



WORLD ECONOMIC FORUM'S GLOBAL COMPETITIVENESS REPORT 2011–2012

## Philippines: Back in the Game

### Highlights

- The Philippines is back among the upper 53% of economies in terms of global competitiveness and has recovered the Global Competitiveness Index score of 4.1 that it first achieved in 2008.
- Its unprecedented 10-step rise to no. 75 out of 142 economies is attributed to the following categories: macroeconomic environment (up 14 places), technological readiness (up 12 places), goods market efficiency (up 9 places), institutions (up 8 places), financial market development (up 4 places), business sophistication (up 3 places), innovation (up 3 places), higher education and training (up 2 places), and market size (up 1 place).
- The Philippines ranks no. 9 in overall competitiveness among the 24 economies in transition from the factor-driven stage to the efficiency-driven stage of development.
- Among eight Southeast Asian economies covered, the Philippines just ranks ahead of the region's bottom-dwellers, Cambodia and Timor-Leste. The country's institutions and labor market efficiency are rated the worst in the region.
- Corruption, inefficient government bureaucracy, inadequate supply of infrastructure, policy instability, and tax rates are the top five problematic factors for doing business in the Philippines. The country, however, has managed to get out of the roster of top five, top ten, and even top fifteen most corrupt countries in the world.

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On 7 September 2011, the World Economic Forum released its *Global Competitiveness Report 2011-2012*. This time, the authors gave an assessment on Philippine competitiveness in its opening chapter, unlike the past two years where the country did not merit any mention:

*“Up 10 places to 75th, the **Philippines** posts one of the largest improvements in this year’s rankings. The vast majority of individual indicators composing the GCI improved, sometimes markedly. Yet the challenges are many, especially in the areas at the foundation of any competitive economy, even at an early stage of development.*

*The quality of the country’s public institutions continues to be assessed as poor: the Philippines ranks beyond the 100 mark on each of the 16 related indicators. Issues of corruption and physical security appear particularly acute (127th and 117th, respectively). The state of its infrastructure is improving marginally, but not nearly fast enough to meet the needs of the business sector. The country ranks a mediocre 113th for the overall state of its infrastructure, with particularly low marks for the quality of its seaport (123rd) and airport infrastructure (115th). Finally, despite an enrollment rate of around 90 percent, primary education is characterized by low-quality standards (110th). Against such weaknesses, the macroeconomic situation of the Philippines is more positive: the country is up 14 places to 54th in the macroeconomic environment pillar, thanks to slightly lower public deficit and debt, an improved country credit rating, and inflation that remains under control.*

*In the other more complex pillars of the Index, the Philippines continues to have a vast opportunity for improvement. In particular, the largely inflexible and inefficient labor market (113th) has shown very little progress over the past four years. On a more positive note, the country ranks a good 57th in the business sophistication category, thanks to a large quantity of local suppliers, the existence of numerous and well-developed clusters, and an increased presence of Filipino businesses in the higher segments of the value chain. Finally, the sheer size of the domestic market (36th) confers a notable competitive advantage.”*

In the country profile section, the Report highlighted 17 out of 111 indicators as competitive advantages of the Philippines: HIV prevalence (no. 1), available airline

seat kilometers (no. 28), domestic market size (no. 31), willingness to delegate authority (no. 33), extent of staff training (no. 34), foreign market size (no. 40), extent of marketing (no. 40), affordability of financial services (no. 42), financing through local equity market (no. 44), degree of customer orientation (no. 46), soundness of banks (no. 46), intensity of local competition (no. 47), trade tariffs (no. 47), control of international distribution (no. 47), interest rate spread (no. 50), reliance on professional management (no. 50), and availability of financial services (no. 50). The country can build on these advantages and endeavour to expand its list of positive indicators.

On the other hand, the Philippines scored the worst in the following indicators: number of procedures to start a business (no. 134), business costs of terrorism (no. 130), public trust of politicians (no. 128), burden of customs procedures (no. 128), diversion of public funds (no. 127), burden of government regulation (no. 126), government procurement of advanced tech products (no. 126), quality of port infrastructure (no. 123), transparency of government policymaking (no. 120), irregular payments and bribes (no. 119), and tuberculosis incidence (no. 119).

Corruption, inefficient government bureaucracy, inadequate supply of infrastructure, policy instability, and tax rates are the top five problematic factors for doing business in the Philippines, based on the World Economic Forum’s Executive Opinion Survey in the last two years. However, the Philippines no longer belongs to the top five countries in terms of ethics and corruption in public institutions. It now ranks 16<sup>th</sup> from the bottom in this category.

## GLOBAL STANDARD

Taking into account each country’s level of development, the World Economic Forum defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country.

The Geneva-based World Economic Forum is an independent and impartial not-for-profit international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional, and industry agendas. For more than

three decades, the World Economic Forum's annual flagship publication, the *Global Competitiveness Report*, has studied and benchmarked the many factors underpinning national competitiveness. The Report is used by businesses to develop strategies and guide business decisions, by governments to identify obstacles to economic growth and to assist in the design of better economic policies, by the academe to analyze an economy's current business environment and compare it against other economies, and by civil society organizations to learn more about how their country's competitiveness compares with that of others.

Since 2005, the Forum has based its analysis on the Global Competitiveness Index, a comprehensive tool that measures the microeconomic and macroeconomic foundations of national competitiveness. The index measures 111 indicators across 12 categories or pillars and grouped into three subindexes. The first 4 pillars—institutions, infrastructure, macroeconomic stability, and health and primary education—which compose the basic requirements subindex, are important for countries at the factor-driven or lowest stage of economic development. The next 6 pillars—higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, and market size—form the efficiency enhancers subindex and are the crucial factors that drive the productivity of countries at the second stage of development. The last 2 pillars compose the innovation and sophistication factors subindex and these determine the productivity of the most advanced economies or those belonging to the highest stage of development.

The rankings are calculated based on 33 hard data items from international organizations and 78 qualitative mean responses from the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum with its network of partner institutes. The survey captures a broad range of factors affecting an economy's business climate. Out of 15,000 business leaders polled around the world this year, around 90 respondents participated from the Philippines. The

country's survey sample was taken from among the members of the Makati Business Club, the Management Association of the Philippines, the Business Processing Association of the Philippines, and the Semiconductor and Electronics Industries in the Philippines.

## RISE AND FALL

The Philippines first appeared in the rankings of the *World Competitiveness Report* of the World Economic Forum and Institute for Management and Development in 1994, ranking no. 33 out of 44 economies in the competitiveness index in terms of the following aspects: domestic economic strength, internationalization, government, finance, infrastructure, management, science and technology, and people.

In 1996, the World Economic Forum launched the *Global Competitiveness Report*, where the Philippines placed no. 31 across 49 economies based on the following criteria: openness, government, finance, infrastructure, technology, management, labor, and institutions. The Report shifted its metrics according to the Growth Competitiveness Index in 2000, at which time the Philippines fell to no. 37 out of 59 economies based on economic creativity, finance, and openness. In 2001, the Growth Competitiveness Index was reformulated with three subindexes: technology, public institutions, and macroeconomic environment. It coexisted with another index called the Current Competitiveness Index. The Philippines ranked no. 48 out of 75 economies in terms of the former and no. 54 in terms of the latter.

