LAYING THE FOUNDATION FOR PROSPERITY

THE GLOBAL RULE OF LAW AND BUSINESS DASHBOARD 2019

U.S. CHAMBER OF COMMERCE

COALITION FOR THE RULE OF LAW IN GLOBAL MARKETS

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

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CONTENTS

Tables and Figures

LIST OF ABBREVIATIONS

BRICS	Brazil, Russia, India, China and South Africa
Coalition	U.S. Chamber of Commerce's Coalition for the Rule of Law in Global Markets
Dashboard	Global Business Rule of Law Dashboard
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Trade and Tariffs
GCB	Global Corruption Barometer
GDP	Gross Domestic Product
GII	Global Integrity Index
MENA	Middle East and North Africa
MINT	Mexico, Indonesia, Nigeria and Turkey
OECD	Organization for Economic Cooperation and Development
OEEC	Organization for European Economic Cooperation
PPP	Purchasing Power Parity
UN	United Nations
USD	U.S. Dollars
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WTO	World Trade Organization

FOREWORD

Rule of Law as a Building Block for Prosperity

From theory to reality

In 2013, the U.S. Chamber of Commerce's Coalition for the Rule of Law in Global Markets developed the first edition of the Global Rule of Law and Business Dashboard. Sampling 10 markets across Latin America, the index was a first-of-its kind look into rule of law factors that support a stable environment for business and foreign investment. The Coalition defined those five factors— transparency, predictability, stability, accountability and due process— that are necessary for companies to make good investment and operating decisions, and thereby have a reasonable expectation of securing return on investment in any given market.

Now, in this fourth edition, the Dashboard has expanded coverage to 90 countries and added a glimpse into how countries are taking action.

The business case for rule of law has been well established. Companies perform best in open, transparent and meritocratic environments where there is proper enforcement and adjudication of the law.

The link between rule of law and prosperity is definitive. Countries that adhere to principles of good governance attract and develop top-caliber companies, which are better equipped to make long-term investments, create jobs, pay taxes, enact high labor and environmental standards, and put down roots in the communities where they operate.

The next step can lay the cornerstone for prosperity.

The public and private sector in action

The progress in scores achieved by the markets examined and rankings in this year's Dashboard reflect concrete actions governments have taken to improve rule of law in the business environment.

In some cases, countries made new commitments to simplify regulatory frameworks or extend legal investment protections. In other examples, governments harnessed technology to increase transparency in processes that had previously been conduits for corruption. Still others have stepped up enforcement of existing commitments under free trade agreements and bilateral tax and investment treaties, thereby reinforcing the rules-based architecture for global commerce.

These bright spots also highlight the success of public-private collaboration. It is incumbent upon the business community to assert itself in the rule of law domain; where a country shows the appetite and capacity to reform, the private sector should make complementary commitments.

Measuring gains

As the Dashboard illustrates, there are benefits to be obtained by demonstrating improvements irrespective of the base starting point. And there are gains to be made across all 90 markets surveyed, whether in a nation reintegrating itself into global markets or buttressing existing transparency frameworks.

To this end, the 2019 Dashboard highlights the case of Argentina: a government whose rollout of transparency-focused policies improved its metrics and signaled its commitment to rule of law. When a country of any ranking on the Dashboard makes a coordinated effort to improve the legal and regulatory environment for business, the world takes notice.

Enhancing the rule of law is an opportunity for all markets

One common refrain when measuring governance is that no single country is perfect. Another important conclusion is that neither the public sector, business community, nor civil society can singlehandedly improve a country's commitment to rule of law.

Improving adherence to the five pillars of rule of law that underpin this index requires a coordinated effort by a variety of actors, armed with tools like the 2019 Global Rule of Law and Business Dashboard. The U.S. private sector welcomes the opportunity to work with stakeholders in government, civil society and international institutions to improve the rule of law and lay the foundation for expanding our shared prosperity.

Myron A. Brilliant
Executive Vice President and
Head of International Affairs
U.S. Chamber of Commerce

July 2019

ABOUT THE COALITION FOR RULE OF LAW IN GLOBAL MARKETS

"*The rule of law, sanctity of contracts, and respect for property rights are the touchstones of respect for international investment.*"

—U.S. Chamber of Commerce, August 2017[1]

The U.S. Chamber of Commerce's Coalition for the Rule of Law in Global Markets was founded in 2010 as a platform to highlight the importance of rule of law to a vibrant economic environment.

Our central objective is to promote and defend the rule of law in global markets as a critical factor in fostering a worldwide investment climate that supports equality, economic growth, and shared prosperity for the world's citizens.

Through the Dashboard, outside partnerships, and direct advocacy, we strive to foster a global business environment where countries respect the rule of law and provide due process under law to investors, producers, and service providers of every nationality; highlight violations of the rule of law and advocate for their prompt and just resolution; and support and defend constitutionalism as the underpinning for the broader application of the rule of law.

The Coalition serves as a bridge between the public and private sectors by outlining how we can work collectively to address the rule of law challenges posed to formal business. To this end, the Dashboard seeks to educate stakeholders on the correlation between adherence to the rule of law and ability to attract long-term investment and build a robust foreign and domestic business community.

By producing the 2019 Global Rule of Law and Business Dashboard, we hope to provide policymakers the analytical tools to understand the state of rule of law in global and regional context, thereby enabling them to carry out the reforms that lay the foundations for greater prosperity.

EXECUTIVE SUMMARY

There is a close relationship between economic activity and institutions, governance, and the rule of law. Without the timely and nondiscriminatory enforcement of laws and regulations, commercial activities become more informal and less predictable and, ultimately, come at a higher cost to consumers and parties to the transaction. Simply put, business is less effective, less efficient, and less predictable without the rule of law.

Since 2013, the U.S. Chamber of Commerce and its Coalition for the Rule of Law in Global Markets has used the Global Business Rule of Law Dashboard (the Dashboard) to bring more attention to the rule of law environment as it relates to business. The Dashboard offers the business community, governments, policymakers, and stakeholders across the world an innovative and empirical tool to understand the particular needs of the business community. The Dashboard answers the following questions: How is the rule of law measured internationally? How do rule of law issues affect private sector operations? And what implications does the state of a nation's rule of law have for its economic vibrancy?

The 2019 edition of the Dashboard builds on the work of three previous editions. The number of economies sampled has increased significantly over the course of the past six years, with the Dashboard now encompassing 90 economies.

Overall results

The tables below show the overall results and country rankings for the 2019 Global Rule of Law and Business Dashboard.

1. THE AMERICAS

- Argentina
- Barbados
- Bolivia
- Brazil
- Canada
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Guyana
- Haiti
- Honduras
- Jamaica
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Suriname
- Trinidad and Tobago
- United States
- Uruguay

2. ASIA

- Australia
- Bangladesh
- Cambodia
- China
- India
- Indonesia
- Japan
- Malaysia
- Myanmar
- New Zealand
- Pakistan
- Philippines
- Singapore
- South Korea
- Thailand
- Vietnam

3. EUROPE AND CENTRAL ASIA

- Belgium
- Croatia
- Czech Republic
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Kazakhstan
- Lithuania
- Netherlands
- Poland
- Romania
- Russia
- Slovak Republic
- Spain
- Sweden
- Turkey
- Ukraine
- United Kingdom
- Uzbekistan

4. MIDDLE EAST AND NORTH AFRICA

- Algeria
- Bahrain
- Egypt
- Iran
- Iraq
- Israel
- Kuwait
- Morocco
- Oman
- Qatar
- Saudi Arabia
- Tunisia
- United Arab Emirates

5. SUB-SAHARAN AFRICA

- Angola
- Democratic Republic of Congo
- Ethiopia
- Ghana
- Côte d'Ivoire
- Kenya
- Mozambique
- Namibia
- Nigeria
- Senegal
- South Africa
- Tanzania
- Zimbabwe

2019 OVERALL DASHBOARD SCORE

Economy	2019 Overall Dashboard % Score	2017 Overall Dashboard % Score	Movement (positive/ negative)
Singapore	86.75	84.93	1.82
Sweden	84.79	NA	
New Zealand	84.27	84.90	-0.63
Netherlands	82.88	NA	
Australia	82.70	83.06	-0.36
Germany	82.56	79.19	3.37
United Kingdom	82.12	78.55	3.57
United States	78.37	74.14	4.23
Japan	78.03	79.23	-1.20
Canada	77.70	77.94	-0.24
Ireland	77.56	NA	
Belgium	76.85	70.83	6.02
France	75.57	70.51	5.06
United Arab Emirates	72.68	71.14	1.54
Czech Republic	71.78	NA	
Lithuania	71.62	NA	
Israel	71.09	66.24	4.85
Spain	70.30	62.79	7.51
Poland	68.92	NA	
South Korea	68.54	66.67	1.87
Uruguay	68.33	65.37	2.96
Malaysia	66.14	65.10	1.04
Chile	65.44	63.11	2.33
Slovak Republic	65.06	53.03	12.03
Hungary	63.92	59.13	4.79
China	63.83	62.84	0.99
Croatia	63.41	NA	
Romania	63.02	NA	
Namibia	62.29	NA	
Qatar	61.99	64.74	-2.75
Kazakhstan	61.81	53.79	8.02
Costa Rica	61.70	60.08	1.62
Italy	61.14	58.96	2.18
Bahrain	60.00	60.96	-0.96
India	59.62	57.61	2.01
Thailand	59.24	51.88	7.36
Barbados	59.05	58.13	0.92
Tunisia	58.87	NA	
Oman	58.29	NA	
Turkey	57.58	57.54	0.04
Morocco	56.88	57.66	-0.78
Vietnam	56.62	53.40	3.22
Indonesia	56.49	53.65	2.84
Jamaica	56.47	51.27	5.20
Greece	56.35	50.96	5.39
Russia	56.24	47.49	8.75
Saudi Arabia	55.53	58.45	-2.92
Senegal	55.03	NA	
South Africa	55.02	64.17	-9.15
Argentina	54.18	46.69	7.49
Kenya	53.89	51.61	2.28
Ghana	53.77	56.59	-2.82
Colombia	53.24	52.90	0.34
Panama	52.88	50.71	2.17
Brazil	52.39	47.99	4.40
Kuwait	51.93	53.85	-1.92
Egypt	51.87	52.11	-0.24
Trinidad and Tobago	51.29	50.92	0.37
Tanzania	49.87	52.48	-2.61
Côte d'Ivoire	48.67	46.38	2.29
Peru	48.46	48.57	-0.11
Ethiopia	48.35	48.77	-0.42
Uzbekistan	48.20	NA	
Dominican Republic	47.91	41.14	6.77
Mexico	47.13	47.84	-0.71
Philippines	46.90	49.51	-2.61
Suriname	46.70	40.19	6.51
Myanmar	46.50	33.70	12.80
Ecuador	46.43	35.76	10.67
El Salvador	46.37	38.18	8.19
Nicaragua	46.31	44.79	1.52
Ukraine	45.62	NA	
Pakistan	44.82	45.15	-0.33
Mozambique	44.75	33.47	11.28
Paraguay	44.41	34.20	10.21
Guyana	44.32	42.52	1.80
Nigeria	44.04	41.84	2.20
Bangladesh	43.93	44.44	-0.51
Guatemala	43.30	42.45	0.85
Honduras	42.40	38.92	3.48
Algeria	41.52	NA	
Cambodia	41.09	NA	
Zimbabwe	40.38	NA	
Iran	39.17	37.42	1.75
Bolivia	37.18	43.53	-6.35
Iraq	29.35	29.72	-0.37
Democratic Republic of Congo	27.94	NA	
Angola	27.69	29.28	-1.59
Venezuela	22.14	29.49	-7.35
Haiti	21.16	21.90	-0.74

2019 OVERALL DASHBOARD RANKING

Economy	Rank 2019 (out of 90 economies)	Rank 2017 (out of 72 economies)
Singapore	1	1
Sweden	2	NA
New Zealand	3	2
Netherlands	4	NA
Australia	5	3
Germany	6	5
United Kingdom	7	6
United States	8	8
Japan	9	4
Canada	10	7
Ireland	11	NA
Belgium	12	10
France	13	11
United Arab Emirates	14	9
Czech Republic	15	NA
Lithuania	16	NA
Israel	17	13
Spain	18	20
Poland	19	NA
South Korea	20	12
Uruguay	21	14
Malaysia	22	15
Chile	23	18
Slovak Republic	24	35
Hungary	25	23
China	26	19
Croatia	27	NA
Romania	28	NA
Namibia	29	NA
Qatar	30	16
Kazakhstan	31	32
Costa Rica	32	22
Italy	33	24
Bahrain	34	21
India	35	28
Thailand	36	39
Barbados	37	26
Tunisia	38	NA
Oman	39	NA
Turkey	40	29
Morocco	41	27
Vietnam	42	34
Indonesia	43	33
Jamaica	44	41
Greece	45	42
Russia	46	50
Saudi Arabia	47	25
Senegal	48	NA
South Africa	49	17
Argentina	50	51
Kenya	51	40
Ghana	52	30
Colombia	53	36
Panama	54	44
Brazil	55	48
Kuwait	56	31
Egypt	57	38
Trinidad and Tobago	58	43
Tanzania	59	37
Côte d'Ivoire	60	52
Peru	61	47
Ethiopia	62	46
Uzbekistan	63	NA
Dominican Republic	64	60
Mexico	65	49
Philippines	66	45
Suriname	67	61
Myanmar	68	67
Ecuador	69	65
El Salvador	70	63
Nicaragua	71	54
Ukraine	72	NA
Pakistan	73	53
Mozambique	74	68
Paraguay	75	66
Guyana	76	57
Nigeria	77	59
Bangladesh	78	55
Guatemala	79	58
Honduras	80	62
Algeria	81	NA
Cambodia	82	NA
Zimbabwe	83	NA
Iran	84	64
Bolivia	85	56
Iraq	86	69
Democratic Republic of Congo	87	NA
Angola	88	71
Venezuela	89	70
Haiti	90	72

Key findings

Key finding 1: Despite improvement, the rule of law for business remains a challenge globally.

Nowhere in the 90 economies sampled is the rule of law environment for business perfect, meaning no single economy received a score of 100%. Although the scale and type of challenges vary, there is room for improvement in all 90 nations sampled. Furthermore, only 13 economies achieved an overall Dashboard score of 75% or more. This underscores the fact that the legal climate can be characterized as strong and reliable in just a handful of economies. And while the aggregated average score for the Dashboard sample in 2019 stands at 56.77%, an improvement from 55.02% in 2017, no single region achieves an average score in line with the average benchmark of the Organization for Economic Cooperation and Development (OECD) nations. As in 2017, the highest mean score is that achieved by the Europe and Central Asia region, at 67.60%. However, when adjusted for this region's high degree of economic development, and the fact that a majority of sampled economies are OECD members (16 out of 22) or European Union (EU) member states (17 out of 22), a high mean score would be expected.

Key finding 2: The Americas region is failing to catch up.

The Americas region remains one of the lowest-performing regions in the Dashboard. Fourteen of the 26 countries from the region fail to reach a score of 50%, with three others—Trinidad and Tobago, Brazil, and Panama—receiving scores just a few percentage points over 50%. Although the region's average score of 50.59% is an improvement from 48.03% in 2017, one-third of the lowest-performing 15 countries on the Dashboard are from the Americas. The two countries that receive the lowest scores in the Dashboard, Venezuela and Haiti, have each seen their rule of law environment decline since 2017. With a per capita income and level of socio-economic development comparable to the Middle East and North Africa region—and a higher level of income and economic development than the sampled economies from Sub-Saharan Africa—the average regional score of the Americas places is just 4.0% behind the MENA region and 3.5% ahead of Sub-Saharan Africa.

Key finding 3: Most OECD members outperform the Dashboard average.

The majority of OECD members perform well on the Dashboard. All but one of the top 10 economies on the Dashboard—Singapore—are OECD members. The average Dashboard score for OECD economies is 72.09%, which would rank 17th on the Dashboard as an independent economy and first on the Dashboard as a geographic region. There is, however, a wide disparity between the top performers and other OECD member states. For example, Mexico, despite being an OECD member since 1994, is almost 40 percentage points behind top performers Sweden and New Zealand. In order to catch up, Mexico would have to improve its showing in nearly all of the underlying categories. Italy and Greece—OECD members and high-income, longstanding EU member states—fail to reach even two-thirds of the maximum score and are ranked 33rd and 45th, respectively. Colombia, which was invited into OECD membership in 2018, achieves a score of 53.24%, placing it behind most of its future peers. Costa Rica, which began the accession process in 2015, performs better with a score of 61.70%, but is still well below the OECD average.[2]

INTRODUCTION

> *I'm a card-carrying capitalist, and I believe we wouldn't be sitting here except for the market system and the rule of law.*
>
> **—Warren Buffett, May 2019**[3]

> *How can we hope to have good policy without good governance? And how can we attract the investment, drive the growth, and create the prosperity we all want when the rule of law is in question?*
>
> **—Thomas J. Donohue, April 2018**[4]

The notion that institutions, governance, and the rule of law are key factors in economic development and growth is not a new idea. Historically, theories on social contracts and the organization of a society have emphasized the provision of peace and security. In a Hobbesian sense, there is no basis for economic activity or commercial interaction without the state providing security of life and property—that is, the basic elements of the rule of law.

Since the 1980s, a growing subfield of macroeconomic study has been the role of public institutions and the rule of law in economic growth. How do institutions, governance, and the rule of law impact economic activity? Do countries with higher levels of corruption and weaker institutions see lower levels of growth and formal commerce? The work of economists such as Robert Barro suggests that institutions, governance, and the rule of law have a significant impact on rates of economic growth.[5] As Warren Buffett succinctly described, without the protections provided by the rule of law, the ground is not fertile for a market economy and wealth creation.

Project background

In 2013, the U.S. Chamber commissioned an evidence-based analysis of existing indices and surveys of the rule of law. The subsequent report, *Connecting the Dots: The Rule of Law and Business Developing a Global Business Rule of Law Dashboard*, mapped the existing international indices and surveys of legal and regulatory environments, which included indicators and measured areas of rule of law as they relate to business. Based on these findings, the report identified indicators of highest relevance to the private sector and amalgamated them into a composite meta-measure to compare 10 markets in the Americas.

In 2015, the Dashboard was expanded by 50 new economies and by 2017, the number of economies included in the Dashboard totaled 72.

The 2019 Dashboard is the fourth edition. By expanding the economies sampled to 90, the report provides further insight into some of the United States' top trading partners and destinations for investment; the world's fastest-growing, emerging, and frontier markets; and aspiring OECD members. This expansion adds to the robust evidence on the correlation between the rule of law and a thriving business environment.

An overview of the economies included in the 2019 Dashboard is given in Table 1, organized by region.

TABLE 1: ECONOMIES SAMPLED, 2019 GLOBAL RULE OF LAW AND BUSINESS DASHBOARD

Asia	The Americas	Europe and Central Asia	Sub-Saharan Africa	Middle East and North Africa
Australia	Argentina	Belgium	Angola	**Algeria**
Bangladesh	Barbados	**Croatia**	**Democratic Republic of Congo**	Bahrain
Cambodia	Bolivia	**Czech Republic**	Ethiopia	Egypt
China	Brazil	France	Ghana	Iran
India	Canada	Germany	Côte d’Ivoire	Iraq
Indonesia	Chile	Greece	Kenya	Israel
Japan	Colombia	Hungary	Mozambique	Kuwait
Malaysia	Costa Rica	**Ireland**	**Namibia**	Morocco
Myanmar	Dominican Republic	Italy	Nigeria	**Oman**
New Zealand	Ecuador	Kazakhstan	**Senegal**	Qatar
Pakistan	El Salvador	**Lithuania**	South Africa	Saudi Arabia
Philippines	Guatemala	**Netherlands**	Tanzania	**Tunisia**
Singapore	Guyana	**Poland**	**Zimbabwe**	United Arab Emirates
South Korea	Haiti	**Romania**		
Thailand	Honduras	Russia		
Vietnam	Jamaica	Slovak Republic		
	Mexico	Spain		
	Nicaragua	**Sweden**		
	Panama	Turkey		
	Paraguay	**Ukraine**		
	Peru	United Kingdom		
	Suriname	**Uzbekistan**		
	Trinidad and Tobago			
	United States			
	Uruguay			
	Venezuela			

Note: Bolded economies appear in the Dashboard for the first time.

Report overview

This report consists of six sections and two appendices.

Section 1 describes how the Dashboard is built and the rationale for creating a tool to measure the rule of law environment grounded in the factors of importance to the private sector.

Section 2 examines the overall results of the Dashboard and parses the results to reach conclusions about the global state of the rule of law.

Section 3 creates an international standard for the rule of law and business by averaging the Dashboard scores of the 25 out of 36 OECD member economies included in the report. This creates an easy-to-use international standard that all economies—developed, developing, and emerging—can be measured against.

Section 4 provides a regional analysis of the 2019 Dashboard results. Included in this report are inter-regional and intra-regional comparisons of how countries in the five regions perform, as well as comparisons between these regions and the OECD standard created in Section 3.

Section 5 examines how the rule of law and business environment has changed over time. In addition to looking at the aggregated Dashboard movements over time and mapping the slow global improvement, this section examines a sample of individual economies that have seen their Dashboard performance improve over the past few years and seeks to explain how they have done it.

Section 6 ties together the analysis and data-based insights of the preceding sections and offers concluding thoughts on the Dashboard and the global rule of law and business environment in 2019.

Appendix A provides a description of the methodology used to build the Dashboard.

Appendix B supplies the data used to build the Dashboard.

SECTION 1:

TAKING THE PULSE OF THE RULE OF LAW FOR BUSINESS—RATIONALE, DEFINITIONS, AND METHODOLOGICAL OVERVIEW OF THE GLOBAL RULE OF LAW AND BUSINESS DASHBOARD

1. TAKING THE PULSE OF THE RULE OF LAW FOR BUSINESS—RATIONALE, DEFINITIONS, AND METHODOLOGICAL OVERVIEW OF THE DASHBOARD

1.1 Globalization, the rule of law, and business

Today's global economy is interlinked and open for business in a way that was impossible a mere generation ago. Indeed, the sum of the technological, logistical, and political changes of the past three decades amounts to a paradigm shift that has enabled the vast supply chains that now crisscross the globe. Today, the value of global trade in goods is almost exactly five times the value of global trade in 1990; and this is not counting trade in services, which has grown exponentially over the past two decades.[6] Just-in-time manufacturing and the use of internationally additive supply chains are the basis for modern commerce. Despite recent trade talks between the United States and China over trade practices and industrial policies, the interdependence of these two economic giants illustrates the broader shift toward integration. Today, manufacturers from as far away as China and India can reach a prospective U.S. customer in a matter of seconds through online retailers and merchants. Goods and services can be outsourced, designed, assembled, and delivered in different countries through a variety of vendors—all part of a seamless process of global commercial integration.

