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## Abstract

Multiple reports and the latest social feeds continue to highlight Lebanon's grim economic outlook, the reason why identifying new strategies to nurture Lebanon's growth today is crucial. In this report, we consult the performance of our country on the World Economic Forum (WEF)'s *Global Competitiveness Index (GCI)*, to pinpoint national barriers to a modern "multi-dimensional growth".

Lebanon's GCI ranking and scores are analyzed and measured against three sub-indices: Basic requirements, Efficiency enhancers, and Innovation & sophistication factors. Ultimately, the analyses and index reveal that the best way forward- for Lebanon & modern economies suffering sluggish growth- is through public policy and economic growth that focuses more on human well-being, similar to the historical "welfare state". The WEF, an international organization for public-private collaboration, generates the GCI and we use it to compare Lebanon's performance on 12 determinants (pillars) of growth to some Arab counterparts and the Middle East and Africa region (MENA).

## Context

**The contemporary world expanded prevailing economic models to include developmental strategies to nurture "human welfare" alongside growth.** Every economic crisis in history shifted some paradigms of classical economics, which eventually reformed nations' policy-making environment. Since the 2008 crisis, economic growth remained sluggish worldwide. Meanwhile, policymakers' major concern shifted towards exploring ways to ensure a "long-term and sustainable" growth that is attainable by nurturing both: human welfare (i.e. sustainability, equity, productivity, competitiveness), alongside economic growth.

As such, economic growth today corresponds to a multidimensional notion of economic progress, represented by the “Global Competitiveness<sup>1</sup> Index” (GCI). The WEF's GCI highlighted in this report is a modern index which emphasizes that national productivity and competitiveness are fundamental drivers of growth too. Rather than strictly measuring headline GDP figures to evaluate economic growth, the WEF operating in the contemporary world created the GCI. The index evaluates 114 indicators which measure different dimensions of a nation's productivity and long-term prosperity. These indicators are grouped into 12 pillars, also referred to as growth determinants or GCI components, noting that Lebanon's pillars are analyzed in details in the next sections. In turn, the GCI components are divided into 3 sub-indices: “basic requirements, efficiency enhancers, and innovation and sophistication factors”.

### The GCI: Pillars, Overall Score, & Rank

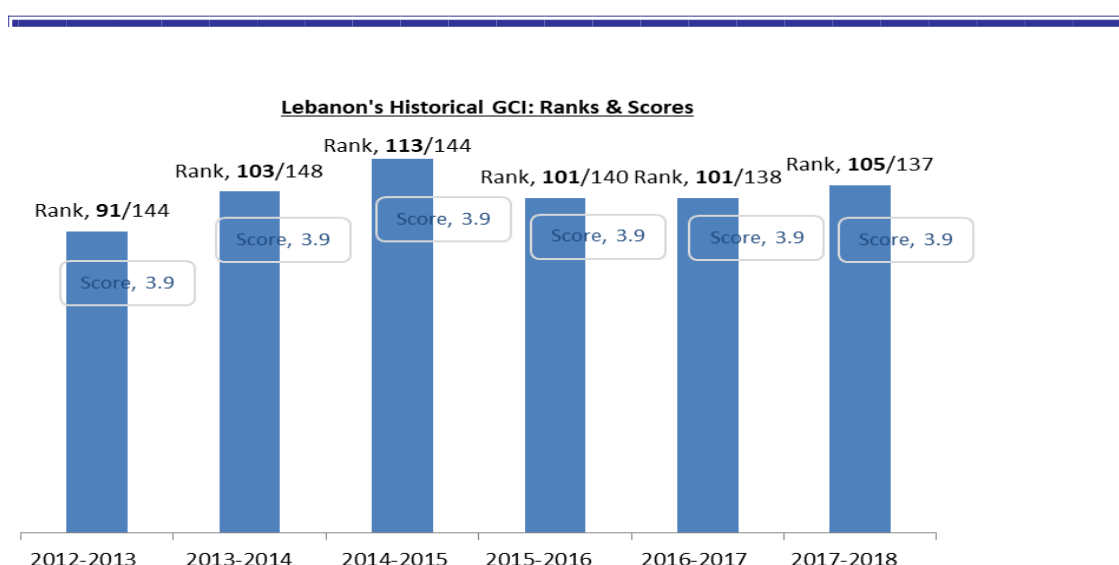
**2018's GCI tracks determinants of long term growth in 137 countries, of which 12 are states of the Arab World including Lebanon.** The 2018 WEF report assesses, measures, and benchmarks the “competitiveness” of 137 countries, of which 12 are Arab states of interest to benchmark Lebanon's score and rank. These countries are: Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates (“*resource-rich*” countries), as well as Egypt, Jordan, Lebanon, Morocco, and Tunisia (“*resource-poor*”). Every nation in the GCI sample of 137 states studied obtains: an overall GCI score (derived from the respective weight of the measured sub-index) and a GCI rank.

