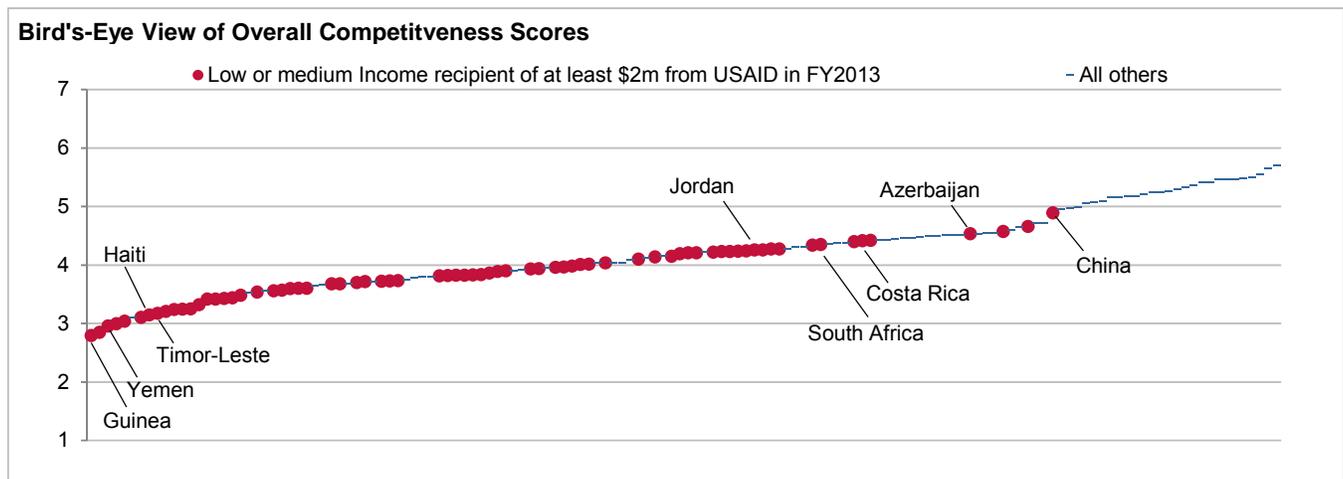


The World Economic Forum (WEF)’s Global Competitiveness Report 2014-2015, henceforth referred to as the report, expresses a positive outlook for the global economy as it affirms a definitive end, at least for the foreseeable future, to the “worst and longest lasting financial and economic crisis of the last 80 years.” The report notes that the current recovery, though it has shown signs of potentially sustainable growth over the long run, has been weaker than expected. It emphasizes the ever increasing importance of building strong institutions, stimulating innovation, and fully utilizing existing talents in promoting strong economies.

The WEF credits daring monetary policy similar to the ones applied in countries such as the United Kingdom, Japan, and the United States, with providing the foundation for much of the growth experienced during this recovery period. It stresses the importance of pairing social and economic agendas in fostering more inclusive economies and improving prospects for sustainable growth for the world economy as a whole.

The Global Competitiveness Index (GCI) has proven to be an insightful instrument that comprehensively measures not only the macroeconomic but also the microeconomic underpinnings a nation’s competitiveness in the global economy. For simplicity, the snapshot only uses the year of publication when referring a specific report so as to avoid confusion as competitiveness is compared over time. GCI 2014-2015 is therefore referred to as GCI 2014. GCI scores, between 1 and 7, consist of averaged weighted scores for twelve foundational pillars, all together comprised of a subset of more than 100 indicators. The pillars are segmented under three sub-indexes: basic requirements, efficiency, and innovation and sophistication factors. See http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf for a more in-depth look at the report’s methodology.

In the GCI 2014, 144 economies are included. This snapshot centers on 72 economies that received at least \$2 million in USAID assistance in fiscal year 2013 and are not considered high-income by the World Bank using 2013 GNI per capita. The snapshot compares the three most recent rankings to gauge the evolution of competitiveness, necessary for sustainable economic development.



