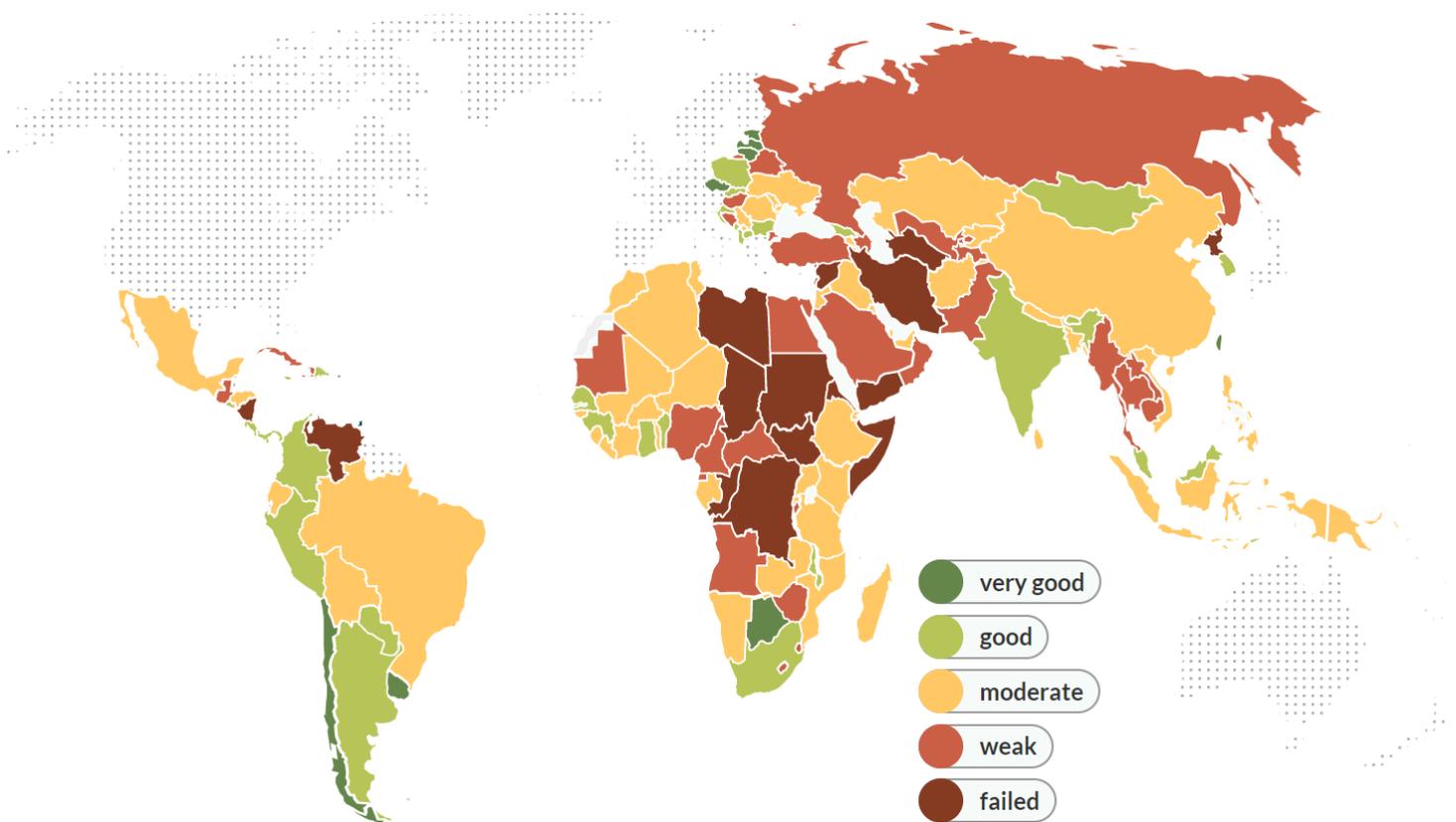


BTI 2020 | Some reform-minded governments withstand negative trend

Global Findings | Governance

By Robert Schwarz*

Overview of transformation processes in 137 developing countries and countries in transition



This report analyzes the governance findings of the Bertelsmann Stiftung's Transformation Index (BTI) 2020, for the review period stretching from 1 February 2017 through 31 January 2019. For more information, see www.bti-project.org.

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Executive Summary

For the third successive time since 2014, the quality of governance worldwide has worsened somewhat. Considered on the basis of the overall average score, developing and emerging countries are governed more poorly than at any other point of examination within the last 16 years. In 2017 and 2018, numerous governments failed to live up to their responsibility to depolarize structural conflicts, govern innovatively and flexibly, maintain good relations internationally and in their geographic neighborhoods, and engage constructively in regional communities of states.

Our empirical findings suggest that political decision-makers are increasingly putting interests of political power and economic gain above the common good. Opponents of reform are expanding their influence within the marketplace of ideas, and parties to conflict are less often seeking to avoid polarizing or even violent confrontations.

In analyzing the short- and medium-term development of governance capacity in developing and emerging countries, a distinction must be drawn between the capacity to steer and organize political processes (authority) on the one hand, and the capacity to build consensus and engage in international cooperation (inclusion) on the other. Within the authoritative component, negative steering-capability trends and positive trends with regard to the efficient mobilization of resources have roughly offset one another. However, within the inclusive component, both the willingness and capability to build consensus and the inclination to engage in international cooperation have deteriorated appreciably. The BTI experts locate the 2010's strongest performance decline in the area of cleavage management – an alarming signal in a conflict-ridden world.

The following developments were particularly striking during the review period:

- The steering capability associated with government authorities has diminished in numerous countries, particularly with respect to the policy learning indicator. A number of authoritarian and autocratic governments were less inclined to recognize and seize opportunities for development and transformation.
- An increasing number of governments have failed in the attempt to curb political polarization and ethnic, social and distributional conflicts. In some cases, they have themselves fanned the flames of these social tensions through their political actions.
- Relationships with neighboring states are increasingly deteriorating, especially in the Middle East, the Balkans, Central America and Eastern Europe.
- International cooperation has improved in the Horn of Africa, southern Africa and Central Asia.
- On a positive note, there has also been progress with regard to anti-corruption policy in a number of states, often under pressure from social forces no longer willing to tolerate the extent of corruption.
- In some countries, new heads of government provided the impetus for transformation. Armenia, Ethiopia, Malaysia, North Macedonia and South Africa all fell into this category.

Introduction

“Good governance” remains an unattained goal in most countries. The present examination of 137 countries, based on a normative concept of governance centered on managing the transformation toward democracy and an inclusive economy, comes to a sobering conclusion: One-third (33%) of all countries are poorly or very poorly governed, another third (36%) are characterized by governance of moderate quality, and only the remaining third (31%) have earned at least a rating of “good” governance. The average quality of governance has declined slightly since the beginning of the decade, especially in the areas of consensus-building and international cooperation. Given the reality of numerous unresolved wars and conflicts; hundreds of millions of people living in extreme poverty worldwide; the increasingly unequal distribution of incomes, wealth and future opportunities; the continuing persecution of dissenters; and surging protests against those in power, these sobering findings can hardly come as a surprise. On the other hand, government failures in some countries have been nearly balanced by positive governance performance in other countries.

