The Private-Sector Opportunity to Improve Well-Being

The 2016 Sustainable Economic Development Assessment

BCG

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THE PRIVATE-SECTOR OPPORTUNITY TO IMPROVE WELL-BEING

THE 2016 SUSTAINABLE ECONOMIC DEVELOPMENT ASSESSMENT

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FOREWORD

It is possible to wipe poverty from the face of the earth. But to eradicate this scourge, we must fundamentally change the scope of our effort to include a redesign of the entire financial system. We cannot eliminate poverty and elevate well-being around the world if we do not address the fact that 2.5 billion people are completely cut out of the financial system. In its current form, this system facilitates the concentration of wealth in fewer and fewer hands. BCG's report on the 2016 Sustainable Economic Development Assessment calls for action in the area of financial inclusion, shedding light on this basic problem.

I have long argued that this issue should be tackled not through charity but through social businesses: non-dividend-paying businesses established to combat social ills. I am happy to see that profit-driven companies are increasingly coming forward to create social businesses—often in partnership with other social businesses—to address issues such as hunger, lack of clean water, and disease. These efforts of for-profit companies work best when companies leverage the expertise and infrastructure of their core operations.

Despite the fact that we are way behind in redesigning the basic structure of the massive financial system, which bypasses much of the world's population, there are efforts to extend the existing system to reach out to the unreached. Microcredit programs run mostly by NGOs served a couple hundred million people, particularly women, over the past several years. And while we have known that financial access changes the lives of marginalized people, including women, this report provides evidence of that effect. It is well known that bringing people into the financial system will unleash entrepreneurship and give people a chance to participate in creating and sharing wealth.

The private sector, including technology firms, banks, and telecommunications companies, is creating and embracing new technology to slash the cost of serving the unreached population. Their participation is encouraging, but much, much more must be done to transform the financial system into a system for all human beings, not only the privileged.

Conventional financial institutions built on the existing framework have serious limitations in extending their services to the people at the bottom. Their business models have not been designed to reach the poor. Now, the advancement of technology can expand the range of business model options. Despite the fundamental limitations of the

large financial players, they can make real advancements, rather than token gestures, by adopting new technologies. But the question remains—will they seize the opportunity?

Muhammad Yunus
Founder, Grameen Bank
Nobel Peace Prize Laureate, 2006

EXECUTIVE SUMMARY

Leaders around the world increasingly recognize that GDP alone cannot give a full picture of a country's performance. The well-being of citizens is an even more important measure. The Boston Consulting Group's Sustainable Economic Development Assessment (SEDA) is a powerful diagnostic designed to provide leaders with a perspective on how effectively countries convert wealth, as measured by income levels, into well-being. SEDA also helps identify specific areas where a country is lagging behind others, even after taking into account its income level and growth rate.

In conjunction with this year's analysis, we examined how the private sector can contribute to the enhancement of well-being. In particular, we studied how private-sector companies can increase financial inclusion: the access to and use of financial services. Financial inclusion is a prerequisite for participation in most—even basic—economic activities.

We found a clear and measurable link between financial inclusion and well-being. The connection holds even when we control for income, which means that it is not due simply to wealthier countries' higher levels of both well-being and access to financial services. This finding demonstrates that improvements in well-being are driven not only by smart government strategies but also by actions in the private sector.

On the basis of our work in the area of economic development with government and the private sector, we believe that companies can strengthen well-being when they address societal problems through their core business, not just through separate corporate social responsibility initiatives.

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 a large share of government

budgets. The third element, *sustainability,* comprises income equality, civil society, governance, and environment.

- For each country in our analysis, we look not only at the current level of well-being but also at recent progress—that is, how well-being has changed in recent years. We calculate scores overall and for each of the ten dimensions. We conduct the analysis on a relative basis, comparing each country with the others in our data set. (Our 2016 data set includes 162 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all entities as "countries.")

- To assess the link between wealth and well-being, we examine how effectively countries convert wealth into well-being and how effectively they convert economic growth into well-being improvements.

The list of leaders in current-level well-being is dominated by Western European nations. The list of countries that lead in recent progress is dominated by countries in Africa and Asia.

- The top ten countries in current well-being are in Western Europe. Norway holds the top slot, as it has since we launched SEDA, in 2012.

- Number one in recent progress is Ethiopia, whose performance is emblematic of the gains in sub-Saharan Africa as a whole: 15 countries in sub-Saharan Africa are in the top quintile in recent progress.

- Developed countries with relatively high current levels of well-being posted weak improvements in general. Greece had the lowest recent-progress score of the 163 countries in our data set.

- We divided the countries of Western Europe into three tiers according to their current-level scores. Those in the top tier (Austria, Denmark, Finland, Germany, the Netherlands, and Norway) are well above those in the low tier (Cyprus, France, Greece, Italy, Malta, Portugal, and Spain) in both employment and education and made greater progress than the low-tier countries in both dimensions. The low-tier countries are doing particularly poorly in employment, with current-level and recent-progress scores that are below the median for the rest of the world.

A country's well-being is affected by its wealth and its GDP growth rate. A variety of countries in our 2016 analysis are strong in converting wealth into well-being and economic growth into well-being improvements.

- Vietnam, Rwanda, Albania, and Ethiopia are among the countries with the best performance in converting wealth into well-being.

- Three Balkans countries—Croatia, Bosnia and Herzegovina, and Serbia—are leaders at converting growth into well-being improve-

ments. Poland is a strong performer on this measure, as it was in our 2015 analysis.

- China continues to produce well-being improvements in line with its rapid economic growth. India has a high recent-progress score, although its ability to convert its strong GDP growth into well-being improvements is slightly below average.

Several findings this year are similar to those in our 2015 report, signaling some significant trends.

- Countries with high current-level scores in sustainability—which includes income equality, civil society, governance, and environment—generated the greatest progress in that element in both our 2015 and 2016 analyses. It's concerning that countries with low current-level sustainability scores, meanwhile, had recent-progress scores in sustainability below the median and therefore fell further behind.

- In our 2016 analysis, several Central and Eastern European countries are among those with the highest recent-progress scores in sustainability. Those countries have recently joined or are in the process of joining the European Union, and their gains are probably influenced by EU policies and standards. Of course, some European countries, such as Norway and Switzerland, have strong performance in sustainability and are not part of the EU.

- Both this year and last year, most oil-rich countries (those whose rents from oil are equivalent to more than 10% of GDP) were below average at converting both wealth and growth into well-being.

- The tension between economic growth and the environment continues to be evident in our analyses: countries with faster economic growth tended to have very low recent-progress scores in the environment in 2015 and 2016. China, for example, has weak current-level scores in the environment and is continuing to fall behind in that dimension.

- Countries in sub-Saharan Africa continue to make major strides, outpacing the median recent-progress score in health this year and last. And whereas the group trailed the global median for recent progress in education in 2015, this year's score is slightly above the median.

Infrastructure is important. We find that nations with subpar infrastructure are struggling to catch up.

- We divided the countries in our data set into three tiers on the basis of current-level infrastructure scores. Countries in the middle group have the highest recent-progress scores; much of that progress was in internet connectivity.

- A worrisome finding: the recent progress of the low current-level tier (countries with the biggest infrastructure challenges) is lower

than that of the midlevel countries. Countries in the bottom tier are struggling in particular in the area of electricity supply.

Financial inclusion—access to and use of bank accounts and other financial services—is increasing around the world.

- For a summary measure of financial inclusion, we relied on the World Bank metric of the percentage of individuals over the age of 15 with a financial account (either a bank or a mobile-money account).

- From 2011 through 2014, the number of people with a financial account rose more than 25%, from 2.5 billion (51% of the world's adult population) to 3.2 billion (62%). In China and India alone, about 370 million people opened accounts in that period.

- In many developed countries, more than 98% of individuals over the age of 15 have a financial account. The US, although lower than those peers on this measure, made notable gains from 2011 through 2014, increasing from 88% to 94%. Some US states, however, have more than double the national unbanked rate of 6%.

We find a clear, measurable link between financial inclusion and well-being. In addition, three SEDA dimensions—civil society, governance, and infrastructure—are strongly linked to financial inclusion.

- Our analysis—using SEDA's measure of well-being—shows a quantifiable connection between financial inclusion and well-being that holds even when we control for income. This means that among countries with the same income level, those with higher levels of financial inclusion are likely to have higher levels of well-being. Our analysis suggests that financial inclusion accounts for 11% of the difference in well-being among countries—above and beyond what can be explained by differences in income.

- The connections between financial inclusion and the SEDA dimensions of civil society, governance, and infrastructure line up with experts' views on financial inclusion. Gender equality, for example, which is captured in our civil society dimension, has important links to financial inclusion. Giving a woman access to a bank account and other financial services makes her more independent. And there is a strong business case for expanding access for women: research shows that women have lower default rates than men.

- Infrastructure is particularly important. It is likely that strong infrastructure drives improvements in financial inclusion. Our analysis finds that countries with poor infrastructure are struggling to expand access to financial services, even though they have the most need for improvement in this area.

- Financial institutions that do not focus on financial inclusion may miss out on newly profitable market segments as well as on the

opportunity to enhance well-being in the countries where they operate.

Two key factors—a smart regulatory approach and a solid infrastructure—create a foundation on which the private sector can develop innovative approaches to expanding financial inclusion.

- Regulations should create space for innovation and promote competition while safeguarding consumers and the integrity of the financial system.

- Gains in financial inclusion are supported by good infrastructure—not only reliable electricity and telecommunications networks but also a well-functioning payment infrastructure.

- The public and private sector both have roles to play in establishing the foundation for financial inclusion. Ideally, government establishes the regulatory approach in consultation with the private sector and plays a central role in infrastructure development—either directly through public investment or indirectly by creating a framework for private investment.

- The pace of innovation in areas that could help increase financial inclusion is reflected in an explosion of equity funding in the financial technology sector and the rapid expansion of digital financial services. In 2015, $22 billion was invested in privately held financial technology startups, up from just $4 billion in 2011.

- This innovation is giving rise to new, low-cost business models that can allow companies to make money delivering financial services to previously unprofitable customer segments.

An examination of financial inclusion progress in four countries—Kenya, South Africa, India, and Peru—demonstrates that approaches that work well in one country are not necessarily the same as those that work well elsewhere.

- The mobile-phone-based money transfer service M-Pesa, launched by telecommunications company Safaricom in Kenya, took off thanks in part to a flexible regulatory environment and the way the service leveraged the many small retailers in the country.

- In South Africa, strong financial regulations and the presence of large national retail chains have enabled new business models for increasing financial inclusion. Banks such as Commonwealth Bank have teamed up with large retailers, which serve as a massive distribution network for reaching previously unbanked citizens.

- In India, the government has been a major catalyst. A push to give all citizens a national ID, along with new regulations that allow companies other than financial institutions to operate as "payment banks," is expanding financial inclusion.

- In Peru, the government has linked up with banks, telecommunications companies, and other private-sector players to promote the development of one mobile-payment platform. The goal: to encourage companies to use that platform to offer a slew of new, low-cost financial products and services to Peruvians who are currently excluded from the system.

Companies have an opportunity to maximize the social impact they deliver by tying their social impact efforts more closely to their core business.

- Incorporating social impact efforts into the core business—instead of locating them in a corporate social responsibility unit—gives companies the opportunity to increase both social and shareholder value. The experience in financial services underscores the considerable untapped potential for private enterprises to generate positive social impact by taking advantage of new technologies to create novel business models within their core activities.

- Such actions can have additional benefits for the corporation, including improving relationships with governments, increasing organizational agility, and increasing employees' sense of fulfillment—and thus bolstering recruitment and retention.

THE OPPORTUNITY FOR THE PRIVATE SECTOR TO EXPAND ITS SOCIAL IMPACT

Government's role in improving the well-being of citizens has received increased attention in recent years. This focus marks a shift from relying largely on GDP as the key measure of a country's performance to considering quality of life as a critical yardstick. BCG's Sustainable Economic Development Assessment (SEDA), a diagnostic tool for evaluating well-being—overall standard of living—was created to support that broader view. But whereas the impact of government strategies on well-being is now well documented, less is understood about how the private sector can contribute.

The financial services sector demonstrates the promise of public-private collaboration.

Our research shows that the private sector has a crucial role to play. Certainly, governments have extensive programs for addressing social problems. And NGOs and philanthropies have made major contributions to tackling social ills. Still, when scalable, sustainable solutions emerge, we often see the private sector playing a key—if not leading—role. Such efforts go beyond corporations' support for social or environmental causes that are unrelated to their primary business—often part of corporate social responsibility initiatives. Rather, we focus here on how companies can innovate within their core business in a way that not only increases shareholder value but also helps address large societal challenges.

The opportunity for the private sector to contribute to the public good exists in a myriad of industries, such as health care, energy, manufacturing, and telecommunications. In this report, we focus on financial services and the issue of financial inclusion—access among underserved groups to simple payment and money transfer services, deposit accounts, credit, and insurance. We have zeroed in on financial inclusion for two reasons. First, there has been tremendous technological and business model innovation in financial services over the past five years, advances that have driven impressive expansion in financial inclusion. Second, the financial services sector is a prime example of how effective collaboration between the public and private sectors can create the basis for companies to generate both profit and meaningful benefits for citizens.

We have found a clear and measurable link between financial inclusion and well-being. Evidence of that link comes from our 2016 analysis using SEDA to evaluate the relative well-being of citizens in 163 countries. This diagnostic tool measures well-being by exam-

ining ten dimensions: income, economic stability, employment, health, education, infrastructure, income equality, civil society, governance, and environment. The relationship between financial inclusion and well-being that SEDA reveals may seem logical—after all, higher well-being levels are often found in wealthy countries, where access to financial services is relatively widespread. But the link holds even when we control for income.

There is no simple solution for making meaningful, scalable, and sustainable improvements in financial inclusion. Some of the most successful approaches are those that are tailored to a country or region. However, we do see common factors in countries that have made progress—namely, smart regulations and solid infrastructure. These elements create a foundation on which the private sector can build innovative solutions.

