yemen), there are few such countries in the Arab region. Yet Arab countries were expected to adopt these global goals and targets wholesale at the national level.

This point about the limited applicability of the MDGs applies generally to the first six of the eight MDGs. These include reducing poverty and hunger, promoting primary education, achieving gender equality and the empowerment of women, reducing child mortality, promoting maternal health, and combating HIV/AIDS, malaria and other diseases.

Although countries in the Arab region still need to make progress on many of these goals, their development priorities extend well beyond these basic human-development achievements. For example, they need to promote quality secondary and tertiary education and substantially expand productive employment. Such objectives need to be ‘nationally owned’, not externally imposed’ if they are expected to have a meaningful impact on national planning.

So, on the whole, one could argue that while the HDI (and its related indices) and the MDGs had a significant positive effect on focusing development planning and policymaking in the Arab region on
the basic human development goals discussed above, the ambitions of countries in this region should be extended to broader and more advanced human-development objectives. This would involve adopting a more expansive Inclusive Development framework.

The basic methodological approach of the MDGs, which relies on goals, targets and indicators, remains, nonetheless, a useful approach for development planning. Such an approach focuses the minds of development planners and policymakers because it provides a basic ‘accountability’ framework. But such a framework still needs to be ‘nationally determined’.

Of course, such a framework requires at least a regular monitoring system, based, for example, on regular household surveys that can provide information on changes in the indicators that can gauge progress towards agreed targets. Hence, adequate budgeting has to be allocated to such purposes. Unfortunately, most governments have not allocated the requisite resources for such regular surveys.

8. The Need for an Inclusive Development Framework

The MDGs have had essentially a monitoring framework that was focused on basic human capabilities and extreme deprivation. While such a framework has been used in the Arab region, it is not the most developmentally appropriate. Needless to say, there are indeed such severe forms of deprivation in the region, particularly in rural areas. But there are broader forms of deprivation, affecting significant segments of the population, which need to be prioritized. Identifying such relative deprivations and gauging the proportions of the population that are affected by them should be priority concerns.

Hence, the Arab region should strive to move beyond a Poverty-Focussed Agenda and adopt a broader Inclusive Development Agenda. In taking this stance, this paper has been influenced by the *Arab Development Challenges Report 2011*, which called for “a well articulated long-term inclusive development vision”.

Adopting such an approach has several implications. First, it should take a broader view of deprivation instead of focusing on extreme deprivation, such as income poverty defined by a $1.25 per day threshold (or even by a $2 per day threshold). For example, utilizing a higher poverty line (e.g., $3-4 per person per day) would be more useful. We will return specifically to this point below.

Focusing more on inequality should also represent a strategic priority. However, more creative means will have to be found to highlight disparities in income and human development across the populations of the Arab region. As noted by the 2011 *Arab Development Challenges Report*, for example, Gini coefficients do not adequately capture income inequalities (p.10). For many countries in the region, the Gini coefficient remains relatively low and shows little deterioration over time. But such a trend can be misleading.

Thus, it could conceivably be more useful to focus on changes in the income share of the bottom 40% or 60% of the population, or the ratio of the income share of the richest 20% to the income share of the poorest 20%. But, as indicated earlier, the available results on such indicators do not suggest that inequality in the Arab region is particularly severe.

Another, likely more viable, alternative would be to fix certain absolute levels of income per capita (such as in purchasing power parity terms) and monitor over time the proportions of the population that are able to move above such a series of thresholds. This is the approach of Kapsos and Bourmpoula (2013) with respect to the labour incomes of the employed. With regard to this approach,

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10 UNDP, 2012, p.1
we have emphasized the importance of the specific international thresholds of $4 per day per person and $13 per day per person for the Arab region.

It is worth noting that employment goals and targets were added to the MDGs only belatedly. And the targets that were adopted were not, in fact, well formulated. For example, how realistic (and how monitor-able) is a target for ‘full and productive employment’? How could such a target be practically defined?

In general, the current array of available employment indicators is not very useful. Unemployment has limited value, even in the Arab region, where it represents, of course, a substantial problem for some workers. It is well known that poorer or more vulnerable workers simply cannot afford to be unemployed. Those workers who register themselves as unemployed often either expect to be reinstated to their jobs relatively soon or are supported by families with above-average incomes. In other words, they can ‘afford’ to be unemployed until they secure a job that meets their expectations.

