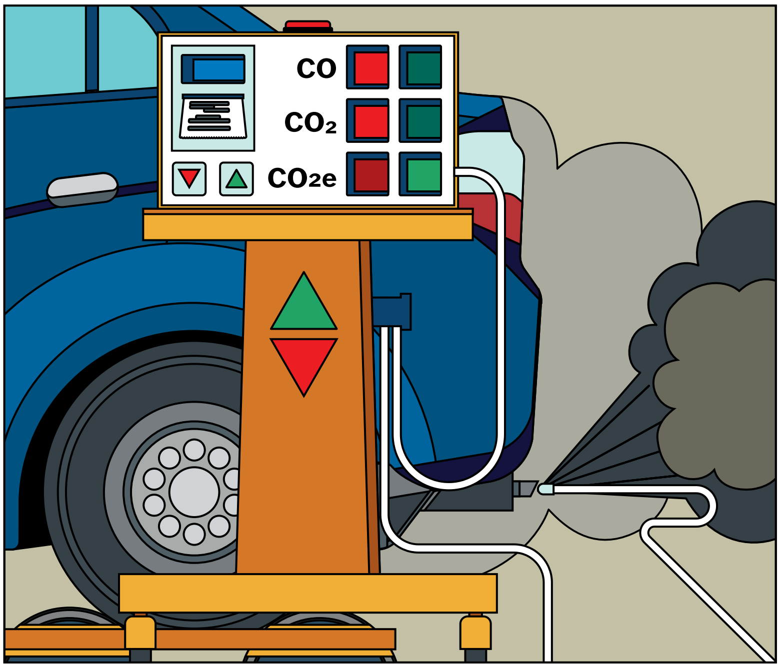
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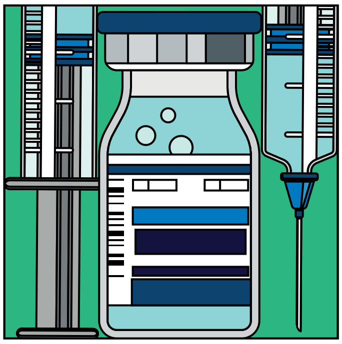

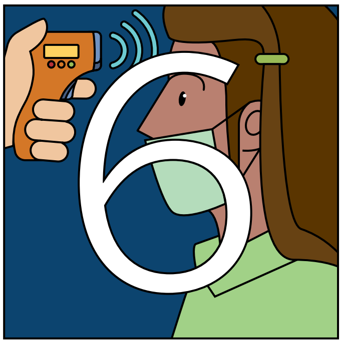
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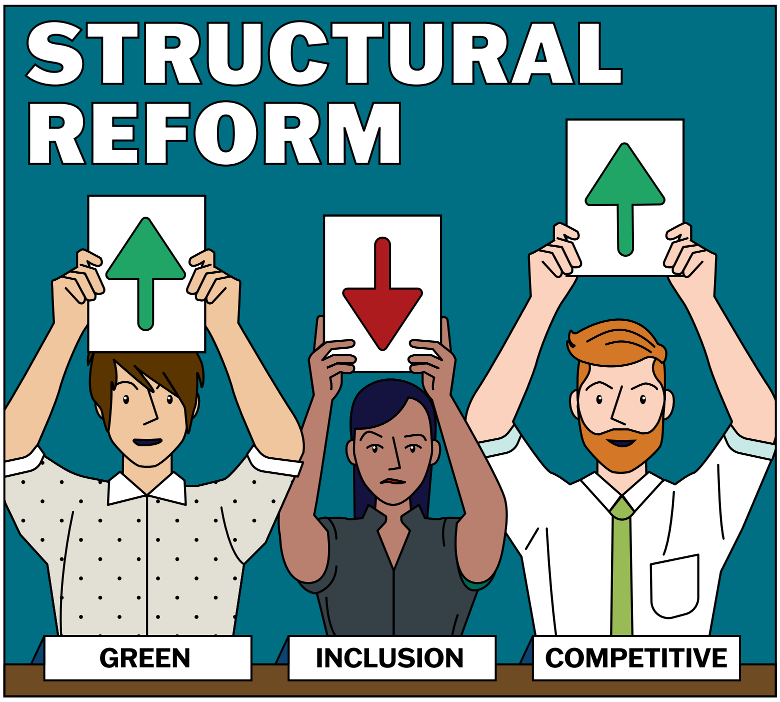
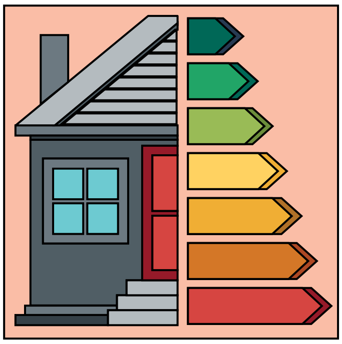
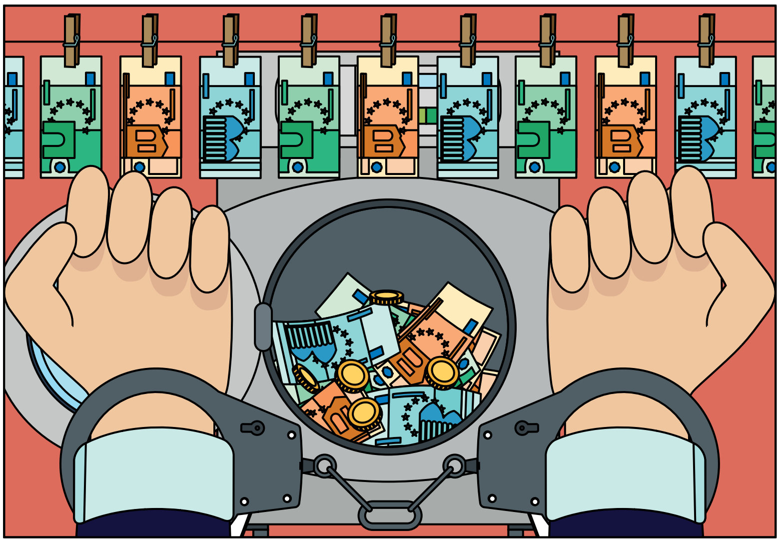

STRUCTURAL
REFORM
GREEN
INCLUSION
COMPETITIVE





This section of the report presents updated transition scores for the economies in the EBRD regions and discusses reforms carried out by governments over the last year. While the Covid-19 pandemic has caused substantial economic turmoil in the EBRD regions, many governments have continued to push ahead with reform measures or have restarted reform efforts that were temporarily on hold owing to the increased uncertainty. Reforms have continued to be implemented in areas such as competitiveness, governance and energy efficiency, with transition scores capturing the gradual improvements seen in those areas. At the same time, however, several economies have seen the reversal of previous reforms, resulting in declining scores, with performance gaps and reform needs remaining acute in many cases.