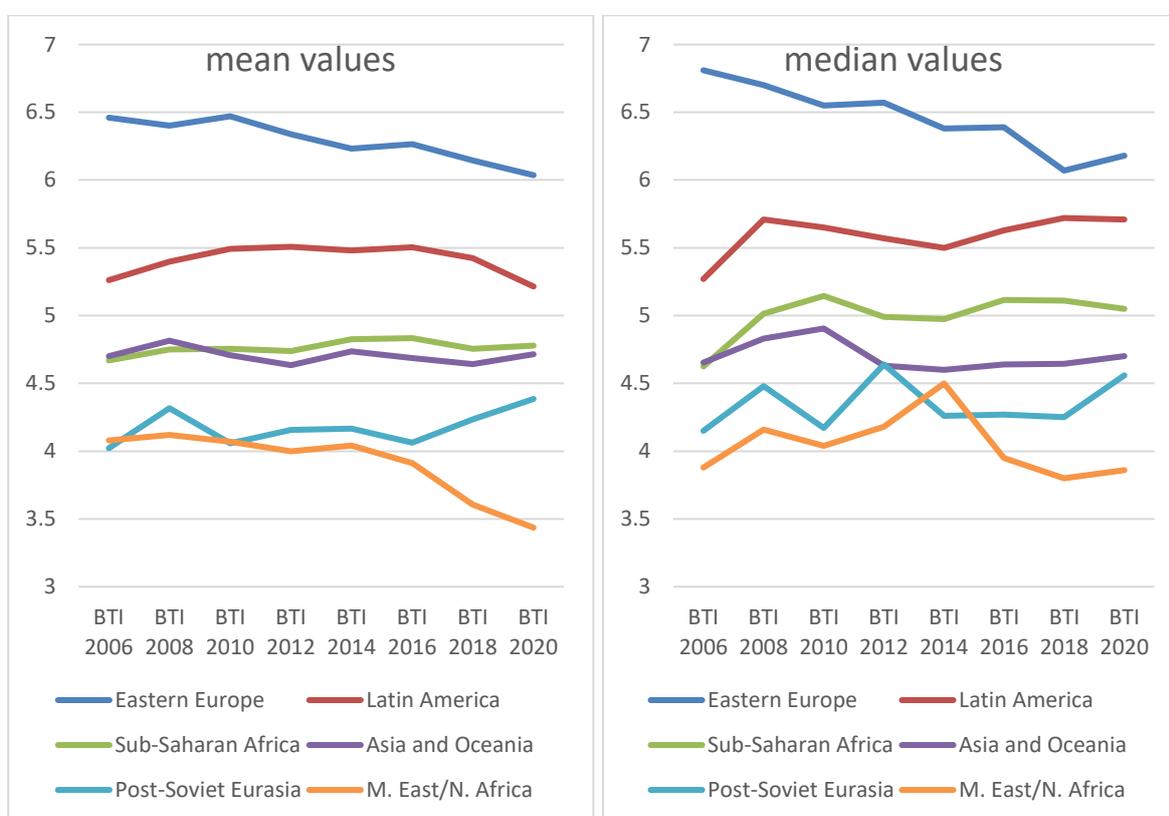
Most regions of the world have converged around a middling level of government performance. Over the past 10 years, the region boasting the highest average score, East-Central and Southeast Europe, has seen significant declines in governance quality. A negative trend has also been observable in the second-best region, Latin America and the Caribbean, though not to the same extent. Within formerly less well-governed regions of the world, by contrast, an upward trend toward better governance performance than in the past has been evident. For example, Asia’s average score has already approached the global average of all countries in the BTI Governance Index. The same is true of sub-Saharan Africa. Here, the 34 core countries that have been assessed continuously since 2006 are on average governed only slightly worse than all other developing and transformation countries, and thus in any case show a level of governance that significantly exceeds the region’s reputation. The countries in the post-Soviet region, which the BTI deemed to show the worst average governance as of 14 years ago, have also made significant progress. The gap between East-Central and Southeast Europe, the best-governed region in the BTI 2006, and Post-Soviet Eurasia, then the worst-governed region, has narrowed significantly since that time, from 2.44 points to 1.65 points on average. The convergence between the two regions is further confirmed by an examination of the gap between the median countries in each region (see Fig. 1). Here, the gap between the median East-Central or Southeast European country in the Governance Index – currently Bulgaria – and the median post-Soviet countries – currently the equal-scoring Kazakhstan and Kyrgyzstan – has declined from 2.66 points to 1.62 points.

Regional characteristic are reflected in a comparison of trends derived from average and median scores. In Latin America and the Caribbean, the governance losses of some countries such as Nicaragua, Venezuela and even Brazil since 2013 are severe enough to have pulled down the regional average trend over the past few years (see figure to the left). But at the same time, most countries in the mid-range remain relatively stable (e.g., Dominican Republic, Colombia, Panama and Peru) or are improving (e.g., Argentina and Ecuador) and have thus raised the regional median score (see figure to the right). In post-Soviet Eurasia, the Kirghiz, Moldovan and Russian reform initiatives

introduced in 2010/2011 are reflected in a short-lived upswing in the median score for the BTI 2012. While this score has since fallen, the regional average has remained almost unchanged.

The Middle East and North Africa is also the only region that has resisted this trend toward the middle. Following the violent suppression of the widespread protests of 2011 – 2012 and the subsequent restorations and ongoing civil wars, many rulers in this region have proven unwilling to cooperate with other domestic actors and have shown absolutely no capacity to shape a peaceful transformation. The Arab world is thus today afflicted with the worst governance worldwide, by some distance.

Figure 1: Regions' average (left) and median (right) scores, BTI 2006 – 2020*



*) Countries whose governance performance was first assessed only after the 2006 edition of the BTI are excluded for consistency reasons. This includes Bhutan, Djibouti, Equatorial Guinea, Eswatini, Gabon, Gambia, Guinea-Bissau, Iraq, Kosovo, Kuwait, Lesotho, Mauritania, Montenegro, Oman, the Republic of Congo, Qatar, South Sudan, Timor-Leste, and Trinidad and Tobago.

In the overall assessment of governance, the so-called level of difficulty takes into account the strong dependence of governance quality on state, societal and economic resources. These include structural constraints, civil society traditions, the intensity of societal conflicts, per capita gross national incomes, educational opportunities, and the robustness of state and rule-of-law structures. The good news is that these underlying conditions affecting governance have notably improved in the last decade and a half, and particularly during the latter half of the 2000s. This is particularly true of the output factors of per capita income and educational level, as well as of civil society traditions. The

more structural factors such as conflict intensity, stateness and the rule of law, as well as that of general structural constraints, have by contrast shown some deterioration, thus running counter to the general level-of-difficulty trend. These factors are likely to be partially responsible for the fact that governance performance has not shown a rising trend over the same period but has instead declined slightly.

Despite the sometimes massive changes at national and regional levels, as well as new political challenges arising due to global economic and geopolitical power shifts and disruptive technological developments, four longer-term governance-performance trends – three negative and one positive – have continued.

The strongest negative development has been governments' dwindling capacities or diminishing will to generate societal consensus. All five individual components of the consensus-building criterion – the agreement among key political actors on the transformation goals of democracy and the market economy, the handling of anti-democratic veto actors, cleavage management, the facilitation of civil society participation, and reconciliation between perpetrators and victims of former injustices – have been affected by this trend. No quantitative trend since the middle of the 2000s has been so pronounced in the BTI as the drastic deterioration in the area of cleavage management. While this decline is linked in part to the failure by some governments to defuse societal conflicts, it also reflects the increasing willingness of executive-branch leaders in a number of nations to exploit and even actively fuel existing tensions. This development continued in the current review period. Consensus-building remains an often-underused transformation resource.

Cooperation capacities have diminished not only within societies, but between states too, with conflicts having tended to increase in severity. Over the long term, this trend has also been reflected in the fact that numerous states have lost credibility and reliability in the eyes of multilateral and international organizations, foreign governments and investors, bilateral and multilateral donors, and internationally active non-governmental organizations. Over the past two years, tensions have been rising between neighboring states and within regional organizations.

Slight setbacks have been evident in the area of steering capability. This must be seen against the background of numerous populist-authoritarian governments, even though these forces contend that they have better steering capabilities than do consensus-oriented democratic governments. Representatives of the authoritarian current often make the argument that a powerful executive with no need for horizontal accountability to controlling forces can better engage in strong, effective government. However, BTI experts have exposed this as an illusion, as the concentration of power within the core government is in no way associated with better management of transformation processes. On the contrary: The slightly negative global trends with regard to policy prioritization, implementation and learning are primarily attributable to populist governments in democracies such as Hungary, Romania and Zambia, in which executives have been strengthened at the expense of the efficacy of democratic oversight institutions. Steering capability is once again the criterion receiving the second-lowest average score in the Governance Index.

The resource-efficiency criterion is the only one to have moved in a positive direction. Relevant political actors have stabilized or even slightly improved the efficiency with which they mobilize

and use societal resources. This has taken place in large part because governments are today somewhat more successful in fighting corruption, having strengthened the competences and expanded the resources granted to anti-corruption institutions, and having reacted to civil society pressure with legislative initiatives. However, the progress is far too scattered and marginal to be able to counterbalance the negative developments in other areas. Anti-corruption policy persists as the worst-rated governance-quality indicator overall, with resource efficiency remaining the weakest criterion in the Governance Index despite the slightly positive tendency.

New heads of government boost reform momentum

Over the past decade, the jury of the prestigious Mo Ibrahim Prize for Achievement in African Leadership has been able to identify a worthy winner among former heads of state or government in only one out of every three years. The rarity of exceptional political performance – not only in Africa, but also in Asia, Europe and Latin America – accords with the overall result of the BTI Governance Index, which has again fallen slightly to reach a new low.

However, where significant improvements in government performance have emerged, these were in every case linked to the presence of new leaders. In eight of the nine countries to show improvement of at least half a point, new heads of government took office during the current BTI review period. (The only exception relates to Shavkat Mirziyoyev, who was inaugurated as president in Uzbekistan in December 2016, just weeks before the beginning of the reporting period.) One of these figures, Ethiopia's new Prime Minister Abiy Ahmed, even received the international community's most prestigious political prize. After little more than a year in office, he was awarded the Nobel Peace Prize for his policy of reconciliation with its neighbor Eritrea. His domestic policy shifts, including overtures to the opposition, the freeing of thousands of political prisoners, and the promise of fundamental economic reforms, also brought him considerable popular support in his first year and a half in office. Some observers believe Abiy is capable of democratizing Ethiopia from within the autocratically governing multiparty coalition.

