

## **Inclusive Economic Growth in the EAEU Member States and Globally, 2020<sup>1</sup>**

Inclusive economic growth is economic growth associated with the establishment of favorable conditions improving the quality of life and ensuring equal opportunities for all the country's population cohorts.

The Commission has developed [The Methodology on the EAEU Economies Inclusiveness Assessment \(Russian\)](#) (approved by [the Commission's Board Recommendation of October 14, 2019 No 32; Russian](#)).

In 2019, in cooperation with the UN Conference for Trade and Development (UNCTAD) the Commission has implemented the methodological enhancement. The new approach has allowed to, on the one hand, identify three pillars of inclusive growth ("Economic growth", "Quality of life", "Fight against inequality") and, on the other hand, tackle the possible bias engendered in the calculation of the Composite index of inclusive growth. To get acquainted with the methodology and 2018 assessment results, please, refer to [the EEC and UNCTAD joint report \(English\)](#).

The Commission intends to further improve economies' and economic growth inclusiveness assessment methodology, here including in cooperation with the international organizations and academia. For this purpose, there is planned to be held a series of practical seminars. The stakeholders interested to join this track of work are encouraged to contact the focal point: Anastasiia Khazhgerieva, [khazhgerieva@ecommission.org](mailto:khazhgerieva@ecommission.org), +74956692400 (ext. 46-77).

The key conclusions and economic growth inclusiveness assessments in 2020 follow. The [annex](#) comprises the estimations of progress in the inclusive growth pillars as well as the Composite index of inclusive growth and the comments regarding the data used.

### **Global perspective**

In 2020, provided the limited data availability, the economic growth inclusiveness has been assessed for **69 world states**.

**Luxemburg and Norway, the leaders on the 2018 Composite index of inclusive growth have retained their positions in 2020.** These states are positioned the highest according to the "Economic growth" pillar, but are not the absolute leaders in the spheres of quality of life or fight against inequality.

**In 2020, top-10 world states with the most inclusive economic growth comprise one developing<sup>2</sup> state – the United Arab Emirates (10<sup>th</sup> position<sup>3</sup>).** The second state in the ranking, Hungary is positioned 24<sup>th</sup>. The common "strengths" of both states include economic growth and quality of life; the estimations of progress in fight against inequality are comparatively lower.

Notably, the leader in terms of inclusiveness among the least developed states is Nepal (51<sup>th</sup> place), which has accomplished the most notable results in ensuring equality.

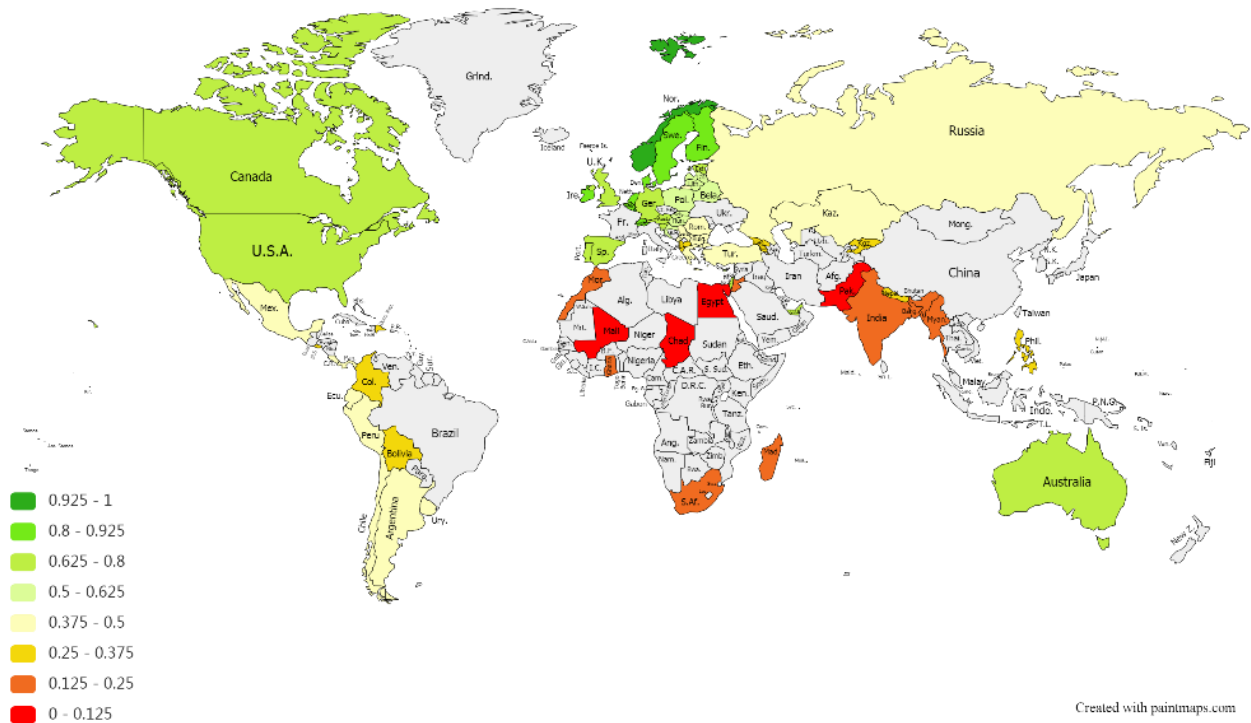
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<sup>1</sup> Calculated based on indicators characterizing the state of affairs in 2017-2020.

