LUIZ CÉSAR SILVA

THE CROSSROADS OF DEMOCRACY IN LATIN AMERICA:

GOVERNANCE AND INSTITUIÇÕES IN TIMES OF CONFLICTS

EXPERT
EDITORA DIGITAL

LUIZ CÉSAR SILVA

This book is a remarkable contribution to understanding the dilemmas of democracy and governance in Latin America. With a rare combination of methodological rigor and sensitivity to the region's historical and social specificities, Luiz César Silva offers a solid analysis of how institutional quality, political trust, and state capacity shape human development. He goes beyond merely identifying problems: he points to pathways, valuing endogenous experiences and peer learning among Latin American countries.

Over the years, I have had the privilege of sharing ideas and debates with Luiz César Silva. This experience only reinforces what readers will find here: his unique ability to articulate theory and practice with clarity, rigor, and originality. More than a solid academic work, this is an inspiring book that bears the author's hallmark of intelligence, commitment, and intellectual generosity.

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FOREWORD

The year 2025 marks the end of the first quarter of the 21st century. In these few years, remarkable events have been observed that have changed society and the relations among nations. The Twin Towers attack in September 2001 interrupted the belief in globalization without barriers, undermining Fukuyama's theory of the End of History. In addition, the threat of terrorist groups shattered state boundaries.

The same year, 2001, China acceded to the World Trade Organization, sponsored by the United States. This was a long process of rapprochement between China and the US, allowing the US to take advantage of a new frontier for trade and investment, while for China it symbolized the beginning of vertiginous economic growth.

In 2008, in the wake of the subprime financial crisis, the international community witnessed the end of the minimal state, faced with the consequences of the lack of regulation of the financial system. Government action to inject public funds to prevent the loss of credibility and contamination of other economies was a defining feature, fostering legal and economic structures in the post-2008 period. In particular, the year was paradigmatic in recognizing the BRIC countries (Brazil, Russia, India, and China) as the new dynamic economies for the 21st century. This decade was then labeled the *BRIC Decade*, whose annual summits officially began in 2009.

This period also marks the shift from the G7 to the G20 as the main forum for discussing and coordinating strategies for restoring global economic stability. The recognition of the G20 as the main forum, after several decades of centrality in the G7, and in its short period of the G8 (1998-2014), demonstrates to the international community that, in the 21st century, it is inconceivable to address international economic affairs without the presence of emerging economies, such as China, India, and Brazil.

Emerging economies, a group of countries characterized by significant growth, large domestic markets, late industrialization, and competitiveness in certain sectors and technologies, show that the North-South model, the division developed-developing countries, or even First, Second, and Third Worlds, typical of the second half of the 20th century, have become anachronistic. Economies such as Taiwan, South Korea, Singapore, Chile, Mexico, Brazil, and Indonesia exert influence on global trade and investment flows.

2015 should be recognized as a pivotal year for the climate agenda, with the approval of the Paris Agreement replacing the Kyoto Protocol. The climate agenda and economic relations, embodied under the term climate finance, are shaping up as a new frontier aligned with sustainable development and the fulfillment of the United Nations Sustainable Development Goals.

The COVID-19 pandemic between 2020 and 2023, the energy and inflation crisis in Europe resulting from Russia's invasion of Ukraine since 2022, as well as persistent armed conflicts in Yemen, Sudan, the Democratic Republic of Congo, and Haiti, demonstrate a poly-crisis scenario.

The overlapping international crises face a new challenge from the second Trump administration in the United States in 2025, applying unilateral tariff barriers to almost all countries, neglecting the multilateral rules established by the World Trade Organization.

That situation has led to geoeconomic fragmentation, where political considerations interfere with economic relations, promoting trade protectionism and reorienting global chains.

In view of this changing scenario in the 21st century, in which new economies are taking on a greater presence in international relations, shifting away from the traditional structures of the 20th century, Latin America presents itself as a unique region of opportunities and challenges.

The work of Professor Luiz César comes at an opportune moment to invite us to analyze development, governance, and democracy in Latin America.

Democratic institutions establish the foundation for society and its relations with other nations. Latin America, in turn, considering its historical legacy of colonialism and slavery, stands out as a territory of resilience in contemporary times. The cultural diversity of the region and the processes of industrialization, albeit incomplete, as in Brazil, Argentina, and Mexico, demonstrate the interconnections between development and the endurance of democratic institutions.

The recent historical past of suppression of democratic guarantees under various civil-military dictatorships, such as in Brazil between 1964 and 1985, characterizes the challenges for deepening democratic institutions in the region in order to promote greater socioeconomic and environmentally responsible development for its populations.

The Latin American position is an important element in contributing to the debate on governance and democracy and is considered a central element in Professor Luiz's approach in this work.

Therefore, the contemporary debates in the 21st century ought to focus on promoting human and sustainable development, active social participation and diversity.

Thiago Ferreira Almeida
Professor of international law, lawyer, and researcher.

SUMÁRIO

Part III - Between the ballot box and the streets: Democracy governance, and the challeng of political trust. An fragile link!

INITIAL CONSIDERATIONS

Since the 1980s, reforms in public administration have become a key focus for governments worldwide, with Latin America serving as a major testing ground. Influenced by international financial institutions, the region adopted management approaches rooted in New Public Management (NPM), emphasising privatisation, decentralisation, and transferring administrative practices from the private to the public sector. These reforms sought to enhance efficiency and modernise governance. Nonetheless, the results were often limited, primarily because these reforms failed to account for Latin American countries' distinct historical, political, and social contexts.

The partial failure of these reforms opened the way for reconsidering the governance agenda in the region. It quickly became clear that purely structural measures could not address issues of inequality, political instability, and institutional fragility that characterise many Latin American states. The discussion therefore shifted from a narrow focus on administrative efficiency to a broader debate on the state's capacity to foster human development, reduce inequality, and strengthen democratic institutions.

In this context, governance is recognised not only as the technical management of public resources but also as a wider political and social process involving various actors—including the state, private sector, and civil society—in shaping and enforcing policies. This perspective emphasises that good governance relies on both institutional capacity and democratic values, social trust, and political legitimacy. The Latin American region, characterised by high corruption, low institutional trust, and frequent political crises, requires a comparative approach that considers regional particularities.

The author situates his investigation within this context, aiming to explore key questions about the relationship between democracy, governance, and institutional trust in Latin America. More than just a theoretical exercise, the work involves a detailed empirical analysis based on extensive datasets and rigorous econometric methods. This methodological approach strengthens the validity of the conclusions and allows for a precise understanding of the links between democratic regimes, governance quality, and human development.

The first chapter of the research emphasises the connection between democracy and governance. Empirical evidence demonstrates that strengthening democracy is essential for enhancing government capacity, particularly in areas such as consensus-building, institutional stability, and policy effectiveness. Simultaneously, the findings suggest that democracy alone does not automatically yield positive outcomes: its benefits rely on the integration of robust institutional practices and bureaucracies capable of sustaining policy development and implementation.

In the second chapter, the study examines the relationship between governance and democracy in the formation of institutional trust in Latin America. The quality of governance and low levels of democracy are among the main factors behind the decline in political trust in recent decades in almost all countries. It explores the extent to which governance and democracy are responsible for institutional trust in countries with comparable levels of socioeconomic human development in the region (2006 and 2018). Using multivariate statistical techniques and cross-sectional regression, our methods allow us to identify which countries in the continent demonstrate the strongest responses in terms of institutional trust.

The research, however, extends beyond merely identifying deficits. In the third chapter, the author also suggests an alternative approach based on the concept of peer learning. Instead of adopting pre-existing models from developed countries, Latin American nations can learn from each other by sharing experiences rooted in their own institutional and historical contexts. This approach values regional diversity and fosters opportunities for the dissemination of good practices in public policy, particularly in the field of human development.

The empirical work emphasises that countries with stronger governance capacity and more stable democracies achieve better social indicators, serving as references for neighbours at similar stages of development. This comparative perspective suggests that institutional strengthening is not limited to structural reforms but also results from the circulation and adaptation of successful experiences across national contexts.

The introduction, therefore, not only justifies the theoretical importance of the topic but also sets out a research agenda that combines methodological rigour with sensitivity to regional particularities. By framing democracy, governance, and institutional trust within a comparative and empirical context, the author makes an original contribution to contemporary debates on institutional quality and its role in advancing human development in Latin America.

In a global context characterised by successive crises — from the 2008 financial collapse to the COVID-19 pandemic and ongoing geopolitical instability—this investigation gains additional significance. It demonstrates how Latin America countries can strengthen their institutions and democracies in adverse circumstances, emphasising that progress does not depend on imported models but on each nation's ability to develop endogenous solutions, in dialogue with regional experiences, to meet social demands and to build citizens' trust in institutions.

Another distinctive element is the comparative perspective used throughout the investigation. By examining countries grouped by their levels of human development, the author identifies commonalities and divergences in the relationship between democracy, governance, and trust. This comparative approach not only improves analytical clarity but also highlights potential paths for policy learning among nations facing similar challenges but adopting different institutional strategies.

The initial considerations also highlight the practical importance of the research. Its findings guide the creation of more effective public policies. Demonstrating that governance quality and democratic consolidation are directly connected to higher levels of institutional trust, the study emphasises the importance of investing in transparency, accountability, and administrative efficiency as essential conditions for social and political stability.

The text underscores the contribution of this work to the fields of public administration and political science by effectively connecting theory with practice. This is not just a study that identifies problems, but one that also presents evidence-based alternatives, emphasising the development of endogenous and collaborative solutions. By focusing on the role of institutions as intermediaries between the state and society, the research becomes especially significant at a time when public trust is one of the greatest challenges facing Latin America democracies.

Thus, the introduction clearly demonstrates that the study's aim goes beyond mere theoretical reflection: it is a research endeavour focused on understanding and addressing specific issues in the region. By thoroughly explaining the links between democracy, governance, and institutional trust, the author provides a strong and empirically backed analytical framework capable of revealing potential ways to strengthen institutions and promote human development in Latin America.

Furthermore, it is imperative to recognise that the initial considerations are not limited to a mere introductory exercise, but rather constitute the epistemological foundation upon which the subsequent analyses are built. By outlining the theoretical and methodological assumptions, a favourable environment for critical interpretation is established, allowing the reader to grasp the conceptual density that underpins the research. This stage, therefore, assumes a mediating role between the object of study and the analytical tools mobilised throughout the work.

Another relevant aspect concerns the necessity of situating the theme within a historical and contextual perspective to avoid reductionist readings. The social, political, and cultural conditions that shape the phenomenon under investigation not only determine its configuration but also condition the possibilities of interpretation. Thus, the initial considerations operate as a guiding axis that ensures

PART I

UNLOCKING DEVELOPMENT: HOW DEMOCRACY SHAPES GOVERNANCE IN LATIN AMERICA

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INTRODUCTION

In the late 1980s, Latin America countries began implementing institutional reforms centred on market governance. Aimed at reducing the size of the public sector, these reforms included privatisation, decentralisation, and delegation of public service provision to the private sector, alongside the transfer and adaptation of managerial knowledge from the private to the public sector (Zurbriggen, 2014; Hood, 1991; Pollit & Bouckaert, 2011). Over three decades, international financial institutions (IFIs) have played a leading role in promoting the concept of "good governance" in Latin America, adopting the ideological model of market governance as a framework for public governance (Zurbriggen, 2014). However, in the mid-1990s, poor economic performance in the productive system and rising poverty and inequality prompted governments to reconsider state restructuring and redefine their societal roles (Skocpol, 1985). By the early 2000s, the region experienced a "return of the State," with discourse centred on well-being, citizenship, and enhancing the state's capacity for national development (Riggirozz, 2012). As a result, the State has become more active in shaping public policies (Almeida & Johnston, 2006).

During this period of reforms, the development of governance in most Latin America countries remains in an embryonic stage. The context of institutional dysfunctions in Latin America threatens to weaken any chance of successful governance even before it can fully establish itself (Rodrigues, 2014). The region exhibits conflicting characteristics. Generally, political instability and high levels of corruption foster low confidence in democratic institutions. This impacts the political system and hampers civic engagement, where civic participation is rooted in the fundamental principle of democratic government (Foweraker & Krznaric, 2002; Zurbriggen, 2014). Consequently, in a less participatory society, the rule of law—which is essential to democracy—becomes fragile, adversely affecting the rights of minorities and hindering the development of strong democratic practices. For this reason, the advancement of governance in most Latin America countries faces significant challenges (Zurbriggen, 2014).

This chapter explores how governance influences human development across Latin America countries and proposes an alternative public sector reform approach. It emphasises two main aspects: first, the importance of shifting from purely structural or institutional reforms to a results-oriented methodology; second, fostering peer learning so countries can learn from each other's successes to improve governance and human development. The analysis covers sixteen Latin America nations, categorised into three groups based on their human development levels. Using panel data from 2006 to 2020, the findings highlight the significant potential for these countries to collaborate and exchange successful policies to enhance governance and promote human development.

Three points we aim to contribute to this research. First, to enable the use of this model to intensify, promote, and guide the debate on improving governance for accountability based on human and social outcomes, rather than merely focusing on inputs, processes, and products, as is common in public sector reform. Second, enhancing governance as a response to human development allows for a broader discussion on how governments are moving beyond economic growth to a bottom-up approach. That is, whether citizens' lives are improving due to reforms in public management and the quality of governance. Third, to encourage the sharing of policy best practices to improve governance through benchmarking processes (Ammons & Roenigk, 2014; Folz, 2004).

Peer learning enables these countries to analyse and/or establish analyses of conjectures about the possibilities of public management, through its facilities, to coordinate and implement public policies and provide public goods and services that can influence the quality of human development. Thus, when examining the impact of governance on human development, we aim to consider how Latin America countries can benefit from peer learning to enhance their governance levels. There is also limited literature on this approach, mainly related to Latin America countries. This research seeks to fill this gap, not only focusing on economic and institutional growth factors that explain the direction of reforms or the quality of governance (Pritchett et al. 2013). The study concludes with recommendations for future research and implications for research on the quality of governance in the region.

1. THEORETICAL REVIEW

1.1. GOVERNANCE

Defining governance has proven challenging due to the numerous controversies surrounding its definition (Rodriguez, 2018; Al-Marhubi, 2004). There exists a range of definitions and diverging origins of consensus among researchers (Rodriguez, 2018; Fredrickson et al., 2015). Public governance, for example, is a concept with significant political content, where political values and ideologies serve as important predictors of decision-making, alongside technical and managerial factors. According to Pierre and Peters (2000) and Farazmand et al. (2012, 2017), governance must explain how societies organise themselves through interactions involving the government, the private sector, and civil society actors, all aiming to address social problems or create new opportunities. In Del Campo et al. (2021, p. 390), governance is described as “The capacity of a government to formulate and implement effectively sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them”. It also “includes the norms defining political action, the institutional framework within which the policy-making process takes place, and the mechanisms and processes by which public policies are designed, implemented and sustained” (Al-Marhubi, 2004, p. 395).

For Fukuyama (2013), governance is “the ability of a government to enforce rules and provide services, regardless of whether the government is democratic or not". This author observes that the level of democracy is not a dimension of governance. Conversely, Rodriguez (2018), Farazmand (2012) argue that democratic quality is an integral component of governance; therefore, governance depends on welcoming and encouraging political, governmental, and civil society institutions. Recently, an attempt has been made to differentiate the concept of "governance" from "interactive governance". The concept of "interactive governance" as a mode of governance is reserved to characterise "the complex process by which a plurality of actors with divergent interests interact to formulate, promote and achieve common goals through the mobilisation, exchange and development of ideas, rules and resources" (Torfing et al., 2012, p.14).

In researchers' attempts to operationalise the quality of governance, the debate has also been broad and characterised by including a wide range of principles, which vary across literature (Pomeranz & Stedman, 2020; Phillips et al., 2016; Dimitrijevska-Markoski & French, 2019; Fukuyama, 2013; Lynn & Hill, 2000; Kurtz & Schrank, 2007; Kaufmann & Kraay, 2008; Doeveren, 2011; Al-Marhubi, 2004; Farazmand, 2012). Good governance provides regulatory guidance on these governance processes. It is a broad term, prevalent in various literature, and, as such, different scholars have identified a diversity of principles that reflect good governance practices (Pomeranz & Stedman, 2020; Dimitrijevska-Markoski & French, 2019; Doeveren, 2011; Lynn & Hill, 2000). Part of the literature on qualifying governance is based on the operationalisation highlighted by the World Bank, in which good governance is the way in which power is exercised in managing a country's economic and social resources for development. In this context, good governance refers to transparency and effectiveness in three main areas: institutional stability; regulatory framework; and government effectiveness and transparency, participation, civic engagement, and the rule of law (World Bank, 2006).

1.1.2. GOVERNANCE AND REFORMS IN LATIN AMERICA

If the challenges of contextualising and evaluating governance have been complex and at times arduous, political instability, corruption, government trust, the rule of law, and nascent democracy make it even more difficult to define and practice governance in Latin America (Nogales & Zelaya-Fenner, 2013). In Zurbriggen (2014), governance not only has the function of collaboratively responding to diverse needs, but the regimes, political culture, customs, and institutional dysfunctions characteristic of Latin America threaten to destroy the chances of good governance. For Foweraker & Krznaric (2002) and Zurbriggen (2014), the characteristic conditions of the region — political instability and high levels of corruption — promote low trust in democratic institutions. This affects the political system and makes civic engagement difficult. Civic participation is the most basic principle of democratic government, which is the people's right to define a public good, to determine the policies to pursue that good, and to reform or replace institutions that no longer serve that good (Andersson & Van Laerhoven, 2007). Consequently, if there is a less participatory society in the system, the State of Law, an essential component of democracy, weakens, negatively affecting the rights of minorities and preventing the generation of high levels of democracy. Therefore, the development of governance in most Latin America countries is challenging.

Low levels of democracy begin to challenge governance (Kaufman et al., 2011) due to its inability to build consensus on citizenship, establish and promote political rights, civil liberties, and bureaucracy (Lynn et al. 2000). This entire context of institutional dysfunction in Latin America threatens to weaken any chance of successful governance, even before it is fully established (Rodrigues, 2019). In short, political instability, high levels of corruption, low trust in government, weak rule of law systems, and low levels of democracy are characteristics of Latin America countries that negatively impact governance development (Zurbriggen, 2014). These features overlap and are highly interconnected. Contextualising Latin America's systemic conflict scenario requires an attempt to clarify the concept of governance and how it correlates with related measures such as the level of democratisation, rule of law, political stability, and trust in government, among others (Rodriguez, 2019).

In the late 1980s, Latin America countries began to undergo institutional reforms, focusing on market governance. However, reforms aimed at improving the effectiveness and efficiency of governance have not achieved the desired results. In the mid-1990s, poor economic performance in the productive system increased poverty and inequality, prompting governments to reconsider their structuring of the state and their role in society (Skocpol, 1985). In Latin America, their forms were characterised by privatisation, decentralisation, and delegation of public service provision to the private sector, significantly altering the policy formulation process (Zurbriggen, 2014).

During the three decades of reforms, international financial institutions (IFIs) played a dominant role in transferring the notion of "good governance" to Latin America countries, with the ideology of market governance serving as a paradigm of public governance (Zurbriggen, 2014). The author highlights that these transformations in the State have raised concerns among public managers about how to strengthen the government's strategic capacity to coordinate public policies and counter its loss of political control. One change has been the increasing complexity of policy problems, with the interdependence of policy areas during the state reform process in most Latin America countries. In the current millennium, the region is experiencing a "return of the State" with a discourse centred on well-being and citizenship, as well as on building the State's capacity for national development. Consequently, the State appears more active in the formulation of public policies (Almeida & Johnston, 2006).

1.1.3. GOVERNANCE QUALITY THROUGH PEER-TO-PEER LEARNING: AN ALTERNATIVE APPROACH

Peer-to-peer learning is a conceptual approach to planning services and evaluating their performance that emphasises the outcomes the services aim to achieve (Knox & Carmichael, 2015; Bouckaert & Van Dooren, 2016). Peer learning aims to shift organisations away from a focus on "efficiency" and "process" towards achieving better results through "individuals exchanging knowledge and experience with each other and spreading that learning back to their organisations to ensure an impact, at scale, on reform initiatives" (Andrews & Manning, 2016, p.5). The comparative analysis promotes understanding of questions regarding what good public policy practices used by countries at the same level of development can be shared (Knox, 2019).

Peer-to-peer learning suggests certain prerequisites that enable better optimisation of this approach (Andrews & Manning, 2016). We describe it here, in summary, without an order of equivalence.

I. The result is likely to be more successful in peer learning in countries close to their developmental stages. It makes no sense to try to learn from peers when the countries involved are at different stages of development, where mutual learning is almost impossible to implement.
II. There is still limited evidence that initiatives that aim to facilitate peer learning successfully promote the transfer of in-depth and relevant tacit knowledge among peers and ensure that this knowledge is spread back to organisations for impact at scale.
III. It must be recognised that external factors are beyond the control of service providers and public goods. Street-level bureaucrats are well-positioned to fully implement these ideas or prevent the approach to their career interests. Thus,

the response of employees working within public sector organisations is critical to the success of this model.

IV. Support for interagency work is fundamental. There needs to be political will for this to happen, clearly signalled and applied.

In Latin America, programmes for the exchange of experiences on government policies emerged and grew stronger. With support from the European Union, the Latin America Network for Regional Public Policies (Latin America Network for Public Policies for Regional Development), established in 2013, brings together 17 countries to facilitate the sharing of experiences on public policies and good practices for regional development (EU, 2015). The Social Cohesion Programme for Latin America (Eurosocial +), launched in 2005, unites 18 participating countries across Latin America. This programme emphasises the importance of the implications and effects of the conception, development, and implementation of public policies, highlighting the need to respect the focus of policies and programmes that aim to reduce inequalities and promote better social cohesion. It is funded by the European Commission to create a space for learning among partners, such as exchanging experiences between similar institutions in both regions (Eurosocial, 2021).

