

Assessment of World Bank Research on Transition Economies

Jan Svejnar

Bank research on transition economies can be divided into two parts: (a) policy-oriented, book-length studies that tackle a major subject area and provide an overview of knowledge together with some new analytical insights, and (b) original research papers that strive to provide new analytical results on important policy issues. The five studies that I have been asked to review fall into the first category. Let me therefore start with these and similar studies that I am aware of, and then turn to Bank research that falls in the second category.

Large Policy-Oriented Studies

1. Contribution

These studies have invariably made an important contribution by over-viewing and synthesizing existing knowledge from various internal and external sources, as well as adding new knowledge from calculations and estimations made by the authors as part of these studies. They have been widely disseminated in the developed and developing countries and as such they have had a significant impact on policymakers and analysts.

2. Most Important Policy Issues?

The issues selected by the researchers have indisputably been among the most important policy issues in the transition economies. Given the dramatic rise in poverty and widening income inequality, the two major studies dealing with poverty and income distribution, together with their relationship to economic growth, are on the forefront of the policy agenda. Similarly, corruption, as difficult as it is to grasp, was and in many countries continues to be a major issue. The two books devoted to this issue of corruption have been right on target. Finally, the 2002 study “Transition: The First Ten Years” has provided an overview and an assessment of these and other key issues, including the fall in output at the start of the transition, corporate restructuring and privatization, soft budget constraints in firms and banks, social policies, and political economy issues.

Do the Bank researchers have appropriate incentives to allow identification of the most important issues? My sense is that this is the case. The researchers have identified the key issues and I have not heard any reports, complaints or rumors that would suggest that the researchers are constrained in this area.

3. Has Bank Research Reflected Awareness of Substantive Knowledge from Other Research?

My answer here is yes and no. There is no question that there is a tendency in these large studies to use and refer to internally generated research, together with research produced by EBRD and external researchers affiliated with these very studies. Some studies also draw substantially on other external research, while others do so only to a limited extent. Given that I have been involved with launching and developing research institutions that have been dealing with the transition, I have been surprised to see that the Bank studies refer only sparsely to the hundreds of papers produced by the leading think tanks in the transition economies, such as the New Economic School, Zephyr and EERC in Moscow, CERGE-EI in Prague, and the Central European University in Budapest, as well as the relevant western academic institutions, such as LICOS in Leuven, IZA in Bonn and the William Davidson Institute at the University of Michigan. In future work, it might be desirable for Bank staff to scan these sources and circulate working paper drafts to external researchers in the field and ask them if there are findings of key studies that are missing.

4. Appropriate Data Collection and Surveys?

The large studies dealing with poverty and income distribution have been based mostly on existing micro data, although in a number of instances the Bank researchers worked intensively with the local authorities in the transition economies to obtain a release of some of the data into the Bank (if not public) domain. The studies dealing with corruption have relied in part on the BEEPS micro-data that were commissioned and analyzed jointly by the World Bank and EBRD. These firm-level surveys have been well-maintained and disseminated. It is my understanding that the Bank actually has these data on one of its websites.

5. How Could Bank Research Better Serve Developing Country Objectives?

I think the large studies already serve these objectives. The books could be accompanied by more specific operational studies (this may already be happening) so as to make the policy recommendations easier to implement. They could perhaps also involve to a larger extent researchers from the countries in question (again, some of this is already happening).

6. Proposal Review, Revision and Selection Process

I do not have information about these aspects of the research process. However, my experience with the World Bank review process in other contexts leads me to believe that it is quite rigorous.

7. Overall Assessment of Bank Research

My overall assessment is positive with respect to the choice of topics, institutional/country knowledge, synthesis of existing (sometimes primarily internal) research, and the diagnostic analysis relying primarily on charts, bar graphs, other depictions of patterns over time, bi-variate associations, and simple projections of

what is likely to happen if the existing situation (e.g., economic growth) continues. I think the researchers could do much more in terms of up-to-date econometric estimation so as to isolate the cause and effect from simple contemporaneous associations. The policy conclusions that are sometimes drawn in the existing studies imply causality on the basis of very limited or no causal analysis. This is both unnecessary and potentially misleading.

Other Research Papers

In this section I refer to analytical, econometric studies carried out by the Bank staff. I have not been asked to review any of these studies. My judgment is therefore based on my readings of working papers and articles published by Bank staff in academic journals.

