



Regional Report
East-Central and Southeast Europe

Illiberal drift has lost some of its momentum

by Allan Sikk

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Regional Report BTI 2024

East-Central and Southeast Europe

Illiberal drift has lost some of its momentum

by Allan Sikk*

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



This regional report analyzes the results of the Bertelsmann Stiftung's Transformation Index BTI 2022 in the re-view period from February 1, 2021, to January 31, 2023. Further information can be found at www.bti-project.org.

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Introduction

Russia's full-scale invasion of Ukraine, beginning in February 2022, has cast a long shadow over the entire region. It has sparked anxiety and divisions but has also fostered cooperation and the determination to address the altered security situation both in the region and beyond. The invasion has renewed the sense of purpose and determination among several countries in the region to position themselves with the West and move away from the Russian sphere of influence. Its impact has been felt across various aspects of transformation throughout the region in 2022, with some effects expected to materialize in the longer term.

Almost all countries in East-Central and Southeast Europe have made progress in terms of democratization, economic transformation and governance since the fall of communism. From 2006 to 2012, the region's performance in the BTI improved markedly, only to experience a decline in the years following. Encouragingly, the decline halted in 2021-22 as some countries improved their performance, while most maintained stability or experienced only marginal regression. Nevertheless, Serbia and Hungary remain on the verge of joining Bosnia-Herzegovina in the group of "highly defective democracies."

Despite these challenges, East-Central and Southeast Europe remains the top-performing region in the BTI overall and has no autocracies. Even the lowest-performing country in the region, Bosnia and Herzegovina, exceeds the global average. On average, the region registered only minimal changes in all three aggregate indices in the BTI 2024. While the average Governance Index score fell slightly, the average political transformation score remained constant and the average economic transformation score saw modest improvement, which is largely attributable to pandemic recovery efforts.

The Baltic states, together with Czechia and Slovenia, continue to stand out in all three BTI dimensions, with Albania notably surpassing Slovenia in the Governance Index despite facing significant regional challenges. Bosnia, Serbia and Hungary are the worst performers in the region, though they nonetheless outperform Kosovo in terms of economic performance. Over the past decade, Albania and North Macedonia have achieved the largest gains in their democracy status scores, and both have outperformed Hungary, once a solid democracy, since the BTI 2020. Montenegro and Kosovo also outperform Serbia, from which they seceded in 2006-2008.

While each country presents a unique narrative, some common trends can be identified. Political polarization remains a growing concern, as are the heightened tensions between some countries, exemplified by disputes between Hungary and other NATO members regarding support for Ukraine, as well as animosities between Kosovo and Serbia. Economies across the region have largely rebounded from the COVID-19 downturn, yet face challenges such as mounting public debt and budget deficits, which are exacerbated by rising inflation and interest rates, and the urgency of diversifying energy sources and investing in renewable energy. In terms of governance, corruption and weakening political consensus remain pressing issues in most countries. The European Union's influence on the region has evolved, with some countries seeing improved accession prospects and increased EU funds for green energy investment, while others, like Hungary and Poland, grapple with strained relations and frozen funds. Meanwhile, the uncertain path to EU membership has not spurred significant democratic or governance reforms in Serbia

and Bosnia. Delays in accession negotiations for Albania and North Macedonia, as well as Bulgaria and Romania's stalled Schengen area entry, underscore the complexities of EU integration, which is influenced as much by member states' domestic politics as by candidate countries' reform efforts.

Political transformation

The region's average political transformation score has remained unchanged since the BTI 2022. The increasingly authoritarian governments of Hungary, Poland and Serbia and the existential challenges to statehood in Bosnia and Herzegovina attract much of the limelight in international media devoted to the region. However, a deeper analysis reveals a more nuanced and potentially optimistic picture across the region. Though most of the countries in the region are classified as "defective" or "highly defective" democracies, they are nonetheless all democracies.

Table 1: State of political transformation

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

The table follows the BTI 2024 index scores. Countries are ranked according to their system categorization and respective score in political transformation status assessment. Arrows mark a change of category compared with the BTI 2022.

While the overall democracy status for the region remained stable, there have been notable shifts within individual countries. Nine states experienced a decline while six saw improvement. Slovenia and Estonia – among the highest-ranking democracies in the region and globally – recovered from a slight decline recorded during the BTI 2022. Albania, Croatia and North Macedonia reached their highest levels of democratization in a decade, and Kosovo neared its previous high.