Introduction

Over the last year, governments and policymakers across the EBRD regions have been preoccupied with dealing with the Covid-19 pandemic and its fallout. As detailed elsewhere in this report and in the online country assessments, the pandemic caused most countries' economies to contract in 2020 and necessitated the development of comprehensive response packages, thus diverting attention away from reform agendas. The pandemic has also had important implications for the sustainability of economies, resulting in significant turmoil and uncertainty in the financial sector. Unemployment has increased, damaging efforts to make societies more inclusive. Border and trade restrictions have created problems for established production networks and global supply chains and have set back the process of integration. However, most economies are now bouncing back in 2021, allowing a renewed focus on reforms and a reversal of some of the most damaging effects of the pandemic. Encouragingly, the analysis in this section shows that many countries have pushed ahead with their reform agendas and continued to carry out important structural reforms.

The assessment in this section focuses on six qualities of a sustainable market economy, looking at whether economies are competitive, well-governed, green, inclusive, resilient and integrated. Analysis of changes to "assessment of transition qualities" (ATQ) scores over the last year points to a number of specific developments across the EBRD regions.[1] Across those six qualities, increases in scores have been concentrated mainly in central Europe and the Baltic states (CEB), south-eastern Europe (SEE) and Central Asia, while declines have been observed primarily in eastern Europe and the Caucasus (EEC) and the southern and eastern Mediterranean (SEMED). Improvements have been observed mainly for governance, green and resilience scores, while declines have tended to be concentrated in scores for inclusion (see Chart S.1 and Table S.1).[2]

Competitiveness scores have improved moderately across the EBRD regions over the last year. This is primarily the result of continued incremental improvements in the business environment and increases in credit to the private sector. Over the period 2016-21, most economies have made steady progress in terms of improving the business climate and SMEs' access to finance, supporting the knowledge economy and improving the skills base in the labour force. Despite those broad-based gains, competitiveness scores have deteriorated in a few countries (most notably Lebanon and Ukraine), driven by the declining complexity of economic activity, a worsening of trade conditions and falling labour productivity.

[1] For each quality, progress with transition is assessed on a scale ranging from 1 (worst possible performance) to 10 (frontier representing the standards of a sustainable market economy). ATQ scores are based on a wide range of external and internal data sources and calculated in accordance with a detailed methodology. See https://2021.tr-ebrd.com/reform/ for a detailed description of that methodology.

[2] Many of the underlying datasets on which ATQ scores are based are updated irregularly or with time lags. For that reason, some ATQ scores may not capture recent reforms. Consequently, a medium-term perspective covering the period 2016-21 gives a better indication of economies' trajectories in terms of reforms and structural changes. With that in mind, the discussion in this section looks at changes to scores over the last year and over the period 2016-21.

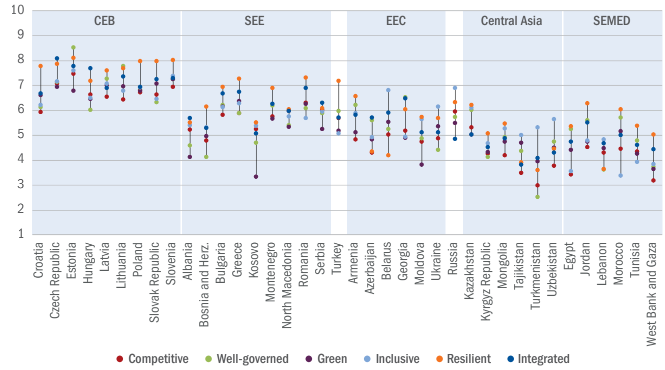
Governance scores, too, have mostly improved over the last year, albeit with a few notable exceptions. Scores have increased significantly in a number of economies in the CEB region (the Czech Republic, Estonia, Latvia and Lithuania), as well as Egypt, Kazakhstan, Ukraine and Uzbekistan. At the same time, notable deteriorations have been observed in Jordan and Tunisia. Over the period 2016-21, developments have been more mixed, with improvements in Armenia, Azerbaijan, Egypt and Lithuania, and deteriorations in Albania, Bosnia and Herzegovina, Lebanon, Mongolia, North Macedonia and Poland. Improvements have been driven mainly by increased compliance with standards aimed at tackling money laundering and the financing of terrorism (AML/CFT standards), greater protection of private and intellectual property rights, improved frameworks for challenging regulations and greater participation in e-government. Deteriorations primarily reflect gradual declines for indicators measuring the effectiveness of the courts, informality, perceived corruption and frameworks for challenging regulations. In Poland, the score for judicial independence has also declined significantly.

Green scores have also generally improved over the last year following the renewal of commitments to the 2015 Paris Agreement in a number of countries in the SEE region (Bosnia and Herzegovina, Bulgaria, Greece, Montenegro, North Macedonia and Romania) and the CEB region. Meanwhile, a lack of progress with carbon-pricing mechanisms has led to modest declines in Egypt, Jordan and Turkmenistan. A similar trend can be observed over the period 2016-21, with scores improving significantly in a number of CEB economies, as well as Bulgaria, Montenegro, North Macedonia, Romania and Uzbekistan.

Inclusion scores have deteriorated in a number of economies. In Azerbaijan, Croatia, Georgia, Tajikistan and the West Bank and Gaza, gender inclusion scores have declined over the last year, while youth inclusion scores have deteriorated in Bosnia and Herzegovina, Bulgaria, Kazakhstan, Russia and Serbia. In contrast, Jordan's inclusion score has improved over the last year. Developments over the period 2016-21 are mixed, with inclusion scores declining in Croatia, the Czech Republic, Kazakhstan and Serbia, but improving markedly in Azerbaijan, Montenegro and Tajikistan.

ATQ scores for **energy resilience** have increased in Croatia, Estonia, Morocco and Serbia over the last year as a result of improvements in regulation and progress with the restructuring of the energy sector. Meanwhile, **financial resilience** scores have improved in most economies, driven by improved capital adequacy ratios and increased banking-sector activity, as well as progress with risk management practices and corporate governance frameworks. However, financial resilience scores have declined in Belarus and Lebanon, reflecting significant

CHART S.1. ATQ scores for six qualities of a sustainable market economy, 2021



Source: EBRD.
Note: Scores range from 1 to 10, where 10 denotes the synthetic frontier for each quality.

vulnerabilities in the Belarusian financial sector and Lebanon's multi-faceted crisis. Over the period 2016-21, financial resilience scores have improved in a number of economies, driven by declining NPL ratios and progress with legal and regulatory frameworks.

