

Introduction

Since 1995, *The Wall Street Journal* and the Heritage Foundation have compiled the Index of Economic Freedom. The Heritage Foundation defines economic freedom as the society in which each person controls the fruits of his or her own labor and initiative. The underpinnings of the Index are the principles of empowerment of the individual, non-discrimination, and open competition. The overall economic freedom index is compiled from an average of scores given in the areas of business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption and labor freedom.

The 2011 Index registers an increase in the world's average economic freedom following two years of decline. Particular regions of improvement were Africa and Eastern Europe. The 2011 Index of Economic Freedom includes information on 183 countries; however, the analysis in this snapshot is restricted to the 90 countries that have data for the years 2009-2011 and that have received at least \$2 million in USAID assistance in fiscal year 2009. For more information on the data and the restrictions imposed for this analysis, please see page 5.

Largest Changes, 2009-2011

Tables 1 and 2 display the countries posting the largest changes in overall economic freedom score between 2009 and 2011. The most improved and most declined countries are spread throughout all five USAID regions, but the majority of the improved countries are found in Africa and Eastern Europe. The most improved country since 2009 is Rwanda. Rwanda improved eight of ten index scores, specifically its trade and investment freedom scores through lower tariffs and fewer investment restrictions. Colombia improved its scores in business, investment, labor freedom and government spending and showed strong fundamentals during the global recession. The most declined country is Timor-Leste, which has declined primarily due to its score in government spending and its narrow economic base.

Table 1, Most Improved USAID Assisted Countries, 2009-2011

Country	2011 IEF Rank	2009 Score	2011 Score	Change
Rwanda	75	54.2	62.7	8.5
Colombia	45	62.3	68	5.7
Bangladesh	130	47.5	53	5.5
Macedonia	55	61.2	66	4.8
Bosnia and Herzegovina	104	53.1	57.5	4.4
Montenegro	76	58.2	62.5	4.3
Peru	41	64.6	68.6	4
Jordan	38	65.4	68.9	3.5
Djibouti	125	51.3	54.5	3.2
Zambia	91	56.6	59.7	3.1

Table 2, Most Declined USAID Assisted Countries, 2009-2011

Country	2011 IEF Rank	2009 Score	2011 Score	Change
Timor-Leste	170	50.5	42.8	-7.7
Ecuador	158	52.5	47.1	-5.4
Uzbekistan	163	50.5	45.8	-4.7
Bolivia	147	53.6	50	-3.6
Mongolia	94	62.8	59.5	-3.3
Nepal	146	53.2	50.1	-3.1
Ukraine	164	48.8	45.8	-3
Yemen	127	56.9	54.2	-2.7
Ethiopia	144	53	50.5	-2.5
Venezuela	175	39.9	37.6	-2.3



Top and Bottom Ranked Countries

Tables 3 and 4 display the top and bottom 10 ranked USAID countries in the 2011 Index. The only USAID region not represented in the top 10 in the 2011 Index is Africa and the only region not represented in the bottom 10 is the Middle East.

This year's top USAID assisted country is Cyprus at 18th overall, higher than developed countries like Germany and Japan. The main drivers of Cyprus's improvement were better scores in investment freedom, freedom from corruption and labor freedom. Cyprus benefited from a transparent regulatory framework, an open financial sector and government policies designed to promote private sector development. Jordan was another high performing country, improving its score by almost three points from 2010 and making gains in fiscal, monetary and investment freedom as well as improved control over government spending. While Jordan has been progressing impressively due to a well-targeted reform agenda, its shortcomings in corruption contribute to its status as a moderately free economy.

This year's bottom USAID assisted countries are largely unchanged from last year's Index. Each of these countries falls within the category of a repressed economy and include seven of the ten overall least free economies in the 2011 Index. Zimbabwe is the lowest ranked USAID assisted country in this year's Index and second lowest overall country. Zimbabwe's score is actually slightly improved from last year, but it still suffers from many of the factors that result in its low score. Zimbabwe's unstable economy, regular government interference in property rights, ongoing inflation problems and corrupt bureaucracy all contribute to its continued place as the least free economy in sub-Saharan Africa. Venezuela registered almost no change in its score, which remains the lowest in South America, due to offsetting improvements in trade freedom and a drop in labor freedom. Venezuela problems lie in its increasing government interference in the economy and seizure of private enterprises as well as a lack of respect for contracts and property rights.

