ABOUT THIS YEAR'S HUMAN DEVELOPMENT INDEX

The human development index (HDI) is a composite index that measures the average achievements in a country in three basic dimensions of human development: a long and healthy life, as measured by life expectancy at birth; knowledge, as measured by the adult literacy rate and the combined gross enrolment ratio for primary, secondary and tertiary schools; and a decent standard of living, as measured by GDP per capita in purchasing power parity (PPP) US dollars. The index is constructed from indicators that are currently available globally using a methodology that is simple and transparent (*see Technical note 1*).

While the concept of human development is much broader than any single composite index can measure, the HDI offers a powerful alternative to income as a summary measure of human well-being. It provides a useful entry point into the rich information contained in the subsequent indicator tables on different aspects of human development.

Data availability determines HDI country coverage

The HDI in this Report refers to 2003. It covers 175 UN member countries, along with Hong Kong, China (SAR), and the Occupied Palestinian Territories. Because of a lack of comparable data, 16 UN member countries cannot not be included in the HDI this year. Basic human development indicators for these countries are presented in table 33.

To enable cross-country comparisons, the HDI is, to the extent possible, calculated based on data from leading international data agencies available at the time the Report was prepared (see *Primary international data sources* below). But for a number of countries data are missing from these agencies for one or more of the four HDI components.

In response to the desire of countries to be included in the HDI table, and striving to include as many UN member countries as possible, the Human Development Report Office has made special efforts to obtain estimates from other international, regional or national sources when data are lacking from the primary international data agencies for one or two of the HDI components for a country. In a very few cases the Human Development Report Office has produced an estimate. These estimates from sources other than the primary international agencies are clearly documented in the notes to table 1. They are of varying quality and reliability and are not presented in other indicator tables showing similar data.

Primary international data sources

Life expectancy at birth. The life expectancy at birth estimates are from the *2004 Revision of World Population Prospects* (UN 2005), the of- ficial source of UN population estimates and projections. They are prepared biannually by the Population Division of the United Nations Department of Economic and Social Affairs on the basis of data from national vital registration systems, population censuses and surveys.

In the *2004 Revision* the United Nations Population Division incorporated national data available through the end of 2004. For assessing the impact of HIV/AIDS, the latest HIV prevalence estimates prepared by the Joint United Nations Programme on HIV/AIDS are combined with a series of assumptions about the demographic trends and mortality of both the infected and non-infected people in each of the 60 countries for which the impact of the disease is explicitly modelled.

The volatile dynamics of major infectious diseases like HIV/AIDS pose serious challenges for population estimates and projections. The availability of new empirical evidence on the HIV/AIDS epidemic and demographic trends often requires adjustment to earlier estimates. For example, while the most recent HIV prevalence estimate is similar to earlier estimates for most countries, it is notably lower for Cameroon, Côte d'Ivoire, Ethiopia, Kenya, Rwanda, Zambia and Zimbabwe and higher for Equatorial Guinea and Senegal. These changes are the result mainly of reassessments of input data and estimation methods rather than a reflection of real changes. Similarly, a significant decrease in life expectancy estimates for some Sub-Saharan African countries (such as Botswana, Nigeria and São Tomé and Principe) and many transition economies (such as Azerbaijan, Kazakhstan and Russian Federation) are based on more recent and accurate data that imply higher levels of mortality than previously estimated.

The life expectancy estimates published by the United Nations Population Division are usually five-year averages. This year, for the first time, the United Nations Population Division produced annual life expectancy estimates and projections through interpolation based on these five-year averages. The life expectancy estimates for 2003 shown in table 1 and those underlying table 2 are from these interpolated data (UN 2005c). For details on the *2004 Revision of World Population Prospects* (UN 2005h), see www.un.org/esa/population/unpop.htm.

Adult literacy rate. Data on the adult literacy rate are usually collected during national population censuses, generally conducted every 5 or 10 years, or from household surveys.

This Report uses data on adult literacy rates from the United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics (UIS) April 2005 Assessment (UNESCO Institute for Statistics 2005a), which combines direct national estimates with UIS estimates. The national estimates, made available through targeted efforts by UIS to collect recent literacy data from countries, are obtained from national censuses or surveys between 2000 and 2004 (with the exception of a few cases referring to 1995–99).

The UIS estimates, produced in July 2002, were based mostly on national data collected before 1995. For details on these literacy estimates, see www.uis.unesco.org.

Many high-income countries, having attained high levels of literacy, no longer collect literacy statistics in national population censuses or household surveys and thus are not included in the UNESCO data. In calculating the HDI, a literacy rate of 99.0% is applied for these countries.

In collecting literacy data, many countries estimate the number of literate people based on self-reported data. Some use educational attainment data as a proxy, but measures of school attendance or grade completion may differ. Because definitions and data collection methods vary across countries, literacy estimates should be used with caution.

The UIS, in collaboration with other partner agencies, is actively pursuing an alternative methodology for measuring literacy, the Literacy Assessment and Monitoring Programme (LAMP). LAMP seeks to go beyond the current simple categories of literate and illiterate by providing information on a continuum of literacy skills.

