Opinion piece

Towards a Governance Barometer for stormy times in emerging markets

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Abstract Financial institutions are concerned about the quality of local institutions where they will invest capital as well as human resources and technology. In developing countries, political stability, the curb of corruption and ease of doing business are considered by most investors as the key variables to boost attractiveness. Higher degrees of political instability are associated with lower growth rates of gross domestic product (GDP) per capita. Regarding the channels of transmission, political turmoil adversely affects growth by lowering the rates of productivity and physical and human capital accumulation. Income per capita, institutional stability and democracy are correlated because economic and socio-political institutions transform growth into comprehensive and inclusive development. Today, with mounting global economic and geopolitical turbulences, measuring and anticipating the evolution of governance and institutional stability has never been more challenging. The authors' recent research shows that governance can provide risk managers with a reliable warning signal of socio-economic and political turmoil. To measure the level of governance, a new composite indicator has been built for 130 developing countries. Its added value stems from a wide range of sub-indices including business conditions, institutional stability, corruption and human freedom, as well as an 'expert assessment' that is based on seasoned country risk analysts. This new indicator has been evaluated in several ways. A relationship is observed between the Governance Barometer and low income per capita, institutional fragility and corruption. This global indicator of governance aims to be a useful risk

warning tool for financial and cross-border investment strategies. It remains that the structure of the new measure's mean scores will evolve slowly and cannot be expected to flag an immediately impending crisis. This article is also included in **The Business & Management Collection** which can be accessed at https://hstalks.com/business/.

Keywords: *country risk, governance, corruption, debt crisis, inclusive development, capital flight, socio-political stability*

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INTRODUCTION: RISING UNCERTAINTY MAKES INVESTMENT STRATEGIES IN SEARCH OF CRYSTAL BALLS

Financial institutions face growing uncertainty regarding the global economic, financial and geopolitical environment. In 2025, one worrying development was the decline of the dollar (at least in the first half of the year) which, unusually, coincided with an increase in US interest rates, potentially as the result of a higher fiscal risk premium. Policy uncertainty therefore seemed to weigh on investor sentiment. Gold prices kept rising to reach the unprecedented price of US$4,600/oz in January 2026. The prospect of full-blown global trade tensions, where partners retaliate to match US rising tariffs, has not yet materialised, while tariff-led inflation remains a risk in developed and developing countries. Market volatility remains a large concern for global investors in an environment of subdued growth.

Once this gloomy context has been established, the fact remains that there will be winners and losers among financial institutions, investment banks, industrial enterprises and more generally among countries. As far as the latter are concerned, reduced liquidity and the flight to safer assets (eg gold) could worsen debt servicing capacity. To boost growth in the context of high real rates and tighter access to financial markets, emerging market countries (EMCs) will more than ever compete to attract foreign direct investment (FDI) flows. Cross-border investment helps fill financing gaps while bringing technology transfers, job creation, tax revenues and export-driven investment. But a growing number of countries face large balance of payments deficits, with weaker export revenues, larger import bills and heavier debt ratios.

In times of financial and political volatility, risk aversion begins with a sell-off in corporate and frontier market bonds that highlights investors' worries, leaving weaker companies and countries struggling to repay their debts. Liquidity tensions are the canary in the coal mine, announcing solvency difficulties. Debt defaults then loom. The key question is: which countries will show resilience while others will fail? Financial institutions need a reliable barometer to identify EMCs on the brink of failing and those that offer credible investment and robust financial prospects.

IN SEARCH OF RELIABLE EARLY WARNING SIGNALS

Financial institutions strive to identify which countries offer sustainable growth trajectories with stable socio-political environment and strong debt servicing capacities. The problem is to find early warning signals of socio-political and financial turbulence. Most traditional risk signals are at best disappointing, at worst biased and generate additional risks (eg rating agencies, International Monetary Fund [IMF] reports, country risk indices).

Rating agencies appear to have missed each debt crisis since the mid-1980s. They adjust their risk assessment too late and then overreact, downgrading countries while triggering regional spill-overs (eg Asian crisis, Global Financial Crisis). Economic analysis companies have not done a better job. The latest World Economic Forum (WEF) Global Risks Report states:[1]

> The global outlook is increasingly fractured across geopolitical, environmental, societal, economic and technological domains. Optimism is limited as the danger of miscalculation or misjudgement by political and military actors is high.

That, clearly, does not shed much light on the question of whether to invest in Ivory Coast, Vietnam or Ghana if one manages an export-driven cocoa producing company.

One of the WEF Global Risks Report's key findings, which captures insights from more than 900 global experts, is that

> state-based armed conflict is the biggest risk of 2025, creating a tinderbox context in which leaders must also manage escalating long-term environmental and social threats. By 2035, environmental risks are expected to dominate, reflecting a failure in international action on climate change.[2]

But then how can banks decide whether Thailand, Peru or Morocco offer more reliable socio-economic prospects? Likewise, Marsh's 2025 Political Risk Report states:

> Today's heightened geopolitical risk environment leads organizations to reassess the geopolitical assumptions that guide their risk management decisions and investment strategies. Many long-standing assumptions — such as the stability and security of trade flows, and the reliability of supply chains from specific regions, are increasingly in flux.[3]

Once again, managers, investors and risk advisers are struck by the accuracy of the remark but despair at its limited usefulness.

