



Best Practice Report



Mexico

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www.eStandardsForum.org

The Best Practice Report provides a concise, comprehensive overview of a country's status with respect to global best practice benchmarks. The report contains a summary of compliance with the 12 Key Standards for Sound Financial Systems in the Standards Compliance Index, as well as a summary of performance in the Business Indicator Index and other leading global indices addressing related aspects of the country's economic, business, political, and social climate.

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This report is based entirely on publicly available sources. For a list of all the sources used for the Standards Reports and the Business Indicators please refer to the detailed reports available for each country and standard on www.estandardsforum.org.

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I. Summary Financial Standards Index

Overall: Medium | Rank: 27 | Score: 53.33

MACROECONOMIC POLICY AND DATA TRANSPARENCY

	Full Compliance	Compliance in Progress	Enacted	Intent Declared	No Compliance	Insufficient Information
Data Dissemination		X				
Monetary Transparency		X				
Fiscal Transparency		X				

INSTITUTIONAL AND MARKET INFRASTRUCTURE

	Full Compliance	Compliance in Progress	Enacted	Intent Declared	No Compliance	Insufficient Information
Insolvency Framework						X
Accounting				X		
Corporate Governance			X			
Auditing				X		
Anti-Money Laundering				X		
Payment Systems			X			

FINANCIAL REGULATION AND SUPERVISION

	Full Compliance	Compliance in Progress	Enacted	Intent Declared	No Compliance	Insufficient Information
Banking Supervision		X				
Securities Regulation		X				
Insurance Supervision				X		

SUMMARY

Mexico achieves medium overall compliance with international standards and codes, with a score of 53.33 out of 100 in our Standards Compliance Index. Mexico's compliance in the area of Macroeconomic Policy and Data Transparency is high. Regarding the Institutional and Market Infrastructure category, Mexico is progressing towards compliance with international standards. Mexico undertook several operational and legal modifications related to the legal framework and the management of credit and liquidity risks reforms that have enabled the Mexican Payment Systems to comply with international best practices. The new Securities Market Law and the revised version of the Mexican Corporate Governance Code brought Mexico a step closer to a well-developed corporate governance framework. International Financial Reporting Standards will be mandatory for listed companies starting 2012 and a new set of local standards will fully converge with International Standards on Auditing by December 2011. In the area of Financial Regulation and Supervision, Mexico observes high compliance with standards on banking supervision and securities regulation. However, regarding insurance supervision, the Mexican authorities developed a detailed action plan to improve compliance with the core principles.

II. Detailed Summary of Observance by Standard

I. MACROECONOMIC POLICY AND DATA TRANSPARENCY

Data Dissemination: Compliance in Progress

The International Monetary Fund's (IMF) Special Data Dissemination Standard (SDDS) website discloses that Mexico has subscribed to the Standard since 1996 and first met SDDS specifications in 2000. According to the website, Mexico meets or exceeds nearly all SDDS specifications for the coverage, periodicity, and timeliness of data, but takes timeliness flexibility options for general government or public sector operations and central government operations data. Problem areas persist, however, specifically in the areas of data quality. Documentation regarding sources and methods for data relating to the central government debt or forward-looking indicators is not disseminated. For balance of payments data, only a summary methodology is available. There is also no dissemination of information regarding the component detail of central government debt data, or of reconciliation with related data or a statistical framework that would support cross-checking.

Monetary Transparency: Compliance in Progress

In its last report on monetary policy transparency in Mexico published in 2006, Oxford Analytica (OA) awarded Mexico an overall rating of "compliance in progress," unchanged from the previous year. OA found that at the time improvements in transparency and communications were ongoing. The Bank of Mexico (BdM) retains its traditional monetary policy tool, the *corto*, although for the past years it has been relying on the overnight interbank interest rate to implement monetary policy. The BdM uses its website to disclose detailed monetary policy information, along with a discussion of the policy instruments in use and the targets that have been set. Regarding data dissemination, Mexico is guided by both the SDDS and the provisions of its own Federal Law on Transparency and Access to Public Information. It offers public access to advance release calendars. Immediately following the BdM's board of governors meeting, the bank announces its monetary policy decisions via press releases and its website. It provides explanations for that policy in the same release or online publication. It has been suggested that transparency might be further increased by the publication of minutes of monetary policy meetings, and this cause has been taken up recently by the opposition political party. OA noted a trend toward increasingly detailed information on inflation forecasts, although the BdM does not yet provide such forecasts for multiple horizons.

