EADS Snapshot on
Global Competitiveness Index 2013–2014

USAID FROM THE AMERICAN PEOPLE

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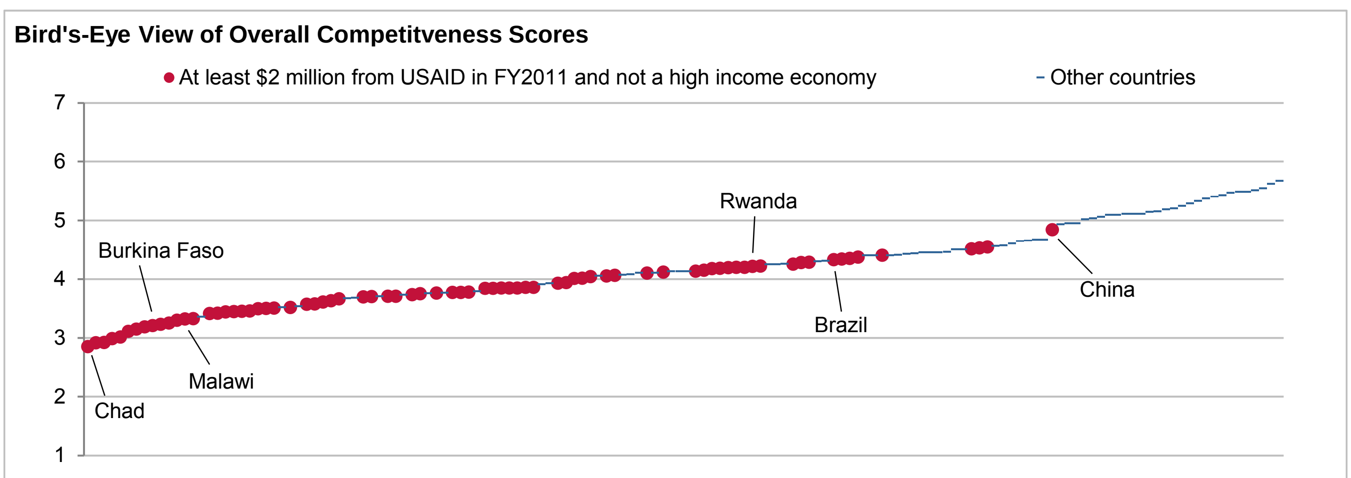
The World Economic Forum's Global Competeveness Report 2013–2014 notes that the global economy is undergoing a significant shift. The major economic transformation in the emerging economies has fueled economic growth and decreased poverty, though this growth has begun to slow. Moreover, the report sites the importance of structural reforms and the critical importance of investments to ensure a flourishing economic environment. Furthermore, it introduces the terms "innovation rich" and "innovation poor" instead of "developed" and "developing" to differentiate between countries. It states that business leaders, governments, and civil society should work collaboratively to create innovative environments and appropriate educational systems.

The Global Competitiveness Index (GCI) 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 of 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://reports.weforum.org/the-global-competitiveness-report-2013-2014/ for more information on the current edition's methodology.

In the 2013 GCI, 148 countries are scored, with Switzerland coming in highest. Singapore, Finland, Germany, United States, and Sweden follow in that order. This snapshot focuses on the 76 countries that received at least $2 million in USAID assistance in fiscal year 2011, and are not considered high income countries by the World Bank using 2012 GNI per capita.



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Global Competitiveness Rankings: Top and Bottom USAID-Assisted and Not High Income Countries

Of the included countries, China, Thailand, and Indonesia had the highest scores; Chad, Guinea, and Burundi 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 2013 ranks to show how they would have ranked with the 2012 set of countries (there would have been no effect on the top 10 countries).

