Why Well-Being Should Drive Growth Strategies

THE 2015 SUSTAINABLE ECONOMIC DEVELOPMENT ASSESSMENT

BCG

The Boston Consulting Group

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 82 offices in 46 countries. For more information, please visit bcg.com.

WHY WELL-BEING SHOULD DRIVE GROWTH STRATEGIES

THE 2015 SUSTAINABLE ECONOMIC DEVELOPMENT ASSESSMENT

DOUGLAS BEAL

ENRIQUE RUEDA-SABATER

SHU LING HENG

MAY 2015 | THE BOSTON CONSULTING GROUP

CONTENTS

FOREWORD

For over half a century, the world has seen an extraordinary period of expanding prosperity. Still, much remains to be done to ensure sustained success. To do just that, countries around the world—many of which are still seeking to recover from the recent economic crisis—are attempting to devise and implement strategies to spur and sustain growth.

The key word is *strategy*: to succeed, national and international leaders and decision makers must ensure that they have a comprehensive and ambitious enough goal in mind. The goal can be described in shorthand as *well-being*. To pursue well-being effectively, countries need to achieve economic growth that is both socially inclusive and environmentally sustainable.

The importance of a decisive, broad-based effort in this regard cannot be overemphasized. It is very good and encouraging to see the kind of contribution that this report—developed by strategy experts focused on well-being—makes to that effort.

The report is also timely, as the discussion about the goals for economic and social outcomes to be achieved by 2030—following on the footsteps of the Millennium Development Goals—approaches its conclusion. It is clear that, whatever final shape they take, the sustainable development goals scheduled to be agreed upon at the United Nations in September will have at their core the twin themes of economic and social inclusion and environmental sustainability.

What can we—organizations, citizens, and leaders—do to ensure that we get on track to improve prosperity by way of sustainable economic growth? Part of the answer involves paying much closer attention to the tangible, intangible, and natural-capital assets on which our well-being is based. Paying attention means measuring them as accurately as we can and regularly reviewing a systematic set of indicators that tell us whether we are on track, where we are progressing, and where we are falling behind.

This report proposes a framework and a set of measures to shift our attention from narrow definitions of economic development to the broader one of sustainable development. Measurement is critical for generating insights and motivating action on the various dimensions of well-being. Knowing we have a problem is a start, but understanding the relative magnitude of the problem is even better. Without a good set of measures of well-being, we will fall back on the conventional yardsticks of per capita income and growth.

The three elements proposed here provide a good basis for measurement leading to motivation: *economics*, which reflects how well policies are managing to create a macroeconomic and investment climate that results in the efficient, adaptive allocation of resources and in entrepreneurial-driven innovation; *investments*, critical to ensure improvements in human capital and physical assets, which make economies competitive by reducing transaction costs and expanding opportunities; and *sustainability factors*, which rightly comprise both socioeconomic inclusiveness and environmental protection. Incidentally, those two factors have more in common than meets the eye, since policies affecting them are very often derived from common institutional roots.

Behind that kind of valuable thinking is our awareness of the fact that all known cases of sustained high growth are accompanied by high levels of investment in physical and human capital, by sound and stable fiscal and economic management, and by institutions that facilitate commerce, clarify the rules, protect contractual rights and responsibilities, and enable innovations through the generation and spread of knowledge. A wide range of countries, advanced and developing alike, perform below their potential in part because of inadequate levels of investment.

But often our thinking is centered only on flows and, as I have argued elsewhere, we need to complement that with a balance sheet approach—and ensure that shortfalls in investment do not deplete our asset base. The danger in focusing only on flows is that unsustainable growth patterns generally do not break down immediately. Unless one is paying attention to the deterioration in the balance sheet, things may seem fine—even stellar, in the short run.

One major point in favor of the balance sheet approach is the great challenge posed by environmental and natural-resource sustainability. The pressure on land, water, energy, minerals, and the climate will increase to the breaking point, assuming that economies at various income levels continue to function as they do now. This report highlights the tension between economic growth and environmental and natural-resource protection. In that context, action to reduce carbon dioxide emissions has long been viewed as detrimental to economic growth, and the fragility of the global economic recovery is often cited as a justification to delay actions to mitigate climate change.

Fortunately, recent research suggests that energy-intensive, high-carbon growth paths and energy-efficient, low-carbon growth paths are not all that different in the short to medium term—though they diverge dramatically when the high-carbon path fails catastrophically. So a high price need not be paid in terms of growth for shifting to the energy-efficient, low-carbon path if a strategy that sets the right incentives is properly implemented.

Finally, a word about the challenge—and opportunity—for economic-development strategies, which are of relevance for both low-income countries struggling to take off and high-income nations that have stalled. The importance of an appropriate rate of investment—includ-

ing critical public investment—cannot be overemphasized. But to lead to success, strategies must also embody some of the lessons noted in this report, including clarity and ambition of goals, emphasis on nondistortive interventions, and breadth of stakeholder involvement.

Structural flexibility and institutional soundness are key to success. Countries and localities that adapt relatively quickly to changing circumstances and that are not constrained by policies that block this adaptation—however well-meaning or originally valid they are—do better than those with structural rigidities. We have to keep in mind, though, that institutional and structural reforms are notoriously difficult to implement, require persistence, and take time to have effect.

—A. Michael Spence
William R. Berkley Professor in Economics and Business
Leonard N. Stern School of Business, New York University
Nobel Laureate in Economic Sciences, 2001

PREFACE

FROM THE START, OUR work in the area of well-being has been driven by one goal: to help governments around the world formulate strategies to improve the lives of their citizens. And although a number of indices and measures—whether they focus on well-being, competitiveness, happiness, or other metrics—provide valuable information in this arena, we need to go further. The extra step: a broad, comprehensive diagnostic tool designed specifically to guide the setting of priorities and the formulation of development strategies.

That understanding spurred us to create the Sustainable Economic Development Assessment (SEDA). SEDA offers an objective, fact-based relative measure of well-being. It was built on the fundamental belief that it is critical to go beyond GDP to measure how well a country is performing. SEDA's design also reflects the need of governments to pursue a balanced approach to raising the overall well-being of their citizens—one that is focused on economics, critical investments, and social and environmental factors that will make progress sustainable over time.

As we worked with clients using SEDA, we realized that the insight it offers could contribute to a broader effort to understand well-being on a global scale. To that end, we have made our assessment public, and we highlight our most important findings annually. This year, those findings have more relevance than ever, as governments around the world turn their attention from recovery in the wake of the global economic downturn to generating long-term, sustainable growth. SEDA 2015 raises some new and important questions about progress in the world today, and we are grateful to Michael Spence for providing the foreword that so helpfully puts these issues into a global context for leaders. And we hope that SEDA can not only facilitate a worldwide conversation about how countries can generate the most well-being out of their wealth and economic growth but also shed light on areas in which further inquiry is required.

—Douglas Beal

EXECUTIVE SUMMARY

The Boston Consulting Group's Sustainable Economic Development Assessment (SEDA) is a powerful diagnostic designed to provide government leaders with a perspective on how well their countries convert wealth, as measured by income levels, into well-being when compared with other countries.[1] SEDA also helps identify specific areas in which a country is lagging—even after taking into account its income level and growth rate—and identifies the areas that should receive priority attention. Our most recent analysis raises important new questions related to ongoing debates in the field of development.

One of the most striking issues to arise stems from the finding that middle-income countries are making the most progress in terms of improving well-being. The result suggests that the often discussed "middle-income trap"—the notion that countries plateau once they hit some middle range in terms of income—does not apply when a country's trajectory is examined through the lens of well-being. While this may be good news for middle-income countries, the finding also raises concerns about the slow progress of many low-income countries. What's more, the concerns are reinforced when we look at sustainability, which we define as including both environmental and social-inclusion factors. Our results for this measure point to an ever-widening gap, with leaders in sustainability continuing to make gains while the laggards increasingly lose ground.

Overall, these findings shed light on pressing issues for national leaders and policy makers as they seek to bolster gains in well-being, particularly among nations that are at risk of being left behind.

SEDA defines well-being through three fundamental elements that comprise ten dimensions.

- The first two elements are *economics*—which comprises the income, economic stability, and employment dimensions—and

investments, which includes the health, education, and infrastructure dimensions that account for much of government budgets. The third element, *sustainability*, has two components: the environment dimension and social inclusion, which comprises the income equality, civil-society, and governance dimensions.

- For each country, we looked at not only the current level of well-being but also the recent progress—that is, how well-being has changed in recent years. The analysis was conducted on a relative basis: each country was compared with the other 148 countries in our data set.

- We also examined how well each country converts wealth and economic growth into well-being by looking at the country's current level of well-being relative to its income level and by examining its recent progress relative to its GDP growth rate, using the global average as a reference point.

In addition to highlighting the countries that are leaders or gainers in well-being, our latest results raise some potentially troubling issues.

- Countries with midrange current-level scores, such as China and Indonesia, are posting the greatest gains—not countries starting from the lowest positions. While some nations are bucking this trend, the unimpressive gains of countries at the low end of the current-level spectrum show that making progress from that position is proving to be stubbornly difficult.

- Layering income levels into this analysis, we see that low- and middle-income countries as a whole made more progress than high-income countries. But contrary to the middle-income-trap theory, middle-income countries are making the fastest progress overall: countries with per capita incomes from $1,000 to $6,000 in 2006 went on to produce higher average recent-progress scores over the period we studied—2006 to 2013—than did countries with higher or lower incomes.

- Another concern emerges with regard to the sustainability element. Countries that have high current-level scores in sustainability are also making the most progress, while weaker performers are falling further behind. This widening gap raises questions about what is required to produce sustainability improvements and what can be done to help those lagging performers catch up.

The list of leaders in terms of current levels of well-being is dominated by high-income European nations. More variation exists among the countries that made the greatest recent progress, including nations with both robust and modest growth rates.

- Nine of the ten countries with the highest current-level SEDA scores are in Western Europe. As in past years, Norway is at the top thanks mainly to leading scores in employment, income equality, and civil society as well as scores in the top ten for both

income and governance. Singapore, meanwhile, emerges as the only non-European country in the top ten in terms of overall current-level score.

- Countries posting strong advances in relative well-being include nations from all around the world. Four of the top ten countries in terms of recent progress are in Africa. The highest overall score in terms of recent progress goes to Rwanda, while Poland stands out with strong current-level and recent-progress scores. Indonesia is another noteworthy example: it is one of the few countries that show very strong recent progress in two of the three elements.

A country's well-being is affected by its wealth and its GDP growth rate. We take those factors into account, zeroing in on how well countries convert wealth into well-being and growth into well-being by comparing their performance with the global average.

- Vietnam is among the top performers in terms of how well it converts wealth into well-being: it has a much higher current-level score for well-being than other countries with similar income levels.

- Poland is the top performer in terms of its ability to convert growth into well-being. The country's strong showing is due to strong gains in a number of dimensions, including employment, civil society, governance, and environment.

- China is converting its economic growth into recent-progress gains that are expected in light of its GDP growth—a solid accomplishment given the torrid pace of that growth. But in the environment dimension, where China has the lowest current-level score of any nation in our ranking, the country is falling further behind.

- India has experienced healthy growth in recent years and is making progress well above the median in health, education, and infrastructure, which should be a good sign for longer-term development. And it has further improved its already good record on income equality, thus contributing to significant poverty reduction. However, India has a weaker track record than China in terms of converting growth into well-being, and it has produced subpar progress in four other dimensions, including employment and environment.

- Brazil, which ranked number one in our inaugural 2012 SEDA report in terms of growth to well-being, has slipped a few notches, but it remains a strong performer in this area. (See *From Wealth to Well-Being: Introducing the BCG Sustainable Economic Development Assessment*, BCG report, November 2012.) So while the nation has much slower growth than China, for example, it outstrips that country—and many others—in terms of the rate at which it is converting growth into well-being for its citizens.

Comparing the performances of Germany and the U.S. makes clear how countries with similar growth rates can chart different paths in terms of producing improvements in well-being.

- The U.S. posted average annual growth of 1.1 percent from 2006 to 2013, and the country ranks just below average in its ability to convert wealth and growth to well-being.

- Germany, in contrast, had the same growth rate but proved to be much stronger in its ability to convert that growth into well-being. In fact, although Germany's average annual GDP growth rate over the period we studied was also about 1.1 percent, the country managed to generate gains in well-being that would be expected of an economy expanding by an average of more than 6 percent per year.

SEDA results also illuminate patterns among clusters of nations defined by characteristics such as the composition of the economy or geographic region.

- Oil-rich nations—which we define as countries that receive rents from oil that are equivalent to more than 10 percent of GDP in 2012—posted weak scores and lack of improvements in governance and are below average at converting both wealth and growth into well-being.

- Countries in sub-Saharan Africa trail the rest of the world significantly in terms of their current-level scores for health, education, and infrastructure. But, as a group, they are making strong advances in health: their recent-progress scores in that dimension are well above the median for the rest of the world. In fact, 19 of the 20 countries with top scores in recent progress in health are in sub-Saharan Africa.

SEDA analysis supports the view that strong economic growth often comes at the steep price of environmental degradation.

- A negative correlation stands out between our ten dimensions and economic growth for the environment. China and India—both of which posted above-average economic growth rates and below-average recent progress in the environment—illustrate this trend.

- Some countries, however, are successfully managing the trade-off between growth and the environment. Poland, for example, posted strong GDP growth but still managed to rank among the top countries in terms of recent progress in the environment.

The insights provided by SEDA serve as a strong diagnostic foundation. To provide a bridge to action, BCG has developed an approach to economic-development strategies designed to help guide both national and subnational governments as they craft and implement strategies aimed at fostering growth, promoting employment, and paving the way for improvements in well-being.

- The approach is based on five principles for successful economic development, including ensuring clarity of the overall goals of economic development, prioritizing actions appropriately (that is, favoring steps that are the most cost-effective and deliver the

biggest impact), and building a strategy that is both ambitious and realistic.

- In addition to those principles, the approach has two features. The first is a framework that allows governments to match their goals and priorities with key strategies. The second is a tool kit of tactics and concrete actions that have been successfully employed as part of development efforts around the world.

NOTE

1. Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries" throughout the report.

WELL-BEING AS A GOAL

Government leaders increasingly speak of boosting the well-being of citizens—rather than bolstering GDP growth—as their primary mission. That, however, is easier said than done. The latest results from The Boston Consulting Group's Sustainable Economic Development Assessment (SEDA), which tracks how countries are doing in terms of well-being relative to other nations, reveal major differences in terms of countries' performances in this regard.[1] In particular, our findings show that countries at the lower end of the well-being spectrum face challenges to improving well-being levels—obstacles that may not be entirely understood, and which warrant further investigation.

SEDA defines overall well-being by examining three fundamental elements that comprise ten dimensions. (See Exhibit 1.) The first element is *economics*, which essentially gauges a country's performance in terms of generating balanced growth through income, economic stability, and employment. That balanced growth provides a basis for the country to invest in the other two elements.

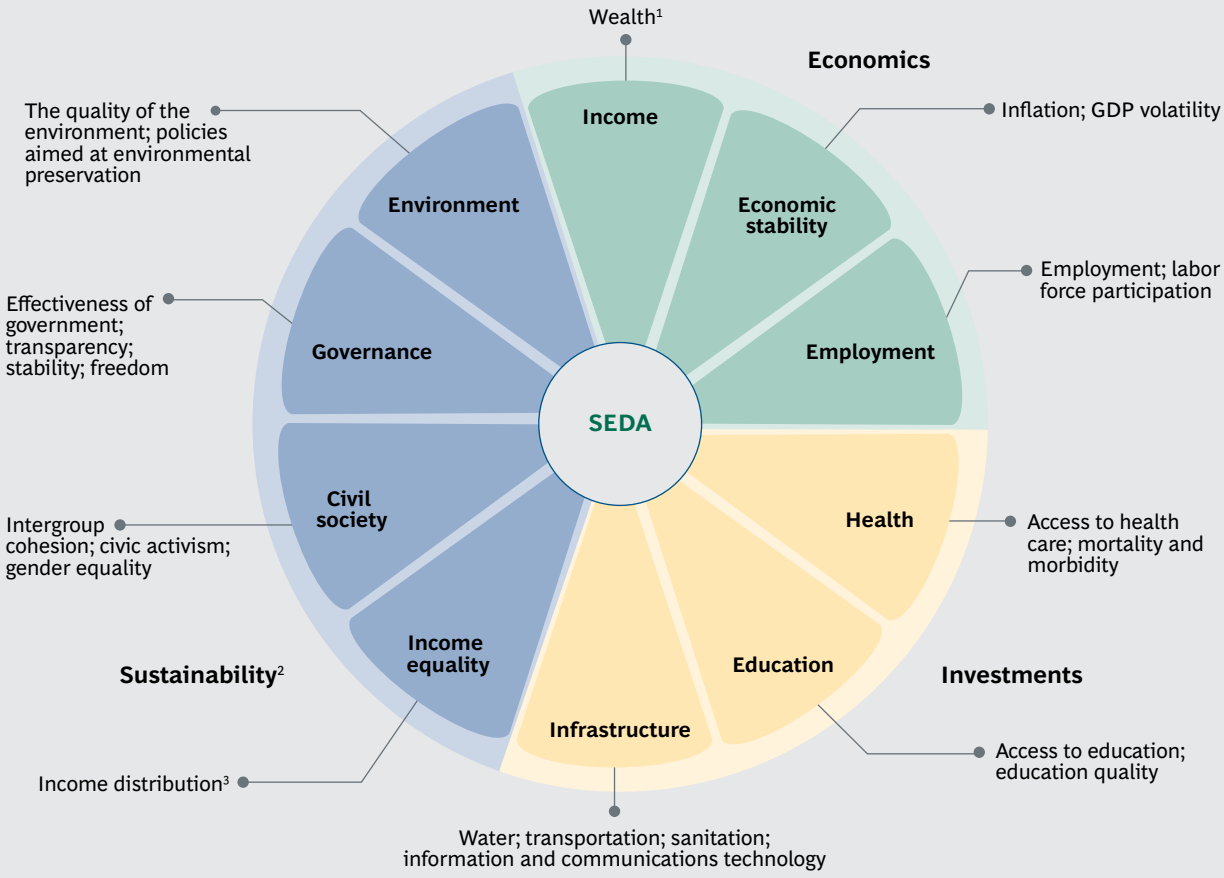
The second element, *investments*, includes health, education, and infrastructure. These categories—major items in any government budget—encompass short- and long-term investments that help drive improvements in both economic growth and well-being over time.

