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Conference Services

Please find attached the presentation by Ms. Vanessa Mitchell-Thomson, Principal Economist, EBRD, delivered to the Session of the *Review of the implementation of OSCE commitments in the economic and environmental dimension focusing on “Integration, Trade and Transport”* of the 13th OSCE Economic Forum, Prague, 23-27 May 2005.

EBRD

Transition indicators: some findings on trade and infrastructure

Vanessa Mitchell-Thomson

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EBRD Transition Indicators

- Qualitative country-by-country indicators
- Scale: 1 = little/no progress; 4+ = standards of advanced market economy
- First phase reforms: small-scale privatisation, price and trade liberalisation
- Second phase reforms concern institutional development: large-scale privatisation, governance, competition, infrastructure, and financial institutions

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Transition achievements – 2004

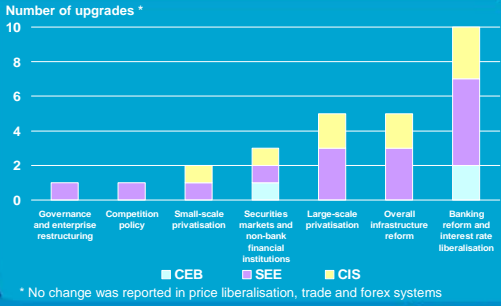
EU accession is a milestone, but not the end of transition

Average transition score for each country, 2004

Country	Region	Average Score (2004)
Hungary	CEB	3.8
Czech Rep.	CEB	3.7
Estonia	CEB	3.6
Poland	CEB	3.5
Slovak Rep.	CEB	3.4
Latvia	CEB	3.3
Lithuania	CEB	3.2
Slovenia	CEB	3.1
Croatia	CEB	3.0
Romania	CEB	2.9
Bulgaria	CEB	2.8
FR Macedonia	CEB	2.7
Albania	SEE	2.6
Bosnia	SEE	2.5
Serbia	SEE	2.4
Armenia	CIS	2.3
Georgia	CIS	2.2
Russia	CIS	2.1
Kyrgyz Rep.	CIS	2.0
Kazakhstan	CIS	1.9
Ukraine	CIS	1.8
Indonesia	CIS	1.7
Azerbaijan	CIS	1.6
Tajikistan	CIS	1.5
Uzbekistan	CIS	1.4
Belarus	CIS	1.3
Turkmenistan	CIS	1.2

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Most progress in financial institutions and infrastructure



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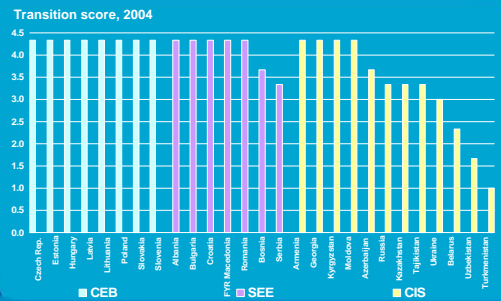
Trade integration

- Trade integration into the world economy proceeding but not complete
- Regional cooperation especially needed in landlocked CIS to lower transit costs and increase regional trade

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Reforms in trade liberalisation:

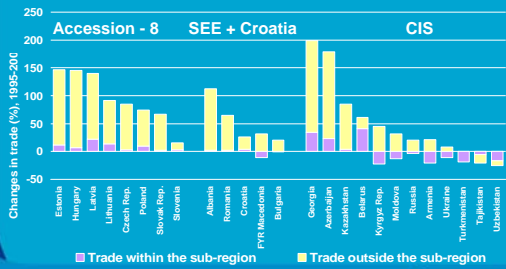
- among the first phase of reforms which are almost complete
- liberal policies pervasive, except some SEE / CIS



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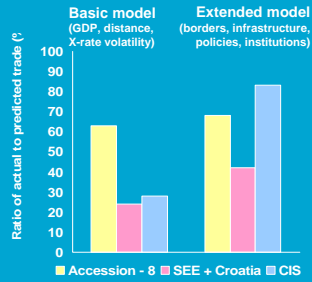
Increased openness to trade

... and redirection to world markets



Less trade than economic models predict

- Factors explaining the gap
 - transit cost (borders, infrastructure)
 - policies and institutions
 - break-up of former Yugoslavia

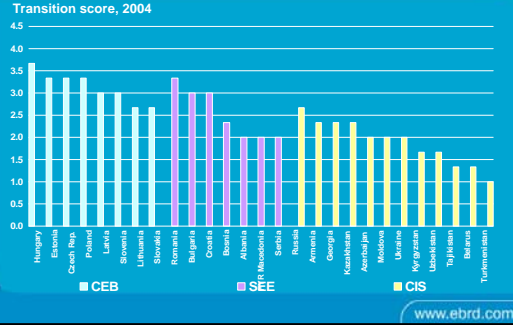


Infrastructure

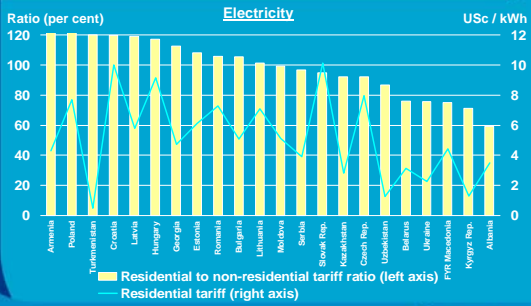
- Infrastructure reform is key to transition
 - Supports enterprise performance
 - Facilitates regional cooperation and trade
- Efficient infrastructure services depend on:
 - Effective regulation
 - Private sector participation (PSP)
 - Competition

