

The World Economic Forum Global Competitiveness Report 2011–2012 (referred to as the 2011 report) notes the start of an economic recovery after several difficult years. The report acknowledges that this recovery is unevenly distributed and threatened by uncertainty. Developing countries have managed to recover quicker, but that recovery is tempered by global concerns. Rising commodity prices eroding purchasing power, increased inflation and the possibility of unsustainable levels of debt could lead to an economic slowdown. The report defines competitiveness as “the set of institutions, policies, and factors that determine the level of productivity of a country.” The Global Competitiveness Index (GCI) scores and ranks are based on over 100 indicators within 12 pillars and three overarching sub-indices (see page 7 for more information) and incorporates survey data from over 15,000 business leaders from 142 economies. GCI scores range from 1, indicating a low level of competitiveness, to 7, indicating a highly competitive economy.

## Global Competitiveness Rankings: Top and Bottom USAID-Assisted Countries

Of the 142 countries in the 2011 GCI, 70 received at least \$2 million in USAID assistance for fiscal year 2009. Israel and China remained the highest ranked USAID-assisted countries and both improved their scores from the previous report. Chad and Burundi remain at the bottom of the list and both declined in rank from the 2010 GCI. Thailand, Sri Lanka and Brazil are new entrants to the top ten list, with Sri Lanka’s rank increasing 27 places from 2009. Except for Timor-Leste, the bottom ten USAID-assisted countries are all located in Sub-Saharan Africa, a region that continues to struggle with competitiveness.

Top Ten USAID-Assisted Countries		
Country	GCI Rank	GCI Score
Israel	22	5.07
China	26	4.90
Thailand	39	4.52
Indonesia	46	4.38
Cyprus	47	4.36
Panama	49	4.35
South Africa	50	4.34
Sri Lanka	52	4.33
Brazil	53	4.32
Azerbaijan	55	4.31

Bottom Ten USAID-Assisted Countries		
Country	GCI Rank	GCI Score
Mali	128	3.39
Madagascar	130	3.36
Timor-Leste	131	3.35
Zimbabwe	132	3.33
Mozambique	133	3.31
Lesotho	135	3.26
Burkina Faso	136	3.25
Mauritania	137	3.2
Burundi	140	2.95
Chad	142	2.87



## Most Improved Countries GCI Rankings 2008 to 2011

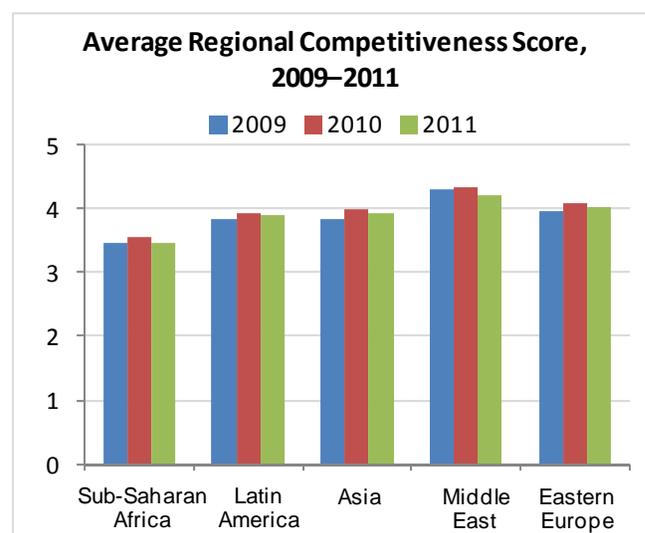
Emerging economies and developing countries have been making progress in improving their competitiveness. However, this success is not evenly distributed, with Sub-Saharan Africa falling behind other regions. For the top ten most improved countries, based on GCI ranking between the 2008 and 2011 reports, half of the countries are from Asia and Sri Lanka leads the group with a 27-place improvement. Mongolia also posts a gain of more than 20 spots. Albania was third this year, but still improved its competitiveness appreciably with an 18 spot increase. Ethiopia is the only Sub-Saharan Africa country represented in the top ten, but is the lowest ranked country on this list.

Ten Most Improved Countries, 2008 to 2011

Country	GCI Rank 2008	GCI Rank 2011	Change
Sri Lanka	79	52	27
Mongolia	117	96	21
Albania	96	78	18
Tajikistan	122	105	17
Bolivia	120	103	17
Cambodia	110	97	13
Ethiopia	118	106	12
Philippines	87	75	12
Peru	78	67	11
Vietnam	75	65	10

## Regional GCI Score Improvements 2009 to 2011

GCI scores range from 1–7 and the yearly regional averages show the difficulty most regions are facing in improving their competitiveness scores. Each region registered a decline in its 2011 average score, however most are still about their 2009 average. The only exception is the Middle East, which was down by 0.07 points from 2009. Sub-Saharan Africa was effectively unchanged and the other regions all posted minor gains of 0.06–0.09 points. Asia posted the largest gain, primarily driven by improvements in emerging economies like China, India and Indonesia. Despite these improvements, the developing world still lags behind in competitiveness. The Global Competitiveness Report gives the averaged advanced economy score as about 5.5. Clearly the regions receiving USAID assistance are behind, but this gap is narrowing and not that large for the Middle East or Eastern Europe.