Other newly elected heads of government have also raised hopes of political change and implemented initial reforms. This group includes Armenia's new prime minister, Nikol Pashinyan (in office since May 2018), Malaysia's surprise election winner and subsequent prime minister, Mahathir bin Mohamad (since May 2018, previously 1981 – 2003), and North Macedonia's new prime minister, Zoran Zaev (since May 2017). By contrast, new presidents João Lourenço in Angola (serving since September 2017), Emmerson Mnangagwa in Zimbabwe (since November 2017) and Shavkat Mirziyoyev in Uzbekistan (since December 2016) have acted decisively within the frameworks of their old regimes. However, to varying degrees, they have also shown a certain openness to reform during their first one to two years in office. The difference relative to the previous officeholder has been strongest in Zimbabwe. In Iraq, in the person of Adel Abdul-Mahdi, and in Nepal, with Khadga Prasad Oli, prime ministers were also named or reappointed after a brief hiatus from office. Here, however, other more important factors in improving governance were evident beyond the change at the top of the government. In Iraq, Sunni areas were liberated from the horrific rule of the so-called

Islamic State, while Nepal recovered from the two devastating earthquakes of 2015, and successfully concluded its constitution-making process.

Table 1: Governance trends in countries with new heads of government, 2/2017-1/2019

Country	Head of government	Title	Inauguration	BTI 2018	BTI 2020	Trend
Ethiopia	Abiy Ahmed	Prime minister	4/2018	3.65	4.96	+1.31
Armenia	Nikol Pashinyan	Prime minister	5/2018	4.25	5.32	+1.07
North Macedonia	Zoran Zaev	Prime minister	5/2017	5.24	6.22	+0.97
Zimbabwe	Emmerson Mnangagwa	President	11/2017	2.37	3.19	+0.82
Angola	João Lourenço	President	9/2017	3.60	4.23	+0.63
Nepal	Khadga Prasad Oli	Prime minister	2/2018	3.74	4.34	+0.60
Iraq	Adel Abdul-Mahdi	Prime minister	10/2018	4.43	5.00	+0.57
Malaysia	Mahathir Mohamad	Prime minister	5/2018	5.20	5.71	+0.51
South Africa	Cyril Ramaphosa	President	02/2018	5.96	6.25	+0.29
Madagascar	Christian Ntsay	Prime minister	6/2018	5.12	5.38	+0.25
..						
Bosnia and Herzegovina	Milorad Dodik, Željko Komšić, Šefik Džaferović	President (rotating)	11/2018	4.09	3.80	-0.29
Slovakia	Peter Pellegrini	Prime minister	03/2018	6.70	6.36	-0.34
Brazil	Jair Bolsonaro	President	1/2019	5.95	5.58	-0.37
Colombia	Iván Duque Márquez	President	08/2018	6.14	5.71	-0.43
Liberia	George Weah	President	01/2018	5.84	5.36	-0.49
Serbia	Ana Brnabić	Prime minister	06/2017	6.06	5.39	-0.68

Only countries showing at least a 0.25 change in their Governance Index score have been listed.

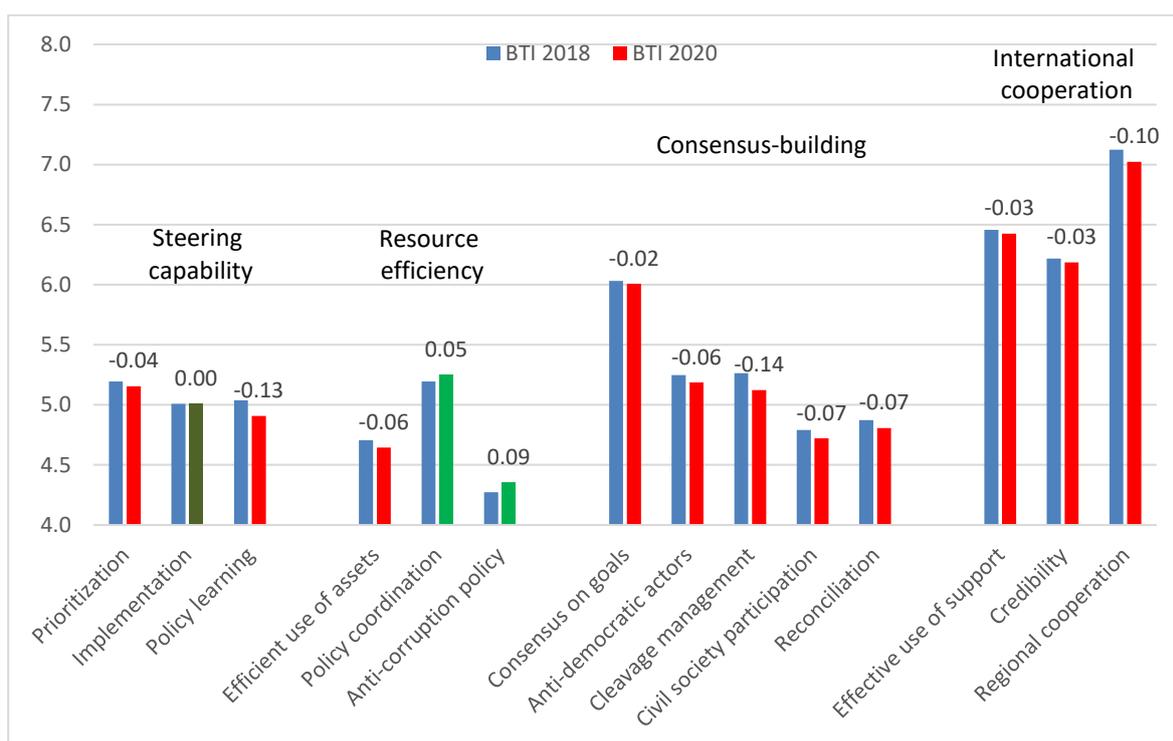
Overall, a total of 48 heads of government took office in developing or transformation countries between February 2017 and January 2019. In 16 instances, the change in leadership resulted in significant changes of at least a quarter point in the country's Governance Index results (see Table 1). In the majority of these cases, the change at the top was associated with better governance. On average, these 48 countries gained 0.11 points in the Governance Index. Among the remaining 81 countries that did not see a change in government, the BTI recorded an average governance score about 0.11 points weaker than previously. From this point of view, reform-oriented governments with new top leaders largely served as a counterweight to the predominantly negative trend evident in the majority of countries without a change in government. In only one case was a change in leadership associated with a sharp deterioration in the country's governance score of half a point or more: Serbia's governance quality declined in all areas under Ana Brnabić, who took office in June 2017. However, the prime minister is also strongly dependent on the president in the Serbian political system.

The fact that new leaders have globally tended to produce positive transformation momentum certainly does not mean that such changes will necessarily be sustainable beyond the review period, or that the presence of the new leader was the sole decisive element in producing the change. In some

cases, figures in whom considerable hope is placed later turn out to be unable or unwilling to risk their newly won political power by continuing along a consistent course of reform. Moreover, it hardly speaks to the long-term stability of a political system when it is strongly dependent on the manner in which a particular head of government discharges his or her office. Nevertheless, the BTI actor-centered governance assessment regularly shows that deep-reaching reforms, particularly in countries with weak democratic institutions, are rarely initiated by established heads of government. Rather, such initiatives generally tend to come from newly elected representatives.

If we look at the BTI's four governance criteria, the current review period of February 2017 through January 2019 shows losses in the areas of steering capability, consensus-building and international cooperation, with only a fraction of this decline being offset by progress in the efficient mobilization of resources. At the country level, too, negative developments again predominate: One in 10 countries (13 in total) shows a strong decline of at least half a point, while only one in 14 countries (nine in total) has improved to the same extent.

Figure 2: Development of 14 governance indicators, BTI 2018-2020 (Sample size: 129 countries)



The two primary components within the BTI governance concept, authority and inclusion, have trended in different directions. Authority refers here to the shaping of policy and the organization of the state and government. Inclusion means the involvement of domestic and transnational actors. Taken as a global average, steering and organizational capacities have remained relatively stable at a low level. By contrast, the willingness and capability for inclusion have deteriorated appreciably. The slightly negative trend in governance quality is therefore primarily attributable to this latter finding, which applies both to the current review period of the last two years and to the entire 14-year period of all comparable BTI assessments.

The only two positive developments relate exclusively to the authority component, and here particularly to the criterion of resource efficiency (Fig. 2). Anti-corruption policies showed the most improvement during the review period. In second place is policy coordination, which has also gained ground in comparison with the BTI 2018.

All of the other 11 governance indicators have deteriorated over the past two years. The quality of cleavage management, which had already shown continuous and significant declines in previous assessments, has fallen the furthest. The policy-learning indicator, which assesses governments' innovation and flexibility in shaping transformation processes, displayed the second-worst performance. In third place with regard to the degree of deterioration is the regional-cooperation indicator. Although this indicator continues to boast the highest score in absolute terms, the trend points to growing tensions between neighboring states.

