



Global findings

## Resilience wearing thin

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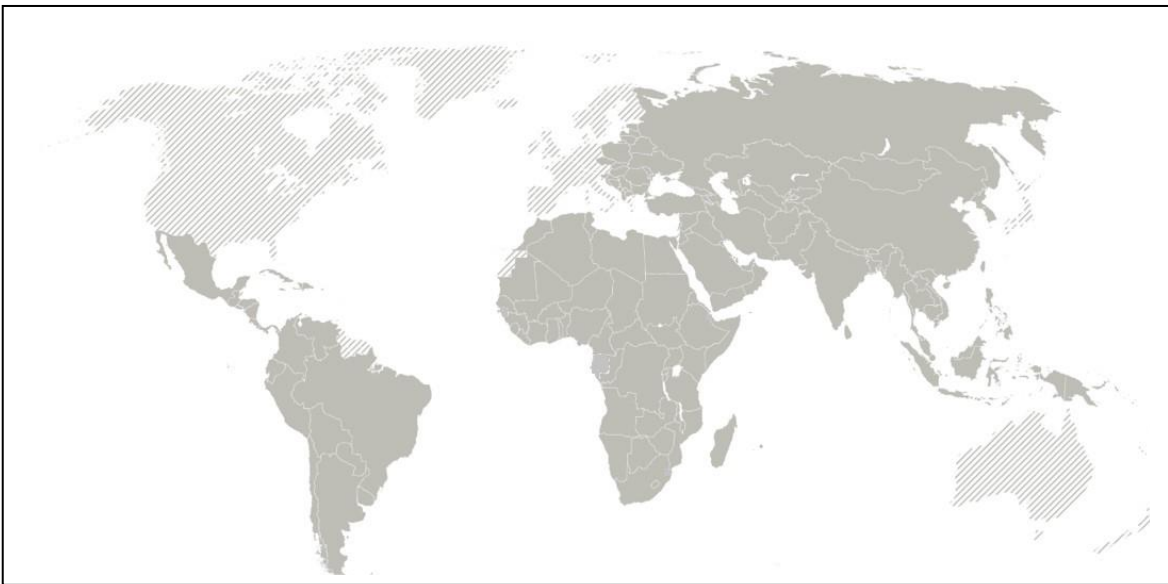
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by Hauke Hartmann and Peter Thiery\*



This global trend report analyzes the results of the Bertelsmann Stiftung's Transformation Index BTI 2022 in the review period from February 1, 2019, to January 31, 2021.

Further information can be found at [www.bti-project.org](http://www.bti-project.org).

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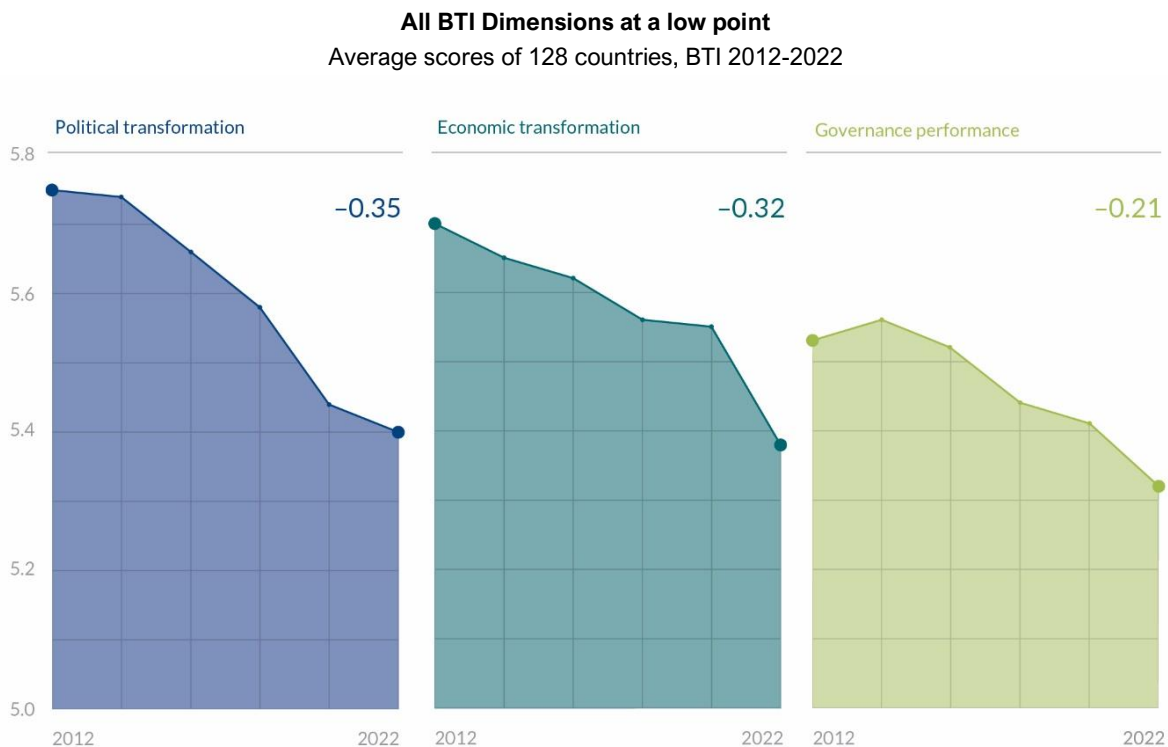
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## Introduction

As in previous years, the BTI 2022 has identified considerable regression worldwide with regard to transformation processes. The guiding principles of democracy and the market economy have been subjected to intense pressure and are being challenged by corrupt elites, illiberal populism and authoritarian rule. For the first time, the Transformation Index lists more authoritarian states than democratic states. At no time in the last 20 years has the BTI assessed levels of socioeconomic development and economic performance as being so low. The quality of government performance has also continued to decline, particularly with respect to the consensus-related aspects of governance.

While this new low results in part from the coronavirus crisis affecting the entire world, it also represents a continuation of long-standing global trends. Due to the high number of infections and deaths around the world, the severe strain on health care systems and national budgets, and the additional challenges to good governance, the COVID-19 pandemic has represented an extreme stress test and left an indelible mark on the second half of the review period.



In response to the pandemic, nearly all countries restricted fundamental democratic rights, and most had to make elemental adaptations to their governance mechanisms as a part of their crisis management policies. Although to a much lesser extent than initially feared, measures intended to limit the spread of the virus – such as bans on public assemblies, controls on information, or the assumption of emergency powers – have in some cases provided autocracies, in particular, with a welcome pretext for curtailing civil liberties further and concentrating power in the executive. The BTI's individual country reports also show that pre-existing governance deficits led to poor crisis management as governments sought to respond to the pandemic.

In the economic and social spheres, in particular, the pandemic's impact was immediate and severe. In most countries, lockdowns, sharp reductions in demand, and the crippling of entire economic sectors

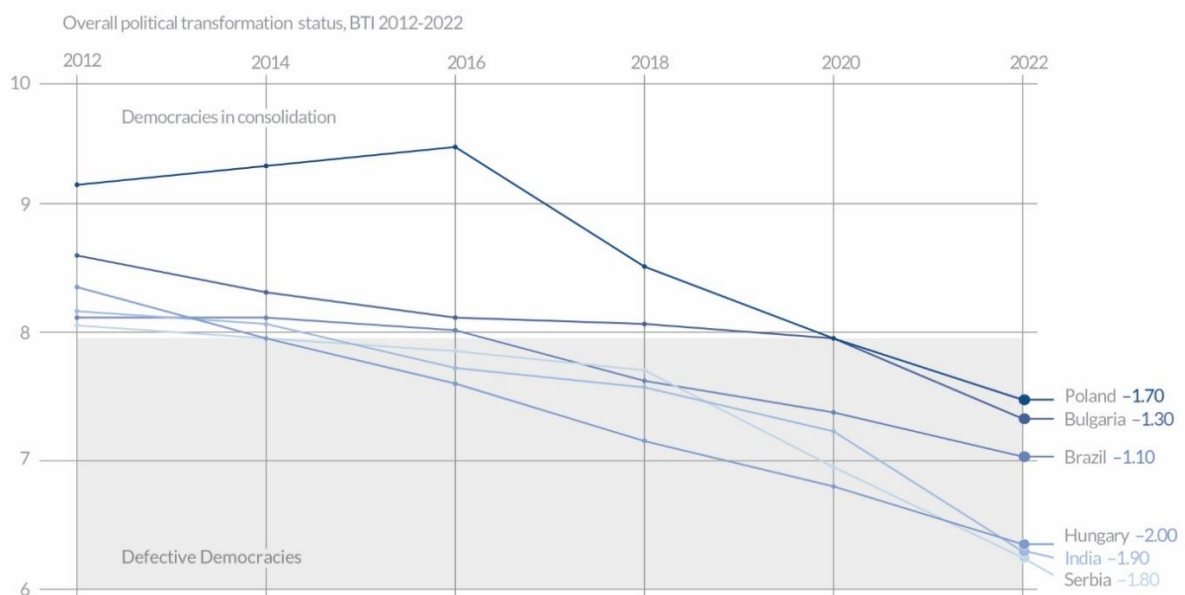
triggered rapid and significant economic downturns. Moreover, in many countries, the pandemic put additional stress on economies that had already been experiencing difficulties and in which growth in recent years had been anemic at best.

In this regard, the pandemic-related setbacks have only reinforced the previous decade's negative developments and problems. Average global scores have fallen since the BTI 2020 in all three of the BTI's major analytic dimensions: the degree to which countries exhibit democracy under the rule of law (globally, an average decline of 0.13 points on the 10-point BTI scale), the extent to which countries' economic systems are modeled on a market economy anchored in principles of social justice (-0.16), and the quality of countries' governance (-0.07). While these current declines are not insignificant given the high level of aggregation, they are not in themselves dire. Rather, their alarming character comes from the fact that they are only the latest dip in a persistently downward course marked by steadily growing polarization, inequality and repression.

