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International Property Rights Index 2020

Executive Summary

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With A Special Case Study By Dr. Hernando De Soto:

The Case Of Peru: The Mystery Of Capital Among The Indigenous Peoples Of The Amazon

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For more information, or to become a partner organization, please contact **Lorenzo Montanari**, Executive Director of The Property Rights Alliance at lmontanari@propertyrightsalliance.org

Executive Summary

The International Property Rights Index (IPRI) is the flagship publication of the Washington, D.C. based Property Rights Alliance (PRA) dedicated to the promotion of property rights. In 2007, PRA instituted the Hernando de Soto fellowship for developing the IPRI. Since then, the yearly IPRI edition has served as a barometer for the status of property rights, ranking the strength of the protection of both physical and intellectual property rights in countries around the world.

Property rights are human rights and have shown their ability to nurture economic growth & social development, promote prosperity & innovation, and have shown to be the most effective mechanism to guarantee civil rights & civil liberties. Private property rights protect individual liberty – the fundamental argument for a system of strong private property rights (Fig.1).

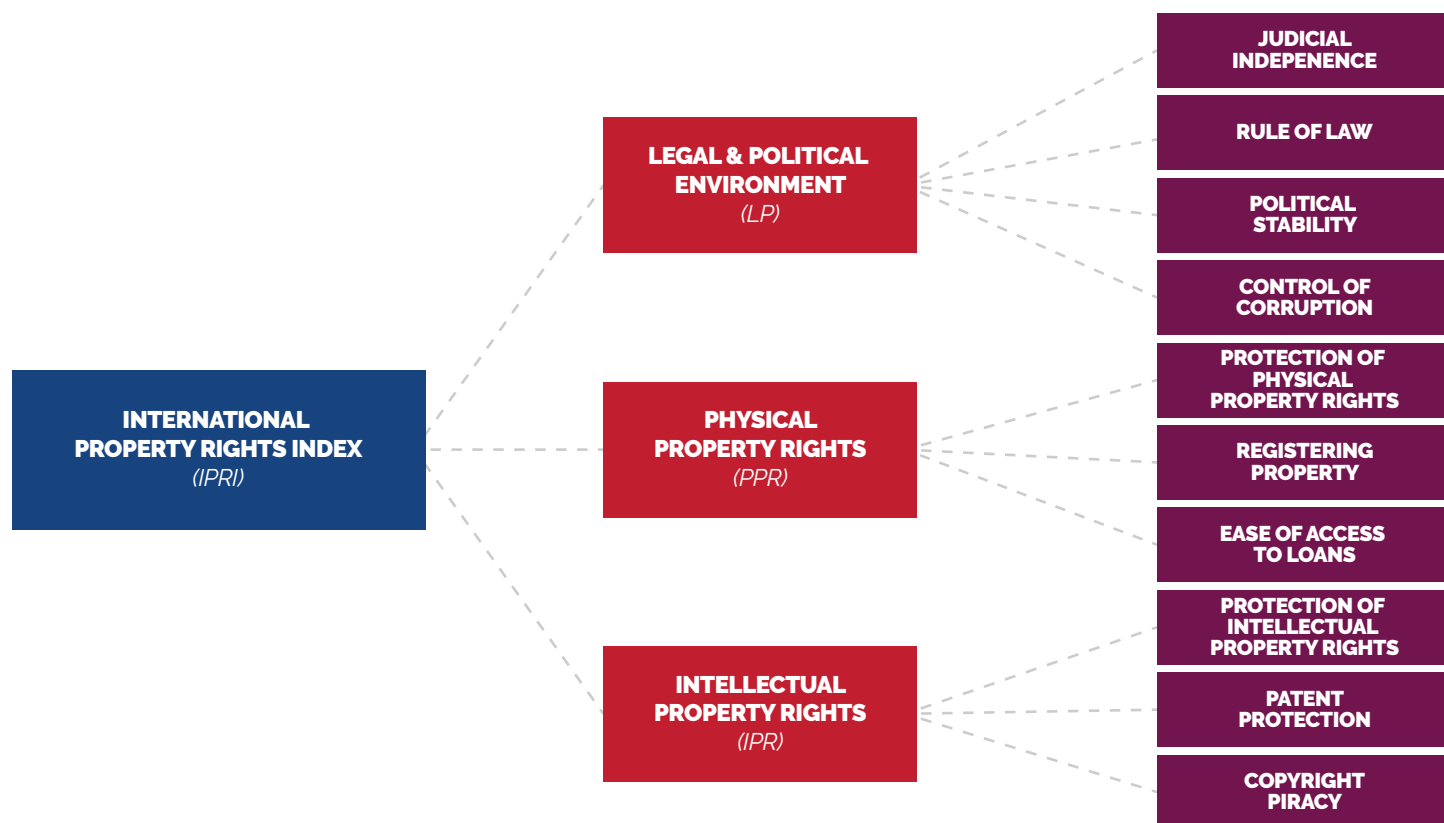


Figure 1. IPRI Structure. The IPRI is built on 10 factors, gathered under three components: Legal and Political Environment (LP), Physical Property Rights (PPR), and Intellectual Property Rights (IPR). The overall grading scale of the IPRI is [0-10], where 10 is the highest value for a property rights system and 0 is the lowest value. The same logic is applied to its components.

During 2020, PRA worked to compile case studies with 123 think tanks and policy organizations in 73 countries involved in research, policy development, education and promotion of property rights in their countries.

I. Results

The 2020 IPRI ranks 129 countries, accounting for 93.91% of world population and 97.72% of the world GDP. The selection of countries was determined only by the availability of sufficient data.

