

STRONGER INSTITUTIONS, THE BASIS FOR DEVELOPMENT.

During the recent World Economic Forum, I had the opportunity to participate in a meeting on Stronger Institutions in Latin America and would like to share with you some reflections on this problem, which, if solved, would help eliminate other problems that afflict our region.

We define competitiveness as “the set of institutions, policies, and factors that determine the level of productivity of an economy, which, in turn sets the level of prosperity that the country can achieve.” Year after year, this public organization publishes its global competitiveness report by evaluating 12 pillars.¹ Apropos of this blog, I would like to delve more deeply into the first pillar that refers to the institutions.

In order to evaluate the Institutions pillar, the Forum drew up a questionnaire regarding the following factors: property rights; intellectual property protection; diversion of public funds; public trust in politicians; irregular payments and bribes; judicial independence; favoritism that dispels the decisions of government officials; squandering



of government spending; efficiency of legal framework in settling disputes; transparency of government policymaking; business costs of crime and violence; reliability of police services; corporate ethics; efficacy of corporate boards; protection of minority shareholders' interests and strength of investor protection, among others. In brief, the institutional factor induces us to analyze the following: How are these rules designed? To what extent are they enforced? It refers to the rule of law and also to the frameworks that establish, regulate and self-regulate the activities of the public and private sectors and of civil society as well.

¹ The 12 pillars are (i) Institutions, (ii) Infrastructure, (iii) Macro environment, (iv) Health and Primary Education, (v) Higher Education, (vi) Goods Efficiency, (vii) Labor Market Efficiency, (viii) Development of Financial Market, (ix) Technological availability, (x) Market size, (xi) Business sophistication and (xii) Innovation

The chart below displays the competitiveness ranking of several Latin American countries, out of a total of 138 participating countries, as well as its ranking in the Institutions pillar and its principal problems:

Country	Competitiveness 138 countries	Institutions 138 Countries	Principal Problems
Chile	33	35	Business costs of crime and violence; distrust of politicians.
Panama	42	70	Judicial independence; diversion of public funds.
Mexico	51	116	Organized crime; distrust of public security systems.
Costa Rica	54	60	Considerable regulatory burden, investor protection.
Colombia	61	112	Business costs of terrorism, organized crime.
Peru	67	106	Regulatory burden; distrust of public security systems.
Uruguay	73	32	Business costs of organized crime; investor protection.
Guatemala	78	110	Business costs of crime and violence, organized crime.
Brazil	81	120	Distrust of politicians; diversion of public funds.
Honduras	88	109	Organized crime; business costs of crime and violence.
Ecuador	91	113	Efficiency of legal framework; judicial Independence.
Nicaragua	103	122	Judicial Independence; efficiency of regulatory framework.
Argentina	104	130	Squandering of government spending; corporate ethics.
El Salvador	105	132	Organized crime, business costs of crime and violence.
Paraguay	117	131	Distrust of politicians; diversion of public funds Corporate ethics.
Bolivia	121	133	Judicial independence; favoritism.
Venezuela	130	138	Occupies the last place in virtually all these indicators.

The lack of institutionality has taken its toll on the most vulnerable groups. However, if this aforementioned lack of institutionality eventually deteriorates, sooner or later its effects will indiscriminately affect many more people and many more groups, as we have seen in Venezuela; hence the importance of bolstering stronger institutions.



This can be accomplished in many ways, like, for example, by voting, by analyzing the proposals submitted by political candidates, through citizens' initiatives, by respecting the law, by not co- participating in the culture of illegality, like for example, renting non-declared property, business purchases from the informal sector and not participating in any form of corruption.

