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Review Paper

ON THE THRESHOLD OF "ADULTHOOD": WESTERN BALKANS' TRANSITION FAILURES

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Abstract. *After the beginning of the transformation of centrally-planned economies into market economies, the implementation of a transition project in the case of new EU members (a total of 10 countries joined through the enlargements of 2004 and 2007) lasted for almost two decades, far longer than the pessimistic forecasters announced. By contrast, the Western Balkan countries (in total 6 of them), with the exception of Croatia (EU member since 2013.), have neither continuity nor adequate success in carrying out the reform processes. That is why their transition still has an uncertain outcome and an unpredictable duration. In order to determine to which stages the less developed countries have arrived at the moment when those more advanced have almost finished their transition, we will use the EBRD indicators. We will then explain the phases of Western Balkans transition dynamics (first wave reforms and deeper reforms) in order to show that these economies have partially followed the pattern reccommended by advanced economies, leaving the segment of deeper reforms unfinished. Finally, relying on the new model for measuring transitional progress (which the EBRD has been using since 2011), we will try to evaluate which part of the predicted trajectory Western Balkans really crossed on their path to transitional "adulthood".*

Key words: *transition, Western Balkans, structural reforms*

JEL Classification: P27, P52

INTRODUCTION

The economic transformation of former centrally planned economies officially began more than a quarter of century ago and was initiated with the intention of achieving the standards of developed market economies. At the time, researchers were arguing and

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disputing about the time-frame of the project of transition (Dornbusch, 1990), the sequence of steps that should be undertaken, as well as ways of institutionalizing changes (Eatwell et all., 1995). They claimed that either inconsistent policies or the very concept of a transitional project should be blamed for omissions expressed in the absence of relevant results and/or failure to fulfill them within the foreseen deadline. The importance of institutional development is rarely emphasized meanwhile (Campos, 1999). It has become significant no sooner than ten years after the beginning of the transition, when researchers recognized the importance of the initial (inherited) conditions as well as the duration of their effects for the successful implementation of the transitional project (Stiglitz, 1999).

Countries that will be labeled as "new members of the European Union" (after the enlargements done in 2004 and 2007) have relatively successfully completed the key reform processes and materialized their results (through the above mentioned membership). However, it turned out that their economic and structural transformation was an unpredictable and difficult process that lasted longer than the theoreticians anticipated. The countries of the Western Balkans have been in a far more difficult position, as they can not boast of a continuous tradition in the implementation of structural reforms in their economies. In fact, these processes were initiated more seriously with the delay of ten years, but now under significantly changed economic, political, demographic and other circumstances. After nearly two decades of undertaking a variety of reform initiatives (which is a sufficiently long time interval for producing certain results, judging by experience of new members of the EU), it seems quite appropriate to set up the following question: will their transition be completed soon?

Although the answer to this question seems to be determined by the way it is set up, we will try to justify the origin of our suspicion regarding the relatively near end of the transition. Using the EBRD Indicators, we will measure the success in implementing the reform process on the example of 16 transition countries. We want to determine to which stages the less developed economies arrived at the moment when advanced countries have almost finished their transition. We will then explain the phases of the Western Balkans transition dynamics (first wave reform and deeper reform) in order to show that they more or less have followed the pattern recommended by advanced economies, leaving the segment of deeper reforms unfinished (IMF, 2015). Finally, relying on the new model for measuring transitional progress (which the EBRD has been using since 2011), we will try to evaluate which part of the predicted trajectory Western Balkans crossed so far. In the light of new empirical insights into their current position, we intend to try to determine whether and when the ending of transitional processes in this region could be expected.

1. Carrying out of Transition: how Long Would it Take?

The very beginnings of the transition were marked by non-productive discussions of two (well known) contradictory points of view regarding the speed of reform changes. The attractiveness of this topic was relatively quickly materialized through empirical works that attempted to formulate an appropriate methodology for measuring progress in transition. Over time, EBRD indicators were established as the most prominent in analytical work, as they covered all those important areas of reforms that are necessary for the introduction of a market economy model. These indicators (there are a total of 9) are the following ones:

