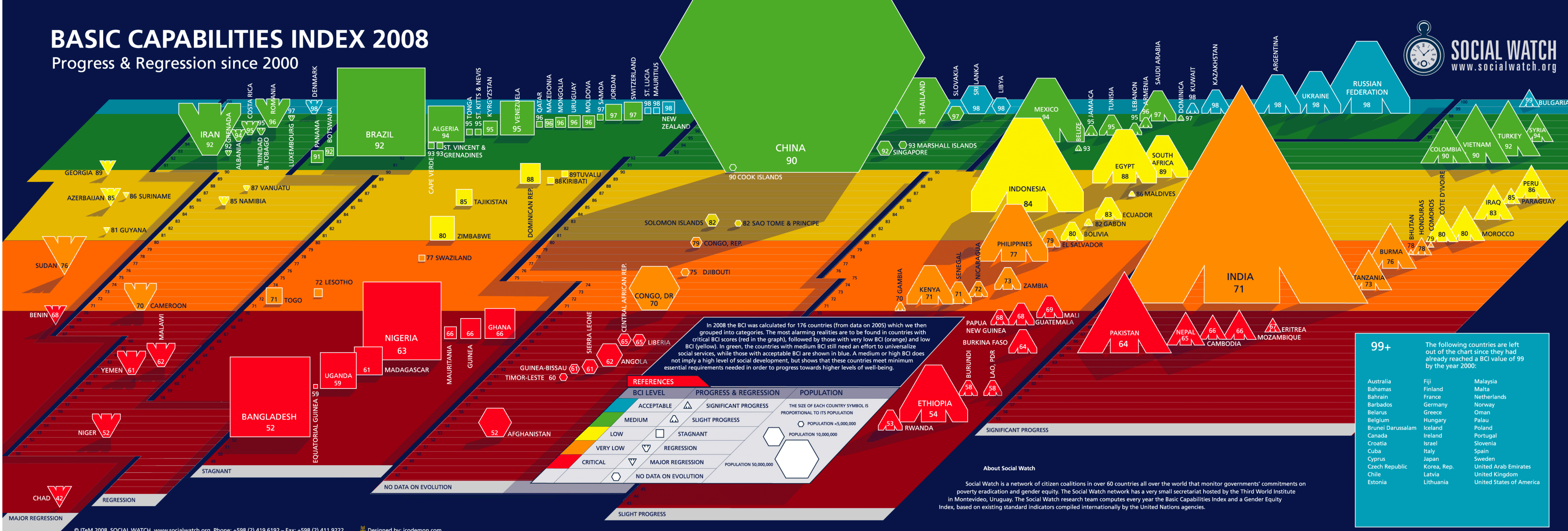


# BASIC CAPABILITIES INDEX 2008

Progress & Regression since 2000



## THE BASIC CAPABILITIES INDEX: a measure of "dignity for all"

There are many ways to define "poverty" and many methods to measure it. How a society defines which of its members are "poor" is a relative concept that changes over time but, generally, expresses the insufficient satisfaction of a set of basic needs that includes housing, clothing, education, access to health services, food and entertainment. Thus, lack of a TV set can become, in many places, a factor defining a family as poor, while possessing one was an expression of luxury 50 years ago.

While not being able to satisfy some basic needs in a dignified way defines a household as poor, the inability to reach a minimum daily intake of food defines the condition of "extreme poverty" or "absolute poverty". Based on empirical research conducted a couple of decades ago, the World Bank determined a daily income equivalent to one dollar a day as being the universal line to define extreme poverty.

Poverty indicators based on income are extremely difficult to compute, as they require extensive and expensive household surveys. Further, low income countries have a bigger informal and non-monetized economy and vulnerable social sectors within them – particularly those not living in the major towns tend to satisfy a bigger proportion of their needs outside the market economy, making income estimates and their international comparisons even more difficult. When those estimates exist, their evolution over time is extremely hard to assess, since many years pass between one survey and the next one.

Thus, for example, prior to a major worldwide survey on income poverty carried out in 2005, the estimates on the one dollar poverty line were based on surveys conducted in 1993 for most countries and in 1985 for India, while no such study had ever been carried out in China before and all figures for the most populated country in the world were just educated guesses.

Further, since income poverty definitions based on household surveys usually express national averages, they are useless for analyzing variations in poverty levels between provinces or municipalities. When civil society organizations monitor social policies, like the Social Watch national coalitions around the world do, the trends are even more important than the absolute number. Is poverty increasing or diminishing? Is the trend faster or slower than in the neighbouring countries? And what about the neighbour provinces?

Thus, Social Watch developed a Basic Capabilities Index (BCI) as a tool to monitor the evolution of basic social indicators and compare them between and within countries without using income statistics\*.

