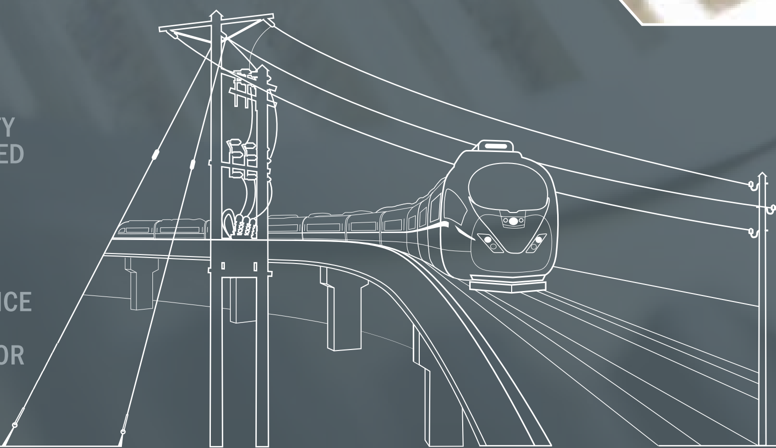
# STRUCTURAL REFORM

## AT A GLANCE

IN
**11**
COUNTRIES MATERNAL MORTALITY RATES HAVE IMPROVED

**3**
THE NEGATIVE BALANCE OF SECTOR-LEVEL TRANSITION INDICATOR UPGRADES VERSUS DOWNGRADES



APPROXIMATELY
**170km**
THE LENGTH OF ESTLINK 2, THE NEW INTERCONNECTION BETWEEN THE BALTIC AND NORDIC ELECTRICITY MARKETS

**The political and economic environment in many countries remains dificult for governments that are seeking to implement structural reforms. At the sector level, downgrades outnumber upgrades for the first time as some countries move away from commercial principles. The financial sector is still under pressure, but positive trends suggest that these dificulties can be overcome. However, fostering growth that is based on greater economic inclusion remains a challenge.**

16%

THE AVERAGE MOST-FAVOURED-NATION TARIFF FOR AGRICULTURAL PRODUCTS ACROSS THE EBRD REGION

# Introduction

Amid new and continuing political and economic challenges, the readiness of countries to implement reforms seems to have waned. The *Transition Report 2013* noted that the difficult environment was limiting the ability of governments – and, in certain cases, their willingness – to implement much-needed structural reforms and return their countries to a path of sustainable growth. As noted in 2013, it appears that, despite the difficult circumstances, there has been no wholesale reversal of previous reforms. However, there has been an increase in the number of downgrades relating to either the reversal of reforms or a lack of much-needed action to lift countries out of the crisis. As a result, there have been more downgrades than upgrades this year.

The EBRD continues to measure the progress of reforms in two ways. The first is a review of country-level reforms in areas such as privatisation, competition policy and trade. This review has been conducted since 1994 and has been extended to cover all years since 1989. While by no means comprehensive, it can be a useful tool to illustrate the progress that countries have made in allowing the private sector to develop and thrive as an important pillar of a functioning market economy. The second is a more disaggregated assessment at sector level which captures the distance relative to an industrialised market economy in terms of market structure and market-supporting institutions.

At sector level, the number of downgrades has continued to increase, surpassing the number of upgrades for the first time since the assessment began in 2010. Similar to last year, downgrades are driven mainly by EU countries (albeit there have also been a number of downgrades in Central Asia). The country-level indicators continue the trend witnessed in previous years of fewer changes being observed. Indeed, there have been only two upgrades and one downgrade this year.

With Cyprus becoming an EBRD recipient country in May 2014, sector and country-level assessments have been conducted for the country for the first time.

## Sector-level transition indicators

Table S.1 shows the transition scores for 16 sectors in all of the countries where the EBRD works. The methodology is broadly unchanged from previous years (see Chapter 1 of the *Transition Report 2010* for a detailed explanation), but some adjustments have been made in the capital markets sector.[1]

Tables S.2 and S.3 show the component ratings for market structure and market-supporting institutions and policies respectively, which together make up the overall sector-level assessment. There have been nine upgrades and 12 downgrades[2] – indicated by upward and downward arrows respectively – the reasons for which are outlined in the following sections (see also the "Countries" section of the online *Transition Report*, at tr.ebrd.com). Changes to inclusion assessments, which have also undergone some methodological adjustments, are presented in Tables S.4 to S.6 (see pages 120-122), as well as being explained in detail on page 119.

[1] Please refer to the methodological notes in the online version of this *Transition Report* (tr.ebrd.com) for details of such changes.
[2] This refers only to changes in numerical scores and does not include changes to sector-level transition gaps.

