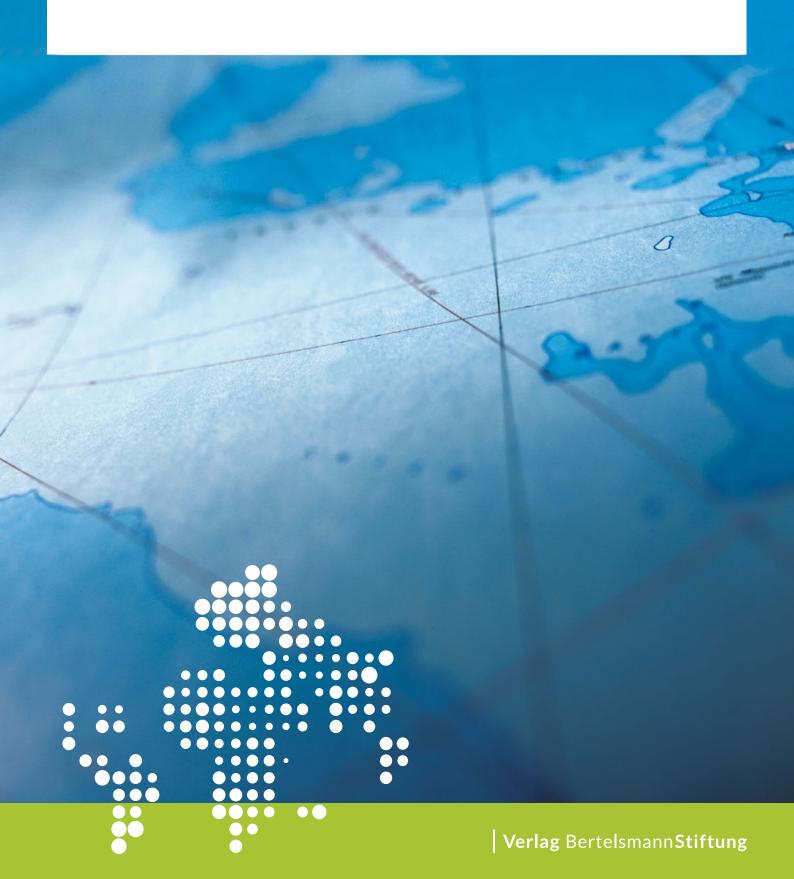
Bertelsmann Stiftung (ed.)

Transformation Index BTI 2022

Governance in International Comparison



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Foreword

Assessing the quality of governance has always been a focus of the Bertelsmann Stiftung's Transformation Index. With the COVID-19 pandemic subjecting governments around the world to a demanding stress test, the experiences of the past two years have once again vividly confirmed the importance of good governance. The crisis has demanded that governments respond with flexible, evidence-based policies. It has required a capacity to act with moderation and foresight while demonstrating credibility and the ability to adapt quickly to new realities. Yet only a handful of governments have passed this stress test convincingly. The individual BTI 2022 country reports analyze how well governments in 137 developing and transformation countries have navigated the crisis during the first year of the pandemic. In many cases, they identify a lack of governmental capacity or political will to respond effectively to the pandemic and its political, economic and social consequences.

Yet some governments have managed the crisis capably, demonstrating high-quality governance in the process. Singapore, Taiwan and the United Arab Emirates stand out for having clearly prioritized measures designed to contain the spread of the virus and for implementing these measures consistently. The Baltic states as well as Botswana and South Korea offer compelling examples of successful policy coordination. The Latin American democracies of Costa Rica, the Dominican Republic and Uruguay successfully leveraged their consensus-building strengths to ensure societal cooperation and constructive efforts between governing and opposition parties in policymaking. Several Asian and West African governments demonstrated their pliant capacity to learn from the past by leveraging their prior experience with the avian flu and the Ebola virus to combat COVID-19. States such as Ghana and Senegal also proved eager to engage in regional cooperation, coordinating their responses at an early stage of the pandemic. In the spirit of the Bertelsmann Stiftung's founder, Reinhard Mohn, the BTI 2022 highlights these positive examples with the goal of facilitating policy learning through a cross-national comparison of successful crisis-management practices.

