


dfe Centre international de formation européenne

DEFI DEVELOPING FINANCE

**COUNTRY RISK
ECONOMIC INTELLIGENCE &
KEY INFORMATION SOURCES**



CIFE SEMINAR 2021-2022
MICHEL-HENRY BOUCHET

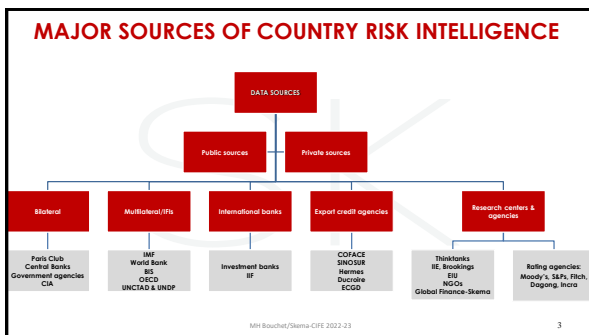
1

COUNTRY RISK ASSESSMENT

Reliable and updated information
= Economic intelligence
→ Robust risk analysis



2



3

ANALYSIS AND INFORMATION SOURCES

IMF, World Bank, IFC & MIGA
UNCTAD & UNDP
Fed Reserve Bk of St Louis
BIS, OECD, EBRD, EIB
Coface, Euler-Hermes
Moody's, S&P, Fitch, Dagong
Euromoney, Institutional Investor
CIA & US State Dept, ICRG
Transparency International
Hiscox, AON, Control Group
DEFI www.developingfinance.org



DEFI DEVELOPING FINANCE

OXFORD ECONOMICS

La globalisation
Introduction à l'économie du nouveau monde

Country ...
Political Risk

GREEN risk assessment

MANAGING COUNTRY RISK IN AN AGE OF GLOBALIZATION

Control Risks

AON

EULER HERMES

coface

INTERNATIONAL MONETARY FUND

THE WORLD BANK

MH Bouchet/Skema-CIFE 2022-23

4

ECONOMIC INTELLIGENCE = THE KEY OF RELIABLE RISK ANALYSIS AND MITIGATION!

- www.developingfinance.org
- https://www.theglobaleconomy.com/rankings/Nonperforming_loans/
- <https://www.coface.com/fr/Etudes-economiques-et-risque-pays>
- <https://www.theglobaleconomy.com/>
- <https://www.bis.org/statistics/comstats.htm>
- <https://etudes-economiques.credit-agricole.com/>
- <https://www.fitchratings.com/site/sovereigns/political>
- <https://www.imf.org/en/Publications>
- <https://www.heritage.org/index/>
- <https://www.doingbusiness.org/en/rankings>
- <https://www.weforum.org/reports/how-to-end-a-decade-of-lost-productivity-growth>
- <https://www.transparency.org/cpi2019>
- <http://etudes-economiques.credit-agricole.com/>
- <http://clb.natixis.com/research/economic/publications.aspx?lang=fr>
- <http://economic-research.bnpparibas.com/>
- <http://www.societegenerale.com/fr/s-informer-et-nous-suivre/econews/>
- MarketAxess Daily bd@marketaxess.com
- https://www.spratings.com/en_US/home
- OECD: <https://stats.oecd.org/>
- BCE: <https://www.ecb.europa.eu/home/languagepolicy/html/index.fr.html>
- FMI: <https://www.imf.org/external/french/index.htm>
- FRED: <https://fred.stlouisfed.org/>
- <https://countryeconomy.com/>
- [indicators \(ceicdata.com\)](https://indicators.ceicdata.com/)

MH Bouchet/Skema-CFE 2022-23 5

5

THE DARK SIDE OF THE MOON OF GOVERNMENT STATISTICS: DO COUNTRIES FALSIFY ECONOMICS DATA STRATEGICALLY? SOME EVIDENCE SAY THAT THEY DO

Research by G. STOLTZ and T. MICHALSKI, HEC April 2010
 Review of Economics and Statistics, Massachusetts Institute of Technology Press (MIT Press), 2013, 95 (2), pp.591-616.
 #10.1162/REST_a_00274iff.fhahshs-00482106v3 <https://halshs.archives-ouvertes.fr/halshs-00482106v3/document>

China is known to embellish its GDP growth and Argentina to shrink its actual debt volume, and Greece to inflate its reserve level and dissimulate its budget troubles!

Culprits: Most often countries with negative balance of payments, negative net foreign assets position, declining reserves, fixed exchange rate regimes, bad institutional quality rankings

Conclusion: Transparency and good governance matter!

MH Bouchet/Skema-CFE 2022-23 6

6

ARE DEMOCRATIC COUNTRY GROWTH DATA MORE RELIABLE THAN AUTHORITARIAN REGIMES?

Use of satellite data on night lights — a proxy for economic activity — shows that **authoritarian countries** (Freedom House's rankings) tend to have a much bigger discrepancy between reported GDP figures and observed light output.

Average GDP per person, 2021, \$*

Country Type	Reported	Satellite-based estimate
Free countries	37,176	36,467
Partly free	2,952	2,305
Not free	8,849	4,332

*In 2021 \$ at market exchange rates, assuming reported 1992 GDP figures are accurate

Source: [Martinez \(2022\)](#) via [The Economist](#)

MH Bouchet/Skema-CFE 2022-23 7

7

ECONOMIC INTELLIGENCE = TRANSFORMING INFORMATION INTO RISK STRATEGY

MH Bouchet/Skema-CFE 2022-23 8

8

FINANCIAL, MACRO-ECONOMIC AND SOCIO-POLITICAL INFORMATION AND INTELLIGENCE SOURCES

Official sources	Private sources
<p>1 . Multilateral sources</p> <ul style="list-style-type: none"> ▶ IMF ▶ World Bank ▶ BIS, OECD ▶ RDBs <p>2. Official bilateral sources</p> <ul style="list-style-type: none"> ▶ Country governments (CBs, CIA) ▶ ECAs (Coface, Hermes, Eximbank, ECGD, SACE, CESCE) ▶ Paris Club 	<ol style="list-style-type: none"> 1. Insurance agencies (Coface, AON OPIC) 2. Research Institutes (IIE, IIF, Brookings, Transparency Int.) 3. Thinktanks (Cato, Heritage, Freedom House, Heritage F.) 4. Magazines (Euromoney, Institutional Investor...) 5. Academic centers (CforGD, Global Finance...) 6. Rating agencies (S&P, Dagong, Inkra) 7. Private risk assessment firms PRG, TAC....

