

PERSPECTIVE

Has the Human Development Approach Influenced Policy?: The Case of World Bank Flagship Reports

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The idea of development as expansion of capabilities and freedoms is widely recognized as an important “breakthrough” idea in the field of development economics. What has been the influence of this idea? There is little doubt about the wide agreement on the values of human dignity and freedom. But has the human development approach influenced the way economists analyse development problems and policy options? In this paper, I explore how concepts of capability and human development has influenced global debates about poverty, and in particular the World Bank’s analysis of poverty that appears every 10 years in its flagship publications, namely the World Development Reports (WDRs) 1980, 1990 and 2000. I show that there has been a substantial shift to using the capability perspective but also that the income perspective continues to dominate.

The idea of development as expansion of capabilities and freedoms is widely recognized as “breakthrough” in the field of development economics. As Professor Amartya Sen remarks, “Seeing development in terms of the substantive freedoms of people has far-reaching implications for our understanding of the process of development and also for the ways and means of promoting it” (Sen, 1999, p. 33). What has been the influence behind this idea? How has the human development approach¹ been adopted and made a difference to social movements, government policy and academic research? There is little doubt about the wide agreement on the values of human dignity and freedom. But has the human development approach influenced the way economists analyse development problems and policy options? These are difficult questions to answer. In this paper, I reflect on such questions by exploring the ways in which the concepts of human development and capability expansion have influenced global debates about poverty. In particular, I review the World Bank’s analysis of poverty that appears every ten years in its flagship publications, namely the World Development Reports (WDRs) 1980, 1990 and 2000-01. I analyse the extent to which these publications reflect the human development approach in the way that poverty is defined, its causes analysed, and the process of poverty reduction understood.

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EVOLUTION IN THE CONCEPT OF POVERTY

Poverty has been defined and analysed in a number of perspectives. Over the past decades, there has been a substantial shift in the concept used in the development community as people-centred approaches gained influence and the broader concept of multidimensional deprivation became widely accepted. Since the 1950s, the conventional approach to poverty in both developed and developing countries has been the income perspective, focusing on lack of income as the central problem, with measures of poverty using headcount of individuals consuming or earning below a certain minimum threshold. In the late 1970s and 1980s, the basic needs perspective emerged, focusing attention on poverty as a failure to meet such basic human needs as food and potable water, primary education and health (Streeten, et al., 1981). The capability-perspective definition of poverty began to be articulated by Sen almost at the same time in publications such as *Poverty and Famines* (1981), *Resources, Values and Development* (1984), and *Hunger and Public Action* (with Dreze, 1989).

The income perspective came under heavy scrutiny in the 1990s which saw a lively debate about the nature of poverty with a proliferation of alternative visions and studies. The capability perspective continued to be developed during the 1990s, leading to the publication of *Development as Freedom* (1999). This perspective on poverty was diffused to a broader public through the UNDP *Human Development Reports (HDR)* series which began in 1990. *HDR* (UNDP, 1997), to which Sen contributed the conceptual framework chapter, was specifically focused on poverty and introduced the concept of human poverty as distinct from income poverty, with a composite index to measure it. In this perspective, poverty is capability deprivation, the failure to achieve a minimally acceptable functioning such as being well-nourished and avoiding preventable morbidity.

Another perspective that emerged was the participatory approach pioneered by Robert Chambers (1997). Deepa Narayan and others in the landmark publication *Voices of the Poor* (Narayan, 2000), emphasized the contextual nature of poverty: that the particular form it takes depends on situations that people find themselves in, and that people themselves define poverty differently and identify people as "poor" according to different criteria. This approach also emphasized the central role of "participation" or human agency in addressing poverty. Diverse authors developed the sustainable-livelihoods approach to poverty reduction. Finally, most recently, since the late 1990s and into the new century, the human rights perspective on poverty began to be articulated in which poverty is lack of dignity and freedom (OHCHR, 2004).

The capability perspective shares many common features with these other human-centred perspectives but differs in some important ways not only as a theoretical concept, but in the way the problem of poverty is analysed and policy attention is focused (Sen, 1999). First, the capability perspective focuses attention on conditions in human lives that are intrinsically important as opposed to factors that are instrumentally important for that human condition (Sen, 1999). Only the human

rights perspective shares this emphasis on human lives. While capability deprivation and human rights violation are not identical, they share a common motivation with human dignity and freedom. Other perspectives are less explicit in distinguishing between means and ends, and many tend to either conflate the two or focus on the means rather than the ends. While the basic needs perspective voices many of the concerns about human well-being as the capability perspective, the distinction between means and ends in the capability perspective brings in a broader set of issues into the analysis of achieving satisfaction of basic needs. The basic needs approach emphasizes public provisioning as both a problem and a solution and does not open up analysis to the broader range of issues such as the influence of market liberalization policies.

