



Regional Report  
Latin America and the Caribbean

**Lost in Transformation?**

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# Regional Report BTI 2024

## Latin America and the Caribbean

### Lost in Transformation?

by Ariam Macias-Weller and Peter Thiery\*

Overview of the transformation processes in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, and Venezuela



This regional report analyzes the results of the Bertelsmann Stiftung's Transformation Index BTI 2022 in the re-view period from February 1, 2021, to January 31, 2023. Further information can be found at [www.bti-project.org](http://www.bti-project.org).

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## Introduction

The transformation process in Latin America and the Caribbean during the period under review was marked by contradictory signals and developments. Overall, Latin America's future course appears ever more uncertain – in terms of democracy, the economy and the quality of governance. Moreover, Latin America has increasingly been the target of “friendly cooperation” advances on the part of authoritarian powers (China, Iran, Russia) that are well known to have little interest in democratic governance. This reinforces the impression that the region has entered an era of turmoil and is exploring a variety of options, but without any clear vision of its own.

In 2021, almost all the region's countries and their governments were focused on overcoming the economic and social reversals inflicted by the pandemic – which hit this region harder than anywhere else in the world – and on transitioning into a rapid recovery phase. In a number of cases, these efforts proved successful. But in most locations, this recovery was not robust enough to fully repair the ruptures left by the pandemic, leaving many countries below their pre-pandemic political and economic high-water marks. In the midst of this incomplete recovery phase, Russia's invasion of Ukraine served as a new external shock that weakened the recovery via imported inflation and the subsequently implemented corrective monetary policies. In the majority of countries, these external shocks were exacerbated by unresolved internal problems that in some cases had led to unrest even before the pandemic, and which were accentuated by it. The social mood has thus barely brightened, or has even darkened further. This in turn has had an impact on the political mood. In other words, as in the previous review period, Latin American governments once again faced significant challenges to their steering capability, and in some cases found themselves overwhelmed.

Generally speaking, the downward trend has continued in all three of the BTI's transformation dimensions. The slight declines in average transformation quality in past editions of the BTI have now become recognizably sharper, showing a tendency toward instability or the erosion of democracy, stagnation or regression with regard to economic transformation, and particularly in recent years, a deterioration in the quality of governance. In terms of political transformation, the region continues to offer the entire spectrum from well-functioning democracies – with Chile and Costa Rica joining top performer Uruguay in this category, despite some turbulence – to moderate (El Salvador) and hard-line autocracies (Guatemala, Cuba, Nicaragua, Venezuela) as well as the failing state Haiti, which has been in free fall toward anarchy ever since the assassination of President Jovenel Moïse in July 2021. Overall, however, Latin America and the Caribbean have retained their status as a democratic region despite some setbacks. A few trends during the review period proved particularly striking. First was the complete concentration of power in the hands of El Salvador's “cool dictator” Nayib Bukele, whose authoritarian internal security policy is already being replicated in other countries. Second has been a creeping autocratization via the erosion of democracy; this has already taken place in Guatemala, and is now visible in Peru, where the chaotic era under President Pedro Castillo led to a transitional government widely regarded as illegitimate. Third, and more positively, the region's defective democracies continued to display a notable resilience. The fact that Honduras has returned to democracy seems to confirm this last tendency.

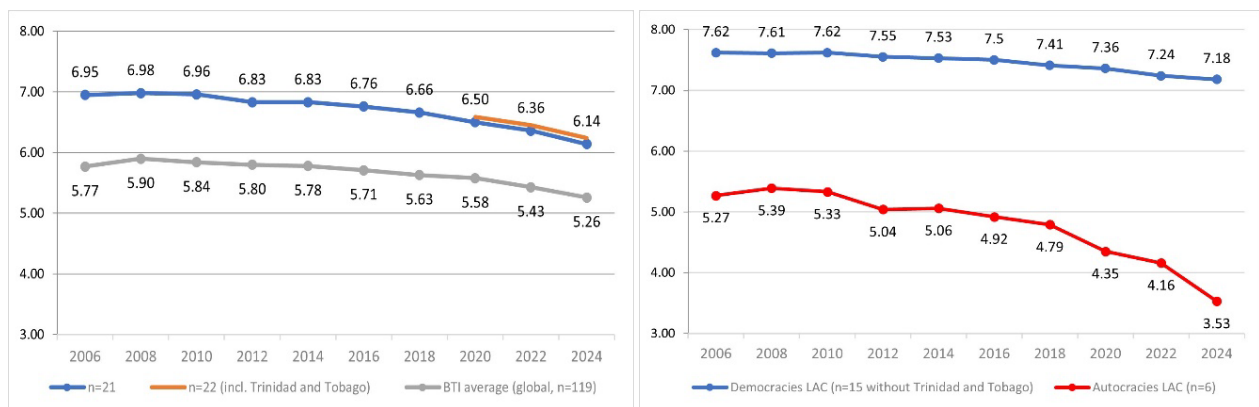
With regard to economic transformation, the majority of countries in Latin America and the Caribbean are fundamentally market economies, with known strengths and sometimes glaring weaknesses. Here too, however, the spectrum ranges from well-functioning (Chile, Uruguay) to dysfunctional economic systems (Haiti, Venezuela). Despite the external and internal problems noted here, the historic low point reached in the BTI 2022 was overcome during the current review period due to significantly better performance overall. However, the structural problems seen in most economies (weak institutions, high levels of inequality, productivity shortcomings) remain unresolved, and have contributed to the fact that the broader downward trend seen over the last 10 years has continued despite the end of the COVID-19 dip. Policymakers in most countries have failed to learn lessons from the pandemic, particularly with regard to the often catastrophic state of education and health care systems and the associated inequality. For this reason, the region is at risk of falling further behind other economically emerging regions.

The quality of governance has also shown a clear downward trend, becoming particularly pronounced after the BTI 2018. This relates in part to some autocratic tendencies, but also to the broader emergence of social conflicts; populist polarization à la Jair Bolsonaro, Andrés Manuel López Obrador (AMLO) and Bukele with their personalistic styles of government; and the increasing difficulty of reaching consensus on overall societal goals. Here too, the region still covers the entire spectrum from very good (Uruguay) to very poor (Venezuela) governance. In between, however, more and more countries are shifting between blocked, disorganized or even authoritarian patterns of governance. Overall, the region presents a scenario of crumbling or impeded consensus, often perpetuated by structural factors (such as dysfunctional representation structures, especially party systems) as well as powerful veto groups both within and outside the political system. The path of populist authoritarian governance taken by Bukele in El Salvador, which has proved to be very popular with the public, seems to be drawing considerable interest elsewhere in the region. In other countries, particularly Peru during the current review period, politicians' short-sightedness and self-interest have caused them to lose sight of medium- or even longer-term goals, as well as the value of consensus.

## Political transformation

The ongoing political unrest in parts of Latin America and the Caribbean is reflected in the continuing downward drift in the quality of democracy, with the region showing a trend similar to the average development of all countries in the BTI (see Fig. 1). However, there are also some positive developments to report. Honduras offers an example of how autocratic regression such as that under President Juan Orlando Hernández (2013 – 2021) can be reversed despite serious problems with the rule of law. This said, progress in the country remains fragile and insecure. Notable democratic improvements have also been evident in the Dominican Republic, where President Luis Abinader has taken measures to strengthen transparency in the public administration and consolidate the rule of law.

Fig. 1: Political transformation in Latin America and the Caribbean and worldwide (BTI 2006 – 2024)



left: Latin America and the Caribbean compared to global development;

right: Democracies in Latin America and the Caribbean (n=15; excluding Trinidad and Tobago) compared to autocracies (n=6).

Despite these encouraging examples, the BTI 2024 observation period proved to be the most autocratic in the region to date. While the total number of autocracies remained steady, the region now has a record number of hard-line autocracies, with Guatemala bringing the total number to five (see Tab. 1). This trend was already evident in the BTI 2022, when the total number of hard-line autocracies doubled compared to the BTI 2020. The most significant autocratization during the current review period took place in El Salvador, which is now categorized as a moderate autocracy under the populist leadership of President Bukele. He succeeded in advancing his strategy of concentrating power in the executive, dramatically undermining previously existing checks and balances. Meanwhile, the region's other authoritarian regimes either continued along their previous paths or tightened policies further. Guatemala, where President Alejandro Giammattei further undermined the rule of law and criminalized the free media, offers a good example of this behavior. The Ortega–Murillo regime in Nicaragua also persisted on its course of autocratic consolidation, intensifying its crackdown on the opposition and cementing its sultanist rule through sham elections. Meanwhile, the situation in the failing state of Haiti continued to deteriorate, with a political power vacuum emerging after the assassination of President Moïse and an explosion of gang violence. The increasingly autocratic regression in Nicaragua and Haiti is a significant contributor to the region's overall downward trend.

**Tab. 1: State of political transformation**

consolidating democracies Score 10 to 8	defective democracies Score < 8 to 6	highly defective democracies Score < 6	moderate autocracies Score ≥ 4	hard-line autocracies Score < 4
Uruguay	Argentina	Peru ▼	El Salvador ▼▼	Guatemala ▼
Chile	Dominican Republic	Mexico		Cuba
Costa Rica	Bolivia	Honduras ▲		Nicaragua
Trinidad and Tobago	Brazil			Venezuela
Jamaica	Panama			Haiti ●
	Ecuador			
	Paraguay			
	Colombia			

The table follows the BTI 2024 index scores. Countries are ranked according to their system categorization and respective score in political transformation status assessment. Arrows mark a change of category compared with the BTI 2022, dots mark failing states.

However, the region still holds a total of 16 democracies. It is the second-most democratic region in the world after East-Central and Southeast Europe. Most countries in the region are still classified as defective democracies. This corresponds to an unbroken trend dating back to the first BTI in 2006. It is worth noting, however, that the number of defective democracies has now reached a historic low of eight countries, as Peru has been downgraded from a defective to a highly defective democracy, and El Salvador has become autocratic. The combination of persistently weak institutions, fragmented party systems and the rise of autocratic-tending, typically populist leaders in various countries have each contributed to the overall negative trend in the quality of democracy.

