

TECHNICAL NOTE

Since the release of its first edition in May 2004, the Transformation Index of the Bertelsmann Stiftung (BTI) has been published as a biennial assessment of the pursuit of democracy, a market economic order and good governance in 129 developing and transformation countries. The BTI 2016 represents our seventh edition. This technical note summarizes and explains the changes made to our methodology in more than a decade of research. It details the reasons for and extent to which score adjustments have been made. We explain here the extent to which and how the results from each edition can be compared and how the Management Index's level of difficulty is calculated.

1. Changes to the methodology, BTI 2003 – BTI 2016

As an inaugural edition, the BTI 2003 is the only edition not suitable for use in a time-series comparison. However, the marginal changes made to the BTI's methodology from 2006 to 2016 can be retroactively interpolated. The findings for each of the six editions since 2006 can therefore be compared without reservation.

The BTI 2003: Prototype edition

The structural changes made to BTI methodology after 2003 render the first edition unsuitable for comparisons to successive editions. Because scoring and evaluations for this edition were conducted at the criterion rather than the indicator level, data for the latter are not available for 2003. In addition, because criteria scoring was based on a scale of one to five for the Status Index and because Management Index criteria were restructured and reduced in number, a retroactive interpolation of 2003 data is not reliable and makes for only limited comparability. This applies as well to the aggregated scores for the Status and Management Indices. For these reasons, our publications use the findings from 2006 as the baseline year. The BTI-findings for 2003 can be found [here](#).

BTI 2006

Changes made, in brief:

- Evaluations are conducted at the indicator level.
- Scoring is expanded from a five to ten-point scale.
- Aggregate Status Index scores are based on average values.
- The number of Management Index criteria is reduced to four.

Time-series data can be constructed using the BTI 2006 as a baseline because the underlying methodological architecture has remained fundamentally unchanged since then. Adjustments in the years following can be retroactively interpolated to allow for a robust set of comparable data. The entire set of data for each year since 2006, including individual indicator scores, is available to the public.

BTI 2008

- A redundant indicator was removed from the Management Index.

For the 2008 edition, the only change made to the methodology was the removal of the indicator measuring the promotion of social capital by government policies and expert strategies within the “consensus building” criterion, which was found to overlap significantly with the “social capital” indicator measuring the extent to which social self-organization and social trust have advanced. When retroactively interpolating BTI 2006 results into the new data set, the “social capital promotion” indicator was deleted.

BTI 2016

- The threshold values distinguishing democracies from autocracies were changed.

Countries surveyed by the BTI are classified either as a democracy or autocracy. This classification is based not on the total score for political transformation, but rather on a series of threshold values for specific indicators.

In accordance with its holistic concept of democracy, the BTI draws on seven threshold values to determine a country’s regime type. A country is classified as an autocracy if it falls short of the threshold on one of these seven indicators. Internal and external evaluations alike showed that the threshold values for several indicators were set too low, which meant that in most cases the quality of elections bore too much weight in determining whether a country was classified as a democracy or autocracy. This problem was resolved by raising the threshold values for five indicators and revising the codebook definition of this threshold, that is, what constitutes a score of “4” – or minimum requirement for a democracy – in each of the relevant indicators.

Indicator	Threshold value as of 2016	Threshold value through 2014
2.1 Free and fair elections	< 6	< 6
2.2 Effective power to govern	< 4	< 3
2.3 Association/assembly rights	< 4	< 3
2.4 Freedom of expression	< 4	< 3
3.1 Separation of powers	< 4	< 3
3.4 Civil rights	< 4	< 3
1.1 Monopoly on the use of force 1.4 Basic administration (failing state)	$\emptyset < 3$	$\emptyset < 3$

In order to ensure transparency and allow for time-series comparisons, these changes were integrated retroactively into BTI classifications from 2006 through 2014. These changes did not produce significant differences in the classification of surveyed countries. In fact, nine countries classified as democracies using the old threshold values were classified as autocracies with the new threshold values (14 instances since 2006):

- Angola (2010, 2012)
- Armenia (2006)
- Burkina Faso (2006, 2010, 2012, 2014)
- Burundi (2014)
- Egypt (2014)
- Mauritania (2008)
- Niger (2010)
- Sri Lanka (2012)
- Venezuela (2006, 2008)

Retroactive changes made to scores, BTI 2006 – BTI 2014

Normatively defined determining factors are built into the BTI's regime type classification process. There are score limits for autocracies and consequences in scoring for specific democracy-relevant indicators. Four such indicators in the Status Index and another four in the Management Index are therefore affected when a country fails to meet the threshold values noted above.

Changing the threshold values for regime type classification, which resulted in the reclassification of nine countries therefore entailed changes in specific ratings (see below) that resulted in 96 score changes among a total 38,740 scores registered since

the BTI 2006 (0.25%). Fifty-two of the 96 changes derived from those countries reclassified as autocracies, and 44 resulted from corrections made to scores for autocracies already classified as such before the threshold values were raised. The retroactively interpolated values underlie all of the scores, figures and analyses presented in the BTI 2016. The original data for BTI editions from 2006 to 2014 can be found [here](#).

