

## Transformation management

# The boundaries of good governance: stronger within, weaker beyond

The Management Index assesses how consistently and purposefully governments and key agents of reform have sought to establish or consolidate a democracy under the rule of law and a market economy anchored in principles of social justice. The premise of the BTI is that a strategically sound reform policy is critical for successes in development and transformation. The level of difficulty of each country's transformation process is also taken into consideration in the Management Index analysis, as the latitude for good governance is heavily influenced by structural factors.

Similar to the state of political and economic transformation, the global average score for the Management Index from the beginning of 2011 to the beginning of 2013 has remained virtually unchanged (BTI 2012: 4.90, BTI 2014: 4.92 points). However, the consequent impression of a relative stagnation is significantly qualified by a look at the criteria level or at the various world regions. Here, the worldwide averages show that internal government management per-

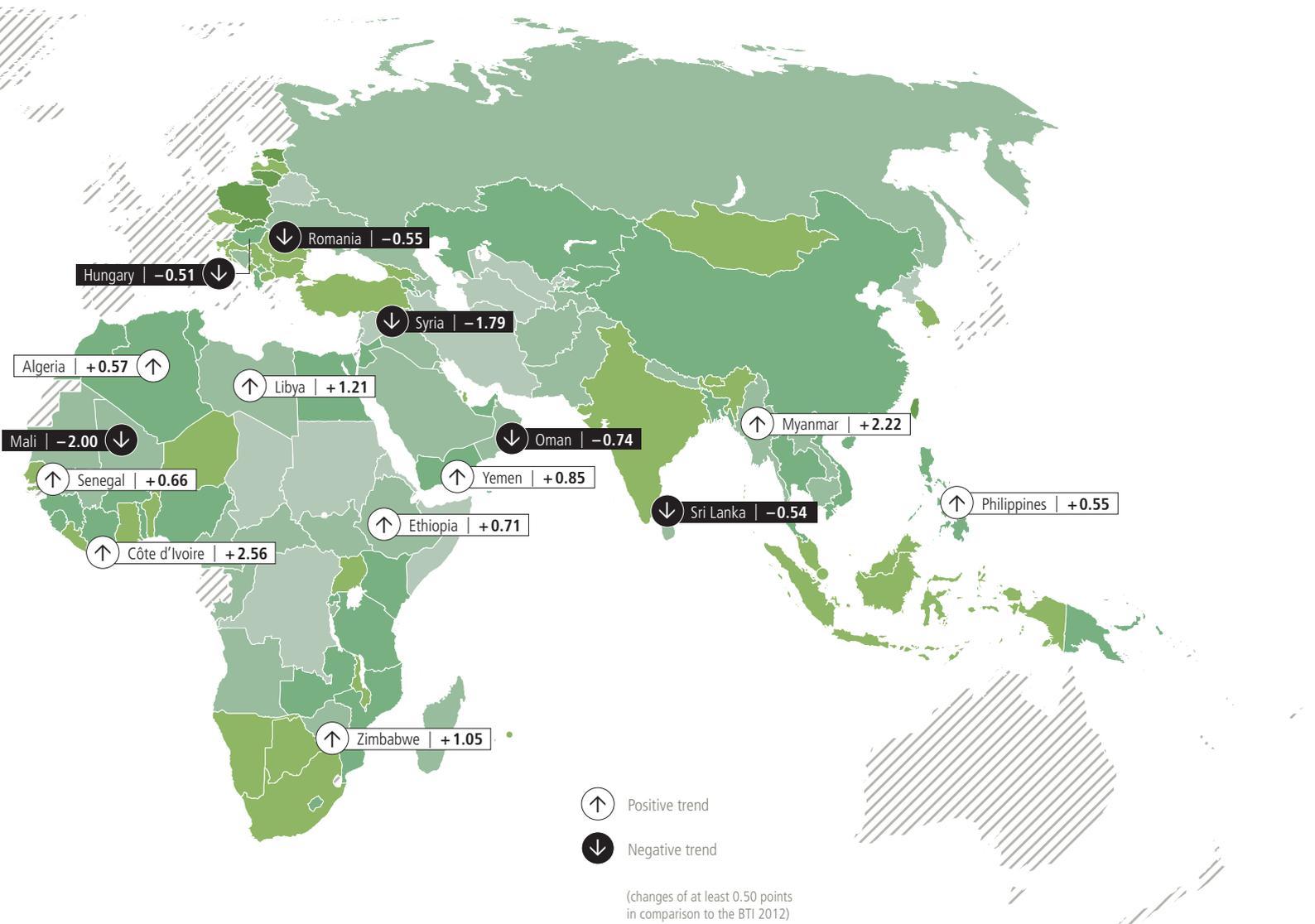
formances, such as steering capability and resource efficiency, have improved somewhat, while governments' outreach capabilities both domestically (consensus-building) and externally (international cooperation) have deteriorated. The trend is not equally pronounced in all regions: East-Central and Southeast Europe showed declines or stagnation in all management criteria, while the countries of West and Central Africa as well as Asia were able to improve their governance in most areas of management.

### Praiseworthy governance in Taiwan

For the second consecutive time, the leader in the Management Index is Taiwan, following predecessors Mauritius (2006), Chile (2008) and Uruguay (2010). It is particularly noteworthy that Taiwan was able to consistently maintain its high standard of governance following its significant improvement in the BTI 2012 (+0.60). Thirteen of 14 management performance indicators were

rated at either nine or 10 points. The only exception, a still-good eight points in the reconciliation indicator, is related to the country's somewhat hesitant efforts to come to terms with its authoritarian past. The Kuomintang's stringently followed course of pragmatic rapprochement with mainland China continues to impress as its electoral mandate to stay this course was firmly renewed in the parliamentary and presidential elections of 2012. In addition, in the course of the global economic and financial crisis – to which the country was quite ex-





posed given its deep integration into world trading networks – Taiwan showed a resolute and efficient crisis management, again strengthening transparency in the banking sector as well as oversight of banks' capitalization and (already low) share of non-performing loans.