The BCI indicators express different areas addressed by internationally agreed development goals (education, children's health and reproductive health). By not using

income as an indicator, the BCI is consistent with a definition of poverty based on capabilities and (the denial of) human rights. At the same time, the index is comparatively easy to compute at sub-national and municipal levels.

**The BCI is a simple average of three indicators: percentage of children who reach fifth grade, survival until the fifth year of age (based on mortality among children under five) and percentage of deliveries attended by skilled health personnel.**

As a summary index, the BCI provides a consistent general overview of the health status and basic educational performance of a population. It has also proven to be closely correlated to the measurement of other human capabilities related to countries' social development. The index makes it possible to assign a score to each country and compare it with other countries, or assess its evolution over time.

The highest possible BCI score is reached when all women receive medical assistance during labour, no child leaves school before completing the fifth grade and infant mortality is less than five deaths for every thousand live births, seemingly the lowest possible level attainable. These indicators are closely linked to the minimum capabilities that members of any society should have and which mutually reinforce one another. They focus especially on capabilities that incorporate the youngest members of society and reflect a concern for women's wellbeing, thereby fostering future development.

A BCI value close of 99+ means in essence that practically all of the inhabitants in a country benefit from very basic education and health. Since a high BCI can only be achieved without malnourishment (of children and their mothers) and when basic housing and sanitation are provided, at Social Watch we understand a BCI value close to the maximum to be synonymous with the "dignity for all" that the Universal Declaration of Human Rights wants to achieve. Such dignity is not the objective of social development but a necessary starting point to achieve it.

Thus, the BCI is not especially useful to distinguish between countries that have achieved minimum social standards, but it turns up extremely helpful to assess the situation and trends whenever comparatively high levels of poverty prevail.

\*The current formulation of the BCI is an elaboration of the Social Watch research team, based on an idea first developed as "Quality of Life Index" by Action for Economic Reforms for the Social Watch coalition in the Philippines. In turn, it was inspired in the Capability Poverty Measure (CPM) proposed by Professor Amartya Sen and popularized by the Human Development Report of the United Nations Development Programme (UNDP). For a detailed methodological explanation and the complete tables on which the BCI is based, see [www.socialwatch.org](http://www.socialwatch.org)

## BCI evolution and projection

80 countries containing half the world population rank as low, very low or critical in the BCI. Only 16 of them are improving fast since 2000. Yet, this group includes large countries, like India, and a total population of 1.6 billion. Meanwhile, 13 countries with low BCI and a combined population of 150 million people are regressing, most of them suffer war and armed conflicts.

An absolute majority of the world population lives in countries which are stagnant in their social indicators or not progressing fast enough to reach an acceptable level in the next decade, or for which there is no reliable information to determine a trend. In the case of Sub-Saharan Africa, in spite of the recent impressive economic growth, progress in the social indicators is so slow that, at the current rate, an acceptable BCI would only be achieved in the 23rd century!

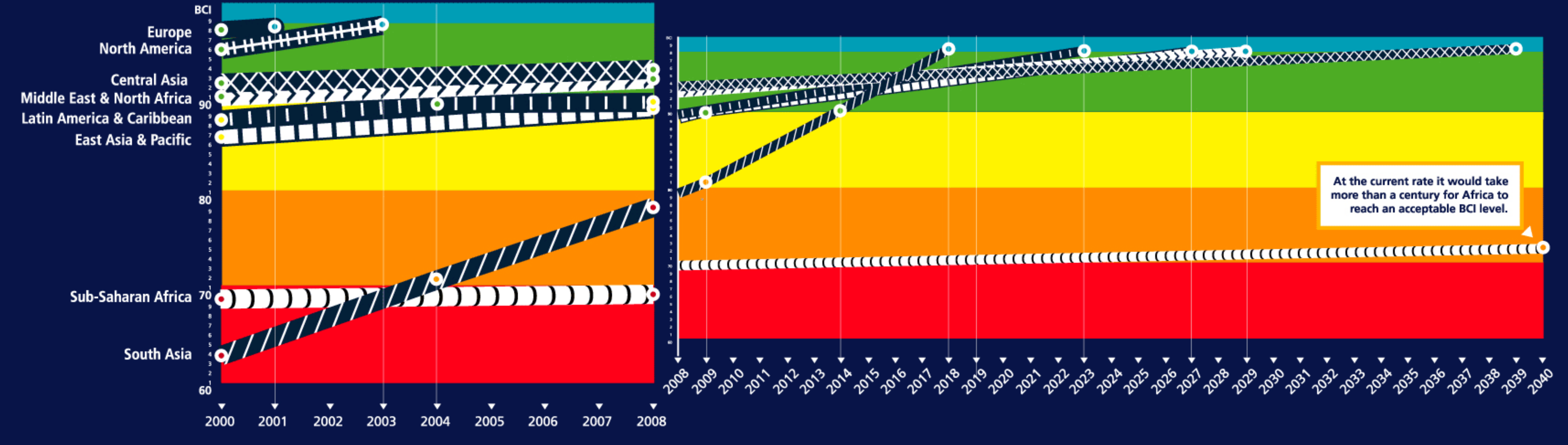
## The MDGs, easier said than measured

In September 2000, world leaders adopted the Millennium Declaration committing their nations to achieve a set of poverty reduction targets by 2015.