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

The list of the ten countries with the highest GCI scores for 2014 is identical to the one from the previous year's report. China, Thailand, Indonesia, and Azerbaijan retained their exact ranks, in the stated order, within the top-ten list. The Philippines made the biggest improvement among the top-ten, having moved up from tenth to seventh, while Mexico saw its ranking suffer the most as it fell from eighth to tenth place. Costa Rica improved its standing by one spot and South Africa improved by two. Brazil kept its number nine spot.

Top Ten USAID-Assisted Countries

Country	2014 Score	2014 Rank	2013 Rank
China (P.R.C.)	4.89	28	29
Thailand	4.66	31	37
Indonesia	4.57	34	38
Azerbaijan	4.53	38	39
Kazakhstan	4.42	50	50
Costa Rica	4.42	51	54
Philippines	4.40	52	59
South Africa	4.35	56	53
Brazil	4.34	57	56
Mexico	4.27	61	55

Bottom Ten USAID-Assisted Countries

Country	2014 Score	2014 Rank	2014 Adj. Rank	2013 Rank
Burma (Myanmar)	3.24	134	138	139
Burkina Faso	3.21	135	139	140
Timor-Leste	3.17	136	140	138
Haiti	3.14	137	141	143
Sierra Leone	3.10	138	142	144
Angola	3.04	140	144	142
Mauritania	3.00	141	145	141
Yemen	2.96	142	146	145
Chad	2.85	143	147	148
Guinea	2.79	144	148	147

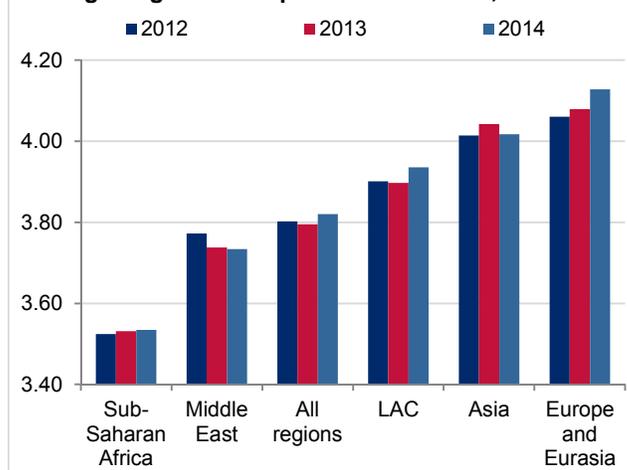
Similarly, there was virtually no change in the lot of the bottom scoring ten countries from GCI 2013 to 2014. The list changes slightly as Burundi, which did not meet the \$ 2 million minimum in fiscal year 2013, is omitted, thereby dragging Burma down to the tenth spot. Chad and Guinea share the two lowest positions, as was the case in last year's findings. Angola and Yemen slightly improved their ranking while Burma and Burkina Faso remained in the same spot. Mauritania fell to seventh from fourth the previous year.

Regional GCI Score Improvements 2012 to 2014

GCI scores for USAID assisted countries have improved modestly between 2012 and 2014. The average score, irrespective of individual regions, was 3.82 on the 1-7 scale in 2014 compared to 3.79 in 2013 and 3.80 in 2012. By comparison, the average score of all economies surveyed changed from 4.20 in 2012 to 4.21 in 2014. The average for the ten most competitive economies, led by Switzerland, Singapore and the United States, dropped from 5.52 to 5.51.

Europe and Eurasia (E&E), with a 0.067 point increase, had the highest improvement followed by Latin America (LAC), with a 0.035 point increment. Sub-Saharan Africa's (SSA) scores rose by 0.010 points while Asia's (ASI) score increased by 0.003 points. ME's GCI score decreased by 0.038 points, continuing a trend partly attributable to the various ongoing political crises which ensued in 2011.