privatization of small enterprises, privatization of large enterprises, restructuring of enterprises, price liberalization, trade liberalization and exchange rate regime, competition policy, liberalization of the banking sector, reform of non-banking institutions, infrastructure reform. Progress assessment for each indicator ranges from 1 (equivalent to the situation in which reform processes did not begin) to 4+ (or approximately 4.33, for a stage in which transition economies reach the standards of developed market economies). In fact, the sum for all nine indicators can be at least 9 and a maximum 38.97 (9 x 4.33) points. In other words, as Cerović and Nojković explicitly pointed out (2009), even when there are no reforms, it is assumed that the country is earning 9 points (as if it crossed almost a quarter of the transition trajectory). If we apply an approach that eliminates this inappropriate point allocation, progress in transition can be measured in the following way: we will deduct the undeserved "start-ups" from the points achieved, and put the resulting amount in relation to the total (projected) "length" of the path (29.97 points) that each transition economy is supposed to pass through in order to reach the level of developed market economies (the difference between the maximum of 38.97 and the minimum of 9 points).

The following tables illustrate the evolution of transition economies (new members of the EU and the Western Balkan countries) in selected years - 1999, 2004, 2007 and 2010. These data are consciously (although subjectively) selected: 1999 as the synonym for a decade-long reform attempts in advanced transitional economies; 2004 as the year in which as many as ten transition countries joined the European Union after at least 15 years of implementation of the reform processes; 2007 which (from the global point of view) was the last pre-crisis year, and 2010 as the last year in which the EBRD measured the progress in transition in this way. Comparing the values of the indicators for the analyzed countries, we found that the 2000 and 2005 Reports did not provide identical data for the year 1999 (the differences range from 0.6 to 1.2 points for all 9 indicators). Data for the mentioned year for most countries were taken from the 2000 Report, except in the case of Serbia and Montenegro (where, out of objective reasons, we had to rely on the 2005 Report, since those countries were not part of the 2000 Report). And the calculation looks like this (if we take Bulgaria's result for 1999 as the example): 9 starting points will be deducted from 25.9; the result obtained is 16.9 and in relation to the projected length of the transition path - 29.97 points, we got 56.9% as the measure of the progress achieved.

Table 1 Progress in transition in % - new EU member states (1999 and 2004)

Country	EBRD Indicators 1999	Progress made (in %)	EBRD Indicators 2004	Progress made (in %)
Bulgaria	25.9	56.39	30.3	71.07
Czech Republic	30.7	72.41	33.5	81.75
Estonia	31.4	74.74	34.1	83.42
Hungary	33.3	81.08	34.9	86.42
Latvia	27.7	62.39	32.0	76.74
Lithuania	27.6	62.06	31.6	75.41
Poland	31.0	73.41	32.8	79.42
Romania	25.7	55.72	28.9	66.39
Slovakia	28.7	65.73	32.9	79.75
Slovenia	28.5	65.06	30.3	71.07

Source: EBRD (2000) and EBRD (2005) for columns 2 and 4 respectively; calculation of authors for columns 3 and 5.

Table 2 Progress in transition in % - new EU member states (2007 and 2010)

Country	EBRD Indicators 2007	Progress made (in %)	EBRD Indicators 2010	Progress made (in %)
Bulgaria	31.4	74.74	32.0	76.74
Czech Republic	34.3	84.42	*	/
Estonia	35.3	87.75	35.3	87.75
Hungary	35.6	88.76	35.6	88.76
Latvia	32.6	78.74	32.6	78.75
Lithuania	33.2	80.75	33.2	80.75
Poland	33.9	83.08	33.9	83.08
Romania	30.7	72.41	31.0	73.41
Slovakia	33.6	82.08	33.9	83.08
Slovenia	30.3	71.07	30.6	72.07

Source: EBRD (2008) and EBRD (2010) for columns 2 and 4 respectively; calculation of authors for columns 3 and 5.

Table 3 Progress in transition in % - Western Balkans (1999 and 2004)

Country	EBRD Indicators 1999	Progress made (in %)	EBRD Indicators 2004	Progress made (in %)
Albania	22.2	44.04	26.0	56.72
Bosnia and Herzegovina	17.4	28.03	22.7	45.71
Croatia	26.9	59.73	30.9	73.07
Macedonia	23.8	49.38	27.2	60.73
Montenegro	13.0	13.35	21.7	42.38
Serbia	13.0	13.35	21.9	43.04

Source: EBRD (2000) and EBRD (2005) for columns 2 and 4 respectively; calculation of authors for columns 3 and 5.

