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OXFORD ECONOMICS

2013 Change Readiness Index

Assessing countries' ability to manage change and cultivate opportunity

kpmg.com/changereadiness

KPMG INTERNATIONAL

2013 Change Readiness Index Results Table: High level rankings

Overall CRI	Country	Region	Enterprise Capability	Government Capability	People & Civil Society Capability
1	Singapore*	East Asia & Pacific	1	1	5
2	Sweden*	Western Europe	5	2	1
3	Qatar*	Middle East & North Africa	2	3	12
4	New Zealand*	East Asia & Pacific	8	7	2
5	Germany*	Western Europe	7	5	6
6	Israel*	Middle East & North Africa	3	10	8
7	Japan*	East Asia & Pacific	4	9	10
8	Saudi Arabia*	Middle East & North Africa	6	4	20
9	Australia*	East Asia & Pacific	15	8	3
10	United Kingdom*	Western Europe	9	13	4
11	Chile	Latin America & Caribbean	14	6	16
12	United States*	North America	10	19	7
13	Taiwan	East Asia & Pacific	11	12	9
14	South Korea*	East Asia & Pacific	16	11	11
15	France*	Western Europe	24	18	13
16	Thailand	East Asia & Pacific	12	23	30
17	Lithuania	Eastern Europe & Central Asia	22	25	15
18	Philippines	East Asia & Pacific	23	14	26
19	Panama	Latin America & Caribbean	21	26	25
20	Kazakhstan	Eastern Europe & Central Asia	31	17	24
21	Spain*	Western Europe	30	32	14
22	Uruguay	Latin America & Caribbean	52	16	17
23	Malaysia	East Asia & Pacific	13	33	27
24	Poland*	Eastern Europe & Central Asia	32	29	19
25	Cambodia	East Asia & Pacific	17	20	48
26	Portugal*	Western Europe	28	39	18
27	Colombia	Latin America & Caribbean	35	15	31
28	China	East Asia & Pacific	18	28	41
29	Mexico	Latin America & Caribbean	33	22	29
30	Jordan	Middle East & North Africa	29	30	28
31	Peru	Latin America & Caribbean	26	27	34
32	Turkey	Eastern Europe & Central Asia	19	38	53
33	Namibia	Sub-Saharan Africa	36	24	50
34	Botswana	Sub-Saharan Africa	49	21	44
35	Costa Rica	Latin America & Caribbean	63	35	21
36	Ghana	Sub-Saharan Africa	39	31	42
37	Kenya	Sub-Saharan Africa	20	51	51
38	Indonesia	East Asia & Pacific	27	50	40
39	Tunisia	Middle East & North Africa	44	41	36
40	Morocco	Middle East & North Africa	25	40	58
41	Macedonia	Eastern Europe & Central Asia	46	48	33
42	Brazil	Latin America & Caribbean	58	37	37
43	Tanzania	Sub-Saharan Africa	54	34	49
44	Ecuador	Latin America & Caribbean	57	43	47
45	Greece*	Western Europe	72	53	22

* Countries added to the 2013 CRI

High Income | Upper-Middle Income | Lower-Middle Income | Low Income

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2013 Change Readiness Index Results Table: High level rankings

Overall CRI	Country	Region	Enterprise Capability	Government Capability	People & Civil Society Capability
46	South Africa	Sub-Saharan Africa	40	49	56
47	Sri Lanka	South Asia	42	45	59
48	Zambia	Sub-Saharan Africa	47	42	65
49	Dominican Republic	Latin America & Caribbean	48	63	45
50	Italy*	Western Europe	75	65	23
51	Uganda	Sub-Saharan Africa	37	60	63
52	Myanmar*	East Asia & Pacific	38	59	68
53	Rwanda*	Sub-Saharan Africa	61	36	74
54	Bangladesh	South Asia	55	54	66
55	Mozambique	Sub-Saharan Africa	56	44	73
56	Syria	Middle East & North Africa	45	55	72
57	Bosnia*	Eastern Europe & Central Asia	65	68	43
58	Guatemala	Latin America & Caribbean	53	66	57
59	Mongolia	East Asia & Pacific	83	47	38
60	Côte d'Ivoire*	Sub-Saharan Africa	41	52	79
61	Romania	Eastern Europe & Central Asia	71	73	39
62	Russia	Eastern Europe & Central Asia	67	70	52
63	Egypt	Middle East & North Africa	51	69	71
64	Senegal	Sub-Saharan Africa	66	71	55
65	India	South Asia	50	64	76
66	Nigeria	Sub-Saharan Africa	59	56	78
67	Ukraine	Eastern Europe & Central Asia	62	86	46
68	Somalia*	Sub-Saharan Africa	43	62	86
69	Pakistan	South Asia	34	81	77
70	Jamaica	Latin America & Caribbean	77	84	35
71	Nicaragua	Latin America & Caribbean	69	72	67
72	Honduras	Latin America & Caribbean	68	77	62
73	Cameroon	Sub-Saharan Africa	64	57	84
74	Paraguay	Latin America & Caribbean	76	75	60
75	Argentina	Latin America & Caribbean	84	83	32
76	Timor-Leste*	East Asia & Pacific	81	61	69
77	Vietnam	East Asia & Pacific	70	79	64
78	Sierra Leone*	Sub-Saharan Africa	60	74	81
79	Yemen*	Middle East & North Africa	78	46	87
80	Ethiopia	Sub-Saharan Africa	74	58	88
81	Algeria	Middle East & North Africa	87	67	75
82	Nepal	South Asia	89	76	61
83	Mali	Sub-Saharan Africa	80	78	83
84	Bolivia	Latin America & Caribbean	88	80	70
85	Haiti*	Latin America & Caribbean	79	85	85
86	Zimbabwe	Sub-Saharan Africa	82	82	82
87	South Sudan*	Sub-Saharan Africa	73	89	80
88	Venezuela	Latin America & Caribbean	90	88	54
89	Congo, Dem Rep*	Sub-Saharan Africa	85	87	89
90	Afghanistan*	South Asia	86	90	90

* Countries added to the 2013 CRI

High Income | Upper-Middle Income | Lower-Middle Income | Low Income

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2013 Change Readiness Index Rankings: Excluding High Income countries

Overall CRI	Country	Region	Enterprise Capability	Government Capability	People & Civil Society Capability
1	Chile	Latin America & Caribbean	3	1	2
2	Thailand	East Asia & Pacific	1	9	11
3	Lithuania	Eastern Europe & Central Asia	9	11	1
4	Philippines	East Asia & Pacific	10	2	7
5	Panama	Latin America & Caribbean	8	12	6
6	Kazakhstan	Eastern Europe & Central Asia	15	5	5
7	Uruguay	Latin America & Caribbean	35	4	3
8	Malaysia	East Asia & Pacific	2	17	8
9	Cambodia	East Asia & Pacific	4	6	29
10	Colombia	Latin America & Caribbean	18	3	12
11	China	East Asia & Pacific	5	14	22
12	Mexico	Latin America & Caribbean	16	8	10
13	Jordan	Middle East & North Africa	14	15	9
14	Peru	Latin America & Caribbean	12	13	15
15	Turkey	Eastern Europe & Central Asia	6	22	34
16	Namibia	Sub-Saharan Africa	19	10	31
17	Botswana	Sub-Saharan Africa	32	7	25
18	Costa Rica	Latin America & Caribbean	46	19	4
19	Ghana	Sub-Saharan Africa	22	16	23
20	Kenya	Sub-Saharan Africa	7	34	32
21	Indonesia	East Asia & Pacific	13	33	21
22	Tunisia	Middle East & North Africa	27	24	17
23	Morocco	Middle East & North Africa	11	23	39
24	Macedonia	Eastern Europe & Central Asia	29	31	14
25	Brazil	Latin America & Caribbean	41	21	18
26	Tanzania	Sub-Saharan Africa	37	18	30
27	Ecuador	Latin America & Caribbean	40	26	28
28	South Africa	Sub-Saharan Africa	23	32	37
29	Sri Lanka	South Asia	25	28	40
30	Zambia	Sub-Saharan Africa	30	25	46
31	Dominican Republic	Latin America & Caribbean	31	45	26
32	Uganda	Sub-Saharan Africa	20	42	44
33	Myanmar*	East Asia & Pacific	21	41	49
34	Rwanda*	Sub-Saharan Africa	44	20	55
35	Bangladesh	South Asia	38	36	47
36	Mozambique	Sub-Saharan Africa	39	27	54

* Countries added to the 2013 CRI

Upper-Middle Income | Lower-Middle Income | Low Income

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2013 Change Readiness Index Rankings: Excluding High Income countries

Overall CRI	Country	Region	Enterprise Capability	Government Capability	People & Civil Society Capability
37	Syria	Middle East & North Africa	28	37	53
38	Bosnia*	Eastern Europe & Central Asia	48	49	24
39	Guatemala	Latin America & Caribbean	36	47	38
40	Mongolia	East Asia & Pacific	64	30	19
41	Côte d'Ivoire*	Sub-Saharan Africa	24	35	60
42	Romania	Eastern Europe & Central Asia	54	54	20
43	Russia	Eastern Europe & Central Asia	50	51	33
44	Egypt	Middle East & North Africa	34	50	52
45	Senegal	Sub-Saharan Africa	49	52	36
46	India	South Asia	33	46	57
47	Nigeria	Sub-Saharan Africa	42	38	59
48	Ukraine	Eastern Europe & Central Asia	45	67	27
49	Somalia*	Sub-Saharan Africa	26	44	67
50	Pakistan	South Asia	17	62	58
51	Jamaica	Latin America & Caribbean	58	65	16
52	Nicaragua	Latin America & Caribbean	52	53	48
53	Honduras	Latin America & Caribbean	51	58	43
54	Cameroon	Sub-Saharan Africa	47	39	65
55	Paraguay	Latin America & Caribbean	57	56	41
56	Argentina	Latin America & Caribbean	65	64	13
57	Timor-Leste*	East Asia & Pacific	62	43	50
58	Vietnam	East Asia & Pacific	53	60	45
59	Sierra Leone*	Sub-Saharan Africa	43	55	62
60	Yemen*	Middle East & North Africa	59	29	68
61	Ethiopia	Sub-Saharan Africa	56	40	69
62	Algeria	Middle East & North Africa	68	48	56
63	Nepal	South Asia	70	57	42
64	Mali	Sub-Saharan Africa	61	59	64
65	Bolivia	Latin America & Caribbean	69	61	51
66	Haiti*	Latin America & Caribbean	60	66	66
67	Zimbabwe	Sub-Saharan Africa	63	63	63
68	South Sudan*	Sub-Saharan Africa	55	70	61
69	Venezuela	Latin America & Caribbean	71	69	35
70	Congo, Dem Rep*	Sub-Saharan Africa	66	68	70
71	Afghanistan*	South Asia	67	71	71

* Countries added to the 2013 CRI

Upper-Middle Income | Lower-Middle Income | Low Income

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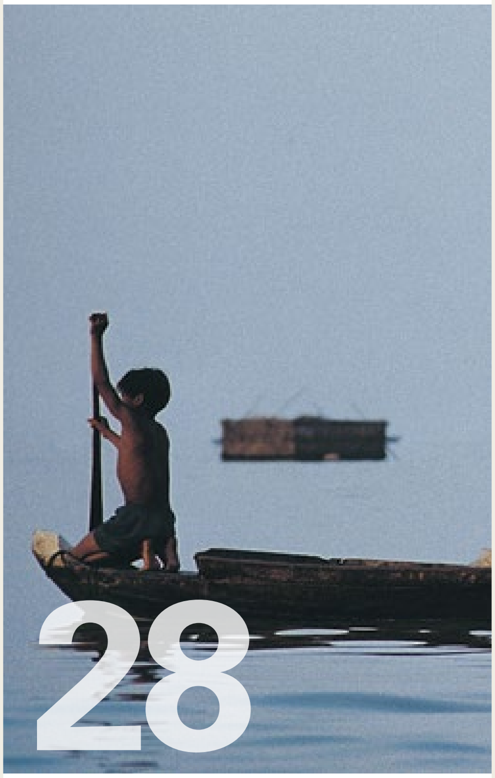

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Foreword

No government, business or society is immune to change. Whether it is short-term negative shocks such as natural disasters or social instability, or longer-term change opportunities and risks such as technologies or emerging market growth and competition, the only certainty is that there are more change pressures than ever before and they affect all of us.

However, the way a country responds to – anticipates, mitigates, evolves, and takes advantage of – change has a significant impact on its ability to both achieve sustained economic growth and share the benefits of that growth with its citizens. Experience shows that those unable to withstand sudden shocks tend to endure longer recovery times and, as a result, underperform in growth and prosperity over the long-term. Those that not only mitigate and manage change, but find ways to capitalize on the new environment perform better than their peers both regionally and within their income groups.

