

# Human Development Report 2011

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## Introduction

According to projections of the 2011 Human Development Report (HDR), the growth and development in the world's poorest countries could be halted or even reversed by mid-century unless bold steps are taken now to slow climate change, combat further environment damage, and reduce deepening inequalities within and among nations. Titled "Sustainability and Equity: A Better Future for All", this UNDP publication argues that urgent global challenges of sustainability and equity must be addressed together and identifies policies at the national and global level that could spur mutually reinforcing progress towards these interlinked goals. The Report argues that if the recent human development progress for most of the world's poor majority — as shown in previous HDRs — is to be sustained for the benefit of the future generations as well as for those living today, bold action would be needed in both fronts of sustainability and equity.

Environmental degradation intensifies inequality through adverse impacts on already disadvantaged people. Likewise, inequalities in human development amplify environmental degradation. Thus, sustainability is intrinsically linked to equity. The report acknowledges however that environmental sustainability and equity are not always mutually reinforcing and there are instances of possible trade-offs. Understanding the links between environment

sustainability and equity is thus crucial if we are to design policies to upkeep the human development indicators (HDI) trends of developing countries as in the past.

The Report identifies pathways for people, local communities, countries, and the international community to promote environmental sustainability and equity in mutually reinforcing ways. In other words, the Report emphasizes that promoting human development requires addressing sustainability at all levels and this can and should be done in ways that are equitable and empowering.

### Environmental Impact

The Report analyses the changes in the HDI for the next 40 years under two different scenarios, namely, "environmental challenge" and "environmental disaster". Under the former, when some of the environmental factors such as global warming on agriculture, access to clean water and improved sanitation and pollution are incorporated, the HDI would be 8 per cent lower by 2050 when compared with the baseline. Under the latter, when vast deforestation and land degradation, declines in biodiversity and accelerated extreme weather events are incorporated, the global HDI would be 15 per cent below the projected baseline.

It is shown that the burden of environmental degradation and climate change is likely to be disequalizing across groups. For instance, people living under subsistence near forests amounts to 350 million. Deforestation and restrictions on access to natural resources can hurt these people. The Report shows that power imbalances and gender inequalities at the country level are linked to reduce access to clean environment amplifying the effects associated with income disparities. Gender inequality also interacts with environmental outcomes and makes them worse.

Another trend observed is that increasing HDI is associated with environmental degradation, through economic growth. For instance, countries with higher incomes have higher carbon emissions. Moreover, adverse environmental factors in countries with higher income will enhance world food prices by 30-50 per cent in real terms with volatility in the coming decade and with harsh repercussions for poor households living in low income countries. The projections add to the current understanding that the most disadvantaged people would bear most of the cost of environmental deterioration, although their contribution to the problem is relatively less.

The HDR 2011 takes a step forward from the multi-dimensional poverty index (MPI) presented in the HDR 2010 to include environmental deprivations. It takes into account the access to modern cooking fuel, clean water and basic sanitation. According to the findings, 60 per cent of people in developing countries and 40 per cent of people in developed countries are faced with environmental deprivations. The deprivations are acute among the multi-dimensionally poor. So the world's most disadvantaged people suffer the most from environmental degradation and disproportionately lack political power, making it all the harder for the world economy to reach an agreement on the needed global policy change.

### Policy for Sustainability

The Report outlines greater potential for positive synergies in the quest for greater equality and sustainability, especially at the national level. The Report looks at the approaches which can integrate environmental sustainability and equity to promote human development, to create win-win solutions. Some countries, like Costa Rica have been able to show significant progress in the HDI, equity and environmental sustainability. The report highlights the fact that the effective solutions must be context-specific. And the possible win-win strategies, for instance, investments that improve equity — in providing access to renewable energy, water and sanitation, and reproductive health care — could advance both sustainability and human development.

Environmental degradation can be reduced by ways of expanding reproductive choice, supporting community management of natural resources and conserving biodiversity while promoting equity. Successful approaches rely on community management, broadly inclusive institutions and attention to disadvantaged groups. The key policy directions for addressing climate change risks would be equitable and adaptive disaster responses and innovative social protection. A clean and healthy environment is a right and not a privilege. Constitutionally recognizing equal rights to a healthy environment promotes equity by no longer limiting access to those who can afford it. And embodying the right in the legal framework can affect government priorities in resource allocation.

