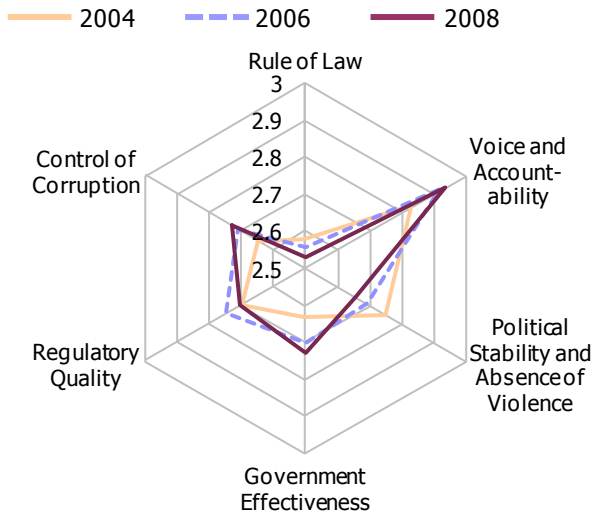
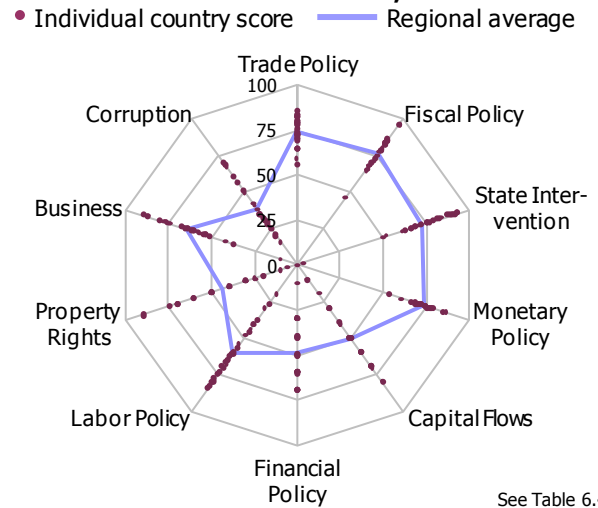


Governance Indicators in LAC



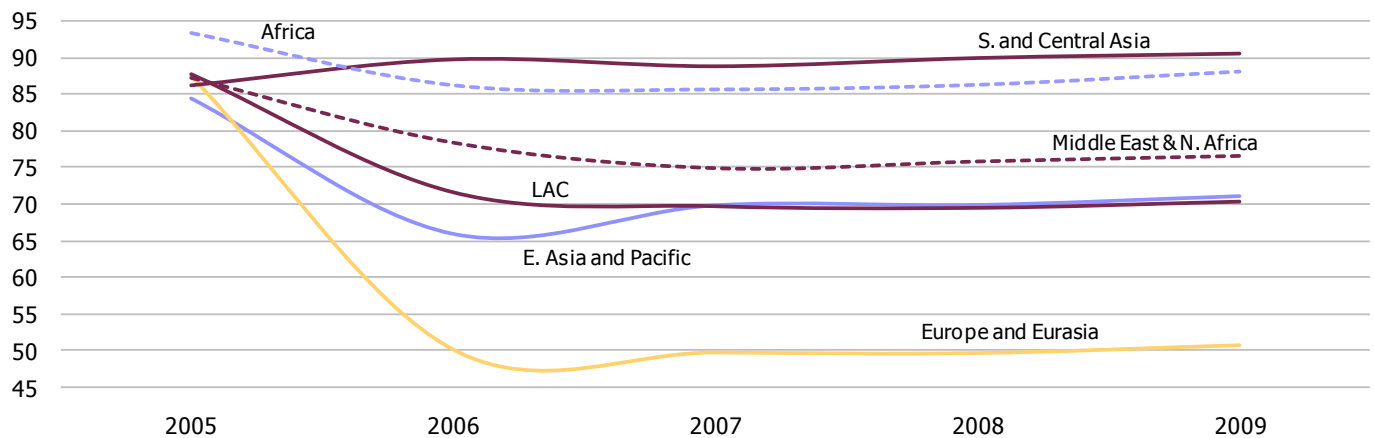
Economic Freedom in LAC, 2009



See Table 6.4 for individual country data.

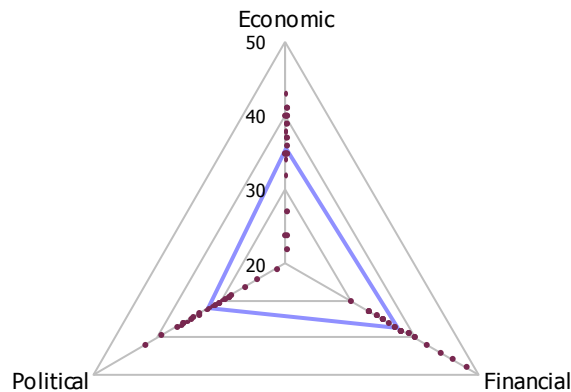
Failed States Index

Overall score (0-120, higher scores represent less stability)