We believe it is critical for governments, policy makers, NGOs, civil society institutions, development partners, investors, and private sector enterprises to gain a clearer understanding of a country's capability to withstand and capitalize on change. This, in turn, should help national governments to identify and address capability gaps, the development community to better tailor assistance programs, and private sector enterprises to improve the targeting of their investments and the reduction of risks.

The Change Readiness Index (CRI) responds to that need. By combining primary survey results with an analysis of robust secondary data, the CRI provides important insight into the key factors that influence change readiness and examines how individual countries rate against each other and both regionally and across income groups. The CRI identifies areas where policy development and political will could be targeted to strengthen national capability, and provides a framework for enhancing that capability to respond effectively to change.

Since launching the CRI in 2012, KPMG has worked with a broad array of policy makers, development agencies, and private organizations – as well as an advisory panel of development experts from organizations such as, The Helmsley Charitable Trust – to evaluate the 2012 Index and gather feedback on potential improvements. For the 2013 CRI, based on what we found, KPMG worked with Oxford Economics to incorporate a broader pool of countries, expand the sub-indices, and enrich the primary research, which has enhanced the overall value and usability of the Index.

For example, this year, the CRI's country coverage has been expanded by 50 percent (to 90 countries) and now includes a number of developed markets such as Australia, France, Germany, Japan, Qatar, Singapore, the UK, and the US. We have also expanded the coverage of fragile states in the Index to include key development priority nations such as Afghanistan, the Democratic Republic of Congo, and South Sudan.

Interestingly, the results suggest that the CRI also has value in the developed world: Portugal, Italy, Greece, and Spain returned some of the lowest change readiness scores out of all high income countries covered, dragged down by relatively weak performance in the

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Government and Enterprise pillars in the face of the change challenges emanating from the Eurozone crisis. Thus the CRI helps to identify areas where policy action is needed that go beyond austerity measures and will support the recovery of these economies.

It is important to stress that this Index is not intended to be a leading predictor of future economic growth. This depends on a number of factors besides change readiness, such as resource endowments. It is, however, a useful guide to help organizations understand which countries, for example, are likely to be more resilient in the face of short-term shocks, and which countries may be more capable of exploiting opportunities and managing structural change.

Given the value of this information, we have opened our data sets online so that governments, development partners, companies, researchers, and citizens can work with our data and help us improve the CRI through deeper examination. On our website, kpmg.com/changereadiness, we present not only additional detail on the data and how the overall scores were determined, we also offer interactive comparison tools and in-depth country profiles across each of the 90 countries included in the 2013 CRI.

The following report provides both the high-level results of the 2013 CRI and some of the background behind its construction and calculation. As such, it is intended to be a companion piece to the full data sets presented at kpmg.com/changereadiness.

We hope that – over time – the CRI will evolve to become a key tool that provides reliable, independent, and robust information to support the work of governments, civil society institutions, businesses, and the international development community. We encourage you to share your feedback with us by contacting your local KPMG member firm to learn more about the Index and its implications for your country or program.

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Executive Summary

The CRI focuses on three key pillars

- Enterprise Capability
- Government Capability
- People & Civil Society Capability

2013 improvements to the CRI

- Broader pool of countries (developed and developing)
- Expanded sub-indices
- More secondary data indicators
- Richer primary research

Additional countries for 2013 include

High Income

- Australia
- France
- Germany
- Greece
- Israel
- Italy
- Japan
- New Zealand
- Poland
- Portugal
- Qatar
- Saudi Arabia
- Singapore
- South Korea
- Spain
- Sweden
- Taiwan
- UK
- US

Developing

- Afghanistan
- Bosnia
- Côte d'Ivoire
- Democratic Republic of Congo
- Haiti
- Ivory Coast
- Myanmar
- Rwanda
- Sierra Leone
- Somalia
- South Sudan
- Timor-Leste
- Yemen

Key audiences for the CRI

- Governments
- Policy makers
- Civil society institutions
- Development partners
- Investors
- Private sector enterprises

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Composite data includes

– 70 secondary data variables (individual and clustered)
– 21 primary survey question responses

Top five 2013 CRI rankings dominated by High Income group

– Singapore
– Sweden
– Qatar
– New Zealand
– Germany

Countries with most improved rankings vs. 2012[1]

– Philippines
– Cambodia
– Thailand
– Mozambique

Countries with greatest fall in rankings vs. 2012[1]

– Algeria
– Nicaragua
– Mali
– Tunisia
– India
– Jamaica

2013 CRI rank exceeded GDP per capita

– Chile
– Philippines
– Panama
– Cambodia
– Kenya

[1] Exclusive of new entrants in the Index.

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Introduction
to the Change Readiness Index

We are living in an era of constant change and unprecedented events. In 2010, the idea of a Change Readiness Index (CRI) was first raised at the World Economic Forum in Davos, catalyzed by experiences from the Haiti earthquake. Since then, we have witnessed earthquakes in Japan and China; floods in Thailand and Pakistan; famine in Asia and East Africa; deadly storms in the Philippines and the United States; social upheaval in the Middle East and Africa – not to mention economic and social shocks in Europe, the Middle East and parts of Asia, South America, and Africa.

At the same time, countries are being exposed to a vast array of longer-term change trends that create very real opportunities to enhance economic growth and prosperity. Globalization, industrialization, automation, and rising production costs can create as many opportunities as risks, while environmental, demographic, and societal change also create new opportunities for governments to leap ahead.

In the face of sudden shocks and long-term change, some countries are better able not only to manage and mitigate the risks associated with change, but also to capitalize on the new opportunities that arise. A country's *change readiness* is therefore a key determinant of its ability to be resilient, achieve sustained and equitable long-term growth, and improve living standards.

For governments, policy makers, NGOs, civil society institutions, development partners, investors, and private sector enterprises, the need to understand

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better and develop greater capacity for managing change and promoting sustained growth is becoming ever more critical. While the specific policies and actions that are required to manage change will depend on the nature of the change itself, the CRI is based on the premise that the underlying capability of a country to manage change is dependent on certain fundamental characteristics.

Filling a gap

The CRI is unique in that it focuses primarily on examining 'inputs' rather than 'outputs.' Input indicators are particularly useful in assessing the underlying capability of a nation to manage change, as they are often directly influenced by governments and other stakeholders. Examples of input indicators include investment into infrastructure or the creation of supportive policy environments, while output indicators are more heavily influenced by a range of external factors. Examples of output indicators would include GDP or productivity measures.

When viewed alongside other key data such as GDP per capita, poverty levels, social indicators, institutional capacity, and socio-political conditions, we believe that the CRI stands as a highly valuable tool for those seeking to assess the need for assistance and possible priorities for programs. We also believe that the CRI provides important insight to help development partners, governments, and other funding entities to better target and prioritize interventions, resources, and investment across and within countries.

Building on solid foundations

The 2012 CRI – the first to provide a detailed ranking and scoring framework for change readiness – was met with positive feedback from academics, practitioners, and policy makers around the world. And while the validity of the Index will take some time to demonstrate, the reception and practical application of the findings to date indicate that the results provide a useful measure of a country's change readiness.

By conducting and reporting this Index on an ongoing basis, we believe we can also help the development community and foreign investors track progress in their target markets. It could also be useful to those who assess which programs and investments are having a sustainable impact and which countries overall are making the greatest relative improvements.

Understanding the Index

This report provides both the high-level results of the 2013 CRI and some of the background behind the construction, calculation, and weighting of the primary and secondary variables. It also provides an overview of the enhancements incorporated into the 2013 CRI and offers some suggestions on how the Index may be used by governments, policy makers, NGOs, civil society institutions, development partners, investors, and private sector enterprises. Interesting and unexpected results of the 2013 CRI are identified along with several country case studies under the *Key findings and highlights* section on page 14.

This report is intended to be a companion piece to the full data sets presented at kpmg.com/changereadiness. Here we present not only additional detail on the data and how the overall scores were determined, but also interactive comparison tools and in-depth country profiles across each of the 90 countries included in the 2013 CRI.

Over the remaining pages of this report, we provide some context to help users better understand the value of the Index and its underlying data. More detail on the CRI's sub-indices, methodology, and weighting, as well as additional data rankings can be found in the Appendices at the end of this report.

What is change readiness?

For the purposes of this Index, **change readiness** relates to the capability of a country's agents – its government, private and public enterprises, people, and wider civil society – to anticipate, prepare for, manage, and respond to a wide range of change drivers, proactively cultivate the resulting opportunities, and mitigate any potential negative impacts.

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Building the Index

The 2013 CRI brings together primary survey responses and secondary data across a range of key indicators to create a comprehensive picture of change readiness in 90 countries.

The Index is structured around three pillars (Enterprise Capability, Government Capability, and People & Civil Society Capability) that were identified as influential for a country's underlying capability to manage change. To measure these pillars, the Index combines original primary survey data with existing secondary data.

More than 70 secondary data variables were used to calculate the 2013 CRI as well as 21 primary survey question responses, which were gathered from 545 country experts around the world. Equal weighting is given for each data variable, whether primary or secondary. In the 2013 CRI, this results in a ratio of 77:23 between secondary and primary data.

The dimensions of capacity to manage change

Enterprise Capability	Government Capability	People & Civil Society Capability
Relates to broad capability of private and state-owned enterprises	Relates to capability of governmental and public regulatory institutions	Relates to individual, societal and cultural determinants of capability
• Labor markets • Economic diversification • Economic openness • Innovation and R&D • Business environment • Financial sector • Infrastructure • Informal sector • Trade policy and economic openness	• Macroeconomic framework • Public administration and state/business relations • Regulation • Fiscal and Budgeting • Rule of law • Government strategic planning and horizon scanning • Environment • Food and energy security	• Human Capital • Entrepreneurship • Civil society • Safety nets • Technology • Gender • Inclusiveness of growth • Demographics • Access to information • Health
CHANGE READINESS		

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Who are the primary survey experts?

For the 2013 CRI, we surveyed individuals with at least seven years of experience analyzing, studying, or living in their reporting country. The individual had to have a good knowledge of economic policymaking, social structures, and governance institutions in that country and was not currently employed directly by a government department in the country that directly influences and/or enforces policy making. A minimum of a tertiary-level educational qualification from an accredited university or vocational college degree program was required. Country experts came from a range of industries and sectors, where possible, including senior managers within the private sector, academia and trade unions.

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Creating an improved Index

Since developing and launching the CRI in 2012, KPMG has been committed to adjusting, improving, and refining the design, methodology, approach, and underlying sub-indices. The changes applied to the 2013 CRI reflect user feedback, expanded country coverage, and more fully capture the dimensions of change readiness while validating the results through evaluating the Index against actual events and responses.

Over the past year, we have worked with a broad array of policy makers, development agencies, and private organizations as well as an advisory panel of development experts to evaluate the Index and provide an external challenge to the structure, coverage, and depth of the 2013 CRI.

While the core structure of the Index remains largely unchanged from 2012, this year's CRI has been expanded to include a number of new sub-indices, new countries, and primary research topics that broaden the application of the Index and better capture all dimensions of change readiness.

The definition of change readiness (see page 7) for the 2013 Index has also been enhanced to better capture negative shocks and positive opportunities as well as short and long-term change impacts.

Broader pool of countries

To provide greater comparative value and enhance our global coverage, we have expanded the CRI's country coverage for 2013 by 50 percent to include an additional 30 countries including fragile states[2] such as Afghanistan, Rwanda, South Sudan, and Yemen, and a number of high income countries (see Appendix 2 for income levels) such as Australia, France, Germany, Greece, Israel, Italy, Japan, Portugal, Qatar, Singapore, Spain, the UK, and the US.

Expanded sub-indices

To better capture the broader aspects of change readiness, build on lessons learned, and enhance the 2012 CRI, a number of additional sub-indices have been added and some original sub-indices have been modified or renamed.

New sub-indices included in this year's report reflect metrics for:

- Gender
- Inclusiveness of growth
- Government strategic planning and horizon scanning

[2] Definition of fragile states: Those failing to provide basic services to poor people because they are unwilling or unable to do so. http://stats.oecd.org/glossary/detail.asp?ID=7235

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- Infrastructure
- The informal sector[3]
- Fiscal and budgeting
- Rule of law
- Environment
- Food and energy security
- Demographics
- Access to information
- Health

We have also included a more diverse range of secondary data variables and sources to reflect the broader definition of change readiness used to develop this year's Index. Extra secondary data sources also ensure that the Index is more broadly based and robust. The following secondary data sources have been used in the 2013 CRI: World Economic Forum, World Bank, Legatum, Economist Intelligence Unit, Freedom House, Heritage Foundation, UNESCO, UNCTAD, WIPO, IMF, WHO, ILO, and UNDP.

