



Transformation management

The state of a country's political and economic transformation serves as a backdrop for the Management Index, which 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 from the start of 2009 to the start of 2011. The premise of the BTI is that successes in development and transformation can be substantially ascribed to intentional and strategically sound reform policy. In its analysis, the Management Index also considers the level of difficulty for each country's transformation process because 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 has remained virtually unchanged (BTI 2010: 4.92; BTI 2012: 4.90 points). This picture is confirmed when one examines the changes in the past two years on the level of the BTI criteria,

questions or different regions and regime types (democracy versus autocracy). The impression of relative stability (or stagnation, depending on one's perspective) often conceals positive and negative trends – sometimes dramatic in scope – which cancel each other out in calculating the average. As was the case in past BTI editions, the quality of transformation management is subject to greater variations than the state of transformation.

The top performer in the BTI 2012 Management Index is Taiwan, following Mauritius (2006), Chile (2008) and Uruguay (2010).

Especially remarkable is the relatively pronounced improvement in Taiwan's transformation management, which improved by 0.59 points from an already advanced standard, even when one accounts for the comparatively low level of difficulty. Taiwan improved its score by at least a whole point on nine of the 14 questions compared to the BTI 2010.

The decisive factor in this was that, after the Kuomintang took office, they stringently pursued a course of pragmatic rapprochement with China. This not only led to the

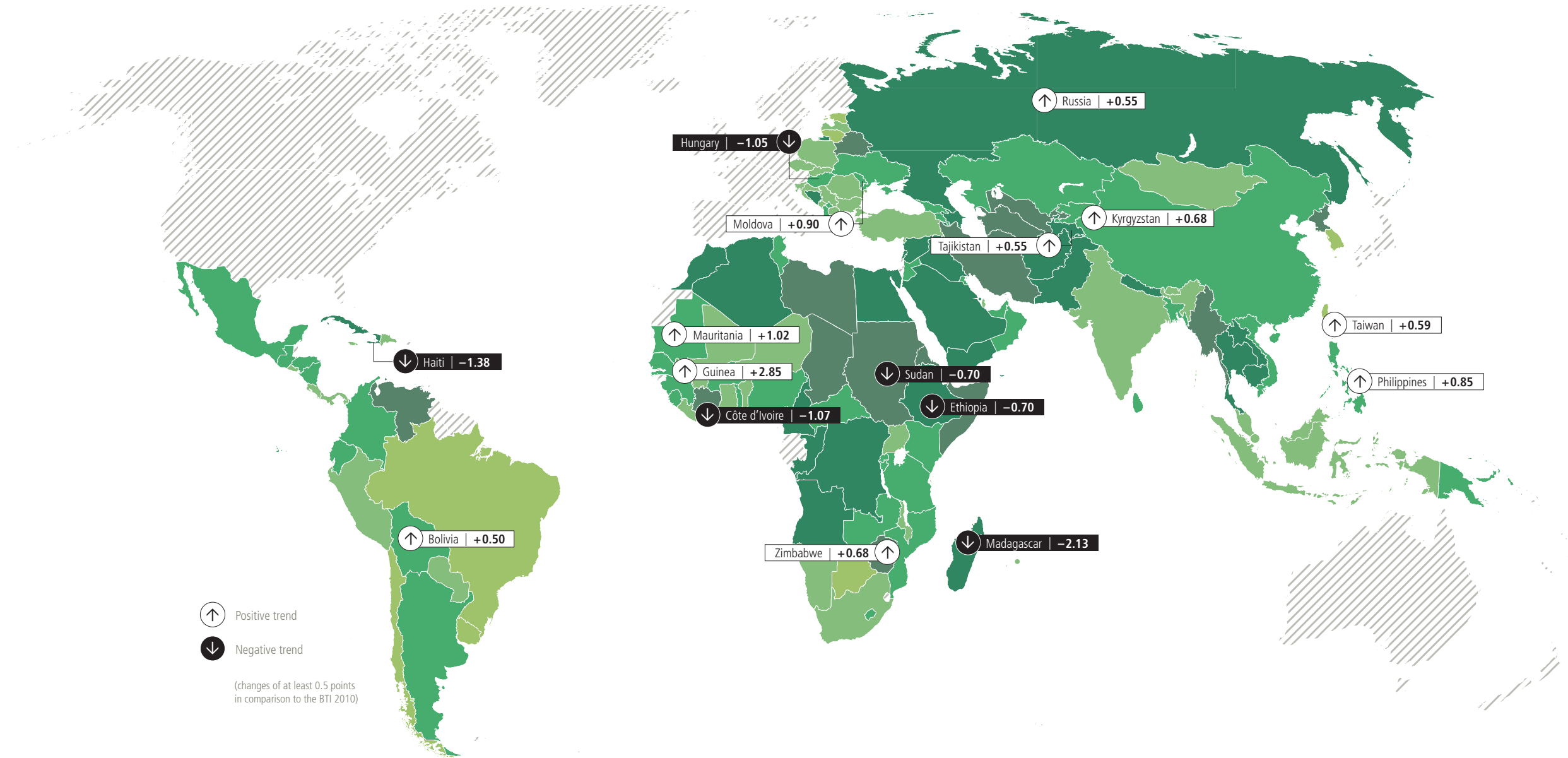
signing of an economic framework agreement with the People's Republic and even greater international credibility for Taiwan; it also diminished the previously deep domestic ideological rift between the proponents of independence and the advocates of unification with mainland China. Since the government declared rapprochement with China to be its primary goal from the very beginning and was able to implement this course with support of a loyal two-thirds parliamentary majority, Taiwan is the only one of the 128 BTI countries to achieve the maxi-

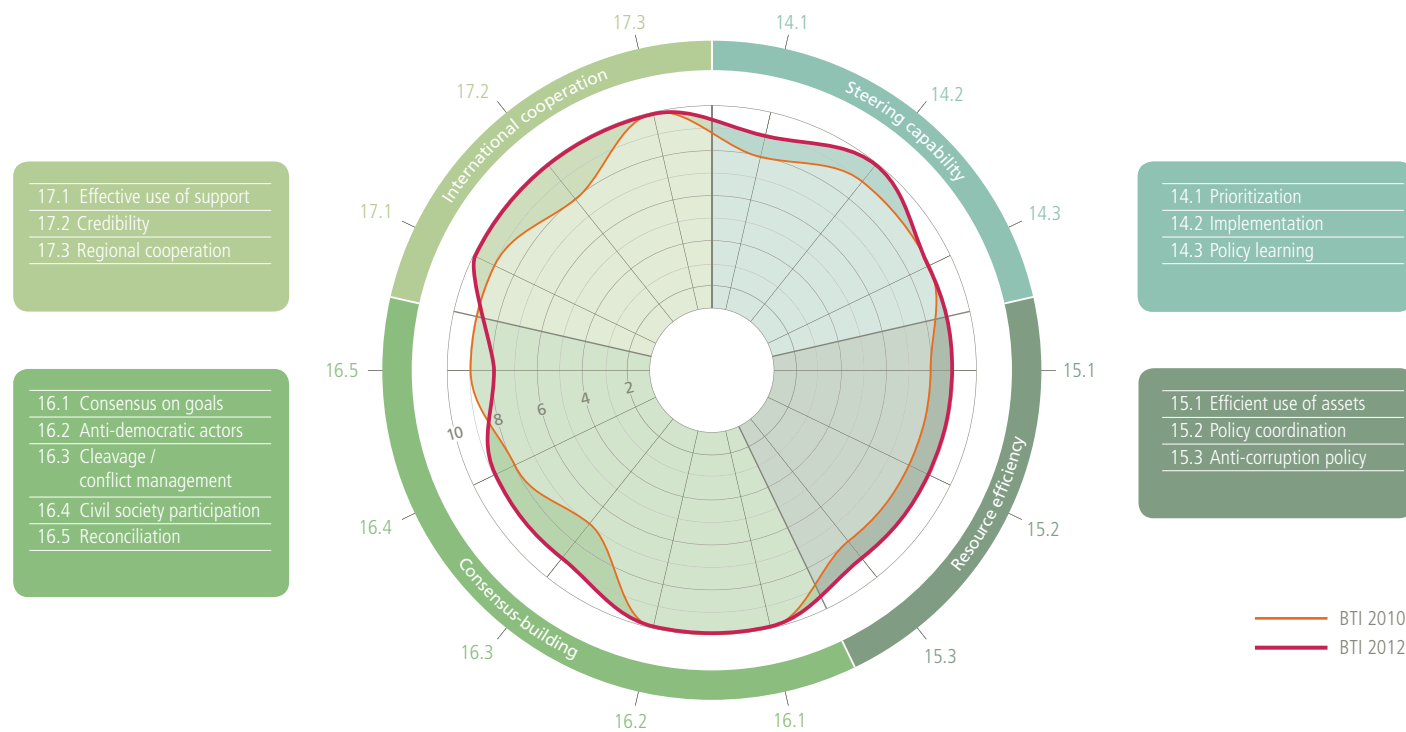
imum score of 10 points for implementing its political priorities.

