

INSTITUTIONAL QUALITY INDEX

2021



▶ **The pandemic**
An opportunity to
create a better **future**



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The power of institutional strength

Bertha Pantoja,
President of RELIAL

The year 2020 marked a turning point for the study of institutional quality in countries. The pandemic put both political and economic institutions to the test in all countries and allowed us to understand firsthand the importance of building robust institutions.

The need to respond to the pandemic has provided a striking example of the power that institutional development may have in dealing with problems. Most notably, Latin American countries exhibited some of the most arbitrary response measures to tackle the health crisis, ranging from mandatory lockdowns that would freeze the economy to dubious vaccine management — the kinds of actions that make it clear that the countries with better institutional development were the most effective in managing the crisis. Chile and Uruguay are the top-ranked Latin American countries in the index — 25th and 38th, respectively — and both countries stood out for showing the most effective management of the pandemic crisis. Ranking just below Uruguay, Costa Rica sits at the top of a long list of Latin American countries that made many more mistakes than right calls while managing the crisis.

But the ultimate test is not the one we have already experienced, but rather the one that lies right in front of us. All governments — without exceptions — used the crisis to their advantage. Some of them only took exceptional powers to respond to an ongoing emergency, but others went too far and took the opportunity to broaden their power. Whatever the case, we are nearing the end of the emergency, and governments will soon be facing a fateful decision. Should they give those special powers back to the people, or should they keep them under the same old rationale humanity has heard since World War I that what works during a crisis will also work in times of peace, and that things will be kept that way for our own good?

The set of institutions whose quality is measured by the index will be critical to be able to bring our lives back to normal. First, political institutions have the capacity to ensure that the extraordinary powers governments took will fade off once the crisis is over. The more solid institutions are, the faster and more transparent the transition will be, allowing citizens to once again enjoy the liberties that were unjustly taken from them during the pandemic, including free transit and freedom of peaceful assembly and association. Freedom of expression itself has been one of primary victims of the pandemic because, under the excuse of the so-called “infodemic”, governments have sought to control discourse and silence any voice that would question the pandemic response measures. Ensuring strong political institutions will allow for a smooth transition to our pre-crisis reality.

Second, achieving economic recovery initially depends on the capacity of political institutions to create an environment conducive to development, but the ability of countries to get back on track toward progress will depend on their economic institutions. Whenever solid economic institutions prevail, it is people who, based on their preferences and choices, will make the difficult decisions required to ensure the effective functioning of a market economy. Economies having solid institutions will achieve faster functional recovery because markets will be better able to respond to people's needs.

Humanity will now face the greatest challenge it has faced in a long time. Many countries are geared institutionally to respond to it, but many others do not have sufficient institutional development to address it adequately. It is our choice to simply hear the lesson and move on, or to embark on the path of institutional development. Luckily for the countries that decide to take the latter route, there will be instruments like the present index, and many others, to identify the specific changes and improvements that each one needs to succeed.



Institutional quality, a priority issue to tackle the crisis

Siegfried Herzog,

Regional Director for Latin America of the Friedrich Naumann Foundation

"It's only when the tide goes out that you learn who's been swimming naked"

(Warren Buffet)

The world has been dealing with the COVID-19 pandemic for over a year now. The crisis caused by the disease took on various dimensions affecting not only public health and education systems, but also the economies and politics of countries. To prevent infections, governments must balance restrictions on their communities' everyday life with the need to maintain economic life and to keep people supplied with their daily basic needs.

Each country chose its own path, and outcomes have been varied. The final assessment is still underway, but one lesson is clear already: the institutional quality of countries was a key factor in the fight against the pandemic.

Considering these circumstances, the work RELIAL has undertaken for some years now to compile and publish the Institutional Quality Index will now serve a new urgent mission.

The tendency many governments have shown to deal with issues on the spur of the moment has apparently led them to make centralized decisions, focusing on short-term political advantages that proved to be ineffective in addressing the crisis. By contrast, countries that have built professional and effective autonomous institutions have shown fewer problems and more possibilities for action.

A key example is healthcare systems, which should be the first line of defense against a disease outbreak. Are infrastructures sufficiently equipped to deal with serious diseases? Do hospitals have enough capacity? Is there enough oxygen? Are there medicines and protection equipment available for hospital staff?.

Another example is the education system. When schools closed, were they able to ensure continuity of classes through online teaching? Were children in the poorest areas ensured access to the Internet?.

Overall, were governments able to offer assistance, care and services online? What kind of aid was given to the poorest for subsistence? What kind of support was given to the businesses that had to shut down?

For all these challenges, the institutional capabilities and the quality of the infrastructure of countries were extremely important.

Clearly, many decisions were made out of political expediency. For example, the Mexican government decided to target its efforts at assisting the poorest families and small businesses, thus failing to assist medium-sized and large enterprises. It also decided not to drastically shut down the country, unlike other countries that did adopt radical measures, like Peru.

Retrospectively, it would be fair to say that political decisions were made due to a lack of alternatives, and the lack of alternatives was a result of having weak institutions that inhibit the use of more creative tools.

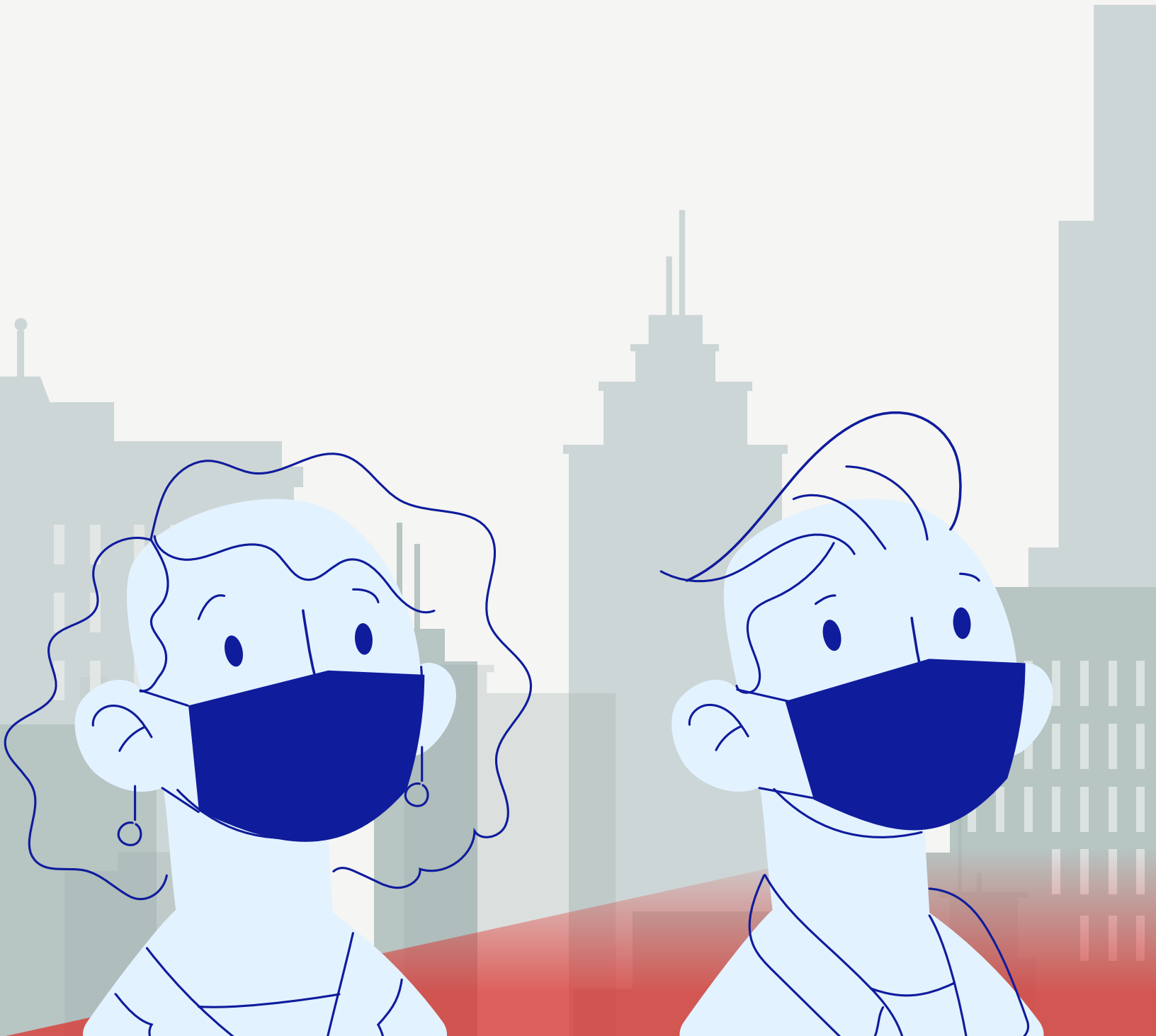
There is a clear conclusion: institutional weakness proved to be extremely costly for many countries. As we find our way out of the crisis, strengthening institutions will be more important than ever to both boost and revitalize the economy and be better prepared for the next crisis. Economic experts have been saying for decades that institutional quality is a key factor for achieving economic and social development — and we are now being taught a painful lesson in understanding the truth of that statement.

We need to remember this lesson to target our efforts at building better institutions with a new vision and mission.

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“The outbreak of the pandemic led to a series of restrictions on our mobility, which were readily accepted by a large majority of the global population amid worries about the spread of the virus.”



▶ Pandemic and institutions: health, work and liberty

Martín Krause, author of the Institutional Quality Index

Professor of Economics, Universidad de Buenos Aires; UCEMA; Visiting Professor at Universidad Francisco Marroquín (Guatemala). Advisory Council member, Fundación Libertad y Progreso. Adjunct Professor, Cato Institute.

The global COVID-19 pandemic has impacted our lives in many ways: we have not been able to see or, in some cases, visit our families; we have not been able to bid farewell to our loved ones; we have made profound changes in our daily lives; we have suffered the psychological impact of isolation and of a lockdown routine. Although all these changes are certainly very important, we will focus our discussion on the changes that have impacted our institutions, especially those relevant to our health, our jobs, and our liberty.

The outbreak of the pandemic led to a series of restrictions on our mobility, which were readily accepted by a large majority of the global population amid worries about the spread of the virus. In reaction to a demand for action, governments rushed into a series of decisions — often bypassing careful evaluation and analysis. Politicians responded to fear and a sense of emergency. Feeling that their future was at stake — and that there was no room for prudence — they sought to direct citizens' lives with a different approach from that which citizens themselves might have considered. All kinds of decisions were made, and instructions were issued using extraordinary executive powers under the pretext of the dangers of the pandemic. Not sufficient consideration was given to rights or liberties, and a majority of the population did not pay much attention to that out of fear. It was certainly not all the same everywhere. Indeed, some countries imposed more severe restrictions and others relied more heavily on people's social responsibility.

The measures were aimed at a two objectives: curbing the spread of the virus and delaying its impact on health care systems. But in many cases, the measures were out of proportion with the actual public health problems, and some politically motivated leaders did not miss the opportunity to take on more power, jeopardizing constitutional constraints.

A study conducted by researchers from Harvard and Stanford universities (Alsan et al. 2020) analyzed a survey conducted on 480,000 people from fifteen countries and found that most citizens were willing to trade off civil liberties for improved public health conditions during the COVID-19 pandemic. The researchers considered that analyzing and understanding these findings was critical because:

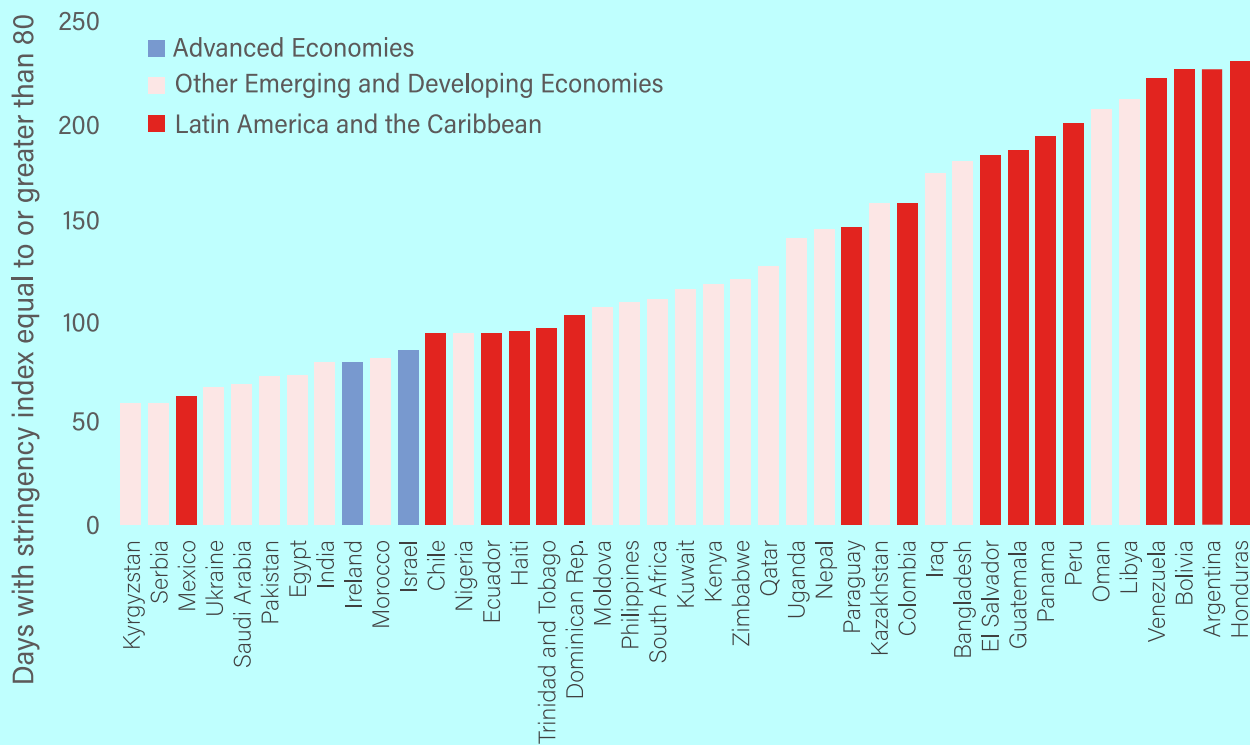
“First, the policy measures adopted by governments, particularly democratic ones, should be responsive to the preferences of their citizens.

