MasterCard Center for Inclusive Growth

MasterCard

Mapping the Path to Future Prosperity: Emerging Markets Inclusive Growth Index

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Executive Summary

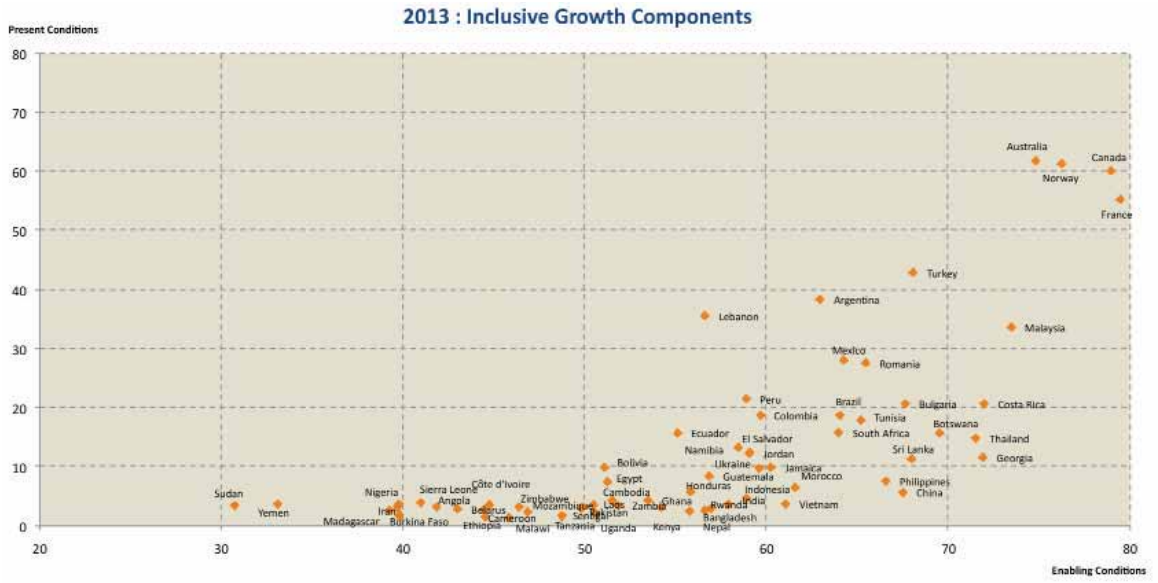
Inclusive growth generates economic growth, the benefits of which are widely shared. For emerging markets, inclusive growth leads to an expanding middle class with rising consumption power and optimism. In a slower growing global economy, inclusive growth is the best way forward for emerging markets to sustain robust growth and continue to prosper.

MasterCard's Emerging Markets Inclusive Growth Index (IGI) is designed to assess and evaluate the progress toward inclusive growth in 60 of the most important emerging markets in the global economy (countries with per capita 2013 GDP exceeding US$12,000 are excluded as they are considered middle income and above and no longer "emerging").

The IGI has two innovative features. The first is that the Index is constructed with two components: present conditions (PC) and enabling conditions (EC). The former is an assessment of inclusive growth achieved to date, the latter an evaluation of the forward momentum for better and more inclusive growth in the future. The second innovative feature is that the emerging markets are compared with 10 developed economies in inclusive growth, thus providing a relative measure of where the emerging markets are in relation to the "best practice" represented by the 10 developed economies. MasterCard's IGI therefore provides a new road map to the future of the emerging markets.

The following chart presents the ranking of the 60 emerging markets by their scores in PC (vertical axis) and EC (horizontal axis).

Inclusive Growth Index
Components of Present Conditions & Enabling Conditions



Emerging markets located high on the vertical axis (present conditions) are those with a strong record of inclusive growth up to now. Those located close to the right along the horizontal axis (enabling conditions) are those with strong forward momentum to achieve more inclusive growth in the coming years. Therefore, the best performing emerging markets in terms of both strong PC and EC are found in the upper right corner of the chart: Turkey, Malaysia, Costa Rica, Thailand and Argentina. The worst performing ones are in the lower left corner, with Sudan and Yemen in a league of their own.

From a regional perspective, Turkey has the highest IGI score in Europe (and the top ranked among the 60 emerging markets). In Asia it is Malaysia, in the Middle East and Africa region Lebanon, in Latin America and the Caribbean region Argentina, and in Sub-Saharan Africa Botswana. The ranking of some of the biggest emerging markets are: Brazil in 11th rank, South Africa in 14th rank, China in 24th rank, Indonesia in 30th rank, India in 32nd rank, and Nigeria in 48th rank (among the BRIC countries Russia is excluded from the Index because its 2013 per capita GDP exceeds US$12,000).

A number of markets tied in their ranking. Costa Rica and Romania tied for the 4th rank (IGI score 52.7), Zambia and Kenya tied for 36th rank (IGI score 26.5), Zimbabwe and Côte d'Ivoire tied for 42nd rank (IGI score 23.9), and Ethiopia and Malawi tied for 53rd rank (IGI score 19.5).

The top 10 emerging markets by 2013 IGI scores are:

2013 Rank	Emerging Market	2013 IGI Score
1	Turkey	60.6
2	Malaysia	60.5
3	Argentina	55.6
4	Costa Rica	52.7
4	Romania	52.7
5	Mexico	52.2
6	Lebanon	50.4
7	Bulgaria	50.3
8	Thailand	48.3
9	Botswana	47.9

It is encouraging to note that the top two ranking emerging markets, Turkey and Malaysia, have overall IGI scores not far behind the average score of 76.0 of the developed economies. Another very positive finding is that all 60 emerging markets have EC scores higher than PC scores, and in some cases 20 to 30 times higher, suggesting that they enjoy strong forward momentum in achieving greater inclusive growth in the future. It is also notable that among the top 10 emerging markets, their average EC score exceeds their average PC score by 39.3 points, a difference much bigger than the average difference of 19.4 points for the 10 developed economies.

Comparing the emerging markets with the developed economies in terms of contributors to the final IGI score, emerging markets depend much more on growth than on sharing of the benefits of growth, and on rising employment and productivity than on better governance and access to economic opportunity. These are the key weaknesses of the emerging markets, and to the extent that they are effectively addressed in the future—a likely development, as their EC scores are stronger than their PC scores—their potential for inclusive growth will accordingly improve.

Finally, evidence points to a mutually reinforcing relationship between inclusive growth and rising quality of life (using per capita GDP as a proxy). Inclusive growth is therefore an indispensable ingredient in the making of a dynamic economy and a prosperous society.

1. Introduction: A New Global Economic Environment

Five years into the recovery, global economic growth is still fragile and plagued with uncertainties. What is certain, however, is that growth has slowed compared with the past. What will happen to the "great convergence" the closing of the gap between emerging markets and the developed economies which captured the public imagination in the previous decades?[1]

In the aftermath of the 2008/09 global financial crisis, the great convergence has become a great deal less compelling. Among the so called BRIC countries, both China's and India's real GDP growth has dropped by half from its peak in 2007. The slowdown in growth is even more precipitous for Brazil and Russia, plunging from a peak of 6.1 percent in 2007 to 0.9 percent in 2012 in Brazil, and from 9.0 percent to 3.4 percent in Russia; and both suffered negative growth by mid-2013.[2] The pattern is similar for other large emerging markets such as South Africa, Turkey, Indonesia, and Poland. At best the great convergence can no longer be held up as a self-evident truth; at worst, it is seen to be on the wane and moribund. So what is the future for emerging markets?

To gain better clarity on the future of emerging markets, it helps to understand the past, especially in the decade leading to the 2008/09 global crisis. It was not just the BRIC countries and other leading emerging markets that were growing fast in that decade. Easy money and credit flooded every nook and cranny of the global economy, pushing up growth everywhere. For example, Angola's real GDP growth repeatedly reached 18 percent in the mid-2000s. In fact, during that time, a country had to work really hard in order not to grow at all; by 2007, only three countries in the world failed to grow: Fiji, Zimbabwe, and the Democratic Republic of Congo. In that decade, the world became one giant bubble economy, and in that context the growth record of emerging markets was entirely unexceptional.

Confusing matters further is the practice that global companies measure market size of countries in nominal US dollars. They do so because their sales are conducted in US dollars. In addition, most countries' ability to service their foreign debts is also calculated in US dollar terms; hence their risk profile is affected by the size of their GDP expressed in nominal US dollar. In an intriguing and insightful analysis, Ricardo Hausmann of Harvard University points out that in the decade of 2002 to 2012 the growth of emerging markets generally, but especially in the BRIC countries, was greatly distorted when measured in nominal US dollars (let's call it "US dollar GDP"); which in many cases bore no resemblance at all to real growth in output in these countries. For example, cumulative growth of "US dollar GDP" is estimated at 420 percent for Russia, 290 percent for Brazil, 395 percent for China, and 206 percent for India from 2002 to 2012. These are very impressive numbers, and they turned heads in corporate board rooms and business conferences everywhere. But much of this growth came from changes in their terms of trade, and the appreciation of their currencies against the US dollar, as opposed to expansion in real outputs.

[1]For a recent version of the great convergence thesis, see http://www.foreignaffairs.com/articles/138898/kishore-mahbubani/the-great-convergence-asia-the-west-and-the-logic-of-one-world.

[2]IMF WEO data.

For instance, over this time period, it is estimated that the terms of trade improved by 154 percent for Russia, 48 percent for Brazil, and 55 percent for India (China is the exception where the terms of trade deteriorated by some 30 percent because the average price of China's manufacture exports declined relative to that of China's commodity imports). Similar terms of trade improvement were seen in many other emerging markets; 190 percent for Venezuela, and 56 percent for South Africa, for example. In lock steps with improving terms of trade, the currencies of emerging markets appreciated against the US dollar because of booming exports and stronger capital inflow.[3] As a result, the "US dollar GDP" of emerging markets skyrocketed.

Stripping away the effects of improved terms of trade and currency appreciation, however, the growth of real output (which is what really counts) becomes much more down to earth. It turns out that in Russia only 14 percent of the total cumulative growth of its "US dollar GDP" in the decade of 2002 to 2012 can be accounted for by an expansion in real output. In Brazil it is only 12 percent, and about half in India and two-thirds in China.[4] Since terms of trade and currency movement exhibit strong trends of means reversal (and they have been reversing since 2012), they cannot be counted on as a sustainable basis for growth and convergence. *Sustainable* growth requires that emerging markets have the ways and means to increase their real output consistently over long periods of time in spite of the ups and downs of the business cycle. It means returning to the basics of working harder and working smarter. It means getting the economic fundamentals right.

Working harder and smarter will be a lot more critical in the future given the mixed global economic outlook that is still riddled with many uncertainties. An immediate challenge to emerging markets is that softer global economic growth is translating into weaker demand for exports from emerging markets, both in manufacture products and commodities. Emerging markets that have consistently depended on exports to drive the tradable sector and stimulate the rest of the economy will find it more difficult to do so in the future.

Chronic dependence on exports for economic growth is indicated by a country's persistent surplus in its current account, and many emerging markets exhibited such a characteristic in the past. China's current account surplus averaged 6 percent of GDP a year between 2008 and 2010, and it exceeded 10 percent of GDP in 2007, for instance. While China's surplus has been declining in the last few years, the decline is also matched virtually by a point-to-point equivalent slowdown in GDP growth rate. The fact of the matter is that the world's current account balances must sum to zero. A country's surplus must be balanced by deficits incurred by others, willingly or otherwise. Under conditions of weak growth in global aggregate demand, it is becoming increasingly difficult for any country to run a persistently high current account surplus (and deficit for that matter). While a few emerging markets may continue to benefit from their current account surpluses, it is impossible for all emerging markets to grow by doing so.

[3]There is also the so called Balassa-Samuelson effect of faster currency appreciation associated with an increase in real GDP growth rate.

[4]See a brief summary of Ricardo Hausmann's analysis in, "The end of emerging market party", August 30, 2013. *Project Syndicate.*

Apart from weak global demand, another challenge is the deterioration in income distribution. Coinciding with the great convergence in the past 50 years, which is a case of improving income distribution *between countries*, income distribution has deteriorated *within countries*. Estimates of the Gini coefficient (the higher the coefficient, the worse the income distribution) have steadily increased in the vast majority of the countries in the world in the last half a century. For example, China's coefficient rose from 29.1 (fairly equal distribution) in 1981 to 42.1 (very unequal) in 2009. Other emerging markets saw the same trend: the Gini coefficient rose in Indonesia from 30.5 in 1984 to 38.1 in 2011, in Nigeria from 38.7 in 1986 to 48.8 in 2010, in South Africa from 59.5 in 1993 to a shockingly high 63.1 in 2009. India's income distribution also worsened during this period, but only marginally, from 31.1 in 1983 to 33.9 in 2010. Turkey is an exception; its Gini coefficient actually dropped from 43.8 in 1987 to 40.0 in 2010.[5]

This is not a phenomenon confined to emerging markets. Many developed economies also suffered from deterioration in income distribution. For example, Italy's Gini coefficient rose from 28.7 in 1984 to 31.9 in 2010. Similarly it rose from 1985 to 2010 in the UK from 30.9 to 34.1, and in the US from 33.6 to 38.0.[6] Such a widespread trend of deterioration in income distribution within countries across the world suggests that the benefits and costs of globalization have not been equitably shared by different segments in the population within different countries. As a result It has been cementing resistance to trade liberalization, while putting more pressure on governments for subsidies and protection at a time when the fiscal position of most governments is either weak or sinking, or both.