Taiwan belongs to a small group of only eight states that the BTI attests to having "very good" transformation management. Six countries (Botswana, Chile, Estonia, South Korea, Taiwan and Uruguay) have been continually represented in this group since the BTI 2006 thanks to their consistently good management performance. Brazil has belonged to it since 2010; Lithuania just joined it again for the first time since 2006. All eight of these states are well-advanced in the pro-

cess of consolidating democracy and a market economy. Their scope for political action is constrained only by structural difficulties, which are negligible, however, with the exception of Botswana and Brazil.

Among the 36 states whose transformation management is assessed as "good" are four autocracies – Bhutan, Malaysia, Qatar and Singapore. Except for Bhutan, they are not pursuing political transformation toward democracy, but they rank above all of the highly defective democracies – none of which appears in this category – due to their





more purposeful pursuit of market economic reforms. The common denominator of the African states in this group (Liberia, Malawi and Niger) is that governance in these states is assessed as good in the context of impressive successes in democratization but their economic performance is rather weak. In addition, these countries suffer from a catastrophically low level of socioeconomic development. Compared to states with very good transformation management, resource efficiency is significantly lower in this group.

Once again, the largest group in this BTI is comprised of those states – 43 in total – whose governments are pursuing transformation toward democracy and a market economy with moderate success. Alongside 28 defective democracies, Hungary is the only consolidating democracy represented here. Among the 14 autocracies, the United Arab Emirates comes out on top, achieving by far the highest score in this group for resource efficiency (7.00 points). The basis for this assessment is the country's comparative-

ly wide variety of integrity mechanisms to fight corruption and the government's successful efforts to coordinate policies. Compared to the states with good transformation management, the 43 states with moderate transformation management score significantly lower in terms of their capacity for consensus-building, conflict management and civic participation.

The weak transformation management of 27 countries is typified by scores ranging from moderate to weak on the three management criteria of steering capability, resource efficiency and consensus-building. This goes for nearly all of these governments, including the five democracies and the 22 autocracies. Only for the criterion of international cooperation do a few of the countries average 6 points or better. This group includes two defective democracies, Bosnia and Herzegovina and Lebanon, whose management performance trails that of nearly all the moderate autocracies; in Bosnia's case, its scores have fallen continuously since the BTI 2006.

Much like the top group, the group of countries whose transformation management is classified as "failed or non-existent" has remained relatively constant in both its size and composition. All 14 of these countries are autocracies that eschew at least one and usually both normative goals of the BTI – the establishment of democracy under the rule of law and a market economy anchored in principles of social justice. With Belarus, Libya and Sudan, three countries have been relegated to this category in the BTI 2012, while Guinea's political management since its introduction of a democratic transformation process is now assessed as "moderate." Thanks to marginal improvements, the Democratic Republic of Congo, Tajikistan and Syria are now classified in the group with weak management performance – though just barely.

Forging ahead, losing ground: stable trends or short-term fluctuations?

A glance at the findings of previous BTI surveys enables us to cautiously categorize countries according to whether changes in their political management are apt to be permanent in nature or just a matter of short-term losses or gains. Both cases appear in the list of those countries having registered the largest gains and losses in the Management Index for the BTI 2012 (change in score by more than 0.5 points).

Guinea, the biggest winner in the Management Index in absolute terms, provides an example of unsustainable changes. Its improvements in political management began from an extremely low standard. In the last BTI, Guinea ranked 123rd in the Management Index with a score of 2.13 points. While its scores have improved on every question since military rule came to a provisional end with free presidential elections, it exceeds 5 points only in the areas of international cooperation, consensus on goals and attempts to facilitate reconciliation between victims and perpetrators of past violence. The country report leaves no doubt that, in the future, Guinea's political management under President Alpha Condé must be measured against whether the government succeeds in reforming the dilapidated administration, establishing civilian control over the military, tackling the reforms in the security sector that this requires and holding adequately free and fair elections for parliament and at the municipal and regional levels.

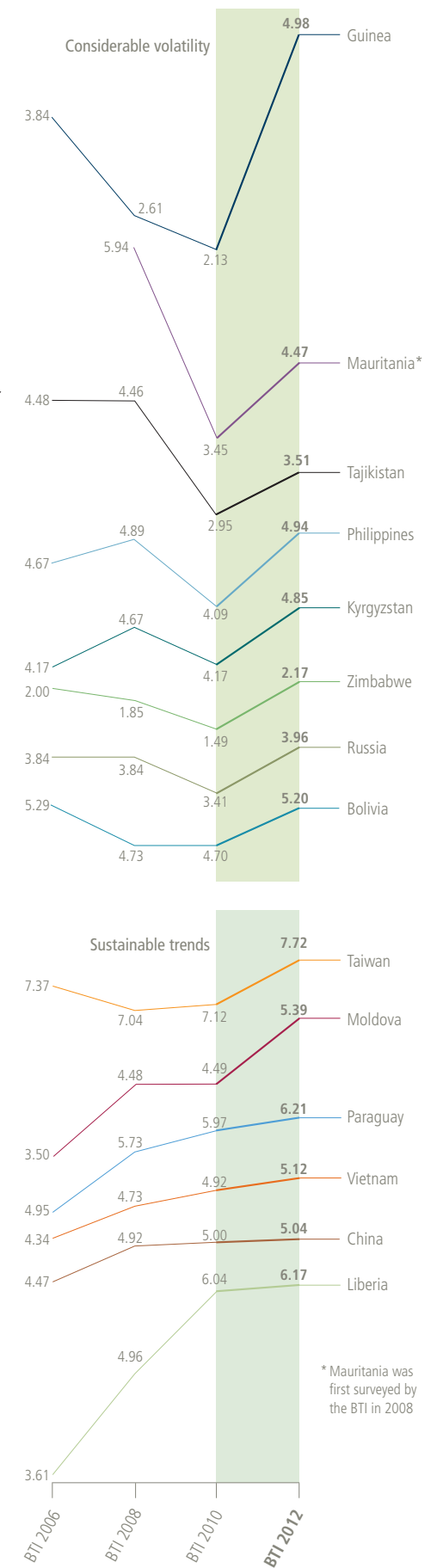
In Kyrgyzstan, as well, it remains to be seen whether the small improvements in political management in the course of its transition to democracy will be lasting. Kyrgyzstan's scores for transformation management have been highly volatile; its score in the BTI 2012 (4.85 points) is just barely higher than in the BTI 2008 (4.67 points). The Central Asian country vacillates between tendencies toward authoritarianism and democratization. At the moment, signs are pointing more toward democratization, which is expressed in the Management In-

dex mainly in improved scores for steering capability and consensus-building (anti-democratic veto actors have lost influence; political actors have done a better job of engaging civil society, particularly in the process of constitutional reform). In addition, the country's international credibility has increased over the course of elections that were unprecedentedly free and fair in the Central Asian context and its changeover to a parliamentary system of government. But in Kyrgyzstan, too, these advances have yet to be consolidated – and, what is more, domestic political tensions are on the rise.