The WEF introduced a parallel Global Competitiveness Index in 2004, with the Philippines landing at no. 74 out of 104 economies. The Forum further refined its methodology in 2007 by using a rolling weighted average of the current and past year's Executive Opinion Survey results. That year, the Philippines rose to no. 71 out of 131 economies from no. 75 out of 122 economies in 2006. The country retained its ranking at

no. 71 out of 134 economies in 2008, but sharply slipped to no. 87 in 2009, largely on account of the country's rice shortage-induced inflation in 2008.

## TEN-STEP RISE

This year, the Philippines is one of only seven countries that posted double-digit advances in competitiveness standing among 142 economies. Sri Lanka, Rwanda, and Albania also rose in the competitiveness ladder by 10 steps. Ethiopia, Cambodia, and Tajikistan ascended by 13, 12, and 11 steps, respectively.

The Philippines also posted its biggest uptick in its global competitiveness ranking since the 4-step rise to no. 71 in 2007 from no. 75 in 2006. Moreover, after the 16-step drop in rank in 2009, this year the country regained its standing among the top 53% of countries covered, a feat first achieved in 2008 when the Philippines also posted the same GCI score of 4.1.

In basic requirements, the Philippines improved by 0.15 subindex points but slipped by one rank to no. 99. In terms of institutions, the country rose 8 places to no. 117 with improvements in ethics and corruption, undue influence, and government inefficiency in public institutions, as well as in the ethical behaviour of firms, strength of auditing and reporting standards, and efficacy of corporate boards of private institutions. In terms of the macroeconomic environment, the Philippines gained 14 notches to no. 54 despite a higher inflation rate in 2010 relative to 2009 on the back of a narrower fiscal deficit-to-GDP ratio, improved savings rate, narrower interest rate spread, lower debt level against GDP, and better credit rating from the Institutional Investor.

Among efficiency enhancers, the Philippines increased by 0.10 subindex points and rose by 8 steps to no. 70. In terms of higher education and training, the country climbed 2 places to no. 71 on account of gains in indicators for on-the-job training. In terms of goods

market efficiency, the Philippines advanced 9 places to no. 88, even as the quality of demand conditions fell by 3 places, while both domestic and foreign competition performed better. In terms of financial market development, the country gained 4 places to no. 71, backed by a world-class performance on efficiency and in the soundness of banks, notwithstanding weakness in the World Bank-International Finance Corporation's legal rights index.

In terms of technological readiness, the Philippines moved up 12 places to no. 83 due to better technological adoption and ICT use, despite relatively weaker data on broadband Internet subscriptions and mobile telephone subscriptions across 142 economies. In terms of market size, the country's domestic and foreign market sizes combined lifted it one place to the no. 36 position.

For the innovation and sophistication factors, the Philippines gained 0.07 subindex points and took one step up to no. 74 as rankings in both business sophistication and innovation rose 3 steps higher but was weighed down by a poor showing in intellectual property protection, government procurement of advanced technology products, capacity for innovation, and quality of scientific research institutions.

## THE TRANSITION PHASE

Since the Global Competitiveness Index was launched, the Philippines was always classified among the factor-driven economies whose per capita GDP fell below US\$2,000 a year. In this year's Report, however, the Philippines has started to enter the transition phase from a factor-driven to an efficiency-driven economy, given its GDP per capita of US\$2,007 last year. Thus, there has been a slight change in the basis of the country's overall score. Basic requirements now account for 59.9% of the GCI score instead of 60%. On the other hand, efficiency enhancers comprise 35.1% of the GCI score, up from 35%. Innovation and business

sophistication continue to account for the remaining 5% of the index score.

Among the 24 economies in transition between the first and second stages of development, the Philippines delivered a relatively average performance with a GCI score of 4.08 and a no. 9 ranking. Within the same group, the country's score in the basic requirements category fell below the average despite above average scores for the macroeconomic environment. But the country got above average scores for the efficiency enhancers among stage 1 to 2 transition economies, owing to better scores in higher education and training, goods market, financial market development, technological readiness, and market size.

The Philippines also fared above average in terms of business sophistication among the 24 countries in the transition stage. While, the country's weaknesses relative to its development stage are in institutions, infrastructure, labor market efficiency, and innovation.

Based on government macroeconomic targets in the medium term, the Philippines should be able to reach the next stage of development within the next two years, when its per capita GDP shall have crossed the US\$3,000 mark. Until then, the bulk of its competitiveness rating rests upon the quality of its institutions and infrastructure, the stability of its macroeconomic environment, and progress in health and primary education.

Table 1A

**ECONOMIES IN TRANSITION FROM STAGE 1 TO STAGE 2:  
RANKINGS IN BASIC REQUIREMENTS SUBINDEX**

| COUNTRY/<br>ECONOMY       | OVERALL<br>INDEX | BASIC<br>REQUIREMENTS | Institutions | Infrastructure | Macroeconomic<br>Environment | Health and<br>Primary<br>Education |
|---------------------------|------------------|-----------------------|--------------|----------------|------------------------------|------------------------------------|
| 1. Qatar                  | 14               | 12                    | 14           | 27             | 5                            | 22                                 |
| 2. Saudi Arabia           | 17               | 16                    | 12           | 25             | 12                           | 61                                 |
| 3. Brunei Darussalam      | 28               | 24                    | 34           | 56             | 1                            | 30                                 |
| 4. Kuwait                 | 34               | 34                    | 47           | 50             | 2                            | 77                                 |
| 5. Sri Lanka              | 52               | 65                    | 50           | 60             | 116                          | 45                                 |
| 6. Azerbaijan             | 55               | 59                    | 68           | 73             | 16                           | 105                                |
| 7. Iran, Islamic Republic | 62               | 51                    | 72           | 67             | 27                           | 50                                 |
| 8. Kazakhstan             | 72               | 62                    | 94           | 82             | 18                           | 85                                 |
| 9. Philippines            | 75               | 100                   | 117          | 105            | 54                           | 92                                 |
| 10. Botswana              | 80               | 81                    | 32           | 92             | 82                           | 120                                |
| 11. Guatemala             | 84               | 93                    | 129          | 70             | 76                           | 100                                |
| 12. Ukraine               | 82               | 98                    | 131          | 71             | 112                          | 74                                 |
| 13. Honduras              | 86               | 90                    | 102          | 91             | 81                           | 89                                 |
| 14. Algeria               | 87               | 75                    | 127          | 93             | 19                           | 82                                 |
| 15. Georgia               | 88               | 86                    | 60           | 68             | 137                          | 67                                 |
| 16. Armenia               | 92               | 94                    | 83           | 77             | 114                          | 94                                 |
| 17. Egypt                 | 94               | 99                    | 74           | 75             | 132                          | 96                                 |
| 18. Mongolia              | 96               | 101                   | 119          | 118            | 34                           | 98                                 |
| 19. Syria                 | 98               | 77                    | 70           | 97             | 68                           | 62                                 |
| 20. Jamaica               | 107              | 116                   | 86           | 79             | 142                          | 106                                |
| 21. Guyana                | 109              | 104                   | 93           | 102            | 119                          | 76                                 |
| 22. Paraguay              | 122              | 117                   | 132          | 125            | 100                          | 107                                |
| 23. Venezuela             | 124              | 125                   | 142          | 117            | 128                          | 84                                 |
| 24. Angola                | 139              | 141                   | 135          | 140            | 110                          | 142                                |

