

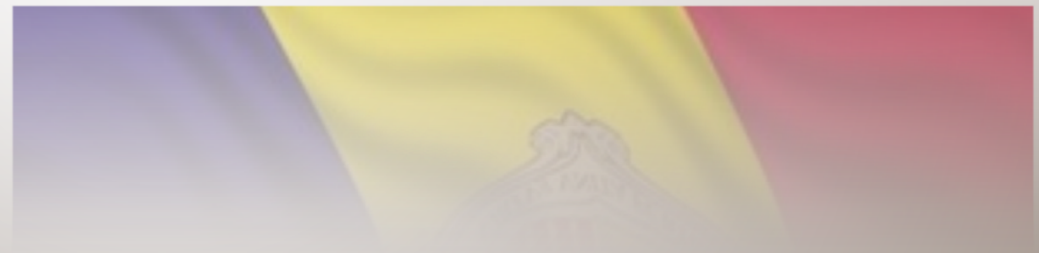
## ANDBANK RESEARCH

Global Economics &  
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## Working paper - 63

**Andorra – Life, Health, Idiosyncrasy, Business, Neutrality, Stability,  
Public Finance, Political Engagement, Banking Sector ... & Future**

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## Life

### *A country where life becomes a pleasure*

- ✓ **Quality of life:** Andorra is the 12<sup>th</sup> country in the world with better quality of life according to the International Living Index.  
<http://www1.internationalliving.com/qofl2011/>
- ✓ **Risk& Safety:** Andorra recorded the maximum score (100) in the area of Risk & Safety according to global indexes. Only 36 out of the almost 200 countries listed reached that rating. One of the lowest homicide rates of the world.
- ✓ **Health Services:** Andorra is rated 86 on a scale of 0 to 100.
- ✓ **Human development Index:** Andorra is in the first group of countries with a HDI of 0.85 (near countries like Austria or France, both rated 0.89).
- ✓ **Freedom:** Andorra is within the 45 countries rated with 100 in the ability of citizens to develop their personal and professional initiatives.
- ✓ **Climate:** Despite being a country in the high mountains, where skiing becomes the primary activity in winter, the overall assessment of the climate is very positive (83 on a scale of 0 to 100).

## Health

### *A country where your life expectancy will boost*

- ✓ Andorra has the second longest life expectancy in the world (according to UNO's data), with 81.6 years.
- ✓ Ahead of the average levels recorded in Europe (78.4 years), North America (77.6), Oceania (74), Latin America (71.5), Asia (67.3) or Africa (49.1).

## Health

### *A country where your life expectancy will boost*

- ✓ The reasons behind this higher longevity are:
  - Andorra imports 95.5% of the electricity consumed, making it one of the countries with the lowest emission rate of carbon dioxide (4 tons per capita). Much lower than USA (20 tons), Canada (18) or Germany (10).
  - Andorra has around 90% of its national land as forest, making that, according to the EU Air Quality agency, Andorra recorded the best rating possible on all pollutants measured (NO<sub>2</sub>, O<sub>3</sub>, SO<sub>2</sub>, CO, PM<sub>10</sub>, PM<sub>2.5</sub>).  
[http://www.airqualitynow.eu/es/comparing\\_city\\_details.php?andorra](http://www.airqualitynow.eu/es/comparing_city_details.php?andorra)
  - Waste Treatment Centre: The fact that this facility is located in the mountains made it essential to develop very carefully the aspects of the new technology center in order to get a good landscaping and minimize impacts on the environment (and thus on the air).

## Idiosyncrasy

### *Dynamism, Openness, Modernity & Integrity*

- ✓ **Dynamism:** Despite having one of the highest GDP per capita in the world (within the group of the first 10 countries), Andorra managed to grow persistently above the 7% during the period prior to the global crisis (2000-2006).
- ✓ **Openness:** The third country within the Spanish-speaking countries with the highest openness coefficient, and very close to the rating recorded by Panama.  $OC = [(Exports + Imports) / GDP]$ .
- ✓ **Modernity:** Equipped with the most modern civil infrastructure, it has also one of the most large and modern ski resorts. Modernity is also present in the daily lives of citizens, with a fiber optic coverage in 100% on the national territory. Behind this "addiction" to modernity lies one of the younger population pyramids in the world (mean average of 39 years).
- ✓ **Integrity:** The continuing influence of the bishop as Co-prince, set a particular idiosyncrasy which explain the total absence of pornography and prostitution in the country. Recall that since 1278 (1<sup>st</sup> Pareage agreement), Count of Foix (today the president of the French Republic) & Bishop of Urgell share Sovereignty (Co-prince).

## Business

### *Put simply, Andorra is good place to build a business*

- ✓ Andorra is ranked within the best 25 countries in the world to develop a business according to the International Living Index.  
<http://www1.internationalliving.com/qofl2011/>
- ✓ One of the highest per capita GDP in the Euro zone & countries using the Euro (US\$ 49.000). The 5<sup>th</sup> according to the 2012 World Bank list and only surpassed by Monaco, Liechtenstein, Luxemburg and San Marino.
- ✓ A competitive tax scheme to influence the optimal development of business initiatives: Direct taxation does not intend to tax more than 10%. Not to companies or individuals.
- ✓ Indirect taxation is made at a rate of 4.5%.
- ✓ With a population and authorities that are culturally open to foreign enterprises.



