

5. MAIN CONCLUSIONS AND POLICY IMPLICATIONS



As the world progresses, development is changing. Many developing countries have made quantitative achievements on various development goals. For them, the quality of achievements is now critical. Quality is also important from an equity perspective because in many societies, it is enjoyed mainly by the richer class. Most poorer populations face a double burden of quantitative and qualitative deprivations; the poorest face the most severe deficits. New development challenges related

to environmental sustainability, voice and autonomy and human security have emerged but with limited scope to measure them.

This report offers a more comprehensive measure of development, the DCI. It considers the quality of human development and covers environmental sustainability and governance. Rather than an achievement outlook, it presents a perspective on shortfalls. While achievements tell us how far we have come, challenges tell us how far we have to go.

As the global community implements the 2030 Agenda for Sustainable Development, with its aspirations to address wide-ranging challenges, including poverty, hunger, inequality, climate change and environmental degradation, the DCI trains attention on overcoming deficits that are fundamental to achieving the SDGs.

A. Main conclusions

1 There is still much to be achieved, especially on the quality of human development, even in the richest regions

The DCI demonstrates that the poorest countries globally have remained the most challenged throughout the past two decades, with an increased share of challenges for countries in Sub-Saharan Africa in 2020. At the same time, there has been a significant drop in the percentage of individuals in countries in the high-challenge category, from 60 per cent in 2000 to 36 per cent in 2020. Although the share of individuals in very low-challenge countries increased from 2 to 5 per cent in from 2000-2020, this entailed a small number of people. In general, for the majority of people, significant development challenges remain, indicating that concerted efforts are needed to achieve a substantial reduction, especially for the most challenged countries.

Human development assessments change dramatically for some countries depending on how progress is measured. For example, by shifting from the HDI to the DCI, three GCC countries, Bahrain, Oman and Saudi Arabia, showed

some of the greatest losses in rank, alongside Belarus and Kazakhstan. Countries with the largest deteriorations in rank have poor governance and undiversified, resource-rich economies. Since the DCI rewards countries that have improved their economic structure, the biggest rank improvements are for small, non-oil economies with low levels of governance and environmental sustainability challenges, such as Cabo Verde. Larger economies that have undergone industrialization and structural transformation in the past few years, such as Indonesia, also do well.

There are serious deprivations in the quality of human development globally. No region has a very low quality-adjusted human development challenge index, which means there is still much to be achieved, even in the two most developed regions of the world, Europe and North America.

Regarding the number of people in each category of quality-adjusted human development challenges, in

2020, the highest share of the world population lived in the medium-challenge category. This is an important improvement since the highest share was in the very high-challenge category in 2000. Many countries witnessed an increase in their quality-adjusted human development challenge index scores over this period, however. Conflict was one of the main reasons for major deteriorations. Three of the 10 countries with the highest losses in rank on the index are conflict-affected Arab countries.

Health-care systems have deteriorated due to various challenges, such as ageing populations and more prevalent chronic diseases, which have increased the demand for care. Driven by rapid changes in lifestyle and increases in non-communicable diseases, the gap between life expectancy and healthy life expectancy has been widening, especially in developing countries. COVID-19 created new institutional challenges, exacerbating deficiencies in public and private health-care systems worldwide, with disproportionate effects on the most vulnerable, namely children, women and older persons. Several countries have experienced significant demographic changes as a result of the pandemic affecting life expectancies. The need to improve the quality of health care and its relevance to human development have both risen tremendously.