Risk Ratings (0-50) in LAC, 2008

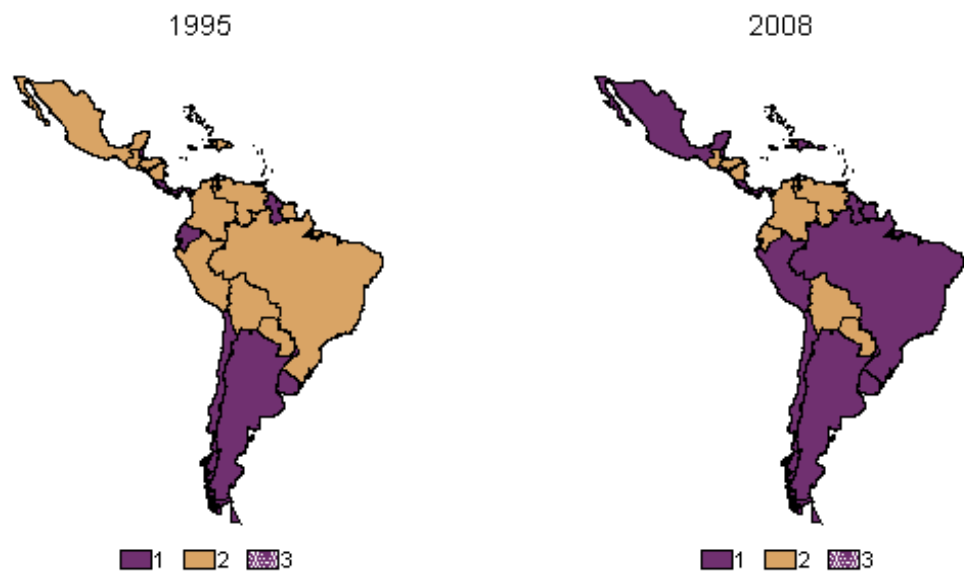
Legend: Individual country score (Red dots), Regional average (Blue line)



See Table 6.7 for individual country data.

6.1 | Freedom Ratings
1=Free 2=Partly Free 3=Not Free

	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Antigua and Barbuda	1	2	2	2	2	2	2	2	1	1	1	1	1
Bahamas	1	1	1	1	1	1	1	1	1	1	1	1	1
Barbados	1	1	1	1	1	1	1	1	1	1	1	1	1
Belize	1	1	1	1	1	1	1	1	1	1	1	1	1
Cuba	3	3	3	3	3	3	3	3	3	3	3	3	3
Dominica	1	1	1	1	1	1	1	1	1	1	1	1	1
Dominican Republic	1	2	1	1	1	1	1	1	1	1	1	1	1
Grenada	1	1	1	1	1	1	1	1	1	1	1	1	1
Guyana	2	1	1	1	1	1	1	1	1	2	2	1	1
Haiti	2	2	2	2	3	3	3	3	3	3	2	2	2
Jamaica	1	1	1	1	1	1	1	1	1	1	1	1	1
Puerto Rico	.	.	.	.	.	.	.	.	.	.	.	1	1
St. Kitts and Nevis	1	1	1	1	1	1	1	1	1	1	1	1	1
St. Lucia	1	1	1	1	1	1	1	1	1	1	1	1	1
St. Vincent and Grenadines	1	1	1	1	1	1	1	1	1	1	1	1	1
Suriname	2	2	2	2	1	1	1	1	1	1	1	1	1
Trinidad and Tobago	1	1	1	1	1	2	2	2	2	1	1	1	1
Caribbean	1.3	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.3	1.3	1.3	1.2	1.2
Costa Rica	1	1	1	1	1	1	1	1	1	1	1	1	1
El Salvador	2	2	1	1	1	1	1	1	1	1	1	1	1
Guatemala	2	2	2	2	2	2	2	2	2	2	2	2	2
Honduras	1	2	1	2	2	2	2	2	2	2	2	2	2
Nicaragua	2	2	1	2	2	2	2	2	2	2	2	2	2
Panama	2	1	1	1	1	1	1	1	1	1	1	1	1
Central America	1.7	1.7	1.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Argentina	1	1	1	1	1	2	2	1	1	1	1	1	1
Bolivia	1	2	1	1	1	1	1	2	2	2	2	2	2
Brazil	1	2	2	2	2	2	1	1	1	1	1	1	1
Chile	1	1	1	1	1	1	1	1	1	1	1	1	1
Colombia	2	2	2	2	2	2	2	2	2	2	2	2	2
Ecuador	1	1	1	1	2	2	2	2	2	2	2	2	2
Paraguay	2	2	2	2	2	2	2	2	2	2	2	2	2
Peru	2	2	2	2	2	1	1	1	1	1	1	1	1
Uruguay	1	1	1	1	1	1	1	1	1	1	1	1	1
Venezuela	1	2	1	2	2	2	2	2	2	2	2	2	2
South America	1.3	1.6	1.4	1.5	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Mexico	2	2	2	2	1	1	1	1	1	1	1	1	1
LAC	1.4	1.5	1.3	1.4	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.3	1.3