The overall 2020-IPRI score is 5.73. For a second consecutive year, there is a slight set back of the average score of the IPRI, the LP and the IPR components, while the PPR score keep improving for a continuous fifth year. The Legal and Political Environment is the weakest component (5.14), followed by Intellectual Property Rights (5.55), while Physical Property Rights is the strongest component (6.50).

Finland leads the 2020-IPRI (8.65) as well as its IPR component (8.92), followed by the U.S.A. (8.69) in that component. Switzerland ranks 2nd overall (8.53) followed by Singapore (8.48) who additionally leads the PPR component (8.73). New Zealand is in 4th place (8.46) and leads the LP component (8.82). Then come: Japan, Australia, Netherlands, Norway, Luxemburg, Denmark, Sweden, Austria, U.S.A., Canada and Hong Kong. On the other extreme we find: Haiti (2.66), Rep. of Yemen (2.71), Bolivarian Rep. of Venezuela (2.85), Bangladesh (3.29), Angola (3.36), Democratic Rep. of Congo (3.49), Nigeria (3.72), Madagascar (3.96), Zimbabwe (3.96), Chad (3.99), Bolivia (4.05), Ethiopia (4.05), Nicaragua (4.13), Pakistan (4.14) and Mauritania (4.15), (Fig.2-3).

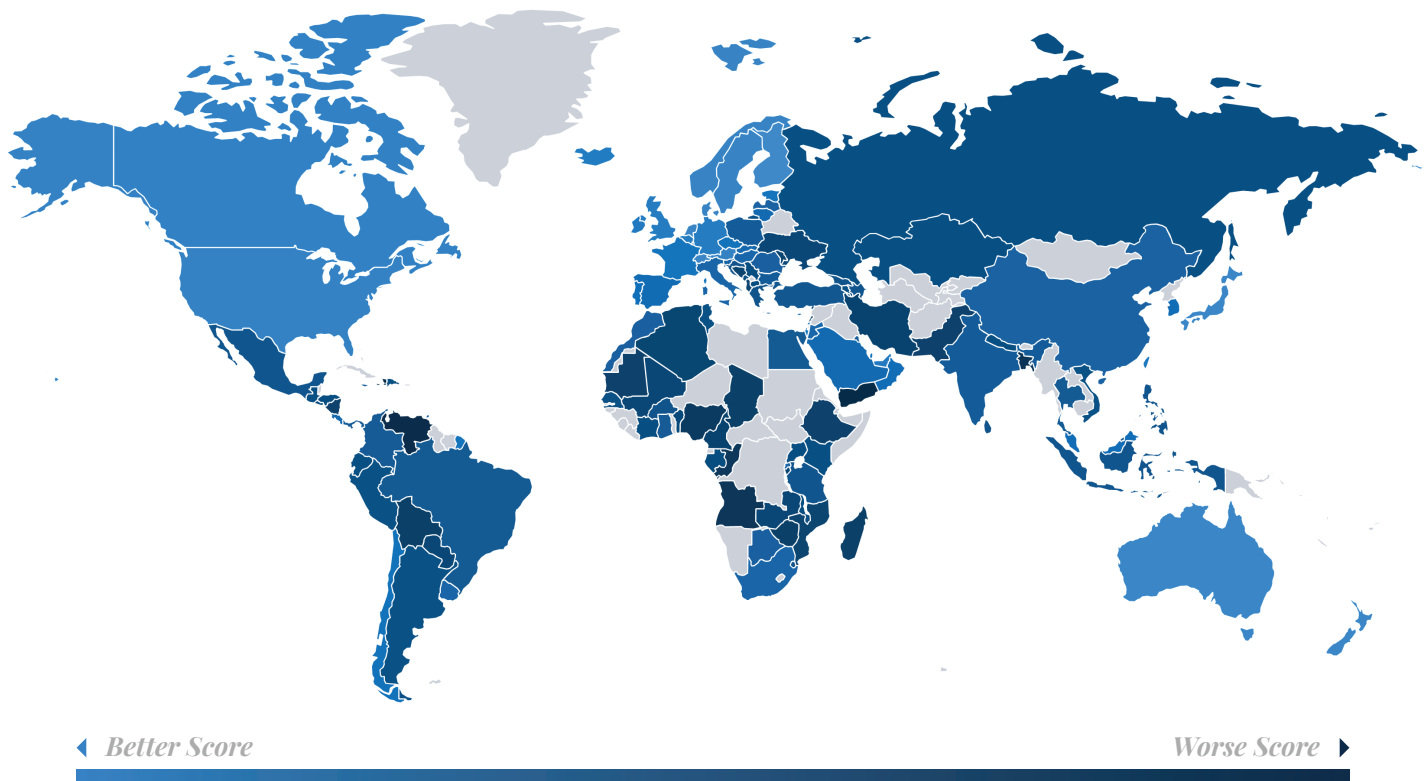
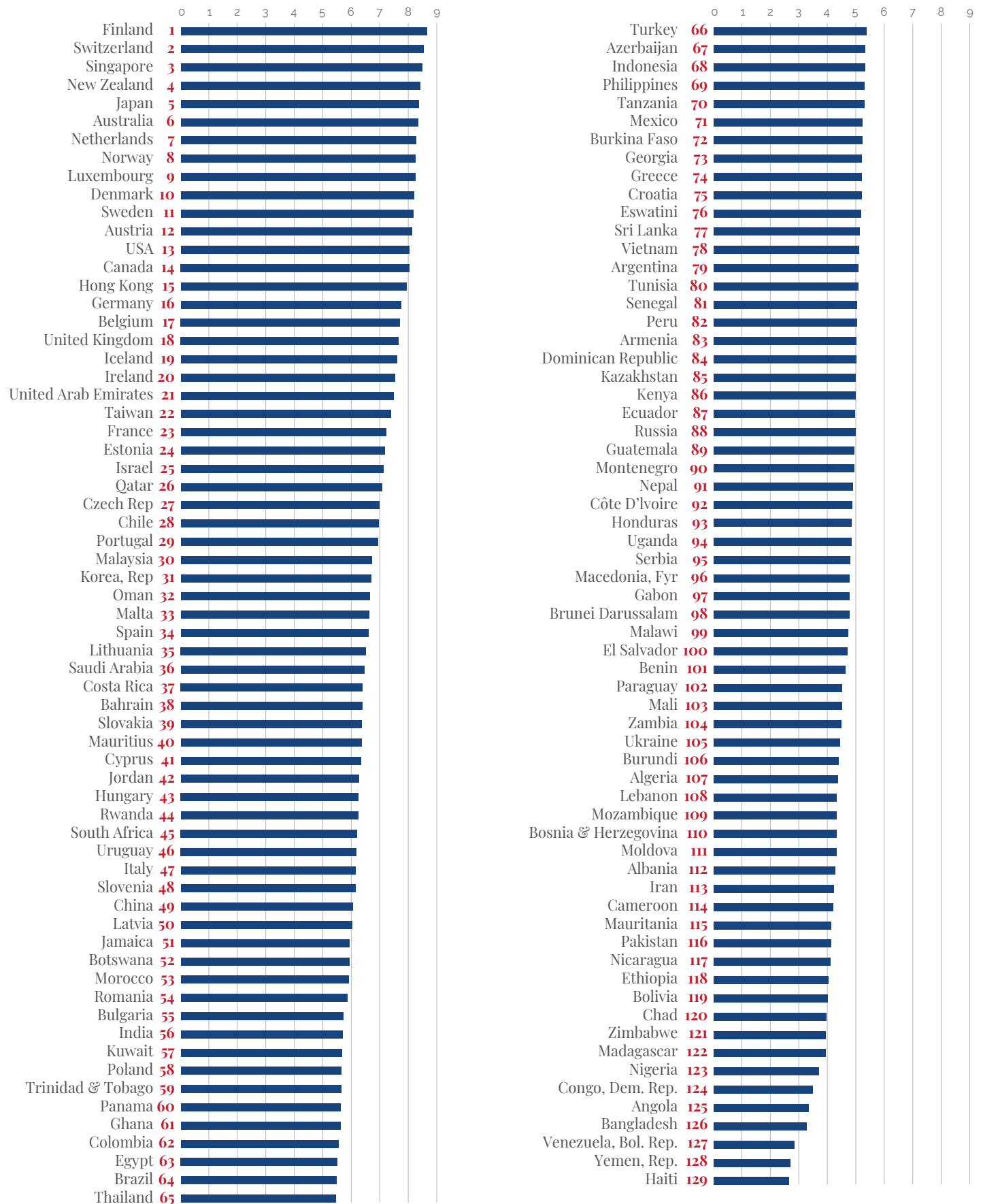