### Sub-Saharan Africa

Sub-Saharan Africa is the worst performing region in the GCI. It has the lowest average score and 9 of the 10 least competitive countries. One positive about the region is that with low scores, improvement is relatively easy. Additionally, the region has experienced strong growth over the past 15 years and has mostly recovered

from the global crisis. Despite impressive growth, Sub-Saharan Africa requires significant efforts across many of the GCI's pillars to increase competitiveness and create sustainable economic development.

South Africa remains the top country in the region and one of two regional countries in the top half of the GCI. While South Africa's score has not changed since 2009, it did improve its rank by 4 places from 2010. South Africa does well on quality of its institutions and financial market development. Areas of improvement include the country's infrastructure and poor security situation. Kenya improved four places from 2010 to 102nd place and has very good scores for innovative capacity. However, Kenya needs to improve its health outcomes and security situation to see further improvements.

The bottom five countries in Sub-Saharan Africa represent 5 of the bottom 8 countries in the GCI. Chad is the least competitive economy in the 2011 Report and its score has not changed since 2009. Chad's worst scores come in infrastructure and technological readiness. Burundi improved its score from 2009 and surpassed Chad, but still has low scores in market size and education. The only area where Burundi improved markedly was its macroeconomic stability score.

## Asia

Asia presents stark contrasts among the regions receiving USAID assistance. China is the second highest ranked country in this analysis, but Timor-Leste is among the least competitive countries. Indonesia, Vietnam and Sri Lanka continue to become more and more competitive, but Bangladesh and Pakistan, two of the larger economies, continue to rank low in the GCI.

### Top Five Sub-Saharan Africa Countries

Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
South Africa	4.34	4.34	0	50
Botswana	4.08	4.05	-0.03	80
Namibia	4.03	4.00	-0.03	83
Kenya	3.67	3.82	0.15	102
Benin	3.56	3.78	0.22	104

### Bottom Five Sub-Saharan Africa Countries

Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
Lesotho	3.54	3.26	-0.28	135
Burkina Faso	3.23	3.25	0.02	136
Mauritania	3.25	3.20	-0.05	137
Burundi	2.58	2.95	0.37	140
Chad	2.87	2.87	0	142

### Top Five Asian Countries

Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
China (P.R.C.)	4.74	4.90	0.16	26
Thailand	4.56	4.52	-0.04	39
Indonesia	4.26	4.38	0.12	46
Sri Lanka	4.01	4.33	0.32	52
India	4.30	4.30	0	56

China remains the most competitive USAID assisted country in the region and has improved both its rank and GCI score from 2009. China is the highest ranked BRICS country and actually increased its competitiveness each

year since 2005. China boasts a favorable macroeconomic environment and a relatively high basic health and education. However, there is room for improvement in corruption and judicial independence. Sri Lanka is the most improved country and has seen its score and rank increase greatly since 2009. Sri Lanka's largest gain was in its macroeconomic stability score and it scored particularly well in health and primary education. However, there is still room for improvement in innovation and technological readiness.

Timor-Leste is the least competitive country in the region and among the 10 least competitive USAID-assisted countries. Timor-Leste scores poorly on market size and infrastructure, but scores surprisingly high on macroeconomic stability, and this score has improved since 2009. Pakistan had a slight rebound in 2011, but still fell 17 places from 2009. Pakistan is one of the poorest performing countries in Asia, with low scores in institutions, infrastructure and its macroeconomic environment. According to the 2011 report, Pakistan will need to reduce labor market regulations and reduce barriers to domestic and foreign competition to improve its competitiveness score.

### Latin America and the Caribbean

Latin America and the Caribbean has weathered the global economic crisis, but its competitiveness can be improved by focusing on sound fiscal and monetary policies and increasing demand in commodity exporting countries. Many countries in the region are competitive, including Panama in the GCI's top 50. However, countries like Jamaica have experienced significant declines in their GCI rank, primarily due to security concerns.

