Regional Report
East-Central and Southeast Europe

Resilience Tested

by Allan Sikk

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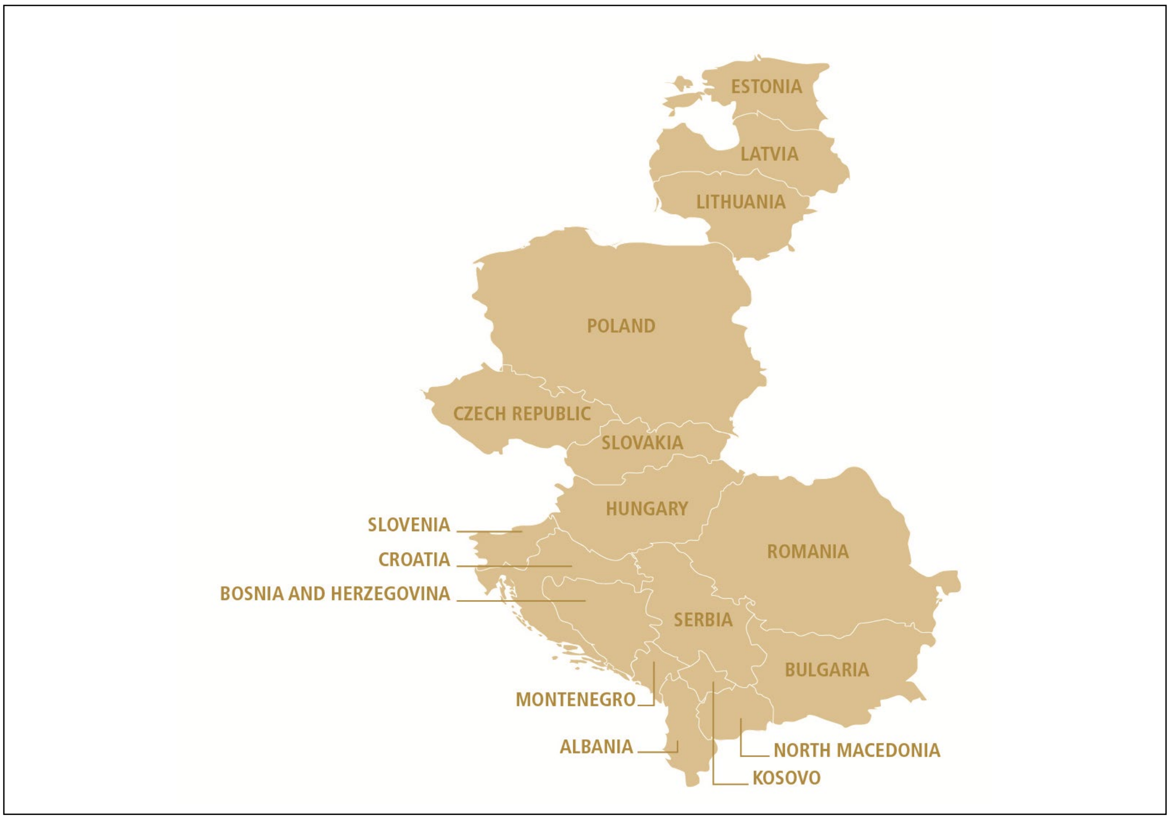
Overview of the transformation processes in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czechia, Estonia, Hungary, Kosovo, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia



This regional report analyzes the results of the Bertelsmann Stiftung's Transformation Index BTI 2026 in the re-view period from February 1, 2023, to January 31, 2025. Further information can be found at www.bti-project.org.

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Introduction

East-Central and Southeast Europe remains the best performing BTI region overall. ven the three lowest-ranked countries – Hungary, Bosnia and Herzegovina, and Serbia – exceed global averages in democratic and economic status, though not in governance performance. On average, the region recorded only modest changes across all three aggregate indices in BTI 2026. While political transformation and governance scores remained largely stable, slight improvements in the average economic transformation score were mainly driven by post-pandemic recovery and the easing of inflationary pressures already noted in BTI 2024.

Average regional scores for the status indicators remained stable, suggesting a high degree of stability. Yet this apparent steadiness masks growing geopolitical risks, continued democratic backsliding and deteriorating governance in several countries. Throughout the period under review, Russia's war against Ukraine continued to cast a long shadow over the region. The invasion initially reinforced a shared sense of purpose and determination among most countries to align decisively with the West. However, the start of a second Trump presidency and the administration's push to disengage from Europe have made a clear "Western" orientation an increasingly blurred target.

While most countries in the region responded to the threat of an increasingly revanchist Russia by strengthening ties with the West and supporting Ukraine, some diverged from this trajectory. Most notably, Hungary's long-standing Fidesz government maintained close relations with Russia and China. Serbia, under the increasingly authoritarian leadership of President Aleksandar Vučić, continued to pursue a balancing strategy between the EU, Russia and China. These two authoritarian-leaning and distinctly less pro-Ukraine governments were joined by Slovakia following Prime Minister Robert Fico's return to office in 2023.

Nearly all countries in East-Central and Southeast Europe have made progress in democratization, economic transformation and governance since the fall of communism. During the EU enlargement phase from 2004 to 2013, the region's performance improved markedly, only to decline in the years that followed. While this downward trend largely halted after 2021, Serbia and Hungary have continued to regress. Serbia has now fallen out of the category of "defective democracies" and is assessed as a "moderate autocracy." Hungary remains on the verge of joining Bosnia and Herzegovina among "highly defective democracies." By contrast, Poland has experienced a sharp turnaround as the new government shifted the country in a more liberal direction, recording substantial gains across all three BTI dimensions – democracy, economy and governance. As a result, Poland has returned to the group of "consolidating democracies" and countries with "good" governance. At the same time, the government has faced constraints stemming from its narrow parliamentary majority, continued resistance from institutions shaped by the Law and Justice party (PiS), and cohabitation with a PiS-affiliated president.