Table 4 Progress in transition in % - Western Balkans (2007 and 2010)

Country	EBRD Indicators 2007	Progress made (in %)	EBRD Indicators 2010	Progress made (in %)
Albania	26.6	58.73	27.6	62.06
Bosnia and Herzegovina	24.4	51.38	25.0	53.39
Croatia	31.6	75.41	31.9	76.41
Macedonia	28.2	64.06	29.3	67.73
Montenegro	25.1	53.72	26.0	56.72
Serbia	24.7	52.39	26.0	56.72

Source: EBRD (2008) and EBRD (2010) for columns 2 and 4 respectively; calculation of authors for columns 3 and 5.

Speaking of new EU members, it is noticed that ten years after the start of the transition only Hungary has managed to make a dramatic shift to the regime of market economy. At that time, Estonia, Poland and the Czech Republic were closely approaching the threshold (75% of the reforms done). The worst results were achieved by Romania and Bulgaria (as well as underestimated Slovenia), whereas other countries have been exposed to similar pace of changes. All these results fit into the dynamics of the European Union's enlargement that will follow. By looking at the data for 2004, 2007 and 2010, it is notable that for most of analyzed countries the implementation of the transitional "project" took approximately 15 years, i.e. that it lasted longer than even pessimistic prediction (Fischer and Gelb, 1991).

With the exception of Croatia, which at that time (a decade after "official" start of transition) approached the level of almost 60% of the reforms implemented, the group of other Western Balkan countries, in terms of the overall reform process, could not, in any way, be able to compare with any of the ten countries belonging to the group of new EU member states. Five years later, three out of six Western Balkan countries have not yet reached half of the transition path. When two decades expired and the transition cycle in advanced economies is somehow rounding up, in the area of Western Balkan the situation has only slightly improved. It means that all the countries of this group have crossed halfway; if we exclude Croatia from the analysis (as the most successful one, which in the meantime became an EU member), we will find that the average value of transition indicator for the remaining five countries is 26.78, which is the equivalent of progress in reforms at the level of 59.32%. Is there any chance to explain and/or to justify these modest results?

The experiences of other transition countries and the measurement of their progress in transition have been translated into various studies (De Melo et al, 1997) arguing that the inherited economic and institutional conditions dominantly affect economic performance only for a shorter period (5-6 years), and that their disadvantages can be compensated by the greater commitment of policy makers and higher speed in the implementation of reform policies. However, a systematic review of some transition settings (Stiglitz, 1999) resulted in a different standpoint emphasizing that the speed of reforms is the endogenous variable predetermined by initial (inherited) conditions.

It has been established that the impact of initial conditions (macroeconomic (in) stability and institutional capacity) is decisive for reform activities, and that its effects are prolonged for the entire transition period. In other words, the pace of achieving reforms was predominantly determined by the initial conditions (level of general and particularly institutional development). That is why contextually unspecified programs (which did not respect the inheritance of each country) could not cause better results (Cerović & Nojković, 2009).

2. Pace of Reforms in the Western Balkans

Is there any regularity in making the transition progress either for the entire Balkan region or for any of its countries? Did they respect the recommended sequencing and what pace did the reforms take?

It is known that political turmoil and war in this area have significantly delayed the onset of economic and structural transformation. It is commonly claimed in the literature that, after a decade of delay comparing to advanced transitional economies, the Western Balkan countries strongly embarked on reform changes, accelerating their implementation in a very short period of time (2000-2002). Unfortunately, this momentum lasted briefly and was followed by a change in policy course firstly denying and consequently slowing down the reform processes (Cerović & Nojković, 2008).

According to the values of the transition indicators for 2004, 2007 and 2010, assuming that 1999 is taken as the base year, in the next table we will calculate the corresponding indexes. They will serve us to separate the periods in which the reforms gripped from the ones in which they slowed down (Manić, 2015).

Table 5 Western Balkans transition indexes for selected years (1999 = 100)

Country	2004	2007	2010
Albania	117.1	119.8	124.3
Bosnia and Herzegovina	130.5	140.2	143.6
Croatia	114.9	117.5	118.6
Macedonia	114.3	118.5	123
Montenegro	166.9	193	200
Serbia	168.5	190	200

Source: Calculation of authors according to EBRD (2000); EBRD (2005); EBRD (2008) and EBRD (2010)

Although 70% of the reform process was made by 2004, in the case of Albania the core changes occurred in 2000, since 52% of the total progress made during the decade was realized exactly in one year.

