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FOR INTERNATIONAL DEVELOPMENT

Growth and Development

Discussion paper
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Foreword

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This paper marks the latest stage of Bond's continuing work on the issue of growth. Earlier in 2011, I along with counterparts from the Department for International Development (DFID), the European Union (EU), and civil society met at a Bond event to discuss what is once again the vogue policy issue of the day – growth. Both Bond and the IDS look forward to further debate around growth and this paper is aimed as a stepping stone towards better understanding of what it means in terms of development.

Growth is back. For some time in the development debate, growth has been off the agenda as attention has focussed on other important social dimensions of development. But the financial crisis has put growth (or the lack of it) centre stage once again. This is true in the UK, with its emerging focus on growth, the EU, which has a Green Paper on the topic, and also at the G20 level which, in November 2009, issued its *Framework for Strong, Sustainable, and Balanced Growth* and then in November 2010 published the G20 *Seoul development consensus on shared growth*.

These strategies have many fine components to them. Yet the striking thing about such policy documents is how extraordinarily fashion-conscious they are. In other words, they are based upon current beliefs about what the best policies are (currently the trend is for infrastructure, aid for trade, and agriculture), but this agenda changes over time (it used to be health, education, social protection, regulatory reform, macroeconomic stability, trade liberalisation and so forth). To some extent this is good – agendas change as we glean new evidence about what matters in what context, or realise that we have forgotten lessons from the past. But much of it is simply fashion. The truth is that there is no magical elixir of policy that drives growth – the right policies depend on the country and evolve over time.

If this is true, then it may make sense to give up the hunt for the 'right' policies for economic growth and instead focus on the process for how policy gets made in individual countries. In other words, the 'right' policies for growth are likely to be ones generated by a process that:

- ensures that all voices are heard, including those of the poor and marginalised
- builds accountability mechanisms, checks and balances to prevent collusive policymaking
- promotes dialogue between the public and private sectors
- is based on good technical analysis
- monitors, evaluates and, where necessary, stops what is not working
- builds effective systems for domestic resource mobilisation

Designing more inclusive processes of policymaking could help policymakers make better decisions about the sorts of priorities that are needed, and thereby make growth more inclusive and sustainable.

There is another disappointing aspect about current growth debates. It is that policymakers are not yet asking "Growth of what?" Implicitly, all of these growth agendas focus on the growth of GDP. Yet we have known for years that GDP is a very inadequate measure of national wellbeing. It fails to include many things which are important (leisure time, investments in human capital) and includes many things which are damaging to wellbeing (pollution, carbon emissions, resource degradation). Moreover, we now have a great deal of research showing that increases in GDP are rather weakly associated with improvements in people's wellbeing.

This paper provides a timely summary of some of the key research in this area. It shows that policymakers need to think more carefully about what sort of growth their policies promote. It used to be argued that incorporating wellbeing into GDP was simply too difficult. But this misses the point – improved wellbeing is the objective, GDP growth is simply one means of attempting to improve wellbeing. Others say that GDP growth provides a good proxy for growth in other dimensions of wellbeing. But 30 years of research shows that this is simply not true. Finally, it is argued that there are no internationally credible measures that take broader wellbeing into account but this is also false, there are many, as this report makes clear. The truth is that if economic policymakers were presented with statistics on wellbeing as often as they are given statistics on GDP growth, they might construct frameworks for 'growth' that actually promote strong, sustainable and balanced lives.

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Executive summary

Since the global financial and economic crisis of 2008 there has been a significant resurgence in debate about the primacy of growth in development. This paper outlines the status of the current debate within the UK, the EU and the G20, demonstrating this return and the convergence of political discourse on the issue.

An exploration of theories of growth and development and a historical overview of economic growth in development policy highlight the challenges and constraints of economic growth as a dominant development paradigm, showing that economic growth, narrowly defined and measured, has not – and therefore is unlikely to – deliver desired development outcomes.

Drawing on the experiences of developing countries, this paper argues that high growth levels have not automatically achieved inclusive and sustainable development.