Sources: Global Competitiveness Report 2011-2012, Makati Business Club Research

Table 1B

**ECONOMIES IN TRANSITION FROM STAGE 1 TO STAGE 2:  
RANKINGS IN EFFICIENCY ENHANCERS SUBINDEX**

| COUNTRY/<br>ECONOMY       | OVERALL<br>INDEX | EFFICIENCY<br>REQUIREMENTS | Higher<br>Education | Goods<br>Market | Labor<br>Market | Financial<br>Market | Technological<br>Readiness | Market<br>Size |
|---------------------------|------------------|----------------------------|---------------------|-----------------|-----------------|---------------------|----------------------------|----------------|
| 1. Qatar                  | 14               | 27                         | 50                  | 17              | 22              | 19                  | 33                         | 59             |
| 2. Saudi Arabia           | 17               | 24                         | 36                  | 4               | 50              | 16                  | 43                         | 23             |
| 3. Brunei Darussalam      | 28               | 71                         | 61                  | 82              | 9               | 57                  | 57                         | 121            |
| 4. Kuwait                 | 34               | 67                         | 91                  | 53              | 62              | 59                  | 65                         | 61             |
| 5. Sri Lanka              | 52               | 69                         | 66                  | 41              | 117             | 45                  | 85                         | 67             |
| 6. Azerbaijan             | 55               | 77                         | 75                  | 79              | 14              | 94                  | 74                         | 75             |
| 7. Iran, Islamic Republic | 62               | 88                         | 89                  | 103             | 139             | 123                 | 104                        | 21             |
| 8. Kazakhstan             | 72               | 76                         | 65                  | 87              | 21              | 121                 | 87                         | 55             |
| 9. Philippines            | 75               | 70                         | 71                  | 88              | 113             | 71                  | 83                         | 36             |
| 10. Botswana              | 80               | 86                         | 93                  | 68              | 52              | 44                  | 101                        | 99             |
| 11. Guatemala             | 84               | 81                         | 100                 | 65              | 98              | 46                  | 80                         | 76             |
| 12. Ukraine               | 82               | 74                         | 51                  | 129             | 61              | 116                 | 82                         | 38             |
| 13. Honduras              | 86               | 104                        | 108                 | 85              | 135             | 56                  | 91                         | 91             |
| 14. Algeria               | 87               | 122                        | 101                 | 134             | 137             | 137                 | 120                        | 47             |
| 15. Georgia               | 88               | 89                         | 88                  | 74              | 32              | 99                  | 100                        | 106            |
| 16. Armenia               | 92               | 91                         | 76                  | 108             | 34              | 95                  | 88                         | 115            |
| 17. Egypt                 | 94               | 94                         | 107                 | 118             | 141             | 92                  | 95                         | 27             |
| 18. Mongolia              | 96               | 105                        | 84                  | 92              | 31              | 129                 | 102                        | 124            |
| 19. Syria                 | 98               | 109                        | 106                 | 102             | 134             | 117                 | 105                        | 66             |
| 20. Jamaica               | 107              | 85                         | 85                  | 78              | 80              | 52                  | 72                         | 102            |
| 21. Guyana                | 109              | 110                        | 79                  | 94              | 91              | 93                  | 97                         | 135            |
| 22. Paraguay              | 122              | 114                        | 116                 | 83              | 127             | 88                  | 112                        | 92             |
| 23. Venezuela             | 124              | 112                        | 67                  | 142             | 142             | 132                 | 92                         | 41             |
| 24. Angola                | 139              | 136                        | 142                 | 138             | 109             | 136                 | 129                        | 62             |

Sources: Global Competitiveness Report 2011-2012, Makati Business Club Research

Table 1C

**ECONOMIES IN TRANSITION FROM STAGE 1 TO STAGE 2:  
RANKINGS IN INNOVATION AND SOPHISTICATION FACTORS SUBINDEX**

| COUNTRY/<br>ECONOMY       | OVERALL<br>INDEX | INNOVATION &<br>SOPHISTICATION | Business<br>Sophistication | Innovation |
|---------------------------|------------------|--------------------------------|----------------------------|------------|
| 1. Qatar                  | 14               | 16                             | 12                         | 18         |
| 2. Saudi Arabia           | 17               | 24                             | 17                         | 26         |
| 3. Brunei Darussalam      | 28               | 73                             | 85                         | 68         |
| 4. Kuwait                 | 34               | 66                             | 62                         | 84         |
| 5. Sri Lanka              | 52               | 34                             | 32                         | 42         |
| 6. Azerbaijan             | 55               | 67                             | 73                         | 60         |
| 7. Iran, Islamic Republic | 62               | 83                             | 92                         | 70         |
| 8. Kazakhstan             | 72               | 114                            | 109                        | 116        |
| 9. Philippines            | 75               | 74                             | 57                         | 108        |
| 10. Botswana              | 80               | 94                             | 101                        | 79         |
| 11. Guatemala             | 84               | 63                             | 55                         | 91         |
| 12. Ukraine               | 82               | 93                             | 103                        | 74         |
| 13. Honduras              | 86               | 90                             | 81                         | 101        |
| 14. Algeria               | 87               | 136                            | 135                        | 132        |
| 15. Georgia               | 88               | 117                            | 110                        | 118        |
| 16. Armenia               | 92               | 110                            | 107                        | 112        |
| 17. Egypt                 | 94               | 86                             | 72                         | 103        |
| 18. Mongolia              | 96               | 112                            | 119                        | 102        |
| 19. Syria                 | 98               | 111                            | 94                         | 125        |
| 20. Jamaica               | 107              | 84                             | 75                         | 94         |
| 21. Guyana                | 109              | 87                             | 82                         | 99         |
| 22. Paraguay              | 122              | 125                            | 111                        | 133        |
| 23. Venezuela             | 124              | 128                            | 124                        | 126        |
| 24. Angola                | 139              | 142                            | 142                        | 140        |

Sources: Global Competitiveness Report 2011-2012, Makati Business Club Research

**AMONG NEIGHBORS**

The Philippines is also traditionally compared with its Southeast Asian neighbors, which are at various stages of development. Cambodia, Timor-Leste, and Vietnam are at the factor-driven stage. Brunei Darussalam is in transition to the efficiency-driven stage. Indonesia, Malaysia, and Thailand are at the efficiency-driven stage, while Singapore is at the innovation-driven stage.

Ranked no. 2 across the world, Singapore is Southeast Asia’s most competitive economy in every aspect, save for market size. Indonesia has the region’s largest market.

Excluding Myanmar and Laos, the Philippines performed below average when ranged against its



neighbors. The country stayed in front of Cambodia and Timor-Leste but lagged behind the rest in terms of overall competitiveness and in the three subindexes, as well as in the infrastructure and health and primary education pillars. The Philippines' macroeconomic environment is only better than Vietnam and Cambodia, and its goods market efficiency and innovation is next to Timor-Leste at the bottom in the region. The country is rated the worst in terms of institutions and labor market efficiency. On the other hand, the country scored above average in the region in terms of higher education and training, market size, and business sophistication. In terms of technological readiness, the Philippines is rated better than Thailand, Indonesia,

Cambodia, and Timor-Leste. The country also outranked Vietnam, Cambodia, and Timor-Leste in terms of financial market development.

The National Competitiveness Council and its working groups are now moving to bring the country to the top 30, or at least into the top third, of the competitiveness rankings, close to the rankings of its progressive Southeast Asian neighbors. The country's weakest points in institutions and infrastructure are being addressed, given their strong impact on the country's global competitiveness according to the World Economic Forum's framework.

