BUILDING BLOCKS FOR **ECONOMIC RECOVERY**

The Global Rule of Law and Business Dashboard 2021

COALITION FOR THE RULE OF LAW IN GLOBAL MARKETS

U.S. CHAMBER OF COMMERCE

About The U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business organization representing companies of all sizes across every sector of the economy. Our members range from the small businesses and local chambers of commerce that line the Main Streets of America to leading industry associations and large corporations.

They all share one thing: They count on the U.S. Chamber to be their voice in Washington, across the country, and around the world. For more than 100 years, we have advocated for pro-business policies that help businesses create jobs and grow our economy.

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LIST OF ABBREVIATIONS

AACCLA	Association of American Chambers of Commerce in Latin America and the Caribbean (AACCLA)
AmCham	American Chamber of Commerce
APEC	Asia Pacific Economic Cooperation
BRICS	Brazil, Russia, India, China and South Africa
Coalition	U.S. Chamber's Coalition for the Rule of Law in Global Markets
DAI	Digital Adoption Index
Dashboard	Global Rule of Law and Business Dashboard
DT4RR	Digital Tools for Rule of Law and Inclusive Recovery (DT4RR)
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Trade and Tariffs
GCB	Global Corruption Barometer
GDP	Gross Domestic Product
GII	Global Integrity Index
ICT	Information and Communication Technology
MENA	Middle East and North Africa
MINT	Mexico, Indonesia, Nigeria and Turkey
N/A	Not Applicable
OECD	Organization for Economic Cooperation and Development
OEEC	Organization for European Economic Cooperation
PPP	Purchasing Power Parity
RFPA	Readiness for the Future of Production Assessment
SME	Small and Medium Enterprises
UN	United Nations
USD	U.S. Dollars
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WTO	World Trade Organization

Foreword

BUILDING BLOCKS FOR ECONOMIC RECOVERY

The U.S. Chamber of Commerce's Coalition for the Rule of Law in Global Markets launched the Global Rule of Law and Business Dashboard in 2013. The first edition of the Dashboard, and every edition since, has been underpinned by five pillars considered deciding factors for foreign investment and operations in any market: transparency, predictability, stability, accountability, and due process. These five pillars provide investors with confidence that laws and regulations will be upheld and applied in a logical and consistent manner, and when disputes arise, they will be resolved fairly and transparently. These factors contribute to a strong rule of law and favorable investment climate.

The work of the Chamber's Rule of Law Coalition is guided by this linkage between the rule of law and investment flows, and it is informed by the Chamber's membership and network of American Chambers of Commerce (AmChams). In Latin America and the Caribbean, a regular survey of AmCham leaders and business executives in the region has consistently pointed to the priority the U.S. private sector places on the need to strengthen the rule of law and combat corruption to support commercial activity and enhance economic growth. A critical first step in improving the rule of law environment is to take its measure, and the Global Rule of Law and Business Dashboard contributes important research on these key factors that drive business activity and economic opportunity in any market.

The Dashboard is now in its fifth edition and has expanded coverage from 10 markets in the Americas in 2013 to 113 markets today, ranging from emerging markets to frontier markets to more-established OECD economies. This edition continues to contribute to the growing body of evidence on the interconnectedness between the rule of law and a thriving business environment. What more, since the Dashboard's launch, the global rule of law environment has gradually improved each year and has shown an overall improvement of more than seven percentage points during the study period.

The Dashboard's size and scope this year makes crystal clear the linkage between a stable and predictable rule of law environment and high levels of commercial activity. Not only that, but markets that ranked highly on the Dashboard were also markets that have high levels of digital adoption. This suggests that having a strong rule of law environment is a prerequisite for being successful in the economy of the future where digital technologies shape economic activity in nearly every sector and industry.

As markets look ahead as they plan their economic recovery from the COVID-19 global pandemic, it is more important than ever to promote digital transformation in the economy. Digital technologies allow companies to enter new markets and better understand their consumers through the use of "big data." In addition, the digital economy has proven important for financial inclusion, job creation, and innovation, and during the pandemic has shown to be important to ensuring the continuity of day-to-day commercial activities, as well as promoting global connectivity. Markets with high levels of digital adoption have proven resilient in the face of COVID-19, and the digital economy presents an opportunity to bring more consumers and businesses into the economic fold.

In order to achieve digital transformation and inclusive growth, it is necessary to have strong rule of law. It is strikingly apparent that the five pillars that underpin the rule of law—that is, transparency, predictability, stability, accountability, and due process—are the building blocks for economic recovery in a post-pandemic world.

Improving adherence to the five pillars of rule of law requires a coordinated effort by a variety of actors, armed with tools like the 2021 Global Rule of Law and Business Dashboard. The U.S. private sector welcomes the opportunity to work with stakeholders in government, civil society and international institutions to improve the rule of law and lay the foundation for economic recovery and prosperity.

Myron A. Brilliant
Executive Vice President and Head of International Affairs
U.S. Chamber of Commerce

About the Coalition for the Rule of Law in Global Markets

We understand the vital role of transparency and the rule of law. And we believe in empowering the invisible hand of free enterprise to drive progress. [...] It is free enterprise that drives solutions to global problems and innovations that improve life and advance humankind. And therein lies our opportunity, in this moment in history, to create a brighter collective future for all of us."

—Suzanne P. Clark, Address to the AACCLA Business Future of the Americas, July 2021

The U.S. Chamber of Commerce's Coalition for the Rule of Law in Global Markets was founded in 2010 as a platform to highlight the importance of rule of law to a vibrant economic environment.

Our central objective is to promote and defend the rule of law in global markets as a critical factor in fostering a worldwide investment climate that supports equality, economic growth, and shared prosperity for the world's citizens.

Through the Dashboard, outside partnerships, and direct advocacy, we strive to foster a global business environment where countries respect the rule of law and provide due process under law to investors, producers, and service providers of every nationality; highlight violations of the rule of law and advocate for their prompt and just resolution; and support and defend constitutionalism as the underpinning for the broader application of the rule of law.

The Coalition serves as a bridge between the public and private sectors by outlining how we can work collectively to address the rule of law challenges posed to formal business. To this end, the Dashboard seeks to educate stakeholders on the correlation between adherence to the rule of law and ability to attract long-term investment and build a robust foreign and domestic business community.

By producing the 2021 Global Rule of Law and Business Dashboard, we hope to provide policymakers with the analytical tools to understand the state of rule of law in global and regional contexts, thereby enabling them to carry out the reforms that lay the foundations for greater prosperity.

Executive Summary

Since the publication of the last Global Rule of Law and Business Dashboard, the COVID-19 pandemic has come to dominate world affairs. At the time of research in April 2021, more than 130 million people had tested positive for the virus and almost 3 million deaths had been recorded globally.[1] To say that the pandemic is having a dramatic and deep impact on health systems and the global economy is an understatement: year-end estimates by the Organization for Economic Cooperation and Development (OECD) in its December 2020 *Economic Outlook* found that real global gross domestic product (GDP) shrank by 4.2% in 2020. The socioeconomic impact of the COVID-19 pandemic simply cannot be overstated. Although distinct economies are experiencing the health and economic crisis differently, the pandemic will undoubtedly have a long-lasting impact on both social and economic interactions.

The considerable toll of the pandemic—in lives lost and negative economic impact—will mean that, going forward, public policies must emphasize economic growth, recovery, and innovation. In many regions, national economies will have to address significant economic contraction, unemployment, and inequality. As challenging as this endeavor will be, the pandemic also offers a unique opportunity for many economies to reimagine their economic systems. In other words, to bounce back from the pandemic, long-standing structural socioeconomic reform is no longer an option; it is a necessity. Improving the rule of law for business should be a central part of this global reform effort and economic recovery.

Since 2013, the U.S. Chamber of Commerce, through the development of the Global Rule of Law and Business Dashboard (the Dashboard), has attempted to bring more attention to the rule of law environment as it relates to business. This is because few critical factors rival the rule of law when it comes to a company's ability to be profitable and to maintain a sustainable business model over time. The Dashboard offers the business community, governments, policymakers, and stakeholders across the world an innovative, empirical tool to measure and understand the particular needs of the business community within a rule of law context.

This year marks the fifth edition of the Dashboard. It expands the economy sample by an additional 25%, increasing the number of economies considered from 90 in 2019 to 113 in 2021. These additional economies represent a sizable sample from the fastest growing and most dynamic regions in the world, including emerging markets, frontier markets, and more established OECD economies. This expansion has added a significant amount of data and evidence on the symbiotic relationship between the rule of law and a thriving business environment.

OVERALL RESULTS

The below tables show the overall results and country rankings for the 2021 Dashboard.

2021 Overall Dashboard % Score

Economy	2021 Overall Dashboard % Score	2019 Overall Dashboard % Score	Movement (positive/ negative)
Singapore	86.37	86.75	-0.38
Denmark	85.78	NA	NA
Sweden	84.60	84.79	-0.19
Finland	84.10	NA	NA
Norway	84.10	NA	NA
Australia	83.79	82.7	1.09
New Zealand	83.46	84.27	-0.81
Switzerland	82.89	NA	NA
Netherlands	82.44	82.88	-0.44
Germany	82.11	82.56	-0.45
United Kingdom	80.99	82.12	-1.13
Estonia	80.81	NA	NA
Austria	80.72	NA	NA
Ireland	78.45	77.56	0.89
Belgium	78.22	76.85	1.37
Japan	77.97	78.03	-0.06
Canada	77.77	77.7	0.07
United States	76.85	78.37	-1.52
France	76.21	75.57	0.64
Lithuania	75.06	71.62	3.44
Slovenia	73.26	NA	NA
Czech Republic	72.94	71.78	1.16
South Korea	72.61	68.54	4.07
Latvia	72.33	NA	NA
Spain	72.13	70.3	1.83
Israel	72.08	71.09	0.99
United Arab Emirates	71.98	72.68	-0.70
Portugal	71.97	NA	NA
Malaysia	70.56	66.14	4.42
Cyprus	70.36	NA	NA
Rwanda	69.96	NA	NA
Poland	69.05	68.92	0.13
Uruguay	68.77	68.33	0.44
Malta	67.92	NA	NA
Italy	66.38	61.14	5.24
Chile	66.14	65.44	0.70
Slovak Republic	66.09	65.06	1.03
Croatia	65.08	63.41	1.67
Bahrain	64.91	60	4.91
Hungary	64.72	63.92	0.80
Romania	64.40	63.02	1.38
China	64.03	63.83	0.20
Thailand	63.34	59.24	4.10
Jordan	62.74	NA	NA
Namibia	62.44	62.29	0.15
Oman	62.31	58.29	4.02
Costa Rica	62.16	61.7	0.46
Kazakhstan	61.93	61.81	0.12
Saudi Arabia	60.21	55.53	4.68
Qatar	60.05	61.99	-1.94
Vietnam	59.80	56.62	3.18
Botswana	59.68	NA	NA
Greece	59.44	56.35	3.09
India	59.26	59.62	-0.36
Barbados	58.68	59.05	-0.37
Tunisia	58.14	58.87	-0.73
Indonesia	57.74	56.49	1.25

Economy	2021 Overall Dashboard % Score	2019 Overall Dashboard % Score	Movement (positive/ negative)
Turkey	57.63	57.58	0.05
Morocco	57.46	56.88	0.58
South Africa	56.96	55.02	1.94
Russia	56.41	56.24	0.17
Senegal	56.01	55.03	0.98
Philippines	55.73	46.9	8.83
Egypt	55.60	51.87	3.73
Kuwait	55.51	51.93	3.58
Jamaica	55.36	56.47	-1.11
Ghana	54.57	53.77	0.80
Kenya	53.53	53.89	-0.36
Colombia	52.67	53.24	-0.57
Argentina	52.57	54.18	-1.61
Sri Lanka	52.41	NA	NA
Uzbekistan	51.18	48.2	2.98
Nepal	51.06	NA	NA
Tanzania	51.05	49.87	1.18
Trinidad and Tobago	50.92	51.29	-0.37
Albania	50.81	NA	NA
Brazil	50.48	52.39	-1.91
Panama	49.27	52.88	-3.61
Guyana	48.73	44.32	4.41
Uganda	48.65	NA	NA
Dominican Republic	48.01	47.91	0.10
Ecuador	47.83	46.43	1.40
Bangladesh	47.80	43.93	3.87
Peru	47.57	48.46	-0.89
Côte d'Ivoire	47.18	48.67	-1.49
Ethiopia	46.37	48.35	-1.98
El Salvador	46.20	46.37	-0.17
Ukraine	45.97	45.62	0.35
Suriname	45.96	46.7	-0.74
Pakistan	45.36	44.82	0.54
Nigeria	45.29	44.04	1.25
Mexico	45.23	47.13	-1.90
Cambodia	44.97	41.09	3.88
Myanmar	44.62	46.5	-1.88
Paraguay	44.34	44.41	-0.07
Lebanon	43.23	NA	NA
Mozambique	42.63	44.75	-2.12
Nicaragua	42.18	46.31	-4.13
Zimbabwe	41.94	40.38	1.56
Honduras	41.66	42.4	-0.74
Algeria	41.25	41.52	-0.27
Guatemala	41.08	43.3	-2.22
Afghanistan	38.54	NA	NA
Sudan	38.24	NA	NA
Cameroon	38.24	NA	NA
Iran	37.35	39.17	-1.82
Bolivia	36.99	37.18	-0.19
Iraq	29.87	29.35	0.52
Democratic Republic of Congo	26.57	27.94	-1.37
Angola	26.56	27.69	-1.13
Haiti	22.60	21.16	1.44
Venezuela	20.43	22.14	-1.71
Equatorial Guinea	18.95	NA	NA

2021 Overall Dashboard Ranking

Economy	2021 Overall Dashboard % Score	2019 Overall Dashboard % Score	Movement (positive/ negative)
Singapore	1	1	0.00
Denmark	2	NA	NA
Sweden	3	2	-1.00
Finland	4	NA	NA
Norway	5	NA	NA
Australia	6	5	-1.00
New Zealand	7	3	-4.00
Switzerland	8	NA	NA
Netherlands	9	4	-5.00
Germany	10	6	-4.00
United Kingdom	11	7	-4.00
Estonia	12	NA	NA
Austria	13	NA	NA
Ireland	14	11	-3.00
Belgium	15	12	-3.00
Japan	16	9	-7.00
Canada	17	10	-7.00
United States	18	8	-10.00
France	19	13	-6.00
Lithuania	20	16	-4.00
Slovenia	21	NA	NA
Czech Republic	22	15	-7.00
South Korea	23	20	-3.00
Latvia	24	NA	NA
Spain	25	18	-7.00
Israel	26	17	-9.00
United Arab Emirates	27	14	-13.00
Portugal	28	NA	NA
Malaysia	29	22	-7.00
Cyprus	30	NA	NA
Rwanda	31	NA	NA
Poland	32	19	-13.00
Uruguay	33	21	-12.00
Malta	34	NA	NA
Italy	35	33	-2.00
Chile	36	23	-13.00
Slovak Republic	37	24	-13.00
Croatia	38	27	-11.00
Bahrain	39	34	-5.00
Hungary	40	25	-15.00
Romania	41	28	-13.00
China	42	26	-16.00
Thailand	43	36	-7.00
Jordan	44	NA	NA
Namibia	45	29	-16.00
Oman	46	39	-7.00
Costa Rica	47	32	-15.00
Kazakhstan	48	31	-17.00
Saudi Arabia	49	47	-2.00
Qatar	50	30	-20.00
Vietnam	51	42	-9.00
Botswana	52	NA	NA
Greece	53	45	-8.00
India	54	35	-19.00
Barbados	55	37.00	-18.00
Tunisia	56	38	-18.00
Indonesia	57	43	-14.00

Economy	2021 Overall Dashboard % Score	2019 Overall Dashboard % Score	Movement (positive/ negative)
Turkey	58	40	-18.00
Morocco	59	41	-18.00
South Africa	60	49	-11.00
Russia	61	46	-15.00
Senegal	62	48	-14.00
Philippines	63	66	3.00
Egypt	64	57	-7.00
Kuwait	65	56	-9.00
Jamaica	66	44	-22.00
Ghana	67	52	-15.00
Kenya	68	51	-17.00
Colombia	69	53	-16.00
Argentina	70	50	-20.00
Sri Lanka	71	NA	NA
Uzbekistan	72	63	-9.00
Nepal	73	NA	NA
Tanzania	74	59	-15.00
Trinidad and Tobago	75	58	-17.00
Albania	76	NA	NA
Brazil	77	55	-22.00
Panama	78	54	-24.00
Guyana	79	76	-3.00
Uganda	80	NA	NA
Dominican Republic	81	64	-17.00
Ecuador	82	69	-13.00
Bangladesh	83	78	-5.00
Peru	84	61	-23.00
Côte d’Ivoire	85	60	-25.00
Ethiopia	86	62	-24.00
El Salvador	87	70	-17.00
Ukraine	88	72	-16.00
Suriname	89	67	-22.00
Pakistan	90	73	-17.00
Nigeria	91	77	-14.00
Mexico	92	65	-27.00
Cambodia	93	NA	NA
Myanmar	94	68	-26.00
Paraguay	95	75	-20.00
Lebanon	96	NA	NA
Mozambique	97	74	-23.00
Nicaragua	98	71	-27.00
Zimbabwe	99	83	-16.00
Honduras	100	80	-20.00
Algeria	101	81	-20.00
Guatemala	102	79	-23.00
Afghanistan	103	NA	NA
Sudan	104	NA	NA
Cameroon	105	NA	NA
Iran	106	84	-22.00
Bolivia	107	85	-22.00
Iraq	108	86	-22.00
Democratic Republic of Congo	109	87	-22.00
Angola	110	88	-22.00
Haiti	111	90	-21.00
Venezuela	112	89	-23.00
Equatorial Guinea	113	NA	NA

KEY FINDINGS

Key finding 1: The global rule of law environment for business is showing signs of improvement.

There has been a real and statistically significant increase in the average aggregated score on the Dashboard since 2015. **In the second edition of the Dashboard, the mean score was 51.63%; this year, the mean has increased to 58.35%—an improvement of 6.72%.** Each edition of the Dashboard has shown a gradual improvement recorded over the seven-year study period.

Key finding 2: Despite such improvements, regional disparities persist, and no region outperforms the average score achieved by OECD economies.

None of the five major regions—Asia, the Americas, Europe and Central Asia, Sub-Saharan Africa, and the Middle East and North Africa—sampled in the Dashboard match or outperform the average score of 74.06% achieved by the 35 OECD member states sampled here. [2] The mean score by economies sampled from the Europe and Central Asia region comes closest at 71.07%, but that figure is still more than 3% below the average achieved by OECD economies. **Most economies sampled in the Dashboard are far behind the average OECD performance: Sub-Saharan Africa, the Americas, and the Middle East and North Africa regions—which together constitute more than half of the sampled economies—are 20% or more behind the OECD average.**

Key finding 3: The COVID-19 economic recovery puts an emphasis on rule of law reforms for business.

Although the socioeconomic impact of the COVID-19 pandemic is global, current estimates suggest that the economic damage will be more extensive and recovery will take longer in emerging and developing markets; this projection is of real importance from a rule of law and business perspective. Few emerging markets or developing economies are among the highest performers in the Dashboard; no middle- or low-income economy appears in the top 20. Improvements to the rule of law environment for business can, and should, be part of the overall package of socioeconomic reforms being introduced and implemented around the world—and especially in middle- and low-income economies. A stronger rule of law environment will give both domestic and international businesses stronger structural incentives for investment and economic development.

Introduction: The Rule of Law and Rebuilding the Global Economy in the Wake of COVID-19

"The pandemic represents a rare but narrow window of opportunity to reflect, reimagine, and reset our world."

—Professor Klaus Schwab, World Economic Forum, June 2020[3]

Over the past 18 months, the COVID-19 pandemic has come to dominate world affairs. At the time of research, more than 130 million individuals had tested positive for the virus and almost 3 million deaths had been recorded globally.[4] While the outbreak was initially concentrated in China and high-income economies in Southeast Asia, Western Europe, and the United States, new cases occur daily all over the world, including in emerging markets and developing economies.

The pandemic is having a dramatic and deep impact on health systems and the global economy. Year-end estimates by the OECD in its December 2020 *Economic Outlook* found that real global GDP shrank by 4.2% in 2020.[5] The negative economic impact has been particularly pronounced in the United Kingdom, Latin America, the Eurozone, Russia, and the Middle East, with estimated national economic contractions of 5% or more. In an updated *Economic Outlook* published in May 2021, the OECD forecast that while growth rates are improving, the impact of the pandemic on the global economy would still be extensive and the recovery a long time coming.

> Global economic growth is now expected to be 5.8% this year, a sharp upwards revision from the December 2020 Economic Outlook projection of 4.2% for 2021. The vaccines rollout in many of the advanced economies has been driving the improvement, as has the massive fiscal stimulus by the United States. World GDP growth is expected to be 4.4% next year but global income will still be some USD 3 trillion less by end 2022 than was expected before the crisis hit.[6]

The second quarter of 2020 had a quarter-on-quarter decline of almost 15%—the highest on record since the WTO's predecessor, the General Agreement on Tariffs and Trade (GATT), began recording statistics in 1948. [7] World Trade Organization (WTO) estimates suggest that, although not as bad as the second quarter, the overall drop in merchandise trade volume is likely to be 9.2% for 2020 as a whole. While economic activity is currently recovering in many parts of the world, experts anticipate an extended period before both the global economy and individual economies will return to pre-pandemic levels of activity.

The socioeconomic impact of the COVID-19 pandemic cannot be overstated. Although different economies will experience the health and economic crisis differently, the pandemic will undoubtedly have a long-lasting impact on how social and economic interaction takes place. All across the globe, the pandemic's human and economic toll will result in policies that emphasize economic growth, recovery, and innovation; in many regions, national economies will need to be completely rebuilt. As challenging as this effort will be, as observed by Professor Klaus Schwab, founder and executive chairman of the World Economic Forum, the pandemic also offers a unique opportunity for many economies to reimagine their economic systems. In other words, to bounce back from the pandemic, broad structural socioeconomic reform is no longer an option, but a necessity, and improving the rule of law for business should be a central part of this global reform effort.