<sup>2</sup> IMF classification is employed.

<sup>3</sup> In 2018 Composite index of inclusive growth, the UAE are not present.

Figure 1. Composite index of inclusive growth, 2020.



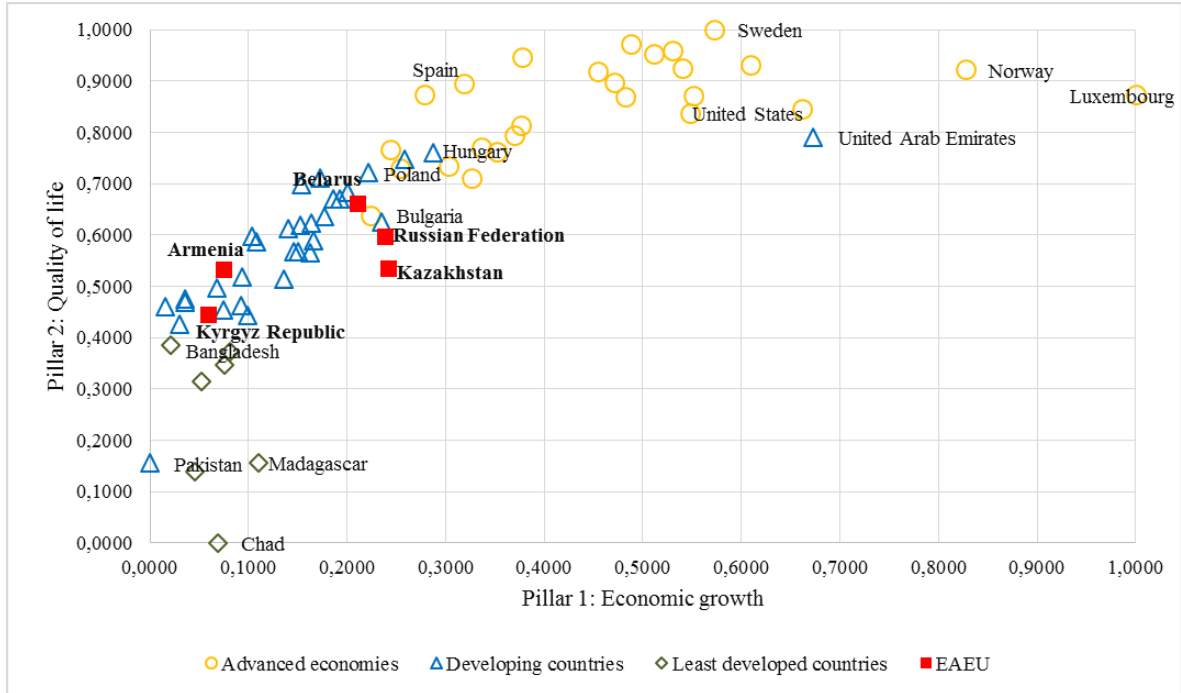
Prepared by the Macroeconomic Policy Department with paintmaps.com.

