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ECONOMY-RELATED COUNTRY RANKINGS

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Economy-Related Country Rankings. Economic Systems, Socio-Economic Development and Business Environments in International Comparison

By Heiko Pleines, Research Centre for East European Studies at the University of Bremen

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The Idea of the Rankings

The number of economy-related country rankings has been steadily increasing. By one account the number of global performance indices has risen from less than 50 in 1999 to over 150 only 15 years later (The Economist 2014). Most economy-related rankings take the model of free, market-based competition as a reference point and then measure how closely specific countries approach this ideal. In addition to general assessments of the quality and competitiveness of economic systems, the evaluation of business environments has gained special attention as it is seen as a major precondition for investment and economic growth. Some rankings have a developmental background and focus on socio-economic conditions. Others look at specific aspects linked to the economy, like corruption or environmental problems. Taken together, these rankings broadly examine economic systems and economic developments among the world's countries.

In their methodological approach, most rankings combine statistical data and expert assessments in order to construct an index. The index is divided into several subdivisions and, for each subdivision, suitable indicators are selected. For subdivisions, which cannot fully be measured using statistical data, expert assessments are added. In the extreme, the UNDP's Human Development Index relies solely on statistical data, while the World Bank's Worldwide Governance Indicators include only expert assessments.

A special case is the World Bank's "Ease of Doing Business" ranking, which assesses the regulatory environment for the initiation and operation of a local firm (in terms of money, time and number of required administrative acts). In a similar methodological approach, the Open Budget Index offers a systematic quantitative assessment of the transparency of state budgets.

It is important to note that many rankings change their results and methods retrospectively. The World Bank, for example, has changed the method of the Doing Business ranking in 2009, 2012 and again in 2014. In the following three years each ranking incorporated further changes. Each methodology expansion was recalculated for one year to provide comparable indicator values and scores for the previous year.

Another important point, when working with the rankings, is that the year indicated in the ranking usually refers to the year of publication, not to the year which is being assessed. For example, the 2018 Doing Business Ranking refers to data as of June 2017.

Discussing Reliability

Without implying any intentions to manipulate, it is obvious that there are several ways to measure rather abstract concepts like competitiveness or socio-economic development and that different ways of measurement most likely lead to different results. In sum, there are five major points of criticism concerning the reliability of rankings:

- (1) subjectivity of experts' assessments. Looking at the World Bank's Worldwide Governance Indicators, which are based exclusively on experts' assessments, Carmen Apaza (2009) has summarized the criticism focusing on the questions of how well the assessments of different experts can be compared, how independent the experts are from each other, and how representative the selection of experts is.
- (2) validity of national statistics. Although national statistics provide supposedly "hard" facts, many national statistics include unreliable data and figures which have been manipulated for political ends. A World Bank study authored by Lire Ersado (2006) on the low value of Azerbaijan's Gini coefficient, for example, comes to the conclusion that the main explanation is that richer households declined to take part in the survey used to calculate the results. A study by Hendrik Wolff and colleagues (2011) has shown that small corrections of underlying data can fundamentally change the ranking of countries in the Human Development Index.
- (3) comparability of data between countries. Although rankings take the same indicators for all countries, their calculation can differ between countries. A prominent example for this is unemployment figures, which can measure those formally registered as unemployed, those actively searching for a job, those claiming in public surveys that they are unemployed or those of working age who currently are not employed. For expert assessments, it is even more obvious that they do not take the world average as their benchmark, but commonly compare only a limited number of countries.

- (4) index construction. Often sub-indices with a very broad title are built on the basis of only a rather small number of indicators. The selection, as well as the weighting of indicators, can change the index value considerably. Obviously, there is no objective way to establish the only possible indicators and their true weight. As a result the rankings do not simply report facts, but they establish some aspects as important and other as irrelevant. The Index of Economic Freedom, for example, started only in 2005 to include the labour market. Doing Business reports data for labor market regulation, but does not include the topic in the actual ranking.
- (5) index value vs. rank. Most commentators focus on the rank of countries and not on the absolute index value. Doing so, they often overlook that small differences in the underlying index value can lead to huge differences in the rank. Bjørn Høyland and colleagues (2012) have compared rank and index value in the World Bank's Doing Business Ranking. They conclude: "While the ranking, after taking uncertainty into account, clearly distinguishes the best economies from the worst, it does not distinguish particularly well between the economies that are somewhere in between. There is a large group of more than 100 countries, among which it is almost impossible to identify any differences."

An independent panel asked by the World Bank to assess the Doing Business Ranking also voiced a lot of criticism, stressing the risk of misinterpretations, the lack of data, a methodology measuring only what fits to the measurement process and a problematic use of aggregated data. The suggestions by the panel led to a revision of the methodology and to a substantial change in the values for many countries. (Independent Panel 2013).

Conclusion

Despite all the criticism the rankings play an important role in politics, business and media. They are also used in academic research. Although they have their limits, they give some orientation on the state of different national economies and they also have an impact on the image of the respective countries.

Documentation

The following documentation offers an overview of the major political country rankings and their evaluation of the three countries of the South Caucasus. Each ranking is briefly introduced based on information provided online by the institution responsible for the ranking. Please follow the respective links for further information on the rankings. For each ranking the development of the values of the three South Caucasian countries is indicated in tables and graphs.

About the Author

Heiko Pleines is Head of the Department of Politics and Economics at the Research Centre for East European Studies and Professor of Comparative Politics at the University of Bremen. He has been working as an independent country expert for the Bertelsmann Transformation Index, Global Integrity and Transparency International.