FROM ANALOG TO DIGITAL: THE FOURTH INDUSTRIAL REVOLUTION AND THE GREAT DIGITAL TRANSFORMATION

As the Dashboard has noted in previous editions, an intimate link exists between high levels of economic activity and a stable and predictable rule of law environment. Since the 1980s, a growing subfield of macroeconomics has been the study of the role of the rule of law in economic growth. Work by economists such as Robert Barro and others strongly suggests that institutions, governance, and the rule of law has a significant and measurable impact on rates of economic growth and development.[8] Without the effective, timely, and nondiscriminatory enforcement of laws and regulations in a given legal jurisdiction, commercial activities become more informal, are less predictable and, ultimately, come at a higher cost to the end consumer and other parties to the transaction. That is not to say that economic activity does not take place in more challenging rule of law environments; on the contrary, historic and current examples of economies beset by corruption, a lack of economic freedom, and poor governance provide numerous examples of how economic activity can be generated even in the most challenging environments.

Under these circumstances, economic activity is often concentrated in primary inputs and basic manufacturing. This fact is of particular importance as more and more of modern socioeconomic activity takes place online. The information and communication technology (ICT) and internet revolutions have fundamentally changed how people interact socially and economically. Considerably more government services and information are moving from the physical realm into the virtual. And in the private sector, economic interaction in virtually all industries is today being shaped by digital technologies. For both governments and businesses, the advent of digital technologies has enabled platforms and models of engagement that did not exist a generation ago. ICT and internet-based platforms and technologies have transformed traditional retail and brick-and-mortar stores, allowing business owners to better understand markets, consumers, and the world in which they operate. New digital platforms give companies easier access to markets that a generation ago they would have been unable to enter. Finally, digital technologies are allowing governments, private companies, and public and private research organizations to collect and use greater levels of data and information than ever before in so-called big data. These advancements, combined with increased computing capacity and the application of new technologies (such as artificial intelligence and machine learning), which permit better data analysis and understanding, make possible significant discoveries and breakthroughs in virtually any area of research and human socioeconomic activity. The bottom line is that how we produce, consume, and interact—nationally and internationally—has been, and continues to be, transformed through digital technologies.

In many respects this is a societal transformation that was already underway before the outbreak of the COVID-19 pandemic. The pandemic and the accompanying changes in socioeconomic behavior have accelerated this transformation. Different economies and societies are at varying stages of this great digital transformation—and the pandemic is driving various levels of change within these economies, depending on their technical capacities and sociopolitical and cultural appetites for change. Remote working, e-government, telehealth medical services, and online shopping and consumption are all part of this global, socioeconomic transformation. And while all existed before the pandemic struck, such areas of activity have, by and large, exploded while the world was in lockdown. The digital transformation is intimately linked to the idea of the Fourth Industrial Revolution.

First coined by the World Economic Forum, the term *Fourth Industrial Revolution* refers to a summation of many of the most profound changes to modern economic production and manufacturing, including those in the digital realm. New technologies are increasingly challenging traditional business models across the globe by enhancing global integration of value chains; boosting consumer engagement, customer expectations, and experiences. These technologies are also fundamentally changing production models by requiring extensive use of knowledge and skills, complex infrastructure, and an enabling environment for research and development (R&D) collaboration and investments. In the World Economic Forum's view, not only are the technologies of the Fourth Industrial Revolution new, but also the speed at which change is happening is truly unique—and characterized by "a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres."[9]

THE RULE OF LAW FOR BUSINESS AND READINESS FOR THE FOURTH INDUSTRIAL REVOLUTION AND THE GREAT DIGITAL TRANSFORMATION

Which economies are most ready to take advantage of these deep structural changes to the global economy? And what is the relationship between readiness for these changes within an economy and its rule of law for business environment? Are economies that perform well on the Dashboard more or less likely to be ready for the Fourth Industrial Revolution and the great digital transformation?

In 2018, the World Economic Forum published the inaugural edition of *Readiness for the Future of Production Report*, a global metric covering 100 economies comprising 59 indicators that gauge economies' current production capabilities and the existence and levels of drivers of production that position economies to capitalize on the Fourth Industrial Revolution.[10] These indicators—which together constitute a Readiness for the Future of Production Assessment (RFPA)—include the overall quality of ICT and R&D infrastructure, innovation capacity, venture capital activity, quality of human capital, and a market's openness to international trade and investment.[11] A similar metric is available for measuring economies' digital capacities in the World Bank's Digital Adoption Index (DAI). First published in the 2016 *World Development Report 2016: Digital Dividends*, the DAI seeks to measure the extent to which digital technologies are available, adopted, and fit for the purpose of their intended users.[12] As such, the DAI is an important measure of the state of the digital environment in a given economy and its readiness for the great digital transformation.

But how does a score on the RFPA and the DAI by a given economy compare to its performance on the Dashboard? Are there lessons that can be derived from a country's performance on the Dashboard and its ability to participate in the great digital transformation?

Table 1 shows how the top 20 economies on the Dashboard ranked on both the RFPA and the DAI.

Table 1: Top 20 Economies by Ranking on Dashboard and Latest Available Ranking on the RFPA and the DAI

Economy	Overall Dashboard Rank 2021	Digital Adoption Index, Rank, 2016	Readiness for the Future of Production, Drivers of Production, Rank, 2018
Singapore	1	1	2
Denmark	2	16	10
Sweden	3	10	9
Finland	4	13	11
Norway	5	14	13
Australia	6	33	12
New Zealand	7	35	20
Switzerland	8	12	3
Netherlands	9	7	5
Germany	10	6	6
United Kingdom	11	23	4
Estonia	12	9	27
Austria	13	3	18
Ireland	14	48	15
Belgium	15	20	17
Japan	16	8	16
Canada	17	36	7
United States	18	27	1
France	19	26	14
Lithuania	20	15	37

As Table 1 shows, the top 20 performing economies on the Dashboard also perform well on both the RFPA and the DAI. On the former indicator, only two economies, Latvia and Lithuania, are ranked outside the top 20. Similarly, on the DAI only six of the top-performing economies on the Dashboard are ranked outside the top 20.

In this respect, having a strong rule of law environment for business seems to be a prerequisite for being successful in the economy of the future. This is a particularly important message in light of the negative economic impact of the COVID-19 pandemic and policymakers' efforts around the world to rebuild and recover.

PROJECT BACKGROUND

In 2013, the U.S. Chamber commissioned Pugatch Consilium to give an evidence-based analysis of existing indices and surveys of the rule of law. The subsequent report, *Connecting the Dots: The Rule of Law and Business; Developing a Global Business Rule of Law Dashboard*, extensively mapped the extent to which existing international indices and surveys of legal and regulatory environments include indicators and measure areas of rule of law as they relate to business. Based on these findings and this mapping exercise, those indicators identified as being of the highest relevance to business were extracted and amalgamated into a composite meta-measure: the Global Rule of Law and Business Dashboard (the Dashboard). This first edition of the Dashboard compared a regional sample of 10 economies from the Americas.

In 2015, the Dashboard was significantly expanded; 50 new economies were added, which brought the total number of economies sampled to 60. By 2017, the number of economies included had been further increased by 12, bringing the total number included in the Dashboard to 72. In the fourth edition of the Dashboard, published in 2019, the number of economies sampled grew from 72 to 90.

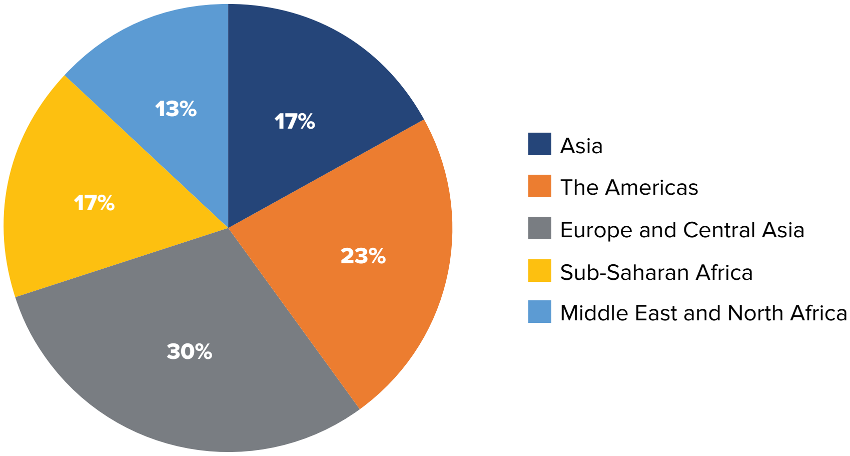
This year marks the fifth edition of the Dashboard. It expands the economy sample by an additional 25%, increasing the number of economies sampled from 90 to 113. As in past editions, the expansion incorporates additional markets into the report that continue to be of interest to U.S. investors for a truly global measure of rule of law performance. These added economies provide a sizable sample from the fastest growing and most dynamic regions in the world, including emerging markets, frontier markets, and more established OECD economies. This expansion has added a significant amount of data and evidence on the symbiotic relationship between the rule of law and a thriving business environment.

Table 2 and Figure 1 give an overview of the economies included in the 2021 Dashboard organized by region; the 23 economies added to this edition are in bold.

Table 2: Economies Sampled, 2021 Dashboard (New Economies Appear in Bold)

Asia	The Americas	Europe and Central Asia	Sub-Saharan Africa	Middle East and North Africa
Afghanistan	Argentina	**Albania**	Angola	Algeria
Australia	Barbados	**Austria**	**Botswana**	Bahrain
Bangladesh	Bolivia	Belgium	**Cameroon**	Egypt
Cambodia	Brazil	Croatia	Democratic Republic of Congo	Iraq
Iran	Canada	**Cyprus**	**Equatorial Guinea**	Israel
China	Chile	Czech Republic	Ethiopia	**Jordan**
India	Colombia	**Denmark**	Ghana	Kuwait
Indonesia	Costa Rica	**Estonia**	Côte d'Ivoire	**Lebanon**
Japan	Dominican Republic	**Finland**	Kenya	Morocco
Malaysia	Ecuador	France	Mozambique	Oman
Myanmar	El Salvador	Germany	Namibia	Qatar
Nepal	Guatemala	Greece	Nigeria	Saudi Arabia
New Zealand	Guyana	Hungary	**Rwanda**	Tunisia
Pakistan	Haiti	Ireland	Senegal	United Arab Emirates
Philippines	Honduras	Italy	South Africa	
Singapore	Jamaica	Kazakhstan	**Sudan**	
South Korea	Mexico	**Latvia**	Tanzania	
Sri Lanka	Nicaragua	Lithuania	**Uganda**	
Thailand	Panama	**Malta**	Zimbabwe	
Vietnam	Paraguay	Netherlands		
	Peru	**Norway**		
	Suriname	Poland		
	Trinidad and Tobago	**Portugal**		
	United States	Romania		
	Uruguay	Russia		
	Venezuela	Slovak Republic		
		Slovenia		
		Spain		
		Sweden		
		Switzerland		
		Turkey		
		Ukraine		
		United Kingdom		
		Uzbekistan		

Figure 1: Economies Sampled, 2021 Dashboard, Regional Breakdown Report Overview



This report consists of five sections and two appendices.

Section 1 describes how the Dashboard is built and explains the rationale and need for creating a tool specific to measuring the rule of law environment as it relates to business.

Section 2 examines the overall results of the Dashboard. What do this year's results tell us about the global state of the rule of law as it relates to business in 2021?

Section 3 offers a regional analysis of the 2021 Dashboard results. How does the rule of law and business environment look and compare by region? Included in this analysis is a comparison of how economies in a given region performed on the Dashboard vis-à-vis one another, other regions, and the OECD member states. To better understand and contextualize economies' performance on the Dashboard, the 2019 edition included an OECD standard/benchmark based on the average score of the OECD economies featured in the Dashboard. The average Dashboard score of the OECD economies included in this year's sample creates an easy-to-use international standard that all economies—developed, developing, and emerging—can measure themselves against.

Section 4 examines how the rule of law and business environment (as measured by the Dashboard) has changed over time. Has the global environment for the rule of law and business advanced or declined? How do the results of the 2021 Dashboard compare with those of previous editions? And how have different regions performed over time?

Section 5 ties together the analysis and data-based insights of the preceding sections and offers concluding thoughts on the Dashboard and the global rule of law and business environment in 2021.

This report also contains two appendices. **Appendix A** provides a full and detailed description of the methodology used to build the Dashboard. **Appendix B** shows the 2021 results from all individual underlying indices and measures used to build the Dashboard.

1. The 30,000-Foot View: Understanding What the Global Rule of Law and Business Dashboard Is and How It Works

1.1 DEFINING THE RULE OF LAW FOR BUSINESS

Definitions of the term *the rule of law* can vary significantly from source to source and discipline to discipline. At the risk of oversimplifying a complex concept, one can speak of "thick" or "thin" definitions.[13] Thick definitions view the rule of law as being conceptually bound up and linked to all aspects of how society is governed and the formal and informal freedoms granted or not granted. Thin definitions tend to focus more on procedural elements or outcomes—that is, are the relevant institutions and basic rights in place to provide adequate rights and the administration of justice?

For the purposes of this report and the building of the Dashboard, the definition of the rule of law and business will be that used by the U.S. Chamber of Commerce and the Coalition for the Rule of Law in Global Markets. This definition was outlined in some detail by the Chamber in the 2013 Heritage Foundation's *Index of Economic Freedom*.[14] Table 3 cites the definition and five most important factors identified and used by the Chamber.

Table 3: Defining the Rule of Law and Business: Five Factors[15]

1.	**Transparency.** Laws and regulations applied to business must be readily accessible and easily understood.
2.	**Predictability.** Laws and regulations must be applied in a logical and consistent manner regardless of time, place, or parties concerned.
3.	**Stability.** The state's rationale for the regulation of business—for example, promotion of negotiation and implementation of trade agreements and other vehicles that strengthen rule of law, sanctity of contracts, and compliance with international law—must be consistent and coherent over time, establishing an institutional consistency across administrations, and free from arbitrary or retrospective amendment.
4.	**Accountability.** Investors must be confident that the laws will be upheld and applied equally to government, as well as the private sector and civil society; for example, for anti-bribery and corruption issues.
5.	**Due Process.** When disputes inevitably arise, they must be resolved not by ad hoc arrangements or special interventions but in a fair, transparent, and predetermined process.

1.2 HOW DOES THE DASHBOARD WORK? A (BRIEF) METHODOLOGICAL OVERVIEW

The Dashboard relies on and uses information and research contained in seven internationally accepted and established indices and surveys. The Dashboard is constructed through a three-part process of mapping, extracting, and combining existing indicators within these seven underlying indices and surveys. In this sense the Dashboard is a composite amalgamation of the most relevant factors benchmarked in these underlying measures. (A full description of the methodology and underlying indices and surveys used to build the 2021 Dashboard is provided in Appendix A.)

Table 4 shows the seven underlying measures that were used to build the 2021 Dashboard and the editions used.

Table 4: Underlying Indices and Surveys Used to Build the 2021 Dashboard

Measure
World Economic Forum: *The Global Competitiveness Report 2019*[16]
The World Justice Project: *Rule of Law Index 2020*[17]
Transparency International: *Global Corruption Barometer, 10th edition, Asia; Global Corruption Barometer Africa 2019; Global Corruption Barometer Latin America and the Caribbean 2019; Global Corruption Barometer Middle East & North Africa 2019; Global Corruption Barometer, 9th edition, 2017; and Global Corruption Barometer 2013*[18]
Heritage Foundation: *2021 Index of Economic Freedom*[19]
World Bank Group: *Enterprise Surveys—What Businesses Experience*[20]
Daniel Kaufmann & Aart Kraay: *Worldwide Governance Indicators 2020*[21]
World Bank Group: *Doing Business 2020*[22]

2. The 2021 Global Rule of Law and Business Dashboard: Overall Results

Tables 5 and 6 show the overall results and country rankings for the 2021 Dashboard. Table 5 displays the overall percentage score results for the 113 economies sampled compared with those of 2019; Table 6 gives the 2021 economy rankings compared with those of 2019. These are the overall results of extracting and combining all relevant rule of law and business indicators for the 113 economies examined from the seven measures described in the preceding section. The results are presented as a percentage of the available scores, which, for all measures and indicators extracted, were standardized to a number between 0 and 100, as detailed in Appendix A. Both tables compare economies' overall results and rankings for 2021 with the overall results for 2019 (excluding new economies added to the 2021 sample) and any movement (positive or negative) between the two editions.

Table 5: 2021 Overall Dashboard % Score

Economy	2021 Overall Dashboard % Score	2019 Overall Dashboard % Score	Movement (positive/ negative)
Singapore	86.37	86.75	-0.38
Denmark	85.78	NA	NA
Sweden	84.60	84.79	-0.19
Finland	84.10	NA	NA
Norway	84.10	NA	NA
Australia	83.79	82.7	1.09
New Zealand	83.46	84.27	-0.81
Switzerland	82.89	NA	NA
Netherlands	82.44	82.88	-0.44
Germany	82.11	82.56	-0.45
United Kingdom	80.99	82.12	-1.13
Estonia	80.81	NA	NA
Austria	80.72	NA	NA
Ireland	78.45	77.56	0.89
Belgium	78.22	76.85	1.37
Japan	77.97	78.03	-0.06
Canada	77.77	77.7	0.07
United States	76.85	78.37	-1.52
France	76.21	75.57	0.64
Lithuania	75.06	71.62	3.44
Slovenia	73.26	NA	NA
Czech Republic	72.94	71.78	1.16
South Korea	72.61	68.54	4.07
Latvia	72.33	NA	NA
Spain	72.13	70.3	1.83
Israel	72.08	71.09	0.99
United Arab Emirates	71.98	72.68	-0.70
Portugal	71.97	NA	NA
Malaysia	70.56	66.14	4.42
Cyprus	70.36	NA	NA
Rwanda	69.96	NA	NA
Poland	69.05	68.92	0.13
Uruguay	68.77	68.33	0.44
Malta	67.92	NA	NA
Italy	66.38	61.14	5.24
Chile	66.14	65.44	0.70
Slovak Republic	66.09	65.06	1.03
Croatia	65.08	63.41	1.67
Bahrain	64.91	60	4.91
Hungary	64.72	63.92	0.80
Romania	64.40	63.02	1.38
China	64.03	63.83	0.20
Thailand	63.34	59.24	4.10
Jordan	62.74	NA	NA
Namibia	62.44	62.29	0.15
Oman	62.31	58.29	4.02
Costa Rica	62.16	61.7	0.46
Kazakhstan	61.93	61.81	0.12
Saudi Arabia	60.21	55.53	4.68
Qatar	60.05	61.99	-1.94
Vietnam	59.80	56.62	3.18
Botswana	59.68	NA	NA
Greece	59.44	56.35	3.09
India	59.26	59.62	-0.36
Barbados	58.68	59.05	-0.37
Tunisia	58.14	58.87	-0.73
Indonesia	57.74	56.49	1.25
Turkey	57.63	57.58	0.05
Morocco	57.46	56.88	0.58
South Africa	56.96	55.02	1.94
Russia	56.41	56.24	0.17
Senegal	56.01	55.03	0.98
Philippines	55.73	46.9	8.83
Egypt	55.60	51.87	3.73
Kuwait	55.51	51.93	3.58
Jamaica	55.36	56.47	-1.11
Ghana	54.57	53.77	0.80
Kenya	53.53	53.89	-0.36
Colombia	52.67	53.24	-0.57
Argentina	52.57	54.18	-1.61
Sri Lanka	52.41	NA	NA
Uzbekistan	51.18	48.2	2.98
Nepal	51.06	NA	NA
Tanzania	51.05	49.87	1.18
Trinidad and Tobago	50.92	51.29	-0.37
Albania	50.81	NA	NA
Brazil	50.48	52.39	-1.91
Panama	49.27	52.88	-3.61
Guyana	48.73	44.32	4.41
Uganda	48.65	NA	NA
Dominican Republic	48.01	47.91	0.10
Ecuador	47.83	46.43	1.40
Bangladesh	47.80	43.93	3.87
Peru	47.57	48.46	-0.89
Côte d’Ivoire	47.18	48.67	-1.49
Ethiopia	46.37	48.35	-1.98
El Salvador	46.20	46.37	-0.17
Ukraine	45.97	45.62	0.35
Suriname	45.96	46.7	-0.74
Pakistan	45.36	44.82	0.54
Nigeria	45.29	44.04	1.25
Mexico	45.23	47.13	-1.90
Cambodia	44.97	41.09	3.88
Myanmar	44.62	46.5	-1.88
Paraguay	44.34	44.41	-0.07
Lebanon	43.23	NA	NA
Mozambique	42.63	44.75	-2.12
Nicaragua	42.18	46.31	-4.13
Zimbabwe	41.94	40.38	1.56
Honduras	41.66	42.4	-0.74
Algeria	41.25	41.52	-0.27
Guatemala	41.08	43.3	-2.22
Afghanistan	38.54	NA	NA
Sudan	38.24	NA	NA
Cameroon	38.24	NA	NA
Iran	37.35	39.17	-1.82
Bolivia	36.99	37.18	-0.19
Iraq	29.87	29.35	0.52
Democratic Republic of Congo	26.57	27.94	-1.37
Angola	26.56	27.69	-1.13
Haiti	22.60	21.16	1.44
Venezuela	20.43	22.14	-1.71
Equatorial Guinea	18.95	NA	NA

Table 6: 2021 Overall Dashboard Ranking

Economy	2021 Overall Dashboard % Score	2019 Overall Dashboard % Score	Movement (positive/ negative)
Singapore	1	1	0.00
Denmark	2	NA	NA
Sweden	3	2	-1.00
Finland	4	NA	NA
Norway	5	NA	NA
Australia	6	5	-1.00
New Zealand	7	3	-4.00
Switzerland	8	NA	NA
Netherlands	9	4	-5.00
Germany	10	6	-4.00
United Kingdom	11	7	-4.00
Estonia	12	NA	NA
Austria	13	NA	NA
Ireland	14	11	-3.00
Belgium	15	12	-3.00
Japan	16	9	-7.00
Canada	17	10	-7.00
United States	18	8	-10.00
France	19	13	-6.00
Lithuania	20	16	-4.00
Slovenia	21	NA	NA
Czech Republic	22	15	-7.00
South Korea	23	20	-3.00
Latvia	24	NA	NA
Spain	25	18	-7.00
Israel	26	17	-9.00
United Arab Emirates	27	14	-13.00
Portugal	28	NA	NA
Malaysia	29	22	-7.00
Cyprus	30	NA	NA
Rwanda	31	NA	NA
Poland	32	19	-13.00
Uruguay	33	21	-12.00
Malta	34	NA	NA
Italy	35	33	-2.00
Chile	36	23	-13.00
Slovak Republic	37	24	-13.00
Croatia	38	27	-11.00
Bahrain	39	34	-5.00
Hungary	40	25	-15.00
Romania	41	28	-13.00
China	42	26	-16.00
Thailand	43	36	-7.00
Jordan	44	NA	NA
Namibia	45	29	-16.00
Oman	46	39	-7.00
Costa Rica	47	32	-15.00
Kazakhstan	48	31	-17.00
Saudi Arabia	49	47	-2.00
Qatar	50	30	-20.00
Vietnam	51	42	-9.00
Botswana	52	NA	NA
Greece	53	45	-8.00
India	54	35	-19.00
Barbados	55	37.00	-18.00
Tunisia	56	38	-18.00
Indonesia	57	43	-14.00
Turkey	58	40	-18.00
Morocco	59	41	-18.00
South Africa	60	49	-11.00
Russia	61	46	-15.00
Senegal	62	48	-14.00
Philippines	63	66	3.00
Egypt	64	57	-7.00
Kuwait	65	56	-9.00
Jamaica	66	44	-22.00
Ghana	67	52	-15.00
Kenya	68	51	-17.00
Colombia	69	53	-16.00
Argentina	70	50	-20.00
Sri Lanka	71	NA	NA
Uzbekistan	72	63	-9.00
Nepal	73	NA	NA
Tanzania	74	59	-15.00
Trinidad and Tobago	75	58	-17.00
Albania	76	NA	NA
Brazil	77	55	-22.00
Panama	78	54	-24.00
Guyana	79	76	-3.00
Uganda	80	NA	NA
Dominican Republic	81	64	-17.00
Ecuador	82	69	-13.00
Bangladesh	83	78	-5.00
Peru	84	61	-23.00
Côte d’Ivoire	85	60	-25.00
Ethiopia	86	62	-24.00
El Salvador	87	70	-17.00
Ukraine	88	72	-16.00
Suriname	89	67	-22.00
Pakistan	90	73	-17.00
Nigeria	91	77	-14.00
Mexico	92	65	-27.00
Cambodia	93	NA	NA
Myanmar	94	68	-26.00
Paraguay	95	75	-20.00
Lebanon	96	NA	NA
Mozambique	97	74	-23.00
Nicaragua	98	71	-27.00
Zimbabwe	99	83	-16.00
Honduras	100	80	-20.00
Algeria	101	81	-20.00
Guatemala	102	79	-23.00
Afghanistan	103	NA	NA
Sudan	104	NA	NA
Cameroon	105	NA	NA
Iran	106	84	-22.00
Bolivia	107	85	-22.00
Iraq	108	86	-22.00
Democratic Republic of Congo	109	87	-22.00
Angola	110	88	-22.00
Haiti	111	90	-21.00
Venezuela	112	89	-23.00
Equatorial Guinea	113	NA	NA

What stands out in the 2021 results?

