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Bertelsmann Stiftung (ed.)

Transformation Index BTI 2014

Political Management in International Comparison

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Foreword

The publication of an index is always an act of positioning, and this book is no exception. Quite the contrary: The Bertelsmann Stiftung's Transformation Index has been in publication since 2003, and the BTI has long since become a calling card for our organization. The normative framework of the BTI – its guiding social principles of democracy under the rule of law and a market economy anchored in principles of social justice – corresponds to the Bertelsmann Stiftung's belief in freedom, justice, competition and human rights, which informs all of our conceptual and operational work.

With this in mind, we see the factors critical to sustainable political and economic development falling into three broad categories: participatory justice, inclusive growth and good governance.

Participatory justice

The BTI combines democratic and socio-economic themes under the premise that all individuals should be empowered to live a self-determined life. Quality of life is not only substantially determined by access to education, health care and employment, but also by the opportunity to engage in free and equal political participation. In its assessment of the state of democracy in a country, the BTI goes far beyond an examination of the institutional framework, the quality of elections and the protection of civil rights. It comprehensively addresses stateness (monopoly on the use of force, ad-

ministrative reach and quality) and the rule of law (separation of powers, independent judiciary, prosecution of office abuse). It also examines the consolidation of democratic systems through a look at party systems, interest groups and civil society participation. The BTI is one of the few international comparative instruments to make use of qualitative, expert-based reports on the strength and organizational power of civil societies and on the structure of social capital.

Inclusive growth

In assessing economic transformation, the BTI does not limit itself to examining the performance of national economies. This study also examines the level of socio-economic development, a country's welfare regime and sustainability in the areas of environmental protection and education. In recent times, for example, we have been able to observe a number of governments in the Arab world implement quite successful economic reforms and achieve impressive economic growth rates. At the same time, however, they have neglected social issues and tacitly accepted the impoverishment of rural and young population groups. This was one contributing factor in the collapse of despots such as Hosni Mubarak and Zine El-Abidine Ben Ali. It was on the basis of precisely this comprehensive conception of sustainability that we awarded the Reinhard Mohn Prize 2013 to Kofi Annan. If many

political, economic and societal initiatives are today committed to sustainable and intergenerationally just models of progress at the global, national and local levels, this often takes place in the context of frameworks that Kofi Annan created and developed as secretary-general of the United Nations. Nevertheless, as the BTI 2014 shows, there is much yet to do. To be sure, among all countries surveyed by the BTI, none of the seven BTI economic criteria has developed over the past eight years as positively as the criterion of sustainability; yet it still remains the lowest-rated aspect of economic transformation. Too often, environmental concerns are still subordinated to efforts to spur economic growth, and too little is invested in education worldwide.

Good governance

Managing the peaceful transition of authoritarian states to democracy and a market-economic system represents a tremendous challenge. Whether it comes to reconstituting the coherency of the state following armed conflict, expanding participation rights and the rule of law in emerging democracies, overcoming corrupt structures, fighting poverty and inequity, or establishing clear rules for stable market-economic competition, the requirements are enormous and the pressure on responsible leaders is intense. After all, the quality of governance makes an essential contribution to the success or failure of transformation pro-

cesses. The BTI thus systematically places political decision-makers' steering capability at the heart of its analysis, and is as a result the only index in the world that measures and compares the quality of governance with self-collected data. Major points of reference in this regard are the policymakers' steering capability with a view to prioritization, implementation and policy learning; the efficiency of governments with respect to the use of assets, coordination ability and anti-corruption policy; the capacity to build consensus; conflict management and the involvement of civil society organizations; and, finally, the government's willingness to cooperate and its credibility at the international level. This is done in the firm conviction that the ongoing comparative study of transformation processes is invaluable for the successful design of reforms. We believe such comparisons hold enormous global potential for each of us to learn from different political strategies for steering change, even though diverse traditions, power configurations, resources and cultures make each transformation process unique.

To be able to carry out such a comprehensive analysis of transformation processes in 129 countries requires the faithful cooperation of nearly 300 people from around the world. We want here to expressly thank all who have contributed their expertise, their commitment and their creativity to the success of the BTI, a majority of whom have now done so for many years running. The listing of country experts at the end of this

book alone offers testimony to the truly global network of experts with whom we are privileged to work, and who make this project possible. This also applies to our scholarly advisory committee, the BTI Board, and our regional coordinators, as well as to all others who have been involved in the textual or design aspects of the BTI's production and who, over the years, have left their mark on the project.

