

GOOD GOVERNANCE AND NATURAL RESOURCES TENURE IN EASTERN EUROPE AND CIS REGION



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The views expressed in this publication are those of the author and do not necessarily reflect the views of FAO.

Cover image: from author

List of abbreviations

BTI	Bertelsmann Transformation Index
CEE	Central-Eastern Europe
CIS	Commonwealth of Independent States
CPI	Corruption Perceptions Index
EEC	European Economic Community
EPI	Environmental Performance Index
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDR	German Democratic Republic
IFC	International Finance Corporation
MI	Management Index
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic Community
SI	Status Index
UN	The United Nations
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

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Summary

Good governance is worldwide recognized as an important precondition for resolution of the most of troublesome problems of humanity; its role is tremendous in eradication of poverty and promotion of development. This study aims to provide a reflection of policies, status and trends of governance in the region of Eastern Europe and Commonwealth of Independent States (CIS). The emphasis is made on governance in land and natural resources tenure and administration.

Assessments of particular countries are made in order to identify the leaders of the region from a viewpoint of their progress in the field of governance. The most advanced countries could actively participate in elaboration and implementation of the voluntary guidelines for land and natural resources tenure. The assessments are based upon various sources, primarily datasets, evaluations and rankings provided by comprehensive and reliable studies of international agencies and foundations, such as the UN Human Development Reports, the World Bank & IFC Doing Business, the Bertelsmann foundation, Transparency International, etc.

At a macro policy and overall governance level assessments and ratings of the countries are established according to (i) level of corruption, (ii) level of democracy and economic liberty, and (iii) convenience and security of business environment. In the sphere of land and natural resources governance the emphasis is made on measuring of (i) land policies and land reforms, (ii) security and efficiency of real property registration, and (iii) effectiveness of environmental performance.

The study outcomes reflect considerable heterogeneity of the countries of the region according to implemented and/or targeted governance practices. A smaller group of Baltic States and Central Eastern European countries show much greater advancement in governance, which is clearly correlated with higher level of their democratic development. Cases of some other countries (mainly in South Caucasus and Balkans) prove that effective land governance could be achieved even in conditions of limited socioeconomic development if political will and commitment to reforming exists. At the same time, corruption that stays unsolvable problem in many countries of the region is definitely the single most harmful barrier to good governance.

Based on quantitative assessments and qualitative analysis, the study distributes all countries of the region into four groups according to their advance in the field of governance and ability to contribute to elaboration of voluntary guidelines for land and natural resources tenure. The classification is not rigid and changes in it could evolve according to future progress (as well as failure) of particular countries in the field of land and natural resources tenure and administration.

1. Introduction

1.1 On governance

The issue of good governance is becoming universally recognized as extremely essential for building a better world. Both wealthy and less developed countries see good governance as a necessary condition for assuring sustainable economic, social, cultural and ecological development, on the one hand, and for challenging poverty, hardship, hunger, inequality and many other problems, on the other hand.

“Good Governance is perhaps the single most important factor in eradicating poverty and promoting development”- Kofi Anan, the ex-Secretary General of the United Nations (UN) proposed in one of his speeches (from *Magel 2006*). The Millennium Development Goals, a sound document, based on which 189 UN member countries agreed to try to eradicate the most acute problems of humanity, also recognizes good governance as critical for achieving the outlined objectives (*UN Millennium Declaration 2000, I.6, III.13*).

Along with good governance in general, good governance in land affairs is of utmost importance, as land, commonly recognized fundamental resource throughout all countries, is a key asset for all strata of society, and the main source for poor and vulnerable to assure their livelihood. Therefore, good governance in land tenure, administration and management is seen as a compulsory precondition for providing similar access to land for all and security of rights on land.

A concept of good governance for administration and use of land and other natural resources is elaborated by the international agencies like the UN, the World Bank, etc, as well as prominent scientists, experts and politicians (*Bell 2007, FAO 2007, Kaufmann & others 2008*). Despite absence of remarkable contradictions and discords in understanding of the essence of good governance through various concepts, i.e. utmost clarity of its principles and requirements, the introduction and implementation of good governance practices in many countries and regions still remains a very difficult, if at all achievable task.

In order to explain such situation a few points should be drawn forward: first, one has to recognize that the conceptual framework and major principles of good governance are based upon the democratic values that are best represented and, therefore, traditionally associated with those introduced in the developed countries of the West¹. Second, due to different histories, statehood traditions, ethnic psychology, cultural and religious norms and beliefs, as well as political orientations, such values - though often officially declared as fully shared - are not genuine to many countries, nations and societies. Sometimes, particular countries, their governments or even political leaders, following their political goals and ambitions, interpret democracy and governance in their own ways, thus setting

¹ Western Europe and the USA are universally considered as “flag-carriers” of classical democracy, guaranteeing the basic civil *liberties* and *rights*. Consequently, terms like “Western (Western-style) democracy” or “liberal democracy” are frequently used for referring to “genuine”, “true” democracy.

up alternative types of “better governance” and “specific democracies”. In such cases, a shift is usually made towards autocratic governance, i.e. strongly controlled regimes. Finally, many countries are willing to accept, implement and exercise good governance but don’t find enough capacities, resources and experiences for doing that. The international assistance in such cases is most desired, effective and fruitful.

Thus, introduction of good governance, after all, is a complex and careful process, which needs understanding and toleration of traditions, culture and value systems of particular nations and societies, on the one hand, and implementation of effective policies and measures for assurance of basic rights of all people on living in secure, healthy and convenient environment, on the other hand. Consequently, these measures could be different in different countries and regions of the world.

1.2 Purpose of the study

The **purpose** of this Desk Study is to provide a relevant reflection of macro policies, status and trends of governance and good governance, in general, and in land and natural resources tenure and administration, in particular, in the region of Eastern Europe and Commonwealth of Independent States (CIS); to outline similarities and differences in governance between particular countries of the region; to identify the leaders of the region, advanced in good governance in all, and specifically in land governance, thus taking good governance as an important asset for development and welfare of nation. Such identification is needed for outlining the countries who could be interested to actively participate in the process towards the *voluntary guidelines for land and natural resources tenure*, which would represent a global consensus on this topic.

The **sources** used for writing the Desk Study/Report consist of scientific literature (books, monographs, papers/articles), policy papers, project reports, guidelines and publications of international organizations and other printed and digital online documents on governance, land policy, land and natural resources tenure and administration (see References). There are some other sources used in this study, such as databases, time series, evaluations, assessments and rankings, coefficients and indices provided by the agencies and foundations (e.g. the UN Human Development Report, the World Bank & IFC Doing Business, the Bertelsmann foundation, Transparency International). They are applied for formalized measurements of governance quality, development and some other processes, as well as for elaborating rankings and groupings of countries.

2. The region: Brief description

2.1 Composition of the region

The region of Eastern Europe and Commonwealth of Independent States (CIS) embraces a huge portion, equalling almost 1/6, of the world's surface. The total population makes up slightly more than 400 million people, i.e. over 6% of the world population.

Some 20 years ago this region was known as the Communist realm, formed as a political consequence of the World War II and included 9 states (USSR, Poland, GDR, Czechoslovakia, Hungary, Romania, Bulgaria, Yugoslavia and Albania). The region was distinguished for prevalence of authoritarian one-party political system and so-called "centrally-planned" economies. Throughout the region private ownership on land and real estate was very restricted if at all possible; extremely centralized administrative and management systems, including management of land and other natural resources, was also typical of the Communist rule.

Table 1. Composition of Eastern Europe and CIS region

<i>Countries before 1990</i>	<i>Countries today</i>	<i>Sub-region²</i>
Union of Soviet Socialist Republics (USSR)	Russian Federation	Western CIS
	Ukraine	
	Belarus	
	Moldova	
	Georgia	South Caucasus
	Armenia	
Azerbaijan		
Poland	Kazakhstan	Central Asia
	Uzbekistan	
	Kyrgyzstan	
	Turkmenistan	
	Tajikistan	
Czechoslovakia	Lithuania	Baltic states
	Latvia	
	Estonia	
Poland	Poland	Central-Eastern Europe (CEE)
Czechoslovakia	Czech Republic	
	Slovakia	
Hungary	Hungary	
Romania	Romania	
Bulgaria	Bulgaria	

² Sub-regions mostly correspond to commonly accepted regional divisions (South Caucasus, Balkan States, Baltic States, Central Asia) but in a couple of cases are determined arbitrarily for the purposes of this report.

Federal Republic of Yugoslavia	Serbia ³ Croatia Bosnia and Herzegovina Slovenia ⁴ Macedonia (FYROM) Montenegro (Chernogorie)	Balkan states
Albania	Albania	
<i>Notice:</i> German Democratic Republic (GDR), previously belonged to Central Eastern Europe, but became part of Western Europe after reunification with Federal Republic of Germany in 1990.		

Since 1990, after turbulent political events, the region has undergone dramatic changes, resulting in dissolution of several union states and emergence of new independent countries, number of which by nowadays equals 28. Table 1 reflects transformation of the political set up of the region during last 20 years.

Except for more or less common political past and similarities in previously introduced administrative and socioeconomic systems, the region carries obvious differences in geographical, population, social, cultural, modern economic and other traits between particular countries and even sub-regions, constituting the region.

2.2 General geographical features

Geographically the region comprises parts of two continents – Europe and Asia (see the map on the cover page). It is noteworthy that if from physical geographical standpoint the whole Central Asia, South Caucasus and most part of Russia belong to Asia, from geopolitical view only Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan are outside Europe. This fact, very formal at the first sight, is helpful in explanation of many traits and peculiarities of governance styles and trends in particular countries and sub-regions.

The population and territory of the region are very unevenly distributed between countries and their groups, combined in sub-regions. The super state – Russian Federation – comprises nearly $\frac{3}{4}$ of the total area and over third (~35%) of the population of the region, whilst the great majority of the states are middle and small by area and population number. The differences in population densities are also significant (see Annex 1).

Five states of the region are rich in oil and natural gas – strategic natural resources in nowadays world economy. Russia is by far the richest; Azerbaijan and three Central Asian countries – Kazakhstan, Turkmenistan and Uzbekistan have also significant

³ In February 2008 in Kosovo declared independence from Serbia and was recognized by more than 40 countries. However, so far this political unit is not a member state of UN (as well as FAO), and data enabling comparison of Kosovo with the countries of the region is not available. Consequently, we did not include Kosovo in our study for analysis on governance in land and natural resources.

⁴ Slovenia was part of Yugoslavia and could be considered as Balkan state but in this study, due to its recent political history and socio-economic development is included in CEE. Such approach is used also in some other studies as well (e.g. *Giovarelli & Bledsoe 2004*).

amount of fuel resources for development of their economies. A few other countries also have a significant amount of non-fuel deposits (e.g. Ukraine, Poland) but their influence on regional and global economy is much smaller.

2.3 Population composition

Along with quantitative differences between the countries and sub-regions, significant diversities are observed in population composition according to ethnic, linguistic and religious belonging, demographic behaviour, cultural characteristics, etc.

The population of the region belongs to four ethno-linguistic families, of which Indo-European with numerous internal groups (Slavic, Baltic, Italic/Roman, Albanian, Armenian, etc.), amounting to over 350 million, is by far the biggest. Altay (or Altai) family's Turkic languages are widely spoken among the core population of Central Asian sub-region and Azerbaijan. Much fewer people, mostly core population of three countries, represent remaining two ethno-linguistic families - Ural (Estonians and Hungarians) and Caucasian (Georgians).

The region's population is also quite distinct by religious belonging (see Annex 2). Although different confessions of Christianity (mostly Orthodox faith in the East and South of the region, and Catholicism - in the West) prevail, represented by at least 2/3 of the population, Islam has also many followers, evidently dominating in Central Asia, almost equalling in number Christians in South Caucasus and coming close to them in Balkan sub-region. In a few northern and western states (e.g. Check Republic, Estonia, Latvia, Hungary, Slovenia) of the region secularists/atheists make up a considerable number of the local population.

The above-mentioned traits, especially religious beliefs, of the population play an important role in people's attitude to democratic values, openness towards innovations, patterns of social behaviour, participation abilities and willingness in state building processes, etc., which eventually puts significant imprint on a quality and type of governance in particular counties.

2.4 Geopolitical composition

Most of the countries of the region are parts of one of two big political unions: 11 out of 15 former Soviet Socialist Republics of USSR today are CIS members⁵, while three other former Soviet republics (Baltic States) together with 7 former socialist countries are united in the European Union (EU). As for the Balkan states, they also pretend to become members of the EU and two of them (Croatia and Macedonia) are officially holding EU candidacy. All EU member countries of the region are also members of NATO (North Atlantic Treaty Organization) alliance and Balkan states, being very close to membership (esp. Croatia and Albania) or being potential candidates of the alliance, very likely will join it shortly.

⁵ It was just recently, on 13/08/2008 that the parliament of Georgia made a decision on leaving CIS, member of which this country was since 1993.

The geopolitical balance between ex-Soviet states and its former satellites could not be considered very stable and long-lasting. Ukraine and Georgia have already clearly expressed their commitment to join NATO and, possibly in the longer run – the EU. With the time some more changes in country groupings might be observed.

Configuration of geographical, social/population, political and other aspects emphasize complexity and dynamism of the region in the context of its internal constitution, social heterogeneity and development trajectories, which definitely determine governance patterns in the region and the countries included.

3. Policies at the macro level

3.1 Common heritage

During a few decades in XX century, until the 1990s, the region was world-wide known as a “Communist block” or the space of overwhelming dominance of Marxist-Leninist ideology, one-party political system and administrative-command economy. The political and economic systems in all countries of the region were extremely rigid and ideology-driven. This is especially true in case of the Soviet Union, the leading entity of the block. Among several universal conditions of development, which applied all over the USSR, the extreme *centralization* of the management system and exclusively *state ownership of land* must be outlined (see *Gachechiladze 1995:156*). The political system was very similar in other “satellite” countries. As for the economic conditions, though some experts mention “*rich variety of economic systems found in this part of the world before 1989*” (*Jeffries 1993:1*), many others consider more similarities than principal differences in the socioeconomic environment. However, one essential difference between USSR and most East European countries was existence (to different degrees) of private ownership on land in the latest.

Governance in the USSR and Socialist countries was typical for authoritarian rules with high level of corruption, especially state capture, non-transparency of decision-making process, non-participation of the population, secrecy of information, etc. A burden of authoritarianism, poor governance and corruption was and still continues to be the biggest obstacle for those countries that experienced longer time of Soviet rule and who were incorporated in the system without getting any experience in the market capitalism (e.g. Central Asia). Keeping very strong links with traditional customs and religious dogmas, which establish rigid societal hierarchy, also do not prove to be favourable for transition towards good governance patterns.

3.2 Different paths of transition

After break-up of the Soviet Union and dismantling of the socialist system all countries of the region started political and socioeconomic transitions, though transitions were very different in many cases. The question - “*transition to what?*” - was more easily answered by the East European countries and Baltic States. Having relatively longer historical experience of independent statehood and capitalist market economy, as well as European political and socio-cultural identity, these countries started early (timely) preparation for reintegration into the European Union and NATO. For reaching these objectives they undertook numerous reforms towards adoption of liberal legislations, introduction of democratic institutions, fighting corruption, strengthening market economies, and, more generally, bringing their socioeconomic environments up to the European standards. Harmonization with EU requirements of quality and style of governance in a wide sense, and land governance in particular, was an essential part of these reforms. The transitions of these countries to the Western-style systems has accomplished successfully and resulted in their accession to the EU and other international organizations (e.g. NATO, WTO) in the mid 2000s. However, this does not mean that all these ten countries –

Poland, Czech Republic, Slovakia, Hungary, Slovenia, Lithuania, Latvia, Estonia, Bulgaria and Romania - have equally well succeeded in their transitions, on the one hand, and there is no more necessity for further reforms in order to enhance and strengthen their institutions and economic environment, on the other hand. This way or another, today all above-mentioned countries could be considered as *post-transition countries*, though with different levels of development.

The situation is very different in other parts of the region. After gaining independence many countries have become involved in dramatic and sometimes tragic armed conflicts within the countries (e.g. Russia, Georgia, Tajikistan) or with other countries (e.g. almost all Balkan and South Caucasus states, Moldova) for defining their sovereignty and borders. Unfortunately such cases lasted until very recent and still remain unsolved. These circumstances significantly damaged development capacities of involved countries, delayed reforms or even cancelled them because of absence of political will and commitment to reform. However, most of the countries: all Balkan states and two former Soviet republics – Georgia and Ukraine, are also committed to liberal democracy and market economy. They are seeking accession to NATO and the EU, thus recognizing necessity of consequent reforms, though launching them with different degree of success. These countries admit importance of good governance but not always put proportional efforts into its implementation.

At the same time, some countries (e.g. Belarus, Uzbekistan, Turkmenistan, Kazakhstan) undermine their democratic development by ignoring some of the basic democratic principles and civil liberties (e.g. democratic elections, balanced distribution of political power, existence of free media, etc.), thus setting the ground for authoritarianism. In few other cases democracy and market development are being subjected to redesign (modification) into specific [nationally implemented] models of so called “sovereign democracy” (in Russia)⁶, or “social market economy” (in Belarus, see *Bertelsmann 2008 Belarus*).

In general, one could observe that transition to the market economy (or at least an implementation of artificially regulated markets) is more common for all countries of the region than transition to democracy.

In order to give more detailed picture of transition in the region and to make the results comparable, we have to apply some data and measurements, carried out by the competent agencies and foundations. In this case we apply to: (i) Bertelsmann’s foundation studies; (ii) Transparency International’s assessments; and (iii) the World Bank and International Financial Corporation “Doing business” surveys.

⁶ The term and idea of “sovereign democracy” was first proposed in 2006 and is often used thereafter by political figureheads of the country, sometimes in critical or even negative context (see *Krastev 2006*, *Lipman 2006*); this modification of democracy is also named as “*managed democracy*” or “*controlled democracy*” (*Bertelsmann 2008 Russia*).

3.3 Measuring status and trends of governance

3.3.1 Bertelsmann Transformation Index

The combination of democracy and market economy is crucial to a state's long-term viability. It is also crucial for what we call “good governance”. Interest in supporting transitions to democracy and a market economy could be explained by vested expectations of international society to contribute to global stability. Although many states have made the transition to democracy and market economy, the ideal of a productive, market-based democratic state is still far from becoming the global standard.

The Bertelsmann Transformation Index (BTI) is a global ranking system that analyzes and evaluates development and transformation processes in 125 countries (see *Den Wandel gestalten 2008*). It includes all 28 countries of the region; therefore it is representative and useful for our study. It provides with a comprehensive view of how each of these countries is *progressing toward democracy and market economy*, as well as the quality of their political management. Thus it addresses governance too, though sometimes indirectly.

The BTI's analysis assumes the goal of a consolidated market-based democracy. It analyzes the status of both democratization and market liberalization as it evaluates reformers' actions, decisions and management within a particular setting. The quantitative data collected for the BTI is outlined in two parallel indices: *the Status Index* and *the Management Index*.

The Status index (SI) reflects a status of democracy and market economy. It explores the state of development achieved by countries on their way to democracy under the rule of law and market economy flanked by socio-political safeguards. Along with electoral democracy, the BTI's understanding of democracy includes the rule of law and representativeness. Development entails not only an economic growth, but also overcoming poverty while extending freedoms of action and choice to the largest possible share of the population. The underlying BTI concept of a socially responsible market economy implies not only free markets and property rights, but also principles of social justice, equal opportunities and sustainability.

Democracy and market economy are considered as interdependent and mutually reinforcing and therefore aggregate the respective ratings into a single Status Index. Neither does this imply that there is only one path of transformation nor that economic transformation has to precede democratic transformation or vice versa. However, sustained economic growth and effective poverty reduction require a government that is transparent, non-corrupt, and responsive to the needs of its people. Only a democracy based on the rule of law can ensure the equal playing field for all citizens that is essential to lasting development. On the other hand, only a market economy flanked with socio-political safeguards can provide all citizens with opportunities to realize their potential in the open marketplace of goods and ideas that is essential to a prosperous democracy.