Taiwan belongs to a small group of just eight states with very good transformation management and, along with Chile, Estonia and Uruguay, to the even smaller group of countries whose strong governance performances have made them a part of this

group consistently since the BTI 2006. Following Brazil (BTI 2010) and Lithuania (BTI 2012), Poland and Slovakia have this time also reached the highest category of governance. Under the leadership of Prime Minister Donald Tusk's Civic Platform, now reconfirmed in office, the Polish government once again improved in the area of policy coordination, particularly with respect to the difficult internal-government discussions on pension reform, as well as in anti-corruption policy. It improved its international reputation as the result of a successful term holding the EU

presidency, and it targeted external support provided by EU structural funds efficiently and effectively. Slovakia, too, under the social-democratic government of Prime Minister Robert Fico, improved in the areas of policy coordination and international cooperation. In contrast to its first term in office, Fico's government also made progress in the area of domestic consensus-building, particularly through a more inclusive style of governing that sought to promote dialogue with social partners through the establishment of a Solidarity and Development Council.

With Botswana and South Korea, two countries that had belonged to the top group continuously since 2006 were downgraded to the category of simply “good” transformation management. In the case of Botswana, which in recent years had been subject to consistent devaluations, particularly within the realm of steering capability, a slight deterioration in the area of government policy learning was this time enough to push it into the lower category. Management quality here was impaired by the fact that President Ian Khama’s political leadership style has increasingly relied on assertiveness rather than dialogue. Much the same is true of South Korea. Thanks to a stable parliamentary majority, the conservative government

was in fact able to carry out its primary projects. However, the authoritarian and hierarchical leadership style of ex-President Lee Myung-bak (2008–2013) repeatedly undermined government policy’s legitimacy and ability to inspire consensus.

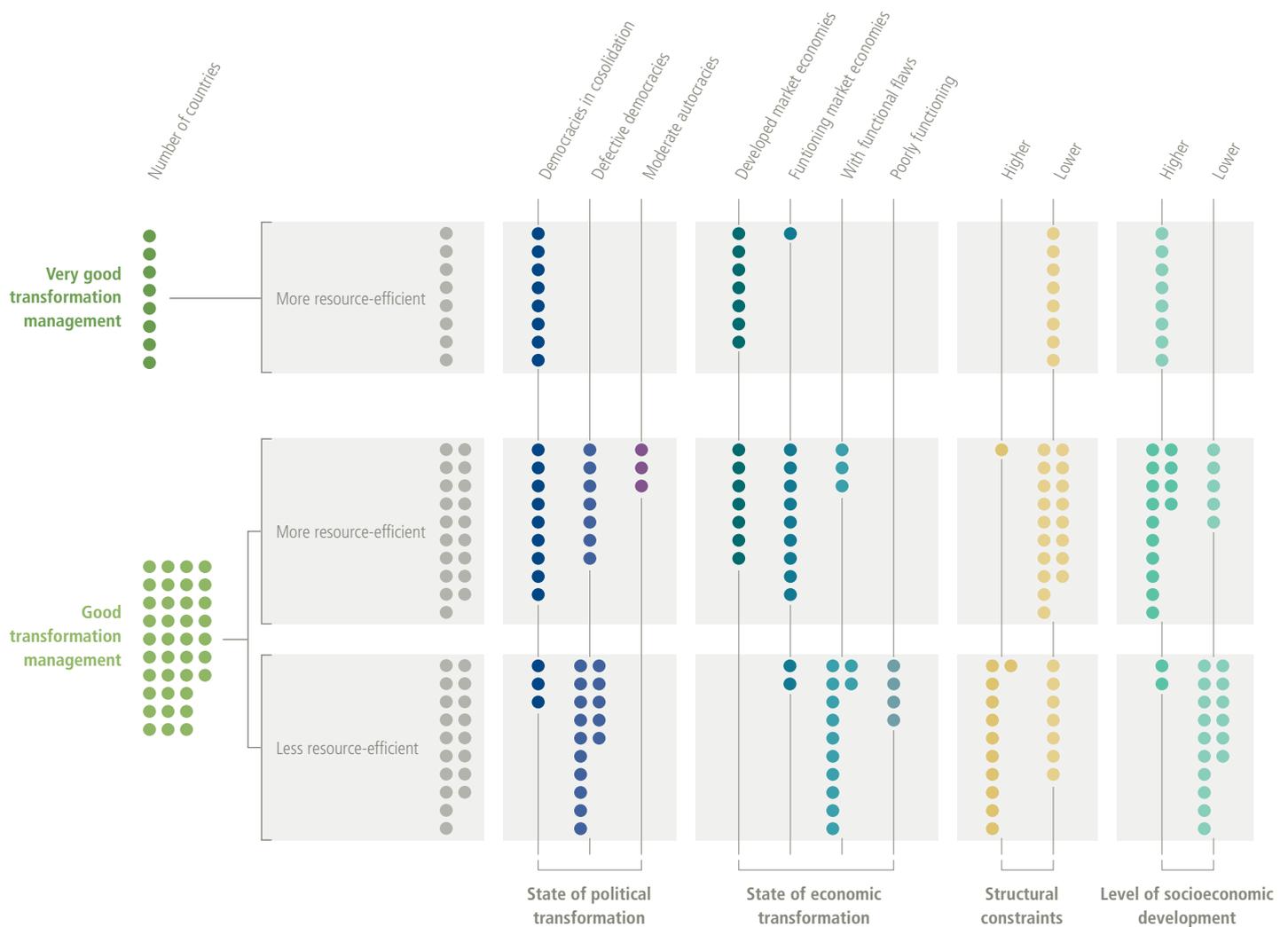
A total of 37 states were found to display good transformation management. Among these are three moderate autocracies: Malaysia, Qatar and Singapore. Thanks to an effective and far-sighted path of market-economic reform, these three performed better than all the highly defective democracies. Conversely, Liberia, Malawi, Niger and Senegal demonstrated good governance performance, although they are categorized as poorly functioning market economies with

respect to their economic development status. While they can certainly boast notable successes in advancing democratization, they show weaker economic performance and an extremely low level of socioeconomic development.

Resource efficiency makes all the difference

The gap between the large group of countries with “good” transformation management and those comprising the “very good” top group is largest within the criterion of resource efficiency, totaling more than two points (average scores of 8.29 as compared

Economic development and resource efficiency reinforce each other



Higher structural constraints: 7–10 points, lower structural constraints: 1–6 points  
 Higher level of socioeconomic development: 6–10 points; lower level of socioeconomic development: 1–5 points

to 6.24). Among the 37 countries with good governance, a strong relationship between resource efficiency and the state of economic development is evident: Among the 18 less resource-efficient countries (6.0 or fewer points), only two – Peru and Romania – are counted among the functioning market economies, while all others are deemed at least to have functional flaws. Conversely, among the 19 relatively resource-efficient countries (6.3 points or more), only Bhutan, El Salvador and Namibia are found to show functional market-economic flaws. The strong relationship between resource efficiency and the state of economic transformation fosters the conclusion that progress toward a market economy anchored in principles of social justice as well as a more effective use of human, financial and administrative resources and improved anti-corruption policies reinforce one another.