## The erosion of democracy continues

The scale of this continuing deterioration can be seen in the progressive erosion of the quality of democracy in many countries. The ongoing curtailment of political freedoms and the undermining of rule-of-law standards represent genuine societal setbacks, but they also make it more difficult for positive corrections to be made. By deliberately weakening the separation of powers and reducing the scope for political activity, democratically elected heads of government with authoritarian tendencies are better able to hold on to power. Conversely, opposition parties, minorities and civil society groups critical of the regime in power have less breathing room and fewer institutional safeguards available for redemocratization efforts. The path along this slippery slope often begins with an insufficiently consolidated rule of law. Once set in motion in this way, the erosion of democracy has often proved hard to reverse.

Over the past decade, nearly one in five democracies has experienced a steady decline in its quality of democracy. This group even encompasses countries that were still classified as stable democracies in consolidation in the BTI 2012, including Brazil, Bulgaria, Hungary, India and Serbia. Since the middle of the last decade, Poland has been in this group, as well. These six countries have all lost more than a full point on the overall 10-point BTI political transformation scale and are now classified as defective democracies. In terms of the party-political spectrum, their governments range from conservative to nationalist and are right-wing populist to varying degrees.



The populist claim to be the sole representative of the people inevitably entails a delegitimization of any opposition. The narrative invoked by this kind of rule therefore requires that populists deliberately set themselves apart from former elites, and it often presupposes discrimination against ethnic or cultural minorities as well as the intent to polarize society. The Hungarian model pursued since the 2010s has demonstrated the authoritarian and avowedly illiberal consequences of this kind of confrontational policy, which is designed to strengthen the executive. In order to implement without hindrance the will of the people – as defined by policymakers themselves – Hungary’s government has systematically weakened independent oversight bodies, such as the judiciary and other regulatory authorities. At the same time, it has infringed on opposition forces’ freedom of expression and suppressed political participation by enacting a restrictive press law, centralizing and exerting control over the media, and limiting the right to demonstrate, the freedom of association, and the fairness of elections. Amendments permanently enshrining aspects of the ruling party’s policies in the constitution have rounded off this authoritarian drift.

In East-Central and Southeast Europe, Serbia and Bulgaria suffered the greatest declines during the current assessment period with regard to political transformation owing to a further weakening of the separation of powers and the lack of protection afforded to democratic institutions. In Serbia, parliamentary, provincial and local elections held in 2020 were marked by numerous irregularities, while the risks associated with the COVID-19 pandemic were high and turnout rates correspondingly low. Since the main opposition parties boycotted the elections, Serbia has a parliament without a real opposition for the first time in its democratic history. In Bulgaria, the government inhibited the freedom of association, especially for the Macedonian minority. Moreover, the separation of powers was undermined in part by a politicized judiciary that failed to punish abuse of office consistently. Hungary, with its further curtailments of political participation rights, and Poland, with its increasing erosion of the rule of law, have continued their authoritarian drift. Passed in March 2020, the Hungarian law establishing a state of emergency in response to the spread of COVID-19 allowed for governance by decree without parliamentary approval. In so doing, it was probably the most extreme example among the democracies of an executive exploiting the pandemic to concentrate power further in itself.

Brazilian President Jair Bolsonaro’s aggressive right-wing populism has perpetuated the political polarization that has defined the country in recent years. The president has sought to reverse past emancipatory and social-policy advances in the interests of his clientele of evangelicals, social conservatives and business lobbyists. While Bolsonaro’s overtly anti-democratic aspirations have been kept within bounds by an independent judiciary and a strong civil society, Indian Prime Minister Narendra Modi has in contrast been able to pursue his Hindu nationalist course relatively unhindered, resulting in a deterioration of 0.95 points relative to the BTI 2020, the largest such decline in the current edition. According to the BTI country report, India’s democracy currently stands at a tipping point. Modi’s re-election in 2019 gave his Bharatiya Janata Party (BJP) an absolute majority of seats in India’s lower house of parliament. Since then, the country’s Muslim minority has faced increasing marginalization and discrimination, and the government has acted to stifle dissent and criticism while further curtailing press freedom.

There has been no positive counterweight over the last 10 years to the clear downward political trend shown by democracies formerly in consolidation. In the last decade, only one country, Bhutan (+2.25), has shown a continuous and clear upward political trend, as was recently reflected in a peaceful change of governing party following its democratization. With a score of 7.05, it has now reached the same level of political transformation as Brazil, though it still remains a defective democracy. The same is true of the other three countries – Armenia (+1.50), Sri Lanka (+1.37) and Tunisia (+2.70) – that have undergone a lasting regime change from autocracy to democracy within the last 10 years and consequently also rank among the decade’s biggest gainers. Moreover, the quality of democracy in these latter three countries has again declined somewhat over the past two years. In Armenia, this was due to war-related restrictions on press freedom; in Sri Lanka, to a strengthening of the ethno-nationalist executive at the

expense of the separation of powers; and, in Tunisia, to a state of emergency decreed by the president in the summer of 2021 (i.e., after the end of the review period) that at least temporarily disempowered the parliament.

None of the developments in these countries are irreversible, and countries such as Ghana and Romania have shown that temporary slumps in democratic quality can be followed by renewed phases of consolidation. Bulgaria, for example, elected a new government after the end of the review period to replace a corrupt conservative government that had been isolated after mass protests. The new government committed itself to social reforms and a strict anti-corruption policy.

It is also worth noting that 14 democracies have been consistently classified as consolidating and stable over the past 20 year in addition to being able to maintain their high level of democracy despite myriad transformation challenges. This group includes: Botswana and Mauritius in Africa; South Korea and Taiwan in Asia; Chile, Costa Rica and Uruguay in Latin America; Jamaica in the Caribbean; and, finally, the Czech Republic, Estonia, Latvia, Lithuania, Slovakia and Slovenia in Europe.

Nevertheless, both the short- and long-term trends are negative even when looking solely at the more advanced democracies, and both become even more pronounced when the defective democracies are also factored in, many of which have ended up under authoritarian rule after a long downward trend. Of the 39 defective democracies listed by the BTI a decade ago, more than a third are classified in the BTI 2022 as highly defective democracies or moderate autocracies. Niger (−0.70 in comparison to the BTI 2012) is representative of a number of African states that have had to cope with exceptionally difficult transformation challenges, such as extreme poverty, rapid population growth, a sharp rise in the incidence of natural disasters and extreme weather events, and intensifying ethno-religious conflicts. Political participation rights in Niger have been severely curtailed by authoritarian backsliding over the past decade. Nevertheless, unlike many states in its regional neighborhood, the country has managed to maintain at least a highly defective democratic system and seen fairly peaceful transfers of power following elections. Bosnia and Herzegovina, Lebanon (− 0.80 points each), Mexico and the Philippines (− 1.00 each) also fall into the category of highly defective democracies. In Bosnia and Herzegovina and Lebanon, institutional blockades have resulted from an intra-elite struggle over the distribution of sinecures and political influence. In Mexico and the Philippines, organized drug crime and the exceedingly brutal fight against gang activities have undermined the quality of democracy, especially the freedoms of assembly and the press. In both countries, the separation of powers has been impaired by a concentration of power in the executive branch.

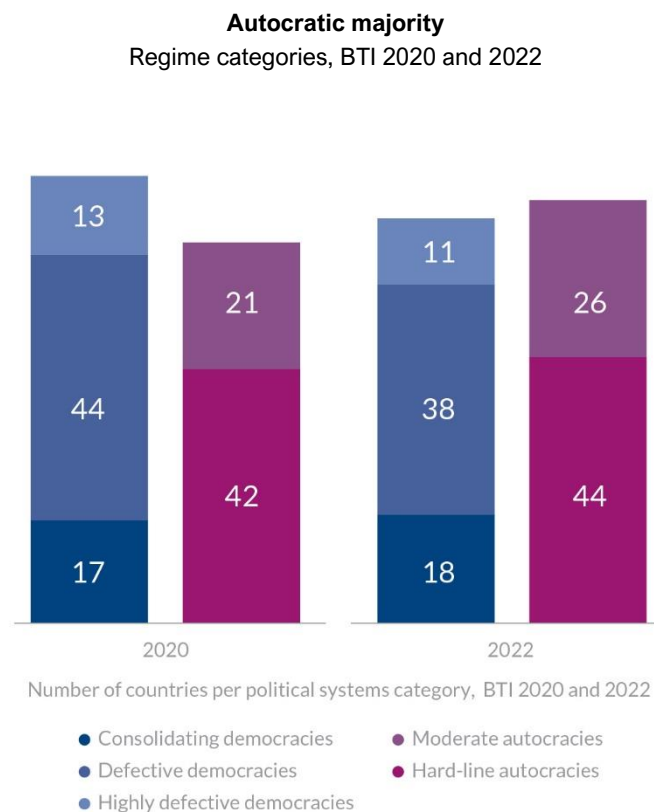
## Rising number of autocracies

Nine defective and six highly defective democracies have undergone such pronounced regressive tendencies over the last decade that they must now be classified as moderate autocracies. Turkey, which was classified as an autocracy for the first time in the BTI 2020, can be regarded as prototypical of this decline. At the beginning of the last decade, the country was still being lauded as a positive example of the compatibility of Islamism and democracy, and it had distinguished itself with continuously rising rule-of-law standards, particularly with regard to the separation of powers. However, beginning in 2013, the AKP-led government under Recep Tayyip Erdoğan reacted sensitively and with mounting repression to civil society criticism of Erdoğan's increasingly patriarchal leadership style and the country's creeping Islamization. The failed coup attempt of 2016 was then used to legitimize the transformation into a presidential republic, a shift that undermined the separation of powers and severely curtailed a significant body of political participation rights. Over the last two years, following the lifting of the state of emergency, a number of the decrees restricting fundamental rights and granting extraordinary powers to the executive have been incorporated into regular law. President Erdoğan has exploited a populist nationalism to polarize the country and inflamed sentiment against the Kurdish minority, in

particular, but also against secular reform forces. With a decline of 2.85 points, Turkey's overall political transformation score has fallen further than that of any other country surveyed in the BTI over the last 10 years.

