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Global Competitiveness Report 2018

Assessing National Competitiveness

17 October 2018

Amir Jahangir

Chief Executive Officer

Mishal Pakistan

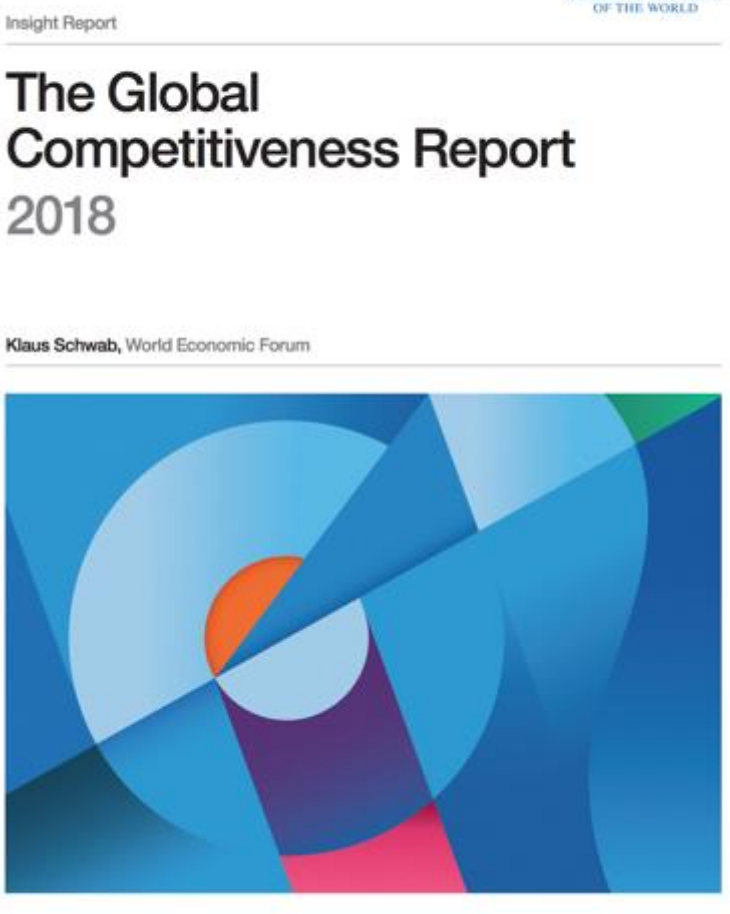
A Country Partner Institute of the

Future of Economic Progress System Initiative,

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aj@mishal.com.pk

www.mishal.com.pk



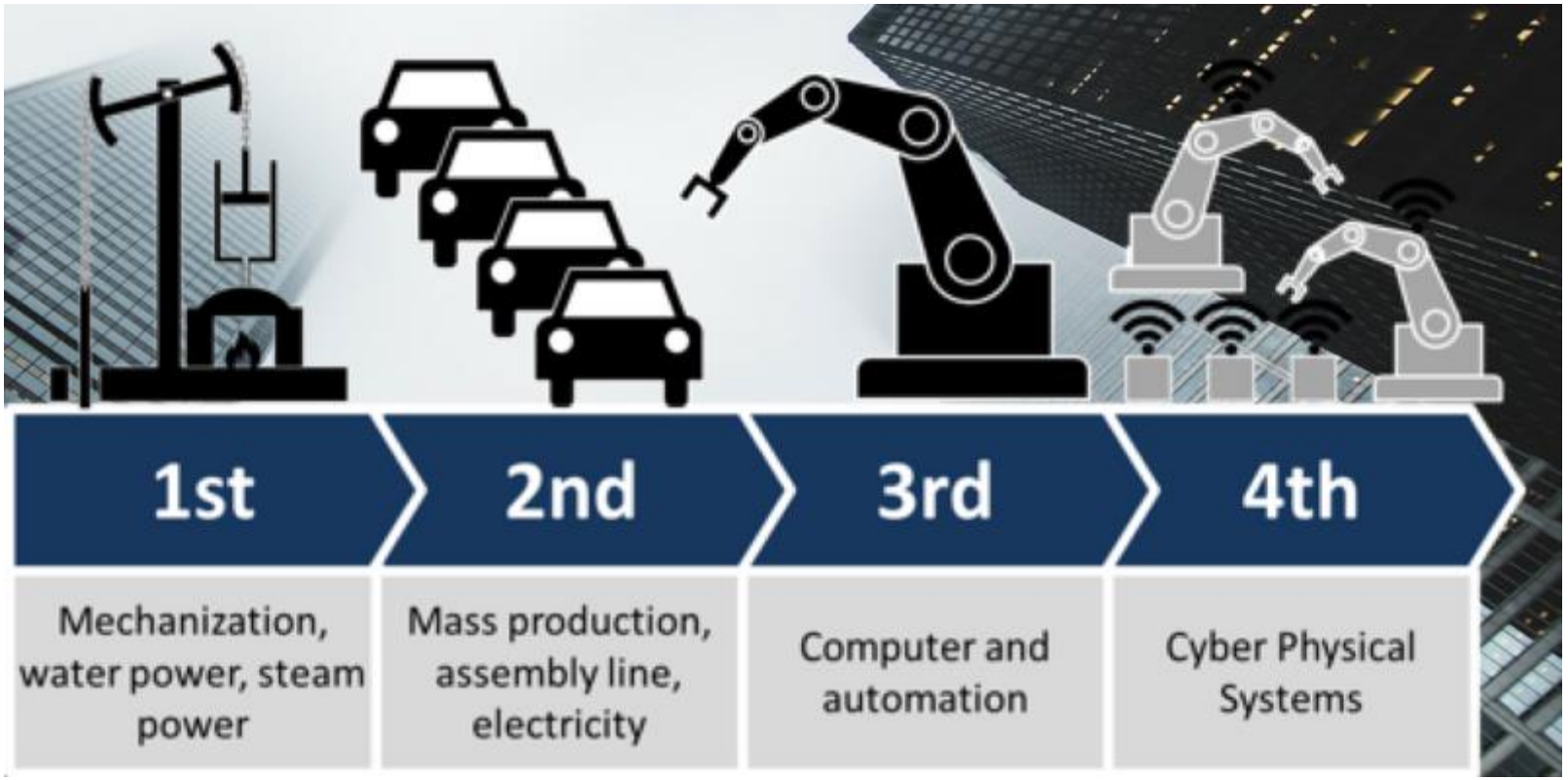
Credibility Lab @ Mishal:

- Mishal is the Country Partner Institute of the Future of Economic Progress System Initiative, World Economic Forum
- Mishal Pakistan through its Credibility Lab's initiative is working with policy makers, researchers, academia media and industry professionals on creating new industry benchmarks.
- The Credibility Lab undertakes the following initiatives in Pakistan:
  - As a Country Partner Institute of the World Eco
  - The Global Competitiveness Report
  - The Travel & Tourism Competitiveness Report
  - The Global Enabling Trade Report
  - The Global Gender Gap Report
  - The Human Capital Report
  - The Financial Development Index Report
  - The Global Information Technology Report
  - The Global Risks Reports

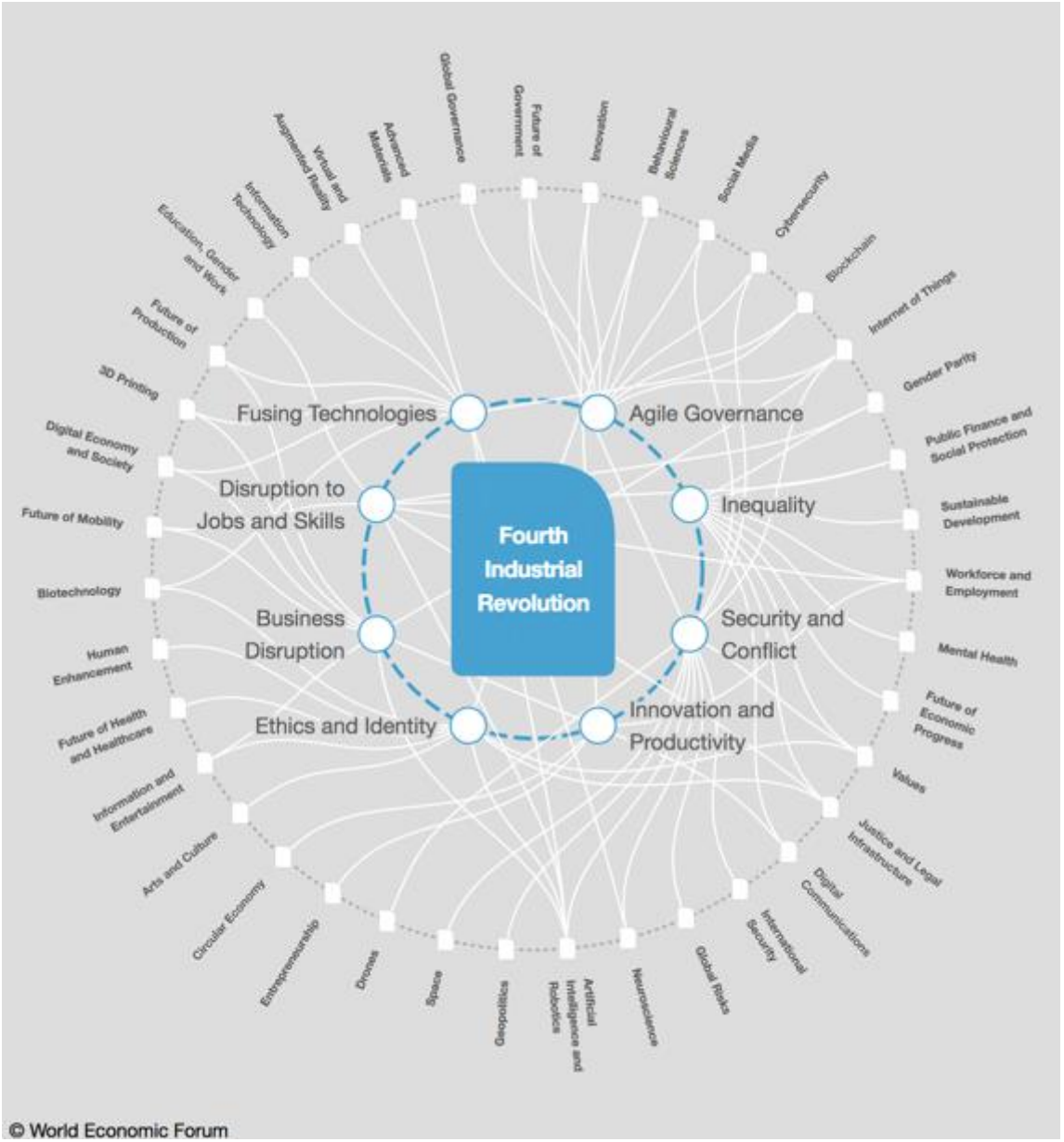


  - EOS serves as the basis for Corruption Perception Index by TI
  - The AGAHI Awards – First Journalism Awards in Pakistan –
  - Framework for Ethical Journalism
  - Media Development Trust
  - Trust Gold Medal Recognition for Public Interest Communication
  - Ethical Audit of News Media (Framework)
  - Media Credibility Index

