Financial Sector Benchmarking System

# Regional Benchmarking Report

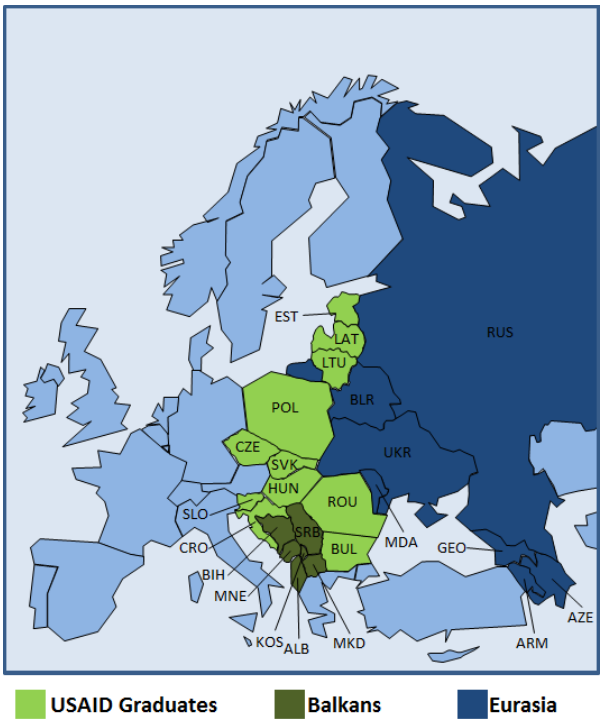
Third Edition, October 2012

**About the Financial Sector Benchmarking System**

This Regional Benchmarking Report is the third in a series of analyses of financial sector challenges and USAID programming needs in the twelve countries in Southeast Europe (the Balkans) and Eurasia that are beneficiaries of USAID's Partners for Financial Stability ("PFS") program. The first report was published in June 2011 and provided a detailed analysis of the economic and financial conditions across Southeast Europe and Eurasia. The second edition in October 2011 and now this third addition continue to highlight the financial stability challenges facing the region as it strives to move out of the global financial crisis.

Interested persons can access this report, other financial sector benchmarking reports, a benchmarking methodology paper, and an interactive tool for generating customized reports from the benchmarking database at http://www.pfsprogram.org/fsbs-database

All of the data referenced in this document was obtained from public sources and the opinions expressed herein are based upon analysis by PFS.




**About PFS**

The United States Agency for International Development Partners for Financial Stability Program is led by the Office of Economic Growth in the Europe and Eurasia Bureau. The project addresses the challenges facing the financial sector in 12 Partner Countries: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia (Southeast Europe) as well as Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine (Eurasia). Other countries in the E&E region that are considered USAID 'graduates' serve as Mentor Countries in the PFS Program.

The PFS Program is designed to complement the work of the bilateral USAID missions' Economic Growth programs in the region by bringing together regional players to address regional challenges. PFS Program activities include benchmarking studies, conferences, knowledge sharing, research and technical assistance. The PFS Program addresses the challenges of the financial systems in these regions, working in a broad range of subject areas including anti-money laundering, banking and non-bank financial regulation, supervision and institutional rehabilitation, corporate governance, financial literacy, access to finance and implementation of international standards in financial sector reporting.

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# 1. Purpose and Objectives of Regional Financial Sector Benchmarking Analysis

This third edition of the Partners for Financial Stability (PFS) Program's financial sector benchmarking analysis has four major objectives:

- To provide USAID and others with data and analysis of weaknesses and gaps in financial sector development in the PFS Beneficiary countries of the Balkans and Eurasia;
- To assess the consequences of the global financial crisis on the financial sectors in the region;
- To evaluate and compare financial sector disparities across sub-regions and countries;
- To highlight policies or initiatives that would promote financial sector stability and economic growth to the countries of the region.

This report provides an overview of publicly available indicators of financial sector development for the 29 transition countries in USAID's Europe and Eurasia region and the Central Asian Republics. The indicators present five measures of the characteristics of financial systems:

- Financial and Macroeconomic Stability
- Financial Sector Size
- Financial Sector Sophistication
- Access to Financial Services
- Financial Sector Enabling Environment

In most cases, indicators from the Eurozone are used as "global benchmarks." Since the launch of the financial sector benchmarking system by PFS in 2010, conditions in the Eurozone have deteriorated, particularly with regard to financial and macroeconomic stability. For that reason the Eurozone indicators do not always represent "ideal" benchmarks. The Eurozone indicators do provide relevant "developed country" measures for financial sector size, sophistication, access, and enabling environment.