MH Bouchet/Skema-CFE 2022-23 9

OFFICIAL INFORMATION SOURCES

- 4 IFIs = IMF + World Bank + BIS + OECD
- 4 RDBs= AsDB, AfDB, EBRD, IADB
- 2 UNs= UNCTAD + UNDP
- Export credit agencies (Coface, SACE, OPIC, Eximbank, Hermes...)
- Paris Club
- Central Banks
- Governments and Intelligence agencies

(https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_eur.html)

MH Bouchet/Skema-CFE 2022-23 10

9

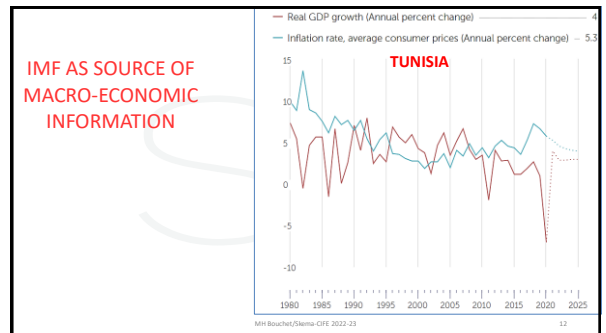
10

IMF AS SOURCE OF RISK INFORMATION

<p>International Financial Statistics (monthly)</p> <p>Global tables:</p> <ul style="list-style-type: none"> IMF Credits Official reserves and MS Exchange rates (nominal and real effective rates) CPI and interest rates Trade Flows (M/X) Commodity prices 	<p>Country data</p> <ul style="list-style-type: none"> Balance of payments Government budget National accounts (GDP/GNP) International liquidity Monetary survey (bank credit, money and quasi-money) Interest rates Debt ratios
--	--

MH Bouchet/Skema-CFE 2022-23 11

11



12

IMF AS SOURCE OF MACRO-ECONOMIC INFORMATION

Table 1. Tunisia: Selected Economic and Financial Indicators, 2017-25

	2017	2018	2019		2020		2021		2022		2023		2024		2025	
			Proj.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	
(Annual percentage change)																
Production and prices																
Real GDP (at 2010 prices)	1.9	2.7	1.0	-0.2	-1.1	1.8	-1.1	2.4	2.0	1.8	1.8					
GDP deflator	4.8	7.8	7.1	5.4	5.1	5.9	5.1	6.2	6.9	7.2	7.1					
CPI inflation (average)	3.3	7.3	6.7	5.7	6.3	5.8	-0.9	6.3	6.9	7.3	7.3					
CPI inflation (avg)	6.2	7.5	6.1	5.5	-0.7	6.0	-0.8	6.4	6.9	7.4	7.7					
(Percent of GDP)																
Saving investment balance																
Gross national savings	9.1	10.0	8.8	1.0	1.1	0.9	0.6	1.9	1.9	1.6	1.4					
of which central government	-0.4	1.0	1.4	-4.1	-1.1	-0.5	2.1	-1.4	-1.3	-1.0	-0.8					
Gross investment	19.4	21.1	17.2	7.8	10.0	10.5	14.0	11.4	11.2	10.8	10.4					
of which central government	5.6	5.6	5.3	6.1	5.3	5.8	4.6	5.5	5.3	5.0	4.3					
(Percent of GDP, unless otherwise indicated)																
Central government operations: 1/																
Total revenue and grants	24.6	26.0	27.7	28.9	26.1	27.9	27.6	27.2	27.2	27.4	27.5					
Total expenditure and net lending	30.8	30.5	29.6	37.5	30.7	30.2	33.3	34.8	33.7	33.3	33.0					
of which wage bill	15.0	14.0	14.6	17.4	16.5	15.5	15.1	17.2	16.9	16.7	16.5					
of which energy subsidies	1.6	2.5	2.8	1.3	0.7	1.8	0.5	1.1	0.8	0.8	0.5					
of which transfers (incl. social programs and OMPG)	2.2	2.5	2.8	3.6	3.1	2.9	3.2	2.9	2.9	2.9	2.4					
of which capital expenditure	5.6	5.6	5.3	6.1	5.3	5.8	4.6	5.5	5.3	5.0	4.3					
Overall balance (incl. grants)	-6.0	-4.5	-9.9	-10.8	-4.1	-9.3	-1.1	-6.8	-4.5	-6.0	-5.4					

MH Bouchet/Skema-CFE 2022-23 13

13

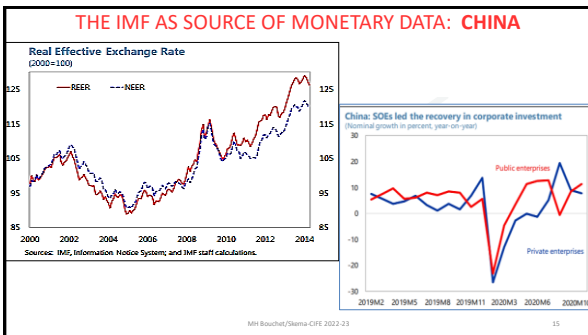
IMF AS SOURCE OF MACRO-ECONOMIC INFORMATION

Table 3. Tunisia: Balance of Payments, 2017-25 1/
(In millions of U.S. dollars, unless otherwise indicated)

	2017	2018	2019	2020		2021		2022		2023		2024		2025	
				Proj.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.			
Current account balance	-4,080	-4,440	-3,280	-2,697	-4,210	-4,196	-4,091	-4,608	-4,717						
Trade balance	-6,380	-6,850	-4,420	-3,711	-4,812	-4,169	-4,066	-4,243	-4,404						
Exports	14,231	15,485	14,945	13,646	15,913	16,828	17,261	18,503	18,160						
Imports	846	880	824	774	970	977	1,097	1,164	1,260						
of which non-food	13,964	14,605	14,121	12,872	15,009	15,951	16,264	17,339	17,869						
of which non-food	11,844	12,561	12,516	10,964	12,716	13,569	14,237	14,788	15,233						
Imports	-19,518	-21,405	-20,373	-17,357	-22,225	-23,028	-23,746	-24,746	-25,594						
Energy	-2,533	-2,214	-3,867	-2,424	-3,993	-3,999	-4,156	-4,326	-4,466						
Non-energy	-17,025	-18,220	-16,506	-14,933	-18,232	-19,029	-19,592	-20,420	-21,148						
of which non-food	-15,180	-16,195	-14,681	-12,914	-15,748	-16,422	-17,081	-17,881	-18,639						
Services and transfers (net)	1,228	1,596	2,140	1,614	2,162	1,795	1,499	1,684	1,717						
Services	305	317	1,182	6	1,195	898	799	970	970						
of which tourism exports	1,170	1,360	1,578	160	1,295	1,790	1,887	1,974	2,062						
Transfers (net)	923	790	958	1,008	997	897	697	694	746						
of which workers' remittances	1,681	1,875	2,033	2,249	2,322	2,386	2,468	2,481	2,492						
of which remittances on external debt	-607	-375	-795	-297	-66	-1,236	-1,498	-1,590	-1,580						
Capital and financial account	4,079	5,360	5,946	4,255	3,490	3,715	4,098	4,165	4,397						
Capital account balance	184	128	137	419	92	72	80	89	99						
Financial account balance	3,895	4,940	4,928	3,836	3,598	3,644	4,019	4,076	4,298						
Direct investments and portfolio (net)	747	1,068	813	647	797	930	967	999	1,025						
Medium- and long-term loans (net)	2,283	1,143	1,104	-474	1,709	1,935	1,834	2,029	2,249						
Disbursements	4,296	2,811	3,231	1,668	4,915	3,665	4,261	3,102	4,873						
Amortization	-1,996	-1,487	-2,127	-2,341	-3,205	-2,920	-2,716	-3,072	-2,624						
ST debt and other capital flows (net)	868	2,848	3,001	3,662	1,122	1,678	1,401	1,047	934						

