

2003 | 2006 | 2008 | BTI 2010

Transformation Index 2010

Political Management
in International Comparison

A World of Change: New Challenges for Political and Economic Transformation

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Over the last two years, the requisite conditions in which leaders steer social change have undergone drastic changes. During the period reviewed by the Transformation Index 2010 (BTI), an era of globally sustained, favorable economic conditions – which yielded significant growth rates and greater latitude for political decision-making in several developing and transformation countries – came to an end. However, the economic and financial crisis was not the first indication of just how vulnerable most of the world's economies had become to global developments. As food prices spiked in 2007 and 2008, only a few net exporters, such as Argentina and Brazil, were able to profit from these booms. Most, indeed almost three-fourths, of the world's developing countries instead suffered income losses. For the net importers of oil among these countries, the steep rise in oil prices exacerbated the negative effects of this loss in income. The long-term economic, social and political effects of the financial and economic crisis will only gradually become clear, as will the extent to which each individual country is directly or indirectly affected. Certainly, there is hope that the concerted monetary and fiscal policy measures that have been undertaken in several countries will enable their economies to pull out of the crisis earlier than foreseen in the spring of 2009. But these measures can in no way alter the severity of the crisis or the uncertainty over just how long the road to a full recovery will be. The corpus of the BTI 2010 – 128 country reports and 6656 individual scores – provides a detailed overview of the individual political and economic conditions under which political actors have addressed the crisis and their extant capacity for political management.

At first glance, the results of the Transformation Index 2010 on the state of political transformation in the world point to considerable stability. Sixty percent of the countries under review continue to be ruled by democratic governments, and democracy does not appear to have lost its normative appeal. Nevertheless, with the exception of a very stable group of top performers, the overall quality of democracy has deteriorated and – in some cases – considerably. Indeed, some of the key components of a functioning democracy, such as political participation rights and civil liberties, have suffered qualitative erosion. Of particular concern are increasing problems with free and fair elections and with freedoms of assembly and the press. In addition, in several democracies, an anemic rule of law, weak party systems and insufficient trust or limited social capital in civil society all prevent further steps toward consolidation. Over time, these developments threaten to hollow out the quality and substance of governance, which in turn undermines respect for democratic institutions.

In the area of economics, the problems observed in previous BTI editions have only become further entrenched during this review period. The data collected for the BTI 2010 shows that only a few states used their high growth rates and economic strength to expand the institutional framework needed for a robust market economy or to undertake measures directed at fostering social justice. And once again, the benefits of economic growth failed to reach all social strata. In an environment of global economic

uncertainty, these kinds of structural deficits and social disparities bear considerable risks. Dwindling financial resources and the dissipation of an economic prosperity capable of fostering legitimacy harbor the potential to threaten the stability of several governments.

In the context of these developments, the BTI's normative compass – namely to advocate the twin goals of democracy under the rule of law and a market economy anchored in principles of social justice – remains as relevant and urgent as ever. An operable separation of powers is needed to hold political leaders accountable for their decisions, to maintain transparency in decision-making processes and to ensure civil rights. At the same time, a medium- to long-term stable process of economic development supported by a solid institutional framework is needed to fight poverty, to establish equal opportunity and to compensate for social hardship.

The Transformation Index allows for a sophisticated understanding of these complex processes of change. Comprehensive in its approach and with its emphasis on the quality of governance, the BTI has become a trusted measure of good governance for scholars and decision makers alike. We once again look forward to the momentum and ideas the BTI sets in motion among those engaged in the work of foreign and development policy, scholarly research, media, and above all, among those individuals working to advance democracy and reform in their country.

Findings Summary

In the framework of its dual objectives of constitutional democracy and a market economy anchored in principles of social justice, the Transformation Index provides comprehensive information on successful political and economic transformation management to agents of reform in government, civil society and development organizations. To do so, the BTI thoroughly examines 128 countries and ranks them in two indices. Whereas the **Status Index** shows a country's achieved state of development on the way to democracy and a market economy as of spring 2009, the **Management Index** evaluates the quality of governance among decision makers from 2007 to 2009. Included are all countries with a population of more than two million that have not achieved the status of a fully consolidated democracy with a developed market economy by the start of the review period. Bahrain, Botswana, Estonia, Kosovo, Mauritius, Montenegro and Qatar have also been included as cases of special interest.



The **Status Index** of the BTI 2010 shows political and economic transformation being highly advanced in only 13 states. This group of top performers has changed little since the 2006 and 2008 BTI editions. Owing to its falling scores for the protection of the freedom of expression and civil rights, only Croatia had a lower total score than it did two years ago, which caused it to drop out of the Status Index's top group. Overall, this group consists of eight EU member states, two Asian states (South Korea, Taiwan) and three Latin American states (Chile, Costa Rica, Uruguay). All these countries share in common a relatively robust level of socio-economic development.

In the political arena, scores related to penalizing the abuse of office and more generally to the rule of law are particularly worrying. In addition, there are signs that the gradual qualitative erosion underway has penetrated the core institutions of democracy in political systems around the world. As a result, there have been significant setbacks observed in the freedoms of assembly and association as well as that of the press in several democracies. In the economic arena, sustainability and the level of social inclusion continue to lag far behind the values for economic output. In one quarter of the countries reviewed, the level of socioeconomic development is so low that poverty and social exclusion are widespread and structurally ingrained. Indeed, only 41 countries received average to good scores in this area.

Top Performers in the Status Index	
1	Czech Republic
2	Slovenia
3	Taiwan
4	Estonia
5	Uruguay
6	Slovakia
7	Lithuania
8	Hungary
9	Chile
10	Costa Rica
	Poland

Top Performers in the Management Index	
1	Uruguay
2	Chile
3	Estonia
4	South Korea
5	Brazil
6	Taiwan
7	Botswana
8	Slovakia
9	Czech Republic
10	Lithuania
	Mauritius

Political management: pulling ahead and falling behind

In contrast to the Status Index, the **Management Index's** top ten shows more visible changes. Croatia, Latvia and, in particular, South Africa no longer occupy top slots and have been replaced by Brazil, the Czech Republic and Lithuania. For the first time ever, Uruguay is the leading scorer in the Management Index. The government of President Tabaré Vázquez, which has been in power since 2005, has demonstrated a high degree of steering capability, as it managed to strengthen the country's economy and lower its debt levels by implementing structural reforms incrementally. Additional strengths include the country's high level of democratic participation, the integration of a strong civil society in political decision-making processes and the broad consensus of all stakeholders on important reforms.

During the review period, leaders in 49 of the assessed states were exercising good reform management. In addition to those of the countries in the East-Central European region, the political elites in Brazil, Chile, Ghana, India, Indonesia, Taiwan, Turkey and Uruguay have preserved and expanded upon their successes. And governments in Liberia, Malawi, Mali and Niger – despite pronounced structural difficulties – have managed to demonstrate prudent governance with a long-term view.

Burundi, Haiti, Indonesia, Liberia and Paraguay showed the strongest gains in the Management Index. Other countries showing improvement were Angola, Iraq and Nepal, whose political elites were able to introduce regime change aimed at democracy. Even some autocracies, such as Côte d'Ivoire, Togo and the United Arab Emirates, were able to considerably improve upon their scores from the BTI 2006.

