

**CIFE** Centre international de formation européenne  
BILLY BERLIN BRUSSELS BUDAPEST

## COUNTRY RISK RATING: ASSESSING INSTITUTIONAL SUSTAINABILITY?

CIFE SEMINAR NICE APRIL 2021  
MICHEL-HENRY BOUCHET



1

### 5 OBJECTIVES

1. Observing the role of rating agencies
2. Looking at the pitfalls of rating agencies: Poor track record and shortsightedness!
3. Analyzing rating methodology
4. Focusing on specific country risk ratings
5. Addressing the challenge of governance rating as well as institutional resilience

Michel H. Bouchet/SKEMA-CIFE 2021

2

### QUANTITATIVE APPROACH: RATING

- Means: Transforming a number of observations (Delphi method, surveys) or quantitative indicators into **one** single number.
- The various indicators can be weighted regarding their impact on creditworthiness and risk.
- **End-product**: one single grade to assess past and current country risk situation with cross-country comparisons across time

Michel H. Bouchet/SKEMA-CIFE 2021

3

### RISING NUMBER OF RANKINGS AND RATINGS SINCE THE 1980S SOMETIMES WITH SHAKY NUMBERS, INCLUDING SUBJECTIVE JUDGMENTS AND DIFFERENT CALCULATION METHODOLOGIES ACROSS COUNTRIES



Period	Active	Discontinued*	Total
Pre-1974	0	0	0
75-79	0	0	0
80-84	0	0	0
85-89	0	0	0
90-94	0	0	0
95-99	0	0	0
2000-04	0	0	0
05-09	0	0	0
10-14	0	0	0

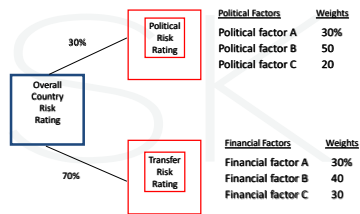
Source: Kelley and Simmons

\*As of 2011

Michel H. Bouchet/SKEMA-CIFE 2021

4

## QUANTIFYING COUNTRY RISK: RISK WEIGHTING



Michel H. Bouchet/SKEMA-CPE 2021

5

## MAIN COUNTRY RATING AGENCIES

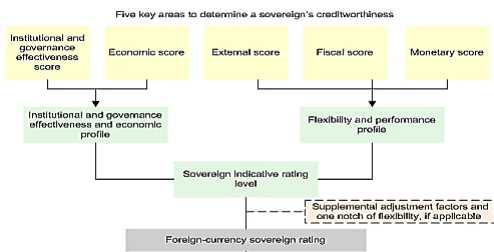
- S&P's (1860)
  - Moody's (1909) 40% market share
  - Fitch IBCA (1913)
- 90% market share**
- COFACE (1946)
  - A.M. Best Rating (1899)
  - SACE (1977)
  - Dagong Credit Rating Co (1994)
  - Euler-Hermes
  - INCRA (2012)
  - Thomson Reuters
  - EIU
  - Scope-Berlin

Michel H. Bouchet/SKEMA-CPE 2021

6

## EX. : S&P'S COUNTRY RISK ASSESSMENT FRAMEWORK

### Sovereign Issuer Credit Rating Framework



Michel H. Bouchet/SKEMA-CPE 2021

7

## COUNTRY RISK RATING ?

### Advantages/ Pros

- simple
- shrinks a large number of variables into one single grade
- cross-country comparison
- comparison across time
- reliable for smooth risk evolution
- useful for statistical and econometric analysis

### Shortcomings/Cons

- "reductionist"
- simplistic
- risk of self-fulfilling prophecy
- little predictive value
- weighted average tends to bury salient trends
- gives "market consensus" often made of herd instinct

Michel H. Bouchet/SKEMA-CPE 2021

8

## SHORTCOMINGS OF RATING AGENCIES?

- ☞ Power without accountability + conflict of interest
- ☞ Conformity bias and herd behavior
- ☞ Sociocultural bias
- ☞ Punishment of disobedient firms/countries that do not request a rating
- ☞ Procyclical bias, hence following the majority opinion of market participants without any early warning signals nor predictability track record
- ☞ Spill-over effect!

Michel H. Bouchet/SKEMA-CIFE 2021



THE OCDE IMPLEMENTS A RATING AND RANKING OF COUNTRY RISK FOR PROVIDING A LEVEL PLAYING FIELD TO EXPORT GUARANTEE COMPANIES WITHIN THE GROUP OF 34 DEVELOPED COUNTRIES AND FOR THE PURPOSE OF SETTING MINIMUM PREMIUM RATES FOR EXPORT CREDIT TRANSACTIONS

SOURCE: [HTTP://WWW.OECD.ORG/TAD/XCRED/CRC.HTM](http://www.oecd.org/tad/xcred/crc.htm)