Only somewhat capable of steering and learning

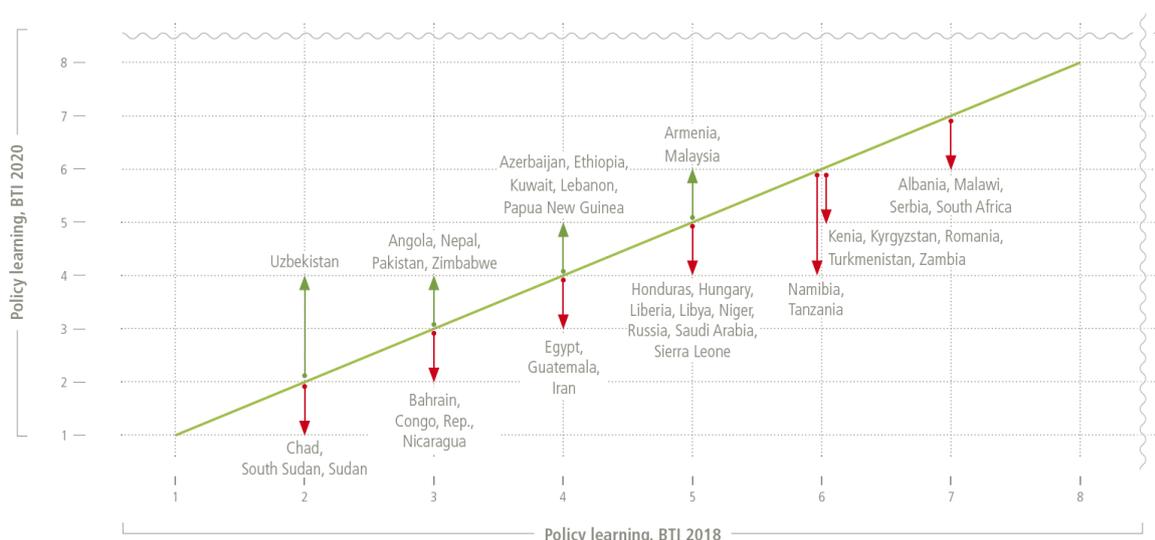
Governments in developing and emerging countries are steering democratic and economically inclusive reforms less effectively than was previously the case. Similarly, they are more often lacking in the innovative capacities and flexibility needed to adapt to and exploit windows of opportunity for transformation. This can be seen from the development of the BTI's steering-capability criterion, which showed an average decline of 0.06 points between February 2017 and January 2019. Nine countries have shown declines of 1.0 or more points in this area, while only five have improved to the same extent. Our experts noted the greatest setbacks in steering capability in Namibia, Niger, Turkey (all -1.3 points), Colombia, Guatemala, Iran, Kenya, Romania and Sudan (all -1.0). The countries making the most significant progress in this area included Armenia, Uzbekistan (both +1.3), Ethiopia, Lebanon and Zimbabwe (all +1.0). With an average global decline of 0.13 points, policy learning shows the steepest negative tendency among the three steering-capability indicators. Prioritization capacity (-0.04), by contrast, is only slightly weaker, while implementation capacity has remained at the same level as two years previously.

In four of the five countries showing the greatest improvement in policy learning, prioritization and implementation, heads of government who were hostile to reform were recently replaced. This includes Hailemariam Desalegn (Ethiopia's prime minister from 2012 to 2018), Robert Mugabe (Zimbabwe's president from 1987 to 2017) and Serzh Sargsyan (Armenia's president from 2008 to 2018), all of whom were forced to resign, as well as Islam Karimov (Uzbekistan's president from 1991 to 2016), who died in office. The only exception in this regard is Lebanon. Here, unlike in Armenia, Ethiopia, Uzbekistan or Zimbabwe, no single personality has dominated the political scene over the past years and decades. Prime Minister Saad Hariri (2009 – 2011; 2016 – 2019) was appointed shortly before the current BTI review period. He then announced his surprise resignation in November 2017 in a bizarre televised address from Saudi Arabia, retracting this announcement only a few weeks later, only to finally resign once again in October 2019, after the end of the review period, following mass protests against his economic policies. In his checkered second term in office, Hariri must be credited for the fact that his government demonstrated more effective political steering

than the preceding Tammam Salam administration. This was particularly evident in the constructive international coordination in the context of the UN crisis-reaction plan during the Syrian refugee crisis.

The fact that governance in these five countries must still be described as being of no more than moderate (Armenia, Lebanon) or weak (Ethiopia, Uzbekistan, Zimbabwe) quality derives from both the specific characteristics of each transitional situation and the legacy of encrusted political structures and clientelistic networks, which cannot be dissolved overnight. To be sure, the signs in these five countries point to political change or at least cautious reforms, and steering capability has improved somewhat from a low level. However, the path toward good and accountable governance remains a long one.

Figure 3: Policy learning by governments in the transformation process, BTI 2018 – 2020



From the numerical perspective, the loss of policy-learning capability – that is, the innovative adaptation of policies to changing parameters – represents the second-largest deterioration among all of the 14 governance indicators. However, this is expressed very differently across the various countries. A total of 28 countries (22%) show a decline in this indicator. By contrast, only 12 countries (9%) saw improvement in this area (Fig. 3). The countries with weakening policy-learning assessments range from relatively well-governed democracies, such as Albania and South Africa, to several countries characterized as autocracies with weak (Russia) or failed governance (Iran). Different political systems have been affected in different ways. Three types can be roughly distinguished here: democracies with worsening defects, political systems shifting toward autocracy, and increasingly hard-line autocracies.

Democracies (13) constitute the largest group of countries with declining policy-learning capabilities. Without exception, these are defective (12) or highly defective democracies (1) whose political systems have shown increasing deficiencies in recent years. Some of these countries were previously in a process of democratic consolidation. However, they have more recently been drawn away from this path by divisive politics and a disregard for minority rights, generally by populist-authoritarian governments. This group includes Romania (a defective democracy since the BTI

2020), Serbia and Hungary (defective democracies since the BTI 2014). It is the societal polarization associated with a lack of consensus-building that leads governments to resist consultation, shed institutional memory, and avoid productive exchange with civil society and NGOs. Often, the decline in policy learning shown by defective democracies is also an expression of a lack of political competition and declining innovation capacity within a dominant state party, such as SWAPO in Namibia or the CCM in Tanzania, each of which has provided its country's head of government for at least 30 years.

The second group characterized by increasingly inadequate policy learning consists of new autocracies. All five governments that left the democratic path during the review period and have undergone a regime change into autocracy are characterized by less innovative and flexible governance. In the cases of the Kenyan and Turkish governments, this score reduction was “obligatory,” as the BTI, which is normatively committed to the transformation goals of democracy and an inclusive market economy, allows non-democracies a maximum score of five points for all steering-capability indicators. In both of these countries, BTI experts note a loss of policy-learning capacity. In Kenya, parliamentarians and members of the executive undermined the constitution in the pursuit of their own self-interest, showing less willingness to engage in policy learning than in previous years. In Turkey, even at a time when the Erdoğan government's actions have met minimum democratic standards, its continually declining policy-learning capacity has been notable. The Turkish example strikingly shows how a system increasingly tailored to the interests of a specific leader gradually deprives itself of critical discourse, access to alternative ideas and, ultimately, innovation and flexibility. In two additional cases – Honduras and Nicaragua – problems of groupthink and extreme political polarization have made it difficult to develop sustainable political solutions for citizens. In Guatemala, this has taken place gradually over the course of the entire decade due to the involvement of political elites in corrupt networks.

The third group of states with declining policy-learning capacity consists of 10 mostly hard-line autocracies. Because their decision-makers have organized the political systems to systematically hinder far-reaching political and economic change, policy learning is subject to intentionally narrow limits. For example, the large and immovable state apparatus and the clientelism that follow the ruling Al Saud family in Saudi Arabia set strict limits to innovative and flexible policymaking. There is a clear lack of willingness to learn from earlier policies or external advice. Russia, too, is controlled by a narrow circle of powerful elites. At least since the anti-government protests of 2012, the confidants surrounding President Vladimir Putin, who occupy key positions due to their loyalty rather than because of any competence, has severely restricted the flexibility of action accorded to state institutions that might be able to organize policy learning.

One means of relentlessly securing the status quo while remaining hostile to genuine policy learning is the creation of positively charged political symbols and sideshows meant to signal a certain openness and flexibility. This tactic is widespread among autocracies. For example, during the period under review here, policymakers in the Kingdom of Saudi Arabia allowed women to drive automobiles and attend sports events for the first time. This well-measured cultural flexibility served equally as a response to domestic dissatisfaction and international criticism. The fact that the regime has at the same time retreated not one jot from the defense of its absolute monopoly of power was

most recently shown in the cold-blooded October 2018 murder of journalist and regime critic Jamal Khashoggi by high-ranking Saudi security forces in Istanbul. In selected policy areas, the Russian government too engages in symbolically liberal approaches that seem not to fit into the thoroughly centralist-autocratic overall picture. It has selected the development and implementation of a financial and economic strategy for the country as one of the few areas in which different opinions are expressly welcome. However, economic policy has at the same time become more and more centralized, while increasingly focusing on serving the clientelistic networks that follow and support the regime's line.