From the perspective of the emerging markets, these global challenges means that there is less scope for them to export their way out of the slump in the future. Meantime, the need to address the worsening conditions of income distribution at home could become existential in the coming years for many governments of emerging market; rising social discontent could ferment political instability over time if worsening social and economic inequity goes unaddressed. In this context, the way forward for emerging markets depends critically on inclusive growth.

2. The Primacy of Inclusive Growth

Inclusive growth can be simply defined as a pattern of growth that distributes the fruits of an expanding economy equitably, benefiting not just a few large business conglomerates or cliques of elite with close ties to the government, but small businesses, entrepreneurs, and the ordinary working people at large. So inclusive growth improves income distribution and generates equal opportunities. The most common features of inclusive growth are poverty reduction, rising social and economic mobility, and an expanding, dynamic and increasingly prosperous middle class.[7] As such, inclusive growth is the single most promising pathway of growth and convergence for emerging markets in the more challenging future global economic environment.

[5]These estimates of Gini coefficients are made by the World Bank.

[6]Estimates of the developed economies are made by the OECD.

[7]For more details on the theoretical perspectives and empirical evidence involved in defining inclusive growth, see Ianchovichina, E. and S. Lundstrom, *Inclusive Growth Analytics: Framework and Applications.* World Bank Policy Research Working Paper 4851, March 2009.

To be able to work harder and smarter, emerging markets need inclusive growth In fact, inclusive growth can set in motion a virtuous circle in which growth becomes increasingly sustainable in spite of an uncertain and weak global economy. When the benefits of growth are more equitably shared, income grows faster for the majority of households, making domestic consumption a more viable engine of growth, hence more able to counterbalance a slowdown in exports. A bigger and moredynamic domestic consumer market in turn opens up more opportunities for local entrepreneurs and small businesses to compete, especially in the service sector, thereby boosting indigenous innovations. As the pace of innovation quickens, stronger investment follows, which further drives domestic demand, including domestic consumption. Taken together, indigenous innovations, competition in the domestic market, and rising investment form a powerful impetus to push governments to provide better leadership; to reform public institutions like the judiciary, curb corruption and improve the efficiency of the bureaucracy. A more efficient and business-friendly public sector governance in turn enables the private sector to grow faster, invest more, perform better.[8]

Inclusive growth can also play a crucial role in balancing investment and consumption. Investment, foreign and domestic, has always been and will continue to be the prime mover of economic growth. But not all investments are the same when it comes to how they affect domestic consumption. For example, investment that focuses on large capital-intensive projects that bring high returns to investors but create few jobs tends not to have much impact on driving up domestic consumption. Such investment certainly contributes to GDP growth, but when it slows, GDP growth slows. With inclusive growth, however, capital intensive investment is accompanied by employment intensive investment, especially in the service sector, that benefits small and medium size businesses as well as opening up new opportunities for private entrepreneurs. Thus, inclusive growth enables investment and consumption to expand together and become more mutually supporting.

However, inclusive growth does not come free of charge. Inclusive growth necessitates hard choices, and trade-offs between competing goals. Incumbent elites with close ties to the government will resist; inclusive growth presupposes strategies for dealing with such resistance. Rent-seeking monopolies need to be broken up and the market liberalized to welcome new competitive entrants. Commodity exporters will need to diversify investment away from the narrow resource sector. All these will entail dislocation and pain, and often political risks.

But the alternative to inclusive growth is stagnation and failure. Emerging markets must face and make these hard choices if they are to meet the demand for inclusive growth, which is the new benchmark of future success.

The bottom line is that the prospects for emerging markets to converge with the developed economies in the future should not be taken for granted, nor should it be seen as a rising tide that lifts all boats. Emerging markets will stand or fall individually, depending on how well they can ignite inclusive growth to set course on a more robust and sustainable pathway.

[8]Inclusive growth is not the same as income redistribution. In fact intrusive e government intervention in income redistribution is counter-productive to inclusive growth because such intervention inevitably creates damaging market distortion and curbs growth overall. Successful inclusive growth, on the other hand, would make income redistribution unnecessary and redundant.

3. The Challenges of the Middle Income Trap and Demographics

In the coming decade, two additional global trends are also making inclusive growth a prerequisite for economic success for emerging markets.

The first is that a number of emerging markets are rapidly approaching the middle income level, defined as having per capita GDP in the range of US$12,000 to US$15,000. This reflects development success for these emerging markets. However, what comes with the middle income level is the so called middle income trap. Historically many countries that managed to rise to the middle income range saw their growth stall dramatically; and the vast majority of them failed to break through the middle income trap.[9]

There is nothing mysterious about the middle income trap. At low levels of income, countries tend to have most of its workers stuck in low productivity sectors, working with inefficient production methods and outdated technologies. If workers can be moved from low to high productivity sectors, and when more advanced technologies and management knowhow can be imported, growth can accelerate quickly.

The best example in recent years of such growth acceleration is what happened in China in the last two and a half decades. Rural-urban migration on a massive scale moved under-employed peasants from farming to labor-intensive manufacturing in urban areas where their productivity tripled and quadrupled. Export-oriented manufacturing in turn expanded rapidly, assisted by foreign direct investment, which brought with it better technologies and management knowhow, as well as access to overseas markets. These are the low-hanging fruits that low income countries could readily benefit with the right policies and reforms; especially if the government could mandate and effectively enforce the resource mobilization and reallocation that it requires.

As countries get closer to the middle income level, however, most of the low-hanging fruits have already been harvested. In other words, the easiest part of "catching up" is almost done, and increasingly home-grown innovations and business entrepreneurship are needed as new drivers if the growth momentum is to be sustained. This in turn requires social institutions that incentivize individual risk-taking, offer ease of access to financial services, encourage new business start-ups, and reward individual efforts on a more meritocratic basis.[10] In other words, *inclusive growth* is needed for emerging markets that are approaching the middle-income level to break through the middle income trap.

The second global trend is that many emerging markets also face the challenge of demographics. It is common to hear the phrase of "demographic dividends", often glibly used in reference to any countries with a large and rapidly growing young population. But the reality is more complicated: before these countries could reap their demographic dividends, they inevitably face the challenge of a demographic burden. Having masses of young people not only does not guarantee strong economic growth, it threatens to undermine growth altogether unless sufficient investment can be mobilized to feed and educate the young, and to ensure that the economy can create enough jobs with decent pay and meaningful career future to meet their aspirations.

[9] Eichengreen, B., D. Park, and K. Shin. "When Fast Growing Economies Slow Down: International Evidence and Implications for China". NBER Working Paper Series Number 16919. March 2011.

[10] See Rodrik, D. "The Future of Economic Convergence", Working Paper presented at the 2011 Jackson Hole Symposium of the Federal Reserve Bank of Kansas City, August 2011.

The development dynamics that transform the demographic burden into demographic dividends are precisely the same as those embedded in inclusive growth. Equal educational opportunity for all is a primary prerequisite, so is affordable health care. Gender equality is also a key requirement as it affects half of the potential labor force. Adequate public infrastructure coupled with an efficient and transparent regulatory environment are essential in encouraging business investment and employment creation for the young. In other words, without inclusive growth, the young population in a society, far from becoming demographic dividends, is a demographic burden that entails a dead weight loss to the economy, and at worse socially and politically destabilizing.

Inclusive growth alone does not guarantee high rates of overall growth, however. Headline GDP growth is a result of many factors, and not all are directly affected by inclusive growth, at least not in the short run. The phenomenon of the "US dollar GDP" cited above is a case in point. In other words, changing direction and volume of capital flow, the waxing and ebbing of investor risk appetite, and the shifting terms of trade, are all important factors that impact on the GDP growth of an emerging market that may have little to do with inclusive growth. With inclusive growth, however, the *quality* of growth will be better regardless of what the short term GDP growth rates may be.

When all is said and done, an emerging market with more inclusive growth will show more balance between investment and consumption, more effective and credible social institutions that encourage business investment, and more resilience in coping with a volatile global economic environment plagued with uncertainties. Absent inclusive growth in emerging markets, the middle class remains small and inconsequential, their domestic consumption stunted, and unnecessary curtailment of the life chances of the vast majority of the citizenry. Inclusive growth is therefore the sustainable path to prosperity for emerging markets.

4. The Emerging Markets Inclusive Growth Index[11]

The MasterCard Worldwide Emerging Markets Inclusive Growth Index (IGI) assesses 60 of the most important emerging markets in terms of their inclusive growth: 14 in Asia, five in Europe, 12 in Latin America and the Caribbean, seven in the Middle East and North Africa, and 22 in Sub-Saharan Africa.[12] The data used for estimating index scores are all from international agencies, multilateral institutions, and government sources.[13]

There are two innovative features in the IGI. The first is that it is structured with two components: the "present conditions" (PC) component represents the current state of inclusive growth in a given market; the "enabling conditions" (EC) component represents the forward momentum of inclusive growth: the final index score captures both the level of inclusive growth achieved to date in the emerging market in question, as well as how it would perform in the future.

[11]See Appendix A for a detailed description of the research methodology.

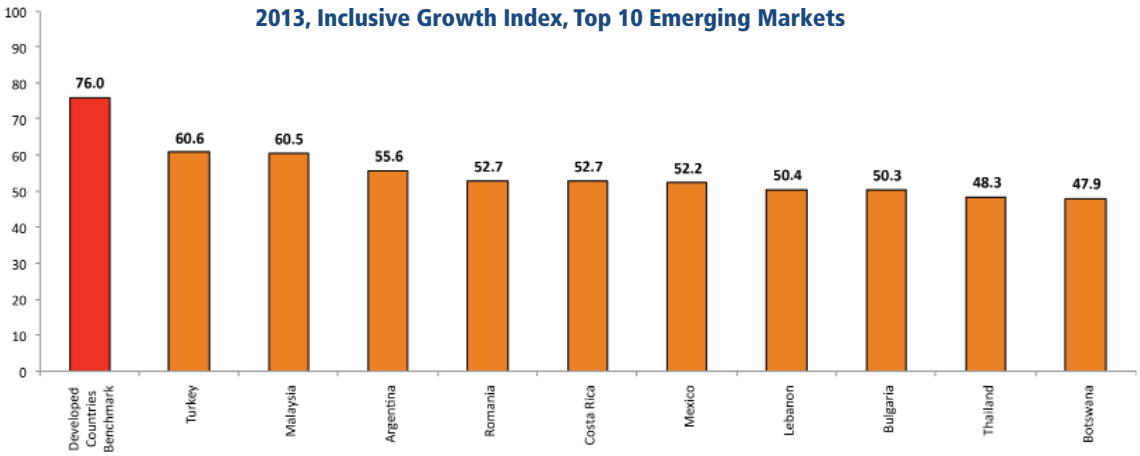
[12]See Appendix B for the list of the 60 emerging markets.

[13]See Table A1 in the Appendix for data sources.

The second innovative feature is that the final index score is compared with the benchmark set by the average score of 10 developed economies representing the "best practice" in inclusive growth. The comparison is a measure of an emerging market's "distance to best practice".[14] While all index scores are measured in absolute values (0 to 100), the "distance to best practice" provides a relative measure of how each emerging market is performing against the average of 10 developed economies. Over time, changes in the "distance to best practice" also provide a measure of how and whether emerging markets are closing the gap with the developed economies.

Chart 1 shows the top 10 emerging markets with their scores in the IGI in 2013, benchmarked against the "best practice" of the 10 developed economies.[15] Turkey is the top ranked emerging market in IGI with a score of 60.6 out of 100, just edging past Malaysia at 60.5. Turkey and Malaysia are only 15.4 points and 15.5 points respectively less than the average score of the 10 developed economies at 76.0. The scores of the top 10 are very close, falling within a range of 12.7 points from each other. All the key regions of the world are represented in the top 10. Costa Rica and Romania are tied for the fourth rank, having the same IGI score of 52.7.

Chart 1: Inclusive Growth Index – Top 10 Emerging Markets



[14]See Appendix A for details on the ten developed economies and their respective IGI scores that are summarized in Chart A2.

[15]For the full list of the ranking of the 60 emerging markets, please see Appendix C, Charts C6 and C7.