Management index (MI) refers to political management of transformation. The BTI's focus on the steering and management of development and transformation processes. The

Index reviews and evaluates the reform activities of political decision makers, thus providing valuable information on the key factors of success and failure for states on their way to democracy and market economy. Governments must be determined in pursuing their goals, they must be prudent and effective in using their resources, and they must combine the capacity to govern with consensus-building while cooperating reliably with neighboring states and external support organizations. The BTI is the only ranking worldwide to focus thoroughly on political leaders' management performance with self-collected data.

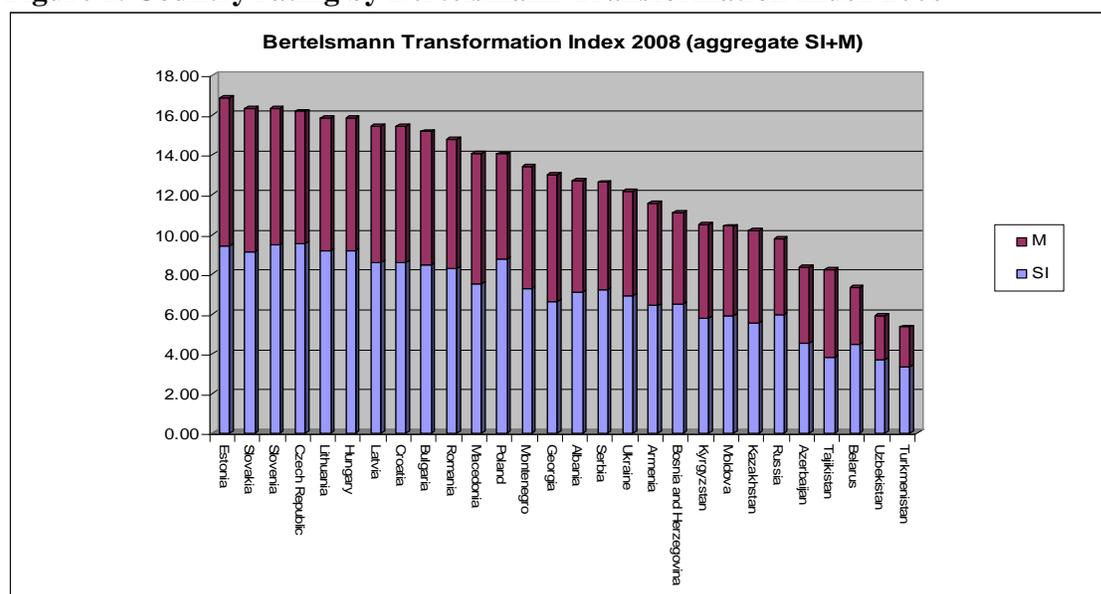
The level of difficulty evaluation accounts for the fact that the quality of transformation management is shaped by each state's unique structural conditions. The more adverse a country's structural conditions and the more limited its available resources are the higher good governance is scored in the Management Index.

Table 2 shows BTI indices of the countries of the region by the situation of 2008; it represents not only SI and MI but aggregate score too, which is not provided by the original survey. Assuming that the Status Index and the Management Index are equally important for measuring transformation, we use this aggregate measure to make comparison of the countries more obvious and easier for perception. Fig. 1 graphically reflects values of the indices, arranged according to the country ranking. The detailed breakdown of SI and MI indices by multiple factors/aspects are presented in Annex 3.

Table 2. Bertelsmann Transformation Index 2008: Status Index, Management Index and aggregate SI+M

<i>Country</i>	SI	M	SI+M	<i>Country</i>	SI	M	SI+M
Albania	7.07	5.60	12.67	Lithuania	9.16	6.70	15.86
Armenia	6.41	5.14	11.55	Macedonia	7.52	6.52	14.04
Azerbaijan	4.51	3.83	8.34	Moldova	5.93	4.48	10.40
Belarus	4.47	2.89	7.35	Montenegro	7.28	6.13	13.41
Bosnia and Herzegovina	6.51	4.59	11.10	Poland	8.76	5.27	14.03
Bulgaria	8.44	6.73	15.17	Romania	8.31	6.49	14.80
Croatia	8.57	6.87	15.44	Russia	5.94	3.84	9.79
Czech Republic	9.56	6.62	16.18	Serbia	7.20	5.41	12.60
Estonia	9.42	7.43	16.85	Slovakia	9.14	7.20	16.33
Georgia	6.60	6.36	12.96	Slovenia	9.49	6.83	16.33
Hungary	9.18	6.67	15.85	Tajikistan	3.80	4.46	8.25
Kazakhstan	5.53	4.69	10.22	Turkmenistan	3.34	2.00	5.34
Kyrgyzstan	5.80	4.67	10.46	Ukraine	6.93	5.21	12.13
Latvia	8.60	6.86	15.46	Uzbekistan	3.68	2.24	5.92

Figure 1. Country rating by Bertelsmann Transformation Index 2008



Source: Bertelsmann Transformation Index 2008

It is remarkable that the rating is led by small Estonia, country which has achieved spectacular progress during last decade or so; keeping itself relatively “clean” regarding corruption even in the Soviet times, it made fast and cardinal transformation towards the best Western standards of democracy and good governance. It is one of the leaders in the world for implementation of all embracing e-governance, which is well backed by progressive industrial restructuring towards knowledge-based branches. Slovakia, Slovenia and Czech Republic are not far behind Estonia, also showing high indices (SI and MI) and consequently high ranks not only in the region, but also worldwide.

BTI’s give very clear division of the countries by the sub-regions; it emphasizes big advantage of Baltic States and Central-Eastern European (CEE) countries compared with other countries of the region. There is only one country (Croatia) outside these two sub-regions among the top 12. Balkan states have intermediate standings, while former USSR countries (except for Baltic) are in the bottom half. Georgia is the only ex-Soviet state in the upper half, ranking better than a couple of Balkan countries. It has also shown the strongest improvement trends (between 2006 and 2008) in Status Index among all countries of the region. Czech Republic, Bulgaria, Romania, Macedonia and Albania also showed certain improvements of SI. All Central Asian states are among the bottom ten.

3.3.2 Corruption level after Transparency International

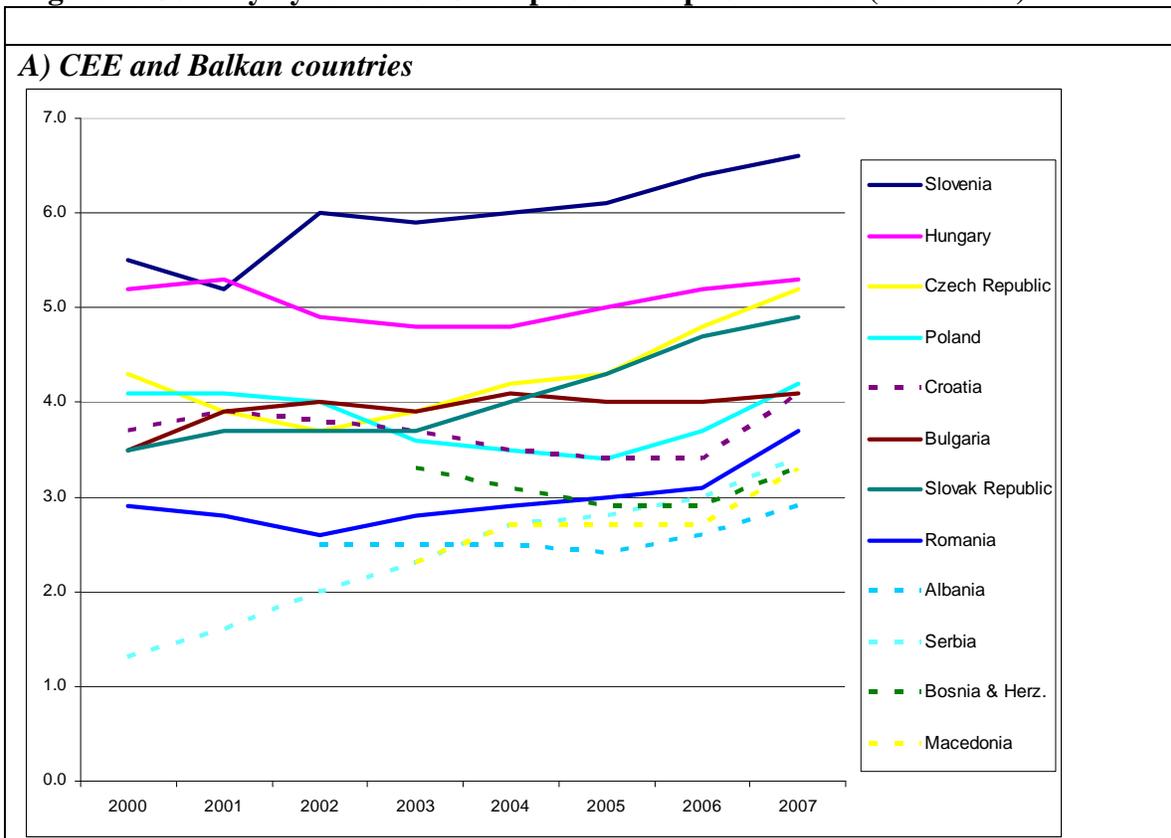
Corruption is the single most harmful barrier to good governance. Transparency International carries out surveys annually and publishes *Corruption Perceptions Index (CPI)* ranking the countries of the world according to the degree to which corruption is perceived to exist among public officials and politicians. The organization defines corruption as "the abuse of entrusted power for private gain" (*Transparency International 2007*). The time-series of annual corruption data allow to judge about levels and trends of corruption in the countries of the Eastern Europe and Commonwealth of Independent

States (CIS) region. In turn it gives almost direct indication of quality of governance in the region.

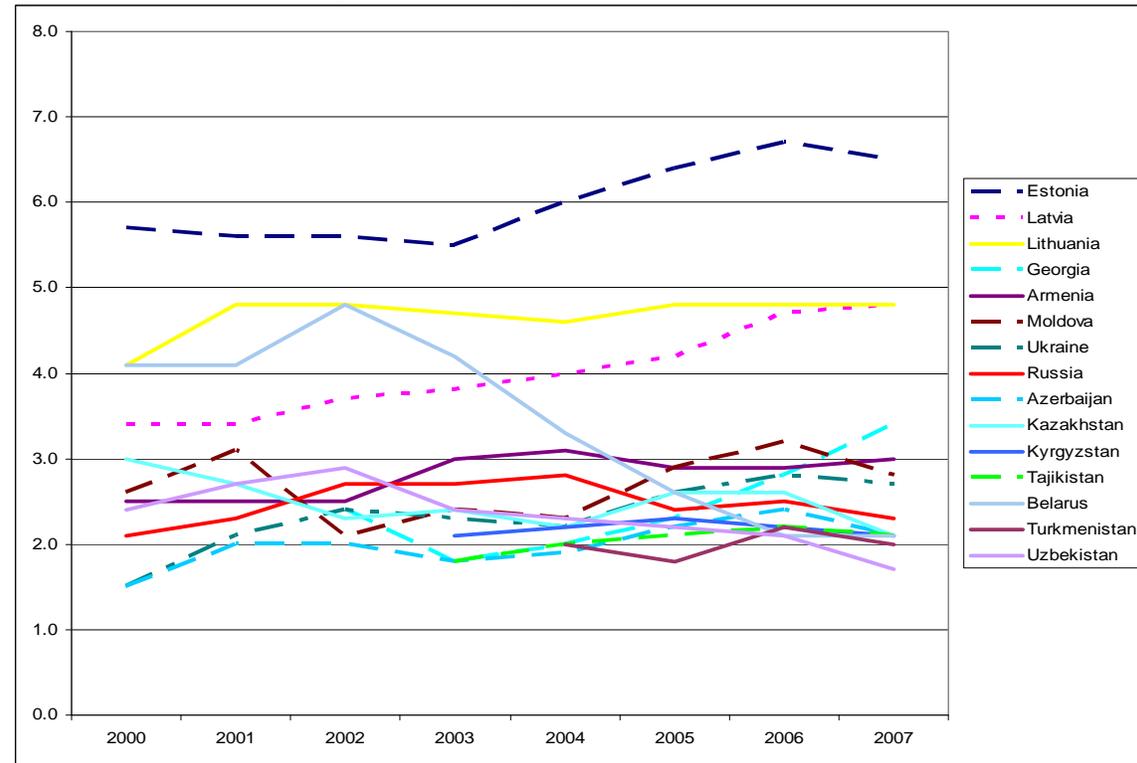
Fig. 2 describes an interesting picture of how the corruption is perceived by citizens of different countries and how it has changed during the time, more precisely during the 2000s. The first noteworthy thing to mention is that even the highest corruption indices in the region are significantly below those of world leaders – Denmark, Finland and New Zealand (*Transparency International 2007*) - equal to 9.4. Meanwhile the unchallenged leaders of the region in non-corruption – Estonia and Slovenia – have Corruption Perceptions Index (CPI) almost three points lower, close to 6.5 margin. They are followed by two other Baltic and several CEE countries (Hungary, Czech Republic, Slovakia) with indices around 5.0. All remaining countries of CEE and Balkan states (except for Albania) are above 3.0 index. The lowest status is shown by CIS countries; only Georgia, thanks to last year’s jump is above 3.0 (CPI = 3.4), while Uzbekistan is ranking as low as 1.7. Other Central Asian countries are also at the bottom of the list. (For more data see also Annex 4).

An interesting aspect of corruption dynamics is trends of CPI changes: almost all Baltic, European Economic Community (EEC) and biggest part of Balkan states show an evident inclination to improvement, while indices of most CIS countries are fluctuating or even decreasing year after year.

Figure 2. Country dynamics of Corruption Perception Indices (2000-2007)



B) Baltic states and CIS (former USSR)



Source: Transparency International 2000-2007 (datasets)

The overall picture on corruption in the region is somewhat threatening: all countries are still far from being free of corruption; however, if Baltic states and CEE show more or less acceptable status and positive trends towards improvement, CIS countries stay relatively corrupt. In spite of introduction of various anticorruption programs by almost all countries, still there are not enough evidences and only little hope to cardinaly change that, perhaps except for a couple of cases (presumably Georgia, Armenia, Ukraine). In general, one can easily observe quite a high compliance of the situation regarding corruption in the region with that of democracy and market transformation, which is very remarkable and valuable for further analysis and conclusions.

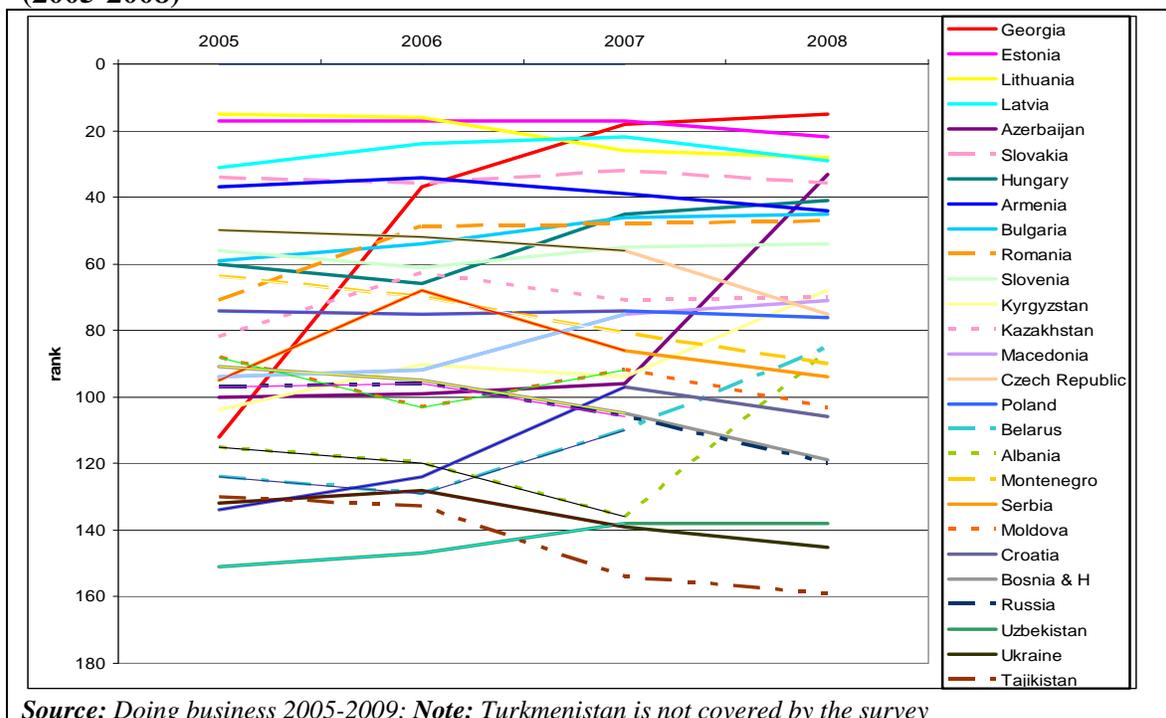
3.3.3 Measuring business environments

Arranging appropriate conditions for development of business and entrepreneurship has always been one of the most important components for assuring good governance. Free, easy, customer friendly and reasonably regulated business environment is a compulsory precondition for good operation not only for enterprises, especially small and medium, but also for individuals who carry out their business.

Doing business conducts annual survey, investigating the regulations that enhance business activity and those that constrain it. It presents quantitative indicators on business regulations and the protection of property rights and compares them across more than 180 countries. Regulations affecting ten stages of a business life-cycle are measured as

follows: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing business (*Doing Business 2009*) (see figure 3).

Figure 3. Country dynamics by convenience and security of business environment (2005-2008)



Registration of property, which is one of cornerstones of land administration systems and very important part of governance in land tenure is discussed in details below (see part 4.5).

Without going into details of each particular component of business environment under investigation, I would like to draw attention to standings of the countries according to business convenience, as well as to observed trends during a relatively short period of the last five years. The high rating of all Baltic states among the best four countries of the region is not a big surprise, especially after observing other two ratings (see fig. 1 and 2) in this chapter. Neither presence of some CEE countries - Slovakia, Hungary, Bulgaria, Romania and Slovenia - in upper 60 worldwide and top 10 of the region is unexpected. On contrary, Georgia's 15th place among 181 economies in the world, ahead of all countries of the region, together with Azerbaijan's recent appearance among the best 33 countries and stable high rank of Armenia in (or very close to) top 40, could be perceived as a big (and positive) amazement. Generally one can detect that economically not very strong and politically fragile countries of South Caucasus succeeded in developing of convenient and reliable business environment, which could be explained mostly by their intention to establish competitive conditions for further economic growth and readiness (including political will) for reforming. Supposedly these factors assured their high rates

on top of many prominent EU member countries (e.g. Check Republic and Poland). Traditionally, the countries of Balkans reside at intermediate positions, while Western CIS and Central Asia consequently occupy bottom parts of the rating.

Another remarkable aspect of this rating is its dynamics: the countries in top 40 do not show wide fluctuations and are keeping decent places even if they slightly deteriorate their position (e.g. Lithuania leading all Eastern Europe and CIS countries in 2005 (15th) and 2006 (16th) rolled down to 28th in 2008). Georgia and Azerbaijan are exclusions from this – the first made a striking progress in the last 4 years jumping up almost 100 places, achieving the most spectacular progress among all countries of the world; the latter almost followed its neighbour by springing up 63 positions last year (i.e. during 2007-2008, *Doing business 2009*). This fact could be explained by commitment South Caucasus countries to and effective performance in reforming in almost all fields/components of business environment during all these successive years (for detailed information see Annex 5). More modest but still quite impressive progress on the way of reforming was performed by some other countries too, such as Croatia, Bulgaria, and Belarus. On the other hand, few other countries deteriorated their standings by non- or negative reforming, e.g. Russia, Ukraine, Tajikistan.

The above-discussed three assessments and ratings could be added by many more, like Human Development Index (*Human Development Report 2007/2008*), Gini index/coefficient, Urban Governance Index, etc. (see Annex 6 for more data).