Despite the many evident deteriorations, it is striking that countries that have once reached a high level of policy learning have been able to maintain this level. Chile, Estonia, Taiwan, Uruguay (all with nine points), the Czech Republic, Latvia, Lithuania, Mauritius and Slovakia (all eight points) all show high-quality, complex policy-learning abilities. This includes the implementation of obligatory regulatory impact assessments (RIAs). In some states, such as Estonia, RIAs explicitly require the involvement of relevant interest groups and the holding of public consultations in the legislative process. As a rule, the above-cited countries possess institutionalized mechanisms that facilitate innovation and flexibility in policymaking. For example, Taiwanese governments have invited academics and agency staffers to engage in a highly ramified system of special committees affiliated with government ministries and commissions, which are tasked with assessing policies and providing advice on identified deficiencies and necessary corrective measures. The more firmly these mechanisms are institutionally anchored, the more easily the political system preserves its policy-learning capacities even after a change of government.

A further core element of policy learning is the purposeful adaptation of successful examples from other countries. Policy-learning capabilities are particularly great among the states of the European Union and the Organization for Economic Cooperation and Development (OECD). Indeed, it is no coincidence that six of the nine transformation countries with the greatest policy-learning capacities belong to the OECD; moreover, three of them – Chile, the Czech Republic and Estonia – have been able to improve their scores in the BTI's policy-learning indicator since their accession to the group. However, some non-OECD countries too are particularly good at learning from their international peers. Mauritius is one such nation, particularly within the economic field. After its independence in 1968, the island state laid the groundwork for economic development initially through favorable sugar trade deals with the European Community. It later copied elements of the Taiwanese economic model, successfully building an export-oriented economy with a focus on the textile industry. In the subsequent development of today's very successful financial-services sector, Mauritius was inspired by Singapore, while its development of cyber industries has been based on the experiences of Bangalore, India.

Reform-minded governments push back corruption

The criterion of resource efficiency (+0.03) appears in the current review period as a single small ray of light in the midst of diverse negative global developments. This has been due, in particular, to

more efficient and coherent negotiation of differing interests between political-system actors as well as a greater success in the fight against corruption and nepotism. In this regard, the governments of Bulgaria, Ethiopia, Iraq and Nepal have made the largest improvements in terms of optimizing the use of available resources.

In Iraq and Nepal, improved policy coordination has made an essential contribution to progress in the efficient mobilization of resources. These are the only two countries in which governments managed to achieve improvements of two points in this indicator during the current two-year review period. In Nepal, which was hit by two major earthquakes in 2015 with 9,000 fatalities, the unmistakably improved policy coordination has provided hope of better times ahead. Nepalese civil society has played a major role in this more efficient mobilization of resources, as it has served a useful watchdog function in monitoring international development aid and reconstruction funds, the significance of which to the national budget can hardly be overestimated. Policy coordination has improved in Iraq as well. Although there is a certain amount of inefficiency built into Iraq's consensus democracy, Prime Minister Abdul-Mahdi was able to show substantial progress with regard to coordination between the various political actors, at least at the beginning of his term in office. He is given credit for bringing the unlikely governing coalition between the pro-Iranian Binaa faction and the anti-Iranian, nationalist-clerical Islah faction into being in the first place. He also took the political risk of initiating criminal proceedings in thousands of corruption cases linked to alleged war crimes, human-rights violations and kidnappings. However, far-reaching reforms failed due to differences between the government parties. Moreover, following the end of the BTI review period, the backlog of economic-policy and other reforms led to mass protests and a political crisis, in the course of which Abdul-Mahdi announced his resignation in November 2019.

In Bulgaria and Ethiopia, it was primarily progress in anti-corruption policy that served to mobilize additional resources for more efficient governance. The Bulgarian government has improved its score in this indicator from six to seven points, and is thus now part of a relatively small group of 23 transformation countries (17% of all states evaluated) in which integrity mechanisms, such as the review of irregularities in state expenditures, the regulation of political-party financing, and information-access rights for citizens and media organizations, are in place and function adequately (seven or more points). BTI experts note that the newly formed government around Prime Minister Boyko Borisov has made progress in the fight against corruption among senior administrative personnel, pursued a solid budgetary policy, and was responsible for an unexpectedly strong political performance during Bulgaria's EU Council presidency in the first half of 2018. At a qualitatively lower level, but still well respected and appreciated internationally, Ethiopian Prime Minister Abiy made significant progress in anti-corruption policy in his first year in office, bringing charges of mismanagement and criminal activity against high-ranking party members and senior figures in the intelligence services and military-controlled enterprises. This is seen as a departure in the direction of greater justice in the country's economic life, which has been permeated by endemic corruption. In addition to these high-profile measures, however, additional steps remain necessary in order to fight and prevent corruption successfully over the long term. These include measures such as the adoption of an anti-corruption law in parliament, the establishment of a transparent public-procurement system, and the creation of an independent oversight system for political-party financing.

Figure 4: Countries with greatly improved anti-corruption policies (+2 relative to the BTI 2018) over time

Besides Ethiopia, four additional countries have placed their anti-corruption policies on a new footing within a short period of time, improving their scores in this area by two points relative to the previous survey. These nations include Armenia, Ecuador, Malaysia and South Africa (see Fig. 4). All these countries have in common the fact that newly elected heads of government have made the fight against corruption one of their highest-priority policy objectives and showed notable successes in the first months or years of their term. These improvements must be seen as a positive interim result on the path to a credible and sustainable anti-corruption policy – no more and no less. It has historically been easier for second-tier politicians or opposition candidates to mobilize voters with promises to fight corruption than, once having taken the reins of government, to actually implement effective and independent integrity mechanisms, and combat corrupt activities at the highest political level. Moreover, especially in defective democracies – and still more in autocracies – the degree to which new corruption-fighting measures serve more as a means of reckoning with old elites, while leaving open a later return to the political culture of corruption, is often a matter of dispute.

The anti-corruption policy developments in Malaysia and South Africa are nonetheless worthy of particular note. These two middle powers show a number of similarities with regard to their recent political histories. Under both of their respective ex-presidents, Najib Razak and Jacob Zuma (each in office from 2009 through 2018), corruption had reached an intolerable level. After these incumbents were surprisingly voted out of office by Malaysian voters and the African National Congress (ANC) delegates, respectively, state prosecutors in each country began investigating them. However, neither the voters in Malaysia nor the parliament in South Africa entrusted their new political beginnings to a young political outsider like Abiy in Ethiopia. Rather, they selected experienced leaders who represented continuity with the established setting under cleaner auspices rather than a radically new social contract. In Malaysia, Prime Minister Mahathir led the same multiethnic, multiparty coalition during his first term in office (1981–2003) that would later be headed by Najib. In South Africa, new President Cyril Ramaphosa is a longtime leading figure in the

governing ANC and served as Zuma's deputy from 2014 to 2018. The future of Mahathir's multiparty coalition and of the ANC will depend to a great extent on the success of their anti-corruption policies.

Fundamental changes are also becoming apparent in Armenia under Prime Minister Nikol Pashinyan (in office since May 2018) and in Ecuador under President Lenín Moreno (since May 2017). In these cases, too, the shifts are resulting in part due to pressure from civil societies that have been sensitized to corruption. In a first step, judicial authorities have begun to investigate the misconduct of senior civil servants. Armenian authorities have opened numerous high-profile proceedings in cases of corruption and the misappropriation of public funds, resulting in the recovery of around €19 million for national coffers by November 2018. Investigations by Ecuadorian prosecutors even led to former President Rafael Correa, the now-detained former Vice President Jorge Glas, and a number of ministers and members of the executive branch. However, the initiatives being pursued by the new heads of government go even farther. Their efforts to improve the fight against corruption are not being limited to the prosecution of former government figures. On the contrary, approaches to new institutional frameworks and procedures involving civil society are already visible, and they may ultimately lead to better prevention of corruption. At the end of the reporting period, an Armenian government draft strategy for addressing systemic corruption was still in the process of consultation with civil society. In Ecuador, the government has already expanded the competences of the Prosecutor General's Office, and the transitional Judicial Council formed an anti-corruption office intended to detect and investigate irregularities committed by judicial authorities in court proceedings.

When looking at the countries that have received nine or eight points in the area of anti-corruption policy (no country received the top rating possible), three things stand out. First, there is no geographical or specific cultural monopoly on "clean" political institutions and effective prosecution. All continents examined in the BTI are represented among the top 10 countries, including Africa (Botswana), Asia (Bhutan, Singapore, Taiwan), Europe (Estonia, Lithuania, Slovenia), and Latin America (Chile, Costa Rica, Uruguay). Second, the fight against corruption is only sustainable if it is made a high priority over the long term and is institutionally well-entrenched. Five of the six countries with the highest-awarded rating of nine points in the BTI 2020 (Chile, Estonia, Singapore, Taiwan, Uruguay) have consistently remained at this high level for the last 10 years, and have thus promoted the development of a corresponding political culture over the course of many years. Third, the fight against corruption will only function successfully if it consistently prevents corrupt practices not only at the highest political level, but also within the context of daily life – for example, in schools and universities, or in citizens' contacts with the police and public agencies. In this regard, many countries have passed laws in recent years that ban the payment of small gratuities, thus seeking to prevent conflicts of interests among officials. One example is the so-called Kim Young-ran Act in South Korea, which was adopted by parliament in 2015 with bipartisan support. The law prohibits small favors in day-to-day business dealings and is thus leading to a cultural change with regard to the gray area between the tradition of gift-giving and daily corruption. The law made a major impact during the review period and is changing the attitudes held by many Koreans toward day-to-day corruption.