By regional or global standards, these governments have demonstrated a strong capacity to steer their societies in the right direction while maintaining popular trust in their institutions. And, in fact, these factors turned out to be much more relevant than a country's level of economic development or its political system. The overall results of the BTI 2022 show a clear correlation between these areas of governance performance and states' ability to minimize the economic and public health consequences of the pandemic.

In fact, public confidence in government's ability to act with determination has proved to be a rare commodity in recent years. In democratically governed countries, for example, public trust in political institutions and decision-making processes has declined significantly over the last 10 years. The level of commitment to democratic institutions demonstrated by political decision-makers has diminished over the same period. In several countries, such as Benin, El Salvador, the Philippines and Tunisia, public frustration with poor governance has led to attempts to overcome institutional deadlock through undemocratic means, ultimately undermining the separation of powers.

However, the fact that authoritarian responses to such problems rarely deliver improved efficiency is often overlooked. Overall, there is an immense performance gap between democracies and autocracies, which the BTI has evidenced time and again over the years. For every well-governed autocracy, there are 10 other authoritarian governments that have proved strikingly inept. This is particularly evident in the area of anti-corruption policy, where autocracies score a significant 2.14 points lower than democracies on the BTI's 10-point scale, thus trailing substantially. Similarly marked differences between the two systems of government are found in the areas of policy coordination, resource efficiency, economic performance and social inclusion.

However, these differences in performance between political systems do not justify complacency. Democracy and the market economy, the guiding concepts underlying both the Bertelsmann Stiftung's mission statement and the analytic design of

the BTI, require constant attention and cultivation if they are to counteract societal polarization and prove resilient in the face of global challenges. The BTI 2022 clearly shows that once-stable democracies such as Brazil, India and Hungary can also regress, and that we must defend the rule of law and political participation rights. Indeed, the separation of powers is functional in only about one-quarter of all countries included in the BTI 2022. Similarly, clientelism and competitive distortion are wreaking havoc on how market economies function, undermining their ability to promote prosperity and social inclusion. Only 20 of the 137 economies surveyed by the BTI adequately protect private property rights and effectively hinder the emergence of cartels and price-fixing arrangements so as to offer free and fair competition. In many countries, large segments of the population face several barriers to full participation in economic life, a fact that has resulted in widespread social exclusion.

Democracy and market-economic systems are under threat worldwide. This finding is hardly new, but the level of political and economic transformation recorded by this year's edition of the BTI marks an all-time low. For more than 10 years, a steady downward trend has been observed within each of the Transformation Index's analytic dimensions. The current record low cannot be attributed solely to the effects of the pandemic, even though the crisis has certainly made successful transformation increasingly difficult by triggering severe recessions in most of the countries surveyed, with a multitude of social and fiscal repercussions. Polarization, rising conflict intensity, repression and social exclusion have in fact afflicted a growing number of societies for many years. Poor governance bears a significant share of the responsibility for these problems.

It is our hope that this year's BTI findings elicit a pro-active, constructive response to these concerns. We can continue to invoke the democratic narrative with confidence, pointing to the BTI's stable, successful democracies as well as to the increasing strength of the civil society forces standing up to authoritarian rule in countries such as Belarus, Myanmar and Sudan. But if we are to ensure a free and fair future for all, this confidence

