USAID FROM THE AMERICAN PEOPLE

EADS Snapshot on Global Competitiveness Index 2010–2011

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Introduction

The World Economic Forum Global Competitiveness Report 2010-2011 highlights the continued need for countries to balance the short-term requirements of addressing the global economic downturn with the long-term requirements of maintaining sustainable levels of debt and emphasizing pro-growth policies. 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 5 for a further explanation) and incorporate survey data from over 13,500 business leaders from 139 economies. The GCI scores range from 1-7.

The Global Competitiveness Rankings: Top and Bottom USAID Assisted Countries

Out of the 139 economies in the 2010-2011 Global Competitiveness Report, 69 countries that received funding from USAID in the 2008 fiscal year were represented. Of these countries, Israel and China were the highest ranked with Burundi and Chad at the bottom. New additions to the top 10 are Montenegro, Panama and Costa Rica; new to the bottom are Malawi, Cote d'Ivoire and Nigeria. Of the BRIC economies, only China is in the top 50, India at 51, Brazil at 58 and Russia at 63, with only Russia's rank falling significantly since the 2008 rankings.

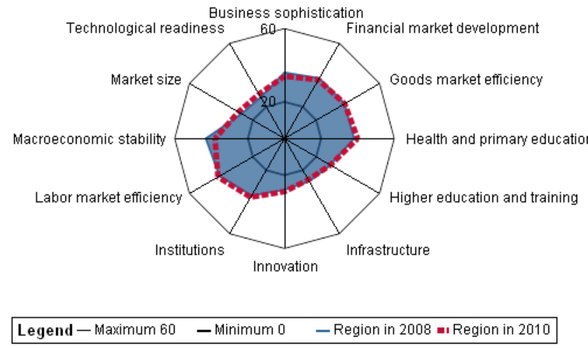
Country	GCI Rank	GCI Score	Country	GCI Rank	GCI Score
Israel	24	4.91	Malawi	125	3.45
China	27	4.84	Nigeria	127	3.38
Cyprus	40	4.50	Cote d'Ivoire	129	3.35
Indonesia	44	4.43	Nepal	130	3.34
Montenegro	49	4.36	Mozambique	131	3.32
India	51	4.33	Mali	132	3.28
Panama	53	4.33	Timor-Leste	133	3.23
South Africa	54	4.32	Zimbabwe	136	3.03
Costa Rica	56	4.31	Burundi	137	2.96
Azerbaijan	57	4.29	Chad	139	2.73

Most Improved: Comparing GCI Rankings from 2008-09 to 2010-11

While African nations have been making great strides improving their GCI scores in 2009-2010, the 2010-2011 report shows the greatest increases since the 2008-09 report have been made in Eastern Europe and Eurasia and Asia. Albania had the greatest improvement, jumping 20 places, followed by Montenegro and Sri Lanka with 16 and 15 place improvements, respectively. Uganda was the sole representative from Africa, moving from 128th place in 2008 to 118th in 2010. Indonesia, with the highest economy rank at 44, was also able to improve its macroeconomic environment indicator the by 18 places (from 2009). Azerbaijan and Uganda were the only countries to have dropped in rank from 2009, dropping six and 10 place respectively. The largest increases since 2009 were 17 places for Sri Lanka and 16 for Vietnam.

Country	GCI Rank 2008-09	GCI Rank 2010-11	Change
Albania	108	88	20
Montenegro	65	49	16
Sri Lanka	77	62	15
Azerbaijan	69	57	12
Indonesia	55	44	11
Vietnam	70	59	11
Macedonia	89	79	10
Bolivia	118	108	10
Peru	83	73	10
Uganda	128	118	10

Sub-Saharan Africa[1]

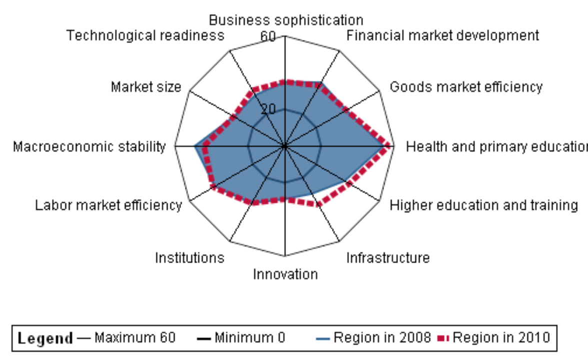


The GCI rankings for sub-Saharan African countries range from 54 to 139. Sub-Saharan Africa remained isolated from the worst of the continued economic downturn; however, there is a noticeable lag between most sub-Saharan African economies and other regions in the world, questioning the sustainability of continued improvements in competitiveness.

The two highest ranking countries in the region continue to be South Africa (54) and Mauritius (55). South Africa dropped in ranking, but not due to decline in its competitiveness score. South Africa does well in most sub-indices, but lags in the Basic Requirements sub-index. South Africa has a large economy, quality institutions and well-developed financial markets, but needs to improve university enrollment and address the business security situation.