In terms of big-picture results, what stands out most clearly is the impact of the 23 new economies added in this year's edition. Many of them perform well on the Dashboard. For example, three out of the top five economies are new to the Dashboard: **Denmark**, **Finland**, and **Norway**. In fact, almost half of the new economies added to this year's Dashboard sample are OECD member states. Many OECD member states have a robust rule of law for business environment and achieve a relatively strong score on the Dashboard. These countries have made both formal commitments to established international standards and best practices, as well as a more general and informal commitment to upholding high standards and transparency in policymaking and policy implementation. Nevertheless, a few OECD economies like **Colombia**, **Mexico**, **Turkey**, and **Greece** score below the OECD average score on the Dashboard.

The Dashboard this year also adds several new emerging economies and frontier markets that have less developed rule of law for business environments. For instance, four of the new additions in this year's Dashboard—**Afghanistan**, **Cameroon**, **Equatorial Guinea**, and **Sudan**—did not achieve a score greater than 40% and are ranked in or around the bottom 10. In fact, **Equatorial Guinea** achieves the lowest score of all economies included in the Dashboard at 18.95%, about 1.5% less than **Venezuela**, the second-lowest scorer.

More broadly, the results of the 2021 Dashboard confirm the findings of previous editions. It remains the case that no one economy achieves a perfect score of 100%. In this sense, businesses face challenges everywhere, and there is room for improvement in ***all*** 113 economies sampled: big, small, developed, developing, or emerging.

Also, as in years past, only a small proportion of the total sample achieves a score of 75% or higher. In 2019, 13 economies, or 14.4%, of the total sample achieved this percentage. This year, that statistic has increased marginally to 17.7%, or 20 out of the 113 economies sampled.

Alternatively, the performance has worsened for the lowest-scoring economies on the Dashboard. In 2019, the average score of the economies in the bottom 10 was 33.19%. In 2021, this average has fallen to 29.58%—a drop of 3.61%.

If we dig a bit deeper into the performance of individual economies, the results are also revealing.

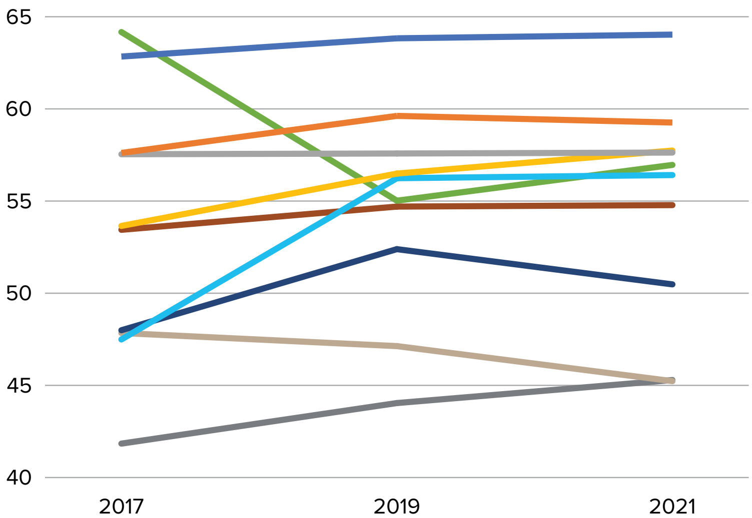
As in years past, **Singapore** has the highest performance, achieving a score of 86.37%, down marginally from 2019. The next four economies are all Scandinavian—**Denmark**, **Sweden**, **Finland**, and **Norway**—and all achieve a score of between 84.10% and 85.78%. As mentioned, three of these economies are new additions to this year's Dashboard. Outside of the top five are **New Zealand** and **Australia**. **New Zealand** has historically been one of the top performers on the Dashboard, but over the past few years its score has dropped slightly from 84.90% in 2017 to 83.46% in 2021. Conversely, **Australia** has seen an increase from the 4th edition, improving from 82.70% in 2019 to 83.79%. **Switzerland**, the **Netherlands**, and **Germany** round up the top 10 performers, all achieving a score of 82% or more.

Looking a bit more broadly at all the sampled economies, of note is the number of economies that have seen a substantial score improvement—defined as 4% or more. This year, a total of nine economies saw their scores improve by 4% or more. This group includes economies from all regions and income levels. Of note is the performance of two economies that achieved an increase of 5% or more: the **Philippines** (8.83%) and **Italy** (5.24%). These results run counter to common perceptions of market performance, particularly with respect to the Philippines. What explains them? Examining the underlying measures that constitute the Dashboard we can see that the Philippines saw an improvement on the World Bank's *Doing Business* rankings in the category "Protecting minority investors," which saw a score increase of 16% from 2019 to 2020. There was also an improvement on rates of perceived corruption as tracked by Transparency International.

Zooming in on some of the most dynamic and fastest-growing economies in the world—the so-called BRICS-MINT economies—it is clear that private enterprise, while improving, still faces significant challenges in all of them. Conversely, the average score of these nine economies (**Brazil**, **Russia**, **India**, **China**, **South Africa**, **Mexico**, **Indonesia**, **Nigeria**, and **Turkey**) has improved over the past three editions of the Dashboard. In 2017, the mean score was 53.44%. This year, that score has increased by 1.34% to 54.78%.

Still, none of these nine economies rank in the top 20 of the Dashboard. China achieves the highest score of the group at 64.03%, which is still less than two-thirds of the available score. Table 7 isolates the overall results for the BRICS and MINT economies, comparing the 2017, 2019, and 2021 Dashboard results.

Table 7: BRICS and MINT Economies, Overall Dashboard Results, 2017-2021, % of available score



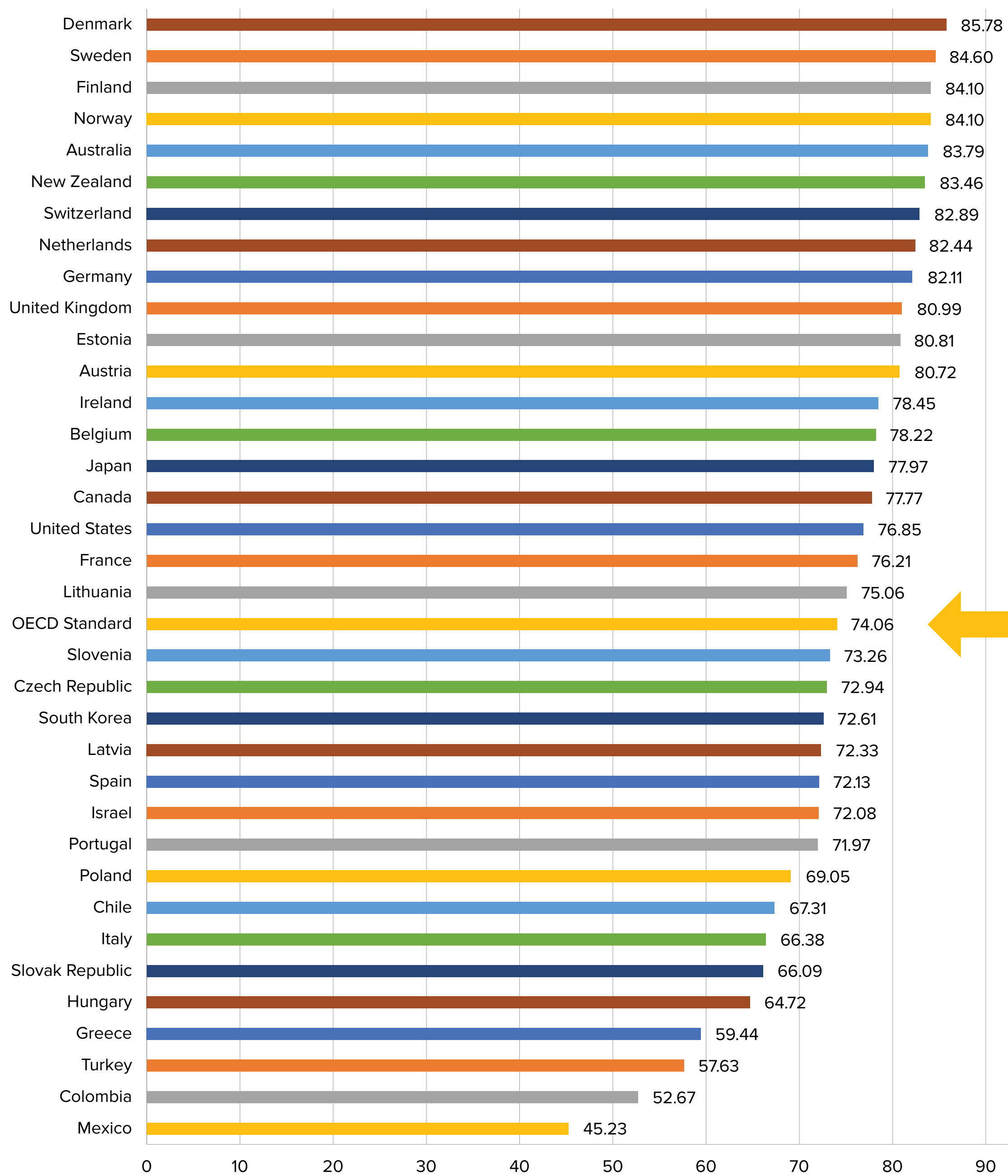
	2017	2019	2021
China	62.84	63.83	64.03
India	57.61	59.62	59.26
Turkey	57.54	57.58	57.63
Indonesia	53.65	56.49	57.74
Russia	47.49	56.24	56.41
South Africa	64.17	55.02	56.96
Brazil	47.99	52.39	50.48
Mexico	47.84	47.13	45.23
Nigeria	41.84	44.04	45.29
Average score	53.44	54.7	54.78

Several economies have seen notable changes over the course of the evaluation period. For example, both **Russia** and **South Africa** have seen their scores change by almost a full 10%. What explains this? As always, it is difficult to pinpoint one sole cause of any such movement. However, looking at the underlying measures that constitute the Dashboard, one can see that Russia, for example, experienced notable improvement on the World Bank's *Doing Business* rankings. In 2017, Russia was ranked 40th overall; in the latest available edition of the World Bank report this has improved to 28th. In contrast, South Africa's Doing Business ranking during the same time period has fallen from 74th overall in 2017 to 84th overall in 2020. Similarly, South Africa's rule of law environment as measured by the Worldwide Governance Indicators has fallen from 59% in 2017 to 51% in 2021.[23]

2.1 GOOD OR BAD? EVALUATING PERFORMANCE ON THE DASHBOARD

One of the challenges of any comparative performance-based analysis is defining the relevant points of comparison—that is, what constitutes "good" and "bad" on a given scale. The Dashboard is no different. For any type of measure comparing the performance of individual economies, it is often helpful to establish a composite benchmark or a standard that can be used. This is especially the case for studies that include a large sample of economies. In the 2019 Dashboard, we introduced a new international standard for the rule of law and business, based on the average performance of the OECD economies included in the study. Being invited into the membership of the OECD comes following a rigorous review and it requires countries to make a commitment to high technical standards and professionalism in public policy. Today the OECD shapes global public policy by providing empirical data and research on economic and social policy and helping set international standards for all areas of public policy. Membership has grown from 20 economies in 1961 to 37 members at the time of research (April 2021). In addition to its members, the OECD also works with some of the world's largest emerging markets, including Brazil, India, China, Indonesia, and South Africa, through its Key Partners of the Organization program. A growing list of countries wish to accede to the OECD. As such, OECD membership provides a unique baseline of socioeconomic aspirations that can be standardized and crafted into a measurable point of comparison for any socioeconomic economy-to-economy comparison. Simply put, OECD membership entails both formal commitments to established international standards and best practices, as well as a more general and informal obligation to upholding a certain standard and code of conduct in policymaking. The 2021 Dashboard includes 35 out of 37 OECD members (current as of April 2021). The average Dashboard score of these economies creates an easy-to-use international standard that all economies—developed, developing, and emerging—can measure themselves against. Figure 2 shows the 2021 overall Dashboard scores for all 35 OECD economies included here and their average score (the OECD Standard).

Figure 2: 2021 Dashboard OECD Economies, % Score and OECD Standard



As Figure 2 shows, most OECD members perform quite well on the Dashboard. All but one of the top 10 economies on the Dashboard—**Singapore**—are OECD members. The average Dashboard score for OECD economies is 74.06%, which on its own would rank 21st on the Dashboard; however, just as on the 2019 Dashboard, a wide disparity remains between top performers and OECD member states at the bottom. For example, **Mexico**, despite being an OECD member since 1994, continues to lag almost 40 percentage points behind top performers **Denmark** and **Sweden**. To match them, Mexico would have to essentially double its current score. Other members, such as **Colombia**, **Turkey**, and **Greece**, fail to achieve scores over 60% of the available total and are below the OECD average score.

2.2 REGIONAL PERFORMANCE AND THE OECD STANDARD

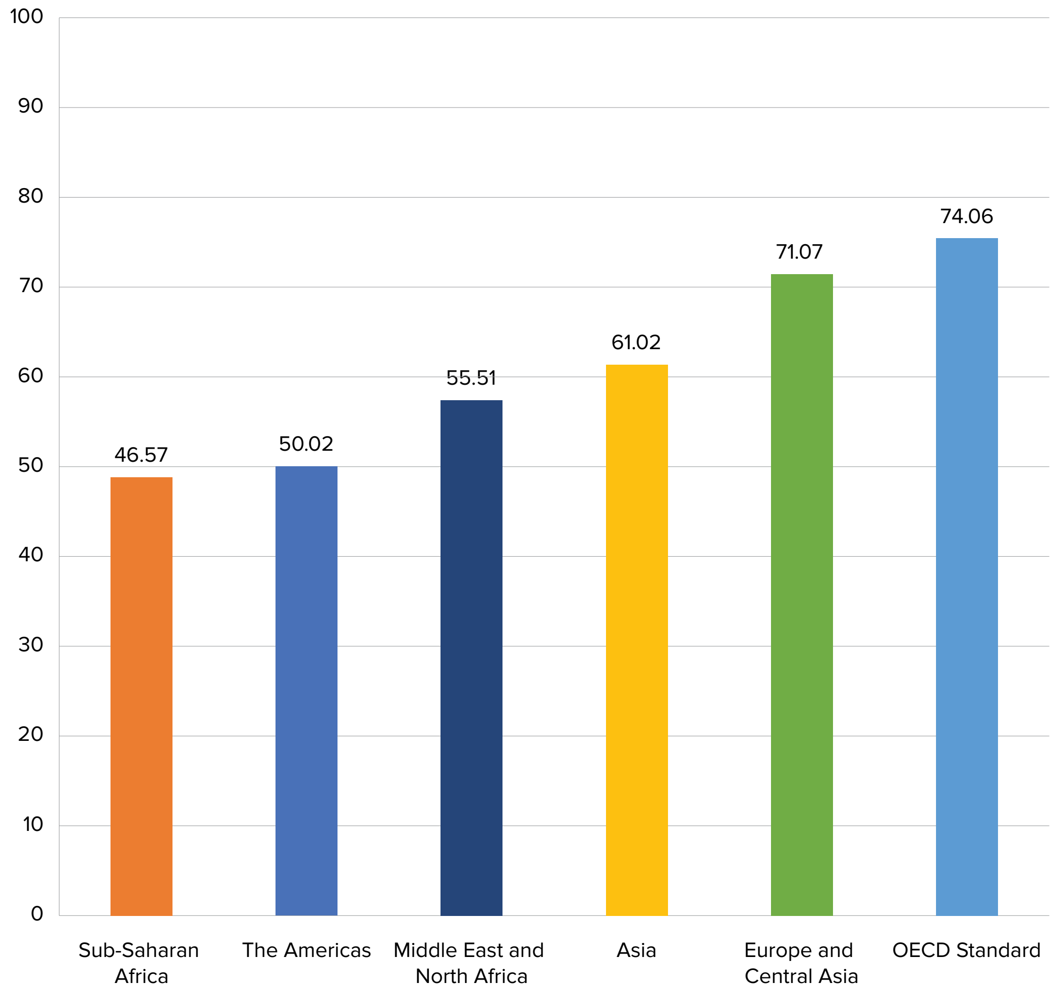
The following section uses and applies the OECD Standard within the context of a regional analysis of the Dashboard's results. Using the World Bank's geographical classification system, the 2021 Dashboard can group the 113 economies into five relatively distinct geographical regions.[24] Isolating and comparing the results of the regions makes it easier to observe trends within and among regions. The OECD Standard adds further depth to this analysis by introducing another benchmark of performance.

3. Regional Zoom-Ins

The large sample of 113 economies from all corners of the globe in the 2021 Dashboard allows us to compare different regions of the world vis-à-vis one another. Which regions have the strongest rule of law and business environments? And how do they compare with the OECD Standard?

To begin, we can examine how each region as a whole performs and how this performance compares with the other regions and with the OECD Standard. Figure 3 shows the average scores achieved by each region on the Dashboard and the OECD Standard.

Figure 3: Comparing Regions, Mean Dashboard Scores, % Available Score



As Figure 3 shows, no regional average matches or outperforms the OECD average. The mean score by economies sampled from the Europe and Central Asia region come the closest at 71.07%, but that achievement is still almost 3% below the OECD average. It is also clear that the vast majority of regions fall below the OECD average. Sub-Saharan Africa, the Americas, and the Middle East and North Africa regions—which combined constitute more than half of the sampled economies in the Dashboard—are 20% or more below the OECD standard.

Yet, important as they are in providing a big-picture snapshot of performance, regional averages do not show the full picture. The following subsections deliver economy-specific breakdowns and regional analysis of all 113 economies included in the Dashboard.

