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Few Economies Are Ready for Long-term Prosperity through Improved Public Services, Green Investments and Digitization, Study Finds

- Special edition of the World Economic Forum's *Global Competitiveness Report* examines how the recovery from COVID-19 crisis can build productive, sustainable and inclusive economic systems
- Countries with advanced digital economies, strong social safety nets and robust healthcare systems have managed the impact of the pandemic more effectively
- Report measures which countries are best prepared for recovery and future economic transformation
- Country rankings have been suspended due to the extraordinary COVID-19 response measures by governments
- Read the full report, infographics and more [here](#)

Geneva, Switzerland, 16 December 2020 – Almost one year after the onset of the COVID-19 crisis, the deep economic recession it has triggered continues to have profound economic and social consequences. While no nation has emerged unscathed, this year's *Global Competitiveness Report* finds that countries with advanced digital economies and digital skills, robust social safety nets and previous experience dealing with epidemics have better managed the impact of the pandemic on their economies and citizens.

As the global economy recovers, the opportunity exists for countries to expand their focus beyond a narrow return to growth. The *Global Competitiveness Report Special Edition 2020: How Countries are Performing on the Road to Recovery*, published today by the World Economic Forum, charts a way forward.

This year's special edition outlines priorities for recovery and revival, assesses the features that helped countries be more effective in managing the pandemic, and provides an analysis of which countries are best poised for an economic transformation towards systems that combine "productivity", "people" and "planet" targets.

"The World Economic Forum has long encouraged policymakers to broaden their focus beyond short-term growth to long-term prosperity. This Report makes clear the priorities for making economies more productive, sustainable and inclusive as we emerge from the crisis. The stakes for transforming our economic systems simply could not be higher," said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

In recognition of the extraordinary developments in 2020 and of the unified global effort required to tackle the health crisis and its socioeconomic fallout, the Global Competitiveness Index rankings have been suspended for 2020. The 2021 edition will see a return to benchmarking, providing a refreshed framework to guide future economic growth.

What aspects of competitiveness made an economy relatively resilient during the pandemic?

- Countries with advanced digital economies and digital skills have been more successful at keeping their economies running while their citizens worked from home. The Netherlands, New Zealand, Switzerland, Estonia, and the United States have performed well on this measure.

- Countries with robust economic safety nets, such as Denmark, Finland, Norway, Austria, Luxembourg and Switzerland, were well placed to support those who could not work. Similarly, countries with strong financial systems such as Finland, the United States, the United Arab Emirates and Singapore, could more easily provide credit to SMEs to prevent insolvency.
- Countries that could successfully plan and integrate health, fiscal and social policies have been relatively more successful in mitigating the effects of the crisis, including Singapore, Switzerland, Luxembourg, Austria and the United Arab Emirates.
- Anecdotal evidence suggests that countries with previous experience of coronavirus epidemics (e.g., SARS) had better protocols and technological systems in place (e.g., Republic of Korea, Singapore) and could contain the epidemic relatively better than others.

How did business sentiment change during the crisis?

In advanced economies, business leaders saw increased market concentration, a marked decline in competition for services, reduced collaboration between companies and fewer available skilled workers in the employment market as the shift to digitally enabled work accelerated. On the positive side, leaders saw greater government response to change, improved collaboration within companies and increased availability of venture capital.

In emerging markets and developing economies, business leaders noted an increase in business costs related to crime and violence, a reduction in judicial independence, a further reduction in competition and growing market dominance, and stagnating trust in politicians. They, too, expressed positive views on government response to change, collaboration within companies, and venture capital availability. They also noted an increase in the capacity to attract talent, potentially facilitated by the more digital labour market.

“During this time of profound uncertainty, the health crisis and economic downturn have forced a fundamental rethink of growth and its relationship to outcomes for people and planet. Policy-makers have a remarkable opportunity to seize this moment and shape new economic systems that are highly productive while growing shared prosperity and environmental sustainability,” said **Saadia Zahidi**, Managing Director, World Economic Forum.

What are the imperatives for a future economic transformation?

The report considers pathways for revival and transformation in four areas: the enabling environment, human capital, markets, and innovation.

