Centre international
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COUNTRY RISK RATING:
ASSESSING GOVERNANCE &
INSTITUTIONAL SUSTAINABILITY?

CIFE SEMINAR ROMA-BERLIN-NICE 2025
MICHEL-HENRY BOUCHET
Michel H. Bouchet SKEMA-CIFE 2025

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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

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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

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RISING NUMBER OF RANKINGS AND RATINGS SINCE THE 1980S SOMETIMES WITH SHAKY NUMBERS, INCLUDING SUBJECTIVE JUDGMENTS AND DIFFERENT CALCULATION METHODOLOGIES ACROSS COUNTRIES
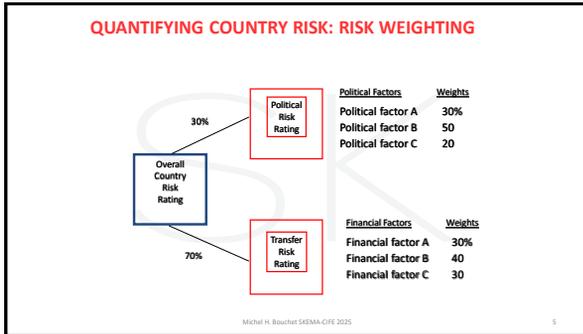
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Number of global performance indices
- Active
- Discontinued*

Pre-1974, 75-79, 80-84, 85-89, 90-94, 95-99, 2000-04, 05-09, 10-14
Source: Kelley and Simmons
*As of 2011

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QUANTIFYING COUNTRY RISK: RISK WEIGHTING

Political Factors	Weights
Political factor A	30%
Political factor B	50
Political factor C	20

Financial Factors	Weights
Financial factor A	30%
Financial factor B	40
Financial factor C	30

Overall Country Risk Rating → Political Risk Rating (30%), Transfer Risk Rating (70%)

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MAIN COUNTRY RATING AGENCIES

- **S&Ps** (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**

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

Sovereign Issuer Credit Rating Framework

Five key areas to determine a sovereign's creditworthiness

Institutional and governance effectiveness score | Economic score | External score | Fiscal score | Monetary score

Institutional and governance effectiveness and economic profile

Flexibility and performance profile

Sovereign indicative rating level

Supplemental adjustment factors and one notch of flexibility, if applicable

Foreign-currency sovereign rating

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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
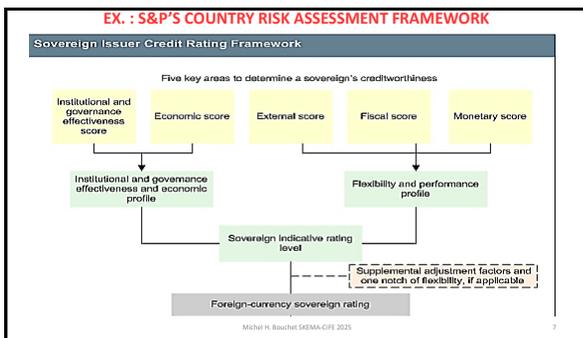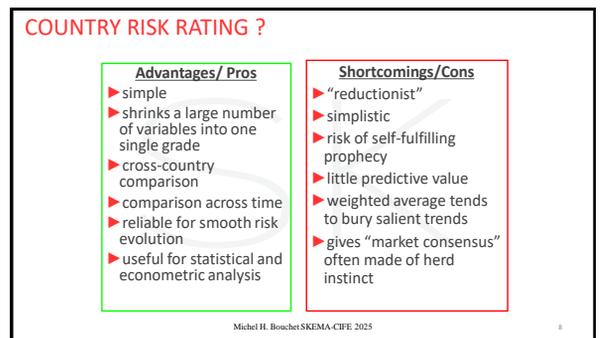
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SHORTCOMINGS OF RATING AGENCIES?

- 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 followjng the majority opinion of market participants without any early warning signals nor predictability track record
- Spill-over effect!