By the same token, socioeconomic and structural constraints impede decision-makers' capability to use resources efficiently, coordinate policy and battle corruption. This is demonstrated by the fact that all eight countries with very good governance fall into the overall rankings' top third with respect to level of socioeconomic development. Within the group of 19 countries with good governance and high resource efficiency, only Bhutan, Botswana, El Salvador, Namibia and Turkey show a socioeconomic development level of five or fewer points. By contrast, within the group of 18 countries with good governance and comparatively lower resource efficiency, the share of the population whose freedom of action is constrained by poverty or social exclusion is comparatively high in all countries, aside from Mexico and Romania. Here, socioeconomic development levels are assessed at five or fewer points, particularly in the case of Liberia and Niger (1 point) and Senegal (2 points).

Resource efficiency is thus the governance criterion that is most sensitive to the structural difficulties of economically weak and socioeconomically underdeveloped countries. The 61 countries whose structural constraints are rated by the BTI as "high" or "relatively high" (7 – 10 points) were rated an average of 1.81 points lower with respect to

resource efficiency than the other 68 countries with fewer structural transformation hurdles. In the other management criteria of consensus-building (–1.27), international cooperation (–1.33) and steering capability (–1.43), this relationship is less pronounced. Countries such as Senegal, however, offer proof of the fact that adverse conditions, while very often discouraging a prudent use of resources, do not in fact have to do so. Despite a very low level of socioeconomic development (a steady 2 points) and high structural constraints (a steady 7), this West African country numbers among the 40 most resource-efficient countries.

Once again, the largest group is made up of 40 states whose governments have pursued transformation toward democracy and a market economy with moderate success. Twelve autocracies are represented here, including the United Arab Emirates, which achieved by some distance the highest score for resource efficiency (7.3 points) among states with moderate-quality management. A comparatively large variety of integrity mechanisms intended to fight corruption, as well as improved policy coordination, also contribute to the Emirates' place far above second-place Rwanda (6.0 points) and third-place Hungary and Jordan (each with 5.7 points).

The proportion of autocracies among the states with moderate governance quality (30%) is significantly higher than in the group with good governance (8%). This contributes significantly to the fact that, in countries with moderate-quality governance, consensus-building capability (typically better-rated in democracies) is significantly weaker – indeed, by an average of 1.94 points – than in those with good transformation management. The biggest differences in this regard are that the political elite's consensus with respect to the goals of democracy and the market economy is less pronounced, and above all that anti-democratic veto actors are not sufficiently co-opted or excluded from influence. In 14 countries, reform-oriented forces have little or no control over anti-democratic actors. However, these countries also trail others significantly in terms of conflict management and civil society participation.

Only five democracies show a weak transformation management

The transformation management of a total of 32 countries is classified as weak. At just a quarter of all states studied, this group of countries is bigger than ever before – even though the Arab countries of Algeria, Egypt, Morocco and Yemen, as well as Côte d'Ivoire and Thailand, have climbed out of this group. On the one hand, its growth is fed by three countries that have moved up, Libya, Myanmar and Zimbabwe, whose previously nonexistent transformation management can now be viewed as weak but nevertheless present. On the other hand, governance in nine countries with previously moderate- or good-quality governance, including Mali and Ukraine, deteriorated strongly, and they are now classified as having weak governance.

Only five democracies (Bosnia and Herzegovina, Burundi, Iraq, Lebanon and Ukraine) are among the 32 countries with weak transformation management. With the exception of Iraq, management performance in each of these has deteriorated continuously over the last six years from an already low level: in Burundi (–0.66), as a result of a declining consensus-building capability; in Bosnia and Herzegovina (–0.64), due to decreasing policy-learning capacities and the poor use of external support; and in Ukraine – which showed the most significant deterioration (–0.96) – due to a poorer steering capacity in combination with deterioration in conflict management and a reduction in international credibility. The most poorly governed democracy in the BTI 2014 is Lebanon (3.92 points, ranked in 103rd place), which has lost 0.65 points in the Management Index in comparison to the BTI 2008, above all in the area of steering capability, and particularly with regard to prioritization. While the Lebanese elites operate relatively consensually in economic terms, the land remains a political pawn in regional and geostrategic conflicts, hindering a domestic rapprochement between the various political and religious camps.

In the group of weakly governed states, none of the 32 countries achieve more than a

moderate rating of a maximum of 5.0 points in the three management criteria of steering capability, resource efficiency and consensus-building. On the indicator level, too, a score of more than five points is a rarity; this is seen in policy coordination (6 points for Cuba, Ethiopia, Russia and Saudi Arabia) and civil society participation (6 points for Lebanon), while a solid elite consensus enables 11 countries to score reasonably well in this area, particularly in Bosnia and Herzegovina, Libya and Ukraine, with seven points apiece.

The “failing” group is smaller than ever

The group of countries showing failed or nonexistent transformation management has shrunk to 12 countries. The number of countries in this category has never been so small. This corresponds with the the Status Index findings that the number of absolute failures in transformation has fallen. With the exception of the moderately authoritarian Venezuela, all the countries listed here are hard-line autocracies that fail to follow at least one, and in most cases both normative goals of the BTI. The states with failed transformation management, such as Eritrea, Iran, North Korea and Turkmenistan, differ from the countries with fragile governance primarily through a significantly weaker willingness and capacity for international cooperation, with an average score on this criterion of only 2.67, lower by a full 2.79 points than the average for countries in the next-highest category. On the one hand, this is an indication of the self-imposed isolation of states that have rejected transformation, and of the low level of trust accorded them on the international stage. On the other hand, however, the international cooperation criterion was the only area in which weakly governed countries were still able to score reasonably well, with some countries achieving averages of six or more points, and Kuwait even achieving a stand-out 7.0 points. This fact served only to exacerbate the gap separating them from the consistently very poorly rated countries with failed transformation management. Among the states with failed transformation man-

agement, Belarus shows the best use of assets and anti-corruption policy, even though these two indicators are also classified as deeply deficient (4 points).