The group of underperformers includes countries as diverse as Senegal, Slovenia and Venezuela. Among the democracies within this group, South Africa's poor performance was particularly striking, as the country dropped from the top group to the rank of 33. This drop can be attributed primarily to the effects of the power struggle between President Thabo Mbeki, who ruled until September 2008, and his challenger, Jacob Zuma. This conflict led to massive political polarization within South Africa, political pressure on the independence of the judiciary and a neglect of reform-oriented policies. However, there have been signs of restabilization since President Zuma entered into office.

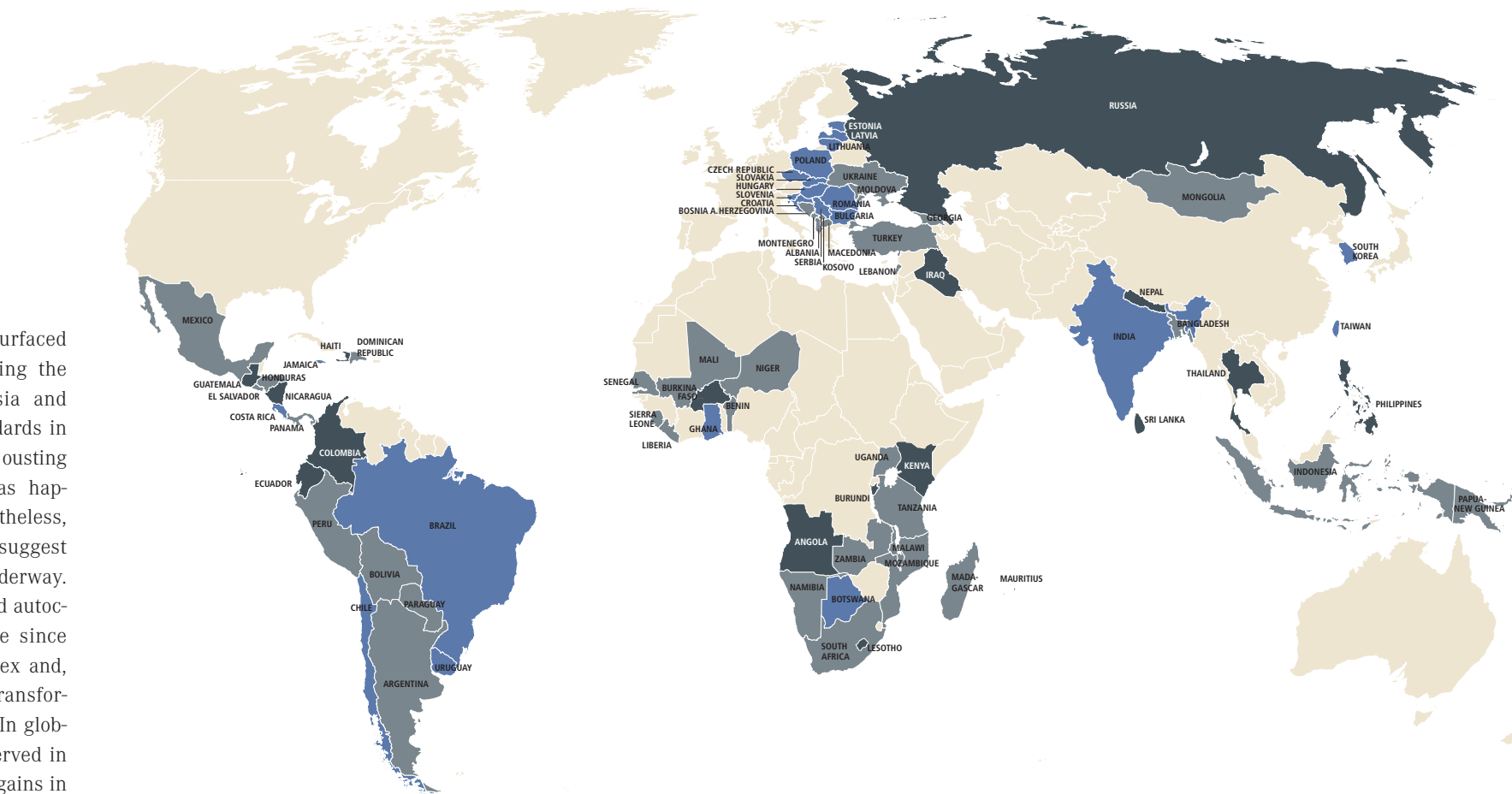
The BTI registers weak, blocked or nonexistent transformation management in 39 states. In 17 countries – in particular, Guinea, Pakistan and Tajikistan – transformation has suffered significant setbacks over the last four years.

Strongest gains in the aggregate Management Index score, 2006 – 2010								
Country	BTI 2006		BTI 2008		BTI 2010		Difference 2006 – 2010	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Liberia	3.62	92	4.96	66	6.04	31	2.42	61
Togo	2.28	110	3.65	104	4.70	72	2.42	38
Haiti	2.84	105	4.49	86	4.75	71	1.91	34
Burundi	2.77	106	4.80	70	4.55	78	1.78	28
UAE	4.20	77	5.04	60	5.47	54	1.27	23
Côte d'Ivoire	1.83	116	2.18	118	2.92	116	1.09	0
Indonesia	4.84	60	5.27	53	5.87	37	1.03	23
Paraguay	4.95	58	5.73	43	5.97	34	1.02	24

