



5.3 Portfolio investment regulation and risk

	Entry and exit regulations			Composite ICRG risk rating ^a	Institutional Investor credit rating ^a	Euromoney country credit-worthiness rating ^a	Moody's sovereign long-term debt rating ^a		Standard & Poor's sovereign long-term debt rating ^a				
	Entry 1998	Repatriation of income 1998	Repatriation of capital 1998				December 1999	September 1999	September 1999	Foreign currency	Domestic currency	Foreign currency	Domestic currency
										January 2000	January 2000	January 2000	January 2000
Albania	..	..	..	64.8	12.4	18.6	..	..	..	..
Algeria	..	..	..	52.5	26.5	32.3	..	..	..	..
Angola	..	..	..	41.3	11.6	24.4	..	..	..	..
Argentina	Free	Free	Free	67.5	42.4	53.8	B1	B1	BB	BBB-			
Armenia	..	..	..	58.8	..	29.6	..	..	..	..
Australia	..	..	..	81.8	75.8	88.1	Aa2	Aaa	AA+	AAA
Austria	..	..	..	83.0	89.4	91.8	Aaa	Aaa	AAA	AAA
Azerbaijan	..	..	..	54.3	..	33.4	..	..	..	..
Bangladesh	Free	Free	Free	63.3	26.8	34.9	..	..	..	..
Belarus	..	..	..	56.3	13.4	29.1	..	..	..	..
Belgium	..	..	..	78.3	84.9	89.5	Aa1	Aa1	AA+	AA+
Benin	..	..	..	..	17.2	29.7	..	..	..	..
Bolivia	..	..	..	68.5	28.4	39.8	B1	B1	BB-	BB+
Bosnia and Herzegovina	..	..	..	..	..	..	..	..	..	..
Botswana	Free	Free	Free	83.5	56.0	51.1	..	..	..	..
Brazil	Free	Free	Free	59.5	36.5	46.8	B2	B3	B+	BB-			
Bulgaria	Free	Free	Free	71.0	30.3	39.3	B2	B1	B	B			
Burkina Faso	..	..	..	66.8	19.1	31.4	..	..	..	..
Burundi	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	27.2	..	..	..	..
Cameroon	..	..	..	63.5	17.2	28.1	..	..	..	..
Canada	..	..	..	83.5	83.5	88.8	Aa2	Aa1	AA+	AAA
Central African Republic	..	..	..	..	..	25.6	..	..	..	..
Chad	..	..	..	..	..	27.2	..	..	..	..
Chile	Rel. free	Free	Delayed ^b	69.0	61.0	65.0	Baa1	A1	A-	AA			
China	Special	Free	Free	74.0	56.4	55.1	A3	..	BBB	..			
Hong Kong, China	..	..	..	76.8	61.3	77.1	A3	A1	A	A+
Colombia	Auth. only	Free	Free	55.0	44.1	50.8	Ba2	Baa2	BB+	BBB+			
Congo, Dem. Rep.	..	..	..	40.8	11.1	20.0	..	..	..	..
Congo, Rep.	..	..	..	50.5	7.3	25.0	..	..	..	..
Costa Rica	..	..	..	76.3	40.5	45.6	Ba1	Ba1	BB	BB+
Côte d'Ivoire	Free	Free	Free	64.8	25.5	31.2	..	..	..	..
Croatia	Free	Free	Free	66.3	39.6	52.6	Baa3	Baa1	BBB-	BBB+			
Cuba	..	..	..	60.0	12.1	7.4	Caa1	..	..	..
Czech Republic	Free	Free	Free	74.5	59.1	60.8	Baa1	A1	A-	AA-			
Denmark	..	..	..	85.8	85.1	92.3	Aaa	Aaa	AA+	AAA
Dominican Republic	..	..	..	72.3	30.9	40.3	B1	B1	B+	..
Ecuador	Free	Free	Free	54.0	22.4	32.9	Caa3	Caa1	..	..	
Egypt, Arab Rep.	Free	Free	Free	68.3	45.4	52.3	Ba1	Baa1	BBB-	A-			
El Salvador	..	..	..	75.8	35.6	47.2	Baa3	Baa2	BB+	BBB+
Eritrea	..	..	..	..	..	..	..	..	..	..
Estonia	Free	Free	Free	73.5	45.9	54.3	Baa1	A1	BBB+	A-			
Ethiopia	..	..	..	57.0	16.6	24.5	..	..	..	..
Finland	..	..	..	87.5	83.6	90.3	Aaa	Aaa	AA+	AA+
France	..	..	..	78.3	91.4	92.3	Aaa	Aaa	AAA	AAA
Gabon	..	..	..	69.0	22.6	33.4	..	..	..	..
Gambia, The	..	..	..	69.3	..	31.2	..	..	..	..
Georgia	..	..	..	..	10.8	25.7	..	..	..	..
Germany	..	..	..	81.3	92.0	93.4	Aaa	Aaa	AAA	AAA
Ghana	Free	Free	Free	58.3	30.7	38.8	..	..	..	..
Greece	Free	Free	Free	75.0	59.1	76.8	A2	A2	A-	A-			
Guatemala	..	..	..	67.0	28.1	39.0	Ba2	Ba1	..	..	
Guinea	61.8	16.3	25.7			
Guinea-Bissau	43.3	..	17.4			
Haiti	57.3	11.2	26.6			
Honduras	62.8	19.3	33.5	B2	B2			