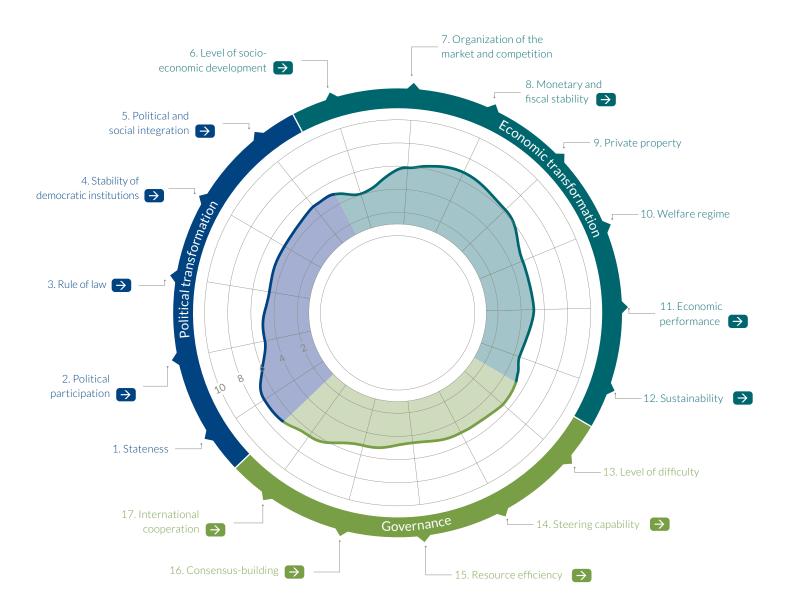
in democracy's advantages must also be paired with a frank stock-taking of existing problems.

The Bertelsmann Stiftung is addressing this challenge squarely. Through our Democracy and Social Cohesion program, we are developing ideas that we believe will help improve participatory democracy and strengthen civil society engagement. In our Sustainable Social Market Economies program, we craft strategies intended to promote inclusive employment opportunities and well-being in our fast-changing economies and societies. BTI data and analyses play an important role in this work by allowing us to learn from the good examples and practices identified through cross-national comparisons. In so doing, the Bertelsmann Stiftung hopes to contribute to the resilience of free and fair societies.

Ralph Heck Chairman Executive Board, Bertelsmann Stiftung



The BTI 2022 at a Glance



2. Political participation

Association and assembly rights → were further curtailed in 37 countries. The right to demonstrate was narrowed in particular, with police violence being used to suppress opposition rallies. In some cases, pandemic-related contact restrictions were instrumentalized for political ends.

4. Stability of democratic institutions

Commitment to democratic institutions → has weakened, with this indicator showing an average loss of 0.36 points across all 67 democracies. Political elites' lack of support for the democratic order has been the most significant democracy-undermining factor over the past two years.

6. Level of socioeconomic development

Socioeconomic barriers → continue to escalate. Once again, no other BTI indicator receives a lower score (4.06 points). After years of increasing inequality, poverty rates are now rising again as a result of COVID-19. Eighty out of 137 countries show very high levels of social exclusion.

11. Economic performance

Output strength → has plummeted due to the sharp reduction in economic activity caused by COVID-19. Fully 78 out of 137 countries experienced recessions significant enough that the score associated with their economies' performances fell when compared to the BTI 2020.

14. Steering capability

Policy learning → is the worst-rated aspect of policy steering capability, both in democracies (ø 5.87 points) and autocracies (ø 3.97 points). Only every fifth government was able to react flexibly and adaptively to the changing conditions brought about by the pandemic.

→ 16. Consensus-building

Conflict management → has shown a sharper decline than any other governance indicator. The number of regimes that have intentionally aggravated conflicts has increased from 33 to 41 over the last two years. Ethnic, religious and social tensions are increasingly tipping over into violence.

3. Rule of law

Separation of powers → remains one of the weak points with regard to political transformation, eroding further over the last two years especially in defective democracies. Oversight of the executive branch is particularly weak in Arab countries and in Eastern and Central Africa.

5. Political and social integration

Social capital → has resisted the negative political trend. In many countries, civil society has shown an improved capacity for self-organization and solidarity in response to elites' ineffective policies to combat COVID-19.

8. Monetary and fiscal stability

Fiscal stability → is being further undermined by declines in export revenues and additional spending in the health sector and for pandemic-related economic and social measures. Many countries are overindebted, with some on the verge of sovereign default.

12. Sustainability

Environmental policy → again receives the second-worst score of any economic transformation indicator. Pro-growth policies are generally given a higher priority than environmental concerns. Only 21 countries are credible in their efforts to protect the environment and combat climate change.