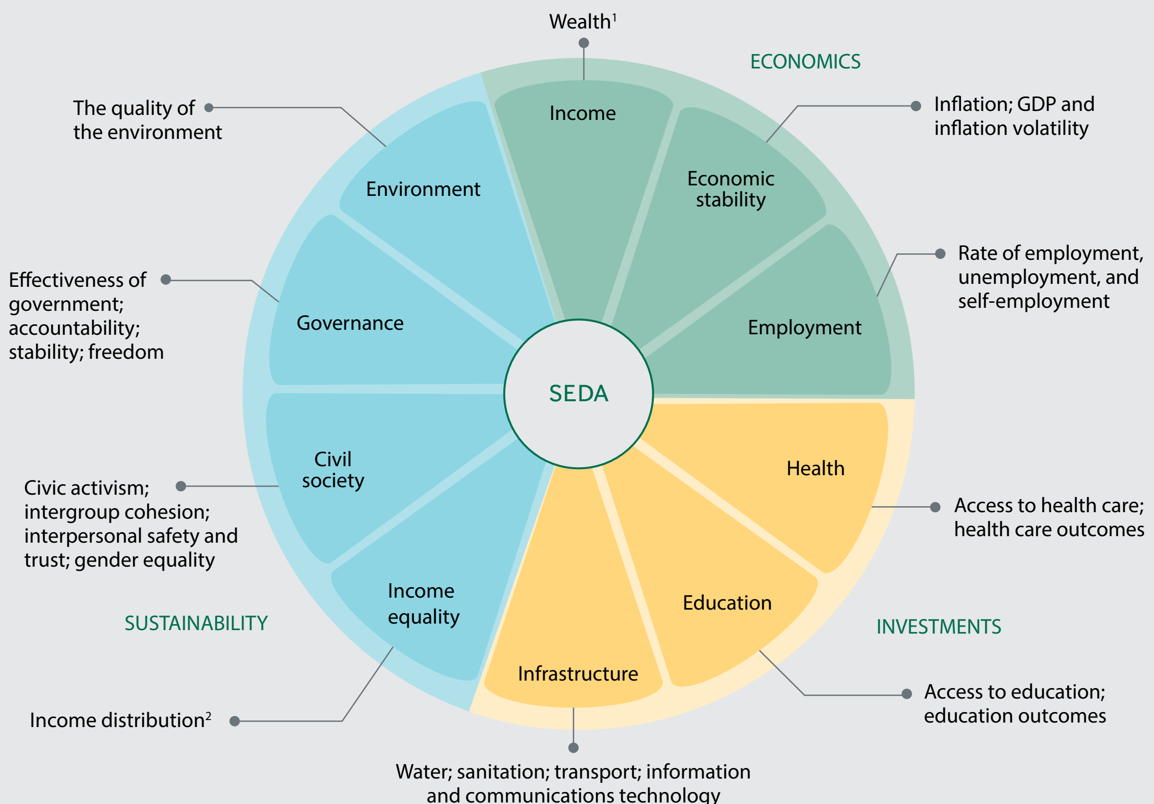
This report also presents other key findings from our latest SEDA data. Since launching SEDA, in 2012, we have used it to assess the relative performance and progress of countries around the world. This year, we find that some of the countries that generated healthy improvements in well-being also posted strong improvements in financial inclusion. These countries include India, Peru, and East African nations such as Uganda, Kenya, and Tanzania.

In fact, some of the most compelling solutions for broadening financial inclusion are being deployed not in the developed world, but in emerging economies. And in many cases, innovative solutions come from small startups and companies outside financial services. Large financial institutions that do not build financial inclusion strategies into their core business may miss out on a significant opportunity. Ultimately, they may find that the market landscape in some regions is remade in ways that leave them at a disadvantage.

DEFINING AND MEASURING WELL-BEING

SEDA DEFINES WELL-BEING THROUGH three elements that comprise ten dimensions. (See Exhibit 1.) The first element is *economics,* which gauges a country's performance in generating balanced growth through income, economic stability, and employment.

EXHIBIT 1 | SEDA's Ten Dimensions of Well-Being



Source: BCG analysis.
[1]Wealth is measured as GDP per capita (purchasing-power parity, current international $) for current-level scores, and GDP (constant local currency unit) for recent-progress scores.
[2]Income distribution is based on the Gini coefficient.

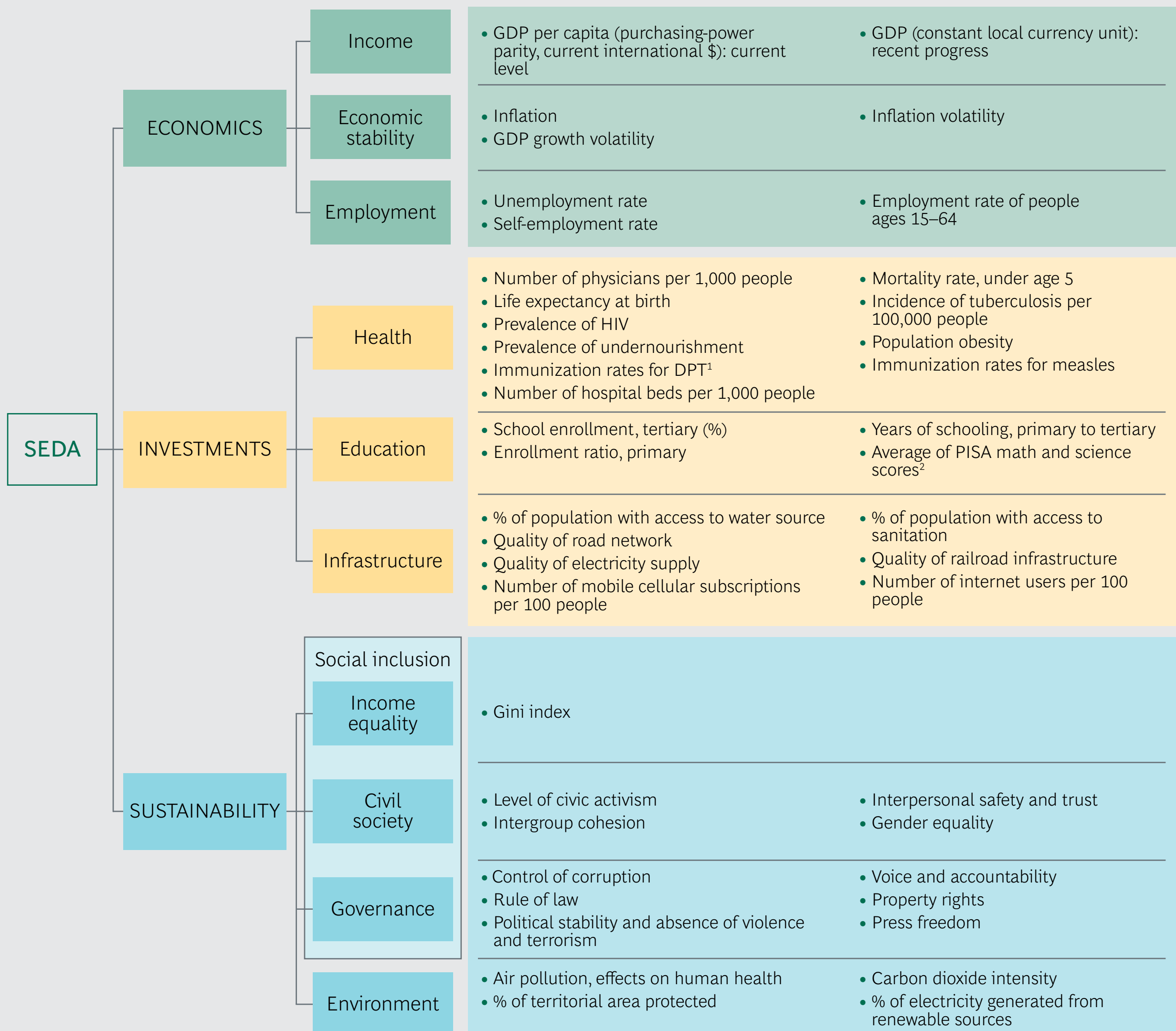
That balanced growth provides a basis for the country to invest in the other two elements.

The second element is *investments,* which 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" usually refers to the environment, but it can encompass issues related to social inclusion. In the SEDA sustainability element, we include both the environment dimension and social inclusion (which comprises the dimensions of income equality, civil society, and governance). A robust score in this element typically reflects sound policy decisions rather than large budgets. And strong performance here tends to increase a country's ability to sustain gains in well-being over time, while weakness in any of the dimensions can limit a country's well-being down the road.

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

Exhibit 2 | SEDA's Dimensions Are Measured Using 44 Indicators



Source: BCG analysis.
¹DPT = Diptheria, pertussis, and tetanus.
²PISA = Programme for International Student Assessment.

tracks how well-being has changed. For our 2016 analysis, we used data from 2006 to 2014. Current-level scores—both overall and by dimension—tend to be fairly stable, because they reflect decades of investment and development. Recent-progress scores tend to be more dynamic.

SEDA does not measure well-being in absolute terms: both current-level and recent-progress scores—overall and by dimension—are measured on a scale of 0 (lowest) to 100 (highest). The median scores for other countries in our data set can then be used to assess how a country stacks up in a given area against a peer group or the rest of the world.[1]

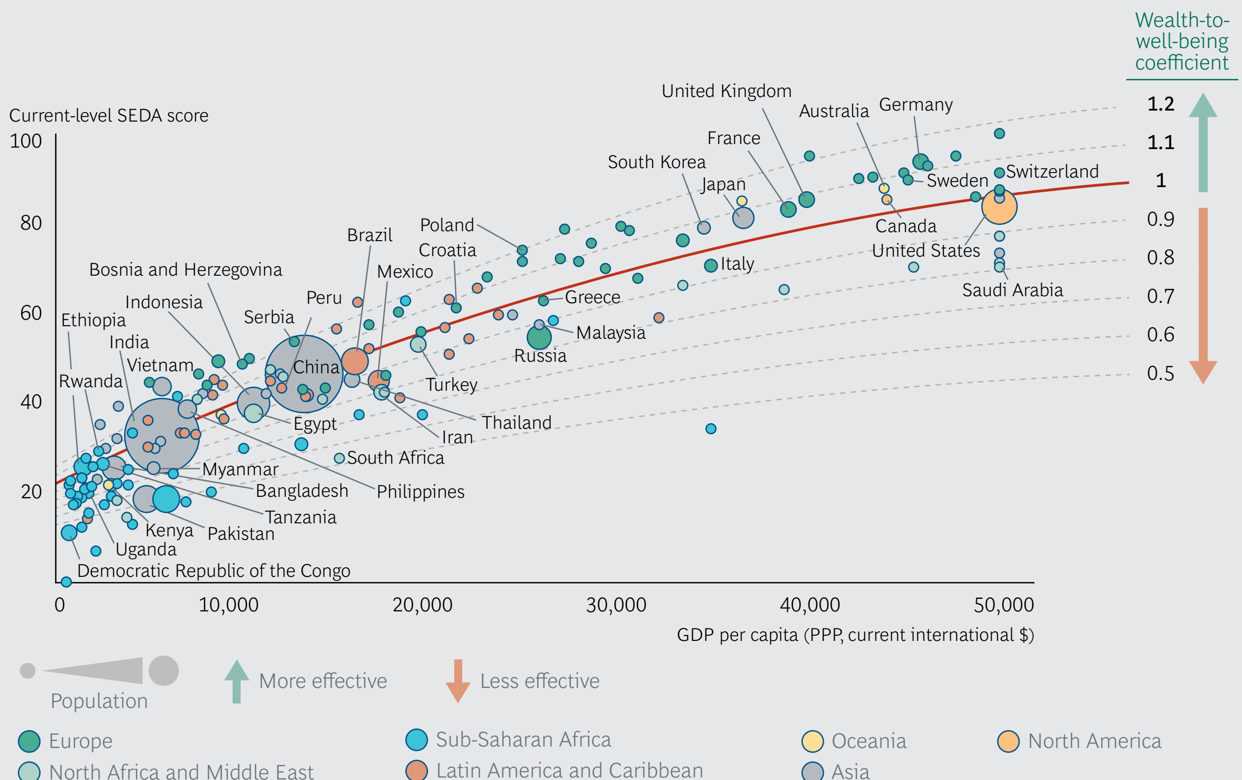
Of course, wealth has a direct bearing on well-being. SEDA examines this connection by looking at a country's current level of well-being relative to income levels and at recent changes in well-being relative to economic growth. These relationships are reflected in two metrics:

The *wealth-to-well-being coefficient* compares a country's current-level SEDA score with the score that would be expected given the country's GDP per capita. The expected current-level score is based on the relationship between GDP per capita and current-level well-being scores among all countries in our analysis. (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 than expected.

The *growth-to-well-being coefficient* compares a country's SEDA score for recent progress with

EXHIBIT 3 | Converting Wealth into Well-Being

GDP PER CAPITA VERSUS CURRENT-LEVEL SEDA SCORE



Sources: SEDA 2016; BCG analysis.
Note: The solid line is based on regression (polynomial 2nd order); the dotted lines are based on the regression line. Per capita GDPs of Qatar ($127,562), Luxembourg ($86,442), Kuwait ($84,188), Singapore ($76,236), Norway ($62,448), UAE ($57,044), Saudi Arabia ($52,067), Switzerland ($51,733), Hong Kong ($51,509), and US ($51,450) were adjusted to the maximum value of the matrix ($50,000).

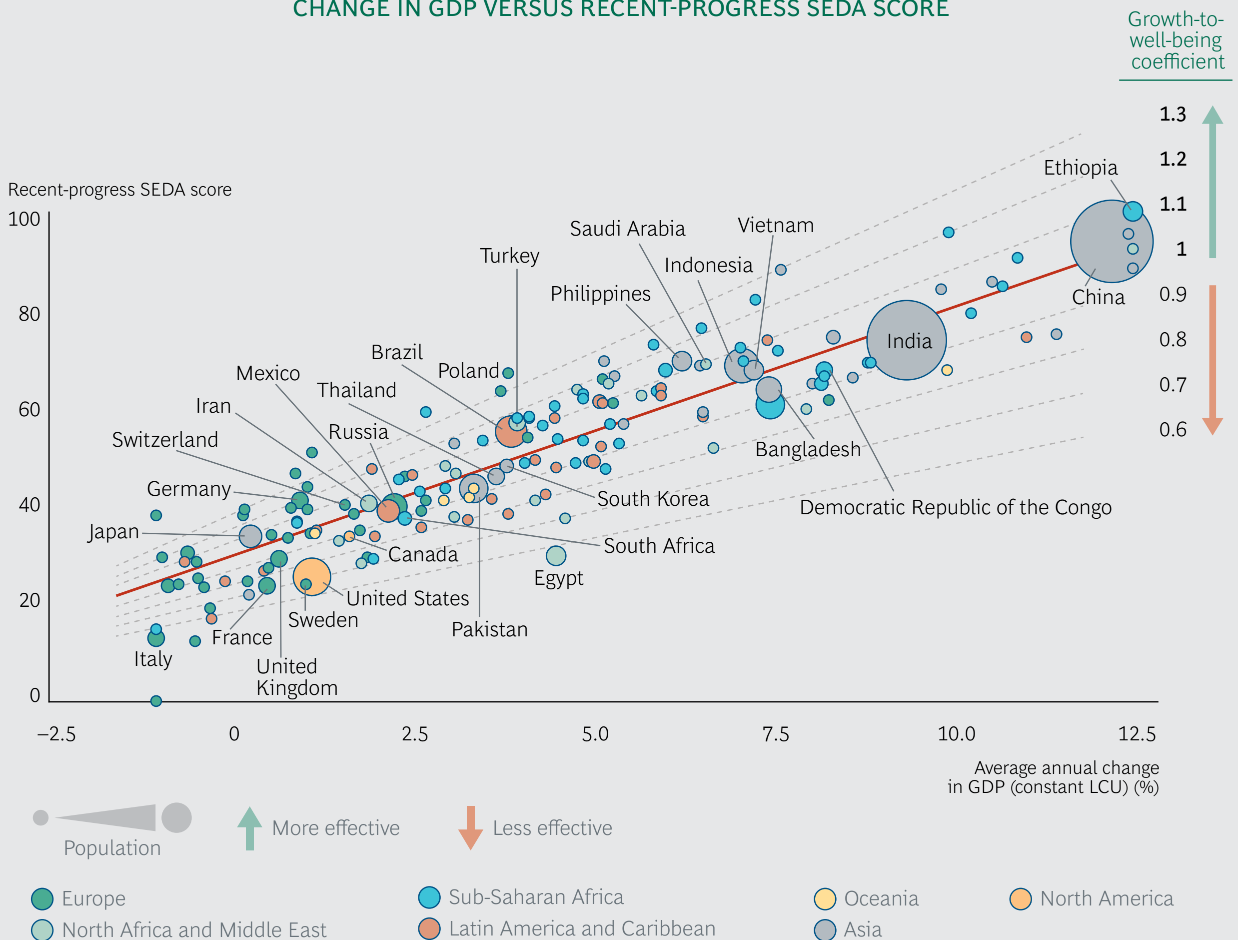
the score that would be expected given the country's GDP growth rate. The expected score is based on the average relationship between recent-progress scores and GDP growth rates during the same period for all countries. (See Exhibit 4.) The coefficient therefore shows how well a country has translated income growth into well-being improvements. As with the wealth-to-well-being coefficient, countries that sit above the solid 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 2014.

