The Global Competitiveness Index – What is Measured

What is Global Competitiveness Index (GCI)

- GCI is defined by the World Economic Forum. It is a set of institutions, policies, and factors that determine the level of productivity of a country, conditions of public institutions and technical conditions.

Data used in GCI

- Rating uses public accessible (statistic) datas (WB, IMF, etc.) and results of findings made by World Economic Forum. These findings are made annually with the support of partner institutions (research institutions and business centers).

What GCI Report contains

- GCI analysis the factors that play significant role in creating favorable business-climate environment in the country and are important for competitiveness and manufacture point of view.
- It considers strength and weaknesses of a country, identifies priorities for the facilitation of political reforms implementation.

How many countries GCI Report encompass

- The report 2012-2013 encompasses 144 countries.
In 2012-2013, Georgia takes 77th position, its ranking score amounts to 4.07 (middle indicator)
What does factor group contain

- GCI contains three stages of country development:
  - Factor-driven stage
  - Efficiency-driven stage
  - Innovation-driven stage

In the Global Competitiveness Report 2012/2013 Georgia fell in the classification of *Transition from Stage 2 to Stage* 3 instead of *Transition from Stage 1 to Stage 2* in 2011/2012

<table>
<thead>
<tr>
<th>Stages of Development</th>
<th>GDP per capita (US$)</th>
<th>Number of Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Stage-Factor-driven</strong></td>
<td>Less than 2000</td>
<td>38 economies (including Moldova)</td>
</tr>
<tr>
<td><em>Transition from Stage 1 to Stage 2</em></td>
<td>2,000-2,999</td>
<td>17 economies (including Azerbaijan)</td>
</tr>
<tr>
<td><strong>II. Stage-Efficiency-driven</strong></td>
<td>3,000-8,999</td>
<td>33 economies (including Georgia, Armenia, Ukraine)</td>
</tr>
<tr>
<td><em>Transition from Stage 2 to Stage 3</em></td>
<td>9,000-17,000</td>
<td>21 economies (including Russia, Turkey, Latvia, Lithuania, Estonia)</td>
</tr>
<tr>
<td><strong>III. Stage-Innovation-driven</strong></td>
<td>More than 17,000 US</td>
<td>35 economies</td>
</tr>
</tbody>
</table>
Three main stages of country development contain 3 sub-indexes, that are grouped into 12 pillars of competitiveness.

- **Basic requirements**
  1. Institutions
  2. Infrastructure
  3. Macroeconomic environment
  4. Health and primary education

- **Efficiency enhancers**
  1. Higher education and training
  2. Goods market efficiency
  3. Labor market efficiency
  4. Financial market development
  5. Technological readiness
  6. Market size

- **Innovation and sophistication factors**
  1. Business sophistication
  2. R&D Innovation

Key for **Factor-Driven** economies

Key for **Efficiency-Driven** economies

Key for **Innovation-Driven** economies
In 2012-2013 Georgia’s position compared to 2011-12:

- Basic requirements – 64th position with the score of 4.63 (improved by 22 steps)
- Efficiency enhancers – 87th position with the score of 3.84 (improved by 2 steps)
- Innovation and sophistication factors – 120th position with the score of 3.00 (worsened by 3 steps)
**GCI – Indicators and Scores**

12 pillars of competitiveness are grouped into 3 factor groups, which encompass 111 components. Pillars are measured by the scores from 0 to 7, components - by the scores from 0 to 100.

- from 5.45 to 7 score - very high indicator
- from 4.51 to 5.44 score - high indicator
- from 3.51 to 4.50 score - middle indicator
- from 3.01 to 3.50 score - law indicator
- from 0 to 3 score - very law indicator

These components are divided into 2 directions:

- competitive advantage
- competitive disadvantage

In 2012/2013 Out of 111 components, Georgia has

- competitive advantage - in 25 components (23 components in 2011/2012)
- competitive disadvantage - in 86 components (88 components in 2011/2012)
Factor Driven – Basic Requirements

Pillar I. Institutions (overall score - 4.00)

This Pillar is measured by 22 components:

- **Competitive advantage** - in 6 components:
  - Diversion of public funds - 30th place (4.7 score)
  - Burden of government regulation - 9th place (4.6 score)
  - Transparency of government policymaking - 36th place (4.8 score)
  - Strength of auditing and reporting standards - 94th place (4.3 score)
  - Strength of investor protection - 17th place (7.0 score)
  - Irregular payments and bribes - 26th place (5.6 score)