CAN RISK MANAGERS RELY ON OFFICIAL LENDERS TO PROVIDE ALERTS ON GOVERNANCE QUALITY AND COUNTRY RISK DEVELOPMENTS?

The IMF and the World Bank have historically faced criticism for insufficient emphasis on governance, while providing emergency financing to governments with weak institutional frameworks. Even states facing severe governance challenges have continued to access official international lending. Academic research shows that there is no evidence that less corrupt governments receive more foreign aid.[4] On the contrary, more corrupt governments receive more aid.

Abruptly recognising that poor governance is detrimental to inclusive development, the IMF promoted a Framework for Enhanced Engagement on Governance in 2018. In parallel, the IMF has provided technical assistance to help foster good governance, such as promoting public sector transparency and accountability. Still, the ten countries most indebted to the IMF (nearly 70 per cent of its loan portfolio) are by no means impressive examples of good governance, transparency and institutional quality.[5] These countries are Argentina, Egypt, Pakistan, Ukraine, Ecuador, DR Congo, Angola, Kenya, Ghana and Ivory Coast. Moreover, several countries with persistent governance challenges have been eligible under the IMF's enhanced debt reduction framework.[6] One of the latest recipients of a massive 64 per cent debt relief, equivalent to a US$4.5bn debt reduction, at end-2023 was Somalia,[7] one of the most corrupt countries by all standards. Despite the country's persistent corruption, the World Bank still boasted in 2024 that 'with support from the international community, Somalia has successfully implemented wide-ranging reforms aimed at rebuilding its economy and state institutions, despite a challenging domestic and external environment'.[8]

As recently as June 2024, the IMF asserted that the Common Framework for debt reduction aimed at accelerating the process of debt relief, stressing the examples of Ghana, Chad, Zambia, and Ethiopia.[9] In such contexts, debt reduction may have limited impact on poverty alleviation and institutional reform unless accompanied by robust governance conditions. A key question remains whether IMF lending frameworks adequately incentivise governance improvement, or risk inadvertently reinforcing conditions associated with instability and inequality. Looking at the 20 developing countries that account for 85 per cent of the IMF's outstanding loans as of December 2025, and excluding Ukraine whose military spending is a byproduct of Russia's invasion, all the other IMF borrowers exemplify a high level of corruption coupled with a large share of military expenses in gross domestic product (GDP) and in government spending. These countries boast the worst rankings in the Global Peace Index,[10] a composite gauge measuring the peacefulness of 163 countries made up of 23 quantitative and qualitative

indicators across three domains: societal safety and security, ongoing domestic and international conflict and militarisation.

Table 1 summarises the relationship between IMF lending, military spending, corruption ranking and the new Governance Barometer. In promoting debt reduction, the IMF keeps calling for tighter fiscal measures without any emphasis on sustainable development objectives:

Countries aiming to reduce debt should seize the opportunity to tax and spend more efficiently. The focus should be on strengthening fiscal balances in a growth-friendly manner by broadening the tax base, removing inefficient tax exemptions, and ensuring that money is well spent.[11]

In fact, it can be argued that IMF loans exempt countries from their social responsibilities. Better governance would lead to improving expense management, less military spending and less domestic and external financing requirements, hence lower dependence on endless rounds of IMF financing. The IMF is caught in a typical hostage situation.

GOVERNANCE ASSESSMENT AS A MEASURE OF SOCIO-POLITICAL STABILITY

Private investors and financial institutions remain concerned by the quality of local institutions where they will invest capital as well as human

Table 1: IMF lending, military spending and governance

	Military spending		IMF SDR b.	% Share of	Ranking	Ranking	Governance
	% GDP	% Govt spending	Total lending	IMF Lending	Peace Index	Corruption CPI	Barometer
			119,30	100%	163	180	130
Argentina	0,60%	1,30%	41,79	35,0%	46	99	38
Ukraine	34%	58%	10,21	8,6%	162	105	61
Pakistan	2,80%	14,50%	7,50	6,3%	144	151	78
Ecuador	2,30%	6,10%	6,93	5,8%	129	121	58
Egypt	1%	4,20%	6,73	5,6%	107	130	69
Ivory Coast	0,90%	4%	3,69	3,1%	94	69	53
Kenya	1%	4,20%	2,96	2,5%	127	121	54
Bangladesh	1,10%	8%	2,89	2,4%	123	151	66
Angola	1,33%	5,53%	2,65	2,2%	76	121	97
Ghana	0,50%	2%	2,58	2,2%	61	80	32
Jordan	4,90%	14,50%	2,06	1,7%	72	59	29
DR Congo	1,30%	7%	1,93	1,6%	160	163	121
Sri Lanka	1,60%	7%	1,63	1,4%	97	121	44
Ethiopia	0,80%	7,50%	1,59	1,3%	138	99	95
Tanzania	1,20%	6%	1,34	1,1%	73	82	56
Cameroun	1,10%	5,60%	1,23	1,0%	137	140	103
Zambia	1,30%	5%	1,13	0,9%	64	92	77
Morocco	3,64%	11,10%	0,94	0,8%	85	99	30
Senegal	1,50%	5,50%	0,93	0,8%	69	45	40
Colombia	3,40%	8,30%	0,47	0,4%	140	92	39
				84,8%			