The financial sector benchmarking system is broadly consistent with the scoring and ranking system utilized by USAID's E&E Bureau in its Monitoring Country Progress reports, based on a scale of "0" (worst) to "5" (best).[1]

[1] Detailed notes about the FSBS methodology are provided on the PFS website: http://www.pfsprogram.com/fsbs-database

## 2. Challenges to the Financial Sector from 2008-2011

Prior to the global financial crisis, the transition countries in the region that encompasses Europe, Eurasia, and Central Asia were generally enjoying strong economic growth and were moving slowly but steadily toward eventual convergence with the standards of developed countries. Improvements in the availability of credit and financial services played a significant role in this progress. The region's market-based financial sectors were small and unsophisticated, but financial institutions had benefited greatly in the preceding years from private investment from Western Europe and from technical assistance provided by USAID and a few other donors.

With the onset of the global financial crisis, most of these positive trends went sharply into reverse. The region's trade linkages and financial sector ties with the Eurozone, previously beneficial, helped push most of the countries into recession in 2009. The hardest hit countries lost more than 15 percent of gross domestic product (GDP) in just one year. Credit evaporated as the region's banks were hit by outflows of deposits and by the slowdown in business activity.

In 2010, most countries in the region returned to positive economic growth although, in general, growth rates were much lower than before the crisis. It appeared that a slow recovery from the crisis was underway. Those forecasts would prove to be wrong. In the second half of 2010, the crisis consumed a number of the weaker Eurozone member countries where government debt soared to unsustainable levels on the back of taxpayer bailouts of insolvent banking systems. Political impasse in the European Union and uncertainty about the possible breakup of the European currency, the euro, contributed to a second round of the crisis.

Against this backdrop, economic conditions took another turn for the worse in the transition countries in 2011. Economic growth slowed to a crawl and banks were consumed by problem loans granted during the pre-crisis upswing.

# 3. Today's Challenges and Gaps in Financial Sector Development and Access to Finance

The 29 countries surveyed have still not recovered from the economic and financial sector turmoil that began in 2009, despite intermittent signs in 2010 that the worst was over. The broad economic and financial sector trends are not encouraging. Most countries will continue to face tough macroeconomic prospects and financial sector vulnerabilities in the near-term, particularly the Balkan countries. Prospects are somewhat better in Eurasia and Central Asia which are less integrated in the international economy.

In the near term, efforts to reduce many of the financial sector gaps – such as constrained access to finance and the small size and sophistication of the financial sectors - may have to take a back seat to a strong focus on maintaining financial sector stability.

## 3.1. Macroeconomic and Financial Sector Stability

**The current risk of macroeconomic instability in the region remains fairly high, following a marked slowdown in economic growth in 2011. The target region is more vulnerable to risks than the troubled Eurozone, which is used as a benchmark.** Economic growth slowed markedly in the second half of 2011 and the first half of 2012 in the target region, reflecting worsening economic conditions in the Eurozone. Several countries In the Balkans have returned to recession and little growth is forecast for 2012. Poverty and unemployment are on the rise, raising the risk of political instability. Unemployment rates are exceedingly high in the Balkans (25 percent on average; 45 percent in Kosovo), particularly youth unemployment. Per capita incomes have stagnated and income inequality is up as the once growing middle class is shrinking.

In most countries the potential macroeconomic flash points include high government indebtedness which continued its upward trajectory in 2011, and dwindling official reserves, foreign direct investment and remittance inflows. Inflation

**Impact of the Eurozone Banking and Debt Crisis on Southeast Europe and Eurasia**

**The escalation of the Eurozone debt crisis during 2011-12 creates serious downside risks to economic growth and financial sector stability in the countries of Southeast Europe and, to a lesser extent, Eurasia.** The SEE economies and financial sectors were among the hardest hit regions from the global financial crisis beginning in 2008. The fragile economic recovery and hard work to maintain financial stability in SEE from 2009-2011 are now at risk as the Eurozone economy is forecast to decline in 2012. This raises the possibility that several SEE countries will return to recession in 2012 as exports to their biggest trading partners dry up and remittances drop further.