Albania experienced one of the largest improvements in the region since BTI reporting began (+0.40 points, second only to North Macedonia's leap in the BTI 2020). The start of EU accession negotiations in 2022 marked a significant milestone for both Albania and North Macedonia, overcoming earlier vetoes from Bulgaria, France and the Netherlands. Albania notably improved its record on the rule of law and the stability of democratic institutions, key aspects of EU accession conditionality. In the 2021 parliamentary election, Edi Rama's Socialist Party (PS) returned with an unchanged number of seats (74 out of 140). Rama is one of the longest serving heads of government in Europe: he has been the prime minister since September 2013 and since 2017 at the helm of a PS majority government. A major judicial reform launched in 2016 continued with the expansion of the vetting of judges, increased investigations of high-level corruption cases

aided by the development of new institutions. An important political change was the election of the politically neutral retired military officer Bajram Begaj as the country's president, who has proven to be a more neutral arbiter than his predecessor, Ilir Meta. Meta, a former Socialist Party prime minister, had been at odds with parliament and was impeached in 2021 (the decision was overturned by the Constitutional Court). However, the significant improvements have been made from a low starting point, and Albania's political transformation status remains well behind most EU member states in the region although it has surpassed three of them (Hungary, Poland and Bulgaria).

North Macedonia has steadily consolidated its democratic progress, albeit with more modest improvements compared to the last two BTI rounds. Since the dramatic downfall of longtime Prime Minister Nikola Gruevski in 2016, the country has made impressive gains in its democracy status score (+1.30 points), achieving the largest jump over three BTI waves since the BTI was first published in 2006 and the third-largest improvement globally over the same period. While North Macedonia has made great strides toward establishing well-functioning democratic institutions, promoting freedom of expression and battling corruption – as evinced by recently opened cases against several high-ranking officials for the abuse of office – its democracy status remains just below the regional average. Significant challenges persist, particularly in areas such as state identity, interethnic relations and interpersonal trust, which have been exacerbated by political instability following the ruling Social Democratic Union's (SDSM) loss of support in the 2021 local elections. This led to Prime Minister Zoran Zaev stepping down and the appointment of Dimitar Kovachevski, a former finance deputy minister and relatively unknown figure to the wider public, as prime minister.

Like neighboring Albania and North Macedonia, Kosovo has made steady progress over the past six years and a degree of stability has been assured by former prime minister Albin Kurti's Vetëvendosje winning the parliamentary election with more than 50% of the popular vote in February 2021. Despite this progress, Kosovo still trails behind Albania and North Macedonia in terms of democratic development, falling short of the promise shown in the BTI 2010 report. However, it has consistently outperformed Serbia, from which it declared independence in 2008, for the second consecutive BTI report. Croatia has achieved a moderate increase (+0.25) in its democracy score, having maintained political stability under the center-right coalition government led by the Croatian Democratic Union (HDZ) and Prime Minister Andrej Plenković. Despite facing numerous corruption scandals, including the arrest of a sitting minister, the government retained a stable parliamentary majority and remained strong in opinion polls, hinting at potential progress in anti-corruption measures. In neighboring Slovenia, there was a notable political shift following the removal of the authoritarian-leaning Janez Janša government in the 2022 parliamentary elections. The progressive government of Robert Golob, representing the Freedom Movement party founded in January 2022, achieved a historic victory with a near-majority (41 out of 90 seats) in the National Assembly. However, this also highlighted the instability in Slovenian politics since 2011, as the 2022 elections marked the fourth consecutive win by a genuinely new party or leader catapulted into the prime minister's office.

Czechia experienced increased polarization and political mobilization but also the defeat of a populist government. In the 2021 parliamentary elections, Andrej Babiš, the incumbent populist prime minister, lost his office and went on to lose a presidential bid to Petr Pavel, a former general and chair of the NATO Military Committee. Estonia saw improvements in stability with the

dismissal of the radical right Conservative People's Party of Estonia (EKRE) from the government in January 2021, while the Reform Party under Prime Minister Kaja Kallas demonstrated strength in polls leading up to the 2023 election. In Latvia, Krišjānis Kariņš (New Unity) became the first prime minister in Latvia's history to complete a full four-year term in office even though new parties won more than one-third of the seats in the October 2022 Saeima elections. In Lithuania, the center-right coalition led by Ingrida Šimonytė (Homeland Union) remained unchanged throughout the review period, maintaining stability in government.

In Serbia, Hungary and Poland, authoritarian leaders continued to consolidate their power, resulting in a deterioration of democracy in all three countries. While the Serbian opposition has ended its boycott and returned to parliament, the political system is increasingly dominated by President Aleksandar Vučić and his Progressive Party (SNS). Parliament, let alone the parliamentary minority, plays a negligible role in Serbian politics. The independence of media and oversight bodies such as the Ombudsman and the Commissioner for Public Information and Personal Data have been diminished. The judiciary continues to suffer from inefficiency, corruption and undue political influence.