3.4 Some conclusions

Briefly summarizing all presented surveys, assessments and rankings, we have to realize and agree that they could be subjective (because of data and reporting), incomplete, arbitrary (for applied methodology and techniques), and even not to point; however they give quite a valuable source for generalized estimation of status and trends of governance (though not always by direct approach) in the countries of the region. The three surveys and time-series (together with other sources like *Bertelsmann 2008 Country reports*) quite obviously replicate each other and emphasize the following common regularities:

- Membership of the EU is almost a guarantee of introducing effective (macro) policies, reducing negative processes, like corruption for instance, and achieving of relatively good governance; the trends of system changes are usually positive.
- Baltic sub-region is the most stable, advanced and homogeneous at the same time, among all others from the standpoint of implementation of good and “clean” governance practices.
- CEE is quite similar to Baltic region, though less homogeneous – Slovenia, Slovakia, Czech Republic firstly, and Hungary and Poland in second range, prove to be somewhat more advanced than more recently included in the EU Bulgaria and Romania.
- Balkans are less advanced than two other non-CIS sub-regions, and it is heterogeneous, with Croatia and Macedonia more developed and prepared to EU socioeconomic environment; other countries, due to political instability have stronger

lacks of reforming, introduction of effective policies and good governance practices. Corruption, institutional disadvantage and insufficient performance capacities still remain serious barriers to development.

- South Caucasus and Western CIS are highly heterogeneous; the countries of these sub-regions have different, often contradicting and even confronting each other. Georgia and Armenia prove to be more advanced in implementing more effective policies, however their democracies are still very unstable or “disabled”, as sometimes referred to (*Bertelsmann 2008 Armenia*). Azerbaijan made significant progress in enhancement of business environment only in last year, and therefore we can't talk about the trend so far. It is noteworthy that Georgia and Ukraine are openly seeking accession to western political unions (the EU) and alliances (NATO), though, as all surveys show, only Georgia has become a very active reformer in the last years. Other countries are still uncertain in their courses of development. However, Russia and Belarus most likely decided to follow relatively long-term development of peculiar and uncommon systems of specific democracy (“sovereign democracy” in Russia, *Krastev 2006, Lipman 2006*) and market economy (“social market economy” in Belarus, *Bertelsmann 2008 Belarus*).
- Central Asia stays most conservative, closer to authoritarian, reform-free and thus quite homogeneous sub-region in CIS space. Up to now only Kyrgyzstan and in lesser degree Kazakhstan show some positive signs towards democratic and progressive changes.
- All above-mentioned does not mean that so far material wealth has strongly been correlated with advance in democratic, market and governance fields.

4. Governance in land tenure and land administration

4.1 Land ownership during Socialism

During socialist period, as it was mentioned above, the countries of the region had common institutional and organizational settings of land tenure and land use. *“Most land, regardless of its ownership, was cultivated collectively in large-scale collective and state farms... and employed hundreds of member-workers; the commercial production from the collective and state sector was supplemented by subsistence-oriented [small] individual agriculture based on rural household plots...; product markets and input supply channels were largely controlled by state organizations within an administrative command framework; production targets were set centrally...”* (Lerman & others 2004: 25). Only Poland and Yugoslavia, where the share of small individual farms was substantial in the agriculture, were somewhat different from this common pattern.

The legal status of land ownership was more different throughout the countries. In USSR the State ownership of land, the only form of land ownership since the 1920s, was a universal condition for all republics. In some of the post-Soviet states (e.g. Belarus, Turkmenistan, Uzbekistan) this form of ownership is still preserving its dominance over other forms. The dominance of state ownership on land *“seemed to be an advantageous condition, since a collective managing body lacks a personal interest in land distribution and, in theory, the optimal form of land use could be found. But if such a situation might in part prevent large-scale speculation, it could not escape the problem of the misuse of land. Indeed, this condition gave rise to a disgraceful attitude towards... land...”* (Gachechiladze 1995: 156). In other words, the most valuable and expensive resource in Western countries was practically free in the Soviet Union. Artificially diminished and sometimes completely ignored value of land as a market asset, led to the situation when *“land-use depended on bureaucratic decisions, with corruption sometimes “playing the role” of the market mechanism”*. (ibid: 156).

In contrast to USSR, private ownership of land was never legally abolished in the rest of Socialist countries, except for Albania, and co-existed with the State ownership. At the same time, the private ownership in the Eastern European Socialist countries was framed by numerous fundamental restrictions and regulations that did not allow development of liberal land and real estate market. In particular, absentee ownership was not allowed (i.e. only peasants/farmers who cultivated land could have agricultural land plots in private ownership), maximum size limits of privately owned land were specified, land uses on private plots were determined and controlled by the state bodies, which also had right to expropriate land if it wasn't used in a way consistent with a “public interest”, as well as in case of “necessity and social desirability”.

This, however, does not mean that a legal provision and extent of private ownership of land was the same in all non-USSR countries of the region. While Yugoslavia and Poland had somewhat wider implementation of the private property practices, in some other countries private land ownership was more restricted, and in Albania - completely absent.

4.2 Land reforms

In the late 1980s and early 1990s the former socialist countries of Eastern Europe and CIS began cardinal changes of their policies in land tenure and land administration. Like newly evolved policies in many other fields of economy, in most cases land policies were also directed towards a transition to market economy. This was a transition from state ownership to private ownership of agricultural and urban land and the accompanying transition to a land and real property market. Although in times of socialist rule in the most of Eastern European countries the private ownership on land existed to limited extent, as it was already mentioned above, privatization of formerly collectively used land and land market development became main directions of transition in these parts of the region as well.

The changes in land policies have been implemented through cardinal **land reforms**, which usually envisaged destatization (i.e. taking out from state possession but not necessarily from state ownership) and/or privatization of state owned properties, adoption of new land legislation, introduction of new land administration systems and set up of favourable environment for emergence and development of land market.

Due to historical background of the Soviet Union, where only state ownership of land was recognized, the primary objective of its descendent countries was making decision on possibility and extent of introduction of private ownership on land and real property. *“This difficult decision had to be taken separately by each of 15 former Soviet republics, ... and in Russia alone by more than twenty autonomous federation members, which in the new era had constitutional freedom of action on the issue of land ownership”.* (Lerman & others 2004:67).

In contrast to USSR, Eastern European countries, except for Albania, did not need to legislate for private property of land, but to decide on future forms of ownership of previously state owned and cooperative lands, and consequently on reorganization of collectively managed farms.

Looking back to land reforms launched in the region since the early 1990s, one can clearly distinguish policies, objectives, political attitudes and final outcomes, achieved by particular countries, regarding their transition to market economy.

According to the experts, that have dedicated detailed studies to land reforms and related issues in the region (see Lerman & others 2004, Giovarelli & Bledsoe 2004), the South Caucasus countries are leading among CIS in terms of privatization and farm reorganization and are ahead of some of the EU accession states in these areas as well. Each of these countries has the *political will to privatize* land and move toward market economy. The South Caucasus countries and Moldova devolved some land management responsibility to the local level. In addition, they passed legislation clearly allowing for land transactions.

The Western CIS countries, with the exception of Moldova, are still struggling over meaningful private ownership of agricultural land and the right to sell land, to mortgage land, and to employ land to its best use without interference from the State. All of the Western CIS countries are still primarily farming through large collective-style farms with little benefit afforded to individual landowners. Few land transactions are taking place, and the majority of those land transactions that do occur involve leasing back to the collective farms from which the land was allocated or divided. The Western CIS countries, with the exception of Moldova, have lacked the political will to move forward on land reform efforts.

The Balkan countries, until recent, have dedicated insufficient energy and resources towards land market development goals. In these countries the rural land markets suffered (and still are facing difficulties) most of all; they were not only influenced by economic transition issues, but also by ethnic strife, political instability, and war. However, since the mid 2000s most of Balkan countries have invested quite substantially in their systems of land administration and market mechanisms, especially in urban places. This is evidenced by different reports of international agencies and projects (e.g. *Doing business 2007, 2008, 2009*), though the Balkan countries still have to cover a gap between them and the regional leaders by implementing appropriate reforms and policies in the field of land governance and related activities.

The EU accession countries have struggled less with the ideology of a market economy than many of the CIS countries, so privatization of land was not disputed. However, in some cases, EU accession countries have chosen to continue support for large collective-style farms, and much less farm break-up has occurred than in Armenia, Azerbaijan, and Georgia.

Finally, the Central Asian countries prove to be the least open so far to cardinal land reforms aiming at land privatization, land market development, farm restructuring and decentralization of land management system. Actually all countries of sub-region, except for Kyrgyzstan, still prohibit *de jure* or *de facto*, completely or partially, private ownership on land, keeping land market capabilities underdeveloped and incomplete.

While there are many contributing factors, it does appear that in countries where there is a lack of independent private owners and individual farmers, the land market is functioning at a lower level than in countries with a larger number of private property units and farms.

4.3 Transition to land market

Alongside with different general land policies and land reforms, the countries of the region showed very different commitment to introduction and development of liberal land market and market based land relations. From this point of view transferability of land, security of tenure, legal and procedural provision of market transactions, distribution and allocation of land parcels and other property units are worth addressing.

After breakdown of the Soviet Union and socialist system all countries of the region declared rupture from the old command administration system and transition to the market, although such declaration did not always coincide with reality. However, in order to judge level of progress in this transition, one has to compare and measure reform objectives and outcomes of particular countries against the worldwide recognized principles of market economy.

Private ownership of land is the fundamental norm in market economies. Therefore, privatization of land is a major component of transition agenda. At the same time, **transferability** of land and real property through market transactions is equally important for economic development and production increase in transition countries. It stimulates flow of resources from less efficient to more efficient users, both in agricultural and urban sectors. Thus transferability of land could be seen as an important aspect of land policies. However the reform practices in the region showed that *“private ownership in transition countries is not synonymous with right to transfer land among users: some transition countries circumscribe the rights to transfer of land owners to engage in transactions in privately owned land, while other countries ensure full transferability of use rights...”* (Lerman & others 2004: 74).

More precisely, while all Eastern European, Balkan, Baltic and South Caucasus countries and Moldova recognize full transferability of land and real property, other Western CIS states and Central Asia put different regulations on land transfers, thus impeding development of land market. As a result, the countries which assured higher degree of land transferability better succeeded in implementation of relatively active land market with higher rate of property transactions. At the same time, everywhere the transaction rates are much higher in urban areas in comparison with rural places.

In contrast to Western conception of land markets, envisaging transactions with physical land plots, some CIS countries, in particular Russia, Ukraine, Moldova and Kazakhstan, introduced untypical way of land **allocation** to individuals in the form of “land shares” – paper certificates or entitlement. Consequently, these enforced transactions in paper shares along with usual transactions in land plots. Theoretically there is a way to “materialize” such shares into physical plots upon owner’s demand - the land laws of consequent countries provide explicit mechanisms for the conversion of a paper land share into a physical plot. Moldova and Azerbaijan, initially implemented paper land shares in land allocation and later on converted these shares on a mass scale into physical plots. Ukraine is undergoing the similar process of conversion with somewhat smaller scales of implementation.

However, the most advanced countries in transition to land market – Armenia and Georgia – directly applied to one-step land allocation strategies, i.e. transferring physical parcels to individual owners. In CEE, Baltic and Balkan countries, due to their historical development, deciding on land allocation strategies were not a hot issue in land reforms. The only exception is Albania, which applied land allocation method similar to the one used in Armenia and Georgia.

Another important aspect of land reforms was **distribution** of state owned and collectively used land among new private owners. Albania and CIS countries (except for Baltic States), willing to recognize and implement private property, adopted “land to the tiller” strategy: land ownership was distributed to the workers/peasants without any payment and in an equitable manner. By contrast the CEE countries (except for Albania) and Baltic States adopted **restitution** strategy, under which title to land was returned to the original (pre-collectivization, pre-expropriation or pre-nationalization) owners or their heirs. However, the most of land in CEE countries, where private ownership was never abolished, remained in the ownership of identifiable private individuals with extended rights (actually no restrictions) to use it according to their private interests. Two CEE countries, Hungary and Romania applied for mixed strategy – partial restitution of land and partial distribution to actual tenants (mostly agricultural workers).

4.4 Assessment of reform outcomes

International land experts – Lerman, Csaki and Feder – in their study “Agriculture in Transition” (see *Lerman & others 2004*) offer interesting and original system/approach of assessment of land policies implemented through land reforms in CEE (except for Balkan states) and CIS countries. It is based on assumption that the ideal model of agriculture in market economies foresees private ownership of all types of land, unlimited transferability, distribution and/or restitution of land to private owners and allocation of physical parcels. The same principles of liberal land markets should be also applied to urban land.

As one can determine from the text above, the countries of region show considerable diversity in their major land policy characteristics and land reform trends. The experts elaborated a measure of assessment, **land-policy index**, allowing scoring land reform outcomes with consequent ranking of countries. Taking this system as basis, for complete coverage of the region, similar data about Balkan countries is incorporated in the database (it was not included in the study). Information about surveyed countries has been updated. The data on Balkan countries is based upon FAO (Food and Agriculture Organization) -contracted report (*Giovarelli & Bledsoe 2001*).

Figure 4. Ranking of the countries by land-policy index

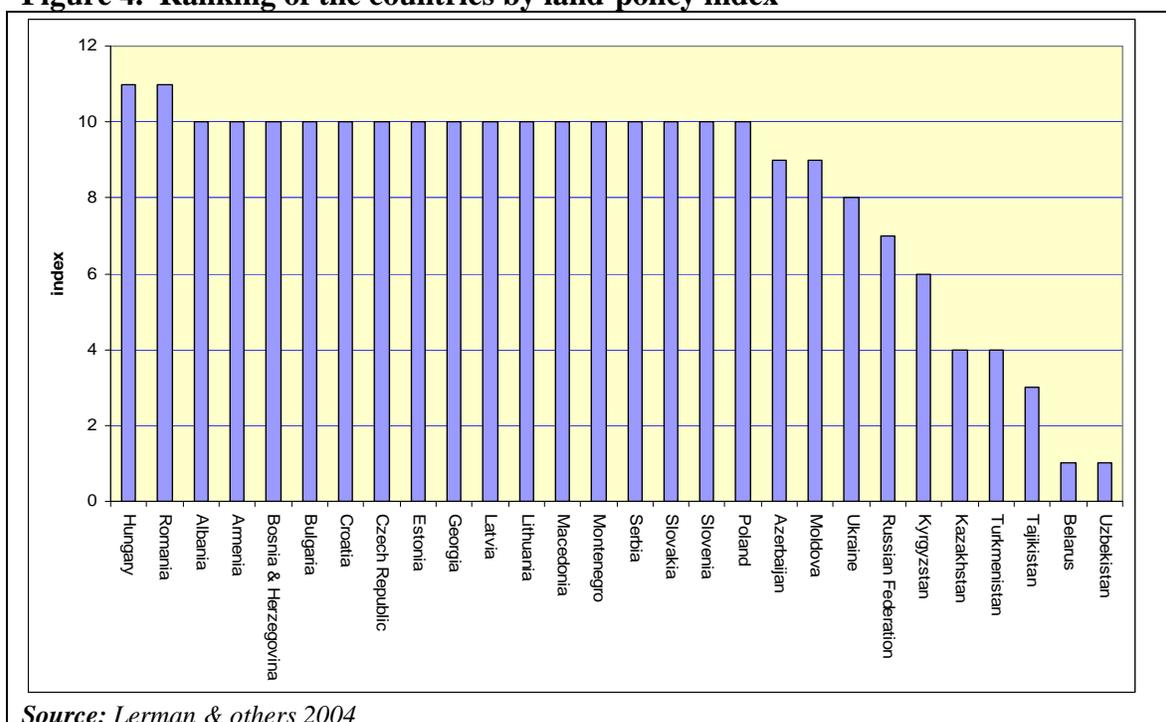


Figure 4 shows ranking of the countries according to four above-mentioned attributes of land policies (see also table in Annex 7). In contrast to the original study (*Lerman & others 2004*) the final score is a simple sum of points of all four components.

It becomes obvious that according to the applied land policy attributes the countries of the region are split into three big groups: all CEE countries, Baltic and Balkan states, as well as two South Caucasus republics (Armenia, Georgia) have high land-policy indices (10-11); it means that these countries have implemented relevant legal environments and land policies towards Western style liberal market development. A few other CIS countries – Ukraine, Moldova, Russia, Azerbaijan and Kyrgyzstan - are close to upper group with intermediate land-policy indices (6-9), showing thus evident trends towards land market. In the meantime, almost all Central Asian countries (except for Kyrgyzstan) and Belarus still adhere to conservative land policies, keeping them distanced from internationally recognized land market standards and requirements.

4.5 Implementation of land administration systems: property registration

Another important indicator of progressive land policy and good governance in land tenure is introduction of effective land administration system⁷, especially in the part of property (title) registration.

⁷UN Economic Commission for Europe has adopted the term "Land Administration" to describe the process of recording and disseminating information about the ownership, value and use of land and its associated resources (*Dale P., 2000*).

Undoubtedly, a good land administration system is one of the main pillars of good governance. It guarantees land (and real property) ownership security, access to financial resources, provides support for land market transactions, etc. Actually, on the ground realization of land-policy strategies takes place through land administration. Therefore, implementation of effective land administration system was and still remains an objective of all countries under transformation and after it.

Introduction of modern land administration was on the agenda of all countries of the region since the early 1990s. Most Eastern European countries, as well as Baltic states rushed to implement new title registration in order to assure proper operation of land market and harmonize their land administration with the standards of European Union, members of which they pretended to become, and actually became in 2004.

The ex-Soviet countries and Balkan states also developed title registration systems, usually under guidance and assistance of foreign/international donor agencies. Design, efficiency and effectiveness of these systems differ significantly.

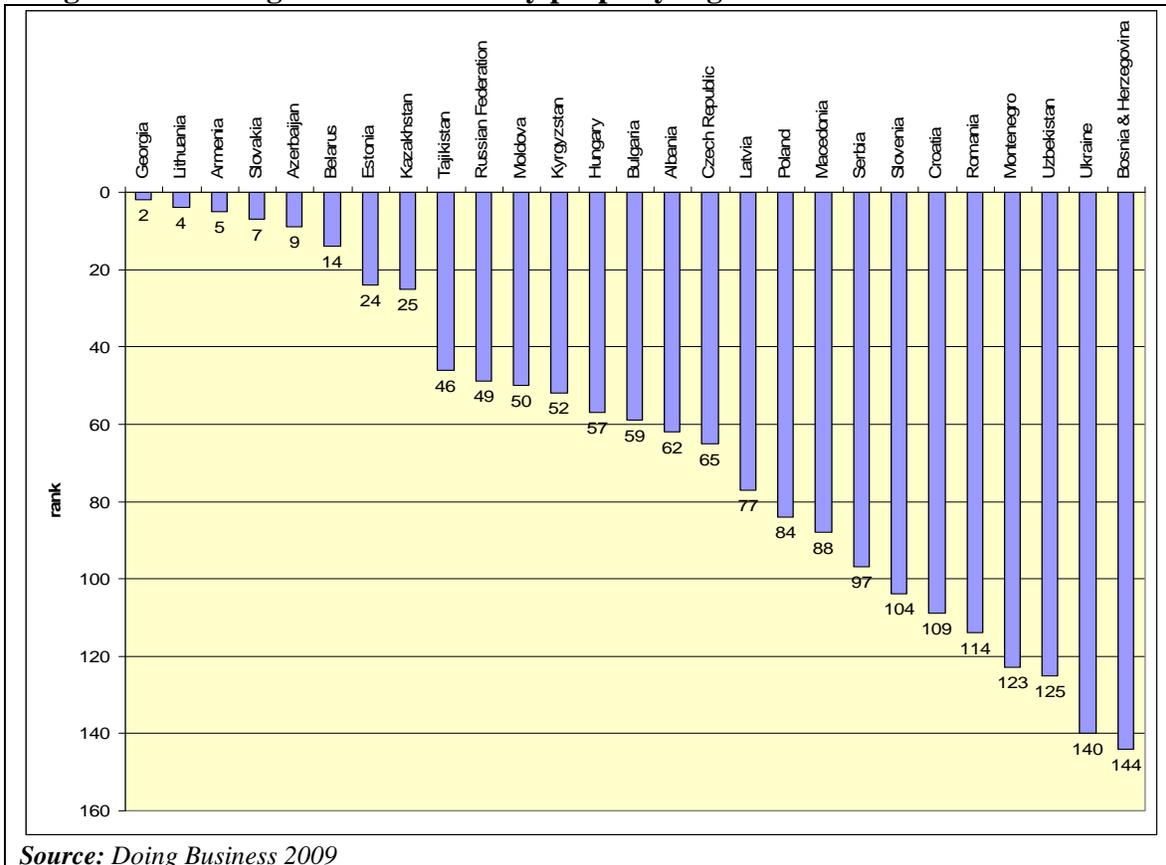
Countries that make property registration **simple, fast and cheap** have more properties registered formally. That leads to greater access to finance and greater investment opportunities. Compliance of implemented land registration systems with these benchmarks is surveyed and measured in the frames of the World Bank and International Finance Corporation joint project: *Doing business*. The survey, carried out annually since 2004, estimates efficiency of the implemented property registration systems throughout over 170 countries. Only one country of the region -Turkmenistan – is not covered by the survey. Therefore, this source is much valuable for comparison of the countries according to their property registration systems, and for tracing trends of implemented changes.