The full dataset has been prepared for the Discuss Data project and will be available online at www.discuss-data.net

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DOCUMENTATION

Economy-Related Country Rankings

This documentation aims to include all global country rankings related to economic systems, socio-economic development and business environments, including issues of globalisation, sustainability and equal opportunity¹, which:

- Assign scores in the form of numbers,
- Are based on an elaborated methodology which is documented,
- Include countries of the South Caucasus region,
- Are published regularly covering a period of several years since the end of the Soviet Union, i.e. since 1992.

For all rankings, which fulfil the selection criteria, the general or total scores of the South Caucasus countries have been included in this documentation. The scores provided by the original source have been copied without any changes to the values. Later revisions of earlier data have been incorporated as of October 2018.

When using the ranking data it is important to check whether the year indicated in the ranking refers to the year covered by the ranking or to the year of publication. The respective information is given for each ranking in the following documentation.

There is a controversial debate about the reliability, validity and informative value of country rankings. A brief introduction to this debate is given in the preceding article. It also includes an extensive bibliography of academic literature on the validity of economy-related country rankings.

¹ Indices related to corruption have been included in the documentation of country rankings related to political regimes, which has been published in *Caucasus Analytical Digest No. 106* <<http://www.laender-analysen.de/cad/pdf/CaucasusAnalyticalDigest106.pdf>>.

BDO International Business Compass (IBC)

Prepared by: BDO AG Wirtschaftsprüfungsgesellschaft and HWWI (Hamburgisches WeltWirtschaftsInstitut)

Since: 2012

Frequency: Annual

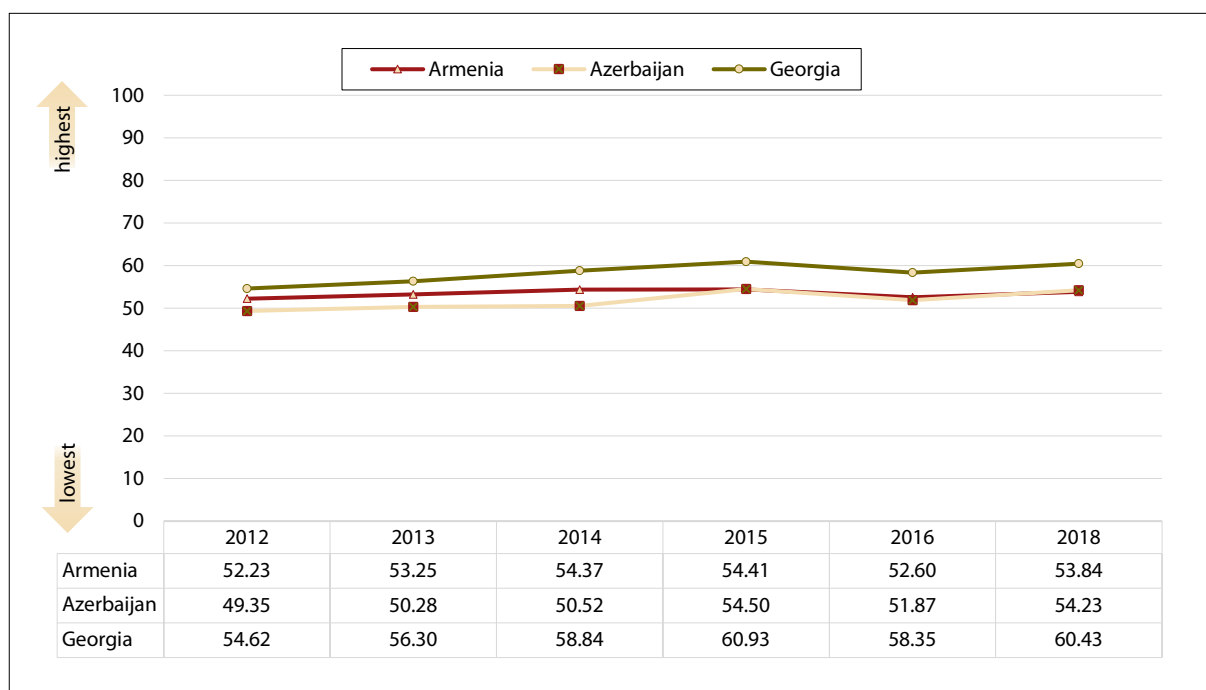
It is not clear to which year the individual indicators refer which are included in the index for a specific year.

Countries included: 174

URL: <<https://www.bdo-ibc.com/index/global-comparison/overall-index/>>

Figure 1: BDO International Business Compass 2012–2018

Range of scores: 0 (lowest) to 100 (highest)



Source: <<https://www.bdo-ibc.com/index/global-comparison/overall-index/>>

Global Innovation Index

Prepared by: Cornell University, INSEAD, World Intellectual Property Organization (WIPO)