A comparison with earlier editions of the BTI reveals that changes in the Philippines, Russia and Tajikistan – which appear positive at first glance – actually do not suggest a durable trend. Instead, political management in the Philippines and Russia has at best been restored to its previous low standard. Tajikistan's overall management score of 3.51 still trails far behind that achieved in the BTI 2006 (4.48). The picture is similar in Mauritania. The country has indeed resumed a transformation course since the end of military rule. However, its new government's score for transformation management remains significantly worse than in the BTI 2008, when Mauritania was first assessed. In Zimbabwe, too, there have been small advances in economic transformation, but its governing coalition remains deeply divided, and there is no consensus on the country's future transformation course.

Apart from the impressive improvements in Taiwan's political management, Moldova is the only country to show a sustainable upward trend among those that posted the largest gains in management in the BTI 2012. Its governments have improved their scores for transformation management by a total of 1.90 points since the BTI 2006 (to a current 5.39 points). The new pro-European governing coalition under Vlad Filat has continued to pursue with greater vigor some of the reforms already introduced by its communist predecessors in such areas as the liberalization of visas, alignment to the European economic zone and the improvement of education policy.

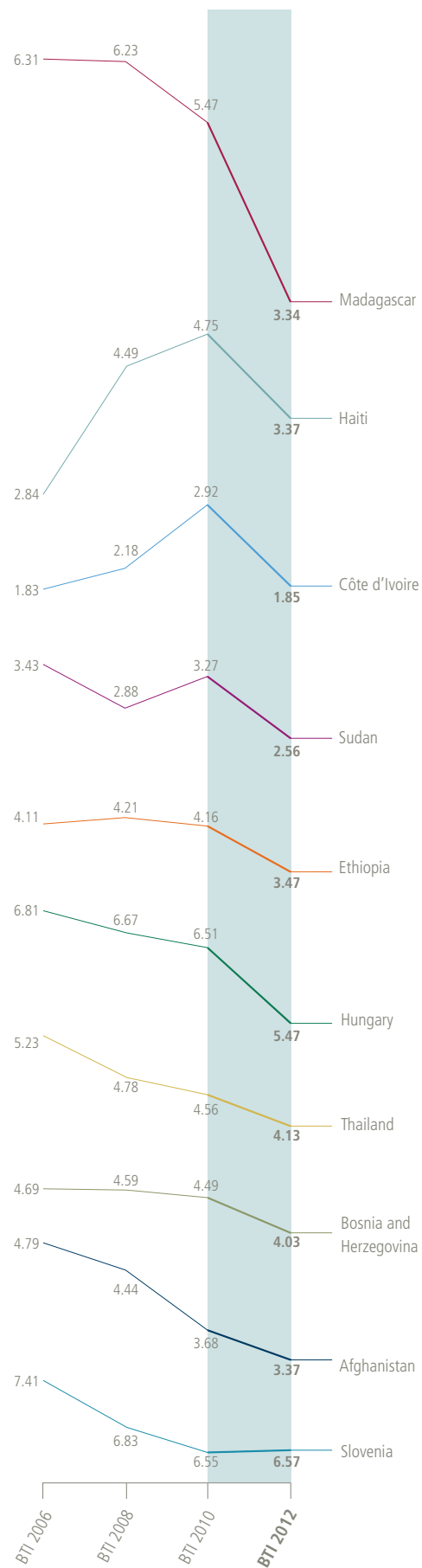
Improvements in transformation management



* Mauritania was first surveyed by the BTI in 2008



Transformation management on the decline



Moldova has made clear advances toward integrating civil society into the political process. Its National Participation Council, founded in 2009, is intended to structure and ensure civic participation in political decisions in the future. However, as long as the political stalemate on electing a president – for which the governing coalition lacks the necessary majority – cannot be resolved, the scope of action remains limited for further progress.

There are a number of countries whose political management has continually improved in every edition of the BTI since 2006, but whose gains in the last two years were not strong enough to rank among those posting the largest improvements in the BTI 2012. This group includes Liberia (with an impressive +2.56 points since 2006), Paraguay (+1.26 points), Vietnam (+0.77) and China (+0.56).

Among those showing the largest slippage compared to the BTI 2010 are Madagascar and Haiti, two other countries where a regime change has occurred. Madagascar's political management was rated 2.13 points lower than just two years ago. Its declines are not limited to individual aspects of transformation management but are pervasive across all of the questions. This reflects the disastrous situation in which the country has found itself since the unconstitutional seizure of power by Andry Rajoelina in 2009. The situation is exacerbated by the fact that, since then, international donors have largely frozen the development aid funds upon which the island country is dependent.

Madagascar's major loss in credibility is expressed in a dramatic drop of 4.6 points in its BTI score for the criterion of international cooperation. But even before the turbulent events of 2009, Madagascar's

political management was in a downward slide. Its score had continuously deteriorated since the BTI 2006, though to a less dramatic degree in previous editions. Its score for political management has dropped almost by half since the BTI 2006 (from 6.31 to 3.34 points). In the failing state of Haiti, the government has been unable to commence rebuilding after the devastating earthquake of 2010 despite massive international aid.

While the three autocracies of Côte d'Ivoire, Ethiopia and Sudan slid even further down the scale, in Hungary, the political management of a highly advanced and economically developed democracy took a hit. The Fidesz government has largely replaced strategic planning with symbolic politics and is concentrating its efforts on consolidating its power. In doing so, it is countenancing the erosion of democratic institutions and the rule of law as well as a departure from the European course.

Overall, the biggest losses were in scores for steering capability and international cooperation. Beyond the large fluctuations in the Management Index, other especially concerning developments include persistent slumps in management performance since the BTI 2006 in Afghanistan, where the government is increasingly unable to implement strategic priorities in the context of endemic corruption and an unstable security situation (-1.42 points compared to the BTI 2006), and in Thailand, where the military and Privy Council continue to curb the ability of elected representatives to govern despite a formal return to a civilian government since 2007 (-1.10 points). Downtrends also continue in the BTI 2012 in Slovenia (-0.84) and Bosnia and Herzegovina (-0.66).

Strengths and weaknesses of transformation management

Similar to the average overall score for the Management Index, the average scores for the four criteria and 14 questions of the Management Index have also remained relatively constant since the BTI 2010. The profile of weaknesses and strengths that the BTI sketches for the political transformation management of change worldwide reveals an unchanged, relatively sobering picture: While political actors in most states display a pronounced willingness and capacity for international cooperation both globally and regionally, their governance clearly lags behind in making effective use of the resources available and creating a social consensus on the course of transformation.