Fiscal Transparency: Compliance in Progress

OA final report on Mexico's fiscal policy transparency was published in 2006. In that report, OA gave Mexico a rating of

"compliance in progress." OA attributed Mexico's progress toward greater transparency to the passage of the Federal Law on Budget and Fiscal Responsibility in March 2006. The primary goal of this legislation was to enhance public oversight of government spending. The Law increases the role of parliament in the budget process, while other provisions call for greater public disclosure of the government procurement process, increased public access to financial management information, and greater transparency regarding public services. The Law also creates a new fiscal framework that clarifies the guidelines for handling unspent allocations and excess oil revenues. Other provisions of the Law imply an expanded role for the Federal Institute for Public Information Access. It also changes reporting practices, once an annual duty of the Secretariat of Finance and Public Credit, by establishing a schedule of reporting dates on which information must be presented to the legislature. In contrast to this positive assessment by OA, the 2008 Open Budget Index (OBI) found Mexico's budget process to be deficient in openness, pointing out insufficiencies in the detail available in the executive's budget proposal, mid-year and in-year reviews, and auditor's report. The OBI also noted that citizen participation in the process could be enhanced through greater possibilities of public consultation and participation in public hearings.

2. INSTITUTIONAL AND MARKET INFRASTRUCTURE

Insolvency Framework: Insufficient Information

There is no specific, publicly available information that addresses Mexico's compliance with the World Bank's Principles and Guidelines for Effective Insolvency and Creditor Rights Systems. The legal framework of Mexico's insolvency regime is contained within a body of legislation that includes the 1889 Commercial Code, the 1943 Federal Civil Procedures Code, and the Business Reorganization Act. The latter act enacted in 2000 provides for a two-stage insolvency procedure, beginning with conciliation and moving forward, if required, to liquidation. The goal is to facilitate preservation of the bankrupt firm when possible. This legislation also adopts, with minor changes, the Model Law on Cross-border Insolvency developed by the United Nations Commission on International Trade Law. Most of Mexico's insolvency provisions are harmonized with U.S. bankruptcy law, although there are a few areas of divergence. Principal among these is the prioritization of wage claims over all other creditors. The International Monetary Fund reported in 2007 that improved creditor protections and stronger contract enforcement were being contemplated, possibly through the passage of additional legislation.

Accounting: Intent Declared

A 2004 World Bank review of the accounting and auditing environment in Mexico concluded that although Mexican Generally Accepted Accounting Principles (GAAP) have been converging with International Financial Reporting Standards (IFRSs) over a number of years, accounting requirements still differ from the international standards. At the time of the World Bank assessment, the Mexican accounting standards-setter, the Council for Research and Development of Financial Information Standards (CINIF) was contemplating steps to further reduce the differences between Mexican and international requirements. The CINIF has since formalized its convergence plans in a more concrete manner and per the 2009 PricewaterhouseCoopers (PWC) update on global convergence of accounting standards, IFRSs will be mandatory for listed companies starting 2012. In a 2008 press release by the financial market regulator, the National Banking and Securities Commission in Mexico (CNBV), it was announced that the reporting rules for listed entities (except for financial institutions which must follow rules issued by the CNBV) were amended by law and became effective on January 27, 2009. Early application of IFRS is permitted from 2008 pending approval of the CNBV. Meanwhile, non listed companies will continue applying Mexican Financial Reporting Standards (FRSs) which, as mentioned earlier continue to differ from IFRSs. However, as conveyed in a 2008 Action Plan by the Mexican Institute of Public Accountants (IMCP), efforts are ongoing in order to align Mexican GAAP with IFRSs. Furthermore, in order to ensure convergence with IFRSs, the IMCP notes that it will continue working with the CINIF on drafting new FRSs and that the convergence project is likely to be finalized by the end of 2011.