The third is *sustainability*. The term "sustainability" is used in many different ways, most commonly reflecting an emphasis on the environment. However, it can also encompass issues related to social inclusiveness. We have combined both in our sustainability element: the environment dimension and social inclusion, which comprises the income equality, civil-society, and governance dimensions. A robust score in this element typically does not involve large budgets but rather stems from making sound—if sometimes difficult—policy decisions. And strong performance here tends to strengthen the ability of a country to sustain gains in well-being, while weakness, whether in terms of inclusiveness or environmental degradation, can limit a country's well-being down the road.

Through these three elements, SEDA measures relative well-being both as a snapshot—the current level of well-being—and in terms of change over time, or recent progress, in well-being. It also allows us to measure how well countries are converting their wealth, as measured by income levels, into well-being and how well they are taking advantage of their economic growth to generate well-being for their citizens.

Our 2015 findings reveal some compelling trends. First, very few countries excel in all three elements, which highlights the fact that many countries are making trade-offs when it

Exhibit 1 | SEDA Measures Well-Being Along Three Elements That Comprise Ten Dimensions



Source: BCG analysis.
[1]Wealth is measured as GDP per capita, which, in turn is measured in terms of purchasing-power parity in constant dollars (2011).
[2]Sustainability is defined to include environment and social inclusion. Social inclusion comprises governance, civil society, and income equality.
[3]Income distribution is based on the Gini coefficient.

comes to looking for ways to generate progress. Indeed, our work underscores that there is no blueprint or one-size-fits-all solution in economic development. Some countries may need to focus on the dimensions in our economics element—or balanced economic growth—while others may focus on investments that will address key bottlenecks and support future economic growth. Still others may need to focus on ensuring that the benefits of progress are shared widely or that the environment is protected. SEDA can help governments identify where gaps exist and facilitate the setting of priorities within and across each of those areas.

When it comes to results for specific countries, we see some familiar stories—as well as some surprises. Norway has the highest current-level SEDA score (as it did in the previous two assessments, in 2014 and 2012). Rwanda, meanwhile, has the highest recent-progress score, reflecting how a weak starting position, strong growth, and smart policies have resulted in major improvements in well-being. And Poland is one of the most shining examples—showing one of the strongest recent-progress scores and achieving the number-one spot in terms of converting growth into well-being.

Beyond the implications for individual countries, our findings raise some potentially troubling questions. First—with some exceptions, such as Rwanda and Ethiopia—the countries that are making the most overall progress in well-being are not those with low starting positions, as one might expect. Instead, countries with midrange current-level scores, such as China and Indonesia, are making the most progress. Not only is this counterintuitive, it also raises a warning sign

about the prospects for lagging countries to catch up. Second, the countries that have high current levels of sustainability have also been generating the most progress in that element, while countries with low current levels of sustainability are falling further behind. This raises the question of why countries with lower scores in sustainability are unable to narrow that gap.

Certainly, for all countries, SEDA is a valuable diagnostic tool as well as a robust mechanism for setting priorities. It will become even more powerful when it is coupled with a sound method for understanding exactly what needs to be done and how those initiatives can be executed. To that end, we are introducing an approach for economic development designed to help policy makers identify the strategies and tactics that will help them achieve their development goals. And while SEDA can be adapted for use at the city, state, and regional levels—what we call subnational—our economic-development approach was specifically designed from the start to be used at both the national and subnational levels. (See the sidebar "Using SEDA at the Subnational Level.") It is also timely, as many countries and localities are experiencing below-par economic growth and looking for ways to reactivate their economies while making them more inclusive and sustainable.

A key insight from our work with SEDA over the past three years is that some countries manage to make progress in well-being beyond what would have been expected on the basis of their income levels or growth rates. However, it is also clear that improving well-being is an easier task when there is a foundation of robust economic growth upon which to build. BCG's approach for economic development is primarily aimed at formulating strategies that can produce an acceleration of economic growth. Combining that perspective with the insights that emerge from SEDA offers government leaders the opportunity to craft economic-development strategies that generate not only economic growth but also enhanced well-being.

NOTE

1. Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries" throughout the report.

USING SEDA AT THE SUBNATIONAL LEVEL

We are often asked, "If my state were a country, how would it score under SEDA?" While SEDA was designed to be used at the national level, it can indeed be used at the regional and city levels—but some limitations apply.

The key is to find local metrics to replace the SEDA national-level indicators. Some of our indicators—employment rates, educational outcomes, and health care availability, for example—are readily available for cities and states. In these cases, we replace the country value with the specific value for the region or city.

But many of our indicators, including the Gini coefficient and measures of press freedom, are provided by their sources only at the national level. In these cases we take one of two approaches. If there is reason to believe that the subnational-level scores will not differ much from one another, we use the national-level figure. If not, we adjust the national score to reflect local circumstances. So while we might use the national measure of press freedom to also represent a particular city's score because there is little variation in this factor within the nation's borders, we might adjust the Gini coefficient for the local analysis because the distribution of wealth across the nation differs.

The result is hardly perfect. But it can offer a useful view of how a region might score under a SEDA analysis if it were a country, or a way to compare different regions within a country.

DEFINING AND MEASURING WELL-BEING

As we have discussed, SEDA defines well-being through three elements that comprise ten dimensions:

- *Economics:* income, economic stability, and employment
- *Investments:* health, education, and infrastructure
- *Sustainability:* income equality, civil society, governance, and environment

We use measures and indicators within each dimension to generate scores that reflect a country's current level and recent progress in well-being. (See Exhibit 2.)

Our recent-progress measure tracks how well-being changed during the period of 2006 to 2013. This was an eventful time: several years of generalized prosperity began grinding to a halt in 2006 and 2007, a major recession affected economies around the world in 2008 and 2009, and countries have had very different experiences with economic recovery since then, partly as a result of their constraints and policy choices.

While, in this report, we do highlight policies adopted by some countries that have achieved notable improvements in well-being, we do not attempt to establish any causality between specific policies and improvements.

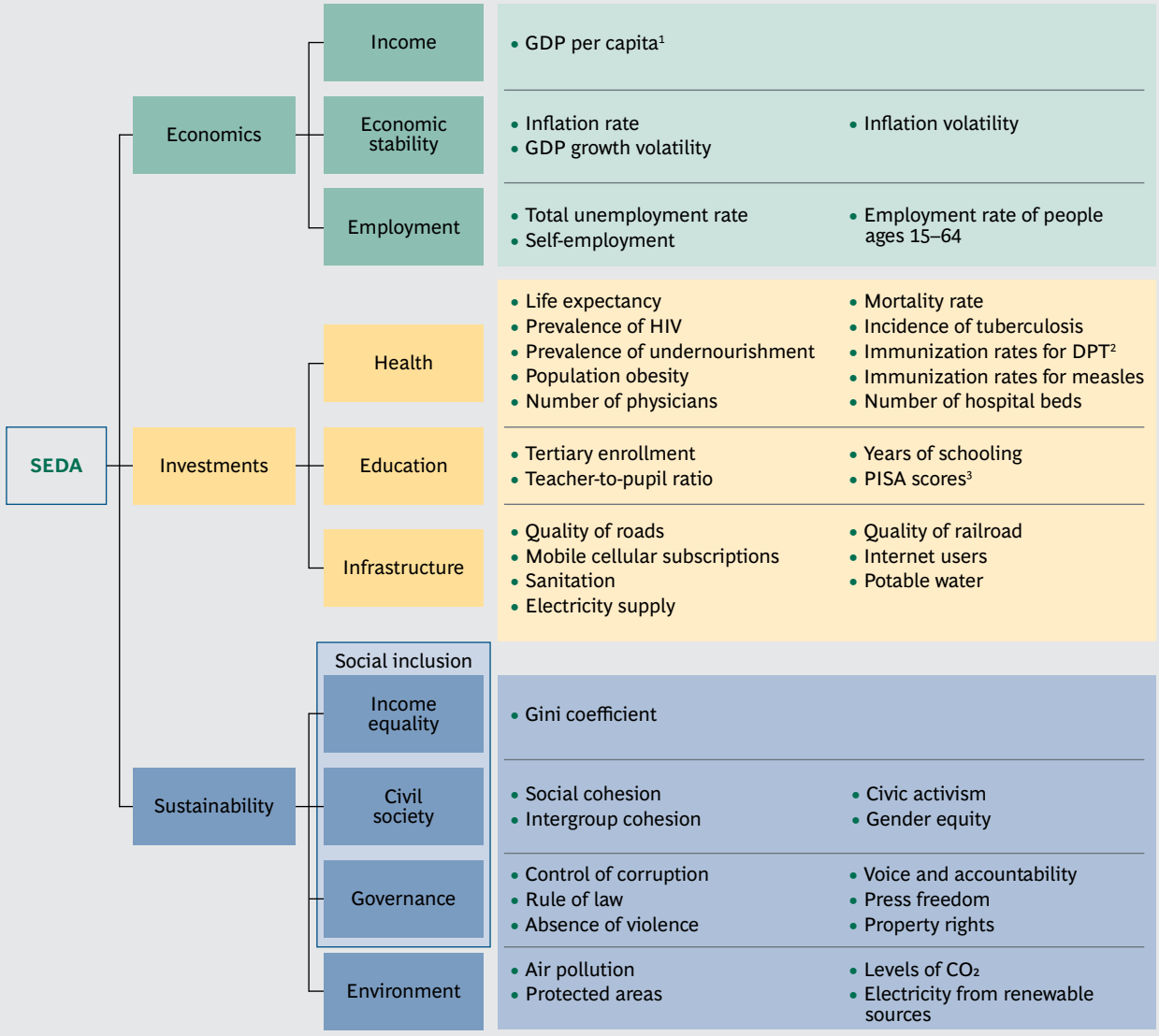
SEDA does not measure a country's well-being in absolute terms: both current levels and recent progress in well-being are measured on a scale of 0 (lowest level) to 100 (highest). Median scores for the other countries in our data set, overall or by dimension, are used to represent the rest of the world in the comparisons presented throughout the report.[1]

And SEDA can be used to look at how countries stack up against the rest of the world or against a peer group in terms of current levels of well-being or recent gains. Such an analysis allows for benchmarking not only in terms of our overall measure of well-being but also in terms of our three elements and the ten dimensions that fall within them.

Finally, while SEDA is designed to measure well-being at the national level, the diagnostic can be adapted to assess regions, states, or cities.

On the basis of SEDA's measures of the current level and recent progress in well-being, we are able to examine the relationships between any given country's wealth and current well-being and between its economic growth and recent progress in well-being. We do this, respectively, by comparing the country's performance in well-being—relative to its income level (or GDP per capita, as measured in terms of purchasing-power parity) and

EXHIBIT 2 | SEDA's Dimensions Are Measured by 43 Indicators



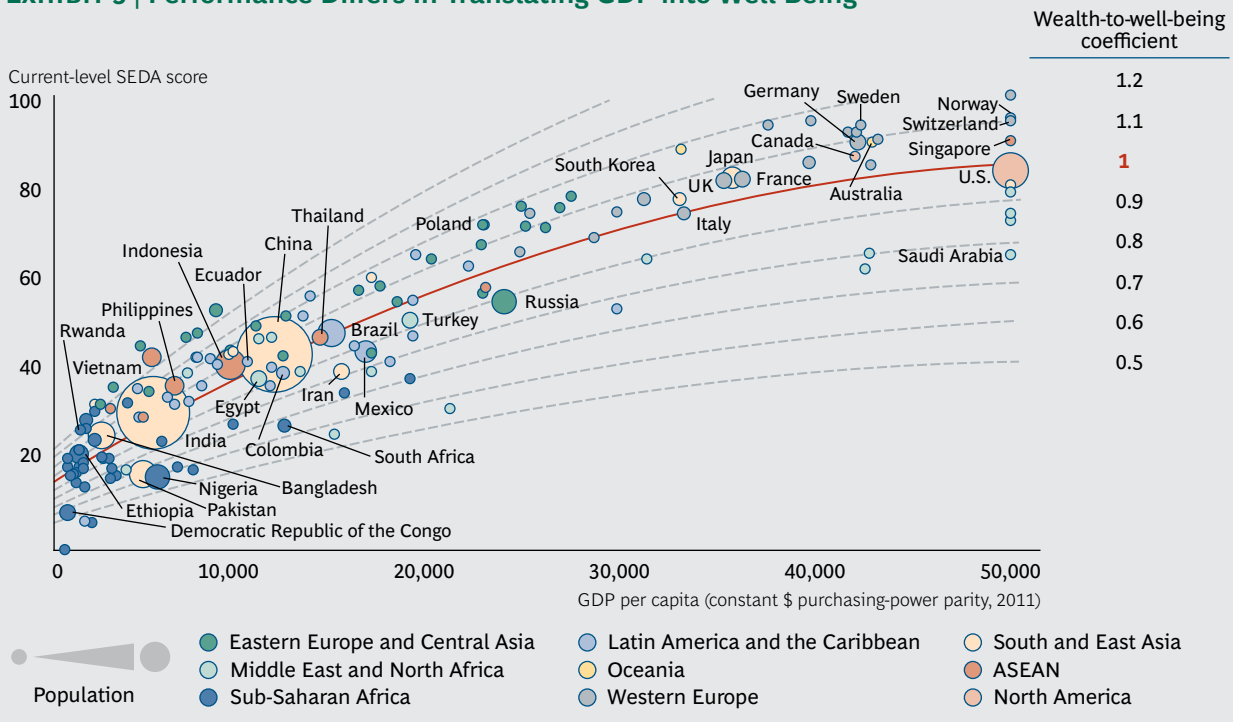
Source: BCG analysis.
[1]GDP per capita is measured in terms of purchasing-power parity in constant dollars (2011).
[2]DPT = diptheria, pertussis, and tetanus.
[3]PISA = Programme for International Student Assessment.

growth rate—with the global average relationship between wealth and well-being or recent progress and growth.

The *wealth-to-well-being coefficient* compares a country's SEDA score for its current level of well-being with the score that would be expected given the country's GDP per capita and the average relationship between that measure and the worldwide current-level scores of well-being. (See Exhibit 3.) The coefficient thus provides a relative indicator of how well a country has converted its wealth into the well-being of its population. Countries that sit above the solid line in Exhibit 3—meaning that they have a coefficient greater than 1.0—deliver higher levels of well-being than would be expected given their GDP levels, while those below the line deliver lower levels of well-being than would be expected.

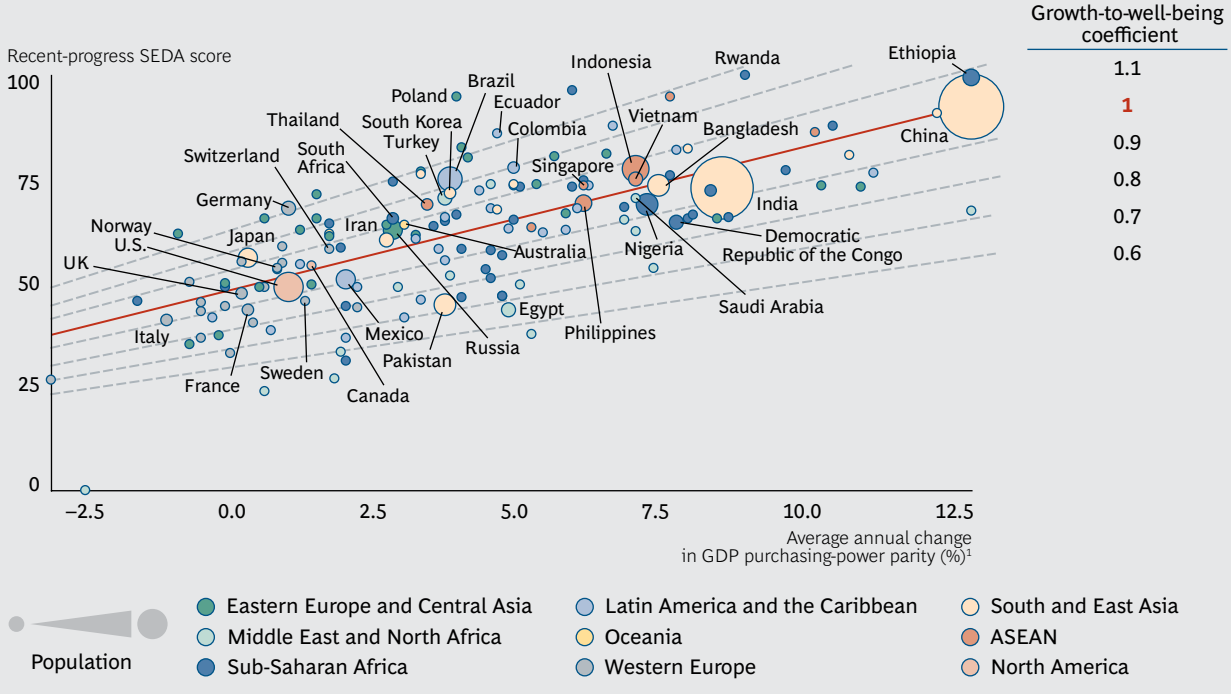
The *growth-to-well-being coefficient* compares a country's SEDA score for recent progress with the score that would be expected given the country's GDP growth rate and given the average relationship between recent-progress scores and GDP growth rates during the same period for all countries. (See Exhibit 4.) The

EXHIBIT 3 | Performance Differs in Translating GDP into Well-Being



Source: BCG analysis.
Note: GDP per capita for Kuwait ($84,188), Qatar ($127,562), Luxembourg ($86,442), Singapore ($76,236), Norway ($62,448), Saudi Arabia ($52,067), Switzerland ($51,733), United Arab Emirates($57,044), U.S.($51,450), and Hong Kong ($51,509) were adjusted to the maximum value of the matrix ($50,000). The data is based on SEDA scores. The solid line is the second-order polynomial regression. The dotted lines are based on the regression line.

EXHIBIT 4 | Performance Differs in Translating GDP Growth into Well-Being



Source: BCG analysis.
Note: The data is based on SEDA scores. The solid line is the linear regression; the dotted lines are based on the regression line.
[1]Outliers above 2.5 times the standard deviation were limited to these maximum values; reflects average annual change in GDP purchasing-power parity (constant $billions, 2011) from 2006 to 2013.

coefficient therefore shows how well a country has translated income growth into improved well-being.