**Table 2A**
**SOUTHEAST ASIAN ECONOMIES:  
RANKINGS IN BASIC REQUIREMENTS SUBINDEX**

| Country/Economy   | OVERALL INDEX |      | BASIC REQUIREMENTS |      | Institutions |      | Infrastructure |      | Macroeconomic Environment |      | Health and Primary Education |      |
|-------------------|---------------|------|--------------------|------|--------------|------|----------------|------|---------------------------|------|------------------------------|------|
|                   | 2010          | 2011 | 2010               | 2011 | 2010         | 2011 | 2010           | 2011 | 2010                      | 2011 | 2010                         | 2011 |
| Brunei Darussalam | 28            | 28   | 20                 | 24   | 36           | 34   | 52             | 56   | 1                         | 1    | 32                           | 30   |
| Cambodia          | 109           | 97   | 113                | 108  | 94           | 79   | 114            | 107  | 116                       | 101  | 110                          | 111  |
| Indonesia         | 44            | 46   | 60                 | 53   | 61           | 71   | 82             | 76   | 35                        | 23   | 62                           | 64   |
| Malaysia          | 26            | 21   | 33                 | 25   | 42           | 30   | 30             | 26   | 41                        | 29   | 34                           | 33   |
| Philippines       | 85            | 75   | 99                 | 100  | 125          | 117  | 104            | 105  | 68                        | 54   | 90                           | 92   |
| Singapore         | 3             | 2    | 3                  | 1    | 1            | 1    | 5              | 3    | 33                        | 9    | 3                            | 3    |
| Thailand          | 38            | 39   | 48                 | 46   | 64           | 67   | 35             | 42   | 46                        | 28   | 80                           | 83   |
| Timor-Leste       | 133           | 131  | 127                | 119  | 110          | 116  | 138            | 138  | 29                        | 24   | 132                          | 133  |
| Vietnam           | 59            | 65   | 74                 | 76   | 74           | 87   | 83             | 90   | 85                        | 65   | 65                           | 73   |

Sources: Global Competitiveness Reports 2010-2011 and 2011-2012

**Table 2B**
**SOUTHEAST ASIAN ECONOMIES:  
RANKINGS IN EFFICIENCY ENHANCERS SUBINDEX**

| Country/Economy    | OVERALL INDEX |           | EFFICIENCY ENHANCERS |           | Higher Education and Training |           | Goods Market |           | Labor Market |            | Financial Market |           | Technologic Readiness |           | Market Size |           |
|--------------------|---------------|-----------|----------------------|-----------|-------------------------------|-----------|--------------|-----------|--------------|------------|------------------|-----------|-----------------------|-----------|-------------|-----------|
|                    | 2010          | 2011      | 2010                 | 2011      | 2010                          | 2011      | 2010         | 2011      | 2010         | 2011       | 2010             | 2011      | 2010                  | 2011      | 2010        | 2011      |
| Brunei Darussalam  | 28            | 28        | 67                   | 71        | 64                            | 61        | 78           | 82        | 10           | 9          | 55               | 57        | 49                    | 57        | 118         | 121       |
| Cambodia           | 109           | 97        | 103                  | 98        | 122                           | 120       | 81           | 58        | 51           | 38         | 92               | 74        | 115                   | 110       | 96          | 93        |
| Indonesia          | 44            | 46        | 51                   | 56        | 66                            | 69        | 49           | 67        | 84           | 94         | 62               | 69        | 91                    | 94        | 15          | 15        |
| Malaysia           | 26            | 21        | 24                   | 20        | 49                            | 38        | 27           | 15        | 35           | 20         | 7                | 3         | 40                    | 44        | 29          | 29        |
| <b>Philippines</b> | <b>85</b>     | <b>75</b> | <b>78</b>            | <b>70</b> | <b>73</b>                     | <b>71</b> | <b>97</b>    | <b>88</b> | <b>111</b>   | <b>113</b> | <b>75</b>        | <b>71</b> | <b>95</b>             | <b>83</b> | <b>37</b>   | <b>36</b> |
| Singapore          | 3             | 2         | 1                    | 1         | 5                             | 4         | 1            | 1         | 1            | 2          | 2                | 1         | 11                    | 10        | 41          | 37        |
| Thailand           | 38            | 39        | 39                   | 43        | 59                            | 62        | 41           | 42        | 24           | 30         | 51               | 50        | 68                    | 84        | 23          | 22        |
| Timor-Leste        | 133           | 131       | 136                  | 138       | 130                           | 134       | 105          | 110       | 75           | 90         | 136              | 139       | 139                   | 140       | 136         | 137       |
| Vietnam            | 59            | 65        | 57                   | 66        | 93                            | 103       | 60           | 75        | 30           | 46         | 65               | 73        | 65                    | 79        | 35          | 33        |

Sources: Global Competitiveness Reports 2010-2011 and 2011-2012

**Table 2C**
**SOUTHEAST ASIAN ECONOMIES:  
RANKINGS IN INNOVATION AND SOPHISTICATION FACTORS SUBINDEX**

| Country/Economy    | OVERALL INDEX |           | INNOVATION & SOPHISTICATION |           | Business Sophistication |           | Innovation |            |
|--------------------|---------------|-----------|-----------------------------|-----------|-------------------------|-----------|------------|------------|
|                    | 2010          | 2011      | 2010                        | 2011      | 2010                    | 2011      | 2010       | 2011       |
| Brunei Darussalam  | 28            | 28        | 72                          | 73        | 77                      | 85        | 69         | 68         |
| Cambodia           | 109           | 97        | 106                         | 91        | 106                     | 90        | 108        | 85         |
| Indonesia          | 44            | 46        | 37                          | 41        | 37                      | 45        | 36         | 36         |
| Malaysia           | 26            | 21        | 25                          | 22        | 25                      | 20        | 24         | 24         |
| <b>Philippines</b> | <b>85</b>     | <b>75</b> | <b>75</b>                   | <b>74</b> | <b>60</b>               | <b>57</b> | <b>111</b> | <b>108</b> |
| Singapore          | 3             | 2         | 10                          | 11        | 15                      | 15        | 9          | 8          |
| Thailand           | 38            | 39        | 49                          | 51        | 48                      | 47        | 52         | 54         |
| Timor-Leste        | 133           | 131       | 136                         | 137       | 135                     | 138       | 136        | 136        |
| Vietnam            | 59            | 65        | 53                          | 75        | 64                      | 87        | 49         | 66         |

Sources: Global Competitiveness Reports 2010-2011 and 2011-2012

## ALTERNATIVE METRIC

In this year's Report, the WEF also introduced the Sustainable Competitiveness Index (SCI), an alternative index that takes into account the set of institutions, policies, and factors that determine the level of productivity of a country while ensuring the ability of future generations of that country to meet their own needs. Meant to supplement the traditional framework on competitiveness, this new index looks at such factors as social cohesion, environmental policy, resources efficiency, management of environmental resources, and environmental degradation.

Out of 100 economies, the Philippines ranked no. 60 in the 2011–2012 SCI. Nineteen hard data and survey indicators were combined with the elements found in the GCI. The country ranked no. 18 in forest cover change, no. 24 in eco-region protection, no. 26 in carbon dioxide intensity, no. 28 in the number of ratified international environmental treaties, no. 29 in air pollution, no. 37 in water stress index, no. 43 in expected dependency ratio, no. 43 in marine trophic intensity, no. 47 in youth unemployment, no. 53 in energy intensity, no. 54 in agricultural water intensity, no. 55 in the Gini index, no. 57 in average 5-year government budget balance, no. 64 in gross secondary enrollment rate of females, no. 66 in access to improved drinking water, no. 67 in gross secondary enrollment rate of males, no. 72 in stringency of environmental regulation, no. 76 in extent of informal economy, and no. 87 in enforcement of environmental regulation.