**The GCI overall score consists of the weighted average of the 12 pillars, measured on a scale of 1-7 (best).** The 12 pillars measure different aspects of competitiveness, so they can be grouped as follows: “Institutions; infrastructure; macroeconomic environment; health and primary education”. These 4 fall under the sub-index of “basic requirements”. Meanwhile, the 6 pillars of: “higher education and training; goods and market efficiency; labour market efficiency; financial market development; technological readiness; market size” compose the sub-index “efficiency enhancers”. Lastly, the GCI components: “business sophistication; innovation” fall under the third sub-index, “innovation and sophistication”. The country's score on each of the 12 components is measured on a scale of 1 to 7 (best), and then weighted to obtain one overall score that ranks the country accordingly.

### Lebanon's GCI: Overall Rank & Scores

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<sup>1</sup>The GCI defines competitiveness as: “the set of institutions, policies, and factors that determine the level of productivity of a country.”



Source: BLOMinvest Bank; WEF GCI Report, 2018

Globally, Switzerland ranked first earning the highest GCI score among the sample, while Lebanon came in 105<sup>th</sup> of 137. Switzerland ranked first this year, as well in 2016-2017's report, with a highest overall GCI score of 5.85 out of 7 for 2017-2018, up from last year's 5.81/7 overall score. Meanwhile, Lebanon ranked 105<sup>th</sup>, slipping four ranks from last year. Lebanon came just before Senegal and just after the Dominican Republic in its ranking. In fact, a time series analysis of Lebanon's GCI rankings and scores reveals the country's competitiveness has remained somewhat stagnant, while other countries worked on developing multiple pillars.

		Score (1-7) in 2017-2018	Score (1-7) in 2016-2017
<b>Lebanon's Overall GCI Score, of which:</b>		<b>3.8</b>	<b>3.8</b>
<b>Sub-index: Basic requirements</b>	Pillar 1. Institutions	3.2	3.3
	Pillar 2. Infrastructure	2.8	2.7
	Pillar 3: Macroecon. Environment	2.5	2.3
	Pillar 4. Health & Primary Education	5.8	6.0
<b>Sub-index: Efficiency enhancers</b>	Pillar 5. Higher Education & Training	4.3	4.5
	Pillar 6. Goods market efficiency	4.4	4.4
	Pillar 7. Labour market efficiency	3.7	3.9
	Pillar 8. Financial market development	3.9	4.0
	Pillar 9. Technological readiness	4.4	4.0
	Pillar 10. Market Size	3.6	3.5
<b>Sub-index: Innovation</b>	Pillar 11. Business Sophistication	4.2	4.2
	Pillar 12. Innovation	3.4	3.4