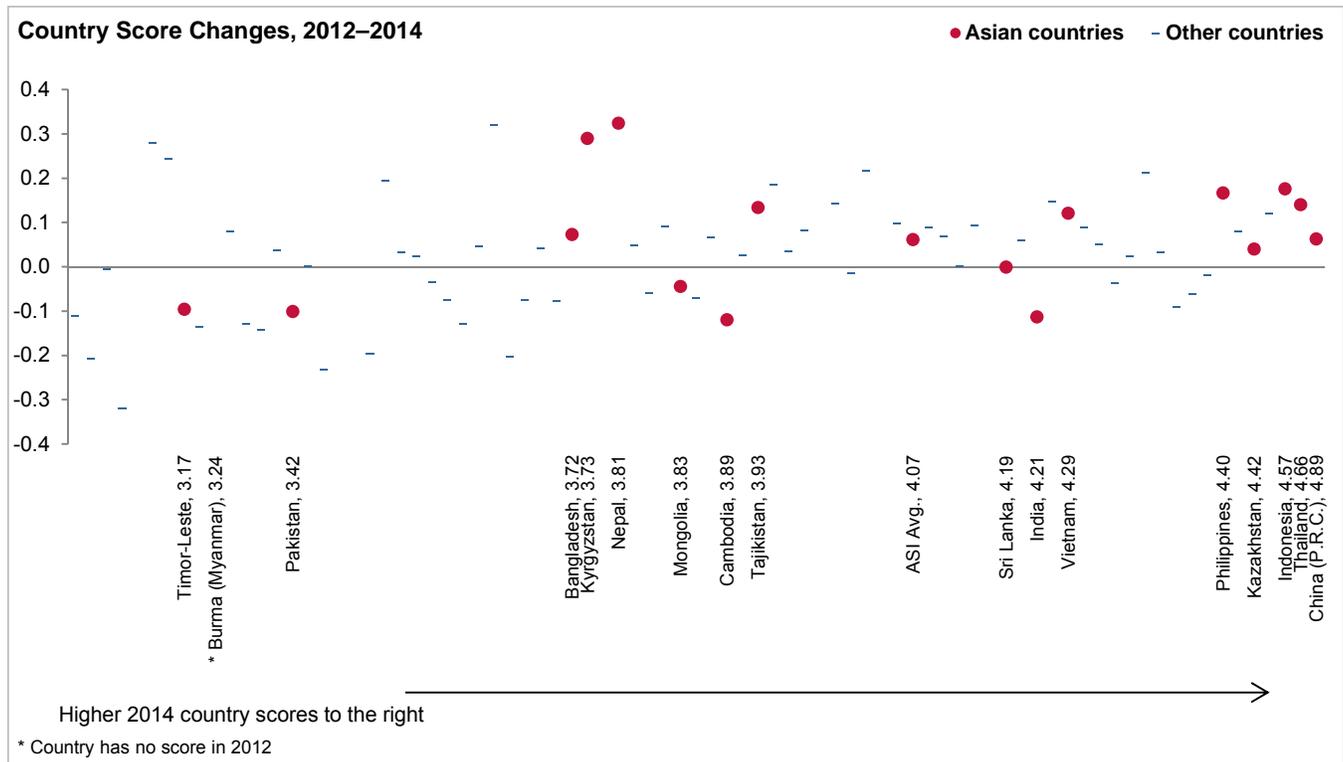
Average Regional Competitiveness Score, 2012–2014



Asia

Despite having 2014 GCI scores in the bottom five of the ASI region, Nepal (3.81) and Kyrgyzstan (3.73) had the two most impressive increases in GCI scores during the 2012-2014 period. The change experienced by these countries is easily noticeable through their ranking improvement of 23 and 19 places respectively.

Timor-Leste (3.17) and Pakistan (3.42) had the two lowest scores of all the Asian countries. Along with Cambodia (3.89) and India (4.21) they constitute Asia's five most severe decreases in GCI scores since 2012. Although its ranking has suffered fairly significantly, falling from 59th in 2012 to 71st in 2014, India continues to position itself as one of the world's increasingly leading economies. China, Thailand, and Indonesia, each with a GCI score greater than 4.5, lead the ASI region as well as all USAID-assisted countries.