Established: 2007

Frequency: annual

The scores refer to the respective previous year

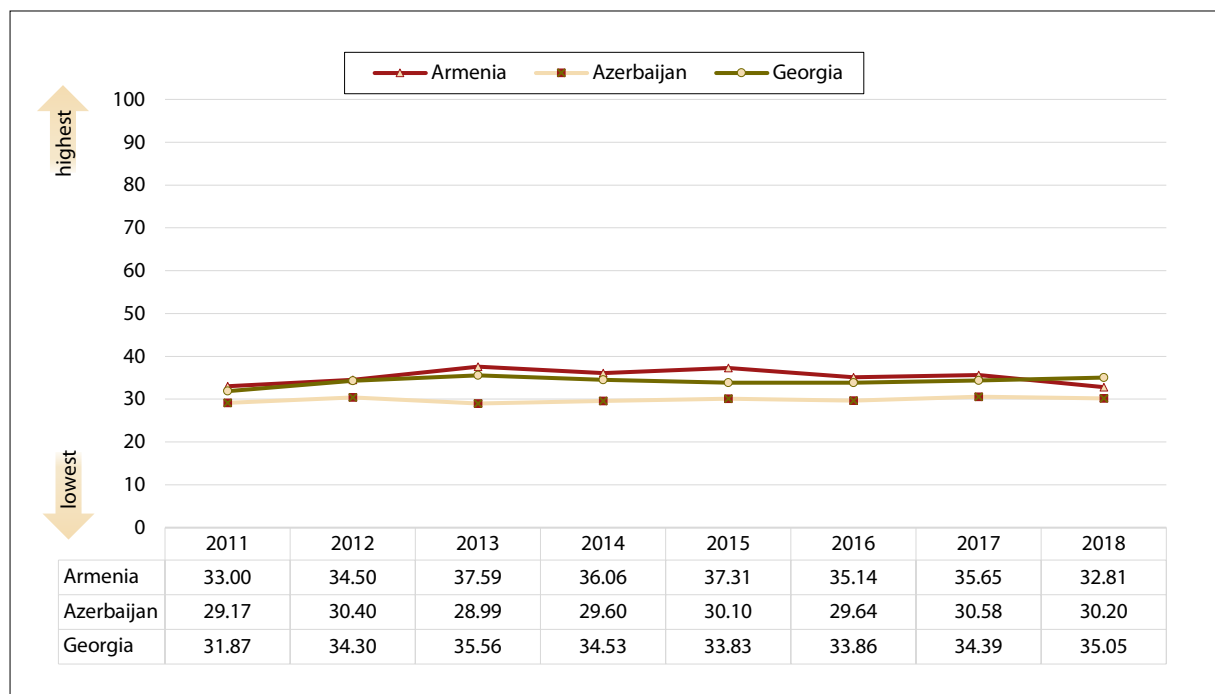
Countries included: 107 (2007), 130 (2008/09), 132 (2009/10), 125 (2011), 141 (since 2012)

URL: <<https://www.globalinnovationindex.org/about-gii#reports>>

Figure 2: Global Innovation Index 2011–2018

Range of scores: 0 (lowest) to 100 (highest)

Note: From 2007 to 2009/10 scoring differed significantly from the present system, making a comparison impossible; for this reason the Caucasus Analytical Digest has decided not to include data for the years from 2007 to 2009/10)



Source: <<https://www.globalinnovationindex.org/about-gii#reports>>

Index of Economic Freedom

Prepared by: The Heritage Foundation and Wall Street Journal (USA)

Since: 1995

Frequency: Annual

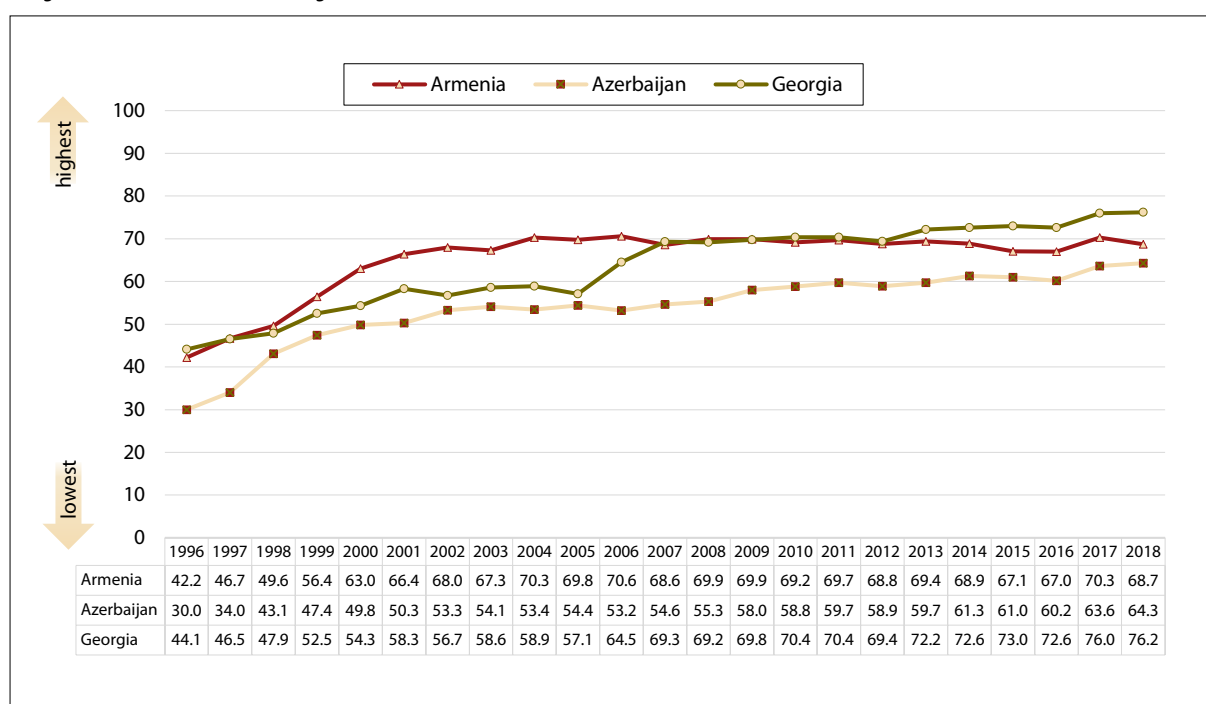
The scores refer to the respective previous year.