Sources: IMF (as of December 2025), World Bank, Vision of Humanity, Transparency International and SIPRI[12,13,14]

resources and technology. They need to be reassured by a minimum of transparency and regulatory quality. In 2024, the 25 countries that boast the best FDI attractiveness scores were also those that show economic openness, low corruption and transparency.[15] Regarding developing countries, the empirical results confirm that institutional quality has a positive impact on FDI,[16] except for mining and hydrocarbon-producing countries where bad governance does not seem an obstacle.[17] In the specific case of Africa, political stability, curb of corruption and ease of doing business are considered by most investors as the key variables to boost the continent's attractiveness.[18] As Şebnem Kalemli-Özcan observed in the case of Turkey: 'Economic strength is not self-sustaining, it needs strong institutions and democratic integrity.'[19]

With mounting global economic and geopolitical turbulence, measuring and anticipating the evolution of governance and institutional stability have never been more challenging. Our recent research shows that governance can provide risk managers with a reliable warning signal of socio-economic and political turmoil. Good governance is key to a country's attractiveness and debt servicing capacity. Academic research confirms that institutional strength is a key ingredient of socio-economic growth.[20] Sociopolitical instability impedes sustainable and inclusive development. Higher degrees of political instability are associated with lower growth rates of GDP per capita. Regarding the channels of transmission, political turmoil adversely affects growth by lowering the rates of productivity and, to a smaller degree, physical and human capital accumulation.[21] Inversely, income per capita, institutional stability and democracy are correlated because economic and socio-political institutions transform growth into comprehensive development.

Should a country's socio-economic environment be negatively affected by political turmoil, it is not surprising that the economic climate also suffers, so that economic agents, whether national or foreign, wish to protect themselves from instability and therefore anticipate it. The latest Willis Towers Watson (WTW) Political Risk Survey Report[22] documents a sea change in how companies perceive political risk, given that political risk losses of all kinds soared over the last few years: 'The heyday of the global rules-based order appears to be over. Geopolitics is now more volatile and less kind to globalized businesses.' Geostrategic competition, economic nationalism, democratic backsliding and populism are increasing in both developed and developing countries. Likewise, the Marsh Political Risk Report[23] concludes that businesses face a world made more volatile and riskier by systemic macroeconomic and geopolitical disruptions. International governance norms are losing legitimacy, contributing to a surge in unpredictable and longer-lasting conflicts.

THE CHALLENGE OF ASSESSING AND MEASURING GOVERNANCE

Overall, country risk analysts, policy makers and portfolio managers have no shortage of governance indicators. They can rely on roughly 40 indicators of governance and socio-economic stability, mainly in developing countries. Although good governance is a key ingredient to drive inclusive socio-economic growth, its definition and measure remain a challenge. Does governance boil down to low corruption? Are bureaucracy quality and good infrastructure key components of governance? Is democracy a prerequisite for sustained development? Overall, governance covers all aspects of how a country is governed, including its economic policies, regulatory framework and adherence to the rule of law. We define governance as the robustness of institutions that help transform economic growth into sustained and inclusive development.[24] We define institutions as formal and informal norms and enforcements of socio-economic and political interactions. Governance, therefore, comprises such variables as accountability, government effectiveness, transparency and regulatory quality, as well as control of corruption. Several elements are detrimental to comprehensive development. They include unabated corruption, income gaps, over-indebtedness, commodity-driven growth, limited socio-economic freedom, as well as declining democratisation.

Although governance and socio-political risk indices are supposed to shed light on countries' institutional environment, hence reducing opacity, they often turn out to be 'black boxes'. Risk indices are most often a mix of hard statistical data coupled

with subjective assessment. Qualitative assessment is supposed to help mitigate any potential positive or negative biases that may emerge from noisy content analysis data. This is the case in the World Competitiveness Ranking (IMD) based on more than 250 indicators, with a large weight of the perception input of thousands of global executives. The professional status of these observers is rarely made explicit. Do they work in the very field where they are about to assess corruption? Likewise, the Fragile States Index includes 'content analysis' that aims at drawing meaningful inputs from hundreds of Boolean search phrases coming from 45–50 million global media data, including articles and research reports. In several countries under authoritarian and repressive regimes, however, newspapers and research publications might not be a reliable reflection of the socio-political environment.