Figure 2. 2020-IPRI Scores Change. Four countries show the highest relative improvement in their 2020-IPRI score: Burundi (16.11%), Angola (7.89%), Pakistan (6.88%) and Zimbabwe (5.92%); while another four exhibit the highest relative decreases: Ethiopia (-7.73%), Iran (-7.22%), Poland (-5.6%) and Albania (-5.56%).

Figure 3. 2020-IPRI: IPRI Scores and Rankings.

II. IPRI Groups

Valuable information arose from grouping countries according to relevant criteria (geographical regions, income levels, degree of development, and participation in regional integration agreements). This can be used by individuals and policy makers to improve their countries' performance.

- **Geographical Regions**

At the top are Oceania (8.39), North America (7.12) and European Union (6.91); while at the bottom are Africa (4.80), Central America & the Caribbean (5.00) and South America (5.08). Asia and the Rest of Europe showed the most relevant improvements (0.8% and 0.53%), while North America, Oceania and European Union showed reduction of their IPRI scores.

- **Income Levels (WB classification)**

This group shows the same display of the IPRI score. High Income (7.08) is at the top, followed by Upper Middle (5.21), Lower Middle (4.68) and Low Income (4.38) countries. Only the Upper Middle group shows IPRI score improvement (0.64%); while the decrease was significant for Low Income countries (-3.5%), mainly for performance of LP scores (-6.24%).

- **Regional & Development (IMF classification)**

Advanced Economies (7.44) leads, followed by Middle East, North Africa & Pakistan (5.41), Emerging and Developing Asia (5.26), Emerging and Developing Europe (5.21), Latin America and the Caribbean (5.05), CIS (4.92), ending with the Sub-Saharan Africa (4.76).

- **Integration Agreements**

EFTA (8.13) leads, followed by OECD (7.24), USMCA (7.12), EU (6.91) and TPP-11 (6.87). However, all these groups reduced their IPRI score. At the bottom, we find CEMAC (4.33), CEEAC (4.36), IGAD (4.64), SAARC (4.64) and CARICOM (4.75). Simultaneously, CEMAC and CEEAC are the groups with the highest improvement for IPRI scores (5.78% and 4.93%) as a result of an increase of all the components (fig.4).