MH Bouchet/Skema-CFE 2022-23 14

14



15

THE IMF'S WEO 2022

World Economic Outlook UPDATE
An update of the key WEO projections

FOR RELEASE STRICTLY CONFIDENTIAL

As of the end of April 2021, the IMF had approved loans to 86 countries totaling more than \$110 billion since the onset of the pandemic—a record number.

The August 2021 approval of a new allocation of Special Drawing Rights is another unprecedented action. At \$650 billion, this is the largest allocation in the IMF's history, and it will substantially boost the reserves and liquidity of the IMF's member countries, without adding to their debt burdens.

We are also exploring options for those with strong financial positions to voluntarily channel SDRs to vulnerable countries.

MH Bouchet/Skema-CFE 2022-23 16

16

Table 1.1. Overview of the World Economic Outlook Projections
(Percent change, unless noted otherwise)

	Projections			Difference from July 2022 WEO (points)		Difference from April 2022 WEO	
	2021	2022	2023	2022	2023	2022	2023
World Output	6.0	3.2	2.7	0.6	-0.2	-0.4	-0.9
Advanced Economies	5.2	2.4	1.1	-0.1	-0.3	-0.9	-1.3
United States	5.7	1.6	1.0	-0.7	0.0	-2.1	-1.3
Euro Area	5.2	3.1	0.5	0.5	-0.7	0.3	-1.8
Germany	2.6	1.5	-0.3	0.3	-1.1	-0.6	-3.0
France	6.8	2.9	0.7	0.2	-0.3	-0.4	-0.7
Italy	6.7	3.2	-0.2	0.2	-0.8	0.8	-1.8
Spain	5.1	4.3	1.2	0.3	-0.8	-0.5	-2.1
Japan	1.7	1.7	1.8	0.0	-0.1	-0.7	-0.7
United Kingdom ²	7.4	3.6	0.3	0.4	-0.2	-0.1	-0.9
Canada	4.5	3.3	1.5	-0.1	-0.3	-0.6	-1.3
Other Advanced Economies ³	5.3	2.8	2.3	-0.1	-0.4	-0.3	-0.7
Emerging Market and Developing Economies	6.8	3.7	3.7	0.1	-0.2	-0.1	-0.7
Emerging and Developing Asia	7.2	4.4	4.9	-0.2	-0.1	-1.0	-0.7
China	8.1	3.2	4.4	-0.1	-0.2	-1.2	-0.7
India	6.7	6.8	6.1	-0.6	0.0	-1.4	-0.8
ASEAN ⁴	3.4	5.3	4.8	0.0	-0.2	0.0	-1.0
Emerging and Developing Europe	6.6	0.0	0.6	1.4	-0.3	2.0	-0.7
Russia	4.7	-3.4	-2.3	2.6	1.2	0.1	0.0
Latin America and the Caribbean	6.9	3.5	1.7	0.5	-0.3	1.0	-0.8
Brazil	4.8	2.6	1.0	1.1	-0.1	2.0	-0.4
Mexico	4.8	2.1	1.2	-0.3	0.0	0.1	-1.3
Middle East and Central Asia	4.5	0.0	0.6	0.2	0.1	0.4	-0.1
Saudi Arabia	3.2	7.6	3.7	0.0	0.0	0.0	0.1
Sub-Saharan Africa	4.7	5.6	3.7	-0.2	-0.3	-0.2	-0.3
Nigeria	3.6	3.2	3.0	-0.2	-0.2	-0.2	-0.1
South Africa	4.8	2.1	1.1	-0.2	-0.3	0.2	-0.3
Amenorandum	5.8	2.9	2.1	0.0	-0.3	-0.6	-1.0
World Growth Based on Market Exchange Rates	5.4	3.2	0.7	0.4	-0.9	0.3	-1.8
European Union	4.1	5.0	3.6	0.1	0.2	0.0	0.0
Middle East and North Africa	5.4	3.2	0.7	0.4	-0.9	0.3	-1.8
Emerging Market and Middle-income Economies	6.8	3.6	3.6	0.1	-0.2	-0.2	-0.7
Low-income Developing Countries	4.1	4.8	4.9	-0.2	-0.3	0.2	-0.5
World Trade Volume (goods and services)	10.1	4.3	2.5	0.2	-0.7	-0.7	-1.8

17

THE IMF AS SOURCE OF FINANCING SUPPORT FOR DEFICIT COUNTRIES

On August 23 2021, largest IMF allocation of Special Drawing Rights came into effect = Δ international reserve assets = \$650 billion in much needed liquidity to global economic system

About \$275 billion is going to EMCs, of which low-income countries will receive about \$21 billion = 6% of GDP.

"SDRs can help countries with weak reserves reduce their reliance on more expensive domestic or external debt. And for states hard pressed to increase social spending, invest in recovery and deal with climate threats, they offer a precious additional resource," IMF Managing Director

SDR allocations: COVID-19 vaccine purchase example

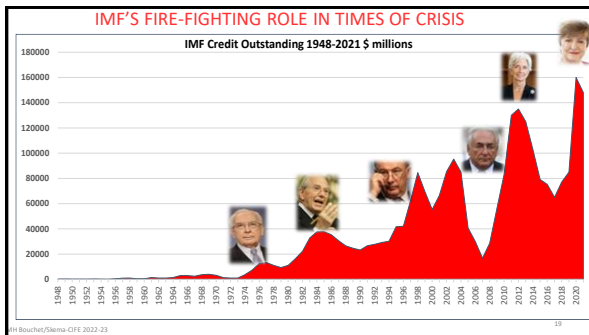
Step 1: Allocation of SDRs
The IMF allocates SDRs. Country A receives an amount in proportion to its share in the IMF.

