



# OXFORD ECONOMICS

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**KPMG: 2013 Change Readiness Index**  
*Assessing countries' ability to manage change  
and cultivate opportunity*

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## Objective of presentation

- ❑ Share our progress in devising the 2013 Change Readiness Index, an innovative index providing a measure of a country's underlying capabilities for managing change
- ❑ Provide insight into a relatively new approach that can help assess how well governments across a range of countries are managing their capabilities including for public financial management.

## Definition of change readiness – a new policy concept

*Change readiness relates to the capability of a country – its government, private and public enterprises, people and wider civil society – to:*

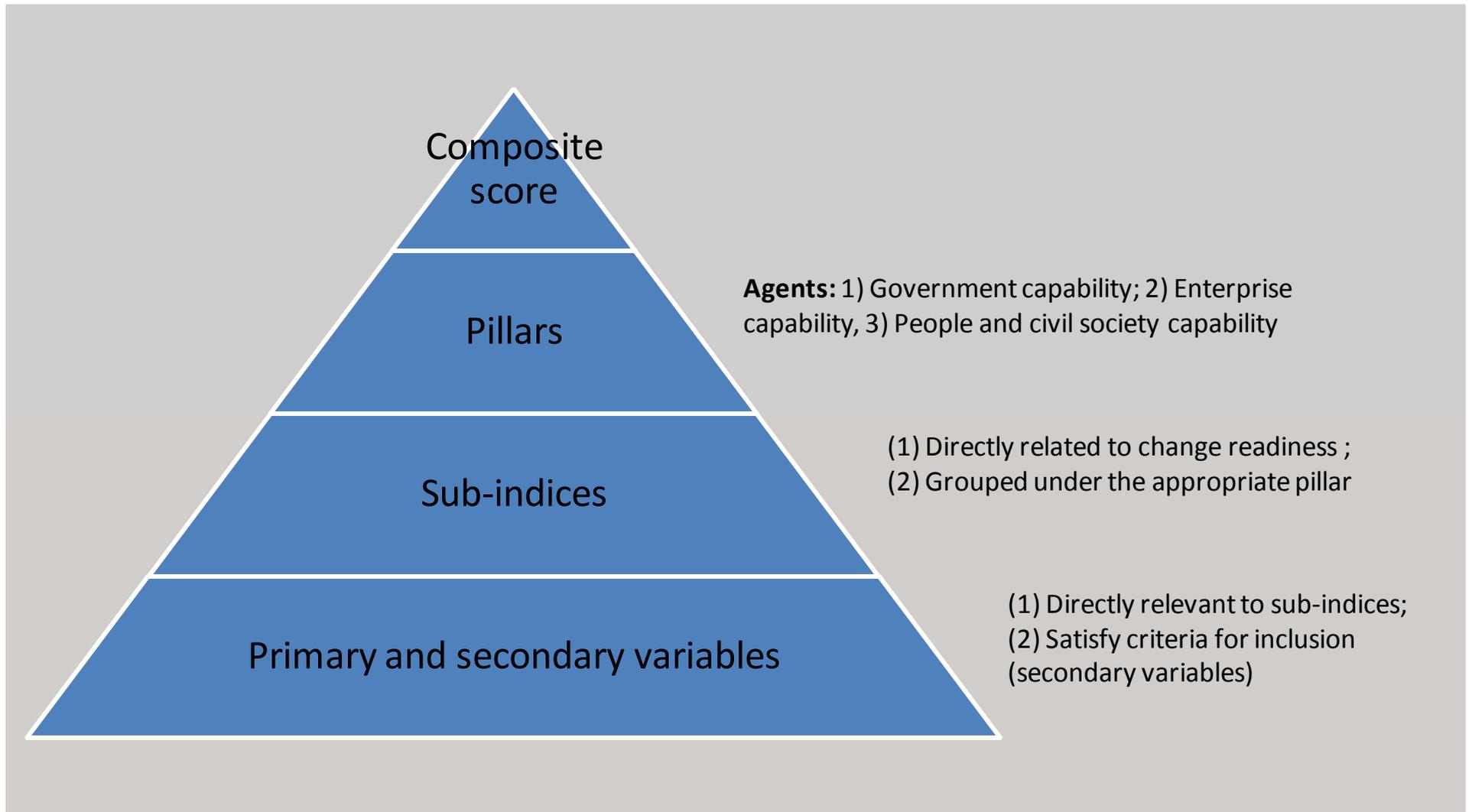
- *Foresee, manage and respond to a wide range of change drivers:*
  - *Domestic and external change*
  - *Positive and negative change*
  - *Short and long-term change*
  - *Anticipated and unanticipated change*
- *... Including by proactively exploiting any of the resulting positive opportunities and mitigating negative change drivers,*
- *leading to more sustainable and long-term economic growth and improvement in living standards for a majority of its citizens*
- **NOTE: CRI is not a predictor of future economic growth**

