



EADS Snapshot on Heritage Foundation 2015 Index of Economic Freedom

The 2015 Index of Economic Freedom report compiled by the Wall Street Journal and the Heritage Foundation analyses countries' commitment to the rule of law, principles of limited government, regulatory efficiency, and open markets. The analysis in this snapshot is restricted to the 91 countries that received at least \$2 million in USAID assistance in fiscal year 2013 and are not considered high income countries using World Bank GNI per capita data for 2013, hereto referred to as USAID-assisted countries. Afghanistan, Iraq, Kosovo, Libya, Somalia, Sudan, and Syria did not receive an overall score of Economic Freedom due to a lack of sufficient comparable data.

USAID-assisted Countries Score Change (2011-2015)							
Rule of Law		Government Size		Regulatory Efficiency		Open Markets	
Property Rights	- 2.1	Fiscal Freedom	+ 1.3	Business Freedom	+ 0.4	Trade Freedom	+ 0.1
Freedom from Corruption	+ 2.8	Government Spending	- 0.7	Labor Freedom	- 0.1	Investment Freedom	+ 3.7
				Monetary Freedom	+ 1.4	Financial Freedom	+ 0.2

The average overall score of economic freedom for USAID-assisted countries has slightly increased by 0.2 points from 2014 and is 'mostly unfree.' There have been declines (-2.1) in the average score for property rights over the last five year, mainly because the judiciary has become more vulnerable to political interference. Government spending score has decreased by 0.7 points since 2011. The slight decrease in the labor freedom score is caused by oppressive labor codes that slow economic growth. Despite the increase in the investment freedom score (+3.7), the report mentions that many countries' investment policies remain geared toward sectorial investment promotion rather than general market openness.

Note: countries that score 80 or higher on the overall score of economic freedom are "free" economies, 70–79.9 "mostly free," 60–69.9 "moderately free," 50–59.9 "mostly unfree," and below 50 "repressed."

Regional Comparison

Europe and Eurasia (EE) region has improved the most since 2011 and Georgia was the only country that was considered as 'mostly free' economically in 2015. The vast majority of EE countries were 'moderately free' and the region only has two 'repressed' economies (Belarus and Ukraine). On the contrary, the Middle East (ME) did not have any 'repressed' economies but it regressed the most (- 0.8). Only Jordan and Lebanon were considered 'moderately free' in 2015. Around two-thirds of Sub-Saharan Africa (SSA)

Freedom Score Index Change, (2011-2015)			
USAID Regions	2011	2015	Change
<i>Middle East</i>	56.3	59.2	-0.8
<i>Latin America & the Caribbean</i>	58.0	57.8	-0.2
<i>Asia</i>	53.4	54.5	+1.1
<i>Sub-Saharan Africa</i>	54.1	55.3	+1.2
<i>Europe & Eurasia</i>	59.7	61.1	+1.3

countries are considered 'mostly unfree' in 2015 and the region had a slight increase (+1.2) in its overall score on economic freedom. Moreover, Asia (ASI) has improved by (+1.1) points and since 2011 the region still has Myanmar, Turkmenistan, Timor-Leste, and Uzbekistan as 'repressed.' Lastly, for the second consecutive year, Colombia was the only country in the Latin America and the Caribbean (LAC) region considered 'mostly free'.



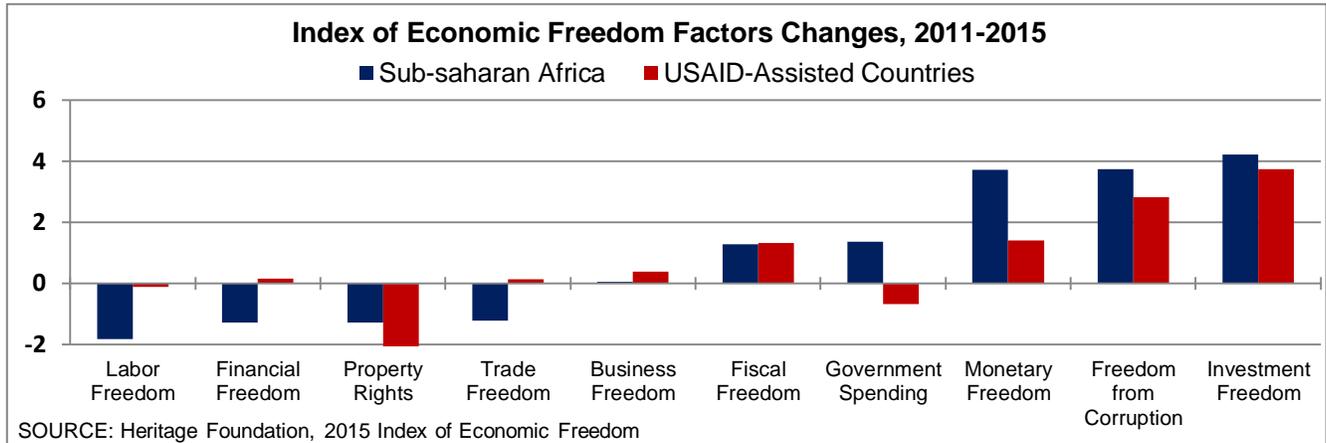
Prepared by USAID Economic Analysis and Data Services (EADS) under M/CIO/KM contract RAN-M-00-07-00004-00.