**TABLE S.1.** Sector-level transition indicators 2014: overall scores

| | Corporate sectors | | | | Energy | | | Infrastructure | | | | Financial sectors | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Agribusiness | General industry | Real estate | ICT | Natural resources | Sustainable energy | Electric power | Water and wastewater | Urban transport | Roads | Railways | Banking | Insurance and other financial services | MSME finance | Private equity | Capital markets |
| **Central Europe and the Baltic states** | | | | | | | | | | | | | | | | |
| Croatia | 3 | 3+ | 3+ | 4 | 4- | 3- | 3 | 3+ | 3+ | 3+ | 3- | 3+ | 3+ | 3- | 2+↓ | 3+ |
| Estonia | 3+ | 4+ | 4+ | 4 | 4 | 3- | 4+↑ | 4 | 3+ | 3 | 4 | 4- | 3+ | 3+ | 3-↓ | 3 |
| Hungary | 4 | 4- | 4- | 4-↓ | 4- | 3 | 3↓ | 3+↓ | 3+ | 4- | 3+ | 3↓ | 3 | 3 | 3 | 3+ |
| Latvia | 3 | 4- | 4- | 3+ | 4- | 3+ | 3+ | 3+ | 4- | 3 | 4- | 3+ | 3+ | 3 | 2+↓ | 3+ |
| Lithuania | 3+ | 4 | 4- | 4- | 4- | 3+ | 3+ | 3+ | 4- | 3 | 3 | 3+ | 3+ | 3 | 2+ | 3 |
| Poland | 3+ | 4- | 4- | 4 | 3 | 3 | 3+ | 4- | 4- | 4- | 4- | 4- | 3+ | 3 | 3+ | 4-↓ |
| Slovak Republic | 3+ | 4+ | 4 | 4- | 4- | 3 | 4 | 3+ | 3+ | 3+↑ | 3+ | 4- | 3+ | 4- | 2+ | 3 |
| Slovenia | 4- | 3+ | 4 | 3+ | 3+ | 3+ | 3 | 3+ | 3+ | 3 | 3 | 3 | 3+ | 3- | 3- | 3+ |
| **South-eastern Europe** | | | | | | | | | | | | | | | | |
| Albania | 3- | 2+ | 3- | 3+ | 3- | 3+ | 2+ | 2+ | 3- | 3- | 2 | 3- | 2 | 3-↑ | 1 | 2- |
| Bosnia and Herzegovina | 3- | 2 | 2- | 2+ | 2 | 2 | 2+ | 2 | 2+ | 3 | 3+ | 3- | 2+ | 2+ | 2- | 2 |
| Bulgaria | 3 | 3+ | 3+ | 4- | 3+ | 3- | 3 | 3 | 3+ | 3- | 3+ | 3 | 3+ | 3 | 3- | 3- |
| Cyprus | 3- | 4+ | 3 | 4- | 3- | 3- | 3 | 3+ | 3+ | 3 | Not applicable | 3- | Not available | Not available | Not available | 3+ |
| FYR Macedonia | 3- | 3 | 3- | 4- | 2+ | 2+ | 3 | 2+ | 3- | 3- | 3- | 3- | 3- | 3 | 1 | 2- |
| Kosovo | 2+ | 2- | 2- | 2+ | 2 | 2- | 2+ | 2+ | 2+ | 2+ | 3- | 2+ | 2 | 3-↑ | 1 | 1 |
| Montenegro | 2+ | 2+ | 2+ | 3+ | 3+ | 2 | 2+ | 2 | 3 | 2+ | 2+ | 3- | 2+ | 3↑ | 1 | 2 |
| Romania | 3 | 3+ | 3+ | 3+ | 4- | 3+ | 3+ | 4- | 3+ | 3 | 3+ | 3 | 3+ | 3 | 3- | 3- |
| Serbia | 3- | 3- | 3- | 3 | 2 | 2+ | 2+ | 2+ | 3- | 3- | 3 | 3- | 3 | 3 | 2↑ | 2 |
| Turkey | 3- | 3 | 3+ | 3+ | 3+ | 3 | 3+ | 3- | 3 | 3- | 3- | 3+ | 3 | 3↑ | 3- | 4 |
| **Eastern Europe and the Caucasus** | | | | | | | | | | | | | | | | |
| Armenia | 3- | 3 | 3- | 3 | 2+ | 3- | 3+ | 3- | 2+ | 3- | 2+ | 2+ | 2 | 2+ | 1 | 2 |
| Azerbaijan | 2+ | 2 | 2 | 2- | 2+ | 2+ | 2+ | 2- | 2 | 2+ | 2+ | 2 | 2 | 2 | 1 | 2- |
| Belarus | 2+ | 2 | 2 | 2 | 1 | 2 | 1 | 2- | 2 | 2 | 1 | 2 | 2 | 2 | 1 | 2- |
| Georgia | 3- | 3- | 3- | 3- | 2 | 3- | 3+ | 2 | 2+ | 2+ | 3 | 3- | 2 | 3- | 1 | 2- |
| Moldova | 3- | 2- | 2+ | 3 | 3 | 2+ | 3 | 2 | 3↑ | 3↑ | 2 | 2+ | 2+ | 2 | 2- | 2 |
| Ukraine | 3- | 2+ | 3- | 3- | 2- | 2+ | 3 | 2+ | 3- | 3- | 2+ | 3- | 2+ | 2+ | 2 | 2↓ |
| Russia | 3- | 3- | 3- | 3+ | 2 | 2 | 3+ | 3 | 3 | 3- | 4- | 3- | 3- | 2 | 2+ | 4- |
| **Central Asia** | | | | | | | | | | | | | | | | |
| Kazakhstan | 3- | 2 | 3 | 3 | 2- | 2- | 3 | 2+ | 2+ | 3- | 3 | 2+↓ | 2+ | 2 | 2- | 2↓ |
| Kyrgyz Republic | 2+ | 2 | 2+ | 3 | 2- | 2 | 2+ | 2 | 2 | 2- | 1 | 2 | 2- | 2- | 1 | 2- |
| Mongolia | 3- | 2+ | 2 | 3 | 2 | 2 | 2+ | 2 | 2 | 2- | 3- | 2+ | 2 | 2+ | 2- | 2-↓ |
| Tajikistan | 2 | 2- | 2- | 2+ | 1 | 2+ | 2 | 2 | 2 | 2- | 1 | 2 | 2- | 2- | 1 | 1 |
| Turkmenistan | 1 | 1 | 1 | 2- | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2- | 1 | 1 | 1 |
| Uzbekistan | 2 | 1 | 2 | 2 | 1 | 2- | 2+ | 2- | 2 | 1 | 3- | 1 | 2 | 1 | 1 | 1 |
| **Southern and eastern Mediterranean** | | | | | | | | | | | | | | | | |
| Egypt | 2 | 2 | 2+ | 3 | 1 | 2+ | 2+ | 1 | 2 | 2+ | 2- | 2+ | 2+ | 2- | 2 | 2+ |
| Jordan | 2 | 2+ | 3- | 3+ | 2+ | 2+ | 3 | 2- | 2+ | 3- | 2 | 3 | 2+ | 2+ | 2 | 2 |
| Morocco | 2+ | 3- | 3- | 3+ | 2- | 3 | 2 | 2+ | 3 | 3- | 2 | 3 | 3- | 2+ | 2+ | 3 |
| Tunisia | 3- | 3+ | 3- | 3 | 2 | 3- | 2 | 2 | 2+ | 2+ | 2+ | 2+ | 2+ | 2 | 2- | 2+ |

**Source:** EBRD.

**Note:** The transition indicators range from 1 to 4+, with 1 representing little or no change relative to a rigid centrally planned economy and 4+ representing the standards of an industrialised market economy. For a detailed breakdown of each of the areas of reform, see the methodological notes in the online version of this *Transition Report* (tr.ebrd.com). Upgrades and downgrades are marked by upward and downward arrows respectively. A colour code is used for ease of recognition: green indicates a sector that is at a fairly advanced stage of transition, scoring 3+ or higher. Conversely, dark red denotes sectors where transition has barely advanced and the score is 2 or lower.

There were nine one-notch upgrades this year: electric power (Estonia), urban transport (Moldova), roads (Moldova and the Slovak Republic), MSME finance (Albania, Kosovo, Montenegro and Turkey) and private equity (Serbia). There were 12 downgrades: ICT (Hungary), electric power (Hungary), water and wastewater (Hungary), banking (Hungary and Kazakhstan), private equity (Croatia, Estonia and Latvia) and capital markets (Kazakhstan, Mongolia, Poland and Ukraine). A methodological adjustment in the capital market sector has also led to a number of changes (affecting Bulgaria, Croatia, Jordan, Latvia, Moldova, Montenegro, Morocco, Romania, Serbia and Slovenia), which are not marked as upgrades or downgrades as they do not represent improvements in or the reversal of capital market reforms. Scores for sustainable energy are currently undergoing revision. Please note that not all scores for Cyprus were available at the time of printing, but will be added to the online version of this *Transition Report*.