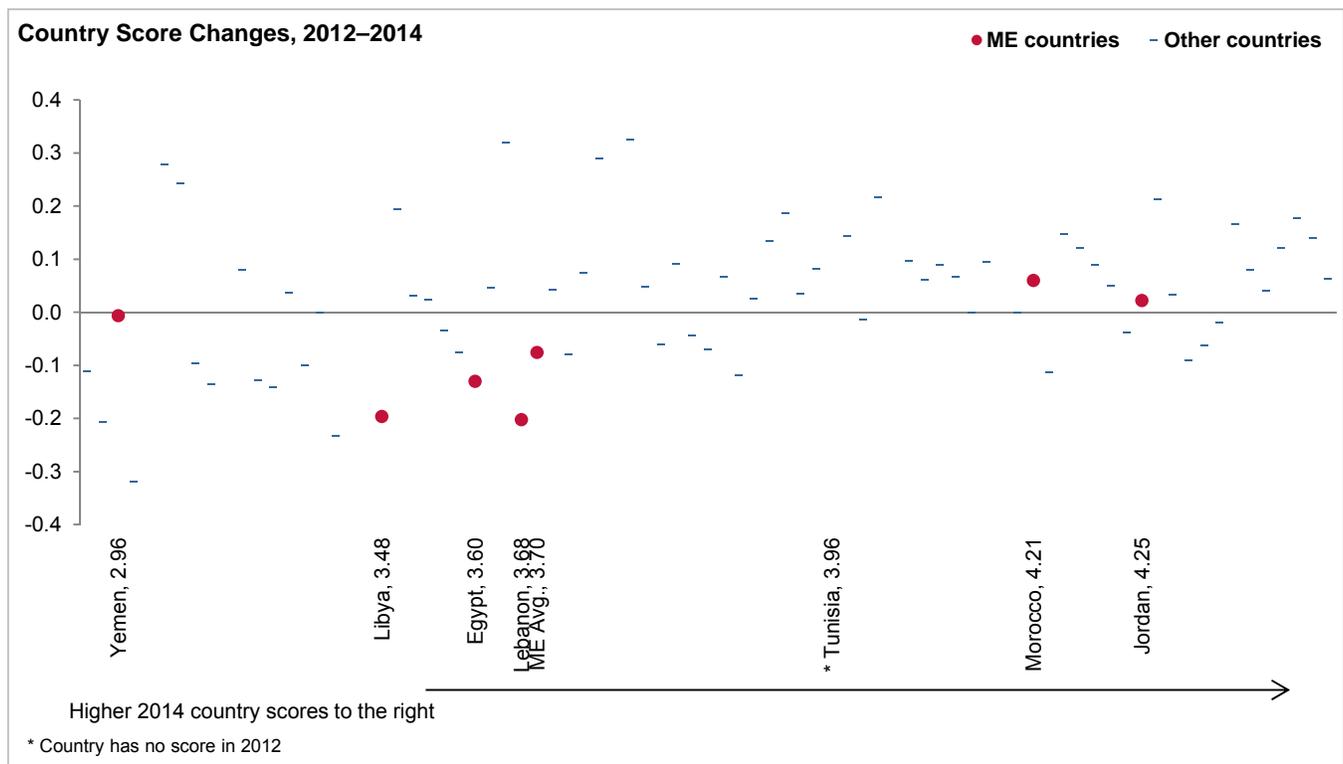


China only moved up a notch to 29th and Thailand went from 38th to 31st. Indonesia's ranking improved most impressively of the top three, moving up from 50th place in 2012 to 34th place this year. Here are some important factors to consider when analyzing Indonesia's performance:

- New leadership in 2004 ushered in a decade of remarkable growth; GDP grew by 5.8 per annum.
- Governing institutions, both private and public, continues to strengthen. The country made improvements in 18 of the 21 indicators constituting this pillar.
- Corruption remains prevalent, nonetheless, though it has declined over the years.
- Public health is still an important concern. The country has fairly high rates of communicable diseases as well as some of the highest levels of infant mortality in the world.