However, the dynamics of political change vary across the region. Table 2 depicts these differences, grouping the countries according to the specific dynamics observed during the period under review. The first group includes countries that have experienced moderate to significant levels of democratic erosion (between -0.15 and -1.43 points), primarily due either to the expansion of executive power or the intensification of political tensions between the executive and legislative branches. The second group consists of four authoritarian regimes that were already classified as autocratic in the BTI 2022 and either maintained the status quo as a means of retaining power (Venezuela) or intensified repression, and thus saw their political transformation status erode further (Cuba, Guatemala, Nicaragua). Haiti, which is considered a hard-line autocracy, constitutes a category of its own as a simultaneously failing state. The Dominican Republic and Honduras form the fourth group, as they have experienced significant democratic improvements (respectively +0.40 and +0.33). The last group consists of nine countries in which the level of political transformation has either remained constant or changed only slightly.

Tab. 2: Political transformation dynamics (2021 – 2023)

		South America	Central America and Mexico	Caribbean
<b>Democratic erosion</b>	Expansion of executive power	Argentina Brazil	El Salvador Mexico	
	Increased polarization between executive and legislative branches	Ecuador Peru		
<b>Autocratic stagnation/ regression</b>	Stagnation	Venezuela		
	Autocratic regression		Guatemala Nicaragua	Cuba
<b>Failing states</b>				Haiti
<b>Democratic comeback</b>			Honduras	Dominican Republic
<b>Stability (relative)</b>		Bolivia Chile Colombia Paraguay Uruguay	Costa Rica Panama	Jamaica Trinidad and Tobago

According to the BTI reports for 2024, an expansion of executive power was the primary cause of the erosion of democracy in Brazil (-0.15 points), Argentina (-0.25), Mexico (-0.25) and El Salvador (-1.43) during the period under review. El Salvador stands out in this regard, having undergone the most significant political regression. This is primarily due to President Bukele's dominance over the legislature and judiciary, but also because of his government's violations of assembly rights and civil liberties. Bukele's successful pandemic-control measures in 2021 led his Nuevas Ideas (NI) party to a two-thirds majority in the legislature, paving the way for largely unchallenged one-party rule. The majority government's first action was to replace the attorney general and all five judges of the Constitutional Chamber of the Supreme Court of Justice with Bukele loyalists. Shortly after taking office, the new magistrates ruled that Bukele could run for re-election in 2024, although the constitution clearly prohibits incumbents from seeking a second term in office. The new attorney general also ended cooperation with the International Commission Against Impunity in El Salvador, which had supported investigations into high-ranking government officials in Bukele's administration, and halted other investigations related to corruption in the government. Following a spate of killings in March 2022, the legislature also passed a (still ongoing) state of emergency intended to combat gang violence. The associated measures severely restrict political and civil rights, and allow the state's security forces to detain people without any formalities. At the end of 2022, around 60,000 suspects were in custody, including thousands who had been unjustly imprisoned, according to human rights organizations. Despite Bukele's abrogation of the separation of powers and his government's violation of civil liberties, he continues to enjoy a very high level of public approval. If Bukele retains this popularity, he will probably win the 2024 elections, and further deepen this autocratization.



In Argentina, Brazil and Mexico, executives also tried to dominate other institutions, albeit less successfully. In Brazil and Mexico, the president was the driving force behind these anti-democratic efforts, while in Argentina, the government under President Alberto Fernández was shaped by the “vice-presidentialism” of former President Cristina Fernández de Kirchner (CFK). While Fernández sidelined the country’s Congress throughout much of the reporting period by using executive decrees to address the economic and COVID-19 crises, the governing coalition parties’ losses in the 2021 mid-term elections and increasing tensions between CFK and Fernández led to a legislative deadlock that blocked important policy measures. In contrast, AMLO had a majority in Mexico’s Congress throughout his term of office, which made it easier to pass questionable measures. Nevertheless, his Movimiento Regeneración Nacional (MORENA) and its allies lost their two-thirds majority in the 2021 congressional elections, which limited AMLO’s ability to make constitutional changes that could have further undermined the rule of law. Bolsonaro never had a majority in the Brazilian Congress, but did manage to politicize the Attorney General’s Office, which in turn acted to shut down anti-corruption measures that might have proved embarrassing for the president.

In all three countries, the countries’ highest courts have proved to be relatively resistant to co-optation attempts, and have thwarted anti-democratic moves. Most recently, at the end of June 2023, Brazil’s Superior Electoral Court banned Bolsonaro from holding public office until 2030 after he was found guilty of abusing his power in the run-up to the 2022 presidential elections, and of making unfounded allegations of electoral fraud. In the same month, Mexico’s Supreme Court dealt a blow to AMLO’s political agenda, annulling part of a controversial government electoral reform package (“Plan B”) that was intended to restructure the National Electoral Institute. In addition, in April of 2023, that court declared a plan to place the national guard under the army’s control to be unconstitutional. Argentina’s Supreme Court has also continued its trend of blocking government measures that were clearly political power plays. Nevertheless, there have been repeated attempts in all three countries to undermine the legitimacy and thus the independence of the judiciary.

The resilience of some checks and balances has ultimately kept the flame of democracy alive in Argentina, Brazil and Mexico. However, the shift to more democratically oriented leaders will be a decisive factor in determining the fate of political transformation in these countries. Lula da Silva’s return to the presidency in January 2023 gives cause for optimism regarding the strengthening of Brazilian democracy. Nevertheless, the road ahead will be difficult, especially as Lula faces a strong conservative opposition in Congress that has ties to Bolsonaro, as well as a society that remains divided due to socioeconomic inequalities and years of aggressive populist discourse.

The intensified conflict between the executive and legislative branches has perceptibly undermined the quality of democracy in Ecuador (-0.40) and Peru (-0.50). Guillermo Lasso took over Ecuador’s presidency after a polarized run-off election in mid-2021, but was confronted with fragmented, majority-opposition parliamentary blocs. This led to numerous conflicts between the executive and the legislature, which refused to approve a number of Lasso’s proposed laws. In June 2022, the National Assembly attempted to remove Lasso from office amid a political crisis triggered by two weeks of anti-government protests against rising living costs and increasing violence. Faced with a second impeachment process in May 2023, Lasso resorted to use of the “muerte cruzada” (mutual death) constitutional provision for the first time in Ecuador’s history.

This provision requires that new elections be called for the government body that has been deposed or dissolved, as well as for the body that initiated this action. However, Ecuador's democratic decline is also due to the rapid advance of organized crime, which is affecting not only the state monopoly on the use of force, but also the judiciary in particular. The assassination of presidential candidate Fernando Villavicencio in August 2023 was seen by most experts as a demonstration of power by the main drug cartels, reminiscent of developments in Colombia in the 1980s and Mexico in the 1990s.

As in Ecuador, tensions between the executive and legislative branches have weakened democracy in Peru, especially following political outsider Pedro Castillo's victory in the 2021 presidential elections. The right-wing camp around the defeated Keiko Fujimori vehemently disputed Castillo's legitimacy from the moment of his election victory. As a result, Congress offered virtually nothing outside of obstructive opposition to Castillo's government, which for its part acted highly erratically and without a clear government plan, and became embroiled in almost amateurish corruption scandals. Facing a third impeachment motion in Congress, which had little chance of success, Castillo attempted to extend his power by staging a self-coup on December 7, 2022. However, the coup failed due to widespread resistance from Congress, the judiciary and the military, and Castillo was instead charged with rebellion and conspiracy. This led to widespread protests, particularly in the Andean region. Some of these were violent, and the police responded to most with massive levels of repression. By the end of January 2023, around 60 people had been killed in these disturbances. Despite massive demands for the resignation of Congress and President Dina Boluarte's transitional government, and for early elections to be held, the government and the majority in Congress appeared set on working together to try to get through to the constitutionally prescribed general elections in 2026.

In Venezuela, the previous years' authoritarian conditions have persisted. De facto President Nicolás Maduro was able to strengthen his position both internationally and internally against a divided opposition, while also consolidating his undisputed leadership role within the ruling elite. While Venezuela's political transformation status remained unchanged, autocratic hardening took place in Guatemala (-0.20), Cuba (-0.27) and Nicaragua (-0.45). In Guatemala, the rule of law suffered particular setbacks as President Alejandro Giammatei stepped up his efforts to neutralize oversight bodies and eliminate judicial independence. The Special Prosecutor's Office Against Impunity was turned into an appendage of the executive, as were the Attorney General's Office and the Supreme Court, where a corrupt political network (known as the "pacto de corruptos") prevented the election of new judges. Numerous recent events have tended to confirm this syndrome. For example, unwelcome candidates were "weeded out" in the run-up to the 2023 elections. Surprisingly, anti-corruption activist Bernardo Arévalo, a critic of the regime, won the run-off election for the presidency. However, he still faces corrupt executive, legislative and judicial networks that are seeking to suspend his party, and thus eliminate his already meager power base in the country's Congress. It seems that Arévalo is in danger of becoming a solitary fighter in Guatemala's corrupt swamp. This means he may not survive politically for long. In Cuba, a series of nationwide opposition protests broke out on July 11, 2021, with tensions escalating due to a lack of basic foodstuffs, electricity shortages and restrictive COVID-19 measures. Although the demonstrations were peaceful, authorities reacted immediately with repression and arbitrary arrests. In the aftermath, protesters were sentenced to draconian punishments (up to 30 years), and most of the protest leaders and social media activists fled the island, joining a massive exodus of Cubans.