## Energy

The last few years have been difficult for energy markets in the EBRD region. While some countries have announced reforms, progress with implementation has been slow. In some cases, reforms have even been reversed, leading to six downgrades in the electric power sector in the past two years. With only one downgrade and one upgrade, 2014 may mark a turning point for this sector. However, it is too early to say with certainty, particularly given the increase in energy-related challenges in the region, not least because of the crisis in Ukraine.

Hungary has been downgraded for the third year in a row, this time from 3+ to 3, owing to a further deterioration in market-supporting institutions. Government interference in this sector has continued, especially with regard to tariff setting, reversing earlier tariff liberalisation efforts. The government has announced further price reductions and is continuing unequal treatment among users, with businesses having to pay higher electricity prices than households and public institutions. In addition, the presence of private utilities in the market is actively being reduced as a result of acquisitions by the state-owned incumbent.

In contrast, progress has been made in Estonia, leading to an upgrade from 4 to 4+. This upgrade is mainly driven by the full opening-up of Estonia's electricity market in 2013, in line with the country's EU accession agreement. All customers can now choose their electricity supplier. This was the only major challenge remaining in the area of market structure, meaning that the country has now reached the maximum score in terms of aligning its structures and institutions with those of an energy sector within a well-functioning market economy. This achievement is underpinned by the positive outlook for cross-border trade, especially with the undersea power cable EstLink 2 beginning to operate in 2014. The cable will enhance interconnection and help to increase the flow of electricity between the Baltic states and the Nordic countries.

## Infrastructure

There have been a number of positive developments in the area of infrastructure, leading to three upgrades in the Slovak Republic and Moldova. However, Hungary's increasingly state-oriented and non-commercial approach to economic policy has had a negative effect on the water and wastewater sector, leading to a downgrade. In addition, Bulgaria has been downgraded in regard to urban transport, mainly owing to a number of municipalities returning to providing bus services without private sector involvement.

The downgrade for Hungary in the water and wastewater sector, from 4 to 3+, is related to changes in market-supporting institutions. Legal changes have been adopted which turn for-profit operators into not-for-profit entities, and the country's newly established water regulator is limiting commercial pricing. In addition, private sector participation has fallen from its previously high level. Thus, this sector is moving further away from commercially based mechanisms, effectively jeopardising its long-term financial sustainability.

However, there have been upgrades in the road sector. The score for the Slovak Republic, for example, has increased from 3 to 3+. The public-private partnership (PPP) relating to the R1 motorway has been refinanced via the issuance of bonds – a landmark transaction indicating that this sector is approaching maturity. While this is the only road-related PPP project in the Slovak Republic, its completion and capital refinancing have demonstrated the viability of the PPP mechanism in the country. Moldova has also been upgraded (from 3- to 3), reflecting reforms relating to the funding of road maintenance. These reforms include moves towards formula-based allocation, as well as a substantial increase in allocated funds – resulting in a total of some MDL 1.2 billion (approximately €65 million) for 2014. In addition, more than 30 state-owned maintenance companies have been merged to form 11 larger entities, resulting in much-needed consolidation in the sector.

Similarly, Moldova has seen another important development in the urban transport sector. Public service contracts (PSCs) have been introduced in major cities such as Chisinau and Balti. Early evidence of more regular payments under these contracts reinforces the positive demonstration effect that these may have on other cities. In contrast, while the PSC framework in Bulgaria has also been improved, the city of Sofia's failure to honour contractual obligations in recent years has dampened their demonstration effect. In addition, the return to municipal management of urban bus services in several Bulgarian cities in order to obtain larger EU grants has led to Bulgaria's market structure gap widening from small to medium.

## Financial sectors

While last year's observation that financial sector reforms had proven resilient still holds true, there are some notable exceptions, with three downgrades in the banking sector this year compared with none last year. The difficult economic and socio-political environment has also revealed a number of structural challenges in the micro, small and medium-sized enterprise (MSME), private equity and capital market sectors. However, some improvements have also been observed – particularly in the MSME sector, where improved access to finance for SMEs has triggered a number of upgrades.

In the banking sector, Hungary has been downgraded from 3+ to 3 owing to a number of tax measures that led to cost-cutting and rapid deleveraging among banks. Restitution of certain loan charges made on foreign-currency-denominated retail loans, and uncertainty over the announced future conversion of such loans into domestic currency, have further eroded banks' appetite for lending. The government has announced targets to reduce the role of foreign banks within the sector and to expand the role of state-owned institutions. Non-performing loans (NPLs) stand at about 18 per cent in both corporate and retail loans. While this represents a small reduction, incentives for banks to clean up portfolios remain weak, and there is a need to develop more effective out-of-court restructuring mechanisms. The downgrading of Kazakhstan can be explained by the failure to reduce the high level of NPLs (about 30 per cent), despite the

