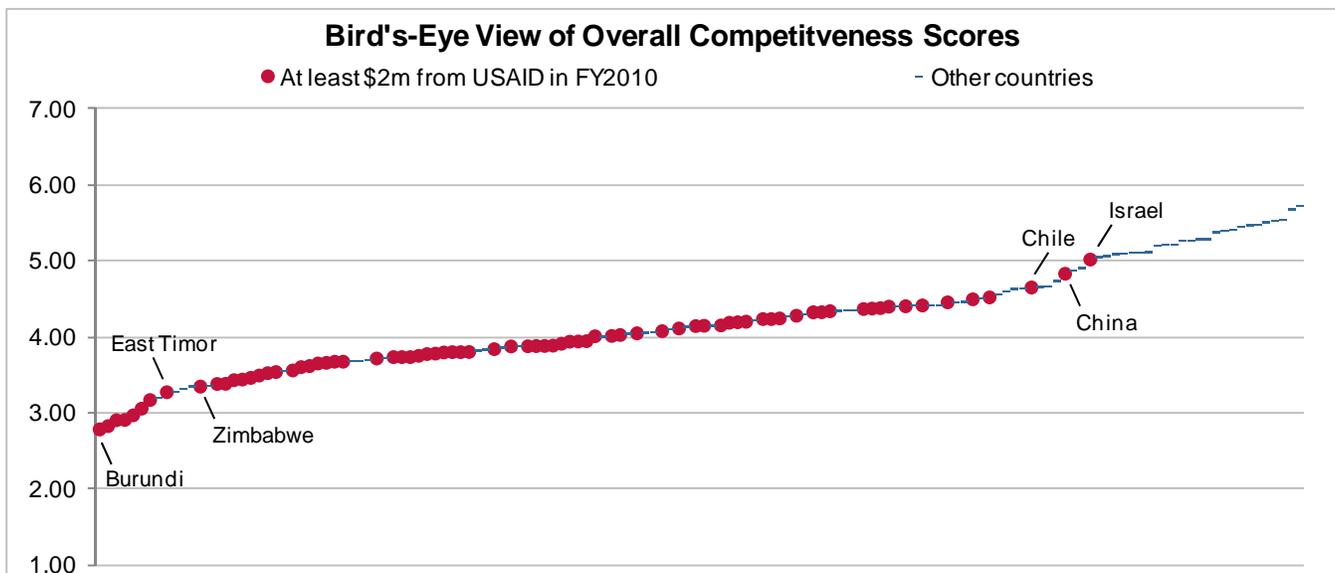


The World Economic Forum’s Global Competitiveness Report 2012–2013 notes an uncertain future for the global economy. It cites expected slowdowns in emerging economies such as China and India, political gridlock in the United States, and possible devastation wrought by countries’ exiting from the euro. The hallmark of this annual publication is the Global Competitiveness Index (GCI), which scores countries in terms of, “the set of institutions, policies, and factors that determine the level of productivity of a country...[such that] a more competitive economy is one that is likely to sustain growth.” Under this definition of competitiveness, the GCI takes values between 1 and 7, with higher scores representing improved competitiveness, based on averages of underlying indicators. The majority of these indicators come from the World Economic Forum’s annual Executive Opinion Survey of business leaders around the world, which captures qualitative assessments on competitiveness related factors. Other indicators are taken from authoritative international sources such as the IMF and UNESCO.

Each country’s overall GCI score is the result of averaging weighted scores of more than 100 indicators, which are sorted under an intricate hierarchical system of sub-indexes and indicator groupings to reflect factors such as, “Institutions,” “Financial market development,” and “Innovation.” The wide breadth of the indicators and their categorizations represent the authors’ recognition of the complicated nature of competitiveness. The GCI’s methodology also allows indicators to be shared by more than one category, in which case their values are halved to avoid implicit over-weighting. Lastly, the stage of a country’s development is reflected in a mechanism of shifting weights when averaging. See <http://www.weforum.org/reports/global-competitiveness-report-2011-2012> for more information on the current edition’s methodology.

In the 2012 GCI, 144 countries are scored, with Switzerland coming in highest. Singapore, Finland, Sweden, Netherlands, Germany, and the United States follow in that order. This snapshot focuses on the 76 countries that received at least \$2 million in USAID assistance in fiscal year 2010.