Integration scores have improved in a few economies (including Estonia, Mongolia and Uzbekistan) over the last year. Such gains have typically been modest and reflect improvements in FDI inflows and the declining cost of cross-border trade. Over the period 2016-21, the EBRD regions have seen continued increases in integration, driven by improvements in ICT infrastructure and increases in trade volumes.

Competitive

Over the last year, competitiveness scores have improved – albeit modestly – in most economies in the EBRD regions, driven primarily by improvements in the business environment and increases in credit to the private sector. The most notable improvements have been seen in countries with lower initial scores (particularly Jordan, Tajikistan and Turkmenistan). Only Poland has seen its score decline – a development that reflects a modest deterioration in the business environment, as well as a decline in credit to the private sector. Meanwhile, Lebanon has seen declines in a number of business environment indicators over the last year (reflecting increases in the difficulty of setting up a new business and dealing with insolvency). That deterioration has been exacerbated by soaring inflation, significant weakening of the local currency and severe shortages of foreign currency.

TABLE S.1. ATQ scores for six qualities of a sustainable market economy

	Competitive			Well-governed			Green			Inclusive			Resilient			Integrated		
	2021	2020	2016	2021	2020	2016	2021	2020	2016	2021	2020	2016	2021	2020	2016	2021	2020	2016
Central Europe and the Baltic states																		
Croatia	5.92	5.86	5.83	6.12	6.08	6.18	6.62	6.25	5.83	6.22	6.33	6.49	7.77	7.76	7.29	6.68	6.66	6.57
Czech Republic	7.07	7.05	6.93	7.13	7.01	6.89	6.95	6.71	6.39	7.17	7.20	7.37	7.86	7.93	7.95	8.08	8.09	7.97
Estonia	7.46	7.46	7.36	8.52	8.38	8.43	6.78	6.41	6.22	7.60	7.62	7.59	8.11	8.01	7.87	7.78	7.53	7.51
Hungary	6.64	6.61	6.47	6.02	6.04	5.79	6.46	6.09	5.96	6.51	6.52	6.71	7.19	7.02	6.99	7.69	7.65	7.64
Latvia	6.54	6.54	6.43	7.27	7.01	6.82	7.00	6.62	6.15	7.07	7.08	7.17	7.60	7.48	7.41	6.89	6.94	7.32
Lithuania	6.44	6.44	6.47	7.77	7.40	7.20	6.96	6.59	6.34	6.78	6.85	6.82	7.68	7.53	7.47	7.35	7.31	7.24
Poland	6.72	6.73	6.66	6.83	6.86	7.26	6.79	6.42	6.44	6.92	6.91	6.78	7.98	7.89	7.93	6.95	6.99	6.81
Slovak Republic	6.63	6.60	6.54	6.32	6.36	6.21	7.07	6.69	6.60	6.45	6.51	6.43	7.98	7.86	7.82	7.25	7.26	7.41
Slovenia	6.95	6.94	6.85	7.26	7.22	7.10	7.26	6.89	6.58	7.39	7.43	7.38	8.02	7.72	7.74	7.29	7.26	7.13
South-eastern Europe																		
Albania	5.22	5.18	4.85	4.59	4.51	5.16	4.13	4.13	4.16	5.39	5.35	5.33	5.51	5.43	5.18	5.69	5.69	5.53
Bosnia and Herzegovina	4.78	4.77	4.85	4.12	4.04	4.52	4.95	4.71	4.56	5.32	5.39	5.41	6.14	6.11	5.85	5.30	5.31	5.08
Bulgaria	5.83	5.82	5.69	6.22	6.18	5.88	6.15	5.78	5.35	6.13	6.30	6.18	6.95	6.80	7.04	6.68	6.71	6.93
Greece	5.88	5.84	5.94	5.89	5.83	5.62	6.36	5.99	5.98	6.29	6.25	6.13	7.27	7.29	6.87	6.75	6.79	6.13
Kosovo	5.24	5.20	4.53	4.69	4.64	4.81	3.34	3.33	3.17	5.38	5.35	5.33	5.51	5.49	5.11	5.08	5.08	4.66
Montenegro	5.76	5.71	5.32	6.19	6.27	5.83	5.66	5.31	5.08	6.26	6.20	6.00	6.90	6.78	6.34	6.26	6.25	5.74
North Macedonia	5.97	5.95	5.78	5.41	5.42	5.77	5.33	4.96	4.45	5.76	5.77	5.72	6.03	6.10	5.64	5.98	5.97	5.67
Romania	6.31	6.28	6.04	6.08	6.03	5.92	6.25	5.88	5.70	5.68	5.65	5.58	7.31	7.29	7.22	6.90	6.87	6.71
Serbia	6.01	5.94	5.68	5.88	5.78	5.63	5.25	5.12	4.91	5.96	6.11	6.21	6.09	5.99	5.96	6.31	6.26	6.16
Turkey	5.68	5.62	5.48	5.97	5.92	6.08	5.18	5.18	4.98	5.06	4.98	4.95	7.19	7.21	7.36	5.72	5.69	5.87
Eastern Europe and the Caucasus																		
Armenia	4.82	4.74	4.51	6.22	6.13	5.72	5.11	5.09	4.90	5.88	5.85	5.75	6.56	6.60	6.23	5.83	5.85	5.36
Azerbaijan	4.30	4.23	4.17	5.61	5.56	5.10	4.83	4.82	4.60	4.92	5.02	4.73	4.34	4.26	4.12	5.70	5.81	5.55
Belarus	5.03	5.01	4.55	5.25	5.27	4.78	5.53	5.53	5.49	6.82	6.81	6.74	4.18	4.30	3.80	5.91	5.87	5.51
Georgia	5.18	5.18	4.69	6.53	6.50	6.54	4.90	4.90	4.71	4.94	5.14	5.12	6.04	6.13	5.49	6.47	6.57	6.13
Moldova	4.75	4.72	4.69	4.88	4.86	4.55	3.81	3.81	3.66	5.64	5.58	5.65	5.74	5.80	5.31	5.12	5.16	5.10
Ukraine	4.87	4.86	5.01	4.42	4.25	4.09	5.36	5.22	4.99	6.16	6.17	6.18	5.68	5.93	4.93	5.11	5.08	4.85
Russia	5.95	5.90	5.57	5.73	5.70	5.42	5.49	5.26	5.01	6.89	6.97	6.81	6.33	6.31	6.25	4.84	4.83	4.92
Central Asia																		
Kazakhstan	5.32	5.29	5.14	6.02	5.86	5.64	5.02	5.03	4.65	6.11	6.38	6.35	6.21	6.14	6.28	5.03	5.00	4.95
Kyrgyz Republic	4.25	4.19	3.90	4.13	4.14	4.09	4.33	4.14	3.92	4.68	4.66	4.84	5.08	5.11	5.16	4.51	4.53	4.52
Mongolia	4.20	4.20	4.11	4.92	4.95	5.30	4.75	4.74	4.61	5.27	5.23	5.40	5.47	5.41	5.44	4.88	4.75	4.92
Tajikistan	3.48	3.35	3.25	4.36	4.36	4.00	4.70	4.69	4.62	5.01	5.13	4.66	3.91	3.96	3.61	3.81	3.84	3.39
Turkmenistan	2.99	2.88	2.91	2.52	2.43	2.52	3.94	4.03	3.94	5.32	5.36	5.32	3.60	3.58	3.59	4.09	4.04	4.08
Uzbekistan	3.77	3.71	3.50	4.73	4.63	4.55	4.49	4.48	3.93	5.64	5.58	5.61	4.45	4.47	4.03	4.30	4.09	3.62
Southern and eastern Mediterranean																		
Egypt	3.41	3.34	3.44	5.25	5.03	4.52	4.40	4.51	4.26	3.56	3.55	3.59	5.35	5.37	4.94	4.75	4.79	4.34
Jordan	4.52	4.27	4.15	5.60	5.76	5.72	4.73	4.93	4.96	4.78	4.62	4.67	6.28	6.15	5.55	5.52	5.54	5.79
Lebanon	4.29	4.29	4.45	3.61	3.68	3.84	4.47	4.36	4.36	4.83	4.83	4.95	3.63	3.95	4.03	4.67	4.66	4.79
Morocco	4.46	4.43	4.08	5.72	5.75	5.34	5.16	5.16	5.23	3.37	3.30	3.45	6.05	6.02	5.65	5.01	4.99	4.97
Tunisia	4.34	4.27	4.24	4.79	4.98	5.05	4.26	4.27	4.10	3.93	3.90	4.06	5.38	5.03	4.93	4.60	4.59	4.41
West Bank and Gaza	3.18	3.16	3.06	3.72	3.77	3.65	3.64	3.64	3.72	3.83	3.90	3.95	5.02	4.95	4.82	4.70	4.44	4.43