By 2004, Bosnia and Herzegovina had implemented two-thirds of reforms, which is similar to the situation in Macedonia (62% of the reforms were undertaken till 2004), whereas key moves were made at the very beginning of the transition (2000/2001 and 2000 respectively).

By 2004 and 2005, Croatia and Montenegro achieved 80% and 82% of overall progress in the analyzed period, and the pace of implementation of reforms was the most dynamic in 2000 in the case of Croatia, and in 2001 and 2002 in the case of Montenegro.

Serbia followed a similar pattern: accelerated changes were carried out in 2001 and 2002, followed by a slowdown in reform. Of the total progress made since 1999, two-thirds were realized during the above mentioned years.

If the Balkan countries really started the transition ten years later than the others, their modest results can be justified by the delay in transition. It is also possible that the longevity of their transition can be attributed to a different sequence of reform undertakings. Finally, it would be worth examining if there were any adjustments of economic policies at turning points in transition development.

If we divide the reform changes to two categories - those belonging to so-called *the first wave reforms* (represented by 4 transition indicators: price liberalization, liberalization of exchange rates and trade, privatization of small and large enterprises) and the others belonging to *deeper (institutional and structural) reforms* (represented by the remaining 5 indicators: enterprise restructuring, competition policy, liberalization of the banking sector, reform of non-banking institutions, infrastructure reform) - it is easier to see which reform processes have been completed and when, as well as which of them are still in the infancy phase (Tables 6-8).

Table 6 Indicators of first wave reforms (unweighted average)

Country	1999	2004	2007	2010
Albania	3.6	3.9	3.9	4.1
Bosnia and Herzegovina	2.75	3.25	3.42	3.5
Croatia	3.82	3.98	3,98	3.98
Macedonia	3.75	3.82	3.98	3.98
Montenegro	2.18	3.25	3.75	3.75
Serbia	1.82	3.15	3.42	3.6

Source: Calculation of authors according to EBRD (2000); EBRD (2005); EBRD (2007); EBRD (2008) and EBRD (2010)

Table 7 Indicators of deeper reform (unweighted average)

Country	1999	2004	2007	2010
Albania	1.56	2.14	2.2	2.26
Bosnia and Herzegovina	1.28	1.94	2.14	2.2
Croatia	2.32	3	3.14	3.2
Macedonia	1.76	2.38	2.46	2.68
Montenegro	0.86	1.74	2.02	2.2
Serbia	1.14	1.86	2.2	2.32

Source: Calculation of authors according to EBRD (2000); EBRD (2005); EBRD (2007); EBRD (2008) and EBRD (2010)

Table 8 Indicators of overall reform (unweighted average)

Country	1999	2004	2007	2010
Albania	2.47	2.88	2.95	3.06
Bosnia and Herzegovina	1.93	2.52	2.71	2.77
Croatia	2.98	3.43	3.51	3.54
Macedonia	2.64	3.02	3.13	3.25
Montenegro	1.44	2.41	2.78	2.88
Serbia	1.44	2.43	2.74	2.88

Source: Calculation of authors according to EBRD (2000); EBRD (2005); EBRD (2007); EBRD (2008) and EBRD (2010)

Based on the data given in Table 6, it is noted that, on average, the countries of the Western Balkans till 1999 had implemented the reforms belonging to the so-called first wave; in this respect their lagging behind the developed transitional economies was only a couple of years (IMF, 2015, p. 21). Since the turning point occurs at the value of 2.92 (i.e. at the level of 58% of realized activities in this domain - Cerović & Nojković, 2011), and the Balkan countries have overcome this threshold at the beginning of this century, the first wave reforms' effect on growth was expected to be much lower after this point. In addition, although these countries respected sequencing of reforms recommended by the advanced transitional economies (price, trade and exchange liberalization, the small scale privatization), some important interventions (such as the privatization of large companies) were postponed (IMF, 2015). Progress in this segment was uneven across the region: no matter whether we speak about sectors where large privatizations were conducted (like banking, telecommunications and energy) or those where they were not even started (public services); also, there are countries significantly delaying in the initiation of these processes (such as Serbia, BiH and Montenegro).