Because of the improved availability of data, particularly for Asia and Africa, 15 countries appear for the first time in this year's SEDA report, including Myanmar, Papua New Guinea, and Liberia. We excluded Libya this year owing to issues with the reliability of data. In total, the 2016 data set includes 162 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all entities as "countries." (See the Appendix for a more detailed discussion of our methodology.)

Note

1. Although we used a common scale, the distribution of countries differs in each of the two measures, with a median score of 43.8 for the current level and 49.1 for recent progress.

Exhibit 4 | Converting Economic Growth into Well-Being



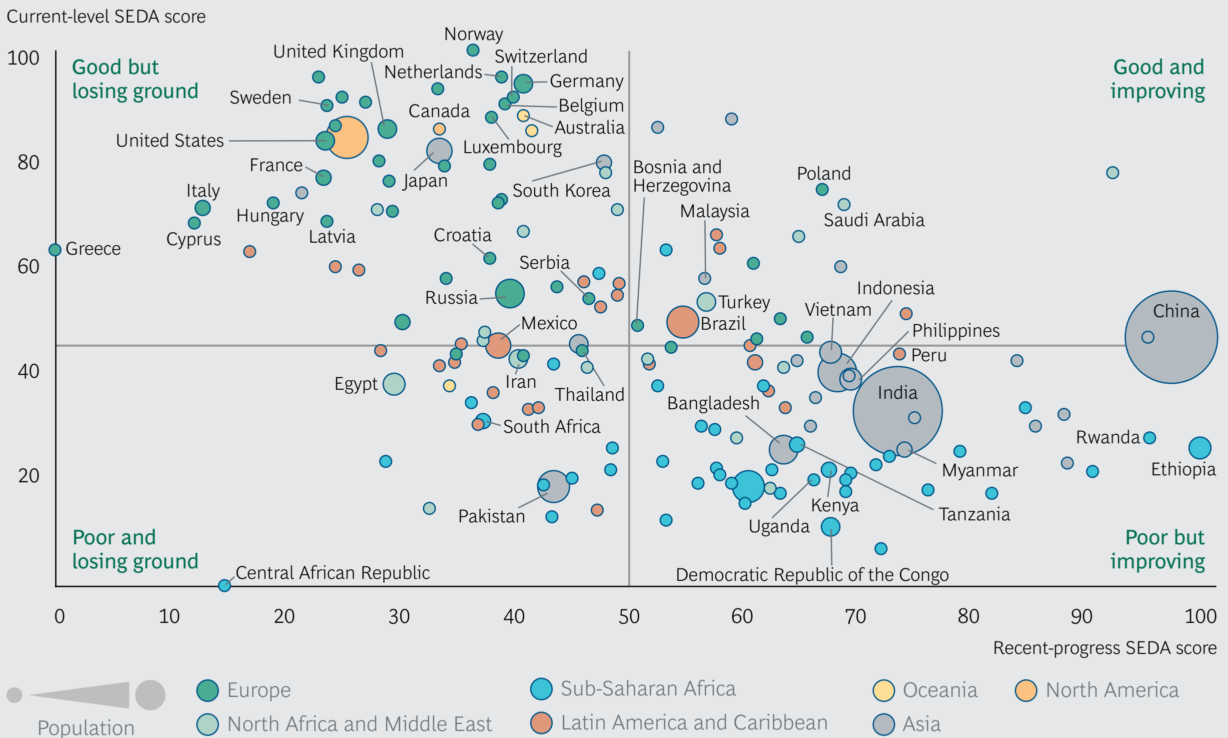
Sources: SEDA 2016; BCG analysis.
Note: The solid line is the linear regression; the dotted lines are based on the regression line. Outliers above 2.5 times standard deviation were limited to these maximum values. The x-axis reflects average annual change in GDP (constant local currency unit) from 2006 to 2014. LCU = local currency unit.

SEDA 2016 RESULTS

To understand how countries stack up in terms of well-being, and to see whether they are gaining ground or falling behind, it is helpful to examine both current-level and recent-progress SEDA scores.

Countries in the upper-left quadrant of Exhibit 5 have high current-level scores for well-being, but their recent-progress scores are below the median—meaning that they are in good shape but have been losing ground relative to the rest of the world. Those in the upper-right

Exhibit 5 | Countries That Are Improving and Those That Are Losing Ground



Sources: SEDA 2016; BCG analysis.
Note: The gray lines represent global medians.

quadrant have scores that are above the median for both current level and recent progress—their well-being levels are relatively high and have been improving. Those in the lower-right quadrant have relatively low current-level scores but recent-progress scores that are above the median—what we describe as weak but improving. Those in the lower left are the most challenged: they have poor current-level and recent-progress scores, meaning that they have relatively low well-being already and have been losing more ground.

The Winners—and Laggards—in Well-Being

Our 2016 data tells some familiar stories as well as some new ones.

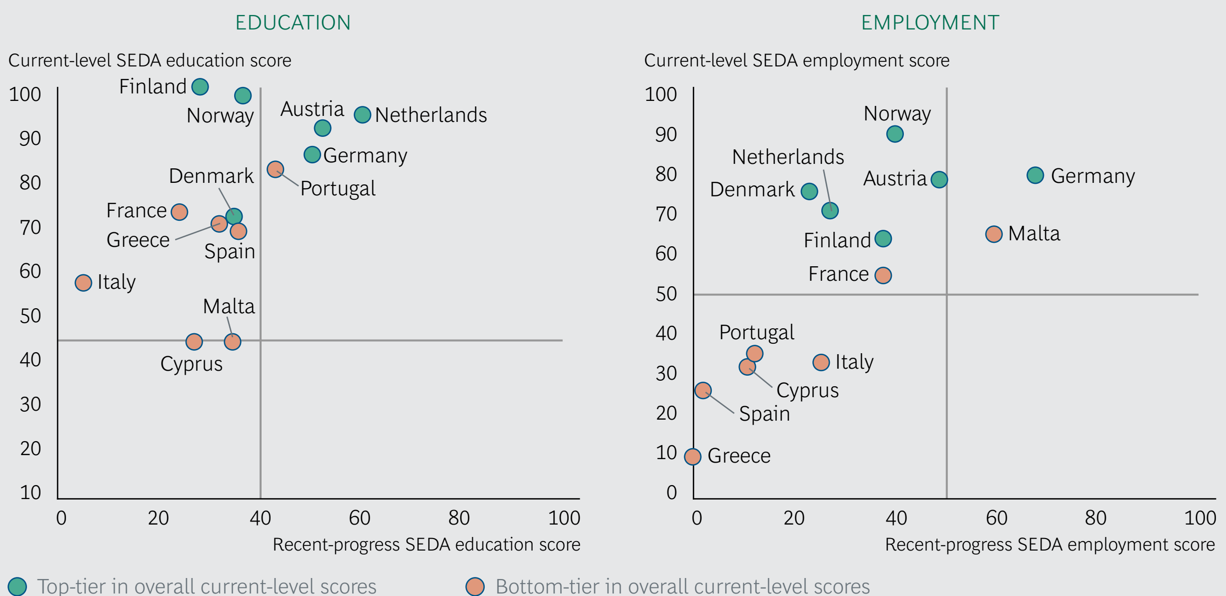
In terms of current well-being, the top ten countries are in Western Europe. Norway holds the top slot, as it has since we launched SEDA.

When it comes to countries that made the greatest strides in well-being, the list is dominated by countries in Asia and Africa. The country with the highest recent-progress score is Ethiopia, whose gains have been particularly strong in income and health. (See *Strategies for Improving Well-Being in Sub-Saharan Africa,* BCG Focus, May 2013.) Ethiopia's performance is emblematic of the gains in sub-Saharan Africa as a whole: 15 countries in the region are in the top quintile of recent-progress scores.

A number of Western countries, meanwhile, posted weak progress. Greece has the lowest recent-progress score among the countries we assessed. Not surprisingly, the country's recent-progress performance in economics is also the weakest in our data set.

To better understand the dynamics in Europe, we divided Western European countries into three tiers by overall current-level scores. The most striking differences between the high and the low groups are in the education and employment dimensions. The countries in the top group (Austria, Denmark, Finland, Germany, the Netherlands, and Norway) are well above the average of those in the bottom group (Cyprus, France, Greece, Italy, Malta, Portugal, and Spain) in both employment and education and made greater progress than the low-tier countries in both dimensions.[1] As a result, the gap between the top and bottom tier is growing. (See Exhibit 6.) The low-tier countries are also below the median in em-

Exhibit 6 | Education and Employment Are the Largest Differentiators Between the Top and Bottom Performers in Western Europe



Sources: SEDA 2016; BCG analysis.
Note: The gray lines represent global medians.

ployment and are falling further behind the rest of the world.

Among the new countries in our data set this year is Myanmar, which has seen a period of major political and economic reforms, culminating in the transition this year to the first elected government in more than five decades. Amid such changes, the country is experiencing a surge in interest from foreign investors. Myanmar's evolution is reflected in its SEDA scores. While the country's current-level score is in the second lowest quintile, its recent-progress score is in the top quintile. Progress has been particularly strong in health and income.

China continues to produce well-being gains in line with its economic growth.

Our 2016 results also reveal interesting regional shifts. In our inaugural 2012 SEDA report, seven Latin American countries had recent-progress scores in the top quintile. This year, that figure fell to two: Peru and Panama. Peru had particularly strong gains in employment and education but is in the third quintile of current-level scores.

Whereas in 2012 Brazil had the highest growth-to-well-being coefficient, the country has struggled with economic and political woes in recent years. It is hardly surprising that the country's recent-progress score fell from the first to the third quintile.

In last year's report, we noted an interesting finding related to recent progress. When we divided current-level scores into three categories—low, midlevel, and high—we found that countries in the middle group had generated the most progress. This was a troubling finding, because the need for improvement is greatest for countries with the lowest current-level scores. This year's results are more encouraging: countries in the bottom third of current-level scores have the highest recent-progress scores. This trend is evident in the relatively large number of countries in the lower right quadrant of Exhibit 5, primarily nations from sub-Saharan Africa and Asia.

Converting Wealth and Growth into Well-Being

SEDA allows us to control for wealth and growth when assessing well-being. Consequently, we can identify countries that are converting wealth or growth into well-being at above average rates. (See Exhibit 7.)

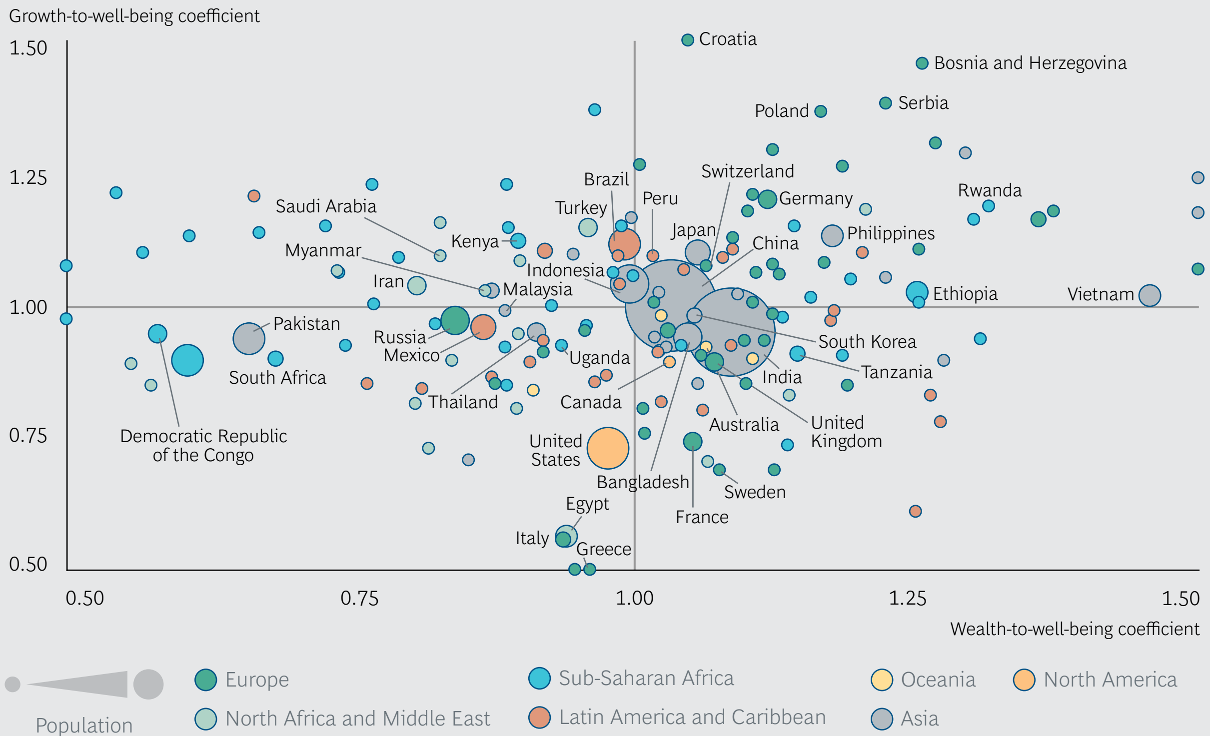
When it comes to converting wealth into well-being, a number of countries stand out. Among them are Vietnam, Rwanda, Albania, and Ethiopia. (See *Lotus Nation: Sustaining Vietnam's Impressive Gains in Well-Being,* BCG report, March 2016.)