3.1 THE AMERICAS

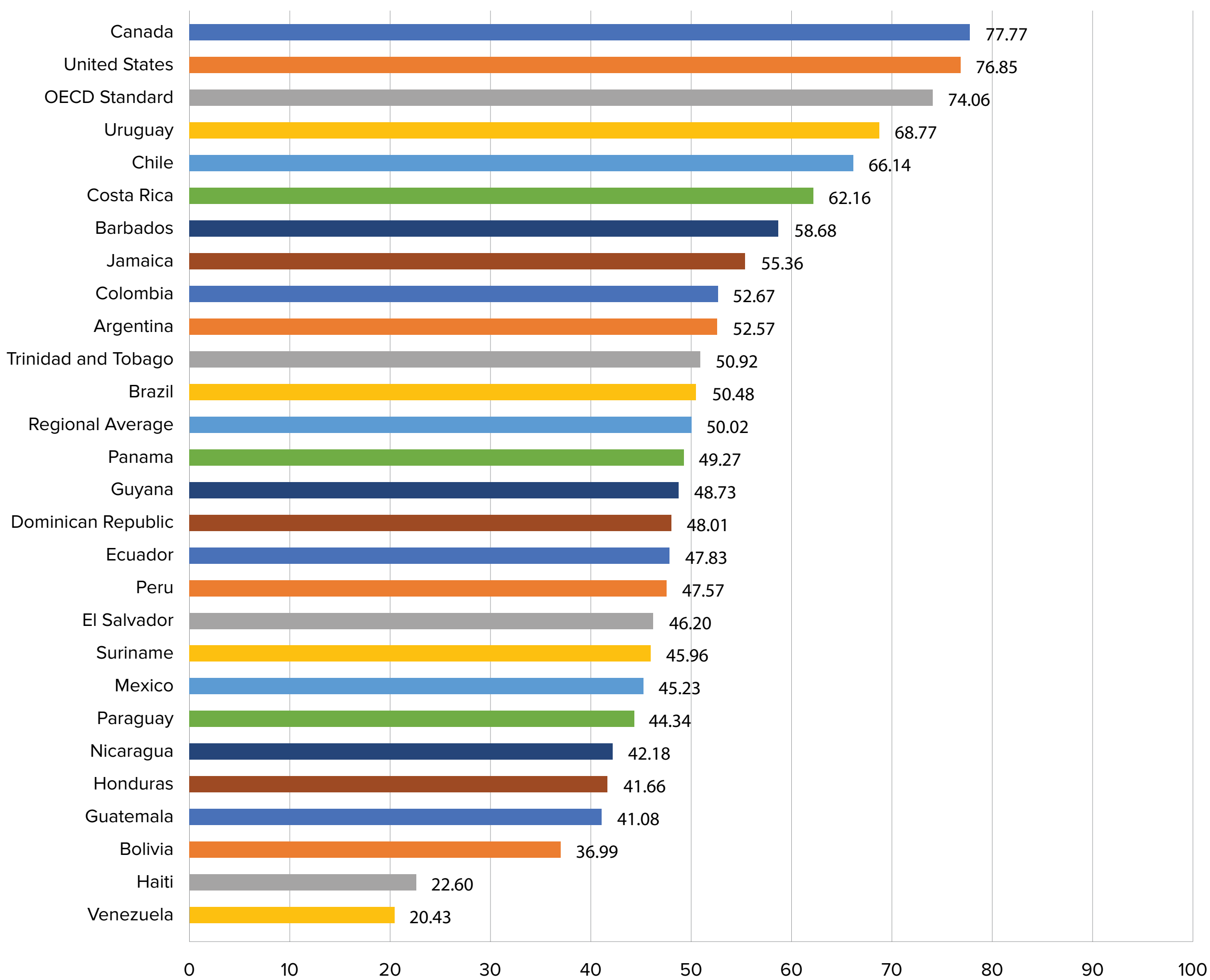
The 2021 Dashboard includes 26 economies from the Americas, with this region accounting for nearly a quarter (24%) of the total number of economies sampled in the Dashboard. Table 8 presents all 26 economies from the Americas region included in the 2021 Dashboard.

Table 8: Americas Regional Grouping

• Argentina	• Ecuador	• Panama
• Barbados	• El Salvador	• Paraguay
• Bolivia	• Guatemala	• Peru
• Brazil	• Guyana	• Suriname
• Canada	• Haiti	• Trinidad and Tobago
• Chile	• Honduras	• United States
• Colombia	• Jamaica	• Uruguay
• Costa Rica	• Mexico	• Venezuela
• Dominican Republic	• Nicaragua	

The overall results for the Americas region are displayed in Figure 4.

Figure 4: Americas Region, Overall 2021 Dashboard Results



What stands out from these regional results?

As in the preceding editions of the Dashboard, **Canada** and the **United States** are the two top-performing economies in the region. These are the only two economies in the region that outperform the OECD Standard, and they are almost 10% ahead of the next tier of economies, including **Uruguay** and **Chile**. Still, though both nations are strong performers in the region, neither Canada nor the United States rank in the top 10 of the Dashboard; they are ranked 17th and 18th, respectively.

Overall, the Americas region continues to face challenges with regards to rule of law for business. Half of the sampled economies (13) have a score of less than 50%. The regional average remains the second lowest of the five major regions included in the Dashboard, at 50.02%. Of the 10 lowest-performing economies on the Dashboard, three—**Bolivia**, **Venezuela**, and **Haiti**—are from the region.

3.2 ASIA

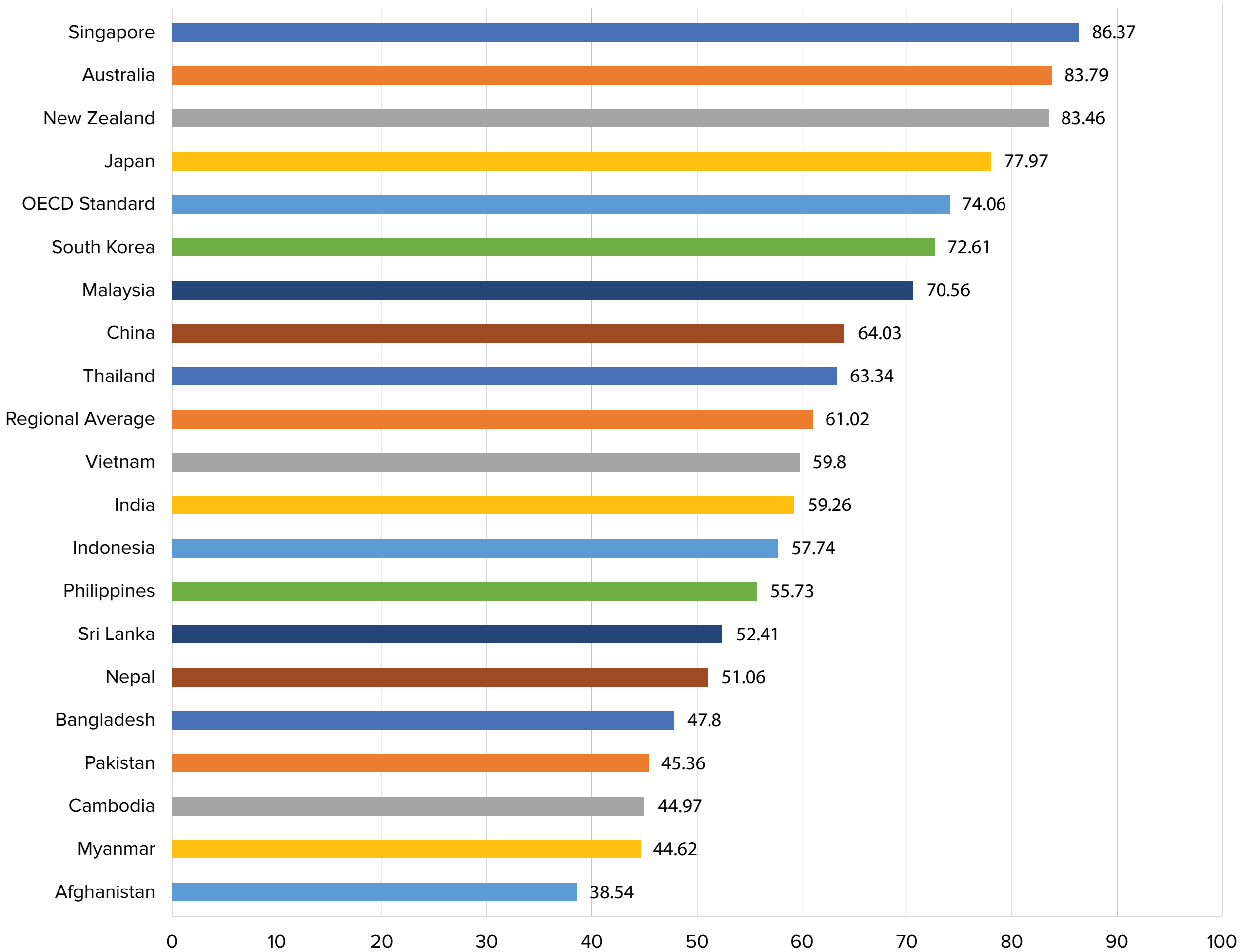
Asia contains the third-largest contingent of economies in the 2021 Dashboard—tied with Sub-Saharan Africa—with 19, accounting for 17% of the total number of economies sampled here. The 2021 Dashboard added three economies from this region: **Afghanistan**, **Nepal**, and **Sri Lanka**. Table 9 lists all 19 economies from the Asia region included in the 2021 Dashboard.

Table 9: Asia Regional Grouping

• Afghanistan	• Japan	• Singapore
• Australia	• Malaysia	• South Korea
• Bangladesh	• Myanmar	• Sri Lanka
• Cambodia	• Nepal	• Thailand
• China	• New Zealand	• Vietnam
• India	• Pakistan	
• Indonesia	• Philippines	

The overall results for the Asia region are displayed in Figure 5.

Figure 5: Asia, Overall 2021 Dashboard Results



As in 2019, Asia, with a mean score of 61.02%, remains the second-highest-performing region on the Dashboard.

Singapore, **Australia**, **New Zealand**, and **Japan** are the highest-performing economies in the region. All achieve a score higher than the OECD Standard of 74.06%. Of note is **South Korea**'s score, which has improved substantially over the course of the past three editions of the Dashboard. In 2017, South Korea's score was 66.67%; it has now risen to 72.61%, an improvement of a full 5.94%. South Korea is today ranked fifth in the region and 23rd overall on the Dashboard. **China**'s rule of law for business environment is also improving. In 2017, China had a score of 62.84%; today that has improved to 64.03%.

Outside of the top performers, what stands out in the region is the relatively strong performance across the board. Of the 19 economies sampled, only five—**Afghanistan**, **Bangladesh**, **Cambodia**, **Myanmar**, and **Pakistan**—fail to achieve a score of 50% or more. Of these five economies, none fall into the bottom 10 of the Dashboard; Afghanistan is ranked the lowest, at 103rd.

Overall, the Asia region remains one of the strongest performers on the Dashboard.

3.3 EUROPE AND CENTRAL ASIA

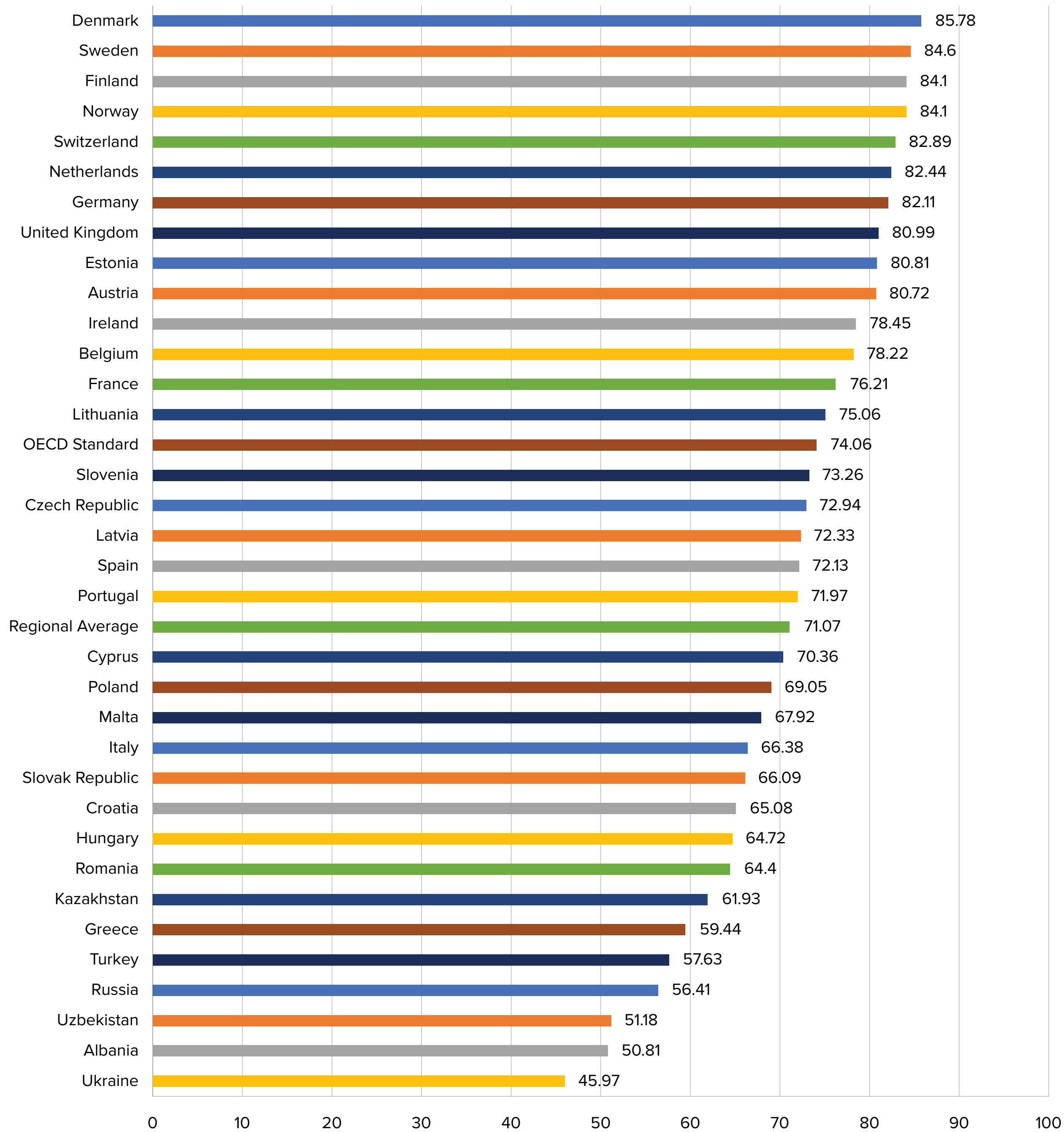
The Europe and Central Asia grouping contains the largest sample of economies on the Dashboard. The number of economies included from this region has increased substantially, growing from 22 in 2019 to 34 this year. The added economies are **Albania**, **Austria**, **Cyprus**, **Denmark**, **Estonia**, **Finland**, **Latvia**, **Malta**, **Norway**, **Portugal**, **Slovenia**, and **Switzerland**. In total, the region accounts for 30% of the overall Dashboard sample. Table 10 lists all 34 economies from the Europe and Central Asia region included in the 2021 Dashboard.

Table 10: Europe and Central Asia Regional Grouping

• Albania	• France	• Malta	• Spain
• Austria	• Germany	• Netherlands	• Sweden
• Belgium	• Greece	• Norway	• Switzerland
• Croatia	• Hungary	• Poland	• Turkey
• Cyprus	• Ireland	• Portugal	• Ukraine
• Czech Republic	• Italy	• Romania	• United Kingdom
• Denmark	• Kazakhstan	• Russia	• Uzbekistan
• Estonia	• Latvia	• Slovak Republic	
• Finland	• Lithuania	• Slovenia	

The overall results for the Europe and Central Asia region are displayed in Figure 6.

Figure 6: Europe and Central Asia, Overall 2021 Dashboard Results



Just as in 2019, the Europe and Central Asia region continues to boast the highest average Dashboard score—71.07%—of all five regions sampled. Only one of the 34 economies from the region, the **Ukraine**, fails to achieve a Dashboard score of more than 50%. Looking a bit deeper at the sub-regional level we can see that different sub-regional groupings perform differently. For example, Scandinavia as a sub-region is a very high-performing group of economies. **Denmark**, **Sweden**, **Finland**, and **Norway** all score 84% or above on the Dashboard and are all ranked in the top-five. In contrast, performance among the countries from the former Soviet Union is mixed. **Kazakhstan**, **Russia**, **Ukraine**, and **Uzbekistan** all score below 62% on the Dashboard. In contrast the Baltic states – **Estonia**, **Latvia**, and **Lithuania** – all of which are OECD member countries, have scores over 70% on the Dashboard and are all ranked above the regional average.

What explains this regional strength?

Aside from individual national efforts, the majority of economies sampled from the region are high-income OECD members and many are also members of the European Union (EU). Membership in the OECD and/or the EU is a clear boost to economies' Dashboard performance and rule of law environment. Although some notable exceptions exist, economies that are members of one or both groups generally have markedly stronger rule of law environments for business. This year, all but one of the economies added to this regional sample are high-income OECD members and/or EU member states.

It is also worth noting that many economies from the region have continued to strengthen their environments over the past three editions of the Dashboard. For example, **Italy**, **Spain**, and the **Slovak Republic** have seen their scores increase substantially by 7.42%, 9.34%, and 13.06%, respectively, since 2017.

3.4 MIDDLE EAST AND NORTH AFRICA

The Middle East and North Africa regional grouping contains the smallest sample of economies in the Dashboard, with only 15 economies, or 13% of the Dashboard total. The number of economies included from this region has this year increased by two. These additional economies are **Jordan** and **Lebanon**.

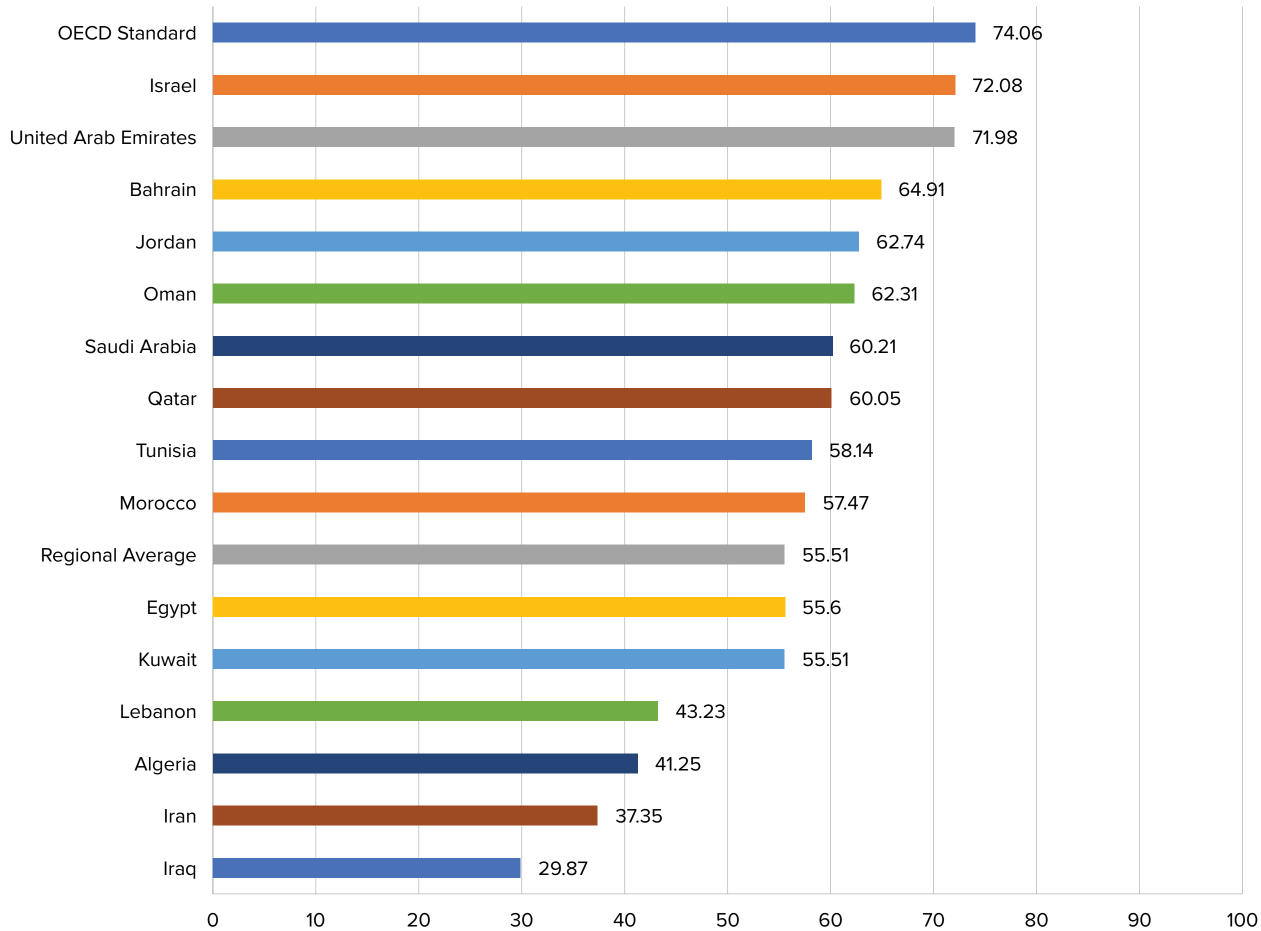
As with some of the other regions included in the Dashboard, large discrepancies in levels of socioeconomic development persist in the Middle East and North Africa region. **Kuwait**, **Bahrain**, **Saudi Arabia**, **Qatar**, **Israel**, and the **United Arab Emirates** are high-income economies with income-per-capita levels equivalent to those of developed OECD members. **Israel** and **UAE** stand out as being highly integrated into international commerce and, in the case of Israel, a leading high-technology hub. Although the Abraham Accords represent an important diplomatic breakthrough in the region, political uncertainty and tension between both state and non-state actors are facts of life across the region. Table 11 lists all 15 economies from the Middle East and North Africa region included in the 2021 Dashboard.

Table 11: Middle East and North Africa Regional Grouping

• Algeria	• Israel	• Oman
• Bahrain	• Jordan	• Qatar
• Egypt	• Kuwait	• Saudi Arabia
• Iran	• Lebanon	• Tunisia
• Iraq	• Morocco	• United Arab Emirates

The overall results for the Middle East and North Africa region are displayed in Figure 7.

Figure 7: Middle East and North Africa, Overall 2021 Dashboard Results



Overall, the Middle East and North Africa region is characterized by a large cohort of average-performing economies. On the one hand, only four out of the 15 economies sampled fail to achieve a score of 50% or more; on the other hand, no economy matches or outperforms the 2021 OECD Standard. Both highest-performing economies in the region—**Israel** and the **United Arab Emirates**—are more than 2% behind the OECD standard.

Iran and **Iraq** remain the weakest performers in the region and remain in the bottom 10 of the overall Dashboard rankings.