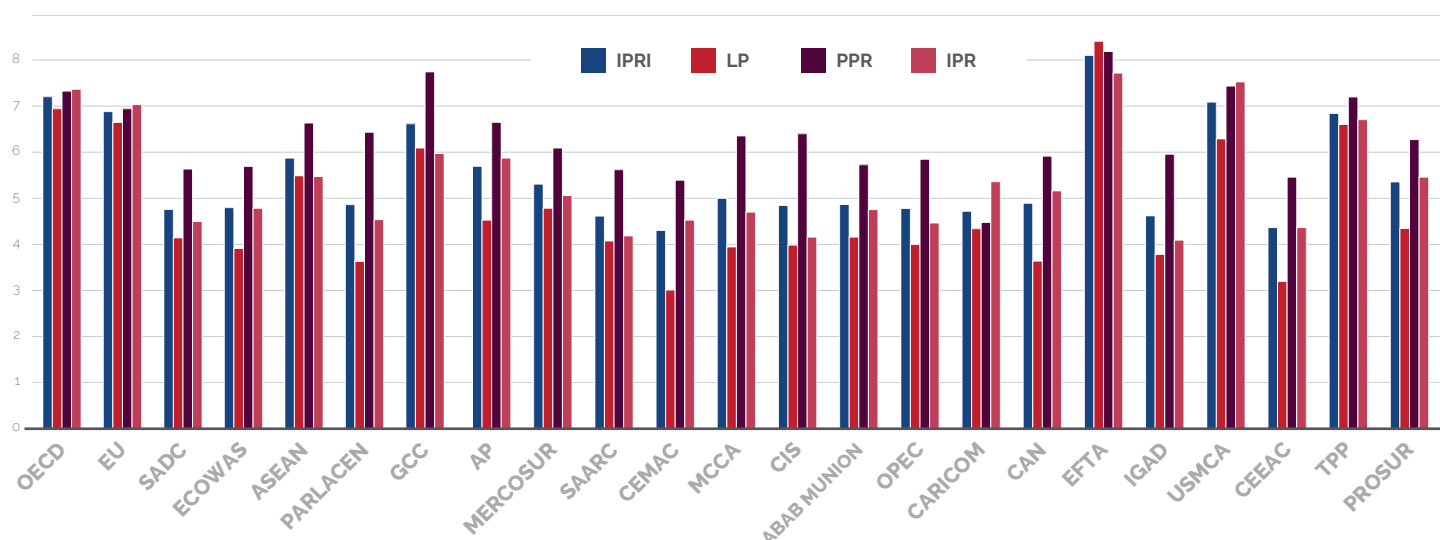


Figure 4. 2020-IPRI Groups Results.

III. IPRI and Population

The 129 countries included in 2020-IPRI have a population of 7.32 thousand million people – representing 93.91% of world population – showing that 73% of that population live in 84 countries with an IPRI between 4.5 and 7.4. Almost half the sample population (48.9%) lives in 29 countries with a middle score of this index, [5.5-6.4]. On the two extremes of the sample, we find that 10.7% of the population enjoys higher levels of property rights protection in 21 countries [7.5-9.4]; and 16.4% sample population live in 24 countries with lower levels of property rights [2.5-4.4].

The 2020 IPRI average score is 5.73, but when population weighs in, it reduces to 5.67, which is a decrease of 1.03% from last year (5.71). However, there is an improvement if compared to 2018 IPRI-Population (5.645) and 2017 IPRI-Population (5.522).

Simultaneously, we can complement this IPRI-Population analysis with GDP results (Fig.5), as follows: Almost 60% of the total GDP comes from 36 countries with 15% of the total population, and they show robust property rights systems in a range [6.5-9.4] of the IPRI. Particularly 47.87% of the total GDP is from 18 countries with 10.4% of total population with an IPRI score in a range of [7.5-8.4]. Further, 28.2% of the total GDP lies in 29 countries with 48.9% of the total population, and they show middle IPRI scores, in a range [5.5-6.4]. Finally, 12.22% of the total GDP is manufactured in 64 countries with 36.2% of the total population, and they show weak property rights systems with low IPRI scores in a range [2.5-5.4].

