Glossary

The following general descriptions of the terms and phrases commonly used in this Report reflect their context in the Report.

**brain drain** The movement of educated or professional people from one place or profession to another to gain better pay or living conditions.

**brain gain** An increase in the number of highly trained foreign-born professionals entering a country to live and work and benefit from the greater opportunities offered.

**business of the state (BOS)** An enterprise with majority or minority state shareholdings.

**capital accumulation** An increase in assets from investments or profits.

**capitalizing on crises** The process of using a crisis as an opportunity to implement major reforms that otherwise would have been blocked.

**carbon capture and storage (CCS)** A process in which a relatively pure stream of carbon dioxide from industrial sources is separated, treated, and transported to a long-term storage location.

**carbon capture, utilization, and storage (CCUS)** An advanced iteration of the traditional carbon capture and storage (CCS) technology. CCS focuses mainly on the capture and sequestration of carbon dioxide to mitigate emissions, and CCUS takes it one step further by finding practical applications for the captured carbon.

**carbon intensity** A measure of carbon dioxide and other greenhouse gases emitted per unit of activity.

**contestability** An environment in which incumbents feel pressure to compete and upgrade because their products and processes could be displaced by technologically sophisticated producers in their own country or from other countries.

**creative destruction** A concept introduced by economist Joseph Schumpeter that refers to the process of innovation and technological change that leads to the destruction of existing economic structures such as industries, firms, and jobs. This destruction paves the way for new structures to emerge, thereby creating long-term economic growth and progress.

**decoupling growth from emissions** A process that culminates in economic growth no longer strongly associated with carbon emissions.

**disciplining incumbents** A process in which policies or actions are aimed at limiting the power of incumbents to capture institutions or block competitors.

**Economic Complexity Index (ECI)** A ranking of countries based on the diversity and complexity of their export basket. High-complexity countries are home to a range of sophisticated, specialized capabilities and
are therefore able to produce a highly diversified set of complex products.

**energy intensity** A measure of the energy use of an economy, calculated as units of energy per unit of gross domestic product (GDP) or another measure of economic output.

**entrant** An entity that enters an industry with a capacity to produce goods or services that can compete with those of existing entities in order to earn profits.

**feed-in tariff** A policy designed to support the development of renewable energy sources by providing a guaranteed, above-market price for producers.

**incumbent** An established entity in society, public office, or the market. This term is often used to describe the existing firms in the market, typically the leading firms, as well as the prevailing technology, social elites, or technologically advanced nations with an established presence in the production of certain goods or services.

**industrial policy** A policy that directs state support toward specific technologies, sectors, industries, or firms.

**infusion** A process in which countries focus on imitating and diffusing modern technologies and business models from more advanced economies and applying this knowledge at scale in their domestic economy, thereby enabling home industries to become global suppliers of goods and services.

**innovation** A process in which countries focus on building home country capabilities to add value to global technologies so that domestic firms can become global knowledge creators.

**investment** A process in which countries focus on increasing physical capital, such as machinery, equipment, and infrastructure, as well as improving human capital, such as education, training, and better health.

**leapfrogging** The process by which economies attempt to become “knowledge economies” before putting in place the institutional infrastructure and developing requisite capabilities.

**Long Term Growth Model (LTGM)** A spreadsheet-based tool to analyze future long-term growth scenarios in developing countries, building on the celebrated Solow-Swan growth model. The LTGM aggregates assumptions about growth fundamentals—such as investment, education, and productivity—to produce a trajectory for future growth. The drivers of growth are savings, investment, and productivity, but the model also analyzes human capital, demographics, the external sector (external debt, foreign direct investment, and current account balance), and labor force participation by gender.

**low-carbon technologies** Technologies or applications intended to counter the effects of climate change.

**merit** A person’s possession of required skills or qualifications.

**merit order** The sequence followed by grid operators selling power to the market. The starting point is the cheapest offer, made by the power station with the lowest operating costs, which determines the wholesale market prices. Any provider that can offer renewable energy at zero marginal cost—that is, with insignificant operating costs—should have priority in meeting demand.

**middle-income trap** A situation in which a middle-income country experiences systematic growth slowdowns as it is unable to take on the new economic structures needed to sustain high-income levels.
Successful middle-income countries will have to engineer two successive transitions to develop such economic structures. The first transition is from a 1i strategy for accelerating investment to a 2i strategy focusing on both investment and infusion. In the latter, a country brings technologies from abroad and diffuses them domestically. Once a country has succeeded in the first transition, the second transition consists of switching to a 3i strategy, which entails paying more attention to innovation.

**net zero**  The balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. It can be achieved through a combination of emissions reduction and emissions removal measures.

**power purchase agreement (PPA)**  A long-term agreement to purchase energy from a specific asset at a predetermined price from an electricity generator and a consumer—generally a utility—or between a developer and a supplier, which then resells the energy.

**productivity-dependent distortion**  A policy distortion related to firm size that can discourage growth, innovation, and technology adoption.

**proximity to the frontier**  A measure used in this Report to clarify the distribution of growth slowdowns along the national income spectrum around the world, defined as the ratio of a country’s GDP per capita to that of the frontier country each year (not adjusted for differences in purchasing power parity). The frontier represents the growth leader—the country with the most advanced combination of economic production, innovation, and workforce—which is proxied by the United States in this Report.

**resource curse**  The phenomenon of countries with an abundance of natural resources (such as fossil fuels and certain minerals) having lower economic growth, less democracy, or worse development outcomes than countries with fewer natural resources.

**rewarding merit**  The act of policies, institutions, and other government structures aiding in the efficient utilization of talent, capital, and energy.

**size-dependent policies**  Policies that, by design, stipulate different treatment of firms of different sizes.

**social immobility**  A feature of a society with fixed social norms or a rigid class system so that movement from one social class, social or economic status, or social role to another is constrained.

**social mobility**  A change in a person's socioeconomic situation either in relation to their parents (intergenerational mobility) or throughout their lifetime (intragenerational mobility).

**state-owned enterprise (SOE)**  A legal entity created by a government to participate in commercial activities on the government’s behalf.

**stranded assets**  Assets that lose value or turn into liabilities before the end of their expected economic life. In the context of fossil fuels, this term refers to those fuels that will not be burned and thus remain in the ground.

**total factor productivity (TFP)**  A measure of the efficiency with which all inputs (labor, capital, and so forth) are used in the production process. It represents the portion of output not explained by the amount of inputs used in production.