As with the wealth-to-well-being coefficient, countries that sit above the average line—meaning that they have a coefficient greater than 1.0—are producing improvements in well-being beyond what would be expected given their GDP growth rate from 2006 to 2013. (See the Appendix for a more detailed discussion of our methodology.)

NOTE

1. Although we used a common scale, the distribution of countries differs considerably in each of the two measures, with a median score of 43.1 for the current level and 63.2 for recent progress.

INSIGHTS FROM THE LATEST SEDA UPDATE

Our latest SEDA results reveal trends not only for individual countries but also for clusters of nations, including groups with similar economic characteristics and groups from similar geographies. These findings highlight critical challenges—and compelling opportunities—for a number of countries and regions.

SEDA 2015 Country Results

To understand where countries are today and where they are headed, we created a matrix based on both current levels and recent progress of well-being. The four quadrants of the matrix are defined by medians for each of the scores. (See Exhibit 5.)

Countries in the upper-left quadrant have high scores for current levels of well-being but weak scores for recent progress—meaning that they are still in good shape but have been falling back relative to the rest of the world. Those in the upper-right quadrant have scores that are above the median for both current levels and recent progress—so they have relatively high levels of well-being and have been improving. Those in the lower-right quadrant, meanwhile, have relatively low current-level scores, but the scores for recent progress are above the median—what we would describe as weak but improving. And those in the lower left are the most challenged. They have poor current-level scores and weak recent-progress scores—meaning that they have relatively low well-being already and have been losing further ground.

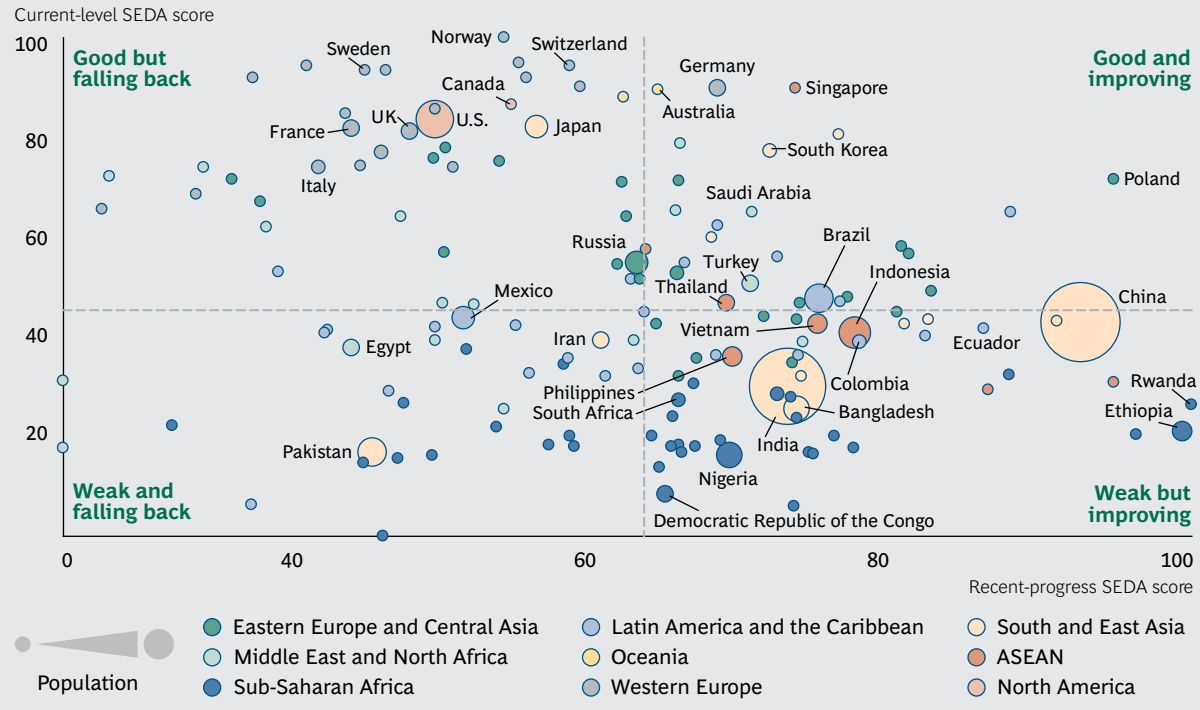
Leaders—and Gainers—in Well-Being

Nine of the ten countries with the highest current-level scores are in Western Europe; Singapore is the exception. As in past years, Norway leads the group, mainly because of top scores in employment, income equality, and civil society, as well as high scores in income and governance.

When it comes to progress in well-being, most countries that already have high current levels—including the U.S., Canada, and many countries in Western Europe—post lower levels of recent progress. But some countries with high current levels boast high levels of recent progress as well, such as Poland, South Korea, and Singapore.

Some countries with low current-level scores, such as Ethiopia and Rwanda, have generated strong recent-progress scores. Rwanda has the highest overall score in terms of recent progress; scores for recent progress that are at or above the median in every dimension; and is in the top ten in economic stability, health, and governance. Indeed, over the past several years, Rwanda has taken positive steps toward reforming macroeconomic policies and commercial laws, steps that have been widely regarded as successful.

EXHIBIT 5 | Current-Level and Recent-Progress Scores Vary Widely



Source: BCG analysis.
Note: Outlier Libya (current-level SEDA score of 31.1, recent-progress SEDA score of 0.0) was adjusted to the minimum value of the matrix (current-level SEDA score of 0.0, recent-progress SEDA score of 23.9).

And then there are some countries, such as Pakistan and Egypt, that started with a low level of well-being and have fallen even further behind, failing to make progress and reduce the gap with the rest of the world.

One might think that posting strong progress would be easier for a country that is starting from a low base. Our analysis, however, shows that countries such as Rwanda and Ethiopia are the exceptions rather than the norm. While countries with low current-level scores and those with midrange current-level scores post progress exceeding that of countries with high current-level scores, countries with midrange current-level scores are posting the most progress overall.

What light does this—along with our SEDA findings in general—shed on ongoing debates about development? Since most development theories are based on income levels, we broke the 149 nations in our assessment into three income bands and examined recent progress for each group. (See the Appendix, Table 2.) We found that countries with low and middle incomes at the start of the period we studied have significantly higher recent-progress scores than those with higher incomes; countries with middle incomes post the highest progress of all three groups.

This is in line with convergence logic, which would predict that the gap between low-income countries and high-income countries will narrow over time. But the findings fly in the face of another common notion, the "middle-income trap," which describes a plateau when countries hit the midrange in terms of income. Our results suggest that such a trap does not exist when the lens is well-being rather than GDP: countries whose per capita incomes ranged from $1,000 to $6,000 in 2006 have higher average recent-progress scores over the period we studied than countries with higher or lower incomes. The fact that many countries with low income levels are not making faster progress on well-being should be of concern to governments and international organizations.

DIFFERING PERFORMANCE, BY ELEMENT

Looking at countries in terms of their recent progress in economics, investments, and sus-

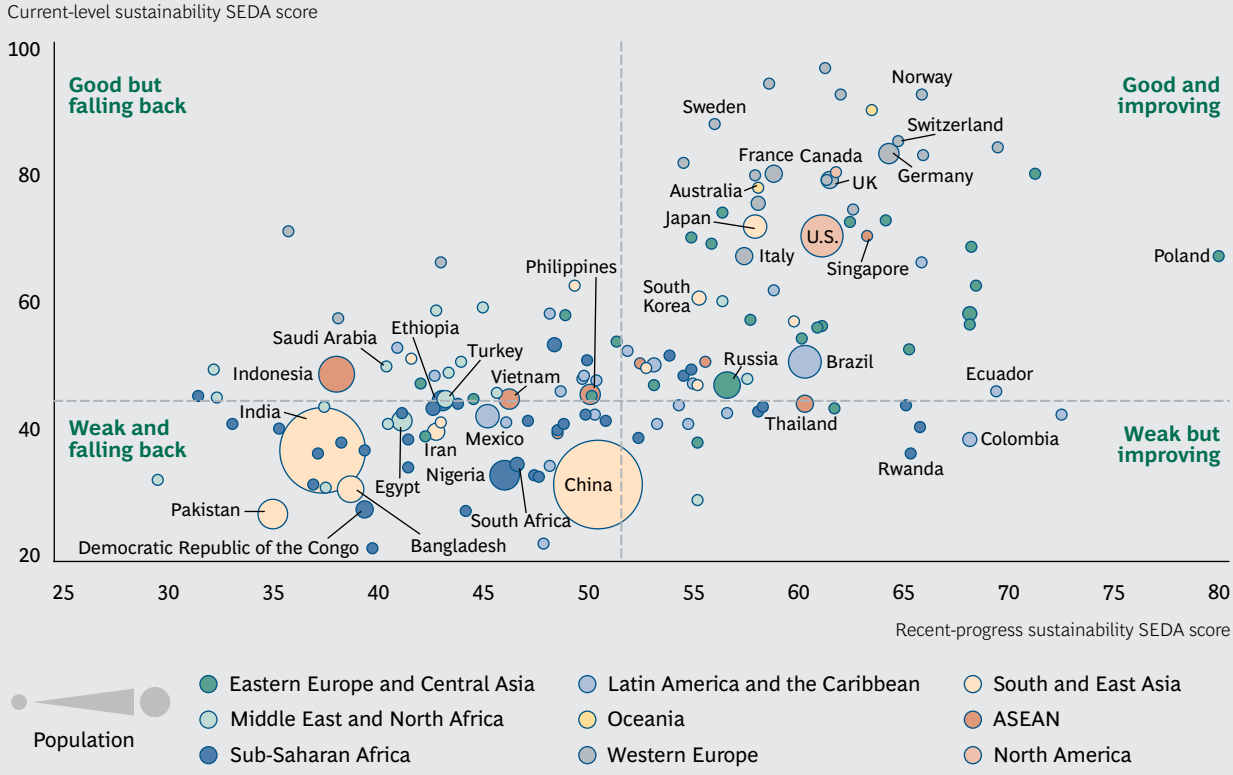
tainability also reveals some interesting findings. While countries from around the world score in the top quintile in terms of economics and investments, developing nations dominate the group in general. This reflects the effort that those countries are making with regard to improving areas such as economic stability, health care, education, and infrastructure.

The countries that are doing well in terms of recent progress in both the economics and the investments elements are taking steps that yield immediate economic results while also investing in areas that will enhance long term well-being. Indonesia, for example, recognized several years ago that poor infrastructure was an impediment to growth, and the nation is now taking steps to address that gap. Among other things, the country has refined its policy about the use of public-private partnerships to drive infrastructure development, established an infrastructure bank, and strengthened institutional collaboration through the Committee of Infrastructure Priorities Development Acceleration (KPPIP), which accelerates high-priority infrastructure projects.

The broad trends in economics and investments, however, stand in stark contrast to what we see in the sustainability element. First, we observe a pattern of divergence: countries with high current levels of sustainability tend to generate the most progress in that element, while those with low current levels are falling further behind. (See Exhibit 6.) Second, we see that the social-inclusion and environment components of sustainability tend to move in parallel. So countries that make good progress with regard to either one tend to post healthy progress in the other. That finding may surprise some, since progress in social inclusion and in environment are not generally thought of as being linked. And it suggests the possibility of common institutional roots for the performance of both factors within sustainability.

Certainly there are exceptions to these trends in sustainability. Colombia, for instance, does not have a high current-level score in sustain-

EXHIBIT 6 | SEDA Scores in Sustainability Reveal a Widening Gap in Performance



Source: BCG analysis.

ability, but it is a strong performer in terms of recent progress in that element. Norway represents a more typical finding. While the nation already has one of the highest current-level scores in sustainability, it is also among the top performers in terms of recent progress in that element. This reflects the country's highly developed and still-improving social institutions. For example, Norway has recently increased the length of paternity leave available for new fathers so that new mothers can return to the workforce more rapidly. And the country's already good Gini coefficient, a measure that reflects income inequality, further improved during our study period.

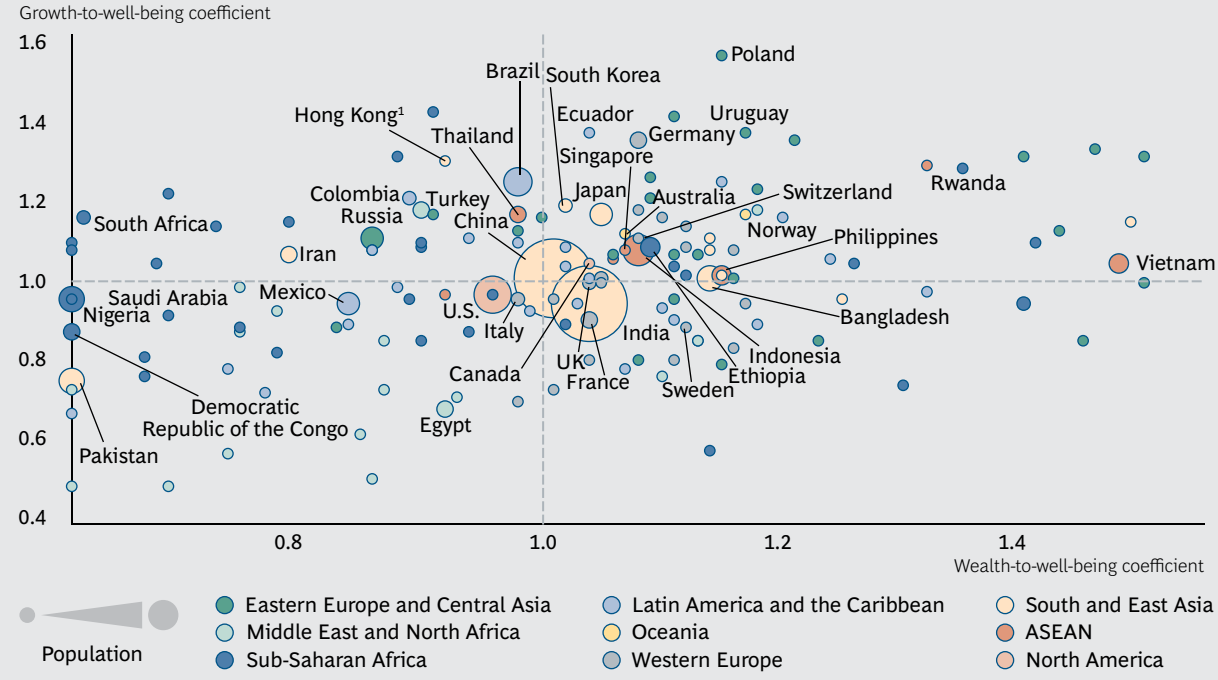
The presence of a number of countries, such as Nigeria and Bangladesh, in the lower-left corner of Exhibit 6 underscores the difficulty of changing and improving institutions that support sustainability—a result that is consistent with the extensive work that has been done in the field of institutional economics. After all, it is easier to deliver new roads or new schools than it is to bring lasting transformation to entrenched institutions—whether formal, such as a country's legal system, or informal, such as traditional or prevailing rules of conduct—that have long gestation periods for change.

Adjusting for Differences in Wealth and Growth

A country's wealth can boost or limit its current-level scores, just as a country's growth can boost or limit its recent-progress scores. Adjusting for those factors with our coefficients for wealth to well-being and growth to well-being reveals how effectively countries are converting their existing wealth or growth into well-being. Vietnam, for example, stands out in terms of its ability to convert wealth into well-being, scoring much higher than countries with similar income levels. (See Exhibit 7.)

Poland. This country boasts the highest growth-to-well-being coefficient. Poland's strong showing, which is also reflected in its

Exhibit 7 | Performance Varies in Converting Growth to Well-Being and Wealth to Well-Being



Source: BCG analysis.
Note: WTWB = wealth to well-being; GTWB = growth to well-being. Angola (WTWB 0.52, GTWB 0.95), Central African Republic (WTWB 0.00, GTWB 1.09), Chad (WTWB 0.29, GTWB 1.07), Democratic Republic of Congo (WTWB 0.46, GTWB 0.87), Haiti (WTWB 0.31, GTWB 0.67), Iraq (WTWB 0.52, GTWB 0.73), Libya (WTWB 0.52 GTWB 0.00), Moldova (WTWB 1.65, GTWB 1.30), Nigeria (WTWB 0.55, GTWB 0.95), Swaziland (WTWB 0.57, GTWB 1.09) were adjusted to the minimum and maximum values of the matrix (WTWB 0.61-1.50, GTWB 0.49-1.55).
[1]Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries" throughout the report.

above-average current-level and recent-progress scores, is due to strong gains in a number of dimensions, including employment, civil society, governance, and environment. The nation's strength in environment, which also contributed to its strong position in the sustainability element in terms of recent progress, stands as a notable exception to the pattern we have found, in which recent progress comes at the expense of a country's environment. (See the sidebar "The Price of Growth.") The nation has been improving air

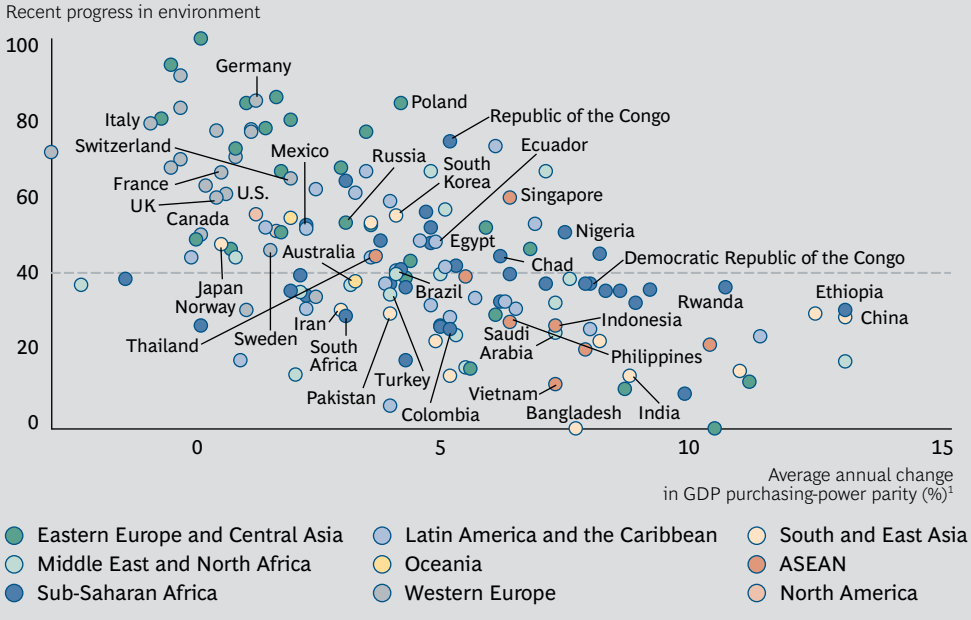
THE PRICE OF GROWTH

Conventional wisdom holds that economic growth often comes at the expense of the health of the environment. SEDA evaluations support that view. When we analyze our data, we see that countries with faster economic growth tend to have significantly worse recent-progress scores on the environment—revealing a striking tension between economic growth and the environment. (See the exhibit below.) Certainly some countries, most notably Poland, buck the trend. But overall, this negative relationship stands out.