The Age of Fourth of Industrial Revolution(4IR) Demands Upgradation to Competitiveness 4.0

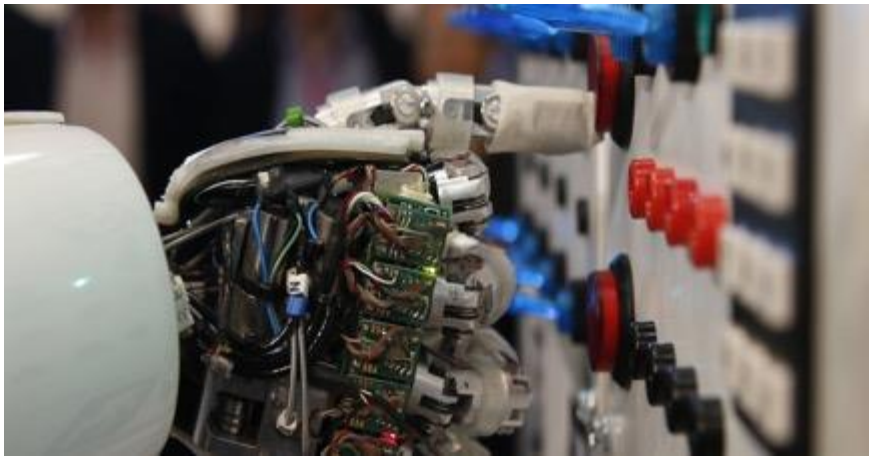


The Global Competitiveness Report 2018



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As globalization has led to unprecedented gains for many from the movement of goods, services, people and ideas, there are those who have lost out - economically, politically or culturally.



This has in part contributed to the rise of polarized political debate and populist, nationalist and, at times, extremist agendas, both in the West and in emerging markets. Against this context of citizens' concerns about jobs, inequality and globalization, policymakers are looking for new pathways to prosperity.

The World Economic Forum has introduced the new Global Competitiveness Index 4.0 as a much-needed economic compass, building on forty years of experience of benchmarking the drivers of long-term competitiveness and integrating the latest learnings about the factors of future productivity.

The Global Competitiveness Report 2018

Competitiveness is defined as……

The set of institutions, policies, and factors that determine the level of productivity of a country.

The level of productivity, in turn, sets the level of prosperity that can be achieved by an economy.



The Global Competitiveness Report 2018

Benchmarking Competitiveness in the Fourth Industrial Revolution: Introducing the Global Competitiveness Index 4.0

Figure 1: The Global Competitiveness Index 4.0 2018

Enabling Environment

- **Pillar 1** Institutions
- **Pillar 2** Infrastructure
- **Pillar 3** ICT adoption
- **Pillar 4** Macroeconomic stability

Markets

- **Pillar 7** Product market
- **Pillar 8** Labour market
- **Pillar 9** Financial system
- **Pillar 10** Market size

Human Capital

- **Pillar 5** Health
- **Pillar 6** Skills

Innovation Ecosystem

- **Pillar 11** Business dynamism
- **Pillar 12** Innovation capability

Computation of Global Competitiveness Index 4.0

The GCI 4.0 is based on 12 Pillars of Competitiveness having 98 indicators

Of the 98 indicators composing the GCI 4.0 methodology,

- 44 are sourced from the Forum's Executive Opinion Survey
- 54 are based on statistics provided by reliable external sources suppliers.
- The indicators were selected based on four principles:

  I. They need to adequately capture the concept identified by the review.

  II. External statistics have to come from trusted organizations that collect data according to high-quality standards.

  III. It must be expected that the data will be updated periodically in the future.

  IV. Data must have extensive geographical coverage and be available for at least 75% of the economies covered by the GCI.

The Global Competitiveness Index 4.0 2018:

Data sources

WORLD ECONOMIC FORUM

160+
Partner Institutes

Survey 12,274
Business Executives

Combined with 5,600+
International organizations' data points

Produce 98
Indicators

Distributed in 12
Pillars

Used to rank 140

Representing 98%
of World GDP

Since 1979

Quantitative data sourced from international organizations.

International Trade Centre

Qualitative data sourced from the annual Executive Opinion Survey carried out by the network of the World Economic Forum's Partner Institutes.

The Global Competitiveness Report 2018

Top 20

Rank	Economy	Score[1]	Diff. from 2017[2] Rank	Diff. from 2017[2] Score
1	United States	85.6	—	+0.8
2	Singapore	83.5	—	+0.5
3	Germany	82.8	—	+0.2
4	Switzerland	82.6	—	+0.2
5	Japan	82.5	+3	+0.9
6	Netherlands	82.4	–1	+0.2
7	Hong Kong SAR	82.3	—	+0.3
8	United Kingdom	82.0	–2	–0.1
9	Sweden	81.7	—	+0.1
10	Denmark	80.6	+1	+0.7
11	Finland	80.3	+1	+0.5
12	Canada	79.9	–2	–0.1
13	Taiwan, China	79.3	—	+0.1
14	Australia	78.9	+1	+0.7
15	Korea, Rep.	78.8	+2	+0.8
16	Norway	78.2	–2	–0.8
17	France	78.0	+1	+0.6
18	New Zealand	77.5	–2	–0.6
19	Luxembourg	76.6	+3	+0.6
20	Israel	76.6	—	+0.4