The ranking shows that currently (the survey of 2008, *Doing business 2009*) five countries of the region – Georgia, Lithuania, Armenia, Slovakia and Azerbaijan - are among top 10 in the world in property registration, and other three – Belarus, Estonia and Kazakhstan – also rank quite high (between 14 and 25) among the leaders. It means that the region takes very seriously an importance of implementation of effective land administration systems, and the above-mentioned countries have established efficient registration systems with only few procedures/steps and few days for document processing, as well as low costs/fees relatively to property value. Such systems are usually convenient and friendly to customers, and this fact indicates the existence of good governance practices in the field of land tenure and land administration in the corresponding countries.

Table 3 shows state of the art in property registration from a standpoint of ease of operations. There are big differences between countries; still in many of them, even in relatively well-progressing Eastern European democracies (e.g. Hungary, Poland, Czech Republic) the time and costs for registration are quite high. These parameters, generalized and aggregated, are reflected in the above-shown (see Fig. 5) country's standings. Nonetheless, I tried to offer a simple grouping of surveyed components of property registration system, in order to better indicate its convenience for customers. In my

suggestion, *convenient* (green background) is: up to 5 procedures, up to 2 weeks (10 working days), and a cost for registration up to 1% of property value; *inconvenient* (red background) is: more than 8 procedures, more than 2 months (60 days), and a cost over 3% of property value; anything in between convenient and inconvenient applies to *moderate* conditions. Such arbitrary, though simple, division allows scoring of these components for country ranking by property registration, with further integration of these scores in overall land and natural resources governance rating.

Figure 5. Ranking of the countries by property registration advance



Source: Doing Business 2009

Table 3. Ranking of the countries by status and trends of property registration

Country	Property registration in 2008				Reform dynamics 2004-2008				Total Score
	# of procedures	Time (days)	Cost (% of property value)	Score	# of procedures	Time (days)	Cost (% of property value)	Score	
Albania	6	42	3.4	2	cut by 1	cut by 5	cut by 0.3	2	4
Armenia	3	4	0.3	6	cut by 1	cut by 14	cut by 0.6	2	8
Azerbaijan	4	11	0.3	5	cut by 3	cut by 50	cut by 0.2	2	7
Belarus	4	21	0	5	cut by 3	cut by 210	cut by 0.2	2	7
Bosnia & Herzegovina	7	128	5.2	1	no change	cut by 203	cut by 0.9	1	2
Bulgaria	8	19	2.3	2	cut by 1	no change	cut by 0.1	1	3
Croatia	5	174	5	1	no change	cut by 782	increase by 2.5	0	1
Czech Republic	4	123	3	3	no change	no change	no change	0	3
Estonia	3	51	0.4	5	cut by 1	cut by 14	cut by 0.1	2	7
Georgia	2	3	0	6	cut by 6	cut by 36	cut by 2.5	3	9
Hungary	4	17	11	3	no change	cut by 72	increase by 4.2	0	3
Kazakhstan	5	40	0.1	4	cut by 3	cut by 12	cut by 1.7	3	7
Kyrgyzstan	7	8	3.9	3	no change	cut by 7	cut by 1.4	2	5
Latvia	7	50	2	3	cut by 3	cut by 12	cut by 0.1	2	5
Lithuania	2	3	0.5	6	cut by 1	no change	cut by 0.4	1	7
Macedonia	6	66	3.4	1	no change	cut by 8	cut by 0.3	1	2
Moldova	6	48	0.8	4	increase by 1	cut by 33	cut by 0.5	1	5
Montenegro	8	86	3.3	0	no change	no change	increase by 1.3	0	0
Poland	6	197	0.5	3	cut by 1	cut by 7	cut by 1.1	3	6
Romania	8	83	2.4	1	no change	cut by 87	increase by 0.5	1	2
Russian Federation	6	52	0.2	4	no change	increase by 15	cut by 0.6	0	4
Serbia	6	111	2.9	2	no change	cut by 75	cut by 2.6	2	4
Slovakia	3	17	0.1	5	cut by 2	cut by 5	cut by 3	3	8
Slovenia	6	391	2	2	no change	no change	no change	0	2
Tajikistan	6	37	1.8	3	no change	no change	cut by 0.1	0	3
Turkmenistan	no data available	no data available	no data available	N/A	no data available	no data available	no data available	N/A	N/A
Ukraine	10	93	2.9	1	increase by 1	no change	cut by 1.4	1	2
Uzbekistan	12	78	1.5	1	no change	cut by 19	cut by 10.3	2	3

	convenient	2 points
	moderate	1 point
	inconvenient	0 point

Source: Doing business 2005-2008

	significant improvement	3 point
	improvement	2 points
	slight improvement	1 point
	no change	0 point
	deterioration	- 1 point

Since 2004 64 countries worldwide reformed to ease the registration. In the region Croatia and Georgia reformed in successive years. It is very important to trace trends of changes in property registration in the countries of the region during last 5 years. *Doing business* provides facts and data where and how the countries reformed registration systems. This data enables us to judge about reforming capacities of the countries and their commitment to improve land governance (see Annex 8).

The survey gives much evidence of improvement of registration systems in several countries. These improvements could be grouped in five most effective reform classes:

- (i) Simplify and lower fees: reduction of fees and making them fixed, as it was done in Armenia, Estonia, Poland, Uzbekistan, gives advantage against fraudulent declarations of property values as practiced before;
- (ii) Introduce fast-track procedures and expedite registration by setting time limits at the registry; e.g. Lithuania applied for fast registration against bigger fees, while Georgia limited the registration process to 5 working days;
- (iii) Make the registry electronic: it cuts processing time, makes easier to identify errors and overlapping titles, resulting in improvement of title security. Croatia, Georgia, and Poland experienced such changes and the latest reached ~70% time saving; Estonia put procedures online and assured multiple accesses to data;
- (iv) Take registration out of the court: by applying this reform Serbia reduced registration time by 70%;
- (v) Make the use of notaries optional or reduce notarization fees: by making involvement of notaries optional Georgia reduced time and costs, Uzbekistan cut notary fees.

Among other changes one should mention reduction of property tax in Poland; reduction of backlog and time in Hungary; cut of time in Croatia, etc. (*see Doing business 2005-2009*). In spite of the undertaken changes, registration systems in many countries still need enhancement and simplification. For instance, Croatia reduced registration time dramatically, by 782 days but it is still very long and equals 174 days.

While most of the countries have achieved at least small enhancements in registration, few others have lowered effectiveness by increasing number of procedures (Moldova, Ukraine), extending time (Russia) or increasing costs (Hungary, Croatia, Montenegro, Romania) of registration.

The five-year (2004-2008) trends of changes in property registration are measured and combined with registration status scores. Table 3 shows that Georgia, Armenia and Slovakia, received the highest scores (8-9 out of possible 9) and points at leadership of these countries, perhaps together with Estonia and Lithuania (7 point each) in the region in the field of land administration. It is also worthy of mentioning that just during last year (from June 2007 to June 2008) three ex-Soviet countries: Azerbaijan, Belarus and Kazakhstan made significant improvements in property registration also reaching the rate (7 points) of the region's leaders.

5. Governance in natural resources tenure and environmental performance

Governance of natural resources is ultimately a form of governance, and it will reflect many issues encountered in other fields of governance. At the same time, natural resources pose specific challenges.

The nature of governance regarding natural resources hinges on the geopolitical situation-location, on relations with neighbouring countries, on the nature of the resources/commodities, the market situation, on relations between region, local community and state.

5.1 Central Asia: water

In Central Asia, cooperation with neighbouring countries is deemed essential. Especially the Fergana valley is an intricate mosaic of resources, resource dependencies, and territorial boundaries. Water is crucial, and in general the water-rich countries are poor in other energy sources. Upstream countries are therefore inclined to utilize the water they have for electricity generation, while arguably the water could better be used downstream, in exchange for oil or gas. Bilateral agreements between several countries in the region have been made, but the agreements are fragile. Soviet era extraction left traces in many places, cleaning up is often prohibitively expensive –e.g. of uranium mining waste- and reopening mines hard in absence of investors and knowledge. With the collapse of the Soviet Union, much of the rationale for and insight in the network of infrastructure, extraction, irrigation is gone, and countries cannot survive on parts of the network. They have to shape their own economies differently, because of the changing economic and political rationalities after empire, and because of now recognized negative impact and low sustainability of Soviet style extraction and irrigation. In the poorest countries, e.g. Uzbekistan, low income and high population densities lead to the overuse and disappearance of woodlands, e.g. walnut forests, and to high threat levels to many habitats, e.g. highland marshes.

In the Fergana valley, the jigsaw- puzzle boundaries, legacy of the Soviets and their ethnic politics, lead to a highly politicized and militarized policy environment, that makes consistent natural resource governance difficult at the local level, while it impedes the necessary international cooperation and trade. Nationalistic reflexes make open borders, free trade, and government level trade agreements difficult, and various forms of corruption compound to this situation. The quality of local government is very uneven, the control from the centre is uneven too, and the development focus on the capitals after independence, adds to this.

Regarding corruption water, as the most critical natural resource in the region, crosses territorial, bureaucratic, cultural boundaries, making it harder to control, while offering more possibilities for corruption. More than half of the freshwater resources of Central Asia go to irrigation, and the organizational complexity of irrigation systems allows for many points of entry for corruption, as it allows for systematic marginalization of the

poor or otherwise marginalized groups. At the same time, the complexity of the issue allows actors to evade responsibility or take advantage of the resource or resource distribution, while it allows technical experts to dominate in certain departments that ought to be responsive to political, cultural, economic needs and desires. The dominance of technical experts in many debates on natural resource governance, especially water governance, is very problematic, because it tends to veil the real needs and the real balance of power in the governance system.

Water resources are linked to critical habitat, and destruction of the habitat mostly entails disturbance, reduction, and/or pollution of the water resource. In a water- scarce environment with a high degree of social inequality, the scarcity will be felt more dramatically by the poor, and the social inequality will tend to grow. Large-scale infrastructural projects, favoured by the Soviets, tended to produce massive negative side-effects that were never factored in. The shrink of the Aral Sea, and the saline environment created in several countries, is just one of many examples. Even the World Bank presently seems to favour smaller projects, and acknowledges that a thorough understanding of the local culture and the local power- networks is essential for any improvement to take place. Well- intended projects, even small ones, such as a water-pump, can be sabotaged or abandoned if they affect the interests of powerful individuals or elites.

5.2 Central Asia: other resources

In the more forested areas of Central Asia, e.g. northern Kazakhstan, many of the problems of not-so- sustainable Russian forestry are encountered. Foreign knowledge and policy advice was imported at several points, but seldom applied because of local and national political realities. Sustainable forestry, as integrated water management, does require integrated policies and forms of spatial planning, both things that are not desired by various parts of the political, bureaucratic and economic elites.

Oil and gas are economically the most important natural resources for Central Asia, with especially Kazakhstan, Turkmenistan and Azerbaijan sharing in the wealth. It seems that all three countries display to a certain extent the effects of the 'natural resources curse', but not to the same extent. Azerbaijan in particular seems to miss the opportunity to invest in a more diversified economy and in a longer-term perspective in general. In all three countries, it is unclear exactly how the oil wealth is spread over the population, but the concentration of wealth in a small group seems undeniable. The oil and gas resources, as well as the traffic of drugs from Afghanistan, do tend to undermine the already fragile states even further. Geopolitical tensions do not favor a policy environment where citizen participation and integrative decision- making rank high.

One can, therefore, say that the presence of oil and gas in instable Post- Soviet environments, created the perfect conditions for corrupt authoritarian regimes with very uneven grip on the countryside, and that sustainable and equitable governance of the other resources is often very hard because of the mechanics triggered by the oil- and gas boom.

5.3 Eastern Europe: various influences of the EU

In Eastern Europe, the main distinction is between the EU and non- EU members: membership brings along governance directives, e.g. water-framework directive, Natura 2000, habitat directive. Integrated water management is pushed by various EU agencies. Further, within the EU, a distinction needs to be made between CEE and the Baltics on the one hand, and south-eastern Europe, on the other hand. Corruption in the South Eastern states is still rampant, and extends to the governance of natural resources. Recent EU reports testify to that.

EU membership, but also orientation on EU markets bring along quality control procedures, e.g. in forestry. Polish forestry had to adapt first to the European market requirements, next to the EU membership requirements, and now Belarus and Ukraine seem to be going the same way. With rising land prices in the EU, the eastern neighbours become more attractive as agricultural production places. This leads to a situation where ecosystems in eastern Europe have become more threatened by an intensified agriculture –e.g. in Ukraine- while new EU member-states also have to comply with EU environmental protection laws, and while in Western Europe, some of the freed-up agricultural land is turned into ‘new nature’. It is clear that local governance cannot solve these issues by itself that various levels of government need to be included in the decision-making here.

One also needs to add that the EU does not and cannot always integrate its policies: so many EU initiatives relate to water, e.g. that EU subsidy streams might produce contradictory effects somewhere down-streams. Economic development subsidies might lead to canalization of the Danube, while funds for environmental protection aimed at exactly the opposite. The EU might subsidize windmills in Romania, on a site where other EU subsidies sponsored a natural reserve for birds potentially shredded by the same windmills. One can say that in Eastern Europe, the local government level is not yet capable of dealing with the possibilities but also possible threats emanating from Brussels. This is especially the case in South Eastern Europe. Most areas in South Eastern Europe have little experience with democratic local government, a path-dependency that according to Robert Putnam (*Putnam 1993*) can be hard to break.

In general, one can say that increased transparency of government is an essential precondition for a more equitable and sustainable management of natural resources. Increased trust levels, and increased institutional stability cannot but positively affect a fair distribution of natural resources. A situation frequently encountered in South Eastern Europe but more so in Central Asia, is the absence of a longer term perspective, and of longer term strategies both with political and economic elites and with small users of natural resources. Lack of trust in the official institutions, in government in general and in the stability of the present government with its current rules, all this leads to hit-and-run strategies by all the actors, leading to the depletion or destruction of natural resources. Fisheries around the Caspian, but also in the Black Sea and on the Danube, offer striking examples.

5.4 Informal and formal institutions and natural resource governance

Political struggles, especially when social/ethnic groups do not identify with the present regime or with the state as such, intensify struggles regarding natural resources. Natural resources conflicts can be a cause and effect of political struggles. Conflicts regarding natural resources can be resolved by better governance, but this cannot be seen as an import of perfect structures, institutions, procedures of decision- making. One-size-fits-all strategies, e.g. institutional transplant, can cause problems, and contribute to the instability of the institutions, therefore to low trust levels, and again hit-and-run strategies.

Informal institutions strongly shape the actual governance, will define practice that is sustainable, equitable and so forth, and, therefore, need to be acknowledged in every policy brief and recommendation. Knowledge of those informal institutions is essential in reforming natural resources governance. Local and regional participation is required, but forcing it in the short run, can cause more problems in the long run.

Regarding governance in general and especially regarding the governance of natural resources, it is important to mention that old mindsets, informal institutions, old networks often survive. This can be observed in Central Asia, in South Caucasus, but also in Eastern Europe. In all these regions both communist and pre- communist legacies are still actively shaping thoughts and actions. This is not a marginal phenomenon, or one that can be dismissed to the philosopher's corner, but something affecting the very definition and valuation of natural resources, and the definition of equitable and sustainable use.

Under the communists, constructions of 'nature' were strikingly different than in the present EU, but both Soviets and the EU strive for networks of green natural spaces. New EU member states are therefore often reminisced of Soviet planning whenever the EU tries to restrict land use, natural resource management, or come up with nature conservation projects. Outside the EU, the green Soviet networks, national parks, state parks and so forth, are mostly left unprotected now (perhaps except for Georgia), as they are seen as Soviet legacies, and because they are valued differently as natural resources. In general, EU membership, and drives to assimilate into EU discourses, leads to a wider definition of 'natural resource', with ecological and landscape values entering the picture more decidedly. The previously mentioned link between water quality and ecosystem quality is an often-used rhetorical device here.

5.5 Corruption and transparency

Both in Eastern Europe and in Central Asia, as an outside observer, one needs to be very cautious with possible recuperations of policy and funding-source buzzwords, e.g. rhetoric of sustainability, transparency, on participation, etc. Every form of rhetoric can and will be used to let the EU, the World Bank, the OECD (Organisation for Economic Co-operation and Development) or other lenders to arrange money flowing. For the FAO, and for other international organizations, it is therefore crucial to focus on implementation, and before that, on acquiring local knowledge regarding the possibilities

for implementation. The more valuable the natural resource in question are, the higher the political tensions, the lower the transparency of the regime, the more likely that the rhetoric of international organizations like the FAO will be appropriated for other goals. Anti-corruption measures are perfect weapons for corrupt regimes, and anti-corruption measures regarding the distribution of valuable natural resources all the more so. This could be observed in Central Asian countries, in larger irrigation and hydro-electrical projects, but also e.g. in policies regarding fisheries in the Danube Delta.

In high-corruption regimes, it is important for organizations promoting sustainable resource governance, to adopt a long-term perspective, because the real drivers of resource governance are hard to define, the power structures often hard to identify, let alone change. A combination of direct and indirect measures, working at local, regional and national levels, seems opportune. Spatial planning can fulfil a coordinating role, because, as said, natural resource management spills over spatial and bureaucratic boundaries. In Central Asia, where spatial planning is mostly restricted to the capital cities, such a regulatory and visioning framework would have to be reinvented after the collapse of Soviet style spatial planning. An underlying problem for resuscitating spatial planning is the weak state of civil society, therefore the limited ability of society to formulate a public domain and a common good outside the sphere of authority.

This weak sense of a public domain and a common good leads to problems in the coordination of decisions on spatial organization, in other words to a weak planning system, and it also leads to a perception of natural resources as goods that are or ought to be privatized. Even often-lauded localized procedures for citizen participation in the decision-making will turn into arenas for appropriation of the resources, if there is no sense of common interest and a sense that this common interest can actively be pursued by the state backing up the local agreements. Problems are interconnected, but not necessarily unsolvable. The connectedness implies that work can/should be done at several points in the governance system.

5.6 Parallel strategies needed

Blair Ruble already pointed out [with reference to planning and economic development in Russia] that local and regional progressive forces were immobilized if the centre was negative or unclear, and in the other direction, that new ideas in the centre could not be implemented without cooperation or at least consent of local and regional forces. The history of Soviet planning and its dealings with natural resources shows unequivocally that sustainable governance of those resources requires a deep understanding of the incentive structures of local, regional, national economic, political, bureaucratic elites. In the Soviet Union, a constant scarcity of natural resources was assumed, but assumed unnatural: all the actors in the system thought that there was plenty in nature, but that other actors took too much, therefore allowing them to take whatever they could, even if they did not use/ need it right away. Nobody felt responsible, and all were blamed.

Talking about good governance of natural resources right now, this implies, classically, that incentives for sustainable use should be put in place, including open and fair pricing

mechanisms, showing the real cost for society of a certain resource and a certain way to use it. Accountability at all levels should be required, and this in turn pivots on, again, transparency in the decision-making.

In Central Asia level of corruption is perhaps the highest among all other countries of the region. It is well illustrated by CPI (it was as low as 1.7 for Uzbekistan and not higher than 2.1 for any other country of the sub-region in 2007), dynamics of which also shows that the situation does not seem to improve a lot (see fig. 2B). More to the west, EU membership seems to exert a positive influence on the corruption situation, seems to improve the trust levels and institutional stability. Even loose association with the EU can have such an influence, as in Ukraine, adopting the EU water-framework directive, prescribing the adoption of integrated water management throughout the territory and the administration.