Yet this modern miracle of economic and technological integration would be impossible without a rules-based system and the rule of law. First established through the General Agreement on Trade and Tariffs (GATT) and subsequently enshrined in the World Trade Organization (WTO), the basic principles of a modern global trading system are at the core of this economic integration. Indeed, the most fundamental principles of international trade enshrined in both the GATT and WTO agreements, including national treatment and most favored nation, presume adherence to agreed trading rules and due process. As the global economy has become more complex, enforcement of these rules has become increasingly challenging. Nevertheless, the existence of these rules and the overall trend toward the strengthening of the rule of law globally—both through international institutions and domestically—have been a prerequisite for this economic globalization.

1.2 Why business needs the rule of law

There is a close relationship between economic activity and institutions, governance, and the rule of law. Rule of law is a prerequisite for good governance, as it implies the universal application of a body of coherent regulations that are enforced and modified through transparent procedures. A strong rule of law entails that administering institutions be predictable and accountable, and that subjects of the law be able to comply with the enforcement mechanisms without undue difficulty. In the absence of effective, timely, and nondiscriminatory enforcement of laws and regulations in a given legal jurisdiction, commercial activities become more informal and less predictable, and, ultimately, come at a higher cost to consumers and the parties to the transaction. This does not mean that economic activity is limited to the most welcoming environments. On the contrary, rapid growth in frontier markets demonstrates how economic activity can be generated even in challenging environments. Still, much of that activity is concentrated in commodities and natural resources, compared with economies where there is a higher level of certainty. Looking at flows of foreign direct investment (FDI), for example, suggests a clear linkage between the rule of law and confidence of investors.

The rule of law: a prerequisite for foreign direct investment

Broadly defined, FDI reflects “the objective of obtaining a lasting interest by a resident entity in one economy in an entity resident in an economy other than that of the investor.”[7] To this end, FDI represents the existence of trust necessary for a long-term financial relationship between the investor and the recipient of the investment. A foreign investor can be an incorporated or unincorporated public or private enterprise, a government, or a group of related individuals, and the term is generally applied when foreign investors own at least 10% of the said enterprise.

But this is a narrow a view of FDI based on a strictly legal and accounting perspective. In reality, FDI encompasses a much broader realm of economic exchange, which includes technology transfer, proprietary intangible assets such as patents and trade secrets, and know-how.[8] Another critical component of FDI is its iterative nature—most investments involve a series of financial interactions between the investor and target market, often across a series of industries and making use of a variety of legal structures and tools.

FDI flows are therefore good proxies for the relative attractiveness of and confidence in a given market. Naturally, a large number of factors (e.g., market size, natural resources, sectoral opportunities) influence the relative attractiveness to FDI of a given market, but the relationship between strong rule of law and high performance on the 2019 Dashboard is undeniable. Table 2 shows the top 30 recipients of net inflows of FDI between 2000 and 2017 and their 2019 Dashboard ranking.

TABLE 2: TOP 30 RECIPIENTS OF FDI, ANNUAL AVERAGE 2000-2017, AND 2019 DASHBOARD RANKING[9]

Economy	Foreign direct investment, net inflows (Balance of Payments (BoP), current USD), annual average 2000-2017	2019 Dashboard Overall Ranking
United States	$273,754,722,222	8
Netherlands	$205,759,418,250	4
China	$159,152,751,709	26
United Kingdom	$110,919,399,021	7
Hong Kong SAR, China	$73,096,537,791	Not included
Germany	$67,395,710,300	6
Brazil	$51,611,439,297	55
France	$46,895,721,374	13
Ireland	$46,245,062,160	11
Canada	$44,628,196,407	10
Belgium	$42,656,287,480	12
Singapore	$40,100,977,758	1
Spain	$35,969,601,689	18
British Virgin Islands	$35,527,946,333	Not included
Australia	$34,348,132,313	5
Russia	$31,150,654,444	46
Switzerland	$28,465,502,836	Not included
Mexico	$27,386,191,355	65
India	$24,088,971,426	35
Italy	$20,825,321,904	33
Cayman Islands	$19,789,633,889	Not included
Luxembourg	$19,537,497,858	Not included
Sweden	$15,243,001,607	2
Hungary	$13,800,470,009	25
Chile	$13,230,612,174	23
Poland	$12,964,111,111	19
Saudi Arabia	$12,160,555,681	47
Japan	$11,442,628,529	9
Turkey	$11,030,000,000	40
Austria	$10,784,957,200	Not included

Of these 30 economies, only 10—one-third of the sample—were outside the top 20 in the 2019 Dashboard rankings. Among the top 10 recipients, only Brazil and China ranked lower than 15th on the 2019 Dashboard.

1.3 Defining the rule of law for business

Definitions of the rule of law can vary significantly among disciplines. At the risk of oversimplifying, the rule of law comes in "thick" and "thin" varieties.[10] Thick definitions view the rule of law as linked to how society is governed and the formal and informal freedoms granted. Thin definitions focus more on procedural elements or outcomes, including whether the relevant institutions are willing and able to provide adequate rights and administer justice.

This report use the definition of the rule of law and business articulated by the U.S. Chamber of Commerce's Coalition for the Rule of Law in Global Markets to establish the meaning of rule of law from the perspective of the private sector. In the Heritage Foundation's 2013 *Index of Economic Freedom*, U.S. Chamber of Commerce policy experts outlined this definition and the five most important factors identified by the business community when assessing the rule of environment of a market (Table 3).[11]

TABLE 3: DEFINING THE RULE OF LAW AND BUSINESS: FIVE FACTORS[12]

1. Transparency. Laws and regulations applied to business must be readily accessible and easily understood.
2. Predictability. Laws and regulations must be applied in a logical and consistent manner regardless of time, place, or parties concerned.
3. Stability. The state's rationale for the regulation of business—for example, promotion of negotiation and implementation of trade agreements and other vehicles that strengthen rule of law, sanctity of contracts, and compliance with international law—must be consistent and coherent over time, establishing an institutional consistency across administrations, and free from arbitrary or retrospective amendment.
4. Accountability. Investors must be confident that the laws (e.g., related to anti-bribery and corruption issues) will be upheld and applied equally to government as well as the private sector and civil society.
5. Due Process. When disputes inevitably arise, they must be resolved not by ad hoc arrangements or special interventions, but in a fair, transparent, and predetermined process.

1.4 A methodological overview of the Dashboard

The Dashboard relies on information and research contained in seven internationally established indices and surveys. The Dashboard is constructed through a three-part process of mapping, extracting, and combining existing indicators within these seven underlying indices. In this way, the Dashboard is a composite of the most relevant factors benchmarked in these measures. A full description of the methodology and underlying indices and surveys used to build the 2019 Dashboard is provided in Appendix A.

Table 4 shows the seven underlying measures used to build the 2019 Dashboard.

TABLE 4: UNDERLYING INDICES AND SURVEYS USED TO BUILD THE 2019 DASHBOARD

Measure
World Economic Forum: *The Global Competitiveness Report 2018*[13]
The World Justice Project: *Rule of Law Index 2019*[14]
Transparency International: *Global Corruption Barometer, 9th edition*, 2017, and *Global Corruption Barometer 2013*[15]
Heritage Foundation: *2019 Index of Economic Freedom*[16]
World Bank Group: *Enterprise Surveys—What Businesses Experience*[17]
Daniel Kaufmann and Aart Kraay: *Worldwide Governance Indicators 2018*[18]
World Bank Group: *Doing Business 2019, Training for Reform*[19]

Of note is that the current edition of the Dashboard removed one of the underlying measures used in the three preceding editions, the *Global Integrity Index* (GII), due to its relatively low coverage and failure to update after 2013. The GII has been replaced by the World Bank's *Enterprise Surveys*, which provide a firm-level perspective on the state's relationship to the local private sector, including issues pertaining to the rule of law. This research provides an excellent "bottom-up" source of information on national business environments by those who know it best—the local businesses operating daily within a given jurisdiction.

SECTION 2:

THE 2019 GLOBAL RULE OF LAW AND BUSINESS DASHBOARD —OVERALL RESULTS

2. THE 2019 GLOBAL RULE OF LAW AND BUSINESS DASHBOARD —OVERALL RESULTS

Below, Tables 5 and 6 show the overall results and country rankings for the 2019 Global Rule of Law and Business Dashboard. Table 5 shows the overall percentage score results for the 90 economies sampled. Table 6 shows the 2019 economy rankings compared to 2017. These are the overall results of extracting and combining all relevant rule of law and business indicators for the 90 economies examined from the seven measures mapped and described in the preceding section. The results are presented as a percentage of the available scores, which for all measures and indicators extracted were standardized to a number between 0 and 100 as detailed in Appendix A. Both tables compare economies' overall results and rankings for 2019 with the overall results for 2017 (excluding new economies added to the 2019 sample).

TABLE 5: 2019 OVERALL DASHBOARD SCORE

Economy	2019 Overall Dashboard % Score	2017 Overall Dashboard % Score	Movement (positive/ negative)
Singapore	86.75	84.93	1.82
Sweden	84.79	NA	
New Zealand	84.27	84.90	-0.63
Netherlands	82.88	NA	
Australia	82.70	83.06	-0.36
Germany	82.56	79.19	3.37
United Kingdom	82.12	78.55	3.57
United States	78.37	74.14	4.23
Japan	78.03	79.23	-1.20
Canada	77.70	77.94	-0.24
Ireland	77.56	NA	
Belgium	76.85	70.83	6.02
France	75.57	70.51	5.06
United Arab Emirates	72.68	71.14	1.54
Czech Republic	71.78	NA	
Lithuania	71.62	NA	
Israel	71.09	66.24	4.85
Spain	70.30	62.79	7.51
Poland	68.92	NA	
South Korea	68.54	66.67	1.87
Uruguay	68.33	65.37	2.96
Malaysia	66.14	65.10	1.04
Chile	65.44	63.11	2.33
Slovak Republic	65.06	53.03	12.03
Hungary	63.92	59.13	4.79
China	63.83	62.84	0.99
Croatia	63.41	NA	
Romania	63.02	NA	
Namibia	62.29	NA	
Qatar	61.99	64.74	-2.75
Kazakhstan	61.81	53.79	8.02
Costa Rica	61.70	60.08	1.62
Italy	61.14	58.96	2.18
Bahrain	60.00	60.96	-0.96
India	59.62	57.61	2.01
Thailand	59.24	51.88	7.36
Barbados	59.05	58.13	0.92
Tunisia	58.87	NA	
Oman	58.29	NA	
Turkey	57.58	57.54	0.04
Morocco	56.88	57.66	-0.78
Vietnam	56.62	53.40	3.22
Indonesia	56.49	53.65	2.84
Jamaica	56.47	51.27	5.20
Greece	56.35	50.96	5.39

Economy	2019 Overall Dashboard % Score	2017 Overall Dashboard % Score	Movement (positive/ negative)
Russia	56.24	47.49	8.75
Saudi Arabia	55.53	58.45	-2.92
Senegal	55.03	NA	
South Africa	55.02	64.17	-9.15
Argentina	54.18	46.69	7.49
Kenya	53.89	51.61	2.28
Ghana	53.77	56.59	-2.82
Colombia	53.24	52.90	0.34
Panama	52.88	50.71	2.17
Brazil	52.39	47.99	4.40
Kuwait	51.93	53.85	-1.92
Egypt	51.87	52.11	-0.24
Trinidad and Tobago	51.29	50.92	0.37
Tanzania	49.87	52.48	-2.61
Côte d'Ivoire	48.67	46.38	2.29
Peru	48.46	48.57	-0.11
Ethiopia	48.35	48.77	-0.42
Uzbekistan	48.20	NA	
Dominican Republic	47.91	41.14	6.77
Mexico	47.13	47.84	-0.71
Philippines	46.90	49.51	-2.61
Suriname	46.70	40.19	6.51
Myanmar	46.50	33.70	12.80
Ecuador	46.43	35.76	10.67
El Salvador	46.37	38.18	8.19
Nicaragua	46.31	44.79	1.52
Ukraine	45.62	NA	
Pakistan	44.82	45.15	-0.33
Mozambique	44.75	33.47	11.28
Paraguay	44.41	34.20	10.21
Guyana	44.32	42.52	1.80
Nigeria	44.04	41.84	2.20
Bangladesh	43.93	44.44	-0.51
Guatemala	43.30	42.45	0.85
Honduras	42.40	38.92	3.48
Algeria	41.52	NA	
Cambodia	41.09	NA	
Zimbabwe	40.38	NA	
Iran	39.17	37.42	1.75
Bolivia	37.18	43.53	-6.35
Iraq	29.35	29.72	-0.37
Democratic Republic of Congo	27.94	NA	
Angola	27.69	29.28	-1.59
Venezuela	22.14	29.49	-7.35
Haiti	21.16	21.90	-0.74

TABLE 6: 2019 OVERALL DASHBOARD RANKING

Economy	Rank 2019 (out of 90 economies)	Rank 2017 (out of 72 economies)
Singapore	1	1
Sweden	2	NA
New Zealand	3	2
Netherlands	4	NA
Australia	5	3
Germany	6	5
United Kingdom	7	6
United States	8	8
Japan	9	4
Canada	10	7
Ireland	11	NA
Belgium	12	10
France	13	11
United Arab Emirates	14	9
Czech Republic	15	NA
Lithuania	16	NA
Israel	17	13
Spain	18	20
Poland	19	NA
South Korea	20	12
Uruguay	21	14
Malaysia	22	15
Chile	23	18
Slovak Republic	24	35
Hungary	25	23
China	26	19
Croatia	27	NA
Romania	28	NA
Namibia	29	NA
Qatar	30	16
Kazakhstan	31	32
Costa Rica	32	22
Italy	33	24
Bahrain	34	21
India	35	28
Thailand	36	39
Barbados	37	26
Tunisia	38	NA
Oman	39	NA
Turkey	40	29
Morocco	41	27
Vietnam	42	34
Indonesia	43	33
Jamaica	44	41
Greece	45	42
Russia	46	50
Saudi Arabia	47	25
Senegal	48	NA
South Africa	49	17
Argentina	50	51
Kenya	51	40
Ghana	52	30
Colombia	53	36
Panama	54	44
Brazil	55	48
Kuwait	56	31
Egypt	57	38
Trinidad and Tobago	58	43
Tanzania	59	37
Côte d'Ivoire	60	52
Peru	61	47
Ethiopia	62	46
Uzbekistan	63	NA
Dominican Republic	64	60
Mexico	65	49
Philippines	66	45
Suriname	67	61
Myanmar	68	67
Ecuador	69	65
El Salvador	70	63
Nicaragua	71	54
Ukraine	72	NA
Pakistan	73	53
Mozambique	74	68
Paraguay	75	66
Guyana	76	57
Nigeria	77	59
Bangladesh	78	55
Guatemala	79	58
Honduras	80	62
Algeria	81	NA
Cambodia	82	NA
Zimbabwe	83	NA
Iran	84	64
Bolivia	85	56
Iraq	86	69
Democratic Republic of Congo	87	NA
Angola	88	71
Venezuela	89	70
Haiti	90	72

What stands out from the 2019 results?

In terms of overarching themes, it is clear the rule of law environment for business is not perfect anywhere. No single country gets a score of 100%. In this sense, businesses face challenges everywhere, and there is room for improvement in all 90 economies sampled—big, small, developed, developing, and emerging.

It is also worth noting that only 13 economies (14.4%) achieve an overall Dashboard score of 75% or higher. This means that businesses around the world have only a handful of economies in which to operate where the rule of law environment can be characterized as strong and reliable.

There are also some positive indications in the Dashboard scores.

Although only a small proportion of the Dashboard economies (24%) achieve a score of 66% or better, this is still an increase from the 2017 proportion (20%). Similarly, while the number of economies failing to achieve a Dashboard score of 50% or better remains high (32 countries, or 35%), it is still lower than in 2017, when the proportion was 38.9%

Digging deeper into individual economies, the results are also revealing.

The top 10 list is dominated by economies from Europe, Asia, and North America. **Singapore** is the clear leader, achieving a score of 86.75%, up almost 2% from 2017. **Sweden** (an addition in 2019) and **New Zealand** are separated by half a percentage point, at 84.79% and 84.27%, respectively. The next tier of economies, the **Netherlands**, **Australia**, **Germany**, and the **United Kingdom**, all score between 82.12% and 82.88%, separated by 0.76%. The **United States**, **Japan**, and **Canada** round out the top 10—all three are separated by less than 0.8%—scoring 78.37%, 78.03%, and 77.70%, respectively. These clusters of grouping may represent a common approach to the rule of law, or a similarity in the type and implementation method of regulations designed to bolster a secure and stable business environment.

Shifting focus from the top to the bottom of the Dashboard, several results stand out. While the addition of 18 new economies to the Dashboard displaced some of the previous best performers, the lowest three performers on the Dashboard have remained unchanged: **Angola**, **Venezuela**, and **Haiti**. The drop in all three scores suggests a decline in governance, with Venezuela seeing the biggest drop, from 29.49% in 2017 to 22.14% in 2019. More broadly, four out of the bottom 10 countries are additions to the Dashboard this year: **Algeria**, **Cambodia**, **Zimbabwe**, and the **Democratic Republic of Congo**. Other countries that appeared in the bottom 10 country scores in 2017, **Myanmar**, **Nicaragua**, **Mozambique**, **Paraguay**, and **El Salvador** saw their positions change for a variety of reasons, including improvement in their scores, the addition of new entrants, and falling scores of their peers.

Businesses also face challenges in the growing economic blocs such as the BRICS (**Brazil**, **Russia**, **India**, **China**, and **South Africa**) and MINT (**Mexico**, **Indonesia**, **Nigeria**, and **Turkey**) groupings. None of these markets manage to achieve a score of 66% or higher on the Dashboard. China performs the best, with a score of 63.83%, but the majority of these economies have been stagnating or declining. South Africa saw its Dashboard score drop by almost 10 percentage points (9.15%); Mexico's score decreased by 0.71%; and Turkey and China have largely stood still. Those that have improved their score—most notably Brazil and Russia, each of which experienced substantial increases—did so from a modest base. Brazil's Dashboard score improved from 47.99% to 52.39%, Russia's score went from 47.49% to just over 56%. This is still far behind developed OECD economies that make up the top 10. Overall, the average score for the nine economies is 54.70%, up slightly from 53.44% in 2017. Table 7 isolates the overall results for the BRICS and MINT economies, comparing the 2017 and 2019 Dashboards.

TABLE 7: BRICS AND MINT ECONOMIES, OVERALL DASHBOARD RESULTS, 2017 VS. 2019

Economy	2019 Overall Dashboard % Score	2017 Overall Dashboard % Score	Movement (positive/negative)
China	63.83	62.84	0.99
India	59.62	57.61	2.01
Turkey	57.58	57.54	0.04
Indonesia	56.49	53.65	2.84
Russia	56.24	47.49	8.75
South Africa	55.02	64.17	-9.15
Brazil	52.39	47.99	4.40
Mexico	47.13	47.84	-0.71
Nigeria	44.04	41.84	2.20

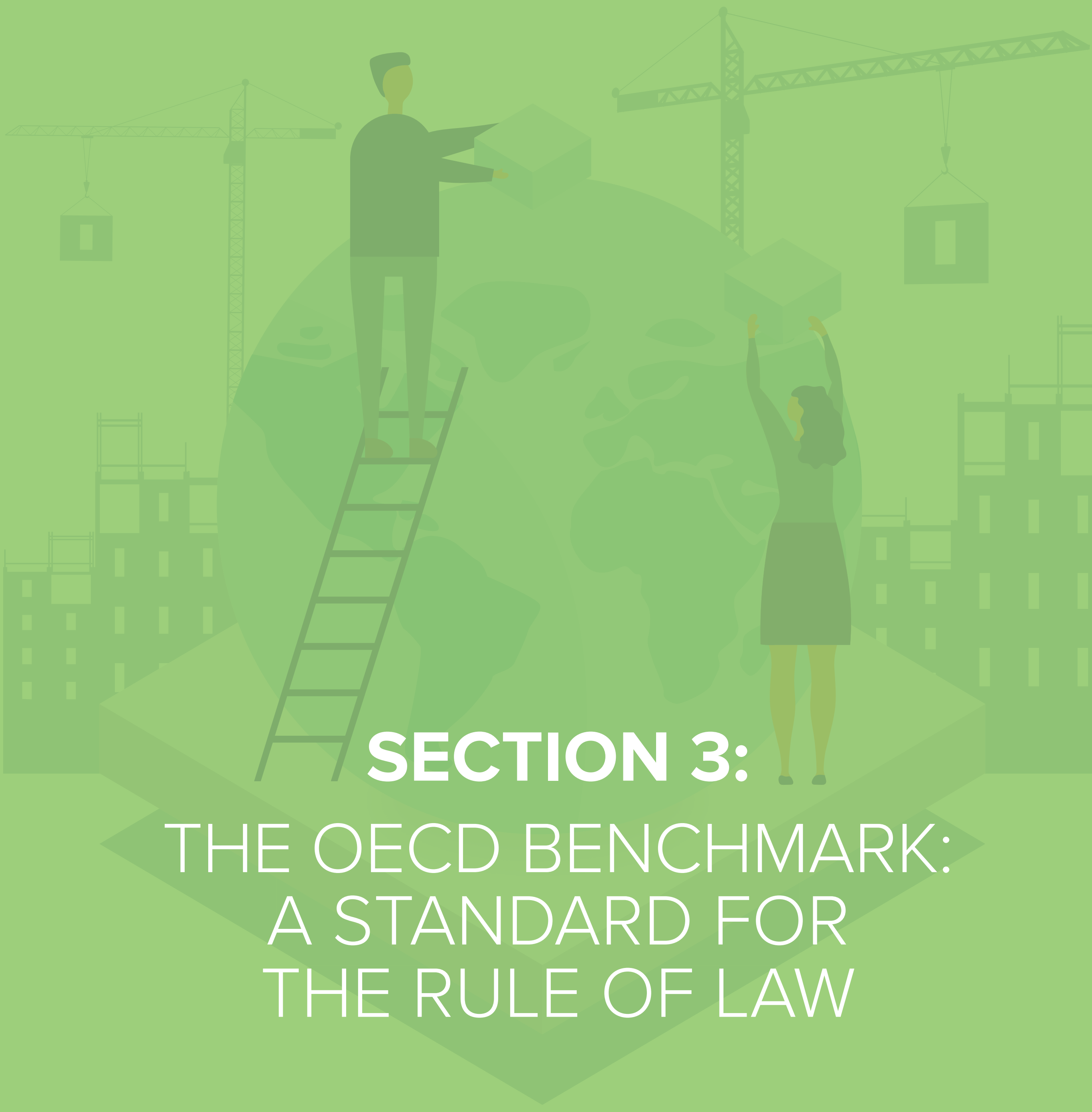
Does this modest performance among emerging, high-growth economies mean that mature, high-income economies intrinsically have a stronger and more stable rule of law environment for business? Not quite.

Economies such as **Italy** and **Greece**—two high-income, democratic EU member states—fail to reach even two-thirds of the maximum score and are ranked 33rd and 45th, respectively, behind frontier economies such as **Kazakhstan**, **Qatar**, and **Namibia**. Similarly, a high income per capita does not always equate with a higher Dashboard score. Both **Bahrain** and **Kuwait** are high-income economies with per capita income comparable to many EU member states and other high-income OECD economies, yet both countries languish with scores of 60.00% and 51.93%, respectively.