Country Risk Classifications of the Participants in the Arrangement on Officially Supported Export Credits					
Valid as of: 05 June 2018					
Country Code (ISO Alpha 3)	Country Name <sup>(1)</sup>	Classification		Notes	
		Previous	Current		
1	ARG	Argentina	7	7	
2	ALB	Albania	6	6	
3	DZA	Algeria	4	4	
4	AND	Andorra	-	-	(R)
5	AGO	Angola	6	6	
6	ATG	Antigua and Barbuda	7	7	(R)
7	ARG	Argentina	6	6	
8	ARM	Armenia	6	6	
9	ARM	Armenia	6	6	
10	AUS	Australia	-	-	(R)
11	AUT	Austria	-	-	(R) (S)
12	AZE	Azerbaijan	5	5	
13	BEL	Belgium	5	5	
14	BHR	Bahrain	4	4	
15	BGR	Bulgaria	5	5	
16	BGR	Bulgaria	5	5	(S)
17	BEL	Belgium	6	6	
18	BEL	Belgium	-	-	(R) (S)
19	BEL	Belgium	7	7	
20	BEL	Belgium	6	6	(R)
21	BHU	Bhutan	6	6	
22	BOL	Bolivia	5	5	
23	BOS	Bosnia and Herzegovina	7	7	
24	BRA	Brazil	2	2	
25	BRA	Brazil	5	5	
26	BRA	Brazil	5	5	(S)
27	BRA	Brazil	5	5	
28	BRA	Brazil	7	7	(R)
29	BOS	Bosnia	7	7	
30	CPV	Cape Verde	6	6	(S)
31	CPV	Cape Verde	6	6	

## RATING DOWNGRADES AFTER THE GLOBAL FINANCIAL AND PANDEMIC CRISES

### FITCH

- USA = AAA
- Tunisia = B-
- Egypt = B+
- Greece = BB

### MOODY's

- USA = AAA
- Egypt = Caa1
- Tunisia = B3
- Greece = Caa1

### S&P's

- USA = AA+
- Egypt = B-
- Tunisia = B-
- Greece = B

« selective default »

### DAGONG

- Tunisia = B-
- Greece = CC
- USA = A-

Michel H. Bouchet/SKEMA-CIFE 2021

11



## DAGONG 2017-21

- Japan A-
- Spain BBB+
- Italy BBB-
- Greece CC
- Chile AA-
- China AAA
- France A+
- Brazil A6
- Germany AA+
- Russia A stable
- USA A- and BBB+ 2018

- Argentina CC-
- Nigeria BB+
- Venezuela BB-
- Turkey BB-
- Ecuador B-
- Malaysia A+
- Thailand BBB-
- Vietnam B+
- Morocco BBB-
- Korea AA-

Michel H. Bouchet/SKEMA-CIFE 2021

12

### MOODY'S 15 TRIPLE-A RATING COUNTRIES

Sovereigns	Foreign Currency Debt	
Australia	Aaa	ST A
Austria	Aaa	NEG
Canada	Aaa	ST A
Denmark	Aaa	ST A
Finland	Aaa	ST A
Germany	Aaa	NEG
Ile of Man	Aaa	RUR-
Luxembourg	Aaa	NEG
Netherlands	Aaa	NEG
New Zealand	Aaa	ST A
Norway	Aaa	ST A
Singapore	Aaa	ST A
Sweden	Aaa	ST A
Switzerland	Aaa	ST A
USA	Aaa	ST A

Michel H. Bouchet/SKEMA-CIFE 2021

13

### RATING = POOR EARLY WARNING SIGNAL?

1997 Asia risk ? « *It's like growth stocks... sovereign risk has never looked better!* »

• Institutional Investor (March 1997)

► South Korea was rated as Italy and Sweden until October of 1997... but was abruptly downgraded to junk bond status!

« *There were no early warnings about Korea from us or, to the best of our knowledge, from other market participants, and our customers should expect a better job from us!* » FITCH IBCA January 14, 1998

Michel H. Bouchet/SKEMA-CIFE 2021

14

### ASIA-1998: LESSONS OF THE CRISIS

► “Any agency which rated the Republic of Korea at the high investment grade rating of AA- (in the case of Fitch IBCA and S&Ps) or A1 (Moody's) before the crisis, and which now rates Korea at a speculative grade B-, was clearly either wrong initially or subsequently”

Fitch IBCA January 13, 1998

Michel H. Bouchet/SKEMA-CIFE 2021

15

### WAS THE 1998 ASIAN CRISIS ANTICIPATED BY RATING AGENCIES?

	Credit Ratings			
	Standard & Poor's		Moody's	
	June 1996	June 1997	June 1996	June 1997
Indonesia	BBB	BBB	Baa3	Baa3
Korea	AA-	AA-	A1	A1
Malaysia	A+	A+	A1	A1
Philippines	BB	BB+	Ba2	Ba1
Thailand	A	A	A2	A2

Michel H. Bouchet/SKEMA-CIFE 2021

16

### EUROMONEY'S RISK RATING THE HIGHER THE SCORE, THE LARGER THE RISK

	1996	1997	1998	1999	2000	2005	2009	2010
Korea	28	30	42	44	29	28	40	25
Thailand	45	51	54	49	65	49	60	45
Philippines	55	57	55	53	78	75	77	58
Malaysia	33	35	56	46	46	46	45	60
Indonesia	45	49	91	98	107	81	76	61



Agencies were blind for too long then  
hammered the countries with abrupt  
downgrading!