Despite these successes and an improvement in the average global score, anti-corruption policy remains the worst-rated BTI governance indicator. The two countries of Iran and Romania, each of which has lost two or more points in this area over the last two years, show how difficult it is to push back systemic corruption on a sustainable basis. The interim progress made in both states has for the moment fizzled out. Members of Iran's leadership elite believed to belong to the reform wing have themselves become deeply embroiled in corruption. Meanwhile, Romania's center-left government coalition, now no longer in office, dropped any pretense of having any priority other than protecting itself against prosecution and opposing the anti-corruption institutions established in the context of EU entry.

Iran and Romania are also among the five countries that overall showed steep losses of a full point or more in the criterion of resource efficiency. This group additionally included the new autocracies of Nicaragua and Honduras. However, even in the much better governed Slovakia, serious questions arose regarding the quality of democracy following the murder of investigative journalist Ján Kuciak. Kuciak had researched the hidden connections between oligarchs and top politicians.

Crumbling ability to reach consensus

Increasing political polarization makes it particularly difficult for many governments to generate a consensus for reform. Often enough, however, politicians have themselves actively stoked societal tensions. The consensus-building criterion in the BTI 2020 reveals an accordingly negative trend. Political actors in developing and emerging countries show less capability or will to govern in a consensus-oriented manner than was the case two years ago. Deterioration was evident in all five consensus-building indicators. The decline was particularly marked in the cleavage-management indicator (with an overall average of -0.14). However, the indicators for civil society participation, reconciliation (both -0.07) and anti-democratic actors (-0.06) also saw deterioration. Only the indicator assessing consensus on goals (-0.02) remains at almost the same level as two years previously.

At the country level, the results in this area are multifaceted. A total of 29 countries, or 22% of the overall sample, have demonstrated progress with regard to consensus-building. Seven countries within this group have shown significant improvement of 1.0 or more points, including Armenia, Ethiopia (both +2.4), North Macedonia (+1.6), Ecuador (+1.3), Angola, Malaysia and Zimbabwe (all +1.0). In two cases, the increased capacity for consensus has much to do with a reappraisal of the past. After 10 years, Armenia's new government has resumed a legal process addressing the brutal crackdown on the uprisings that broke out following the 2008 presidential elections. In Ethiopia, the reconciliation efforts are even more profound, as the new government has not only released political prisoners, but has also begun to allow the activities of previously banned parties, despite facing internal resistance. The new governing coalition in North Macedonia around Prime Minister Zaev has broken with the previous government's practice of consistently fighting critical civil society and watchdog organizations. Instead, it now consults regularly with these groups, and recruits experts from within their ranks for government work. In Ecuador, the consensus-oriented policy pursued

during the Moreno government's first two years of office contributed significantly to easing a political climate that had become strongly polarized under the Rafael Correa regime.

However, despite these and other positive examples, countries showing negative developments proved predominant from a numerical perspective. A total of 52 countries, or 40% of all states with comparable scores for the BTI 2018, received lower scores for consensus-building than in the previous survey edition. Among these, nine countries showed a significant deterioration of 1.0 or more points, including Nicaragua (-2.2), Tanzania (-1.6), Zambia (-1.3), Brazil, Guatemala, Iran (all -1.2), Honduras, Romania and Serbia (all -1.0).

In many cases, governments have lost their connection to civil society, or have even worked systematically to marginalize and intimidate it. In Nicaragua, policymakers in the past already prevented virtually any participation by independent civil society groups. Since 2018, however, systematic persecution and the imposition of bans or criminalization have reached such an extent that BTI experts now rate civil society participation opportunities in Nicaragua at the lowest possible level, on par with Iran, North Korea and Venezuela. Zambia's civil society is considered to be one of the most influential in all of sub-Saharan Africa. After seeking to hold public events on topics such as pollution and the state's budget policy in 2018, it was surprised by a wave of arrests carried out by the increasingly populist-authoritarian Edgar Lungu government. In neighboring Tanzania too, civil society has found it increasingly difficult to exercise its political function within the transformation process. There, President John Magufuli, who has held his office since 2015, has repeatedly intimidated and threatened independent organizations, joined by other senior government officials. Many other governments, from Niger to Romania to Serbia, have also limited the scope of action afforded to civil society, thus depriving the transformation process of a crucial resource.

As previously indicated, appropriate cleavage management plays a key role in the legitimization and perpetuation of reform processes in a world increasingly prone to domestic and international conflict. In this regard, the cleavage-management indicator associated with the consensus-building criterion has shown the greatest decline of any governance indicator not only in the current review period (-0.14), but also in the full BTI comparison period across eight editions (-0.76). This is clear evidence of growing problems (see Figure 5). Where peaceful democratic competition between opposing interests is not yet or is no longer practiced, societal fault lines easily erupt into manifest conflicts between classes, ethnic groups, religious communities and around national affiliations, which can unbalance entire transformation societies. Increasing political polarization is also an expression of deeper fault lines between social groups. Governments often consciously exacerbate these tensions. Significant political forces are calling the fundamental democratic consensus into question, hardening the political discourse, and lowering the threshold for violent confrontation – even to the point of civil war – through intransigent, uncompromising action.

Domestic political fronts have hardened over the past two years in 29 countries, but in no other country as strongly as in Nicaragua. In a particularly vivid way, this dramatic deterioration demonstrates the potential for conflict inherent in political polarization, as traditional ethnic, social, regional and religious oppositions do not play a major role in the country. The dominant political cleavage is between the ruling Sandinistas and the opposition anti-Sandinistas. Political conflicts

have been intensifying at least since President Daniel Ortega’s third successive term in office. To enable this bid, the president succeeded in having the constitution changed during the electoral runup in 2014, and was then confirmed in office in a manipulated vote in 2016. When mass protests against the government formed in 2018 following an increase in social security contributions for workers, the Ortega regime responded with brutal repression. Police and paramilitary forces acted with violent force against the demonstrators. Human rights organizations reported between 320 and 500 fatalities, and as many as 2,000 wounded, while many hundreds were imprisoned. Nicaragua is thus experiencing the deepest crisis since the civil war of the 1980s, and there is no end in sight to the political polarization and violence – at least not as long as Ortega retains his power through undemocratic means and crimes against humanity.

Figure 5: Cleavage-management performance clusters, countries by assessment level in the BTI 2006-20



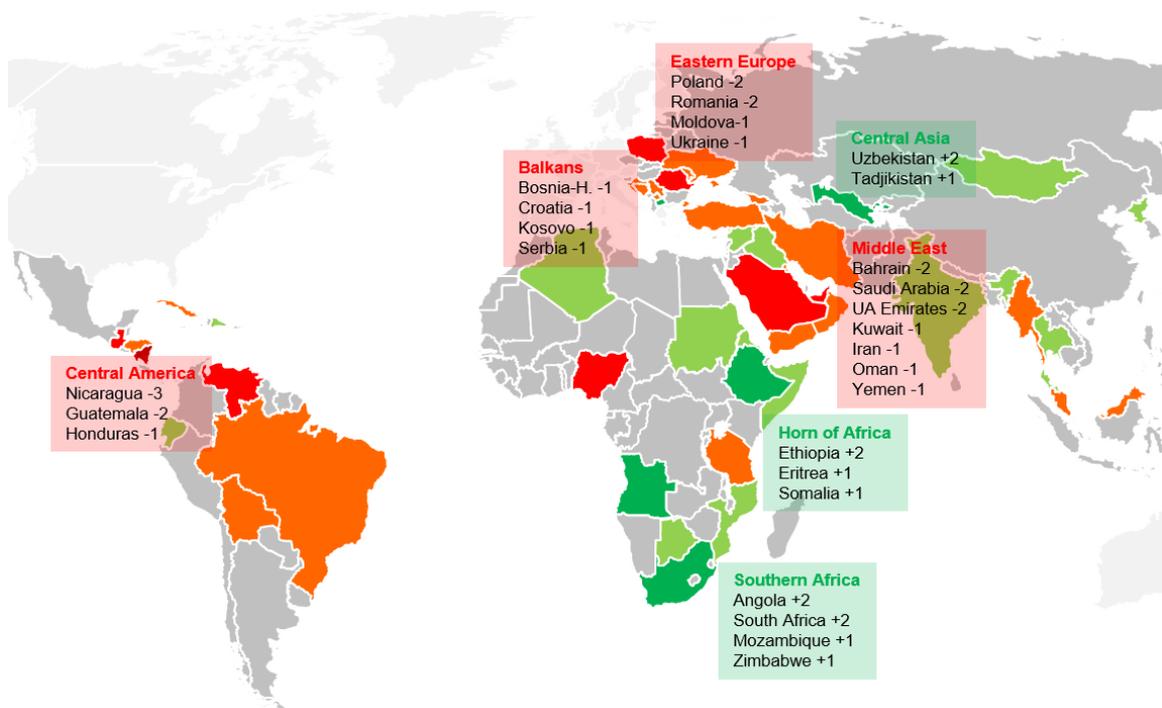
Only the 118 countries whose governance has been continually assessed since the BTI 2006 have been considered.