When it comes to deeper reforms (Table 7), turning points are at values of 1.87 and 2.6, which means that such types of reforms are insignificant for growth between these two turning points. During the first decade of this century, Western Balkan countries (with the exception of Croatia) have found themselves in a position that proves they have already missed the right moment for institutional and structural reforms. Due to this, their lagging behind the advanced transitional economies has increased. Nevertheless, on the example of these countries, it has been shown that the failure to implement these reforms is less detrimental to their growth in times of crisis. It turned out that in the developed transitional economies (which have far advanced in this regard), the degree of achieved deep reforms negatively and significantly influenced their economic performance (Uvalić, 2011).

If we look at the indicator of total reforms, at a value below 2.03 the impact of the reform processes (together with certain inherited conditions) on the growth of the economy is strong, positive, but less significant when the value exceeds 2.81 (or 2.92 if the period of crisis is included); also, the influence of reforms is statistically insignificant for all values between 2.03 and 2.81 (i.e. during the central phase of the reform).

In the case of the Western Balkan countries, the overall reform index is increasing (Table 8), but this growth is not significant for the central phase of transition in which these economies are located. With the progression of transition reforms, the growth model is transformed (by achieving relevant turning points; Cerović & Nojković, 2011; Cerović, 2012), which requires an appropriate adjustment of economic policies. However, the Balkan countries based their development on expecting the spontaneous effects of the implemented reforms to arise, rather than on the new development approach. In fact, since they missed the opportunity to make changes, Western Balkan economies remained within the framework of spontaneously generated growth models resulting from the reforms that belong to the first wave (Cerović & Nojković, 2011a, pp. 34-37).

3. Western Balkans: Stuck in Transition?

Compared to the European Union average, the lagging behind of the Balkan countries is of such a range that there is a significant need for structural reforms in almost all areas. What reform processes should be actualized and prioritized?

As we have already mentioned, it is widely accepted that structural reforms can stimulate economic prosperity. Although the effect of reforms is generally beneficial, for middle and low income countries (like the Western Balkans), institutional as well as infrastructure reforms are relatively more important (owing to their positive impact on growth). Therefore, for their further advancement reforms' compatibility and existence of market supporting institutions seem to be crucial (Coricelli & Maurel, 2010). That is why EBRD proposed a new model for measuring transitional progress a couple of years ago. It examines the degree of development of market-supporting institutions that are systematized in four basic sectors: corporate, energy, infrastructure and financial. The actual state of affairs in these sectors is shown by descriptive estimates, defining the lag of transition to developed market economies as large, medium, small and negligible. Applying the methodology which attributes the numerical values 1, 2, 3 and 4 to those descriptive estimates (Cerović & Nojković, 2011a), we will present the results for the Western Balkan countries in the period 2012-2014.

Table 9 Market supporting institutions - sectoral assessments (2012)

Country	Corporate	Energy	Infrastructure	Finance	Total	Rank
Albania	8	6	5	8	27	4
Bosnia and Herzegovina	7	3	5	8	23	6
Croatia	11	7	10	13	41	1
Macedonia	9	6	6	8	29	3
Montenegro	7	6	5	9	27	4
Serbia	8	4	7	11	30	2

Source: calculation of authors according to EBRD (2012) and Cerović&Nojković (2011a)

Table 10 Market supporting institutions - sectoral assessments (2013)

Country	Corporate	Energy	Infrastructure	Finance	Total	Rank
Albania	7	6	6	7	26	4
Bosnia and Herzegovina	6	3	7	8	24	6
Croatia	11	6	9	12	38	1
Macedonia	8	5	7	8	28	3
Montenegro	9	5	8	8	30	2
Serbia	7	4	7	8	26	4

Source: calculation of authors according to EBRD (2013) and Cerović&Nojković (2011a)

Table 11 Market supporting institutions - sectoral assessments (2014)

Country	Corporate	Energy	Infrastructure	Finance	Total	Rank
Albania	8	6	5	8	27	5
Bosnia and Herzegovina	7	3	7	8	25	6
Croatia	11	7	10	13	41	1
Macedonia	9	6	6	8	29	3
Montenegro	8	7	5	9	29	3
Serbia	8	4	7	11	30	2

Source: calculation of authors according to EBRD (2014) and Cerović & Nojković (2011a)

