

Introduction

Since 1995, *The Wall Street Journal* and the Heritage Foundation have compiled the annual *Index of Economic Freedom*. The Heritage Foundation defines economic freedom as a society in which “each person controls the fruits of his or her own labor and initiative.” The *Index of Economic Freedom* is based on the principles of the empowerment of the individual, non-discrimination, and open competition. The overall economic freedom index is compiled from an unweighted average of scores for the ten 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 2012 index registers a slight decrease of 0.2 in the world’s average economic freedom over the past year. The authors of the 2012 report and of an article in *The Wall Street Journal* point to rapid expansion of government in developed countries as the main cause for the global decline in the global average for economic freedom. Meanwhile, advances in the Sub-Saharan Africa and Asia-Pacific regions are highlighted as bright spots in the global outlook for economic freedom. The 2012 index includes information on 184 countries; however, the analysis in this snapshot is restricted to the 85 countries that have data for the years 2009–2012 and that have received at least \$2 million in USAID assistance in fiscal year 2010 (page 5 for country list).

Largest Changes, 2009–2012

Tables 1 and 2 display countries posting the largest changes in overall economic freedom scores from 2009 to 2012. Four out of the top ten most improved countries hail from the Europe and Eurasia region, while the largest portion of regressed countries are from the Asia region.

Table 1.
Most Improved 2009–2012

Country	2012 Rank	2009 Score	2012 Score	Change
Rwanda	59	54.2	64.9	10.7
Macedonia	43	61.2	68.5	7.3
Bangladesh	130	47.5	53.2	5.7
Colombia	44	62.3	68.0	5.7
Jordan	30	65.4	69.9	4.5
Montenegro	72	58.2	62.5	4.3
Bosnia and Herzegovina	104	53.1	57.3	4.2
Peru	42	64.6	68.7	4.1
Belarus	153	45.0	49.0	4.0
Zimbabwe	178	22.7	26.3	3.6

Table 2.
Most Regressed 2009–2012

Country	2012 Rank	2009 Score	2012 Score	Change
Timor-Leste	169	50.5	43.3	-7.2
Uzbekistan	164	50.5	45.8	-4.7
Ecuador	155	52.5	48.3	-4.2
Bolivia	146	53.6	50.2	-3.4
Nepal	147	53.2	50.2	-3.0
Chad	166	47.5	44.8	-2.7
Ukraine	163	48.8	46.1	-2.7
Pakistan	122	57.0	54.7	-2.3
China (P.R.C.)	138	53.2	51.2	-2.0
Nicaragua	101	59.8	57.9	-1.9

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.”



Rwanda has seen the greatest improvement in its economic freedom score over the past four years. Rwanda now ranks 59th globally due to significant improvements in freedom from corruption, monetary freedom, and investment freedom. On the other hand, weak rule of law and lingering corruption continue to undermine Rwanda's economy. Macedonia scores high in the areas of fiscal and monetary freedom, but continues to score low in property rights and freedom from corruption. The country with the most regressed score over the past four years is Timor-Leste. The report states that Timor-Leste's economy is constrained mainly by the burdensome regulatory environment, a narrow economic base, and continued political instability.

Top and Bottom Ranked Countries

Latin America and the Caribbean and the Europe and Eurasia regions dominate the list of the top ranked USAID assisted countries. On the other hand, the regional distribution of the bottom-ranked countries is more even.

This year Chile moved into the USAID-assisted country list (receiving \$8.9 million in 2010) and replaced Cyprus as the top USAID assisted country in overall economic freedom despite Cyprus' high income status versus Chile's upper middle income status. Chile scores highly in protecting property rights, trade freedom, and ensuring freedom from corruption. The report highlights the implementation of a new Chilean intellectual property law and the ratification of a Trademark Law Treaty as significant reforms strengthening the rule of law. In addition, Macedonia and Costa Rica moved up to the top 10 rankings. The 2012 index highlights Costa Rica's improvements in opening its trade regime, managing public finances, and strengthening the financial sector. The authors also state that while the Costa Rica benefits from a transparent court system and absence of corruption, the country remains burdened by an inefficient bureaucracy.

The bottom 10 USAID-assisted countries remain the same as in 2011. Zimbabwe again received the lowest ranking despite increasing its overall score by 4.2 from 2011 to 2012, the largest improvement in the past year registered by any USAID-assisted country. Even with some improvements in fiscal freedom, driven by the government's reduced spending after it had spiked during the country's recent crisis, Zimbabwe's scores in all other components of economic freedom remain extremely low. It remains plagued by political instability, lack of transparency, corruption, and a harsh regulatory environment. The next three lowest ranked countries—Cuba, Venezuela, and Burma (Myanmar)—all receive low scores due to a high degree of state interference in their economies.

