# Structural reform

Structural reforms continue to face serious obstacles. 2013 has seen a relatively high number of downgrades in sector and country-level indicators. At the sector level, reversals occurred in a few countries where the economic downturn has eroded popular support for reforms. However, positive trends are evident in certain sectors where restructuring efforts continue and regulatory reforms have been implemented. At the country level, transition indicator downgrades outnumber upgrades for the first time.

## FACTS AT A GLANCE

**18**
sector-level transition indicator upgrades in 2013.

AS THE **159th**
member to join the WTO, Tajikistan has taken an important step towards integration in the global economy.

**20**
countries in the region face large transition gaps in the electric power sector.

OVER **50%**
of employed Egyptians still work in agriculture or the public sector.

# Progress in transition: structural reform

The reform assessments in the *Transition Report* have become increasingly subdued in recent years. The EBRD measures reform progress in two ways: one is a long-standing review of country-level reforms (such as privatisation, price liberalisation or competition policy) which affect enterprises and markets more generally; the other is a disaggregated sector-level assessment. Both assign scores to express reform progress or reversal. At the country level downgrades have outnumbered upgrades in 2013, for the first time since the transition indicators were introduced in 1994. At the sector level upgrades have continued to exceed downgrades[1], but in 2010, 2011 and 2012 downgrades increased each year relative to the previous year. This was driven mainly by European Union (EU) countries, but also by Belarus, Kazakhstan, Turkey and Ukraine. Downgrades have receded only slightly in 2013.

As in previous years, upgrades and downgrades have been more frequent in central Europe and the Baltic states (CEB) and south-eastern Europe (SEE) than elsewhere. In EBRD countries of operations in the southern and eastern Mediterranean (SEMED), where transition challenges were assessed for the first time in 2012, there have been very few changes, most of them in the financial sector. This is a result of the continued political uncertainty and unrest in the region, which has either made reforms difficult to implement or sidelined them entirely. Resuming sector-level reforms is important for many reasons, including stimulating structural change that will create better-quality jobs (see Box S.1).

For the first time the *Transition Report* presents a set of scores for Kosovo, which became a member of the EBRD in December 2012.

Transition indicators at sector and country level are reported as numerical scores, ranging from 1 (indicating little or no progress with reform relative to the initial position) to 4+ (indicating that standards match those of an advanced market economy; for an interpretation, see the methodological notes in the online *Transition Report*, at www.tr.ebrd.com).

## SECTOR-LEVEL TRANSITION INDICATORS

Table S.1 shows the transition scores for 16 sectors in all EBRD countries of operations.[2] The methodology is broadly unchanged from previous years (see Chapter 1 of the *Transition Report 2010*). Tables S.2 and S.3 contain the component ratings for market structure and market-supporting institutions and policies respectively, which together make up the overall sector-level assessment.[3] There have been 18 upgrades and seven downgrades – indicated by upward and downward arrows respectively – the reasons for which are outlined below (see also the Country Assessments in the online version of this report: www.tr.ebrd.com).

## ENERGY: FURTHER REFORM REVERSALS

Energy sector policy has emerged as one of the toughest policy areas in the transition region. The need for enhanced energy efficiency, investment in renewable energy and cost-reflective tariffs is well recognised, but politically difficult to implement, particularly under economic and social pressures. As a result, political interference in the energy sector and reform reversal has become more common. In 2012 there were three downgrades in the ***electric power sector***; in 2013 there have been a further three downgrades – in *Albania, Bulgaria* and *Hungary* – and no upgrades.

Albania has been downgraded from 3 to 2+. The country has a history of severe electricity supply problems, including major distribution losses, and the local power company, Korporata Elektroenergjitike Shqiptare sh.a. (KESH), has a poor debt collection record. In 2009 the Czech company CEZ Group acquired a majority stake in KESH with the aim of introducing fresh investment and know-how and tackling these deep-rooted problems. In January 2013 the regulator revoked CEZ's licence on the grounds that the company had caused major power and water shortages in certain regions. CEZ blamed unpaid bills and the prospect of losses due to high import costs and low regulated consumer prices. As of mid-2013 the case has been the subject of arbitration, but this may already have deterred other potential investors.

Bulgaria has been downgraded for the second year in a row, from 3+ to 3. Its energy prices are the lowest in the European Union, but the country is also the poorest EU member in terms of GDP per capita. Price increases introduced in January 2013 led to widespread protests and, ultimately, the removal of the government.[4] As a result of this pressure, the regulator reduced tariffs by 7 per cent in March 2013 and by a further 5 per cent in August. However, this has compounded the problems of electricity distributors, which were already making significant losses, due in part to adverse changes in the way they are compensated for the obligatory purchasing of renewable energy. Overall, there has been a lack of liberalisation and unbundling in the power sector, which has deterred much-needed private investment in energy distribution.