Michel H. Bouchet/SKEMA-CIFE 2021

17

### RATING = POOR EARLY WARNING SIGNALS?

#### ENRON's collapse in December 2001

- ▶ The credit agencies were still tipping the energy firm as an investment-grade credit four days before it filed for bankruptcy protection on 12/2/2001.
- ▶ Moody's and S&Ps finally downgraded Enron to junk status on 11/28/01
- ▶ « *The credit raters - despite their unique position to obtain information unavailable to other analyst- were no more astute and no quicker to act than others* »
  - Senator Joe Lieberman

Source: Credit-October 2006, Vol7, Issue 09

Michel H. Bouchet/SKEMA-CIFE 2021

18

### RATING = POOR EARLY WARNING SIGNALS?

- ▶ 2007-2008 US Subprime crisis: from Triple A rating of MBS (mortgage backed securities) to junk bonds
  - ▶ 06/2010: Dagong downgrades the US
- ▶ 08/2011: US downgrading to AA+: Political Risks, Rising Debt Burden
  - ▶ Fall 2011: Italy-Spain downgrading
  - ▶ 2012: Greece's multiple downgradings
  - ▶ October 2012: Spain downgrading by S&Ps
- ▶ November 2013: S&Ps downgrading of France: Political Risks, Rising Debt Burden
  - ▶ Summer 2019: Tunisia = Moody's B2 & Fitch B+

Michel H. Bouchet/SKEMA-CIFE 2021

19

### 06/2013: US GOVERNMENT VERSUS S&PS

- ▶ Civil lawsuit against Standard & Poor's: the US Department of Justice accuses the credit-rating agency to have defrauded federally insured financial institutions... The US complaint alleges that S&P's presented overly optimistic credit ratings as objective and independent when, in truth, S&P's downplayed and disregarded the true extent of credit risk...
- ▶ According to the plaintiff, Standard & Poor's catered rating favors in order to maintain and grow its market share and the fee income generated from structured debt ratings.

Michel H. Bouchet/SKEMA-CIFE 2021

20

## 09/2013: S&P SUES US GOVERNMENT OVER ALLEGED RETALIATION FOR AAA CREDIT DOWNGRADE



- "Plaintiff [Justice Department] commenced this action in retaliation for S&P's exercise of their free speech rights with respect to the creditworthiness of the USA"

Michel H. Bouchet/SEEMA-CFE 2021

21

## TUNISA 2011- 2021

### THE 2011 "JASMIN REVOLUTION": MOODY'S DOWNGRADES TUNISIA'S TO BAA3 NEGATIVE

► **January 2011:** Moody's Investors Service downgraded to Baa3 from Baa2 the local and foreign currency government bond ratings of the Tunisian government.

Main drivers for the rating action:

- (1) The country's instability due to the unexpected recent regime change, which resulted from the ongoing political crisis that first began as social unrest.
- (2) The significant uncertainties surrounding both the economic and political outcomes.
- (3) The ongoing unrest and the fluidity of the political situation

- May 2013: new downgrading to Ba2
- October 2017: B1 -
- August 2019: B2 -
- February 2021: B3-

Michel H. Bouchet/SEEMA-CFE 2021

22

## COUNTRY RISK SPECIFIC INDICES: ASSESSING ECONOMIC AND SOCIO-POLITICAL FREEDOM AND SUSTAINABILITY?

World Bank  
Euromoney  
Institutional Investor  
Heritage Foundation  
ICRG  
Freedom House  
FRASER INSTITUTE  
UNDP/HDI