3.5 SUB-SAHARAN AFRICA

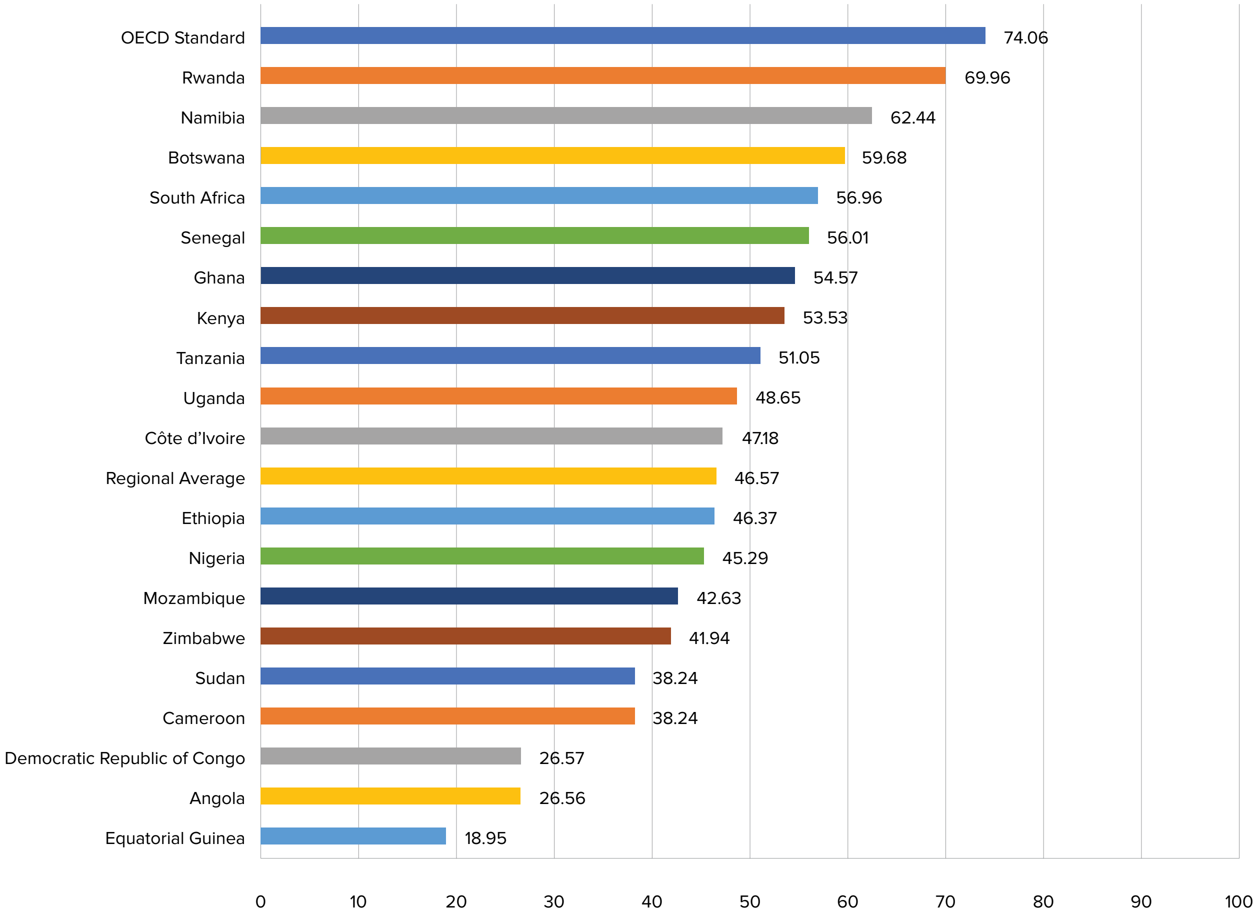
The number of economies sampled from the Sub-Saharan Africa region has increased from 13 in 2019 to 19 this year. These added economies are **Botswana**, **Cameroon**, **Equatorial Guinea**, **Rwanda**, **Sudan**, and **Uganda**. Overall, the economies sampled from this region represent 17% of the total number of economies included in the Dashboard. Table 12 lists the 19 economies sampled from the Sub-Saharan Africa region.

Table 12: Sub-Saharan Africa Regional Grouping

• Angola	• Côte d'Ivoire	• South Africa
• Botswana	• Kenya	• Sudan
• Cameroon	• Mozambique	• Tanzania
• Democratic Republic of Congo	• Namibia	• Uganda
• Equatorial Guinea	• Nigeria	• Zimbabwe
• Ethiopia	• Rwanda	
• Ghana	• Senegal	

The overall results for the Sub-Saharan Africa region are displayed in Figure 8.

Figure 8: Sub-Saharan Africa, Overall 2021 Dashboard Results



As in 2019, Sub-Saharan Africa is the region with the lowest average score included in the Dashboard. The average regional score for 2021 is 47.07%—virtually unchanged from 2019. None of the 19 economies sampled achieve a score higher, or even close to, the OECD Standard. The strongest-performing economy—**Rwanda**—is a new addition this year, and while it is the best-performing economy in the region, achieving a score of 69.96%, it is still over 4% behind the OECD Standard. Furthermore, the vast majority of sampled economies from the region—11 out of 19—fail to achieve a score of or above 50%. Another new addition this year, **Equatorial Guinea**, achieves the lowest score in the region and in the entire Dashboard, at 18.95%.

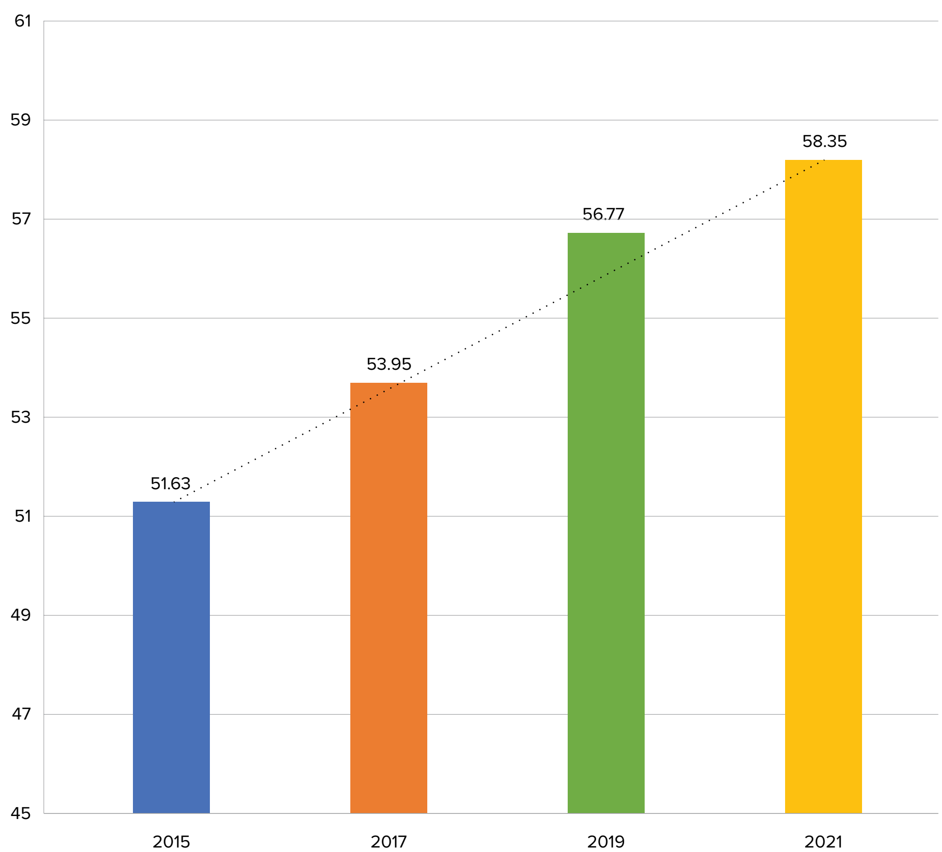
4. From 2013 to 2021: How the Rule of Law Environment for Business Is Changing

Although the primary purpose of the Dashboard has always been to measure and benchmark the strength of the rule of law environment for business in the economies sampled, a secondary function is to serve as a proxy for the state of the global environment. What does the global rule of law environment for business look like today, and how does it compare with past editions of the Dashboard? Have things improved or weakened?

With Dashboard scores now going back several editions (for some economies, all the way back to 2013), we have enough data to analyze and identify some trends.

To begin, we can calculate the overall total score of all sampled economies vis-à-vis the maximum available total score in the Dashboard. Although we do not control for changes in the composition of the Dashboard with respect to the number of economies sampled or any methodological changes in the underlying measures feeding into the Dashboard, the total aggregated results do provide a snapshot and starting point for comparison. Figure 9 shows the aggregate score for all the economies sampled as a percentage of the maximum Dashboard score for the past four editions of the Dashboard, going back to 2015. (The first Dashboard in 2013 was applied only to 10 economies and so the sample is too small for overall comparisons with later editions.)

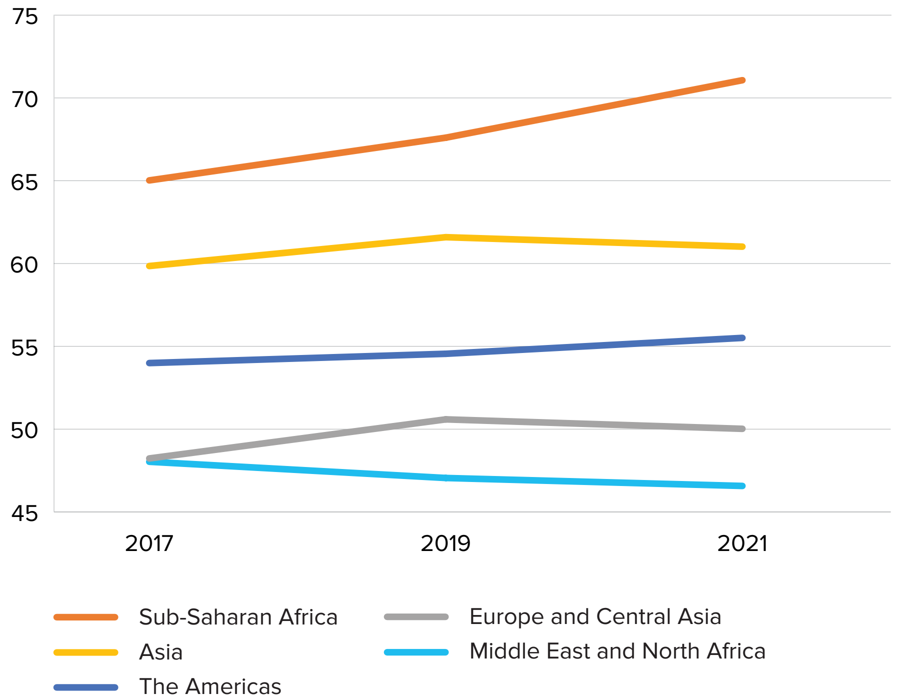
Figure 9: Dashboard, Mean Score, % of Total, 2015-2021



As Figure 9 shows, there has been a real and statistically significant increase in the average aggregated score on the Dashboard since 2015. In the second edition of the Dashboard, the mean score was 51.63%. This year, the average score has increased to 58.35%—an improvement of 6.72%. Furthermore, this improvement can be seen on a stepwise basis for each edition of the Dashboard; a gradual improvement is recorded over the seven-year period studied. On this basis alone it is fair to say that the rule of law environment for business in 2021 is better than it was in 2015.

This improvement is also shown at the regional level. Figure 10 displays the aggregated Dashboard score for each of the five regions included in the Dashboard from 2017 to 2021.

Figure 10: Dashboard, Mean Score, % of Total, Regional Averages, 2017-2021



As Figure 10 shows, most regions have seen a steady and consistent improvement in performance since 2017. Specifically, four out of the five regions achieved an average score improvement of 2.68%. Only Sub-Saharan Africa experienced a decrease of 1.66% in its average score.

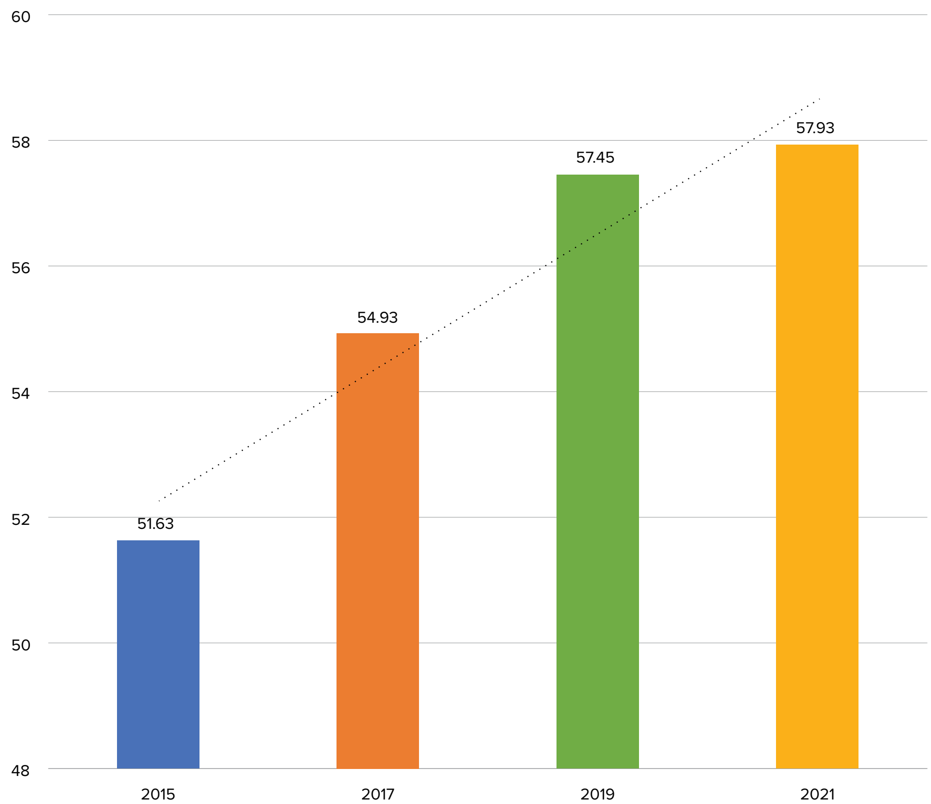
But how much of this improvement, in aggregate and at the regional level, has been driven by real, meaningful changes in the economies studied and how much has been driven by changes in the number of sampled economies in the Dashboard?

As mentioned above, looking at the movement of the aggregated scores of the Dashboard over time allows us to get a sense of how the global environment has evolved, as well as the underlying factors shaping this movement, either positively or negatively. However, aggregating and comparing total scores for the Dashboard at different points in time on a gross basis does not allow us to control for changes in the composition of the Dashboard with respect to the number of economies sampled or methodological changes in the underlying measures feeding into it. The most important change to the Dashboard over the past five editions is the substantial increase in the number of economies sampled. The Dashboard has grown from 10 economies in 2013 to 60 economies in 2015, to today covering 113 economies in total. While the increase in the number of economies has produced a more comprehensive snapshot of the global business rule of law environment, it has also affected the average score by virtue of this expansion.

How can we account for this change and make comparisons over time on a more “like-for-like” basis?

To be able to control for this increase in sample size, it is possible to isolate a subset of economies and track their scores over the life of the Dashboard. This approach allows us to speak with greater confidence and precision about the overall direction and movement of the Dashboard scores. Figure 11 shows the results of such an exercise; specifically, it displays the aggregate score for 60 economies that constituted the entire sample in the second edition of the Dashboard in 2015 over the past four Dashboard editions and a six-year period (2015-2021).

Figure 11: Dashboard, Mean Score, Subset of 60 Economies, % of Available Score, 2015-2021



As Figure 11 shows, the results are virtually the same as those in Figure 9 for the wider sample. The 60 economies isolated and tracked from 2015 to 2021 saw a similar increase in their average score of 6.3%—slightly below the aggregated score for all economies of 6.72% displayed in Figure 9.

Although not identical to the results displayed in Figure 9, these findings nonetheless confirm that the improvement in the rule of law for business environment that we have witnessed over the past four editions of the Dashboard was not driven solely—or even primarily—by the addition of economies to the sample. Real, meaningful improvements in the environment were recorded—and reflected—in the Dashboard in the same subset of 60 economies over the same time period.

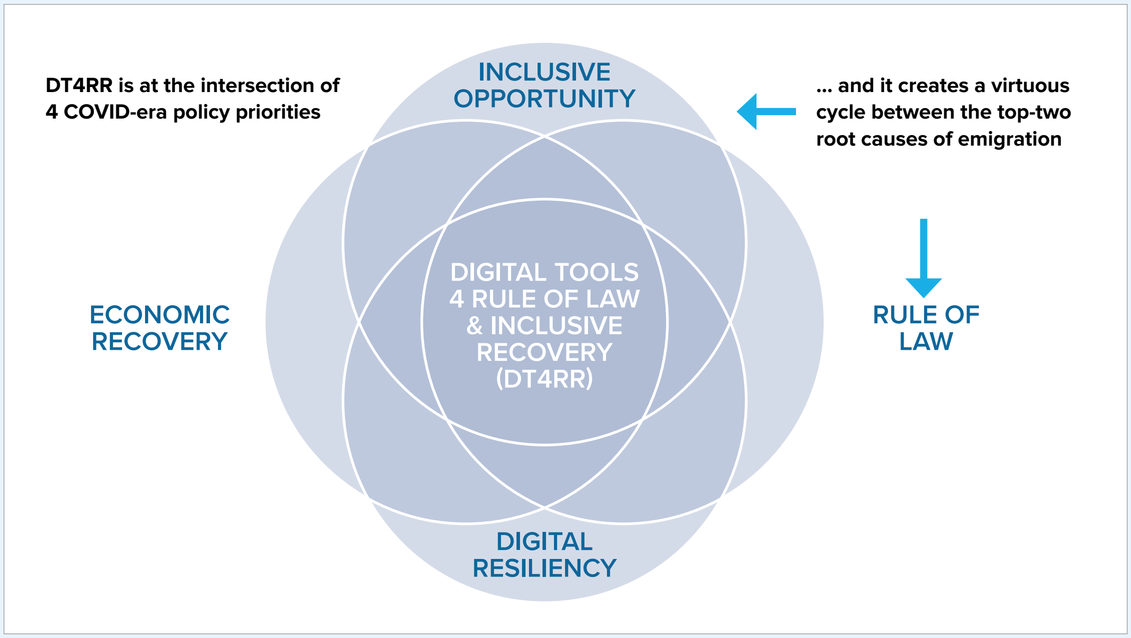
CASE STUDY: HOW DIGITAL TOOLS CAN SERVE AS BUILDING BLOCKS FOR ECONOMIC RECOVERY AND THE RULE OF LAW

THE COVID-19 PANDEMIC LAYS BARE THE NEED FOR INCLUSIVE DIGITAL TOOLS TO STRENGTHEN THE RULE OF LAW AND PROMOTE ECONOMIC RECOVERY

COVID-19 has exacerbated already severe economic challenges for businesses and communities across the globe, and this has been acutely felt across the Americas. Among these challenges is the relative weakness of the rule of law environment, which perpetuates inequality, stifles development, and suppresses investment, driving joblessness and emigration.

Digital transformation must be part of the solution. The COVID-19 era has spurred the rapid introduction of digital tools, showing that their expansion is possible and urgently needed. Nations that prioritize the expansion of digital tools are better equipped to grow. Digital tools improve transparency and reduce opportunities for corruption, while ensuring more predictable government services and the resilience of regulatory processes that promote ease of doing business.

More so than ever, the interests of varying stakeholders – with interests in economic recovery, transparency, digital transformation and inclusion – align around a collaborative and practical agenda to deploy digital tools to support economic recovery and transparent, inclusive economies.

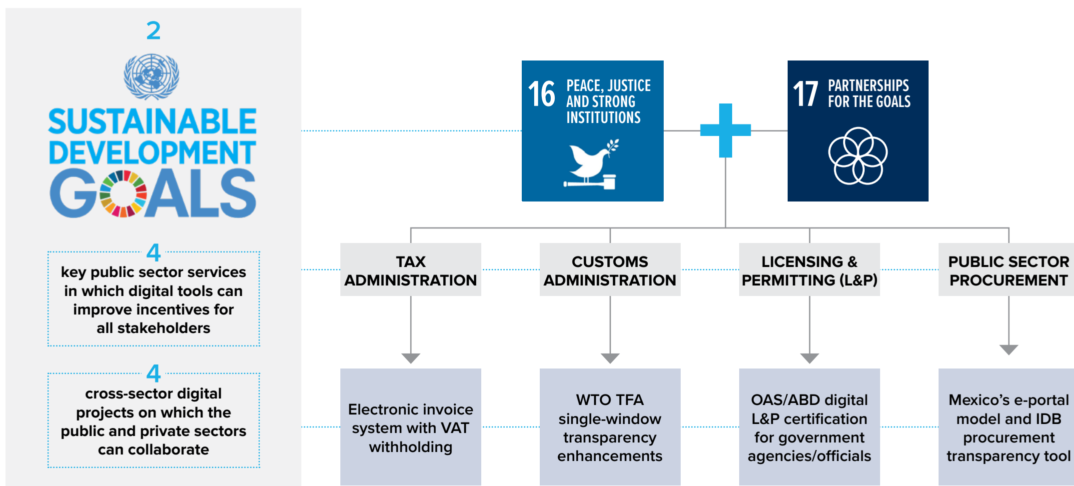


GOVERNMENTS, PRIVATE SECTOR, MULTILATERAL ORGANIZATIONS, AND CIVIL SOCIETY ARE WORKING TOGETHER TO DEPLOY *DIGITAL TOOLS FOR RULE OF LAW AND INCLUSIVE RECOVERY (DT4RR)*

DT4RR is a model that governments, private sector, multilateral organizations, and civil society across the Americas are increasingly embracing to co-create, co-fund, and co-implement the introduction of key digital tools to government regulatory systems. An important case study is the collaborative approach to promoting digital tools adoption to advance rule of law and inclusive recovery taken in Central America, led by Walmart as chair of the Global Rule of Law Coalition Digital Transparency working group, that demonstrates how all stakeholders can work together to spur tangible progress in these shared goals.

The Association of American Chambers of Commerce in Latin America and the Caribbean (AACCLA) Rule of Law Task Force has identified four DT4RR priority areas that (1) have historically posed rule of law problems, and (2) have broad relevance for the U.S. private sector's ability to increase investment in underserved Central American communities and integrate small and underrepresented Central American suppliers into U.S. companies' supply chains. These priority areas should be the target of government digitalization efforts. An examination of two of the key pillars of DT4RR - tax administration and licensing and permitting – demonstrate the benefits that accrue to business, government and communities through the application of digital tools.