The regional focal points of these long-term autocratization trends are in Central America, which is plagued by corruption and drug-related crime, and sub-Saharan Africa, which is politically unstable and faces major obstacles to transformation. In Central America, corrupt and status-securing elites in Guatemala (−1.45 over the last decade), Honduras (−1.98) and Nicaragua (−2.10) continued to dismantle the last remaining vestiges of the rule of law and participatory politics, thereby finally eliminating democratic accountability. In Kenya (−1.43), Burundi (−1.60), Uganda (−1.85) and Mozambique (−1.97), political systems characterized by long-standing cults of personality or single-party dominance have proved susceptible to a creeping rollback of democratic processes. Among those still resisting these backward political steps have been Ecuador, a former highly defective democracy that has once again stabilized after overcoming the left-wing populist authoritarian tendencies prevailing under Rafael Correa, as well as Burkina Faso and Malaysia, which have both reached the level of highly defective democracy but remain vulnerable to autocratization.

Seven countries, all in sub-Saharan Africa, are newly classified as autocracies in the BTI 2022. This group is made up of Côte d'Ivoire, Guinea, Madagascar, Mali, Nigeria, Tanzania and Zambia. For the first time, the BTI now identifies more autocracies than democracies. The index lists 67 democratic governments and 70 autocratic regimes, a clear reversal of the ratio seen in the BTI 2020 (74-to-63).



The seven new autocracies are representative of a creeping erosion of respect for democratic institutions and rights across large parts of the African continent. For the most part, this has been evident in a growing concentration of power in executives. After initially curtailing the rule of law, governments have reacted to protests against corruption and abuses of power and then ultimately encroached further on civil rights and political freedoms. Disregard for presidential term limits has also increased significantly. In Côte d'Ivoire, Guinea, Mali, Nigeria and Tanzania, contested and manipulated elections have



furthered authoritarian regression. Madagascar, Tanzania and Zambia, in particular, have seen their democratic institutions erode due to a progressive weakening of the separation of powers.

Here, too, it should be emphasized that the negative trend being outlined is reversible. For example, following the end of the review period, opposition parties won presidential elections in Honduras and Zambia, and a possibly more reform-oriented former vice president took over the presidency in Tanzania. These events hold out hope that the course of autocratization in each of these three countries can be reversed.

## Efficiency versus democracy

At the same time, the last 10 years have seen not only a significant drop in the overall number of democracies, but also a decline in the stability and quality of those that have remained. In recent years, this has frequently been associated with rhetorical attempts to portray efficient governance and democratic processes as being incompatible or at least conflicting goals. In some defective and highly defective democracies, political liberties and rule-of-law achievements have been willingly abandoned in favor of a more paternalistic bureaucratic authoritarianism, though to different degrees and with varying intensities. In these countries, government leaders without an obvious ideological agenda, and sometimes with strong popular support, have positioned themselves aggressively against existing democratic institutions and processes, which they describe as inefficient, corrupt or obstructive.

During the period under review, this was most evident in Benin (–0.85 relative to the BTI 2020), where a reform of the electoral code initiated by President Patrice Talon in 2018 was justified as a means of eliminating the party-system fragmentation that had brought policymaking to a standstill. However, in the end, the new law was heavily biased toward the governing party, as it made it more difficult for parties to win approval to participate in elections and set a high hurdle (10% of the vote) as the threshold for gaining seats in parliament. Opposition parties subsequently boycotted the 2019 parliamentary elections, leaving Talon with a parliament entirely loyal to his government. Promising opposition candidates were excluded from the April 2021 presidential election, and some left the country altogether. Talon won a second term with 86% of the vote despite originally announcing he would govern for only a single term. However, the voter turnout rate was low.

In El Salvador (– 0.50), President Nayib Bukele was elected in 2019 as an alternative to the entrenched polarization between the parties on the left and right that had ruled the country since the end of the civil war. His governing style is characterized by impulsiveness and a disdain for constitutional procedures. This was well illustrated in February 2020, when the military occupied the parliament after lawmakers refused to allow Bukele's government to take out a loan to better equip the police and military in the fight against armed gangs. Nonetheless, frustrated with established parties that had failed to reduce the country's severe social inequality and high crime rates, voters rewarded Bukele for his populist-authoritarian course by giving his party a two-thirds majority in the February 2021 parliamentary elections. This allowed Bukele to replace the members of the Constitutional Court and appoint a new attorney general in May 2021, among other steps.

In the Philippines (–0.35), President Rodrigo Duterte, who has held office since mid-2016, presents himself as a determined opponent of corruption and drug-related crime while continuing to enjoy high popular approval ratings and to hold a clear majority in both houses of parliament. This support has persisted despite his militarization of politics, intimidation of opposition figures and government critics, extrajudicial killings of drug dealers, publicly expressed contempt for and violation of political freedoms and human rights, and cooperation with influential family clans. The government took a highly repressive approach in its response to the pandemic, arresting tens of thousands for quarantine violations. In addition, Duterte signed a new anti-terrorism law that gives the government broad powers to suppress

criticism, restrict basic civil liberties and arrest people based simply on suspicion of being involved in terrorism-related activities.

Finally, in Tunisia, following the end of the BTI review period, President Kais Saied dismissed the government and suspended parliament in July 2021, controversially justifying his actions by pointing to powers outlined in the country's state-of-emergency regulations. In doing so, he clearly took sides against the Islamist Ennahda party, the strongest faction in the country's domestic political disputes. Nonetheless, since the various factions had for years been unable to agree on an appropriate composition for the Constitutional Court or an effective approach to fighting corruption, he was able to present these measures as a nonpartisan step geared toward overcoming institutional deadlock. The president's unilateral assumption of greater power was welcomed by significant segments of the Tunisian population owing in large part to widespread public disenchantment with years of political paralysis.

All these examples illustrate that after years or decades of cronyism and mismanagement, many countries' populations are desperate for good governance. In some cases, they seem to discount the question of whether this is to be realized through democratic mechanisms or by weakening the separation of powers and fundamental rights. This conclusion is given further weight by the fact that public approval of democratic institutions and processes in the 57 countries classified as democracies in both the BTI 2012 and the BTI 2022 has declined by an average of about half a point over the past decade. The acceptance of and commitment to democratic institutions among policymakers also declined over the same period in these 57 countries, and to an even greater extent (−0.65). By employing political rhetoric that calls for cutting the Gordian knot of institutional deadlock and elitist hostility to reform rather than untying it democratically, many democratically legitimized heads of government have begun drawing from the authoritarian playbook, by emphasizing the advantages of effective state-led action as compared to the lack of resolve in politically fractured democracies.

## More repression and civil society resistance

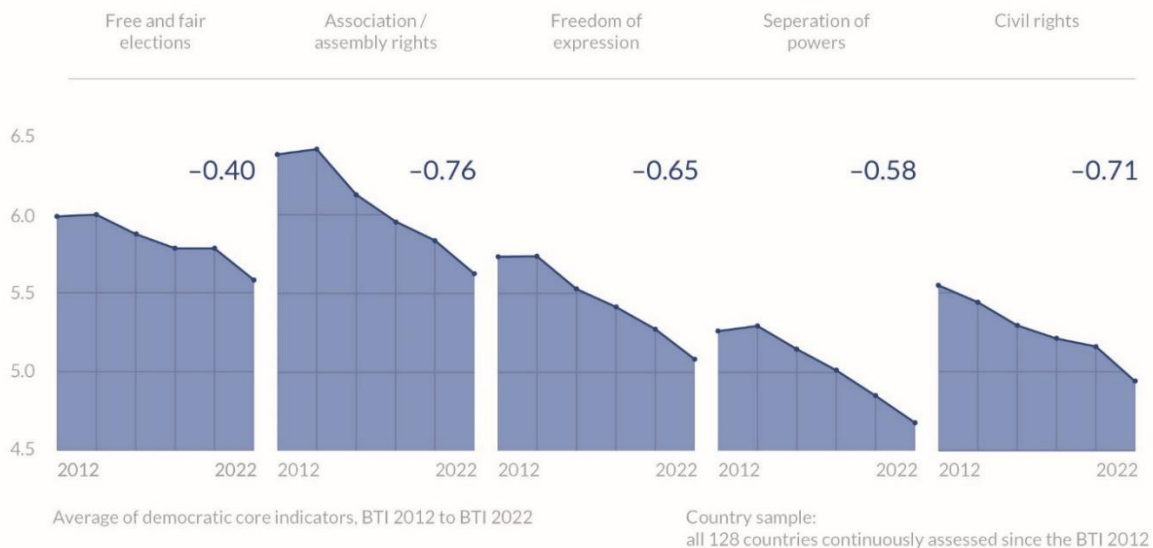
During the review period, numerous autocracies used the pandemic and the need for firm crisis management as a pretext for tightening restrictions on civil rights and prohibiting criticism of their regimes. This manipulative instrumentalization of the coronavirus era's exigencies – resulting, for example, in the suppression of demonstrations and other critical expressions of opinion – took place both in moderate autocracies, such as Algeria, Singapore and Turkey, and hard-line autocracies, such as Cambodia, Oman and Venezuela. In consolidated and technologically advanced autocracies, such as China, increased data collection on individuals and their movements also allowed the digitally enhanced control of the citizenry to be expanded.

On the whole, however, most undemocratically governed countries had already undergone their most radical autocratization push before the BTI 2022 review period, with many authoritarian regimes intensifying repression and curtailing rights in the middle of the last decade in response to the Arab Spring or the Euromaidan protests, among other factors. In the 50 countries classified as autocracies in both the BTI 2012 and the BTI 2022, the freedoms of assembly and association (−0.64 each) and the protections afforded to civil rights (−0.50) have been severely curtailed over the last 10 years, with the already-narrow spaces allowed for civil society activity also being progressively circumscribed.

During the current review period, the most significant political regressions among autocracies were seen among the regimes that met extensive mass protests with the harshest repression. In Belarus, President Alexander Lukashenko responded with unprecedented violence to the protest movement that emerged in reaction to the rigged presidential election of August 2020. Hundreds of people were injured, numerous demonstrators were killed, and the government systematically engaged in the torture of political prisoners. In Nicaragua, President Daniel Ortega brutally suppressed mass demonstrations in April 2018

and has continued his very repressive policy against protests since then. His government has intensified its crackdown on civil society and the free press by revoking the legal registration of NGOs, closing media outlets, arresting journalists and ending the mandates of several international human rights organizations. Both regimes are following the Syrian and Venezuelan example of riding out overwhelming mass protests while discrediting and brutally suppressing them as the opportunity arises. In Haiti, one of the nine failing states identified in the BTI 2022, President Jovenel Moïse has restricted civil rights, ruled by decree without an elected parliament and after having largely sidelined the judiciary, and supported gang leaders who now control parts of the capital and other areas of the country. Moïse was assassinated in July 2021, after the end of the BTI review period.