**In 2020 as compared against 2018, the differences in the level of economic growth inclusiveness among the advanced, developing and the least developed countries have remained steady.** The most substantial gaps among the country groups have been observed in the sphere of economic growth. In opposite, the progress in fight against inequality is to the least extent dependent on the country's affiliation with the advanced or emerging economies' group.

Note that these are not only GDP-based indicators, but also labour market characteristics, energy consumption, economic openness that are accounted for in the "Economic growth" pillar.

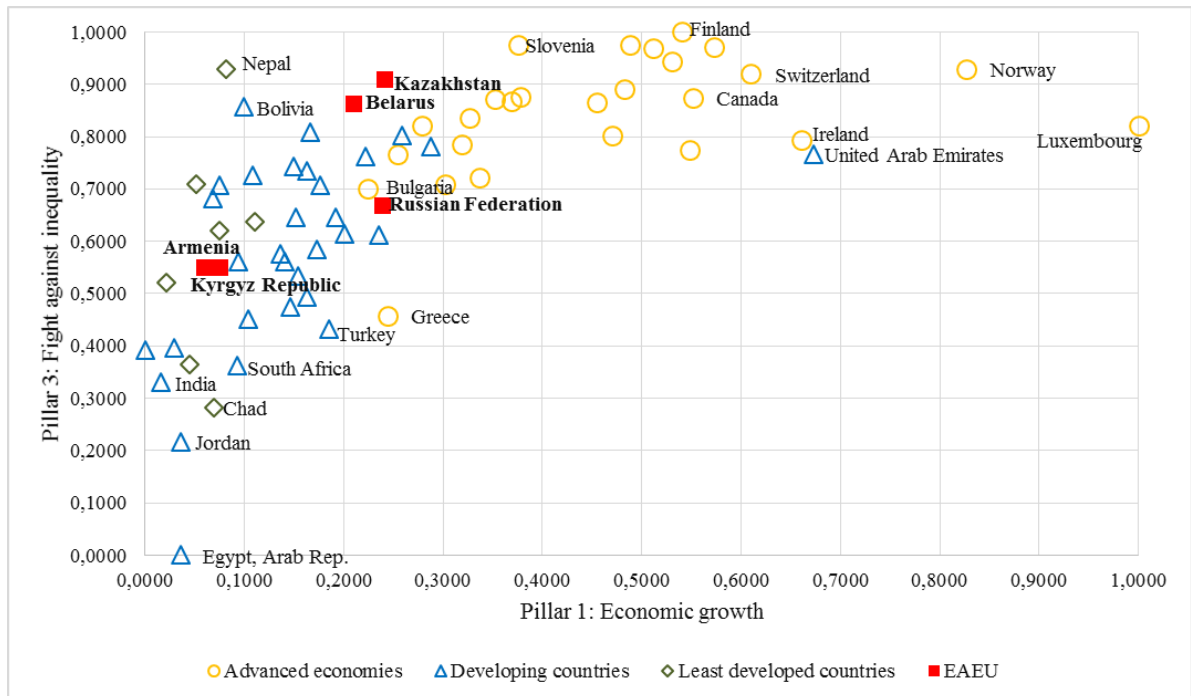
The figures 2 and 3 depict the world states' progress according to the inclusive economic growth pillars (0 – the worst result, 1 – the best).

Figure 2. The world states' progress from the perspective of pillars "Economic growth" (abscissa axis) and "Quality of life" (ordinate axis).



Note that from the pillar 1 (Economic growth) perspective, there is only one state – United Arab Emirates that has accomplished more substantial progress than the majority of the advanced economies. This category of states comprises, inter alia, the Republic of Belarus.