Second, the extent to which the latter comply with policies enacted in times of crises likely depends on whether they agree with the restrictions imposed by the policies, which could ultimately determine the efficacy of these policies. Third, a weakening of the support for the broad protection of civil liberties during times of crises may be temporary or instead durably shift attitudes.

This distinction is important, as temporary crises could be exploited by the state to seize additional power and by interest groups to further political agendas. Finally, attitudes such as whether one would be willing to withstand public health risks in order to fulfill civic duties (e.g., voting) could shape the composition of voters, and as a result government’s policy-making far beyond that in the public health domain” (p.1).

The researchers found that nearly 80% of the survey respondents are willing to sacrifice some of their own rights in times of crisis — although they also found differences across the studied countries¹. However, they also found that, as policies remain in place for longer, willingness declines and, correspondingly, concern for the erosion of liberties grows.

A group of IDB researchers (Shijman et al. 2021) analyzed data from the University of Oxford’s Government Response Tracker and the Stringency Index, collected between March and October 2020, and found that “developing and emerging markets put in place longer and (*de jure*) stricter lockdowns.” “We found that emerging and developing countries, with few exceptions, had the longest strict lockdowns (Figure 1). Among them, countries in Latin America and the Caribbean stand out: 8 out of the 10 countries with the longest tight lockdowns between March and October are in Latin America.”



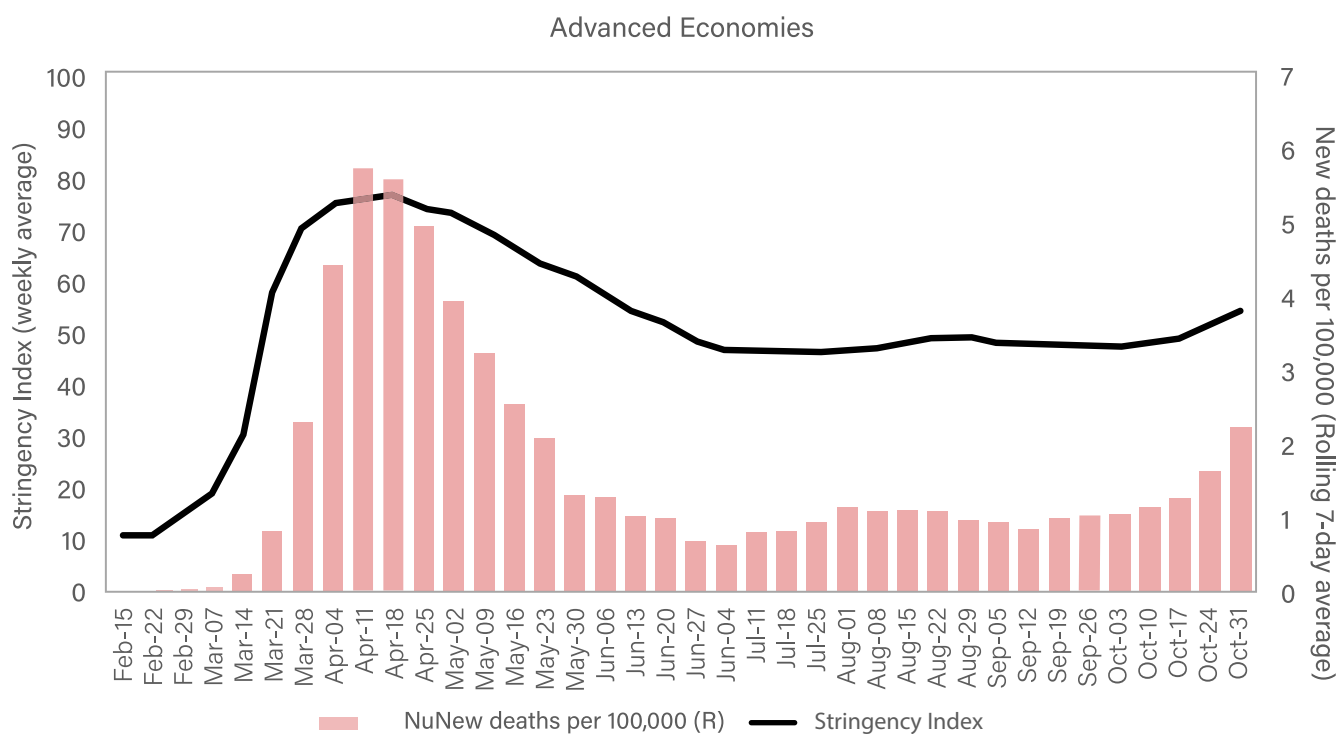
Source: Shijman et al. 2021

¹ Alemania, Australia, Canadá, China, Corea del Sur, España, Estados Unidos, Francia, India, Italia, Japón, Países Bajos, Reino Unido, Singapur, Suecia.

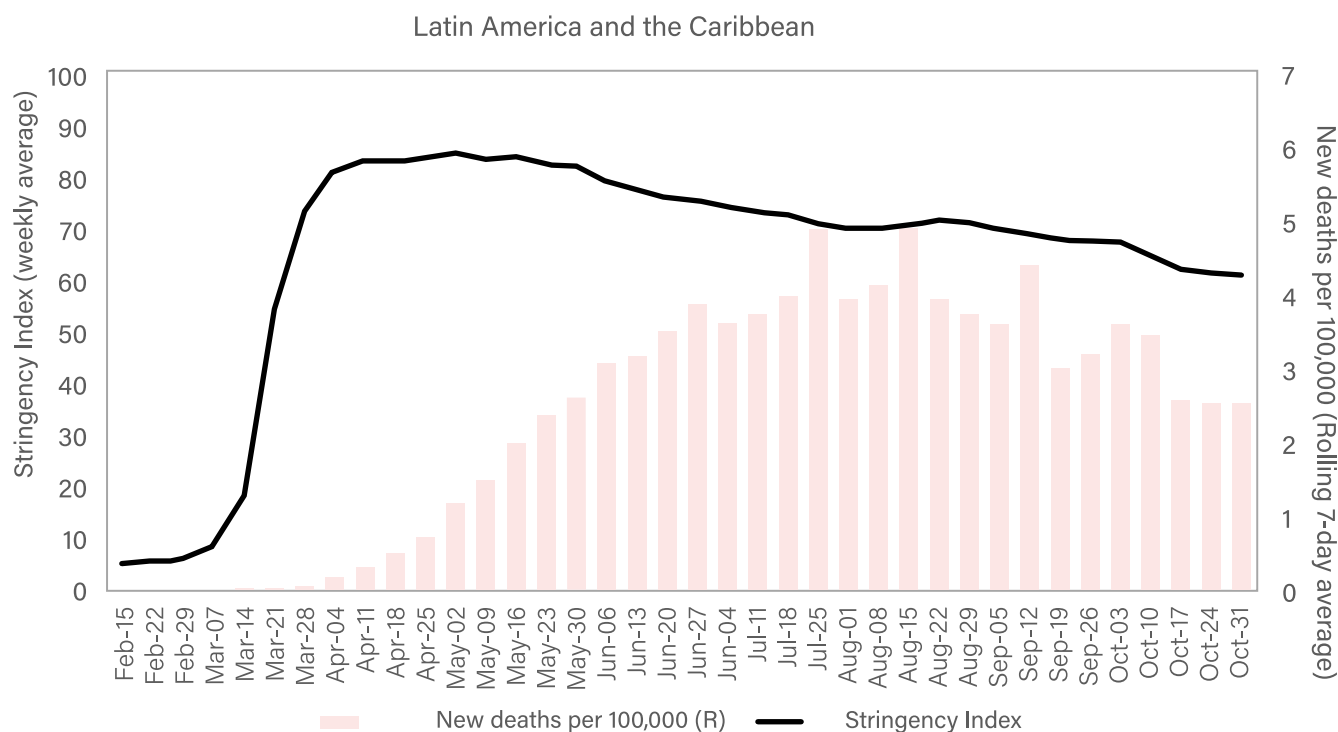
But rather than being an issue of developing and emerging countries, it seems to be an issue of institutional quality, as the countries mentioned as putting in place the longest lockdowns are also countries with low institutional quality. For example, the top four countries were ranked in the IQI as follows: Honduras (139th), Argentina (112th), Bolivia (152nd), and Venezuela (181st). The other four countries that ranked among the top ten were ranked as follows: Peru (65th), Panama (58th), Guatemala (116th), El Salvador (97th). It is not a perfect correlation, as we can see among them countries like Chile (25th) and Haiti (162th), but if we look at all the countries shown in the table — not only those in Latin America — we can see that they are generally countries with low institutional quality.

Looking back at the study conducted by Alsan et al. (2020) — which did not include developing or emerging countries, or Latin American countries — it would most likely have found similar results in these countries, as the observed support for stringent policies was very positive early in the pandemic. Yet they do not seem to have been effective. Latin American countries adopted very stringent policies when the virus had not yet arrived, and thus they experienced a greater economic impact with not so great health outcomes. At first, people willingly complied with mandatory lockdowns, but the “wave” of infections did not hit them then. Then the weariness and the high economic impact many were experiencing forced many governments to ease down on restrictive policies, precisely when the wave started to hit them, resulting in the worst of all scenarios: considerable health costs with increased deaths, severe restrictions on individual liberties, and high economic costs.

Shijamn et al. (2021), presented the following figures:



Latin American countries adopted stringent measures when there were few cases reported and then eased on restrictions when cases were peaking. This shows that a high level of “stringency” — or of violation of basic individual rights — did not yield better health outcomes, not to mention the economic cost.



Work and Productivity during the Pandemic

The inevitable scarcity of resources is what determines our need to “economize,” to make economic decisions, and that is no different during a pandemic. Some things can be done, but not all of them. Furthermore, some measures may lead to certain positive outcomes, but also to certain negative outcomes, or they may lead to positive outcomes in the short term, but to negative outcomes in the long term. The stringent policies that many governments adopted may have created a feeling that government leaders were doing something — and that was what people were demanding — but as they maintained the policies in place, their real cost relative to other diseases or treatments and to liberty and work, or economic activity, started to become apparent.



And not just the immediate costs. Geloso & Murtazashvili (2020) claimed that, "Losing a lot of economic freedom could lead to fewer COVID deaths, but at a potentially massive cost in the following decades. The current debates center on the optimality of policy in the short run. Optimality in the dynamic sense differs. The smallpox story suggests that we are veering toward a less desirable institutional bundle and that much of its effects will be realized decades from now. Compounding this is the ratchet effect² with COVID, which suggests a larger role for government that further reduces economic freedoms."

Indeed, the four Latin American countries with the most stringent policies saw their economic activity decline sharply over the course of 2020, according to IMF estimates: Honduras (-6.6%), Argentina (-11.8%), Bolivia (-7.9%), and Venezuela (-25%). This is largely explained not only by the policies adopted during the pandemic, but also by the fragility of their economies even before it hit them.

While the other countries certainly cannot boast about having much better outcomes, at least they have exposed their citizens to fewer losses due to restrictions on their liberty. But the inverse proposition can be seen as true: the countries adopting more stringent policies caused greater economic harm and greater loss of liberty individual, without achieving better results.

Economic impact, and greater inequality?

At the World Economic Forum (WEF) annual meeting — better known for the name of the place where it is held (Davos) — bringing together political and business leaders from all over the world and attracting considerable attention from the news media, England-based nonprofit OXFAM released a report entitled "The Inequality Virus."

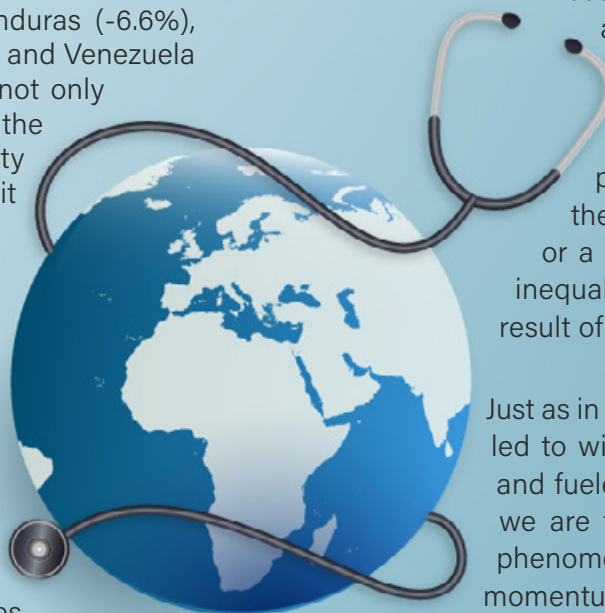
The report claims that the pandemic has led to a marked increase in inequality around the world, and that it will continue to do so in the future. They further explain their claims by responding to questions from their blog, with one of them asking, "How can you be sure that COVID-19 will lead to a huge surge in inequality across the globe?", to which they answered:

"The IMF, the World Bank, and the Organisation for Economic Cooperation and Development have all said raised concerns that we will see a COVID-fuelled spike in inequality in all countries across the globe.

These fears were echoed by a global survey of 295 economists from 79 countries, commissioned by Oxfam, where 87 percent of respondents said they expected an 'increase' or a 'major increase' in income inequality in their country as a result of the pandemic."³

Just as in other occasions, the report led to widespread media coverage and fueled a growing concern that we are facing an already existing phenomenon that is now gaining momentum. Indeed, the income of many ultra-millionaires has increased because a large part of their wealth consists of stocks whose price has been artificially inflated by the monetary policies adopted by the world's major central banks. This is rightly pointed out by OXFAM, although the focus of their criticism targets the rich and capitalism, rather than the politicians who engage in currency manipulation.

However, their claim regarding inequality and COVID-19 is begging the question, at the least, because their data do not support their claims.



² By referring to the "ratchet effect," this means that the State's spending and size will grow during a crisis, but it will not decline once the crisis is over, moving one step up the scale without ever moving back down.

³ <https://www.oxfam.org/en/blogs/10-brilliant-questions-you-asked-about-oxfams-inequality-report>

Angus Deaton is Professor Emeritus of Economics and International Affairs at Princeton, and he was awarded the 2015 Nobel Prize in Economics for for “his analysis of consumption, poverty, and welfare.” He is an expert in statistics, precisely on issues relating to poverty. What he has written is not specifically intended to refute OXFAM’s claims, but that is precisely what two of his most recent works have done.