Top Ten USAID-Assisted Countries

Country	2013 Score	2013 Rank	2012 Rank
China (P.R.C.)	4.84	29	29
Thailand	4.54	37	38
Indonesia	4.53	38	50
Azerbaijan	4.51	39	46
Kazakhstan	4.41	50	51
South Africa	4.37	53	52
Costa Rica	4.35	54	57
Mexico	4.34	55	53
Brazil	4.33	56	48
Philippines	4.29	59	65

Bottom Ten USAID-Assisted Countries

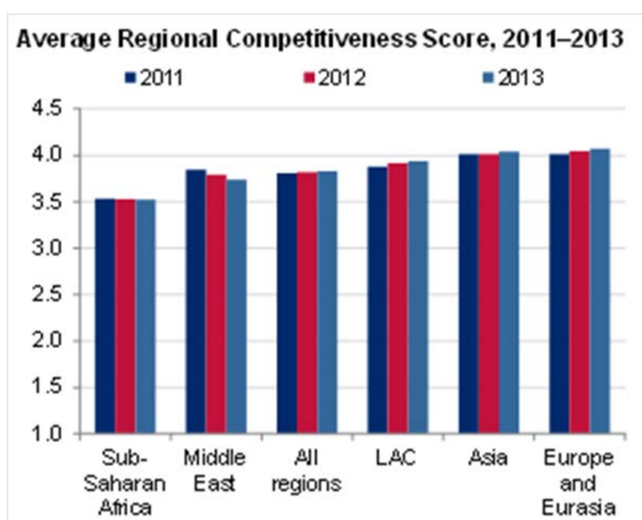
Country	2013 Score	2013 Rank	2013 Adj. Rank	2012 Rank
Burma (Myanmar)	3.23	139	n.a.	n.a.
Burkina Faso	3.21	140	136	133
Mauritania	3.19	141	137	134
Angola	3.15	142	n.a.	n.a.
Haiti	3.11	143	138	142
Sierra Leone	3.01	144	139	143
Yemen	2.98	145	140	140
Burundi	2.92	146	141	144
Guinea	2.91	147	142	141
Chad	2.85	148	143	139

Over the last year, the top scoring countries generally coalesced together: Indonesia's rank improved while Brazil's rank fell between 2012 and 2013. The bottom scoring countries had mixed performances, however. Haiti and Sierra Leone's rankings improved by four places, and Burundi improved by three; while Chad's rankings deteriorated four places, Mauritania and Burkina Faso fell three places, and Guinea dropped by one.