Winners and losers in equal measure

In five countries, governance has improved significantly (more than +0.75) in the past two years. In Côte d'Ivoire (+2.56) and Libya (+1.21), the push for democratization had a positive effect in nearly all management criteria; in Myanmar (+2.22), the opening process was reflected in dramatically improved international cooperation scores; from an initially low level, Zimbabwe's (+1.05) contested reform path primarily had positive effect within the area of the efficient use of assets and, even more notably, in anti-corruption policy; and Yemen (+0.85) showed appreciable progress with respect to conflict management, civil society participation and the use of external support. Algeria, Colombia, Ethiopia, the Philippines and Senegal were able to make improvements that were somewhat less dramatic, but still distinct, gaining at least 0.50 points apiece. Conversely, the quality of transformation management declined to the greatest extent in Mali (-2.01) and Syria (-1.79) in direct consequence of failed conflict management and military conflict. In the Malian case, the most significant deterioration was seen in credibility and regional cooperation, while in Syria, the regime's policy-learning capability saw the biggest fall. Moreover, a marked decline of 0.50 or more was recorded in the Dominican Republic, Guatemala, Hungary, Oman, Romania and Sri Lanka. Viewed over the long term, a balanced ratio of winners and losers in terms of transformation management emerges: Significant governance improvements and deteriorations, with point changes of more than 0.75 points in either direction, were each seen in 19 countries.

A number of significant shifts in the Management Index are associated with regime change or other drastic political changes that are manifest in the time series as a dramatic gain or rapid decline. In a positive sense, this can be seen in the recent de-

velopments in Algeria, Côte d'Ivoire, Libya and Myanmar; in a negative sense, it pertains currently to Mali and Syria, while Hungary and Madagascar registered the largest losses in score two years ago, and Mauritania, Pakistan and Tajikistan four years ago. Countries such as Burundi and the United Arab Emirates continue to draw from previous dramatic governance gains, but in recent years have experienced retrogressive developments with respect to governance quality. Conversely, Guinea, the Philippines, Poland and Zimbabwe have more than offset previously sharp declines as a result of recent improvements at various levels, while Thailand, despite its currently improved situation, has not yet recovered to the level reached in the BTI 2006. For Côte d'Ivoire, Mauritania, Paraguay, the Philippines, Sudan and Syria, however, a pronounced volatility in their governance proved to be the only constant.

Long-term improvement proves possible around the globe

The BTI 2014 also offers examples of sustained positive change, where improvements in transformation management represent neither isolated and soon-annulled exceptions, nor one-time optimizations. In recent years, Algeria has improved its resource efficiency in all areas and has also made progress with respect to domestic reconciliation, even if the general amnesty for human rights violations perpetrated during the civil war remains controversial. The liberalization tendencies manifest in the lifting of the state of emergency and the improved election quality open up additional potential for reform, which has yielded significant improvements in terms of steering capability. This should be carefully monitored to see whether the country's less dramatic but continuous rise in governance quality evolves differently and more sustainably than the fast gains of the Arab Spring.

In Latin America, Cuba's steady progress in recent years has pulled it from the group of countries with failed transformation management to that of weak govern-

ance, while Ecuador’s similarly steady improvement prompted a rise from the weak to the moderate-quality category. In both countries, transformation goals either fully or partially fail to conform to the normative premises of the BTI; nevertheless, the policymakers’ management quality has in both cases significantly increased, if from a low level. While still under Fidel Castro’s charismatic state-socialist regime, Cuba’s transformation management received just 2.61 points, a score that has gradually increased to 3.65 points, as the quality of economic policy management under Raúl Castro has improved, particularly in the setting and maintaining of strategic priorities. In addition, the government increasingly appears as a credible and reliable partner in the international arena. This is demonstrated, for example, in negotiations on debt rescheduling, by providing mediation assistance between the Colombian rebels and regime, through efforts to normalize relations with the United States, and by relaxing travel re-

strictions for dissidents. In Ecuador, Rafael Correa’s management represents a striking break with the corruption and incompetence of previous governments, particularly in the areas of steering capability and resource efficiency. In terms of implementation successes, improvements in road, power-supply and health care infrastructure have been particularly notable, achieved in part through a more regular interministerial coordination. Cuba and Ecuador number among the total of just under 20 states in which the level of socioeconomic development has increased in recent years. It is notable in terms of Latin American conditions that, aside from Peru, the few other governments that have demonstrated long-term successes against poverty and inequality – Bolivia, Ecuador and Venezuela – have all taken a left-populist path.

In Post-Soviet Eurasia, Moldova is one of the few bright spots. Transformation management here has improved by 2.02 points since the BTI 2006 despite serious structural

constraints and, at 5.52 points, now stands on the threshold of the good-quality governance category. Since 2009, the pro-European government coalition has continued reforms initiated by its predecessor communist-led government. It has closely followed EU standards as well as recommendations provided through the European Neighborhood Policy and by international financial institutions, benefiting as a result in the areas of steering capability and (especially) policy-learning. The reformist, professionally trained young cadre of political and administrative staffers represents a significant advantage, as does civil society’s more active and closer involvement in the political process. In recent years, the elites have successfully performed a balancing act between Brussels and Moscow while defusing polarizing identity-based conflicts. However, the positive trend weakened considerably in the BTI 2014 review period. To be sure, the election of President Nicolae Timofti was able to end the political stalemate that had been on-

Cases of steady improvement in all world regions



Scores for all governance criteria in selected countries with steady gains, BTI 2006 – BTI 2014

going since 2009. However, the dismissal of Prime Minister Vlad Filat's government in March 2013, after the end of the survey period, shows that political uncertainty, changing coalition governments and the perpetually looming threat of early parliamentary elections could quickly jeopardize the focus on important reforms and the continuation of the path of transformation. Strengthening political professionalism and combating corruption more effectively will be essential for further stabilization.

In Asia, Bhutan's governance performance has steadily improved over the last several years, while that of Indonesia, after sustained optimization, appears for some time to have leveled out. Both countries climbed from the category of moderate to good management in the BTI 2010. In Bhutan, the gains are closely linked to the successful democratization initiated by the king, which resulted, for example, in better evaluations of implementation performance. Indonesia has retained rank 39 in the Management Index, a quite high level, but the government proved unable to address major reform needs, such as the revision of grant and subsidy programs. Overall, the reform path pursued by the Yudhoyono government, though quite credible and highly praised in the West, has lost some of its coherence. Thus, after years of steady consolidation, macroeconomic stability has decreased for the first time due to larger budget deficits and a populist adherence to fuel subsidies. At the same time, the largest Muslim state's international prestige and willingness to engage in regional cooperation is more pronounced than ever.