Meanwhile, three Balkan nations are at the top in the conversion of growth into well-being: Croatia (which holds the number one position), Bosnia and Herzegovina, and Serbia. This performance reflects the ability of all three countries to generate steady progress during periods in which they experienced slower economic growth. Poland, which had the highest growth-to-well-being coefficient in 2015, continued its strong performance and is in the fifth spot this year.

China continues to produce well-being improvements in line with its economic growth—a solid performance given the country's relatively robust growth from 2006 to 2014. In fact, China is number two overall in recent progress. The country's gains have been well above the rest of the world's in the investments element—health, education, and infrastructure. But China continues to lag behind the median in the sustainability element—particularly in the environment dimension.

India also has a solid record when it comes to harnessing wealth and growth. The country has an above average wealth-to-well-being coefficient. India's overall progress, however, is slightly below what would be expected given its growth rate from 2006 to 2014. But considering the country's robust growth, its progress has been impressive. India is in the top quintile in recent progress owing to strength in the investments element, which includes health, education, and infrastructure.

EXHIBIT 7 | Wide Variation in How Countries Convert Wealth and Growth into Well-Being



Sources: SEDA 2016; BCG analysis.
Note: For purposes of graphical representation, the wealth-to-well-being and growth-to-well-being coefficients were adjusted to the minimum and maximum of 0.50 and 1.50, respectively, for Croatia (1.05, 1.73), Kyrgyz Republic (1.58, 1.24), Moldova (1.57, 1.07), Equatorial Guinea (0.45, 1.07), Sudan (0.49, 0.97), Cyprus (0.95, 0.46), Greece (0, 0.96), and Nepal (1.55, 1.17). The gray lines represent global medians.

Patterns Across Groups of Countries

Our 2016 analysis shows that most of the patterns we identified in 2015 persist—with some interesting variations.

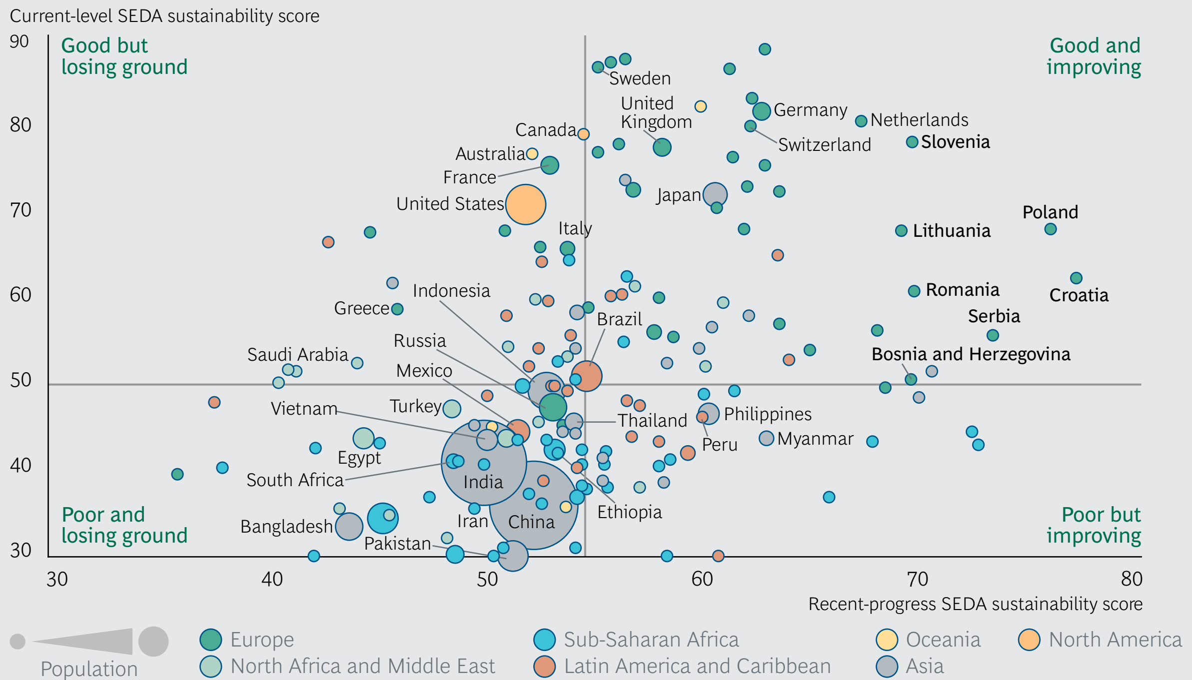
Last year, for example, we found that countries with high current-level scores in sustainability—which comprises income equality, civil society, governance, and environment—made the greatest progress in that element. Countries with low current-level sustainability scores posted recent progress in the element below the median and so were falling further behind. This year, the pattern continues, with particularly strong gains by Eastern and Central European countries. (See Exhibit 8.) The strong performance among some of those countries reflects changes that were in part a result of recently joining or trying to join the EU. (See the sidebar "The EU Sustainability Advantage.")

This year, most oil-rich countries (those that earn rents from oil that represent more than 10% of GDP) were again below average at converting both wealth and growth into well-being. In our 2015 and 2016 analyses, the current-level score for this group lagged behind the rest of the world's significantly in the governance dimension. In this year's analysis, the group also underperformed in the economic stability dimension, a result that is likely connected to the plunge in oil prices in the second half of 2014.

The tension between economic growth and the environment continues to be evident in our analysis. This year and last, we found that countries with faster economic growth tended to have much lower recent-progress scores in the environment. (See Exhibit 9.) China, for example, posted strong economic growth from 2006 to 2014 but has a weak current-level score in the environment and is continuing to fall behind in that dimension.

Our research also continues to highlight the impressive advances in sub-Saharan Africa. Whereas in our 2015 and 2016 analyses the

EXHIBIT 8 | Countries in Central and Eastern Europe Are Making Good Progress in Sustainability



Sources: SEDA 2016; BCG analysis.
Note: For purposes of graphical representation, current-level and recent-progress sustainability scores were adjusted to the minimum of 30 for Central African Republic (42.2, 21.8), Chad (58.4, 29.9), Haiti (60.7, 23.7), Lesotho (50.4, 27.2), and Pakistan (51.3, 29.3). The gray lines represent global medians.

THE EU SUSTAINABILITY ADVANTAGE

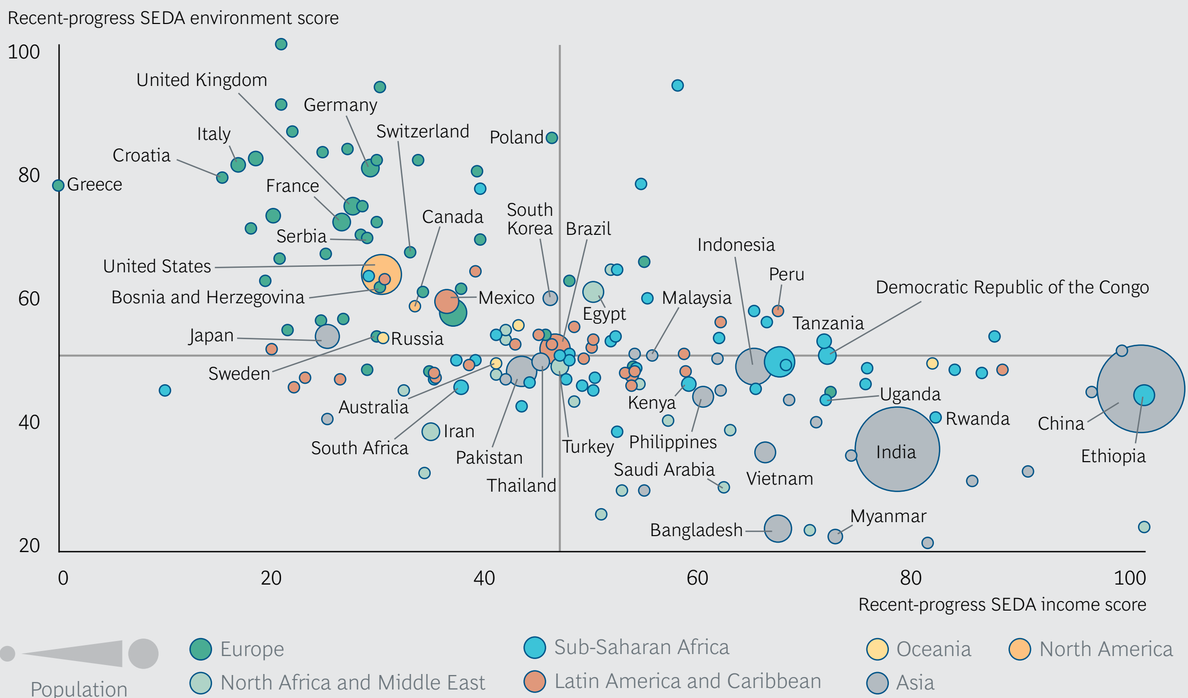
Seven European countries have made particularly good progress on SEDA's sustainability element. All of them have recently joined or are on the path to joining the EU: Poland, Lithuania, and Slovenia (all joined in 2004), Romania (2007), Croatia (2013), and Serbia and Bosnia and Herzegovina (in the process of joining).

To understand the relationship between performance in sustainability and EU membership, we looked at the overlap between our sustainability dimensions and EU requirements. Three sustainability dimensions—environment, governance, and civil society—are covered by EU rules. EU members, for example, must meet environmental protection requirements such as those related to air and water quality and protection of natural habitats; they must maintain the rule of law; and they must institute measures to ensure the protection of minorities.

It is hardly surprising, then, that nearly all of the seven countries had recent-progress scores above the median in environment, governance, and civil society. With the exception of Romania in civil society and Slovenia in governance, all seven countries are above the median in all three dimensions.

Certainly, many European countries have strong performance in the SEDA sustainability dimensions and are not part of the EU, such as Norway and Switzerland. But for countries looking to join the union, there is clear evidence that EU policies and governance standards drive real improvements in critical areas related to the well-being of citizens. This point is particularly interesting during a period of challenges for the EU, including the refugee crisis and the UK's recent vote to exit.

EXHIBIT 9 | Strong Economic Growth Often Comes at the Expense of the Environment



Sources: SEDA 2016; BCG analysis.
Note: The gray lines represent global medians.

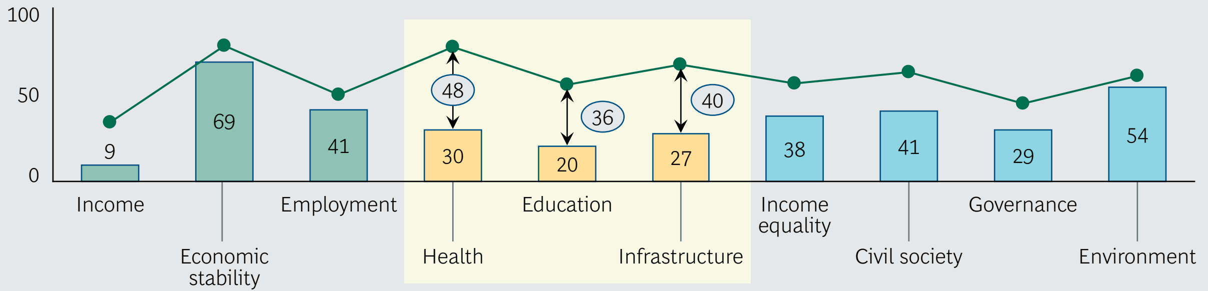
current-level scores for sub-Saharan African countries were substantially lower than the median for the investments element—health, education and infrastructure—the picture is brighter when we look at recent progress. Last year, those countries posted gains in line with the median in education and infrastructure and were well above the median in health. This year, the group continues to outpace the median significantly in health and is slightly above the median in education. In infrastructure, the region again shows improvements, matching the median. (See Exhibit 10.)

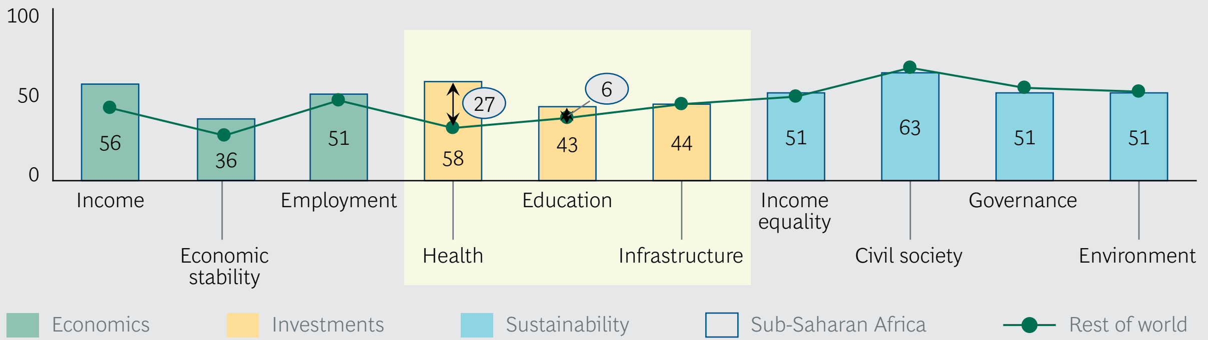
This year, we took a closer look at infrastructure. Infrastructure continues to be an area of critical importance, as the 2014 establishment of the Asian Infrastructure Investment Bank demonstrates. And it repeatedly emerges in our SEDA research as central to the progress of many countries. (See *Unlocking Nigeria's Potential: The Path to Well-Being,* BCG report, April 2016.)

We divided countries in our data set into three groups according to current-level infrastructure scores: high, midlevel, and low. We found that countries with high current-level infrastructure scores did not post high recent-progress scores in that dimension—not surprising, given that they generally did not have as much room for improvement. Countries in the middle group made the most progress in infrastructure, particularly in internet connectivity. (See Exhibit 11.) The gains for the midlevel group outstripped those for the low group. The countries in the bottom group struggled in particular in the area of electricity supply. The fact that countries with the biggest infrastructure gaps did not make much progress has major implications for financial inclusion, as we discuss below.

NOTE
1. The midlevel tier included Belgium, Iceland, Ireland, Luxembourg, Sweden, Switzerland, and the UK.