International cooperation remains the highest-scoring criterion in the Management Index, with 6.75 points on average. This capability also constitutes the clear-

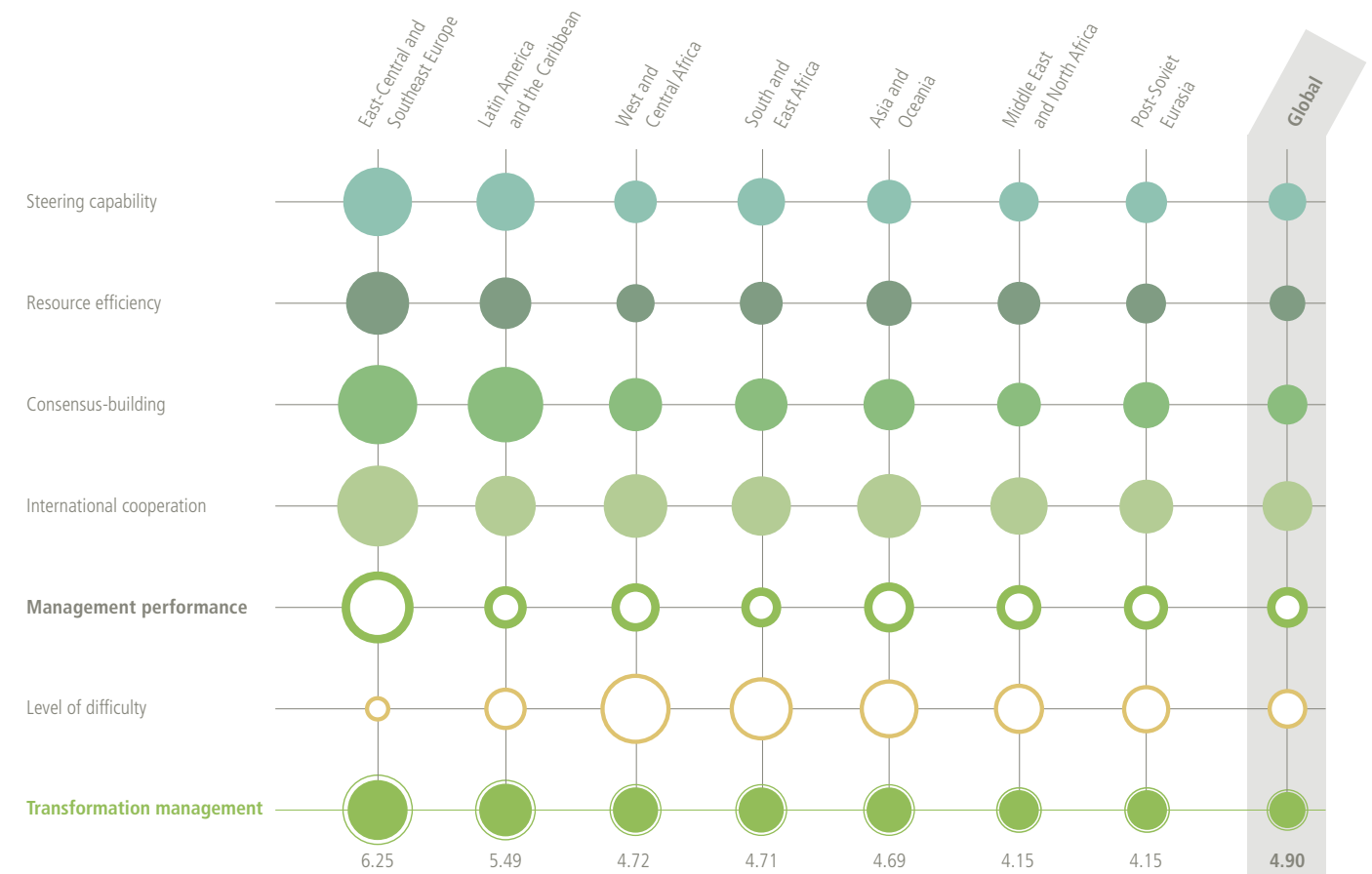
cut strength of governance in every region of the world. Eighty-one countries achieve an average score of 6.50 points or more on the three questions within this criterion. Four countries (Brazil, Chile, Taiwan and Uruguay) even receive the maximum score of 10 points on each of these questions. This result is especially notable for the geographically large state of Brazil, whose international importance is steadily growing. Key factors in its positive assessment are the government's efforts to promote regional integration and to strengthen south-south cooperation.

Côte d'Ivoire, Eritrea, Iran and North Korea come off worst with scores below 2.50 points; they are regarded as lacking both the will and capacity for international cooperation. Côte d'Ivoire's international reputation hit a new low when incumbent President Laurent Gbagbo's refusal to recognize the results of the presidential election in November 2010 – and his defeat – led to escalating violence. Along

with Côte d'Ivoire, Hungary also numbers among those showing the largest slippage. Its populist-conservative government under Prime Minister Viktor Orbán has not only provoked fierce criticism from the international community with its infringements on media freedom and the separation of powers; it also is increasingly alienating its neighboring states with its nationalistic course. To quite varying degrees, the governments of Afghanistan, Haiti, Mexico and Thailand cooperate more poorly than two years ago with external supporters or neighboring states, or they have lost credibility in the international community.

Steering capability – that is, the government's ability to set and pursue strategic priorities, to implement its policies and, at the same time, react flexibly to challenges and learn from them – has scarcely changed on global average over the past two years, remaining a weak point of transformation management worldwide with a score of 5.11 points. This still holds true when one

Transformation management in interregional comparison



considers that the normative framework of the BTI – which comprises the pursuit of democracy and a market economy as long-term goals – is built into the scoring process. This is done to prevent a situation, for example, in which the efficient prioritization and implementation of repressive strategies for maintaining power are rewarded. As a consequence, however, authoritarian states with high steering capability in the area of economic transformation but no aspirations toward political transformation cannot receive more than 5 points.

The economically successful authoritarian states of China, Kazakhstan, Qatar, Singapore, the United Arab Emirates and Vietnam achieve this maximum score on all three questions – prioritization, implementation and their government’s capacity for learning. These states (plus Malaysia, which was found to have some weaknesses in prioritizing aspects of economic transformation) would profit most heavily from a “regime-neutral” calculation of this criterion. However, if one alternatively calculates the Management Index without the steering capability criterion, only Qatar, Malaysia and Singapore improve by more than 0.50 points.

At the same time, the reports for the aforementioned countries describe numerous problems (except for Singapore) in implementing and pursuing strategic priorities in the economic realm (e.g., corruption, insufficient political clout at the regional level and the dogged pursuit of a course lopsidedly geared toward economic growth). Moreover, the relatively strong performance of a handful of autocracies on economic performance should not hide the fact that ten autocratic countries were rated with a score of 1 or 2 points and have no ability to set strategic priorities.

But the average score for democratic governments’ steering capability also lingers at a moderate level (6.26 points). After resource efficiency, this criterion scores the worst. In those states where the scope for setting and pursuing their own priorities and their ability to implement reform policy were curtailed by the effects of the

global financial and economic crisis (which demanded great flexibility), the relatively minor change in scores can be considered a small success.

In no country, however, was the economic crisis the decisive factor for a decline in scores. Instead, the effects of the crisis brought into focus pre-existing weaknesses in some countries with respect to prioritizing and implementing policies. Among these is the Slovakian government, whose hesitant reaction undermined the impact of its stimulus measures. In Mexico, where crisis management was more expectant and cautious than in other countries in the region, the general lack of a long-term strategy became evident. In Indonesia, in particular, weaknesses in implementation due in large part to administrative inefficiency and a lack of general preparedness among local public servants became clear. In Romania, the indecisive stance of the government, which took action only under external pressure, once again exposed the country’s basic problem: The passage of important legislation and the implementation of policies is often blocked by political conflicts.