Even if the overall decline in political transformation scores was not as significant over the last two years as it had been in previous periods, it has become even more difficult in many authoritarian-governed countries to protest against political subjection, corruption and mismanagement. Remaining opportunities for participation have been curtailed, civil society spaces have been further constricted, and regime critics have been subjected to harsh repression – all to such an increasing extent that a near third of the countries surveyed by the BTI must now be classified as hard-line autocracies.



Given these circumstances, the fact that interest groups' organizational capacities, representativeness and willingness to cooperate have bucked the generally negative political trend of recent years is a welcome finding. The same holds true regarding the extent of trust and self-organizational capacity that contribute to civil society's social capital. These gains have been evident within democracies and autocracies alike. Civil societies often represent the last and most tenacious bastion of resistance against autocratization, sometimes at the cost of great sacrifice, as was seen in Belarus, Myanmar and Sudan. Citizens have vehemently called for overdue societal reforms, whether this be for greater social inclusion and representativeness in Chile or consistent adherence to the peace agreement in Colombia. They have successfully denounced corruption and office abuse and been able to herald political change in Bulgaria, the Czech Republic, Romania and Slovakia, among other countries. During the pandemic era, they have often filled gaps left by a lack of state services in the health sector or in the care of socially disadvantaged groups, as has been the case in the Czech Republic, Poland and Ukraine.

Tellingly, these activities often intensify at a time when the local country's government is reducing or actively obstructing civil society participation in decision-making processes. In Sudan, the sit-in that stretched from April to June 2019 was a historic event that demonstrated solidarity and trust among citizens. Before its violent dispersal, demonstrators were brought together by the goal of making the

revolution a success, but they also shared food, shelter and medical supplies among themselves. In Belarus, civil society forces continued to find new, innovative ways to network and use the internet to organize against electoral fraud and for peaceful protest. They also set up online platforms for social services and counseling in addition to collecting crowdsourced donations to cover hospital bills, drawing on civil society solidarity to counter the state's disregard for the impacts of COVID-19. In Lebanon, the social protest movement of 2019 and 2020 featured a high degree of cooperation across sectarian lines, which was in remarkable contrast to the confessionally delineated patterns of patronage and corruption among the political elite. Demonstrators commemorated victims of the regime's violence in various ways; for example, in October 2019, they formed a chain of tens of thousands of people stretching from the country's north to south to demonstrate solidarity and national unity.

Political disenfranchisement, corruption and social exclusion have fueled protests around the world. For example, for the period between January 2019 and January 2021, the Global Protest Tracker recorded a total of 126 major protests in 72 of the 137 countries analyzed by the BTI. On the one hand, the high number of protests testifies to civil society's continuing ability to mobilize even under repressive circumstances. On the other hand, it is also an expression of the lack of responsiveness on the part of governments as well as a lack of institutional channels of mediation and weak structures of representation.

## Inefficiency and corruption

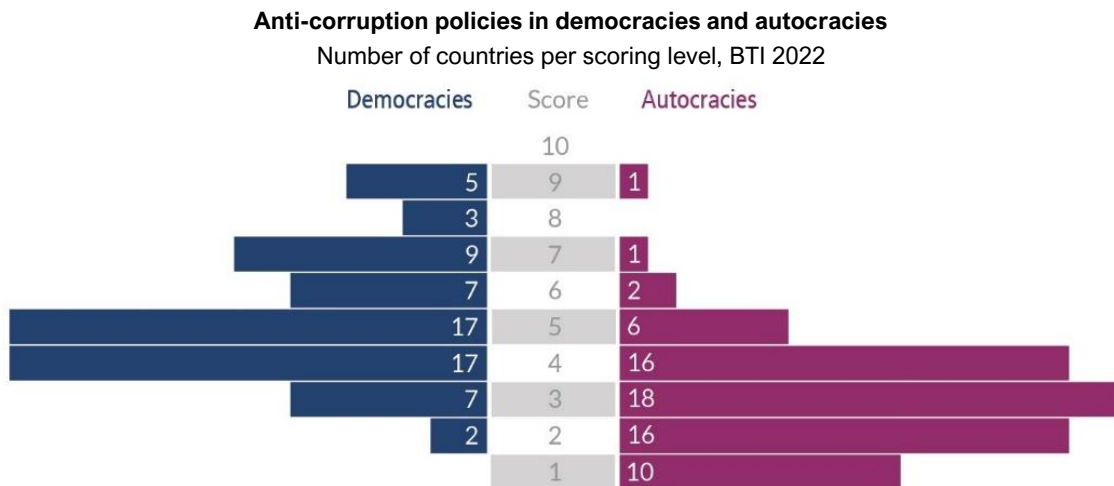
In many places around the globe, the dissatisfaction with existing governance is justified. In recent years, no more than 10 governments at any given time have been certified by the BTI as demonstrating very good governance. In the BTI 2022, this group includes only seven countries: the three Baltic states of Estonia, Latvia and Lithuania; the three Latin American democracies of Chile, Costa Rica and Uruguay; and Taiwan. The outstanding governance performance in these countries has been confirmed even after changes of government and in crisis situations, with the majority of them having consistently fallen into the category of very good governance over the last decade. Costa Rica, which has long been classified as demonstrating good governance, has broken into the top category for the first time following the government's implementation of important and sustainable fiscal-policy reforms under President Carlos Alvarado.

However, the vast majority of the 137 states surveyed in the BTI are not well governed, and the trend continues to be one of decline. Until the BTI 2018, the group of countries showing very good or at least good governance always comprised a third or more of the country sample. This group, which ranges from Taiwan down to El Salvador in the BTI 2022, has now shrunk to about a quarter of the whole. For the first time, more than 100 countries are rated as having governments of moderate quality at best to failed governance at worst.

A particular weak point in terms of governance remains efficiency, in the use of available resources, in policy coordination and with regards to anti-corruption policy, which again shows the worst average performance level of any aspect of governance assessed in the BTI. The average global score for the BTI indicator in this area fell by a further 0.14 points during this review period, to 4.16 points. Thus, the global average corresponds to a government that has very limited willingness or ability to curb corruption, in part because the few integrity mechanisms it has established are ineffective. A total of 33 governments are at this level, including those in Mongolia, Kenya, Panama and Saudi Arabia, with 53 regimes having fallen even lower on the scale.

Autocracies, such as China, claim that state-capitalist developmental dictatorships hold advantages in terms of efficient governance and therefore also with respect to effective anti-corruption policy. However, this cannot be confirmed by the BTI. Overall, only 28 governments have demonstrated a serious commitment to fighting corruption in addition to successfully installing integrity mechanisms of middling (6

points) to good (9 points) quality. Among this group are only four autocracies: the three Gulf states of Kuwait, Qatar and the United Arab Emirates (UAE), each of which has a moderate record of performance in this area, and Singapore, which has shown good results. By contrast, of the 53 countries in which corrupt practices can be carried out with virtual impunity (1–3 points), 44 are governed autocratically. More than half of these 53 highly corrupt states are on the African continent, where only South Africa (6 points) and Botswana (7 points) represent positive exceptions.



Overall, there are considerable efficiency and governance gaps between democracies and autocracies. Proponents claim that well-functioning developmental dictatorships have an advantage in that they can act swiftly and effectively. Yet, in fact, the quality of autocratic policy coordination trails that of democracies (–1.69), their use of available resources is significantly less efficient (–1.85), and the disparity between autocratic and democratic anti-corruption policies is particularly large (–2.14). Even though few authoritarian governments have proved able to deliver on their promises of efficiency and autocracies on average lag far behind democracies in all areas of output, this specious legitimization has been used to justify the progressive hardening of authoritarian rule.

Policy steering capability – that is, the ability to set strategic priorities, implement the government's agenda, and be flexible and able to learn – is also considerably weaker in autocracies (–1.91). Nevertheless, a few autocracies did advance in this area in the BTI 2022, and some of the gains were significant. This group includes Singapore, the UAE, Qatar, China and Vietnam and, to a lesser extent, Morocco and Cuba.

However, their better governance scores are due not to a quantum leap in steering capability, but rather to a methodological change in the Transformation Index. Previously, the BTI had limited autocracies to a maximum score of five points per indicator within this criterion, which includes prioritization, implementation and policy learning. This was intended to reflect the fact that although well-governed autocracies engaging in strategic planning can pursue half of the BTI's normative guiding principles – that is, a socially inclusive market economy – their internal models of governmental organization and planning run counter to the other half, namely, democracy based on the rule of law. For this reason, the thinking in previous editions was that they should receive only half of the available points at most. However, this meant that the governance performance of autocracies driven by strategic planning, such as Singapore or the UAE, could not be compared numerically with countries with moderate policy planning performance and implementation, such as Azerbaijan or Mexico. Instead, such comparisons could only be made by referencing the individual country reports. It also limited the ability to engage in a comprehensive comparison of governance between democracies and autocracies. This edition of the BTI has ended that assessment practice. In so doing, it can now confirm the previous assumptions regarding

autocracies' steering capability: Even with a system-neutral assessment, 53 of the 70 authoritarian governments fail to achieve a score above five points in any of the three indicators.

## Governance in the pandemic era

With a system-neutral assessment of planning and strategic steering processes, the BTI 2022 can also answer another question that was raised frequently, especially at the beginning of the pandemic: Do participatory democratic systems of government – or, conversely, dirigiste authoritarian orders – enjoy crisis-management advantages in terms of speed, efficiency and sustainability when seeking to contain COVID-19? The current study provides empirical support for the early conjectures that autocracies do not per se gain efficiency by having more rigid governmental control, but it also indicates that democracies do not gain planning benefits owing to their more consultative style of decision-making. Rather, irrespective of the system of government, there are two things that matter: first, the capacity and capability for strategic priority-setting, for coordinated implementation and for learning flexibly from past experiences; and, second, the degree of confidence that the local population has in its government.

