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## World Economic Forum: Global Competitiveness Index

<http://www.gcr.weforum.org/>

**Purpose:** The WEF defines competitiveness as “the set of institutions, policies, and factors that determine the level of productivity of a country.” The Global Competitiveness Index uses this definition to establish a quantitative tool to help policymakers benchmark and measure the competitiveness of a given country.

**Methodology:** The GCI is based on 12 pillars of competitiveness that are divided into 3 *pillar groups*: **Basic Requirements** (Institutions, Infrastructure, Macroeconomic stability, Health and primary education), **Efficiency Enhancers** (Higher education and training, Goods market efficiency, Labor market efficiency, Financial market sophistication, Technological readiness, Market size), and **Innovation and Sophistication Factors** (Business sophistication, Innovation).

Each pillar is made up of indicators that come from either ‘hard data,’ from major international sources, or ‘soft data,’ from the WEF conducted Executive Opinion Survey. These raw data indicators for a given country are scored on a scale of 1 to 7, where 7 is the best score. The pillars are then given a score by averaging the indicator scores under that pillar. Similarly, the scores of the pillar groups are derived by averaging the scores of the pillars within that group.

When creating the overall score for each country, weighting schemes are applied, based on GDP per capita. Countries are grouped into three *Stages of Development* based on their GDP per capita. Least developed countries are thought to be **factor driven**, middle income countries are **efficiency driven** and developed countries are deemed **innovation driven**. As a country develops, less weight is put on the Basic

Requirements and more is placed on Efficiency Enhancers and Innovation and Sophistication. To ensure that the changing weights do not cause jumps in the GCI scores over time, there are transition GDP per capita ranges. These ranges apply a linear method to the transition stages that allow score changes to be smooth as countries enter different stages of development.

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

Pillar Group	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

**Issues:** In 2007-2008, the WEF changed their methodology in both the structure and weighting of the model. Therefore, when comparing the GCI over time, the transition between the 2006-2007 and the 2007-2008 data should be used carefully. Most country scores jumped between those years as a result of the changed methodology rather than an actual improvement or deterioration of competitiveness.

**Country Coverage:** In the 2007-2008 report, 131 countries were scored and ranked.

**Access:** Full reports back to 2004 are available in paper copy in the USAID Knowledge Services Center. Overall country ranks and scores are available electronically starting in 2004 on the EADS website: <http://km.usaid.gov/esds/>. The full current year report and the executive summaries dating back to 2001 are available on the WEF website. <http://www.gcr.weforum.org/>