The first is entitled “Covid-19 and Global Income Inequality” (Deaton, 2021). In the abstract, he claims:

There is a widespread belief that the COVID-19 pandemic has increased global income inequality, reducing per capita incomes by more in poor countries than in rich. This supposition is reasonable but false. Rich countries have experienced more deaths per head than have poor countries; their better health systems, higher incomes, more capable governments and better preparedness notwithstanding. The US did worse than some rich countries, but better than several others. Countries with more deaths saw larger declines in income. There was thus not only no trade-off between lives and income; fewer deaths meant more income. As a result, per capita incomes fell by more in higher-income countries. Country by country, international income inequality decreased. When countries are weighted by population, international income inequality increased, not because the poorest countries diverged from the richest countries, but because China — no longer a poor country — had few deaths and positive economic growth, pulling it away from poor countries. That these findings are a result of the pandemic is supported by comparing global inequality using IMF forecasts in October 2019 and October 2020. ”

The other paper, “GDP, Wellbeing, and Health: Thoughts on the 2017 Round of the International Comparison Program,” (NBER Paper 28177), was co-authored with Paul Schreyer, an OECD economist, and the Program cited in it is also from that organization.

It is curious, to say the least, that OXFAM claims their conclusions are supported by IMF, the World Bank, and OECD data. In that paper, the authors review the latest results of the program, which is aimed at developing a methodology to compare GDP data from various countries. They claim that, “The IMF, in its October 2020 report,⁴ forecasts a positive 1.9 percent growth in 2020 for China, as opposed to a 4.3 percent decline for the US and a 9.8 percent decline for the UK. African per capita GDP is forecast to contract by 2.6 percent, compared with 5.8 percent for “advanced countries” and 8.3 percent for the Euro area. These forecasts, if they or numbers like them come to pass, will bring about a sharp reduction in global inequality.”



“The report led to widespread media coverage and fueled a growing concern that we are facing an already existing phenomenon that is now gaining momentum.”

The so-called “appeal to authority” fallacy refers to the fact that a claim will not necessarily be true because the person making the claim is an authority on the issue. The fact that Deaton was awarded the Nobel Prize for his contributions in this field does not mean that his claims are necessarily true, but at least they defeat OXFAM’s appeal to authority when it cites those same international organizations and a number of economists.

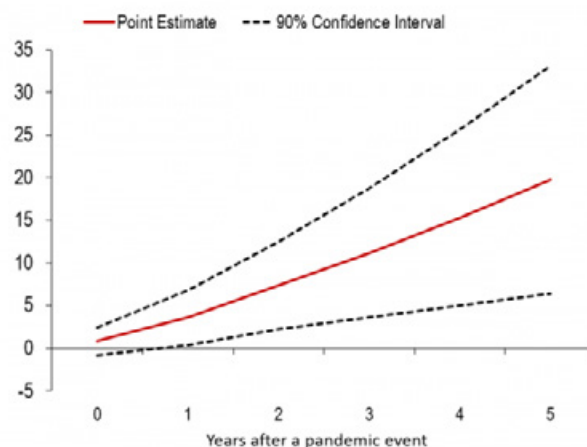
Laying the blame for all the world’s ills on capitalism and the rich, and claiming that everything just keeps getting worse and worse, has certainly caught on with those seeking a villain or a conspiracy behind every misfortune, but it is a very poor reflection of what is actually going on. As this report has shown, the poverty of nations is explained by poor institutional quality, for which countries themselves — and therefore their citizens — are responsible when they do nothing to improve it. In countries where institutional quality is worst, there is no one to control or minimize the government’s capacity to make mistakes or violate the rights of citizens — including the right to own property and liberty — leading to reduced investment, creativity, and, ultimately, potential for progress.

A Great Reset, a vicious circle, or a hope for progress?

There are not only those who point to increasing inequality, but also those who think that it will be just one of the ingredients of a dark future that is looming ahead of us. Crises have always stirred up ideas and theories about the end of the world. Two IMF researchers (Sedik & Xu, 2020) claim that previous pandemics, having a smaller impact than COVID-19, led to a significant increase in social unrest due to reduced production and increased inequality. The social unrest, in turn, would exacerbate both problems, creating a vicious circle of instability and economic decline.

The authors analyzed the effect of other pandemics in 133 countries during the 2001-2018 period (SARS in 2003, H1N1 in 2009, MERS in 2012, Ebola in 2014, and Zika in 2016). In each case, social unrest surged, as measured by the civil disorder data from the International Country Risk Guide:

Pandemics and social unrest
Social unrest rises significantly after pandemics.
(percentage change in risks of social unrest)



Note: The International Country Risk Guide’s civil disorder score is a measure of the potential risk to governance or investment from mass protest, such as anti-government demonstrations and strikes.



Source: <https://blogs.imf.org/2020/12/11/when-inequality-is-high-pandemics-can-fuel-social-unrest/>

But that is not that different from thinking that there is such thing as “laws” of history and events that will simply keep happening because they have come to pass in the past. While statistics are certainly tempting, no such causality can be justified in history, and just as we can say that pandemics have been followed by periods of social unrest, we can also claim — just as The Economist did — that the Spanish Flu pandemic was followed by the “Roaring Twenties”⁴:

“War had something to do with the Jazz Age’s lack of inhibition. So did the flu pandemic, which killed six times as many Americans and left survivors with an appetite to live the 1920s at speed. That spirit will also animate the 2020s⁴.”

4 “Covid -19 in 2020. The year when everything changed. Why the pandemic will be remembered as a turning-point”. The Economist: 19/12/2020.

Considering the events that took place in 2020, social unrest is likely to ensue, but it is not that clear whether they will bring about a “social” reconceptualization of present-day capitalism, which clearly is already a mix between markets and considerable state interventions through spending, taxation, regulations, or social programs. It may also be that discontent will be aimed at those who were at the helm during the pandemic, that is, governments and the politicians who are heading them. A critical test of State efficiency will be COVID-19 vaccine rollout. We are just entering that stage, and such discontent is apparent. A recent Gallup survey found that two thirds of Americans are not satisfied with the process, including 21% who are “very dissatisfied.”⁵

“Governments have held the monopoly over vaccine rollout and kept market institutions out of it, even as they effectively distribute all kinds of medicines and vaccines.”

Political and business elites are taking it a step further. They have found an opportunity to try to reshape the existing institutional framework across a large part of the world by building a new “social contract,” as expressed by “The Great Reset” initiative promoted by the World Economic Forum.

Political and business elites are taking it a step further. They have found an opportunity to try to reshape the existing institutional framework across a large part of the world by building a new “social contract,” as expressed by “The Great Reset” initiative promoted by the World Economic Forum.

It is an initiative to “steer” market institutions toward “healthier, more equitable, and more prosperous” outcomes, citing contributions like those from Thomas Piketty and Greta Thunberg. The former

5 <https://news.gallup.com/poll/329552/two-thirds-americans-not-satisfied-vaccine-rollout.aspx>

6 <https://es.weforum.org/agenda/2020/08/Covid-19-las-4-claves-del-gran-reinicio/>

7 <https://es.weforum.org/agenda/2020/07/greta-thunberg-el-mundo-debe-romper-los-viejos-contratos-y-constituir-nuevos-sistemas-para-salvar-el-clima/>

claims “inequality is a political choice based on a flawed ideology — the market will provide — and not the inevitable result of technology and globalization.”⁶ The latter claims that “World must ‘tear up’ old contracts [and] build new systems to save climate”⁷.

Such constructivist pushes seeking to reshape society according to the preferences of those who are behind them do not realize that institutions represent general rules of the game for each person to pursue his or her own objectives, not those of the “experts.” Moreover, attempts to achieve social constructions like that often turn out badly, and in the case of “revolutions,” they have in all cases led to authoritarian regimes.

It may well be the case that social unrest will explode and indeed lead to a “new social contract,” but it may also well be the case that changes will continue to take place on the basis of institutions that have already proven their ability to bring about progress: the right to own property, contracts, and business corporations.



During the second quarter of 2020, 930,000 new businesses were created in the United States, slightly up from 910,000 businesses during the same period in 2019, but the figure was nearly 1,400,000 during the third quarter, a 49% increase, and a 67% increase compared with the same quarter last year. According to the US Census Bureau, in January 2021 only 492.133⁸ businesses were created.

“Fortunately, COVID-19 has not just brought about the need for change, it also points a way forward. That is partly because it has served as an engine of innovation,” said The Economist in the article cited above.

“Under lockdown, e-commerce as a share of American retail sales increased as much in eight weeks as it had in the previous five years.”

According to EMarketer, e-commerce sales would amount to US\$ 84.9 billion in 2020. Penetration in Latin America rose from 43.4% to 71.5%, becoming one of the fastest-growing regions with 36.7% annual growth⁹.

The “Reset” of capitalism seems more like a preference of the elites, as people have embraced the development and use of market institutions, leveraging technology also in areas like education and health. Private educational technology companies (language apps, virtual tutorials, video conferencing, and virtual education software) invested US\$18.6 billion in 2019, and the figure will rise to 350 billion by 2025¹⁰.

Millions of people soon became adapted to work-from-home. Many will no longer want to go back to working in offices, at least not all the time, and many businesses will no longer want to spend the same amount they were spending in office space. This will certainly lead to changes in transport within cities, and even in cities themselves, but it is not part of any “plan” or any kind of “reset.” It is just part of the normal evolution experienced by society and markets as they adapt to new situations.

⁸ https://www.census.gov/econ/bfs/pdf/bfs_current.pdf

⁹ <https://www.america-retail.com/ecommerce/ecommerce-america-latina-sera-la-region-con-mayor-crecimiento-del-ecommerce-en-2020/>

¹⁰ <https://www.weforum.org/agenda/2020/04/coronavirus-education-global-Covid-19-online-digital-learning/>

The key question, then, is not “what kind of contract we should create now,” but rather what kind of institutions will enable a better transition towards the world that lies ahead of us. The problem of establishing a new “social contract” is that, if those who are pushing for it are wrong, we will all lose out, while betting on “spontaneous orders” will allow us to conduct various experiments and see how they work. Failed experiments will not affect everyone, but rather only those who invested in them.

Covid-19 and Institutions

We have always been concerned with the role played by institutions, and we have sought to correlate their quality with certain outcomes. Better institutional quality is positively correlated with higher levels of income, investment, environmental quality, human development, and other elements that we have discussed in previous editions of the IQI. Considering the present circumstances, it seems obvious to ask a question: Is there a relationship between institutional quality and pandemic outcomes?

It may be too soon to assess the success or failure of various health policies. We have seen all kinds of statistical data, but they hardly offer any clear verdict. The variables to be taken into account are too many. For example, one of the most widely tracked figures is deaths per million, but that which seems simple and clear often turns out to be the opposite: countries have varied age structures, with some having large at-risk populations while others have younger populations involving much lower risk; some countries are island countries and are more naturally isolated; others have large cities with high density of population, while others have a higher percentage of rural population; some countries were hit very early in pandemic and had to improvise all kinds of measures, while others were hit much later and were able to see what was happening in those hit first; countries also have different climates; they may have better or worse indicators, better or worse health care services, and better or worse testing programs in place.

We will certainly need to wait a while before we can have a clear view of the whole situation.

As we look ahead, however, it seems that countries with better institutional quality will have more and better opportunities to overcome the current situation.

For example, one of the primary concerns in the coming months is COVID-19 vaccination. It turns out that countries with higher institutional quality will be able to achieve faster vaccination coverage of their populations, as we can see in the following map published by The Economist:

“As we look ahead, however, it seems that countries with better institutional quality will have more and better opportunities to overcome the current situation.”

Waiting game

Covid-19, when will widespread vaccination coverage be achieved?

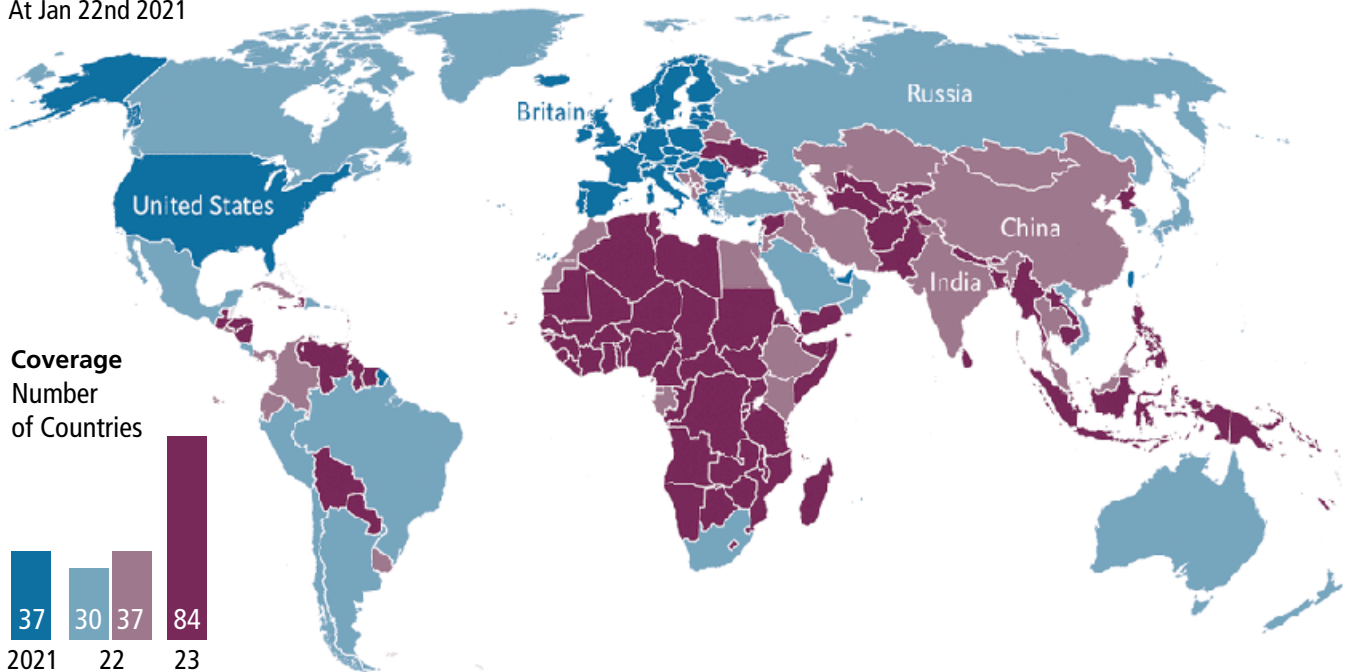
Late 2021

Mid 2022

Late 2022

from early 2023

At Jan 22nd 2021



The Economist

Source: Economist Intelligence Unit

Fuente: <https://www.economist.com/graphic-detail/2021/01/28/vaccine-nationalism-means-that-poor-countries-will-be-left-behind>