Source: EBRD.
Note: Scores range from 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy. Scores for years prior to 2021 have been updated following methodological changes, so they may differ from those published in the *Transition Report 2020-21*. Owing to lags in the availability of underlying data, ATQ scores for 2021 and 2020 may not fully correspond to that calendar year.

Similar trends can be observed over the period 2016-21. Most economies in the EBRD regions have seen their competitiveness scores increase over that period, driven by general improvements in the business environment, greater labour productivity, better workforce skills, improvements in the knowledge economy and greater access to finance for SMEs. Notable improvements have been observed in Belarus, Georgia, Kosovo and Montenegro. In those economies, changes have been driven mainly by improvements in the perceived quality of logistics services, increases in credit to the private sector and higher scores for indicators measuring the ease of doing business. Meanwhile, competitiveness scores have deteriorated significantly in Lebanon and Ukraine. In Lebanon, this has been driven by a decrease in the complexity of economic activity (as measured by an index of economic complexity) and a decline in advanced business services as a percentage of exports. In Ukraine, import tariffs and subsidies for the private sector have increased, while the perceived quality of logistics services has deteriorated. In both economies, those trends have been exacerbated by a decline in labour productivity. Modest declines have also been observed in a number of other economies on account of increases in import tariffs and reduced participation in global value chains.

Reform of state-owned enterprises and privatisation

Several economies in the EBRD regions have pushed ahead with reforms to their governance frameworks for state-owned enterprises over the last year. In April 2021, for example, Serbia adopted a new strategy governing the ownership and management of state-owned business entities, which covers the period 2021-27. That strategy proposes establishing a centralised ownership function for all state-owned enterprises (within the Ministry of the Economy), developing a single framework for the ownership and governance of all state-owned enterprises, and completing their corporatisation by transforming them into joint-stock or limited liability companies. In a similar vein, in March 2021 Uzbekistan adopted a strategy governing the management and reform of state-owned enterprises over the period 2021-25. That strategy introduced criteria justifying state ownership and set targets for reducing state-owned enterprises' footprint in the economy, as well as calling for the drafting and adoption of new laws on privatisation and the management of state-owned property. Uzbekistan has also seen continued privatisation efforts over the last year, with a number of large assets being sold. Meanwhile, the Georgian government has announced plans to start reforming its state-owned enterprises in 2021 with a view to improving their corporate governance practices. A special council is expected to lead this reform effort, starting with work at Georgian State Electrosystem (GSE), a transmission system operator. Despite a challenging political environment, Tunisia has continued the process of reforming the operations and governance practices at STEG, the national electricity and gas company.

In Ukraine, the sale of small state-owned assets has continued, while the sale of large state assets was temporarily put on hold from September 2020 to April 2021 owing to the ongoing Covid-19 pandemic. The restarting of that initiative will allow the government to embark on the process of selling several important enterprises in the mining, manufacturing, energy and hospitality sectors. Meanwhile, Ukraine has made some progress with reforming the corporate governance of state-owned enterprises, which has involved the gradual corporatisation of such entities, the establishment of independent boards and the adoption of disclosure requirements. At the same time, some worrying developments have also been observed, such as the government's dismissal of the management of Naftogaz (a major Ukrainian oil and gas company), which involved circumventing the company's supervisory board. That incident has undermined previous progress in this area.

In February 2021, the Romanian government overturned a two-year ban on the sale of publicly owned shares in state enterprises (which had been imposed by the Romanian parliament in August 2020). That change will pave the way for the sale of shares in a number of state-owned enterprises (including electricity producer Hidroelectrica). And in December 2020, following the completion of Kazakhstan's last privatisation programme, a new privatisation plan was approved for the period 2021-25, with more than 600 enterprises earmarked for full or partial privatisation. That plan includes key enterprises such as Air Astana (a major airline), Kazakhtelecom (a telecommunications company) and KazMunayGas (an oil and gas company).

UNDER KAZAKHSTAN'S PRIVATISATION PLAN FOR 2021-25, MORE THAN

600

ENTERPRISES ARE EARMARKED FOR FULL OR PARTIAL PRIVATISATION

Competition policy

Some countries have also made significant progress with the frameworks governing the enforcement of competition policy. In Bulgaria and Croatia, for example, updated competition regulations entered into force in 2021, ensuring that those countries' legal frameworks were aligned with the EU's competition laws (particularly the European Competition Network (ECN+) Directive). Those new competition regulations give competition authorities greater autonomy and facilitate the enforcement of competition legislation. In Kazakhstan, meanwhile, a new agency for the protection and development of competition was created in October 2020, reporting directly to the country's president. That agency has an extensive mandate to protect and promote competition, investigate anti-competitive behaviour by firms and regulate markets with dominant players. Previously, the functions of a competition authority were performed by a committee within the Ministry of the Economy.