1. Contribution

These studies usually make an important contribution by providing new (usually) empirical evidence related to important phenomena and policies in developing and transition economies. The studies vary widely in scope and quality. They are usually comparable to policy-oriented academic studies. Some are eventually published in general and field journals, while some appear in edited volumes. They have an impact within the academic profession as well as among policy makers. Their general visibility is usually less than that of the large studies discussed above.

2. Most Important Policy Issues?

Judging from what I have read, the topics selected by Bank researchers have dealt with some of the most important policy issues in the transition economies. The papers have analyzed leading issues of the 1990s and 2000s, including the causes of output fall; incidence and magnitude of poverty and income inequality; labor market issues such as employment, unemployment and wage setting; investment and financial sector issues; the role of new small firms; and corporate ownership, governance and performance.

Do the Bank researchers have appropriate incentives to allow identification of the most important issues? My sense is that yes. The studies that I have seen have identified the key issues and I have not heard any complaints or rumors that would suggest that the researchers are constrained in this area.

3. Awareness of Substantive Knowledge from Other Research?

The authors of these studies are usually aware of other research and they build on it in their analyses.

4. Appropriate Data Collection and Surveys?

The studies dealing with household, labor and firm-level issues have usually been based on new samples and surveys that the researchers either have discovered in the course of their work or systematically collected as part of their research agenda. The surveys carried out by the Bank are usually carefully designed and executed. The one that I am most familiar with, namely the BEEPS, had a rough start because the property rights over the survey were not clearly defined and the World Bank/EBRD team did not own BEEPS I and could not prevail on the data collecting firm to carry out BEEPS II as a panel data set relative to BEEPS I. This problem had been corrected by the time BEEPS III was administered in 2005. Some surveys, such as BEEPS, have been well-maintained and disseminated. Those collected and analyzed by individual researchers have sometimes been forgotten and lost, usually as part of a professional rotation of people across units.

5. How Could Bank Research Better Serve Developing Country Objectives?

I think these studies already serve these objectives by providing quality research output dealing with important policy issues. Future studies could perhaps involve to a larger extent researchers from the countries in question (some of this is already happening).

6. Proposal Review, Revision and Selection Process

I do not have information about these aspects of the research process, but my sense is that it is quite arms-length and rigorous.

7. Overall Assessment of Bank Research

My overall assessment is positive. The researchers tend to select important topics and use their knowledge of the countries in question and their institutions. The studies are usually well motivated, build on existing literature and use new data and up-to-date econometric techniques to generate new knowledge on important policy issues.

Report on “Growth, Poverty, and Inequality: Eastern Europe and the Former Soviet Union,” World Bank 2005

This is the Bank’s second large-scale study of poverty and inequality in the transition economies. It provides not only an update of the earlier (2000) book, but also an important new dimension, namely how poverty and inequality relate to economic growth. The book has five parts, focusing on the nature and recent evolution of poverty, the response of poverty to growth, the role of labor markets and safety nets, access to education, health and other services, and prospects for poverty reduction, respectively. The study is written for a broad audience and is quite accessible to wide professional readership.

In terms of design and implementation, the study does a good job focusing on the relationship between economic growth and poverty. Since the mid-to-late 1990s, the transition economies experienced a relatively fast rate of economic growth, and the question naturally arises as to whether poverty and inequality fell in response to this growth. The study is well structured and the material is carefully presented. The book is based on a solid understanding of the countries in question and is balanced in that it provides a comprehensive overview, as well as new analysis. As such, it relies on material from other studies, but also presents its own calculations based on micro data from the individual economies. Its key assumptions, such as using \$2 rather than \$1 per day as the absolute poverty line, make sense, given that much of the population in question faces expenditures on heating and warm clothing. Using \$4 per day to identify the “economically vulnerable” population in case of an economic downturn also appears sensible.

The data used in the study are primarily household micro data and they constitute a major improvement on the data used in the 2000 study. In particular, the present study has more of a time series dimension and the authors have also re-calculated consumption aggregates from unit record data to obtain more reliable and (cross-country) comparable figures. The macro data are primarily Gini coefficients and indices of poverty, school attainment, provision of healthcare, etc. At both levels, these are the best data that were available in the transition economies in the late 1990s and early-to-mid 2000s.