Richer primary research

We have strengthened the primary research approach to enhance reliability and comparability across all rated countries. Nine new primary survey questions were added to the 13 original questions from 2012 and some questions were reframed to ensure responses were provided as a measure of a country's relative standing within the context of international benchmarking rather than absolute scores. In all cases, rating scales have also been enhanced to provide a wider range of potential responses.

This year we also broadened the primary survey expert definitions (see box on page 9) to allow for a wider cross-section of expert opinions within each country included in the Index scope.

[3] Informal sector indices used for developing countries only

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Using the Index

The CRI focuses on the underlying capabilities that affect a country's ability to manage change. This means that even countries that have unfavorable starting economic assets (such as landlocked geography or limited fiscal resources), have suffered recent shocks, or have performed poorly in growth terms to date, can potentially score well if they have in place a promising economic, governance, and social foundation for future prosperity and resilience.

Ultimately, the CRI is intended to help country stakeholders take action to achieve sustained growth, build resilience and cope with future domestic and global developments and – in doing so – should become a key tool that stakeholders can use to improve the lives of many of the most vulnerable people. The CRI also provides a unique view into the areas where concerted collaboration and effort from public, private, and not-for-profit organizations can make a significant difference in the change capacity of a nation or society.

By providing governments, policy makers, NGOs, civil society institutions, development partners, and private sector enterprises with a clear tool that offers insights into which countries may respond to and manage change better, this Index should enable a number of important activities such as:

- Stimulating debate and focusing attention on the importance and determinants of change readiness;
- Helping to inform government policy by highlighting particular areas of strength and weakness domestically (and within an international benchmark context) and, as a result, identifying potential reforms or institutional mechanisms that might help to build change readiness;

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- Facilitating the benchmarking of individual countries' change readiness over time to help stakeholders monitor both improving and worsening situations in order to inform investment and policy decisions;
- Informing development partners and funders about the potential vulnerabilities associated with change and helping to prioritize support of reforms that might help build stronger change readiness capability;
- Informing private investors seeking growth opportunities and providing metrics to help minimize their risk stemming from changing market dynamics;
- Providing a new cross-country dataset to strengthen the overall understanding of the determinants of change readiness across different situations and environments; and
- Identifying best practices from the countries that rank higher in each sub-index with respect to enterprise, government, and people and civil society capabilities.

It is important to note that **the CRI should not be seen as a predictor of future economic growth**, which depends on a number of factors such as resource endowments, besides change readiness. Rather it is structured to examine both the present period and indicators of future capability in order to deliver an informed and quantified prediction of a country's capability and capacity for managing and responding to change.

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Key findings and highlights

The 2013 CRI confirms a number of well-established hypotheses:

- A country's per capita income level and resilience to change are inter-linked (higher income countries tend to enjoy more financial resources, greater private sector capacity, more stable and effective governments, greater human capital, and stronger civil society)
- The development stage of a country plays a role in its capability to respond to sudden shocks
- Those countries most impacted by conflict and political instability, or with weak governments and civil society, are generally those least capable of withstanding sudden shocks

However, a deeper look at the findings demonstrates some notable variations from the expected norms, as well as a number of other key findings.

Low per capita income does not always lead to low change readiness
While it is clear from the results that change readiness and average country income levels are broadly correlated, there are a number of examples to show the relationship is far from perfectly linear. By examining the results of the 2013 CRI according to income group, it quickly becomes clear that some lower income countries exhibit higher change readiness than some countries in higher income categories.

A number of countries stand out as 'exceeding expectations' within their income category. Chile, categorized as an upper-middle income country and ranked first in the 2012 CRI, performed better in this report than many high income countries including France. More surprising still was that a few lower-middle income countries outperformed high income countries. The Philippines, for example, ranked higher overall (and on a number of key indices) than did Spain, Portugal, Italy, and Greece, four countries that suffered particularly painful economic challenges in the wake of the Eurozone crisis.

What this shows is that low or relatively low income is not an insurmountable barrier to enhanced change readiness, an encouraging message for lower income countries with ambitious aspirations.

High per capita income is not a guarantee of strong change readiness capability and vice versa. In some cases high per capita income may lead to complacency which is only later revealed in the face of shocks or long-term change drivers.

Change readiness can improve quicker than expected following shocks
The 2013 CRI demonstrates a clear link between the current socio-political situation within a country and its capability to withstand shocks and manage change. Afghanistan, for example, ranks lowest with respect to the rule of law sub-index, which is clearly linked to the ongoing conflict. Other politically unstable or fragile states like Zimbabwe, South Sudan, and the Democratic Republic of Congo also rank towards the bottom of the list.

Recent war and conflict do not necessarily equate to permanently weak change readiness. For example, Sri Lanka, only recently emerging from a protracted civil war affecting part of the country, ranks 47th. The relatively high capability exhibited by some post-conflict countries suggests that nations can relatively quickly retain or restore reasonable levels of change readiness following extreme shocks. In fact, in some countries, conflict can provide a factor for change and doing things differently.

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On-the-ground insight delivers unique results

When calculating the data and rankings for the 2013 CRI (and the 2012 CRI) we noted varying divergence between a country's rankings based on primary survey responses and secondary data.

On one hand, this reflects the impact that expert perception of recent events may have on sentiment within the survey data. Influences such as regime change, the restoration of democracy, or an upgrade in national credit ratings can have a positive effect, while issues such as the Eurozone crisis, austerity measures or restrictive business policies may have a negative effect.

On the other hand, the divergence should also reflect the significant and additional aspects of change readiness not already covered by the secondary data indicators.

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Case Study

2013 Change Readiness Index: Natural disasters

Is the CRI relevant in considering whether countries affected by major natural disasters are likely to bounce back rapidly? We believe so. The CRI was developed in the wake of the 2010 earthquake in Haiti as a potential tool to help countries identify and create a stronger capacity for dealing with this type of sudden shock.

Let us examine the contrasting experience of three countries recently impacted by major earthquakes.

Haiti: In January 2010, a 7.0 magnitude earthquake brought wide-spread damage to Port-au-Prince and the surrounding areas. Compounding the devastation was the related cholera epidemic which emerged several months later as a consequence of the extended lack of access to clean water and sanitation.

Chile: Just one month after the Haiti earthquake, Chile was struck by an 8.8 magnitude earthquake – one of the top 10 most powerful earthquakes ever recorded. The earthquake triggered a tsunami which caused widespread destruction in parts of south-central Chile.

Japan: March 2011 brought Japan's most devastating earthquake ever, measuring 9.0 on the Richter scale. This triggered a powerful tsunami which caused extensive damage to buildings and infrastructure across eastern Japan and led to nuclear accidents including the meltdown of three reactors in Fukushima and the widespread evacuation of residents from the surrounding areas.

We note the differing nature and scale of the disasters means that each economy was affected in different ways. However, the CRI provides some insight into the strengths of the different elements that impact a country's ability to respond effectively to the challenge.

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Summary Statistics of Earthquake Impact			
	Chile[4]	Japan[5,6]	Haiti[7,8,9]
Deaths	521	15,883	226,000
Missing persons	56	2,667	383
Homes destroyed or damaged	370,000	1,213,822	250,000
Estimated economic loss	$30 billion (14% GDP)	$220 billion (3.7% GDP)	$8.1 billion (122% GDP)
GPD per Capita, 2012, ($ current)[10]	15,363	46,720	771
Life Expectancy (2011)[10]	79	83	62

Sources: 4: Red Cross, 5: National Police Agency of Japan, 6: Government of Japan, 7: Cavallo, Powell and Becerra (2010), 8: Magnessen and Taft-Morales (2010), 9: Disasters Emergency Committee, 10: World Bank.

It should be noted that the estimated economic loss figures above relate to the loss caused by damage to each country's capital stock. Whereas, the GDP impacts discussed later relate to the impact that this damage had upon each country's ability to produce goods and services in the aftermath of the disasters.

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Clearly, all three countries have faced significant economic and humanitarian challenges related to the earthquakes which have tested their resilience to short-term negative shocks. The 2013 CRI aims to quantify the change readiness capability of these nations across a range of different aspects. In the 2013 CRI, Japan ranks 7th, Chile ranks 11th and Haiti ranks 85th overall out of the total 90 countries.

Chile

Following the earthquake, Chile's economy bounced back quickly. GDP rebounded by the following quarter[11] and both the stock market and consumer confidence returned to normal shortly after.

The government's response to the earthquake – which was seen positively around the world – was led through the National Emergency Office. In particular, it was felt that careful evaluation enabled effective targeting of foreign aid so that it would efficiently complement domestic efforts. Within 10 days of the disaster, 90 percent of the homes in the disaster area had regained access to regular electricity and water.

In 2010, Chile received approximately US$236 million of gross official development assistance (ODA), which is more than double the level of 2009. Extra ODA funds were allocated to key areas such as economic infrastructure and services, as well as humanitarian aid. At the same time, the government launched a significant stimulus package (approx. 4.2 percent of GDP) financed by a mixture of temporary tax increases, a reallocation of spending, and some borrowing.[12] The response drew praise from the IMF which suggested that "Chile's resilience (to external shocks) has been underpinned by a strong policy framework".[12]

The strong recovery and international acclaim for Chile's recovery efforts are consistent with the country's high 2013 CRI ranking. Indeed, Chile's enhanced resilience to the earthquake is reflected in its impressive CRI ranks of 6th, 16th and 14th in Government Capability, People & Civil Society Capability, and Enterprise Capability, respectively. These high rankings are indicative of the Chilean government's astute planning and influential actions in preparing the country for natural disasters. Chile also achieved very strong results in the macroeconomic framework sub-index of the 2013 CRI, where it ranks 8th overall, and is the top-ranking country from its geographic group (Latin America & Caribbean). Chile also ranks 3rd overall in the fiscal and budgeting sub-index, which is indicative of the prudent approach in managing its public finances.

2013 CRI Ranks

	Japan	Chile	Haiti
Overall CRI	**7**	**11**	**85**
Pillar 1: Enterprise Capability	**4**	**14**	**79**
Labor Market	10	19	34
Economic Diversification	4	31	88
Innovation & R&D	3	27	49
Business Environment	4	14	87
Financial Markets	12	9	71
Quality of Economic Infrastructure	4	24	89
Informal Sector	–	9	23
Trade Policy and Degree of Economic Openness	51	6	82
Pillar 2: Government Capability	**9**	**6**	**85**
Macroeconomic Framework	11	8	60
Public Administration and State Business Relations	9	8	90
Regulation	17	9	88
Fiscal and Budgeting	84	3	61
Respect for Rule of Law	15	8	78
Environmental	2	25	89
Government Strategic Planning and Horizon Scanning	6	14	34
Food and Energy Security	16	9	66
Pillar 3: People & Civil Society Capability	**10**	**16**	**85**
Human Capital	12	15	90
Technology Uptake	18	19	87
Gender	25	32	60
Inclusiveness of Growth	1	32	87
Demographics	85	53	59
Civil Society	16	8	74
Safety Nets – Civil Society/NGOs	21	37	77
Entrepreneurship	6	7	79
Access to Information	9	24	57
Health	1	16	71

[11] Source: Oxford Economics
[12] Source: IMF September 2010 Article IV report

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Japan
Japan's economy was slower to rebound compared to Chile's.[11] This partly reflected the fact that the nuclear meltdown meant energy production continued to fall in the months following the earthquake. This acted as a longer supply-side constraint than was the case in Chile.

The Japanese response system showed particular strength. Shaped by past events (including previous natural disasters such as volcanic eruptions, typhoons, and earthquakes), the country now boasts a mature legal framework for disaster response. The result is that a comprehensive planning system was in place before the earthquake struck, meaning that roles were effectively delegated across the different local and national committees.

The value of this system was clear. Within four minutes of the earthquake, Prime Minister Naoto Kan had set up a special disaster response unit in his office and had assumed leadership of the relief effort. Within the first hour, self-defense forces, police officers, and other rescue workers were on their way to the disaster scene, and within two days, 50,000 personnel were mobilized.

Immediately following the earthquake, more than US$6.5 billion was donated by outside partners to aid the recovery while the government launched a reconstruction package worth approximately US$158 billion (2.7 percent of GDP), and the Bank of Japan made liquidity injections of US$418 billion into the financial markets.[13] A recovery and rehabilitation plan was released by the Ministry of Land, Infrastructure, Transport, and Tourism in order to allocate funds and provide a roadmap for recovery. Japan's people and civil society also played a key role in the aftermath with the Japanese community showing a strong sense of solidarity, responsibility and widespread civic involvement in their attempts to recover from the crisis. The crisis in Japan did not lead to riots, looting, or civil unrest.[14]

As would be expected, Japan performs strongly in the CRI, ranking 3rd in its geographic group (East Asia & Pacific), behind Singapore and New Zealand. Overall, of the 90 countries, it ranks in 7th place, ahead of Chile in 11th (largely a result of Japan's higher scores in the Enterprise and People & Civil Society pillars). In particular, the well-coordinated government response to the crisis is reflected in Japan's high ranking of 9th in the Government Capability pillar of the CRI, and the strength and resilience of the community is evidenced in the country's high ranking (10th) in the People & Civil Society pillar. However, interestingly, Chile (6th) ranks ahead of Japan (9th) in the Government Capability pillar, which is primarily driven by the rankings in the fiscal and budgeting sub-index, where Chile ranks 3rd and Japan ranks 84th. Japan's poor performance here is driven by its very high level of government debt, which suggests that change readiness is not simply about wealth, but that the effective mobilization and efficient targeting of resources, as well as prudent budgeting, plays a key role in determining a nation's ability to manage change.