This trade-off has serious implications for well-being. Worsening respiratory problems in countries with high pollution levels—where in some cities one must put on a mask to go outdoors—hardly enhance well-being levels. And environmental issues can affect more than health. In 2006, the credit ratings of some Hong Kong property developers were downgraded because of that city's pollution problems, and executive search firms have recently reported the need to pay additional premiums to attract expatriot labor to Beijing.

In general, countries with moderate economic growth are making the best advances on environmental issues; the top ten countries in terms of recent progress in the environment are all located in Europe. Longer term, however, fast-growing countries will need to address environmental challenges if they are to continue generating gains in well-being.

Economic Growth Often Comes at the Expense of the Environment



Source: BCG analysis.
Note: The data is based on SEDA scores.
[1]Outliers above 2.5 times the standard deviation were limited to these maximum values; reflects the average annual change in GDP purchasing-power parity (constant $billions, 2011) from 2006 to 2013.

quality and increasing the contribution from renewable sources to its energy supply. Since joining the European Union (EU), Poland has created over 900 new protected areas covering more than 68,000 square kilometers.

Poland has made other significant reforms as well and now holds the top spot in recent progress in governance. For example, the country enacted new national policies in 2007 to strengthen copyright protection and combat piracy, which included improving the efficiency and coordination of judicial bodies, the police, and the courts as well as a significant educational element. Poland also established the Central Anti-Corruption Bureau, with the goal of reducing corruption and fraud in government institutions at the national and local levels. The move was so successful that, in 2013, 46 percent of investigations led to indictments.

Poland now holds the top spot in recent progress in governance.

Progress has also been marked in the civil-society dimension. Since enacting legislation on gender equality, Poland has achieved levels of women in senior management that are much higher than the EU average. In addition, a 2004 law that allows individuals to allocate 1 percent of their income tax to non-governmental organizations has greatly increased the funding and impact of these organizations, a change that further enhances civil society. Recent progress on the employment front has been strong as well. No doubt the emigration of nearly 2 million Poles—made possible largely by EU accession—helped to greatly reduce unemployment from 2004 to 2007. More recently, however, Poland's strong economy and the resulting 7 percent expansion in the domestic labor force during our study period have helped keep unemployment relatively stable.

China. This country's story is mixed. China is converting its economic growth into the gains in recent progress that would be expected given the country's rate of GDP growth. In other words, the nation has a growth-to-well-being coefficient of around 1—quite an achievement in light of its stellar double-digit annualized real GDP growth rate over the study period. What's more, China's top-ten score for recent progress in investments shows that the country is continuing to build a foundation for long-term development through health, education, and infrastructure.

China performs below the global median in its current-level score in four dimensions: economic stability, income equality, governance, and environment. The country is making progress at least in line with the median in the first three dimensions. But China—which has the lowest current-level score of any nation in our ranking with regard to the environment—is falling further behind with a recent progress score that falls below the median.

India. A somewhat different picture appears for this large emerging economy. India has experienced healthy growth in recent years and is making progress well above the median in health, education, and infrastructure, which should be a good sign for longer-term development. And it has further improved its already good record on income equality, thus contributing to significant poverty reduction. However, India has a weaker track record than China of converting growth into well-being. As in China, part of the challenge in India stems from recent-progress scores that are below the median in environment. In addition, India has produced subpar progress in four other dimensions, including economic stability and employment.

Brazil. In our inaugural 2012 SEDA analysis, Brazil was at the top of the heap in terms of translating growth into well-being. (See *From Wealth to Well-Being: Introducing the BCG Sustainable Economic Development Assessment,* BCG report, November 2012.) The country has slipped a few notches since then, but it is still a strong performer in this area. So while Brazil has slower growth than China, for example, its growth-to-well-being coefficient is well above 1—meaning that Brazil outstrips most other countries when it comes to converting growth into enhanced well-being for its citizens. The nation's strong standing

arises from Brazil's recent progress—which exceeds that of the rest of the world—in eight of our ten dimensions, including economic stability, employment, education, and civil society. Still, the nation's performance underscores the difficulty of maintaining stamina for rapidly improving countries: Brazil's levels of recent progress in five dimensions are lower than they were in 2012.

The U.S. and Germany. What about countries with more moderate growth rates? The U.S. is not in the top ten in terms of current-level scores primarily because of its weak showing in income equality. When it comes to recent progress, the U.S. lags the rest of the world in eight out of ten dimensions, with the biggest gap in infrastructure. And it is below average in its abilities to convert both wealth and growth to well-being.

Comparing the U.S. findings with the results for Germany, which posted a similar growth rate over the period we studied, we see that the two countries have roughly comparable current-level scores. But Germany's recent progress far outstrips that of the U.S., reflecting Germany's impressive ability to convert growth into well-being. In fact, Germany averaged annual GDP growth of only 1.1 percent over the period we studied, yet managed to generate gains in well-being that would be expected of an economy expanding by an average of more than 6 percent per year. (See Exhibit 8.) The U.S., meanwhile, posted a similar growth rate over the study period but generated gains in well-being that would be expected of an economy expanding by an average of less than 1 percent per year.

Germany's performance is driven by a number of factors, but improvements in employment and the environment stand out. From 2002 to 2004, then-chancellor Gerhard Schröder rolled out his signature labor-market reform package, the Hartz reforms, which gave much more flexibility to the labor markets. Unemployment today is about 6 per-

EXHIBIT 8 | The U.S. and Germany Grew at the Same Pace but Converted Growth into Well-Being at Different Rates

Source: BCG analysis.
Note: Scores are based on the SEDA model. The solid red line is the linear regression and the dotted black lines are inferences based on the regression line.
[1]Outliers above 2.5 times the standard deviation were limited to these maximum values; reflects the average annual change in GDP purchasing-power parity (constant $billions, 2011) from 2006 to 2013.

cent; it was more than 10 percent in 2006. Germany has also taken steps to improve its already good environment scores. High-emission vehicles, for example, have been banned from major inner cities since 2007. In addition, Germany continues to focus on renewable energy, and it has increased the share of energy from renewable sources from 9 percent in 2006 to 21 percent in 2012.

Germany has generated gains in well-being that outpace its growth rate.

Countries such as Germany clearly benefit from being able to generate gains in well-being that outpace their growth rates. But exactly how that translates into more subjective metrics is difficult to measure. In fact, we are often asked how SEDA ties to happiness: are countries with high SEDA scores happier? We have deliberately chosen not to combine the mostly objective measures and indicators that underpin our ten dimensions with indicators reflecting people's perceptions. These indicators—happiness being the most prominent—offer a valuable, complementary perspective, and they are better considered in parallel rather in combination. (See the sidebar "Does Well-Being Translate into Happiness?")

SEDA 2015 Patterns Across Clusters of Countries

Just as SEDA can shed insight on individual countries, it can also reveal commonalities—and striking differences—between clusters of countries. Whether one examines countries from the same region or geographically dispersed countries that share similar characteristics, powerful lessons can be gleaned from identifying patterns among different groups of nations.

The Double-Edged Sword of Oil Wealth. Most of the oil-rich countries—defined as those that earn rents from oil that are equivalent to more than 10 percent of GDP—fall into the lower-left quadrant of the growth-to-well-being and wealth-to-well-being matrix. (See Exhibit 9.) This distribution reveals that, as a group, oil-rich nations are below average at converting both wealth and growth into well-being. The exception is Ecuador, which has a growth-to-well-being coefficient well above the median and has made strong progress in income equality and infrastructure.

One possible explanation for the challenges facing oil-rich nations is that oil wealth in many countries is relatively recent, and those nations may not yet have had adequate time to translate the rapid growth generated by oil resources into well-being. Examining the data more closely, however, does not support such a hypothesis. Whether a country has been pumping oil for 20 years or for 40 years seems to make no difference in how well it converts wealth into well-being.

To understand what might be driving the weak wealth-to-well-being and growth-to-well-being coefficients for oil-rich nations, we studied the scores for the cluster across our ten dimensions. The group was above the median in income and at or somewhat below the median in eight of the other nine dimensions. In governance, the scores for oil-rich nations were significantly lower than the rest of the world. (See Exhibit 10.)

This link between oil wealth and weak governance has been extensively researched elsewhere. One potential reason for the connection is that substantial revenue from oil and gas relieves governments of the need to tax, thus reducing their obligation to be accountable. As an analysis by the World Bank notes, where governments are heavily dependent on resource rents rather than on direct taxes from citizens, "the accountability chain between citizens and governments can be weak."[1]

Africa's Challenges and Advances. While SEDA reveals patterns among countries that have similar characteristics, such as the composition of their economies, the analysis can also reveal valuable trends among regions. Consolidating the results for the sub-Saharan African countries in our study, for example, shows that the group trails the rest of the world significantly in terms of the current-level score for the investments

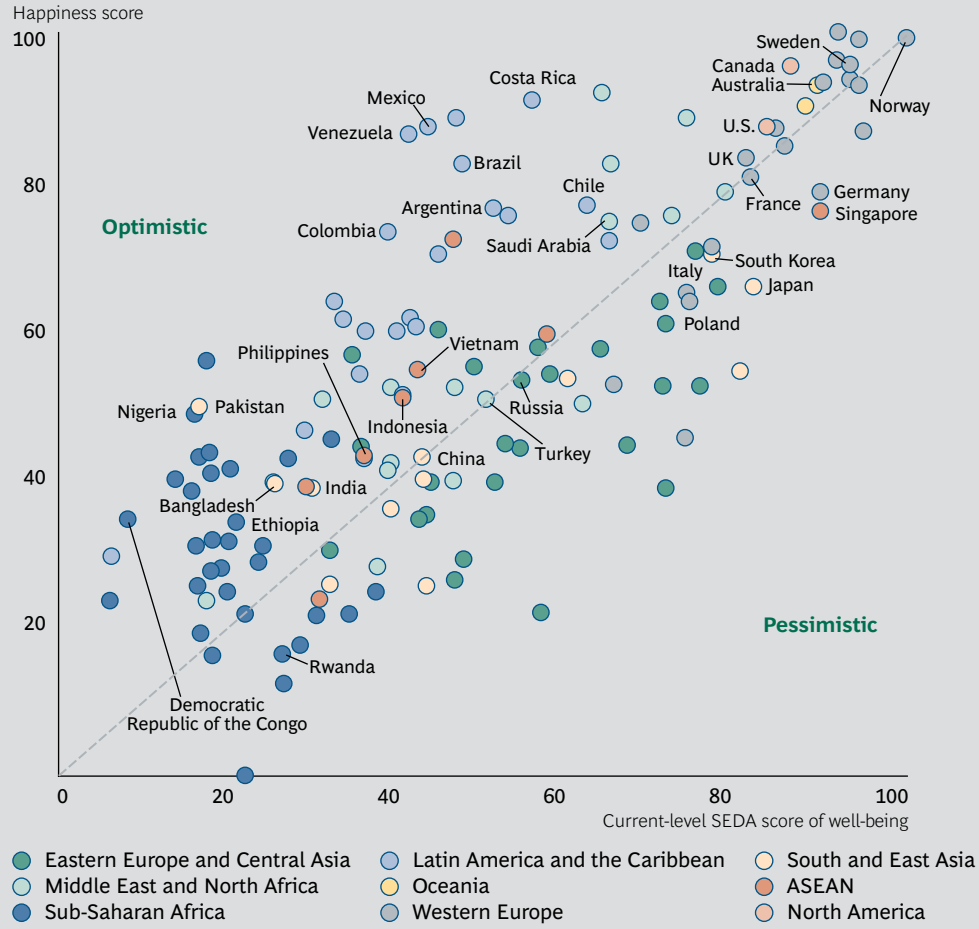
DOES WELL-BEING TRANSLATE INTO HAPPINESS?

A discussion of SEDA and its measures of well-being often raises the topic of happiness. We have chosen not to try to measure or factor happiness into SEDA, though it might seem logical that countries with higher levels of well-being would have happier citizens than those with lower levels. So is that the case? Well—not exactly.

To understand the relationship between our well-being scores and more subjective measures or perceptions, we compared current-level SEDA scores of well-being with the scores of happiness in the World Happiness Report 2013. (See the exhibit below.) And while there is a correlation, well-being clearly isn't the only thing driving happiness. Some economies sit above the line, which means that they are happier than their SEDA score suggests, while others fall below the line.

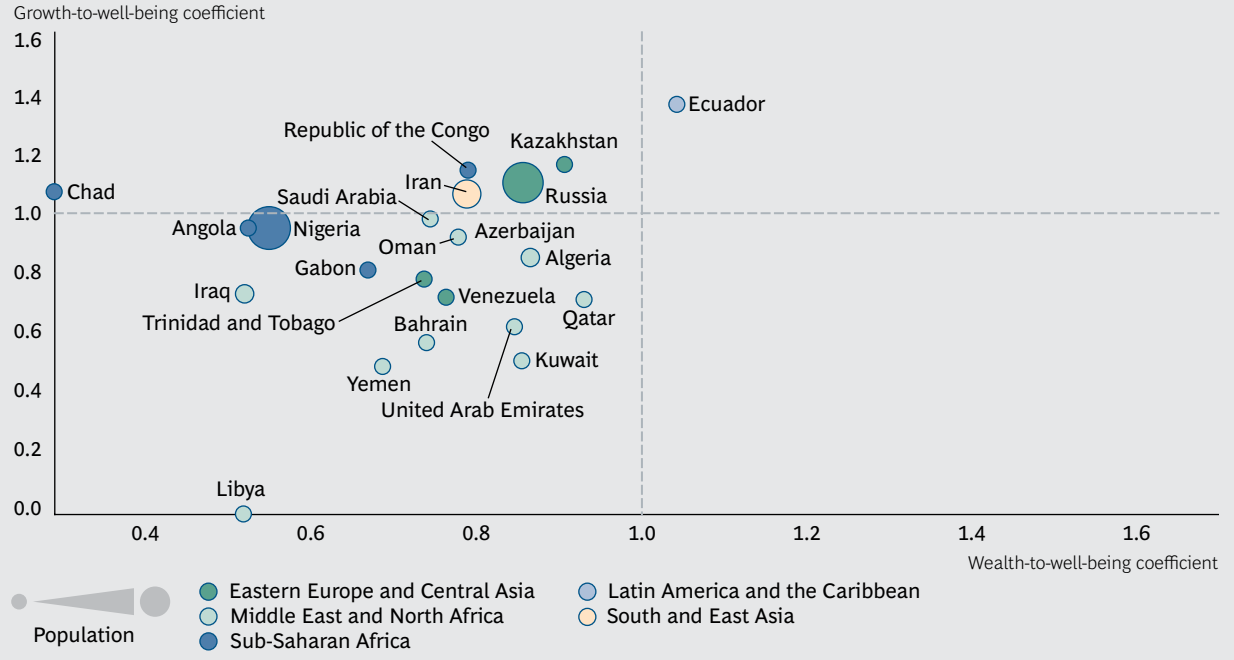
There are no obvious patterns, but some findings could merit further inquiry. Citizens of Latin American countries, it would seem, are very optimistic, since most of those nations sit above the line. Eastern Europeans, by contrast, appear to be more pessimistic; Eastern European countries generally land below the line. And people in China appear to be quite even-keeled, given the country's position right on the line.

Well-Being and Happiness Measures Are Generally Aligned, but Some Countries Are Relatively Happier



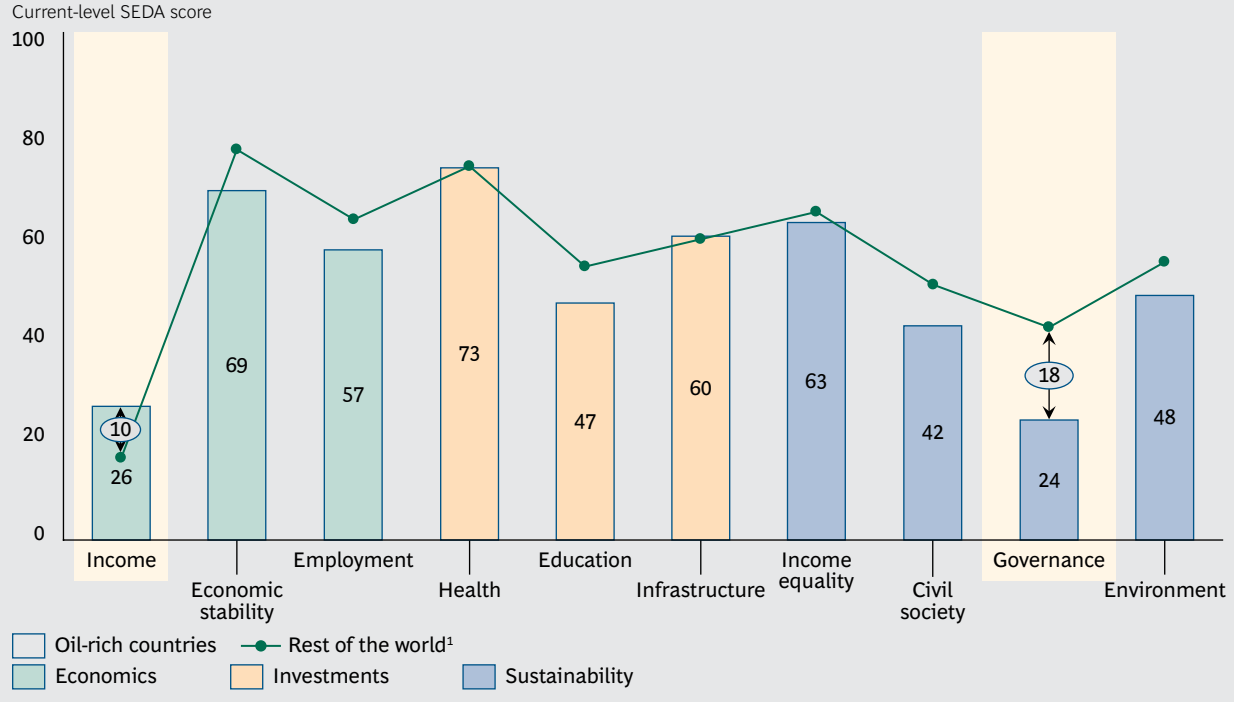
Source: World Happiness Report 2013.
Note: Happiness scores are normalized on a scale of 0 to 100.