TOWARD A NEW COMPOSITE INDICATOR BACKED UP BY A GLOBAL NETWORK OF SEASONED ANALYSTS

To measure the level of governance, a new composite indicator has been built, based on a dozen specific sub-indices of government efficiency, business conditions, institutional and socio-economic stability and corruption (see Figure 1). Overall, the indicator covers 130 developing countries and includes roughly 6,000 data points. Its added value stems from a wide range of sub-indices including business conditions, corruption and human freedom, and from an 'expert assessment' that is based on the judgment of seasoned country risk analysts. They come from the country risk assessment business and from academic institutions that teach country risk management, hence leveraging their professional expertise and their geographic specialisation.[25] The main categories, their respective weights and sources are as follows:

- *Corruption (20 per cent)*:
  - Control of corruption: World Bank 'World Governance Indicators' (WGI).
  - Corruption Perception Index (CPI): Transparency International.
  - Corruption — International Country Risk Guide (ICRG): PRS Group.
- *Institutional development (15 per cent)*:
  - Indicators reflecting the development and robustness of institutions (sources include World Bank, Organisation for Economic Co-operation and Development [OECD] and other international bodies, such as the Fund for Peace).
- *Government effectiveness (15 per cent)*:
  - Government effectiveness: World Bank WGI.
  - Regulatory quality: World Bank WGI.
- *Development sustainability (15 per cent)*:
  - Indicators reflecting sustainable development practices and outcomes (sources include United Nations Development Programme [UNDP], World Bank and other relevant organisations).
- *Business conditions (15 per cent)*:
  - Ease of doing business: World Bank 'Doing Business Report'.
  - Business environment: WEF 'Global Competitiveness Report'.
- *Expert assessments (20 per cent)*:
  - Expert evaluations on governance quality (sources include surveys and assessments from regional and international governance experts as well as SKEMA's former graduate students and the Centre International de Formation Européenne CIFE Global Economic Governance and Public Affairs [GEGPA] Master alumni).

Value added compared to existing indices

While the Global Governance Barometer draws on several widely used sources, including components from the WGI, it distinguishes itself in four ways.

1. First, unlike the WGI, which aggregates publicly available datasets using statistical methods, our barometer combines quantitative metrics with a structured expert assessment process conducted by seasoned country risk analysts with regional specialisation. This hybrid approach introduces qualitative judgment and local context, which are often missing in algorithm-driven indices.
2. Secondly, the barometer assigns differentiated weights to categories such as corruption and

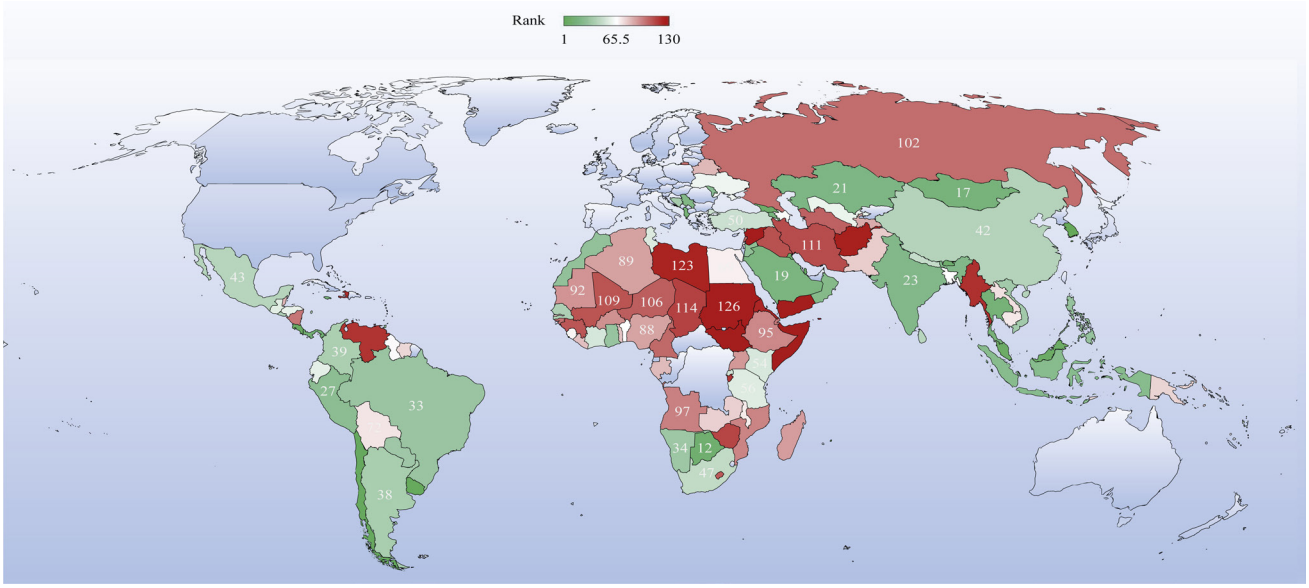

Figure 1: DEFI-CIFE global governance meter, 2025
Note: The darker colours in the map denote worse governance
Source: CIFE Global Governance Barometer

institutional development based on their empirically observed impact on investment and risk profiles, rather than applying equal or latent-variable-based weights.

3. Thirdly, the World Bank's governance indicators' end-user faced with strategic cross-border investment decisions must first consider six different dimensions of governance, none of which alone measures the quality of governance in a country, while the six will not have the same weighting from one country to another.
4. The barometer is specifically designed with risk managers and cross-border investors in mind, with practical validation across capital flight, expatriate savings, GDP per capita, Human Development Index (HDI) and fragility metrics — emphasising usability as a forward-looking decision support tool. As such, the Global Governance Barometer is positioned not as a replacement but as a complementary, practitioner-oriented tool that fills analytical and operational gaps in governance measurements for developing markets.