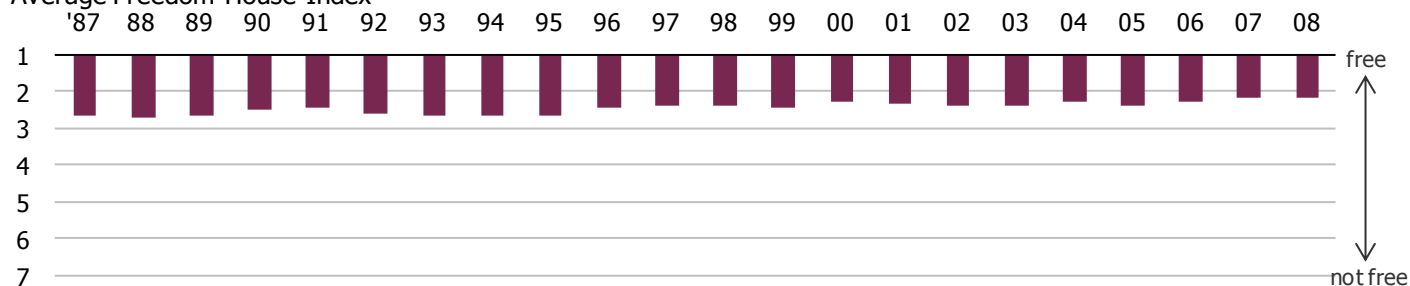
6.2 | Political Rights

1=highest degree of freedom 7=lowest degree of freedom

	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Antigua and Barbuda	3	4	4	4	4	4	4	4	2	2	2	2	2
Bahamas	2	1	1	1	1	1	1	1	1	1	1	1	1
Barbados	1	1	1	1	1	1	1	1	1	1	1	1	1
Belize	1	1	1	1	1	1	1	1	1	1	1	1	1
Cuba	7	7	7	7	7	7	7	7	7	7	7	7	7
Dominica	2	1	1	1	1	1	1	1	1	1	1	1	1
Dominican Republic	2	4	2	2	2	2	2	3	2	2	2	2	2
Grenada	2	1	1	1	1	1	1	1	1	1	1	1	1
Guyana	5	2	2	2	2	2	2	2	2	3	3	2	2
Haiti	4	5	5	5	6	6	6	6	7	7	4	4	4
Jamaica	2	2	2	2	2	2	2	2	2	2	2	2	2
Puerto Rico	.	.	.	.	.	.	.	.	.	.	.	1	1
St. Kitts and Nevis	1	1	1	1	1	1	1	1	1	1	1	1	1
St. Lucia	1	1	1	1	1	1	1	2	1	1	1	1	1
St. Vincent and Grenadines	1	2	2	2	2	2	2	1	2	2	2	2	2
Suriname	6	3	3	3	1	1	1	1	1	2	2	2	2
Trinidad and Tobago	1	1	1	1	2	3	3	3	3	3	3	2	2
Caribbean	2.6	2.3	2.2	2.2	2.2	2.3	2.3	2.3	2.2	2.3	2.1	1.9	1.9
Costa Rica	1	1	1	1	1	1	1	1	1	1	1	1	1
El Salvador	3	3	2	2	2	2	2	2	2	2	2	2	2
Guatemala	3	4	3	3	3	3	4	4	4	4	4	3	3
Honduras	2	3	2	3	3	3	3	3	3	3	3	3	3
Nicaragua	3	4	2	3	3	3	3	3	3	3	3	3	4
Panama	4	2	2	1	1	1	1	1	1	1	1	1	1
Central America	2.7	2.8	2.0	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.2	2.3
Argentina	1	2	3	2	1	3	3	2	2	2	2	2	2
Bolivia	2	2	1	1	1	1	2	3	3	3	3	3	3
Brazil	2	2	3	3	3	3	2	2	2	2	2	2	2
Chile	2	2	3	2	2	2	2	1	1	1	1	1	1
Colombia	3	4	3	4	4	4	4	4	4	3	3	3	3
Ecuador	2	2	2	2	3	3	3	3	3	3	3	3	3
Paraguay	4	4	4	4	4	4	4	3	3	3	3	3	3
Peru	3	5	5	5	3	1	2	2	2	2	2	2	2
Uruguay	1	2	1	1	1	1	1	1	1	1	1	1	1
Venezuela	1	3	2	4	3	3	3	3	3	4	4	4	4
South America	2.1	2.8	2.7	2.8	2.5	2.5	2.6	2.4	2.4	2.4	2.4	2.4	2.4
Mexico	4	4	3	3	2	2	2	2	2	2	2	2	2
LAC	2.5	2.6	2.3	2.4	2.3	2.3	2.4	2.3	2.3	2.3	2.2	2.1	2.1

