CHAPTER 5



STRUCTURAL REFORM

This chapter presents the EBRD's latest assessment of transition challenges in its regions, looking at whether economies are competitive, well governed, green, inclusive, resilient and integrated. It also introduces the SME Competitiveness Index. Assessments of the competitiveness of small and medium-sized enterprises (SMEs) are closely, yet imperfectly, aligned with assessments of the competitiveness of the broader economy. Between 2016 and 2026, perceived increases in overall competitiveness have tended to outpace improvements in SME competitiveness, particularly in central Europe and the Baltic states. This underlines the importance of fine-tuning dedicated SME policies across the EBRD regions, with a focus on access to finance, skills and legal frameworks for small firms.





INTRODUCTION

This chapter presents the EBRD's latest assessment of transition challenges in its regions and selected comparator economies, tracking progress in the area of structural reform. The assessment focuses on six key qualities of a sustainable market economy, looking at whether economies are competitive, well governed, green, inclusive, resilient and integrated. For each quality, progress is assessed on a scale of 1 to 10, where 1 denotes the worst possible performance and 10 corresponds to the standards of a sustainable market economy. Those "assessment of transition qualities" (ATQ) scores are based on a wide range of external and internal data sources and calculated in accordance with a detailed methodology (see Tables 5.1 and 5.2 and Chart 5.1).[1]

TABLE 5.1 ATQ scores for six key qualities of a sustainable market economy: EBRD regions