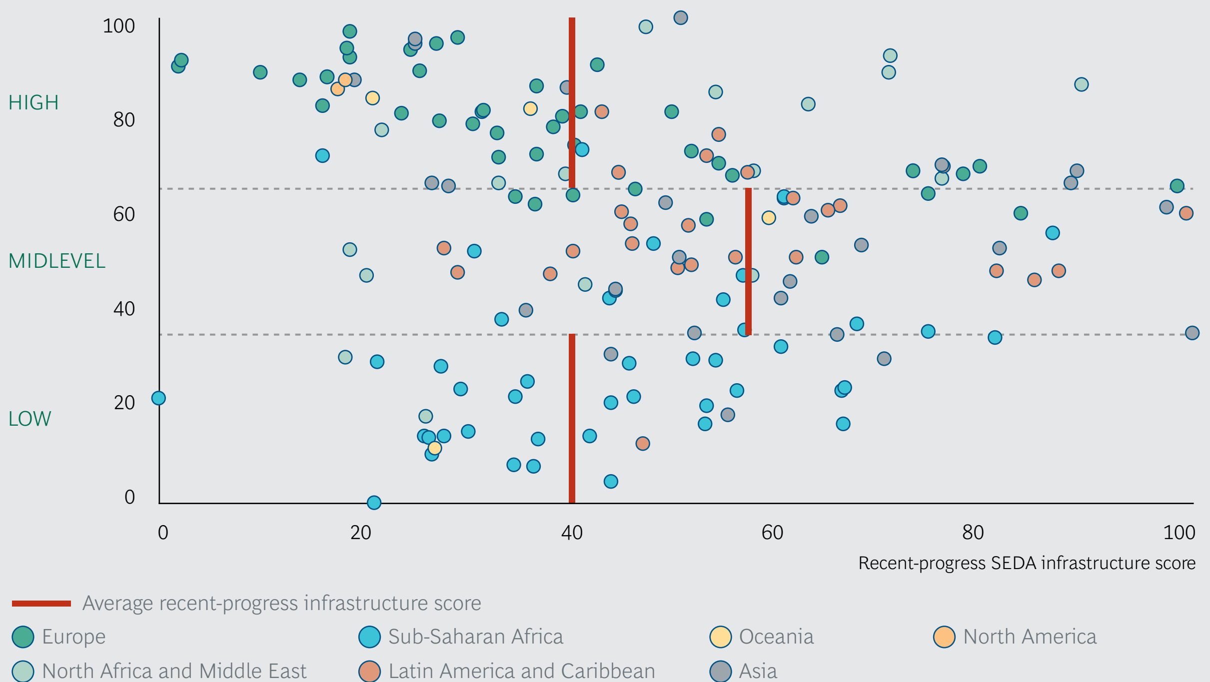
EXHIBIT 10 | Countries in Sub-Saharan Africa Are Making Big Gains in Health





Sources: SEDA 2016; BCG analysis.
Note: All scores shown are medians.

EXHIBIT 11 | Countries with the Biggest Infrastructure Challenges Are Not Making the Most Progress



Sources: SEDA 2016; BCG analysis.

FINANCIAL INCLUSION AND THE LINK TO WELL-BEING

As we continue to gain insight into the factors that underpin improvements in well-being, we have taken a close look at the area of financial inclusion. Significant gains are being made around the world in financial inclusion. And those gains, which are enabling people to participate more fully in the economy, are likely to have positive ripple effects.

What Matters Most in Financial Inclusion

The most basic financial service to which an individual can have access is an affordable financial account. Such accounts give people a safe way to deposit money, receive salary and other kinds of payments, and transfer funds to relatives.

We rely on the World Bank's summary measure of financial inclusion: the percentage of individuals over the age of 15 who have a financial account, either a bank or a mobile-money account. Mobile-money accounts are typically provided by telecommunications companies and allow users to do things like transfer funds.[1]

Certainly, financial services beyond access to a bank account are important. The ability to borrow money is one of them, and the rapid growth of microcredit has allowed previously underserved groups to do that. However, providing access to basic banking services is a crucial first step in financial inclusion, and expanding that access has already affected many more people than increased lending has.

Global Improvements in Financial Inclusion

According to the World Bank, from 2011 through 2014 the number of people with access to financial accounts rose more than 25%, from 2.5 billion (51% of the world's adult population) to 3.2 billion (62%).

Progress, however, has not been uniform globally. Over the past decade, significant gains in financial inclusion have been made in East African countries such as Kenya, Uganda, and Tanzania. The growth in mobile accounts represents much of those gains. India and China have also made major strides. From 2011 to 2014, 185 million people in India and 188 million people in China became first-time bank account holders.

In many countries, the financial inclusion challenge is one of breadth—giving as many people as possible access to basic financial services. In wealthier countries, the challenge is one of depth—providing disadvantaged groups with financial services beyond very basic options and improving their usage rates. A key to achieving both goals is often the affordability of services.

Among developed countries, the US made notable gains from 2011 to 2014, with the percentage of those over the age of 15 with an account jumping from 88% to 94%. This now puts the US in line with countries such as Korea—but behind developed nations such as Canada, the UK, and Australia, where the rate is above 98%.

Despite recent progress in the US, significant gaps in financial inclusion persist. Whereas the unbanked rate for the entire country is 6%, the rate in some states is more than twice that level. For example, Mississippi's unbanked rate—the worst of all 50 states—is 14.5%, and Louisiana's is 13.9%.[2] The unbanked are often low-income people who cite hefty bank fees as an obstacle to holding an account. Privacy concerns and the lack of appropriate identification (unlike many countries, the US has no national ID system) are also barriers. And the issues related to access to basic banking services are only the tip of the iceberg; the insufficient depth of services available to many groups is even more of a challenge.

How Financial Inclusion Contributes to Well-Being

As financial inclusion expands, what does this mean for well-being?

Nobel laureate in economics A. Michael Spence argues that financial inclusion has many positive effects. "There are other things that go along with [financial inclusion], things such as having an identity, being able to legally own property and borrow with the property as collateral," Spence notes. "The absence of those things, including access to a bank account and the ability to borrow, are elements of non-inclusiveness. It's almost as if, in some countries and societies, there are a bunch of people who can't join the modern economy because they don't have the most fundamental tools." (See *How Governance Drives Well-Being,* BCG interview, March 2016.)

The importance of financial inclusion is also reflected in the UN's Sustainable Development Goals (SDGs), adopted in the fall of 2015. Overall, topics covered by the SDGs overlap with SEDA's ten dimensions. And a number of SDGs, including those related to poverty reduction, gender equality, and economic growth, cite financial inclusion as an important factor.

Our SEDA analysis provides further evidence of the importance of financial inclusion, finding a clear and measurable association between financial inclusion and well-being. (See Exhibit 12.)

This connection makes sense. Wealthier countries have more resources to invest in areas that support well-being. And given that financial inclusion tends to be higher in wealthier countries, it follows that countries with more financial inclusion would also have higher levels of well-being.

Our analysis finds a strong link between financial inclusion and well-being.

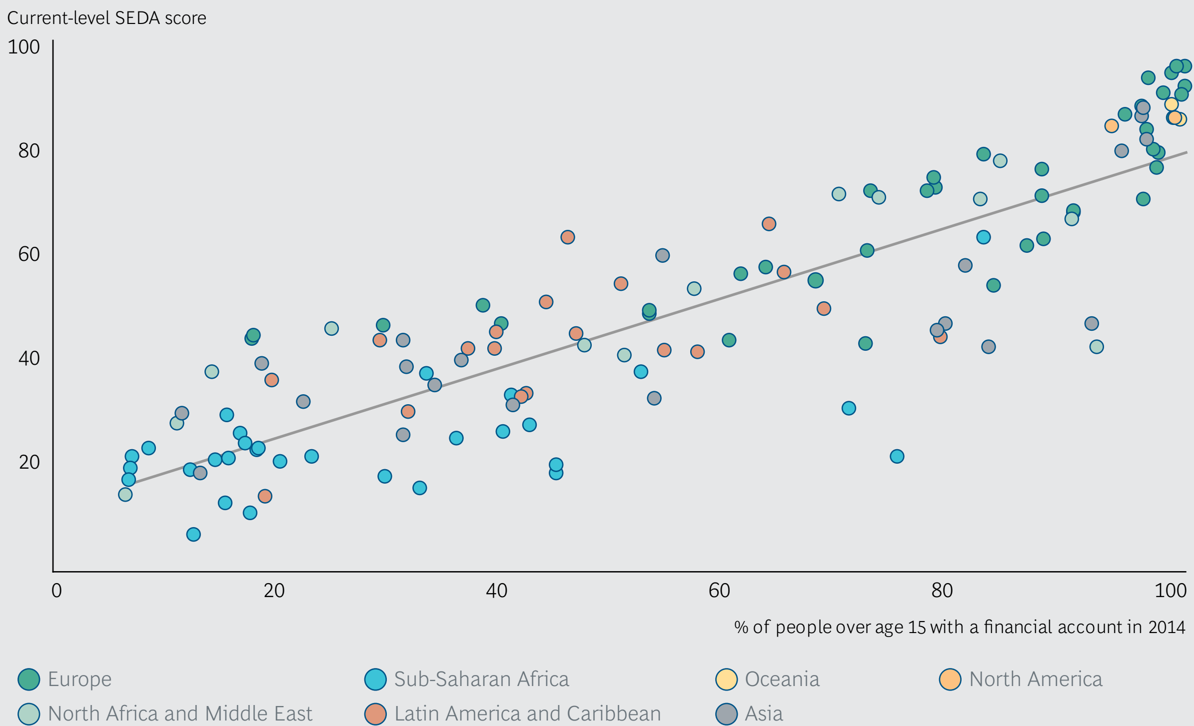
No surprise, then, that when we look at SEDA's ten dimensions we also see a link between income and financial inclusion. The rate of financial inclusion in some countries, such as India, Rwanda, Serbia, and South Africa, is well above what one would expect given their income levels. Overall, however, higher income levels tend to be associated with greater financial inclusion.

But more significant is our finding that even when we control for income, we see a clear and measurable relationship between financial inclusion and well-being. This means that among countries with the same income level, those with higher levels of financial inclusion are likely to have higher levels of well-being. Our analysis suggests that financial inclusion accounts for 11% of the difference in well-being among countries—above and beyond what can be explained by differences in income levels. (See the Appendix for the details of this analysis.)

Why would this be?

The logical answer is that financial inclusion is linked to many aspects of well-being that

EXHIBIT 12 | The Clear Link Between Financial Inclusion and Well-Being



Sources: World Bank FINDEX data; SEDA 2016; BCG analysis.
Note: Includes 127 SEDA countries for which FINDEX data is available for 2011 and 2014.

have little to do with income. Our analysis found that three other SEDA dimensions have a particularly strong association with financial inclusion: civil society, governance, and infrastructure. And those associations hold even when we control for income.

Our analysis does not uncover causal relationships between these dimensions and financial inclusion. But the link between the dimensions and financial inclusion lines up with the insights and understanding of financial inclusion experts.

Take civil society. Electronic banking, for example, minimizes the amount of cash that small businesses and individuals hold, potentially reducing the risk of robbery and violence. As a result, improvements in financial inclusion that involve digital services are likely to have a positive impact on personal safety, a measure in our civil society dimension. "Digital financial services improve the physical safety of people who handle cash as part of their business," says Leora Klapper, a lead economist in the Development Research Group at the World Bank. "That has a profound impact on people's lives." (Quotations in this report come from our interviews with experts in financial inclusion.)

In addition, the connection between financial inclusion and gender equality (also captured in our civil society dimension) is well recognized. The relationship runs in both directions. If a woman has a bank account, she has some independence—boosting gender equality. At the same time, low levels of gender equality, which might restrict a woman's right to open an account on her own, are likely to be a drag on financial inclusion overall. (See the sidebar "The Benefits for Women of Financial Inclusion.")

The link between governance and financial inclusion is also understandable. Electronic payments for public-sector employees, for example, can eliminate the potential for funds to be siphoned off improperly, cutting down on corruption (part of the SEDA governance dimension). In 2010, when the government of Afghanistan began using mobile accounts to pay police officers, the officers thought they had received a 30% raise. Their pay had not

THE BENEFITS FOR WOMEN OF FINANCIAL INCLUSION

When it comes to women's access to affordable financial services, the challenges remain significant. Addressing them will not only help women directly but also yield major social and economic benefits. "There is no such thing as women's empowerment without financial inclusion," says Sevi Simavi, the CEO of the Cherie Blair Foundation for Women.

The gender equality issue is a global one. According to the World Bank, in 2014 65% of men and 58% of women worldwide had a financial account—a gap that had not changed over the previous three years. That disparity is greater in the developing world. And in regions such as South Asia, the Middle East, and North Africa, women are about 40% less likely than men to have an account.

Laws, as well as social and cultural norms, contribute to the problem. Experts say that in developing countries girls are often not registered at birth, which makes it difficult for them to get an ID later. The World Bank reports that in some countries women cannot obtain a national ID using the same process a man does—a barrier to opening an account. In fact, one in six unbanked women cites lack of an ID as the reason for not having a bank account. And in countries such as Pakistan and the Democratic Republic of Congo, women face restrictions on their ability to do things like open a bank account and borrow money.

Improvements in financial inclusion—and in particular access to digital financial services—could improve the position of women worldwide. The ability to receive deposits and make payments without handling cash can improve women's safety. It can also give them more control of household finances in countries where women are expected to hand over the cash they earn to male family members. Research by the World Bank has found that in a number of countries, including Brazil, China, India, South Africa, and the United Kingdom, when women have more control over family finances, children benefit, because more money is spent on food and education. "When women have financial autonomy, the entire household benefits," says the World Bank's Leora Klapper.

Expanding women's access to financial services is also a major business opportunity. In emerging markets, 30% to 37% of all small and midsize businesses—or 8 to 10 million companies—have at least one female owner. These businesses have unmet financial needs in excess of $260 billion. And lending to women can pose less risk. The Global Banking Alliance for Women aggregated data from 15 banks across five continents and found that loans made to women had lower default rates than those made to men. It's easy to see, then, how increasing financial access among women is smart business.

changed, however—they were simply receiving their full salaries.[3]

The relationship also goes in the other direction, with better governance expanding financial inclusion. Take the rule of law, also included in our governance dimension. "When courts don't work well, financial institutions are less willing to lend because they have little recourse if borrowers default," notes Elisabeth Rhyne, the managing director of the Center for Financial Inclusion at Accion. Conversely, when the rule of law is strong, lenders are more confident, and they can expand the range of borrowers they serve.

More broadly, good governance is likely to be associated with regulatory frameworks and consistent policy implementation that support the expansion of financial services and, hence, financial inclusion.