Political Rights in LAC

Average Freedom House Index



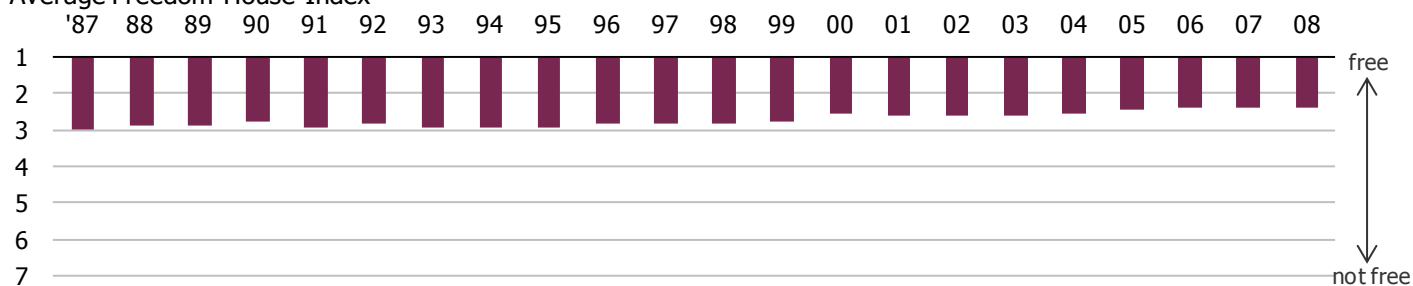
6.3 | Civil Liberties

1=highest degree of freedom 7=lowest degree of freedom

	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Antigua and Barbuda	2	3	3	3	2	2	2	2	2	2	2	2	2
Bahamas	3	2	2	1	1	1	1	1	1	1	1	1	1
Barbados	1	1	1	1	1	1	1	1	1	1	1	1	1
Belize	2	1	1	1	1	1	2	2	2	2	2	2	2
Cuba	7	7	7	7	7	7	7	7	7	7	7	7	6
Dominica	1	1	1	1	1	1	1	1	1	1	1	1	1
Dominican Republic	3	3	3	3	2	2	2	2	2	2	2	2	2
Grenada	2	2	2	2	2	1	2	2	2	2	2	2	2
Guyana	4	2	2	2	2	2	2	2	2	3	3	3	3
Haiti	4	5	5	5	5	6	6	6	6	6	5	5	5
Jamaica	2	3	2	2	2	2	3	3	3	3	3	3	3
Puerto Rico	.	.	.	.	.	.	.	.	.	.	.	1	1
St. Kitts and Nevis	1	2	2	2	2	2	2	2	2	1	1	1	1
St. Lucia	2	2	2	2	2	2	2	1	2	1	1	1	1
St. Vincent and Grenadines	2	1	1	1	1	1	1	2	1	1	1	1	1
Suriname	4	3	3	3	2	2	2	2	2	2	2	2	2
Trinidad and Tobago	1	2	2	2	2	3	3	3	3	2	2	2	2
Caribbean	2.6	2.5	2.4	2.4	2.2	2.3	2.4	2.4	2.4	2.3	2.3	2.2	2.1
Costa Rica	1	2	2	2	2	2	2	2	1	1	1	1	1
El Salvador	4	3	3	3	3	3	3	3	3	3	3	3	3
Guatemala	4	5	4	4	4	4	4	4	4	4	4	4	4
Honduras	3	3	3	3	3	3	3	3	3	3	3	3	3
Nicaragua	3	4	3	3	3	3	3	3	3	3	3	3	3
Panama	2	3	3	2	2	2	2	2	2	2	2	2	2
Central America	2.8	3.3	3.0	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.7	2.7
Argentina	3	3	3	3	2	3	3	2	2	2	2	2	2
Bolivia	3	4	3	3	3	3	3	3	3	3	3	3	3
Brazil	3	4	4	4	3	3	3	3	3	2	2	2	2
Chile	2	2	2	2	2	2	1	1	1	1	1	1	1
Colombia	4	4	4	4	4	4	4	4	4	3	3	3	4
Ecuador	2	3	3	3	3	3	3	3	3	3	3	3	3
Paraguay	3	3	3	3	3	3	3	3	3	3	3	3	3
Peru	4	4	4	4	3	3	3	3	3	3	3	3	3
Uruguay	2	2	2	2	1	1	1	1	1	1	1	1	1
Venezuela	3	3	3	4	5	5	4	4	4	4	4	4	4
South America	2.9	3.2	3.1	3.2	2.9	3.0	2.8	2.7	2.7	2.5	2.5	2.5	2.6
Mexico	4	4	4	4	3	3	2	2	2	2	2	3	3
LAC	2.8	2.9	2.8	2.8	2.5	2.6	2.6	2.6	2.5	2.4	2.4	2.4	2.4

Civil Liberties in LAC

Average Freedom House Index



6.4 | Economic Freedom
100=the most free 0=the least free

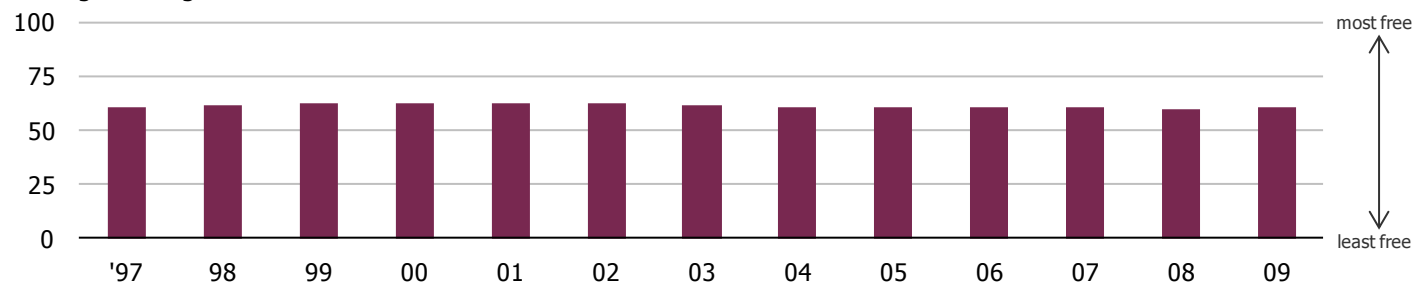
Economic Freedom Scores

Factors of the Economic Freedom Score - 2009

	Economic Freedom Scores				Factors of the Economic Freedom Score - 2009									
	2006	2007	2008	2009	Trade Policy	Fiscal Policy	State Intervention	Monetary Policy	Capital Flows	Financial Policy	Labor Policy	Property Rights	Business	Corruption
Bahamas	72	72	71	70	56	97	84	76	40	70	80	75	75	50
Barbados	72	70	71	72	65	71	66	75	50	60	80	90	90	69
Belize	65	63	63	63	70	69	78	78	50	50	81	50	75	30
Cuba	29	29	28	28	64	46	0	67	10	10	20	10	10	42
Dominica	.	.	.	63	74	67	52	80	60	30	70	60	76	56
Dominican Republic	56	57	58	59	73	85	91	74	50	40	55	30	64	30
Guyana	57	54	49	48	73	66	3.2	70	40	40	65	40	61	26
Haiti	49	51	49	50	79	78	94	69	30	30	61	10	38	16
Jamaica	66	65	66	65	71	75	62	75	80	50	67	50	88	33
St. Lucia	.	.	.	69	72	74	69	85	40	40	83	70	88	68
St. Vincent and Grenadines	.	.	.	64	74	65	61	76	40	40	78	70	78	61
Suriname	55	55	54	54	64	68	75	72	30	30	85	40	41	35
Trinidad and Tobago	70	71	70	68	80	80	76	72	70	70	78	60	60	34
Caribbean	59	59	58	60	70	72	62	75	45	43	70	50	65	42
Costa Rica	66	64	64	66	82	83	88	70	70	50	61	50	60	50
El Salvador	70	69	68	70	82	86	88	77	70	70	67	50	67	40
Guatemala	59	60	60	59	78	79	94	73	50	50	57	30	54	28
Honduras	57	59	59	59	78	85	80	74	50	60	41	30	64	25
Nicaragua	64	63	61	60	79	79	71	70	70	50	71	25	58	26
Panama	66	65	65	65	76	83	90	78	70	70	44	30	74	32
Central America	64	63	63	63	79	82	85	74	63	58	57	36	63	34
Argentina	53	54	54	52	70	70	76	61	50	40	46	20	62	29
Bolivia	58	54	53	54	82	85	72	68	20	60	42	20	59	29
Brazil	61	56	56	57	72	66	50	77	50	50	63	50	54	35
Chile	78	78	79	78	86	78	90	77	80	70	75	90	66	70
Colombia	60	60	62	62	72	73	66	71	60	60	66	40	77	38
Ecuador	55	55	55	52	73	86	83	75	30	40	38	25	54	21
Paraguay	56	58	60	61	84	97	90	77	60	60	27	30	62	24
Peru	60	63	64	65	79	80	92	86	60	60	49	40	65	35
Uruguay	65	68	68	69	83	82	76	73	70	30	74	70	66	67
Venezuela	45	48	45	40	60	71	69	54	10	30	30	5	51	20
South America	59	59	60	59	76	79	76	72	49	50	51	39	62	37
Mexico	65	66	66	66	80	83	82	78	50	60	60	50	80	35
LAC	60	60	60	60	74	77	72	74	50	49	60	44	64	38

