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Inclusive Growth Criteria and Indicators: An Inclusive Growth Index for Diagnosis of Country Progress

Terry McKinley

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Abbreviations

ADB	–	Asian Development Bank
ASEAN	–	Association of Southeast Asian Nations
GDP	–	gross domestic product
ILO	–	International Labour Organization
MDG	–	Millennium Development Goal
PPP	–	purchasing power parity
UNESCO	–	United Nations Educational, Scientific and Cultural Organization
UNICEF	–	United Nations Children's Fund
UNIDO	–	United Nations Industrial Development Organization
WHO	–	World Health Organization

Note:

In this paper, "\$" refers to US dollars.

Acknowledgments

This paper is part of the work of the Asian Development Bank (ADB) on operationalizing inclusive growth. It was developed by a consulting team in close cooperation with staff from the Poverty Reduction, Gender, and Social Development Division of the Regional and Sustainable Development Department. Other studies include (i) Measuring and Monitoring Inclusive Growth: Multiple Definitions, Open Questions, and Some Constructive Proposals (Stephan Klasen), (ii) ADB's Contribution to Inclusive Growth in the Transport and Energy Sectors (Stein Hansen), (iii) Operationalizing Inclusive Growth in Agriculture and Small and Medium Enterprise Development Projects (Adrianus Rijk), and (iv) Operationalizing Inclusive Growth in Projects with Environment as Strategic Development Objective (Benoit Laplante). All of these papers recommend the same methodology for ADB to monitor its contributions to inclusive growth at the country and project levels. Inclusive growth is one of the three pillars of the long-term strategic framework 2008–2020 (Strategy 2020).

1. Introduction

1. This paper constructs a composite inclusive growth index at the country level. For this purpose, it identifies suitable indicators in the areas of (i) growth, productive employment, and economic infrastructure; (ii) income poverty and equity, including gender equity; (iii) human capabilities; and (iv) social protection. It uses these indicators to suggest a diagnostic approach, based on weights and scores, which can help countries assess their progress in achieving inclusive growth. The composite index could also be used by the Asian Development Bank (ADB) as a starting point to diagnose how to maximize its support for a country's inclusive growth objectives. The usefulness of this methodology is tested in case studies of Bangladesh, Cambodia, India, Indonesia, the Philippines, and Uzbekistan.

2. ADB's long-term strategic framework 2008–2020 (Strategy 2020) is the basis on which criteria and indicators must be developed for monitoring country progress on inclusive growth. Strategy 2020 identifies inclusive growth as its first development agenda, with the second and third being environmentally sustainable growth and regional integration. It details two key dimensions of inclusive growth: (i) achieving sustainable growth that will create and expand economic opportunities, and (ii) ensuring broader access to these opportunities so that members of society can participate in and benefit from growth. The second dimension is identified, in part, with expanding human capacities, such as investing in education, health, and basic social services. Social safety nets are also emphasized to protect the most vulnerable and deprived.

3. ADB's inclusive growth agenda can be interpreted narrowly or broadly. The narrow interpretation implies a focus on economic growth, within which expanding human capabilities is regarded as instrumental to improving economic outcomes. A broad interpretation highlights inclusive development (Rauniyar and Kanbur 2010). This approach emphasizes non-income measures of well-being and valuing human capabilities, such as good health and literacy, primarily as human development outcomes, not as instruments to accelerate economic growth. Although this paper will continue to use the term "inclusive growth," it will offer criteria and indicators that tend to be more consistent with this broader interpretation.

2. Economic Growth, Productive Employment, and Economic Infrastructure

4. Enhancing the growth of income per person is fundamental in advancing inclusive growth, as this is the basis for creating and expanding economic opportunities. Since success in this dimension lays the foundation for progress in many other dimensions, this paper gives it a substantial weight (25%) in the overall composite index. Where possible, the growth of income per person should be supplemented by value-added changes in industry, services, and agriculture to identify broad trends in the structure of this growth. However, growth (i.e., the percentage change in mean income per person) does not necessarily correspond to broad-based increases in productive employment. Sometimes the pattern of growth generates limited new employment opportunities, especially if a low-paid services sector expands but the growth of industry languishes.

5. To devise a viable inclusive growth strategic framework, one must identify the pattern of growth that one considers vital, and to differentiate these aspects from those previously focused on poverty (whether defined by income or non-income features). Obviously, one significant

aspect of inclusiveness is represented by the employment content of economic growth. Both ADB and the World Bank have recently underscored, for example, the importance of decent employment opportunities as a critical aspect of inclusive growth (World Bank 2009 and Ali 2007).

2.1 Productive Employment

6. Employment is an aspect of inclusiveness that has generally been neglected, although analysts had been warning of jobless growth in Asia and the Pacific and other developing regions even before the global economic crisis. Unlike the distribution of income, however, the indicators available to track progress on productive employment have generally been inadequate. Therefore, although many practitioners and policy makers endorse the monitoring of employment outcomes as an important dimension of inclusiveness, genuinely informative indicators are lacking to capture progress. Despite such problems, however, some candidates for use are offered in this paper, and their availability and usefulness are tested in some country case studies.

7. The Millennium Development Goals (MDGs) offer some other possible indicators relating to employment. For example, among the indicators for MDG 1 is the growth rate of gross domestic product (GDP) per person employed, which is a proxy for labor productivity. This indicator combines the indicator of GDP growth per person with the indicator of the employment–population ratio, with the latter also being an MDG 1 monitoring tool. While this indicator could be included in ADB monitoring of inclusive growth, it does not provide any real sense of the spread of productive employment. In other words, a higher average level of labor productivity could be driven mainly by advances in a minority of (capital-intensive) economic sectors.

8. In addition, the employment–population ratio is not useful, since it gives no indication of the quality of employment. In fact, it might rise as a result of demographic factors, such as a growing share of the working-age population in the total population.

9. Thus, it is difficult to find suitable indicators that could directly supply information on the quality of employment. One is confined to identifying indicators that could serve as proxies. One such indicator is derived from the view that inclusive growth should be identified with structural transformation or economic diversification. Ali and Zhuang noted, for example, “there has been no economy in developing Asia that has sustained fast growth and economic catch-up that has not also successfully industrialized” (2007, p. 12). This trend has implied a substantial internal migration of labor from agriculture to industry. Labor would have also likely moved into urban services, which generally offer only low-productivity, low-paid employment.

10. If a measure of employment in services were to be included in this paper's overall composite index, employment would have to be identified in some of the more modern subsectors. However, this is not worthwhile, as one cannot determine the corresponding wage and salary levels. The global database of the International Labour Organization (ILO), LABORSTA, does not disaggregate subsectors adequately nor allow cross-referencing of wage and salary levels with subsectors.

11. One potentially viable candidate for a partial, approximate indicator of productive employment is the share of the employed or the economically active in industry. ILO *Labour Force Surveys* could provide these data, at least on an irregular basis. An advisable complementary indicator is the share of the employed or economically active in manufacturing.

In some countries, industry might be composed of primary sectors, such as the oil and gas industry, which usually provide few employment opportunities. Data for the indicator for manufacturing, however, are not readily available. Given more time, the possibility of deriving such an indicator from the ILO database could be investigated.

12. A third complementary indicator is the share of workers in nonagricultural paid employment. This category is broader than that of industrial employment but suggests higher-quality employment by stipulating that wages or salaries are being paid. Yet data for this indicator are not immediately available from global sets, such as LABORSTA. Given more time, this indicator could be constructed by merging relevant ILO data on sector and status of employment.

13. MDG 1 also contains an indicator of the share of own-account workers and unpaid family workers in total employment, which focuses on the extent of low-quality employment. Usually identified with vulnerable employment, this indicator could provide a sense of the extent of the working poor, since the majority earns very little income. ILO has tried to gauge the size of the working poor by identifying the workers who are members of households whose income is below a \$1.00 per day per person threshold. However, a large household with only two working members might be poor, even though those two members earn income levels above the poverty line. Hence, such an indicator is not recommended unless it is employed to highlight the magnitude of the problem at a particular point in time.

14. However, if such an indicator is used, it should be applied to workers in households whose income is below a \$2.50 per day per person threshold. Since the identification of such households relies on purchasing power parity (PPP) estimates (i.e., international prices), an indicator constructed on such a basis would not be useful for the regular monitoring of progress at the country or program level.

15. The lack of meaningful data on trends in productive employment highlights the need for ADB to play a more proactive role—likely in collaboration with ILO—in gathering employment data that can be used to gauge progress on inclusive growth. The current lack of such data is a serious weakness in the monitoring and evaluation of such progress. As a consequence, advances in productive employment are given less weight than economic growth in this paper's inclusive growth index (i.e., 15% for employment versus 25% for growth).

2.2 Economic Infrastructure

16. Another critical dimension of the inclusiveness of growth is the access of the population to economic infrastructure (i.e., electricity, roads, and information and communication technology). Such a dimension has been generally overlooked as a result of the growing importance that has been attached to access to social infrastructure (i.e., education, health, water, and sanitation). Consequently, data for indicators defining access of the population to economic infrastructure are not readily available. However, indicators of average per capita access can be located in some cases, such as the average electric power consumption per capita. The indicator of the proportion of the population with access to electricity is preferred in the overall composite index of inclusive growth, and data for this indicator can be derived for some years from the International Energy Agency.

17. There do not appear to be any suitable indicators for the access of the population to roads. There are data for the percentage of roads that are paved, but not for the percentage of the population that has access to paved roads or to all roads. There are also some promising

indicators that are available for access to information and communication technology, such as the number of internet users per 100 people. This is an indicator for MDG 8.

18. Also promising is the number of mobile phone subscribers per 100 people, which is another MDG indicator. Recent trends suggest that progress on access to mobile phones has been rapid—more rapid than on access to the internet and to fixed telephone lines. This indicator, along with access to electricity, is chosen to monitor progress in Asia and the Pacific on access to economic infrastructure. Thus, it is given an overall weight of 10% in this paper's inclusive growth index.

