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# GLOBAL OPPORTUNITY INDEX 2022

## White Paper



Benjamin Smith and Micah Rabin

# ABOUT THE MILKEN INSTITUTE

The Milken Institute is a nonprofit, nonpartisan think tank.

For the past three decades, the Milken Institute has served as a catalyst for practical, scalable solutions to global challenges by connecting human, financial, and educational resources to those who need them. Guided by a conviction that the best ideas, under-resourced, cannot succeed, we conduct research and analysis and convene top experts, innovators, and influencers from different backgrounds and competing viewpoints. We leverage this expertise and insight to construct programs and policy initiatives.

These activities are designed to help people build meaningful lives in which they can experience health and well-being, pursue effective education and gainful employment, and access the resources required to create ever-expanding opportunities for themselves and their broader communities.



# Executive Summary

The Global Opportunity Index 2022 provides a broad outlook on the global investment landscape. The Index incorporates a variety of economic, financial, institutional, and regulatory variables and is intended to be a resource for businesses to assess the attractiveness of potential investment destinations. For governments, the Index highlights areas that they should improve upon to attract greater foreign investment.

According to the 2022 ranking, Sweden remains the most attractive destination for foreign investment. The country excels in Economic Fundamentals, a measure of economic performance, opportunities for future growth, and the quality and diversity of the labor pool. Sweden also benefits from a high score in Financial Services, which measures both the size and quality of the financial system.

New to the Index this year are a number of environmental, social, and governance (ESG) variables. These variables have been included to reflect the growing appetite of businesses to incorporate ESG data into business decisions.

As a supplement to the total ranking, this white paper includes analyses at the category level, aggregating countries by geographic region and income level. Our analyses draw attention to the fact that while broad patterns exist as to how regions and income-level groups perform in the Index, there is also significant variation depending on the category. These findings highlight the need for investors to perform careful due diligence and for governments to continue to find means of differentiating themselves from their neighbors.

Finally, the white paper highlights the major differences between this year's Index and GOI 2021. Specifically, we draw attention to the countries that have had the largest positional change in both total ranking and Economic Performance, a subcategory that is best suited to reflect the immediate effects of the coronavirus pandemic.



# The Index

The Global Opportunity Index (GOI) provides foreign investors with a broad outlook on the global investment landscape. This year's Index covers 126 countries across seven major geographical regions. The Index aims to capture the factors that investors consider when deciding where to deploy capital.<sup>1</sup> Our determination of overall investment opportunity is made by 100 variables organized into five categories and 14 subcategories that are listed below:

## BUSINESS PERCEPTION

### Business Constraint

- Cost of business
- Ease of shareholder suits
- Enforcing contracts
- Percentage of firms identifying corruption as a major constraint
- Percentage of firms identifying labor regulations as a major constraint
- Percentage of firms identifying tax rates as a major constraint
- Time required to start a business (days)
- Willingness to delegate authority

### Recovery and Resolution Process

- Enforcing contracts
- Resolving insolvency: cost (percentage of estate)
- Resolving insolvency: recovery rate (cents on the dollar)
- Insolvency regulatory framework
- Time required to enforce a contract (days)
- Time to resolve insolvency (years)

## ECONOMIC FUNDAMENTALS

### Economic Performance

- Central government debt
- GDP growth
- GDP per capita

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1. Many factors contribute to investment decisions, and investors' preferences are idiosyncratic. Therefore, our Index should not be conflated with or compared against actual foreign investment flows.



- Inflation, consumer prices (annual percentage)
- Total factor productivity
- Trade (percentage of GDP)
- Unemployment, total (percentage of total labor force)

#### **Future Environment of Growth**

- Agricultural land (percentage of land area)
- Air pollution (fine particulate matter [PM<sub>2.5</sub>], mean annual exposure)
- Age dependency ratio (percentage of working-age population)
- CO<sub>2</sub> emissions (average per capita, tonnes per year)
- Fertility rate (births per woman)
- Fixed-broadband internet subscriptions
- Forest area (percentage of land area)
- Freshwater withdrawals (annual, percentage of internal resources)
- Government health expenditure (percentage of GDP)
- Healthy life expectancy
- International trade in digitally deliverable services
- Internet access (percentage of households)
- Mobile-broadband subscriptions
- Mobile phone subscribers (per 100 people)
- MSME density (micro-, small-, and medium-sized enterprises)
- Percentage of the population covered by at least a 3G mobile network
- Proportion of women in government (seats held in national parliament)