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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

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Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits
Valid as of: 25 June 2018

	Country Code ISO Alpha 3	Country Name [a]	Classification Previous	Classification Current Prevailing	Notes
1	AFG	Afghanistan	7	7	
2	ALB	Albania	6	6	
3	DZA	Algeria	4	4	
4	AND	Andorra	-	-	(9)
5	AGO	Angola	6	6	
6	ATG	Antigua and Barbuda	7	7	(8)
7	ARG	Argentina	6	6	
8	ARM	Armenia	6	6	
9	ABW	Aruba	4	4	
10	AUS	Australia	-	-	(6)
11	AUT	Austria	-	-	(6) (7)
12	AZE	Azerbaijan	5	5	
13	BHS	Bahamas	3	3	
14	BHR	Bahrain	4	4	
15	BGD	Bangladesh	5	5	
16	BRB	Barbados	-	-	(5)
17	BLR	Belarus	6	6	
18	BEL	Belgium	-	-	(6) (7)
19	BLZ	Belize	7	7	
20	BEN	Benin	6	6	(8)
21	BTN	Bhutan	6	6	
22	BOL	Bolivia	5	5	
23	BIH	Bosnia and Herzegovina	7	7	
24	BWA	Botswana	2	2	
25	BRA	Brazil	5	5	
26	BRN	Brunei Darussalam			(5)
27	BGR	Bulgaria	3	3	
28	BFA	Burkina Faso	7	7	(8)
29	BDI	Burundi	7	7	
30	CPV	Cabo Verde	6	6 10	
31	KHM	Cambodia	6	6	

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RATING DOWNGRADES AFTER THE GLOBAL FINANCIAL AND PANDEMIC CRISES

FITCH	MOODY's
➢ USA= AA+	➢ USA = AAA
➢ Tunisia = CCC-	➢ Egypt= B-
➢ Egypt = B+	➢ Tunisia = B3
➢ Greece = BBB	➢ Greece = BBB-

S&Ps	DAGONG
➢ USA = AA+	➢ Tunisia = B-
➢ Egypt = B-	➢ Greece = CC
➢ Tunisia = B-	➢ USA = A-
➢ Greece = BBB	
« selective default »	

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DAGONG 2017-21

大公国际资信评估有限公司
DAGONG GLOBAL CREDIT RATING CO.,LTD

- 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-

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MOODY'S 15 TRIPLE-A RATING COUNTRIES

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

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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

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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

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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

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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!

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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 bankrupcy 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

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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+

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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.

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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"

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TUNISA 2011- 2025
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 –**
- **May 2022: Caa1 –**
- **March 2025 Caa1 stable**

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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
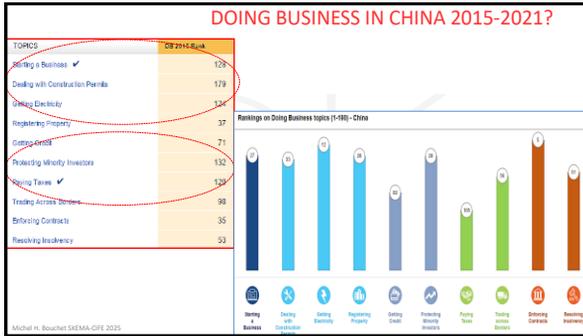
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WORLD BANK: « DOING BUSINESS » RANKING 2021

189 Countries
10 Parameters

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

Country	Rank		Country	Rank
Singapore	1		Nigeria	169
New Zealand	2		Yemen, Rep.	170
Denmark	3		Djibouti	171
Korea, Rep.	4		Cameroon	172
Hong Kong SAR,	5		Timor-Leste	173
United Kingdom	6		Bangladesh	174
United States	7		Syria	175
Sweden	8		Congo, Rep.	176
Norway	9		Afghanistan	177
Finland	10		Guinea-Bissau	178
Taiwan, China	11		Liberia	179
Macedonia, FYR	12		Equatorial Guinea	180
Australia	13		Angola	181
Canada	14		Haiti	182
Germany	15		Chad	183
Estonia	16		Congo, Dem. Rep.	184
Ireland	17		Central Af Rep	185
Malaysia	18		Venezuela	186
Iceland	19		South Sudan	187
Lithuania	20		Libya	188
			Eritrea	189

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DOING BUSINESS IN CHINA 2015-2021?