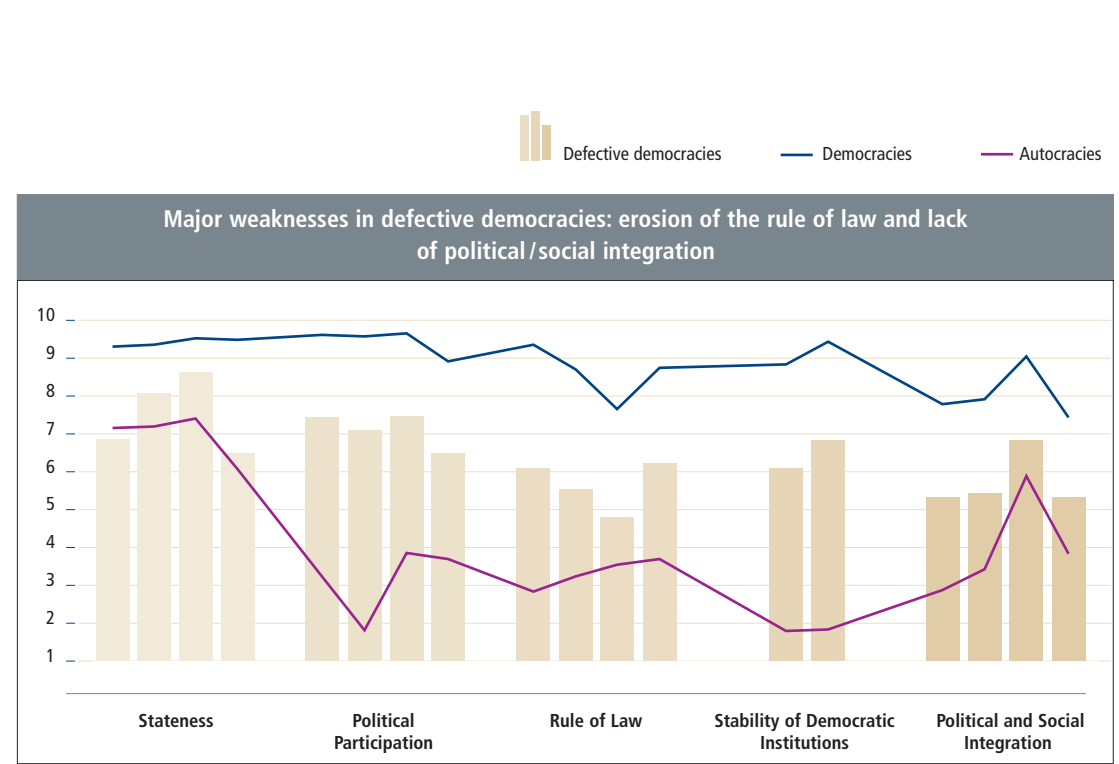
Eroding democracy

Among the 128 countries assessed by the BTI, 76 fulfill the basic requirements of a democracy. Whereas 23 democracies do not display any significant deficiencies, 53 countries are now classified as “defective democracies.” In these countries, political and civil rights or an effective separation of powers are not adequately ensured, although relatively free elections were held. Among these countries are 16 states (e.g., Haiti, Kenya and Russia) that have significant problems with the rule of law, a limited equality of opportunity for voices of opposition and only conditionally representative political structures. As a result, these countries are classified as “highly deficient democracies.” The failing states of Afghanistan, the Democratic Republic of Congo, Iraq and the Central African Republic are included in the group of 52 autocracies because, although they have held elections, the state’s severely limited monopoly on the use of force combined with the near absence of administrative structures in each has created a situation in which no truly democratic system can be established.

The “democratic retreat” thesis has resurfaced in the context of several trends, including the autocratic tendencies observed in Russia and Venezuela, the erosion of rule-of-law standards in Nicaragua and South Africa, and the violent ousting of democratically elected governments, as happened in Thailand and Mauritania. Nonetheless, the BTI 2010 results do not, at first glance, suggest that a global shift toward autocracy is underway. The groups of democracies (60 percent) and autocracies (40 percent) have remained stable since the last edition of the Transformation Index and, indeed, the average values for political transformation have remained almost unchanged. In global terms, the heavy qualitative losses observed in Georgia and Nigeria were balanced out by gains in Liberia, Serbia and Turkey. The continued consolidation of democracy in geographically large countries such as Brazil and Indonesia is particularly impressive.



■ Democracies
■ Defective democracies
■ Highly defective democracies



This state of affairs calls for a closer examination of the quality of democracy rather than the classification of regime types. Over the last four years, the proportion of moderately defective democracies among all democratic systems has fallen from 62 percent to 49 percent, while the share of highly defective democracies climbed from 10 percent to 20 percent in the same period. In other words, although the number of democracies may have remained almost unchanged, the quality of several political systems outside of a highly stable top group is showing significant erosion.

Restrictions on freedom of the press and rights of assembly

The continued erosion of quality has begun to impact upon the core institutions of political participation. As a result, the freedom and fairness of elections held in defective democracies fared significantly worse – showing a 0.43 drop in scores – than they did four years ago, particularly in Kenya and Nicaragua. Since the BTI 2006, defective democracies have shown marked losses in the area of association and assembly rights (-0.49), and in a particularly alarming development, restrictions on the freedoms of expression are growing. Among the defective democracies, the average value sank 0.43

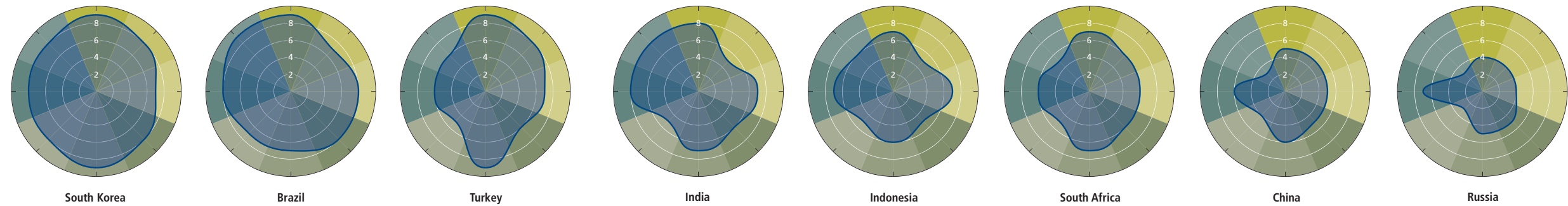
points in comparison to the BTI 2006. Among the consolidating democracies, the score for press freedoms fell by a worrisome 0.64 points. This drop in values is particularly true for the defective democracies of Africa, such as Kenya, Madagascar, Niger, South Africa and Uganda, but there were also setbacks in consolidated democracies, such as Croatia, Ghana, Serbia and South Korea.

Weak links in the chain: rule of law and social integration

Once again, the rule of law and the systemic capacity for integration constituted the weak links in the chain for all democracies assessed by the BTI. This was particularly the case for the defective and highly defective democracies. Among the rule-of-law criteria, prosecution of office abuse remains the single worst value, corresponding with the worst score on the Management Index for anti-corruption policies. Likewise, the separation of powers and the independence of the judiciary, in particular, are only marginally guaranteed in defective and highly defective democracies. Other weak points include the absence of a stable and representative party system, weak or disproportionate representation via interest groups and the lack of trust and social capital in civil society.

Equipped to handle the crisis?

By the spring of 2009, the full effects of the global financial and economic crisis had not yet reached the large majority of the 128 countries under review. The macroeconomic indicators recorded in the BTI 2010 continue to point to substantial economic strength in 40 countries (8 - 10 points), which was the case for 49 countries with the same classification in the BTI 2008. However, given the immediate withdrawal of private portfolio and direct investments, sinking export receipts and the depletion of remittances sent by labor migrants to many countries, it is likely that many of these hard-won economic gains will suffer setbacks.



Whether or not – and if so, how – individual countries effectively navigate the shocks unleashed by the crisis depends to a great deal on the capacity of their governments to pursue sound crisis management. Of critical importance will be the extent to which governments are in a position to set strategic priorities, their ability to effectively implement their decisions, and their capacity for policy learning. In times of economic crisis, it is particularly important that governments manage their available resources efficiently, coordinate various interests and concerns in a coherent manner, and successfully combat corrupt practices. Moreover, should political upheavals loom on the horizon, a government's ability to manage conflict and incorporate civil society organizations into the political process is absolutely essential.

Weak political leadership

In all 128 countries assessed, the average scores for these selected management criteria are sobering. Only policy coordination attained a moderate value (5.5 points), and all other scores are lower. This was particularly the case with anti-corruption policy (4.3), the efficient use of assets (4.7) and civil society participation (4.8). Broken down by BTI region, only East-Central European states and, to some extent, the countries of Latin America seem well-equipped for the crisis – although individual countries such as Lithuania or Hungary were hit especially hard. These governments not only tend to have the actual capacity to exercise crisis manage-

ment, but also have enjoyed the benefits of favorable conditions within which they could act (except in Central America and the Andean region).