Panama is the highest ranking country in Latin America, surpassing Brazil in 2011. Panama benefits from an efficient financial market, strong FDI and good transport infrastructure. However, Panama struggles with a poor education system and political and judicial

#### Bottom Five Asian Countries

Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
Bangladesh	3.55	3.73	0.18	108
Pakistan	3.58	3.58	0	118
Nepal	3.34	3.47	0.13	125
Kyrgyzstan	3.36	3.45	0.09	126
Timor-Leste	3.26	3.35	0.09	131

#### Top Five Latin American Countries

Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
Panama	4.21	4.35	0.14	49
Brazil	4.23	4.32	0.09	53
Mexico	4.19	4.29	0.10	58
Costa Rica	4.25	4.27	0.02	61
Peru	4.01	4.21	0.20	67

#### Bottom Five Latin American Countries

Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
Guyana	3.56	3.73	0.17	109
Dominican Republic	3.75	3.73	-0.02	110
Nicaragua	3.44	3.61	0.17	115
Paraguay	3.35	3.53	0.18	122
Venezuela	3.48	3.51	0.03	124

corruption. Brazil is a high performing country in the region, ranking 53 overall and improving three places from 2009. Brazil scores well due to its large internal market, an efficient financial market and a high rate of technological innovation and adoption.

Paraguay is the second lowest ranked country in the region, but it has improved its rank and score from 2009. Paraguay scores well in health and education and reasonably well in macroeconomic stability. However, these scores are offset by poor results in infrastructure and innovation. Venezuela is the lowest ranked Latin American country in this analysis. Despite a slight improvement in score from 2009, Venezuela dropped 11 ranks to 124th place in 2011. Venezuela has the worst ranked institutions of any country in the GCI and suffers from severe weakness in market efficiencies.

## Eastern Europe

Eastern European countries have fairly average competitiveness for USAID assisted countries. Cyprus is the only country in the region in the top ten countries, but it actually experienced a decline in rank and score from 2009. Cyprus scores well in health and primary education, but suffered from significant declines in macroeconomic stability and business sophistication. Russia registered an increase in its score from 2009, but actually fell in rank. Despite an improvement in macroeconomic stability, Russia experienced a decline in business sophistication and quality of institutions that outweighed its gains. Russia will also need to improve its goods market efficiency to increase competitiveness.

### Top Four Eastern European Countries

Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
Cyprus	4.57	4.36	-0.21	47
Azerbaijan	4.30	4.31	0.01	55
Montenegro	4.16	4.27	0.11	60
Russia	4.15	4.21	0.06	66

### Bottom Four Eastern European Countries

Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
Georgia	3.81	3.95	0.14	88
Armenia	3.71	3.89	0.18	92
Serbia	3.77	3.88	0.11	95
Bosnia and Herzegovina	3.53	3.83	0.30	100

Even the lower performing countries in Eastern Europe are doing better than most countries in other regions. Despite being in the bottom four for Eastern Europe, Georgia actually improved both its rank and score in 2011. Georgia scores very high in health and primary education and for its labor market efficiency. To improve its competitiveness, Georgia will need to improve its innovation and find ways to increase its market size scores. Bosnia and Herzegovina is another example of an Eastern European country that is ranked low for the region, but is becoming increasingly competitive. Bosnia and Herzegovina has one of the top ten score increases from 2009 to 2011, assisted by increased scores for infrastructure and health and primary education. However, Bosnia and Herzegovina still needs to improve its market size and innovation scores to improve its competitiveness.

## Middle East

Political unrest in the Middle East is starting to have negative effects on competitiveness in the region. Libya was dropped from this year's GCI due to its civil war and disruptions in other countries could widen the competitiveness gap between the Middle East and other regions. Only four countries qualified for this year's analysis, but they do show the divergent paths countries have taken in their competitiveness scores and rankings.

Middle East Countries				
Country	2009 GCI Score	2011 GCI Score	Score Change	2011 GCI Rank
Israel	4.80	5.07	0.27	22
Morocco	4.03	4.16	0.13	73
Jordan	4.30	4.19	-0.11	71
Egypt	4.04	3.88	-0.16	94

Israel remains the most competitive country in the region and the most competitive country receiving USAID assistance. Israel receives strong marks for its innovation and favorable financial environment. Despite these good fundamentals, Israel needs to upgrade its institutions and work on the quality of its education to further increase competitiveness. Egypt is the least competitive Middle Eastern country. Egypt has dropped 13 places since 2010 and 24 places since 2009 and the recent popular uprising underlines some of the reasons for this drop. Inefficiencies in the labor market, macroeconomic instability and a disconnect between education and employers have all been a source of domestic discontent and a loss of competitiveness. However, Egypt does possess a large market size and close proximity to European markets, both of which could allow the new government to create a more competitive economy.

## Structure of the Global Competitiveness Index 2011–2012

The Global Competitiveness Index is composed of over 110 indicators categorized by 12 pillars and three sub-indices. The data is normalized on a 1–7 scale to align with results from the Executive Opinion Survey. The GCI score is compiled by successive steps of aggregation. The indicators are aggregated into the pillars (each with a specified weight), the pillars are aggregated into the sub-indices (each with its own weight) and the sub-indices are aggregated to make the final score, with different weights for each sub-index depending on the economy's stage of development. The stage of development is determined by two factors:

1. the level of GDP per capita at market exchange rates, and
2. the extent to which countries are factor driven, measured by the share of exports in mineral goods in total exports.

