



Global Findings

**Repression meets resistance**

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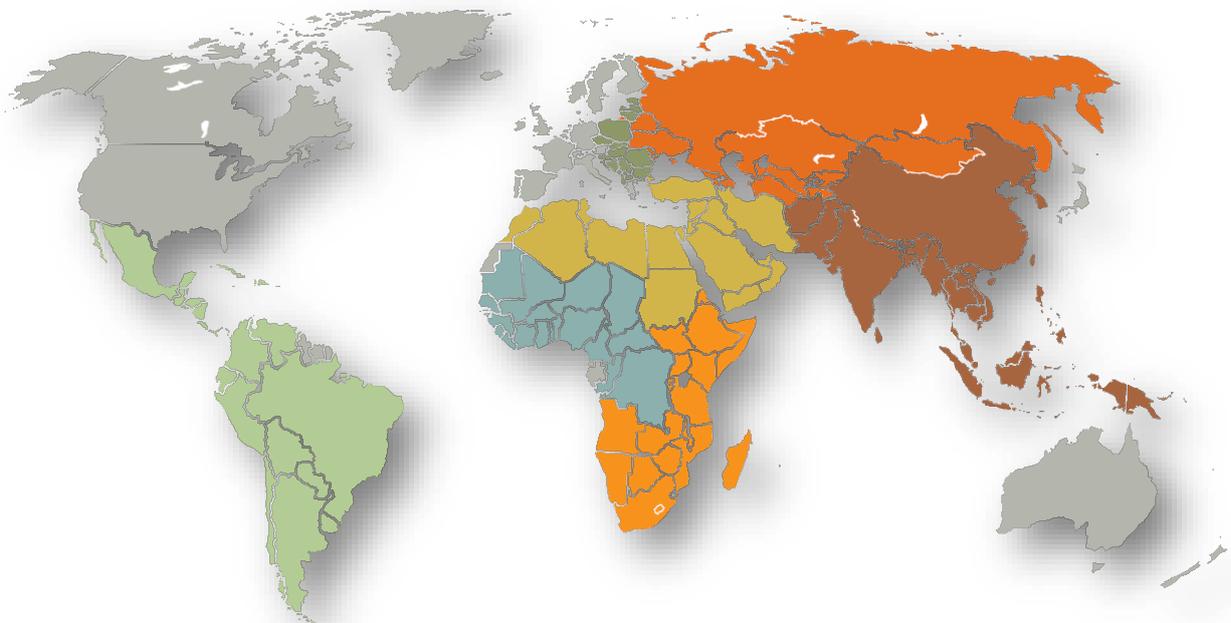
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## Global Findings BTI 2026

# Repression meets resistance

by Sabine Donner, Hauke Hartmann and Sebastian Plate\*



This report analyzes the results of the Bertelsmann Stiftung's Transformation Index BTI 2026 in the re-view period from February 1, 2023, to January 31, 2025. Further information can be found at [www.bti-project.org](http://www.bti-project.org).

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## Introduction

The BTI 2026 findings point to a continued global erosion of democratic standards and market economy principles. Autocratic regimes make up a clear majority of states under review, while the rule of law, political rights and fair competitive conditions continue to weaken. At the same time, a broad-based economic recovery following the pandemic and inflation surge has yet to take hold. Mounting structural and environmental pressures are increasing the need for decisive action – yet many governments are responding with less consensus-driven and less cooperative approaches to governance.

Looking back over two decades of transformation, the normative goalposts of democracy and the market economy have steadily lost traction. Driven above all by the imperative of staying in power, elected elites have continued to chip away at core democratic institutions, while repression in authoritarian regimes has intensified. Elite failure and abuse of office, mounting pressures from overlapping crises, and the resulting demand for security – combined with an international environment that often shields and stabilizes autocracies – are facilitating democratic regression.

The global balance between democracies and autocracies has consequently flipped. In the BTI 2006, 55% of all states under review were democracies; today, 56% are governed autocratically. Two-thirds of these autocracies qualify as highly repressive dictatorships or failing states. The share of hard-line autocracies has climbed to a new high, accounting for 38% of all countries assessed.

On average, elections worldwide have never been less fair in this century. The rights to assemble and organize, as well as freedom of expression and the press, are more restricted today than at any previous point during the past two decades. At the same time, the rule of law has been steadily and profoundly weakened. Two-thirds of the countries assessed since 2006 are now less democratic than they were 20 years ago.

Macroeconomic indicators – including monetary and fiscal stability and overall economic performance – show signs of recovery. Yet broader economic transformation remains largely stagnant. The modestly positive trend recorded in the BTI 2026 must be seen against the backdrop of the severe contractions triggered by the COVID-19 pandemic and the subsequent inflation surge, exacerbated by Russia's war of aggression against Ukraine. Half of all states under review have yet to regain the level of economic transformation they had achieved in 2020 before the pandemic struck.

Free and fair economic systems characterized by reliable institutions and low levels of discrimination are found in nine out of 10 cases within democratic regimes. At the same time, exclusion driven by poverty and inequality is fueling significant protest potential and instability across many countries.

Persistent economic pressures, escalating environmental challenges and increasingly confrontational political processes are reflected in record levels of structural constraints and conflict intensity. In response to mounting crises and narrowing governance space, many governments are turning inward – consolidating power domestically while insulating themselves externally.

With few exceptions, however, the autocracies assessed in the BTI have failed to deliver on their promise of greater efficiency through centralized leadership. Instead, resource waste, coordination deficits and entrenched corruption remain widespread. Among the 20 most efficient governments, two are autocracies – Singapore and the United Arab Emirates – while among the 20 most corrupt and wasteful regimes, only one, Lebanon, qualifies as a democracy, albeit a highly defective one.

### New lows for democracy and governance



By contrast, many resilient democracies and several (re-)democratizing states are strengthening their internal governing capacity. Improvements in strategic prioritization, implementation and policy learning are particularly visible in countries such as Brazil and Poland as well as Bangladesh and Guatemala. In cooperation with active and organized civil societies, they are using national governance levers to advance more inclusive, equitable and participatory transformation processes.

## Autocratic pressure and democratic resilience

The BTI registers a new low in the state of political transformation toward democracy under the rule of law, even if the pace of erosion has slowed compared with previous years. Numerous democratically elected governments are systematically weakening oversight institutions designed to ensure accountability and responsible governance in order to entrench their power and preserve patronage networks and opportunities for self-enrichment. Autocratic regimes are stepping up repression of opposition forces and independent media, further consolidating authoritarian rule. At the same time, many governments continue to face determined citizens and resilient institutions pushing back against authoritarian overreach, even as they operate in an increasingly restrictive environment.

At first glance, the transformation record for the review period from February 1, 2023, to January 31, 2025, leaves little room for optimism. In more than one-fifth of the countries assessed (28 of 137), the overall score declined by at least 0.25 points, while only about one in 12 governments achieved measurable progress. Consequently, two-thirds of all countries evaluated since the BTI 2006 now score lower in political transformation than they did 20 years ago. This downward trend is driven primarily by two interrelated developments: the curtailment of political participation rights – including elections, freedoms of assembly and association, and freedoms of expression and the press – and the steady erosion of the rule of law, particularly the separation of powers, judicial independence, the effective prosecution of abuse of office, and the protection of civil rights. For more than a decade, democratic regression and autocratic consolidation have defined the prevailing trajectory of political transformation. Even democracy's core principle – that citizens choose their leaders through free and fair elections – has come under sustained pressure.

### Plenty of ballots, little fairness

In more than half of the countries assessed by the BTI (80 of 137), parliamentary or presidential elections were held in 2023 and 2024, with well over 2 billion eligible voters called to the polls. In many cases, however, their votes carried little real weight. In 54% of all countries assessed, elections – if they are held at all – fail to meet minimum democratic standards and therefore cannot be considered free or fair. Globally, the average score for election quality has declined by 0.90 points since the BTI 2006 and by 0.23 points compared with the BTI 2024, now standing at 5.03 points. Even so, the period from 2023 to 2024 – often described as a super election cycle – presents a mixed picture and offers more than just negative signals about the state of democracy.

The downward trend is driven in large part by the high number of military coups and unconstitutional seizures of power, which typically result in elections being suspended indefinitely. During the current review period, Gabon and Niger joined this group. At the same time, authoritarian regimes are tightening their grip with increasing rigidity. They have largely abandoned the pretense of competitive elections and no longer even tolerate minimal dissent. Sham elections have become tightly managed rituals of legitimation, with outcomes effectively predetermined before ballots are counted. Incumbent authoritarian leaders in Azerbaijan, Belarus, Chad, Russia, Rwanda and Syria prior to Assad's overthrow had political opponents arrested or barred from running to eliminate even the slightest risk of defeat. In Tunisia, President Kais Saied secured reelection after an election commission under his control disqualified most challengers and refused to reverse its decision despite a court order. Uzbek President Shavkat Mirziyoyev tied his

reelection to a constitutional amendment extending the presidential term from five to seven years. Because the amendment also reset term limits to zero, the 65-year-old can now remain in office until 2037. Hun Sen, Cambodia's prime minister since 1985, opted for a dynastic transition: After excluding the main opposition party and winning reelection, he handed the premiership to his son Hun Manet.

Kuwait and Qatar, meanwhile, ended their limited experiments with parliamentary or Shura Council elections. In Kuwait, the emir dissolved a parliament once again controlled by the opposition following several snap elections and announced a constitutional revision process extending through 2028. In Qatar, strictly controlled elections for part of the Shura Council were held for the first time in 2021 after years of promises. A constitutional referendum – approved by 90% of voters – subsequently abolished them. Earlier, the exclusion of naturalized citizens unable to trace their Qatari roots back to 1930 had already triggered protests.

Not all autocratic regimes managed to control electoral outcomes without resistance. In Madagascar, Mozambique, Tanzania and Venezuela, manipulated elections were followed by mass protests, which governments suppressed with considerable force. While these elections consolidated authoritarian rule, they also acted as catalysts for political mobilization that persisted beyond the immediate electoral period.

In Georgia and Serbia, the ruling parties – Georgian Dream, linked to oligarch and former Prime Minister Bidzina Ivanishvili, and the Serbian Progressive Party of President Aleksandar Vučić – have steadily tightened their grip on the state and hollowed out democratic and rule-of-law institutions. As a result of serious manipulation, elections in both countries no longer met minimum democratic standards. Both are now classified as autocracies in the BTI. Georgia has signaled a further departure from democratic norms by suspending European Union accession talks until 2028 and withdrawing from the Parliamentary Assembly of the Council of Europe. It has also enacted a controversial non-governmental organization (NGO) law modeled on Russian legislation that requires media outlets and NGOs receiving foreign funding to register as “foreign agents.”

In Serbia, Vučić has sought to project a more conciliatory tone, announcing snap elections for late 2026. At the same time, efforts to weaken independent state institutions continue unabated. A proposed overhaul of the judiciary would, among other measures, place the Special Prosecutor's Office for Organized Crime fully under government control. The mass protests that persist to this day – largely organized and driven by students – were not sparked by manipulated elections but by the collapse of a railway station canopy in Novi Sad, which killed 16 people. The protesters attribute the tragedy to corruption and cronyism at the highest levels of government. By forging alliances with grassroots initiatives beyond traditional NGOs, deliberately extending protests beyond Belgrade, and preparing to contest potential elections with their own political movement, they are drawing on lessons from protest movements operating in more authoritarian environments. Broad public support suggests that this strategy is gaining traction.

## Democratic resilience and openings for change

There have also been further signs of democratic resilience within civil society and rule-of-law institutions. When Senegalese President Macky Sall announced that the presidential election scheduled for February 25, 2024, would be postponed until the end of the year, protests erupted. The Constitutional Council ultimately declared the delay unconstitutional, and the previously detained opposition figure Bassirou Diomaye Faye went on to win the presidency.