#### **Workforce Talent**

- Extent of staff training
- Education expenditure
- Labor force participation rate, ages 15+ (percentage of total)
- Labor force with intermediate education (percentage of total)
- Labor force participation rate, female (percentage of female population ages 15+)
- Mean years of schooling
- School life expectancy
- Self-employed (percentage of total employment)

## **FINANCIAL SERVICES**

#### **Financial Access**

- ATMs (per 100,000 adults)
- Account ownership at a financial institution or mobile money-service provider



- Bank branches (per 100,000 adults)
- Credit card ownership (percentage ages 15+)
- Debit card (percentage ages 15+)
- Domestic credit to private sector (percentage of GDP)
- Financing small and medium-sized enterprises
- Venture capital availability

#### **Financial Size & Condition**

- Bank concentration
- Nongovernment securities (percentage of GDP)
- Nonperforming loans to total gross loans (percentage)
- Non-life insurance premium volume (percentage GDP)
- Life insurance premium volume (percentage GDP)
- Private credit by banks (percentage GDP)
- Private credit coverage (percentage of adults)
- Public credit coverage (percentage of adults)
- Total private debt, loans, and debt securities (percentage of GDP)

## **INSTITUTIONAL FRAMEWORK**

#### **Innovation**

- Buyer sophistication
- Quality of research institutions
- Research and development (R&D) expenditures
- Scientific publications

#### **Investors' Rights**

- Protecting minority investors
- Property rights
- Government ensuring policy stability
- Strength of legal rights
- Quality of land administration

#### **Public Governance**

- Burden of government regulation
- Efficiency of legal framework in challenging regulations
- Efficiency of legal framework in settling disputes
- Freedom of press
- Judicial independence



- Political stability and absence of violence/terrorism: estimate
- State of cluster development

#### **Transparency**

- Budget transparency
- Conflict of interest regulation
- Credit depth of information
- E-participation index
- Extent of disclosure
- Incidence of corruption
- Startup procedures to register a business
- Strength of auditing and reporting standards
- Transparency of government policymaking
- Voice and accountability: estimate

## **INTERNATIONAL STANDARDS AND POLICY**

#### **Economic Openness**

- Bilateral investment treaties (BITs)
- Chinn-Ito
- Exchange rate regime
- Tariff rate, applied, weighted mean, all products (percentage)
- Trading across borders (time and cost)
- Treaties with investment provisions (TIPs)

#### **Tax & Regulation**

- Corporate tax rate (percentage)
- Income tax rate (percentage)
- Labor freedom
- Regulation of securities exchange

#### **Patent & Trademark**

- Patent applications
- Trademark applications



# Variable and Country Coverage

## NEW VARIABLES

Research shows that ESG factors are increasingly important to investors.<sup>2</sup> To reflect this trend, GOI 2022 includes seven new ESG variables that are highlighted below. These variables come from the World Bank's sovereign ESG database and are all forward-looking variables useful for assessing long-term growth opportunities in a country.

### **Economic Fundamentals—Future Environment of Growth:**

- Agricultural land (percentage of land area)
- Air pollution (PM<sub>2.5</sub>, mean annual exposure)
- CO<sub>2</sub> emissions (average per capita, tonnes per year)
- Fertility rate (births per woman)
- Forest area (percentage of land area)
- Freshwater withdrawals (annual, percentage of internal resources)
- Proportion of women in government (seats held in national parliament)

Additionally, to enhance our existing factor coverage, we have added new variables to Economic Fundamentals and International Standards & Policy:

### **Economic Fundamentals—Workforce Talent:**

- Education expenditure

### **International Standards & Policy—Economic Openness:**

- Trading across borders (time and cost)

## VARIABLE AND COUNTRY QUALITY

The 100 variables that constitute the Index are collected from a variety of sources (see the appendix for the full list).

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2. Lopez et al. (2020).



We cover 126 countries in this year's Index. Countries are included only if they have current data for more than 80 percent of the variables in each of the five categories.<sup>3</sup>

## COUNTRY INCOME LEVELS

The GOI covers countries of varying income levels. Of the 126 countries included in GOI 2022, 46 are classified by the World Bank as high-income economies, 36 are upper-middle income, 35 are lower-middle income, and 9 are low-income economies.