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	Entry and exit regulations			Composite ICRG risk rating ^a	Institutional Investor credit rating ^a	Euromoney country credit-worthiness rating ^a	Moody's sovereign long-term debt rating ^a		Standard & Poor's sovereign long-term debt rating ^a	
	Entry	Repatriation of income	Repatriation of capital	December	September	September	Foreign currency	Domestic currency	Foreign currency	Domestic currency
	1998	1998	1998	1999	1999	1999	January 2000	January 2000	January 2000	January 2000
Hungary	Free	Free	Free	74.5	57.3	64.3	Baa1	A1	BBB	A
India	Auth. only	Free	Free	64.3	44.2	51.8	Ba2	Ba2	BB	BBB
Indonesia	Rel. free	Restricted	Restricted	51.8	27.1	36.4	B3	B3	CCC+	B-
Iran, Islamic Rep.	..	..	..	60.8	28.0	35.7	B2	Ba2	..	..
Iraq	..	..	..	39.8	7.7	4.0	..	..	..	..
Ireland	..	..	..	86.8	83.4	90.0	Aaa	Aaa	AA+	AA+
Israel	Free	Free	Free	69.3	55.8	71.0	A3	A2	A-	AA-
Italy	..	..	..	75.5	81.3	87.1	Aa3	Aa3	AA	AA
Jamaica	Rel. free	Free	Free	71.0	28.9	41.0	Ba3	Baa3	B	B+
Japan	..	..	..	83.3	86.5	90.9	Aa1	Aa1	AAA	AAA
Jordan	Free	Free	Free	71.0	37.9	46.2	Ba3	Ba3	BB-	BBB-
Kazakhstan	..	..	..	65.0	29.7	40.3	B1	B1	B+	BB-
Kenya	Rel. free	Free	Free	58.0	24.8	35.4	..	..	..	..
Korea, Dem. Rep.	..	..	..	41.0	6.7	1.0	..	..	..	..
Korea, Rep.	Rel. free	Free	Free	79.3	56.8	64.1	Baa2	Baa1	BBB	A
Kuwait	..	..	..	74.3	58.2	70.0	Baa1	Baa1	A	A+
Kyrgyz Republic	..	..	..	..	..	32.8	..	..	..	..
Lao PDR	..	..	..	..	..	27.4	..	..	..	..
Latvia	Free	Free	Free	72.5	40.8	50.4	Baa2	A2	BBB	A-
Lebanon	..	..	..	54.8	33.6	47.3	B1	B1	BB-	BB
Lesotho	..	..	..	..	..	32.2	..	..	..	..
Libya	..	..	..	65.5	29.1	16.1	..	..	..	..
Lithuania	Free	Free	Free	70.5	38.2	48.7	Ba1	Baa1	BBB-	BBB+
Macedonia, FYR	..	..	..	..	..	23.0	..	..	..	..
Madagascar	..	..	..	64.0	..	22.3	..	..	..	..
Malawi	..	..	..	64.0	19.5	30.3	..	..	..	..
Malaysia	Rel. free	Free	Delayed ^b	74.5	51.7	57.0	Baa3	A3	BBB	A
Mali	..	..	..	67.5	15.5	31.9	..	..	..	..
Mauritania	..	..	..	..	..	27.7	..	..	..	..
Mauritius	Rel. free	Free	Free	..	53.9	62.0	Baa2	A2	..	..
Mexico	Free	Free	Free	68.8	48.2	55.7	Ba1	Baa3	BB	BBB+
Moldova	..	..	..	49.5	..	31.0	B2	Caa1	..	..
Mongolia	..	..	..	66.8	..	30.8	..	..	B	B
Morocco	Free	Free	Free	72.0	44.3	53.0	Ba1	..	BB	BBB
Mozambique	..	..	..	58.3	19.3	24.5	..	..	..	..
Myanmar	..	..	..	57.8	17.9	18.7	..	..	..	..
Namibia	..	..	..	77.8	38.0	23.3	..	..	..	..
Nepal	..	..	..	..	27.3	34.3	..	..	..	..
Netherlands	..	..	..	86.3	91.2	92.4	Aaa	Aaa	AAA	AAA
New Zealand	..	..	..	78.0	74.0	85.4	Aa2	Aaa	AA+	AAA
Nicaragua	..	..	..	52.0	12.1	25.4	B2	B2	..	..
Niger	..	..	..	59.3	..	28.0	..	..	..	..
Nigeria	Rel. free	Free	Free	57.0	17.9	31.2	..	..	..	..
Norway	..	..	..	87.3	87.7	94.1	Aaa	Aaa	AAA	AAA
Oman	..	..	..	73.0	52.0	63.3	Baa2	Baa2	BBB-	BBB
Pakistan	Free	Free	Free	56.8	19.5	30.2	Caa1	Caa1	B-	B+
Panama	Free	Free	Free	72.3	41.7	47.9	Ba1	..	BB+	BB+
Papua New Guinea	..	..	..	65.0	32.2	39.7	B1	B1	B+	BB
Paraguay	..	..	..	65.0	31.3	37.8	B2	B1	B	BB-
Peru	Free	Free	Free	66.5	37.0	44.6	Ba3	Baa3	BB	BBB-
Philippines	Special	Free	Free	71.0	45.9	54.4	Ba1	Baa3	BB+	BBB+
Poland	Free	Free	Free	74.8	57.5	62.5	Baa1	A2	BBB	A
Portugal	Free	Free	Free	80.8	78.4	82.8	Aa2	Aa2	AA	AA
Puerto Rico	..	..	..	..	..	..	..	..	..	..
Romania	Free	Free	Free	55.0	28.7	36.8	B3	Caa1	B-	B
Russian Federation	Free	Free	Free	49.8	19.3	23.0	B3	Caa2	SD	CCC



