

Methodological notes

Definitions and options for country snapshots

Liberalisation

Current account convertibility

Options: *full* (full compliance with Article VIII of IMF Agreement), *limited* (restrictions on payments or transfers for current account transactions).

Interest rate liberalisation

Options: *full* (banks are free to set deposit and lending rates), *limited de facto* (no legal restrictions on banks to set deposit and lending rates, but limitations arise from substantial market distortions, such as directed credits or poorly functioning or high illiquid money or credit markets), *limited de jure* (restrictions on the setting of interest rates by banks through law, decree or central bank regulation).

Wage regulation

Restrictions or substantial taxes on the ability of some enterprises to adjust the average wage or wage bill upward; options: *yes, no*.

Stabilisation

Share of general government tax revenue in GDP

General government includes central government, extra budgetary funds and local government.

Exchange rate regime

Options: *currency board*, *fixed*, *fixed with band*, *crawling peg*, *crawling peg with band*, *managed float*, *floating*.

Privatisation

Primary privatisation method

Options: *vouchers* (distribution of investment coupons at a symbolic price), *direct sales* (sales to outsiders), *MEBOs* (management/employee buy-outs), *liquidations*.

Secondary privatisation method

Options and definitions as above.

Tradability of land rights

Options: *full* (no substantial restrictions on the tradability of land rights beyond administrative requirements; no discrimination between domestic and foreign subjects), *full except foreigners* (as "full", but with some differential treatment of foreigners), *limited de facto* (substantial de facto limitations on the tradability of land, for example due to the lack of enforceability

of land rights, a non-existent land market, or significant obstruction by government officials), *limited de jure* (legal restrictions on the tradability of land rights), *no* (land trade prohibited).

Enterprise reform

Competition office

Competition or anti-monopoly office exists separately from any ministry, though it may not be fully independent; options: *yes, no*.

Infrastructure

Independent telecommunications regulator

Independent body, but the scope of power may differ across countries; options: *yes, no*.

Separation of railway accounts

Accounts for freight and passenger operations are separated; options: *yes, no*.

Independent electricity regulator

Independent body, but the scope of power may differ across countries; options: *yes, no*.

Financial institutions

Capital adequacy ratio

Ratio of bank regulatory capital to risk-weighted assets; regulatory capital includes paid-in capital, retentions and some form of subordinated debt.

Deposit insurance

Deposits in all banks are covered by a formal deposit insurance scheme; options: *yes, no*.

Secured transactions law

Non-possessory security over movables permitted; options: *yes, restricted*.

Securities commission

Securities and exchange commission exists separately from any ministry, though it may not be fully independent; options: *yes, no*.

Social reform

Share of the population in poverty

Percentage of population living on less than US\$ 4 (in 1990 US\$ at PPP) a day per person. Most data are for 1997 from UNDP.

Private pension funds

Options: *yes, no*.

Liberalisation

Share of administered prices in CPI (%)

Administered prices are defined as those prices subject to regulation by the state.

Sources: EBRD survey to national authorities and IMF country reports.

Number of goods with administered prices in EBRD-15 basket

The EBRD-15 basket consists of flour/bread, meat, milk, gasoline/petrol, cotton textiles, shoes, paper, cars, television sets, cement, steel, coal, wood, rents, inter-city bus service.

Source: EBRD survey to national authorities.

Share of exports to non-transition economies (%)

Exports of merchandise only.

Source: IMF Directions of Trade Statistics. Data for CIS countries suffer from under-reporting of intra-CIS trade for the early 1990s and are reported for 1994 onwards only.

Share of trade in GDP (%)

Average of exports and imports as a share of GDP.

Source: EBRD staff calculations based on macroeconomic indicators (see country pages).

Tariff revenues (% of imports)

Tariff revenues include all revenues from international trade. Imports are imports of merchandise only.

Source: EBRD staff calculations based on IMF country reports and national authorities.

Privatisation

Share of small firms privatised

Ratio between the cumulative number of small firms privatised by year-end and the total number of small firms initially identified for privatisation.

Sources: EBRD survey to national authorities and EBRD staff assessments.

