

Introduction

The World Economic Forum (WEF) Global Competitiveness Report 2009-2010 emphasizes the need for policymakers to focus on strengthening long-term competitiveness fundamentals despite short-term urgencies stemming from the present global recession. The authors define competitiveness as 'the set of institutions, policies and factors that determine the level of productivity of a country.' The Global Competitiveness Index (GCI) is comprehensive and complex. The index is based on over 110 indicators categorized into 12 main pillars (see page 5). The final GCI score (0-7) gives indicators different weights depending on the stage of a country's development to reflect a country's distinct needs and priorities to increase competitiveness. The GCI is calculated using data that are available in 2009 from international agencies and national sources as well as from the WEF Executive Opinion Survey, which polled over 13,000 business leaders in 133 countries from January to May 2009.

Rankings and regional averages in this snapshot are based on a list of countries obligated more than \$2 million dollars in USAID funding in fiscal year 2007.

Most and Least Competitive Countries, GCI 2009-2010

Of the 72 USAID assisted countries included in the 2009-2010 Global Competitiveness Report, Ireland and Israel lead as the most competitive while Burundi and Zimbabwe trail behind at the bottom of the list. Despite the impact of the financial crisis on countries around the world, China and India have continued to improve their competitiveness and consolidated their position among the top 50 most competitive countries. Azerbaijan made the greatest leap among top performers, moving from ranking 69th to 51st since last year. The bottom five least competitive countries are all from Africa.

Top Performers

Country	GCI Rank	GCI Score
Ireland	25	4.84
Israel	27	4.80
China	29	4.74
Cyprus	34	4.57
Thailand	36	4.56
South Africa	45	4.34
India	49	4.30
Jordan	50	4.30
Azerbaijan	51	4.30
Indonesia	54	4.26

Bottom Performers

Country	GCI Rank	GCI Score
Tajikistan	122	3.38
Kyrgyzstan	123	3.36
Paraguay	124	3.35
Nepal	125	3.34
Timor-Leste	126	3.26
Mozambique	129	3.22
Mali	130	3.22
Chad	131	2.87
Zimbabwe	132	2.77
Burundi	133	2.58

Biggest Movers in GCI Rankings 2008-2009 to 2009-2010

While several African countries remain low in the competitiveness rankings, a few are quickly making their way toward the top. Uganda, Tanzania, and Namibia made substantial improvements in the sophistication of their financial markets, an area which has recently gained attention as critical due to the global impacts of the financial crisis. Albania had the broadest improvements, moving up in the rankings in all of the 12 pillars that make up the final index score. Tanzania and Azerbaijan made the largest jumps in a particular pillar by moving up over 26 spots since last year in macroeconomic stability and financial market sophistication, respectively.

Most Improved Countries

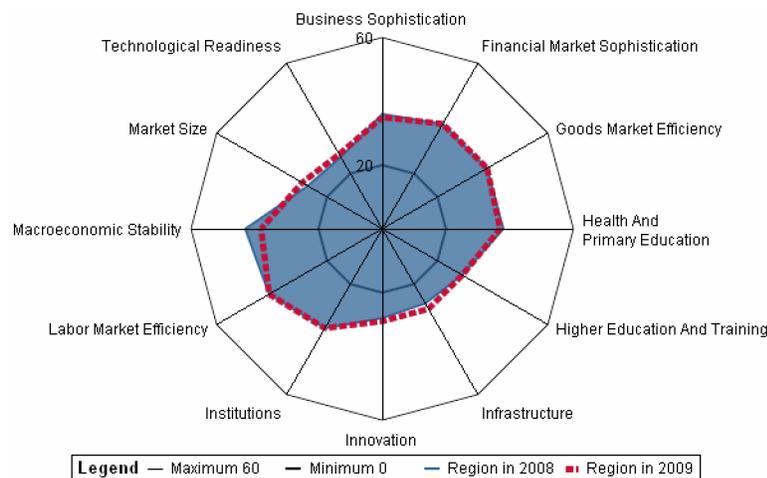
Country	GCI Rank 2008-09	GCI Rank 2009-10	Change
Uganda	127	108	19
Azerbaijan	69	51	18
Tanzania	112	100	12
Egypt	81	70	11
Albania	107	96	11
Guyana	114	104	10
Brazil	64	56	8
Cyprus	40	34	6
Namibia	80	74	6



Africa

The GCI ranks in Africa ranged from 45th to 133rd in 2009-2010. Unlike other regions, the African economies are less coupled with the movements of global financial markets. Therefore, changes in the scores are more closely related to individual country performance.