Sri Lanka likewise held successful democratic elections after protests in 2022 forced the president out of office. The vote marked a clear improvement over earlier contests marred by violence and intimidation. Newly elected President Anura Kumara Dissanayake broke with the quasi-dynastic pattern of leadership succession that had long fostered mismanagement and corruption.

In democracies where electoral integrity was already high (8 to 10 points), elections remained free, fair and competitive and, in many cases, led to the defeat of incumbents. In Taiwan, robust cyber defenses helped counter foreign interference from mainland China. Brazil and Latvia strengthened election integrity by adopting measures to combat disinformation and criminalizing the use of deepfakes in election campaigns. Despite extensive interference by Russia, Maia Sandu in Moldova not only secured reelection but also maintained the parliamentary majority of her Party of Action and Solidarity, reinforcing the country's pro-European course and advancing pending de-oligarchization reforms.

Despite strong anti-democratic headwinds, the 2023 elections in Guatemala and Poland resulted in transfers of power from illiberal incumbents to opposition leaders explicitly committed to democratic renewal. Since then, incremental progress has been made. Yet fundamental reforms continue to face resistance – from loyalists of the previous governments embedded in the administration and judiciary, from the absence of a parliamentary majority in Guatemala, from the veto-wielding president in Poland, and from entrenched elites who benefited from corruption. The broader pattern is clear: Democratic institutions can be dismantled quickly, but rebuilding them is a far slower process.

Parliamentary elections in Botswana marked a historic turning point, delivering the first defeat of the Botswana Democratic Party since independence in 1966. President Mokgweetsi Masisi conceded defeat and ensured a peaceful transfer of power to his successor, Duma Boko of the Umbrella for Democratic Change. In several democracies long dominated by ruling parties, opposition forces performed better than expected and electoral competition proved more intense than anticipated. In India, Prime Minister Narendra Modi's Bharatiya Janata Party lost its absolute majority, as did the African National Congress in South Africa. In both cases, coalition governments had to be formed.

Despite persistent efforts by incumbents with authoritarian tendencies to tilt the playing field in their favor and prevent genuine competition, elections remain democracy's central pillar. Even in repressive settings, they continue to act as focal points for political mobilization. This helps explain why self-styled "illiberal democrats" – who rely heavily on elections to claim they embody the "true will of the people" – go to great lengths to secure their dominance should public

support begin to erode. Their methods vary but follow a clear pattern: weakening the independence of electoral authorities, as in Mexico; redrawing electoral districts to entrench advantage, as in Hungary; or discrediting and prosecuting credible challengers, as in Türkiye.

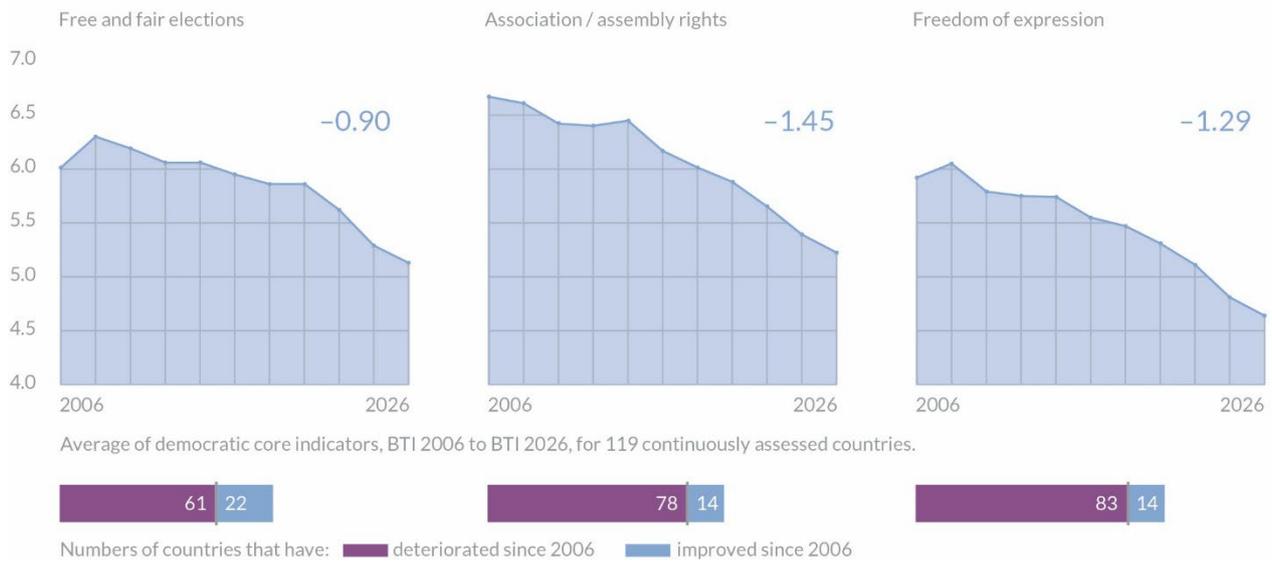
At the same time, recent developments underscore that elections are not the only catalysts of dramatic political change. In Bangladesh and Syria, governments appeared to have reaffirmed their hold on power through unfree and unfair elections, only to be unexpectedly toppled soon thereafter. Protests in Georgia, Nepal, Serbia and – after the BTI review period – Madagascar likewise reflected broader frustration with corruption, arbitrary governance and economic hardship. Elections must therefore be viewed alongside other drivers of political transformation. What stands out is that public discontent continues to find expression despite increasingly severe restrictions on political participation rights.

### **Shrinking civic space – civil society and media under pressure**

A comparison with the BTI 2016 reveals the extent to which the freedom of expression, the freedom of the press, and the right of free assembly have eroded. Ten years ago, 25% of the countries surveyed received the lowest score (1 to 3 points) for the association/assembly rights indicator. In the BTI 2026, that share has risen to 39%. At the same time, the proportion of countries that guarantee these rights with few or no restrictions (8 to 10 points) has fallen from 37% to 28%. The share of countries in which freedom of expression and press freedom have effectively disappeared has nearly doubled since 2016, increasing from 25% to 43%.

For NGOs and media outlets, the room for political participation and open debate has narrowed markedly. Verbal attacks, intimidation and threats against critical journalists have become commonplace. As many democratic governments seek to ensure that their actions formally comply with legal standards, they have introduced broadly worded laws on disinformation, fake news and defamation that allow wide discretion in their application and carry severe penalties. Restrictive NGO legislation compels civil society organizations receiving foreign funding to register as “foreign agents.” Media outlets and NGOs are increasingly targeted with so-called SLAPP suits – strategic lawsuits against public participation – that threaten their financial survival. Governments also influence ostensibly independent media regulators by appointing loyalists, thereby steering licensing decisions and public funding toward state-aligned outlets. The result is shrinking media pluralism and increasingly state-dominated information landscapes, as critical outlets are deprived of revenue or acquired by pro-government business interests, as seen in Hungary, the Philippines and Türkiye.

### Main drivers of democratic erosion and autocratic hardening: Political participation



Digital repression has become an additional pillar of authoritarian control. Surveillance technologies and cross-border cooperation among repressive regimes amplify these practices. Particularly in autocratic states, comprehensive digital monitoring has expanded, accompanied by a rising number of internet shutdowns.

### Centralization and personalization of political power

The tightening of control over the public sphere and the narrowing of political discourse that follow restrictions on participation rights are mirrored by a parallel concentration of power. Across many countries, governments are deliberately hollowing out democratic institutions in order to centralize authority. Over the past decade, the average global score for the rule of law has deteriorated markedly – and at an accelerating pace. Declines in the prosecution of abuse of office and in judicial independence – and even more so in the protection of civil rights and effective executive oversight through separation of powers – have produced an average global drop of 0.51 points on the 10-point scale since the BTI 2016. A decline of three or more points on the BTI indicator for separation of powers does not signal incremental weakening. Rather, it reflects a structural shift in the architecture of political authority.

In practical terms, it marks the transition from functioning horizontal accountability to executive dominance – or from already fragile checks and balances to their near-total hollowing out and, in some cases, effective dismantling. Since the BTI 2006, 24 states – one in five countries continuously assessed – have experienced such a sharp erosion. The rollback has been particularly severe in Niger (–7 points) and Hungary (–6). Both cases represent different, yet equally consequential, pathways to executive power concentration. In Niger, a military coup led to the abrupt suspension of separation of powers, with institutional safeguards dismantled in short order. More frequently, however, democratic erosion unfolds gradually and strategically, as in Hungary. Over a number of years, oversight institutions – the judiciary, parliament, independent regulatory bodies and the media – were systematically weakened or staffed with loyalists in order to secure and entrench political dominance.

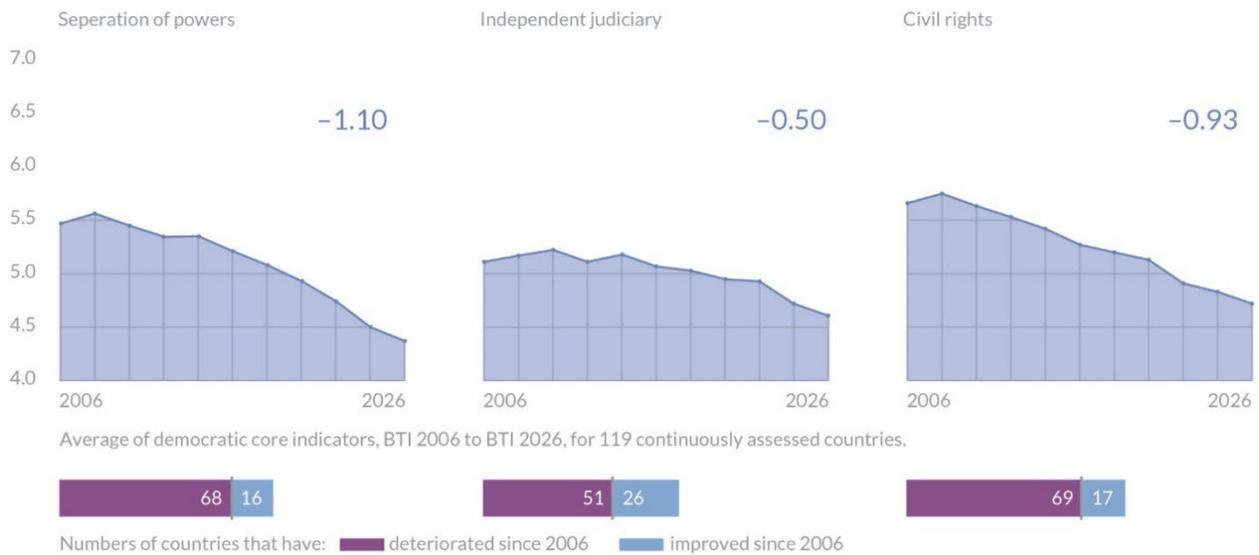
Bangladesh and Hungary were early examples of this form of institutional capture, using strong parliamentary majorities to weaken horizontal accountability. By the mid-2010s, this populist model had gained traction in countries such as India, Poland and Türkiye. More recently – including during the current review period – increasingly authoritarian heads of state have accelerated this trajectory. Often buoyed by significant public support, as in El Salvador, they invoke narratives of inefficiency, corruption or reform paralysis to justify expanding executive authority. A strong, largely unconstrained executive is presented as the remedy. In practice, however, this concentration of power further erodes rule-of-law safeguards and constricts the space for sustainable reform.