Table 3.
Top 10 Ranked Countries in 2012

Country	Overall Rank	Score
Chile	7	78.3
Cyprus	19	71.8
Jordan	30	69.9
Georgia	34	69.4
Armenia	39	68.8
El Salvador	41	68.7
Peru	42	68.7
Macedonia	43	68.5
Colombia	44	68.0
Costa Rica	45	68.0

Table 4.
Bottom 10 Ranked Countries in 2012

Country	Overall Rank	Score
Ukraine	163	46.1
Uzbekistan	164	45.8
Chad	166	44.8
Turkmenistan	168	43.8
Timor-Leste	169	43.3
Congo (Kinshasa)	172	41.1
Burma (Myanmar)	173	38.7
Venezuela	174	38.1
Cuba	177	28.3
Zimbabwe	178	26.3

Economic Freedom Rankings by Region

Tables 5 and 6 illustrate the top and bottom scores for economic freedom, respectively in the five USAID regions. 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 2010, so only the top and bottom three countries are shown. The seven countries in italics are new to the lists since the 2011 index.

Table 5.
Top Ranking Countries by Region 2012

Country	Overall Rank	Score
<i>Africa</i>		
Rwanda	59	64.9
South Africa	70	62.7
<i>Madagascar</i>	75	62.4
Namibia	77	61.9
Uganda	78	61.9
<i>Asia</i>		
Thailand	60	64.9
Kazakhstan	65	63.6
Mongolia	81	61.5
Kyrgyzstan	88	60.2
<i>Sri Lanka</i>	96	58.3
<i>Europe and Eurasia</i>		
Cyprus	19	71.8
Georgia	34	69.4
Armenia	39	68.8
Macedonia	43	68.5
Albania	57	65.1
<i>Latin America and the Caribbean</i>		
<i>Chile</i>	7	78.3
El Salvador	41	68.7
Peru	42	68.7
Colombia	44	68
Costa Rica	45	68
<i>Middle East</i>		
Jordan	30	69.9
Israel	48	67.8
<i>Morocco</i>	89	60.2

Table 6.
Bottom Ranking Countries by Region 2012

Country	Overall Rank	Score
<i>Africa</i>		
<i>Burundi</i>	157	48.1
Angola	160	46.7
Chad	166	44.8
Congo (Kinshasa)	172	41.1
Zimbabwe	178	26.3
<i>Asia</i>		
Nepal	147	50.2
Uzbekistan	164	45.8
Turkmenistan	168	43.8
Timor-Leste	169	43.3
Burma (Myanmar)	173	38.7
<i>Europe and Eurasia</i>		
Bosnia and Herzegovina	104	57.3
Moldova	124	54.4
Russia	144	50.5
Belarus	153	49
Ukraine	163	46.1
<i>Latin America and the Caribbean</i>		
<i>Haiti</i>	142	50.7
Bolivia	146	50.2
Ecuador	155	48.3
Venezuela	174	38.1
Cuba	177	28.3
<i>Middle East</i>		
<i>Lebanon</i>	90	60.1
Egypt	100	57.9
Yemen	121	55.3

Regional Trends in Economic Freedom

The Middle East region scores the highest for economic freedom among the USAID regions in the 2012 index, but this result could be skewed due to the small number of countries included in this analysis. Europe and Eurasia is the next freest, followed by Latin America and the Caribbean, Africa, and Asia. Latin America and the Caribbean and Africa have the widest range of economic freedom scores (Figure 1). The majority of countries in each region improved their overall economic freedom scores from 2009 to 2012; however, Asia and Africa saw the greatest percentage of countries decline (Table 7).

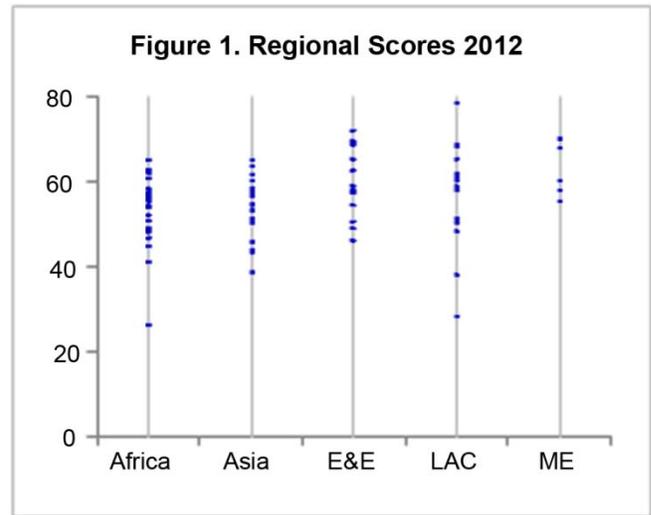
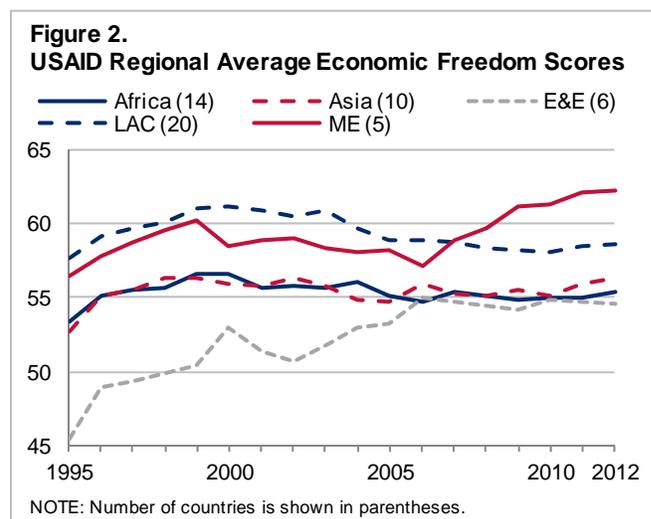