Countries included: 186

URL: <<http://www.heritage.org/index/ranking>>

Figure 3: Index of Economic Freedom 1996–2018

Range of scores: 0 (lowest) to 100 (highest)



Source: <<https://www.heritage.org/index/ranking>> and <<https://www.heritage.org/index/explore?view=by-region-country-year>>

Open Budget Index

Prepared by: International Budget Partnership

Since: 2006

Frequency: every two years (with exceptions)

The scores refer to the respective previous year.

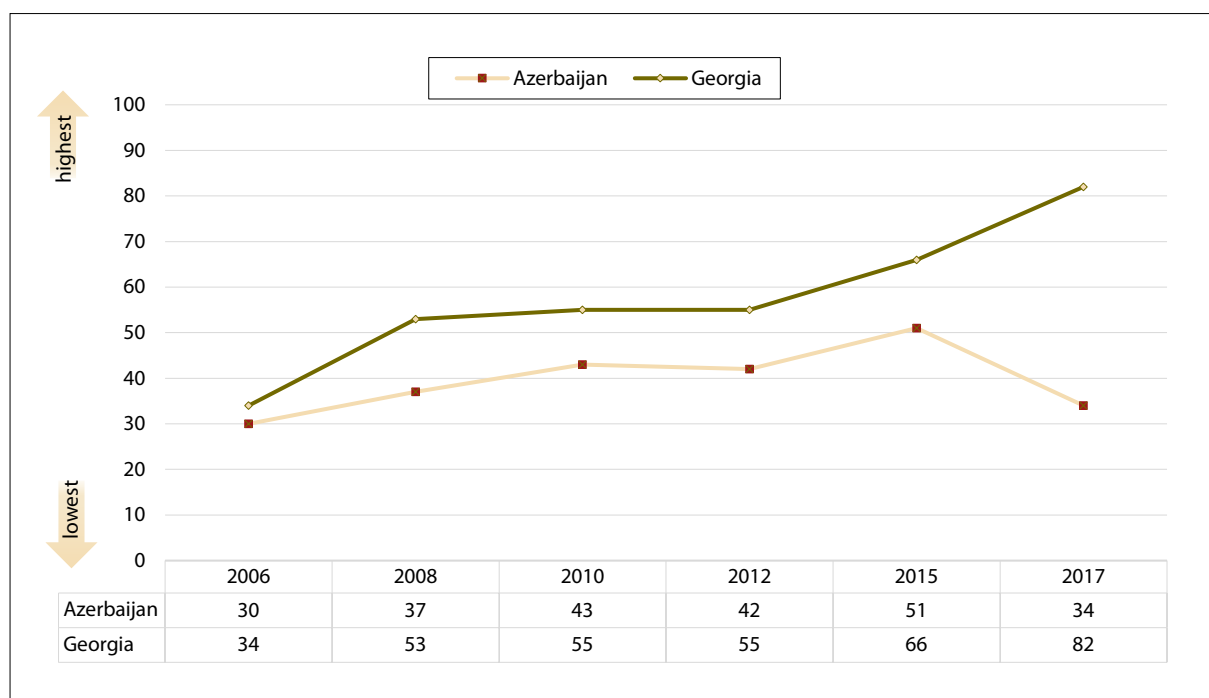
Countries included: 40 (2006), 77 (2008), 91 (2010), 98 (2012), 101 (2015), 112 (2017)

URL: <https://www.internationalbudget.org/open-budget-survey/>

Figure 4: Open Budget Index 2006–2017

Range of scores: 0 (lowest) to 100 (highest)

Note: Armenia is not covered by the index.



Source: <http://survey.internationalbudget.org/#timeline>

Legatum Prosperity Index

Prepared by: Legatum Institute

Since: 2007

Frequency: annual

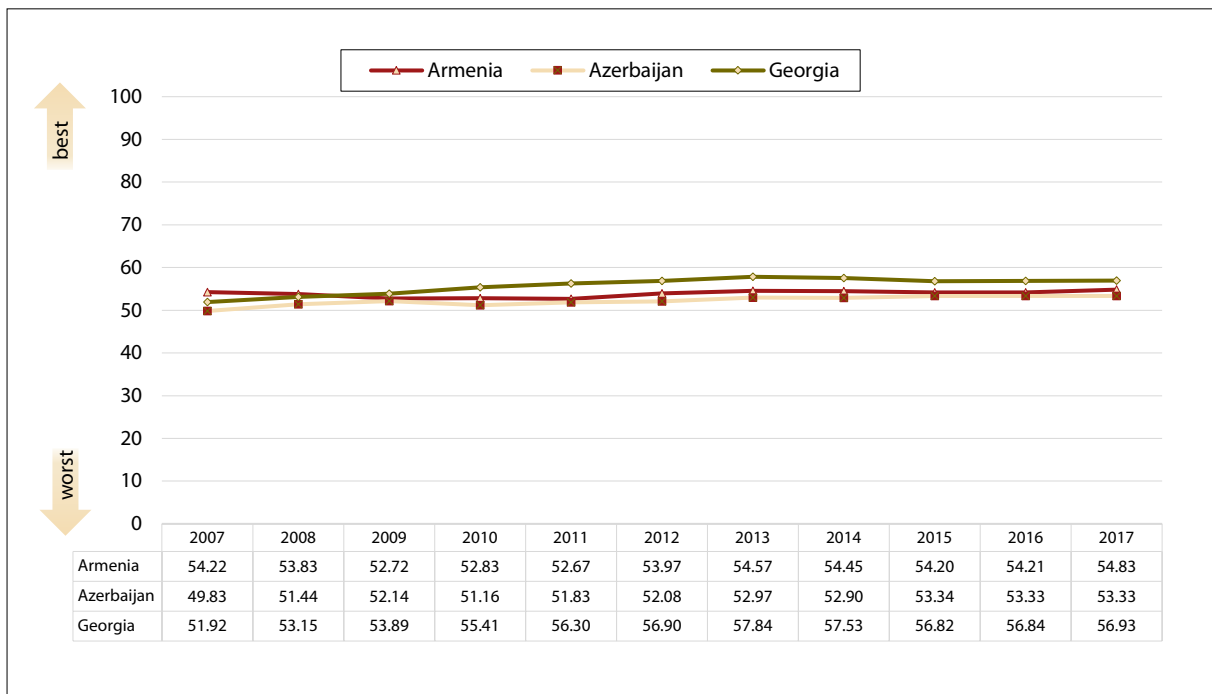
The scores refer to the respective previous year.