In Nicaragua, political participation was curtailed even further as the Ortega–Murillo regime consolidated the police state, silencing all critical voices and abandoning even the semblance of an electoral democracy. In the months before and after the 2021 parliamentary elections, the government weakened the opposition by arresting almost all leading figures associated with groups critical of the regime. Leading representatives of civil society, journalists and even former allies of the government from the Catholic Church and the business elite were arrested. Dozens of NGOs were forcibly closed or expropriated, and the last remaining print newspaper, *La Prensa*, was de facto closed in 2021 and its facilities expropriated (although it continues to publish online). All remaining members of the opposition were expelled from the country. Former detainees were stripped of their citizenship and also exiled as part of the regime’s long-term strategy of silencing dissent.

For its part, Haiti is on the road to anarchy. Acting President Ariel Henry took office in mid-2021 following the assassination of predecessor Jovenel Moïse, and was meant to have handed over power to a democratically elected president long ago. However, because police forces have failed to contain the metastasizing gang violence, it has been impossible to hold elections. By the close of the review period, heavily armed gangs controlled large parts of the country’s capital, and had also extended their reach to the surrounding areas, spreading chaos there. The incidence of murder, rape and kidnapping has sharply increased. On January 10, 2023, the last remnants of democratic representation were lost as the terms of office of 10 senators expired. Haiti is in the midst of a profound political crisis with no end in sight. As yet, the interim government has not been able to agree with opposition groups on a plan to restore stability and elections. Political opponents believe that Henry, like his predecessor, is clinging to power.

However, other countries still offer prospects of a democratic revival, as shown particularly by Honduras and the Dominican Republic. Dominican President Luis Abinader has reduced clientelism within the government and strengthened the rule of law. His appointments (such as the new attorney general and the members of the Constitutional Court and the Superior Electoral Tribunal) have been based more clearly on meritocratic criteria than was true of his predecessors. He has also implemented measures aimed at increasing government transparency and reducing politicization within the judiciary. Honduras, which slipped into autocracy under President Juan Orlando Hernández in 2017, managed to return to democracy with free and fair elections. However, the new government’s record remains mixed. For example, the new President Xiomara Castro abolished the “secrecy law” that enabled civil servants to conceal corrupt acts. However, she also passed an amnesty law that could protect influential members of her party from prosecution for abuse of office, which raises questions about her commitment to fighting corruption. Like her predecessors, Castro has been unable to address the country’s widespread violence while staying within the limits of democratic norms. At the end of 2022, she declared a partial state of emergency as a means of combating this disorder. Despite its suspension of rights, the measure received broad public support.

In the rest of the region, democracies remained relatively stable despite ongoing political challenges and social unrest in some countries. In Bolivia, the election of Luis Arce in 2020, and then of hundreds of subnational-level officeholders in 2021, ended the open crisis of democracy that had persisted since the controversial 2019 elections. During the reporting period, however, the executive continued to use the judiciary as an instrument of political persecution, and there were several confrontations between the Arce government and the regional government of Santa Cruz, indicating that the country remains highly divided both socially and politically. Chile, de-

spite the greater stability of its democratic institutions and thus greater ability to reach consensus, is also struggling to recover from the sociopolitical crisis that gripped the country in 2019. Among its other outcomes, this led to an agreement to draw up a new constitution to replace the “Pinochet” constitution of 1981. While the earlier disturbances brought a left-of-center government to power in the 2021 elections, in 2022 a majority of Chileans rejected the rather left-leaning constitutional proposal produced by the constituent assembly. In the subsequent elections for the new constituent assembly, the extreme right secured a blocking minority, meaning that the country is still on an uncertain course of transformation.

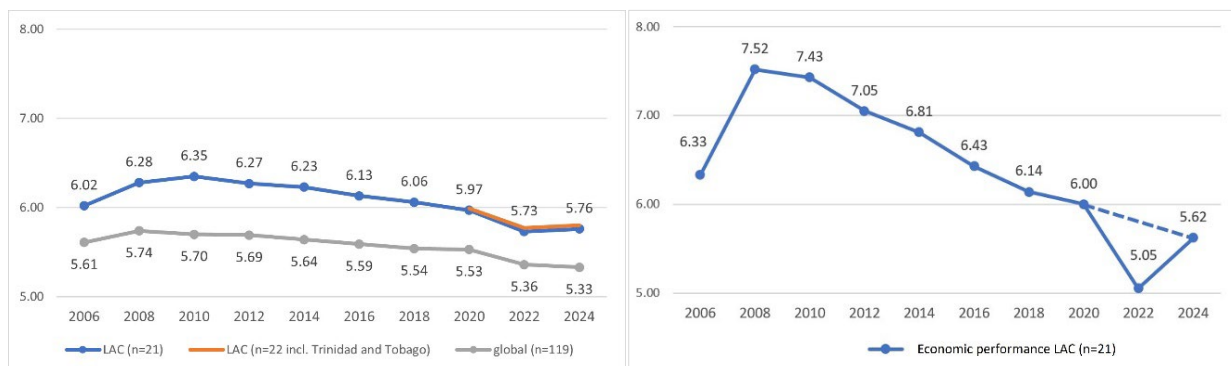
Colombia, Panama and Paraguay all faced socioeconomic and political challenges culminating in widespread protests during the reporting period. In Colombia, massive demonstrations against structural inequality took place throughout 2021. The government under President Iván Duque largely responded with state repression, which only increased citizens’ dissatisfaction. Security conditions also deteriorated in some regions, partly due to the slow implementation of the 2016 peace agreement. Gustavo Petro, the country’s first left-wing president and a former member of the M19 armed guerrilla movement, was elected against this backdrop in mid-2022, and has promised to revive the peace process and restore socioeconomic stability. However, he has yet to make concrete progress in this regard. Mario Abdo’s conservative government in Paraguay also faced fierce protests at the beginning of March 2021, sparked by the skyrocketing number of COVID-19 infections. The health minister resigned as a result. Opposition lawmakers initiated a second round of impeachment proceedings against the president, following a first such threat in 2019. However, these ultimately failed. Similarly, in Panama, structural problems that had worsened during the pandemic triggered mass protests in mid-2022. Demonstrators demanded that the government put a stop to widespread corruption and rising inflation. To this day, the underlying problems have not been solved, and social unrest continues.

The political waters in Costa Rica, Jamaica, Trinidad and Tobago, and Uruguay were far less turbulent. In Uruguay, the transformation process has actually improved despite the ongoing challenges posed by COVID-19. Costa Rica, the longest-lived democracy south of the Río Grande, also continues to be bolstered by its strong democratic culture. New President Rodrigo Chaves has repeatedly displayed populist and anti-establishment attitudes, and has engaged in some unconstitutional actions, but these have as yet been held effectively in check.

## Economic transformation

The majority of countries in Latin America and the Caribbean are market economies – featuring known strengths as well as sometimes-glorious weaknesses – and have maintained this orientation in recent years. They entered the current BTI review period fresh from the experiences of the pandemic year of 2020, which had been disastrous in many respects. As 2021 began, the dual prospect of vaccines and a return to life beyond a perpetual state of emergency was raising hopes that a rapid economic recovery might be just around the corner. And in fact, most countries experienced a significant economic revival in 2021, almost making up for what in some cases had been a dramatic slump in growth during the previous year. As Figure 2 shows, this is reflected in significantly improved economic performance in the BTI 2024. Growth in 2022 was much weaker, however. As the graphic indicates, the region overall was consequently unable to recover fully to the level of the BTI 2020, thus continuing the downward trend in performance that began in the BTI 2010.

Fig. 2: Development of economic transformation and performance (BTI 2006 – BTI 2024)



Left: Latin America and the Caribbean (LAC) compared to global development;  
right: Average economic performance scores (21 LAC countries; excluding Trinidad and Tobago)

A look at overall economic transformation index scores (Fig. 2, left) shows a similar trend in the overall average: A slight recovery relative to the BTI 2022 contrasts with a continued weakening over time. However, a variety of different phenomena are responsible for this effect. First, it should be noted that the sharp decline in economic performance is not the only reason for the overall negative trend. Furthermore, the average scores conceal significantly different developments within the individual countries. In some cases, negative outcomes in heavyweights such as Argentina, Brazil and Mexico, as well as in the smaller Haiti and Venezuela, serve within the overall balance to mask positive developments in other countries. However, before we analyze these medium- to long-term trends in more detail, we will first look at developments in the current review period, and specifically at how the individual countries have emerged from the COVID-19 crisis.

Apart from a few special cases such as Haiti and Venezuela, two different but overlapping phases can be observed here. The year 2021 was clearly defined by the need for economic recovery, which actually occurred in almost all the region's countries, albeit to varying degrees and at varying speeds depending on each economy's particular characteristics. For example, Panama and Peru,

the two countries hit hardest in terms of the collapse in growth, were able to recover rapidly in 2021, even achieving the region's highest growth rates. Panama's GDP per capita increased by 13.8% following a massive decline of 19.1% in 2020, while Peru's increased by 12% after a slump of 12.2%. Similar recovery trends were seen in other countries including the Dominican Republic (-7.7%/11.1%), Honduras (-10.4%/10.8%), Chile (-7.2%/10.6%), El Salvador (-8.4%/9.9%), Argentina (-10.8%/9.4%) and Colombia (-8.4%/9.4%). By contrast, the countries with more severe preexisting structural problems also experienced weaker economic upturns (Bolivia, Cuba, Ecuador, Haiti and Venezuela).

However, the majority of countries were already showing signs of rising inflation in 2021. This was linked to continuing disruptions in international supply chains and thus supply-side shortages, as well as the release of pent-up demand following the pandemic-era decline in consumption, among other factors. With Russia's war against Ukraine, the effects of international shocks continued to disrupt Latin American economies in 2022. Energy and food prices in particular – both potential triggers for social discontent and even unrest – weighed heavily on almost all countries, and hardly any were able to achieve the inflation targets set by their central banks. With the exception of crisis-ridden Bolivia and the dollarized economies of Ecuador and Panama, as well as several special cases (Argentina, Cuba, Haiti and Venezuela), even countries with solid monetary stability policies were unable to avoid inflation rates of between 6.9% (Guatemala) and 11.6% (Chile).