Hungary's downgrade from 4 to 3+ reflects increased government interference, abrupt policy changes and significant tax levies. Under a "Robin Hood tax", some energy companies face a special levy of up to 30 per cent, implying a final corporate tax rate of up to 50 per cent. These measures have seriously affected existing energy companies and may have discouraged international investors.

In the ***natural resources sector***, the transition gap for market-supporting institutions in *Montenegro* has been lowered from medium to small. This reflects progress in creating the legal framework for the development of a gas market. This is an important step for Montenegro, which has significant potential and is capable of becoming a major regional energy hub in the medium term.[5]

[1] This applies to upgrades and downgrades of numerical scores, not the sector-level transition gaps.
[2] Owing to limited data availability and other reasons, the scores for sustainable energy are updated every two years, so the scores for 2013 are the same as those for 2012.
[3] Some sector-level scores differ from those reported last year, not because of upgrades or downgrades, but because of historical revisions to reflect information that was either not available or not fully taken into account in 2012.
[4] For further analysis, see the EBRD blog entitled "Bulgaria – energy sector economics behind the political turmoil" (March 2013).

## INFRASTRUCTURE: MODERATE PROGRESS

As with energy, reforms in the infrastructure sectors are complicated, given that tariff adjustments can impact widely on the various sections of the population. Railway reforms, for example, have proven to be a particular challenge. There is often scope, however, to improve service delivery by bringing in private sector finance and expertise, while also easing the fiscal burden on the state. Experience suggests that reforms at municipal level – which tend to be less politicised – are often more successful than those at national level.

There were one-notch transition upgrades in the ***roads sector*** for *Kazakhstan* and the *Slovak Republic*.

In Kazakhstan a road agency was formally established in 2013 and steps towards the introduction of performance-based contracts have been initiated. Amendments to legislation on public-private partnerships (PPPs) were approved by parliament in July 2013, and progress has already been made with a pilot PPP. In the Slovak Republic the commissioning and subsequent refinancing of the R1 motorway PPP is an indicator of the growing sophistication of the tool in that country, which has the potential to serve as a template for other countries in the region. By contrast, there was little progress in the ***railways sector*** across the transition region in 2013.

In ***urban transport*** the only change in 2013 has been a downgrade for one of the top performers – *Estonia* – from 4- to 3+ following the decision to introduce free travel for all residents of the capital, Tallinn. While less damaging than, for example, the under-pricing of energy or water, this is not an efficient approach to providing transport services.

In the ***water and wastewater sector*** there have been upgrades for the *Kyrgyz Republic* and *Romania*. Kyrgyz residential water and wastewater tariffs have been increased significantly towards cost-recovery levels in large cities. Also, a first public service contract (PSC) has been signed with the capital city, Bishkek. Other PSCs are in preparation in three other cities. Romania's upgrade reflects cumulative progress in regionalisation and restructuring of water utilities. The number of sector operators has fallen from 260 to 42, prompting greater efficiency and improved financial performance.

## RESILIENCE IN FINANCIAL SECTOR REFORM

Despite the turbulence of the last five years, financial sector reforms have generally remained intact, although with notable exceptions. There is significant scope for further reform and development, especially in the insurance and other financial services sector and in private equity and capital markets. It is in these areas, rather than the ***banking sector***, that changes to scores and assessments have occurred recently.

Developments in the ***insurance and other financial services sector*** have warranted a downgrade for *Poland* from 4- to 3+ and upgrades from 3 to 3+ for both *Croatia* and *Slovenia*. Poland's downgrade was motivated by the government's decision to reform the pension system in a way that will marginalise the role of private pension funds and impair the multi-pillar pension system introduced in 1999. Croatia's improved score reflects an increase in competition in the insurance sector as the market shares of the top three insurance companies have fallen. In Slovenia the upgrade is due to long-awaited privatisation. The state-owned bank, Nova KBM, has completed the sale of a 51 per cent stake in the country's third-largest insurer, Zavarovalnica Maribor. This progress in the insurance and other financial services sector contrasts with continued challenges in the Slovenian banking sector, where the prolonged lack of progress towards resolution has highlighted weaknesses that are reflected in the increase of the market institutions gap from small to medium.