Bottom 20

Rank	Economy	Score[1]	Diff. from 2017[2] Rank	Diff. from 2017[2] Score
121	Cameroon	45.1	–3	+0.2
122	Ethiopia	44.5	–2	+0.6
123	Benin	44.4	–1	+0.8
124	Burkina Faso	43.9	n/a	n/a
125	Mali	43.6	–4	–0.1
126	Guinea	43.2	–3	+0.3
127	Venezuela	43.2	–10	–1.9
128	Zimbabwe	42.6	–4	+0.6
129	Malawi	42.4	—	+1.8
130	Lesotho	42.3	–4	+0.9
131	Mauritania	40.8	–3	+0.1
132	Liberia	40.5	–2	+0.6
133	Mozambique	39.8	–8	–2.1
134	Sierra Leone	38.8	–3	+0.1
135	Congo, Democratic Rep.	38.2	–8	–2.6
136	Burundi	37.5	–4	–1.0
137	Angola	37.1	n/a	n/a
138	Haiti	36.5	–5	+0.7
139	Yemen	36.4	–4	+0.9
140	Chad	35.5	–6	—

The Global Competitiveness Report 2019



2018 Global Competitiveness Index 4.0

Economies Closest to the Competitiveness Frontier in South Asia

*Global Rank	Score (0-100)	Global Average	Distance to Frontier
58. India	62.0		38.0
85. Sri Lanka	56.0		44.0
103. Bangladesh	52.1		47.9
107. Pakistan	51.1		48.9
109. Nepal	50.8		49.2

Source: World Economic Forum, *The Global Competitiveness Report 2018*
*Ranking out of 140 Economies

South Asia

South Asia continues to show strong economic growth and an improved macroeconomic outlook on the back of reforms in some of the world's largest countries. GDP growth is expected to pick up in 2018, reaching an average of 7.1%, confirming the region as one of the world's fastest-growing.

India remains the region's main driving force, but the acceleration is widespread and encompasses all the countries in the region. In spite of growing international flows, South Asia remains the region with the lowest trade penetration in the world.

Pakistan and India demonstrate the region's lowest levels of technological readiness, confirming the challenge for large emerging economies to fully integrate their entire population— especially those living in the most remote areas—into modernization processes

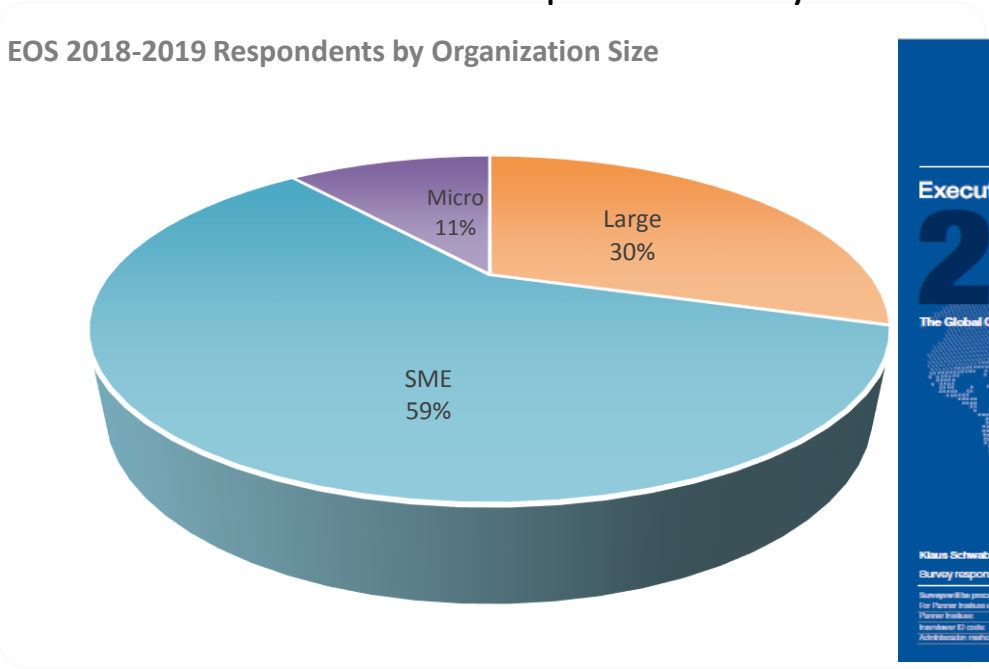
The Global Competitiveness Report 2018

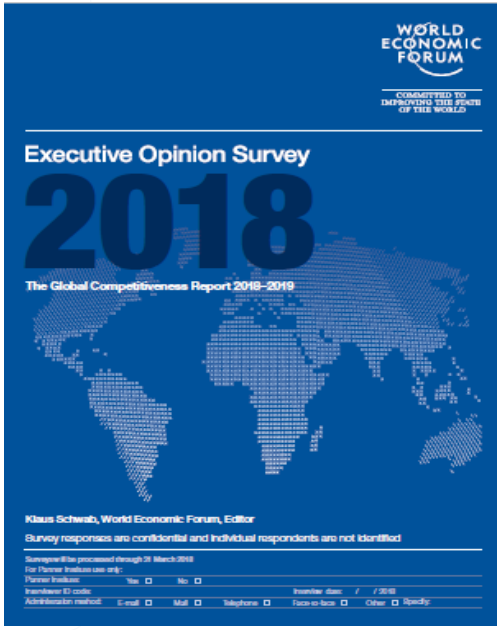
Executive Opinion Survey for 2018 = Total Sample Size - Global: 12,774 Pakistan: 629