Regional GCI Score Improvements 2011 to 2013

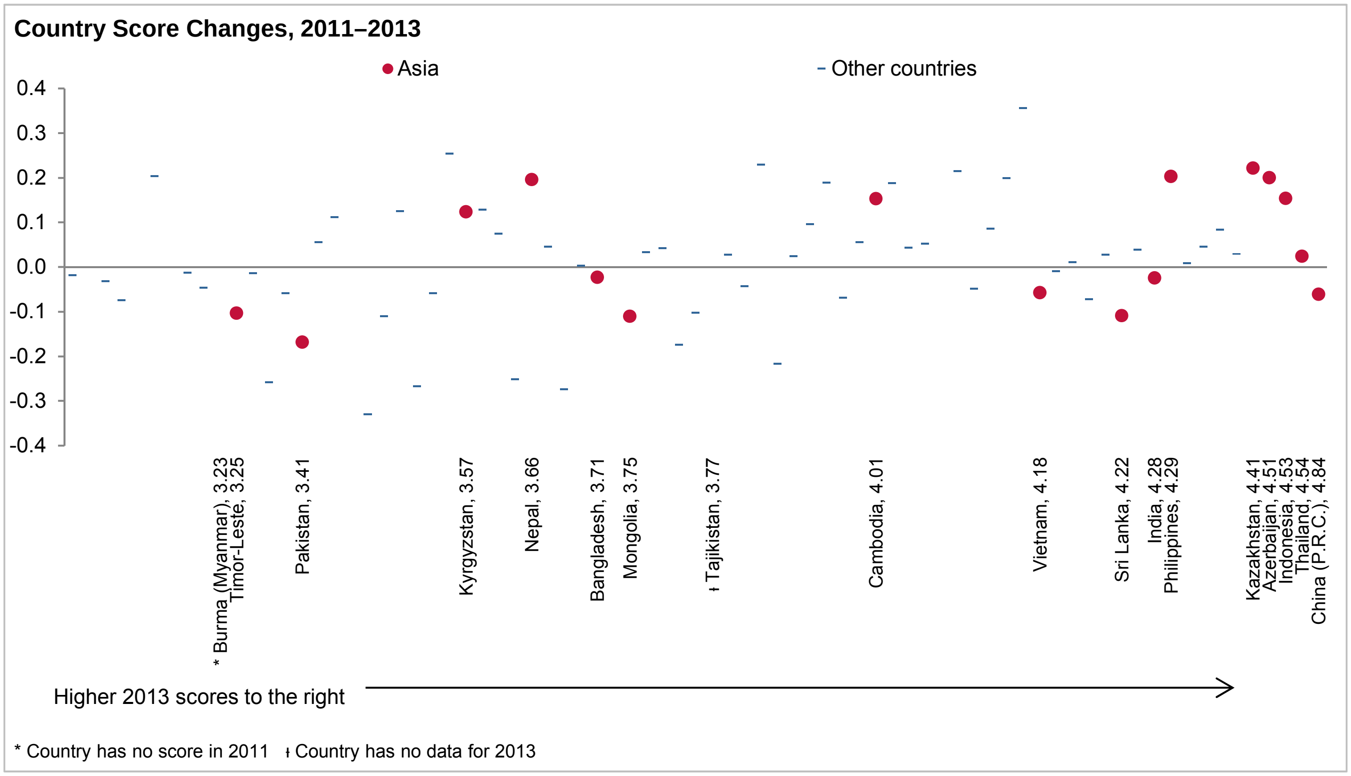
Only those countries with scores in 2011, 2012, and 2013 were included in our chart on regional averages. The average assisted country has seen a slowdown in the improvement of its GCI score: Across all regions, the average score was 3.81 in 2011, 3.82 in 2012, and 3.83 in 2013. On a regional basis, performance was mixed over the three years. Latin America and the Caribbean (LAC) and Europe and Eurasia (E&E) improved each year. Asia's 2013 score improved 0.69 percent from 2011 after a slight decrease of 0.02 percent in 2012 from 2011.

Scores for Sub-Saharan Africa and the Middle East fell since 2011. The Middle East's performance is the worst among the regions, because it has been in political disorder for the last couple of years.



Asia

The greatest score improvement between 2011 and 2013 in the Asian region belongs to Nepal. Nepal's score rose from 3.47 in 2011 to 3.66 in 2013, and its 2013 score lies near the middle of all assisted countries' scores. Kazakhstan (5.30 percent increase) and Philippines (4.97 percent increase) also had significant improvement in their scores. China's score of 4.84, the region's highest in 2013, is slightly lower than its 2011 score of 4.90, and Thailand's score improved from 4.52 to 4.54. Myanmar was added to the GCI report with a score of 3.23. The country enters the rankings at 139th among 148 economies after decades of political and economic isolation. Myanmar has competitive assets, including favorable demographics, a strategic location at the heart of Asia, and richness in its natural resources.