Step 2: Trade SDRs for currency
Country A can exchange its SDRs with Country B for foreign currency reserves.

Step 3: Acquire vaccines
Country A can then use these foreign currency reserves to purchase vaccines.

INTERNATIONAL MONETARY FUND

18



19

20

WORLD BANK AS SOURCE OF RISK INFORMATION

Global Development Finance (annual)

- ▶ Vol. 1 = Global tables
Total debt stock and flows of EMCs broken down by creditors & maturities
- ▶ Vol.2 = country tables
Total debt and debt servicing payments

Country economic reports

- Structural indicators
- Economic policy issues
- WB project lending
- Debt sustainability analysis
- Governance analysis

MH Bouchet/Skema-CFE 2022-23 21

21

Worldwide Governance Indicators

WORLD BANK: CROSS-COUNTRY COMPARISON OF GOVERNANCE INDICATORS: TUNISIA VS MOROCCO

[http://info.worldbank.org/governance/wgi/#reportsindicators:Tunisia vs Morocco](http://info.worldbank.org/governance/wgi/#reportsindicators:Tunisia%20vs%20Morocco)

MH Bouchet/Skema-CFE 2022-23 22

22

THE WORLD BANK DOING BUSINESS Measuring Business Regulations

Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. Rankings are determined by sorting the aggregate scores on 10 topics, each consisting of several indicators, giving equal weight to each topic

Economy	Ease of Doing Business Rank	Rank within group	Starting a business	Dealing with construction permits	Getting electricity	Registering property
New Zealand	1	1	1	7	48	2
Singapore	2	2	4	5	79	21
Hong Kong SAR, China	3	3	5	1	3	51
Denmark	4	4	45	4	21	11
Korea, Rep.	5	5	30	12	2	40
United States	6	6	55	24	64	39
Georgia	7	7	2	23	42	5
United Kingdom	8	8	18	35	8	41

What about data reliability and transparency?

MH Bouchet/Skema-CFE 2022-23 23

23

BIS

A KEY SOURCE OF FINANCIAL RISK INFORMATION

Global tables

- ▶ International Banking statistics (quarterly) + Annual BIS report
- ▶ International banking market
- ▶ International debt securities market
- ▶ Derivatives market

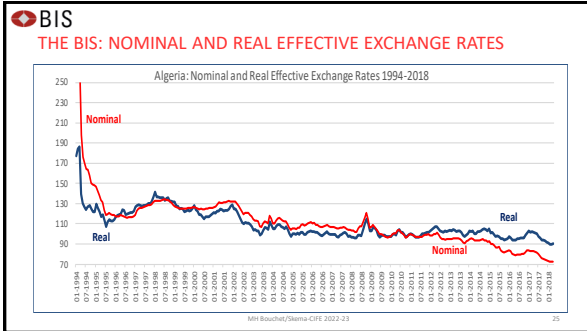
Country Tables

- ▶ External positions of BIS reporting banks: assets (claims) and liabilities (deposits) vis à vis all sectors and the non-bank private sector
- ▶ Breakdown by creditor banks and by maturities
- ▶ Real effective exchange rates

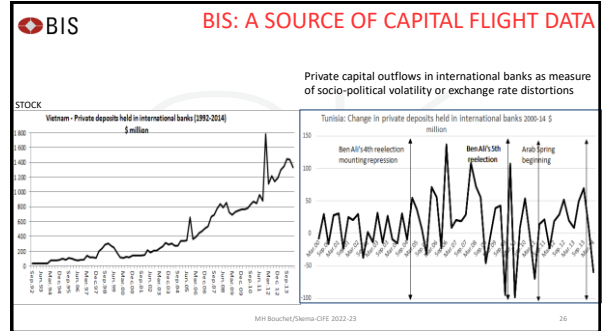
<http://stats.bis.org/statx/srs/table/b4>

MH Bouchet/Skema-CFE 2022-23 24

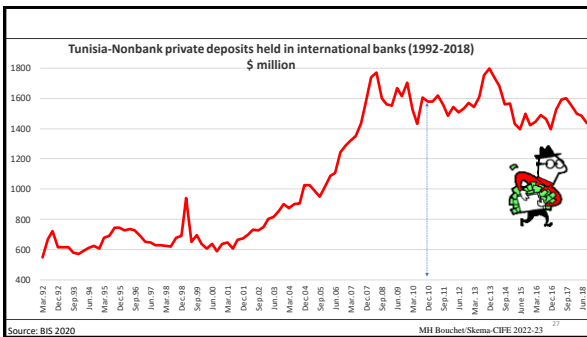
24



25



26



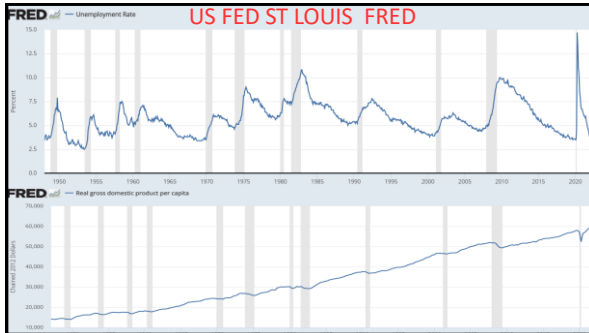
27

OECD, CENTRAL BANKS AND TREASURIES

- ▶ Ex. FFIEC: US Federal Financial Institution Examination Council
 - ▶ **US banks' claims on CHILE = US\$ 3.22 billion o/w**
 1. On banks= \$ 903 million
 2. On public sector= \$320 million
 3. On private sector= \$1970 million
 4. Total ST debt < 1 year loans= 51%

Source: BIS 2020

28




29



30

PARIS CLUB = SOURCE OF DEBT-RELATED INFORMATION

- ▶ There are no established institutionalized mechanisms for dealing with **private** sector cross-border debt in arrears! This is not the case of **official-source** debt that is renegotiated under the auspices of the Paris Club since 1956! Cf. Argentina's debt crisis
- ▶ The Paris Club: A confidential ad-hoc forum of debt negotiations between OECD country creditors and sovereign debtors.
- ▶ It only deals with official or officially-guaranteed credits (Coface, Hermes, SACE, ECGD, US Eximbank...).
- ▶ Consensus-based agreements.



MH Bouchet/Skema-CFE 2022-23

31

THE PARIS CLUB

- ▶ The first meeting with a debtor country was in 1956 when Argentina agreed to meet its public creditors in Paris. Since then, the Paris Club has reached >430 agreements concerning 90 debtor countries. The total amount of debt covered in these agreements has been \$583 billion.
- ▶ The Paris Club has remained strictly informal. It is the voluntary gathering of creditor countries willing to treat in a co-ordinated way the debt due to them by the developing countries.
- ▶ It can be described as a "non institution".