In this context, however, the vast majority of countries pursued capably designed monetary and currency policies, indicating that macroeconomic stabilization policies are today firmly established and solidly institutionalized. This applies in particular to the role of central banks, which initially responded to the COVID-19 outbreak with significant interest rate cuts, but corrected their policies in response to signs of rising inflation, and for the most part strictly adhered to their actual mandate of preserving monetary stability. Apart from the exceptions already mentioned – Argentina, Cuba, Haiti, Venezuela and to some extent Bolivia – the results of the BTI 2024 confirm that all other countries have extremely sound monetary policies overall. Out of the 22 countries in the region, 17 ranged between seven to 10 points in this area, and nine reached the high level of nine or 10 points (average score of these 17 countries: 8.47 points). In comparison with the other BTI regions, Latin America as a whole achieves a relatively high average score of 7.32 on the monetary policy indicator, a level exceeded only by the countries of East-Central and Southeast Europe (9.06), the majority of which are EU members. Among the other regions, only West and Central Africa (6.95) comes close.

However, the downside of the central banks' successful monetary policies is also clear: Although rising interest rates were for the most part able to keep inflation in check, economic growth slowed significantly in 2022. In combination with other factors contributing to uncertainty, particularly those of a political and external nature, the higher base interest rates contributed to a noticeable reluctance to invest, and thus helped to mute growth. Data from the UN Economic Commission for Latin America and the Caribbean (ECLAC) for 2022 shows that only Colombia (7.2%), Panama (6.9%) and Uruguay (5.1%) still achieved satisfactory levels of per capita GDP growth. However, in Panama, even this was not enough to compensate for the massive decline in 2020. Indeed, around half the region's countries proved similarly unable to reach their pre-pandemic levels (see Table 3). From this perspective, only six countries have come through the multiple crises in a reasonably satisfactory manner: the Dominican Republic (up 9.6% compared

to 2019), Colombia (9.5%), Nicaragua (9.2%, if the data can be trusted), Chile and Costa Rica (5.7% each), and Guatemala (4.8%). A further five countries (Argentina, Brazil, El Salvador, Honduras and Uruguay) saw only moderate growth over this three-year period (between 1.4% and 2.7%), which is more akin to stagnation. Joining Panama, the remaining countries recorded virtually zero growth (Peru), or in some cases suffered substantial GDP losses (particularly Cuba: -8.9%, Venezuela: -9.8%, Haiti: -10.7%). Both ECLAC and the International Monetary Fund (IMF) anticipated a further slowdown overall in 2023.

This is producing an explosive situation. In many of the region's countries, most people already have access only to very limited resources, and informality and inequality rates are high. With growth likely to be slow, large sections of society are now caught between the pinchers of reduced employment prospects and inflation-driven real wage declines. Like the IMF in its spring 2023 outlook, ECLAC has forecast that core inflation rates in the region could remain relatively high. This would put further pressure on poorer sections of the population in particular, who spend the majority of their income on food, and who already bore the brunt of the pandemic's ill effects. If the resulting social demands are perceived as increased political uncertainty, particularly against the backdrop of often overwhelmed governments, the result could be further investment restraint – thus producing a vicious circle.

Tab. 3. Cumulative growth (GDP per capita) 2012 – 2022

	2012	2013	2015	2017	2019	2020	2021	2022	2019 – 2022
<i>Latin America</i>	100	102	101	99	99	91	96	99	0.3
Dominican Republic	100	104	116	127	139	129	143	149	9.6
Colombia	100	104	110	110	113	104	115	123	9.5
Panama	100	105	113	121	125	101	115	122	-2.3
Costa Rica	100	101	106	113	116	111	118	122	5.7
Paraguay	100	107	113	120	120	118	121	119	-1.0
Bolivia	100	105	113	119	123	111	116	119	-4.7
Nicaragua	100	104	111	118	107	104	113	116	9.2
Guatemala	100	101	106	108	111	107	114	116	4.8
El Salvador	100	102	105	109	113	103	113	116	2.7

	2012	2013	2015	2017	2019	2020	2021	2022	2019 – 2022
Honduras	100	101	104	110	113	101	112	115	2.1
Peru	100	105	108	112	115	101	113	115	0.0
Uruguay	100	104	107	110	110	103	107	113	2.6
Chile	100	102	104	104	107	99	110	112	5.7
Cuba	100	103	108	110	113	100	102	104	-8.9
Mexico	100	100	104	106	106	96	100	102	-4.1
Jamaica	100	100	100	102	104	93	97	99	-4.4
Brazil	100	102	97	94	95	91	95	97	2.2
Ecuador	100	103	104	102	99	90	93	94	-5.4
Argentina	100	101	99	98	92	82	90	93	1.4
Haiti	100	103	104	106	104	99	96	93	-10.7
Trinidad and Tobago	100	103	105	92	91	83	82	84	-7.0
Venezuela	100	100	89	64	39	28	26	29	-9.8

Authors' calculations (2012 = 100); figures in the annual columns are rounded.

Data source: ECLAC 2023. Balance Preliminar de las Economías de América Latina y el Caribe.

However, the economic analysis offered above, which in part aims to point out tipping points within the various societal structures, should not obscure the fact that the countries in the region differ greatly in terms of their institutional capacities. The majority of countries have achieved only a middling average status in this regard. Even the comparatively weak economies still show some strengths, especially in the area of monetary policy. Yet these strengths cannot be regarded as secure, as illustrated by the concerns expressed in the Peru country report regarding the failing consensus on the value of macroeconomic stability. Moreover, political upheavals may induce other countries to follow suit.

The analysis thus far has already indicated that little of a fundamental nature has changed with regard to Latin America's economic transformation status, despite the various crises (see Table 4). Despite the slight renewed downward trend (average score of 5.80), the region remains in second place behind East-Central and Southeast Europe (7.83), though it trails that leader by a considerable distance. Both improvements (Dominican Republic: +0.50 points) and deteriora-



tions (Haiti and Cuba both  $-0.36$ ) were limited during the period under review. While three countries (Chile, Uruguay, Costa Rica) continue to rival the BTI's best performers, and four countries have shown alarming declines (Nicaragua, Cuba, Haiti and last-place finisher Venezuela), the majority of countries remain in the middle ranks, and are unlikely to make further progress without fundamental reforms. Yet neither practical proposals nor even the vision needed for such policy overhauls are currently at hand. Before we return to this aspect, however, we must briefly analyze social conditions in the region, which have been mentioned only in passing so far.

Here, over the past two years, we can see that the external shocks, mediocre growth rates, weak labor-market recoveries and inflationary pressures have prolonged or even exacerbated the conditions of social crisis already accentuated by the pandemic. One indication of this is countries' "negative stagnation" with regard to the level of socioeconomic development, which has shown very little fundamental change in the last 10 years, although individual countries (Cuba, Venezuela) have measurably reduced the average score. While this average remained around the (lackluster) five-point level until the BTI 2014, it has since fallen from 4.71 (BTI 2020) to 4.57 (BTI 2022) and now to 4.48 (21 countries in each case, excluding Trinidad and Tobago). None of the three countries (Argentina, Peru, Venezuela) that suffered declines in this criterion in the BTI 2022 due to the impact of the pandemic were able to reverse this during the current review period. In addition, Brazil and Mexico, the economic heavyweights of Latin America, both slipped from six to five points in the BTI 2024, while Cuba, once praised for its social welfare system, even fell from five to four points. Among other factors, this is due to the fact that Brazil and Mexico have fallen behind over the years compared to prominent international peers (China, Thailand, Türkiye), and have seen scores in key indicators stagnate (especially inequality). Brazil's HDI score is roughly the same as it was in 2014, while Mexico's is about the same as in 2012. Cuba remains below its 2011 value, and the country has additionally fallen 20 places in the index's rankings (from 63rd place to 83rd).

It is significant here that the average level of socioeconomic development in Latin America and the Caribbean has fallen behind that of other regions such as Eastern Europe, the Caucasus and Central Asia or Asia and Oceania. Over the last 15 years, poverty and inequality rates have also increased in most regions, but to a far lesser extent. The situation is similarly discouraging with regard to poverty-rate trends. According to ECLAC's calculations for 2022, there was a slight decrease in overall poverty in the Latin American and Caribbean region (to 32.1% of the population) compared to 2021, but a slight increase in extreme poverty (to 13.1%). In absolute terms, this means that more people are living under conditions of poverty or extreme poverty than was the case before the pandemic. ECLAC says this represents a regression of 25 years. Furthermore, it likens the unemployment rate calculated for 2022 to a regression of 22 years, with women being particularly deeply affected. Finally, the organization also says the pandemic has created a "silent education crisis" that has left half a generation of students behind, in large part due to the region's comparatively long school closures (an average of 70 weeks) as well as a lack of internet connections, equipment and digital skills. Previously existing educational inequalities have thus been magnified. This represents a burden not only for efforts to provide equal opportunities, but also for the future of the region's economic systems as a whole. The BTI data indicate that a negative stagnation is also underway here: Although the 21 countries' education-policy scores appear to fluctuate around the five-point mark, this cannot be seen as a satisfactory level. Moreover, the region's average overall score of 4.86 points for this indicator is the lowest such value since the BTI 2006. Although Chile was able to improve in the BTI 2024 thanks to numerous small

advances over time, four countries saw further deterioration in this area, including the Dominican Republic, former regional education champion Cuba (falling from 8 to 6 points), Mexico and Nicaragua.