The connection between infrastructure and financial inclusion is even more straightforward. In this case, it is likely that strong infrastructure is the driver of gains in financial

inclusion. That's because reliable electricity, access to the internet, and well-developed mobile-phone networks—all of which are captured in the SEDA infrastructure dimension—have been crucial tools for expanding access to financial services in many emerging economies.

The strength of telecommunications networks is particularly important. In many parts of the developing world—as well as in rural areas in developed economies—brick-and-mortar bank branches do not make economic sense. In such areas, mobile phones and, more recently, internet-connected smartphones have transformed the financial services market, allowing people to connect to financial service providers.

To explore the role of infrastructure in driving improvements in financial inclusion, we divided the countries in our dataset into three groups—high, midlevel, and low—based on SEDA 2012 current-level infrastructure scores. We then looked at the average financial inclusion gains for each group from 2011 through 2014.[4] (See Exhibit 13.)

Not surprisingly, countries in the top group—those with strong infrastructure and therefore generally high levels of financial inclusion—did not generate large percentage point gains in financial inclusion. It was the midlevel group that made the biggest strides in financial inclusion. The upshot: countries with poor infrastructure are struggling to expand access to financial services, even though they need the most improvement in this area.

Notes

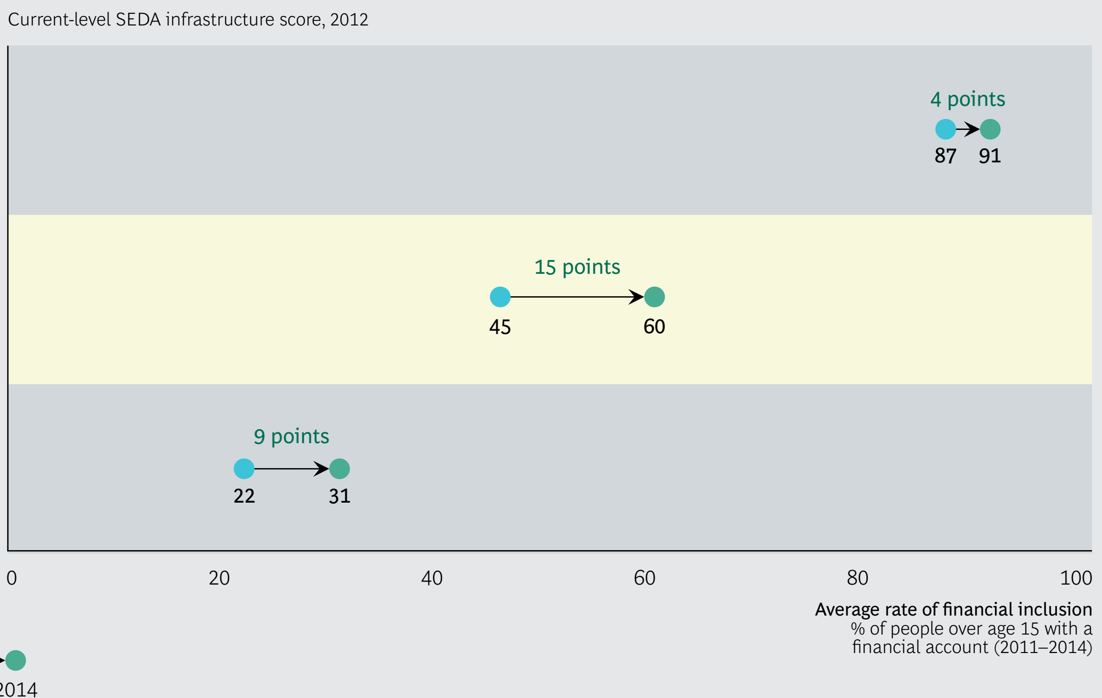
1. See the World Bank's Global Findex database on financial inclusion. The 2011 Findex numbers do not include mobile accounts. This has an impact on the percentage change in financial inclusion that is significant for only a few countries.

2. These figures are from the FDIC, *2013 National Survey of Unbanked and Underbanked Households.*

3. See USAID, U.S. Global Development Lab, *Digital Finance,* 2014.

4. The three groups are based on SEDA 2012, which uses 2011 data for current-level infrastructure scores. Financial inclusion gains are based on the World Bank's Findex share of people over the age of 15 with a financial account.

Exhibit 13 | Infrastructure Challenges Limit Progress in Financial Inclusion



Sources: World Bank FINDEX data; SEDA 2012; BCG analysis.
Note: Data is based on 127 SEDA countries for which FINDEX data is available for 2011 and 2014. Numbers have been adjusted because of rounding.

DRIVING PROGRESS IN FINANCIAL INCLUSION

For decades, most efforts to expand financial inclusion have been spearheaded by NGOs such as Accion and Grameen Bank and have focused on microfinance.

The real step change in recent years has been the result of a larger contribution from the private sector. Regulators, understanding the ability of the private sector to expand financial access in a sustained and scalable way, are enabling those efforts. And donors, including philanthropies, are increasingly partnering with private players to achieve meaningful progress.

Recent gains in financial inclusion come from more private-sector involvement.

The Bill & Melinda Gates Foundation, for example, partners with the private sector in a number of ways. The foundation is funding a MasterCard Lab for Financial Inclusion in Kenya aimed at coming up with innovative approaches and has provided a grant to the Catalyst Fund, which provides capital to digital financial services startups. "When your goal is to have the biggest impact on the most people as quickly as possible, collaborating with the private sector is a must," says Rosita Najmi, a program officer at the Gates Foundation. "The private sector knows how to iterate and innovate and thus affords a unique opportunity of learning and experimentation that can leverage public and philanthropic dollars toward advancing both access and usage in a sustainable way."

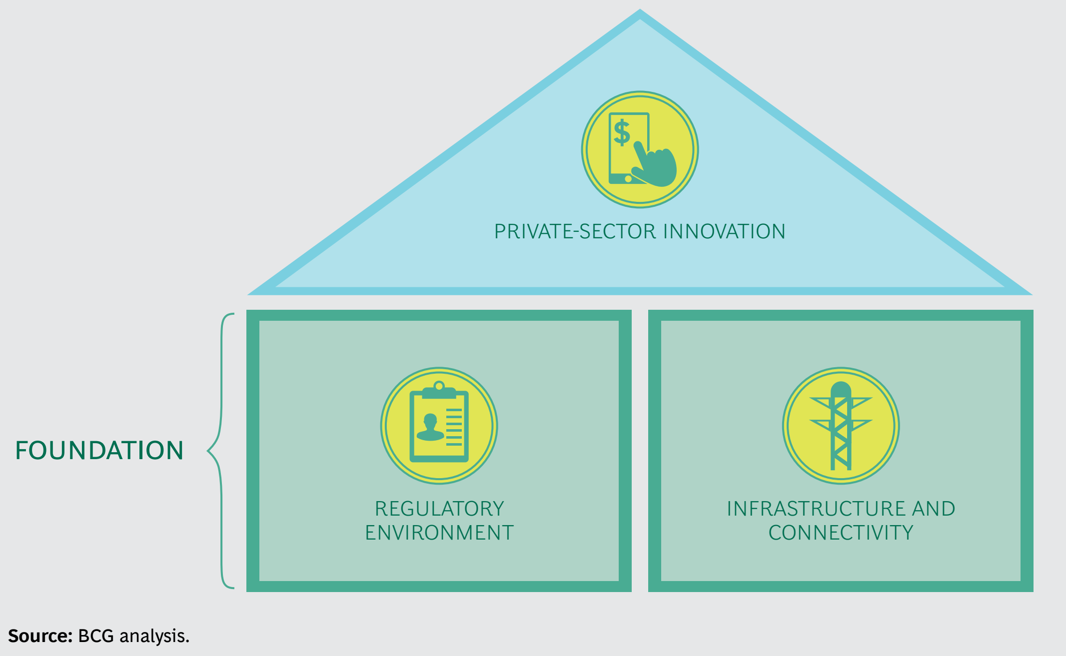
The private sector's recent focus on financial inclusion reflects the profit potential in targeting underserved groups using new technology and low-cost business models. These efforts are less about enhancing the corporate image and more about building the core business to boost the bottom line.

Building the Foundation for Access to Affordable Financial Services

Any real momentum in financial inclusion requires a solid foundation that consists of two building blocks: a sound and flexible regulatory structure and a robust infrastructure. (See Exhibit 14.)

The right regulatory environment—one that promotes innovation and competition while safeguarding consumers and the integrity of the financial system—can set the stage for impressive gains in financial inclusion. The key is to find the balance between allowing the market to develop on its own and providing the appropriate foundation, rules, and

EXHIBIT 14 | Smart Regulation and Solid Infrastructure Support Innovation to Expand Financial Inclusion



Source: BCG analysis.

oversight. (See the sidebar "The Power of Smart Regulation.")

The importance of infrastructure—clearly demonstrated in all our SEDA analyses—can't be overstated. Reliable electricity and telecommunications networks are crucial, as is a well-functioning payment infrastructure. A country typically has multiple payment systems, such as those for interbank fund transfers and for card processing. Those systems must be ubiquitous—so that they can reach everyone—interoperable, and secure, a critical factor in an era of continual cyberthreats.

The public sector is central to the creation of the foundation for expanding financial inclusion. Government, after all, is responsible for developing a smart regulatory approach. And government plays a primary role in supporting the development of robust infrastructure, whether through direct public investment or the establishment of a framework that drives private investment.

The private sector must also contribute to building that foundation. The establishment of a regulatory framework, for example, should be the result of an ongoing dialogue between the public and private sectors. "We would be much further along in financial inclusion if there was more open, ongoing, constructive conversation between private-sector innovators and regulators," says Coenraad Jonker, the head of digital banking for Asia and Africa at Commonwealth Bank, an institution that puts financial inclusion at the heart of its strategy. At the same time, the private sector often takes a leading role—either through direct investment or by participating in public-private partnerships—in building telecommunications networks, payment systems, and other important infrastructure components.

Unleashing Private-Sector Innovation

Once the foundation of smart regulation and reliable infrastructure is in place, the private sector can drive rapid innovation to expand financial inclusion. This effort requires an ecosystem of financial service providers, both established and new, that includes not only banks and insurance companies but also telecommunications companies. These financial service providers, along with an expanding pool of technology companies, are developing new tools such as biometric voice-authentication software and apps that let people make

THE POWER OF SMART REGULATION

Regulations can support—or strangle—private-sector innovation. When it comes to financial inclusion, five guidelines can help create a supportive regulatory environment.

First, governments should not rush to regulate dynamic environments. Premature regulatory action can stifle them. Effective regulation that is designed once market development has taken off can avoid interfering with innovation while still protecting the public interest.

Second, where possible, regulation should be focused not on specific rules for how things are done but on the desired result. For example, know-your-customer rules, which are critical to combating money laundering and terrorism financing, should not prescribe a specific kind of identification, such as a signature card. Rather, they should simply require financial institutions to know the identity of their customers and allow latitude in how that is achieved.

Third, regulation should not be one-size-fits-all. For example, the scrutiny of transactions involving account holders in rural areas with small sums of money should not be identical to that required of customers with large sums of money.

Fourth, competition policy should encourage new entrants and innovation. It should require interoperability between services—when clear obstacles to this exist—and it should level the playing field, treating similar services identically regardless of the provider. The ground rules for competition must be capable of changing as the environment changes or as new business models emerge.

Fifth, in some cases regulators and government must play a larger role in facilitating the development of the market. In many countries, for example, the lack of a national identification system hampers the development of the financial services market. "The single, most helpful thing a country can do to advance financial inclusion is to make sure there is a national, biometric ID system," says Coenraad Jonker, the head of digital banking for Asia and Africa at Commonwealth Bank. That is the sort of initiative that requires concerted government action. In other instances, regulators may need to require different payment systems to be interoperable in order to prevent a fractured and inefficient financial system from taking root.

ATM withdrawals using a smartphone. These new technologies allow companies to create new, low-cost business models that do not rely on physical branches and large numbers of employees. As a result, companies can profitably serve customers that previously would have been too expensive to reach.

The pace of such innovation is reflected in an explosion of equity funding in the financial technology sector. In 2015, $22 billion was invested in privately held financial technology startups, up from just $4 billion in 2011.

A myriad of factors specific to a country, including the regulatory environment, cultural norms, the quality of connectivity, and existing financial services infrastructure, determine what business models work best.

We have examined four countries where players have experimented with new approaches to expanding financial inclusion: Kenya, South Africa, India, and Peru. These experiences highlight how various factors influence what works and what doesn't. And they make plain that approaches that are effective in one country are not always transferable to others. Therefore, multinational banks focusing on financial inclusion often must reinvent their business model for each market they enter.

Kenya: a telecommunications company fills in the gaps. At the turn of this century,

Kenya, like many countries, had low levels of financial inclusion and a relatively unsophisticated financial system. Telecommunications company Safaricom addressed the need for financial services, launching the mobile-phone-based money transfer and microfinance service M-Pesa in 2007.

The service took off thanks in part to the way it leverages the large number of small shops throughout Kenya. M-Pesa allows people to transfer funds and to withdraw cash from their account at participating retail shops throughout the country. And Kenya's limited banking infrastructure and Safaricom's ability to operate without the constraint of banking regulations gave the company significant flexibility.

> Approaches that work in one country don't always work in another.

In just four years, M-Pesa was adopted by 70% of adults—and for many of those users it was their only account. The widespread use of the service has raised some issues, including the need for competition, interoperability, and security. But the success of the service illustrates how unfettered innovation can address major gaps in the financial system.

South Africa: banks link with big retailers using new technology. South Africa has strong financial regulations, a well-functioning banking system, and an established network of large retail chains that have provided money transfer services for years. Given that backdrop, it is the banking sector that is taking steps to expand financial access.

Commonwealth Bank has recently made a financial inclusion push in South Africa that has included the 2015 acquisition of TYME, a financial technology startup that develops digital banking services in emerging markets. Leveraging TYME's technology, the bank has teamed up with the large retailer Pick n Pay to offer mobile-banking services. The initiative allows people with a South African ID (which contains a photo but is not biometric) to open an account through an automated kiosk at stores in Pick n Pay's two retail chains. Customers' identities are confirmed with image recognition software. Store employees are trained to provide on-the-spot assistance in opening an account and making transactions. The initiative has created a far-reaching distribution network without building costly branches.

India: government leads the effort to expand financial inclusion. While private-sector innovation can be a powerful force for financial inclusion, in some cases government can be the catalyst for change. Consider India. Whereas a relatively passive regulator in Kenya opened the door to progress, in India gains in financial inclusion have come thanks to an ambitious government strategy and smart regulation.

A key element of the government's financial inclusion push is the adoption of a national ID system. The government launched a program, dubbed Aadhaar, in 2010 to give every person in India a biometric ID, which includes a 12-digit number along with iris scans and fingerprints. To ensure rapid adoption, the government encourages people collecting government benefits to have the ID. So far, the program has provided IDs to more than 1 billion Indian citizens.