Global Competitiveness Rankings: Top and Bottom USAID-Assisted Countries

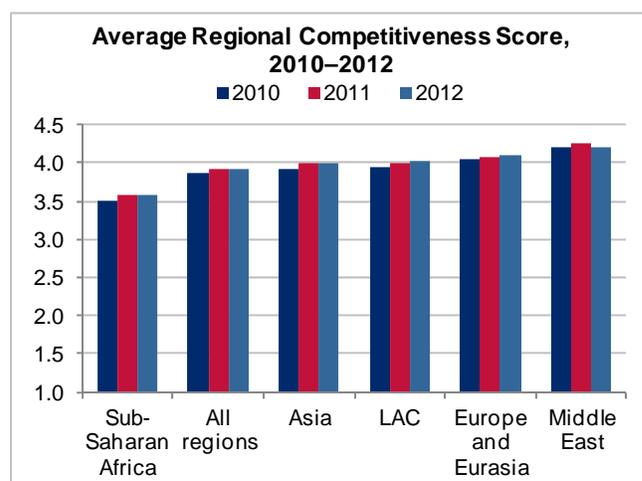
Of the assisted countries, Israel, China, and Chile had the highest scores; and Burundi, Sierra Leone, and Haiti scored lowest. Some countries are new to the GCI this year, especially at the low end of the scores, so their performance cannot be compared over time. Because of the addition of new countries, we have included a column in the table of bottom scorers that adjusts their 2012 ranks to show how they would have ranked with the 2011 set of countries (there would have been no effect on the top 10 countries).

Top Ten USAID-Assisted Countries				Bottom Ten USAID-Assisted Countries				
Country	2012 Score	2012 Rank	2011 Rank	Country	2012 Score	2012 Rank	2012 Adj. Rank	2011 Rank
Israel	5.02	26	22	Madagascar	3.38	130	126	127
China	4.83	29	26	Zimbabwe	3.34	132	128	129
Chile	4.65	33	31	Timor-Leste	3.27	136	132	128
Thailand	4.52	38	39	Mozambique	3.17	138	134	130
Panama	4.49	40	48	Chad	3.05	139	135	138
Turkey	4.45	43	58	Yemen	2.97	140	136	135
Azerbaijan	4.41	46	54	Guinea	2.90	141	n/a	n/a
Brazil	4.40	48	52	Haiti	2.90	142	137	137
Indonesia	4.40	50	45	Sierra Leone	2.82	143	n/a	n/a
Kazakhstan	4.38	51	71	Burundi	2.78	144	138	136

Over the last year, the top scoring assisted countries generally coalesced together: Israel's rank fell while Kazakhstan's rank rose between 2011 and 2012. The bottom scoring countries had mixed performances, however. Chad's ranking improved by three places, and Madagascar and Zimbabwe improved by one; while East Timor and Mozambique's rankings deteriorated four places, Burundi fell two places, and Yemen dropped by one.