During the review period, Hungary and Poland faced the freezing of €138 billion in EU funds under the ongoing Article 7 proceedings in response to the violation of democratic norms in both countries. In Hungary, Prime Minister Viktor Orbán and his Fidesz party secured another term with a supermajority (68%) in the April 2022 parliamentary elections. Despite coordinated opposition efforts, Orbán's dominance persisted, fueled by an unfair electoral system and biased media. Concurrently with the elections, Hungary held a controversial referendum on restricting the discussion of LGBTQ+ issues in education that was deceptively combined with a question on restricting minors' access to sexually explicit media content. None of the four proposals passed, failing to win the support of at least 50 percent of voters. In recent years, Orbán has been scathing in his criticism of the EU with regard to domestic issues and, during the review period, he found himself increasingly at odds with the EU over its stance on Ukraine. In contrast, Poland, which has clashed with Brussels over issues such as judicial and media independence as well as equal rights for women and LGBTQ+ citizens, aligned with the EU on Ukraine, even playing a leading role in shoring up European resolve against the Russian invasion and providing military support to Ukraine. While some institutional changes to the judicial system were introduced, the Law and Justice (PiS) led-Polish government failed to ease restrictions on the media and civil society and continued to discriminate against municipalities run by the political opposition. Strikingly, despite the poor state of democracy and disputes with the EU, public opinion polls in both Hungary and Poland continue to show high levels of support for democracy and above-average trust in the EU (Eurobarometer, February 2023).

While value conflicts (regarding gender, sexual minorities and migration) have stolen some of the limelight from ethnic and religious divisions in recent years, in some countries they have deepened. Bosnia and Herzegovina (BiH) experienced one of the deepest crises and threats to state integrity since the end of the 1992-95 war. The polarizing tendencies that have marred BiH's progress escalated during the review period, with the largest Croat party (HDZ) advocating the creation of an ethnically Croat federal entity and the leadership of Republika Srpska (RS) advocating unconstitutional secession. Following the appointment of a new High Representative (HR) of the international community in July 2021, RS representatives launched a new boycott of state-level institutions to deprive the state of key competencies in the areas of justice, indirect

taxation, defense, security and medical control, paving the way for the de facto secession of the RS. The HDZ made the functioning of the Federation of Bosnia and Herzegovina (FBiH) institutions conditional on electoral reforms that would strengthen the HDZ's grip on Croat voters. On the day of the 2022 elections, the HR retroactively changed the FBiH electoral system, ending the HDZ's electoral blockade but conceding to some of its demands, giving it greater control over the appointment of the FBiH president and government and virtually guaranteeing its participation in all future political coalitions. In Montenegro, the ongoing conflict between pro-Western and pro-Serbian forces contributed to continued political instability and a series of technocratic governments. Governments faced a string of no-confidence votes amid rising social tensions exemplified by the surge in criminal charges for inciting ethnic and religious hatred. The conflicts also affected Montenegro's judiciary, as the Constitutional Court became dysfunctional in September 2022 while political elites failed to agree on pending appointments.

Romania, Bulgaria and Slovakia all experienced a slight decline in their democracy scores. In the latter two, this was largely due to rather extreme political instability. In the two years of the reporting period, Bulgaria held no less than four elections (a campaign for the fifth was underway in early 2023), two of which were won by parties founded in the 2020s: There is Such a People (ITN), founded in 2020 by Slavi Trifonov, a musician and TV personality, and We Continue the Change (PP, 2021), founded by Kiril Petkov and Asen Vasilev, two Harvard-educated former caretaker ministers. While ITN was in government for only a short time, Petkov, the PP leader who ran on an anti-corruption ticket, served eight months as prime minister. However, a lack of parliamentary consensus throughout 2021-22 resulted in President Rumen Radev appointing two caretaker administrations, consolidating his influence despite the traditionally limited powers of the Bulgarian presidency. In Slovakia, the ambitious manifesto plans of the government formed in 2020 succumbed to political instability that was fueled by the impact of multiple shocks (i.e., the pandemic, the war in Ukraine, high inflation), personal conflicts within the coalition, and confrontations with the opposition Smer-SD and far-right groups. This culminated in a successful no-confidence vote in December 2022 and the calling of early elections in 2023. Finally, Romania suffered the largest, though still modest, decline in the region (-0.35 points). Following the dissolution of the government of Florin Cîțu (National Liberal Party, PNL) in November 2021, a stable coalition of mainstream parties and former political opponents (PNL and Social Democratic Party, PSD) enjoyed a supermajority in parliament. While this configuration mitigated polarization, decision-making processes increasingly veered towards opacity, occurring behind closed doors. Additionally, there was a discernible uptick in the political influence wielded by the armed forces and intelligence agencies.