Despite significant national differences, several common trends stand out across the region. Political polarization and concerns over electoral integrity have intensified, alongside persistent – and in some cases worsening – bilateral tensions. These include the entrenched disputes between Kosovo and Serbia over Kosovo's independence and ongoing frictions between North Macedonia and Bulgaria related to identity issues. Economies have largely rebounded from the

COVID-19 crisis and subsequent inflation spikes, but many countries continue to grapple with rising public debt and excessive budget deficits. NATO member states – all but three countries in the region – have also committed to raising military spending to a new target of 5%, creating additional fiscal pressures. In the area of governance, corruption and weakening political consensus remain major challenges. The EU continues to shape reform agendas in several candidate countries, including Albania, Montenegro and North Macedonia. However, even in Albania and Montenegro, which currently have the strongest membership prospects, accession remains fraught with obstacles. Uncertainty over EU membership has likely contributed to stalled democratic and governance reforms in Serbia and Bosnia and Herzegovina, while disputes with Bulgaria have undermined North Macedonia's accession trajectory. Among EU member states, Hungary and Slovakia face strained relations with Brussels and other member governments. At the same time, some countries have advanced toward deeper integration. Croatia joined the eurozone in 2023, and Bulgaria was set to follow in January 2026. Still, the slow accession of Albania and North Macedonia, along with the delayed entry of Bulgaria and Romania into the Schengen Area – completed only in 2025 – highlights the complexity of EU integration, where progress depends not only on domestic reforms but also on the internal politics of existing member states.

Political transformation

The average democracy score for East-Central and Southeast Europe countries remained stable compared with the BTI 2024. Nevertheless, developments at the country level were uneven. Nine countries registered declines, while seven recorded improvements. Poland rejoined the group of "consolidating democracies," while Latvia and Albania reached their highest democracy scores since the BTI 2006 following steady, if modest, gains. By contrast, six countries posted their lowest democracy scores since the BTI 2006. Czechia experienced only a mild regression and continues to rank highly both regionally and globally, while Hungary's steep decline since the BTI 2010 persisted, albeit at a slower pace. More pronounced year-on-year declines were recorded in Bulgaria, Slovakia, Romania and especially Serbia. While half of the countries in the region remain classified as "defective" or "highly defective" democracies, Serbia saw a sharp deterioration driven by escalating electoral irregularities and is now classified as a moderate autocracy.

Poland recorded the most significant improvement in the region during this assessment period (+1), partially reversing the democratic erosion observed under the previous Law and Justice (PiS) government since November 2015. Even so, its current score remains well below the peak reached in the BTI 2016. The 2023 election of a Civic Coalition (KO)-led government, headed by former Prime Minister and European Council President Donald Tusk, marked a decisive break with eight years of illiberal PiS rule. Notable progress was made in restoring the independence of public media and strengthening the rule of law. Managers of public broadcasting and the Polish Press Agency installed under PiS, along with propagandist journalists, were dismissed. The separation of powers improved after PiS's tight grip over central institutions – including the government, presidency, parliament and parts of the judiciary – was loosened. Despite these advances, Poland's party system remains deeply polarized, and public confidence in democratic institutions is still weak. The new government also faced constraints, including a narrow parliamentary majority, heightened insecurity linked to the war in Ukraine, and the difficulty of reversing some PiS-era policies.

After consistently approaching the regional average in political transformation, Albania now sits just below it, holding the highest democracy score among non-EU countries and surpassing three EU member states. Edi Rama's Socialist Party (PS) has been in power since September 2013 and, since 2017, under Rama's uninterrupted leadership, making him Europe's longest-serving head of government after Viktor Orbán. The launch of EU accession negotiations in 2022 marked a major milestone for Albania. Reforms targeting organized crime and law enforcement have strengthened state authority, advanced the rule of law, and improved the overall performance of democratic institutions. North Macedonia, which also began EU accession talks in 2022, has seen its progress stall amid ongoing disputes with Bulgaria. These disputes center on the recognition of the Macedonian language, competing historical narratives in school textbooks, and Bulgaria's demand for official recognition of a Bulgarian minority in North Macedonia. The previous Social Democratic Union of Macedonia (SDSM)-led government, widely viewed as overly conciliatory toward Bulgaria, lost both the parliamentary and presidential elections in 2024 to VMRO-DPMNE. None of the other ethnic Macedonian parties currently represented in parliament appear willing to engage meaningfully with Bulgaria.

Tab. 1: State of political transformation

consolidating democracies	defective democracies	highly defective democracies	moderate autocracies	hard-line autocracies
Score 10 to 8	Score < 8 to 6	Score < 6	Score ≥ 4	Score < 4
Estonia	Albania	Bosnia and Herzegovina	Serbia ▼▼	
Lithuania	North Macedonia			
Slovenia	Montenegro			
Czechia	Romania			
Latvia	Bulgaria			
Croatia	Kosovo			
Poland ▲	Hungary			
Slovakia				

The table follows the BTI 2026 index scores. Countries are ranked according to their system categorization and respective score in political transformation status.
Arrows mark a change of category compared with the BTI 2024, dots mark failing states.

After two decades of steady, gradual progress, Latvia achieved its highest democracy score in the BTI to date, securing a place for all three Baltic states among the region's top four performers. In 2022, Krišjānis Kariņš became the first Latvian prime minister to complete a full term, and his New Unity party won the largest share of votes in the parliamentary election. Although Kariņš was expected to continue his political career at the EU level, a scandal involving his use of private jets while in office led to his exit from politics. Despite recurring political scandals and a fragmented party system, Latvia has demonstrated notable stability. By the end of 2024, New Unity – counting its predecessor parties – had led the government for 15 of the previous 18 years, interrupted only by a three-year period during which it remained a key coalition partner.