TOPICS	DB 2015-Rank
Starting a Business ✔	128
Dealing with Construction Permits	179
Getting Electricity	124
Registering Property	37
Getting Credit	71
Protecting Minority Investors	132
Paying Taxes ✔	120
Trading Across Borders	98
Enforcing Contracts	35
Resolving Insolvency	53

Rankings on Doing Business topics (1-100) - China

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EUROMONEY : RATING METHODOLOGY

► 186 countries
► 15 critera
► Delphi Technique: Panel of 250 leading economists in international financial institutions evaluing performance in the financial markets (market access, bond issue, spreads, selldown, terms and maturity…)
► Scoring between **100** (excellent) and **0** (high risk)
► Panel of political analysts to measure short-term risk of destabilization

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EUROMONEY: RATING WEIGHTS

1. Growth performance: 25% (GDP projection)
2. Political risk: 25%
3. External debt indicators: 10% (debt/GDP and debt/X)
4. External payment default and rescheduling: 10%
5. Credit rating Moody 's or S&P: 10%
6. Short-term credit market access: 5%
7. Commercial bank MT credit: 5%
8. Capital markets access: 5%
9. Spread over US Treasury bills: 5%

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EUROMONEY COUNTRY RISK MAP

World risk average

Score	42.50	-0.26 ▼
Economic assessment	44.61	+0.05 ▲
Political assessment	45.79	-0.01 ▼
Structural assessment	40.49	+0.01 ▲
Access to capital	38.18	0.00 ▶
Credit ratings	30.75	+0.04 ▲
Debt indicators	44.24	-2.83 ▼

Country movers

⬆ Less risk		⬇ More risk
Macau	71.22	+5.00 ▲
Micronesia (Fed. States)	3.70	+2.70 ▲
Tunisia	43.62	+2.56 ▲
Jamaica	36.00	+2.33 ▲
Dem. Rep. Of the Congo	29.31	+2.21 ▲

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EUROMONEY RISK RATING: IVORY COAST 1980-2016

Higher Risk

Political upheaval

Coup d'état

Lower Risk

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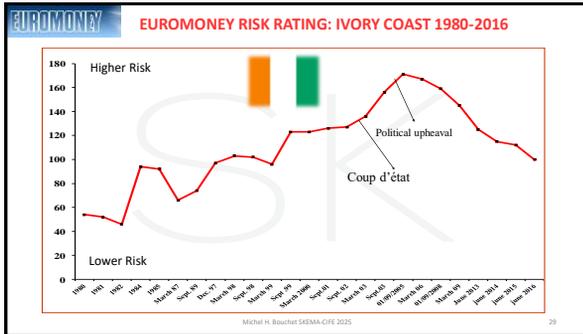
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SCORING/RATING OF COUNTRY RISK

▶ 0-100 semi-annual Rating of 179 countries' creditworthiness based on survey of 100 leading **international bankers**

▶ **Best** : Switzerland, Finland, Norway, Germany, Netherlands, France, US, UK, Luxembourg… Singapore, Australia, Taiwan, Chile

▶ **Worst**: Cuba, Myanmar, Cambodia, Nicaragua, Rwanda, Sudan, Iraq, Congo, Sierra Leone, North Korea, Liberia

Global average risk rating as of 03/2000 = 41
Global average risk rating 03/2015 = 45
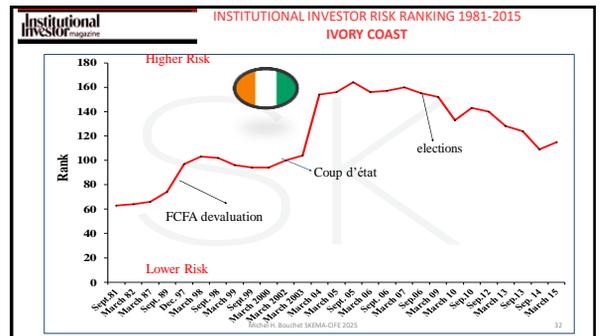
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INSTITUTIONAL INVESTOR RISK RATING

- Information provided by leading international banks.
- Bankers are asked to grade each of the countries on a scale from 0 to 100 (100 = best creditworthiness)
- Sample updated every six months, ranges from 75 to 100 banks, each of which provides its own ratings. The names of all participants in the survey are kept strictly confidential. Banks are not permitted to rate their home country.
- Individual responses are weighted using an *Institutional Investor* formula that gives more importance to responses from banks with greater worldwide exposure and more sophisticated country analysis systems.