Economic transformation

In 2021 and 2022, East-Central and Southeast Europe experienced volatile economic times. It was a tale of two different years: While 2021 was marked by a solid economic recovery from the pandemic, 2022 was plagued by galloping inflation in the shadow of Russia's full-scale invasion of Ukraine and its impact on energy prices. In 2021, GDP per capita growth averaged 8.4% across the region, reaching pre-pandemic levels everywhere. Economic growth was highest in Croatia (+18%), Montenegro (+13%), Kosovo (+11%) and Albania (+10%, all data from World Development Indicators, World Bank). Economic growth continued in 2022 but was significantly lower (+4.2% on average) and anemic in several countries, with the Baltic states posting the lowest levels and Estonia experiencing a mild contraction. Inflation spiked to an average of 13.7% in 2023, a stark escalation from the relatively moderate 3.5% recorded in 2022. This escalation, propelled predominantly by soaring energy costs, emerged as a direct consequence of the war amid a global economy striving to rebound from the COVID-19 pandemic. The Baltic states recorded the highest levels, with rates peaking between 17.3% in Latvia and 19.7% in Lithuania, contrasting with levels below 10% solely observed in Albania and Slovenia.

Despite a swift rebound of GDP from the pandemic-induced downturn, especially evident in hard-hit economies like Croatia and Montenegro, the region contends with enduring challenges posed by escalating public debt and persistent budget deficits. Rising inflation and interest rates exacerbate these challenges further. Despite the majority of countries in the region maintaining relatively low public debt burdens before the pandemic (44.1% of GDP on average in 2019), the average public debt surged to 48.6% of GDP by 2022, with some countries (e.g., Croatia, Hungary, Montenegro and Slovenia) approaching or surpassing Western European levels of 70% or higher (IMF World Economic Outlook database: April 2023). However, Montenegro's success in reducing its monumental debt burden from a peak of 107.4% in 2020 to a more manageable 71.3% by 2022 suggests that debt can be managed.

While half of the countries boasted moderate or low public debt levels by Western European standards, all except Bosnia and Herzegovina grappled with budget deficits throughout the period. Most countries managed to reduce their deficits post-covid, but some countries (e.g., Czechia and Slovenia) struggled due to generous pension increases, benefit hikes, household energy subsidies and various public sector wage increases. In pursuit of fiscal stability, several countries in the region have adopted German-style debt brake regulations, with Serbia bolstering its measures in late 2022 in response to IMF recommendations. Nevertheless, heightened inflation and energy price hikes disproportionately impact the most vulnerable households, necessitating increased spending, both as a pragmatic political strategy and a dire necessity. For instance, Bulgaria implemented indexation of social transfers for its most economically vulnerable citizens as a means to mitigate poverty risks.

Thirteen out of the region's seventeen countries have advanced or highly advanced economies and, despite the limited progress recorded over the years, the region clearly outperforms all other BTI regions. This is unsurprising given that nine of the region's economies were already classified as highly advanced in the BTI 2006, and the fact that eleven countries are members of the EU. However, not all of the region's EU member states enjoy the classification of highly ad-

vanced economies; Bulgaria and Romania remain categorized as advanced economies, while recent economic challenges have relegated Hungary to a category below countries like Albania, Montenegro and North Macedonia, which have made significant progress in recent years.

Table 2: State of economic transformation

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

The table follows the BTI 2024 index scores. Countries are ranked according to their respective score in economic transformation status assessment. Arrows mark a change of category compared with the BTI 2022.

Albania (+0.79), Croatia (+0.61) and Montenegro (+0.32) made the most progress in terms of economic transformation. The latter two clearly benefited from the recovery of their crucial tourism sectors following the relaxation of travel restrictions. **Montenegro** also managed to improve its social safety nets while bolstering fiscal stability, as discussed above, amid political turbulence. **Albania**, despite starting from a relatively weak position, has made progress in a number of areas. These include poverty alleviation, advancements in gender equality, enhanced management of the central bank, streamlined property registration processes, strengthened intellectual property rights, and improved regulation of private enterprise. However, despite these advancements, Albania's convergence with EU income levels has been gradual, with GDP per capita standing at only 32% of the EU average in 2022, which is nonetheless a noteworthy improvement from 18% a decade earlier. **Croatia** became the most recent addition to the eurozone in January 2023, having satisfied the convergence criteria related to inflation and budget deficits, while being exempted from the government debt criterion due to its post-pandemic trajectory showing a downward trend in national debt. Meanwhile, Bulgaria, Czechia, Hungary, Poland and Romania have maintained their commitment to eventual eurozone membership in line with EU accession criteria. However, public support for adopting the euro varies across these countries, ranging from 72% in favor or somewhat in favor in Hungary to only 45% in Czechia, as per Eurobarometer 2023 data. Despite this, none of these countries have met the Maastricht convergence criteria on inflation and budget deficit in recent years, making near-term accession unlikely.