Fighting corruption: an uphill battle

Conversely, for governments in sub-Saharan Africa, it is precisely structural conditions that constitute a major hurdle to effective crisis management. The level of socioeconomic development in 32 out of 37 sub-Saharan countries under review received scores of only one to three (out of a possible 10 points). Of these countries, only five – Botswana, Ghana, Mauritius, South Africa and Uganda – have thus far been spared a dramatic level of mass poverty and social exclusion. In this light, the weakness of political management in these countries is worrisome. With a few exceptions (i.e., Botswana, Mauritius and Namibia), the fight against corruption constitutes the greatest failing, and the efficient utilization of resources is also a major point of concern. In the Middle East, North Africa and the CIS regions, the average management capacity was as weak as it was in large parts of Africa. The pronounced deficits in civil society participation are characteristic of the primarily authoritarian countries in these regions, where anti-corruption policy was also scored as weak. Nevertheless, the structural conditions in these regions are better, and the natural resource wealth of the states in the Gulf region yielded positive scores in terms of economic output and macrostability. Among the Asian countries, it was the highly developed states of Singapore, South Korea and Taiwan that

demonstrated impressive management performance. Good, though somewhat less impressive performance was observed in India, Indonesia and Malaysia. Whereas Malaysia received good scores in terms of both conflict management and resource efficiency, India and Indonesia received good scores for their steering capabilities. The average regional scores for steering capability and resource efficiency were brought down by countries such as Cambodia, Laos, Myanmar, Nepal and North Korea, in which the near absence of political management aggravated the often precarious socioeconomic state of affairs in these countries.

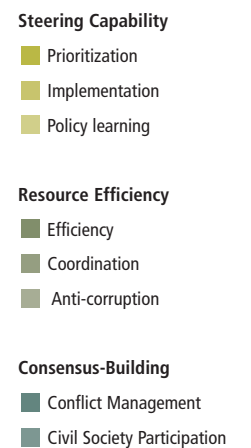
Showing a sizable capacity to manage the crisis: Brazil, South Korea and Turkey

If we focus on a few of the countries that are particularly important for the global economy, the overall picture of global capacities to cope with the crisis brightens up considerably. Brazil, South Korea and Turkey, in particular, but also India, Indonesia and South Africa received scores ranging from respectable to good for their governments' respective steering performances. The three leading countries received the highest score for the setting of strategic priorities; and while South Korea and Turkey both scored points for policy coordination, Brazil's government prevailed with its systematic consultation of civil society groups. India and South Africa received only average values for their capacity to use their available resources efficiently. Frequently ineffective anti-corruption policies constitute a major problem in both countries.

Nonetheless, the Indian government's good performance in terms of conflict management and the integration of civil society was exemplary. The governments of Russia and China, however, received below-average scores in almost every aspect of management. It should be noted, however, that the BTI criterion for steering capability is assessed by evaluating reforms aimed at both democracy and a market economy, to the disadvantage of autocracies like China.

Crisis management: a comparative study

The capacity of governments to navigate the effects of the economic crisis is outlined in the Transformation Index's 2010 country reports. Exploring this issue further, the Bertelsmann Stiftung is examining the crisis management of these eight economically significant countries as part of a separate comparative analysis that also includes states such as Germany, the United Kingdom and the United States. The "Comparative Crisis Management" study will assess policy planning and prioritization within the context of the economic and financial crisis. This will include a close look at the policy programs in each country in terms of their timelines, specific focus, and the communication and coordination involved with their implementation. In addition, finance and monetary policies will be explored, as will any observable learning effects or repercussions resulting from government action. The study will serve as a forerunner to the BTI 2012, which will allow a comprehensive assessment of crisis management in all developing and transformation countries.



Legitimacy in crisis?

The long-term economic, social and political consequences of the economic crisis on developing and transformation countries are very difficult to predict. A great deal will depend not only on the duration of the crisis, but also on the varying extent to which individual states are affected. Ultimately, these two variables will prove crucial in determining whether the external shock precipitated by the global recession develops into a systemic threat for individual governments and undermines the legitimacy upon which they are built.



Political rule can be legitimated by a variety of factors. On the input side of the equation, the quality of decision-making processes and political participation are paramount. The main questions to be asked here include: Are political decision-making processes transparent, accountable and meaningful? What are the channels in place for mediating interests, and are these open or closed? Is there a certain equality of opportunity in the consideration of interests? With regard to output-oriented legitimation, the key factor is the performance of leaders. In this case, the main questions are: Are policy approaches effective and efficient in resolving problems? Can the state guarantee safety and order, and can it provide more public goods? Are there measurable achievements in development, such as those in the areas of fighting poverty and social exclusion, and is equality of opportunity promoted via access to education and economic well-being? If all of the above criteria are met, a country's population will recognize the regime as legitimate and ensure its continuity. Ideally, both input and output legitimation will complement each other, leading to a balance in legitimacy.

A glance at the underpinnings of state legitimacy in the countries assessed by the Transformation Index 2010 reveals the following state of affairs at the end of the global economic boom: Unsurprisingly, the highly advanced rule-of-law democracies are achieving a solid balance between input- and output-oriented factors. This top group is nearly identi-

cal to the top performers in the Status Index. Likewise, the situation at the bottom end of the scale is hardly surprising. The failing state of Somalia and autocracies such as North Korea and Myanmar are characterized by extremely low levels of legitimacy. In some of these countries, other means of legitimation – such as charismatic or ideological leadership structures – are at work. In other countries, the regime counters its legitimacy deficits through massive repression in order to ensure its survival.

Sliding economic performance and legitimacy strain

More revealing is a look at those states with major discrepancies between their input- and output-oriented legitimation. It allows us to examine the extent to which the crisis may be facilitating a shift in the structure of legitimation. To an overwhelming degree, autocracies have to legitimate themselves through their outputs. Many have used the favorable conditions of recent years to increase their economic performance and, in some cases, to expand their social welfare systems. Authoritarian modernizers, such as China and Vietnam, as well as the Gulf states and Cuba received high scores for their output legitimation; Singapore had the highest score of all the Transformation Index countries. Their scores on the input side are lower, though to varying degrees. As a consequence of the economic crisis, resources for output legitimation in some of these states have diminished, which could put considerable strain on their government's legitimacy. Increasing repression is only one possible response

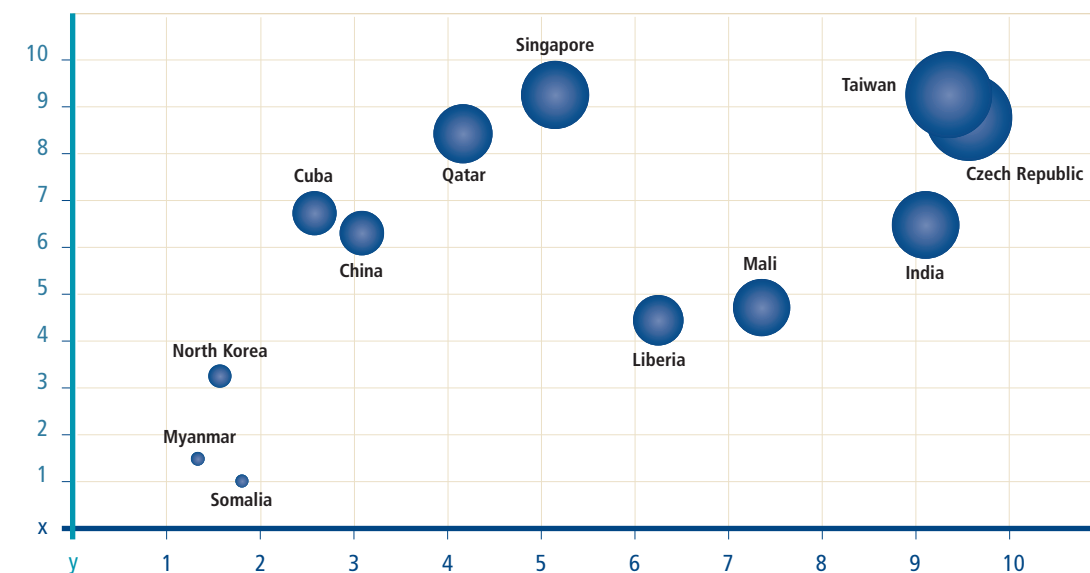
for ensuring the stability and survival of these systems. Another option is for governments to introduce certain political participation rights, which would increase their input legitimation. However, the primary goal of these regimes is typically not to expand the sphere of democracy but, rather, to stabilize an autocratic regime – without having to resort to excessive repression that could endanger the regime's foundation of power and resources.