To the project team – Sabine Donner, Hauke Hartmann, Matthias Jäger, Elisabeth Pauly, Robert Schwarz and Sabine Steinkamp – go our particular thanks for having successfully and reliably coordinated this complex international project for

years while at the same time ensuring the BTI's continuous further development. Time and again, they have taken on the challenge of keeping the interplay of scholarly oversight, evaluation and the communication of results under their capable and adroit stewardship.

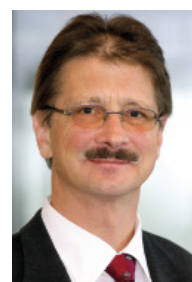
At a time in which worldwide development goals are being newly defined, measured and tracked, we hope that the BTI 2014, with its comprehensive presentation of transformation processes, can offer a helpful contribution to the political debate and to the assessment of sociopolitical change. We wish all readers a rewarding read and exciting discoveries.



Aart De Geus
*Chairman and CEO,
Bertelsmann Stiftung
Executive Board*



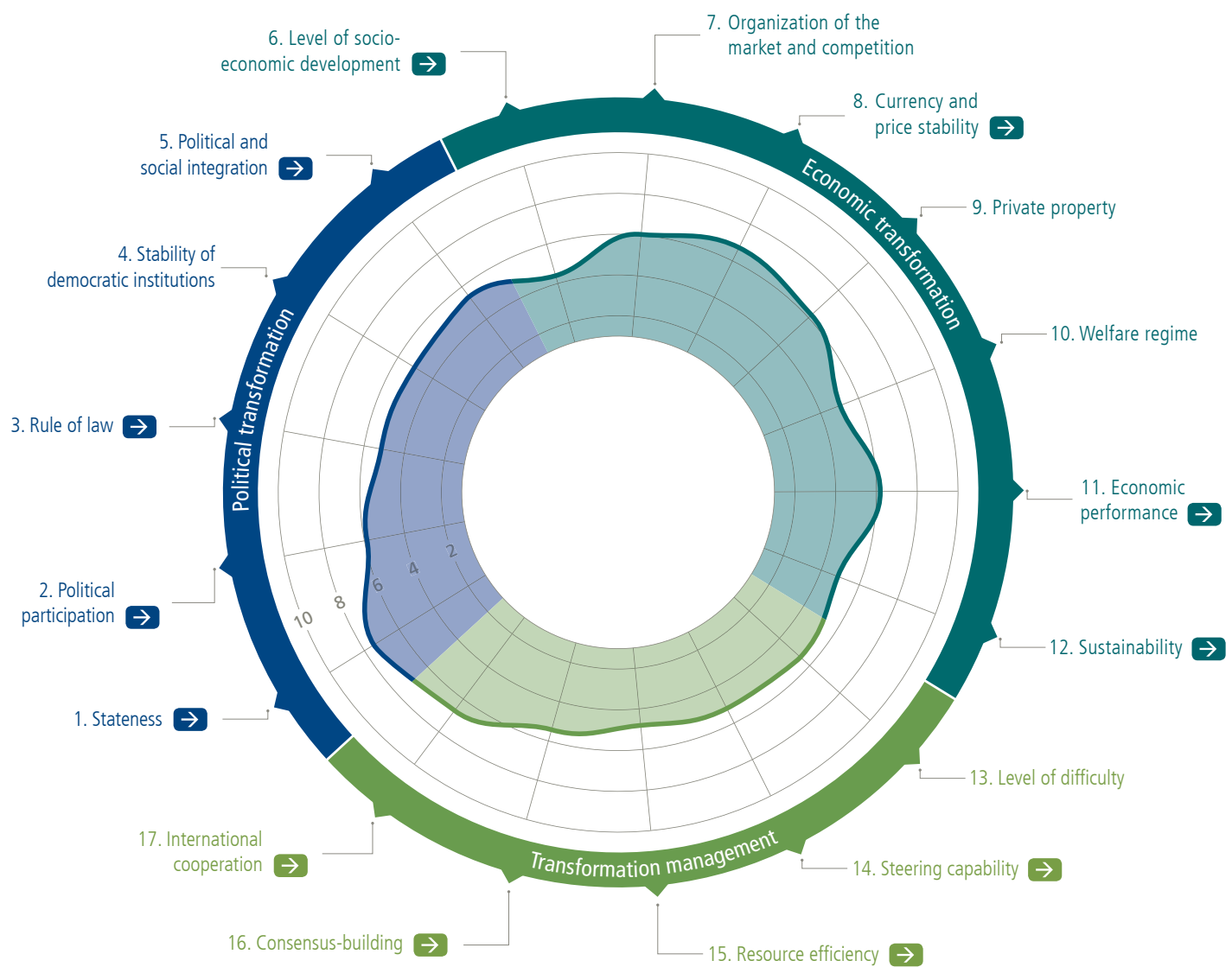

Dr. Stefan Empter
*Senior Director,
Bertelsmann Stiftung*



Placing current trends in context.