Based on the data in Tables 9-11, we note that only Croatia has made substantial progress in institutional reforms, although its backlog in relation to developed market economies is significant. In fact, if in each of the 16 sub-sectors this lagging behind was negligible, the total score would be 64; in the case of Croatia, it is 41, which is 64% of institutional development level of advanced market economies. Although such a measurement of transition progress is not in line with the previously used EBRD's transition indicators, their findings are similar and troubling when considering the slow pace of reform changes in the Western Balkans. Based on the data presented in Table 7, the average value of the deeper reform indicator for the five Western Balkan countries in a comparably similar position for 2010 is 2.33; according to the already applied method of calculation, it is equivalent to the implementation of less than 40% of the deeper reforms. Based on the data in Table 11, we calculate the average score in 2014 for the same group of countries - 28, which is almost equivalent to the medium lag behind institutionalized economies (roughly 44% of realized institutional reforms).

Having reviewed its transition concept last year, EBRD decided to adopt an updated interpretation of transition focusing on key qualities of sustainable market economy. This conceptual shift caused announcing of new methodology and new set of scores that are not comparable with previously used sectoral scores. That is why we excluded data for the year 2017 from our study and included EBRD reports from years 2015 and 2016 which have kept the sectoral assessment approach. It means that progress in transition is expressed through reducing sectors’ and sub-sectors’ gaps in regard to developed market economies. However, some methodological adjustments were made: a respect to the sustainable development logic has imposed separate and more detailed monitoring of the "sustainability" component; instead of sectoral-level transition indicators that provide an insight into the state of market supporting institutions, the EBRD publishes an overview of the results achieved through traditional scores (ranging from 1 to 4+), which comprehensively assess challenges ahead (by merging market structures and market supporting institutions within existing framework).

For the sake of comparability with tables 9-11, we decided to extract from the consolidated data those related to the market supporting institutions. This was only feasible if we strictly followed the EBRD's methodological notes on weights attached to the market structure and the market-supporting institutions for each of the 15 sub-sectors, plus those concerning "sustainability" component. In order to determine whether the lag in each of the subsectors is large, medium, small or negligible, the obtained score should be related to the maximum value that could be achieved (these maximums are of course different, since the weight attributed either to the market structure or to institutions are diversed). For exampe: in the case of Albania, the transition score for the subsector agribusiness is 3- (numerically it is equivalent to 2.67); since the EBRD methodology suggests that both market structure and institutions contribute evenly (50%:50%) it follows that the score representing contribution of market supporting institutions to the agribusiness sub-sector is 1.335 (i.e. half of 2.67). The minimum value of this score may be 0.5 whereas its maximum is 2.165 (half of the minimum (1) and maximum total score (4.33), respectively). The gap is considered to be large if the analyzed country did not realize at least 50% of the maximum score (if the score is below 1.0825); medium gap exists if less than 70% of the maximum is achieved (the score below 1.52), the small backlog is represented by values between 70 and 90% of the maximum (the score between 1.52 and 1.95), and the lag is negligible if the result in the analyzed segment exceeds 90% of the maximum score. As we have already mentioned, the following numerical values can be attributed to these lags: 1 - large; 2 - medium; 3 - small and 4 – negligible gap. In other words, a score of 1.335 "brings" 2 out of 9 points "earned" by corporate sector in Albania. The same method of calculation is applied to each of 16 sub-sectors in every country of the Western Balkan and the results are presented in tables 12 and 13.

Table 12 Market supporting institutions - sectoral assessments (2015)

Country	Corporate	Energy	Infrastructure	Finance	Total	Rank
Albania	9	6	7	7	29	4
Bosnia and Herzegovina	6	4	8	8	26	6
Croatia	12	7	11	13	43	1
Macedonia	9	5	8	8	30	3
Montenegro	9	7	7	8	31	2
Serbia	8	5	8	8	29	4

Source: calculation of authors according to EBRD (2015)

Table 13 Market supporting institutions - sectoral assessments (2016)

Country	Corporate	Energy	Infrastructure	Finance	Total	Rank
Albania	9	6	7	7	29	5
Bosnia and Herzegovina	6	4	7	8	25	6
Croatia	12	7	11	13	43	1
Macedonia	9	5	8	8	30	4
Montenegro	9	7	7	8	31	2
Serbia	9	6	8	8	31	2

Source: calculation of authors according to EBRD (2016)