Second, the capability perspective emphasizes a diverse set of means other than income in removing capability deprivation or improving human well-being. The capability approach not only accords importance to economic growth and incomes for removing poverty, but also analyses how other factors, including access to economic facilities and social opportunities such as employment, education and health, and the action of people themselves, can affect poverty. While other perspectives emphasize employment, education and health as important means, the income perspective sees these indicators as ways to expanding incomes and often assume them to be automatically linked to economic growth. Another key difference in the capability perspective—as also in the participation and human rights perspectives—is the emphasis on people taking action individually and collectively as means to combating capability deprivation, and the importance accorded to democratic institutions and practice in facilitating this process. In the capability approach, freedom is both the primary end and the principal means of development (Sen, 1999).

Perhaps the most significant aspect of the capability approach for policy is that it focuses attention on a broad range of freedoms as being instrumentally important for removing poverty. Sen sets out five categories of “instrumental freedoms” that are important for expanding substantive freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees and protective security (Sen, 1999). From a policy perspective, the *Human Development Report* (UNDP, 2004) sets out four categories of policies for promoting human development: democracy (incorporating political freedoms and transparency guarantees), pro-poor growth (incorporating economic facilities), equitable expansion of social opportunities (incorporating social opportunities and protective security), and multicultural policies to address cultural exclusion.

The capability approach is not necessarily inconsistent with other approaches. There are many common elements, such as the importance of income and growth as means, the analysis of obstacles to poor people’s incomes, and the importance of investing in education and health. But the key differences lie in whether these factors are means or ends, the concern with individuals and with equality among individuals, and the broader range of means that are considered in the analysis.

WORLD DEVELOPMENT REPORTS (WDRs) 1980, 1990, 2000-01

The World Bank devotes the *WDR* to the theme of poverty at the beginning of each decade to assess global progress regarding this central mission of its work, that of poverty eradication or at least its reduction, and of overall development. The *WDRs* on poverty contribute to the general understanding and debates about poverty worldwide, and influence actions of governments, civil societies and universities. They have particular influence on policy. They are important for the World Bank itself and can lead to major shifts in its operational policies. For example, the *WDR* (2000-01) explicitly shaped the substance of the new policy instrument for poverty that was introduced in 2000, the Poverty Reduction Strategy processes and papers (Klugman, 2002). *WDRs* also have extensive influence on the government policies of developing countries and policies of donor aid programmes.

The *WDRs*, 1980, 1990 and 2000-01 reflect a significant evolution in the concept of poverty and in the use of different perspectives. This can be traced in the definition of poverty, the analysis of key causes and policy agendas that are proposed in each of these reports.

The *WDR* 1980, was in itself a significant departure from the conventional approach since it departed from the income perspective in two ways. First, it defined poverty not only as low income but also as multidimensional deprivation. According to the *WDR* 1980, "absolute poverty means more than low income. It also means malnutrition, poor health and lack of education" (World Bank, 1980). Second, it emphasizes education and health, which it refers to as "human development", as having intrinsic value. While this report focuses on human development, its analysis reflects the income and the basic needs perspectives. In fact, the main contribution of this report is seen from the point of the World Bank's assessments of poverty as its analysis which demonstrates investments in human development for the poor to be an important investment in growth (World Bank, 1990; 2000). It thus speaks to the sceptics of addressing poverty as a priority issue for development.

The analyses of human development extending over three chapters explore relationships between growth, education and health; the policy approaches to improving education and health; and implementation constraints to the policy. These analyses are not incompatible with the capabilities approach to poverty reduction, but do not reflect the broader range of important concerns, emphasized in the latter approach, such as sources of inequality, the impact of macroeconomic policies on people, and the significance of human agency in addressing poverty. The central concern is government policy and there is little analysis of what people can do for themselves. Political issues are mentioned, but in the context of constraints to implementation of government policy rather than to the disempowerment of poor people themselves. In this way, while emphasizing human well-being as the ultimate end and the intrinsic value of nutrition, education and health, the analysis does not develop the full implications of this concept.

The report proposes a two-fold agenda for poverty reduction: growth and macroeconomic management, and investment in "human development". These

priorities were not surprising in the context of the time when developing countries faced acute economic crises due to rising oil prices, falling commodity prices, the increasing debt burden and other global developments and the World Bank pursued an agenda of macroeconomic policy reform as the priority challenge for development. What is most striking in this report is that while Part I addresses "adjustment and growth" and Part II, "poverty and human development", the two parts are not fully integrated. The implication of Part I—the global context of rising oil prices, trade and other global and macroeconomic issues—for poverty are not explored.

The *WDR 1990* is not a major departure from the earlier *WDR* and likewise defines poverty as multidimensional. It proposes a three-part policy agenda that overlaps significantly with the *WDR 1980*: social sector investments, labour-intensive growth and social protection. The last point is new and grapples with problems of the poorest of the poor and effects of crises. In this sense, there is increasing emphasis on inequality and on the disconnect between growth, social investment and poverty reduction. There is more analysis on who the poor are and why they are poor, and on the means to reach them. There is an important chapter on the impacts of external shocks and macroeconomic policies, which recognizes that the poor may pay the costs of adjustment and proposes compensatory measures and policies to protect the poor through transfers and targeted services. Another important chapter brings in the external factors including trade, debt and aid. However, the *WDR 1980* focuses only on impacts on developing countries and does not consider the distributional consequences within countries.