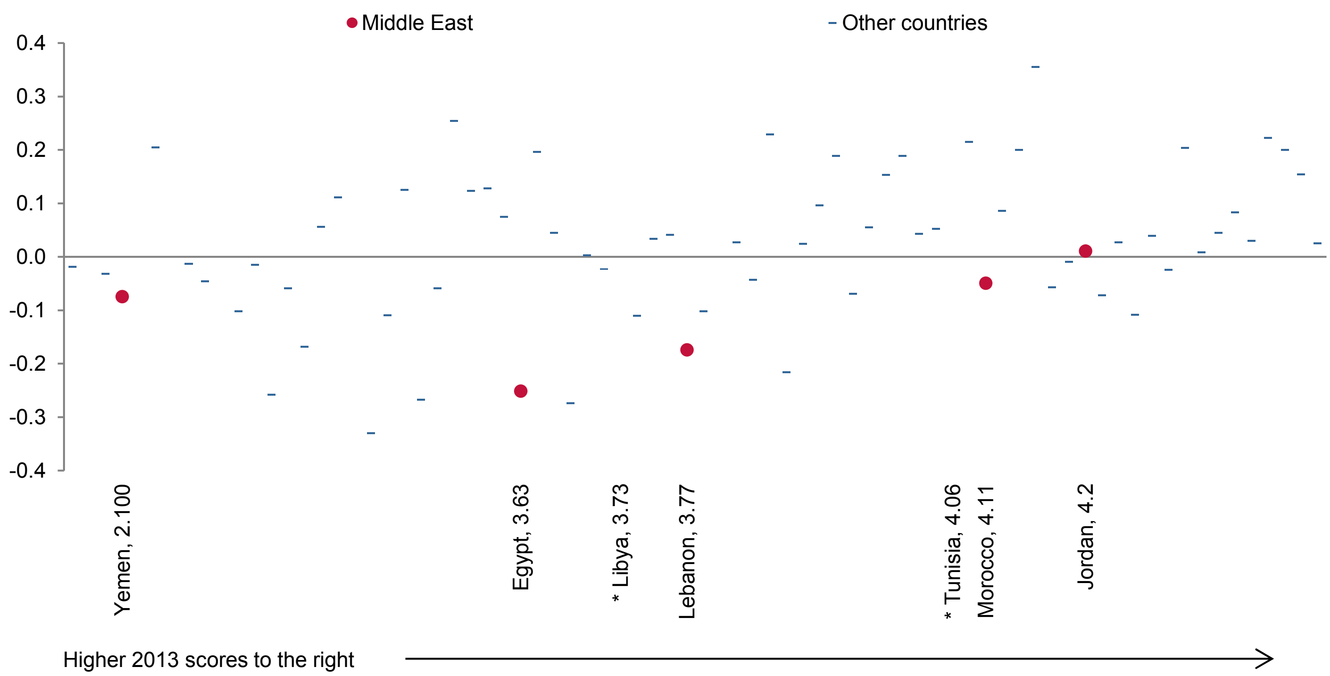
Pakistan had the region's greatest fall in GCI score and it dropped by 9 places in its ranking. The country's performance continues to deteriorate in some of the basic areas of competitiveness, such as:

- Corruption, patronage, and lack of property rights protection in public institutions.
- An increase in violence.
- High inflation and low savings as a percent of GDP.
- Low education enrollment rate, and rigidities and inefficiencies of the labor market with female participation in the labor force among the lowest in the world.

Middle East

The Middle East is in a political and economic transition process. It had the largest drop in score of any region, with Yemen and Egypt scoring the lowest. The stagnation in the rankings for Levant countries, such as Lebanon, was caused by their small market size and limited infrastructure. On the other hand, North African economies are challenged by labor-market inflexibility and weak institutions. Tunisia was added as a new country to the 2013 update, with a score of 4.06 and ranked 83rd.