Policy Economics Governance

The BTI 2014 at a Glance



Political transformation

Global Ø	5.74 (e.g., Ecuador)
Top-ranking country	Uruguay
Positive trend	Tunisia, Côte d'Ivoire, Bhutan, Egypt, Myanmar, Libya
Negative trend	Mali, Syria, Sri Lanka
Regime distribution	→ 75 Democracies → 54 Autocracies

1. Stateness: Monopoly on the use of force; State identity; No interference of religious dogmas; Basic administration

Interference of religious dogmas → is on the rise, particularly in Africa. In the past eight years, religious interference has increased in 25 of the BTI's 40 African states.

2. Political participation: Free and fair elections; Effective power to govern; Association/assembly rights; Freedom of expression

Free and fair elections → without irregularities are assured in only 24 countries – down from 41 in the BTI 2006. During the past two years, the quality of elections suffered most in West Africa and Central America.

3. Rule of law: Separation of powers; Independent judiciary; Prosecution of office abuse; Civil rights

Civil rights → are increasingly violated in less developed and authoritarian countries. Nearly two-thirds of the countries with more violations of physical integrity and less equality before the law are located in Africa or the Middle East.

5. Political and social integration: Party system; Interest groups; Approval of democracy; Social capital

Social capital → decreased considerably in Arab countries riven by civil war (Bahrain, Syria, Yemen) or subject to strong political polarization (Oman, Turkey) but improved in Libya and Tunisia.

Economic transformation

Global Ø	5.63 (e.g., Uganda)
Top-ranking country	Taiwan
Positive trend	Guinea, Myanmar, United Arab Emirates
Negative trend	Syria, Yemen, Mali, Sudan, Iran
State of development	→ 30 Developed/functioning market economies → 50 Market economies with functional flaws → 49 Poorly functioning/rudimentary market economies

6. Level of socioeconomic development: Socioeconomic barriers

Socioeconomic barriers → remain significant-to-catastrophic in 69 countries, and 24 of the world's 31 poorest countries are in sub-Saharan Africa. Of the few countries having reduced poverty and inequality, most have achieved this through a strong state-led approach.

8. Currency and price stability: Anti-inflation/forex policy; Macrostability

Anti-inflation and forex policy → worsened in 30 countries. In the past, one out of nine BTI countries subordinated inflation control to other goals and used foreign exchange policy for political reasons; this ratio is now one to six.

11. Economic performance: Output strength

Output strength → was reduced in almost 30 percent of all countries. The economic price of upheaval in the Arab region, the post-crisis effects in Southeastern Europe and the reduced dynamism of Latin American markets each contributed to this trend.

12. Sustainability: Environmental policy; Education policy/R&D

Environmental policy → shows on global average the second-to-worst performance among all economic indicators. Almost half of all governments give only sporadic consideration to ecological concerns and do little to enforce weak environmental regulation.

Transformation management

Global Ø	4.92 (e.g., Rwanda)
Top-ranking country	Taiwan
Positive trend	Côte d'Ivoire, Myanmar, Libya, Zimbabwe
Negative trend	Mali, Syria, Oman
Management quality	→ 45 Countries with very good/good management → 40 Countries with moderate management → 44 Countries with weak/failed management

14. Steering capability: Prioritization; Implementation; Policy learning

Prioritization → remains the best-scoring aspect of governments' steering capability. Of the 52 countries improving their capacity to set priorities during the last eight years, 29 are African.

15. Resource efficiency: Efficient use of assets; Policy coordination; Anti-corruption policy

Anti-corruption policy → received the worst global average score of all BTI indicators. Of the 32 countries recording six points or more, only four are autocracies: Malaysia, Qatar, Singapore and the UAE.

16. Consensus-building: Consensus on goals; Anti-democratic actors; Cleavage/conflict management; Civil society participation; Reconciliation

Conflict management → worsened in 51 countries during the past eight years. On global average, the ability to moderate and depolarize conflicts deteriorated by 0.54 points, the largest score decline of all indicators in the BTI.