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INSTITUTIONAL INVESTOR RISK RANKING 1981-2015
IVORY COAST

Higher Risk

Rank

elections

Coup d'état

FCFA devaluation

Lower Risk

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Institutional Investor magazine

INSTITUTIONAL INVESTOR RISK RATING OF ASIA

➢ **Switzerland = 1**	• Philippines=49
➢ **Norway= 2**	• Indonesia= 57
• Singapore = 6	• Vietnam= 73
• Australia = 11	• Sri Lanka= 103
• HK= 17	• Bangladesh= 111
• Japan = 19	• Cambodia= 119
• South Korea = 20	• Pakistan= 128
• Taiwan = 21	• Laos= 136
• **China = 26**	• Myanmar= 150
• Malaysia= 37	• East Timor= 153
• Thailand= 47	• North Korea= 173
• India= 48	

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SCOPE RATING

Scope Ratings

Scope rates 100% of EU sovereign issuers and 75% of global sovereign debt. The assessment is based on five categories of sovereign risk: 'Domestic economic risk', 'Public finance risk', 'External economic risk', 'Financial stability risk' and ESG risks.

Specifically, i) assess all variables on fixed and transparently communicated thresholds; ii) assess GDP/capita on a purchasing-power-parity basis and nominal GDP relative to World GDP; iii) adjust our calculation for real GDP volatility and a country's biocapacity relative to its resource consumption; iv) replace our source for assessing natural disaster risks (WRI) with ND-GAIN; and v) introduce a quantitative adjustment to **capture political risks that are distinct from governance factors**

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OCTOBER 2024: SCOPE DOWNGRADES FRANCE'S LONG-TERM RATINGS TO AA- AND REVISES THE OUTLOOKS TO STABLE

Sustained deterioration of public finances and challenging political outlook drive the downgrade. Leading role in Europe, economic resilience, favorable debt profile, excellent market access, and robust banking sector anchor the ratings.

Scope Ratings GmbH (Scope) has downgraded France's local and foreign currency long-term issuer and senior unsecured debt ratings to AA-, from AA, and revised the Outlooks to Stable, from Negative. The short-term issuer ratings have been affirmed at S-1+ in local and foreign currency with Stable Outlooks.

The downgrade of France's long-term ratings is driven by:

1. The sustained deterioration of public finances characterized by higher-than-expected fiscal deficits and a steady rise in general government debt. Scope now expects a more gradual reduction of the budget deficit, which is set to still exceed 3% of GDP by 2029

2. The challenging political outlook following the 2024 early legislative elections, which have reduced the level of political alignment between the presidency, government and parliament, while further increasing parliamentary fragmentation. This raises uncertainty on the implementation of the multi-year budget and reform agenda

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MEASURING GOVERNANCE & CORRUPTION
COUNTRY RISK: GOVERNANCE MATTERS!

► Governance
► Corruption
► Regulatory framework
► Business conditions
► Transparency

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21/03/2025

WHAT IS GOVERNANCE?

Governance consists of the traditions and institutions by which authority in a country is exercised.
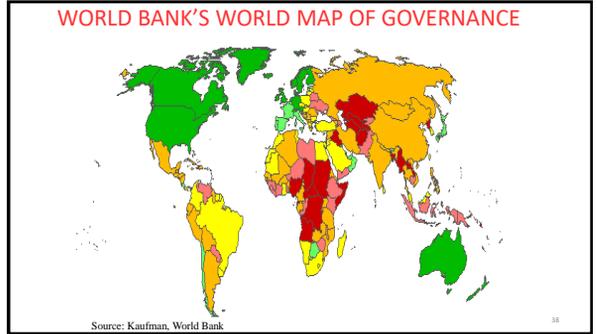
Process by which governments are selected, monitored and replaced; Capacity of the government to effectively formulate and implement sound policies; and Respect of citizens and the state for the institutions that govern economic and social interactions among them.

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

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WORLD BANK'S WORLD MAP OF GOVERNANCE

Source: Kaufman, World Bank

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WORDL BANK GOVERNANCE INDICATORS

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POLITICAL ORDER ENFORCEMENT AND CONTROL OF CORRUPTION IN THE MAGHREB

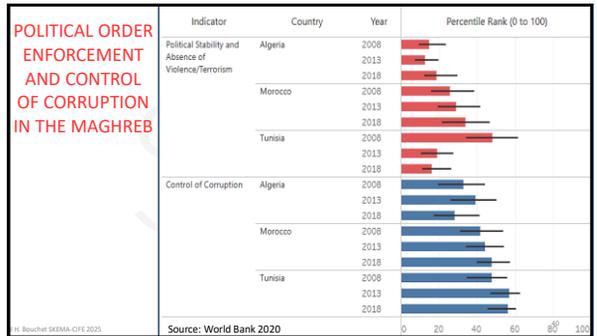H. Bouchet SKEMA-CIFE 2025

Source: World Bank 2020

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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