Chart 2 presents the PC and EC components of the IGI alongside each other. The contrast between the two provides a dynamic perspective on the performance of these top ranked emerging markets. The overall IGI Score is a weighted average of the scores of the PC and EC component with a 25 percent/75 percent split:

IGI Score

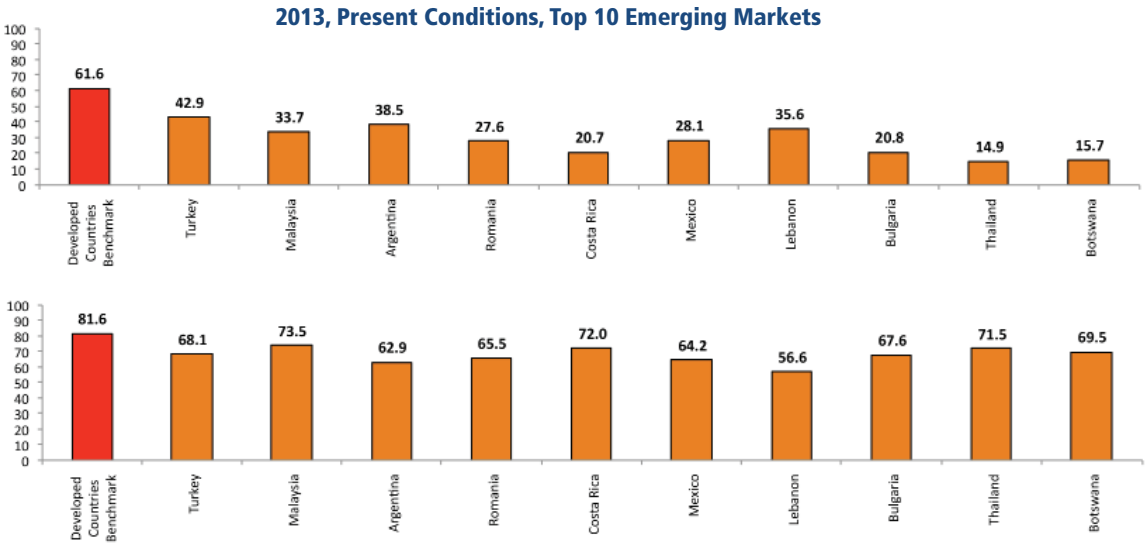
=

25 percent
(PC Score)
+
75 percent
(EC Score)

This weighting is designed to emphasize the importance of the potential of inclusive growth (three times as much weight to be exact) than what has been achieved to date.

It is very apparent that the ranking of the top 10 is very different between the two components. The really important contrast between the two components is that the scores in the EC component are consistently higher than the scores in the PC component for all these 10 top-ranking emerging markets. For example, Thailand's EC score is 56.6 points higher than the PC score; its 46.8 points higher in Bulgaria; and 39.8 points higher in Malaysia; indicating very strong potential for inclusive growth in the coming years. These markets will likely out-perform what they have achieved thus far. The benchmark set by the average EC score of the 10 developed economies is 20 points higher than their average PC score, which also suggests better performance in inclusive growth in the future.

Chart 2: Inclusive Growth Index – Top 10 Emerging Markets – Present & Enabling Conditions



4.1 Clusters and Indicators of the IGI

As noted, the final IGI score is a weighted average of the scores of the two components of "present conditions", PC, and "enabling conditions", EC (25 percent and 75 percent respectively The PC component has two clusters of indicators, and the EC component has three clusters of indicators.[16] In total there are 19 indicators and 5 sub-indicators. They are structured as follows:

Present Conditions Component (PC)

- Cluster (i): Economic Growth & Opportunities
  - > Indicator (1): real GDP growth
  - > Indicator (2): real per capita GDP growth
- Cluster (ii): Equality of Outcomes
  - > Indicator (3): wealthy households as percent of marginalized households
  - > Indicator (4): middle class households as percent of total

Enabling Conditions Component (EC)

- Cluster (iii): Employment & Productivity
  - > Indicator (5): employment as a percentage of working population
  - > Indicator (6): real growth in GDP per person employed
  - > Indicator (7): manufactured exports as a percentage of total exports
- Cluster (iv): Access to Economic Opportunities
  - > Indicator (8): education index
  - > Indicator (9): health index
  - > Indicator (10): access to electricity
  - > Indicator (11): improvement in potable water source
  - > Indicator (12): improvement in sanitation facilities
  - > Indicator (13): mobile phone subscription rate
  - > Indicator (14): financial inclusion
  - > Indicator (15): gender equality (5 sub-indicators)[17]
- Cluster (v): Governance
  - > Indicator (16): voice and accountability
  - > Indicator (17): government effectiveness
  - > Indicator (18): control of corruption
  - > Indicator (19): ease of doing business (10 sub-indicators)[18]

Collectively the four indicators in Clusters (i) and (ii) provide an assessment of the state of economic growth and how the growth is shared. These are outcome indicators and they reflect the current state of inclusive growth. The 15 indicators in Clusters (iii), (iv), and (v) are enabling indicators. They capture the salient aspects of the social economic conditions in the society, including the government and related social institutions; that would critically affect inclusive growth in the future.

The outcome indicators document the level of economic growth achieved in the emerging markets in indicators (1) and (2); and how well the growth is shared in indicators (3) and (4). They are important considerations in assessing inclusive growth. Even though economic growth alone does not guarantee inclusive growth, it is a crucial prerequisite for it. Jagdish Bhagwati, Columbia University economist and a world leader in international trade and development, has persuasively argued that growth matters. Without robust economic growth, inclusive growth is simply not possible.[19] So economic growth is the necessary condition, and rising prosperity for all is the outcome when the condition obtains inclusively.

Taken together the three clusters in the EC component assess the extent to which the social, economic and institutional environments are conducive to inclusive growth going forward. Cluster (iii) covers some of the salient aspects of growth and productivity which are important to support inclusive growth, and how they may facilitate sharing of skills and training among the lower income segments.

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[16]The indicators used in IGI are generally consistent with what has been established in the literature on inclusive growth, the difference in IGI is the use of a forward looking component as well as benchmarking the emerging markets against the developed economies. For a discussion of the appropriate indicators in assessing inclusive growth, see *Framework of Inclusive Growth Indicators.* Asian Development Bank. Manila: 2012.

[17]The five sub-indicators of the gender equality indicator are: gender parity in secondary school, gender parity in tertiary education, gender parity in labor force participation, women in parliament, and gender parity in financial inclusion.

[18]See World Bank "Ease of Doing Business" Index for the 10 sub-indicators.

[19]Bhagwait, J. and A. Panagariya, 2013. *Why Growth Matters: How Economic Growth in India Reduced Poverty and the Lessons for Other Developing Countries.* New York: Public Affairs.

Take for example, indicator (7), which measures manufacturing exports as a percentage of total exports. This is a pertinent indicator because of the pivotal importance of manufacturing employment in reducing poverty and supporting inclusive growth. From a quantity perspective, employment in labor intensive manufacturing is most suitable in absorbing poor migrants from the countryside seeking an escape from poverty and under-employment. From a quality perspective, manufacturing employment, especially positions in the formal sector and export-oriented at that, are effectively training camps for low and semi-skilled workers to gain exposure to operating modern machineries and production techniques, as well as to industrial methods and discipline. Thus, export-oriented manufacturing employment is a potent economic factor that "enables" inclusive growth.

Cluster (iv) addresses the issue of access to opportunities with eight indicators ranging from education to health, infrastructure facilities, technology, financial inclusion, and finally gender equality. These are crucial enabling factors that affect how ordinary individuals may or may not succeed in participating in an expanding economy.

Take education, indicator (8), for example. No amount of inward transfer of knowhow and technology would create new opportunities for the poor if they have not been sufficiently educated to take advantage of these new opportunities. So a rising level of education for all is crucial, so is better healthcare, financial inclusion, and access to basic needs.

The four indicators in Cluster (v) cover the major social and public institutions the functioning of which directly affect the general social and business environments that are decisive for inclusive growth. For example, indicator (19), ease of doing business, is a synthesis of 10 sub-indicators that cover a wide range of issues that affect business operations and their ability to compete on a level playing field, which in turn determine whether the private sector is able to generate employment and income for even the poorest segment of the population.

The scores of the 19 indicators are geometrically averaged first at the cluster level, and then the cluster scores are averaged at the component level with the following weights: [20]

PC Component Score

=

25 percent
(Economic Growth & Expanding Economic Opportunity Cluster Score)

+

75 percent
(Equality of Outcome Cluster)

EC Component Score

=

20 percent
(Employment & Productivity Cluster Score)

+

40 percent
(Access to Economic Opportunity Cluster Score)

+

40 percent
(Governance Cluster Score)

[20]See Appendix A for details on the definition, measurement, and source of data for each of these 19 indicators.

4.2 Regional Ranking of the IGI

The IGI ranking of the 14 emerging markets in Asia are shown in Chart 3. Malaysia is ranked first in Asia (ranked second globally). Thailand is in second rank (ranked 8th globally), followed by Sri Lanka in third rank (ranked 16th globally). The two economic giants that saw phenomenal growth in the previous decade, China and India, are respectively in fifth and eighth rank in Asia (24th and 32nd rank globally). High real GDP growth rates, in this case, did not automatically deliver comparable inclusive growth. Myanmar ranks last in Asia (49th rank globally), and its score is only about a third of that of Malaysia's.

Chart 4 presents the PC scores and the EC scores of these markets separately. A striking feature is that all their EC scores are higher than their PC scores. Malaysia has the highest EC score, followed by Thailand, Sri Lanka and China. And the differences between their EC and PC scores are very large. China's EC score is almost 12 times higher than its PC score. In India, it is over 15 times higher. More impressively, it is about 22 times higher in Bangladesh and Nepal. And it is nine times higher in Philippines. These huge differences between the EC and PC scores therefore constitute a very positive trend for inclusive growth in the future.

Chart 3: Inclusive Growth Index – Emerging Asia

Chart 4: Inclusive Growth Index Emerging Asia – Present & Enabling Conditions

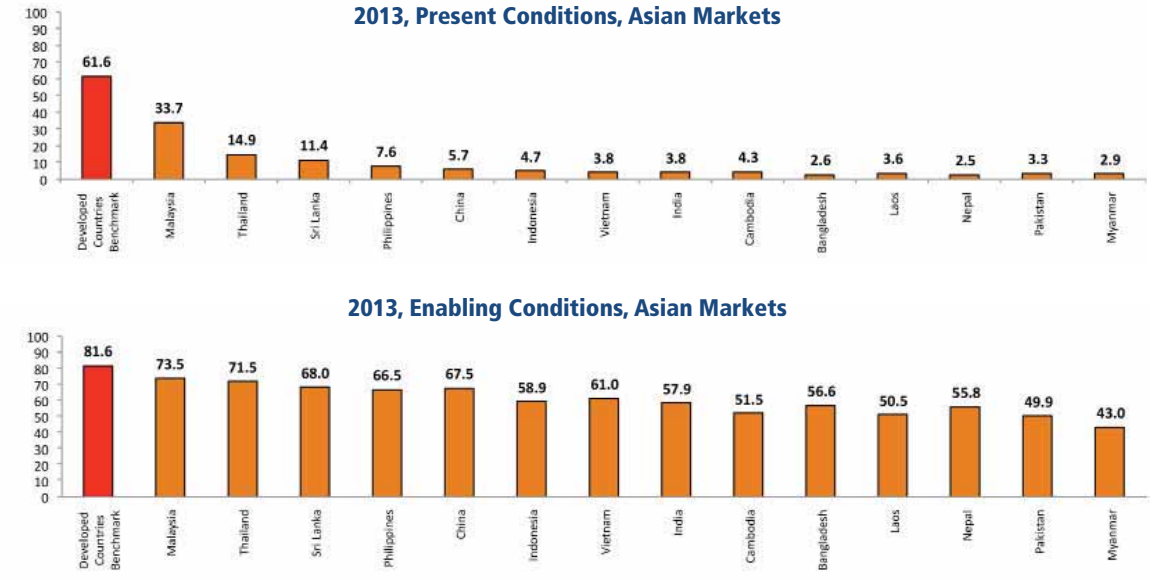


Table 1 summarizes the scores of the 14 emerging markets in Asia and how they have changed from 2009 to 2013. Sri Lanka, which ranks third in overall IGI score in Asia, has the largest increase in IGI score over this period (6.7 points), followed by Malaysia (five points). China's score also increased by two points. Only three out of the 14 markets have decreasing IGI scores. Pakistan has the biggest decrease of 1.1 points. Disappointingly, India's score decreased by 0.8 point and Indonesia's by 0.1 point.

Table 1: Regional Ranking of Emerging Markets in Asia

Regional Rank	Global Rank	Emerging Market	2013 Index Score	▲ Index Score 2009 – 2013	Distance to Best Practice
1	2	Malaysia	60.5	+5.0	-15.6
2	8	Thailand	48.3	+2.2	-27.7
3	16	Sri Lanka	43.5	+6.7	-32.6
4	21	Philippines	38.7	+2.9	-37.3
5	24	China	36.5	+2.0	-39.6
6	30	Indonesia	31.3	-0.1	-44.8
7	31	Vietnam	30.5	+0.6	-45.6
8	32	India	29.4	-0.8	-46.7
9	34	Cambodia	27.7	+2.9	-48.3
10	37	Bangladesh	26.3	+0.4	-49.7
11	38	Laos	26.1	+0.9	-50.0
12	39	Nepal	25.7	+0.2	-50.3
13	40	Pakistan	25.2	-1.1	-50.8
14	49	Myanmar	21.8	+3.5	-54.2

Chart 5 presents the ranks and overall IGI scores of the six emerging markets in Europe. Turkey has the highest score in Europe (and is ranked first globally among the 60 emerging markets). Romania follows in second rank, then Bulgaria, Georgia and Ukraine. Their scores are relatively close; the lowest score (Ukraine) is almost two-thirds of that of the highest (Turkey).