A work in progress, the SCI has limitations. There are other areas yet to be captured in this parallel metric that are critical to sustainable competitiveness, such as the incidence of political violence and civil war, market imbalances or "bubbles," natural disasters, environmental damage and resource depletion, better measures of food security, non-communicable diseases, and worker protection.

## LOOKING AHEAD

In October, the World Bank and its subsidiary IFC launched *Doing Business 2012*, the latest edition of the yearly reports that compare business regulations in the world's economies. This gave us an opportunity to preview five hard data items in the *Doing Business* report that will be considered in next year's *Global Competitiveness Report*. The data revealed that for institutions, the Philippines' strength of investor protection on a scale of 0 to 10 has remained at 4. For goods market efficiency, the number of procedures to start a business in the Philippines is unchanged at 15 steps, while the number of days to start a business has been reduced to 35 from 38. Under domestic competition, the total tax rate deteriorated to 46.5% of profits from 45.8%. For financial market development, the legal rights index score for the country on a scale of 0 to 10 has increased to 4 from 3.

Looking at developments that could influence the Philippines' performance in next year's Global Competitiveness Report, in Congress, the passage of a freedom of information law could potentially lift the country's no. 120 ranking in transparency of government policymaking. The prioritization of pending competition and anti-trust bills can also boost the country's no. 98 standing in effectiveness of anti-monopoly policy. A long-term K+12 program at the basic education level would likewise raise the quality of primary education. ■

Table 3A

**THE PHILIPPINES UP CLOSE:  
BASIC REQUIREMENTS SUBINDEX**

|  | 2010-2011 Report |                 |                           | 2011-2012 Report |                 |                           |
|--|------------------|-----------------|---------------------------|------------------|-----------------|---------------------------|
|  | Index Weight (%) | Score/Hard Data | Rank Out of 139 Countries | Index Weight (%) | Score/Hard Data | Rank Out of 142 Countries |
| <b>GLOBAL COMPETITIVENESS INDEX: PHILIPPINES BASIC REQUIREMENTS SUBINDEX</b> | <b>100.00</b>    | <b>3.96</b>     | <b>85</b>                 | <b>100.00</b>    | <b>4.08</b>     | <b>75</b>                 |
|  | <b>60.00</b>     | <b>4.02</b>     | <b>99</b>                 | <b>59.90</b>     | <b>4.17</b>     | <b>100</b>                |
| <b>1st Pillar: Institutions</b>  | <b>15.00</b>     | <b>3.14</b>     | <b>125</b>                | <b>14.98</b>     | <b>3.22</b>     | <b>117</b>                |
| <b>A. Public institutions</b>  | <b>11.25</b>     | <b>2.98</b>     | <b>124</b>                | <b>11.23</b>     | <b>3.04</b>     | <b>124</b>                |
| <b>1. Property rights</b>  | <b>2.25</b>      | <b>3.37</b>     | <b>102</b>                | <b>2.25</b>      | <b>3.34</b>     | <b>104</b>                |
| 1.01 Property rights   | 1.50             | 3.67            | 99                        | 1.50             | 3.61            | 105                       |
| 1.02 Intellectual property protection <sup>1/2</sup>                         | 0.75             | 2.78            | 103                       | 0.75             | 2.80            | 102                       |
| <b>2. Ethics and corruption</b>  | <b>2.25</b>      | <b>2.14</b>     | <b>135</b>                | <b>2.25</b>      | <b>2.37</b>     | <b>127</b>                |
| 1.03 Diversion of public funds   | 0.75             | 2.00            | 135                       | 0.75             | 2.25            | 127                       |
| 1.04 Public trust of politicians   | 0.75             | 1.64            | 134                       | 0.75             | 1.84            | 128                       |
| 1.05 Irregular payments and bribes   | 0.75             | 2.77            | 128                       | 0.75             | 3.01            | 119                       |
| (a) imports and exports  | 0.15             | 2.25            | 134                       | 0.15             | 2.36            | 131                       |
| (b) public utilities   | 0.15             | 4.41            | 88                        | 0.15             | 4.76            | 75                        |
| (c) annual tax payments  | 0.15             | 2.61            | 133                       | 0.15             | 2.92            | 125                       |
| (d) awarding of public contracts and licenses                                | 0.15             | 1.96            | 138                       | 0.15             | 2.15            | 129                       |
| (e) obtaining favorable judicial decisions                                   | 0.15             | 2.64            | 122                       | 0.15             | 2.88            | 114                       |
| <b>3. Undue influence</b>  | <b>2.25</b>      | <b>2.51</b>     | <b>121</b>                | <b>2.25</b>      | <b>2.69</b>     | <b>112</b>                |
| 1.06 Judicial independence   | 1.13             | 2.84            | 111                       | 1.12             | 2.95            | 102                       |
| 1.07 Favoritism in decisions of government officials                         | 1.13             | 2.18            | 131                       | 1.12             | 2.42            | 118                       |
| <b>4. Government inefficiency</b>  | <b>2.25</b>      | <b>2.83</b>     | <b>126</b>                | <b>2.25</b>      | <b>2.88</b>     | <b>121</b>                |
| 1.08 Wastefulness of government spending                                     | 0.45             | 2.40            | 118                       | 0.45             | 2.59            | 109                       |
| 1.09 Burden of government regulation   | 0.45             | 2.54            | 126                       | 0.45             | 2.57            | 126                       |
| 1.10 Efficiency of legal framework in settling disputes                      | 0.45             | 2.84            | 122                       | 0.45             | 2.87            | 115                       |
| 1.11 Efficiency of legal framework in challenging regulations                | 0.45             | 2.83            | 116                       | 0.45             | 2.78            | 118                       |
| 1.12 Transparency of government policymaking                                 | 0.45             | 3.57            | 123                       | 0.45             | 3.61            | 120                       |
| <b>5. Security</b>   | <b>2.25</b>      | <b>4.07</b>     | <b>116</b>                | <b>2.25</b>      | <b>3.94</b>     | <b>117</b>                |
| 1.13 Business costs of terrorism   | 0.56             | 4.43            | 126                       | 0.56             | 4.25            | 130                       |
| 1.14 Business costs of crime and violence                                    | 0.56             | 4.04            | 104                       | 0.56             | 3.75            | 112                       |
| 1.15 Organized crime   | 0.56             | 4.40            | 106                       | 0.56             | 4.47            | 102                       |
| 1.16 Reliability of police services  | 0.56             | 3.42            | 105                       | 0.56             | 3.28            | 112                       |
| <b>B. Private institutions</b>   | <b>3.75</b>      | <b>3.62</b>     | <b>114</b>                | <b>3.74</b>      | <b>3.74</b>     | <b>104</b>                |
| <b>1. Corporate ethics</b>   | <b>1.88</b>      | <b>3.03</b>     | <b>129</b>                | <b>1.87</b>      | <b>3.24</b>     | <b>118</b>                |
| 1.17 Ethical behavior of firms   | 1.88             | 3.03            | 129                       | 1.87             | 3.24            | 118                       |
| <b>2. Accountability</b>   | <b>1.88</b>      | <b>4.20</b>     | <b>87</b>                 | <b>1.87</b>      | <b>4.23</b>     | <b>82</b>                 |
| 1.18 Strength of auditing and reporting standards                            | 0.47             | 4.64            | 75                        | 0.47             | 4.77            | 62                        |
| 1.19 Efficacy of corporate boards  | 0.47             | 4.68            | 56                        | 0.47             | 4.75            | 52                        |
| 1.20 Protection of minority shareholders' interests                          | 0.47             | 4.07            | 80                        | 0.47             | 4.01            | 84                        |
| 1.21 Strength of investor protection (World Bank)                            | 0.47             | 4.0             | 109                       | 0.47             | 4.0             | 111                       |

