

Further information on the BTI 2008

The BTI book includes a summary of findings, regional reports and a methodological overview; an accompanying CD Rom includes all 125 country reports: Bertelsmann Stiftung, *Bertelsmann Transformation Index 2008: Political Management in International Comparison*. Gütersloh: Bertelsmann Stiftung Verlag, 2008.

All 125 country reports as well as further information on the project are available online at: www.bertelsmann-transformation-index.de. Also available at the site is the Bertelsmann Transformation Atlas, an interactive visualization and comparison of the BTI 2008 and its corpus of data – including 6500 scores – using maps and graphics.

| Bertelsmann Stiftung

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Bertelsmann Transformation Index 2008

Political Management in International Comparison

Worldwide, democracy and a market economy remain the dominant concepts for shaping change.

In fact, the body of data and assessments collected for the Bertelsmann Transformation Index 2008 show that leaders and decision makers in 70 of the 125 countries examined are striving for democracy and a market economy. But the BTI's country reports also indicate that many of the world's young democracies are not living up to their citizens' expectations. All too frequently, newly elected governments exploit both their mandate and office for personal gain. They tolerate dramatic social disparities, capitulate to the demands of powerful interest groups, and fail to break free of sclerotic traditions. This failure of leadership enhances the attractiveness of competing models, as evidenced by the success of populist electoral campaigns in Latin America or the emboldened confidence of authoritarian and economically successful regimes in Asia and the Gulf region.

It is for these reasons that the Bertelsmann Transformation Index underscores the importance of a democracy anchored in the rule of law and a market economy flanked by sociopolitical safeguards. An operable separation of powers is needed to hold political leaders accountable for their decisions, to maintain transparency in decision-making processes and to ensure civil rights. Sustainable economic development supported by a solid institutional framework is needed to fight poverty, establish equal opportunity and compensate for harsh social conditions.

The corpus of the BTI 2008 – 125 country reports and 6500 individual scores – shows that shortcomings in the rule of law and sociopolitical concerns account for the largest set of deficiencies in transformation processes currently under way. Countries such as Argentina or Mali with overall good democracy scores share a common weak spot: a relatively weak rule of law. In total, only 13 of 75 democracies have an independent judiciary and a functioning separation of powers that is free of constraints. In fact, the abuse of office is penalized in only seven countries. Particularly disappointed by

the level of corruption, patronage and arbitrary decision-making in politics are the citizens in those 52 democracies, that, in BTI terms, show defective or highly defective structures and processes. The need to improve structures of representation, the rule of law and effective anti-corruption practices is urgent in these countries.

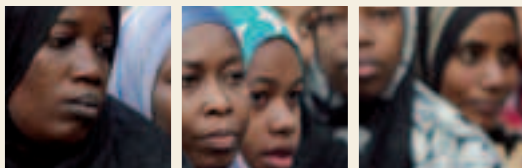
There are severe problems in the economic sphere as well. Since the first BTI in 2003, the global economy has enjoyed stable growth and thus created a favorable environment for development processes and reform agendas. BTI scores for economic performance have therefore progressively improved in most countries, but the scores for all other economic transformation criteria have essentially stagnated. This trend is worrying for two reasons. First, economic growth driven by a high demand for raw materials seems to lure several governments – particularly in Africa and Latin America – to move away from the path of sustainable development by neglecting to consolidate the institutions needed for market economic development. Secondly, broad sectors of society are not benefiting from economic growth enough to show growth in the level of socioeconomic development, improved social security and greater equality of opportunity. Potential crises harbored by structural deficits and social disparities can be unleashed during weak periods in the economic cycle.

The Bertelsmann Transformation Index allows for a differentiated understanding of these complex processes of change. Comprehensive in its approach, and with its emphasis on the quality of governance, the BTI has become a trusted measure of good governance for scholars and decision makers alike. We are pleased to introduce the BTI 2008 and once again look forward to the momentum and ideas it sets in motion among those engaged in the work of foreign and development policy, scholarly research, media, and above all, those individuals working to advance democracy and reform in their country.

Foreword	BTI 2008 Results	Ranking Tables	Regional Overviews	Criteria Status Index	Criteria Management Index	BTI Board
3	4	12	14	16	20	23

Bertelsmann Transformation Index 2008: Findings Summary

Advocating the twin goals of democracy under the rule of law and a market economy flanked by sociopolitical safeguards, the BTI provides agents of reform with numerous examples of successful transformation management by examining 125 countries and ranking them in two indices. Whereas the Status Index shows a country's achieved state of development on the way to democracy and a market economy as of spring 2007, the Management Index evaluates the quality of governance among decision makers from 2005 to 2007. Included are all countries with a population of more than two million that have not achieved the status of a fully consolidated market-based democracy by the start of the review period. Bahrain, Botswana, Estonia, Mauritius and Montenegro have also been included as cases of special interest.



The Status Index Top Ten BTI 2008

- 1 Czech Republic
- 2 Slovenia
- 3 Estonia
- 4 Taiwan
- 5 Hungary
- 6 Lithuania
- 7 Slovakia
- 8 Chile
- 9 Uruguay
- 10 South Korea

The Management Index Top Ten 2008

- 1 Chile
- 2 Estonia
- 3 Botswana
- 4 Mauritius
- 5 Slovakia
- 6 South Korea
- 7 Taiwan
- 8 Uruguay
- 9 Croatia
- 10 Latvia, South Africa

Status of political and economic transformation in 125 countries

The constellation of top-ranked countries in the Status Index has changed little since the BTI 2006. New to this year's top ten is Uruguay, while Poland has dropped out of the group.