Spillover effects of COVID-19 have reinforced the importance of health and its role in influencing the economy and distribution of wealth. The World Bank estimates that global poverty, using the \$1.90 per day poverty line, increased dramatically in 2021, from 7.8 to 9.1 per cent of the global population due to COVID-19. An estimated additional 97 million people now live below \$1.90 a day.⁴⁸ In addition, according to ESCWA projections, the world is unlikely to meet the SDG 1 target of eradicating extreme poverty by 2030.⁴⁹ Also, ESCWA estimates reveal an exacerbation of wealth inequality in the Arab region after the pandemic. The share of wealth for the top 1 per cent on the spectrum of affluence increased from 37 per cent to 45 per cent, and that of the top 10 per cent rose from 75 per cent to 81 per cent.⁵⁰

Employment is vital to quality human development achievements, especially in terms of income. Employment in general and youth employment in particular, however, remain pressing challenges in most countries, especially those in the low-income group. Accounting for decent employment in development indices is important as decent jobs lead to more

complex economies, which in turn lead to higher and better-distributed incomes and make the best use of quality education.

Gender disparities in education, employment and incomes are major obstacles to human development. Women have made major gain in past decades but confront many inequalities on multiple human development indicators. When considering quality, these inequalities further intensify.

Finally, governance is both an enabler of and condition for inclusive development. Good governance can facilitate development; development can bolster State capacity.⁵¹ The positive relationship between governance and quality-adjusted human development depends on a country's initial circumstances, however. For countries with very high challenges, marginal improvements in one of these aspects will not make an impact on the other.⁵² Improving governance is easier to achieve in countries that have not yet reached high levels of challenges.



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2 Environmental sustainability is a major concern for both developed and developing countries

Most regions have higher environmental health challenges than climate change and energy efficiency challenges. Environmental health challenges account for around 80 per cent of the environmental sustainability challenge in South Asia. The only two regions that score higher on the climate change and energy efficiency component are Europe and Central Asia and North America. In the latter, three quarters of its score comes from this dimension.

Only 7.5 per cent of the total world's population lives in low- and very low-challenge countries, mostly in Europe; 62 per cent lives in very high- and high-challenge countries. Nevertheless, some improvements in the distribution of the population between these two categories is evident, with several countries in South and East Asia and the Pacific moving from the very high-challenge to the high-challenge group. Globally, countries have become more aware of the importance of preserving the environment, yet some countries seem to be left behind and have increased their rank on the environmental sustainability challenge index.

Among the top achievers are several post-Soviet countries, including Azerbaijan, Belarus and Tajikistan. They had very high environmental health challenges in 2000 and have shown improvements in the past two decades, especially in access to water and sanitation and solid waste management. Among the 10 countries that deteriorated the most, half are low income and least developed countries from Sub-Saharan Africa, indicating that their growth patterns are associated

with a significant rise in their material footprint. This is not surprising given their relatively low baselines.

The governance challenge index positively correlates with the environmental sustainability challenge index, but the relationship is not straightforward. Governance systems in the richer world are generally not effective in addressing global sustainability challenges and planetary pressures. In contrast, environmental health and governance move in tandem, suggesting that good governance is key for better quality air, access to drinking water and sanitation, good waste management and absence of heavy metals.

Examining the nexus between environmental health and healthy life expectancy reveals a strong positive relationship, which is expected, since the environmental health index was designed to capture the health impact of environmental factors such as air pollution and access to water and sanitation. Yet this relationship is not linear. Only after reaching a relatively low challenge level on the environmental health index does healthy life expectancy start to significantly improve.

There is little correlation between modern renewable energy and climate change and energy efficiency. This can be explained by countries' insufficient adoption of green technologies, leading to an insignificant impact on planetary pressures or energy savings. Urgent reforms should encourage the adoption of clean energy to reduce carbon dioxide and material footprints and boost energy efficiency.

3 Governance is the world's most pressing development challenge

Global and regional average governance challenges rose over 2000-2020, outside East Asia and the Pacific and the Arab region, which saw slight improvements. The overall increase is largely due to greater democratic governance challenges in most regions. While the Arab region faces the highest governance challenge and has the highest score on the democratic governance challenge dimension, Sub-Saharan Africa confronts the highest challenges in government effectiveness. This is due to poor infrastructure and public service conditions and the shortage of public expenditure.