Across the region, most countries made gains in their economic transformation scores, with declines being minimal even in instances where they occurred. **Poland** (-0.21), **Slovakia** (-0.14) and **Czechia** (-0.11) suffered the largest declines, all from a fairly high benchmark. Fiscal stability emerged as a primary concern in these downgrades, with public spending increases driven by factors beyond government control. However, the ways in which the three countries dealt with

the situation was either haphazard or served to undermine long-term fiscal stability. For example, in Poland and Slovakia, the respective governments wielded their influence to pressure the institutional mechanisms of fiscal responsibility. In addition, Poland has grappled with environmental issues, particularly those concerning the coal mining sector. This has resulted in heavy fines from the European Court of Justice. Moreover, efforts to “repolonize” the media and banking sectors have raised concerns regarding the protection of private enterprise.

Many countries in the region have encountered major economic challenges in diminishing their reliance on Russian natural gas in the aftermath of the full-scale invasion of Ukraine. The EU’s experience mirrors the magnitude of this transition: in early 2021, more than 50% of natural gas consumption was sourced from Russia, dropping to less than 13% by the end of 2022. Noteworthy is Czechia’s experience, transitioning from complete reliance on Russian gas to 96% reliance on alternative sources by January 2023, including LNG and renewables. Even Serbia and Hungary, politically less distanced from Russia, have pursued efforts to diversify their energy sources in acknowledging the importance of reducing dependency.

Governance

While governance scores have consistently fallen in East-Central and Southeast Europe since 2006, the region continues to excel above all others in the BTI’s governance assessments. However, only the three Baltic states are classified as having “very good” governance. Most of the region’s countries feature “good” governance, while six fall below this threshold. Among these, three EU member states are characterized by either chronically weak governance (Romania) or autocratic tendencies, namely Poland and Hungary. Over the past decade, scores for consensus-building have registered the most substantial drop, reflecting a weakening consensus on democratic goals, increasing polarization, and undemocratic tendencies even in countries still considered democracies.

Table 3: Quality of governance

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

The table follows the BTI 2024 index scores. Countries are ranked according to their respective score in the Governance Index. Arrows mark a change of category compared with the BTI 2022.

In the BTI 2024, the regional average in the Governance Index has experienced a very marginal decrease (-0.04 points), with changes in individual countries generally limited in scope. Only two countries improved their performance by more than 0.25 points: Estonia (+0.34) and Albania

(+0.28). **Estonia**, which had been the region's frontrunner in terms of governance performance from the BTI 2008 to the BTI 2020, saw a decline in its position after the radical right Conservative People's Party (EKRE) joined the governing coalition following the 2019 election. This development had a negative impact on prioritization efforts, policy coordination and, in particular, international cooperation, as EKRE's leadership attacked the leaders of friendly countries. Once EKRE was ejected from the government in early 2021, the situation stabilized, and Estonia's ranking in the Governance Index improved accordingly, reaching second to the top. The country has played an active role, particularly under Prime Minister Kaja Kallas, in shaping the Western response to the Russian invasion of Ukraine. Governing coalitions in the post-EKRE era have embraced mainstream European policies on climate change and same-sex partnerships, as was exemplified by the legalization of equal marriage by the coalition formed after the 2023 parliamentary elections.

Albania has increasingly aligned itself with the West and EU regarding Russia. The weakening of rigid cleavages in voting behavior has facilitated greater political consensus, leading to cross-party consensus on vetting candidates for involvement in crimes during communism. The opening of EU accession negotiations in July 2022 injected fresh momentum into EU-related reforms. While the trends are overall positive, many of the country's achievements remain works in progress that are often driven by the international community and EU accession requirements, as reforms lack proper local ownership. For example, judicial reforms have been predominantly drafted, negotiated, funded and supervised by international actors.