The BTI 2008 shows fourteen countries characterized as consolidated or advanced democracies under the rule of law with a socially responsible market economy. For the most part, this group is the same as that of the BTI 2006. Having shown some improvement, Latvia is this year's newcomer to the top group. The group consists of nine European states (eight EU accession states and Croatia), two Asian states (Taiwan, South Korea) and three Latin American states (Chile, Uruguay, Costa Rica). Together they make up a group of top performers showing a relatively robust level of socioeconomic development.

Among the 125 countries assessed by the BTI, 75 fulfill the basic requirements of a democracy under the rule of law. Whereas 23 democracies show only minor flaws, ten are classified as "highly

defective democracies." These countries are characterized by grave deficiencies in the rule of law, the limited equality of opportunity for voices of opposition and manipulated elections. Kyrgyzstan, Burundi, Liberia and Haiti have moved up from their BTI 2006 classification as autocracies to the category of highly defective democracies. The failed states of Afghanistan, the Democratic Republic of Congo, Iraq and the Central African Republic are included in the group of 50 autocracies because, although they have held elections, the state's eroded or nearly absent monopoly on the use of force has created a situation in which no democratic relations can be attested to. Despite all efforts, Afghanistan and Iraq remain two catastrophic examples of failed international politics. They show that attempts to force democratization upon a country are doomed to fail when the requisite structural conditions are not taken into consideration.

Political management: pulling ahead and falling behind

In contrast to the Status Index, the Management Index's top ten shows more visible change. Slovenia, Lithuania and the Czech Republic are no longer at the top. Uruguay, Croatia, South Africa and Latvia have taken their place.

Compared to the BTI 2006, 16 countries show strong improvement in governance. Macedonia, Paraguay, India and Benin are the most successful of the group.

The most spectacular change is Poland's drastic drop in the Management Index ranking, which can be attributed to the government's relaxation of reform measures following EU accession, a populist turn in domestic politics and a confrontational foreign policy. Seized by crisis and a state of emergency during the review period, Guinea fell farthest in the Management Index ranking. Increasing polarization accompanied by the erosion of consensus in Bolivia, Mozambique and Venezuela is one of the root causes of these countries' drop in ranking. Deteriorating political management in countries

such as Mozambique and Sierra Leone, which have received ample support from the donor community, represents a disappointment for all concerned. Demonstrating that even successful reforms can be watered down if complacency sets in or consensus-building is eroded, Slovenia and Senegal have dropped significantly in rank.

Management Index: the largest drops in scores

Country	↓	Score	Rank
Guinea	- 1.23	2.61	113
Poland	- 1.09	5.27	53
Mozambique	- 1.05	5.00	63
Venezuela	- 0.88	2.15	119
Sierra Leone	- 0.72	5.01	62
Chad	- 0.63	2.61	113
Bangladesh	- 0.59	4.14	93
Senegal	- 0.58	6.19	29
Slovenia	- 0.58	6.83	12
Bolivia	- 0.56	4.72	74

Weak Stateness

Successful transformation requires that a state have functioning administration structures and that it secure its monopoly on the use of force. Without these two in place, a state cannot guarantee and provide for the rule of law or the security of its population. The BTI 2008 shows that there are 27 countries in which the state's monopoly on the use of force is under threat and its administrative structures are barely operable. The roots and extent of a state's fragility vary tremendously:

□ Countries such as Afghanistan, Côte d'Ivoire, Iraq, Nepal, Somalia, Sudan and the Central African Republic are all (post-)conflict countries in which conflict resolution or state-building take top priority.

□ In Angola, Haiti, Mali, Myanmar and Chad, the state and its administration fail to implement their authority throughout the entire country; separatist movements, locally operating rebel movements and the lack of a decentralized infrastructure have led to entire regions being decoupled from the rest of the country.

