

EBRD

Transition Report 2007

**Office of the Chief
Economist**

Transition report 2007
People in transition

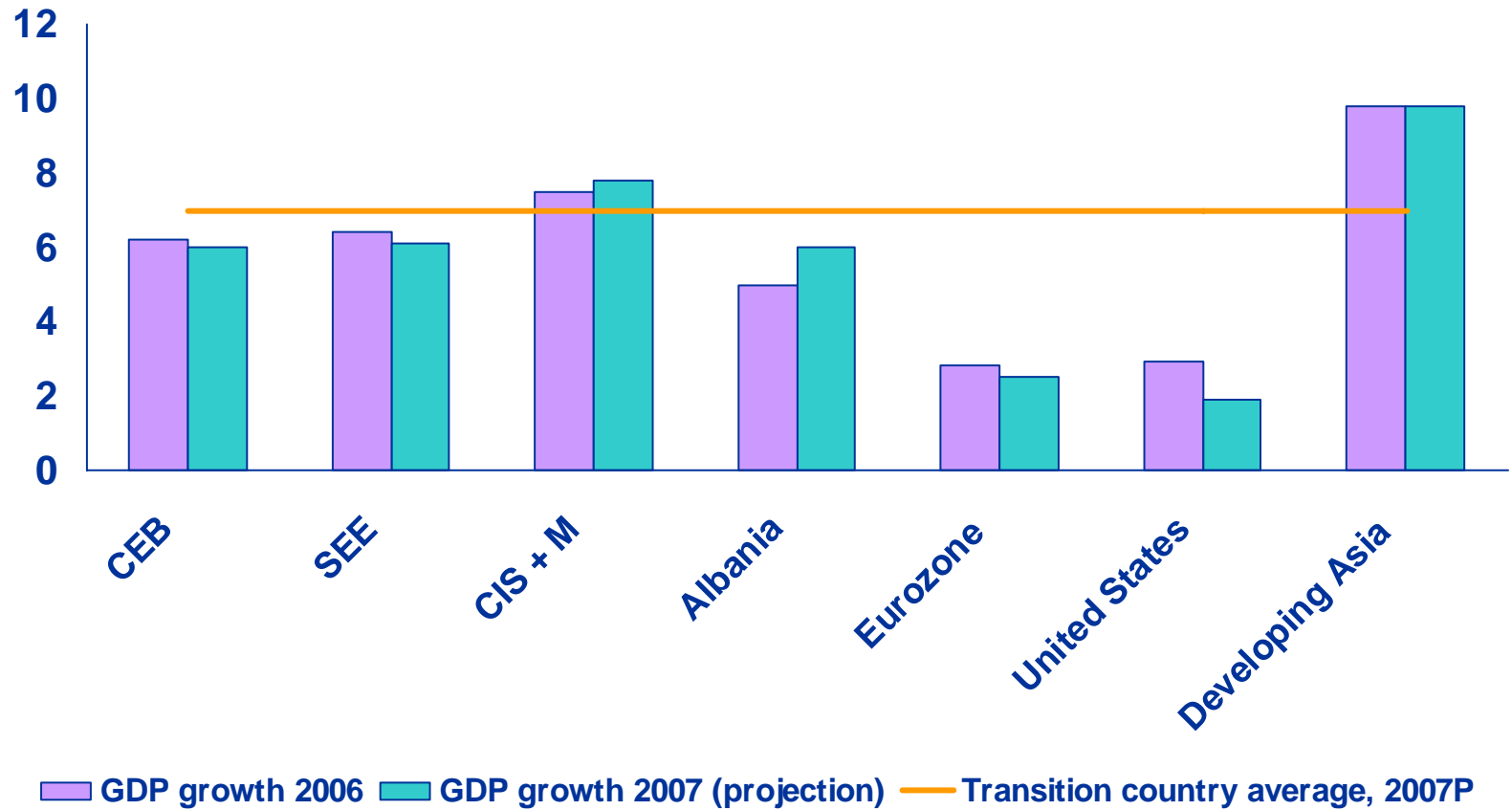


SEE: Strong growth and reforms, but deep unhappiness

- Strong growth – 6.4 per cent last year
- Global market turmoil having limited effect
- Continued progress in reform
- Most people strongly committed to markets and democracy but widespread dissatisfaction
- Better public services to give dissatisfied a stake in future reforms