Economic Freedom in LAC

Average Heritage Foundation Index



6.5 | World Bank Institute, Governance Matters Indicators - 2008
-2.5 to 2.5 (higher scores better)

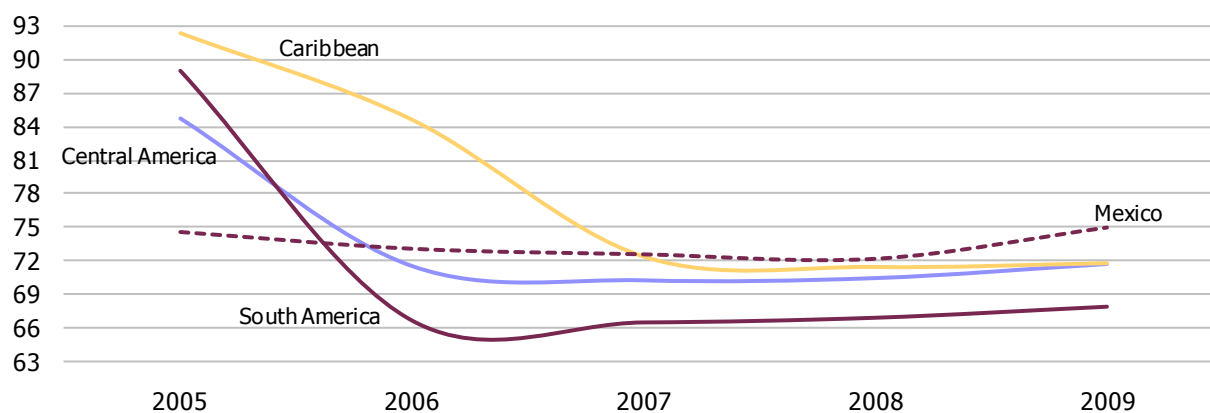
	Calculated average	Voice & Accountability	Political Stability	Government Effectiveness	Regulatory Framework	Rule of Law	Control of Corruption
Anguilla	1.36	1.00	1.19	1.56	1.35	1.72	1.32
Antigua and Barbuda	0.78	0.56	0.85	0.40	0.61	0.97	1.32
Aruba	1.12	1.00	1.38	1.29	0.85	0.89	1.32
Bahamas	1.09	1.14	0.74	1.10	0.99	1.20	1.38
Barbados	1.18	1.16	1.09	1.48	0.77	1.28	1.30
Belize	-0.05	0.74	0.25	-0.42	-0.40	-0.20	-0.28
Bermuda	1.07	1.00	0.83	1.03	1.35	0.89	1.32
Cayman Islands	1.06	0.79	1.19	1.29	1.10	1.17	0.84
Cuba	-0.80	-1.85	0.04	-0.51	-1.59	-0.85	-0.06
Dominica	0.71	1.09	0.97	0.72	0.16	0.63	0.67
Dominican Republic	-0.27	0.14	0.10	-0.40	-0.24	-0.60	-0.62
French Guiana	0.58	0.35	0.08	0.76	0.85	0.62	0.84
Grenada	0.43	0.89	0.67	0.19	0.31	0.16	0.37
Guyana	-0.38	0.17	-0.56	-0.17	-0.55	-0.70	-0.47
Haiti	-1.14	-0.71	-1.39	-1.29	-0.89	-1.35	-1.21
Jamaica	-0.04	0.61	-0.27	0.09	0.36	-0.49	-0.53
Martinique	0.76	0.57	0.64	0.76	0.85	0.89	0.84
Netherlands Antilles	0.93	0.57	1.19	0.76	0.85	0.89	1.32
Puerto Rico	0.77	1.31	0.49	0.66	1.02	0.66	0.50
St. Kitts and Nevis	0.81	1.12	0.85	0.66	0.50	0.75	1.00
St. Lucia	0.86	1.24	0.66	0.88	0.40	0.83	1.17
St. Vincent and Grenadines	0.82	1.11	0.81	0.74	0.40	0.87	1.00
Suriname	-0.06	0.57	0.15	0.00	-0.67	-0.33	-0.09
Trinidad and Tobago	0.19	0.53	0.08	0.30	0.62	-0.25	-0.17
Virgin Islands (U.S.)	0.84	0.79	0.62	1.29	0.61	0.89	0.84
Caribbean	0.51	0.63	0.51	0.53	0.38	0.42	0.56
Costa Rica	0.56	0.98	0.56	0.39	0.47	0.44	0.48
El Salvador	-0.09	0.06	0.09	-0.15	0.31	-0.63	-0.22
Guatemala	-0.55	-0.26	-0.58	-0.49	-0.12	-1.10	-0.72
Honduras	-0.53	-0.29	-0.36	-0.57	-0.27	-0.89	-0.82
Nicaragua	-0.59	-0.14	-0.39	-0.96	-0.36	-0.86	-0.81
Panama	0.19	0.59	0.11	0.16	0.63	-0.20	-0.15
Central America	-0.17	0.16	-0.09	-0.27	0.11	-0.54	-0.37
Argentina	-0.27	0.32	-0.04	-0.18	-0.65	-0.61	-0.44
Bolivia	-0.74	-0.01	-1.02	-0.81	-1.02	-1.12	-0.47
Brazil	0.04	0.51	-0.12	-0.01	0.19	-0.30	-0.03
Chile	1.15	0.98	0.56	1.24	1.58	1.25	1.31
Colombia	-0.38	-0.26	-1.66	0.13	0.24	-0.50	-0.25
Ecuador	-0.86	-0.22	-0.83	-0.97	-1.14	-1.23	-0.79
Paraguay	-0.70	-0.33	-0.63	-0.78	-0.49	-1.03	-0.93
Peru	-0.30	0.02	-0.84	-0.30	0.33	-0.74	-0.26
Uruguay	0.67	1.02	0.83	0.48	0.08	0.50	1.12
Venezuela	-1.15	-0.62	-1.23	-0.85	-1.44	-1.59	-1.13
South America	-0.25	0.14	-0.50	-0.21	-0.23	-0.54	-0.19
Mexico	-0.14	0.08	-0.62	0.18	0.45	-0.64	-0.26
LAC	0.21	0.44	0.15	0.23	0.20	0.03	0.23