## 90 countries being covered in 2013 CRI – 30 more than 2012 CRI

Africa	Americas	Asia & Oceania	Europe	Middle East
Algeria	Argentina	Australia	Bosnia & Herzegovina	Afghanistan
Botswana	Bolivia	Bangladesh	Germany	Jordan
Cameroon	Brazil	Cambodia	Greece	Qatar
Congo, DR	Chile	China	France	Saudi Arabia
Egypt	Colombia	India	Italy	Syria
Ethiopia	Costa Rica	Indonesia	Lithuania	Israel
Ghana	Dominican Republic	Japan	Macedonia	Yemen
Kenya	Ecuador	Kazakhstan	Poland	
Ivory Coast	Guatemala	Malaysia	Portugal	
Mali	Haiti	Mongolia	Romania	
Morocco	Honduras	Myanmar	Russia	
Mozambique	Jamaica	Nepal	Spain	
Namibia	Mexico	New Zealand	Sweden	
Nigeria	Nicaragua	Pakistan	Turkey	
Rwanda	Panama	Philippines	Ukraine	
Senegal	Paraguay	Singapore	United Kingdom	
Sierra Leone	Peru	South Korea		
Somalia	United States	Sri Lanka		
South Africa	Uruguay	Taiwan		
South Sudan	Venezuela	Thailand		
Tanzania		Timor Leste		
Tunisia		Vietnam		
Uganda				
Zambia				
Zimbabwe				

- ❑ Strong focus on developing economies
- ❑ Wide global coverage
- ❑ New countries for 2013 include Afghanistan, Somalia, South Sudan, Myanmar
- ❑ All 60 countries from the 2012 CRI included

# Hierarchical structure of 2013 CRI



# Pillars and sub-indices in 2013 CRI

## Pillar 1: Enterprise Capability

- **Sub-Index 1:** Labour Markets
- **Sub-Index 2:** Economic Diversification
- **Sub-Index 3:** Economic Openness
- **Sub-Index 4:** Innovation and R&D
- **Sub-Index 5:** Business Environment
- **Sub-Index 6:** Financial Sector
- **Sub-Index 7:** Infrastructure
- **Sub-Index 8:** Informal Sector

## Pillar 2: Government Capability

- **Sub-Index 1:** Macroeconomic Framework
- **Sub-Index 2:** Public Administration and State Business Relations
- **Sub-Index 3:** Regulation
- **Sub-Index 4:** Fiscal and Budgeting
- **Sub-Index 5:** Rule of Law
- **Sub-Index 6:** Government Strategic Planning and Horizon Scanning
- **Sub-Index 7:** Environment
- **Sub-Index 8:** Food and Energy Security

## Pillar 3: People & Civil Society Capability

- **Sub-Index 1:** Human Capital
- **Sub-Index 2:** Entrepreneurship
- **Sub-Index 3:** Civil Society
- **Sub-Index 4:** Safety Nets
- **Sub-Index 5:** Technology
- **Sub-Index 6:** Gender
- **Sub-Index 7:** Inclusiveness of Growth
- **Sub-Index 8:** Demographics
- **Sub-Index 9:** Access to Information
- **Sub-Index 10:** Health

## Primary survey “country expert” definition

*“An individual with at least 7 years of experience analyzing, studying or living in that country. The individual should have a good knowledge of economic policymaking, social structures and governance institutions in that country and is 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 is required. Country experts will be sought from a range of industries and sectors, where possible, including senior managers within the private sector, academia and trade unions.”*

# Primary survey question examples and response scales

Q2 How conducive is the policy and business environment in Vietnam to fostering innovation, including business R&D and the contributions of public research institutions to innovation in R&D-intensive sectors?

[1 = the policy and operating environment is strongly conducive to fostering innovation; 7 = the policy and operating environment strongly discourages innovation] In assigning a ranking, a score of 1 would indicate "best practice" or "best case" globally, while a score of 7 would indicate "worst practice" or "worst case" globally.

1	2	3	4	5	6	7
<input type="radio"/>						

Q9 To what extent does the government of Vietnam pursue policies that promote new, emerging industry sectors with greater growth potential over the protection of less competitive, existing industries?

[1 = highest extent; 7 = lowest extent] In assigning a ranking, a score of 1 would indicate "best practice" or "best case" globally, while a score of 7 would indicate "worst practice" or "worst case" globally.