Slovenia continued the democratic rebound that began in the BTI 2024. The government led by the Freedom Movement (GS), a progressive party founded in 2021, introduced a series of reforms, particularly in the areas of the rule of law and political participation. At the same time, GS struggled with limited governing experience, a decline in public support, and a weak performance in the 2024 European Parliament elections. Political polarization also intensified as former Prime Minister Janez Janša of the Slovenian Democratic Party (SDS) repeatedly called for early elections and sought to delegitimize the judiciary.

While Montenegro remained below the regional average and Bosnia and Herzegovina even further behind, both countries recorded modest improvements. Montenegro's EU accession prospects overtook those of North Macedonia. Under Prime Minister Milojko Spajić of the Europe Now party, elected in 2023, Montenegro adopted new anti-corruption legislation and amendments to several judicial laws. In response, the EU issued the long-awaited Interim Benchmarks Assessment Report (IBAR) in mid-2024. Nevertheless, civil society continues to be marginalized in the legislative process, frequently bypassed through the use of emergency procedures. Identity-based divisions also persist, despite Europe Now's efforts to refocus political debate on socioeconomic issues.

In Bosnia and Herzegovina, Republika Srpska President Milorad Dodik continued to challenge the legitimacy of state institutions and to threaten unconstitutional secession, aligning himself closely with increasingly authoritarian leaderships in Belgrade and Moscow despite Russia's ongoing war against Ukraine. At the same time, democratic institutions at the state level demonstrated a degree of resilience following the change of government after the October 2022 elections. In contrast to the post-2018 electoral deadlock, coalition governments were formed relatively swiftly at both the state level and in the Federation of Bosnia and Herzegovina (FBiH). While the Parliamentary Assembly of Bosnia and Herzegovina adopted some key legislation, overall progress remained slow and limited. Legislative activity in the FBiH was more substantial, particularly compared with the previous reporting period. This momentum, combined with heightened geopolitical concerns linked to Russia's war in Ukraine, prompted EU leaders to open accession negotiations with Bosnia and Herzegovina in March 2024.

Democratic conditions deteriorated sharply in Serbia, driven by worsening electoral standards, declining respect for the rule of law and media freedom, and deepening political polarization. Despite holding a largely ceremonial office in formal terms, President Aleksandar Vučić and his Serbian Progressive Party (SNS) continued to dominate the political system. Parliament remained ineffective and was characterized by increasingly hostile exchanges between the governing majority and the opposition. Electoral manipulation intensified during the 2024 local elections, triggering renewed opposition boycotts. At the same time, the opposition remained ideologically fragmented and marked by deep mistrust among its leaderships. Opposition parties, civil society organizations and independent media were subjected to sustained smear campaigns by the government's propaganda apparatus. The political crisis escalated further with the outbreak of student-led anti-corruption protests in November 2024, sparked by the collapse of a railway station canopy in Novi Sad that killed 16 people. Six months later, the protests were still ongoing, while Vučić and his allies portrayed them as a foreign-backed attempt to engineer a "color revolution."

Fifteen years after Prime Minister Viktor Orbán first came to power, Hungary continued to teeter on the edge of full autocratization. At the same time, mismanagement of the state contributed to a deterioration in public services, and in 2024 the regime faced its most serious political challenge to date. Orbán and the ruling Fidesz party were confronted by the rapid rise of the TISZA party, founded by Péter Magyar, a former Fidesz insider turned challenger. TISZA attracted support both from established opposition voters and from disillusioned former Fidesz supporters. Although Hungary's institutional and political system remained heavily skewed in favor of the governing party, TISZA performed strongly in the 2024 European Parliament and local elections and overtook Fidesz in opinion polls by November 2024. This shift signaled at least the potential for a future change of government.

Three other EU member states – Bulgaria, Romania and Slovakia – also recorded declines in their democracy scores. Slovakia remained the strongest performer among the three and continued to rank above the regional average. However, early parliamentary elections in 2023 returned Robert Fico to power at the head of a coalition led by Smer–Slovak Social Democracy. Fico's fourth term as prime minister was marked by a pronounced authoritarian turn. His government repeatedly relied on fast-track legislative procedures to sideline the opposition. Institutional checks and balances weakened further after Peter Pellegrini, a close Fico ally, was elected president in 2024. The governing coalition pushed through sweeping amendments to the Criminal Code and abolished the Special Prosecution Office, moves widely seen as motivated by self-protection and retaliation for investigations pursued under the previous government. The government also targeted non-governmental organizations and the media, including through controversial changes to public broadcasting regulations. Intensifying polarization culminated in an assassination attempt on Fico in May 2024.

Bulgarian politics remained trapped in persistent instability, deepening polarization and an increasingly fragmented party system. Chronic difficulties in government formation led to repeated snap elections, with seven parliamentary contests held in less than four years, none producing a durable governing majority. The rotational government formed by GERB-SDS and PP-DB in 2023 collapsed amid internal disputes and ideological divisions. Romania likewise experienced major political upheaval, marked by rising polarization, institutional instability and the erosion of democratic norms. Several radical-right parties achieved significant gains in the 2024 elections. The first round of the presidential election was annulled following the unexpected success of Călin Georgescu, a previously little-known far-right populist candidate backed by a large, anonymously funded campaign on TikTok. The decision to postpone the election until May 2025 created an atmosphere of uncertainty and public disillusionment, further intensifying political radicalization and strengthening far-right and anti-system forces.