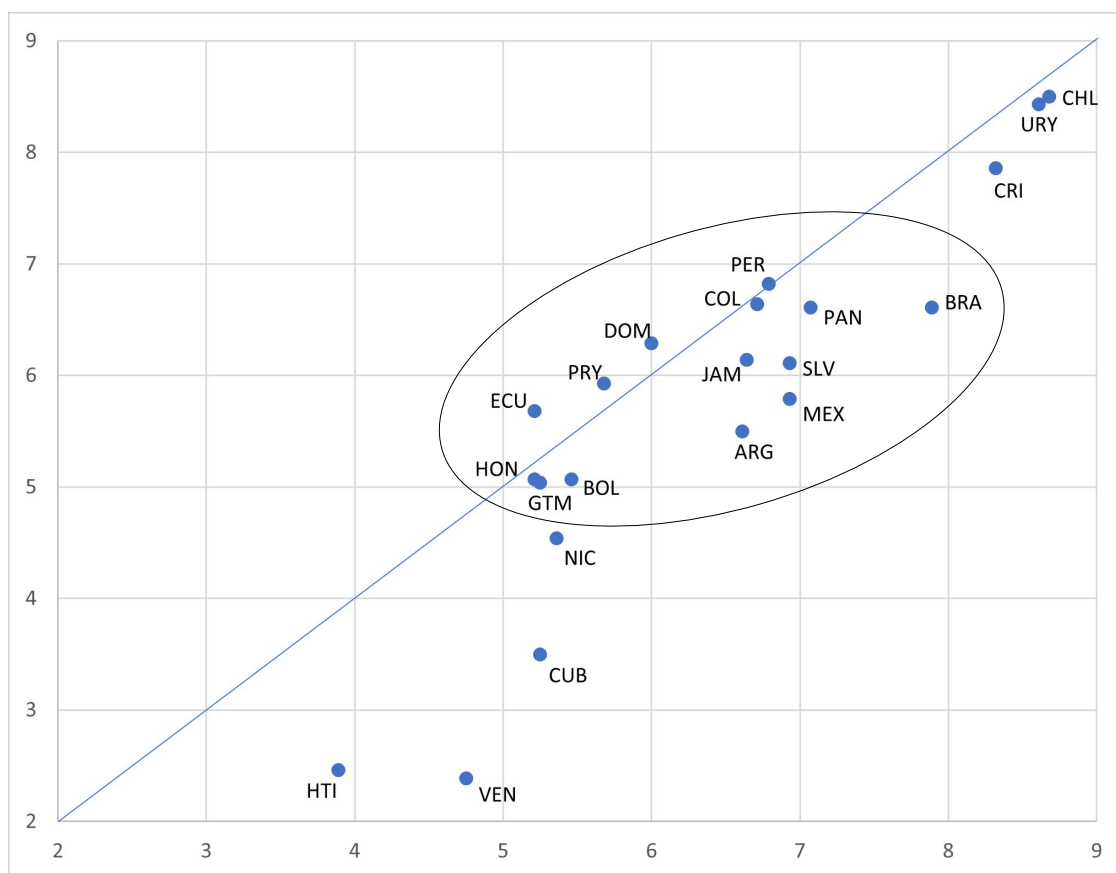
Tab. 4: State of economic transformation

highly advanced	advanced	limited	very limited	rudimentary
Score 10 to 8	Score < 8 to 7	Score < 7 to 5	Score < 5 to 3	Score < 3
Chile	Costa Rica	Peru	Nicaragua	Haiti
Uruguay		Colombia	Cuba	Venezuela
		Brazil		
		Panama		
		Trinidad and Tobago		
		Dominican Republic		
		Jamaica		
		El Salvador		
		Paraguay		
		Mexico		
		Ecuador		
		Argentina		
		Bolivia		
		Honduras		
		Guatemala ▲		

The table follows the BTI 2024 index scores. Countries are ranked according to their respective score in economic transformation status assessment. Arrows mark a change of category compared with the BTI 2022.

As in the BTI 2022, there has been hardly any movement with regard to the state of economic transformation. Only Guatemala, thanks to a slight improvement in economic performance, has slipped into the group of countries with limited transformation, which contains the considerable majority of the region's countries. In observing the results since the BTI 2010 – the previous peak in the regional average – we can see a downward trend over the past decade that was further accentuated by the effects of the pandemic, and which was arrested only in isolated cases during the current review period. The region's "giants" also showed some of the region's biggest losses in this period: Brazil (-1.29), Mexico (-1.14) and Argentina (-1.11) were surpassed only by Venezuela (-2.36), Cuba (-1.75) and Haiti (-1.43) in this regard. Figure 3 shows that there were only three (weak) improvements in this period: the Dominican Republic, which stood out in the current period due to President Abinader's implementation of a more stringent economic and economic regulation policy; Ecuador, whose positive record represented a step up from the less successful era under President Rafael Correa; and Paraguay, where the dominant Colorado party is pursuing an as yet relatively stable – but in some respects unsustainable – agricultural export model.

Fig. 3: State of economic transformation (BTI 2024 compared to BTI 2010)



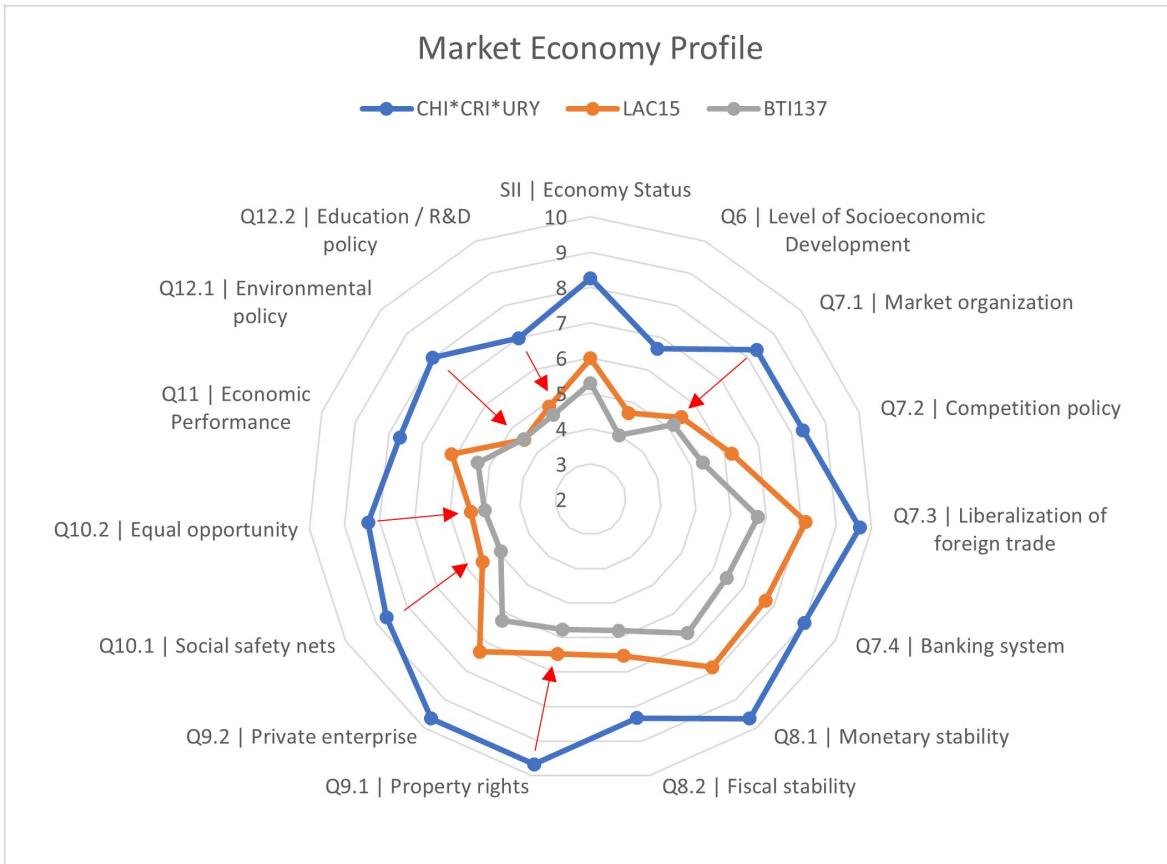
The X-axis shows the country scores in the BTI 2010, while the Y-axis depicts those from the BTI 2024. Countries below the diagonal have seen a decline in quality, while those above have improved.

While Chile, Uruguay and Costa Rica have largely solid and crisis-resistant economic systems despite some remaining shortcomings (particularly in the education sector), the countries at the level of limited economic transformation – circled in the middle area in Figure 3 – are characterized by serious structural problems and institutional imbalances that will make them less resilient in the future, and expose them to the risk of falling further behind internationally. Overall, Latin America and the Caribbean are facing increasing competition from (formerly) less developed regions, but are not (yet) able to compete with more developed countries. In addition to the recurring periods of political instability found in many countries, the region faces growing challenges posed by the effects of climate change, such as the melting of Andean glaciers, extreme droughts and periods of rain, and the intensification of the already often-disastrous “normal” climate fluctuations (especially the El Niño and La Niña phenomena).

The structural problems of the countries in the middle of the rankings are primarily associated with weak institutions, large informal sectors and persistently high levels of inequality. Urgently needed political reforms have either not been addressed or have not been successful – in some cases due to political resistance, in others due to poor implementation. A look at the market economy profiles of these middle-ranking countries compared to the three more successful countries of Chile, Costa Rica and Uruguay – which show what can be possible in Latin America – reveals clear institutional weaknesses (see Figure 4). Shortcomings with regard to market organization, private property, welfare state institutions, environmental protection and education

are particularly plain. In each of these areas, these countries score very close to the very low overall BTI average. In order to catch up, these countries would have to move toward the blue profile. However, serious governance problems continue to stand in the way.