This new indicator has been tested with five correlations which, clearly, do not necessarily reflect causal relationships, but might not be the fruit of coincidence either, hence the need for deeper research.

In most developing countries where economic growth is raw materials-driven, based on mining and hydrocarbon resources, one observes a twofold power concentration, both economic and political. Indeed, at the global level, the only countries that escaped from the rent trap (and the resource curse) are Norway, Chile, and Canada, all OECD members. Figure 2 shows the relationship between the Global Governance Barometer and the share of oil and mining resources in total export revenues. The roughly 60 countries with mining and oil-based exports greater than 30 per cent of total revenues share a mediocre governance index. In an environment of state capture, rent seeking and kleptocratic regimes, the larger the share of oil and mining revenues, the worse the governance. A few mining-based countries can boost GDP per capita while maintaining unabated bad governance thanks to high market prices and capital inflows, although at the expense of sustainable and inclusive development prospects (eg DR Congo, Angola, Mozambique, Gabon, Cameroun, Republic of Congo, Kazakhstan, Guinea, Mauritania, Venezuela, Liberia, and Sierra Leone).

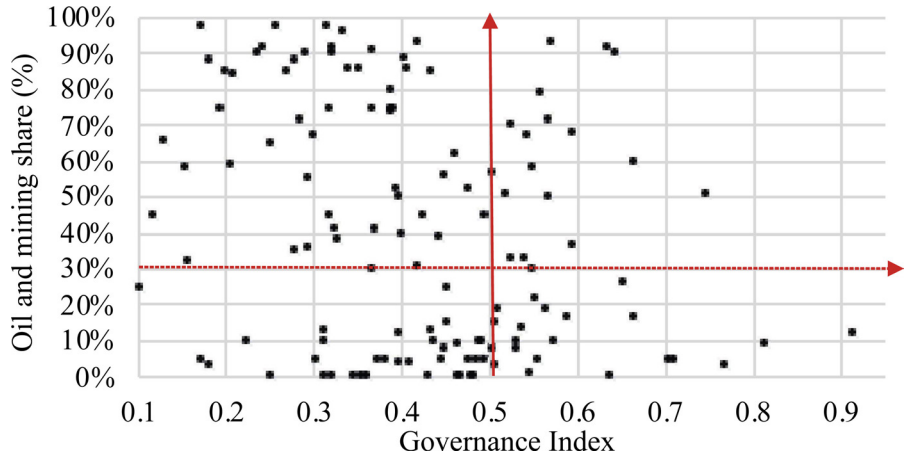

Figure 2: Oil and mining exports and governance
Source: CIFE Global Governance Barometer

This insight could have important policy implications for international donors and creditors in developing countries, including the international financial institutions (IFIs), the European Union (EU) and the Paris Club. Conditional lending coupled with close monitoring of the socio-economic impact of foreign loans and grants would encourage better governance practices, helping to drive economic growth and improving the standard of living. Too often, international institutions are not sufficiently demanding in providing financing and debt relief to rich countries with poor people.

Bad governance tends to discourage domestic savings and investment, whereas good governance prevents capital flight and brain drain. Corruption and opacity lead to institutional weakness, including in the domestic banking system. One can observe the pull-and-push forces of capital flight in relation with governance.[26] The lower the governance, the larger the share of private deposits in international banks compared to central bank reserves.[27] Figure 3 shows that all countries with external deposits greater than 100 per cent of reserves are poorly governed (governance score less than 0.5). The worse ratios

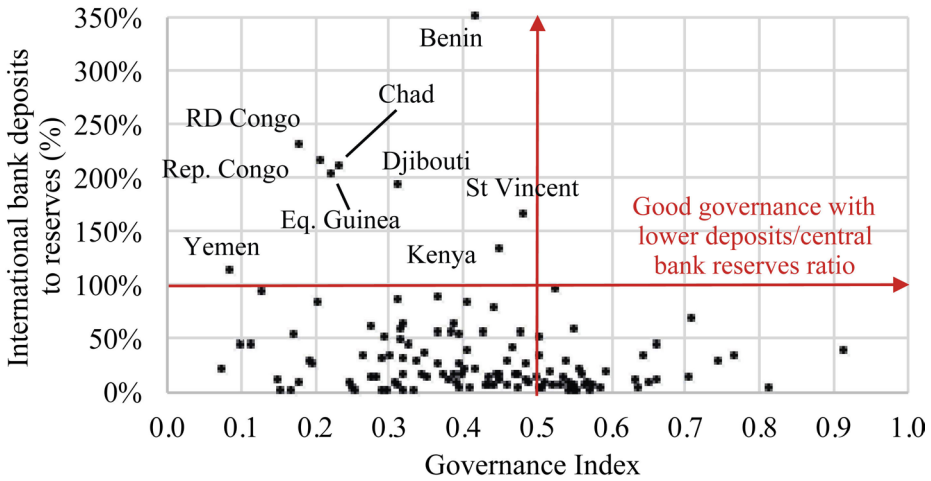

Figure 3: Ratio of international bank deposits to reserves and governance
Source: CIFE Global Governance Barometer

are for those countries with the lowest governance indicators, namely Benin, Equatorial Guinea, Belize, Burundi, Cameroun, Kenya, Yemen, Republic of Congo, DR Congo, and Djibouti.