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Sub Saharan Africa (SSA)

According to the Economic Freedom report, SSA has improved the most in the investment freedom, freedom from corruption, and monetary freedom factors. However, structural transformation remains sporadic in many countries. Some of the issues hindering economic growth in SSA are: limited export diversification, weak rule of law, and the absence of political will to undertake the fundamental economic reforms. SSA has improved in six out of the ten economic freedom factors between 2011 and 2015.

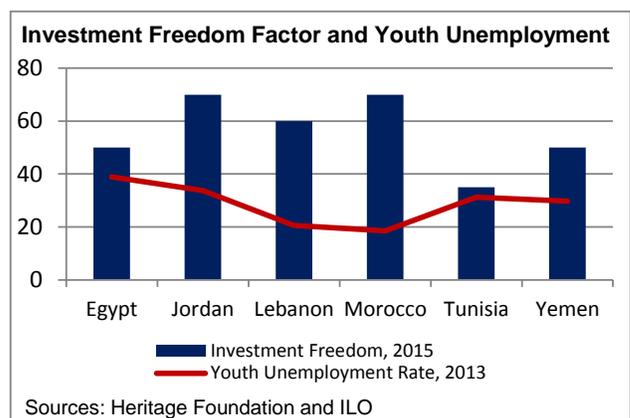


Liberia and Sierra Leon, two-post conflict countries still battling Ebola, have moved from the ranks of the economically “repressed” to “mostly unfree”. Zimbabwe (+15.5), Liberia (+6.2), Democratic Republic of Congo (+4.3), Ghana (+3.6), Côte d'Ivoire (+3.1), and Djibouti (+3) have all improved by three points or more since 2011. Despite improving the most in SSA, Zimbabwe has scored the lowest in Economic Freedom in 2011-2015, ranking 175 out of 178. According to the report, Zimbabwe still has a corrupt and inefficient government, with a very restricted labor market and business licensing that pushes workers to search for employment in the informal sector.

Middle East (ME)

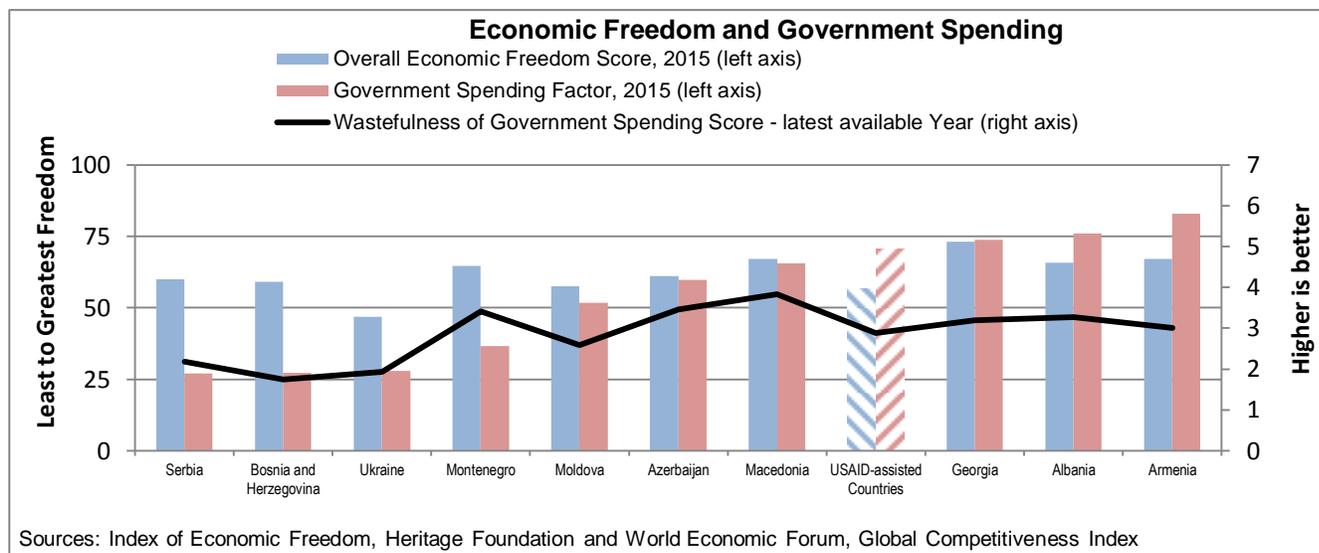
Since 2011, many countries in the ME region have been undergoing political and socioeconomic turmoil with uncertain outcomes. Despite the slight increase in the investment factor, structural and institutional problems in the private sector are still failing to keep up in handling the rapid growth of youth unemployment’s rapid growth. Youth unemployment in ME is very high at 28.8 percent.