Clearly, there is another scenario to consider. The direct and indirect effects of the crisis could exacerbate existing legitimacy deficits and the precarious imbalance between input and output legitimation, which could in turn lead to political instability. In defective democracies, such as Benin, Liberia, Mali and Papua New Guinea, the legitimacy of the political system derived from political participation (input) is comparatively high, although their leaderships' performance and problem-solving abilities are relatively limited for a variety of reasons. Future effects of the crisis such as dwindling resources and a narrowed maneuvering capacity are likely to impede leaders' ability to meet the expectations and desires among their

constituents for better living conditions (output). However, should a population's trust in the capacities of its political system decline, the legitimacy of the democratic system as a whole is likely to be questioned.

External support as a stabilizing factor

For external supporters of development and democratic transformation, those countries with high input legitimation and comparatively good governance but insufficient output legitimation are of particular interest – especially if their lower output legitimation can be attributed to unfavorable structural conditions and the economic crisis. These countries should be the primary targets for external aid – and before socioeconomic freefall is set in motion and a population begins to question the legitimacy of an already weak democratic regime. At the same time, there is also a need for a sound analysis of the shifting patterns of legitimation in autocratic regimes with formerly high output legitimation. Doing so will help stakeholders develop a proper response to increased repression as well as developments aimed at expanding participation.



x Input legitimation

The scores for input legitimation are based on the following BTI indicators: state identity, free and fair elections, association / assembly rights, freedom of expression, separation of powers, independent judiciary, civil rights, consent to democratic norms, associational activities, consensus on goals, and (international) credibility.

y Output legitimation

The scores for output legitimation are based on the following BTI indicators: monopoly on the use of force, basic administration, level of socioeconomic development, macrostability, social safety nets, equal opportunity, (economic) output strength, education policy, and efficient use of assets.

Regional Summaries

East-Central and Southeast Europe

Twenty years after the fall of the Iron Curtain, East-Central and Southeast Europe is the most advanced of all the regions examined by the Transformation Index. However, the East-Central European states continue to receive much better scores than their Balkan counterparts. In economic terms, this gap has been somewhat reduced because the global financial crisis affected East-Central European countries, such as Hungary and Latvia, much more strongly than it did those in Southeast Europe. In terms of political performance, however, the disparity between the regions has widened. For East-Central European countries such as Poland, some progress was observed, while democratic standards deteriorated in a few Southeast European countries. The regional differences are particularly profound with respect to the separation of powers, freedom of expression and the independence of the judiciary.

Latin America and the Caribbean

On the eve of the economic crisis, Latin America looked back on a long phase of economic growth that had led to improved economic performance - particularly in Brazil, Chile, Costa Rica, Panama, Peru and Uruguay. However, the governments of the region failed to expand access to economic success sufficiently so as to include all social groups. The key problem in Latin America therefore continues to be the pronounced disparity between the management capacity of the political elites and the social demands voiced by their constituents. Only Chile, Costa Rica, Cuba and Uruguay - and, with some qualifications, Argentina and Brazil - received good scores for the level of socioeconomic development and the state's welfare regime.

Asia and Oceania

The Asian region is still divided into democratic reformers and authoritarian modernizers. South Korea and Taiwan, as well as the authoritarian-led Singapore, were successful in all aspects of their economic development. Although the regional powers of China and India also experienced high rates of growth, they received markedly lower scores in the areas of social exclusion, the fight against poverty and sustainability. Malaysia and Vietnam are also economically dynamic, but growth in the moderate autocracy of Kuala Lumpur was significantly more sustainable in both social and environmental terms than that found in the modernizing dictatorship in Hanoi. The divergent political trends in the two democratically ruled island states of Indonesia and the Philippines were also striking. While the democratic quality of the world's largest Muslim country has continuously increased for several years, in the Philippines, the separation of powers has weakened and the freedom of expression has been subject to growing restrictions.

Africa

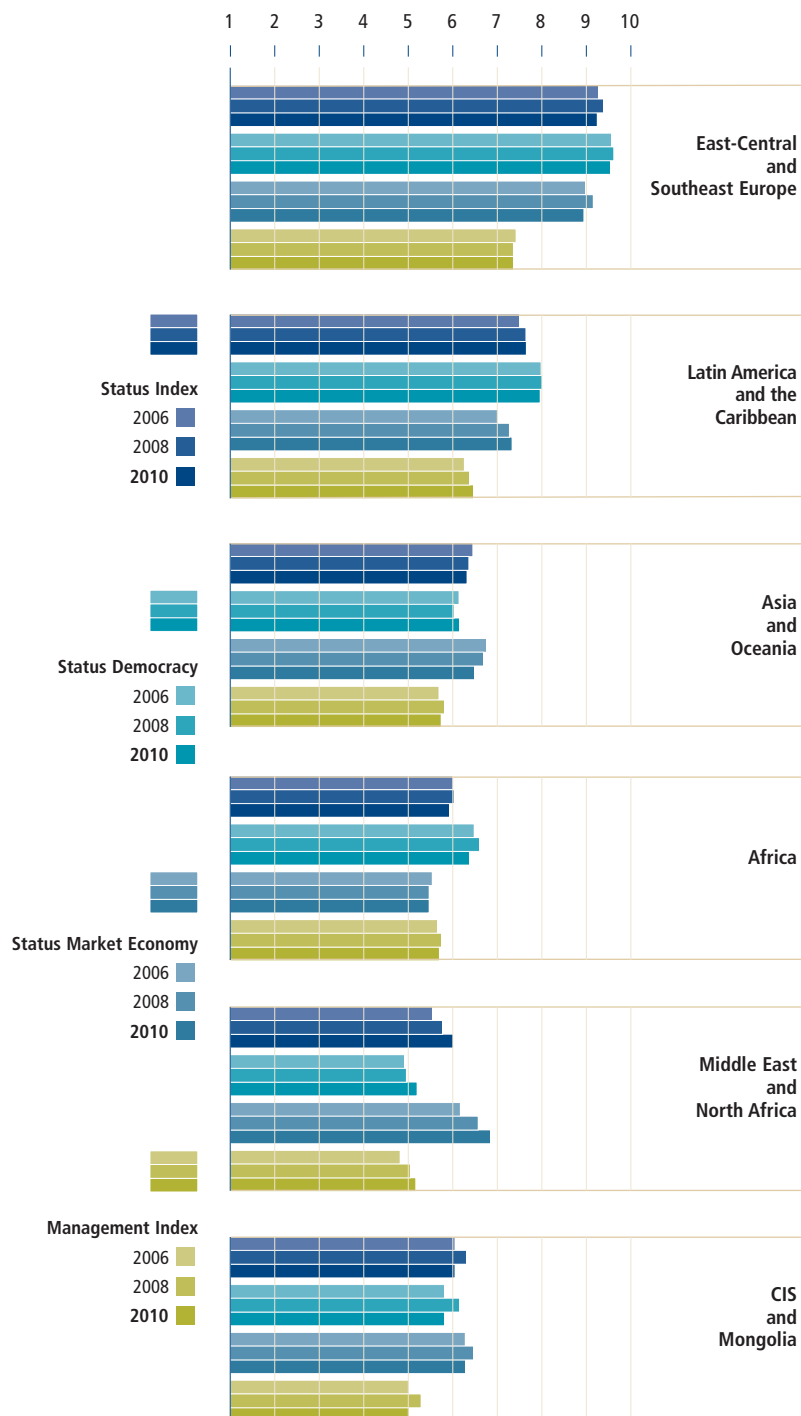
Of the 15 countries that have suffered a significant deterioration in the quality of their political systems over the last two years, nine are found in sub-Saharan Africa. Among them are countries that once inspired great hopes for democracy, such as Madagascar, Senegal and Tanzania, each of which is now close to becoming a "highly defective democracy." But the problems with political institutions in Africa are clearly outweighed by those associated with economic shortcomings. In terms of their socioeconomic performance, most African states are weak and characterized by massive levels of poverty and widespread social exclusion. Only in Botswana, Ghana, Mauritius and South Africa are social conditions not quite as dramatic. After years of stable economic growth in many of Africa's economies, this state of affairs is particularly disillusioning.