Source: GCI Report – Lebanon Country Profile, 2017-2018

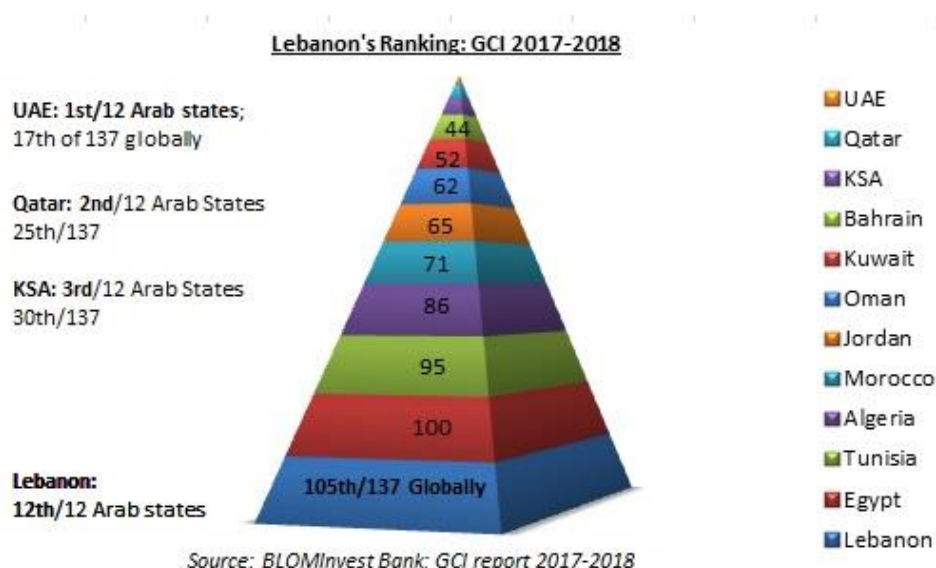
**Highlighting the indicators with the lowest scores from the list of 12 pillars, gives great insight on Lebanon's degrading policy-making climate.** For instance, Lebanon's "institutions" pillar reveals that Lebanon performs worst when it comes to *Government spending* and *Public trust in politicians*, whereby it scores a 1.8/7 ranking 130<sup>th</sup> of 137 globally on the former indicator, while the score on the latter is as low as 1.7/7 thus ranking Lebanon 128<sup>th</sup>/137. Similarly, in terms of "infrastructure", the *Quality of electricity supply* scores a lowest 1.7/7 GCI score which leaves Lebanon 134<sup>th</sup>/137. *FDI& technology transfer* indicator on the technological readiness front ranked Lebanon 122<sup>nd</sup>/137 with a GCI score of 3.4/7. Meanwhile, the *Government's procurement of advanced technology products* scored 2.8/7 on the GCI with Lebanon coming in as far as 114<sup>th</sup>/137.

**Also worth highlighting is the country's low *Capacity to retain* as well its *Ability to attract talent* as per the GCI.** The respective scores stand at 2.9/7 and 2.6/7, ranking Lebanon 105<sup>th</sup> of 137 on both indicators. In fact, 90% of the respondents in Lebanon believe that "*a personal connection (wasta) is critical to securing work in Lebanon*" according to a survey in the 2018 World Bank report on Education in the MENA region. This actually leaves Lebanon with the highest score on this parameter, compared to 15 other MENA nations.

**It seems that the worst pillar for Lebanon is the "macroeconomic environment".** Lebanon ranked 135<sup>th</sup>/137 in terms of its debt to GDP ratio, which as per the WEF stood at 143.4%, while it also lagged behind, coming 129<sup>th</sup>/137 on the gross national savings at 6.3% of GDP as per the GCI report.

**On the counterpart, Lebanon's performance review reveals improved scores only on two pillars: ICT and entrepreneurial climate.** The progress on these pillars is partly revealed via Lebanon's GCI scores and ranks two main indicators. The *Fixed broadband internet subscriptions* component of the technology pillar ranks Lebanon 35<sup>th</sup>/137, as well as the 32<sup>nd</sup>/137 *Venture capital availability* in the country.