2.3 Indicator Proposals

19. In summary, a limited set of indicators is recommended for gauging progress on achieving economic growth, generating employment, and expanding access to economic infrastructure:

- (i) Economic growth:
 - (a) **Real rate of growth of gross domestic product per capita.** An obvious initial choice, the pace of growth is crucial since it lays the basis for progress on many other dimensions. Such data are readily available from global sources, such as the International Monetary Fund's *World Economic Outlook* reports, World Bank's *World Development Indicators*, or ADB's own databases.
 - (b) **Share of industry, services, and agriculture in total value added.** Where possible, this indicator should be used to complement the real rate of growth of GDP per capita to assess the degree of structural change toward higher-productivity economic sectors.
- (ii) Productive employment:
 - (a) **Share of the employed in industry.** This can be ascertained from the ILO database.
 - (b) **Share of the employed in manufacturing.** This can be derived from the ILO database not derived in this exercise.
 - (c) **Share of own-account workers and formally unpaid family workers in total employment.** This can be derived from the ILO database.
 - (d) **Supplementary indicator.** This can be the share of workers who are part of households whose income is below the \$2.50 per day per person international PPP poverty line.
- (iii) Access to economic infrastructure:
 - (a) **Proportion of the population with access to electricity.** This can be estimated using International Energy Agency data.
 - (b) **Number of mobile phone subscribers per 100 people.** This can be estimated using the MDG database.

20. Other seemingly relevant indicators, such as the percentage of the working population that is underemployed or that works in the informal sector, are still subject to differences of opinion on the definition of such conditions. Partly as a result, there are no datasets that would provide wide coverage of such employment conditions in Asia and the Pacific. Other indicators, such as the youth unemployment rate, might be a useful indicator for upper-middle-income countries, but in lower-middle-income countries and low-income countries, the great majority of the working population simply cannot afford to be unemployed.

21. For this paper's overall composite index, a weight of 50% is accorded to this general category of indicators. Within this total, a weight of five-tenths (25% overall) is given to economic performance, represented by the real rate of growth of GDP per capita and structural change; a weight of three-tenths (15% overall) to employment indicators; and two-tenths (10% overall) to the indicators for access to economic infrastructure.

3. Addressing Income Poverty and General Equity

22. The recent movement toward inclusive growth strategic framework implies that the traditional focus on addressing extreme poverty has been regarded as too limiting. In developing countries, policy makers have been under pressure to craft development strategies that respond to the needs of a much broader segment of the population. This new broader orientation also responds to the widespread recognition that income and wealth inequalities have been rising in many developing countries, and have been adversely affecting large swathes of the nonpoor population.

23. ADB has pointed out that in Asia and the Pacific, extreme poverty (as measured, for example, by the original international poverty line of \$1.00 per day per person) is projected to decline to a small proportion of the population by 2020. Even if the rate of growth were slow and its distribution pro-rich, the extremely poor would represent only about 10% of the population in Asia and the Pacific in 2020 (Ali 2007, p. 4). In 2005, the share of the extreme poor was estimated to be only 18% for East Asia, South Asia, and Southeast Asia together. Since income inequality was rising before the current global economic crisis, the dramatic reduction in extreme income poverty was due primarily to rapid economic growth. The post-crisis recovery of growth is likely to play the same predominant role.

24. This could imply the need for several strategic adjustments at the country level and in the focus of ADB assistance. Although countries in Asia and Pacific should retain the MDG-related focus on extreme income poverty, they should also concomitantly monitor progress on less severe forms of poverty.

3.1 Income Poverty, Extreme and Moderate

25. ADB's calculations of poverty levels in 2005, based on \$2.00 per person per day, suggested that about 80% of the population in Bangladesh and India were poor, and about two-thirds of the population in the Lao People's Democratic Republic and Nepal were poor (Ali and Zhuang 2007). This measure indicated that only about 10% were poor in Malaysia, about 16% were poor in Thailand, and about 30% were poor in the People's Republic of China.

26. International poverty lines are subject to criticism because of the aggregation method that is used to generate international prices and the shortage of relevant country-level consumption and price data. Often, changes in such measures do not appear to be consistent with other national trends such as growth of GDP per capita or employment generation. This has been the experience in applying such indicators to this paper's country case studies. Consequently, such a PPP-based indicator should be regarded as providing a global perspective on the extent of moderate poverty in a particular country. It should be used as a periodic snapshot of the extent of such poverty in each country setting, not as a regular national-level monitoring tool.

27. For monitoring purposes, poverty estimates based on national poverty lines should be used. For most countries, measures of food poverty levels (i.e., extreme poverty) and overall poverty (i.e., based on food and nonfood expenditures) are available from the World Bank or ADB.

28. Still, monitoring poverty—either by PPP estimates or national poverty lines—will not be sufficient for a comprehensive inclusive growth strategic framework. For example, in many of the countries in Central Asia, East Asia, and Southeast Asia, the headcount ratio for the \$2.50 per person per day poverty line was well below half of the population in 2005 and is projected to decline to a much smaller proportion by 2020 (Zhuang and Ali forthcoming).

3.2 Vertical and Horizontal Inequalities

29. Measures are needed that can track adverse distributional changes that affect not only the extremely and moderately poor but also the disadvantaged nonpoor. Hence, “inclusiveness” is being explicitly interpreted in a broad sense. The Gini coefficient, while it should be used as a useful starting point, is inadequate for this purpose. It gives a summary measure for the whole distribution, without providing direct information about the nature of changes within the entire range.

30. The Gini coefficient should be complemented by the income share of the poorest 60% of the population. This indicator is regarded as a proxy for assessing the conditions of the vulnerable nonpoor. It could be the case, for example, that even if extreme income poverty was decreasing, the income share of the poorest 60% could be falling.

31. A useful supplementary indicator is the ratio of the mean expenditure per person of the poorest 60% of the population to the mean expenditure per person of the richest 10%. In the majority of countries, one would likely find that this ratio was rising in the decade preceding the global economic crisis as general inequality (measured, for example, by the Gini coefficient) was increasing.

32. This proposal is a variation on an indicator used by Ali and Zhuang (2007)—the ratio of the mean expenditure per person of the poorest 20% to that of the richest 20%. While this indicator focuses on the two poles of the income distribution, its merit is that it concentrates on absolute levels of income, not relative shares of income.

33. In addition to tracking vertical inequalities, such as income distribution, the evolution of horizontal inequalities should also be highlighted. This is particularly true of disparities between rural and urban areas in general and among regions in particular. Where appropriate, inequalities among socially defined groups, such as between ethnic majorities and minorities or between castes, should also be monitored. At the very least, ADB should seek to report on a regular basis the disparity in levels of income or expenditures between rural and urban populations. While such monitoring is recommended, amassing a systematic set of data for this purpose has not been possible in this exercise.

34. In summary, greater equity could be achieved at several levels: (i) by enhancing the inclusion of the extremely poor (according to national poverty lines), (ii) by enhancing the inclusion of the moderately poor (according to the \$2.50 per person per day international poverty line, and (iii) by enhancing the inclusion of the disadvantaged nonpoor (e.g., the poorest 60% of the population). As extreme poverty is declining in many of the countries in Asia and the

Pacific, ADB should place more focus on moderate levels of poverty and on the disadvantaged nonpoor.

35. This paper's criteria for monitoring and evaluating the achievement of inclusive growth include all three of the above aspects.

3.3 Indicator Proposals

36. The following are a proposed set of indicators that could gauge the degree of success of countries in achieving greater inclusiveness of growth.

- (i) Poverty measures:
 - (a) **The proportion of the population living below nationally determined poverty lines.** Utilizing such estimates from World Bank or ADB data should take precedence over using PPP estimates of poverty levels.
 - (b) **The proportion of the population living below the \$2.50 per day per person international poverty line in 2005 prices.** This measure should be used as for moderate poverty and as an entry point for discussing broader measures of deprivation and exclusion. World Bank data can be used.
- (ii) Inequality measures, vertical:
 - (a) **The Gini coefficient.**
 - (b) **The income share of the poorest 60% of the population.** This is designed to be the broadest measure of vertical inequality, using World Bank or ADB data.
- (iii) Inequality measures, horizontal:
 - (c) **The income or expenditure gap between rural and urban areas.** This measure is to be developed.
 - (b) **Where feasible, the income or expenditure gap among regions or among major ethnic groupings.** This measure is to be developed.

3.4 Incorporating Gender Equity into Inclusive Growth

37. Achieving greater gender equity is an important aspect of fostering greater inclusiveness of growth, including enhancing human capabilities. ADB has already begun to clarify its thinking on the relationship between gender equality and inclusive growth (Niimi 2009).

38. In addressing gender equity, the same broad development-oriented definition of inclusive growth is applied that was already used for other dimensions. Thus, the intention is not to focus just on poor women or on relative human poverty between men and women. Indicators that can be used to evaluate progress of a broader grouping of women are preferred. Attention is focused on three dimensions—education, health, and employment—in part because informative indicators can be identified for such aspects of gender equity.

3.5 Indicator Proposals

39. The following are a proposed set of indicators for achieving greater gender equity.

- (i) Gender inequality:
 - a) **The ratio of literate females to literate males among those aged 15–24 years.** This corresponds to inequalities in extreme educational deprivation. Literacy is an informative outcome variable, and the range of 15–24 years of age helps give an indication of recent advances. This can

- be measured with United Nations Educational, Scientific and Cultural Organization (UNESCO) sources.
- (b) **The ratio of girls to boys in secondary education.** This corresponds to inequalities in more moderate levels of educational deprivation, although the results for such an indicator do not always suggest gender inequality (i.e., that women are the disadvantaged group relative to men). This can be measured with UNESCO sources.
 - (c) **The percentage of births attended by skilled health personnel.** This could be supplemented by the corresponding outcome indicator, the maternal mortality rate, but reliable data on such an indicator are often not available. This can be derived from United Nations Children's Fund (UNICEF) and World Health Organization (WHO) sources.
 - (d) **The share of women in nonagricultural wage employment.** This is a variation of the indicator included in the section on measures of productive employment. This can be derived from ILO sources.

40. For the general category of income poverty and general equity, a total weight of 25% is assigned for the paper's overall inclusive growth composite index. Within this 25% weight, a 40% weight (10% overall) is given to extreme and moderate poverty (national estimates); a 40% weight (10% overall) to vertical and horizontal inequalities (e.g., the expenditure share of the poorest 60%); and a 20% weight (5% overall) to gender inequalities.

4. The Human Capabilities Dimension of Inclusiveness

41. So far, inclusiveness has been addressed in terms of income poverty, income inequality, and productive employment. Thus, the attention has primarily been on the demand side of the achievement of equitable access to opportunities. The indicators have been designed to monitor the demand for labor and the associated generation of income and its distribution—whether equitable or not—among the population. However, even if inclusive growth is defined narrowly, the supply side of such access still needs to be addressed, that is, whether the working population possesses the human capabilities necessary to be productively employed to take advantage of available economic opportunities.