Haiti
GDP impacts following the Haitian earthquake are more difficult to assess given the lack of accurate and timely data. What is clear is that during 2010, GDP fell by more than five percent, which is considerably more than in Japan and Chile. Estimates also suggest that the economic loss for Haiti was around 122 percent of GDP.[15]

The political response in Haiti was greatly hampered by the loss of personnel and infrastructure; among the missing and dead were Haitian government officials and UN aid workers, while the transport and communications infrastructure was so severely damaged as to significantly impede short-term efforts by government to coordinate a response.

Reliance on international donors has been far greater in Haiti than in Chile or Japan (although this partly reflects the fact that the damage as a share of economic output was so much higher, and Haiti is less developed and has less access to domestic resources). In 2010, gross ODA was US$3.1 billion, compared to approximately US$1.2 billion in 2009. The majority of extra ODA funds were directed toward humanitarian aid, given the devastating impacts of the earthquake upon the livelihoods of the Haitian community and infrastructure.[16]

However, according to the OECD,[17] the quality of the initial response was hindered by weak humanitarian leadership structures, a ceaseless flow of often-inexperienced and small NGOs, insufficient communication with affected populations and inadequate systems for data collection and analysis. These issues have been prominent factors in the sluggish Haitian recovery and provide important lessons for dealing with future short-term shocks internationally.

The huge loss and slow recovery in Haiti is consistent with its CRI ranking of 85th, making it one of the weakest ranking countries for change readiness. Indeed, rankings of 85th, 85th and 79th in the Government Capability, People & Civil Society Capability, and Enterprise Capability measures, respectively, within the Index are consistent with its struggle to recover from the earthquake. The CRI identifies that the weak systems and capability in key areas impacts Haiti's ability to respond to change.

The value of the CRI
What this case study shows is that the CRI seems to provide interesting insights into a country's ability to respond to natural disasters, offering a richer understanding than a simple comparison of GDP per capita. Chile and Japan's impressive CRI rankings are validated by their strong resilience to the earthquakes experienced in 2010 and 2011 respectively. These nations have learned important lessons from previous natural disasters and have shaped their preparation and response plans for earthquakes accordingly. In particular, Chile can provide a model or inspiration for other developing countries in responding to short-term shocks and disasters.

[13] Source: Japan's 2011 Earthquake and Tsunami: Economic Effects and Implications for the United States
[14] Source: After the Great East Japan Earthquake (Dominic Al-Badri and Gijs Berends)
[15] Estimating the Direct Economic Damages of The Earthquake in Haiti (Cavallo, Powell and Becerra, 2010)
[16] OECD
[17] Source: OECD: Haiti Earthquake Response

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Case Study

Putting CRI to the test: Assessing change readiness reforms in Tanzania and the Philippines

Tanzania

For both the Philippines and Tanzania, the last decade has brought notable progress. Both countries carried out macroeconomic and structural reforms that helped foster socioeconomic development, greater macroeconomic stability, and sustained economic growth. However, the two countries have followed different paths to development over the past few decades.

The Philippines boasts a tradition of relative openness to the world economy. Tanzania, in contrast, was largely closed off to the outside world until the mid-1990s, after which it launched a range of market-oriented macroeconomic and structural reforms. Notable advances were made in liberalizing external trade and removing agricultural price controls, with more limited progress on privatization and liberalizing its financial sector.

However, progress in advancing structural reform was uneven in recent years in Tanzania.[18] Priority areas for structural reform now include bolstering debt management capacity, modernizing the tax system, and managing natural resource revenues.[19]

At the same time, the pace of economic reform has also slowed in the Philippines. While the Philippine government appears committed to pushing through reforms, it is impeded by the difficulty in achieving sufficient political consensus to drive further progress.

[18] Kanaan, O. (2000) Tanzania's Experience with Trade Liberalization. IMF Finance and Development Magazine, June 2000, Volume 37, Number 2.
[19] IMF, Press Release No. 13/197, June 3, 2013.

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Both countries have been selected by the US government's Millennium Challenge Corporation (MCC) as beneficiaries of its foreign aid; these aid allocations indicate that the countries have met the MCA's minimum set of independent and transparent policy indicators. This is the rationale for including the two countries in this case study, which we plan to update over time to assess the impact of this aid.

Tanzania and the Philippines have received approximately equal funding for infrastructure development from the MCC. The Philippines (lower-middle income country) received a five-year program commitment of US$214 million towards the rehabilitation of key roads linking two provinces. The project is expected to reduce travel time in the area, cut transportation costs and increase commercial activity. Over two decades, the project is expected to benefit more than 280,000 people and raise national household income by US$205 million.

The five-year compact for Tanzania (low income country) is also focused on building transport infrastructure by paving and improving high-traffic and rural roads. The MCC has committed more than US$365 million over the five years and expects that the projects will create benefits for more than 1.6 million people while raising national household income by US$427 million.

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A deeper look

There are differences between the two countries' growth trajectories and commitments to improving change readiness. Tanzania's economy is far smaller than the Philippines, with 2012 GDP of US$28.3 billion and US$250.3 billion, respectively.[20] Tanzania's overall growth performance remains strong (Oxford Economics projects the economy to grow by nearly seven percent per year in 2013 and 2014[21]), however this growth has been achieved from a low base. Increased investment in transport and other infrastructure and a solid performance in both the manufacturing and agriculture sectors helped boost growth last year. Despite progress in diversifying Tanzania's economy over the past decade, it remains dependent on its agriculture and minerals sectors. The country also remains dependent on foreign aid as large external and government deficits threaten the country's investment potential.

Summary of performance

Overall and pillar			Enterprise Capability		
	Philippines	Tanzania		Philippines	Tanzania
Overall	18	43	1.1 - Labor Market	52	68
Pillar 1: Enterprise	23	54	1.2 - Economic Diversification	34	16
Pillar 2: Government	14	34	1.3 - Innovation & R&D	36	51
Pillar 3: People & Civil Society	26	49	1.4 - Business Environment	33	53
			1.5 - Financial Markets	21	65
			1.6 - Quality of Economic Infrastructure	48	82
			1.7 - Informal Sector	4	14
			1.8 - Trade Policy and Degree of Economic Openness	37	57

Government Capability			People & Civil Society Capability		
	Philippines	Tanzania		Philippines	Tanzania
3.1 - Macroeconomic Framework	20	70	2.1 - Human Capital	26	74
3.2 - Public Administration and State Business Relations	35	45	2.2 - Technology Uptake	43	81
3.3 - Regulation	52	49	2.3 - Gender	30	33
3.4 - Fiscal and Budgeting	22	46	2.4 - Inclusiveness of Growth	29	39
3.5 - Respect for Rule of Law	56	43	2.5 - Demographics	11	10
3.6 - Environmental	5	17	2.6 - Civil Society	28	15
3.7 - Government Strategic Planning and Horizon Scanning	4	23	2.7 - Safety Nets – Civil Society/NGOs	13	51
3.8 - Food and Energy Security	15	42	2.8 - Entrepreneurship	17	41
			2.9 - Access to Information	61	40
			2.10 - Health	55	73

[20] In current US dollars, as sourced from World Bank Databank, available at http://data.worldbank.org
[21] Oxford Economics, Country Economic Forecast: Tanzania, July 15, 2013.

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Two major international ratings agencies recently raised the Philippines' sovereign credit rating to "investment grade". This positive signal should enhance the economy's ability to attract foreign direct investment and other private capital inflows, as well as improve its access to international capital markets to raise future financing. Like Tanzania, the Philippines' economy has achieved strong growth in recent years. GDP growth is forecast at 6.5 percent (2013) and 5.3 percent (2014). In contrast to Tanzania, the government has been increasing spending to support GDP growth and to progress structural reforms. While this has increased the budget deficit, the government is keen to bolster the economy and channel funds to improve infrastructure and reduce poverty.

Applying change readiness to MCA
As a more developed country, the Philippines is better prepared to capitalize on change than Tanzania – which is still one of the poorest countries in the world. However, the CRI indicates that there are other forces at play that influence the two countries' change readiness.

In terms of its overall quality of economic infrastructure and the quality of its roads, the Philippines scores better than Tanzania. This indicates a strong focus by the Philippines on improving roads and economic infrastructure over the past few years and reflects the impact of larger public funding availability.

At the same time, Tanzania recorded a relatively better ranking for quality of roads compared with its overall infrastructure quality ranking. This is partly the result of a longer-term World Bank program of funding, but may also reflect the country's priority on building and maintaining roads as a development goal in its MCC commitments. In contrast, Tanzania ranks a much lower 73rd on ports infrastructure and 75th on air transport.

The CRI also suggests that both the Philippines and Tanzania demonstrate a similar potential for putting improved roads to work to boost commercial activity. Rankings for business environment (33rd and 38th respectively) indicate that these countries will reap benefits from their investments in roads and other transport infrastructure, but the Philippines in particular would be expected to have achieved a better business environment.

The Philippines (17th) also ranks higher than Tanzania (41st) in its ability to provide a supportive environment conducive to entrepreneurial activity. These more favorable rankings for the Philippines may be influenced by the country's achievements in creating robust communication infrastructure in its effort to become a global leader in mobile money innovation. Tanzania's low ranking, on the other hand, reflects the country's attitude towards entrepreneurial risk-taking and slower progress in raising literacy and school enrollment rates, particularly in rural areas.

Although growth prospects for the two countries are favorable, many challenges remain if economic prosperity in the two nations, and hence their CRI ranking, is to improve. Both countries have received sizable investments for improvements in infrastructure, but their varied performance across CRI sub-indexes highlights a number of areas for improvement across economic, social and governance issues. If the countries are to rise into higher income categories these challenges will need to be addressed with ambitious policy interventions to help facilitate a business ready environment capable of responding to the challenges of the future.

How did they rank in the 2013 CRI ?

Philippines
The Philippines ranks 18th overall and 4th out of all developing economies. It also ranks first within its lower-middle income grouping (outperforming many countries at higher income levels), and 8th in the East Asia and Pacific region.

Tanzania
Tanzania ranked 43rd in the 2013 CRI overall and 3rd within the low income group of countries. Its overall rank of 43rd compares favorably against an average rank of 68th for other countries in the low income group.

Interestingly, despite its higher overall ranking, there are a number of sub-indices where the Philippines is outperformed by Tanzania. This includes areas such as regulation, respect for rule of law, civil society, and access to information, which could be viewed as priority areas for intervention.

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Case Study

The CRI at work: Going beyond the numbers in Cambodia and Zimbabwe

Cambodia

Taken at face value, one might assume there is much in common between Cambodia and Zimbabwe. Both have suffered conflict and political instability in the recent past; both are categorized as low income countries with GDP per capita of just US$946 and US$788 respectively (2012); both are a key focus of the development and aid community.

As the 2013 CRI demonstrates, however, the pace of change towards being an internationally competitive, business ready, effectively governed nation with a socially cohesive society has been very different in the two economies.

The value of stability
The 2013 CRI comparison between Cambodia and Zimbabwe highlights the importance of stability towards achieving a change ready economy. Cambodia has enjoyed two decades of political stability, which has enabled business, economic, and social reforms to be introduced that have contributed to economic growth. Zimbabwe in contrast has faced recent instability and it is still in the process of emerging from this state.

Cambodia has enjoyed more than two decades of relative stability since the end of the Khmer Rouge regime. While it remains among the poorest economies in the world (over one-third of the population lives on less than US$1 a day), it has spent much of the past decade introducing reforms and reducing aid dependence. Economic growth has averaged more than six percent per annum during the past decade, underpinned by prudent fiscal and monetary policies that supported macroeconomic stability. Remaining challenges include tackling large-scale and endemic corruption, reinforcing the rule of law, and continuing progress towards full democracy.

Zimbabwe, on the other hand, has endured a period of sustained instability over the past two decades. Once a major food exporter and counted among the richest economies in Africa, Zimbabwe's economy suffered dramatically from economic mismanagement and controversial land reform policies initiated in the 1990s. Hyperinflation (which peaked at a whopping 6.5 sextillion[22] percent in November 2008) ensued until a move to abandon the Zimbabwean dollar

[22] Hanke, S.H. & Kwok, A.K.F. (2009) On the Measurement of Zimbabwe's Hyperinflation, Cato Journal, Vol. 29

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Zimbabwe

in favor of foreign currency[23] in 2009 brought inflation down to a manageable level (below five percent in 2011). In 2010, Zimbabwe's economy started to accelerate after suffering a decline of more than 40 percent between 1998 and 2008 (official data from 2010 and 2011 suggests real GDP growth of more than nine percent).