Moreover, even in developed countries, unemployment statistics do not count the workers who have simply dropped out of the labour market, i.e., have given up looking for a decent job. Unemployment statistics also do not take account of the often numerous women who would like to secure decent employment but recognize that it is highly unlikely that they will find such jobs and so refrain from even ‘entering’ the labour market. This is particularly the case in the Arab region, for cultural as well as economic reasons.

Even the indicator that records the ratio of the employed to the working-age population (which is often used by the ILO as a key indicator) is not very helpful since it does not take into account the often wide variation in the quality of employment that is being recorded. A significant proportion of the employed are likely to be engaged, in fact, in low-quality employment.

In light of such problems, it is likely that ‘second-best’ options will have to be explored. One option is to utilize indicators that give some general indication of the quality of employment. Two candidate indicators are ‘wage employment’ and ‘vulnerable employment’. It is usually assumed, for example, that ‘wage employment’ represents quality formal-sector employment. At the other end of the spectrum, ‘vulnerable employment’ connotes undesirable, low-paying employment. Constituting the ‘vulnerably employed’, according to the ILO, are the self-employed and unpaid family workers.

But, in practice, these two indicators often do not change very significantly. Moreover, there are inadequate means to collect the relevant data for such indicators, partly because of the lack of labour force surveys but also because of the weaknesses of such surveys in relating income data to employment data. Thus, where possible, indicators for wage employment and vulnerable employment should be used in conjunction with corresponding data for income per capita, as exemplified in the research by Kapsos and Bourmpoula.

9. Adding Indicators for Access to Economic Infrastructure

In addition to adding meaningful indicators that can monitor significant changes in employment, the effort to elaborate an Inclusive Development framework for the Arab region should prioritize the inclusion of some indicators that can gauge progress of the population in gaining access to economic infrastructure. The access of the population to economic infrastructure is a critical dimension for gauging the inclusiveness of economic growth.

Because of the importance attached over the last two decades to access to social infrastructure (such as education, health, potable water and adequate sanitation), data for indicators defining access of the
population to economic infrastructure, such as electricity, roads, and information and communication technologies, are not widely available (see McKinley 2010 with regard to data for Asia).

What are usually available, to some degree, are indicators of average per capita access. An example would be the average electric power consumption per capita. However, for access to electricity, it is feasible to gather some meaningful data from the International Energy Agency on the proportion of the population with access to electricity.

Unfortunately, there do not appear to be any suitable indicators for the access of the population to roads. While there are data for the percentage of roads that are paved, there is no information on the percentage of the population that has reasonable access to paved roads, or even to all roads (whether paved or unpaved).

There are some promising recent indicators that are available on access to information and communication technologies. An example would be the number of internet users per 100 people. This is indeed an MDG indicator for Goal #8 but it has never been given a target.

10. Outline of a New Development Measure for the Arab Countries

Drawing on the earlier sections of this paper, it is worthwhile to begin thinking concretely about what a New Development Measure for the Arab Countries might look like, at least in outline form. In doing so, we draw, in part, on the Arab Development Challenges Report 2011 of the UNDP Regional Centre in Cairo.\textsuperscript{11}

Focussing critically on the HDI is a useful starting-point for such an exercise. Supplementing the HDI with regionally appropriate measures of human development and deprivation could also be worthwhile. Also, where appropriate, some of the dimensions utilized in the MDGs might prove to be useful.

But one of the overriding concerns of the international development community at this conjuncture appears to be, in effect, how the human development approach (embodied in the HDI and reflected in many of the MDGs) could be combined with a sustainable development approach.

While we begin our discussion with a focus on the possible dimensions of a New Development Measure for the Arab region, we believe that it would be a mistake to focus solely on one central measure. There should be supplementary measures (in the form of composite indices or individual indicators) that can cover a broader range of dimensions than the New Development Measure itself. Strategically, it would be a mistake to narrow the focus to just a few critical dimensions of development, particularly for the purposes of policymaking and planning.

Nonetheless, we begin our examination, at least, with a discussion of the three dimensions of the HDI: life expectancy, educational attainment and income per capita.