Pakistan had the 2nd largest sample size in the world after India
EOS was made available in English and Urdu

Period 1			Period 2		
Survey edition	No. of respondents	Weight (%)*	Survey edition	No. of respondents	Weight (%)
2017	290	43.1	2018	339	56.9

Detail of WEF's Executive Opinion Survey for the Year 2018-2019







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TOTAL COUNTRIES: 140

	Pakistan	Sri Lanka	India	Bangladesh
Global Competitiveness Index (GCI)	**107**	**85**	**58**	**103**
1. Institutions	109	78	47	108
2. Infrastructure	93	65	63	109
3. ICT Adoption	127	109	117	102
4. Macroeconomic Stability	103	112	49	88
5. Health	109	46	108	96
6. Skills	125	70	96	116
7. Product Market	122	129	110	123
8. Labor Market	121	117	75	115
9. Financial System	89	77	35	103
10. Market Size	31	59	3	36
11. Business Dynamism	67	70	58	120
12. Innovation Capability	75	80	31	102

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Pakistan

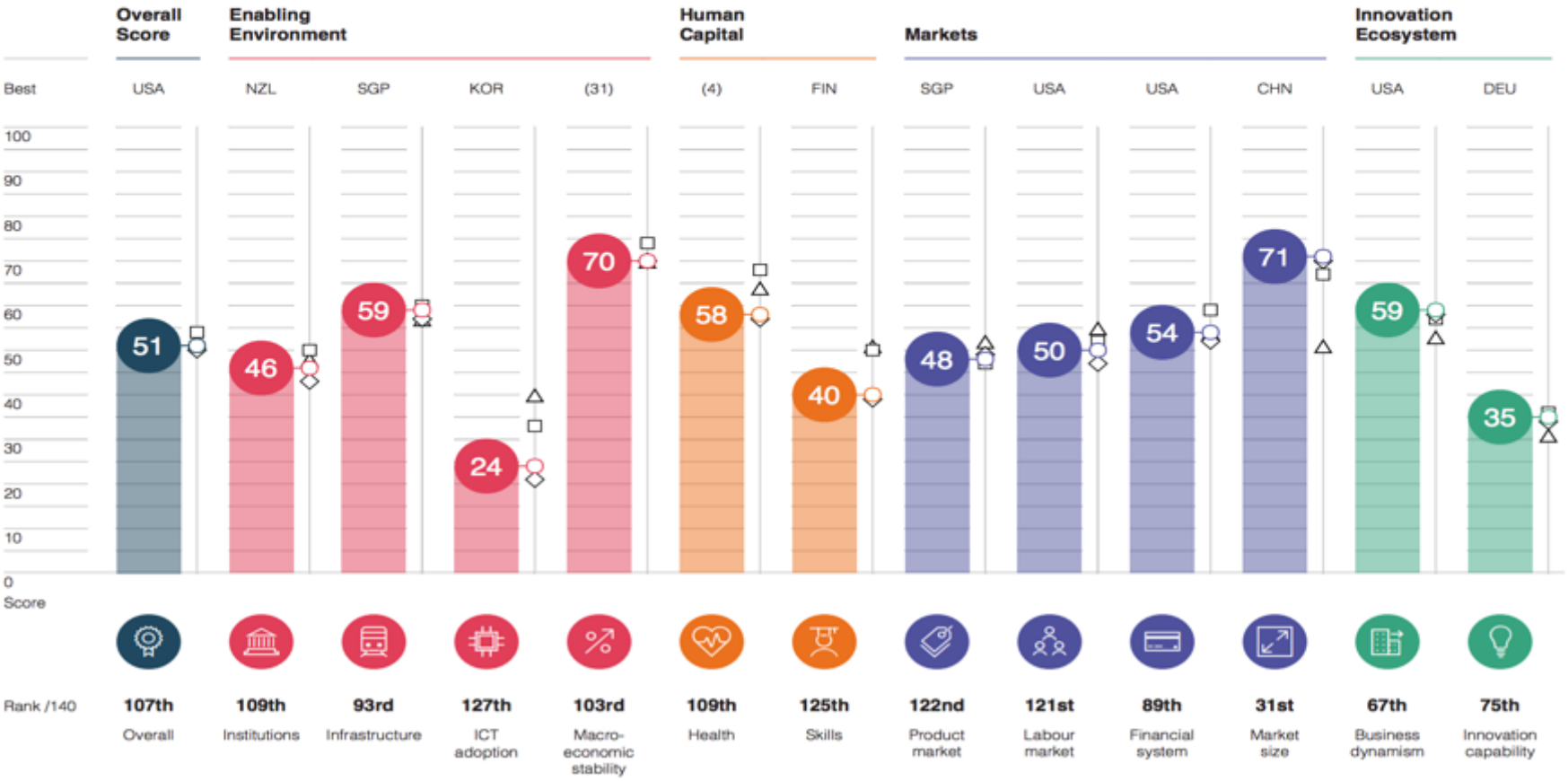
107th /140

Global Competitiveness Index 4.0 2018 edition

Rank in 2017 edition: 106th/135

Performance Overview 2018

Key ◇ Previous edition △ Lower middle income group average □ South Asia average



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Pakistan's Competitiveness Scores. 107/140