The countries that will achieve widespread vaccine coverage by late 2021 are ranked at the top of the IQI. While they are admittedly also the countries that are economically best positioned to achieve that, we have explained before that it is precisely institutional quality what enables countries to create wealth and have a ready availability of resources

Asimismo, la calidad institucional también ha impactado en el desempeño económico de los países y, tal vez más, en la velocidad de su recuperación. En el cuadro siguiente se encuentran las proyecciones del Fondo Monetario Internacional respecto a la evolución del PIB en los países de América, tanto para el año que pasó como los siguientes hasta 2025¹¹:

| Posición | País | Mercado | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|----------|------------------------------|---------|-------|------|------|------|------|------|
| 4 | United States | 0.9617 | -4.2 | 3.1 | 2.9 | 2.3 | 1.9 | 1.8 |
| 9 | Canada | 0.9245 | -7.1 | 5.2 | 3.4 | 2.4 | 1.8 | 1.7 |
| 27 | Chile | 0.8274 | -6.0 | 4.4 | 3.2 | 2.9 | 2.7 | 2.5 |
| 51 | Peru | 0.6736 | -13.9 | 7.3 | 5.0 | 4.9 | 3.9 | 3.8 |
| 53 | Panama | 0.6562 | -9.0 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 55 | Jamaica | 0.6471 | -8.6 | 3.6 | 3.8 | 2.9 | 2.5 | 2.1 |
| 56 | Mexico | 0.6440 | -9.0 | 3.5 | 2.3 | 2.2 | 2.1 | 2.1 |
| 57 | Costa Rica | 0.6426 | -5.5 | 2.3 | 3.4 | 3.0 | 3.1 | 3.2 |
| 63 | Santa Lucia | 0.6218 | -16.9 | 7.2 | 5.9 | 4.6 | 1.8 | 1.8 |
| 66 | Colombia | 0.6123 | -8.2 | 4.0 | 3.7 | 3.8 | 3.8 | 3.7 |
| 67 | Uruguay | 0.6103 | -4.5 | 4.3 | 2.5 | 2.8 | 2.6 | 2.4 |
| 70 | Bahamas | 0.5889 | -14.8 | 4.6 | 5.5 | 4.0 | 2.2 | 1.5 |
| 78 | Guatemala | 0.5505 | -2.0 | 4.0 | 3.8 | 3.0 | 3.3 | 3.3 |
| 84 | Dominican Rep. | 0.5135 | -6.0 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 88 | St. Vincent & the Grenadines | 0.4994 | -7.0 | 3.7 | 3.6 | 3.6 | 2.7 | 2.7 |
| 90 | El Salvador | 0.4907 | -9.0 | 4.0 | 3.2 | 2.8 | 2.5 | 2.2 |
| 93 | Trinidad & Tobago | 0.4761 | -5.6 | 2.6 | 4.1 | 1.8 | 1.5 | 1.5 |
| 97 | Paraguay | 0.4551 | -4.0 | 5.5 | 5.0 | 4.2 | 4.1 | 4.0 |
| 101 | Dominica | 0.4439 | -8.8 | 3.3 | 3.2 | 3.0 | 1.8 | 1.5 |
| 106 | Honduras | 0.4240 | -6.6 | 4.9 | 3.3 | 3.5 | 3.6 | 3.7 |
| 107 | Antigua & Barbuda | 0.4105 | -17.3 | 4.7 | 11.0 | 8.2 | 3.9 | 3.7 |
| 110 | Barbados | 0.3850 | -11.6 | 7.4 | 3.9 | 1.8 | 1.8 | 1.8 |
| 117 | Belize | 0.3554 | -16.0 | 8.0 | 5.0 | 3.0 | 2.0 | 2.0 |
| 118 | Brazil | 0.3549 | -5.8 | 2.8 | 2.3 | 2.2 | 2.2 | 2.2 |
| 119 | Nicaragua | 0.3520 | -6.1 | 4.4 | 2.6 | 2.6 | 2.5 | 2.5 |
| 131 | Ecuador | 0.2875 | -11.0 | 4.8 | 1.3 | 1.7 | 2.0 | 2.3 |
| 133 | Saint Kitts and Nevis | 0.2737 | -18.7 | 8.0 | 6.2 | 4.7 | 2.7 | 2.7 |
| 137 | Argentina | 0.2639 | -11.8 | 4.9 | 2.6 | 2.3 | 2.1 | 1.7 |

11 https://www.imf.org/external/datamapper/NGDP_RPC@WEO/OEMDC/ADVEC/WEOWORLD

| | | | | | | | | |
|-----|---------------|--------|-------|-------|------|-----|-----|------|
| 140 | Grenada | 0.2368 | -11.8 | 3.0 | 5.1 | 5.0 | 3.4 | 2.7, |
| 151 | Bolivia | 0.1969 | -7.9 | 5.6 | 4.3 | 4.0 | 3.7 | 3.7 |
| 156 | Suriname | 0.1871 | -13.0 | 1.54 | 2.0 | 2.8 | 3.0 | 2.1 |
| 161 | Haití | 0.1528 | -4.0 | 1.2 | 1.0 | 1.1 | 1.2 | 1.4 |
| 184 | Venezuela, RB | 0.0242 | -25.0 | -10.0 | -5.0 | n/a | n/a | n/a |
| 186 | Cuba | 0.0167 | n/a | n/a | n/a | n/a | n/a | n/a |

Caribbean countries were particularly affected because they are largely dependent on tourism – which was closed down during the pandemic – but then they showed fast recovery rates. Still, if we break down the countries in the region into those ranked in the top 95 of the IQI and those ranked in the bottom 95, their average projected and expected performance is the following:

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------|-------|------|------|------|------|------|
| Avg 1-95 | -8.8 | 4.2 | 4.0 | 3.4 | 2.9 | 2.7 |
| Avg 96-190 | -11.2 | 3.7 | 3.4 | 3.4 | 2.7 | 2.6 |

The countries with better institutional quality experienced, on average, less severe downturns in 2020, and they may recover faster from 2021 on. If we break them down into four categories according to their position in the IQI, we get the following:

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------|-------|------|------|------|------|------|
| Avg 1-45 | -5.8 | 4.3 | 3.2 | 2.5 | 2.1 | 2.0 |
| Avg 45-90 | -8.8 | 4.4 | 4.1 | 3.8 | 3.2 | 3.1 |
| Avg 90-135 | -10.0 | 5.0 | 4.3 | 3.3 | 2.6 | 2.5 |
| Avg | -11.2 | 4.1 | 3.2 | 3.1 | 2.6 | 2.4 |

The countries with the lowest institutional quality, the bottom group – Argentina, Bolivia, Grenada, Haiti, Suriname, and Venezuela (Cuba is not included in IMF analyses) – show, on average, the most severe drop and the slowest recovery rates.

Poor institutional quality has thus revealed its costs during the pandemic, both in terms of economic cost and in terms of restriction of individual liberties. Its health care outcomes are not better than those in countries with good quality – although we have already pointed out the difficulties in making accurate comparisons between countries with very different characteristics.

Better institutional quality enables countries to face crises like the current one with better resources, promotes faster innovation and all kinds of endeavors to address the needs created by the situation, fosters voluntary social cooperation, and allows for a less severe curtailment of individual liberties with lower economic costs.

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The IQI Amid the Pandemic

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In the introductory note to this report, we discussed the role of institutional quality in the COVID-19 pandemic and the prospects for the future. This report will analyze the results of the IQI, which also played a role.

As on the previous editions since we began to publish the IQI back in 2007 — it was later on that we compiled the data for the previous years back until 1996 — the IQI is grounded on the idea that the major driver of progress in our societies is the quality of institutions, and by institutions we mean the rules of the game, either formal or informal, that we have adopted to function. We should perhaps insist once again that we are referring to a different concept from that of the colloquial use of the word “institution,” as we often use it to refer to what in fact are “organizations.” Organizations are groups of people who are working together to achieve a common goal, ranging from a company’s mission or an aim that a sports club is pursuing to the end that a religious, political, cultural, or charitable organization is seeking to achieve. In line with “institutional economics,” we understand an institution as a set of rules that determine both the information that is available to us and the existing incentives to act. Information and incentives come about as a result of institutions, and they are what each one of us use to pursue the goals we set for ourselves — which, unlike those of the members of an organization, will be varied.

Quality institutions, thus, are those that will best enable individuals — and groups of individuals, such as organizations — to achieve as many goals as they are aiming to achieve without interfering, or interfering as least as possible, in similar pursuits by other individuals or organizations. It is from Albert Hirschman (*Exit, Voice and Loyalty*; Harvard University Press, 1970) that we have taken the idea that we have two ways of expressing our preferences: “voice” and “exit.”

The former is primarily studied by political science, and it refers to all the actions we perform as citizens, including voting, demonstrating in the streets, writing articles or letters to the news media, or simply expressing an opinion to whoever is listening to us — hence the “voice.” The latter is primarily studied by economic science, and it consists in all the decisions we make in the markets — to buy or to stop buying something, to save or to invest, to produce, in other words, all the decisions in which our actions constitute an act of “entering” or “exiting” in relation to a product or service, or to a particular producer, hence the “exit.”

While that is certainly a fundamental classification of our actions — the one we will be adopting here — we should point out that the “voice” is also present in the markets, as we often give our opinions on the products and services available, and that is ultimately the basis of the reputation and value of brands, which play a significant role in facilitating our decisions and as a quality control mechanism. Correspondingly, there is also “exit” in the political sphere, as in the case of people who migrate to other societies where they expect to find more and better opportunities, people who send their savings to other countries to protect them against or people who turn to informality in an attempt to avoid the heavy burden of a specific institutional framework.

“From that perspective, the year 2020 has seen a stronger impact of the “voice” than that of the “exit,” considering the restrictions affecting the mobility of both people and goods — a factor that will be further discussed in the report.”

We see these two paths to express preferences in all societies. The importance of one or the other will be different, and it will vary in time, but they will always be present. That is why the IQI is composed of two subindexes, one for assessing the quality of political institutions and the other for assessing market, or economic, institutions. There is an approach to institutional analysis that focuses exclusively on political institutions, placing particular emphasis on the functioning of democracy, justice, and the organizations and processes that make up the structure of the State, claiming that the activities carried out in the market must be inevitably performed within the existing framework of the rules imposed by these institutions. But this means looking at the issue from a top-down perspective. When we

look at it from the point of view of each one of us as individuals, a large proportion of the actions we carry out in our daily lives relate to voluntary exchanges that take place in the market. And the market is where we go to get what we need because there are certain rules of the game (property, prices, currency) that make up a spontaneous order that clearly stands apart from the command and control of the state apparatus — and that often exists even in spite of it.

Each one of the subindexes is also broken down into four indices developed by various international organizations, as explained in the methodology annex. This year we had some unexpected situations. For example, the Global Competitiveness Index, developed by the World Economic Forum, was suspended due to the pandemic. For that specific case, we decided to maintain the values from the 2020 edition and wait for it to be resumed this year when the situation will allow it.

Another problem that arises in such an extraordinary situation as this one relates to the fact that the IQI is a “relative” index, meaning that it assesses the performance of some countries as compared with other countries, instead of “measuring” it with respect to a particular standard. By way of comparison, we measure length based on a standard, the “meter,” which for decades used an iridium metal bar as a yardstick to define that length. But that was not an immutable standard, and so it was later replaced by a measurement based on the speed of light. There is no iridium bar to serve as a standard of institutional quality, and we believe that those who want to establish it will be faced with a much more complex problem than that of the meter.

It is quite likely that institutional quality has dropped in all countries, as we have seen a deterioration of political, civil, and economic liberties due to the stringent measures adopted by governments as they claimed and were granted extraordinary powers. Some might have experienced greater deterioration than others, but if everyone saw a decline, we cannot measure the extent of it unless the relative decline is substantial.

“Overall, we can say that there are countries with “better” or “worse” institutional quality and, on that basis, we can assess its impact on other variables that are relevant for our lives in society.”

Thus, the IQI presents a ranked list of countries where some are evidently better and others are worse, and, what is more, where there are some ranked as “the best.” While it is indeed arbitrary to take a number to decide which ones they are, since the starting date of the IQI data, the following four countries have consistently ranked in the top positions: Denmark, New Zealand, Switzerland, and Finland. Denmark continues to rank in the top position for the fifth time since 2011. New Zealand ranked second this year, having ranked at the top of the index 13 times. Switzerland remains third, having ranked at the top five times as well. And Finland remains fourth, having ranked first three times in the past. Since we started collecting data for the IQI (1996), no other country has ever ranked first. Only Norway and Sweden have ousted Finland from the fourth place in 2018 and 2019, but the country has now recovered its position.

It is a remarkable performance that indicates where we should be looking at if we are to learn how to improve our institutions. It is not the case that this is about the so-called “Nordic model,” as Switzerland and New Zealand do not belong to that category, and nor is it the case, as some claim, that these are countries that have a very high level of political liberties but a partially statist economy. As we will see below, these countries have very good results in the quality of market institutions subindex.



These are the top twenty positions:

| | ICI 2021 | |
|----|----------------------|--------|
| 1 | Denmark | 0.9719 |
| 2 | New Zealand | 0.9701 |
| 3 | Switzerland | 0.9572 |
| 4 | Finland | 0.9405 |
| 5 | Canada | 0.9334 |
| 6 | Australia | 0.9317 |
| 7 | Sweden | 0.9311 |
| 8 | Netherlands | 0.9281 |
| 9 | Norway | 0.9239 |
| 10 | United Kingdom | 0.9219 |
| 11 | Germany | 0.9192 |
| 12 | Ireland | 0.9120 |
| 13 | Estonia | 0.8948 |
| 14 | United States | 0.8940 |
| 15 | Iceland | 0.8934 |
| 16 | Austria | 0.8926 |
| 17 | Luxembourg | 0.8762 |
| 18 | Taiwan, China | 0.8708 |
| 19 | Hong Kong SAR, China | 0.8673 |
| 20 | Lithuania | 0.8525 |

Most cases did not come as a complete surprise, but we would like to point out two interesting observations. First, the notable presence of two countries (Estonia, 13th, and Lithuania, 20th), as just a little over thirty years ago they were part of the Soviet Union, which would surely have ranked at the bottom of the IQI. Institutional change inevitably takes time to occur. It does not happen overnight or from one year to the next. But when countries start down the path of institutional reforms, they make progress and achieve results like that. Second, the also notable presence of two Asian countries that used to be part of China and preserve a significant part of its history and culture (Taiwan, 18th, and Hong Kong, 19th).