	Competitive			Well governed			Green			Inclusive			Resilient			Integrated		
	2026	2025	2016	**2026**	2025	2016	**2026**	2025	2016	**2026**	2025	2016	**2026**	2025	2016	**2026**	2025	2016
Central Europe and the Baltic states (CEB)																		
Croatia	6.75	6.71	6.77	6.48	6.47	6.30	6.92	6.92	5.98	6.54	6.51	6.47	7.45	7.43	6.05	6.73	6.66	6.16
Estonia	7.88	7.86	8.23	8.79	8.79	8.62	7.20	7.21	6.27	7.25	7.23	6.82	7.76	7.76	7.32	7.93	7.91	7.49
Hungary	6.62	6.60	6.64	5.86	5.90	5.90	6.92	6.93	6.15	5.75	5.77	5.73	7.18	7.18	6.60	7.01	7.73	7.49
Latvia	6.57	6.55	6.61	7.60	7.60	6.88	7.13	7.13	6.31	6.68	6.67	6.38	7.45	7.47	6.92	7.51	7.45	7.28
Lithuania	6.79	6.74	6.70	7.96	8.10	7.35	7.16	7.16	6.51	7.01	6.91	6.58	7.51	7.44	6.73	7.58	7.57	6.84
Poland	6.48	6.44	6.69	7.01	7.00	7.49	7.18	7.18	6.60	6.34	6.33	6.63	7.73	7.70	7.27	7.14	7.10	6.78
Slovak Republic	6.66	6.64	6.52	6.57	6.60	6.27	7.26	7.26	6.79	6.35	6.36	6.19	7.64	7.61	7.28	7.25	7.17	7.30
Slovenia	6.85	6.82	6.79	7.29	7.30	7.31	7.32	7.32	6.77	7.06	7.06	6.72	7.61	7.61	7.12	7.26	7.20	6.55
South-eastern Europe (SEE)																		
Albania	5.23	5.22	5.05	5.09	5.00	5.44	4.97	4.97	4.88	5.06	5.23	4.90	4.95	4.95	4.45	5.43	5.43	5.28
Bosnia and Herzegovina	4.99	4.97	4.84	4.31	4.33	4.87	5.40	5.40	4.72	5.12	5.11	5.26	5.57	5.57	5.01	5.08	5.07	4.59
Bulgaria	6.41	6.39	6.05	6.01	6.07	5.96	6.84	6.84	5.63	5.81	5.77	5.51	6.69	6.56	5.89	6.60	6.57	6.68
Kosovo	4.61	4.47	4.21	5.05	5.10	5.14	3.78	3.78	3.55	5.39	5.32	5.31	4.96	4.95	4.35	5.51	5.47	4.92
Montenegro	6.15	6.11	5.42	6.40	6.42	6.08	6.29	6.29	5.50	5.59	5.57	5.22	5.69	5.72	5.11	6.01	6.04	5.54
North Macedonia	5.71	5.68	5.38	5.53	5.55	5.91	5.95	5.94	4.89	5.48	5.47	5.16	5.60	5.57	4.89	6.23	6.19	5.35
Romania	6.27	6.26	6.07	6.64	6.64	6.15	6.74	6.74	5.98	5.71	5.71	5.67	6.90	6.89	6.37	6.66	6.59	6.43
Serbia	5.51	5.49	5.47	6.10	6.17	5.89	5.59	5.58	5.02	5.52	5.49	5.34	5.44	5.41	5.11	6.36	6.32	5.72
Türkiye	5.66	5.76	5.85	6.22	6.28	6.14	5.47	5.47	5.04	5.12	5.08	5.19	7.07	7.08	6.57	5.96	5.89	5.88
Eastern Europe and the Caucasus (EEC)																		
Armenia	5.10	4.96	4.46	6.61	6.61	6.00	6.02	6.02	5.48	4.99	4.99	4.82	6.62	6.55	5.19	5.71	5.88	5.12
Azerbaijan	4.51	4.50	4.31	5.89	5.85	5.36	5.31	5.31	4.79	5.28	5.28	4.93	3.80	3.80	3.55	5.08	5.10	5.62
Georgia	5.71	5.68	5.31	6.11	6.19	6.68	5.71	5.71	5.18	5.37	5.39	5.08	5.75	5.77	4.58	6.45	6.42	6.02
Moldova	5.01	5.03	4.82	5.43	5.44	4.73	4.72	4.72	4.37	5.28	5.27	5.20	4.88	4.90	4.44	5.20	5.15	5.13
Ukraine	5.25	5.26	5.50	4.82	4.81	4.33	5.62	5.62	5.16	5.98	6.02	5.53	4.93	4.85	4.30	5.30	5.26	5.29
Central Asia																		
Kazakhstan	5.47	5.41	5.24	6.27	6.36	5.76	5.19	5.19	4.73	5.20	5.22	4.95	5.91	5.89	5.15	5.21	5.22	5.06
Kyrgyz Republic	4.08	4.04	3.72	4.34	4.41	4.57	4.98	4.98	4.63	4.67	4.67	4.54	4.56	4.45	4.29	4.40	4.44	3.99
Mongolia	4.34	4.33	4.44	5.44	5.51	5.46	4.69	4.69	4.81	5.40	5.40	5.04	5.10	5.20	4.55	5.49	5.51	4.58
Tajikistan	3.73	3.72	3.60	4.66	4.67	4.42	5.57	5.57	5.21	4.14	4.15	3.93	3.55	3.55	2.98	4.01	3.97	3.33
Turkmenistan	3.37	3.36	3.31	3.15	3.18	3.36	4.67	4.67	4.65	4.22	4.23	4.02	3.06	3.06	2.87	4.11	4.11	4.18
Uzbekistan	4.35	4.35	4.05	5.03	5.05	4.81	5.61	5.55	4.88	4.46	4.49	4.24	4.07	4.04	3.30	5.03	5.01	4.00
Southern and eastern Mediterranean (SEMED)																		
Egypt	3.62	3.62	3.59	5.63	5.65	5.01	4.93	4.92	4.57	4.20	4.20	4.02	4.60	4.62	3.68	5.55	5.43	4.43
Iraq	2.26	2.27	2.07	2.85	2.82	2.86	3.87	3.87	3.89	3.63	3.61	3.56	3.57	3.57	3.61	3.44	3.42	2.68
Jordan	5.04	5.08	4.88	6.08	6.11	6.09	5.30	5.30	5.59	4.98	5.00	4.40	5.54	5.56	4.72	5.50	5.48	5.56
Lebanon	4.97	4.97	4.87	3.64	3.62	4.25	4.92	4.89	4.88	4.23	4.20	4.33	3.19	3.22	3.95	5.07	5.08	4.78
Morocco	4.12	4.18	4.13	5.97	5.94	5.61	5.34	5.34	5.23	4.23	4.23	4.15	5.47	5.41	4.63	5.34	5.27	5.04
Tunisia	4.33	4.34	4.59	4.85	4.91	5.32	4.77	4.77	4.62	4.77	4.77	4.86	4.80	4.79	3.88	4.92	4.90	4.70
West Bank and Gaza	3.13	3.20	2.99	3.23	3.23	3.59	4.37	4.37	4.19	3.74	3.74	3.62	3.32	3.36	3.37	4.55	4.54	3.98
Sub-Saharan Africa (SSA)																		
Benin	3.81	3.77	3.08	4.45	4.49	3.82	4.56	4.47	4.36	4.08	4.05	3.91	3.60	3.61	3.14	3.37	3.34	3.16
Côte d'Ivoire	4.05	4.07	3.26	4.01	4.03	3.85	4.63	4.63	4.31	4.16	4.15	3.91	3.72	3.65	3.52	3.78	3.72	3.28
Ghana	3.67	3.67	3.35	5.15	5.10	4.91	4.69	4.68	4.54	4.23	4.25	4.22	4.75	4.55	4.24	3.24	3.19	3.29
Kenya	4.15	4.10	4.09	4.38	4.44	4.30	4.90	4.90	4.75	4.09	4.08	4.09	4.31	4.24	3.92	3.66	3.63	3.86
Nigeria	3.54	3.54	3.20	3.48	3.45	3.69	4.13	4.13	3.79	4.30	4.25	4.10	4.49	4.56	3.83	3.03	2.99	3.16
Senegal	3.81	3.81	3.49	4.83	4.79	4.44	4.56	4.55	4.41	4.11	4.12	3.74	3.65	3.57	3.45	3.85	3.80	3.00