|  | 2010-2011 Report |                 |                           | 2011-2012 Report |                 |                           |
|--|------------------|-----------------|---------------------------|------------------|-----------------|---------------------------|
|  | Index Weight (%) | Score/Hard Data | Rank Out of 139 Countries | Index Weight (%) | Score/Hard Data | Rank Out of 142 Countries |
| <b>2nd Pillar: Infrastructure</b>                                  | <b>15.00</b>     | <b>2.92</b>     | <b>104</b>                | <b>14.98</b>     | <b>3.09</b>     | <b>105</b>                |
| <b>A. Transport infrastructure</b>                                 | <b>7.50</b>      | <b>2.59</b>     | <b>120</b>                | <b>7.49</b>      | <b>3.02</b>     | <b>104</b>                |
| 2.01 Quality of overall infrastructure                             | 1.25             | 3.21            | 113                       | 1.25             | 3.38            | 113                       |
| 2.02 Quality of roads  | 1.25             | 2.80            | 114                       | 1.25             | 3.11            | 100                       |
| 2.03 Quality of railroad infrastructure                            | 1.25             | 1.66            | 97                        | 1.25             | 1.65            | 101                       |
| 2.04 Quality of port infrastructure                                | 1.25             | 2.76            | 131                       | 1.25             | 3.03            | 123                       |
| 2.05 Quality of air transport infrastructure                       | 1.25             | 3.61            | 112                       | 1.25             | 3.63            | 115                       |
| 2.06 Available seat kilometers (IATA hard data)                    | 1.25             | 788.73          | 28                        | 1.25             | 867.02          | 28                        |
| <b>B. Energy and telephony infrastructure</b>                      | <b>7.50</b>      | <b>2.99</b>     | <b>99</b>                 | <b>7.49</b>      | <b>3.15</b>     | <b>101</b>                |
| 2.07 Quality of electricity supply                                 | 3.75             | 3.43            | 101                       | 3.74             | 3.44            | 104                       |
| 2.08 Fixed telephone lines (ITU hard data) <sup>1/2</sup>          | 1.87             | 4.46            | 106                       | 1.87             | 7.27            | 103                       |
| 2.09 Mobile telephone subscriptions (ITU hard data) <sup>1/2</sup> | 1.87             | 80.98           | 88                        | 1.87             | 85.67           | 92                        |
| <b>3rd Pillar: Macroeconomic environment</b>                       | <b>15.00</b>     | <b>4.60</b>     | <b>68</b>                 | <b>14.98</b>     | <b>4.99</b>     | <b>54</b>                 |
| 3.01 Government budget balance, % GDP (IMF hard data)              | 2.50             | (3.89)          | 63                        | 2.50             | (3.67)          | 71                        |
| 3.02 National savings rate, % GDP (IMF hard data)                  | 2.50             | 19.30           | 74                        | 2.50             | 20.11           | 70                        |
| 3.03 Inflation (IMF hard data)                                     | 2.50             | 3.25            | 73                        | 2.50             | 3.80            | 69                        |
| 3.04 Interest rate spread (IMF hard data)                          | 2.50             | 5.83            | 75                        | 2.50             | 4.45            | 50                        |
| 3.05 Government debt, % GDP (IMF hard data)                        | 2.50             | 57.30           | 102                       | 2.50             | 47.34           | 89                        |
| 3.06 Country credit rating (Institutional Investor data)           | 2.50             | 48.50           | 75                        | 2.50             | 54.0            | 63                        |
| <b>4th Pillar: Health and primary education</b>                    | <b>15.00</b>     | <b>5.42</b>     | <b>90</b>                 | <b>14.98</b>     | <b>5.38</b>     | <b>92</b>                 |
| <b>A. Health</b>   | <b>7.50</b>      | <b>6.25</b>     | <b>98</b>                 | <b>7.49</b>      | <b>6.23</b>     | <b>97</b>                 |
| 4.01 Business impact of malaria                                    | 0.94             | 5.12            | 101                       | 0.94             | 5.09            | 101                       |
| 4.02 Malaria incidence (WHO hard data)                             | 0.94             | 143.9           | 96                        | 0.94             | 143.9           | 95                        |
| 4.03 Business impact of tuberculosis                               | 0.94             | 4.49            | 106                       | 0.94             | 4.51            | 107                       |
| 4.04 Tuberculosis incidence (WHO hard data)                        | 0.94             | 284.8           | 117                       | 0.94             | 280.0           | 119                       |
| 4.05 Business impact of HIV/AIDS                                   | 0.94             | 5.02            | 83                        | 0.94             | 5.06            | 80                        |
| 4.06 HIV prevalence (WHO hard data)                                | 0.94             | < 0.1           | 1                         | 0.94             | < 0.1           | 1                         |
| 4.07 Infant mortality (WHO hard data)                              | 0.94             | 25.72           | 89                        | 0.94             | 26.20           | 95                        |
| 4.08 Life expectancy (WHO hard data)                               | 0.94             | 71.83           | 84                        | 0.94             | 72.08           | 82                        |
| <b>B. Primary education</b>  | <b>7.50</b>      | <b>4.59</b>     | <b>93</b>                 | <b>7.49</b>      | <b>4.53</b>     | <b>95</b>                 |
| 4.09 Quality of primary education                                  | 3.75             | 3.09            | 99                        | 3.75             | 3.06            | 110                       |
| 4.10 Primary education enrollment rate (UNESCO hard data)          | 3.75             | 91.69           | 82                        | 3.75             | 91.69           | 81                        |

Prepared by Makati Business Club Research using exclusive unpublished World Economic Forum Executive Opinion Survey data and data published in the Global Competitiveness Reports.

Note: Scores range from 1 to 7 with 7 as the highest except for hard data.