6.6 | Fragile and Failed States Indices lower scores are better

	Failed States Index (0-120)		State Fragility Index (0-24)		Factors of the State Fragility Index - 2008 0=No Fragility 3=High Fragility					
	2009	2008	Security Effectiveness	Security Legitimacy	Political Effectiveness	Political Legitimacy	Economic Effectiveness	Economic Legitimacy	Social Effectiveness	Social Legitimacy
Antigua and Barbuda	63	.	.	.	.	.	.	.	.	.
Bahamas	61	.	.	.	.	.	.	.	.	.
Barbados	57	.	.	.	.	.	.	.	.	.
Belize	70	.	.	.	.	.	.	.	.	.
Dominican Republic	78	6	0	1	0	1	1	1	1	1
Grenada	68	.	.	.	.	.	.	.	.	.
Guyana	73	10	0	1	0	3	2	2	1	1
Haiti	102	13	1	2	2	1	3	0	2	2
Jamaica	69	3	0	1	0	0	1	0	1	0
Suriname	73	.	.	.	.	.	.	.	.	.
Trinidad and Tobago	67	.	.	.	.	.	.	.	.	.
Caribbean	70.8	8.0	0.3	1.3	0.5	1.3	1.8	0.8	1.3	1.0
Costa Rica	53	0	0	0	0	0	0	0	0	0
El Salvador	77	6	1	1	0	0	2	0	1	1
Guatemala	81	12	2	2	0	2	2	1	2	1
Honduras	77	9	0	1	1	1	2	2	1	1
Nicaragua	83	9	0	0	0	0	3	3	2	1
Panama	60	5	0	0	1	1	0	3	0	0
Central America	71.6	6.8	0.5	0.7	0.3	0.7	1.5	1.5	1.0	0.7
Argentina	45	1	0	0	0	0	0	1	0	0
Bolivia	86	10	0	1	0	2	2	3	1	1
Brazil	69	5	0	2	0	1	1	0	0	1
Chile	38	2	0	0	0	0	0	2	0	0
Colombia	89	11	2	3	0	2	2	1	1	0
Ecuador	81	11	0	1	2	3	2	3	0	0
Paraguay	72	8	0	1	1	0	2	2	1	1
Peru	77	8	1	0	1	1	1	2	1	1
Uruguay	41	1	0	0	0	0	0	1	0	0
Venezuela	80	9	0	2	1	2	0	3	0	1
South America	67.8	6.6	0.3	1.0	0.5	1.1	1.0	1.8	0.4	0.5
Mexico	75	3	1	1	0	1	0	0	0	0
LAC	70.1	6.8	0.4	1.0	0.4	1.0	1.2	1.4	0.7	0.6

Failed States Index

Overall score (0-120)