Middle East and North Africa

In most of the Middle Eastern and North African states, there was a continued absence of debate or discussion about fundamental political reforms. Only Lebanon and Turkey are ruled by democratic governments, and Iraq succeeded in consolidating its stateness enough to qualify as a "highly defective democracy" during the review period. In terms of economic matters, it is the Gulf states of Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates that lead the region. During the review period, these states experienced both significant growth rates and strong economic stability not only on account of their resource wealth, but also because of their successes in the areas of economic diversification and raising educational standards. Two non-Arab countries, Turkey and Iran, showed entirely opposite trajectories. While Turkey was again able to improve both politically and economically, Iran's performance in both areas continued to drop below previous levels.

CIS and Mongolia

The slight upward trend of two years ago in the CIS and Mongolia region has reversed. The potency of the color revolutions has dissipated, and the region's autocratic regimes are increasingly consolidating their grip on power. Elections in Armenia and Kyrgyzstan failed to meet democratic standards, and both countries are now considered autocracies. Setbacks in political and economic transformation are clearly manifest in the steering performance of several states' leadership, and the entire region has returned to almost exactly the same average level that was recorded in the Transformation Index 2006. Almost all of the governments in this region demonstrated worse political management during the review period, the major weak points being anti-corruption policy and the integration of civil society. Only Ukraine succeeded - with great difficulty - in holding on to its 2008 scores, which makes it the unstable leader in this region.



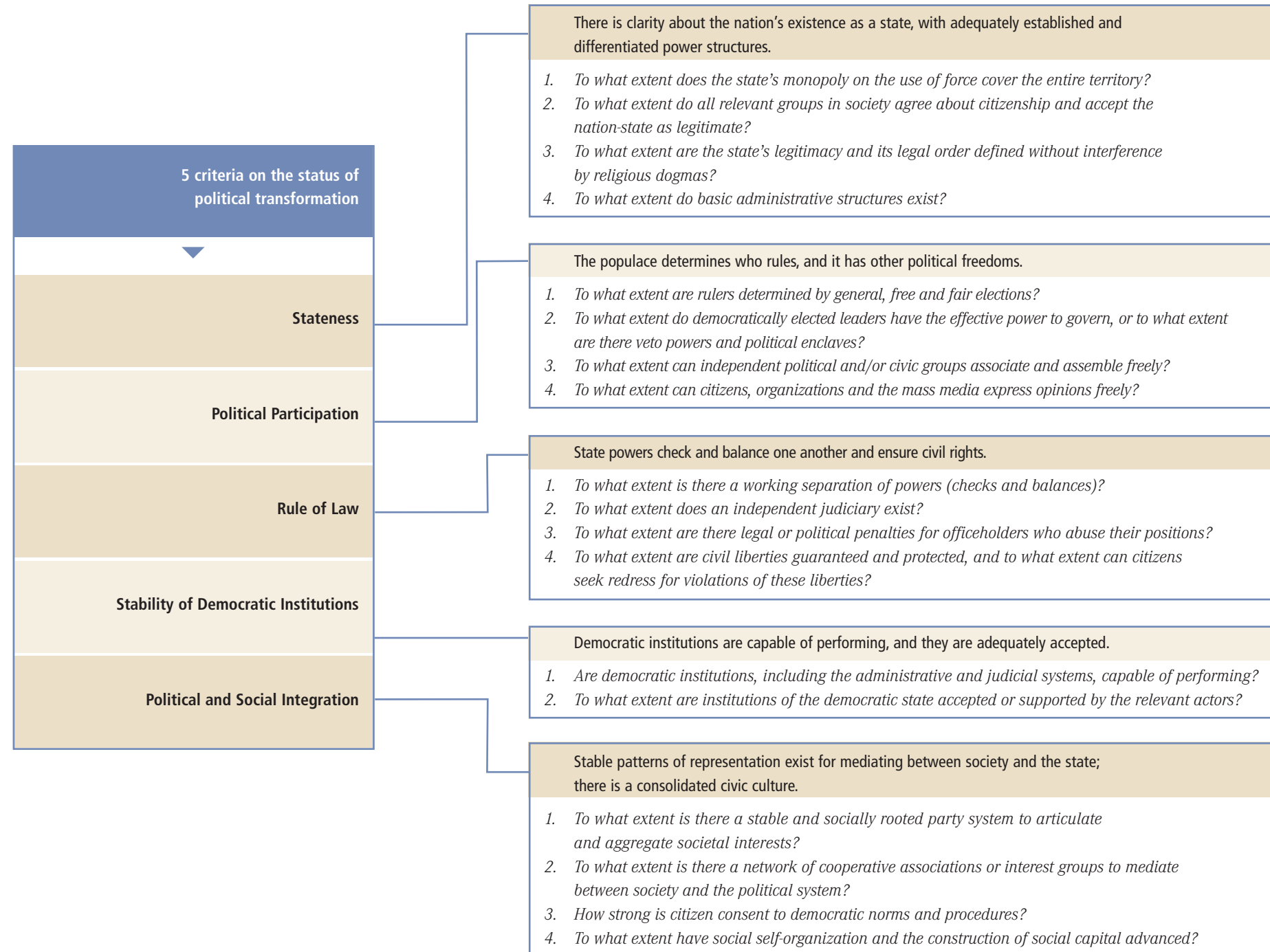
Despite suffering the most severe economic and social conditions, Africa receives relatively good scores for political transformation. Once again, East-Central and Southeast Europe shows that only a few countries consolidating transformation achieve top scores in political management. Over the last four years, the economic situation and political steering performance in Latin America and the Caribbean have been improving. The Middle East and North Africa are showing markedly improved economic performance, but democracy and management scores continue to lag behind. With the momentum of the color revolutions in the CIS spent, the region's scores for all areas have dropped to their 2006 levels. Despite the strong economies of states such as South Korea, Taiwan and Singapore, scores for economic transformation in Asia and Oceania fell continuously during the last four years.