42. Such a focus leads to consideration of the population's access to public goods and services. The preeminent dimensions include access to health and education services, and to other vital infrastructure such as safe water and adequate sanitation. Such dimensions as health and education can be interpreted in various ways. They are often regarded as human development outcomes, but they can also be seen as human capabilities that can generate additional income, that is, accelerate the pace of growth. Within the analytical framework of inclusive growth, health and education can also be utilized as a barometer of the degree of equality of opportunity that a country's population enjoys. This implies that all members of a society should be provided with the means to form the basic human capabilities that are an essential foundation for social inclusion.

43. In this paper, since inclusive growth is being defined in a broad sense—that is, as equivalent to inclusive development—human capabilities are prioritized as a measure of human development. Moreover, the lack of basic capabilities is regarded as an indication of human poverty. However, whether one agrees with such an approach or favors a narrower or more

instrumental interpretation of their importance, advocates of differing interpretations of human capabilities should still likely be able to agree on a core set of essential criteria and indicators.

44. For health outcomes, the under-5 mortality rate is one of the most reliable and extensively documented indicators. Such deprivation-oriented measures suggest the share of the population that is deprived. As a complementary health indicator, a variation on the indicator of life expectancy can be used, since it can serve as a general barometer of health conditions in a society. In this paper, the share of the population that is projected not to live beyond age 40 years is used. It is also used for the United Nations Development Programme's Human Poverty Index. Together, the under-5 mortality rate and the mortality rate for those under 40 years of age should provide a broad sense of a country's success in achieving health inclusiveness.

45. In recent years, efforts have been made to link such measures of human development with measures of income or wealth. For example, the Demographic and Health Surveys now provide information on the under-5 mortality rate by quintiles of the population ranked by a wealth index. When such data are available for countries in Asia and the Pacific, they should be disaggregated for the under-5 mortality rate by quintile. When Demographic and Health Survey data are not available, the differential in this rate between urban and rural areas should be reported as a rough proxy measure of inequality in the attainment of human capabilities.

46. Tandon and Zhuang (2007) applied such an approach to the People's Republic of China. They found that while health outcomes, such as life expectancy and mortality rates, have tended to converge across rich and poor provinces (as health has advanced faster in poorer provinces), disparities in outcomes have widened between rural and urban areas. They also draw on data from the WHO 2003 *World Health Survey*, covering 4,000 households across 10 provinces, which (like the Demographic and Health Surveys) used a wealth index to rank households. Consequently, they were able to document that ill health, such as being underweight, was more prevalent among poorer households.

47. A complement to the two life expectation variables is the percentage of children under age 5 years who are underweight. This indicator can provide information on both nutrition and health conditions. In South Asia, in particular, malnutrition and undernutrition remain major problems. In fact, they are more severe than in the rest of the developing world.

48. For education outcomes, an indicator of school enrollment can be used. Since this paper is not focusing exclusively on poverty-related outcomes, using literacy (a classic basic outcome indicator) or only the primary school enrollment ratio is inadequate for these purposes. An additional indicator is needed that tracks education outcomes for a share of the population that is significantly larger than the extremely poor. Thus, the primary school enrollment ratio can be supplemented with the secondary school enrollment ratio. Where data are available on net enrollment ratios, these should be used. Also, if data on enrollment ratios can be disaggregated, at least by rural and urban areas, this differentiation should be reported. Lastly, if Demographic and Health Surveys provide enrollment ratios by quintiles over time, presenting such an indicator is preferred.

49. Indicators on access to safe water and adequate sanitation should be reported as a complement to the health and education indicators mentioned above. Lack of access to such facilities can be severe, especially in rural areas, and especially for sanitation. According to Strategy 2020, ADB plans to prioritize such sectors for investment in the future. Once again, disaggregating these indicators according to rural and urban areas is recommended.

4.1 Indicator Proposals

50. Several of the potential indicators identified for enhancing human capabilities are already in wide use and should be supported by the availability of data. Where feasible, the monitoring of these indicators should involve disaggregation of results by rural and urban sector and income quintile:

- (i) under-5 mortality rate, using UNICEF and WHO data;
- (ii) mortality rate for under age 40, using United Nations Development Programme *Human Development Reports*;
- (iii) percentage of those under age 5 years who are underweight, using UNICEF and WHO data;
- (iv) net primary enrollment ratio, using UNESCO data;
- (v) net secondary enrollment ratio, using UNESCO data;
- (vi) proportion of the population with access to safe water, using the World Bank's *World Development Indicators*; and
- (vii) proportion of the population with access to adequate sanitation, using the World Bank's *World Development Indicators*.

51. For the overall inclusive growth composite index, a weight of 15% is assigned to this general category of indicators. Within this total, one-third (5% overall) is given to the health and nutrition cluster (i.e., mortality rates for under age 5 years and under age 40 years and percentage of those under age 5 years who are underweight), one-third (5% overall) to the education cluster (i.e., net primary and secondary enrollment), and one-third (5% overall) to the indicators for access to water and sanitation. Where possible, these indicators are disaggregated by quintile and the rural–urban divide.

5. The Social Protection Dimensions of Inclusiveness

52. The ability to provide a menu of indicators that can register general progress on the growth of productive employment, the generation of income, and the formation of essential human capabilities offers a credible means to monitor there is some headway in monitoring progress on inclusive growth. However, ADB usually incorporates social protection as an additional dimension of its inclusive growth strategic framework. This is a particularly focused application of inclusiveness, since much of the focus is on the extremely or chronically poor, who have great difficulty in taking advantage of any opportunities provided by inclusive growth. For this paper, a weight of 10% is assigned to this category.

53. Ali stated, "...inclusive growth focuses on expanding the opportunities for all while targeting social protection interventions at the chronically poor" (2007, p. 8). ADB also posited that "...the key ingredients of inclusive growth are creation of opportunities through high and sustainable growth, making opportunities equally accessible to all, and eradicating extreme poverty" (Ali and Zhuang, p. 17). Thus, the need to eradicate extreme poverty necessitates an emphasis on some basic forms of social protection, or social safety nets.

54. Ali and Zhuang further stated that "...promoting social inclusion also requires the government to provide social safety nets to mitigate the effects of external and transitory shocks as well as to meet the minimum needs of the chronically poor" (2007, p. 14). They described several potential dimensions of such social protection, including labor market policies, social

insurance programs, social assistance and welfare schemes, and child protection services. It is difficult, however, to identify outcome indicators that could be identified with social protection per se.

55. Fortunately, ADB has already commissioned work on a social protection index (Baulch et al. 2008), which could fill in the gap of information on the quality and coverage of social protection in each country. This composite index has four components: (i) the total expenditures on all social protection programs as a ratio to GDP, (ii) the number of beneficiaries of social protection programs as a ratio to the reference populations for key target groups, (iii) the number of social protection beneficiaries who are poor as a ratio to the total poor population, and (iv) the average social protection expenditure for each poor person as a ratio to the poverty line.

56. This index is currently available for a number of countries. As long as ADB is committed to supplying continuous information for expanding and updating the index, it could be a valuable tool in monitoring and evaluating country-level progress on this focused aspect of inclusiveness. This index mixes input indicators, such as expenditures, with output indicators, such as the number of beneficiaries. Yet these components differ from some of the human development indicators that have already been recommended in this paper for the monitoring of inclusive growth, because the latter are designed to register outcomes (e.g., health conditions or educational attainments). Nevertheless, this new index will be incorporated in the inclusive growth composite index, along with its weighting scheme for its four components. For presentation purposes, the four components of the social protection index can always be offered as separate indicators if ADB wishes to do so.

57. For this paper, a weight of 10% is assigned to the social protection index as a whole, adding the final weight to the total for the four major categories of indicators for the inclusive growth index.

5.1 Inclusive Growth–Promoting Governance

58. Relating inclusive growth to governance dimensions is a particularly difficult exercise. Governance is a complex and often ill-defined concept and incorporates many aspects that are often disputed. There are several prominent composite indices of good governance, which could be used to gauge progress on the governance dimensions of inclusive growth. But because substantial disagreements remain on how to define good governance, the use of such composite indices is not recommended without a thorough, critical review and experimental application to countries in Asia and the Pacific.

59. For the time being, only tentative initial recommendations can be made on the more development-oriented aspects of governance and their corresponding indicators. Two such indicators are: (i) the revenue–GDP ratio, and (ii) the public investment–GDP ratio. Though neglected in discussions of good governance, both are critical to the success of governments in contributing to the inclusive growth agenda.

60. The revenue–GDP ratio is a key measure of the success of governments in mobilizing domestic sources of finance. Without a substantial resource base, governments will not be able to carry out many of the functions that are implied by the recommended programs to foster inclusive growth. Furthermore, the public investment–GDP ratio is also crucial because it gives an indication of the capacity and willingness of governments to invest in development. For many low-income or lower-middle-income countries in Asia and the Pacific, public investment needs

to be boosted to finance the infrastructure necessary to provide essential economic and social services.

61. The indicator for public investment, or public expenditures in general, could be suitably disaggregated to reflect government commitment to expenditures for various forms of economic and social infrastructure. Obvious examples are the public expenditures on health and education as ratios to GDP. In addition, the social protection index includes an indicator for public expenditures on social protection as a ratio to GDP. The share of total public expenditures on poverty reduction programs could also be included as a central indicator. Also important, but often neglected, are indicators of expenditures on economic infrastructure. Critical expenditures are those on water, sanitation, roads, and electricity. At the very least, such expenditures should be disaggregated by rural and urban areas, and by regions (ranked by income level). We have already incorporated some of these indicators in the inclusive growth composite index.

62. Inclusive growth-enhancing governance has not been highlighted as a separate component of the composite index. A major reason is that some of its input indicators would cover the same ground as outcome indicators (e.g., health and education), which are covered elsewhere in the index. If ADB wishes to underscore the importance of such governance dimensions as a separate component of the composite index, some practical suggestions on how to do so have been provided.

6. Conclusion

63. Resolving whether an inclusive growth framework extends significantly beyond a poverty agenda—even an agenda for addressing the problems of the moderately poor—is pertinent for ADB. A central problem is that advocates of inclusive growth have not yet agreed on the weight that they wish to attach to achieving greater equity in addition to faster economic growth. This paper emphasizes greater equity, although inclusive growth appears to be less equity-intensive in its objectives than pro-poor growth. However, this approach favors the need for greater equity across a broader segment of the population than just the extremely or moderately poor. Thus, suitable measures of income and non-income inequalities are regarded as being of paramount importance for the inclusive growth composite index.