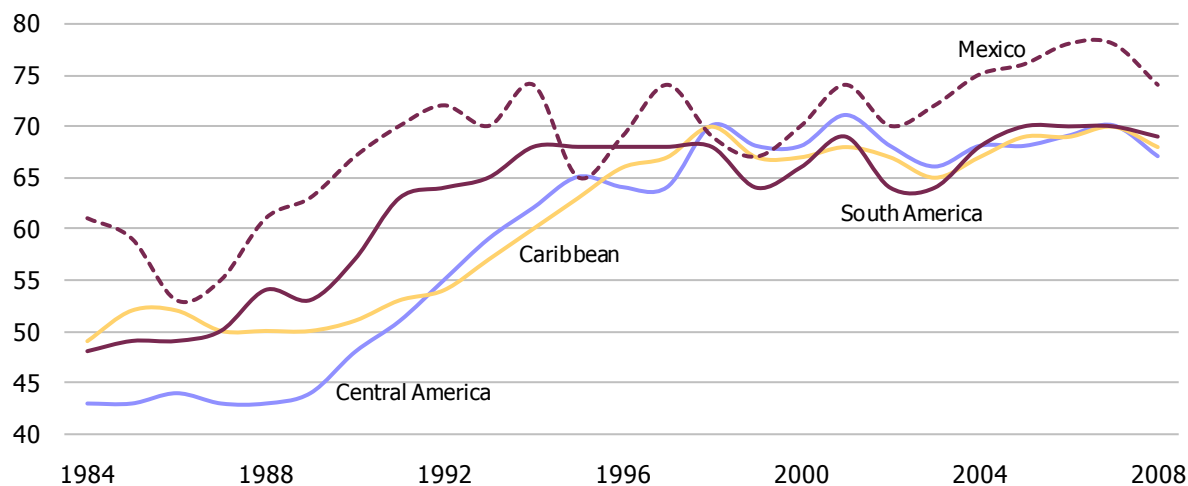


6.7 | Risk Ratings

	Risk Rating Subcomponents											
	Composite Risk Rating 100=Low Risk 0=High Risk			Political Risk 100=Low Risk 0=High Risk			Economic Risk 50=Low Risk 0=High Risk			Financial Risk 50=Low Risk 0=High Risk		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Bahamas	80	81	80	86	84	84	38	37	39	38	40	37
Dominican Republic	71	71	70	67	67	67	37	37	35	39	39	38
Guyana	62	60	57	61	60	60	29	24	22	34	35	33
Haiti	51	61	58	40	47	43	28	35	35	35	40	39
Jamaica	70	72	64	72	74	72	32	33	24	37	37	33
Suriname	67	69	69	63	63	63	33	36	35	39	40	40
Trinidad and Tobago	82	81	81	72	72	72	45	45	43	47	46	48
Caribbean	69	70	68	66	67	66	34	35	33	38	39	38
Costa Rica	72	76	72	71	73	71	34	39	35	40	41	38
El Salvador	70	69	67	67	67	67	35	35	35	38	37	33
Guatemala	71	69	65	65	63	61	36	36	32	41	41	38
Honduras	67	68	61	61	60	58	36	36	27	37	40	37
Nicaragua	63	65	60	66	68	64	28	29	24	31	34	34
Panama	74	75	75	75	75	74	38	37	41	35	39	34
Central America	69	70	67	67	67	66	34	35	32	37	38	36
Argentina	75	74	69	71	70	65	41	41	37	38	38	36
Bolivia	67	68	73	57	58	61	36	37	40	41	41	44
Brazil	72	72	69	66	66	69	38	41	38	40	38	33
Chile	83	82	77	81	80	79	44	45	41	41	41	35
Colombia	66	66	64	57	57	59	37	39	34	38	37	35
Ecuador	66	64	65	54	56	53	41	37	39	38	36	39
Paraguay	65	65	67	56	56	57	35	36	37	38	38	40
Peru	72	74	72	63	64	62	40	42	40	41	43	42
Uruguay	68	70	70	71	71	70	36	38	40	30	32	30
Venezuela	68	66	67	51	51	49	42	39	40	43	42	46
South America	70	70	69	63	63	62	39	39	38	39	38	38
Mexico	78	78	74	75	75	73	40	39	38	42	42	38
LAC	70	70	68	65	65	64	36	37	35	38	39	37

Risk Ratings

Composite Risk Rating (0-100)



Sources and Technical Notes – Democracy

Figures

Governance in the LAC Region

Source Kaufmann, Daniel, Kraay, Aart and Mastruzzi, Massimo, "Governance Matters VII: Governance Indicators for 1996-2008" (June 2009). World Bank Policy Research Working Paper No. 4654 Available at SSRN: <http://ssrn.com/abstract=1148386>

Notes Original scores, which are scaled to a range of -2.5 to 2.5, have been re-scaled to a range of 0 to 5, with higher scores indicating better outcomes. Associated confidence intervals are not reported here, but are included in the original source material. Figure depicts the unweighted average scores of all LAC countries. See the note to Table 6.5 for definitions of indicators.

Economic Freedom in LAC

Source The Heritage Foundation, *The Index of Economic Freedom 2009*, Washington, DC, 2009.

Notes Heritage Foundation's Economic Freedom scores are displayed such that 100 indicates 'most free', whereas 0 represents a complete lack of freedom. Therefore, the further a point is away from 0, the more freedom is indicated. Figure depicts the unweighted average scores of all sub regions within LAC countries, as well as dot points for each country in the region. See Table 6.4 and its note for related definitions and corresponding country data.

Failed States Index

Source *Foreign Policy Magazine and Fund for Peace, Failed States Index* June, 2009.

Notes *Failed States Index* is a measure of the risk to social, economic, and political stability as derived from 12 sub-indicators (e.g., Mounting Demographic Pressures, Sharp and/or Severe Economic Decline, and Rise of Factionalized Elites). The overall score, ranging from 0 to 120, is calculated as the sum of the 12 sub-indicators. Higher scores represent less stability.

Risk Ratings (0-50)

Source PRS Group, *International Country Risk Guide* (online version) as of April, 2009.

Notes Higher scores represent less risk. See the notes for table 6.6 for definitions.

Table 6.1

Freedom Ratings

Source Freedom House, *Freedom in the World 2009*, Washington, DC, 2009.

Definition As defined by Freedom House, *freedom* encompasses two sets of characteristics grouped under political rights and civil liberties. *Political rights* enable people to participate freely in the political process. In this case, political process refers to the system by which the polity chooses the authoritative policy makers and attempts to make binding decisions affecting the national, regional or local community. A system is genuinely free or democratic to the extent that the people have a choice in determining the nature of the system and its leaders. *Civil liberties* are the freedoms to develop views, institutions, and personal autonomy apart from the state. Freedom is rated from 1 to 3, where 1=free, 2=partly free, and 3=not free.

Notes Regional averages are not weighted.

Table 6.2

Political Rights

Source Freedom House, *Freedom in the World 2009*, Washington, DC, 2009.

Definition *Political rights* enable people to participate freely in the political process. In this case, political process refers to the system by which the polity chooses the authoritative policy makers and attempts to make binding decisions affecting the national, regional or local community. A system is genuinely free or democratic to the extent that the people have a choice in determining the nature of the system and its leaders. Political rights are rated between 1 and 7, where 1 is the highest degree of freedom and 7 is the lowest degree of freedom.

Notes Regional averages are not weighted.

Table 6.3

Civil Liberties

Source Freedom House, *Freedom in the World 2009*, Washington, DC, 2009.

Definition *Civil liberties* are the freedoms to develop views, institutions and personal autonomy from the state. Civil Liberties are rated between 1 and 7, where 1 is the highest degree of freedom and 7 is the lowest degree of freedom.

Notes Regional averages are not weighted.

Table 6.4

Economic Freedom

Source The Heritage Foundation, *The Index of Economic Freedom 2009*, Washington, DC, 2009.