15. Resource efficiency

Anti-corruption policy → once again receives the lowest score of any governance indicator, with a global average of 4.16 points. Only 28 governments – including just four autocracies – showed any serious dedication to fighting corruption with effective integrity mechanisms.

17. International cooperation

Credibility → when engaging in international relations has declined for many states. Over the past decade, 52 governments have lost credibility, becoming less reliable with regard to upholding international agreements and supporting peaceful and cooperative multilateralism.

Political transformation Global Ø 5.39 (e.g., Philippines) Top-ranking country Uruguay Positive trend North Macedonia, Sudan, Thailand

Negative trend Mali, Nigeria, Tanzania

Regime distribution → 67 democracies
→ 70 autocracies

Economic transformation

Global Ø	5.31 (e.g., Bolivia)
Top-ranking country	Taiwan
Positive trend	Croatia, Kenya, Morocco
Negative trend	Botswana, Lebanon
State of development	→ 21 highly advanced / advanced
	→ 60 limited

→ 56 very limited /

Governance

Global Ø 4.69 (e.g., Mexico)

Top-ranking country Taiwan

Quality of → 36 countries with very good/good governance

→ 52 countries with moderate governance

→ 49 countries with weak/ failed governance

Political transformation

Autocratic majority

The current index lists 70 autocracies and just 67 democracies. Clear setbacks in terms of political transformation are evident in a quarter of the countries examined. The freedoms of association and assembly, the freedom of expression, freedom of the press, and the stability of democratic institutions have all shown particularly sharp declines.

Defective democracies

Argentina ▼

Score < 8 to 6

7.70

Movement to a higher
category (each arrow
denotes a single category)

- Movement to a lower category (each arrow denotes a single category)
- failing states

Democracies in consolidation

Score 10 to 8

Uruguay	9.95
Estonia	9.65
Taiwan	9.60
Lithuania	9.50
Czech Republic	9.30
Chile	9.20
Costa Rica	9.10
Latvia	9.00
Slovakia	8.75
Slovenia	8.70
South Korea	8.60
Mauritius	8.55
Trinidad and Tobago	8.40
Croatia	8.30
Botswana	8.25
Jamaica	8.20
Ghana ▲	8.00
Romania 🛦	8.00

Al Schillia v	7.70
South Africa	7.70
Timor-Leste	7.65
North Macedonia	7.60
Namibia	7.55
Poland	7.50
Bulgaria	7.35
Mongolia	7.25
Albania	7.10
Montenegro	7.10
Bhutan	7.05
Bolivia	7.05
Brazil	7.05
Ecuador	7.00
Gambia	6.95
Benin	6.90
Dominican Republic	6.85
Panama	6.80
Senegal	6.80
Ukraine	6.80
Armenia	6.75
El Salvador	6.70
Kosovo	6.70
Malawi	6.55
Paraguay	6.55
Tunisia	6.55
Liberia	6.45
Peru	6.45
Colombia	6.40
Hungary	6.35
Indonesia	6.35
India	6.30
Serbia	6.25
Sri Lanka	6.25
Moldova ▲	6.15
Georgia	6.10
Papua New Guinea	6.10
Sierra Leone	6.00