"Digital Tools 4 Rule of Law & Inclusive Recovery": Cross-sectoral, Upstream & Digital



In the Asia-Pacific Economic Cooperation (APEC) forum, the DT4RR model now forms part of an APEC Digital Economy Steering Group (DESG) project. In the OECD, the DT4RR model has been featured at the 13th OECD International Economic Forum on Latin America and the Caribbean, OECD and Latin America and the Caribbean (LAC) programs, and as part of the OECD Development Center.

Ultimately, cross-sectoral partnership on government digitalization can tackle the structural factors impeding economic growth. For example, in Central America, this includes: low levels of foreign and domestic private sector investment; low labor productivity and a lack of skilled workers; and challenges in promoting the rule of law, sound governance and legal certainty, among others. By implementing digital tax system reforms and digitalizing government services, like licensing and permitting, DT4RR enables inclusive and sustainable growth in Central America.

Exploring DT4RR Key Pillars – Tax Administration and Licensing & Permitting

Tax administration: The OECD reports that tax base erosion and profit shifting (BEPS) costs countries $100-240 billion in lost revenue annually, which is equivalent to 4-10% of the global corporate income tax revenue. The DT4RR agenda includes tax system reforms that implement and strengthen existing electronic invoicing systems in order to incentivize tax compliance. For governments, this enables increased tax collection. For the private sector, this allows firms to integrate formal MSMEs into global value chains through reducing tax non-compliance risk. Reforms should include: electronic invoices, ensuring VAT withholding within e-invoice systems, facilitating the training of MSMEs on compliance, facilitating digital signatures, and allowing for online querying of tax authorities' blacklists.

Licensing & Permitting: Over-reliance on paper-based and in-person regulatory processes creates backlogs in approvals, generating opportunities for corruption. The DT4RR agenda introduces a digital best practices certification for licensing & permitting to reduce approval backlogs and corruption risk. This certification can be attained by governments and individuals through the adoption of best practices, namely: placing rules online, allowing for online payment and renewal, facilitating single windows, disclosing required mitigation online, and training public servants.

5. Final Thoughts

While the socioeconomic impact of the COVID-19 pandemic is global, affecting all economies around the world, current estimates suggest that the economic damage is more extensive and recovery will take longer in emerging and developing markets. The International Monetary Fund (IMF), for example, in its January 2021 World Economic Update spoke of an "incomplete and uneven recovery," with emerging markets and developing economies suffering the deepest and most prolonged drops in GDP output.[25] Table 13 shows the IMF's estimates for GDP losses relative to output prior to the pandemic.

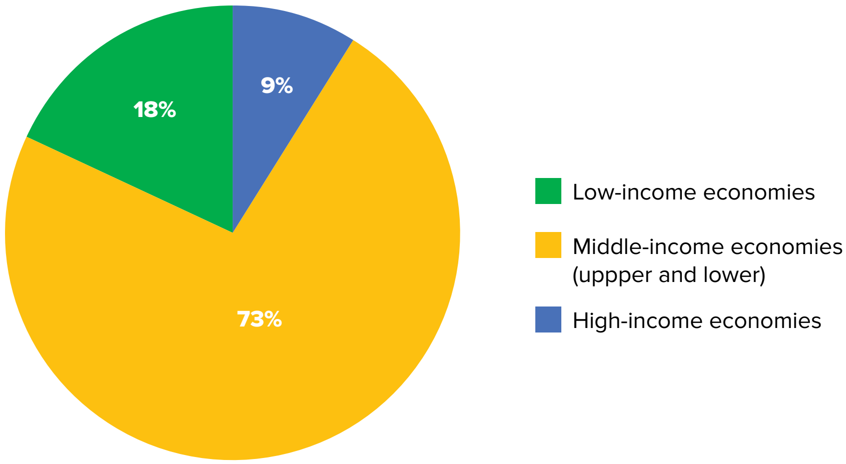
Table 13: IMF, World Economic Update, January 2021, Projected GDP Losses Compared with Pre-COVID Levels, Major Regions[26]

Group/Category of Economies	Projected GDP Losses Compared with Pre-COVID Levels
Emerging markets, Asia (excluding China)	-8.02
Latin America and Caribbean	-6.87
Sub-Saharan Africa	-6.19
Middle East and Central Asia	-5.21
Emerging and developing markets	-4.55
World	-3.71
Emerging Europe	-2.61
Advanced economies[27]	-2.47
China	-1.51
United States	-1.31

As Table 13 shows, the IMF predicts that GDP losses will be more significant and sustained for longer among emerging markets and developing economies, both in general and specifically in the following regions: Asia; Latin America and the Caribbean; Sub-Saharan Africa; and the Middle East and Central Asia. The difference in predicted economic losses compared with losses in other economies is stark. For emerging markets and developing economies the estimated losses are between 4.55% and 8.02% of GDP. In contrast, losses in advanced economies such as the United States and China are estimated at much smaller levels of between 1.31% and 2.47% of GDP.

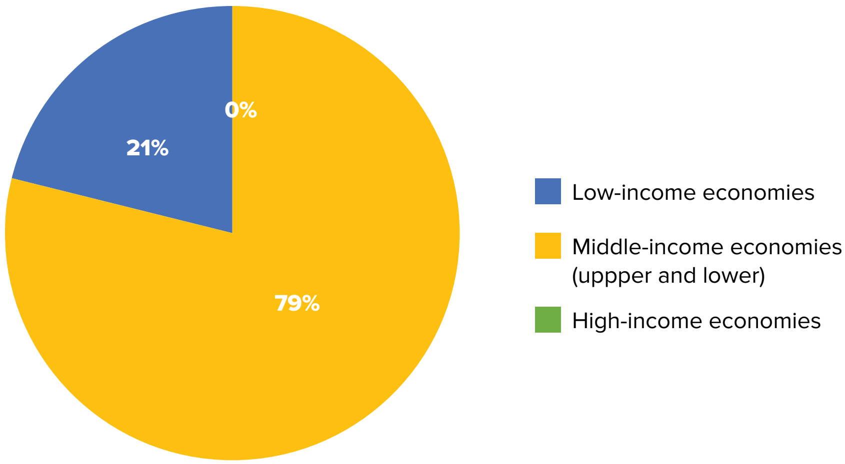
This difference is of real importance from a rule of law and business perspective. Few emerging markets or developing economies are among the top performers in the Dashboard; there is no middle- or low-income economy in the top 20. Looking more closely at performance, we can clearly observe that the vast majority of economies outside the top third of the Dashboard are middle- or low-income economies. As Figure 12 shows, more than 80% of the 78 economies that score below two-thirds of the available score are middle- or low-income economies.

Figure 12: 2021 Dashboard Economies under 66.66% of Score, According to World Bank Lending Group



Similarly, of the 34 economies in the lower two quartiles of the Dashboard, zero are high-income economies. As Figure 13 shows, all 34 economies are either middle- or low-income economies.

Figure 13: 2021 Dashboard Economies under 50% of Score, According to World Bank Lending Group



What does this mean for policymakers in emerging markets and developing economies who are currently grappling with a deep economic contraction and protracted recovery?

Unfortunately, in public policymaking there is never any one single silver bullet or panacea for an economic downturn; however, in the bigger scheme of things, what the impact of the COVID-19 pandemic—and Dashboard results suggest—is that improvements to the rule of law environment for business can, and should, be part of the overall package of socioeconomic reforms being introduced and implemented around the world. A stronger rule of law for the business environment will provide both domestic and international businesses with stronger structural incentives for investment and economic development. For 2021 and beyond, this matter should be a priority.

Appendix A

This appendix provides a full and detailed description of the methodology used to build the Dashboard.

THE GLOBAL RULE OF LAW AND BUSINESS DASHBOARD: METHODOLOGY

The ultimate purpose of the Dashboard is to provide users with an easy-to-follow yet statistically credible meta-measure of the rule of law environment as it relates to business. The Dashboard relies on and uses information and research contained in internationally accepted and established indices and surveys. It is a compilation and reflection of these existing measures and relies on the methodological strengths and weaknesses of those underlying indices and surveys. Given this reliance, an explanation of some of the basic methodological characteristics of these underlying indices or surveys is warranted.

Indices are widely acceptable statistical models that aim to benchmark performance against a predetermined standard, whether it be of an economic, political, legal, scientific, social, or other nature. Significantly, an index is predetermined; its creator determines the best practice or standard, evaluates performance vis-à-vis this standard, and then assigns an overall score. As such, an index constitutes a "top-down" approach to benchmarking the performance of a set of variables, whether it is in an economy or otherwise. Different indices are based on varying sets of criteria and methodologies. For example, the three most common types of indices used in academic and international benchmarking exercises are binary, ordinal, and numerical. Binary indices seek to measure or gauge the existence of a particular criteria or indicators. Ordinal indices provide a scale or value such as "good," "average," or "bad." Numerical indices, alternatively, provide a number and imply a mathematical relationship between scores.

In addition to indices, there are surveys.

A widely accepted model in statistics and the social sciences, surveys ask respondents about their specific views and experience of the subject matter or situation under analysis. Surveys seek to examine how a specific input or factor works (or does not work) according to the respondent. For example, a survey question might ask about the experience of person x with regard to factor or criteria y. Together, the survey responses give an overview of trends and perceptions of a set of variables. Surveys can be either general population surveys or targeted, such as surveys of experts on the rule of law.

The two different models can be summarized thus: indices try to have consistent measurement of predefined criteria, while surveys seek to gauge perceptions.

Each methodology has strengths and limitations that in turn affect the overall strengths and weaknesses of the Dashboard. After all, the result from the Dashboard is simply a sum and reflection of the constituent parts extracted and amalgamated from existing rule of law measures. For example, indices are only as robust or useful as the underlying assumptions and criteria used to build them. Similarly, the level to which answers to survey questions (expert or otherwise) accurately reflect a given reality ultimately depends on the survey responder, as well as the design of the survey instrument and questions.

Deconstructing Underlying Measures

MAPPING

In terms of the Dashboard, each individual index or survey used to create it must be deconstructed and its methodology and underlying assumptions understood. This deconstruction includes understanding the statistical model used by the researchers in the original survey or index. Key questions include the following:

- What were the underlying assumptions and predefined subject matter in the surveys and indices?
- What was the overall purpose of the measure in terms of application?
- To how many economies was the measure applied?
- Was the index or survey designed to be applied to a certain type of economy (e.g., low-income economies) or with a specific policy goal in mind (e.g., the reduction of poverty)?
- What type of scoring system/model was used?
- Index only: Did the researchers use an ordinal, numerical, or binary model, or perhaps some combination?

Having asked these basic questions, we can move on to the more complex and sophisticated deconstruction phases—that is, determining the extent to which individual indicators or survey questions from these indices and surveys can be amalgamated and combined into a wider meta-analysis and measure. For example, is it possible, given a particular internal weighting system in an index or survey, to extract potential indicators without disrupting the integrity of the indicator? These methodological determinations must be made before engaging in the deconstruction process's next step, which involves identifying potential rule of law and business indicators.

EXTRACTING

Once a measure has been deconstructed and its constituent parts analyzed, we can identify the relevant rule of law indicators and rule of law indicators as they relate to business. Having identified a suitable set of indicators, we can then begin the extraction process. Here, it is imperative that any internal weighting system used by the parent index or survey is maintained so that all indicators are extracted in as statistically a robust and acceptable fashion as possible.

COMBINING

Once the mapping and extraction process has been repeated for all mapped surveys and indices, we possess the raw data and tools to begin combining the extracted indicators and building the Dashboard; however, prior to combination and incorporation into the Dashboard, all scores from existing indices must be standardized into a percentage. This effort ensures that all indicators are combined and treated on a "like-for-like" basis. The overall percentage obtained for each individual parent measure is then combined into an average score for each surveyed economy, which provides the Dashboard score/percentage for a given economy.

Dashboard Economy Coverage

It is worth noting that not all 113 economies included in the Dashboard are included in all seven of the underlying indices or surveys used. Furthermore, there may also be cases where some economies are included only in older editions of these measures.

Overall coverage of the 113 economies sampled is very good. The overwhelming majority (92%) of economies are covered in at least five of the seven measures used. The below table shows the overall level of coverage for the 113 economies sampled.

Economy Coverage, Extracted Dashboard Measures

Economy Coverage	Number of economies	%
7/7 measures	57	50.44%
7/7 measures	36	31.86%
7/7 measures	11	9.73%
7/7 measures	8	7.08%
7/7 measures	1	0.88%
Total	**113**	**100%**

As the above table illustrates, 93 economies out of the total number of 113 economies sampled are covered in either all seven or six of the measures included in the Dashboard.

The two measures with the lowest levels of economy coverage are the World Bank's *Enterprise Surveys* and Transparency International's *Global Corruption Barometer* (GCB); both are detailed below with all other used measures that together constitute the Dashboard. For the GCB, previous editions contain economies that are not covered in the most recent edition. In cases where an economy is covered in a previous edition of a sampled measure (whether it be the GCB or any other measure included in the Dashboard) and the methodology has remained the same for that measure, the relevant economy or economies from older editions have been used. The one limitation on use of economies from past editions is age; the Dashboard does not utilize any edition of any measure that is from before 2013.

Indices and Surveys Used for the Dashboard

AN OVERVIEW OF INTERNATIONAL INDICES AND SURVEYS OF THE RULE OF LAW

Although there are relatively few indices or surveys focusing exclusively on the rule of law (the exception being the World Justice Project's *Rule of Law Index*), several high-quality and accepted international measures include and incorporate a significant number of rule of law indicators. Of these measures a large proportion also contain business-related rule of law indicators. Some measures are single-issue or single-discipline measures, such as Transparency International's *Global Corruption Barometer* and the World Justice Project's *Rule of Law Index*. Other measures included in the Dashboard are wider measures of economic competitiveness and economic freedoms, such as the World Economic Forum's *Global Competitiveness Report* and the Heritage Foundation's *Index of Economic Freedom*.

In addition to understanding and benchmarking the rule of law for business environment around the world, part of the purpose of the Dashboard is also to map, understand, and analyze the extent to which existing international indices and surveys of legal and regulatory environments include indicators and measure areas of rule of law as they relate to business. Since 2013 and the building of the first Dashboard, we have continuously monitored the publication of new international surveys and indices that include potential indicators relevant to the rule of law and business. We have deconstructed 14 different measures, all of which have been analyzed and assessed for potential inclusion in the Dashboard. The below table lists the 14 measures.

Measures Sampled

1.	World Economic Forum: *The Global Competitiveness Report*
2.	The World Justice Project: *Rule of Law Index*
3.	Transparency International: *Global Corruption Barometer*
4.	Transparency International: *Bribe Payers Index*
5.	Transparency International: *Corruption Perceptions Index*
6.	Transparency International: *Putting Corruption Out of Business Survey*
7.	Freedom House: *Freedom in the World*
8.	Heritage Foundation: *Index of Economic Freedom*
9.	Global Integrity: *Global Integrity Index*
10.	Daniel Kaufman & Aart Kraay: *Worldwide Governance Indicators*
11.	The World Bank and the International Finance Corporation: Doing Business 2013
12.	Millennium Challenge Corporation: *Selection Criteria and Methodology*
13.	The Economist Intelligence Unit: *Democracy Index*
14.	World Bank Group: Enterprise Surveys – *What Businesses Experience*

Out of these 14, eight indices and surveys have been included in the Dashboard. The first three editions of the Dashboard (published in 2013, 2015, and 2017) used the *Global Integrity Index* (GII) as one of the seven underlying indices and surveys measuring the rule of law; however, the GII has not been updated since 2013 and the number of economies it covers is relatively low. The latest full edition from 2012 includes 31 economies, although more recent economy-specific analyses have been released, including the 2013 mapping of Indonesia. Consequently, beginning with the 2019 Dashboard, the GII has been replaced with the World Bank's *Enterprise Surveys*. The *Enterprise Surveys* provide a firm-level perspective on the state and functioning of a given economy's private sector, including issues pertaining to the rule of law. This research provides an excellent "bottom-up" source of information on the business environment in a given economy by the people who know it the best: the local businesses who operate in a given jurisdiction.

The following subsection provides an outline of each of the seven measures used in the 2021 Dashboard and the relevant rule of law indicators extracted.

WORLD ECONOMIC FORUM: *THE GLOBAL COMPETITIVENESS REPORT*

The *Global Competitiveness Report* is perhaps the most cited and anticipated report on economic development and competitiveness. It informs the policy debate and decisions made by governments, the business community, and other international stakeholders. The most recent edition of the *Report* and *Global Competitiveness Index* is from 2019.[28] It includes 103 indicators, covers 141 economies, and is based on survey questions and socioeconomic data. The *Report* and *Index* have in recent years been fundamentally reconstructed and redesigned. Specifically, the *Index* has now been renamed the *Global Competitiveness Index 4.0* and seeks to measure those factors that affect competitiveness within the context of the Fourth Industrial Revolution: "the GCI 4.0 provides novel and more nuanced insights on the factors that will grow in significance as the 4IR gathers pace: human capital, innovation, resilience, and agility."[29] The *Report* still consists of 12 pillars that measure various aspects of economic competitiveness and development organized around four categories: enabling environment, human capital, markets, and innovation ecosystem.[30] Indicators within these pillars and categories range from the strength of institutions, access and quality of infrastructure, and health and primary education, to more advanced metrics such as level of business sophistication, depth of financial markets, R&D activities, and innovation. In a departure from previous editions, the *Report* and *Index* no longer utilize a highly sophisticated weighting system whereby the weight of each pillar for the final economy score depends on per capita income and thus the overall economic development and sophistication of a given economy. Instead, all pillars are now weighed equally regardless of level of development.[31]

With regard to the rule of law and indicators relating to the rule of law and business, the Report does not have a separate rule of law category or individual indicators categorized as pertaining to the rule of law. That said, it does contain many relevant rule of law and business indicators. These indicators are part of Pillar 1, "Institutions," and range from the protection of property rights to the efficiency of the legal framework in place, to the strength of investor protection. The pillar boasts 20 indicators in total, all of which have been used and incorporated into the Dashboard.[32]

THE WORLD JUSTICE PROJECT: *RULE OF LAW INDEX*

The *Rule of Law Index* is the most widely used and cited quantitative measure of the rule of law currently in existence. The purpose of the *Index* is to offer "a detailed and comprehensive picture of the extent to which countries adhere to the rule of law in practice."[33] The *Index* is based on expert and opinion surveys (a general population poll and expert survey), and the latest 2020 edition of the *Index* covers 128 "countries and jurisdictions."[34] The *Index* has 44 rule of law indicators organized around eight conceptual dimensions/factors. These dimensions/factors range from limitations on governmental power to corruption, the availability of fundamental rights, and civil and criminal justice.[35] Each indicator measured is given equal weight and scored from 0 to 1.

There are many relevant indicators. In total, 20 out of the 44 indicators included in the *Rule of Law Index* have been mapped and subsequently extracted for the Dashboard as most directly relating to business.[36] The below table lists all 20 indicators mapped and extracted and to which of the eight factors they apply.

***Rule of Law Index*, Rule of Law and Business Indicators Extracted and Used in 2021 Dashboard[37]**

Factor 2: Absence of corruption
• 2.1 Government officials in the executive branch do not use public office for private gain
• 2.2 Government officials in the judicial branch do not use public office for private gain
• 2.3 Government officials in the police and the military do not use public office for private gain
• 2.4 Government officials in the legislative branch do not use public office for private gain
Factor 3: Open government
• 3.1 Publicized laws and government data
• 3.2 Right to information
• 3.3 Civic participation
• 3.4 Complaint mechanism
Factor 6: Regulatory environment
• 6.1 Government regulations are effectively enforced
• 6.2 Government regulations are applied and enforced without improper influence
• 6.3 Administrative proceedings are conducted without unreasonable delay
• 6.4 Due process is respected in administrative proceedings
• 6.5 Government does not expropriate without adequate compensation
Factor 7: Civil justice
• 7.1 People can access and afford civil justice
• 7.2 Civil justice is free of discrimination
• 7.3 Civil justice is free of corruption
• 7.4 Civil justice is free of improper government influence
• 7.5 Civil justice is not subject to unreasonable delays
• 7.6 Civil justice is effectively enforced
• 7.7 Alternative dispute resolutions are accessible, impartial, and effective

TRANSPARENCY INTERNATIONAL: *GLOBAL CORRUPTION BAROMETER*

The GCB is one of many projects Transparency International oversees that maps and seeks to measure levels and perceptions of corruption around the world. In addition to the GCB, this report also examined the *Bribe Payers Index*, *Corruption Perceptions Index*, and the *Putting Corruption Out of Business Survey*. All these measures have their own merits; however, for the purposes of this report and building the Dashboard, the GCB was found to be the superior measure in covering the largest number of economies as well as being an original instrument.

The GCB "examines how corruption features in people's lives around the world ... [and] addresses people's direct experiences with bribery and details their views on corruption in the main institutions in their countries."[38] The GCB is not an index but a general population survey.

The latest full edition of the GCB is from 2017 and is based on accumulated surveys carried out regionally between 2014 to 2017 in 119 economies around the world. A total of 162,136 individuals were surveyed. Additional regional surveys have been carried out and published in 2019. They include the *Global Corruption Barometer, 10th edition, Asia; Global Corruption Barometer Africa 2019; Global Corruption Barometer Latin America and the Caribbean 2019;* and the *Global Corruption Barometer Middle East & North Africa 2019*.

The GCB survey consists of several questions across the spectrum of perceptions of corruption, people's direct experiences of corruption, efforts against corruption, and willingness and ability on an individual level to engage against corruption.[39]

With regard to rule of law and business indicators only one indicator—or, in this case, survey question—is relevant: "Perceptions of corruption by institution: How many of the following people do you think are involved in corruption, or haven't you heard enough about them to say?"[40] For this question, respondents are asked about their perception of corruption in nine different institutions ranging from political parties, the government, and civil service to judiciary and the private sector.[41] Not all these institutions are directly relevant to the business community, and for the purposes of this report and the building of the Dashboard (where available in the individual regional and global surveys), perceptions of corruption were mapped and extracted for seven institutions as defined by the GCB:

1. Political Parties
2. Parliament/Legislature
3. Judiciary
4. Police
5. Public Officials/Civil Servants
6. Local Government Councilors
7. Tax Officials (such as Ministry of Finance officials or local government tax collectors)

HERITAGE FOUNDATION: *INDEX OF ECONOMIC FREEDOM*

The *Index of Economic Freedom* measures economic freedom across 12 different components of economic freedom, from property rights to entrepreneurship, grouped into four individual categories or pillars. The below table shows these categories and the freedoms assigned to each.