Country Score Changes, 2011–2013



* Country has no score in 2011

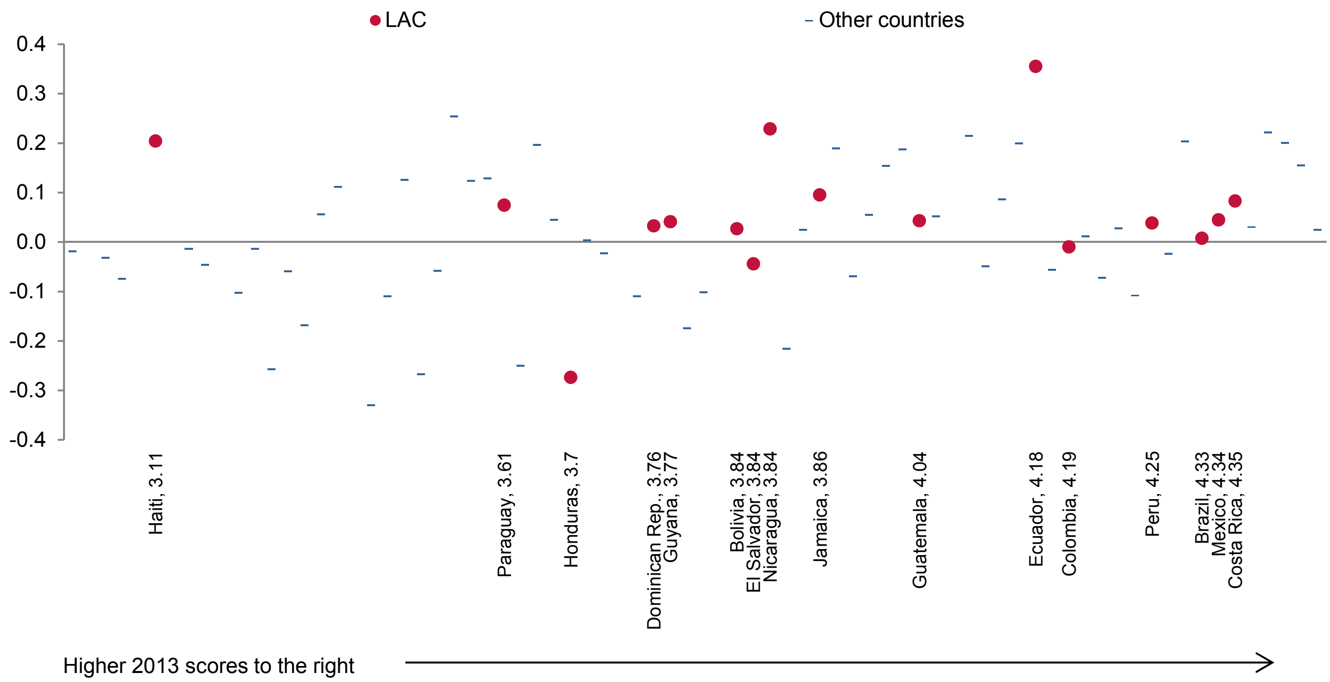
According to the recent report by the World Economic Forum, “The Arab World Competitiveness Report 2013”, Yemen’s reliance on oil for income is no longer tenable with political chaos in the country. Decreasing investors’ interests, lack of economic reform, high corruption, and poor infrastructure are some of the main economic challenges that the country currently faces.

On the other hand, Jordan was the only country in the Middle East that showed an increase in its GCI score. Jordan strength is mainly produced by its strategic location between the Iraqi and Saudi markets and medical and cultural tourism. In addition, Jordan has launched a new capacity-building program to decrease economic inequality throughout the country. It aims to increase private sector activity within municipal jurisdictions anticipating boosting economic activity.

Latin America and the Caribbean

At 3.94, Latin America and the Caribbean has the third highest regional average in 2013 and highest percentage increase in its score at 1.52 percent since 2011. The top 2013 scores in the LAC region belong to Costa Rica (4.35), Mexico (4.34), and Brazil (4.33). The largest drop was Honduras—from 3.98 to 3.70, significantly more than all other LAC countries and the second greatest decline of all assisted countries. The region's greatest improvement was Ecuador for the second year in the row—from 3.82 to 4.18. Its improvement was large enough to help pull the regional average up.