Progress has also been apparent in the structures and institutions used for ***financing micro, small and medium-sized enterprises (MSMEs)***. *Romania* and *Ukraine* have been upgraded on the issue of market-supporting institutions due to important changes to the legal framework governing security/collateral for moveable property. Ukraine has also improved for immoveable property. Meanwhile, in *Bulgaria* the share of SME lending in total lending has risen above a certain threshold, leading to a fall in the market structure gap from medium to small.

Transition gaps in ***private equity*** and ***capital markets*** mostly remain medium or large. The capital market in *Hungary* has suffered the virtual elimination of private pensions. Turnover and volumes for traded securities have declined in parallel. In *Turkey*, however, the capital market transition score has been raised from 4- to 4; the country has a well-developed capital market that has grown further in recent years. *Bosnia and Herzegovina's* capital market score has also risen – albeit from a modest base – due to a slight increase in market capitalisation and an improved turnover ratio.

Private equity transition scores have been raised in *Croatia* and *Estonia*. A key indicator in this sector is the effective number of fund managers per 1,000 companies, which has increased in both countries. Estonia has also seen an increase in active capital, which has contributed to a narrowing of the market structure gap from medium to small.

[5] Other rating changes in the natural resources sector have been prompted by a change in methodology which introduces a separate assessment for the oil and gas and mining sectors. Please refer to the methodological notes in the 2013 *Transition Report* online for further details.

Table S.1
## Sector-level transition indicators 2013: 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- | 3-↑ | 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+↓ | 4 | 3+ | 4- | 3+ | 3+ | 3 | 3 | 3 | 3↓ |
| Latvia | 3 | 4- | 4- | 3+ | 4- | 3+ | 3+ | 3+ | 4- | 3 | 4- | 3+ | 3+ | 3 | 3- | 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 | 2+ | 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 |
| 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 | 2+ | 1 | 1 |
| Montenegro | 2+ | 2+ | 2+ | 3+ | 3+ | 2 | 2+ | 2 | 3 | 2+ | 2+ | 3- | 2+ | 2+ | 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- | 3- |
| Turkey | 3- | 3 | 3+ | 3+ | 3+ | 3 | 3+ | 3- | 3 | 3- | 3- | 3+ | 3 | 3- | 3- | 4↑ |
| **Eastern Europe and 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 | 3- |
| 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 | 3- | 2+ | 2 | 2- | 3 |
| 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 |
| **SEMED** | | | | | | | | | | | | | | | | |
| 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 | 3- |
| 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.
**Notes:** 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. Upgrades and downgrades are highlighted 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 18 one-notch upgrades this year: general industry (Lithuania), water and wastewater (Kyrgyz Republic and Romania), roads (Kazakhstan and Slovak Republic), insurance and other financial services (Croatia and Slovenia), MSME finance (Bulgaria, Estonia, FYR Macedonia, Mongolia, Romania, Tajikistan and Ukraine), private equity (Croatia and Estonia) and capital markets (Bosnia and Herzegovina and Turkey). There were seven downgrades: electric power (Albania, Bulgaria and Hungary), urban transport (Estonia), insurance and other financial services (Poland), MSME finance (Slovenia) and capital markets (Hungary). In addition, there were historical revisions in the following cases to take account of new data or reflect a change in methodology (for example, for natural resources): natural resources (Armenia, Kyrgyz Republic, Latvia, Lithuania and Slovak Republic), water and wastewater (Turkey), railways (Poland), insurance and other financial services (Jordan and Tunisia) and MSME finance (Slovak Republic). A correction has also been made to the urban transport score for Turkey and the banking score for Morocco, which were misreported last year. Please note that the "telecommunications" sector has been renamed "ICT" to reflect methodological changes as of 2011, which have broadened its scope.

Table S.2

## Sector-level transition indicators 2013: 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 | Small | Negligible | Small | Medium | Small | Small | Small | Small | Small | Medium |
| **Hungary** | Small | Small | Small | Small | Small | Medium | Medium | Small | Medium | Small | Small | 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 | Medium | Small | Small | Small | Medium | Large | 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 | Small | Medium | Small | Small | Small | Small | Medium | 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 | Large | Large |
| **Turkey** | Medium | Small | Small | Medium | Medium | Medium | Medium | Large | Medium | Medium | Medium | Medium | Medium | Medium | Medium | Negligible |
| **Eastern Europe and 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 | Medium | 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 |
| **SEMED** | | | | | | | | | | | | | | | | |
| **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 | Medium |
| **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.
**Notes:** "Large" indicates a major transition gap. "Negligible" indicates standards and performance that are typical of mature industrialised economies.