***Index of Economic Freedom*, Freedoms and Components Measured[42]**

Category 1: Rule of Law (Property Rights, Judicial Effectiveness, Government Integrity)
Category 2: Government Size (Tax Burden, Government Spending, Fiscal Health)
Category 3: Regulatory Efficiency (Business Freedom, Labor Freedom, Monetary Freedom)
Category 4: Open Markets (Trade Freedom, Investment Freedom, Financial Freedom)

With regard to rule of law and business indicators, a whole category (Category 1) is dedicated to the rule of law and constitutes 20% of the total index. For the purposes of this report and the Dashboard, this entire rule of law category has been mapped and extracted.

DANIEL KAUFMAN & AART KRAAY: *WORLDWIDE GOVERNANCE INDICATORS* (WGI)

The WGI describes itself as a "long-standing research project to develop cross-country indicators of governance … capturing governance perceptions as reported by survey respondents, non-governmental organizations, commercial business information providers, and public sector organizations worldwide."[43] The WGI is not based on nor does it produce any original research; instead, it is a composite measure relying on 31 different underlying data sources on perceptions of governance from surveys, expert assessments, indices, and other measures. In terms of structure the WGI has six categories:

1. Voice and Accountability
2. Political Stability and Absence of Violence
3. Government Effectiveness
4. Regulatory Quality
5. Rule of Law
6. Control of Corruption

With regard to the rule of law and business, the WGI does not contain any specific indicators. Indeed, the Rule of Law category itself (making up a sixth of the WGI indicators and overall governance score) is not disaggregated into subcategories or defined subsidiary indicators. There are no separate indicators within the WGI, both generally or for the Rule of Law category. The definition used by the WGI for the rule of law is quite broad and includes elements relating to business, as well as more general rules of law. Specifically, the indicator is described as capturing "perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence."[44] The category is one composite indicator based on underlying sources and data.[45]

Because it is not structurally or methodologically possible to disaggregate and score individual indicators, the entire Rule of Law category used by the WGI has been mapped and extracted for the Dashboard.

THE WORLD BANK AND THE INTERNATIONAL FINANCE CORPORATION: *DOING BUSINESS*

The World Bank's *Doing Business* guides and rankings are perhaps the most practical and widely used measures of ease of doing business by stakeholders around the world. Measuring the day-to-day realities of a fictional business, *Doing Business* examines 11 areas of business regulation primarily for small and medium enterprises (SMEs).[46] The below table lists the 11 areas examined and their definitions within *Doing Business*.

Doing Business, Categories and Indicators Examined[47]

1.	**Starting a business**	Procedures, time, cost and paid-in minimum capital to start a limited liability company for men and women
2.	**Dealing with construction permits**	Procedures, time, and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
3.	**Getting electricity**	Procedures, time, and cost to get connected to the electrical grid, the reliability of the electricity supply, and the transparency of tariffs
4.	**Registering property**	Procedures, time, and cost to transfer a property and the quality of the land administration system for men and women
5.	**Getting credit**	Movable collateral laws and credit information systems
6.	**Protecting minority investors**	Minority shareholders' rights in related-party transactions and in corporate governance
7.	**Paying taxes**	Payments, time, and total tax and contribution rate for a firm
8.	**Trading across borders**	Time and cost to export the product of comparative advantage and import auto parts
9.	**Enforcing contracts**	Time and cost to resolve a commercial dispute and the quality of judicial processes for men and women
10.	**Resolving insolvency**	Time, cost, outcome, and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
11.	**Labor market regulation**	Flexibility in employment regulation and aspects of job quality

With regard to rule of law and business, all indicators examined in *Doing Business* relate to business regulations and could arguably be included in any mapping or extraction exercise; however, given the disaggregation and specificity of scoring methodology and definitions used, it is possible to map and extract four indicators most directly relevant to rule of law and business:

1. Getting credit
2. Protecting minority investors
3. Enforcing contracts
4. Resolving insolvency

THE WORLD BANK: ENTERPRISE SURVEYS—*WHAT BUSINESSES EXPERIENCE*

A new measure added to the 2019 Dashboard was the World Bank's *Enterprise Surveys*, which provide a firm-level perspective on the state and functioning of a given economy's private sector, including issues pertaining to the rule of law. This research provides an excellent "bottom-up" source of information on the business environment in a given economy by the people who know best: the local businesses who operate in a given jurisdiction.

The *Enterprise Surveys* do not constitute a standalone, unified document published annually. Instead, the *Surveys* are carried out independently by the World Bank and its partners in individual economies via the same methodology and core questionnaire developed by the World Bank in the mid-2000s. The World Bank describes the methodology thus:

> The Enterprise Surveys focus on the many factors that shape the business environment. These factors can be accommodating or constraining for firms and play an important role in whether a country will prosper or not. An accommodating business environment is one that encourages firms to operate efficiently. Such conditions strengthen incentives for firms to innovate and to increase productivity—key factors for sustainable development... The Enterprise Surveys are conducted by the World Bank and its partners across all geographic regions and cover small, medium, and large companies. The surveys are administered to a representative sample of firms in the non-agricultural formal private economy. The universe of the survey, also known as the population, is consistently defined in all countries and includes the entire manufacturing sector, the services sector, and the transportation and construction sectors. Public utilities, government services, health care, and financial services sectors are not included in the universe. Uniform universe, uniform methodology of implementation, and a core questionnaire are the basis of the Global methodology under which most Enterprise Surveys have been implemented since 2006.[48]

An active part of the World Bank's research program since the mid-2000s, the *Surveys* have been applied in 144 economies. In terms of methodology, surveys conducted under the "Global Methodology" include indicators/questions on 12 overarching business topics:

1. Corruption
2. Crime
3. Finance
4. Firm Characteristics
5. Gender
6. Informality
7. Infrastructure
8. Innovation and Technology
9. Performance
10. Regulations and Taxes
11. Trade
12. Workforce

With regard to the rule of law and business, there are four relevant business topics from which indicators have been extracted: Corruption, Crime, Informality, and Regulations and Taxes. Together, these four topics contain a large amount of survey questions relevant to the rule of law and business. In total, 19 survey questions have been extracted and used from these four categories. The table below presents these questions and their relevant parent category.

Enterprise Surveys, Survey Questions Extracted[49]

Corruption
•Bribery incidence (percentage of firms experiencing at least one bribe payment request)
• Bribery depth (percentage of public transactions where a gift or informal payment was requested)
• Percentage of firms expected to give gifts in meetings with tax officials
• Percentage of firms expected to give gifts to secure government contract
• Percentage of firms expected to give gifts to get an operating license
• Percentage of firms expected to give gifts to get an import license
• Percentage of firms expected to give gifts to get a construction permit
• Percentage of firms expected to give gifts to get an electrical connection
• Percentage of firms expected to give gifts to get a water connection
• Percentage of firms expected to give gifts to public officials “to get things done”
• Percentage of firms identifying corruption as a major constraint
• Percentage of firms identifying the courts system as a major constraint

Crime
• Percentage of firms paying for security
• Percentage of firms experiencing losses due to theft and vandalism
• Percentage of firms identifying crime, theft, and disorder as a major constraint

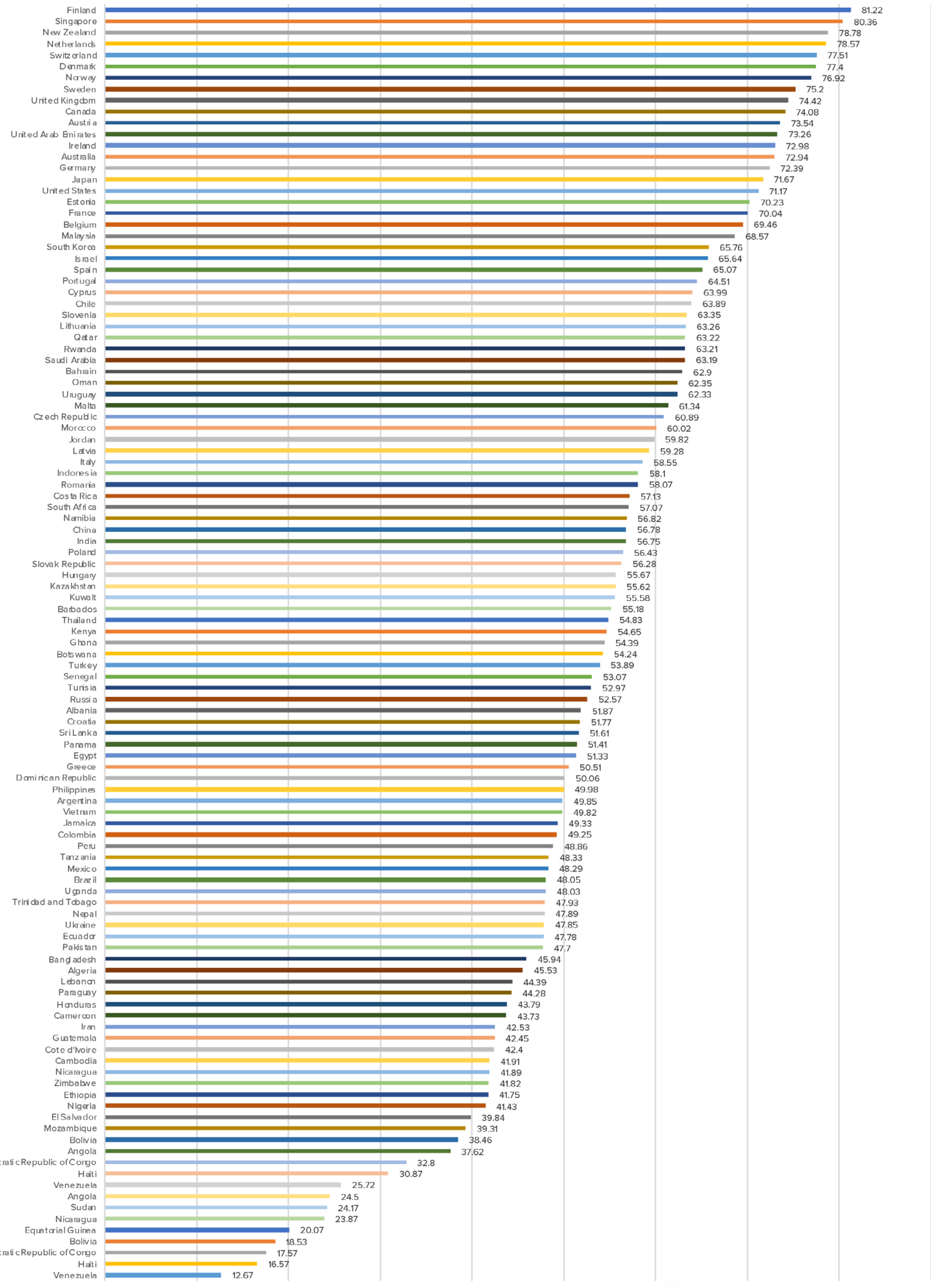
Regulation and Taxes
• Percentage of firms identifying tax administration as a major constraint
• Percentage of firms identifying business licensing and permits as a major constraint

Informality
• Percentage of firms competing against unregistered or informal firms
• Percentage of firms identifying practices of competitors in the informal sector as a major constraint

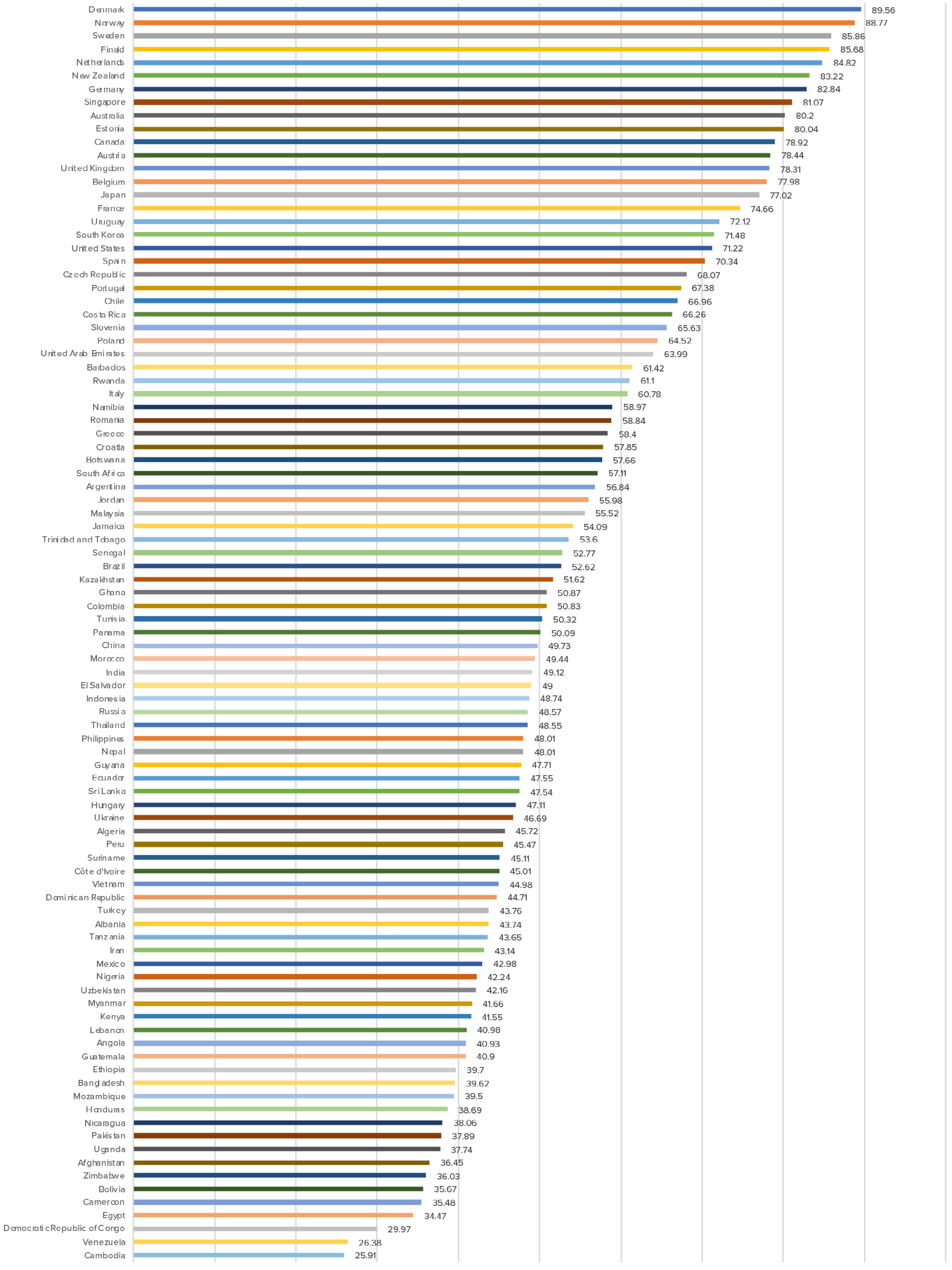
Appendix B

This appendix shows the 2021 results from all individual underlying indices and measures used to build the Dashboard.

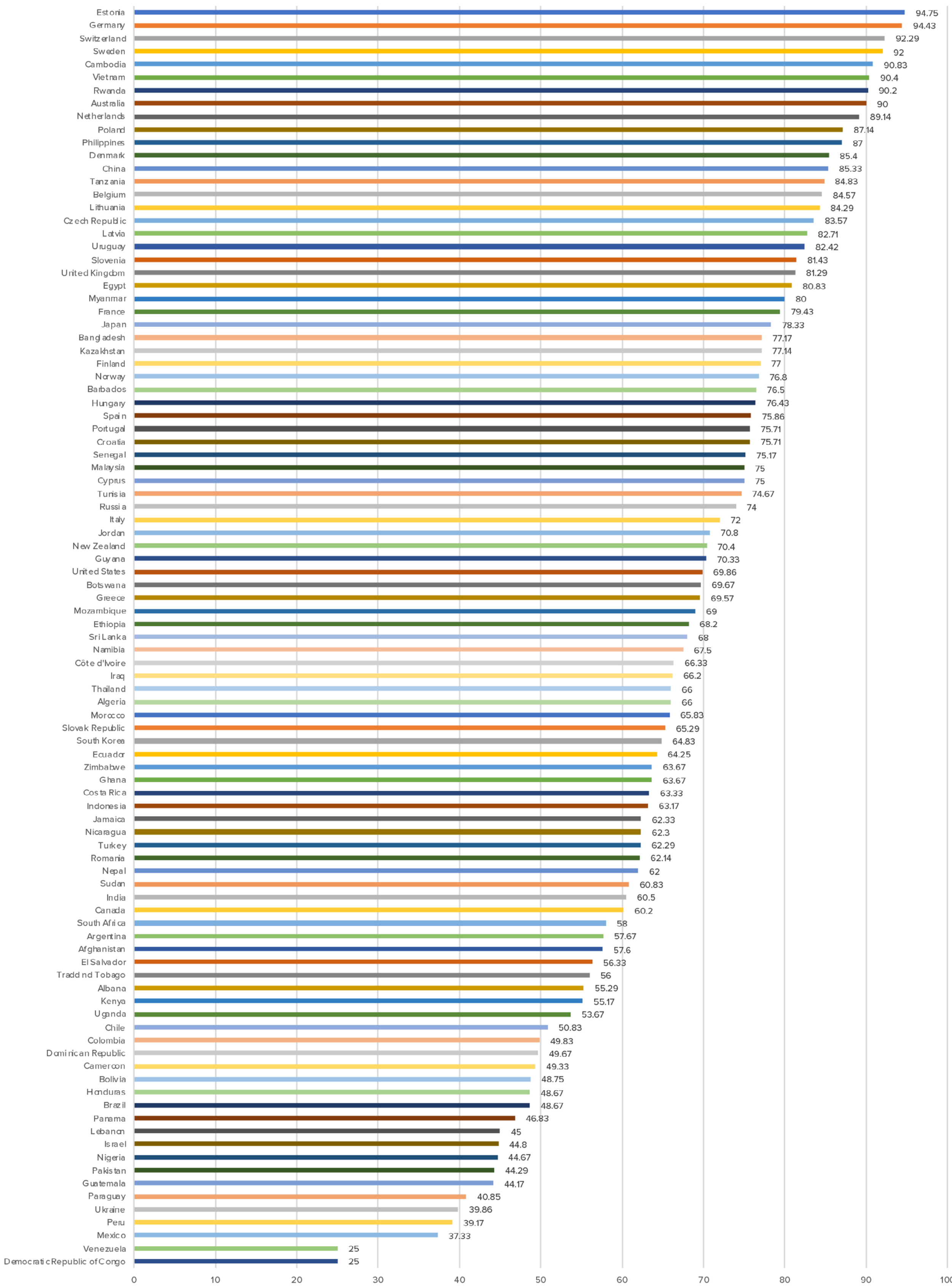
World Economic Forum: The Global Competitiveness Report, Overall % Available Score, Indicators Extracted



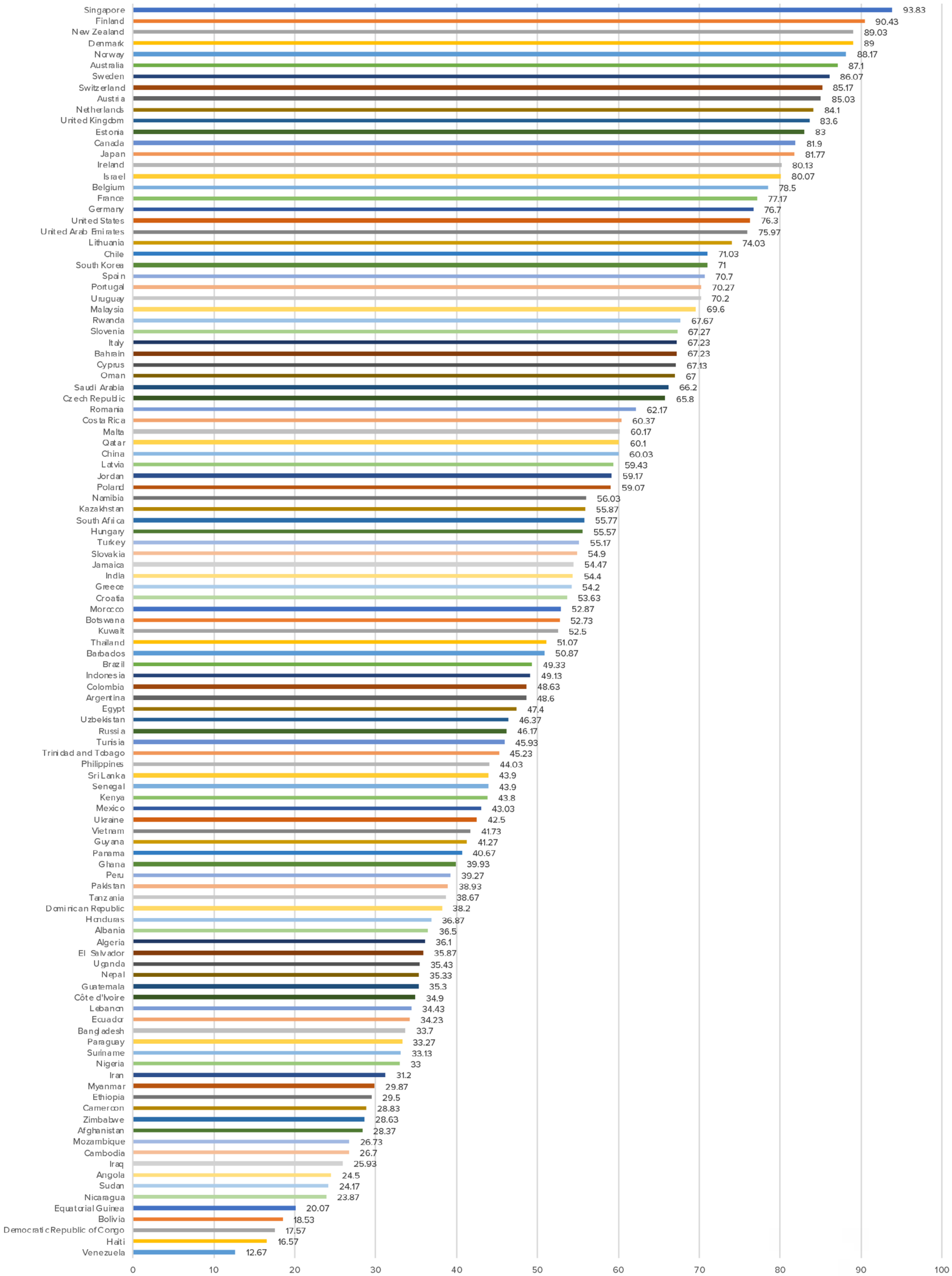
The World Justice Project: *Rule of Law Index*, Overall % Available Score, Indicators Extracted