2.1 Evaluating performance on the Dashboard

One of the challenges of employing a comparative performance-based analysis is defining the relevant points of comparisons—in other words, defining what constitutes "good" and "bad" on a given scale. For a metric comparing the performance of individual economies, it is helpful to establish a composite benchmark in order to evaluate performance across a large sample of economies. Benchmarks or standards also help clarify how countries can improve their climates for FDI, promote a "race to the top" mentality, and are an effective tool for engagement for countries seeking to make progress in specific rule of law domains. Simply put, standards serve as a point of reference in the complex realm of rule of law.

In order to address this issue, this edition of the Dashboard adds the new feature of an international standard for the rule of law and business based on the performance of OECD economies. As discussed in the next section, membership of the OECD comes with a commitment to high technical standards and best practices in public policy, making the institution appropriate useful reference point for a robust environment for the rule of law. The 2019 Dashboard includes 25 out of 36 OECD members, and the average Dashboard score of these markets creates an easy-to-use international standard that all economies—developed, developing, and emerging—can measure themselves against.



SECTION 3:

THE OECD BENCHMARK: A STANDARD FOR THE RULE OF LAW

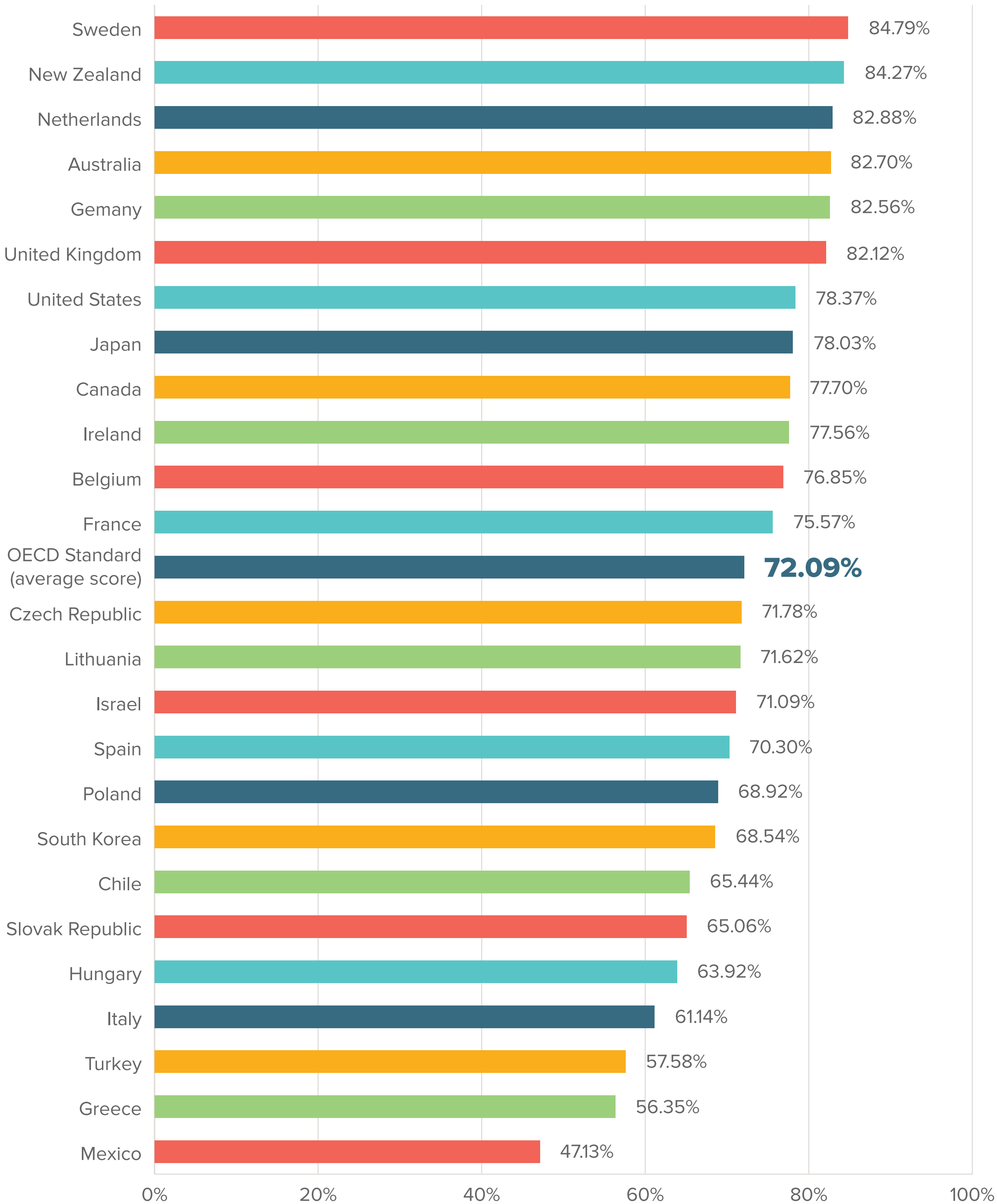
3. THE OECD BENCHMARK: A STANDARD FOR THE RULE OF LAW

The Organization for Economic Cooperation and Development (OECD) was founded in 1961 when the United States and Canada joined the Organization for European Economic Cooperation (OEEC). The OEEC was originally created in 1948 to administer aid and development funds under the Marshall Plan and to further Western European economic integration. The OEEC proved instrumental in laying the foundation for European economic growth and development.

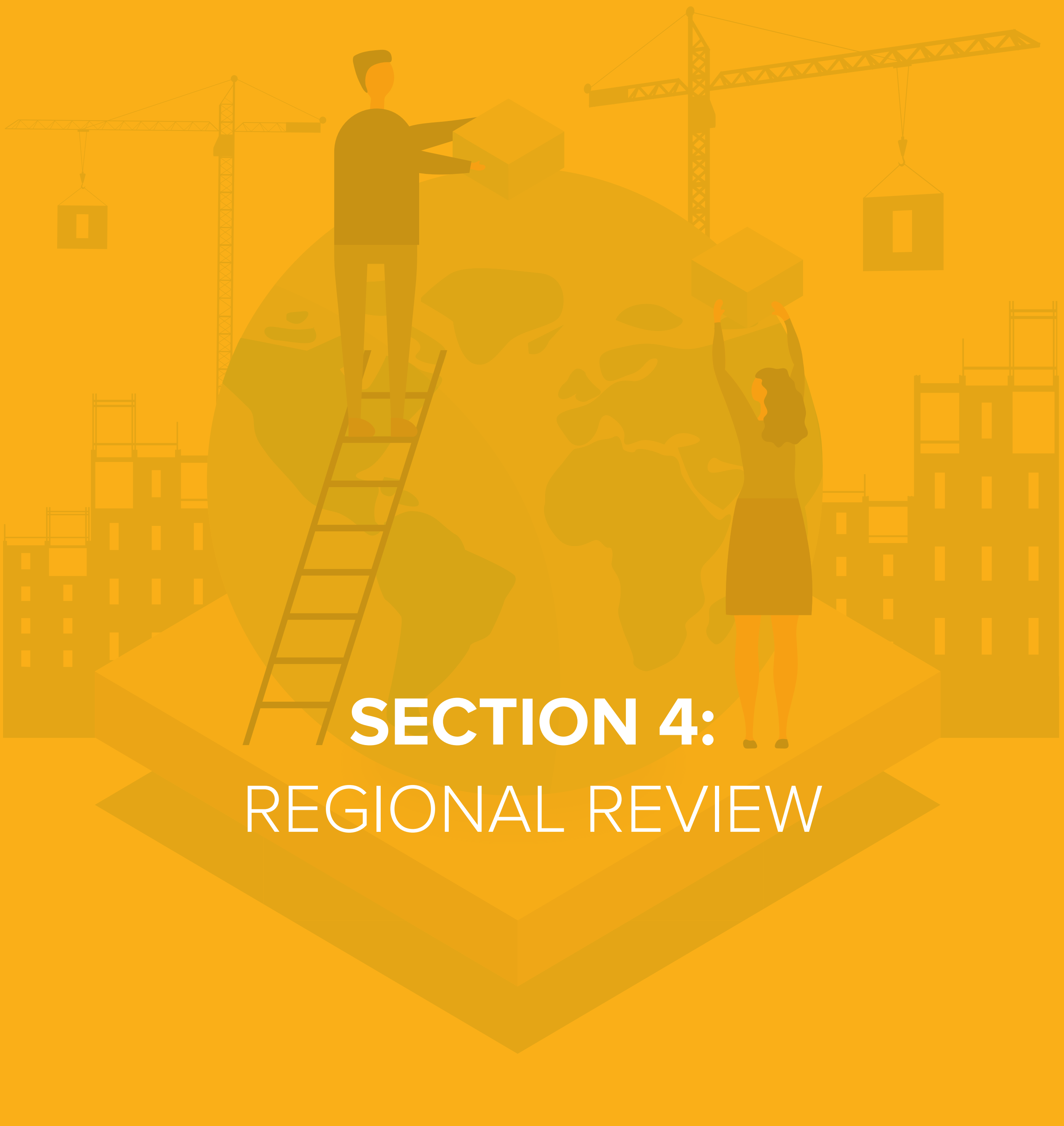
Today, the OECD shapes global public policy by providing empirical data and research on economic and social policy, identifying best practices, and helping develop international standards for all areas of public policy. Members of the group are high-income, market economy, democratic countries, and membership has grown from 20 economies in 1961 to 36 members today. In addition to coordination among its members, the OECD also works with some of the largest emerging markets in the world, including Brazil, India, China, Indonesia, and South Africa, through its Key Partners of the Organization program.[20] These countries and others comprise a growing list of countries seeking to accede to the OECD.

As such, the OECD membership provides a unique baseline of socioeconomic aspirations that can be standardized and crafted into a measurable point of comparison. Simply put, membership in the OECD entails both formal commitments to established international standards and best practices as well as a more general and informal commitment to upholding high standards and transparency in policymaking and policy implementation.

FIGURE 1: 2019 DASHBOARD OECD ECONOMIES, PERCENTAGE SCORE AND OECD AVERAGE



As Figure 1 shows, most OECD members in the sample perform well on the Dashboard. All but one of the top 10 economies on the Dashboard are OECD members, the lone exception being Singapore. The average Dashboard score for OECD economies is 72.09%, which would rank 17th on the Dashboard on its own. There is, however, a wide disparity between the top performers and OECD member states at the bottom. For example, **Mexico**, despite being an OECD member since 1994, is almost 40 percentage points behind top performers **Sweden** and **New Zealand**. To catch up to these two, Mexico would have to nearly double its current score. The two economies currently in the accession process, **Colombia** and **Costa Rica**, are both considerably behind their future OECD peers. Colombia achieves a score above 50% on the Dashboard, with an overall result of 53.24% that is largely unchanged from 52.90% in 2017. Costa Rica performs better but is still well below the OECD average, achieving a score of 61.70% on the 2019 Dashboard.



SECTION 4:
REGIONAL REVIEW

4. REGIONAL REVIEW

The large and diverse sample of 90 economies in the 2019 Dashboard allows us to conduct a regional comparison, as well as identify regional trends.

4.1 The Americas

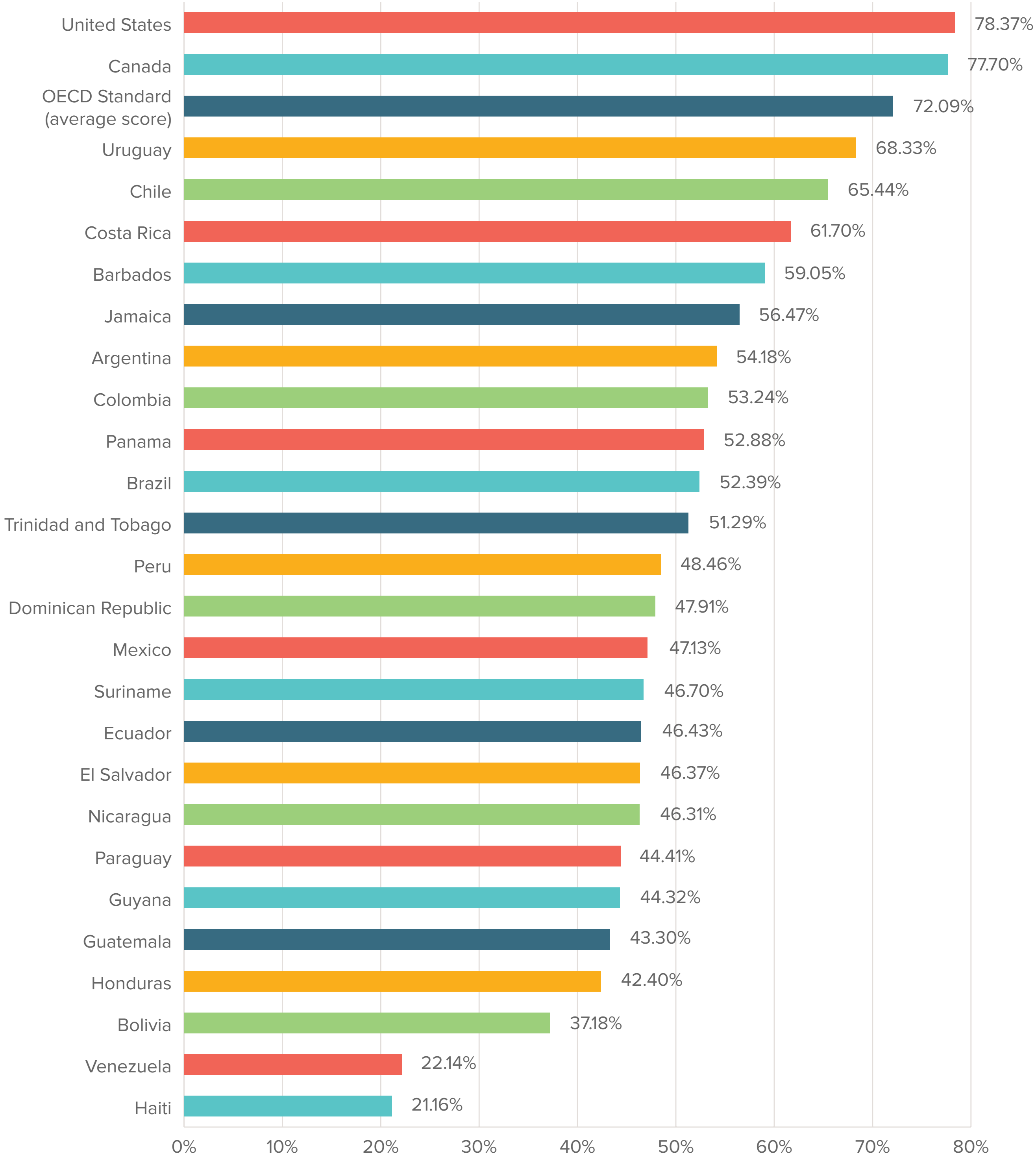
The Americas region contains the biggest contingent of economies on the Dashboard. The 2019 edition includes 26 economies from the Americas, with this region accounting for nearly one-third of the markets sampled (see Table 8).

TABLE 8: AMERICAS REGIONAL GROUPING

• Argentina	• Haiti
• Barbados	• Honduras
• Bolivia	• Jamaica
• Brazil	• Mexico
• Canada	• Nicaragua
• Chile	• Panama
• Colombia	• Paraguay
• Costa Rica	• Peru
• Dominican Republic	• Suriname
• Ecuador	• Trinidad and Tobago
• El Salvador	• United States
• Guatemala	• Uruguay
• Guyana	• Venezuela

The overall results for the Americas region are displayed in Figure 2 below.

FIGURE 2: AMERICAS REGION, OVERALL 2019 DASHBOARD RESULTS



Delving deeper into the results, there is notable movement among the top scorers. The United States has seen its score rise by over four percentage points from 2017, and now has the highest regional Dashboard score. In contrast, Canada's score has dropped slightly, by 0.24%. Both Uruguay and Chile have seen their scores rise, by 2.96% and 2.33%, respectively. Economies in the middle of the pack, such as Argentina and Jamaica, saw substantial score increases of 7.49% and 5.2%, respectively. Ecuador, Paraguay, and El Salvador also saw rises of roughly 10 percentage points each, albeit from a modest base. Brazil too achieves a higher Dashboard score, increasing from 47.99% in 2017 to 52.39% this year. What caused this positive movement? In the markets that exhibited these notable increases, some of these improvements reflect the reform efforts undertaken by the respective governments. As discussed in the next section, Argentina has embarked on a series of reforms over the past few years to raise transparency in public processes and encourage stakeholder engagement in policymaking. The positive results of these changes are now beginning to feed through into the Dashboard and its underlying measures.

Despite these individual advancements, the big picture from this year's regional results is the same as in previous editions of the Dashboard: the relative weakness of the rule of law environment for business in the Americas. Fourteen out of 26 countries fail to reach 50%, with three more—Trinidad and Tobago, Brazil, and Panama—all just a few percentage points over 50%. Although improved from 2017, the region's average score is 50.59% and the median just slightly higher, at 48.17%. The region continues to be overrepresented in the lowest performing countries on the Dashboard, with five of the lowest-scoring 15 markets from the Americas. The two worst-performing countries on the Dashboard, Venezuela and Haiti, have both experienced political and economic crises which saw their performance deteriorate from 2017.

Clearly the rule of law for business is challenging in most parts of the Americas. But how does this performance compare to other regions, and what does it tell us about the Americas and these other regions in relative terms?

4.2 Asia

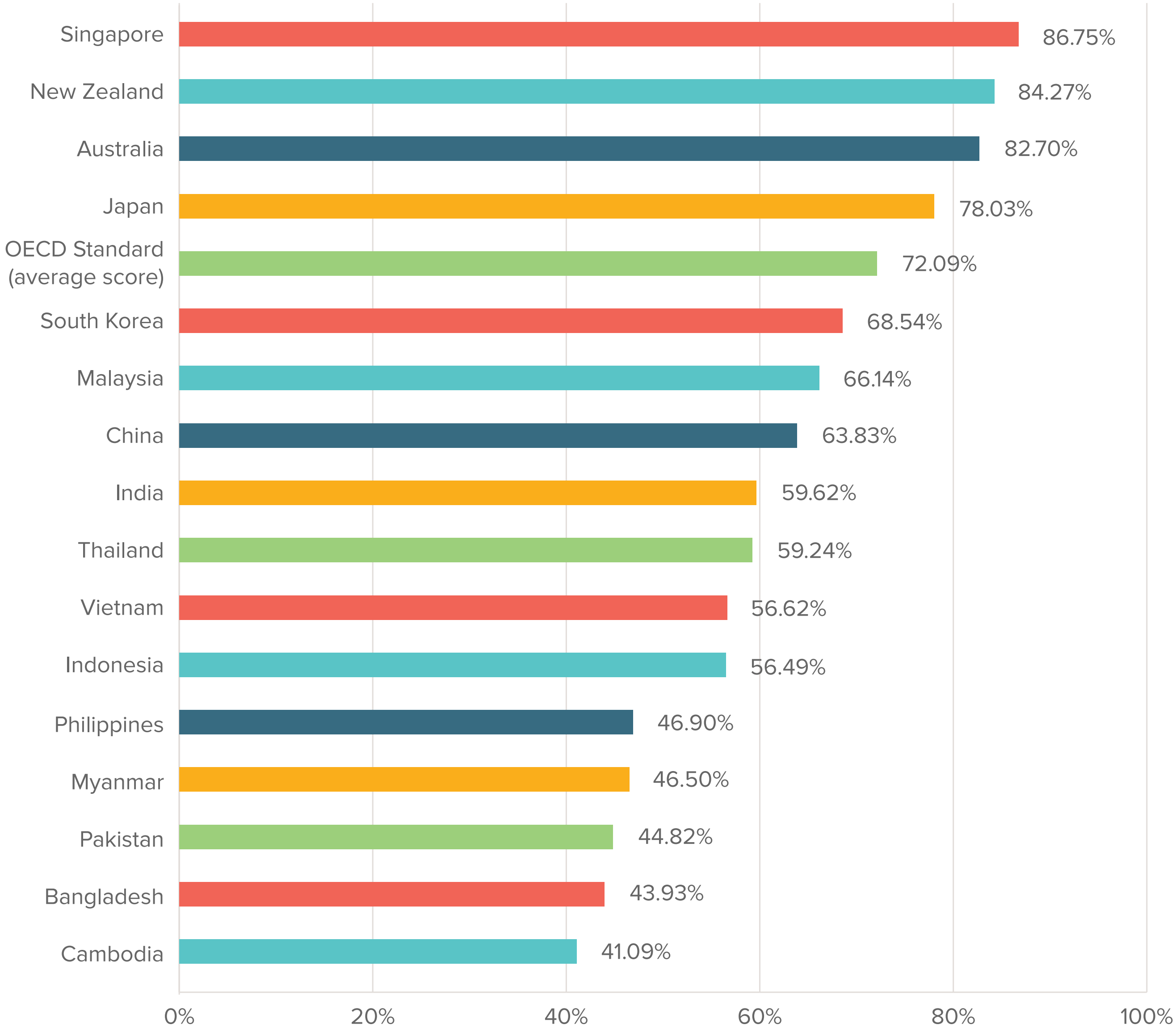
Asia contains the third-largest contingent of economies in the 2019 Dashboard, with the 16 markets accounting for 18% of the total number of economies sampled. Table 9 shows all 16 economies from the Asia region included in the 2019 Dashboard.

TABLE 9: ASIA REGIONAL GROUPING[21]

• Australia	• Malaysia
• Bangladesh	• Myanmar
• Cambodia	• New Zealand
• China	• Pakistan
• India	• Philippines
• Indonesia	• Singapore
• Japan	• Thailand
• South Korea	• Vietnam

The overall results for the Asia region are displayed in Figure 3 below.

FIGURE 3: ASIA, OVERALL 2019 DASHBOARD RESULTS



As in 2017, Asia remains one of the top-performing regions on the Dashboard. The mean score is the second highest of the five regions sampled, at 61.59%. This is also a rise of close to 2 percentage points compared with 2017. Singapore, New Zealand, Australia, and Japan are all in the top 10 of the Dashboard, with Singapore achieving the highest Dashboard score for the second edition in a row. All four of these top performers comfortably achieve a score higher than the OECD average. Moreover, only five of the 16 sampled economies from the region achieve a Dashboard score lower than 50%. Some economies, such as Myanmar, have achieved substantial improvements and seen their score rise by double digits compared with 2017. Unlike the other regions, Asia has no economy scoring lower than Cambodia's 41.09%. Even with large income disparities between the different economies in the region, overall the Asia region remains one of the strongest on the Dashboard.