Although the sequence and intensity of applied measures vary, the logic of populist-authoritarian backsliding follows a recognizable script. Governments typically move first against the oversight bodies designed to hold them accountable. In democracies with clearly delineated institutional roles, these comparatively robust checks and balances are often targeted early precisely because they are best equipped to contain authoritarian drift. Where parliament includes a viable and organized opposition, efforts to marginalize it tend to follow swiftly. In Serbia, for example, the government under then-Prime Minister and now President Vučić effectively paralyzed the legislative process through a wave of disciplinary sanctions, last-minute agenda revisions and the repeated use of so-called urgent legislative procedures. These measures curtailed debate and kept opposition-sponsored initiatives off the agenda. Simultaneously, the ruling party flooded its own draft laws with amendments, clogging deliberation and limiting substantive scrutiny before final votes.

The weakening of separation of powers rarely occurs in isolation. It usually marks the beginning of a broader erosion of rule-of-law institutions. In the 44 countries where the functional and institutional independence of the judiciary has been curtailed over the past six years, this development has almost always coincided with a decline in horizontal accountability. Where courts come under political pressure, parliamentary oversight and other institutional counterweights are typically already weakened or are dismantled soon thereafter. In Bangladesh, Guatemala, Tanzania, Uganda and Zimbabwe, constraints on judicial independence followed earlier restrictions on separation of powers – a clear pattern of strategic power consolidation. In these contexts, an increasingly dominant executive emerges as the central driver of rule-of-law decline.

El Salvador illustrates the speed and resolve with which such processes are now being pursued. Within a short span of time, key oversight bodies were stripped of authority and institutional constraints dismantled. Yet El Salvador is far from an outlier. Comparable trajectories can be observed in Benin, Georgia, Kyrgyzstan, Nicaragua, the Philippines, Serbia and Türkiye. In each of these countries, core rule-of-law guarantees – from separation of powers and judicial independence to effective accountability and the protection of fundamental freedoms – have deteriorated markedly in recent years. Governments are deliberately weakening the very institutions designed to restrain them. Clientelist networks, executive overreach and state capture are not incidental side effects; they are central elements of a conscious strategy to consolidate power.

### Main drivers of democratic erosion and autocratic hardening: Rule of Law



The cases of Georgia and Serbia – both of which have experienced an autocratic regime shift since the BTI 2024 – are emblematic of this pattern. In Georgia, the ruling party Georgian Dream has steadily tightened its hold on the state since coming to power in 2012, gradually extending its influence over local administrations, the judiciary and the Central Election Commission. In Serbia, President Vučić has amassed an extraordinary degree of political authority. The national parliament functions largely as a rubber stamp for government initiatives, while the judiciary is increasingly instrumentalized for political purposes. Parliamentary sessions are frequently characterized by verbal attacks, procedural obstruction and the systematic sidelining of the opposition. Centralization extends to the local level, where political control is likewise concentrated.

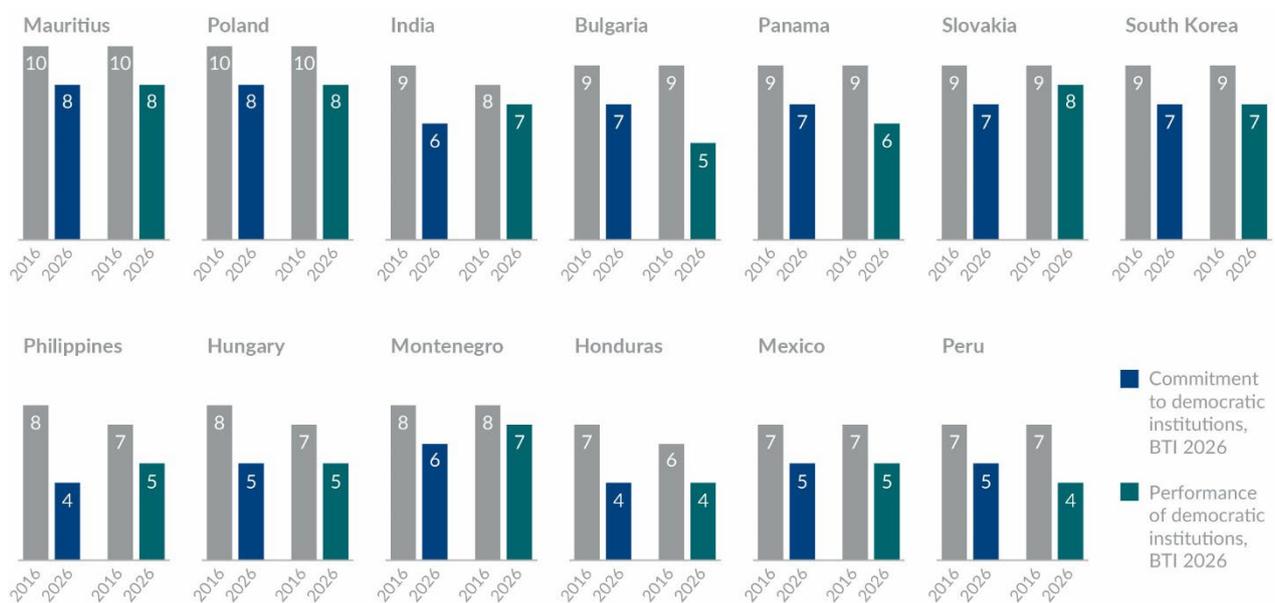
The depth and persistence of such executive power concentration become particularly evident when governments change and attempts at redemocratization begin, as in Brazil and Poland. Although both countries post some of the largest improvements in rule-of-law indicators in the BTI 2026, neither has yet regained the level of institutional integrity reached before their period of autocratization.

### Maintaining power at the expense of democratic legitimacy

Sustained attacks on democratic institutions, procedures, norms and political opponents are mirrored in an eroding commitment to democratic institutions among key political actors. Across the 137 countries assessed, the average score has fallen by 0.12 points. As in other areas, the growing number of autocratic regimes and their deepening consolidation are major drivers of this trend. Yet the pattern is not confined to autocracies. Even in the 54 countries classified as democracies in both the BTI 2016 and the BTI 2026, the past decade has been marked by a retreat of political elites from democratic norms and institutions. The average decline of 0.57 points among these democracies underscores a troubling reality: A lack of respect for and commitment to the democratic order among influential segments of the political class has become one of the most serious threats to democracy in the last 10 years.

A decline in the commitment to democratic institutions among political elites typically coincides with a deterioration in the effectiveness of these institutions. When powerful political actors no longer regard institutions such as constitutional courts or parliaments as legitimate, instrumentalize them for partisan purposes, and disregard established democratic rules, the institutional façade may remain in place. In practice, however, these bodies become increasingly unable to fulfill their core functions. Beyond populist rhetoric, evidence shows that neither the concentration of power nor anti-elite posturing results in more effective prosecution of abuse of office. On the contrary, the governing logic of populist-authoritarian administrations – often framed as a defensive struggle against allegedly corrupt elites still “pulling the strings” – fuels polarization and secures power by casting opponents and critics as enemies of the state. At the same time, dismantling oversight mechanisms makes it harder to prosecute misconduct and weakens transparency and accountability.

### The effects of power concentration: Less acceptance, less performance of democratic institutions



Depicted are all democracies with losses in the commitment to democratic institutions indicator of two or more points since the BTI 2016.

A particularly striking example of the gap between rhetoric and reality emerged during the review period in Slovakia. The government of Prime Minister Robert Fico and his party curtailed the authority of anti-corruption bodies that had previously investigated Fico and prosecuted his allies. Legislative amendments reduced whistleblower protections, lowered penalties for abuse of office, shortened statutes of limitations for financial crimes, and abolished the Special Prosecutor’s Office. These changes were adopted through expedited procedures outside the regular legislative process, leaving little room for debate or consultation. The government also dissolved the national criminal police unit responsible for investigating corruption and terrorism, which had previously pursued cases involving Fico. Many of these measures had immediate consequences for ongoing proceedings against politicians from Fico’s Smer party, who are now likely to avoid prosecution.

Against this backdrop, declining public support for democracy is hardly surprising. Since the early 2010s, support has fallen by an average of 0.37 points across the 54 countries classified as democracies in both the BTI 2016 and the BTI 2026. According to the country reports, this does

not signal a wholesale rejection of democracy’s core principles in most cases. Rather, the gap is widening between people’s preference for democracy as the most attractive form of government and their satisfaction with how it performs in practice. Trust in key democratic institutions – including political parties, governments, parliaments and judiciaries – has eroded in many countries. Persistently high normative support for democracy, combined with declining trust in its institutions, points less to a rejection of democratic order than to a profound crisis of legitimacy in its practical functioning. The widening gap between democratic ideals and democratic performance creates space for actors who claim to defend a “true democracy” against a supposedly “broken system.” In this environment, democratic institutions are increasingly obstructed, hollowed out or openly discredited by anti-democratic forces. Populist actors can appeal to citizens’ democratic aspirations while at the same time undermining liberal institutions by reinterpreting and instrumentalizing them for their own purposes.

This constellation is part of the complex set of challenges prodemocratic governments face when an opportunity for renewal emerges after a more authoritarian phase. Managing anti-democratic veto actors has become the area of consensus-building most severely affected over the past decade. Since the BTI 2016, the global average score has fallen by 0.82 points overall, including a further 0.15-point drop since the BTI 2024. In 27 countries, governments are now less able than they were two years ago to contain the influence of powerful anti-democratic forces. This decline partly reflects the growing number of autocratically governed states, as illustrated by particularly sharp recent setbacks in Nigeria and Sudan. Where anti-democratic actors themselves hold power, the question of whether to integrate them into reform processes or to marginalize them in ways that prevent obstruction becomes moot.

At the same time, an increasing number of democratically elected governments are themselves drifting away from democratic norms and procedures. The influence of actors with anti-democratic leanings has expanded in countries ranging from Colombia and Indonesia to Romania and South Korea. Many setbacks have occurred in states that previously ranked among the highest performers (8 to 10 points), where governments had until recently managed to contain or co-opt opposition forces and thus avoid reform blockages. In the BTI 2016, 35 governments succeeded in doing so; by the BTI 2026, that number had fallen to 29. A key factor behind this shift is the rise of new parties and movements that promote a predominantly majoritarian understanding of democracy and, in some cases, openly question checks and balances, the separation of powers, and minority rights – even before entering government. Through confrontational rhetoric and a political style that personalizes blame and targets decision-makers, they intensify pressure on established parties, many of which still lack convincing strategies to address these challenges.

### **How democratic erosion and repression reinforce one another**

Against the backdrop of sweeping restrictions on the freedoms of assembly, expression and the press over the past decade, the sustained level of protest activity is striking. According to the Global Protest Tracker of the Carnegie Endowment for International Peace, 160 anti-government protests took place worldwide in 2024 alone. They occurred in both autocracies and democracies and were directed against election manipulation, corruption and mismanagement, economic hardship, restrictive NGO legislation and the dismantling of democratic oversight mechanisms. Public dissatisfaction remains high amid multiple crises and a widespread perception that governments too rarely prioritize the welfare of their citizens.

In many instances – particularly in recent years – governments have responded to mass protests with heightened repression and increasingly violent crackdowns. Democratic erosion and repression thus feed into one another. Anti-government protests do not always lead to the resignation of incumbents, as seen in Bangladesh, Nepal and Sri Lanka. Nor do they automatically result in democratic regime change. Yet, in numerous cases, periods of autocratization have been followed by windows of opportunity for deeper political transformation – even if such openings are fragile and far from certain to yield lasting change.