The paper goes on to explore GDP as a measure of development, suggesting that a narrow focus on GDP is too limiting for development policymakers. It then highlights a number of existing alternative measures that policymakers could use to track progress towards inclusive and sustainable development outcomes.

The paper offers the following recommendations:

1. Policymakers should recognise that increasing levels of economic growth will not automatically deliver desired development results.

2. A focus on economic growth without consideration of the environmental impact of such growth will only deliver unsustainable development, the challenges of which will far outweigh any short-terms gains.

3. Policymakers should not limit their approach to a narrow focus on GDP-led growth, as this has been proven not to automatically deliver inclusive and sustainable development, or reducing inequality.

4. An important part of ensuring the correct approach to growth is to measure the right things. Therefore, development policymakers should use alternative and more appropriate measures of growth and development that capture critical perspectives such as inclusiveness and sustainability.

5. Development policy approaches must be tailored to country contexts and regional specifics as generic growth-based development policy will hamper development efforts.

Introduction: the growth agenda in the UK, the EU and the G20

In recent years, there has been a clear refocus and alignment in development discourse on growth as a driver of development. This is evidenced by the official position of the UK government, it is emerging within the EU through recent green papers and it is the key principle underpinning the G20's approach to development.

It is not yet clear if growth will again be the dominant development paradigm but the converging consensus on this issue between development policymakers at national, regional and international levels is very evident.

UK government

The UK government has set growth and wealth creation as a priority component of the UK's development policy. This is evidenced by numerous official statements by the Secretary of State for International Development and his ministerial colleagues, as well as an emerging realignment within the Department for International Development (DFID) towards wealth creation, growth and the role of the private sector in development.

> "For every extra percentage point of growth more schools can be built, more health facilities developed and more safe drinking water supplied. So – if you're in the business of helping reduce poverty, you have to believe in economic development and growth. Growth that is broad-based, inclusive and sustainable; in which all people benefit from the proceeds of prosperity; and in which even the poorest have access to the opportunities and markets that it creates".
>
> UK Secretary of State for International Development, Andrew Mitchell MP, speaking at the London School of Economics, October 2010

Institutionally the UK government is also significantly refocusing the approach of DFID. The Growth Department is being bolstered and for the first time DFID has a dedicated Private Sector Department, as well as a team of Private Sector Development Advisors based in relevant developing countries to support domestic private sector growth.

DFID has also published a paper on the role of the private sector in wealth creation. According to this paper, "Rising incomes and wealth are driving poverty reduction, and investment in growing businesses is the primary driver of rising incomes and wealth. That economic growth is the primary driver of poverty reduction is well evidenced. On average, four fifths of poverty reduction in recent decades can be attributed to growth in average incomes[1]."

The European Union

The UK government's policy focus on growth as a critical driver of development is also replicated at the European level. The recently established DG DEVCO (Development and Co-operation Directorate-General) concluded a consultation on a new green paper, *EU development policy in support of inclusive growth and sustainable development – Increasing the impact of EU development policy*, and while it appears that the European Commission (EC) is still in the process of clarifying its own definition of growth, and the contribution of growth to the achievement of the Millennium Development Goals (MDGs), it is clear that the EC is particularly interested in how growth can be both sustainable and inclusive.

> "I think we both agree that sustainable and inclusive growth is essential if we are to see a step-change in development levels worldwide. I also agree with you that growth is not sufficient in and of itself. It is a means to an end, and, as the Lisbon Treaty says, that end is poverty reduction. I put the emphasis on "sustainable" and "inclusive" growth. The challenge is to ensure that growth benefits all members of society, particularly the poorest and most vulnerable".
>
> "All respondents agree that economic growth is essential for development; few, however, see economic growth as sufficient to eliminate poverty"
>
> European Commissioner for Development, Andris Piebalgs, speaking to CONCORD members about responses received to the green paper consultation, 15 March 2011

"It is not yet clear if growth will again be the dominant development paradigm but the converging consensus on this issue ... is very evident."