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IBRAHIM INDEX OF GOOD GOVERNANCE IN AFRICA

Rank	Country	Score	Rank	Country	Score	Rank	Country	Score
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	64,6	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	60,5	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	32,9
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	44,2	52	Chad	28,8
17	Zambia	54,9	35	Ethiopia	43,5	53	Somalia	7,9
18	Gambia	53,0	36	Mauritania	43,4			

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MEASURING CORRUPTION?

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POLITICAL TURMOIL AND CORRUPTION

In 2018-22, 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.

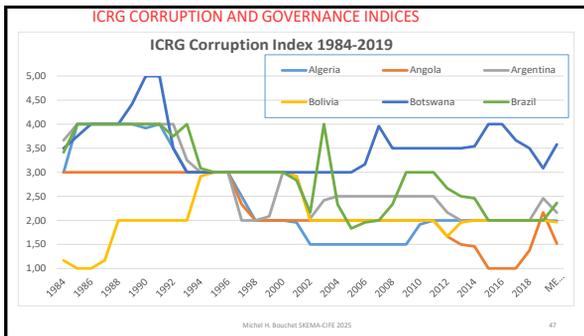Michel H. Bouchet SKEMA-CIFE 2025

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WORLD BANK MAP OF **CONTROL OF CORRUPTION**
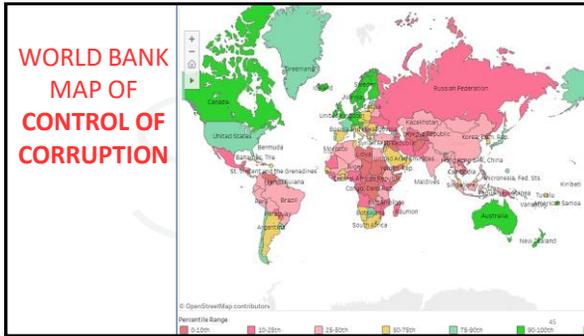
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ICRG: POLITICAL RISK COMPONENTS

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   Michel H. Bouchet SKEMA-CIFE 2025   46

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ICRG CORRUPTION AND GOVERNANCE INDICES

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ASSESSING CORRUPTION: **GLOBAL CORRUPTION INDEX** (198 COUNTRIES)

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Slide 49
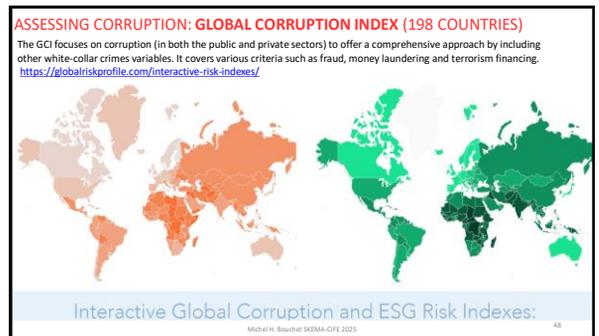
THE GLOBAL CORRUPTION INDEX

The Global Corruption Index measures corruption in 196 countries.
Based on 42 variables.
It aggregates the results of two sub-indexes: "Corruption" and "White Collar Crimes", focused on money laundering, fraud, terrorism financing.
Country scores are presented on a 0-100 scale

6 sub-indices:
1. Corruption
2. Citizen's voice and Transparency
3. Government Functioning and Effectiveness
4. Legal Context
5. Political Context

TOP 10: VERY LOW RISK

ISO Code	Country Name	Region	GCI Score 2023	Rank 2023
FIN	Finland	Europe	6.76	1
NOR	Norway	Europe	8.3	2
NZL	New Zealand	Oceania	8.38	3
SWE	Sweden	Europe	8.44	4
DNK	Denmark	Europe	10.9	5
EST	Estonia	Europe	11.83	6
NLD	Netherlands	Europe	12.96	7
ISL	Iceland	Europe	12.98	8
IRL	Ireland	Europe	14.24	9
GBR	United Kingdom	Europe	14.86	10

