

The Western Balkans: 15 Years of Economic Transition

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EBRD transition indicators from 1989

In some ways, Western Balkan (WB) countries (except Albania) might appear to have been in a better starting position than the ones from Central Europe (CE-8)



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Some liberalisation and privatisation had already taken place by 1990 in former Yugoslavia – as reflected by higher transition scores in the small scale privatisation and price and trade liberalisation – but this was something of an illusion: social ownership often prevented effective privatisation and better governance.

		Large scale privatisation	Small scale privatisation	Governance and enterprise restructuring	Price liberalisation	Trade & Forex system	Competition Policy
Western Balkans	Albania	1.0	1.0	1.0	1.0	1.0	1.0
	B&H	1.0	3.0	1.0	2.7	2.0	1.0
	Croatia	1.0	3.0	1.0	2.7	2.0	1.0
	FYR Macedonia	1.0	3.0	1.0	2.7	2.0	1.0
	Montenegro	1.0	3.0	1.0	2.7	2.0	1.0
	Serbia	1.0	3.0	1.0	2.7	2.0	1.0
Central Europe	Slovenia	1.0	3.0	1.0	2.7	2.0	1.0
	Hungary	1.0	1.0	1.0	2.7	2.0	1.0
	Poland	1.0	2.0	1.0	2.3	1.0	1.0
	Czech Rep	1.0	1.0	1.0	1.0	1.0	1.0
	Slovak Rep	1.0	1.0	1.0	1.0	1.0	1.0
	Estonia	1.0	1.0	1.0	1.0	1.0	1.0
	Latvia	1.0	1.0	1.0	1.0	1.0	1.0
	Lithuania	1.0	1.0	1.0	1.0	1.0	1.0

Intra-regional trade for WB versus CE-8

On average intra-regional trade accounts for 20% of total trade in both WB and CE-8. In CE-8, it ranges from 9% in Slovenia to 40% in Latvia, and in the WB from 6% in Albania to 47% in Montenegro.



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The break-up of Yugoslavia and subsequent conflicts caused enormous structural challenges for the region, not least in terms of break-up of trade relations, the legacy of which persists to this date.

INTRA-REGIONAL TRADE								
	Czech Rep	Estonia	Hungary	Latvia	Lithuania	Poland	Slovakia	Slovenia
Czech Rep		1	4	1	1	5	12	2
Estonia	0		0	10	4	0	0	0
Hungary	3	1		1	1	2	5	3
Latvia	0	9	0		8	0	0	0
Lithuania	0	8	0	19		1	0	0
Poland	7	4	4	8	9		7	2
Slovakia	7	0	5	1	0	2		1
Slovenia	0	0	1	0	0	0	1	
Total Central Europe	18	22	15	40	23	11	25	9
	Albania	B&H	Croatia	Macedonia	Montenegro	Serbia		
Albania		0	0	1	2	0		
B&H	1		7	1	7	5		
Croatia	1	16		2	7	3		
Macedonia	2	1	1		1	2		
Montenegro	1	1	0	0		3		
Serbia	2	11	3	10	30			
Total Western Balkans	6	30	12	15	47	13		

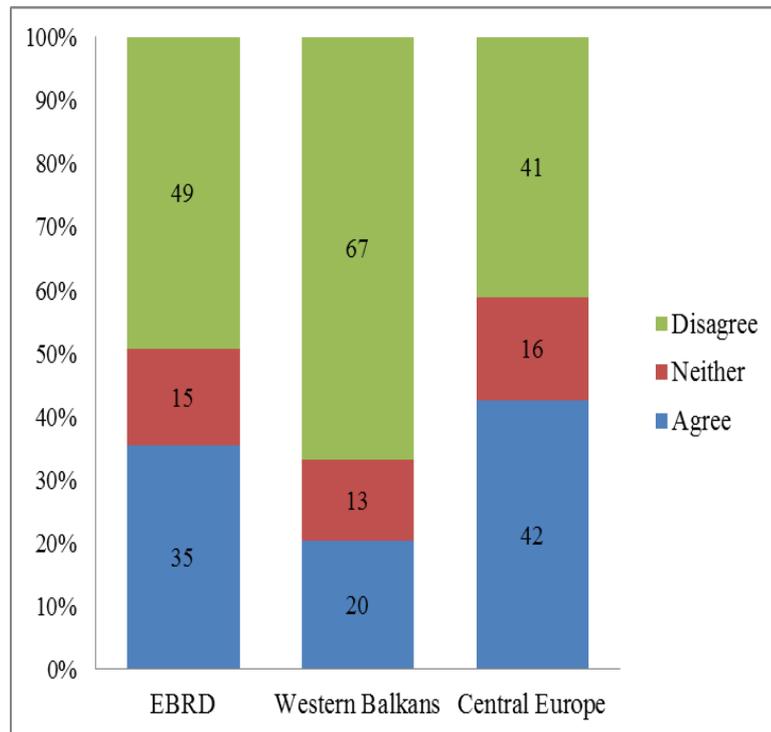
Nostalgia for the past has hindered the efforts of reformers



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Evidence from the Life in Transition Survey I shows how people in Western Balkans typically thought conditions were worse then [i.e. 2006] than in 1989.