“First, the notable presence of two countries (Estonia, 13th, and Lithuania, 20th), as just a little over thirty years ago they were part of the Soviet Union, which would surely have ranked at the bottom of the IQI.”



As such, China currently ranks 106th. It had made some improvement back before the IQI was introduced, when it decided to open the economy and embrace private property, businesses, and markets. And it has moved up some twenty places in the past fifteen years, but it ranks 73th in market institutions, and 144th in political institutions, indicating that, while it may want to improve a lot on both fronts, these categories surely need more improvement. Concerning political institutions, Taiwan ranks 26th, and Hong Kong 39th, and they are in a situation where even that position is clearly being threatened. As for market institutions, not much to be said, Hong Kong ranked 2nd and Taiwan 10th.

The following are the top twenty countries for quality of political and market institutions:

| | Political | | | | Market | |
|----|------------------|--------|--|----|----------------------|--------|
| 1 | Finland | 0.9934 | | 1 | Singapore | 0.9971 |
| 2 | Norway | 0.9905 | | 2 | Hong Kong SAR, China | 0.9924 |
| 3 | Denmark | 0.9888 | | 3 | New Zealand | 0.9622 |
| 4 | Sweden | 0.9882 | | 4 | United States | 0.9617 |
| 5 | New Zealand | 0.9780 | | 5 | Denmark | 0.9549 |
| 6 | Switzerland | 0.9778 | | 6 | United Kingdom | 0.9498 |
| 7 | Netherlands | 0.9690 | | 7 | Australia | 0.9460 |
| 8 | Luxembourg | 0.9473 | | 8 | Switzerland | 0.9367 |
| 9 | Germany | 0.9436 | | 9 | Canada | 0.9245 |
| 10 | Canada | 0.9423 | | 10 | Taiwan, China | 0.9235 |
| 11 | Austria | 0.9338 | | 11 | Ireland | 0.9081 |
| 12 | Iceland | 0.9317 | | 12 | Germany | 0.8948 |
| 13 | Belgium | 0.9255 | | 13 | Estonia | 0.8903 |
| 14 | Australia | 0.9175 | | 14 | Finland | 0.8877 |
| 15 | Ireland | 0.9160 | | 15 | Netherlands | 0.8872 |
| 16 | Estonia | 0.8992 | | 16 | Japan | 0.8847 |
| 17 | United Kingdom | 0.8941 | | 17 | South Korea | 0.8846 |
| 18 | Portugal | 0.8778 | | 18 | Lithuania | 0.8817 |
| 19 | France | 0.8667 | | 19 | Sweden | 0.8740 |
| 20 | Uruguay | 0.8581 | | 20 | Norway | 0.8572 |



There is the notable appearance of Uruguay among the top twenty countries for political institutions. It is the only Latin American country ranking in the top tier — although Chile also successfully ranked among them for market institutions. Regarding the above comments about Nordic countries, it is worth noting their positions in the market institutions ranking: Denmark, 5th, Finland, 14th, Sweden 19th, and Norway 20th.

As for the bottom of the ranking, it has unfortunately shown considerable stability in the past few years, with the bottom twenty positions occupied by African countries (13), Asian countries (5), and two Latin American countries (Cuba and Venezuela).

If we look at the averages for each continent, considering a strictly geographical classification, Europe ranks first, with 0.7468, followed by Oceania, with 0.5537, the Americas, with 0.5061, Asia, with 0.4508, and Africa, with 0.2869. This classification is only relatively important, as we know that there are other more decisive factors than geography: Asia has both Lebanon and Japan, and the Middle East includes countries from both Asia and Africa.

And the Americas is also a case in point. If we look only at North American countries (Canada, the United States, and Mexico), the average figure is higher than that of the whole of Europe (0.7690). But if we look at Latin American countries alone, the average drops considerably below that (0.4618), and even below that of the whole group of Caribbean countries (0.5889).

| | | |
|-----|-------------------------------|--------|
| 170 | Angola | 0.1654 |
| 171 | Cuba | 0.1633 |
| 172 | Zimbabwe | 0.1450 |
| 173 | Central African Rep. | 0.1201 |
| 174 | Iraq | 0.1117 |
| 175 | Chad | 0.1113 |
| 176 | Democratic Rep. of the Congo. | 0.1079 |
| 177 | Burundi | 0.0964 |
| 178 | Dem. Rep. Congo | 0.0767 |
| 179 | Sudan | 0.0676 |
| 180 | Equatorial Guinea | 0.0646 |
| 181 | Venezuela, RB | 0.0539 |
| 182 | Turkmenistan | 0.0539 |
| 183 | South Sudan | 0.0525 |
| 184 | Syria | 0.0494 |
| 185 | Yemen, Rep. | 0.0438 |
| 186 | Libya | 0.0420 |
| 187 | Eritrea | 0.0333 |
| 188 | Somalia | 0.0214 |
| 189 | North Korea | 0.0183 |

“As for the bottom of the ranking, it has unfortunately shown considerable stability in the past few years, with the bottom twenty positions occupied by African countries (13), Asian countries (5), and two Latin American countries (Cuba and Venezuela).”



THE AMERICAS AND LATIN AMERICA

If we look at the Americas as a whole, the countries are ranked as follows:

| | ICI 2021 | |
|-----|----------------------------------|--------|
| 5 | Canada | 0.9334 |
| 14 | United States | 0.8940 |
| 25 | Chile | 0.8175 |
| 38 | Uruguay | 0.7342 |
| 39 | Costa Rica | 0.7338 |
| 44 | Santa Lucia | 0.6858 |
| 47 | Jamaica | 0.6643 |
| 50 | Bahamas | 0.6574 |
| 54 | Saint Vincent and the Grenadines | 0.6203 |
| 57 | Dominica | 0.5971 |
| 58 | Panama | 0.5970 |
| 64 | Barbados | 0.5839 |
| 65 | Peru | 0.5740 |
| 66 | Antigua & Barbuda | 0.5623 |
| 71 | Trinidad and Tobago | 0.5515 |
| 82 | Colombia | 0.5211 |
| 86 | Saint Kitts and Nevis | 0.4995 |
| 88 | Dominican Rep. | 0.4948 |
| 93 | Mexico | 0.4796 |
| 97 | El Salvador | 0.4680 |
| 98 | Grenada | 0.4674 |
| 103 | Guyana | 0.4490 |
| 105 | Belize | 0.4399 |
| 110 | Brazil | 0.4226 |
| 111 | Paraguay | 0.4163 |
| 112 | Argentina | 0.4147 |
| 114 | Suriname | 0.4070 |
| 116 | Guatemala | 0.4053 |
| 129 | Ecuador | 0.3622 |
| 139 | Honduras | 0.3105 |
| 145 | Nicaragua | 0.2728 |
| 152 | Bolivia | 0.2522 |
| 162 | Haiti | 0.2073 |
| 171 | Cuba | 0.1633 |
| 181 | Venezuela, RB | 0.0539 |

Both the top and the bottom of the list remained the same. Among Latin American countries, Chile remains at the very top in spite of the social upheaval it underwent in 2019 — which we discussed in the previous edition of the IQI — and it is now going through a period of constitutional debate that may well determine the future course of a country that has consistently shown good results in all indicators. Uruguay and Costa Rica are the other two ranking up top among Latin American countries. The effects of populist and authoritarian tendencies can be clearly seen at the bottom of the rankings — Haiti, Cuba, and Venezuela have ranked down at the bottom for as long as the span of the IQI data — and they spread to a lesser extent to the countries ranking above them.

“Among Latin American countries, Chile remains at the very top in spite of the social upheaval it underwent in 2019...”

Below the northern countries and the Latin American top three, we have consistently seen the small Caribbean island countries. As we have discussed on previous editions, according to some hypotheses, this may be explained by their size, as it forces them to adopt a more open approach and, therefore, to be subject to a higher level of institutional competition. Yet others ascribe their results to the legal heritage of the English “common law.” Small countries cannot become closed in on themselves because they cannot supply themselves with everything they need, and since natural resources are limited, they have to adopt rules that protect investment, property, tourism, and trade.

Other authors claim that, since the “common law” is based on jurisprudence, it constitutes a more “market friendly” system than the continental codified law systems inherited by most Latin American countries. But there will always be exceptions: Haiti is a small country, but that does not mean it has good quality institutions. Indeed, numerous factors are at stake (cultural, historical), and thus no one theory seems to be able to explain such complex situations. Nonetheless, they do provide us with elements to take into account.

In terms of political and market institutions, the countries in the Americas ranked as follows:

| | Political | | | Market | |
|-----|----------------------------------|--------|-----|----------------------------------|--------|
| 10 | Canada | 0.9423 | 4 | United States | 0.9617 |
| 20 | Uruguay | 0.8581 | 9 | Canada | 0.9245 |
| 21 | United States | 0.8264 | 27 | Chile | 0.8274 |
| 23 | Costa Rica | 0.8250 | 51 | Peru | 0.6736 |
| 28 | Chile | 0.8076 | 53 | Panama | 0.6562 |
| 35 | Barbados | 0.7828 | 55 | Jamaica | 0.6471 |
| 37 | Dominica | 0.7503 | 56 | Mexico | 0.6440 |
| 38 | Santa Lucia | 0.7498 | 57 | Costa Rica | 0.6426 |
| 40 | Saint Vincent and the Grenadines | 0.7411 | 63 | Santa Lucia | 0.6218 |
| 46 | Bahamas | 0.7260 | 66 | Colombia | 0.6123 |
| 47 | Saint Kitts and Nevis | 0.7253 | 67 | Uruguay | 0.6103 |
| 48 | Antigua & Barbuda | 0.7140 | 70 | Bahamas | 0.5889 |
| 52 | Grenada | 0.6979 | 78 | Guatemala | 0.5505 |
| 56 | Jamaica | 0.6814 | 84 | Dominican Rep. | 0.5135 |
| 65 | Trinidad and Tobago | 0.6269 | 88 | Saint Vincent and the Grenadines | 0.4994 |
| 66 | Suriname | 0.6268 | 90 | El Salvador | 0.4907 |
| 75 | Argentina | 0.5655 | 93 | Trinidad and Tobago | 0.4761 |
| 76 | Guyana | 0.5525 | 97 | Paraguay | 0.4551 |
| 78 | Panama | 0.5377 | 101 | Dominica | 0.4439 |
| 81 | Belize | 0.5244 | 106 | Honduras | 0.4240 |
| 86 | Brazil | 0.4903 | 107 | Antigua & Barbuda | 0.4105 |
| 91 | Dominican Rep. | 0.4762 | 110 | Barbados | 0.3850 |
| 92 | Peru | 0.4743 | 117 | Belize | 0.3554 |
| 102 | El Salvador | 0.4453 | 118 | Brazil | 0.3549 |
| 106 | Ecuador | 0.4368 | 119 | Nicaragua | 0.3520 |
| 109 | Colombia | 0.4298 | 121 | Guyana | 0.3455 |
| 118 | Paraguay | 0.3776 | 131 | Ecuador | 0.2875 |
| 136 | Mexico | 0.3153 | 133 | Saint Kitts and Nevis | 0.2737 |
| 137 | Cuba | 0.3099 | 137 | Argentina | 0.2639 |
| 138 | Bolivia | 0.3075 | 140 | Grenada | 0.2368 |
| 149 | Haiti | 0.2619 | 151 | Bolivia | 0.1969 |
| 152 | Guatemala | 0.2601 | 156 | Suriname | 0.1871 |
| 161 | Honduras | 0.1971 | 161 | Haiti | 0.1528 |
| 162 | Nicaragua | 0.1936 | 184 | Venezuela, RB | 0.0242 |
| 178 | Venezuela, RB | 0.0835 | 186 | Cuba | 0.0167 |


As we can see here, some Latin American countries are moving up in market institutions, but the Caribbean islands are falling down the list in that category. The latter countries stand out, above all, for their political institutions. For market institutions, countries like Peru, Panama, Mexico, and Colombia ranked better than them.

The countries ranking at the top and at the bottom of the list often have similar positions in the two subindexes. That is the case of Canada (9th and 10th), the United States (21st and 4th), Chile (28th and 27th), Haiti (161st and 162nd), Venezuela (184th and 181st), and Cuba (186th and 171st). Others, however, show significant differences in their positions. Some of them rank in very good positions for political institutions and in very bad positions for market institutions: Uruguay (20th and 67th), Barbados (35th and 110th), St. Kitts & Nevis (47th and 133th), Argentina (75th and 137th), Suriname (66th and 156th), Grenada (52nd and 140th). In others we see the reverse situation: Peru (92nd and 51th), Mexico (136th and 56th), Guatemala (152nd and 78th), Nicaragua (162nd, and 119th).