From one year to the next, a country's income level classification may change due to several factors, including economic growth and population growth. Since GOI 2021, five countries have had their income level reduced due in part to the economic slowdown caused by the coronavirus pandemic. Moldova was the only country to see an increase in its income level. These changes are summarized below in Table 1.

**Table 1: Countries with a Change in Income-Level Classification 2021–2022**

Country	Income Level		GNI per Capita in US\$	
	GOI 2022	GOI 2021	as of July 2021	as of July 2020
Belize	Lower-middle income	Upper-middle income	3,970	4,450
Indonesia	Lower-middle income	Upper-middle income	3,870	4,050
Mauritius	Upper-middle income	High income	10,230	12,740
Panama	Upper-middle income	High income	11,880	14,950
Romania	Upper-middle income	High income	12,570	12,630
Moldova	Upper-middle income	Lower-middle income	4,570	4,560

*Source: World Bank (2021)*

3. Our determination of what is considered current is variable-specific. Generally, for noneconomic variables we include available data collected no more than five years ago.



# Regional and Income-Level Comparison

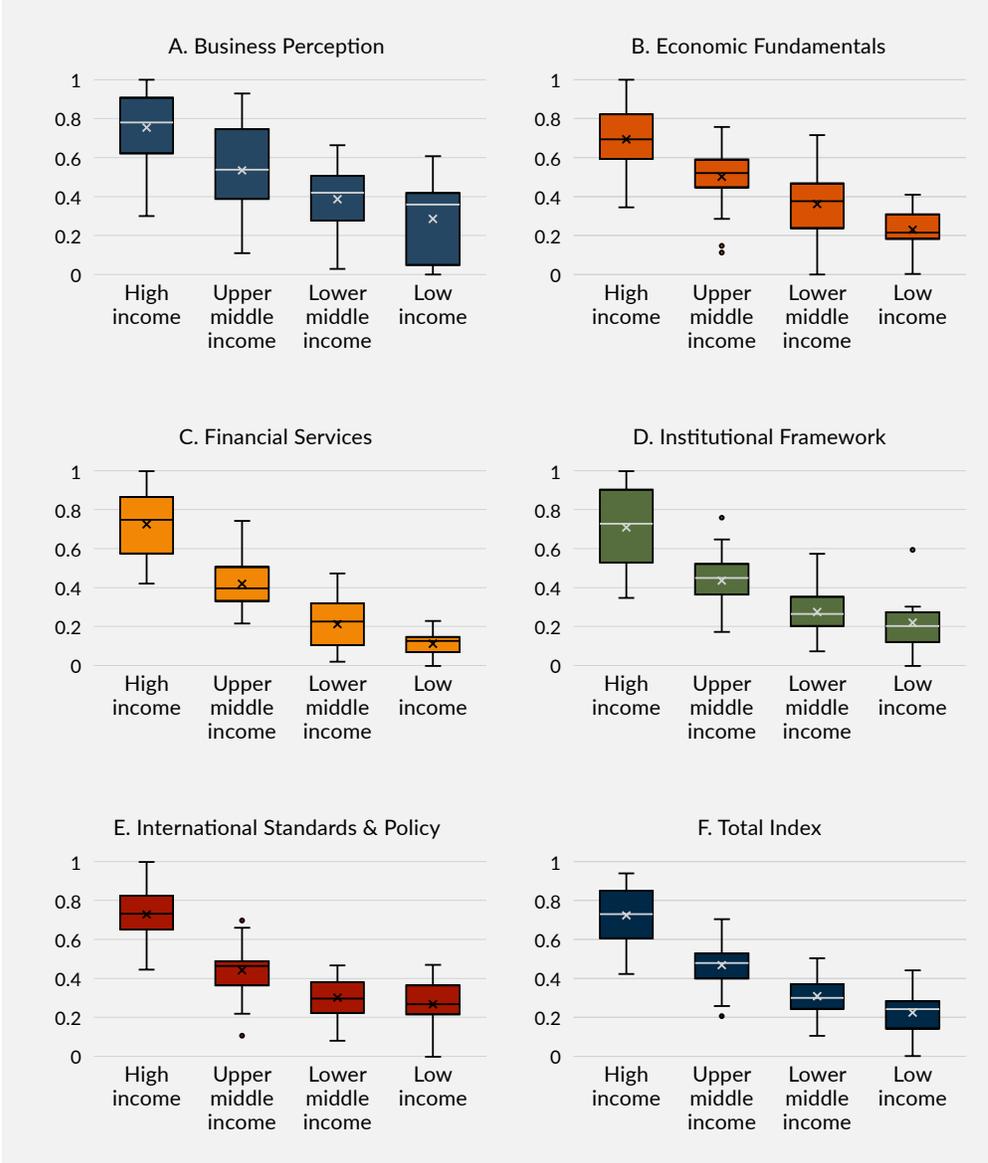
As a supplement to the overall measure of investment opportunity shown in the ranking, we include a category-level analysis. Our analysis compares performance across income-level classification (Figure 1) and geographic region (Figure 2).

