

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 condition in which individuals can act with autonomy while in the pursuit of their economic livelihood and greater prosperity.” 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 score is calculated as the un-weighted average of scores across ten areas of economic freedom, namely property rights, freedom from corruption, fiscal freedom, government spending, business freedom, labor freedom, monetary freedom, trade freedom, investment freedom, and financial freedom.

The 2013 index registers a slight increase of 0.1 in the world’s average of economic freedom in the past year. The authors of the Heritage Foundation’s report point to the decrease in regulatory efficiency through measures such as increases in minimum wages and other tightening of labor market controls. The 2013 index includes information on 177 countries; however, the analysis in this snapshot is restricted to the 90 countries that have data for the years 2012–2013 and that have received at least \$2 million in USAID assistance in fiscal year 2011. Afghanistan, Iraq, Kosovo, Libya, Liechtenstein, Somalia, Sudan, and Syria were not ranked due to a lack of sufficient comparable data.

Largest Changes, 2012–2013

The tables below display countries posting the largest changes in overall economic freedom scores from 2012 to 2013. Four out of the top ten most improved countries are in the Latin American and Caribbean region.

Table 1.
Most Improved 2012–2013

Country	2013 Rank	2013 Score	2012 Score	Change
Georgia	21	72.2	69.4	2.8
Guyana	129	53.8	51.3	2.5
Sri Lanka	81	60.7	58.3	2.4
Zimbabwe	175	28.6	26.3	2.3
Benin	101	57.6	55.7	1.9
Jamaica	52	66.8	65.1	1.7
Mexico	50	67.0	65.3	1.7
Colombia	37	69.6	68.0	1.6
Lesotho	155	47.9	46.6	1.3
Philippines	97	58.2	57.1	1.1

Table 2.
Most Regressed 2012–2013

Country	2013 Rank	2013 Score	2012 Score	Change
Egypt	125	54.8	57.9	-3.1
Cyprus	41	69.0	71.8	-2.8
Ethiopia	146	49.4	52.0	-2.6
Haiti	152	48.1	50.7	-2.6
Bolivia	156	47.9	50.2	-2.3
Mozambique	123	55.0	57.1	-2.1
El Salvador	53	66.7	68.7	-2.0
Kenya	114	55.9	57.5	-1.6
Namibia	84	60.3	61.9	-1.6
Tunisia	107	57.0	58.6	-1.6

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.”



The most improved country, Georgia, now ranks 21st globally due to improvements in eliminating corruption and fiscal consolidation. However, momentum on limiting government spending has slowed, and reforms to improve judicial independence and effectiveness are still needed. Despite having registered the second largest improvement in the 2013 index with significant increases in labor, business and investment freedoms, and government spending, Guyana's improvement over the past year still places below the regional average of 57.8 with an overall score of 53.8. The country with the most regressed score over the past year is Egypt, reflecting decreases in seven out of ten economic freedoms, particularly in investment and labor freedoms. According to the report, institutional reforms including a stronger judicial system, better protected property rights, and more effective measures against corruption are needed to spur lasting economic growth.

Top and Bottom ranked countries

Among USAID assisted countries, the top ranking countries are predominantly in Europe and Eurasia while bottom ranking countries can chiefly be found in Asia and Sub-Saharan Africa.

This year, New Zealand joined the USAID-assisted country list (receiving approximately 3 million in 2011) and replaced Chile as the top USAID-assisted country in overall economic freedom, ranking 4th globally. New Zealand's score decreased 0.7 over the past year, reflecting declines in the control of government spending and monetary freedom from corruption. Ireland is second among USAID-assisted countries with a worldwide rank of 11. Its score decreased by 1.2 points from last year due to declines in 6 out of 10 economic freedoms including business freedom and freedom from corruption.

With the exception of Ecuador, which joined the list this year, all of the bottom ten USAID-assisted countries remain the same from 2012 to 2013. Cuba ranked lowest among USAID-assisted countries. The report authors point to rampant corruption and the absence of an independent and fair judiciary, which is highly susceptible to political interference as roadblocks to strong economic freedom. The private sector is further constrained by heavy regulations and tight state controls. Zimbabwe received the second lowest rank despite showing the 4th largest improvement in the past year among USAID-assisted countries. Despite some improvements in fiscal freedom driven mostly by the government's reduced spending, the country remains mired in instability. The report cites the indigenization law, which requires that businesses surrender 51 percent of ownership to Zimbabweans as severely undermining property rights and investor confidence.