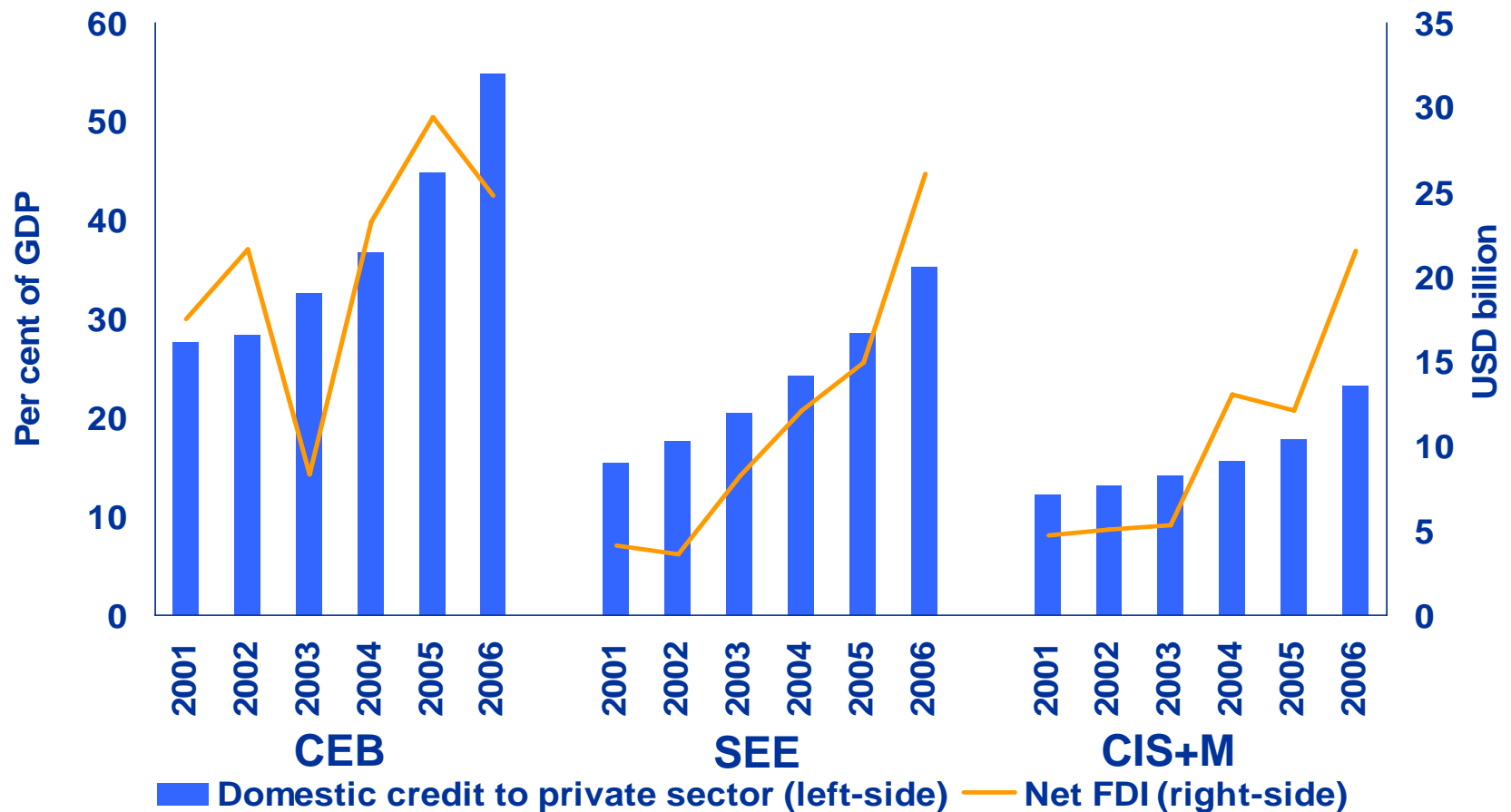
Economic expansion continues



Sources: EBRD and IMF.



Credit and investment expanding fast



Source: EBRD.



Three phases of reform

- **First phase:** small-scale privatisation, price, trade and foreign exchange liberalisation
- **Second phase:** large-scale privatisation, banking, and non-bank financial institutions
- **Third phase:** governance, competition, and infrastructure