There is no straightforward answer to the question of whether East-Central and Southeast Europe is passing the test of democratic resilience. On the one hand, the Baltic states have demonstrated remarkable resilience in the face of Russian aggression, pandemic-related shocks and fiscal pressures. They are joined by relatively stable Czechia, as well as Poland and Slovenia, two countries that have managed a liberal course correction after periods of populist, authoritarian-leaning governance, even if neither has fully regained its previously high levels of democratic quality. In all of these cases, however, democratic resilience remains strained by a weakened consensus on core political goals and persistently high levels of polarization.

On the other hand, Serbia has descended into autocratic rule, with democratic erosion driven by executive overreach that also characterizes developments in Slovakia and, even more so, Hungary, another country hovering at the edge of authoritarianism. In these cases, (semi-)authoritarian governance undermines democracy both in terms of participation – through the deterioration of electoral integrity – and the rule of law, as checks and balances are progressively weakened. Civil society mobilization, including mass protests such as those seen in Serbia, represents an important test of democratic resilience, although it remains uncertain whether such efforts will be sufficient to halt or reverse autocratization. Bulgaria and Romania, meanwhile, remain on a slippery slope. While neither can be classified as autocratic, both are marked by high political volatility and intensifying polarization, partly fueled by foreign influence. Their current levels of democratic quality now lag behind those of EU accession frontrunners Albania and Montenegro, whose trajectories present a third test of resilience: whether the stability of democratic institutions can be sustained through a combination of domestic political will, active civil society and continued external support.

Economic transformation

Thirteen of the 17 countries in East-Central and Southeast Europe are classified as having advanced or highly advanced economies. Despite only modest progress over time, the region continues to outperform all other BTI regions. This is unsurprising, given that nine of the region's economies were already rated as highly advanced in the BTI 2006 and that 11 countries are now members of the European Union. However, EU membership does not uniformly translate into "highly advanced" economic status. Bulgaria and Romania remain categorized as advanced economies, while Hungary's recent challenges have relegated it to the category of limited economic transformation, placing it behind countries such as Montenegro and Albania, both of which have recorded notable gains in recent years.

While Bulgaria, Hungary and Slovakia reached new lows in the BTI 2026, roughly half of the countries in the region posted new highs. The regional average for economic transformation improved slightly, reflecting recovery from the lingering effects of the COVID-19 pandemic and the surge in energy price–driven inflation that followed. Although overall changes have been modest, the region's lead over the global average has widened further. The average score returned to pre–global financial crisis levels and now sits only slightly below the peak recorded during the economic boom of the BTI 2008. Five countries achieved significant improvements in economic performance, while sustainability indicators improved in six. However, changes in most countries remained rather modest.

Despite a mildly more optimistic overall outlook, economic conditions in East-Central and Southeast Europe remained volatile in 2023 and 2024. In 2023, per capita GDP growth averaged 2% across the region, following much stronger growth in the two preceding years as economies rebounded from the pandemic-induced slump (8.5% in 2021 and 4.1% in 2022). Growth was strongest in Montenegro (6.5%), Albania (5.1%), Bulgaria (5.0%), and Kosovo (4.8%), according to World Development Indicators data from the World Bank. At the same time, per capita GDP contracted in four countries: Hungary (–0.4%), Lithuania (–1.1%), and Czechia (–1.9%), while Estonia experienced the sharpest decline (–4.5%). Estonia's contraction reflected surging inflation, falling domestic consumption and investment, and weaker demand from key trading partners, underscoring the vulnerabilities of a highly open economy. The average growth across the region accelerated to 3.1% in 2024 but remained anemic in several countries, particularly among the EU member states, where it averaged only 1.6%.

On a more positive note, the regional inflation rate fell from a peak of 13.7% in 2022 to 9.3% in 2023 and dropped further to 2.2% in 2024. Half of the countries maintained moderate or low public debt levels by Western European standards. In 2024, general government gross debt stood below 50% of GDP in eight countries and below 60% in all but Hungary, Slovenia and Montenegro. While debt declined in Slovenia and Montenegro, it increased relative to 2022 in most other countries. At the same time, all countries grappled with budget deficits. In 2024, general government net lending or borrowing exceeded 4% of GDP in five countries and reached particularly high levels in Romania (8.6%), Poland (6.6%), and Slovakia (5.8%), according to IMF data. In these cases, fiscally unsustainable expansionary policies – driven by rising social expenditures, especially those linked to energy price shocks, and increases in public sector wages – played a central role. All three governments launched politically sensitive deficit and debt reduction measures, largely in response to EU pressure to comply with the 3% budget deficit ceiling. In Romania, a fiscal consolidation package adopted in 2025 under the threat of EU sanctions proved especially contentious and was challenged by the radical-right opposition before the Constitutional Court.

Tab. 2: State of economic transformation

highly advanced Score 10 to 8	advanced Score < 8 to 7	limited Score < 7 to 5	very limited Score < 5 to 3	rudimentary Score < 3
Slovenia	Romania	Serbia		
Estonia	Bulgaria	Hungary		
Czechia	Montenegro	Bosnia and Herzegovina		
Lithuania	North Macedonia	Kosovo		
Latvia	Albania			
Poland				
Croatia				
Slovakia				

The table follows the BTI 2026 index scores. Countries are ranked according to their respective score in economic transformation status.
Arrows mark a change of category compared with the BTI 2024.