The three sub-Saharan African countries demonstrating continuous management improvement are linked by a common history of overcoming massive structural difficulties in order to ensure good governance. Liberia's degree of difficulty of 7.4 is the highest among the nine countries showing sustained improvement; nevertheless, since the election of Ellen Johnson-Sirleaf in January 2006, its consistent and continuous reform policy has allowed it to improve politically and economically in each BTI, and with a gain of 2.63 points, it shows the most sub-

stantial governance progress of any country surveyed in the BTI. No country in recent years has made greater or steadier progress in fighting corruption, and integrity mechanisms have become increasingly strong and efficient over time. Such progress was made possible by the interaction of a number of institutions, including the independent General Auditing Commission, the Finance Ministry, the parliament's budgetary oversight functions, the National Procurement and Concession Commission (PPCC), the Extractive Industries Transparency Initiative (EITI) initiated by Transparency International and the state Anti-Corruption Commission. However, the emerging clientelism of the Johnson-Sirleaf administration and its selective implementation of anti-corruption policy are worrying signs.

The current losses (-0.16) shown by Togo, another strong performer in transformation management, are negligible in comparison with the long-term gains seen since the BTI 2006 (+2.51). This poor West African country, with a socioeconomic development level of just two points, is also strongly dependent on external help, but in the last two years has shown progress with respect to the efficient use of assets and anti-corruption policy. Losses were registered primarily in the areas of implementation and credibility, as there has been skepticism about whether President Faure Gnassingbé is genuinely following a slow but continuous course of opening or simply erecting a façade of reform. The restriction of political participation rights during the period under review tends to reinforce the negative interpretation.

Along with Bhutan, Indonesia and Liberia, Malawi numbers among the states with currently good transformation management that have shown continuous improvement. Following potentially troubling setbacks at the start of the current review period, President Joyce Banda, who took office following the unexpected death of Mutharika in April 2012, contributed significantly to a further increase in governance performance, particularly in the area of consensus-building. Political participation rights and the separation of powers were significantly strengthened,

while civil society participation in political decision-making processes and international credibility both improved further. The Banda regime now faces the challenge of meeting donor requirements along with citizens' socioeconomic expectations.

In counterpoint to the nine states showing steady governance improvement are 12 states in which governance quality has dropped continuously for years. These include Madagascar and Mali, both of which have seen systemic change trigger rapid collapse in recent years; Afghanistan and the perpetually crisis-ridden Karzai government; Eritrea, which has rejected transformation altogether; Iran under President Ahmadinejad; and the increasingly harshly authoritarian Gulf states of Bahrain and Oman. All are autocracies with a negative record of performance. Sri Lanka, newly classified as an autocracy, now joins this group. Due to the erosion of the country's separation of powers and the further constriction of participation rights, it has lost ground in consensus-oriented Management Index indicators (prioritization, dealings with anti-democratic actors, civil society participation) as well as in more system-neutral criteria, such as anti-corruption policy and regional cooperation.

Among the four democracies showing persistent losses, Tanzania again registered declines in the areas of prioritization, policy coordination and conflict management. The international donor community, on which the country strongly depends, has expressed particular doubts about the sincerity of initiatives affecting the interests of a ruling party that has held power for 49 years, especially with respect to the fight against corruption. International skepticism is also directed at anti-corruption policy in Mauritius, whose shortcomings in this area were made public through the resignation of several ministers in the wake of a bribery scandal in 2011. Although still at a relatively high level, the island state also saw declines in the areas of prioritization, policy learning, anti-corruption policy and international credibility. BTI 2006 Management Index leader Mauritius, whose government remains outstanding particularly in the areas of strategy development and policy learning, has now slipped

to third place in the African ranking, behind Botswana and Ghana, and has fallen 0.97 points since its peak to today's score of 6.59. Former Eastern European role model Slovenia has lost more than a full point, falling from its fourth-place BTI 2006 ranking to today's 21st place. A part of this heavy loss is attributable to clumsy crisis management in reaction to the economic slump caused by the global economic and financial crisis; another portion is due to the delayed reforms and institutional reinforcements, particularly in the area of anti-corruption policy. Half of all management indicators are currently assessed at around two points lower than eight years ago, with declines having currently taken place particularly in the area of resource efficiency.

### Hungary – a distressing example

While Mauritius and Slovenia illustrate how demanding it is to preserve a state previously assessed as having very good transformation management, and how rapidly traction can be lost, political management in Hungary has collapsed not simply in isolated indicators, but rather across all governance areas, and to a significant degree. The Fidesz government has largely substituted symbolic policy for strategic planning, and has focused its efforts on securing power. The

undermining of democratic institutions and the rule of law goes so far as to entail a shift away from the European path. Its governance performance, ranked at 65th place with a moderate score of 4.96, places it between Nigeria and China. Each of the 14 management indicators have seen deterioration in recent years, all by at least two points, with the exception of anti-corruption policy (-1). The most significant losses have come in policy learning and civil society participation (each -3), as well as credibility and regional cooperation (each -4). During this review period, Hungary was rated more poorly particularly on these last-noted indicators due to the Orbán government's increasingly nationalist and anti-European rhetoric.

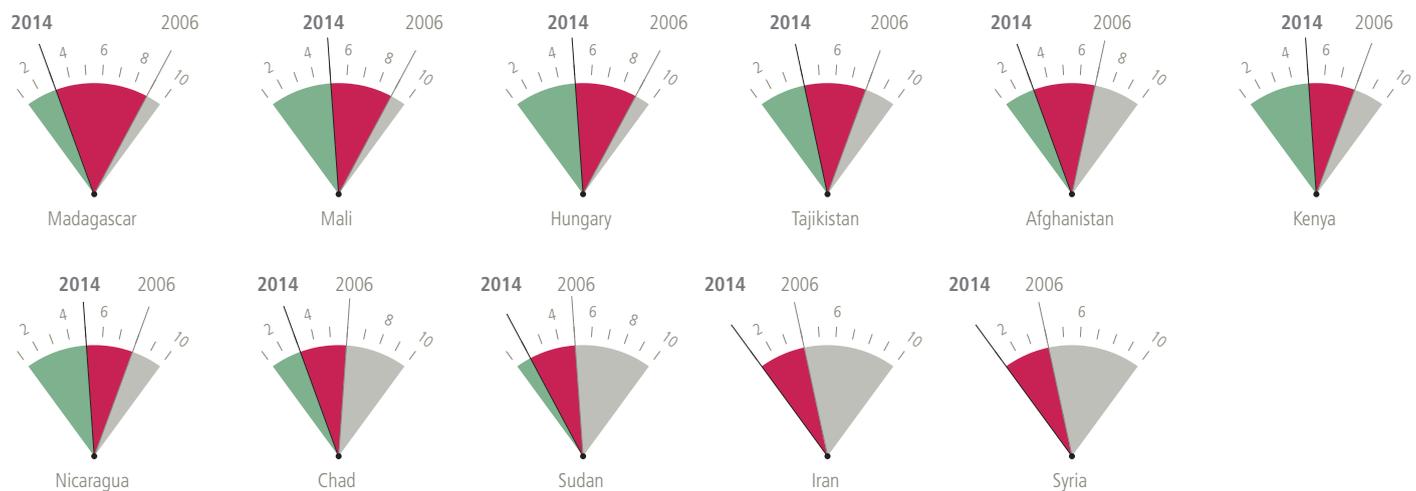
Hungary thus offers a distressing example of how even a regionally embedded, democratic and economically developed state can be severely mismanaged by an ideologically closed, narrow-minded populist government, and serves as a reminder that transformation successes cannot be taken for granted. At a lower level, this also applies to Paraguay, which in the past has consistently improved its governance. The damage done to democratic institutions through the impeachment of President Lugo, particularly to the separation of powers, resulted in a decline of governance quality that was particularly marked in the area of consensus-building.