**TABLE S.2.** Sector-level transition indicators 2014: market structure

| | Corporate sectors | | | | Energy | | | Infrastructure | | | | Financial sectors | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Agribusiness | General industry | Real estate | ICT | Natural resources | Sustainable energy | Electric power | Water and wastewater | Urban transport | Roads | Railways | Banking | Insurance and other financial services | MSME finance | Private equity | Capital markets |
| **Central Europe and the Baltic states** | | | | | | | | | | | | | | | | |
| **Croatia** | Small | Small | Medium | Small | Small | Medium | Large | Medium | Medium | Small | Medium | Small | Small | Medium | Medium | Medium |
| **Estonia** | Small | Negligible | Negligible | Small | Small | Medium | Negligible | Negligible | Small | Medium | Small | Small | Small | Small | Medium | Medium |
| **Hungary** | Small | Small | Small | Small | Small | Medium | Medium | Small | Medium | Small | Medium | Small | Small | Medium | Medium | Medium |
| **Latvia** | Small | Negligible | Small | Small | Medium | Medium | Medium | Small | Small | Medium | Small | Small | Small | Medium | Medium | Medium |
| **Lithuania** | Small | Negligible | Small | Small | Medium | Medium | Medium | Medium | Small | Medium | Medium | Small | Small | Medium | Medium | Medium |
| **Poland** | Small | Small | Small | Small | Medium | Medium | Medium | Small | Small | Small | Small | Small | Small | Medium | Small | Small |
| **Slovak Republic** | Small | Negligible | Small | Small | Small | Medium | Small | Medium | Medium | Small | Small | Small | Small | Medium | Medium | Medium |
| **Slovenia** | Small | Small | Negligible | Small | Small | Small | Medium | Small | Small | Medium | Medium | Medium | Small | Medium | Medium | Medium |
| **South-eastern Europe** | | | | | | | | | | | | | | | | |
| **Albania** | Medium | Medium | Large | Medium | Medium | Small | Large | Large | Medium | Medium | Large | Medium | Large | Medium | Large | Large |
| **Bosnia and Herzegovina** | Medium | Large | Large | Medium | Large | Large | Large | Large | Medium | Medium | Medium | Medium | Medium | Medium | Large | Large |
| **Bulgaria** | Small | Small | Medium | Small | Small | Large | Large | Medium | Medium | Medium | Small | Small | Small | Small | Medium | Medium |
| **Cyprus** | Medium | Negligible | Medium | Small | Medium | Medium | Large | Medium | Medium | Medium | Not applicable | Medium | Small | Not available | Not available | Medium |
| **FYR Macedonia** | Medium | Medium | Large | Small | Medium | Large | Medium | Large | Medium | Medium | Medium | Medium | Medium | Medium | Large | Large |
| **Kosovo** | Medium | Medium | Large | Medium | Medium | Large | Large | Large | Medium | Medium | Medium | Medium | Large | Medium | Large | Large |
| **Montenegro** | Medium | Medium | Medium | Small | Small | Large | Large | Large | Small | Medium | Medium | Medium | Medium | Medium | Large | Large |
| **Romania** | Small | Small | Medium | Small | Small | Medium | Medium | Small | Small | Small | Small | Small | Small | Medium | Medium | Medium |
| **Serbia** | Medium | Medium | Large | Medium | Medium | Large | Large | Large | Medium | Medium | Medium | Medium | Medium | Medium | Medium | Large |
| **Turkey** | Medium | Small | Small | Medium | Medium | Medium | Medium | Large | Medium | Medium | Medium | Medium | Medium | Small | Medium | Negligible |
| **Eastern Europe and the Caucasus** | | | | | | | | | | | | | | | | |
| **Armenia** | Medium | Medium | Large | Medium | Medium | Medium | Medium | Medium | Large | Medium | Medium | Large | Large | Medium | Large | Large |
| **Azerbaijan** | Medium | Large | Large | Large | Large | Large | Large | Large | Large | Medium | Medium | Large | Large | Large | Large | Large |
| **Belarus** | Large | Large | Large | Medium | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large |
| **Georgia** | Medium | Medium | Large | Medium | Large | Medium | Medium | Large | Large | Large | Medium | Medium | Large | Medium | Large | Large |
| **Moldova** | Medium | Medium | Large | Medium | Medium | Large | Medium | Large | Medium | Medium | Large | Large | Large | Large | Large | Large |
| **Ukraine** | Medium | Medium | Large | Medium | Large | Large | Large | Large | Medium | Medium | Medium | Medium | Medium | Large | Medium | Large |
| **Russia** | Medium | Medium | Medium | Medium | Large | Large | Medium | Medium | Small | Medium | Small | Medium | Medium | Large | Medium | Small |
| **Central Asia** | | | | | | | | | | | | | | | | |
| **Kazakhstan** | Medium | Large | Medium | Medium | Large | Large | Large | Large | Medium | Medium | Medium | Medium | Medium | Large | Large | Large |
| **Kyrgyz Republic** | Medium | Large | Large | Large | Large | Large | Medium | Large | Medium | Large | Large | Large | Large | Large | Large | Large |
| **Mongolia** | Medium | Large | Large | Large | Medium | Large | Large | Large | Large | Large | Medium | Large | Large | Medium | Large | Large |
| **Tajikistan** | Medium | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large |
| **Turkmenistan** | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large |
| **Uzbekistan** | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Medium | Large | Large | Large | Large | Large |
| **Southern and eastern Mediterranean** | | | | | | | | | | | | | | | | |
| **Egypt** | Large | Large | Medium | Medium | Large | Large | Large | Large | Large | Large | Large | Medium | Large | Large | Large | Medium |
| **Jordan** | Medium | Medium | Medium | Small | Medium | Large | Medium | Large | Medium | Medium | Large | Small | Medium | Medium | Medium | Large |
| **Morocco** | Medium | Medium | Medium | Small | Large | Medium | Large | Medium | Medium | Medium | Large | Medium | Medium | Medium | Medium | Medium |
| **Tunisia** | Medium | Medium | Medium | Medium | Large | Large | Large | Large | Large | Medium | Large | Medium | Medium | Large | Medium | Medium |

**Source:** EBRD.
**Note:** "Large" indicates a major transition gap. "Negligible" indicates standards and performance that are typical of advanced industrialised economies. A historical revision taking into account the availability of new data has been conducted for Jordan's capital market sector. Please also note the correction for Hungary's railway sector which was previously misreported. In addition, not all gaps for Cyprus were available at the time of printing, but will be added to the online version of this *Transition Report*.