Corporate Governance: Enacted

The 2006 release of the new Securities Market Law and the revised version of the Mexican Corporate Governance Code, incorporating lessons learned from the implementation of the original 1999 Code as well as international developments, bring Mexico a step closer to a well-developed corporate governance framework. Back in 2003, a Report on Standards and Codes by the World Bank benchmarked Mexico's observance of corporate governance practices against the Organization for Economic Co-operation and Development's Principles for Corporate Governance. According to the World Bank report and a report by the Institute of International Finance released the same year, major progress had been achieved in establishing a successful structure and culture for good corporate governance. The World Bank rated most Principles as either "largely observed" or "partially observed," indicating either only minor shortcomings or a legal and regulatory framework that complies with the Principles, but suffers from diverging practices and a lack of enforcement. However, both reports cautioned that real progress in Mexican corporate governance has to account for the concentrated ownership and control structure of many Mexican firms. The 2006 Securities Market Law strengthens the responsibilities of directors and boards for publicly traded companies. It addresses minority rights protections and emphasizes the independence of boards vis-a-vis the controlling shareholders. Nonetheless, a 2009 paper by Price, Roman and Rountree notes that despite the positive changes in the regulatory and legal framework, Mexican business environment is still characterized by concentrated ownership, interlocked boards of directors, inadequate insider trading enforcement, and an overall poor protection of minority investors.

Auditing: Intent Declared

The World Bank in a 2004 assessment of the Mexican accounting and auditing environment observed that Mexican Generally Accepted Auditing Standards (GAAS) are "broadly comparable" with International Standards on Auditing (ISAs) promulgated by the International Auditing and Assurance Standards Board. Although acknowledging the progress made by Mexico in moving towards convergence with international standards, the World Bank made a number of recommendations to improve existing practices. Most importantly, it recommended a complete elimination of differences between Mexican GAAS and ISAs. In a more recent update provided in a 2008 Action Plan, the IMCP lays out its plan for further convergence noting that the IMCP will issue a new set of local standards fully converged with ISAs by December 2011. Per the Action Plan, these standards will be effective for audits performed after December 31, 2011. Furthermore, the financial sector regulator, the National Banking and Securities Commission in 2008 announced the mandatory adoption of IFRSs for listed entities starting December 2012. Early application of IFRSs is permitted from 2008 and IFRS-compliant financial statements must be audited in accordance with ISAs as noted by the 2009 PricewaterhouseCoopers country compliance report. Among other issues, the World Bank also recommended establishing an independent oversight body for audit practitioners and strengthening enforcement mechanisms and educational requirements.

Anti-Money Laundering: Intent Declared

In 2008, the IMF assessed Mexico's Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regime against the Financial Action Task Force's (FATF) 40 recommendations (R) and 9 special recommendations (SR). The IMF released its findings in a report published in January 2009. Overall, the report points out that Mexico has made progress in its efforts for combating money laundering and the financing of terrorism since its last FATF assessment in 2004. However, the country's AML/CFT regime is still lacking as reflected in its ratings. Mexico was found non-compliant or partially compliant with 25 of the 49 FATF recommendations and special recommendations. Moreover, Mexico is rated partially compliant with five of the six core recommendations as stipulated by the FATF, R 1, R 5, R 13, SR II, and SR IV. As required by the FATF, a country needs a largely compliant or compliant rating on the core recommendations to be considered to have an effective AML/CFT regime. The assessors find that on R 1 on the criminalization of money laundering, the Mexican provisions do not fully meet international standards, and there is scope to significantly improve implementation. As for SR II on criminalization of terrorist financing, the legal provisions do not fully comply with the United Nations (UN) Convention for the Suppression of Terrorist

Financing. Also, criminal liability for money laundering or financing of terrorism, at the time of the assessment did not extend to legal persons. According to the IMF report, a proposed legislation would address this gap. However, initiatives at different levels were ongoing at the time of the IMF assessment to address some of these weaknesses. For instance, relevant federal agencies were drafting an AML/CFT National Strategy and other constitutional amendments with regards to judicial reform. Also, the FATF, in its 2008-2009 Annual Report, names Mexico as one of the jurisdictions that have endorsed the FATF's 40+9 recommendations.