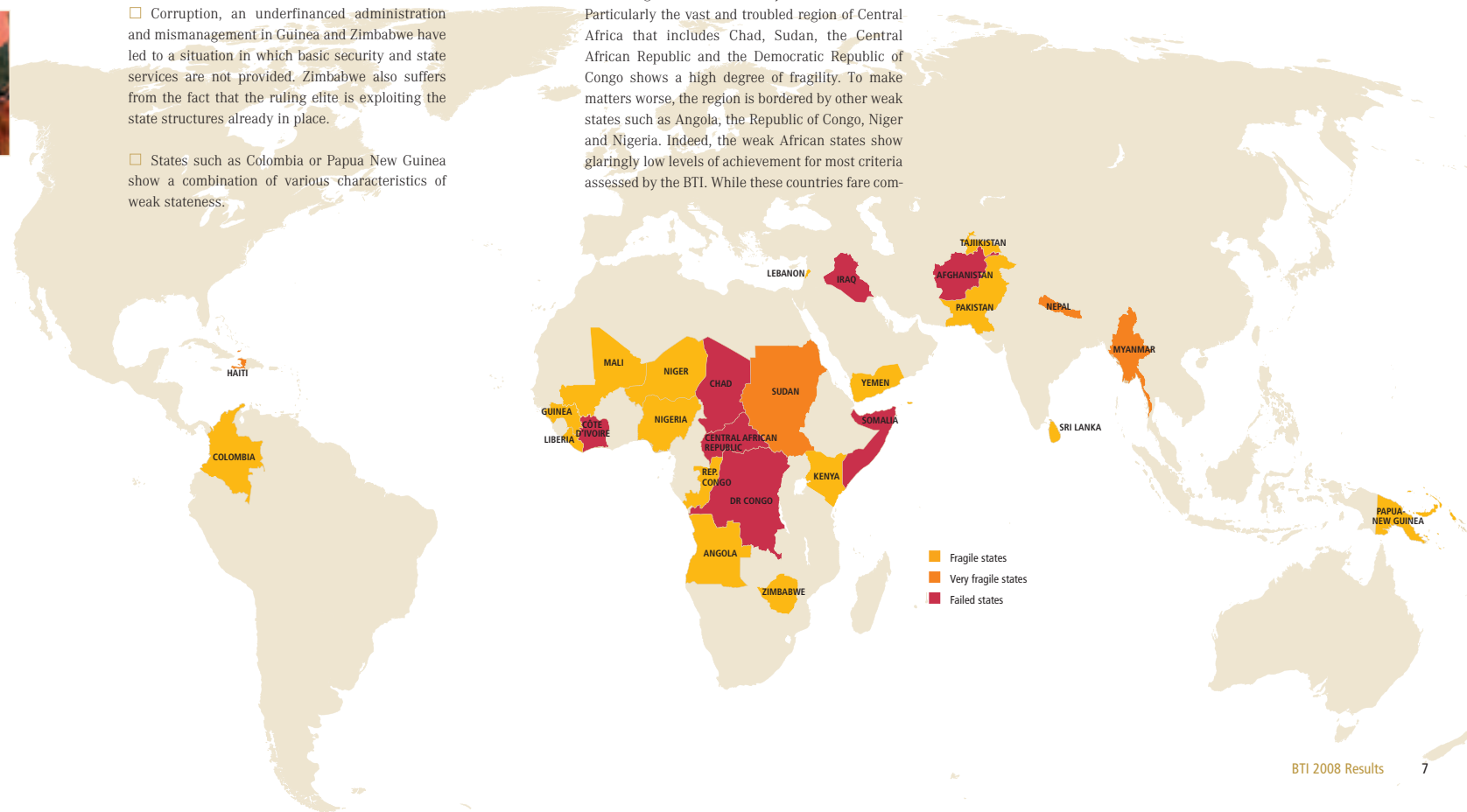
□ Corruption, an underfinanced administration and mismanagement in Guinea and Zimbabwe have led to a situation in which basic security and state services are not provided. Zimbabwe also suffers from the fact that the ruling elite is exploiting the state structures already in place.

□ States such as Colombia or Papua New Guinea show a combination of various characteristics of weak stateness.

In addition to seven failed states, there are ten democracies and ten autocracies within this group of 27 fragile states. For most fragile states, the inability to provide basic administrative services is the most prominent marker of precarious stateness. In countries like Iraq, Somalia, Sudan and the Central African Republic, strong ethnic, religious or regional identities undermine state identity, and thus tear at the fabric of an already precarious stateness.

A problem in several regions of the world, weak stateness is most pronounced in Africa, where 15 of the 27 fragile states assessed by the BTI are located. Particularly the vast and troubled region of Central Africa that includes Chad, Sudan, the Central African Republic and the Democratic Republic of Congo shows a high degree of fragility. To make matters worse, the region is bordered by other weak states such as Angola, the Republic of Congo, Niger and Nigeria. Indeed, the weak African states show glaringly low levels of achievement for most criteria assessed by the BTI. While these countries fare com-

paratively well in terms of political participation and political and social integration, their governments provide only rudimentary – if any – social services for the population. Given that several of these countries are showing relatively satisfactory economic growth rates, this situation does not bode well for the future, especially as growth driven by increasing prices for raw materials will further exacerbate disparities in income and assets. More must be done to fight poverty and ensure basic social needs if these states are to prevent further damage to the social fabric of their societies.