**TABLE S.3.** Sector-level transition indicators 2014: market-supporting institutions

| | Corporate sectors | | | | Energy | | | Infrastructure | | | | Financial sectors | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Agribusiness | General industry | Real estate | ICT | Natural resources | Sustainable energy | Electric power | Water and wastewater | Urban transport | Roads | Railways | Banking | Insurance and other financial services | MSME finance | Private equity | Capital markets |
| **Central Europe and the Baltic states** | | | | | | | | | | | | | | | | |
| **Croatia** | Medium | Small | Small | Small | Small | Medium | Medium | Small | Small | Medium | Medium | Small | Small | Medium | Medium | Small |
| **Estonia** | Medium | Negligible | Negligible | Negligible | Negligible | Medium | Negligible | Small | Medium | Medium | Negligible | Small | Small | Small | Medium | Small |
| **Hungary** | Small | Small | Negligible | Small | Small | Small | Large | Medium | Small | Negligible | Small | Medium | Small | Small | Small | Small |
| **Latvia** | Medium | Small | Negligible | Negligible | Negligible | Small | Negligible | Small | Small | Medium | Negligible | Small | Small | Small | Medium | Small |
| **Lithuania** | Medium | Small | Negligible | Negligible | Negligible | Small | Small | Small | Small | Medium | Small | Small | Small | Small | Medium | Small |
| **Poland** | Small | Small | Small | Negligible | Medium | Small | Negligible | Small | Small | Small | Small | Small | Small | Small | Small | Small |
| **Slovak Republic** | Small | Negligible | Negligible | Small | Small | Small | Small | Small | Small | Medium | Medium | Small | Small | Negligible | Small | Small |
| **Slovenia** | Medium | Small | Negligible | Negligible | Small | Small | Small | Small | Small | Medium | Small | Medium | Small | Small | Medium | Small |
| **South-eastern Europe** | | | | | | | | | | | | | | | | |
| **Albania** | Medium | Medium | Medium | Medium | Medium | Medium | Medium | Large | Large | Medium | Large | Medium | Medium | Medium | Large | Large |
| **Bosnia and Herzegovina** | Medium | Medium | Large | Medium | Large | Large | Large | Large | Large | Medium | Small | Medium | Medium | Medium | Large | Large |
| **Bulgaria** | Medium | Medium | Small | Small | Medium | Small | Medium | Small | Small | Medium | Medium | Medium | Small | Medium | Small | Small |
| **Cyprus** | Medium | Negligible | Small | Small | Medium | Medium | Medium | Small | Small | Medium | Not applicable | Medium | Not available | Medium | Not available | Small |
| **FYR Macedonia** | Medium | Medium | Medium | Small | Medium | Medium | Medium | Large | Large | Medium | Medium | Medium | Medium | Medium | Large | Large |
| **Kosovo** | Large | Large | Large | Medium | Large | Large | Large | Medium | Large | Large | Medium | Medium | Large | Large | Large | Large |
| **Montenegro** | Medium | Medium | Medium | Medium | Small | Medium | Medium | Large | Large | Large | Medium | Medium | Medium | Medium | Large | Medium |
| **Romania** | Medium | Small | Small | Small | Small | Small | Medium | Small | Small | Medium | Small | Small | Small | Small | Small | Small |
| **Serbia** | Medium | Medium | Medium | Medium | Large | Medium | Large | Large | Large | Medium | Small | Medium | Small | Medium | Medium | Medium |
| **Turkey** | Small | Medium | Medium | Small | Small | Medium | Medium | Medium | Medium | Medium | Medium | Small | Small | Medium | Small | Small |
| **Eastern Europe and the Caucasus** | | | | | | | | | | | | | | | | |
| **Armenia** | Medium | Small | Medium | Medium | Medium | Medium | Medium | Medium | Medium | Medium | Large | Medium | Large | Medium | Large | Medium |
| **Azerbaijan** | Medium | Large | Large | Large | Medium | Large | Large | Large | Large | Medium | Large | Large | Medium | Large | Large | Large |
| **Belarus** | Medium | Large | Large | Large | Large | Medium | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large |
| **Georgia** | Medium | Medium | Small | Small | Large | Large | Medium | Large | Large | Medium | Medium | Medium | Medium | Medium | Large | Large |
| **Moldova** | Medium | Large | Medium | Medium | Medium | Small | Large | Large | Medium | Medium | Large | Medium | Medium | Medium | Medium | Large |
| **Ukraine** | Medium | Large | Medium | Medium | Large | Small | Large | Large | Large | Medium | Large | Medium | Medium | Medium | Large | Medium |
| **Russia** | Medium | Medium | Medium | Medium | Large | Medium | Medium | Medium | Medium | Medium | Small | Medium | Medium | Large | Medium | Medium |
| **Central Asia** | | | | | | | | | | | | | | | | |
| **Kazakhstan** | Medium | Large | Small | Medium | Large | Large | Medium | Large | Large | Medium | Medium | Medium | Medium | Large | Medium | Medium |
| **Kyrgyz Republic** | Medium | Medium | Medium | Medium | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large |
| **Mongolia** | Medium | Medium | Large | Medium | Large | Medium | Large | Large | Large | Large | Medium | Medium | Large | Large | Medium | Medium |
| **Tajikistan** | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large |
| **Turkmenistan** | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large |
| **Uzbekistan** | Large | Large | Large | Large | Large | Large | Large | Large | Large | Large | Medium | Large | Large | Large | Large | Large |
| **Southern and eastern Mediterranean** | | | | | | | | | | | | | | | | |
| **Egypt** | Large | Medium | Large | Medium | Large | Medium | Large | Large | Large | Medium | Large | Medium | Medium | Large | Medium | Medium |
| **Jordan** | Large | Large | Medium | Medium | Medium | Medium | Medium | Large | Large | Medium | Large | Medium | Medium | Large | Medium | Large |
| **Morocco** | Medium | Medium | Medium | Medium | Large | Medium | Large | Large | Large | Medium | Medium | Medium | Medium | Large | Medium | Medium |
| **Tunisia** | Medium | Small | Medium | Medium | Large | Medium | Large | Large | Large | Large | Medium | Large | Medium | Large | Large | Medium |

**Source:** EBRD.
**Note:** "Large" indicates a major transition gap. "Negligible" indicates standards and performance that are typical of advanced industrialised economies. A historical revision taking into account the availability of new data has been conducted for Jordan's capital market sector. Please also note the correction for Poland's capital markets sector which was previously misreported. In addition, not all gaps for Cyprus were available at the time of printing, but will be added to the online version of this *Transition Report*.

Central Bank directing its efforts towards solving the problem. In addition, there has been a decline in the percentage of total banking assets that are foreign-owned, driven partly by sales of bank subsidiaries to local competitors. In contrast, Romania's gap for market-supporting institutions has narrowed from medium to small, as banking regulation has been improved (including compulsory stress testing for foreign currency lending).

In the area of MSME lending, the market structure gap has widened from medium to large in Ukraine. This is driven by the fact that there is currently scant MSME lending available, owing to the poor situation of many banks, which are suffering from very high NPL ratios. As a result, the current priority is to clean up banks' balance sheets. This is having a disproportionate effect on MSMEs, not least because they represent the segment with the highest level of NPLs. On the other hand, Turkey has seen its market structure gap narrow from medium to small. This reflects positive developments in terms of increased lending to SMEs, more favourable interest rates and greater availability of alternative financing options in the market. Three other upgrades in Albania, Kosovo and Montenegro have been driven by better access to finance for SMEs, in addition to improvements in the skills of loan officers and lending departments dealing with credit applications by SMEs.

Changes in the private equity sector have been driven mainly by the presence of fund managers in the market, or a lack thereof, particularly in central and eastern Europe. However, they also reflect the availability of private equity more generally. Downgrades in Croatia (from 3- to 2+), Estonia (market structure gap from small to medium) and Latvia (from 3- to 2+) can be explained by unfavourable changes in the number of fund managers – and the types of fund manager – that are investing in these countries. However, there have also been upgrades in both the Slovak Republic and Serbia, where market structure gaps have narrowed from large to medium, as the amount of private equity capital invested has more than doubled in both countries. In addition, in the Slovak Republic the permitted scope of investment for funds has been widened to include assets designated as being distressed or in need of restructuring.

In the capital market sector, a number of changes have been driven by a methodological adjustment that has led to the recalibration of overall scores in order to reflect differences between countries more accurately. The downgrades in Kazakhstan and Poland are linked to pension reforms, which have marginalised the role of private pension funds and had a significant negative effect on the institutional investor base in both countries. In addition, the endemic problems in Kazakhstan's banking sector – see above – have brought a halt to the capital market development observed prior to the financial crisis. In Ukraine, the market structure gap has widened owing to a deterioration of liquidity indicators – in particular, government and corporate bond market indices. In Tunisia, by contrast, a comprehensive development plan for capital markets has been put in place, supporting further progress and leading to a narrowing of the market institutions gap from large to medium.

## Corporate sectors

Progress in the corporate sector continues to be mixed, with both positive and negative developments in the transition region. This year there have been two downgrades and one upgrade.