South Africa remains the highest ranked country in the region at 45th. South Africa's large economy, especially relative to the region, creates an atmosphere conducive to increases in innovation and research. The country continues to score high in accountability of institutions and market efficiency. Mauritius remains ranked 57th in the overall index, scoring second in the region. Political and economic stability in South Africa and Mauritius over the past few years is reflected by their high scores in the Basic Requirements Sub-Index (one of three sub-indexes). Mauritius also scored highly in the infrastructure and institutions pillars in 2009-2010.



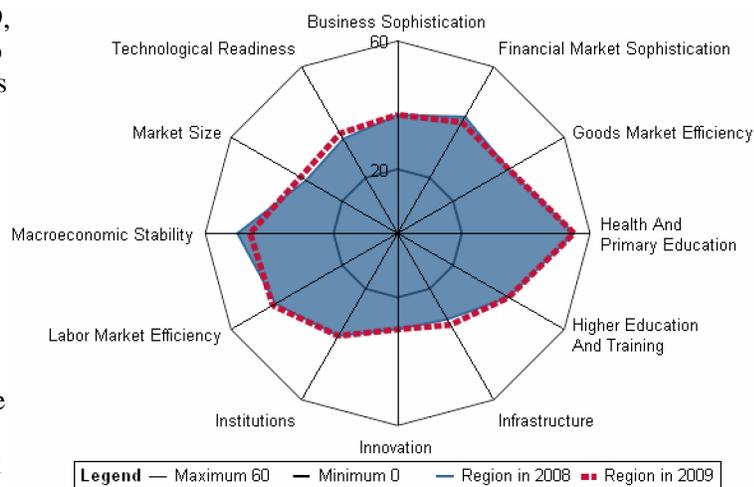
Uganda enjoyed the greatest increase in ranking in the region, climbing from 127th in 2008-2009 to 104th. The change can largely be attributed to a 26% increase in its health and primary education pillar score. Additionally, Uganda improved in the market size, technological readiness and infrastructure pillars.

Generally, the greatest declines in the overall GCI in Africa are attributed to changes in macroeconomic stability pillar scores. Ghana, for example, saw a 31% decrease in its macroeconomic stability score. Despite improvements in Innovation and Sophistication Sub-Index scores, Ghana's overall rank decreased by 13 places. Botswana and Mali both experienced large declines in macroeconomic stability and education, decreasing their overall scores. Kenya fell five places due to a decrease in major pillars, including institutional environment. The report states that Kenyan institutions, including the government, are increasingly inefficient and plagued by corruption.

Europe and Eurasia

Some countries in Europe and Eurasia improved in 2009, while others experienced declines. Azerbaijan moved up from an overall rank of 69th to 51st. This movement was due to positive strides in all major indicators. The greatest progress was in infrastructure and financial sophistication pillar scores, each improving by nine percent. Additionally, Albania climbed up 11 places to 96th. Its infrastructure score improved by 28%, moving it from 121st to 104th.

Russia was the only country out of the four large emerging market BRIC (Brazil, Russia, India, China) countries whose GCI score declined from last year in the 2009-2010 GCI Report. The country dipped in its scores for the financial market sophistication and goods market efficiency pillars. The report cites Russia's government agencies as being its main weakness. The report argues that there is a perception of overall inefficiency, as well as failures to protect property rights and judicial independence in Russia.



Latin America and the Caribbean

The GCI for many Latin American and Caribbean countries reveals encouraging resilience to the negative external shocks from the financial crisis due to improvements in macroeconomic fundamentals in recent years. While Chile still leads the region in competitiveness, it has lost some ground in the last two years. Meanwhile, big climbers include Uruguay, Brazil, Trinidad and Tobago, Colombia and Peru. Uruguay has made remarkable improvements in education and public institutions and achieved greater macroeconomic stability and lower public debt levels.