The three stages of development used in the GCI report are:

- Stage 1—Factor driven,
- Stage 2—Efficiency driven, and
- Stage 3—Innovation driven.

Changes to this year's GCI include dropping of a variable measuring the restrictions on capital flows in the Financial Market Development pillar.

**Global Competitiveness Index Components**

Sub-indices and Pillars	Indicators
<b><i>Basic Requirements</i></b>	
Institutions	Property rights, Intellectual property protection, Diversion of public funds, Public trust of politicians, Irregular payments and bribes, Judicial independence, Favoritism in decisions of government officials, Wastefulness of government spending, Burden of government regulation, Efficiency of legal framework in settling disputes, Efficiency of legal framework in challenging regulations, Transparency of government policymaking, Business costs of terrorism, Business costs of crime and violence, Organized crime, Reliability of police services, Ethical behavior of firms, Strength of auditing and reporting standards, Efficacy of corporate boards, Protection of minority shareholders' interests, Strength of investor protection
Infrastructure	Quality of overall infrastructure, Quality of roads, Quality of railroad infrastructure, Quality of port infrastructure, Quality of air transport infrastructure, Available airline seat kilometers, Quality of electricity supply, Fixed telephone lines, Mobile telephone subscriptions
Macroeconomic environment	Government budget balance, National savings rate, Inflation, Interest rate spread, Government debt, Country credit rating
Health and primary education	Business impact of malaria, Malaria incidence, Business impact of tuberculosis, Tuberculosis incidence, Business impact of HIV/AIDS, HIV prevalence, Infant mortality, Life expectancy, Quality of primary education, Primary education enrollment rate
<b><i>Efficiency Enhancers</i></b>	
Higher education and training	Secondary education enrollment rate, Tertiary education enrollment rate, Quality of the educational system, Quality of math and science education, Quality of management schools, Internet access in schools, Local availability of specialized research and training services, Extent of staff training
Goods market efficiency	Intensity of local competition, Extent of market dominance, Effectiveness of anti-monopoly policy, Extent and effect of taxation, Total tax rate, Number of procedures required to start a business, Time required to start a business, Agricultural policy costs, Prevalence of trade barriers, Trade tariffs, Prevalence of foreign ownership, Business impact of rules on FDI, Burden of customs procedures, Degree of customer orientation, Buyer sophistication
Labor market efficiency	Cooperation in labor-employer relations, Flexibility of wage determination, Rigidity of employment, Hiring and firing practices, Redundancy costs, Pay and productivity, Reliance on professional management, Brain drain, Female participation in labor force
Financial market development	Availability of financial services, Affordability of financial services, Financing through local equity market, Ease of access to loans, Venture capital availability, Soundness of banks, Regulation of securities exchanges, Legal rights index
Technological readiness	Availability of latest technologies, Firm-level technology absorption, FDI and technology transfer, Internet users, Broadband Internet subscriptions, Internet bandwidth
Market size	Domestic market size index, Foreign market size index, GDP (PPP), Imports as a percentage of GDP, Exports as a percentage of GDP
<b><i>Innovation and Sophistication Factors</i></b>	
Business sophistication	Local supplier quantity, Local supplier quality, State of cluster development, Nature of competitive advantage, Value chain breadth, Control of international distribution, Production process sophistication, Extent of marketing, Willingness to delegate authority
Innovation	Capacity for innovation, Quality of scientific research institutions, Company spending on R&D, University-industry collaboration in R&D, Government procurement of advanced technology products, Availability of scientists and engineers, Utility patents per million population

<b>GDP per capita Thresholds</b>	
<b>Stage of Development</b>	<b>GDP per capita (in US\$)</b>
Stage 1: Factor Driven	< 2,000
Transition from Stage 1 to Stage 2	2,000–2,999
Stage 2: Efficiency Driven	3,000–8,999
Transition from Stage 2 to Stage 3	9,000–17,000
Stage 3: Innovation Driven	> 17,000

<b>Stage of Development Weights</b>			
<b>Sub-index</b>	<b>Factor driven stage (percent)</b>	<b>Efficiency driven stage (percent)</b>	<b>Innovation driven stage (percent)</b>
Basic Requirements	60	40	20
Efficiency enhancers	35	50	50
Innovation and sophistication factors	5	10	30

#### **Additional Information**

To access scores and ranks for the Overall Global Competitiveness Index and the subcomponents for this year and previous years, visit the Economic and Social Database (ESDB) at <http://esdb.eads.usaidallnet.gov/>. The ESDB website also offers related datasets, country profiles, and analytic tools.