Table 7.
Progress by Region 2009–2012

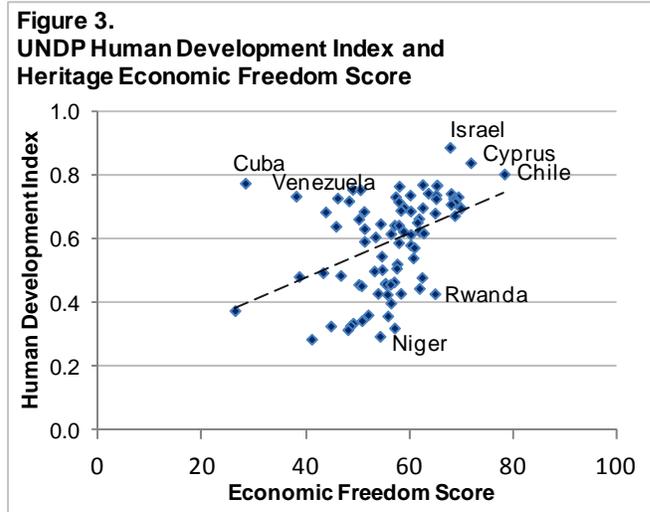
Region	Improved		Regressed		Total Number of Countries
	Number	Percent	Number	Percent	
Africa	14	54	12	46	26
Asia	10	53	9	47	19
Europe and Eurasia	9	64	5	36	14
Latin America and the Caribbean	13	65	7	35	20
Middle East	4	67	2	33	6
World	50	59	35	41	85

Figure 2 shows the regional average economic freedom scores including only countries that received \$2 million in USAID assistance in FY2010 and have data from 1995 to 2012 (55 countries in total). The Europe and Eurasia region has experienced the greatest improvement from 1995 to 2012, improving its regional average score by 20 percent. The Middle East region has experienced an expansion of economic freedom since 2002; however, progress has stalled in 2012 due mainly to political instability from the “Arab Spring.” Since 2003, economic freedom in the Latin America and the Caribbean has declined.



NOTE: Number of countries is shown in parentheses.

Figure 3 shows the correlation between Heritage Economic Freedom 2012 Scores and the United Nations Development Program’s Human Development Index (HDI) 2011 scores for the sample of 85 countries included in this snapshot. There is a weak positive correlation among the two factors suggesting that greater economic freedom is generally associated with higher human development.



Countries Included in this Analysis				
Africa	Asia	Europe and Eurasia (E&E)	Latin America and the Caribbean (LAC)	Middle East (ME)
Angola Benin Burundi Chad Congo (Kinshasa) Djibouti Ethiopia Ghana Guinea Kenya Liberia Madagascar Malawi	Mali Mozambique Namibia Niger Nigeria Rwanda Senegal Sierra Leone South Africa Tanzania Uganda Zambia Zimbabwe	Bangladesh Burma (Myanmar) Cambodia China (P.R.C.) India Indonesia Kazakhstan Kyrgyzstan Mongolia Nepal Pakistan Philippines Sri Lanka Tajikistan Thailand Timor-Leste Turkmenistan Uzbekistan Vietnam	Albania Armenia Azerbaijan Belarus Bosnia and Herzegovina Cyprus Georgia Macedonia Moldova Montenegro Russia Serbia Turkey Ukraine	Bolivia Brazil Chile Colombia Costa Rica Cuba Dominican Republic Ecuador El Salvador Guatemala Guyana Haiti Honduras Jamaica Mexico Nicaragua Panama Paraguay Peru Venezuela

Additional Information
<p>USAID Assistance: This snapshot utilizes total USAID assistance amounts for fiscal year 2010, obtained from <i>U.S. Overseas Loans and Grants, Obligations and Loan Authorizations</i>. 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.</p> <p>Heritage Foundation Data: To access the entire Index of Economic Freedom dataset, please 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.</p>