On the financial side, many of the systemically important banks in the SEE countries are owned by banks from troubled Eurozone countries. Banks in SEE are operating under fairly tight local supervisory control and outward indications of public confidence in the banking systems appear sound. However, SEE banks could still face funding problems and credit growth generally remains tepid.

In this uncertain environment, policymakers should first focus on promoting financial sector stability and managing risks. However, there are still opportunities to undertake reforms that will over time result in deeper, more inclusive and diversified financial markets as economic uncertainties ease.

rates remain much higher than in developed countries, especially in Belarus (with a 53 percent inflation rate) and Serbia. On the positive side, fiscal deficits declined and current account deficits narrowed in 2011 (with Kosovo being an outlier with a large increase in the current account deficit).

**The health of banks generally weakened across the region in 2011, and the risk of financial instability (in the form of a pronounced credit crunch, bank insolvencies, or a sharp decline asset prices) increased alongside similar trends in the Eurozone.** Financial stability indicators worsened markedly for the Balkans, the USAID Graduates, and the Central Asian Republics, while overall in Eurasia there was a slight improvement in this area. Since the global crisis, banks in the region have been burdened by high and increasing levels of non-performing loans (13 percent in the Balkans, 8 percent in Eurasia, 15 percent in Central Asia). NPLs weigh down bank profits and deflect resources from new lending to sound borrowers. In 2011 the volume of NPLs appears to have leveled off.

Given these conditions, banks in the Balkans and other countries have cut back on lending and are not serving as an engine to raise the stymied economic growth levels.

Another risk factor across the region is the high level of foreign currency loans. These pose significant risks to financial stability – both for banks and for their customers / borrowers - in the event of exchange rate volatility. This risk is particularly pronounced in Georgia, Armenia, and the Balkans (except for Montenegro and Kosovo, which use the Euro).

After falling sharply in 2009-10, banks' profits are still weak in the Balkans (particularly Montenegro), the USAID Graduates, and Ukraine. Banks' capital adequacy ratios declined in Eurasia and remained flat in the Balkans at 17 percent, while new global standards forced Eurozone banks to increase their capital adequacy to near 15 percent. Banks' liquidity generally improved, although it is worse in Eurasia where banks are more reliant on non-deposit sources of funds. The countries with the least-liquid banks are Armenia and Ukraine in Eurasia and Serbia and Bosnia in the Balkans.

## 3.2. Financial Sector Size

**In the context of 'deleveraging' of banks in the Eurozone, during 2011 the size of the financial sectors actually contracted (in real terms) in relation to GDP across the Europe and Eurasia region and the Central Asian Republics.** This is particularly worrisome because financial sectors have yet to return to a growth trajectory since the sharp contraction that accompanied the region's 2009 post-crisis credit crunch.[2] Credit growth in particular was negative or slowed to a crawl in real terms across the region in 2011.

[2] While the financial sector shrunk in most countries relative to GDP, results were mixed and there was net growth in a few countries. The following countries experienced net growth of the financial sector in 2011: the Czech Republic and Poland in the USAID Graduates; Serbia and Kosovo in the Balkans; and Belarus, Azerbaijan and Armenia in Eurasia.

In the Balkans, financial sectors are about one-third as large (relative to GDP) as financial sectors in the more developed Eurozone, while in Eurasia they are less than one-fourth the size in the Eurozone. Trading on stock exchanges continued to contract, leaving many exchanges in danger of extinction, while there was no net growth in the insurance sectors across the region. Nonbank lending institutions remain miniscule in most of the countries.

With financial sectors stagnant or contracting, the countries of the region will find it hard to return to the levels of sustainable economic growth that are needed to reduce poverty and to improve their shaky democratic credentials.

## 3.3. Financial Sector Sophistication

**The financial sectors in the region remain bank-centric and unsophisticated by global measures, with only a limited range of financial intermediaries and a narrow array of financial products and services available.** Capital markets, private equity finance, insurance, and other nonbank financial services are not expected to develop significantly until economic conditions in the Balkans and Eurasia improve, uncertainty declines, and risks are better understood by market players.

While the data points to slight improvement in the sophistication of the financial sector in the Balkans in 2010-2011, some countries slid back. Weak competition amongst banks may be holding back development in some countries (Armenia, Azerbaijan, Kosovo, Albania).