Their PC and EC scores are compared in Chart 6. Like their counterparts in Asia, the EC scores of these European emerging markets are higher than their PC scores, although the difference is not as striking. Nevertheless, the higher EC scores suggest improving outlook for inclusive growth for them. Georgia overtakes Turkey to rank first in EC scores. Turkey is in second place, followed by Bulgaria and Romania.

Chart 5: Inclusive Growth Index – Emerging Europe

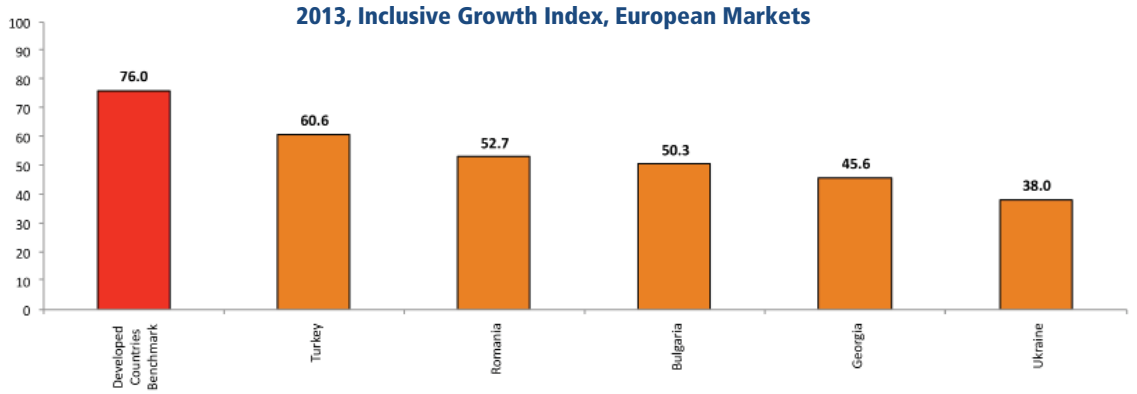
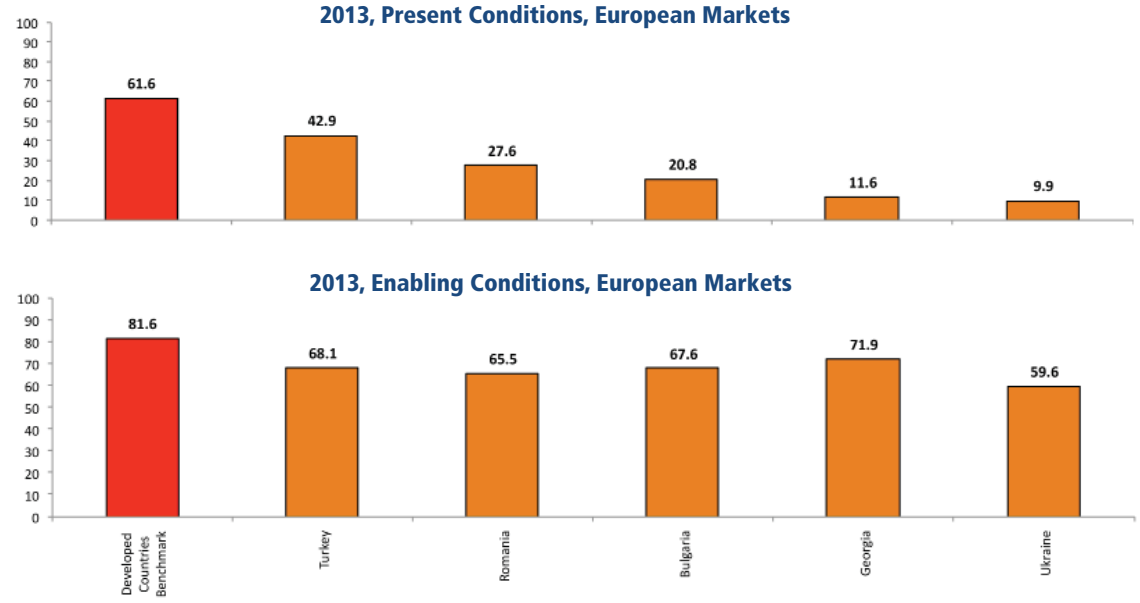


Chart 6: Inclusive Growth Index Emerging Europe – Present & Enabling Conditions



Ukraine has the largest increase in IGI score from 2009 to 2013 (16.7 points) among the five European emerging markets, as Table 2 shows. Turkey's increase in IGI score is the second largest, followed by Georgia. However, the IGI score of Bulgaria declined over the same period.

Table 2: Regional Ranking of Emerging Markets in Europe

Regional Rank	Global Rank	Emerging Market	2013 Index Score	▲ Index Score 2009 – 2013	Distance to Best Practice
1	1	Turkey	60.6	+5.2	-15.4
3	4	Romania	52.7	+0.2	-23.3
4	7	Bulgaria	50.3	-1.7	-25.7
5	13	Georgia	45.6	+4.3	-30.4
6	23	Ukraine	38.0	+16.7	-38.1

The ranking and IGI scores of the 12 emerging markets in Latin America and the Caribbean are presented in Chart 7. Argentina leads in the top rank in IGI scores, followed by Costa Rica and Mexico. The scores of these top three are very close. However, there is a drop of five points between Mexico (third rank) and Brazil (fourth rank). Honduras is last in the 12th rank.

Chart 8 separates the PC scores and the EC scores of these 12 emerging markets. Costa Rica has the highest EC score, followed by Mexico, and Brazil, suggesting strong momentum in inclusive growth in these markets in the coming years. Argentina, which ranks first in the region in overall IGI score, drops to the fourth place in EC score. At the other end of the spectrum, Bolivia has the lowest EC score in the region. While the EC scores are all higher than the PC scores, the difference between them varies significantly. In the bottom three ranked markets of Guatemala, Bolivia, and Honduras, their EC scores are 6.7 times, 5.1 times, and 9.5 times higher than their PC scores respectively. In comparison, it is only 1.6 times in Argentina, 3.5 times in Costa Rica, and 2.3 times in Mexico. So the lower ranking markets in this region could possibly advance faster in future inclusive growth.

Chart 7: Inclusive Growth Index – Latin America & the Caribbean

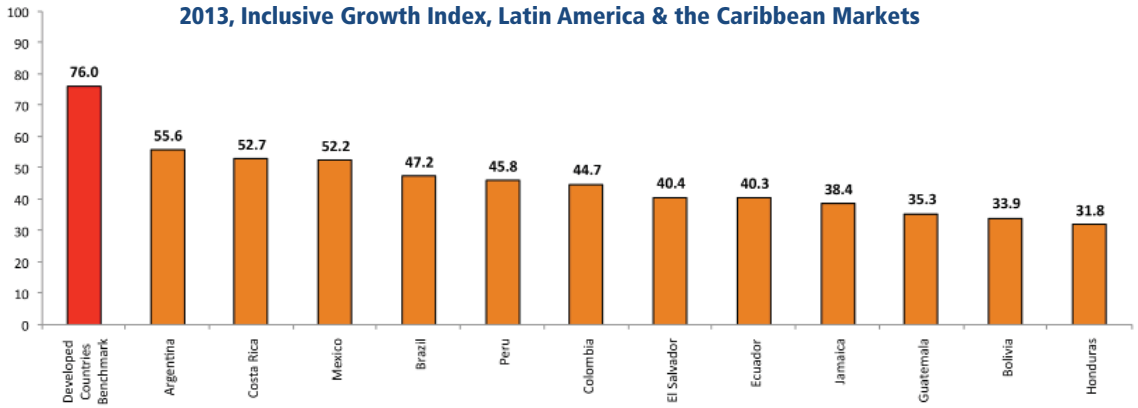
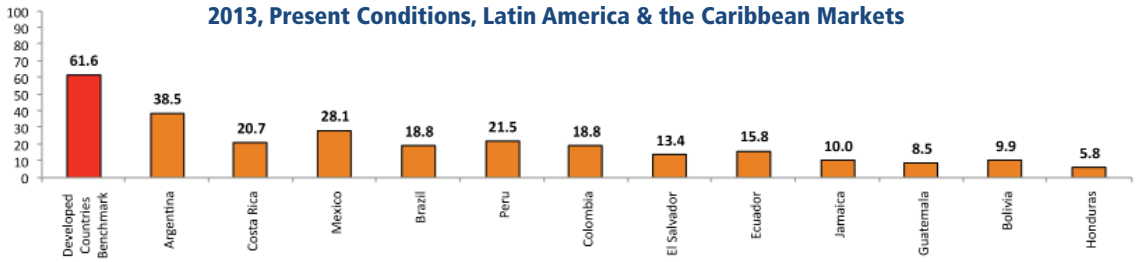
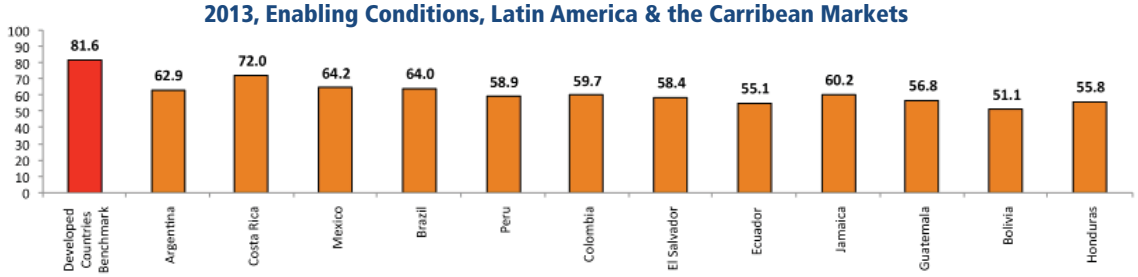


Chart 8: Inclusive Growth Index
Latin America & the Caribbean – Present & Enabling Conditions





Peru, in 5th rank in the region, has the has the largest increase in its IGI score over the 2009-to-2013 period, with an increase of 1.9 points, as shown in Table 3. Costa Rica has the second largest increase of 1.7 points. Brazil's IGI score, on the other hand, decreased by 2.3 points. Among the 12 markets in this region, Jamaica has the biggest decrease of four points over this period.

Table 3: Regional Ranking of Emerging Markets in Latin America & the Caribbean

Regional Rank	Global Rank	Emerging Market	2013 Index Score	▲ Index Score 2009 – 2013	Distance to Best Practice
1	3	Argentina	55.6	+0.4	-20.4
2	4	Costa Rica	52.7	+1.7	-23.3
3	5	Mexico	52.2	-1.8	-23.8
4	11	Brazil	47.2	-2.3	-28.9
5	12	Peru	45.8	+1.9	-30.3
6	15	Colombia	44.7	-1.2	-31.3
7	17	El Salvador	40.4	-2.0	-35.6
8	18	Ecuador	40.2	+0.8	-35.8
9	22	Jamaica	38.4	-4.0	-37.6
10	25	Guatemala	35.3	-2.7	-40.7
11	27	Bolivia	33.9	0.0	-42.1
12	28	Honduras	31.8	-1.5	-44.3

Chart 9 presents the IGI scores of the Middle East and North Africa region. Among the seven emerging markets covered by the IGI, Lebanon ranks first and Yemen last in overall IGI scores. In between is Tunisia in the second rank, followed by Jordan, Morocco, Egypt and Iran.

Chart 10 compares the PC scores and the EC scores of these emerging markets. As in Asia, the difference between the EC and PC scores is very large (apart from Lebanon). For example, the EC score is 9.5 times higher than the PC score in Morocco, 8.7 times in Yemen, 12 times in Iran, and 6.8 times in Egypt. The huge differences are indicative of good potential in improvement in inclusive growth.