Highly defective democracies

Score < 6

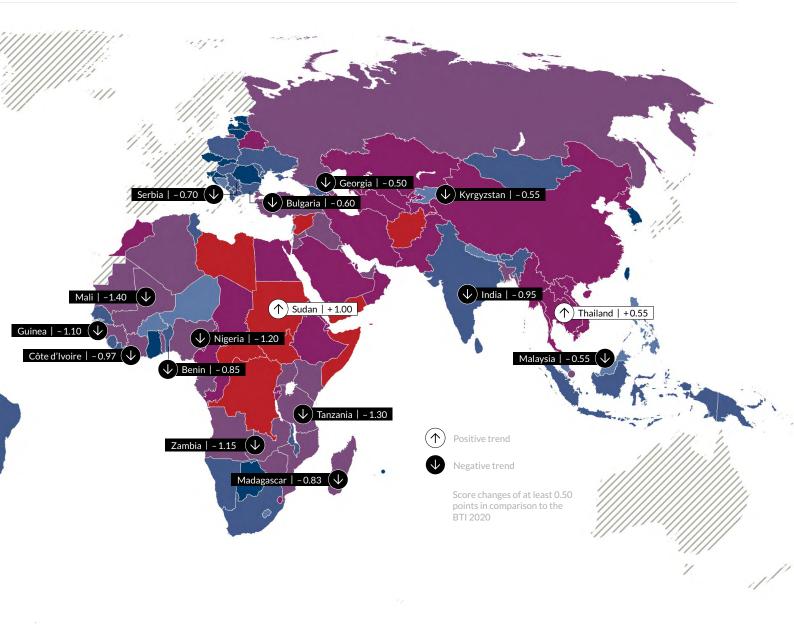
00010	
Mexico ▼	5.95
Nepal	5.95
Niger ▼	5.95
Burkina Faso ▼	5.85
Guinea-Bissau ▼	5.85
Bosnia and Herzegovina	5.60
Kyrgyzstan ▼	5.55
Lesotho	5.45
Philippines	5.40
Lebanon	5.35
Malaysia	5.30

Moderate autocracies

Score ≥ 4

Singapore	5.42
Kenya	4.92
Togo	4.87
Guinea ▼	4.85
Uganda	4.85
Côte d'Ivoire ▼	4.83
Turkey	4.80
Tanzania ▼▼	4.75
Algeria	4.65
Gabon	4.65
Kuwait	4.65





Hard-line

autocracies

Score < 4

Angola	4.60
Zambia ▼	4.60
Madagascar ▼	4.57
Honduras	4.42
Mauritania	4.42
Mali ▼	4.40
Russia	4.40
Bangladesh	4.25
Nigeria ▼	4.25
Jordan	4.20
Mozambique	4.18
lraq ▲	4.13
Guatemala	4.10
United Arab Emirates ▲	4.10
Zimbabwe	4.10

Belarus ▼	3.97
Qatar	3.90
Haiti ▼ •	3.87
Thailand	3.85
Rwanda	3.83
Ethiopia ▼	3.78
Kazakhstan	3.78
Pakistan	3.75
Uzbekistan	3.73
Congo, DR ●	3.67
Djibouti	3.67
Nicaragua ▼	3.65
Vietnam	3.63
Cameroon	3.62
Azerbaijan	3.58

Morocco	3.58
Burundi	3.55
Cuba	3.53
Eswatini	3.48
Central African Rep. •	3.40
Egypt	3.37
Congo, Rep.	3.35
China	3.23
Laos	3.18
Myanmar	3.15
Afghanistan •	3.08
Cambodia	3.08
Venezuela	3.08
Bahrain	3.07
Sudan •	3.02

Chad	3.00
Oman	2.95
Tajikistan	2.92
Iran	2.88
Equatorial Guinea	2.77
Turkmenistan	2.70
South Sudan •	2.67
North Korea	2.55
Saudi Arabia	2.50
Libya •	2.40
Eritrea	2.12
Syria •	1.80
Somalia •	1.65
Yemen •	1.50



Latin America and the Caribbean

Off the beaten path

Having hit Latin America and the Caribbean harder than any other region in the world, the coronavirus pandemic has brutally exposed the region's long-standing structural problems. The pandemic has had a profound effect on a region already reeling from the turmoil of massive protests against entrenched development paradigms. Neither the neoliberal nor the left-wing populist paradigm seems tenable anymore. It's unclear exactly which development path the countries will take once the shock of the crisis subsides, especially since many are deeply polarized.

In 2019, long-standing resentment over severe social disparities culminated in massive waves of violent protest against governments and political elites, particularly in Chile, Colombia, Ecuador and Panama. The leadership in these countries had held on to established models of economic and social order for (too) long and proved less and less able to deliver on the promise of prosperity. The coronavirus pandemic and its effects have reinforced these political divisions, triggering open dissent over how to manage the crisis. At least in their current form, the two economic and sociopolitical models that have long shaped the region's development - the "neoliberalist" paradigm embodied by Chile and the left-wing populist "Bolivarianism" seen in Venezuela – appear to have exhausted themselves.