The G20

At the international level, the G20's development agenda[2] and associated action plan, launched at the 2010 Seoul G20 summit, is focused on the link between growth and development. The G20's approach to development, as articulated in the action plan, stems directly from the G20's overarching *Framework for Strong, Sustainable and Balanced Growth*, as agreed at the Pittsburgh G20 summit in 2009. This framework was the G20 response to the global financial crisis and as the G20 continues to transition from 'crisis mode' to 'coordination mode', the growth-focused approach outlined in the framework is informing the G20's approach to development.

In seeking to clarify its comparative advantage, the G20 has indicated that its approach to development will be underpinned with a focus on economic growth, as articulated in the *G20 development principles*[3]: "Our overarching objective [is] helping Lower Income Countries (LICs) improve and maintain the level and quality of growth...More robust and sustainable economic growth in LICs will also go hand-in-hand with their capacity to achieve the MDGs. Actions and policies should have the capacity to significantly improve the prospects for inclusive, sustainable and resilient growth above business as usual."

> "The G20 has indicated that its approach to development will be underpinned with a focus on economic growth."

Background: growth and development

The debate about the relationship between growth and development is on-going but there appears to be emerging consensus that growth alone will not deliver development. The debate is now beginning to shift towards conversations about the 'type of growth' and how it is measured to ensure the incorporation of critical social and environmental considerations.

Growth and development, we've been here before

Economic growth dominated the development discourse throughout the 1970s, 1980s and early 1990s. The Washington Consensus and its associated policy prescriptions presented an approach to development that was almost wholly focused on economic growth. Towards the end of the 1990s however, this approach was challenged and rejected; it was considered to be a flawed approach for many reasons but mainly because it did not deliver the progress expected.

During the 1990s, the dominant development paradigm began to shift. With a new way of measuring development, the Human Development Index (HDI), it was acknowledged that economic growth (measured in GDP) must be considered equally along with other development indicators, such as education levels and life expectancy. Although imperfect, this move towards a conceptualisation of 'human development' was an important change in approach. At the same time, the MDGs were being negotiated and agreed and growing concern for the environment, increasingly scarce natural resources, and the impact of climate change entered mainstream development discourse.

Throughout the 2000s the MDG framework provided political impetus and a focus for international development efforts. Official Development Assistance (ODA) increased, as did debt relief and trade, along with other structural issues, were acknowledged to be central components of international efforts to tackle poverty. Until the financial and economic crisis in 2008, this focus on economic approaches was the dominant framing of international development.

However, with the financial and economic crisis, approaches to development began to shift again. The MDGs were not on track to be achieved by the target year of 2015 and ODA came under pressure with national donor governments experiencing acute fiscal strain.

Alongside these changes came a re-emergence of political discussions about the role of growth in development. Most recently, as outlined above, the UK government, the EU and the G20 are aligning their development approaches and policies with a growth agenda, and more specifically, these approached have focused on GDP-led growth.

Growth trends in developing countries and their impact of development

Policymakers and institutions such as the World Bank have been tracking and analysing the experience of developing countries in relation to growth and poverty for many years. It appears that for every example of a country that has achieved poverty reduction linked to economic growth rates, there are examples of countries that have experiences rapid growth without any associated reduction in poverty or inequality. It becomes clear that the specific country contexts are a critical factor, implying that generalisations should not be drawn and applied to decision making.

> "While there is a general consensus that economic growth is necessary for sustained poverty reduction, the effectiveness of growth in reducing poverty has varied across countries."[4] World Bank (2011)

The table below explores 12 countries that experienced medium to very high levels of growth between 2001 and 2010 and compares this against change in their ranking in the Human Development Index over the same period.

Country	GDP per person* Average % change 2001-10**	HDI ranking in 2001	HDI ranking in 2010	Change in HDI ranking
Equatorial Guinea	13%	110	117	7 point decrease
Azerbaijan	13%	79	67	12 point increase
Turkmenistan	11%	83	87	4 point decrease
China	10%	n/a	89	No comparison available
Nigeria	6%	136	142	6 point decrease
India	6%	115	119	4 point decrease
Russia	5%	55	65	10 point decrease
Sudan	4%	138	154	16 point decrease
South Korea	4%	27	12	15 point increase
Egypt	3%	105	101	4 point increase
Turkey	2%	82	83	1 point decrease
Brazil	2%	69	73	4 point decrease

* At constant prices

** rounded to nearest whole %

Source: IMF, The Economist, Human Development Reports, 2001 and 2010

The table shows that despite 'healthy' growth rates in all 12 countries, eight of the 12 countries slipped back in their HDI ranking, only one had a moderate move up the rank, with only two 'success stories' of significant increase in HDI ranking: South Korea and Azerbaijan. The case of Azerbaijan could be considered as non-transferable given its extensive natural resource wealth and the case of South Korea, while interesting in its own right, is once again context-specific and therefore should not be used to infer wider global policy conclusions on the link between growth and development.