4.3 Europe and Central Asia

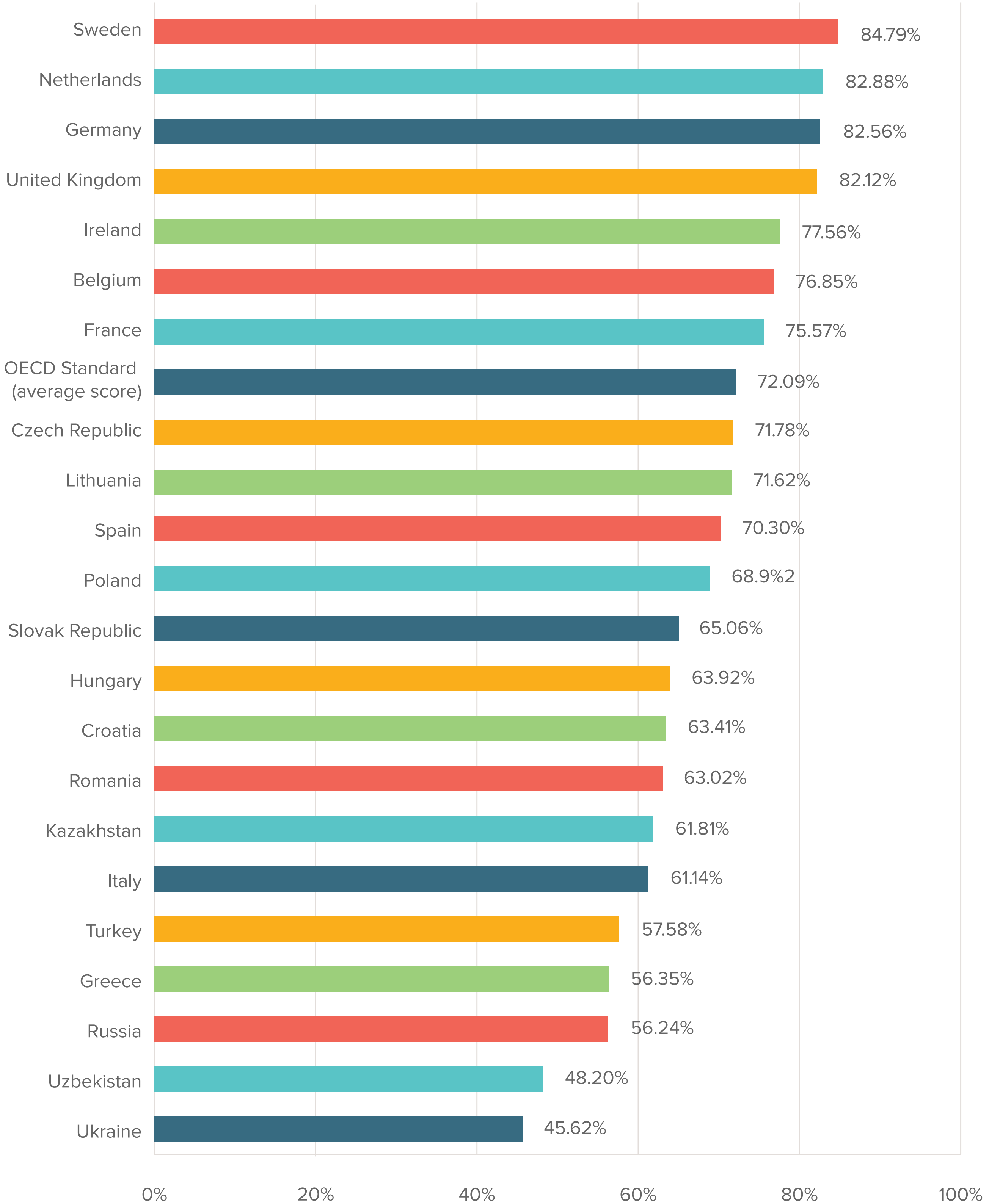
The Europe and Central Asia grouping contains the second-largest sample of economies, with 22, or 24.4%, of the total number of economies in the Dashboard. This is a substantial increase from 2017, when there were only 10 economies from Europe, accounting for 14% of the total number of economies sampled in the Dashboard. The reason for this increase is twofold. First, many of the new economies added to the Dashboard this year are from the Europe and Central Asia region. Second, several economies that were grouped together under the Asia region in previous editions of the Dashboard have been moved this year to the Europe and Central Asia grouping.[22] Table 10 shows all 22 economies from the Europe and Central Asia region included in the 2019 Dashboard.

TABLE 10: EUROPE AND CENTRAL ASIA REGIONAL GROUPING

• Belgium	• Netherlands
• Croatia	• Poland
• Czech Republic	• Romania
• France	• Russia
• Germany	• Slovak Republic
• Greece	• Spain
• Hungary	• Sweden
• Ireland	• Turkey
• Italy	• Ukraine
• Kazakhstan	• United Kingdom
• Lithuania	• Uzbekistan

The overall results for the Europe and Central Asia region are displayed in Figure 4 below.

FIGURE 4: EUROPE AND CENTRAL ASIA, OVERALL 2019 DASHBOARD RESULTS



Europe and Central Asia has the highest average Dashboard score of all five regions sampled, at 67.60%. Only five out of the 22 economies sampled from the region (23%) achieve a Dashboard score below 60%. Nine economies score over or within 0.5% of the OECD average score of 72.09%. Four out of the top 10 economies on the Dashboard are from the region and, just as with Asia, the regional leaders in Europe and Central Asia are also global leaders and standard setters for the rule of law and business.

Many economies in the region have also strengthened their environments over the past two years. For example, the Slovak Republic has seen its score increase by over 12%; Spain has seen its score rise by 7.51%; and others, including Germany, France, Belgium, and the United Kingdom, have seen score rises of between 3 to 5 percentage points. Still, the region faces substantial challenges. Despite EU membership, some economies are less competitive than one would expect. Greece and Italy stand out, both scoring substantially below the regional and OECD average score. The markets of Russia, Turkey, Ukraine, Kazakhstan, and Uzbekistan, exhibit scores that suggest businesses face more rule of law challenges in these countries relative to other European and Central Asian economies sampled.

4.4 Middle East and North Africa[23]

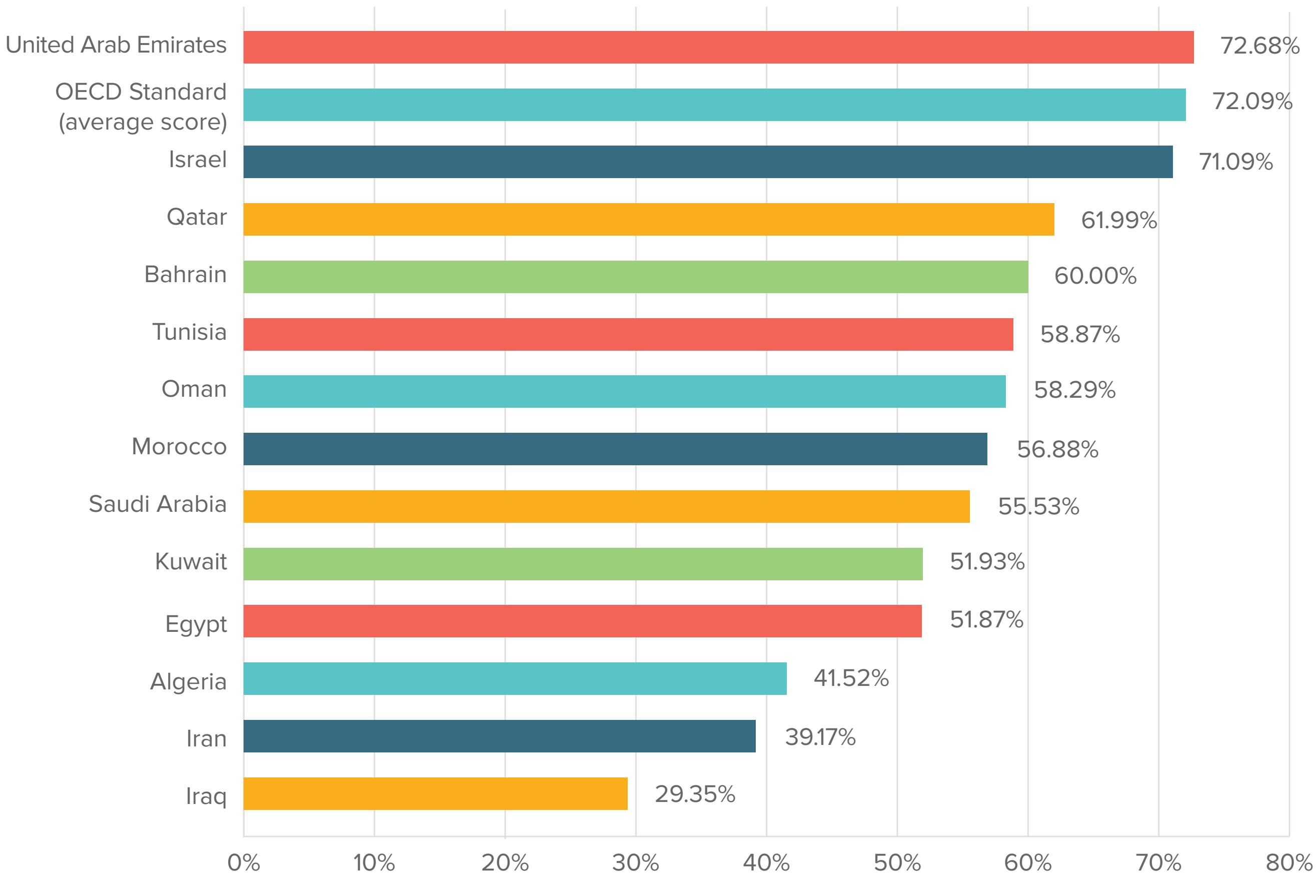
The Middle East and North Africa grouping has 13 economies sampled in the Dashboard, representing 14% of the Dashboard total. As with Asia, there is some divergence in the levels of socioeconomic development in the region. Qatar, Israel, and the United Arab Emirates are all high-income economies with income per capita levels equivalent to developed OECD members. Both Israel and the United Arab Emirates stand out as being highly integrated into international commerce and, in the case of Israel, a leading global technology hub. On the other hand, per capita income levels in Egypt, Iran, and Iraq are much lower, with economic activity concentrated in lower-tech sectors and commodities. Table 11 shows all 13 economies from the Middle East and North Africa region included in the 2019 Dashboard.

TABLE 11: MIDDLE EAST AND NORTH AFRICA REGIONAL GROUPING

• Algeria	• Morocco
• Bahrain	• Oman
• Egypt	• Qatar
• Iran	• Saudi Arabia
• Iraq	• Tunisia
• Israel	• United Arab Emirates
• Kuwait	

The overall results for the Middle East and North Africa region are displayed in Figure 5 below.

FIGURE 5: MIDDLE EAST AND NORTH AFRICA, OVERALL 2019 DASHBOARD RESULTS



Overall, the Middle East and North Africa grouping is an average performer. The average Dashboard score for the region is 54.55%, which is just over two percentage points lower than the aggregate average for the entire Dashboard. There are relatively few top performers in the region. The United Arab Emirates is the only economy to achieve a score that is in line with the OECD benchmark average. Israel is slightly below the OECD average, with Qatar and Bahrain well below it. Eight out of the 13 economies sampled from the region achieve a score within 10 percentage points of one another (51.87%-61.99%). Saudi Arabia stands out for its relatively weak performance. Of note, in 2016, Saudi Arabia released Vision 2030, an ambitious long-term blueprint aimed increasing investment and socio-economic growth. The 2019 Dashboard results suggest the economy has an opportunity to improve its competitiveness through a focus on improving the rule of law environment for business. As in years past, Iran and Iraq are the weakest performers in the region in addition to appearing in the bottom 10 of the entire Dashboard, ranked 84th and 86th. Algeria, an addition this year, joins them in the bottom 10, ranked 81st in the 90 country sample.

4.5 Sub-Saharan Africa

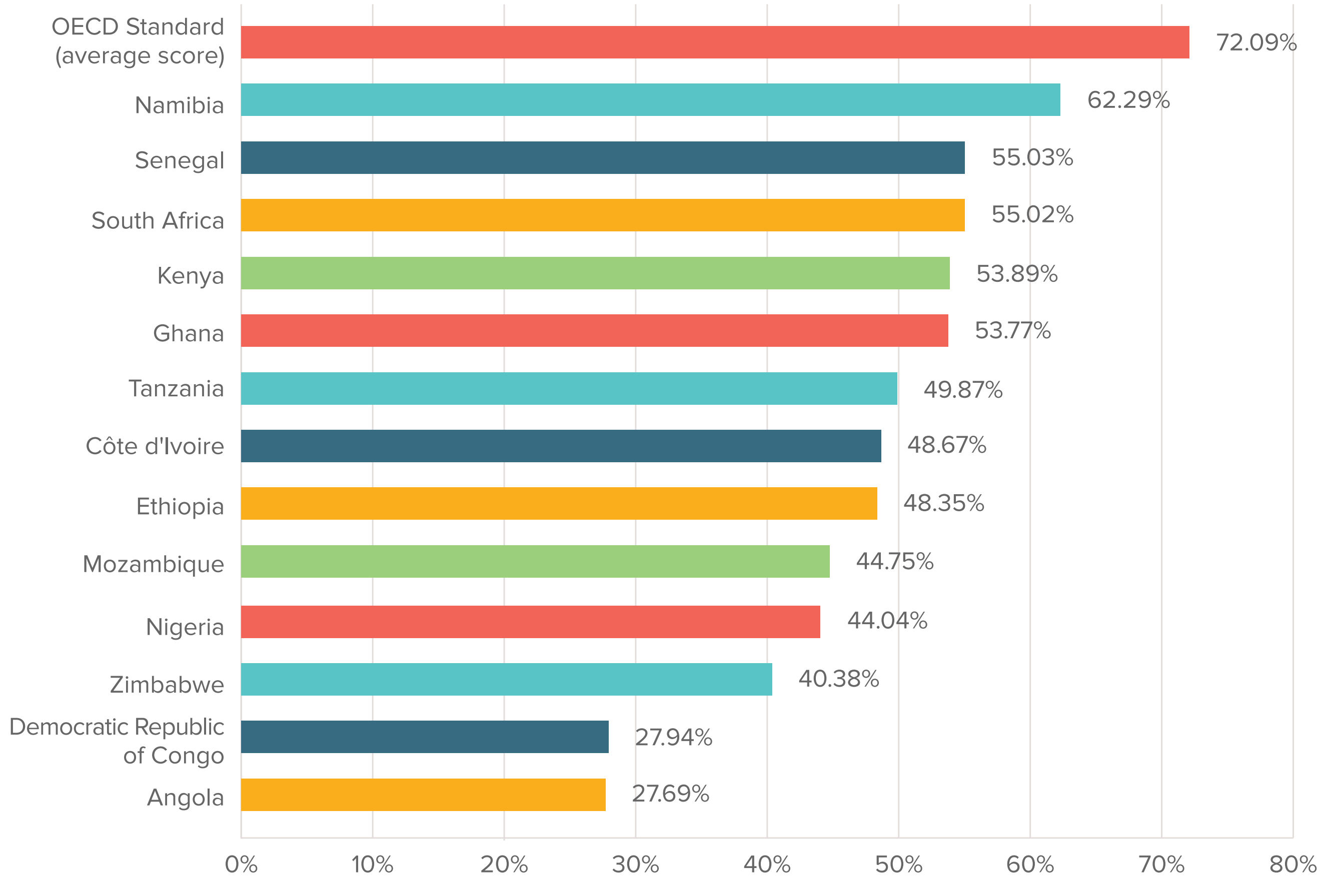
Like the Middle East and North Africa region, the Sub-Saharan Africa grouping contains 13 countries in the Dashboard, making up 14% of the Dashboard total. Table 12 shows the 13 economies sampled from the region.

TABLE 12: SUB-SAHARAN AFRICA REGIONAL GROUPING

• Angola	• Namibia
• Democratic Republic of Congo	• Nigeria
• Ethiopia	• Senegal
• Ghana	• South Africa
• Côte d'Ivoire	• Tanzania
• Kenya	• Zimbabwe
• Mozambique	

The overall results for the Sub-Saharan Africa region are displayed in Figure 6 below.

FIGURE 6: SUB-SAHARAN AFRICA, OVERALL 2019 DASHBOARD RESULTS



Sub-Saharan Africa is the lowest performing region included in the Dashboard, a position occupied by the Americas region in 2017. The average score is 47.05%, behind the mean score of the Americas region (50.59%)Of the 13 economies sampled, eight achieve a score of less than 50%. Only Namibia (62.29%) has a score of over 60%, falling just shy of two-thirds of the available Dashboard score. No economy is close to achieving a score commensurate with the OECD benchmark. Angola, the Democratic Republic of Congo, and Zimbabwe are all in the bottom 10 of the Dashboard, ranked 88th, 87th, and 83rd out of 90, respectively.

The weaker performance of Sub-Saharan Africa relative to the other regions measured in the Dashboard indicates that businesses face the most significant rule of law challenges in a region recovering from faltering economic growth. As a whole, including economies not sampled in the Dashboard, the World Bank estimates that, in 2017, Sub-Saharan Africa's per capita gross domestic product (GDP) at purchasing power parity (PPP) or total income of a country as measured by a basket of common consumer goods was USD3,838.[24] Comparatively, the Middle East and North Africa had an estimated per capita GDP at PPP of USD19,951; Latin America and the Caribbean, had an estimated per capita GDP at PPP of USD15,926; and Europe and Central Asia, had an estimated 2017 per capita GDP at PPP of USD33,522.[25] As a region, Sub-Saharan Africa has an opportunity to improve its performance in the five factors the Dashboard measures to improve its regional competitiveness. In its biannual Africa's Pulse report in April 2019, the World Bank underscored this point, noting that improving the rule of law is required to achieve sustained and resilient growth, attract investment and increase business activity.[26]

Income and levels of socioeconomic development are important to the rule of law. However, when looking at the performance of the sampled economies from the region, income is not necessarily a predetermining factor in terms of the strength of the rule of law and business environment. For example, Senegal, which had an estimated 2017 per capita GDP at PPP of USD3,458, has virtually an identical Dashboard score to South Africa, whose per capita income is almost four times higher, at USD13,526. Kenya, too, achieves a Dashboard score just below South Africa's but has per capita income even lower than Senegal's, at USD3,292.

4.6 Regional comparison

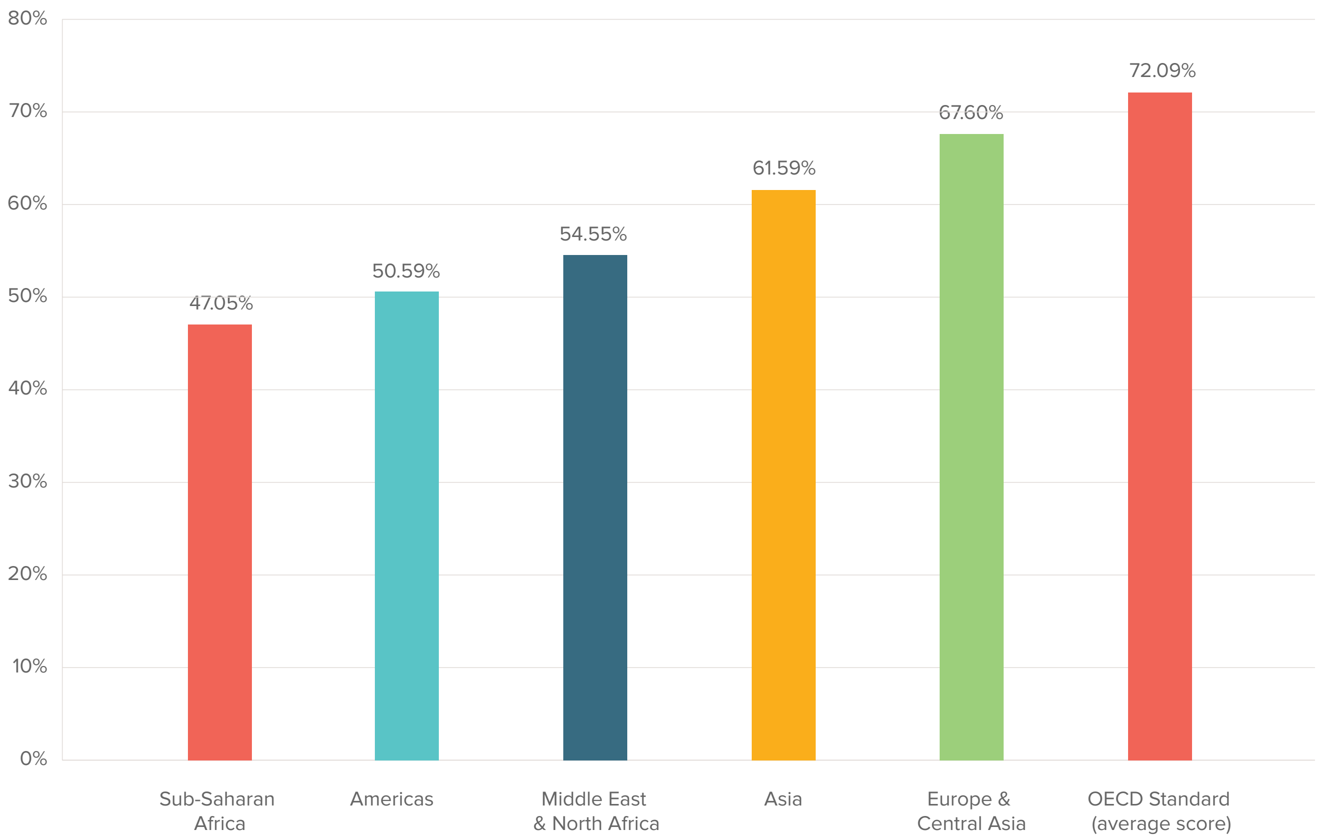
As in the 2017 edition, comparing regional performance on the Dashboard reveals two trends.