Land reforms

Some economies have made progress with land reforms. After adopting a law on the deregulation of land sale transactions in May 2021, Ukraine established a market for farmland on 1 July 2021. That reform ended a 20-year ban on the sale of farmland in Ukraine, which was discouraging investment in that sector and restricting the expansion of agricultural finance. For the time being, the law only allows farmland to be sold by and to Ukrainian citizens, with legal persons not allowed to participate in the market. However, that issue will be reconsidered after 2024, with foreign citizens and legal persons allowed to participate in the market if approval is granted in a national referendum. The gradual liberalisation of the agricultural land market is expected to encourage significant investment in the sector, supporting the expansion of agricultural finance and improving both yields and agricultural productivity.

Uzbekistan, meanwhile, made several changes to its land legislation in June 2021, paving the way for improvements in land use. In particular, that legislation now allows land to be allocated to the private sector, with either full ownership rights or leaseholder rights only. Previous practices whereby land tended to be allocated for either permanent or temporary use have been discontinued. While that reform stops short of introducing further mechanisms that would facilitate the creation of a land market, it will nevertheless lead to greater certainty and clarity regarding land ownership rights in the country.

Well-governed

Over the last year, governance scores have improved in most economies in the EBRD regions, driven by increased compliance with AML/CFT standards and higher scores for participation in e-government. Marked improvements have been observed in a number of economies in the CEB region (the Czech Republic, Estonia, Latvia and Lithuania), as well as Egypt, Kazakhstan, Ukraine and Uzbekistan. In the CEB region and Egypt, increases have been driven by improvements in corporate governance standards and practices. And in Egypt, they have also been driven by increased scores for perceptions regarding informality, corruption, political stability and the effectiveness of the courts. Overall, the governance environment in Egypt has benefited from the implementation of important reforms under successive IMF programmes. In Kazakhstan, the increased score reflects improvements in perceptions regarding corruption and budgetary transparency. And in Uzbekistan, scores have increased primarily as a result of improvements in the enforcement of contracts, participation in e-government, freedom of the media and perceptions regarding corruption.

Over the last year, most declines for governance-related indicators have concerned freedom of the media (in the SEMED region and Hungary – and also in Estonia, which, despite that deterioration, continues to perform well in this area), participation in e-government (in Belarus, the SEMED region and a few economies in the CEB region) and perceived informality (in Armenia and Tunisia). Jordan and Tunisia have also seen marked deteriorations in their overall governance scores. In Jordan, this stems from a decline in compliance with AML/CFT standards, reduced participation in e-government and a deterioration in the assessment of political stability. Tunisia's score, meanwhile, has declined on the back of worsening assessments of the effectiveness of the courts and perceived corruption and informality.

Over the period 2016-21, changes in governance scores have been more mixed. Governance scores have improved in many economies in the EBRD regions as a result of increased compliance with AML/CFT standards, greater participation in e-government, improved frameworks for challenging regulations and better protection of private and intellectual property. Notable improvements have been observed, for example, in Armenia, Azerbaijan, Egypt and Lithuania. In Armenia, that increase reflects improvements in the perception of corruption, the framework for challenging regulations, judicial independence and the protection of property rights. Azerbaijan's drivers are similar to those of Armenia (apart from the fact that its score for participation in e-government has deteriorated). In Egypt, meanwhile, that increase stems from a steady improvement in the country's scores for perceived political stability, corruption and the effectiveness of the courts.

At the same time, however, a number of economies have seen their governance scores deteriorate over the last five years, primarily reflecting a worsening of perceptions regarding informality, corruption and the effectiveness of the court system. In addition, several economies have seen deteriorations in judicial independence, budgetary transparency and the enforcement of contracts. In the SEE region in particular (notably Albania, Bosnia and Herzegovina and North Macedonia), declining scores have been due primarily to worsening perceptions of corruption and informality. The deterioration in Poland's score has been driven by declines in judicial independence and the effectiveness of the courts.

Corruption

Several countries have continued to push ahead with reforms aimed at improving the quality of governance, although some negative trends have also been observed. In particular, reforms aimed at addressing corruption have been initiated in several economies. In March 2021, for example, the Armenian parliament adopted a law creating a new anti-corruption body with stronger investigative and enforcement functions, merging several existing agencies with anti-corruption powers. The following month, the country's parliament also adopted legislation establishing a specialist anti-corruption court to handle all corruption-related cases. New anti-corruption legislation also entered into force in Serbia in September 2020, expanding the competencies of the country's anti-corruption agency, as well as increasing its legal and financial independence. In particular, that agency now has greater powers to access information on the assets of public officials and their relatives, resolve conflicts of interest and act on anonymous reports. The agency now also has the right to assess and evaluate legislation from an anti-corruption perspective.

In October 2020, Slovenia amended its law on integrity and the prevention of corruption with a view to clarifying the role and responsibilities of its Commission for the Prevention of Corruption. Those amendments also extended the list of public officials that are subject to special anti-corruption rules and made improvements to the process of appointing the head of that commission. In the same month, Kazakhstan amended its anti-corruption legislation with a view to further strengthening the country's anti-corruption framework. In addition to an absolute ban on giving gifts to public officials and members of their families, those amendments also expanded the definition of a "public official" for the purposes of anti-corruption rules, with that term now including everyone who is involved in implementing public tender procedures and projects financed out of the state budget. Meanwhile, as part of their forward looking plans in this area, Russia and the Kyrgyz Republic have also adopted extensive anti-corruption strategies for the period 2021-24.

In March 2021, the Ukrainian parliament approved a law strengthening the independence of its national anti-corruption bureau. That law ensures that the head of the bureau is appointed on a competitive basis and limits government interference in the bureau's work. While that represents a positive development, progress in this area has been uneven in recent years. In October 2020, for example, Ukraine's constitutional court issued rulings that restricted the powers of the national anti-corruption bureau and meant that public officials were no longer criminally liable for false declarations regarding assets. In response, the Ukrainian parliament reintroduced criminal liability, but those new regulations did not fully rectify the reform reversals caused by the court's rulings. Meanwhile, the Ukrainian parliament also approved key judicial reform bills in July 2021, which are designed to strengthen the independence and integrity of the judicial system and the introduction of the European Green Deal..