Table 3B

**THE PHILIPPINES UP CLOSE:  
EFFICIENCY ENHANCERS SUBINDEX**

|   | 2010-2011 Report |                 |                           | 2011-2012 Report |                 |                           |
|---|------------------|-----------------|---------------------------|------------------|-----------------|---------------------------|
|   | Index Weight (%) | Score/Hard Data | Rank Out of 139 Countries | Index Weight (%) | Score/Hard Data | Rank Out of 142 Countries |
| <b>GLOBAL COMPETITIVENESS INDEX: PHILIPPINES</b>                              | <b>100.00</b>    | <b>3.96</b>     | <b>85</b>                 | <b>100.00</b>    | <b>4.08</b>     | <b>75</b>                 |
| <b>EFFICIENCY ENHANCERS SUBINDEX</b>  | <b>35.00</b>     | <b>3.93</b>     | <b>78</b>                 | <b>35.10</b>     | <b>4.03</b>     | <b>70</b>                 |
| <b>5th Pillar: Higher education and training</b>                              | <b>5.83</b>      | <b>4.02</b>     | <b>73</b>                 | <b>5.85</b>      | <b>4.13</b>     | <b>71</b>                 |
| <b>A. Quantity of education</b>   | <b>1.94</b>      | <b>4.23</b>     | <b>84</b>                 | <b>1.95</b>      | <b>4.25</b>     | <b>83</b>                 |
| 5.01 Secondary education enrollment rate (UNESCO hard data)                   | 0.97             | 82.46           | 82                        | 0.98             | 82.46           | 81                        |
| 5.02 Tertiary education enrollment rate (UNESCO hard data)                    | 0.97             | 28.69           | 76                        | 0.98             | 28.69           | 75                        |
| <b>B. Quality of education</b>  | <b>1.94</b>      | <b>3.70</b>     | <b>78</b>                 | <b>1.95</b>      | <b>3.84</b>     | <b>77</b>                 |
| 5.03 Quality of the educational system  | 0.49             | 3.69            | 69                        | 0.49             | 3.83            | 61                        |
| 5.04 Quality of math and science education                                    | 0.49             | 3.11            | 112                       | 0.49             | 3.14            | 115                       |
| 5.05 Quality of management schools  | 0.49             | 4.29            | 61                        | 0.49             | 4.38            | 55                        |
| 5.06 Internet access in schools   | 0.49             | 3.71            | 76                        | 0.49             | 4.03            | 73                        |
| <b>C. On-the-job training</b>   | <b>1.94</b>      | <b>4.12</b>     | <b>57</b>                 | <b>1.95</b>      | <b>4.30</b>     | <b>45</b>                 |
| 5.07 Local availability of specialized research and training services         | 0.97             | 3.95            | 77                        | 0.98             | 4.17            | 62                        |
| 5.08 Extent of staff training   | 0.97             | 4.28            | 46                        | 0.98             | 4.42            | 34                        |
| <b>6th Pillar: Goods market efficiency</b>                                    | <b>5.83</b>      | <b>3.86</b>     | <b>97</b>                 | <b>5.85</b>      | <b>4.05</b>     | <b>88</b>                 |
| <b>A. Competition</b>   | <b>3.89</b>      | <b>3.65</b>     | <b>121</b>                | <b>3.90</b>      | <b>3.95</b>     | <b>115</b>                |
| <b>1. Domestic competition</b>  | <b>n.a.</b>      | <b>3.50</b>     | <b>123</b>                | <b>n.a.</b>      | <b>3.83</b>     | <b>114</b>                |
| 6.01 Intensity of local competition   | n.a.             | 4.94            | 65                        | n.a.             | 5.16            | 47                        |
| 6.02 Extent of market dominance   | n.a.             | 3.18            | 109                       | n.a.             | 3.11            | 117                       |
| 6.03 Effectiveness of anti-monopoly policy                                    | n.a.             | 3.71            | 92                        | n.a.             | 3.61            | 98                        |
| 6.04 Extent and effect of taxation <sup>1/2</sup>                             | n.a.             | 3.48            | 77                        | n.a.             | 3.67            | 52                        |
| 6.05 Total tax rate (World Bank hard data)                                    | n.a.             | 49.40           | 99                        | n.a.             | 45.80           | 93                        |
| 6.06 Number of procedures required to start a business (World Bank hard data) | n.a.             | 15              | 128                       | n.a.             | 15.0            | 134                       |
| 6.07 Time required to start a business (World Bank hard data)                 | n.a.             | 52.0            | 120                       | n.a.             | 38.0            | 112                       |
| 6.08 Agricultural policy costs  | n.a.             | 3.61            | 95                        | n.a.             | 3.63            | 89                        |
| <b>2. Foreign competition</b>   | <b>n.a.</b>      | <b>4.28</b>     | <b>99</b>                 | <b>n.a.</b>      | <b>4.42</b>     | <b>92</b>                 |
| 6.09 Prevalence of trade barriers   | n.a.             | 4.30            | 89                        | n.a.             | 4.21            | 89                        |
| 6.10 Trade tariffs (hard data)  | n.a.             | 4.25            | 52                        | n.a.             | 4.03            | 47                        |
| 6.11 Prevalence of foreign ownership  | n.a.             | 4.35            | 104                       | n.a.             | 4.68            | 72                        |
| 6.12 Business impact of rules on FDI  | n.a.             | 4.27            | 98                        | n.a.             | 4.39            | 89                        |
| 6.13 Burden of customs procedures   | n.a.             | 3.00            | 129                       | n.a.             | 2.99            | 128                       |
| 6.14 Imports as a percentage of GDP (World Bank, EIU et al. hard data)        | n.a.             | 30.53           | 92                        | n.a.             | 36.48           | 96                        |
| <b>B. Quality of demand conditions</b>  | <b>1.94</b>      | <b>4.26</b>     | <b>47</b>                 | <b>1.95</b>      | <b>4.25</b>     | <b>50</b>                 |
| 6.15 Degree of customer orientation   | 0.97             | 4.97            | 42                        | 0.98             | 4.93            | 46                        |
| 6.16 Buyer sophistication   | 0.97             | 3.55            | 60                        | 0.98             | 3.58            | 56                        |
| <b>7th Pillar: Labor market efficiency</b>                                    | <b>5.83</b>      | <b>3.93</b>     | <b>111</b>                | <b>5.85</b>      | <b>3.92</b>     | <b>113</b>                |
| <b>A. Flexibility</b>   | <b>2.92</b>      | <b>4.04</b>     | <b>110</b>                | <b>2.93</b>      | <b>4.06</b>     | <b>111</b>                |
| 7.01 Cooperation in labor-employer relations                                  | 0.53             | 4.46            | 56                        | 0.53             | 4.47            | 55                        |
| 7.02 Flexibility of wage determination  | 0.53             | 4.65            | 96                        | 0.53             | 4.54            | 102                       |