The book uses information from the existing literature from both within and outside the Bank. Where it presents new material, the study relies mostly on charts, bar graphs and other depictions of patterns over time and bi-variate associations. It also presents simple projections of what is likely to happen to poverty if economic growth continues. The main analytical claim of the study is that “Combined with moderate levels of inequality, economic growth has delivered significant poverty reduction.” This claim is based on a contemporaneous association of economic growth and poverty, rather than on a multivariate model that would try to isolate the effect of growth while holding other factors constant. In this sense, the analysis is one of association rather than causality. However, the contemporaneous association is analyzed in various dimensions, examining for instance the association between

growth and poverty, holding the distribution of income constant. The study also shows that employment to population ratios have been falling as job creation has been slower than job destruction.

The study shows that during the growth period millions of people moved out of poverty and income distribution became more equal in a number of countries, especially in the former Soviet Union. It highlights important structural features such as the fact that poverty remains a serious problem, working families are frequently in poverty and the issue is hence also one of low wages, regional disparities in poverty rates are substantial, and much of poverty is accounted for by deprivation in access to public services.

Overall, the study represents an important source of information on the extent and evolution of poverty during 1998-2005. It is written in an accessible way and it proposes reasonable general goals for public policy, namely “shared” growth, stronger public service delivery, and enhanced social protection. These broad guidelines presumably have to be translated into specific policies at the country level.

Research Quality Indicator Form

S	Superior
AA	Above Average
A	Average
BA	Below Average
U	Unacceptable

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<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
Topics					
Importance of the issues addressed	X				
Clarity of the project focus and stated objectives	X				
Analysis					
Theoretical/conceptual framework				X	
Empirical application			X		
Statistical and econometric methods				X	
Use of existing knowledge and resources		X			
Data					
Awareness of other data sources	X				
Data compilation, cleaning and cataloging		X			
Survey design and sampling			X		
Output Quality					
Writing quality (clarity, organization, etc.)	X				
Clarity of conclusions and recommendations			X		
Extent to which conclusions are based on analytic evidence			X		
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences	X				
Availability of translated outputs where appropriate					
Extent to which research:					
Increases knowledge and understanding of the issues		X			
Provides a sound basis for policy		X			
Actual or likely impact of research on:					
Government policy		X			
Future analysis		X			
The development community in general		X			
Overall Quality of Research		X			

**Report on “Anticorruption in Transition: A Contribution to the Policy Debate”
World Bank 2000**

This is an in-depth study of corruption in the transition economies. The book contains a typology of corruption, information from various studies and new results based on *inter alia* the 1999 Business Environment and Economic Performance Survey (BEEPS I). The study provides the single most comprehensive treatment of corruption in this part of the world. With technical points being relegated to appendices, it is written in an accessible way for a broad educated audience.

The study asks what has given rise to corruption (origins) in the transition economies, what types of corruption are observed in practice (administrative corruption versus state capture), what are the effects of corruption on a number of indicators of performance, including investment, growth and income distribution, and what strategies should be adopted to reduce corruption. The objectives hence are to explain why corruption exists and what its effects are, as well as to provide a manual on how to fight it. Understanding these issues is obviously critical for the formulation of public policy.

In terms of design and implementation, the study is well structured and it provides a wealth of information on the subject. It is based on a good understanding of the countries in question and is balanced in that it presents the results of economic, political science and sociological analyses. Since it is in part a survey and an assessment, it is only moderately innovative in the pure research sense. The study reflects knowledge from other research, but it is based mostly on research carried out by Bank staff members, EBRD and World Bank or EBRD-related authors. It is fair to say that this group has in fact carried out most of the work on corruption.

The data used in the study are probably as reliable as one can come up with short of designing new ways to measure corruption (which would be a desirable way to go). The data are either indices based on sub-indices of responses provided by knowledgeable individuals about their perception of the nature and extent of corruption, or indirect measures of corruption. The respondents are either participant observers or direct agents, such as managers of firms. The indirect measures include information provided by agents, such as managers, on how much they (or firms like them -- to be less direct and thus hopefully elicit unbiased responses) pay in corruption money as a percentage of some objective measure such as the firm's sales. Both measures suffer from possible biases and errors in measurement.