The impact on the rankings

Given the very different stability stories of Cambodia and Zimbabwe, it is notable that Cambodia achieved a ranking of 25th out of 90 countries versus Zimbabwe's 86th ranking. Cambodia also stands out among its competitors: the country ranks 9th out of all the developing economies included in the 2013 CRI, first among the low income grouping of countries, and ahead of higher income countries such as China, Italy, and Greece. In comparison, Zimbabwe ranks ahead of only South Sudan, Venezuela, the DRC, and Afghanistan.

Stark contrast in enterprise and government rankings

Perhaps the most extreme contrast between Cambodia and Zimbabwe can be found in the Enterprise Capability pillar of the CRI where – overall – Zimbabwe ranks 82nd and Cambodia ranks 17th. Largely due to the recent lack of stability, Zimbabwe continues to be among the least attractive economies in the world to conduct business, whereas Cambodia emerged as the top performing low income country in this pillar and boasts the third best score in its income category for its business environment.

In other key areas, such as trade policy and degree of economic openness, the contrast between Zimbabwe and Cambodia is also stark. Zimbabwe ranked 88th, partly due to the uncertainty surrounding the indigenization law which gives Zimbabweans the right to take over and control many foreign owned companies in Zimbabwe (a disincentive to potential foreign direct investors). Cambodia, on the other hand, achieved a ranking of 30th overall in this sub-index, driven by its reliance on external trade for the garment industry, growing tourism sector, and the increase in FDI[24] inflows from Chinese investment projects.

[23] Currencies such as the South African rand, Botswana pula, pound sterling, euro, and the United States dollar are now used for all transactions in Zimbabwe
[24] Foreign Direct Investment

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Summary of performance					
Overall and pillar			**Enterprise Capability**		
	Cambodia	**Zimbabwe**		**Cambodia**	**Zimbabwe**
Overall	25	86	1.1 - Labor Market	20	88
Pillar 1: Enterprise	17	82	1.2 - Economic Diversification	9	54
Pillar 2: Government	20	82	1.3 - Innovation & R&D	21	74
Pillar 3: People & Civil Society	48	82	1.4 - Business Environment	34	72
			1.5 - Financial Markets	51	62
			1.6 - Quality of Economic Infrastructure	43	74
			1.7 - Informal Sector	1	47
			1.8 - Trade Policy and Degree of Economic Openness	30	88

Zimbabwe ranked 74th overall for the quality of its economic infrastructure versus Cambodia's overall rank of 43rd, highlighting the scale of the challenge faced by Zimbabwe. While Cambodia has adopted a competitive investment strategy, it still lags behind other Asia Pacific countries in terms of investment facilities and other factors such as roads, ports and other infrastructure developments. This is highlighted by its 10th place ranking within the East Asia and Pacific region for the quality of economic infrastructure. However, in a few cases, Zimbabwe did somewhat outperform expectations, specifically in its rankings for the informal sector and economic diversification. The latter is largely attributable to broad growth across several sectors in recent years, particularly in mining and agriculture. This, in turn, has helped to encourage growth in manufacturing due to strong supply chain linkages between agriculture and manufacturing in Zimbabwe (nearly half of agricultural produce is supplied to the manufacturing sector, particularly the manufacture of food and drink).

Interestingly, Zimbabwe and Cambodia ranked closely on the financial markets sub-index with Zimbabwe achieving a ranking of 62nd (influenced by recent structural reforms related to the monetary sector and financial reporting) versus Cambodia's 51st place ranking. However, Cambodia's financial markets remain in their infancy and, with the stock exchange only recently launched, it is not surprising that this remains Cambodia's weakest score in the Enterprise Capability pillar.

In the Government Capability pillar Cambodia, which has enjoyed a period of growth based on sound fiscal management, ranked 20th, versus Zimbabwe's ranking of 82nd. Despite Zimbabwe's poor ranking in the Government pillar and macroeconomic management sub-index, there have been several initiatives in Zimbabwe which signal that the macroeconomic management of the economy is improving. These include the adoption of a multi-currency regime, along with cash budgeting (which has helped to restore and maintain price stability), and the adoption of a debt resolution strategy. In both countries, improved management of the economy has contributed towards stability which has provided the foundations to enable economic growth.

People and civil society challenges emerge

A key area of focus for both Cambodia and Zimbabwe would benefit from developing a more cohesive society based on freedom and civil liberties which would improve their ranking in the People & Civil Society Capability pillar where the two countries ranked 48th and 82nd respectively.

Land and land rights seem to influence the rankings for both countries. In Cambodia, land concessions and forced evictions have led to social unrest and confrontations between people and authorities on the issue of land rights. The number of protests and strikes related to working conditions and pay has also been increasing in recent years. In Zimbabwe, land rights are also a fundamental issue, particularly in relation to the controversial land reform policy which links to many of the country's current economic and social problems.

Challenges related to access to information are also shared by both countries. Indeed, most media outlets in Cambodia are dependent upon funding from political parties which, when combined with laws that ban criticism of the government and low internet penetration outside of the urban areas, partially explains Cambodia's strikingly low ranking of 75th in this sub-index. Zimbabwe maintains similar laws that curtail the freedom of journalists, a factor which contributes to its second-to-last ranking in this sub-index.

Another area that stands out for improvement within the People & Civil Society Capability pillar is health – Cambodia ranked 63rd and Zimbabwe 78th – which is a particular concern. According to a recent United Nations and Asian Development Bank report on Cambodia's progress towards the Millennium Development Goals, the country has achieved relatively slow progress in reducing the 'under-5' mortality rate and the maternal mortality rate.

Both Zimbabwe and Cambodia score relatively well with regard to demographics, ranking 31st and 43rd respectively. This is because the two economies both have a youthful population profile resulting in a lower old-age dependency ratio, as well as a high growth outlook for the working

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Summary of performance					
Government Capability			**People & Civil Society Capability**		
	Cambodia	**Zimbabwe**		**Cambodia**	**Zimbabwe**
3.1 - Macroeconomic Framework	43	85	2.1 - Human Capital	46	47
3.2 - Public Administration and State Business Relations	51	83	2.2 - Technology Uptake	59	80
3.3 - Regulation	56	90	2.3 - Gender	31	29
3.4 - Fiscal and Budgeting	12	80	2.4 - Inclusiveness of Growth	36	83
3.5 - Respect for Rule of Law	55	53	2.5 - Demographics	21	43
3.6 - Environmental	7	35	2.6 - Civil Society	40	90
3.7 - Government Strategic Planning and Horizon Scanning	8	37	2.7 - Safety Nets – Civil Society/NGOs	52	54
3.8 - Food & Energy Security	12	84	2.8 - Entrepreneurship	29	62
			2.9 - Access to Information	75	89
			2.10 - Health	63	78

age population which will secure an expanding labor supply in the future. The two countries also both score quite well with regard to gender, scoring well with regard to male to female ratios for literacy rates and education enrollment patterns.

Education is another challenge for both countries, although it must be noted that the Zimbabwean government has, through targeted financing, improved services in education and, despite ranking 47th overall for the human capital sub-index, actually has the highest adult literacy rate in Sub-Saharan Africa at 92 percent. Cambodia, by contrast, ranks only one place ahead of Zimbabwe at 46th, and has a much lower adult literacy rate at 74 percent.

Taking stock and looking ahead

What the 2013 CRI shows is that – while Cambodia and Zimbabwe have both faced similar conditions as low income countries that have experienced a period of economic, social, and political strife – both economies are currently at different points in their development. In large part, this is due to the fact that Cambodia has enjoyed two decades of stability enabling the introduction of reforms and maintenance of a macroeconomic framework based on prudent fiscal management, whereas Zimbabwe has far to go in developing a robust reform program to return the nation to the levels of prosperity it enjoyed 15 years ago.

In both Cambodia and Zimbabwe the CRI highlights the areas that need attention if the countries are going to be able to drive long term sustained growth in a way that will benefit their populations and enable them to respond effectively to future challenges.

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Conclusions

and implications

KPMG and the researchers at Oxford Economics believe that the 2013 CRI offers a unique view into the change readiness of nations and highlights the underlying capabilities that countries will need in order to manage change going forward.

The Index also demonstrates that, while change readiness correlates with income levels, development levels, and access to resources, these factors do not definitively dictate a country's change readiness. In some cases, countries that have limited economic assets have achieved greater change readiness than those commonly seen as more developed. Some so-called developed nations have surprisingly low levels of 'anticipated' change readiness.

The CRI provides interesting insights into a country's ability to respond to and manage change – whether from natural disasters or utilizing injections of development funding. For example, Chile and Japan's impressive CRI rankings are validated by their strong resilience to the earthquakes experienced in 2010 and 2011 respectively. These nations have learned important lessons from previous natural disasters and have shaped their preparation and response plans for earthquakes accordingly. In particular, Chile can provide a model or inspiration for other developing countries in responding to short-term shocks and disasters.

Clearly, what matters is the ability of countries to deliver more promising economic, governance, and social foundations that support future growth and sustainable development, not simply starting per capita income levels and resources.

This reinforces the key finding of the 2013 CRI: that governments, development partners, civil society institutions, and private enterprise have an opportunity to sharpen their focus on developing change readiness capabilities. Examination of individual country results will uncover relative priorities for countries to improve their Change Readiness Index score, ultimately benefiting development resilience, and capability. Examples might include focusing on investment in economic infrastructure; enhancing the business

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environment; strengthening gender equality, health and inclusiveness; improving public financial management; enhancing attractiveness to foreign investment; and driving for more transparent governance.

For governments and development partners in particular, the Index can provide information to help prioritize policy and interventions to achieve improvements in change readiness. The CRI points to specific areas of improvement that individual countries and their development partners can target. For example, South Africa may consider focusing on the labor markets and inclusiveness; Mongolia on economic diversification; the Democratic Republic of Congo on business environment; and Sierra Leone on human capital. It can also be used to help inform investment decisions by the private sector and assist in identifying and managing risks associated with engagement in particular countries.

Another key take away from the 2013 CRI is that there tends to be a more profound differential in change readiness across income groups for the People & Civil Society pillar, with particularly large gaps in key sub-indices such as safety nets, human capital, and access to information. This finding seems to reinforce the importance for the development community of maintaining its focus on improving People & Civil Society factors.

In this way, the CRI is intended to help countries achieve sustained growth and cope with future global developments. We hope it will stimulate further study, debate, and ultimately action with the goal of improving and bettering Enterprise, Government, and People & Civil Society.

We believe that the CRI is a valuable tool that governments, development partners, businesses, NGOs, and civil society institutions can use to help identify areas for both policy change and more effective implementation. Given the value of this information, we have opened our data sets online to allow readers to further explore the in-depth country analysis and the regional and income-group variations in order to help identify priority areas for action.

The website, kpmg.com/changereadiness, presents not only additional detail on the data and how the overall scores were determined, but also features interactive comparison tools and in-depth country profiles across each of the 90 countries included in the 2013 CRI.