10.1 Assessment of Life Expectancy

It would be difficult to improve on life expectancy as a general register of progress on health. The Arab region does not appear to have below-average achievements on this indicator. While the global average is 70.1 years, the average for the Arab region is 71.\textsuperscript{12}

\textsuperscript{11} UNDP, 2012
\textsuperscript{12} UNDP 2013, Annex Table 1
Of course, there are diminishing marginal returns inherent in a life expectancy indicator since there will be slower overall progress in the increase in the number of years at the upper end of the age scale. There is also the problem, mentioned earlier in this paper, that the quality of life in older age tends to deteriorate so that a year of life at 25 years of age, for example, would tend to be valued more than one, for instance, at 85 years of age.

This problem represents one reason why the indicator for ‘disability-adjusted’ life expectancy has been developed. But the use of such an indicator might open up many troublesome questions on how to define ‘disability’ and, just as critically, how to generate reliable data for it.

The World Health Organisation does provide data based on estimates of DALYs. These are calculated on the basis of the years of life lost due to premature mortality and the years of life in which people are afflicted with disability.13

Given the limitations of the indicator for life expectancy, and even disability-adjusted life expectancy, it would probably also be important to incorporate a supplementary indicator on the private cost of health care for populations in the Arab region.14 This is particularly important since large segments of the population in many countries in the Arab region are not covered adequately by public health facilities and do not have access to forms of health insurance.

As a result, it would be useful to incorporate (and ensure adequate data for) an indicator that provides information on private health expenditures as a ratio to total health expenditures. Such data are available from the WHO.15

10.2 Assessment of Educational Attainment

As indicated earlier in this paper, there have been a number of variations on the education variable in the Human Development Index. Originally, only the literacy rate was used. Mean years of schooling was added soon afterwards. Then the combined gross enrolment ratio for primary, secondary and tertiary education replaced mean years of schooling. Beginning in 2010, however, mean years of schooling was re-introduced as a replacement for the gross enrolment ratio but it assumed two forms: 1) the attained mean years of schooling achieved by the current generation (who are 25 years or older) and 2) the forward estimate of the expected years of schooling of the generation just born.

The formulation of the expected years of schooling is very similar to that for life expectancy. Theoretically, the two could be combined mathematically so that the indicator for the expected years of life is qualified by the corresponding indicator for expected years of education. In other words, the latter would add a quality dimension to the former.

Nevertheless, in the Arab region it does not seem appropriate to include educational indicators that give either an explicitly large weight to basic education (such as expressed in the adult literacy rate) or give an implicitly equal weight to higher levels of education (which is the case for mean years of schooling since it does not discriminate between years of primary, secondary or tertiary education).

Probably more appropriate for Arab countries would be an indicator of expected years of schooling that gives greater weight to the years achieved in secondary education and even greater weight to those achieved in tertiary education. For example, the 2013 Human Development Report provides

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13 WHO, 2013
14 UNESCWA and LAS, 2013, p. 70
15 see WHO 2013, Table 7 in the Statistical Annex
useful data on the proportion of the population that has achieved at least secondary education. In the Arab region, this proportion is only about 38% whereas the global average is about 58%.\footnote{16 UNDP, 2013, Table 8, Statistical Appendix}

There is also the widely recognized problem that an indicator of years of schooling does not incorporate quality considerations.\footnote{17 UNESCWA and LAS, 2013} It is generally assumed, for example, that the quality of education in many Arab countries has deteriorated over recent decades, while the private cost of acquiring education has risen. But it would likely take a significant effort to collect relevant and reliable data on the quality dimensions of education as well as the private costs involved in acquiring it.

10.3 Assessment of Income Per Capita
The most problematic HDI indicator for the Arab region is real GNI per capita (expressed in logarithmic form). At least gross national income per person (which has been used in the HDI since 2010) is an important improvement over the earlier use of gross domestic product per person. But a more accurate depiction of living standards could be attained by using real consumption expenditure per capita.

It has been noted that real consumption expenditure per capita has tended to stagnate in the Arab region while statistics from national accounts have simultaneously indicated that there has been a significant rise in real GDP per capita.\footnote{18 UNDP 2012} This discrepancy suggests that real standards of living are not accurately depicted by trends in the gross outputs of economies in the region. What is critical is the income available to households for expenditures.

In addition to the issue of disparities between the estimates of progress provided by different indicators with regard to monitoring trends in a ‘decent standard of living’, there is the underlying problem that the current indicator of Gross National Income (expressed in logarithmic form) incorporates diminishing marginal returns to human development from increases in income per person.