The Status Index Political Transformation

The Status Index explores the state of development achieved by 128 countries on their way to democracy under the rule of law and a market economy flanked by sociopolitical safeguards, as of spring 2009. Status Index scores result from the combined scores given for the status of political and economic transformation.

Status Index – Democracy

There are five criteria based on a total of 18 questions used in assessing the state of political transformation. In contrast to other, more narrow definitions of democracy that focus primarily on basic civil rights and free elections, the BTI's concept of democracy casts a wider net and includes criteria such as the rule of law and the separation of powers. The BTI thus asks to what extent the democratic system is consolidated in terms of its acceptance, its structures of representation and its political culture. In so doing, the BTI shows whether, and to what extent, the ground rules for democracy are anchored in a society.

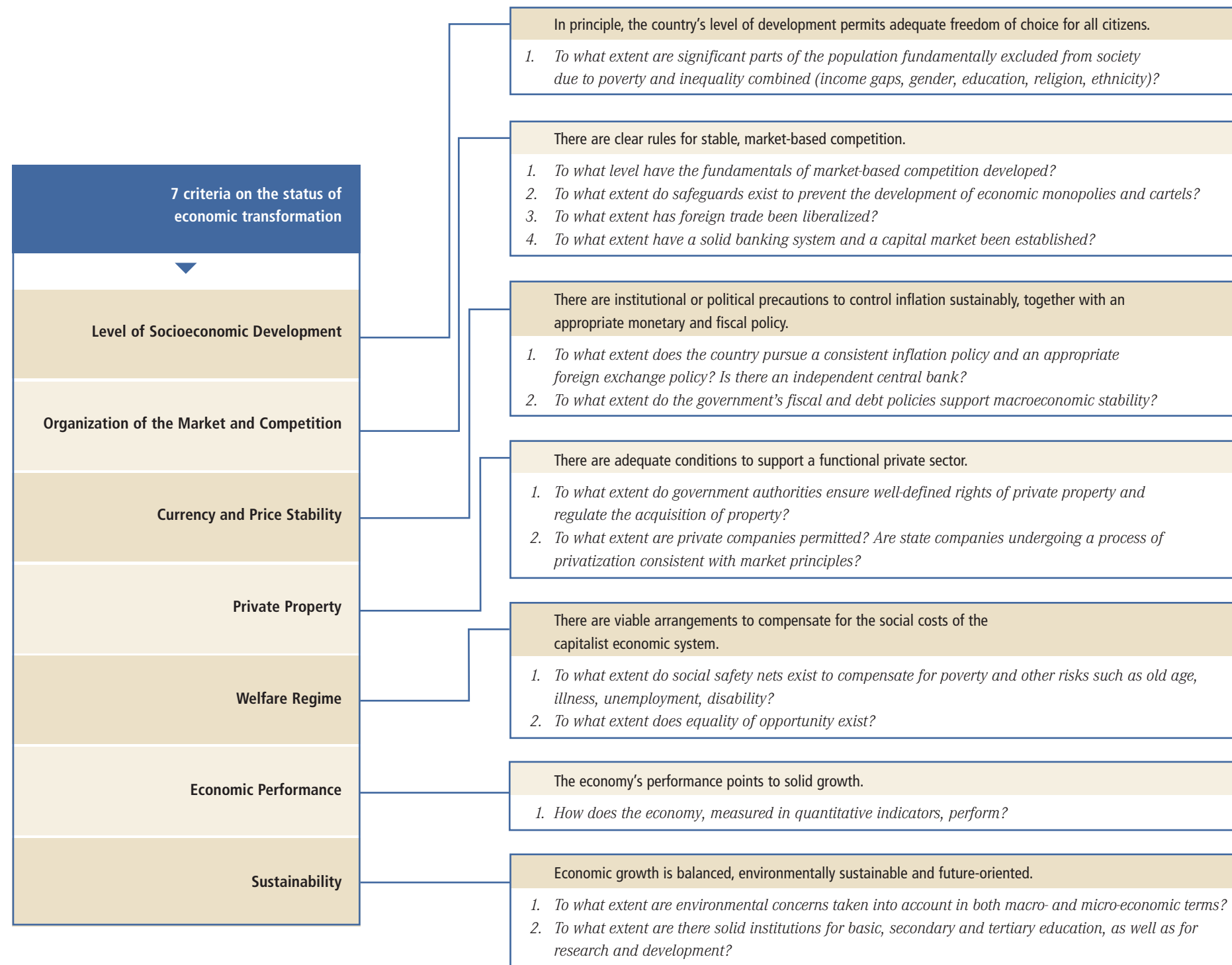


Objectives and Questions

The Status Index Economic Transformation

Status Index – Market Economy

There are seven criteria based on a total of 14 questions used in assessing the state of economic transformation. The BTI concept of a market economy flanked by sociopolitical safeguards encompasses issues such as a framework of competition and private property rights, as well as social responsibility, equal opportunity and sustainability. In BTI terms, comprehensive development should not only lead to economic growth; it should also fight poverty effectively and expand the freedom of choice and action to as many citizens as possible.