Regional GCI Score Improvements 2010 to 2012

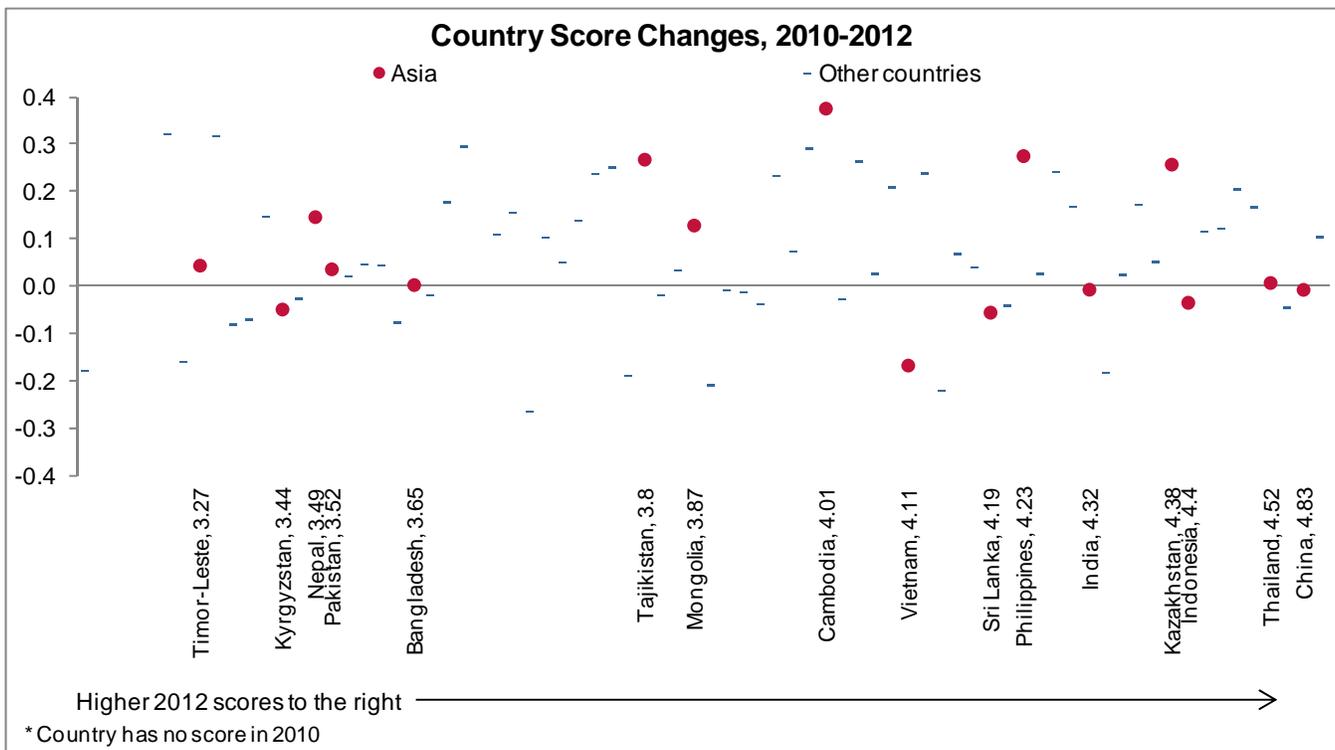
Only those countries with scores in 2010, 2011, and 2012 were included in our chart on regional averages. The average assisted country has seen a slowdown in the improvement of its GCI score: Across all regions, the average score was 3.86 in 2010, 3.92 in 2011, and 3.93 in 2012. On a regional basis, performance was mixed over the three years. Latin America and the Caribbean (LAC) and Europe and Eurasia (E&E) improved each year. After improving between 2010 and 2011, Asia's 2012 score remains unchanged. Scores for Sub-Saharan Africa and the Middle East show a peak in 2011—rising from 2010's performance, but then falling in 2012. Africa's 2012 score is lower than



last year but remains above its 2010 level. The Middle East’s performance, however, is worse. One of the levels of the GCI’s hierarchy of indicators consists of 12 pillars, which effectively are groups of indicators (calculated by weighted average). Over the 2010–2012 period, Egypt’s GCI score fell more than any other assisted country due to lower scores in all 12 pillars except “Innovation.” This decline, and Lebanon’s marginal fall from 3.89 to 3.88, caused the Middle East’s 2012 score to drop below its 2010 level—the only region to see such deterioration in the GCI.