## Neutrality & Stability

### *Hallmarks of this country*

- ✓ **Andorra's neutrality** shown by the countless wars that occurred in Europe over the last 700 years is undisputed hallmark of this country.
- ✓ Andorra is the **14th oldest country in the world.**
- ✓ The historical defense of the "Coprince" status has allowed Andorra to preserve its existence since 1278 allowing it to keep its independence and privileges: "A peaceful and neutral country"...
- ✓ ... being also one of the oldest democracies in the world, with a parliament founded in 1419.
- ✓ This provides a **sense of stability**, and therefore **security**, that very few states in the world can offer.
- ✓ Andorra has implemented in 2010 the adaptation to the EU directive MiFID, in a process of adapting to international standards of regulatory and surveillance mechanisms, secrecy, transparency and high levels of legal protection of investors.

## Public Finance

### *A disciplined approach*

- ✓ **Low Debt:** The central government maintains a debt equivalent to just 34% of GDP.
- ✓ **In terms of budget execution,** the government has shown a disciplined public accounts with a **deficit of just 0.35 %** of GDP in 2012 (in 2013 figures are expected to be similar) ensuring the continuity of a low level of debt , and therefore its sustainability.
- ✓ All this has lead the country to earn the **recognition of the international rating agencies,** who continue giving a healthy credit rating (A-). Certainly an aspect to be highlighted given the difficult environment in which most European countries have suffered one or more cuts in its rating .
- ✓ Andorra also shows a **more attractive tax burden figures** for residents than any other EU countries...
- ✓ ... with a fiscal effort around the 350 euros per person and year, well below countries like France and Spain with a tax burden of 500 euros per person and year.



## Political Engagement (I)

### *Adaptation in Europe and the world*

- ✓ Andorra is a member of the United Nations from 1993.
- ✓ Andorra does not belong to the EU but has been tracing steps to achieve a specific partnership agreement for all small states (jointly with Monaco and San Marino).
- ✓ However, the agreements with Spain, France and Portugal make the movement of people within these countries to completely match that seen within EU countries.
- ✓ Regarding the free movement of goods, Custom Agreement with the EU for industrial products places Andorra in a much better status than those considered “third countries”.

## Political Engagement (II)

### *Adaptation in Europe and the world*

- ✓ The banking secrecy code is regulated by law ( Bank Secrecy Protection Law revised the 11th may 1995).
- ✓ **21 bilateral agreements** on tax information exchange signed with countries such as Spain, France, Portugal, Germany, Austria, Belgium, etc.
- ✓ The exchange of information on Tax purposes is in a case by case basis (Law 9/2009 -7th Sept) so that **NO automatic exchange of tax information is allowed.**
- ✓ Requests must be argued with reasonable proof or **legal evidence** that the requested individual has a banking account in a specified financial establishment in Andorra.

## Political Engagement (III)

### *Adaptation in Europe and the world*

- ✓ The signing of these agreements made Andorra to **disappeared from the lists of countries considered tax havens** by the OECD.
- ✓ Andorra has ambassadors in Spain, France, Portugal, Belgium, Luxembourg, the Netherlands, Germany, Slovenia, the United States, Canada, Mexico, Switzerland, the Vatican, the United Nations, the European Union, the Council of Europe, UNESCO, International Organization of the Francophonie, the EIB, the European Union and Latin Ibero-American General Secretariat.

## Banking Sector

### *Let the figures speak*

- ✓ Assets Under Management: 35.390 million euros
- ✓ Solvency Ratio (Core capital): 21.22%
- ✓ Liquidity Ratio: 65.46%
- ✓ Return on Equity: 12.6%
- ✓ Delinquency Ratio: 3.33%
- ✓ Composition of liabilities (aggregate): No debt. Banks are financed practically through customer deposits (75% of the aggregate liabilities) and equity (10% of liabilities).
- ✓ The sector is regulated by the Andorran National Institute of Finance.

## Future

### *A stable future based on its undeniable expertise*

- ✓ Andorra has experienced for decades an exceptional economic expansion due to its strategic location between two major powers of consumption.
- ✓ Its undeniable expertise as a country of services has helped to reach the level of 9 million of visitors per year, comparable with the record high of 16 million of visits seen in Greece in 2013, and ahead of countries like Japan (6.2) or Brazil (5.6).
- ✓ Andorra has some very special assets such as:
  - Snow (the main ski area in the Pyrenees)
  - Landscape (90% of the land is forest)
  - More than 50 Romanesque monuments that, given the lack of conflicts in the history of Andorra, remain perfectly preserved.
- ✓ Flexible to the needs of travelers, has over 2.500 commercial establishments that are open from 9am to 9pm 364 days a year.



## Andorra

*A small country with ...*



... a lot to offer



Andorra Turisme ©

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