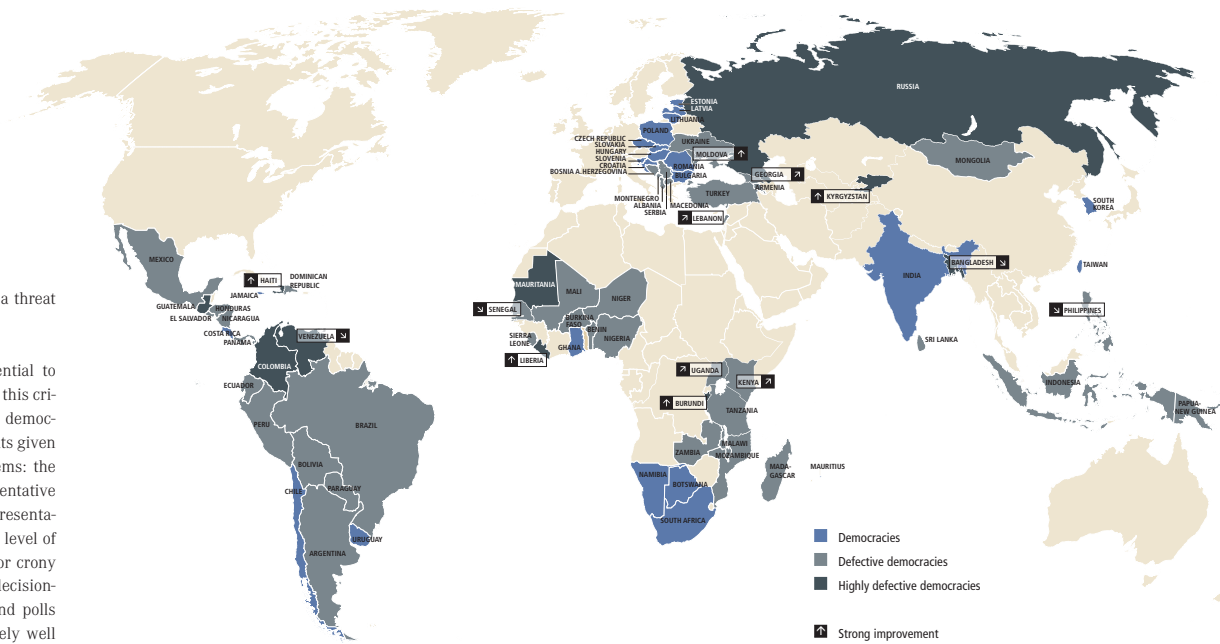
Defective Democracies

Defective democracies – in which political and civil rights or an effective separation of powers are not adequately ensured, despite relatively free elections – have proved their intransigence. Clearly able to achieve relative stability over the years, these states are nonetheless prone to political crises.

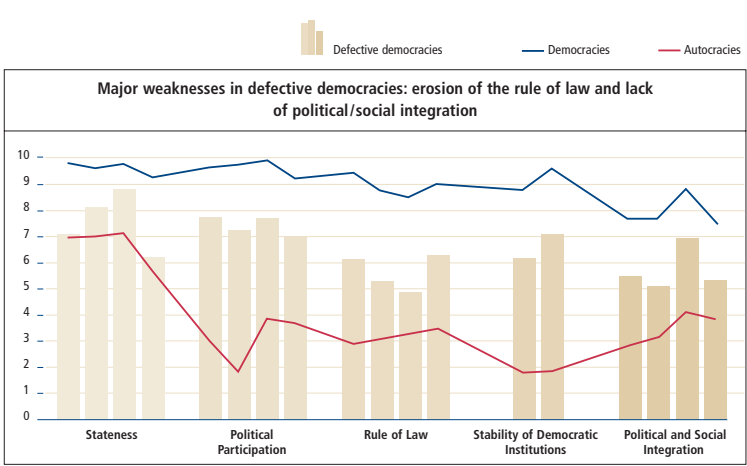
Whereas more than 20 democracies have made great strides in consolidating their democracies, the remaining 52 still have a relatively long way to go before they become functioning democracies. These defective (42) or highly defective (10) democracies show two major qualitative shortcomings, namely an insufficient primacy of the rule of law and weak structures of representation. Only 13 of 75 democracies have a functional separation of powers including a sufficiently independent judiciary. In some countries, such as Russia or Venezuela, the concen-

tration of power in the executive branch is a threat to the democratic system as a whole.

Political and social integration is essential to consolidating a democratic system. And yet, this criterion proved to be the weakest among the democracies assessed in the BTI 2008. Assessments given for this criterion point to three key problems: the absence of a moderate and stable representative party system; weak or disproportionate representation via interest groups; and an insufficient level of social capital. Typically, established lobby or crony interests predominate in influencing the decision-making process. Though expert surveys and polls indicate that democratic norms are relatively well established throughout most of these democracies' societies, the structures of mediation between the state and society are weak.



- Stateness**
 - Monopoly on the use of force
 - State identity
 - No religious dogmas
 - Basic administration
- Political Participation**
 - Free and fair elections
 - Effective power to govern
 - Association/assembly rights
 - Freedom of expression
- Rule of Law**
 - Separations of powers
 - Independent judiciary
 - Prosecution of office abuse
 - Civil rights ensured
- Stability of Democratic Institutions**
 - Democracy performs
 - Democracy accepted
- Political and Social Integration**
 - Party system
 - Interest groups
 - Consent to democratic norms
 - Social capital



It is particularly noteworthy that despite having received low marks for the rule of law and structures of representation, defective democracies have improved upon an already high level of achievement in political participation. Given the fact that free and fair elections are commonly used as a key indicator of democratization, high marks for participation appear to be heralding good news. However, many of these elections fail to meaningfully influence the leadership's effective power to govern – as is the case in Afghanistan, the Democratic Republic of Congo and Iraq – or, as seen elsewhere, the populist campaigns carried out in the run-up to elections facilitate social polarization. Countries such as Argentina, Bolivia, Ecuador and Venezuela in Latin America and the Philippines and Thailand in Southeast Asia stand as examples of how an anemic rule of law and frail structures of representation can render a state susceptible to populist move-

ments that fill up the vacuum left by insufficient political representation.