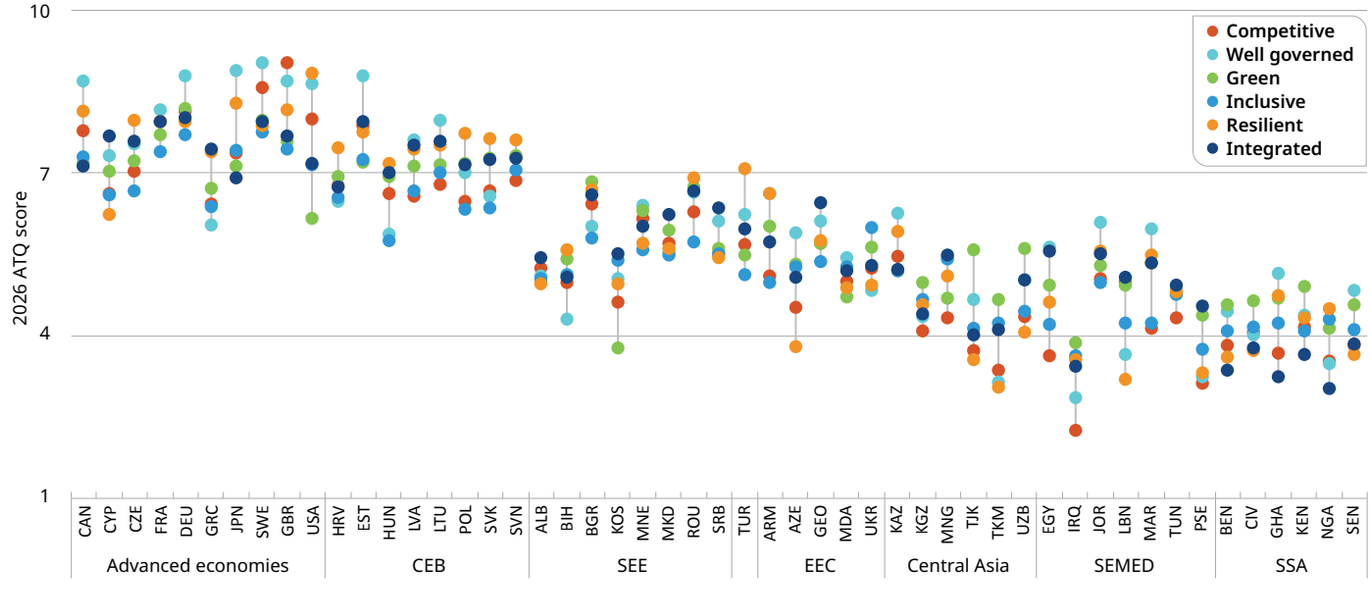
SOURCE: EBRD.
NOTE: Scores are on a scale of 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy. All scores have been updated following methodological changes in 2026[2] and may differ from previously published versions. Owing to lags in the availability of underlying data, ATQ scores for the last two years may not fully correspond to developments in those calendar years.

TABLE 5.2 ATQ scores for six key qualities of a sustainable market economy: comparator economies

	Competitive			Well governed			Green			Inclusive			Resilient			Integrated		
	2026	2025	2016	**2026**	2025	2016	**2026**	2025	2016	**2026**	2025	2016	**2026**	2025	2016	**2026**	2025	2016
Advanced economies																		
Canada	7.77	7.76	7.67	8.70	8.73	9.06	7.17	7.17	6.55	7.30	7.29	7.29	8.15	8.13	7.53	7.12	7.10	7.12
Cyprus	6.62	6.59	6.74	7.31	7.35	7.25	7.02	7.02	6.02	6.60	6.57	6.38	6.23	6.22	5.30	7.67	6.88	7.09
Czechia	7.03	6.98	7.00	7.53	7.50	7.24	7.23	7.23	6.58	6.67	6.64	6.46	7.96	7.94	7.77	7.58	7.55	7.76
France	7.94	7.93	7.79	8.15	8.19	8.18	7.69	7.69	7.44	7.40	7.41	7.50	7.94	7.94	7.60	7.94	7.87	7.61
Germany	8.13	8.12	8.00	8.79	8.77	9.05	8.18	8.18	7.94	7.69	7.68	7.80	7.93	7.97	7.53	8.01	7.99	7.81
Greece	6.43	6.41	6.49	6.04	6.07	5.96	6.71	6.71	5.96	6.37	6.35	6.22	7.39	7.39	6.54	7.43	7.39	6.05
Japan	7.36	7.35	7.40	8.87	8.87	8.80	7.12	7.12	7.28	7.41	7.41	7.29	8.29	8.28	7.45	6.92	6.91	6.97
Sweden	8.57	8.56	8.40	9.02	9.03	9.29	7.98	7.97	7.78	7.75	7.74	7.77	7.87	7.88	7.28	7.93	7.86	7.75
United Kingdom	9.02	9.00	8.91	8.69	8.68	9.17	7.58	7.58	7.27	7.43	7.44	7.60	8.16	8.16	7.42	7.68	7.70	7.83
United States of America	8.00	8.01	7.98	8.63	8.67	8.83	6.16	6.16	6.72	7.14	7.16	7.08	8.83	8.78	8.20	7.17	7.33	7.19
Other comparators																		
Algeria	2.53	2.51	2.53	3.47	3.49	3.45	3.44	3.44	3.40	4.06	4.07	4.20	3.52	3.50	3.51	3.35	3.32	3.11
Bangladesh	3.65	3.65	3.54	5.95	5.91	5.75	4.27	4.26	4.09	3.62	3.62	3.65	5.91	5.90	5.38	3.91	3.89	4.23
Belarus	5.25	5.23	4.69	4.53	4.55	4.81	5.52	5.52	5.55	4.98	4.98	5.18	3.89	3.86	3.27	6.08	6.11	5.27
Brazil	5.19	5.25	4.88	6.14	5.90	6.04	5.99	5.99	5.82	5.41	5.38	5.28	6.46	6.44	5.54	5.02	4.96	4.80
Colombia	5.04	5.04	5.04	6.26	6.28	6.31	5.86	5.86	5.64	4.69	4.69	4.82	6.22	6.17	5.63	5.54	5.50	4.98
Libya	2.00	1.96	2.22	2.35	2.35	2.45	3.15	3.15	3.09	3.43	3.41	3.49	3.34	3.34	3.07	3.38	3.35	2.75
Mexico	5.15	5.15	5.20	6.15	6.18	6.33	5.63	5.63	5.51	4.82	4.80	4.77	6.17	6.11	5.44	5.74	5.73	5.55
Russia	5.63	5.60	5.38	5.46	5.50	5.57	5.63	5.63	5.18	4.65	4.69	4.68	6.10	6.10	5.45	4.89	4.88	5.43
South Africa	6.22	6.23	6.23	7.45	7.43	7.99	4.59	4.59	4.80	4.75	4.75	4.73	6.03	6.02	5.20	5.85	5.77	5.70
Thailand	5.73	5.67	5.67	6.99	7.10	6.78	5.34	5.34	5.14	4.84	4.79	4.69	6.03	5.99	5.41	6.22	6.16	5.52

SOURCE: EBRD.
NOTE: Scores are on a scale of 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy. All scores have been updated following methodological changes in 2026[3] and may differ from previously published versions. Owing to lags in the availability of underlying data, ATQ scores for the last two years may not fully correspond to developments in those calendar years.