The coronavirus pandemic has exposed Latin America's oft-cited economic structural weaknesses – extreme inequality, weak economic productivity and fractured social systems. However, the nadir reached in the 2022 edition is the outcome of a steady downward trend that has been underway for more than a decade. The diminishing ability to develop viable problem-solving strategies is also reflected in the region's governance scores. In terms of battling the pandemic, hardly any government in the region has demonstrated consistently sound crisis management, though few reacted as poorly as the Brazilian government under President Jair Bolsonaro or the Nicaraguan regime under President Daniel Ortega.

New battle lines

Chile has become the region's most striking example of an acute crisis of representation. The fact that the October 2019 revolt erupted over a seemingly marginal issue — a hike in metro fares in Greater Santiago equivalent to some €0.03 — sheds a telling light on the depth of social and political divisions in the area. Chilean political elites failed to recognize the intensity of the alienation felt by large segments of the population. The ongoing erosion of the country's party system (–3 points since the BTI 2010), which reflects the divisions present in Chilean society, has accelerated in the wake of the May 2021 elections for the Constituent Assembly.

However, the real significance of the events in Chile lies in the fact that the model of neoliberalism has been overtaken by its own history. Whereas Chile takes orderly steps toward instituting a new constitution, most other democracies in Latin America have limited capacity to channel such fundamental conflicts. Aside from the already heavily polarized countries, such as Argentina, Brazil and Mexico, other seemingly stable governments faced protests that were accompanied by massive violence and led to reforms. For example, a broadbased protest movement in Colombia resulted in a fault line entirely different from the one that the country – which has suffered decades of guerrilla warfare – had known to date: the state versus



This summary is based on the Latin America and Caribbean regional report by Peter Thiery. Together with the full reports for each country in the region, it is available at

bti-project.org/lac



its protesting citizens. In April 2021, the protests forced the government to abandon a tax reform.

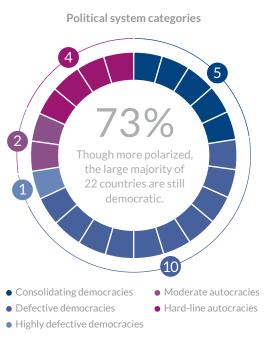
In 2019, Ecuador saw widespread protests, overshadowed by deaths, that forced then-President Lenín Moreno to roll back a cut in gasoline subsidies. In Peru, conflicts between the executive and the Congress culminated in the impeachment of President Martín Vizcarra in November 2020,

which was followed by mass protests against the country's corrupt political elites. The conflicts between the Lima-based "official" elite and the rural indigenous groups of "Perú profundo" came to a head in the course of the 2021 elections, exposing the deep divide between the two, which awaits a solution under the leadership of the newly elected left-leaning president, Pedro Castillo. In Panama, it has particularly the frustration of youths, who see few future prospects in a

system characterized by horrendous corruption and inequalities, that has led some to adopt anti-system attitudes. In deeply divided Bolivia, neither Evo Morales' forced resignation nor the comeback of his MAS party has done much to narrow the gaps between the various political camps.

In the region's three heavyweights, polarization is mixed with a populist-driven effort to dismantle democracy: In Argentina (-0.45 points), former President Cristina Fernández de Kirchner is shrewdly leveraging her - technically subordinate - role as vice president to rigorously advance her agenda in the wake of the Peronists' victory in the 2019 elections. Plagued by a series of investigations for corruption, she has been denouncing the judiciary for waging "lawfare" against her and other Peronists. Brazil (-0.35) experienced the feared erosion of democracy under President Bolsonaro as well as a wave of hate speech, discrimination, human rights violations, and attacks on the press and judiciary. Finally, Mexico recorded only minor losses in nominal terms, yet a loss of 0.10 points

is still enough for it to have been downgraded to a "highly defective" democracy. President Andrés Manuel López Obrador, who is trying to initiate Mexico's "fourth transformation," has little faith in the country's established institutions. Though this distrust is not entirely unfounded, his populist approach is only further undermining the already weakened bodies tasked with monitoring government accountability.