EXHIBIT 9 | Oil-Rich Countries Are Relatively Weak at Converting Wealth and Growth into Well-Being



Sources: World Bank data; BCG analysis.
Note: Oil-rich countries are defined as countries that received rents from oil that are equivalent to more than 10 percent of GDP in 2012.

EXHIBIT 10 | Oil-Rich Countries Have Higher Incomes and Weaker Governance Than the Rest of the World



Source: BCG analysis.
Note: Oil-rich countries are defined as countries that received rents from oil that are equivalent to more than 10 percent of GDP in 2012.
[1]The rest of the world = the other countries in our data set. Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries" throughout the report. The scores for the rest of the world are expressed as the median.

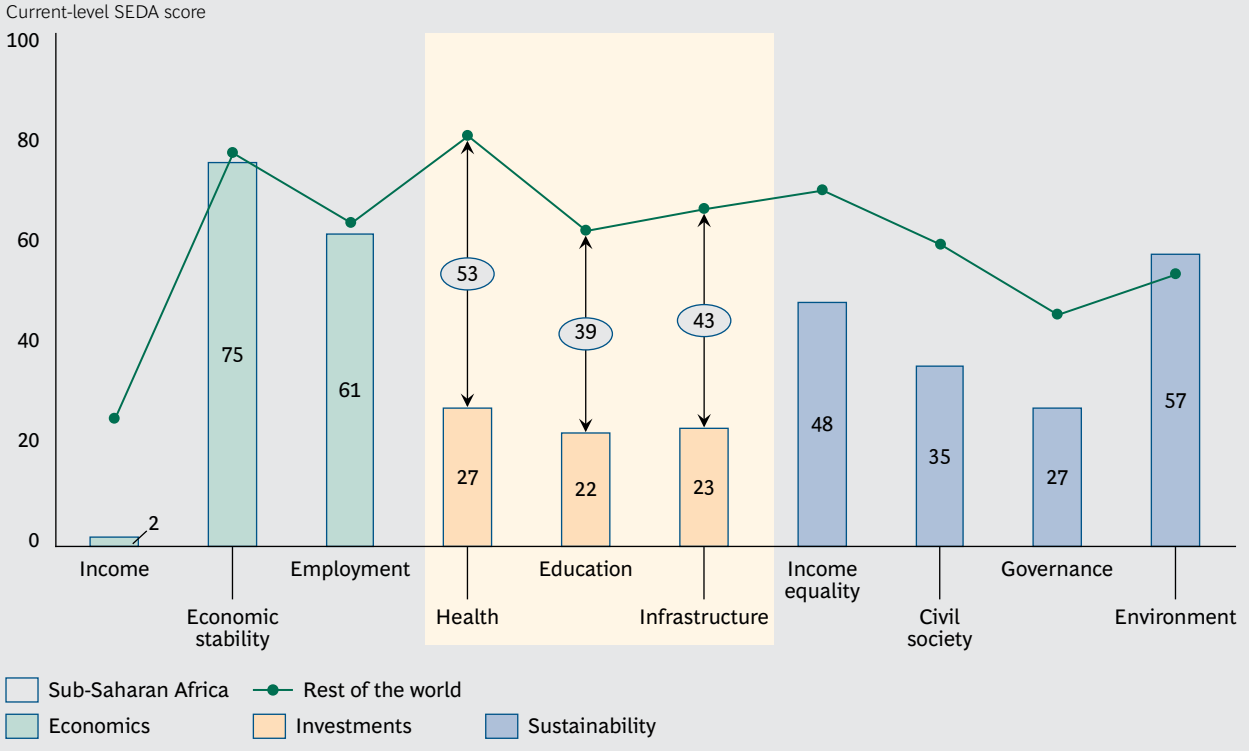
element. (See Exhibit 11.) The three dimensions in that element—health, education, and infrastructure—have significant implications for how well countries are positioned for future growth.

The scores for sub-Saharan Africa in terms of recent progress in education and infrastructure are in line with the median, but the region's recent progress in health is well above the median. (See Exhibit 12.) In fact, 19 of the top 20 countries with recent progress in health are in sub-Saharan Africa. And though most of the countries started from a very low point, the progress is impressive. What's more, it has taken place in parallel with a major increase in external assistance: aid is flowing to the health sector from traditional donors and agencies as well as relatively newer ones, such as the Bill & Melinda Gates Foundation and the Global Fund to Fight Aids, Tuberculosis, and Malaria. By contrast, aid flowing to the education sector over the past decade has increased only marginally.

Aside from external assistance, three factors have played a role in this progress in health. First, a number of governments have provided leadership and managed external and domestic resources in an integrated manner. Those efforts have emphasized high-return interventions concentrating on the control of infectious diseases, maternal and child health, nutrition, and vaccination—partly in response to the focus of the United Nations' Millennium Development Goals.

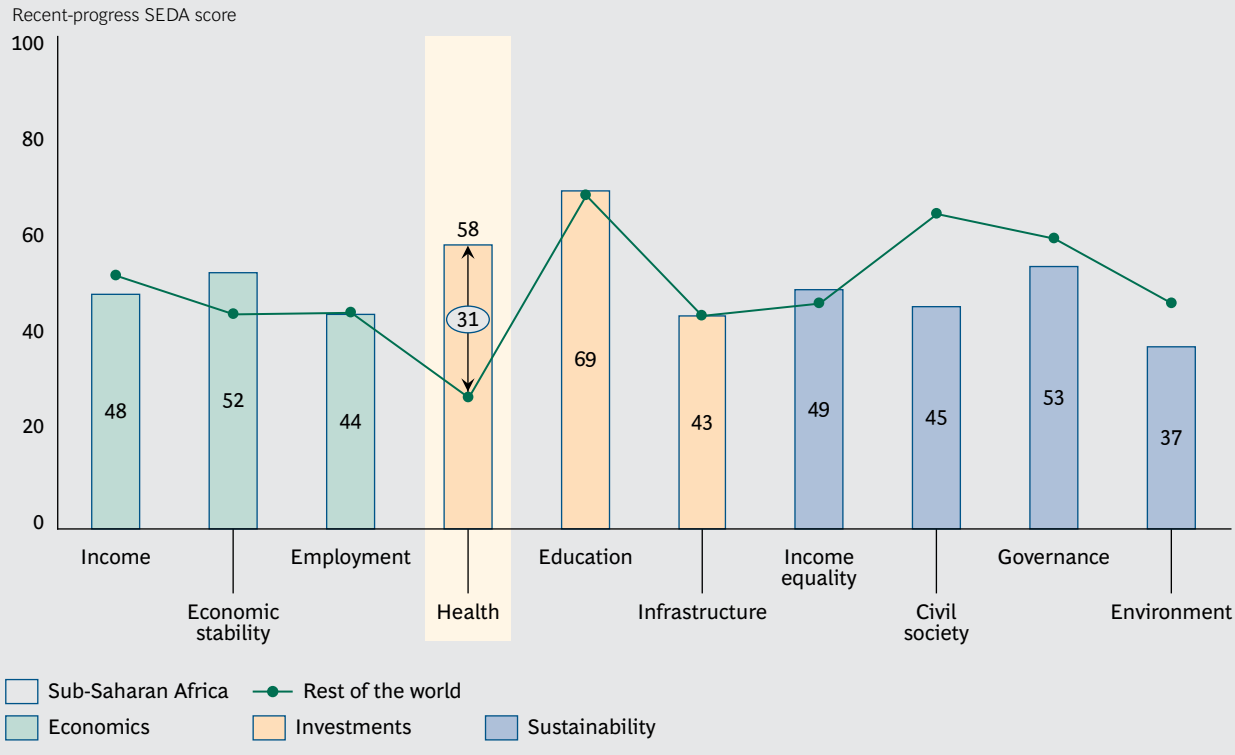
The second factor has been an increase in innovation appropriate to the circumstances of the region. Such innovations have included the deployment of cost-effective technological devices, such as easy-to-use solar-powered ultrasound machines; new operating models, including shifting tasks from doctors to nurses; and behavioral changes, such as motivating patients to seek health services through voucher programs.[2] In Ethiopia, for example, which has done the best globally in improving in the health dimension, the government has created a 20-year strategy for developing

EXHIBIT 11 | Sub-Saharan African Countries Are Weakest in the Investments Element



Source: BCG analysis.
Note: The rest of the world = the other countries in our data set. Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries" throughout the report. The scores for the rest of the world are expressed as the median.

EXHIBIT 12 | Sub-Saharan African Countries Are Making Strong Progress in Health



Source: BCG analysis.
Note: The rest of the world = the other countries in our data set. Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries" throughout the report. The scores for the rest of the world are expressed as the median.

health care. (See *The New Prosperity: Strategies for Improving Well-Being in Sub-Saharan Africa,* BCG report, May 2013.) Recognizing that 85 percent of Ethiopians live in rural areas, the government recruited, trained, and deployed more than 35,000 health-care workers from rural villages in six years and sent them out to educate Ethiopians on basic health and sanitary practices as well as family planning.

Third, organizations in the private sector, with support from international groups such as the IFC, have accelerated their investments in health care in Africa. These moves allow them to tap into growing markets in wealthy urban centers such as Lagos, Nigeria, and to reach the big volume of customers at the bottom of the income pyramid through partnerships with, for example, nongovernmental organizations.

NOTES

1. See "An Analysis of Issues Shaping Africa's Economic Future," the World Bank, *Africa's Pulse,* October 2012.
2. See *Health Systems Leapfrogging in Emerging Economies,* a project paper developed by the World Economic Forum in collaboration with The Boston Consulting Group, January 2014.

SEDA'S POWER TO TELL ONE COUNTRY'S STORY

KNOWLEDGE IS POWER. POLICY makers looking to set priorities can use SEDA to amass knowledge and learn about a given country—how it is performing in each of the ten dimensions that we use to define well-being and how that performance stacks up to specific peer groups or the rest of the world.

We chose Poland to demonstrate the value of such a perspective, partially because of its high ratings: top-tier performance in converting wealth into well-being, a rank among the top ten in terms of recent progress, and, as noted earlier, one of the highest recent-progress scores in sustainability.

Poland's Performance in Perspective

Poland's current-level performance within our ten dimensions reveals that the country achieves scores above the median for the rest of world in all but two—employment and environment—and in those dimensions, it is close to the median. (See Exhibit 13.) Economic stability, education, and governance stand out as areas of particular strength.

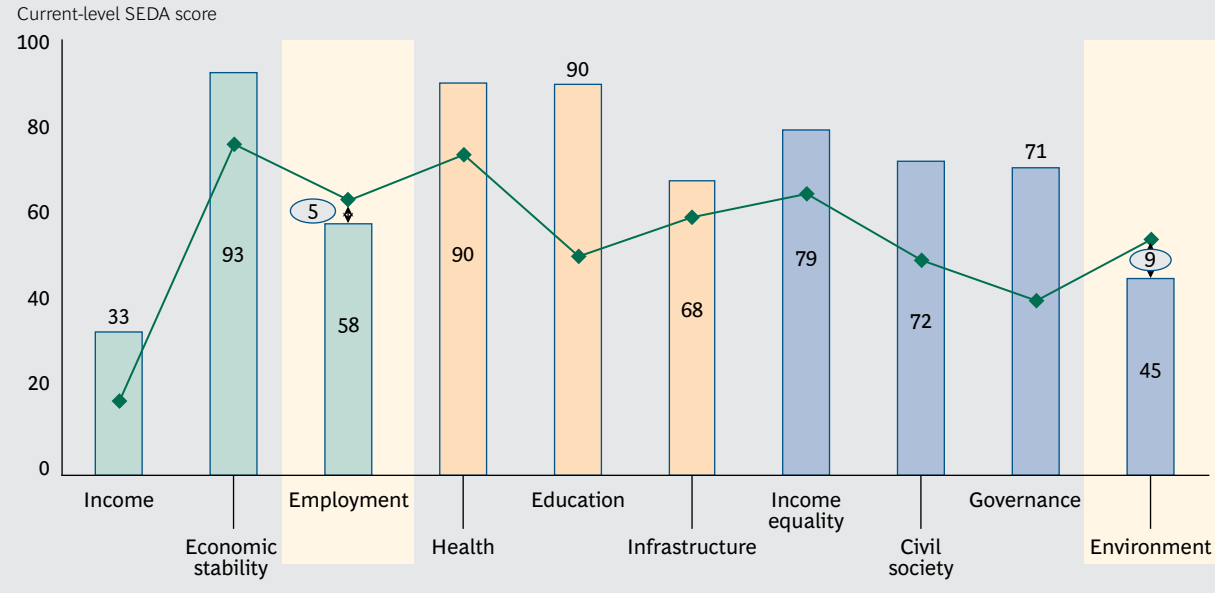
A look at recent progress by dimension shows that Poland is gaining ground in all areas, and in particular has made recent progress in governance, environment, civil society, and employment that far outpaces the rest of the world. (See Exhibit 14.)

By looking at how Poland's current-level and recent-progress scores for each of our ten dimensions differ from the average scores for peer groups, we can see where the country is outpacing others and where there is opportunity for improvement. One obvious peer group would comprise countries from the same region, such as Slovakia, Romania, Hungary, Bulgaria, and the Czech Republic. But to illustrate the broader potential for comparison, we chose to base our analysis on a peer group of four geographically dispersed countries—Chile, Turkey, Kazakhstan, and Malaysia—with similar levels of GDP per capita and population size. (See Exhibit 15.)

Policy makers can use SEDA to learn how a country stacks up to specific peer groups.

What this analysis shows is that Poland's performance on income equality and governance is strong when compared with its peers. What's more, the country is well positioned and has been improving with regard to health and civil society. Poland's recent progress on income has been in line with its peers, but as noted earlier, the nation's progress on the environment dimension has been far superior. This comparison raises red flags on two is-

Exhibit 13 | Poland Is Strong Overall but Slightly Weak in Employment and the Environment

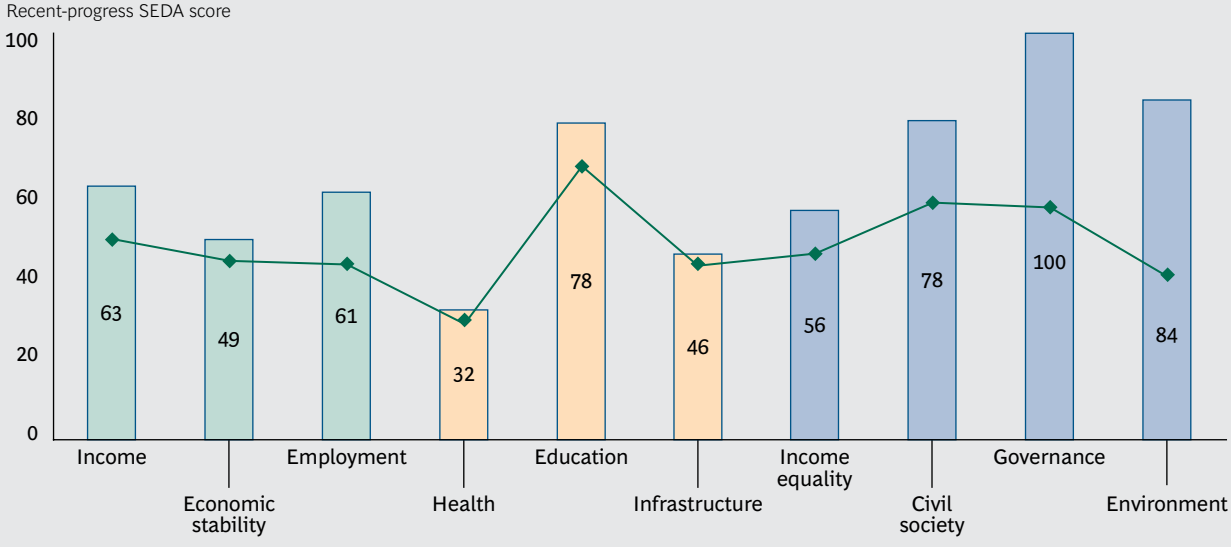


Overall current-level SEDA scores
- Poland: 71.6
- Rest of the world: 43.0

Poland — Rest of the world
Economics — Investments — Sustainability

Source: BCG analysis.
Note: The rest of the world = the other countries in our data set. Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries" throughout the report. The scores for the rest of the world are expressed as the median.