MH Bouchet/Skema-CFE 2022-23

32

THE PARIS CLUB 1956-2021

Total number of agreements		473
Total number of debtor countries		100
Total amount of debt		589 Billion \$
Total number of countries in "Classic Terms"		60
Total number of countries in "Houston Terms"		21
Total number of countries in "Naples Terms"		33
Total number of countries in "Cologne Terms"		36

MH Bouchet/Skema CFE 2022-23 33

33

TOTAL CLAIMS OF PARIS CLUB MEMBERS ON EMERGING MARKET COUNTRIES

Créances du Club de Paris au 31 décembre 2016, hors intérêts de retard (en millions de dollars)

APD : Aide Publique au Développement
NAPD : non consenties aux conditions de l'APD

Pays débiteurs	Créances APD	Créances NAPD	TOTAL
Alghanistan	1	1 250	1 251
Afrique du Sud	766	173	939
Albanie	495	23	517
Algérie	530	2	522
Angola	451	653	1 304
Antigua-et-Barbuda	3	118	121
Arabie Saoudite	-	2 925	2 925
Argentine	661	5 288	5 949
Arménie	452	16	467
Azerbaïdjan	758	34	791
Bangladesh	3 121	431	3 552
Barbade	2	-	2
Belize	-	-	-
Bénin	5	14	19
Biélorussie	26	6 359	6 385
Bolivie	105	2	106
Bosnie-Herzégovine	250	374	624
Botswana	19	-	19
Bulgarie	186	74	260
Burkina Faso	140	0	140
Burundi	-	-	-
Cambridge	915	1 399	2 314
Caméroun	537	24	562
Cap Vert	111	47	158
Chili	90	-	90
Chine	14 710	1 030	15 740

MH Bouchet/Skema CFE 2022-23 34

34

PARIS CLUB DEBT RESTRUCTURING TERMS

Restructuring Terms	Eligibility	Rescheduling term (T/Grace)	Debt Reduction Terms ODA Non ODA	Debt Conversion
Houston 09/90	GDP per capita <\$2995 and debt/GDP>50 %	ODA: 20/10 Non ODA: 15/2-3	Rescheduled at an interest rate at least as favourable as the original concessional interest rate applying to these loans	Repayment periods are lengthened ODA: no limit Non ODA: up to 20% of the outstanding amount or 15-30 million SDR
Toronto 10/88	Poorest countries	ODA: 25/14 Non ODA: 14/8		33,33%
London, 12/91	23 countries	ODA: 30/12 Non ODA: 23/6		50%
Naples 12/94	Poorest countries	ODA: 25/14 Non ODA: 14/8		67%
Lyon 11/96	Poorest countries	ODA: 40/16 Non ODA: 23/6		80%
Cologne 11/99	41 HIPC	ODA: 40/16 Non ODA: 23/6		90%

MH Bouchet/Skema CFE 2022-23 35

35

NIGERIA: 10/2005 PARIS CLUB DEBT RESTRUCTURING

- ▶ Total stock of public sector debt= US\$ 36.2 billion, o/w US\$ 30 billion due to the Paris Club
- ▶ Debt agreement follows the IMF's Policy Support Instrument (PSI) on 17 October 2005, including a debt reduction under Naples terms on eligible debts and a buy back at a market-related discount on the remaining eligible debts after reduction. **Two conditional phases:**
- ▶ 1. Nigeria undertakes to pay arrears due on all categories of debts and Paris Club creditors grant a 33% cancellation of eligible debts;
- ▶ 2. After the first review of the PSI, planned for March 2006, Nigeria will pay amounts due under post-cut off date debt, and Paris Club creditors will grant a further tranche of cancellation of 34%, and Nigeria will buy back the remaining eligible debts.
- ▶ Total debt cancellation of **US\$ 18 billion** (including moratorium interest) representing an overall cancellation of about 60% of Paris Club debt. Paris Club creditors will be paid an amount of US\$ 12.4 billion, representing regularization of arrears.

MH Bouchet/Skema CFE 2022-23 36

36

UNDP AND UNCTAD

UNDP

▶ HDI

▶ Social and development indicators

UNCTAD

▶ Trade, FDI and development indicators

▶ Role of MNCs in EMCs

MH Bouchet/Skema-CFE 2022-23 37

37

1	Norway	171	Côte d'Ivoire
2	Australia	172	Djibouti
3	Switzerland	173	Gambia
4	Germany	174	Ethiopia
5	Denmark	175	Mali
5	Singapore	176	Congo (Dem R)
7	Netherlands	177	Liberia
8	Ireland	178	Guinea-Bissau
9	Iceland	179	Eritrea
10	Canada	179	Sierra Leone
10	United States	181	Mozambique
12	Hong Kong	181	South Sudan
13	New Zealand	183	Guinea
14	Sweden	184	Burundi
15	Liechtenstein	185	Burkina Faso
16	United Kingdom	186	Chad
17	Japan	187	Niger
18	Korea	188	Central Af Rep

UNDP
HUMAN DEVELOPMENT INDEX

Often rich countries with poor people!

MH Bouchet/Skema-CFE 2022-23 38

38

UNCTAD PROVIDES TIMELY DATA ON TRADE AND FDI FLOWS & STOCKS

Table 3.3.3 Foreign direct investment inflows, top 20 host economies, 2019

Economy (Ranked by inflow value)	Inflows		Inward stock	
	Value (Billions of USD)	Ratio to GDP (Percentage)	Value (Billions of USD)	Ratio to GDP (Percentage)
United States of America	246	1.1	43.9	
China	141	1.0	12.4	
Singapore	92	25.5	489.3	
Netherlands	84	9.3	193.3	
Ireland	78	25.2	399.9	
Israel	72	4.0	35.3	
China, Hong Kong SAR	68	18.5	506.5	
United Kingdom	59	2.1	73.6	
India	51	1.7	14.0	
Canada	50	2.9	59.9	
Germany	36	1.0	25.0	
Australia	36	2.6	51.0	
France	34	1.3	32.1	
Mexico	33	2.6	49.7	
Russian Federation	32	1.9	27.3	
Italy	27	1.3	22.3	
Qatar	24	99.0	1 616.5	
Indonesia	23	2.1	25.5	
Sweden	21	3.9	64.5	
Israel	18	4.7	42.7	

Note: Excludes financial inflows to the Caribbean (see table 3.3.1b).