Nevertheless, the scores given for the state of democracy in all 52 defective democracies have not fallen, on average. In fact, the scores for all five political transformation criteria have improved somewhat. Twelve states have made notable improvements to their rule of law standards. They include not only states in which new leadership meant positive change, such as Liberia or Burundi, but democracies such as Brazil and Turkey as well. This generally positive trend is manifest most notably in the fact that three countries, namely Ghana, India and Namibia, have made enough headway in improving the quality of their system of government that they now count among those states in the midst of consolidating their democracies.

Economic Growth and Social Responsibility

A favorable global economy combined with the growing demand for raw materials has provided for improved economic performance and increased levels of income on average in all regions. The macroeconomic indicators in 54 countries point to stronger economic output. Countries such as Bosnia-Herzegovina, Kenya and Chad are among the few that proved incapable of taking advantage of this trend.

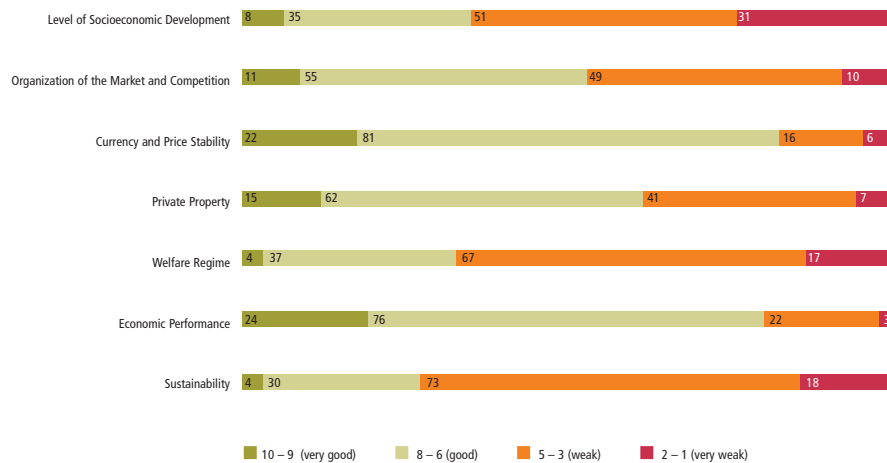
Although there are clear and well-defined rules for stable, market-based competition in several countries, the consolidation of an institutional framework is stagnating. It appears that many governments tend to neglect regulatory policy and abandon anticipated reforms during periods in

which they have greater maneuvering capacity. Leaving reform by the wayside, they ensure that their economies will remain susceptible to crises.

An inadequate welfare regime and the lack of a strategic approach in ensuring environmental and educational sustainability continue to be two of the most jarring weaknesses in many of these countries' economies. The continued prevalence of widespread poverty in Africa and Latin America, and the minimal improvement made in the level of socioeconomic development in both are especially worrisome given the global economy's uninterrupted growth in recent years. Politically unstable countries in these regions are especially prone to populist movements or autocratic tendencies.

Several fast-growing economies, few well-functioning social systems.

The distribution of countries and scores for each economic transformation criterion.

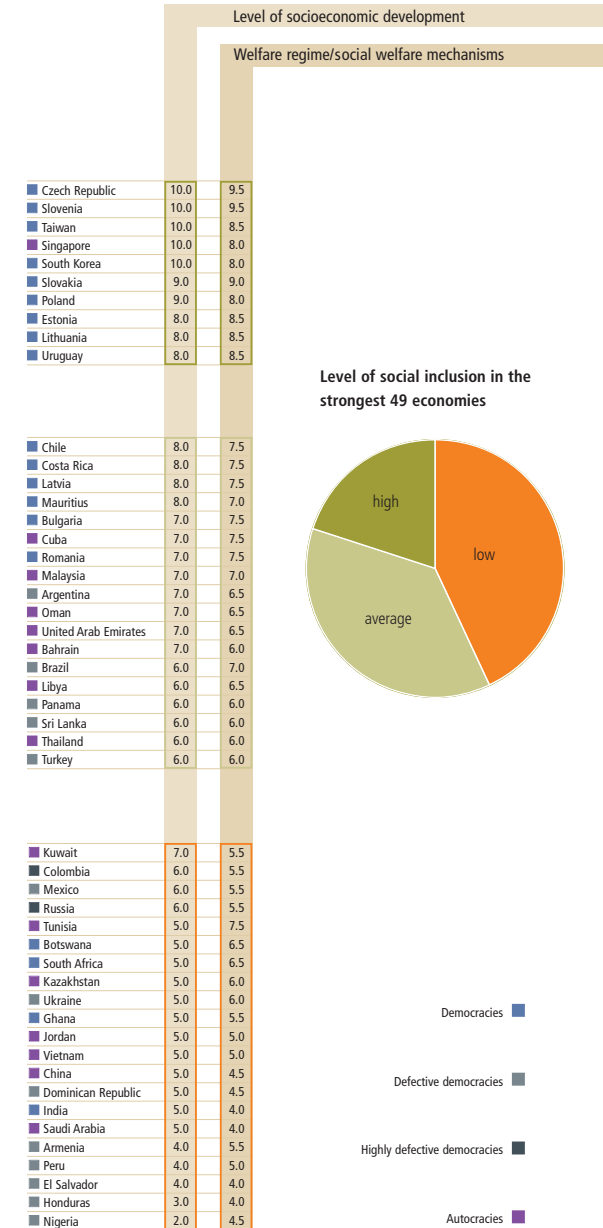


Democracies generally show a higher level of socioeconomic development and a more extensive set of social welfare services than autocracies. However, if we factor out defective democracies and compare them to autocracies, we see a slightly higher level of socioeconomic development in the latter and more comprehensive social welfare services in the former.