As in many reports of this kind, much evidence is based on bar charts and simple bivariate correlations that can be presented graphically. This is fine if one wants to make simple statements of association, but usually the goal is more ambitious, namely to see if there is a cause and effect there. This issue is for instance evident on pp. 18-19, where the authors discuss the relationship between corruption, investment and growth. The authors first state that “It is well established that investment is significantly affected by the level of uncertainty ...” They go on to argue that “By

increasing uncertainty, corruption raises the effective cost of investment for the firm and [in] countries having high levels of both administrative corruption and state capture, gross domestic investment averages more than 20 percent less than in countries in the medium/medium category ...". In the next sentence the authors convert this association into a statement of causality by stating that "The negative effects of corruption are particularly clear from ..." and they provide a firm-level example of simple (raw) negative association between sales growth and corruption, and investment growth and corruption. Then they caution that "It is difficult to establish the direction of causality in this relationship." The reader is hence warned that it is difficult to establish causality, but he/she is also told that corruption has negative effects. Finally, two paragraphs down the authors conclude by stating that "Though the direction of causation is ambiguous, a strong case can be made that corruption contributed to the output decline, given its effects on investment and growth, ...". I appreciate the fact that the authors want to convey a strong point and I also think that corruption is probably deleterious rather than beneficial to economic performance. However, the way the authors go about presenting their claim is not very scientific. Moreover, it is only in the appendix on p. 94 that one learns that the statements are derived from a static [cross-sectional] data set with only 20 observations. It must also be added that the corruption measures indicate that corruption increases as one moves from west to east through the transition economies. Since many other indicators have this feature built into them, the claim based on cross-sectional country data that corruption causes X is particularly tenuous. Finally, there are occasions where assertions are made without any cited evidence, such as in a number of the case studies reported in the boxes throughout the text. This probably reflects the depth, rather than a lack, of knowledge of the Bank staff in this area, but it may leave a critical reader with a sense of anecdotal assertion rather than empirical evidence.

Overall, the study has important analytical limitations, but it is valuable in that it advances our understanding of what corruption is, what forms it takes, and what its effects might be in the post-communist countries. Above all, the study provides a natural springboard for future data collection and more analytical studies.

Research Quality Indicator Form

S	Superior
AA	Above Average
A	Average
BA	Below Average
U	Unacceptable

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<i>Please rate the following aspects of the project outcomes (or in the case of ongoing projects, design and intermediate outputs)</i>					
Topics					
Importance of the issues addressed	X				
Clarity of the project focus and stated objectives	X				
Analysis					
Theoretical/conceptual framework				X	
Empirical application				X	
Statistical and econometric methods				X	
Use of existing knowledge and resources		X			
Data					
Awareness of other data sources		X			
Data compilation, cleaning and cataloging		X			
Survey design and sampling			X		
Output Quality					
Writing quality (clarity, organization, etc.)	X				
Clarity of conclusions and recommendations			X		
Extent to which conclusions are based on analytic evidence				X	
Appropriateness of the recommendations			X		
Appropriateness of output form (working paper, book, database, etc.) for intended audiences		X			
Availability of translated outputs where appropriate					
Extent to which research:					
Increases knowledge and understanding of the issues			X		
Provides a sound basis for policy				X	
Actual or likely impact of research on:					
Government policy		X			
Future analysis		X			
The development community in general			X		
Overall Quality of Research				X	

Report on “Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia,” World Bank 2000

This is the Bank’s first large-scale study of poverty and inequality in the transition economies. The 524-page book provides a discussion of the nature, extent and evolution of poverty during the first decade of transition. In Part I, the study documents the dimensions of the observed increase in poverty. In the second part it seeks to provide explanations for this increase. Finally, in Part III the study discusses possible public actions to alleviate poverty. The study is written for a broad audience and strives to cover a wide array of topics.

In terms of design and implementation, the study is reasonably structured and provides a wealth of information on the subject. The material is carefully presented and it represents broad sampling from the existing literature from both within and outside the Bank. The book is based on a solid understanding of the countries in question and is balanced in that it presents the results of economic, political science and sociological analyses. It strives to provide a comprehensive overview and it mostly uses material from other studies. As a result, the study does not aim to be analytically innovative. Where it presents new material, the study relies mostly on charts and bi-variate associations, or on ad hoc static regressions relating for instance the Gini coefficient from 20-24 countries ($N = 20$ to 24) to various indices of reform and one or two control variables (e.g., in Table 4.9 on p.172 or Table 10.2 on p. 336).

The data used in the study are of two types: micro data from various household surveys and macro (country-level) data. The former data are used in the various studies on which the book draws in presenting evidence and deriving conclusions. The macro data are primarily Gini coefficients and indices of reforms. They are used in the cross-country static regressions mentioned above. At both levels, these are the best data that were available in the transition economies in the late 1990s.

The study brings together many studies that have been carried out by various researchers and institutions, and as such it provides an important synthesis of existing knowledge. At times it is perhaps excessively broad, trying for instance to find possible associations between poverty and a wide variety of other phenomena, without a clear theoretical framework to guide this expedition. From a research standpoint, it is important to note that the goal is to synthesize existing knowledge rather than engage in a major new research analysis.