CHART 5.1 ATQ scores for six key qualities of a sustainable market economy, 2026



SOURCE: EBRD.
NOTE: Scores are on a scale of 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy.

[1] For a detailed description of that methodology, see https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/office-of-the-chief-economist/transition-report-archive/transition-report-2026/chapters/transition-report-2026-27-methodological-notes.pdf. For a comprehensive overview of structural reforms over the past 12 months, see https://www.ebrd.com/home/news-and-events/publications/economics/transition-reports/transition-report-2026-27/country-assessments.html.

[2] For a detailed description of methodological changes in 2026, see https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/office-of-the-chief-economist/transition-report-archive/transition-report-2026/chapters/transition-report-2026-27-methodological-notes.pdf.

[3] For a detailed description of methodological changes in 2026, see https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/office-of-the-chief-economist/transition-report-archive/transition-report-2026/chapters/transition-report-2026-27-methodological-notes.pdf.

RECENT CHANGES TO SCORES

Since 2016, when the ATQ scores were first published, average scores in the EBRD regions have improved most for the "resilient", "green" and "integrated" qualities, while the least progress has been observed for the "competitive" and "well governed" qualities (see Chart 5.2). This picture is largely unchanged from last year's assessment.[4]

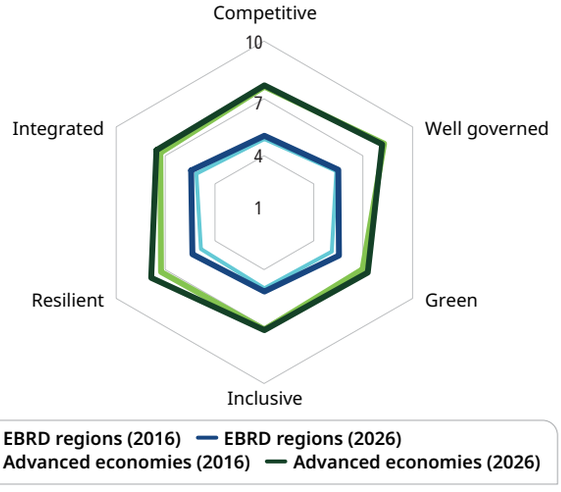
In terms of the "integrated" quality, for instance, most economies have improved their digital connectivity and trade integration through greater access to fixed broadband, higher internet use, increases in the coverage of the Long-Term Evolution (LTE) wireless communications standard, faster internet speeds, lower trade costs and more widespread bilateral and regional trade agreements. Trade volumes have also continued to grow, although some economies, particularly EBRD economies in the EU and Ukraine, have experienced a sustained decline in their ratios of trade to GDP, in Ukraine's case as a result of Russia's continued war of aggression.

At the same time, some economies have introduced greater barriers to trade in goods and services, placed additional restrictions on FDI and seen an increase in mobile broadband costs. Looking at economies' relative standings in terms of economic integration, Hungary, Azerbaijan, Moldova and Ukraine have seen the most pronounced declines, driven by weaker logistics services, lower FDI inflows, slower perceived internet speeds, and reduced trade volumes and damage to infrastructure resulting from Russia's war on Ukraine (see Chart 5.3, which tracks the relative standings of economies over time). Ukraine and Moldova's "integrated" scores have increased modestly over the last 10 years, but their relative standings have declined as a result of greater improvements in the scores of most other economies.

When it comes to economic competitiveness, overall progress has been more limited. Between 2016 and 2026, many economies have seen improvements in labour productivity, better access to finance for SMEs, greater economic complexity, stronger skills and increases in business formation. Notable improvements have been observed in Armenia, Benin and Côte d'Ivoire, driven by better infrastructure and logistics, higher exports of advanced business services, stronger labour productivity and improved SME financing (see Chart 5.4).

At the same time, some economies, including Tunisia and Ukraine, have seen a deterioration in their assessed levels of competitiveness as a result of higher tariffs, lower ratios of private-sector credit to GDP, a deterioration in the quality of infrastructure (in Ukraine's case, as a result of Russian attacks) and lags in exports of advanced business services.

CHART 5.2 Since 2016, average scores in the EBRD regions have improved most for the "resilient", "green" and "integrated" qualities