Interestingly, the country with the highest growth rate of 13 per cent during 2001-2010 (Equatorial Guinea) fell seven places in its HDI ranking over the same period, clearly showing that even double-digit growth rates do not automatically deliver development outcomes, and can even sit alongside a reversal in human development. The example of Egypt is also significant – growth rates there could be equated with the four point increase in its HDI ranking but recent political and social unrest in the country demonstrate that economic growth alone will not ensure stable and secure societies, a key objective of effective development policy and practice.

It is clear also that the 'type of growth' is important, with some being better than others. An example is illustrated in The World Bank's Development Report of 2006 which noted that growth levels of 2.5 per cent in Tunisia delivered much higher levels of poverty reduction than growth levels in Senegal of 5.4 per cent[5]. Again, recent events in Tunisia would suggest that even high levels of poverty reduction did not avert extensive political and social unrest.

In Ghana, recently upgraded by the World Bank from 'low' to 'lower middle-income' status[6], 20 years of economic growth has delivered increased rates of primary school enrolment and a decrease in infant mortality. At the same time though, it has only reduced the number of people living on $1.25 or less per day[7] from just over seven million to just under seven million, inequality[8] has increased significantly and Ghana is not on track to meet the MDGs, according to the MDGs progress data[9].

Malawi provides another example of a country that has experienced high growth rates (7 per cent) over the last five years (with a peak of 9.7 per cent in 2008) without any poverty reduction. In this case, the growth can be attributed to several years of good tobacco crops. As with the previous examples, the high growth rate has not delivered any reduction in poverty levels, inequality or any increase in good governance. Malawi remains one of Africa's poorest countries.

GDP-led development: an analysis and critique

To date, analysis of growth has been limited to tracking growth rates in terms of GDP. Gross National Product (GNP[10]) is the most widely used and best known measure of macro-economic activity. The measure was developed by the economist Simon Kuznets in 1934 and it remains the dominant standard indicator of a country's economic growth and one of the most prolific tools used by policymakers in decision-making. Given its widespread use, it also facilities at-a-glance and consistent country comparisons.

Although GDP does not measure the standard of living in an economy, it is often taken or assumed as such. In many cases it is also wrongly assumed that increasing GDP will benefits all citizens in terms of their standard of living. In terms of development, this assumption becomes particularly problematic when GDP is stretched further and seen as a *de facto* measure of development. The inappropriateness of GDP in self-evident by its inability to measure social inclusion and environmental sustainability, both considered as core tenets of development policy and practice.

Numerous academic studies have explored GDP as a measure of development and the majority of these studies have shown GDP to be a narrow and ineffective measurement for tracking development outcomes.

> "Even double-digit growth rates do not automatically deliver development outcomes, and can even sit alongside a reversal in human development."

In brief, GDP-measured economic growth as a proxy-indicator for development has been shown to be a flawed measure as it does not capture critical social and political measures of progress and it ignores the reality of our resource-constrained world.

The key criticisms of development approaches that focused on GDP can be summarised as follows:

- GDP does not reflect the scope for sustainable development. Natural resources are depleting faster than Earth's capacity to regenerate them, and hence ecosystems are likely to face a severe risk
- GDP growth does not imply equality for all. Income distribution is known to be unequal and this can be detrimental to welfare by raising crime rates, reducing productivity, and reducing investment
- Growth in GDP may not imply increased access to food or better nutrition by the poor
- GDP growth does not necessarily mean better access to education and health facilities by individuals
- GDP growth does not measure environmental impact, sustainability and limited natural resources
- GDP does not capture the informal economy of small-scale agricultural producers, thus excluding a large population in every developing county

Source: Costanza et al 2009, Goossens et al 2007

Kuznets, the creator of GDP, noted its limitation from the onset. In his 1934 report to the US Congress he said that:

> "...the welfare of a nation can, therefore, scarcely be inferred from a measure of national income..."[11]

Again in 1962 he notes that:

> "Distinctions must be kept in mind between quantity and quality of growth, between costs and returns, and between the short and long run. Goals for more growth should specify more growth of what and for whom"[12].