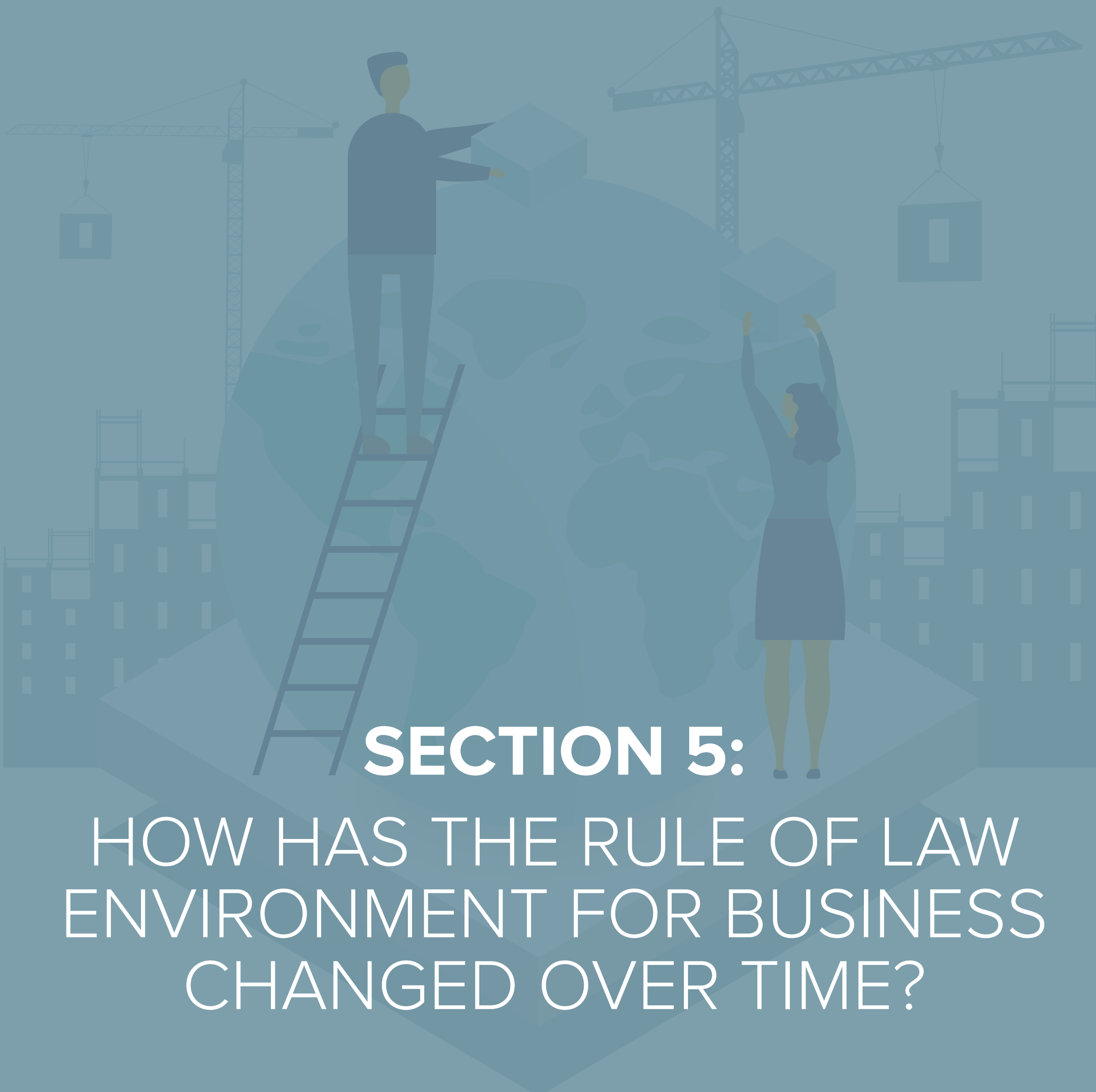
First, by and large, the rule of law and business remains a challenge globally. No region achieves an average score in line with the OECD average benchmark. As in 2017, the highest mean score is that achieved in the Europe and Central Asia grouping of 67.60%. But given that this is by far the most economically developed region, it is a fairly low score. Furthermore, most of the sampled economies from Europe and Central Asia (16 out of 22) are OECD members and even more (17 out of 22) are EU member states. Under these circumstances, one would expect the regional average score to be higher.

Second, there continues to be a relative weakness of the Americas region. While the average score of the region increased compared to 2017, it is notable that this region also underperforms given its level of income and development when measured against the sampled economies from the Middle East and North Africa and Sub-Saharan Africa.

Below, Figure 7 shows the average scores achieved by each region on the Dashboard.

FIGURE 7: COMPARING REGIONAL AVERAGE DASHBOARD SCORES





SECTION 5:

HOW HAS THE RULE OF LAW ENVIRONMENT FOR BUSINESS CHANGED OVER TIME?

5. HOW HAS THE RULE OF LAW ENVIRONMENT FOR BUSINESS CHANGED OVER TIME?

5.1 Progressing or standing still?

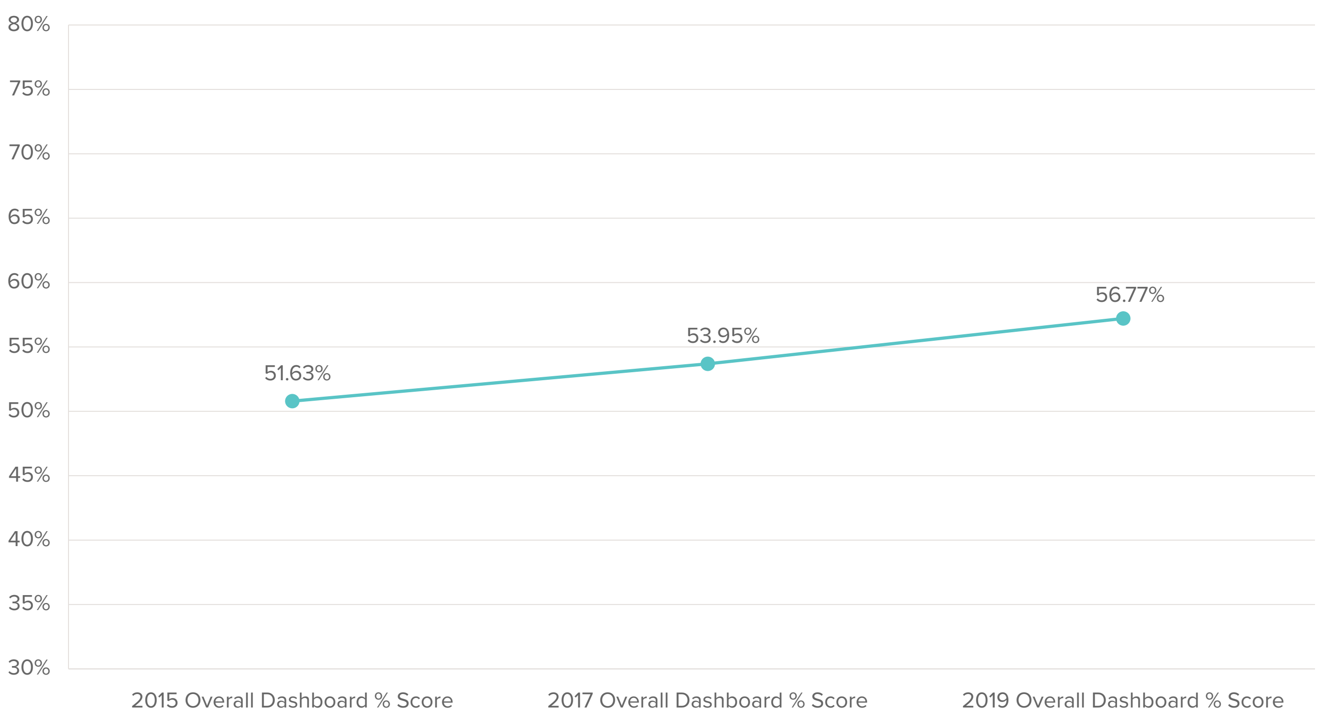
While the primary purpose of the Dashboard is to measure and benchmark the strength of the rule of law environment for business in the economies sampled, a secondary function is to serve as a proxy for the state of the global environment. What does the global rule of law environment for business look like today and how does this compare with 2013, when the Dashboard was first launched? Have conditions improved or weakened?

With Dashboard scores now going back several editions (for some countries all the way to 2013), there are enough data to analyze and try to identify some trends. Indeed, looking at the movement of the aggregated scores of the Dashboard over time allows us to get a sense of how the global environment has evolved and the underlying factors that are shaping this movement.

To begin with, we can calculate the overall total score of all sampled economies vis-à-vis the maximum available total score in the Dashboard. Although not controlling for changes in the composition of the Dashboard with respect to the number of economies sampled, or methodological changes in the underlying measures feeding into the Dashboard, the total aggregated results do provide a starting point as a snapshot and point of comparison.

Below, Figure 8 shows the aggregate score for all the economies sampled as a percentage of the maximum Dashboard score for the past three editions, going back to 2015. (The first Dashboard in 2013 was applied to only 10 economies, and so the sample is too small for overall comparisons with later editions. See the separate dedicated analysis to the "original 10" economies in section 5.2.)

FIGURE 8: GLOBAL RULE OF LAW AND BUSINESS DASHBOARD, MEAN SCORE, 2015-2019



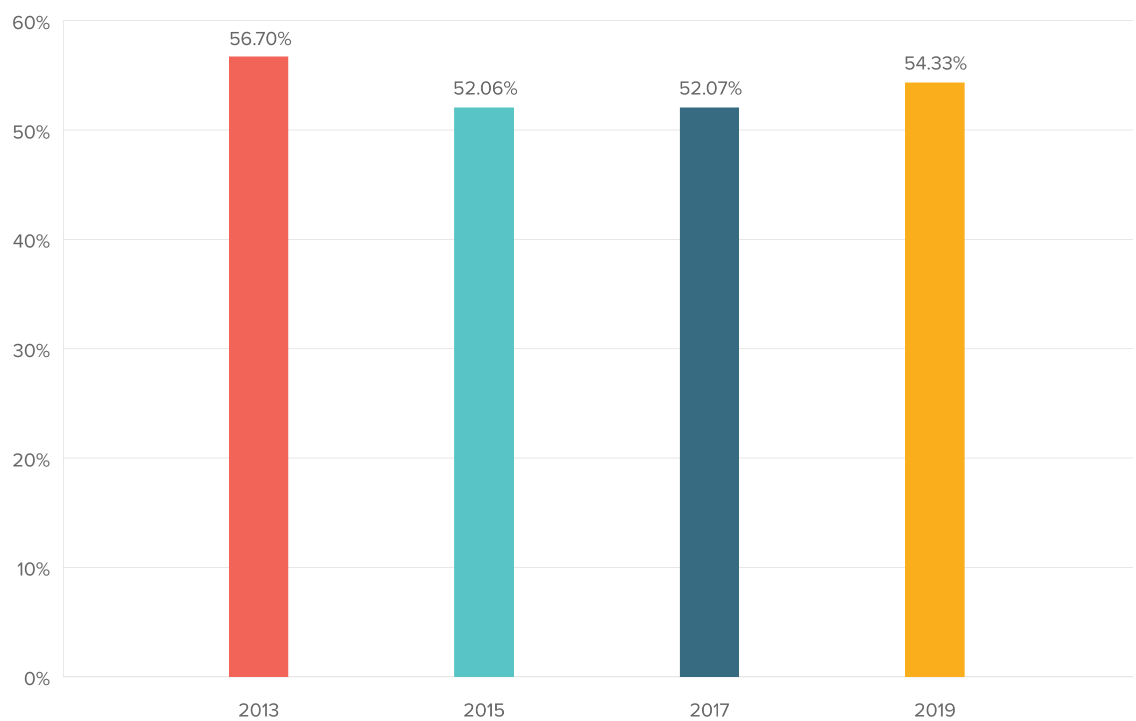
A few things stand out from Figure 8.

Most evident is that since 2015 there has been an improvement in the aggregate score of the Dashboard: The average score has increased from 51.63% in 2015 to 56.77% in 2019. This is a substantial rise of over 5 percentage points over a four-year period. On this basis, one can argue that the global rule of law and business environment is moving in the right direction. As detailed below, there are examples of economies introducing positive reform efforts, strengthening their rule of law environments, and seeing their performance on the Dashboard and underlying measures improve. However, two factors must be considered when evaluating this positive movement. First, the number of economies included and sampled in the Dashboard increased by 50% between 2015 and 2019, growing from 60 to 90. Many of the economies added over the past two editions have been developed, high-income OECD economies, which tend to have a stronger rule of law environment and, consequently, higher Dashboard scores. It is unsurprising that their inclusion in the Dashboard should contribute to the overall rise in average score. Second, while the aggregated average does suggest a positive movement globally, an average score of 56.77% does not suggest an overall robust rule of law environment for businesses around the world. In fact, on an economy-by-economy level of analysis, it is clear that, while there are positive examples of economies reforming, many countries have seen backsliding in their rule of law environments. It is therefore informative to examine the long-term results for the original 10 economies from the Americas that were sampled in the first Dashboard in 2013.

5.2 The original 10: 2013-2019

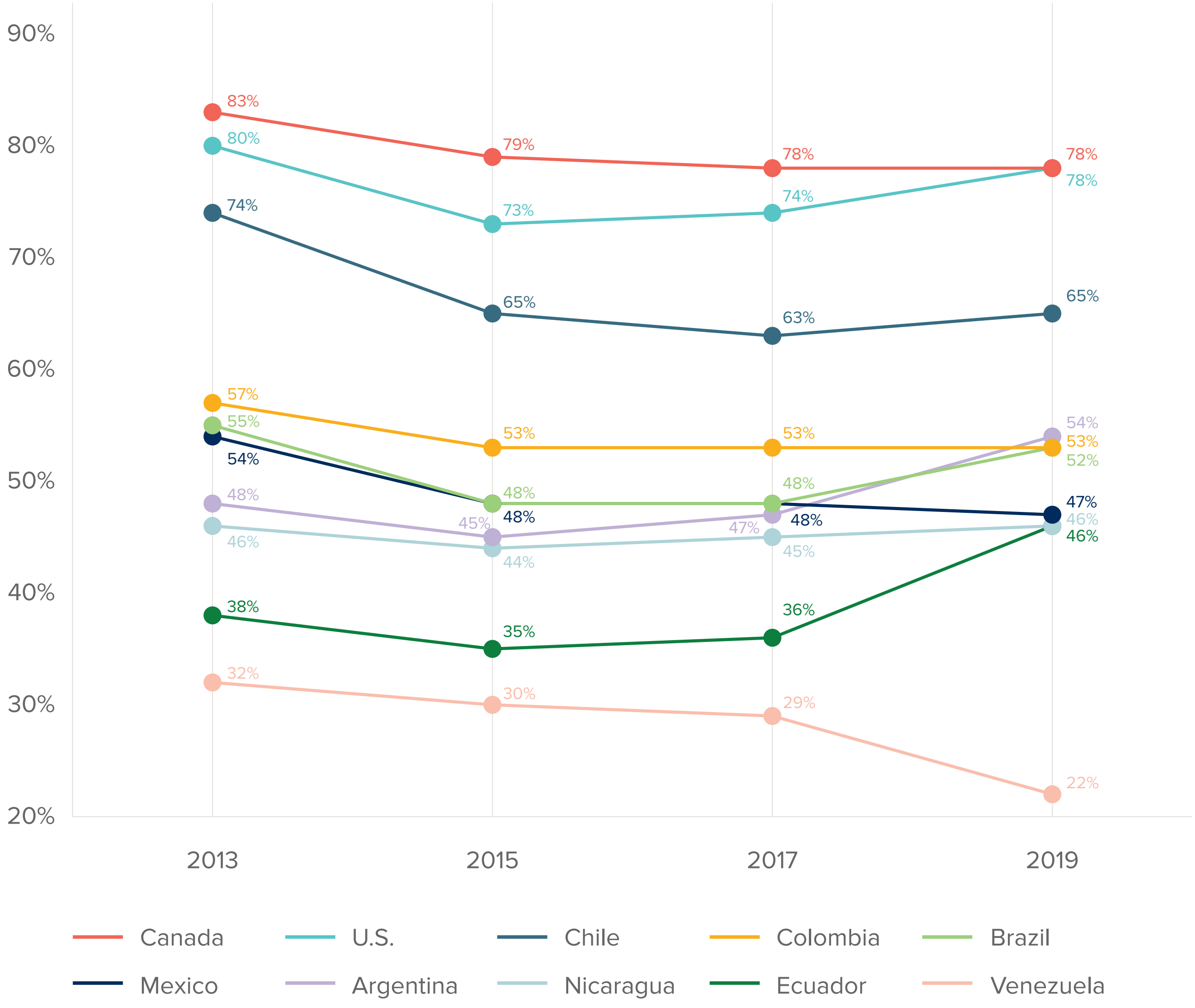
In the first edition of the Dashboard, 10 economies from the Americas were sampled: Argentina, Brazil, Canada, Chile, Colombia, Ecuador, Mexico, Nicaragua, the United States, and Venezuela. Figure 9 shows the change in the mean score for the 10 economies sampled over time since the first edition of the Dashboard in 2013.

FIGURE 9: MEAN SCORE, ORIGINAL 10 ECONOMIES SAMPLED FROM THE AMERICAS, 2013-2019



Comparing the average score on the Global Rule of Law and Business Dashboard shows how the rule of law and business environment at first deteriorated in 2015 and 2017 but has begun to improve in 2019. Digging deeper, we can see which economies are driving this change and chart the movement over the past six years. Below, Figure 10 shows the movement for all 10 economies over the past four editions of the Dashboard.

FIGURE 10: GLOBAL RULE OF LAW AND BUSINESS DASHBOARD, OVERALL RESULTS, 10 ORIGINAL SAMPLED ECONOMIES, 2013-2019



As Figure 10 shows, different economies are moving in different directions. Some are standing still, some have seen their environments deteriorate, and others have seen their performance improve. For example, half of the 10 economies sampled had their highest score in 2013, the first year of the Dashboard. The United States and Canada were both at 80% or above; Chile had a score in the mid-70s; and others, like Brazil, Colombia, and Mexico, were comfortably in the mid- to upper-50s. With the exception of the United States and Brazil, all have since seen their scores either stagnate or deteriorate. The same holds true for Nicaragua, with the data suggesting the rule of law environment has largely stood still over the time period. Venezuela's environment has deteriorated significantly in the past two years as the country continues to grapple with a protracted political and humanitarian crisis. Ecuador and Argentina have seen their scores increase. Ecuador has seen a rise, albeit from a very low base, of 10% between 2017 and 2019. Argentina has also seen close to a 10 percentage point improvement.

But in terms of policy decisions, is it possible to determine what is driving these changes?

Many of these economies have experienced (and in some cases are still experiencing) deep existential political and economic crises. Venezuela has been in a state of economic and political tumult for several years. The Venezuelan economy has largely collapsed with inflation reaching an estimated 1 million percent in 2019.[27] GDP growth has been negative since 2014. In 2018, the Venezuelan central bank's GDP estimates showed an economy shrinking by more than 20% per quarter.[28] Brazil has been confronting a series of corruption scandals that have reverberated politically since late 2015. Persistent corruption allegations stemming from public-private construction contracts have been roiling the country, in some cases spilling over into the political establishments of neighboring Latin American countries. The economic recession of 2015-2017 was the deepest in the country's history, with national output contracting by over 3%.[29] Under these conditions, it is predictable that some measures of the rule of law, economic freedom, and perceptions of corruption turn negative.

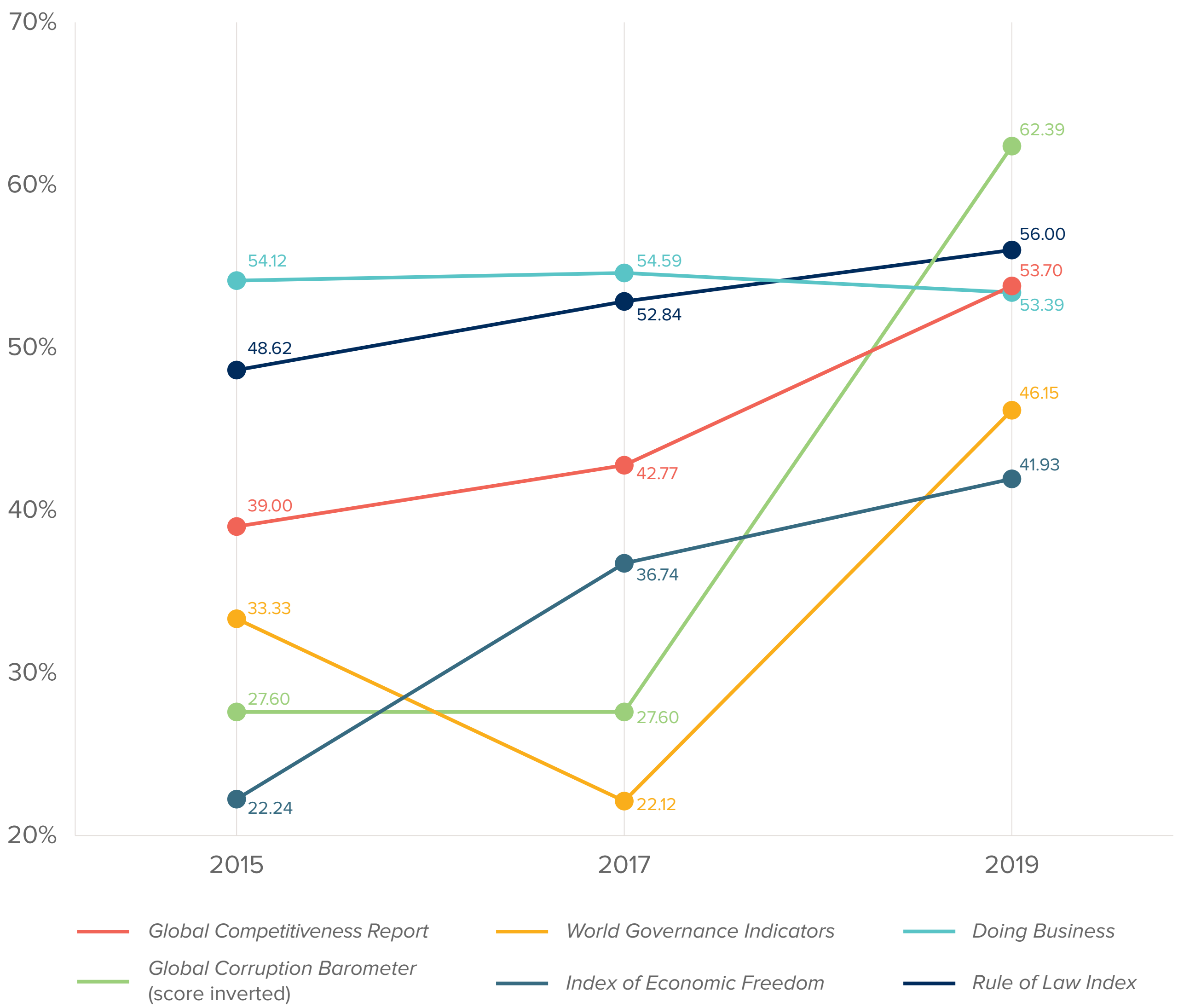
But there are some bright spots in the Americas. To further explore the link between policy action and an improved rule of law climate, the following subsection will provide a concrete example of Argentina's positive reforms. This case study illustrates how reform efforts are reflected in a bottom-up improvement on international benchmarks such as the Dashboard.

5.3 Improving transparency and stakeholder participation in public policymaking: the case of Argentina

Argentina has made substantial progress over the past few editions of the Dashboard. In 2013, Argentina had an overall Dashboard score of 48%, which dropped to 45% in 2015. In the Dashboard's third edition in 2017, the market's score had edged back up to 47%. With an increase of more than seven percent, Argentina's score which rose to 54.18% in the 2019 edition. What lies behind this dramatic increase over a short period of time? The purpose of this subsection is to show on a granular level which specific policy changes and new laws and regulations helped drive such a marked improvement in the rule of law and business environment.

As Figure 11 shows, examining the results of the underlying measures used to build the Dashboard demonstrates how Argentina's score between 2013 and 2019 rose on five out of the six measures included in the Dashboard: the *Global Competitiveness Report*, the *Global Corruption Barometer*, the *Index of Economic Freedom*, *Worldwide Governance Indicators*, and the *Rule of Law Index*.