- The Millennium Development Goals:**
1. Eradicate extreme poverty and hunger
  2. Achieve universal primary education
  3. Promote gender equality and empower women
  4. Reduce child mortality
  5. Improve maternal health
  6. Combat HIV/AIDS, malaria and other diseases
  7. Ensure environmental sustainability
  8. Develop a global partnership for development

UN Secretary-General Ban Ki-moon has highlighted that "the MDGs set time-bound targets, by which progress can be measured."

The measurability of the MDGs is key to their success. Same as the Olympic Games (or any other tournament, for the matter) base their appeal in the simple notion that all players abide by the same rule and a set of impartial referees and scorekeepers guard the integrity of "fair play", the MDGs derive their



## How is China really doing?

China is one of 23 countries for which the BCI 2008 does not provide data on the direction or speed of evolution. It is also the one country that according to income poverty estimates is advancing so fast that it compensates for all the rest in world averages.

The actual trend of poverty in China is difficult to determine. We now have, as a result of a credible global survey, the income poverty figures for 2005, but all previous values are mere estimates. On top of that, in the

transition to a market economy, income may grow without peoples' life actually changing. Think of the commune system where millions of peasants were self-sufficient. They now receive a salary, but they also have to pay for the food they used to get free. The total registered income increases both with the money they receive and what they pay.

Should Social Watch attempt to provide a guess for the recent evolution of the Chinese BCI? We think not. On the one hand the reliability of our index is based on its data being verifiable against those published by trusted international sources. On the other, the index should be

used to deduct a trend and not the other way around. It is easy to assume that the recent economic growth in China has been followed by a similar improvement in education and health statistics. But in an historical perspective there is also evidence for the opposite: Chinese spectacular economic growth seems to have started AFTER a basic improvement in health and education for all had been achieved. We will have to wait for reliable social statistics to be able to establish with certainty what the recent trend for China is.

Using three simple indicators available for most countries in the world and averaging them in a way that any secondary school student can repeat, the national and international trends in the fight against poverty can easily and convincingly be assessed. The resulting picture is not rosy. Policy makers need to understand that the credibility of their commitments relies, like in the Olympic Games, in honest scorekeeping. Independent referees and rules that do not change in the middle of the game. An adverse half time result might be bad news for the coach, but it allows to change strategies for the second half.

Social Watch has argued repeatedly that the USD 1 a day indicator is the wrong indicator. But even if the concept behind that indicator had been right, we know now that the estimates were wrong. And even if the new estimates and their recalculated history are right, the trend of the last years is not a forecast of the future, among other things because, as the Bank itself recognizes, "the new estimates do not yet reflect the potentially large adverse effects on poor people of rising food and fuel prices since 2005".