In general industry, the market institutions gap in Bulgaria has widened from small to medium, reflecting the ongoing deterioration in the business environment. Although foreign firms – manufacturers of automotive parts, for example – continue to show interest in Bulgaria, the weak economic growth in recent years, combined with political turbulence, has led to low levels of both foreign direct investment and domestic investment. The political interference seen in the electric power sector (which was downgraded last year), combined with low feed-in tariffs, is having a significant effect on the corporate sector by discouraging investments in resource efficiency.

Hungary has also suffered a downgrade in the ICT sector, with the market institutions gap widening from negligible – the highest rating – to small. A new special tax on advertising and media services was introduced recently. Even though the special tax on telecommunications operators introduced in 2010 as a temporary measure was phased out as of 2013, it was replaced by a new tax on telecommunications services (telephone calls and text messages). The uncertainties related to frequent changes in sector-specific taxation may affect operators' willingness to invest in network infrastructure and may make the sector less attractive for new investors.

The sole upgrade is observed in the real estate sector, with Montenegro's market institutions gap narrowing from large to medium. This is due mainly to progress in reducing bureaucratic obstacles to obtain building permits. Processes have been significantly streamlined, including the introduction of a one-stop shop, as well as strict time limits for the provision of approval.

Although they have not led to any rating changes this year, significant developments have also been observed in the agribusiness sector across the EBRD region. Examples include plans to move away from highly subsidised food schemes in Egypt, which will, however, be challenging to implement. In addition, efforts to reform land markets have begun in Croatia and Turkey, which may help to prevent the further fragmentation of farm land and facilitate productivity gains. In Russia, a number of ad hoc trade barriers have been introduced. In addition, temporary import bans have been put in place in response to sanctions imposed by the United States and the EU. The potential structural effects of these measures have yet to be assessed.

## Cyprus

Cyprus became an EBRD recipient country in May 2014, so this is the first time that it has been included in this annual assessment of structural reform progress. Despite being an EU member state and relatively advanced in certain sectors, the country faces major challenges in a few very specific areas – particularly in the financial and infrastructure sectors. In these two sectors, its scores range from 3- to 3+. The key challenges in the financial sector span most of the banking industry, with a very high NPL ratio of around 50 per cent, low levels of funding and a need to push through further restructuring. These problems are restricting companies' access to finance, particularly in the case of SMEs, while alternative financial products are not readily available in the market. In the infrastructure sector, wider private-sector participation – for example via PPPs and the introduction of performance-based contracts – remain a challenge. In the corporate sector, market structures and institutions appear to be more robust, particularly in the general industry and the ICT sectors, which have scores of at least 4-. However, specific challenges relating to privatisation and corporate restructuring remain.

## Inclusion

Given the importance of economic inclusion for the development of sustainable economic systems, the EBRD assesses the level of inclusion across a range of market sectors in the countries where it works. This assessment was carried out for the first time last year, and Chapter 5 of the *Transition Report 2013* provides a detailed explanation of the rationale behind it, as well as the methodology used. Of the three existing measures of inclusion, only the gender gaps and youth gaps have been updated this year. The regional gaps will be updated once the results of the next *Life in Transition Survey* – which is scheduled for 2015 – are available.

Most of the changes in the assessment of gender gaps relate to health services and education. In the area of health services, they result from slight improvements in maternal mortality, particularly in the majority of southern and eastern Mediterranean (SEMED) countries (namely Egypt, Jordan and Morocco), as well as in Georgia, Kazakhstan, Moldova, Mongolia, Russia, Serbia, Turkmenistan and Ukraine. However, Lithuania has been downgraded from small to medium owing to a slight increase in maternal mortality. Meanwhile, three countries (Azerbaijan, Belarus and Uzbekistan) have made some progress in education by closing the gender gap in terms of enrolment in and completion of secondary and tertiary education, leading to upgrades. At the same time, completion rates for primary education have decreased among the female population of Bulgaria, Jordan and Romania, leading to downgrades. In the areas of labour practices, access to finance, and employment and firm ownership, gender gaps remain medium to large overall (particularly in the SEMED countries, where gaps are large across all three dimensions).

As regards youth gaps, most upgrades and downgrades are concentrated in the fields of education, financial inclusion and labour market structure. There have been a few upgrades in terms of the quality and quantity of education, driven by better PISA scores (Albania and Montenegro) or increases in the number of years of schooling (Bulgaria, Jordan, Latvia and Romania). Changes to the flexibility of hiring, firing and wage determination in the labour market have led to three downgrades (Bosnia and Herzegovina, Georgia and Romania) and two upgrades (Estonia and Hungary). In terms of financial inclusion, changes generally reflect improvements in the area of access to financial services, resulting in just one downgrade (Georgia) and four upgrades (Jordan, Latvia, FYR Macedonia and the Kyrgyz Republic). Opportunities for young people have not changed much in the past year, so gaps remain large in a number of countries, particularly in the SEMED region, as well as south-eastern Europe.

## Country-level transition indicators

Alongside the sector-level transition scores discussed above, the traditional country-level transition indicators – which cover cross-cutting issues such as privatisation, liberalisation and governance – have been retained (see Table S.7). However, only a few developments in the past year have warranted changes to those scores, either up or down. There have been just three changes: a downgrade for Russia in the area of trade and foreign exchange, and upgrades for Croatia and Montenegro in the area of competition policy.

Russia's downgrade comes against the backdrop of Western sanctions resulting from the crisis in Ukraine and the countermeasures adopted by Russia in response. The Russian authorities have introduced a one-year import ban with effect from August 2014 targeting EU food products. Separate measures include a ban on imports of Ukrainian food products, including dairy and confectionery. In addition, a number of temporary measures have been adopted over the past year that affect agricultural and manufacturing imports. As a result, Russia's score has been reduced from 4 to 4-.

Meanwhile, Croatia has been upgraded from 3 to 3+ in the area of competition in light of the country's accession to the EU and the important amendments to the country's Competition Act that entered into force in mid-2013. These amendments include the provision of greater clarity regarding the separation of powers and responsibilities between the competition authority and the courts. Croatia has also strengthened the procedures governing raids conducted by the competition authority, which may be associated with firmer and more frequent enforcement of antitrust rules. In Montenegro, the establishment of a fully independent competition authority has led to an upgrade of the competition policy indicator from 2 to 2+. This upgrade is underpinned by signs of increasing prosecution of cartels, despite deficiencies in terms of resources and the resulting enforcement levels.