Interestingly, it appears that many citizens agree that measures of progress should include environmental and social considerations. According to a 2008 Eurobarometer poll, more than two-thirds of EU citizens feel that "social, environmental and economic indicators should be used equally to evaluate progress". A similar poll conducted in 10 countries on five continents showed even higher support, with three-quarters agreeing[13].

This was also noted by Angel Gurría, the current OECD Secretary-General: "people around the world have wanted to go beyond GDP for some time."[14]

> The welfare of a nation can, therefore, scarcely be inferred from a measure of national income.
>
> Simon Kuznets, creator of GDP, 1934

Added to well-known criticisms of GDP-measured development, studies have shown that beyond a certain point, GDP begins to have a negative impact on growth. It should be noted that this 'level' is much higher than most per capita incomes in the majority of low-income countries and many middle-income countries, but the point remains that focusing on the sole objective of economic growth will not lead to a continual increase human welfare, as much of the current political development discourse suggests it will. As Constanza et al (2009) notes:

> "An increasingly large and robust body of research confirms that, beyond a certain threshold, further increases in material well-being have the negative side-effects of lowering community cohesion, healthy relationships, knowledge, wisdom, a sense of purpose, connection with nature, and other dimensions of human happiness. In fact, a strikingly consistent global trend suggests that as material affluence increases, these critical components of psychical income often decline amidst rising rates of alcoholism, suicide, depression, poor health, crime, divorce, and other social pathologies."

Furthermore, GDP does not measure gender equality – proponents of the metric might argue that there is a causal relationship between GDP and gender equality as analysis does show that, with the exception of oil-rich Oman, Bahrain and Saudi Arabia, no country has been observed with both a GDP per capita of over $10,000 and less than 90 per cent gender equality in education[15]. However, arguing that GDP can be seen as a reliable measurement of increasing gender equality is flawed and arguably circumstantial. And while there may be some correlation between GDP and gender equality in education this does not follow-on to incorporate an assessment of gender equality in social and cultural institutions, in employment or political participation.

Beyond GDP: towards inclusive and sustainable growth

A move toward more comprehensive indicators, or a combination of GDP plus a broader indicator, would be a useful ways to ensure informed decision-making that has the potential to deliver the shared, inclusive and sustainable growth that policymakers in the UK, the EU and internationally have committed to.

There are a number of alternative indicators already available to policymakers, indicators that could be more appropriate and effective measures of development and specifically, those that seek to capture the social, political and environmental aspect of development efforts.

The summary below is an overview of the main alternative indicators, grouped into three broad sections: indexes that complement GDP, those that measure well-being directly, and those that are a combination of both.

Alternative indicators of development

Category 1: Indexes that complement GDP

Indexes that measure economic activity but also include environment and human capital

Name of indicator	Description	Source
1. Genuine Progress Indicator (GPI), formally know as the Index of Sustainable Economic Welfare	GPI incorporates sustainability of current income, by subtracting from consumption data costs of crime, environmental degradation, leisure losses and income inequality, and adding to it benefits of volunteering/housework and services from putting public infrastructure in place, as well as consumer durables. “By differentiating between economic activity that diminishes both natural and social capital and activity that enhances such capital, the GPI and its variants are designed to measure sustainable economic welfare rather than economic activity alone” (p.12)	Developed in 1989 by Daly and Cobb to provide a measure of economic welfare
2. Green GDP	Green GDP attempts to capture the environmental cost incurred in the course of GDP growth, including degradation and depletion of natural resources, to calculate a single number for growth. It aggregates all sources of well-being, including all market goods and services, into a single number. Countries such as China, Canada, Australia, Mexico, Indonesia and the US have imputed Green GDP but have not made it a regular feature. China used Green GDP to rank its cities and provinces in order of performance to strike a balance between economic expansion and environmental protection.	
3. Genuine Savings	Genuine Savings factors in damage from carbon emissions, defined as “the true level of saving in a country after depreciation of produced capital; investments in human capital (as measured by education expenditures); depletion of minerals, energy, and forests; and damages from local and global air pollutants are taken into account” (p.14). It deducts from net savings environmental costs to the GDP and adds investment in human capital in its calculation. This has been calculated for 120 countries.	World Bank