In addition, the countries with the lowest ranking of the Governance Barometer are also those that show the largest ratios of expatriate savings (ie private deposits in foreign banks) to bank claims. Figure 4 shows that no well-governed country (score greater than 0.5) has deposits that are more than 200 per cent of claims, while all countries with deposits that are more than 200 per cent of claims are poorly governed. These countries' external deposits are multiples of international banks' claims, in the range of 200 per cent to much more than 1,500 per cent. In short, even a partial return of exiled capital could help repay all or part of the bank debt.

The analysis of the relationship between the Governance Barometer and GDP per capita on a purchasing power parity (PPP) basis reveals a positive correlation. Figure 5 shows the relationship between bad governance and lower income per capita. As the governance score improves, the GDP per capita PPP also increases. It suggests that improvements in

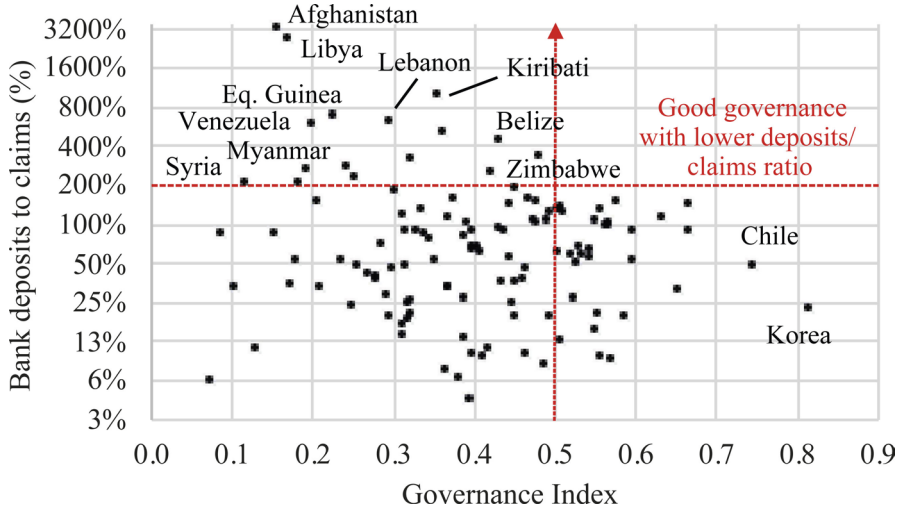

Figure 4: Bank deposits relative to claims and governance
Source: CIFE Global Governance Barometer

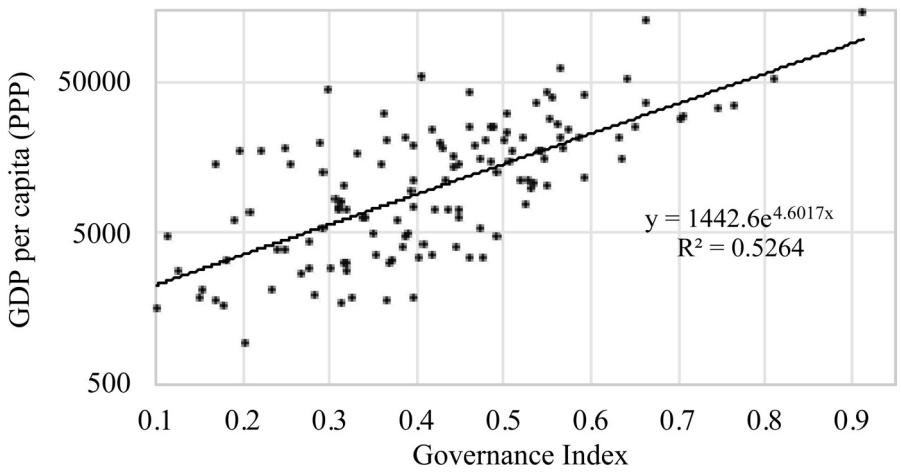

Figure 5: GDP per capita and governance
Source: CIFE Global Governance Barometer

governance are positively correlated with increases in GDP per capita. Enhancements in governance scores are correlated with gains in economic prosperity. Developing countries are not poor due to meagre natural resources but rather due to distorted policy choices and bad political decisions.

Bad governance drives economic and political power concentration, hence meagre development prospects coupled with income inequality. The most corrupt countries with weak institutions and bad business environment (due to volatile regulations and opacity) are also those that show distorted income distribution, hence a high Gini index (greater than 50 per cent)[28] and a low HDI.[29] Figure 6 shows that the lower the governance ranking, the worse the HDI.