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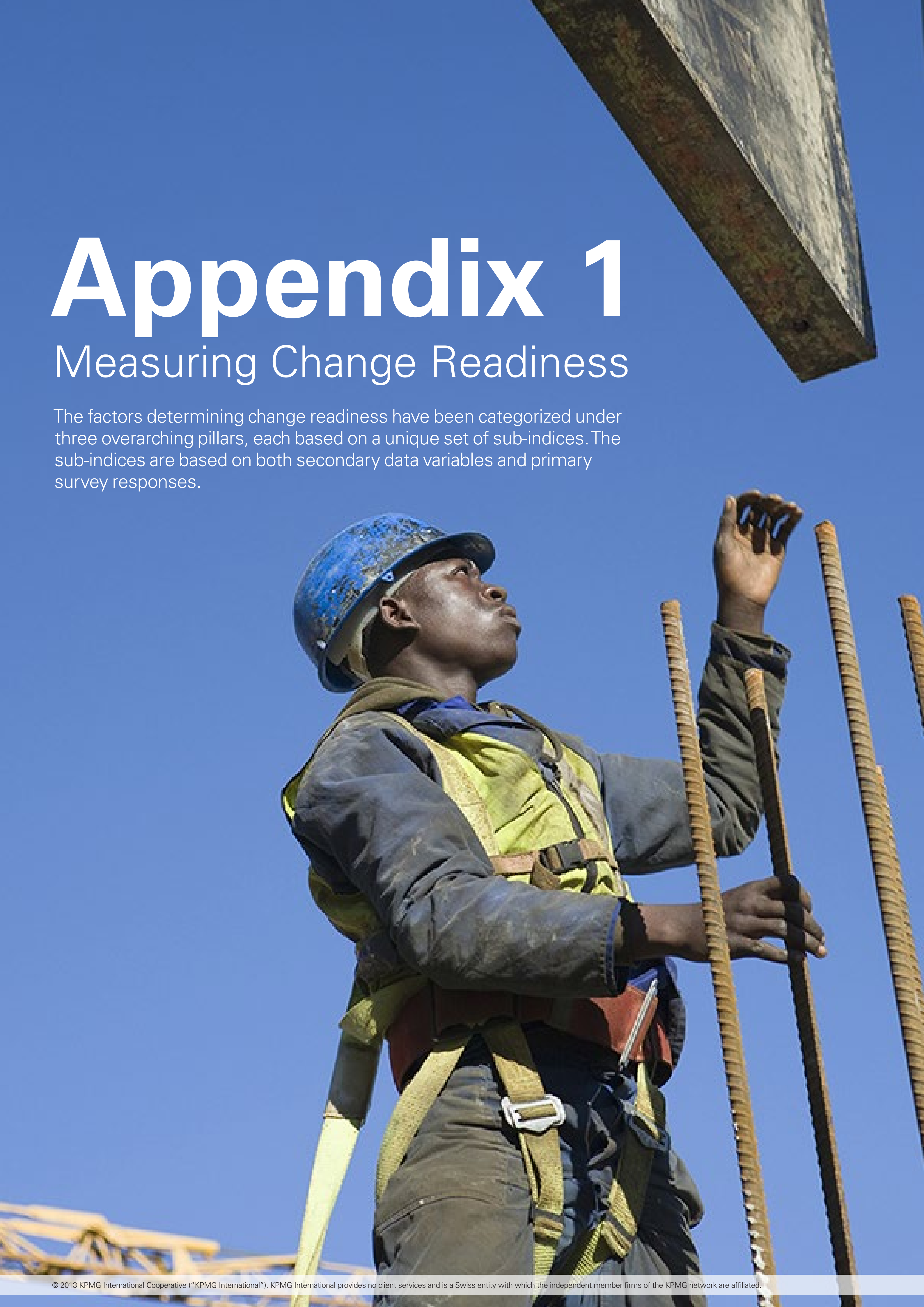
Appendix 1

Measuring Change Readiness

The factors determining change readiness have been categorized under three overarching pillars, each based on a unique set of sub-indices. The sub-indices are based on both secondary data variables and primary survey responses.



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Pillar 1
Enterprise Capability

Enterprise Capability refers to the broad capability of private and state-owned enterprises – including private financial institutions and informal enterprises in developing countries – to respond to and manage change, and generate dynamic growth. The Enterprise pillar measures the extent to which enterprise capability is impacted by non-direct enterprise influences such as the labor market, business environment, and infrastructure.

1.1 Labor Markets: Flexibility of labor markets, allied with human capital (a sub-index in the People & Civil Society pillar) affects the responsiveness of both employers and employees to changing opportunities and risks, including structural change and economic modernization. Enterprises are generally better able to respond to new opportunities when labor markets are more flexible because the risks of hiring new staff are lower. The link between effort and reward, or pay and productivity, also tends to be stronger in more flexible labor markets. Examples of variables under this sub-index include rigidity of employment, hiring and firing practices, labor freedom, labor-employer relations, flexibility of wage determination, and pay-productivity linkage. It is however important that flexible labor markets are not at the expense of People & Civil Society change readiness dimensions such as inclusiveness of growth.

1.2 Economic Diversification: Countries that are economically diverse are often at lower risk from a sector-specific shock or other structural change due to their broad range of income sources. Diversification in itself is also an indication of a country's capability to support and be successful in more than one economic sector. As diversification involves the development of new industries and reduced reliance on traditional industries, it tends to go hand-in-hand with structural transformation, stimulation of private sector development, and increased capabilities of private markets and labor to innovate and adapt to new opportunities and technological advances. A more diversified economy offers greater opportunity to respond to changing global demand patterns. Examples of variables under this sub-index include diversity measures of a country's export products and markets, as well as a primary survey question on the effectiveness of government policies to promote diversification.

1.3 Economic Openness: By having a more open economy with supportive trade and foreign direct investment (FDI) policies, countries are better able to: exploit global trade opportunities by exporting to fast growing markets; attract FDI and invest abroad; and import low cost, high quality and technologically advanced inputs. Through exposure to global competition and inward investment, openness also helps to improve the quality and competitiveness of domestically produced goods and services, and helps countries keep up with technological development and innovation. This, in turn, contributes to structural transformation which spurs innovation and the development of new industries. Examples of variables under this sub-index include exports and FDI share of GDP, prevalence of trade barriers, time to and cost of exporting, FDI rules, and prevalence of foreign ownership of enterprises.

1.4 Innovation, research and development (R&D): Innovation covers not only new inventions and R&D activity created within a country, but also the ability of countries to access and implement new innovative methods. Innovation helps economies better utilize their resources, build competitive strength, and develop new and better products, services, and modes of organization. Innovation is key for exploitation of long-term change opportunities, particularly as traditional resources become constrained and need to be used more effectively, and as consumers and business demand higher quality and more advanced products. Examples of variables under this sub-index include ratings of innovation systems, capacity for innovation, researchers per capita, R&D spend share of GDP, and university-industry R&D collaboration, as well as a primary survey question on how conducive a country's policy and business environment is to fostering innovation.

1.5 Business Environment: A weak business environment stifles enterprise creation, innovation and healthy competition, and slows the pace at which enterprises can respond to change. In contrast, a strong business environment makes investment in new ventures easier, strengthening enterprises' ability to respond to structural changes, and enabling dynamic growth processes to take place in response to changing market conditions. Examples of variables under this sub-index include the length of time and cost of setting up a business, business freedom, burden of government regulation, time to register property and enforce a contract, extent of taxation, investor protection, and anti-monopoly competition policy, as well as two primary survey questions on the extent to which government protects less competitive, existing industries, and how much freedom enterprises enjoy from excessive bureaucracy.

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1.6 Financial Sector: A well-functioning financial sector is necessary to ensure a stable, sufficient, and efficient allocation of funding (whether through commercial banks, stock markets, venture capital, or other means) to enterprises. Access to financing allows enterprises and entrepreneurs to exploit growth opportunities, or manage temporary cash flow shortfalls following negative short-term shocks. Examples of variables under this sub-index include availability of financial services, venture capital availability, and domestic bank credit share of GDP, as well as a primary survey question on the sector's effectiveness at balancing the need to enhance broad access to finance and promoting financial stability.

1.7 Infrastructure: Infrastructure links enterprises to markets, affects costs of production and distribution, and facilitates access to new technology and resources. Countries with good infrastructure are better positioned to trade internally and externally and at lower cost, and respond to shocks such as natural disasters by being able to transfer resources quickly to affected areas. Examples of variables under this sub-index include quality of infrastructure (overall, roads, air, rail, ports, and electricity) and broadband internet subscribers per capita, as well as a primary survey question on effectiveness of government in developing high-quality, well-functioning infrastructure that advances economic growth.

1.8 Informal Sector: The informal sector sub-index applies only to developing countries given its much more significant role in the enterprise sector of lower income countries. The focus of the sub-index, measured via a primary survey question, is how quickly and effectively the informal sector is being productively integrated into the formal economy. This assumes that formal enterprises have greater change readiness as a result of a number of factors including better access to finance, technology, and global markets. Due to lack of appropriate secondary data variables, the informal sector sub-index is measured solely by this primary survey question, which was asked to developing countries only.

Pillar 2

Government Capability

Government Capability relates mainly to the capability of governmental and public regulatory institutions to manage, foresee, and influence change effectively. This covers, among other things, how government interacts with business, its macroeconomic and fiscal policies, regulation and law, and strategic future planning.

2.1 Macroeconomic Framework: Strong and effective macroeconomic management provides a stable and predictable environment in which enterprises can operate, plan, and invest, minimizing risks posed by factors such as currency fluctuations and rising or volatile inflation. Countries with stronger macroeconomic management records tend to have better credit ratings and access to international finance, including both private finance and official development assistance (ODA). Examples of variables under this sub-index include the average rate of (and stability of) inflation, as well as a primary survey question on the extent to which governments pursue policies that foster macroeconomic stability and support long-term growth.

2.2 Public Administration and State Business Relations (SBRs): An effective government bureaucracy is better able to plan for, implement, and manage change, with minimal political interference and corruption. SBRs determine the extent to which government action is coordinated with, and sensitive and responsive to, the short and long-term needs and goals of business. Strong SBRs foster higher levels of private investment, better targeted public investment, and more enterprise-friendly policies, facilitating transformative economic growth. Examples of variables under this sub-index include government and civil service effectiveness, corruption, transparency of government policymaking, and government services to improve business performance, as well as a primary survey question on the relationship between government and business in enabling effective responses to change opportunities.

2.3 Regulation: While the aim of regulatory policy is to ensure regulations are in the broader long-term public interest, good regulatory policy also supports economic development by positively shaping the relationship between government, enterprise, and citizens. Good regulation should promote, rather than constrain, change readiness by providing a conducive and transparent governance environment. Examples of variables under this sub-index include the quality of government regulation and efficiency of the legal framework in challenging regulations.

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2.4 Fiscal and Budgeting: Good fiscal and budget management is necessary to ensure effective and appropriate government spending, and to contribute to overall macroeconomic stability. Fiscal and budget policies are also important to ensure long-term strategic spending is aligned to supporting dynamic economic opportunities, and to provide a short-term stabilization mechanism to respond to negative shocks such as a global economic downturn, a commodity price shock or natural disaster. Examples of variables under this sub-index include wastefulness of government spending, government average budget balance, and debt stock share of GDP, as well as a primary survey question on how well government mobilizes and manages resources to respond to short-term negative shocks.

2.5 Rule of Law: The rule of law anchors the relationship between government and society around a set of transparent rules. Countries with stronger legal systems and rules of law are likely to be more attractive to investors and encourage indigenous investment because the rights of enterprises and citizens are better protected, and governments are more accountable. Examples of variables under this sub-index include rule of law measures and business costs of crime and terrorism, as well as a primary survey question on the extent to which the rule of law is upheld.

2.6 Government Strategic Planning and Horizon Scanning: This sub-index reflects how well equipped government is to identify change readiness opportunities and threats via exercises such as horizon scanning, and the supporting measures to exploit opportunities and mitigate these threats. Due to the nature of the sub-index and lack of appropriate secondary data variables for any of the 90 countries, this sub-index is measured by a single primary survey question on how effective government is at taking steps to foresee, understand, and capitalize on, via exercises such as horizon scanning, future positive change and economic growth opportunities.

2.7 Environment: The environment presents a major change readiness opportunity and risk for most countries. This sub-index is concerned with government mechanisms for monitoring, managing, and responding to environmental risks and opportunities, which will have a knock-on impact on enterprises and people. Examples of variables under this sub-index include an environmental performance index; and a primary survey question on the effectiveness of government at taking steps to understand and respond to threats and opportunities posed by climate change and other environmental protection challenges.

2.8 Food and Energy Security: Food and energy are two essential consumption goods for any economy. Security policies in relation to both provide a strong indication of a country's preparedness for shocks and ability to manage short-term change. However, due to the nature of the sub-index and lack of appropriate secondary data variables, this sub-index is measured by two primary survey questions on a country's resilience to future disruption or unavailability of critical food, and energy supplies.

Pillar 3
People & Civil Society Capability

People & Civil Society Capability relates to the individual, societal, and cultural determinants of capability to manage and respond to change. This ranges from human capital, entrepreneurship, health, and access to information, through to safety net systems, the role of civil society, and gender equality.

3.1 Human Capital: Human capital (encompassing the quantity and quality of education, skills, and training of the adult population) directly impacts change readiness by influencing the ability of a country's workforce to adapt to change such as structural transformation of the economy, take advantage of opportunities, and compete globally. Examples of variables under this sub-index include adult literacy, secondary and tertiary education enrollment rates, quality of education systems, 'brain drain', and the extent of workforce training.

3.2 Entrepreneurship: The extent to which individuals within an economy will identify and respond opportunistically to shocks and opportunities will be influenced by entrepreneurial attitudes and capabilities (and support mechanisms), which will contribute to a country's adaptability and initiative-taking in the face of change. Examples of variables under this sub-index include an entrepreneurship and opportunity measure, as well as a primary survey question on incentives (both via formal policy incentives and characteristics of the private sector) to encourage entrepreneurship.

3.3 Civil Society: Domestic institutions that build social cohesion and fill gaps in public service delivery and

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infrastructure can help countries manage shocks and change. Civil society institutions, such as NGOs and professional associations, can also play an important role in promoting sustained growth through enterprise development and better state business relations. Examples of variables under this sub-index include a civil society composite measure, political stability, and freedom of expression; and a primary survey question on the extent to which civil society organizations are allowed to influence and participate in important policy debates related to solving humanitarian, economic, environmental, and other development issues.