Michel H. Bouchet/SEEMA-CFE 2021

23

### WORLD BANK: « DOING BUSINESS » RANKING 2021

189 Countries  
10 Parameters

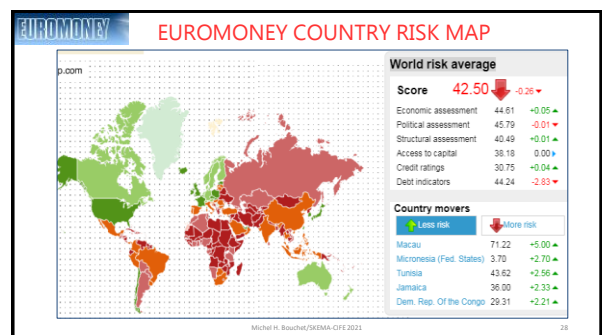
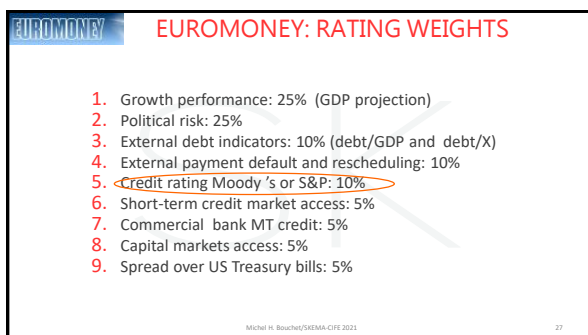
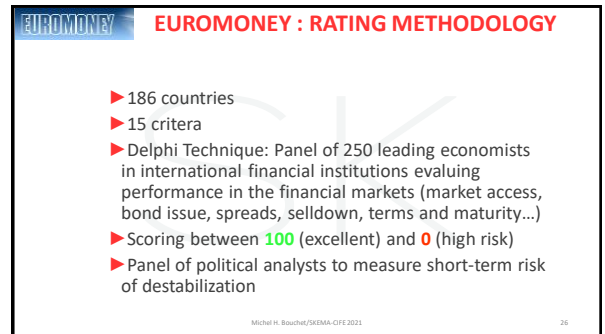
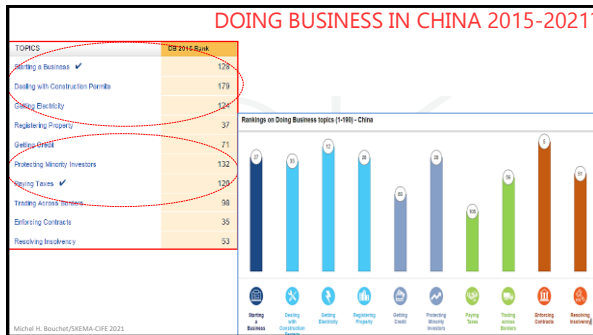
Russia= 28  
China= 31  
India= 63  
South Af= 84  
Brazil= 124

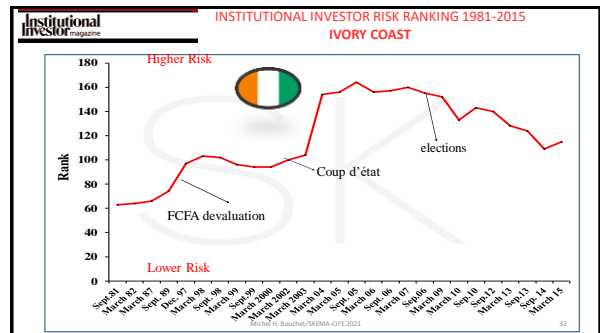
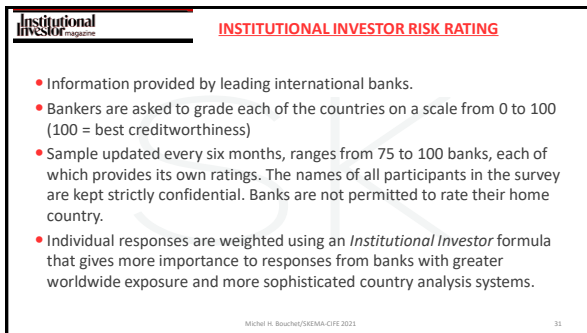
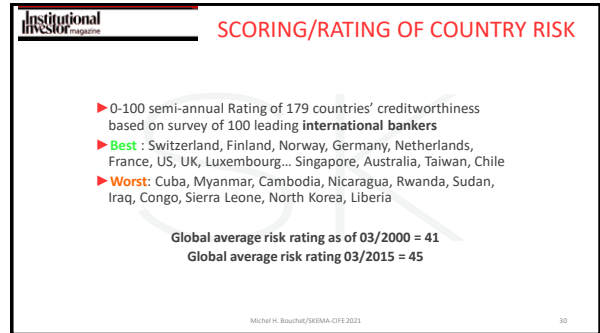
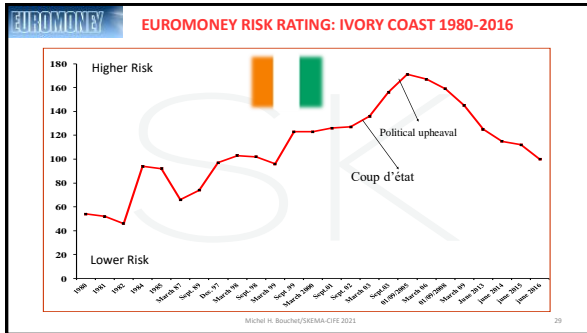
Singapore	1
New Zealand	2
Denmark	3
Korea, Rep.	4
Hong Kong SAR	5
United Kingdom	6
United States	7
Sweden	8
Norway	9
Finland	10
Taiwan, China	11
Macedonia, FYR	12
Australia	13
Canada	14
Germany	15
Estonia	16
Ireland	17
Malaysia	18
Iceland	19
Lithuania	20