Social achievements of strong economies

Of the 49 countries showing major economic growth in the last two years, 15 are led by autocratic regimes and 34 by democratic regimes. Here as well, the democracies in this group show, on average, a higher level of socioeconomic development than the autocracies, and their economies have more extensive sociopolitical safeguards. However, the defective democracies within this group of strong economies cannot match their autocratic counterparts in both socioeconomic development and social welfare.

Consolidating democracies with strong economic growth, particularly Bulgaria, Latvia, Mauritius, Poland, Romania and the Czech Republic, have been most effective in using the favorable economic climate to strengthen their social safety nets. Of all defective democracies with improved performance scores, only Turkey has been able to boost its level of socioeconomic development.



Political Management

Latin America and the Caribbean

In Latin America and the Caribbean, democracy remains relatively stable and economic growth continues in most areas. However, strong populist currents threaten to undermine these trends. Politically, the subcontinent's countries are drifting apart from each other. In contrast to the four relatively consolidated democracies of Argentina, Chile, Uruguay and Brazil, political management has suffered marked regression elsewhere on the subcontinent, most notably in the Andean states and Venezuela, and thus weakened democratic institutions. The erosion of several states' monopoly on the use of force is another increasing problem in the region that can be attributed to the growing drug trade and its twin attendants of organized crime and corruption.

Africa

Reform management in Africa is confronted with the most persistent structural constraints in the world; extreme poverty, a lack of education, infrastructural deficits and insufficient stateness continue to block transformation in several of the continent's states. Whereas many of these countries are held back by adverse conditions, governments in countries such as Eritrea, Chad or Zimbabwe decidedly refuse to engage in any form of liberalization. But there are also decision makers on the continent who have successfully pursued long-term strategies of change. In South and East Africa, political leaders in Botswana, Mauritius, South Africa and Madagascar continue to build upon their successes in transformation. In West and Central Africa, Ghana is the front-runner in good governance, with Mali, Benin and Senegal also showing good management.

Eastern Central and Southeastern Europe

Market-based democracy has been further consolidated throughout East-Central and Southeast Europe, and most of the region's states have demonstrated generally adept political management. The European Union is both a goal and an agent of change for transformation processes throughout the region. Bulgaria's and Romania's entry into the European Union on 1 January 2007 is a marker of both states' achievements in transforming their countries since the end of the Cold War. With the exception of Bosnia-Herzegovina, the states of Southeast Europe continue to make their way toward EU membership. However, a surge in polarization and populism following EU accession has eroded political management in several East-Central European states, as Poland most strikingly demonstrates.

Regional Overviews

Middle East and North Africa

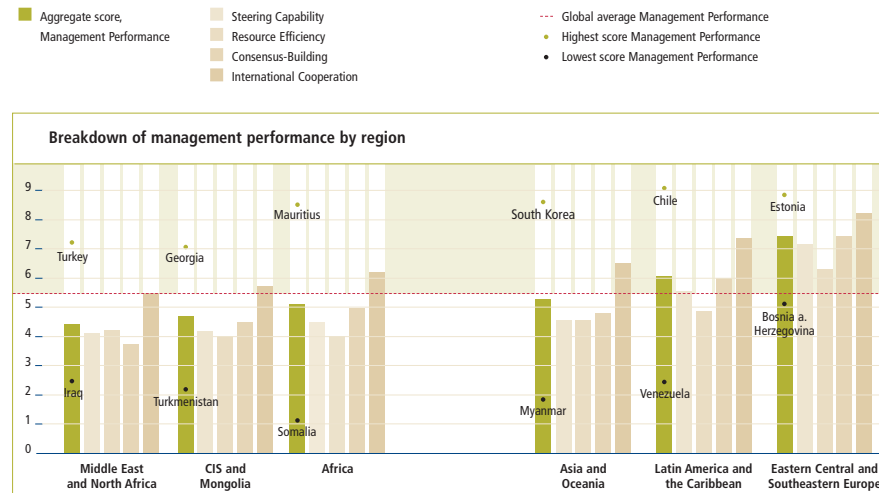
Stagnating political transformation in the Middle East and North Africa is a manifestation of continued autocratic rule and the absence of sustainable political reforms. Free parliamentary elections in Lebanon, women's suffrage in Kuwait and the political liberalization of Egypt's government in the run-up to parliamentary elections raised hopes of an emergent "Arab Spring" throughout the region. However, these hopes have been dashed. Turkey is the only state in the region showing comprehensive progress made in transformation, which is in part a result of pressure put on the Turkish government within the framework of EU expansion talks. Elites in most of the region's states are concerned primarily with preserving their monopoly on power. Reforms, when implemented, are therefore limited generally to the economic sphere. Islamist movements are becoming an increasingly salient mouthpiece for more and more of the disaffected masses.