Chart 9: Inclusive Growth Index – Emerging Middle East & North Africa

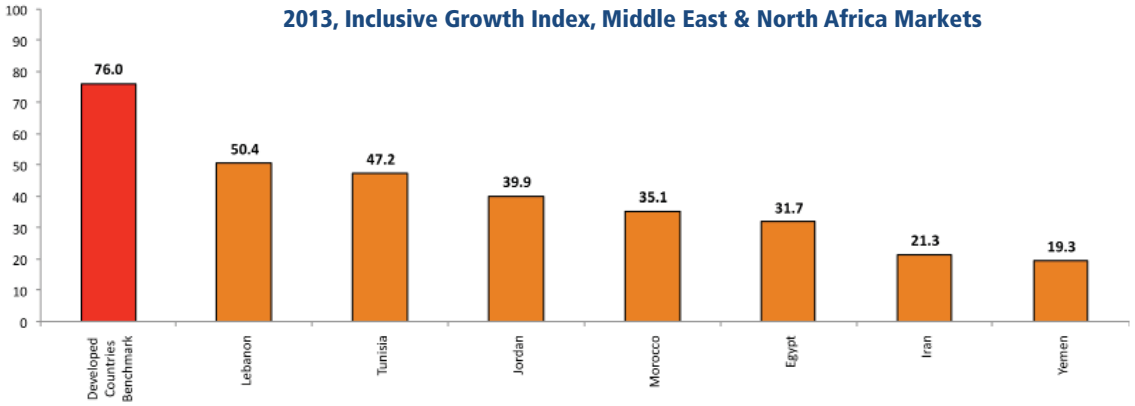
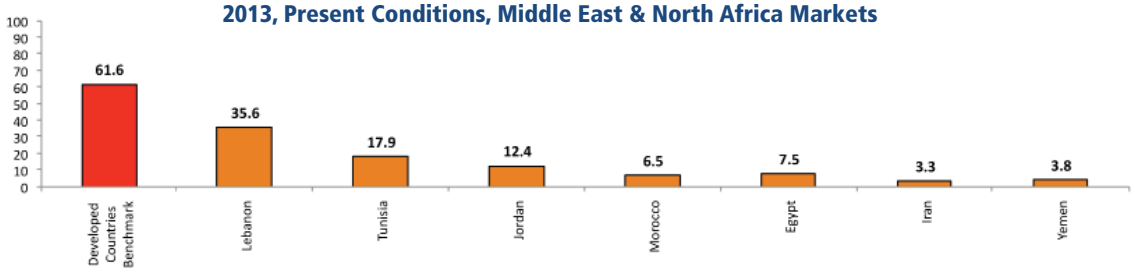


Chart 10: Inclusive Growth Index
Emerging Middle East & North Africa – Present & Enabling Conditions



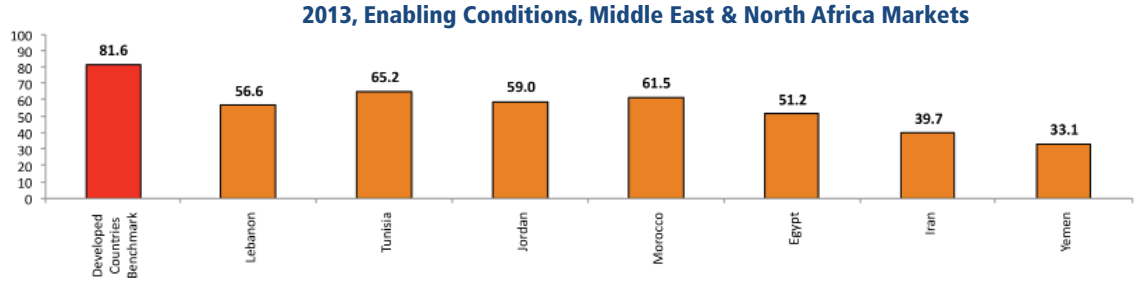


Table 4 summarizes the changes of IGI scores in these markets. With the exception of Morocco, all markets in the region show decline in their IGI scores from 2009 to 2013. Iran's score dropped by a shocking 17.9 points in this period, followed by eight points in Lebanon, and 6.9 points in Jordan. Taking into account their PC and EC scores shown above, this region appears to be in the midst of a very dynamic inflexion point. The decline in overall IGI scores from 2009 to 2013 no doubt contributed to their very low PC scores as seen in Chart 10. But their very high EC scores compared with the PC scores in turn suggests that things may now be changing for the better.

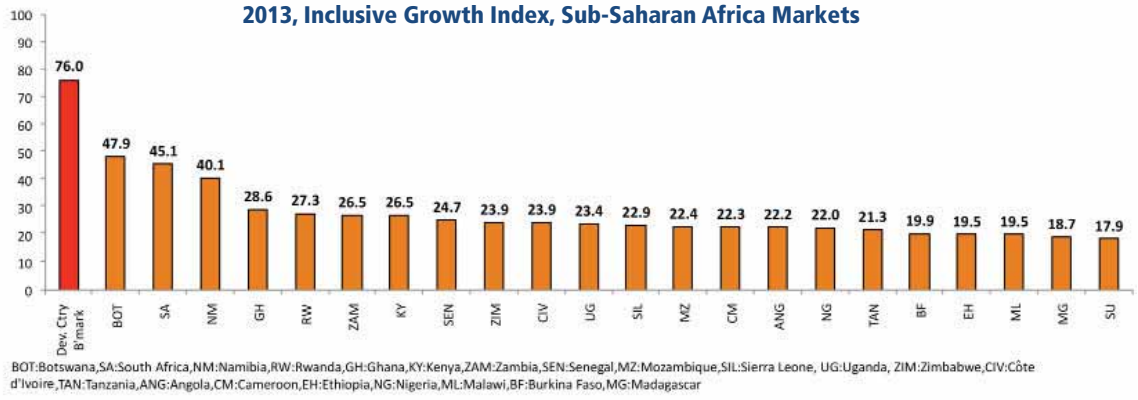
Table 4: Regional Ranking of Emerging Markets in the Middle East and North Africa

Regional Rank	Global Rank	Emerging Market	2013 Index Score	▲ Index Score 2009 – 2013	Distance to Best Practice
1	6	Lebanon	50.4	-8.0	-25.6
2	10	Tunisia	47.2	-0.5	-28.9
3	20	Jordan	39.9	-6.9	-36.1
4	26	Morocco	35.1	+0.6	-41.0
5	29	Egypt	31.7	-1.6	-44.3
6	50	Iran	21.3	-17.9	-54.7
7	54	Yemen	19.3	-2.5	-56.8

Chart 11 shows the IGI scores of the 22 emerging markets in Sub-Saharan Africa. Botswana (ranked 9th globally) is top ranked in the region, followed by South Africa, Namibia, Ghana and Rwanda. Sudan is in the last place in the region, and is also ranked last globally. Zambia and Kenya tied for the 6th rank, Zimbabwe and Côte d'Ivoire tied for the 8th rank, and Ethiopia and Malawi tied for 17th rank. Resource rich and export-driven markets like Angola and Nigeria are not among the top performers in the overall IGI scores, only managing to rank 13th and 14th respectively.

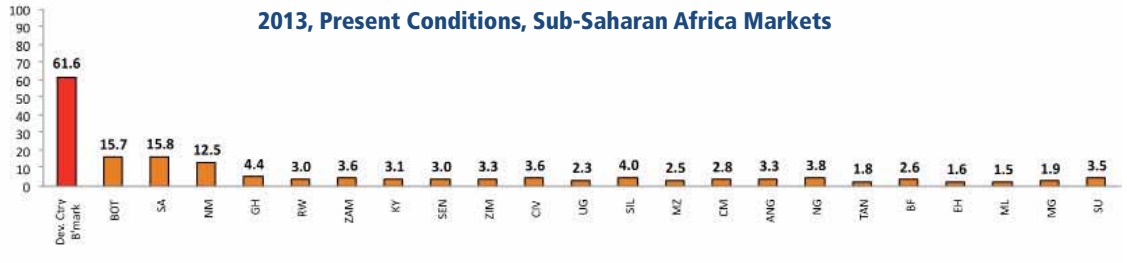
Chart 12 separates and compares the PC and the EC scores of these markets. Again, like the other regions, their EC scores are all higher than their PC scores. But the emerging markets in Sub-Saharan Africa stand out in the magnitude of the difference between the two sets of scores. In 18 of the 22 markets, the ratio between the EC and PC scores are in the double digits. The difference is the highest in Malawi where the EC score is over 30 times higher than the PC score. This is followed by Ethiopia where it is 28 times higher, Tanzania at 27 times, Uganda at 22 times, Madagascar at 21 times, and Rwanda at 19 times. Thus, in spite of their current low overall IGI scores, their outlook for better inclusive growth is very promising.

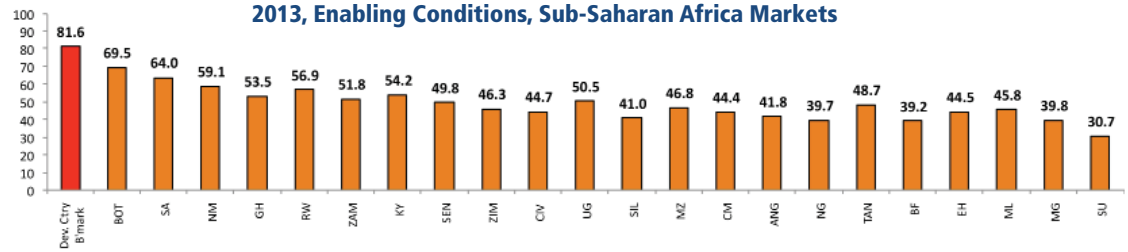
Chart 11: Inclusive Growth Index – Emerging Sub-Saharan Africa



BOT:Botswana,SA:South Africa,NM:Namibia,RW:Rwanda,GH:Ghana,KY:Kenya,ZAM:Zambia,SEN:Senegal,MZ:Mozambique,SIL:Sierra Leone, UG:Uganda, ZIM:Zimbabwe,CIV:Côte d'Ivoire,TAN:Tanzania,ANG:Angola,CM:Cameroon,EH:Ethiopia,NG:Nigeria,ML:Malawi,BF:Burkina Faso,MG:Madagascar

Chart 12: Inclusive Growth Index Emerging Sub-Saharan Africa – Present & Enabling Conditions





BOT:Botswana,SA:South Africa,NM:Namibia,RW:Rwanda,GH:Ghana,KY:Kenya,ZAM:Zambia,SEN:Senegal,MZ:Mozambique,SIL:Sierra Leone, UG:Uganda, ZIM:Zimbabwe,CIV:Côte d'Ivoire,TAN:Tanzania,ANG:Angola,CM:Cameroon,EH:Ethiopia,NG:Nigeria,ML:Malawi,BF:Burkina Faso,MG:Madagascar

Table 5 shows how much the IGI scores have changed in these markets between 2009 and 2013. Top ranked Botswana also has the biggest increase—fully 6.5 points—in IGI score between 2009 and 2013 of, with Sierra Leone not far behind with 6.3 points. Over the same period, Rwanda's IGI score increased by 2.5 points, Ghana's by 2.1 points, and Ethiopia's by 1.1 points. In contrast, South Africa's IGI score decreased the most in the region by 3.6 points. Madagascar's decreased by 2.1 points, Sudan's by 1.8 points, and Nigeria's by 1.7 points. Again, it is worth noting that markets that have been making the best progress in inclusive growth as indicated by increases in their IGI scores—Botswana, Rwanda, Ghana and Ethiopia—are not resource-rich and export-driven markets like South Africa and Nigeria, which have gone backward in terms of inclusive growth.

Table 5: Regional Ranking of Emerging Markets in Sub-Saharan Africa

Regional Rank	Global Rank	Emerging Market	2013 Index Score	▲ Index Score 2009 – 2013	Distance to Best Practice
1	9	Botswana	47.9	+6.5	-28.1
2	14	S. Africa	45.1	-3.6	-30.9
3	19	Namibia	40.1	+0.1	-36.0
4	33	Ghana	28.6	+2.1	-47.4
5	35	Rwanda	27.3	+2.5	-48.8
6	36	Zambia	26.5	+0.2	-49.5
6	36	Kenya	26.5	-0.2	-49.5
7	41	Senegal	24.7	-1.3	-51.3
8	42	Zimbabwe	23.9	-0.5	-52.2
8	42	Côte d'Ivoire	23.9	+0.9	-52.2
9	43	Uganda	23.4	-0.5	-52.6
10	44	Sierra Leone	22.9	+6.3	-53.1
11	45	Mozambique	22.4	+0.7	-53.6
12	46	Cameroon	22.4	-0.6	-53.7
13	47	Angola	22.2	+0.4	-53.8
14	48	Nigeria	22.0	-1.7	-54.0
15	51	Tanzania	21.3	0.0	-54.7
16	52	Burkina Faso	19.9	+0.8	-56.1
17	53	Ethiopia	19.5	+1.1	-56.6
17	53	Malawi	19.5	-0.8	-56.6
18	55	Madagascar	18.7	-2.1	-57.4
19	56	Sudan	17.9	-1.8	-58.2

5. Key Findings

Among the many findings of the IGI, a striking feature stands out—the difference between the PC and the EC scores. In all the emerging markets examined the EC scores are higher than the PC scores. As noted, this difference reflects a stronger forward momentum for inclusive growth in these emerging markets compared with the past.

When viewed against the benchmark set by the 10 developed economies, the emerging markets are showing great promise. The average EC score of the 10 developed economies exceeds the average PC score by only 20 points; whereas the average EC score of the top 10 emerging markets in the IGI exceeds their average PC score by 39.3 points. These top ranking emerging markets are therefore in a strong position to close the gap in inclusive growth in the coming years.