64. Generally, the employment dimension of inclusive growth has tended to be neglected, partly due to the lack of suitable indicators to track progress. Yet another issue is simply the lack of clarity, or lack of agreement, on how to promote productive employment. Faster growth is clearly not sufficient. The employment impact of growth should also be a priority policy concern.

65. Furthermore, although inclusive growth is implicitly assumed to be synonymous with inclusive development, inclusive growth is clearly not assumed to be the overarching strategic framework for ADB. Strategy 2020 defines inclusive economic growth as only one of its three development agendas. In this paper, the number of the dimensions of inclusive growth that are being recommended for adoption are deliberately limited, although there is often a natural tendency in such exercises to include a broad and diverse set of dimensions.

6.1 Weighting Scheme

66. The composite index that incorporates the major dimensions highlighted above can serve as a diagnostic tool for assessing country progress on inclusive growth. It can also be an

initial framework to assess the alignment of ADB assistance to a country's strategic priorities. However, this composite index should not be regarded as a tool for evaluation of country progress.

67. A composite index that is based on a scoring methodology and a weighting scheme implicitly involves value judgments. However, such a framework can oblige people with differing values (e.g., the weight that they attach to equity versus growth) to identify and clarify their differences. Also, any scoring system can oblige them to compare their assessment of progress, help make explicit the magnitude of their differences, and assist them in arriving at a consensus view.

68. As discussed throughout the paper, the broad recommendations for the four-component, country-level Inclusive Growth Composite Index are as follows:

- (i) success in achieving growth, employment generation, and access to economic infrastructure—50% weight;
- (ii) success in reducing extreme poverty, moderate poverty, and inequality (including vertical, horizontal, and gender inequality)—25% weight;
- (iii) success in enhancing human capabilities (e.g., health, education, water, and sanitation)—15% weight; and
- (iv) success in providing basic social protection (especially for eliminating extreme poverty)—10% weight.

6.2 Scoring System

69. The composite index is constructed on a weighted average score of 0–10, based on country performance on each of its four components. As explained previously, each of the four components is, in turn, a weighted average of its subcomponents. For example, the third component, enhancing human capabilities, has three subcomponents: health and nutrition, education, and access to water and sanitation. Each of these sub-components will be scored from 0 to 10 and the resultant score will be given one-third weight in the total component for human capabilities. The total component has, in turn, a 15% weight in the overall composite index. If the combined score for the total component is 6, for example, then the weighted score of 0.9 ($6 \times .15$) will be added to the overall composite index together with the weighted scores of the other three major components.

70. In general, a score of 1–3 will be regarded as unsatisfactory progress on inclusive growth, a score of 4–7 as satisfactory progress, and a score of 8–10 as superior progress.

6.3 ADB Assistance

71. While the index will be helpful in highlighting the dimensions of inclusive growth on which a country is making insufficient progress, the same index cannot be mechanically applied to evaluating the contribution of ADB assistance to the country. ADB is likely to be supplying assistance only to certain dimensions of inclusive growth, partly because it has limited resources and partly because other bilateral, regional, or multilateral development agencies are also supplying assistance to certain dimensions. However, the index could be a useful starting point for assessing ADB activities, since it might reveal some inconsistencies or misalignments between the country's need for assistance (as evidenced by its lack of progress along certain dimensions) and ADB strategic priorities for that country.

72. The use of the composite index is illustrated in the six accompanying case studies (Appendixes 1–6). These cover Bangladesh, Cambodia, India, Indonesia, the Philippines, and Uzbekistan.

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Appendix 1: Bangladesh Case Study

1. Growth, Employment, and Economic Infrastructure

Although Bangladesh is a relatively poor country, it has had good economic performance in recent years. Between 1995 and 2000, its average gross domestic product (GDP) per capita growth rate was 3.2% per year, rising to 4.0% between 2001 and 2007. In 2008, this rate held at 4.8% and, in 2009, at 4.6%.

Bangladesh's economy has been undergoing a moderate degree of structural change. The share of agricultural value added in its GDP dropped from about 30.0% in 1990 to 25.5% in 2000 and to 19.0% in 2008. Over the same period, the share of industrial value added in its GDP rose from 21.5% to 28.5%. Correspondingly, its manufacturing value added rose from about 13% to almost 18%. Services remained, by far, the largest sector. This sector's value added as a share of total GDP was already about 48.0% in 1990. By 2008, it had increased to 52.5%.

Gains in productive employment in Bangladesh are mixed. The share of total employment in industry increased from the low base of 9.5% in 1996 to 14.5% in 2005. At the same time, the share of own-account and contributing family workers in total employment rose from about 69% in 1996 to 85% in 2005. This 2005 statistic is unusually high.

Bangladesh has made some progress on expanding the access of its population to economic infrastructure. In 2000, the number of mobile phone subscribers was 0.2 per 100 people, and by 2008, this ratio had risen to almost 28. However, the level of this ratio in 2008 was still lower than that of either Cambodia or India. Bangladesh did manage to achieve more progress on access to electricity. International Energy Agency data suggest that in 2000, only 20.4% of the population had access to electricity, whereas by 2008, this percentage had doubled to 41.0%.

2. Poverty and Inequality

In the 2000s, Bangladesh did reasonably well in reducing income poverty. According to estimates based on the national poverty line, the incidence of poverty dropped slightly from 51.0% in 1996 to 48.9% in 2000, and then more sharply to 40.0% in 2005, when economic growth accelerated and inequality remained relatively stable. Both urban and rural poverty declined during the 2000s—the urban poverty incidence dropped from 35% to 28%, and the rural poverty incidence from 52% to 44%.

If one uses the international poverty line of \$2.00 per person per day, then Bangladesh's poverty incidence was still about 81% in 2005. For 2000, the corresponding incidence was 85%. The incidence in 2005 is the highest among the six countries that are examined for this paper. This finding suggests that, based on a global perspective, deprivation remains widespread in Bangladesh.

Although Bangladesh's income inequality has risen since the 1990s, it has remained relatively low. In 2005, the Gini coefficient for expenditures was 34.1 (Ali and Zhuang 2007). In 1991, this coefficient was a very low 28.3, and in 2000, it was 30.7. In 2005, the poorest 60% of the population accounted for 38.1% of total expenditures. This share was down, however, from 41.5% in 1992, though it remained stable, at about 38.0%, between 1996 and 2005. The share of total expenditures of Bangladesh's poorest 60% in 2005 is still the highest among the five countries for which comparable inequality data are available. Thus, though inequality is higher in

the 2000s than it was in the 1990s, it is still relatively low by regional standards, and has remained fairly stable in recent years.

3. Gender Equity

Women have made notable progress on the educational front in Bangladesh. For instance, the ratio of young literate females to young literate males (age 15–24 years) rose from about 90% in 2001 to about 103% in 2007. In addition, the female–male enrollment ratio in secondary schools rose, from about 96% in 1998 to 106% in 2007. Moreover, during 2005–2007, the ratio of girls to boys in combined primary and secondary education was 106%–107%. These ratios are similar to those of the Philippines, but much above those of the other four countries that are examined in this paper.

On the health front, Bangladesh has not performed well, however. The percentage of births attended by skilled health staff rose from only 9.5% in 1994 to 18.0% in 2007, but the resulting level was still very low, even compared to levels in Cambodia or India. Unsurprisingly, the United Nations Children's Fund (UNICEF) reported that for 2005, the maternal mortality ratio in Bangladesh was 570 per 100,000 live births, a very high incidence. This estimate was adjusted for underreporting and misclassification of maternal deaths by national authorities.

The share of women in wage employment in the nonagricultural sector, which is supposed to indicate their movement into higher quality employment, did not exhibit much improvement between the early 1990s and the mid-2000s. During 1991–1995, for example, this share hovered around 20%–21%. In 2000, it appeared to have hit a peak of about 25%, but by 2006, it was down to about 20%.

4. Human Capabilities

Bangladesh has made some noteworthy progress on reducing the under-5 mortality rate. In 1990, this rate was 151 per 1,000 live births, and in 1995, it fell to 122. By 2007, this rate had been brought down to 60.5. Demographic and Health Survey data suggest that there was significant progress on reducing the mortality rate in both rural and urban areas. However, among the poorest 60% of the population, there was still a mortality rate of about 85 per 1,000 live births. Among the richest 20% of the population, this rate was about half, 43.

According to the United Nations Population Division, the proportion of the Bangladeshi population expected to die before age 40 years was 11.6% in 2005, a notable drop from the corresponding 21.0% of the population in 1995. The resulting percentage in 2005 is relatively low compared to the level in either Cambodia or India. Bangladesh has not made significant progress, however, in reducing malnutrition and undernutrition. In the late 1990s, the percentage of children who were underweight was 56.3%. During 2000–2006, this percentage remained at the high level of 47.5%.

Bangladesh also has not made much progress on boosting net enrollment rates in primary and secondary education. It did increase the net primary enrollment rate from 76.0% in 1991 to 86.5% in 2006, but this progress is not particularly rapid nor is the resultant level particularly high—compared, for example, to the enrollment rates in the five other countries, including Cambodia. The country's record on the net secondary enrollment rate has been even less encouraging. In 1998, this rate was 39.0%, and by 2007, it was still only 40.7%.

Bangladesh has achieved only marginal progress on the access of its population to either an improved water source or to an improved sanitation facility. In 1990, 78% of the population had access to an improved water source. In 2006, this percentage had risen to only 80%, and the percentage of the urban population with such access had, in fact, declined. In 1990, only 26% of the Bangladeshi population had access to an improved sanitation facility. By 2006, this percentage had risen to 36%, still a low level of achievement. There was progress in rural areas on access to sanitation, but in urban areas, the percentage of the population with such access declined from 56% to 48%.

5. Social Protection

There is not yet a basis to track the progress of Bangladesh in providing social protection. ADB has developed the Social Protection Index, which it constructed for 31 countries based on data in the 2000s. Scores range from 0 to 1. The composite score on this index for Bangladesh is 0.33. This score is close to the regional average of 0.36 (for the 31 countries for which data were collected). Bangladesh ranks 18th out of the 31 countries in the sample.