## **Consensus-oriented governance is on the decline**

Declining democratic quality and weakening governance performance also reinforce one another. As political decision-making becomes increasingly concentrated – often in a small circle of political and economic elites around the head of government – governance grows less inclusive. Authoritarian or less democratic systems not only sideline consensus-building; by narrowing debate over policy alternatives and societal goals, they also curb governments' capacity to learn, adapt and orient policy toward the common good. Where oversight is weak or absent, governments can entrench a status quo that serves the self-enrichment of corrupt elites or party networks and channels public resources to the benefit of a few. At the same time, numerous resilient democracies and several democratic improvers demonstrate the opposite dynamic. Through inclusive and accountable governance, they expand the scope for efficiency, strategic capacity, consensus-building and international cooperation.

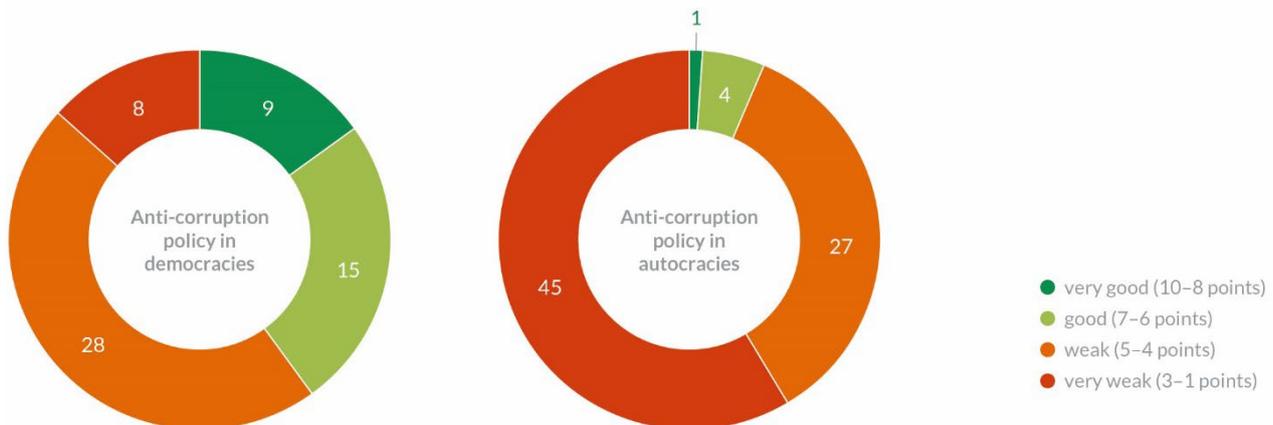
## **Efficiency losses through power concentration**

Recent trends confirm the close link between governance efficiency and the level of political transformation. In the BTI 2026, seven of the nine governments that significantly improved the efficiency, coordination and transparency of their governance over the past two years – raising their resource efficiency score by at least 0.5 points – also advanced in political transformation. Bangladesh under the interim government of Nobel Peace Prize laureate Muhammad Yunus and Poland under the liberal government of Donald Tusk, for example, initiated reforms to strengthen the prosecution of corruption and abuse of office and to depoliticize and professionalize public administration.

By contrast, the efficiency deficits of authoritarian systems are most evident in anti-corruption policy, once again the weakest-rated governance indicator. Only 29 governments have established comprehensive integrity mechanisms that function well or at least adequately (10 to 6 points). Among them are just five autocracies: Singapore, the United Arab Emirates, Kuwait, Qatar and Rwanda. In more than 100 countries – two-thirds of which are under autocratic leadership – corruption is inadequately addressed or not tackled at all.

This pattern highlights a broken promise that frequently underpins autocratic narratives: the claim of greater efficiency through centralized rule. Nayib Bukele in El Salvador, Aleksandar Vučić in Serbia, and Recep Tayyip Erdoğan in Türkiye all won elections on anti-establishment platforms pledging to dismantle corrupt networks and govern more effectively. In practice, they have tightened executive control, weakened oversight bodies, and built patronage systems that reward loyalists and facilitate politically motivated enrichment. These cases illustrate that concentrated authority and rapid decision-making do not automatically translate into better governance outcomes.

### Weak anti-corruption policies in 108 countries



Efficiency losses linked to power concentration are also visible – though less starkly than in anti-corruption policy – in resource management and policy coordination. Of the 14 BTI governance indicators, the efficient use of assets and policy coordination show the smallest gaps between democracies and autocracies, even if the average difference still amounts to 1.87 and 1.60 points, respectively, on the BTI’s 10-point scale. Part of the explanation is that rigid top-down management, common in many autocracies, can deliver short-term coordination gains. Rwanda and Saudi Arabia (7 points each) demonstrate how strict hierarchical structures may prevent institutional gridlock and conflicting policy objectives – challenges that have hampered coordination in defective democracies, such as Bolivia, Colombia and the Philippines (–2 each), in recent years.

Yet maintaining such centralized hierarchies requires loyal supporters in key positions. This fosters administrative systems in which patronage and allegiance take precedence over merit. The consequences for efficient resource use are often negative.

The divergence between coordination capacity and resource management is especially pronounced in autocracies. Bangladesh, Jordan, Niger and Tunisia illustrate how centralized control facilitates waste. All four score six points in policy coordination – above the global average – but only four points in the efficient use of resources, below average. In Bangladesh, officials perceived as close to the opposition were reassigned as “officers on special duty,” retaining full salaries without responsibilities. In Jordan, family ties frequently outweigh qualifications in public appointments. In Niger, personal connections to those in power shape access to public office. In Tunisia, key leadership positions in the judiciary and administration remain vacant or are filled only after prolonged delays. Limited transparency in public spending further enables off-budget funds and embezzlement.

Overall, policy coordination ranks among the strongest efficiency-related governance indicators in 80% of autocracies and in nearly half of these cases is the single highest-rated aspect – or simply the least weak. Yet 38 of 77 autocracies fail to exceed four points in any of the three efficiency indicators – efficient use of assets, policy coordination and anti-corruption policy. Among democracies, only five governments – in Bolivia, Kenya, Lebanon, Nepal and Sierra Leone – fall into this category.

This distribution points to a clear priority in authoritarian governance: preserving control and power. While centralized authority may facilitate coordinated action, it rarely generates genuine efficiency gains in resource allocation or effective anti-corruption measures that support broader societal development. Accordingly, only four of 77 autocracies – Singapore, the United Arab Emirates, Qatar and Rwanda – surpass the global average of the 60 democracies in resource efficiency, while four others – Benin, China, Côte d’Ivoire and Saudi Arabia – merely match it.

These findings should temper the appeal – including in parts of Europe – of the idea that a strengthened and less constrained executive can deliver superior efficiency through “decisive rule.” In reality, the top 20 performers in the resource efficiency criterion are almost exclusively democracies. They succeed not by bypassing checks and balances, but by forging workable compromises – often within complex coalitions – and by building merit-based civil services, coherent policy coordination and transparent, accountable resource management.

### **Power preservation over the common good**

In most autocracies, securing power and maintaining patronage networks take precedence over using public resources efficiently and in the broader public interest. This priority is also visible in the performance of core state functions – from upholding peace and security through a state monopoly on the use of force to providing essential infrastructure, such as water, sanitation, electricity and transportation, through functioning administrative systems.

These two dimensions of state capacity have moved in different directions in recent years. In countries governed democratically without interruption, the state’s monopoly on the use of force has remained stable. In autocracies, by contrast, it has expanded slightly. Key drivers during the review period included Azerbaijan, which reestablished full territorial control after retaking Nagorno-Karabakh and following the withdrawal of Russian troops; Kyrgyzstan, where security services cracked down on organized crime while simultaneously strengthening their repressive capacity; and Syria, where the new Islamist rulers of Hay’at Tahrir al-Sham consolidated control over additional territory and integrated armed militias into the national army.

Public services tell a different story. In continuously autocratic regimes, their quality has declined markedly over the past decade, dropping by 0.42 points. The longer-term trend remains negative, although the BTI 2026 registers a slight global uptick after repeated downgrades during the pandemic years. Iraq under Prime Minister Mohammed Shia’ al-Sudani, for example, improved tax administration and infrastructure following a period of stabilization. Overall, however, authoritarian governance tends to prioritize strengthening the state’s monopoly on the use of force while neglecting basic public services, which score two full points lower on the BTI’s 10-point scale than in democracies.

Even in countries with uninterrupted democratic governance, public services and infrastructure have deteriorated over the past decade, declining by an average of 0.41 points – a similar magnitude to that observed in autocracies. Crucially, this trend is driven largely by countries such as Hungary, Lebanon, Mexico and Namibia, all of which have also experienced significant setbacks in political transformation. Hungary illustrates this dynamic particularly clearly. The Fidesz government has pursued a strict centralization agenda, steadily curtailing the regulatory authority of regional and local governments. This reflects broader efforts to extend political control

into nearly all areas of public life, with negative consequences for health care, education and access to social services. Resource allocation has also been politicized, with funds repeatedly cut or withheld from opposition-led municipalities. As a result, the quality of basic administration has fallen to seven points, which is below the average for democratically governed states.

Against this backdrop, it is all the more noteworthy that 12 governments have succeeded over the past decade – including during the COVID-19 pandemic – in maintaining an excellent level (10 points) of public services and administrative capacity. Estonia, Latvia and Lithuania, together with Slovakia and Slovenia, as well as Chile and Uruguay, South Korea and Taiwan, and the three autocracies Qatar, Singapore and the United Arab Emirates, have sustained differentiated administrative systems capable of delivering essential public services nationwide.

### **Steering capability under mounting constraints**

Over the past two decades, the structural constraints facing governments in designing and implementing public policy have grown more severe. Deeply entrenched poverty, major infrastructure deficits and weak education systems continue to hamper effective state action. These pressures are compounded by the accelerating consequences of climate change – shrinking arable land, increasing water scarcity, and more frequent and intense natural disasters.

Core public responsibilities remain underfunded in many countries of the Global South, often due to high debt burdens or significant cuts in development assistance. Governments are under growing pressure to close fiscal gaps through additional borrowing, tax increases or spending cuts. Such measures can heighten political tensions, especially when subsidies or social programs are reduced. As a result, political steering capability operates within increasingly narrow margins. Once again, the BTI 2026 classifies nearly one-third of the countries assessed as facing severe structural constraints (8 to 10 points).

Against this backdrop, it is particularly noteworthy that the governments of Gambia, Guatemala, Lesotho and Syria – all operating under exceptionally difficult conditions – have significantly strengthened their political steering capability over the past two years. They are among the nine governments credited in the BTI 2026 with clear gains in prioritization, implementation and policy learning.

Despite its geographic disadvantages and heavy debt burden, Gambia distinguished itself by developing a comprehensive strategy with external support and participatory elements, including strengthened evaluation and monitoring mechanisms. Guatemala's government, pursuing a socially inclusive agenda focused on education, infrastructure, and the fight against poverty and corruption, faces fiscal constraints and political resistance. Nevertheless, its adaptive approach is reinforced by consultations that draw on indigenous and external expertise. Lesotho continues to struggle with inefficiency and corruption but has implemented, among other initiatives, an ambitious training program. Syria recorded the largest increase in political steering capability following the fall of the Assad regime. The new leadership averted fragmentation by distancing itself, both domestically and internationally, from global jihadism, presenting itself as an Islamist yet nationalist force, and assuring minorities that their rights and way of life would be respected. Confronted with profound socioeconomic and security challenges, it now faces the test of sustaining this pragmatic and integrative course.

Overall, 50 governments improved their steering capability in at least one of the three indicators – prioritization, implementation and policy learning – over the past two years. In contrast, 36 governments, including a notable number of destabilized Latin American democracies, experienced declines. For the first time, internal management aspects of political steering capability exceed consensus-building qualities in the global average.