Payment Systems: Enacted

The three systemically important payment systems (SIPS) in Mexico, as designated by the Mexican central bank (Bank of Mexico, or BdM), are the Electronic Interbank Payment System (SPEI), the Banco de México Account Holders Service System (SIAC), and the Securities Deposit, Administration, and Settlement System (DALI). In 2001, the IMF assessed the SIAC and the Extended Electronic Payments System (SPEUA, the predecessor of the SPEI), and concluded that Mexico did not fully comply with the Committee on Payment and Settlement Systems' (CPSS) Core Principles for Systemically Important Payment Systems (CPSIPS). However, the IMF assessment acknowledged that reforms were underway in Mexico at the time, with the aim to make Mexican SIPS compliant with the CPSIPS. Subsequently, several reforms have been implemented such as the adoption of the 2002 Payment Systems Law and the replacement of the SPEUA with the SPEI. A Financial Sector Assessment Program (FSAP) Update released by the IMF in 2007 did not reassess the SIPS in Mexico but did review the reforms undertaken. According to the Update, most deficiencies reported by the IMF in 2001 related to the legal framework and the management of credit and liquidity risks were eliminated through reforms undertaken after 2001. The 2002 Payment Systems Law addressed the issue of finality of payments in SIPS and gave the BdM more explicit powers to regulate the SIPS in accordance with the CPSIPS. Furthermore, the BdM indicates on its website that it undertook several operational and legal modifications that have enabled the Mexican SIPS to comply with international best practices. However, since the 2001 IMF assessment, there has been no comprehensive assessment of Mexico's payment systems against the CPSIPS and neither has there been an assessment of the new SIPS, SPEI. A 2008 report based on the World Bank's Global Payment Systems Survey of the same year evaluates Mexico's compliance with various sub components broadly based on the CPSS' CPSIPS and concludes that Mexico's payment system architecture, in general, is fairly well developed.

3. FINANCIAL REGULATION AND SUPERVISION

Banking Supervision: Compliance in Progress

In 2001, the IMF released its findings on Mexico's compliance with the Basel Core Principles (BCPs) for Effective Banking Supervision, wherein it identified several significant shortcomings in the country's regulatory framework. However, subsequently, several laws were amended and substantial changes were made resulting in a stronger banking supervision framework as reported by the IMF in its 2007 Financial Sector Assessment Program (FSAP) Update. The 2007 IMF report concludes that Mexico is now compliant with 19 BCPs, largely compliant with 5, and is non-compliant with 1. Prudential regulations, on-going banking supervision, information requirements, remedial measures and cross-border banking, are all being adeptly handled by the supervisory authorities per the IMF assessors. The problem at the time, according to the 2007 FSAP Update, was the lack of clear regulatory powers for the primary banking sector regulator, the National Banking and Securities Commission (CNBV), rendering it less independent and autonomous than required by the BCPs. According to the IMF assessors, the CNBV also lacked the power to control the activities of banks fully, from inception to demise. Instead, the Secretariat of Finance and Public Credit (SHCP) had the authority to set regulatory policy and license banks in the country and as such held precedence over the CNBV in regulatory policy-making. However, the authorities recognized this dichotomy in functions and the problems it posed, and accordingly, had started to gradually transfer some of SHCP's regulatory powers to the CNBV, the IMF notes. A 2009 report by the U.S. Department of Commerce mentions that a 2007 amendment to the Law of Credit Institutions transferred licensing authority from the SHCP to the CNBV. The IMF, in 2009, also applauds Mexico for

its sophisticated financial supervisory framework and deft handling of the global financial crisis and encourages it to strengthen risk management, contingency planning, bank resolution, and overall ongoing oversight.

Securities Regulation: Compliance in Progress

In 2001, the IMF conducted a Financial System Stability Assessment (FSSA) of Mexico and found that its securities regulation framework was in broad observance with the Objectives and Principles of Securities Regulations promulgated by the International Organization of Securities Commissions (IOSCO), although it noted a number of shortcomings. Following the initial assessment, in April 2001, Congress enacted a series of legal reforms, including a major amendment of the 1975 Securities Market Law (LMV), to address many of the identified shortcomings. Among the changes was the extension and strengthening of the authority of the CNBV, the legalization of cooperation with foreign regulators, and the reform of essential corporate governance issues. In 2005, a new LMV was enacted, further strengthening the CNBV's authority. As a result, a 2007 Financial Sector Assessment Program update by the IMF rated 27 of the 30 IOSCO principles as "implemented," with the remaining three, mainly related to the CNBV's operational independence, powers, and resources, as "broadly implemented." The IMF, in 2009, applauds Mexico for its sophisticated financial supervisory framework and deft handling of the global financial crisis and encourages it to strengthen risk management, contingency planning, and overall ongoing oversight. As a 2009 Bank of Mexico report indicates, Mexico is already acting on the IMF's advice. For instance, in 2009, the LMV was further amended to make reporting requirements for listed companies stricter, and the CNBV introduced more stringent disclosure rules, both initiatives with the aim of early identification of risks in the financial system.