According to estimated institutional support to the market economy Croatia crossed two thirds (67%) of the way to the goal - reaching the status of institutionally developed economies (Tables 12-13). Still, its lagging behind advanced countries confirms that the development of institutions is neither sufficient nor the basic growth factor (Chang, 2011). And yet, the finding that Croatia kept the distance from the rest of the region suggests that it is easier to make transition advancement under better institutional preconditions. Based on the data in tables 12 and 13, once again we calculate the average scores in 2015 and 2016 for Western Balkans (Croatia excluding). They are 29 and 29.2, representing 45.3% and 45.6% of realized institutional reforms, respectively. Moreover, results for the year 2015 correspond to the claims pointing out that gaps in relation to the new EU members are most pronounced in Serbia, Albania and BiH, and less significant in the case of Montenegro and Macedonia (IMF, 2015).

Having in mind that during last five years institutional changes in five Western Balkan countries did not vary considerably in terms of their pace and magnitude, the region seems to be stuck in transition. Therefore, in the case of unchanged dynamics of the transformation of these countries, and assuming that other economies maintain the current level of institutional development, the finalization of these processes could last till the middle of this century. And certainly, Western Balkan economies would not be comforted by the fact that even EBRD admits "there is no such thing as a "standard" market economy and no single way of getting there" (EBRD, 2017, p. 107).

CONCLUSION

Transition project's implementation in the case of advanced transition countries, new EU member states, lasted for almost two decades, which is far longer than the prediction of the pessimistic forecasters announced after the beginning of the transformation of centrally-planned economies into market economies. Using traditional indicators of the EBRD that measures progress in transition, we have found out that, over the same period of time, the countries of the Western Balkans (Croatia excluding) on average crossed a little bit more than half of the transitional path. Analyzing the extent to which they were implementing programs recommended by the theoreticians (and experienced by new EU members) we realized the following: the Western Balkan countries have respected the same sequence of reform's steps, and to a certain extent uniform dynamics regarding the so-called "the first wave of reforms"; although it is thought that in this region the transition began with a decade of delays, it is noticeable that the processes of liberalization of prices, trade and exchange rate, as well as small scale privatization were mostly and relatively well finished at the beginning of this century (by accelerating refoms and dynamizing changes in the period 2000-2002). What is following thereafter is a period of reforms' slowing down, which is characterized by their facing with some postponed problems (like large scale privatization) as well as the challenges imposed by barely initiated deeper (institutional) reforms. Having compared the results achieved by these countries with regard to the indicator of deeper reforms by 2010, with the findings obtained by applying the new EBRD model for measuring transition progress during the period 2012-2016, we have concluded that institutional adjustments were and still are going on slowly: during observed period achieved results are modest, since till the end of 2016 approximately 45% of reforms in this domain have been implemented. If such dynamics continues, there is no room for optimism about sooner ending of their transition.

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NA PRAGU “PUNOLETSTVA”: TRANZICIONI PROPUSTI ZEMALJA ZAPADNOG BALKANA

Nakon otpočinjanja transformacije centralno-planskih u tržišne privrede, implementacija tranzicionog projekta u slučaju novih članica EU (ukupno 10 zemalja koje su se pridružile kroz proširenja iz 2004. i 2007. godine) trajala je skoro dve decenije, daleko duže od predviđanja najvećih pesimista. Za razliku od gore pomenutih, zemlje Zapadnog Balkana (ukupno 6), sa izuzetkom Hrvatske (koja je članica EU od 2013. godine), nemaju ni kontinuitet ni adekvatan uspeh u sprovođenju reformskih procesa. Zato njihova tranzicija i dalje ima neizvesan ishod i nepredvidljivo trajanje. Da bismo utvrdili do koje su faze manje razvijene zemlje stigle u trenutku kada su one naprednije gotovo završile svoju tranziciju, koristićemo pokazatelje EBRD-a. Zatim ćemo objasniti faze tranzicione dinamike Zapadnog Balkana (reforme prvog talasa i dublje reforme) kako bismo pokazali da su ove ekonomije delimično pratile reformski obrazac naprednih privreda, ostavljajući segment dubljih reformi nedovršenim. Konačno, oslanjajući se na novi model za merenje tranzicionog napretka (koji EBRD koristi od 2011. godine), pokušaćemo da procenimo koji je deo predviđene trajektorije Zapadni Balkan zaista prešao na svom putu ka tranzicionom “punoletstvu".

Ključne reči: *tranzicija, Zapadni Balkan, strukturne reforme*