Privatisation revenues (cumulative, % of GDP)

Government revenues from cash sales of enterprises, not including investment commitments.

Sources: National authorities and IMF country reports.

Definitions and data sources for structural indicators

Privatisation (continued)

Private sector share in GDP

The “private sector shares” of GDP represent rough EBRD estimates, based on available statistics from both official (government) sources and unofficial sources. The underlying concept of private sector value added includes income generated by the activity of private registered companies, as well as by private entities engaged in informal activity in those cases where reliable information on informal activity is available.

Sources: EBRD staff estimates. For data prior to 1994, the source is IMF staff estimates.

Enterprise reform

Budgetary subsidies (% of GDP)

Budgetary transfers to enterprises and households, excluding social transfers and, in most countries, soft loans from the banking system.

Sources: National authorities and IMF country reports.

Efficiency of tax collection for social security (%)

Ratio of effective collection of social security taxes over total labour income in the economy, divided by the statutory social security tax rate. A collection of 6% of total payroll for a statutory rate of 10% would give an efficiency of tax collection of 0.6. The EU average is 0.65.

Sources: *OECD Revenue Statistics*, *IMF Government Finance Statistics*, *UN National Account Statistics*, *World Bank Atlas*, *CIS Statistical Yearbook*, national statistical publications and IMF country reports.

Share of industry and construction in total employment (%)

Industry includes electricity, water, power, mining and manufacturing.

Sources: *ILO Labour Statistics Yearbook*, *UN National Account Statistics*, national statistical publications and IMF country reports.

Change in labour productivity in industry (%)

Labour productivity is calculated as the ratio of industrial production and industrial employment; changes refer to annual averages.

Sources: National statistical publications and IMF country reports.

Infrastructure

Main telephone lines per 100 inhabitants

Fixed lines only, excluding mobile telephones.

Sources: *World Telecommunications Development Report*, International Telecommunications Union.

Railway labour productivity (1989=100)

Productivity measured as the ratio of the number of traffic units (passenger-kms plus freight tonne-kms) and the total number of railway employees.

Sources: National authorities, World Bank.

Electricity tariff, US cents per kWh (collection ratio in %)

The average retail tariff; the collection ratio is defined as the ratio of total electricity payments received (in cash and non-cash) and total electricity charges.

Sources: *Power in Eastern Europe*, Financial Times annual publication; national authorities; World Bank.

Electricity consumption over GDP (1989=100)

Electricity consumption is defined as production, minus net exports, minus transmission losses.

Source: International Energy Agency.

Financial institutions

Number of banks (of which foreign-owned)

Number of commercial and savings banks, excluding savings cooperatives; foreign-owned banks are defined as banks with foreign ownership exceeding 50%, end-of-year.

Source: EBRD survey to central banks.

Asset share of state-owned banks

Share of total assets of majority state-owned banks in total bank sector assets; the state is defined to include the federal, regional and municipal levels, as well as the state property fund and the state pension fund; state-owned banks are defined as banks with state ownership exceeding 50%, end-of-year.

Source: EBRD survey to central banks.

Bad loans (% of total loans)

Non-performing loans, excluding loans transferred to a state rehabilitation agency or consolidation bank, end-of-year.

Source: EBRD survey to central banks.

Credit to private sector (% of GDP)

Stock of bank credit to private sector including households and enterprises, end-of-year, as a percentage of GDP.

Source: IMF International Financial Statistics.

Stock market capitalisation (% of GDP)

Market value of all shares listed on the stock market as a percentage of GDP, end-of-year.

Source: EBRD survey to national stock markets. In some cases, the data differ notably from capitalisation as reported by the IFC *Handbook of Emerging Markets*. The difference in most cases is due to the exclusion in the IFC data of companies listed on the third tier.

Fiscal and social reform

Expenditures on health and education (% of GDP)

Expenditures of general government, excluding those by state-owned enterprises.

Sources: EBRD survey to ministries of finance, IMF country reports, *World Development Indicators* (World Bank).

Life expectancy at birth, total (years)

Life expectancy is defined as the average age reached by an individual after the first day of life, excluding deaths at birth.