Middle East

Economic performance continues to suffer as a result of the ongoing tumultuous political situation in much of the ME. The region was the only one to record a negative change in average GCI scores between 2012 and 2014. Yemen (2.96) and Libya (3.48), the bottom two in the ME region, were also the least safe countries covered in the report. Libya, however, managed to rank higher than 18 countries in overall placement, though its ranking has dropped by thirteen spots. Yemen ranks in the bottom three in both overall ranking and among the list of \$2 million USAID-assisted countries. Jordan (4.25) and Morocco (4.21), the region's best performers, respectively ranked 64th and 72nd overall. Lebanon (3.68) suffered the most significant decline in ranking, 22 places, out of all USAID-assisted countries. None of the ME countries improved their rank between 2012 and 2014. In fact, all, with the exception of Jordan, saw their positions regress. Jordan's dynamic domestic markets, well educated population, and stable institutions account for its place as leader of the ME region.

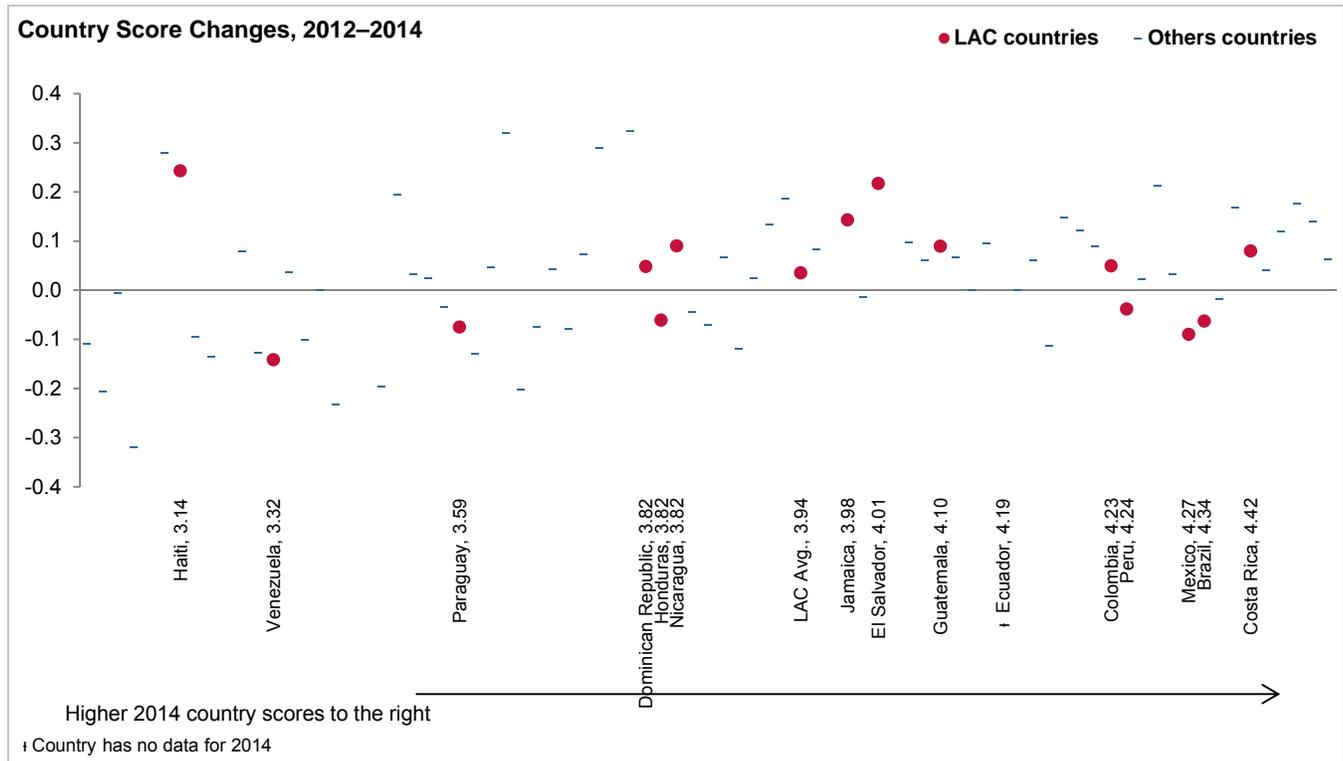


Egypt (3.60) recorded the region's third most pronounced fall in the ranking, dropping by 12 places. Nevertheless, Egypt has shown some promising signs of stabilization resulting from the recent elections. The report emphasizes the following three key areas which must be addressed in order for Egypt to improve its competitiveness over the medium to long-term:

- controlling macroeconomic factors such as inflation, an increasing fiscal deficit and mounting public debt;
- enacting policies to increase domestic competition which would make the economy more efficient and dynamic, hence creating more jobs at home while making the Egyptian businesses more competitive globally; and
- making labor markets more efficient as well as flexible to increase employment.