Infrastructure reforms much slower:

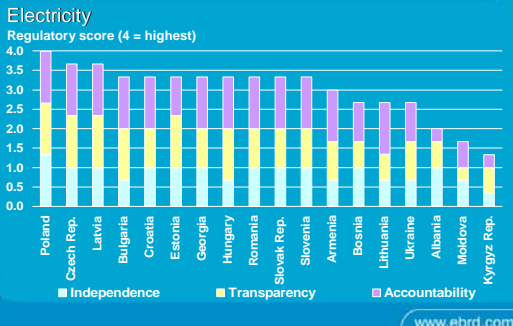
- second phase institutional reforms
- commercialisation, tariff reform + better regulation take time

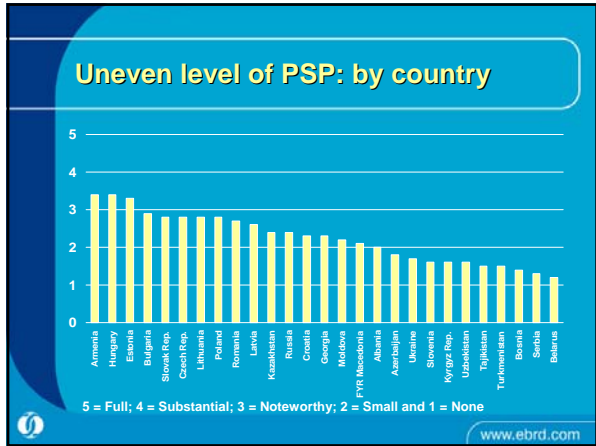


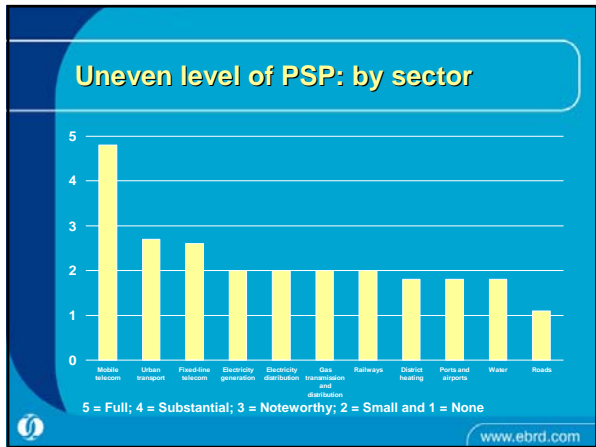
Low and distorted tariffs

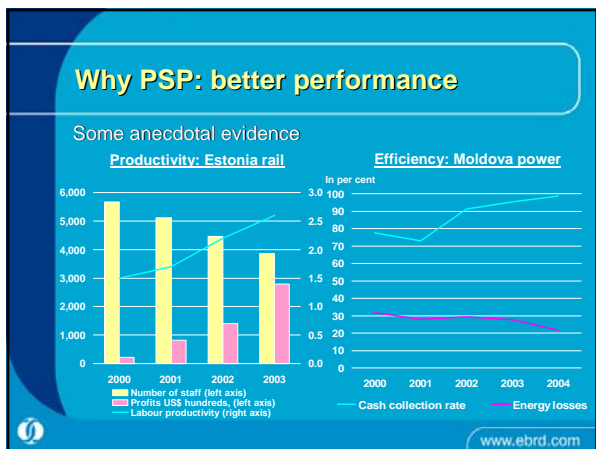


Uneven regulatory effectiveness ... reflecting weak institutions generally





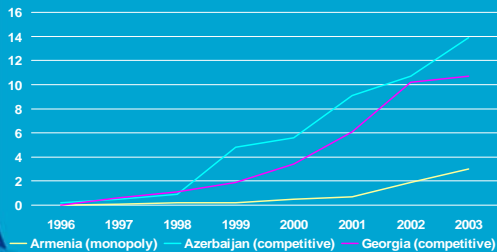




Competition as important as ownership

Telecoms in Caucasus

Mobile subscribers per 100 inhabitants



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Conclusion – trade integration

- Although integration has been substantial, transition countries still trade less than what models would predict
- Gap between actual and potential trade is almost entirely explained by geographical constraints, border controls, restrictive policies and weak institutions, especially in the CIS
- Overcoming constraints to transit and transport is therefore a key challenge, particularly in Central Asia



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Conclusion - infrastructure

- Competition, regulation and private sector participation (PSP) are key factors for good infrastructure performance
- Many countries have found it hard to establish effective regulatory agencies
- Uneven level of PSP by country and sector, although there is some evidence that PSP leads to better performance



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