FIGURE 11: ARGENTINA DASHBOARD PERFORMANCE, UNDERLYING MEASURES, 2013-2019



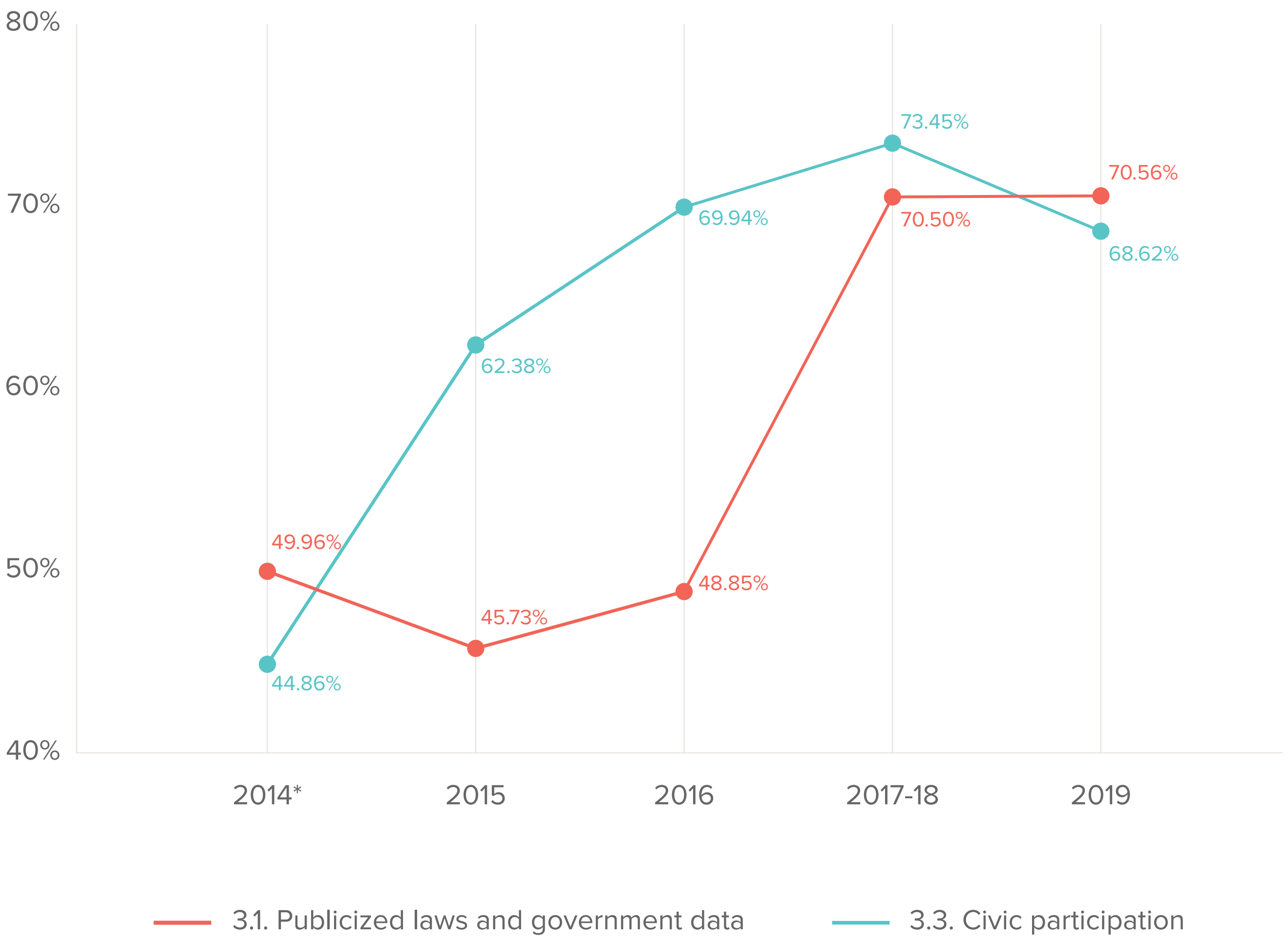
But as Figure 11 illustrates, the most substantive improvements were on the *Worldwide Governance Indicators*, *Rule of Law Index*, and the *Global Corruption Barometer*, allowing us to isolate the specific policies in Argentina that produce the positive movement.

On a macro level, the major driver of change during the time period was the election of Mauricio Macri as president in November 2015 and the formation of a new government in Argentina. The Macri administration came to power with a mandate for change, elected on a reformist platform.[30] Macri campaigned on a program of structural economic reform efforts necessary to reintegrate Argentina into the international community. Reforms that the new government has undertaken since taking power in early 2016 include the elimination of restrictions on foreign exchange, changes to the tax code, pension and retirement benefits reform, labor market reform, reintegration into international credit markets, increased government transparency and a greater role for the public in policymaking, and institutional reforms of Argentina's central bank and national statistics office.[31]

One of the Macri administration's key efforts to improve governance has been to increase transparency, stakeholder engagement, and public consultation in policymaking and make these channels of communication consistent across governmental agencies.

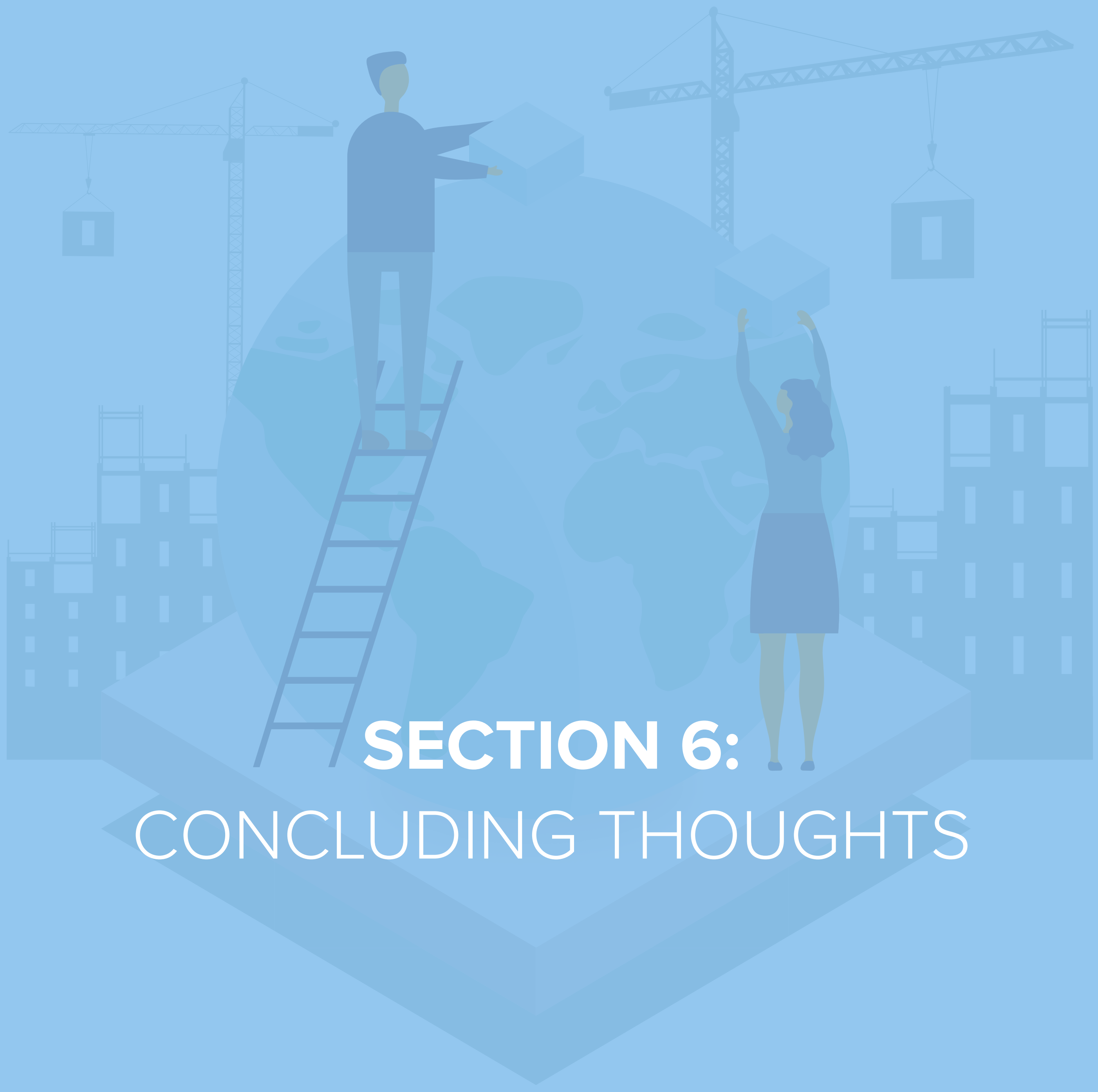
Governmental processes related to transparency and greater stakeholder involvement comprise a measurement in the World Justice Project's *Rule of Law Index*, a key component of the Dashboard. The *Rule of Law Index* includes four indicators related to "open government," and Figure 12 shows the individual scores for the two most relevant measures of this key category: (3.1) Publicized laws and government data and (3.3) Civic participation, for Argentina since 2014.[32]

FIGURE 12: ARGENTINA, WORLD JUSTICE PROJECT RULE OF LAW INDEX, INDIVIDUAL SCORES FOR INDICATORS 3.1 AND 3.3, 2014-2019[33]



Between 2014 and 2019, there was a substantial jump on both indicators involving transparency and accessibility of government laws, regulations, and policy proposals— from roughly 50% in 2014 to close to 70% in 2019.

This rise coincided with the increased efforts by the government to educate citizens on new and existing policies, allow avenues for public input, and ensure public access to government data and regulations. In 2016, the Macri administration created a Ministry of Modernization responsible for promoting a more transparent public sector administration, which included supporting public consultations carried out across other ministries and agencies. In 2016, Argentina also introduced the first law on access to public information, thereby guaranteeing access to all government-held information. In line with these and broader efforts led by the Office of the President to promote the cross-governmental use of public consultations, the government created a number of online platforms for engagement and consultation, including *Justicia 2020*, hosted by the Ministry of Justice and *Consulta Publica*, run by the Office of the President. There have also been reforms related to transparency of public procurement, such as decrees 201/2017 and 202/2017, which introduce greater certainty and disclosure requirements pertaining to public contracts and nepotism.



SECTION 6:
CONCLUDING THOUGHTS

6. CONCLUDING THOUGHTS

The United Nations General Assembly has considered the rule of law an item for the global agenda since the early 1990s. In 2012, it held the first high-level meeting on the topic.[34] The European Commission, the OECD, non-governmental organizations (NGOs), think tanks, academics, policymakers, and world leaders from across the political spectrum emphasize the importance of applying the law equally to all citizens, regardless of race, creed, or country of origin. While its importance to the realm of human rights is obvious, the rule of law is less often considered in the context of commerce. Yet, without the underpinnings of the rule of law, all forms of economic activity—whether cross-border or local—are marred by uncertainty and higher transactional costs. Without a stable legal environment, business is less effective, less efficient, and less predictable.

Since 2013, the Global Rule of Law Dashboard and Business Dashboard has offered the business community, governments, policymakers, and stakeholders across the world an innovative, empirical tool to measure and understand a critical policy area for socioeconomic development and growth. The Dashboard provides a critical measure of the issues that are important to the private sector, and what these measures tell us about the rule of law and business globally.

The 2019 edition Dashboard builds on the work of the previous three editions, and over the course of six years has grown exponentially to cover 90 economies. In this fourth edition, the Dashboard establishes a new international standard for the rule of law and business in the form of an OECD benchmark. With this benchmark, it is now possible to compare individual economies not only to one another, but also to a firmly rooted international norm. Finally, this edition also delves deeper than previous editions by examining the link between Dashboard results and specific policy reforms. Through the case study of Argentina, an original country in the 2013 index, the Dashboard is able to show how a given economy can improve its score and which major policy initiatives helped drive this improvement.

The main conclusions of the Dashboard can be grouped around three key findings. First, no single country provides the ideal rule of law climate for businesses, and obstacles remain even in high-performing, developed, and high-growth markets. Put another way, all markets have room to implement reforms to strengthen their legal and regulatory frameworks. Next, the Americas region underperforms in regional comparisons, despite select examples of improvement. Finally, OECD members as a whole exceed the average Dashboard score, indicating similar and strong indicators underpinning the rule of law environment in the majority of member countries.

APPENDIX A - DESCRIPTION OF THE DASHBOARD METHODOLOGY

This appendix provides a detailed description of the methodology used to build the Dashboard.

The Global Rule of Law and Business Dashboard—methodology

The ultimate purpose of the Dashboard is to provide users with an easy-to-understand yet statistically credible meta-measure of the rule of law environment as it relates to business. The Dashboard relies on research contained in internationally accepted indices and surveys. It is a compilation of these existing measures and relies on the methodological strengths and weaknesses of those underlying indices and surveys. Given this reliance, it is important to explain some of the basic methodological characteristics of these underlying metrics.

Indices are widely accepted statistical models that aim to benchmark performance against a predetermined standard, whether of an economic, political, legal, scientific, social, or other nature. Significantly, an index is predetermined—the creator of the index determines the best practice or standard, and then evaluates performance, vis-à-vis this standard, and assigns an overall score. As such, an index constitutes a “top-down” approach to benchmarking the performance of a set of variables, whether applied to a country or other target. Different indices are based on varying sets of criteria and methodologies. For example, the three most common types of indices used in academic and international benchmarking exercises are binary, ordinal, and numerical. Binary indices seek to measure the existence of a particular criteria or indicators. Ordinal indices provide a scale or value, such as “good,” “average,” or “bad.” Numerical indices, on the other hand, provide a number and imply a mathematical relationship between scores.

In addition to indices of the rule of law, there are also surveys. A widely used model in statistics and the social sciences, surveys ask respondents about their views and experience of the subject matter or situation under analysis. Surveys seek to examine how a particular input or factor works (or does not work) according to the person being surveyed. For example, a survey question might ask what is the experience of person x with regard to factor or criteria y. Together, the responses to the survey provide an overview of trends and perceptions of a set of variables. Surveys can be either general population surveys or targeted, such as surveys of experts on the rule of law.

The two different models can be summarized thus: Indices provide a consistent measurement of predefined criteria, while surveys gauge perceptions.

Each methodology has strengths and limitations, which in turn affect the overall strengths and weaknesses of the Dashboard. After all, the result from the Dashboard is a reflection of the constituent parts extracted and amalgamated from existing rule of law measures. For example, indices are only as robust and useful as the underlying assumptions and criteria used to build them. Similarly, the manner in which answers to survey questions (expert or otherwise) accurately reflect a given reality ultimately depends on the survey responder as well as the design of the survey instrument and questions.

Deconstructing underlying measures

Mapping

In order to create the Dashboard, each individual index or survey must be deconstructed and its methodology and underlying assumptions understood. This deconstruction includes understanding the statistical model used by the researchers in the original survey or index. Key questions include the following:

- What were the underlying assumptions and predefined subject matter in the surveys and indices?
- What was the overall purpose of the measure in terms of application?
- How many economies was the measure applied to?
- Was the index or survey designed to be applied to a certain type of country (e.g., low-income countries) or with a specific policy goal in mind (e.g., the reduction of poverty)?
- What type of scoring system/model was used?
- If an index, did the researchers use an ordinal, numerical, or binary model or perhaps some combination?

Having asked these basic questions, it is possible to move on to the more complex and sophisticated deconstruction phases; that is, determining the extent to which individual indicators or survey questions from these indices and surveys can be amalgamated and combined into a wider meta-analysis and measure. For example, is it possible, given a particular internal weighting system in an index or survey, to extract potential indicators without disrupting the integrity of the indicator? These methodological determinations must be made before engaging in the next step of the deconstruction process, which involves identifying potential rule of law and business indicators.

Extracting

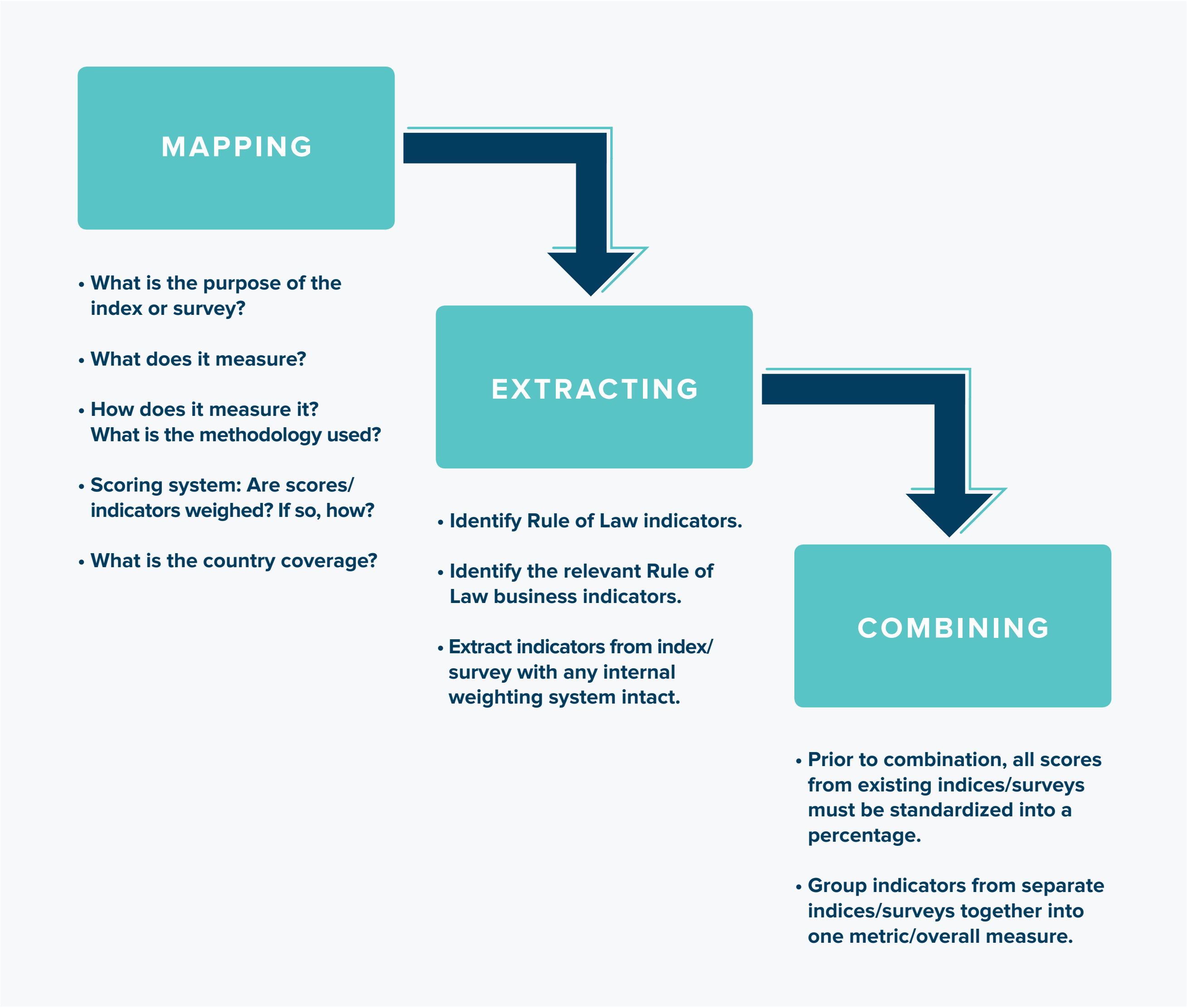
Once a measure has been deconstructed and its constituent parts analyzed, it is possible to identify the relevant rule of law indicators as they relate to business. Having identified a suitable set of indicators, one can begin the extraction process. Here, it is imperative that any internal weighting system used by the parent index or survey be maintained so that all indicators are extracted in as statistically robust and acceptable fashion as possible.

Combining

Once the mapping and extraction process has been repeated for all mapped surveys and indices, one has the raw data and tools to begin combining the extracted indicators and building the Dashboard. However, prior to combination and incorporation into the Dashboard, all scores from existing indices must be standardized into a percentage. This ensures that all indicators are combined and treated on a “like-for-like” basis. The overall percentage obtained for each individual parent measure is then combined into an average score for each surveyed economy, which provides the Dashboard score/percentage for a given economy.

The below figure provides an overview of the mapping, extracting, and combining process that the Dashboard is based on.

Building the Dashboard: mapping, extracting, and combining indicators—a three-step process



Dashboard economy coverage

It is worth noting that not all 90 economies included in the Dashboard are included in all seven of the underlying indices and surveys. There are also cases in which markets are included only in older editions of these measures.

Overall coverage of the 90 economies sampled is very good, as demonstrated below.

ECONOMY COVERAGE, EXTRACTED DASHBOARD MEASURES

Country Coverage		%
7/7 Measures	45	50.00%
6/7 Measures	28	31.11%
5/7 Measures	7	7.78%
4/7 Measures	10	11.11%
Total	**90**	**100%**

As illustrated above, over 80% of the 90 sampled economies are covered in either all seven or six of the measures included in the Dashboard. The two measures with the lowest levels of country coverage are the *Enterprise Surveys* and Global Corruption Barometer (GCB). Not all economies sampled by the Dashboard are in the most recent edition of the GCB. Where an economy is covered in a previous edition of a sampled measure included in the Dashboard, and the methodology has remained the same, we have used the measure from the older edition. However, the Dashboard does not rely on any data from an edition published prior to 2012.

Indices and surveys used for the Dashboard

An overview of international indices and surveys of the rule of law

Although relatively few indices or surveys focus exclusively on the rule of law (the exception being the World Justice Project's *Rule of Law Index*), a number of high-quality and accepted international measures incorporate a significant number of rule of law indicators. Of these measures, a large proportion also contain business-related rule of law indicators. These measures range from single-issue or single-discipline measures, such as Transparency International's *Global Corruption Barometer* and the World Justice Project's *Rule of Law Index*, to wider measures of economic competitiveness and economic freedom, such as the World Economic Forum's *Global Competitiveness Report* and Heritage Foundation's *Index of Economic Freedom*.

In addition to understanding and benchmarking the rule of law for the business environment around the world, the purpose of the Dashboard is also to map, understand, and analyze the extent to which existing international indices and surveys of legal and regulatory environments include measures of the rule of law. Since 2013 and the building of the first Dashboard, we have continuously monitored the publication of new international surveys and indices that include potentially relevant indicators. In total, we have listed 14 measures in our sample, all of which have been assessed for potential inclusion in the Dashboard.