1	2	3	4	5	6	7
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## Other primary survey question examples

*How effective is the government in [Country X] at pursuing policies and measures that promote a well-diversified economy (that is, one in which a good range of different industry sectors contribute to gross domestic product)?*

*How well does the government of [Country X] mobilize and manage resources as needed to respond effectively to short-term negative shocks, without jeopardizing macroeconomic stability?*

*Do the laws and, importantly, the practices/customs of your country typically accord women the same opportunities as men in being able to participate in the economy?*

*How effective is the government of [Country X] at taking steps to understand and respond to threats and opportunities posed by climate change and other environmental protection challenges?*

*How quickly and effectively is the informal sector being productively integrated into the formal economy in [Country X]?*

*To what extent are civil society organizations allowed to influence and participate in important policy debates related to solving humanitarian, economic, environmental and other development issues in [Country X]?*



# Criteria for identifying secondary variables

## Relevance

- The variable must have a clear link to and provide valuable information on change readiness capability, relating to at least one of the change readiness dimensions and directly to the parent sub-index
- A high (or low ) value for a variable signals clearly superior (or weaker) change readiness capability

## Validity

- Data sources have to be credible and reliable organizations

## Country coverage

- Data sources should cover a high proportion of the sample of countries

## Timeliness and frequency

- The latest data year should be no older than three to four years back from publication year
- Data releases should be regular, with new data released at least every 3 years
- There should be at least two data years for each indicator, so that basic statistical inference could be made

## Input indicators

- Emphasis on variables classified as input indicators
- Policies and actions that determine change readiness and outcomes

# Examples of secondary variables drawn from a wide range of sources

## Pillar 1: Enterprise capability

- Rigidity of employment
- Flexibility of wage determination
- Diversity of exports
- FDI (as % of GDP)
- Business spending on R&D
- Time required to start a business
- Strength of investor protection
- Availability of financial services
- Efficacy of corporate boards
- Broadband subscribers per capita

## Pillar 2: Government capability

- Government effectiveness
- Corruption (index)
- Rule of law
- Environmental performance (index)
- Government budget balance as % of GDP
- Wastefulness of government spending
- State legitimacy
- Civil service effectiveness
- Country credit ratings

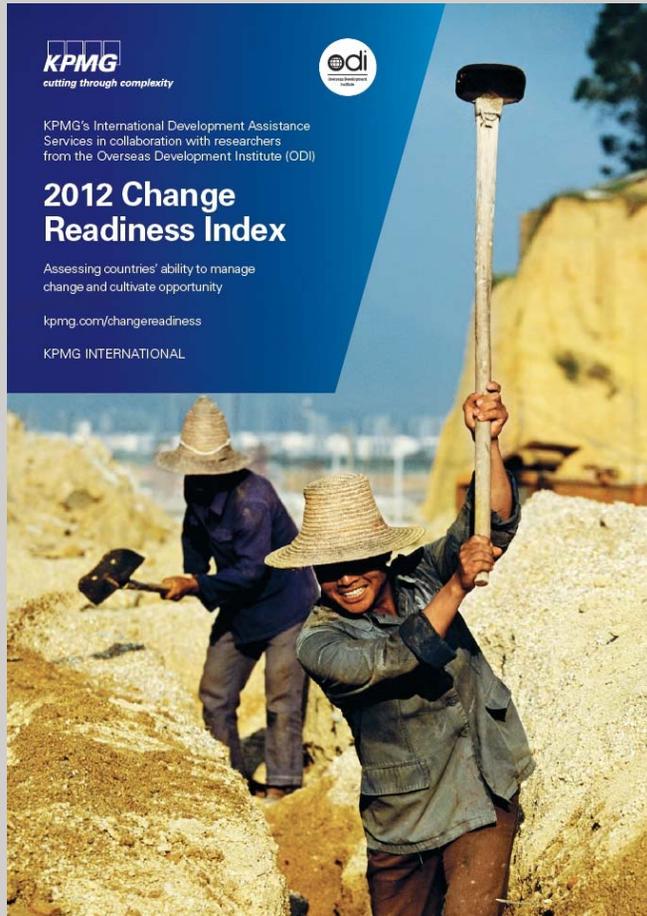
## Pillar 3: People & civil society capability

- Adult literacy
- Tertiary education enrolment rate
- Brain drain
- Participation of women in the economy
- Income inequality
- Old-age dependency ratio (as % of working population)
- Press freedom (index)
- Officially recorded migrant remittance flows (as % of GDP)