Theoretically, this can be justified by plausible assumptions. For example, increases in income at lower levels are likely to be valued more highly than increases at significantly higher levels (particularly those levels well beyond either absolute or relative poverty). This view could be justified on the basis of the assumption of diminishing marginal returns to human capabilities from increases in income per capita.

But there is the underlying empirical problem that the majority of the population in most Arab countries (with some exceptions, such as in Sudan or Yemen) have standards of living that significantly surpass any common absolute thresholds for poverty. This is certainly the case for any international poverty lines (or corresponding national lines) that are set at $2 per person per day (in PPP terms) or lower. Such poverty lines are more appropriate for low-income countries or Least Developed Countries, of which there are only a few in the Arab region.

These observations suggest that any poverty lines in the Arab region should probably be set at least at $4 per person per day (PPP) or higher. As indicated earlier in this paper with regard to the discussion of labour incomes, the range of income per person between $2 per day and $4 per day (in PPP terms) is utilized internationally to identify the ‘near-poor’, those members of the population who are neither ‘extremely’ nor ‘moderately’ poor but are still vulnerable to falling back into such conditions. Given the average levels of income per capita in most Arab countries, it is reasonable to assume that
adequate public and private resources could mobilized and invested to ensure that the population has a standard of living that exceeds the threshold of $4 per day.

Making such an assumption should lead either to some modification (i.e., discounting) of real consumption per capita on the basis of the size of the population that receives less than $4 per day or the construction of a separate Poverty Index that uses such a threshold as an initial basis to identify absolute deprivation. But examining trends just in the proportion of the population that receives income less than $4 per day is still likely to be inadequate for the Arab region.

Our earlier exercise in tracking the trends in labour incomes per worker (expressed in PPP terms) between the 1990s and the 2000s suggests that any set of ‘deprivation’ indicators for the Arab region should also register the proportion of the population that continues to receive less than $13 per day. This is the threshold for the U.S. poverty line.

We have considered this threshold as the basis for estimating ‘relative’ deprivation. Our earlier exercise for labour incomes showed that most countries in the Arab region have made very little progress in moving significant segments of workers beyond levels of relative deprivation. This finding can be important, not only for economic reasons, but also for political reasons. It could help explain, for example, why there has been widespread political unrest in countries in which it appears that absolute poverty has been on the decline.

The above wide-ranging discussion of the income indicator in the HDI suggests that any New Development Measure for the Arab region should use a more refined barometer of progress on the income front. One potentially useful initial option is to utilize real consumption per capita as the primary basis for assessing progress on a ‘decent standard of living’.

But our discussion of deprivation thresholds suggests that this indicator should be adjusted for the progress attained beyond specified global levels. For example, greater weight should be given to the proportion of the population that receives income beyond $4 per day, and even greater weight should be given to the proportion of the population that receives income beyond $13 per day.

11. Incorporating Employment Barometers

Evaluating progress on human development through the lens of changes in various forms of income per capita (GDP, GNI or consumption) represents a useful beginning basis on which to assess improvements in living standards. But there is also not a lot of controversy nowadays about the additional critical importance of incorporating a measure of progress on the employment front.

Partly, this is the result of the widespread recognition that being engaged in quality or productive employment should be valued in its own right—not just on the basis of the income that it generates. Such an assessment would follow logically from a human-development perspective.

But this recognition has not been translated yet into a corresponding improvement in the ability of policymakers to track concrete progress on employment outcomes. In fact, it is noteworthy that an employment target was added only belatedly to the MDGs. And, as discussed earlier, the expression of this target remains woefully inadequate, at least from a practical standpoint.

This MDG employment target was expressed as achieving “full and productive employment and decent work for all”. Needless to say, such a ‘target’ was very ambitious as well as being very vague in practical terms. Some content for this ‘target’ is provided by 1) estimating the percentage of workers who receive less than $1.25 per day in labour income and 2) the gender gap in the
employment-to-population ratio. These are the two targets provided for the employment-related MDG.

The first criterion relies on the ILO definition of the ‘working poor’. This definition is based on estimating the income per capita of each household, identifying those households that receive less than $1.25 per day per person, and then ‘translating’ this finding into the average labour income per worker of each household. There are a number of problems with such an estimation technique. The first is that there is a mechanical translation of household-level incomes into the labour incomes of the household members who are employed. The second is that this technique confines itself to estimations of extreme poverty.