Scale: 1 = little/no progress; 4+ = standards of advanced market economy



Reforms continue but at slower pace



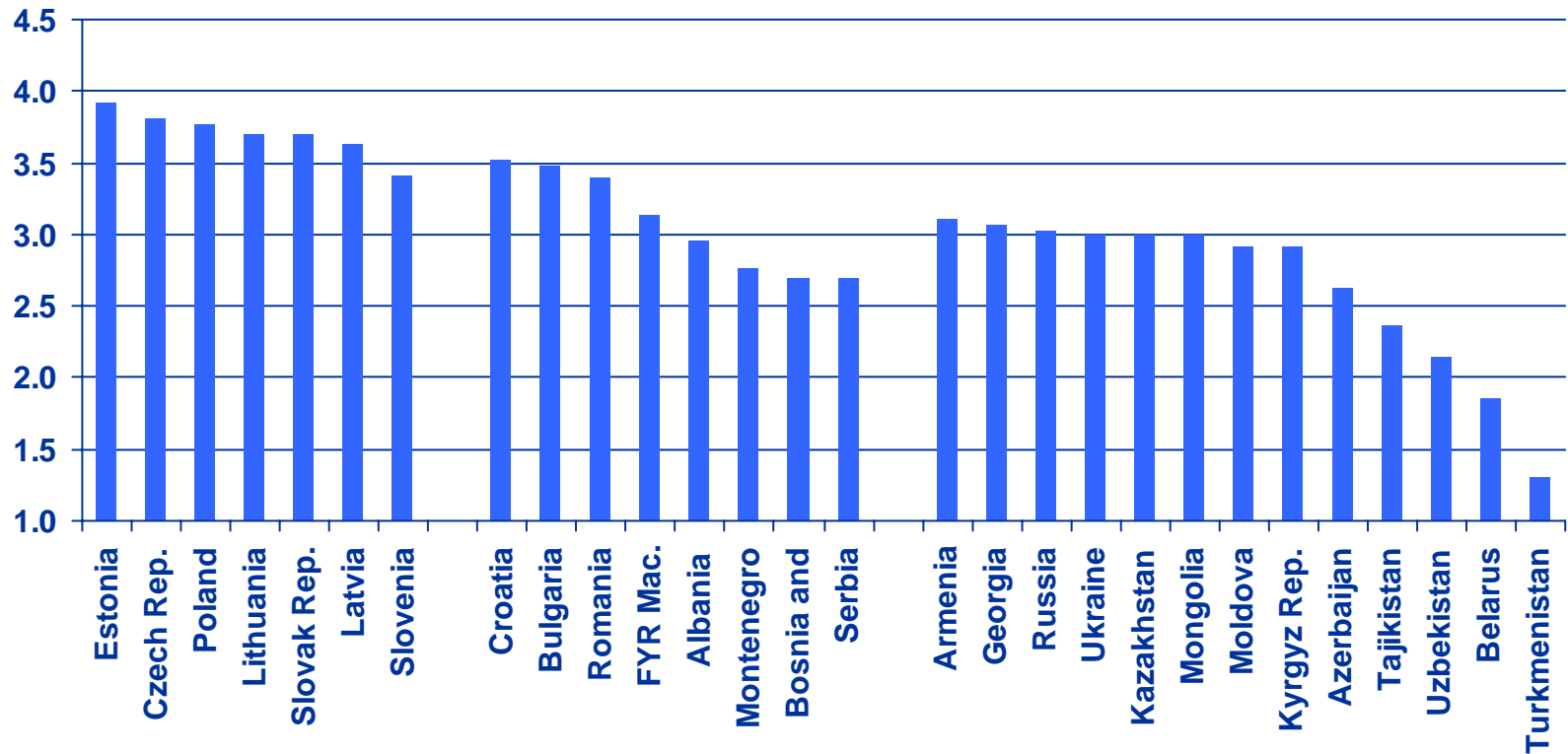
Source: EBRD.