Six of the EU member states in the region have joined the eurozone, with Croatia the most recent entrant, joining in January 2023 after meeting the inflation and budget deficit criteria. Croatia received an exemption from the government debt criterion due to exceptional pandemic-related spending and a clear downward trajectory in the public debt-to-GDP ratio. Its government debt has continued to decrease from 77.5% in 2021 to 57.6% in 2024 (below the 60% EU target, Eurostat data). Meanwhile, public debt has continued to fall, from 77.5% of GDP in 2021 to 57.6% in 2024, below the EU's 60% threshold, according to Eurostat. Bulgaria, which failed to meet the inflation criterion in 2022 and in the 2024 CEB reports, fulfilled all convergence criteria in 2024 and was invited to join the eurozone in January 2026. Czechia, Hungary, Poland and Romania remain formally committed to eventual euro adoption under the terms of their EU accession treaties. However, public support for adopting the euro remains mixed. It was lowest in Bulgaria – despite the impending adoption – with just 45% of the population being either strongly or somewhat in favor and 53% either strongly or somewhat opposed (Flash Eurobarometer 560, March 2025). In the rest, support ranged from 75% in Hungary and 71% in Romania to just 46%

in Czechia and Poland. None of the countries currently meet all Maastricht convergence criteria, particularly those related to inflation and long-term interest rates. With the exception of Romania, eurozone accession is not a top priority, making near-term entry unlikely.

Following Russia's war against Ukraine, most countries in the region have taken steps to reduce their dependence on Russian natural gas. The shift has been momentous. While the EU as a whole sourced more than 50% of its natural gas consumption from Russia in early 2021, the share fell to 13% in 2022, with a modest rebound to 19% in 2024. Several countries also made progress in expanding renewable energy. Between 2014 and 2023, Bosnia and Herzegovina, Estonia and Lithuania increased the share of renewables in their energy mix by more than eight percentage points, all surpassing the EU average of 24.6% in 2023. By contrast, progress elsewhere has been limited. Renewables account for only about 17% of energy consumption in Poland and Slovakia, representing an increase of roughly five percentage points over the past decade. Along with Bulgaria, Czechia, Hungary and non-EU Kosovo and North Macedonia, these countries remain far below the EU's binding target of 42.5% – and the aspirational 45% goal – for 2030. Current renewable energy shares range from 16.6% in Poland to 22.5% in Bulgaria.

Across the region, economic transformation scores improved in most countries, and declines were generally modest. The largest drops were registered in Slovakia (–0.29) and Bulgaria (–0.14). Poland recorded the biggest improvement to its economic transformation score (+0.61), followed by Slovenia (+0.57) and Montenegro (+0.36), the latter marking its second consecutive report with significant gains. Poland's strong performance was driven by domestic consumption, foreign investments, low unemployment and improved tax collection. The government elected in 2023 improved property rights, boosted investment in renewable energy, raised teacher salaries and R&D funding, and proposed reforms aimed at democratizing universities after years of politicization under the previous Law and Justice–led government. Slovenia benefited from rising female labor market participation and improvements to the welfare system, supported by solid macroeconomic conditions and low unemployment, which eased pressure on public finances. Montenegro also managed to improve its social safety nets while bolstering fiscal stability, despite ongoing political turbulence. It also continued to reduce its once exceptionally high public debt, which fell from a peak of 107.4% of GDP in 2020 to 62.6% in 2024.

Amid former inflationary and more recent fiscal pressures – first linked to increased health sector investment and more recently to rising defense spending – East-Central and Southeast European countries have shown notable resilience to shifts in the global economy. While the EU's large single market continues to serve as a stabilizing anchor, another test of economic resilience is emerging as trade flows face disruption from U.S. tariff measures.

Governance

Despite a persistent downward trend in the Governance Index since 2006, East-Central and Southeast Europe continues to outperform other BTI regions. However, only the three Baltic states and Czechia are currently classified as having "very good" governance. Most countries fall into the "good" governance category, while six score below that threshold. Among these are three EU member states characterized either by chronically weak governance, as in Romania, or by autocratic tendencies, as in Hungary and, more recently, Slovakia. Although Bulgaria and Romania's full accession to the Schengen Area on Jan. 1, 2025, marked an important governance milestone, it came more than a decade after the original target date. Moreover, both countries have experienced a steady decline in overall governance quality over the past two decades.

The regional average governance score remained unchanged from BTI 2024, even though most countries recorded negative developments. These declines were almost entirely offset by Poland's remarkable turnaround following the change of government in 2023. Poland's governance score increased by 1.64 points, representing one of the largest single-period improvements in the Governance Index since BTI 2006 – comparable to gains typically observed in countries emerging from war, civil conflict or authoritarian rule. The new government led by Donald Tusk moved swiftly to restore policy planning, strengthen accountability and combat corruption. It prioritized the depoliticization of government agencies, reestablished meaningful civil society participation in policymaking, and pursued reconciliation efforts aimed at reducing political polarization.

A modest positive trend was also observed in Bosnia and Herzegovina (+0.39), Croatia (+0.28) and Slovenia (+0.28). While Bosnia and Herzegovina still remains one of the region's lowest-ranking countries in governance, it made incremental gains in steering capability and consensus-building, reflecting improved governance at the national and the Federation of Bosnia and Herzegovina levels. Public consultation practices improved, with several major cities increasingly incorporating citizen assemblies into decision-making processes. However, despite these advances, Bosnia and Herzegovina's governance performance remains weaker than two decades ago, reflecting the country's complex institutional architecture and deep political polarization, particularly between Republika Srpska and the rest of the country. Croatia's modest improvements were mostly tied to improved policy implementation and more effective use of national assets and EU support. Rather than signaling a structural shift, these changes largely helped recover ground lost over the past decade.

Similarly, Slovenia's governance performance also continued to rebound after earlier declines. The centrist Freedom Movement government drafted key strategic plans across sectors and improved fiscal management, achieving the lowest budget deficit in five years. Public administration reforms have improved efficiency and trust, supported by newly established advisory bodies and interministerial working groups tackling issues ranging from competitiveness to crime prevention. Slovenia also advanced its climate policy agenda and strengthened consultation mechanisms with civil society organizations. Notably, the Economic and Social Council – a central platform for policy coordination – resumed operations after being largely inactive from 2021 until mid-202.