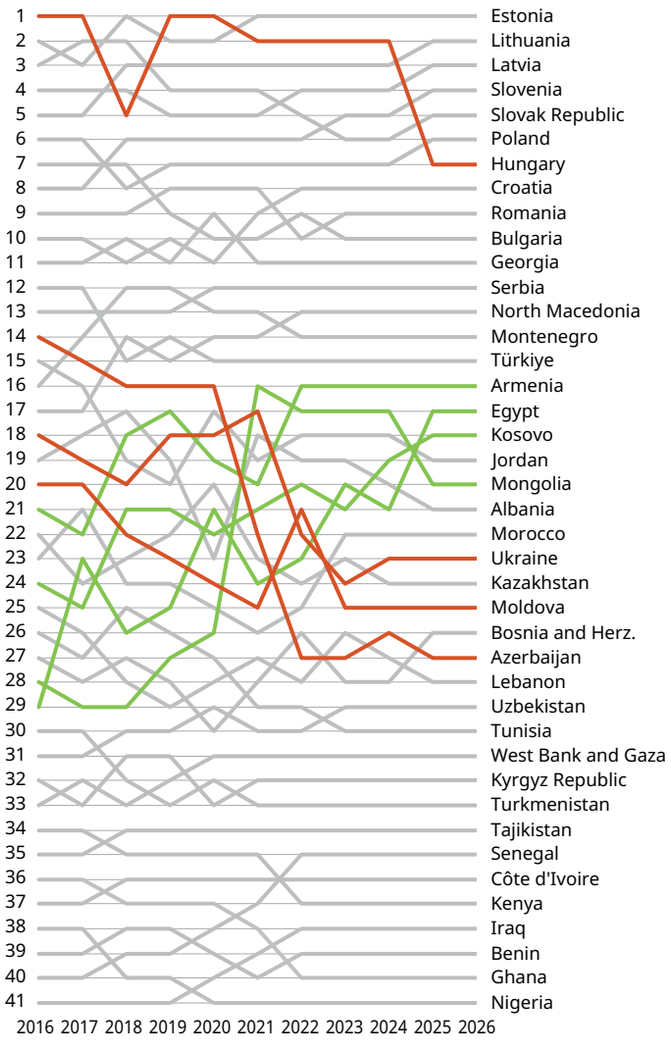


SOURCE: EBRD and authors' calculations.
NOTE: Simple averages of 2026 and 2016 scores across all economies in each group.

Some economies have seen declines in their relative standings for **INTEGRATION** as a result of restrictions on trade and FDI, higher mobile broadband costs and weaker trade

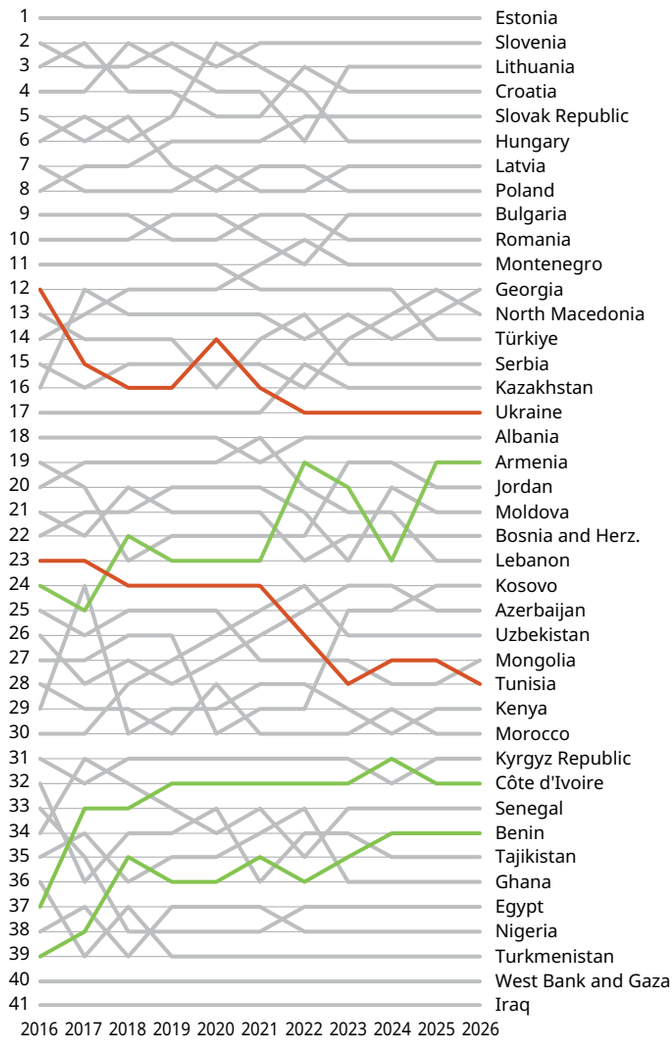
[4] See EBRD (2025).

CHART 5.3 Evolution of economies' relative levels of economic integration, 2016-26



SOURCE: EBRD.
NOTE: Economies are ranked on the basis of their "integrated" scores in each year. Green and red lines indicate the economies with the largest improvements and declines in their relative rankings, respectively.

CHART 5.4 Evolution of economies' relative levels of competitiveness, 2016-26



SOURCE: EBRD.
NOTE: Economies are ranked on the basis of their "competitive" scores in each year. Green and red lines indicate the economies with the largest improvements and declines in their relative rankings, respectively.

CHANGES TO SCORES SINCE LAST YEAR

Changes to scores since the *Transition Report 2025-26* reflect the latest developments across the Bank's regions. The following analysis looks at differences between the updated ATQ scores for 2025[5] (as presented in Table 5.1, largely reflecting data up to 2024) and the newly calculated scores for 2026 (which draw on the latest available data, typically covering developments in 2025).

Across the six qualities of a sustainable market economy, increases in scores over the last year have been concentrated in the CEB, SEE and SSA regions, while declines have been observed primarily in the SEMED region and Central Asia, contributing to further divergence in average score levels across economies.

[5] ATQ scores for 2025 have been updated to reflect the availability of new data and methodological changes outlined in **https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/office-of-the-chief-economist/transition-report-archive/transition-report-2026/chapters/transition-report-2026-27-methodological-notes.pdf**.

Across the EBRD regions, larger improvements have tended, on average, to be recorded in the areas of integration and competitiveness.