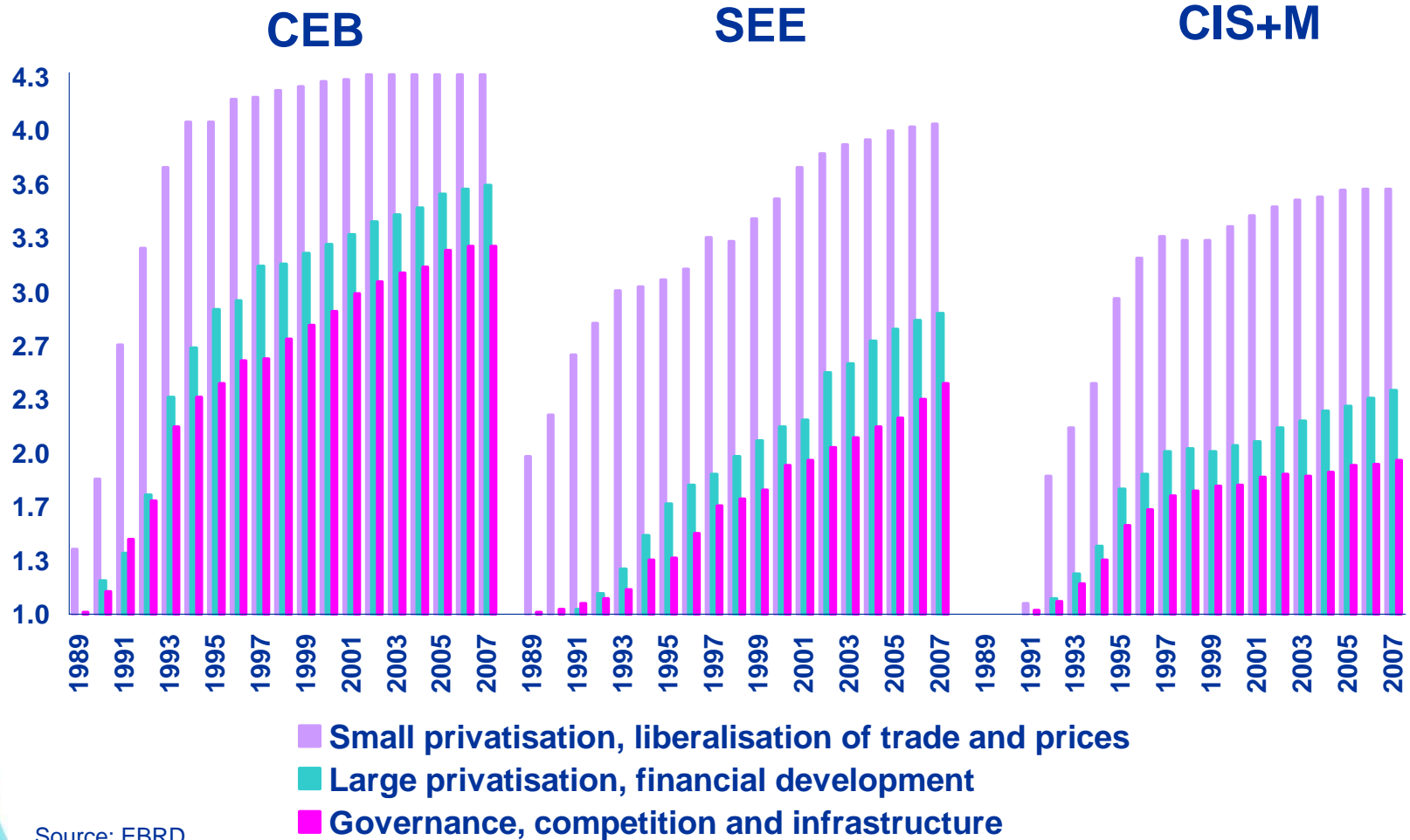
Wide variation in reform

Big variation in SEE

Average transition score by country, 2007



Finance and governance reforms lag



Source: EBRD.



Special theme:

How has transition affected people?

- How has outcome affected life satisfaction and attitudes?
- What has been the impact of experiences *during* transition?
- What do people expect from the future?



Life in Transition Survey

29,000 households surveyed in September 2006

28 transition countries, plus Turkey

Joint project with the World Bank

Questions include:

Household consumption & spending

Public spending priorities

Life satisfaction

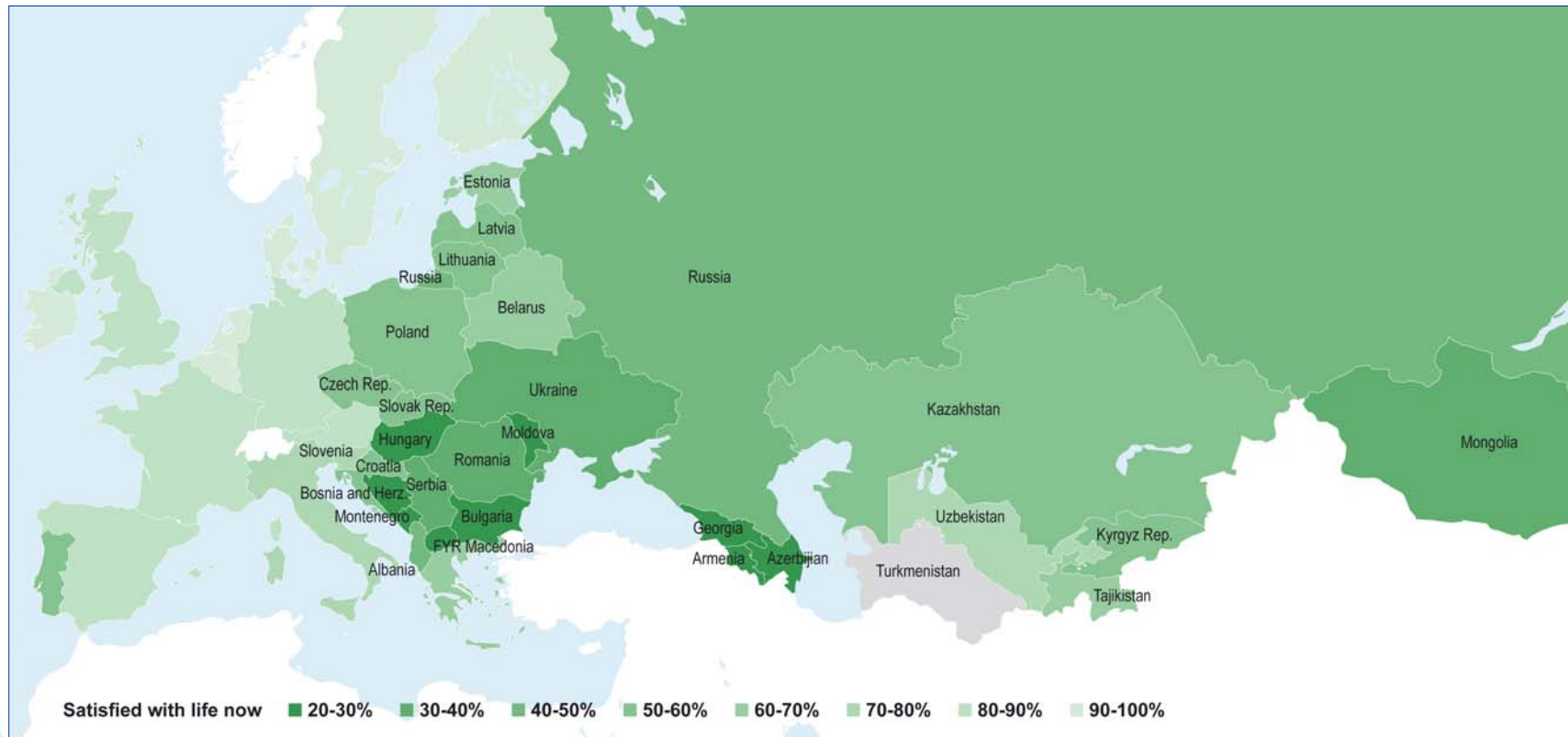
Political, economic and social values

Labour market histories

Corruption

17 years of transition taken a toll...