The largest share of people lives in countries that are highly challenged on governance. Notable deterioration between 2010 and 2020 occurred through higher governance challenge scores in some Sub-Saharan African as well as European and Central Asian countries. Between 2000 and 2020, the number of people living in countries with very high governance challenges rose.

Good governance and human rights go hand in hand, demonstrated by a strong correlation between the

governance challenge index, particularly the democratic governance component, and human rights and freedoms indicators. In contrast, poor governance and unaccountable and ineffective public institutions can exacerbate political and socioeconomic exclusion, worsen systemic inequality

and provoke human rights violations. Across the globe and especially in the Arab region, citizens' thwarted aspirations for governance systems that respect human dignity fuel popular discontent that could eventually lead to further social unrest, political instability and conflict.

B. Policy implications



the financing of effective health-care systems, especially in the poorest and most challenged countries. Affordable universal health coverage would strengthen prevention, preparedness, response and recovery from current and future pandemics. To this end, a global action summit on health could agree on necessary actions.

Simply expanding health system capacities without addressing environmental drivers of morbidity and mortality, however, may result in missed opportunities to increase healthy life expectancy. For example, access to clean drinking water is paramount to health. This requires better governance of water resources to ensure an effective and equitable equilibrium between existing uses and growing needs, and to sustain water security in a changing climate. Other policies to improve environmental and human health comprise expanding access to and investment in sanitation and raising awareness of sound hygiene practices.

Globally, increasing planetary pressures and energy inefficiency, which have direct and indirect impacts on health, are alarming. These could derail sustainable development without urgent policy corrections. All mechanisms should be deployed to expand human freedoms while mitigating planetary pressures, including through social norms and values, incentives and regulations, and nature-based human development.⁵³ Governments play an important role as they hold the formal authority and power to generate collective action on shared challenges, whether that entails enacting and enforcing a carbon price, removing laws that marginalize and disenfranchise, or establishing policy and institutional frameworks. Three incentives may be particularly effective. The first is finance, which includes incentives within financial firms as well as the regulatory authorities that oversee them. The second is pricing, such as through carbon pricing that redirects investment and consumption towards low-carbon technologies. The third is collective action, including at the international level.



Policy message 1.

Strengthen environmental systems to improve healthy life outcomes

The world's development challenges are too big for a single actor, whether a national government or an international development organization. They require actions at the national and global levels and a series of alliances. The following four-pronged action plan emphasizes the need to act on every challenge depicted by the DCI.

Preventing and mitigating unforeseen health shocks requires global action. Governments should work together to ensure the more equitable distribution of vaccines and

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Moves towards lower energy intensity and modern renewables should accelerate. Proactive energy efficiency policies can stimulate change. Countries worldwide should harness the technological advancements and green technologies that are increasingly available. They should take bolder steps to propel the global energy transition to modern renewables. To encourage this transition, energy prices should be adjusted, with a gradual phasing out of subsidies for traditional energy. Lower-cost finance for renewable energy and concessional loans would bolster sustainable and long-term investments,⁵⁴ with building new clean energy infrastructure requiring total energy investment spending in the range of 2-3 per cent of GDP per year.⁵⁵

Collaboration between the public and private sectors, including risk-sharing as low-carbon solutions mature, is important to attract diversified and resilient sources of capital needed for long-term investments in energy systems.⁵⁶ Private and public sector investments in clean energy infrastructure will both protect the climate and result in large-scale job creation.

Improving healthy life outcomes depends on protecting the health of environmental systems, which can only happen by adopting new technologies and changing prevailing consumption patterns. The COVID-19 pandemic revealed an unforgiving trade-off of unlimited human needs set against the planet's limited environmental capacity. Countries must shift to more sustainable economic growth models that work for both people and the planet.



Policy message 2.