We find that a country's performance in the Index relates to its income level. Countries with high income levels perform better in each category, on average, than countries with low-income levels. Most categories have uniform findings, though low-income countries are much more heterogeneous in Business Perception compared to the other categories. The interquartile range for lower-middle-income countries is uniform across Business Perception, Economic Fundamentals, and Financial Services but is approximately 50 percent less for Institutional Framework.

As expected, the Total Index score does not account for the nuances seen in each category. This observation should further incentivize investors to review a country's performance at the category level for a better understanding of whether it suits their preferences and how it compares with its peers.



**Figure 1: Comparison of Performance by Income Level, across Categories**



**Note:** The figure shows boxplots for each category of the Index and group of countries. Each boxplot displays the upper and lower quartiles of the distribution (i.e., upper and lower edges of the box), the median (denoted by the horizontal line inside the box), the mean (represented by the "X" marker), and the maximum and minimum values (i.e., whiskers), excluding outliers. Countries are classified by income level following the World Bank. See the list of data in the appendix.

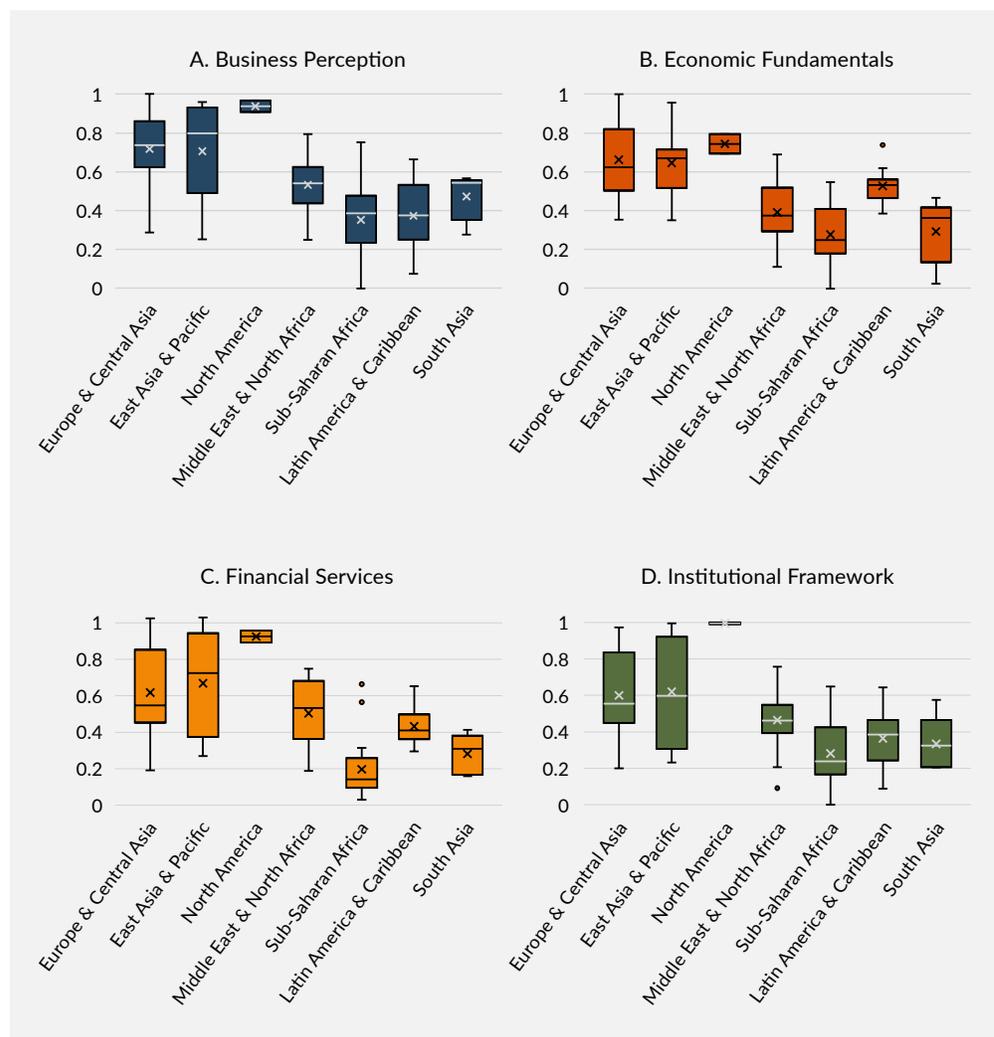
**Source:** Milken Institute (2022)