Albania and Latvia achieved their highest-ever Governance Index scores, though improvements during the review period were minimal. Albania has benefited from prolonged government stability since Edi Rama took office in 2013, as well as from the momentum generated by EU accession negotiations launched in July 2022, which have acted as a strong external driver of governance reforms. Supported by clear accession incentives and stable executive leadership, Albania now ranks ahead of several EU member states struggling with fragmented governments, weak consensus-building, and heightened political instability and polarization. While governance trends in Albania remain broadly positive, they continue to be driven primarily by EU accession requirements rather than by an internal impetus that – as seen in former candidate countries – could be reversed once EU membership is achieved. Latvia has made the most progress since the BTI 2006 in its anti-corruption policies. After early institutional challenges, the Corruption Prevention and Combating Bureau (KNAB), established in 2002, has evolved into an effective and internationally respected institution. In the last decade, KNAB has successfully prosecuted several high-level corruption cases. The OECD has praised Latvia's strategic planning, the system of annual financial disclosures for public officials and Latvia being one of the few OECD countries with a "cooling-off period," which prohibits former officeholders from joining organizations they previously oversaw for two years after leaving office.

Tab. 3: Quality of governance

very good	good	moderate	weak	failed
Score 10 to 7	Score < 7 to 5.6	Score < 5.6 to 4.3	Score < 4.3 to 3	Score < 3
Lithuania	Poland ▲	Slovakia ▼	Bosnia and Herzegovina	
Estonia	Albania	Kosovo	Serbia ▼	
Latvia	Slovenia	Romania	Hungary	
Czechia ▲	Croatia			
	North Macedonia			
	Montenegro			
	Bulgaria			

The table follows the BTI 2026 index scores. Countries are ranked according to their respective score in the Governance Index.
Arrows mark a change of category compared with the BTI 2024.

Over the past decade, consensus-building scores have declined significantly across the region. This trend continued in 2024-25 amid weakening consensus on democratic goals, increasing polarization and deteriorating regional cooperation. Slovakia, Serbia, Kosovo, Romania and Hungary stood out the most pronounced backsliders and, together with Montenegro, recorded historic lows in the overall Governance Index. Slovakia registered the steepest decline (–0.90) under the coalition government led by Robert Fico. The government increasingly relied on fast-track legislative procedures to circumvent criticism from civil society and other key stakeholders. In particular, ministers nominated by the far-right Slovak National Party (SNS) sidelined public consultation processes and disregarded non-governmental organizations advocating liberal democratic values. SNS also replaced numerous senior officials in cultural and environmental institutions with party loyalists, some of whom have been linked to online disinformation networks. Consensus over historical interpretation further eroded as Fico and his government emphasized the Red Army's role in liberating Czechoslovakia while avoiding commemoration of the 1968 Warsaw Pact invasion and the 1989 Velvet Revolution. Relations with neighboring countries, including Czechia, Poland and especially Ukraine, deteriorated as Fico sought to reorient Slovak foreign policy away from Europe and closer to Russia, closely following the model pursued by Hungarian Prime Minister Viktor Orbán.

Serbia's decline (−0.47) is also largely related to the erosion of consensus on democracy. Throughout the review period, the government treated the opposition not as a legitimate political competitor but as a threat to the state. President Aleksandar Vučić, who effectively dominates the political system, has become the central anti-democratic actor, actively deepening societal divisions through the use of state resources and loyal media outlets. Political opponents and critics from civil society, academia and independent journalism are frequently portrayed as traitors or "foreign mercenaries" seeking to undermine the country. A stark illustration of governance failure and the instrumentalization of tragedy was the collapse of a concrete canopy at the newly renovated railway station in Novi Sad on Nov. 1, 2024. The incident killed 16 people and triggered nationwide anti-corruption protests involving more than 100,000 participants, who demanded accountability from those responsible. The protests exposed both the passivity of the prosecution and its subordination to the government's political interests.

Romania's decline (−0.38) owes largely to a weakening consensus on political goals, as the electoral upheaval of 2024 revealed widespread public frustration with the political establishment. This discontent created fertile ground for the rise of radical, anti-liberal forces. The unexpected success of conspiracy theorist Călin Georgescu in the presidential race, combined with far-right parties securing more than one-third of parliamentary seats, signaled a shift among segments of the electorate away from Romania's traditional Euro-Atlantic orientation. Political leaders appeared increasingly unable to moderate cleavage-based conflict and instead became drivers of instability, failing to engage in meaningful dialogue or adopt policies aimed at rebuilding trust and bridging societal divides. Civilian oversight of the security apparatus remains weak, reflecting the legacies of an incomplete transition from authoritarian rule. Efforts at reconciliation between victims and perpetrators of past injustices have remained politicized and selective, while historical grievances continue to be instrumentalized for political purposes.

Kosovo's governance score declined by −0.41 amid a range of challenges. Political polarization intensified both among ethnic Albanian parties and between ethnic Albanians and Serbs. Relations with Serbia failed to improve and, in some respects, further deteriorated. Tensions also emerged with Albania, Kosovo's closest ally, as well as with North Macedonia, partly due to Kosovo's limited interference in neighboring countries' domestic politics and disagreements over its handling of the EU-mediated dialogue with Serbia. These dynamics have also strained Kosovo's relations with the EU and the United States.