## Key improvements in / changes to 2013 CRI

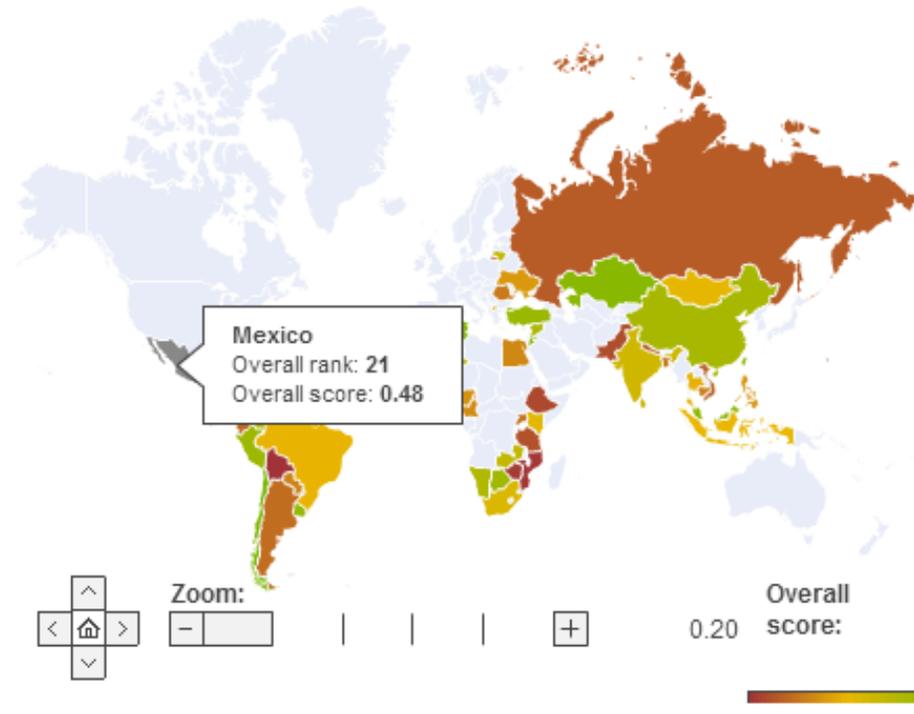
- Expanded country coverage: 30 additional countries
- Adapted pillar structure
- Expanded sub-index coverage to better capture more dimensions of change readiness and a wider range of change drivers
- Expanded number of primary survey questions and improvement to the response scale (1-7 ranking scale), including framing responses in a more international benchmark context
- Significantly expanded use of secondary data variables and sources, both for direct inclusion in the index and for validation of both primary and secondary data
- **But, generally, the 2013 CRI builds on the solid foundations of the launch 2012 CRI and makes improvements, where possible and justified by a strong rationale**

# Examples of research outputs: report and online analytical tools



## Change Readiness Index

Assessing the level of change readiness across 60 countries with a focus on developing and emerging markets.



# Country rankings by overall CRI 2012 scores and by pillar

## Rankings, data and formulas

This PDF (1 MB) provides a complete list of the indicators that each sub-index draws on along with the formulas used for the overall scores. Please share your [feedback](#) with us or contact your local KPMG member firm or ODI to learn more about the Index and its implications for your country or program. For an Excel® version of this data, please contact [Karen Ellis](#).

The following table shows the results of the 2012 Change Readiness Index along with the scores and rankings for each sub-index.

	Overall		Economic sub-index		Governance sub-index		Social sub-index	
	rank	score	rank	score	rank	score	rank	score
Chile	1	0.73	1	0.71	1	0.86	6	0.62
Tunisia	2	0.72	3	0.65	3	0.82	2	0.68
Taiwan	3	0.71	6	0.59	8	0.67	1	0.87
Jordan	4	0.7	4	0.65	2	0.82	4	0.63
Kazakhstan	5	0.67	2	0.65	4	0.73	7	0.62
Morocco	6	0.62	9	0.57	5	0.71	11	0.57
Malaysia	7	0.61	11	0.56	12	0.65	5	0.62
Uruguay	8	0.61	13	0.54	7	0.67	8	0.61
Turkey	9	0.58	10	0.57	9	0.67	21	0.51
Peru	10	0.58	8	0.58	14	0.63	17	0.53
Botswana	11	0.56	5	0.62	10	0.66	37	0.39
Costa Rica	12	0.54	24	0.47	22	0.5	3	0.65
China	13	0.54	14	0.54	17	0.57	19	0.51

# Relevance to policymakers and Governmental Financial Management

- 2013 CRI will provide new insights to assess the strategic support that countries may need
- How?
  - By identifying areas of change readiness weakness and strength in each country by pillar, sub-index and variable
  - By identifying countries with overall and specific high change readiness capacity in key areas
  - By benchmarking each country to show its relative international standing. The CRI encourages countries to look outward, rather than merely inward.
- Specific relevance to Governmental Financial Management:
  - Government capability pillar
  - Sub-indices for macroeconomic framework, public administration, and fiscal policy and budgeting

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**Global analysis for better decisions**