Egypt (-3.9), Tunisia (-0.8), and Yemen (-0.5) decreased in the economic freedom score 2011-2015, since participating in the Arab Spring. Also, Lebanon moved down in 2015 to “mostly unfree” because of the economic, political, and security disorder caused by the endless Syrian civil war and the presence of the Islamic State near its borders. Jordan was “moderately free” on economic freedom. According to the report, Jordan is moderately open to trade and investment but needs improvement in combating corruption and reinforcing the judiciary’s independence.



Europe and Eurasia (EE)

According to the report, EE is still struggling to expand its dynamic economy due to policy barriers such as: highly protective and costly labor regulations, higher tax burdens, and several market distortionary subsidies. Ukraine (46.9) is the only country in EE region that scored below the average for USAID-assisted countries (56.6) on overall economic freedom. The report states that the country is still dedicated to policies and practices from the communist period. Moreover, according to Business Environment and Enterprise Performance Survey, almost all companies complain about high tax rates and corruption. Ukraine was ranked 142nd out of 175 countries in Transparency International's 2014 Corruption Perceptions Index.

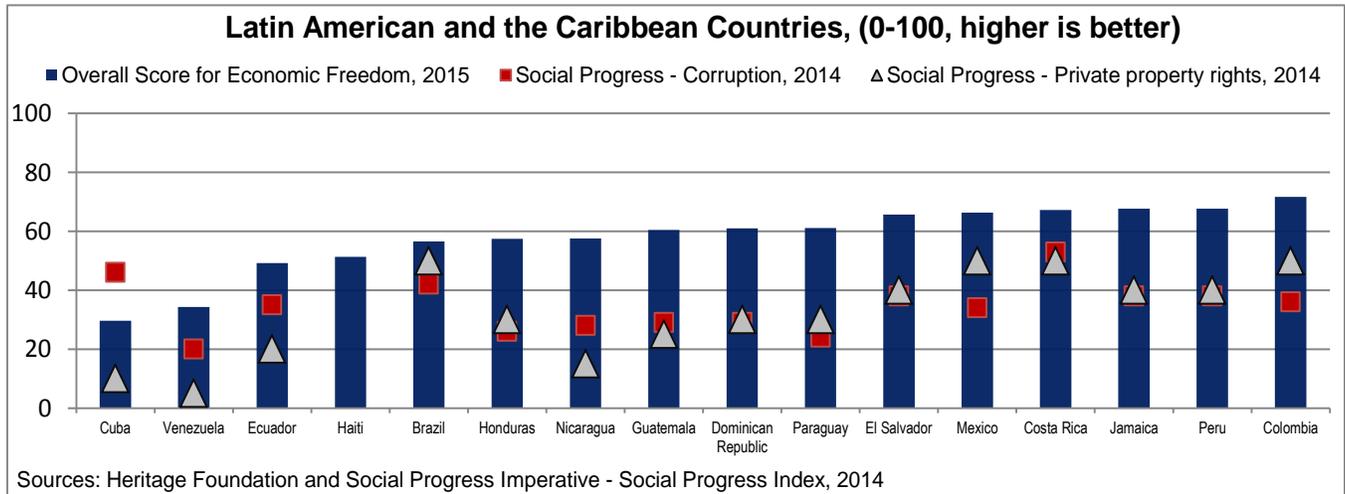


Furthermore, EE is having continuing difficulties in public finance management resulting from years of expansion of the public sector. EE has scored the lowest (53.5), compared to all regions on the government spending factor and 2.76 (1-7, higher is better) on wastefulness of government spending by the World Economic Forum's most current Global Competitiveness report. The report suggested that decisive policy action is needed in order to cut spending.