Business environment

Several countries have made progress in terms of improving their business environments. Georgia, for example, has reformed its insolvency rules following the adoption of a new insolvency law in September 2020 (which entered into force in April 2021). That new insolvency framework provides for increased protection of creditors' rights, with insolvency processes and rehabilitation mechanisms aligned with international best practices, as well as strengthening the role of the courts in insolvency proceedings. At the same time, however, long-awaited reforms relating to the rule of law and the judiciary are progressing slowly.

Similarly, Turkey made major amendments to its bankruptcy law in June 2021 with a view to facilitating the sale of assets during bankruptcy proceedings and increasing the efficiency of restructuring. Meanwhile, the Moldovan parliament has made progress with the adoption of a new customs code, seeking to unify and streamline the country's customs legislation. That new code passed its second reading in the Moldovan parliament in August 2021 and, following final approval, is expected to enter into force in 2023. The new code is expected to improve the quality of the services provided by the customs service, reduce costs and delays relating to the declaration of goods, and reduce the risk of fraud and corruption through online monitoring of customs operations. In Russia, a comprehensive regulatory guillotine programme was launched in January 2021 with a view to amending or cancelling legacy regulatory requirements on businesses. So far, that programme, which covers more than 40 economic sectors and activities, has led to the discontinuation of over 3,000 legal acts and decrees that were regarded as being outdated or redundant.

RUSSIA HAS LAUNCHED A REGULATORY GUILLOTINE PROGRAMME COVERING MORE THAN
40
ECONOMIC SECTORS AND ACTIVITIES

THAT PROGRAMME HAS LED TO THE DISCONTINUATION OF OVER
3,000
LEGAL ACTS AND DECREES THAT WERE REGARDED AS BEING OUTDATED OR REDUNDANT

Digitalisation of public services

Several governments have also made progress with the digitalisation of public services – motivated in part by the Covid-19 pandemic. In October 2020, for example, the Mongolian government launched the E-Mongolia electronic platform, which provides more than 180 government services in a single location (and is expected to provide over 500 services in the future). In Bulgaria, the digitalisation of the judiciary has accelerated following legislative amendments adopted in December 2020. Those amendments allow videoconferencing to be used in civil, administrative and criminal proceedings (albeit only for the collection of evidence in the case of criminal proceedings). In addition, telemedicine is now also allowed under Bulgarian legislation (although only in a state of emergency), after the government adopted regulatory amendments authorising digital referrals and prescriptions. In Armenia and Uzbekistan, meanwhile, important strategy documents have been adopted, outlining plans for the digitalisation of public services and the development of broadband and telecommunications infrastructure.

THE E-MONGOLIA INITIATIVE PROVIDES MORE THAN
180
GOVERNMENT SERVICES ON A SINGLE ELECTRONIC PLATFORM

Green

Green scores have generally increased over the last year, especially in the SEE and CEB regions. Increases in those regions have stemmed primarily from improvements to carbon-pricing mechanisms and the strengthening of “nationally determined contributions” (NDCs) in the context of the Paris Agreement and the introduction of the European Green Deal. Meanwhile, declines have been observed in Egypt, Jordan and Turkmenistan, owing to a lack of progress with carbon-pricing mechanisms. (At the same time, Egypt issued its first green bond in September 2020 and has continued to support the transition to a green economy.)

Over the period 2016-21, green scores have improved in most economies in the EBRD regions. Those improvements have been driven mainly by reduced greenhouse gas emissions from agriculture and the heating of buildings, increased uptake of renewable energy technologies and more substantial commitments as part of countries’ NDCs. The most notable progress has been observed in Bulgaria, Croatia, the Czech Republic, Estonia, Latvia, Lithuania, Montenegro, North Macedonia, Romania, Slovenia and Uzbekistan, driven by enhanced commitments in their “intended nationally determined contributions” (INDCs), references to adaptation in their NDCs, and planning and actions in the area of “just transition”.[3] In addition, Bulgaria and North Macedonia have seen declines in estimated CO_2 emissions for residential buildings, while Montenegro’s carbon-pricing mechanism has been improved. In Uzbekistan, meanwhile, there have been improvements to vehicle emissions standards and overall institutional quality.

At the same time, however, Jordan and Morocco have seen their green scores deteriorate over the period 2016-21. In Jordan, that decline stems from a failure to comply with the latest guidance on best practices for carbon-pricing mechanisms. And in Morocco, it is the result of falling scores for mitigation, adaptation and other indicators.

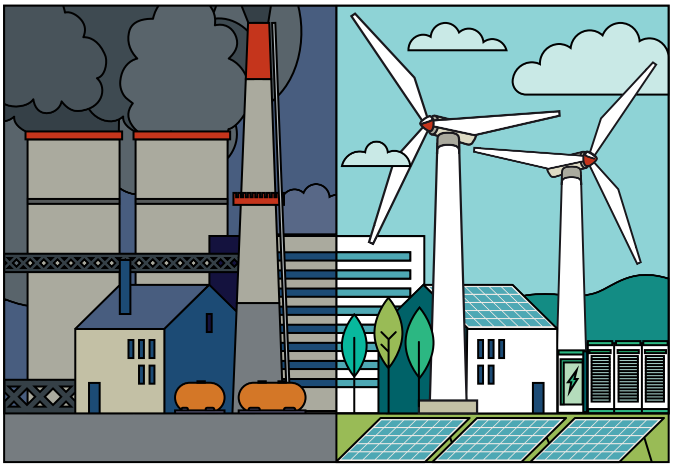
Climate change and energy efficiency

Over the last year, several countries have improved their regulatory environments in the areas of climate change and energy efficiency. In December 2020, for example, the Albanian parliament adopted a law on climate change, which has paved the way for the establishment of a comprehensive framework combating climate change in the country. That law covers the integration of climate change mitigation and adaptation issues into other legislation and strategies, the submission of the country’s NDCs and the strengthening of emission control regulations. In Serbia, meanwhile, four new laws on renewable energy sources, energy, energy efficiency and mining were adopted in April 2021. Those laws bring about a number of notable changes, including the introduction of auctions for the allocation of market premiums and

[3] This year’s green ATQ scores also reflect countries’ progress towards a “just transition”, which measures the steps that governments are taking to mitigate the impact which green transformation has on their economies and societies.

feed-in tariffs, and various incentives for adopting renewable energy technologies and energy efficiency measures, as well as simplifying the issuance of permits and approvals in the sector. In Kazakhstan, a new environmental code was adopted in January 2021, which introduced several important changes, including a requirement for the country's 50 largest industrial companies (in the oil and gas, mining, metal processing and power generation sectors) to replace their carbon-intensive legacy technologies with market-leading alternatives by 2025. In Bulgaria, the country's waste management law was amended in January 2021 to include more ambitious recycling targets for packaging materials. Several countries in the EEC region (including Armenia, Georgia and Ukraine) have also submitted updated NDCs in the last year.