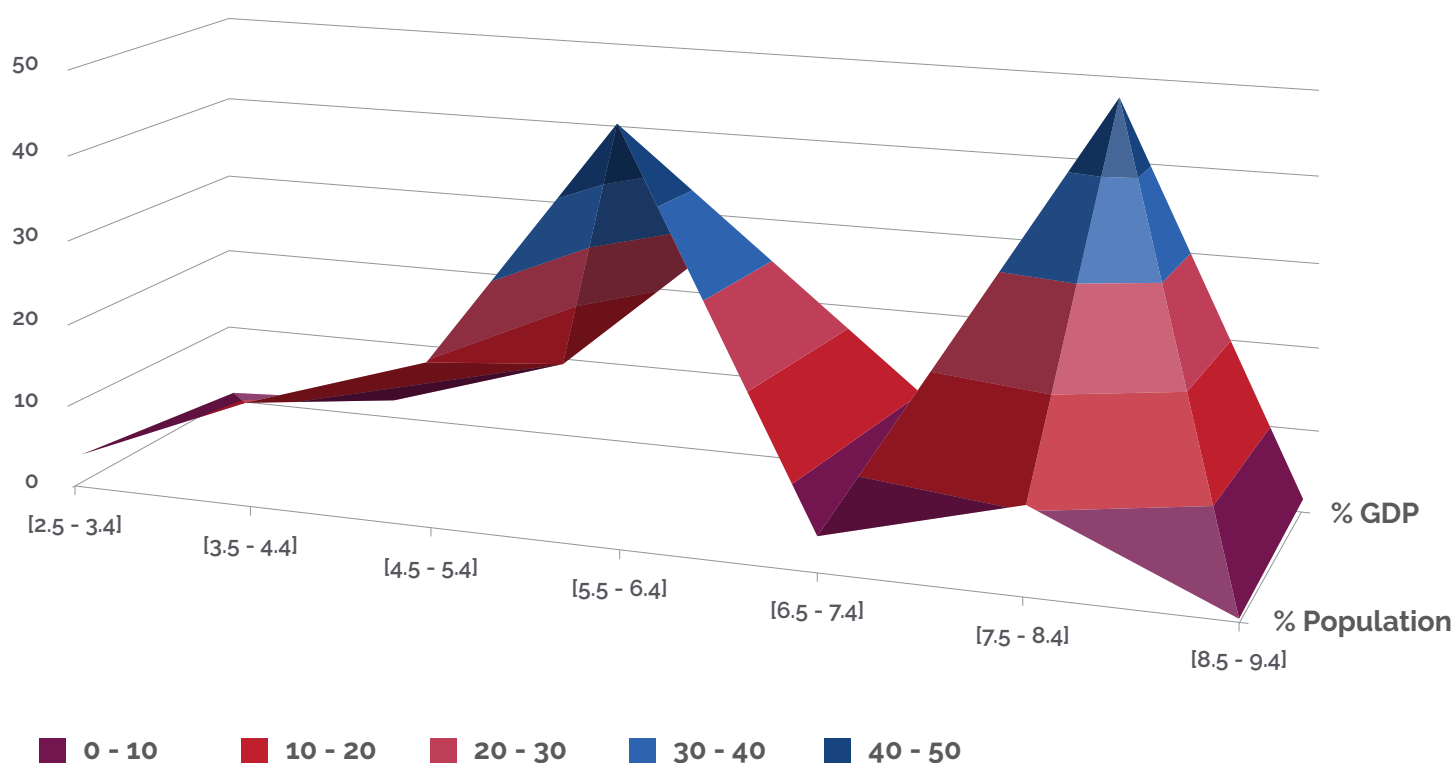


Fig 5. 2020-IPRI Population.

IV. IPRI and Gender Equality

The Gender Equality (GE) score was calculated using 10 items gathered in 5 indicators: Women's Access to Land Ownership, Women's Access to Credit, Women's Access to Property other than Land, Inheritance Practices and Women's Social Rights. This measure allowed us to extend the standard IPRI index, giving rise to the IPRI-GE, which this year is also on a scale [0-10].

The 129 countries showed an overall GE score of 7.248, which is slightly higher than last year's (7.243). Of the GE components, Women's Social Rights is the weaker (5.28), followed by Inheritance Practices (6.78), Women's Access to Land Ownership (7.6) and Women's Access to Property other than Land (7.91). Fig. 6 shows the 2020 IPRI-GE(0-10) rankings by quintile for the 129 countries in the sample.

	Top 20 Percent	2nd Quintile	3rd Quintile	4th Quintile	Bottom 20 Percent
Strongest					
	Finland	Ireland	South Africa	Ghana	Mozambique
	Switzerland	United Kingdom	Romania	Turkey	Malawi
	New Zealand	Estonia	Mauritius	Argentina	Philippines
	Australia	France	Uruguay	Russia	Kuwait
	Netherlands	Taiwan	Costa Rica	Mexico	Benin
	Norway	Portugal	Rwanda	Peru	Zambia
	Singapore	Czech Republic	Hungary	Burkina Faso	Moldova
	Sweden	United Arab Emirates	Oman	Georgia	Gabon
	Luxembourg	Malta	Jamaica	Senegal	Boznia & Herzegovina
	Denmark	Israel	Poland	Vietnam	Eswatini
	Austria	Lithuania	Panama	Armenia	Nicaragua
	Japan	Spain	Colombia	Kazakhstan	Albania
	United States	Qatar	Saudi Arabia	Honduras	Mali
	Canada	Korea, Rep.	Bahrain	Montenegro	Burundi
	Hong Kong	Slovakia	Trinidad & Tobago	Greece	Paraguay
	Belgium	Cyprus	Bulgaria	Macedonia, Fyr	Côte d'Ivoire
	Germany	Chile	Jordan	Guatemala	Bolivia
	Iceland	Italy	Brazil	Indonesia	Uganda
		Slovenia	Botswana	Ecuador	Ethiopia
		China	Azerbaijan	Serbia	Iran
		Latvia	Thailand	El Salvador	Algeria
		Malaysia	India	Nepal	Lebanon
			Croatia	Tanzania	Zimbabwe
			Morocco	Tunisia	Madagascar
			Dominican Republic	Ukraine	Cameroon
				Sri Lanka	Pakistan
				Egypt	Chad
				Kenya	Nigeria
				Brunei Darussalam	Mauritana
					Congo, Dem. Rep.
					Venezuela, Bol. Rep.
					Angola
					Haiti
					Bangladesh
Weakest					Yemen, Rep.

Figure 6. 2020 IPRI-GE by Quintiles.

V. IPRI and Life Enhancing

There is extensive literature that informs relevant connections between the respect for property rights and the improving quality of life of citizens. Therefore, we examined different items to evaluate their correlations with the IPRI drawing empirically based conclusions (Fig.7). Those indices were gathered in 5 groupings: Productive Drive; Underlying Conditions; Human Mobility; Digital Society; and Health & Life.