This puts the focus on specific aspects of crisis management: the extent to which the policies implemented are rational and evidence-based, the effectiveness of policy coordination, and the efficacy of crisis communication. The BTI has assessed the first two of these aspects since its beginning. Their centrality to pandemic management helps explain why governments that had previously scored highly in the Governance Index were generally also those that responded most quickly and effectively to COVID-19 and its consequences. This means that the highest levels of government performance in response to COVID-19 were achieved by most of the stable democracies in consolidation, such as South Korea, Taiwan and Uruguay, in particular, as well as by some well but strictly governed autocracies, such as Singapore, Vietnam and some Gulf states.

Beyond this general assessment, some more specific observations can be made. First, the pandemic once again confirmed the importance of policy learning, particularly as Asian and West African governments drew on their previous experiences with rapidly spreading viral diseases (avian flu and Ebola, respectively) to take swift countermeasures against COVID-19. Whereas the measures in China lacked transparency, those in West Africa were done in a regionally coordinated manner under the auspices of the Economic Community of West African States (ECOWAS).

Second, the governments with failed crisis management efforts were precisely those that refused to base their policies on the evidence and denied that there was any pressure to act. On the one hand, this latter group included populist regimes, such as those in Brazil, Indonesia and Tanzania, that ignored recommendations from scientists and experts and, instead, advised the use of cleansing agents or prayer against the virus while refusing to take coordinated action in response to the pandemic. Those who ideologically legitimize political decisions by referencing the supposedly established will of the people and thereby neglect evidence-based justifications and accountability also tend to have little interest in external advice, ongoing monitoring and self-critical evaluation. On the other hand, there were despotic regimes that lacked a sense of reality and simply denied the existence of the virus, such as those in North Korea or Turkmenistan, along with ideologically obstinate theocracies that initially continued to allow mass religious gatherings and refused to order vaccines from Western countries, as was the case in Iran.

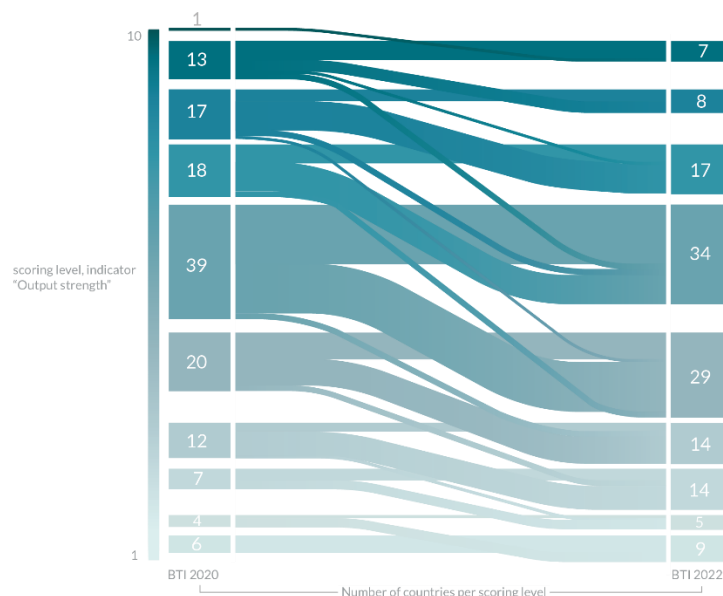
Third, it is now evident that inequality, the presence of a large informal sector, and inadequate access to health systems have also been major drivers of the pandemic. These factors have posed additional problems, particularly for highly unequal societies in Latin America and southern Africa, where most governments initially responded with overly harsh and counterproductive lockdowns.

Fourth, existing governance shortcomings were illustrated by the fact that numerous governments, such as those in Argentina, India, the Philippines, South Africa and Turkey, failed to identify and coordinate an appropriate balance between protective contact restrictions and vitally important economic openings. To a lesser extent, this also applies to a number of governments in East-Central and Southeast Europe that coped relatively well with the first wave of the pandemic, but subsequently allowed infection and death rates to skyrocket with premature or excessively long openings.

Finally, it should be noted as a bright spot that the humanitarian catastrophe predicted in Africa has not materialized in most parts of the continent, even if the number of undocumented infections and deaths is likely to be high. In West Africa, this can be attributed to the prudent use of previous experience, especially with regard to the institutional structures put in place after the Ebola epidemic to facilitate coordination during pandemics. As early as mid-February 2020, health ministers from all 15 ECOWAS countries met to discuss a joint approach and to mobilize potential sources of funding for proposed interventions. In addition, the risk associated with the spread of the virus does not seem to be as serious as initially feared, possibly due to the low average age on the continent along with other favorable factors. Thus, the actual pandemic shock in Africa primarily resulted from COVID-19's economic and social effects.

### The pandemic's economic and social consequences

The global economy, already marked by uncertainty and sluggish growth, has been severely damaged by the pandemic. Measures implemented in almost all countries, such as contact restrictions and lockdowns, significantly weakened global economic momentum and led to reduced demand for certain goods and raw materials. In many countries, this triggered significant declines in economic growth while also boosting unemployment and poverty rates. As significant spending increases were needed to bolster national health sectors, stimulate economies and cushion social hardships, there was also a rise in fiscal deficits and overall debt levels.



Well over half of all countries surveyed (78 out of 137) experienced such pronounced recessions that their overall economic performance scores in the BTI also declined. India, Panama and the Philippines (–3 points each) were hit particularly hard. Conversely, over the last two years, not a single country was able to improve its economic performance relative to the previous period. Ten years ago, the average

economic performance score of all 128 countries surveyed in the BTI 2012 was 6.38 points. This average was only 5.98 points in the BTI 2020, and it has now plummeted to 5.28 points in the current edition.

On this issue, however, one must mention three caveats: First, it is true that the recent downturns in many countries represent the continuation of an already seriously weakened economic dynamic. The pandemic came at the end of a decade characterized by global and regional economic crises, volatile global market prices that had recently produced significant declines in commodity revenues, and trade conflicts, such as between the United States and China. By comparison, the slowdowns in growth in East-Central and Southeast Europe and in post-Soviet Eurasia after the global economic and financial crisis, or in the Middle East and North Africa after the Arab Spring, were even more pronounced than those of the current pandemic era. Second, even before the coronavirus crisis, many economies had been structurally vulnerable owing to their dependence on resource-based growth. This made significant leaps in growth possible during the first decade of the 2000s, but these gains proved unsustainable over the subsequent decade. For example, the downturn in Southern and Eastern Africa during the second half of the last decade, which resulted from steep declines in commodity prices, was of a magnitude comparable with the current recession. Third, it is also true that poor governance was a major driver of avoidable economic downturns, whether through premature (India), overly harsh (Philippines), omitted (Brazil) or inconsistent (Russia) lockdowns. Nevertheless, despite these three caveats, the pandemic has proved to be an extremely harsh disruptive shock to the vast majority of economies, especially those that were export-oriented, dependent on tourism, or reliant on remittances from migrant workers. This was particularly true for states in Asia and Latin America.

These slumps in growth led to declining revenues, which strained government budgets even as high levels of unplanned expenditures became necessary to support health care systems and cushion the pandemic's economic and social impacts. In many places, these additional burdens on fiscal stability fell upon countries that were already heavily indebted or overindebted, which forced them to rely on the deferral, rescheduling or cancellation of debt by international creditors and financial institutions in order to avoid sovereign defaults.

Yet while the widespread declines in economic performance have been both significant and virtually unavoidable, the precarious fiscal conditions now present in many countries have been self-inflicted to a certain extent, even if one takes into account the expenditures necessitated by the pandemic and the associated revenue shortfalls. Over the past decade, irresponsible government spending and speculation on future profits from commodity exports have led many governments to borrow excessively from readily available sources such as China and thereby build up excessive levels of debt. The gradual nature of this erosion of fiscal stability can be seen in the BTI's scores. The average global score for the relevant indicator has been deteriorating for the past 10 years, from 6.69 points in the BTI 2012 to 5.98 points today. The current review period shows a decline of fully 0.26 points, but this also implies a deterioration of 0.45 points over the preceding eight years.

Zambia offers a particularly striking example of the fiscal-policy consequences of combining a strong dependence on exports and a lack of diversification with poor governance. After benefiting from the partial debt relief provided to heavily indebted poor countries in the middle of the 2000s, along with a subsequent sharp rise in world copper prices, the country's total external debt stood at just under \$5 billion in 2010. This resource boom brought in its wake a rapid rise in government spending, waste and corruption. By the time President Edgar Lungu took office in 2015, the country's total foreign debt had tripled to \$15 billion, and it had subsequently doubled again to \$30 billion by 2020, according to World Bank data. Zambia's public finances then suffered greatly owing to the export declines induced by the pandemic, but these factors were amplifiers, not causes, of the country's structural overindebtedness. According to the International Monetary Fund (IMF), Zambia's public debt amounts to nearly 130% of its GDP. At the end of 2021, newly elected President Hakainde Hichilema reached an agreement with the IMF to cut subsidies and direct government spending in favor of investing more in health and