CIS and Mongolia

In the CIS and Mongolia, countries are drifting farther apart – politically, economically and socially. Though the expectations pinned on the colored revolutions have not been fully met, Georgia's reform agenda remains the most successful in the entire region. Developments in Kyrgyzstan and Ukraine also show slight improvement. Trailing behind the rest, Belarus, Turkmenistan and Uzbekistan show no signs of democratization or market economic reform. Political stability and preserving power remain priorities for the governments of Russia, Kazakhstan and Azerbaijan. Buttressed by continuing economic growth, many of these governments pay mere lip service to democratization efforts. Corruption continues to plague all of the region's countries. With the exception of Georgia, attempts to fight corruption have relaxed even further.

Asia and Oceania

In Asia and Oceania, South Korea and Taiwan once again outdo the rest in terms of political management, whereas Myanmar and North Korea show no signs of reform. Overall, the tendency to decouple market economic from democratic transformation continues throughout most of the region. Ruling elites in countries such as China and Vietnam tend to avoid liberalizing their political systems, focusing their aims exclusively on the goals of market economic transformation. The economic success of this kind of political management clearly influences elites in the region's other countries. On the one hand, increasingly polarized internal tensions in Bangladesh, the Philippines and especially Thailand have been accompanied in recent years by the military's enhanced role in these countries. On the other hand, Nepal's ruling elite has succeeded in introducing a peace and reconciliation process. India in particular has demonstrated a major qualitative jump in terms of its political management and the quality of its democracy.





The Status Index

The Status Index explores the state of development achieved by 125 countries on their way to democracy under the rule of law and a market economy flanked by sociopolitical safeguards, as of spring 2007. Status Index scores result from the combined scores given for the status of political and economic transformation.

Status Index – Democracy

There are five criteria based on a total of 18 questions used in assessing the state of political transformation. In contrast to other, more narrow definitions of democracy that focus primarily on basic civil rights and free elections, the BTI's concept of democracy casts a wider net and includes criteria such as the rule of law and the separation of powers. The BTI thus asks to what extent the demo-

cratic system is consolidated in terms of its acceptance, structures of representation and its political culture. In so doing, the BTI shows whether, and to what extent, the ground rules for democracy are anchored in a society.

Political Transformation

5 criteria on the status of political transformation	<input type="checkbox"/> Stateness	<input type="checkbox"/> Political Participation	<input type="checkbox"/> Rule of Law	<input type="checkbox"/> Stability of Democratic Institutions	<input type="checkbox"/> Political and Social Integration
Objectives	There is clarity about the nation's existence as a state, with adequately established and differentiated power structures.	The populace determines who rules, and it has other political freedoms.	State powers check and balance one another and ensure civil rights.	Democratic institutions are capable of performing, and they are adequately accepted.	Stable patterns of representation exist for mediating between society and the state; there is a consolidated civic culture.
Questions	<ol style="list-style-type: none"> To what extent does the state's monopoly on the use of force cover the entire territory? To what extent do all relevant groups in society agree about citizenship and accept the nation-state as legitimate? To what extent are the state's legitimacy and its legal order defined without interference by religious dogmas? To what extent do basic administrative structures exist? 	<ol style="list-style-type: none"> To what extent are rulers determined by general, free and fair elections? To what extent do democratically elected leaders have the effective power to govern, or to what extent are there veto powers and political enclaves? To what extent can independent political and/or civic groups associate and assemble freely? To what extent can citizens, organizations and the mass media express opinions freely? 	<ol style="list-style-type: none"> To what extent is there a working separation of powers (checks and balances)? To what extent does an independent judiciary exist? To what extent are there legal or political penalties for officeholders who abuse their positions? To what extent are civil liberties guaranteed and protected, and to what extent can citizens seek redress for violations of these liberties? 	<ol style="list-style-type: none"> Are democratic institutions, including the administrative and judicial systems, capable of performing? To what extent are democratic institutions accepted or supported by the relevant actors? 	<ol style="list-style-type: none"> To what extent is there a stable, moderate and socially rooted party system to articulate and aggregate societal interests? To what extent is there a network of cooperative associations or interest groups to mediate between society and the political system? How strong is citizen consent to democratic norms and procedures? To what extent have social self-organization and the construction of social capital advanced?



Status Index – Market Economy

There are seven criteria based on a total of 14 questions used in assessing the state of economic transformation. The BTI concept of a market economy flanked by sociopolitical safeguards encompasses issues such as a framework of competition and private property rights, as well as social responsi-

bility, equal opportunity and sustainability. In BTI terms, comprehensive development should not only lead to economic growth; it should also fight poverty effectively and expand the freedom of choice and action to as many citizens as possible.