KAZAKHSTAN'S NEW ENVIRONMENTAL CODE REQUIRES THE COUNTRY'S
50
LARGEST INDUSTRIAL COMPANIES TO REPLACE THEIR CARBON-INTENSIVE LEGACY TECHNOLOGIES WITH MARKET-LEADING ALTERNATIVES BY
2025



Inclusive

Changes in inclusion scores over the last year have been mixed. Scores have deteriorated in many economies, including Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Russia, Serbia, Tajikistan and the West Bank and Gaza. Only Jordan has seen a significant improvement, driven by its improved performance in the Women, Business and the Law Index. Modest improvements in gender equality scores have also been observed in Estonia, Latvia and Moldova, mainly owing to increases in the percentage of women in managerial roles and the percentage of female employers. Other economies have seen declines in gender equality scores, however, driven by a variety of different factors. In Azerbaijan and Croatia, those scores reflect declines in the percentage of female employers. In Georgia, that development reflects the fact that women's labour force participation rate has declined by more than men's. And in the West Bank and Gaza, the decline stems primarily from a deterioration in the Women, Business and the Law Index. Turning to the youth component of the inclusion index, improvements in youth inclusion scores have been very modest over the last year, while notable deteriorations have been driven by only a couple of factors. In Georgia, Hungary, Latvia and Romania, for example, declining scores reflect increases in youth unemployment (relative to older adults). And in Bosnia and Herzegovina, Kazakhstan, Serbia and Tajikistan, declines reflect weaker performance in terms of harmonised test scores for students.[4]

Changes over the period 2016-21 also point to mixed developments across the EBRD regions. The most notable improvements have been observed in Azerbaijan, Montenegro and Tajikistan. In Tajikistan, that increase reflects improvements in financial inclusion (particularly for young people and, to a lesser extent, women). In Montenegro, increased scores reflect improvements in the flexibility of labour regulation and a decline in unemployment. In Azerbaijan, increases in scores have been smaller, but spread across a number of different indicators. At the same time, however, significant deteriorations have been observed in Croatia, the Czech Republic, Kazakhstan and Serbia, reflecting developments in both youth and gender inclusion. Croatia's score reflects a fall in the percentage of female employers, declines in financial inclusion for both women and young people, and a general deterioration in the quality of the education system (as captured by both a perception-based indicator and harmonised test scores). In the Czech Republic, Kazakhstan and Serbia, meanwhile, declines have primarily been due to poor performance in terms of the Social Institutions and Gender Index, lower harmonised test scores and a deterioration in financial inclusion.

[4] These deteriorations actually occurred prior to the period 2020-21, but they are captured in this year's scores owing to lags in the reporting of underlying student performance data.

Gender equality

Several countries have significantly improved their regulatory frameworks in terms of facilitating the achievement of gender equality. In Serbia, for example, a new law on gender equality was adopted in May 2021. That law requires state agencies to perform gender budgeting and places several obligations on public and private-sector employers in terms of assessing their gender balance and identifying specific measures to achieve and monitor gender equality goals. Meanwhile, several countries in Central Asia have adopted comprehensive gender equality strategies. In May 2021, for example, Uzbekistan adopted a long-term strategy on gender equality that will run until 2030. That strategy focuses on several different areas with a view to improving gender equality, emphasising (i) the goal of increasing the percentage of women in management positions at state authorities, (ii) measures to facilitate women's economic empowerment, including through increased access to employment and entrepreneurial opportunities (particularly in rural areas), (iii) the strengthening of gender-related statistics and (iv) measures to prevent violence and discrimination against women. In April 2021, Tajikistan adopted a national strategy aimed at enhancing the role of women, which will run from 2021 to 2030 and outlines the country's policies in relation to various gender equality objectives. And in December 2020, Turkmenistan adopted a national action plan for gender equality covering the period 2021-25. That action plan outlines a number of goals regarding access to education, the prevention of gender-based violence and economic empowerment of women.

Disabilities

In May 2021, the Armenian parliament adopted a law on the rights of people with disabilities, paving the way for further progress in this area. That law, which represents a significant development, includes several guarantees (on accessibility, reasonable accommodation and access to justice) and bans disability-based discrimination. Georgia, meanwhile, adopted a major package of labour legislation in September 2020, bringing the country into line with ILO labour standards and EU directives and extending the protections afforded by labour rights.

Resilient

ATQ scores for resilience combine data and information on (i) energy resilience and security and (ii) financial institutions. The discussion below considers each one in turn.

Energy

Energy resilience scores have only changed very modestly over the last year. Scores have improved in Croatia, Estonia, Morocco and Serbia, while Ukraine has seen its score deteriorate. In Croatia, improvements are related to the diversification of gas supplies following the commissioning of the Krk liquefied natural gas terminal in January 2021. In Estonia, that increase reflects improvements to the country's gas supply following the establishment of a common gas market for the Baltic states and the completion of the Balticonnector pipeline. In Morocco, improvements have been driven by progress with the establishment of an energy regulator. And in Serbia, the increased score reflects improvements in the international connectivity of the country's gas network, with interconnection agreements being aligned with the Network Code on Interoperability.

Over the period 2016-21, developments in energy resilience scores have been mixed, with improvements being observed in Croatia, Ukraine and Uzbekistan. In Croatia, improvements have been fairly modest, mainly reflecting the recent diversification of the gas supply. In Ukraine, they have been driven mainly by reforms in the gas sector, including the unbundling of the state-owned company Naftogaz (albeit the pace of gas-sector reforms in Ukraine has slowed somewhat of late). In Uzbekistan, meanwhile, increased scores reflect continued efforts to improve the regulatory environment and the unbundling of the power sector in 2019. At the same time, deteriorations have been observed in Belarus, Bosnia and Herzegovina, the Kyrgyz Republic and Moldova, mainly as a result of delays to necessary reforms in the sector.

Renewable energy

Several countries have pushed ahead with reforms to their regulatory frameworks over the last year with a view to facilitating the broader deployment of renewable energy projects. Bulgaria, for example, amended its energy legislation in January 2021 to eliminate certain levies and increase support for new renewable energy projects. Meanwhile, Kazakhstan has amended its energy regulations to introduce a special surcharge on end-user tariffs, with a view to covering costs associated with the growing share of electricity coming from renewable sources. In Lebanon, on the other hand, the country's continued energy crisis (which has seen significant nationwide power cuts) is a source of considerable concern and points to a major lack of resilience in the country's power system. In Poland, an important regulatory measure governing offshore wind was adopted in January 2021, paving the way for significant investment in that area.