The biggest difference between the EC and PC scores are found among markets in Sub-Saharan Africa. Malawi has the biggest difference among the 60 emerging markets where its EC score is over 30 times higher than the PC score. This is followed by Ethiopia at 28 times, Tanzania at 27 times, Uganda at 22 times, and Rwanda at 19 times.

Next to Sub-Saharan Africa, Asia has some of the biggest differences between EC and PC scores. In Bangladesh and Nepal the EC scores are 22 times higher than the PC scores. It is 15 times higher in India, 12 times in China and nine times in Philippines. In the Middle East and North Africa region, the difference is the biggest in Iran where the EC score is 12 times higher than the PC score. In Latin America, the biggest difference in found in Honduras where the EC score is almost 10 times higher than the PC score. In emerging Europe, Georgia has the biggest difference between the EC and PC scores; where the former is 6.2 times higher than the latter.

The second feature is that there is a great divergence in inclusive growth between the emerging markets in the last five years. Over the 2009 to 2013 period, many emerging markets have succeeded in improving their overall IGI scores while many other saw their IGI scores fall. For example, Ukraine's IGI score increased by 16.7 points in these five years, making it the best performer over this period in terms of improvement as indicated by the IGI score. Sri Lanka, Botswana, Sierra Leone, Turkey and Malaysia follow with increases of 6.7 points, 6.5 points, 6.3 points, 5.2 points and 5.0 points respectively. In contrast, Iran has the biggest fall in IGI score of 17.9 points over the same time period, followed by decline of 8.0 points in Lebanon, 6.9 points in Jordan, 4.0 points in Jamaica, 3.6 points in South Africa, and 2.3 points in Brazil.

The third feature is in the difference between the developed economies and the emerging markets in terms of the drivers of their PC scores. Two clusters make up the PC component: "Economic Growth & Opportunities", and "Equality of Outcome". It turns out that the "Equality of Outcome" cluster contributes much more to the PC component in the developed economies compared with the emerging markets. The average score for the "Equality of Outcome" cluster for the 10 developed economies is 85.4, significantly higher than their average "Economic Growth & Opportunities" cluster score of 23.1.

The picture is exactly the other way round for the emerging markets. With only a few exceptions like Turkey, Bulgaria and Argentina, the scores of the "Economic Growth & Opportunities" cluster in emerging markets are higher than the scores of the "Equality of Outcome" cluster; sometimes the difference is extreme. This pattern suggests that the present conditions of inclusive growth (i.e., the PC component) in these emerging markets are largely supported by their success in generating growth (real GDP and GDP per capita growth), and much less so by equitable distribution of the benefits of growth.[21]

[21]See Appendix C for details.

Take for example China and India, the two emerging market giants. Their "Economic Growth & Opportunities" cluster scores are 67.6 and 37.5 respectively, but their "Equality of Outcome" cluster scores are 2.5 and 1.8 respectively. The differences are astonishingly large. The extreme is seen in Rwanda with an "Economic Growth & Opportunities" cluster score of 60.8, versus its "Equality of Outcome" score of 1.1. So at present emerging markets seriously lag behind the developed economies in the sharing of the benefits of growth. If left unchecked, their future for inclusive growth could be put in jeopardy. Hence the fact that the EC scores are higher than the PC scores in these emerging markets is very encouraging – strong forward momentum in inclusive growth will lead to better "equality of outcome" in the future.

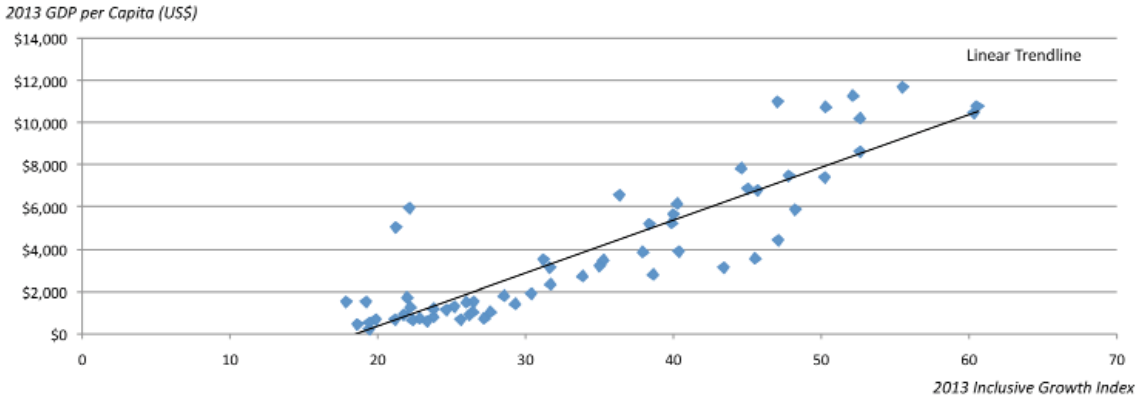
The fourth feature is that the cluster scores in the EC component (three clusters of "Employment & Productivity", "Access to Economic Opportunities", and "Governance") show that they tend to be the highest in the "Access to Economic Opportunities" cluster, followed by the "Employment & Productivity" cluster, and then the "Governance" cluster. At the indicator level, the gender equality indicator in the "Access to Economic Opportunity" cluster is typically the worst performing, Appropriate reform policies in improving conditions associated with governance and gender equality will further enhance the EC component of Inclusive growth.

Not surprisingly, China has the highest "Employment & Productivity" cluster score of 80.5. Thailand, on the other hand, has the highest "Access to Economic Opportunities" cluster score of 81.8. Botswana has the highest "Governance" cluster score of 78.2.

Finally, the evidence suggests that success in inclusive growth and rising quality of life are mutually reinforcing. Chart 13 illustrates the correlation between the IGI scores of the 60 emerging markets and their respective GDP per capita in 2013 (as a proxy of quality of life). The trend is very clear. The higher their IGI scores, the higher their GDP per capita. However, in spite of the clear correlation, the relationship between the inclusive growth and GDP per capita is unlikely to be linear in causality. As mentioned above, inclusive growth on its own does not guarantee strong economic growth; neither does strong economic growth inevitably deliver inclusive growth. How the two influence each other in a manner more subtle and iterative. By strengthening domestic demand, inclusive growth renders growth overall more resilient and sustainable. Strong growth, on the other hand, makes equitable sharing of the benefits of an expanding economy easier to accept by all, regardless of their socioeconomic status, if the economic pie is expanding and the quality of life improving.

Chart 13: Inclusive Growth Index
2013 GDP Per Capita (US$) against the 2013 Inclusive Growth Index

60 Emerging Markets: 2013 GDP Per Capita (US$) against the 2013 Inclusive Growth Index



6. Conclusion

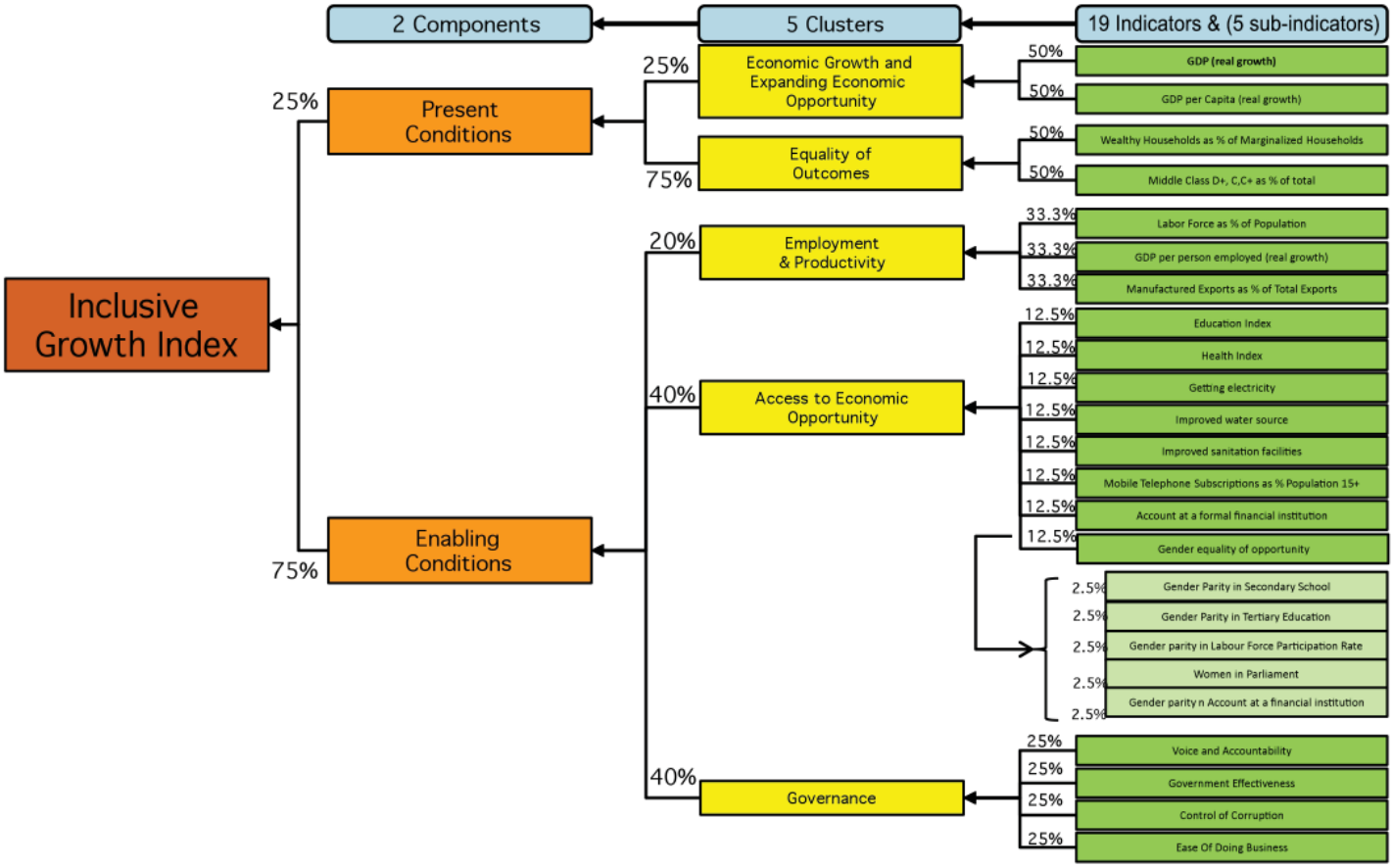
The bottom line for global businesses is that emerging markets will have to be evaluated one at a time. Not all emerging markets will emerge just because they are called as such, just as the BRIC countries are no longer seen to be locked onto an automatic fast track of growth. The global economy remains an open road for emerging markets to converge with the developed economies, following the earlier success of Japan, South Korea, Taiwan, Hong Kong and Singapore. But in the new global economic environment inclusive growth becomes a crucial prerequisite. Inclusive growth is not a sufficient condition for convergence, but it is a necessary condition, and without it emerging markets will not even be in the running. It is therefore a differentiator that separates the winners from the losers among the emerging markets in the future. Accordingly, global businesses will need to develop the capacity for understanding and evaluating emerging markets with the benchmark of inclusive growth; and better still, find ways to support and nurture inclusive growth wherever they invest and operate. This is because inclusive growth contributes critically to the making of a dynamic economy and a prosperous society, which in turn fundamentally improves its business and market potential.

Appendix A: Research Methodology

The Inclusive Growth Index is formed from the combination of two broad components ("Present Conditions" and "Enabling Conditions") which are themselves constituted by five cluster groups of 19 Indicators in total as illustrated in Chart A1. Three of the indicators (real growth rates of GDP,GDP per Capita, & GDP per person employed) were transformed into a 100 point base by dividing indicator values by the full range of the indicator. That is "value/ {max value – min value}".

The rest of the indicators were either already in index format with a theoretical maximum of 100 in which case the values were left as is; or in a fixed range format (most of the Governance indicators) in which case a linear transformation was applied to convert the value into a 0-100 point range. Indicators that could theoretically exceed 100, were capped at 100 (specifically "Socio Class AB -as percent of Social Class E - Marginalized Households", "Mobile Cell Telephone Subscriptions as percent population" and the 4 "Gender Parity Sub-Indicators".

Chart A1: The Inclusive Growth Index



The Potgieter & Angelopulo Methodology (i.e. weighted geometric mean) is used for computing index values at the indicator level. This is primarily an application of using geometric averaging instead of mathematical averaging, which has the benefit of awarding indicator values that converge while penalizing divergence in indicator values. When indicator values converge, it suggests that they work closely together and are generating synergy; and geometric averaging reflects such synergy. When indicator values disperse widely with one of two indicators having very high values (which tend increase the mathematical average), geometric averaging returns a lower average value.

The geometric mean combination method requires non-negative and non-zero values. As such, the transformation methods described above ensures non negative values, while a minimum value of 0.5 index points was applied to all of the indicators to prevent any occurrences of zero.

Once the average cluster values are computed, then they are combined to create the component values with a weighted average process. Then the components are combined with yet another weighted average process to arrive at the final IGI score. The weighting scheme is shown in Chart A1.