Table 3, Top 10 USAID Assisted Countries

Country	IEF Rank	2011 Score
Cyprus	18	73.3
Georgia	29	70.4
Armenia	36	69.7
Jordan	38	68.9
El Salvador	39	68.8
Botswana	40	68.8
Peru	41	68.6
Israel	43	68.5
Colombia	45	68
Mexico	48	67.8

Table 4, Bottom 10 USAID Assisted Countries

Country	IEF Rank	2011 Score
Uzbekistan	163	45.8
Ukraine	164	45.8
Chad	165	45.3
Turkmenistan	169	43.6
Timor-Leste	170	42.8
Congo (Kinshasa)	172	40.7
Burma (Myanmar)	174	37.8
Venezuela	175	37.6
Cuba	177	27.7
Zimbabwe	178	22.1

Note: Countries that score 80 or higher are considered "free" economies; 70-79.9 "mostly free"; 60-69.9 "moderately free"; 50-59.9 "mostly unfree"; and below 50 "repressed."

Regional Economic Freedom

The 2011 Index of Economic Freedom provides an opportunity to compare the economic freedom of countries in the five USAID regions. Tables 5 and 6 illustrate the top and bottom scores for economic freedom, respectively. For each region, except the Middle East, the top and bottom five countries are presented. In the Middle East, only six countries met the required \$2 million assistance in fiscal year 2009, so only the top and bottom three countries are shown.

Table 5, Top Developing Countries, by Region 2011

Country	IEF Rank	2011 Score
Africa		
Botswana	40	68.8
Namibia	73	62.7
South Africa	74	62.7
Rwanda	75	62.7
Uganda	80	61.7
Asia		
Thailand	62	64.7
Kazakhstan	78	62.1
Kyrgyzstan	83	61.1
Mongolia	94	59.5
Cambodia	102	57.9
Europe and Eurasia		
Cyprus	18	73.3
Georgia	29	70.4
Armenia	36	69.7
Macedonia	55	66
Albania	70	64
Latin America and the Caribbean		
El Salvador	39	68.8
Peru	41	68.6
Colombia	45	68
Mexico	48	67.8
Costa Rica	49	67.3
Middle East		
Jordan	38	68.9
Israel	43	68.5
Lebanon	89	60.1

Table 6, Bottom Developing Countries, by Region 2011

Country	IEF Rank	2011 Score
Africa		
Liberia	160	46.5
Angola	161	46.2
Chad	165	45.3
Congo (Kinshasa)	172	40.7
Zimbabwe	178	22.1
Asia		
Nepal	146	50.1
Uzbekistan	163	45.8
Turkmenistan	169	43.6
Timor-Leste	170	42.8
Burma (Myanmar)	174	37.8
Europe and Eurasia		
Bosnia and Herzegovina	104	57.5
Moldova	120	55.7
Russia	143	50.5
Belarus	155	47.9
Ukraine	164	45.8
Latin America and the Caribbean		
Bolivia	147	50
Guyana	151	49.4
Ecuador	158	47.1
Venezuela	175	37.6
Cuba	177	27.7
Middle East		
Morocco	93	59.6
Egypt	96	59.1
Yemen	127	54.2

Regional Changes, 2009-2011

The Middle East is the most free USAID region in the 2011 Index, but this result could be skewed due to the small number of countries included in this analysis. Europe and Eurasia is the next most free, followed by Latin America and the Caribbean, Africa and Asia (see Figure 1). The only region that had a majority of economies decline in their economic freedom was Asia, where 53% of the analyzed countries registered lower scores in 2011 compared to 2009. Europe and Eurasia and the Middle East performed better, with 83 and 77 percent, respectively, improving or maintaining their scores. While Asia had the highest percentage of countries with declining scores, Africa possessed the greatest number of declining countries as well as the greatest number of improving countries (see Table 7). Africa also possesses the widest range of economic freedom scores, followed by Latin America and the Caribbean (see Figure 2). Average scores are the lowest in Africa and Asia and both regions are below the world average of 56.3. The Middle East and Eastern Europe were the only regions in which the average score registered as moderately free.

Table 7. Progress by Region, 2009-2011

Region	Declined		Improved		Total Number
	Number	%	Number	%	
Africa	15	47	17	53	32
Asia	10	53	9	47	19
Europe and Eurasia	3	23	10	77	13
Latin America and the Caribbean	8	42	11	58	19
Middle East	1	17	5	83	6
World	38	42	52	58	90