Latin America and the Caribbean (LAC)

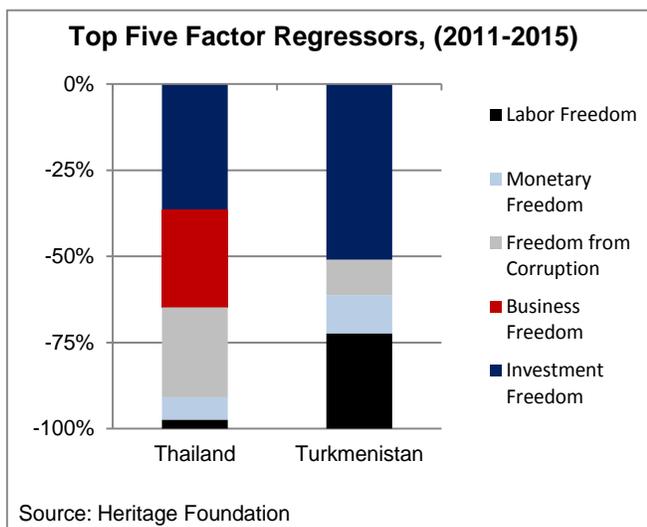
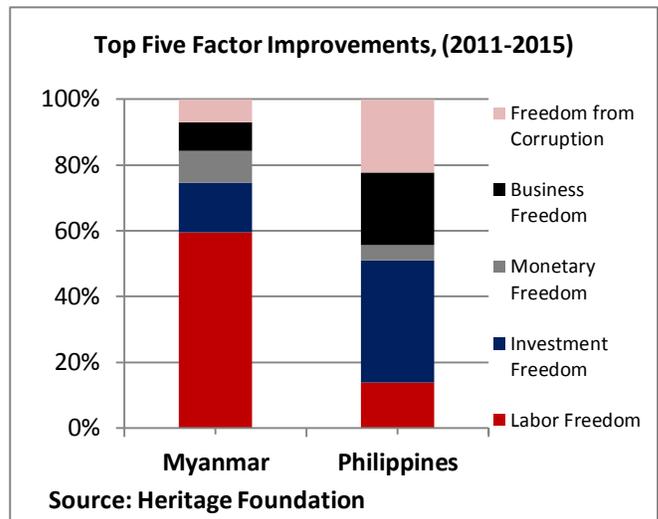
According the report, LAC region still lacks the foundations of a well-functioning free-market democracy. Property rights (29.7) and freedom from corruption (33.4) factors received the lowest scores of all factors. The LAC region has become vulnerable to monetary instability and regulatory inefficiency because of widespread corruption and the weak protection of property rights. All LAC countries received a score of 50 or below (0-100, higher is better) on private property rights in 2014 by Social Progress. Moreover, all LAC countries, with the exception of Costa Rica (53), received a score lower than 50 (0-100, higher is better) on corruption.

Cuba, Venezuela, and Ecuador stayed "repressed" for 2015. Haiti moved up to "mostly unfree" after being "repressed" for the last two years. Haiti has improved in the control of government spending, business freedom, trade freedom, and freedom from corruption. Despite the improvement, Haiti is still recovering from the destruction of the 2010 earthquake. Haiti was ranked 180th out of 189 (lower is better) on the World Bank's (of Ease of) Doing Business 2015 report. According to the report, the regulatory environment for both business and labor is outdated and inefficient.



