



Political, social & governance risks

Where do we
stand in 2021?

Methodology

TAC ECONOMICS has constructed **Political Risk ratings** aiming at capturing the risks to a foreign investor that is created by the country's political situation, regulatory environment and law enforcement.

The Political Risk Ratings are based on metrics provided once a year by the World Bank, through six broad measures:



2 indicators are *stricto sensu* elements of **political risk** (*Voice & Accountability* and *Political Stability*),



2 for the **assessment of public management of the regulatory environment** (*Government Effectiveness* and *Regulatory Quality*)

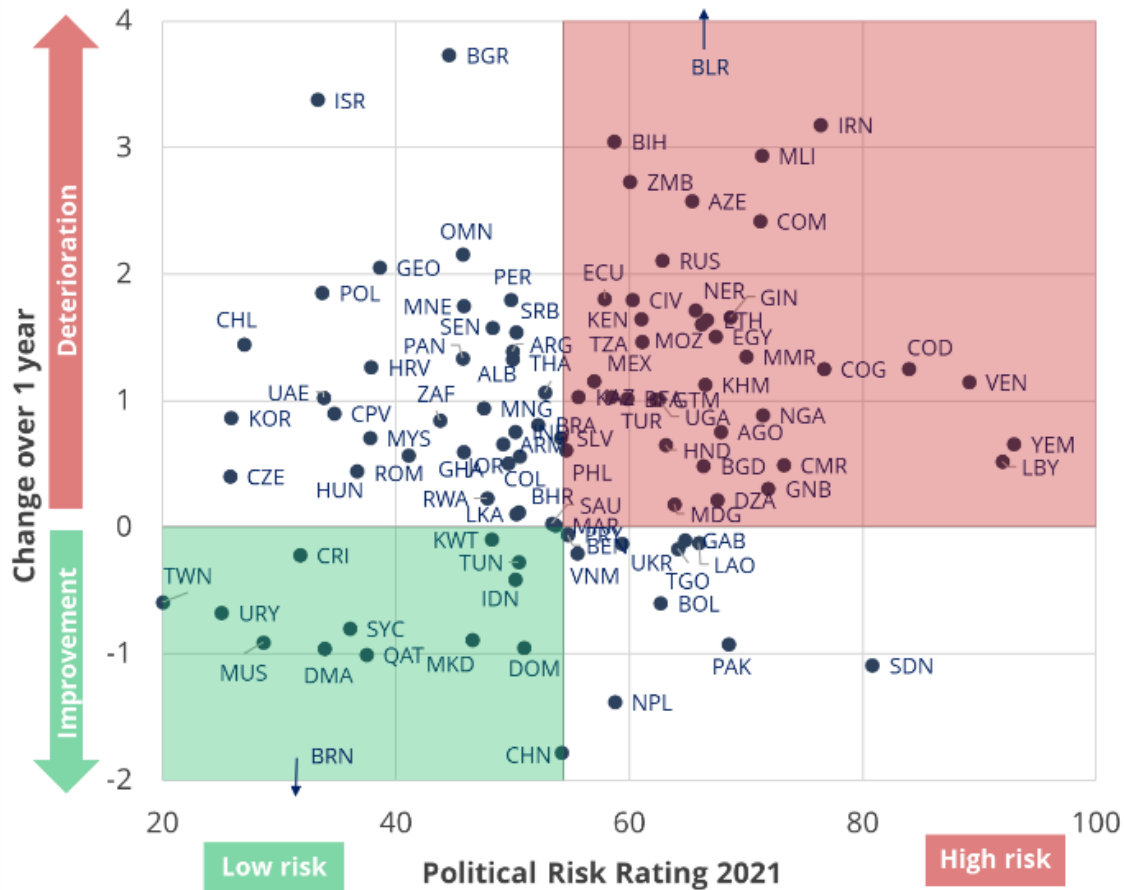


2 focus on the **legal environment** (*Rule of Law* and *Control of Corruption*).

Akin to our Economic & Financial Risk ratings, the six indicators of Political & Governance Risk ratings for the 100 countries included in **RiskMonitor** are **normalized from 0 (best) to 100 (worst)** for comprehensive comparisons across indicators, countries and averages

A significant deterioration after four years of relative stability

Political Risk ratings and change since last year



75 out of 100 countries have registered a deterioration since last year.

Direct impact of the Covid-19 crisis will be exacerbated by **complex post-recovery policy management** to address permanent loss of income, rising structural inflation, less sustainable public finances, and higher unemployment.

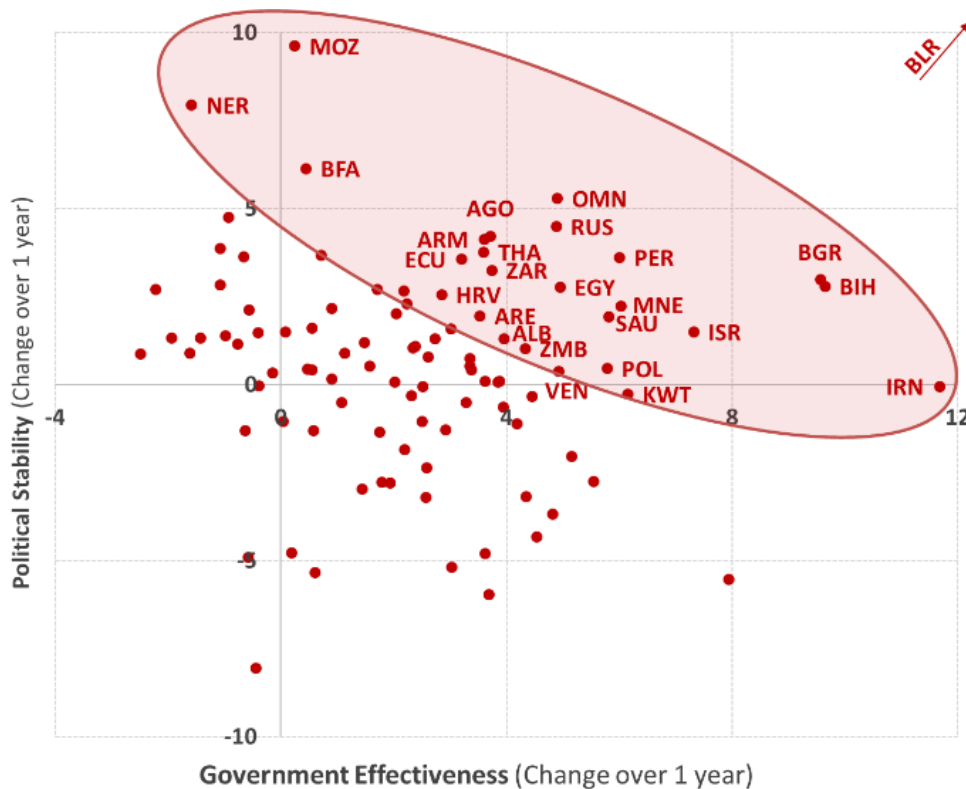
Sources: World Bank, TAC ECONOMICS



Political Stability versus Government Effectiveness

Political Stability and Government Effectiveness

Changes over one year (positive = deterioration)



Sources: World Bank, TAC ECONOMICS

EM with the largest deterioration in both indicators will be more likely to face materialization of political tensions in the short-term (violent protests, anti-incumbencies and/or tampering of elections, potential coups...).

Which countries are the most at risk? Angola, Burkina Faso, Belarus, Congo Dem. Rep., Ecuador, Egypt, Ethiopia, Iran, Mozambique, Niger, Russia, Venezuela, and Zambia

Need more information?

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