In a nutshell, the key policy priorities for the win-win strategy to work are: (1) ensure that the installation and regulatory framework for governments are in place to enable scaling up private investments in developing countries;(2) sustainable/equality objectives should be reflected in budgetary allocation priorities; (3) mobilize additional resources to narrow the gap of environmental deprivation; and (4) ensure that local level/community based participants have the capacity to define policies and budgets, and implement programmes – to support sustainability and equity.

## Financing

The finances needed for sustainability and equity is large and many times greater than the current official development assistance. Today's spending on low-carbon energy sources, is only 1.6 per cent of the need but spending on climate change and adaptation and mitigation is around 11 per cent of estimated need. Global allocation on social protection is close to 17 per cent of GDP but much of this by-passes the most needy/disadvantaged. The high income countries spend on average 20 per cent of their GDP on social protection while low income countries spend about 4 per cent. The Report argues that there is enormous potential to increase this spending in low income countries and it is needed for financing the new sustainability and equity agenda highlighted in the Report. The Report shows that 2 per cent of GDP can provide the world's poor with minimum package social benefits with basic health care, education, basic income transfer, etc., and if the package is broadened to include climate change adaptation, it will lead to 2.5 per cent of GDP. The report shows that approaches which integrate equity into policies and programmes and those that empower people to bring about change in the legal and political areas, hold enormous promise.

Market mechanism and private funding will be vital, they must be supported and leveraged by pro-active public investment. Public investment, the Report says, can catalyze private

investment, emphasizing the increasing public funds and supporting a positive investment climate and local capacity. Closing the financial gap requires innovating thinking, which the Report articulates.

The Report suggests a currency transaction tax which was first mooted in the 1994 HDR, as a prime candidate to tap on. It says that the idea is increasingly accepted as a practical policy option and the recent financial crisis has revived interest in the proposal. It has high level endorsement, including from a leading group of Innovating Financing with 63 countries. Moreover, the UN High Level Advisory Group on Climate Change Financing recently proposed that 20-25 per cent of the proceeds from such tax collection should be directed to climate change adaptation and mitigation in developing countries. Estimates show that 0.005 tax on financial transactions can yield US \$ 40 billion in revenue. And a tax of 0.05 per cent on domestic and international financial transactions could yield US \$ 600-700 billion. The Report says: "Not many other options could satisfy the new and additional funding needs stressed in international debates". The Report shows that most G-20 countries have already implemented a financial transaction tax, and the IMF has confirmed the administrative feasibility of a broader tax.

The other financing option articulated in the Report is using the IMF's SDRs for innovative financing and climate change adaptation. Monetizing part of IMF's surplus it is shown, could raise US\$ 75 billion with little costs to any government. SDR as seed capital for a new global green fund, issuing additional SDRs and other reserve assets could mobilize US\$ 100 billion a year by 2020.

Several public and private sources could also be tapped to close the financing gap. Already, innovative financing instruments – such as Clean Technology Fund and the Strategic Climate Fund – are blending funding from multilateral development banks, governments, climate finance instruments and the private sector. They have raised an additional US\$ 3.7 billion for development and can leverage substantial additional funds.

The Report argues that the new financing need to be allocated to meet the challenges of inequity and unsustainability and not to exacerbate existing disparities.

## Way Forward

The Report calls for a bold new approach to global development financing and environmental controls, arguing that these measures are both essential and feasible. Moreover, beyond the MDGs, the world needs a post-2015 development framework that reflects equity and sustainability and the Report has laid the foundation for this. In June 2012, World leaders meet in Rio to discuss a new consensus on global action to safeguard the future of the planet. The conference, known as Rio+20, will focus on two themes, namely, a green economy in the context of sustainable development and poverty eradication, and the institutional framework for sustainable development. Also, the 17th Conference of the Parties (COP17) to the United Nations Framework Convention on Climate Change (UNFCCC) is scheduled in 2012 in Durban, South Africa. These conferences stand out as key opportunities to reach a shared understanding on the global development agenda and build on the just completed 4th High Level Forum on Aid Effectiveness (in Busan, Korea) where a new Partnership for Development Cooperation was

articulated. The new knowledge contribution of the HDR 2011 will certainly go a long way in enriching the discussions of both these conferences and formulating a new global development agenda for the 21st century.