Lastly, Figure 7 illustrates a robust relationship between the Governance Barometer and the Fragile States Index. The latter is an annual ranking of countries based on the different pressures that affect their levels of economic, social and institutional fragility. Overall, scores are apportioned for every

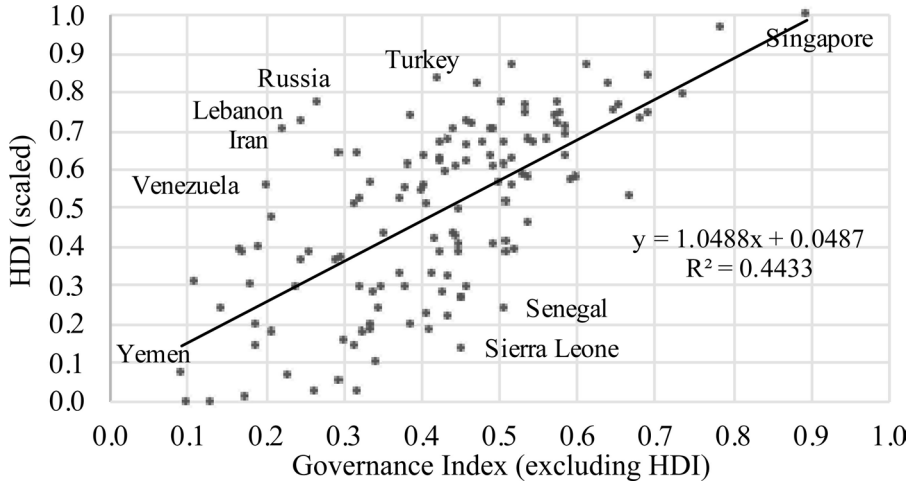

Figure 6: HDI and governance
Note: The HDI is excluded from the governance index in this chart
Source: CIFE Global Governance Barometer

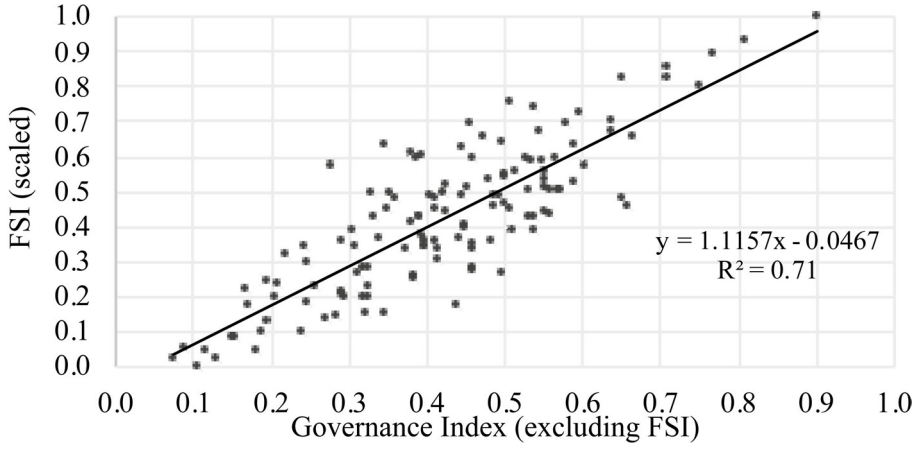

Figure 7: Fragile States Index and governance
Note: The Fragile States Index is excluded from the governance index in this chart
Source: CIFE Global Governance Barometer

country based on 12 key political, social and economic indicators and over 100 sub-indicators to capture the level of tensions between identity groups, defined by language, religion, race, ethnicity, nationality, class, caste, clan or area of origin.[30] Rising tensions can undermine resilience, hence deteriorating into conflict through competition over resources, predatory or fractured leadership, corruption or socio-economic frustration and civil violence. The weaker the governance, the larger the state fragility, due to a range of variables including corruption, wealth gap, power concentration and regulatory opacity.

CONCLUDING REMARKS

In times of economic turbulence and socio-political turmoil, financial institutions strive to anticipate, measure and compare countries' growth prospects, including the quality of institutional environment and debt-servicing capacities. Traditional risk signals (eg Volatility Index [VIX], bond yields, credit default swap [CDS] spreads, rating agencies, IMF's debt reduction eligibility criteria and country risk indices), however, are at best disappointing, at worst biased and generate additional risks. Academic research shows that governance can provide risk managers with a reliable warning signal of socio-economic and political turmoil. Good governance is key not only to a country's investment attractiveness but also to its debt-servicing capacity and willingness to meet debt obligations.

To measure the level of governance, a new composite indicator has been built to cover 130 developing countries (see Annex I). This barometer shows that bad governance discourages domestic savings and investment. Good governance is correlated with lower expatriate savings in foreign banks: the worst-performing economies in this regard are all poorly governed. It also shows that the better the governance, the better the GDP per capita and the higher the human development score. The better the governance indicator, the less the fragility of the socio-economic fabrics of the country. This global barometer of governance could be a useful risk warning tool for financial and cross-border investment strategies, although it cannot be expected to flag an immediately impending crisis.