3.4 Safety Nets: When designed and implemented well, safety nets and short-term response measures can reduce the cost of shocks, helping countries and citizens better manage them. This can take the form of government budgetary measures and systems, official development assistance and foreign worker remittances. Social safety nets also help to keep societies more cohesive, which can otherwise cause instability and undermine growth. Having sound safety nets in place prior to a shock, instead of having to react after the shock, is clearly more desirable. Examples of variables under this sub-index include the *Legatum* social capital measure, foreign worker remittances share of GDP, and official development assistance per capita, as well as a primary survey question on the effectiveness and transparency of transfers to provide short-term emergency assistance.

3.5 Technology: A country and its citizens' ability to adopt innovative, new technologies, including social media, is a strong indication of its ability to change and modernize, and a determinant of ability to maintain a competitive advantage in the face of global change. Examples of variables under this sub-index include internet access in schools, Wikipedia and YouTube activity, and website domain numbers.

3.6 Gender: Countries with male-dominated systems and economies fail to capitalize on female economic resources. Countries grow more slowly when fewer women participate in the paid labor force and when women are less well educated. Such countries will be less well-positioned to exploit growth opportunities in sectors which – in advanced economies – tend to employ a higher proportion of females. Examples of variables under this sub-index include male to female ratios for labor force participation, literacy and education enrollment between genders, and the UNDP gender inequality index, as well as a primary survey question on how the laws and customs of a country accord women the same opportunities as men to participate in the economy.

3.7 Inclusiveness of Growth: For economies to grow strongly and change rapidly while maintaining social cohesion, growth cannot be unequal. Thus, this dimension of change readiness is about the ability of countries to manage and respond to change in a way that maximizes trickle down benefits and inclusiveness. Examples of variables under this sub-index include the GINI coefficient[25] and the FSI uneven economic development index,[26] as well as a primary survey question on the extent to which recent economic growth has been inclusive.

3.8 Demographics: Countries with less favorable age structures will be less capable of managing and responding to change because a higher proportion of their populations will be dependent (e.g. elderly or children). In contrast, countries with large and fast growing working age populations, especially increasingly well-educated populations, will be better positioned

[25] http://data.worldbank.org/indicator/SI.POV.GINI
[26] http://www.fundforpeace.org/global/library/cfsir1210-failedstatesindex2012-06p.pdf

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through the supply of available and skilled labor. Demographic shifts pose a major threat to many countries, thus those countries better prepared to manage and respond to demographic change will be more change ready. Examples of variables under this sub-index include old and young age dependency, and the working age population growth forecast, as well as a primary survey question on how well prepared countries are to cope with the challenges related to demographic shifts expected over the next decade.

3.9 Access to Information: In today's 'information age,' access to information and communication are key in raising awareness and enabling people to respond quickly. This applies to many dimensions of change readiness including issuing warnings about natural disasters and informing producers of global price developments. Access to real-time information via means such as the internet and social media also improves a country's ability to innovate and adapt to change by encouraging more transparent decision-making, thereby increasing accountability and improving governance. Examples of variables under this sub-index include press freedom, e-government services, and telephone, computer, and internet users per capita.

3.10 Health: Better health is directly linked to increased time available for work and higher productivity. It also increases life expectancy and creates more incentives for higher levels of investment in education and saving. A healthier and more educated population directly enhances change readiness via its effect on the workforce and human capital. Examples of variables under this sub-index include life expectancy at birth and infant mortality rate.

A full listing of the specific primary survey questions and secondary data leveraged to develop the 2013 CRI can be found online at kpmg.com/changereadiness.

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Appendix 2
Methodology

Country
selection

The CRI covers 90 countries including the original 60 covered in the 2012 CRI plus a combination of additional developed and developing nations. Several of the new developing countries represent important development countries such as Afghanistan, the Democratic Republic of Congo, Ivory Coast, Myanmar, Rwanda, and South Sudan. As such, the selection of countries provides a useful comparison between the change readiness of advanced and developing nations.

The countries are distributed across the range of income levels (see table 2.0). Countries included in this Index were selected based on our ability to obtain sufficient or comparable primary and secondary data; a factor that has had a particular impact on our ability to include more low income countries in this CRI.[27]

Scoring methodology

The 2013 CRI is structured around three pillars (Enterprise Capability, Government Capability, and People & Civil Society Capability), with sub-indices for each pillar, and primary survey question responses and secondary data variables feeding each sub-index score. The composite/overall change readiness score is calculated by weighting standardized pillar scores which are derived from weighted standardized sub-index scores. Sub-index scores are derived from standardized primary survey question responses and secondary data, with equal weighting given per variable, whether it is a primary survey question or secondary data indicator.

[27] Some secondary data has been estimated where gaps existed

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Table 2.0

Income Group	Economies according to GNI per capita[28]	Number of Countries (90)	Share in Index Sample %
High	>US$12,616	19	21
Upper Middle	US$4,086 – $12,615	27	30
Lower Middle	US$1,036 – $4,085	28	31
Low	<US$1,035	16	18

In addition to the secondary data, the researchers at Oxford Economics conducted a survey of country experts between February 2013 and April 2013. A total of 545 respondents were surveyed with a maximum of eight respondents per country and a minimum of five respondents in all cases. To account for any potential sample bias, small adjustments were made to primary survey results to account for variations in sample depending on expert location (inside or outside the country) and government affiliation.[29] An interesting observation was how experts living outside the country being surveyed were more critical of the country's change readiness than experts living in the country.

A full listing of the survey questions, secondary sources and data used to develop these indices can be found online at kpmg.com/changereadiness.

Weighting

To calculate the composite change readiness scores within the Index, each individual indicator (primary or secondary) was first multiplied by its respective equal weighting within its sub-index. These weighted scores for each indicator were aggregated to give the corresponding sub-index score. Next, each sub-index score was multiplied by its equal weighting within its pillar and these weighted sub-index scores were aggregated to give the corresponding pillar score. Finally, each pillar score was multiplied by an equal weighting factor (one-third) and these weighted pillar scores were then aggregated to give the overall change readiness composite score.

For the purposes of this Index, each of the primary survey and secondary data values were normalized into a standard range, facilitating the aggregation of the variables into sub-index, pillar, and composite scores.

In this case, standardization was achieved by converting raw data values into 'trimmed Z-scores' which were calculated by subtracting the sample mean from the raw score and dividing the result by the standard deviation. The sign of the standardized score indicates whether the raw value for a given country is above or below the sample mean. Outlier values were trimmed to avoid distorting effects.

There are two key issues to weighting that were addressed within the context of this Index:

(1) Weights of pillars in the composite overall Index (and the weights of sub-indices within pillars)

The 2013 CRI, in line with the 2012 CRI, uses equal weights throughout the Index for pillars and sub-indices within pillars.

In deciding upon a weighting structure for the Index, various alternatives were considered, including 'Principal Components Analysis' (PCA) to take account of the correlation between variables. Sensitivity analysis was undertaken for different weighting approaches, including using PCA to estimate weights. PCA produced only minor variations in the weightings of the three pillars, thus confirming the validity of using equal weights as per the 2012 Index. This confirmed that the data is not significantly distorted by equally weighting different data.

(2) Weighting between primary survey responses and secondary data

Overall the 2013 Index is weighted 23:77 for primary versus secondary data (21 primary questions and 70 secondary data series). Within each sub-index, an equal weighting is given per variable, whether it is a primary survey question or secondary data indicator.

The overall share of the Index data is accounted for by secondary data. There is also a greater quantity of secondary data indicators as the 2012 Index had only 16 secondary data indicators. This, in our opinion, makes the 2013 CRI more robust.

[28] http://data.worldbank.org/about/country-classifications
[29] None of the experts surveyed were at the time employed by the government of the country in question

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Appendix 3

Additional rankings tables

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2013 Change Readiness Index Rankings for inaugural (2012) country list and 2012 Change Readiness Index Rankings

	2013 CRI				2012 CRI			
	Overall Ranks	Pillar Ranks			Overall Ranks	Pillar Ranks		
	Overall CRI	Enterprise Capability	Government Capability	People & Civil Society Capability	Overall CRI	Economic Capability	Governance Capability	Social Capability
Chile	1	4	1	3	1	1	1	6
Taiwan	2	1	2	1	3	6	8	1
Thailand	3	2	10	12	32	38	46	13
Lithuania	4	10	12	2	19	41	21	9
Philippines	5	11	3	8	38	43	42	23
Panama	6	9	13	7	25	27	29	20
Kazakhstan	7	16	6	6	5	2	4	7
Uruguay	8	33	5	4	8	13	7	8
Malaysia	9	3	18	9	7	11	12	5
Cambodia	10	5	7	29	43	32	37	54
Colombia	11	19	4	13	16	19	20	22
China	12	6	15	23	13	14	17	19
Mexico	13	17	9	11	21	33	24	15
Jordan	14	15	16	10	4	4	2	4
Peru	15	13	14	16	10	8	14	17
Turkey	16	7	22	34	9	10	9	21
Namibia	17	20	11	31	15	20	6	35
Botswana	18	30	8	25	11	5	10	37
Costa Rica	19	42	20	5	12	24	22	3
Ghana	20	22	17	24	18	7	16	41
Kenya	21	8	33	32	28	17	40	36
Indonesia	22	14	32	22	30	26	36	28
Tunisia	23	25	24	18	2	3	3	2
Morocco	24	12	23	39	6	9	5	11
Macedonia	25	27	30	15	33	34	31	32
Brazil	26	39	21	19	31	45	39	14
Tanzania	27	35	19	30	53	44	51	56
Ecuador	28	38	26	28	48	52	41	40
South Africa	29	23	31	37	26	42	23	16
Sri Lanka	30	24	28	40	22	29	25	18
Zambia	31	28	25	46	20	12	19	47
Dominican Republic	32	29	40	26	34	37	26	29
Uganda	33	21	39	44	46	16	50	55
Bangladesh	34	36	34	47	45	30	35	58
Mozambique	35	37	27	52	59	56	52	60
Syria	36	26	35	51	14	15	11	30
Guatemala	37	34	42	38	52	49	55	45
Mongolia	38	55	29	20	29	35	33	27
Romania	39	49	48	21	44	48	49	26
Russia	40	45	45	33	51	54	58	25
Egypt	41	32	44	50	41	40	44	31
Senegal	42	44	46	36	36	31	30	48
India	43	31	41	54	23	22	18	39
Nigeria	44	40	36	56	39	28	43	38
Ukraine	45	41	59	27	37	51	45	12
Pakistan	46	18	55	55	54	53	53	46
Jamaica	47	52	58	17	27	39	28	24
Nicaragua	48	47	47	48	24	25	15	43
Honduras	49	46	51	43	57	55	56	52
Cameroon	50	43	37	59	40	23	34	50
Paraguay	51	51	49	41	42	47	32	42
Argentina	52	56	57	14	47	59	48	10
Vietnam	53	48	53	45	49	46	47	44
Ethiopia	54	50	38	60	55	36	54	59
Algeria	55	57	43	53	17	18	13	34
Nepal	56	59	50	42	50	50	38	57
Mali	57	53	52	58	35	21	27	49
Bolivia	58	58	54	49	60	58	60	53
Zimbabwe	59	54	56	57	58	57	59	51
Venezuela	60	60	60	35	56	60	57	33

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2013 Change Readiness Index Results Table: High level rankings (East Asia & Pacific)

Overall CRI	Country	Enterprise Capability	Government Capability	People & Civil Society Capability
1	Singapore*	1	1	5
4	New Zealand*	8	7	2
7	Japan*	4	9	10
9	Australia*	15	8	3
13	Taiwan	11	12	9
14	South Korea*	16	11	11
16	Thailand	12	23	30
18	Philippines	23	14	26
23	Malaysia	13	33	27
25	Cambodia	17	20	48
28	China	18	28	41
38	Indonesia	27	50	40
52	Myanmar*	38	59	68
59	Mongolia	83	47	38
76	Timor-Leste*	81	61	69
77	Vietnam	70	79	64

* Countries added to the 2013 CRI

High Income | Upper-Middle Income | Lower-Middle Income | Low Income

2013 Change Readiness Index Results Table: High level rankings (Western Europe)

Overall CRI	Country	Enterprise Capability	Government Capability	People & Civil Society Capability
2	Sweden*	5	2	1
5	Germany*	7	5	6
10	United Kingdom*	9	13	4
15	France*	24	18	13
21	Spain*	30	32	14
26	Portugal*	28	39	18
45	Greece*	72	53	22
50	Italy*	75	65	23