Country Score Changes, 2011–2013



* Country has no score in 2011

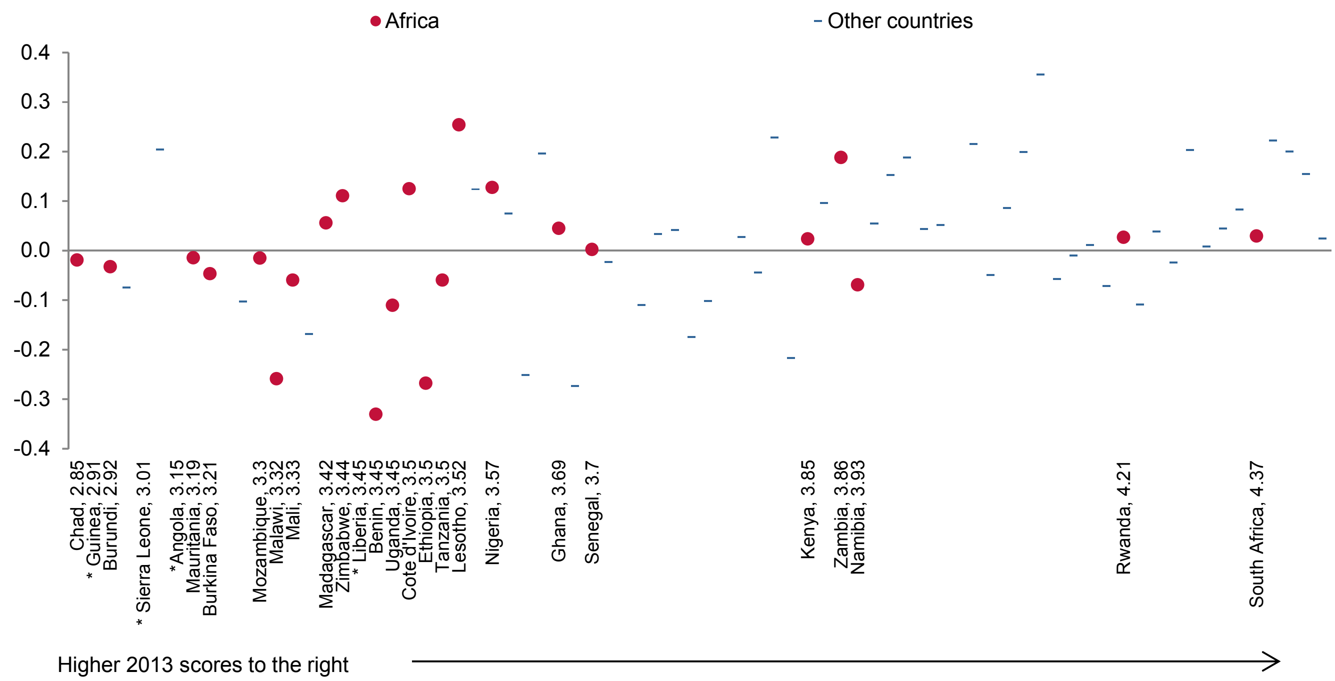
Leaders and experts at the World Economic Forum on Latin America met in Lima, Peru on 23–25 April 2013 to discuss LAC economic growth, environment and social development. Some of the highlighted issues that they deliberated about were the following:

- Existing social gaps and practices to address them.
- Rapid middle class expansion and how to respond to its needs through policies to increase economic growth, improve quality of public services, and build strong institutions.
- The lack of adequate urban planning and increased pressure on natural resources and environmental degradation through the use of fossil fuels.
- Enormous youth population that requires education and vocational training to maximize the potential for an expanding and productive labor force.
- Preservation of the fragile Amazon basin ecosystem to assure sustainable economic growth with eco-tourism.

Sub-Saharan Africa

Sub-Saharan Africa experienced a slight decrease in its score from 3.54 to 3.52 during the 2011-2013 period. 15 out of the 20 lowest-ranked economies are African; low scores are mainly caused by armed conflict and recurrent food crises. In addition, some of the challenges that the region faces are: profound infrastructure deficit, absence of health and basic education services, rapid population growth, and lack of development in higher education and training.

Country Score Changes, 2011–2013



* Country has no score in 2011

Zambia had the second highest improvement in Sub-Saharan Africa (after Lesotho), rising by 5.1 percent, however there were other strong improvements too, such as Ivory Coast and Nigeria.

The most significant drops in scores were Benin, Malawi, and Ethiopia decreasing 8.8, 7.2, and 7.1 percent respectively. Angola was added and ranked 142nd with a score of 3.1.