Figure 3. The world states' progress from the perspective of pillars "Economic growth" (abscissa axis) and "Fight against inequality" (ordinate axis).



Meanwhile, as can be observed from Figure 3, there is no explicit interconnection between the state's level of economic development and progress in pillar 3 (Fight against inequality). These are not only developing, but some least developed countries as well (as, for example, Nepal), that are ensuring progress comparable to that of the advanced economies. At the same time, Greece, the developed country, has had more modest progress in this direction than all the EAEU states and many of the developing countries.

Therefore, according to the inclusive growth pillars estimations, the level of economic development does not act as an impediment for enhancing the positions of the developing and the least developed countries from the perspective of quality of life of fight against inequality.

### **Situation in the EAEU Member States**

**In the EAEU, the most inclusive economic growth is registered in the Republic of Belarus and the Republic of Kazakhstan.** Among 69 states under examination, these countries have been positioned the 29<sup>th</sup> and the 30<sup>th</sup> accordingly, which corresponds to their 2018 results. Meanwhile, the other EAEU states have demonstrated the progress: Russian Federation – 35<sup>th</sup> position (2 positions higher), Republic of Armenia – 56<sup>th</sup> (2 positions higher), Kyrgyz Republic – 57<sup>th</sup> (3 positions higher).

Overall, Belarus, Kazakhstan and Russia are ranked on the brink of the advanced and the developing states groups; Kyrgyzstan and Armenia are positioned closer to the end of the developing countries' list.

**In 2020 as compared to 2018, all the EAEU Member States have had a positive dynamics from the perspective of “Economic growth” and “Quality of life” inclusive growth pillars.**

The estimations of inclusive economic growth in the Republic of Armenia and Kyrgyz Republic have been restrained by the “Economic growth” pillar. Similarly to the 2018 assessment results, the low indicator values in this direction in the Republic of Armenia have resulted from the underutilization of labour resources in the economy; in the Kyrgyz Republic, they have stemmed from lower labour productivity.

**For the Republic of Kazakhstan and the Russian Federation, the space for improvement is the quality of life.** Low (as compared to the other inclusive growth pillars) estimations in this sphere are associated in each of the states with comparatively high CO<sub>2</sub> emissions.

According to the “Fight against inequality” pillar, Russian Federation, Republic of Armenia and Kyrgyz Republic have improved their results. For Belarus and Kazakhstan, the estimations in this direction have been the highest among the EAEU.