Like the *WDR 1980*, the analysis is essentially framed in the income and basic needs perspectives in which economic growth plays the central role in poverty reduction and where government policy is required to ensure that this happens. There is hardly any attention on people taking action themselves. Also, there is little influence of the capability perspective in this report.

The *WDR 2000-01* is a major departure from these two previous reports. The opening lines of the overview states, "Poor people live without fundamental freedoms of action and choice that the better off take for granted," with a source reference to *Development as Freedom* (World Bank, 2000, p. 1). It proposes a three-point strategy for attacking poverty: opportunity, empowerment and security. The opportunity agenda overlaps substantially with the agenda of the Reports of 1980 and 1990 but has a stronger emphasis on institutional reforms and a more progressive agenda for addressing inequality. The empowerment agenda is new, recognizing the institutionalized discriminations that result in poverty, and emphasizing the role of institutions to ensure accountability of public policies to the needs and voices of the poor people themselves. The security agenda builds on the 1980 agenda of safety nets but is much broader in considering human vulnerability and insecurity including such issues as personal violence. The influence of the capability perspective is evident in the definition, analysis of causes and policy agenda contained in this *WDR*.

However, this is not the only perspective behind the analysis of *WDR 2000-01*. This Report is also strongly influenced by the participation and economic

Table 1
Summary Comparison of WDRs 1980, 1990, 2000-01

	<i>WDR 1980</i>	<i>WDR 1990</i>	<i>WDR 2000-01</i>	<i>HDR1996</i>
<i>Definition</i>	<i>Multidimensional</i>	<i>Multidimensional</i>	<i>Capability deprivation</i>	<i>Capability deprivation</i>
<i>Measure</i>	<i>Income and social indicators</i>	<i>Income and social indicators</i>	<i>Global income poverty threshold</i>	<i>HPI-composite index</i>
<i>Policy priorities</i>	<i>Economic growth (addressing shocks); and investing in social sectors</i>	<i>Productive use of human capital; investing in social sectors; security guarantees</i>	<i>Opportunity; Empowerment; Security</i>	<i>Empowerment, gender equality; pro-poor growth; expanding social services; managing globalisation; and building political alliances.</i>

perspectives. The argument for empowerment is based on its instrumental value and potential for economic growth. The Report argues for accountability of the state to the people but does not argue for democratic reforms that ensure political freedom. This reflects the analysis of the participatory perspective which is not surprising since an important part of work on this perspective—the “Voices of the Poor” research project—was carried out by the World Bank itself. So the full range of the capability perspective is not reflected in this Report. Regarding this, it contrasts with the *Human Development Report* (UNDP, 1997) on poverty, which develops a new definition of (human) poverty as a denial of choices and opportunities for a tolerable life, and formulates a new composite measure, and a six-point policy agenda including empowerment of poor people; gender equality; pro-poor growth; managing globalization; and building political alliances for pro-poor policies.

CONCLUSION

While divergent views of poverty continue to be debated upon, the view in the development community as of today is to see poverty as multidimensional deprivation, and to acknowledge the importance of the people-centred perspectives. The capability perspective has had an important influence in the shift from the income-focused to people-focused approach to poverty. Many economists and institutions use the capability perspective, though it is yet to gain full recognition from those engaged in policy analysis and policy making on poverty reduction.

Although it is widely agreed that the income concept is too narrow, it continues to be a dominant framework for many economists working in this field with important implications for poverty reduction strategies. In this perspective, “income poverty”—lack of income—is often seen as the most important problem of the poor, and economic growth as the most important means to address it. This perspective is reflected, for example, in *The End of Poverty* (Sachs, 2005). Many economists argue that economic growth is the central means to reducing poverty and neglect factors

that get in the way. Global debates about “poverty” that focus on the dollar-a-day income measure reflect the continued dominance of this perspective.

There is also a gap between concept and practice. The World Bank developed the Poverty Reduction Strategy (PRS) process on the basis of *WDR 2000-01* and incorporated considerations for participatory approaches. But evaluations of PRSs indicate that this remains more in theory than in practice.

The concept of poverty is still evolving as are the analyses and policy priorities. Though the capability approach may not be the conventional practice, it has been gaining importance and the trend may well continue in the future. One important reason is politics and democratization. Increasingly, people see poverty reduction as part of the human rights agenda, of citizens’ rights to demand accountability, for state policies to redress lack of access to education and health services within a democratic framework of governance. The people themselves are taking action to demand the full range of various poverty reduction strategies.

NOTE

1. The human development approach is based on the concept of development as capability expansion. The terms human development approach and capability approach will be used synonymously in this essay.

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