Countries included: 149

URL <<http://www.prosperity.com/#!/ranking>>

Figure 5: Legatum Prosperity Index 2007–2017

Range of scores: 0 (worst) to 100 (best)



Source: <http://www.prosperity.com/download_file/view/3500/1692>

KOF Index of Globalization

Prepared by: Swiss Federal Institute of Technology Zurich

Since: 2002 (data calculated backwards to 1970)

Frequency: annual

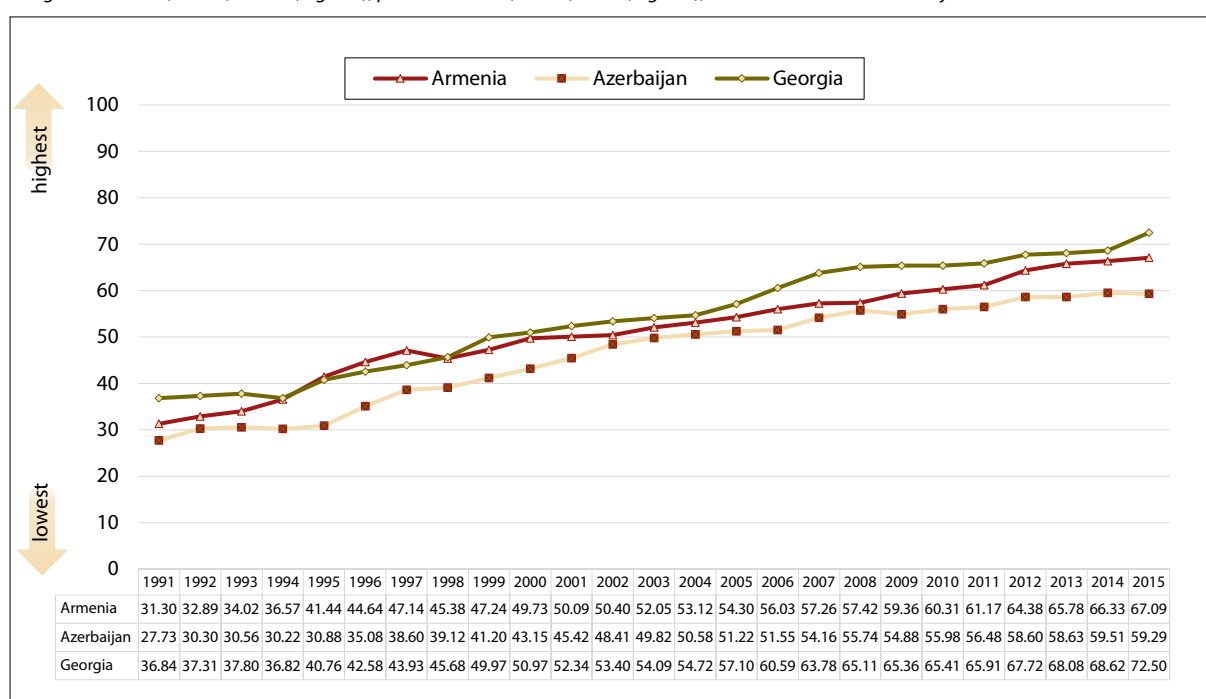
The figures refer to the indicated year and are published with a three year delay (i.e. scores for 2015 are published in 2018).

Countries included: 207

URL: <<https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>>

Figure 6: KOF Index of Globalization 1991–2015

Range of scores: 0 (lowest) to 100 (highest), prior to 2007: 0 (lowest) to 10 (highest), earlier values have been adjusted to the new scale.