Three positive examples show that an easing of domestic social tensions is often initiated by a transition of power. Although just nine countries demonstrated improvement in the cleavage-management indicator during the period under review, three of these – the relatively new reform governments in Ethiopia, Ecuador and North Macedonia – saw improvements of multiple points on the BTI scale.

The international dimension of political polarization

International cooperation is traditionally the highest-rated governance criterion. However, even in this area, developing and emerging countries have seen declines in governance quality. Governments were less willing and able to cooperate with external supporters and organizations, as well as with neighboring states, than was the case two years previously (-0.05). Nicaragua (-2.3), Brazil, Guatemala, Iran, Nigeria, Romania (all -1.3), Moldova, Myanmar, Serbia and the United Arab Emirates (all -1.0) all saw significant setbacks during the period under review. North Macedonia, Uzbekistan (both +2.0), Ethiopia (+1.3), Angola, South Africa and Zimbabwe (all +1.0) all registered significant improvements, running counter to the general trend.

Figure 6: Regional cooperation trends, BTI 2018-2020



No indicator has a higher average score than that of regional cooperation. Nevertheless, the willingness to engage in regional cooperation has declined appreciably in the current survey (-0.10). This trend often bears testament to increased tensions between neighboring states. This is very clear in the already conflict-prone Middle East. The geopolitical and sectarian hostility between the two rival regional powers of Iran and Saudi Arabia is increasingly spreading to nearby states, such as Bahrain, Kuwait, Oman, the United Arab Emirates and the civil war-torn Yemen. Decision-makers in these countries sometimes bear part of the political responsibility for this phenomenon, but are sometimes simply the objects of international confrontations. Like the ongoing civil war in Yemen, the Qatar crisis exemplifies how conflicts between individual states can radiate across an entire region. In 2017, a group of states led by Saudi Arabia and the United Arab Emirates broke off diplomatic relations with Qatar, claiming that the Emirate supported Islamist terrorism in the region.

However, the Middle East is not the only scene of increasing regional tensions. In East-Central and Eastern Europe (Moldova, Poland, Romania, Ukraine), in the Balkans (Bosnia and Herzegovina, Croatia, Kosovo, Serbia) and in Central America (Guatemala, Honduras, Nicaragua), the willingness to cooperate with neighbors has declined due to the intensification of confrontations based on identity, past conflicts or geopolitical interests, or conflicts over democratic values (Figure 6). In East-Central and Eastern Europe, some states have distanced themselves from allies even in the absence of discernable alternatives. Poland in particular, against which the European Union initiated a rule-of-law procedure at the end of 2017, is increasingly refusing to cooperate with EU partners, even though its relations with eastern neighbor Russia remain cool. Moreover, the foreign-policy significance of the Visegrád Group it belongs to along with Slovakia, the Czech Republic and Hungary remains minimal, as does the degree of unity between the members. Moldova's relations with Russia too have gradually deteriorated in recent years, even as the EU has increasingly lost confidence in the Moldovan government. For its part, Ukraine under President Petro Poroshenko (who was subsequently voted out of office in 2019) engaged in conflicts over history and language policy with the right-wing conservative governments in Poland and Hungary. In the Balkans, the aftereffects of the conflicts of the 1990s triggered new tensions during the review period between the states of the former Yugoslavia, generally related to the status of national minorities and the exact course of borders. The downgrading of Central America's three new autocracies, Guatemala, Honduras and Nicaragua, was largely due to a rejection of the recommendations of the Organization of American States (OAS) regarding democratic reforms (Honduras, Nicaragua). However, to a lesser extent, this was also due to differences with the United States and Mexico with respect to migration and anti-drug policy (Guatemala).

By contrast, three regions showed notable progress with regard to regional cooperation. In nearly all cases, changes of government once again laid the groundwork for a revitalization of regional dynamics. Southern Africa, the Horn of Africa and Central Asia all stand out in this regard. Driven by a new openness to international cooperation on the part of new governments in South Africa, Angola and Zimbabwe, prospects for regional economic integration in the context of the Southern African Development Community (SADC), which also includes Mozambique, have once again improved significantly. In the Horn of Africa, rapprochement with Eritrea initiated by Ethiopian Prime Minister Abiy also ended the two states' rivalry in Somalia. Here too, this has served to spur hopes for closer political and economic cooperation, even if the rapprochement has so far been based exclusively on personal relationships between the heads of government. In Central Asia, after President Shavkat Mirziyoyev declared the establishment of better relations with neighboring states to be one of his top foreign-policy priorities, the tense bilateral relations with Tajikistan eased. The rapprochement immediately opened new possibilities for travel and trade as it raised hopes of further steps being taken toward regional cooperation.

In looking at the development of international cooperation overall, it is evident that political polarization and violence between supporters of governments and oppositions often has an international dimension as well. Obsession with power, authoritarian tendencies and illiberal alliances have significantly disrupted the willingness and capability to cooperate with external supporters in the transformation process, as well as in bilateral and multilateral contexts. Democratic setbacks and tendencies toward authoritarianism have also had an impact on peaceful cooperation on

the international stage. It is no coincidence that Nicaragua's authoritarian president, Ortega, was supported during the review period by the ideologically closely aligned authoritarian government in Venezuela. Both regimes have curtailed political rights and civil liberties, and have unconstitutionally overturned term limits in favor of incumbent officeholders. Thus, they share responsibility for the violence they have provoked through their obsession with power.

Illiberal governments are working together in Europe too, as shown by the alliance between Poland under Jarosław Kaczyński, the leader of the Law and Justice party, and Hungary under Prime Minister Viktor Orbán. The two countries provide one another with mutual support in the EU's rule-of-law procedures, thus effectively blocking the confederation's mechanism that provides for penalties for violating fundamental rule-of-law standards, among other provisions. Two additional developments have placed strict bounds on pro-European forces working to deepen regional cooperation on a democratic basis: the political drift of some EU member states such as Hungary and – temporarily – Slovakia closer to their autocratic neighbor Russia, as well as the attempt by some of the Visegrád countries' heads of government to form an "anti-Brussels Alliance." However, the lack of unity among the EU member states critical of Brussels has also meant that as yet, no political proposal running counter to European integration has emerged and proved capable of commanding majority support.

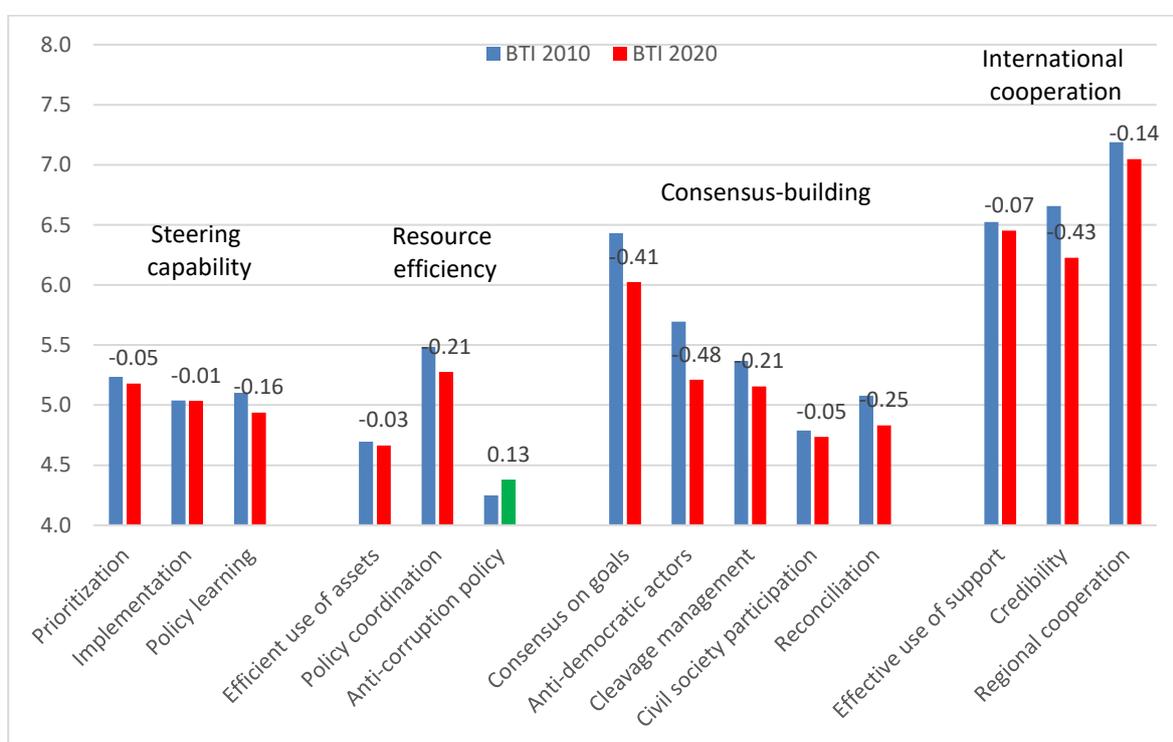
A lost decade?