Governance Index scores for four countries deteriorated by more than 0.25 points: Serbia (-0.45), Romania (-0.39), Montenegro (-0.30) and Slovakia (-0.27). Despite more than 15 years of EU membership, **Romania** continues to grapple with half-hearted reforms, state capture, and an overreliance on the EU to set key policies, often deflecting blame onto Brussels for unpopular policies. Meanwhile, the Romanian authorities contribute little to EU-level debates and policy formulation. While **Montenegro** has taken steps to address alleged corruption and organized crime through high-profile investigations, the ongoing political turmoil following the 2020 elections casts doubt on the sustainability of these efforts. The formation of a technocratic government in response to this turmoil has further complicated matters, weakening strategic governance and governmental efficiency. Significantly, the coordination of vital EU integration initiatives has been inconsistent, while progress on comprehensive electoral reform has stalled. Criticism surrounds the "Europe Now" reform program due to its perceived absence of thorough analysis and its susceptibility to populism, which poses the risk of inflation. Moreover, the absence of strategic foresight has resulted in impromptu decision-making, with civil society voicing discontent over its minimal and frequently token involvement in policymaking.

Serbia's performance ranks near the bottom of the region (followed only by Bosnia and Herzegovina and Hungary), with antidemocratic forces exerting significant influence, and President Aleksandar Vučić consolidating power in violation of the constitution. Vučić manipulates potential cleavage-based conflicts to either mitigate or exploit them for the regime's gain. The regime's roots lie in the authoritarian reign of Slobodan Milošević during the 1990s, perpetuating a revisionist narrative in mainstream discourse. Additionally, the regime and its allies in academia and the media fail to confront the region's conflict-laden past. **Slovakia**, although faring better overall than the other three countries in terms of their respective downward trajectories,

has witnessed the erosion of programmatic consensus on democratic values since the 2020 elections, which is partly due to government incompetence and a focus on short-term popularity. The use of fast-track legislative procedures has increased, bypassing potential criticism from civil society and stakeholders, while conflict intensity has heightened as political leaders, such as those under Igor Matovič's OLaNO government, exploit cultural cleavages, particularly those targeting sexual minorities and transgender individuals on social media.

The war in Ukraine has posed a serious challenge to regional cooperation among the region's governments. The Baltic states and Poland, in particular, took the lead in advocating for a robust condemnation of Russia and in providing refuge for refugees, aid to Ukrainian civilians, and maximal military assistance. Their stance was grounded in the belief that any degree of Russian victory would perpetuate indiscriminate aggression towards neighboring nations, as evidenced by Russia's actions following the 2008 war in Georgia and its occupation of Crimea and eastern Ukraine in 2014. A sense of urgency and concern that the broader Western response might be insufficient has spurred these countries to spearhead efforts and advocate within the EU and NATO, resulting in seismic shifts in the policies of Germany, Italy and France. Most other countries in the region rallied behind the EU and NATO's position, including governments in countries where pockets of opposition (or even governing coalitions) were less resolutely supportive of Ukraine, such as Bulgaria, Czechia or Slovakia. In Croatia, President Zoran Milanović clashed with the government over his ambiguous messages or overtly anti-Ukrainian statements. Montenegro, a NATO member since 2019 but politically divided, featured a spectrum of parties ranging from staunchly pro-Western and pro-Ukrainian to those advocating for closer ties with Serbia, and consequently, Russia. Nonetheless, its government generally expressed support for Ukraine. Among EU member states, Viktor Orbán's Hungary has stood out as the most stubborn Putin sympathizer, vehemently opposing Western military aid for Ukraine and economic sanctions against Russia, thus exacerbating existing tensions with the EU. Serbian President Aleksandar Vučić has navigated a delicate balancing act, but maintaining public support for Ukraine's integrity while contending with the regime media's strong support for Russia has proved increasingly challenging. Finally, Milorad Dodik, the president of the Republika Srpska (RS) in Bosnia, has been perhaps the most prominent and openly pro-Putin leader in the region, even presenting Putin with the RS's highest award in January 2023.

For a decade, the fading prospect of EU membership has posed a significant challenge in the Western Balkans, but there have recently been some mildly promising developments. After the Bulgarian parliament overturned its veto on North Macedonia's accession negotiations and no Western European member state insisted on vetoing Albania's, accession negotiations for both countries commenced in July 2022. EU accession remains a key strategic goal for Montenegro and Serbia, but their progress has stagnated, with Serbia opening only four negotiation chapters in 2021 and none in 2022 (out of a total of 22 chapters opened), while Montenegro opened all 33 but failed to close any during the reporting period (three had previously been closed). Bosnia and Herzegovina and Kosovo are unlikely to start accession talks in the near future due to existential issues surrounding statehood and international recognition. However, Kosovo submitted its membership application and the Council of the EU, given geopolitical contextual factors, granted BiH candidate status in December 2022 (after Ukraine's receipt of the status in June), despite BiH having implemented almost none of the required reforms.