Nigeria	169
Yemen, Rep.	170
Djibouti	171
Cameroon	172
Timor-Leste	173
Bangladesh	174
Syria	175
Congo, Rep.	176
Afghanistan	177
Guinea-Bissau	178
Liberia	179
Equatorial Guinea	180
Angola	181
Haiti	182
Chad	183
Congo, Dem. Rep.	184
Central Af Rep	185
Venezuela	186
South Sudan	187
Uyue	188
Eritrea	189

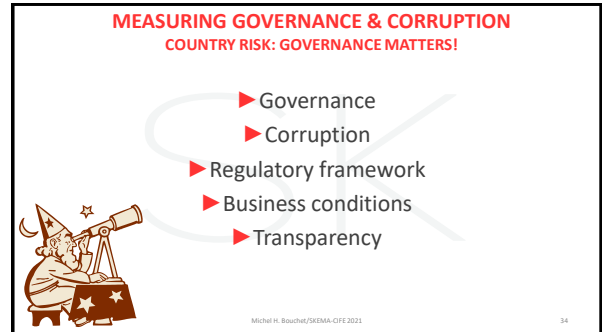
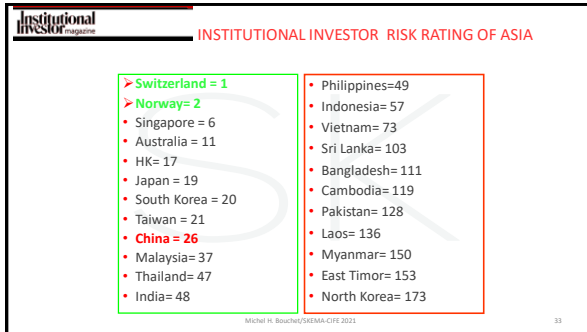
Michel H. Bouchet/SEEMA-CFE 2021

24









**WHAT IS GOVERNANCE?**

**Governance consists of the traditions and institutions by which authority in a country is exercised.**

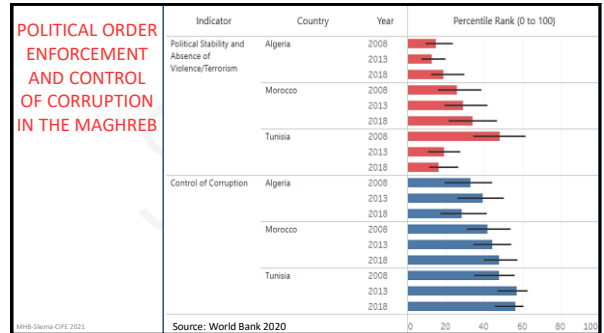
Process by which governments are selected, monitored and replaced;  
Capacity of the government to effectively formulate and implement sound policies; and Respect of citizens and the state for the institutions that govern economic and social interactions among them.

**6 dimensions:**

1. Voice and Accountability
2. Political Stability and Absence of Violence
3. Government Effectiveness
4. Regulatory Quality
5. Rule of Law
6. Control of Corruption

Source: World Bank  
MHB-SEMA-CFE 2021





### IBRAHIM INDEX OF GOVERNANCE IN AFRICA

The Index groups governance and political freedom indicators into four main categories:

1. Safety and Rule of Law,
2. Participation and Human Rights,
3. Sustainable Economic Opportunity,
4. and Human Development.

Source: <http://www.moibrahimfoundation.org/en/section/the-ibrahim-index>

### IBRAHIM INDEX OF GOOD GOVERNANCE IN AFRICA

1 Mauritius	83,0	19 Mali	52,9	37 Nigeria	43,3
2 Seychelles	78,5	20 Mozambique	52,1	38 Liberia	43,2
3 Botswana	75,9	21 Burkina Faso	51,9	39 Togo	42,6
4 Cape Verde	75,5	22 Malawi	51,7	40 Niger	42,3
5 South Africa	71,5	23 Libya	51,5	41 Congo	42,0
6 Namibia	67,3	24 Uganda	50,8	42 Angola	39,3
7 Ghana	66,6	25 Swaziland	50,8	43 Guinea-Bissau	39,1
8 Tunisia	62,1	26 Kenya	50,5	44 Côte d'Ivoire	36,8
9 Egypt	60,1	27 Gabon	50,1	45 Guinea	35,6
10 Lesotho	60,1	28 Madagascar	48,7	46 Equatorial Guinea	34,7
11 São Tomé and Príncipe	58,2	29 Comoros	48,5	47 Sudan	33,9
12 Benin	56,6	30 Djibouti	48,5	48 Central African Republic	32,7
13 Morocco	56,6	31 Rwanda	47,2	49 Zimbabwe	32,7
14 Senegal	56,3	32 Sierra Leone	46,0	50 Eritrea	31,8
15 Algeria	55,2	33 Burundi	44,7	51 Congo, Democratic Rep.	31,1
16 Tanzania	55,0	34 Cameroon	44,3	52 Chad	28,8
17 Zambia	54,9	35 Ethiopia	43,5	53 Somalia	7,9
18 Gambia	53,0	36 Mauritania	43,4		