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ANNEX I

Four country categories of governance:

Four main governance categories (April 2025)							
Reliable transparency and governance-enhancing frameworks		Regulatory opacity and stubborn corruption		Weak governance standards and socio-political tensions		Deeply-rooted corruption and authoritarian regimes	
Singapore	1	Paraguay	35	Guyana	67	Djibouti	99
South Korea	2	Vietnam	36	Sierra Leone	68	Nicaragua	100
Uruguay	3	Bosnia-Herzegovin	37	Egypt	69	Guinea-Bissau	101
Chile	4	Argentina	38	Malawi	70	Russia	102
Mauritius	5	Colombia	39	Cambodia	71	Cameroon	103
Costa Rica	6	Senegal	40	Bolivia	72	Lebanon	104
Qatar	7	El Salvador	41	Laos	73	Turkmenistan	105
Malaysia	8	China	42	Timor Leste	74	Niger	106
Georgia	9	Mexico	43	Suriname	75	Lesotho	107
Kuwait	10	Sri Lanka	44	Papua New Guinea	76	Guinea	108
Bhutan	11	St Vincent	45	Zambia	77	Mali	109
Botswana	12	Vanuatu	46	Pakistan	78	Iraq	110
Panama	13	South Africa	47	Gambia	79	Iran	111
Jamaica	14	Nepal	48	Togo	80	Comores	112
Albania	15	Grenada	49	Liberia	81	Zimbabwe	113
Thailand	16	Turkey	50	Gabon	82	Chad	114
Mongolia	17	Maldives	51	Belarus	83	Equat. Guinea	115
Armenia	18	Rwanda	52	Belize	84	ep. Congo (Brazzavill	116
Saudi Arabia	19	Cote d'Ivoire	53	Kiribati	85	Burundi	117
Dominican Rep	20	Kenya	54	Tajikistan	86	Venezuela	118
Kazakhstan	21	Tunisia	55	Sao Tomé	87	Myanmar	119
Serbia	22	Tanzania	56	Nigeria	88	Haiti	120
India	23	Guatemala	57	Algeria	89	RD Congo (Kinshasa)	121
Oman	24	Ecuador	58	Madagascar	90	Erithrea	122
Indonesia	25	Honduras	59	Uganda	91	Libya	123
Moldova	26	Uzbekistan	60	Mauritania	92	Afghanistan	124
Peru	27	Ukraine	61	Burkina Faso	93	CAR	125
Trinidad	28	Dominica	62	Cabo Verde	94	Sudan	126
Jordan	29	Samoa	63	Ethiopia	95	Syria	127
Morocco	30	Azerbaijan	64	Mozambique	96	Somalia	128
Philippines	31	Benin	65	Angola	97	Yemen	129
Ghana	32	Bangladesh	66	Tonga	98	South Sudan	130
Brazil	33						
Namibia	34						

ANNEX II
Data standardisation using min–max scaling

To ensure comparability across different indicators, the raw data for each variable was standardised using min–max scaling. This method scales each variable to a range of 0 to 1, where the minimum value of the variable becomes 0 (indicating the worst performance) and the maximum value becomes 1 (indicating the best performance). The formula for min–max scaling is:

Standardised Score = ((Value-Min Value))/((Max Value-Min Value))

For most indicators, a higher value represents better performance. For these indicators, the minimum value corresponds to the worst performance (scaled to 0) and the maximum value corresponds to the best performance (scaled to 1).

For some indicators, however, higher values represent worse performance (eg higher corruption scores indicate worse corruption). To maintain coherence in the index where 0 always represents the worst and 1 represents the best, the scores for these indicators were inverted by subtracting each standardised value from 1-Inverted Score = 1-Standardised Score.

The indicators for which we used the inverted score are:

Control of Corruption (World Bank WGI).
Corruption ICRG (PRS Group).

Min–max scaling was applied to all the indicators across the categories to ensure consistency.

Composite index calculation

The standardised scores for each indicator were combined to form a composite index. Each category's scores were weighted according to their assigned importance and then aggregated to form the final index. The steps for calculating the composite index are as follows:

1. *Aggregation of standardised scores*: The standardised scores for each indicator within a category were aggregated.
2. *Weighting of categories*: The aggregated scores for each category were then weighted according to their respective importance.

Justification for weighting

- *Corruption (20 per cent)*: Corruption is given a higher weight because it fundamentally undermines governance and development. It creates opacity and is an obstacle for a level playing field in the domestic socio-economic system. High levels of corruption can distort markets, deter investment and erode the effectiveness of public institutions. Corruption is directly linked to lower economic performance, reduced public trust and increased inequality. By giving corruption a higher weight, the index acknowledges the pervasive and detrimental impact that corruption has on overall governance quality.
- *Expert assessments (20 per cent)*: Expert assessments are given a higher weight to incorporate qualitative insights and professional judgments that may not be captured by quantitative data alone. Experts can provide nuanced evaluations of governance quality, taking into account contextual factors and recent developments that standardised indicators may miss. This ensures that the index is comprehensive and reflects on-the-ground realities and expert insights, adding depth and reliability to the final governance assessment.

Overall, the resulting index provides a comprehensive measure of governance quality, reflecting both quantitative data and qualitative assessments. It thus represents a balanced measure of governance quality, based on a robust methodology of data standardisation using minimum–maximum scaling, aggregation and expert assessment integration, with appropriate weighting for each indicator category.