2. Classification consequences and normatively defined score limits

Status Index

2.2 Effective power to govern

In assessing the effective power to govern, the BTI distinguishes between governments that have been installed by authoritarian rule and those that have been democratically elected. This prevents stable autocratic regimes from being rewarded with high scores. For this indicator, autocracies cannot receive scores greater than three points. The minimum score for a country classified as a democracy is four points.

4.1 Performance of democratic institutions

This indicator assesses not the performance of a state's institutional order, but rather the performance of democratic institutions. The goal here is to prevent fully operational and functional administrative institutions in authoritarian and repressive contexts from being awarded high scores. The score threshold differentiating democracies from autocracies generally lies between three and four points here.

4.2 Commitment to democratic institutions

This indicator assesses the extent to which democratic institutions – and not the state's institutional order as such – are accepted as legitimate by relevant actors. Scoring here should not result in high scores for the acceptance of these institutions in authoritarian contexts marked by repression. The score threshold differentiating democracies from autocracies generally lies between three and four points here.

5.3 Approval of democracy

Given the fact that opinion polls in authoritarian regimes often lack reliability and validity, this indicator is applied to democracies alone.

Management-Index

14.1 Prioritization

14.2 Implementation

14.3 Policy learning

Criterion 14 (Steering capability) explores the capability of a regime to set and maintain priorities, implement its policies effectively and be innovative and flexible in managing reforms. The BTI's normative goals are integrated into the questions posed by these indicators, which examine the extent to which a government makes use of these capabilities in targeting the twin goals of constitutional democracy and a socially just market economy. Governments that pursue only one of these twin goals therefore receive a maximum of ½ of the available points for these three indicators. This means that autocracies cannot receive a score greater than five for each of the indicators in this criterion. Regime type classification is less important for countries receiving a score of four points or less, as such low scores indicate policy failure regardless of regime type.

16.1 Consensus on goals

A relatively high score of seven points can be given if elite consensus on only one of the two normative goals (democracy or market economy) is unanimous. Autocracies in which the leadership pursues a market economy and ignores democratic transformation can receive no more than seven points.

3. A growing survey sample, BTI 2006 – BTI 2016

The set of countries surveyed by the BTI has expanded from its original 119 (2006) to 125 (2008) to 128 (2010, 2012) to its current 129 (since 2014).

The following countries were added:

- 2008: Bhutan, Republic of the Congo, Kuwait, Mauritania, Montenegro and Oman
- 2010: Qatar, Kosovo and Lesotho
- 2014: South Sudan

A time-series comparison of regional average scores is therefore possible without qualification for the regions of Latin America and the Caribbean and Post-Soviet Eurasia.

In order to achieve unbiased results for the five other regions and depending on the period to be compared, the BTI team calculates regional averages without the recently added countries. This is particularly important for the Middle East and North Africa region where economic-related scores for the recently added Kuwait, Oman and Qatar are much higher than the regional average.

In three instances, the survey sample grew as a result of state partitions: first Montenegro and then Kosovo split from Serbia, as did South Sudan from Sudan. Time-series data for Serbia and Sudan are available beginning with the year 2006, whereas time-series data for Kosovo, Montenegro and South Sudan are available beginning with the year each of these countries entered the BTI sample as a sovereign state.

4. Calculating the level of difficulty

The structural constraints faced by political leadership in targeting development and transformation influence their available scope of action. In order to account for the context in which governance takes place, the Management Index includes a “level of difficulty.” This factor reflects the constraints posed by weak or absent traditions of civil society, the intensity of ethnic or social conflicts and the level of socioeconomic development (e.g., low education levels, infrastructural deficiencies, natural disasters or pandemic diseases).

Transformation objectives achieved under difficult structural conditions are therefore awarded higher scores than those achieved under conditions conducive to development. Governance scores are weighted by the level of difficulty score, which is calculated by taking the average of the six scores registered for each level of difficulty component. Four of these are based on qualitative assessments provided by experts; the remaining two are based on GNI per capita and UN Education Index values.

Point values for the quantitative indicators are converted into a score on a scale of one to ten. Rescaling values in this way allows for a more robust classification reflective of the scaling intervals for the qualitative assessment questions. It also makes it easier to estimate values for countries where data is either incomplete or not available. In such cases, values are imputed on the basis of older data, similar indicators and scores for similar countries.

Because the level of difficulty affects all aspects of governance, the point value for the level of difficulty (LD, 1-10) is converted into a factor and multiplied by the average of

the management criteria (MC) scores. The difficulty factor has a spread of 1 to 1.25, with equidistant scaling intervals. The result of this calculation is then converted to a scale from one to ten.

$$\text{Management Index} = \frac{1}{4} \cdot \sum MC \cdot \left[1 + (LD - 1) \cdot \frac{0.25}{9} \right] \cdot \frac{10}{12.5}$$

Average of management criteria	Level of difficulty, converted to a scale of 1 to 1.25	Conversion to a 10-point scale
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