"Integrated" scores have increased significantly in Croatia, Egypt, the Slovak Republic and Türkiye, driven mainly by higher net FDI inflows. In Türkiye and Egypt, improvements also reflect increases in the penetration of broadband services and higher trade flows as a percentage of GDP. In contrast, Armenia's lower score largely reflects declining trade volumes as a percentage of GDP, while Hungary's decline reflects a significant drop in net FDI inflows as a percentage of GDP.

Notable increases in "competitive" scores have been observed in Armenia, Kazakhstan, Kosovo and Lithuania, primarily as a result of lower import tariffs. In contrast, average import tariffs have increased in the vast majority of economies in the EBRD regions, mirroring the latest trends in the global economy.[6] Higher scores also reflect the expansion of domestic credit to the private sector, modest increases in average labour productivity and improvements in SMEs' access to finance.

Changes to "green" scores have been more modest over the past year, with notable increases recorded in Benin and Uzbekistan following the introduction of new protected areas for the conservation of biodiversity. In Uzbekistan's case, progress has also been seen in the area of just transition planning, which is now reflected in the country's Nationally Determined Contribution.[7]

Developments in the area of economic inclusion have been mixed, with the most notable increases in "inclusive" scores being seen in Kosovo, Lithuania and Nigeria. Increases reflect a rise in the number of firms reporting that they offer training to employees, as well as higher labour productivity. In Kosovo and Nigeria, improvements also reflect greater universal access to fixed broadband services. "Inclusive" scores have declined in Albania, Kazakhstan, Ukraine and Uzbekistan, however, as a result of lower labour-force participation rates and higher youth NEET (not in education, employment or training) rates. In Albania, this reduction also reflects a lower proportion of firms providing training to their employees, while Ukraine's score also takes account of increasingly uneven access to fixed broadband.

At the same time, "well governed" scores have declined further, on average, contributing to a widening gap to advanced economies (see Chart 5.2). Improvements in governance, albeit from a low base, have been observed in Albania, Ghana and Senegal. In Albania, the perceived effectiveness of the country's courts has improved, as has judicial independence. In Ghana and Senegal, higher scores reflect perceptions of a reduction in corruption, greater press freedom and improved compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) standards. In Senegal's case, the latter reflects its October 2024 removal from the Financial Action Task Force's list of jurisdictions under increased monitoring. As elsewhere in this assessment, these indicators reflect developments up to 2025 and do not yet capture more recent events. Notable downward revisions to governance scores can be observed for Georgia, Kazakhstan, the Kyrgyz Republic and Lithuania. In Georgia and Kazakhstan, these changes are driven by increases in perceived corruption and declines in press freedom. In Lithuania, this is compounded by a larger share of enterprises citing political instability, informality and declines in court effectiveness as major obstacles to doing business. In the Kyrgyz Republic, perceived improvements in corruption have been offset by deteriorating assessments of press freedom and compliance with AML/CFT standards.

Across the EBRD regions, changes in "resilient" scores have tended, on average, to be driven by assessments of financial-sector stability. Notable improvements

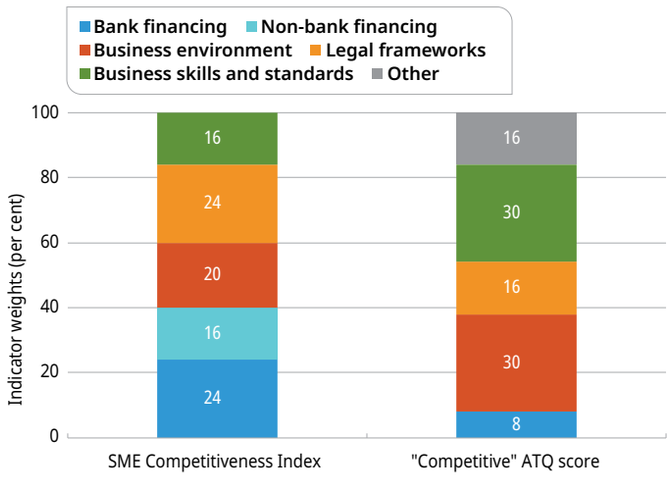
WELL GOVERNED

scores have declined, on average, in the EBRD regions, widening the existing gap to advanced economies

[6] See EBRD (2025).
[7] See Government of Uzbekistan (2025).

have been observed in Bulgaria, Ghana and the Kyrgyz Republic, driven by lower levels of non-performing loans (NPLs), improved capital adequacy ratios and higher liquidity. In Bulgaria and the Kyrgyz Republic, those score increases also reflect higher stock-market capitalisation as a percentage of GDP and higher ratios of trading volumes to market capitalisation. Resilience scores have declined in Mongolia and Nigeria, among others, often reflecting a decline in credit to the private sector as a percentage of GDP. In Mongolia, this mainly reflects a fall in indicators of access to non-bank financing, lower stock-market activity and a less diversified investor base. In Nigeria, increases in NPLs, lower capital adequacy ratios and a lower return on assets have weighed on scores. These indicators largely predate the completion in March 2026 of a banking-sector recapitalisation programme, which has raised substantial amounts of new capital across the sector and should be reflected in subsequent assessments.

CHART 5.5 The SME Competitiveness Index puts greater emphasis on access to finance and legal frameworks for SMEs



SOURCE: EBRD and authors' calculations.
NOTE: The index used to calculate the overall ATQ score for economic competitiveness is analysed net of the SME Competitiveness Index, which usually serves as one of the inputs for that score (with a weight of 8 per cent).