For Central Asia, increased cooperation and possible entry of the World Trade Organization (WTO) might lead to a similar direction. Working on institutional stability, transparency, and trust might be the best way to work on better natural resource governance.

5.7 Measuring environmental performance

Assessment of quality of governance in natural resources tenure is fully based on the study of Environmental Performance Index (EPI) (2008), the most reliable source in the field of environmental and resource management.

The EPI focuses on two overarching environmental objectives: (i) reducing environmental stresses to human health (the Environmental Health objective), and (ii) promoting ecosystem vitality and sound natural resource management (the Ecosystem Vitality objective). The two objectives are gauged using 25 performance indicators tracked in six well established policy categories, which are then combined to derive a final score. The data matrix covers 149 countries. At the same time, as time-series data is not yet available, the EPI does not provide a “rate of progress”.

The Environmental Health and Ecosystem Vitality subcategories each represent 50% of the total EPI score. Equal division of the EPI into issues related to (1) humans and (2) nature is not a matter of science but rather policy judgment.

Within the Environmental Health subcategory, the Environmental Burden of Disease (DALY) indicator is weighted 50% and accordingly contributes 25% of the overall EPI score, because it is widely regarded to be the most comprehensive and carefully-defined available measure of environmental health burdens. The effects of Water and Air Pollution on human health comprise the remainder of the Environmental Health subcategory and are each allocated a quarter of the total score for Environmental Health, reflecting a widespread policy consensus.

The two water-related indicators (Adequate Sanitation and Drinking Water) are equally weighted. Urban Particulates and Indoor Air Pollution receive equal weights, and double the weight given to the effects of ground-level Local Ozone on human health...

Within the Ecosystem Vitality subcategory, the Climate Change indicator carries 50% of the subcategory's weight. The Air Pollution indicator is weighted to 2.5% of the subcategory total, due to the statistical variance of the datasets and the understanding that policymakers find water issues more fundamental than air pollution to ecosystem vitality. The remaining indicators: Water, Biodiversity, and Productive Natural Resources, are each evenly weighted to cover the remaining 22.5% of the subcategory (Esty & others 2008:19).

Without going into details of applied methodology, specification of policy categories, indicators, data sources and data aggregation techniques, etc. (for details see *Esty & others 2008*), which is beyond the scope of our study, I would mention that all 25 indicators of EPI, as well as aggregated final score is converted to a proximity-to-target-measure with a range of 0 to 100 points, where 100 corresponds to the target and zero to the worst observed value.

Table 4 shows standings of the countries of the region regarding environmental performance. I apply a breakdown of EPI's into 6 classes for scoring (0 to 5 points), comparable with other above-presented indexes and ratings. In particular, EPI over 90 corresponds to 5 points, 85-89.9 – 4 points, 80-84.9 – 3 points, 75-79.9 – 2 points, 70-74.9 – 1 point, and anything less than 70 – no points.

Table 4. Country rating by Environmental Performance Index – EPI (2008)

<i>Country</i>	<i>Rank</i>	<i>EPI</i>	<i>Score</i>	<i>Country</i>	<i>Rank</i>	<i>EPI</i>	<i>Score</i>
Albania	27	84	3	Lithuania	16	86.2	4
Armenia	62	77.8	2	Macedonia	74	75.1	2
Azerbaijan	80	72.2	1	Moldova	87	70.7	1
Belarus	42	80.5	3	Montenegro	N/A	N/A	N/A
Bosnia & Herzegovina	48	79.7	2	Poland	42	80.5	3
Bulgaria	56	78.5	2	Romania	83	71.9	1
Croatia	20	84.6	3	Russian Federation	28	83.9	3
Czech Republic	68	76.8	2	Serbia	N/A	N/A	N/A
Estonia	19	85.2	4	Slovakia	17	86	4
Georgia	37	82.2	3	Slovenia	15	86.3	4
Hungary	23	84.2	3	Tajikistan	79	72.3	1
Kazakhstan	106	65	0	Turkmenistan	85	71.3	1
Kyrgyzstan	94	69.6	0	Ukraine	75	74.1	1
Latvia	8	88.8	4	Uzbekistan	106	65	0

Source: 2008 Environmental Performance Index

The rating points out that neither of the countries of the region have the highest possible score (i.e. 5 points). However, the leader in environmental performance in the region is Latvia, ranking 8th worldwide. Two other Baltic countries are also in the second top

group together with Slovakia and Slovenia, while three Central Asian states – Kazakhstan, Uzbekistan and Kyrgyzstan are performing the worst in environmental and natural resources governance.

6. Governance in land and natural resources tenure: country ranking

This part is addressed to assessments of land-policy strategies (land reforms), status and trends in property registration (land administration), and natural resources use/ environmental performance level in the region of Eastern Europe and CIS. These issues are not completely covering the widest range of land and natural resources governance issues. Nevertheless, the applied approach gives a possibility to get at least a brief impression on the implemented land policies and property registration, as well as natural resources management, and to compare these aspects between countries through a simple scoring system, presented above.

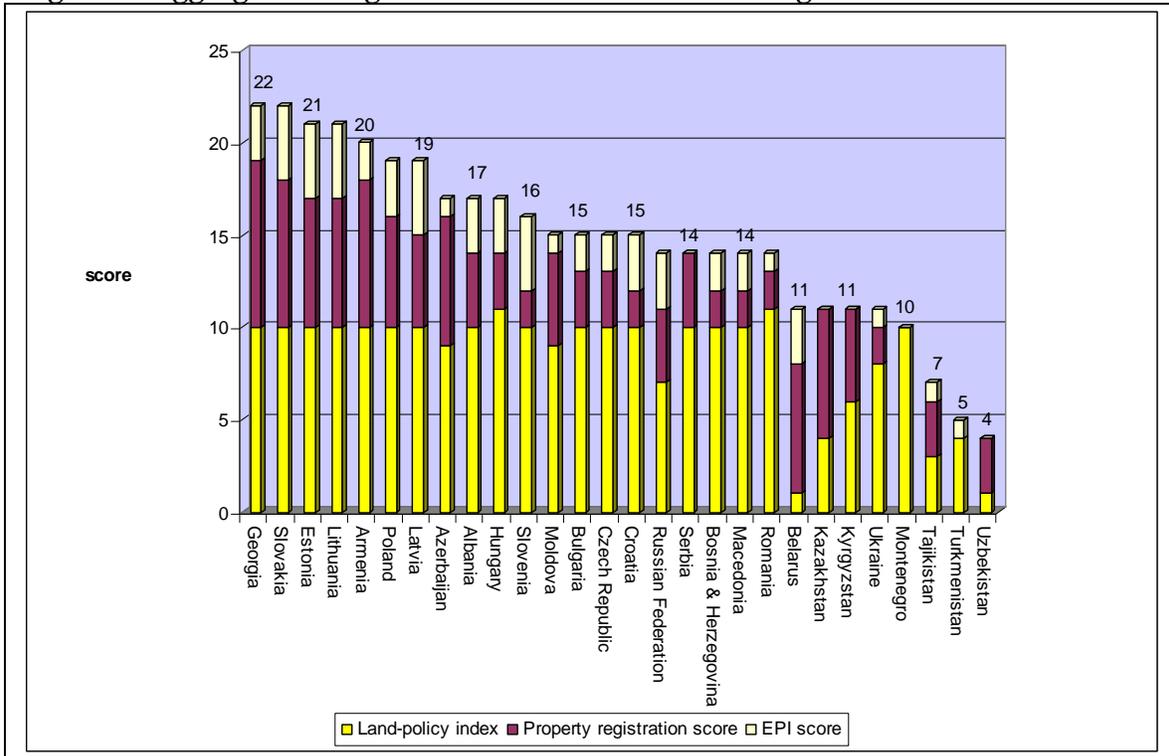
Putting together scoring of every particular land policy attribute, we arrive at an aggregate rating (sum of points) of countries in land and natural resources governance. The theoretically possible maximum score is 25, which consists of:

- 11 points for land policy (see fig. 4 and annex 7);
- 9 points for property registration, including recent reform trends; and
- 5 points for environmental performance quality.

Fig. 6 shows aggregate scores and rating of all countries of the region (see also Annex 9). Unfortunately, due to data unavailability the scores of Serbia, Montenegro and Turkmenistan are only partial. However, existence of complete data for these countries is likely to affect the middle but not the top of the rating.

According to the rating, five countries arrive at the best scores (20 and more, i.e. over 80%) in land governance: the EU members - Slovakia, Estonia and Lithuania, and, curiously, two South Caucasus countries – Georgia and Armenia. The rate of two other countries – Latvia and Poland – should also be considered as quite high. At the opposite end, two Western CIS countries - Belarus and Ukraine and all five Central Asian republics are closing the rating (Montenegro is also in this range by points but most probably only because of partial evaluation of their performance). Generalizing the situation, one could define that in the field of land governance Baltic sub-region is leading in the region, subsequently followed by CEE, South Caucasus, Balkans and Western CIS, while Central Asia is undisputed outsider.

Figure 6. Aggregate rating in land and natural resources governance



7. Final comments and the study outcomes

The study turns us to some regularities and patterns, which are important for explanation of the state of arts and trends in land and natural resources governance in the countries of Eastern Europe and CIS.

The region as a whole is widely heterogeneous from all standpoints: applied policy strategies, democratic and economic development, quality of governance in land and natural resources tenure, etc. It is remarkable that particular sub-regions show different levels of homogeneity, namely: Baltic sub-region is homogeneous, Central Asia – homogeneous, CEE – relatively homogeneous, Balkans – relatively heterogeneous, Western CIS – heterogeneous, and South Caucasus – heterogeneous.

Good governance practices are more strongly correlated with democratic development, than with economic progress. Corruption is the single most harmful barrier to good governance. Curiously, there is a negative correlation (supposedly not only in this region) between abundance of oil and gas resources and level of democracy in a country.

Countries that are already members or aim at accession to the international political unions (e.g. the EU) and other alliances (e.g. NATO), which require adherence to defined standards and rules for membership, show the highest political readiness and commitment to reforms towards effective policies and good governance in general. In other words, willingness to join developed communities (represented by Western democracies) is a strong motivation for implementation of good governance and could be considered as an important driver to positive transformation.

In general, high level of democratic and market economic development, as well as implementation of effective macro-policies are important preconditions for achieving good governance in land and natural resources tenure and administration. However, some cases of less-developed countries (e.g. Armenia, Georgia) show that effective land governance could also be achieved in the countries with limited socioeconomic development if political will and commitment to reforming exists.

Voluntary guidelines for land tenure will be quite vulnerable in an authoritarian and corrupt state. The incentives to adopt them will be very weak, and it is likely that local and regional elites will borrow the rhetoric of the guidelines if it seems suitable, fashionable, or profitable, while neglecting the content.

The analysis of macro-policies and policies implemented in the field of land and natural resources tenure enabled to classify countries according to their advance in land governance. The classification, based on quantitative and qualitative assessments, is presented in table 5 and fig. 7 and has an acceptable approximation to reality. It nominates three countries – **Estonia, Lithuania and Slovakia**, likely to be the best candidates for acting as “locomotive(s)” for elaboration of voluntary guidelines for land and natural resources tenure. The countries of the second group could also strongly contribute to this objective. The classification is not rigid and changes in it could evolve

according to progress (as well as failure) of particular countries in the field of land and natural resources tenure and administration. Countries of the fourth group (outsiders) have a big deficit of effective reforms, and in case of their political will, international assistance for development and implementation of relevant land policies and imposition of better governance patterns is highly recommended.

Table 5. Classification of the countries according to their roles towards Voluntary Guidelines for land and natural resources tenure

Regional champions in good governance in land and natural resources tenure, leaders for <i>Voluntary Guidelines</i>	Prospective participants/supporters of <i>Voluntary Guidelines</i>	Potential followers/participants of <i>Voluntary Guidelines</i>	Current outsiders for <i>Voluntary Guidelines</i>
Group description: <i>adherence to democratic values and principles, high regional level of stable development of market economy, combined with obvious progress in land and natural resources governance</i>	Group description: <i>adherence to democratic values and principles, high regional level of stable development of market economy, with some achievements in land and natural resources governance, or relatively instable democracy and limited market economic development, with significant achievements in good land governance</i>	Group description: <i>underdeveloped or unstable democratic and market development, with limited experience in good land governance</i>	Group description: <i>non democratic countries with weak market economies, with limited or no experience in good land governance</i>
# of countries: 3	# of countries: 11	# of countries: 10	# of countries: 4
<ul style="list-style-type: none"> • Estonia • Lithuania • Slovakia 	<ul style="list-style-type: none"> • Armenia • Bulgaria • Croatia • Czech Republic • Georgia • Hungary • Latvia • Macedonia • Poland • Romania • Slovenia 	<ul style="list-style-type: none"> • Albania • Azerbaijan • Bosnia & Herzegovina • Kazakhstan • Kyrgyzstan • Moldova • Montenegro* • Russian Federation • Serbia* • Ukraine 	<ul style="list-style-type: none"> • Belarus • Tajikistan • Turkmenistan • Uzbekistan
<p>* Due to relatively recent emergence of these countries in their current boundaries, there is a lack of the most data sets, and, consequently, their placing in this group is least justified.</p>			

Figure 7. Final classification of the countries



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Annexes

Annex 1. Population and Area of the countries of Central Eastern Europe (CEE) and CIS Region

##	COUNTRY	Population	Area (km ²)	Pop. density (per km ²)
1	Albania	3,563,100	28,748	123.94
2	Armenia	2,982,900	29,800	100.10
3	Azerbaijan	7,912,000	86,600	91.36
4	Belarus	10,300,500	207,600	49.62
5	Bosnia & Herzegovina	4,025,500	51,129	78.73
6	Bulgaria	7,450,300	110,910	67.17
7	Croatia	4,495,900	56,542	79.51
8	Czech Republic	10,241,100	78,866	129.85
9	Estonia	1,332,900	45,226	29.47
10	Georgia	4,667,400	69,700	66.96
11	Hungary	10,006,800	93,030	107.57
12	Kazakhstan	15,185,000	2,717,300	6.00
13	Kosovo*	2,000,000	10,887	183.71
14	Kyrgyzstan	5,146,300	198,500	25.93
15	Latvia	2,290,200	64,589	35.46
16	Lithuania	3,596,600	65,200	55.16
17	Macedonia	2,045,300	25,333	80.74
18	Moldova	4,455,400	33,843	131.65
19	Montenegro	626,000	13,812	45.30
20	Poland	38,635,100	312,685	123.56
21	Romania	22,330,000	237,500	94.02
22	Russian Federation	143,420,300	17,075,200	8.00
23	Serbia	7,780,000	77,474	100.42
24	Slovakia	5,431,400	48,845	111.20
25	Slovenia	2,011,100	20,273	99.20
26	Tajikistan	7,163,500	143,100	50.06
27	Turkmenistan	4,952,100	488,100	10.15
28	Ukraine	47,425,300	603,700	78.56
29	Uzbekistan	26,851,200	447,400	60.02
Total for the region		408,323,200	23,441,892	17.42

Data Sources: CIA World Factbook, and other public domain resources (February 2006)