MEASURES SAMPLED

1. World Economic Forum: *The Global Competitiveness Report*
2. The World Justice Project: *Rule of Law Index*
3. Transparency International: *Global Corruption Barometer*
4. Transparency International: *Bribe Payers Index*
5. Transparency International: *Corruption Perceptions Index*
6. Transparency International: *Putting Corruption Out of Business Survey*
7. Freedom House: *Freedom in the World*
8. Heritage Foundation: *Index of Economic Freedom*
9. Global Integrity: *Global Integrity Index*
10. Daniel Kaufmann and Aart Kraay: *Worldwide Governance Indicators*
11. The World Bank and the International Finance Corporation: *Doing Business*
12. Millennium Challenge Corporation: *Selection Criteria and Methodology*
13. The Economist Intelligence Unit: *Democracy Index*
14. World Bank Group: *Enterprise Surveys—What Businesses Experience*

Out of these 14, eight indices and surveys have been included in the Dashboard. The previous three editions of the Dashboard used the *Global Integrity Index* (GII) as one of the seven underlying indices and surveys measuring the rule of law. However, the GII has not been updated since 2013, and the number of economies covered is relatively low. The latest full edition from 2012 covers 31 countries, although more recent country-specific analyses have been released, including the 2013 mapping of Indonesia. Consequently, the GII has been replaced in the 2019 edition of the Dashboard with the World Bank's *Enterprise Surveys*. The *Enterprise Surveys* provide a firm-level perspective on the state and functioning of a given economy's private sector, including issues pertaining to the rule of law. This research provides an excellent "bottom-up" source of information on the business environment in a given economy by those who know best—the local businesses that operate in a given jurisdiction.

The following subsection provides an outline of each of the seven measures used in the 2019 Dashboard and the relevant rule of law indicators extracted.

World Economic Forum: *The Global Competitiveness Report*

The *Global Competitiveness Report* is perhaps the most-cited and anticipated report on economic development and competitiveness. It informs the policy debate and decisions made by governments, the business community, and other international stakeholders. The most recent edition of the *Report* and *Global Competitiveness Index* includes 98 indicators and covers 140 economies and is based on survey questions and socioeconomic data. The *Report* and *Index* have been fundamentally reconstructed and redesigned in recent years. Specifically, the *Index* has now been relabeled the *Global Competitiveness Index 4.0* and seeks to measure those factors that affect competitiveness within the context of the Fourth Industrial Revolution: "the GCI 4.0 provides novel and more nuanced insights on the factors that will grow in significance as the 4IR gathers pace: human capital, innovation, resilience, and agility."[35] The *Report* still consists of 12 pillars that measure various aspects of economic competitiveness and development organized around four categories: enabling environment, human capital, markets, and innovation ecosystem. Indicators within these pillars and categories range from the strength of institutions, access and quality of infrastructure, and health and primary education, to more advanced metrics such as level of business sophistication, depth of financial markets, research and development activities, and innovation. In a departure from previous editions, the *Report* and *Index* no longer utilize a highly sophisticated weighting system whereby the weight of each pillar for the final economy score is dependent on per capita income and thus the overall economic development and sophistication of a given economy. Instead, all pillars are now weighed equally regardless of level of development.[36]

With regard to indicators related to the rule of law and business, the *Report* does not have a separate rule of law category or individual indicators categorized as pertaining to the rule of law. However, it does contain a high number of relevant rule of law and business indicators. These indicators are part of pillar No. 1, "Institutions," and range from the protection of property rights, to the efficiency of the legal framework in place, to the strength of investor protection. The pillar consists of 20 indicators in total, all of which have been used and incorporated into the Dashboard.[37]

The World Justice Project: *Rule of Law Index*

The *Rule of Law Index* is the most widely used and cited quantitative measure of the rule of law. The purpose of the *Index* is to offer "a detailed and comprehensive picture of the extent to which countries adhere to the rule of law in practice."[38] The *Index* is based on expert and opinion surveys (a general population poll and expert survey), and the latest 2019 edition of the *Index* covers 126 "countries and territories."[39] The *Index* consists of 44 rule of law indicators organized around eight conceptual dimensions/factors. These dimensions/factors range from limitations on governmental power to corruption, the availability of fundamental rights, and civil and criminal justice.[40] Each indicator measured is given equal weight and scored from 0 to 1.

With regard to the rule of law and business indicators, there are many relevant indicators. In total, 20 out of the 44 indicators included in the *Rule of Law Index* have been mapped and subsequently extracted for the Dashboard as most directly relating to business.[41] The below table lists all 20 indicators mapped and extracted and which of the eight factors they are included in.

RULE OF LAW INDEX, RULE OF LAW AND BUSINESS INDICATORS EXTRACTED AND USED IN 2019 DASHBOARD[42]

Factor 2: Absence of corruption
· 2.1 Government officials in the executive branch do not use public office for private gain
· 2.2 Government officials in the judicial branch do not use public office for private gain
· 2.3 Government officials in the police and the military do not use public office for private gain
· 2.4 Government officials in the legislative branch do not use public office for private gain
Factor 3: Open government
· 3.1 Publicized laws and government data
· 3.2 Right to information
· 3.3 Civic participation
· 3.4 Complaint mechanism
Factor 6: Regulatory environment
· 6.1 Government regulations are effectively enforced
· 6.2 Government regulations are applied and enforced without improper influence
· 6.3 Administrative proceedings are conducted without unreasonable delay
· 6.4 Due process is respected in administrative proceedings
· 6.5 The Government does not expropriate without adequate compensation
Dimension 7: Civil justice
· 7.1 People can access and afford civil justice
· 7.2 Civil justice is free of discrimination
· 7.3 Civil justice is free of corruption
· 7.4 Civil justice is free of improper government influence
· 7.5 Civil justice is not subject to unreasonable delays
· 7.6 Civil justice is effectively enforced
· 7.7 Alternative dispute resolutions are accessible, impartial, and effective

Transparency International: *Global Corruption Barometer*

The *Global Corruption Barometer* (GCB) is one of many projects Transparency International oversees that maps levels and perceptions of corruption around the world. In addition to the GCB, the research team also examined the *Bribe Payers Index*, the *Corruption Perceptions Index*, and the *Putting Corruption Out of Business Survey*. While all these measures have their own merits, for the purposes of this report and building the Dashboard, the GCB was found to be the superior measure in covering the largest number of countries as well as being an original survey.

The GCB “examines how corruption features in people’s lives around the world … [and] addresses people’s direct experiences with bribery and details their views on corruption in the main institutions in their countries.”[43] The GCB is not an index but a general population survey.

The latest edition of the GCB is from 2017 and is based on accumulated surveys carried out regionally between 2014 and 2017 in 119 economies around the world. A total of 162,136 individuals were surveyed.

The survey consists of 12 questions across the spectrum of perceptions of corruption, people’s direct experiences of corruption, efforts against corruption, and willingness and ability on an individual level to engage against corruption.[44]

With regard to rule of law and business indicators, there is only one relevant indicator. In this case, it’s survey question No. 2: “Perceptions of corruption by institution: How many of the following people do you think are involved in corruption, or haven’t you heard enough about them to say?”[45] For this question, respondents were asked about their perception of corruption in nine different institutions, ranging from political parties and the government to civil service, judiciary, and the private sector.[46] Not all these institutions are directly relevant to the business community. For the purposes of this report and the building of the Dashboard, perceptions of corruption were mapped and extracted for seven institutions as defined by the GCB:

1. Political parties
2. Parliament/legislature
3. Judiciary
4. Police
5. Public officials/civil servants
6. Local government councilors
7. Tax officials, like ministry of finance officials or local government tax collectors

Heritage Foundation: *Index of Economic Freedom*

The *Index of Economic Freedom* measures economic freedom across 12 different components of economic freedom, from property rights to entrepreneurship, grouped into four individual categories or pillars. The below table shows these categories and the freedoms assigned to each.

INDEX OF ECONOMIC FREEDOM, FREEDOMS AND COMPONENTS MEASURED[47]

Category 1:	Rule of Law (property rights, judicial effectiveness, government integrity)
Category 2:	Government Size (tax burden, government spending, fiscal health)
Category 3:	Regulatory Efficiency (business freedom, labor freedom, monetary freedom)
Category 4:	Open Markets (trade freedom, investment freedom, financial freedom)

With regard to rule of law and business indicators, there are a large number of relevant indicators—as there is a whole category (Category 1) dedicated to the rule of law—that together constitute 20% of the total index. For the purposes of this report and the Dashboard, this entire Rule of Law category has been mapped and extracted.

Worldwide Governance Indicators

The *Worldwide Governance Indicators* (WGI) describes itself as a "long-standing research project to develop cross-country indicators of governance … capturing governance perceptions as reported by survey respondents, nongovernmental organizations, commercial business information providers, and public sector organizations worldwide."[48] The WGI is not based on nor does it produce any original research. Instead, it is a composite measure relying on 31 different underlying data sources on perceptions of governance from surveys, expert assessments, indices, and other measures. In terms of structure, the WGI consists of six different categories:

1. Voice and Accountability
2. Political Stability and Absence of Violence
3. Government Effectiveness
4. Regulatory Quality
5. Rule of Law
6. Control of Corruption

With regard to the rule of law and business, the WGI does not contain any specific indicators. Indeed, the rule of law category itself (making up one-sixth of the WGI indicators and overall governance score) is not disaggregated into subcategories or defined subsidiary indicators. There are no separate indicators within the WGI, generally or for the rule of law category. The definition used by the WGI for the rule of law is quite broad and includes both elements related to business as well as more general rule of law. Specifically, the indicator is described as capturing "perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence."[49] The category is one composite indicator based on underlying sources and data. Sources used for the category include the Economist Intelligence Unit, the Political Risk Services' *International Country Risk Guide*, and a number of the measures mapped in this report, such as the *Global Competitiveness Index*, GII, and *Index of Economic Freedom*.[50]

Because it is not structurally or methodologically possible to disaggregate and score individual indicators, the entire Rule of Law category used by the WGI has been mapped and extracted for the Dashboard.

The World Bank and the International Finance Corporation: *Doing Business*

The World Bank's *Doing Business* guides and rankings are perhaps the most practical and widely used measures of business operations by stakeholders around the world. Measuring the day-to-day realities of a fictional business, *Doing Business* examines 11 areas of business regulation, primarily for small and medium-sized enterprises (SMEs).[51] The below table lists the 11 areas examined and their definitions within *Doing Business*.

DOING BUSINESS, CATEGORIES AND INDICATORS EXAMINED[52]

1. Starting a business	Procedures, time, cost, and paid-in minimum capital to start a limited liability company for men and women
2. Dealing with construction permits	Procedures, time, and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
3. Getting electricity	Procedures, time, and cost to get connected to the electrical grid, the reliability of the electricity supply, and the transparency of tariffs
4. Registering property	Procedures, time, and cost to transfer a property and the quality of the land administration system for men and women
5. Getting credit	Movable collateral laws and credit information systems
6. Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance
7. Paying taxes	Payments, time, and total tax and contribution rate for a firm to comply with all tax regulations as well as post-filing processes
8. Trading across borders	Time and cost to export the product of comparative advantage and import auto parts
9. Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes for men and women
10. Resolving insolvency	Time, cost, outcome, and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
11. Labor market regulation	Flexibility in employment regulation and aspects of job quality

With regard to rule of law and business, all indicators examined in *Doing Business* relate to business regulations and could arguably be included in any mapping or extraction exercise. However, given the disaggregation and specificity of scoring methodology and definitions used, it is possible to map and extract four indicators most directly relevant to rule of law and business:

1. Getting credit
2. Protecting minority investors
3. Enforcing contracts
4. Resolving insolvency

The World Bank: Enterprise Surveys—What Businesses Experience

A new measure used this year is the World Bank's *Enterprise Surveys*. The *Surveys* provide a firm-level perspective on the state and functioning of a given economy's private sector, including issues pertaining to the rule of law. This research provides an excellent "bottom-up" source of information on the business environment in a given economy by those who know best—the local businesses that operate in a given jurisdiction.

The *Enterprise Surveys* are not a standalone, unified document published annually. Instead, the *Surveys* are carried out independently by the World Bank and its partners in individual economies, but using the same methodology and core questionnaire developed by the World Bank in the mid-2000s. The World Bank describes the methodology thus:

> The Enterprise Surveys focus on the many factors that shape the business environment. These factors can be accommodating or constraining for firms and play an important role in whether a country will prosper or not. An accommodating business environment is one that encourages firms to operate efficiently. Such conditions strengthen incentives for firms to innovate and to increase productivity—key factors for sustainable development. ... The Enterprise Surveys are conducted by the World Bank and its partners across all geographic regions and cover small, medium, and large companies. The surveys are administered to a representative sample of firms in the nonagricultural formal private economy. The universe of the survey, also known as the population, is consistently defined in all countries and includes the entire manufacturing sector, the services sector, and the transportation and construction sectors. Public utilities, government services, health care, and financial services sectors are not included in the universe. Uniform universe, uniform methodology of implementation, and a core questionnaire are the basis of the Global methodology under which most Enterprise Surveys have been implemented since 2006.[53]

The *Surveys* have been applied in 139 countries and have been an active part of the World Bank's research program since the mid-2000s. In terms of methodology, surveys conducted under the "Global Methodology" include indicators/questions on 12 overarching business topics. This means the survey is conducted by private contractors on behalf of the World Bank maintaining the confidentiality of the business owners and top managers in the manufacturing and service sectors that are ideal respondents for data collection at the firm level through a tailored questionnaire.[54] The topics surveyed cover the following areas:

1. Corruption
2. Crime
3. Finance
4. Firm characteristics
5. Gender
6. Informality
7. Infrastructure
8. Innovation and technology
9. Performance
10. Regulations and taxes
11. Trade
12. Workforce

With regard to the rule of law and business, there are four relevant business topics from which indicators has been extracted: corruption, crime, informality, and regulations and taxes. Together, these four topics contain a large amount of survey questions relevant to the rule of law and business. In total, 19 survey metrics have been extracted and used from these four categories. The table below shows these metrics and their relevant parent category.

ENTERPRISE SURVEYS, SURVEY METRICS EXTRACTED[55]

Corruption

- Bribery incidence (percentage of firms experiencing at least one bribe payment request)
- Bribery depth (percentage of public transactions where a gift or informal payment was requested)
- Percentage of firms expected to give gifts in meetings with tax officials
- Percentage of firms expected to give gifts to secure government contract
- Percentage of firms expected to give gifts to get an operating license
- Percentage of firms expected to give gifts to get an import license
- Percentage of firms expected to give gifts to get a construction permit
- Percentage of firms expected to give gifts to get an electrical connection
- Percentage of firms expected to give gifts to get a water connection
- Percentage of firms expected to give gifts to public officials “to get things done”
- Percentage of firms identifying corruption as a major constraint
- Percentage of firms identifying the courts system as a major constraint

Crime

- Percentage of firms paying for security
- Percentage of firms experiencing losses due to theft and vandalism
- Percentage of firms identifying crime, theft, and disorder as a major constraint

Regulations and taxes

- Percentage of firms identifying tax administration as a major constraint
- Percentage of firms identifying business licensing and permits as a major constraint

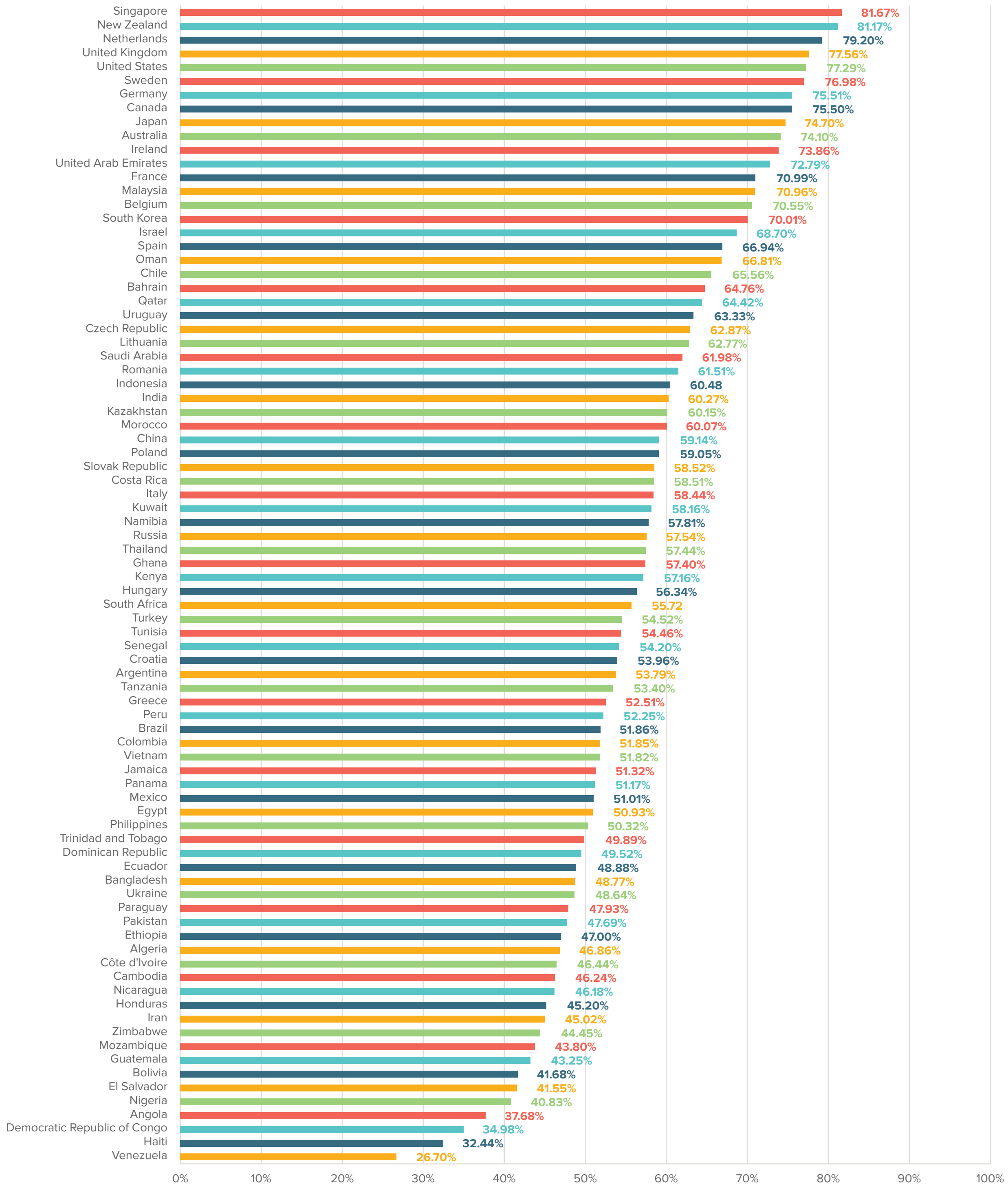
Informality

- Percentage of firms competing against unregistered or informal firms
- Percentage of firms identifying practices of competitors in the informal sector as a major constraint

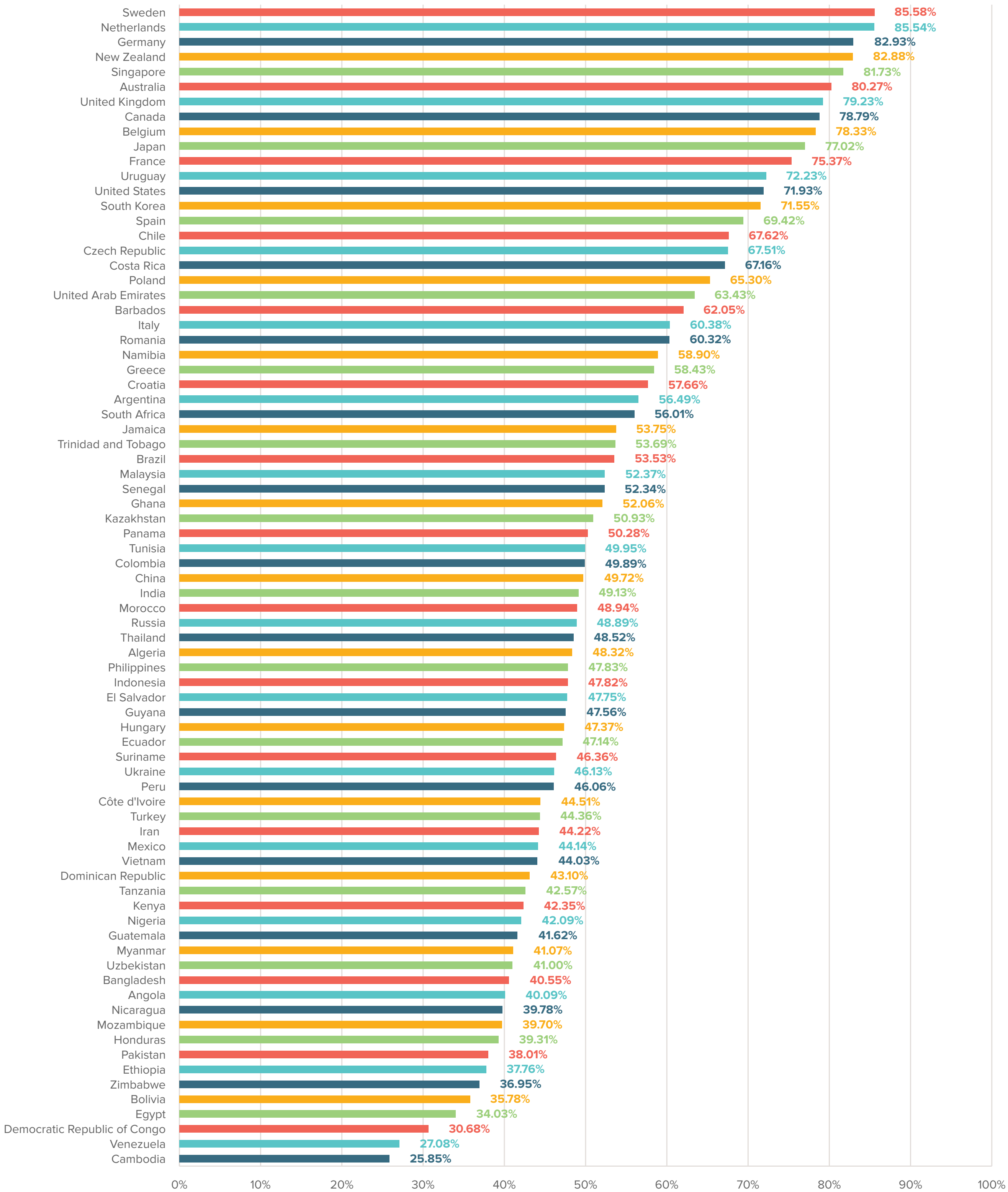
APPENDIX B – DATA USED IN DASHBOARD DEVELOPMENT

This appendix shows the 2019 results from all individual underlying indices and measures used to build the Dashboard.