International cooperation remains the best-rated criterion

The profile of strengths and weaknesses drawn by the BTI in depicting the political management of change worldwide remains sobering. While the political actors in the majority of states display a marked willingness and capacity for international cooperation at both the global and regional levels, their governance performances overall, particularly with respect to the effective use of available resources and political steering capability – from prioritization to implementation to policy learning – continue to lag significantly behind. At the same time, the trend for steering capability and resource efficiency, the more markedly internal-government aspects of governance, is generally upwards, while governments' domestic (consensus-building) and external (international cooperation) outreach capabilities have often deteriorated.

Nonetheless, with an average of 6.70 points overall, international cooperation remains the top-rated criterion in the Management Index. In each individual region of the world, this capability also represents the greatest governance-performance strength. A total of 74 countries achieve an average of 6.50 points or more on the three individual indicators of this criterion. However, the trend here is negative: Two years ago, this

### More governments are losing credibility in international cooperation



Countries with the sharpest decline in the credibility indicator since BTI 2006

group totaled 81 states. This is less attributable to the effective use of international support than to a declining willingness to engage in regional cooperation, particularly in East-Central and Southeast Europe. This region has seen a turn away from the EU, which is blamed for a failure to deliver on promises of prosperity, coupled with populist or nationalist rhetoric that in some cases has led to tensions with neighboring countries and Brussels. Albania, Bosnia and Herzegovina, Bulgaria, Lithuania, Macedonia, Romania, Serbia and, again, Hungary in particular, which has fallen from 10 to six points in the last four years – the list of European countries showing somewhat less willingness to cooperate is long, even though the region's average score for this indicator still lies far above that of any other region and, at 8.41 points, represents the third-best management score for East-Central and Southeast Europe overall.

More governments are losing credibility

The worldwide average for the assessment of credibility has declined even more markedly than the willingness to engage in regional cooperation, falling by 0.13 points in comparison to the BTI 2012, and by 0.33 points in the last eight years. In this period, 51 governments have been progressively classified as less credible and reliable with respect to their international presence and their willingness to engage in political and economic reform. Africa has been disproportionately affected here. Countries such as Chad, Kenya, Madagascar, Mali and Sudan have lost three or more points due to the overthrow of a government or resistance to reform, as have other governments regarded internationally with skepticism, including Afghanistan, Iran, Nicaragua and Tajikistan, and, more recently, Syria in particular. Exceptions here are the stabilizing or opening West African states of Burkina Faso, Côte d'Ivoire, Liberia and Togo, whose significantly better ratings are responsible for the fact that the regional average for international reform-policy credibility rose only in West Africa despite the recent events in Mali.

Five countries (Brazil, Chile, Taiwan, Uruguay and now Poland) receive the maximum possible score of 10 points in all three indicators of the international cooperation criterion. The three Latin American states, in particular Brazil, whose international importance has increased steadily as a result of regional integration and the strengthening of South-South cooperation are notable also for their defiance of Latin America's rather negative regional trend. Within the region as a whole, numerous countries have in recent years experienced significant declines in their international credibility as a result of populist policies (Argentina, Bolivia, Ecuador), a massive erosion of the rule of law (Nicaragua, Venezuela) and increasing state fragility (Guatemala, Mexico).

Prioritization is better than implementation

Steering capability – or the capability of the government to set and follow strategic priorities, implement its policies and react both flexibly and adaptively to challenges – has developed positively in the last two years with an average gain of 0.10 globally and, in comparison with the BTI 2006, has even risen by 0.18 points. Despite this modest upward trend, the steering capacity of governments worldwide, with a score of 5.21 points, remains a weak point of transformation management and a key obstacle to development.

Zooming in to examine political steering capability's three indicators, it becomes evident that, as in previous years, prioritization is rated better than implementation or policy learning. Evidently, the conceptual phase of policymaking functions better in many countries than does implementation or even the monitoring and evaluation of government actions. The capability to establish a strategic policy focus and to retain priorities over the long term has improved in 52 countries over the last eight years, with fully half of these gaining two or more points.

The immense progress in Africa must be emphasized here. A total of 29 of the 52 countries showing prioritization gains, and even 20 of the 26 strongly improved coun-

tries, are in Africa. In North Africa, democratizing tendencies had a positive effect on priority-setting for Egypt's and Tunisia's (each + 2) political transformation, while Algeria (+ 1) impressed through long-term economic planning and reconciliation measures, and Libya (+ 2) contrasted positively with the erratic leadership style of Qadhafi, who made little use of long-term planning horizons outside the oil sector. Despite this progress, North African governments continue to feature limited prioritization capability (average: 5 points) as they remain insufficiently accountable.

This plays out differently in the rather more democratic West Africa: Alongside top authoritarian gainers such as Guinea and Togo (each + 3), the West African democracies, starting from a low level, achieve an average of 5.71 points with respect to prioritization. Côte d'Ivoire and Liberia, with an increase of five points since the BTI 2006, along with Burkina Faso (+ 3) and Sierra Leone (+ 2), have showed particularly strong gains. Benin, Ghana, Niger and Senegal, which along with Liberia are classified as having good governance, each gained one point. These countries have distinguished themselves through their ability to hold to a democratic development path even under difficult structural conditions, as well as by a focus on poverty reduction in the context of long-term consultation with international donor institutions. The regional average for prioritization performance in West and Central Africa, where even Cameroon, the Central African Republic and the Democratic Republic of the Congo showed improvement from a very low level, rose by 1.81 points in the last eight years, driven particularly by the successes of the region's democracies.