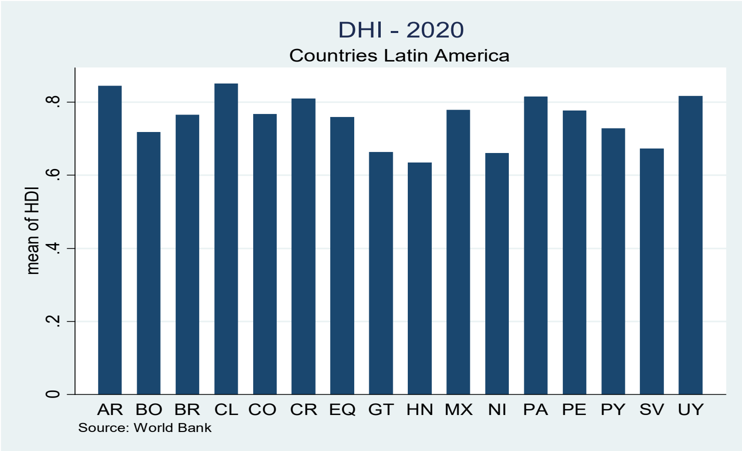
The program's areas of action are gender equity policies, social policies, and democratic governance policies, where political experiences related to good governance and the construction of citizenship and regional development are exchanged (Eurosocial, 2021; ME, 2015). Other programs that collaborate with public management are the creation of networks of government practices, such as the IDB / OAS / CRDI on Electronic Government in Latin America and the Caribbean (GEALC Network), the Inter-America Government Procurement Network (RICG) and the OECD Network-LAC of Good Regulatory Practices. Both government practice networks and government policy experience-sharing programs have created possibilities for countries to share their knowledge, stories and lessons learned from their reforms, constraints, implementations, and policy outcomes.

The interest of Latin America countries in sharing experiences, knowledge, and lessons learned in public policy and management is noted. The benefit of the peer learning approach is that it enables the sharing of best practices across a broader network of countries regarding what they need to do to enhance the quality of governance and, consequently, human development in their respective nations (Knox, 2019).

1.1.4. LATIN AMERICA AND HUMAN DEVELOPMENT

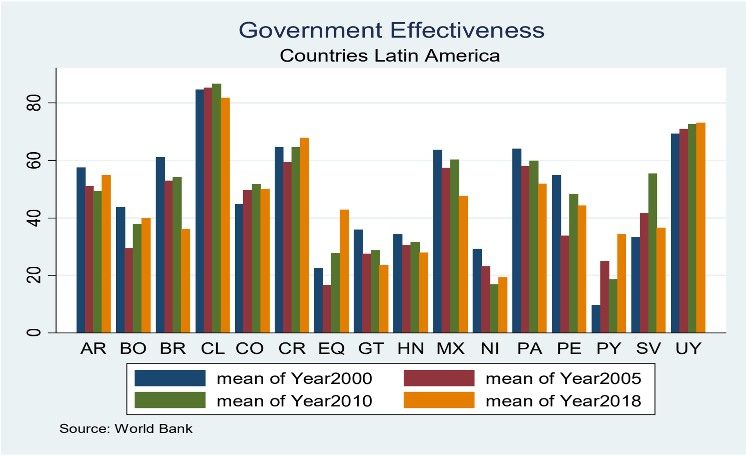
The human development index (HDI) is a summary measure of the average performance in three key aspects of human development: life expectancy, education, and inequality. It was created to highlight that people and their capabilities should be the ultimate criteria for evaluating a country's development, rather than solely economic growth. HDI can also be used to challenge national policy choices by asking how two countries with the same level of GNI per capita can have different human development outcomes. These differences can encourage debate on government policy priorities (Baumann, 2021). Graph 1 shows these differences in HDI 2020 among Latin America countries. Argentina, Chile, Uruguay, and Panama are the best-off countries, while Honduras, Guatemala, and Nicaragua are the worst.

Figure 1. Human Development Index in Latin America countries (2020).



The World Bank's indicator of government effectiveness (2000, 2005, 2010, 2018) in sixteen Latin America countries (Gráf.2) measures perceptions of the quality of public services and their independence from political pressures (Kaufmann & Mastruzzi, 2010). The scale ranges from 0 to 100, with 0 representing the lowest rating and 100 the highest. It is observed that Colombia, Costa Rica, Ecuador, Paraguay, El Salvador, and Uruguay experienced improvements in governance during the analysed period. Conversely, countries like Chile, despite higher levels of governance, experienced deterioration. Brazil and Mexico, in particular, saw more significant declines compared to others.

Figure 2. Government Effectiveness in Latin America countries (2000, 2005, 2010, 2018)



Although this indicator is merely an interesting starting point for comparing the quality of governance in Latin America countries, it simply provides a broad overview that does not highlight other variables or indicators that incorporate the necessary complexity of the object under analysis. Public management can influence the quality of human development in Latin America countries, enabling increased engagement in projects that share good examples of public policy experiences across multiple areas.

The research in this article is based on the broad narrative surrounding the evaluation of governance in Latin America countries. We aim to offer a way to assess the impact of governance and learning potential among countries at similar stages of development through a peer learning approach, based on Grindle's precondition (2007, p.554): "Sufficient governance must be taken into account where the country is, considering the priorities and capacities of different countries at comparable stages of development." In this way, we aim to enable Latin America countries to deviate from the standard reforms of public management replicated from developed countries. Therefore, the main question guiding this research is: to what extent can peer learning help countries improve their governance in relation to human development?

Given the significant interrelationship between the factors of the democratic environment, political transformation, and governance (Rodrigues, 2018; Farazmand, 2012), we expanded the analysis to explore the relationship between the variables of the democratic environment and political transformation on governance. This article aims to answer specific questions: 1) What are the variables, and how does a better democratic environment and political transformation influence the quality of governance within country groups? Are the groups of countries with the highest levels of human development the ones most affected by the democratic environment and political transformation, and do they also possess the best governance qualities?

2) What variables of public administration (governance) impact country groups, and how much does an improvement in these components change in DHI? 3) Countries with higher levels of human development have the best results in the quality of governance and are the ones that best respond, on average, to the variables of this quality on the HDI?

1.2. METHODOLOGY

To evaluate the country's capacity to implement public policies and the quality of public administration through its transformation processes, we employed the Transformation Index BTI (Bertelsmann Stiftung), as outlined in the Methodology of the European Public Administration Country Knowledge (EUPACK). The analysis relies on indicators of the capacity and performance of public administration, known as a governance index, which reflects its potential to achieve the desired outcomes of policies. Governance is defined as 'the performance, capacity, and responsibility of political leadership,' meaning those political actors who possess the power and responsibility to shape or determine public policies in a society (Donner et al. 2020, p.6). Political leadership exemplifies good governance in terms of the Transformation Index BTI when it effectively manages development and transformation, utilises resources efficiently, builds broad consensus on reform, and collaborates with international partners (Donner et al. 2020). The Transformation Index BTI was established in 2006, with research focusing on political and economic transformations, emphasising the quality of governance over a period of two to three years. The survey covers 137 countries, comprising 49 questions and 17 criteria (indicators) divided into three dimensions: Democracy and political transformation, economy, and governance. Each dimension is subdivided into components structured by their respective indicators (see tab. 1).

The components of the governance dimension (Table 4) are referred to as the European Public Administration Country Knowledge (EUPACK). There are five components: (1) Transparency and Accountability, (2) Consensus Building, (3) Policy formulation, coordination, and regulation, (4) International cooperation, and (5) Government effectiveness, which measures the quality of public services according to EUPACK. The Government effectiveness indicator is sourced from the Worldwide Governance Indicators (WGI) developed by the World Bank and adopted by over 200 countries (Kaufmann & Kraay, 2008, 2010, 2010b). To assess the relationship between Democracy and Public Administration, the Transformation Index BTI was used, encompassing thirteen democracy indicators divided into three components: Rule of Law, Stability of democratic institutions, and Political and social integration. In summary, the indicators used in this research are:

Table 1. Synthesis of indicators and each component

Public administration (governance)	
Components/ acronyms	**Indicator**
Consensus Building (CB)	Average of indicators: Consensus on goals; Anti-democratic actors, Cleavage/conflict management; Civil society participation; Reconciliation.
Transparency and accountability (TA)	Average of indicators: Efficient use of assets; Anti-corruption policy; Policy coordination
Policy formulation, coordination, and regulation (PFCR)	Average of indicators: Prioritisation; Implementation; Policy learning
International cooperation (IC)	Average of indicators: Effective use of support; Credibility; Regional cooperation.
Government effectiveness (GE)	Captures perceptions of the quality of public services, the quality of the civil service, and the degree of its independence from political pressures.
Democracy and Political Transformation	
Rule of law (RL)	Average of indicators: Separation of powers; Independent judiciary; Prosecution of office abuse; Civil rights
Stable democratic institutions (SDI)	Average of indicators; Performance of democratic institutions; Commitments of democratic institutions.
Political and social integration (PSI)	Average of indicators: Party system; Interest groups; Approval of democracy; Social capital.

Human Development Index	
Human Development Index (HDI)	The statistic is composed of data on life expectancy at birth, education, and GDP (PPC) per capita (as an indicator of standard of living) collected at the national level.

Source: Bertelsmann Stiftung- BTI transformation index, Worldwide Governance Indicators and United Nations Organisations

We added the analysis of two government finance variables: public administration expense and public administration revenue, both expressed as a percentage of GDP. Additionally, a dummy variable representing the 2008 financial crisis and the COVID-19 pandemic, as well as another to denote the three groups, was included. Our dependent variable is the HDI (see table), which measures a country's social and economic development by capturing the levels of education, health, and income of its residents. The closer the HDI score is to 1.0, the better it is for the population, and vice versa (Baumann, 2021).

From then on, one can compare the quality of human development across countries using the statistical technique of indirect analysis between variance groups. This allows us to determine whether there is a difference in the quality of human development between Latin America countries within both groups. The analysis involves, therefore, a categorical variable that we created called "groups," based on the HDI values assigned by the UN/UNDP for the sixteen countries in our study (HDI very high, HDI high, and HDI average). 1

Table 2. Summary analysis of variance (ANOVA)

Source of variation	*F*	*P-value*	*Critical F*
HDI very high, high, average	61,2265	0,000101	5,143252
HDI very high	1,8675	0,1928	3,478049

1 HDI very high (0.800 - 1); HDI high (0.700 - 0.799); HDI lower (0.555 - 0.699), and HDI very low (0.350 - 0.554). Classification (UN-UNDP, 2020).

HDI high	0,2984	0,7455	3,554557
HDI average	0,4068	0,6774	4,256549

Source: United Nations data.

Three groups of countries were formed (Table 3). When compared together, the three groups of Latin America countries, F (61.226) critical > F (5.143), which is supported by the *P*-value 0.000101 (< α 0.05), accept the null hypothesis, indicating that there is a statistically significant difference in human development among the three groups. The analysis within each group (HDI very high, HDI high, HDI lower) shows F < F critical, supported by P-value > α 0.05, confirming that there is no statistically significant difference in human development among the countries within each group. In other words, even if some countries excel in certain aspects within their own groups and others do not, statistically, there are no differences when analysing them at the level of human development. The classification of the groups resulted in the following structure.

Table 3. Country Latin America classification according to HDI (2006-2020)

Year	HDI very high	HDI high	HDI lower
2020	Argentina, Chile, Costa Rica, Panama, Uruguay,	Bolivia, Brazil, Colombia, Ecuador, Mexico, Paraguay, Peru	El Salvador, Honduras, Guatemala, Nicaragua
2018	Argentina, Chile, Uruguay	Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru	El Salvador, Honduras, Guatemala, Nicaragua
2016	Argentina, Chile, Uruguay	Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru,	Bolivia, El Salvador, Nicaragua, Honduras, Guatemala
2014	Argentina, Chile, Uruguay	Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru	Bolivia, El Salvador, Nicaragua, Honduras, Guatemala

2012	Argentina, Chile	Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru 4	El Salvador, Nicaragua, Honduras, Guatemala, Paraguay
2010	Argentina, Chile	Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Uruguay	Bolivia, El Salvador, Nicaragua, Honduras, Guatemala. Paraguay,
2008	Argentina, Chile	Brazil, Colombia, Costa Rica, Ecuador, Panama, Mexico, Paraguay, Peru	Bolivia, El Salvador, Nicaragua, Honduras, Guatemala, Paraguay.
2006	Argentina	Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay	Bolivia, El Salvador, Nicaragua, Honduras, Guatemala, Paraguay, Peru

Source: United Nations Organisation - Human Development Report (Baumann, 2021).

In the group comprising countries with the best indicator, HDI very high, Chile joined in 2008, Uruguay in 2014, and in 2020, Costa Rica and Panama migrated from the HDI high group. From 2012, Paraguay also joined the HDI high group, having come from the group with a lower HDI. A special case is Bolivia's oscillation between the groups. In 2010, 2014, and 2016, Bolivia was in the HDI high group, while in other years, it fell to the HDI lower. These changes were considered in the regression as a dummy variable for analysis by groups. To facilitate interpretation, we refer to the following relationships: HDI very high = Group A; HDI high = Group B; HDI lower = Group C. The analysed period was 2006-2020, with data from 2006, 2008, 2010, 2012, 2014, 2016, 2018, and 2020, corresponding to the years of research for the transformation index BTI (Bertelsmann Stiftung). Finally, the total number of observations was 128, averaging 14.2 per variable.

1.2.1. ECONOMETRIC MODEL

The analysis conducted using panel data allows studying the behaviour of the object of study over time (Badi, 1995; Batalgi, 2013).

We obtained the same number of periods for each cross-sectional unit (balanced panel) (Wooldridge, 2003, 2002). One of the main advantages of a panel study is the ability to control for individual heterogeneity. If any unobserved individual effects are ignored, there is a risk of using biased and inconsistent estimators. Through panel data, it is possible to identify and estimate effects not captured by purely time series or cross-sectional data (Batalgi, 2013; Wooldridge, 2002). The equation in panel data is represented by:

$$y_{it} = \beta_0 + \beta_1 x_{1it} + \ldots + \beta_{nit} x_{kit} + \epsilon_{it} \quad (1)$$

Where i is the difference between the individuals, t the analyzed period, β_0 refers to the intercept parameter, β_k to the corresponding angular coefficient, and the *K*-ésima explanatory variable of the model (Greene, 2008).

We used the Hausman test to decide which model was most suitable: fixed-effects or random-effects. If the null hypothesis is rejected (Prob > chi2 < 0.05), it indicates that the random-effects model is not appropriate, and the fixed-effects model is more consistent and efficient. All our results indicated the fixed-effects regression model, as shown by the following equation. All our results indicated the fixed-effects regression model, represented by the following equation (Batalgi, 2013; Woldridge, 2001; Badi, 1995).

$$y_{it} = \alpha_i + \beta_1 x_{it} + \ldots + \beta_k x_{kit} \quad (2)$$

Where α it represents the intercepts to be estimated, one for everyone. The estimation of this type of model requires, in practice, the inclusion of variable dummies (*D*) that consider individual and time differences. The inclusion of dummies (*D*) for each individual is equivalent to one when i = *n* and zero otherwise. In this case, more generic specifications:

$$y_{it} = \beta_0 + \beta_1 x_{it} + \ldots + \beta_k x_{kit} + \gamma_1 D_{1i} + \ldots + \gamma_n D_{ni} + \varepsilon_{it} \quad (3)$$

Multicollinearity was tested using the Variance Inflation Factor (VIF), which assesses the degree of influence of the variance on the inflation of the model's residuals, defined by:

$$VIF_j = \frac{1}{1 - R_j^2} \quad (4)$$

Where: maiúscula R inferior à linha j ao quadrado represents the coefficient of partial determination of Xj in relation to the other variables Xj, (with j= 1, 2,...,k) and shows how an estimator's variation is inflated by the presence of multicollinearity (Gujarati & Potter, 2011, p.337). The lower the VIF levels, the smaller the presence of multicollinearity. VIF levels below 0.10 are considered acceptable (Chatterjee & Hadi, 2006; Woldridge, 2003, 2002; Gujarati & Potter, 2011). The heteroscedasticity test was conducted using the Breusch-Pagan/Cook-Weisberg test and Cameron & Trivedi's test. In regressions where heteroscedasticity was present (Prob > chi2 < 0.05), we applied the adjustment correction process, Huber-White (robust standard errors - CS) through robust regression, available in Stata (Woldridge, 2003, 2002; Greene, 2008).

To estimate the relationships of the percentage variations between the variables, we used the level log regression, which can be written as follows:

$$\ln(y) = \beta_0 + \beta_1 \ln(x)_1 + \beta_2 \ln(x)_2 + \ldots + \beta_n \ln(x)_{ni} + \varepsilon \quad (5)$$

Where the angular coefficient β is the elasticity of (y) with respect to (x), that is, the percentage change in (y) corresponding to a small percentage change in (x) (Batalgi, 2013; Woldridge, 2002). Finally, to perform the comparative analysis between the groups, we control each group individually with fixed effects in the regressions.

1.3. FINDINGS

For a general overview of the explanatory variables, the investigation begins with a simple descriptive analysis of public administration and democracy indicators through HDI groups (Tab.4). In both tables, Group A shows the best results in the components that Group B, and similarly, Group C achieves the best results across all components.

Table 4. Components of public administration (governance) in Latin America groups (2006-2020)

	HDI very high (Group A)	HDI high (Group B)	HDI lower (Group c)
TA	7,14	5,71	4,89
PFCR	7,49	6,55	5,64
CB	8,43	6,94	6,1
IC	9	8,11	8
GE	0,48	-0,08	-0,63
Average *	7,5	6,44	5,82
Minimum	5,48	4,92	4,37
Maximum	9	8,11	8
Standard deviation	1,353	1,213	1,398

Source: Bertelsmann Stiftung index
Notes: Transparency and Accountability (TA); Policy formulation, coordination, and regulation (PFCR); Consensus Building (CB); International Cooperation (IC); Government Effectiveness (GE).
* We transformed the scale used in Government Effectiveness (EG) from (- 2.5 to 2.5) into a scale of (0 - 10), to standardise with the other indicators in the calculation of the weighted average. This same procedure was used to create the (pa-index)

In Table 5, Consensus Building and International Cooperation perform the best across the three groups, while Transparency and Accountability show the worst results. The average scores of the components are 7.50 for Group A, 6.44 for Group B, and 5.82 for Group C. Among the component means, the percentage change from Group C to Group B is 10,65%, from Group B to Group A is 16,46%, and from

Group C to Group A is 28,87%. Group B has the highest homogeneity of the sample relative to the mean (1,213), while Group C has the most heterogeneous sample (1,398). The percentage variation between the most homogeneous and the most heterogeneous sample relative to the mean is 15,25%.

Table 5. Variables in the Democracy and Political Transformation components in Latin America groups (2006-2020)

	HDI very high (Group A)	HDI high (Group B)	HDI lower (Group C)
Rl	8,1	6,67	5,41
SDI	8,88	7,41	6,28
PSI	7,75	6,37	5,66
Average	7,75	6,37	5,66
Minimum	8,24	6,81	5,78
Average	7,75	6,37	5,41
Maximum	8,88	7,41	6,28
S.D.	0,578	0,533	0,447

Source: Bertelsmann Stiftung index.
Notes: Rule of law (RL); Stability of Democratic Institutions (SDI); Political and Social Integration (PSI).

In Table 5, both groups achieve their best results in the stability of democratic institutions. Political and social integration are the poorest results in Group A (7,75) and Group B (6,37), with the rule of law being the worst result in Group C (5,41). All three groups perform best in the stability of democratic institutions. The average scores of the indicators are 8.24 for Group A, 8,24 for Group B, and 5,78 for Group C. In terms of component means, the percentage change from group C to group B is 17,82%, from group B to Group A is 21%, and from Group C to Group A is 42,56%.

Similar to the results in Table 4, Group B also shows higher homogeneity (0.533), while Group C is the most heterogeneous sample (0.447). However, the percentage variation between the most homogeneous and the most heterogeneous samples around the mean is 29,55%. This indicates that democracy and political transformation exhibit greater heterogeneity around the mean compared to administration (governance) (Table 4).

In summary, in both variables, Group A presents the best results in all components compared to Group B, and this group achieves the best results in all components compared to Group C. In both tables, Group B shows the highest homogeneity of the sample regarding the mean, while Group C is the most heterogeneous sample. In the components of public administration (governance), consensus building and international cooperation outperform the other groups with the best results, whereas transparency and accountability have the poorest outcomes. In the democracy and political transformation components, the stability of democratic institutions shows the best results across all three groups. The rule of law has the worst result in Group C, and political and social integration have the poorest outcomes in Groups A and B.

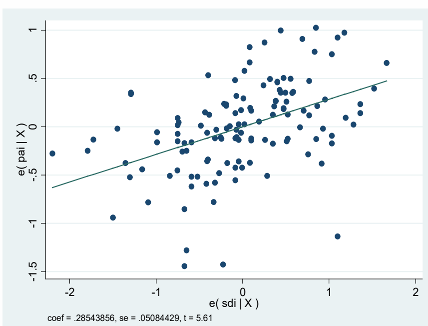
Farazmand's statement (2012) that there is a significant interrelationship between factors of Democracy, Politics, and Governance in Latin America countries was confirmed in our model. In analysing the impact of democracy on government across all sixteen Latin America countries, the fixed-effects regression model shows that the rule of law, stability of democratic institutions, and political and social integration explain 88,68% of the pa-index. A significant relationship between democracy and public administration is identified. All variables explain the model (P > [t] < 0.10) and relate positively to the pa-index. The highest increase in the pa-index is associated with stability of democratic institutions; each additional increase in this variable raises the pa-index on average. Similarly, increases in the rule of law and political and social integration lead to average increases of 0.296 and 0.102 in the pa-index, respectively.