The recent paper by Kapsos and Bourmpoula (2013) broadens this methodology by gauging the labour incomes of various categories of workers who are members of households that receive levels of income per capita that are higher than extreme poverty. Our exposition of this research noted its classifications of workers into five categories: ‘extreme poor’, ‘moderate poor’, ‘near poor’, ‘the developing middle class’ and the ‘established middle class and above’.

We remarked that we considered this classification to be useful for gauging progress beyond what we label ‘absolute deprivation’ (i.e., less than $4 per person per day) and what we regard as ‘relative deprivation’ (less than $13 per person per day). This approach is also useful because it places these income levels within an employment format.

For the Arab region, we believe that two thresholds should be used to gauge progress on the employment front: 1) those employed who earn more than $4 per day (i.e., who are not even considered the vulnerable ‘near-poor’ and 2) those who earn more than $13 per day (i.e., who are not even relatively poor on the basis of the U.S. poverty line).

Hopefully, our earlier discussion of the employment results for ten countries in the Arab region suggests that including such an indicator would be particularly useful. But instead of incorporating it into a New Development Measure, it would probably be preferable to treat it as a separate employment-focused indicator. Thus, for a New Development Measure, real consumption per capita could remain as the main assessment of the level of the standard of living.

**Conclusion**

In this paper we have used the HDI, and its related indices and indicators, as the starting point for our discussion of a relevant New Development Measure for the Arab region. We have noted the strengths and weaknesses of the HDI and other related indices, such as the Inequality-Adjusted Human Development Index and the Gender Inequality Index. In particular, we have tried to evaluate the relevance of such indices and indicators to the development conditions in the Arab region.

Our central recommendations involve 1) reworking the HDI in some significant ways, but 2) supplementing such a composite central index *primarily* with two composite ‘inequality’ measures, and then 3) adding a major employment indicator and prominent indicators for gender inequality.

**Reworking the HDI**

As a start, we have proposed opting for real consumption per capita in place of the current GNI per capita as the indicator for the standard of living.

But such an indicator should be supplemented in at least two respects. First, greater weights should be applied, in some fashion, to higher levels of real consumption per capita. This could be done directly to the indicator for real consumption per capita within a composite index. Or it could be done by
introducing an employment-related indicator as a supplement to the New Development Measure. The incorporation of such a new indicator constitutes, in fact, our second major recommendation for improving the indicator for the standard of living.

We have drawn heavily on the research by Kapsos and Bourmpoula (2013) to suggest that in the Arab region, particular emphasis should be given to the improvements in labour incomes that take workers above the threshold of $4 per day (i.e., out of absolute poverty) and take them above the threshold of $13 per day (i.e., out of relative poverty).

We have not taken great issue with the life expectancy indicator in the HDI. But we have noted that it does not take into account the deterioration in the quality of life as people live longer. We have not offered a concrete solution to this problem, except to note that the direction that the WHO has taken—namely, to adjust years of life by ‘disability’—represents a theoretically worthwhile initiative, although we have expressed some misgivings about the current quality of this kind of data.

We have expressed some dissatisfaction about the relevance of the indicators for mean years of schooling in the HDI. This dissatisfaction applies to both forms of this indicator, i.e., years already attained by people 25 years or older or the expected years of the current generation. For the Arab region, we have recommended that greater weight should be given to the attainment of levels of education corresponding at least to secondary education, and to tertiary education as well.

**Supplementing the HDI**

We have also recommended that any New Development Measure should have a tripartite structure. While reformulation and strengthening of the HDI could provide the central basis for a New Development Measure that is more relevant to the Arab region, such a measure could still be usefully supplemented with two other composite indices.

One such composite index could be similar in content and structure to the Inequality-Adjusted Human Development Index. Such a composite index would be designed to account for *intra-generational inequity*. However, we had expressed some misgivings about the applicability of the inequality measures currently being used in the IHDI for its three dimensions, namely, for health, education and the standard of living. There are still serious reservations, for example, about the usefulness of Gini coefficients and other related measures (based, in part, on the quality of the data) for assessing the underlying trends in income inequality in the Arab region.

Our second companion recommendation—which, in this case, breaks substantially with the past practice of the Human Development Reports—is to develop a composite index for environmental sustainability. This composite index would be designed to supplement the central New Development Measure by taking into account *inter-generational inequity*. Such a composite index should be constituted by indicators that are particularly relevant to the Arab region. The earlier discussion of this issue provided some concrete recommendations on the indicators that seemed most appropriate for this purpose.
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