		2014/15	2015/16	2016/17	2017/18	**2018/19**
	ENABLING ENVIRONMENT					
1.	Institutions	123	119	111	90	**109**
2.	Infrastructure	119	117	116	110	**93**
2.	ICT Adoption					**127**
3.	Macroeconomic Stability	137	128	116	106	**103**
	HUMAN CAPITAL					
5.	Health	129	127	128	129	**109**
6.	Skills	127	124	123	120	**125**
	MARKETS					
7.	Product Market	100	116	117	107	**122**
8.	Labor Market Efficiency	132	132	129	128	**121**
9.	Financial Systems	72	99	107	96	**89**
10.	Market Size	30	28	29	28	**31**
	INNOVATION ECOSYSTEM					
11.	Business Dynamism	81	86	95	81	**67**
12.	Innovation Capability	88	89	75	60	**75**

The Global Competitiveness Report 2018-2019

Global Rankings of National Institutions on Improving Competitiveness

Institutions	2012-13	2014-15	2015-16	2016-17	2017-18	2018-2019
Intellectual Property Organization	106	117	112	109	**97**	**83**
Judicial Independence	57	67	82	88	**80**	**70**
Police Services	127	127	128	118	**116**	**100**
AGPR	86	90	117	121	**110**	**113**
NHA	73	75	77	77	**76**	**69**
Railways	66	72	60	53	**52**	**52**
CAA	78	92	79	91	**91**	**41**
NEPRA	126	133	129	121	**115**	**105**
NAVTEC	102	101	94	97	**99**	**90**
CCP	71	85	106	96	**70**	**128**
Customs	93	87	111	113	**93**	**127**
SBP	85	71	99	101	**89**	**94**
SECP	55	51	93	106	**91**	**5**
NAB	139	126	117	116	**117**	**Not announced yet**

The Way Forward – Steps to be Taken to Improve Competitiveness

- **National Competitiveness Council**
  - The Annual State of Competitiveness Report
  - Institutional Effort to Update the Data
- **Regional Competitiveness Councils**
  - Provincial Competitiveness Reports
- **Industry Academia Linkages**
- **Get Out of "The Narrative Trap"**
  - Narrative Building Strategy
    - Inward Looking
    - Outward Looking
- **Digital Policy and Integration**
- **Data-Bank**
- **Future Orientation**
  - Governments in particular, "future orientation" entails aspects such as adapting legal frameworks to digital business models, providing a stable environment for doing business, responding effectively to change and having a long-term vision.

Key Messages

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Key messages

- The World Economic Forum's annual study on the global economy finds a competitiveness landscape radically altered by the impact of the Fourth Industrial Revolution

- Under the new framework for competitiveness, the U.S. economy is the closest to the "competitiveness frontier", followed by Singapore, Germany, Switzerland and Japan

- The Global Competitiveness Report's new methodology also offers insights into economies' readiness for the future, social capital, endowment of disruptive businesses and debt concerns, among other indicators

As countries reset their path to competitiveness 4.0, there are ten key takeaways for all economies:

1. Competitiveness is not a luxury good.
2. Investing in people is good for social *and* economic outcomes.
3. Embracing globalization in the 4IR goes beyond free trade.
4. But open economies must also embrace social protection.
5. Creating an innovation ecosystem goes well beyond research and development.
6. Technology offers a path to economic leapfrogging but only in combination with other factors.
7. Institutions still matter.
8. As do infrastructure and the financial system.
9. In a time of constant change, there is a need for constant agility.
10. Achieving equality, sustainability and growth together is possible – but needs proactive, far-sighted leadership.

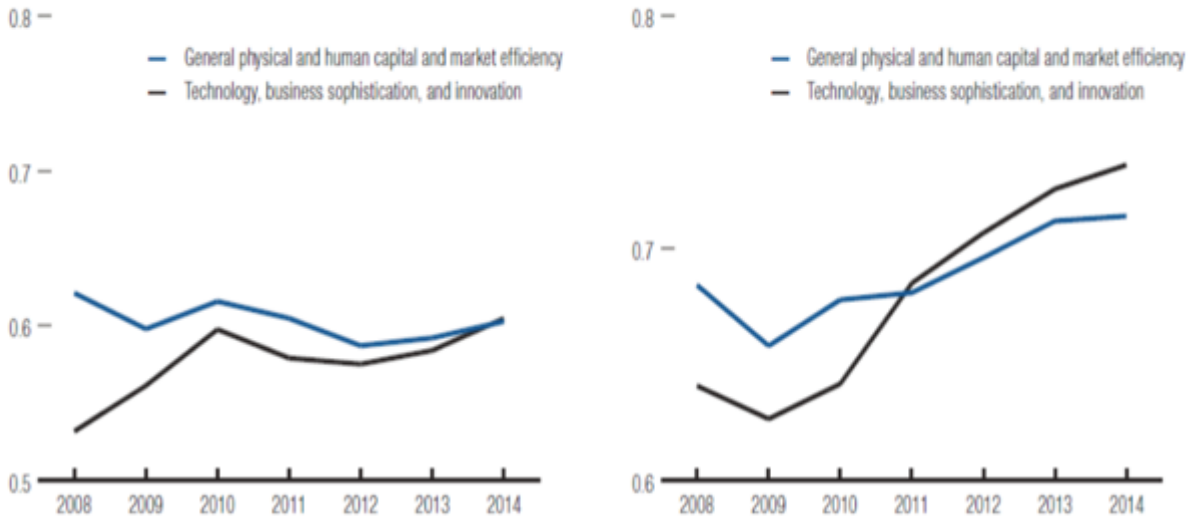
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At the dawn of the Fourth Industrial Revolution era, technology and innovation are increasingly driving development

- The relationship between technology, business sophistication and innovation and income levels has become stronger, specially since 2011 and for emerging economies and net commodity exporters.

Figure 3: Correlation between GDP per capita and lagged GCI pillars over time



Backup Slides

Pillar 1: Institutions

What does it capture?