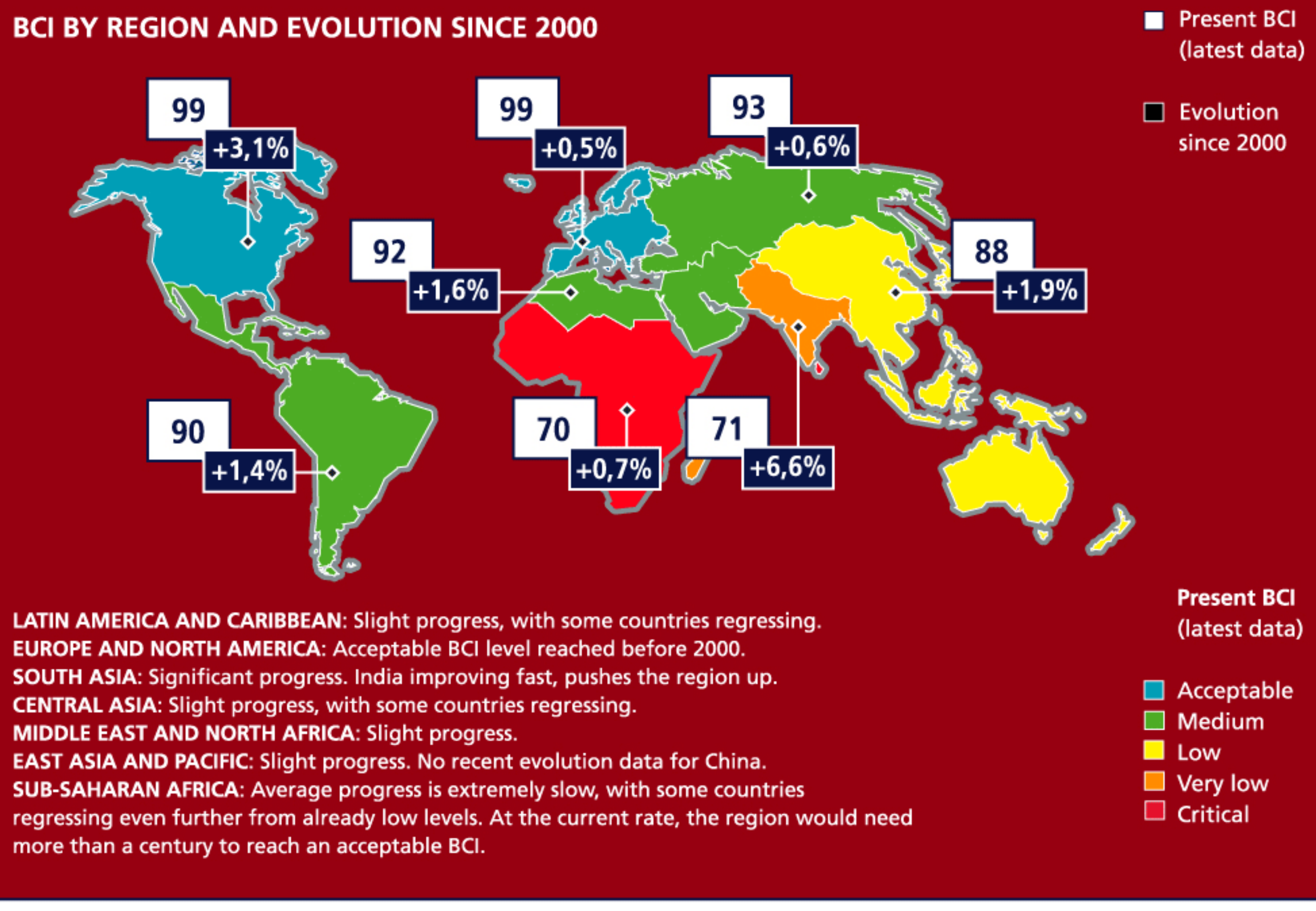
All of a sudden, in August 26, 2008 the World Bank announced that poverty estimates had been revised and the number of extremely poor people was actually 1.4 billion in 2005. An overnight increase of almost 50%! Yet, according to Martin Ravallion, director of the Bank's Research Group, "the developing world is poorer than we thought but no less successful in the fight against poverty". In order to substantiate such an optimistic view, the team led by Ravallion and Shaohua Chen revised the poverty figures all the way back to 1981 and claimed that previous estimates were mistaken, that the proportion of poor people has been cut to half in the last 25 years and that, therefore, it can still be reduced enough to meet the MDG number 1 by 2015.

# BASIC CAPABILITIES INDEX 2008

## WAY TOO SLOW!

### The Millennium Development Goals will not be achieved by 2015 at the present rate of progress

Progress in basic social indicators slowed down last year all over the world and at the present rate it does not allow for the internationally agreed poverty reduction goals to be met by 2015, unless substantial changes occur. This is the main conclusion that can be extracted from the 2008 figures of the Basic Capabilities Index (BCI), calculated by Social Watch. Out of 176 countries for which a BCI figure can be computed, only 21 register noticeable progress in relation to how they were in 2000. Other 55 countries show some progress, but at a slow rate, while 77 countries are stagnated or worse. Information is insufficient to show trends for the remaining 23. As the impact of the food crisis that started in 2006 begins to be registered by the new statistics coming in, the situation is likely to get worse in the next months. Contrary to frequent claims that poverty is diminishing fast in the world, the index computed by Social Watch shows that the deficient coverage of the basic needs required to escape poverty persists; even more, it is increasing, in spite of impressive economic growth in most developing countries.



- 99+**
- The following countries are left out of the chart since they had already reached a BCI value of 99 by the year 2000:
- Australia
  - Bahamas
  - Bahrain
  - Barbados
  - Belarus
  - Belgium
  - Brunei Darussalam
  - Canada
  - Croatia
  - Cuba
  - Cyprus
  - Czech Republic
  - Chile
  - Estonia
  - Fiji
  - Finland
  - France
  - Germany
  - Greece
  - Hungary
  - Iceland
  - Ireland
  - Israel
  - Italy
  - Japan
  - Korea, Rep.
  - Latvia
  - Lithuania
  - Malaysia
  - Malta
  - Netherlands
  - Norway
  - Oman
  - Palau
  - Poland
  - Portugal
  - Slovenia
  - Spain
  - Sweden
  - United Arab Emirates
  - United Kingdom
  - United States of America