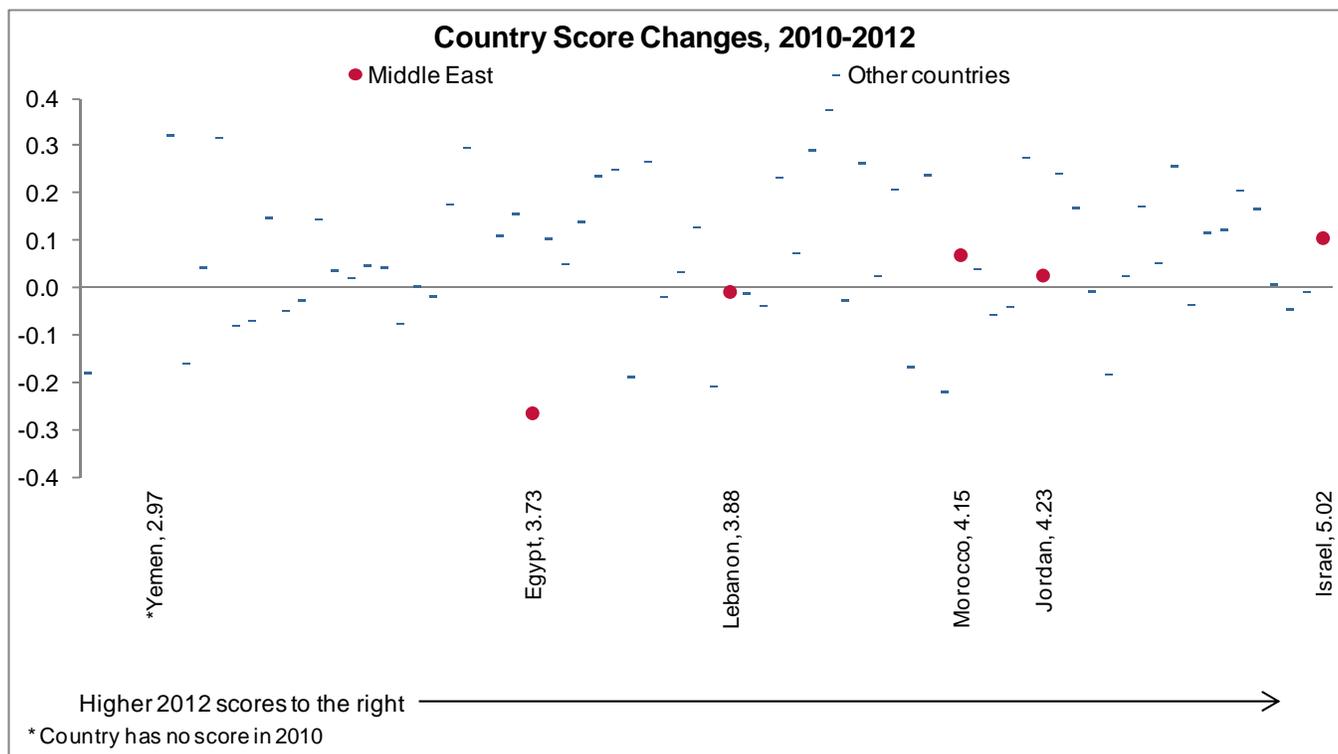
Asia

The greatest score improvement between 2010 and 2012 belongs to an Asian country. Cambodia’s score rose from 3.63 in 2010 to 4.01 in 2012, and its 2012 score lies near the middle of all assisted countries’ scores. Two other countries in the middle of Asia’s scoring range, Tajikistan (3.80) and Mongolia (3.87), also had significant improvement in their scores; but countries at the extremes of Asia’s scoring range tended not to improve much since 2010. China’s score of 4.83, the region’s highest in 2012, is slightly lower than its 2010 score of 4.84, and East Timor’s score improved from 3.23 to 3.27. The region’s greatest fall in score was by Vietnam, whose 2012 score was 4.11. Country scores within the region tend to form clusters, with a noticeable one at the bottom of the region’s scores, consisting of East Timor, Kyrgyzstan, Nepal, and Pakistan, all of whose scores range from 3.27 to 3.65, and whose two-year group improvement is unremarkable.