...especially in some former Yugoslav countries

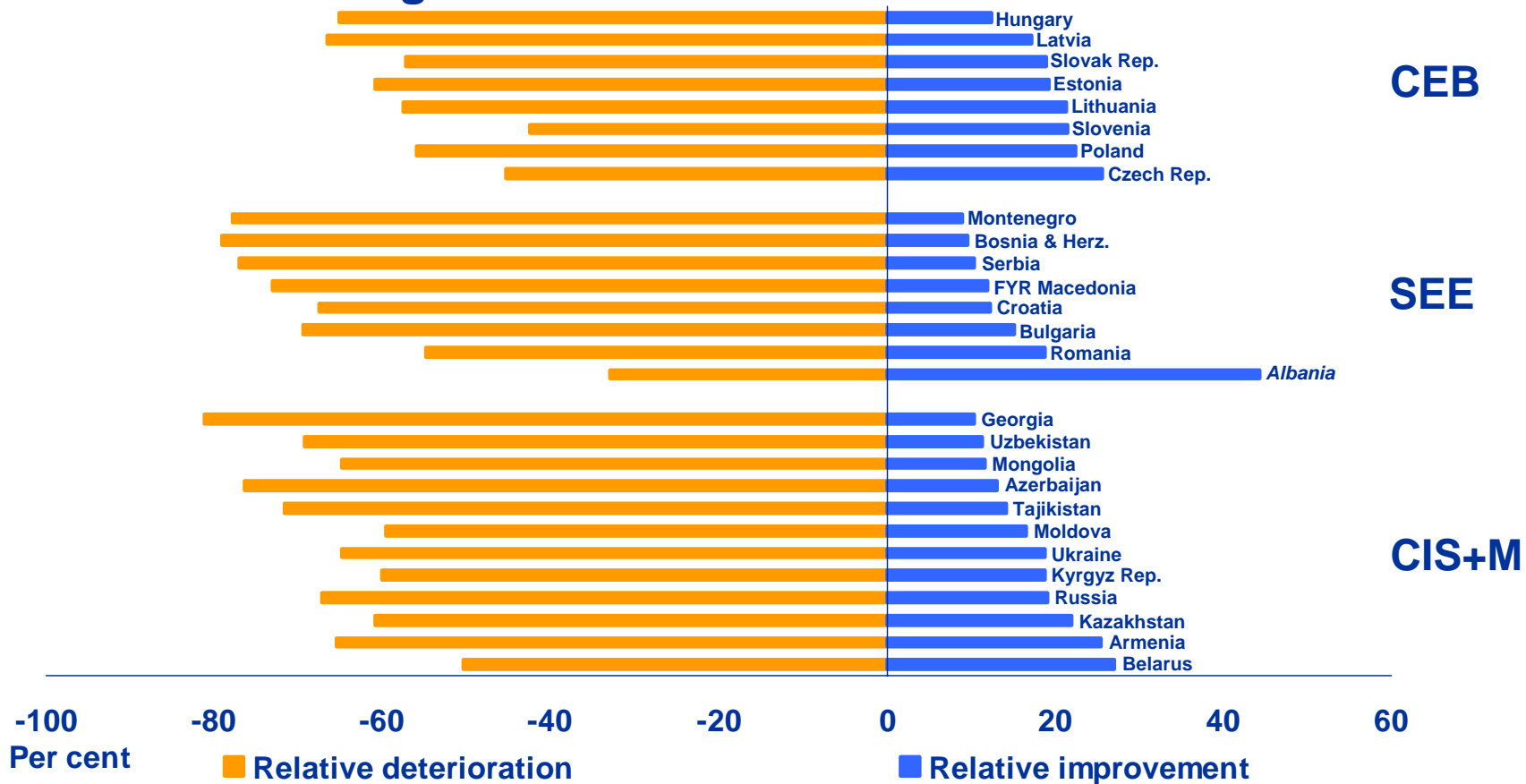


Source: EBRD-World Bank, Life in Transition Survey, 2006.