Asia (ASI)

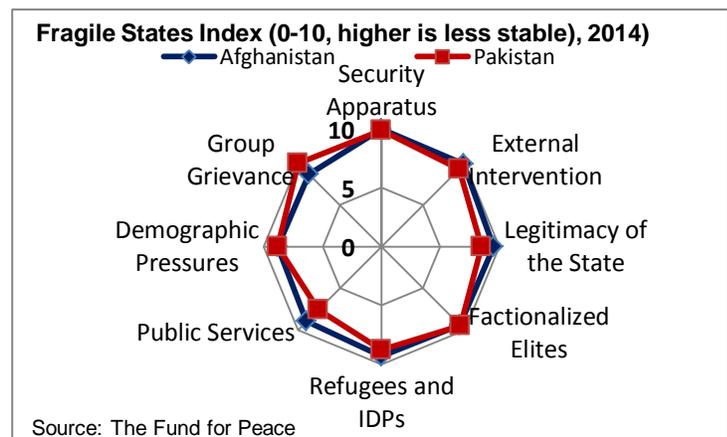
Five out of the twenty ASI countries regressed in 2011-2015 on the overall economic freedom score. For five consecutive years, Myanmar (+9.1) and the Philippines (+6) have improved the most. Myanmar has been working on fiberizing its economy and opening itself to the rest of the world. The country has improved in all economic freedom factors except for government spending (-20.2). However, Myanmar remains a “repressed” economy due to years of state interference, poor institutional structures, and autarkic investment and financial regimes.



Thailand (-2.3) and Turkmenistan (-2.2) regressed the most in the ASI region since 2011. Thailand, regressed the most in its investment (-12.8) and business freedom (-10) factors. Political unrest and conflict between rural and urban voters have troubled the investment climate. Furthermore, inefficient business and labor regulations have made it difficult for small entrepreneurs to do business. Turkmenistan scored the lowest in the ASI region, mainly because of its closed economy, strict labor rules, undiversified exports, and rising inflation.

Afghanistan and Pakistan (AF/PAK)

According to the report, some of Afghanistan main issues are: heavy and persistent drug trafficking, weak institution capacity, and high corruption. Afghanistan ranked 7 out of 178 (higher is better) on the Fragile States Index (FSI) 2014 report by The Fund for Peace (FFP) and considered on 'high alert'. According to the Fragile States 2014 report, Afghanistan's political scene is filled with corruption and abuse. Afghanistan (along with Somalia) scored the lowest among all USAID-Assisted countries on the freedom from corruption factor in 2015.



However, Pakistan slightly improved in its overall score for Economic Freedom but stayed a “mostly unfree” economy. Pakistan scored worse than Afghanistan in the fiscal, monetary, labor, and investment freedom factors. It scored 10 out 178 on the Fragile States Index by FFP and is also considered on 'high alert.' Lastly, according to the FSI report, Pakistan's high instability results from unmet group grievances, a lax security apparatus, elite fractionalization, and external interventions.

Level of Overall Economic Freedom for 2015:

- **Repressed:** Cuba, Venezuela, Zimbabwe, Turkmenistan, Democratic Republic of Congo, Timor-Leste, Chad, Central African Republic, Ukraine, Myanmar, Uzbekistan, Angola, Ecuador, Lesotho, Belarus.
- **Mostly Unfree:** Nepal, Haiti, Ethiopia, Vietnam, Sierra Leone, Guinea, Mauritania, Yemen, Bangladesh, Niger, India, Mozambique, Malawi, Egypt, Nigeria, Pakistan, Kenya, Mali, Brazil, Honduras, Tanzania, Moldova, Cambodia, Djibouti, Nicaragua, Tunisia, Senegal, Indonesia, Côte d'Ivoire, Sri Lanka, Burkina Faso, Zambia, Benin, Bosnia and Herzegovina, Mongolia, Lebanon, Namibia, and Uganda.
- **Moderately Free:** Serbia, Morocco, Guatemala, the Dominican Republic, Azerbaijan, Paraguay, Philippines, Thailand, South Africa, Ghana, Kazakhstan, Montenegro, Rwanda, El Salvador, Albania, Mexico, Macedonia, Armenia, Costa Rica, Peru, Jamaica, Jordan, Botswana.
- **Mostly Free:** Colombia, Georgia.
- **Did Not Receive an Overall Score:** Afghanistan, Iraq, Kosovo, Somalia, Sudan, Syrian Arab Republic.

Additional Information

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Heritage Foundation Data: To access the entire Index of Economic Freedom dataset, please visit the Economic and Social Database (ESDB) at <https://eads.usaid.gov/esdb/>. The ESDB website also offers related datasets from the IMF, World Bank, and other sources.

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