6. Summary

Bangladesh did not perform particularly well on any dimension of inclusive growth. It performed satisfactorily on economic growth, access to economic infrastructure, poverty, and inequality. However, it did not do well on either improving access to education or on access to sanitation or water. Its overall score is 4.55, which is on the low side of the satisfactory range (i.e., 4–7).

Table A1: Inclusive Growth Index for Bangladesh

Category	Score	Weight	Total
Growth	6	.25	1.50
Employment	4	.15	0.60
Economic Infrastructure	6	.10	0.60
Poverty	6	.10	0.60
Inequality	6	.10	0.60
Gender Equity	5	.05	0.25
Health and Nutrition	5	.05	0.25
Education	3	.05	0.15
Sanitation and Water	2	.05	0.10
Social Protection	5	.10	0.50
Total		1.00	4.55

Note: In general, a score of 1–3 is regarded as unsatisfactory progress, a score of 4–7 as satisfactory progress, and a score of 8–10 as superior progress.

Appendix 2: Cambodia Case Study

1. Growth and Employment and Economic Infrastructure

Until the onset of the global economic crisis, Cambodia had achieved exceptionally rapid rates of growth of gross domestic product (GDP) per capita. During 2007–2008, this rate was about 8.0%. During 1995–2000, Cambodia's rate of growth of GDP per capita averaged 4.7%, but during 2001–2007, it rose to 7.8%. In 2008, however, as result of the global economic crisis, this rate had dropped to 5.1%, and in 2009, to –4.0%. Nevertheless, Cambodia's pre-crisis performance on this basic indicator had been exceptional.

Cambodia's economy has been going through some structural changes, primarily because of the continued growth of garment exports. The United Nations Industrial Development Organization (UNIDO) reported that the real annual rate of growth of manufacturing value added during 2000–2005 was 14%, about twice as fast as the rate of its nonmanufacturing GDP. Manufacturing value added as a share of its GDP increased from about 16.0% in 2000 to 20.5% in 2007. This latter percentage is well above the average of 13.9% for low-income countries. Over the much longer period between 1990 and 2008, industrial value added as a percentage of GDP rose from 13% to 24%.

However, whether this high rate of economic growth and significant structural change translated into improvements in productive employment is inconclusive. Although value added in industry as a whole was growing at about 13% during 2005–2007 (slightly faster than the GDP rate of 11%), there are no corresponding data on employment trends by sector.

In 2007, an International Labour Organization regional report for the Association of Southeast Asian Nations (ASEAN) indicated that in 2005, industry in Cambodia accounted for 13.4% of total employment, while agriculture still accounted for 59.1% and services for 27.5%. The percentage recorded for industry represents progress, since workers in industry had represented 8.4% of the labor force in 2000. This progress was due, undoubtedly, to the expansion of the country's garment sector.

The share of the vulnerably employed (i.e., own-account workers and contributing family members) in total employment—which was already very high—rose slightly in the 2000s, from 84.5% in 2000 to 86.7% in 2004 (according to the database of the Asian Development Bank).

In 2000, only 15.8% of the population in Cambodia had access to electricity. By 2008, this proportion had risen to 24.0%, but this level was still a remarkably low percentage. In 2000, the number of mobile phone subscribers per 100 people was only 1.0, but it rose significantly to 29.1 by 2008. This is also still a relatively low level of mobile phone access compared to levels in other Asian economies.

2. Poverty and Inequality

Though there has been broad-based improvement in employment in Cambodia, income poverty has not significantly declined. According to the national poverty line, poverty incidence declined from 47% in 1994 to 35% in 2004. A World Bank poverty report published in 2009 indicated that poverty incidence fell to 30% by 2007. This would be considered a credible performance, except that poverty incidence was already recorded as 36% in 1997.

World Bank purchasing power parity estimates for 2004 recorded the poverty incidence as 68% according to the \$2.00 per person per day international line. These estimates suggest that according to a global standard, overall poverty still affects a substantial majority of the population in Cambodia.

To understand how the vulnerable nonpoor have fared in recent years, the income share of the poorest 60% of the population was examined. By the standard of the international poverty line of \$2.00 per person per day, this proportion of the population could be considered at least moderately poor. In 1994, the income share of the poorest 60% was 33.4%. By 2004, this share had fallen to 30.8%. ADB reported that the Gini coefficient rose sharply from about 32 in 1993 to about 41 in 2004 (Ali and Zhuang 2007). However, the share of the poorest 60% did appear to have recovered slightly to 31.7% by 2007.

These statistics suggest that during the period for which most poverty and distribution data are available, 1994–2004, inequality worsened while poverty was still slowly declining (at least after 1997). As economic growth became more rapid by the mid-2000s, inequality appears to have moderated, with the poorest 60% registering a slight gain relative to share of the richest 40% of the population.

3. Gender Equity

Cambodia achieved more progress on gender equality than on inequality in general or on poverty reduction. The ratio of literate females to literate males (aged 15–24 years) improved, rising from 87% in 1998 to 92% in 2007. The ratio of girls to boys in secondary school enrollment also increased from 54% in 1998 to 81% in 2007. In addition, the ratio of girls to boys in combined primary and secondary school enrollment rose from 79% in 1998 to almost 90% in 2007.

However, improvements in gender equity on health have been less pronounced. The proportion of births attended by skilled health personnel rose from 34% in 1998 to about 44% in 2005. This is not an insignificant advance over such a short period of time, but the resultant level is still low by international standards. Furthermore, the United Nations Children's Fund (UNICEF) reported that for 2005, the maternal mortality ratio was 540 per 100,000 live births—a very high incidence. This estimate was adjusted for underreporting and misclassification of maternal deaths by national authorities.

4. Human Capabilities

Cambodia's progress on improving basic human capabilities has been unexceptional. For example, in 1990, its average under-5 mortality rate was 119 per 1,000 live births. By 2000, this rate had fallen to only 106, and by 2007 to only 91. In 2005, the under-5 mortality rate was still 111 in rural areas while it was 76 in urban. Demographic and Health Survey data for 2005 identifies the average under-5 mortality rate for the poorest 60% of the population as 123 deaths per 1,000 live births. This rate contrasts with 23 deaths per 1,000 live births for the richest 20% of the population.

According to the United Nations Population Division, the proportion of the population expected to die before age 40 years was 18.5% in 2005, which represented a decline from the projected 27% in 1995. Still, the 2005 level is a relatively high percentage by international standards. Cambodia has also not performed well in reducing malnutrition and undernutrition. In the early

1990s, the percentage of children under age 5 years who were underweight was almost 40%. By 2000–2006, this percentage was still at the relatively high level of about 36%.

The country has experienced some progress on education indicators. Its net primary school enrollment ratio rose from 72% in 1991 to 87% in 2000 and then edged up to 90% in 2007. Its net secondary school enrollment ratio doubled from 16.5% in 1998 to 34.0% in 2007, but the resultant level is still very low by international standards.

Cambodia has experienced differential progress on access to improved water and sanitation facilities. In 1990, the percentage of its population with access to improved sanitation facilities was only 8%. By 2006, this percentage had risen slowly overall, to 28%. However, there was also a large differential in access between urban and rural areas. Only 19% of the rural population had access to improved sanitation facilities in 2006, whereas 62% of the urban population did.

There was both faster and more equitable progress on access to an improved water source. In 1990, 19% of the Cambodian population had such access. By 2006, this proportion had risen dramatically to 65%. In this same year, 80% of the urban population had access to an improved water source, while 61% of the rural population had such access.

5. Social Protection

A basis does not yet exist to track the progress of Cambodia in providing social protection (Appendix 1). However, the composite score on the Social Protection Index for Cambodia is 0.19. Compared to the regional average of 0.36 (for the 31 countries for which data were collected), this score is low. Cambodia ranks 25th out of the 31 countries in the sample.

6. Summary

Cambodia performed well on generating rapid economic growth but only just satisfactorily on generating productive employment and expanding access to economic infrastructure. It performed very poorly on providing social protection. Its other scores remained within the satisfactory range. Its overall score is 5.05, which is somewhat below the middle range of the satisfactory range (i.e., 4–7).

Table A2: Inclusive Growth Index for Cambodia

Category	Score	Weight	Total
Growth	8	.25	2.00
Employment	4	.15	0.60
Economic Infrastructure	4	.10	0.40
Poverty	6	.10	0.60
Inequality	4	.10	0.40
Gender Equity	6	.05	0.30
Health and Nutrition	3	.05	0.15
Education	4	.05	0.20
Sanitation and Water	4	.05	0.20
Social Protection	2	.10	0.20
Total		1.00	5.05

Note: In general, a score of 1–3 is regarded as unsatisfactory progress, a score of 4–7 as satisfactory progress, and a score of 8–10 as superior progress.

Appendix 3: India Case Study

1. Growth and Employment and Economic Infrastructure

India was growing credibly during 1995–2000, as its average rate of growth of gross domestic product (GDP) per capita was 4.3%. During 2001–2007, this rate accelerated to an average of 6.1%, with rates of 7%–8% during 2005–2007. In 2008, this rate slowed to 5.2% and then rose slightly to 5.7% in 2009. Thus, overall India's growth performance has been impressive.

India's economy appears to have been undergoing some structural changes in recent years, but these have not been pronounced. The United Nations Industrial Development Organization (UNIDO) reported that the real rate of growth of manufacturing value added was 6.9% during 2000–2005, about the same rate as its nonmanufacturing GDP. Between 2000 and 2007, the share of manufacturing value added in its GDP edged up from 14.3% to 14.9%.

More recently, both industry and services were growing much faster than agriculture. While GDP was growing at 9.5% during 2005–2007, industry was growing at 10.5% and services at 10.6%. However, agriculture was growing at only 4.5%. Slow growth of agriculture has thus retarded any significant increases in rural incomes.

From a longer-term perspective, services value added as a percentage of total GDP has increased markedly, whereas industrial value added has not. Between 1990 and 2008, services increased their share of GDP from about 44% to about 54%, while industry was increasing its share from 27% to about 29%.

Such growth trends suggest that employment should be shifting out of agriculture and into both industry and services. Yet any relevant trends for corresponding employment indicators for India cannot be reported. These include the share of the employed in industry or other sectors over time or even any data on the share of the vulnerably employed. International Labour Organization data included in a 2007 report for the Association of Southeast Asian Nations (ASEAN) suggest that 54% of India's total employment remained in agriculture in 2004, while 26% was in services and 20% in industry. Such a percentage for industry is relatively high for low-income countries.