In the analysis of the groups, the results indicate that all variables in both groups explain the model. In Group A, there is a significant impact of 95,89% (R2) of democracy on public administration; in

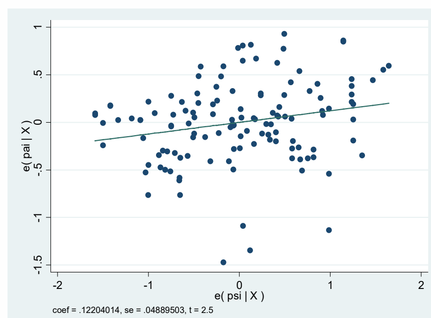
Group B, it is 84.47%; and in Group C, it is 81,03%. In Groups A and B, the Rule of Law yields the best results in improving the pa-index. Each additional increase in the Rule of Law raises the pa-index by an average of 0.320 and 0.329, respectively. In Group C, Political and Social Integration shows the strongest result, with an increase of 0.490 in the pa-index. The findings demonstrate that both the Rule of Law and Political and Social Integration significantly contribute to the quality of governance.

Graph 1. List of the positive effects of democracy and political transformation on public administration (governance) - R2 88,68% Stability of Democratic Institutions Political and Social integration

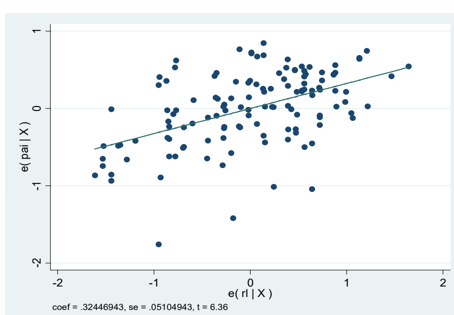
Stability of Democratic Institutions



Political and Social integration



Rule of Law



Source: authors, regression data.

In Graph 1, although all variables have a strong positive explanatory relationship, the results in groups with the highest HDI are slightly more pronounced: Group A, 89,01% (R2); Group B, 88,83% (R2); Group C, 88,76% (R2). In the third round of regressions, we will present the percentage variations for all countries. The results of non-standardised coefficients show that a 1% increase in the rule of law, on average, raises the pa-index by 0.41%; democracy stability and institutions increase by 0,22%, and political and social integration by 0,19%. That is, according to the previous results, each component of democracy analysed here has a significant and positive impact on the government.

In group analysis, we observe the following: Group A (R2 89,01%), where the best result is in the rule of law (coef. 0.3209); Group B (R2 88,83%), which also shows the rule of law as the best result (coef. 0.3299); and Group C (R2 88,76%), where Stability of democracy institutions (coef. 0.4908) is the top factor. In another round of regressions to verify percentage variations, the' direct state' is the variable that best explains the responses across all sixteen Latin America countries for the pa-index. A 1% increase in the rule of law raises governance in these countries by an average of 0,41%. When analysed by groups, a 1% increase in the Stability of democracy institutions in Groups A and B increases the pa-index by 0.49% and 0.44%, respectively, while in Group C, the focus shifts to the rule of law, with a 0.49% increase in governance.

In summary, all the components analysed regarding democracy showed high positive explanatory relevance in the pa-index, which allows us to infer that there is a significant effect of democracy on public administration within the variables analysed in the model. In all regressions, Group A consistently presented R2 and adjusted R2 values higher than those of Group B, and these higher values were observed across all variables in Group C. That is, the ratio in Group A exceeds that of Group B, which in turn exceeds that of Group C. In other words, in countries within the group with the highest levels of human development, the results are more favourable concerning the positive impact that democracy and political transformation have on government.

When examining the fixed-effect regression for the proxies' variables (public administration expenditures and public administration revenues) and the dummy variable (crises) in the sixteen Latin America countries, we observe the positive effect of government expenditures and the negative effect of the crisis (Sr. Coef.) on the HDI (Tab.6).

Table 6. Effects of proxies and dummy variables on the HDI in L.A. countries (2006-2020)

DHI	Sr. Coef.	Std. Err.	t	P > t	[95%	Conf. Intervalo]
pae	.0023213	.0004774	4.86	0.000	-.0018981	.004364
par	-.0019634	.0007696	-2.55	0.012	-.0026834	.004094
cri-ses	-.0084416	.0036034	-2.34	0.021	-.0273114	.0055487

Source: Regression data
Notes: Public administration expense (pae);
Public administration revenue (par)

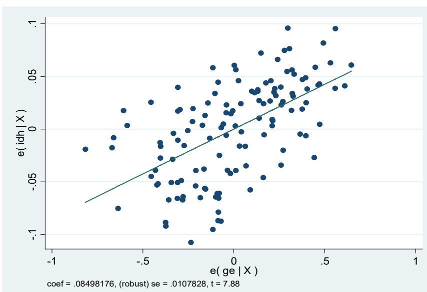
As expected, the crisis and the tax collection of the public administration negatively affected the HDI, meaning that higher values of these variables are associated with lower human development. Conversely, contributing positively to public administration, each additional increase in government spending on public administration leads to, on average, an increase in the unstandardised coefficient (Sr. coef.) of 0.0023 in the sixteen Latin America countries.

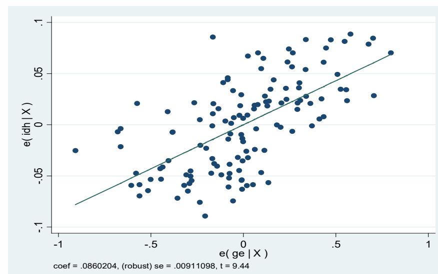
In the analysis by groups, there is a proximity of results regarding the positive relationship between increased government spending and public administration. In Group A, the increase is 0.0017 (R2 70.50%), in Group B, 0.00168 is 0.0017 (R2 74.89%), and in Group C, it is 0.0012 (R2 86,32%). Although these ratios are low compared to other variables that exert positive effects, such as government effectiveness, government spending has a greater impact (R2) on human development in Group C, followed by Group B and Group A.

Controlling for each group with fixed effects, in all three groups, the Government Effectiveness component—which allows us to assess the quality of goods and public services offered—is the variable that best responds to increasing human development. In Group A, each additional increase in Government Effectiveness (GE) contributes, on average, an increase of 0.084 in the non-standard coefficient related to human development; in Group B, the increase is 0.086, and in Group C, it is 0.048 (Graph 5).

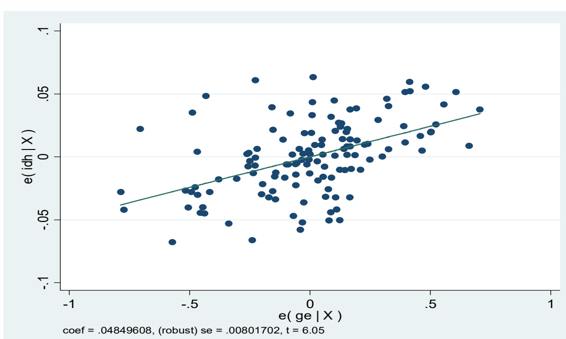
Graph 2. List of positive effects of government effectiveness on HDI

Group A - coef. 0.084 (GE) Group B- coef. 0.086 (GE)





Group C - coef. 0.048 (GE)

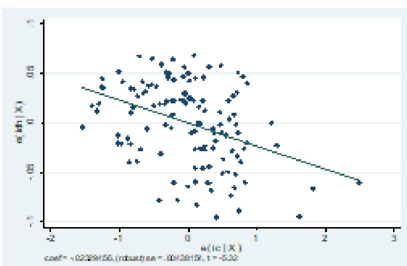


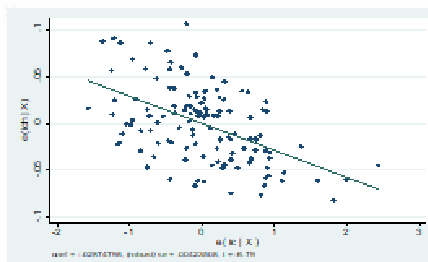
Source: authors, regression data

Public administration expenses and consensus-building continue to effectively explain the model and positively contribute to increasing human development across all groups. Another notable point is that, both in the regression with the sixteen countries and within the group, there is a negative effect of international cooperation on HDI (Graph 7). This indicates that higher values of the international cooperation variable are associated with lower HDI. The international cooperation component is based on the average of the indicators: a) Credibility - which considers the extent to which the government acts as a reliable partner in its dealings with the international community; b) Regional cooperation - which measures the extent to which political leaders are interested in collaborating with neighbouring countries; and c) Effective use of support - which evaluates how much political leadership utilises international support to implement a long-term development strategy. Our results suggest that, across the three groups and in all countries, there is inadequate international engagement that could lead to effective responses to improve HDI.

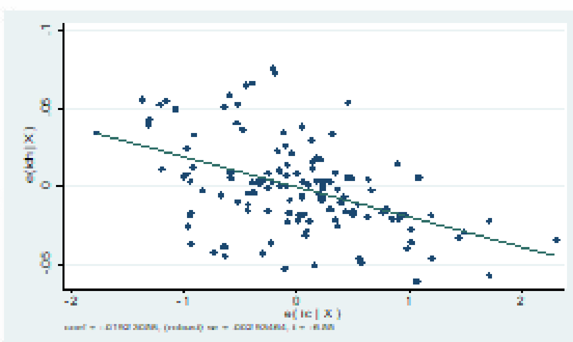
Graph 3. The ratio of the negative effect of international cooperation

Group A - R2 70,50%	Group B - R2 74,89%





Group C - R2 86,52%



Source: authors, regression data.

In another round of regressions to verify the percentage variations, the results of the non-standard coefficients show that a 1% increase in government spending on public administration across the sixteen Latin America countries raises the HDI by 0,21%. In the group analysis, Group A exhibits an impact ratio of 77,06% (R2) for government spending on HDI, Group B shows 69.02%, and Group C demonstrates 56,54%. In Groups A and B, the results indicate that a 1% increase in Consensus Building raises the HDI by 0,10% and 0,13%, respectively. In Group C, the most significant effect is from Transparency and Accountability, which boosts the HDI by 0,66%. Once again, the negative effects of international cooperation are observed across all three groups.

Establishing a parallel between the analyses, we present the following findings that enable us to answer the questions of this research: Therefore, 1) What are the variables, and how does a better environment of democracy and political transformations influence the quality of governance in different country groups? Are the groups of countries with the highest levels of human development the ones most affected by the environment of democracy and political transformation, and do they also possess the highest qualities of governance?

In Group A, the Rule of Law is prominent, and its structural evaluation follows these criteria: a) the extent to which civil rights are guaranteed and protected; b) the degree to which citizens can seek redress for violations of those rights; c) the level of judicial independence; and d) the extent of functional separation between the powers. In 2020, Uruguay achieved the best results, sharing its policies, norms, legislation, and good practices so that Argentina, Costa Rica, Chile, and Panama can learn from its experience. Also, within Group A, the Rule of Law stands out in Group B, where, in 2020, Brazil achieved the best result, positioning it as a commendable example worth following. Finally, in Group C, Political and Social Integration is notable, and its structure encompasses: a) the stability and social rootedness of the party system capable of articulating and aggregating social interests; b) the existence of a network of cooperative associations or interest groups that mediate between society and the political system; c) the level of citizen support for democratic norms and procedures; and e) the progress of social self-organisation and social capital development. Within this group, El Salvador and Honduras can share their experiences with others.

2 - What variables of governance impact country groups, and how much does an improvement in these components change in HDI?

In Group A, government effectiveness, which considers the quality of goods and public services provided, is the variable that best responds to increasing human development. Chile and Uruguay posted improved results in this area in 2020, sharing their best practices with other countries in the group to make public services more qualified through greater independence from political pressures. Each additional increase in government effectiveness contributes an average non-standard coefficient of 0.084 to human development. The second most effective component in increasing human development, with a non-standard coefficient of 0.053, is political formulation, coordination, and regulation. The construction structure of this evaluation covers: a) the extent to which the government defines and maintains strategic priorities; b) the effectiveness of government policy implementation; and c) the government's level of innovation and flexibility. Uruguay and Chile achieved the same results in this area in 2020 and can exchange best practices on how the government manages reforms effectively and fulfils its policy priorities with strong driving capacity.

In Group B, the government's effectiveness responds most effectively to the increase in human development. Colombia and Ecuador are the countries with the best results in this area in 2020, demonstrating their best practices to other nations. How an additional increase in government effectiveness (GE) contributes, on average, with a non-standard coefficient increase of 0.086, to human development. The second component that most effectively promotes human development is consensus building, with a non-standard coefficient of 0.020. The construction of this assessment involves: a) the extent to which the main political actors agree with democracy and the market economy as long-term strategic goals; b) the ability of reformers to exclude or co-opt undemocratic actors; c) the capacity of political leadership to moderate conflicts based on cleavage; and d) the measures that political leadership enables civil society to participate in the political process. Peru stands out in this area in 2020 and can share its best practices with other countries in the group on how political leadership can establish a broad consensus on reform with other societal actors without compromising reform objectives

Lastly, in Group C, the variables are the same as those in Group B. Government effectiveness (GE) contributes, on average, with a non-standardised coefficient of 0.048 to human development and, second, Consensus Building, with 0.014. In both cases, El Salvador is the country with the best result in 2020, being able to share its best practices with Honduras, Guatemala, and Nicaragua.

3 - With higher levels of human development tend to exhibit better governance quality and respond more effectively, on average, to the variables of this quality in the HDI?

Group A responds with 70,50% on the HDI, Group B with 74,89%, and Group C, which best demonstrates the relationship between governance components and the HDI, explaining 86,32% of the connection. That is, in the groups with the lowest HDI results, the impact of public administration on human development is more significant.

Finally, consistent with other findings, government effectiveness, transparency, and accountability also show a positive relationship with HDI across all analyses, both by country and by group. The proxy variable, government spending, contributes positively to governance for all Latin America countries, increasing HDI by 0,21% when there is a 1% rise in government expenditure on public administration. When analysing the groups of countries, the greatest impact is observed within those with higher levels of human development. Finally, international cooperation, which showed a negative relationship with

HDI in the analyses- whether by country or by group - indicates a need to reconsider how to reverse this pattern of ineffective outcomes in international cooperation and the Latin America region.

1.4. CONCLUSIONS

The search for improving governance quality and the democratic environment in Latin America countries may be aimed at addressing social quality, particularly human development. It is not necessarily required to pursue reforms based on a public governance model aligned with market ideology from developed countries, which had predominated in the region until now.

As a result of our analysis, given the significant relationship between the factors of the democratic environment, political transformation, and governance, the political-administrative systems of Latin America countries could adopt a model of public management focused on outcomes with a view to improvements in human development. Our findings suggest that across the three groups of countries, there is not enough international engagement to become effective in improving human development. Furthermore, an additional increase in government expenditure on public administration benefits the HDI; government administration, a component that indicates the quality of public goods and services offered, is the variable that best responds to increased human development. Transparency and accountability also show a positive relationship with HDI in all assessments.

Therefore, we further emphasise the importance of enabling countries to learn from each other by observing their neighbours. Promoting an approach supported by peer learning could lead to practical improvements in public services across Latin America countries, recognising their cultural, political, and historical contexts—the specificities of each nation—and respecting their unique development processes. Peer-to-peer learning among countries facilitates this progress and can help improve governance related to human development.

The limitations identified here include difficulties with specific data and the limited scientific literature on the subject relating to Latin America countries. Finally, this study opens up opportunities for further research into specific comparative cases between countries, analysing results, actions, and the implementation of governance improvement policies centred on human development.

PART II

TRUST IN CRISIS: DEMOCRACY, GOVERNANCE, AND THE FUTURE OF INSTITUTIONS

INTRODUCTION

Despite its conceptual complexity, political trust can be defined as citizens' support for political institutions, such as the government and parliament, in the face of uncertainty or vulnerability of these institutions' actions (Van de Meer, 2017). Political trust is essential for the quality of public administration. High levels of trust enhance the efficiency of political and economic processes, facilitate the enforcement of contracts, and promote a sense of community among citizens (Putnam, 1993). Conversely, low trust levels diminish legitimacy and support for institutions and can negatively impact governments' ability to implement policies effectively (Hetherington & Globetti, 2002; Rudolph & Evans, 2005). Therefore, government performance—which encompasses the effects of political and economic factors on the quality of public services and policies (Khan, 2016)- is a key factor influencing citizens' political trust. In essence, if political trust is connected to government performance, then this performance is intrinsically linked to governance and the relationship between citizens and the State, mediated through institutions that govern economic and social interactions (Del Campo et al., 2021).

If high political trust benefits governance, the erosion of political trust can lead to movements and protests against the government (Muller, et al, 1982), and may even threaten the democratic environment. Political trust is a vital component of democracy, and when trust is low, there are direct impacts on the quality and stability of democracy and its institutions (Van de Meer, 2017). Political trust is regarded as a necessary prerequisite for a democratic government because it underpins the effectiveness and stability of the government through its capacity to represent the diverse interests of society and to address the social and economic issues of the nation (Aitalieva, 2017). Furthermore, if democracy is a system that respects, promotes, and guarantees citizens' rights over their rulers (Schmitter & Karl, 1993), then democracy becomes an essential element of governance, where both concepts are interconnected (Rodriguez, 2019; Farazmand, 2012;

Keping, 2017). "A quality democracy has a stable institutional structure that allows citizens freedom and equality through the legitimate and correct functioning of their institutions" (Morlino, 2005, p.38). Therefore, governance embodies a practice of democracy, as one of its main features is the management of institutions through the relationship between the State and civil society.2

In recent decades, political trust has declined not only in the developed world but also in developing countries (Khan, 2016; Segovia, 2008). Despite the reasons generally accepted in the literature, such as political instability and high levels of corruption (Foweraker & Krznaric, 2002; Zurbriggen, 2014; Bargsted et al., 2017; Anderson & Tverdova, 2003), the weakening of political support and the quality of governance (Zmerli & Castilho, 2015; Newton & Zmerli, 2011; Karakoc, 2013), and the low levels of democracy (Andersson & Tverdova, 2003; Zurbriggen, 2014), the increase in social and income inequality has become the most prominent factor in reducing political trust in recent decades (Zmerli & Castilho, 2015; Newton & Zmerli, 2011; Gustavsson & Jordahl, 2008). Rising inequality diminishes political trust, affecting the functioning of institutions (quality of governance) (Newton & Zmerli, 2011; Karakoc, 2013).

In Latin America, the continent exhibits some of the most persistent indicators of inequality in the world. The significant disparities in levels of socioeconomic development among countries challenge the quality of governance across the region (Zurbriggen, 2014; Foweraker & Krznaric, 2002; Kaufmann et al., 2011). If this situation makes it difficult to improve governance in Latin America, it is no different within the framework of democracy. The environment for building democratic institutions in the region is characterised by contradictory and inconsistent democratic progress. Contradictory because undemocratic and inconsistent practices have often influenced the development of democracy due to interruptions by dictatorships or authoritarian regimes (Bargsted et al., 2017). These factors hinder the

2 Details; Schumpeter (1942) and Dahl (1971).

creation of strong and effective states, further eroding political trust in the region (Bargsted et al., 2017). Consequently, the development of governance and democracy in most Latin America countries becomes complex (Zurbriggen, 2014; Segovia, 2008), which contributes to low levels of political trust (Bargsted et al., 2017).

Investigations into political trust have mainly concentrated on developed countries, which are characterised by fewer inequalities, better governance, and more consolidated democracies (Bargsted et al., 2017; Zmerli & Castilho, 2015). Research on the relationships between governance quality and democracy in relation to political trust in Latin America countries is limited. This investigation aims to address this gap. The studies before this work—Saiane et al. (2021), Zmerli & Castilho (2015), Segovia (2008), Khan (2016), Del Campo et al. (2021), Memoli & Pastena (2018), Cáceres (2019), Colen (2010), and Cárdenas (2017), offer valuable insights into political trust in Latin America. Notably, Khan (2016), Del Campo et al. (2021), and Cáceres (2019) concluded that factors such as corruption control, law and order, and bureaucratic quality influence political trust. Khan (2016) suggests that future studies could provide a more comprehensive understanding of the link between government quality and political trust. Del Campo et al. (2021) identified differences between countries in the relationships among governance indicators, corruption, and socioeconomic development over recent decades. Lastly, Cáceres (2019) examined determinants of trust from 2007 to 2012, using social indicators of the labour market, and demonstrated that female self-employment positively impacts trust in government.

This investigation has two interconnected objectives: firstly, to analyse how Latin America countries with similar development levels evolved from 2006 to 2018 in terms of governance and democracy, and how these factors impact political trust. This analysis enables us to consider the second objective—identifying which countries, based on their excellent governance and democracy results, can serve as references for other Latin America countries. Recognising these models is important because their strong performances can suggest pathways for other nations seeking to improve governance and democracy, thereby strengthening citizens' political trust. Our research thus addresses two questions: a) To what extent does development level influence the quality of governance and democracy in relation to political trust in Latin America countries? b) Are there specific countries that can be regarded as benchmarks for others in terms of overall behaviour? Accordingly, our analysis emphasises two aspects: understanding how governance, democracy, and political trust behave, and assessing how much political trust is explained by governance and democracy.

As Latin America countries vary significantly in their income levels and socioeconomic inequalities, it seems inappropriate to analyse countries with disparities in their levels of development, as postulated by Quibria (2006). Empirical studies on governance, democracy, and their relationships with political trust in Latin America countries do not correlate analyses based on levels of development between countries, which highlights the originality of this research. By grouping countries according to their socioeconomic development levels—using aggregate variables such as GDP per capita based on purchasing power parity (PPP), Gini index, and HDI, as employed by Del Campo et al. (2021)—and applying multivariate statistical techniques, our findings revealed important results that identify the best and worst performances among groups and individual countries. Consequently, we suggest future investigations to explore what each country has implemented in specific terms of reforms that have contributed to their success in achieving strong performance across the governance dimensions, democracy, and the impacts they have on political trust.