Table S.3

## Sector-level transition indicators 2013: 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 | Negligible | Small | Small | Medium | Small | 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 | Negligible |
| **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 | Small | Small | Small | Medium | Small | Medium | Small | Small | Medium | Medium | Medium | Small | Medium | Small | 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 | Large | 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 | Medium | 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 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 | Large | 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 |
| **SEMED** | | | | | | | | | | | | | | | | |
| **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 | Medium |
| **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 | Large |

**Source:** EBRD.
**Notes:** "Large" indicates a major transition gap. "Negligible" indicates standards and performance that are typical of mature industrialised economies.

Table S.4
**Country-level transition indicators 2013**

| | Enterprises | | | Markets and trade | | |
|---|---|---|---|---|---|---|
| | Large-scale privatisation | Small-scale privatisation | Governance and enterprise restructuring | Price liberalisation | Trade and foreign exchange system | Competition policy |
| Albania | 4- | 4 | 2+ | 4+ | 4+ | 2+ |
| Armenia | 4- | 4 | 2+ | 4 | 4+ | 2+ |
| Azerbaijan | 2 | 4- | 2 | 4 | 4 | 2- |
| Belarus | 2- | 2+ | 2- | 3 | 2+ | 2 |
| Bosnia and Herzegovina | 3 | 3 | 2 | 4 | 4 | 2+ |
| Bulgaria | 4 | 4 | 3- | 4+ | 4+ | 3 |
| Croatia | 4-↑ | 4+ | 3+ | 4 | 4+ | 3 |
| Estonia | 4 | 4+ | 4- | 4+ | 4+ | 4- |
| FYR Macedonia | 3+ | 4 | 3- | 4+ | 4+ | 3- |
| Georgia | 4 | 4 | 2+ | 4+ | 4+ | 2 |
| Hungary | 4 | 4+ | 4- | 4↓ | 4↓ | 3+↓ |
| Kazakhstan | 3 | 4 | 2 | 4- | 4- | 2 |
| Kosovo | 2- | 3+ | 2 | 4 | 4 | 2+ |
| Kyrgyz Republic | 4- | 4 | 2 | 4+ | 4+ | 2 |
| Latvia | 4- | 4+ | 3+ | 4+ | 4+ | 4- |
| Lithuania | 4 | 4+ | 3 | 4+ | 4+ | 4- |
| Moldova | 3 | 4 | 2 | 4 | 4+ | 2+ |
| Mongolia | 3+ | 4 | 2 | 4+ | 4+ | 3- |
| Montenegro | 3+ | 4- | 2+ | 4 | 4+ | 2 |
| Poland | 4- | 4+ | 4- | 4+ | 4+ | 4- |
| Romania | 4- | 4- | 3- | 4+ | 4+ | 3+ |
| Russia | 3 | 4 | 2+ | 4 | 4 | 3- |
| Serbia | 3- | 4- | 2+ | 4 | 4 | 2+ |
| Slovak Republic | 4 | 4+ | 4- | 4+ | 4↓ | 3+↓ |
| Slovenia | 3 | 4+ | 3 | 4 | 4+ | 3- |
| Tajikistan | 2+ | 4 | 2 | 4 | 4-↑ | 2- |
| Turkey | 3+ | 4 | 3- | 4 | 4+ | 3 |
| Turkmenistan | 1 | 2+ | 1 | 3 | 2+ | 1 |
| Ukraine | 3 | 4 | 2+ | 4 | 4 | 2+ |
| Uzbekistan | 3- | 3+ | 2- | 3- | 2- | 2- |
| 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.
**Notes:** 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 2013 *Transition Report* online. Upward and downward arrows indicate one-notch upgrades or downgrades relative to the previous year.

## LOW GROWTH CONSTRAINS CORPORATE SECTOR REFORM

For the second year in a row, market structures and institutions in the corporate sector have remained largely unchanged, which probably reflects persistent weak growth. However, the overall business environment has remained stable.

In ***agribusiness***, some progress is evident in productivity, but difficulties in obtaining finance have inhibited modernisation. Governments are also struggling to ensure food security and low food prices for their populations, which deters politically risky moves towards further liberalisation.

There has been one upgrade in the *Slovak Republic* (for agribusiness), one in *Lithuania* (for ***general industries***) and one in *FYR Macedonia* (for ***ICT***). The Slovak Republic has made significant progress with ISO 22000 certification, resulting in better hygiene and food safety standards. In Lithuania there has been a notable improvement in the energy intensity of the economy, to the point where the country is now among the top performers in the region. FYR Macedonia's market structure upgrade for ICT reflects the increased competition in the fixed and mobile segments of the market.