Exhibit 14 | Poland Is Making Strong Progress in All Dimensions

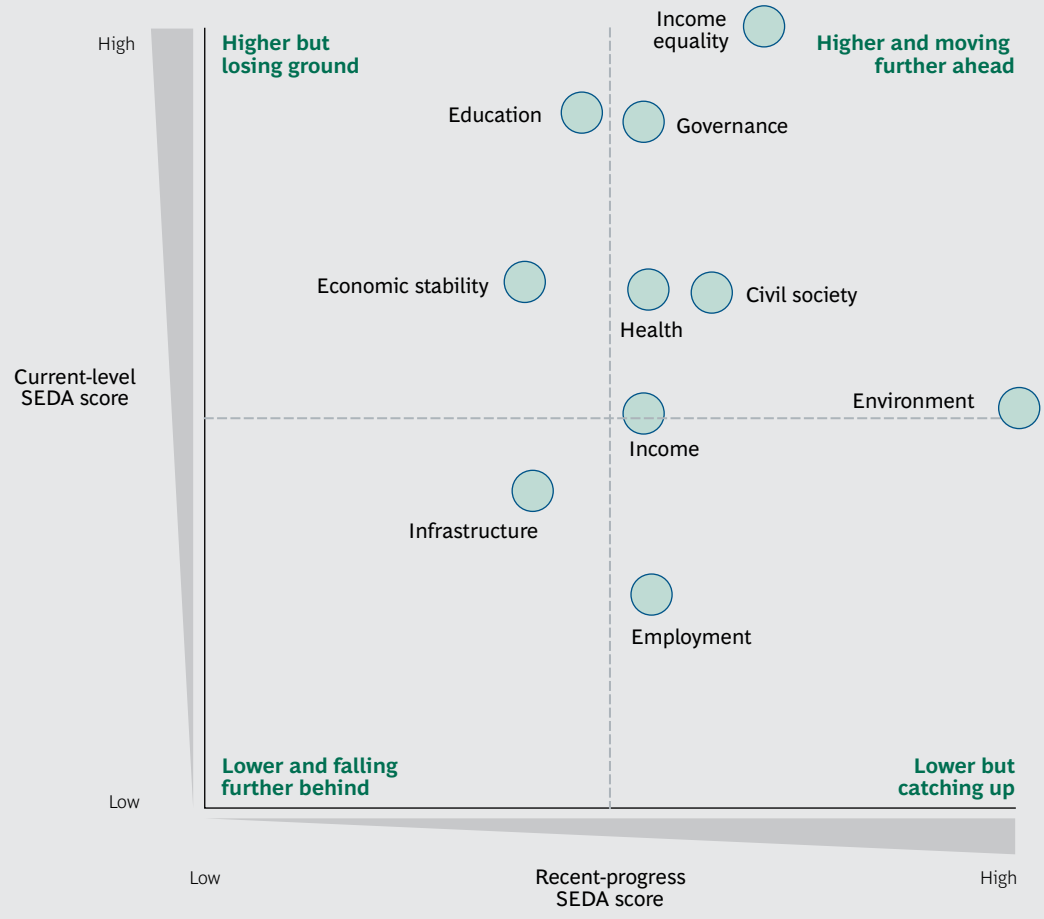


Overall recent-progress SEDA scores
- Poland: 94.8
- Rest of the world: 63.2

Poland — Rest of the world
Economics — Investments — Sustainability

Source: BCG analysis.
Note: The rest of the world = the other countries in our data set. Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries" throughout the report. The scores for the rest of the world are expressed as the median.

EXHIBIT 15 | Poland Has Strengths and Weaknesses When Compared with Its Peers



Source: BCG analysis.
Note: The countries in the peer group—Chile, Turkey, Kazakhstan, and Malaysia—were chosen on the basis of similarity in level of GDP per capita and population size.

sues: Poland's meager progress in improving its weak infrastructure, which also lags that of its peers, and its below-par recent progress in education.

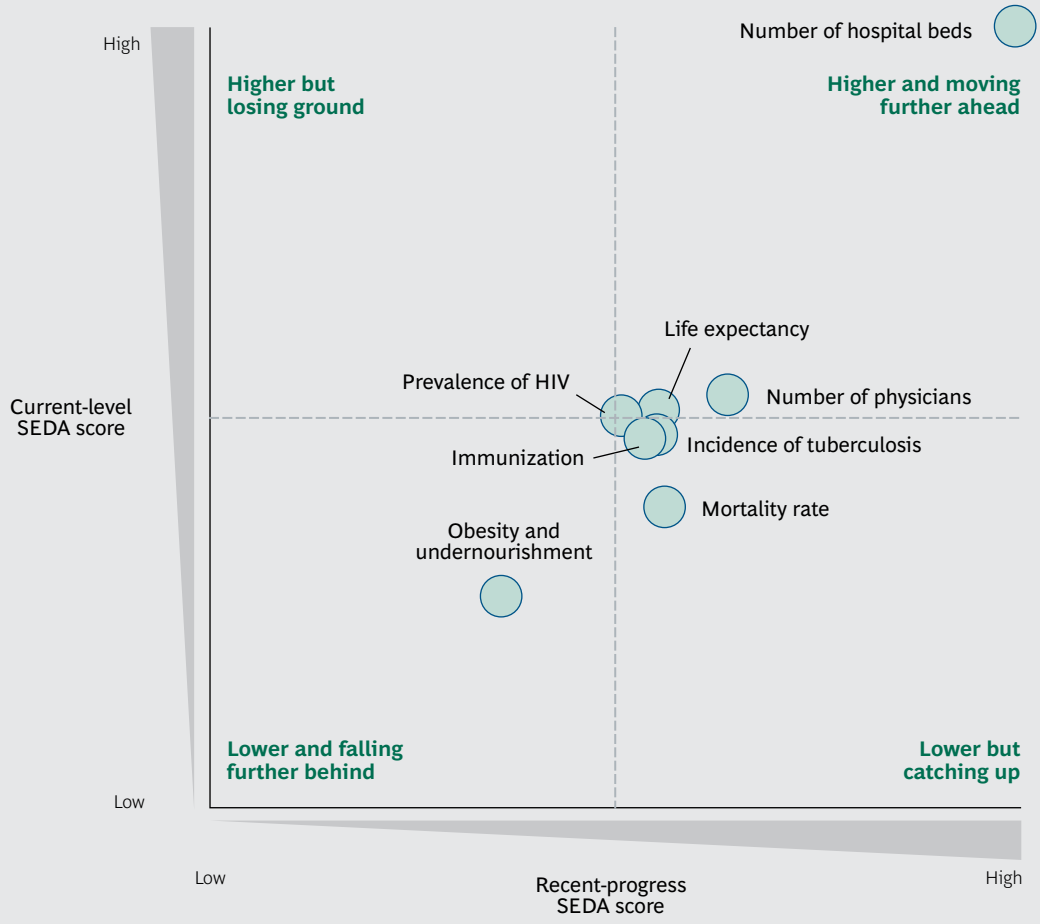
Drilling Down into One Dimension

Various factors go into calculating the score for any one of our ten dimensions. Our health dimension, for example, incorporates eight different measures, including life expectancy, immunization rates, and the number of physicians. By analyzing these measures, we can determine how well Poland performs in each one versus its peer group. (See Exhibit 16.) For instance, the country is gaining ground in terms of capacity for providing health care, as measured by the number of hospital beds in the country, but it is falling further behind in its efforts to combat obesity and undernourishment.

Poland is gaining ground in terms of capacity for providing health care.

Such information may, in turn, guide policymaking efforts to address those challenges. But while the SEDA indicators provide valuable insight, they are not intended to be comprehensive for any particular dimension. Red flags that are raised by scores in any dimension should spark additional research into that area.

EXHIBIT 16 | Poland's Performance Versus Its Peers in the Health Dimension



Source: BCG analysis.
Note: The countries in the peer group—Chile, Turkey, Kazakhstan, and Malaysia—were chosen on the basis of similarity in level of GDP per capita and population size. Median scores were used.

FROM THE SEDA DIAGNOSTIC TO STRATEGIES AND ACTION

SEDA provides diagnostic insights, but how can those insights be incorporated into policy making and strategizing? To that end we are introducing an approach to the formulation and implementation of economic-development strategies that can be applied at both the national and subnational levels. (See the sidebar "Harnessing BCG's Economic-Development Approach for Regions and Local Governments.")

Our approach starts with a set of key principles aimed at fostering growth and promoting employment. We identified these principles through our experience in helping national and regional governments, as well as other economic-development groups, craft and im-

HARNESSING BCG'S ECONOMIC-DEVELOPMENT APPROACH FOR REGIONS AND LOCAL GOVERNMENTS

BCG has developed an approach to the formulation and implementation of economic-development strategies that can be applied at both the national and subnational levels. The approach can be as useful for regions and local governments as it can be for a country. Local governments and national governments often share similar goals, such as boosting growth or improving employment prospects. Strategies for reaching those goals may also be essentially the same—although some would be more or less relevant, and the tactics within them may differ.

So while a local government will have much less influence over market and trade dynamics or financial markets, it is likely to have more impact on infrastructure development, environmental issues, and lifestyle factors. Within particular strategies, the right tactics will depend on a particular government's reach. In the strategic area of promoting entrepreneurship and innovation, for example, a local government is unlikely to have any influence over intellectual-property rights. But local policy makers could set up a fund to coinvest with local entrepreneurs.

Of course, the range of tactics available to local governments or regions with greater autonomy will be broader than those under more direct control from the center. But regardless of the balance of power, effective tools are available to local and regional policy makers who have an eye on development.

plement strategies. Over time, we have learned what kind of economic development works—and what does not—when it comes to paving the way for improvements in well-being.

In addition to the overall set of principles, the approach has two features. The first is a framework that allows governments to match their goals and priorities—some of which stem from our SEDA diagnostic—with targeted strategies. These strategies are designed to address bottlenecks, remedy flaws, and generate momentum to achieve the goals. And they are designed either to build on a sound macroeconomic and institutional foundation or to be executed in parallel with efforts to strengthen such a foundation. The second element is a tool kit of several dozen tactics and hundreds of concrete actions that have been successfully employed as part of development efforts around the world.

Overall, BCG's economic-development approach is oriented around formulating strategies that center on economic goals. But it also includes actions that can spur improvements in well-being, progress that SEDA can help track. It recognizes that, to promote economic growth, governments at all levels must ensure that there is a fertile field for private entrepreneurship and investment.

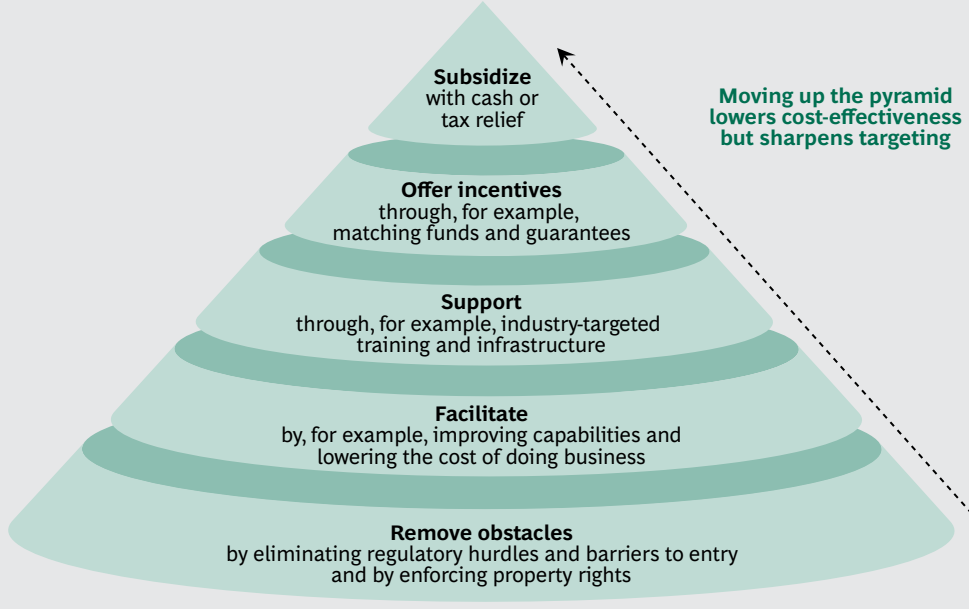
The Principles for Effective Economic-Development Strategies

The following key principles may be used to guide an economic-development effort from conception through execution.

- *Be clear about the specific goals of the effort.* Stepping back to think through the fundamental objectives of an economic-development effort helps to frame it and ensure that it is placed in the right context. Many times, economic-development efforts start with a focus on particular initiatives, such as establishing a special economic zone to create jobs. But there may be better ways to create jobs than by establishing such a zone.

- *Follow the hierarchy of economic-development interventions.* To prioritize actions with an eye on both impact and cost-effectiveness, governments should first consider steps that will remove obstacles and create a foundation for overall economic activity. And they should be very selective about taking actions that favor one sector or industry over others through subsidies or incentives. (See Exhibit 17.) At the heart of this imperative is a philosophy of "first, do no harm."

Exhibit 17 | A Hierarchy of Interventions: Remove Obstacles First, Subsidize Last



Source: BCG analysis.

This mind-set seeks to exploit the often-neglected potential of eliminating hurdles and aims to limit moves that involve picking winners and losers—actions that gamble on future events and could have unintended consequences. During the early stages of postwar industrialization in the 1950s, for example, policy makers in Japan gave priority to other sectors over automobile manufacturing and even took steps to discourage automakers from exporting. The efforts probably delayed—and possibly imperiled—the emergence of the auto industry as a powerhouse sector.

- *Think beyond tangible sources of advantage.* Crafting an economic-development strategy through the lens of competitive advantage can be useful. But that advantage need not be concentrated in industrial bases and other existing, tangible assets. Countries and regions should look beyond those resources and leverage the core capabilities and skills that exist within their borders. Consider the renaissance of Pittsburgh, Pennsylvania, for instance. When the city was struggling along with other rust-belt regions in the early 1980s, few would have envisioned it as a future technology powerhouse. But thanks in large part to a successful attempt to leverage the broader talent base that existed at Carnegie Mellon University and the University of Pittsburgh, the city transformed itself into a hub for medicine and technology.

- *Treat economic development as a team sport.* There are significant hurdles to effective economic development, often including an overly narrow view of the stakeholder groups that should be engaged in the effort and the existence of rigid silos within government. Regardless of where the responsibility for development sits, success will require involving a wide range of players, such as civil-society organizations and companies in the private sector. Effective steps must be taken to promote active collaboration among these various stakeholders to ensure the right mix of perspectives and to build buy-in for implementation.

- *Build the strategy with an eye toward execution.* Ambitious goals can be a catalyst for change. But pragmatism is crucial for success. This means focusing on steps that are feasible, able to be implemented, and supported by political will. Doing so, of course, means taking into account the capabilities, mandate, and jurisdiction of whatever organization is leading the effort. In addition, emphasis should be on moves that either have a high likelihood of succeeding despite any potential changes in leadership or can be fully executed during a period when there will be continuity in leadership. And the overall approach must take into account geopolitical realities and other contextual factors that can be sources of both opportunities and constraints.

Countries and regions should leverage the core capabilities that exist within their borders.

As we have seen, the five principles of our approach serve as the foundation for framing policies and strategies, setting priorities, and organizing for success. The next challenge is to identify the most effective means—and the appropriate sequence of steps—for achieving the goals.

Identifying the Right Mix of Actions

A SEDA diagnostic can help identify the gaps and priorities to guide the overall goal-setting process for development efforts. Typically, such goals will center on boosting economic growth or employment, but they may be broader, comprising sustainability and long-term investments, for example.

BCG's framework is designed to help governments match their goals to concrete actions in a way that is most likely to have the biggest impact. The framework proposes that one first consider how to use eight types of strategies to pursue the goals. Some strategies are better suited for pursuing multiple goals,

while others are geared toward achieving one specific goal. (See Exhibit 18.)

- *Enhance the investment climate.* A fair and reliable investment climate will attract and deepen local and foreign investments in industries and services, whether existing or new. Specific tactics can include strengthening the protection of property rights, changing foreign-ownership laws, and streamlining burdensome regulations.

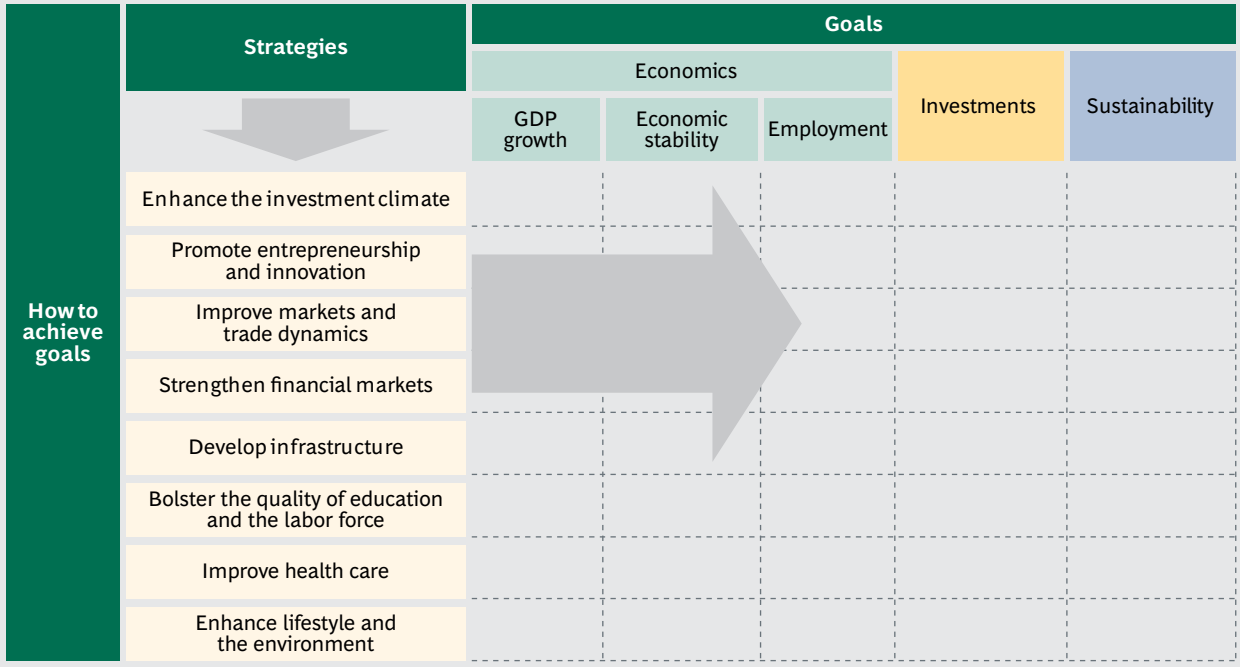
- *Promote entrepreneurship and innovation.* Entrepreneurs are major drivers of a region's economic success. Areas to focus on here include reducing hurdles to enterprise creation and barriers to market entry, promoting access to capital and credit for small and midsize enterprises, and creating mechanisms to encourage technology-based innovations, such as through government-subsidized matching funds for research and development.

- *Improve markets and trade dynamics.* Trade is a major driver of economic activity. Improving trade includes simplifying and streamlining import-export procedures and increasing the use of preferential trade agreements. Competitive markets with low barriers to entry contribute to economic efficiency. Promoting the development of competitive markets may require gradually eliminating legacy protections and exposing state-owned enterprises to market forces.

- *Strengthen financial markets.* Strong, stable financial markets constitute a critical element of a thriving economy. And providing universal access to financial services can be an important ingredient for improving well-being. Tactics can include developing well-run and regulated security exchanges and regulations that facilitate innovation and competition in the provision of financial services.

- *Develop infrastructure.* Infrastructure is a vital enabler of economic activity and well-being. Well-targeted and efficient transportation systems, telecommunications networks, and electrical power grids facilitate everything from globally competitive manufacturing to high-quality health care and education.

EXHIBIT 18 | A Framework for Economic Development That Links Goals and Strategies



Source: BCG analysis.
Note: The goals are fully consistent with SEDA dimensions and cover all of them.