The most recent decline in the quality of governance of 0.03 points over a two-year period is not in itself a strong trend. However, it means the quality of governance has now worsened for the third time in succession. Overall, the decline in governance quality over the period stretching from February 2013 to January 2019 amounts to fully 0.15 points – a relatively significant deterioration as an average, finishing at a new low. The entire decade of the 2010s registered a deterioration of 0.13 points, which was in turn reflected to varying degrees within the individual criteria and indicators (see Figure 7).

The 2010s are thus in sum a lost decade with regard to democratic and inclusive governance, and therefore for further reform processes and successful transformation overall. Initially, between the BTI 2010 and the BTI 2014, the quality of governance remained close to the peak reached in the BTI 2008. Since that time, all criteria and most indicators have shown a downward trend. The strongest declines over the past decade have been evident in the BTI criteria of consensus-building (-0.25) and international cooperation (-0.21). The fall experienced by the steering-capability criterion (-0.08) was less significant, while resource efficiency (-0.04) remained at nearly a constant level. A similar picture emerges at the next analytical level down. Of the 14 total governance indicators, 13 have suffered declines. The most significant such deterioration was shown by the anti-democratic actors indicator (-0.48), within the consensus-building criterion. Only the anti-corruption policy indicator, a part of the resource-efficiency criterion, has improved over the last decade (+0.13).

The medium-term trends over the last 10 years suggest that the transformation goals of democracy and an inclusive market economy are increasingly falling out of key actors' field of view. Given the setbacks in the indicators dealing with anti-democratic actors (-0.48), international credibility (-0.43) and consensus on goals (-0.41), it is exactly the points defining the basic direction of the transformation course that have experienced the sharpest deterioration over the last decade. Most recently, these three indicators have seen particularly strong declines in Nicaragua and Guatemala. Looking at the entire past decade, political elites have nowhere distanced themselves from governance once oriented toward a fundamental democratic and socially integrative consensus more significantly than in Turkey and Hungary. Governance in both countries was deemed “good” at the beginning of the 2010s. Today, both have tumbled into the BTI category of “weak” governance.

Figure 7: Development of 14 governance indicators, BTI 2010-2020 (Sample size: 128 countries)



From the BTI's point of view, no realistic assessment of governance by the political actors in the transformation process can be made without a consideration of the underlying conditions. The Governance Index's level of difficulty thus accounts for potential structural obstacles and circumstances that may affect a government's activities. This includes a lack of civil society traditions, persistent conflicts, a low education level and extreme structural poverty. For example, as a result of these factors, Senegal – whose governance performance is about the same as that of Croatia, but whose level of difficulty is comparatively high – places significantly above Croatia in the aggregated Governance Index ranking (rank 12 as compared to rank 25).

Following the major developmental strides of the 2000s, the average level of difficulty has more recently shown little change. However, individual components have undergone sometimes major shifts. The most significant transformation-promoting aspect is the positive trend shown by per capita

GNI. According to the World Bank, many countries rose during the 2010s from having low per capita incomes into the category of lower-middle-income or even the next-highest category of upper-middle-income countries. To be sure, inequality has in many places risen along with the expanding economic development. However, extreme poverty has been significantly reduced over the past 10 years in the vast majority of countries.

A further transformation-promoting trend is the emergence or strengthening of civil society traditions in many countries. This trend has been significantly weaker in quantitative terms than the development shown by per capita incomes. However, its impact should not be underestimated, as civil society plays a vital role in the transformation process, and often takes on special political responsibility during phases of upheaval.

In other areas, the underlying conditions for transformation have deteriorated. This first and foremost includes structures associated with stateness and the rule of law. Deterioration in these areas makes it more difficult for current and future policymakers to implement reforms in the face of domestic political or regional opposition, and to act within a reliable institutional framework that entails guarantees of protection for minorities. In addition, the general structural constraints deriving from factors such as disadvantageous geographic locations or climatic conditions, national disasters, or pandemics have grown worse. Finally, the underlying conditions for transformation have also deteriorated as a result of intensifying social, ethnic and/or religious conflicts.

Strategic Outlook

Two-thirds of developing and emerging countries show a quality of governance that falls beneath the BTI's "good" category, and many citizens remain highly dissatisfied with their governments. It can thus be assumed that the creeping loss of governance quality is likely to continue into the coming years. There is little to suggest that the capabilities to shape peaceful change and generate societal consensus that has been lost over the course of the years in many locations can be regained in the short term. Policymakers' lack of ability or willingness to assuage societal conflicts has tended to widen the rifts between social groups. Governments have also shown themselves to be less open to policy learning – both with regard to using existing expertise within the country and in terms of drawing on other countries' experiences with transformation and adaptation.

One worrisome international development certain to affect the quality of governance in the years to come is the trend toward rising tensions between neighboring countries. In the Middle East, the quality of interstate relations has reached a new low. In Central America, East-Central Europe and the Balkans too, international conflicts are once again coming to the foreground, though the risk of war in these regions is much lower than in the Middle East. Foreign-policy crises ranging all the way up to military confrontations sometimes distract from domestic reform backlogs. And indeed, some autocratic and kleptocratic regimes are exceptionally skillful at creating external bogeymen as a means of furthering their power-political aims. For example, Iran's mullah regime is more successful in winning back parts of the revolting masses when tensions with external enemies, above all the United States, are most intense.

Elsewhere, however, the prospects for good neighborly relations have improved. In the Horn of Africa, the rapprochement between Ethiopia and Eritrea has raised hopes of a new beginning in the relationship between the two countries. In southern Africa, new prospects for enhanced regional cooperation have opened between Angola, South Africa and Zimbabwe. In Central Asia, Uzbekistan and Tajikistan have drawn closer to one another. Yet to achieve genuinely strong neighborly relations, a great deal more political work and confidence-building will still be necessary, particularly in the Horn of Africa and in Central Asia. At least as important as signs of détente among key political leaders are contacts between the citizens of former parties to conflict. These often emerge through strengthened economic-cooperation and trade-facilitation initiatives. Over the long term, international organizations can play a key role in helping to deepen regional cooperation, thus providing a positive impetus for transformation.

New bridges of understanding are urgently needed at the national level, too. To be sure, some countries have shown encouraging and to some degree unexpected developments in this regard. In Armenia and North Macedonia, newly elected prime ministers have begun to include civil society in their reform-planning processes and have broken with the confrontational politics of their predecessors. Citizens in Malaysia and South Africa have opted in the context of elections for existing political alternatives offering a measured form of change, in both cases contributing to significant improvement in the social climate.

However, de-escalation efforts must be pursued over the long term if they are to have genuine prospects of success. Even then, positive outcomes will remain difficult to achieve. The consequences of a government policy that exploits and fuels social cleavages for its own power-political reasons – as the BTI has observed in an increasing number of countries – are far-reaching. Such measures place a heavy burden on the reform-minded governments that may follow, and may even bring such successors down. This danger exists for the current Ethiopian government, for example, although the BTI experts have acknowledged that it has made major improvements in governance performance relative to its predecessor. Prime Minister Abiy has initiated reforms in many areas since 2018, and has consistently advocated for a wholly new, more conciliatory policy. In order to remain credible, he must continue along his reform course, while at the same time preserving political stability in this federation of nine ethnically diverse regional states. The success of this course is by no means guaranteed, as shown by the clashes between rival groups in the most populous region of Oromia in October 2019, which resulted in dozens of fatalities. The quality and outcome of the elections in May 2020 will be crucial in determining the future of the reform course and the potential for peaceful coexistence.

In many states, demonstrators have demanded that governments respect their rights in loud and sometimes violent protests. This trend continued through 2019 after the end of the BTI review period. The motivations of and the degree of personal risk faced by the people engaged in regime-critical protests vary significantly from country to country. In Santiago de Chile, where the freedom of assembly is guaranteed, the population's anger was directed against the government's liberal economic policies and the persistence of social problems. In the Hong Kong Special Administrative Region, people took to the streets initially to protest the growing influence of the Chinese legal and state system, demanding the resignation of the city's government and a general, free and fair election for the head of government. Regime-critical demonstrators in autocracies face a much greater risk to life and limb, as these governments tend to utilize the full spectrum of government force and to not tolerate any dissent. Nevertheless, this has done little to deter people in countries such as Algeria, Iraq, Iran and Sudan. In Sudan, a reform-oriented government even came to power in 2019 as a consequence of the protests. This presents great opportunities, but carries challenges that are at least as great. In sum, the many cases of regime-critical protests worldwide speak to a deepening rift between governments and the governed.

This is all the more reason to value the political performance of decision-makers in countries that come more rarely into the world's spotlights because they have been consistently well governed for many years. This includes Estonia and Taiwan, for instance, two states that have made the best of difficult geopolitical situations, engage in innovative governance, and intelligently use the resources that are available to them, such as those that derive from cooperating with their own civil societies. Systematic corruption has proven to be one of the greatest obstacles to transformation with regard to the mobilization of societal resources. Along with Estonia and Taiwan, international leaders in the fight against corruption include Bhutan, Chile and Singapore. Even if no country possesses an entirely successful anti-corruption policy with fully functioning integrity mechanisms, these five countries offer some of the best available laws, well-functioning public procurement systems and capable institutions to control political-party financing. Reform-minded governments should orient themselves toward these practices.