## KOSOVO

Kosovo became the 66th member of the EBRD in December 2012. The EBRD has been active in Kosovo since 1999, but the country faces a tough transition agenda as a result of its weak institutional structure and years of under-investment.

Table S.1 highlights the extent of the transition challenges facing Kosovo. Its scores typically range from 2- to 2+. Only the railways sector achieves a 3-. This reflects some regulatory progress, but there is no competition, and services operate in a non-commercial manner. Private equity and capital markets each score just 1, as both are at the earliest stage of development. The transition gaps for market structure and market-supporting institutions are all either medium or large.

[6] See the EBRD blog entitled "Competition policy in the EBRD region: why is it lagging behind?" (February 2013).

## COUNTRY-LEVEL TRANSITION INDICATORS

The EBRD's country-level transition indicators have existed since 1994 and cover the period since 1989. Although some were due for modification in 2013, given the theme of this report – "Stuck in Transition?" – the Bank has decided to maintain its methodology for one more year to ensure comparability with previous years.

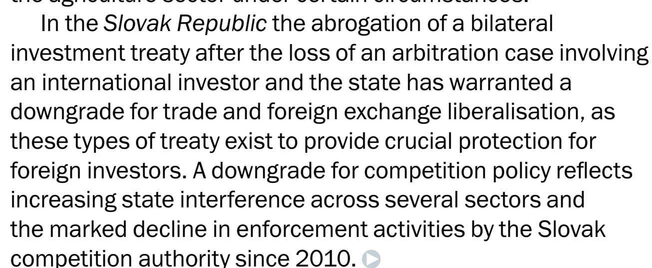
In some categories, such as price liberalisation or trade and foreign exchange, many countries have reached the maximum score of 4+, so any further progress cannot be reflected in the scoring system. Other categories, such as governance and enterprise reform or competition policy, lag behind. Reforms in these areas may be complex and difficult to implement.[6]

There are very few changes to record this year. For the first time downgrades (five in total – three in Hungary and two in the Slovak Republic) have outnumbered upgrades (one each in Croatia and Tajikistan) – see Table S.4 and Chart S.1.

*Tajikistan* has been upgraded for trade and foreign exchange liberalisation in recognition of the country's accession to the World Trade Organization in March 2013.

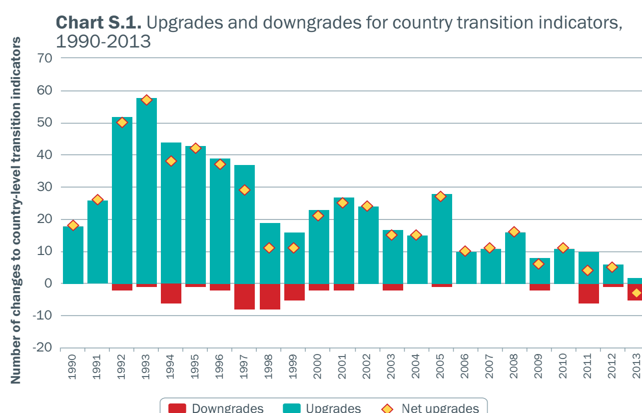
*Croatia* has received an upgrade in the area of large-scale privatisation for restructuring and selling off a number of large shipyards. This was a significant achievement, as successive governments had grappled with this problem over many years. Progress in this area was one of the requirements of EU membership, which became effective on 1 July 2013.

In *Hungary*, the government has sought to solidify the country's position as an export-oriented investment platform through an increasing number of investor-specific 'strategic partnership agreements'. However, the use of firm-specific agreements weakens the role of the legislative and regulatory framework in creating a good business environment for all firms, and bears the risk that local or national authorities could discriminate in favour of firms that have signed an agreement. In that light, a downgrade in the transition indicator for trade and investment liberalisation is warranted. Heavy state intervention in the energy sector has also warranted a price liberalisation downgrade. The score for competition policy has been downgraded to reflect the government's 2012 decision to suspend the application of provisions on restrictive practices in the agriculture sector under certain circumstances.



In the *Slovak Republic* the abrogation of a bilateral investment treaty after the loss of an arbitration case involving an international investor and the state has warranted a downgrade for trade and foreign exchange liberalisation, as these types of treaty exist to provide crucial protection for foreign investors. A downgrade for competition policy reflects increasing state interference across several sectors and the marked decline in enforcement activities by the Slovak competition authority since 2010.