MOIBRAHIM FOUNDATION CPE 2021

## MEASURING CORRUPTION?

MHB-Sigma-CFE 2021

## POLITICAL TURMOIL AND CORRUPTION

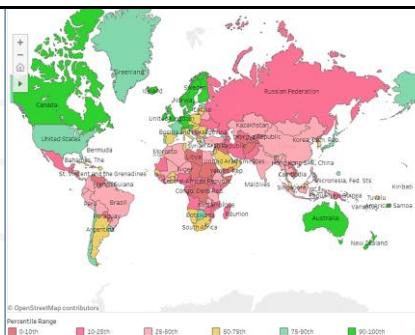
In 2018-20, public anger and legal action over corruption have toppled political leaders in Malaysia, Peru, Slovakia, South Africa, and other countries.

More than 10 percent of nations around the world have experienced corruption-fueled political change in the last five years (Carnegie, 2018). In many countries, corruption has fueled terrorist recruitment and sparked violent insurgencies.

The World Bank estimates \$1.5 trillion in bribes are paid every year, squandering business capital and stymying development.

MHB-Sigma-CFE 2021

## WORLD BANK MAP OF CONTROL OF CORRUPTION 2020



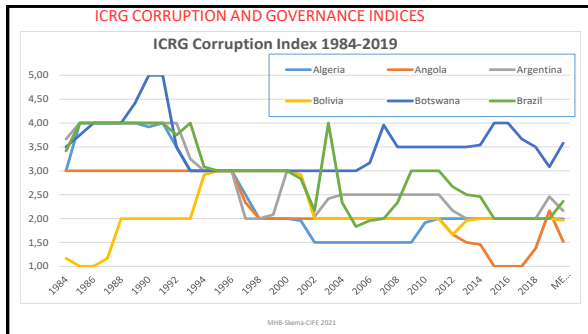
## ICRG: POLITICAL RISK COMPONENTS

Weights	ICRG's Political Risk Assessment Criteria
12	Government Stability
12	Socio-Economic conditions
12	Investment Profile
12	Internal Conflict
12	External Conflict
6	Corruption
6	Military in Politics
6	Religious Tensions
6	Law and Order
6	Ethnic Tensions
6	Democratic Accountability
4	Bureaucratic Quality
100	Total number of points for weighted influence

Source: www.icrg.com

Michael H. Bouchet/SIGMA-CFE 2021

44



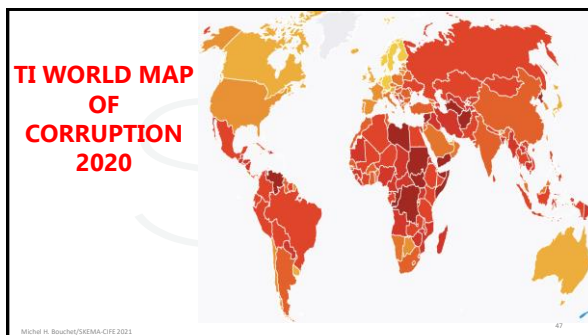
### HOW ASSESSING CORRUPTION? TRANSPARENCY INTERNATIONAL'S CPI

- ▶ Germany-based NGO, founded in 1993
- ▶ Global network with national chapters in >70 countries
- ▶ Annual **Corruption perception index** ranking 180 countries
- ▶ Annual Bribe index

CPI is a composite index: poll of polls conducted over a 3-year period, drawing on 13 surveys from 8 independent organizations

Michel H. Bouchet/SKEMA-CIFE 2021

46



47

### MEASURING CORRUPTION? TRANSPARENCY INTERNATIONAL CPI

1	New Zealand	162	Guinea-Bissau
2	Denmark	162	Kyrgyzstan
3	Singapore	162	Venezuela
3	Sweden	168	Burundi
5	Switzerland	168	Equatorial Guinea
6	Finland	168	Guinea
6	Netherlands	168	Haiti
8	Australia	168	Iran
8	Canada	168	Turkmenistan
8	Iceland	174	Uzbekistan
11	Norway	175	Chad
12	Hong Kong	176	Iraq
12	Luxembourg	176	Sudan
14	Germany	178	Myanmar
14	Ireland	179	Afghanistan
16	Austria	180	Somalia