* Countries added to the 2013 CRI

High Income

2013 Change Readiness Index Results Table: High level rankings (Middle East & North Africa)

Overall CRI	Country	Enterprise Capability	Government Capability	People & Civil Society Capability
3	Qatar*	2	3	12
6	Israel*	3	10	8
8	Saudi Arabia*	6	4	20
30	Jordan	29	30	28
39	Tunisia	44	41	36
40	Morocco	25	40	58
56	Syria	45	55	72
63	Egypt	51	69	71
79	Yemen*	78	46	87
81	Algeria	87	67	75

* Countries added to the 2013 CRI

High Income | Upper-Middle Income | Lower-Middle Income

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2013 Change Readiness Index Results Table: High level rankings (Latin America & Caribbean)

Overall CRI	Country	Enterprise Capability	Government Capability	People & Civil Society Capability
11	Chile	14	6	16
19	Panama	21	26	25
22	Uruguay	52	16	17
27	Colombia	35	15	31
29	Mexico	33	22	29
31	Peru	26	27	34
35	Costa Rica	63	35	21
42	Brazil	58	37	37
44	Ecuador	57	43	47
49	Dominican Republic	48	63	45
58	Guatemala	53	66	57
70	Jamaica	77	84	35
71	Nicaragua	69	72	67
72	Honduras	68	77	62
74	Paraguay	76	75	60
75	Argentina	84	83	32
84	Bolivia	88	80	70
85	Haiti*	79	85	85
88	Venezuela	90	88	54

* Countries added to the 2013 CRI

Upper-Middle Income | Lower-Middle Income | Low Income

2013 Change Readiness Index Results Table: High level rankings (North America)

Overall CRI	Country	Enterprise Capability	Government Capability	People & Civil Society Capability
12	United States*	10	19	7

* Countries added to the 2013 CRI

High Income

2013 Change Readiness Index Results Table: High level rankings (Eastern Europe & Central Asia)

Overall CRI	Country	Enterprise Capability	Government Capability	People & Civil Society Capability
17	Lithuania	22	25	15
20	Kazakhstan	31	17	24
24	Poland*	32	29	19
32	Turkey	19	38	53
41	Macedonia	46	48	33
57	Bosnia*	65	68	43
61	Romania	71	73	39
62	Russia	67	70	52
67	Ukraine	62	86	46

* Countries added to the 2013 CRI

High Income | Upper-Middle Income | Lower-Middle Income

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2013 Change Readiness Index Results Table: High level rankings (Sub-Saharan Africa)

Overall CRI	Country	Enterprise Capability	Government Capability	People & Civil Society Capability
33	Namibia	36	24	50
34	Botswana	49	21	44
36	Ghana	39	31	42
37	Kenya	20	51	51
43	Tanzania	54	34	49
46	South Africa	40	49	56
48	Zambia	47	42	65
51	Uganda	37	60	63
53	Rwanda*	61	36	74
55	Mozambique	56	44	73
60	Côte d'Ivoire*	41	52	79
64	Senegal	66	71	55
66	Nigeria	59	56	78
68	Somalia*	43	62	86
73	Cameroon	64	57	84
78	Sierra Leone*	60	74	81
80	Ethiopia	74	58	88
83	Mali	80	78	83
86	Zimbabwe	82	82	82
87	South Sudan*	73	89	80
89	Congo, Dem Rep*	85	87	89

* Countries added to the 2013 CRI

Upper-Middle Income | Lower-Middle Income | Low Income

2013 Change Readiness Index Results Table: High level rankings (South Asia)

Overall CRI	Country	Enterprise Capability	Government Capability	People & Civil Society Capability
47	Sri Lanka	42	45	59
54	Bangladesh	55	54	66
65	India	50	64	76
69	Pakistan	34	81	77
82	Nepal	89	76	61
90	Afghanistan*	86	90	90

* Countries added to the 2013 CRI

Lower-Middle Income | Low Income

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2013 Change Readiness Index Results Table: High level rankings (High Income)

Overall CRI	Country	Region	Enterprise Capability	Government Capability	People & Civil Society Capability
1	Singapore*	East Asia & Pacific	1	1	5
2	Sweden*	Western Europe	5	2	1
3	Qatar*	Middle East & North Africa	2	3	12
4	New Zealand*	East Asia & Pacific	8	7	2
5	Germany*	Western Europe	7	5	6
6	Israel*	Middle East & North Africa	3	10	8
7	Japan*	East Asia & Pacific	4	9	10
8	Saudi Arabia*	Middle East & North Africa	6	4	20
9	Australia*	East Asia & Pacific	15	8	3
10	United Kingdom*	Western Europe	9	13	4
12	United States*	North America	10	19	7
13	Taiwan	East Asia & Pacific	11	12	9
14	South Korea*	East Asia & Pacific	16	11	11
15	France*	Western Europe	24	18	13
21	Spain*	Western Europe	30	32	14
24	Poland*	Eastern Europe & Central Asia	32	29	19
26	Portugal*	Western Europe	28	39	18
45	Greece*	Western Europe	72	53	22
50	Italy*	Western Europe	75	65	23

* Countries added to the 2013 CRI

High Income

2013 Change Readiness Index Results Table: High level rankings (Upper-Middle Income)

Overall CRI	Country	Region	Enterprise Capability	Government Capability	People & Civil Society Capability
11	Chile	Latin America & Caribbean	14	6	16
16	Thailand	East Asia & Pacific	12	23	30
17	Lithuania	Eastern Europe & Central Asia	22	25	15
20	Kazakhstan	Eastern Europe & Central Asia	31	17	24
22	Uruguay	Latin America & Caribbean	52	16	17
23	Malaysia	East Asia & Pacific	13	33	27
27	Colombia	Latin America & Caribbean	35	15	31
28	China	East Asia & Pacific	18	28	41
29	Mexico	Latin America & Caribbean	33	22	29
30	Jordan	Middle East & North Africa	29	30	28
31	Peru	Latin America & Caribbean	26	27	34
32	Turkey	Eastern Europe & Central Asia	19	38	53
33	Namibia	Sub-Saharan Africa	36	24	50
34	Botswana	Sub-Saharan Africa	49	21	44
35	Costa Rica	Latin America & Caribbean	63	35	21
39	Tunisia	Middle East & North Africa	44	41	36
41	Macedonia	Eastern Europe & Central Asia	46	48	33
42	Brazil	Latin America & Caribbean	58	37	37
44	Ecuador	Latin America & Caribbean	57	43	47
46	South Africa	Sub-Saharan Africa	40	49	56
49	Dominican Republic	Latin America & Caribbean	48	63	45
61	Romania	Eastern Europe & Central Asia	71	73	39
62	Russia	Eastern Europe & Central Asia	67	70	52
70	Jamaica	Latin America & Caribbean	77	84	35
75	Argentina	Latin America & Caribbean	84	83	32
81	Algeria	Middle East & North Africa	87	67	75
88	Venezuela	Latin America & Caribbean	90	88	54

Upper-Middle Income

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2013 Change Readiness Index Results Table: High level rankings (Lower-Middle Income)

Overall CRI	Country	Region	Enterprise Capability	Government Capability	People & Civil Society Capability
18	Philippines	East Asia & Pacific	23	14	26
19	Panama	Latin America & Caribbean	21	26	25
36	Ghana	Sub-Saharan Africa	39	31	42
38	Indonesia	East Asia & Pacific	27	50	40
40	Morocco	Middle East & North Africa	25	40	58
47	Sri Lanka	South Asia	42	45	59
48	Zambia	Sub-Saharan Africa	47	42	65
56	Syria	Middle East & North Africa	45	55	72
57	Bosnia*	Eastern Europe & Central Asia	65	68	43
58	Guatemala	Latin America & Caribbean	53	66	57
59	Mongolia	East Asia & Pacific	83	47	38
60	Côte d'Ivoire*	Sub-Saharan Africa	41	52	79
63	Egypt	Middle East & North Africa	51	69	71
64	Senegal	Sub-Saharan Africa	66	71	55
65	India	South Asia	50	64	76
66	Nigeria	Sub-Saharan Africa	59	56	78
67	Ukraine	Eastern Europe & Central Asia	62	86	46
69	Pakistan	South Asia	34	81	77
71	Nicaragua	Latin America & Caribbean	69	72	67
72	Honduras	Latin America & Caribbean	68	77	62
73	Cameroon	Sub-Saharan Africa	64	57	84
74	Paraguay	Latin America & Caribbean	76	75	60
76	Timor-Leste*	East Asia & Pacific	81	61	69
77	Vietnam	East Asia & Pacific	70	79	64
79	Yemen*	Middle East & North Africa	78	46	87
84	Bolivia	Latin America & Caribbean	88	80	70
87	South Sudan*	Sub-Saharan Africa	73	89	80

* Countries added to the 2013 CRI

Lower-Middle Income

2013 Change Readiness Index Results Table: High level rankings (Low Income)

Overall CRI	Country	Region	Enterprise Capability	Government Capability	People & Civil Society Capability
25	Cambodia	East Asia & Pacific	17	20	48
37	Kenya	Sub-Saharan Africa	20	51	51
43	Tanzania	Sub-Saharan Africa	54	34	49
51	Uganda	Sub-Saharan Africa	37	60	63
52	Myanmar*	East Asia & Pacific	38	59	68
53	Rwanda*	Sub-Saharan Africa	61	36	74
54	Bangladesh	South Asia	55	54	66
55	Mozambique	Sub-Saharan Africa	56	44	73
68	Somalia*	Sub-Saharan Africa	43	62	86
78	Sierra Leone*	Sub-Saharan Africa	60	74	81
80	Ethiopia	Sub-Saharan Africa	74	58	88
82	Nepal	South Asia	89	76	61
83	Mali	Sub-Saharan Africa	80	78	83
85	Haiti*	Latin America & Caribbean	79	85	85
86	Zimbabwe	Sub-Saharan Africa	82	82	82
89	Congo, Dem Rep*	Sub-Saharan Africa	85	87	89
90	Afghanistan*	South Asia	86	90	90

* Countries added to the 2013 CRI

Low Income

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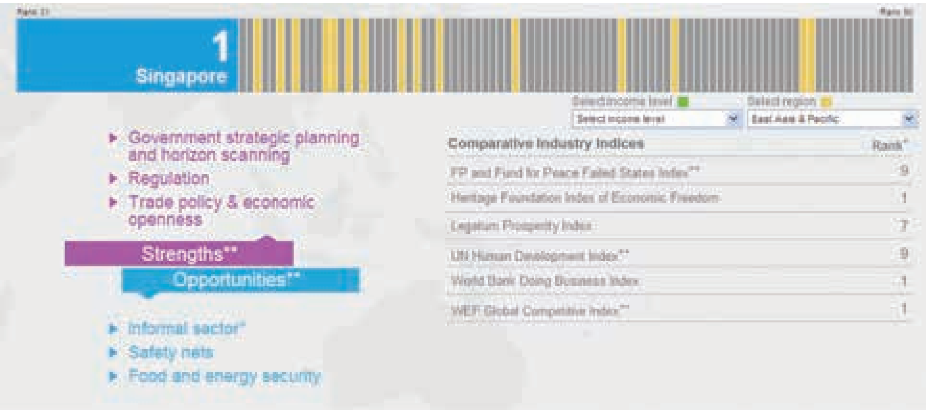

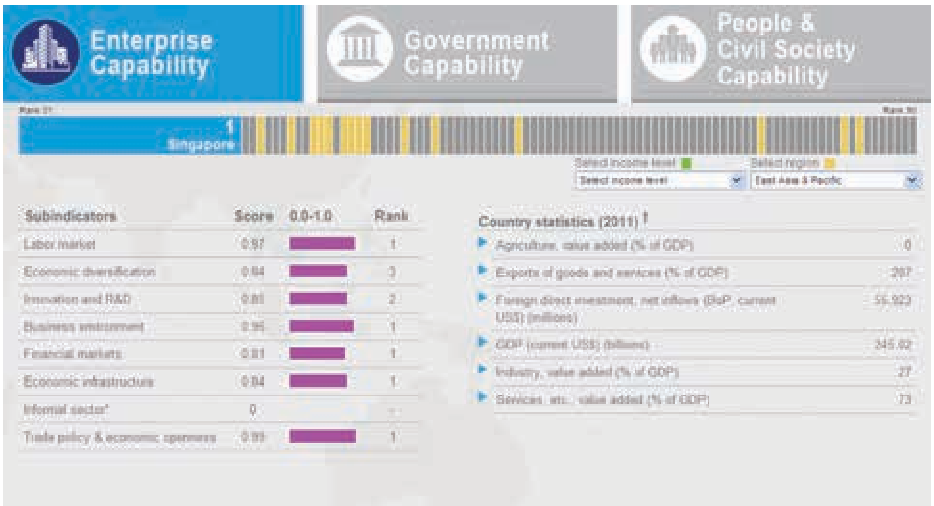

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