Build knowledge-based economies with integrated education and labour market systems to harness opportunities and minimize the negative impacts of the Fourth Industrial Revolution

Quality education plays a crucial role in strengthening inclusive growth and overall economic development. It reduces social disparities, especially gender disparities, stimulating



improvements in girls' lifetime earnings, and reducing child marriage, child mortality and maternal mortality.⁵⁷ Governments should focus on developing well-rounded and integrated educational systems that reach males and females in all regions of a country, including the most vulnerable people in rural areas. Subsidies and scholarship programmes would allow more students to complete their education and enter the labour market with required skills.

A lack of decent jobs breaks the relationship between high-quality education, decent employment and the reduction of poverty and inequality. Many countries worldwide have witnessed income growth yet income inequality has worsened largely because greater educational attainment has not resulted in higher personal income from higher-skilled jobs. Today, 71 per cent of the world's population lives in countries where income inequality has increased.⁵⁸

These are alarming findings, especially since countries with highly inequitable income and wealth distribution have less equitable social outcomes and are more prone to social polarization and domestic conflict.⁵⁹ Macroeconomic policies should be carefully scrutinized to encourage decent job creation that promotes inclusive growth and productivity. This includes not only designing effective fiscal and monetary policies and tools but also formulating pro-employment sectoral and industrial policies to improve diversification and re-emphasizing the role of monetary policy in supporting private sector development, especially through small and medium enterprises.⁶⁰

Future generations need to be adequately prepared for more knowledge-intensive economies. Young people need more creative and critical thinking skills, particularly enhanced competency in STEM (science, technology, engineering and math) subjects. This will help ensure that they benefit from digital transformations during the Third Industrial Revolution and can thrive amid labour-displacing technologies such as automation and robotics associated with the Fourth Industrial Revolution.

03

Policy message 3.
Forge strong links between government effectiveness and democratic governance

The human development framework has two fundamental freedoms: well-being, including functionings and capabilities, and agency, including voice and autonomy.⁶¹ The human development approach has largely focused on well-being but as more people and countries have realized this, it has become important to emphasize agency. This has an independent and intrinsic worth of its own and is instrumental in enhancing all forms of well-being. For example, the ability to deliberate, participate in public debates and shape their own lives and environments is of fundamental value to most people, if not all.



From a human development perspective, participation is both a means and an end. Truly functional, participatory democracy, which is much broader than just the voting process, leads to a virtuous cycle. Political freedoms empower people to demand policies that expand their opportunities to hold governments accountable. Debate and discussion help communities shape their priorities. A free press, a vibrant civil society and the political freedoms guaranteed by a constitution underpin inclusive institutions and human development. The human development approach views people not just as beneficiaries of development but as the architects of their lives.⁶²

When people are coerced into an action, submissive or desirous to please or simply passive, they are not exercising agency, a concept related to but distinct from well-being. An agent is someone who acts and brings about change. Agency can advance one's own well-being and that of others. For example, people volunteer for causes that may not determine their own well-being, such as protecting the rights of vulnerable groups or conserving certain ecosystems, landmarks or historical monuments. They may even put themselves in gruelling and difficult situations, at a cost to their own health or security. Here, they are exercising their agency.

Unfortunately, the DCI indicates that agency is not fully valued, especially in the very high- and high-challenge countries, and in the Arab region, where deficits are

particularly acute. In many more authoritarian regimes, there is a tendency to achieve better results on government effectiveness and on the quality-adjusted human development challenges index relative to the democratic governance pillar. Yet government effectiveness and institutions do not directly represent dimensions of human development; they are critical means to enhance human development.

When rethinking human development measurement, it is imperative to recognize that without effective institutions, well-being cannot be ensured or sustained. At the same time, well-being is not a substitute for agency. Both agency and well-being are essential aspects of human development. Strong institutions should ensure that government effectiveness and democratic principles operate in a virtuous nexus.⁶³ By the same token, democratic governance without quality public services is also not a solution. Some countries have focused more on democracy than effectiveness, such as Albania, which has one of the largest infrastructure gaps in the Western Balkans.⁶⁴ There is no inherent reason why well-being and agency should not play complementary roles; governments must aim to enhance both effectiveness and democracy.