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Basic Requirements	Efficiency Enhancers	Innovation and Sophistication Factors
<p><b>1. Institutions</b></p> <ul style="list-style-type: none"> <li>01 Property rights</li> <li>02 Intellectual property protection</li> <li>03 Diversion of public funds</li> <li>04 Public trust of politicians</li> <li>05 Judicial independence</li> <li>06 Favoritism in decisions of government officials</li> <li>07 Wastefulness of government spending</li> <li>08 Burden of government regulation</li> <li>09 Efficiency of legal framework</li> <li>10 Transparency of government policymaking</li> <li>11 Business costs of terrorism</li> <li>12 Business costs of crime and violence</li> <li>13 Organized crime</li> <li>14 Reliability of police services</li> <li>15 Ethical behavior of firms</li> <li>16 Strength of auditing and reporting standards</li> <li>17 Efficacy of corporate boards</li> <li>18 Protection of minority shareholders' interests</li> </ul> <p><b>2. Infrastructure</b></p> <ul style="list-style-type: none"> <li>01 Quality of overall infrastructure</li> <li>02 Quality of roads</li> <li>03 Quality of railroad infrastructure</li> <li>04 Quality of port infrastructure</li> <li>05 Quality of air transport infrastructure</li> <li>06 Available seat kilometers (hard data)</li> <li>07 Quality of electricity supply</li> <li>08 Telephone lines (hard data)</li> </ul> <p><b>3. Macroeconomic Stability</b></p> <ul style="list-style-type: none"> <li>01 Government surplus/deficit (hard data)</li> <li>02 National savings rate (hard data)</li> <li>03 Inflation (hard data)</li> <li>04 Interest rate spread (hard data)</li> <li>05 Government debt (hard data)</li> </ul> <p><b>4. Health and Primary Education</b></p> <ul style="list-style-type: none"> <li>01 Business impact of malaria</li> <li>02 Malaria incidence (hard data)</li> <li>03 Business impact of tuberculosis</li> <li>04 Tuberculosis incidence (hard data)</li> <li>05 Business impact of HIV/AIDS</li> <li>06 HIV prevalence (hard data)</li> <li>07 Infant mortality (hard data)</li> <li>08 Life expectancy (hard data)</li> <li>09 Quality of primary education</li> <li>10 Primary enrollment (hard data)</li> <li>11 Education expenditure (hard data)</li> </ul>	<p><b>5. Higher Education and Training</b></p> <ul style="list-style-type: none"> <li>01 Secondary enrollment (hard data)</li> <li>02 Tertiary enrollment (hard data)</li> <li>03 Quality of the educational system</li> <li>04 Quality of math and science education</li> <li>05 Quality of management schools</li> <li>06 Internet access in schools</li> <li>07 Local availability of specialized research and training services</li> <li>08 Extent of staff training</li> </ul> <p><b>6. Goods Market Efficiency</b></p> <ul style="list-style-type: none"> <li>01 Intensity of local competition</li> <li>02 Extent of market dominance</li> <li>03 Effectiveness of anti-monopoly policy</li> <li>04 Extent and effect of taxation</li> <li>05 Total tax rate (hard data)</li> <li>06 Number of procedures required to start a business (hard data)</li> <li>07 Time required to start a business (hard data)</li> <li>08 Agricultural policy costs</li> <li>09 Prevalence of trade barriers</li> <li>10 Trade-weighted tariff rate (hard data)</li> <li>11 Prevalence of foreign ownership</li> <li>12 Business impact of rules on FDI</li> <li>13 Burden of customs procedures</li> <li>14 Degree of customer orientation</li> <li>15 Buyer sophistication</li> </ul> <p><b>7. Labor Market Efficiency</b></p> <ul style="list-style-type: none"> <li>01 Cooperation in labor-employer relations</li> <li>02 Flexibility of wage determination</li> <li>03 Non-wage labor costs (hard data)</li> <li>04 Rigidity of employment (hard data)</li> <li>05 Hiring and firing practices</li> <li>06 Firing costs (hard data)</li> <li>07 Pay and productivity</li> <li>08 Reliance on professional management</li> <li>09 Brain drain</li> <li>10 Female participation in labor force (hard data)</li> </ul> <p><b>8. Financial Market Efficiency</b></p> <ul style="list-style-type: none"> <li>01 Financial market sophistication</li> <li>02 Financing through local equity market</li> <li>03 Ease of access to loans</li> <li>04 Venture capital availability</li> <li>05 Restriction on capital flows</li> <li>06 Strength of investor protection (hard data)</li> <li>07 Soundness of banks</li> <li>08 Regulation of securities exchanges</li> <li>09 Legal rights index (hard data)</li> </ul> <p><b>9. Technological Readiness</b></p> <ul style="list-style-type: none"> <li>01 Availability of latest technologies</li> <li>02 Firm-level technology absorption</li> <li>03 Laws relating to ICT</li> <li>04 FDI and technology transfer</li> <li>05 Mobile telephone subscribers (hard data)</li> <li>06 Internet users (hard data)</li> <li>07 Personal computers (hard data)</li> <li>08 Broadband Internet subscribers (hard data)</li> </ul> <p><b>10. Market Size</b></p> <ul style="list-style-type: none"> <li>01 Domestic market size index (hard data)</li> <li>02 Foreign market size index (hard data)</li> </ul>	<p><b>11. Business Sophistication</b></p> <ul style="list-style-type: none"> <li>01 Local supplier quantity</li> <li>02 Local supplier quality</li> <li>03 State of cluster development</li> <li>04 Nature of competitive advantage</li> <li>05 Value chain breadth</li> <li>06 Control of international distribution</li> <li>07 Production process sophistication</li> <li>08 Extent of marketing</li> <li>09 Willingness to delegate authority</li> </ul> <p><b>12. Innovation</b></p> <ul style="list-style-type: none"> <li>01 Capacity for innovation</li> <li>02 Quality of scientific research institutions</li> <li>03 Company spending on R&amp;D</li> <li>04 University-industry research collaboration</li> <li>05 Government procurement of advanced technology products</li> <li>06 Availability of scientists and engineers</li> <li>07 Utility patents (hard data)</li> </ul>