MH Bouchet/Skema-CFE 2022-23 39

39

LOOKING AHEAD AT COUNTRIES' LONG-TERM TRENDS

FREDERICK S. PARDEE CENTER FOR INTERNATIONAL FUTURES
JOSEF KORBEL SCHOOL OF INTERNATIONAL STUDIES

Understanding complexity: IFs includes more variables and connections from a wider range of key development systems than any other forecasting model available today, for 186 countries)

The main submodules include agriculture, economy, education, energy, environment, socio-political, health, infrastructure, international politics, population, and human development, and the basic connections between each

<https://pardee.du.edu/understand-interconnected-world>

MH Bouchet/Skema-CFE 2022-23 40

40

SPECIALIZED COUNTRY RISK ANALYSIS INSTITUTIONS

- ▶ IIF (Washington) The Institute for International Finance
- ▶ IIE (Washington), EIU (London), Brookings (D.C.)
- ▶ Bond rating agencies: Dun and Bradstreet, Moody's, S&P, FITCH IBCA, Dagong
- ▶ BERI (Business Environment Risk Index)
- ▶ Institutional Investor, Euromoney
- ▶ Frost & Sullivan
- ▶ INCRA (Bertelsmann Foundation)
- ▶ Transparency International
- ▶ Heritage Foundation, Davos-WEF, Cato Institute, IMD, AT Kearney, Global Finance-SKEMA
- ▶ ICRG, PRS
- ▶ Insurance companies: AON

MH Bouchet/Skema-CIFE 2022-23 45

45

RATING AGENCIES

- ▶ Bond rating: Moody's, Fitch, S&Ps
- ▶ DAGONG
- ▶ Risk rating: COFACE, SACE...
- ▶ INCRA (non-profit credit-rating agency for sovereign risk)
- ▶ Country risk rating: BERI, Euromoney, Institutional Investor
- ▶ CountryRisk io

MH Bouchet/Skema-CIFE 2022-23 46

46

CountryRisk.io A COMMUNITY-BASED COUNTRY RISK RATING PLATFORM

Toward a transparent and independent country and sovereign risk rating models!?

The long-term Sovereign Risk Score measures a country's economic and financial strength, as well as its ability and willingness to honour its foreign debt obligations

The long-term Sovereign Risk Score is a quantitatively-derived index based on a large set of indicators, and assesses a country's economic and financial strength. Available on an annual frequency, with values ranging between 0 and 100.

Higher values indicate higher sovereign risk and weaker economic and financial fundamentals. >140 countries with five-year forecasts

MH Bouchet/Skema-CIFE 2022-23 47

47

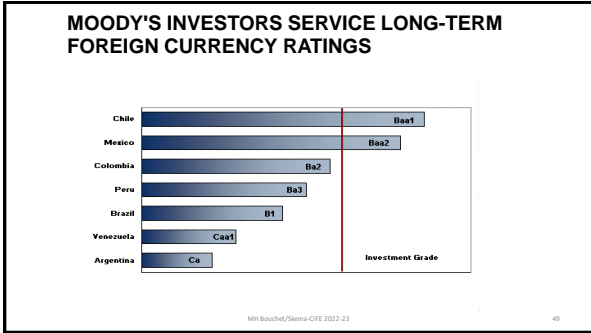
GOVERNMENTS ARE BYPASSED BY MARKET FORCES AND UNDER THE SCRUTINY OF IFIS AND RATING AGENCIES

Rating Distribution of Sovereign Issuers on Selected Dates

Rating	1983	1990	1995	2000	2005	2010	2011	2012
Aaa	79%	33%	16%	12%	19%	15%	14%	13%
Aa	21%	28%	25%	15%	7%	15%	11%	12%
A	0%	17%	18%	10%	22%	13%	14%	8%
Baa	0%	8%	18%	21%	14%	18%	21%	26%
Ba	0%	8%	16%	19%	15%	16%	15%	16%
B	0%	6%	5%	18%	17%	23%	23%	22%
Caa-C	0%	0%	0%	5%	5%	1%	2%	3%
Investment-grade	100%	86%	78%	59%	63%	61%	59%	59%
Speculative-grade	0%	14%	22%	41%	37%	39%	41%	41%

Moody's-Summer 2013 MH Bouchet/Skema-CIFE 2022-23 48

48



49

Information sources: Standard & Poor's: Sovereign risk indicators

Sovereign Risk Indicators: Economic Data

Country	S&P Rating	Nominal GDP (Bn USD)	GDP per capita (USD)	Real GDP growth (%)	Real per capita growth (%)	Real investment growth (%)	Real investment/GDP (%)	Settings (GDP)	Export/Import ratio (%)	Unemployment rate (%)	2016e
Algeria	AA	789	209	71.647	2.0	(2.8)	N/A	N/A	N/A	89.1	3.0
Albania	B+	1,523	12	4,218	2.2	3.4	8.0	27.9	19.6	26.3	17.1
Andorra	AAA	3	38,564	1.0	0.8	N/A	N/A	N/A	N/A	N/A	1.7
Angola	B	14,387	85	3,718	1.3	(1.2)	0.4	28.4	16.0	36.9	35.0
Argentina	B-	8,069	547	12,350	(1.8)	(2.8)	(0.3)	17.4	14.8	14.1	8.9
Armenia	BBB+	3	24,124	8.4	(0.7)	1.1	23.3	28.8	71.9	7.8	7.8
Australia	AAA	1,655	1,205	49,934	2.7	1.3	(2.6)	25.7	21.2	14.8	5.9
Austria	AAA	350	389	45,125	1.4	0.9	2.0	23.4	25.4	53.2	6.2
Azerbaijan	BB+	50	35	3,603	(3.5)	(4.6)	4.5	20.8	19.0	39.1	5.3
Bahrain	BBB+	9	22,764	6.3	(1.5)	(7.3)	29.2	19.3	34.6	14.6	14.6
Bahamas	BB-	12	31	22,039	2.0	(1.5)	3.0	25.1	19.2	71.9	3.4
Bangladesh	BB-	17,266	220	1,355	7.1	6.3	8.0	29.4	31.1	16.3	3.3
Barbados	B-	9	4	15,791	1.8	0.7	2.1	12.8	5.9	26.8	13.5
Belize	B-	100,842	45	4,772	(2.7)	(2.7)	(2.5)	32.4	28.6	33.8	1.0
Belgium	AA	430	487	41,418	1.3	0.7	3.5	23.9	25.6	85.3	8.1
Belize	CC	2	2	4,562	(1.6)	(4.1)	(1.8)	20.9	19.5	49.1	11.7
Bermuda	A+	6	6	89,660	2.0	3.1	(14.8)	11.8	23.7	48.3	8.6
Bhutan	BB	248	38	3,268	4.1	2.5	4.1	19.2	13.8	30.9	4.0

MH Bouchet/Skema-CFE 2022-23 50

50

THE INSTITUTE OF INTERNATIONAL FINANCE (IIF)

The Institute of International Finance is the global association of the financial industry, with close to 500 members from 70 countries. Its mission is to support the financial industry in the prudent management of risks, to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, sovereign wealth funds, hedge funds, central banks and development banks.