## 3.4. Access to Finance and Financial Services

**All of these factors point not surprisingly toward poor access to financial services in the region which continues to lag global benchmarks, although conditions in Eurasia are generally moving in the right direction from a low base. In the Balkans the picture is mixed, with slight improvement seen in Bosnia, Albania, and Montenegro and worsening in Macedonia, Kosovo and Serbia.** Negative real interest rate spreads, driven by monetary and exchange rate policy, hold back lending in a number of countries (Belarus, Ukraine, Russia, Serbia). Penetration of bank branches and ATMs has stagnated or declined across the region, while the number of borrowers (which is less than 200,000 borrowers per 1 million adults in the Balkans; 135,000 in Eurasia; 35,000 in CARs) lags badly behind the level seen in the Eurozone (over 500,000).

## 3.5. Enabling Environment for Financial Services

**The business environment for financial services showed little change in 2011, with only Macedonia in the Balkans and Georgia in Eurasia standing above the crowd. Corruption and lack of judicial independence remain prevalent and pose obstacles to investment and financial intermediation,**

**particularly in Eurasia.** Inefficiencies in the legal framework prevent banks from resolving (foreclosing) on problem loans, which further chokes off the supply of credit. Enforcing contracts also remains difficult.

On the positive side, property registration has been simplified in some countries and credit bureaus are expanding across the regions. In the Balkans, credit bureaus' coverage of businesses and the population now approximates Eurozone coverage levels, while Eurasia narrowed the gap in 2011. Though a positive development, this is not enough to significantly impact growth of lending.

## 4. Conclusions: Initiatives that Would Promote Financial Sector Stability and Economic Growth in the Region

The benchmarking data and trends describe a generally gloomy picture for the region with just a few positive spots. The most recent setback for the region is particularly worrisome, as countries with larger, vibrant financial sectors generally have higher per capita incomes and better economic outcomes.

To promote financial sector stability, access to finance, and a return to sustainable economic growth, policymakers should focus on measures to address the following obstacles:

- **Systemic risk**. Given the fragile state of banks and the potential for contagion from Eurozone financial institutions, the threat of systemic financial crisis cannot be ruled out in some countries. Consistent with new international guidelines, financial authorities need to develop transparent, predictable methods for dealing with systemic financial instability without resorting to taxpayer bailouts.

- **Problem and failing banks**. Many countries in the region do not have adequate legal authority to deal with failed banks on a cost-effective basis. Authorities also need to improve their supervision of systemically important financial institutions and take measures to plan and prepare for the possible winding up of complex financial institutions.