2. THEORETICAL REVIEW

2.1. GOVERNANCE AND DEMOCRACY

A central challenge in governance is its definition (Pomeranz & Stedman, 2020; Phillips et al., 2016; Dimitrijevska-Markoski & French, 2019). Researchers possess various governance concepts (Rodriguez, 2019; Fredrickson et al., 2015, 2006) with approaches that differ in their definitions between developed and developing countries. Therefore, there is no universally accepted consensus on what governance entails. In Del Campo et al., (2021), governance comprises the traditions and institutions through which authority is exercised in a country. This includes the process of selecting, monitoring, and replacing governments; the capacity of a government to formulate and implement effective policies; and the respect of citizens and the State for the institutions that oversee economic and social interactions. Governance is the "ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not" Fukuyama (2013, p.3). According to Farazmand et al., (2012), governance must explain how societies organise themselves in their interactions, where government, the private sector, and civil society actors aim to address social issues or create new opportunities in society.

Since the concept of governance is multidimensional, defining what constitutes good and bad governance, or quantifying it, remains a complex task (Fukuyama, 2013). According to Quibria (2006), the quality of governance reflects the government's capacity to design, formulate, and implement suitable policies. Keping (2017) states that good governance involves the process of public administration that promotes the public interest. One of the key features of good governance today is that it represents a form of collaborative management of public life, carried out by both the State and citizens, fostering a new relationship between the political state and civil society.

Another point evidenced by the literature on governance is the significant interrelationship between it and democracy. For Rodriguez (2019) and Farazmand (2012), democracy is an integral component of governance and therefore governance depends on the reception and encouragement of political institutions, government, and civil society. Fukuyama (2013) notes that the relationship between democracy and governance cannot be demonstrated empirically if good governance and its democratic nature merge into a single definition. However, Rodriguez (2019, p.10) describes that "democracy is an integral component of governance." Democracy is important for political trust because democratic governments must better meet people's demands and because democracy promotes transparency and accountability (Bargsted et al.,2017). In this sense, governance is a new practice of modern democracy (Keping, 2017). Theoretically, democracy is the only practical mechanism that can safeguard the free and egalitarian political power of citizens' property. Consequently, good governance is established with democracy (Keping, 2017).

2.1.1. POLITICAL TRUST

Political trust reflects general confidence in the political institutions that form the government (Hetherington, 1998; Mishler & Rose, 2001; Newton, 2007). According to Newton (2007, p. 344), "Political trust comes close to the concept of legitimation, which has a deeper significance for the system of government than trust in specific political leaders or in the current government." Political trust is essential for the quality of public administration. Trust enhances the efficiency of political and economic processes, facilitates contract enforcement, and fosters a sense of community among citizens (Putnam, 1993). Trust is crucial for a healthy and functioning democracy (Mishler & Rose, 2001), as it promotes public acceptance of democratic values and ideals, leading to citizen compliance with public policies (Aitalieva, 2017). Conversely, low levels of trust diminish legitimacy and support for institutions and can impair the ability of governments to implement policies effectively (Hetherington & Globetti, 2002; Rudolph & Evans, 2005). Erosion of political trust may lead to protests and movements against the government (Muller et al., 1982), as well as influence public perceptions of the legitimacy and performance of programmes (Kim, 2005). Political mistrust can also cause greater resistance among citizens to comply with rules and diminish respect for the fundamental values of the political regime (Norris, 1999).

There are two main theories explaining the development of political trust: cultural and institutional theory (Mishler & Rose, 2001). In cultural theory, trust in institutions develops through interpersonal interactions. The evaluation of trust in political institutions by individuals is influenced by the social environment they are involved in (Putnam, 1993, 1993b). Interpersonal trust encourages individuals to participate in civic and voluntary organisations, which in turn strengthens trust in institutions. Conversely, a decline in interpersonal trust or a lack of social cohesion reduces political trust (Inglehart, 1990; Mishler & Rose, 2005; Newton 2007; Putnam, 1993, 1993b). In institutional theory, trust in institutions relates to the performance and results those institutions deliver (Norris, 2003). Political trust is seen as citizens' support for political institutions, such as government and parliament, amid uncertainty or vulnerability to their actions (Van de Meer, 2017). That is, government performance, encompassing political and economic factors affecting the quality of public services and policies (Khan, 2016), influences citizens' confidence levels. Political trust is connected to the execution of government functions, which are closely linked with governance and institutions (Del Campo et al., 2021). Scholars like Coleman (1990), North (1990), and Newton (2006) find that citizens' perceptions of political and economic performance shape their trust in political institutions. According to Levy (1998), the state's reliability impacts its capacity to generate interpersonal trust, which in turn affects governance. "Citizens likely trust the government only to the extent that they believe that it will act for their interests, that their procedures are fair, and that their trust in the state and others is matched" (Levi, 1998, p. 88).

In summary, within the framework of institutional theory, increased trust legitimises the performance of democratic governance, as greater trust fosters a sense of community among citizens, enhances political processes, and boosts their efficiency, leading to improved economic outcomes (Putnam, 1993, 1993b). Conversely, low levels of trust undermine legitimacy and support for institutions and can negatively impact the government's ability to implement policies effectively (Hetherington & Globetti, 2002), resulting in a perception of certain public services as illegitimate (Kim, 2005).

2.1.2. THE SPECIFICITY OF LATIN AMERICA: DEMOCRACY, AND POLITICAL TRUST

Regardless of how governance is defined, it becomes even more complex when assessing its conceptual and practical validity in the context of Latin America governments. As the most unequal region in the world (Zmerli & Castilho, 2015), Latin America is characterised by political instability, high levels of corruption, low public confidence in government, weak legal systems, and low levels of democracy, all of which negatively impact the development of governance (Zurbriggen, 2014). These characteristics are interconnected and overlap, creating a broader context of institutional dysfunction that threatens to weaken governance (Rodriguez, 2019). Governance, already a challenging task due to the multiple and increasingly complex objectives of the public sector, is further tested by the specific challenges faced by Latin America (Zurbriggen, 2014).

On the Latin America continent, there is significant variation in confidence levels among countries (Segovia, 2008; Zmerli & Castilho, 2015). Income inequality reduces confidence in the government, which ultimately affects democratic legitimacy, weakening political support and the quality of governance (Zmerli & Castilho, 2015;

Newton & Zmerli, 2011; Karakoc, 2013; Gustavsson & Jordahl, 2008). "In the region with the most enduring indicators of inequality around the world, the impact of inequality on political trust acquires additional relevance" (Zmerli & Castilho, 2015, p.6). Besides inequality, the region is marked by contradictory and inconsistent democratic developments, which make it difficult to build strong and effective states, further undermining political trust (Bargsted et al., 2017).

Generally, political instability and high corruption levels undermine confidence in democratic institutions. This impacts the political system and hampers civic participation, which is rooted in the fundamental principle of democratic governance (Foweraker & Krznaric, 2002; Zurbriggen, 2014). Consequently, a less participatory society weakens the rule of law, a vital aspect of democracy, preventing it from fostering higher levels of democracy and compromising the quality of governance (Kaufmann et al., 2011). As a result, the development of governance and democracy in most Latin America countries becomes significantly more complex (Zurbriggen, 2014).

2.1.3. BENCHMARKING

Benchmarking is defined as the systematic comparison of specific performance measures with established reference levels, aiming for ongoing improvement within a learning process (Da Cruz & Marques, 2014; Namhoon, 2020). Ammons & Roenigk (2014) and Namhoon (2020) describe benchmarking as a means of improving practices, identifying the top performances of a process, understanding what makes them superior, and ultimately adopting or adapting these practices. Many authors have noted that a fundamental requirement of benchmarking is the consistent application of measures (Ammons et al., 2001; Folz, 2004). The primary advantage of benchmarking is its focus on areas necessary for best practices, prompting governments to implement changes to enhance their performance (Del Campo et al., 2021).

Benchmarking studies have expanded with various approaches focused on themes of governance (Pina et al., 2007, 2009; George et al., 2020; Namhoon, 2020; Dimitrijevska-Markoski & French, 2019; McCubbin et al., 2021; Del Campo et al., 2020; Asongu & Nwachukwu, 2017; Knox, 2019). Previous research has emphasised that employing internationally recognised good governance principles offers references for comparison and helps establish goals for optimal governance (Del Campo et al., 2021). Although not without challenges, the principles of good governance serve as useful targets and benchmarks for assessing the performance and conduct of government institutions (Vedung, 2009). The importance of evaluating governance quality was explored by UN/ASPA (2002) and the United Nations (2005, 2007, 2008). On a global scale, governance can be compared across countries and over time, thanks to standardised data applicable to diverse cultures, economies, and political systems (Del Campo et al., 2021). Consequently, governance data enable robust benchmarking between nations, utilising common units of analysis.

2.2. METHODOLOGY

This research uses data from fifteen Latin America countries for the period 2006 to 2018. The data are from the Latinobarómetro survey, BTI Transformation Index, and, primarily, the World Bank.

2.2.1. DATE AND VARIABLES

2.2.2. INDEPENDENT VARIABLES

Operationalising the quality of governance has been characterised by different models and data (Pomeranz & Stedman, 2020; Phillips et al., 2016; Fukuyama, 2013; Doeveren, 2011). Several international organisations have developed governance performance indicators. The World Bank's Governance Indicators (WGI), used in this study (World Bank, 2006; Kaufmann et al., 2009, 2010, 2011;

Kaufman & Lafarre, 2020), are among the most commonly used metrics to measure specific areas of governance (Del Campo et al., 2021; Kaufman & Lafarre, 2020; Quibria, 2006; Al-Marhubi, 2004; Knox, 2019; Keping, 2017; Cárdenas, 2017). The Worldwide Governance Indicators are based on the proposed definition and proxy measures constructed by Kaufmann et al. (2002, 2009), which aggregate six dimensions of indicators selected from 25 sources and constructed by 18 organisations. The governance estimate for each indicator is derived from individual sources for each period. The score ranges from (-2.5 to 2.5), with higher scores indicating better performance in governance and vice versa (Kaufmann & Lafarre, 2020; Kaufmann et al., 2010, 2009; United Nations, 2007, 2008).

Regarding indicators of democracy, we employed the BTI Transformation Index (Bertelsmann Stiftung). Initiated in 2006, the BTI index survey is conducted biennially, involving 137 countries, and encompasses 49 questions and 17 indicators across three categories: Democracy, economics, and governance. We assessed democracy using fourteen indicators that represent the four dimensions of democracy (Table 7). The scores range from 0 to 10, with higher scores indicating better democratic performance (Donner, et al., 2020). Ultimately, we note that the limited availability of data on governance and democracy for the countries of Latin America during the analysed period led us to utilise different sources.

Table 7. Synthesis of indicators and each dimension – explanatory variables

Governance/institutional quality - Worldwide Governance Indicators (WGI)			
Dimensions/acronym used	**Measure**	**Source**	**Grade***
Control of Corruption (CC)	Measures the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests.	WGI	-2,5 to 2,5
Government Effectiveness (GE)	Measures the quality of public services, the quality of the civil services and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies	WGI	-2,5 to 2,5
Political Stability and Absence of Violence/Terrorism (PSAV)	Measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism.	WGI	-2,5 to 2,5
Regulatory Quality (RQ)	Measures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development	WGI	-2,5 to 2,5

Rule of Law (RL)	Measures 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, the courts, and the likelihood of crime and violence.	WGI	-2,5 to 2,5
Voice and Accountability (VA)	Measures the extent to which a country's citizens can participate in selecting their government, as well as freedom of expression, freedom of association, and free media	WGI	-2,5 to 2,5
Democracy and Political Transformation - BTI Transformation Index			
Political Participation (PP)	Average of indicators: Separation of powers; Independent judiciary; Prosecution of office abuse; Civil rights	BTI	0 to 10
Stability Democratic Institutions (SDI)	Average of indicators; Performance of democratic institutions; Commitments of democratic institutions.	BTI	0 to 10
Political and Social Integration (PSI)	Average of indicators: Party system; Interest groups; Approval of democracy; Social capital.	BTI	0 to 10

Stateness (S)	Average of indicators: Monopoly of the use of force; State identity; No interference of religious dogmas; Basic administration.	BTI	0 to 10

Source: BTI Transformation Index (BTI); The World Bank's Governance Indicators (WGI).
Notes: * Higher grade indicates better evaluation.

2.2.3. DEPENDENT VARIABLE – POLITICAL TRUST

Political trust is understood as a fundamental evaluative stance towards government (Stokes, 1962). It is used to measure the subjective feelings citizens hold about the political system (Citrin & Muste, 1999) and reflects "assessments of whether political authorities and institutions are acting by the normative expectations held by the public" (Miller & Listhaug, 1990, p.358).

Following the literature (Khan, 2016), this research measures political trust based on citizens' confidence in the following political institutions: in 2006, Congress, Government, Judiciary, Electoral Court, Police, and Political Parties, and in 2018, Congress, Government, Judiciary, Electoral Justice, Public Administration, Police, Political Parties, and Unions. In line with the literature (Zmerli & Catilho, 2015; Cáceres, 2019; Segovia, 2008; Saiani et al., 2021; Stoyan et al., 2014; Khan, 2016; Memoli & Di Pastena, 2018; Saiane et al., 2021), data on political trust are sourced from the Latinobarómetro survey (2006 and 2018). The assessment of political trust results from citizens' answers to the following question: how much confidence do you have in the institution? a) a lot, b) some, c) little, d) none. The sum of the percentages of the "lot and some" responses indicates citizens' trust in political institutions. The period of our analysis is 2006 and 2018 because 2006 is the initial year of the democracy data (Bertelsmann Stiftung), and 2018 is the most recent year of the Latinobarómetro survey.

2.2.4. INDEPENDENT VARIABLES – CONSIDERING GOVERNANCE AND DEMOCRACY INDICATORS FOR REGRESSION

In both years, when all dimensions of governance and democracy are included in the regression, no variable shows statistical significance for political trust, failing to explain the model. Regarding governance variables, there is high multicollinearity among all indicators. The average of the correlations (2006 and 2018) was 0.82, with 66% of the correlations exceeding 0.80, yet none of the variables were statistically significant in explaining the model ($P > t$, < 0.05). When incorporated into the regression, the relationships between governance and democracy variables and political trust exhibit strong multicollinearity. These findings align with other studies using data from the Worldwide Governance Indicators (Khan, 2016; Kaufman & Lafarre, 2020; Pommer & Van Houwelingen, 2015; Rothstein, 2011). Since we aim to deepen the analysis of the relationships and effects of each governance and democracy dimension on political trust, our econometric approach evaluates each dimension separately, following the literature (Kaufman & Lafarre, 2020; Kaufman & Kray, 2002; Pommer & Van Houwelingen, 2015).

2.2.5. VARIABLES SOCIOECONOMIC DEVELOPMENT

Based on Del Campo et al. (2021), we classify countries by level of socioeconomic development using variables such as GDP per capita based on purchasing power parity (PPP) (constant 2017 international dollars), Gini index, and Human Development Index (HDI).

The GDP per capita (PPP-based) is gross domestic product converted to international dollars using purchasing power parity rates and divided by the total population. The GDP per capita (PPP-based) is used as the World Bank's Economic Development Indicator (HDR, 2019). The Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. It is often used as a gauge of economic inequality, measuring income distribution. The coefficient ranges from 0 (or 0%) to 1 (or 100%), where 0 means perfect equality and 1 means perfect inequality. The third indicator, the Human Development Index (HDI), provides a measure of a country's social and economic development, capturing the levels of education, health, and income of the country's residents. The grade ranges from (0 to 1), and the closer it is to (1), the better the level of human development, according to Human Development Reports-United Nations Development Program (UNO/UNDP, 2020). The Human Development Index (HDI) is the geometric mean index that includes three dimensions: long and healthy life, education, and a decent standard of living (Del Campo et al., 2021; UNO/UNDP, 2020). Of the four HDI classification levels (Very high human development, high human development, Medium human development, and Low human development), Latin America countries are among the top three (Table 8).

Table 8. HDI levels - Latin America countries

HDI levels	Countries
Very high human development	Argentina, Chile, Costa Rica, Panama, Uruguay
High human development	Bolivia, Brazil, Colombia, Ecuador, Mexico, Paraguay, Peru.
Medium human development	El Salvador, Honduras, Nicaragua

Source: United Nations Development Program (2019)

2.3. MULTIVARIATE ANALYSIS

Cluster analysis is one of the multivariate analysis techniques that aims to form homogeneous groups of sample units (Del Campo et al., 2021). It groups individuals (countries - in our case) into smaller clusters so that those in the same group are very similar to each other, but different from countries in other groups (homogeneity within groups and heterogeneity between groups (Jafarzadegan, 2019). From the cluster analysis, we identified the groups and countries within these groups with similar levels of development. This allows us to assess the performance of countries regarding development, governance, and democracy indicators, supporting comparative analysis between 2006 and 2018.

The method employed was Hierarchical Agglomerative Clustering (HAC), also known as Ward's linkage method, which has been widely adopted (Randriamihamison et al., 2021; Del Campo et al., 2021; Cárdenas et al., 2017). This method measures the distance between two clusters as the sum of squared deviations from individual points to their centroids. Ward's linkage aims to minimise the within-cluster sum of squares. The distance is calculated using the following distance matrix:

$$d_{mj} = \frac{(N_j + N_k)d_{kj} + (N_j + N_i)d_{Ij} - N_j\, d_{KI}}{N_j + N_m} \quad (1)$$

Where: d_{mj} - the distance between clusters m and j: m - a merged cluster that consists of clusters k and I, with m= (k,i); d_{kj} - the distance between clusters k and j; d_{lj} - the distance between clusters I and j; d_{kl} - the distance between clusters k and I: N_j - number of observations in cluster j: N_k - number of observations in cluster k: N_l - number of observations in cluster l: N_m - number of observations in\ cluster m.

Hierarchical cluster analysis, particularly Ward's method, is applied using square Euclidean distances because practical experience shows that it yields the best results in such cases. A more formal and rigorous description of these techniques can be found in Everitt et al. (2011), Randriamihamison et al. (2021), Jafarzadegan et al. (2019). The classification of countries by their levels of socio-economic development in 2006 and 2018 is illustrated with dendrograms (Fig.3; Tab.9 and Fig.4; Tab.10).

Figure 3. Dendrogram - GDP per capita PPP (constant 2017 international $), Gini index, HDI (2006)

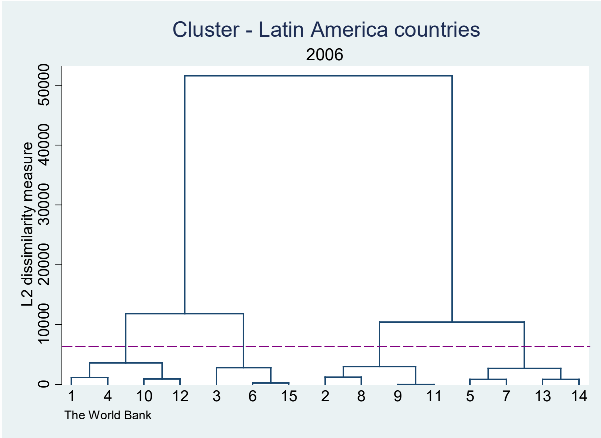


Table 9. Dendrogram groups - Latin America (LA) countries (2006)

Socioeconomic development*	Groups	2006
Above average in L.A.	Group A - High top	(1) Argentina; (4) Chile; (10) Mexico; (12) Panama
	Group B - Top	(3) Brazil; (6) Costa Rica; (15) Uruguay
Below average in L.A.	Group C - Lower	(5) Colombia; (7) Ecuador; (13) Paraguay; (14) Peru
	Group D - High lower	(2) Bolivia; (8) El Salvador; (9) Honduras; (11) Nicaragua.

Notes: *GDP per capita PPP (constant 2017 international $), Gini index, Human Development Index (HDI).

Figure 4 - Dendrogram - GDP per capita PPP (constant 2017 international $), Gini index, HDI (2018)

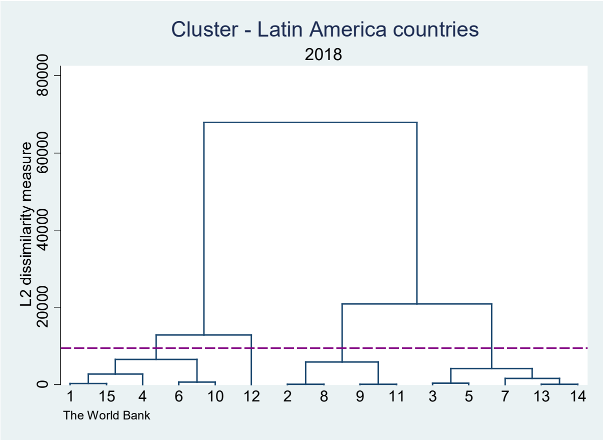


Table 10. Dendrogram groups - Latin America (L.A) countries (2018)

Socioeconomic development*	Groups	2018
Above average in L.A.	Group A - High top	(12) Panama
	Group B - Top	Argentina; (15) Uruguay; (4) Chile; (6) Costa Rica; (10) México
Below average in L.A.	Group C - Lower	(3) Brazil; (5) Colombia; (7) Ecuador; (13) Paraguay; (14) Peru
	Group D - High lower	(2) Bolivia: (8) El Salvador; (9) Honduras; (11) Nicaragua

Notes: * GDP per capita PPP (constant 2017 international $), Gini index, Human Development Index (HDI).

If we hypothetically divide the two charts with a vertical line in the middle, we see that the structure of the right part remains almost unchanged. On the left, there is little variation from 2006 to 2018, with only Panama in Group A in 2018. This change is due to a significant rise in Panama's per capita income over the past decade, reaching levels typical of developed economies. Additionally, Panama has one of the highest HDIs in Latin America.3

We demarcated the same number of clusters in 2006 and 2018 for ease of analysis and interpretation. By analysing the distances between cluster unions (vertical axis - the sum of squared differences between groups), we decided to work with four clusters, as shown by the dashed purple line. The clusters (a, b) have, on average, a level of socio-economic development above the Latin America average, while clusters (c, d) fall below that average (Table 9 and Table 10). In both years (2006 and 2018), we classified the development level of clusters using the following names: Group A has a higher level of development than Group B, which is higher than Group C, and that is higher than Group D. Groups A and B have development levels above the Latin America average, whereas groups c and d are below the mean.