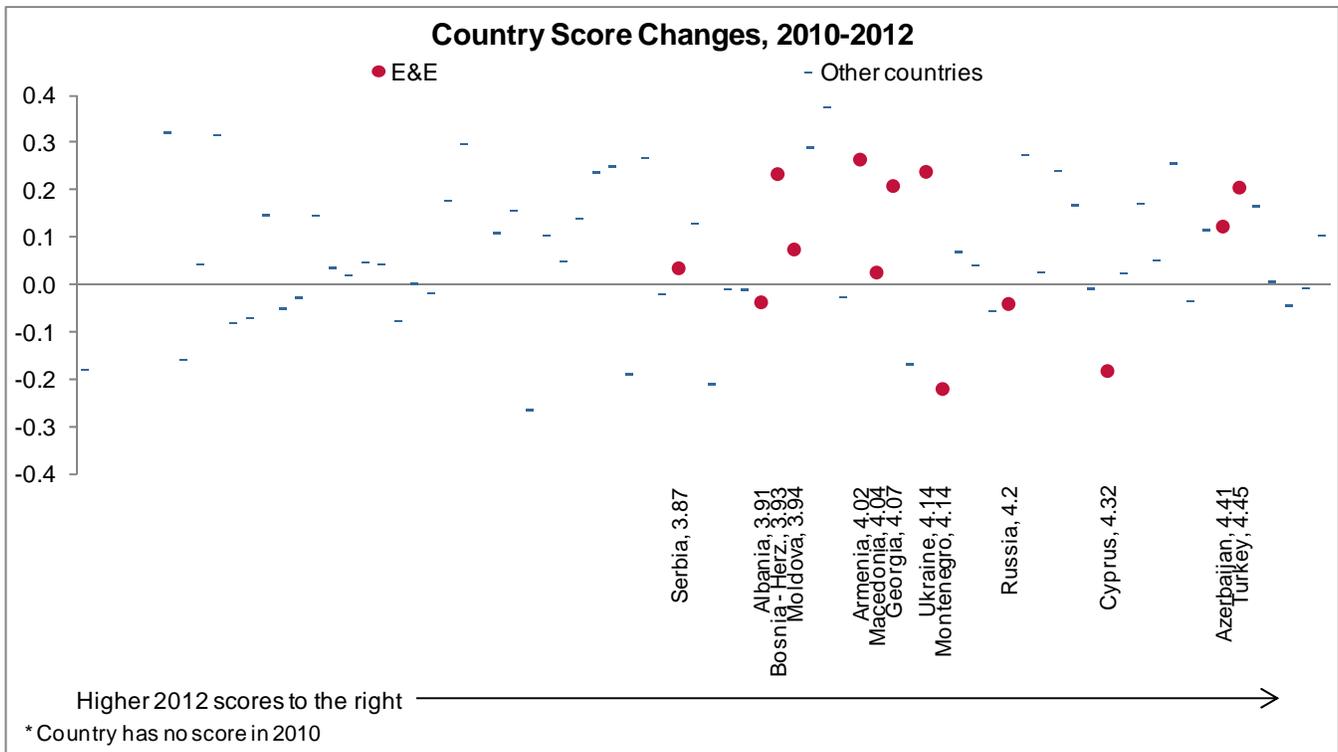
Middle East

The range of scores in the Middle East is the widest of any region, with Yemen scoring 2.97 and Israel 5.02. Yemen was not scored in 2010. Israel has the highest 2012 score of all assisted countries—not just in the Middle East—but the improvement from its 2010 score of 4.91 is middling when compared to all assisted countries’ improvements. With the caveat that just a few country scores are available, the overall relationship between 2012 scores and two-year improvement is positive, but the fall in Egypt’s score between 2010 and 2012 negates all of the other gains in the region, pulling the regional average down. Measuring the GCI depends on being able to have analysts in a country, and so the current violence in the region has made, and continues to make, it difficult to score Middle East countries every year.