On one level, this shift may indicate that many governments, responding to what is widely perceived as a polycrisis marked by instability and uncertainty, are concentrating more on core policy management functions while assigning less importance to the inclusive elements of good governance. On another level, however, the improvement in steering capability should not be overstated. At the beginning of the decade, 35% of governments assessed failed to effectively implement most or all of their stated priorities (1 to 4 points). That share rose to 44% in the BTI 2024 and has only slightly declined to a still elevated 42%. In many countries, priority-setting is not translated into coherent operational plans, implementation remains inconsistent and governments' ability to learn and adapt remains limited.

### Eroding consensus on goals

In a growing number of countries, political steering is oriented less and less – or no longer at all – toward the normative goalposts of democracy and a market economy. Since the mid-2010s, the level of consensus on goals among political leaders, as measured by the BTI, has steadily declined. This trend is partly driven by the rising number of autocratic regimes that openly reject and combat the democratic model. Yet the shift is not limited to autocracies. Even among the 50 countries that have been governed democratically without interruption since the BTI 2016, elite consensus has eroded markedly, falling from an average of 8.18 points in the BTI 2016 to 7.68 points today.

Five democracies managed to reverse this trajectory in the BTI 2026 – either by strengthening consensus, as in Brazil and Poland, or by consolidating an already strong consensus, as in Bhutan, Malaysia and Ukraine. They are joined by Guatemala and Syria, where political renewal has generated expectations of a new beginning. By contrast, 30 countries recorded further declines in elite consensus, in most cases continuing an existing downward trend. Among them are 22 autocracies, where lower scores reflect an increasingly unified rejection of democracy and the market economy as transformation goals. This group includes China, where, under Xi Jinping, market-oriented elements are being brought more firmly under state control.

The erosion of consensus is partly linked to the declining problem-solving capacity attributed to democracy and the market economy. Over the past decade, in the 50 continuously democratic countries, both institutional performance and levels of socioeconomic development have weakened. Institutional gridlock, ineffective crisis management and rising inequality have all contributed to this trend. Authoritarian narratives exploit these shortcomings by questioning the functionality of democratic and market-based systems, promoting state-dominated capitalism as a more efficient and stable alternative and presenting their own regimes as ideologically flexible and respectful of national sovereignty in development cooperation.

At the same time, the rise of populist and polarizing political forces undermines the normative foundations of democratic governance by challenging pluralism, openness and minority rights. As commitment to rules-based, procedural legitimacy wanes, formally democratic and market-

oriented systems become increasingly instrumentalized. When political elites focus primarily on retaining power and economic elites gravitate toward clientelist or oligarchic arrangements, consensus among key actors erodes further.

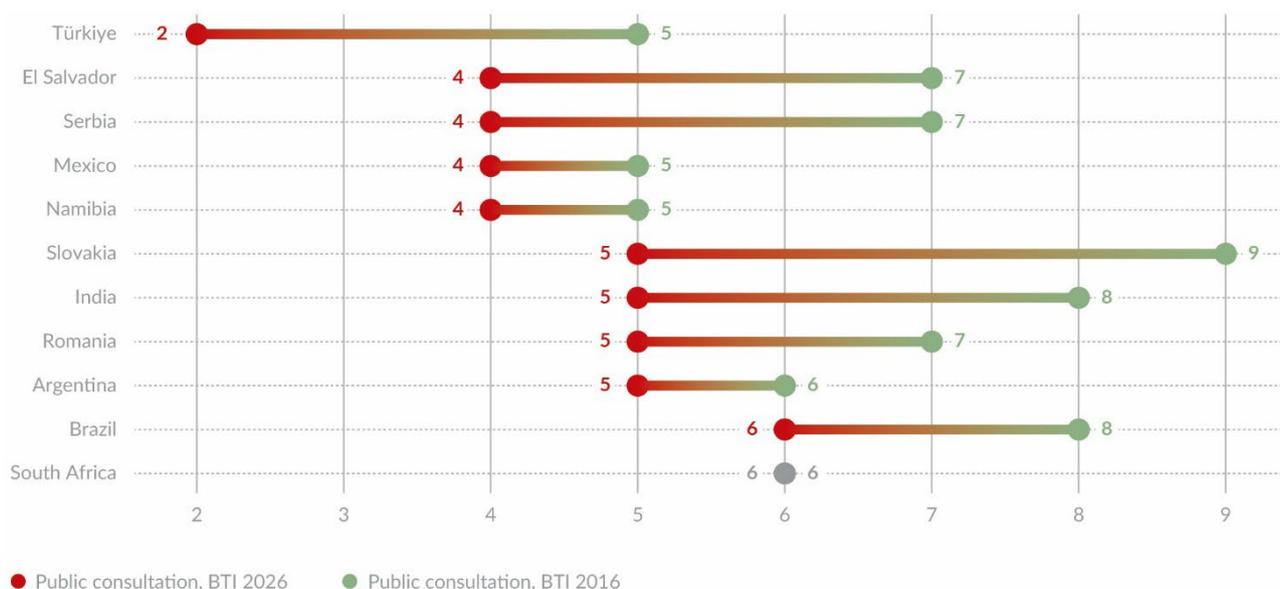
Dysfunctional and polarized democracies alike weaken actor consensus – not because formal commitments to democracy and the market economy disappear, but because institutional friction, self-serving political conduct and merely procedural adherence to democratic rules undermine both effectiveness and credibility.

In Peru, dysfunction stems from chronic political instability, corruption scandals and legislative obstruction, all of which have impaired the state’s capacity to adopt and implement long-term policies. Parliament has defended its own prerogatives, distanced itself from pressing social concerns and contributed to a widening rift between politics and civil society.

In Romania, polarization culminated in November 2024 with the Constitutional Court’s annulment of the presidential election. Although allegations of Russian interference appeared plausible, the Venice Commission concluded that the evidentiary basis and level of transparency were insufficient to justify such a far-reaching decision. The controversy further eroded political legitimacy, fueled the rise of anti-system forces and deepened polarization within civil society, where actors either align with government narratives or face marginalization.

These cases illustrate how the erosion of democratic consensus reduces the willingness to involve civil society in policymaking. In dysfunctional or polarized environments, responsive governance, open dialogue and public consultation carry less weight. Populist and anti-pluralist appeals to “the people,” combined with clientelist backroom arrangements, replace efforts to represent the diverse interests of a heterogeneous society.

#### As consensus weakens, consultation declines



Change in civil society participation in countries experiencing erosion of elite consensus on goals.

Public consultation remains at a low level in the BTI 2026 and, after anti-corruption policy, ranks as the second-weakest governance indicator. The parallel decline in civil society consultation and democratic-actor consensus becomes clear when examining participation trends in

countries that, in the BTI 2016, still displayed near-unanimous elite support for democracy and the market economy (8 or 9 points) but have since experienced sharper disputes over societal development goals (7 or fewer). With the exception of South Africa, where disagreement is concentrated more in the economic sphere, civil society participation has declined in all such cases. The trend has been particularly pronounced in Hindu nationalist India and highly polarized Slovakia, as well as in El Salvador, Serbia and Türkiye, which have slid into autocratic rule in recent years.

By curtailing public consultation, political actors relinquish a powerful tool for improving policymaking. The specific, decentralized knowledge held by civil society actors and other stakeholders can serve as a vital corrective to centrally designed reform agendas and their top-down implementation. In many contexts, active and cooperative partners are present – but insufficiently engaged. In the 50 countries governed democratically without interruption, the strength, cooperative orientation and organizational capacity of civil society actors have remained stable over the past decade. While party systems have steadily lost representativeness and social rootedness, interest groups have retained a strong and constructive role. With a current average score of seven points, they address the full spectrum of major societal concerns and generally cooperate with one another, even if some groups occupy a more dominant position.

The capacity for self-organization within civil society – along with the networking and trust-building activities captured by the BTI under the social capital indicator – has likewise remained robust. The large number of autonomous, self-organized groups and associations frequently provide social support at the local level through self-help initiatives, especially where the state is unwilling or unable to act. This role has become even more important amid declining development assistance and reduced external funding.

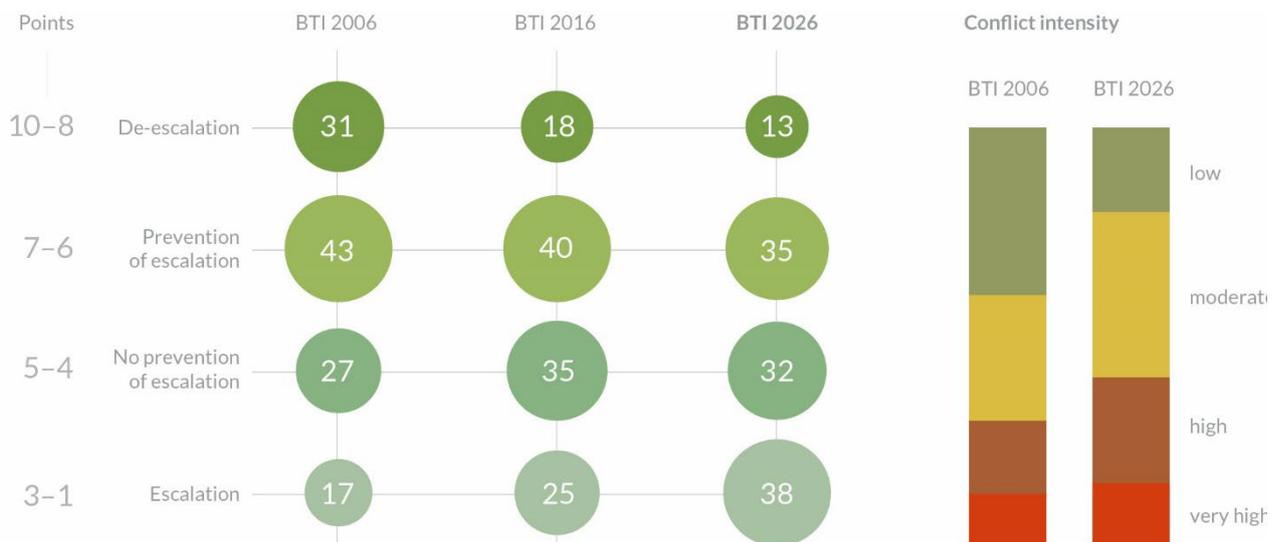
### Rising conflict intensity

Despite this potential, the consensus-building capacity of civil society remains underutilized in a growing number of countries. This has contributed to a marked increase in polarization and conflict intensity over the past two decades. Although civil wars and widespread violence – from Afghanistan and Haiti to Ethiopia and Sudan – dominate headlines, the number of countries classified since 2006 as having high or very high conflict intensity (8 to 10 points) has risen only slightly, from 14 to 17. What has changed more significantly is the sharp decline in low-conflict environments. The number of countries with low or relatively low conflict intensity (1 to 3 points) has halved, falling from 48 to 24. In their place, more societies and political elites are marked by deepening polarization. Confrontational mobilization is now rated as fairly high or high (4 to 7 points) in nearly two-thirds of all countries, compared with fewer than half two decades ago.

The rise in conflict intensity is not solely the result of mounting societal tensions, such as competition over scarce resources or the growing influence of religious dogma. Political polarization plays an equally important role. An increasing number of governments show little willingness to defuse divisions along ethnic, religious, social or political lines and, in some cases, actively exacerbate them. Twenty years ago, only 44 of 118 governments were either unable or unwilling to prevent conflict escalation (4 to 5 points) or even intensified it (1 to 3). In the same country sample today, that figure has increased to 70.