India has achieved some degree of progress on expanding access to economic infrastructure. While in 2000, 43.0% of the population had access to electricity, this share had risen markedly, to 64.5% in 2007. In 2000, there was a mere 0.4 mobile phone subscribers per 100 people. By 2008, this ratio had risen to 30.4. While this is significant progress, it is moderate when compared to the advances of countries such as Indonesia and the Philippines.

2. Poverty and Inequality

There have been endless national debates on the extent of poverty reduction in India. World Bank estimates suggest that according to national poverty lines, the poverty incidence decreased from 36% in 1994 to 28.6% in 2000. If this is accurate, then the performance should be regarded as credible.

According to the \$2.00 per person per day purchasing power parity line, the headcount ratio in India is estimated to have been 75.6% in 2005. This estimate suggests that poverty, by international standards, still affected about three-fourths of the population.

The few estimates of inequality that are reported for India suggest that it is not high by international standards. The Asian Development Bank reported that the Gini coefficient rose significantly, from 32.9 in 1993 to 36.2 in 2004 (Ali and Zhuang 2007). The income share of the poorest 60% has been above average, at least compared to that in other countries such as Cambodia and the Philippines. In 1994, this share was 37.8%. By 2005, this share had dropped to 34.3%, representing an appreciable deterioration in income distribution. If true, such deterioration would have slowed the reduction in poverty despite more rapid rates of growth in the 2000s.

3. Gender Equity

According to available indicators, India has made moderate progress on achieving gender equity. Since the early 1990s, it made advances on educational indicators. While the ratio of young literate females to young literate males (age 15–24 years) was 67% in 1991, it increased to 80.5% by 2001 and 88.9% by 2007. The female–male ratio in secondary school enrollment started from 59.7% in 1991, but reached 72.0% in 2001 and 83.3% by 2006. The ratio of girls to boys in combined primary and secondary school enrollment increased from 70.3% in 1991 to 90.6% in 2006.

On health indicators, there have been less impressive advances. For instance, the proportion of births attended by skilled health personnel was 34.2% in 1993 but reached only 42.5% in 2000 and only 46.6% in 2006. Moreover, according to the United Nations Children's Fund (UNICEF), the maternal mortality ratio was still high for 2005, at 450 deaths per 100,000 live births. This estimate was adjusted for underreporting and misclassification of maternal deaths by national authorities.

On the employment front, India lags behind many other countries in the region on advancing gender equity. In 1990, only 12.7% of those employed for wages in nonagricultural sectors were women. By 2000, this percentage had risen to 16.6% and by 2005 to 18.1%. Not only was progress modest, but also the resulting level in 2005 was still low.

4. Human Capabilities

India has made progress on some health indicators. For instance, in 1990, its under-5 mortality rate was 117 deaths per 1,000 live births. By 2000, this rate had fallen to 91, and by 2007, to 72. India is likely to have difficulty in reaching the Millennium Development Goal target of cutting this rate by two-thirds by 2015. Most of the absolute declines in deaths have occurred in rural areas, as the differential between the urban and rural rates has narrowed. However, if the under-5 mortality rate is examined by quintiles of the population, which are provided by Demographic and Health Survey data, in 2005–2006, the average mortality rate among the poorest 60% of the population was 99 deaths per 1,000 live births. For the richest 20% of the population, by contrast, it was only 39.

For 2005, the United Nations Population Division reported that 15.5% of the population could not expect to reach age 40 years. In 1995, this percentage was 16.0%, so there was virtually no progress. While the 2005 level is not as high as Cambodia's, it is still higher than the percentage in many other countries, such as Bangladesh and the Philippines.

India has not performed well in regard to malnutrition and undernutrition. In the early 1990s, 53.4% of children younger than age 5 years were underweight. By 2000–2006, this proportion

had fallen to about 46.0%. Thus, almost half of children under age 5 years are still suffering from a chronic lack of food at an early age.

The data currently available on India's progress on educational indicators are not extensive. Net primary enrollment ratio data suggest that while there has been progress in the 2000s, it has not been rapid. In 2000, the net primary enrollment ratio was 79%, and by 2007, the latest year for which data are available, the ratio rose to 90%. In addition, the youth literacy rate has increased noticeably since the early 1990s. In 1991, the literacy rate among youth aged 15–24 years was about 62%; by 2006, this proportion had risen to 81%. Though data are unavailable on the internet secondary enrollment ratio, the United Nations Educational, Scientific and Cultural Organization (UNESCO) reported that the gross secondary enrollment ratio increased from 44% in 1999 to 57% in 2007.

India has not made significant progress on expanding access to improved water sources and improved sanitation facilities. In 1990, 71% of the population had access to an improved water source. By 2006, this percentage had risen to 89%. The gap between rural and urban areas was not wide, as 86% of the rural population had such access, while 96% of the urban population had such access. The record on expanding access to sanitation was unsatisfactory. In 1990, only 14% of the population had access to improved sanitation facilities. In 2006, this share had risen to only 28%. Furthermore, while 52% of the urban population had access to sanitation, only 18% of the rural population did.

5. Social Protection

The progress of India (or other countries) cannot be tracked on provision of social protection (Appendix 1). However, India's composite score on the Social Protection Index is 0.46. Compared to the regional average of 0.36 (for the 31 countries for which data were collected), this score is reasonably high. India ranks 10th out of 31 countries.

6. Summary

India performed above-average on growth and social protection and did reasonably well on economic infrastructure. However, data are inadequate to make an assessment on employment generation. India did only marginally satisfactorily on several dimensions: inequality in general, gender equity, health and nutrition, and sanitation and water provision. Its overall score is 5.70, which is slightly above the middle point of the satisfactory range (i.e., 4–7).

Table A3: Inclusive Growth Index for India

Category	Score	Weight	Total
Growth	8	.25	2.00
Employment ^a	4	.15	0.60
Economic Infrastructure	6	.10	0.60
Poverty	5	.10	0.50
Inequality	4	.10	0.40
Gender Equity	4	.05	0.20
Health and Nutrition	3	.05	0.15
Education	5	.05	0.25
Sanitation and Water	4	.05	0.20
Social Protection	8	.10	0.80
Total		1.00	5.70

^a The score for employment is based on limited data.

Note: In general, a score of 1–3 is regarded as unsatisfactory progress, a score of 4–7 as satisfactory progress, and a score of 8–10 as superior progress.

Appendix 4: Indonesia Case Study

1. Growth, Employment, and Economic Infrastructure

Over the last 2 decades, Indonesia's growth performance has not been stellar. Its average rate of growth of gross domestic product (GDP) per capita during 1995–2000 was only 0.8%, due principally to the impact of the 1997/98 Asian financial crisis. In 1998, its rate of growth was –14.3% as its economy collapsed, and in 1999, it was still –0.6%. During 1990–1994, Indonesia was averaging, by contrast, a 6.3% rate of growth of GDP per capita. During 2001–2007, its rate of per capita growth had recovered from the crisis and was averaging 3.7% per year. In 2008, its growth rate was 4.7% and, in 2009, 3.3%.

Indonesia has continued to undergo structural transformation despite the economic slowdown incurred during the late 1990s. Agricultural value added as a percentage of its total GDP fell from 19.4% in 1990 to 14.4% in 2008. This level is lower than that of the other five countries that were examined, except the Philippines. Correspondingly, industrial value added as a percentage of its GDP rose from 39.1% in 2000 to 48.1% in 2008, a relatively high level. Meanwhile, the share of services in GDP fell from 41.5% to 37.5% during the same period.

However, Indonesia has not made much progress on expanding productive employment. While the share of total employment in industry was 13.7% in 1990, it had risen modestly to only 18.8% in 2007. About 41% of the employed were still in agriculture, and the remaining 40% were in services in 2007. In addition, Indonesia has made virtually no progress in reducing the share of own-account and contributing family workers in the labor force. While this share was about 63% in 1997, it was still basically the same percentage in 2007.

Indonesia has had a mixed record on expanding access to economic infrastructure. Its record on increasing the number of mobile phone subscribers has been spectacular. In 2000, the number of such subscribers per 100 people was only 1.8, but by 2008, this ratio had risen to 61.8. However, progress on access to electricity has been much less impressive. In 2000, 53.4% of the population had access to electricity. By 2008, this proportion had risen only modestly to 64.5%. Both Bangladesh and India have made much more dramatic progress on this front.

2. Poverty and Inequality

Indonesia appeared to have made very little progress on reducing poverty by the mid-2000s. In 1996, for example, the poverty incidence, according to the national poverty line, was 17.5%. By 1999, under the stress of the Asian financial crisis, the poverty rate rose to about 27.0%. Thereafter, the rate declined, reaching 16.7% in 2004. The most dramatic increase in poverty during the Asian financial crisis was in rural areas. There, the incidence of poverty rose from about 20% in 1996 to over 34% in 1999, before falling back to 20% in 2004.

When the international poverty line of \$2.00 per person per day is used to gauge the extent of poverty in Indonesia, the result is that about 60% of the population should still be regarded as poor—at least from a global perspective. Hence, this standard suggests that deprivation is much more broad-based than that implied by estimates that have been based on a national poverty line.

Inequality appears to have remained virtually unchanged between the early 1990s and the early 2000s. In 1993, the Gini coefficient was 34.4, while in 2002, it was 34.3, a relatively low level of

inequality. For both 2005 and 2007, there are estimates available for the share of total expenditures accounted for by the poorest 60% of the population. In 2005, this share was 32.3%, and in 2007, it was 33.2%. Hence, even though there is no basis on which to judge a trend, the share of the poorest 60% is much above that for the Philippines (28.4%) but below that for Bangladesh (38.1%).

3. Gender Equity

In general, Indonesia appears to have made some progress on achieving greater gender equity. The ratio of young literate females to young literate males (aged 15–24 years) was already at a fairly high level in 1990, 97.6%. By 2006, at 99.2%, it had edged up practically to its limit. The female–male secondary enrollment rate ratio was 82.6% in 1991. By 2007, this ratio had risen to 100.6%. The ratio of girls to boys in both primary and secondary education rose from about 93% in 1991 to over 97% in 2007. In other words, by the later years, Indonesia appears to have been moving toward gender equity in both primary and secondary education.