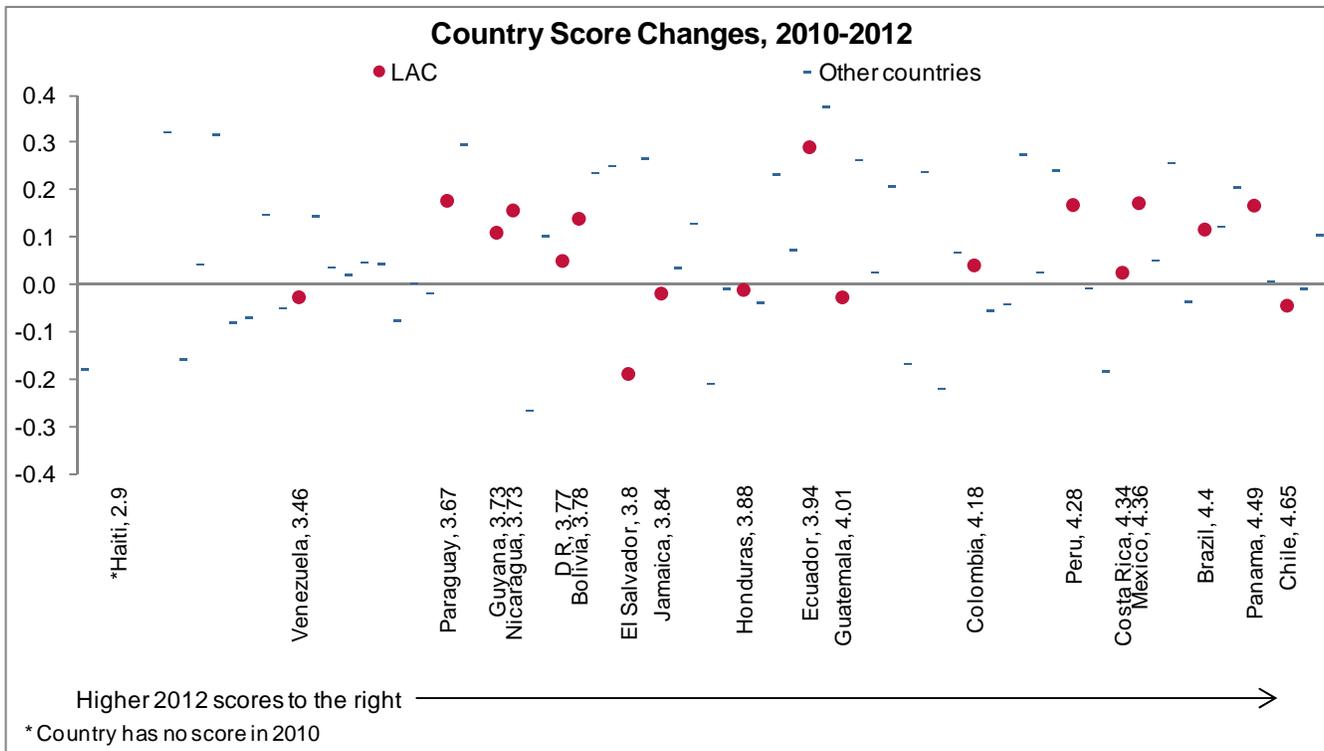
Europe and Eurasia

E&E has the narrowest range of 2012 scores due to the region’s generally higher level of development, and it has the highest regional average (4.11 in 2012) after the Middle East. The region’s top two countries, Azerbaijan and Turkey, scoring 4.41 and 4.45 respectively, improved their scores more than the average E&E country did, making them stand-outs within the region. The remaining top five countries have lower scores than in 2010: Montenegro (4.14 in 2012), Russia (4.20), and Cyprus (4.32). The fall in Montenegro and Cyprus’ scores are by far the largest in E&E. However, the gap between E&E and the Middle East’s averages is large enough that if Montenegro and Cyprus’ scores had not fallen at all, E&E would still lag the Middle East’s average.