Latin America and the Caribbean

Costa Rica (4.42), Brazil (4.34), and Mexico (4.27) lead the LAC region in 2014. Of the top three, only Costa Rica improved in overall rankings as it moved up 6 places, to 51st, from 2012 to 2014. Mexico, Brazil, and Honduras (3.82) moved down 8, 9, and 10 places respectively. Haiti (3.14), Venezuela (3.32), and Paraguay (3.59), place at the bottom of the LAC region for 2014. Of these bottom three, Haiti alone, which has moved up 5 places since 2012, improved its GCI score. Its 0.24 point GCI score increase is the largest increase in the LAC region, both in percentage as well as absolute terms. The second and third most significant increases in GCI score in the region belong to El Salvador (4.01) and Jamaica (3.98). Additionally, El Salvador improved its overall rank by 17 places and Jamaica advanced by 11 places.



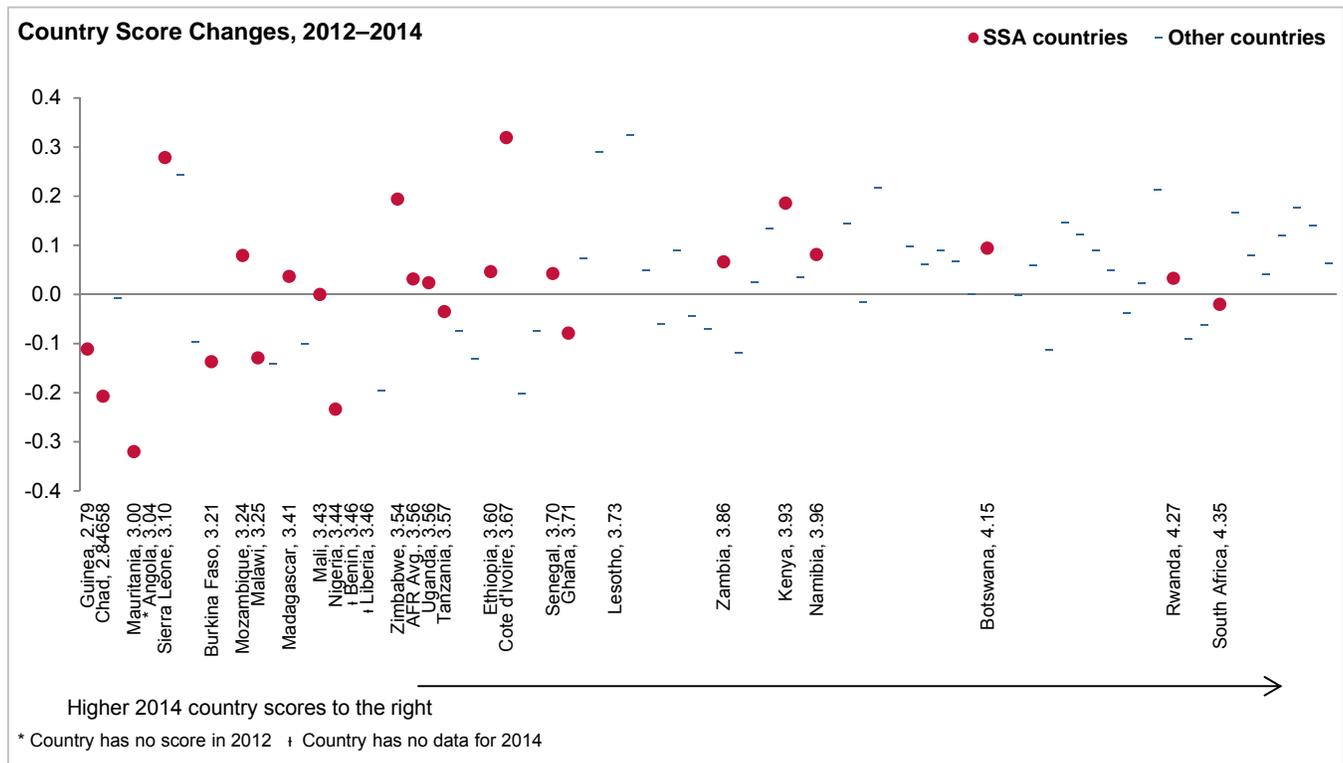
LAC has seen its economy slow since 2012 and, according to the report, this trend has yet to be reversed. The report underlines a concern for growth for the region as a whole as forecasts for 2014 project a 2.5 percent rate. The main reasons cited are: weak investments, a reduction in exports, and falling commodity prices. Moreover, increased difficulty in accessing financing, which, as the report point out, served as a catalyst for the growth experienced over the last decade, explains the somewhat pessimistic outlook.

