

## Appendix B: Composition of the Global Competitiveness Index

This appendix provides details on how the Global Competitiveness Index is constructed. All of the Survey and hard data variables used in this index can be found in the data tables section of this *Report* with more detailed descriptions.

### 1st Pillar: Institutions

#### A. Public institutions

1. **Property rights**
  - 6.03 Property rights
2. **Ethics and corruption**
  - 6.24 Diversion of public funds
  - 6.26 Public trust of politicians
3. **Undue influence**
  - 6.01 Judicial independence
  - 6.08 Favoritism in decisions of government officials
4. **Government inefficiency (red tape, bureaucracy and waste)**
  - 6.06 Wastefulness of government spending
  - 6.07 Burden of government regulation
5. **Security**
  - 2.02 Business costs of terrorism
  - 6.14 Reliability of police services
  - 6.15 Business costs of crime and violence
  - 6.16 Organized crime

#### B. Private institutions

1. **Corporate ethics**
  - 8.04 Ethical behavior of firms
2. **Corporate accountability**
  - 8.16 Efficacy of corporate boards
  - 8.21 Protection of minority shareholders' interests
  - 8.23 Strength of auditing and reporting standards

### 2nd Pillar: Infrastructure

- 5.01 Overall infrastructure quality
- 5.02 Railroad infrastructure development
- 5.03 Port infrastructure quality
- 5.04 Air transport infrastructure quality
- 5.05 Quality of electricity supply
- 5.08 Telephone lines (hard data)

### 3rd Pillar: Macroeconomy

- 2.13 Government surplus/deficit (hard data)
- 2.14 National savings rate (hard data)
- 2.16 Inflation (hard data)
- 2.17 Interest rate spread (hard data)
- 2.20 Government debt/GDP ratio (hard data)
- 2.15 Real effective exchange rate (hard data)

### 4th Pillar: Health and primary education

#### A. Health

- 4.04 Medium-term business impact of malaria
- 4.05 Medium-term business impact of tuberculosis
- 4.06 Medium-term business impact of HIV/AIDS
- 4.10 Infant mortality (hard data)
- 4.11 Life expectancy at birth (hard data)
- 4.12 Tuberculosis prevalence (hard data)
- 4.13 Malaria prevalence (hard data)
- 4.14 HIV/AIDS prevalence (hard data)

#### B. Primary education

- 4.15 Gross primary enrollment (hard data)

### 5th Pillar: Higher education and training

#### A. Quantity of education

- 4.16 Gross secondary enrollment (hard data)
- 4.17 Gross tertiary enrollment (hard data)

#### B. Quality of education system

- 4.01 Quality of the educational system
- 4.03 Quality of math and science education
- 8.15 Quality of management schools

#### C. On-the-job training

- 7.09 Local availability of specialized research and training services
- 8.11 Extent of staff training

### 6th Pillar: Market efficiency

#### A. Goods markets: distortions, competition and size

##### 1. Distortions

- 2.12 Agricultural policy costs
- 6.02 Efficiency of legal framework
- 6.11 Extent and effect of taxation
- 7.10 Number of procedures to start business (hard data)
- 7.11 Time required to start a business (hard data)

##### 2. Competition

###### Domestic competition

- 7.01 Intensity of local competition
- 7.02 Effectiveness of anti-trust policy

###### Foreign competition

- 2.19 Imports (hard data)
- 2.09 Prevalence of trade barriers
- 8.22 Foreign ownership restrictions

##### 3. Size

###### Local markets

GDP – exports + imports (hard data)

###### Foreign markets (exports)

- 2.18 Exports (hard data)

(cont'd.)

## Appendix B: Composition of the Global Competitiveness Index (cont'd.)

### B. Labor markets: flexibility and efficiency

#### 1. Flexibility

- 8.17 Hiring and firing practices
- 8.18 Flexibility of wage determination
- 8.19 Cooperation in labor/employer relations

#### 2. Efficiency

- 8.14 Reliance on professional management
- 8.20 Pay and productivity
- 4.08 Brain drain
- 4.09 Private sector employment of women

### C. Financial markets: sophistication and openness

- 2.03 Financial market sophistication
- 2.05 Ease of access to loans
- 2.06 Venture capital availability
- 2.04 Soundness of banks
- 2.08 Local equity market access

### 7th Pillar: Technological readiness

- 3.01 Technological readiness
- 3.02 Firm-level technology absorption
- 3.15 Laws relating to ICT
- 3.04 FDI and technology transfer
- 3.18 Cellular telephones (hard data)
- 3.19 Internet users (hard data)
- 3.21 Personal computers (hard data)

### 8th Pillar: Business sophistication

#### A. Networks and supporting industries

- 7.05 Local supplier quantity
- 7.06 Local supplier quality

#### B. Sophistication of firms operations and strategy

- 8.05 Production process sophistication
- 8.06 Extent of marketing
- 8.08 Control of international distribution
- 8.12 Willingness to delegate authority
- 8.01 Nature of competitive advantage
- 8.02 Value chain presence

### 9th Pillar: Innovation

- 3.05 Quality of scientific research institutions
- 3.06 Company spending on research and development
- 3.07 University/industry research collaboration
- 3.08 Government procurement of advanced technology products
- 3.09 Availability of scientists and engineers
- 3.17 Utility patents (hard data)
- 6.04 Intellectual property protection
- 8.03 Capacity for innovation