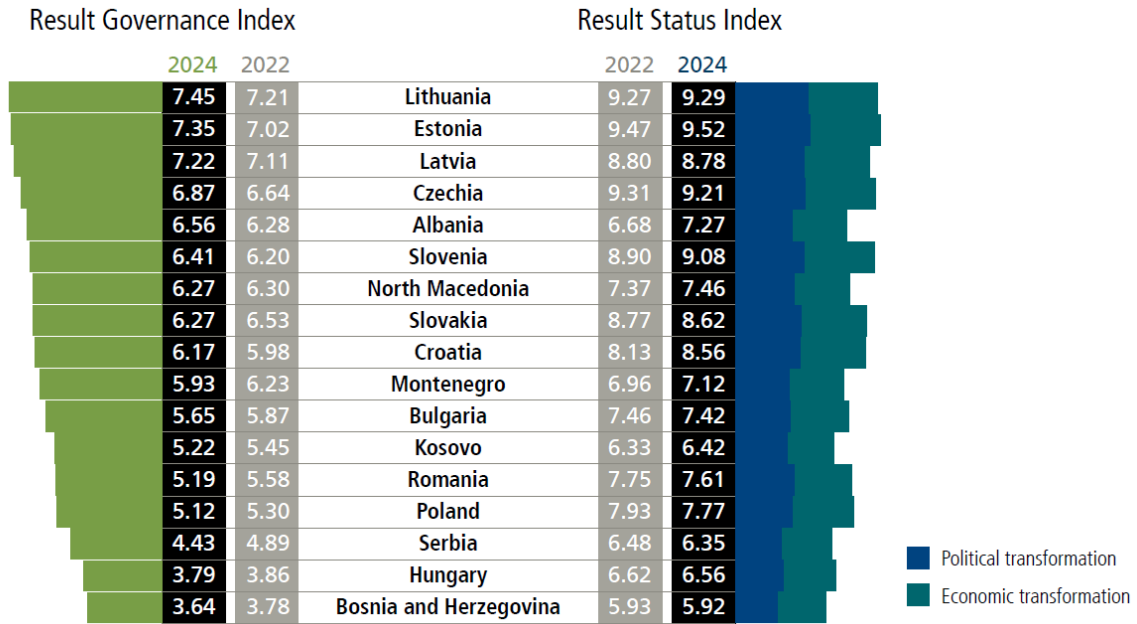
Among the current member states, Croatia made progress by joining the eurozone and the Schengen area in January 2023. The Cooperation and Verification Mechanism (CVM), created as a safeguard when Bulgaria and Romania joined the EU, was dropped for Romania (after having already been dropped for Bulgaria in 2019), but the two countries' accession to Schengen was blocked by Austria and the Netherlands. The standoff between the EU and Hungary and Poland over violations of democratic principles continued, and the EU froze funds to the two member states. This poses a challenge to important public investments, but also poses an existential threat to the system of corrupt networks that have been sustained in part by EU funds.

Outlook

East-Central and Southeast Europe is a region of small and medium-sized countries that are deeply enmeshed in European and global structures. As such, its direction depends as much on external developments as on internal dynamics. Rarely has this been more evident than during a full-scale war in its immediate neighborhood. The war has exposed domestic conflicts between pro-Western and (more or less openly) pro-Russian forces in BiH, Bulgaria, Montenegro and several other countries. It has also driven a wedge between Serbia and most of its neighbors, as well as the previously prominent Polish-Hungarian axis of illiberalism between the Law and Justice and Fidesz parties. The outcome of the war in Ukraine holds profound implications for the region. While an outright Russian victory seems improbable, a decisive Ukrainian triumph could yield starkly different consequences compared to a settlement resulting in a frozen conflict or territorial concessions by Ukraine. Such a victory might not only bolster Ukraine's aspirations for EU membership but also embolden countries in the Western Balkans, notably Albania and North Macedonia, and conceivably Montenegro. Although these countries trail Serbia in formal negotiations, their actual readiness, as gauged by aggregate BTI indices, may be superior. A more tangible prospect of EU accession and diminished allure of Russia as an ally could potentially catalyze transformative reforms in other Western Balkan countries and Hungary. In the absence of a full liberation of Ukraine, Russia is expected to maintain significant influence in certain areas of the region due to both ideological and economic factors, potentially overshadowing the appeal of the West. This situation may further intensify existential challenges in Bosnia and Herzegovina, where centrifugal forces are already nearing a critical threshold. The fragmentation of the country could lead to heightened conflicts. Moreover, this could exacerbate tensions in the unresolved issues between Serbia and Kosovo, which have a history of periodically escalating with varying degrees of intensity, adding further volatility to the region.