While many African countries' ranks fell, Namibia's (74) and Ghana's (114) did not. Namibia was buoyed by a strong intuitional environment and good macroeconomic management. Ghana benefitted from efficient government institutions and relatively good infrastructure. However, both suffered for not making effective use of available technologies, especially information communication technologies. Of the bottom 10 ranked economies, eight are in sub-Saharan Africa. Zimbabwe, Burundi, Angola and Chad rank at or near the bottom for the overall GCI score and each sub-index in this year and in past years.

Europe and Eurasia

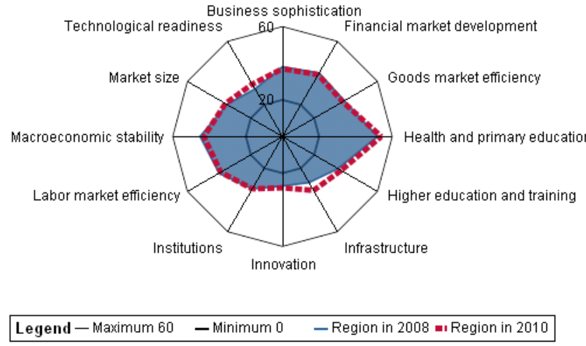


Generally, Europe and Eurasia is a competitive region, including three of the top 10 USAID assisted economies. Macedonia, Montenegro and Albania made improvements on their previous rankings. Albania was again the most improved country, moving up eight ranks from 2009 and 20 since 2008. Albania improved all of it sub-index scores, with the greatest improvements in the institution and goods market efficiency indicator scores, both up 24 places since 2009.

Russia was the only BRIC country not to change rank, remaining in 63rd place. Improvements were seen in infrastructure, health and technological readiness. Russia still faces weak institutions, deterioration in macroeconomic stability and declining goods market efficiency. This report marked the second year in a row that Russia was cited for weak institutions and difficulties protecting property rights.

[1] The graphs include "Financial Market Development," which was created for the 2010 report and may not be directly comparable to the 2008 report's "Financial Market Sophistication" and applies to all graphs in this snapshot

Latin America and the Caribbean

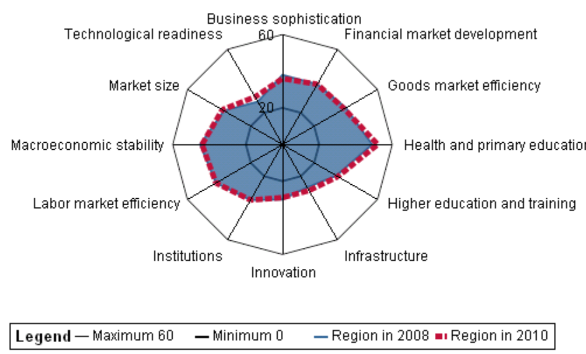


The GCI rankings for Latin America and the Caribbean continue to illustrate the region's resistance to the economic downturn. Even during tough times, Bolivia, Panama and Paraguay made improvements and Brazil, Chile, Costa Rica and Uruguay remained relatively constant. These results highlight the region's gains over the past decades, especially in market efficiency, fiscal management and export diversification. Chile is still the top economy in the region at 30th, but Panama, Costa Rica and Brazil are close behind.

Brazil fell two places to 58th in this report, but its decline was due to improvements in other countries (Brazil's GCI score actually improved from the 2009-10 report). Brazil continues to get strong marks for its market size, business sophistication and higher education system. However, its poor overall education system, high public debt and low savings rate contributed to a reduction in its ranking.

Mexico dropped six places from last year to 66th place. While the 2009-10 report remarked on how well Mexico was handling the crisis despite proximity to the United States, the crisis has caught up with Mexico. Mexico's sound fiscal policies, large local market and innovative private sector aid in its competitiveness. Major impediments are its burdensome labor market, poor reliability of institutions and poorly rated higher education.

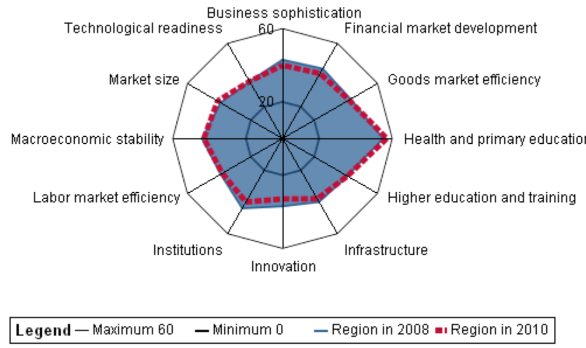
Asia



Asian countries generally saw a stable or slight increase in their rankings compared to the 2009-10 report. China was the only BRIC country to improve its ranking, India was ranked 51st, Indonesia gained 10 places and Vietnam jumped 16 places compared to 2009.