This development is driven primarily by authoritarian hardening, as seen in Myanmar and Nicaragua, by authoritarian regime change, such as in Serbia and Türkiye, and by authoritarian tendencies within democracies, such as in Hungary and Slovakia. The correlation between declining political transformation and weakening conflict management is striking. In 28 of the 33 countries that experienced political transformation setbacks of more than one full point over the past decade, the quality of conflict management by political actors also deteriorated.

#### Conflict management deteriorates, conflict intensity rises



Number of countries per scoring range. Only the 118 countries continuously assessed since the BTI 2006 are depicted.

Although successful cases of conflict de-escalation have been rare, countries such as Botswana, Costa Rica, Mongolia and Uruguay demonstrate that an alternative trajectory remains possible. Unlike more polarized neighbors in their regions, they have maintained low conflict intensity alongside only moderate polarization. In many cases, this resilience has been supported by consensus-oriented politics, strong civil society engagement and the expansion of social welfare policies.

#### Domestic repression, foreign confrontation

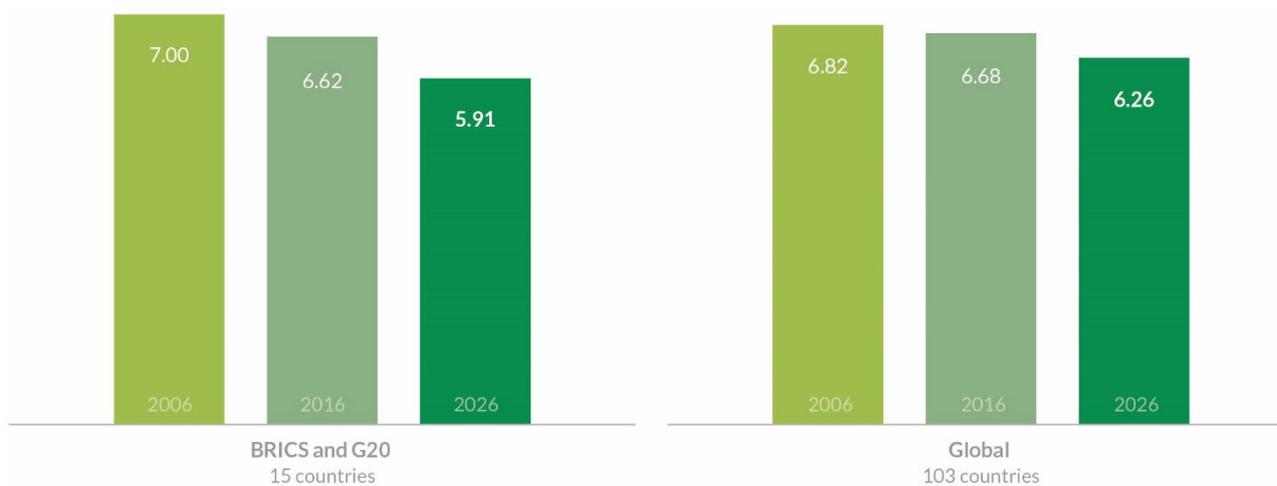
The polarizing political patterns that have fueled rising conflict intensity and weakened conflict management do not stop at national borders. The zero-sum logic that dominates domestic politics – avoiding compromise and responding to dissent with repression – is increasingly mirrored in foreign policy. Countries that have experienced the steepest declines in democratic quality are often those adopting more confrontational postures both at home and abroad.

Regional cooperation remains the highest-rated governance indicator overall. Yet it is also one of the indicators that has declined most markedly over the past two decades, falling by more than half a point on average and recording the sharpest recent losses. Three trends, in particular, have driven this development. First, heavily sanctioned and uncooperative regimes, such as Afghanistan and Venezuela, have retreated further into regional isolation. Second, governments in Nicaragua as well as Burkina Faso, Mali and Niger have withdrawn from established regional frameworks, maintaining only limited cooperation – either within the Central American Integration System or among themselves through the Alliance of Sahel States. Third, former proponents of

regional integration, such as Argentina and Slovakia, have reduced their engagement in favor of more bilateral alignments oriented toward the United States and Russia, respectively, placing additional strain on regional organizations.

At the same time, declining credibility as reliable and treaty-abiding partners has contributed to a more conflict-prone international environment. Over the past decade, increasingly assertive states such as Belarus and Russia, military regimes in Mali and Myanmar and the Houthi regime in Yemen have more frequently disregarded agreements with regional and international organizations. Even previously cooperative actors, including Hungary, Mexico and Mozambique, have experienced a loss of international credibility.

#### Faster decline in international cooperation: BRICS and G20



Only the 118 countries continuously assessed since the BTI 2006 are depicted.

This erosion of trust and willingness to cooperate extends to some of the most economically powerful and politically influential countries assessed by the BTI, including members of the G20, BRICS or both. Although both groupings emphasize enhanced international cooperation as a core objective, only Indonesia and the United Arab Emirates among the 15 member states assessed have maintained or improved the high levels of credibility and cooperation they demonstrated two decades ago.

Twenty years ago, the average level of credibility and reliability among these 15 countries stood well above the global average, as did their capacity and readiness to cooperate. Today, these self-proclaimed champions of international cooperation fall clearly below the global average on both measures. This shift casts doubt on the prospects for constructive and cooperative multilateralism.

In light of the increasingly disruptive international role of the United States, achieving political consensus and forging durable democratic alliances will become even more challenging. The formerly rules-based and multilateral international order has been deeply weakened by great-power rivalry and the geopolitical instrumentalization of economic interdependence. It no longer offers a stable anchor. Instead, growing geopolitical fragmentation benefits transactional actors and encourages unilateral action and ad hoc bilateral arrangements. Preserving or rebuilding cooperative frameworks grounded in the rule of law, sovereignty and reliable rules will

require diversifying dependencies and strengthening strategic autonomy through functional cooperation among trusted partners.

The governance findings of the BTI 2026 once again underscore that capable and responsible leadership is essential not only domestically but also internationally. The more active engagement of Brazil and Poland in global climate policy and regional cooperation illustrates this point. Just as effective governance at home underpins rule-of-law-based, participatory politics and inclusive economic development, it is also a prerequisite for cooperative and peaceful responses to global challenges.

## **Unstable economic development**

The global economic trend in the BTI 2026 points to a modest recovery. Yet this improvement must be seen in the context of the abrupt polycrisis triggered by the COVID-19 pandemic and Russia's invasion of Ukraine, which caused sharp contractions across nearly all BTI economic indicators. The current upswing, most visible in macroeconomic data, does not automatically signal progress toward a socially embedded market economy. Two factors explain this gap.

First, the BTI's concept of economic transformation goes beyond macroeconomic stabilization. It encompasses economic, social and ecological dimensions and assesses the degree of freedom and fairness within economic systems. While core macroeconomic indicators show improvement or at least stabilization, setbacks are evident in the social and environmental spheres. Notably, these setbacks are often most pronounced in countries that have posted gains in monetary stability, fiscal stability and overall economic performance.

Second, structural problems, including inequality, nepotism and economic exclusion, remain entrenched in many regions. In numerous cases, austerity policies introduced to strengthen economic resilience have aggravated these challenges, fueling protests driven by hardship and limited prospects. Short-term macroeconomic stabilization therefore does not amount to structural transformation.

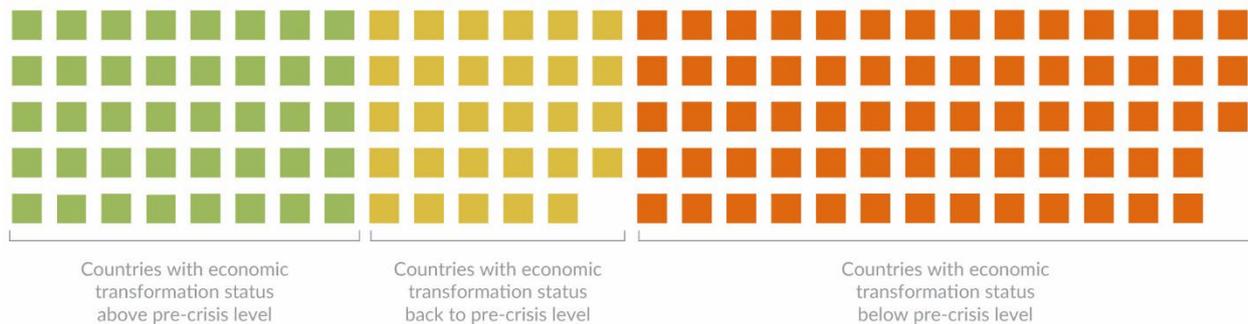
### **Stabilization without transformation**

Although monetary and fiscal stability, along with overall economic performance, have improved moderately in many countries – reflecting declining inflation, debt consolidation and price adjustments – nearly half of the countries assessed have yet to regain the level of economic transformation recorded in the BTI 2020 before the pandemic. During the current survey period, 45 countries improved their scores in monetary and fiscal stability, while 22 experienced downgrades.

Argentina offers a particularly vivid example of macroeconomic stabilization without deeper structural reform. With annual inflation hovering around 200%, currency devaluation became a central instrument of the Milei government, which assumed office at the end of 2023. The effect was swift: Within a year, monthly inflation fell to 2.7%, down from 25.5% the previous year. Combined with accompanying fiscal measures, the devaluation restored a degree of predictability, enabling economic actors to adjust. Accordingly, Argentina's scores for monetary and fiscal stability rose from four to seven points during the review period. At the same time, the scale of

intervention highlighted the central bank's institutional dependence on the executive and its limited ability to curb inflation autonomously.

### Sluggish recovery



Half of all countries lag behind pre-crisis levels of 2020 in economic transformation status.

Colombia presents the opposite case. It recorded the sharpest downgrade in fiscal stability (–3). The Petro government initially failed to secure congressional backing for its expansive social spending plans and subsequently enacted them by decree. The widening gap between projected expenditures and insufficient tax revenues triggered a budget crisis. Colombia's overstretched fiscal position now places it on par with Belarus, Hungary and Senegal. Bolivia, as in the BTI 2024, lost another two points in monetary stability. The depletion of gas reserves – once accounting for nearly half of exports and a significant share of state revenues – has driven this continued decline. Over the past decade, the central bank relied heavily on dollar reserves, which were nearly exhausted by the end of 2023. External borrowing and monetary expansion intensified inflationary pressures

In Asia and Oceania, monetary and fiscal stability improved during the review period (+0.27 and +0.23 points, respectively). India (+1), traditionally characterized by higher consumption than production and a resulting current account deficit, benefited from unexpectedly strong export revenues and tax adjustments. Other countries, such as Sri Lanka (+2), the Philippines (+1) and Pakistan (+1) combined fiscal measures with external rescue loans. While both strategies aim to stabilize public finances, reliance on external borrowing introduces new dependencies and long-term risks.

Over a longer horizon, however, there is no sustained upward trajectory in monetary and fiscal stability. Since 2016, the countries cited have exhibited fluctuating rather than steadily improving scores, pointing to persistent reliance on external financing or inefficient tax systems. A notable exception is the Philippines (9 points), whose central bank implemented a flexible monetary strategy aligned with inflation and growth dynamics, which was supported by active exchange rate management and effective liquidity control.

## Economic strength across political systems

Although the average gap by regime type still amounts to a notable 1.58 points, no other economic indicator shows a narrower divide between democracies and autocracies than output strength, which captures the resilience of overall economic performance. In the BTI 2026 global ranking, Slovenia is the only country to achieve the maximum 10 points, reflecting exceptionally strong economic stability. A decisive factor was the drop in inflation, from 7.2% in 2023 to 2% in 2024, which strengthened purchasing power and created favorable conditions for investment.