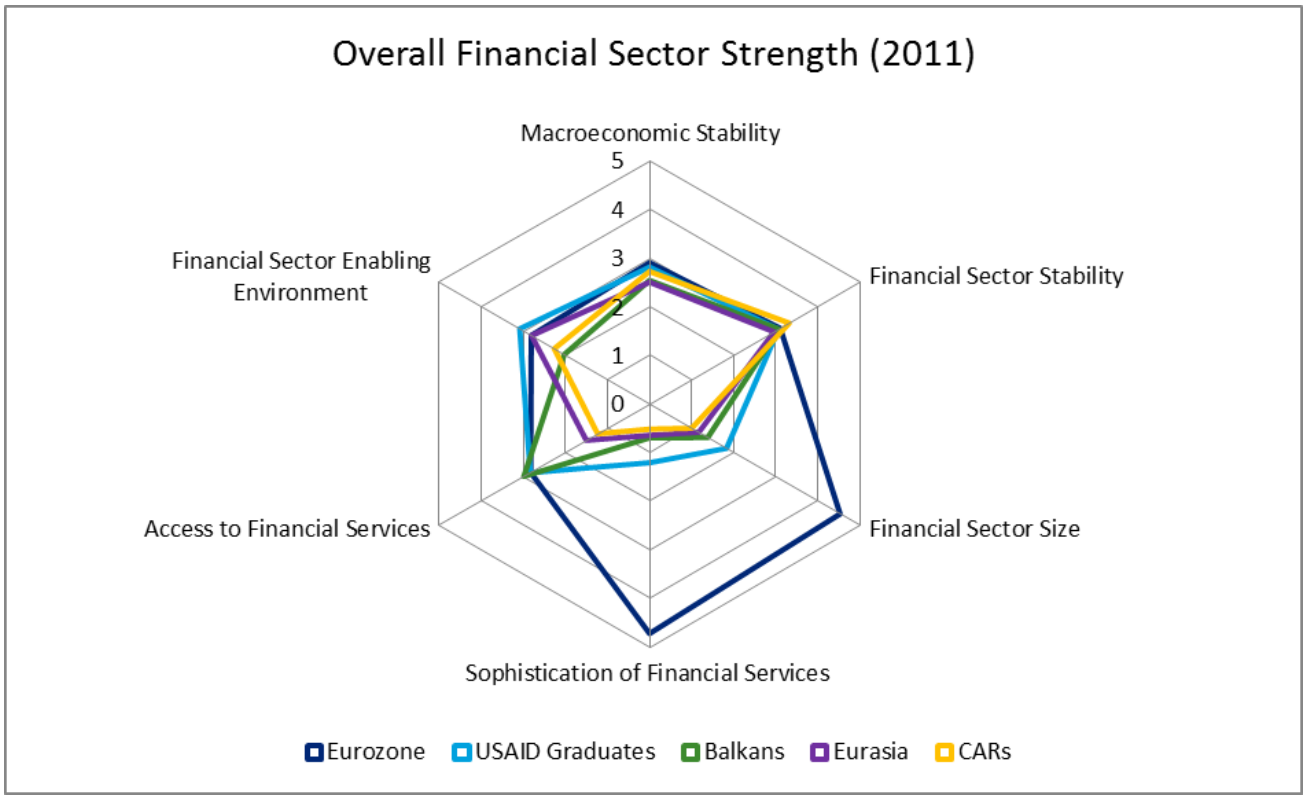
- **Non-performing loans**. For banks to start lending again, they must first rid themselves of the overhang of bad debts. Legal procedures for foreclosing and liquidating collateral need to be streamlined, and in some countries bankers and bank supervisors need to improve their skills with regard to problem loan prevention and workouts.