* The above-presented data sources include Kosovo as a separate political unit

Figure A1-1

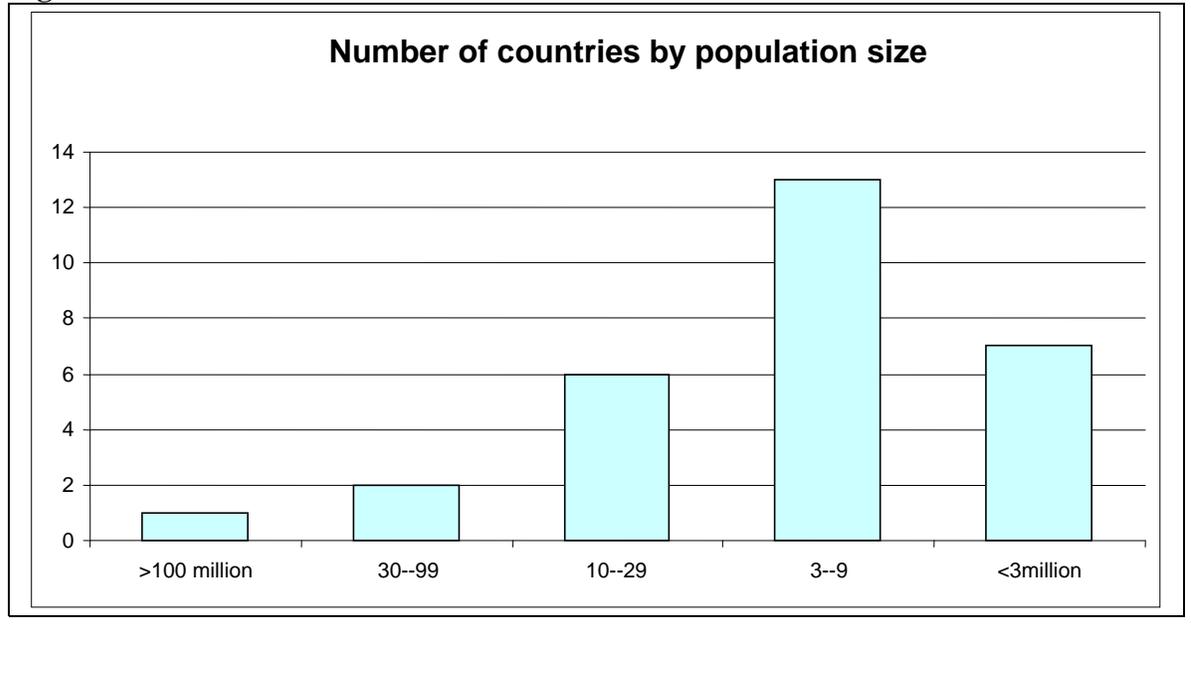


Figure A1-2

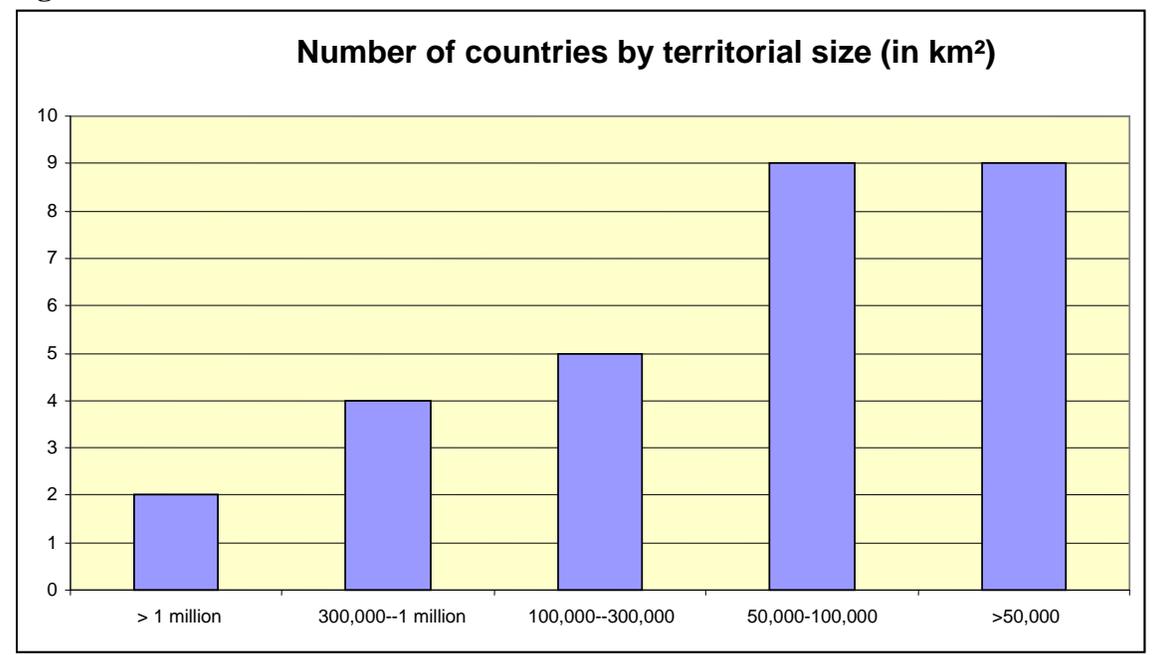


Figure A1-3

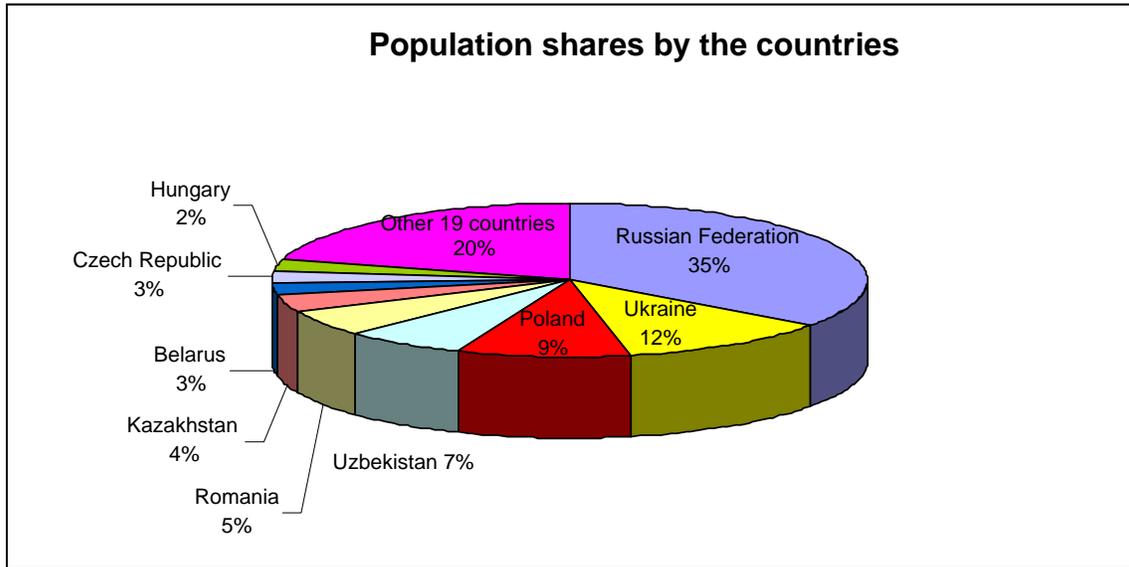


Figure A1-4

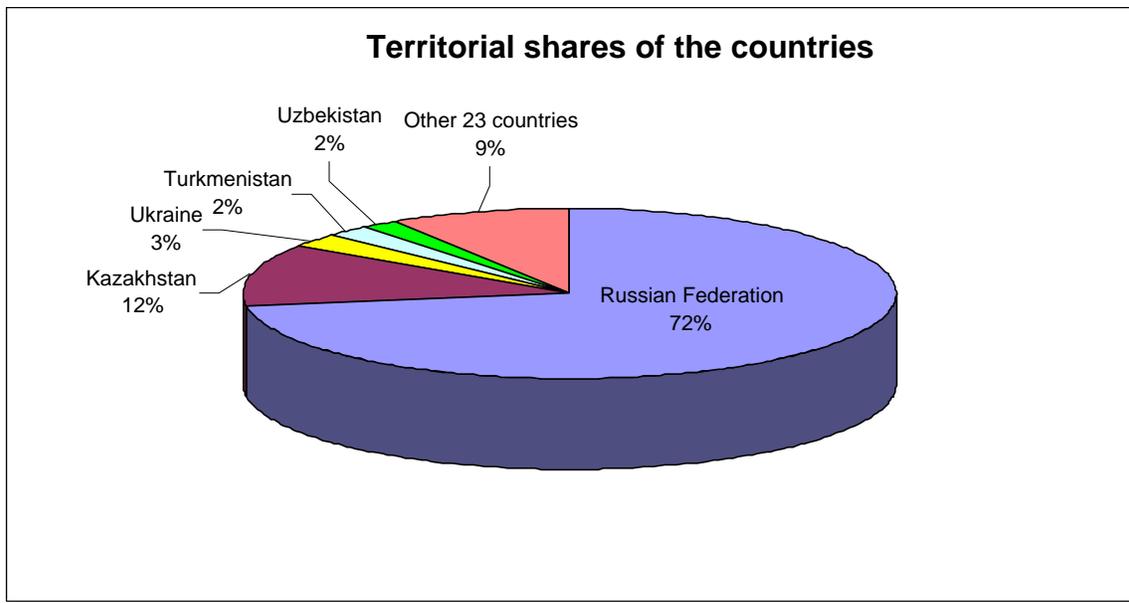


Figure A1-5

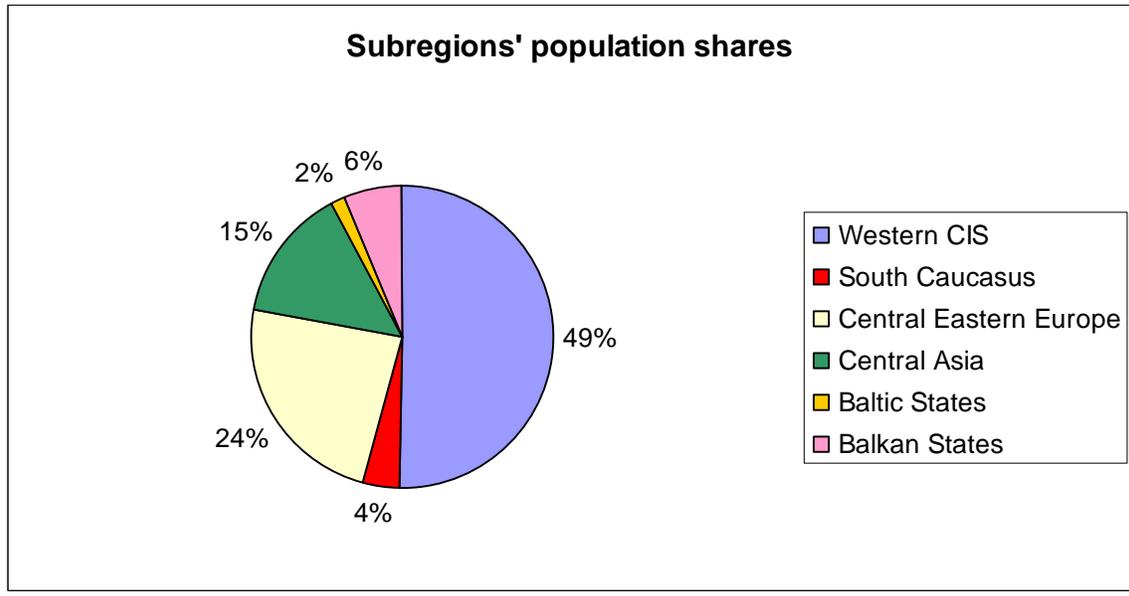


Figure A1-6

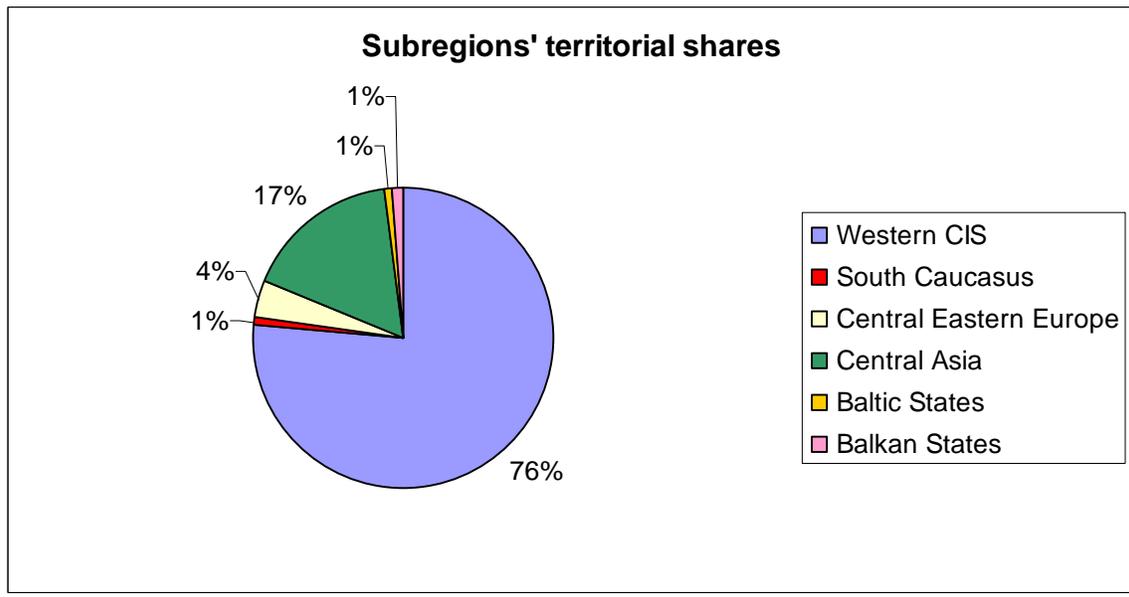


Figure A1-7

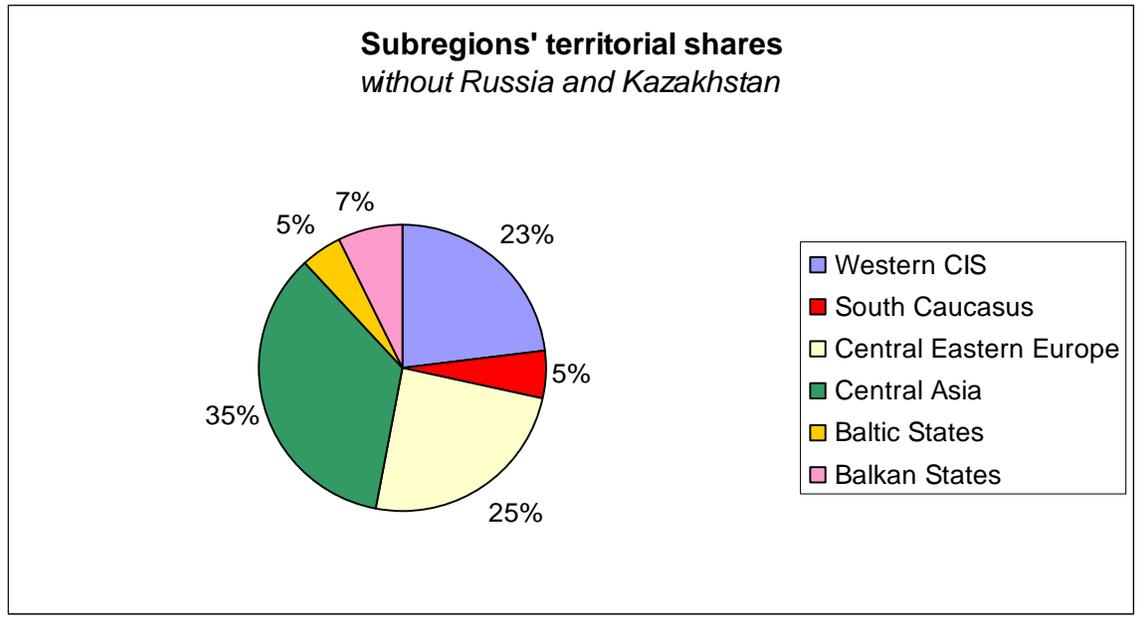
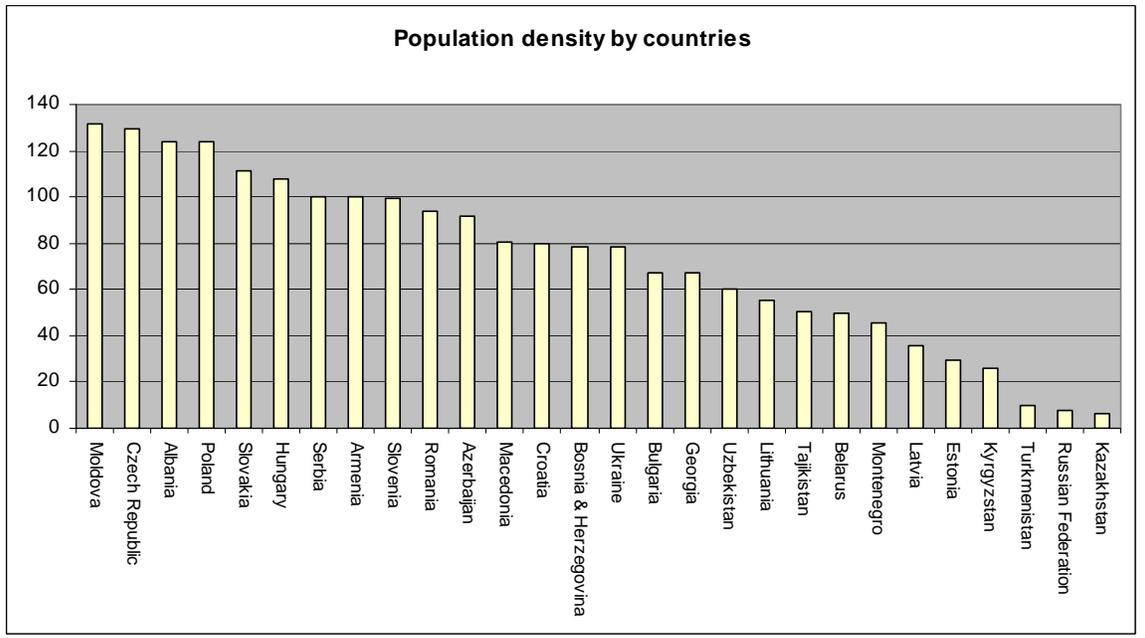


Figure A1-8



Annex 2. Population Composition of the Region: Ethnicity and Religion

<i>Country</i>	<i>Population</i>	<i>Ethnic composition</i>	<i>Main Religions</i>
Albania	3,563,100	Albanian 95%, Greek 3%, other 2% (Vlach, Roma (Gypsy), Serb, Macedonian, Bulgarian) (1989 est.)	30% X-70% M
Armenia	2,982,900	Armenian 97.9%, Yezidi (Kurd) 1.3%, Russian 0.5%, other 0.3% (2001 census)	99% X
Azerbaijan	7,912,000	Azeri 90.6%, Dagestani 2.2%, Russian 1.8%, Armenian 1.5%, other 3.9% (1999 census)	5% X-94% M
Belarus	10,300,500	Belarusian 81.2%, Russian 11.4%, Polish 3.9%, Ukrainian 2.4%, other 1.1% (1999 census)	96% X
Bosnia & Herzegovina	4,025,500	Bosniak 48%, Serb 37.1%, Croat 14.3%, other 0.6% (2000)	50% X-40% M-10% S
Bulgaria	7,450,300	Bulgarian 83.9%, Turk 9.4%, Roma 4.7%, other 2% (including Macedonian, Armenian, Tatar, Circassian) (2001 census)	84% X-12% M
Croatia	4,495,900	Croat 89.6%, Serb 4.5%, other 5.9% (including Bosniak, Hungarian, Slovene, Czech, and Roma) (2001 census)	93% X
Czech Republic	10,241,100	Czech 90.4%, Moravian 3.7%, Slovak 1.9%, other 4% (2001 census)	29% X-68% S
Estonia	1,332,900	Estonian 67.9%, Russian 25.6%, Ukrainian 2.1%, Belarusian 1.3%, Finn 0.9%, other 2.2% (2000 census)	28% X-71% S
Georgia	4,667,400	Georgian 83.8%, Azeri 6.5%, Armenian 5.7%, Russian 1.5%, other 2.5% (2002 census)	89% X-10% M
Hungary	10,006,800	Hungarian 92.3%, Roma 1.9%, other or unknown 5.8% (2001 census)	74% X-25% S
Kazakhstan	15,185,000	Kazakh (Qazaq) 53.4%, Russian 30%, Ukrainian 3.7%, Uzbek 2.5%, German 2.4%, Tatar 1.7%, Uygur 1.4%, other 4.9% (1999 census)	46% X-47% M-5% S
Kosovo*	2,000,000	Albanian 92%, Serb 5.3%, other 2.7%	95% M
Kyrgyzstan	5,146,300	Kyrgyz 64.9%, Uzbek 13.8%, Russian 12.5%, Dungan 1.1%, Ukrainian 1%, Uygur 1%, other 5.7% (1999 census)	20% X-80% M
Latvia	2,290,200	Latvian 57.7%, Russian 29.6%, Belarusian 4.1%, Ukrainian 2.7%, Polish 2.5%, Lithuanian 1.4%, other 2% (2002)	58% X-42% S
Lithuania	3,596,600	Lithuanian 83.4%, Polish 6.7%, Russian 6.3%, other or unspecified 3.6% (2001 census)	85% X-10% S
Macedonia	2,045,300	Macedonian 64.2%, Albanian 25.2%, Turkish 3.9%, Roma (Gypsy) 2.7%, Serb 1.8%, other 2.2% (2002 census)	69% X-33% M
Moldova	4,455,400	Moldovan/Romanian 78.2%, Ukrainian 8.4%, Russian 5.8%, Gagauz 4.4%, Bulgarian 1.9%, other 1.3% (2004 census)	98% X
Montenegro	626,000	Montenegrin 43%, Serbian 32%, Bosniak 8%, Albanian 5%, other (Muslims, Croats, Roma) 12%	78% X-18% M
Poland	38,635,100	Polish 96.7%, German 0.4%, Belarusian 0.1%, Ukrainian 0.1%, other and unspecified 2.7% (2002 census)	97% X

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Romania	22,330,000	Romanian 89.5%, Hungarian 6.6%, Roma 2.5%, Ukrainian 0.3%, German 0.3%, Russian 0.2%, Turkish 0.2%, other 0.4% (2002 census)	99% X
Russian Federation	143,420,300	Russian 79.8%, Tatar 3.8%, Ukrainian 2%, Bashkir 1.2%, Chuvash 1.1%, other or unspecified 12.1% (2002 census)	78% X-14% M
Serbia	7,780,000	Serbs 82.8%, Hungarian 4%, Bosniak 1.8%, Roma 1.45%, Yugoslav 1.1%, other 9.8%	91% X-5% M
Slovakia	5,431,400	Slovak 85.8%, Hungarian 9.7%, Roma 1.7%, Ruthenian/Ukrainian 1%, other and unspecified 1.8% (2001 census)	84% X-16% S
Slovenia	2,011,100	Slovene 83.1%, Serb 2%, Croat 1.8%, Bosniak 1.1%, other or unspecified 12% (2002 census)	61% X-37% S
Tajikistan	7,163,500	Tajik 79.9%, Uzbek 15.3%, Russian 1.1%, Kyrgyz 1.1%, other 2.6% (2000 census)	97% M
Turkmenistan	4,952,100	Turkmen 85%, Uzbek 5%, Russian 4%, other 6% (2003)	9% X-89% M
Ukraine	47,425,300	Ukrainian 77.8%, Russian 17.3%, Belarusian 0.6%, Moldovan 0.5%, Crimean Tatar 0.5%, Bulgarian 0.4%, Hungarian 0.3%, Romanian 0.3%, Polish 0.3%, Jewish 0.2%, other 1.8% (2001 census)	96% X
Uzbekistan	26,851,200	Uzbek 80%, Russian 5.5%, Tajik 5%, Kazakh 3%, Karakalpak 2.5%, Tatar 1.5%, other 2.5% (1996 est.)	9% X-91% M

Source:

http://www.nationmaster.com/graph/peo_eth_group/people-ethnic-groups

Source:

http://en.wikipedia.org/wiki/List_of_religious_populations

Abbreviations:

X - Christians
M - Muslims
S - Secularists

* The above-presented data sources include Kosovo as a separate political unit

Annex 3. The Bertelsmann Transformation Index - BTI

3-A. BTI Status Index (S) – Democracy Status (SI)