MH Bouchet/Skema-CFE 2022-23 51

51

IIF'S ANALYSIS OF CAPITAL FLOWS

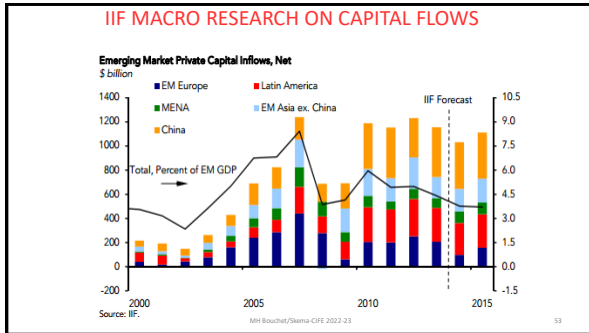
Emerging Market Economies: Capital Flows

\$ billions

	2012	2013	2014	2015
Capital Inflows				
Total Inflows, Net	1269	1188	1029	1164
Private Inflows, Net	1232	1156	1032	1112
Equity Investment, Net	668	626	657	675
Direct Investment, Net	545	548	540	560
Portfolio Investment, Net	124	78	117	114
Private Creditors, Net	564	530	375	437
Commercial Banks, Net	118	193	124	151
Nonbanks, Net	446	338	251	287
Official Inflows, Net	37	32	47	53
International Financial Institutions	5	-3	19	27
Bilateral Creditors	31	35	28	25
Capital Outflows				
Total Outflows, Net	-1229	-1360	-1348	-1332
Private Outflows, Net	-946	-825	-981	-950
Equity Investment Abroad, Net	-332	-403	-348	-381
Resident Lending/Other, Net	-414	-422	-413	-570
Reserves (- = Increase)	-352	-534	-367	-368
Memo:				
Net Errors and Omissions	-246	-65	0	0
Current Account Balance	276	236	269	174

Source: IIF MH Bouchet/Skema-CFE 2022-23 52

52



53

COFACE

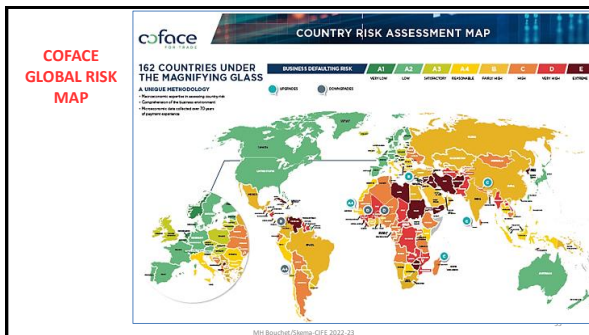
Country risk analysis is expressed in a rating/ranking format but based on a qualitative analysis aimed at integrating the socio-political and economic specificities of each country. Coface takes into account several types of country risk around six different analytical modules:

1. political risk;
2. liquidity and non-transfer risk;
3. sovereign risk;
4. market crisis risk;
5. systemic banking crisis;
6. macroeconomic growth risk

► www.coface.org

MHI Bouchet/Skema-CIFE 2022-23

54



55

COFACE COUNTRY RISK DATA AND ANALYSIS

COFACE: 11.8 MILLION, 100% CAPITAL GUARANTEE, 1700+ CLIENTS

MAJOR MACRO ECONOMIC INDICATORS

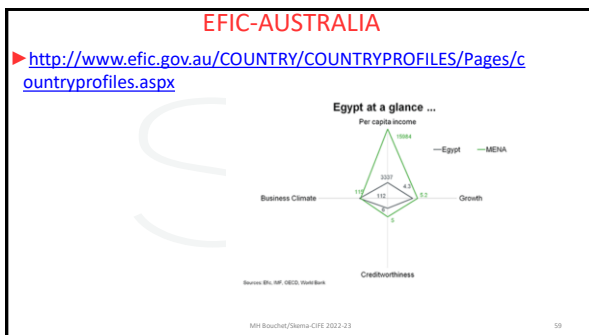
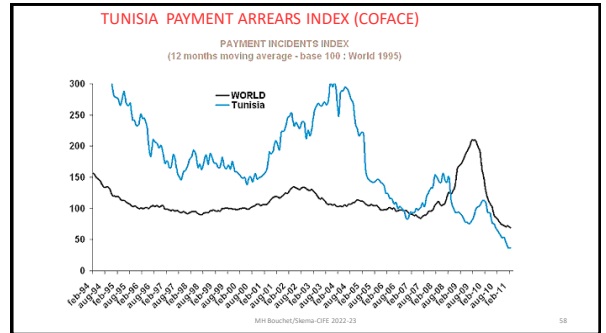
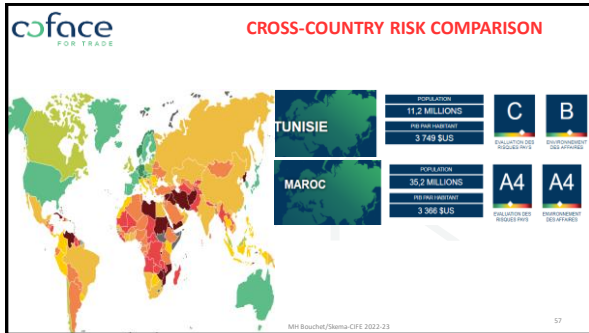
	2018	2019	2020 (Q)	2021 (Q)
GDP growth (%)	2.7	1.9	0.0	4.5
Inflation (yearly average, %)	2.0	0.6	0.0	0.5
Budget balance (% GDP)	-0.8	-0.5	-0.0	0.0
Current account balance (% GDP)	-11.0	-8.5	-7.0	-7.5
Public debt (% GDP)	77.0	77.0	90.0	91.0

Strenghths: Fully democratic system with freedom of expression, integration of women in political and economic positions, support from international multilateral European and Arab donors, Economy in the European market and association agreement with the EU, Science oriented, Natural resources (phosphates and hydrocarbons in particular)

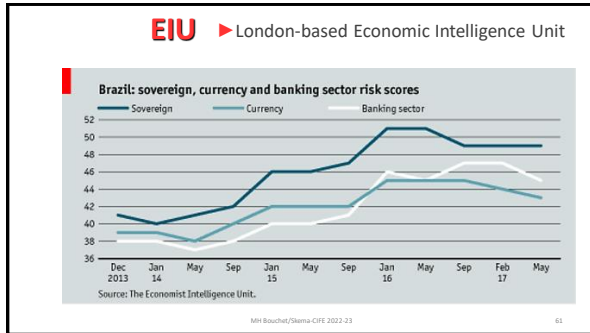
Weaknesses: High social and geographical inequalities, high unemployment, educational system needs further reform, High external public debt, Public expenditure in health higher in 2019, High private expenditure, High weight of subsidies and government public services, Economy strongly impacted by the COVID-19 crisis, Fragmentation of political representation affecting that of society and leaving some territories, Security threatened with security problems, Increased foreign competition, lack of investments and R&D diversification in high range and frontier, Political tension with EU, source of instability