Financial institutions

Financial resilience scores have improved in most economies in the EBRD regions over the last year, with notable improvements being observed in Bulgaria, Hungary, Jordan, Latvia, Lithuania, Montenegro, the Slovak Republic, Slovenia and Tunisia. The increases seen in Bulgaria, Slovenia and Tunisia have been driven by improvements to existing sectoral regulations, governance practices and safety nets. Specifically, those increases reflect improvements to (i) the deposit insurance scheme in Tunisia, (ii) the legal and regulatory frameworks in Bulgaria and Slovenia, (iii) risk management and corporate governance practices in Tunisia and (iv) the quality of supervision in Bulgaria and Tunisia. The improvements seen in the other economies reflect higher capital adequacy ratios (Hungary, Latvia and Lithuania) and increased activity by private banks (Jordan and Montenegro). At the same time, several economies (particularly Belarus and Lebanon) have seen marked deteriorations in their financial resilience scores. In Lebanon, most financial resilience indicators have declined in the last year amid the ongoing economic and financial crisis. In Belarus, that deterioration reflects lower levels of liquidity in the banking sector and an increase in loan-to-deposit ratios.

Over the period 2016-21, many economies in the EBRD regions have seen significant increases in their financial resilience scores, with marked improvements being observed in Belarus, Bosnia and Herzegovina, Georgia, Greece, Jordan, Moldova, Montenegro, Tunisia and Ukraine. Improvements mainly reflect increases in capital adequacy ratios, decreases in foreign currency-denominated loans, the marked reductions seen in NPL ratios in the majority of countries, increased activity by non-bank financial institutions and improvements to legal and regulatory frameworks. However, in some countries (particularly Lebanon and Turkey), financial resilience scores have declined markedly. The declines seen in Lebanon and Turkey reflect the reversal of reforms made to regulatory frameworks and sectoral supervision, a worsening of risk management and corporate governance standards, and the deterioration of deposit insurance schemes.

Regulation and restructuring of the banking sector

Several countries have made progress with reforms to the regulatory and governance frameworks for their banking sectors over the last year. Mongolia, for example, made important amendments to its banking law in January 2021, requiring banks to have at least nine directors sitting on their supervisory boards, with at least a third of those directors being independent. Moreover, the suitability and professional qualifications of proposed board members must now be reviewed by the country's central bank before they can take up their positions. What is more, a single shareholder can now hold a maximum of 20 per cent of a bank's shares, with mandatory IPO procedures being used to ensure compliance with that threshold. In addition, the definition of a "systemic bank" has been expanded to include factors other than the amount of bank capital, and new reporting and transparency obligations have been imposed on banks. Egypt, meanwhile, adopted significant new legislation in September 2020, allowing the country's central bank to issue banking licences to fintech firms and giving it a mandate to oversee non-bank fintech businesses. Those changes to the country's regulatory environment are expected to encourage further investment in Egypt's fintech sector and support the development of new fintech services. In Ukraine, a new law on payment services was adopted in July 2021, introducing the concept of "open banking" and various new types of payment service. Ukraine also made a number of amendments to its banking law in July 2021, strengthening banks' capital requirements and other supervisory requirements. Moldova amended its banking legislation in November 2020 to strengthen the independence of the country's central bank and ensure the integrity and finality of its decisions regarding monetary policy, regulation and banking supervision.

Several countries have made progress with the restructuring of their banking sectors. Tajikistan, for example, has withdrawn the banking licences issued to Agroinvestbank and Tojiksodirotbank (which have long been distressed) after earlier attempts to restore their financial health failed. Similarly, Ukraine has continued its efforts to clean up its banking sector, albeit NPLs remain a significant concern (especially at state-owned banks). In Lebanon, however, the ongoing economic and financial crisis has revealed significant vulnerabilities in the country's banking sector, particularly in light of the sector's high exposure to public debt and sovereign debt risk. Potential restructuring of government debt could lead to significant losses in the banking sector and limit its ability to support the private sector and the wider economic recovery.

Integrated

Changes in integration scores have been very modest over the last year. Marked improvements have been observed in Estonia, Mongolia and Uzbekistan, while Azerbaijan has seen its score deteriorate somewhat. The increases seen in Estonia, Mongolia and Uzbekistan have been driven mainly by greater FDI inflows. In addition, Uzbekistan has also seen improvements in the conditions for international trade, as captured by trade volumes and the cost of cross-border trade. The deterioration seen in Azerbaijan, meanwhile, reflects significant fluctuations in both FDI and non-FDI inflows. Across the EBRD regions, there have also been moderate improvements in external integration on the back of increased numbers of enforced regional trade agreements and declines in the cost of cross-border trade.

Over the period 2016-21, most economies in the EBRD regions have seen their integration scores improve, with only a few countries seeing moderate declines. Scores have improved most in Greece, Montenegro and Uzbekistan, while the largest deteriorations have been observed in Bulgaria, Jordan and Latvia. In Greece, improvements reflect increases in non-FDI inflows, greater financial openness and new regional trade agreements, as well as improvements in the quality and provision of broadband services. In Montenegro, improvements have been driven by the increased quality and coverage of internet services and improved logistics services. In Uzbekistan, increased scores reflect higher-quality logistics services and improvements in infrastructure, which have facilitated increased FDI inflows. The deteriorations seen in Bulgaria and Jordan have mainly been the result of worsening conditions for international trade and direct investment, as well as the worsening of logistics. Similar changes have been observed in Latvia, where scores for the timeliness of shipping and the ability to track and trace shipments have declined, and losses during shipping have increased. In addition, economies in the EBRD regions have also seen improvements in the quality and provision of broadband services over the period 2016-21, with access to broadband and 3G coverage increasing in all economies.

Some countries have seen other notable developments in this area over the last year. Egypt, for example, has continued to invest in important transport infrastructure, including a new dry port near Cairo, as well as implementing reforms relating to the operation of the Suez Canal. In April 2021, Uzbekistan was admitted to the EU's Generalised Scheme of Preferences (GSP+) trade scheme, which allows it to export products relating to more than 60 per cent of EU tariff lines without paying any tariffs. Moreover, in order to improve regional integration and cooperation in the Western Balkans, Albania, North Macedonia and Serbia agreed in July 2021 to set up a shared border-free travel area by 2023. In a related development, the six Western Balkans economies (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia) removed all roaming charges for mobile phones in that region from July 2021. Lastly, February 2021 saw the launch of a major railway rehabilitation project in Albania, which will involve fully replacing the existing railway line between the capital, Tirana, and the country's largest port, Durrës.