## GCI Scores Comparison: Lebanon, the Arab World, & MENA



**Lebanon is the lowest ranking Arab country on global competitiveness.** Lebanon's score on the majority of the long term growth pillars lagged behind the Arab World's. In fact, Lebanon ranked 12<sup>th</sup> out of the 12 Arab states (and 119<sup>th</sup> of 137) on the "basic requirements" sub-index including pillars like productivity of institutions, infrastructure, macroeconomics, and health. It ranked 8<sup>th</sup>/12 Arab states (or 76<sup>th</sup>/137) on the sub-index "efficient enhancers" which measures the efficiency of higher education, labour market, financial development, technology and market size. Nonetheless, Lebanon ranked 6<sup>th</sup>/12 (or 52<sup>nd</sup>/137) on the "innovation and sophistication" sub-index related to technology and business sophistication.

**Lebanon also lagged behind the scores of the Middle East and North Africa (MENA) on 5 long-term growth pillars.** The competitiveness of Lebanon scored below the MENA on 5 out of the 12 pillars assessed by the GCI. In details, the determinants lagging behind the MENA are: the Macroeconomic environment, Infrastructure, Institutions, Market size, and Innovation.

### Lebanon's Most Problematic Factors

**Lebanon's first problematic factor for 2017-2018 is political turbulences.** According to the WEF's executive opinion survey conducted in 2017, business executives rated the following 4 factors out of 16 as "most problematic to doing business" in Lebanon. The constant "government instability", such as the November 2017 prime minister coup, came first on the list. Political headwinds surface often and commonly on the Lebanese political scene, yet they are almost immediately weaved into the nation's economic front, thus weighing down on investors' confidence and the economy.

**The next on the list of most challenging factors are corruption, poor infrastructure, and inefficient public bureaucracy.** Corruption can emerge in the form of bribes, personal connections (*wasta*), misuse of power/authority, personal over public benefit, short-sighted policies and projects that cater for short-term profit rather than public good. According to the WEF, "inadequate supply of infrastructure", followed by "Inefficient government bureaucracy" are next on the list of top risk factors. While the latter is mostly synonymous with weak or untimely administration of public services to serve citizens, the former involves poor transport networks, roads, electricity, and water supply.

### Final Thoughts: Public Policy & Multi-dimensional Growth

**The GCI aims to assist policy-makers and statesmen grasp the multi-faceted challenge of economic growth in the modern era.** Scrutinizing Lebanon's scores and ranks, we can infer the urgent need to reform and design policies that can better traditional growth drivers but also improve non-traditional indicators including socio-economic parameters that nurture citizens' wellbeing. Relying on modern models such as Public Private Projects (PPP) and public-private collaborations to restore national and international confidence in the economy can also push for more rigorous recovery and economic development. As such,

improving Lebanon's ranking on the GCI's 12 components (pillars) necessitates strong collaborations between the public sector, private sector, and civil society.

**Public policy lies at the core of nations' economic wellness, as it spurs all-inclusive multidimensional growth.** The GCI's 114 indicators grouped under the GCI's 12 pillars which monitor/advise countries to improve components like, market and labour efficiency, health, education, infrastructure (all public goods), and innovation, actually coincide with historical evidence of nations pursuing multidimensional growth rather than a one-sided, economic development. For instance, the UK announced a "social welfare state" in 1942, as a plan to introduce socio-economic reforms that abolish factors like poverty, diseases, ignorance, corruption and inefficiency (unemployment).

**These same wellness indicators were also given special attention by the United Nations and the World Bank.** In 1946 and in the 1990s, respectively, when the UN-Human Rights Declaration was commissioned while the WB in its turn launched the Highly Indebted Poor Countries (HIPC) initiative. Both initiatives aimed to pursue economic rehabilitation through nurturing multidimensional growth i.e. via social capital, political integration, and public health.

**Existing and new national policies must prioritize 'micro-wellbeing' parameters too.** Recent evidence, including the competitiveness index (GCI) of the WEF among many other modern parameters coined, can prop-up individuals' health, social inclusion, human capital skills, and safety, which goes hand-in-hand with higher national productivity, quality of goods and services, and ultimately higher GDP growth.

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