Category 2: Direct 'well-being' indexes

Indexes that go beyond measuring economic activity and therefore form a way of calculating well-being directly

Name of indicator	Description	Source
1. Ecological Footprint	Ecological Footprint is a way of comparing the regeneration capacity of ecosystems of the Earth with the human demand for it. In other words, it estimates the amount of the Earth it would take to support mankind for a given lifestyle. It is currently limited by its inability to differentiate between sustainable and unsustainable use of terrestrial and aquatic biomes. Research estimates indicate that the Ecological Footprint of humanity is 23-40 per cent greater than renewable rates, largely accounted for by carbon emissions (p.16). Ecological Footprints have been calculated for several countries, cities and businesses over the past decade and have come to be used as an index of environmental sustainability.	
2. Subjective Well-being (SWB)	Subjective Well-being is a class of measures that focus on the current evaluation of individuals' or groups' happiness. As opposed to the "objective" GDP measure, such subjective measures rely on the judgment of survey respondents and are not considered factual (p.16). However, Costanza et al argue that GDP and life expectancy rates are also mere proxies for well-being that rely on the judgment of decision-makers. In addition, it is argued that cultural, ethnic and religious differences may render comparisons between different groups invalid. Subjective Well-being comprises two components – an affective part, which implies both the presence of positive affect and the absence of negative affect, and a cognitive part. The affective part is guided by emotions and feelings, while the cognitive part is an appraisal of an individual's life in light of what they would judge as an 'ideal' life (OECD 2007, p.1). In order to judge subjective well-being, questions are framed to take account of (i) personality factors (ii) contextual and situational factors (iii) demographic factors (iv) institutional factors (v) environmental factors (vi) economic factors (OECD, p.5).	
3. Gross National Happiness	Gross National Happiness was developed to measure social progress and quality of life. It arrives at a single number reflecting: Gross National Happiness status indicators, Gross National Happiness demographic indicators, and Gross National Happiness causal and correlation indicators. It was developed as a guiding principle for Bhutanese development and includes nine core dimensions ranging from psychological well-being, health, use of time, culture, education, environmental diversity, community vitality, living standard and governance. International comparisons based on such a measure are arguably difficult given subjective judgments and cultural differences (Costanza et al).	King of Bhutan in 1972

Category 3: Composite Indicators

Indexes that combine indicators on many different fronts to arrive at a unique comprehensive number