Of the 24 countries scoring in the top range (8 to 10 points), 18 are democracies. Yet six autocracies – Qatar, Singapore, the United Arab Emirates and Vietnam (9 each) as well as Kuwait and Saudi Arabia (8 each) – also rank among the strongest performers. The Arab Gulf states, in particular, continue to generate sustained growth on the basis of oil exports. The United Arab Emirates, however, has diversified its revenue base, with nearly 70% of state income now derived from non-oil sectors. Tourism and construction, in particular, account for high employment levels. Saudi Arabia, the region's largest economy, is pursuing further diversification under its Vision 2030 strategy to reduce dependence on volatile oil markets. The International Monetary Fund projects annual growth of 4% to 5% in the coming years, signaling continued international confidence in the kingdom's economic trajectory.

Nine of the 24 top-performing countries in terms of economic performance are located in East-Central and Southeast Europe, and all are democracies. As a result, the region achieves a global average score of 7.71 points – or 0.30 points higher than its previous regional average.

Alongside Slovenia, Poland ranks among the strongest performers with nine points. In 2024, Poland recorded economic growth of 3%, driven by robust domestic consumption, strong consumer confidence and a relatively low unemployment rate of around 5%. By comparison, unemployment across the European Union averaged roughly 6% between 2023 and 2025. At the same time, Russia's war of aggression poses long-term challenges for Poland in the areas of migration, security, energy and trade.

In Eastern Europe, the Caucasus and Central Asia, several countries have recorded economic gains linked to the war in Ukraine. Belarus, despite its largely state-controlled economy, posted 4% growth in 2024, supported by industrial expansion.

Russia has sought to compensate for the impacts of sustained EU and U.S. sanctions by deepening trade ties with China and countries in the Global South, particularly India and Central Asian countries. After sanction-related losses in the BTI 2024, this reorientation led to modest improvements in economic performance (+1 point). Growth in Armenia (+1), Georgia and Kyrgyzstan (+1) is closely tied to economic developments in Russia. These countries have benefited from sanctions-related shifts through migration inflows, gains in human capital, and expanded trade opportunities.

Moldova continues to feel the economic and political impact of the war in Ukraine. After years of steady GDP growth prior to the conflict, the economy contracted by 5.9% in 2022 compared with the previous year. Whether Russia's war-driven economy – and those countries indirectly benefiting from it – can sustain long-term stability and avoid renewed inflationary pressures remains uncertain.

The moderate recovery in overall economic performance following the pandemic-induced downturn has continued. Fifty-four economies have returned to pre-pandemic levels, and 27 have surpassed them. However, more than 40% of the countries assessed have yet to regain the performance levels recorded in the BTI 2020, including Myanmar, weakened by economic mismanagement, and war-torn Ukraine.

### Between regulation and power logic

The goal of building a socially embedded and sustainable market economy is no longer broadly shared. In many countries, democratic backsliding is accompanied by a weakening of economic consensus. The boundary between state and market is increasingly blurred, not only through favoritism and rule violations in times of political regression, but also through the systematic capture of public institutions by powerful economic elites. What ultimately prevails is the preservation of a corrupt patronage system, one that permits neither free nor fair competition and instead exacerbates those very structural inequalities and patterns of exclusion.

The BTI assesses the regulatory framework of the economy across five economic and social indicators: market organization, competition policy, private enterprise, property rights and equal opportunity. Over the past decade, no meaningful global improvements have been recorded in any of these areas. In 58 of the 137 countries assessed, market participants face unequal regulatory treatment and the informal sector plays a significant role. This pattern is particularly pronounced in West and Central Africa as well as in Southern and Eastern Africa. Within these regions, only Botswana, Côte d'Ivoire, Ghana, Mauritius and South Africa perform above this level.

South Africa – Africa's largest economy by GDP (2024: \$401 billion) – continues to grapple with structural legacies of the apartheid era. A small number of firms dominate large segments of the media, banking, insurance and mining sectors. The private sector is supported by the African National Congress government, including through expanded public-private partnerships. At the same time, transparency in the banking system has improved, with more effective prosecution of financial crime and money-laundering. In both private enterprise and banking system, South Africa gained one point. However, it now ranks alongside Albania, Mexico, and Türkiye, where legal safeguards for private enterprise and banking oversight still remain insufficient.

Nigeria, despite its sizable economy (GDP 2024: \$252 billion), has not exceeded five points in the market organization indicator since 2008. The government under President Bola Tinubu has introduced reforms, such as flexible exchange rates aligned with market supply and demand. Nevertheless, opaque public procurement processes and nontransparent licensing practices demonstrate how entrenched patronage networks continue to distort competition. More than 90% of the workforce is employed in the informal sector. This long-standing stagnation rooted in clientelist structures is not unique to Nigeria. Similar patterns can be observed in autocratically governed countries, such as Benin, Mali, Rwanda and Togo, as well as in democratic Kenya.

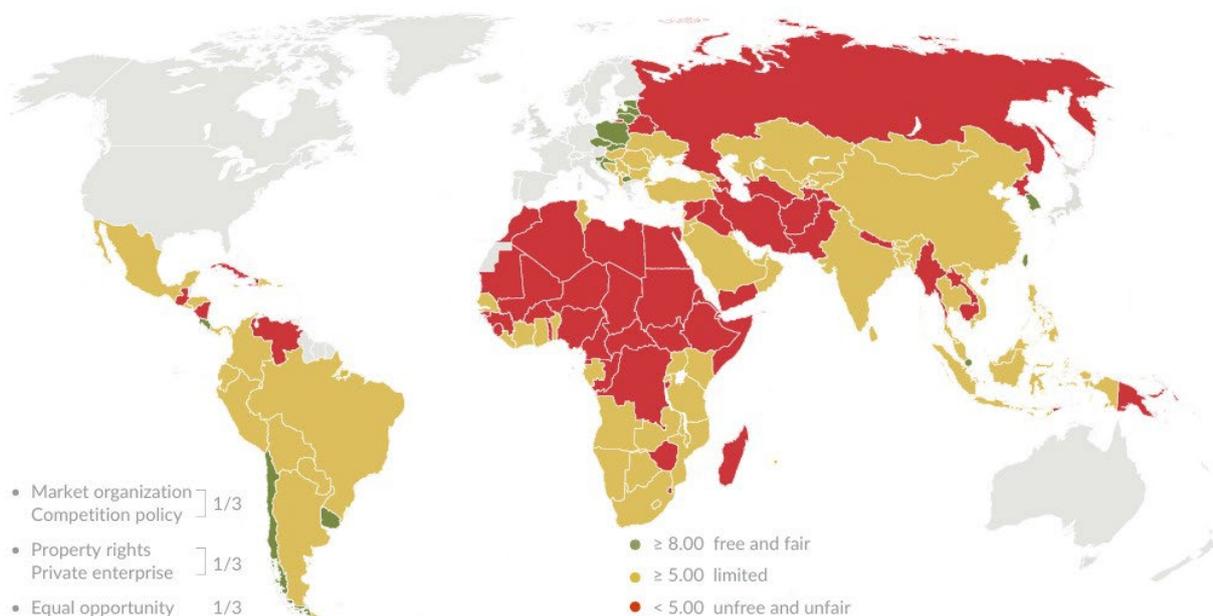
## Unfair competition weakens economic performance

Clientelist networks often shape competition policy, but the global picture remains mixed when it comes to safeguarding fair competition through effective regulation. In the BTI 2026, 72 countries have made only minimal efforts to prevent monopolistic structures, while 65 have at least formally established and largely implemented antitrust frameworks.

Since the BTI 2006, the global average score has remained relatively stable, fluctuating between 5.28 and 5.42 and currently standing at 5.39. Only 16 democracies fall into the lower half of the spectrum (1 to 5 points). These include corruption-prone democracies with weakly independent competition authorities, such as Lesotho (3), Paraguay (4) and Ghana (5); countries with limited enforcement of competition law, such as Jamaica and the Philippines (5 each); and states in which public enterprises dominate key sectors, as in Indonesia (5).

By contrast, only 21 autocracies are among the countries scoring six to 10 points. Singapore and Jordan lead this group with nine and eight points, respectively. Also included are Qatar, the United Arab Emirates and Türkiye (7 points each). While Türkiye's legal framework formally mirrors EU antitrust standards, its competition authorities operate under considerable dependence on President Erdoğan. In China (7), anti-monopoly legislation is enforced by the State Administration for Market Regulation, which aligns its actions with the priorities of the Chinese Communist Party.

### Restricted freedom and fairness in economic transformation



The distribution of regime types across these categories highlights the close connection between restricted political freedoms and limited economic fairness. A total of 52 countries are characterized by unfree and unfair economic regimes. Among them are only three democracies: Nepal, Sierra Leone and Timor-Leste. Particularly striking in this group are major economies such as Russia and regional heavyweights including Egypt, Nigeria and Algeria. In 2024, Russia (\$2.17 trillion), Egypt (\$389 billion), Nigeria (\$252 billion) and Algeria (\$269 billion) rank comparatively high in GDP terms. Yet these economies rest on fragile institutional foundations. Unfree

and unfair regulatory systems weaken economic resilience and undermine long-term sustainability. By contrast, among the 15 countries with near-unrestricted economic freedom and fairness, Singapore stands as the only autocracy.

In democracies, the principles of free and fair competition, secure property rights and the lawful acquisition and use of property are constitutionally anchored. In autocracies, legal provisions often exist formally, but regulatory tools are applied selectively to advance executive interests or benefit politically favored sectors – as seen in China and Türkiye.

Free competition and secure property rights are mutually reinforcing foundations of economic development. Without competition, productivity stagnates; without reliable property rights, the informal sector expands. Economic performance is therefore not an isolated metric but the outcome of coherent and credible institutional arrangements.

The BTI 2026 draws a clear contrast in economic performance between countries where market organization and legal certainty reinforce one another and those where they do not. In 25 countries, including exclusively autocracies such as Laos, Pakistan and Zimbabwe, all three indicators score four points or less. By contrast, 27 countries achieve seven points or more across these measures. Only three of them, namely Singapore, Qatar and the United Arab Emirates, are autocracies.

In many autocracies, there is generally little or no regulatory protection of competition and property rights. This undermines the core functioning of the market economy and creates uncertainty, which discourages long-term investment. The result is predictable: lower levels of investment, a growing informal sector, and the consolidation of monopolistic structures dominated by entrenched elites.

### Unequal rule-setting

Policy frameworks rooted in the model of a socially embedded market economy tend to promote greater equality of opportunity. Yet deeply entrenched patterns of discrimination are slow to change. As a result, shifts in the degree to which women or members of ethnic, religious and other groups face barriers in access to education, public office and employment are usually incremental rather than dramatic. For years, the global BTI average has remained at around five points – a level indicating that equality of opportunity is generally not achieved. Anti-discrimination laws may exist on paper, but implementation is often weak or inconsistent.

There are, however, notable exceptions to this broader pattern of stagnation. Over the past two decades, Albania (+2 points), Chile (+2) and Moldova (+4) have made substantial progress, reaching scores of seven points or higher. Moldova stands out in particular. Despite persistent stigmatization of minorities, it has achieved gender parity in primary and secondary school enrollment. In tertiary education, women outnumber men by a ratio of three to one. Progress is also visible in politics and business. Women's representation in public office has increased, entrepreneurial activity has expanded and, in 2024, women led 34.2% of all companies in the country. Albania and Chile have likewise pursued determined reforms aimed at dismantling traditional forms of discrimination. In Chile, electoral reform raised the share of women in parliament by 20%. Yet significant disparities persist. Indigenous communities in Chile remain disadvantaged

in employment, educational attainment and income – a pattern that is also evident in several other Latin American countries.