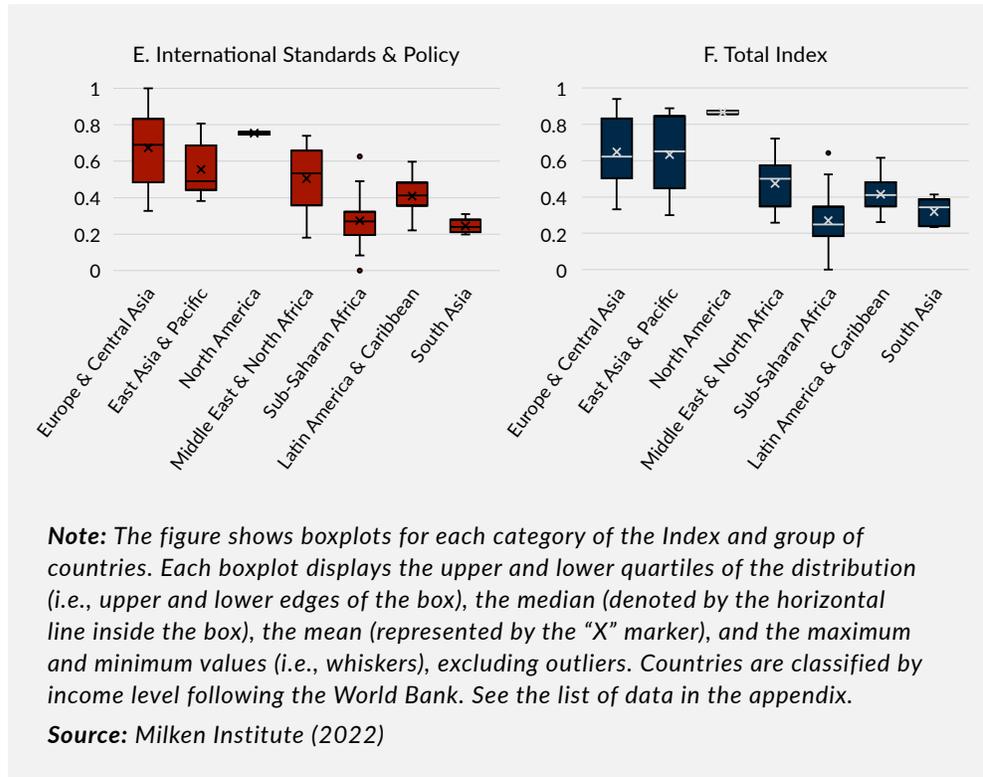


There is also a consistent pattern in performance by geographic region (Figure 2). However, there are exceptions to this rule. Among the most notable is South Asia's homogeneous score in International Standards & Policy, with an interquartile range reduction of approximately 50 percent compared to the other categories. Also, the interquartile range of the Latin American and Caribbean region varies significantly by category.

Although North America and Europe and Central Asia are consistent, there is still some variation in Europe's average score across categories. Again, these analyses should remind investors to consider how homogeneous a region is. The results should highlight the relative strengths and weaknesses of a country compared with its neighbors.