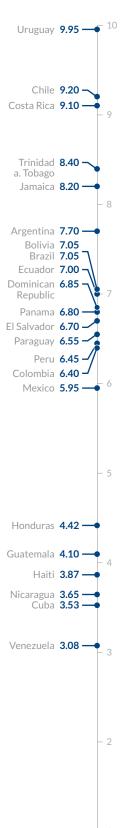
Economic recession and stagnant sociopolitical development

Whereas the coronavirus pandemic has had a rather indirect impact on political transformation, it has directly affected economic and social developments across Latin America. By mid-2021, the region, which comprises 8.4% of the world's population, recorded more than 1.26 million deaths, accounting for 32% of all cases worldwide. In addition,

Latin America suffered a massive decline in gross domestic product in 2020, which amounted on average to 7%. Though this varies considerably across the region, Latin America's economies have been losing steam for more than a decade, and the threat of social decline is another cause of the waves of protest that have emerged.

Clearly, the model of development involving a passive integration into the global economy is for the most part no longer viable. This is because both the recession triggered by the coronavirus and the expected recovery are taking place under adverse conditions that remain unchanged: From Mexico to Brazil, we find countries caught in the middle income trap. Almost all of them remain dependent on resource-driven growth, which relies on cheap labor and capital, and took only sporadic steps toward improving productivity and innovation. Though the circumstances differ, this also applies to Cuba, where the government of Miguel Díaz-Canel has initiated far-reaching reforms, although they may be coming too late to prevent major tension down the road.

Political transformation



Economic transformation



Argentina (-0.68) and Panama (-0.46) were among the countries showing the largest losses in this regard. Whereas the pandemic hit Panama hard because of its impact on the country's international ties and traffic through the Panama Canal, Argentina suffered because of the ways in which the pandemic

On regional average,

economic performance

has declined by

points

over the last two years.

exacerbated the country's ongoing domestic crisis. Constantly teetering on the brink of national bankruptcy and with no hope of achieving creditworthiness, the government undermined itself by letting internal feuds over economic and fiscal policy prevent it from making any headway on these issues before stumbling into the 2021 election year. In the longer-term trend since 2008, Argentina has also registered one of the biggest losses, along with Mexico (both -1.07) and Brazil (-1.25). Only Venezuela (-2.43) and Cuba (-1.46) have fared worse.

These developments have left their mark on the level of socioeconomic development achieved across the region. The average regional score has fallen from its 2010 peak of 5.14 to 4.57. There is a vicious circle in which multiple patterns of inequality are limiting the development potential of broad sections of the population and thereby curbing the potential for economic growth, which in turn further cements inequality. Poor performance in terms of fiscal stability (-1.48 points on average since the BTI 2012) and welfare regimes demands that a new course be set. Even countries like Chile are grappling with immense social inequalities. However, there was some good news to be found in the fact that anti-poverty programs already in place in some countries were able to be used as a vehicle for pandemic aid measures. Examples include the Dominican Republic and Brazil, where the Bolsa Família social welfare program established under former President Lula da Silva has proved relatively effective.

Bad governance

The average quality of governance in Latin America and the Caribbean has also fallen again, with the current downturn being more clearly attributable to democracies, particularly Brazil, El Salvador and Argentina. In Brazil, President Bolsonaro has further deepened the divide between left and right, which has grown significantly since 2013. Unsurprisingly, those aspects of governance in the country that are associated with consensus-building and cooperation have been further weakened. Moreover, the government's credibility has

> suffered heavily, due to its isolationist stance, disastrous environmental policy and catastrophic management of the pandemic.