Fig. 4: Comparison of economic transformation by indicator



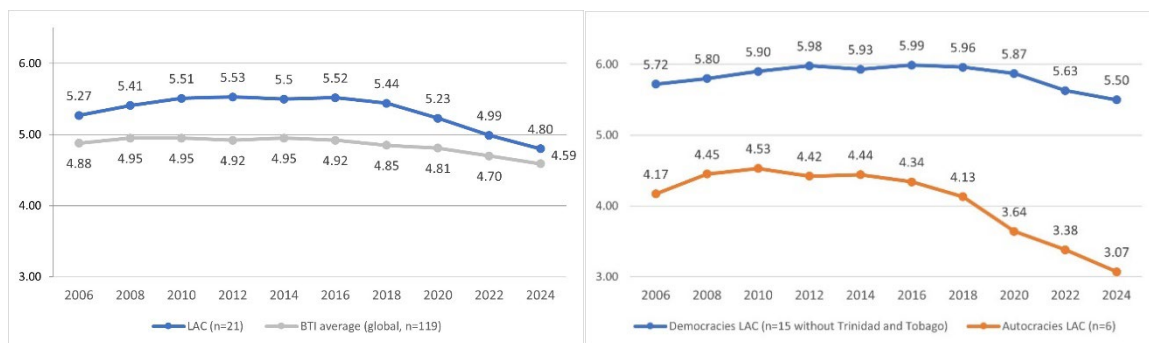
The outer (blue) line shows the indicator profile of the successful countries Chile, Costa Rica and Uruguay (CHI\*CRI\*URY), as well as the overall economic transformation status score. The middle (orange) line shows the profile of the region’s 15 middle-ranking countries, while the inner (gray) line shows the average profile of all 137 countries in the BTI 2024.

## Governance

The issues of political and economic transformation discussed above have already indicated that governments in the Latin America and the Caribbean region are being increasingly overwhelmed by the problems they face. Overall, the region presents a scenario of crumbling or impeded consensus, often driven by structural factors (such as dysfunctional representation structures, especially party systems) and powerful veto groups both within and outside the political system. Democratically legitimized and organized change in Latin America and the Caribbean today seems to be running up against insurmountable hurdles. The region's populations are moreover increasingly aware of these constraints – to the extent they are in favor of such change at all. Many citizens have largely come to terms with the status quo, and expect their governments at best to improve their material livelihoods (itself no mean feat given the problems outlined above).

It is no coincidence that the quality of governance in the region has once again fallen significantly, as previously in the BTI 2020 and BTI 2022. However, with an average score of 4.86, the LAC region still ranks second in an interregional comparison, behind East-Central and Southeast Europe (5.85) and ahead of Asia and Oceania (4.65). Over time, however, the average score for the region has gradually approached the global average. Or perhaps better said, the average of the 119 countries consistently surveyed since the BTI 2006 has continued to converge. This global average roughly corresponds to the current governance quality of Angola or Peru, which, like the now-autocratic El Salvador, saw some of the BTI's biggest declines during this review period. In addition, with deterioration also evident in Argentina and Brazil under Bolsonaro – the new Lula era, beginning in January 2023, was not included in the assessment – two additional democracies again contributed to the reduction in the overall governance average. The governance quality of the democracies as a whole has again weakened significantly. This is partly due to the fact that Honduras, despite returning to democracy, has not yet reached a higher level, while El Salvador, which performed relatively well in the BTI 2022, has now moved into the camp of the autocracies. The overall governance-score averages of these autocracies place them on a level between Afghanistan and Tajikistan.

Fig. 5: Governance (BTI 2006 – BTI 2024) in Latin America and the Caribbean



left: global comparison;

right: intraregional comparison of the governance of democracies and autocracies.

Once again, it may require a magnifying glass to discern any positive developments here. Alongside Honduras (+0.47), only Colombia (+0.50) stands out in this regard. However, under President Petro, this latter country has merely recovered from the dip in governance quality under the less-consensus-oriented and relatively unsuccessful President Duque. That said, Uruguay, Costa Rica and Chile were all able to maintain their relatively high levels, respectively placing 2nd, 6th and 7th in the overall ranking of all 137 countries. Although Estonia and Latvia have overtaken Chile and Costa Rica, the governance achievements of these Latin American states remain remarkable given the abundance of adverse circumstances. In both countries, new governments have taken office. Neither the left-leaning President Gabriel Boric in Chile nor the right-leaning President Rodrigo Chaves in Costa Rica have secure majorities in parliament, and in both cases, resistance to reform has been immense. Nevertheless, established governance structures in both countries have remained solid. In Costa Rica, however, President Chaves has engaged in escalating anti-establishment discourse, for example with regard to the social security systems that have constituted a cornerstone of national development since the mid-20th century. This has created a strong risk of polarization in the country. For its part, Chile is in the midst of a political upheaval with an uncertain outcome, particularly following the failure of the constitutional referendum to replace the “Pinochet” constitution. As the review period closed, efforts to draft a new constitution were still underway.

Tab. 5: Governance quality

very good Score 10 to 7	good Score < 7 to 5.6	moderate Score < 5.6 to 4.3	weak Score < 4.3 to 3	failed Score < 3
Uruguay	Dominican Republic	Bolivia	El Salvador ▼▼	Haiti
Costa Rica	Trinidad and Tobago	Panama	Cuba ▼	Nicaragua
Chile	Jamaica	Ecuador	Brazil ▼	Venezuela
	Colombia ▲	Argentina	Guatemala	
	Paraguay	Peru ▼		
		Honduras ▲		
		Mexico		

The table follows the BTI 2024 index scores. Countries are ranked according to their respective score in the Governance Index. Arrows mark a change of category compared with the BTI 2022.

The generally negative trend line is linked in part to increasingly complex and in some cases intensifying social problems such as inequality, economic slowdowns and climate change. However, the region’s representative systems are also experiencing increasing difficulties in organizing social consensus and finding – or even seeking – appropriate solutions. The autocracies of the region are mostly inflexible and unresponsive to popular demands, and with the exception of Cuba, tend to be deeply corrupt. In the democracies, governance is increasingly being disrupted by political and social fractures, complicating efforts to reach consensus on transformation goals. In Table 5, the three successful countries can be seen at the top, trailed at a considerable distance by the three Caribbean island states, while Colombia (5.74) and Paraguay (5.71) have only just crossed the threshold into the category of good governance. With the exception of Brazil, which under Bolsonaro has now been relegated to the category of weak governance – otherwise joined there exclusively by autocracies – the remaining democracies fall into the category of moderate governance. Translated, this means that little progress is being made in this area as well, and that countries are largely governing in crisis mode, as we will see

below. Overall, this general governance trend is also reflected at the criterion and indicator level. No positive developments can be seen here for the period under review. Indeed, most indicators have shown declines – in particular policy coordination (-0.50), prioritization (-0.23), implementation (-0.32), anti-democratic actors (-0.36) and cleavage/conflict management (-0.27). This points to a dangerous mix of weak governance capacities and a failure to deal with social divisions and conflicts.

Table 6 presents a rough classification of the governance patterns found in the region. Disorganized governance in democracies is primarily characterized by the fact that governments have considerable difficulties in strategically tackling pressing problems due to a lack of will or capacity. Blocked governance in democracies means that governments are faced with unyielding resistance to their reforms and policies, or are themselves unwilling to compromise. Both categories are essentially ideal types, in Max Weber's sense. For example, the case of Peru under President Castillo shows particularly clearly that a country's governance can be assigned to both categories. Authoritarian governance is characterized by anti-plural decision-making and implementation, executive dominance, and especially a lack of consensus-building. Here too, the latter two characteristics in particular can also occur in democracies. With the reservations already mentioned, "solid" governance applies to the previously discussed islands of excellence Chile, Costa Rica and Uruguay, as well as to the Dominican Republic, Jamaica, Paraguay, and Trinidad and Tobago. These latter countries are characterized by relative stable government patterns that – as particularly seen in the case of Paraguay – appear unlikely to generate significant reform impetus, precisely because of the rigid nature of their current political constellations.

Tab. 6. Governance patterns

<b>Solid</b>	<b>Disorganized</b>	<b>Blocked</b>	<b>Authoritarian</b>
<b>Chile</b>	<b>Argentina</b>	<b>Bolivia</b>	<b>El Salvador</b>
<b>Costa Rica</b>	<b>Brazil</b>	<b>Ecuador</b>	<b>Guatemala</b>
<b>Dominican Rep.</b>	<b>Haiti</b>	<b>Colombia</b>	<b>Cuba</b>
<b>Jamaica</b>	<b>Honduras</b>	<b>Panama</b>	<b>Nicaragua</b>
<b>Paraguay</b>	<b>Mexico</b>		<b>Venezuela</b>
<b>Trinidad and Tobago</b>	<b>Peru</b>		
<b>Uruguay</b>			

The 10 countries with disorganized or blocked governance stand out from the others in that deep social divisions have developed over the years, up to and including excessive polarization, often aggravated by populist tendencies. In the group of disorganized governance, Peru (-1.16), Argentina (-0.81) and Brazil (-0.63) are three of the four countries that have suffered the most significant overall governance losses. In Peru, the long-term political crisis that has been simmering for years intensified further in the course of the 2021 presidential elections. From the outset, Castillo's term of office was characterized by fierce political disputes between the executive and legislative branches, as well as between left-wing and right-wing forces. To a great extent, these were not about specific policies, but instead fundamentally about power games with the aim of eliminating the political "opponent" (via impeachment or the dissolution of parliament). Castillo's short term in office (from July 2021 until his farcical coup attempt in December 2022) was characterized by political aimlessness and a lack of capacity to act. It was clear that neither he nor his five prime ministers knew how to organize the government; the nearly 70

ministerial changes in 16 months, including seven interior ministers and six defense ministers, speak for themselves. As the BTI country report notes, the government was simply incompetent, inefficient and mediocre, with those in the president's closest circles involved in serious corruption cases. Accordingly, the qualities of steering capability, resource efficiency and consensus-building declined drastically, as reflected in the BTI data. Under Castillo's successor Dina Boluarte, Peru has taken a turn toward more authoritarian modes of governance.