- *Bolster the quality of education and the labor force.* Human capital is a region's most valuable asset. Providing high-quality education from primary school through university, and boosting graduation and achievement rates, has pervasive effects. Education levels and achievements are especially important for labor-intensive economies transitioning to high-value, knowledge-intensive industries. At the same time, a flexible labor market is beneficial in terms of both expanding opportunities for individuals and allowing enterprises to adapt to market shifts.

- *Improve health care.* Enhancing the quality and reach of health care is one of the most important potential improvements of well-being for poor nations, and it increasingly determines the quality of life in high-income countries too, as their populations age. Aside from its economic impact, health care can have significant effects on income equality, education, and social cohesion as well.

- *Enhance lifestyle and the environment.* Lifestyle and environmental factors are becoming more and more important, especially in countries and regions that need to attract talent. Some cities, such as Singapore, actively promote lifestyle advantages as a way of attracting top global talent and improving the everyday lives of their citizens.

The right mix of strategies will vary according to the bottlenecks and market failures that need to be addressed in order to achieve the goals set. And the appropriate sequence for these moves will depend on a country's individual circumstances, capabilities, and opportunities.

AMBITION BEYOND ECONOMIC GROWTH

Prosperity—the well-being of an entire population—is an ambitious goal that most nations pursue more or less explicitly. Our work with SEDA to define and quantify a relative measure of well-being is intended to help in that pursuit. The resulting current-level and recent-progress scores, and the metrics comparing how well countries convert wealth and growth into well-being, provide a diagnostic foundation on which to begin identifying policy priorities and moving toward more explicit strategies to improve well-being.

While we see reason for optimism in the progress achieved by many countries at the middle levels of our well-being measure, our analysis has raised a significant flag of concern for the plight of low-income countries that have low current levels of well-being. Their recent progress paints a picture that is even less optimistic than the one that emerges from an examination of economic growth, and it represents a major challenge for global prosperity.

Economic growth may be a prerequisite for increasing prosperity, but it is not a sufficient condition. Economic-development strategies thus are at the core of any pursuit of improvement in well-being—whether by national or subnational governments. BCG's guide to formulating and implementing economic-development strategies builds on the diagnostic foundation of SEDA. The approach reflects the view that there is no single blueprint for economic development and that the key to success is to find the appropriate mix of strategies and actions—implemented in the right tactical sequence—to turn strategies into actual progress.

APPENDIX

SEDA's measure of well-being is based on three elements that comprise ten dimensions with 43 indicators gleaned from publicly available sources. The data set covers 148 countries plus Hong Kong, which is an administrative region of China. (For the sake of simplicity, we refer to all entities in our data set as "countries.") It contains a total of nearly 50,000 data points.[1] The choice of indicators was not intended to provide a comprehensive coverage of issues in each dimension; that would have required many more indicators, with large overlaps and correlations. Rather, the goal was to include enough indicators to characterize the dimension and capture differences across countries.

The first element, *economics*, comprises three dimensions that include seven indicators. The second element, *investments*, comprises three dimensions that include 21 indicators. The third element, *sustainability*, comprises four dimensions that include 15 indicators. (See Table 1.)

Normalization

As a result of differences in the scales used in the original sources, we needed to normalize the data before feeding it into the SEDA model. Individual indicators are made comparable, while preserving the relative distance among the original data values, with a min-max normalization approach, which subtracts the minimum value of an indicator's raw data set from each country's value in a particular year. The result is then divided by the range of the indicator (maximum value minus minimum value in the data set). That result is then converted into a scale of 0 to 100, where 100 is always the best possible score.

Some of the raw data that we used contained outliers—that is, data whose values lie beyond a defined point from other values. In order to avoid an outlier bias in the overall SEDA scores, we adjusted the model so that none of the values would exceed a limit of +/–2.5 standard deviations to the mean.

As a result, SEDA scores for a particular country—whether overall or for a dimension—are always relative to those of other countries. For example, if the current level of well-being in a country is ranked zero, that does not mean that there is no well-being in the country. Rather, it means that the country is the worst performer compared with the other 148 countries.

Weighting

Reflecting that not all dimensions of well-being are equally important, the SEDA model utilizes a simple weighting approach: income, health, education, and governance dimensions were assigned a weighting factor of 2; infrastructure, income equality, civil society, and

TABLE 1 | Indicators for SEDA's Elements and Dimensions

Economics

Dimension	Indicators	Primary data sources
Income	GDP per capita, purchasing-power parity (constant dollars, 2011)	World Bank, World DataBank
Economic stability	Inflation, average consumer prices (absolute percentage change)	International Monetary Fund, World Economic Outlook database
	Inflation-rate volatility (log standard deviation)[1]	International Monetary Fund, World Economic Outlook database; BCG analysis
	GDP growth volatility (log standard deviation)[1]	International Monetary Fund, World Economic Outlook database; BCG analysis
Employment	Unemployment, total (% total labor force)	World Bank, World DataBank; International Monetary Fund, World Economic Outlook database
	Employment rate, population ages 15–64 (%)	World Bank, World DataBank; BCG analysis
	Self-employment rate (% total labor force)	International Labour Organization, Key Indicators of the Labour Market

Investments

Dimension	Indicators	Primary data sources
Health	Life expectancy at birth, total (years)*	World Bank, World DataBank
	Mortality rate, under age 5 (per 1,000 live births)*	World Bank, World DataBank
	Prevalence of HIV, total (% of population, ages 15–49)	World Bank, World DataBank
	Incidence of tuberculosis (per 100,000 people)	World Bank, World DataBank
	Prevalence of undernourishment (% of population)[2]	World Bank, World DataBank
	Population obesity (% BMI > 30, age-standardized estimate)[2]	World Health Organization, WHO Global InfoBase
	Immunization, diphtheria, pertussis, and tetanus (% of children ages 12–23 months)[3]	World Bank, World DataBank
	Immunization, measles (% of children ages 12–23 months)[3]	World Bank, World DataBank
	Number of physicians (per 1,000 people)	World Bank, World DataBank
	Number of hospital beds (per 1,000 people)	World Bank, World DataBank
Education	School enrollment, tertiary (% gross)	World Bank, World DataBank
	Years of schooling, primary to tertiary (years)	World Bank, World DataBank
	Teacher-to-pupil ratio, primary	World Bank, World DataBank
	Average of math and science scores	OECD, Programme for International Student Assessment, Trends in International Mathematics and Science Study

Investments

Dimension	Indicators	Primary data sources
Infrastructure	Internet users (per 100 people)	World Bank, World DataBank
	Mobile cellular subscriptions (per 100 people)	World Bank, World DataBank
	Quality of roads network (1–7)	World Economic Forum Global Competitiveness reports
	Quality of railroads infrastructure (1–7)	World Economic Forum, Global Competitiveness reports
	Improved water source (% of population with access)	World Bank, World DataBank
	Improved sanitation facilities (% of population with access)	World Bank, World DataBank
	Quality of electricity supply (1–7)	World Economic Forum, Global Competitiveness reports

Sustainability

Dimension	Indicators	Primary data sources
Income equality	Gini index (0–100)	World Bank, World DataBank; Eurostat
Civil society	Level of civic activism (0–1)	Indices of Social Development
	Interpersonal safety and trust index (0–1)	Indices of Social Development
	Intergroup cohesion measure (0–1)	Indices of Social Development
	Level of gender equality (0–1)	Indices of Social Development
Governance	Control of corruption (–2.5 to 2.5)[4]	Worldwide Governance Indicators
	Rule of law (–2.5 to 2.5)[4]	Worldwide Governance Indicators
	Political stability and absence of violence and terrorism (–2.5 to 2.5)	Worldwide Governance Indicators
	Voice and accountability (–2.5 to 2.5)[5]	Worldwide Governance Indicators
	Press freedom (0–100)[5]	Freedom House, Freedom of the Press
	Property rights index (0–100)	Heritage Foundation, Index of Economic Freedom
Environment	Air pollution, effects on human health (0–100)*	Environmental Performance Index (Yale University)
	Carbon dioxide intensity (kg per kg of oil-equivalent energy use)*	World Bank, World DataBank
	Terrestrial and marine protected areas (% total territorial area)	World Bank, World DataBank
	Electricity generation from renewable sources, excluding hydro (% of total electricity generated)	U.S. Energy Information Administration, International Energy Statistics; BCG analysis

Source: BCG analysis.
Note: All indicators within the same dimension were given equal weights except for those marked with an asterisk (*), which were assigned double the weight.
[1]Calculation based on IMF World Economic Outlook database indicators. The volatility formula has been updated.
[2]The SEDA model uses a composite of the undernourished-population and the obese-population indicators.
[3]The SEDA model uses a composite of the indicators for immunization against measles and for immunization against diphtheria, pertussis, and tetanus.
[4]The SEDA model uses a composite of the indicators for corruption and for the rule of law.
[5]The SEDA model uses a composite of the indicators for voice and accountability and for press freedom.

environment dimensions were assigned a factor of 1; economic stability and employment dimensions were assigned a factor of 0.5.

We applied a similar approach at the indicator level, but with only two factors: 2 or 1. All indicators within the same dimension were given equal weights except for those marked with an asterisk, which were assigned double the weight.

Aggregation

To aggregate the normalized data into a composite score, both at the dimension and overall index level, we used linear rescaling with linear-arithmetic averaging. In previous years, we had rescaled individual indicators linearly (on a scale of 1 to 100), then combined them geometrically. Shifting to arithmetic averaging avoids amplifying extreme values and should make the scores less prone to undue instability when updated.

Current Level and Recent Progress

We analyzed overall well-being and each of the ten dimensions along two time horizons:

- *Current level* is a snapshot resulting from the normalization and weighting process described above, using the most recent data available.
- *Recent progress* measures the change in current-level data for the most recent seven-year period for which data is available. For most indicators, the time frame we analyzed to measure recent progress is 2006 to 2013. We calculated recent progress through a least-squares, best-fit approach. This produces more stable estimates than our previous approach, which had relied on comparing two data points five years apart.

In both the current-level and recent-progress assessments, we used all the same indicators except for the dimension of health, where HIV prevalence and incidence of tuberculosis were excluded because of a lack of historical data.

Recent Progress in Well-Being by Income Categories

Recent-progress SEDA scores offer an alternative perspective on the evolution of countries by income level. (See Table 2.)

A simple sorting of countries by three income categories suggests two things:

- Lower-income countries and middle-income countries are improving at a much faster rate than higher-income countries, so their levels of well-being are converging toward those of higher-income countries.
- Middle-income countries are improving the fastest, which calls into question the validity of the middle-income-trap hypothesis.

Median Scores

Consistent with our normalization approach, median scores—rather than averages—were used in charts and references throughout the report. When mapping all 149 countries, we used the overall median score to generate the chart quadrants. There are significant differ-

TABLE 2 | Recent-Progress SEDA Scores by Income Categories

Gross national income per capita, 2006 ($)	Number of countries	Average recent-progress score
Lower income: <1,000	41	65.7
Middle income: 1,000 to 6,000	57	67.2
Higher income: >6,000	51	51.6

Sources: World Bank; BCG analysis.

ences in the median scores across dimensions and between current-level scores and recent-progress scores—reflecting the different nature of the indicators and their ranges. (See Table 3.)

Coefficients for Wealth to Well-Being and Growth to Well-Being

The wealth-to-well-being coefficient compares a country's current-level SEDA score with the score that would be expected given its per capita GDP as measured by purchasing-power parity. The "expected" score reflects the average worldwide relationship between current-level scores of well-being and per capita GDP as estimated by the best-fit regression line, in this case a second-order polynomial regression. Countries with a coefficient greater than 1.0 deliver higher levels of well-being than would be expected given their GDP levels, while those with coefficients less than 1.0 deliver lower levels of well-being than would be expected.

The growth-to-well-being coefficient compares a country's recent-progress score with the score that would be expected given its GDP growth rate. We use real GDP as the best comparable measure of economic expansion and calculate growth rates from the slope of the least-squares, best-fit line for the seven-year period in the recent-progress analysis. The "expected" score reflects the average worldwide relationship between recent-progress scores in well-being and GDP growth rates as estimated by the best-fit line, in this case a simple linear regression. Again, countries that have a coefficient greater than 1.0 are producing improvements in well-being beyond what would be expected given their GDP growth rate over the seven-year study period. (See Table 4 and Table 5.)

NOTE

1. This includes a small number of imputations to fill in the 5.8 percent data gaps in the original sources.

TABLE 3 | Median SEDA Scores Overall, by Elements, and by Dimensions

	Current-level median	Recent-progress median
Overall SEDA score	43.1	63.2
Economics	49.7	46.6
Income	17.2	49.8
Economic stability	76.1	44.7
Employment	63.0	43.8
Investments	62.4	47.8
Health	73.7	29.1
Education	51.2	67.7
Infrastructure	59.4	43.2
Sustainability	48.1	51.9
Income equality	64.8	46.3
Civil society	49.6	58.8
Governance	40.1	57.7
Environment	54.3	40.8

Source: BCG analysis.

TABLE 4 | Overall Country-Specific SEDA Scores and Coefficients

Country[1]	Current-level score	Recent-progress score	Wealth-to-well-being coefficient	Growth-to-well-being coefficient
Albania	49.1	82.5	1.21	1.34
Algeria	39.3	49.0	0.87	0.85
Angola	17.6	77.2	0.52	0.95
Argentina	51.4	62.2	1.03	0.94
Armenia	47.8	76.8	1.40	1.30
Australia	89.5	64.0	1.07	1.11
Austria	90.2	58.8	1.08	1.17
Azerbaijan	43.4	73.4	0.83	0.88
Bahrain	61.9	37.6	0.74	0.57
Bangladesh	25.5	73.4	1.14	1.00
Belarus	58.0	80.4	1.09	1.20
Belgium	85.7	49.0	1.05	0.99
Belize	42.0	49.0	1.18	0.89
Benin	26.6	46.9	1.30	0.74
Bhutan	42.4	80.6	1.25	0.95
Bolivia	33.6	62.7	1.10	0.93
Bosnia and Herzegovina	44.0	71.2	1.17	1.36
Botswana	34.4	57.7	0.69	0.91
Brazil	47.7	74.9	0.98	1.24
Bulgaria	56.9	49.6	1.11	0.95
Burkina Faso	19.2	68.2	0.96	0.96
Burundi	18.2	56.7	1.02	0.89
Cambodia	30.9	94.8	1.32	1.28
Cameroon	20.2	58.1	0.89	0.95
Canada	86.4	54.1	1.04	1.04
Central African Republic	0.0	45.5	0.00	1.09
Chad	6.1	73.2	0.29	1.07
Chile	62.3	68.0	1.02	1.08
China	42.9	92.5	1.01	1.00
Colombia	38.8	77.6	0.89	1.20
Costa Rica	55.9	72.1	1.20	1.15
Côte d'Ivoire	20.1	63.6	0.86	1.07
Croatia	64.0	61.9	1.11	1.40
Cuba	54.8	65.8	0.98	1.09
Cyprus	68.6	32.9	0.98	0.70
Czech Republic	75.1	53.3	1.11	1.06
Democratic Republic of the Congo	8.3	64.5	0.46	0.87

Country[1]	Current-level score	Recent-progress score	Wealth-to-well-being coefficient	Growth-to-well-being coefficient
Denmark	92.0	36.7	1.11	0.80
Dominican Republic	36.1	73.5	0.86	1.07
Ecuador	41.5	86.0	1.04	1.36
Egypt	37.7	43.4	0.92	0.68
El Salvador	42.2	54.4	1.24	1.05
Eritrea	14.8	44.2	0.78	0.82
Estonia	75.6	48.9	1.16	1.00
Ethiopia	21.1	99.4	1.09	1.08
Finland	93.3	44.3	1.17	0.94
France	81.6	43.4	1.04	0.90
Gabon	37.5	51.1	0.67	0.81
Georgia	46.8	73.6	1.43	1.12
Germany	89.8	68.0	1.08	1.34
Ghana	32.3	87.7	1.26	1.04
Greece	65.5	26.5	1.01	0.73
Guatemala	32.6	55.3	0.99	0.92
Guinea	16.8	74.2	0.88	1.30
Guyana	32.1	60.5	1.02	1.03
Haiti	6.3	36.6	0.31	0.67
Honduras	29.0	45.9	1.07	0.78
Hong Kong	80.4	76.2	0.92	1.29
Hungary	71.6	35.3	1.15	0.79
Iceland	94.4	40.3	1.16	0.83
India	30.0	72.8	1.04	0.94
Indonesia	40.7	77.3	1.08	1.07
Iran	39.2	60.2	0.79	1.06
Iraq	25.4	53.6	0.52	0.73
Ireland	84.6	43.0	1.01	0.95
Israel	64.1	46.7	0.87	0.73
Italy	74.0	41.1	0.98	0.95
Jamaica	40.6	41.5	1.11	0.90
Japan	81.9	55.9	1.05	1.16
Jordan	46.7	49.5	1.10	0.76
Kazakhstan	56.5	81.0	0.91	1.16
Kenya	24.1	65.0	1.12	1.01
Kuwait	72.3	27.0	0.86	0.51
Kyrgyzstan	35.7	66.6	1.50	0.99

TABLE 4 | Overall Country-Specific SEDA Scores and Coefficients
(continued)

Country[1]	Current-level score	Recent-progress score	Wealth-to-well-being coefficient	Growth-to-well-being coefficient
Laos	29.2	86.3	1.06	1.05
Latvia	67.0	37.2	1.08	0.80
Lebanon	39.3	62.4	0.75	0.87
Lesotho	20.3	96.3	0.91	1.41
Libya	31.1	0.0	0.52	0.00
Lithuania	71.3	65.4	1.09	1.25
Luxembourg	94.9	54.6	1.12	1.08
Macedonia	42.5	63.9	0.98	1.12
Madagascar	22.1	31.3	1.14	0.58
Malawi	20.0	75.9	1.11	1.03
Malaysia	57.6	63.2	0.92	0.96
Mali	18.0	64.9	0.90	1.08
Malta	74.4	44.0	1.04	0.80
Mauritania	15.7	46.5	0.67	0.76
Mauritius	60.0	67.6	1.14	1.07
Mexico	43.6	50.9	0.84	0.94
Moldova	44.9	80.1	1.65	1.30
Mongolia	43.1	90.9	1.15	1.01
Morocco	38.8	73.8	1.18	1.17
Mozambique	16.7	65.6	0.90	0.85
Namibia	27.7	73.0	0.73	1.13
Nepal	32.1	73.7	1.49	1.14
Netherlands	91.8	55.1	1.10	1.15
New Zealand	88.1	61.7	1.17	1.16
Nicaragua	35.5	58.0	1.32	0.97
Niger	16.4	74.5	0.90	1.09
Nigeria	16.1	68.9	0.55	0.95
Norway	100.0	53.6	1.16	1.07
Oman	65.2	65.2	0.78	0.92
Pakistan	16.7	44.8	0.61	0.75
Panama	47.0	76.3	0.84	0.89
Paraguay	36.2	67.9	1.04	1.00
Peru	40.0	82.1	0.94	1.10
Philippines	36.0	69.1	1.15	1.01
Poland	71.6	94.8	1.15	1.55
Portugal	73.9	50.2	1.12	1.13
Qatar	78.6	65.5	0.93	0.71