**Chart S.1.** Upgrades and downgrades for country transition indicators, 1990-2013




**Source:** EBRD.

Box S.1
## Structural transformation and job creation in Egypt: a missing link

A key challenge facing Egypt is how to achieve more inclusive growth which both raises productivity and creates good jobs. High unemployment is a long-standing problem and has become increasingly urgent over the past two and a half years, rising to 13.2 per cent in 2013, up from 9 per cent in 2010. The economy needs to grow by around 6 to 7 per cent annually just to absorb the 700,000 new entrants to the labour market every year. Furthermore, many jobs created in recent years have been in low-wage sectors such as agriculture. Unless new opportunities become available to the growing numbers of jobless young Egyptians, social unrest may further undermine the likelihood of a stable transition.

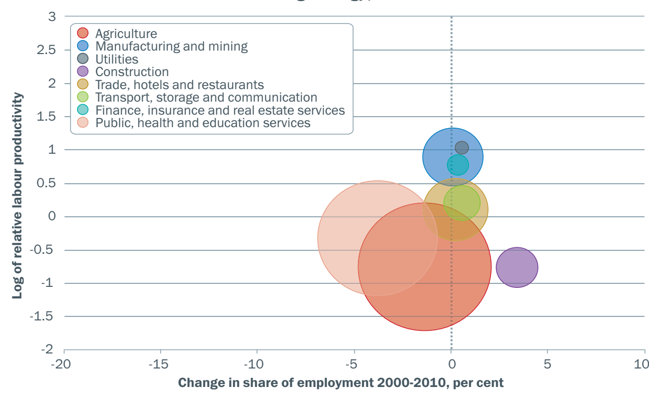
Egypt's difficulties in creating high-quality jobs partly reflect an incomplete structural transformation. Low-productivity sectors continue to dominate job creation, while the employment shares of manufacturing and services remain low (see Chart S.1.1). This contrasts with the experiences of many emerging market economies, which have boosted per capita income and high-quality job creation by reallocating labour to more productive sectors.[7]

Charts S.1.2 and S.1.3 contrast Egypt's economic transformation with the experiences of Thailand and Turkey, which had levels of purchasing power parity-adjusted GDP per capita in the 1990s that were similar to those of Egypt in the 2000s. Those countries experienced large increases in the employment shares of relatively productive sectors – in particular, manufacturing and tourism – which offset large contractions in the employment shares of agriculture. This improved the distribution of jobs and allowed increases in wages and value added.

In Egypt the decline in the employment shares of low-productivity sectors has been slow. In 2010 over 50 per cent of employed Egyptians still worked in agriculture or the public sector. The largest increase in the share of jobs had been in construction, which was an unproductive sector burdened by a lack of modernisation and an abundance of unskilled workers. Meanwhile, the employment share of private sector services had almost stagnated, contrasting sharply with other emerging economies.

This experience underlines the need for structural and business environment reforms in Egypt to enhance the quality of job creation and boost potential growth. The agriculture sector is hindered by antiquated farming practices, a lack of skills and land fragmentation. Land consolidation and the modernisation of farming practices could improve productivity and allow a better reallocation of labour across economic activities. Similarly, public sector employment should be reined back in favour of a more dynamic labour market that is conducive to

**Chart S.1.1.** Structural change in Egypt, 2000-2010




**Source:** EBRD Calculations with CAPMAS Annual Labour Force Survey and Ministry of Economic Development data.
**Note:** The chart shows the change in each sector's share of employment (on the x-axis) plotted against the sector's relative labour productivity (y-axis). Relative labour productivity is end-of-period sector GDP per capita as a share of the economy-wide GDP per capita. The size of the circle represents the share of employment in 2000.

long-term growth and the accumulation of technical skills which are better aligned with private sector needs.

In particular, Egypt's manufacturing and private service sectors have the potential to create more jobs if key reforms are implemented. Businesses can be encouraged to invest and innovate by easing regulations, reducing discretionary enforcement and improving competition. Also, reducing the cost of labour in relation to other factors of production would help to increase employment. This will require the removal of distortionary energy subsidies and the adoption of more energy-efficient technologies, which could lead to the expansion of areas such as food processing, biotechnology and labour-intensive consumer electronics.

Further development of the tourism sector could foster job creation in hotels, transport and retail services, while developing modern processing, logistics, retail and distribution systems could promote the expansion of non-farm agribusiness jobs in rural areas.

[7] See Hausmann, Hwang and Rodrik (2007) and Rodrik and Macmillan (2011).