One concrete example of how government effectiveness and agency work to complement each other is when improved infrastructure and public service delivery reduce the costs and improve the quality of health and

education. This in turn reduces the costs of producing goods and services, expands the market, and increases community interaction and political participation. As a result, improved social outcomes help people expand their capabilities. Likewise, higher-quality education leads to more informed gap assessments and complaints, and thus to greater accountability by public sector employees. Not only do well-educated citizens complain more but their complaints lead to better conduct by officials fearful of being punished. This in turn enhances accountability and government effectiveness.⁶⁵

Human development and conflict are highly interlinked and directly connected to well-being and agency.⁶⁶ Lower risks of conflict are more likely where policies create institutional and governance reform plans, close gaps between formal and actual rights, strengthen civil society capacities to dialogue with authorities, develop strong political checks to protect accountability and raise awareness of accountability in building public trust and confidence. The most challenged countries in terms of agency are also the most highly affected by long-standing domestic and cross-border conflicts. Since conflict is strongly linked to governance systems and human rights, countries with weaknesses in these are at heightened risk of conflict. Good governance and respect for human rights and basic freedoms is imperative for eradicating conflict.⁶⁷



04

Policy message 4.
Prioritize the most challenged countries and ensure human security in conflict-stricken countries

Resolving the world's development challenges requires focusing first on the most challenged countries. They have multifaceted challenges and lag on all dimensions of quality human development, environmental sustainability and governance. Their vulnerability is reflected in stubbornly high extreme headcount poverty rates, which can cross 45 per cent.⁶⁸

A great deal of international support goes to the most highly challenged countries, including through official development assistance (ODA) to improve economic development and welfare. ODA per capita received by high-challenge countries has declined

since 2007, however.⁶⁹ And aid is not being disbursed according to need. Examining DCI scores and net ODA per capita received by countries shows the two do not correlate.⁷⁰ Shortfalls in the aid system include the reality that some countries gain better financial support due to the political objectives of donor countries. In many cases, support has focused more on expanding markets and economic growth than on human development outcomes.

To provide additional support to highly challenged countries, the global community should implement measures similar to those provided to the least developed countries. These include international tax cooperation to reduce tax evasion from multinational companies and to set standard wages to avoid inequalities. Such measures should also comprise integrating capacity development assistance for domestic tax revenue mobilization, introducing global tax incentives to promote domestic processing, providing policymaking support, establishing a sustainable infrastructure fund and creating cash transfer programmes.

In today's world of protracted conflict and violence, human security has assumed new importance. Millions of people globally, especially in countries in the very high- and high-challenge categories of the DCI, have to cope with climate change, natural disasters, economic and health crises, and intolerance and violence. Towards leaving no one behind, the emphasis should be on a deep understanding of threats, risks and crises, against which both human development and human security actions are crucial.⁷¹ The following two ideas deserve emphasis:⁷²





Countering the shock-driven response to global threats.

There is an inevitable short-term security imperative, which requires emergency responses and is understandable from a human agency perspective. Looking at the world only through the lens of threats imposes the tyranny of the urgent over the important, however. Focusing attention on emergencies fails to address the gradual and complex process of how vulnerability builds between shocks. Consequently, the human development and human security frameworks, while remaining sensitive to short-term security imperatives, should align efforts to counter a shock-driven response to global threats. People are left behind when threats are protracted and require a long-term commitment to crisis management.



Promoting a culture of prevention.

When seeing the world in terms of the occurrence of threats, as with human security thinking, it is very common to hear that crises are opportunities. Yet going back to business as usual once an emergency has peaked is an equally common response. In the crisis management cycle, prevention is the phase that receives the least attention even as there is widespread agreement that it should be the most important. To move from a shock-driven to a needs-driven response to crises, strategies for change must be anchored to times of peace and human development and not just to emergencies. Human security emphasizes the centrality of people in calculations that value some threats over others, and highlights the full cycle of relief, recovery and prevention.