17. International cooperation: Effective use of support; Credibility; Regional cooperation

Credibility → is most pronounced in 11 countries, of which Brazil, Chile, Poland, Taiwan and Uruguay excel in all aspects of international cooperation.

Top 10

Status Index

1	Taiwan	9.58
2	Czech Republic	9.51
3	Estonia	9.42
4	Uruguay	9.33
5	Poland	9.16
6	Slovenia	9.11
7	Lithuania	8.98
8	Chile	8.82
9	Slovakia	8.79
10	Costa Rica	8.74

Political transformation

1	Uruguay	9.95
2	Estonia	9.70
3	Taiwan	9.65
4	Czech Republic	9.60
5	Poland	9.35
6	Costa Rica	9.30
6	Slovenia	9.30
8	Lithuania	9.25
9	Chile	9.10
10	Slovakia	9.05

Economic transformation

1	Taiwan	9.50
2	Czech Republic	9.43
3	Estonia	9.14
4	Poland	8.96
5	Slovenia	8.93
6	Singapore	8.89
7	Lithuania	8.71
7	South Korea	8.71
7	Uruguay	8.71
10	Chile	8.54
10	Slovakia	8.54

Transformation management

1	Taiwan	7.68
2	Uruguay	7.46
3	Brazil	7.30
4	Estonia	7.26
5	Chile	7.22
6	Poland	7.21
7	Slovakia	7.09
8	Lithuania	7.08
9	Botswana	6.92
9	South Korea	6.92