Indonesia has also made some progress on the health front. Whereas in 1991 only about 32% of all births were attended by skilled health personnel, in 2007, this percentage had risen to over 79%. This proportion is much higher than the level in the other countries in the sample in this study, except for Uzbekistan. However, the United Nations Children's Fund (UNICEF) still recorded a maternal mortality rate of 420 per 100,000 live births in 2005. This estimate adjusts for underreporting and misclassification of maternal deaths by national authorities.

On the employment front, there has been virtually no change in the share of women in wage employment in the nonagricultural sector in Indonesia. In 1990, this share was 29.2%. In 2007, it was still 30.6%.

4. Human Capabilities

Indonesia has not made much progress on enhancing human capabilities in the last 2 decades, but it has succeeded in reducing the under-5 mortality rate. In 1990, this rate was 85.6 per 1,000 live births. By 2007, it fell to 42.2. While the poorest fifth of the population had an under-5 mortality rate of 77 in 2007, the richest fifth had a rate of less than half, that is, 32.

According to the 1995 estimates of the United Nations Population Division, 13% of Indonesians could expect to die before age 40 years. Estimates for 2005 suggested that this percentage had fallen to 6.7%. Furthermore, Indonesia has continued to reduce malnutrition and undernutrition. In the early 1990s, the percentage of children who were underweight was 37.5%, and in the late 1990s, this percentage was 34.0%. During 2000–2006, this percentage was reduced to about 28%. Though not low by international standards, this level was better than that for Bangladesh and India.

While Indonesia appears to have made no progress on net primary school enrollment, it has advanced on net secondary school enrollment. In 1991, the net enrollment ratio for primary school in Indonesia was 98%—already a very high ratio. By the 2000s, this percentage had dropped. In 2007, the ratio was about 95%. In contrast, Indonesia made credible progress on secondary school enrollment. While in 2000 the net secondary school enrollment ratio was almost 50%, by 2007 it had been boosted to over 69%.

Indonesia has not made much progress on expanding its population's access to either an improved water source or an improved sanitation facility. In 1990, 72% of the population had

access to an improved water source, but this percentage rose only modestly thereafter, reaching 80% by 2006. One reason is that the access of the urban population had fallen from 92% to 89% during this period, while the access of the rural population was increasing by only eight percentage points. There was virtually no progress on the population's access to an improved sanitation facility as well. The percentage of the population with such access in 1990 was 51% and, in 2006, 52%.

5. Social Protection

There is no basis yet for tracking the progress of Indonesia on providing social protection (Appendix 1). The composite score on the Social Protection Index for Indonesia is 0.33. This score is close to the regional average of 0.36 (for the 31 countries for which data were collected). Indonesia ranks 19th out of the 31 countries in the sample.

6. Summary

Indonesia did not generate either rapid growth or much productive employment. It made satisfactory progress on inequality, gender equity, health and nutrition, and, to a lesser extent, economic infrastructure and education. Its progress on poverty and on access to sanitation and water was unsatisfactory. Thus, its overall score is 4.40, which is only marginally satisfactory.

Table A4: Inclusive Growth Index for Indonesia

Category	Score	Weight	Total
Growth	4	.25	1.00
Employment	4	.15	0.60
Economic Infrastructure	5	.10	0.50
Poverty	2	.10	0.20
Inequality	6	.10	0.60
Gender Equity	6	.05	0.30
Health and Nutrition	6	.05	0.30
Education	5	.05	0.25
Sanitation and Water	3	.05	0.15
Social Protection	5	.10	0.50
Total		1.00	4.40

Note: In general, a score of 1–3 is regarded as unsatisfactory progress, a score of 4–7 as satisfactory progress, and a score of 8–10 as superior progress.

Appendix 5: The Philippines Case Study

1. Growth, Employment, and Economic Infrastructure

The Philippines has suffered recently from anemic rates of economic growth. During 1995–2000, its average rate of growth of gross domestic product (GDP) per capita was only 1.9%, partly because it was adversely affected in 1998–1999 by the fall out from the 1997/98 Asian financial crisis. During 2001–2007, its prospects improved, but its rate of growth averaged only 3.0%. In 2008, this rate dropped to 1.8%, and in 2009, the country experienced a recession, with a growth rate of –1.0%.

The United Nations Industrial Development Organization (UNIDO) reported that the average real rate of growth of manufacturing value added was 4.8% during 2000–2005, while the corresponding rate of growth for nonmanufacturing GDP was slightly higher, at 4.8%. Not surprisingly, manufacturing value added as a percentage of its GDP fell from 24.8% in 1990 to 22.3% in 2008. Over a much longer period, industrial value added as a percentage of GDP also fell, from 34.5% in 1990 to 31.6% in 2008. At the same time, services as a percentage of GDP jumped from 43.6% to 53.5%.

One would not expect rapid employment expansion based on such relatively low rates of economic growth and the lack of structural change. Industry value added as a whole increased at a somewhat lower rate than GDP during 2005–2007 (5.0% versus 5.8%). Value added in the service sector actually grew more rapidly, at over 7%.

The share of the total employed that work in industry has basically remained the same since 1990. In that year, the share of the employed in industry was 15%; in 2000, it was 16%; and in 2007, it was 15.1%. In 2007, services accounted for 48.8% of all employment, while agriculture accounted for 36.1%.

The share of the vulnerably employed (i.e., own-account workers and contributing family workers) has also remained constant over time. In 1998, this share was 44.9%, and thereafter, it exhibited no clear trend or significant oscillation, ending up at 44.7% in 2007.

In 2000, the Philippines succeeded in affording the population a relatively high degree of access to electricity. In that year, 87.4% of the population had such access. By 2008, this percentage had edged down to 86.0%. In other words, the modest expansion of access had not kept up with population growth. The Philippines performed much better on access to information and communication technology. In 2000, there were 8.3 mobile phone subscribers per 100 people, and by 2008, there were 75.4 subscribers per 100 people.

2. Poverty and Inequality

The Philippines has made very little, if any, progress on poverty reduction in recent years. According to estimates based on a national poverty line, the poverty incidence was 32.1% in 1994. Estimates for 2005 suggest that the poverty incidence was 32.9%. Estimates based on the international poverty line of \$2.00 per person per day indicate that the poverty incidence in 2006 was still 45%. So, from a global perspective, poverty was affecting a significant proportion of the population of the Philippines.

The trend of income inequality has not been any more encouraging. Ali and Zhuang (2007) reported that the Gini coefficient rose from 42.9 in 1994 (which was already fairly high) to 44.0 in

2003. This deterioration in the income distribution is confirmed by the trend in the share of expenditures of the poorest 60%. This share in 1994 was already fairly low, at 29.4% (below that of many other countries in the region, including Cambodia and India). By 2000, this share actually dropped to 27.3%. By 2007, thankfully, it had recovered somewhat, reaching 28.4%, but it was still below its level in 1994. In summary, income inequality in the Philippines has not only been historically fairly high, but in recent years, it has also worsened.

3. Gender Equity

The Philippines has an exemplary record on some aspects of gender equity. For example, women appear to do better than men on a number of educational indicators. The ratio of young literate females to young literate males (aged 15–24 years) was a little over 100% in 1990 and rose slightly to 101% in 2000. By 2007, this ratio was almost 102%. In 1991, the female–male secondary school enrollment ratio was about 104%. By 2007, it had risen even higher to 110%. The ratio of girls to boys in combined primary and secondary enrollment was about 100% in 1991 and 102% in 2007.

The Philippines has not attained similarly advanced levels of gender equity on some key health indicators, however. For example, the proportion of births attended by skilled health personnel in 1993 was about 53%. Ten years later, in 2003, this proportion had increased modestly, to almost 60%. While this trend represents progress, the resulting level of coverage is still not high by international standards.

The United Nations Children's Fund (UNICEF) reports that in 2005 the maternal mortality ratio was 230. This estimate adjusts for underreporting and misclassification of maternal deaths by national authorities. The average for Asia and the Pacific as a whole was 350 deaths per 100,000 live births in 2005. Though the ratio for the Philippines was low by regional standards, it was still unacceptably high.

In 1990, the share of women in wage employment in the nonagricultural sector was already 40.3%, which was fairly high for the region. However, the country made little progress on this dimension thereafter. In 2007, this percentage had risen to only 42.3%.

4. Human Capabilities

The Philippines has made notable progress on reducing the under-5 mortality rate. In fact, its statistics suggest that it had already cut this rate by over one-half between 1990 and 2007. In 1990, the under-5 mortality rate was 61.5, whereas in 2007, it was 28.2. When this mortality rate is disaggregated by urban and rural areas, there is a moderate difference. In 2003, Demographic and Health Survey data suggest that the under-5 mortality rate was 52 in rural areas and 30 in urban areas.

According to the United Nations Population Division, 5.7% of the population in 2005 could not expect to reach age 40 years in the Philippines, a relatively low level for a developing country. This percentage was reduced from the corresponding 9% of the population in 1995.

The Philippines has made progress in reducing malnutrition and undernutrition. In the early 1990s, the percentage of children under age 5 years who were underweight was 33.5%. During 2000–2006, this percentage dropped to 27.6%. Hence, while there has been some progress, a significant percentage of children in the Philippines still suffer from acute hunger.

The Philippines has achieved fairly high levels of school enrollment compared to many other developing countries. In 1991, its net primary school enrollment ratio was already 96%. However, by 2001, this ratio had dropped to 92%, and by 2007 to 91%. In contrast, it has managed to increase its net secondary school enrollment ratio from 49% in 1998 to 61% in 2007.

The country's record on providing access to improved sanitation facilities and an improved water source is superior to that of many other developing countries. In 1990, the country was already supplying 83% of its population with an improved water source. By 2006, this proportion increased to 93%. While 96% of the urban population enjoyed such access, 88% of the rural population also did. In 1990, only 58% of the total population had access to improved sanitation facilities, but by 2006, this proportion increased by 20 percentage points, to 78%—with 81% of the urban population and 72% of the rural population enjoying such access.

5. Social Protection

There is no basis yet for tracking the progress of the Philippines on providing social protection (Appendix 1). The composite score on the Social Protection Index for the Philippines is 0.21. Compared to the regional average of 0.36 (for the 31 countries for which data were collected), this score is surprisingly low, ranking it 22nd among the 31 countries in the sample.

6. Summary

The Philippines did not generate either rapid growth or a significant generation of productive employment. It did attain reasonable progress on providing access to economic infrastructure. However, it did not perform well on reducing poverty and inequality and providing social protection. On enhancing human capabilities, such as providing health and nutrition, education, and sanitation and water, it did much better—particularly on access to water and sanitation. Its overall score is 3.80, which is still in the unsatisfactory range (i.e., 1–3 and below 4).