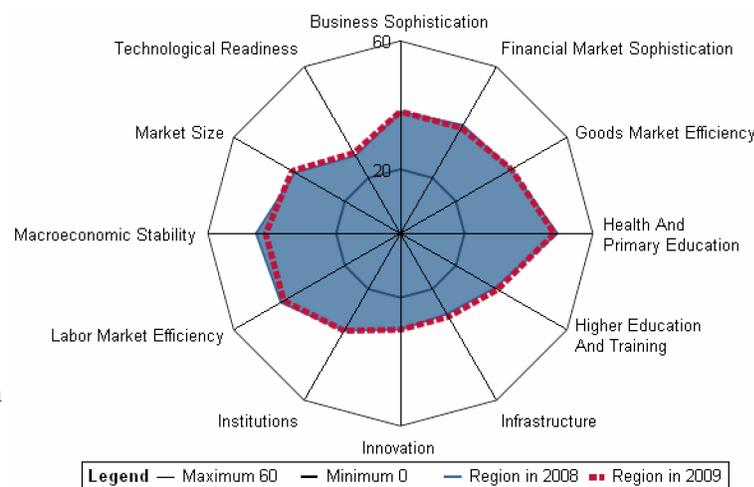
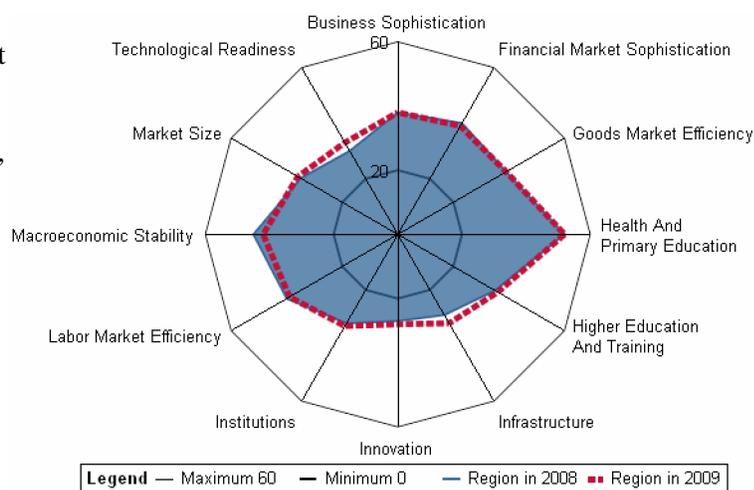
Brazil continues to make progress in ensuring fiscal sustainability, opening the economy, boosting private-sector development, and developing financial markets. On the other hand, the institutional environment, efficiencies in goods and labor markets, and wide disparities in the education system remain problematic for the future of the Brazilian economy.

Mexico has also demonstrated impressive resilience to the crisis despite its extensive links to the U.S. Mexico's overall rank remained unchanged this year due to improvements over the past two decades in increasing fiscal responsibility and liberalizing and diversifying the economy as well as the success of recent anti-crisis measures including support to small- and medium-sized enterprises, anti-poverty programs, and attaining extra support from the new IMF Flexible Credit Line.

Asia

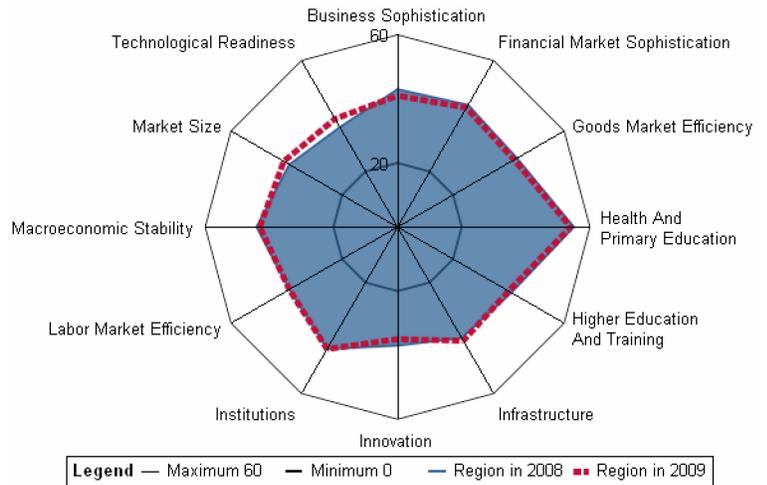
Asia experienced decreases in the overall Innovations and Efficiency Enhancers Subindices. However, the average Basic Requirements score increased slightly. Bangladesh was the greatest mover in the region, moving up four places in rank. The increase can be mainly attributed to changes in the Innovation and Sophistication Sub-Index. The technological readiness score improved by five percent. India moved up one position to 49th. India scores well the Innovation and Sophistication Sub-index even when compared to advanced economies. However, India continues to lag in health and primary education and macroeconomic stability.