Table 3.
Top 10 Ranked Countries in 2013

Country	Overall Rank	Score
New Zealand	4	81.4
Ireland	11	75.7
Georgia	21	72.2
Japan	24	71.8
Jordan	33	70.4
Colombia	37	69.6
Armenia	38	69.4
Cyprus	41	69.0
Macedonia	43	68.2
Peru	44	68.2

Table 4.
Bottom 10 Ranked Countries in 2013

Country	Overall Rank	Score
Ecuador	159	46.9
Ukraine	161	46.3
Uzbekistan	162	46.0
Chad	164	45.2
Timor-Leste	166	43.7
Turkmenistan	169	42.6
Congo (Kinshasa)	171	39.6
Burma (Myanmar)	172	39.2
Zimbabwe	175	28.6
Cuba	176	28.5

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 present. In the Middle East, only seven countries received at least \$2 million assistance in fiscal year 2011, so only the top and bottom three countries are shown. The six countries in italics are new to the lists since last year's (2012) index.

Table 5.
Top Ranking Countries by Region 2013

Country	Overall Rank	Score
<i>Africa</i>		
Rwanda	63	64.1
Madagascar	73	62.0
South Africa	74	61.8
<i>Ghana</i>	77	61.3
Uganda	79	61.1
<i>Asia</i>		
<i>New Zealand</i>	4	81.4
<i>Japan</i>	24	71.8
Thailand	61	64.1
Kazakhstan	68	63.0
Mongolia	75	61.7
<i>Europe and Eurasia</i>		
<i>Ireland</i>	11	75.7
Georgia	21	72.2
Armenia	38	69.4
Cyprus	41	69.0
Macedonia	43	68.2
<i>Latin America and the Caribbean</i>		
Colombia	37	69.6
Peru	44	68.2
Costa Rica	49	67.0
<i>Mexico</i>	50	67.0
<i>Jamaica</i>	52	66.8
<i>Middle East</i>		
Jordan	33	70.4
Israel	51	66.9
Morocco	90	59.6

Table 6.
Bottom Ranking Countries by Region 2013

Country	Overall Rank	Score
<i>Africa</i>		
<i>Lesotho</i>	155	47.9
Angola	158	47.3
Chad	164	45.2
Congo (Kinshasa)	171	39.6
Zimbabwe	175	28.6
<i>Asia</i>		
Nepal	141	50.4
Uzbekistan	162	46.0
Timor-Leste	166	43.7
Turkmenistan	169	42.6
Burma (Myanmar)	172	39.2
<i>Europe and Eurasia</i>		
Bosnia and Herzegovina	103	57.3
Moldova	115	55.5
Russia	139	51.1
Belarus	154	48.0
Ukraine	161	46.3
<i>Latin America and the Caribbean</i>		
<i>Guyana</i>	129	53.8
Haiti	152	48.1
Bolivia	156	47.9
Ecuador	159	46.9
Cuba	176	28.5
<i>Middle East</i>		
<i>Tunisia</i>	107	57.0
Yemen	113	55.9
Egypt	125	54.8

Regional Trends in Economic Freedom

The Europe and Eurasia region scores the highest for economic freedom among the USAID regions in the 2013 index. The Middle East is the next freest, followed by Latin America and the Caribbean, Asia, and Africa. Asia and Latin America and the Caribbean have the widest range of economic freedom scores (Figure 1). This year, the majority countries in Latin America and the Caribbean and the Middle East saw their scores decline while most countries in Asia and Europe and Eurasia saw their scores improve. In Africa, a similar number of countries saw their scores improve and decline.