Improvements in
FINANCIAL RESILIENCE
have been driven by declines in NPLs, stronger capital adequacy ratios and higher liquidity

FOCUS ON SME COMPETITIVENESS

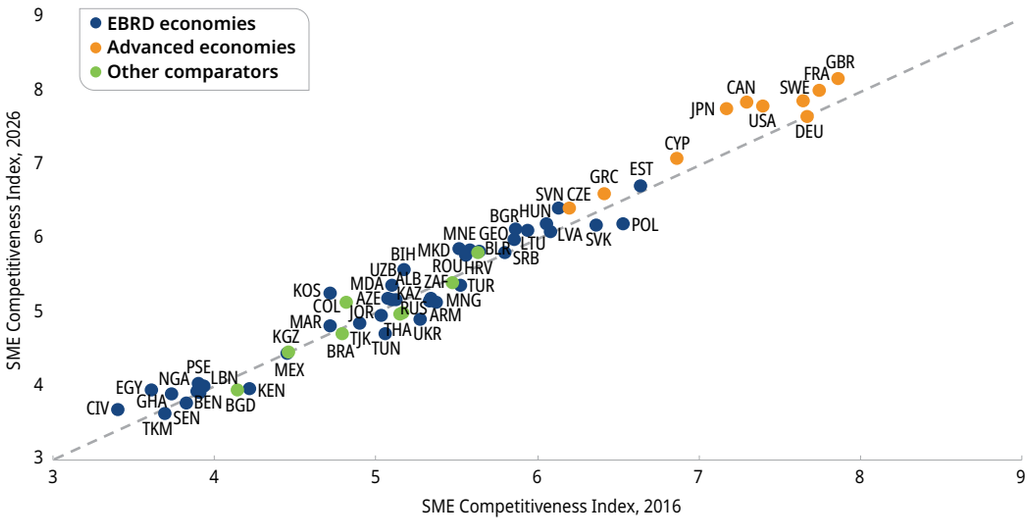
ASSESSING SME COMPETITIVENESS

This section focuses on SME competitiveness, complementing the broader assessment of economic competitiveness that is produced as part of the commentary on ATQ scores. SMEs are major sources of employment. They also make significant contributions to innovation and, ultimately, economic growth. Competitive SMEs are better able to adopt new technologies, access international markets, increase labour productivity and withstand adverse economic shocks.

For each economy, the EBRD's SME Competitiveness Index aggregates numerous performance indicators in five specific areas: bank financing; non-bank financing; legal frameworks; business skills and standards; and the business environment (see Chart 5.5). Compared with the Bank's broader measure of economic competitiveness, it puts greater emphasis on access to finance and legal frameworks for SMEs. This is because SME competitiveness revolves around those firms' ability to grow in the early stages of their development, access finance, innovate, expand into new markets and compete successfully with domestic and international firms.[8]

[8] See also OECD (2025).

CHART 5.6 EBRD economies' progress on SME competitiveness has lagged that of major advanced economies



SOURCE: EBRD.
NOTE: 45-degree line shown.

The SME Competitiveness Index was originally developed independently of the "competitive" ATQ score as part of the EBRD's work on a strategy to support SMEs' development in emerging Europe, Central Asia and the SEMED region following the establishment of the EBRD's Small Business Initiative in 2016. In the comparison summarised in Charts 5.7 and 5.8, overall ATQ scores for the "competitive" quality are net of the SME Competitiveness Index, which usually serves as one of the inputs for those scores (with a weight of 8 per cent).

In contrast, broader economic competitiveness, as measured by the "competitive" ATQ score, refers to an economy's overall capacity to achieve sustainable economic growth, attract investment, create jobs and raise living standards through efficient institutions, infrastructure, human capital and market conditions.

THE CHALLENGE OF IMPROVING SME COMPETITIVENESS

On average, progress on SME competitiveness in the EBRD economies has lagged that of major advanced comparator economies (see Chart 5.6, which compares assessments for 2016 and 2026). The economies that have progressed most over this 10-year period include Bosnia and Herzegovina, Kosovo and Montenegro, which have seen declines in fully and partially credit-constrained SMEs, lower collateral requirements on loans, improved access to non-bank financing, greater adoption of international standards and certifications (helping to boost SMEs' competitiveness abroad) and a perceived improvement in labour regulation.

SME COMPETITIVENESS VERSUS BROADER ECONOMIC COMPETITIVENESS

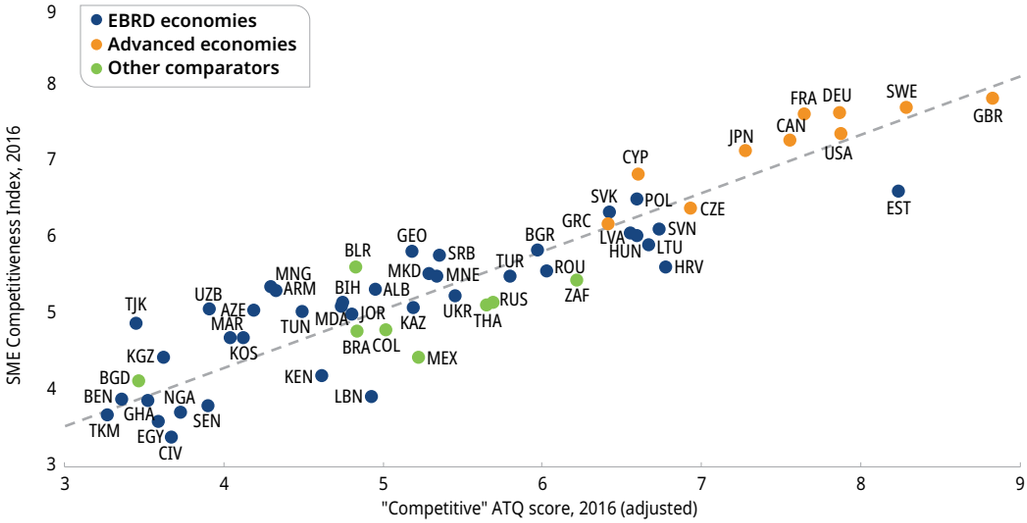
Assessments of SME competitiveness and broader economic competitiveness tend to be closely aligned (see Chart 5.7 for 2016 and Chart 5.8 for 2026). This is unsurprising, as the two assessments cover similar areas crucial to enterprise growth, such as access to finance, skills, legal frameworks and the business environment.[9]