Source: <https://www.ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Globalization/2018/Data_2018.xlsx>

Human Development Index

Prepared by: United Nations Development Program (UNDP)

Since: 1990 (retrospective calculation of scores for 1975 to 1990 for non-socialist countries, revised calculation in 2018)

Frequency: Annual

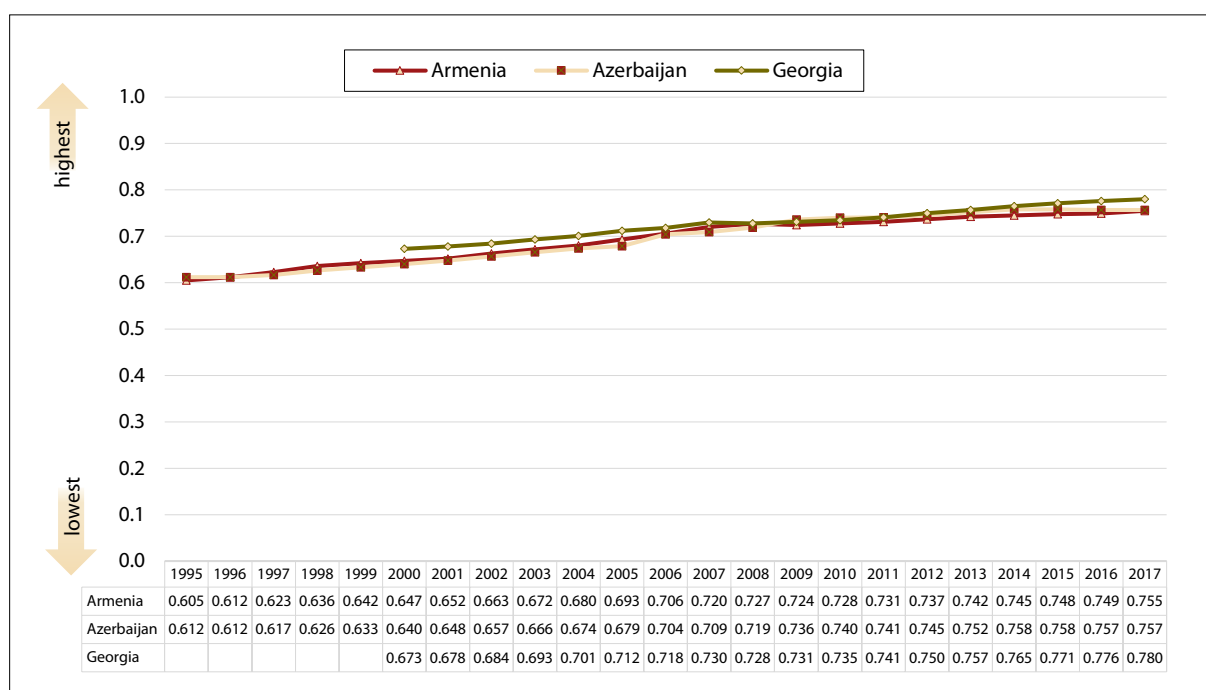
The scores refer to the year indicated and are currently published with a delay of one year (i.e. scores for 2017 are published in 2018).

Countries included: 187

URL: <http://hdr.undp.org/en/content/human-development-index-hdi>

Figure 7: Human Development Index 1995–2017

Range of scores: 0 (lowest) to 1 (highest)



Source: <http://hdr.undp.org/en/statistics/data/>

Ease of Doing Business

Prepared by: World Bank

Since: 2003

Frequency: Annual

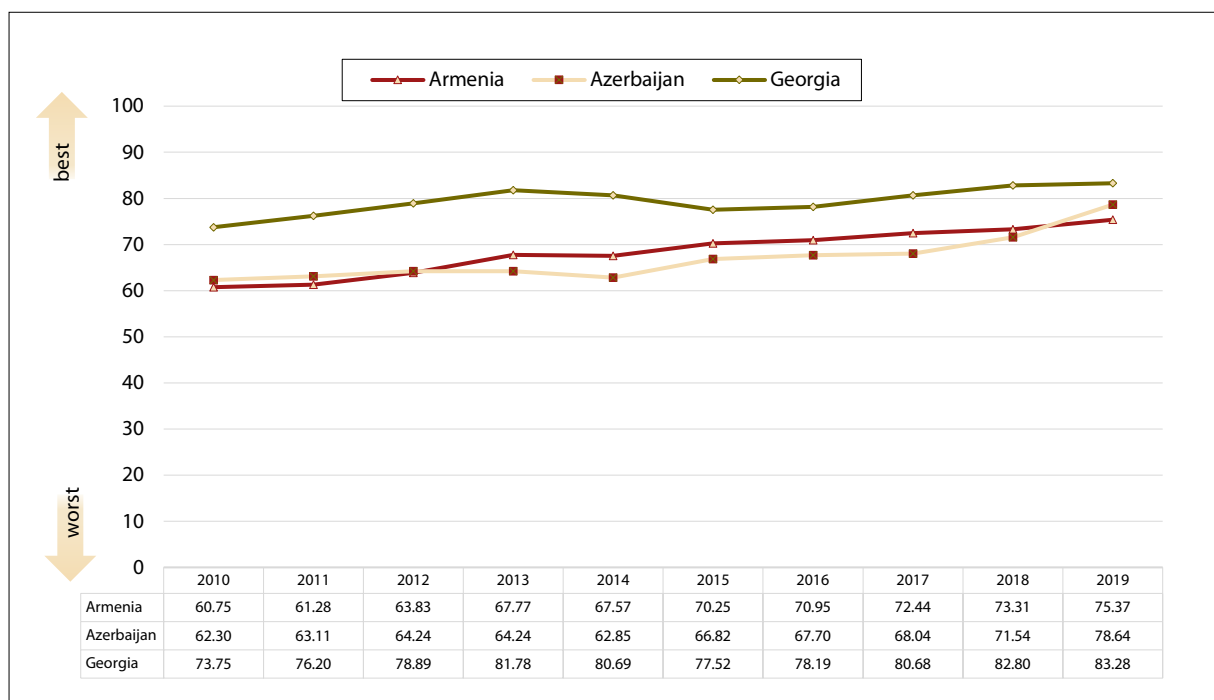
The scores refer to the respective previous year.