Overall, the study represents an important source of information on the extent and evolution of poverty during the first decade of transition. It highlights the fact that poverty increased in a major way compared to what it was under communism and that concerted action may be needed to reduce poverty in the near future. The book is written in an accessible way and its policy recommendations, focusing on improving public institutions, civil society, popular participation, market access, accountability, and governance, are broad but commensurate with the main findings.

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Survey design and sampling			X		
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Writing quality (clarity, organization, etc.)		X			
Clarity of conclusions and recommendations		X			
Extent to which conclusions are based on analytic evidence				X	
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Appropriateness of output form (working paper, book, database, etc.) for intended audiences	X				
Availability of translated outputs where appropriate					
Extent to which research:					
Increases knowledge and understanding of the issues		X			
Provides a sound basis for policy			X		
Actual or likely impact of research on:					
Government policy		X			
Future analysis		X			
The development community in general		X			
Overall Quality of Research			X		

Report on “Anticorruption in Transition 2: Corruption in Enterprise-State Interactions in Europe and Central Asia 1999-2002” World Bank 2004

This is the Bank’s second in-depth study of corruption in the transition economies. As a sequel to *Anticorruption in Transition*, it shares some of the structural features with the earlier book (e.g., a typology of corruption and information from various studies), but it also provides new evidence based on the second (2002) as well as the first (1999) Business Environment and Economic Performance Survey (BEEPS). The study hence provides a comparative perspective on a three-year (1999-2002) evolution of corruption in the transition economies. The study is technically more sophisticated but, with the technical points being relegated to appendices, it is written in an accessible way for a broad educated audience.

The study examines the patterns of corruption, the relationship between administrative corruption and state capture, and the effect on corruption of firm-specific characteristics, the policy and institutional setting, the optimism of managers, recent economic growth rates, and government tenure. Hence, unlike the first volume, which focused on explaining why corruption existed and what its effects were, this study is more concerned with the effects of the above five factors on the level of corruption. The focus is worthwhile because understanding these issues is critical for the formulation of policy.

In terms of design and implementation, the study, like its predecessor, is well structured and provides a wealth of information on the subject. It is based on a good understanding of the countries in question and is balanced in that it presents the results of economic, political science and sociological analyses. Unlike the first volume, it is analytically more sophisticated, using multivariate regression analysis rather than relying only on cross-tabulations. It is hence more innovative in the pure research sense. The study reflects knowledge from other research, but it is based mostly on research carried out by Bank staff members, EBRD and World Bank or EBRD-related authors. As with the first study, it is fair to say that this group has in fact carried out most of the work on corruption within the time period in question.

The data used in the study are in many aspects similar to those used in the earlier volume (indices based on sub-indices of responses provided by knowledgeable individuals about their perception of the nature and extent of corruption, or indirect measures of corruption). They are superior in one important sense, namely that they are based on two waves of the BEEPS data. The present study thus has a time series dimension to the analysis. Unfortunately, the two BEEPS surveys were not designed as a panel, and the analysis is hence in the form of repeated cross-sections of firm-level data, including the questionnaire responses by top managers. The authors can hence control for country- and industry-specific effects, but not for firm-specific effects.

As in the previous report, some evidence is based on simple charts and bi-variate correlations that can be presented graphically. In the present report, this type of

information is supplemented by an analysis of the differences of means of variables (e.g., of various measures of administrative corruption and state capture) between 1999 and 2002, as well as multivariate regression analysis that seeks to assess if the five aforementioned factors explain the changes in the patterns of corruption over time. The multivariate analysis is promising, but since it is based on ordinary least squares methods, it raises a number of technical issues. The authors report in the Appendix on p. 59 that they "...also tested 2-stage least squares and ordered logit models but felt that OLS models were more appropriate (and the results were similar in all models)." While this appears re-assuring, one would like to know more about the identification of the 2-stage least squares models and what results are obtained when the logit models are used. Especially with respect to the former issue, there is a sense that there may be considerable reverse causality from the extent of corruption to many of the explanatory variables, such as political tenure and contestability, policy and institutional setting, and even macroeconomic performance. Moreover, since the regression tables and the surrounding text in the appendix do not indicate what other control variables, if any, are included, it is quite possible that there may be omitted variables whose effect on corruption is biasing the coefficients on the included regressors. Finally, since the corruption questions in BEEPS are asked in an indirect way (how much do firms like yours typically pay), it is not clear whether the dependent variables measure corruption as it applies to a given firm or the general environment. In the former case one might expect firm-specific characteristics to be associated with corruption (how much the firm in question pays), while in the latter case they may not (a given firm's characteristics do not affect the environment, although they may affect the firm's perception of the environment).