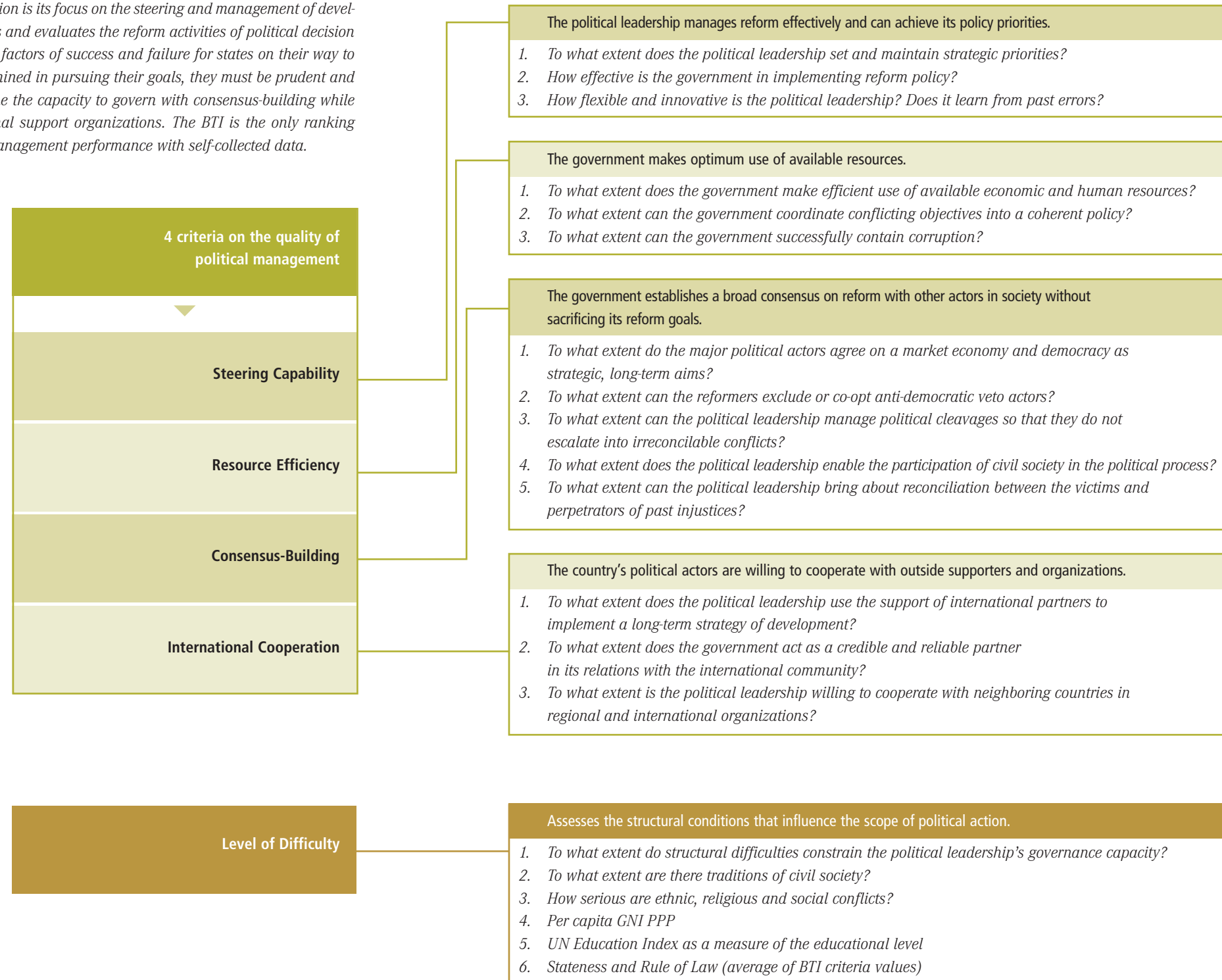


Objectives and Questions

The Management Index

The Bertelsmann Transformation Index's key innovation is its focus on the steering and management of development and transformation processes. The Index reviews and evaluates the reform activities of political decision makers, thus providing valuable information on the key factors of success and failure for states on their way to a market-based democracy. Governments must be determined in pursuing their goals, they must be prudent and effective in using their resources, and they must combine the capacity to govern with consensus-building while cooperating reliably with neighboring states and external support organizations. The BTI is the only ranking worldwide to focus so thoroughly on political leaders' management performance with self-collected data.

There are four criteria based on 14 questions used in assessing political management. Based on six further questions, the Level of Difficulty criterion accounts for the fact that the quality of transformation management is shaped by each state's unique structural conditions. The more adverse a state's structural conditions and the more limited its available resources, the higher good governance is scored in the Management Index.



Objectives and Questions

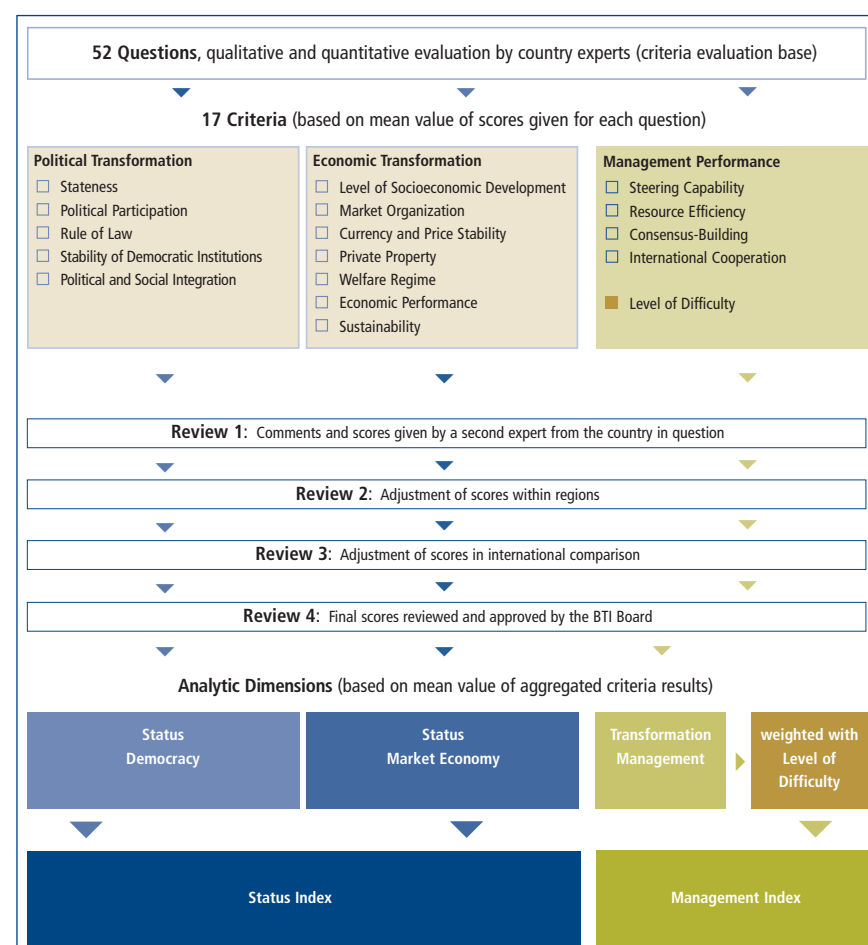
The Transformation Index

Country reports detailing the state of development, management and the landscape of problems specific to a given country form the backbone of the BTI. Using a standardized codebook, experts for each of the 128 countries examine the extent to which a total of 17 criteria are fulfilled, providing scores as well as written assessments for each. Each country report substantiates the scores given and is available online. A second expert, generally from the country in question, reviews the scores and assessments given for each report. To ensure the consistency of 52 individual scores, each country's scores then undergo a regional and inter-regional comparison and calibration process, after which they are subjected to final review and approval by the BTI Board – a team of esteemed

scholars and development professionals. The BTI's standardized analysis allows for a targeted comparison of reform policies. Indeed, its unique body of data aids in assessing and comparing the successes and failures of developing and transformation states.

To keep track of current developments and ensure data quality, the BTI is published every two years. The continuous evaluation of transformation and development makes it possible to assess observed trends and establish the results of transformation strategies. Now in its third edition, the BTI can expand the body of knowledge on political management for decision makers and the external organizations supporting them.

- 128 Countries
- 17 Criteria
- 52 Indicators
- 6,656 individual scores total



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Further information on the BTI 2010

The BTI book includes a summary of findings, regional reports and a methodological overview; an accompanying CD-ROM includes all 128 country reports: Bertelsmann Stiftung. *Transformation Index 2010: Political Management in International Comparison* (Verlag Bertelsmann Stiftung 2010, ISBN 978-3-86793-056-7).

All 128 country reports as well as further information on the project are available online at: www.bertelsmann-transformation-index.de. Also available at the site is the Bertelsmann Transformation Atlas, an interactive visualization and comparison of the BTI 2010 and its corpus of data – including 6,656 scores – using maps and graphics.

www.bertelsmann-transformation-index.de

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