To analyse the impact of governance quality and democracy on political trust, we used regressions estimated with Ordinary Least Squares (OLS) in a cross-section for the years 2006 and 2018, as represented by the equation (Wooldridge, 2003).

$$y_i = \beta_0 + \beta_1 x_i + u_i \quad (2)$$

Here, y_i is the dependent variable the predicted variable; x_i $u_i$corresponds to the error (the variable that allows explaining the variability existing in y and that is not explained by *x* and, the parameters of the model *are β0* and *β1,* respectively, intercept or linear coefficient and the slope of the return line. In addition, to estimate the percentage variations between the variables, we used the Log-Log regression model, according to the correspondence (Wooldridge, 2003).

3 In terms of per capita income, Panama can be considered an Outlier in Latin America.

$$\ln(y) = \beta_0 + \beta_1 \ln(x_1) + \varepsilon_i \quad (3)$$

where the angular coefficient β is a constant measure of elasticity de y with respect to x, that is, it assumes that the relative changes in y given changes in x are the same for any values of xi and yi.

2.4. EMPIRICALÇ FINDINGS

To understand the behaviour of the variables of political trust, quality of governance, and democracy, we conducted a descriptive analysis. Subsequently, to assess how much political trust is explained by the quality of governance and democracy, we utilised estimated regressions using Ordinary Least Squares (OLS) in a cross-section. These analyses enable us to answer the two main questions of this research in the final section, where we compared the results from the period 2006 with those of 2018.

2.4.1. DESCRIPTIVE STATISTICAL ANALYSIS AND CORRELATIONAL EVIDENCE – LATIN AMERICA (2006)

Considerable heterogeneity in political trust, governance, and democracy across Latin America countries is evident in Table 5, demonstrated by significant percentage differences between the best and worst performances of the indicators.

Table 11. Percentage variations between the lowest and worst results among Latin America countries - 2006 (political trust, governance, and democracy)

	Countries	Political trust	Coun-tries	Gover-nance	Cou-ntries	Demo-cracy
Minimum/ worst	Ecuador	11,3	Para-guay	-0,83	Co-lombia	6,0
Max/best	Uruguay	53,5	Chile	1,15	Uru-guay	9,9

Variation	372%	238%	65%

Source: World Bank Database, The World Bank's Governance Indicators (WGI). BTI Transformation Index.

We highlight in Table 11 that Uruguay (Group B) does not belong to the highest level of development in L.A. (Tab.12), but the country stands out with the best performance in democracy and political trust. The difference in political trust between the best and worst outcomes, Uruguay and Ecuador, respectively, is 372%. Regarding governance, Chile (Group A) has the best result, while Ecuador, which belongs to Group C, has the worst. In summary, among the top performers, only Chile is part of the group with the highest level of socioeconomic development, whereas among the lowest, no country belongs to Group D, the group with the lowest level of development.

2.4.2. THE PERFORMANCE OF POLITICAL TRUST, GOVERNANCE QUALITY, AND DEMOCRACY VARIABLES (2006).

In Table 12, when presenting the results of governance, democracy, and political trust between groups (A and B) and (C and D), Group B achieves the best performance in nearly all indicators, as does Group D. In other words, among the four groups of countries—two above the average socio-economic development in Latin America (Groups A and B) and two below it (Groups C and D), the highest results are observed in the groups with the lower levels of development, specifically Group B and D.

Table 12. Latin America country clusters by levels of development (2006)

Groups	GDP per capita	Gini	HDI	Political trust	Governance quality	Democracy	Democracy Status*
Group a							
Argentina	20.777,65	46,3	0,812	32,5	-0,20	8,3	Defective democracies

Chile	19.603,69	47,3	0,791	44	1,15	9,1	Democracies in consolidation
Mexico	18.319,47	48,9	0,745	36,8	-0,12	7,8	Defective democracies
Panama	17.391,08	54,6	0,759	41,5	0,08	8,0	Defective democracies
Average	19.022,97	49,2	0,777	38,7	0,23	8,3	
Group b							
Brazil	12.922,16	55,6	0,702	41,5	-0.10	8,1	Defective democracies
Costa Rica	14.976,82	49,4	0,745	39,3	0.50	9,5	Defective democracies
Uruguay	15.188,64	45,9	0,763	53,5	0,73	9,9	Democracies in consolidation
Average	14.362,54	50,3	0,736	44,8	0,37	9,2	
Group c							
Colombia	10.586,79	53,9	0,698	34,8	-0,46	6,0	Defective democracies
Ecuador	9.757,37	52,3	0,701	11,3	-0,83	6,6	Defective democracies
Paraguay	8.846,70	53	0,67	20,8	-0.80	6,5	Defective democracies
Peru	8.017,25	50,3	0,697	28,8	-0,36	7,0	Defective democracies
Average	9.302,03	52,3	0,692	24	-0,61	6,5	
Group d							
Bolivia	5.920,70	56,7	0,649	37,2	-0.60	7,0	Defective democracies
El Salvador	7.136,85	45,7	0,653	25,3	-0,18	7,7	Defective democracies
Honduras	4.733,54	57,5	0,599	35,2	-0,63	7,0	Defective democracies
Nicaragua	4.438,89	47	0,605	25	-0,53	7,1	Defective democracies
Average	5.557,50	51,7	0,627	30,6	-0,49	7,2	
Average L.A.	**11.907,84**	**50,9**	**0,706**	**33,6**	**-0,16**	**7,7**	

Source: World Bank Database, The World Bank's Governance Indicators (WGI). BTI Transformation Index.

Notes: * Classification: (10 - 8) Democracies in consolidation; (8 - 6) Defective democracies; (6 - 4) Highly defective democracies; (4 - 2) Moderate autocracies; (2 - 0) Hard-line autocracies. The "BTI transformation index" sums the value of the variable "Rule of Law" in the calculation to classify the "State of Democracy". As the "rule of law" is part of the World Bank's Governance Indicators (WGI) framework, we use the variable in the governance analysis.

Regarding political trust (as shown by the average and the heat density - blue colour) in Table 13, Uruguay and Chile (darker blue) are the countries that generally perform the best in the indicators. In Group A, Argentina falls below the Latin America average (33,8), mainly due to Argentines' low trust in the Judiciary, the Electoral Court, and especially the Political Parties and their Politicians.

Table 13. Indicators of political trust in a group of Latin America countries (values %) (2006)

		Political Trust %						
Groups	Countries	C	G	J	EC	P	PP	Average
a	Argentina	25	60	32	36	29	13	32,50
	Chile	30	60	33	54	63	24	44
	Mexico	28	46	38	49	31	29	36,83
	Panama	21	44	40	69	52	23	41,50
b	Brazil	31	47	45	62	42	22	41,50
	Costa Rica	29	42	44	59	36	26	39,33
	Uruguay	45	66	55	72	50	33	53,50
c	Colombia	28	47	38	36	42	18	34,83
	Ecuador	6	8	15	13	18	8	11,33
	Paraguay	15	26	19	27	25	13	20,83
	Peru	19	37	19	48	30	20	28,83
d	Bolivia	32	49	37	56	32	17	37,17
	El Salvador	18	29	27	30	32	15	25,17
	Honduras	30	40	32	44	39	26	35,17
	Nicaragua	18	15	25	37	37	18	25
	Average L.A.	**25**	**41**	**33**	**46**	**37**	**20**	**33,8**

Source: Latinobarómetro Survey.
Notes: (C) Congress; (G) Government; (J) Judiciary; (EC) Electoral Court; (P) Police; (PP) Political Parties

In group B, except for the trust in the Costa Rican society police, all countries show results above the Latin America average. In Group C, all indicators of Ecuador's political trust are significantly lower than the continental average. Colombia, on the other hand, is the only country in Group C with above-average trust. This is due to the high confidence that Colombian society has in Congress, the Government, the Judiciary, and the Police.

In Group D, Honduras and Bolivia have above-average Latin America political trust; Honduran citizens have high trust in Congress, Political Parties, and the Police, while Bolivians trust Congress, the Government, the Judiciary, and Electoral Justice. Despite these results, in short, the countries with the highest levels of political trust in 2006 are Uruguay and, subsequently, Chile. Countries with significantly below the Latin America average are Ecuador and Paraguay. Finally, six countries, Argentina, Ecuador, El Salvador, Nicaragua, Paraguay, and Peru, had political trust below the Latin America average in 2006.

In Table 14, we observe the same countries that notably stand out in the previous analysis: Uruguay, Chile, and Costa Rica with the best governance and democracy scores, and Ecuador, Paraguay, and Colombia with the poorest.

Table 14. Governance and democracy Latin America countries (2006)

		Governance*							**Democracy****				
Groups	Coun-tries	GE	VA	PSAV	RQ	CC	RL	Ave-rage	PP	SDI	PSI	S	Ave-rage
a	Argen-tina	-0,05	0,4	0	-0,64	-0,3	-0,57	-0,2	9,5	8	7	8,8	8,3
	Chile	1,03	1,08	0,6	1,47	1,46	1,27	1,15	9	9,5	8	9,8	9,1
	Mexico	0,09	0,15	-1	0,38	-0,3	-0,43	-0,12	8,5	8	6,8	8	7,8
	Pana-ma	0,07	0,6	0	0,32	-0,3	-0,13	0,08	8	8,5	7	8,3	8,0
b	Brazil	-0,32	0,5	0	-0,03	-0,1	-0,37	-0,1	9	8,5	6,5	8,5	8,1
	Costa Rica	0,05	0,92	0,7	0,38	0,44	0,47	0,5	10	9,5	8,8	9,5	9,5
	Uru-guay	0,39	1,03	0,9	0,37	1,11	0,56	0,73	10	10	9,5	10	9,9
	Colom-bia	-0,17	-0,17	-2	0,1	-0,1	-0,51	-0,46	6,3	6,5	5	6,3	6,0

c	Ecu-ador	-1	-0,25	-1	-1,11	-0,8	-1,03	-0,83	7,5	5,5	5,3	8	6,6
	Para-guay	-0,96	-0,26	-1	-0,69	-1,1	-0,98	-0,8	7,3	7	5,3	6,3	6,5
	Peru	-0,67	0,09	-1	0,13	-0,2	-0,69	-0,36	8,5	6,5	5	8	7,0
d	Bolivia	-0,72	0,08	-1	-0,89	-0,4	-0,85	-0,6	8	6,5	5,3	8	7,0
	El Sal-vador	-0,15	0,1	0	0,04	-0,3	-0,62	-0,18	7,8	8,5	6,5	8	7,7
	Hon-duras	-0,65	-0,14	-1	-0,47	-0,8	-0,99	-0,63	7,8	7,5	5,3	7,5	7,0
	Nica-ragua	-0,88	-0,19	0	-0,43	-0,7	-0,75	-0,53	7,8	6,5	6,3	7,8	7,1
	Avera-ge L.A.	**-0,26**	**-0,26**	**0**	**-0.10**	**-0,2**	**-0,37**	**-0,16**	**8,3**	**7,8**	**6,5**	**8,2**	**7,7**

Source: BTI Transformation Index (BTI); The World Bank's Governance Indicators (WGI).
Notes: (GE) Government Effectiveness; (VA) Voice and Accountability; (PSAV) Political Stability and Absence of Violence; (RQ) Regulatory Quality; (CC) Control of Corruption; (RL) Rule and Low; (PP) Political Participation; (SDI) Stability of Democratic Institutions; (PSI) Political and Social Integration; (S) Stateness. * The grade is between (-2.5 and 2.5). ** The grade is between (0 and 10). For both indicators, a higher grade indicates better evaluation.

In Groups A and B, all countries exceed the L.A. average results. Uruguay (Group B) persists with their best performances on the continent. In Groups C and D, no country scores above the L.A. average in terms of democracy. However, El Salvador and Peru show notable results in the Stability of Democratic Institutions and Political Participation, respectively.

2.4.3. POLITICAL TRUST EXPLAINED BY THE QUALITY OF GOVERNANCE AND DEMOCRACY

In Table 15, the best governance indicators that explain political trust are Voice and Accountability and Government Effectiveness. In Group D, a 1% increase in Voice and Accountability leads to an average rise of 18.57% in political trust. Conversely, Government Effectiveness (Group A) increases political trust by an average of 16,77%. The impact of Government Effectiveness on political trust is best illustrated in Group B (R2 68,31%), while Voice and Accountability's effect is most evident in Group C (R2 65,14%). All indicators positively influence political trust.

Table 15. Log-Log regress - best results of governance and democracy variables on political trust (2006)

Groups	Political Trust	Sr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R_2	Adj-R
a	GE	16,7723	4,188	4.01	0,002	7,648	60,08%	0.5343
	VA	17,6965	4,248	4.17	0,001	8,44	61,68%	0.5551
b	GE	11,4967	3,087	3.72	0,003	4,769	68,31%	0,6303
	VA	15.3834	4.873	3.16	0.008	4.764	62,68%	0.5646
c	GE	10.8152	3.747	2.89	0.014	2.649	61,30%	0.5485
	VA	14.4738	4.453	3.25	0.007	4.770	65,14%	0.5933
d	GE	14.2107	3.789	3.75	0.003	5.954	55,48%	0.4806
	VA	18.5723	4.158	4.47	0.001	9.512	63,68%	0.5763
Latin America	GE	13.4460	3.4157	3.94	0.002	6.086	54,45%	0.5095
	VA	17.1732	3.7641	4.56	0.001	9.041	61,56%	0.5860
Groups	Democracy	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R_2	Adj-R
a	SDI	5.8863	1.524	3.86	0.002	2.564	58,39%	0.5146
	PSI	4.7552	1.654	2.87	0.014	1.149	44,75%	0.3554
b	PP	3.9585	2.996	1.32	0.211	-2,57	40,37%	0.3043
	SDI	5.1465	1.769	2.91	0.013	1.291	59,94%	0.5326
c	SDI	5.0999	1.854	2.75	0.018	1.058	59,78%	0.5308
d	SDI	5.8839	1.476	3.99	0.002	2.667	58,39%	0.5146
	PSI	4.9205	1.650	2.98	0.011	1.325	44,45%	0.3520
Latin America	SDI	5.8778	1.3761	4.27	0.001	2.904	58,39%	0.5519
	PSI	4.8885	1.1562	3.22	0.007	1.612	44,43%	0.4016

Source: authors, regression, Stata data.

Notes: (GE) Government Effectiveness; (VA) Voice and Accountability; (PP) Political Parties; (SDI) Stability of Democratic Institutions; (PSI) Political and Social Integration

Regarding the variables of democracy, Group B exhibits the strongest correlation between the Stability of Democracy Institutions and political trust (R2 59,94%), where a 1% increase in the stability of democratic institutions leads to an average increase of 5.14% in political trust. Notably, the non-standard coefficients (Mr. Coef.) reflecting democracy's impact are smaller than those for governance, indicating that democracy has a lesser effect on the average percentage of political trust. All indicators respond positively to political trust, except for Political and Social Integration, which does not explain the model in Group C.

2.4.4. DESCRIPTIVE STATISTICAL ANALYSIS AND CORRELATIONAL EVIDENCE IN LATINA AMERICA (2018)

All the countries with the poorest performances belong to the group with the lowest level of development (d), unlike 2006, when all countries were in Group C. Nicaragua has the poorest results in the quality of governance and democracy, and El Salvador has the lowest in political trust (Table 16).

Table 16. Percentage variations between the results and the worst results among Latin America - 2018 (Political Trust, Governance, and Democracy)

	Countries	Political trust	Countries	Governance	Countries	Democracy
Minimum/ worst	El Salvador	13,7	Nicaragua	-0,95	Nicaragua	5,2
Max/best	Costa Rica	40,5	Chile	1,01	Uruguay	10
Variation		**196%**		**206%**		**92%**

Source: World Bank Database, The World Bank's Governance Indicators (WGI). BTI Transformation Index.

On the other hand, Costa Rica, Chile, and Uruguay demonstrate the best performances, all of which are part of the group of countries with a level of development above the Latin America average (Tab.11)

2.4.5. THE PERFORMANCE OF THE VARIABLES OF POLITICAL TRUST, QUALITY OF GOVERNANCE AND DEMOCRACY (2018).

In Table 17, when we compared the results based on the averages of political trust, democracy, and governance between Groups (A and B) and (C and D), Group B has better results than Group A (Panama), and Group C has better results than Group D.

Table 17. Latin America country clusters by levels of development (2018)

Groups	GDP per capita	Gini	HDI	Political trust	Governance quality	Democracy	Democracy Status *
Group a							
Panama	31.012,94	49,2	0,812	25,13	0,09	7,2	Defective democracies
Group b							
Argentina	22.759,40	41,3	0,842	26,75	0	8,3	Democracies in consolidation
Chile	25.028,91	45,9	0,849	30,75	1,01	9,2	Democracies in consolidation
Costa Rica	20.559,86	48	0,808	40,5	0,59	9,0	Democracies in consolidation
Mexico	19.928,40	45,4	0,776	23,38	-0,34	6,4	Defective democracies
Uruguay	23.035,08	39,7	0,816	40	0,86	10	Democracies in consolidation
Average	22.262,32	44,06	0,81	32,28	0,42	8,5	
Group c							
Brazil	14.668,26	53,9	0,762	25,63	-0,24	7,7	Defective democracies
Colombia	14.314,86	50,4	0,764	31,75	-0,18	6,8	Defective democracies
Ecuador	11.561,75	45,4	0,762	28,13	-0,40	5,7	Highly defective democracy
Paraguay	12.827,71	46	0,727	27,63	-0,33	6,7	Defective democracies
Peru	12.781,42	42,4	0,771	21,17	-0,14	6,7	Defective democracies

Average	13.230,79	47,62	0,757	26,86	-0,25	6,7	
Group d							
Bolivia	8.655,53	42,6	0,714	26	-0,55	7,6	Defective democracies
El Salvador	8.614,02	38,6	0,67	13,8	-0,36	7,7	Defective democracies
Honduras	5.680,36	48,9	0,633	23,6	-0,62	6,1	Highly defective democracy
Nicaragua	5.729,69	43,2	0,66	19,4	-0,95	5,2	Moderate autocracies
Average	7.169,90	43,33	0,669	20,69	-0,62	6,6	
Average L.A.	**15.810,55**	**45,39**	**0,757**	**26,93**	**-0,10**	**7,3**	

Source: World Bank Database, The World Bank's Governance Indicators (WGI). BTI Transformation Index.
Notes: * Classification: (10 - 8) Democracies in consolidation; (8 - 6) Defective democracies; (6 - 4) Highly defective democracies; (4 - 2) Moderate autocracies; (2 - 0) Hard-line autocracies. Democracy status. The "BTI transformation index" sums the value of the variable "Rule of Law" in the calculation to classify the "State of Democracy". As the "rule of law" is part of the World Bank's Governance Indicators (WGI) framework, we use the variable in the governance analysis.

Regarding democracy status, only Argentina, Chile, Costa Rica, and Uruguay, all from Group B, are in the process of consolidating democracy. Among the groups with the lowest level of development (C and D), the level of democracy is even lower, with Nicaragua displaying the worst performance of all countries (Moderate autocracies).

In Table 18, the heat map shows that Uruguay, Costa Rica, and Colombia have the best results (represented by the strongest colours). In Group A, Panama falls below the Latin America average. There is little public confidence in the Panamanian society regarding the Government, the Judiciary, the Electoral Court, Political Parties, and Unions. In Group B, Argentina and Mexico perform below the Latin America average for political trust. Argentinians have low confidence in the Judiciary, Electoral Court, and Unions, while Mexicans rely little on the Government, Judiciary, Public Administration, Police, Political Parties, and Unions. In Group C, Colombia, Ecuador, and Paraguay have above-average political trust within the continent. Colombians trust more in the Electoral Courts, the Public Administration, the Police, the Political Parties, and the Unions. Ecuadorian society demonstrates greater influence in Congress, Government, Politics, Political Parties, and Unions, whereas Paraguayans rely more on Congress, Government, Police, and Political Parties. In Group D, a group with the lowest level of socioeconomic development, no country has political trust above the Latin America average. In summary, eight countries have below-average Latin America political trust: Panama, Mexico, Brazil, Peru, Bolivia, El Salvador, Honduras, and Nicaragua. The countries with the highest levels of political trust in Latin America in 2018 are Costa Rica, Uruguay, and Colombia, while the lowest are El Salvador, Nicaragua, and Peru.

Table 18. Indicators of political trust in a group of Latin America countries (values %) (2018)

		Political Trust %								
Groups	Countries	C	G	J	EC	PA	P	PP	U	Average
a	Panama	26	16	21	25	38	42	11	22	25,13
b	Argentina	26	22	24	22	45	38	14	23	26,75
	Chile	17	38	26	29	35	48	14	39	30,75
	Costa Rica	27	33	49	56	57	51	17	34	40,5
	Mexico	22	16	23	32	37	19	11	27	23,38
	Uruguay	33	39	39	47	48	59	21	34	40
c	Brazil	12	7	33	26	42	47	6	32	25,63
	Colombia	20	22	23	48	44	47	16	34	31,75
	Ecuador	25	25	23	25	34	46	18	29	28,13
	Paraguay	25	26	24	26	39	34	21	26	27,63
	Peru	8	13	16	33	37	32	7	26	21,5
d	Bolivia	28	33	23	25	32	23	12	32	26
	El Salvador	10	10	14	12	20	22	6	16	13,75

	Honduras	21	25	25	18	31	33	13	23	23,63
	Nica-ragua	15	20	15	14	39	21	10	21	19,38
	Average L. A	**21**	**23**	**25**	**28**	**38**	**37**	**13**	**28**	**26,9**

Source: Latinobarómetro Survey
Notes: (C) Congress; (G) Government; (J) Judiciary; (EC) Electoral Court; (PA) Public Administration; (P) Police; (PP) Political Parties; (U) Unions

In Table 19, Uruguay, Chile, and Costa Rica are the countries with the best results (strongest colour) in the field of governance and democracy. El Salvador and Nicaragua have the worst results (weaker colour). In Group A (Panama), democracy is below the LA average, as is governance and democracy in Mexico, which is in Group B. In socio-economic development countries below the LA average Groups (C and D), no country exceeds the LA average in governance; however, in the democratic environment, Brazil, El Salvador, and Bolivia perform well.