There needs to be a stronger emphasis on proper investments in growth-enhancing areas, for instance infrastructure projects, skills development programs, and innovation. In addition, support must be directed toward efforts aimed at legislating reforms to clarify and, in some instances, clearly outline resource allocation, which in turn would increase efficiency in business practices. Improving efficiency would lead to increased competitiveness by enhancing local economies' capabilities in transitioning to more productive sectors.

Sub-Saharan Africa

As has been the case for a decade, SSA continues to record remarkable growth rates, “close to 5 percent in 2013—with rising projections for the next two years—below only emerging and developing Asia.” Despite such impressive growth, most of the bottom 20 economies in the GCI report are Sub-Saharan and the region’s 2014 GCI score, 3.53, is the lowest of all the regions. For competitiveness to improve substantially in the region, growth has to be sustainable and more inclusive.

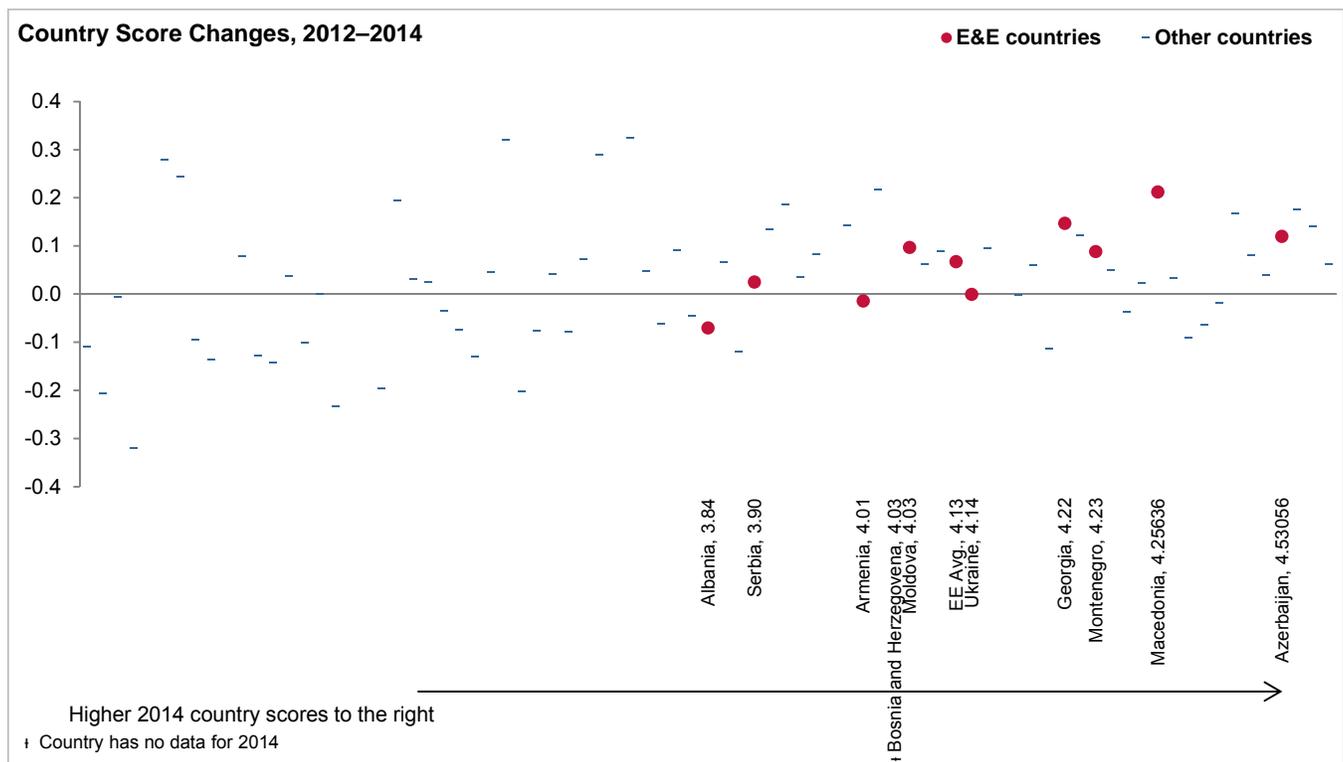
Guinea (2.79), Chad (2.84), and Mauritania (3.00) scored the lowest among countries of the region. South Africa (4.35), Rwanda (4.27), and Botswana (4.15) are the region’s three most competitive economies in 2014. The strongest improvement in GCI score was achieved by Lesotho (3.73), which moved up an incredible 30 places to rank 107th. Côte d’Ivoire (3.67) and Kenya (3.93) both moved up 16 positions. Mali (3.43) and Madagascar (3.41) regained their 2012 ranks after dropping slightly in 2013. Thirteen of the region’s economies experienced an increase in scores since 2012, improving individual country ranks by 1 to 30 positions.