Name of indicator	Description	Source
1. Human Development Index (HDI)	The Human Development Index segregates 177 countries into developed, developing and under-developed. This reflects life expectancy at birth, which is also an indicator for good health and adequate nutrition, literacy rate and school enrolment, and access to a decent standard of living which is measured by adjusting GDP by purchasing power parity (p.19).	UNDP, first published in 1990
2. Happy Planet Index	This index seeks to incorporate sustainability over time, something it contests the HDI misses. It is a composite index including life expectancy at birth, life satisfaction, and ecological footprint, which does not indicate the 'happiest' country in the world but the relative efficiency with which nations convert natural resources into happy lives for their inhabitants. It depicted this index graphically on a world map with colour coding in 2006 for 178 countries (p.20). Costanza et al note "An interesting result of comparing the Happy Planet Index and HDI methodologies is that two countries can have very similar results for the HDI but very different results of Happy Planet Index. For example, Honduras's Happy Planet Index is 30 points higher than Moldova even though the two countries have similar HDI ratings, ecological footprint and life expectancy. The reason is that the life satisfaction in Honduras is more than double that of people in Moldova" (p.21).	New Economics Foundation, 2006
3. Living Planet Index	This index measures the state and trends in global biological diversity – forests, freshwater and marine ecosystems – by tracking the populations over 2,500 species of fish, amphibians, reptiles, birds, and mammals. The Living Planet Index uses a generalised additive modelling framework to determine the underlying trend in each population time-series – terrestrial, marine, and freshwater. The three are weighted equally in order to generate the global Living Planet Index. It also incorporates the Ecological Footprint in its calculation to measure human consumption and generation of waste. In 2006, it revealed that human consumption of bio-capacity exceeded regenerative capacity by 25 per cent (Costanza et al, p.19).	WWF, first published in 1998
4. Multi-dimensional Poverty Index	Multi-dimensional Poverty Index aims to capture three dimensions namely health, education and standard of living, using 10 indicators, by weighting each dimension equally. They identify two thresholds when measuring the Multi-dimensional Poverty Index – the deprivation cut-off and the poverty cut-off. The deprivation cut-off determines whether an individual is deprived or not across all 10 indicators and some of these cut-offs are linked to the Millennium Development Goals. The poverty cut-off for the Multi-dimensional Poverty Index is set at 3, and shows that an individual will be multi-dimensionally poor if they are proved deprived in at least 30 per cent of all indicators.	Alkire and Santos in 2010
5. OECD your better life index	This newly launched interactive index allows citizens to measure and compare well-being and progress in 34 countries across 11 dimensions that the OECD has identified as essential in the areas of material living conditions and quality of life – housing, income, jobs, community, education, environment, governance, health, life satisfaction, safety, work-life balance – allowing citizens to give their own weight to each of the dimensions.	OECD, 2011

This overview of well-established and new indicators that are available to development policymakers clearly shows that it is no longer necessary to measure development in terms of GDP alone. In fact, the justification for using such a narrow, inflexible and unsuitable indicator becomes untenable in light of this range of alternative and more appropriate measures.

Furthermore, by using an alternative measure of development progress, policymakers would signal genuine commitment to ensuring that the goal is growth that is inclusive, sustainable and tackles inequality.

“Policymakers should recognise that increasing levels of economic growth will not automatically deliver desired development results.”

Conclusions

This Bond discussion paper demonstrates that growth is back on the agenda – in the UK, the EU and internationally. Development NGOs must be informed and positioned to respond to this emerging agenda to ensure that its direction remains focused on development outcomes; development that is both inclusive and sustainable. For this to be the case, policymakers must recognise that a return to a historic reliance on economic growth to deliver inclusive, equitable and sustainable development is not feasible, as demonstrated by extensive country-level evidence that shows a limited direct correlation between the two. The recognition that any potential progress will be unsustainable given ever increasing climate constraints should also inform policy discussions.

However, by focusing on the process, as articulated in the foreword by Neil McCulloch, as well as a commitment to measure the right metrics (beyond GDP) would be a good first step for policymakers to demonstrate their commitment to sustainable and inclusive development; development that addresses inequality.

Policymakers should recognise that increasing levels of economic growth will not automatically deliver desired development results. As this paper shows, orthodox GDP growth does not always equate to development outcomes. Furthermore, a rigid focus on economic growth alone without consideration of the related environmental impact and issues of inequality will only deliver unsustainable development, the challenges of which will far outweigh any short-terms gains.

Development policy approaches must be tailored to both country and regional contexts, as generic growth-based development policies have been proven to hamper development efforts.

Finally, there is also an over-arching need, as acknowledged by the UK Prime Minister amongst others, to accept that a conception of growth and development must encapsulate a broader understanding of well-being, including addressing inequality. GDP may offer a universal and transferable frame in which to measure economic growth but conclusions drawn from it can be hugely misleading. Established alternatives to the current consensus already exist. All that is required is for policymakers to use these tools to support their development policy decision-making processes in the UK, the EU and internationally.

Bond and research institutions such as the IDS look forward to continuing this debate that will contribute to ensuring more inclusive, equitable and sustainable growth.

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Policymakers need to think more carefully about what sort of growth their policies promote.

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