The Index was calculated for the years 2009 to 2013. At the indicator level this was represented by the latest five years of data available. In cases where only single year data points were available "Access to electricity (percent of population)", "Account at a formal financial institution", "Gender parity in Account at a formal financial institution"), the single point was applied to all five years.

The final scores of the emerging markets in inclusive growth is also represented as "distance to best practice", with the benchmark set by the scores of 10 selected developed economies. Averages of the 10 are taken at the indicator level (19 of them). From that point the indicators follow the same geometric mean that combines the indicators to clusters, then using the weighting scheme as shown in Chart A1 to combine the clusters into the two components, then finally to the IGI scores. The 10 developed economies and their inclusive growth scores (and their respective "distance" to the group's benchmark) are summarized in Chart A2.

Chart A2: Inclusive Growth Index – Developed Markets Benchmark Countries

Rank	Country	Inclusive Growth Index							
		2009	2010	2011	2012	2013	2012-2013	2009-2013 Index Point Change	2013 Distance to Best Practice*
*	Developed Country Benchmark	81.1	79.1	76.0	78.2	76.0	-2.2	-5.1	
1	Japan	80.6	83.8	75.4	81.2	79.6	-1.6	-1.0	+3.6
2	South Korea	82.2	82.8	77.1	78.3	78.2	-0.1	-4.0	+2.2
3	Germany	82.3	84.2	80.6	80.5	77.5	-3.0	-4.8	+1.5
4	United Kingdom	78.9	76.6	75.0	75.6	75.7	+0.0	-3.2	-0.4
5	Denmark	81.2	80.0	77.7	77.7	75.1	-2.6	-6.1	-0.9
6	United States	80.4	77.5	74.5	77.9	74.5	-3.4	-5.8	-1.5
7	Canada	78.6	77.1	74.2	75.9	73.8	-2.2	-4.8	-2.3
8	France	80.4	76.5	75.8	75.4	72.5	-2.9	-7.8	-3.5
9	Norway	79.2	69.1	72.1	76.0	72.2	-3.8	-7.0	-3.8
10	Australia	78.2	71.7	70.1	73.7	71.3	-2.3	-6.8	-4.7

** Best Practice = Developed Countries Benchmark*

Data sources are summarized in Table A1 below.

Table A1 – Data Source Summary

Cluster	Indicator	Source	Latest Year	Indexing Type	Description
Economic Growth and Expanding Economic Opporunity	Real GDP growth	IMF, WEO	2012	Full range divisor	GDP (real growth rates)
	Real GDP per capita	IMF, WEO	2012	Full range divisor	GDP per capita (real growth rates)
Equality of Income	Socio Class AB -as % of Social Class E - Marginalized Households	Canback-Danglar	2012	As is, capped at 100	Socio Class AB -as % of Social Class E - Marginalized Households
	Middle Class Households as % of Total Households	Canback-Danglar	2012	As is, capped at 100	Middle Class D+, C,C+ as % of total
Employment and Productivity	Employment as % of Population	Conference Board, World Bank, US Census Bureau	2012	As is, capped at 100	Employment as % of population
	GDP per person employed (real growth)	Conference Board, World Bank, US Census Bureau	2012	Full range divisor	GDP per person employed (real growth rates)
	Manufactured Exports as % of Total Exports	UNCOM-TRADE	2012	As is, capped at 100	Beverages and tobacco, chemicals and related products; manufactured goods classified chiefly by material, machinery and transport equipment, miscellaneous manufactured articles
Access to Economic Opportunities	Education Index	United Nations	2012	As is, capped at 100	The Education Index is measured by the adult literacy rate (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrolment ratio (with one-third weighting). The adult literacy rate gives an indication of the ability to reading and writing, while the GER gives an indication of the level of education from nursery (UK & others)/kindergarten (USA & others) to post-graduate education.
	Health Index	United Nations	2012	As is, capped at 100	The Health Index measures the average life expectancy in each country at birth.
	Access to electricity (% of population)	World Bank, IEA, WRI, US Census Bureau	2009	As is, capped at 100	Access to electricity is the percentage of population with access to electricity. Electrification data are collected from industry, national surveys and international sources.
	Improved water source (% of population with access)	IMF WEO, Conference Board, World Bank	2005-2010 (last year)	As is, capped at 100	Access to an improved water source refers to the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Unimproved sources include vendors, tanker trucks, and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 liters a person a day from a source within one kilometer of the dwelling.
	Improved sanitation facilities (% of population with access)	IMF, WEO, Conference Board, World Bank	2005-2010 (last year)	As is, capped at 100	Access to improved sanitation facilities refers to the percentage of the population with at least adequate access to excreta disposal facilities that can effectively prevent human, animal, and insect contact with excreta. Improved facilities range from simple but protected pit latrines to flush toilets with a sewerage connection. To be effective, facilities must be correctly constructed and properly maintained.
	Mobile phone subscriptions as % of population aged 15+	ITU	2012	As is, capped at 100	Mobile cellular telephone subscriptions are subscriptions to a public mobile telephone service using cellular technology, which provide access to the public switched telephone network. Post-paid and prepaid subscriptions are included.
	Account at a formal financial institution (%age 15+)	World Bank	2011	As is, capped at 100	Denotes the percentage of respondents with an account (self or together with someone else) at a bank, credit union, other financial institution (e.g., cooperative, microfinance institution), or the post office (if applicable) including respondents who reported having a debit card.

Table A1 – Data Source Summary (continued)

Cluster	Indicator	Source	Latest Year	Indexing Type	Description
Governance	Voice and Accountability	World Bank	2011	As is, capped at 100	Reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
	Government Effectiveness	World Bank	2011	As is, capped at 100	Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
	Control of Corruption	World Bank	2011	As is, capped at 100	Reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.
	Ease of Doing Business	World Bank	2011	As is, capped at 100	Ease of Doing Business measures the efficiency and strength of laws, regulations and institutions that are relevant to companies. The index itself is a composite of 10 sub-indicators which measure different facets of business regulations: Starting a business, Dealing with construction permits, Getting electricity, Protecting investors, Paying taxes, Trading across borders, enforcing contracts, and resolving insolvency. The index is presented in a Distance to Best Practice concept, represented by the highest performance observed on each of the indicators in the developed economies, indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the Best Practice. For example, a score of 75 means an emerging market is 25 percentage points away from the best practice constructed from the best performances across all economies and across time.

Table A2: Sub-Indicators of the Gender Equality Indicator

Cluster	Indicator	Source	Latest Year	Indexing Type	Description
Equality of Opportunities: Gender	Gender Parity in Secondary School, GER	UNESCO	2012	As is, capped at 100	Total enrollment within a country at the secondary school level, regardless of age, expressed as a percentage of the population in the official age group corresponding to this level of education.
	Gender Parity in Tertiary Education, GER	UNESCO	2012	As is, capped at 100	Total enrollment within a country at the tertiary education level, regardless of age, expressed as a percentage of the population in the official age group corresponding to this level of education.
	Gender parity in Labor Force Participation Rate	ILO	2012	As is, capped at 100	Female labor force participation rate as % of male labor force participation rate
	Women in Parliament	UN MDG	2012	As is, capped at 100	Percentage of women in national parliaments.
	Gender parity in account at a formal financial institution (% age 15+)	World Bank	2012	As is, capped at 100	% of females with an account at a formal financial institution (% age 15+)/% of males with an account at a formal financial institution (% age 15+).

Appendix B: The Emerging Markets Inclusive Growth Index's Universe of 60 Countries

The 60 emerging markets covered by the IGI are shown in Chart B1 below.

Chart B1: Coverage of the Inclusive Growth Index

Asia Pacific (14 cities)						
Bangladesh	Cambodia	China	India	Indonesia	Malaysia	Myanmar
Laos	Nepal	Pakistan	Philippines	Sri Lanka	Thailand	Vietnam

Europe (5 countries)				
Georgia	Bulgaria	Romania	Turkey	Ukraine

Latin America (12 countries)					
Argentina	Bolivia	Brazil	Ecuador	Colombia	Costa Rica
El Salvador	Honduras	Jamaica	Mexico	Peru	Guatemala

Middle East & North Africa (7 countries)						
Egypt	Jordan	Lebanon	Morocco	Tunisia	Yemen	Iran

Sub-Saharan Africa (22 countries)										
Angola	Botswana	Burkina Faso	Côte d'Ivoire	Ethiopia	Ghana	Kenya	Madagascar	Malawi	Mozambique	Namibia
Nigeria	Rwanda	Senegal	Sierra Leone	South Africa	Sudan	Tanzania	Uganda	Zambia	Zimbabwe	Cameroon

Benchmark - Developed Countries (10 countries)				
Australia	Canada	Denmark	France	Germany
Japan	Norway	South Korea	United Kingdom	United States

Appendix C: Index Scores at the Market and Cluster Level

The details of the IGI scores for the 14 emerging markets in Asia at the component and cluster levels are summarized in Chart C1.

Chart C1: Components & Cluster Scores in Asia

Regional Rank	Developing Market Rank	Country	Overall Index Score	PRESENT CONDITIONS			ENABLING CONDITIONS			
				Component Score	Economic Growth & Expanding Economic Opportunity	Equality of Outcomes	Component Score	Employment and Productivity	Access to Economic Opportunity	Governance
	*	Developed Country Benchmark	76.0	61.6	23.1	85.4	81.6	49.8	91.6	92.9
1	2	**Malaysia**	60.5	33.7	42.5	31.2	73.5	54.8	81.0	77.1
2	8	**Thailand**	48.3	14.9	35.6	11.2	71.5	59.6	81.8	68.5
3	16	**Sri Lanka**	43.5	11.4	56.8	6.7	68.0	62.3	77.8	62.1
4	21	**Philippines**	38.7	7.6	57.2	3.9	66.5	66.5	69.4	63.8
5	24	**China**	36.5	5.7	67.6	2.5	67.5	80.5	74.3	56.1
6	30	**Indonesia**	31.3	4.7	47.7	2.2	58.9	50.3	60.6	61.9
7	31	**Vietnam**	30.5	3.8	49.1	1.6	61.0	64.8	64.6	56.0
8	32	**India**	29.4	3.8	37.5	1.8	57.9	51.2	56.9	62.6
9	34	**Cambodia**	27.7	4.3	61.6	1.8	51.5	76.8	42.8	50.8
10	37	**Bangladesh**	26.3	2.6	52.5	1.0	56.6	69.0	52.0	55.8
11	38	**Laos**	26.1	3.6	67.3	1.4	50.5	41.6	60.0	46.8
12	39	**Nepal**	25.7	2.5	35.2	1.0	55.8	57.9	55.7	54.8
13	40	**Pakistan**	25.2	3.3	33.2	1.5	49.9	49.5	46.7	53.6
14	49	**Myanmar**	21.8	2.9	56.3	1.1	43.0	45.6	43.9	40.8

The details of the IGI scores for the five emerging markets in Europe at the component and cluster levels are summarized in Chart C2.

Chart C2: Components & Cluster Scores in Europe

Regional Rank	Developing Market Rank	Country	Overall Index Score	PRESENT CONDITIONS			ENABLING CONDITIONS			
				Component Score	Economic Growth & Expanding Economic Opportunity	Equality of Outcomes	Component Score	Employment and Productivity	Access to Economic Opportunity	Governance
	*	Developed Country Benchmark	76.0	61.6	23.1	85.4	81.6	49.8	91.6	92.9
1	1	**Turkey**	60.6	42.9	34.6	46.0	68.1	52.4	75.2	70.2
2	4	**Romania**	52.7	27.6	29.7	26.9	65.5	54.9	69.0	67.8
3	7	**Bulgaria**	50.3	20.8	19.5	21.2	67.6	44.3	79.5	71.0
4	13	**Georgia**	45.6	11.6	33.5	8.2	71.9	56.8	76.0	76.5
5	23	**Ukraine**	38.0	9.9	17.1	8.2	59.6	47.6	68.4	58.0

The details of the IGI scores for the twelve emerging markets in Latin America and the Caribbean at the component and cluster levels are summarized in Chart C3.

Chart C3: Components & Cluster Scores in Latin America & the Caribbean

Regional Rank	Developing Market Rank	Country	Overall Index Score	PRESENT CONDITIONS			ENABLING CONDITIONS			
				Component Score	Economic Growth & Expanding Economic Opportunity	Equality of Outcomes	Component Score	Employment and Productivity	Access to Economic Opportunity	Governance
	*	Developed Country Benchmark	76.0	61.6	23.1	85.4	81.6	49.8	91.6	92.9
1	3	Argentina	55.6	38.5	35.8	39.4	62.9	42.2	76.5	63.2
2	4	Costa Rica	52.7	20.7	31.9	18.0	72.0	50.7	79.9	77.2
3	5	Mexico	52.2	28.1	20.2	31.4	64.2	44.9	70.2	70.3
4	11	Brazil	47.2	18.8	30.4	16.1	64.0	42.8	76.9	65.2
5	12	Peru	45.8	21.5	48.0	16.5	58.9	35.2	66.3	67.6
6	15	Colombia	44.7	18.8	37.4	15.0	59.7	35.0	69.1	67.3
7	17	El Salvador	40.4	13.4	24.9	10.9	58.4	46.9	59.4	64.2
8	18	Ecuador	40.3	15.8	38.2	11.8	55.1	27.1	73.3	59.0
9	22	Jamaica	38.4	10.0	16.0	8.5	60.2	27.6	78.1	68.7
10	25	Guatemala	35.3	8.5	29.4	5.6	56.8	40.9	63.7	59.7
11	27	Bolivia	33.9	9.9	46.7	5.9	51.1	25.8	63.2	58.1
12	28	Honduras	31.8	5.8	27.6	3.5	55.8	43.6	62.9	56.0

The details of the IGI scores for the seven emerging markets in the Middle East and North Africa at the component and cluster levels are summarized in Chart C4.