- **Competitive disadvantage** - in 16 components:
  - Property rights - 131st place (3.1 score)
  - Intellectual property protection - 126th place (2.6 score)
  - Public trust in politicians - 63rd place (3.0 score)
  - Judicial independence - 95th place (3.2)
  - Favoritism in decisions of government officials - 51st place (3.4 score)
  - Efficiency of legal framework in settling disputes - 89th place (3.4 score)
  - Efficiency of legal framework in challenging regulations - 106th place (3.1 score)
  - Wastefulness of government spending - 52nd place (3.5 score)
  - Provision of gov’s services for improved business performance - N/A
  - Business costs of crime and violence - 56th place (5.1 score)
  - Organized crime - 75th place (5.2 score)
  - Reliability of police services - 37th place (5.1 score)
  - Ethical behavior of firms - 55th place (4.1 score)
  - Efficacy of corporate boards - 100th place (4.2 score)
  - Protection of minority shareholders’ interests - 114th place (3.6 score)
  - Business costs of terrorism - 81st place (5.5 score)

Pillar II. Infrastructure (overall score - 4.35)

This indicator is measured by 9 components:

- **Competitive advantage** - in 3 components:
  - Quality of railroad infrastructure - 34th place (4.0 score)
  - Quality of electricity supply - 46th place (5.5 score)
  - Fixed telephone lines - 40th place (102.3 score)

- **Competitive disadvantage** - in 6 components:
  - Quality of overall infrastructure - 55th place (4.6 score)
  - Quality of roads - 54th place (4.4 score)
  - Quality of port infrastructure - 65th place (4.3 score)
  - Quality of air transport infrastructure - 82nd place (4.3 score)
  - Available airline seat kilometers - 110th place (29.4 score)
  - Mobile telephone subscriptions - 83rd place (31.0 score)
Pillar III. Macroeconomic Environment  
(overall score - 4.40)

This pillar is measured by 5 components:

- Competitive advantage - in 1 component:
  - Government budget balance, % of GDP - 37th place (-0.9 score)

- Competitive disadvantage - in 4 components:
  - Gross national savings, % of GDP - 122nd place (10.9 score)
  - Inflation, annual % change - 125th place (8.5 score)
  - Government debt, % of GDP - 53rd place (33.9 score)
  - Country credit rating - 91st place (35.7 score)

Pillar IV. Health and Primary Education  
(overall score - 5.79)

This pillar is measured by 10 components:

- Competitive advantage - in 2 component:
  - HIV prevalence - 12th place (0.1 score)
  - Primary education enrollment - 7th place (99.6 score)

- Competitive disadvantage - in 8 components:
  - Business impact of malaria - 86th place (5.7 score)
  - Malaria incidence - 75th place (0.2 score)
  - Business impact of tuberculosis - 91st place (4.9 score)
  - Tuberculosis incidence - 96th place (107 score)
  - Business impact of HIV/AIDS - 76th place (5.2 score)
  - Infant mortality - 84th place (20 score)
  - Life expectancy - 73rd place (73.3 score)
  - Quality of primary education - 91st place (3.4 score)
Pillar V. Higher Education and Training  
(overall score - 3.82)

This pillar is measured by 8 components:

- **Competitive disadvantage - in 5 components:**
  - Secondary education enrollment - 80th place (86.2 score)
  - Tertiary education enrollment - 77th place (28.2 score)
  - Quality of math and science education - 101st place (3.5 score)
  - Internet access in schools - 65th place (4.3 score)
  - Availability of research and training services - 119th place (3.3 score)
  - Quality of the educational system - 114th place (3 score)
  - Quality of management schools - 110th place (3.6 score)
  - Extent of staff training - 101st place (3.6 score)

Pillar VI. Goods Market Efficiency  
(overall score - 4.18)

This pillar is measured by 16 components:

- **Competitive advantage - in 8 components:**
  - Extent and effect of taxation - 38th place (3.9 score)
  - Total tax rate, % profit - 11th place (16.5 score)
  - Number of procedures to start a business - 3rd place (2 score)
  - Number of days to start a business - 2nd place (2 score)
  - Prevalence of trade barriers - 21st place (5 score)
  - Trade tariffs, % duty - 33rd place (1 score)
  - Burden of customs procedures - 13rd place (5.2 score)
  - Imports as a percentage of GDP – 45th place (57.6 score)

- **Competitive disadvantage - in 8 components:**
  - Extent of market dominance - 121st place (3.2 score)
  - Intensity of local competition - 127th place (3.9 score)
  - Effectiveness of anti-monopoly policy - 141st place (2.9 score)
  - Agricultural policy costs - 128th place (3.1 score)
  - Degree of customer orientation - 120th place (3.9 score)
  - Prevalence of foreign ownership - 121st place (3.9 score)
  - Business impact of rules on FDI - 51st place (4.8 score)
  - Buyer sophistication - 106th place (3 score)
Pillar VII. Labor Market Efficiency
(overall score - 4.67)

This pillar is measured by 8 components:

- **Competitive advantage** - in 3 components:
  - Flexibility of wage determination - 42nd place (5.4 score)
  - Hiring and firing practices - 9th place (5 score)
  - Redundancy costs, weeks of salary - 13th place (4 score)