Global Findings

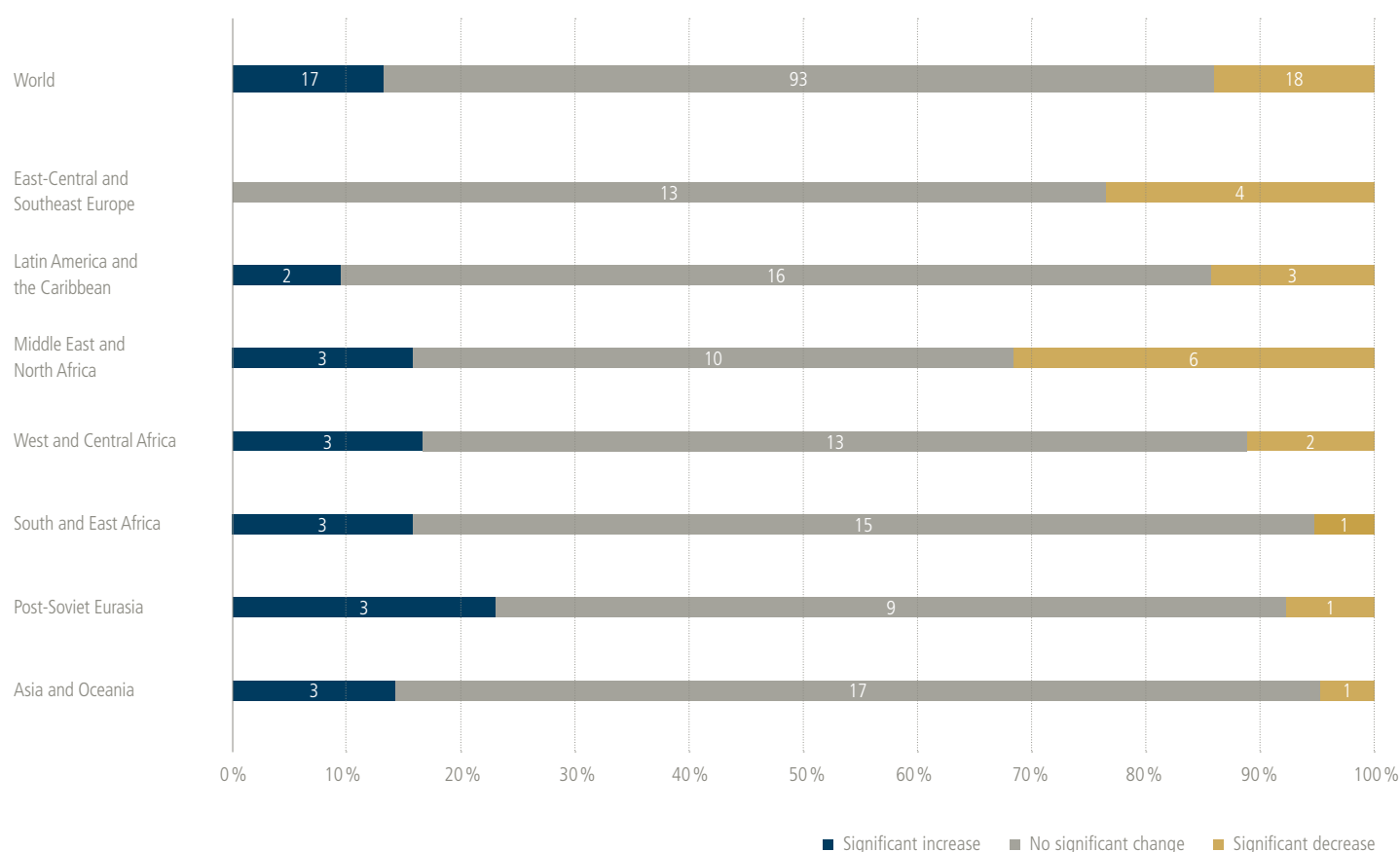
Dramatic changes below the fold

On balance, the last two years have brought no positive change in transformation processes worldwide. In fact, the BTI 2014 records a slight fall (−0.04) in the global average for the 129 emerging and developing countries assessed in terms of where they stand in establishing and cultivating a democracy under the rule of law and a market economy anchored in principles of social justice. As minimal as the registered fall in economic transformation was (−0.07), the fall in political transformation was negligible (−0.02). And if we adjust the 2012 and 2014 scores to exclude South Sudan – which is surveyed by the BTI for the first time this year – this yields a leveling out globally of scores for democracy.

This modest outcome stands in contrast to the series of dramatic developments that marked the review period from January 2011 to January 2013. The earnest efforts on the part of several governments to restore economic stability in the wake of the global financial crisis proved to be a politically thorny, and often highly polarizing, under-

taking. Economic conditions improved in the resource-rich Gulf states, as they did in some East-Central European and Latin American countries. In East-Central Europe, it was above all the Baltic state governments that resolutely introduced spending cuts in order to consolidate their budgets while nonetheless, at the same time, avoid a lasting economic downturn. But the real focus of global interest since the spring of 2011 has been the political upheaval in the Arab world. With it came the hope that a region which has been governed almost entirely by autocratic regimes might embark on a sustainable process of democratization. The Arab Spring has seen the collapse of the presidential regime of Ben Ali in Tunisia and Hosni Mubarak in Egypt, the deposition of Muammar al-Qadhafi in Libya, the abdication of Ali Abdallah Salih in Yemen, and revolts against the Al-Khalifa monarchy in Bahrain and the Bashar al-Assad regime in Syria. Together, this represents a wave of upheavals unlike anything the world has seen since 1989.

Changes in the state of transformation worldwide, BTI 2012 – BTI 2014



Countries with progress, deterioration or no significant change in the BTI Status Index

And yet these changes in the Arab world account for the relative “stagnation” conveyed by the scores for this edition of the BTI. For one thing, those countries recording the largest gains and losses within a given region often cancel each other out. Tunisia’s democratization process, for example, yields scores that are balanced by the scores resulting from Syria’s civil war. Economically devastated countries, such as Sudan and Yemen, face off against prospering, stable Gulf states, such as Kuwait and Qatar. And within individual countries, advances and setbacks also offset each other in many cases. At +0.23, the over-

all results for the United Arab Emirates are modest given the country’s excellent economic development (+0.68 in market economy status), but they derive in large part from the fact that the country’s leaders further reduced already highly circumscribed political and civil rights (–0.22 in democracy status).