At the same time, some countries that ranked among the least discriminatory two decades ago have moved in the opposite direction. Bulgaria (–2 points), Cuba (–3), Hungary (–3) and Romania (–2) now display more exclusionary tendencies that significantly constrain equality of opportunity. In Eastern Europe, this shift is linked to more pronounced discrimination against ethnic minorities. In Cuba, growing economic stratification increasingly follows ethnic lines. Across cases, government policy proves decisive. Political leadership can either dismantle entrenched discrimination through sustained reform – or reinforce it through neglect, selective enforcement and exclusionary rhetoric.

### **Economics and the welfare state**

Autocratic systems shaped by rent-seeking power structures tend not only toward economic inefficiency. Their emphasis on particularistic interests often produces deliberately skewed economic arrangements that, in turn, give rise to weak and uneven social safety nets.

The development of publicly financed social protection – including functioning healthcare systems; income security in old age, sickness or disability; and effective poverty reduction – depends on more than political will or fiscal capacity alone. For the past two decades, the global BTI average has stagnated at around five points. This reflects welfare systems that are frequently limited to formally employed workers and civil servants, offer only partial insurance coverage and remain chronically underfunded. Inefficiency and corruption often play a role here.

In 59 countries, social safety nets are rudimentary, covering only a limited range of risks and a narrow segment of the population ( $\leq 4$  points). Long-term stagnation is particularly evident in Southern and Eastern Africa as well as in West and Central Africa. Regardless of regime type, 64% of countries in Southern and Eastern Africa (14 of 22) and 80% in West and Central Africa (19 of 22) score four points or less, indicating very low levels of social protection. Compared with 2014, the overall picture has changed little. This suggests either a persistent lack of political prioritization or structural constraints that have proven difficult to overcome.

A clear divide also emerges between democracies and autocracies. In most autocracies, governments show limited commitment to comprehensive social policy, as preserving entrenched inequalities often takes precedence. Of the 33 countries with comparatively well-developed welfare systems ( $\geq 7$  points), 10 are autocracies: Algeria, Bahrain, Jordan, Kuwait, Qatar, Saudi Arabia, Serbia, Singapore, Türkiye and the United Arab Emirates.

With the exception of Serbia's relatively comprehensive healthcare and pension system – which has begun to erode amid declining political prioritization – social protection in these autocracies remains marked by significant inequalities. In Singapore and the Arab Gulf states, sharp disparities persist between different population groups, particularly migrant workers, who are often only partially covered or excluded from social insurance schemes. In Algeria, social policy relies heavily on state subsidies for fuel, electricity and gas rather than on comprehensive risk-prevention mechanisms. Such subsidies frequently deepen the divide between urban and rural areas, as infrastructure-poor regions benefit less from these measures.

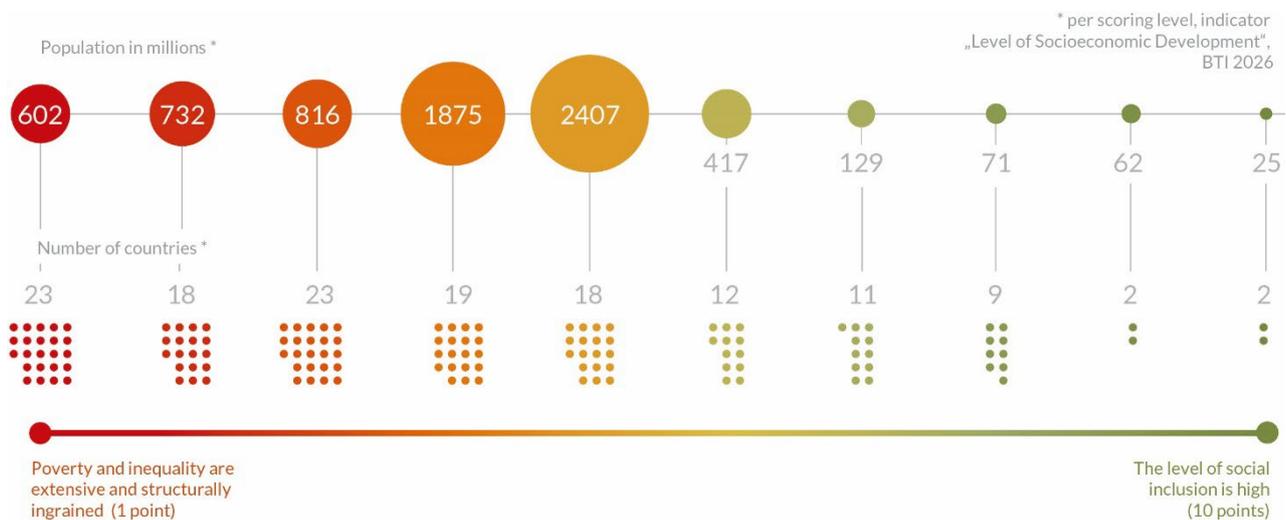
## Reduced participation through structural exclusion

When inequality and poverty are left unaddressed, weak social protection systems entrench structural exclusion. Even in otherwise functioning market economies, such as Benin, the Philippines and Tanzania, limited social safeguards restrict opportunities for broad societal participation. The consequences extend beyond individual hardship. Over time, the exclusion of broad swathes of the population becomes an economic liability, constraining resilience, dampening growth prospects, and heightening vulnerability to political and social unrest.

Over the past two decades, the long-term trend has pointed to a gradual global decline in socioeconomic development. Rising inequality has pushed down the global average score, while earlier progress in poverty reduction during the 2010s was abruptly reversed by the pandemic, inflation shocks and violent conflict. Over the past 20 years, 21 countries have improved, while 42 have registered negative trends. In 16 of these, the decline amounted to two points or more.

A small group of countries – including Czechia, Slovenia, South Korea and Taiwan – has maintained consistently high levels of socioeconomic development. Many others remain stuck well below the global average. At the lower end of the spectrum are highly repressive regimes, such as North Korea and Turkmenistan, as well as fragile or collapsing states, including Haiti, South Sudan and Yemen, where poverty and inequality are deeply entrenched. Bolivia, Botswana, Ghana, India and 15 additional countries cluster around the current global average of 4.04 points, indicating that poverty and inequality remain pronounced.

### Persistent social exclusion worldwide



Stagnation at such low levels often signals that social inclusion and protection are not sustained political priorities. Madagascar illustrates this disconnect particularly starkly. Despite its considerable natural resources, the country’s economic performance – driven largely by mining and textiles – stands at five points, comparable to Russia and Thailand. Yet more than 80% of the population lives in poverty. Its socioeconomic development score, at just one point, mirrors that of failing states, such as Haiti and Yemen.

The Human Development Index reinforces this picture. Madagascar (2024: 0.478), with life expectancy just under 63 years and an average of 4.6 years of schooling, ranks at a level comparable

to Yemen (2024: 0.470). The global average in 2024 stands significantly higher at 0.756, reflecting life expectancy of nearly 74 years and an average of 8.8 years of schooling. In Madagascar, the combination of social exclusion and limited political participation culminated in the 2025 Gen Z protests that ultimately brought down the government. Similar dynamics were visible in Bangladesh and Nepal, where widespread insecurity, social tension and economic hardship eroded public trust and contributed to political upheaval.

### **Sustainability remains a footnote**

No other economic indicator has such a regionally concentrated group of top performers as environmental policy. With the exception of Chile (9 points), East-Central and Southeast Europe stands out. Estonia leads with 10 points, followed by Czechia, Latvia, Lithuania and Slovenia (9 each). This is the only region that consistently manages to reconcile environmental protection with economic growth. Elsewhere, performance is far less cohesive. Only Latin America and the Caribbean (4.77) and Eastern Europe, the Caucasus and Central Asia (4.69) slightly exceed the BTI average of 4.55 points. Even there, regional scores are lifted either by a few standout performers – such as Chile, Costa Rica and Uruguay – or by the absence of very low-ranking countries. In most cases, environmental policy hinges on the ideological leanings of political leaders or faces stiff resistance from organized economic interests.

Brazil's environmental policy clearly illustrates the ideological divide between its two most recent presidents regarding environmental protection. In 2014, the country scored seven points, matching Chile. Over the following years, that figure fell steadily to four. Only in the BTI 2026 did Brazil inch back up to five points after the new Lula administration returned environmental issues to the center of the political agenda. Even so, the government continues to face coordinated opposition from business groups resisting stricter standards. A return to the levels of a decade ago is uncertain. Chile presents a different trajectory. There, environmental protection has remained a priority across successive administrations, accompanied by growing public awareness and support.

However, environmental regulation can also serve as political signaling rather than foster substantive change, as Hungary demonstrates. The country deviates only marginally from European environmental law and formally performs better than many EU member states. Yet economic considerations – particularly dependence on Russian oil and gas – continue to outweigh investment in renewables, such as solar and wind power. The target of sourcing 50% of gross final energy consumption from carbon-neutral sources by 2030 is currently off track. In 2022, the share stood at 15.1%, compared with an EU average of 23.1%. EU accession candidates, including Albania, Montenegro and Moldova, already must align with EU environmental standards as part of the accession process. Since 2020, all three have made incremental progress in prioritizing and implementing environmental measures, each gaining one point.

### **At the vanguard of austerity policy**

Austerity programs are meant to cut public debt and shrink budget deficits. Governments typically raise revenue through higher taxes while reducing spending – often starting with social benefits. Education and research budgets are usually among the first to feel the impact when administrations prioritize debt reduction and inflation control. The trend is visible in the data. The

global average for education and research policy stood at 4.88 points in 2016. It has declined since, leveling off at just 4.59 points in the BTI 2026.

Argentina illustrates how sharply such shifts can play out. As part of President Milei's sweeping cabinet reform and drive to downsize the state, the number of ministries was cut from 22 to nine. The Ministry of Science, Technology and Innovation was abolished altogether. The long-term effects remain unclear. For now, Argentina scores five points in this indicator – placing it alongside countries such as Belarus and Sierra Leone, both marked by below-average educational attainment and qualitative shortcomings across primary, secondary and tertiary education. The move underscores a distinctly ideological commitment to austerity. Short-term gains in fiscal consolidation and monetary stability (+3 points each) are prioritized, even at the risk of longer-term setbacks in environmental and research policy, socioeconomic development and social safety nets (-1 each).

War has compounded the pressure elsewhere. Russia and Ukraine, each at six points in 2020, have fallen to four and five points, respectively. In Russia, spending on education and research remains at 0.7% of GDP. Yet sanctions and the country's withdrawal from the Bologna Process in 2022 have increased its international isolation, prompting a pivot toward partners in the Global South. At the same time, defense spending absorbs 6.3% of GDP.

Overall, the BTI 2026 records 12 upgrades and 13 downgrades in this indicator. Among those downgraded are Costa Rica and the Philippines. In 2024, Costa Rica cut education spending to 5.2% of GDP because of fiscal constraints and tighter budget discipline – despite a constitutional requirement mandating at least 8%. In the Philippines, ambitious reforms have stalled in implementation. A lower score does not always mean declining investment. In some cases – with Russia again being one example – education spending has increased. More often, however, such patterns reflect political isolation or governance systems that are not geared toward liberal-democratic transformation.

## Conclusion

Social exclusion and the failure to invest in sustainability and education have become hallmarks of weak or failing governance in 40% of the countries surveyed. Overall, the findings paint a sobering picture: Authoritarian tendencies are on the rise, the rule of law is eroding, socioeconomic transformation is losing momentum, and governance is becoming less inclusive and less consensus-driven. Yet even where democratic standards are under strain, resistance to repression, corruption and abuses of power remains alive. Protests, civic engagement and incremental reform efforts show that demands for participation, accountability and fair competition have not faded. In an increasingly fragile international order, this resilience is more than symbolic. It is a vital source of reform energy – and a foundation for democratic renewal.

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