With a gain of 1.17 points since the BTI 2006, the region of South and East Africa also demonstrates a clear increase in prioritization capability. At a high level, the most significant improvements here were shown by Malawi and Namibia (+ 3) and Mozambique and Uganda (+ 2). At a much lower level, increases were also seen in: Kenya (+ 4); Burundi (+ 3); Rwanda, Uganda and Zambia (+ 2); and Ethiopia, Tanzania and Zimbabwe (+ 1).

Setting and maintaining strategic priorities: the African record is improving



BTI 2014 scores and score changes in Prioritization indicator, BTI 2006 – BTI 2014

The positive trend is also evident in comparison to the BTI 2012, as 15 of the 30 countries with an improved record are in Africa. West and Central Africa has increased its regional average by 0.39, while the region of South and East Africa has improved by 0.27. In the best case, these positive assessments suggest that the long-term horizons of the national development plans in Namibia and South Africa, or the Malawi Growth and Development Strategy, for example, are credible. However, particularly in Central Africa, these rating upswings are often improvements from the lowest level, from a complete absence of planning to relatively unstructured policy that is nevertheless oriented along general guidelines. Yet, by contrast, the capability to set and track strategic goals has stagnated in almost all other regions of the world. Only in Asia do the latest improvements in seven countries serve to nearly make up for losses experienced since the BTI 2006.

The region of South and East Africa performs strongly not only in prioritization, trailing only East-Central and Southeast Europe and Latin America, but also in the two other indicators related to internal-government organization of the policymaking process. This puts it significantly ahead of the rest of the world with respect to the steering capability criterion. Even if all 38 of the sub-Saharan (including the generally weaker Central African) countries surveyed in the BTI are considered together, they achieve higher averages than the regional averages of the post-Soviet Eurasian, Asian or Arab countries.

Resource efficiency remains the key problem

In this edition of the BTI, too, the key management problem in an overwhelming number of countries remains the efficient use of resources. This applies to the use of available human, financial and administrative resources, to policy coordination, and especially to the fight against corruption. Overall, this is both globally and regionally the least dynamic criterion. The global average for the resource efficiency criterion has stagnated at

a low 4.82 points, the worst average in the entire BTI after the level of socioeconomic development.

Singapore, an autocratic country, achieves the best score within this criterion. The city-state receives the highest value of 10 points for policy coordination, the only one of the 129 countries to do so. Botswana, Poland, Qatar, Slovakia, South Korea and Taiwan, all of which boast high scores for policy coordination (all 9 points), also earn a position in the small group of just 11 countries that achieve 8.00 points or more for the resource efficiency criterion. Of these 11, Estonia and Lithuania, like Singapore and Taiwan, too, display a highly efficient use of resources, while the Latin America countries Chile and Uruguay, along with Estonia, Singapore and Taiwan, are leaders in anti-corruption policy.

The resource efficiency criterion is particularly well suited to evaluating the performance of diverse political systems. This is because neither the transformation path and its normative orientation (as opposed to the steering capability criterion) nor credibility in implementing the assumed reform goals of democracy and a market economy (as opposed to the international cooperation criterion) are included in the analysis here. The consensus-building criterion is also normative and therefore cannot be assessed in a system-neutral way, whether in the assessment of consensus on goals and the exclusion of anti-democratic veto actors or in the democracy-derived facet of including civil society in political decision-making processes. By contrast, the resource efficiency criterion is purely focused on organizational capacity and government efficiency.

Overall, democracies achieve better average results than autocracies here too (5.52 vs. 3.86 points), though the gap between the two averages is the smallest in the entire Management Index. Take out the extreme groups – the 16 consolidated democracies, on one side, and the six failed states, on the other – and the distance between the two system groups is diminished substantially (4.84 vs. 4.06 points). In contrast to the BTI 2012, the system-group tally does not reverse itself completely if the defective democracies are compared only with the moderate autocr-

racies. Here, the democratically governed countries' score for the resource efficiency criterion remains better (4.84 vs. 4.65), as do the indicator scores for policy coordination (5.53 vs. 5.10) and anti-corruption policy (4.31 vs. 4.05). The moderate autocracies perform better only on the efficient use of available human, financial and organizational assets (4.69 vs. 4.81) indicator.

Most remarkable is the reversal in trend with respect to anti-corruption policy. Here, the defective democracies improve moderately, by 0.19 points, while the moderate autocracies show a significant retreat of 0.55 points. Exceptions, such as Malaysia, Qatar, Singapore and the UAE, serve only to confirm the rule, as they are the only four autocracies among the 32 countries to achieve six or more points in the fight against corruption. Overall, a lack of oversight mechanisms and inadequate anti-corruption measures keep this the worst-rated governance performance indicator in the Management Index. But even if there is no current sign of progress in the fight against corruption, the long-term development, with a worldwide average gain of 0.32 points, is quite respectable. The most progress has been evident in Latin American countries, including Paraguay (+ 3 points), Haiti, Peru and Uruguay (each + 2), as well as in West African countries, including Liberia (+ 4), Guinea, Niger and Nigeria (each + 2).

#### Worrying trends in conflict management

The global average for the consensus-building criterion remained stable in comparison to the BTI 2012 (+0.02). Overall, this criterion shows the largest divergence between the scores achieved by democracies and autocracies (a total of 3.02 points). Two of the indicators suggest an explanation: First, establishing a broad social consensus with respect to pursuit of the two long-term goals, democracy and a market economy, is not in the interest of authoritarian-ruled countries. Second, the question of the inclusion or exclusion of anti-democratic veto actor does not arise if there is no democratic government in place.

In the worldwide average of the consensus indicators, it is particularly noteworthy that the capability for conflict management has deteriorated. This illustrates that the efforts of governments to de-escalate political conflicts have suffered continuous setbacks since the BTI 2006. The score for conflict management has steadily fallen from its peak of 5.92 points (BTI 2006) to 5.50 (BTI 2008), 5.37 (BTI 2010) and a low of 5.34 (BTI 2012), with its current value of 5.38 points well short of a genuine recovery. No country achieves the top score of 10 points here, and only three countries – Benin, Taiwan and Uruguay – obtain nine points. In Benin, political decision-makers have for years successfully preserved a constitutional stability and prevented instrumentalization of the country's significant ethnic and religious heterogeneity along the lines of political conflict. In Taiwan, the government has replaced the previously strongly ideological debate over the relationship with mainland China with a pragmatic policy of rapprochement, which has drawn broad popular support. In Uruguay, distributional issues are the only tensions harboring the potential to spark conflict, and the government has played a moderating role for years. Above all, significant improvement has taken place since the BTI 2006 in post-conflict African states, such as Burundi, Côte d'Ivoire, Liberia and Rwanda, while many post-Soviet Eurasian (7) and Asian (6) countries have shown small improvements, from the lowest level (Thailand, Turkmenistan, Uzbekistan) or in areas where conflict management is already well advanced (Moldova, Russia, Vietnam).