Economic Transformation

7 criteria on the status of economic transformation	<input type="checkbox"/> Level of Socioeconomic Development	<input type="checkbox"/> Organization of the Market and Competition	<input type="checkbox"/> Currency and Price Stability	<input type="checkbox"/> Private Property	<input type="checkbox"/> Welfare Regime	<input type="checkbox"/> Economic Performance	<input type="checkbox"/> Sustainability
Objectives	In principle, the country's level of development permits adequate freedom of choice for all citizens.	There are clear rules of the game for stable, market-based competition.	There are institutional or political precautions to control inflation sustainably, together with an appropriate monetary and fiscal policy.	There are adequate conditions to support a functional private sector.	There are viable arrangements to compensate for the social costs of the capitalist economic system.	The economy's performance points to solid growth.	Economic growth is balanced, environmentally sustainable and future-oriented.
Questions	<ol style="list-style-type: none"> To what extent are significant parts of the population fundamentally excluded from society due to poverty and inequality combined (income gaps, gender, education, religion, ethnicity)? 	<ol style="list-style-type: none"> To what level have the fundamentals of market-based competition developed? To what extent do safeguards exist to prevent the development of economic monopolies and cartels? To what extent has foreign trade been liberalized? To what extent have a solid banking system and a capital market been established? 	<ol style="list-style-type: none"> To what extent does the country pursue a consistent inflation policy and an appropriate foreign exchange policy? Is there an independent central bank? To what extent do the government's fiscal and debt policies support macroeconomic stability? 	<ol style="list-style-type: none"> To what extent do government authorities ensure well-defined rights of private property and regulate the acquisition of property? To what extent are private companies permitted? Are state companies undergoing a process of privatization consistent with market principles? 	<ol style="list-style-type: none"> To what extent do social safety nets exist to compensate for poverty and other risks such as old age, illness, unemployment or disability? To what extent does equality of opportunity exist? 	<ol style="list-style-type: none"> How does the economy, measured in quantitative indicators, perform? 	<ol style="list-style-type: none"> To what extent are environmental concerns taken into account in both macro- and micro-economic terms? To what extent are there solid institutions for basic, secondary and tertiary education, as well as for research and development?

The Management Index



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

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

4 criteria on the quality of political management	☐ Steering Capability	☐ Resource Efficiency	☐ Consensus-Building	☐ International Cooperation	☐ Level of Difficulty
Objectives	The political leadership manages reform effectively and can achieve its policy priorities.	The government makes optimum use of available resources.	The government establishes a broad consensus on reform with other actors in society without sacrificing its reform goals.	The country's political actors are willing to cooperate with outside supporters and organizations.	Assesses the structural conditions that influence the scope of political action.
Questions	<ol style="list-style-type: none"> To what extent does the political leadership set and maintain strategic priorities? How effective is the government in implementing reform policy? How flexible and innovative is the political leadership? Does it learn from past errors? 	<ol style="list-style-type: none"> To what extent does the government make efficient use of available economic and human resources? To what extent can the government coordinate conflicting objectives into a coherent policy? To what extent can the government successfully contain corruption? 	<ol style="list-style-type: none"> To what extent do the major political actors agree on a market economy and democracy as strategic, long-term aims? To what extent can the reformers exclude or co-opt anti-democratic veto actors? To what extent can the political leadership manage political cleavages so that they do not escalate into irreconcilable conflicts? To what extent do the political leadership enable the participation of civil society in the political process? To what extent can the political leadership bring about reconciliation between the victims and perpetrators of past injustices? 	<ol style="list-style-type: none"> To what extent does the political leadership use the support of international partners to improve its domestic reform policies? To what extent does the government act as a credible and reliable partner in its relations with the international community? To what extent is the political leadership willing to cooperate with neighboring countries in regional and international organizations? 	<ol style="list-style-type: none"> To what extent do structural difficulties constrain the political leadership's governance capacity? To what extent are there traditions of civil society? How serious are ethnic, religious and social conflicts? Per capita GNI PPP (2005) UN Education Index as a measure of the educational level Stateness and Rule of Law (average of BTI criteria values)

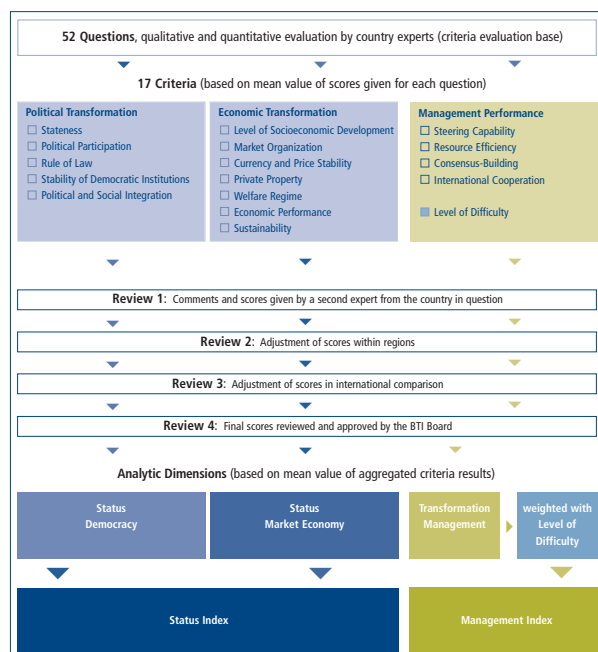
The Bertelsmann Transformation Index

Country reports detailing the state of development, management and the landscape of problems specific to a given country form the backbone of the BTI. Using a standardized codebook, experts for each of the 125 countries examine the extent to which a total of 17 criteria are fulfilled, providing scores as well as written assessments for each. Each country report substantiates the scores given and is available online. A second expert, generally from the country in question, reviews the scores and assessments given for each report. To ensure the consistency of 52 individual scores, each country's scores then undergo a regional and inter-regional comparison and calibration process, after which they are subjected to final review and approval by the BTI Board – a team of esteemed scholars and

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

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

- 125 Countries
- 17 Criteria
- 52 Indicators
- 6500 individual scores total



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