Definition *Economic Freedom* refers to absence of government coercion or constraint on the production, distribution, or consumption of goods and services. It is the unweighted average of 10 individual factor scores that range from 0 (total lack of freedom) to 10 (most free): 1) *Trade Policy*, based on average tariff rates; 2) *Fiscal Policy*, based on income and corporate tax rates; 3) *State*

Intervention in the Economy, based on government consumption as a percentage of GDP and size of the state-owned sector; 4) *Monetary Policy*, based on average inflation rate; 5) *Capital Flows and Foreign Investment*, based on an assessment of the limitations or supports for foreign investment; 6) *Financial Policy*, based on a sliding scale that measures the relative openness of a country's banking system; 7) *Labor Policy*, based on an assessment of labor policies such as minimum wage laws and regulatory burdens on hiring; 8) *Property Rights*, based on an assessment of the government's protection of private property rights; 9) *Business Freedoms*, based on the perceived burden of regulation, levels of corruption, and uniformity of application; 10) *Corruption*, based on an estimate of the size of the black market as a percentage of GDP.

Notes Table presents the original data source's refinements and updates of previously published data. Regional averages are not weighted.

Table 6.5

Governance Matters Indicators

Source Kaufmann, Daniel, Kraay, Aart and Mastruzzi, Massimo, *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008* (June 29, 2009). World Bank Policy Research Working Paper No. 4978. Available at SSRN: <http://ssrn.com/abstract=1424591>.

Definition *Calculated average* is the unweighted average of each country's or sub-region's scores in the following indicators: *Voice and Accountability* measures the extent to which citizens of a country are able to participate in the selection of governments. *Political Stability* measures perceptions of the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional and/or violent means, including domestic violence and terrorism. *Government Effectiveness* combines responses on the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies. *Regulatory Quality* focuses more on the policies themselves, including measures of the incidence of market-unfriendly policies such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development. *Rule of Law* the extent to which agents have confidence in and abide by the rules of society.

Control of Corruption the extent to which public power is exercised for private gain.

Table 6.6

Fragile and Failed States Indices

Source Monty G. Marshall and Benjamin R. Cole, (Center for Systemic Peace, George Mason University.) "Global Report on Conflict, Governance and State Fragility 2009" (forthcoming). Foreign Policy Magazine and Fund for Peace, *Failed States Index*, June, 2009.

Definition *Fragility Index* is the sum of all the listed component indicators, each of which is indexed to range of 0 to 3. Higher numbers indicate greater fragility. *Security Effectiveness* is an index of the general security or vulnerability to political violence from 1982 through 2006. *Security Legitimacy* is an index to measure the "state repression score." *Political Effectiveness* is an index of "Regime/Governance Stability" from 1992 through 2006 intended to capture regime durability, the current leader's years in office, and "Leadership Instability." *Political Legitimacy* is an indexed measure of "Regime/Governance Inclusion" over a 15-year period based on the summed indicators of "Factionalism, Ethnic Group Political Discrimination, Political Salience of Elite Ethnicity, [and] De facto Group Separation". *Economic Effectiveness* is an index of Gross Domestic Product per Capita during the period 1999-2005. *Economic Legitimacy* is an index of exports of manufactured goods as a share of total merchandise exports over the period 1992-2004 (in other words, how much of a country's merchandise exports are manufactures). *Social Effectiveness* is the Human Capital Development Human Development Indicator (HDI) converted to a four-point scale as follows: top 40% = 0; next 20% = 1; next 20% = 2; bottom 20% = 3. *Social Legitimacy* is an index of the Human Capital Care, 2004 Comparison rankings for GNP per capita and HDI (based primarily on infant mortality rates): if a country's HDI ranking is more than 25 places above its GDP per capita ranking, the fragility rating falls (improves) by one point; and, if HDI ranking is more than 25 places below GDP per capita ranking, then the fragility rating increases (deteriorates) by one point. See the original source for further details on indicators and methodology. *Failed States Index* is a measure of the risk to social, economic, and political stability as derived from 12 sub-indicators (e.g., Mounting Demographic Pressures, Sharp and/or Severe Economic Decline, and Rise of Factionalized Elites). The overall score, ranging from 0 to 120, is calculated as the sum of the 12 sub-indicators. Higher scores represent less stability.

Table 6.7

Risk Ratings

Source PRS Group, *International Country Risk Guide* (online version) as of April, 2009.

Definition *Composite Political, Financial, Economic Risk Rating* for a country (CPFER) = $0.5 \times (\text{Political Risk} + \text{Financial Risk} + \text{Economic Risk})$ ranging from Very High Risk (00.0 - 49.5) to Very Low Risk (80.0 - 100). The higher the points a country receives, the lower the risk. *Economic Risk Rating* is a means of assessing a country's current economic strengths and weaknesses. In general, where strengths outweigh weaknesses, a country will show low risk and where weaknesses outweigh strengths, the economic risk will be high. To ensure comparability between countries, risk components are based on accepted ratios between the measured data within the national economic/financial structure, and then the ratios are compared, not the data. Risk points are assessed for each of the component factors of GDP per head of population, real annual GDP growth, annual inflation rate, budget balance as a percentage of GDP, and current account balance as a percentage of GDP. Risk ratings range from a high of 50 (least risk) to a low of 0 (highest risk), though lowest de facto ratings are generally near 15. *Financial Risk Rating* is a means of assessing a country's ability to pay its way by financing its official, commercial, and trade debt obligations. To ensure comparability between countries, risk components are based on accepted ratios between the measured data within the national economic/financial structure, and then the ratios are compared, not the data. Risk points are assessed for each of the component factors of foreign debt as a percentage of GDP, foreign debt service as a percentage of exports of goods and services (XGS), current account as a percentage of XGS, net liquidity as months of import cover, and exchange rate stability. Risk ratings range from a high of 50 (least risk) to a low of 0 (highest risk), though lowest de facto ratings are generally near 20. *Political Risk Rating* is a means of assessing the political stability of a country on a comparable basis with other countries by assessing risk points for each of the component factors of government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability, and bureaucracy quality. Risk ratings range from a high of 100 (least risk) to a low of 0 (highest risk), though lowest de facto ratings generally range in the 30s and 40s.