Since the BTI 2006, a total of 25 countries have proven better able to overcome sociopolitical lines of conflict, whereas in 51 countries, conflicts escalated and government mediation capabilities deteriorated. North Africa and the Middle East has been particularly affected in this regard, with conflict management worsening throughout the region: In the increasingly repressive and discriminatory Gulf states (Bahrain – 5, Saudi Arabia – 4, UAE – 1); the North African Arab Spring states (Egypt – 4, Libya – 3, Tunisia – 2); the monarchies in Jordan and Mo-

rocco (each – 2), which are wavering between reform and rigidity; Iran's pluralism-intolerant theocracy (– 3); and the countries of Lebanon (– 3), Sudan (– 2) and Syria (– 5), all of which have seen their stateness shattered by conflict or polarization. With a decline of 2.5 points in the average regional value, the ability to engage in arbitration and develop consensus is vanishing at precisely the moment when it is more necessary than ever. In a similar fashion, this is also true of the reform-weary and euroskeptical East-Central and Southeast Europe, where eight of the 16 countries surveyed in the BTI 2006 – led by Hungary and Slovenia – show themselves to be more ready to escalate conflicts than to engage in arbitration. It applies as well to the half of the West and Central African governments whose mediation capabilities and stores of consensus – as the tragic case of Mali illustrates – face extreme challenges as a consequence of ethno-religious conflicts and struggles over the control of raw materials and smuggling routes.

However, if the influence of religious dogma has grown in recent years and developed a sometimes destabilizing effect; if rapid political change has shaken institutional stability and vitiated state security functions; if populist protest has been directed against the established elites even in the democratically well-advanced regions of Europe and Latin America, not seldom resulting in an erosion of the separation of powers and participation rights; and, finally, if poverty and inequality even in economically prosperous states is not combated effectively and patterns of exclusion are becoming more deeply structurally ingrained, then it will be even more important to be able to fall back on good conflict management. However, only 20 states have developed the ability to de-escalate and engage in mediation without major qualifications (8 – 10 points). The decline in the average global value by 0.58 points represents the strongest change in a single indicator's score in the last eight years. Obviously, the second-strongest change is the increase in worldwide conflict intensity, by an average of 0.47 points.

## Transformation management, BTI 2014

### Very good

Score 10 to 7

8

Taiwan	7.68
Uruguay	7.46
Brazil	7.30
Estonia	7.26
Chile	7.22
Poland ▲	7.21
Slovakia ▲	7.09
Lithuania	7.08

### Good

Score < 7 to 5.6

37

Botswana ▼	6.92
South Korea ▼	6.92
El Salvador	6.87
Latvia	6.82
Costa Rica	6.76
Turkey	6.66
Ghana	6.64
Mauritius	6.59
Czech Republic	6.57
Croatia	6.46
Montenegro	6.42
India	6.32
Bulgaria	6.30
Slovenia	6.30
Mongolia	6.26
Senegal ▲	6.25
Bhutan	6.24
Liberia	6.24
Namibia	6.22
Serbia	6.13
Macedonia	6.12
Niger	6.11
South Africa	6.09
Benin	6.04
Qatar	6.03
Malawi	6.01
Singapore	5.98
Peru	5.94
Colombia ▲	5.88
Uganda	5.86
Indonesia	5.80
Romania	5.80
Georgia ▲	5.78
Paraguay	5.75
Jamaica	5.67
Malaysia	5.63
Mexico ▲	5.61

### Moderate

Score < 5.6 to 4.3

40

Zambia	5.55
Honduras	5.52
Moldova	5.52
Philippines	5.49
Sierra Leone	5.45
Dominican Republic ▼	5.41
Panama ▼	5.40
Mozambique	5.36
Bolivia	5.34
United Arab Emirates	5.25
Kosovo	5.20
Albania	5.17
Tanzania	5.15
Guinea	5.13
Burkina Faso	5.09
Vietnam	5.05
Lesotho	5.00
Argentina	4.99
Nigeria	4.98
Hungary	4.96
China	4.94
Rwanda	4.93
Kenya	4.89
Armenia	4.84
Guatemala	4.84
Nicaragua	4.84
Togo	4.80
Papua New Guinea	4.74
Kyrgyzstan	4.69
Kazakhstan	4.67
Jordan	4.65
Algeria ▲	4.58
Tunisia	4.56
Ecuador	4.55
Morocco ▲	4.54
Yemen ▲	4.52
Egypt ▲	4.50
Thailand ▲	4.46
Côte d'Ivoire ▲▲	4.41
Bangladesh	4.39

### Weak

Score < 4.3 to 3

32

Kuwait ▼	4.29
Ukraine ▼	4.25
Sri Lanka ▼	4.22
Mali ▼▼	4.19
Ethiopia	4.18
Burundi ▼	4.14
Centr. African Rep. ▼	4.13
Libya ▲	4.10
Mauritania ▼	4.08
Iraq	4.06
Angola	3.99
Myanmar ▲	3.99
Nepal	3.98
Bahrain	3.96
Azerbaijan	3.95
Bosnia a. Herzegovina	3.95
Saudi Arabia	3.93
Lebanon	3.92
Laos	3.90
Russia	3.90
Oman ▼	3.77
Rep. Congo	3.72
Cuba	3.65
Madagascar	3.61
Tajikistan	3.58
Haiti	3.53
South Sudan	3.52
Cambodia	3.51
Cameroon	3.35
Afghanistan	3.30
Zimbabwe ▲	3.22
Pakistan	3.10

### Failed or nonexistent

Score < 3

12

DR Congo ▼	2.99
Belarus	2.75
Chad	2.71
Venezuela	2.52
Turkmenistan	2.19
Sudan	2.12
Iran	1.92
Uzbekistan	1.79
Somalia	1.70
North Korea	1.38
Syria ▼	1.36
Eritrea	1.34

▲ Movement to a higher category  
(each arrow denotes a single category)

▼ Movement to a lower category  
(each arrow denotes a single category)