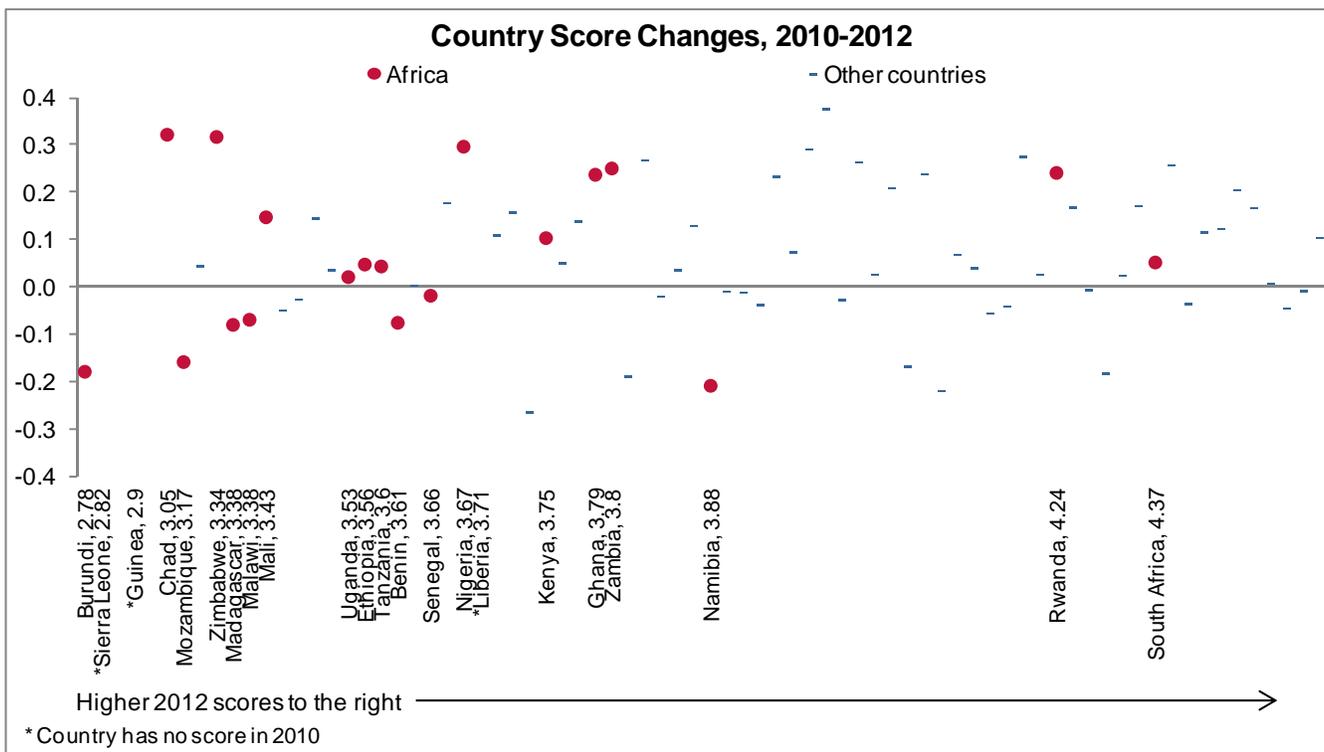
Latin America and the Caribbean

At 4.02, Latin America and the Caribbean has the third highest regional average in 2012. However, this is due to excluding Haiti, the region’s lowest score, for not having a 2010 score. If Haiti and other countries without 2010 scores were included in the 2012 averages, LAC’s average would drop to fourth place in the world, with a score of 3.96. The top 2012 score in the LAC region, and third highest of all assisted countries, belongs to Chile, whose score fell from 4.69 in 2010 to 4.65. This was LAC’s second largest drop in score. The largest drop was El Salvador’s—from 3.99 to 3.80, significantly more than all other LAC countries and the fourth greatest decline of all assisted countries. Since El Salvador was already near LAC’s average, however, if the country’s score had remained unchanged, the region’s ranking in the world would not have changed (LAC’s average would have been 4.03 instead of 4.02). The region’s greatest improvement was Ecuador—from 3.65 to 3.94, the fifth highest gain of all assisted countries. Although it too is near the region’s average score, its improvement was large enough to help pull the regional average up. If Ecuador’s score had remained unchanged, LAC would have averaged a score equal to Asia’s—still a gain for LAC, but half as much of one.



Sub-Saharan Africa

The improvement in Africa’s score from 3.51 to 3.58 during 2010–2012 is close to the average improvement of all assisted countries. The three new countries in 2012 were Liberia (3.71), Guinea (2.90), and Sierra Leone (2.82). The latter two countries would have weighed down the regional average if they had been scored in 2010.



Africa predominates the GCI's lowest scores, such as Burundi, the lowest score of all assisted countries, and Chad. However, Chad had the second highest improvement of all countries (after Cambodia), rising from 2.73 to 3.05, though there were other strong improvements too, such as Zimbabwe (3.34 in 2012) and Nigeria (3.67). The most significant drops in scores were Burundi, Mozambique (3.17), and Namibia (3.88). The chart on Africa's score changes makes it easy to identify the region's outliers: South Africa (4.37 in 2012) and Rwanda (4.24). Both countries have improved their scores since 2010 by 0.05 and 0.24 points respectively. Excluding their scores would have the effect of dropping Africa's average from 3.58 to 3.49. An interesting consequence of this would be that the alternative average would fall between Mali (3.43) and Uganda (3.53), clearly distinguishing Africa's below- and above-average countries.

Structure of the Global Competitiveness Index 2012–2013

The GCI starts with over 100 indicators originating as survey answers from the World Economic Forum's annual Executive Opinion Survey and statistics from outside international organizations. Indicator values are normalized within a range of 1 to 7, with higher scores meaning higher competitiveness. Indicators are aggregated by weighted average to calculate categories. Categories are similarly averaged by weight to calculate sub-pillars. Weighted averaging is used again to calculate pillar scores; and these are in turn averaged up to calculate sub-index scores. Sub-index scores are averaged to calculate the overall competitiveness score; however this time the weights do not apply consistently to all countries. The weights in the final aggregation depend on each country's level of development, which is determined by two factors: GDP per capita, and the share of exports in mineral goods in total exports. See <http://www.weforum.org/reports/global-competitiveness-report-2011-2012> for more information on the current edition's methodology.

Additional Information

For questions or more information, please contact the author, David Colin, at dcolin@devtechsys.com.

To access the complete dataset from the World Economic Forum's Global Competitiveness Index, please visit the Economic and Social Database (ESDB) at <http://esdb.eads.usaidallnet.gov/>. The ESDB website offers other indices on social and economic development and governance, including Heritage Foundation's Index of Economic Freedom, Millennium Challenge Corporation country category indicators, and the World Bank's Doing Business Database. Through the ESDB website, you can access this data, other country ratings and rankings, and analytical tools such as Economic Freedom Radar Graphs.