**TABLE S.4.** Inclusion gaps for gender

| | Legal regulations | Health services | Education | Labour policy | Labour practices | Employment and firm ownership | Access to finance |
|---|---|---|---|---|---|---|---|
| **Central Europe and the Baltic states** | | | | | | | |
| Croatia | Negligible | Small | Negligible | Medium | Large | Small | Small |
| Estonia | Negligible | Small | Negligible | Small | Large | Medium | Medium |
| Hungary | Negligible | Small | Negligible | Negligible | Medium | Medium | Medium |
| Latvia | Small | Medium | Negligible | Small | Large | Medium | Small |
| Lithuania | Negligible | Medium | Negligible | Small | Medium | Medium | Medium |
| Poland | Small | Small | Negligible | Small | Medium | Medium | Medium |
| Slovak Republic | Small | Small | Negligible | Small | Medium | Medium | Medium |
| Slovenia | Negligible | Small | Negligible | Small | Medium | Medium | Small |
| **South-eastern Europe** | | | | | | | |
| Albania | Negligible | Medium | Small | Small | Large | Large | Large |
| Bosnia and Herzegovina | Negligible | Medium | Negligible | Medium | Large | Large | Medium |
| Bulgaria | Negligible | Small | Small | Small | Large | Medium | Medium |
| Cyprus | Not available | Medium | Negligible | Not available | Not available | Small | Large |
| FYR Macedonia | Small | Medium | Small | Small | Large | Medium | Medium |
| Kosovo | Not available | Not available | Not available | Not available | Not available | Not available | Large |
| Montenegro | Small | Medium | Negligible | Medium | Large | Medium | Medium |
| Romania | Negligible | Medium | Small | Small | Large | Medium | Medium |
| Serbia | Small | Small | Negligible | Medium | Large | Large | Small |
| Turkey | Small | Small | Medium | Small | Large | Large | Large |
| **Eastern Europe and the Caucasus** | | | | | | | |
| Armenia | Medium | Medium | Negligible | Small | Large | Large | Medium |
| Azerbaijan | Negligible | Medium | Negligible | Medium | Large | Medium | Large |
| Belarus | Small | Small | Negligible | Medium | Large | Small | Medium |
| Georgia | Small | Medium | Negligible | Small | Large | Medium | Small |
| Moldova | Small | Small | Negligible | Small | Large | Small | Medium |
| Ukraine | Small | Small | Negligible | Small | Large | Medium | Medium |
| Russia | Small | Small | Negligible | Medium | Large | Medium | Medium |
| **Central Asia** | | | | | | | |
| Kazakhstan | Small | Medium | Negligible | Medium | Large | Large | Medium |
| Kyrgyz Republic | Medium | Large | Negligible | Medium | Large | Medium | Small |
| Mongolia | Small | Medium | Negligible | Medium | Large | Medium | Small |
| Tajikistan | Medium | Large | Medium | Small | Large | Medium | Large |
| Turkmenistan | Large | Medium | Small | Medium | Large | Large | Not available |
| Uzbekistan | Medium | Medium | Small | Medium | Large | Large | Large |
| **Southern and eastern Mediterranean** | | | | | | | |
| Egypt | Medium | Medium | Medium | Medium | Large | Large | Large |
| Jordan | Medium | Medium | Small | Medium | Large | Large | Large |
| Morocco | Medium | Medium | Medium | Medium | Large | Large | Large |
| Tunisia | Small | Medium | Small | Small | Large | Large | Large |
| **Comparator countries** | | | | | | | |
| France | Negligible | Small | Negligible | Small | Medium | Medium | Medium |
| Germany | Negligible | Small | Negligible | Negligible | Medium | Small | Medium |
| Italy | Negligible | Small | Negligible | Small | Medium | Large | Large |
| Sweden | Negligible | Small | Negligible | Negligible | Medium | Small | Medium |
| United Kingdom | Negligible | Small | Negligible | Small | Medium | Medium | Medium |

**Source:** EBRD.
**Note:** Methodological changes have been made in the following areas: employment and firm ownership, access to finance and labour practices. These are driven mainly by amendments to the BEEPS questionnaire. Please refer to the methodological notes in the online version of this *Transition Report* (tr.ebrd.com) for further details.

**TABLE S.5.** Inclusion gaps for youth

| | Labour market structure | Opportunities for youth | Quantity of education | Quality of education | Financial inclusion |
|---|---|---|---|---|---|
| **Central Europe and the Baltic states** | | | | | |
| Croatia | Medium | Large | Small | Medium | Medium |
| Estonia | Small | Medium | Negligible | Medium | Small |
| Hungary | Medium | Medium | Negligible | Small | Medium |
| Latvia | Small | Medium | Negligible | Medium | Small |
| Lithuania | Medium | Medium | Small | Medium | Large |
| Poland | Medium | Medium | Small | Medium | Medium |
| Slovak Republic | Medium | Large | Small | Large | Medium |
| Slovenia | Medium | Small | Small | Small | Negligible |
| **South-eastern Europe** | | | | | |
| Albania | Medium | Large | Small | Medium | Negligible |
| Bosnia and Herzegovina | Medium | Large | Medium | Not available | Small |
| Bulgaria | Small | Large | Negligible | Medium | Small |
| Cyprus | Small | Large | Small | Medium | Medium |
| FYR Macedonia | Medium | Large | Medium | Large | Small |
| Kosovo | Not available | Not available | Not available | Not available | Not available |
| Montenegro | Medium | Large | Small | Medium | Medium |
| Romania | Small | Large | Negligible | Medium | Small |
| Serbia | Small | Large | Large | Medium | Large |
| Turkey | Medium | Large | Large | Medium | Large |
| **Eastern Europe and the Caucasus** | | | | | |
| Armenia | Small | Large | Small | Medium | Negligible |
| Azerbaijan | Medium | Large | Small | Large | Small |
| Belarus | Not available | Medium | Negligible | Not available | Medium |
| Georgia | Small | Large | Negligible | Medium | Medium |
| Moldova | Medium | Large | Small | Large | Negligible |
| Ukraine | Medium | Small | Small | Large | Negligible |
| Russia | Medium | Medium | Negligible | Medium | Medium |
| **Central Asia** | | | | | |
| Kazakhstan | Small | Medium | Small | Large | Medium |
| Kyrgyz Republic | Medium | Large | Medium | Large | Negligible |
| Mongolia | Small | Medium | Large | Not available | Small |
| Tajikistan | Medium | Medium | Small | Not available | Negligible |
| Turkmenistan | Not available | Not available | Small | Not available | Negligible |
| Uzbekistan | Not available | Not available | Small | Not available | Small |
| **Southern and eastern Mediterranean** | | | | | |
| Egypt | Medium | Large | Large | Not available | Negligible |
| Jordan | Small | Large | Medium | Medium | Medium |
| Morocco | Medium | Large | Large | Large | Medium |
| Tunisia | Medium | Large | Large | Large | Small |
| **Comparator countries** | | | | | |
| France | Medium | Medium | Negligible | Small | Medium |
| Germany | Medium | Negligible | Small | Small | Negligible |
| Italy | Medium | Large | Negligible | Medium | Large |
| Sweden | Medium | Medium | Small | Small | Small |
| United Kingdom | Small | Medium | Small | Small | Negligible |

**Source:** EBRD.
**Note:** Methodological changes have been made in the following areas: opportunities for youth and financial inclusion. These are driven mainly by the availability of new data. Please refer to the methodological notes in the online version of this *Transition Report* (tr.ebrd.com) for further details.