Nevertheless, even in the most optimistic scenario in Ukraine, the region is unlikely to shed all autocratic and populist tendencies or resolve domestic and regional conflicts. Local strongmen and aspiring populist leaders are likely to persist in leveraging divisive rhetoric and well-oiled patronage networks. Illiberal, nativist and/or populist forces are gaining ground in several countries in the region where they were not in government during the BTI 2024 review period. For instance, the increasingly Russophile Smer-SD in Slovakia reclaimed power in October 2023, while the right-wing populist VMRO-DPMNE in North Macedonia experienced a resurgence. Similarly, the populist Alliance for the Union of Romanians (AUR) vies for prominence, alongside the ultra-nationalist and anti-NATO "Revival" movement in Bulgaria. It is hard to imagine Fidesz loosening its grip in Hungary or a significant departure from the status quo under Vučić in Serbia, although a change of government has proven plausible in Poland. During the BTI 2024

review period, several leaders with autocratic tendencies were ousted from power across the region. Notably, Janez Janša in Slovenia, and both Andrej Babiš and Miloš Zeman in Czechia, experienced shifts in their political fortunes. Boyko Borisov withdrew, at least partially, from front-line politics in Bulgaria, and a radical right-wing party was removed from the Estonian govern-



ment (subsequently losing support in parliamentary elections). Conversely, governments with broadly democratic leanings exhibited surprising resilience in Latvia, Lithuania, and even Romania. However, the efficacy of the rotating premierships, introduced in Bulgaria and Romania, remains uncertain, echoing the challenges encountered in North Macedonia and Türkiye.

The political and economic impact of the war is likely to be felt even if it were to end promptly. Soaring energy prices have strained public finances and heightened the risk of poverty, necessitating urgent boosts in defense spending and substantial investments in diversifying energy sources. In addition, many countries in the region have absorbed significant numbers of Ukrainian refugees. Poland has been one of the largest recipients, accommodating nearly one million, and several countries in the region have hosted many relative to their total population, such as Estonia (37 per 100,000 inhabitants, second only to Moldova at 43), Czechia (33) and Poland (26), compared to 12 for Germany (all data from the Operational Data Portal, UNHCR, <https://data.unhcr.org/en/situations/ukraine>). Despite the strains on public resources, Ukrainian refugees have generally been warmly received and integrated into labor markets and education systems. Nonetheless, whether the war persists or concludes, the resources and goodwill extended to refugees may dwindle, with certain political factions likely to exploit their presence for gain, particularly if repatriation becomes a feasible option. The dynamics of accepting individuals fleeing war can differ markedly from those of accommodating them as permanent residents.

Moreover, the European and global economic landscapes, the dynamics between China and the West, and the outcome of the 2024 U.S. presidential election loom as pivotal factors for the region, particularly within the framework of regional security. While all governments in the area grapple with the challenge of balancing budgets and managing public debt, persistent inflation,

potential interest rate hikes, or a downturn in the global economy (potentially stemming from tensions between the West and China) could significantly compound these issues and bolster undemocratic elements. The potential resurgence of Donald Trump or a candidate aligned with his ideology in the White House may embolden populists and nationalists in the region, yet it also carries the specter of global instability, particularly if the United States adopts isolationist policies or reverts to the impulsive foreign strategies of the Trump era.

Despite the region's outlook being, at best, partially optimistic, with Russia's continued occupation of substantial portions of Ukrainian territory and various potential threats looming on the horizon, the findings of the BTI 2024 report offer a glimmer of cautious hope. The landscape across countries is mixed, with some exhibiting discernible positive trends that offset the well-documented problematic cases. Certain states have achieved a degree of democratic and economic stability, serving as beacons of inspiration and offering a roadmap for their neighbors to follow.

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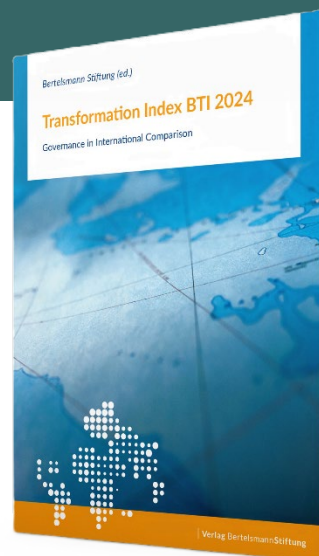
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