Chart C4: Components & Cluster Scores in Middle East & North Africa

Regional Rank	Developing Market Rank	Country	Overall Index Score	PRESENT CONDITIONS			ENABLING CONDITIONS			
				Component Score	Economic Growth & Expanding Economic Opportunity	Equality of Outcomes	Component Score	Employment and Productivity	Access to Economic Opportunity	Governance
	*	Developed Country Benchmark	76.0	61.6	23.1	85.4	81.6	49.8	91.6	92.9
1	6	Lebanon	50.4	35.6	21.2	42.3	56.6	33.8	70.0	59.2
2	10	Tunisia	47.2	17.9	31.9	14.8	65.2	49.6	72.3	67.3
3	20	Jordan	39.9	12.4	29.8	9.2	59.0	38.3	68.7	63.0
4	26	Morocco	35.1	6.5	48.1	3.3	61.5	54.1	64.0	63.0
5	29	Egypt	31.7	7.5	21.0	5.4	51.2	36.3	55.9	55.9
6	50	Iran	21.3	3.3	0.5	6.2	39.7	7.3	72.3	50.7
7	54	Yemen	19.3	3.8	46.5	1.7	33.1	14.7	35.3	46.5

The details of the IGI scores for the 22 emerging markets in Sub-Saharan Africa at the component and cluster levels are summarized in Chart C5.

Chart C5: Components & Cluster Scores in Sub-Saharan Africa

Regional Rank	Developing Market Rank	Country	Overall Index Score	PRESENT CONDITIONS			ENABLING CONDITIONS			
				Component Score	Economic Growth & Expanding Economic Opportunity	Equality of Outcomes	Component Score	Employment and Productivity	Access to Economic Opportunity	Governance
	*	Developed Country Benchmark	76.0	61.6	23.1	85.4	81.6	49.8	91.6	92.9
1	9	**Botswana**	47.9	15.7	38.9	11.6	69.5	65.5	63.7	78.2
2	14	**South Africa**	45.1	15.8	25.1	13.6	64.0	40.2	69.5	74.2
3	19	**Namibia**	40.1	12.5	43.2	8.3	59.1	40.7	58.8	71.5
4	33	**Ghana**	28.6	4.4	61.8	1.8	53.5	31.9	52.7	70.4
5	35	**Rwanda**	27.3	3.0	60.8	1.1	56.9	39.0	60.0	65.3
6	36	**Zambia**	26.5	3.6	45.6	1.5	51.8	36.1	50.7	63.6
7	36	**Kenya**	26.5	3.1	46.0	1.3	54.2	47.5	54.9	57.2
8	41	**Senegal**	24.7	3.0	33.8	1.4	49.8	45.7	43.3	59.7
9	42	**Zimbabwe**	23.9	3.3	33.8	1.5	46.3	34.5	57.9	43.0
10	42	**Côte d'Ivoire**	23.9	3.6	60.8	1.4	44.7	32.6	46.0	51.0
11	43	**Uganda**	23.4	2.3	42.8	0.9	50.5	47.8	46.5	56.4
12	44	**Sierra Leone**	22.9	4.0	100.0	1.4	41.0	35.0	34.2	53.2
13	45	**Mozambique**	22.4	2.5	57.6	0.9	46.8	36.7	41.8	59.2
14	46	**Cameroon**	22.3	2.8	38.3	1.2	44.4	26.5	52.8	48.3
15	47	**Angola**	22.2	3.3	43.5	1.4	41.8	19.3	55.4	46.5
16	48	**Nigeria**	22.0	3.8	49.2	1.6	39.7	19.1	45.4	50.2
17	51	**Tanzania**	21.3	1.8	53.5	0.6	48.7	42.7	44.3	57.2
18	52	**Burkina Faso**	19.9	2.6	52.7	1.0	39.2	19.5	38.1	57.3
19	53	**Ethiopia**	19.5	1.6	56.1	0.5	44.5	34.9	41.2	54.4
20	53	**Malawi**	19.5	1.5	39.7	0.5	45.8	30.5	44.1	58.4
21	55	**Madagascar**	18.7	1.9	24.5	0.8	39.8	38.0	30.4	53.2
22	56	**Sudan**	17.9	3.5	33.3	1.7	30.7	10.7	38.9	41.1

Charts C6 and C7 summarize the IGI scores of the 56 emerging markets from 2009 to 2013 by their global ranking.

Chart C6: Inclusive Growth Index – Emerging Markets 2013 Ranking (1-29)

Rank	Country	Inclusive Growth Index							
		2009	2010	2011	2012	2013	2012-2013	2009-2013 Index Point Change	2013 Distance to Best Practice*
*	Developed Country Benchmark	81.1	79.1	76.0	78.2	76.0	-2.2	-5.1	
1	Turkey	55.4	62.2	60.8	59.4	60.6	+1.3	+5.2	-15.4
2	Malaysia	55.4	58.5	56.6	60.1	60.5	+0.3	+5.0	-15.6
3	Argentina	55.2	58.6	57.0	54.8	55.6	+0.8	+0.4	-20.4
4	Romania	52.5	43.6	51.5	51.8	52.7	+1.0	+0.2	-23.3
4	Costa Rica	51.1	51.9	50.7	54.3	52.7	-1.6	+1.7	-23.3
5	Mexico	54.0	55.2	54.6	56.4	52.2	-4.1	-1.8	-23.8
6	Lebanon	58.4	56.9	53.9	53.0	50.4	-2.6	-8.0	-25.6
7	Bulgaria	52.1	50.4	50.7	51.8	50.3	-1.4	-1.7	-25.7
8	Thailand	46.1	48.9	42.5	50.3	48.3	-2.0	+2.2	-27.7
9	Botswana	41.4	48.3	46.1	48.1	47.9	-0.1	+6.5	-28.1
10	Tunisia	47.7	44.7	40.3	47.9	47.2	-0.7	-0.5	-28.9
11	Brazil	49.5	51.0	46.5	46.4	47.2	+0.7	-2.3	-28.9
12	Peru	43.9	45.8	43.5	45.8	45.8	-0.0	+1.9	-30.3
13	Georgia	41.3	42.2	42.9	46.5	45.6	-0.9	+4.3	-30.4
14	South Africa	48.7	47.6	45.8	46.6	45.1	-1.5	-3.6	-30.9
15	Colombia	45.9	43.9	44.6	45.1	44.7	-0.4	-1.2	-31.3
16	Sri Lanka	36.8	38.9	39.6	42.3	43.5	+1.2	+6.7	-32.6
17	El Salvador	42.4	39.2	40.7	41.8	40.4	-1.4	-2.0	-35.6
18	Ecuador	39.4	37.3	40.0	40.7	40.3	-0.4	+0.9	-35.7
19	Namibia	39.9	40.4	37.8	40.6	40.1	-0.5	+0.1	-36.0
20	Jordan	46.9	41.4	40.1	41.1	39.9	-1.1	-6.9	-36.1
21	Philippines	35.9	36.6	33.9	37.6	38.7	+1.2	+2.9	-37.3
22	Jamaica	42.4	31.9	39.5	38.2	38.4	+0.2	-4.0	-37.6
23	Ukraine	21.3	37.5	39.8	38.5	38.0	-0.5	+16.7	-38.1
24	China	34.5	35.1	33.4	35.2	36.5	+1.3	+2.0	-39.6
25	Guatemala	37.9	34.4	35.5	35.9	35.3	-0.6	-2.6	-40.7
26	Morocco	34.5	32.4	32.8	33.3	35.1	+1.8	+0.6	-41.0
27	Bolivia	33.9	32.2	32.7	33.4	33.9	+0.6	+0.0	-42.1
28	Honduras	33.3	32.1	31.8	33.4	31.8	-1.7	-1.5	-44.3
29	Egypt	33.3	33.0	31.3	32.7	31.7	-1.0	-1.6	-44.3

** Best Practice = Developed Countries Benchmark*

Chart C7: Inclusive Growth Index – Emerging Markets 2013 Ranking (30-56)

Rank	Country	Inclusive Growth Index							
		2009	2010	2011	2012	2013	2012-2013	2009-2013 Index Point Change	2013 Distance to Best Practice*
*	Developed Country Benchmark	81.1	79.1	76.0	78.2	76.0	-2.2	-5.1	
30	Indonesia	31.4	30.9	29.9	31.4	31.3	-0.1	-0.1	-44.8
31	Vietnam	29.9	29.9	28.8	30.1	30.5	+0.4	+0.6	-45.6
32	India	30.2	31.5	29.0	29.4	29.4	-0.0	-0.8	-46.7
33	Ghana	26.5	27.6	27.4	29.1	28.6	-0.5	+2.1	-47.4
34	Cambodia	24.8	25.9	25.6	27.3	27.7	+0.4	+2.9	-48.3
35	Rwanda	24.7	26.0	24.7	26.8	27.3	+0.5	+2.5	-48.8
36	Zambia	26.3	25.8	24.5	26.7	26.5	-0.2	+0.2	-49.5
36	Kenya	26.7	26.0	25.0	26.2	26.5	+0.3	-0.2	-49.5
37	Bangladesh	25.9	25.8	24.5	25.8	26.3	+0.5	+0.4	-49.7
38	Laos	25.2	24.5	23.7	25.3	26.1	+0.7	+0.9	-50.0
39	Nepal	25.5	24.4	24.1	26.5	25.7	-0.8	+0.2	-50.3
40	Pakistan	26.4	23.7	24.5	25.8	25.2	-0.5	-1.1	-50.8
41	Senegal	26.0	24.3	23.1	24.5	24.7	+0.3	-1.3	-51.3
42	Zimbabwe	24.4	25.5	25.8	24.7	23.9	-0.8	-0.5	-52.2
42	Cote d'Ivorie	23.0	20.7	13.3	23.3	23.9	+0.5	+0.9	-52.2
43	Uganda	23.9	23.5	22.6	22.5	23.4	+0.9	-0.5	-52.6
44	Sierra Leone	16.6	18.2	19.0	22.2	22.9	+0.7	+6.3	-53.1
45	Mozambique	21.7	22.2	21.1	22.0	22.4	+0.5	+0.7	-53.6
46	Cameroon	22.9	21.4	21.3	22.9	22.3	-0.6	-0.6	-53.8
47	Angola	21.8	20.3	20.5	21.9	22.2	+0.3	+0.4	-53.8
48	Nigeria	23.8	22.0	22.2	22.1	22.0	-0.1	-1.7	-54.0
49	Myanmar	18.4	17.5	18.3	19.7	21.8	+2.1	+3.5	-54.2
50	Iran	39.2	38.5	33.7	29.9	21.3	-8.6	-17.9	-54.7
51	Tanzania	21.3	21.0	20.5	21.2	21.3	+0.1	-0.0	-54.8
52	Burkina Faso	19.2	19.6	18.2	20.4	19.9	-0.4	+0.8	-56.1
53	Ethiopia	18.3	18.8	18.3	19.2	19.5	+0.2	+1.1	-56.6
53	Malawi	20.2	19.4	18.5	18.5	19.5	+1.0	-0.8	-56.6
54	Yemen	21.8	21.2	12.1	18.5	19.3	+0.8	-2.5	-56.8
55	Madagascar	20.7	13.7	19.3	19.5	18.7	-0.9	-2.1	-57.4
56	Sudan	19.7	17.5	16.8	11.3	17.9	+6.6	-1.8	-58.2

** Best Practice = Developed Countries Benchmark*

About the Author

Yuwa is currently Chief Economist, MasterCard Center for Inclusive Growth, and Global Economic Advisor, MasterCard. He is also HSBC Visiting Professor of International Business at the University of British Columbia, Canada.

He is an economist with 25 years of experience gained in over thirty countries. He is a Canadian who grew up in Vancouver and has spent the last 20 years working in Europe, Sub-Saharan Africa, and Asia Pacific. He has served as advisor to fifty leading multinational companies in Asia Pacific, Middle East, Africa and Europe.

Yuwa studied philosophy, political science, and economics at Trent University, and pursued post-graduate training at the University of British Columbia and Simon Fraser University in Canada, where he received his Ph.D. He lives on Salt Spring Island, off the west-coast of Canada, with his wife and their cat; and is an enthusiastic apprentice in the fine art of gardening.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