Countries included: 190

URL: <http://www.doingbusiness.org/>

Figure 8: Ease of Doing Business 2010–2018

Range of scores: 0 (worst) to 100 (best)



Note: Scores based on the 2010–18 methodologies. For each available year, the score based on the most up-to-date methodology has been chosen.

Source: <http://www.doingbusiness.org/data> and <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Data/DB18-Historical-data-complete-data-with-DTFs.xlsx>

Global Competitiveness Index (GCI)

Prepared by: World Economic Forum

Since: 2005 (predecessor: 2001–2004: Growth Competitive Index)

Frequency: Annual

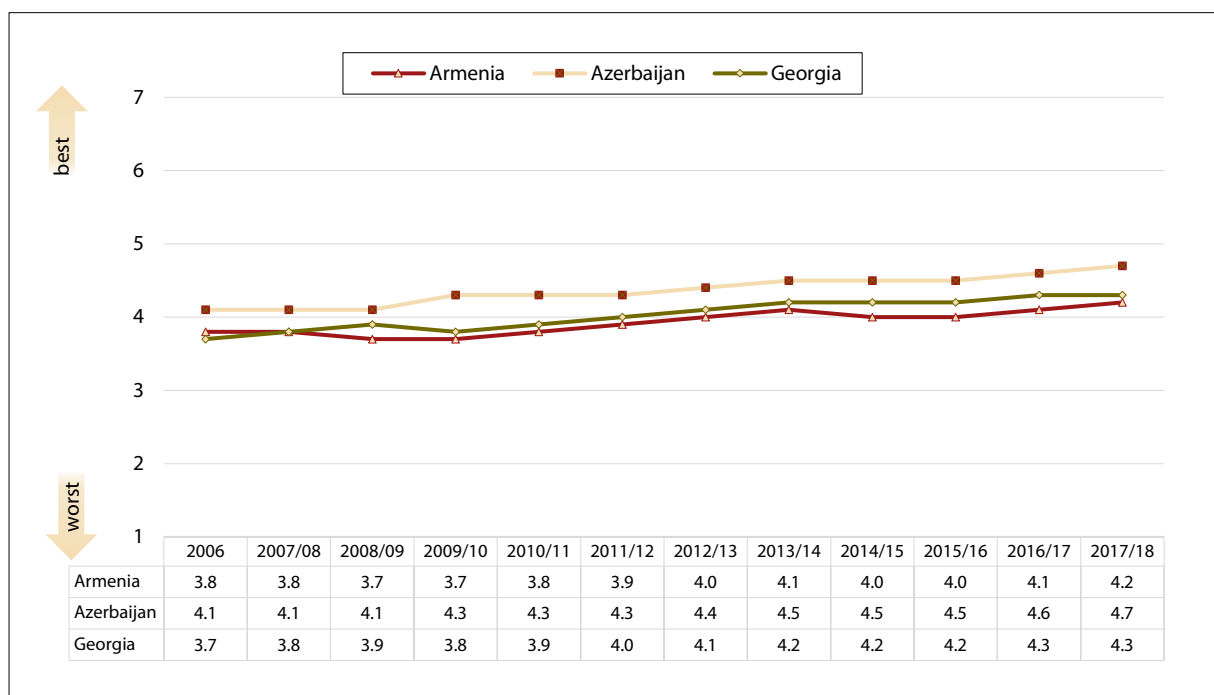
The scores refer to the first year given in the title.

Countries included: about 140 (depending on year)

URL: <<http://www.weforum.org/reports/global-competitiveness-report-2014-2015>>

Figure 9: Global Competitiveness Index 2006–2018

Range of scores: 1 (worst) to 7 (best)



Source: website for each annual report, e.g. <<https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>>, see also <<http://reports.weforum.org>>

Global Gender Gap Index

Prepared by: World Economic Forum

Since: 2006

Frequency: annual

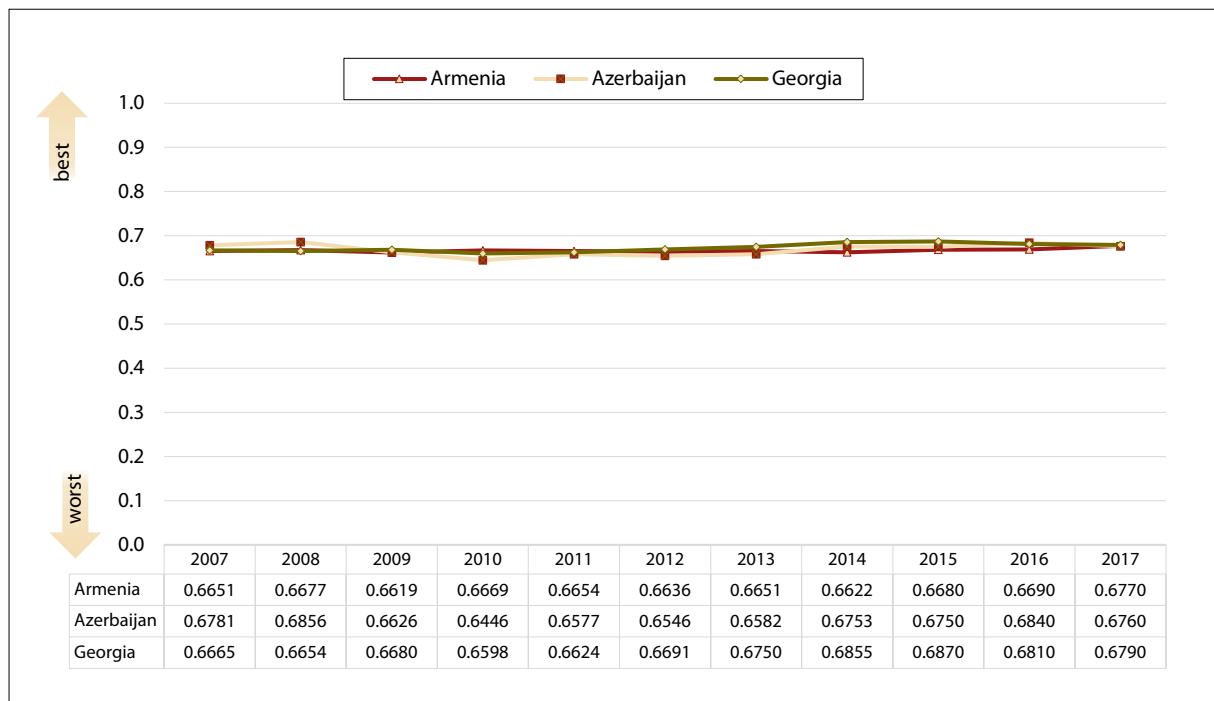
The scores refer to the respective previous year. The report covering the year 2017 is due to be published in November 2018.