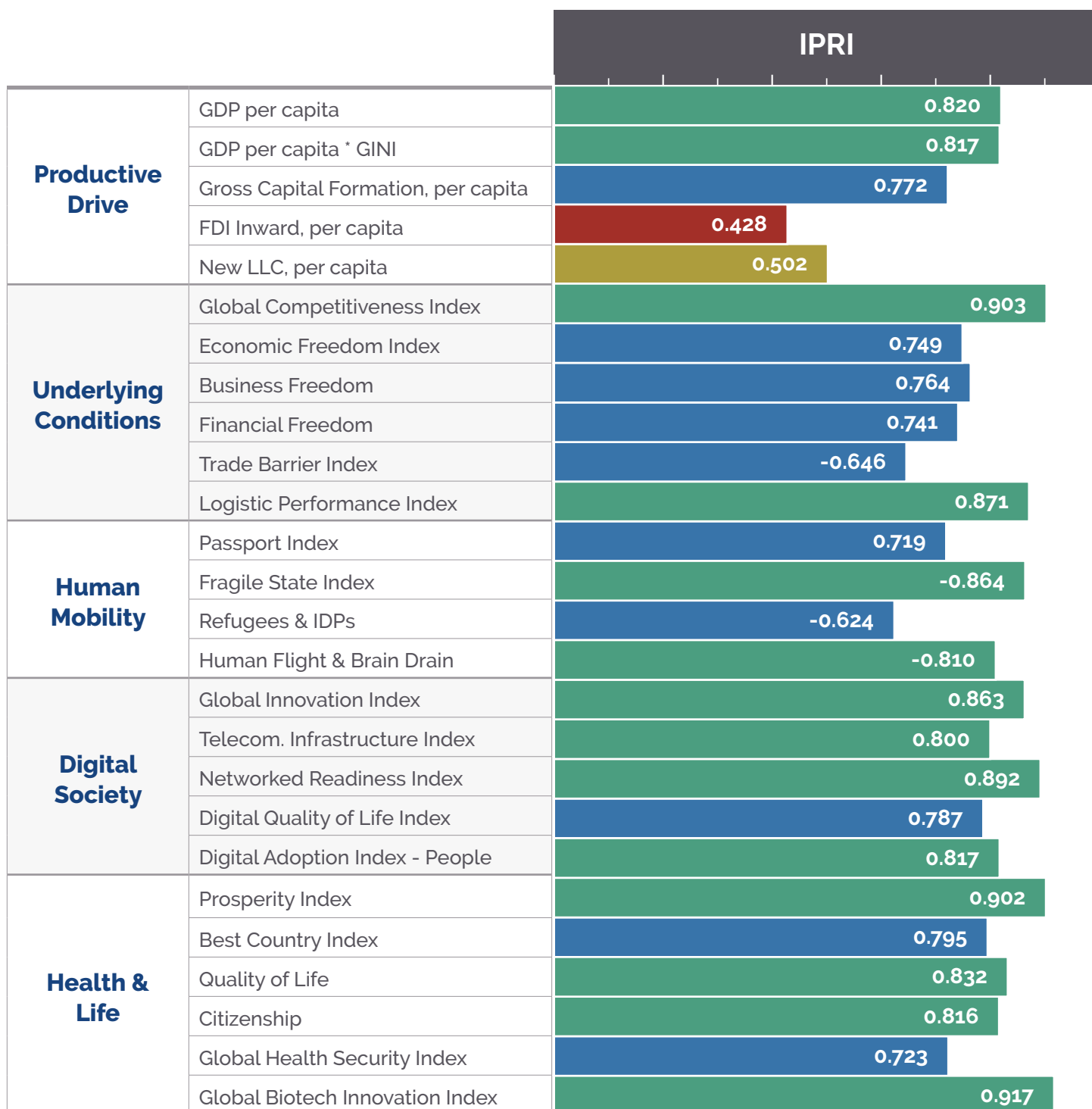


Figure 7. Pearson's Correlation Coefficients.

On average, countries in the top quintile of IPRI scores show a per capita income almost 16 times of the countries in the bottom quintile (Fig.8). That disparity is the same as last year, however it is lower than 2015's when it was almost 24 times. These results reinforce the significant and positive relationship between prosperity and a robust property rights system.