At the same time, the relationship between SME competitiveness and the broader competitiveness of the economy is far from perfect. Indeed, the correlation between the two variables is similar to the relationships between different qualities of a well-functioning market economy, such as "inclusive" and "well governed", or "integrated" and "competitive".[10]

[9] See OECD (2025) for a detailed discussion of the relationship between SME competitiveness and economy-wide competitiveness.

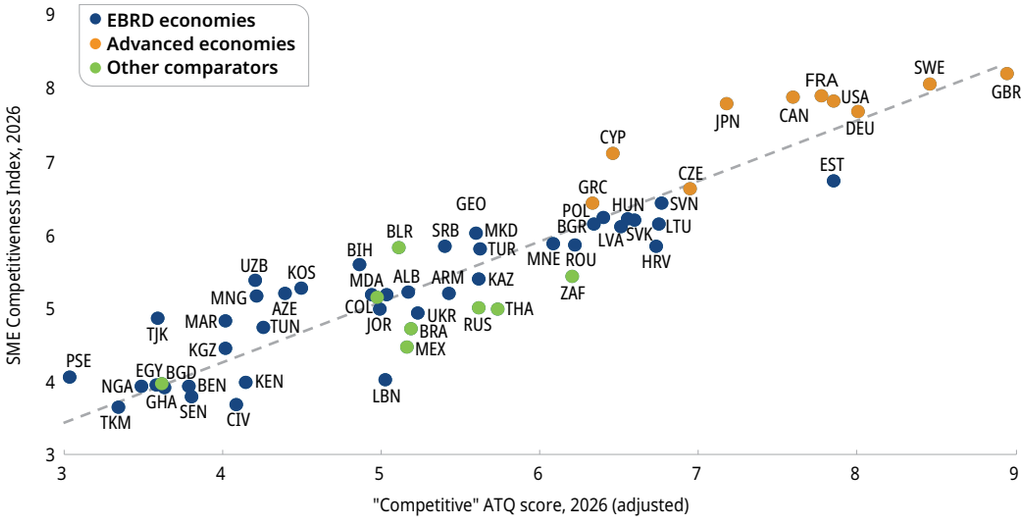
[10] See Carruthers and Plekhanov (2023) for a discussion of those relationships.

CHART 5.7 Assessments of SME competitiveness and broader economic competitiveness tend to be closely aligned, 2016



SOURCE: EBRD.
NOTE: Line of linear fit shown. "Competitive" ATQ scores have been adjusted here to remove the SME Competitiveness Index, which usually serves as one of the inputs for those scores.

CHART 5.8 Assessments of SME competitiveness and broader economic competitiveness tend to be closely aligned, 2026



SOURCE: EBRD.
NOTE: Line of linear fit shown. "Competitive" ATQ scores have been adjusted here to remove the SME Competitiveness Index, which usually serves as one of the inputs for those scores.

Assessments show SME-specific policies to be stronger, in relative terms, in Azerbaijan, Kosovo, Mongolia, Tajikistan, Uzbekistan and the West Bank and Gaza, among others (with the corresponding dots lying significantly above the trend line in Chart 5.8). In Mongolia, Tajikistan and Uzbekistan, for instance, this reflects perceived improvements to the business environment and legal frameworks for SMEs, although persistent gaps remain in relation to SMEs' access to non-bank financing.

In contrast, overall economic competitiveness is assessed as being stronger (relative to SME competitiveness) in Croatia, Estonia, Lebanon and Lithuania, among others (with those dots lying significantly below the trend line in Chart 5.8). In Estonia, this stems from a relatively low score for SMEs' access to non-bank financing (including private equity and venture capital), in contrast to relatively high scores in other areas, which put Estonia's overall competitiveness on a par with that of advanced economies. In Lithuania and Croatia, SMEs' limited access to non-bank financing is compounded by limits on SMEs' access to bank financing compared with large firms. Lebanon, meanwhile, is lagging in terms of both access to finance and the adoption of legal frameworks that support SME development (such as insolvency frameworks).

Between 2016 and 2026, increases in overall competitiveness have tended to outpace improvements in SME competitiveness, particularly in central Europe and the Baltic states. This can be seen in the fact that these economies have shifted significantly to the right of the line of linear fit in Chart 5.8. This trend underscores the importance of fine-tuning dedicated SME policies across the EBRD regions, with a focus on improving access to finance, skills and legal frameworks for small firms.

CONCLUSIONS

This chapter presents the annual assessment of six qualities of sustainable market economies for the EBRD regions and a number of comparator economies. These ATQ scores are expected to be updated further in the coming years, alongside the continued introduction of more detailed sub-scores for various qualities of a sustainable market economy.

Between 2016 and 2026, increases in
OVERALL COMPETITIVENESS
have tended to outpace improvements in
SME COMPETITIVENESS



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