Countries included: rising from 115 (2006) to 144 (2017)

URL <<https://www.weforum.org/reports/the-global-gender-gap-report-2017>>

Figure 10: Global Gender Gap Index 2007–2017

Range of scores: 0 (worst, i.e. absolute inequality) to 1 (best)



Source: website for each annual report, e.g. <<https://www.weforum.org/reports/the-global-gender-gap-report-2017>>

Environmental Performance Index (EPI)

Prepared by: Yale Center for Environmental Law and Policy (YCELP) and Center for International Earth Science Information Network (CIESIN), Columbia University Earth Institute

since: 2006

Frequency: biennially

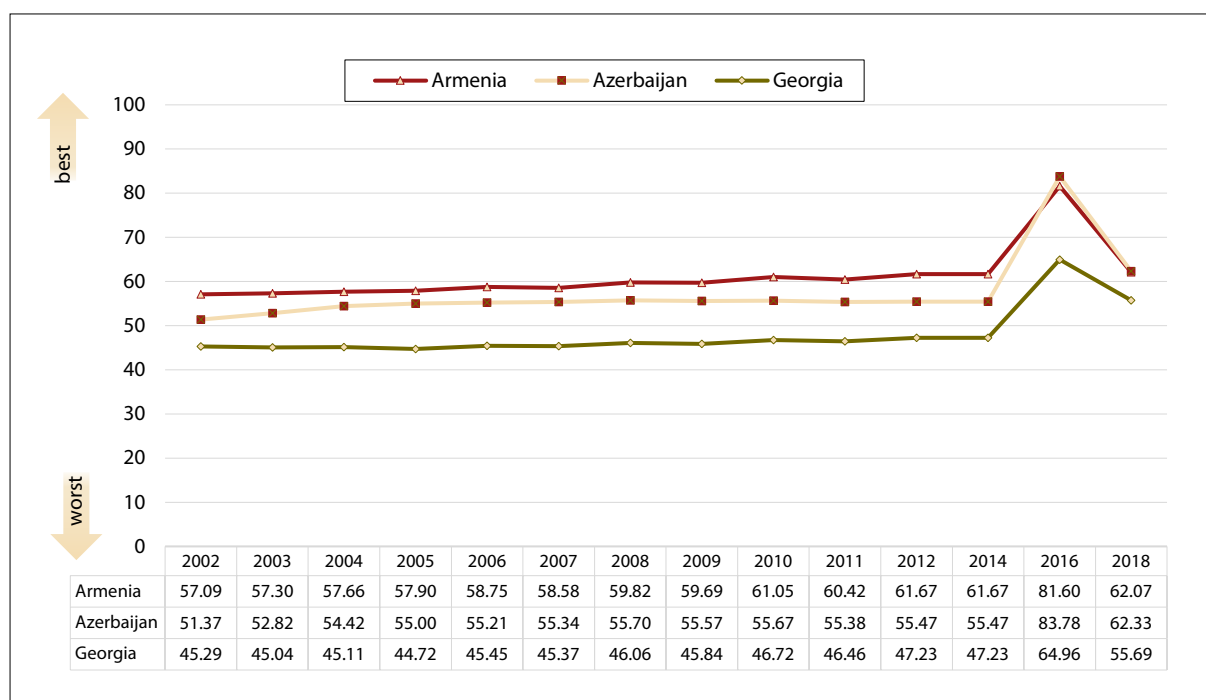
Scores are based on most recent data available (including figures several years older than the index year)

Countries included: about 175

URL: <<https://epi.envirocenter.yale.edu/>>

Figure 11: Environmental Performance Index 2002–2018

Range of scores: 0 (worst) to 100 (best)



Note: Scores from 2002 to 2012 are based on the revision and backcasting conducted in 2014 (see <http://epi2016.yale.edu/sites/default/files/2014epi_backcasted_scores.xls>).

Source: <<http://epi2016.yale.edu/downloads>> and <<https://epi.envirocenter.yale.edu/epi-downloads>> plus <http://epi2016.yale.edu/sites/default/files/2014epi_backcasted_scores.xls>

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Founded in 1982, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to the interdisciplinary analysis of socialist and post-socialist developments in the countries of Central and Eastern Europe. The major focus is on the role of dissent, opposition and civil society in their historic, political, sociological and cultural dimensions.

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