This shows that the composition of the Americas is widely diverse, and there is not one feature that is common to all the countries in the region. Some of them have a good set of institutions and others have a bad set of institutions, and then there are two other groups yet showing sharp differences between one category and the other, either top-bottom or bottom-top. That clearly indicates that each one of these groups will have different needs, and thus we cannot consider a single approach for the entire region. If we want to analyze the strengths and weaknesses of each country, we can look at their positions in each of the indicators that make up the IQI:

| Indicators Americas | Rule of Law | Voice | Press | Corrup | Global comp | Heritage | Fraser | Doing B |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Antigua & Barbuda | 0.6555 | 0.7255 | 0.7611 | | | | | 0,4105 |
| Argentina | 0.3732 | 0.6667 | 0.6500 | 0.5722 | 0.4184 | 0.1778 | 0.1173 | 0.3421 |
| Bahamas | 0.5694 | 0.7696 | | 0.8389 | | 0.6222 | 0.7654 | 0.3789 |
| Barbados | 0.6411 | 0.8627 | | 0.8444 | 0.4610 | 0.4944 | 0.2531 | 0.3316 |
| Belize | 0.2249 | 0.6373 | 0.7111 | | | 0.3889 | 0.3827 | 0.2947 |
| Bolivia | 0.1148 | 0.4265 | 0.3722 | 0.3167 | 0.2482 | 0.0333 | 0.2901 | 0.2158 |
| Brazil | 0.4785 | 0.5882 | 0.4111 | 0.4833 | 0.5035 | 0.2056 | 0.3580 | 0.3526 |
| Canada | 0.9474 | 0.9608 | 0.9167 | | 0.9078 | 0.9556 | 0.9506 | 0.8842 |
| Chile | 0.8278 | 0.8137 | 0.7222 | 0.8667 | 0.7730 | 0.9222 | 0.9198 | 0.6947 |
| Colombia | 0.3876 | 0.5539 | 0.2833 | 0.4944 | 0.6028 | 0.7556 | 0.4383 | 0.6526 |
| Costa Rica | 0.7033 | 0.8578 | 0.9667 | 0.7722 | 0.5674 | 0.6278 | 0.7593 | 0.6158 |
| Cuba | 0.4354 | 0.0931 | 0.0556 | 0.6556 | | 0.0167 | | |
| Dominica | 0.7512 | 0.7500 | 0.7611 | 0.7389 | | 0.4667 | | 0.4211 |
| Ecuador | 0.3014 | 0.4902 | 0.4611 | 0.4944 | 0.3688 | 0.1278 | 0.3272 | 0.3263 |
| El Salvador | 0.2392 | 0.5196 | 0.5944 | 0.4278 | 0.2766 | 0.5056 | 0.6543 | 0.5263 |
| United States | 0.8995 | 0.7892 | 0.7500 | 0.8667 | 0.9929 | 0.9111 | 0.9691 | 0.9737 |
| Grenada | 0.5981 | 0.7157 | 0.7611 | 0.7167 | | | | 0.2368 |
| Guatemala | 0.1435 | 0.3578 | 0.3611 | 0.1778 | 0.3121 | 0.6000 | 0.7901 | 0.5000 |
| Guyana | 0.3684 | 0.5637 | 0.7333 | 0.5444 | | 0.3167 | 0.4198 | 0.3000 |
| Haiti | 0.1722 | 0.2696 | 0.5444 | 0.0611 | 0.0284 | 0.1556 | 0.3642 | 0.0632 |
| Honduras | 0.1579 | 0.3137 | 0.1833 | 0.1333 | 0.2908 | 0.4889 | 0.6111 | 0.3053 |
| Jamaica | 0.4450 | 0.6863 | 0.9722 | 0.6222 | 0.4397 | 0.7333 | 0.7840 | 0.6316 |
| Mexico | 0.2775 | 0.4559 | 0.2111 | 0.3167 | 0.6667 | 0.6333 | 0.5864 | 0.6895 |
| Nicaragua | 0.1005 | 0.1961 | 0.3556 | 0.1222 | 0.2340 | 0.3667 | 0.5494 | 0.2579 |
| Panama | 0.5072 | 0.6716 | 0.5833 | 0.3889 | 0.5390 | 0.7000 | 0.8333 | 0.5526 |
| Paraguay | 0.3158 | 0.5000 | 0.4500 | 0.2444 | 0.3191 | 0.5611 | 0.5926 | 0.3474 |
| Peru | 0.3349 | 0.5735 | 0.5056 | 0.4833 | 0.5461 | 0.7222 | 0.8210 | 0.6053 |
| Dominican Rep. | 0.4211 | 0.5392 | 0.7000 | 0.2444 | 0.4539 | 0.4778 | 0.7222 | 0.4000 |
| Saint Kitts and Nevis | 0.6746 | 0.7402 | 0.7611 | | | | | 0.2737 |
| Santa Lucia | 0.7177 | 0.7647 | 0.7611 | 0.7556 | | 0.7278 | | 0.5158 |
| Saint Vincent and the Grenadines | 0.6603 | 0.7598 | 0.7611 | 0.7833 | | 0.6778 | | 0.3211 |
| Suriname | 0.4976 | 0.6765 | 0.8056 | 0.5278 | 0.4468 | 0.4000 | 0.6049 | 0.4526 |
| Trinidad and Tobago | 0.7464 | 0.8971 | 0.9000 | 0.8889 | 0.6241 | 0.7444 | 0.5988 | 0.4737 |
| Uruguay | 0.0096 | 0.1078 | 0.1889 | 0.0278 | 0.0638 | 0.0111 | 0.0062 | 0.0158 |

A person in a teal shirt is balancing several wooden blocks on a table. In the foreground, a glowing virus particle is visible. The background is blurred, showing the person's torso and arms.

“The composition of the Americas is widely diverse, and there is no one feature that is common to all the countries in the region. Some of them have a good set of institutions and others have a bad set of institutions, and then there are two other groups yet showing sharp differences between one category and the other, either top-bottom or bottom-top.”

Canada ranked first in the World Bank's Rule of Law and Voice and Accountability indexes, in Transparency International's Corruption Perception index, and in the Heritage Foundation's Economic Freedom index, and the United States ranked first in the World Economic Forum's Global Competitiveness index, in the Fraser Institute's Economic Freedom index, and in the World Bank's Doing Business index. Costa Rica has remarkably ranked first in Press Freedom, the Raporteurs Sans Frontières indicator.

Venezuela ranked last in Rule of Law, Corruption Perception, the two economic freedom indicators, and Doing Business. Haiti ranked last in Global Competitiveness, and Cuba ranked last in Voice and Accountability and Press Freedom — although it is also relevant that Cuba does not appear in some indicators.

Institutional changes come about slowly, but they do happen. We can see that with countries that have moved up or dropped in the list across different periods. In the following table, the positive figures indicate the number of positions gained, and the negative figures indicate the number of positions lost:

| | 2020/21 | 1996/2021 | 2007/2021 |
|----------------------------------|---------|-----------|-----------|
| Canada | 3 | 2 | 6 |
| United States | 0 | -5 | -1 |
| Chile | -1 | -3 | -3 |
| Uruguay | -2 | 3 | 12 |
| Costa Rica | -1 | -14 | 15 |
| Santa Lucia | -2 | | -19 |
| Jamaica | 1 | -11 | 11 |
| Bahamas | | -33 | -27 |
| Saint Vincent and the Grenadines | -1 | | -25 |
| Dominica | -5 | | -13 |
| Panama | -1 | -24 | 10 |
| Barbados | -8 | -36 | -32 |
| Peru | 0 | 18 | 15 |
| Antigua & Barbuda | | | -15 |
| Trinidad and Tobago | 8 | -39 | -8 |
| Colombia | 0 | 15 | 18 |
| Saint Kitts and Nevis | -3 | | -39 |
| Dominican Republic | 7 | -16 | 26 |
| Mexico | 1 | -11 | -18 |
| El Salvador | 4 | -40 | -32 |
| Grenada | 0 | | -39 |
| Guyana | 2 | -23 | 8 |
| Belize | -1 | -63 | -49 |
| Brazil | 7 | -9 | -20 |
| Paraguay | 1 | -48 | 17 |
| Argentina | -6 | -68 | -19 |
| Suriname | -7 | -20 | -17 |
| Guatemala | -2 | -41 | -7 |
| Ecuador | 0 | -59 | 4 |
| Honduras | -3 | -63 | -26 |
| Nicaragua | -6 | -60 | -50 |
| Bolivia | 1 | -112 | -34 |
| Haiti | -4 | -43 | 3 |
| Cuba | -3 | -29 | -7 |
| Venezuela, RB | 0 | -72 | -20 |

“Venezuela ranked last in Rule of Law, Corruption Perception, the two economic freedom indicators, and Doing Business. Haiti ranked last in Global Competitiveness, and Cuba ranked last in Voice and Accountability, and Press Freedom – although it is also relevant that Cuba does not appear in some indicators.”



Ever since 1996, the poorest results have been that of Bolivia, even surpassing Venezuela because back then it was in a better position, but it still dropped by 72 positions. Since then, Argentina dropped by 68, Belize and Honduras by 63, Nicaragua by 60, and Ecuador by 59, highlighting the impact of populist regimes. The best results are those of Peru (+18) and Colombia (+15). Overall, we can see more drops than upturns, and the former are more drastic.

Since 2007, the largest drops are those of Nicaragua (-50), Belize (-49), and many small Caribbean islands, and the most significant upturns have been those of the Dominican Republic (+26), Colombia (+18), Paraguay (+17), Peru and Costa Rica (+15). We must bear in mind that the higher a country is in the IQI, the more difficult it is for it to move up in the ranking — just as it is more difficult for countries down below to do even worse — and thus Canada's moving up 6 positions in the list is most remarkable, ending up 5th on the list.

Overall, the drops were more substantial than the upturns, and we can see them in a larger number of countries, indicating a relative deterioration in the region as compared with the rest of the world. The average value for the continent back in 2008 was 0.5684. Today it stands at 0.5061.

As we discussed in the accompanying note on the pandemic, this trend does not seem to be reversing with the events that took place in 2020, but, as we stated above, the circumstances surrounding the management of the situation have been highly heterogeneous. On balance, it appears that the countries whose institutional quality was already doing well before the crisis will be able to regain some of their previous levels of institutional quality, and those whose institutional quality was not doing well show no signs that they will be able to improve as a consequence of the pandemic.

Although each country will certainly face a particular situation and particular challenges, if we look at their institutional characteristics, we could classify them as follows:

1. Countries with good institutional quality that should be protecting it and have the potential to improve it: Canada, the United States, Chile, Uruguay, Costa Rica, and the Caribbean islands.
2. Countries with good or average institutional quality that should endeavor to improve the quality of their political institutions: Panama, Peru, Colombia, and El Salvador.
3. Countries with good or average institutional quality that should endeavor to improve the quality of their market institutions: Uruguay and the Caribbean islands.
4. Countries with average or poor institutional quality that should endeavor to improve both indicators, but mainly their political institutions: Mexico, Paraguay, Honduras, Dominican Republic, Nicaragua, and Guatemala.
5. Countries with average or poor institutional quality that should endeavor to improve both indicators, but mainly their market institutions: Brazil, Argentina, and Ecuador.
6. Countries that are in great need of making profound improvements in both indicators: Bolivia, Haiti, Cuba, and Venezuela.



FULL RESULTS TABLE
INSTITUTIONAL QUALITY INDEX 2021

| | Political | | | Market | | | IQI 2021 | |
|----|----------------|--------|----|----------------------|--------|----|----------------------|--------|
| 1 | Finland | 0.9934 | 1 | Singapore | 0.9971 | 1 | Denmark | 0.9719 |
| 2 | Norway | 0.9905 | 2 | Hong Kong SAR, China | 0.9924 | 2 | New Zealand | 0.9701 |
| 3 | Denmark | 0.9888 | 3 | New Zealand | 0.9622 | 3 | Switzerland | 0.9572 |
| 4 | Sweden | 0.9882 | 4 | United States | 0.9617 | 4 | Finland | 0.9405 |
| 5 | New Zealand | 0.9780 | 5 | Denmark | 0.9549 | 5 | Canada | 0.9334 |
| 6 | Switzerland | 0.9778 | 6 | United Kingdom | 0.9498 | 6 | Australia | 0.9317 |
| 7 | Netherlands | 0.9690 | 7 | Australia | 0.9460 | 7 | Sweden | 0.9311 |
| 8 | Luxembourg | 0.9473 | 8 | Switzerland | 0.9367 | 8 | Netherlands | 0.9281 |
| 9 | Germany | 0.9436 | 9 | Canada | 0.9245 | 9 | Norway | 0.9239 |
| 10 | Canada | 0.9423 | 10 | Taiwan, China | 0.9235 | 10 | United Kingdom | 0.9219 |
| 11 | Austria | 0.9338 | 11 | Ireland | 0.9081 | 11 | Germany | 0.9192 |
| 12 | Iceland | 0.9317 | 12 | Germany | 0.8948 | 12 | Ireland | 0.9120 |
| 13 | Belgium | 0.9255 | 13 | Estonia | 0.8903 | 13 | Estonia | 0.8948 |
| 14 | Australia | 0.9175 | 14 | Finland | 0.8877 | 14 | United States | 0.8940 |
| 15 | Ireland | 0.9160 | 15 | Netherlands | 0.8872 | 15 | Iceland | 0.8934 |
| 16 | Estonia | 0.8992 | 16 | Japan | 0.8847 | 16 | Austria | 0.8926 |
| 17 | United Kingdom | 0.8941 | 17 | South Korea | 0.8846 | 17 | Luxembourg | 0.8762 |
| 18 | Portugal | 0.8778 | 18 | Lithuania | 0.8817 | 18 | Taiwan, China | 0.8708 |
| 19 | France | 0.8667 | 19 | Sweden | 0.8740 | 19 | Hong Kong SAR, China | 0.8673 |
| 20 | Uruguay | 0.8581 | 20 | Norway | 0.8572 | 20 | Lithuania | 0.8525 |
| 21 | United States | 0.8264 | 21 | Mauritius | 0.8567 | 21 | Japan | 0.8458 |
| 22 | Spain | 0.8261 | 22 | Iceland | 0.8552 | 22 | Belgium | 0.8449 |
| 23 | Costa Rica | 0.8250 | 23 | Austria | 0.8513 | 23 | South Korea | 0.8405 |
| 24 | Lithuania | 0.8233 | 24 | Georgia | 0.8366 | 24 | Latvia | 0.8184 |
| 25 | Slovenia | 0.8225 | 25 | Malaysia | 0.8365 | 25 | Chile | 0.8175 |
| 26 | Taiwan, China | 0.8181 | 26 | Latvia | 0.8346 | 26 | France | 0.8128 |
| 27 | Samoa | 0.8140 | 27 | Chile | 0.8274 | 27 | Portugal | 0.8125 |
| 28 | Chile | 0.8076 | 28 | Israel | 0.8251 | 28 | Spain | 0.8102 |
| 29 | Japan | 0.8069 | 29 | Czech Rep. | 0.8248 | 29 | Singapore | 0.8086 |
| 30 | Kiribati | 0.8069 | 30 | Luxembourg | 0.8051 | 30 | Czech Rep. | 0.8024 |
| 31 | Cyprus | 0.8042 | 31 | United Arab Emirates | 0.7984 | 31 | Mauritius | 0.7930 |
| 32 | Latvia | 0.8023 | 32 | Spain | 0.7943 | 32 | Cyprus | 0.7879 |
| 33 | South Korea | 0.7965 | 33 | Cyprus | 0.7716 | 33 | Slovenia | 0.7749 |