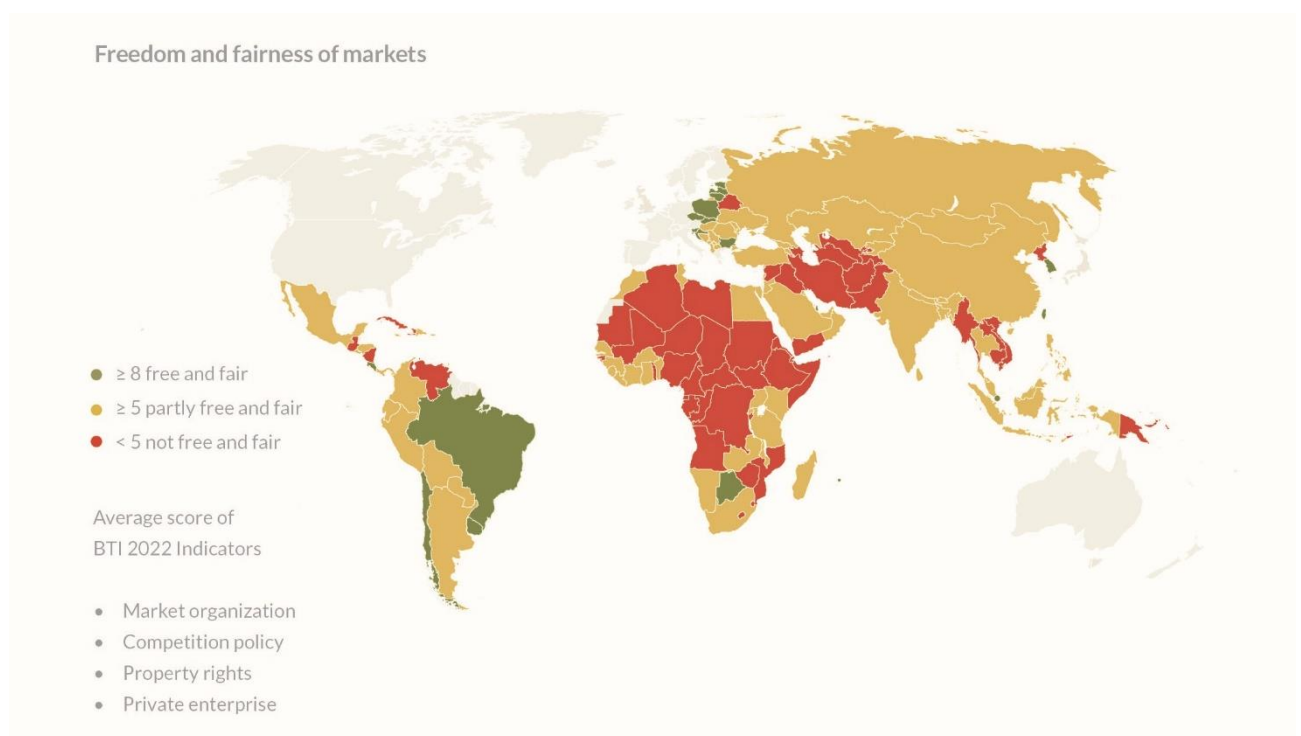


education in return for a \$1.4 billion loan, which would allow the country greater flexibility in restructuring its debt. Over the last 10 years, Zambia has lost four points in the BTI's fiscal stability indicator, including two points in the last two years alone.

Lebanon is even worse off, with a decline in the current period of three points and national debt stocks amounting to 150% of the country's GDP. Its reconstruction following the civil war was largely funded by borrowing from abroad and rentierism while neglecting the sustainability of debt as a policy objective. The self-inflicted gridlock produced by the consociationalist and corrupt elites contributed significantly to the banking crisis of 2019. This, in turn, led to a major economic downturn marked by reduced government revenues and higher deficits, which exacerbated the already high level of overindebtedness.

The mostly negative changes in the overall state of economic transformation are mainly due to declines in growth and further reductions in fiscal stability. Viewed as a global average, neither regulatory frameworks nor welfare state- and sustainability-related features showed any major changes relative to previous BTI editions. This can indicate stability and resilience, as in the case of Taiwan or Uruguay. But it can also be a sign of a perpetuation of clientelistic structures, as in Hungary or Turkey, or of a continuing lack of welfare-state protections, as can particularly be seen in large parts of Africa.

With regard to the organization of the market and competition, there is a clear disparity between democratically and autocratically governed countries. Forty-five autocratically ruled states – 34 hard-line and 11 moderate autocracies – have grossly competition-distorting economic regimes in which free and fair market access is not guaranteed. Moreover, these systems lack sufficient protection against price-fixing and the dominance of monopolies or cartels (mostly state-owned enterprises or enterprises linked to the political leadership), and there is not a reliable legal framework for the protection of private property. Market regimes are comparably weak and unfair in only five democracies – Guinea-Bissau, Lesotho, Niger, Papua New Guinea and Timor-Leste. Conversely, among the 20 countries that offer virtually unrestricted economic freedom and fairness, the only autocracies are Qatar and Singapore.



However, the difference between democracies and autocracies also extends to all areas of output from which autocratic rulers must derive their sole legitimacy in the absence of a democratically granted mandate. Autocracies are less successful at providing public infrastructure and basic services (on

average  $-2.08$  points in comparison to democracies) while additionally having a significantly lower level of socioeconomic development ( $-1.84$ ), weaker economic performance ( $-1.37$ ), weaker welfare states ( $-2.00$ ) and weaker education systems ( $-1.55$ ).

Overall, 40 countries lost a quarter point or more during the current review period with regard to their economic transformation status. Lebanon's economic transformation score declined the most, with a dramatic drop of 1.43 points overall and deterioration evident in two-thirds of all its BTI economic indicators. Several other countries also suffered significant declines, including: export-dependent Botswana; India, whose economy was stifled by structural deficits, a failed investment program and a premature lockdown; Argentina, with its currency and fiscal-policy difficulties; and overindebted Papua New Guinea and Sri Lanka, both of which suffered from a loss of international investor confidence. Conversely, only three countries – Croatia, Kenya and Morocco – managed to improve by a quarter point or more. Kenya bolstered its regulatory framework, particularly in the areas of competition policy and property rights; Croatia improved its welfare state; and Morocco strengthened its banking system by increasing the independence of the central bank and tightening its banking supervision.

Globally, the average economic transformation score has fallen steadily since the BTI 2008. For the 128 countries surveyed continuously over the last decade, it declined from 5.70 to 5.55 points in the BTI 2020 and has fallen again to 5.38 points today. For many countries, this has resulted in clear changes in the observed quality of economic transformation. Whereas 30 countries were still considered to be at an advanced or highly advanced stage of economic transformation in the BTI 2012, this number has since fallen by almost a third, to 21 countries. Today, the previously advanced economies of Bahrain, Botswana, Brazil, El Salvador, Hungary, Kuwait, Panama, Peru and Turkey all fall into the category of only limited economic transformation. On the other hand, the number of countries at the lowest level of transformation – that is, with only rudimentary transformation – has more than doubled in the last decade, from seven to 16 countries. Iran, Turkmenistan and Venezuela have all been downgraded to this lowest category, joining the civil war-torn countries of Libya, Syria and Yemen and the failing states of the Central African Republic, Haiti and Sudan. Only Myanmar, which is itself now falling again into stagnation, was able to climb from this bottom rung.

## Poverty, inequality and a lack of sustainability

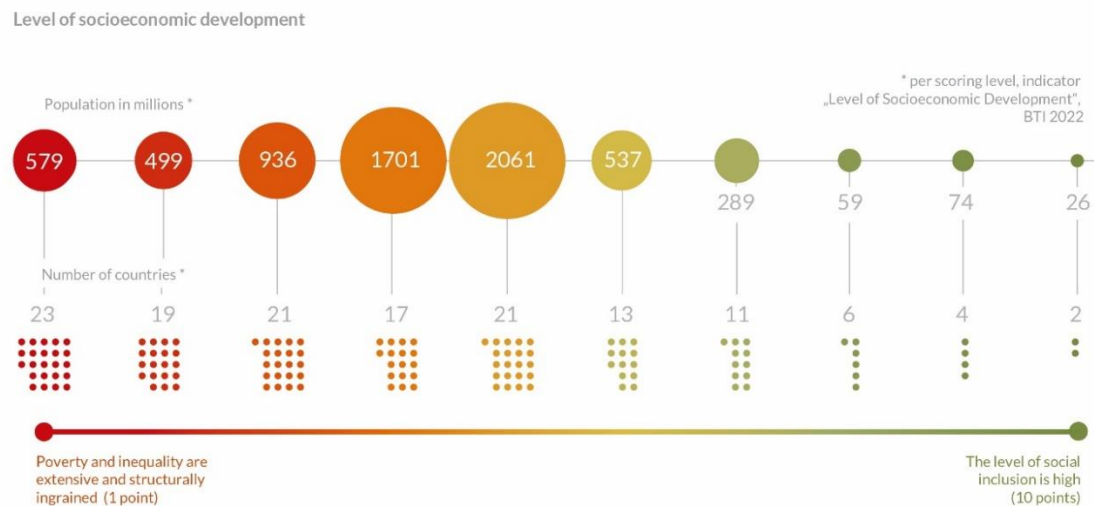
The economic declines caused by the coronavirus crisis have had a direct impact on the levels of poverty and inequality in most developing and transformation countries. While this can currently be quantified to only a limited extent, the effect is likely to continue gaining in magnitude over time. According to estimates released by the World Bank in October 2021, the pandemic has led to a historically unprecedented increase in extreme poverty, pushing an additional 97 million people by the end of 2020 into conditions in which they were living on less than \$1.50 per day. The ranks of those living on less than \$5.50 per day also swelled by an additional 163 million people. In 2020, the global poverty rate rose from 7.8% to 9.1% according to the World Bank, and from 8.4% to 9.5% according to the United Nations. The World Bank estimates that this setback has effectively wiped out the poverty-reduction successes achieved over three to four years.

The two lowest quintiles of income groups suffered particularly severe income losses. This, in turn, contributed to a significant increase in social inequality, which was exacerbated by a loss of access to education among the poorest population groups, in particular.

The BTI 2022 is only partially able to capture these socioeconomic impacts of COVID-19. Relative to the BTI 2020, 19 countries have fallen to a lower level of socioeconomic development. However, in some of these countries, this has not been primarily due to the consequences of the pandemic. Moreover, more than three-quarters of this group – in particular, Iraq, Madagascar, Malawi, Sudan, Timor-

Leste, Venezuela and Zambia – have deteriorated from an already very low starting level. In most of these countries, the presence of a large informal sector significantly increases social vulnerability, and social security systems are weak. In countries such as Argentina, Peru and the Philippines, the severity of the coronavirus lockdowns as well as the prolonged and extensive disruption of economic life they caused contributed significantly to the increase in poverty.

Fully 80 of the sample's 137 countries now display massive, structurally anchored social exclusion, with a level of socioeconomic development accordingly assessed at four points or less on the BTI's 10-point scale. More than half of these countries (47) are located on the African continent. Thirty-two of the 50 African countries surveyed are ranked at one of the lowest two levels, which are characterized by widespread severe poverty and extreme levels of inequality. Alongside this growing inequality within societies, inequality between countries is also rising again for the first time in a generation of intensified globalization. Moreover, overall poverty rates, which have declined in recent decades, are now showing a steep rise.