West Africa, the fastest-growing sub-region in Sub-Saharan Africa, is in the midst of the worst Ebola outbreak in history. In 2014, Guinea (2.79) and Sierra Leone (3.10), two of the three main countries affected, ranked in the bottom four overall. Liberia, ranked 111th in 2012, is not included in the report because of data unavailability. The speed with which the current outbreak has overwhelmed health services highlights the urgent need for robust investments in systems that provide reliable healthcare, education, and nutrition not only in the West Africa sub-region but in the SSA region as a whole. Without these urgently needed investments, the region’s competitiveness will continue to suffer as its economies will carry on lacking the capacity to withstand significant shocks amounting to anything similar to the current health crisis.

Europe and Eurasia

E&E, with an average score of 4.13 in 2014, leads all regions in the 2012-2014 period. Azerbaijan (4.53) is the best performer, with an 8 position improvement in the rankings. Macedonia (4.26), the second best performer in E&E, increased its overall position by a remarkable 17 places. Montenegro (4.23) and Georgia (4.22), moved up by 5 and 8 places respectively. Serbia (3.90) and Albania (3.84), the only economies to score less than a 4 in the E&E region, are its two least competitive. Yet, they scored higher than both SSA and ME regional averages. Only Ukraine (4.14), Armenia (4.01), and Albania suffered declines in their GCI scores and hence in their overall rankings. Albania fell by 8 while Armenia moved down 3 places. E&E's impressive performance is explained in part by its relatively narrow range in scores, better illustrated by its top and bottom ranked countries: Azerbaijan at 38th and Albania at 97th.



Ukraine moved down 3 positions between 2012 and 2014. Due to the timing of its survey, the report does not adequately capture the impact of the conflict currently raging in the eastern part of the country. Still, it is clear that sweeping reforms will have to be implemented, once peace returns, to put the Ukrainian economy on the path to sustainable growth. These include:

- a structural overhaul of the country's institutions;
- instituting policies aimed at making local markets more competitive and hence more efficient by decreasing the dominance of large companies; and
- strengthening financial markets to help stabilize the economy as this would help Ukraine to more effectively leverage its numerous competitiveness strengths, such as its market size and its well- educated population.

Additional Information

For questions or more information, please contact the author, Francis Muya, at fmuya@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 <https://eads.usaid.gov/esdb/>. 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.