5.3 Portfolio investment regulation and risk

	Entry and exit regulations			Composite ICRG risk rating ^a	Institutional Investor credit rating ^a	Euromoney country credit-worthiness rating ^a	Moody's sovereign long-term debt rating ^a		Standard & Poor's sovereign long-term debt rating ^a	
	Entry 1998	Repatriation of income 1998	Repatriation of capital 1998				December 1999	September 1999	September 1999	Foreign currency January 2000
Rwanda	..	..	..	..	..	20.9	..	..	..	..
Saudi Arabia ^b	Closed	Closed	Closed	68.8	54.0	66.6	Baa3	Ba1	..	..
Senegal	..	..	..	62.5	22.8	34.5	..	..	..	..
Sierra Leone	..	..	..	31.0	6.1	17.6	..	..	..	..
Singapore	..	..	..	89.3	81.9	88.5	Aa1	Aaa	AAA	AAA
Slovak Republic	..	..	..	72.0	41.6	49.0	Ba1	Baa2	BB+	BBB+
Slovenia	Closed	Restricted	Restricted	78.0	61.2	69.0	A3	Aa3	A	AA
South Africa	Free	Free	Free	69.5	45.6	53.7	Baa3	Baa1	BB+	BBB+
Spain	..	..	..	76.0	81.7	86.6	Aa2	Aa2	AA+	AA+
Sri Lanka	Rel. free	Restricted	Restricted	59.8	33.7	42.7	..	..	..	..
Sudan	..	..	..	48.5	7.1	19.0	..	..	..	..
Sweden	..	..	..	83.5	81.2	89.9	Aa1	Aaa	AA+	AAA
Switzerland	..	..	..	87.0	93.0	97.8	Aaa	Aaa	AAA	AAA
Syrian Arab Republic	..	..	..	68.3	23.8	35.0	..	..	..	..
Tajikistan	..	..	..	..	..	27.2	..	..	..	..
Tanzania	..	..	..	58.5	19.5	26.5	..	..	..	..
Thailand	Rel. free	Free	Free	74.0	48.3	56.0	Ba1	Baa1	BBB-	A-
Togo	..	..	..	60.3	17.1	29.7	..	..	..	..
Trinidad and Tobago	Rel. free	Free	Free	75.0	44.9	49.4	Ba1	Baa3	BBB-	BBB+
Tunisia	Rel. free	Free	Free	72.5	50.3	55.3	Baa3	Baa2	BBB-	A
Turkey	Free	Free	Free	52.8	38.9	48.5	B1	..	B	..
Turkmenistan	..	..	..	..	..	31.8	B2	..	..	..
Uganda	..	..	..	62.3	21.7	34.5	..	..	..	..
Ukraine	Free	Free	Free	60.0	18.7	30.7	Caa1	Caa3	..	..
United Arab Emirates	..	..	..	78.0	63.2	75.0	..	..	..	..
United Kingdom	..	..	..	84.3	90.2	91.2	Aaa	Aaa	AAA	AAA
United States	..	..	..	84.5	90.9	94.5	Aaa	Aaa	AAA	AAA
Uruguay	..	..	..	70.5	47.2	54.2	Baa3	Baa3	BBB-	BBB+
Uzbekistan	..	..	..	..	18.9	28.8	..	..	..	..
Venezuela, RB	Rel. free	Restricted	Restricted	61.0	33.8	41.3	B2	B3	B	..
Vietnam	..	..	..	64.0	28.1	36.5	B1	..	..	..
West Bank and Gaza	..	..	..	..	..	..	..	..	..	..
Yemen, Rep.	..	..	..	60.3	..	26.2	..	..	..	..
Yugoslavia, FR (Serb./Mont.)	..	..	..	43.3	8.2	14.8	..	..	..	..
Zambia	..	..	..	59.0	14.9	26.4	..	..	..	..
Zimbabwe	Rel. free	Free	Free	56.3	25.1	33.9	..	..	..	..
World				67.3 m	36.0 m	38.3 m				
Low income				58.4	18.5	28.1				
Excl. China & India				58.3	17.9	28.1				
Middle income				68.8	37.5	46.2				
Lower middle income				67.0	30.1	39.3				
Upper middle income				70.5	46.5	54.0				
Low & middle income				64.0	28.5	33.4				
East Asia & Pacific				66.8	39.0	36.5				
Europe & Central Asia				64.9	30.3	33.1				
Latin America & Carib.				67.3	34.7	43.0				