### Inclusive economic growth in the world states, 2020, ranking positions<sup>4</sup>

	1. Economic growth	2. Quality of life	3. Fight against inequality	Composite index of inclusive growth
Belarus	34↑	35↑	17↓	29≈
Kazakhstan	29↑	49↑	10↓	30≈
Russian Federation	30↑	42↑	42↑	35↑
Armenia	58↑	50↑	54↑	56↑
Kyrgyz Republic	61↑	59↑	53↑	57↑
Luxembourg	1≈	13≈	21↓	1≈
Norway	2≈	8↑	8↓	2≈
Sweden	6↑	1↑	4↑	3↑
Switzerland	5≈	6↑	9↓	4↑
Finland	9↑	7↓	1↑	5↑
Netherlands	10↓	3↑	6↓	6↓
Denmark	11↓	4≈	5↓	7↓
Belgium	12↓	2↓	3↑	8↑
Ireland	4↓	16≈	25↓	9↓
United Arab Emirates	3↑	20↑	29*	10*
Canada	7↑	14↑	13↓	11↑
Germany	15↓	9↓	16↓	12↓
Austria	13≈	15≈	11↓	13↓
United States	8↓	17↑	28↓	14↑
Australia	14↑	10↑	24↑	15↑
United Kingdom	16↑	5↓	12↑	16↓
Slovenia	17↑	18↑	2↑	17≈
Israel	18↑	19↑	15↓	18≈
Spain	22↑	11↑	26↑	19↑
Estonia	19↑	23↑	14↑	20↑
Portugal	25↑	12↑	20↑	21≈
Cyprus	20↑	21↑	35*	22*
Slovak Republic	21↑	29↑	19↑	23↑
Hungary	24↑	24↑	27↑	24↑
Poland	26↑	25↑	23↓	25≈
Lithuania	23↑	26↑	36↓	26↑
Latvia	27↑	27↑	30↑	27↑
Croatia	33↑	28↑	31↑	28↑
Greece	28↑	22↑	59↑	31↑
Bulgaria	32↑	36↑	40↓	32≈
Chile	35↑	32↑	47*	33*
Romania	36↑	33↑	44↓	34≈
Panama	31↑	38↑	48↑	36↑
Mexico	40↑	44↑	22↑	37↑
Uruguay	39↑	30≈	49*	38*
Montenegro	38↑	37↑	39*	39*
Costa Rica	43↑	31↑	55↑	40↑
Serbia	42↑	48≈	33↑	41↓
Peru	45↑	47↑	32↑	42↓
Argentina	44↑	40↑	43↑	43↓
Turkey	37↑	34↑	61↑	44↑
Ecuador	50↑	45↑	34*	45*
North Macedonia	47*	41*	51*	46*
Mauritius	41↑	39↑	57*	47*
Bolivia	52↑	60↑	18↑	48↑
Georgia	46↑	46↑	58↑	49↑
Dominican Republic	48*	52*	50*	50*
Nepal	55↑	63↑	7↑	51↑
Colombia	51↑	43↑	60↑	52↑
El Salvador	60↑	53↑	41≈	53↓
Albania	53↑	51↑	52↑	54↓
Philippines	57≈	58↑	38↑	55≈
Ghana	56↑	64↑	46↓	58↑
Myanmar	62↑	65↑	37*	59*
South Africa	54↑	56↑	65*	60*
Bangladesh	67↑	62↑	56↑	61↑
Morocco	66↑	61↑	62↑	62↑
India	68↓	57↑	66↑	63↑
Madagascar	49↑	66↑	45↓	64↑
Jordan	64↑	55↑	68↑	65↑
Egypt, Arab Rep.	65↑	54↑	69↑	66↑
Mali	63↑	68↑	64↑	67↑
Pakistan	69↑	67↑	63↑	68↑
Chad	59↑	69↑	67↑	69↑

<sup>4</sup> ↑↓≈ direction of change in position, as compared to 2018 ranking

\* The states that have not been assessed in 2018

## **Indicators included in the Composite index of inclusive growth**

### Pillar 1: Economic growth

1. GDP per capita PPP (constant 2011 international US dollars)
2. Adjusted net national income per capita (constant 2010 USD)
3. Labor productivity, USD/person (GDP per person employed; constant 2011 PPP USD)
4. Electric power consumption, kWh/person
5. Employment rate (%; modeled ILO estimate)
6. Exports of goods and services (% of GDP)

### Pillar 2: Quality of life

1. Under-five mortality rate (deaths per 1.000 live births; SDG indicator 3.2.1)
2. People using safely managed drinking water services (% of population)
3. School enrollment, secondary (% of the correspondent age cohort)
4. Coverage of essential health services (% of population; SDG indicator 3.8.1)
5. Logistics performance index: Overall (1=low to 5=high)
6. Fixed Internet broadband subscriptions (per 100 people)
7. Proportion of adults with an account at a bank or other financial institution or with a mobile-money-service provider (share of population of 15 years and older; SDG indicator 8.10.2)
8. CO2 emissions (kg per PPP USD of GDP)

### Pillar 3: Fight against inequality

1. Ratio of youth to adult employment rate
2. Ratio of female to male employment rate (modeled ILO estimate)
3. Ratio of female to male labor force participation rate (%) (modeled ILO estimate)
4. Income concentration ratio (Gini index)
5. Poverty headcount ratio at 5.50 USD a day (2011 PPP) (% of population)
6. School enrollment, secondary (gross), gender parity index
7. Gender parity in the number of seats held by women and men in national parliaments (SDG indicator 5.5.1)