> In El Salvador, which faces an entirely different set of political circumstances, we observe patterns of populist-authoritarianism underway since the 2019 national elections. The simple messages of elected President Nayib Bukele – ambitious government infrastructure measures, improved anti-corruption policies and youthful enthusiasm – were spread by his creative use of social media, which has also characterized his governing

style since he took office, along with impulsiveness and a disdain for constitutional procedures and established parties. This has led to his government's underwhelming performance in terms of consensus-building, which, together with unclear prioritization and insufficient policy coordination, are largely to blame for the decline in El Salvador's governance score (–0.91).

In Argentina (–0.58), following the polarized 2019 election campaign and the swinging of the pendulum back to the Peronists, it has become clear that reaching basic agreements among the political camps is a mere illusion. In fact, the irreconcilable attitude of Vice President Fernández de Kirchner's "kirchneristas" is driving a wedge not only between Peronists and non-Peronists, but also between the various Peronist factions. In addition to having a negative impact on the government's steering capability and policy coordination, this dynamic has seriously hampered efforts to combat corruption – a battle in which the vice president, who is herself suspected of corruption, plays a key role.

Conversely, Uruguay, Chile and Costa Rica are ranked 2nd, 4th and 5th, respectively, in the overall BTI ranking. In all three countries, these rankings testify to the existence of evolved structures of governance, even if future political developments are somewhat uncertain in the case of Chile. However, the example

of Uruguay shows that a change of government from the leftist Frente Amplio to the conservative Lacalle Pou government need not result in major tension, as is the case in most other countries. In Costa Rica, on the other hand, President Carlos Alvarado's government has proved capable of achieving important goals, such as enacting the long-needed reforms for a sustainable fiscal policy. Also noteworthy has been the pandemic response in the Dominican Republic. Overall, the country is (so far) emerging from the crisis relatively unscathed, which is a testament to the government's prudent policies and ability to carry out a well-coordinated, multistage response plan that has included the procurement of vaccines.

Wanted: inclusion, the rule of law, consensus-building

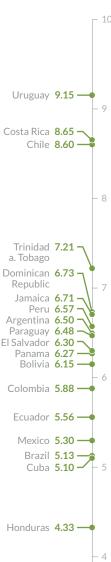
Latin America is at a crossroads. However, unlike the choices faced in the 1980s and 1990s, there is no blueprint to follow, such as that of the neoliberal script, which was thought to represent the only way forward back then – even though there were alternatives, as the example of Uruguay shows. In any case, post-neoliberal arrangements are unlikely to materialize if stronger efforts are not made to broaden economic inclusion. Reform efforts that aim to curtail the informal sector, expand or restructure mostly

fractured education and health sectors, incentivize political participation, and create more representative opinion and consensus-building processes – such as the reform of legislation regulating political parties in Peru – are nothing new, but they are essential milestones to progress.

As BTI authors have always stressed, this also applies to the Achilles' heel of Latin American democracies: the rule of law and the elimination of corruption and clientelism. Conversely, so-called "post-socialist" arrangements are unlikely to dispense with the need to expand their market competition, as the case of Cuba shows. Whatever the circumstances, changing a country's directional path requires extraordinary governance capacities, which in turn demand a high capacity to learn and an equally robust ability to build consensus.

Those countries that have endured crises accompanied by violence stand a relatively good chance of making this a reality (though whether this is due to or despite their experiences with violent upheavals is worth debating elsewhere). In addition to Chile, the prospects for such change are (still) open in Colombia, Ecuador, Panama and Peru. The Dominican Republic and Paraguay are two other candidates, though both must contend with deep divisions at home. For now, the prospect of striking out on a new path seems unrealistic wherever heavily polarized societies make it difficult to achieve consensus, as is the case in Argentina, Bolivia, Brazil and Mexico.

Governance performance



Strengths and weaknesses in governance: Distribution of regional governance performance per criterion



The boxplot represents the quartiles of the distribution of governance performance. The lower end of the box corresponds to the value of the lower quartile, i.e., 25% of the values are below or equal to this value. The upper end of the box corresponds to the value of the upper quartile, i.e., 75% of the values are below or equal to this value.