**Figure 2: Comparison of Performance by Geographic Region, across Categories**







# 2021–2022: What Changed?

## OVERALL RANKING

Table 2 shows the 20 countries with the largest positional change in Index ranking since GOI 2021. As summarized above, several new variables were added to GOI 2022, and some countries were excluded because of insufficient data. Therefore, although we cannot make an apples-to-apples comparison of the two rankings, we can assume that some of the positional change results from differences in countries' investment environments.

The 10 countries that gained the most positions are all low-income and lower-middle-income countries from sub-Saharan Africa and Latin America. All 10 of the countries remain in the same quartile of the ranking as they were in last year.

In contrast, the countries that fell the most in ranking are mostly high-income and upper-middle-income countries from the Middle East and North Africa, Europe and Central Asia, and East Asia and Pacific. Bosnia and Herzegovina fell outside the 75th percentile into the lowest quartile of the ranking, whereas Italy dropped out of the highest quartile into the middle 50 percent. The remaining eight countries remain in the same quartile as last year.

**Table 2: Countries with Largest Positional Changes in Index Ranking 2021–2022**

Country	2022 Ranking	2021 Ranking	Difference
Malta	33	26	-7
United States	9	3	-6
Jordan	85	79	-6
Bosnia and Herzegovina	96	90	-6
Australia	12	7	-5
Greece	75	70	-5
Japan	13	9	-4
Italy	39	35	-4



**Table 2 (cont.)**

Country	2022 Ranking	2021 Ranking	Difference
Qatar	46	42	-4
India	79	75	-4
Nicaragua	86	100	+14
Bolivia	97	113	+16
Mali	123	139	+16
Mauritania	124	140	+16
Honduras	100	117	+17
Malawi	103	122	+19
Lesotho	105	124	+19
Angola	125	144	+19
Chad	126	145	+19
Burkina Faso	122	143	+21

**Source:** Milken Institute (2022)



## THE PANDEMIC AND ECONOMIC PERFORMANCE

The coronavirus pandemic is a significant event that has continued to play out in the 12 months since GOI 2021 was published. Of all the subcategories in the Index, Economic Performance is the most suited to reflect the immediate effects of the pandemic, as it includes measures of unemployment, interest rates, and GDP growth. Table 3 lists the countries with the largest change in Economic Performance score since GOI 2021. A country can score between 0 and 1, which means that a change in score of plus or minus 0.5 is significant.

**Table 3: Countries with the Largest Change in Economic Performance Score, 2021–2022**

Country	Change in Economic Performance Score (0–1)
Armenia	-0.42
Kyrgyz Republic	-0.40
Dominican Republic	-0.34
India	-0.33
Slovenia	-0.32
Norway	+0.31
Lithuania	+0.34
Burkina Faso	+0.34
Nicaragua	+0.39
Angola	+0.47

*Source: Milken Institute (2022)*



# Appendix: Data Sources for Index

Bank for International Settlements  
The Conference Board Total Economy Database  
Global Health Data Exchange  
Heritage Foundation  
International Labour Organization  
International Monetary Fund  
International Telecommunications Union  
Portland State University  
SME Finance Forum  
UN E-Government  
United Nations Conference on Trade and Development  
United Nations Educational, Scientific and Cultural Organization  
World Bank Doing Business  
World Bank GFD Database  
World Bank Global FINDEX  
World Bank World Development Indicators  
World Bank World Governance Indicators  
World Economic Forum Global Competitiveness Report



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## ABOUT THE AUTHORS

**Benjamin Smith** is a research analyst in International Finance within the Research Department at the Milken Institute. His specialty areas include the intersection between technology and financial services, global economic policymaking, and foreign direct investment. Prior to joining the Milken Institute, Smith worked on trade policy issues with research institutes in the US and Canada and published articles on US economic policy with a leading international affairs magazine. Smith holds an MA in political science from Colorado State University and a BA from Keele University.

**Micah Rabin** is a research intern with the Research Department at the Milken Institute. She supports the department’s research portfolio in international finance. Prior to joining the Milken Institute, Rabin worked on the federal Senate campaign for Barbara Bollier in the 2020 election and held internships with Congressman Jim Clyburn and Senator Bob Casey Jr. Rabin holds a Master of Science in international relations & politics, with a focus on domestic policy, from Carnegie Mellon University. Rabin also holds a Bachelor of Science in decision science and international relations & politics from Carnegie Mellon University.



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