Tajikistan saw the largest decrease in South and Central Asia (moving down seven places to be ranked 122nd) despite a 11% increase in its technological readiness. The decrease in rank can be attributed to a 17% decrease in its macroeconomic stability score and an eight percent decrease in its financial market sophistication score. Overall, the Basic Requirement Sub-Index score for Tajikistan decreased four percent. Sri Lanka and Kyrgyzstan also dropped two places in rank. The GCI report argues that Sri Lanka is still in the early stages of development and has yet to improve in the basic requirements for development. Specifically, the report sites institutions (-3%) and macroeconomic stability (-8%). Kyrgyzstan experienced large increases in its market size score, increasing 12 percent. However, it experienced decreases in the Basic Requirement Sub-Index by three percent. The worst performer in Asia was Mongolia, which dropped 18 ranks in overall score to 117th. The movement can be attributed mainly to a decrease in its macroeconomic stability score of 27%.

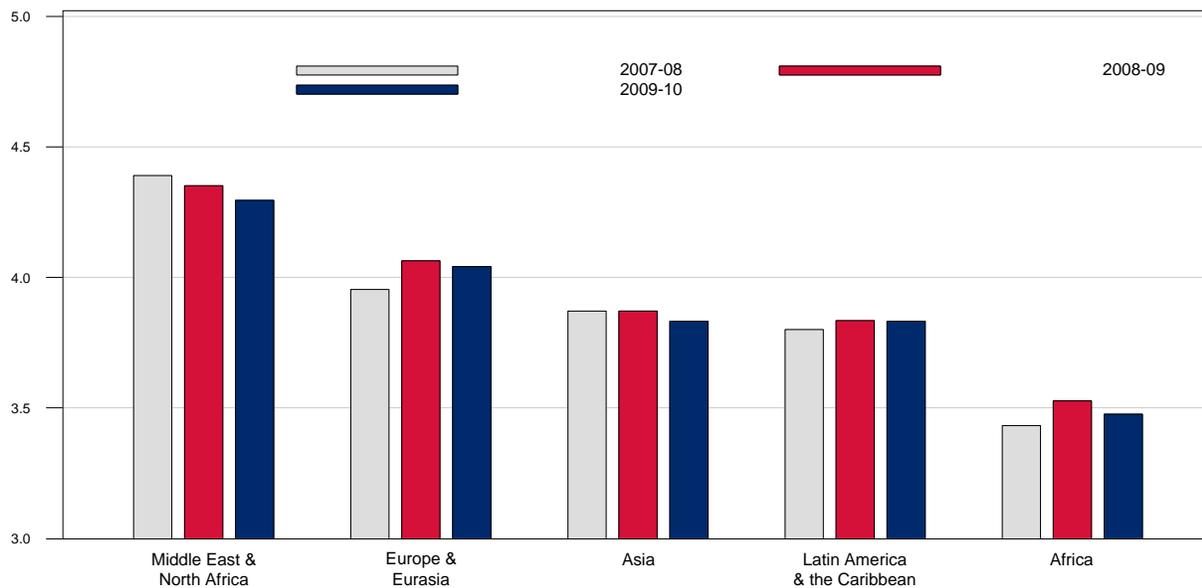


Middle East and North Africa

On average, countries in the Middle East and North Africa improved their competitiveness in 2009-2010 in the areas of infrastructure, market size, and technological readiness. Egypt led the region for overall improvements by moving up 11 places in the overall GCI ranking to 70th. However, the report highlights that Egypt continues to face challenges in improving labor market efficiencies due to over regulation and lack of progress in increasing female participation in the labor force. Israel has the highest overall ranking in the region at 27th but has declined by four places this year mainly due to lower assessments of the quality of the education system and deteriorations in the sophistication of business strategies. Morocco, at 73rd in the overall ranking, made particular progress in improving its macroeconomic stability rank and technological readiness.