MHI Bouchet/Skema-CIFE 2022-23

56



- EIU 5 RISK ANALYSIS SERVICES**
- **Country analysis**—Political and economic analysis, business environment analysis, cross-country benchmarking and market-trends tracking.
 - **Risk assessment**—Sovereign debt risk assessment and operational risk analysis on 190 countries
 - **Market entry and sizing**—Market entry strategies, market sizing, market potential and pricing data.
 - **Strategic industry analysis**—Industry benchmarking, strategic trend analysis and global commodities analysis.
 - **Economic modelling and forecasting**—Data customisation, demand forecasts and econometric analysis of industry drivers.
- 60



61

July 31st 2017

Overview

Brazil: risk assessment

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure/risk	Country risk
May 2017	55	55	55	55	55	55

Download the numbers in Excel

Sovereign risk

The president, Michel Temer, is resisting pressure to resign following corruption allegations made against him in May. Even if he does survive (we now assume that he will), governability will weaken, reducing the likelihood that pension reforms will be approved in Congress. This will set back medium-term fiscal consolidation plans and rekindle lingering concerns about debt sustainability.

Currency risk

The latest political crisis caused a sell-off in the Real, but it has since regained ground (to R\$ 15 US\$1 in late July). Narrowing interest-rate differentials will weaken the Brazilian currency as the Banco Central do Brasil (the central bank) continues to ease monetary policy while US policy rates rise. Brazil has a large reserves cushion.

62

<p>Business Environment Risk Intelligence (BERI) provides a Political Risk Index assessing the social and political environment of a country. It is built on the opinions and scores provided by a handbook experts with a diplomatic or political science background. Governance quality is included in our political risk analysis along with government effectiveness and social indicators.</p> <p>http://www.berindex.com</p>	<p>Political Risk Services (PRS) The PRS analyses cover a broad range of risk factors and are based on a quarterly basis. International Country Risk Guide measures and tracks corruption perception in government, law and order, corruption risk, as well as the quality of bureaucracy. These measures stem from the subjective assessment of reports around the world.</p> <p>http://www.prsguide.com</p>	<p>Thanks to its unique policy database with more than 180 countries, the World Risk has developed a comprehensive database of composite governance indicators, measuring perceptions of voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and corruption.</p> <p>www.worldbank.org/wbi/governance/</p>
<p>The London-based Economist Intelligence Unit (EIU) provides a comprehensive 7-year forecasting country risk analysis on over 100 EMCs, on a quarterly basis. The EIU method draws from expert's scores for a series of 77 predetermined qualitative and quantitative questions.</p> <p>http://www.eiu.com</p>	<p>To look upon governance and corruption, Moody's takes into consideration the structure of social interaction, social and political dynamics, as well as the economic fundamentals. Moody's relies on the judgment of a group of credit risk professionals to weigh the various risk factors as well as the impact of each of these factors upon business prospects.</p> <p>http://www.moody.com</p>	<p>Standard and Poor's rating approach is both quantitative and qualitative. It is based on a checklist of 60 categories including governance and political risk. The political risk factor gauges the impact of politics on economic conditions, as well as the quality of governance and the degree of government support in the population. S&P assigns short term and long-term ratings.</p> <p>http://standardsandpoors.com</p>
<p>Euroconomy publishes ratings of over 180 countries since 1982 on a semi-annual basis. The methodology is built from a host of quantitative criteria and qualitative factors coming from surveys with almost 60 political analysts and economists. Political risk receives a 25% weighting, as much as economic performance. Countries are graded on a scale from 0 (worst) to 100 (best).</p> <p>www.euroconomy.com</p>	<p>Institutional Investor's ratings are published twice a year since 1979 and assess the credit-worthiness of about 150 countries, based on a survey of some 100 international bankers' perception of creditworthiness, including economic, financial and socio-political stability criteria. The resulting score scales from zero (very high chance of default) to 100 (low chance of default).</p> <p>www.institutionalinvestor.com</p>	<p>Transparency International, a non-profit non-governmental organization in Berlin, provides an annual survey of corruption practices in nearly 90 countries since 1995. The Corruption Perception Index is based on a wide survey of information sources with local NGOs, domestic and foreign corporations, investors, and business contacts.</p> <p>www.transparency.org</p>

63

<p>Heritage Foundation established since 1983, is particularly with the WSJ, an economic freedom index for some 160 countries. Both individualized and developing. The ranking is based on various socio-political and economic criteria, including political stability, state interference, regulatory framework, institutional strength, and corruption scope.</p> <p>www.heritage.org</p>	<p>Princeton University's Quality Index measures the lack of close economic, formal and widely accepted practices in a country's business environment. As such, it focuses on the relative state of corrupt business practices, the transparency of the legal system and the regulatory framework. It represents a quantitative approach to measuring opacity and its resulting extra risk premium that stems from the additional business and economic costs.</p> <p>www.opaqueindex.com</p>	<p>The Institute for Management Development's World Competitiveness Report analyses 49 individualized and emerging economies around the world based on a far-reaching survey since 1989. Its analysis of the institutional framework addresses issues such as state efficiency, transparency of government policy, public service's independence from political interference, bureaucracy as well as bribery and corruption.</p> <p>www.imd.ch</p>
<p>Freedom House focuses since 1972 on corruption levels in a number of developing and transition economies around the world. EIU publishes an annual assessment of ease of freedom in various countries on the base of political rights and civil liberties.</p> <p>Political stability and civil liberties are ranked on a scale of 0 (best) to 7 (worst).</p> <p>www.freedomhouse.org/freedom-index.html</p>	<p>The Political and Economic Stability Index of Eurasian Business and Eurasia measures relative stability in around 20 EMCs by integrating political science theories with financial markets development. The monthly evaluation uses both quantitative and qualitative criteria, including institutional efficiency, political legitimacy, economic performance, and government effectiveness.</p> <p>www.kapil.com</p>	<p>Political and Economic Risk Consultancy (PERC) specializes in strategic business information and analysis in East and Southeast Asia, with emphasis on corruption and business costs. Annual risk reports survey over 1,000 senior executives. It aims to obtain their perceptions of corruption, labor quality, intellectual property rights risks and other systemic shortcomings.</p> <p>www.perc.com</p>

64