In Argentina, after the 2021 mid-term elections, the domestic political conflict continued to heat up with the approach of presidential and parliamentary elections in October 2023, after the end of the period under review. The disorganization of governance here stems less from a lack of professionalism than from dissension within the government itself. From the beginning of President Fernández's term in office, the real power struggle was not primarily between the government and the center-right parliamentary opposition, but rather within the government itself – that is, between the moderate and radical wings of the Peronist movement. The former was represented by the president and some members of the cabinet, and the latter by Vice President Cristina Fernández de Kirchner and her supporters in the cabinet and in Congress. The hostility intensified after the Peronists' losses in the mid-term elections. This led to a number of important political measures being blocked, in particular the fulfillment of IMF conditions and the austerity measures needed to reduce the budget deficit. As a result, the country's overall record is tarnished by reduced steering capability and resource efficiency.

Brazil continued its governance slump in the second half of President Bolsonaro's term of office. While political polarization between left-wing and right-wing forces had been growing since 2013, Bolsonaro had deepened these divisions since taking office in 2019. As a consequence, the aspects of governance relating to consensus and cooperation in particular saw their scores deteriorate significantly in the BTI 2022. Since then, both prioritization and resource efficiency have also shown substantial declines. While Brazil has traditionally had a professionally staffed public administration, the often arbitrary reshuffles, job and budget cuts, and the appointment of ideological allies instead of experts have all done enormous damage to the efficient use of available resources. Although the government originally promised a comprehensive fight against corruption, it de facto made the situation considerably worse. Bolsonaro has thus left his successor Lula da Silva another difficult legacy.

In Mexico, one of the three remaining countries in this group, President López Obrador remained true to his personalistic and often erratic style of government, largely disregarding existing institutions. His policy objectives remain vague, and neither a coherent political strategy nor a significant strategic capacity to organize policy is discernible. Although Honduras has returned to democracy, the government under President Castro has had difficulties setting clear priorities, and weak institutional capacities have hampered policy implementation. Following the assassination of President Moïse, Haiti is close to complete state collapse, and is classified as both an autocracy and a failing state. The disorganization here therefore affects the entire state. Indeed, it is hardly accurate to refer to this as a government at all.

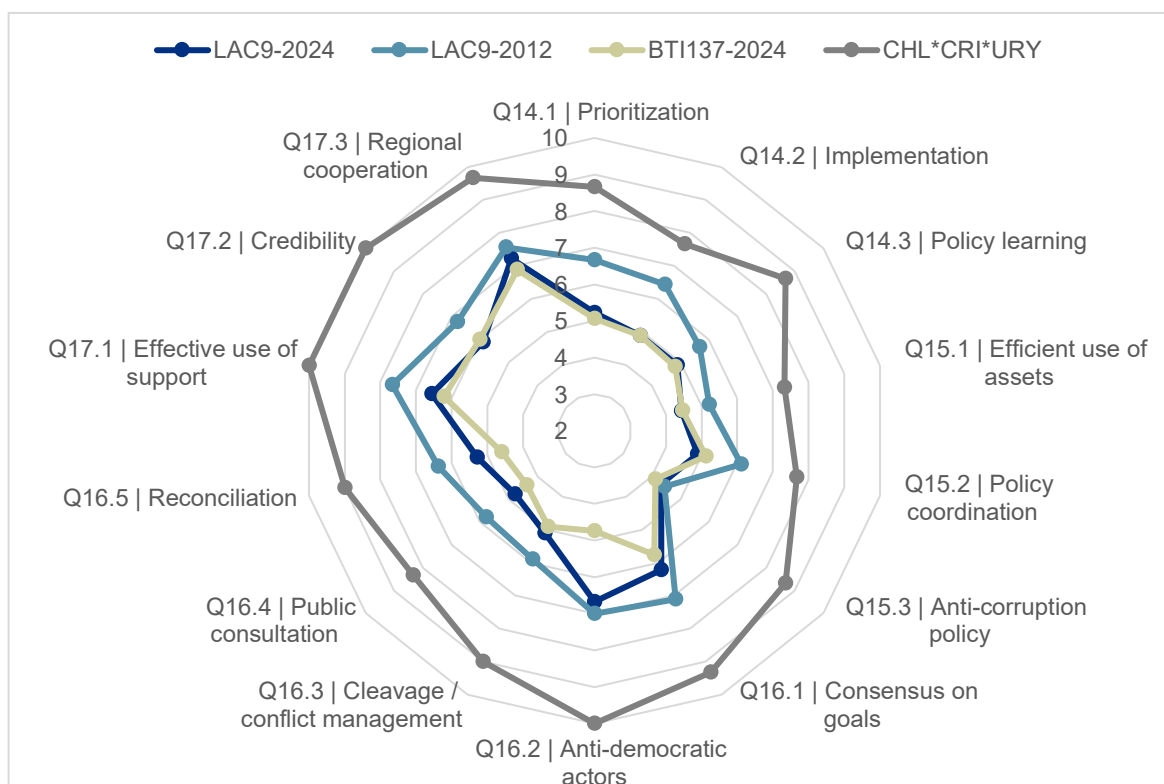
The four countries with blocked governance are all characterized by strong societal tensions, in some cases to the level of serious polarization. In each, political actors are pursuing political concepts that are in clear competition, even if they are not always clearly defined. However, these political forces are not necessarily primarily focused on eliminating each other, as is the case in Peru. This latter extreme is most likely to be the case in Bolivia, where the 2020 elections ended



the open democratic crisis, but the profound social and political polarization within the country's society continues. Overall, a somewhat diffuse but widespread conservative current has established itself in Bolivia, resulting in repeated protests and even massive social actions against government policies. This current includes religious groups (which oppose liberal gender policies and sexual self-determination rights) and the regional movement in Santa Cruz, for example. In Ecuador and Colombia, the various political camps are similarly irreconcilably divided. In Ecuador, this led right-wing President Lasso to dissolve parliament shortly after the end of the review period, and to subsequently rule by decree until new elections were held. Before that time, the left-wing-dominated parliament had blocked his agenda, enabling him to shape policy only in those areas where he was allowed to govern by decree. In Colombia, despite initial successes, left-wing President Petro is increasingly facing similar difficulties in implementing his ambitious reform policies, requiring him to depend in part on conservative forces' support. Increasing tensions related to the potential impact of the 2023 subnational elections have raised doubts as to whether the government will receive sufficient support to push through its reforms by the end of its term in office.

Figure 6 depicts the relative positions of the countries with disorganized or blocked governance (nine cases, excluding Haiti): first, as compared to the three best performers, Chile, Costa Rica and Uruguay, as a means of showing the potential that exists in Latin America; second, compared to the overall average of the BTI 2024 country sample; and third, compared to their own governance history in the BTI 2012. This last comparison shows that these nine countries are far from living up to their own governance potential, particularly with regard to steering capability. The distance separating them from the best performers has widened even further, with these nine countries' deteriorating governance performance now approaching the overall BTI average. However, there remains a significant difference in terms of the integration of anti-democratic actors; at least in this area, these countries have not lost ground.

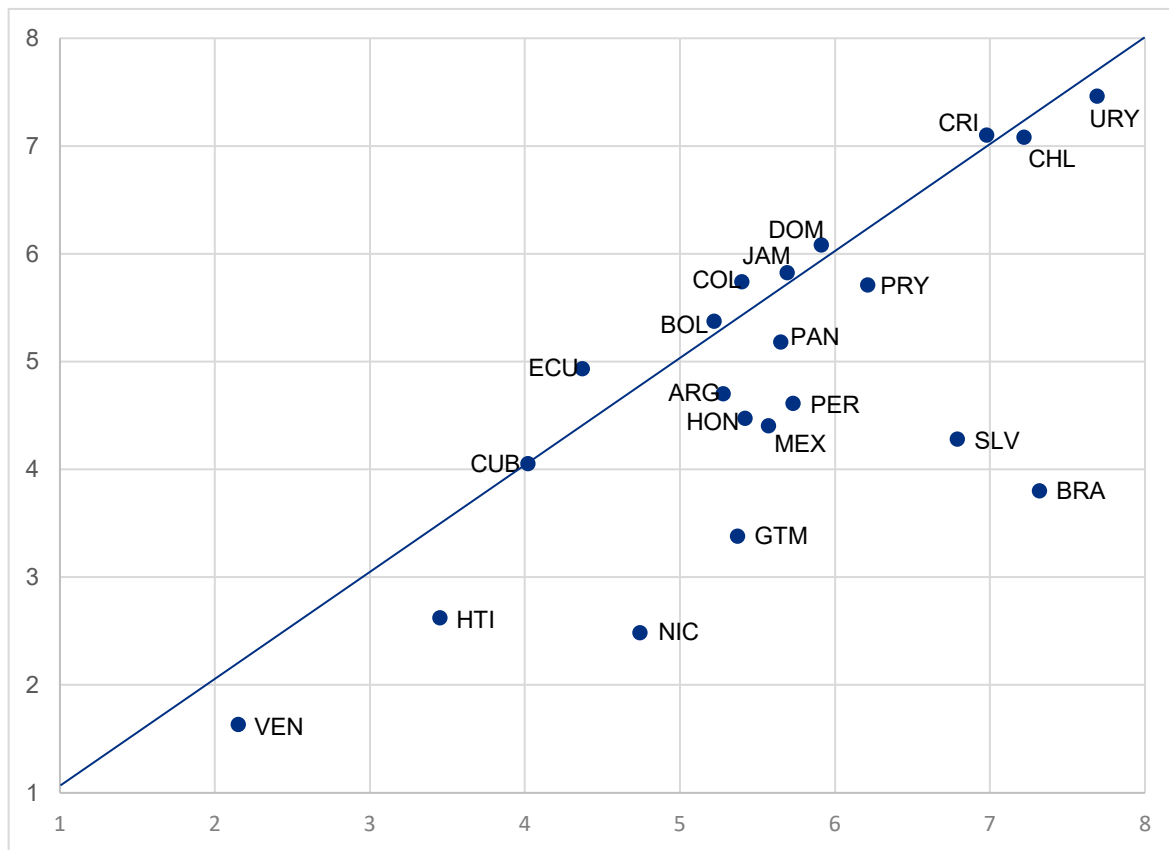
Fig. 6: Governance profiles in Latin America/Caribbean



The outer line shows the average profile of Chile, Costa Rica and Uruguay; the green line reflects the profile of the overall BTI sample of 137 countries; the two remaining lines show the profiles of the nine focus countries in the BTI 2012 (red) and the BTI 2024 (blue).