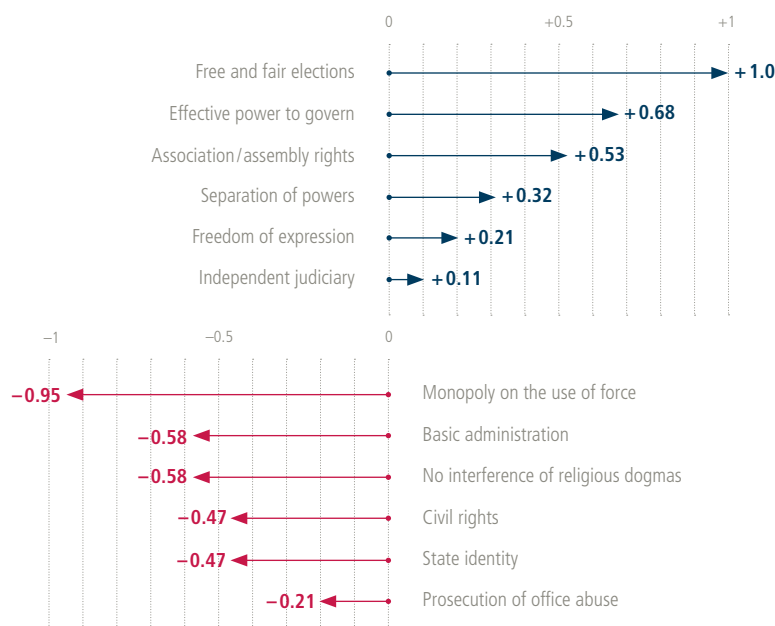
Progress comes at a price

Ultimately, however, and this represents a rather typical outcome among BTI countries affected by the Arab Spring, progress in one

area comes at a cost to other development factors. In countries like Egypt, Libya and Tunisia, political participation rights leapt ahead, while civil rights and protection against discrimination suffered measurably. In those countries subject to processes of upheaval, gains in the area of democratization were often accompanied by a loss of institutional stability, resulting in lower results for stateness.

And while this leveling effect can be observed within regions, it is even more apparent on a global scale: Those countries registering large gains in transformation, such as

More rights, less protection: the Arab Spring's mixed balance



Score changes in selected indicators, Middle East and North Africa, BTI 2012 – BTI 2014

Côte d'Ivoire (+1.22 in the Status Index), Bhutan (+1.12) and Myanmar (+0.87), are offset by those registering large losses, such as Mali (–2.00), Syria (–1.72) and Sri Lanka (–0.64); political setbacks in one region (East-Central and Southeast Europe, –0.14) are balanced by modest progress toward democratization in another (Asia and Oceania, +0.11).

Economic success doesn't always go hand in hand with democracy

Although the aggregated nature of the Status Index ultimately tends to level out opposing developments and therefore conceal them, the ranking it yields is essential for contextual purposes. The individual steps taken toward establishing a democracy under the rule of law and a market economy anchored in principles of social justice are most meaningful and best understood when considered against the sum of political and economic transformation processes underway worldwide. This issues from the belief that there is always a connection between political and economic factors, and that this

connection determines a population's well-being and freedom of action. Moreover, political developments are most meaningfully understood when considered with a view to their socioeconomic context, just as the scope for economic development is best understood to be determined significantly by political conditions.

Ultimately, the goal is to avoid blind spots. For example, from a purely economic perspective, the city-state of Singapore is a success. Despite having slipped somewhat in the current BTI ranking, at sixth place, it is one of the top performers in economic transformation and has mitigated socioeconomic disparities while promoting sustainability. Nonetheless, Singapore is largely governed as an autocracy with highly circumscribed political rights and only a partially functioning rule of law. In its current form, Singapore's government has almost completely exhausted its transformation potential and will only move up from its current place in the Status Index (24) when economic liberalization is matched by political liberalization. This applies similarly to China, Malaysia and Sri Lanka as well as the Gulf states Bahrain, Kuwait, Oman, Qatar and the Unit-

ed Arab Emirates (UAE), which all rank in the upper third for economic transformation. However, here, too, a look at the Status Index is instructive in differentiating among this group of economically successful autocracies: While Kuwait, Malaysia, Qatar and the UAE find themselves between 43rd and 53rd place in the Status Index, the other authoritarian countries are found in the bottom half. This is because deficits in the rule of law and participation rights are so egregious in the autocracies of Bahrain, China and Oman that the scores for these indicators pull each country's democracy score down toward the lower end of the scale (Bahrain: 106, China: 113, UAE: 114).

We see examples of the obverse as well. The Status Index, particularly between 50th and 65th place, features a few countries whose mostly compelling democratic transformation results have been weighed down by problematic economic development. These mostly African countries, including Kenya, Malawi, Senegal and Zambia, but also Bhutan and Honduras, appear well in to the upper half of the ranking for political transformation and are classified by the BTI as (defective) democracies, but they hover around 80th place in economic transformation and are largely defined as "poorly functioning" market economies. A democracy like the West African country Benin (democracy status: 26), which finds itself at the threshold of consolidation, is drawn so far down by its economic results that it obtains only the status of "limited" overall development in the Index. Despite their continually high performance in political transformation, countries such as Liberia and Niger, which suffer from mass poverty and social exclusion, are at 71st and 76th place ("very limited"), respectively.

11 front-runners since 2006

A "highly advanced" country, according to the BTI's Status Index, features a stable democratic order undergoing consolidation and a high-performing market economy anchored in principles of social justice. The group of front-runners has been more or