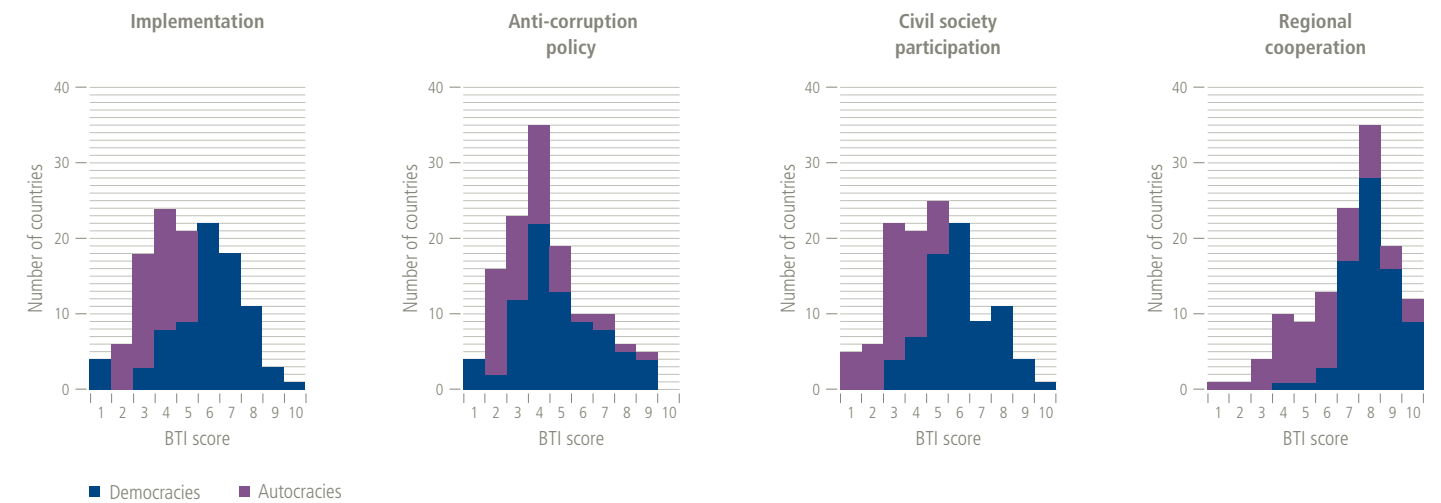
Conversely, some strengths in governance also came to light in dealing with the crisis. With their quick reactions, countries such as Indonesia, Singapore and South Korea and underscored that political decision makers had drawn the right lessons from the financial crisis of 1997–1998. States such as Brazil, China and Poland proved that, even in times of crisis, they are capable of reacting with the necessary flexibility without abandoning their strategic priorities. In El Salvador – one of the countries whose score for steering capability has improved most steeply – it is admittedly controversial whether its economic response plan adequately cushioned the impact of the crisis, but the plan contains some innovative social policies (such as the introduction of a universal health care system). The Indian government, too, succeeded in flexibly setting the right priorities. Although the government temporarily had to abandon the austerity plan it had previously adopted, its relatively limited funds were

employed in strategically relevant areas, such as social security in the informal sector, a bailout package for especially hard-hit branches of industry and investment in rural infrastructure.

The financial crisis had no perceptible impact on the capacity of political leaders to forge a broad consensus on reform with other social actors. The global average for the consensus-building criterion receded slightly compared to the BTI 2010. Overall, the scores for this criterion diverge most markedly between democracies and autocracies (by 3.16 points). On two of the questions, this is not surprising: It is not in the interest of authoritarian governments to produce a broad social consensus on pursuing democracy and a market economy as long-term goals. And the question of integration or exclusion of anti-democratic veto actors does not arise when there is no pro-democratic government.

However, it is notable that consensus on the two goals – democracy under the rule of law and a market economy anchored in principles of social justice – has suffered the largest losses in democracies. Whereas 35 of 76 democracies achieved a very good score of 9 or 10 points in the BTI 2010, only 30 of 75 do so in the BTI 2012. The unanimous consensus of political elites on pursuing the goals of democracy and a market economy is eroding in Albania, Argentina, Bosnia and Herzegovina, Hungary and Ukraine. In the cases of Argentina and Hungary, there is dissent especially on the conceptual forms of democracy and market economy to be pursued. In Bosnia, and among its nationalist parties in particular, the commitment to democracy has become little more than lip service. In Ukraine, President Yanukovich clearly prioritizes stability over democratization, increasingly resorting to autocratic methods. The opposition, which is more committed to democratic goals, is deeply split internally and has been marginalized since the 2010 elections. In Albania, it is mainly links to the old communist regime that repeatedly throw into question a broad consensus on political transformation. Finally, even

Scores on selected questions for 128 countries



among the 29 states where serious disunity prevails on both goals – democracy under the rule of law and a market economy anchored in principles of social justice – there are still six democracies (Angola, Bolivia, Burundi, Ecuador, Nepal and Sri Lanka).

On global average, governments’ efforts to de-escalate political conflicts appear to have continuously slackened since the BTI 2006. The global average score for this question fell from 5.92 points (BTI 2006) to 5.50 (BTI 2008) and 5.37 (BTI 2010), now landing at 5.34 points. No country achieves the maximum score of 10 points here. It is notable that, among the four countries whose governments are certified as having the best conflict management – Costa Rica, Uruguay, Benin and Taiwan – the latter two have relatively deep cleavages. Yet Benin’s political actors have managed for years to avoid exploiting the country’s great ethnic and religious heterogeneity in conflicts along political fault lines. In Taiwan, the government is currently bringing a more moderate tone to the previously strong ideological conflict over relations with mainland China and replacing this with a pragmatic policy of rapprochement. All in all, scores have improved slightly for the democracies; the declines occurred predominantly among the autocracies. Nonetheless, there are two democracies among the lowest-scoring countries, Bosnia and Lebanon, where

the governments are helping exacerbate the existing political conflicts.

A continued source of disillusionment is the efforts of governments around the world to integrate actors from civil society into the political process. The average score of 4.86 on this question is one of the lowest in the entire Management Index. Uruguay is the sole country to achieve a score of 10 because its government continues to put stock in consistently involving civil society in formulating and implementing policies – for instance, by holding discussion forums on particular political questions. In education policy, for example, the participation of teachers is obligatory for passing bills and ordinances.

In terms of the countries’ distribution, the differences between democracies and autocracies are most pronounced on this question. None of the 53 autocracies scores more than 5 points – that is, without exception, civic actors are ignored in all autocratically governed states when it comes to formulating policies. Conversely, none of the 75 democracies scores worse than 3 points.

Alongside gains in Guinea, Kyrgyzstan, Mauritius and Moldova, the biggest advances occurred in El Salvador. While previous governments scarcely involved civic actors, President Funes is making numerous efforts to create a larger role for non-governmental actors in the political decision-

making process. This takes place mainly through a variety of consultative forums that have been established in areas such as health policy, labor protection, and indigenous-population integration.

On the question of integrating civic actors into the political process, there are several countries whose scores fell from a relatively high level (Chile, Czech Republic, Hungary and Slovakia). Opportunities for participation have deteriorated the worst (by 2 points) in South Korea. Under President Lee Myung-bak, the government has not continued its predecessors’ inclusive policy but, instead, is pursuing more of a top-down approach. Moreover, civil society organizations (such as the human rights commission) have less access to the government.

Democracies versus autocracies: efficient governance without democratic legitimation?

The key management problem in most countries, however, remains the same in this BTI as before: the efficient use of resources and, in particular, inadequate progress in fighting corruption. Both globally and regionally, this is the least dynamic criterion, with its average score stagnating at a low 4.84 points (the lowest average score in the entire BTI except for the level of socioeconomic development).

An autocratic country, Singapore, comes out on top for this criterion. The city-state is alone among the 128 countries in achieving the maximum score of 10 points for policy coordination within the government. Only Estonia, Lithuania and Taiwan are also in the highest assessment category for this criterion.