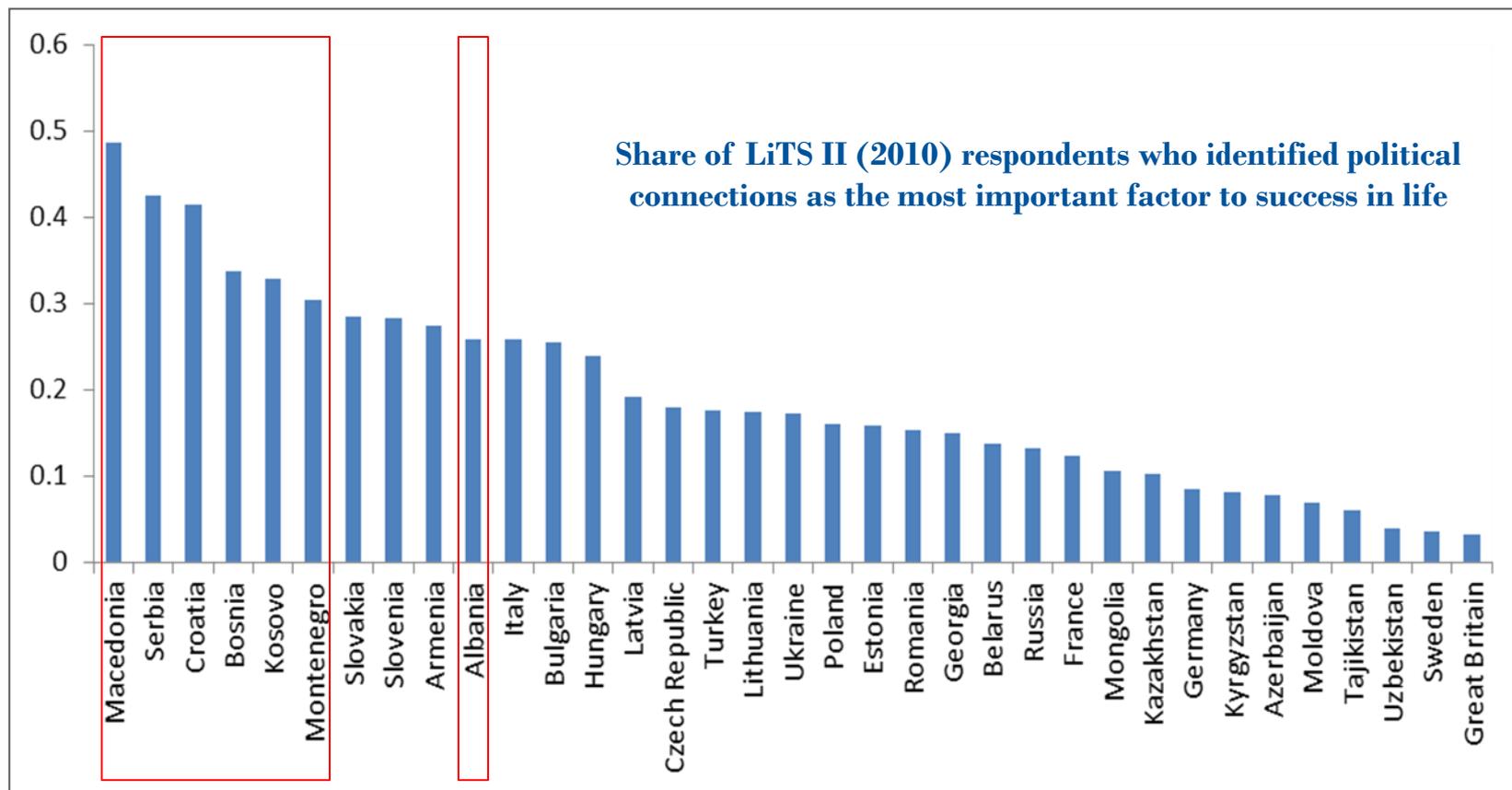
The economic situation in this country is better today than around 1989



- 84% of LiTS respondents in B&H believe that conditions are worse today (i.e. 2006) than in 1989 – highest in the whole EBRD region, followed closely by 83% in FYR Macedonia, 76% in MNE and 75% in SRB. (66% in Croatia).
- The exception is Albania, where 71% of respondents believe the opposite is true – among the lowest in the EBRD region.
- Hungary (75%) is on the top of the CE-8 “nostalgia” list.
- Other CE-8 countries are in the bottom half of the EBRD countries

Political connections are a perceived way to success in life

Another feature of the WB is the persistence of patronage and connections as a perceived way of getting ahead in life – this has held back the development of a meritocratic system of governance.



EBRD 2014 Assessment of Transition Challenges



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Notwithstanding these difficulties, structural reforms have advanced since 2000 but lag significantly behind the CE-8 countries.

Sector Transition Indicators 2014: Overall scores

	Corporate Sectors				Energy			Infrastructure				Financial Sectors				
	Agri-business	General Industry	Real estate	ICT	Natural resources	Sustainable energy	Power	Water and Wastewater	Urban Transport	Roads	Railways	Banking	Insurance and other financial services	MSME Finance	Private Equity	Capital Markets
Central Europe																
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+
Western Balkans																
Albania	3-	2+	3-	3+	3-	3+	2+	2+	3-	3-	2	3-	2	3-	1	2-
B&H	3-	2	2-	2+	2	2	2+	2	2+	3	3+	3-	2+	2+	2-	2
Croatia	3	3+	3+	4	4-	3-	3	3+	3+	3+	3-	3+	3+	3-	2+	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
Serbia	3-	3-	3-	3	2	2+	2+	2+	3-	3-	3	3-	3	3	2	2

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