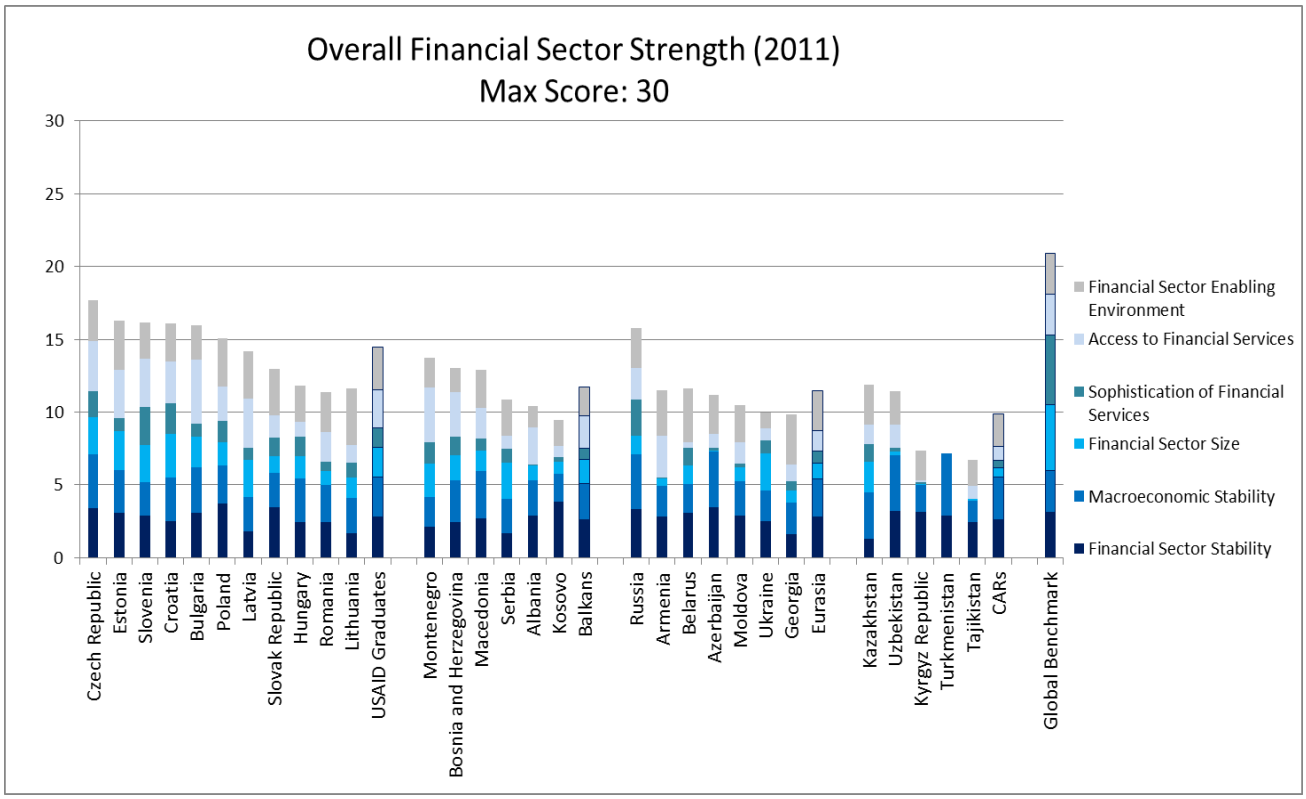
- **Access to finance**. Aside from returning the banks to health, more should be done to promote nonbank finance in the form of venture capital and private equity as well as leasing, factoring, or microfinance. Entrepreneurs and small and medium enterprises need assistance familiarizing and dealing with the expectations of financial institutions and investors.