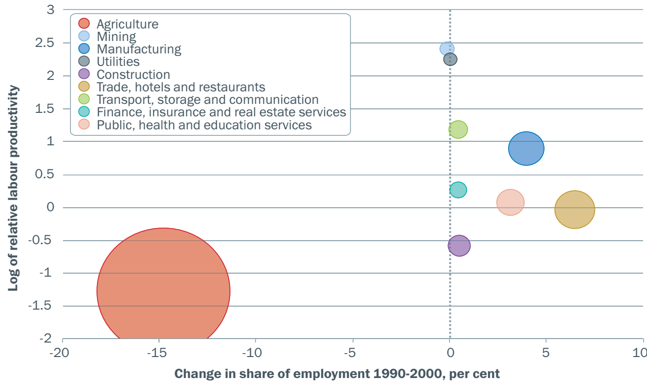



**Chart S.1.2.** Structural change in Thailand, 1990-2000

**Source:** Based on Groningen Growth and Development Centre Ten-Sector Database.
**Note:** The chart shows the change in each sector's share of employment (on the x-axis) plotted against the sector's relative labour productivity (y-axis). Relative labour productivity is end-of-period sector GDP per capita as a share of the economy-wide GDP per capita. The size of the circle represents the share of employment in 1990.

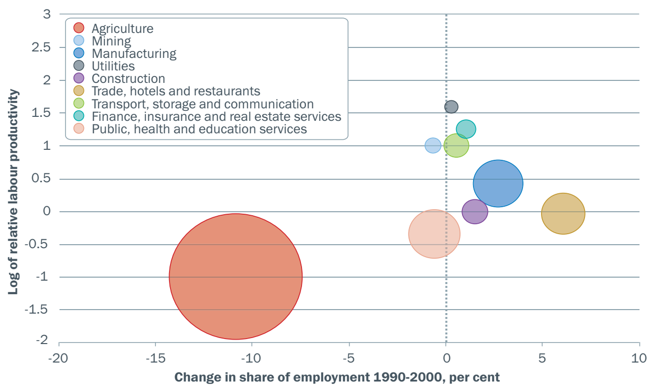



**Chart S.1.3.** Structural change in Turkey, 1990-2000

**Source:** Based on McMillan and Rodrik 2011 dataset.
**Note:** The chart shows the change in each sector's share of employment (on the x-axis) plotted against the sector's relative labour productivity (y-axis). Relative labour productivity is end-of-period sector GDP per capita as a share of the economy-wide GDP per capita. The size of the circle represents the share of employment in 1990.

# Annex S.1

## EVALUATING READINESS FOR PUBLIC-PRIVATE PARTNERSHIPS IN THE TRANSITION REGION

The development of public-private partnerships (PPPs) for infrastructure investment in the transition region has had a mixed history. Progress has been slower than anticipated and has been influenced by external market conditions and political considerations which can mask the underlying readiness of a country to develop PPP projects. The EBRD, in collaboration with the Economist Intelligence Unit (EIU), has therefore developed a “readiness index” that measures the capacity of countries to carry out sustainable PPPs, trying to subtract from cyclical factors that could inhibit the successful implementation of PPPs.[8]

The index is based on a methodology developed by the EIU in 2009-10 for Latin America and the Caribbean and the Asia-Pacific region with the Inter-American Development Bank and Asian Development Bank, respectively. This makes it possible to compare countries both within and across different regions. The analysis looks at PPP policies and regulations, standards and practices, relevant country experiences and attitudes towards private participation in infrastructure provision.

### Methodology

The index compares countries across six broad categories spanning the PPP project life-cycle, from inception through implementation and oversight to termination. The aim is to measure the quality of project implementation and the longer-term sustainability, quality and efficiency of such projects. There are 19 indicators, 15 of which are qualitative and four quantitative (see Table A.S.1.1).

Data for the quantitative indicators are drawn from the World Bank Public-Private Infrastructure Advisory Facility database and from the EIU's Risk Briefing service. Estimates have been made for data gaps. The scoring of qualitative indicators, ranging from 0 to 4, is based on a range of primary sources (legal texts, government web sites, press coverage and interviews), secondary reports and data. Scores for all indicators are normalised on a scale of 0 to 100. The index is calculated as a weighted sum of the six category scores, and expressed on an overall scale of 0 to 100 for a country, where 100 represents the ideal environment for PPP projects.

[8] The report, its unofficial Russian translation, and an Excel-based learning tool kit were published in July 2013 and can be downloaded from http://www.eiu.com/EECISInfrascope2012.
[9] Note that the study does not cover all EBRD countries of operations. It excluded those countries where PPPs are absent or where there is no political willingness to develop such projects (for example, Turkmenistan) and also new member countries (Kosovo and the SEMED region).