Middle East & N. Africa				68.3	35.8	46.2				
South Asia				61.5	27.0	34.6				
Sub-Saharan Africa				59.2	19.3	28.1				
High income				82.4	82.7	89.1				
Europe EMU				81.1	84.3	90.1				

Note: For explanations of the terms used to describe entry and exit regulations see *Definitions*. a. This copyrighted material is reprinted with permission from the following data providers: PRS Group, 6320 Fly Road, Suite 102, PO Box 248, East Syracuse, NY 13057; Institutional Investor, Inc., 488 Madison Avenue, New York, NY 10022; Euromoney Publications PLC, Nestor House, Playhouse Yard, London EC4V 5EX, UK; Moody's Investors Service, 99 Church Street, New York, NY 10007; Standard & Poor's Rating Services, The McGraw-Hill Companies, Inc., 1221 Avenue of the Americas, New York, NY 10020. Prior written consent from the original data providers cited must be obtained for third-party use of these data. b. After one year. c. Foreigners are barred from investing directly in the Saudi stock market, but they may invest indirectly through mutual funds.



Portfolio investment regulation and risk 5.3

About the data

As investment portfolios become increasingly global, investors as well as governments seeking to attract both foreign and domestic investment must have a good understanding of country risk. Risk, by its nature, is perceived differently by different groups. This table presents information on country risk and creditworthiness from several major international rating services and information on the regulation of entry to and exit from emerging stock markets reported by the International Finance Corporation (IFC).

Entry and exit restrictions on investments are among the mechanisms by which countries attempt to reduce the risk to their economies associated with foreign investment. Yet such restrictions may increase the risk or uncertainty perceived by investors, increasing their reluctance to participate in regulated markets. Many countries close industries considered strategic to foreign or nonresident investors. Or national law or corporate policy may limit foreign investment in a company or in certain classes of stocks. The regulations summarized in the table refer to “new money” investment by foreign institutions; other regulations may apply to capital invested through debt conversion schemes or to capital from other sources. The regulations shown here are formal ones. But even formal regulations may have very different effects in different countries because of differences in the prevailing bureaucratic culture, the speed with which applications are processed, and the extent of red tape. The effect of entry and exit regulations may also be influenced by graft and corruption, which are impossible to quantify.