FULL RESULTS TABLE
INSTITUTIONAL QUALITY INDEX 2021

| | Political | | | Market | | | IQI 2021 | |
|----|----------------------------------|--------|----|----------------|--------|----|----------------------------------|--------|
| 34 | Cape Verde | 0.7843 | 34 | Belgium | 0.7642 | 34 | Israel | 0.7689 |
| 35 | Barbados | 0.7828 | 35 | France | 0.7589 | 35 | Georgia | 0.7413 |
| 36 | Czech Rep. | 0.7800 | 36 | Romania | 0.7550 | 36 | Malta | 0.7387 |
| 37 | Dominica | 0.7503 | 37 | Portugal | 0.7472 | 37 | Slovakia | 0.7355 |
| 38 | Santa Lucia | 0.7498 | 38 | Armenia | 0.7468 | 38 | Uruguay | 0.7342 |
| 39 | Hong Kong SAR, China | 0.7421 | 39 | Malta | 0.7398 | 39 | Costa Rica | 0.7338 |
| 40 | Saint Vincent and the Grenadines | 0.7411 | 40 | Bulgaria | 0.7395 | 40 | Italy | 0.7114 |
| 41 | Slovakia | 0.7406 | 41 | Slovakia | 0.7304 | 41 | Malaysia | 0.7060 |
| 42 | Malta | 0.7375 | 42 | Slovenia | 0.7274 | 42 | Romania | 0.7056 |
| 43 | Botswana | 0.7301 | 43 | Thailand | 0.7119 | 43 | Poland | 0.7016 |
| 44 | Mauritius | 0.7292 | 44 | Kazakhstan | 0.7088 | 44 | Santa Lucia | 0.6858 |
| 45 | Italy | 0.7277 | 45 | Kosovo | 0.7082 | 45 | Botswana | 0.6692 |
| 46 | Bahamas | 0.7260 | 46 | Poland | 0.7051 | 46 | United Arab Emirates | 0.6652 |
| 47 | Saint Kitts and Nevis | 0.7253 | 47 | Italy | 0.6950 | 47 | Jamaica | 0.6643 |
| 48 | Antigua & Barbuda | 0.7140 | 48 | Hungary | 0.6864 | 48 | Armenia | 0.6624 |
| 49 | Israel | 0.7128 | 49 | Qatar | 0.6806 | 49 | Samoa | 0.6613 |
| 50 | Namibia | 0.7101 | 50 | Bahrain | 0.6741 | 50 | Bahamas | 0.6574 |
| 51 | Poland | 0.6981 | 51 | Peru | 0.6736 | 51 | Bulgaria | 0.6409 |
| 52 | Grenada | 0.6979 | 52 | Macedonia, FYR | 0.6718 | 52 | Hungary | 0.6397 |
| 53 | Fed. States of Micronesia. | 0.6918 | 53 | Panama | 0.6562 | 53 | Croatia | 0.6365 |
| 54 | Bhutan | 0.6869 | 54 | Indonesia | 0.6553 | 54 | Saint Vincent and the Grenadines | 0.6203 |
| 55 | Tonga | 0.6832 | 55 | Jamaica | 0.6471 | 55 | Seychelles | 0.6157 |
| 56 | Jamaica | 0.6814 | 56 | Mexico | 0.6440 | 56 | Cape Verde | 0.6097 |
| 57 | Greece | 0.6761 | 57 | Costa Rica | 0.6426 | 57 | Dominica | 0.5971 |
| 58 | Seychelles | 0.6719 | 58 | Rwanda | 0.6403 | 58 | Panama | 0.5970 |
| 59 | South Africa | 0.6659 | 59 | Albania | 0.6352 | 59 | Greece | 0.5956 |
| 60 | Ghana | 0.6599 | 60 | Jordan | 0.6267 | 60 | Qatar | 0.5935 |
| 61 | Croatia | 0.6566 | 61 | Russia | 0.6250 | 61 | Bhutan | 0.5887 |
| 62 | Romania | 0.6562 | 62 | Azerbaijan | 0.6245 | 62 | Kosovo | 0.5864 |
| 63 | Georgia | 0.6460 | 63 | Santa Lucia | 0.6218 | 63 | South Africa | 0.5844 |
| 64 | Vanuatu | 0.6276 | 64 | Croatia | 0.6164 | 64 | Barbados | 0.5839 |

FULL RESULTS TABLE
INSTITUTIONAL QUALITY INDEX 2021

| | Political | | | Market | | | IQI 2021 | |
|----|------------------------|--------|----|----------------------------------|--------|----|------------------------|--------|
| 65 | Trinidad and Tobago | 0.6269 | 65 | Serbia | 0.6144 | 65 | Peru | 0.5740 |
| 66 | Suriname | 0.6268 | 66 | Colombia | 0.6123 | 66 | Antigua & Barbuda | 0.5623 |
| 67 | Singapore | 0.6201 | 67 | Uruguay | 0.6103 | 67 | Macedonia, FYR | 0.5607 |
| 68 | Senegal | 0.6026 | 68 | Botswana | 0.6083 | 68 | Tonga | 0.5602 |
| 69 | Hungary | 0.5930 | 69 | Turkey | 0.6015 | 69 | Namibia | 0.5571 |
| 70 | Tunisia | 0.5891 | 70 | Bahamas | 0.5889 | 70 | Albania | 0.5530 |
| 71 | Fiji | 0.5859 | 71 | Philippines | 0.5854 | 71 | Trinidad and Tobago | 0.5515 |
| 72 | Armenia | 0.5780 | 72 | Oman | 0.5841 | 72 | Serbia | 0.5491 |
| 73 | Malaysia | 0.5754 | 73 | China | 0.5812 | 73 | Indonesia | 0.5450 |
| 74 | Solomon Islands | 0.5724 | 74 | Borneo | 0.5778 | 74 | Jordan | 0.5433 |
| 75 | Argentina | 0.5655 | 75 | Saudi Arabia | 0.5679 | 75 | Montenegro | 0.5424 |
| 76 | Guyana | 0.5525 | 76 | Montenegro | 0.5610 | 76 | Thailand | 0.5409 |
| 77 | Bulgaria | 0.5423 | 77 | Seychelles | 0.5594 | 77 | Vanuatu | 0.5396 |
| 78 | Panama | 0.5377 | 78 | Guatemala | 0.5505 | 78 | Borneo | 0.5313 |
| 79 | United Arab Emirates | 0.5320 | 79 | Morocco | 0.5499 | 79 | Oman | 0.5263 |
| 80 | Burkina Faso | 0.5255 | 80 | Moldova | 0.5476 | 80 | Rwanda | 0.5243 |
| 81 | Belize | 0.5244 | 81 | Kuwait | 0.5466 | 81 | Fiji | 0.5239 |
| 82 | Montenegro | 0.5239 | 82 | Belarus | 0.5222 | 82 | Colombia | 0.5211 |
| 83 | Mongolia | 0.5103 | 83 | Greece | 0.5151 | 83 | Bahrain | 0.5159 |
| 84 | Qatar | 0.5065 | 84 | Dominican Rep. | 0.5135 | 84 | Ghana | 0.5106 |
| 85 | Sao Tome and Principe | 0.5056 | 85 | Samoa | 0.5086 | 85 | Kuwait | 0.5081 |
| 86 | Brazil | 0.4903 | 86 | Uzbekistan | 0.5072 | 86 | Saint Kitts and Nevis | 0.4995 |
| 87 | Lesotho | 0.4874 | 87 | South Africa | 0.5030 | 87 | Kazakhstan | 0.4959 |
| 88 | Borneo | 0.4848 | 88 | Saint Vincent and the Grenadines | 0.4994 | 88 | Dominican Rep. | 0.4948 |
| 89 | Serbia | 0.4838 | 89 | Kyrgyzstan | 0.4977 | 89 | Moldova | 0.4875 |
| 90 | Bosnia and Herzegovina | 0.4833 | 90 | El Salvador | 0.4907 | 90 | Mongolia | 0.4846 |
| 91 | Dominican Rep. | 0.4762 | 91 | Bhutan | 0.4905 | 91 | Bosnia and Herzegovina | 0.4837 |

FULL RESULTS TABLE
INSTITUTIONAL QUALITY INDEX 2021

| | Political | | | Market | | | IQI 2021 | |
|-----|------------------|--------|-----|------------------------------|--------|-----|----------------------------|--------|
| 92 | Perú | 0.4743 | 92 | Bosnia and Herzego-vina | 0.4840 | 92 | Tunisia | 0.4799 |
| 93 | Maldives | 0.4740 | 93 | Trinidad and Tobago | 0.4761 | 93 | Mexico | 0.4796 |
| 94 | Albania | 0.4709 | 94 | India | 0.4723 | 94 | Turkey | 0.4729 |
| 95 | Kuwait | 0.4697 | 95 | Fiji | 0.4619 | 95 | Morocco | 0.4726 |
| 96 | Oman | 0.4684 | 96 | Mongolia | 0.4589 | 96 | Philippines | 0.4723 |
| 97 | Kosovo | 0.4645 | 97 | Paraguay | 0.4551 | 97 | El Salvador | 0.4680 |
| 98 | India | 0.4623 | 98 | Vietnam | 0.4533 | 98 | Grenada | 0.4674 |
| 99 | Jordan | 0.4599 | 99 | Vanuatu | 0.4516 | 99 | India | 0.4673 |
| 100 | Timor-Leste | 0.4568 | 100 | Kenya | 0.4478 | 100 | Saudi Arabia | 0.4627 |
| 101 | Macedonia, FYR | 0.4496 | 101 | Dominica | 0.4439 | 101 | Senegal | 0.4533 |
| 102 | El Salvador | 0.4453 | 102 | Sri Lanka | 0.4401 | 102 | Kiribati | 0.4515 |
| 103 | Sri Lanka | 0.4413 | 103 | Tonga | 0.4371 | 103 | Guyana | 0.4490 |
| 104 | Gambia, The | 0.4412 | 104 | Cape Verde | 0.4352 | 104 | Sri Lanka | 0.4407 |
| 105 | Malawi | 0.4408 | 105 | Uganda | 0.4307 | 105 | Belize | 0.4399 |
| 106 | Ecuador | 0.4368 | 106 | Honduras | 0.4240 | 106 | China | 0.4303 |
| 107 | Ivory Coast | 0.4360 | 107 | Antigua & Barbuda | 0.4105 | 107 | Russia | 0.4258 |
| 108 | Indonesia | 0.4346 | 108 | Namibia | 0.4041 | 108 | Fed. States of Micronesia. | 0.4241 |
| 109 | Colombia | 0.4298 | 109 | The West Bank and Gaza Strip | 0.3895 | 109 | Kyrgyzstan | 0.4240 |
| 110 | Moldova | 0.4274 | 110 | Barbados | 0.3850 | 110 | Brazil | 0.4226 |
| 111 | Benin | 0.4250 | 111 | Ukraine | 0.3828 | 111 | Paraguay | 0.4163 |
| 112 | Papua New Guinea | 0.4207 | 112 | Cambodia | 0.3744 | 112 | Argentina | 0.4147 |
| 113 | Niger | 0.4113 | 113 | Zambia | 0.3708 | 113 | Kenya | 0.4085 |
| 114 | Rwanda | 0.4084 | 114 | Tunisia | 0.3707 | 114 | Suriname | 0.4070 |
| 115 | Morocco | 0.3954 | 115 | Papua New Guinea | 0.3667 | 115 | Azerbaijan | 0.4055 |
| 116 | Ukraine | 0.3915 | 116 | Ghana | 0.3614 | 116 | Guatemala | 0.4053 |
| 117 | Sierra Leone | 0.3838 | 117 | Belize | 0.3554 | 117 | Belarus | 0.4047 |
| 118 | Paraguay | 0.3776 | 118 | Brazil | 0.3549 | 118 | Solomon Islands | 0.4016 |
| 119 | Ethiopia | 0.3723 | 119 | Nicaragua | 0.3520 | 119 | Papua New Guinea | 0.3937 |
| 120 | Thailand | 0.3699 | 120 | Tanzania | 0.3490 | 120 | Ukraine | 0.3872 |
| 121 | Kenya | 0.3691 | 121 | Guyana | 0.3455 | 121 | Maldives | 0.3810 |
| 122 | Nepal | 0.3666 | 122 | Nigeria | 0.3419 | 122 | Lesotho | 0.3796 |
| 123 | Togo | 0.3597 | 123 | Nepal | 0.3296 | 123 | Ivory Coast | 0.3751 |