Insurance Supervision: Intent Declared

The operation of Mexican insurance and surety companies and the verification that such operation is in accordance with applicable regulations is the responsibility of the National Insurance and Sureties Commission (CNSF), a decentralized agency of the Secretariat of Finance and Public Credit. According to the 2001 IMF's FSSA, insurance regulation and supervision in the country broadly complied with Insurance Supervisory Principles (later renamed as Insurance Core Principles or ICPs) promulgated by the International Association of Insurance Supervisors (IAIS). The IMF commended the Mexican authorities for their ongoing efforts to reform insurance sector supervision, especially noting the qualified staff of the CNSF, strong supervisory process, strict regulation of changes in control, and extensive on-site inspections. Nevertheless, certain shortcomings - including the autonomy and powers of the CNSF, corporate governance, and the legal protection of supervisory staff - were identified. As indicated in the 2001 FSSA, Mexican authorities agreed with the conclusions of the IMF's mission and, based on its recommendations, developed a detailed action plan to improve compliance with the IAIS' principles. However, in 2003 the IAIS revised its principles and replaced them with newer, more stringent ICPs. The CNSF website, nonetheless, declares that the regulator practices supervision in accordance with international standards. In 2006, the IMF published an Update of the FSSA which praised the CNSF on the progress made in strengthening insurance sector in line with the recommendations of the 2001 FSSA. However, the CNSF still was found not politically, budgetary, or operationally autonomous. A 2007 IMF report on effective financial system regulation proposes a building-block approach to the reform of the financial sector in Mexico, which, among other issues, entails improving inter-agency cooperation, and achieving full autonomy of the regulators, including the CNSF.

III. Business Indicator Summary

Overall: In Progress | Rank: 60 | Score: 7.73

With an overall score of 7.73 out of 12, Mexico is progressing toward standard on the economic, legal and political indicators that make up our Business Indicator Index. Mexico has a market based economy where total government spending, including consumption and transfer payments, are relatively low. Beginning with the 1980s reformist policies of economic liberalization, privatization, and deregulation, Mexico has seen the firm establishment of market-based competition as central to the Mexican economy. Privatization continues, but liberalization has not yet touched the energy and electricity sectors. Mexico has one of the freest trade regimes in the world. Exports are a key component of the Mexican economy; however it strongly depends on exports to the United States. Mexico is among the largest recipients of foreign direct investment among emerging markets, although its competitiveness has been challenged, particularly by China. Although most payments, transactions, and transfers are allowed, various other capital transactions are subject to government authorization and controls, and some restrictions apply to foreign investment in real estate. The 1993 Foreign Investment Law eliminated export requirements (except for maquiladora industries), capital controls, and domestic content percentages, which are not allowed under NAFTA. There are no restrictions on capital inflows or outflows. However, a burdensome and non-transparent bureaucracy and a rigid labor code inhibit investment. Although foreign and domestic private entities may own property and business enterprises in most sectors, enforcement of these rights can be problematic. The political outlook in the country is stable and corruption is perceived as manageable.

IV. Performance in Global Best Practice Indices

Mexico is ranked in either the 2nd or 3rd quintile of the global indices benchmarking political, economic, business, and human capital climates, as shown below. Mexico's position reflects its commitment to free-market democracy and the progress it has made in improving and streamlining business regulations. Nonetheless, too much of the economy remains informal. Despite Mexico's decent relative rankings in most indices, its absolute scores reveal ample room for improvement, especially in increasing capital access and freedom from government intervention in various areas of the economy. A complex foreign investment regime and an overall weak judiciary system also hinder economic development. Particularly noteworthy is Mexico's high perceived level of corruption as disclosed by the Transparency International Corruption Perceptions Index. This situation is much more evident in Mexico's low score than in its relative ranking.