France = 23

China = 78

India = 86

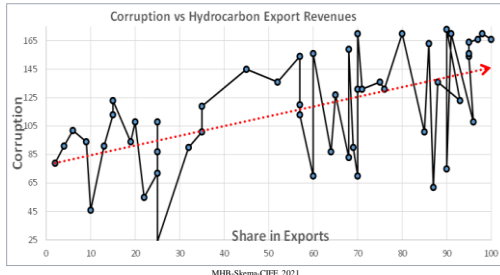
Brazil = 94

Russia = 129

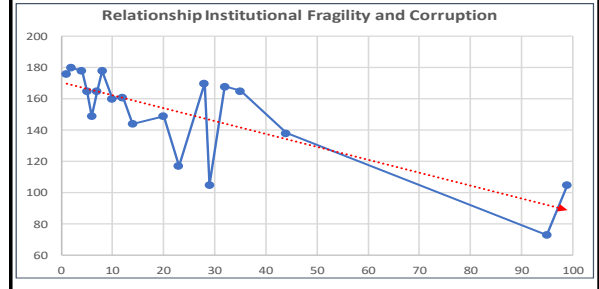


MHB-Skema-CIFE 2021

### OIL-BASED GROWTH LEADS TO POWER AND WEALTH CONCENTRATION, AND CORRUPTION (EXCEPTED IN NORWAY!!?)



### INSTITUTIONAL FRAGILITY AND CORRUPTION



### UNDP HUMAN DEVELOPMENT INDEX

► What is development?

► **Economic growth** + those conditions that make growth **sustainable** over the long-term

=

►  $\Sigma$  life expectancy, education, health, infrastructure, institutions, governance...

Michel H. Bouchet/SSEMA-CIFE 2021

51

### HUMAN DEVELOPMENT INDEX

► HDI developed by UNDP

► A composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living, as measured by real GDP per capita on a purchasing power parity basis.

Michel H. Bouchet/SSEMA-CIFE 2021

52

1. Norway	170	Malawi
2. Australia	171	Sudan
3. United States	172	Zimbabwe
4. Netherlands	173	Ethiopia
5. Germany	174	Liberia
6. New Zealand	175	Afghanistan
7. Ireland	176	Guinea-Bissau
8. Sweden	177	Sierra Leone
9. Switzerland	178	Guinea
10. Japan	178	Burundi
11. Canada	180	Central African
12. Korea	181	Eritrea
13. Hong Kong	182	Mali
14. Iceland	183	Burkina Faso
15. Denmark	184	Chad
16. Israel	185	Mozambique
17. Belgium	186	Niger
18. Austria	186	Congo (DR)
19. Singapore		
20. France		

Michel H. Bouchet/ISEMIA-CFE 2021

### HERITAGE FOUNDATION: INDEX OF ECONOMIC FREEDOM

- **Economic freedom** = *absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary for citizens to protect and maintain liberty itself.*
- The Index includes a broad array of institutional factors determining economic freedom: corruption, non-tariff barriers to trade, the fiscal burden of government, the rule of law, regulatory burdens, restrictions on banks, labor market regulations, black market activities...

Michel H. Bouchet/ISEMIA-CFE 2021

54

### CRITERIA OF ECONOMIC FREEDOM

- To measure economic freedom and rate each country, the *Index* is based on 50 independent economic variables within 10 broad categories of economic freedom:
  1. Trade policy,
  2. Fiscal burden of government,
  3. Government intervention in the economy,
  4. Monetary policy,
  5. Capital flows and foreign investment,
  6. Banking and finance,
  7. Wages and prices,
  8. Property rights,
  9. Regulation, and
  10. Black market activity

Michel H. Bouchet/ISEMIA-CFE 2021

55

### HERITAGE FOUNDATION 2021 INDEX OF ECONOMIC FREEDOM

- Trade + Fiscal Burden, + Government Intervention, + Monetary Policy, + FDI + Inflation + External Competitiveness + Banking sector

Rank	Country	Overall Score	Rank	Country	Overall Score	Rank	Country	Overall Score
1	Singapore	88.7	65	Mexico	65.5	129	Sao Tome and Principe	55.9
2	New Zealand	85.9	66	Albania	65.2	130	Egypt	55.7
3	Australia	82.4	67	Paraguay	65.0	131	Sri Lanka	55.7
4	Switzerland	81.8	68	Italy	64.9	132	Comoros	55.7
5	Ireland	81.4	69	Jordan	64.6	133	Mali	55.6
6	Taiwan	78.6	70	Bahrain	64.6	134	Tajikistan	55.2
7	United Kingdom	78.4	71	Oman	64.6	135	Burma	55.2
8	Estonia	78.2	72	Costa Rica	64.2	136	Madagascar	55.2
9	Canada	77.9	73	Philippines	64.1	137	Eswatini	55.1
10	Denmark	77.8	74	Kuwait	64.1	138	Kenya	54.9
11	Iceland	77.4	75	Guatemala	64.0	139	Guinea-Bissau	54.9
12	Georgia	77.2	76	Turkey	64.0	140	Angola	54.2
13	Hungary	77.0	77	Cabo Verde	63.8	141	Laos	53.9
14	United Arab Emirates	76.9	78	Peru	63.7	142	Uruguay	53.5
15	Lithuania	76.8	79	Croatia	63.6	143	Brazil	53.4
16	Netherlands	76.8	80	Montenegro	63.6	144	Cameroon	53.4
17	Finland	76.1	81	Morocco	63.3	145	Niger	53.0
18	Luxembourg	76.0	82	Bosnia and Herzegovina	62.9	146	Afghanistan	53.0
19	Chile	75.2	83	Nicaragua	62.5	147	Dominica	53.0
20	United States	74.8	84	Paraguay	62.6	148	Argentina	52.7
21	Sweden	74.7	85	Moldova	62.5	149	Ecuador	52.4
22	Malaysia	74.4	86	Myanmar	62.4	150	Sierra Leone	51.7
23	Japan	74.1	87	Fiji	62.2	151	Ethiopia	51.7
24	Korea, South	74.0	88	Dominican Republic	62.1	152	Pakistan	51.7
25	Austria	73.5	89	Senegal	61.9	153	Mozambique	51.6
26	Israel	73.8	90	Vietnam	61.7	154	Lebanon	51.4
27	Czech Republic	73.6	91	Cote d'Ivoire	61.7	155	Haiti	50.8
28	Norway	73.4	92	Russia	61.5	156	Congo, Rep.	50.7
29	Germany	72.5	93	Tanzania	61.1	157	Nepal	50.7
30	Latvia	72.3	94	El Salvador	61.0	158	Chad	50.4