FULL RESULTS TABLE
INSTITUTIONAL QUALITY INDEX 2021

| | Political | | | Market | | | IQI 2021 | |
|-----|------------------------------|--------|-----|-----------------------|--------|-----|------------------------------|--------|
| 124 | Philippines | 0.3592 | 124 | Togo | 0.3273 | 124 | Uganda | 0.3743 |
| 125 | Bahrain | 0.3577 | 125 | Lebanon | 0.3157 | 125 | Gambia, The | 0.3707 |
| 126 | Saudi Arabia | 0.3575 | 126 | Ivory Coast | 0.3143 | 126 | Vietnam | 0.3666 |
| 127 | Madagascar | 0.3571 | 127 | Senegal | 0.3041 | 127 | Zambia | 0.3630 |
| 128 | Mali | 0.3569 | 128 | Gambia, The | 0.3003 | 128 | Burkina Faso | 0.3627 |
| 129 | Zambia | 0.3553 | 129 | Djibouti | 0.2912 | 129 | Ecuador | 0.3622 |
| 130 | Tanzania | 0.3550 | 130 | Maldives | 0.2880 | 130 | Sao Tome and Principe | 0.3582 |
| 131 | Kyrgyzstan | 0.3503 | 131 | Ecuador | 0.2875 | 131 | Tanzania | 0.3520 |
| 132 | Turkey | 0.3444 | 132 | Pakistan | 0.2823 | 132 | Nepal | 0.3481 |
| 133 | Liberia | 0.3339 | 133 | Saint Kitts and Nevis | 0.2737 | 133 | Togo | 0.3435 |
| 134 | Mauritania | 0.3200 | 134 | Lesotho | 0.2719 | 134 | The West Bank and Gaza Strip | 0.3280 |
| 135 | Uganda | 0.3180 | 135 | Laos | 0.2711 | 135 | Uzbekistan | 0.3230 |
| 136 | Mexico | 0.3153 | 136 | Swaziland | 0.2667 | 136 | Malawi | 0.3223 |
| 137 | Cuba | 0.3099 | 137 | Argentina | 0.2639 | 137 | Niger | 0.3208 |
| 138 | Bolivia | 0.3075 | 138 | Tajikistan | 0.2632 | 138 | Benin | 0.3178 |
| 139 | Belarus | 0.2872 | 139 | Egypt | 0.2593 | 139 | Honduras | 0.3105 |
| 140 | Lebanon | 0.2865 | 140 | Grenada | 0.2368 | 140 | Nigeria | 0.3070 |
| 141 | Kazakhstan | 0.2831 | 141 | Solomon Islands | 0.2308 | 141 | Lebanon | 0.3011 |
| 142 | Vietnam | 0.2799 | 142 | Niger | 0.2303 | 142 | Timor-Leste | 0.2938 |
| 143 | Comoros | 0.2798 | 143 | Madagascar | 0.2282 | 143 | Madagascar | 0.2926 |
| 144 | China | 0.2794 | 144 | Bangladesh | 0.2241 | 144 | Mali | 0.2773 |
| 145 | Nigeria | 0.2722 | 145 | Sao Tome and Principe | 0.2108 | 145 | Nicaragua | 0.2728 |
| 146 | Gabon | 0.2705 | 146 | Benin | 0.2107 | 146 | Cambodia | 0.2698 |
| 147 | Mozambique | 0.2693 | 147 | Malawi | 0.2039 | 147 | Pakistan | 0.2679 |
| 148 | The West Bank and Gaza Strip | 0.2666 | 148 | Burkina Faso | 0.1998 | 148 | Swaziland | 0.2640 |
| 149 | Haiti | 0.2619 | 149 | Mauritania | 0.1981 | 149 | Mauritania | 0.2590 |
| 150 | Swaziland | 0.2613 | 150 | Mali | 0.1977 | 150 | Ethiopia | 0.2588 |
| 151 | Algeria | 0.2610 | 151 | Bolivia | 0.1969 | 151 | Sierra Leone | 0.2552 |
| 152 | Guatemala | 0.2601 | 152 | Gabon | 0.1958 | 152 | Bolivia | 0.2522 |
| 153 | Angola | 0.2580 | 153 | Iran | 0.1918 | 153 | Egypt | 0.2434 |
| 154 | Pakistan | 0.2536 | 154 | Guinea | 0.1880 | 154 | Liberia | 0.2421 |
| 155 | Guinea | 0.2498 | 155 | Comoros | 0.1871 | 155 | Comoros | 0.2334 |
| 156 | Guinea-Bissau | 0.2467 | 156 | Suriname | 0.1871 | 156 | Gabon | 0.2331 |
| 157 | Bangladesh | 0.2309 | 157 | Afghanistan | 0,1724 | 157 | Bangladesh | 0,2275 |

FULL RESULTS TABLE
INSTITUTIONAL QUALITY INDEX 2021

| | Political | | | Market | | | IQI 2021 | |
|-----|-------------------------------|--------|-----|-------------------------------|--------|-----|-------------------------------|--------|
| 158 | Egypt | 0.2275 | 158 | Algeria | 0,1646 | 158 | Guinea | 0,2189 |
| 159 | Russia | 0.2266 | 159 | Myanmar | 0,1629 | 159 | Djibouti | 0,2136 |
| 160 | Myanmar | 0.2130 | 160 | Fed. States of Micronesia. | 0,1563 | 160 | Algeria | 0,2128 |
| 161 | Honduras | 0.1971 | 161 | Haiti | 0,1528 | 161 | Mozambique | 0,2102 |
| 162 | Nicaragua | 0.1936 | 162 | Mozambique | 0,1510 | 162 | Haiti | 0,2073 |
| 163 | Azerbaijan | 0.1864 | 163 | Cameroon | 0,1508 | 163 | Laos | 0,2021 |
| 164 | Cameroon | 0.1813 | 164 | Liberia | 0,1503 | 164 | Myanmar | 0,1879 |
| 165 | Zimbabwe | 0.1741 | 165 | Ethiopia | 0,1453 | 165 | Tajikistan | 0,1840 |
| 166 | Democratic Rep. of the Congo. | 0.1728 | 166 | Timor-Leste | 0,1307 | 166 | Guinea-Bissau | 0,1822 |
| 167 | Afghanistan | 0.1713 | 167 | Sierra Leone | 0,1267 | 167 | Afghanistan | 0,1718 |
| 168 | Central African Rep. | 0.1667 | 168 | Guinea-Bissau | 0,1177 | 168 | Iran | 0,1701 |
| 169 | Cambodia | 0.1652 | 169 | Zimbabwe | 0,1158 | 169 | Cameroon | 0,1660 |
| 170 | Chad | 0.1534 | 170 | Burundi | 0,1109 | 170 | Angola | 0,1654 |
| 171 | Iran | 0.1484 | 171 | Iraq | 0,0994 | 171 | Cuba | 0,1633 |
| 172 | Uzbekistan | 0.1388 | 172 | Kiribati | 0,0961 | 172 | Zimbabwe | 0,1450 |
| 173 | Djibouti | 0.1359 | 173 | Syria | 0,0765 | 173 | Central African Rep. | 0,1201 |
| 174 | Laos | 0.1331 | 174 | Central African Rep. | 0,0736 | 174 | Iraq | 0,1117 |
| 175 | Iraq | 0.1239 | 175 | Equatorial Guinea | 0,0731 | 175 | Chad | 0,1113 |
| 176 | Tajikistan | 0.1048 | 176 | Angola | 0,0727 | 176 | Democratic Rep. of the Congo. | 0,1079 |
| 177 | Congo, Dem. Rep. | 0.0972 | 177 | Chad | 0,0692 | 177 | Burundi | 0,0964 |
| 178 | Venezuela, RB | 0.0835 | 178 | Turkmenistan | 0,0611 | 178 | Congo. Dem. Rep. | 0,0767 |
| 179 | Burundi | 0.0818 | 179 | Congo. Dem. Rep. | 0,0561 | 179 | Sudan | 0,0676 |
| 180 | Sudan | 0.0811 | 180 | Sudan | 0,0540 | 180 | Equatorial Guinea | 0,0646 |
| 181 | South Sudan | 0.0734 | 181 | Democratic Rep. of the Congo. | 0,0430 | 181 | Venezuela. RB | 0,0539 |
| 182 | Libya | 0.0615 | 182 | Yemen. Rep. | 0,0406 | 182 | Turkmenistan | 0,0539 |
| 183 | Equatorial Guinea | 0.0560 | 183 | South Sudan | 0,0316 | 183 | South Sudan | 0,0525 |
| 184 | Eritrea | 0.0501 | 184 | Venezuela. RB | 0,0242 | 184 | Syria | 0,0494 |
| 185 | Yemen, Rep. | 0.0470 | 185 | Libya | 0,0224 | 185 | Yemen. Rep. | 0,0438 |
| 186 | Turkmenistan | 0.0466 | 186 | Cuba | 0,0167 | 186 | Libya | 0,0420 |
| 187 | Somalia | 0.0376 | 187 | Eritrea | 0,0164 | 187 | Eritrea | 0,0333 |
| 188 | North Korea | 0.0311 | 188 | North Korea | 0,0056 | 188 | Somalia | 0,0214 |
| 189 | Syria | 0.0224 | 189 | Somalia | 0,0053 | 189 | North Korea | 0,0183 |

IC METODOLOGIA





Methodology

The Methodology of the Institutional Quality Index

There is a famous quote by Groucho Marx: “Those are my principles, and if you don’t like them... well, I have others.” His words could loosely apply to the methodology used for the IQI, and so we are extending an invitation to anyone who wishes to develop a better methodology.

We have abided from the beginning by the “Occam’s Razor” principle — traditionally associated with scientific theories — which states that, all else being equal, simpler explanations are more likely to be accurate than more complex ones. This is not to say that the simplest explanation will be the right one, as evidence may point to the more complex one, and it must thus be chosen.

And while the IQI is no theory, but rather a method for assessing institutional quality, the principle may still be applicable: we have opted for a simple method, arguably the simplest, and we thus extend an open invitation to anyone who may wish to recommend a more complex one.

Ultimately, the aim is to achieve “economies” in knowledge and effort. Results from a more complex approach would need to offer sufficient justification. Assessing institutional quality is certainly no exact science, and we do not expect outcomes to provide any definitive conclusion. We have insisted from the beginning that institutional quality cannot be “measured,” as that would require a yardstick against which each country should be compared, and there is no such standard. Nonetheless, we do know which institutions are best to encourage human cooperation and progress in societies. The issue has been addressed by political philosophers, economists, and historians alike for centuries. But, arguably, a particularly sensible approach came from the Scottish Enlightenment (Hume, Ferguson, Smith), some of the French classics (Montesquieu, Voltaire, Turgot, Cantillon), and the “Founding Fathers” of the American Revolution.

While we are unable to say that a given country scored a clean ten and another one scored a two, we can determine whether some are better than others. In other words, the IQI is a “relative” index. Not even for a country ranking at the top can we say how far or close it is from optimal quality, and we do not strive to measure such a perfect standard. Yet, we believe that a lot can be learned from observing that some countries have ranked at the top for decades and others at the bottom, or that some are moving up while others are moving down, despite the fact that institutional change is inevitably slow.

The IQI is based on eight indicators that were chosen because they may reflect certain aspects of institutional quality. Why eight? Indeed, it is an arbitrary number. We simply selected those that arguably represented the major features of the institutions that best enable individuals to express their preferences and achieve their goals.

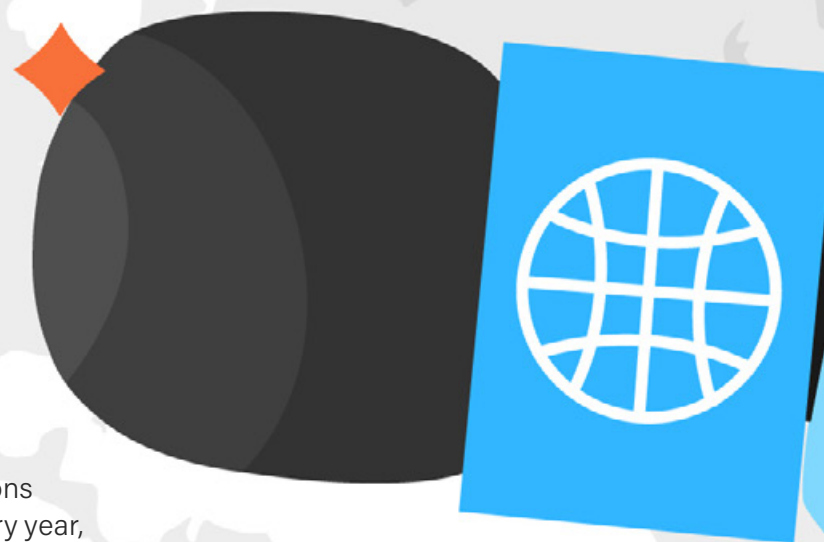
There are mainly two pathways to achieve those ends: voluntary exchanges in the market and the way of politics and the State. These two pathways can be found in all modern societies, although certainly at varying levels. And societies have been changing over time. To account for that, the IQI relies on two subindexes, one for political institutions and the other for market institutions. Each one is weighed as 50%, considering that decisions made in both spheres are equally important.

Typically, analysis of institutions and conventional approaches to institutional assessment focus on policy analysis — that is why many often refer to “governance” — but our approach relies on the assumption that neither area may override the other. Indeed, we may arguably make more deliberate — and often more significant — decisions in the market than in politics (from who we marry to what we buy in the supermarket), but we have nevertheless attached the same weight to the two factors, and we further included four indicators in each subindex.

This required identifying indicators that adequately represented specific aspects of our system of institutions, that were developed by renowned institutions (both public and private), that published new data every year, that covered a significant number of countries, and that had plans for continuity in the future. Unfortunately, for the first time this year one of the indicators used was discontinued.

The quality of political institutions index has so far comprised: the World Bank’s Rule of Law index, a selection of its governance indicators — identified as the Governance Matters series — and its Voice and Accountability Index; Freedom House’s Press Freedom ranking; and Transparency International’s Corruption Perceptions index.

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These indicators comprise both quantitative and qualitative data. For example, the name of the “Corruption Perceptions” index denotes the fact that the amount of money lost to corruption cannot be “measured” due to the nature of the issue. There are no precise statistics available on the issue, but we can assess the perceptions experts have of the problem in each country. And the same is true for freedom of the press. Nonetheless, there are data that can be measured, including price indexes (provided that the statistics produced by the state are reliable) and import tariff rates.

But Freedom House’s Press Freedom index has not been published since 2017. Thus, we decided to replace the index with the Press Freedom Index published by Reporters Without Borders. It is also a renowned index, but it covers 180 countries — compared with the last Freedom House report covering 199 countries. Furthermore, ranking positions will of course be different, reducing the possibility of comparisons with previous years.

The indicators comprising the market institutions subindex are: the World Economic Forum’s Global Competitiveness index; the Heritage Foundation’s Index of Economic Freedom; the Fraser Institute’s Economic Freedom of the World index, and the World Bank’s Ease of Doing Business index. This year, the World Economic Forum decided not to publish the Global Competitiveness Index because of the pandemic, and we have thus maintained the data from the previous year until the report published once again.

Each indicator has been given the same weight. Although this may seem as arbitrary as giving them different weights, again, we have opted for the simplest solution. However, since the new indicators cover a different number of countries — ranging from 209 for the Rule of Law index to 140 for the Global Competitiveness index — we cannot use each country’s ranking positions directly (e.g., ranking 50th out of 209 countries is not comparable to ranking 50th out of 140 countries) but we must rather use their relative positions as percentages. That is why the indicator associated with each country in the IQI shows its percentage position compared with the other countries.

In addition, we have set a rule providing that, in order to appear in the IQI, countries must also appear in at least four of the eight indicators, with at least one appearance in each subindex. This means that some countries (primarily small countries like Vatican or Monaco, or countries tied to a larger country, like Puerto Rico) will not appear in all regular measures. It also means that some countries may rank lower — although they will more commonly rank higher — because they do not appear in all indexes. That is the case of Cuba, which we have repeatedly discussed in previous reports. As the country does not appear in three economic indicators, it most likely ranks better than if it did. Nonetheless, it meets the established criteria, so we must pay attention to such imperfections.

Finally, as we stated in the 2019 IQI report, we are constantly looking for new indicators that may be more accurate or more up to date to be able to offer better quality results.

We shall conclude this report by insisting on the same invitation we made at the beginning. We invite anyone who may find our methodology inadequate to suggest ways to make it better. We will most certainly acknowledge and gratefully accept such contributions.





**FRIEDRICH NAUMANN
STIFTUNG** Für die Freiheit.

The Institutional Quality Index is a report published by *Libertad y Progreso* (Argentina) since 2007

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