Most countries lack the financial means, and often the political will, to counteract impoverishment and social exclusion by expanding their often inadequate social security systems in place. As a consequence, they were only able to cushion the impact of the pandemic and its consequences to a rudimentary degree at best. While many emerging markets and developing countries used social transfers to mitigate the negative income effects of the pandemic, particularly as unemployment rates rose, these programs have been far too limited to fully offset the actual income losses. An aggravating factor, especially in countries with low or very low incomes, is that welfare-state systems generally cover only a minimal share of social risks and a small proportion of the population. In most cases, the majority of the population is at perpetual risk of falling into poverty. The prior neglect or fragmentation of health systems placed a particularly heavy burden on countries that were hit early by massive waves of infection. This was the case in most Latin American countries, for example, where public health systems that are generally starved of resources exist alongside private systems accessible only to the wealthy. This particularly led to dramatic developments in Brazil and Peru, with the latter recording the world's highest excess mortality rate during the pandemic.

Much the same is true of the education systems, which have not been expanded quantitatively or improved qualitatively in years and, on average, remain at the same level they were at a decade ago. In this case, as well, the pandemic has threatened to exacerbate existing conditions. However, the full impact of this will only be felt in the medium to long term, when the effects of widespread and prolonged schooling disruptions start to be felt. The World Bank estimates that about 1.6 billion students were

affected by such disruptions in April 2020, with nearly 700 million still experiencing interruptions at the end of the year. As the education systems in low-income countries have been disproportionately affected, this will not only increase inequality within societies, but also widen the gap between richer and poorer countries. The United Nations has called the impact on schooling a “generational catastrophe,” as another 101 million children and young people have fallen below the minimum level of literacy, wiping out the educational progress made over the last two decades.

Sustainable development is also endangered by the low quality of environmental policy, which registers the second-lowest average score within the BTI’s economic transformation section, trailing only that for the level of socioeconomic development. The quality of environmental policy has not changed over time, and it in no way measures up to the glaring need for action to reduce climate change. Among 137 countries, the average score in this area is currently 4.55, a level indicating that environmental matters receive only sporadic attention and are often subordinated to pro-growth policies, while environmental legislation is weak and rarely enforced. In fact, this score has slightly declined over the last decade, with the democracies and wealthier countries that are generally better positioned in terms of environmental policy tending to also being the larger contributors to this downward trend. Successive editions of the BTI have also shown that after a minimal upswing in the quality of environmental policy, a downturn has taken hold since the middle of the last decade. This hints at a shift in emphasis toward increased efforts to spur economic growth in the context of a more fragile global economy. The experience of the coronavirus crisis also suggests that governance capacities in most countries will be largely insufficient to combat the consequences of climate change with the necessary determination.

## Polarization and rising conflict intensity

In recent years, the socioeconomic disruptions described above have contributed in several ways to a weakening of social cohesion. First, in the majority of the countries analyzed by the BTI, social exclusion and a broad lack of economic prospects have become perpetual features of the social landscape, and there are no signs that the political and economic elites are making any credible effort to bring about a change in the status quo. Second, despite rapidly rising inequality levels, many countries had managed over the past decade to significantly reduce their poverty rates. However, these poverty-reduction gains are now in danger of being wiped out as a direct result of the pandemic’s effects. Third, this negative economic dynamic means that significant portions of the population are at risk of renewed social decline, whether through relegation to the informal sector, the loss of an already precarious foothold in the lower middle class, or a regression into absolute poverty.

Lasting social marginalization undermines people’s faith in the prospects for overall societal development while diminishing their confidence in the government’s competence and increasing their skepticism that those in positions of political responsibility intend to engage in reforms. By increasing economic need, this marginalization also pushes people to turn to alternative care infrastructures based on families or other identity-based groups. This does not necessarily call into question the legitimacy of the state, but rather its capacity to engage in reform and provide its population with the services it needs. As a result, socioeconomic exclusion contributes to a greater turn toward particularistic, non-state forms of organization as well as toward ethnic, religious or clan-based identities. This can lead to political destabilization in some cases, as has been particularly evident in the failing states of Libya and Yemen, for example, as well as in fragile Nigeria.

On the other hand, the promotion of specific dominant identity-based interests has increasingly been used to legitimize rule, with religiously based patterns of polarization playing a particularly important role. In Myanmar, after the close of the review period, ultranationalist Buddhists supported the military’s coup. The regimes in Hungary, India and Turkey, in particular, have instrumentalized identity politics in a polarizing way. The right-wing populist course taken by Hungarian Prime Minister Viktor Orbán

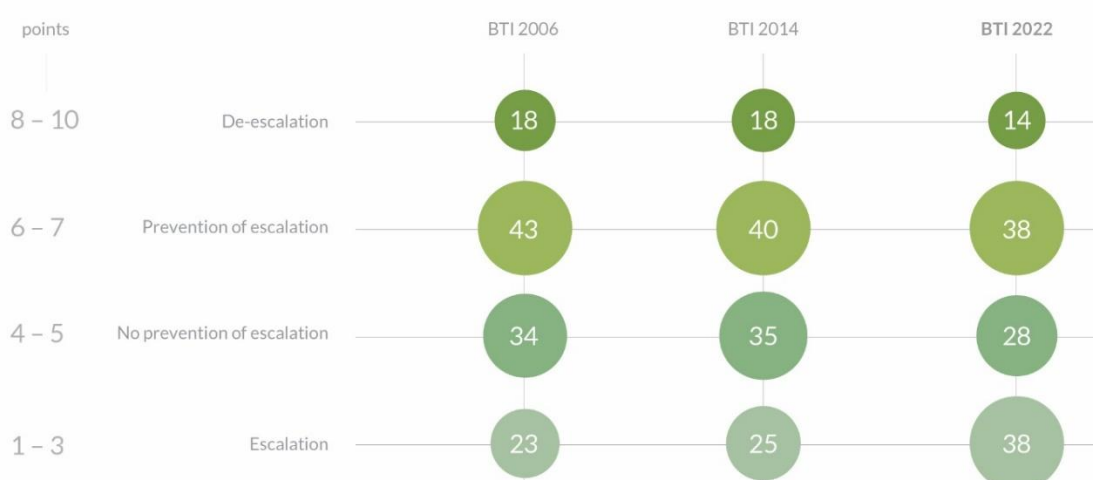
explicitly derives its national- conservative, minority-excluding character from the country's Christian culture. In India, Prime Minister Narendra Modi's Hindu nationalism is undermining the pluralistic and secular foundation of the multiethnic state in addition to exacerbating conflicts with the Muslim minority using ethnocentric measures, such as the new citizenship and immigration law and the abolishment of Kashmir's autonomous status. And Turkish President Recep Tayyip Erdoğan's authoritarian Islamism is directed against the followers of the Gülen movement, who have been declared enemies of the state, as well as the Kurdish minority. Overall, the influence of religious dogmas on legal systems and political institutions has declined in only 11 countries over the past decade while increasing in 54 countries.

Given these increasingly identity-based, polarizing and exclusionary trends, the intensity of conflict has risen significantly in many countries. This is less true at the level of full-scale armed conflicts, such as war or civil war. Granted, among the 128 countries surveyed continuously since the BTI 2012, the number of states engaged in such all-out fighting has increased from 12 to 16. In the current study, this was particularly evident in Ethiopia, where growing ethno-political tensions broke out into open civil war, leading to large numbers of fatalities.

However, a much larger share of the overall rise in global conflict intensity can be attributed to the fact that violent acts have become a part of the political environment in a growing number of countries. The group to which this applies has increased from 71 countries a decade ago to 82 today. On the one hand, rifts between societal groups, drawn along ethnic, religious or other social dividing lines, have deepened. On the other, an increasing number of discredited dictators are using their state security apparatuses to engage in brutal repression and hold on to power at all costs even in the face of mass demonstrations. This was the case in Belarus, for example, both during and after the review period.

This significant increase in conflict intensity is closely tied to the sharp declines in governance performance in the area of consensus-building, both in the last two years and over a longer period of time. The quality of conflict management, in particular, declined again over the last two years, as more and more governments have proved unable to prevent conflicts from escalating or have even deliberately fanned polarization and exacerbated conflicts for their own political advantage. This was particularly true in Sri Lanka (–5 points), where the ethno-nationalist government elected after Islamist attacks made a sharp change in course and has proceeded to actively undermine reconciliation processes between the Sinhalese, Tamils and Muslims, replacing them with a strategy of militarization and close monitoring.

Sharp decline in the quality of conflict management, BTI 2006-2022



Number of countries per scoring range. Depicted are only those 118 countries continuously assessed since the BTI 2006

But even the African countries in which high hopes had been placed have been affected by this trend. In addition to Benin (–2), this was particularly true of Ethiopia (–2), where Prime Minister Abiy Ahmed, a recent Nobel Peace Prize winner, engaged in military escalation against the Tigray population group. In formerly democratic Guinea (–3), traditional ethnic fault lines hardened after the controversial re-election of President Alpha Condé, who acted uncompromisingly and confrontationally toward the opposition, using excessive violence to quell protests and demonstrations.

## Dwindling consensus

In 28 countries, governments decreased their conflict de-escalation efforts and showed a declining willingness to engage in mediation while also increasingly excluding civil society from political deliberation and decision-making processes. Over the last two years, this has been most evident in Poland (–3), where the government has undermined coordination processes that involve social partners and subjected international support for civil society organizations to official scrutiny. However, opportunities for civil society participation also declined sharply during the review period in Brazil, El Salvador, India and Sri Lanka (–2 each).

Viewed over the period since the beginning of the last decade, the most precipitous declines in consensus-building have come in the indicators measuring agreement on transformation goals and the exclusion of anti-democratic actors. Average global scores here have fallen strikingly, in each case by more than half a point on the 10-point scale. This has been echoed in similarly declining scores for the commitment to democratic institutions among the most important political actors. During the current review period, the average score on this indicator fell by 0.36 points among the sample's 67 democracies. The strongest factor undermining democracy over the last two years has been the reduction in active efforts by significant parts of the political elite to stabilize and support the democratic order or even the outright refusal to engage in such activities.