BOTTOM 10: VERY HIGH RISK

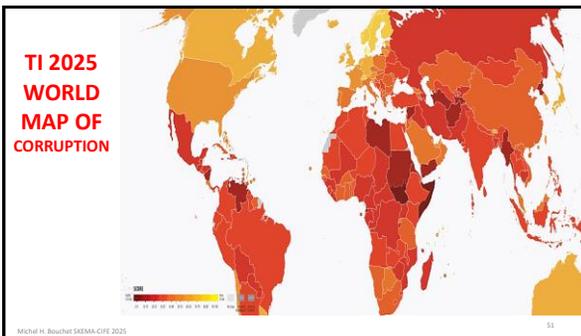|				
TCD	Chad	Africa	75.63	187
HTI	Haiti	North America	76.55	188
ERI	Eritrea	Africa	76.62	189
SOM	Somalia	Africa	76.75	190
LBY	Libya	Africa	77.47	191
YEM	Yemen	Asia	78.89	192
SSD	South Sudan	Africa	80	193
COD	Congo, Dem. Rep.	Africa	80.49	194
PRK	North Korea	Asia	85.77	195
SYR	Syria	Asia	86.82	196

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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

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TI 2025 WORLD MAP OF CORRUPTION

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MEASURING CORRUPTION?
TRANSPARENCY INTERNATIONAL CPI

Rank	Country		Rank	Country
1	New Zealand		162	Guinea-Bissau
2	Denmark		162	Kyrgyzstan
3	Singapore	**France = 25**	162	Venezuela
3	Sweden		168	Burundi
5	Switzerland	**China = 76**	168	Equatorial Guinea
6	Finland	**South Africa= 82**	168	Guinea
6	Netherlands		168	Haiti
8	Australia	**India= 96**	168	Iran
8	Canada	**Brazil =107**	168	Turkmenistan
8	Iceland	**Russia = 154**	174	Uzbekistan
11	Norway		175	Chad
12	Hong Kong		176	Iraq
12	Luxembourg		176	Sudan
14	Germany	STOP CORRUPTION	178	Myanmar
14	Ireland		179	Afghanistan
16	Austria		180	Somalia

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THE BASEL INSTITUTE ON GOVERNANCE

Since 2003, independent not-for-profit organization dedicated to promoting good governance and countering corruption for a more peaceful, just and sustainable world.
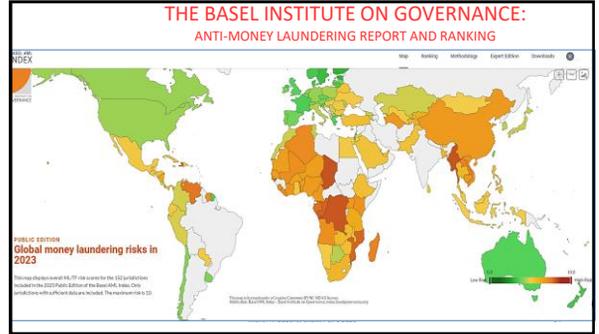Swiss foundation and Associated Institute of the University of Basel.
The International Centre for Asset Recovery (ICAR) at the Basel Institute on Governance works with countries around the world to strengthen their capacities to recover illicit assets.
The Basel Institute's Green Corruption programme is a multi-disciplinary initiative that targets environmental degradation using anti-corruption and governance tools.

The Basel AML Index is a leading independent ranking of money laundering and terrorist financing (ML/TF) risks around the world. It provides risk scores based on data from 18 publicly available sources such as the Financial Action Task Force (FATF), Transparency International, the World Bank and the World Economic Forum. The risk scores cover five domains considered to contribute to a high risk of ML/TF:
1. Quality of AML/CFT Framework
2. Bribery and Corruption
3. Financial Transparency and Standards
4. Public Transparency and Accountability
5. Legal and Political Risks

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THE BASEL INSTITUTE ON GOVERNANCE: ANTI-MONEY LAUNDERING REPORT AND RANKING

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

Source: Bouchet & alii Palgrave 2019

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INSTITUTIONAL FRAGILITY AND CORRUPTION