The national ID push was followed in 2014 by new regulations that allow companies with distribution expertise to offer deposit and payment services as "payment banks." The goal of these relaxed rules is to expand options for low-income people, migrant workers, and small businesses. So far, 11 companies have received licenses to operate as payment banks.

The government is also encouraging the payment of government subsidies and other monies through direct deposits in order to reduce the misappropriation of funds. The initial move to electronic payments for one subsidy program reduced theft by 24%, according to India's Ministry of Finance.

Moreover, the government launched an ambitious campaign in 2014, known as Pradhān

Mantrī Jana Dhan Yōjanā (PMJDY), to make financial services accessible and affordable. Under PMJDY, participating banks—largely state-owned—promote the opening of a basic bank account to all adults in India by offering incentives such as no minimum balance requirements and affordable insurance and loans. It is unclear if these accounts will be profitable or if the government will compensate banks and their partners for unprofitable business by paying fees linked to the direct deposit of government subsidies into customers' accounts. Despite the outstanding questions about the program, within six months 136.8 million new accounts were opened, 86% of which belonged to first-time account holders.

Overall, India's progress is notable: while just 35% of Indians over the age of 15 had access to a financial account in 2011, in 2014 that number topped 53%. Updated figures are not yet available, but all indications are that this improvement has continued.

Peru: a public-private partnership sets the stage for progress. Peru has a relatively well-developed banking system, yet more than 70% of the country's citizens do not have a bank account. Among the key reasons are the lack of access in rural areas and high fees. And although close to 90% of Peruvian households have access to a mobile phone, mobile money has not yet taken off in Peru.

In a sense, the blank slate in mobile banking has created an opportunity. Rather than allow mobile networks to spring up independently—potentially creating interoperability challenges—the government of Peru has linked up with banks, telecommunications companies, and other private-sector players to promote the development of a mobile-payments platform. The goal is to create one payment system that will allow companies to develop a slew of low-cost financial products and services to reach Peruvians currently excluded from the system. Through the system, which is being rolled out, the government hopes to bring digital payments to 5 million Peruvians in the next five years.

TAPPING THE PRIVATE SECTOR'S SOCIAL IMPACT OPPORTUNITY

In discussions about the importance of well-being and the factors that drive it, colleagues and clients alike frequently pose an important question: what is the private sector's role in improving well-being? Our answer is that private enterprises can create social benefits and strengthen well-being by addressing social challenges and by expanding opportunity for individuals and communities. And they can do this in the course of operating their core business—not as a side activity.

This approach marks a shift for many companies. Incorporating social impact efforts into the core business—instead of locating them in a corporate social responsibility unit—may give companies an opportunity to increase both social value and shareholder value. Such a shift can also help companies improve their relationships with governments, increase their agility, and boost employees' sense of fulfillment, thus bolstering recruitment and retention.

In this report, we have used the financial services sector to explore these issues. The industry is leveraging its core business model—providing services for profit—to improve the well-being of the population (its clients) by increasing financial inclusion. The experience in financial services underscores the considerable untapped potential for private enterprises to generate positive social impact by focusing on their core activities and capabilities.

To avoid missing such opportunities, CEOs and other private-enterprise leaders—in particular, those with large footprints in emerging markets—can start by asking themselves two questions:

- Have we explored how our core business model can create social value?
- How integrated are our CSR and government relations efforts with our core business model? Are they a distraction from core operations—or can we use them to amplify and document the social value we create through core activities?

Our work on SEDA in recent years has urged a shift in focus from economic growth to well-being. This may imply that governments alone are responsible for the well-being of their citizens. In fact, the private sector has much to contribute. That contribution can come largely from a creative and thoughtful understanding of the social impact opportunities that exist within a company's core business. The role of government in this effort, then, is to establish the regulations and to make or promote the investments that create the space for the kind of private-sector innovation that has positive ripple effects.

APPENDIX

SEDA's measure of well-being is based on three elements that comprise ten dimensions represented by 44 indicators from publicly available sources. The 2016 data set includes 162 countries plus Hong Kong, which is a special administrative region of China (for the sake of simplicity, we refer to all entities as "countries"), and contains a total of nearly 50,000 data points.

Fifteen countries are new to SEDA this year: six in sub-Saharan Africa, three in Asia, two in Oceania, two in Latin America and the Caribbean, one in North Africa and the Middle East, and one in Europe. Libya was excluded from the SEDA analysis this year because of concerns about the reliability of data.

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 8 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 minmax 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 of 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 162 countries.

Table 1 | Indicators for SEDA's Elements and Dimensions

Economics

Dimension	Indicators	Primary data sources
Income	For current-level scores: GDP per capita, purchasing-power parity (current international dollars)	World Bank, World DataBank; International Monetary Fund, World Economic Outlook database
	For recent-progress scores: GDP (constant local currency unit)	World Bank, World DataBank; International Monetary Fund, World Economic Outlook database
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, aged 15–49)	World Bank, World DataBank
	Incidence of tuberculosis (per 100,000 people)	World Bank, World DataBank
	Prevalence of undernourishment (% of population)[4]	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 aged 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 weight except for those marked with an asterisk (*), which were assigned double the weight.
[1]Calculation based on IMF World Economic Outlook database indicators.
[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.

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 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 weight except for those marked with an asterisk in Table 1, which were assigned double the weight.

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 period for which data is available. For most indicators, the time frame we analyzed to measure recent progress is 2006 to 2014. We calculated recent progress through a least-squares, best-fit approach. This produces more stable estimates than our original approach in 2012, which 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 dimensions of income and health. In income, we used GDP per capita (purchasing-power parity, current international dollars) to compare current-level performance across countries, but we used GDP (constant local currency unit) to estimate recent progress in real terms from 2006 to 2014. In health, HIV prevalence and incidence of tuberculosis were excluded from the recent-progress calculation because of a lack of historical data.

Median Scores

Consistent with our normalization approach, median scores—rather than averages—were used in charts and references throughout the report. When mapping all 163 countries, the overall median score was used to generate the quadrants in Exhibits 5, 6, 7, 8, and 9. There are significant differences 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 2.)

Analysis of the Relationship Between Financial Inclusion and Well-Being

We tested the effect of financial inclusion on well-being, controlling for income levels, through a regression in which the SEDA current-level score is the dependent variable and the independent (or explanatory) variables are per capita GDP (PPP) and the Findex basic measure of inclusion (adults with a financial account) for the 127 countries for which we had data for all three variables. Income levels (measured by per capita GDP (PPP) explain about 74% of the differences in well-being (measure by SEDA current level scores) among countries. Adding financial inclusion (measured by the proportion of adults with access to bank or mobile-money accounts) raises the share of well-being differences among countries that can be explained to about 85%. Both income and financial inclusion measures are significant at well above the 99% level. Hence it can be said that financial inclusion explains about 11% of the differences in well-being among countries.

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 coeffi-

Table 2 | Median Overall SEDA Scores by Element and Dimension

	Current-level median	Recent-progress median
Overall SEDA score	43.8	49.1
Economics	46.8	43.2
Income	25.0	46.2
Economic stability	76.8	28.6
Employment	49.0	47.4
Investments	58.1	40.1
Health	72.9	34.4
Education	44.6	39.0
Infrastructure	59.8	44.4
Sustainability	49.6	54.4
Income equality	53.7	49.4
Civil society	55.9	65.2
Governance	39.1	53.8
Environment	58.3	50.9

Sources: SEDA 2016; BCG analysis.

cient 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 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 study period. (See Table 3.)

Separately, we can calculate the current-level and recent-progress SEDA scores by element for every country. (See Table 4.)

TABLE 3 | 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	50.0	63.3	1.27	1.31
Algeria	40.6	46.5	0.87	1.03
Angola	17.8	76.2	0.54	1.21
Argentina	54.1	49.1	0.91	0.89
Armenia	43.8	46.0	1.25	1.11
Australia	87.9	40.9	1.07	0.92
Austria	92.7	33.5	1.11	1.00
Azerbaijan	46.2	61.4	0.88	0.85
Bahamas	59.7	24.6	0.97	0.86
Bahrain	70.1	49.1	0.84	0.90
Bangladesh	25.5	63.7	1.05	0.94
Barbados	62.5	16.9	1.25	0.61
Belarus	60.3	61.0	1.12	1.08
Belgium	90.0	39.3	1.10	1.18
Belize	45.0	35.4	1.26	0.83
Benin	25.8	48.7	1.19	0.90
Bhutan	42.1	84.1	1.22	1.05
Bolivia	33.4	63.8	1.05	1.06
Bosnia and Herzegovina	48.5	50.9	1.26	1.46
Botswana	37.4	52.6	0.75	0.92
Brazil	49.3	54.9	0.99	1.11
Brunei Darussalam	73.2	21.6	0.86	0.71
Bulgaria	57.3	34.2	1.12	0.98
Burkina Faso	20.9	69.5	1.00	1.06
Burundi	21.6	62.5	1.14	1.15
Cabo Verde	41.4	43.6	1.31	0.93
Cambodia	31.8	88.1	1.29	1.29
Cameroon	19.0	56.2	0.79	1.09
Canada	85.4	33.6	1.03	0.89
Central African Republic	0.0	14.8	0.00	0.86
Chad	7.0	72.2	0.32	1.10
Chile	65.4	57.8	1.09	1.10
China	46.5	97.5	1.03	1.00
Colombia	41.7	61.2	0.92	1.10
Costa Rica	56.4	49.3	1.17	0.97
Croatia	61.3	37.9	1.05	1.73
Cuba	56.7	46.2	0.99	1.09
Cyprus	67.6	12.2	0.95	0.46
Czech Republic	78.4	34.0	1.11	1.06
Democratic Republic of the Congo	10.9	67.7	0.58	0.94
Denmark	91.3	25.0	1.10	0.93
Djibouti	18.2	62.4	0.74	1.07
Dominican Republic	41.5	51.9	0.92	0.93

Country[1]	Current-level score	Recent-progress score	Wealth-to-well-being coefficient	Growth-to-well-being coefficient
Ecuador	44.8	60.8	1.08	1.09
Egypt	37.5	29.6	0.94	0.56
El Salvador	41.8	34.9	1.18	0.99
Equatorial Guinea	34.2	36.4	0.45	1.07
Eritrea	18.9	42.7	0.93	1.00
Estonia	78.8	37.9	1.19	1.26
Ethiopia	25.8	100.0	1.25	1.02
Fiji	37.3	34.4	1.03	0.98
Finland	94.9	23.1	1.19	0.85
France	83.1	23.6	1.05	0.74
Gabon	37.3	61.8	0.67	1.14
Georgia	46.5	65.6	1.37	1.18
Germany	93.6	40.9	1.12	1.20
Ghana	33.1	84.7	1.25	1.00
Greece	62.6	0.0	0.96	0.00
Guatemala	32.9	41.4	0.98	0.87
Guinea	19.3	59.1	0.97	1.37
Guinea-Bissau	12.4	53.3	0.61	1.13
Guyana	33.3	42.2	1.03	0.82
Haiti	14.1	47.4	0.67	1.21
Honduras	30.0	36.9	1.06	0.80
Hong Kong	85.5	52.6	1.00	1.16
Hungary	71.4	19.0	1.13	0.69
Iceland	90.4	27.1	1.10	0.85
India	32.6	73.6	1.09	0.95
Indonesia	39.7	68.4	1.00	1.04
Iran	42.2	40.5	0.81	1.04
Iraq	27.7	59.6	0.57	0.85
Ireland	85.8	24.4	1.01	0.80
Israel	66.2	40.9	0.90	0.80
Italy	70.6	12.9	0.94	0.56
Ivory Coast	21.9	57.8	0.89	1.14
Jamaica	44.0	28.5	1.20	1.10
Japan	81.3	33.5	1.06	1.10
Jordan	45.6	37.3	1.07	0.70
Kazakhstan	59.5	68.7	0.95	1.09
Kenya	21.5	67.6	0.90	1.12
Kuwait	70.2	28.1	0.82	0.73
Kyrgyzstan	39.0	69.3	1.58	1.24
Laos	29.9	85.7	1.03	1.02
Latvia	68.0	23.7	1.12	0.93
Lebanon	42.4	51.8	0.81	0.81
Lesotho	17.2	63.3	0.74	1.06

TABLE 3 | 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
Liberia	19.9	69.1	1.04	0.92
Lithuania	72.1	39.0	1.09	1.13
Luxembourg	87.4	38.2	1.02	1.00
Macedonia	42.9	41.0	0.96	0.95
Madagascar	23.2	28.9	1.14	0.73
Malawi	22.7	71.7	1.19	1.05
Malaysia	57.4	56.7	0.89	0.99
Mali	20.6	58.0	0.99	1.15
Malta	69.9	29.4	1.01	0.76
Mauritania	21.5	48.5	0.83	0.97
Mauritius	62.8	53.4	1.16	1.02
Mexico	45.0	38.8	0.87	0.96
Moldova	44.5	53.8	1.57	1.07
Mongolia	46.5	95.4	1.09	1.02
Montenegro	43.3	35.0	0.92	0.91
Morocco	40.7	63.7	1.21	1.18
Mozambique	17.5	69.1	0.89	0.92
Myanmar	25.3	74.2	0.88	1.03
Namibia	29.9	56.5	0.77	1.00
Nepal	35.1	66.4	1.55	1.17
Netherlands	95.0	39.0	1.12	1.29
New Zealand	85.0	41.6	1.11	0.90
Nicaragua	36.0	38.2	1.27	0.78
Niger	17.1	81.9	0.89	1.23
Nigeria	18.5	60.6	0.61	0.89
Norway	100.0	36.6	1.17	1.08
Oman	65.4	64.9	0.83	1.15
Pakistan	18.5	43.6	0.66	0.94
Panama	50.7	74.3	0.88	0.86
Papua New Guinea	21.6	67.5	0.91	0.84
Paraguay	36.2	62.3	0.99	1.04
Peru	43.4	73.8	1.02	1.09
Philippines	38.4	69.5	1.18	1.13
Poland	74.0	67.0	1.17	1.37
Portugal	75.5	29.2	1.11	1.21
Qatar	77.0	92.4	0.90	0.94
Republic of the Congo	24.0	72.8	0.77	1.23
Romania	55.9	43.9	1.01	1.27
Russia	54.6	39.7	0.84	0.97
Rwanda	27.5	95.6	1.31	1.19
Saudi Arabia	71.1	69.0	0.83	1.09

Country[1]	Current-level score	Recent-progress score	Wealth-to-well-being coefficient	Growth-to-well-being coefficient
Senegal	29.3	57.7	1.30	1.16
Serbia	53.7	46.6	1.22	1.38
Seychelles	58.4	47.5	0.89	0.85
Sierra Leone	21.3	90.7	0.98	1.06
Singapore	87.2	59.1	1.02	0.94
Slovakia	71.5	38.8	1.06	0.91
Slovenia	79.3	28.3	1.13	1.06
South Africa	30.6	37.4	0.69	0.90
South Korea	79.0	47.9	1.05	0.98
Spain	76.0	23.5	1.03	0.95
Sri Lanka	42.1	64.8	1.02	0.92
Sudan	13.0	43.3	0.49	0.97
Suriname	52.2	47.7	1.02	0.91
Swaziland	20.1	45.2	0.57	1.10
Sweden	89.6	23.8	1.08	0.69
Switzerland	91.1	40.0	1.07	1.07
Tajikistan	29.7	66.0	1.27	0.90
Tanzania	26.3	64.8	1.15	0.91
Thailand	45.3	45.7	0.92	0.95
Timor-Leste	22.9	88.5	1.03	0.92
Togo	23.1	53.1	1.13	0.98
Trinidad and Tobago	59.0	26.5	0.81	0.84
Tunisia	47.3	37.5	1.14	0.83
Turkey	53.1	56.9	0.96	1.15
Uganda	19.9	66.2	0.94	0.92
Ukraine	49.1	30.3	1.36	1.16
United Arab Emirates	77.1	48.1	0.90	1.08
United Kingdom	85.4	29.1	1.07	0.89
United States	83.7	25.5	0.98	0.73
Uruguay	62.9	58.1	1.09	0.92
Uzbekistan	31.4	75.0	1.06	0.85
Venezuela	41.1	33.6	0.77	0.85
Vietnam	43.4	67.7	1.46	1.02
Yemen	14.4	32.8	0.56	0.89
Zambia	25.0	79.1	0.96	0.96
Zimbabwe	15.5	60.2	0.73	1.15

Sources: SEDA 2016; BCG analysis.
[1]Our data set includes 162 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all entities as "countries."