**TABLE S.6.** Inclusion gaps for regions

| | Institutions | Access to services | Labour markets | Education |
|---|---|---|---|---|
| **Central Europe and the Baltic states** | | | | |
| Croatia | Medium | Medium | Small | Medium |
| Estonia | Small | Medium | Negligible | Small |
| Hungary | Medium | Small | Large | Small |
| Latvia | Small | Medium | Small | Medium |
| Lithuania | Medium | Large | Small | Small |
| Poland | Medium | Medium | Medium | Small |
| Slovak Republic | Medium | Small | Medium | Small |
| Slovenia | Small | Negligible | Small | Small |
| **South-eastern Europe** | | | | |
| Albania | Medium | Medium | Large | Small |
| Bosnia and Herzegovina | Large | Large | Large | Small |
| Bulgaria | Medium | Medium | Medium | Medium |
| Cyprus | Not available | Not available | Not available | Not available |
| FYR Macedonia | Small | Medium | Large | Large |
| Kosovo | Medium | Large | Large | Small |
| Montenegro | Medium | Medium | Large | Small |
| Romania | Medium | Large | Medium | Medium |
| Serbia | Large | Medium | Large | Large |
| Turkey | Medium | Large | Medium | Large |
| **Eastern Europe and the Caucasus** | | | | |
| Armenia | Medium | Medium | Large | Medium |
| Azerbaijan | Medium | Small | Large | Small |
| Belarus | Medium | Negligible | Small | Negligible |
| Georgia | Negligible | Large | Large | Medium |
| Moldova | Medium | Large | Large | Large |
| Ukraine | Medium | Medium | Medium | Small |
| Russia | Medium | Small | Small | Medium |
| **Central Asia** | | | | |
| Kazakhstan | Small | Small | Medium | Medium |
| Kyrgyz Republic | Medium | Large | Medium | Small |
| Mongolia | Negligible | Medium | Medium | Medium |
| Tajikistan | Medium | Large | Large | Small |
| Turkmenistan | Not available | Not available | Not available | Not available |
| Uzbekistan | Large | Medium | Large | Large |
| **Southern and eastern Mediterranean** | | | | |
| Egypt | Not available | Not available | Not available | Large |
| Jordan | Not available | Not available | Not available | Small |
| Morocco | Not available | Not available | Not available | Large |
| Tunisia | Not available | Not available | Not available | Not available |
| **Comparator countries** | | | | |
| France | Negligible | Medium | Medium | Medium |
| Germany | Negligible | Large | Negligible | Medium |
| Italy | Large | Medium | Negligible | Small |
| Sweden | Medium | Small | Small | Small |
| United Kingdom | Medium | Small | Small | Large |

**Source:** EBRD.
**Note:** Please note that the regional gaps have not been updated this year, as they are largely based on the results of the EBRD-World Bank *Life in Transition Survey*, the next round of which is scheduled for 2015.

**TABLE S.7.** Country-level transition indicators 2014

| | Enterprises | | | Markets and trade | | |
|---|---|---|---|---|---|---|
| | Large-scale privatisation | Small-scale privatisation | Governance and enterprise restructuring | Price liberalisation | Trade and foreign exchange system | Competition policy |
| **Central Europe and the Baltic states** | | | | | | |
| Croatia | 4- | 4+ | 3+ | 4 | 4+ | 3+ ↑ |
| Estonia | 4 | 4+ | 4- | 4+ | 4+ | 4- |
| Hungary | 4 | 4+ | 4- | 4 | 4 | 3+ |
| Latvia | 4- | 4+ | 3+ | 4+ | 4+ | 4- |
| Lithuania | 4 | 4+ | 3 | 4+ | 4+ | 4- |
| Poland | 4- | 4+ | 4- | 4+ | 4+ | 4- |
| Slovak Republic | 4 | 4+ | 4- | 4+ | 4 | 3+ |
| Slovenia | 3 | 4+ | 3 | 4 | 4+ | 3- |
| **South-eastern Europe** | | | | | | |
| Albania | 4- | 4 | 2+ | 4+ | 4+ | 2+ |
| Bosnia and Herzegovina | 3 | 3 | 2 | 4 | 4 | 2+ |
| Bulgaria | 4 | 4 | 3- | 4+ | 4+ | 3 |
| Cyprus | 4- | 4+ | 3 | 4+ | 4+ | 4- |
| FYR Macedonia | 3+ | 4 | 3- | 4+ | 4+ | 3- |
| Kosovo | 2- | 3+ | 2 | 4 | 4 | 2+ |
| Montenegro | 3+ | 4- | 2+ | 4 | 4+ | 2+ ↑ |
| Romania | 4- | 4- | 3- | 4+ | 4+ | 3+ |
| Serbia | 3- | 4- | 2+ | 4 | 4 | 2+ |
| Turkey | 3+ | 4 | 3- | 4 | 4+ | 3 |
| **Eastern Europe and the Caucasus** | | | | | | |
| Armenia | 4- | 4 | 2+ | 4 | 4+ | 2+ |
| Azerbaijan | 2 | 4- | 2 | 4 | 4 | 2- |
| Belarus | 2- | 2+ | 2- | 3 | 2+ | 2 |
| Georgia | 4 | 4 | 2+ | 4+ | 4+ | 2 |
| Moldova | 3 | 4 | 2 | 4 | 4+ | 2+ |
| Ukraine | 3 | 4 | 2+ | 4 | 4 | 2+ |
| Russia | 3 | 4 | 2+ | 4 | 4- ↓ | 3- |
| **Central Asia** | | | | | | |
| Kazakhstan | 3 | 4 | 2 | 4- | 4- | 2 |
| Kyrgyz Republic | 4- | 4 | 2 | 4+ | 4+ | 2 |
| Mongolia | 3+ | 4 | 2 | 4+ | 4+ | 3- |
| Tajikistan | 2+ | 4 | 2 | 4 | 4- | 2- |
| Turkmenistan | 1 | 2+ | 1 | 3 | 2+ | 1 |
| Uzbekistan | 3- | 3+ | 2- | 3- | 2- | 2- |
| **Southern and eastern Mediterranean** | | | | | | |
| Egypt | 3 | 4- | 2 | 3+ | 4 | 2- |
| Jordan | 3 | 4- | 2+ | 4- | 4+ | 2 |
| Morocco | 3+ | 4- | 2+ | 4 | 4- | 2 |
| Tunisia | 3 | 4- | 2 | 4 | 4 | 3- |

**Source:** EBRD.
**Note:** The transition indicators range from 1 to 4+, with 1 representing little or no change relative to a rigid centrally planned economy and 4+ representing the standards of an industrialised market economy. For a detailed breakdown of each of the areas of reform, see the methodological notes in the online version of this *Transition Report* (tr.ebrd.com). Upward and downward arrows indicate one-notch upgrades and downgrades relative to the previous year.