Country[1]	Current-level score	Recent-progress score	Wealth-to-well-being coefficient	Growth-to-well-being coefficient
Republic of the Congo	23.7	73.4	0.79	1.14
Romania	54.5	61.3	1.00	1.15
Russia	54.7	62.6	0.86	1.10
Rwanda	26.4	100.0	1.35	1.27
Saudi Arabia	65.0	70.4	0.75	0.98
Senegal	30.4	66.4	1.41	1.09
Serbia	51.5	62.8	1.18	1.22
Singapore	89.9	73.3	1.07	1.07
Slovakia	70.9	61.6	1.06	1.06
Slovenia	77.8	49.7	1.13	1.06
South Africa	27.2	65.4	0.62	1.15
South Korea	77.1	71.6	1.02	1.18
Spain	77.0	45.4	1.05	1.00
Sri Lanka	43.5	82.3	1.14	1.10
Sudan	16.3	48.8	0.68	1.04
Suriname	44.8	63.1	0.88	0.98
Swaziland	18.1	58.4	0.57	1.09
Sweden	93.3	45.7	1.12	0.88
Switzerland	94.4	58.1	1.08	1.10
Tajikistan	32.1	65.4	1.45	0.85
Tanzania	28.5	72.1	1.40	0.94
Thailand	46.6	68.7	0.98	1.16
Togo	22.0	53.1	1.13	0.85
Trinidad and Tobago	53.0	38.4	0.74	0.78
Tunisia	46.5	51.6	1.13	0.85
Turkey	50.5	70.3	0.90	1.17
Uganda	18.3	65.4	0.94	0.87
Ukraine	52.8	65.3	1.46	1.32
United Arab Emirates	74.1	33.4	0.85	0.62
United Kingdom	81.1	47.3	1.04	0.99
United States	83.5	49.0	0.96	0.96
Uruguay	64.9	87.8	1.15	1.24
Uzbekistan	34.7	73.1	1.23	0.85
Venezuela	41.4	41.7	0.77	0.72
Vietnam	42.4	74.8	1.48	1.04
Yemen	17.6	23.9	0.69	0.49
Zambia	17.9	66.5	0.75	0.88
Zimbabwe	13.9	64.1	0.69	1.21

Source: BCG analysis.
[1]Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries."

TABLE 5 | Country-Specific SEDA Scores by Element

	Current-level score			Recent-progress score		
Country[1]	Economics	Investments	Sustainability	Economics	Investments	Sustainability
Albania	43.7	65.4	53.7	65.6	63.8	51.4
Algeria	46.9	56.7	41.1	43.7	40.0	40.7
Angola	29.8	20.4	38.6	53.6	69.0	41.6
Argentina	52.3	70.0	50.2	60.1	43.9	53.1
Armenia	28.3	66.8	57.2	69.6	59.6	57.6
Australia	84.2	90.2	77.6	43.7	45.2	58.0
Austria	80.7	91.3	81.3	40.1	49.5	54.5
Azerbaijan	35.4	63.0	44.8	80.0	53.6	44.7
Bahrain	75.5	77.2	45.2	46.1	51.1	32.7
Bangladesh	56.9	38.6	30.9	53.5	57.5	38.9
Belarus	45.5	80.2	56.1	50.2	49.9	61.0
Belgium	71.3	88.7	78.7	35.3	29.2	61.2
Belize	48.8	56.8	48.1	47.7	47.1	49.8
Benin	56.9	26.3	45.4	45.4	52.7	31.8
Bhutan	47.0	51.2	51.0	52.2	61.3	41.7
Bolivia	48.6	47.6	42.6	56.6	38.7	72.2
Bosnia and Herzegovina	27.2	68.7	43.4	45.9	60.9	61.5
Botswana	44.4	33.1	48.6	49.6	35.0	54.5
Brazil	60.8	60.2	50.6	62.1	48.4	60.2
Bulgaria	50.5	73.4	58.0	53.7	41.9	49.0
Burkina Faso	38.6	20.3	41.5	44.5	57.1	50.8
Burundi	45.2	23.3	37.0	46.6	58.0	39.6
Cambodia	41.0	37.1	50.7	64.5	74.4	55.5
Cameroon	45.3	25.4	38.2	48.8	56.5	38.5
Canada	81.6	85.0	79.9	41.7	34.1	61.7
Central African Republic	30.2	6.9	22.0	29.1	51.2	40.0
Chad	37.6	7.1	27.7	40.7	62.7	44.3
Chile	61.7	72.6	58.2	56.9	49.8	48.2
China	52.1	71.1	31.9	63.6	66.3	50.5
Colombia	51.1	56.9	38.6	50.7	43.2	67.9
Costa Rica	53.3	67.0	61.6	46.3	54.9	58.7
Côte d'Ivoire	51.7	24.8	38.9	46.1	45.3	52.4
Croatia	49.8	80.1	62.3	33.0	46.6	68.2
Cuba	57.7	73.7	48.5	53.5	41.4	49.8
Cyprus	58.9	76.3	65.9	24.0	40.4	43.2
Czech Republic	65.2	83.1	72.5	40.8	35.6	63.9
Democratic Republic of the Congo	43.1	14.2	28.0	66.4	48.3	39.6

	Current-level score			Recent-progress score		
Country[1]	Economics	Investments	Sustainability	Economics	Investments	Sustainability
Denmark	80.9	90.1	87.4	26.8	28.3	55.9
Dominican Republic	41.8	46.0	47.3	50.0	53.2	54.9
Ecuador	53.7	59.1	46.2	49.1	68.0	69.1
Egypt	40.9	57.0	41.5	45.9	35.2	41.3
El Salvador	49.7	55.3	52.4	42.6	49.4	51.9
Eritrea	42.6	14.9	41.6	44.8	38.6	47.2
Estonia	54.8	84.9	73.6	33.2	37.4	56.3
Ethiopia	47.3	21.8	44.7	63.7	77.1	43.2
Finland	69.8	94.8	91.9	30.3	33.1	61.9
France	71.5	85.7	79.5	34.4	29.6	58.7
Gabon	44.1	41.2	49.5	44.6	35.6	54.9
Georgia	26.9	71.9	47.0	50.1	53.7	53.1
Germany	80.5	91.1	82.8	48.6	40.6	64.1
Ghana	38.3	35.2	51.7	56.0	63.4	53.9
Greece	29.1	88.2	57.4	6.1	54.4	38.3
Guatemala	55.4	46.7	42.7	39.9	44.5	56.5
Guinea	47.0	16.6	40.6	46.3	49.5	65.6
Guyana	37.8	46.6	41.1	57.9	43.5	53.3
Haiti	41.5	13.4	22.7	46.6	29.2	47.9
Honduras	46.8	47.3	34.5	39.5	40.2	48.2
Hong Kong	69.0	92.9	56.9	41.6	59.2	59.7
Hungary	60.0	83.2	69.8	34.6	34.9	54.9
Iceland	75.7	91.0	95.9	26.6	28.5	61.1
India	36.8	41.6	37.1	50.1	61.0	37.6
Indonesia	49.1	52.8	48.7	69.3	67.7	38.3
Iran	25.3	64.6	39.9	33.6	59.7	42.9
Iraq	13.6	45.2	29.3	55.6	23.2	55.1
Ireland	68.0	84.4	79.3	19.1	46.1	57.9
Israel	68.8	81.6	45.8	55.1	30.7	45.8
Italy	63.4	85.4	67.0	28.3	41.0	57.3
Jamaica	39.9	54.1	47.8	29.2	37.8	50.4
Japan	76.1	89.9	71.5	43.8	35.5	57.9
Jordan	32.9	65.8	49.0	42.1	39.7	43.5
Kazakhstan	62.3	73.0	54.2	72.9	59.3	60.0
Kenya	45.9	30.4	43.4	45.3	66.3	42.7
Kuwait	89.1	72.9	49.5	25.1	54.1	32.5
Kyrgyzstan	38.0	54.2	45.4	64.1	44.1	50.2

TABLE 5 | Country-Specific SEDA Scores by Element
(continued)

	Current-level score			Recent-progress score		
Country[1]	Economics	Investments	Sustainability	Economics	Investments	Sustainability
Laos	54.9	39.7	39.7	54.9	61.4	48.6
Latvia	46.9	78.6	69.0	27.9	29.0	55.8
Lebanon	37.5	63.7	31.3	53.2	49.7	37.8
Lesotho	35.3	19.7	44.0	59.1	67.2	65.0
Libya	34.2	41.7	43.8	14.9	18.6	37.7
Lithuania	53.6	84.2	68.4	34.0	39.8	68.0
Luxembourg	85.7	85.2	82.4	30.8	42.7	65.7
Macedonia	24.2	67.7	38.2	54.8	45.7	55.1
Madagascar	56.5	21.6	40.3	44.8	45.5	35.5
Malawi	38.8	21.8	40.1	46.3	62.6	48.6
Malaysia	64.0	75.6	50.5	47.9	43.3	52.5
Mali	30.6	22.3	41.1	60.6	65.9	48.9
Malta	69.0	78.3	70.9	42.9	46.4	36.0
Mauritania	26.7	20.8	36.6	43.7	50.2	37.4
Mauritius	58.6	69.1	62.5	51.9	46.7	49.4
Mexico	60.6	58.4	42.3	44.4	51.5	45.3
Moldova	34.6	60.0	56.3	59.4	52.1	67.9
Mongolia	35.7	55.5	49.7	65.2	64.8	52.8
Morocco	44.1	55.4	48.1	54.7	57.7	57.5
Mozambique	52.6	9.8	44.3	59.7	48.0	43.9
Namibia	38.3	33.1	43.7	41.3	55.7	58.2
Nepal	57.8	42.1	41.4	47.9	63.8	43.2
Netherlands	79.9	92.5	83.8	33.5	33.1	69.2
New Zealand	76.3	85.3	89.4	39.0	43.4	63.3
Nicaragua	42.1	49.9	48.6	42.3	62.3	42.9
Niger	40.1	12.5	42.5	43.6	62.8	49.9
Nigeria	43.8	21.3	33.1	51.2	57.3	46.1
Norway	94.1	85.7	91.9	36.2	29.7	65.6
Oman	74.5	70.3	59.9	53.5	63.2	56.3
Pakistan	37.6	28.8	27.3	40.1	40.2	35.2
Panama	58.8	62.6	46.0	59.5	55.0	48.7
Paraguay	48.2	50.7	43.8	49.7	52.3	54.3
Peru	56.1	54.5	41.2	66.3	53.5	54.7
Philippines	51.7	49.3	45.6	53.2	53.0	50.1
Poland	61.2	82.5	66.8	57.6	51.9	79.6
Portugal	47.2	85.9	74.2	20.0	42.2	62.4
Qatar	83.9	77.0	58.6	53.0	59.0	42.9

	Current-level score			Recent-progress score		
Country[1]	Economics	Investments	Sustainability	Economics	Investments	Sustainability
Republic of the Congo	53.2	26.9	42.9	52.1	53.5	58.0
Romania	53.4	65.3	56.0	47.3	41.6	60.8
Russia	63.7	75.1	47.0	56.5	45.7	56.6
Rwanda	59.2	36.4	36.4	68.6	66.8	65.1
Saudi Arabia	68.7	75.3	50.0	53.6	57.9	40.6
Senegal	50.4	32.5	50.8	45.9	63.7	50.0
Serbia	35.8	69.8	52.6	45.1	41.7	65.1
Singapore	87.8	88.1	70.1	47.7	43.0	63.1
Slovakia	55.0	79.8	72.1	38.2	39.5	62.3
Slovenia	62.1	83.9	79.7	26.8	36.1	71.0
South Africa	35.5	38.3	34.9	36.7	65.5	46.7
South Korea	74.4	92.1	60.6	53.5	46.3	55.3
Spain	49.8	89.3	75.0	18.3	47.5	58.0
Sri Lanka	48.0	61.9	47.0	61.2	57.3	55.2
Sudan	19.9	31.9	31.8	50.0	41.6	37.1
Suriname	43.9	62.4	41.4	60.8	47.7	46.2
Swaziland	33.1	26.2	33.2	39.2	60.0	47.5
Sweden	74.5	89.0	93.5	36.1	25.9	58.5
Switzerland	84.6	91.0	84.7	38.0	35.8	64.6
Tajikistan	41.6	46.1	47.4	71.3	50.0	42.2
Tanzania	57.2	24.4	53.4	48.3	55.6	48.4
Thailand	48.3	66.9	44.1	47.1	39.8	60.2
Togo	42.4	25.5	42.8	55.6	45.1	41.3
Trinidad and Tobago	61.4	59.2	52.9	38.3	40.4	41.1
Tunisia	41.4	64.7	50.7	39.6	41.9	44.1
Turkey	47.4	70.4	45.0	53.9	64.9	43.3
Uganda	42.2	24.4	34.4	45.5	63.6	41.6
Ukraine	39.8	73.1	58.0	55.2	45.8	67.9
United Arab Emirates	80.8	77.4	59.0	27.4	43.5	45.1
United Kingdom	74.2	83.0	78.6	29.1	36.1	61.4
United States	80.1	84.7	70.0	28.8	33.8	61.0
Uruguay	62.6	73.0	65.9	67.4	45.4	65.6
Uzbekistan	44.8	57.9	39.2	68.8	47.8	42.4
Venezuela	36.2	62.7	42.6	30.1	36.3	50.4
Vietnam	50.0	62.4	45.0	55.5	63.5	46.4
Yemen	23.3	29.9	32.5	34.8	41.2	29.8
Zambia	47.4	16.5	41.1	59.6	61.9	33.4
Zimbabwe	35.8	23.6	33.0	45.6	50.1	47.7

Source: BCG analysis.
[1]Our data set includes 148 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all those entities as "countries."

FOR FURTHER READING

The Boston Consulting Group publishes many reports and articles that may be of interest to senior executives. Examples include those listed here.

Building Well-Being into National Strategies: The 2014 Sustainable Economic Development Assessment
A Focus by the Boston Consulting Group, February 2014

The New Prosperity: Strategies for Improving Well-Being in Sub-Saharan Africa
A Focus by The Boston Consulting Group, May 2013

From Wealth to Well-Being: Introducing the BCG Sustainable Economic Development Assessment
A report by The Boston Consulting Group, November 2012

NOTE TO THE READER

About the Authors

Douglas Beal is a partner and managing director in the Dubai office of The Boston Consulting Group and is the global leader of the firm's economic-development topic area. **Enrique Rueda-Sabater** is a senior advisor to BCG and is a former head of strategy for the World Bank. **Shu Ling Heng** is a lead analyst in the firm's Singapore office and is the manager of BCG's economic-development topic area.

Acknowledgments

This report was produced by experts in BCG's economic-development topic area, and it represents the continuing collaborative efforts of BCG staff from our offices around the world. The authors would particularly like to acknowledge the contributions of Knut Haanaes, Larry Kamener, and Dinesh Khanna.

The authors would also like to thank the following BCG colleagues, who also provided invaluable guidance: Jorge Becerra, Arindam Bhattacharya, Philipp Carlsson-Szlezak, Antonio Cherubini, Jeffrey Chua, João Hrotkó, Franek Hutten-Czapski, Douglas Jackson, Sharon Marcil, Rainer Minz, Christian Orglmeister, Emre Oezcan, Christoph Rothballer, Aleksandra Sroka, Nina Suffczynska, Øyvind Torpp, Edwin Utama, Oskar Wilczynski, and Yvonne Zhou.

Special acknowledgments go to Igor Kustarin and Anton Tokarev, as well as to David Roodman for his technical advice.

The authors also wish to thank Amy Barrett for her contributions to the writing of this report, as well as Dan Coyne, Jon Desrats, Federico Fregni, Aurélie Granger, Claire Hopkins, Nadine Smith, and Miranda Stobbs.

The authors would also like to thank Katherine Andrews, Gary Callahan, Lilith Fondulas, Kim Friedman, Abby Garland, and Sara Strassenreiter for their contributions to the editing, design, and production of this report.

For Further Contact

Tailored assessments using our SEDA methodology can be produced for specific regions or countries and for specific dimensions of economic development. To discuss SEDA and our findings in greater detail, please contact the following author:

Douglas Beal
Partner and Managing Director
BCG Dubai
+971 4 4480 300
beal.douglas@bcg.com

To find the latest BCG content and register to receive e-alerts on this topic or others, please visit bcgperspectives.com.

Follow bcg.perspectives on Facebook and Twitter.

5/15

BCG

THE BOSTON CONSULTING GROUP

Abu Dhabi	Chennai	Johannesburg	Munich	Seoul
Amsterdam	Chicago	Kiev	Nagoya	Shanghai
Athens	Cologne	Kuala Lumpur	New Delhi	Singapore
Atlanta	Copenhagen	Lisbon	New Jersey	Stockholm
Auckland	Dallas	London	New York	Stuttgart
Bangkok	Detroit	Los Angeles	Oslo	Sydney
Barcelona	Dubai	Luanda	Paris	Taipei
Beijing	Düsseldorf	Madrid	Perth	Tel Aviv
Berlin	Frankfurt	Melbourne	Philadelphia	Tokyo
Bogotá	Geneva	Mexico City	Prague	Toronto
Boston	Hamburg	Miami	Rio de Janeiro	Vienna
Brussels	Helsinki	Milan	Riyadh	Warsaw
Budapest	Ho Chi Minh City	Minneapolis	Rome	Washington
Buenos Aires	Hong Kong	Monterrey	San Francisco	Zurich
Calgary	Houston	Montréal	Santiago	
Canberra	Istanbul	Moscow	São Paulo	
Casablanca	Jakarta	Mumbai	Seattle	