Most risk ratings are numerical or alphabetical indexes. For numerical ratings, a higher number means lower risk (a good prospect). For alphabetical ratings, a letter closer to the beginning of the alphabet means lower risk. Readers should refer to the sources of the data for more details on the rating processes of the rating agencies. Risk ratings may be highly subjective, reflecting external perceptions that do not always capture the actual situation in a country. But these subjective perceptions are the reality that policymakers face in the climate they create for foreign private inflows. Countries that are not rated by credit risk rating agencies typically do not attract registered flows of private capital. The risk ratings presented here are included for their analytic usefulness and are not endorsed by the World Bank.

The PRS Group’s *International Country Risk Guide* (ICRG) collects information on 22 components of risk, groups it into three major categories (political, financial, and economic), and converts it into a single numerical risk assessment ranging from 0 to 100. Rat-

ings below 50 are considered very high risk, and those above 80 very low risk. Ratings are updated every month.

Institutional Investor country credit ratings are based on information provided by leading international banks. Responses are weighted using a formula that gives more importance to responses from banks with greater worldwide exposure and more sophisticated country analysis systems. Countries are rated on a scale of 0 to 100 (highest risk to lowest), and ratings are updated every six months.

Euromoney country creditworthiness ratings are based on nine weighted categories (covering economic performance, political risk, debt, and access to financial and capital markets) that assess country risk. The ratings, also on a scale of 0 to 100 (highest risk to lowest), are based on polls of economists and political analysts supplemented by quantitative data such as debt ratios and access to capital markets.

Moody’s sovereign long-term debt ratings are opinions of the ability of entities to honor senior unsecured financial obligations and contracts denominated in foreign currency (foreign currency issuer ratings) or in their domestic currency (domestic currency issuer ratings).

Standard & Poor’s ratings of sovereign long-term foreign and domestic currency debt are based on current information furnished by obligors or obtained by Standard & Poor’s from other sources it considers reliable. A Standard & Poor’s issuer credit rating (one form of which is a sovereign credit rating) is a current opinion of an obligor’s overall financial capacity to pay its financial obligations (its creditworthiness). This opinion focuses on the obligor’s capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature and provisions of obligations, their standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of obligations.

Definitions

- **Regulations on entry to emerging stock markets** are evaluated using the following terms: *free* (no significant restrictions), *relatively free* (some registration procedures required to ensure repatriation rights), *special classes* (foreigners restricted to certain classes of stocks designated for foreign investors), *authorized investors only* (only approved foreign investors may buy stocks), and *closed* (closed or access severely restricted, as for nonresident nationals only).
- **Regulations on repatriation of income** (dividends, interest, and realized capital gains) and **repatriation of capital from emerging markets** are evaluated as free (repatriation done routinely) or restricted (repatriation requires registration with or permission of a government agency that may restrict the timing of exchange release).
- **Composite International Country Risk Guide (ICRG) risk rating** is an overall index, ranging from 0 to 100, based on 22 components of risk.
- **Institutional Investor credit rating** ranks, from 0 to 100, the chances of a country’s default.
- **Euromoney country creditworthiness rating** ranks, from 0 to 100, the riskiness of investing in an economy.
- **Moody’s sovereign foreign and domestic currency long-term debt ratings** assess the risk of lending to governments. Rating gradations from Aaa to C measure an entity’s ability to meet its senior financial obligations. Issuers rated Aaa offer exceptional financial security, while issuers rated C are usually in default on their obligations and the potential recovery values are low. Numerical modifiers 1–3 are applied to classifications from Aa to B, with 1 indicating that the obligation ranks at the high end of its letter rating category.
- **Standard & Poor’s sovereign foreign and domestic currency long-term debt ratings** range from AAA (indicating that an obligor has extremely strong capacity to meet its financial commitments) through CC (indicating that an obligor is currently highly vulnerable). Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the rating category. An obligor rated SD (selective default) has failed to pay one or more of its financial obligations when it came due.

Data sources

The data on emerging stock markets’ entry and exit regulations are from IFC’s *Emerging Stock Markets Factbook 1999*. The country risk and creditworthiness ratings are from several sources: the PRS Group’s monthly *International Country Risk Guide*; the monthly *Institutional Investor*; the monthly *Euromoney*; Moody’s Investors Service’s *Sovereign, Subnational and Sovereign-Guaranteed Issuers*; and Standard & Poor’s Sovereign List in *Credit Week*.