Security, property rights, social capital, checks and balances, transparency and ethics, public-sector performance and corporate governance.

Why does it matter?

By establishing constraints, both legal (laws and enforcement mechanisms) and informal (norms of behaviors), institutions determine the context in which individuals organize themselves and their economic activity. Institutions impact productivity, mainly through providing incentives and reducing uncertainties.

Pillar 2: Infrastructure

What does it capture?

The quality and extension of transport infrastructure (road, rail, water and air) and utility infrastructure.

Why does it matter?

Better-connected geographic areas have generally been more prosperous. Well-developed infrastructure lowers transportation and transaction costs, and facilitates the movement of goods and people and the transfer of information within a country and across borders. It also ensures access to power and water—both necessary conditions for modern economic activity.

Pillar 3: ICT adoption

What does it capture?

The degree of diffusion of specific information and communication technologies (ICTs).

Why does it matter?

ICTs reduce transaction costs and speed up information and idea exchange, improving efficiency and sparking innovation. As ICTs are general purpose technologies increasingly embedded in the structure of the economy, they are becoming as necessary as power and transport infrastructure for all economies

Pillar 4: Macroeconomic stability

What does it capture?

The level of inflation and the sustainability of fiscal policy.

Why does it matter?

Moderate and predictable inflation and sustainable public budgets reduce uncertainties, set returns expectations for investments and increase business confidence—all of which boost productivity. Also, in an increasingly interconnected world where capital can move quickly, loss of confidence in macroeconomic stability can trigger capital flight, with destabilizing economic effects.

Pillar 5: Health

What does it capture?

Health-adjusted life expectancy (HALE) — the average number of years a newborn can expect to live in good health.

Why does it matter?

Healthier individuals have more physical and mental capabilities, are more productive and creative, and tend to invest more in education as life expectancy increases. Healthier children develop into adults with stronger cognitive abilities

Pillar 6: Skills

What does it capture?

The general level of skills of the workforce and the quantity and quality of education. While the concept of educational quality is constantly evolving, important quality factors today include: developing digital literacy, interpersonal skills, and the ability to think critically and creatively.

Why does it matter?

Education embeds skills and competencies in the labour force. Highly educated populations are more productive because they possess greater collective ability to perform tasks and transfer knowledge quickly, and create new knowledge and applications.

Pillar 7: Product market

What does it capture?

The extent to which a country provides an even playing field for companies to participate in its markets. It is measured in terms of extent of market power, openness to foreign firms and the degree of market distortions.

Why does it matter?

Competition supports productivity gains by incentivizing companies to innovate; update their products, services and organization; and supply the best possible products at the fairest price

Pillar 8: Labour market

What does it capture?

It encompasses “flexibility”, namely, the extent to which human resources can be reorganized and “talent management”, namely, the extent to which human resources are leveraged.

Why does it matter?

Well-functioning labour markets foster productivity by matching workers with the most suitable jobs for their skillset and developing talent to reach their full potential. By combining flexibility with protection of workers’ basic rights, well-functioning labour markets allow countries to be more resilient to shocks and re-allocate production to emerging segments; incentivize workers to take risks; attract and retain talent; and motivate workers.

Pillar 9: Financial system

What does it capture?

The depth, namely the availability of credit, equity, debt, insurance and other financial products, and the stability, namely, the mitigation of excessive risk-taking and opportunistic behavior of the financial system.

Why does it matter?

A developed financial sector fosters productivity in mainly three ways: pooling savings into productive investments; improving the allocation of capital to the most promising investments through monitoring borrowers, reducing information asymmetries; and providing an efficient payment system. At the same time, appropriate regulation of financial institutions is needed to avoid financial crises that may cause long-lasting negative effects on investments and productivity.

Pillar 10: Market size

What does it capture?

The size of the domestic and foreign markets to which a country's firms have access. It is proxied by the sum of the value of consumption, investment and exports.

Why does it matter?

Larger markets lift productivity through economies of scale: the unit cost of production tends to decrease with the amount of output produced. Large markets also incentivize innovation. As ideas are non-rival, more potential users means greater potential returns on a new idea. Moreover, large markets create positive externalities as accumulation of human capital and transmission of knowledge increase the returns to scale embedded in the creation of technology or knowledge

Pillar 11: Business dynamism

What does it capture?

The private sector's capacity to generate and adopt new technologies and new ways to organize work, through a culture that embraces change, risk, new business models, and administrative rules that allow firms to enter and exit the market easily.

Why does it matter?

An agile and dynamic private sector increases productivity by taking business risks, testing new ideas and creating innovative products and services. In an environment characterized by frequent disruption and redefinition of businesses and sectors, successful economic systems are resilient to technological shocks and are able to constantly re-invent themselves

Pillar 12: Innovation capability

What does it capture?

The quantity and quality of formal research and development; the extent to which a country's environment encourages collaboration, connectivity, creativity, diversity and confrontation across different visions and angles; and the capacity to turn ideas into new goods and services.

Why does it matter?

Countries that can generate greater knowledge accumulation and that offer better collaborative or interdisciplinary opportunities tend to have more capacity to generate innovative ideas and new business models, which are widely considered the engines of economic growth.