Average Regional GCI Scores in USAID Assisted Countries



The average regional GCI scores in the chart above reflect small negative impacts on long-term competitiveness as a result of recent external shocks related to the financial crisis. The biggest impact of the crisis can be seen in the financial market efficiency pillar, particularly the soundness of banks and access to capital indicators. In addition, the macroeconomic stability pillar scores declined in several countries as a result of government responses to the crisis which have increased public deficits. Unlike in previous global crises, Latin America and Caribbean countries have demonstrated resilience to negative external shocks. Europe and Eurasia and Africa lost some gains in competitiveness from the 2007-2008 Report to the 2008-2009 Report; however, their overall scores in the 2009-2010 Report still remain higher than two years ago. On the other hand, the Middle East & North Africa and Asia regional averages have declined slightly over the past two years. The authors of the GCI 2009-2010 Report suggest that despite the immediate negative impacts of the financial crisis on competitiveness, there may be positive long-term impacts resulting from reforms and new strategies motivated by the crisis.

Structure of the Global Competitiveness Index 2009-2010

The GCI is composed of over 110 indicators categorized under 12 pillars that make up three sub-indexes. The hard data for each indicator is normalized on a 1-7 scale to align them with the results from the Executive Opinion Survey. The final GCI is computed based on successive aggregations of scores using fixed weights for each indicator to reach calculate the pillar scores and fixed weights for each pillar to calculate the sub-index scores. The weights of the sub-indexes used to calculate the final GCI score vary according to the stage of a country's development. The stage of development are based on two criteria: 1) the level of GDP per capita at market exchange rates, 2) the extent to which countries are factor driven as indicted by the share of mineral goods in total exports. The three stages of development are identified by the report are: Stage 1 - Factor driven; Stage 2 - Efficiency driven; and Stage 3 - Innovation driven.

3 Sub-indexes	12 Pillars	Indicators
Basic Requirements	Institutions	Property rights, Ethics and corruption, Undue influence, Government inefficiency, Security, Corporate ethics, Private sector Accountability
	Infrastructure	General Infrastructure, Specific infrastructure
	Macroeconomic stability	Government budget balance, National savings rate, Inflation, Interest rate spread, Government debt
	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 enrollment, Education expenditure
Efficiency Enhancers	Higher education and training	Secondary enrollment, Tertiary enrollment, Education expenditure, Quality of education, Internet access in schools, On-the-job training
	Goods market efficiency	Intensity of local competition, Extent of market dominance, Effectiveness of anti-monopoly policy, Extent and effect of taxation, Number of procedures to start a business, Time to start a business, Agricultural policy costs, Prevalence of trade barriers, Tariff barriers, Buyer sophistication...
	Labor market efficiency	Cooperation in labor-employer relations, Flexibility of wage determination, Rigidity of employment, Extent and effect of taxation, Firing costs, Pay and productivity, Brain drain, Female participation...
	Financial market efficiency	Financial market sophistication, Financing through local equity markets, Ease of access to loans, Venture capital availability, Restriction on capital flows, Strength of investor protection, Soundness of banks...
	Technological readiness	Availability of latest technologies, Firm-level technology absorption, Laws relating to ICT, FDI and technological transfer, Mobile telephone subscriptions, Internet users, Personal computers...
	Market size	Domestic market size index and Foreign market size index
Innovation & sophistication factors	Business sophistication	Local supplier quantity/quality, State of cluster development, Nature of competitive advantage, Value chain breadth, Control of international distribution, Production process sophistication, Extent of marketing
	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, Intellectual property protection

Income Thresholds for establishing stages of development

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

Weights of the three main subindexes at each stage of development

Subindex	Factor driven stage (%)	Efficiency driven stage (%)	Innovation driven stage (%)
Basic Requirements	60	40	20
Efficiency enhancers	35	50	50
Innovation and sophistication factors	5	10	30

How Can I Get the Global Competitiveness Report Data?

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) on the USAID Intranet at http://km.usaid.gov/esds/esdb_index.html. The ESDB website also offers related datasets, country profiles, and specialized charts and graphs, such as the Financial Sector Analysis Tool (Go to the Desk Officers' Toolbox at <http://km.usaid.gov/esds/toolbox.html>).