Backsliding of this kind was evident in 28 countries. The last decade has seen a widespread elitist non-commitment to democratic institutions, leading to a decline of about half a point on the 10-point BTI scale over this period. In turn, public approval of democracy has also deteriorated since the beginning of the last decade. However, many of the individual country reports emphasize that this does not represent a general rejection of democratic values and objectives, but rather is an expression of dissatisfaction with existing democratic practices, institutions and processes.

Hungary is a particularly telling case with regard to the erosion of consensus on transformation goals among key actors. Starting from a very high level as a member of the European Union, its score on this indicator has tumbled progressively but dramatically – from 10 to four points – under the Fidesz party, which has been in power since 2010. Normative differences regarding market organization are not the primary issue here, although the Hungarian government has also been responsible for some backsliding in this area due to clientelism and distortions of competition. Rather, the Fidesz government has deliberately weakened the rule of law and narrowed opportunities for political participation. Such actions are characteristic of populist governments that, once in power, portray themselves as being the sole representatives of the people's will – a "will" that such governments themselves define to their own advantage.

Since it is government officeholders in Hungary who are advancing this authoritarian course, the country's score for the successful exclusion of anti-democratic actors has fallen from eight points in the BTI 2012 to just three points today. Manipulation of the political process to this extent is unparalleled in any other formerly stable democracy. The only reason the Orbán government is not included among those experiencing the greatest declines in overall governance scores during the current review period is that Hungary had already fallen to the level of weak governance performance in the BTI 2020. In fact, along with Bosnia and Herzegovina, Lebanon and Lesotho, it was one of the few democracies to do so.

Hungary's authoritarian approach has drawn imitators in other countries, including Brazil, India, Poland and Serbia, all of which were also still in the process of democratic consolidation 10 years ago but now rank among the biggest backsliders in the current Governance Index. Argentina, El Salvador, the Philippines, Slovenia and Sri Lanka have also shown significant regression with regard to consensus-based governance, although each at very different levels. Compared to the Philippines' merciless war on drugs and accompanying brutal intimidation of regime critics or to the harsh exclusion of ethnic minorities and civil society actors in Sri Lanka, the erosion of consensus in the other three countries has been more moderate. This has included the confrontation between Peronists and anti-Peronists in Argentina, which has again intensified over the course of the pandemic and the structurally induced economic crisis; the disregard for established parties and democratic processes shown by Salvadoran President Nayib Bukele; and the confrontational style of Slovenia's right-wing populist prime minister, Janez Janša. However, even in these three countries, policymakers are chipping away at democratic structures in ways that have led to concrete restrictions on participation rights and undermined the performance of democratic institutions.

Strong democratic institutions and consensus-based governance are closely intertwined. This is particularly evident when looking at the governance profiles of the 15 democracies that have lost the most ground over the last decade with regard to the core democratic institutions of elections, the freedoms of assembly and association, the freedom of expression, the separation of powers, and civil rights (average loss of  $\geq 1.00$  points). The shrunken governance profile derived from the averages of these 15 backsliders clearly points to a deterioration in the area of consensus-building. The specially marked indicators in the graphic below denote areas of governance performance in these 15 countries that have experienced particularly significant declines of more than 1.50 points on the BTI's 10-point scale over a 10-year period.

Governance among political backsliders worsening



The figure also identifies other major declines in governance performance with regard to international cooperation, an area that has also suffered declines during the current review period. Governments in countries that have recently experienced severe democratic declines have especially seen their international credibility erode further over the past two years. In this area, three backsliders stand out in the

BTI 2022: starting from a high level, the Slovenian prime minister who demonstrated a confrontational policy style similar to that of former U.S. President Donald Trump; from a middling level, the Polish government and its obstructionist attitude toward the EU's rule-of-law principles; and, from an already low level, the erratic Brazilian president and his predilection for torpedoing international agreements.

Of all the BTI's 137 countries, Brazil under President Bolsonaro has suffered the largest declines in its international cooperation scores, edging out Ethiopia, Belarus and Lebanon. However, all four of these countries have lost an enormous amount of credibility at the international level. For its part, Brazil halted all constructive steps toward deeper regional cooperation, snubbing numerous Latin American governments and thereby jeopardizing the high level of trust the country has built up over recent decades as an important neighbor. The massive expansion of slash-and-burn agriculture in the Amazon as well as the country's overall lack of efforts to protect the environment, failure to protect indigenous peoples, irresponsible handling of the pandemic, and rejection of international health cooperations have brought Brazil into conflict with numerous environmental, human rights and health organizations. In Ethiopia, the previously highly praised Prime Minister Abiy suffered a similarly catastrophic loss of credibility. International partners were shocked by the escalation of violence in the Tigray dispute. Ethiopia's government rejected international mediation and monitoring in the matter, calling the dispute an internal affair. This was also the argument used by Belarusian dictator Lukashenko in his violent suppression of protests against electoral fraud. In ignoring warnings from potential Western partners, Lukashenko has become even more isolated in foreign policy terms and more dependent on Russia than ever before. After the end of the review period, he instrumentalized refugees from Afghanistan, Iraq and Syria in order to put pressure on Latvia, Lithuania, Poland and the EU as a whole in response to the sanctions imposed on his regime. Lebanon's consociationalist and clientelist elites have been mired for years in self-inflicted gridlock and are dependent on foreign patrons from Iran, Saudi Arabia and other regional actors. Its international credibility was shaken not only by the ruinous banking crisis and the huge explosion in Beirut's harbor, but also by the government's refusal to engage in serious structural reforms in partnership with international lenders.

While these four countries represent extreme cases of power-political cynicism and diplomatic incompetence, they are also emblematic of a downward trend in multilateralism captured within the BTI in the areas of regional cooperation, the effectiveness of international agreements, and the credibility of their signatories. What is particularly problematic about this retrograde trend is that regional powers, such as Turkey and Iran, and influential regimes, such as China and Russia – all of which have seen significant declines in the BTI over the past decade – are showing disregard for an international regime built on trust and cooperation. Eschewing any attempt to engage in a consensus-based diplomatic approach, they increasingly seem to believe they can achieve greater advantage on their own. Thus, Belarus' border provocations have mimicked Russian territorial violations; Ethiopia's objection to external interference is reminiscent of China's attitude toward its own repressive actions in Tibet and Xinjiang; Brazil's foreign policy, like that of Turkey, has drifted between confrontation and overconfidence; and Iran's Lebanese protégé, Hezbollah, like Iran itself, is both driving and being driven by an unstable regional political conflict. Given the multitude of regional and global challenges related to climate protection, migration policy and pandemic prevention, this turn away from international cooperation promises to make it even more difficult to bring about a peaceful and cooperative transformation.

## Conclusion

The BTI 2022 finds evidence of a new low in terms of political and economic transformation. Poor governance has exacerbated this development. Most countries do not guarantee political participation rights and the rule of law to the extent needed to provide the population with a free and self-determined voice in the political decision-making process. Moreover, the regulatory framework governing the market and competition is neither free nor fair in most countries. Corruption, clientelism and mismanagement by the



established elites stand in the way of economic development and social participation. The near-universal global economic slump has already resulted in severe socioeconomic consequences, which could grow even worse if the recession and inequities in the distribution of vaccines continue. If this were to result in increased polarization and conflict intensity, it would place a heavy burden on future political transformation.

On the other hand, the results of the BTI 2022 also give some cause for hope. First, there is and for some time has been a group of stable democracies that have proved resilient in the face of crisis and demonstrated successful transformation paths. Some of these democracies, such as the Baltic states and Taiwan, are today being threatened by authoritarian powers, such as Russia and China. The goal of a values-based foreign policy should be to support them to the greatest extent possible while countering this menace with democratic solidarity.

Second, some of the authoritarian backsliding recorded in recent years appears to have been temporary. The electoral successes of opposition candidates Xiomara Castro in Honduras and Hakainde Hichilema in Zambia following the end of the BTI review period open up the prospect of redemocratization, as does the assumption of office by Tanzania's new president, Samia Suluhu Hassan. Developments in East-Central and Southeast Europe are also positive, as Bulgaria and the Czech Republic – following similar reversals in Northern Macedonia, Romania and Slovakia – have proved able to halt the right-wing and authoritarian trend with the election of more liberal governments. Developing countries with prospects of democratization need international support, and this should be provided by a values-based foreign policy. Conversely, governments that undermine democratic processes, as is currently the case in Tunisia, should be resolutely condemned. Efficient governance must not be regarded as being incompatible with democratic processes. All of the BTI's findings demonstrate – and to a rather striking extent – that democracies are the more efficient governments by a wide margin.

Third, and finally, the civil society forces pushing for peaceful and democratic change even in highly repressive environments, such as Belarus, Myanmar and Sudan, are impressive in their perseverance and creativity. They have exhibited an immense amount of courage and determination, which in turn demands dedicated external advocacy and support. This calls for a values-based foreign policy that not only unequivocally condemns the ruling regimes' repressive actions, but also actively supports the civil society forces and provides them with safe haven should they fail.

The results of the BTI 2022 are undoubtedly sobering. However, rather than paralysis, the response to this should be even more foreign- and development-policy engagement. There are positive signs.

## About the BTI

### Governance in International Comparison

Since 2004, the Bertelsmann Stiftung's Transformation Index (BTI) has regularly analyzed and evaluated the quality of democracy, market economy and governance in currently 137 developing and transition countries. The assessment is based on over 5,000 pages of detailed country reports produced in cooperation with over 280 experts from leading universities and think tanks in more than 120 countries.

The current assessment period is from February 1, 2019 to January 31, 2021.

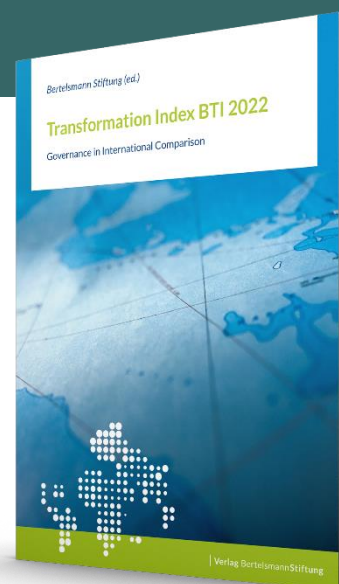
The BTI is the only international comparative index that measures the quality of governance with self-assessed data and offers a comprehensive analysis of political management in transformation processes.

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