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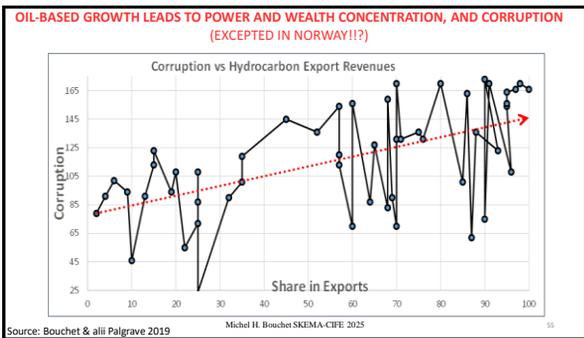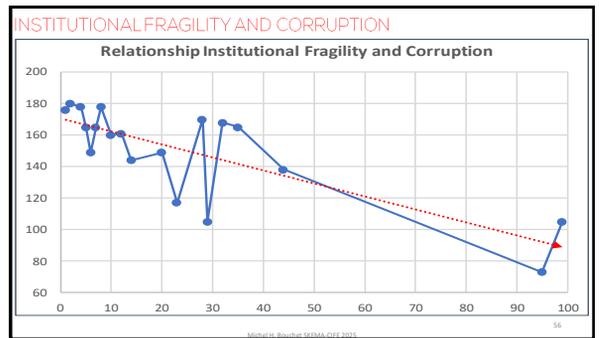
Slide 57 — TOP 10: VERY LOW RISK

ISO Code	Country Name	Region	Score	Rank 2022
FIN	Finland	Europe	15.4	1
ISL	Iceland	Europe	17.35	2
NOR	Norway	Europe	18.04	3
SWE	Sweden	Europe	18.86	4
PRT	Portugal	Europe	21.06	5
ITA	Italy	Europe	21.3	6
CHE	Switzerland	Europe	21.62	7
NZL	New Zealand	Oceania	22.04	8
AUS	Australia	Oceania	22.3	9
DNK	Denmark	Europe	22.44	10

BOTTOM 10: VERY HIGH RISK

ISO Code	Country Name	Region	Score	Rank
GIN	Guinea	Africa	67.14	174
YEM	Yemen, Rep.	Asia	67.5	175
AFG	Afghanistan	Asia	67.76	176
HTI	Haiti	North America	68.14	177
GNB	Guinea-Bissau	Africa	68.51	178
SDN	Sudan	Africa	69.94	179
CAF	Central African Republic	Africa	70.7	180
TCD	Chad	Africa	71.47	181
COD	Congo, Dem. Rep.	Africa	71.57	182
SOM	Somalia	Africa	73.59	183

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Slide 58 — 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…

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Slide 59 — 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

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Slide 60 — 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	89.7	65	Mexico	65.5	129	São Tomé and Principe	55.9
2	New Zealand	83.9	66	Albania	65.2	130	Egypt	55.7
3	Australia	82.4	67	Barbados	65.0	131	Sri Lanka	55.7
4	Switzerland	81.9	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	Bahamas	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	Maldives	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	Mauritius	77.0	77	Cabo Verde	63.8	141	Laos	53.9
14	United Arab Emirates	76.9	78	Kyrgyz Republic	63.7	142	Lesotho	53.5
15	Lithuania	76.9	79	Croatia	63.6	143	Brazil	53.4
16	Netherlands	76.8	80	Montenegro	63.4	144	Cameroon	53.4
17	Finland	76.1	81	Morocco	63.3	145	Malawi	53.0
18	Luxembourg	76.0	82	Bosnia and Herzegovina	62.9	146	Afghanistan	53.0
19	Chile	75.2	83	Namibia	62.6	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	Mongolia	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	73.9	89	Samoa	61.9	153	Mozambique	51.6
26	Israel	73.8	90	Vietnam	61.7	154	Lebanon	51.4
27	Czech Republic	73.8	91	Côte 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	61.3	157	Nepal	50.7
30	Latvia	72.3	94	El Salvador	61.0	158	Chad	50.4

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FREEDOM HOUSE:
POLITICAL FREEDOM IN THE WORLD ANNUAL REPORT

▶ 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

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FREEDOM HOUSE 2024-25

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FREEDOM TRENDS

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FREEDOM HOUSE:
FREEDOM IN THE WORLD ANNUAL REPORT

Free countries (89)	Not Free countries (47)
▶Australia	▶Cameroon
▶Finland	▶Congo
▶Malta	▶Haiti
▶Slovenia	▶Iran
▶Uruguay	▶China
▶Bulgaria	▶Vietnam
▶Chile	▶Burma
▶Costa Rica	▶Cuba
▶Mauritius	▶Saudi Arabia
▶Poland	▶Syria
	▶Turkménistan