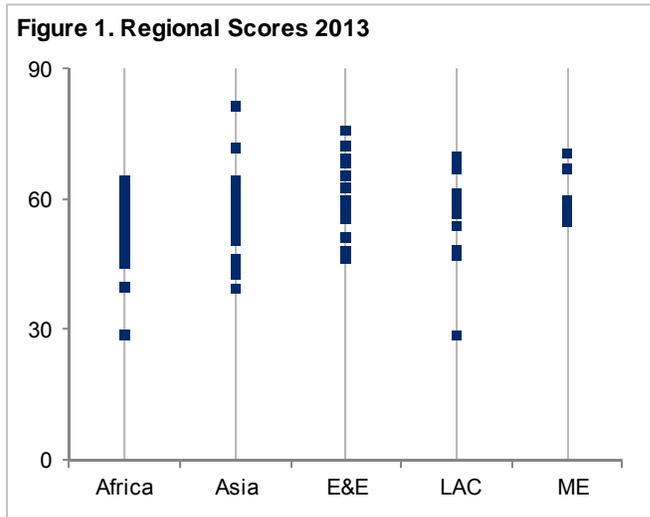
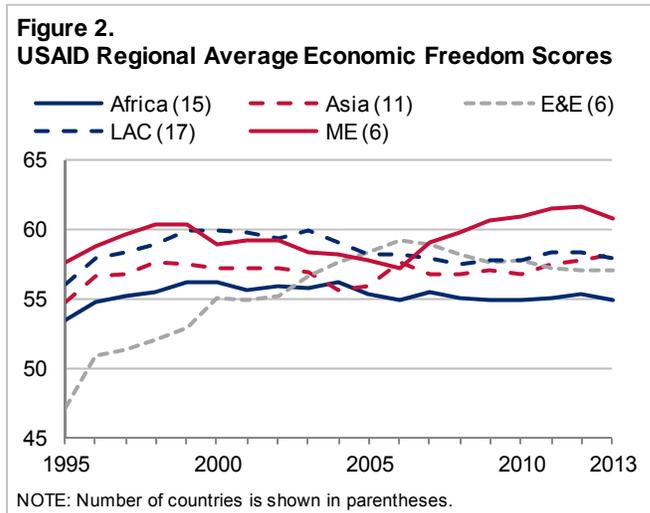


Table 7.
Progress by Region 2012–2013

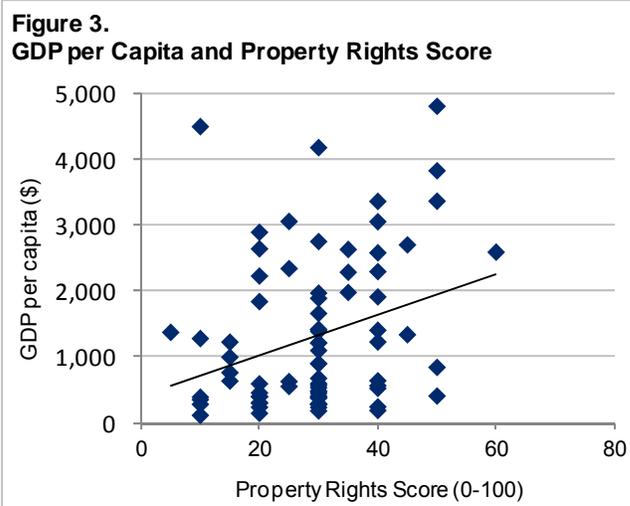
Region	Improved		Regressed		Total Number of Countries
	Number	Percent	Number	Percent	
Africa	16	52	15	48	31
Asia	7	33	14	67	21
Europe and Eurasia	4	29	10	71	14
Latin America and the Caribbean	12	71	5	29	17
Middle East	5	71	2	29	7
World	44	49	46	51	90

Figure 2 shows the regional average economic freedom scores including only countries that received \$2 million in USAID assistance in FY2011 and have data from 1995 to 2013 (55 countries in total). The Europe and Eurasia region has experienced the greatest improvement from 1995 to 2013, improving its regional average score by 21 percent. Despite a decrease in its average score in 2013, the Middle East region has experienced the largest expansion in economic freedom since 2003. By contrast, economic freedom in Latin America and the Caribbean has contracted since 2003.



NOTE: Number of countries is shown in parentheses.

Figure 3 shows the correlation between the Heritage Property Rights and the World Bank's GDP per capita (constant 2000 USD) for 2010 or latest year for 80 of the countries included in this snapshot (Burma and Jamaica were dropped for lack of recent GDP data, and only countries with GDP per capita below \$5,000 were included). There is a weak positive correlation suggesting that greater protection of property rights is generally associated with a higher GDP per capita.



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

Additional Information

For questions or more information, please contact the author, Marie-Ellen Ehounou, at mehounou@devtechsys.com.

USAID Assistance: This snapshot utilizes total USAID assistance amounts for fiscal year 2011, obtained from *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.

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.