Index	Year	Rank	Score	Quintile
Bertelsmann Transformation Status Index	2010	33/128	7.09/10	2
Heritage Foundation Economic Freedom Index	2010	41/179	68.3%	2
Economic Freedom of the World Index	2009	68/141	6.85/10	3
World Economic Forum Global Competitiveness Index	2009	60/133	4.19/7	3
Milken Institute Capital Access Index	2009	44/122	5.46/10	2
World Bank Ease of Doing Business Index	2009	51/183	N/A	2
UNDP Human Development Index	2009	53/177	0.85/1	2
Transparency International Corruption Perceptions Index	2009	89/180	3.3/12	3
Freedom House Index	2009	Free	2.5/7	

V. Credit Ratings

Fitch:	BB+
Moody's:	Baa3
Standard & Poor's:	BB+

VI. Macroeconomic Data

2009 GDP (estimate) (IMF)	2010 Forecast (IMF)	2008 FDI (UNCTAD)	Official Development Assistance
\$866.3 billion	Real GDP Growth: 3.3	Inward: \$22.0 billion	Received: 121 million (2007 OECD)
Per capita: \$8,040	CPI: 5.4%	Outward: \$0.70	Disbursed: N/A million (2007 OECD)
Unemployment: 4.0% (CIA 2008)			

Methodology Note

I. The Financial Standards Index

This index measures a country's level of compliance with the 12 international standards and codes. Compliance with each of the 12 standards is measured on a scale of six levels of compliance and then converted into a numerical score. The Index ranks countries from 1 (most compliant) to 81 (least compliant) and provides a score from 0 (worst performance) to 100 (best performance). Overall compliance is determined as follows:

Very high	80 to 100
high	60 to 80
medium	40 to 60
low	20 to 40
very low	0 to 20

The chart provided with the summary of a country's performance against the *Financial Standards Index* provides the exact levels of compliance with the 12 international standards and codes. The descending order of compliance is as follows: *Full Compliance*, *Compliance in Progress*, *Enacted*, *Intent Declared*, *No Compliance*, and *Insufficient Information*. A exact definition of each compliance level and the methodology used to determine them is available on the eStandardsForum website.

II. Detailed Summary of Observance of Standards & Codes

This section provides the executive summaries of eStandardsForum's country compliance reports against the 12 Key international standards and codes. The full assessments are available on the eStandardsForum website.

The three standards grouped under "*Data and Macroeconomic Policy Transparency*" are the IMF's "Special (or General) Data Dissemination Standard," the "Code of Good Practices in Monetary and Financial Policies," and the "Code of Good Practices on Fiscal Transparency".

The six standards grouped under "*Institutional and Market Infrastructure*" are the World Bank's "Principles and Guidelines for Effective Insolvency and Creditor Rights Systems," the International Accounting Standard Board's "International Accounting Standards," the OECD's "Principles of Corporate Governance," the International Federation of Accountants' "International Standards on Auditing," the Financial Action Taskforce's "Recommendations on Money Laundering," and the Bank for International Settlements' "Core Principles for Systemically Important Payment Systems".

The three standards grouped under the "Financial Regulation and Supervision" sub-section are the Basel Committee's "Core Principles for Effective Banking Supervision," the International Organization of Securities Commissions' "Principles of Effective Securities Regulation," and the International Association of Insurance Supervisors' "Insurance Core Principles".

III. The Business Indicator Index

This index measures a country's attractiveness to foreign investment by analyzing various economic, legal, and political indicators. Countries are ranked from 1 to 81 according to a score ranging from 0 (least attractive) to 12 (most attractive). The overall score also determines whether a country is:

At Standard	9 to 12
Progressing toward standard	6 to 9
Below standard	0 to 6

The three standards grouped under the “*Financial Regulation and Supervision*” sub-section are the Basel Committee’s “Core Principles for Effective Banking Supervision,” the International Organization of Securities Commissions’ “Principles of Effective Securities Regulation,” and the International Association of Insurance Supervisors’ “Insurance Core Principles”.

IV. Performance in Global Indices

In this section, the rank and score of a country in nine distinct global indices is summarized. The country’s relative position in these indices is made more comparable by calculating the quintile corresponding to the country’s rank. In addition, a short summary interpreting the country’s performance in the nine indices is provided. The following nine indices are used:

The *Freedom in the World Survey* is published annually by Freedom House. The political rights and civil liberties categories contain numerical ratings between 1 and 7 for each country or territory, with 1 representing the most free and 7 the least free. The status designation of “Free”, “Partly Free”, or “Not Free”, which is determined by the combination of the political rights and civil liberties ratings, indicates the general state of freedom in a country or territory.