Most people perceive relative decline

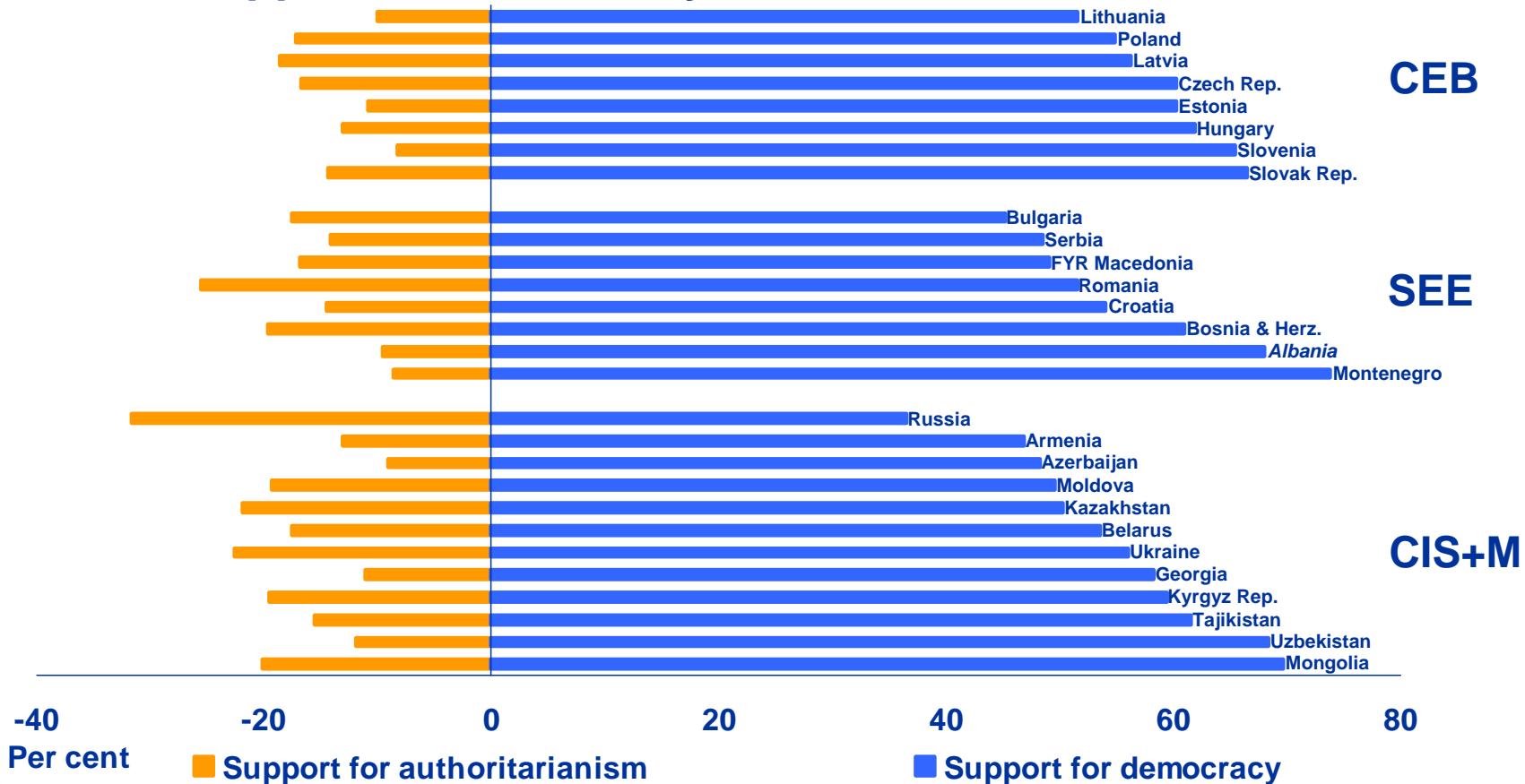
Views on changes in relative household wealth since 1989



Source: EBRD-World Bank, Life in Transition Survey, 2006.