Michel H. Bouchet/ISEMIA-CFE 2021

## FREEDOM HOUSE:

### POLITICAL FREEDOM IN THE WORLD ANNUAL REPORT (1972-2011)

- ▶ Since 1972, Freedom House has published an annual assessment of the state of freedom in all countries in the world, based on a checklist of questions on political rights and civil liberties that are derived from the Universal Declaration of Human Rights. Each country is assigned a rating for PR and a rating for CL based on a scale of 1 (best) to 7 (worst).
- ▶ <http://www.freedomhouse.org/ratings/index.htm>

Michel H. Bouchet/SEEMA-CFE 2021

57

## FREEDOM HOUSE:

### FREEDOM IN THE WORLD ANNUAL REPORT

#### Free countries (89)

- ▶ Australia
- ▶ Finland
- ▶ Malta
- ▶ Slovenia
- ▶ Uruguay
- ▶ Bulgaria
- ▶ Chile
- ▶ Costa Rica
- ▶ Mauritius
- ▶ Poland

#### Not Free countries (47)

- ▶ Cameroon
- ▶ Congo
- ▶ Haiti
- ▶ Iran
- ▶ China
- ▶ Vietnam
- ▶ Burma
- ▶ Cuba
- ▶ Saudi Arabia
- ▶ Syria
- ▶ Turkmenistan

Michel H. Bouchet/SEEMA-CFE 2021

58

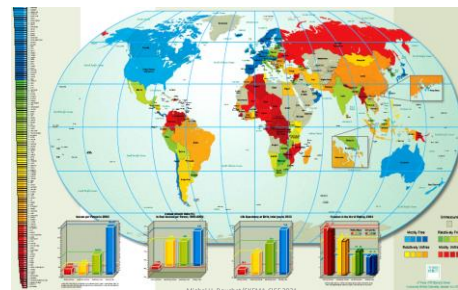
## FRASER INSTITUTE

- ▶ Since 1975
- ▶ Annual Indices of Economic & Human Freedom in the world: reliable measure of cross-country differences in economic freedom, using third-party data to help ensure objectivity
- ▶ **Criteria:** government quality, legal structure, security of property rights, access to sound money, personal choice, freedom to exchange with foreigners and to compete in markets, quality of regulations and institutional strength...
- ▶ **The Economic Freedom Annual Report** is the measurement of economic freedom, ranking countries based on five areas: size of government, legal structure and security of property rights, access to sound money, freedom to trade internationally, and regulation of credit, labor and business. The report compares 159 countries and territories

Michel H. Bouchet/SEEMA-CFE 2021

59

## FRASER INSTITUTE'S ECONOMIC FREEDOM WORLD MAP

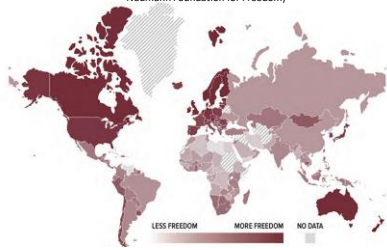


Michel H. Bouchet/SEEMA-CFE 2021

60

### FRASER INSTITUTE: HUMAN FREEDOM INDEX

The index ranks 159 countries and jurisdictions based on 79 indicators of personal, civil and economic freedoms (joint project with the Cato Institute in the U.S. and Germany's Friedrich Naumann Foundation for Freedom)



61

### CONCLUSION: ASSESSING COUNTRY RISK?

1. Market consensus: rating agencies
2. Macroeconomic analysis
3. Balance of payments analysis: liquidity & solvency
4. Socio-political analysis
5. Business environment: corruption, bureaucracy, institutions, transparency
6. Economic Intelligence!

Michel H. Bouchet/SKEMA-CFE 2021

62