Table A5: Inclusive Growth Index for the Philippines

Category	Score	Weight	Total
Growth	3	.25	0.75
Employment	3	.15	0.45
Economic Infrastructure	7	.10	0.70
Poverty	2	.10	0.20
Inequality	2	.10	0.20
Gender Equity	6	.05	0.30
Health and Nutrition	6	.05	0.30
Education	6	.05	0.30
Sanitation and Water	8	.05	0.40
Social Protection	2	.10	0.20
Total		1.00	3.80

Note: In general, a score of 1–3 is regarded as unsatisfactory progress, a score of 4–7 as satisfactory progress, and a score of 8–10 as superior progress.

Appendix 6: Uzbekistan Case Study

1. Growth, Employment, and Economic Infrastructure

Uzbekistan has done well in recent years economically. During the early difficult years of the transition from a Soviet-style economy, 1990–1994, its rate of growth of gross domestic product (GDP) per capita averaged –5.6%. Only in 1997 did its per capita growth turn positive, and during 1995–2000, its average rate of per capita growth was still only 1.4%. This rate accelerated to 5.0% during 2001–2007, hitting 7.9% in 2007. In 2008, Uzbekistan’s rate of growth was still 7.4%, and, in 2009, 6.2%. Thus, Uzbekistan has been weathering the current global economic crisis fairly well.

The country has undergone a significant degree of restructuring of its economy. In 1990, Uzbekistan’s agricultural value added as a share of its GDP was about 33%, and in 2000, it was 34.4%. However, by 2008 this share had fallen to 21.4%. Industry has undergone a U-shaped trajectory. In 1990, its share of GDP stood at 33%, but fell to about 23% in 2000 in the wake of the 1990s transition. In recent years, industrial value added has risen back up, recording about 31% of GDP in 2008. As part of this trend, manufacturing value added staged a modest recovery from 9.4% of GDP in 2000 to 12.1% in 2008. Over the whole period, 1990–2008, services have increased their share of GDP, rising from about 34% in 1990 to about 48% in 2008.

Due to the lack of internationally comparable data, judging whether Uzbekistan’s recovery and recent economic growth have translated into gains in productive employment is difficult. Statistics on the share of workers employed in industry for 1995–1999 suggest that it ranged between 19.1% and 19.4%. This share is likely to have increased since 2000, based on the rising share of both industry and manufacturing in its GDP. Yet since the sectors of industry that have been growing have been capital-intensive, it is not likely that this share has increased significantly. Nevertheless, the statistic of 19% in the late 1990s suggests that Uzbekistan ranks at least alongside India (20%) and Indonesia (18%), if not higher, in terms of the level of industrial employment.

Data are also scarce on Uzbekistan’s achievements in expanding the access of the population to economic infrastructure. International Energy Agency statistics for 2000 indicated that about 81% of the population had access to electricity. Though this percentage is likely to have increased in recent years, there are no recent data to confirm such a trend. However, the extent of electrification is very likely to exceed that of the Philippines, which recorded an access rate of 86% in 2008.

Uzbekistan has been moderately successful in expanding its population’s access to information and communication technology. In 2000, there were only 0.2 mobile phone subscribers per 100 people. By 2008, this ratio had risen to close to 47. Only Indonesia and the Philippines among the sample countries in this study have made faster progress.

2. Poverty and Inequality

Internationally comparable data on poverty in Uzbekistan are scarce. The World Bank’s publication *World Development Indicators* suggests that according to the national poverty line, the poverty incidence was 27.5% in 2000. However, the World Bank’s own national poverty study indicated that the poverty incidence was 31.5% in 2000–2001. Government estimates also pointed to a reduction of the poverty incidence to about 26% in 2005. It is generally agreed

that poverty decreased faster in urban areas than in rural areas. In rural areas, the incidence of poverty declined from almost 34% in 2000–2001 to only about 30% in 2005. In urban areas, the incidence declined from about 28% to around 18%.

The World Bank's estimate of poverty, based on the international poverty line of \$2.00 per person per day, indicated that about 77% of the population could be considered poor in Uzbekistan in 2003. This makes Uzbekistan's extent of poverty comparable to that of India. In this case, basing itself on a global standard (instead of national realities), such an estimate is implausible.

Uzbekistan appears to have made some progress on reducing inequality. In 1998, the Gini coefficient was 45.4. In 2003, it had dropped to 36.7. Correspondingly, while the share of total expenditures accounted for by the poorest 60% of the population was about 28% in 1998, it had risen to over 34% in 2003. This represents a significant improvement.

3. Gender Equity

Uzbekistan compares very favorably to the other countries in the sample for this study on its efforts to promote gender equity. In 2000, the ratio of young literate females to young literate males (aged 15–24 years) was already 99.9%. The female–male ratio in secondary enrollment was 91.4% in 1991 (during the depth of the transition crisis) but it rose to 98.2% in 2007. Correspondingly, the ratio of girls to boys in both primary and secondary enrollment was 97.9% in 2007.

Uzbekistan has also maintained fairly high levels of gender equity in access to health services. In 1996, the percentage of births attended by skilled health personnel was 97.5%, and by 2006, this percentage had risen to 99.9%. The statistics on the maternal mortality rate are consistent with such high levels of access to medical services. The United Nations Children's Fund (UNICEF) estimates that in 2005, the maternal mortality rate in Uzbekistan was 24 deaths per 100,000 live births.

Uzbekistan has maintained a fairly high share of women in wage employment in the nonagricultural sector, although there has been a modest secular deterioration in its level of achievement since the early 1990s. In 1990, this share was 46.7%; in 2000, it was 41.7%; and in 2004, it was 39.5%. This is slightly below the level achieved by the Philippines.

4. Human Capabilities

Upon starting the transition, Uzbekistan had already achieved fairly high levels of human development. However, while in some areas it has continued to make progress, in others its progress has not been impressive.

Uzbekistan's under-5 mortality rate was 73.7 deaths per 1,000 live births in 1990. By 2000, this rate had been brought down to 62.3 and by 2007, to 40.8. While this record certainly represents progress, it is not rapid progress. Starting from a higher level, Indonesia has achieved more progress. However, it is worth noting that additional progress becomes progressively more difficult as the under-5 mortality rate becomes lower. What is promising in Uzbekistan is that the gap between the rural under-5 mortality rate and the urban rate has not been wide.

According to the United Nations Population Division, 10.7% of the population in Uzbekistan in 2005 could not expect to reach age 40 years. While this percentage is lower than that for

Cambodia (18.5%) or India (15.5%), it is still above the percentage for the Philippines (5.7%). An earlier estimate could not be located, so a trend for Uzbekistan could not be determined. Uzbekistan has apparently achieved fairly low levels of malnutrition and undernutrition. During 2003–2008, UNICEF reports that only 5% of children younger than age 5 years were underweight. While comparable data for an earlier period are unavailable, this level in the 2000s is much lower than that for any of the other five countries in this sample.

Uzbekistan has done reasonably well on educational indicators. In 1991, its net primary school enrollment ratio was recorded as being 78.2%. By 2007, this ratio had reached 91.0%. This is high, but not as high as the ratios for either the Philippines or Indonesia. Uzbekistan records much better achievement at the secondary school level. In 2007 (the only year for which data are available), its net secondary school enrollment ratio was 91.7%. This level far surpasses the levels for the other five countries in this study. The country with the next highest achievement, Indonesia, had attained only 69.6% net enrollment in 2007.

Uzbekistan began the 1990s with fairly high levels of access of its population to an improved water source or an improved sanitation facility. In 1990, 90% of the population had access to an improved water source (corresponding to 85% of the rural population and 97% of the urban population). By 2006, Uzbekistan's nationwide percentage had dropped to 88%, because the percentage of the rural population with such access declined by three percentage points.

In 1990, 93% of the population in Uzbekistan had access to an improved sanitation facility (corresponding to 91% of the rural population and 97% of the urban population). These percentages far exceeded those for the other five countries in this study. By 2006, the percentage for the whole population had reached 96%, as the access of the rural population increased by four percentage points.

5. Social Protection

There is no basis yet for tracking the progress of Uzbekistan (or other countries) on providing social protection (Appendix 1). The composite score on the Social Protection Index for Uzbekistan is 0.57. Compared to the regional average of 0.36 (for the 31 countries for which data were collected), this score is relatively high. Uzbekistan ranks fifth out of the 31 countries in the sample. Mongolia and the Kyrgyz Republic rank slightly higher, but Uzbekistan's score is the highest among this sample of six countries.

6. Summary

Uzbekistan has done reasonably well on almost all dimensions of inclusive growth. It has done particularly well on inequality, gender equity, and social protection, and has done reasonably well on growth, health and nutrition, and education. Its other scores, such as for employment, economic infrastructure, poverty, and sanitation and water, still rank as satisfactory. Thus, its overall score is 6.80, which is at the upper end of the satisfactory range.

Table A6: Inclusive Growth Index for Uzbekistan

Category	Score	Weight	Total
Growth	7	.25	1.75
Employment	6	.15	0.90
Economic Infrastructure	6	.10	0.60
Poverty	6	.10	0.60
Inequality	8	.10	0.80
Gender Equity	8	.05	0.40
Health and Nutrition	7	.05	0.35
Education	7	.05	0.35
Sanitation and Water	5	.05	0.25
Social Protection	8	.10	0.80
Total		1.00	6.80

Note: In general, a score of 1–3 is regarded as unsatisfactory progress, a score of 4–7 as satisfactory progress, and a score of 8–10 as superior progress.

Inclusive Growth Criteria and Indicators: An Inclusive Growth Index for Diagnosis of Country Progress

The paper constructs a composite inclusive growth index at the country level to measure contribution to inclusive growth. Indicators refer to (i) growth, productive employment, and economic infrastructure; (ii) income poverty and equity (including gender); (iii) human capability dimensions of inclusiveness; and (iv) social protection dimensions of inclusiveness. The methodology is then being applied in case study analysis for Bangladesh, Cambodia, India, Indonesia, the Philippines, and Uzbekistan. The paper is part of ADB's work on Operationalizing Inclusive Growth. Other studies are on (i) Concepts for Operationalizing Inclusive Growth, (ii) Operationalizing Inclusive Growth in Productive Sectors, and (iii) Operationalizing Inclusive Growth in Projects with Environment as Strategic Development Objective.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.