Source: *World Development Indicators* (World Bank).

Basic school enrolment ratio (%)

Gross rates, % of relevant population between 7 and 15 years old. Basic school includes 8 years of schooling from the age of 7/8 to 14/15.

Sources: UNICEF, International Child Development Centre, TransMONEE Database.

Earnings inequality (Gini coefficient)

The Gini coefficient measures the distribution of employees' earnings. A higher coefficient implies a higher degree of earnings inequality. The Gini coefficient is derived from the cumulative distribution of earnings across the workforce ranked in order of ascendance. It is defined as one half of the mean difference between any two observations in the earnings distribution divided by average earnings. Its possible values range between 0 and 1. The Gini coefficients presented in the table are calculated using monthly earnings data as reported by employers. Small employers are often excluded, and some data refer to the public sector only.

Sources: UNICEF, International Child Development Centre, TransMONEE Database.

EBRD indices

Indices range from 1 to 4; 0.3 decimal points are added or subtracted for + and – ratings that were introduced in 1997. There is therefore a statistical break in end of these indices between 1996 and 1997. For definitions of ratings, see Table 2.1, Annex 2.2 (for legal transition indicators) and Annex 2.3 (for infrastructure indicators). The infrastructure rating is an unweighted average of four sector-specific reform ratings for power, railways, telecommunications and water.

Source: EBRD staff assessments.

Methodological notes

Definitions and sources for selected macroeconomic indicators

Data for 1991-98 represent official estimates of out-turns as reflected in publications from the national authorities, the International Monetary Fund, the World Bank, the OECD, PlanEcon, the Institute of International Finance and Tacis Economic Trends. Data for 1999-2000 reflect EBRD evaluations, partly based on information from these sources. Because of frequent revisions to official data sources, there may be changes to all series published in the *Transition Report* and *Transition Report Update* from year to year.

Country-specific notes can be found under each country table.

Output

Official estimates of GDP, industrial and agricultural production. Growth rates can lack precision in the context of transition due to large shifts in relative prices, the failure to account for quality improvements, and the substantial size and change in the informal sector. In some countries, national authorities have started to incorporate the informal sector into their estimates of GDP.

Employment

For most countries, data reflect official employment records from the labour registries. In many countries, small enterprises are not recorded by official data. A number of countries have moved towards ILO-consistent labour force surveys in recording changes in labour force, employment and unemployment. Where available these data are presented.

Prices and wages

Data from the statistical offices or IMF. In some countries, notably Belarus, Turkmenistan and Uzbekistan, official CPI data may underestimate underlying inflation because of price controls and inadequate measurement of price increases on informal markets. Wage data are from national authorities and often exclude small enterprises as well as the informal sector.

Government sector

Data for the general government, including local government and extrabudgetary funds, where available. Data for most countries are from IMF country reports. Budget balance data can differ from official estimates due to different budgetary accounting, in particular with respect to privatisation revenues and foreign lending.

Monetary sector

Broad money comprises base money (central bank reserve money and currency in circulation) and quasi-money (sight and demand deposits of the banking system). In some countries, where foreign exchange deposits are a large proportion of demand deposits, broad money also includes deposits in foreign currency. Data from IMF country reports, International Financial Statistics, and monetary authorities.

Interest and exchange rate

Deposit and lending rates from most countries are weighted averages across maturities. For some countries, weighted averages are not available and rates are quoted for the most frequently used instruments. Data from monetary authorities and IMF country reports. Belarus, Turkmenistan and Uzbekistan operate dual exchange rate systems or have substantial parallel markets with high premiums on the official exchange rate. For these countries, the official exchange rate is quoted and the premium on the parallel market rate is given in a footnote.

External sector

Data are from the balance of payments as published by the monetary authorities and in IMF country reports. Trade data in many countries can differ between balance of payments and customs statistics, because of differences in recording and of shuttle trade, which is typically not recorded by customs statistics. See country notes for details. External debt are estimates based on IMF staff evaluations, BIS reports and national authorities. Concepts for recording external debt differ from country to country, and debt to GDP or exports ratios are not strictly comparable.