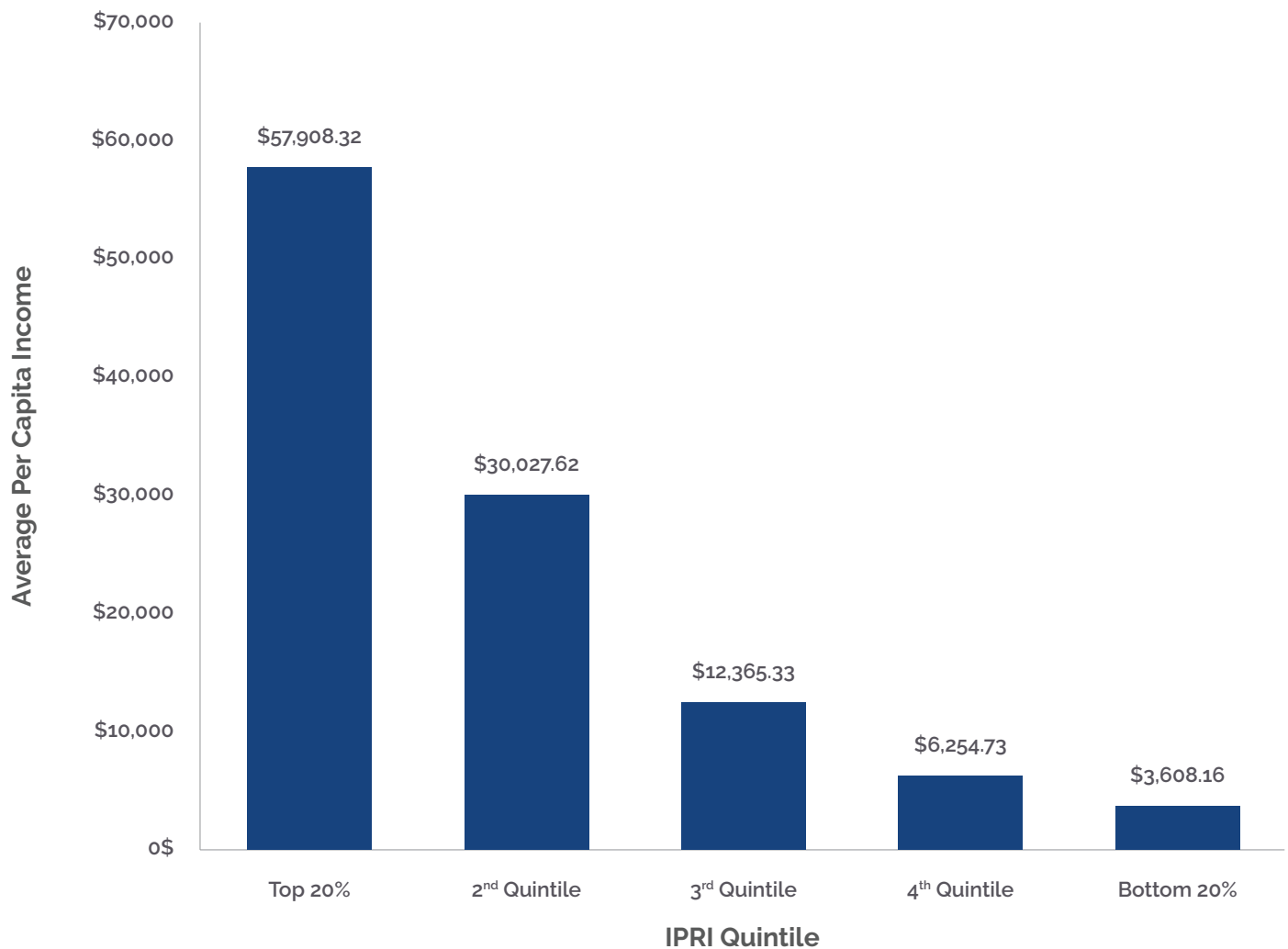


Figure 8. Average Per Capita Income by IPRI Quintiles.

VI. IPRI Clusters

Cluster analysis is useful for gathering similar entities into groups, based on pre-defined indicators (Fig.9). We performed it for all the 129 countries according to the IPRI components' scores. Then a group of illustrative variables were included contributing to describe each cluster.

Three clusters were acceptable to explain the groups of countries. Each cluster represents more than a grouping by variables directly associated with property rights; they gather countries with common characteristics within them and with different features between clusters. This confirms the consistency of the IPRI and the relevance of property rights systems influencing societies.

This year we find important differences of clusters' organization and composition, compared to previous editions, due to a greater dispersion of values, favoring the displacement of the centroids.