President Bukele's authoritarian practices in El Salvador have established a governance model that is drawing would-be imitators around the region. Rather than relying on left-right confrontation, it offers (seemingly) efficient solutions to acute problems, while being openly authoritarian in its approach. This is particularly true with regard to matters of internal security, where the government has taken military action against criminal gangs without parliamentary or judicial oversight. Moreover, Bukele's personalistic and populist style of government has drawn wide-ranging approval from the public, which appears clearly willing to accept autocratic measures and even human rights violations if these policies result in a significant decline in everyday violence. Support for policies of this kind is already appearing in right-wing populist discourses in Chile, Colombia, Guatemala and Peru, for example, and President Castro launched a similar military operation in Honduras in June 2023. This mixture of personalism, disregard for institutions, rather erratic objective-setting and a lack of consensus-seeking has not as yet done Bukele any harm. From the perspective of democratic "good governance," however, this marks a significant backward slide (-1.35 points in the Governance Index as compared to the BTI 2022). Figure 7 depicts this significant loss of quality, as well as the other changes in governance quality between the BTI 2012 and the BTI 2024. This once again confirms the general impression of stagnating, declining or deliberately torpedoed governance capability – transformation capacities that, as in Brazil, must be rebuilt before significant improvements become possible.

Fig. 7: Governance: BTI 2024 vs. BTI 2012



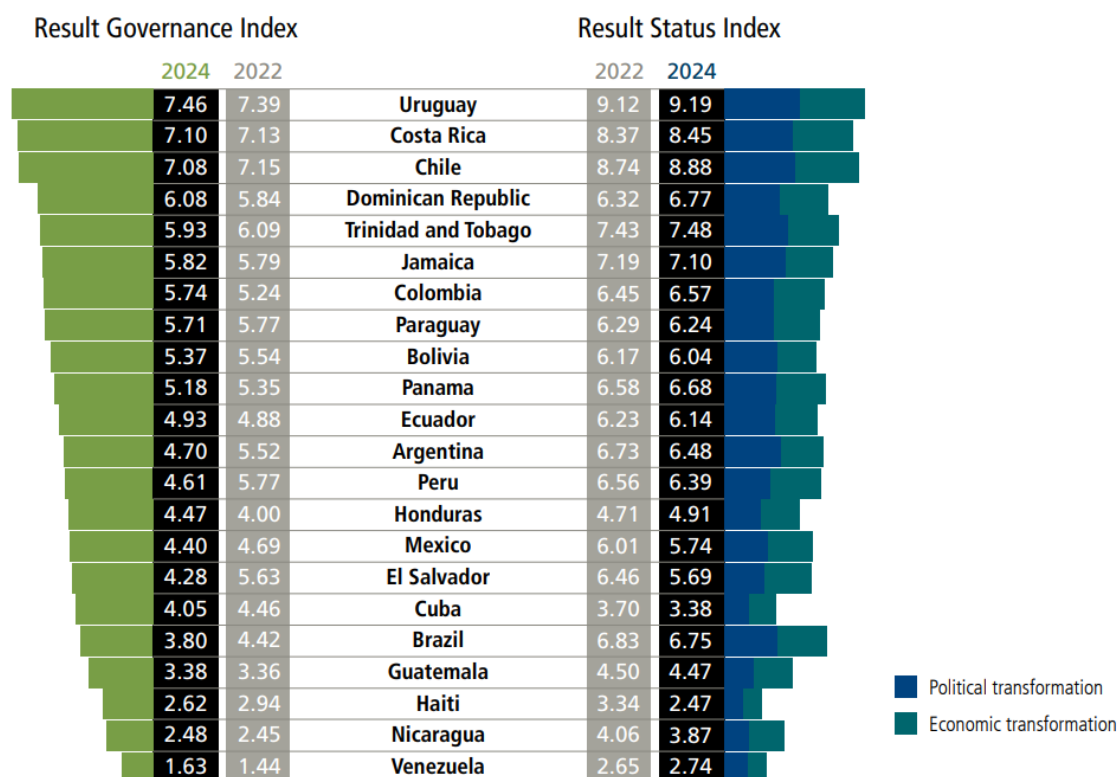
The X-axis shows country scores from the BTI 2012, while the Y-axis depicts those from the BTI 2024. Countries below the diagonal have seen a decline in quality, while those above have improved.

## Outlook

Latin America and the Caribbean stumbled out of the pandemic crisis straight into the next crisis. Some countries, and their governments in particular, have visibly teetered on or beyond the edge of their governance capacities over the last two years. The governance problems discussed above typically conceal fundamental social and political divergences. In many cases, a lack of social consensus regarding the countries' desired medium- or long-term goals has existed since well before the current review period. In Argentina, for example, this is a latent and therefore recurring problem in the political "game" between Peronism and non- or anti-Peronism. At the time of writing, a few weeks before the 2023 elections, this tension was becoming quite clear once again. Similar dynamics have long been at play in Bolivia, Brazil and Peru. In other countries such as Chile and Colombia, these confrontations are of a more recent nature – at least in terms of their intensity, as the turbulence since 2019 has shown. The chances of reaching a political consensus, despite the serious difficulties, are better in these states. Nonetheless, no such solutions have yet been found. Overall, much time has passed, and with it many opportunities to tackle the problems outlined in this report (which in many cases echo previous observations). El Salvador's Bukele has demonstrated where this can lead. As shown by the Latinobarómetro surveys, the share of the population open to authoritarian governance is increasing in a number of countries. If such populations see the problems they regard as being most urgent go unresolved, this could

provide a window of opportunity for authoritarian governance solutions via electoral autocracy. With economic, social and security problems becoming increasingly pressing, younger people in particular are expressing a desire for comprehensive and faster solutions, and are placing less value on democratic governance.

This means different things within the region's various democracies. At least for the time being, more or less stable democracies such as Uruguay, Jamaica, and Trinidad and Tobago, as well as some flawed democracies such as the Dominican Republic and Paraguay, appear able to maintain or even enhance the democratic stability they have achieved, thanks to good or improved gov-



ernance capacities. Chile and Colombia are each undergoing an era of political upheaval, respectively dealing with a new constitutional process and far-reaching reforms. Their success will depend on the extent to which their governments and other political forces manage to avoid biasing these processes toward one side of the population or another for political reasons, and instead actively (re)establish consultation and consensus mechanisms. Costa Rica offers greater cause for concern in this regard. There, President Chaves is continuing to polarize the country, though he has thus far been kept within bounds by the rule of law.

More difficult scenarios are foreseeable for the other defective democracies. In Argentina and Bolivia, the logic of the zero-sum political game has become so entrenched that projects going beyond this are today almost inconceivable, at least as long as the more moderate factions on either side of the political divide fail to come together. In Brazil, Lula da Silva is picking up the pieces after the Bolsonaro era, dealing with political conflicts that have become drastically exacerbated and ideologically exaggerated. The extent to which he and his government can detach themselves from this “friend-foe” dichotomy and offer credible overarching solutions will be a critical factor in Brazil's ability to depolarize. Following bitter political power struggles and the subsequent dissolution of parliament, Ecuador is facing another period of instability. As in many other countries, this will be exacerbated by the weakness of representation structures. Given

these dynamics, scenarios similar to the developments that unfolded in Peru during the review period are possible. Peru itself risks entering a prolonged phase of instability, which would further dampen economic development and thus erode the extremely limited residual legitimacy currently held by the executive and legislative branches. The political system's completely frayed representational structures and the resulting lack of professionalism in politics point to a perpetuation of this malaise. Still worse – as observers already fear is happening – Peru could become a second Guatemala, with informal, highly corrupt networks dominating the political institutions. Despite widespread calls for new elections, both the president and members of Congress in Peru are clinging to their seats, and want to hold out until the legally scheduled elections in 2026 – two very long years in the future.

Much will depend on whether and how the region's countries emerge from the “negative stagnation” that has defined their recent economic development. This has had a massive impact on the public mood, and could lead to demands either for more radical solutions or for greater democratic legitimization through improved performance. As already noted two years ago, the region is again at a crossroads following the pandemic disaster, and must embark on new developmental paths. While the strategies adopted by the Boric government in Chile and the Petro administration in Colombia ostensibly align with this imperative, progress thus far has been modest. Moreover, particularly in Chile, such strategies could fall victim to a conservative U-turn. Overall, the prevailing regional growth paradigms, characterized by passive integration into global markets, stagnant productivity and large informal economic sectors, have reached a saturation point. Advancing investment and reform initiatives in education and health care systems would represent a crucial stride forward. Similarly, institutional reforms aimed at tackling inequality and curtailing the informal sector's size are imperative. However, these recommendations, articulated in various forms over the past two decades, have yet to be translated into tangible action. It appears that the status quo will persist, for now.

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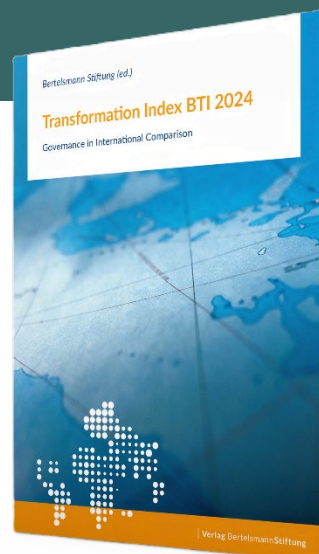
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