Finally, in 2018, eight countries were below the L.A. average in governance and democracy. In governance, the countries are Argentina, Bolivia, Brazil, El Salvador, Honduras, Mexico, Nicaragua, Panama, and Peru. In democracy, the countries are Panama, Mexico, Colombia, Ecuador, Paraguay, Peru, Honduras, and Nicaragua.

Table 19. Governance and democracy in Latin-America countries (2018)

		Governance*							**Democracy****				
Groups	Countries	GE	VA	PSAV	RQ	CC	RL	Ave-rage	PP	SDI	PSI	S	Ave-rage
a	Panama	-0.02	0.57	0,27	0,4	-0,55	-0.1	0,09	7.8	7.5	6.8	6.5	7.2
	Argentina	0.03	0.56	0.02	0	-0,07	-0.2	0	9	7.5	7.5	9	8.3
	Chile	1.08	1.06	0.44	1,3	1,05	1.09	1.01	9,5	10	7.3	9.8	9.2
b	Costa Rica	0.38	1.14	0.48	0,5	0,55	0.48	0.59	10	8,5	8	9.3	9.0
	Mexico	-0.15	0.01	-0.57	0,2	-0,85	-0.6	-0.34	6.3	6.5	5.5	7.3	6.4
	Uruguay	0.56	1.21	1.04	0,5	1,26	0.59	0.86	10	10	9.8	10	10.0

	Brazil	-0.45	0.4	-0,39	0	-0.4	-0.3	-0.24	8.8	7.5	6	8.3	7.7
	Colombia	-0.09	0.19	-0,79	0,3	-0.29	-0.4	-0.18	7	7.5	5.5	7.3	6.8
c	Ecuador	-0.26	0.02	-0,08	-1	-0.57	-0.6	-0.4	6.5	5.5	4.5	6.3	5.7
	Paraguay	-0.52	0.06	-0,07	0	-0.84	-0.5	-0.33	7.5	6	5.8	7.5	6.7
	Peru	-0.25	0.23	-0.26	0,5	-0.53	-0.5	-0.14	7.8	6.5	4.5	7.8	6.7
	Bolivia	-0.32	-0.04	-0.28	-1	-0.62	-1.2	-0.55	8.3	7	6.5	8.5	.6
d	El Sal-vador	-0.45	0.04	-0.38	0	-0.6	-0.8	-0.36	8.5	8	6.3	7.8	7.7
	Honduras	-0.62	-0.51	-0.53	0	-0.62	-1	-0.63	5.8	5.5	5.5	7.5	6.1
	Nica-ragua	-0.8	-1.08	-0.94	-1	-1.09	-1.1	-0.95	5	3	5.3	7.5	5.2
	L.A. average	-0,13	0.25	-0.14	0	-0.28	-0.4	-0.1	7.9	7.1	6.3	8.0	7.3

Source: BTI Transformation Index (BTI); The World Bank's Governance Indicators (WGI).

Notes: (GE) Government Effectiveness; (VA) Voice and Accountability; (PSAV) Political Stability and Absence of Violence; (RQ) Regulatory Quality; (CC) Control of Corruption; (RL) Rule and Low; (PP) Political Participation; (SDI) Stability of Democratic Institutions; (PSI) Political and Social Integration; (S) Stateness.

* The grade is between (-2.5 and 2.5). ** The grade is between (0 and 10). For both indicators, a higher grade indicates better evaluation.

In Group C, Brazil is above the Latin America average in Political Parties and Stability of Democratic Institutions, and in Group D, with the lowest level of development, the only country with results above is Bolivia in Political Parties and Political and Social Integration. In summary, the countries with the best results in the quality of democracy in 2018 in Latin America are Uruguay, followed by Chile, and the worst are Colombia, followed by Ecuador. Regarding governance quality, the countries with the best results are Chile and, later, Uruguay, while the countries with the worst results are Nicaragua and then Honduras.

2.4.6. POLITICAL TRUST EXPLAINED BY THE QUALITY OF GIVERNANCE AND DEMOCRACY

In Table 20, except for Group C, the best results regarding the impact of democracy variables on political trust are observed in Voice and Accountability and Control of Corruption. In these indicators, all groups have a coefficient of determination (R2) above the continental average. Notably, Group B shows a stronger relationship with the impact of Voice and Accountability on political trust (54,25%). In this group, a 1% increase in Voice and Accountability results in an average increase of 8.48% in political trust. Conversely, in Group D, there is a greater impact of corruption on political trust (61,66%). Here, a 1% rise in Control of Corruption leads to an average increase of 7.63% in political trust.

Table 20. Log-Log regress - best results of governance and democracy variables on political trust (2018)

Groups	Gover-nance	Sr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R_2	Adj-R
a	VA	6.9558	2.974	2.34	0.037	0.474	52,85%	0.4499
	CC	7.2548	2.663	2.72	0.018	1.450	57,58%	0.5051
b	VA	8.4836	2.259	3.75	0.003	3.560	54,25%	0.4663
	CC	7.6513	1.909	4.01	0.002	3.490	57,45%	0.5035
c	VA	7.1180	3.075	2.31	0.039	0.417	52,30%	0.4435
	PSAV	7.2771	2.941	2.47	0.029	0.867	54,31%	0.4669
d	VA	8.2687	2.309	3.58	0.004	3.237	51,65%	0.4360
	CC	8.2007	1.866	4.39	0.001	4.133	61,66%	0.5526
Latin America	VA	8.1977	2.220	3.70	0.004	3.403	51,21%	0.4746
	CC	7.6391	1.824	4.19	0.001	3.698	57,43%	0.5416
Groups	Demo-cracy	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R_2	Adj-R
b	SDI	2.1983	0.942	2.33	0.038	0.144	31,43%	0.2011
	PSI	3.2573	1.090	2.99	0.011	0.880	42,92%	0.3340

c	PSI	2.7736	0.914	3.03	0.010	0.781	60,96%	0.5445
d	SDI	2.2687	0.960	2.36	0.036	0.176	31,76%	0.2038
	PSI	4.5984	1.100	4.18	0.001	2.199	59,25%	0.5246
Latin Ame-rica	SDI	2.1723	0.911	2.38	0.033	0.203	30,41%	0.2505
	PSI	3.1946	1.059	3.02	0.010	0.906	41,16%	0.3664

Source: authors, regression, Stata data.
Notes: (VA) Voice and Accountability; (CC) Control of Corruption; (PSAV) Political Stability and Absence of Violence; (SDI) Stability of Democratic Institutions; (PSI) Political and Social Integration

Regarding democracy, no variable explains the model in Group A (Panama). Groups C and D, respectively (60,96% and 59,25%), have the strongest impact of political and social integration on political trust. I Group C, a 1% increase in Political and Social Integration raises political trust by an average of 2.77%, while in Group D, the increase is 4,59%. The most notable effects of governance and democracy variables on political trust in 2018 are observed in Groups (C and D), which have the lowest levels of socio-economic development. Finally, as in 2006, all variables in 2018 positively influence political trust.

2.5. LATIN AMERICA: EVIDENCE IN COMPARATIVE RESULTS (2006 - 2018)

In the three indicators of socioeconomic development (GDP per capita, Gini index, DHI), there have been improvements from 2006 to 2018, with an emphasis on the 33% (average) increase in per capita income (Tab.21). However, this increase in per capita income is significantly higher than the 11% reduction in inequality (Gini index) and the 7% improvement in HDI. Preliminarily, we can infer that the increase in per capita income has little impact on reducing social inequalities and enhancing human development in Latin America population.

Table 21. Percentage difference of Latin America indicators between 2006 to 2018

Year	Values	GDP per capita	Gini index	HDI	Political trust	Gover-nance	Demo-cracy
2018	**Average**	**15.810,55**	**45,39**	**0,757**	**26,93**	**-0.10**	**7,3**
	Minimum	5.680,36	38,6	0,633	13,7	-0,95	5,2
	Maximum	31.013,95	53,9	0,849	40,5	1,01	10
2006	**Average**	**11.907,84**	**50.90**	**0,706**	**33.60**	**-0,16**	**7,7**
	Minimum	4.439,89	45,7	0,599	11,3	-0,83	6,0
	Maximum	20.777,65	57,5	0,812	53,5	1,15	9,9
Variation % (2006 to 2018)	**Average**	**33%**	**-11%**	**7%**	**-20%**	**37%**	**-5%**
	Minimum	28%	-15%	5,7%	21%	-13%	-13%
	Maximum	49%	-6%	4,6%	-24%	-12%	1%

Source: Stata data. World Bank Database, The World Bank's Governance Indicators (WGI), BTI Transformation Index.

In relation to governance, this improved 37% from 2006 to 2018. As far as democracy is about democracy, there is a 5% worse. On political trust, there is a drop in this indicator of 33% between the two periods.

2.6. THE CENTRAL QUESTION

From 2006 to 2018, governance improved in Latin America, but democracy and political trust declined. Our results align with the literature, which shows that countries with higher levels of development usually have greater democracy, governance, and political trust. However, this pattern does not fully hold in Latin America when looking at the averages or the specific components of governance, democracy, and political trust indicators. Some countries in 2006 and 2018 with lower socioeconomic development achieved good results, while some with higher levels of development performed poorly.

The results of political trust, governance, and democracy based on the averages of the groups show that, in 2006, Group B achieved better commitment than Group A, and Group D outperformed Group C. In 2018, Group B also performed better than Group A, but Group D performed less well than Group C. When examining only the countries within their respective groups, in 2006, Argentina (Group A) underperformed against the L.A. average in political trust and governance. Countries such as Colombia, Paraguay, Bolivia, El Salvador, and Honduras, which are in the socio-economic groups below the L.A. average, performed above the L.A. average on at least one indicator. In 2018, more countries exhibited the same patterns as in 2006. In Groups A and B, Panama and Mexico perform below the L.A. average on at least one indicator. Meanwhile, in Groups C and D, Colombia, Ecuador, El Salvador, Paraguay, Brazil, and Bolivia each show results above the L.A. average on at least one indicator.

When we examine the regression data, in 2006, the strongest results for governance indicators are Voice and Accountability and Effectiveness of Government, and for democracy indicators are: Stability of Democratic Institutions and Political and Social Integration. Democracy indicators have less influence on political trust than governance indicators. By 2018, the governance indicators that most effectively explain political trust are Voice and Accountability and Corruption Control. In the context of democracy, as in 2006, Stability of Democratic Institutions and Political and Social Integration remain the best predictors of citizens' political trust.

The results of the 2006 and 2018 regression analyses show that relationships are not pre-established, meaning there are no inherently better responses in groups with higher levels of socioeconomic development. There is some variation in how governance and democracy indicators affect political trust across different groups. The 2018 results are significantly lower than those of 2006 across all coefficients. In 2018, the influence of governance and democracy on political trust (R2) was less than in 2006. Finally, Uruguay, Costa Rica, and Chile stand out in 2018, exhibiting the best performances that serve as benchmarks for other countries, which should aim to follow their best practices.

2.7. CONCLUSIONS

This study uncovers notable differences in socio-economic progress and in the patterns of governance and democracy performance across Latin America nations, with these differences ultimately affecting citizens' political trust. Between 2006 and 2018, governance improved in Latin America, yet democracy and political trust both declined. The impact of governance and democracy on political trust is also quite intriguing. The analysis of regressions from 2006 and 2018 shows that these relationships are complex; countries with the highest socio-economic development levels do not always perform better. Responses vary between governance and democracy indicators regarding political trust. Moreover, in 2018, all coefficients are lower than in 2006, indicating that political trust is less affected by governance and democracy than it was earlier.

This context merits attention, as certain countries with lower socioeconomic development levels achieved above-average performances in LA in 2006 and 2018. This may be due to either temporary reforms or ongoing institutional changes that positively affect outcomes. Consequently, further research is needed to explore this phenomenon.

Finally, the scarcity of data for the analysed period was a limitation in our investigation, which led us to perform our analysis of democracy and governance through different institutes, meaning we used data from various methodologies. Therefore, we emphasise the need for greater attention to the possibility of discrepancies that may exist between the values of the governance and democracy variables. Future studies might consider this point. Additionally, our study showed that in 2018, Uruguay, Costa Rica, and Chile were the countries that stood out and could serve as examples for others to follow. Consequently, further research can explore in more detail the quantitative and qualitative measures that contributed to these countries achieving these results.

PART III

BETWEEN THE BALLOT BOX AND THE STREETS: DEMOCRACY GOVERNANCE, AND THE CHALLENG OF POLITICAL TRUST. AN FRAGILE LINK!

INTRODUCTION

Amid various global disruptions caused by crises and conflicts, there has been a renewed focus on discussions surrounding governance and political trust. This shift stems from the realisation that trust underpins economic performance, social cohesion, and the stability of democratic systems (Putnam, 2000; Newton, 2007). A substantial amount of research emphasises the importance of and the factors influencing political trust. Recently, the debate has expanded across multiple disciplines, with a consensus that institutional trust is essential for effective governance (Khan, 2016). Furthermore, institutional trust is vital in public administration, serving as the foundation for the success of many policies that depend on public cooperation (OECD, 2021).

In recent decades, trust in government and institutions has declined in both developed and developing countries (Khan, 2016; Segovia, 2008). While many studies attribute this decline to factors such as political instability, corruption (Foweraker & Krznaric, 2002; Zurbriggen, 2017; Bargsted et al., 2017), decreasing political support, and poor governance (Zmerli & Castilho, 2015; Newton & Zmerli, 2011; Karakoc, 2013), the most significant factor seems to be rising social and income inequality, which greatly undermines trust (Zmerli & Castilho, 2015; Newton & Zmerli, 2011). When trust falls, legitimacy also drops, resulting in reduced support for institutions and obstructing government goals (Hetherington & Globetti, 2002; Rudolph & Evans, 2005). In contrast, higher trust levels lead to more effective policies, smoother political and economic exchanges, and stronger community bonds (Putnam, 1993). Some research suggests that political trust is closely related to system performance (Easton, 1975). Trust, in this context, reflects citizens' evaluations of whether the system fulfils their needs; effective policies generally increase trust (Pharr & Putnam, 2000; Zmerli & Van der Meer, 2017).

Research on institutional trust has mainly concentrated on developed countries characterised by lower inequality, stronger governance, and more mature democracies (Bargsted et al., 2017; Zmerli & Castilho, 2015). In contrast, there is limited research exploring the connection between governance and institutional trust within Latin America. Existing literature emphasises the need for further investigation into this relationship (Khan, 2016). Latin America offers a valuable context for examining how governance affects trust in institutions. Consequently, this study aims to analyse how the quality of governance influences political trust. Its primary focus is to determine the extent to which governance quality shapes political trust in Latin America countries.

Any analysis of governance and political trust in Latin America must consider the region's key features; it has the highest resilience of inequality indicators worldwide, with notable differences in socio-economic development across countries (Zurbriggen, 2014; Kaufmann et al., 2011). Furthermore, these substantial disparities in development levels contribute to low trust in institutions (Bargsted et al., 2017) and pose major obstacles for effective governance (Segovia, 2008; Zurbriggen, 2017; Foweraker & Krznaric, 2014; Kaufmann et al., 2010, 2011).

The study utilises panel-data econometric analysis with exponential regression in a fractional-response fixed-effects model (2000-2020). This approach aids in identifying benchmark countries on the continent based on governance and political trust. We find this information valuable, as it may motivate other nations to improve governance by building institutional trust and promoting social and economic growth.

3. LITERATURE REVIEW

3.1. GOVERNANCE AND INSTITUTIONAL QUALITY

Although scholars have not reached a consensus on a single definition of governance (Rodriguez, 2019; Cárdenas et al., 2017), Sharma (2007) highlights that governance includes all aspects related to how a nation is managed. Other experts describe governance as the traditions and institutions through which authority is exercised (Del Campo et al., 2021). This covers the government's selection process, its capacity to develop and implement effective policies, and the level of respect citizens and the state have for the institutions that oversee economic and social interactions. According to Farazmand et al. (2012), governance refers to the mechanisms societal groups use to organise their interactions, involving collaboration among government, the private sector, and civil society to address societal issues and create new opportunities. The literature also indicates a strong link between governance and democracy.

According to Rodriguez (2019) and Farazmand (2012), democracy is a fundamental aspect of governance, which depends on the acceptance and promotion of political institutions, government, and civil society. Fukuyama (2013) notes that the link between democracy and governance cannot be empirically proven if the concepts of good governance and democracy are combined into one. Nonetheless, Rodriguez (2019, p.10) argues that "democracy is an integral component of governance." Democracy plays a vital role in fostering trust in institutions because democratic governments are expected to better address people's needs, and democracy promotes transparency and accountability (Bargsted et al., 2017). For good governance to improve, it is essential to develop strong institutions that support a democratic environment. Democracy also upholds core principles such as justice, equity, freedom, accountability, openness, and transparency- principles that good government must follow (Sharma, 2007). Overall, the relationship between good governance and democracy is strong because governance depends on the acceptance and backing of political institutions, government, and civil society (Rodriguez, 2019). Grindle (2004) highlights that most objectives of good governance focus on actions governments need to take to enhance their political, administrative, and financial systems. However, many governments- particularly in countries with limited financial or human resources- lack both the capacity to fulfil these duties and face conflicts of interest. These conflicts often involve balancing the efforts to implement appropriate measures with the urgent need to execute tasks accurately and swiftly, which requires sufficient public resources and effective policies.

In Latin America, it is important to note that following the democratization wave of the 1980s, these nations implemented many governance reforms that transformed the traditional and evolving roles of public administration. These governance practices mostly relied on public management models imported from international organisations involved in aid programmes. Scholars also recognise that Latin America countries often face issues like political instability, higher corruption, low public confidence, weak legal systems, and limited democracy, all of which hinder governance progress (Zurbriggen, 2014). As a result, governance development varies widely across countries in the region (Rodrigues, 2019). Specifically, Del Campo et al. (2021) found differences among Latin America countries in the relationships between governance, corruption, and socio-economic development over recent decades.

3.1.2. INSTITUTIONAL TRUST

Institutional trust reflects the confidence that society has in various government institutions (Hetherington, 1998; Mishler & Rose, 2001; Newton, 2007). This trust is vital for legitimising government actions (Newton, 2007). High trust levels enhance public management effectiveness by boosting political efficiency, improving economic outcomes, and strengthening community bonds (Putnam, 1993, 1993b). The development of community spirit illustrates democratic principles (Aitalieva, 2017). Essentially, trusting institutions provides legitimacy and stability to governments, reinforcing their authority. Conversely, low trust diminishes legitimacy, obstructs policy implementation, and weakens institutional support (Hetherington &

Globetti, 2002; Rudolph & Evans, 2005). Distrust also fosters resistance to authority and erodes respect for democratic values (Norris, 1999).

Building institutional trust can develop through both interpersonal interactions within social environments (Putnam, 1993, 1993b) and citizens' perceptions of institutional performance (Norris, 2003). Socially, trust between individuals promotes participation in civic and voluntary organisations, which in turn increases trust in institutions (Inglehart, 1990; Putnam, 2000, 1993, 1993b). Conversely, a decline in social cohesion or interpersonal trust reduces trust in institutions (Mishler & Rose, 2005; Newton, 2007; Putnam, 1993, 1993b). Trust in institutions like government and parliament tends to decrease when citizens feel uncertain or vulnerable to these institutions' actions, and increase when they do not (Van de Meer, 2017). In essence, government performance — covering political and economic aspects that impact public services and policies (Khan, 2016), is a key factor shaping public trust or distrust in the political system. Therefore, enhancing governance plays a vital role in shaping citizens' views of governmental actions and institutions. This study presents the following hypothesis:

H1: There is a positive correlation between governance (or institutional quality) and institutional trust. Therefore, individuals' perceptions of governance influence their level of trust in institutions and government.

Furthermore, effective governance is essential for development. A strong governance system is crucial for reaching key societal objectives such as reducing poverty, fostering economic growth, and safeguarding human rights (Chaudhary, 2020; Davis, 2017). Consequently, we suggest the following hypothesis:

H2: The greater the level of development a country demonstrates, the more significant the impact of governance on institutional trust.

3.1.3. THE SPECIFICITY OF GOVERNANCE, AND INSTITUTIONAL TRUST IN LATIN AMERICA

No matter how governance is defined, its practical and conceptual validity in Latin America governments is often more complex. These governments usually face issues like political instability, widespread corruption, low public trust, and a fragile rule of law. Such challenges impact the political system and limit civic participation, which is essential for democratic governance (Foweraker & Krznaric, 2002; Zurbriggen, 2017; O'Donnell, 2004). These institutional problems hinder the progress of governance and democracy throughout the region (Zurbriggen, 2017; Rodriguez, 2019; Zmerli & Castilho, 2015; O'Donnell, 2004).

Trust levels across Latin America vary considerably between countries (Segovia, 2008; Zmerli & Castilho, 2015). High income inequality typically reduces trust in government, which in turn weakens democratic legitimacy and diminishes political support and governance (Zmerli & Castilho, 2015; Newton & Zmerli, 2011; Karakoc, 2013). "In the region with the most persistent income inequality worldwide, the impact of inequality on trust is even more pronounced" (Zmerli & Castilho, 2015: p.6). Furthermore, the region exhibits inconsistent and contradictory democratic progress, often marred by undemocratic practices and interruptions fueled by dictatorships or authoritarian rulers. These factors obstruct the development of strong, effective states, resulting in more fragile institutional trust (Bargsted et al., 2017).