Here, too, democracies average higher than autocracies overall (5.52 versus 3.89 points), although this gap is the smallest in the entire Management Index. If one concentrates on the group of moderate autocracies, however, on average, they outscore even the defective democracies on the resource efficiency criterion (4.90 versus 4.73 points) as well as the two questions on the use of available resources (4.75 versus 4.54 points) and combating corruption (4.60 versus 4.12 points).

The difference becomes even more obvious when one compares the moderate autocracies and the highly defective democracies. Moderate autocracies, such as Singapore, Qatar, Malaysia, the United Arab Emirates and Bhutan, employ their resources significantly more successfully on average than highly defective democracies, such as Ecuador, Nicaragua, Guinea, Russia, Sri Lanka and Angola (moderate autocracies 4.90 points, highly defective democracies 4.18). On combating corruption, the moderate autocracies actually outstrip the highly defective democracies by a whole point.

More than half of the democracies and autocracies alike efficiently use only a small portion of the resources at their disposal.

Major deficits persist with regard to personnel, funding and management in public administration. Alongside Guinea, the Philippines exhibit the greatest advances. When the government of Benigno Aquino III took office, one of its first acts was to bring sprawling public spending under control. This was done mainly by eliminating high salaries and generous benefits for managers of state-owned enterprises. In addition, some government agencies that failed to

nia, Singapore, Taiwan and Uruguay are the top scorers here with 9 points. Among just 31 countries that score better than 6 points, only five are autocracies. For these higher-scoring countries, the greatest problem is usually the inadequate regulation of party financing, which opens the floodgates to corruption.

The country that has made the greatest and steadiest progress in fighting corruption since 2006 is Liberia, whose President

Average scores for the resource efficiency criterion and its constituent questions



prove their worth have been restructured or shut down. State subsidies have been scrutinized; in the future, the allocation of funds is to be more closely oriented toward achieving objectives, especially in the areas of health and education policy and in the fight against poverty.

The biggest governance deficit in the Management Index is still the lack of control mechanisms and inadequate anti-corruption measures despite the minor progress made (0.15 points on average). Chile, Esto-

Johnson-Sirleaf has decisively pursued an anti-corruption policy since taking office. The National Integrity Forum, founded in 2009 and consisting of governmental and non-governmental actors, is charged with coordinating anti-corruption legislation and policy instruments and strengthening their implementation. Liberia likewise became the first African country to achieve full member status in 2009 in the Extractive Industries Transparency Initiative (EITI) founded by Transparency International.

Unchanged structural difficulties for transformation management

With the level of difficulty – three qualitative and three quantitative indicators assessing structural factors that a government cannot directly affect or can only influence in the long run – the BTI aims to account for the fact that governments vary in the leeway they have for achieving good transformation management. Good governance under difficult conditions receives a better assessment in the Management Index than the same performance would under favorable conditions.

Compared to the BTI 2010, the level of difficulty has remained nearly unchanged on global average, except that the scope for transformation management has shrunk further in some countries – not least due to the impact of the global financial crisis. On balance, autocratic governments face greater difficulties than democracies. There is not a single democracy among the eight countries that are most difficult to govern. In particular, a lack of civic traditions and a low degree of social trust constrain the scope of action more tightly for autocratic governments than for democratic actors.

However, the relationship between the magnitude of the level of difficulty and the quality of transformation management is not nearly as linear as one might expect at first glance. To be sure, all governments certified as having very good governance only have to cope with very minor structural difficulties. Yet the current poor scores of the Hungarian government demonstrate that an ample scope for action is not always utilized. In a wide variety of ways, the governments of countries such as Argentina, Belarus, Libya and Venezuela also fail to adequately tap their potential. Conversely, governments in countries such as Bhutan, Liberia and Malawi demonstrate that good governance can transpire even under adverse conditions.

The Middle East and North Africa: political management in upheaval

On regional comparison, the quality of transformation management worldwide shows little dynamism in average scores. For the most part, upward and downward movements in the scores of individual countries explain the small shifts in averages. For instance, the slight uptrend in West and Central Africa can be attributed almost entirely to improved governance in Guinea, while the negative trend of similar amplitude in South and East Africa is mainly due to Madagascar's worse management performance. East-Central and Southeast Europe and Latin America and the Caribbean remain by far the most successful regions in the Management Index. Thanks to its slight advances, West and Central Africa now comes next, outstripping Asia and South and East Africa. Sharing last place in regional comparison are post-Soviet Eurasia and the Middle East and North Africa.

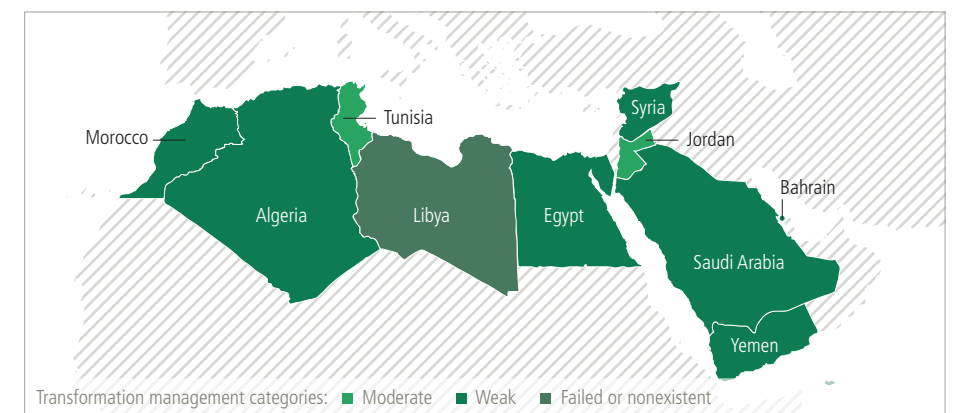
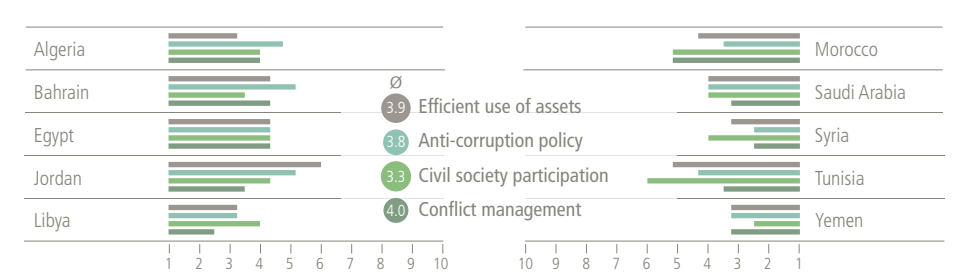
A glance at the countries of the Middle East and North Africa yields a sobering picture on the eve of the Arab Spring. If one con-

siders just those countries where regimes were overthrown or violent clashes have occurred since January 2011 (after the survey period of this BTI), it becomes obvious how incapable the regimes were of reform and how vastly governance had failed before resentment of the disastrous economic and social conditions and the desire for more participation drove people onto the street.

When one excludes the comparatively high-scoring governments of the Gulf states and Turkey, this reduces the average score for transformation management in the remaining states – Algeria, Bahrain, Egypt, Jordan, Libya, Morocco, Saudi Arabia, Syria, Tunisia and Yemen – from 4.15 to 3.91 points. Only Jordan and Tunisia (barely) belong to the group of states for which transformation management is termed “moderate,” while governance in most of these countries is classified as poor. The BTI finds Libya to have failed transformation management. Even Jordan, the highest-placed country among those just enumerated, ranks only 84th in the Management Index.