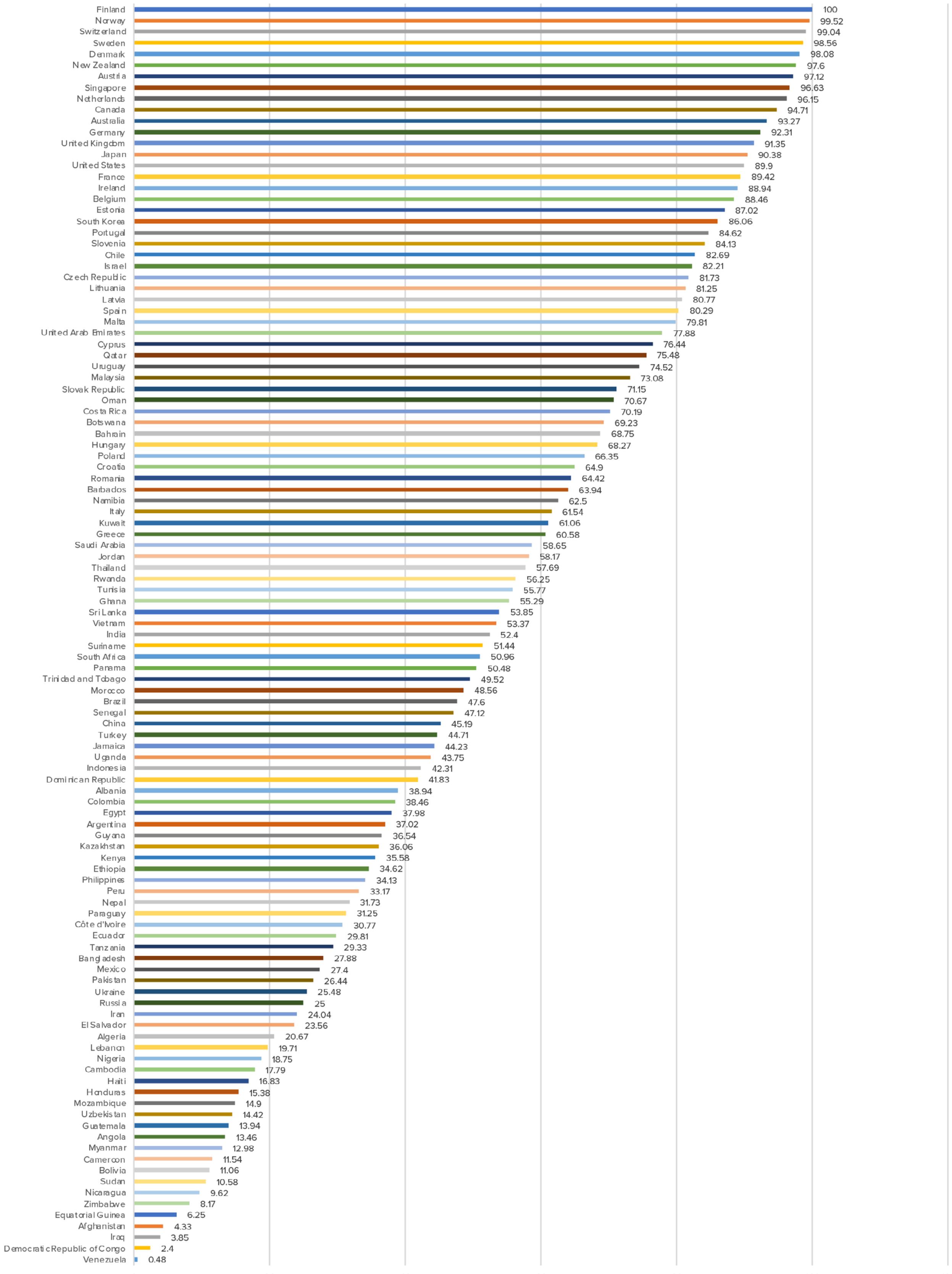
Transparency International: *Global Corruption Barometer*, Overall % Available Score, Indicators Extracted[50]



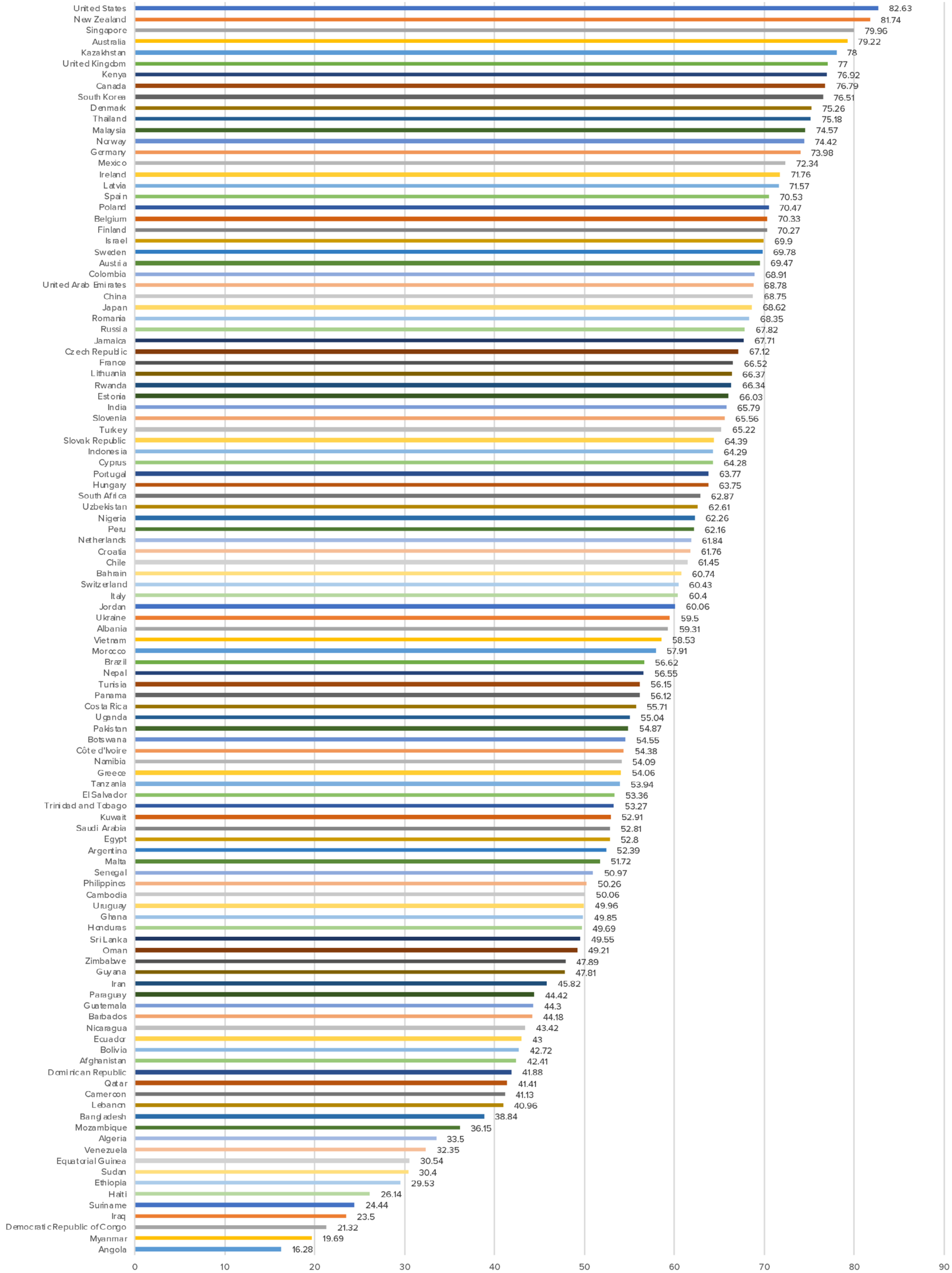
Heritage Foundation: *Index of Economic Freedom*, Overall % Available Score, Indicators Extracted



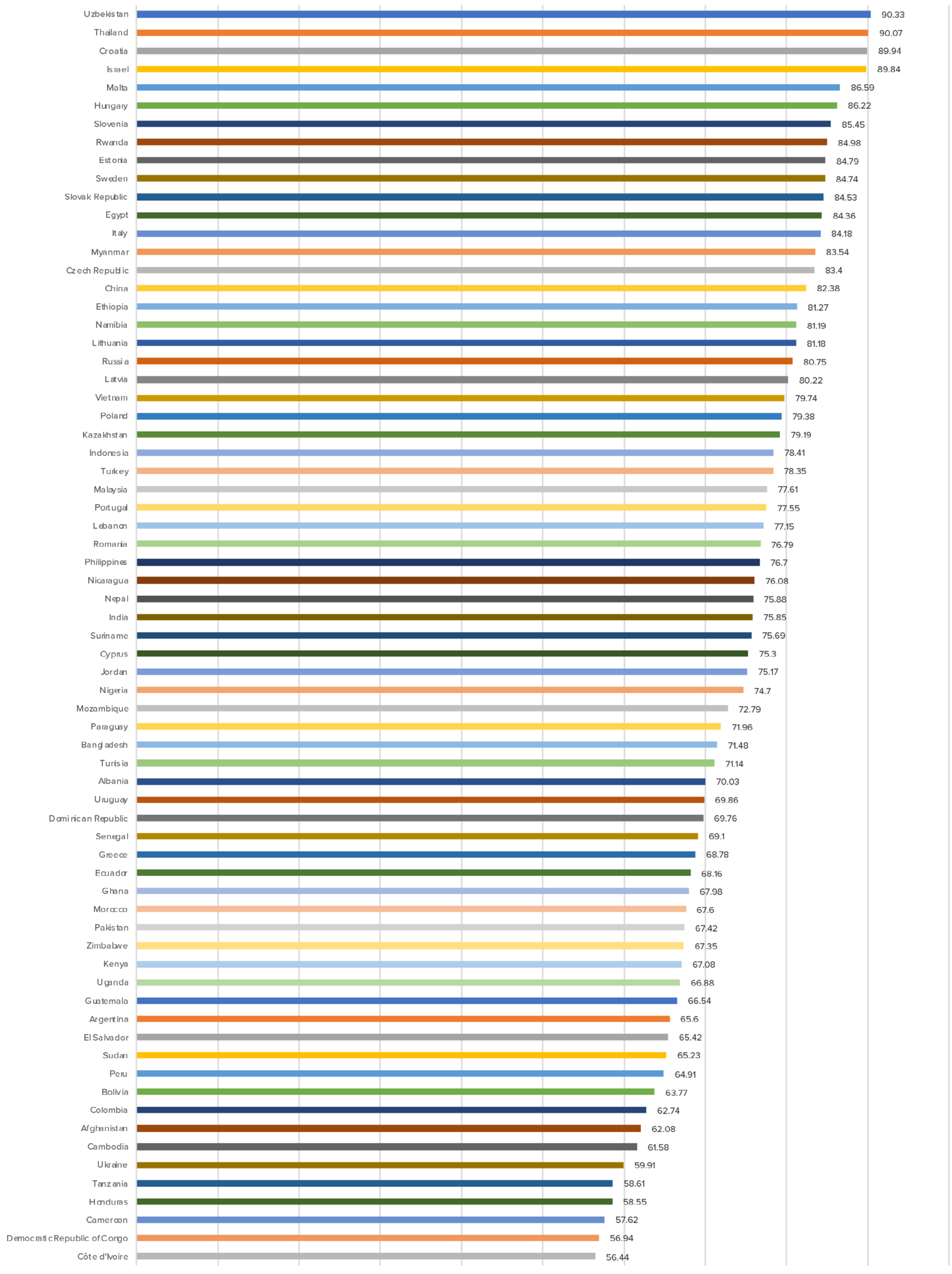
Worldwide Governance Indicators, Overall % Available Score, Indicators Extracted



The World Bank and the International Finance Corporation: *Doing Business*, Overall % Available Score, Indicators Extracted



The World Bank: *Enterprise Surveys*—What Businesses Experience, Overall % Available Score, Indicators Extracted[51]



Notes

[1] Johns Hopkins, Coronavirus Resource Center, Coronavirus COVID-19 Global Cases by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University.

[2] At the time of research in the first quarter of 2021, Costa Rica had not yet become an OECD member.

[3] K Schwab (2020), "Now Is the Time for a 'Great Reset,'" June 3, 2020, World Economic Forum.

[4] Johns Hopkins, Coronavirus Resource Center, Coronavirus COVID-19 Global Cases by the CSSE at Johns Hopkins University.

[5] OECD (2020), *OECD Economic Outlook*, December 2020: **https://www.oecd.org/economic-outlook/december-2020/**

[6] OECD (2021), *OECD Economic Outlook*, May 2021: **https://www.oecd.org/economic-outlook/**

[7] WTO (2020), "Trade Shows Signs of Rebound from COVID-19, Recovery Still Uncertain," *Trade Statistics and Outlook*, Press Release, October 6, 2020.

[8] See: RJ Barro (1996), "Determinants of Economic Growth: A Cross-Country Empirical Study," NBER Working Paper 5698, August 1996; S Haggard & L Tiede (2010), "The Rule of Law and Economic Growth: Where Are We?," presentation, the University of Texas School of Law Conference on Measuring the Rule of Law, March 25-26, 2010; TJ Zywicki (2001), "The Rule of Law, Freedom, and Prosperity," George Mason University School of Law, *Law and Economics Working Paper Series*.

[9] K Schwab (2015), "The Fourth Industrial Revolution, What It Means and How to Respond," *Foreign Affairs*, December 12, 2015, Council of Foreign Relations.

[10] World Economic Forum (2018), *Readiness for the Future of Production Report 2018*, Geneva, Switzerland

[11] Ibid.

[12] The DAI is built on three separate sub-indices that together constitute the overall DAI. The World Bank describes the initiative thus: "The overall DAI is the simple average of three sub-indexes. Each sub-index comprises technologies necessary for the respective agent to promote development in the digital era: increasing productivity and accelerating broad-based growth for business, expanding opportunities and improving welfare for people, and increasing the efficiency and accountability of service delivery for government." See World Bank, World Development Report 2016, Digital Adoption Index (**https://www.worldbank.org/en/publication/wdr2016**)

[13] T Carothers (2009), "Rule of Law Temptations," *Fletcher Forum of World Affairs*, Vol. 33: 1 Winter/Spring 2009. "Economics and the Rule of Law—Order in the Jungle," *The Economist*, March 13, 2008.

[14] M Brilliant (2013), "Good Business Demands Good Governance," in *Index of Economic Freedom 2013*, Heritage Foundation, pp. 82-3

[15] Ibid, pp. 82-3.

[16] K. Schwab et al. (2019), T*he Global Competitiveness Report 2019*, World Economic Forum, Geneva, Switzerland

[17] The World Justice Project, *The World Justice Project Rule of Law Index 2020*, Washington, DC

[18] Transparency International. Global Corruption Barometer annual reports, and regional survey data accessed via **https://www.transparency.org/en/gcb**, Berlin, Germany.

[19] Heritage Foundation (2021), *Index of Economic Freedom 2021*, Washington, DC.

[20] The *Enterprise Surveys* are not a standalone unified document published annually. Instead, the *Surveys* are carried out independently by the World Bank and its partners in individual economies but using the same methodology and core questionnaire developed by the World Bank in the mid-2000s. See: World Bank (2017), *Enterprise Surveys Indicator Descriptions*, September 11, 2017, Washington, DC, p. 2.

[21] The WGI are produced by D Kaufman and A Kraay, of the Natural Resource Governance Institute and Brookings Institution and World Bank Development Research Group, respectively. The WGI dataset is hosted by the World Bank on its website (**https://info.worldbank.org/governance/wgi/#home**). The project is described thus: "The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the Natural Resource Governance Institute, the Brookings Institution, the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources."

[22] World Bank. 2020. Doing Business 2020. Washington, DC: World Bank

[23] The World Bank Country Datasets Reports, *Worldwide Governance Indicators*, **https://info.worldbank.org/governance/wgi/Home/Reports**. Accessed September 1, 2021.

[24] The World Bank, World Bank Country and Lending Groups (**https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups**) For the purposes of this report, some of these regional groupings have been combined. For example, the World Bank has distinct regional groupings for East Asia and Pacific and South Asia. In the Dashboard these groups have been amalgamated into one group: Asia. Similarly, the World Bank groups countries in Latin America and the Caribbean and North America into two distinct groups. For the purposes of the Dashboard these economies are grouped together in one regional group: the Americas.

[25] IMF (2021), *World Economic Outlook Update*, Washington, DC, pp. 5-6.

[26] Ibid. p. 5. Data extracted from IMF *World Economic Outlook* datafile available from the IMF (**https://www.imf.org/en/Publications/WEO/weo-database/2021/April**)

[27] This group of economies includes many OECD economies including those in the G-7 and EU Member States.

[28] In December 2020, the World Economic Forum published a special edition of the Global Competitiveness Report, *How Countries Are Performing on the Road to Recovery*. The report "paused" the Forum's traditional competitiveness rankings. Instead, the Forum is taking a "fundamental look at how economies should think about revival and transformation as they recover and redesign their economic systems to enhance human development and compatibility with the environment." See: K Schwab & S Zahidi (2020), *The Global Competitiveness Report Special Edition 2020: How Countries Are Performing on the Road to Recovery*, December 2020, Geneva, Switzerland, p. 4.

[29] K Schwab et al. (2018), *The Global Competitiveness Report 2018*, World Economic Forum, Geneva, Switzerland, p. vii.

[30] K. Schwab et al. (2019), *The Global Competitiveness Report 2019*, World Economic Forum, Geneva, Switzerland, p. 2.

[31] K Schwab et al. (2018), *The Global Competitiveness Report 2018*, World Economic Forum, Geneva, Switzerland, p. vi.

[32] It should be noted that, by and large, these indicators used in the latest 2019 edition of the *Global Competitiveness Index* and Report are virtually identical to the indicators used in preceding editions.

[33] MD Agrast et al. (2012), *The World Justice Project: Rule of Law Index 2012-2013*, Washington, DC.

[34] The World Justice Project (2020), *Rule of Law Index 2020*, Washington, DC, p. 5.

[35] Ibid. pp. 7-14.

[36] Given the nature of the *Rule of Law Index* it is arguable that all indicators included in the *Index* are in some manner relevant to the business community; however, for the purposes of this report, focus has been placed on those indicators that are most directly relevant to the world of business.

[37] World Justice Project, *Rule of Law Index*, databank.

[38] Transparency International (2013), *Global Corruption Barometer 2013*, Berlin, Germany, p. 3.

[39] *Global Corruption Barometer*, complete dataset including global survey and regional surveys.

[40] Ibid.

[41] *Global Corruption Barometer*, complete dataset including global survey and regional surveys. Older editions of the GCB did not include two institutions: Local Government Councilors and Tax Officials (such as Ministry of Finance officials or local government tax collectors).

[42] Heritage Foundation (2021), *Index of Economic Freedom 2021*, Washington, DC, pp. 453-464.

[43] D Kaufmann, A Kraay, & M Mastruzzi (2010), "The Worldwide Governance Indicators: Methodology and Analytical Issues," World Bank Policy Research Working Paper 5430, September 2010, p. 2.

[44] Ibid. p. 4.

[45] D Kaufmann, A Kraay, & M Mastruzzi (2010), "The Worldwide Governance Indicators: Methodology and Analytical Issues," World Bank Policy Research Working Paper 5430, September 2010, p. 4-6. These sources are described by the authors of the WGI in the Working Paper as follows:

"The WGI data sources reflect the perceptions of a very diverse group of respondents. Several are *surveys* of individuals or domestic firms with first-hand knowledge of the governance situation in the country. These include the World Economic Forum's Global Competitiveness Report, the Institute for Management Development's World Competitiveness Yearbook, the World Bank / EBRD's Business Environment and Enterprise Performance surveys, the Gallup World Poll, Latinobarometro, Afrobarometro, and the AmericasBarometer. We refer to these as "Surveys" in Table 1. We also capture the views of country analysts at the major multilateral development agencies (the European Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, and the World Bank), reflecting these individuals' in-depth experience working on the countries they assess. Together with some expert assessments provided by the United States Department of State and France's Ministry of Finance, Industry and Employment, we classify these as "*Public Sector Data Providers*" in Table 1. A number of data sources provided by various *nongovernmental organizations*, such as Reporters Without Borders, Freedom House, and the Bertelsmann Foundation, are also included. Finally, an important category of data sources for us are *commercial business information providers*, such as the Economist Intelligence Unit, Global Insight, and Political Risk Services. These last two types of data providers typically base their assessments on a global network of correspondents with extensive experience in the countries they are rating."

[46] World Bank (2020), *Doing Business 2020*, Washington, DC, pp. 17-29. An additional 12th indicator —Contracting with the government—is listed but not included in the overall *Doing Business* assessment or ranking.

[47] Ibid. Quoted verbatim.

[48] World Bank (2017), *Enterprise Surveys Indicator Descriptions*, September 11, 2017, Washington, DC, p. 2.

[49] Enterprise Surveys, The World Bank, **http://www.enterprisesurveys.org**.

[50] The percentage score for the GCB is inverted—that is, economies are ranked from those with the lowest level of perceived corruption to the highest. For example, if country x receives an estimated percentage score of corruption of 10% on the GCB, then its Dashboard score is equal to 90%.

[51] The percentage score for the *Enterprise Surveys* is inverted—that is, economies are ranked from those with the lowest level of perceived business challenges to the highest. For example, if country x receives an estimated percentage score of 10% on the *Enterprise Surveys*, then its Dashboard score is equal to 90%.

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