Figure 1. Progress (2009-2011) and Average Score (2011), by Region

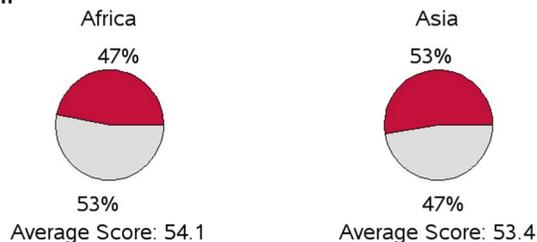
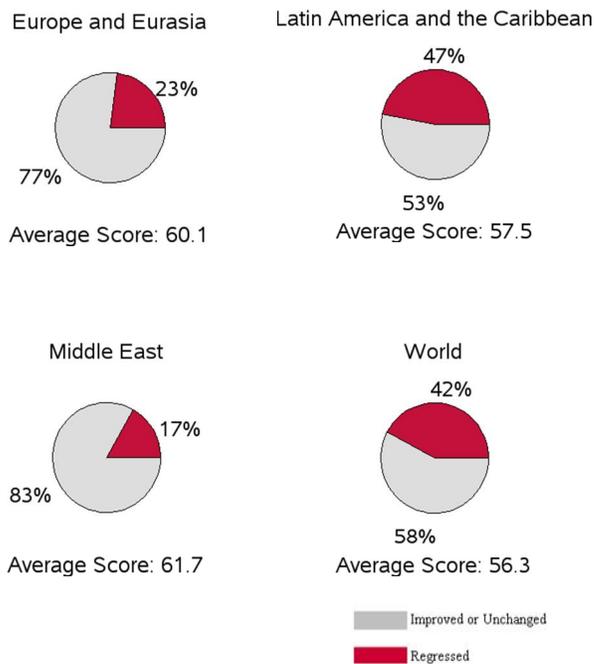
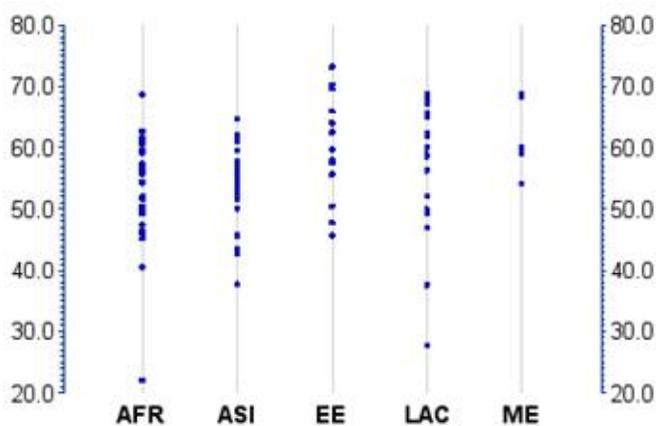


Figure 2. Score Range by Region, 2011



Countries Included in Analysis

Africa	Asia	Latin America	Middle East	Eastern Europe
Angola	Bangladesh	Bolivia	Egypt	Albania
Benin	Burma	Brazil	Israel	Armenia
Botswana	(Myanmar)	Colombia	Jordan	Azerbaijan
Burkina Faso	Cambodia	Costa Rica	Lebanon	Belarus
Burundi	China (P.R.C.)	Cuba	Morocco	Bosnia and Herzegovina
Central African Republic	India	Dominican Republic	Yemen	Cyprus
Chad	Indonesia	Ecuador		Georgia
Congo (Kinshasa)	Kazakhstan	El Salvador		Macedonia
Djibouti	Kyrgyzstan	Guatemala		Moldova
Ethiopia	Mongolia	Guyana		Montenegro
Ghana	Nepal	Haiti		Russia
Guinea	Pakistan	Honduras		Serbia
Kenya	Philippines	Jamaica		Ukraine
Lesotho	Sri Lanka	Mexico		
Liberia	Tajikistan	Nicaragua		
Madagascar	Thailand	Panama		
Malawi	Timor-Leste	Paraguay		
Mali	Turkmenistan	Peru		
Mauritania	Uzbekistan	Venezuela		
Mozambique	Vietnam			
Namibia				
Niger				
Nigeria				
Rwanda				
Senegal				
Sierra Leone				
South Africa				
Swaziland				
Tanzania				
Uganda				
Zambia				
Zimbabwe				

USAID FY 2009 obligations

This snapshot utilizes total USAID assistance amounts for fiscal year 2009, obtained from the USAID U.S. Overseas Loans and Grants, Obligations and Loan Authorizations. These data are available at <http://gbk.eads.usaidallnet.gov/>. This source provides a complete historical record of U.S. foreign aid to the rest of the world by reporting all loans and grants authorized each fiscal year. Only countries with at least \$2 million in obligations were used in this analysis.

How can I get more Heritage Foundation data?

To access the entire Index of Economic Freedom dataset, visit the Economic and Social Database (ESDB) at <http://esdb.eads.usaidallnet.gov/>. The ESDB website also offers related datasets from the IMF, World Bank, and other sources. Through the ESDB website you can also access standard country profiles, generate customized tables and graphs, and utilize a wide array of analytic tools including Economic Freedom Radar Graphs at <http://esdb.eads.usaidallnet.gov/analysis/>.