3.2. METHODS AND DATA DESCRIPTION

To test our hypotheses, we used data from the Latin Barometer Survey, the United Nations Development Programme (UNDP), the Solt Programme, and the World Bank database for fifteen Latin America countries between 2000 and 2020.

3.2.1. DEPENDENT VARIABLES - INSTITUTIONAL TRUST

Our dependent variable is institutional trust, reflecting citizens' confidence in various institutions, including Congress, the State, Government, Judicial Power, Electoral Court, Public Administration, Police, Armed Forces, Local Government, Political Parties, and Trade Unions. Data was obtained from the Latin Barometer Survey from 2000 to 2020, although data for 2001, 2012, 2014, and 2019 is missing due to unavailability. Institutional trust is assessed by the percentage of respondents answering the question: "How much trust do you have in the institution?" with options: a) a lot of trust, b) some trust, c) little trust, and d) no trust. The overall trust level is determined by summing the percentages of responses for "a lot of trust" and "some trust."

3.2.2. EXPLANATORY VARIABLES – GOVERNANCE/INSTITUTIONAL

Governance and institutional quality data were obtained from the World Governance Indicators. The WGI, developed by the World Bank (World Bank, 2006; Kaufmann et al., 2009, 2010, 2011; Kaufman & Lafarre, 2020), is built on the definitions and proxy measures proposed by Kaufmann et al. (2002, 2009), covering six governance dimensions (see Table 22). Scores range from -2.5 to 2.5, with higher scores reflecting better governance performance and lower scores indicating worse performance (Kaufman & Lafarre, 2020; Kaufmann et al., 2010).

Table 22. Governance indicators – explanatory variables

Dimensions / acronym used	Measure
Corruption Control (CC)	Measures the extent to which public power is exercised for private gain, including small and large forms of corruption, as well as state capture by elites and private interests.
Government Effectiveness (GE)	Measures the quality of public services, the quality of public services and the degree of their independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
Political Stability and Absence of Violence/Terrorism (PSAV)	Measures perceptions about the likelihood of political instability and/or politically motivated violence, including terrorism.
Regulatory Quality (RQ)	Measures the government's ability to formulate and implement robust policies and regulations that enable and promote private sector development.
Rule of Law (RL)	Measures the extent to which agents trust and comply with society's rules and the quality of contract enforcement, property rights, police, courts, and the likelihood of crime and violence.
Voice and Accountability (VA)	Measures the extent to which a country's citizens can participate in choosing their government, as well as freedom of expression, freedom of association, and free media.

All governance dimensions are included in the regression due to high multicollinearity, but no variable shows statistical significance, so none explain the model. These findings are consistent with other research using the World Governance Indicators (Khan, 2016; Kaufman & Lafarre, 2020; Pommer & Van Houwelingen, 2015; Rothstein, 2011). Since our goal is to analyse how each governance indicator influences institutional trust, we examine each indicator separately in the regression, following the approach in the existing literature (Kaufman & Lafarre, 2020; Kaufman & Kray, 2002; Pommer & Van Houwelingen, 2015).

3.2.3. CONTROL VARIABLES – SOCIOECONOMIC DEVELOPMENT

We also include three control variables that serve as proxies for a country's socioeconomic development: the Gini index, the Human Development Index (HDI), and Gross National Income (GNI) per capita based on purchasing power parity (PPP) (Data are in constant international dollars for 2017). The Gini index measures how much income or consumption expenses distribution among individuals or families within an economy deviates from perfect equality (Solt, 2020). The Gini index is often used as a measure of economic inequality, assessing income distribution. Its coefficient ranges from 0 (or 0%) to 1 (or 100%), where 0 signifies perfect equality and 1 indicates perfect inequality.

The Human Development Index (HDI) assesses social and economic progress by measuring indicators such as education, health, and income levels of a country's population. Ranging from 0 to 1, higher scores indicate greater human development (UNDP, 2020). As detailed in existing research, the HDI is a multi-faceted metric based on three interconnected aspects of human development. Specifically, it reflects a country's social and economic advancement through data on life expectancy at birth (health), mean years of schooling and adult literacy (education), and GDP per capita in purchasing power parity (PPP) US dollars (income). These measures serve as proxies for the average standard of living. The scale spans from 0 to 1, with values closer to 1 signifying higher development levels (Baumann, 2021). Importantly, the HDI has become the most prominent index for aggregating multiple dimensions related to economic growth and social well-being (Seth & Villar, 2017).

Finally, the gross national income (GNI) per capita, calculated using purchasing power parity (PPP), reflects the total income earned by a country's residents (OECD, 2010). GNI per capita serves as a valuable indicator that closely correlates with various non-monetary measures of quality of life, including life expectancy at birth, child mortality rates, and school enrollment rates (Sen, 1989).

Table 23. Summary of constructs, sources and measurements

	Construct/ Indicators	Symbology	Source	Score
•	Institutional Trust	IT	Latinobarometer	0 to 100%*
•	Governance			
√	Corruption Control	CC	WGI	-2,5 to 2,5*
√	Government Effectiveness	GE	WGI	2 -2,5 to 2,5*
√	Political Stability and Absence of Violence	PSAV	WGI	2 -2,5 to 2,5*
√	Regulatory Quality	RQ	WGI	2 -2,5 to 2,5*
√	Rule of Law	RL	WGI	2 -2,5 to 2,5*
√	Voice and Accountability	VA	WGI	2 -2,5 to 2,5*
•	Human Development Index	HDI	UNDP	0 to 1*
•	Gini index	GINI	Solt Programme	0 to 100%**
•	GNI per capita	GNI(ln)	World Bank	Millions US$

*The higher the value, the better the performance
**The higher the value, the worse the performance

It is important to note that the analysed period includes two major global crises that had a significant impact on world economies: the 2008 financial crisis and the COVID-19 pandemic. To account for this, we added a dummy variable representing the effects of the 2008 crisis (years 2008 - 2010) and COVID-19 (years 2019 - 2021). This variable is set to (1) during crisis years and (0) otherwise.

3.2.4. ECONOMETRIC MODEL

Institutional trust (IT) is expressed as a value between zero and one. According to Papke and Wooldridge (2008), when dealing with a fractional response, there are risks involved in estimating a linear model because the values may fall outside the range of one.

$$IT_{st} = \beta\varphi_{st} + \gamma\vartheta_{st} + \tau_t + \theta_s + \varepsilon_{st}, \quad s = 1,\dots,27, \; t = 1,\dots,T \quad (1)$$

Where *s* and *t* index countries and years. The $\Lambda(\cdot)$ is the standard normal cumulative distribution function, and we focus on a standard logistic function. The vectors $\beta,$ and γ are the estimated coefficients. The vector φ_{st} of observations on governance time-varying explanatory characteristics, and the vector ϑ_{st} of macroeconomic performance time series gives the economic cycle specification. The components θ_s, is the country fixed effect.

The empirical analysis relies on the econometric fixed effects model using data from 2000 to 2020. The panel data technique offers recognised advantages over time-series or cross-sectional regression because it utilises all available information, which cannot be captured in solely cross-sectional or time-series data (Baltagi, 2013). We used the same number of periods for each cross-sectional unit (balanced panel) (Wooldridge, 2002). One key benefit of a panel study is that it enables control over individual heterogeneity. Ignoring unobserved individual effects can lead to biased and inconsistent estimators. Panel data allows for the identification and estimation of effects that are not observable in just time or cross-sectional analyses (Baltagi, 2021; Wooldridge, 2002). The general pooled equation for the econometric panel data model is as follows:

$$y_{it} = \beta_0 + \beta_1 x_{1it} + \ldots + \beta_{nit} x_{kit} + \epsilon_{it} \quad (2)$$

where i is given to each country, t is the analyzed period, $\beta 0$ is the intercept parameter, βk is the corresponding angular coefficient of the Kth explanatory variable of the model, and ϵ is the error correction model (Greene, 2008). Therefore, according to the symbology accepted in the Table. 2. The model equation function is as follows:

$$IT_{it} = \beta_0 + \beta_1 \mathrm{CC}_{it} + \beta_2 \mathrm{GE}_{it} + \beta_3 \mathrm{PSAV}_{it} + \beta_4 \mathrm{RQ}_{it} + \beta_5 \mathrm{RL}_{it} + \beta_6 \mathrm{VA}_{it} + \beta_6 \mathrm{HDI}_{it} + \beta_7 \mathrm{GINI}_{it} + \beta_8 \mathrm{lnGN}_{it} + \epsilon_{it} \quad (3)$$

This empirical model of the research work is like the study of Ejemeyovwi et al (2018). From the model, *'i'* and *'t'* represent entities as well as time in respective order. Finally, to simplify the process of identifying the countries with the most and least favourable performances, we estimated an institutional confidence value (adjusted forecasts) for each country, assuming that all countries had the same levels (values) for the explanatory variables. Using adjusted predictions can make these results more tangible. With adjusted predictions, you specify values for each of the independent variables in the model and then compute the probability of the event occurring for an individual who has those values (Williams, 2012)

3.2.5. MULTIVARIATE ANALYSIS TECHNIQUE (CLUSTER)

Cluster analysis is a multivariate analysis method that groups individuals (countries, in this case) into smaller clusters, so that countries within the same cluster are similar to each other but different from those in other clusters. This method offers homogeneity within each group and heterogeneity between groups (Del Campo et al., 2021; Jafarzadegan, 2019). The technique used through the Stata software was the Hierarchical Agglomerative Cluster (HAC), or Ward's method, which has been widely applied (Randriamihamison et al., 2021; Jafarzadegan et al., 2019).

In the present analysis, we evaluate the performance of countries concerning the relationship between the quality of institutions and institutional trust among countries with similar levels of development. Accordingly, we group countries into clusters using development variables (control variables): HDI index, Gini index, and GDI per capita. We formed four groups (clusters) of countries, two above the development average of Latin America and two below this average (Fig. 5 and Tab. 24). We expect those countries with higher levels of development to show greater performance in the relationship between governance/institutional quality and institutional trust, and vice versa.

Figure 5 Dendrogram Latin America countries - per capita GNI (constant 2017 international $), Gini index, and HDI index (2000-2020)

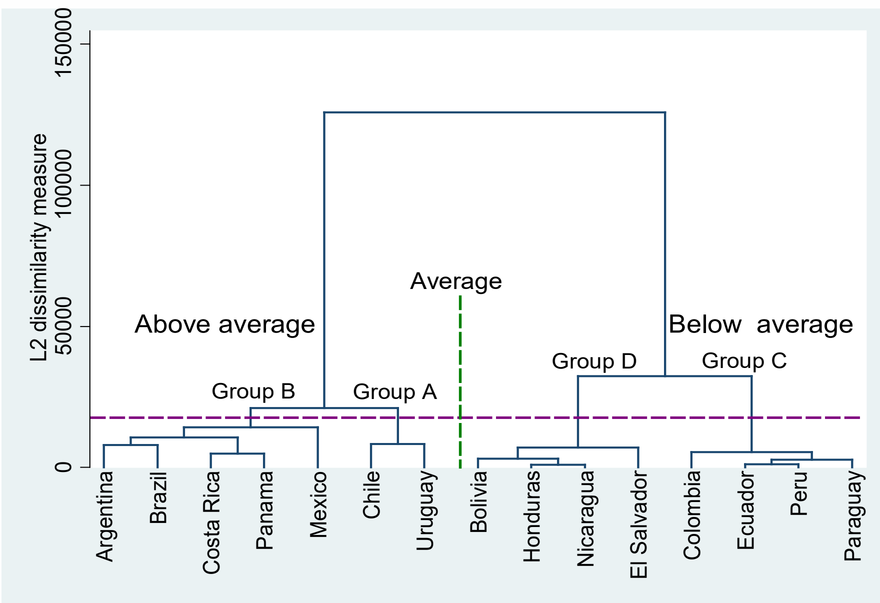


Table 24. Grouping of countries above and below average development

Group A Group B Above average		Group C Group D Below average	
Chile	Argentina	Colombia	Bolivia
Uruguay	Brazil	Ecuador	Honduras
	Costa Rica	Paraguay	Nicaragua
	Mexico	Peru	El Salvador
	Panama		

3.2.6. STATISTICAL RESULTS

In Table 25, it is evident that there is considerable heterogeneity in the results of the variables, particularly concerning institutional trust. Institutional trust varies by a substantial 458% between the highest and lowest outcomes. Uruguay recorded the highest level of trust in 2010, while Ecuador had the lowest in 2003. Concerning the percentage variations of the Governance indicators of the institutions, all exceed 100% in the difference between the worst and best results. Regarding the three control variables—HDI Index, Gini Index, and GNI per capita—percentage variations are more consistent between lower and higher results, as expected. Changes in these three indicators are generally influenced by specific government policies implemented within their respective countries, with effects manifesting over the long term. The variation in the HDI index between the lowest and highest scores is 54%, for the Gini index it is 67%, and for GNI per capita it is 44%. Regarding the Gini index, which measures a country's inequality, El Salvador achieved the most favourable result in 2017 with the lowest inequality, while Bolivia, in 2000, had the least favourable result, indicating the highest level of inequality during that period.

Table 25. Descriptive statistics

Construct/Variable	Var_Code	N	Sample	Mean	Min	Max
Year	year	255	17	2009,647	2000	2020
Country code	c_pais	255	15	8	1	15
Institutional trust	Inst_trust	255	253	0,325481	0,1026	0,572909
Voice and Accountability	gov_va	255	255	0,23701	-1,10398	1,311339
Political Stability/ Absence of Violence	gov_psav	255	255	-0,21992	-2,37603	1,088796
Government Effectiveness	gov_ge	255	255	-0,17561	-1,1138	1,192902
Regulatory Quality	gov_rq	255	255	0,009973	-1,25918	1,502485
Rule of Law	gov_rl	255	255	-0,34979	-1,23345	1,263339
Corruption Control	gov_cc	255	255	-0,2214	-1,43684	1,540218
HDI index	Hdi	255	178	0,721078	0,556	0,856
Gini index	Gini	255	145	0,49142	0,38	0,616
Crises	Crises	255	2	0,239216	0	1
GNI per capita (in Log)	Lngnipc	255	238	8,378807	6,791222	9,770528

3.3. HYPOTHESES TESTING

In Table 26 and Graph 4, we observe the positive impact of governance, also known as institutional quality indicators, on institutional trust in Latin America countries. All quality indicators of institutions show a strong relationship with institutional trust. One notable result is the Government Effectiveness indicator, which assesses the quality of public services, policy formulation and implementation, and the credibility of the government's commitment to these policies. For every change in institutional trust, there is an average 9% increase in government effectiveness. Two other notable results are Voice and Responsibility and Control of Corruption. In Voice and Responsibility, each variation in institutional trust corresponds to an average increase of 7.5% in this indicator, while in Control of Corruption, the increase averages 6.8%.

In the control variables, Gross National Income (GNI per capita) shows the strongest result regarding the relationship between governance, quality of institutions, and institutional trust. Additionally, the population's income positively influences the link between institutions and institutional trust; that is, the higher the income level, the greater the increase in citizens' trust in institutions. These findings support our first hypothesis, which proposed that a positive correlation exists between governance and institutional trust.

Table 26. Regress Institutional trust and institutional quality indicators for Latin America (2000-2020)

Variables	Models					
	(1)	(2)	(3)	(4)	(5)	(6)
Voice and Accountability	0.075*** (0.015)					
Political Stability and Absence of Violence		0.048*** (0.011)				
Government Effectiveness			0.090*** (0.013)			
Regulatory Quality				0.031*** (0.010)		
Rule of Law					0.064*** (0.010)	
Control of Corruption						0.068*** (0.007)
GINI	-0.047 (0.127)	0.185 (0.120)	-0.055 (0.121)	-0.054 (0.130)	-0.082 (0.121)	0.041 (0.108)
HDI	-0.592*** (0.161)	-0.384*** (0.147)	-0.620*** (0.158)	-0.279* (0.155)	-0.580*** (0.154)	-0.619*** (0.142)
lnGNI	0.054***	0.059***	0.046***	0.048***	0.053***	0.064***
	(0.014)	(0.014)	(0.014)	(0.016)	(0.014)	(0.013)
Crises	-0.020*	-0.023*	0.021*	0.019	0.021*	0.017
	(0.012)	(0.012)	(0.012)	(0.013)	(0.012)	(0.011)
N	255	255	255	255	255	255

Standard errors in parentheses (clustered by regions)
* p<0.10, ** p<0.05, *** p<.01

Graph 4- Relationships of governance/institutional quality variables on institutional trust in Latin America (2000-2020)

To facilitate the identification of countries with the most and least favourable scores related to governance, quality of institutions, and institutional trust, we estimated an institutional confidence value (adjusted forecasts) for each country using adjusted predictions. This estimation assumed that all countries had the same levels (values) for the explanatory variables.

Table 27. Predict Institutional Trust by country (2000-2020)

Countries	Indicators					
	VA	PSAV	GE	RQ	RL	CC
Argentina	0.418***	0.394***	0.389***	0.389***	0.397***	0.367***
	(0.034)	(0.033)	(0.033)	(0.034)	(0.033)	(0.035)
Bolivia	0.290***	0.301***	0.327***	0.282***	0.288***	0.334***
	(0.020)	(0.020)	(0.024)	(0.023)	(0.024)	(0.024)
Brazil	0.321***	0.320***	0.322***	0.314***	0.316***	0.330***
	(0.020)	(0.019)	(0.020)	(0.020)	(0.020)	(0.019)
Chile	0.510***	0.426***	0.314***	0.502***	0.500***	0.281***
	(0.040)	(0.031)	(0.044)	(0.051)	(0.061)	(0.056)
Colombia	0.324***	0.404***	0.340***	0.348***	0.340***	0.358***
	(0.019)	(0.031)	(0.015)	(0.015)	(0.017)	(0.016)
Costa Rica	0.411***	0.331***	0.319***	0.383***	0.388***	0.285***
	(0.033)	(0.023)	(0.021)	(0.023)	(0.032)	(0.031)
Ecuador	0.317***	0.346***	0.391***	0.313***	0.323***	0.367***
	(0.032)	(0.031)	(0.036)	(0.038)	(0.036)	(0.034)
El Salvador	0.252***	0.255***	0.276***	0.261***	0.256***	0.326***
	(0.027)	(0.027)	(0.027)	(0.028)	(0.027)	(0.038)
Honduras	0.193***	0.224***	0.259***	0.208***	0.208***	0.276***
	(0.027)	(0.027)	(0.031)	(0.027)	(0.029)	(0.037)
Mexico	0.267***	0.297***	0.256***	0.280***	0.271***	0.339***

	(0.018)	(0.021)	(0.017)	(0.017)	(0.019)	(0.029)
Nicaragua	0.222***	0.246***	0.310***	0.238***	0.243***	0.278***
	(0.032)	(0.030)	(0.039)	(0.031)	(0.031)	(0.035)
Panama	0.337***	0.310***	0.292***	0.332***	0.325***	0.329***
	(0.027)	(0.026)	(0.025)	(0.027)	(0.026)	(0.027)
Paraguay	0.253***	0.283***	0.348***	0.261***	0.262***	0.354***
	(0.021)	(0.020)	(0.032)	(0.020)	(0.022)	(0.037)
Peru	0.262***	0.286***	0.288***	0.274***	0.262***	0.279***
	(0.013)	(0.016)	(0.015)	(0.016)	(0.014)	(0.015)
Uruguay	0.570***	0.474***	0.441***	0.538***	0.548***	0.357***
	(0.034)	(0.027)	(0.028)	(0.025)	(0.041)	(0.052)
N	255	255	255	255	255	255

Standard errors in parentheses (robust).
* p<0.10, ** p<0.05, *** p<.01

In Table 27, we present a summary of the highest and lowest scores obtained from the regression of governance and institutional trust among countries. Regarding the top-performing results, Ecuador, a member of Group D (representing the least developed level in Latin America), shows an unexpected outcome in Governmental Effectiveness (0.391) and Control of Corruption (0.367). These results are even better when compared to the results in Governmental Effectiveness for all countries in Group B and Argentina (Group A). Concerning the Control of Corruption, Ecuador's performance is the most exemplary among all countries on the continent. Regarding the worst results, except for Mexico (0.256), all other countries are classified within the lowest levels of development, Groups C and D.

Table 28. Summary of the Regression for Governance on Institutional Trust by Development Groups

Indicators	Countries (groups)		
	Higher Results	Lower results	Positive (+) and negative (-) highlights
VA	Uruguay (A); Chile (A)	Honduras (D); Nicaragua (D)	(+) Colombia (C); (-) Mexico (B)
PSAV	Uruguay (A); Chile (A)	Honduras (D); Nicaragua (D)	(+) Colombia (C), (-) Mexico (B)
GE	Uruguay (A); Ecuador (D)	Honduras (D); Mexico (B)	(+) Ecuador (D); (-) Mexico (B)
RQ	Uruguay (A); Chile (A)	Honduras (D); El Salvador (D)	(+) Colombia (C); (-) Mexico (B)
RL	Uruguay (A); Chile (A)	Honduras (D); El Salvador (D)	(+) Colombia (C); (-) Mexico (B)
CC	Ecuador (D); Chile (A)	Honduras (D); Peru (C)	(+) Ecuador (D); (-) Mexico (B)

Notes: (VA) Voice and Accountability; (PSAV) Political Stability and Absence of Violence; (GE) Government Effectiveness; (RQ) Regulatory Quality; (RL)Rule of Law; (CC) Control of corruption

In this analysis, Colombia stands out with strong performances in Voice and Accountability, Political Stability and Absence of Violence, Regulatory Quality, and the Rule of Law. Regarding these indicators, Colombia's scores are (0.324), (0.404), and (0.348), surpassing all results of the countries in Group B, which indicates a development level above the Latin America average. It is worth noting that Colombia is included in the group classified below the average level of development in Latin America (Group C). Colombia's results highlight the country's unexpectedly positive performance concerning the influence of governance on institutional trust. Conversely, Mexico's outcomes are notably unfavourable. Despite being in Group B, a category representing countries with above-average Latin America development, Mexico's results across all indicators are more similar to those of Group C (Table 28).