Combined gross enrolment ratio for primary, secondary and tertiary schools. Gross enrolment ratios are produced by the UIS based on enrolment data collected from national governments (usually from administrative sources) and population data from the United Nations Population Division's *2002 Revision of World Population Prospects* (UN 2003). The ratios are calculated by dividing the number of students enrolled in all levels of schooling by the total population in the official age group corresponding to these levels. The tertiary age group is set to five cohorts immediately following on the end of upper secondary school in all countries.

Countries are asked to report numbers of students enrolled at the beginning of the academic year in each level of education as de- fined by the International Standard Classification of Education (ISCED). A revised version of ISCED was introduced in 1997 that led to some changes in the classifications of national programmes of education. These changes, however, have less impact on the estimation of combined gross enrolment ratios for primary, secondary and tertiary schools. For details on enrolment data and the ISCED, see www.uis. unesco.org.

Though intended as a proxy for educational attainment, combined gross enrolment ratios do not reflect the quality of education outcomes. Even when used to capture access to education opportunities, combined gross enrolment ratios can hide important differences among countries because of differences in the age range corresponding to a level of education and in the duration of education programmes. Grade repetition and dropout rates can also distort the data. Measures such as the mean years of schooling of a population or school life expectancy could more adequately capture education attainment and should ideally supplant the gross enrolment ratio in the HDI. However, such data are not yet regularly available for a sufficient number of countries.

As currently defined, the combined gross enrolment ratio does not take into account students enrolled in other countries. Current data for many smaller countries where many people pursue tertiary education abroad could significantly underrepresent access to education or the educational attainment of a population and thus lead to a lower HDI value.

GDP per capita (*PPP US$*). In comparing standards of living across countries, economic statistics must be converted into PPP terms to eliminate differences in national price levels. The GDP per capita (PPP US$) data for the HDI are provided for 164 countries by the World Bank based on price data from the latest International Comparison Program (ICP) surveys and GDP in local currency from national accounts data. The last round of ICP surveys covered 118 countries, for which PPPs have been estimated directly by extrapolating from the latest benchmark results. For countries not included in the benchmark surveys, estimates are derived through econometric regression. For countries not covered by the World Bank, PPP estimates provided by the Penn World Tables of the University of Pennsylvania (Aten, Heston and Summers 2001, 2002) are used.

In a limited number of cases where reliable PPP estimates are not available from the two international sources, the Human Development Report Office has worked with regional and national agencies to obtain a PPP estimate for a country. For example, in the case of Cuba, a technical team of national and international experts has been formed to explore different methodologies for obtaining a better PPP estimate. The results of this effort will be reflected in future Reports.

Though much progress has been made in recent decades, the current PPP data set suffers from several deficiencies, including lack of universal coverage, of timeliness of the data and of uniformity in the quality of results from different regions and countries. Filling gaps in country coverage with econometric regression requires strong assumptions, while extrapolation over time implies that the results become weaker as the distance lengthens between the reference survey year and the current year.

The importance of PPPs in economic analysis underlines the need for improvement in PPP data. A new Millennium Round of the ICP has been established and promises much improved PPP data for economic policy analysis, including international poverty assessment. For details on the ICP and the PPP methodology, see the ICP Web site at www.worldbank.org/data/icp.

Comparisons over time and across editions of the Report

The HDI is an important tool for monitoring long-term trends in human development. To facilitate trend analyses across countries, the HDI is calculated at five-year intervals for the period 1975–2003. These estimates, presented in table 2, are based on a consistent methodology and on comparable trend data available when the Report is prepared.

As international data agencies continually improve their data series, including updating historical data periodically, the year-to-year changes in the HDI values and rankings across editions of the *Human Development Report* often reflect revisions to data—both specific to a country and relative to other countries—rather than real changes in a country. In addition, occasional changes in country coverage could also affect the HDI ranking of a country, even when consistent methodology is used to calculate the HDI. As a result, a country's HDI rank could drop considerably between two consecutive Reports, but when comparable, revised data are used to reconstruct the HDI for recent years, the HDI rank and value may actually show an improvement.

For these reasons HDI trend analyses should not be based on data from different editions of the Report. Table 2 provides up-to-date HDI trend data based on consistent data and methodology. For HDI values and ranks recalculated for 2002 (the reference year of the HDI in *Human Development Report 2004*) based on data and country coverage comparable to this year's Report, please visit http://hdr.undp. org/statistics.

HDI for high human development countries

The HDI in this Report is constructed to compare country achievements across all levels of human development. The indicators currently used in the index yield very small differences among the top HDI countries, and thus the top of the HDI ranking often reflects only the very small differences in these underlying indicators. For these high-income countries, an alternative index—the human poverty index (shown in table 4)—can better reflect the extent of human deprivation that still exist among the populations and help direct the focus of public policies.

For further discussions on the use and limitations of the HDI and its component indicators, see http://hdr.undp.org/statistics.