Country	Ranking Status Index	S | Status Index	SI | Democracy Status	Q1 | Stateness	Q1.1 | Monopoly on use of force	Q1.2 | Citizenship agreement	Q1.3 | No religious dogmas	Q1.4 | Basic administration	Q2 | Political Participation	Q2.1 | Free elections	Q2.2 | Democrats rule	Q2.3 | Association/Assemble	Q2.4 | Freedom of expression	Q3 | Rule of Law	Q3.1 | Separation of powers	Q3.2 | Independent judiciary	Q3.3 | Abuse of office prosecuted	Q3.4 | Civil rights ensured	Q4 | Stability of Dem. Institutions	Q4.1 | Democracy performs	Q4.2 | Democracy accepted	Q5 | Political and Social Integration	Q5.1 | Party system	Q5.2 | Interest groups	Q5.3 | Democratic norms	Q5.4 | Social self-organization
Albania	33	7.07	7.50	8.5	8	9	10	7	8.3	8	8	9	8	6.3	7	5	5	8	8.0	7	9	6.5	6	6	8	6
Armenia	41	6.41	6.00	8.8	9	9	9	8	5.3	6	5	6	4	4.5	4	4	4	6	6.0	6	6	5.5	6	5	7	4
Azerbaijan	87	4.51	3.80	6.8	6	6	9	6	3.0	3	2	3	4	4.3	4	4	4	5	2.0	2	2	3.0	3	3	n/a	3
Belarus	89	4.47	3.93	8.5	10	9	9	6	2.5	2	2	3	3	3.0	2	4	4	2	2.0	2	2	3.7	3	4	n/a	4
Bosnia and Herz.	40	6.51	6.70	7.0	8	5	8	7	8.5	9	8	9	8	6.8	8	6	6	7	6.0	6	6	5.3	5	5	6	5
Bulgaria	15	8.44	8.70	9.5	10	9	9	10	9.3	10	9	10	8	8.5	9	8	8	9	9.0	9	9	7.3	6	8	8	7
Croatia	14	8.57	8.85	9.5	10	9	9	10	9.5	10	10	10	8	8.0	9	7	7	9	9.0	9	9	8.3	8	8	9	8
Czech Republic	1	9.56	9.55	10.0	10	10	10	10	10.0	10	10	10	10	9.3	10	9	8	10	9.5	9	10	9.0	9	9	10	8
Estonia	3	9.42	9.55	9.5	10	8	10	10	9.8	9	10	10	10	9.8	10	10	9	10	10.0	10	10	8.8	9	8	10	8
Georgia	38	6.60	6.85	6.8	6	6	9	6	8.5	9	9	9	7	6.0	5	5	7	7	8.0	7	9	5.0	4	4	8	4
Hungary	5	9.18	9.35	10.0	10	10	10	10	10.0	10	10	10	10	9.3	10	9	8	10	9.0	8	10	8.5	9	8	9	8
Kazakhstan	68	5.53	4.23	8.5	9	8	9	8	3.3	3	2	4	4	3.8	3	4	4	4	2.0	2	2	3.7	3	4	n/a	4
Kyrgyzstan	63	5.80	5.95	8.0	7	9	10	6	6.8	7	5	8	7	5.3	6	4	4	7	5.0	4	6	4.8	3	4	7	5
Latvia	13	8.60	8.70	9.5	10	8	10	10	9.8	9	10	10	10	8.5	10	8	7	9	9.0	8	10	6.8	6	6	8	7
Lithuania	6	9.16	9.35	10.0	10	10	10	10	10.0	10	10	10	10	9.5	10	9	9	10	9.5	9	10	7.8	7	7	9	8
Macedonia	22	7.52	7.75	8.5	8	8	9	9	8.8	9	9	9	8	6.8	8	6	6	7	8.0	8	8	6.8	7	6	8	6
Moldova	60	5.93	6.85	8.0	6	9	10	7	7.5	8	7	8	7	6.0	5	6	6	7	7.0	7	7	5.8	7	5	7	4
Montenegro	30	7.28	7.85	9.3	9	9	9	10	8.5	9	9	9	7	6.8	8	6	5	8	8.0	7	9	6.8	7	6	8	6
Poland	11	8.76	8.80	9.8	10	10	9	10	9.5	10	10	10	8	8.8	9	9	8	9	8.5	8	9	7.5	5	9	8	8
Romania	17	8.31	8.55	9.5	10	9	9	10	9.3	10	9	10	8	8.3	9	8	7	9	8.5	8	9	7.3	8	6	9	6
Russia	59	5.94	5.35	8.0	8	8	9	7	5.0	6	6	4	4	4.3	4	4	4	5	5.5	6	5	4.0	5	4	4	3
Serbia	31	7.20	7.75	8.8	9	8	9	9	8.8	9	9	9	8	7.0	8	6	7	7	7.5	7	8	6.8	7	7	8	5
Slovakia	7	9.14	9.20	10.0	10	10	10	10	10.0	10	10	10	10	9.3	10	9	8	10	9.0	9	9	7.8	6	8	9	8
Slovenia	2	9.49	9.70	9.8	10	10	9	10	9.8	10	10	10	9	9.8	10	10	9	10	10.0	10	10	9.3	8	10	10	9
Tajikistan	106	3.80	3.73	6.8	6	7	9	5	3.0	3	2	3	4	3.3	3	3	3	4	2.0	2	2	3.7	3	4	n/a	4
Turkmenistan	115	3.34	2.78	7.8	9	7	9	6	1.3	2	1	1	1	2.3	2	3	3	1	1.0	1	1	1.7	1	2	n/a	2
Ukraine	35	6.93	7.35	8.8	9	9	10	7	7.8	8	7	8	8	6.8	7	7	5	8	7.5	7	8	6.0	6	5	7	6
Uzbekistan	111	3.68	3.22	7.3	7	7	9	6	2.3	2	2	3	2	2.3	2	3	2	2	2.0	2	2	2.3	2	2	n/a	3

Source: http://www.bertelsmann-transformation-index.de/fileadmin/pdf/Anlagen_BTI_2008/Detailed_Results_BTI2008.xls

3-B. BTI Status Index (S) – Market Economy Status (SII)

Country	SII | Market Economy Status	Q6 | Socioeconomic Level	Q6.1 | Socioeconomic barriers	Q7 | Market Organization	Q7.1 | Market framework	Q7.2 | Anti-monopoly	Q7.3 | Liberalization	Q7.4 | Banking system	Q8 | Currency and Price Stability	Q8.1 | Anti-inflation/forex	Q8.2 | Macrostability	Q9 | Private Property	Q9.1 | Property rights	Q9.2 | Private companies	Q10 | Welfare Regime	Q10.1 | Social safety nets	Q10.2 | Equal opportunity	Q11 | Economic Performance	Q11.1 | Economic performance	Q12 | Sustainability	Q12.1 | Environment	Q12.2 | Education/R&D
Albania	6.64	6.0	6	7.5	6	7	10	7	8.5	9	8	6.5	6	7	6.0	6	6	7.0	7	5.0	5	5
Armenia	6.82	4.0	4	6.8	6	4	10	7	9.0	9	9	8.0	8	8	5.5	6	5	9.0	9	5.5	6	5
Azerbaijan	5.21	4.0	4	5.0	5	4	6	5	7.0	7	7	5.0	5	5	4.5	4	5	7.0	7	4.0	4	4
Belarus	5.00	7.0	7	4.0	3	6	5	2	4.5	5	4	2.0	2	2	6.0	7	5	6.0	6	5.5	6	5
Bosnia and Herz.	6.32	6.0	6	7.3	6	8	8	7	8.5	9	8	6.5	7	6	5.5	6	5	5.0	5	5.5	6	5
Bulgaria	8.18	7.0	7	8.8	8	9	10	8	9.5	9	10	9.0	9	9	7.5	7	8	8.0	8	7.5	8	7
Croatia	8.29	8.0	8	8.5	8	8	10	8	9.5	10	9	8.5	9	8	8.5	8	9	7.0	7	8.0	8	8
Czech Republic	9.57	10.0	10	10.0	10	10	10	10	9.0	10	8	10.0	10	10	9.5	10	9	10.0	10	8.5	9	8
Estonia	9.29	8.0	8	10.0	10	10	10	10	10.0	10	10	10.0	10	10	8.5	8	9	10.0	10	8.5	8	9
Georgia	6.36	4.0	4	7.0	6	7	9	6	8.5	8	9	7.5	7	8	4.5	5	4	7.0	7	6.0	6	6
Hungary	9.00	10.0	10	10.0	10	10	10	10	8.5	9	8	10.0	10	10	9.0	9	9	7.0	7	8.5	9	8
Kazakhstan	6.82	5.0	5	7.3	6	7	7	9	8.5	8	9	7.0	8	6	6.0	6	6	9.0	9	5.0	5	5
Kyrgyzstan	5.64	4.0	4	6.0	6	4	9	5	8.0	8	8	7.0	6	8	4.5	5	4	6.0	6	4.0	4	4
Latvia	8.50	8.0	8	9.0	9	9	10	8	9.5	9	10	9.0	10	8	7.5	7	8	8.0	8	8.5	8	9
Lithuania	8.96	8.0	8	9.3	9	10	10	8	10.0	10	10	9.5	10	9	8.5	8	9	9.0	9	8.5	8	9
Macedonia	7.29	7.0	7	7.5	7	6	10	7	9.5	10	9	7.5	8	7	7.0	6	8	6.0	6	6.5	7	6
Moldova	5.00	3.0	3	5.5	4	5	7	6	7.5	8	7	5.5	5	6	4.0	4	4	5.0	5	4.5	4	5
Montenegro	6.71	6.0	6	6.5	6	6	7	7	8.0	8	8	6.5	7	6	7.0	7	7	7.0	7	6.0	7	5
Poland	8.71	9.0	9	9.5	9	10	10	9	8.5	9	8	9.0	10	8	8.0	8	8	9.0	9	8.0	8	8
Romania	8.07	7.0	7	8.5	8	8	10	8	8.5	8	9	8.5	9	8	7.5	7	8	9.0	9	7.5	8	7
Russia	6.54	6.0	6	6.3	6	6	8	5	9.5	9	10	4.5	3	6	5.5	6	5	9.0	9	5.0	4	6
Serbia	6.64	6.0	6	6.5	6	6	7	7	8.0	8	8	6.5	7	6	7.0	7	7	6.0	6	6.5	7	6
Slovakia	9.07	9.0	9	9.0	9	9	10	8	10.0	10	10	10.0	10	10	9.0	9	9	9.0	9	7.5	8	7
Slovenia	9.29	10.0	10	9.0	9	9	10	8	10.0	10	10	9.5	10	9	9.5	10	9	8.0	8	9.0	9	9
Tajikistan	3.86	2.0	2	4.0	4	4	4	4	6.0	6	6	3.5	3	4	3.0	3	3	5.0	5	3.5	3	4
Turkmenistan	3.89	4.0	4	1.8	2	2	2	1	4.5	5	4	2.5	3	2	4.0	4	4	7.0	7	3.5	3	4
Ukraine	6.50	5.0	5	7.0	7	6	8	7	7.5	8	7	6.0	6	6	6.0	6	6	8.0	8	6.0	5	7
Uzbekistan	4.14	3.0	3	3.0	3	3	3	3	5.0	4	6	3.0	3	3	4.5	5	4	6.0	6	4.5	4	5

3-C. BTI Management Index (MI)

Country	Ranking Management Index	M | Management Index	Q13 | Level of Difficulty	Q13.1 | Structural constraints	Q13.2 | Civil society	Q13.3 | Conflicts	Q13.4 | GNI p.c. rescaled	Q13.5 | UN Educ. Index rescaled	Q13.6 | BTI Stateness & Rule of law	MI | Management Performance	Q14 | Steering Capability	Q14.1 | Prioritization	Q14.2 | Implementation	Q14.3 | Policy learning	Q15 | Resource Efficiency	Q15.1 | Efficiency	Q15.2 | Coordination	Q15.3 | Anti-corruption	Q16 | Consensus-Building	Q16.1 | Agreement on goals	Q16.2 | Veto actors	Q16.3 | Cleavages	Q16.4 | Civil society	Q16.5 | Reconciliation	Q17 | International Cooperation	Q17.1 | Using support	Q17.2 | Credibility	Q17.3 | Neighbors
Albania	46	5.60	4.6	6	7	2	7	2	3.6	6.37	6.3	7	6	6	4.7	4	6	4	6.8	9	7	5	7	6	7.7	7	7	9
Armenia	56	5.14	4.2	6	4	3	7	1	4.4	5.90	6.0	6	6	6	5.0	6	5	4	5.6	7	7	6	4	4	7.0	7	8	6
Azerbaijan	99	3.83	5.3	6	7	4	7	2	5.5	4.28	3.7	3	4	4	4.0	4	5	3	3.8	5	4	4	3	3	5.7	6	6	5
Belarus	110	2.89	4.5	6	7	3	5	1	5.3	3.28	2.3	3	2	2	4.7	3	6	5	2.8	2	2	4	2	4	3.3	4	2	4
Bosnia and Herz.	81	4.59	4.4	5	5	5	5	2	4.1	5.25	5.3	5	5	6	4.3	4	4	5	5.0	7	7	3	5	3	6.3	7	5	7
Bulgaria	13	6.73	3.0	4	4	3	4	1	2.0	7.97	7.7	8	8	7	7.0	8	6	7	8.2	9	9	7	8	8	9.0	9	8	10
Croatia	9	6.87	2.5	2	4	3	2	2	2.3	8.23	8.3	9	8	8	7.0	7	7	7	8.6	9	10	9	7	8	9.0	9	9	9
Czech Republic	20	6.62	1.2	1	2	1	1	1	1.4	8.22	7.0	7	7	7	6.7	7	7	6	9.2	10	10	9	8	9	10.0	10	10	10
Estonia	2	7.43	2.2	2	3	2	4	1	1.4	8.98	9.0	10	9	8	8.7	9	8	9	8.6	10	10	8	8	7	9.7	10	10	9
Georgia	23	6.36	5.6	7	7	6	8	1	4.6	7.05	7.3	7	8	7	7.0	7	6	8	6.2	7	7	7	5	5	7.7	9	7	7
Hungary	18	6.67	1.4	1	2	2	1	1	1.4	8.25	8.3	9	8	8	7.3	7	8	7	8.0	9	10	6	8	7	9.3	9	9	10
Kazakhstan	76	4.69	4.3	5	7	3	5	1	4.9	5.37	5.0	5	5	5	4.7	5	7	2	4.8	6	4	7	3	4	7.0	6	7	8
Kyrgyzstan	77	4.67	5.4	7	6	5	9	1	4.4	5.20	4.3	4	4	5	3.3	4	4	2	5.8	6	6	6	6	5	7.3	8	7	7
Latvia	10	6.86	2.2	2	4	3	1	1	2.0	8.30	8.7	9	9	8	7.0	8	7	6	8.2	9	10	8	6	8	9.3	9	10	9
Lithuania	15	6.70	1.5	1	4	1	1	1	1.3	8.25	8.0	9	8	7	7.0	7	7	7	9.0	10	10	8	8	9	9.0	9	9	9
Macedonia	21	6.52	4.2	6	5	4	5	2	3.4	7.48	7.0	8	6	7	6.3	6	7	6	7.6	9	9	8	6	6	9.0	9	9	9
Moldova	87	4.48	5.8	8	7	5	9	2	4.0	4.93	4.0	4	4	4	4.0	4	5	3	5.4	6	6	6	6	3	6.3	7	6	6
Montenegro	31	6.13	3.7	6	5	2	4	2	3.0	7.13	7.3	8	6	8	6.3	6	7	6	7.2	8	8	7	6	7	7.7	8	7	8
Poland	53	5.27	1.8	2	2	3	1	1	1.8	6.45	6.0	7	6	5	6.0	6	5	7	6.8	9	8	5	5	7	7.0	7	7	7
Romania	22	6.49	3.4	4	5	3	4	2	2.1	7.62	7.7	7	8	8	6.3	7	6	6	7.8	9	8	8	7	7	8.7	9	8	9
Russia	98	3.84	4.3	5	8	4	3	1	4.9	4.40	4.0	4	4	4	4.7	5	6	3	4.6	6	3	7	3	4	4.3	4	5	4
Serbia	51	5.41	3.5	4	4	4	4	2	3.1	6.32	6.0	7	6	5	5.3	5	5	6	6.6	8	8	6	5	6	7.3	7	7	8
Slovakia	5	7.20	1.7	1	3	3	1	1	1.4	8.82	8.7	9	9	8	8.0	9	8	7	8.6	9	10	8	8	8	10.0	10	10	10
Slovenia	12	6.83	1.0	1	1	1	1	1	1.3	8.53	8.3	9	8	8	8.3	8	9	8	8.8	10	10	8	7	9	8.7	8	9	9
Tajikistan	88	4.46	6.5	8	8	6	9	2	6.0	4.83	4.0	4	4	4	4.0	5	4	3	4.0	5	2	5	4	4	7.3	8	8	6
Turkmenistan	121	2.00	5.3	5	10	4	6	1	6.0	2.23	2.3	3	2	2	2.0	2	2	2	1.6	1	1	3	1	2	3.0	3	2	4
Ukraine	55	5.21	4.0	5	5	4	6	1	3.3	6.00	6.3	6	7	6	4.3	4	5	4	6.0	7	7	7	5	4	7.3	6	8	8
Uzbekistan	117	2.24	5.9	7	7	5	9	1	6.3	2.47	2.3	3	2	2	2.7	3	3	2	2.2	2	2	3	2	2	2.7	3	2	3

Annex 4. Corruption Perceptions Index (CPI) and ranking of countries

Country	2000		2001		2002		2003		2004		2005		2006		2007	
	Score	90 countries	Score	91 countries	Score	102 countries	Score	133 countries	Score	133 countries	Score	158 countries	Score	163 countries	Score	179 countries
Albania	N/A		N/A		2.5	81	2.5	92	2.5	108	2.4	126	2.6	111	2.9	105
Armenia	2.5	76	N/A		NA		3.0	78	3.1	82	2.9	88	2.9	93	3	99
Azerbaijan	1.5	87	2.0	84	2.0	95	1.8	124	1.9	140	2.2	137	2.4	130	2.1	150
Belarus	4.1	43	NA		4.8	36	4.2	53	3.3	74	2.6	107	2.1	151	2.1	150
Bosnia and Herzegovina	N/A		N/A		N/A		3.3	70	3.1	82	2.9	88	2.9	93	3.3	84
Bulgaria	3.5	52	3.9	47	4.0	45	3.9	54	4.1	54	4.0	55	4.0	57	4.1	64
Croatia	3.7	51	3.9	47	3.8	51	3.7	59	3.5	67	3.4	70	3.4	69	4.1	64
Czech Republic	4.3	42	3.9	47	3.7	52	3.9	54	4.2	51	4.3	47	4.8	46	5.2	41
Estonia	5.7	27	5.6	28	5.6	29	5.5	33	6	31	6.4	27	6.7	24	6.5	28
Georgia	N/A		N/A		2.4	85	1.8	124	2	133	2.3	130	2.8	99	3.4	79
Hungary	5.2	32	5.3	31	4.9	33	4.8	40	4.8	42	5.0	40	5.2	41	5.3	39
Kazakhstan	3.0	65	2.7	71	2.3	88	2.4	100	2.2	122	2.6	107	2.6	111	2.1	150
Kyrgyzstan	N/A		N/A		N/A		2.1	118	2.2	122	2.3	130	2.2	142	2.1	150
Latvia	3.4	57	3.4	59	3.7	52	3.8	57	4	57	4.2	51	4.7	49	4.8	51
Lithuania	4.1	43	4.8	38	4.8	36	4.7	41	4.6	44	4.8	44	4.8	46	4.8	51
Macedonia	N/A		N/A		N/A		2.3	106	2.7	97	2.7	103	2.7	105	3.3	84
Moldova	2.6	74	3.1	63	2.1	93	2.4	100	2.3	114	2.9	88	3.2	79	2.8	111
Poland	4.1	43	4.1	44	4.0	45	3.6	64	3.5	67	3.4	70	3.7	61	4.2	61
Romania	2.9	68	2.8	69	2.6	77	2.8	83	2.9	87	3.0	85	3.1	84	3.7	69
Russia	2.1	82	2.3	79	2.7	71	2.7	86	2.8	90	2.4	126	2.5	121	2.3	143
Slovak Republic	3.5	52	3.7	51	3.7	52	3.7	59	4	57	4.3	47	4.7	49	4.9	49
Slovenia	5.5	28	5.2	34	6.0	27	5.9	29	6	31	6.1	31	6.4	28	6.6	27
Tajikistan	N/A		N/A		N/A		1.8	124	2	133	2.1	144	2.2	142	2.1	150
Turkmenistan	N/A		N/A		N/A		N/A		2	133	1.8	155	2.2	142	2	162
Ukraine	1.5	87	2.1	83	2.4	85	2.3	106	2.2	122	2.6	107	2.8	99	2.7	118
Uzbekistan	2.4	79	2.7	71	2.9	68	2.4	100	2.3	114	2.2	137	2.1	151	1.7	175
Yugoslavia/Serbia&Montenegro/ Serbia (from 2006)	1.3	89	N/A		N/A		2.3	106	2.7	97	2.8	97	3.0	90	3.4	79