- **Transforming the enabling environment:** The report recommends that governments prioritize improving public service delivery, plan for managing public debt and expand digitization. In the longer term, more progressive taxation, and upgrading utilities and building greener infrastructure are recommended.
- **Transforming human capital:** The report advocates a gradual transition from furlough schemes to a combination of proactive investments in new labour market opportunities, a scaling-up of reskilling and upskilling programmes, and safety nets to help drive the recovery. In the longer term, leaders should work to update education curricula, reform labour laws and improve the use of new talent-management technologies.
- **Transforming markets:** While financial systems have become significantly more stable since the last financial crisis, they need to be more inclusive, and growing market concentration and raising barriers to the movement of goods and people risk hampering the transformation of markets. The report recommends introducing financial incentives for companies to engage in sustainable and inclusive investments, while updating competition and anti-trust frameworks.
- **Transforming the innovation ecosystem:** Although entrepreneurial culture has flourished in the past decade, the creation of new firms, breakthrough technologies and products and services that deploy these technologies has stalled. The report recommends that countries expand public investment in R&D while encouraging it in the private sector. In the longer term, countries should support the creation of “markets of tomorrow” and motivate firms to embrace diversity to enhance creativity and market relevance.

Which countries are best prepared for economic transformation?

The concepts of economic transformation are relatively new and data is limited. Data from 37 countries was mapped against the 11 priorities outlined in the report and found that while no country is fully prepared for recovery and economic transformation, some are better placed than others. The report estimates that a 10% increase in readiness scores could lead to a \$300 billion increase in the GDP figures of these 37 countries combined. However, these priorities for transformation should be considered for their multiple effects on growth, inclusion and sustainability.

Countries that are best prepared for economic transformation are shown in the table below. The report should be examined in depth to understand the implications of data availability.

Economy	Ensure public institutions embed strong governance principles and a long-term vision and build trust by serving their citizens	Upgrade infrastructure to accelerate the energy transition and broaden access to electricity and ICT	Shift to more progressive taxation, rethinking how corporations, wealth and labour are taxed, nationally and in an international cooperative framework	Update education curricula and expand investment in the skills needed for jobs and "markets of tomorrow"	Rethink labour laws and social protection for the new economy and the new needs of the workforce	Expand eldercare, childcare and healthcare infrastructure, access and innovation for the benefit of people and the economy
Top 3						
1	Finland	Estonia	South Africa	Finland	Denmark	Sweden
2	New Zealand	Netherlands	Japan	Netherlands	United Kingdom	Denmark
3	Switzerland	Denmark	Korea, Rep.	Denmark	Switzerland	Canada

Economy	Increase incentives to direct financial resources towards long-term investments, strengthen stability and expand inclusion	Rethink competition and anti-trust frameworks needed in the Fourth Industrial Revolution, ensuring market access, both locally and internationally	Facilitate the creation of "markets of tomorrow", especially in areas that require public-private collaboration	Incentivize and expand patient investments in research, innovation and invention that can create new "markets of tomorrow"	Incentivize firms to embrace diversity, equity and inclusion to enhance creativity
Top 3					
1	Finland	United States	Finland	United States	China
2	New Zealand	Canada	United States	Japan	Sweden
3	Sweden	China	Japan	Finland and Korea	New Zealand

Key insights:

- **Digital infrastructure investments:** The transition to a greener and more inclusive economy must be underpinned by significant investments in infrastructure, including an expansion of digital networks. Denmark, Estonia, Finland and the Netherlands are currently best prepared to do this.
- **Greener economy:** Greening the economy will require upgrading energy infrastructure, transport networks and commitments from both the public and private sectors to extend and respect multilateral agreements on environmental protection. Denmark, Estonia, Finland and the Netherlands are best prepared to drive economic transformation through infrastructure. Less prepared countries include Russia, Indonesia, Turkey and South Africa.
- **Longer-term investments:** Increasing incentives to direct financial resources towards long-term investments in the real economy can strengthen stability and expand inclusion. Finland, Sweden, New Zealand and Austria are relatively better prepared than other advanced economies, while the United States, currently the largest financial centre in the world, is among the least ready.
- **More progressive taxation:** Shifting to more progressive taxation systems emerges as a key driver of economic transformation. On this measure, the Republic of Korea, Japan, Australia and South Africa score highest, thanks to relatively well-balanced and progressive tax structures.
- **Expanded public services:** Future-ready education, labour laws and income support should be better integrated to expand the social protection floor. Germany, Denmark, Switzerland and the United Kingdom are relatively better prepared than others to combine adequate labour protection with new safety net models. South Africa, India, Greece and Turkey are less prepared.

- Incentives for the markets of tomorrow: Incentivizing and expanding patient investments in research, innovation and invention can create new “markets of tomorrow” and drive growth. Finland, Japan, the United States, Republic of Korea, and Sweden emerge as better prepared to create the markets of tomorrow, while Greece, Mexico, Turkey and the Slovak Republic are less well prepared.

Notes to editors

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