Broadly speaking, our observations show that the countries labelled as having the highest levels of development are not necessarily those with the most admirable performance regarding the impact of institutions on institutional trust, and vice versa. Ultimately, both Colombia and Ecuador demonstrate notably strong performance in our analysis. While Colombia falls into Group C and Ecuador into Group D, both of which are below the average level of development, both countries respond to the interaction between governance and institutional trust as if they were positioned in groups above the Latin America average. These findings partly support hypothesis 2, which suggested that there is a positive correlation between a country's development level and the influence of governance on institutional trust.

3.4. CONCLUSION

This study concludes by exploring the link between governance (institutional quality) and institutional trust in Latin America. The widespread decline in trust towards governments and institutions, observed in both developed and developing nations, highlights the importance of understanding how citizens perceive the political system. Political trust reflects how well the political system fulfils citizen needs and tends to grow when policies are successful. Latin America serves as a valuable context for analysing governance and trust in institutions.

This study highlights a strong connection between governance and trust. In particular, you can see that various quality indicators related to institutions significantly correlate with levels of institutional trust. For instance, the government effectiveness indicator measures public service capacity, policy success, and compliance. Other relevant indicators include voice and accountability, and control of corruption. These findings support previous research (Beshi and Kaur, 2020; Moore, 2017), which emphasises that transparency and initiatives encouraging open government help strengthen legitimacy and confidence in institutions. Surprisingly, a country's developmental stage alone does not appear to be crucial for enhancing the governance-trust link. Overall, the results show that higher development levels do not automatically lead to greater institutional trust via governance, as observed in countries like Colombia and Ecuador. More research is needed to understand what contextual factors influence when governance results in increased trust in Latin America countries.

This study emphasises that institutional trust stems from institutional performance and reflects citizens' support for uncertain or vulnerable actions by entities such as government and parliament. The findings indicate that lower levels of socio-economic development are associated with reduced institutional trust, which presents significant governance challenges. Improving governance is therefore crucial, as it shapes public perception of government and institutional activities. This article seeks to encourage further research into governance and administrative capacity, aiding in the understanding of the variations in institutional trust across Latin America nations.

FINAL CONSIDERATIONS

This book aims to investigate, from an empirical and analytical perspective, the links between democracy, governance, institutions, and human development in Latin America. The evidence gathered throughout the study demonstrates that sustainable progress in the region cannot be achieved without the simultaneous consolidation of these interdependent pillars. Democracy emerges not merely as a formal mechanism of electoral competition, but as an essential condition for promoting quality governance. Panel data analysis between 2006 and 2020 showed that democratic progress is strongly associated with improvements in the capacity of governments to formulate policies, build consensus, and deliver effectiveness. At the same time, governance feeds back into democracy, albeit less explicitly, by legitimising democratic regimes through institutional transparency and policy performance.

The study showed that reforms imported from developed countries, especially under the New Public Management paradigm, have not achieved the expected results in Latin America. By ignoring local realities—characterised by inequality, low social trust, fragile rule of law, and hybrid governance arrangements—these externally imposed models have often been counterproductive. This emphasises the importance of understanding Latin America as a region of institutional heterogeneities, where hybrid arrangements dominate and no single governance model can be universally applied. Recognising this diversity is crucial for designing effective and realistic public policies.

The findings also highlight that governance factors such as government effectiveness and policy formulation are strongly linked to the Human Development Index, illustrating that institutional quality directly influences people's lives. Moreover, institutional trust proved to be a crucial factor: countries with stronger governance and democratic structures generally exhibit higher levels of public confidence in their institutions. However, the comparative analysis between 2006 and 2018 showed that such progress is fragile and reversible, demanding structural and long-term policies rather than isolated reforms.

Another significant contribution was the critical assessment of international cooperation. Contrary to expectations, increased involvement in external support networks was often linked to negative impacts on human development. This paradox underscores the limitations of externally driven reforms and the dangers of reliance on international agendas. Conversely, peer learning among Latin America nations has been demonstrated to be a more promising strategy, facilitating the spread of contextually tailored practices and bolstering the region's ability to develop solutions internally.

The book highlights that structural inequality is a major obstacle to democracy and governance in Latin America. It harms social trust, allows elites to dominate institutions, and undermines the legitimacy of democratic regimes. Recent crises like the 2008 financial collapse and the COVID-19 pandemic have exposed these vulnerabilities, reducing state capacities and increasing public distrust. At the same time, they present chances to rethink the state's role in promoting collective well-being.

From a theoretical perspective, the study underlines the importance of historical institutionalism and the dialogue between various institutionalist traditions, such as those of North and Chang. This pluralist approach enables a more comprehensive understanding of the complexity of institutional change in Latin America. Methodologically, the utilisation of panel data, fixed-effects regressions, and comparative analysis over time ensured empirical rigour while remaining practically relevant. Indicators like HDI, government effectiveness, and institutional trust offered a clear link between academic analysis and the pressing challenges faced by societies in the region.

Ultimately, the research shows that democracy must be substantive: its quality is measured by its ability to guarantee rights, promote inclusion, and respond effectively to social demands. Periodic elections alone are not enough. The normative implications of this are clear: reforms must be created from within the region, building on local experiences, strengthening state capacities, and involving civil society in participatory and adaptive processes. Trust, therefore, becomes a strategic asset for governance, since without it, reforms lack legitimacy, policies lose social support, and governments remain vulnerable to instability.

Despite ongoing challenges—such as corruption, political instability, and a fragile rule of law—the research also highlighted positive examples that show progress is possible. Successful cases in countries like Uruguay, Chile, and Costa Rica demonstrate that Latin America has internal resources to address its historical issues. The region's future depends on its capacity to unify democracy, governance, and human development as interconnected elements. None of these can flourish alone; only their combined effort can build fairer, more inclusive, and resilient societies.

The main contribution of this book is twofold: it provides a clear diagnosis of the institutional challenges faced by Latin America and proposes a normative vision rooted in mutual learning, local adaptation, and a renewed dedication to human development. Strengthening democracy and governance in the region is not just a technical requirement—it is fundamentally an ethical and civilisational duty.

Furthermore, the findings of this study have implications beyond Latin America. In a global context characterised by increasing populism, authoritarian threats, and crises of institutional legitimacy, the lessons learned from this region highlight the importance of grounding governance in democratic principles and social inclusion. Latin America thus becomes not only a subject of analysis but also a contributor to the international debate on democracy and governance.

Another important implication pertains to the role of civil society. The research indicates that strong democratic governance relies not only on state capacity but also on active citizen and organisation participation that can hold governments to account, oversee policies, and foster social trust. Without civil society engagement, reforms risk being captured by elites or reduced to technocratic exercises lacking legitimacy.

Equally important is recognising that human development cannot be regarded as a mere byproduct of economic growth. The study emphasises that institutional quality—particularly government effectiveness and consensus-building—shapes outcomes in education, health, and equality. By prioritising human development, the book helps to shift policy focus towards the well-being of citizens rather than abstract economic indicators.

The work also encourages future research to deepen the analysis of specific country experiences. Understanding how certain nations managed to achieve progress in governance and institutional trust, despite similar regional constraints, can generate valuable insights for comparative politics and policy transfer. Such investigations would help refine the concept of peer learning, offering more tangible pathways for inter-country cooperation in Latin America.

Finally, the research emphasises that democratic governance in Latin America is a long-term endeavour that requires patience, resilience, and adaptability. Progress will not be straightforward, and setbacks are inevitable. However, the evidence presented here confirms that the region has the potential to overcome its structural challenges by fostering democratic institutions, strengthening governance, and prioritising human development. The way forward demands not only technical reforms but also a lasting ethical commitment to justice, equality, and dignity for all citizens.

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APPENDIX

APPENDIX - CHAPTER II

Variance Inflation Factor (VIF) – governance in democracy

Variable	VIF	1/VIF
PFCR	5.08	0.196724
tai	4.53	0.220884
cbi	4.20	0.237832
lc	3.43	0.291349
ige	2.52	0.396876
Mean VIF	3.95	

Variance Inflation Factor (VIF) - Democracy in governance

Variable		VIF	1/VIF
All Countries	RL	5.55	0.180276
	SDI	5.52	0.181305
	PSI	3.32	0.301355

Mean VIF 4.79

Variable		VIF	1/VIF
Group a	RL	5.56	0.179954
	SDI	5.53	0.180907
	PSI	3.43	0.291141
	1.cgruopa	1.27	0.784654
	Mean VIF	3.95	

Group b	Rl	5.62	0.177833
	SDI	5.52	0.181264
	PSI	3.37	0.297159
	1.cgrupob	1.03	0.969017
	Mean VIF	3,88	
Group c	RL	5.71	0.175041
	SDI	5.53	0.180759
	PSI	3.32	0.301339
	1.cgrupoc	1.29	0.776465
	Mean VIF	3,96	

Variance Inflation Factor (VIF) - Governance in HDI

Variable		VIF	1/VIF
All Countries	TA	5.25	0.202716
	PFCR	4.55	0.218939
	CB	4.28	0.239293
	IC	3.93	0.386327
	GE	2.54	0.393188
	PAE	3.32	0.300976
	PAR	3.56	0.281051
	Crises	1.06	0.947140
	Mean VIF	3.56	
Variable		VIF	1/VIF

Group a	TA	4.73	0.211504
	PFCR	5.33	0.187589
	CB	4.75	0.210636
	IC	4.46	0.224195
	GE	2.93	0.341680
	PAE	3.33	0.299912
	PAR	3.56	0.281039
	Crises	1.06	0.947135
	1.cgruopa	1.76	0.566954
	Mean VIF		
Group b	TA	4.69	0.213277
	PFCR	5.39	0.185490
	CB	4.35	0.230109
	IC	3.94	0.253607
	GE	2.61	0.328998
	PAE	3.33	0.300661
	PAR	3.56	0.280695
	Crises	1.06	0.946575
	1.cgruopb	1.09	0.913749
	Mean VIF		

	TA	4.58	0 218186
	PFCR	5.33	0.187617
	CB	4.32	0.231457
	IC	4.09	0.244568
	GE	3.26	0.307152
Group c	PAE	3.35	0.298492
	PAR	3.57	0.280246
	Crises	1.06	0.945978
	1.cgruopc	1.79	0.557249
	Mean VIF		

Regress Democracy on governance
(Fixed-effects regression) R-sq: within = 0.9089; between = 0.0000; overall = 0.8868; corr (u_i, Xb) = -0.0601

PA	Mr. Coef.	Std. Err.	t	P > [t]	[95%	Conf. Interval]
RL	.2966833	.0478817	6.20	0.000	.2018562	.3915104
SDI	.3336316	.048224	6.92	0.000	.2381265	.4291367
PSI	.1029045	.0454358	2.26	0.025	.0129211	.1928878
sigma_u	.2039553					
sigma_e	.39060339					
Rho	.2142351					

Source: Self-elaboration, regression data

Variance Inflation Factor (VIF) – Democracy in HDI

Variable		VIF	1/VIF
Group a	RL	5.56	0.179954
	SDI	5.53	0.180907
	PSI	3.43	0.291141
	1.cgrupo	1.27	0.784654
	Mean	3.95	
Group b	RL	5.62	0.177833
	SDI	5.52	0.181264
	PSI	3.37	0.297159
	1.cgrupob	1.03	0.969017
	Mean	3.88	
Group c	RL	5.71	0.175041
	SDI	5.53	0.180759
	PSI	3.32	0.301339
	1.cgrupoc	1.29	0.776465
	Mean	3.96	

Source: Self-elaboration, regression data
(Fixed-effects regression) R-sq: within = 0.4159; between = 0.5592; overall = 0.4858; corr (u_i, Xb) = 0.4516

Hdi	Mr. Coef.	Std. Err.	t	P > [t]	[95%	Conf. Interval]
ta	. 0165851	.0041752	3.97	0.000	-.0078445	.0143423
pfcr	-.0026477	.0036884	-0.72	0.474	-.013885	.0097813
cb	-.001362	.0042582	-0.32	0.750	. 0029064	.0213395
ic	-.0104054	.0034874	-2.98	0.004	-.0218228	-.0031506
ge	.0253974	.0137214	1.85	0.067	.0633485	.1089419
pae	.0023213	.0004774	4.86	0.000	-.0018981	.004364
par	-.0019634	.0007696	-2.55	0.012	-.0026834	.004094
crises	-.0084416	.0036034	-2.34	0.021	-.0273114	.0055487

_cons	.7322926	.0346606	21.13	0.000	.6354566	.7760549
sig-ma_u	.05415338					
sig-ma_e	.01879309					
Rho	.89251208					

Source: Self elaboration, regression data

APPENDIX - CHAPTER III

Descriptive statistical indicators - Latin America (2006)

	Gini	HDI	GDP PPP	Political trust	Governance	Demo-cracy
Average	50.96	0.70	11.907,84	33.8	-0.158	7.5
Standard error	1.061	0.01	1426	2.68	0.147	0.305
Standard deviation	4.108	0.06	5523	10.41	0.571	1.18
Minimum	45.7	0.59	4.439,89	11.3	-0.834	5.9
Maximum	57.5	0.81	20.777,65	53.5	1.155	9.8
Confidence level (95.0%)	2.275	0.03	3058	5.76	0.316	0.653

Regress indicators - Latin America (2006)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	13.4460	3.4157	3.94	0.002	6.0867	0.5445	0.5095
VA	17.173	3.7641	4.56	0.001	9.0416	0.6156	0.5860
RQ	10.1413	3.3308	3.04	0.009	2.8455	0.4163	0.3714
CC	10.9770	2.7228	4.03	0.001	5.0496	0.5556	0.5214
RL	11.1377	3.0018	3.71	0.003	4.6526	0.5143	0.4770
PSAV	7.3375	3.3485	2.19	0.047	0.1035	0.2697	0.2136
PP	5.9434	2.2210	2.68	0.019	1.1451	0.3552	0.3056
SDI	5.8778	1.3761	4.27	0.001	2.9049	0.5839	0.5519
PSI	4.8885	1.1562	3.22	0.007	1.6129	0.4443	0.4016

Log-Log Regress indicators - Group a (2006)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	16,7723	4,188	4,01	0,002	7,648	0,6008	0,534
VA	17,6965	4,248	4,17	0,001	8,44	0,6168	0,555
RQ	10.3151	3.8462	2,68	0.020	1.934	0.4168	0.3196

CC	10.7212	2.9274	3.66	0.003	4.342	0.5595	0.4861
RL	11.2653	3.3866	3.33	0.006	3.886	0.5147	0.4338
PSAV	6.8477	3.5797	1.91	0.080	-0,951	0,2852	0,166
PP	5.6509	2.3657	2.39	0.034	0.496	0.3678	0.2624
SDI	5.8863	1.524	3.86	0.002	2.564	0.5839	0.5146
PSI	4.7552	1.654	2.87	0.014	1.149	0.4475	0.3554

Log-Log Regress indicators - Group b (2006)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	11,4967	3,087	3,72	0,003	4,769	0,6831	0,6303
VA	15.3834	4.873	3.16	0.008	4.764	0.6268	0.5646
RQ	8.4753	2.997	2.83	0.015	1.943	0.5900	0.5217
CC	9.0929	3.029	3	0.011	2.492	0.6099	0.5449
RL	9.0226	3.278	2.75	0.018	1.879	0.5813	0.5115
Psav	4.2129	3.873	1.09	0.298	-4,23	0.3783	0.2746
PP	3.9585	2.996	1.32	0.211	-2,57	0.4037	0.3043
SDI	5.1465	1.769	2.91	0.013	1.291	0.5994	0.5326
PSI	3.8188	2.023	1.89	0.084	-0,59	0.4733	0.3855

Log-Log regress indicators - Group c (2006)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	10.8152	3.747	2.89	0.014	2.649	0.6130	0.5485
VA	14.4738	4.453	3.25	0.007	4.770	0.6514	0.5933
RQ	8.0694	3.078	2.62	0.022	1.362	0.5832	0.5137
CC	9.0664	2.575	3.52	0.004	3.455	0.6776	0.6238
RL	8.9104	3.019	2.95	0.012	2.330	0.6201	0.5568
PSAV	3.3659	4.243	0.79	0.443	-2,873	0.3772	0.2734
PP	3.8703	2.597	1.49	0.162	1,788	0.4469	0.3557
SDI	5.0999	1.854	2.75	0.018	1.058	0.5978	0.5308
PSI	3.6031	1.884	1.91	0.080	-0,503	0.4975	0.4138

Log Log Regress indicators - Group d (2006)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	14.2107	3.789	3.75	0.003	5.954	0.5548	0.4806
VA	18.5723	4.158	4.47	0.001	9.512	0.6368	0.5763
RQ	10.4175	3.693	2.82	0.015	2.369	0.4185	0.3216
CC	11.4663	3.003	3.82	0.002	4.922	0.5633	0.4905
RL	11.9531	3.366	3.55	0.004	4.618	0.5284	0.4498
PSAV	7.1308	3.477	2.05	0.063	-0,45	0.2839	0.1646
PP	5.9213	2.417	2.45	0.031	0.653	0.3552	0.2478
SDI	5.8839	1.476	3.99	0.002	2.667	0.5839	0.5146
PSI	4.9205	1.650	2.98	0.011	1.325	0.4445	0.3520

Descriptive statistical indicators - Latin America (2018)

	GDP	Gini	HDI	Political trust	Governance	Democracy
Average	15.810,55	45,39	0,758	26,9	-0,1	7,1
Standard error	1955,4	1,088	0,017	1,805	0,141	0,377
Standard deviation	7573,4	4,213	0,066	6,992	0,546	1,462
Minimum	5.680,36	38,6	0,633	13,7	-0,95	4,4
Maximum	31.013,95	53,9	0,849	40,5	1,01	9,9
Confidence level (95.0%)	4194	2,333	0,036	3,872	0,302	0,809

Regress indicators - Latin America (2018)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	9.6381	2.825	3.30	0.006	3.319	0.4551	0.4132
VA	8.1977	2.220	3.70	0.004	3.403	0.5121	0.4746
RQ	4.2718	2.926	1.46	0.168	-2,051	0.1418	0.0747
CC	7.6391	1.824	4.19	0.001	3.698	0.5743	0.5416
RL	7.6147	2.139	3.57	0.003	3.020	0.4954	0.4566
PSAV	9.1510	2.677	3.42	0.005	3.367	0.4734	0.4329
PP	2.5257	1.069	2.36	0.034	0.215	0.3030	0.2465
SDI	2.1723	0.911	2.38	0.033	0.203	0.3041	0.2505

PSI	3.1946	1.059	3.02	0.010	0.906	0.4116	0.3664

Log-Log Regress indicators - Group a (2018)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	8.3741	4.624	1.81	0.095	-1,700	0.4610	0.3711
VA	6.9558	2.974	2.34	0.037	0.474	0.5285	0.4499
RQ	1.3184	3.162	0.42	0.684	-5,571	0.3235	0.2107
CC	7.2548	2.663	2.72	0.018	1.450	0.5758	0.5051
RL	6.5622	3.031	2.16	0.051	-0,042	0.5064	0.4242
PSAV	7.2824	3.298	3.21	0.047	0.095	0.5119	0.4306
PP	1.6050	1.218	1.32	0.212	-1.049	0.4004	0.3004
SDI	1.3477	1.086	1.24	0.238	-1.019	0.3917	0.2903
PSI	2.4129	1.461	1.65	0.125	-0.772	0.4407	0.3474

Log-Log Regress indicators - Group b (2018)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	9.7332	3.014	3.23	0.07	3.164	0.4676	0.3788
VA	8.4836	2.259	3.75	0.003	3.560	0.5425	0.4663
RQ	4.5152	3.054	1.48	0.165	-0,213	0.1584	0.0181
CC	7.6513	1.909	4.01	0.002	3.490	0.5745	0.5035
RL	7.8243	2.189	3.57	0.004	3.053	0.5180	0.4377
PSAV	9.8800	2.713	3.61	0.004	3.888	0.5233	0.4438
PP	2.5227	1.109	2.27	0.042	0.105	0.3046	0.1887
SDI	2.1983	0.942	2.33	0.038	0.144	0.3143	0.2011
PSI	3.2573	1.090	2.99	0.011	0.880	0.4292	0.3340

Log-Log Regress indicators - Group c (2018)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	7.5407	3.433	2.20	0.048	0.059	0.5079	0.4259
VA	7.1180	3.075	2.31	0.039	0.417	0.5230	0.4435

RQ	1.3361	3.172	0.42	0.681	-0,576	0.3201	0.2068
CC	6.4168	1.893	3.39	0.005	2.292	0.6475	0.5888
RL	6.4208	2.873	2.23	0.045	0.160	0.5128	0.4316
PSAV	7.2771	2.941	2.47	0.029	0.867	0.5431	0.4669
PP	1.7952	1.083	1.66	0.124	-0,566	0.438	0.3448
SDI	1.5069	0.952	1.58	0.139	-0,567	0.4292	0.3341
PSI	2.7736	0.914	3.03	0.010	0.781	0.6096	0.5445

Log-Log Regress indicators - Group d (2018)

Trust	Mr. Coef.	Std. Err.	t	P > [t]	95% Conf.	R^2	Adj-R
GE	10.4791	3.056	3.43	0.005	3.812	0.4945	0.4102
VA	8.2687	2.309	3.58	0.004	3.237	0.5165	0.4360
RQ	4.3292	3.063	1.41	0.183	-2,345	0.1427	-0,0002
CC	8.2007	1.866	4.39	0.001	4.133	0.6166	0.5526
RL	7.7899	2.226	3.50	0.004	2.938	0.5050	0.4225
PSAV	9.7790	2.790	3.50	0.004	3.699	0.5059	0.4235
PP	2.5928	1.121	2.31	0.039	0.149	0.3083	0.1930
SDI	2.2687	0.960	2.36	0.036	0.176	0.3176	0.2038
PSI	4.5984	1.100	4.18	0.001	2.199	0.5925	0.5246