China moved up two positions to 27th and secured itself a place in the top 30 competitive economies. China's growing market size, financial market and macroeconomic stability contributed to its gain. Areas for improvement in China include improving technological readiness and the quality of higher education.

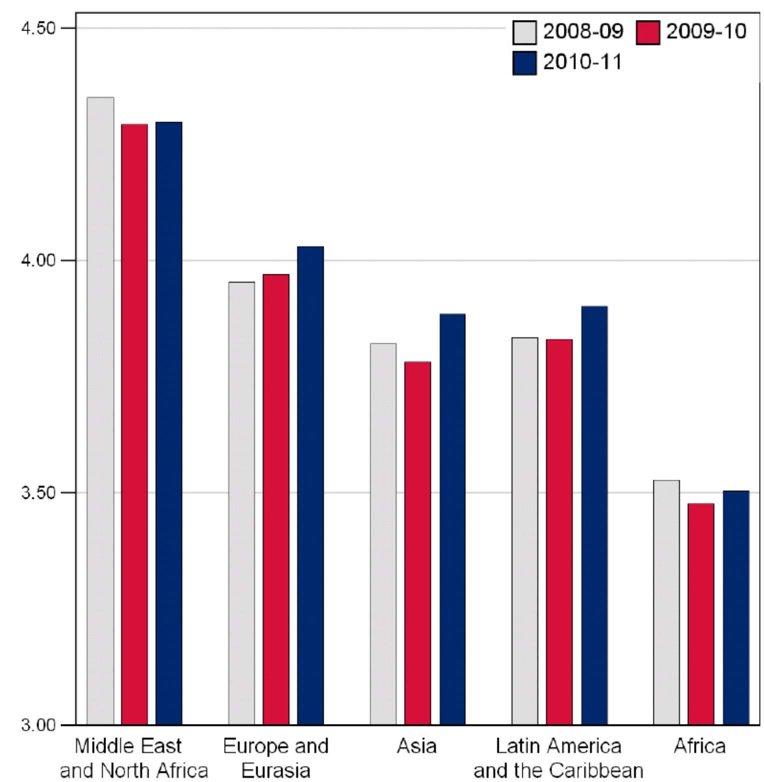
Vietnam made the greatest improvement going from 75th place in 2009-10 to 59th in 2010. Vietnam's efficient labor market, large export market and its innovation potential contributed to the rise in ranking. However, Vietnam still faces problems stemming from a large budget deficit, insufficient infrastructure and institutions. Additional areas of improvement for Vietnam are its pervasive corruption and weak investor protection.



Middle East and North Africa

The Middle East and North Africa region did experience a downturn due to the global financial crisis, but it was lessened due to the region's relatively weak links with global markets. The crisis highlighted vulnerabilities and the growing gap between the Gulf economies and the rest of the region. For the second year in a row, Israel was the highest ranking economy receiving USAID assistance. Israel increased three places to 24th and was praised for its high innovation capacity. However, the continuing security situation in Israel imposes a high business cost. Egypt dropped to 81st place this year, down from 70th last year and effectively the same as its place in 2008. While Egypt has a large market and well developed public institutions, its labor market remains overregulated and Egypt continues to struggle with macroeconomic stability. Egypt and Israel were the only USAID economies represented in this region.

Average Regional GCI Scores in USAID Assisted Countries



GCI scores range from 1 to 7 and the regional averages show the changes scores over the course of three previous reports. The 2008-09 report occurred before the global financial crisis affected scores. The clear drop in the 2009-10 report (except for Europe and Eurasia) has been followed by an uptick in average scores for the 2010-11 report. Most regions' scores have recovered from the global financial crisis, but Africa and the Middle East and North Africa remain below their pre-crisis average. Africa's average is most likely marred by the decrease in rankings seen in many countries and continued trend of the least competitive economies being located in sub-Saharan Africa. Europe and Eurasia's higher average is due in part to the improvements seen in countries such as Albania, Montenegro and Macedonia. The greatest increases can be seen in Asia and Latin America and the Caribbean. Asia's average is bolstered by high-performing and competitive economies in China, Indonesia and Vietnam. Latin America and the Caribbean's average improved due to its economies posting large improvements (such as Bolivia), improved slightly (Colombia) or remaining relatively stable (Brazil).

Structure of the Global Competitiveness Index 2010-11

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, 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 the replacement of the Financial Market Sophistication pillar with Financial Market Development.

3 Subindexes	12 Pillars	Indicators
Basic Requirements	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
Efficiency Enhancers	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, Restriction on capital flows, 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
Innovation & sophistication factors	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

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

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://esdb.eads.usaidallnet.gov/. The ESDB website also offers related datasets, country profiles, and specialized charts and graphs, such as the Financial Sector Analysis Tool (Go to the ESDB's Analytic Tools at http://esdb.eads.usaidallnet.gov/analysis/).