- **Competitive disadvantage** - in 5 components:
  - Cooperation in labor-employer relations - 63rd place (4.3 score)
  - Pay and productivity - 55th place (4.1 score)
  - Reliance on professional management - 92nd place (3.9 score)
  - Brain drain - 104th place (3 score)
  - Women in labor force, ratio to men - 79th place (0.77 score)

Pillar VIII. Financial Market Development
(overall score - 3.79)

This pillar is measured by 8 components:

- **Competitive advantage** - in 1 component:
  - Legal rights index - 24th place (8 score)

- **Competitive disadvantage** - in 7 components:
  - Availability of financial service - 100th place (3.9 score)
  - Financing through local equity market - 126th place (2.4 score)
  - Ease of access to loans - 93rd place (2.5 score)
  - Venture capital availability - 104th place (2.2 score)
  - Soundness of banks - 92nd place (4.7 score)
  - Regulation of securities exchanges - 119th place (3.3 score)
  - Affordability of financial services - 85th place (3.9 score)
Pillar IX. Technological Readiness
(overall score – 3.71)

This pillar is measured by 7 components:

- **Competitive advantage - in 1 component:**
  - Mobile broadband subscriptions - 48th place (20.5 score)

- **Competitive disadvantage - in 6 components:**
  - Availability of latest technologies - 94th place (4.6 score)
  - Firm-level technology absorption - 123rd place (4 score)
  - FDI and technology transfer - 101st place (4.2 score)
  - Individuals using internet - 75th place (36.6 score)
  - Broadband internet subscriptions - 66th place (7.6 score)
  - Internet bandwidth - 70th place (15.8 score)

Pillar X. Market Size (overall score - 2.87)

This pillar is measured by 2 components:

- **Competitive disadvantage - in 2 components:**
  - Domestic market size index - 96th place (2.7 score)
  - Foreign market size index - 114th place (3.2 score)
This pillar is measured by 9 components:

- **Competitive disadvantage** - in 9 components:
  - State of cluster development - 116th place (3 score)
  - Local supplier quality - 131st place (3.6 score)
  - Local supplier quantity - 137th place (3.7 score)
  - Nature of competitive advantage - 81st place (3.3 score)
  - Value chain breadth - 84th place (3.4 score)
  - Control on international distribution - 105th place (3.6 score)
  - Production process sophistication - 112th place (3.1 score)
  - Extent of marketing - 104th place (3.6 score)
  - Willingness to delegate authority - 127th place (3 score)

Pillar XI. Business Sophistication
(overall score - 3.40)

Pillar XII. R&D Innovation
(overall score - 2.60)

This pillar is measured by 7 components:

- **Competitive disadvantage** - in 7 components:
  - Capacity for innovation - 142nd place (1.9 score)
  - Quality of scientific research institutions - 143rd place (1.9 score)
  - Company spending on R&D - 144th place (1.7 score)
  - University-industry collaboration in R&D - 143rd place (1.9 score)
  - Availability of scientists and engineers - 140th place (2.7 score)
  - PCT patent applications - 106th place (0 score)
  - Government procurement of advanced technology products - 143rd place (2.1 score)
The Most Problematic Factors for Doing Business

- Access to financing: 15.4
- Inadequately educated workforce: 13.4
- Inflation: 11.1
- Poor work ethic in national labor force: 10.2
- Tax regulations: 9.6
- Policy instability: 9.5
- Inadequate supply of infrastructure: 7.8
- Tax rates: 6.0
- Government instability/coups: 4.1
- Inefficient government bureaucracy: 3.8
- Poor public health: 3.3
- Corruption: 2.2
- Restrictive labor regulations: 2.1
- Foreign currency regulations: 1.3
- Crime and theft: 0.1
Business Initiative for Reforms in Georgia (BIRG)

BIRG - Nongovernmental, non-profit “Think Tank”, aiming at organizing public debates with the aim to promote political reforms in the country. BIRG mainly focuses on macroeconomic basis and other concrete directions which are inevitable preconditions for competitiveness and sustainable economic development.

BIRG actively cooperates with the World Economic Forum which has covered Georgia in its Global Competitiveness report.

BIRG was an initiator of involving Georgia in the report of GCI. For achieving above-mentioned goal, BIRG became a partner institution of World Economic Forum. BIRG is responsible for carrying out the Executive Opinion Survey of leading companies in Georgia.

Financial assistance

- Eurasia Foundation
- American – Georgian Business association
- Program of the EU “Business Advisory Service”
- TBC Bank
- Company of mineral waters of Georgia
- GMT group
- Agritechnics
- The Fund of Municipal Development of Georgia

BIRG: Founding members

Tamara Janashia - Executive Director
Giga Makharadze - Founding Member of the Board Directors
Mamuka Tsereteli - Founding Member of the Board Directors