The level of management performance is similarly low for the individual criteria. In the context of the events of early 2011,

Scores for selected questions on the eve of the Arab Spring



the poor performance of all of these governments on consensus-building is especially illuminating. On average, the countries in this group achieve 3.77 points – a score that has fallen steadily (and from an already low level) since the BTI 2006. These states achieve the weakest results in the Management Index for the question on the inclusion of civil society; with 3.30 points, this score is even significantly lower than the average for anti-corruption policy. The inability of most of these countries to involve civic actors in the political process has further worsened during the survey period of the BTI 2012. The governments' efforts at conflict management likewise score poorly, albeit at the same low level as in the BTI 2010.

The rule of law and good governance

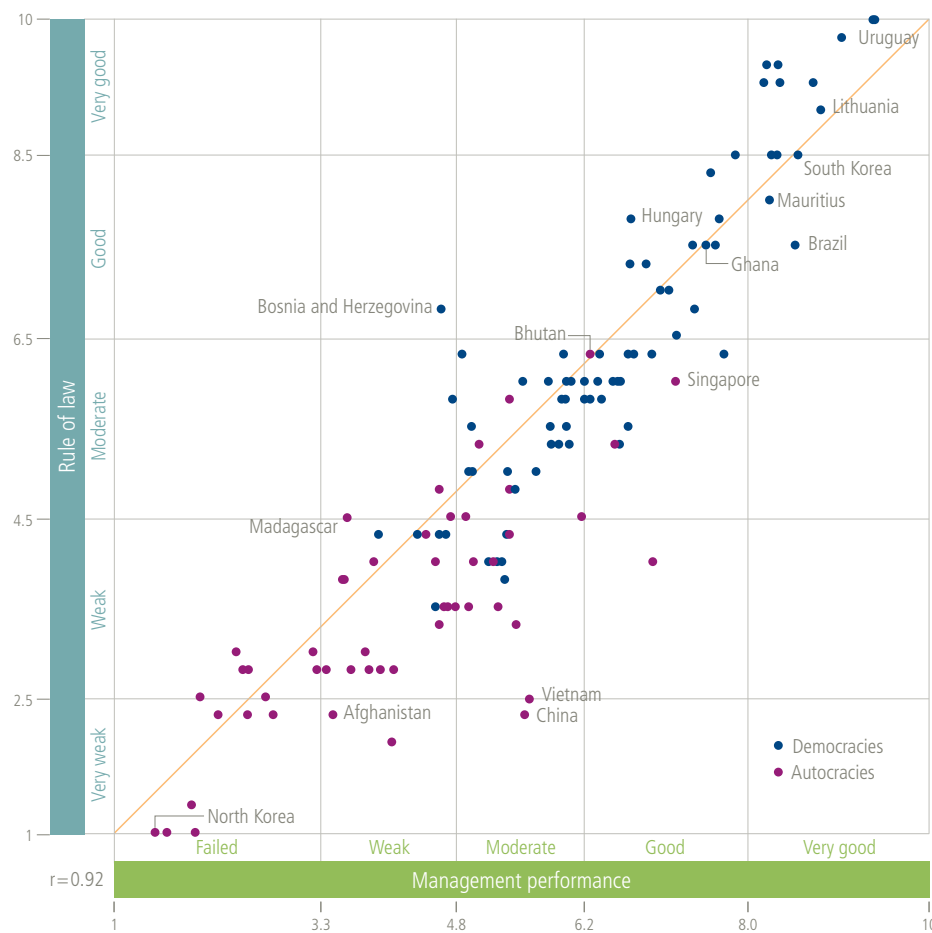
On balance, the quality of transformation management between 2009 and 2011

is relatively sobering. To be sure, a massive deterioration in the quality of governance under the pressure of the global financial and economic crisis was averted. However, this was mainly because the financial crisis did not have severe long-term effects on most of the countries surveyed by the BTI. Thus, only a few governments had to practice active crisis management. Globally and regionally, the weaknesses of transformation management remain striking. Without better usage of available resources, tougher efforts to fight corruption and more consensus-oriented leadership, further advances in transformation will be hard to achieve. The biggest winners in the Management Index have yet to prove that the progress achieved can also be sustained.

The scores of the Management Index and the Status Index correlate most strongly on the rule of law criterion. As a rule, good governance goes hand in hand with a func-

tioning separation of powers, an independent judiciary, respect for civil rights and a consistent prosecution of abuse of office. This suggests that sustainable transformation management needs functionally sound institutions. In other words, democracy with strong foundations in the rule of law is an essential precondition to delivering good political management. Given the previously described erosion of these foundations in some of the states surveyed by the BTI, there is little cause to hope for more good governance. However, especially for the ongoing upheavals in the Arab world and elsewhere, the BTI can point to areas where reform-oriented political actors in developing and transformation countries (as well as external supporters of transformation processes) should direct their attention.