Source: http://www.transparency.org/policy_research/surveys_indices/cpi/

Annex 5. Measuring business environment

5-A. Ranking of the countries according to convenience of business environment

<i>Country</i>	<i>2005 (155 countries)</i>	<i>2006 (175 countries)</i>	<i>2007 (178 countries)</i>	<i>2008 (181 countries)</i>
Albania	115	120	136	86
Armenia	37	34	39	44
Azerbaijan	100	99	96	33
Belarus	124	129	110	85
Bosnia & H	91	95	105	119
Bulgaria	59	54	46	45
Croatia	134	124	97	106
Czech Republic	50	52	56	75
Estonia	17	17	17	22
Georgia	112	37	18	15
Hungary	60	66	45	41
Kazakhstan	82	63	71	70
Kyrgyzstan	104	90	94	68
Latvia	31	24	22	29
Lithuania	15	16	26	28
Macedonia	94	92	75	71
Moldova	88	103	92	103
Montenegro	64	70	81	90
Poland	74	75	74	76
Romania	71	49	48	47
Russia	97	96	106	120
Serbia	95	68	86	94
Slovakia	34	36	32	36
Slovenia	56	61	55	54
Tajikistan	130	133	154	159
Turkmenistan	NA	NA	NA	NA
Ukraine	132	128	139	145
Uzbekistan	151	147	138	138

Source: Doing business 2005, 2006, 2007, 2008, 2009

5-B. Ranking of the countries according to particular components of business environment in 2008 (181 countries)

<i>Economy</i>	<i>Ease of Doing Business Rank</i>	<i>Starting a Business</i>	<i>Dealing with Construction Permits</i>	<i>Employing Workers</i>	<i>Registering Property</i>	<i>Getting Credit</i>	<i>Protecting Investors</i>	<i>Paying Taxes</i>	<i>Trading Across Borders</i>	<i>Enforcing Contracts</i>	<i>Closing a Business</i>
Albania	86	67	170	108	62	12	14	143	77	89	181
Armenia	44	66	42	54	5	28	88	150	143	61	47
Azerbaijan	33	13	155	15	9	12	18	102	174	26	81
Belarus	85	97	65	49	14	109	104	181	134	14	71
Bosnia and Herzegovina	119	161	137	117	144	59	88	154	55	123	60
Bulgaria	45	81	117	60	59	5	38	94	102	86	75
Croatia	106	117	163	146	109	68	126	33	97	44	79
Czech Republic	75	86	86	59	65	43	88	118	49	95	113
Estonia	22	23	19	163	24	43	53	34	5	30	58
Georgia	15	4	10	5	2	28	38	110	81	43	92
Hungary	41	27	89	84	57	28	113	111	68	12	55
Kazakhstan	70	78	175	29	25	43	53	49	180	28	100
Kyrgyzstan	68	31	58	81	52	28	11	155	181	52	137
Latvia	29	35	78	103	77	12	53	36	25	4	86
Lithuania	28	74	63	131	4	43	88	57	26	16	34
Macedonia	71	12	152	125	88	43	88	27	64	70	129
Moldova	103	89	158	119	50	84	104	123	135	17	88
Montenegro	90	105	167	104	123	43	24	139	125	130	42
Poland	76	145	158	82	84	28	38	142	41	68	82
Romania	47	26	88	143	114	12	38	146	40	31	85
Russia	120	65	180	101	49	109	88	134	161	18	89
Serbia	94	106	171	91	97	28	70	126	62	96	99
Slovakia	36	48	53	83	7	12	104	126	116	47	37
Slovenia	54	41	69	158	104	84	18	78	78	79	38
Tajikistan	159	168	178	128	46	172	150	159	177	23	97
Turkmenistan	Data is not available										
Ukraine	145	128	179	100	140	28	142	180	131	49	143
Uzbekistan	138	70	148	76	125	123	113	162	171	46	122

Source: Doing business 2009

5-C. The fields of reforms launched by the countries in 2006-2007

<i>Economy</i>	<i>Starting a Business</i>	<i>Dealing with Construction Permits</i>	<i>Employing Workers</i>	<i>Registering Property</i>	<i>Getting Credit</i>	<i>Protecting Investors</i>	<i>Paying Taxes</i>	<i>Trading Across Borders</i>	<i>Enforcing Contracts</i>	<i>Closing a Business</i>
Albania							v			
Armenia					v			v		v
Azerbaijan	v						v			
Belarus	v					v				
Bosnia & Herzegovina								v		
Bulgaria		v					v		v	
Croatia	v			v	v					v
Czech Republic	v	v	v							
Estonia	v									
Georgia	v	v		v	v	v				v
Hungary	v			v			x			v
Kazakhstan							v			
Kyrgyzstan				x			v			
Latvia			v							
Lithuania										
Macedonia	v	v					v			
Moldova	v		x				v		v	
Montenegro										
Poland				v					v	
Romania	x				v		v			
Russian Federation		x			v					
Serbia										
Slovakia										
Slovenia			x		x	v	v			
Tajikistan	v									
Ukraine										
Uzbekistan	v			v			v			v

v improvement

x deterioration

Source: Doing business 2008

Annex 6. Additional indicators of development of the countries

<i>Country</i>	<i>HD Rank (2007-2008)</i>	<i>HDI</i>	<i>GDP per capita (US\$)</i>	<i>Gini Index</i>	<i>Life expectancy</i>	<i>Literacy level</i>
Albania	68	0.801	5,316	31.1	76.2	98.7
Armenia	83	0.775	4,945	33.8	71.7	99.4
Azerbaijan	98	0.746	5,016	36.5	67.1	98.8
Belarus	64	0.804	7,918	29.7	68.7	99.6
Bosnia and Herzegovina	66	0.803	7,032	26.2	74.5	96.7
Bulgaria	53	0.824	9,032	29.2	72.7	98.2
Croatia	47	0.850	13,042	29	75.3	98.1
Czech Republic	32	0.891	20,538	25.4	75.9	NA
Estonia	44	0.860	15,478	35.8	71.2	99.8
Georgia	96	0.754	3,365	40.4	70.7	100
Hungary	36	0.874	17,887	26.9	72.9	NA
Kazakhstan	73	0.794	7,857	33.9	65.9	99.5
Kyrgyzstan	116	0.696	1,928	30.3	65.6	98.7
Latvia	45	0.855	13,646	37.7	72	99.7
Lithuania	43	0.862	14,494	36	72.5	99.6
Macedonia	69	0.801	7,200	39	73.8	88.6
Moldova	111	0.708	2,100	33.2	68.4	99.1
Montenegro	NA	NA	NA	NA	NA	NA
Poland	37	0.870	13,847	34.5	75.2	NA
Romania	60	0.813	9,060	31	71.9	97.3
Russian Federation	67	0.802	10,845	39.9	65	99.4
Serbia	NA	NA	NA	NA	NA	NA
Slovakia	42	0.863	15,871	25.8	74.2	NA
Slovenia	27	0.917	22,273	28.4	77.4	99.7
Tajikistan	122	0.673	1,356	32.6	66.3	99.5
Turkmenistan	109	0.713	3,838	40.8	62.6	98.8
Ukraine	76	0.788	6,848	28.1	67.7	99.4
Uzbekistan	113	0.702	2,063	36.8	66.8	NA

Sources: UN Human Development Report 2007/2008; <http://hdrstats.undp.org/indicators/147.html>

Annex 7. Land-policy components and Land-policy index

<i>Country</i>	<i>Subregion</i>	<i>Potential private ownership</i>	<i>Score</i>	<i>Privatization strategy</i>	<i>Score</i>	<i>Allocation strategy</i>	<i>Score</i>	<i>Transferability</i>	<i>Score</i>	<i>Land-policy index</i>
Albania	Balkans	All	2	Distruibution	2	Plots	4	Buy/sell, lease	2	10
Armenia	S Caucasus	All	2	Distruibution	2	Plots	4	Buy/sell, lease	2	10
Azerbaijan	S Caucasus	All	2	Distruibution	2	Plots/shares	3	Buy/sell, lease	2	9
Belarus	West CIS	Household plots only	1	None	0	None	0	None	0	1
Bosnia & Herz.	Balkans	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Bulgaria	CEE	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Croatia	Balkans	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Czech Republic	CEE	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Estonia	Baltics	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Georgia	S Caucasus	All	2	Distruibution	2	Plots	4	Buy/sell, lease	2	10
Hungary	CEE	All	2	Restitution+Distribution	3	Plots	4	Buy/sell, lease	2	11
Kazakhstan	C Asia	Household plots only	1	None	0	Shares	2	Use rights	1	4
Kyrgyzstan	C Asia	All	2	Distruibution/conversion	2	Shares	2	Moratorium	0	6
Latvia	Baltics	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Lithuania	Baltics	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Macedonia	Balkans	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Moldova	West CIS	All	2	Distruibution	2	Plots/shares	3	Buy/sell, lease	2	9
Montenegro	Balkans	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Poland	CEE	All	2	Sell state land	2	Plots	4	Buy/sell, lease	2	10
Romania	CEE	All	2	Restitution+Distribution	3	Plots	4	Buy/sell, lease	2	11
Russia	West CIS	All	2	Distruibution	2	Shares	2	Lease	1	7
Serbia	Balkans	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Slovakia	CEE	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Slovenia	CEE	All	2	Restitution	2	Plots	4	Buy/sell, lease	2	10
Tajikistan	C Asia	None	0	None	0	Shares	2	Use rights	1	3
Turkmenistan	C Asia	All	2	None, virgin land to farmers	1	Leasehold	1	None	0	4
Ukraine	West CIS	All	2	Distruibution	2	Plots/shares	3	Lease	1	8
Uzbekistan	C Asia	None	0	None	0	Leasehold	1	None	0	1

Source: Lerman, Z., C. Csaki, & G. Feder (2004)

Annex 8. Progress of the countries in property registration (2004-2009)

Economy	Year	Ease of Doing Business Rank	Registering Property			
			Rank	Procedures (number)	Time (days)	Cost (% of property value)
Albania	2004	..	..	7	47	3.8
Albania	2005	..	..	6	42	3.6
Albania	2006	..	..	6	42	3.5
Albania	2007	..	..	6	42	3.5
Albania	2008	135	56	6	42	3.5
Albania	2009	86	62	6	42	3.4
Armenia	2004	..	..	4	18	0.9
Armenia	2005	..	..	4	6	0.6
Armenia	2006	..	..	4	6	0.5
Armenia	2007	..	..	3	4	0.4
Armenia	2008	41	2	3	4	0.4
Armenia	2009	44	5	3	4	0.3
Azerbaijan	2004	..	..	7	61	0.5
Azerbaijan	2005	..	..	7	61	0.4
Azerbaijan	2006	..	..	7	61	0.4
Azerbaijan	2007	..	..	7	61	0
Azerbaijan	2008	97	63	7	61	0.2
Azerbaijan	2009	33	9	4	11	0.3
Belarus	2004	..	..	7	231	0.2
Belarus	2005	..	..	7	231	0.2
Belarus	2006	..	..	7	231	0.1
Belarus	2007	..	..	7	231	0.1
Belarus	2008	115	95	7	231	0.1
Belarus	2009	85	14	4	21	0
Bosnia and Herzegovina	2004	..	..	7	331	6.1
Bosnia and Herzegovina	2005	..	..	7	331	6
Bosnia and Herzegovina	2006	..	..	7	331	6
Bosnia and Herzegovina	2007	..	..	7	331	5
Bosnia and Herzegovina	2008	117	148	7	331	5
Bosnia and Herzegovina	2009	119	144	7	128	5.2
Bulgaria	2004	..	..	9	19	2.4
Bulgaria	2005	..	..	9	19	2.4
Bulgaria	2006	..	..	9	19	2.3
Bulgaria	2007	..	..	8	19	2.3
Bulgaria	2008	44	55	8	19	2.3
Bulgaria	2009	45	59	8	19	2.3
Croatia	2004	5	956	2.5
Croatia	2005	5	956	5
Croatia	2006	5	956	5

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Croatia	2007	5	399	5
Croatia	2008	107	103	5	174	5
Croatia	2009	106	109	5	174	5
Czech Republic	2004	4	123	3
Czech Republic	2005	..	..	4	123	3
Czech Republic	2006	..	..	4	123	3
Czech Republic	2007	..	..	4	123	3
Czech Republic	2008	65	59	4	123	3
Czech Republic	2009	75	65	4	123	3
Estonia	2004	..	..	4	65	0.5
Estonia	2005	..	..	3	51	0.7
Estonia	2006	..	..	3	51	0.7
Estonia	2007	..	..	3	51	0.7
Estonia	2008	18	21	3	51	0.5
Estonia	2009	22	24	3	51	0.4
Georgia	2004	..	..	8	39	2.5
Georgia	2005	..	..	8	39	2.5
Georgia	2006	..	..	6	9	0.6
Georgia	2007	..	..	6	9	0.5
Georgia	2008	21	8	5	5	0.1
Georgia	2009	15	2	2	3	0
Hungary	2004	..	..	4	79	6.8
Hungary	2005	..	..	4	78	11
Hungary	2006	..	..	4	78	11
Hungary	2007	..	..	4	78	11
Hungary	2008	50	98	4	63	11
Hungary	2009	41	57	4	17	11
Kazakhstan	2004	..	..	8	52	1.8
Kazakhstan	2005	..	..	8	52	1.7
Kazakhstan	2006	..	..	8	52	1.4
Kazakhstan	2007	..	..	8	52	1.2
Kazakhstan	2008	80	77	8	52	0.9
Kazakhstan	2009	70	25	5	40	0.1
Kyrgyz Republic	2004	..	..	7	15	5.3
Kyrgyz Republic	2005	..	..	7	8	5.9
Kyrgyz Republic	2006	..	..	7	8	5.9
Kyrgyz Republic	2007	..	..	7	8	1.9
Kyrgyz Republic	2008	99	54	7	8	4.6
Kyrgyz Republic	2009	68	52	7	8	3.9
Latvia	2004	..	..	10	62	2.1
Latvia	2005	..	..	10	55	2.1
Latvia	2006	10	55	2
Latvia	2007	8	54	2
Latvia	2008	26	91	8	54	2
Latvia	2009	29	77	7	50	2

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Lithuania	2004	3	3	0.9
Lithuania	2005	3	3	0.9
Lithuania	2006	3	3	0.8
Lithuania	2007	3	3	0.7
Lithuania	2008	28	4	3	3	0.7
Lithuania	2009	28	4	2	3	0.5
Macedonia, FYR	2004	..	..	6	74	3.7
Macedonia, FYR	2005	..	..	6	74	3.7
Macedonia, FYR	2006	..	..	6	74	3.6
Macedonia, FYR	2007	..	..	6	98	3.5
Macedonia, FYR	2008	79	94	6	98	3.5
Macedonia, FYR	2009	71	88	6	66	3.4
Moldova	2004	..	..	5	81	1.3
Moldova	2005	..	..	6	48	1.8
Moldova	2006	..	..	6	48	1.3
Moldova	2007	..	..	6	48	1.1
Moldova	2008	92	47	6	48	0.9
Moldova	2009	103	50	6	48	0.8
Montenegro	2004	..	..	..	..	..
Montenegro	2005	..	..	..	..	..
Montenegro	2006	..	..	..	..	..
Montenegro	2007	..	..	8	86	2
Montenegro	2008	84	109	8	86	2.4
Montenegro	2009	90	123	8	86	3.3
Poland	2004	..	..	7	204	1.6
Poland	2005	..	..	6	204	1.6
Poland	2006	..	..	6	197	1.6
Poland	2007	..	..	6	197	1.6
Poland	2008	72	81	6	197	0.5
Poland	2009	76	84	6	197	0.5
Romania	2004	..	..	8	170	1.9
Romania	2005	..	..	8	103	2.3
Romania	2006	..	..	8	103	2.2
Romania	2007	..	..	8	83	1.9
Romania	2008	47	111	8	83	2.8
Romania	2009	47	114	8	83	2.4
Russian Federation	2004	..	..	6	37	0.8
Russian Federation	2005	..	..	6	37	0.5
Russian Federation	2006	..	..	6	52	0.4
Russian Federation	2007	..	..	6	52	0.3
Russian Federation	2008	112	46	6	52	0.3
Russian Federation	2009	120	49	6	52	0.2
Serbia	2004	6	186	5.5
Serbia	2005	6	186	5.5
Serbia	2006	6	111	5.4
Serbia	2007	6	111	5.4

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Serbia	2008	91	117	6	111	5.4
Serbia	2009	94	97	6	111	2.9
Slovakia	2004	5	22	3.1
Slovakia	2005	5	22	3.1
Slovakia	2006	..	..	3	17	0.1
Slovakia	2007	..	..	3	17	0.1
Slovakia	2008	37	5	3	17	0.1
Slovakia	2009	36	7	3	17	0.1
Slovenia	2004	..	..	6	391	2
Slovenia	2005	..	..	6	391	2
Slovenia	2006	..	..	6	391	2
Slovenia	2007	..	..	6	391	2
Slovenia	2008	64	100	6	391	2
Slovenia	2009	54	104	6	391	2
Tajikistan	2004	..	..	..	..	..
Tajikistan	2005	..	..	..	..	..
Tajikistan	2006	..	..	..	..	..
Tajikistan	2007	..	..	6	37	1.9
Tajikistan	2008	156	43	6	37	1.9
Tajikistan	2009	159	46	6	37	1.8
Ukraine	2004	..	..	9	93	4.3
Ukraine	2005	..	..	10	93	4.3
Ukraine	2006	..	..	10	93	3.8
Ukraine	2007	..	..	10	93	3.4
Ukraine	2008	144	142	10	93	3.3
Ukraine	2009	145	140	10	93	2.9
Uzbekistan	2004	..	..	12	97	11.8
Uzbekistan	2005	..	..	12	91	10.6
Uzbekistan	2006	..	..	12	91	10.5
Uzbekistan	2007	..	..	12	91	10.5
Uzbekistan	2008	140	124	12	78	1.4
Uzbekistan	2009	138	125	12	78	1.5
<p>Note: Doing Business 2008 rankings have been recalculated to reflect changes to the methodology and the addition of three new countries.</p>						
<p>Note: the red digits are the figures included in the digital database http://www.doingbusiness.org/CustomQuery/ from <i>Doing business 2005: 92-94</i></p>						

Source: Doing business 2005,2008,2009; see <http://www.doingbusiness.org/CustomQuery/>

Annex 9. Final aggregate rating in land and natural resources governance

<i>Country</i>	<i>Land-policy index</i>	<i>Property registration score</i>	<i>EPI score</i>	<i>Total Score</i>	<i>Level</i>
Georgia	10	9	3	22	high
Slovakia	10	8	4	22	
Estonia	10	7	4	21	
Lithuania	10	7	4	21	
Armenia	10	8	2	20	
Poland	10	6	3	19	
Latvia	10	5	4	19	
Azerbaijan	9	7	1	17	middle
Albania	10	4	3	17	
Hungary	11	3	3	17	
Slovenia	10	2	4	16	
Moldova	9	5	1	15	
Bulgaria	10	3	2	15	
Czech Republic	10	3	2	15	
Croatia	10	2	3	15	
Russian Federation	7	4	3	14	
Serbia	10	4	NA	14	
Bosnia & Herzegovina	10	2	2	14	
Macedonia	10	2	2	14	
Romania	11	2	1	14	
Belarus	1	7	3	11	low
Kazakhstan	4	7	0	11	
Kyrgyzstan	6	5	0	11	
Ukraine	8	2	1	11	
Montenegro	10	0	NA	10	
Tajikistan	3	3	1	7	
Turkmenistan	4	NA	1	5	
Uzbekistan	1	3	0	4	