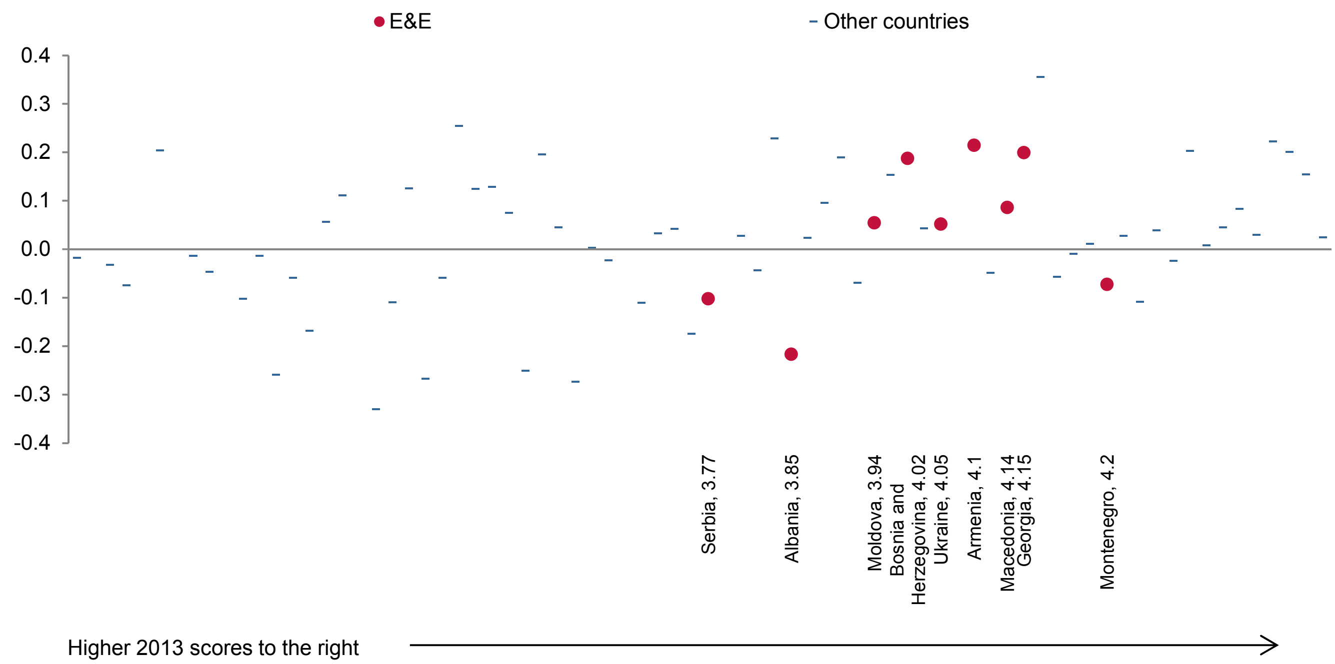
Rwanda continues to score high (4.21 in 2013), the second highest after South Africa (4.37) in the region. The country's success is related to the low level of corruption, efficient labor market, developed financial system, very well-run institutions, and good security environment. Likewise, Namibia has improved its ranking by two places to reach 90th overall and the 3rd highest in Sub-Saharan Africa. The improvement in ranking is caused by the well-protected property rights, strong public trust in politicians, and independent judiciary. According to the latest Global Competitiveness report, Namibia needs to progress its health and educational systems and harness new technologies in order to improve its GCI score further.

Europe and Eurasia

E&E has the narrowest range of 2013 scores due to the region's generally higher level of development, and it has the highest regional average (4.07 in 2013). The region's top two countries, Montenegro and Georgia, scoring 4.2 and 4.15 respectively. The fall in Albania (5.3 percent) and Serbia (2.6 percent) scores are by far the largest in E&E. The remaining countries have increased scores compared to 2011: Bosnia and Herzegovina (4.9 percent), Azerbaijan (4.6 percent), Macedonia (2.1 percent), Moldova (1.4 percent), and Ukraine (1.3 percent).

Many countries in E&E have made significant strides since the fall of the Soviet Union. However, extra steps need to be taken in order to improve GCS scores, such as: complete the transition from central planning to a market economy that promotes entrepreneurial spirit, diversify investments, and open up commerce within and across the region through better trade and transport systems.

Country Score Changes, 2011–2013



* Country has no score in 2011

Additional Information

For questions or more information, please contact the author, Georges Fadel, at gfadel@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.