Source: <http://www.freedomhouse.org/>

The *Bertelsmann Transformation Status Index* shows the development achieved by states on their way toward democracy and a market economy. States with functioning democratic and market-based structures receive the highest scores. The Status Index’s overall result represents the mean value of the scores for the dimensions “Political Transformation” and “Economic Transformation”. The rating is based on a system of points ranging from 1 (worst score) to 10 (best score).

Source: <http://www.bertelsmann-transformation-index.de/16.0.html?&L=1>

The *Heritage Foundation Economic Freedom Index* measures economic freedom against a list of 50 independent variables divided into 10 broad factors of economic freedom. For each factor, a country receives a 0 to 100 percentage score, indicating the degree of economic freedom in the country.

Source: <http://www.heritage.org/research/features/index/index.cfm>

The *Economic Freedom of the World Index*, published by the Fraser Institute, covers five broad areas: size of government; legal structure and security of property rights; access to sound money; freedom to trade internationally; regulation of credit, labor, and business. Each component and sub-component is placed on a scale from 0 to 10 that reflects the distribution of the underlying data. A higher value signifies greater economic freedom.

Source: <http://www.freetheworld.com/index.html>

The *World Economic Forum Global Competitiveness Index* provides an overview of factors that are critical to driving productivity and competitiveness. These factors are grouped into nine distinct but interconnected pillars: (1) Institutions, (2) Infrastructure, (3) Macro economy, (4) Health and primary education, (5) Higher education and training, (6) Market efficiency, (7) Technological readiness, (8) Business sophistication, and (9) Innovation. The Index is calculated from a mixture of survey and hard data, and the data for each pillar is converted into a scale from 1 to 7. A higher value indicates greater competitiveness.

Source: <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>

The *Milken Institute Capital Access Index* scores the ability of entrepreneurs to gain access to financial capital in countries around the world. The Index is intended to measure not only the breadth, depth, and vitality of capital markets, but also openness in providing access without discrimination, a measure of global progress in the democratization of capital. The Index has 7 subcomponents with a score assigned from 1 to 10 for countries ranking lowest to highest in terms of capital access. The Capital Access Index is then calculated using the weighted average of the seven subcategories.

Source: <http://www.milkeninstitute.org/research/research.taf?cat=indexes>

The *Human Development Index* (HDI) is a comparative measure of life expectancy, literacy, education, and standard of living for most UN member states. The index has been used since 1993 by the United Nations Development Program in its annual Human Development Report. The HDI measures the average achievements in a country in three basic dimensions (life expectancy, literacy and standard of living) of human development. These measures are then converted into a 0 to 1 scale and each of the 177 UN member states are ranked accordingly each year.

Source: <http://hdr.undp.org/>

The *World Bank's Ease of Doing Business Index* provides measures of business regulations and their enforcement. The *Doing Business* indicators are designed to indicate the regulatory costs of business and can be used to analyze specific regulations that enhance or constrain investment, productivity, and growth. The Index then ranks economies. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered.

Source: <http://www.doingbusiness.org/>

The *Transparency International Corruption Perception Index* (CPI) ranks countries in terms of the degree to which corruption is perceived to exist. The CPI Score relates to these perceptions of the degree of corruption as seen by business people and country analysts from around the world, including experts who are citizens in the countries evaluated. The score ranges between 10 (highly clean) and 0 (highly corrupt).

Source: <http://www.transparency.org/>

V. Credit Ratings:

Long-term foreign currency ratings and outlooks, indicating the likelihood of a sovereign default of the country, are provided as of the last date of upgrade or downgrade by the three leading credit rating agencies.

VI. Macroeconomic data:

This section provides the latest GDP and GDP per capita figures, projected GDP growth, and inflation as provided by the latest available IMF *World Economic Outlook*, unemployment figures by the CIA *World Factbook*; the latest inward and outward foreign investment figures as reported in UNCTAD's annual *World Investment Report*; and the most recent figure for official development assistance (ODA) received or disbursed, as reported by the OECD.