Hungary, once among the region's strongest performers in governance with a score of 6.87 in the BTI 2006, has experienced a steady decline and now ranks lowest in the region at 3.45. It is also one of only two countries in the region – alongside Serbia – scoring below the global average. Hungary performs particularly poorly in global comparison in areas such as international credibility, reconciliation and the effective use of international support. The government's overriding priority has been to retain power and shield itself from accountability for corruption. Internationally, Hungary has consistently been at loggerheads with the EU over democratic backsliding while also pursuing an "Eastern Policy" of strengthening ties with authoritarian regimes.

This has included deepening relations with China, maintaining close ties with Russia, and expanding cooperation with Türkiye, Serbia and others. Hungary has also sought to keep Russia's war against Ukraine at arm's length in order to preserve its relationship with Moscow. While nearly all European leaders have sharply curtailed direct contact with Russia since the start of its full-scale invasion of Ukraine in 2022, Hungary's foreign minister made roughly a dozen visits to Moscow during the first three years of the war alone. Due to Hungary's failure to address corruption and its deteriorating rule-of-law environment, the EU froze billions of euros in funding at the start of 2025. These funds are widely believed to sustain the patronage networks linked to the ruling Fidesz party.

Governance trends in East-Central and Southeast Europe are marked by divergent dynamics. On the one hand, internal government capacity has shown signs of modest recovery, with management capability improving in several countries, particularly Poland. On the other hand, the external moderation capacity of several governments has deteriorated, most notably in Slovakia, contributing to weaker domestic consensus-building and declining regional and international cooperation. The key test of resilience will be whether more inclusive, compromise-oriented governance can regain ground in a region increasingly characterized by polarization and strained relations among neighbors.

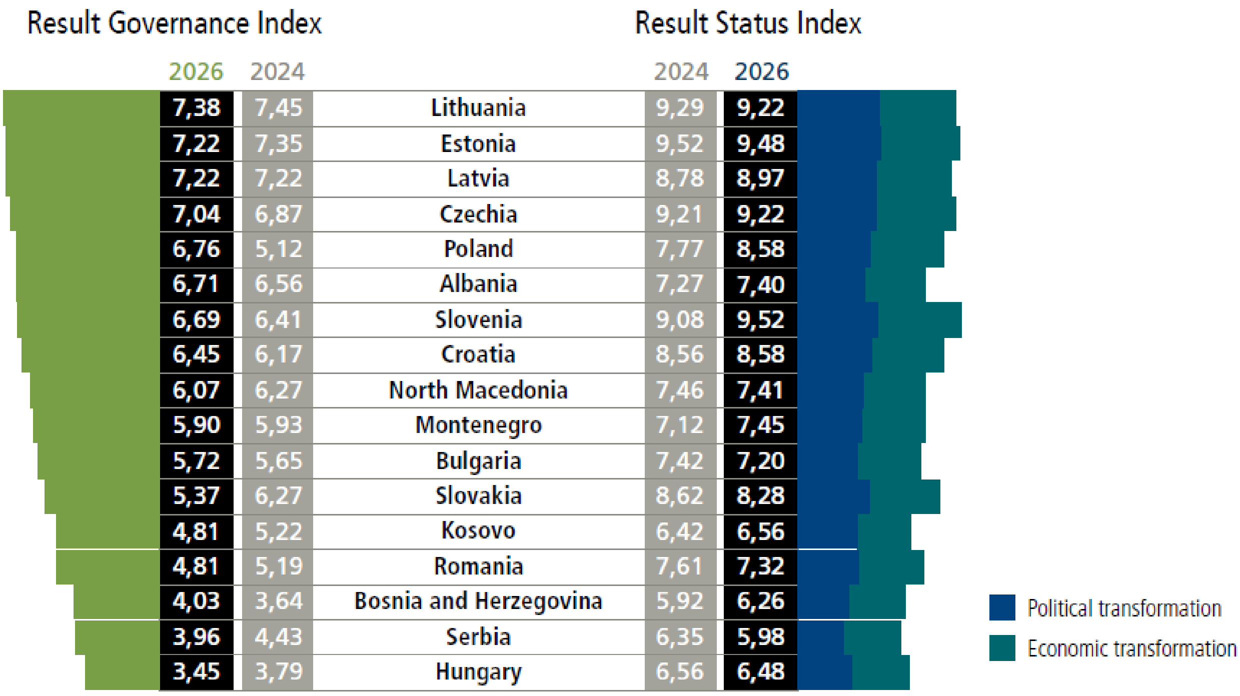
Outlook

Several countries in East-Central and Southeast Europe have experienced significant democratic erosion or rising political polarization in recent years. During the review period, Serbia became the first in the region to be classified as an autocracy in BTI terms. Throughout 2025 and continuing into early 2026, the country remains gripped by sustained and widespread mass protests triggered by the deadly collapse of a train station canopy in Novi Sad in November 2024. With no clear signs that the demonstrations are abating, the Vučić regime appears to be approaching a crossroads: further tightening control or pursuing limited liberalization. Regardless of the path chosen, a return to the democratic optimism of the early 2010s appears increasingly unlikely.

In Hungary, Viktor Orbán's illiberal rule has consolidated, although some degree of political competition persists. This is reflected in the electoral success of the TISZA party in the 2024 European Parliament and local elections and in its strong performance in public opinion polls. However, Hungary's return to meaningful political competition and the rule of law seems, at best, uncertain. The institutional framework continues to overwhelmingly favor the ruling Fidesz party, and TISZA's resilience and democratic credentials have yet to be tested. Also, the Polish experience warrants caution. The government elected in 2023 has made progress in reversing some of the illiberal legacies of the previous Law and Justice (PiS) government. However, dismantling the previous government's control over institutions such as public media and the judiciary through liberal and constitutional means can be slow and difficult. Moreover, no liberal opposition can expect a prolonged honeymoon period. The election of the PiS-affiliated conservative historian Karol Nawrocki as president in 2025 is likely to further constrain the centrist coalition's efforts to restore democratic institutions and norms.