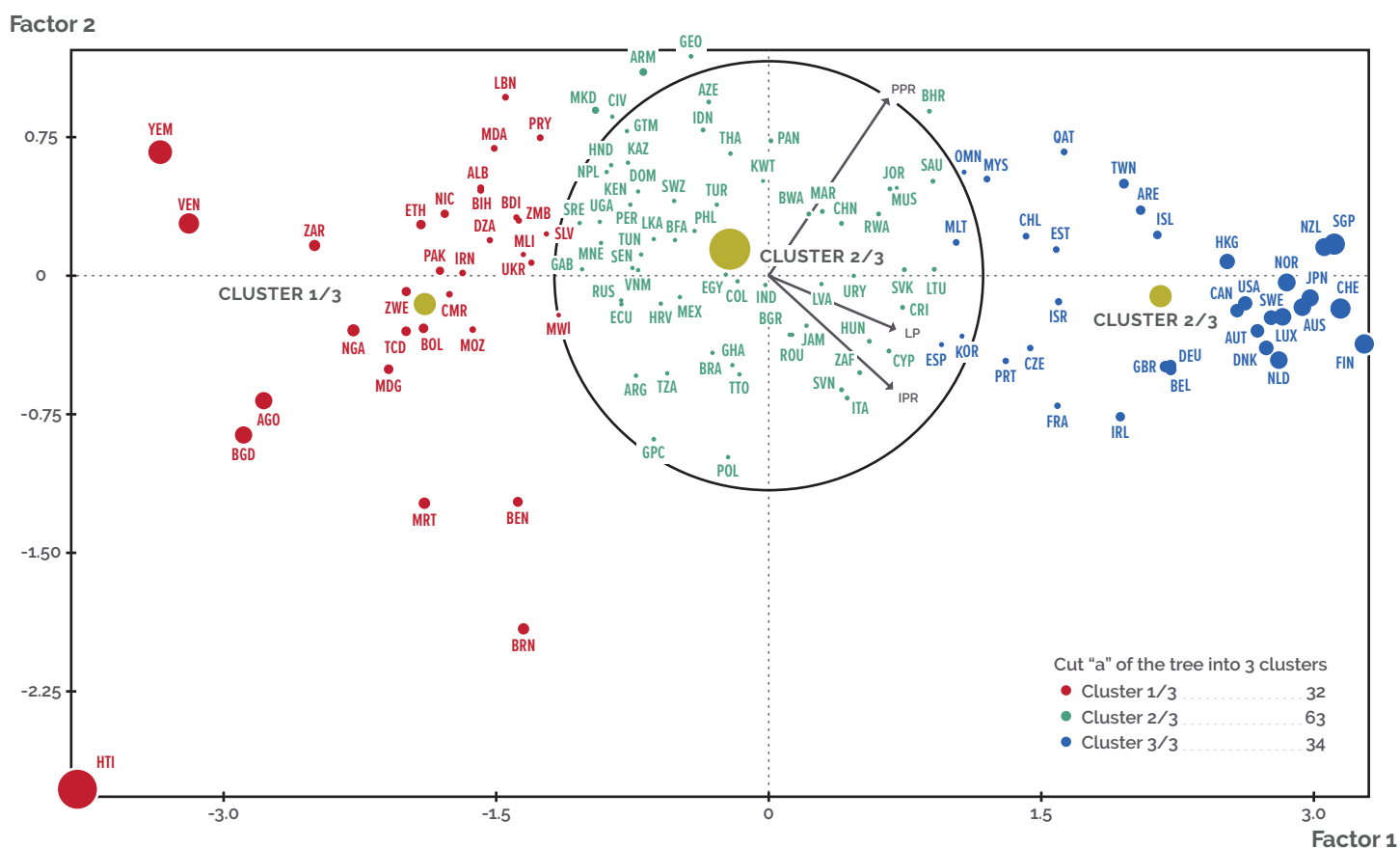


Figure 9. Cluster's Members & Centroids.

2020 IPRI Case Study Abstracts



The Case of Peru: The Mystery of Capital among the Indigenous Peoples of the Amazon

by Dr. Hernando de Soto, Institute for Liberty and Democracy, Peru

This case study is based both on the findings of the research carried out by the Instituto Libertad y Democracia (ILD) over the last 10 years and on the permanent relationship it has with organizations representing more than 700 tribes in the Peruvian Amazon. The COVID-19 pandemic has greatly impacted vulnerable members of indigenous communities. Economic recession and unemployment in cities has increased migrations to their territories. With its concomitant informal activities, such as mining and deforestation, it is essential that the indigenous peoples of Peru's Amazon region be provided with property rights that allow them to manage and take advantage of their natural resources. Additionally, this will allow them to negotiate on an equal footing in global markets so that they can protect themselves from the invasion of their territories and the destruction of their environment.



Undoing 26 Years of Progress: Property Rights in South Africa

By Jacques Jonker and Martin van Staden, Free Market Foundation, South Africa

In February 2018, the South African Parliament resolved to amend the Constitution to allow government to expropriate private property without being required to pay compensation. This marks the most radical departure from South Africa's post-Apartheid liberal democratic legal dispensation that came to be around 1994. The mere threat of expropriation without compensation has already led to the low-cost housing market and agricultural sector to contract. Experiences across the world (Venezuela) and on South Africa's borders (Zimbabwe) with the same policy should engender extreme caution among South Africa's political class. But it is not only real property, but also intellectual property that is under threat. The Copyright Amendment Bill was introduced in May 2017 as an evident attempt to weaken the protection of copyrighted material through the introduction of a 'fair use' regime amongst other things. International experience, specifically in the United Kingdom and Canada, has shown that the introduction of such a regime imposes severe costs on the economy, specifically in the educational publishing industry, and leads to the elimination of numerous jobs. If introduced in South Africa, the effects would likely be the same, and reduce the strength of the economy even further; something which the country can ill afford considering the extensive socio-economic pressures already faced by citizens.



Multipurpose Cadastre Project and Its Role in Property Rights Protection in Colombia

By Carlos Augusto Chacón Monsalve and María Fernanda Gallego Ortiz, Instituto de Ciencia Política Hernán Echavarría Olózaga, Colombia

A cadastre system seeks to boost processes to keep up-to-date all documents that contain the record of land rights and information regarding legal, economic, fiscal, and physical changes of properties. Mainly, the existence of this registry has a considerable impact ensuring legal security for landowners. It allows them to have access through a single cadastre code to all information making it easier to oppose their right against third parties. In Colombia, this system is obsolete due to its lack of flexibility, low coverage, no capacity for updating, and a fiscal perspective that does not answer to all the needs of privates and the State. According to the Geographic Institute Agustín Codazzi, the authority responsible for the cadastre, 94 % of Colombian territory does not count with the register or has not been updated. The absence of clearness in property deeds, land boundaries, uses or capacity of fields, prices, etc., threaten property rights and open the door for legal uncertainty. To solve the out-of-date cadastre and solve all the issues, the actual administration aims to introduce a multipurpose cadastre that is embodied in the CONPES 3958 and expects to have full coverage by 2025. The research focuses on the importance of this new cadastre approach and its application to protect and promote property rights in the country.



Innovation Accelerated: Factors Enabling Rapid COVID-19 Vaccine Development

By Philip Thompson and Mary Ann Cortese, Property Rights Alliance, USA

On March 11, 2020 when the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic the world's governments and industries rallied to combat the virus in various ways. From the private sector, several industries such as distilleries and automobile manufacturers were able to re-tool assembly lines and divert supply chains to create much needed Personal Protective Equipment, hand sanitizer, and ventilators. However, the task to create a novel vaccine, test therapies, and ultimately defeat the virus on a biological level can only be achieved through the pharmaceutical sector. The unique nature of the SARS-COV-2 virus, which causes the COVID-19 disease, renders traditional quarantine and contact-trace measures less effective. Scientists agree, vaccines are the "most effective approach" and are "urgently needed" to be used as an "important tool" in defeating COVID-19 to enable society and economies to fully open back up. Fortunately, unlike past vaccine development, in less than 10 months several vaccines are already in phase 3 clinical trials and are on track to be approved in early 2021. This case study examines the environmental factors that allowed the pharmaceutical sector to levy a robust response to the pandemic by creating vaccines and advancing cutting edge science in record time.



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