Rule of law and management performance, correlated



Transformation management, BTI 2012

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<tr><td>Croatia</td><td>6.39</td></tr> <tr><td>Romania</td><td>6.35</td></tr> <tr><td>Paraguay</td><td>6.21</td></tr> <tr><td>Mali</td><td>6.19</td></tr> <tr><td>Liberia</td><td>6.17</td></tr> <tr><td>Montenegro</td><td>6.09</td></tr> <tr><td>Benin</td><td>6.07</td></tr> <tr><td>Namibia</td><td>6.06</td></tr> <tr><td>South Africa</td><td>6.06</td></tr> <tr><td>Serbia</td><td>6.01</td></tr> <tr><td>Singapore</td><td>5.99</td></tr> <tr><td>Qatar ▲</td><td>5.93</td></tr> <tr><td>Mongolia</td><td>5.92</td></tr> <tr><td>Dominican Republic</td><td>5.91</td></tr> <tr><td>Malawi</td><td>5.86</td></tr> <tr><td>Bhutan</td><td>5.82</td></tr> <tr><td>Uganda</td><td>5.82</td></tr> <tr><td>Indonesia</td><td>5.80</td></tr> <tr><td>Peru</td><td>5.71</td></tr> <tr><td>Jamaica</td><td>5.69</td></tr> <tr><td>Malaysia</td><td>5.63</td></tr> <tr><td>Niger</td><td>5.63</td></tr> <tr><td>Panama</td><td>5.60</td></tr> </table>	Costa Rica	6.95	Mauritius	6.90	Latvia	6.81	Slovakia ▼	6.80	El Salvador	6.79	Ghana	6.79	Poland	6.79	India	6.67	Turkey	6.60	Czech Republic	6.57	Slovenia	6.57	Bulgaria	6.56	Macedonia	6.45	Croatia	6.39	Romania	6.35	Paraguay	6.21	Mali	6.19	Liberia	6.17	Montenegro	6.09	Benin	6.07	Namibia	6.06	South Africa	6.06	Serbia	6.01	Singapore	5.99	Qatar ▲	5.93	Mongolia	5.92	Dominican Republic	5.91	Malawi	5.86	Bhutan	5.82	Uganda	5.82	Indonesia	5.80	Peru	5.71	Jamaica	5.69	Malaysia	5.63	Niger	5.63	Panama	5.60	<table border="1"> <tr><td>Senegal ▼</td><td>5.59</td></tr> <tr><td>Mexico ▼</td><td>5.52</td></tr> <tr><td>Zambia ▼</td><td>5.52</td></tr> <tr><td>Hungary ▼</td><td>5.47</td></tr> <tr><td>Lesotho</td><td>5.46</td></tr> <tr><td>Albania ▼</td><td>5.42</td></tr> <tr><td>Honduras</td><td>5.42</td></tr> <tr><td>Moldova</td><td>5.39</td></tr> <tr><td>Colombia</td><td>5.38</td></tr> <tr><td>Georgia ▼</td><td>5.38</td></tr> <tr><td>Tanzania</td><td>5.38</td></tr> <tr><td>Guatemala</td><td>5.37</td></tr> <tr><td>Kosovo</td><td>5.35</td></tr> <tr><td>Sierra 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<tr><td>Mauritania ▲</td><td>4.47</td></tr> <tr><td>Burundi</td><td>4.46</td></tr> <tr><td>Jordan</td><td>4.43</td></tr> <tr><td>Kuwait</td><td>4.38</td></tr> <tr><td>Ecuador</td><td>4.37</td></tr> <tr><td>Tunisia</td><td>4.34</td></tr> </table>	Senegal ▼	5.59	Mexico ▼	5.52	Zambia ▼	5.52	Hungary ▼	5.47	Lesotho	5.46	Albania ▼	5.42	Honduras	5.42	Moldova	5.39	Colombia	5.38	Georgia ▼	5.38	Tanzania	5.38	Guatemala	5.37	Kosovo	5.35	Sierra Leone	5.35	United Arab Emirates	5.30	Argentina	5.21	Bolivia	5.20	Vietnam	5.12	Mozambique	5.07	China	5.04	Nigeria	5.02	Guinea ▲▲	4.98	Togo	4.95	Philippines ▲	4.94	Rwanda	4.92	Kyrgyzstan ▲	4.85	Sri Lanka	4.76	Burkina Faso	4.74	Nicaragua	4.74	Armenia	4.70	Kazakhstan	4.69	Central African Rep.	4.62	Ukraine	4.62	Bangladesh	4.57	Papua New Guinea	4.54	Kenya ▲	4.51	Oman	4.51	Mauritania ▲	4.47	Burundi	4.46	Jordan	4.43	Kuwait	4.38	Ecuador	4.37	Tunisia	4.34	<table border="1"> <tr><td>Egypt ▼</td><td>4.21</td></tr> <tr><td>Angola</td><td>4.20</td></tr> <tr><td>Morocco</td><td>4.20</td></tr> <tr><td>Bahrain ▼</td><td>4.18</td></tr> <tr><td>Lebanon ▼</td><td>4.14</td></tr> <tr><td>Thailand ▼</td><td>4.13</td></tr> <tr><td>Iraq</td><td>4.12</td></tr> <tr><td>Bosnia a. Herzegov. ▼</td><td>4.03</td></tr> <tr><td>Saudi Arabia</td><td>4.02</td></tr> <tr><td>Algeria</td><td>4.01</td></tr> <tr><td>Azerbaijan</td><td>4.00</td></tr> <tr><td>Russia</td><td>3.96</td></tr> <tr><td>Laos</td><td>3.79</td></tr> <tr><td>Nepal</td><td>3.74</td></tr> <tr><td>Cambodia</td><td>3.67</td></tr> <tr><td>Yemen</td><td>3.67</td></tr> <tr><td>Cuba</td><td>3.57</td></tr> <tr><td>Rep. Congo</td><td>3.51</td></tr> <tr><td>Tajikistan ▲</td><td>3.51</td></tr> <tr><td>Ethiopia</td><td>3.47</td></tr> <tr><td>Afghanistan</td><td>3.37</td></tr> <tr><td>Haiti ▼</td><td>3.37</td></tr> <tr><td>Madagascar ▼</td><td>3.34</td></tr> <tr><td>Cameroon</td><td>3.27</td></tr> <tr><td>Pakistan</td><td>3.18</td></tr> <tr><td>Syria ▲</td><td>3.15</td></tr> <tr><td>DR Congo ▲</td><td>3.12</td></tr> </table>	Egypt ▼	4.21	Angola	4.20	Morocco	4.20	Bahrain ▼	4.18	Lebanon ▼	4.14	Thailand ▼	4.13	Iraq	4.12	Bosnia a. Herzegov. ▼	4.03	Saudi Arabia	4.02	Algeria	4.01	Azerbaijan	4.00	Russia	3.96	Laos	3.79	Nepal	3.74	Cambodia	3.67	Yemen	3.67	Cuba	3.57	Rep. Congo	3.51	Tajikistan ▲	3.51	Ethiopia	3.47	Afghanistan	3.37	Haiti ▼	3.37	Madagascar ▼	3.34	Cameroon	3.27	Pakistan	3.18	Syria ▲	3.15	DR Congo ▲	3.12	<table border="1"> <tr><td>Libya ▼</td><td>2.89</td></tr> <tr><td>Belarus ▼</td><td>2.77</td></tr> <tr><td>Chad</td><td>2.63</td></tr> <tr><td>Sudan ▼</td><td>2.56</td></tr> <tr><td>Turkmenistan</td><td>2.20</td></tr> <tr><td>Zimbabwe</td><td>2.17</td></tr> <tr><td>Venezuela</td><td>2.15</td></tr> <tr><td>Iran</td><td>2.14</td></tr> <tr><td>Uzbekistan</td><td>1.94</td></tr> <tr><td>Côte d'Ivoire</td><td>1.85</td></tr> <tr><td>Eritrea</td><td>1.78</td></tr> <tr><td>Myanmar</td><td>1.77</td></tr> <tr><td>Somalia</td><td>1.51</td></tr> <tr><td>North Korea</td><td>1.31</td></tr> </table>	Libya ▼	2.89	Belarus ▼	2.77	Chad	2.63	Sudan ▼	2.56	Turkmenistan	2.20	Zimbabwe	2.17	Venezuela	2.15	Iran	2.14	Uzbekistan	1.94	Côte d'Ivoire	1.85	Eritrea	1.78	Myanmar	1.77	Somalia	1.51	North Korea	1.31
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Laos	3.79																																																																																																																																																																																																																																																																			
Nepal	3.74																																																																																																																																																																																																																																																																			
Cambodia	3.67																																																																																																																																																																																																																																																																			
Yemen	3.67																																																																																																																																																																																																																																																																			
Cuba	3.57																																																																																																																																																																																																																																																																			
Rep. Congo	3.51																																																																																																																																																																																																																																																																			
Tajikistan ▲	3.51																																																																																																																																																																																																																																																																			
Ethiopia	3.47																																																																																																																																																																																																																																																																			
Afghanistan	3.37																																																																																																																																																																																																																																																																			
Haiti ▼	3.37																																																																																																																																																																																																																																																																			
Madagascar ▼	3.34																																																																																																																																																																																																																																																																			
Cameroon	3.27																																																																																																																																																																																																																																																																			
Pakistan	3.18																																																																																																																																																																																																																																																																			
Syria ▲	3.15																																																																																																																																																																																																																																																																			
DR Congo ▲	3.12																																																																																																																																																																																																																																																																			
Libya ▼	2.89																																																																																																																																																																																																																																																																			
Belarus ▼	2.77																																																																																																																																																																																																																																																																			
Chad	2.63																																																																																																																																																																																																																																																																			
Sudan ▼	2.56																																																																																																																																																																																																																																																																			
Turkmenistan	2.20																																																																																																																																																																																																																																																																			
Zimbabwe	2.17																																																																																																																																																																																																																																																																			
Venezuela	2.15																																																																																																																																																																																																																																																																			
Iran	2.14																																																																																																																																																																																																																																																																			
Uzbekistan	1.94																																																																																																																																																																																																																																																																			
Côte d'Ivoire	1.85																																																																																																																																																																																																																																																																			
Eritrea	1.78																																																																																																																																																																																																																																																																			
Myanmar	1.77																																																																																																																																																																																																																																																																			
Somalia	1.51																																																																																																																																																																																																																																																																			
North Korea	1.31																																																																																																																																																																																																																																																																			

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