|  | 2010-2011 Report |                  |                           | 2011-2012 Report |                  |                           |
|--|------------------|------------------|---------------------------|------------------|------------------|---------------------------|
|  | Index Weight (%) | Score/ Hard Data | Rank Out of 139 Countries | Index Weight (%) | Score/ Hard Data | Rank Out of 142 Countries |
| 7.03 Rigidity of employment (World Bank hard data)                 | 0.53             | 29.00            | 75                        | 0.53             | 29.00            | 79                        |
| 7.04 Hiring and firing practices                                   | 0.53             | 3.17             | 116                       | 0.53             | 3.29             | 113                       |
| 7.05 Redundancy (firing) costs (World Bank hard data)              | 0.53             | 91.00            | 114                       | 0.53             | 91.00            | 118                       |
| 6.04 Extent and effect of taxation <sup>1/2</sup>                  | 0.26             | 3.48             | 77                        | 0.27             | 3.67             | 52                        |
| <b>B. Efficient use of talent</b>                                  | <b>2.92</b>      | <b>3.82</b>      | <b>94</b>                 | <b>2.93</b>      | <b>3.78</b>      | <b>91</b>                 |
| 7.06 Pay and productivity  | 0.83             | 3.81             | 82                        | 0.84             | 3.82             | 76                        |
| 7.07 Reliance on professional management <sup>1/2</sup>            | 0.42             | 4.72             | 47                        | 0.42             | 4.62             | 50                        |
| 7.08 Brain drain   | 0.83             | 3.08             | 85                        | 0.84             | 3.05             | 91                        |
| 7.09 Female participation in labor force (ILO hard data)           | 0.83             | 0.63             | 104                       | 0.84             | 0.63             | 103                       |
| <b>8th Pillar: Financial market development</b>                    | <b>5.83</b>      | <b>4.04</b>      | <b>75</b>                 | <b>5.85</b>      | <b>4.02</b>      | <b>71</b>                 |
| <b>A. Efficiency</b>   | <b>2.92</b>      | <b>3.93</b>      | <b>51</b>                 | <b>2.93</b>      | <b>3.83</b>      | <b>47</b>                 |
| 8.01 Availability of financial services                            | 0.49             | 5.06             | 49                        | 0.59             | 4.89             | 50                        |
| 8.02 Affordability of financial services                           | 0.49             | 4.83             | 37                        | 0.59             | 4.67             | 42                        |
| 8.03 Financing through local equity market                         | 0.49             | 3.81             | 56                        | 0.59             | 3.98             | 44                        |
| 8.04 Ease of access to loans                                       | 0.49             | 2.92             | 55                        | 0.59             | 3.03             | 52                        |
| 8.05 Venture capital availability                                  | 0.49             | 2.46             | 75                        | 0.59             | 2.58             | 71                        |
| <b>B. Trustworthiness and confidence</b>                           | <b>2.92</b>      | <b>4.15</b>      | <b>98</b>                 | <b>2.93</b>      | <b>4.21</b>      | <b>97</b>                 |
| 8.06 Soundness of banks  | 0.97             | 5.57             | 38                        | 0.98             | 5.57             | 46                        |
| 8.07 Regulation of securities exchanges                            | 0.97             | 4.10             | 73                        | 0.98             | 4.25             | 64                        |
| 8.08 Legal rights index (World Bank hard data)                     | 0.97             | 3.00             | 103                       | 0.98             | 3.00             | 105                       |
| <b>9th Pillar: Technological Readiness</b>                         | <b>5.83</b>      | <b>3.20</b>      | <b>95</b>                 | <b>5.85</b>      | <b>3.47</b>      | <b>83</b>                 |
| <b>A. Technological adoption</b>                                   | <b>2.92</b>      | <b>4.85</b>      | <b>66</b>                 | <b>2.93</b>      | <b>4.97</b>      | <b>61</b>                 |
| 9.01 Availability of latest technologies                           | 0.97             | 5.14             | 62                        | 0.98             | 5.16             | 62                        |
| 9.02 Firm-level technology absorption                              | 0.97             | 4.98             | 59                        | 0.98             | 5.06             | 52                        |
| 9.03 FDI and technology transfer                                   | 0.97             | 4.43             | 88                        | 0.98             | 4.69             | 66                        |
| <b>B. ICT use</b>  | <b>2.92</b>      | <b>1.56</b>      | <b>106</b>                | <b>2.93</b>      | <b>1.97</b>      | <b>93</b>                 |
| 9.04 Internet users (ITU hard data)                                | 0.73             | 6.47             | 112                       | 0.73             | 25.0             | 88                        |
| 9.05 Broadband Internet subscriptions (ITU hard data)              | 0.73             | 1.87             | 84                        | 0.73             | 1.85             | 90                        |
| 9.06 Internet bandwidth (ITU hard data)                            | 0.73             | 1.13             | 101                       | 0.73             | 2.68             | 76                        |
| 2.08 Fixed telephone lines (ITU hard data) <sup>1/2</sup>          | 0.36             | 4.46             | 106                       | 0.37             | 7.27             | 103                       |
| 2.09 Mobile telephone subscriptions (ITU hard data) <sup>1/2</sup> | 0.36             | 80.98            | 88                        | 0.37             | 85.67            | 92                        |
| <b>10th Pillar: Market size</b>                                    | <b>5.83</b>      | <b>4.54</b>      | <b>37</b>                 | <b>5.85</b>      | <b>4.57</b>      | <b>36</b>                 |
| 10.01 Domestic market size index (hard data)                       | 4.37             | 4.39             | 33                        | 4.39             | 4.42             | 31                        |
| 10.02 Foreign market size index (hard data)                        | 1.46             | 4.98             | 43                        | 1.46             | 5.02             | 40                        |

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Note: Scores range from 1 to 7 with 7 as the highest except for hard data.

n.a. - not available

**Table 3C**
**THE PHILIPPINES UP CLOSE:  
INNOVATION AND SOPHISTICATION FACTORS SUBINDEX**

|  | 2010-2011 Report |                  |                           | 2011-2012 Report |                  |                           |
|--|------------------|------------------|---------------------------|------------------|------------------|---------------------------|
|  | Index Weight (%) | Score/ Hard Data | Rank Out of 139 Countries | Index Weight (%) | Score/ Hard Data | Rank Out of 142 Countries |
| <b>GLOBAL COMPETITIVENESS INDEX: PHILIPPINES</b>               | <b>100.00</b>    | <b>3.96</b>      | <b>85</b>                 | <b>100.00</b>    | <b>4.08</b>      | <b>75</b>                 |
| <b>INNOVATION AND SOPHISTICATION FACTORS SUBINDEX</b>          | <b>5.00</b>      | <b>3.38</b>      | <b>75</b>                 | <b>5.00</b>      | <b>3.45</b>      | <b>74</b>                 |
| <b>11th Pillar: Business Sophistication</b>                    | <b>2.50</b>      | <b>4.04</b>      | <b>60</b>                 | <b>2.50</b>      | <b>4.11</b>      | <b>57</b>                 |
| 11.01 Local supplier quantity                                  | 0.26             | 4.80             | 68                        | 0.26             | 5.00             | 52                        |
| 11.02 Local supplier quality                                   | 0.26             | 4.40             | 70                        | 0.26             | 4.40             | 71                        |
| 11.03 State of cluster development                             | 0.26             | 3.69             | 55                        | 0.26             | 3.80             | 54                        |
| 11.04 Nature of competitive advantage                          | 0.26             | 3.32             | 67                        | 0.26             | 3.30             | 74                        |
| 11.05 Value-chain breadth                                      | 0.26             | 3.70             | 59                        | 0.26             | 3.60             | 67                        |
| 11.06 Control of international distribution                    | 0.26             | 4.27             | 45                        | 0.26             | 4.20             | 47                        |
| 11.07 Production process sophistication                        | 0.26             | 3.33             | 86                        | 0.26             | 3.60             | 72                        |
| 11.08 Extent of marketing                                      | 0.26             | 4.49             | 50                        | 0.26             | 4.60             | 40                        |
| 11.09 Willingness to delegate authority                        | 0.26             | 4.00             | 38                        | 0.26             | 4.20             | 33                        |
| 7.07 Reliance on professional management <sup>1/2</sup>        | 0.13             | 4.72             | 47                        | 0.13             | 4.60             | 50                        |
| <b>12th Pillar: Innovation</b>                                 | <b>2.50</b>      | <b>2.73</b>      | <b>111</b>                | <b>2.50</b>      | <b>2.79</b>      | <b>108</b>                |
| 12.01 Capacity for innovation                                  | 0.33             | 2.76             | 80                        | 0.33             | 2.71             | 95                        |
| 12.02 Quality of scientific research institutions              | 0.33             | 2.90             | 108                       | 0.33             | 3.01             | 106                       |
| 12.03 Company spending on R & D                                | 0.33             | 2.81             | 85                        | 0.33             | 2.88             | 85                        |
| 12.04 University-industry collaboration in R&D                 | 0.33             | 3.27             | 85                        | 0.33             | 3.39             | 83                        |
| 12.05 Government procurement of advanced technology products   | 0.33             | 2.68             | 129                       | 0.33             | 2.82             | 126                       |
| 12.06 Availability of scientists and engineers                 | 0.33             | 3.63             | 96                        | 0.33             | 3.66             | 97                        |
| 12.07 Utility patents (U.S. Patent and Trade Office hard data) | 0.33             | 0.3              | 71                        | 0.33             | 0.4              | 68                        |
| 1.02 Intellectual property protection <sup>1/2</sup>           | 0.16             | 2.78             | 103                       | 0.16             | 2.80             | 102                       |

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