Strong support for democracy

Support for democracy versus authoritarianism

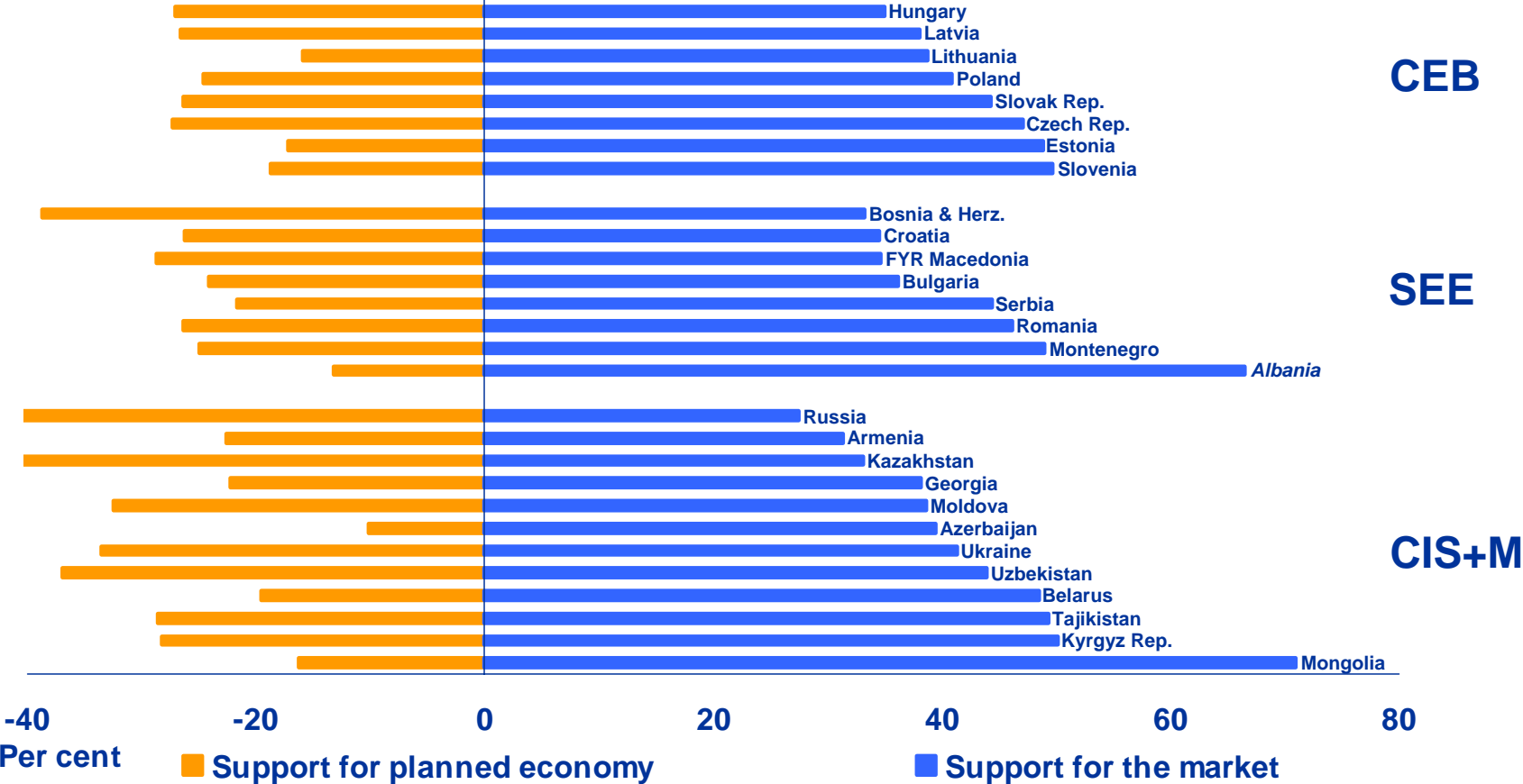


Source: EBRD-World Bank, Life in Transition Survey, 2006.



Weaker support for markets, but still positive

Support for market versus planned economy



Source: EBRD-World Bank, Life in Transition Survey, 2006.