Table A.S.1.1
**Scoring criteria for the PPP readiness index**

| 1. Legal and regulatory framework (weighted 25%) |
|---|
| 1.1 Consistency and quality of PPP regulations |
| 1.2 Effective PPP selection and decision-making |
| 1.3 Fairness/openness of bids, contract changes |
| 1.4 Dispute-resolution mechanisms |
| **2. Institutional framework (weighted 20%)** |
| 2.1 Quality of institutional design |
| 2.2 PPP contract, hold-up and expropriation risk |
| **3. Operational maturity (weighted 15%)** |
| 3.1 Public capacity to plan and oversee PPPs |
| 3.2 Methods and criteria for awarding projects |
| 3.3 Regulators' risk-allocation record |
| 3.4 Experience in electricity, transport and water concessions |
| 3.5 Quality of electricity, transport and water concessions |
| **4. Investment climate (weighted 15%)** |
| 4.1 Political distortion |
| 4.2 Business environment |
| 4.3 Political will |
| **5. Financial facilities (weighted 15%)** |
| 5.1 Government payment risk |
| 5.2 Capital market: private infrastructure finance |
| 5.3 Marketable debt |
| 5.4 Government support for low-income users |
| **6. Sub-national adjustment factor (weighted 10%)** |
| 6.1 Sub-national adjustment[1] |

[1] This reflects the capacity to implement PPPs at the municipal level.
**Source:** EIU Infrascope.

Table A.S.1.2
**PPP readiness scores for 25 transition countries**

| Rank | Country | Score | Level |
|---|---|---|---|
| 1 | Croatia | 63.5 | Developed |
| 2 | Lithuania | 62.9 | |
| 3 | Slovenia | 61.8 | |
| 4 | Latvia | 54.4 | Emerging |
| 5 | Hungary | 53.8 | |
| 6 | Poland | 52 | |
| 7 | FYR Macedonia | 51.1 | |
| 8 | Russia | 51 | |
| 9 | Albania | 50.5 | |
| 10 | Turkey | 49.6 | |
| 11 | Slovak Republic | 47.6 | |
| 12 | Romania | 47.4 | |
| 13 | Bulgaria | 45.5 | |
| 14 | Serbia | 43 | |
| 15 | Armenia | 39.9 | |
| 16 | Estonia | 37.7 | |
| 17 | Moldova | 35.8 | |
| 18 | Kazakhstan | 35.6 | |
| 19 | Montenegro | 31.7 | |
| 20 | Bosnia and Herzegovina | 29.6 | Nascent |
| 21 | Ukraine | 28 | |
| 22 | Georgia | 27.8 | |
| 23 | Kyrgyz Republic | 25.6 | |
| 24 | Mongolia | 24.6 | |
| 25 | Belarus | 10.3 | |

**Source:** EIU Infrascope.

## Results

Table A.S.1.2 shows the PPP readiness scores for 25 transition countries.[9] Overall, Croatia received the highest score, primarily due to its mature legal, environmental and institutional capacity. Lithuania and Slovenia are also in the "developed" group of countries – equivalent to Brazil and Mexico in Latin America and India and Japan in the Asia-Pacific region. The biggest group – from Latvia in fourth place to Montenegro in nineteenth – is classified as "emerging", while the bottom six countries are considered "nascent".

In general, CEB countries gained the highest rankings on account of their relatively strong legal frameworks and institutions, established procurement practices and the capacity of their governments to support low-income users. SEE countries were both above and below average, although most scored under 50 per cent, indicating the need to make the environment for PPP projects more business-friendly. EEC and Central Asian countries, apart from Russia (which ranked eighth), were below the regional average, as laws and institutions remain underdeveloped.

## Room for improvement

Areas for improvement differ significantly by country. Those grouped in the "developed" category still require experience and a track record, as their laws and institutions, although in place formally, have not always been tested.

In contrast, countries in the "nascent" category need to focus on building their legal frameworks and institutions. Most countries in this group are relatively isolated from key markets and are therefore of less interest to investors. Extra effort is required to make the business environment more attractive. In the "emerging" group, countries need to continue to improve institutions and also to gain more transaction experience.

Across the whole transition region, consistent political will is essential to attract investors. All countries should pay more attention to domestic market factors, such as the development of local financial and capital markets, the expansion of local construction and the fostering of legal and advisory firms.

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"What you export matters", *Journal of Economic Growth*, Springer, Vol. 12, No. 1, pp. 1-25.

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