Overall, the study represents both an important complement and a methodological advancement over the first volume that was produced in 2002. The analytical limitations of the present study stem in part from the problematic BEEPS sample design that did not result in a panel data set, and in part from the authors not discussing and presenting in their appendix the other estimations that were carried out as part of the exercise. Without having a panel, it is difficult to distinguish sample composition changes from changes in perceptions and behavior. Without seeing the additional estimation results, it is difficult to judge the validity of some of the claims made in the study. However, the study is valuable in that it advances further our understanding of what corruption is, what forms it takes, and what its evolution appears to be in the post-communist countries. Above all, the study has provided a natural springboard for subsequent data collection (BEEPS 3) and more analytical studies.

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Survey design and sampling			X		
Output Quality					
Writing quality (clarity, organization, etc.)	X				
Clarity of conclusions and recommendations	X				
Extent to which conclusions are based on analytic evidence		X			
Appropriateness of the recommendations		X			
Appropriateness of output form (working paper, book, database, etc.) for intended audiences	X				
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Actual or likely impact of research on:					
Government policy		X			
Future analysis		X			
The development community in general		X			
Overall Quality of Research			X		

Report on “Transition: The First Ten Years” World Bank 2002

This is an ambitious and impressively broad review of the first ten years of the transition from plan to market. The review is ambitious in that it strives to cover virtually all the main areas within 120 pages. And it is remarkable in that it indeed provides an accessible and easy to read overview for a broad educated audience.

The study asks what has happened in terms of restructuring, development and growth in the first ten years of the transition, and it covers an array of topics, including performance in terms of overall growth, growth in industry, agriculture and services, state versus private firms, new versus old firms, and in terms of indicators such as poverty and income distribution. It looks at the political economy issues, institutional development, and key policies. It asks whether the more advanced Central European and Baltic countries point the way forward for the other transition economies and whether one can learn from the impressive growth record of China. Understanding these topics is critical for the formulation of policy and the study does a very good job in selecting the key issues.

In terms of design and implementation, the study is well structured and it provides a wealth of information on the subject. It is based on a good understanding of the countries in question and is balanced in that presents the results of both economic and political science analyses. Since it is a survey and an assessment, it is not particularly innovative in the pure research sense. The study reflects knowledge from other research, but it is based mostly on research carried out by Bank staff members or Bank-related authors. As such, the references are drawn primarily, but not exclusively, from Bank studies, Bank journals and (chapters in) volumes. There is relatively limited reliance on general and field journal articles. I was also a bit surprised to find virtually no references to the hundreds of studies carried out by the leading think tanks in the transition economies, such as the New Economic School, EERC, CERGE-EI, and the Central European University, as well as western academic institutions, such as LICOS in Leuven, IZA in Bonn and the William Davidson Institute at Michigan. In future work, it might be desirable to circulate a working paper draft to external researchers in the field and ask them if they feel that findings of key studies are missing.

The data used in the study appear to be reliable. In a number of instances, it is impossible to assess data quality as one simply observes a note stating “Source: World Bank data.” This could definitely be improved upon in the future. Occasionally (e.g., pp. 45-51), the text is chatty rather than based on empirical evidence. There is also considerable reliance on indices, some of which may not be particularly reliable. Similarly, as in many reports of this kind, much evidence is based on charts and simple bi-variate correlations that can be presented graphically. This is fine if one wants to make simple statements of association, but usually the goal is more ambitious, namely to see if there is a cause and effect there. There are a few instances where the statements are broad and potentially misleading, such as with respect to the positive effects of foreign direct investment spillovers (p. 67), while the literature (not

cited) is actually quite divided on these effects. Finally, there are occasions where assertions are made without any cited evidence, such as the story for Slovenia on p. 78. This probably reflects the depth, rather than a lack, of knowledge of the Bank staff in this area, but it may leave a critical reader with a sense of anecdotal assertion rather than empirical evidence.

Overall, this is an impressive study that advances in a major way our knowledge in the area of economic transformation in the post-communist countries.

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Increases knowledge and understanding of the issues		X			
Provides a sound basis for policy		X			
Actual or likely impact of research on:					
Government policy		X			
Future analysis		X			
The development community in general		X			
Overall Quality of Research				X	