Pillar 1 Institutions

Indicators	2017 ➔ 2018
Organized Crime	127 ➔ 121
Homicide Rate / 100,000 pop	➔ 84
Terrorism Incidents	➔ 140
Reliability of Police Services	116 ➔ 100
Social Capital	➔ 105
Budget Transparency	➔ 77
Judicial Independence	80 ➔ 70
Efficiency of Legal Framework in Challenging Regs.	69 ➔ 46
Freedom of the Press	➔ 112
Burden of Government Regulation	64 ➔ 46
Efficiency of Legal Framework in Settling Disputes	83 ➔ 62
E-Participation Index	➔ 103
Future Orientation of Government	➔ 53
Incidents of Corruption	102 ➔ 99
Property Rights	115 ➔ 105
Intellectual Property Protection	97 ➔ 83
Quality of Land Administration	➔ 117
Strength of Auditing and Reporting Standards	110 ➔ 113
Conflict of Interest Regulations	➔ 45
Shareholder Governance	➔ 5

Pillar 2 Infrastructure

Indicators	2017 ➔ 2018
• Road Connectivity Index	➔ 62
• Quality of roads	76 ➔ 69
• Railroad Density	➔ 52
• Efficiency of train services	52 ➔ 52
• Airport Connectivity	46 ➔ 41
• Efficiency of Air Transport Services	91 ➔ 89
• Liner Shipping Connectivity Index	➔ 49
• Efficiency of Sea Port Services	73 ➔ 69
• Electrification Rate	115 ➔ 109
• Electric Power Transmission and Distribution Losses	➔ 105
• Exposure to Unsafe Drinking Water	➔ 112
• Reliability of Water Supply	➔ 102

Pillar 3 ICT Adaption

Indicators	2017 ➔ 2018
• Mobile-Cellular Telephone Subscriptions/100 pop	125 ➔ 126
• Mobile Broadband Subscription /100 pop	119 ➔ 119
• Fixed Broadband Internet Subscription /100 pop	107 ➔ 109
• Fiber Internet Subscription /100 pop	➔ 99
• Internet Users % Pop	124 ➔ 126

Pillar 4 Macro Economic Stability

Indicators	2017 ➔ 2018
• Inflation, annual % change	1 ➔ 1
• Debt Dynamics	97 ➔ 124

Pillar 5 Health and Primary Education

Indicators	2017 ➔ 2018
• Heathy Life Expectancy Years	107 ➔ 108

Pillar 6 Skills

Indicators	2017 ➔ 2018
• Extent of Staff Training	93 ➔ 64
• Quality of Vocational Training	99 ➔ 90
• Mean Years of Schooling	➔ 121
• Skillsets of Graduates	➔ 51
• Digital Skills Among Population	➔ 75
• Ease of Finding Skilled Employees	➔ 63
• School Life Expectancy	➔ 134
• Critical Thinking in Teaching	➔ 42
• Pupil to Teacher Ratio in Primary Education	➔ 131

Pillar 7 Product Market

Indicators	2017 ➔ 2018
• Extent of Market Dominance	71 ➔ 53
• Prevalence of Non Tariff Barriers	106 ➔ 110
• Trade tariff, % duty	135 ➔ 138
• Distortive Effect of Taxes and Subsidies on Competition	85 ➔ 66
• Competition in Services	➔ 128
• Complexity of Tariff	➔ 43
• Efficiency of the Clearance Process	➔ 127
• Services Trade Openness	62

Pillar 8 Labor Market

Indicators	2017 ➔ 2018
• Redundancy costs, weeks of salary	110 ➔ 112
• Hiring and firing practices	63 ➔ 44
• Cooperation in labor employment relations	125 ➔ 108
• Flexibility of Wage Determination	122 ➔ 123
• Active Labor Policies	➔ 46
• Workers Rights	➔ 105
• Ease of Hiring Foreign Labor	➔ 88
• Internet Labor Mobility	➔ 79
• Reliance on Professional Management	106 ➔ 94
• Pay and productivity	82 ➔ 61
• Female Participation in the labor force, ratio to men*	133 ➔ 138
• Labor Tax Rate	64

Pillar 9 Financial System

Indicators	2017 ➔ 2018
• Venture Capital Availability	39 ➔ 28
• Soundness of Banks	89 ➔ 94
• Domestic Credit to Private Sector (% GDP)	➔ 129
• Financing of SMEs	➔ 62
• Market Capitalization	➔ 58
• Insurance Premium	➔ 109
• Non Performing Loans (% loan portfolio value)	➔ 104
• Credit Gap (% points)	➔ 82
• Banks Regulatory Capital Ratio	➔ 63

Pillar 10 Market Size

Indicators	2017 ➔ 2018
• GDP (PPP $) per capita ppp	25 ➔ 25
• Imports %age GDP	126 ➔ 126

Pillar 11 Business Dynamism

Indicators	2017 ➔ 2018
Willingness to Delegate Authority	101 ➔ 98
Cost of Starting a Business (% GNI per capita)	➔ 73
Time to Start a Business days	93 ➔ 96
Insolvency Recovery Rate (cents/$)	➔ 47
Insolvency Regulatory Framework (0-16 best)	➔ 96
Attitude Towards Entrepreneurial Risk (1-7 best)	➔ 58
Growth of Innovative Companies	➔ 56
Companies Embracing Disruptive Ideas	➔ 32

Pillar 12 Innovation Capability

Indicators	2017 ➔ 2018
• Diversity of Workforce	➔ 107
• State of Cluster Development	➔ 54
• International Co-inventions (applications/million pop.)	➔ 102
• Multi-stakeholders Collaboration	➔ 50
• Scientific Publication (H index)	➔ 54
• PCT patents, application/million pop	105 ➔ 105
• R&D Expenditure	52 ➔ 88
• Quality of Research Institutions (index)	67 ➔ 41
• Buyer Sophistication	➔ 33
• Trade Mark Applications (application / million pop.)	➔ 100

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Thank you!