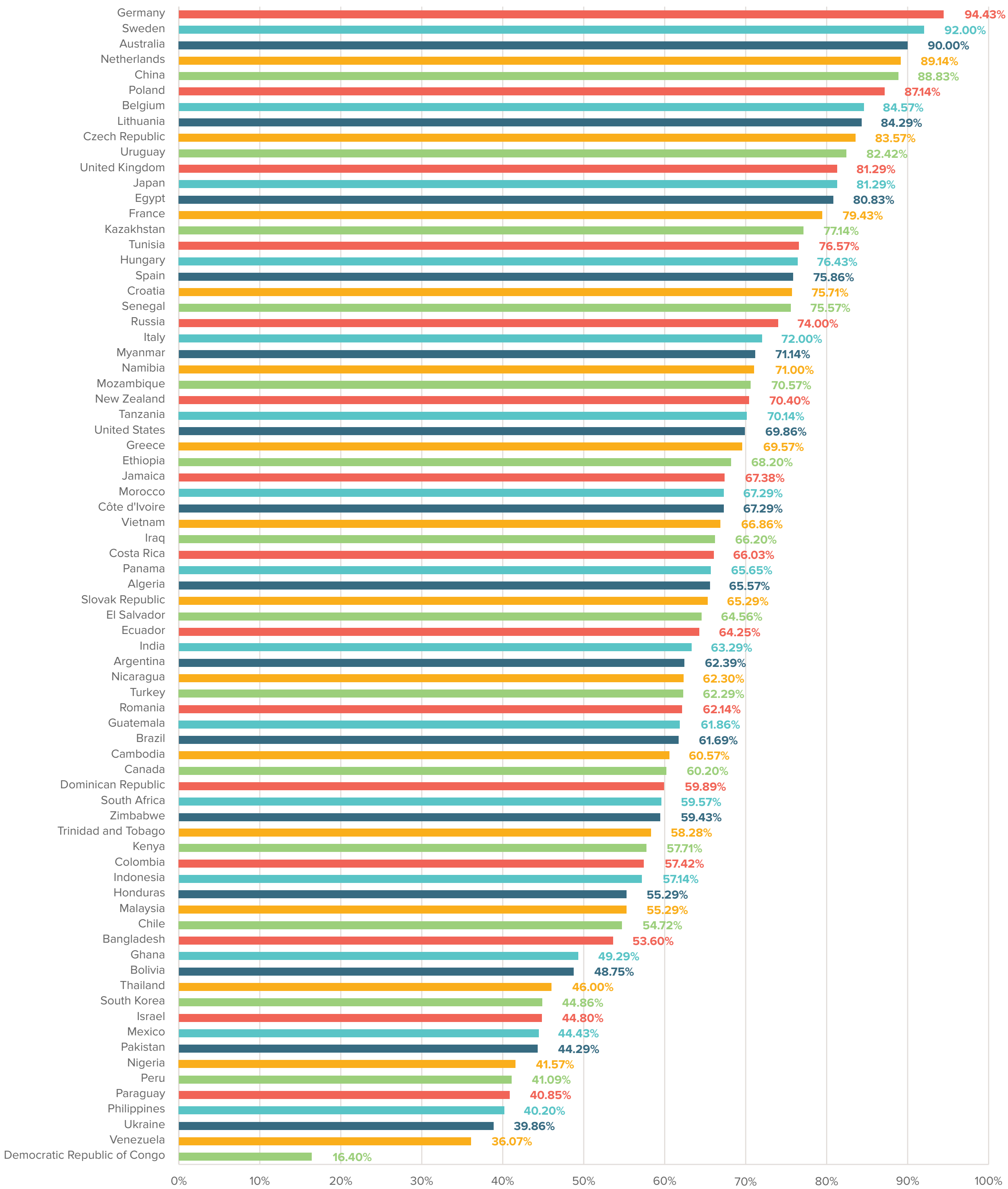
WORLD ECONOMIC FORUM: *THE GLOBAL COMPETITIVENESS REPORT*, OVERALL PERCENTAGE AVAILABLE SCORE, INDICATORS EXTRACTED



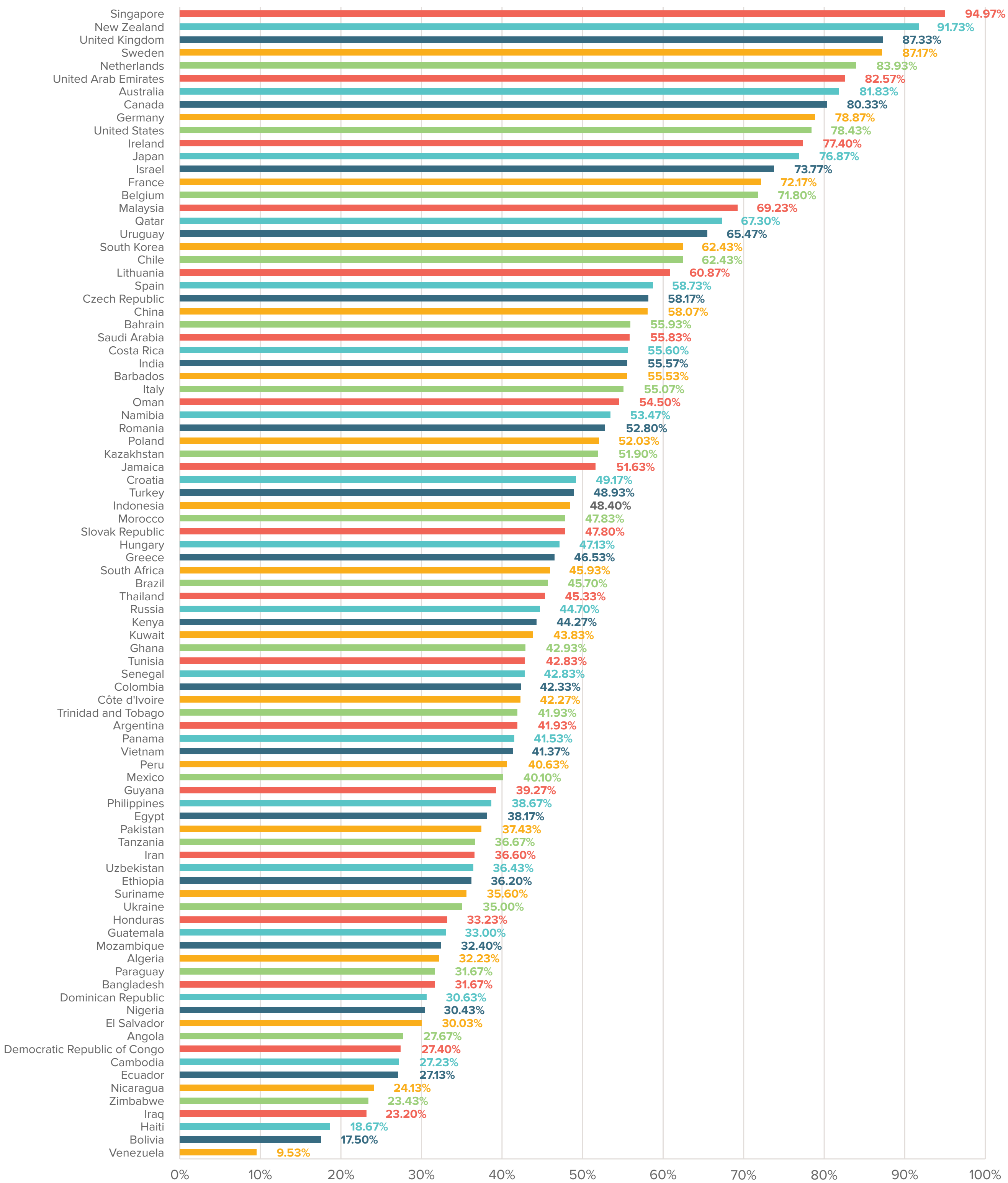
THE WORLD JUSTICE PROJECT: *RULE OF LAW INDEX*, OVERALL PERCENTAGE AVAILABLE SCORE, INDICATORS EXTRACTED



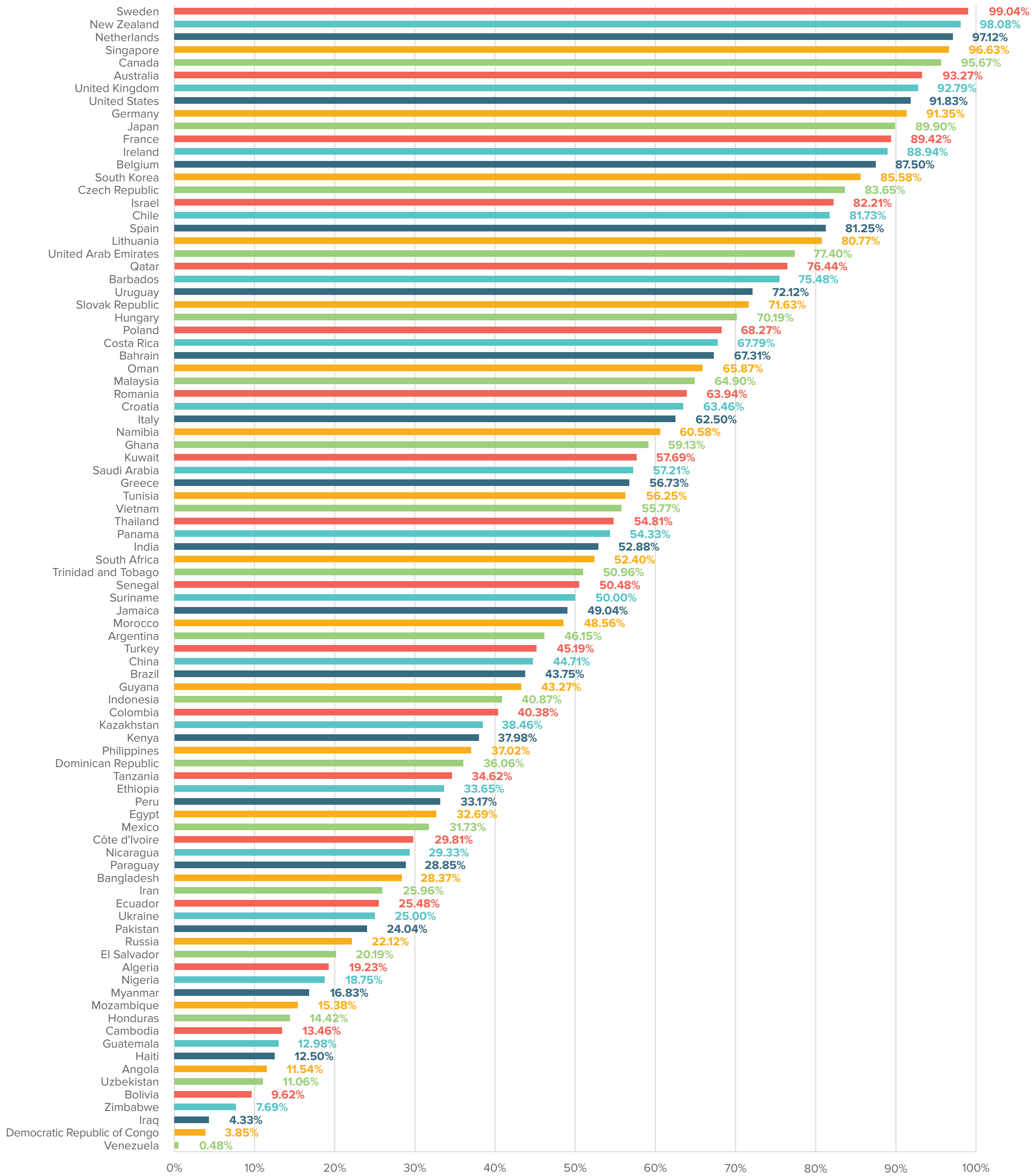
TRANSPARENCY INTERNATIONAL: *GLOBAL CORRUPTION BAROMETER*, OVERALL PERCENTAGE AVAILABLE SCORE, INDICATORS EXTRACTED[56]



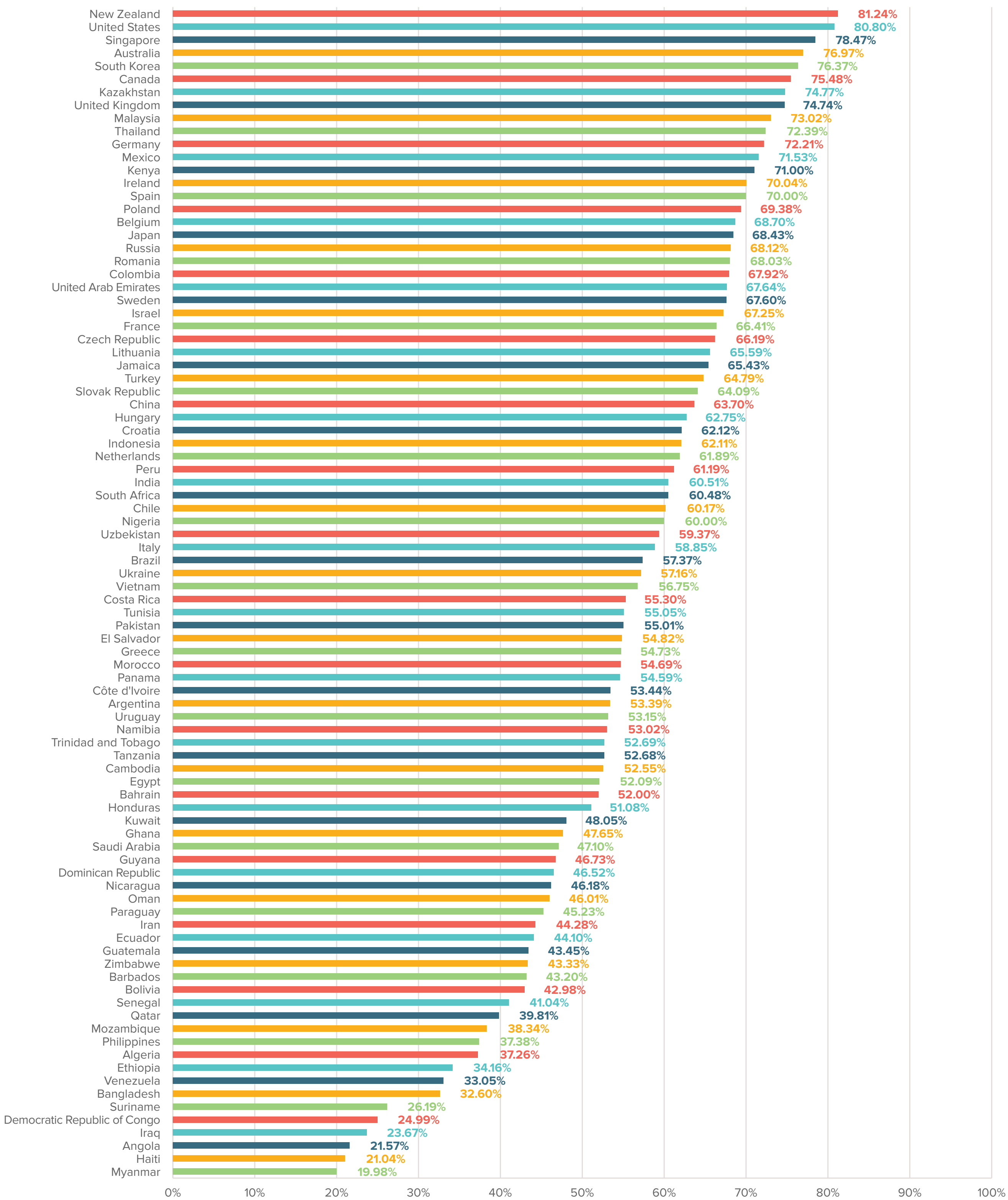
HERITAGE FOUNDATION: *INDEX OF ECONOMIC FREEDOM*, OVERALL PERCENTAGE AVAILABLE SCORE, INDICATORS EXTRACTED



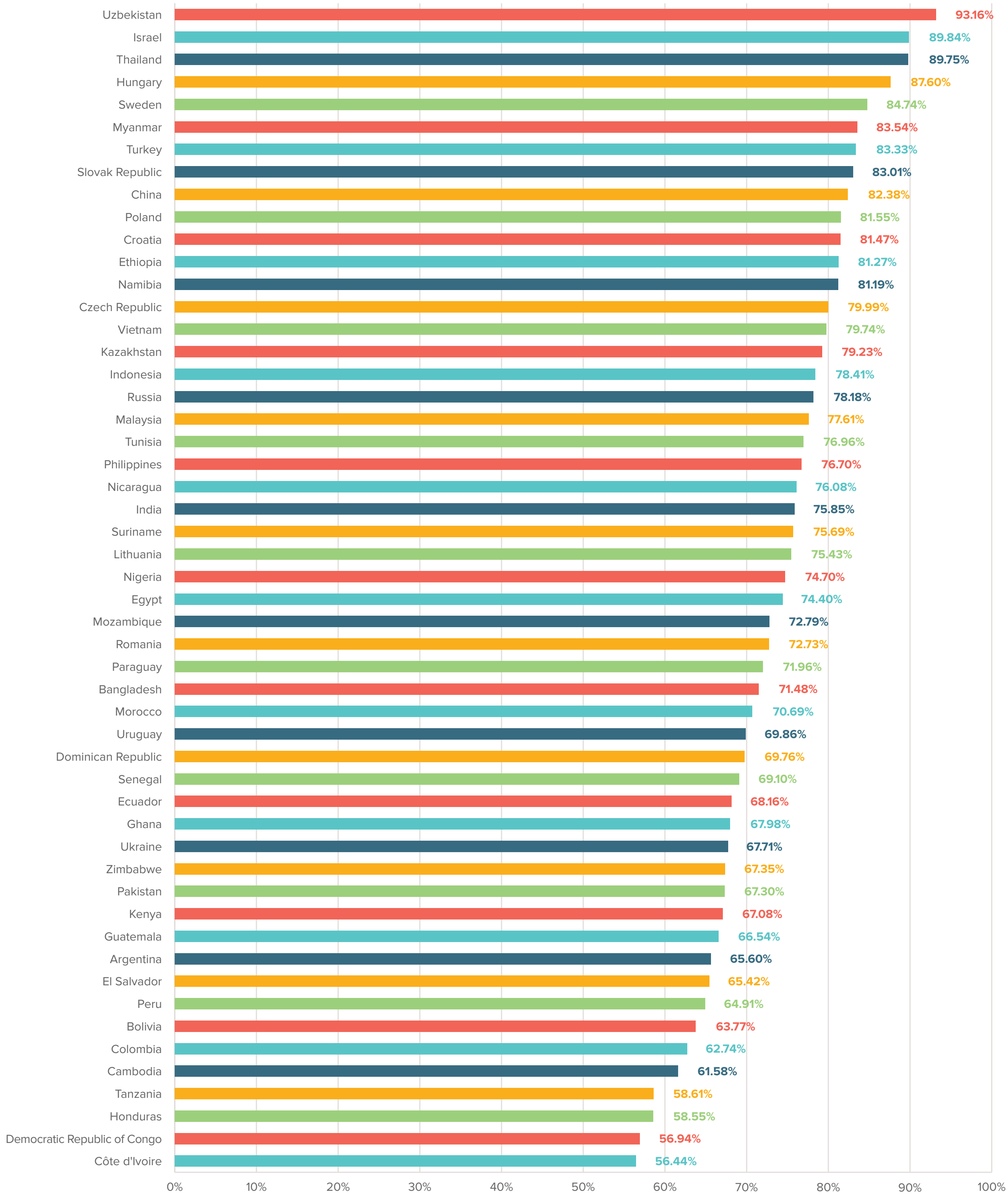
WORLDWIDE GOVERNANCE INDICATORS, OVERALL PERCENTAGE AVAILABLE SCORE, INDICATORS EXTRACTED



THE WORLD BANK AND THE INTERNATIONAL FINANCE CORPORATION: *DOING BUSINESS*, OVERALL PERCENTAGE AVAILABLE SCORE, INDICATORS EXTRACTED



THE WORLD BANK: *ENTERPRISE SURVEYS*—WHAT BUSINESSES EXPERIENCE, OVERALL PERCENTAGE AVAILABLE SCORE, INDICATORS EXTRACTED



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11 M. Brilliant (2013), "Good Business Demands Good Governance," in *Index of Economic Freedom 2013*, Heritage Foundation, p. 82-83

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17 The *Enterprise Surveys* are not a standalone unified document published annually. Instead, the Surveys are carried out independently by the World Bank and its partners in individual economies but using the same methodology and core questionnaire developed by the World Bank in the mid-2000s. See: World Bank (2017), *Enterprise Surveys Indicator Descriptions*, Washington, DC, Sept. 11, 2017, p. 2.

18 The WGI are produced by D. Kaufmann and A. Kraay, of the Natural Resource Governance Institute and Brookings Institution and World Bank Development Research Group, respectively. The WGI dataset is hosted by the World Bank on its website (**https://info.worldbank.org/governance/wgi/#home**). The project is described thus: "The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen, and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, nongovernmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the Natural Resource Governance Institute, the Brookings Institution, the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources."

19 The World Bank Group (2018), *Doing Business 2019: Training for Reform*, International Bank for Reconstruction and Development, Washington, DC, October 2018.

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21 The addition of 18 new economies and increase in sample size has allowed this year's edition of the Dashboard to move countries from one geographical grouping to another. In 2017, both Russia and Kazakhstan were included in the Asia region. This year, to better reflect the World Bank's regional groupings, they have been moved to the Europe and Central Asia grouping.

22 See above discussion in endnote 23. The increase in the total number of economies sampled now allows the Dashboard to better reflect the regional groupings the World Bank uses.

23 As noted in the discussion in endnote 23, the addition of new markets also allowed the authors to reflect the World Bank regional groups, such that the Middle East region in 2017 has been expanded to Middle East and North Africa, encompassing Tunisia, Morocco, and Algeria in 2019.

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32 They are indicators 3.1. Publicized laws and government data; 3.2. Right to information; 3.3. Civic participation; and 3.4. Complaint mechanisms. See World Justice Project (2019), *Rule of Law Index*, p. 12. These indicators have all been extracted from the *Rule of Law Index* and are part of the Dashboard.

33 World Justice Project, *Rule of Law Index*, historical databank.

34 United Nations, "High-level Meeting on the Rule of Law," 24 September 2012.

35 K. Schwab (2018), *The Global Competitiveness Report 2018*, World Economic Forum, Geneva, p. vii.

36 Ibid., p. vi.

37 It should be noted that, by and large, these indicators used in the latest 2018 edition of the *Global Competitiveness Index* and *Report* are virtually identical to the indicators used in preceding editions.

38 M.D. Agrast et al. (2012), *The World Justice Project: Rule of Law Index 2012-2013*, Washington, DC

39 The World Justice Project (2019), *Rule of Law Index 2019*, Washington, DC, p. 5.

40 Ibid. p. 7-10.

41 Given the nature of the *Rule of Law Index*, it is arguable that all indicators included in the index are in some manner relevant to the business community. However, for the purposes of this report, focus has been placed on those indicators that are most directly relevant to the world of business.

42 World Justice Project, *Rule of Law Index*, databank.

43 Transparency International (2013), *Global Corruption Barometer 2013*, Berlin, p. 3.

44 Transparency International, *Global Corruption Barometer*, Complete data set 2017.

45 Ibid.

46 Ibid. Older editions of the GCB did not include two institutions: "Local government councilors" and "Tax officials, like ministry of finance officials or local government tax collectors."

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49 Ibid. p. 4.

50 Ibid.

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54 World Bank Group, Enterprise Surveys, Survey Methodology, weblink: **https://www.enterprisesurveys.org/methodology** (Accessed May 2019).

55 Ibid. p. 14-197. See also World Bank, *Enterprise Surveys* Data, Topics, (Accessed May 2019): **https://www.enterprisesurveys.org/data**

56 The percentage score for the GCB is inverted (i.e., economies are ranked from those with the lowest level of perceived corruption to the highest). For example, if country x receives an estimated percentage score of corruption of 10% on the GCB than its Dashboard score is equal to 90%.

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