TABLE 4 | Country-Specific SEDA Scores by Element

Country[1]	Current-level score			Recent-progress score		
	Economics	Investments	Sustainability	Economics	Investments	Sustainability
Albania	38.6	65.1	55.2	44.0	65.8	58.6
Algeria	46.3	53.6	45.5	47.3	33.9	52.4
Angola	30.1	16.9	40.3	51.8	64.4	58.0
Argentina	51.7	67.7	51.9	49.8	35.8	52.0
Armenia	27.0	61.6	53.7	61.2	35.0	64.9
Australia	87.5	83.0	76.3	36.7	30.7	52.2
Austria	86.3	91.9	76.5	31.5	34.5	55.2
Azerbaijan	32.1	55.8	59.8	58.3	40.1	58.0
Bahamas	57.5	60.3	63.8	19.9	36.4	52.6
Bahrain	83.0	78.2	51.3	46.1	53.6	41.4
Bangladesh	47.1	36.1	33.3	47.7	51.9	43.8
Barbados	51.5	71.1	66.0	25.8	28.7	42.8
Belarus	48.9	81.0	56.7	38.0	45.7	63.5
Belgium	76.0	93.1	75.0	29.0	32.1	62.8
Belize	41.7	55.4	57.6	36.4	34.0	51.0
Benin	51.1	25.6	43.3	42.4	40.1	51.5
Bhutan	46.3	47.9	52.2	47.5	57.4	58.4
Bolivia	46.8	45.3	43.3	51.9	55.6	58.0
Bosnia and Herzegovina	30.4	70.5	50.2	34.2	52.7	69.5
Botswana	46.3	31.2	54.6	51.0	30.9	56.3
Brazil	59.2	59.6	50.6	52.7	46.4	54.7
Brunei Darussalam	85.6	70.2	61.4	31.6	30.9	45.8
Bulgaria	48.6	71.6	58.6	36.9	37.3	54.7
Burkina Faso	38.6	21.8	42.0	43.4	59.5	55.5
Burundi	42.9	27.8	37.2	47.7	59.6	52.0
Cabo Verde	40.3	56.1	40.2	38.2	55.5	38.0
Cambodia	39.3	39.8	48.3	57.3	72.5	69.9
Cameroon	45.1	24.2	35.5	43.3	55.3	49.5
Canada	84.8	76.7	78.5	36.3	24.8	54.5
Central African Republic	28.6	4.6	21.8	18.3	41.6	42.2
Chad	38.0	5.2	29.9	46.0	50.5	58.4
Chile	60.1	74.9	59.9	49.2	46.7	55.8
China	51.4	72.8	35.8	60.1	69.1	52.3
Colombia	48.6	57.5	41.8	46.1	41.6	59.3
Costa Rica	52.5	65.9	60.1	39.2	39.8	56.3
Croatia	50.4	71.9	62.0	20.2	34.4	77.1
Cuba	54.8	71.9	52.6	64.9	25.6	63.9
Cyprus	57.1	69.2	67.3	15.9	23.5	44.8
Czech Republic	69.3	82.9	72.6	33.2	28.5	62.0
Democratic Republic of the Congo	35.6	17.0	30.2	65.5	39.2	48.6
Denmark	84.8	82.5	86.1	20.4	21.9	61.2
Djibouti	36.0	21.7	38.0	44.8	42.5	57.1
Dominican Republic	43.7	50.6	49.6	40.6	41.1	53.1

Country[1]	Current-level score			Recent-progress score		
	Economics	Investments	Sustainability	Economics	Investments	Sustainability
Ecuador	52.2	61.9	48.0	45.1	57.5	56.5
Egypt	30.4	56.0	43.5	35.1	18.3	44.4
El Salvador	47.7	55.3	49.6	35.0	43.2	53.2
Equatorial Guinea	62.2	26.2	37.8	43.2	37.8	54.7
Eritrea	35.4	23.5	38.2	41.5	34.7	54.4
Estonia	58.1	85.5	75.8	29.8	37.6	61.3
Ethiopia	36.1	32.8	42.2	66.3	65.4	53.2
Fiji	45.7	52.0	44.8	36.0	40.9	50.3
Finland	72.7	95.3	87.2	23.9	24.3	56.4
France	74.6	85.3	75.0	27.5	20.3	53.0
Gabon	38.2	39.7	48.5	46.8	47.2	60.1
Georgia	18.1	70.4	49.5	40.8	46.8	68.4
Germany	85.9	91.0	81.2	38.0	28.7	62.7
Ghana	33.8	37.3	50.3	46.5	62.0	54.1
Greece	35.1	79.1	58.4	1.3	34.4	46.0
Guatemala	54.6	45.5	40.1	37.2	33.5	54.2
Guinea	50.7	16.9	42.9	44.9	37.0	72.6
Guinea-Bissau	41.0	15.3	30.9	48.1	49.9	54.1
Guyana	42.4	40.1	48.5	44.4	32.4	50.1
Haiti	37.8	24.5	23.7	39.8	43.7	60.7
Honduras	44.8	43.4	38.7	35.3	30.1	52.7
Hong Kong	82.3	92.9	57.7	35.2	46.2	62.1
Hungary	63.3	82.6	65.6	32.2	27.8	52.5
Iceland	82.8	81.9	86.8	27.9	22.9	55.8
India	40.7	41.3	40.7	45.8	54.6	50.0
Indonesia	49.7	47.3	49.1	59.8	53.9	52.8
Iran	24.8	64.6	43.5	30.5	47.2	51.0
Iraq	32.3	43.0	32.1	65.1	24.0	48.3
Ireland	75.5	77.8	77.3	18.2	30.9	56.1
Israel	72.1	73.7	54.1	49.6	18.2	51.1
Italy	64.9	74.9	65.3	20.7	20.7	53.8
Ivory Coast	47.6	24.5	41.1	43.3	37.7	58.5
Jamaica	35.9	55.5	53.8	20.3	37.8	52.5
Japan	78.3	83.7	71.5	35.0	23.7	60.5
Jordan	35.6	60.1	51.5	38.7	28.6	41.0
Kazakhstan	63.6	72.1	56.3	62.0	54.9	60.4
Kenya	41.0	29.1	36.8	47.4	62.4	54.2
Kuwait	84.8	73.2	49.9	32.5	39.6	40.6
Kyrgyzstan	33.2	56.2	51.2	54.1	44.5	70.4
Laos	46.4	40.8	38.5	51.1	52.1	58.2
Latvia	45.9	79.4	67.6	24.1	24.0	61.9
Lebanon	40.3	63.8	35.4	48.0	38.8	43.4
Lesotho	36.6	23.0	27.2	47.1	54.5	50.4

TABLE 4 | Country-Specific SEDA Scores by Element
(continued)

Country[1]	Current-level score			Recent-progress score		
	Economics	Investments	Sustainability	Economics	Investments	Sustainability
Liberia	36.4	21.5	40.5	58.8	30.2	54.5
Lithuania	53.3	83.0	67.5	29.1	27.9	69.1
Luxembourg	80.8	74.7	82.7	29.5	29.8	62.2
Macedonia	30.7	59.6	45.0	46.5	34.4	53.6
Madagascar	43.9	21.7	42.3	39.2	37.6	42.3
Malawi	39.4	24.8	41.9	44.5	60.4	53.3
Malaysia	66.2	66.5	53.8	41.1	40.1	54.2
Mali	29.5	25.8	42.2	60.0	63.0	54.4
Malta	71.1	69.7	67.4	37.7	28.6	50.9
Mauritania	29.0	26.4	40.4	40.3	50.1	50.0
Mauritius	58.3	70.9	64.1	40.6	43.2	53.9
Mexico	60.9	56.3	44.3	36.9	43.3	51.5
Moldova	32.6	58.1	55.9	40.3	37.9	68.0
Mongolia	32.7	55.2	53.9	67.2	57.7	59.8
Montenegro	40.0	63.4	39.4	30.7	53.8	36.0
Morocco	41.8	54.9	51.8	44.8	56.5	60.1
Mozambique	44.5	11.7	43.3	54.7	45.7	52.8
Myanmar	43.5	28.6	43.5	51.5	41.7	62.9
Namibia	36.7	31.3	49.0	42.3	42.1	61.4
Nepal	54.8	46.1	41.2	41.8	61.0	55.4
Netherlands	86.3	92.2	80.1	24.0	33.3	67.2
New Zealand	80.4	78.7	81.7	36.4	25.3	59.9
Nicaragua	40.2	50.5	47.6	37.6	53.9	37.7
Niger	29.5	14.4	43.2	45.9	57.0	67.7
Nigeria	41.6	23.2	34.3	56.1	44.9	45.4
Norway	93.2	89.8	88.3	29.0	24.9	62.8
Oman	74.1	66.2	61.0	55.1	62.0	56.9
Pakistan	36.3	29.4	29.3	37.1	34.4	51.3
Panama	61.2	61.3	49.0	55.7	43.8	53.8
Papua New Guinea	45.5	25.6	35.7	49.2	29.9	53.7
Paraguay	43.4	48.4	43.7	44.0	51.7	56.7
Peru	54.2	55.5	45.9	56.3	50.7	60.0
Philippines	48.7	50.7	46.5	48.6	52.2	60.2
Poland	62.3	84.1	67.7	45.1	47.4	75.9
Portugal	50.1	86.0	72.0	12.0	38.1	63.5
Qatar	83.2	76.6	59.5	62.9	50.6	52.3
Republic of the Congo	44.7	25.3	44.3	48.3	47.3	72.3
Romania	55.6	61.0	60.5	36.9	37.1	69.7
Russia	62.9	71.1	47.0	43.6	39.9	53.1
Rwanda	51.8	37.2	36.8	58.5	65.9	65.8
Saudi Arabia	75.6	78.5	52.3	48.9	65.4	44.2
Senegal	39.1	29.3	52.4	43.2	55.2	53.3
Serbia	40.7	69.0	55.4	28.2	36.3	73.2

Country[1]	Current-level score			Recent-progress score		
	Economics	Investments	Sustainability	Economics	Investments	Sustainability
Seychelles	49.9	64.4	62.1	44.4	20.9	56.5
Sierra Leone	42.9	23.8	40.5	72.3	56.4	55.5
Singapore	83.9	83.6	73.3	46.4	30.2	56.4
Slovakia	54.4	79.2	70.0	28.2	27.7	60.6
Slovenia	63.4	83.8	77.6	18.7	27.3	69.5
South Africa	40.1	35.9	41.0	30.0	43.5	48.6
South Korea	77.5	92.8	57.9	44.8	35.0	54.3
Spain	57.6	83.8	72.2	11.8	37.1	56.8
Sri Lanka	49.9	57.6	45.0	51.2	53.6	49.6
Sudan	17.8	24.7	30.9	42.4	36.4	50.8
Suriname	45.1	63.8	55.4	54.4	33.9	53.9
Swaziland	36.2	24.6	36.0	36.5	52.0	52.6
Sweden	77.4	80.1	86.3	29.2	13.1	55.2
Switzerland	88.6	82.7	79.6	31.2	28.7	62.2
Tajikistan	35.6	42.6	44.3	61.3	41.2	53.5
Tanzania	49.7	22.1	49.5	50.6	41.7	51.7
Thailand	47.2	61.4	45.5	37.0	35.6	54.1
Timor-Leste	24.8	27.5	44.0	56.0	50.0	54.1
Togo	40.8	26.6	40.9	50.3	42.1	48.8
Trinidad and Tobago	68.5	58.5	59.4	32.7	32.0	52.9
Tunisia	39.4	63.9	53.0	31.4	30.8	53.8
Turkey	46.7	72.7	46.9	47.6	60.1	48.5
Uganda	41.5	24.2	36.7	50.7	54.3	47.5
Ukraine	22.4	73.2	55.8	34.7	42.1	57.8
United Arab Emirates	82.9	80.4	59.2	36.0	37.0	60.9
United Kingdom	81.4	83.9	77.0	27.5	24.3	58.1
United States	85.5	78.3	70.4	25.2	21.9	51.9
Uruguay	61.9	66.5	64.6	53.9	26.6	63.4
Uzbekistan	40.3	51.2	38.6	62.5	31.5	55.4
Venezuela	35.7	57.1	47.4	28.8	25.6	57.1
Vietnam	48.9	65.3	43.3	49.7	61.8	50.1
Yemen	19.8	21.8	34.7	36.8	38.6	45.7
Zambia	33.4	29.7	43.0	58.3	57.0	45.2
Zimbabwe	37.0	19.7	37.9	48.0	44.2	55.6

Sources: SEDA 2016; BCG analysis.
[1]Our data set includes 162 countries plus Hong Kong, which is a special administrative region of China. For the sake of simplicity, we refer to all entities as "countries."

FOR FURTHER READING

The Boston Consulting Group has published other reports based on the Sustainable Economic Development Assessment that may be of interest to senior executives. Examples include those listed here.

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NOTE TO THE READER

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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 one of the authors.

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