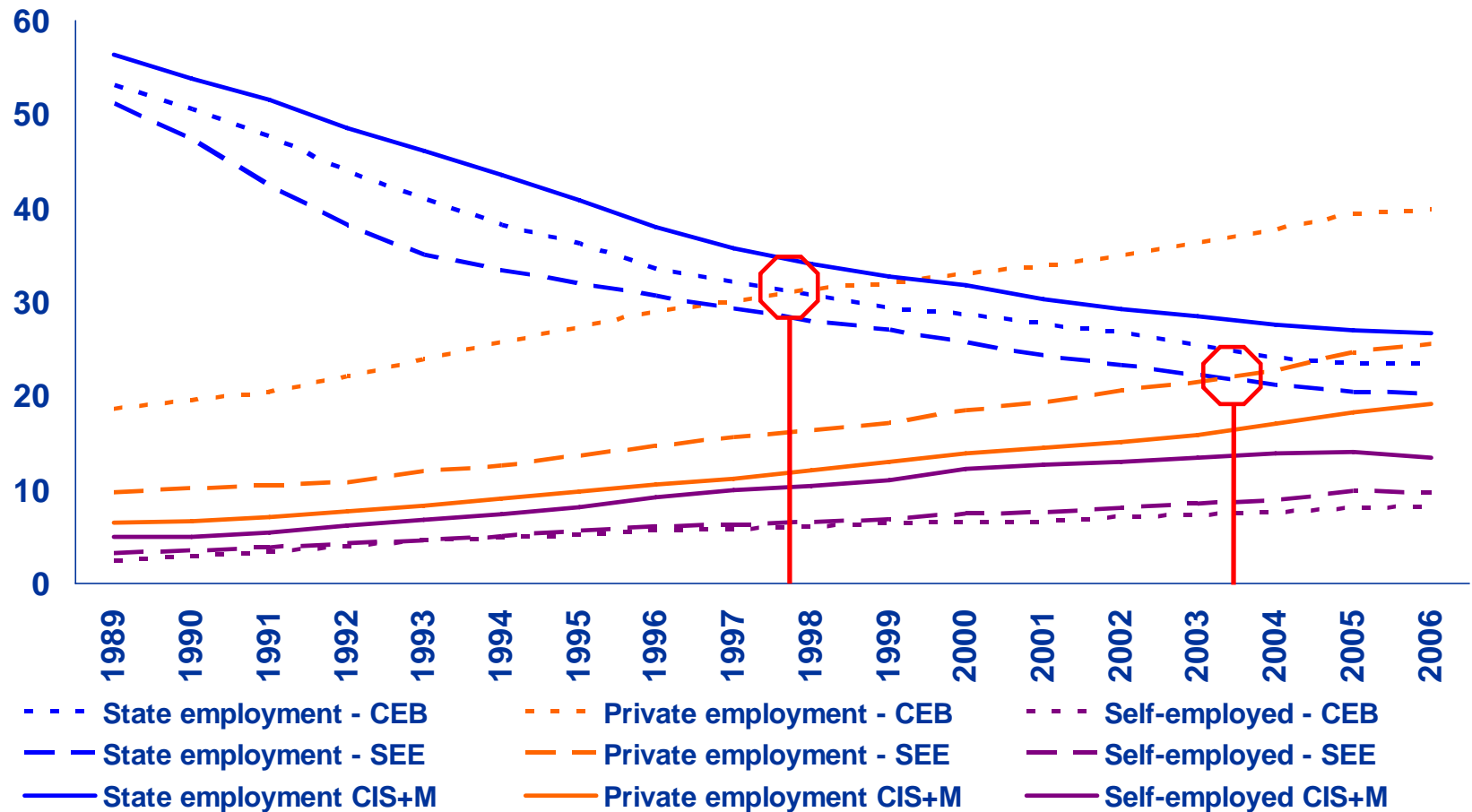


Do labour market experiences shape satisfaction and attitudes?

- Upheaval in labour markets
- Many left labour force or long-term unemployed
- Self employed and skilled more satisfied, support markets

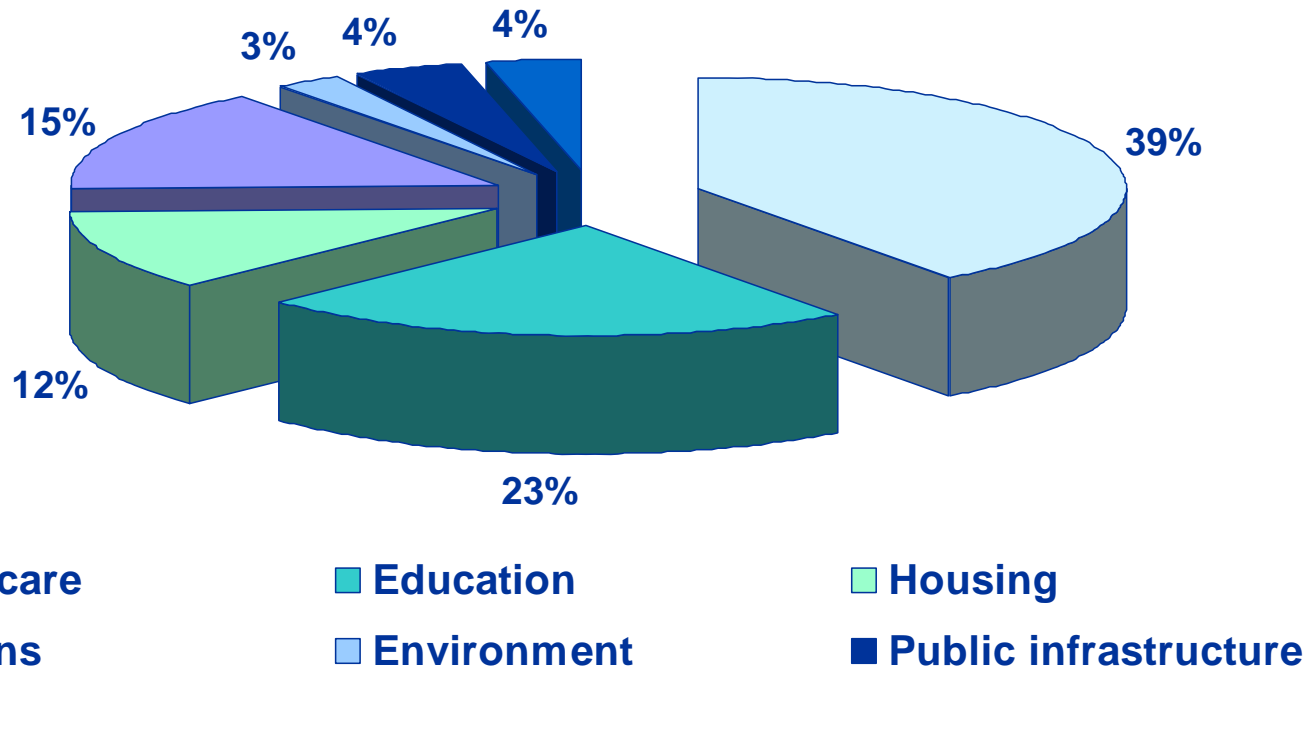


The speed of labour reallocation varies substantially by region



Source: EBRD-World Bank, Life in Transition Survey, 2006.

People want government to invest in health care and education...



Source: EBRD-World Bank, Life in Transition Survey, 2006.



Improving public services – broadening support for reforms

- Private sector can bring capital, know-how and efficiency enhancements
- Requires effective regulators, courts and administrative agencies, open tendering, fair competition, and transparency
- Giving more people a stake in reform and engage them in monitoring delivery