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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 165 countries and territories

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FRASER INSTITUTE'S ECONOMIC FREEDOM WORLD MAP

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FRASER INSTITUTE'S ECONOMIC FREEDOM 2023

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FRASER & CATO INSTITUTE: **HUMAN FREEDOM INDEX**

The index ranks 165 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)

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Rank	Freedom Rank Change (2017–2018)	Country/Territory	Personal Freedom	Economic Freedom	Human Freedom
1	0	New Zealand	9.21	8.53	8.87
2	0	Switzerland	9.20	8.43	8.82
3	0	Hong Kong SAR, China	8.53	8.94	8.74
4	▲1	Denmark	9.35	8.10	8.73
5	▲1	Australia	9.12	8.23	8.68
6	▼2	Canada	9.10	8.17	8.64
7	0	Ireland	9.11	8.13	8.62
8	▲4	Estonia	9.12	7.96	8.54
9	▲1	Germany	9.19	7.85	8.52
9	▼1	Sweden	9.46	7.58	8.52
11	▲3	Finland	9.21	7.76	8.49
11	▲6	Japan	9.10	7.88	8.49
11	▲3	Luxembourg	9.22	7.75	8.49
14	▲2	Netherlands	9.14	7.82	8.48
15	▲2	Austria	9.09	7.80	8.45
15	▼4	Norway	9.29	7.60	8.45
17	▼5	United Kingdom	8.79	8.08	8.44
17	▼9	United States	8.66	8.22	8.44
19	▲2	Taiwan	8.90	7.94	8.42
20	▼1	Iceland	9.06	7.71	8.39
21	▲1	Lithuania	8.64	8.10	8.37
22	▼3	Latvia	8.78	7.89	8.34
23	▲2	Malta	8.72	7.94	8.33
24	▼1	Czech Republic	8.76	7.81	8.29
25	▲1	Belgium	8.99	7.56	8.28
26	▲1	Korea, Rep.	8.85	7.69	8.27
26	▼3	Portugal	8.94	7.60	8.27
28	0	Singapore	7.77	8.65	8.21
29	▲2	Spain	8.67	7.73	8.20
30	▼1	Chile	8.40	7.96	8.18
31	▼1	Italy	8.72	7.51	8.12

Rank	Freedom Rank Change (2017–2018)	Country/Territory	Personal Freedom	Economic Freedom	Human Freedom
131	▼14	Nigeria	5.16	6.93	6.05
132	▼3	Tunisia	6.00	6.07	6.04
133	▲3	Oman	5.26	6.79	6.03
134	▼3	Eswatini	5.76	6.27	6.02
135	▼4	Brunei Darussalam	5.41	6.60	6.01
136	▼2	Niger	6.09	5.85	5.97
137	0	Mali	5.90	5.93	5.92
138	▲1	Tajikistan	5.49	6.05	5.77
139	▼1	Bangladesh	5.30	6.04	5.67
140	0	Pakistan	5.21	6.07	5.64
141	▲6	Chad	5.47	5.71	5.59
141	▼1	Zimbabwe	6.06	5.12	5.59
143	0	Congo, Rep.	5.99	5.03	5.51
144	▲4	Angola	6.21	4.75	5.48
145	▼3	Cameroon	5.07	5.85	5.46
146	▲4	Guinea	5.32	5.57	5.45
146	0	Myanmar	5.08	5.81	5.45
148	▼4	Burundi	4.90	5.94	5.42
149	0	Ethiopia	5.18	5.61	5.40
150	▼5	Mauritania	4.56	6.22	5.39
151	▲2	Congo, Dem. Rep.	5.42	5.15	5.29
151	0	Saudi Arabia	4.26	6.31	5.29
153	▼2	Central African Republic	5.22	5.27	5.25
154	0	Algeria	5.42	4.97	5.20
155	▲2	Iraq	4.18	5.61	4.90
156	0	Libya	4.93	4.72	4.83
157	▲2	Egypt, Arab Rep.	3.95	5.38	4.67
158	▼3	Iran, Islamic Rep.	4.26	4.80	4.53
159	▼1	Yemen, Rep.	2.83	5.51	4.17
160	▲1	Venezuela, RB	4.81	3.34	4.08
161	▼1	Sudan	3.81	4.21	4.01
162	0	Syrian Arab Republic	2.49	5.45	3.97

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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!

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