Viktor Orbán has also found a potential ally in Slovak Prime Minister Robert Fico, whose return to power has created a tandem of illiberal leaders in Central Europe. Fico's significantly more Russia-friendly foreign policy makes him a more comfortable partner for Orbán than the outgoing PiS government in Poland. At the same time, Fico's grip on power is far weaker than

Orbán's. Fidesz's illiberal reforms were facilitated by an unprecedented two-thirds parliamentary majority, achieved amid the near-collapse of political alternatives. Fico's comeback, by contrast, was enabled by the fragmentation and volatility of Slovakia's party system, but his governing majority is narrower and rests on a more heterogeneous coalition. Peter Pellegrini, the leader of Hlas – one of the coalition partners and a former splinter from Fico's Smer party – has taken a more partisan line since becoming president, generally supporting the government but remaining less predictable than initially expected. Notably, Pellegrini has at times, at least rhetorically, clashed with Fico on foreign policy, criticizing calls for neutrality and a more accommodating stance toward Russia. While neither Hlas nor Pellegrini is likely to seriously counterbalance Fico, emulating Orbán's dominant rule may not prove viable in Slovakia.



For liberals observers, recent developments in Romania's have brought a sigh of relief. Despite far-right parties winning 35% of parliamentary seats in 2024, they failed to enter the government. Following the annulment of the 2024 presidential election, the rerun in 2025 resulted in a narrow victory for the liberal candidate Nicușor Dan over George Simion, a MAGA-sympathizing leader of the Alliance for the Union of Romanians (AUR), the country's main far-right party. However, this came at the cost of significant political and legal instability. The narrow margin of victory, the surge in far-right support, and the potential unpopularity of the fiscal stability package of 2025 cast doubts over Romania's future political stability.

Bulgarian politics has also grown increasingly polarized. Rising political forces such as the far-right Vazrazhdane (Revival) party have openly aligned themselves with the Putin regime, culminating in a cooperation agreement signed with Russia's United Russia party in 2025. Bulgaria has faced prolonged political instability, holding seven parliamentary elections and cycling through seven prime ministers in just four years. The coalition government formed in early 2025 includes the mildly Russophile Bulgarian Socialist Party. Despite the turmoil, has continued to advance its EU integration agenda, joining the Schengen Area and preparing to adopt the euro on January 1, 2026. At the same time, its dispute with North Macedonia over history, language and minority rights has stalled Skopje's EU accession process, as the opening of negotiating chapters remains contingent on a constitutional amendment recognizing a Bulgarian minority in North Macedonia – an issue complicated by the hardening of positions on both sides.

For some countries in the region, EU accession remains an attainable prospect. Montenegro is the closest to membership, although it continues to face internal political volatility typical of the region. The country aims to conclude accession talks by the end of 2026 and join the EU by 2028. Albania, the second frontrunner, seeks to close negotiations by 2027. Despite notable progress and Prime Minister Edi Rama's strong international standing, Albania continues to grapple with domestic challenges, particularly related to political competitiveness, corruption and administrative capacity. North Macedonia's prospects are less promising, as its stalemate with Bulgaria persists. Bosnia and Herzegovina has made some progress – confronted with profound governance challenges and persistent questions about its territorial cohesion – remain dim. Recent developments in Serbia have further weakened its chances of EU accession, although the EU retains strategic and economic incentives to engage with Belgrade to prevent it from drifting closer to the Russian and Chinese spheres of influence.

Serbia's membership prospects were further undermined when President Aleksandar Vučić became the only leader from an EU candidate country to attend World War II commemorations in Moscow on May 9, 2025. He was joined by Robert Fico, though notably not by Viktor Orbán. This episode underscores the enduring influence Russia continues to exert over parts of the region, including countries within the EU and NATO. At the same time, Hungary, Serbia and Slovakia remain outliers. Most countries in East-Central and Southeast Europe perceive Russia as an existential threat and have heavily supported Ukraine since the start of the full-scale invasion. For many NATO member states, commitments to raise defense spending to 5% of GDP have reflected pragmatic security calculations rather than simple acquiescence to pressure from Donald Trump. Still, higher military expenditures risk provoking domestic backlash at a time of economic strain, as governments struggle to contain public borrowing and budget deficits. Signs of "Ukraine fatigue" across much of the region, with segments of the population question the costs of supporting Ukraine amid mounting domestic economic challenges.

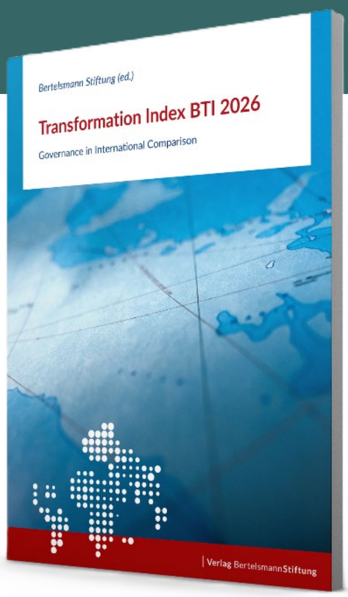
About the BTI

Governance in International Comparison

Since 2004, the Bertelsmann Stiftung's Transformation Index (BTI) has regularly analyzed and evaluated the quality of democracy, market economy and governance in currently 137 developing and transition countries. The assessment is based on over 5,000 pages of detailed country reports produced in cooperation with over 280 experts from leading universities and think tanks in more than 120 countries.

The current assessment period is from February 1, 2023 to January 31, 2025.

The BTI is the only international comparative index that measures the quality of governance with self-assessed data and offers a comprehensive analysis of political management in transformation processes.



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