- **Capital markets**. Post-crisis trading activity and new offerings of equity and debt instruments have declined to such low levels that the viability of the stock exchanges in the smaller

countries of the region is threatened. The exchanges need to integrate and eventually consolidate their operations to gain scale. Some positive movement in this direction are underway, but more technical and financial assistance would speed the process and assure that the capital markets – an important source of capital and nonbank finance for private businesses - remain open for business.

# 5. Financial Sector Benchmarking System Rankings – Overall

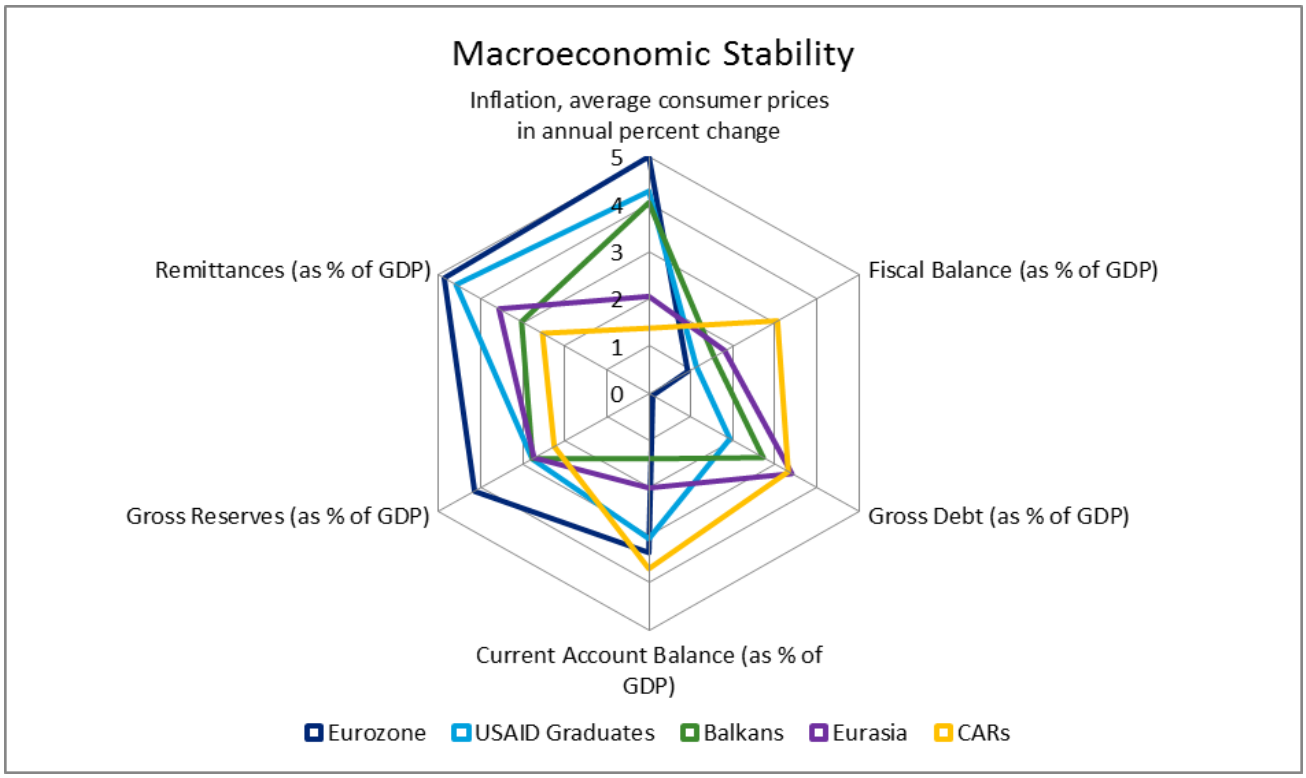


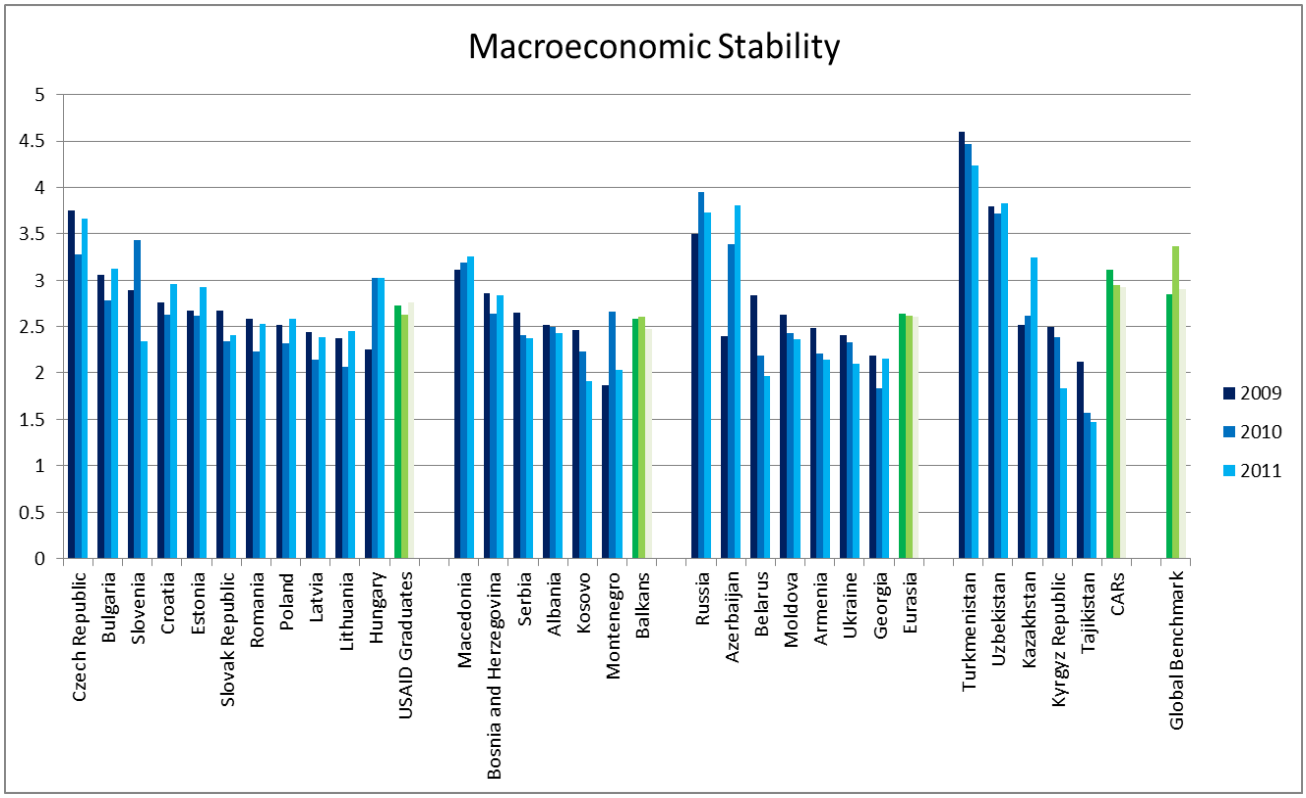



# 6. Financial Sector Benchmarking Indicators

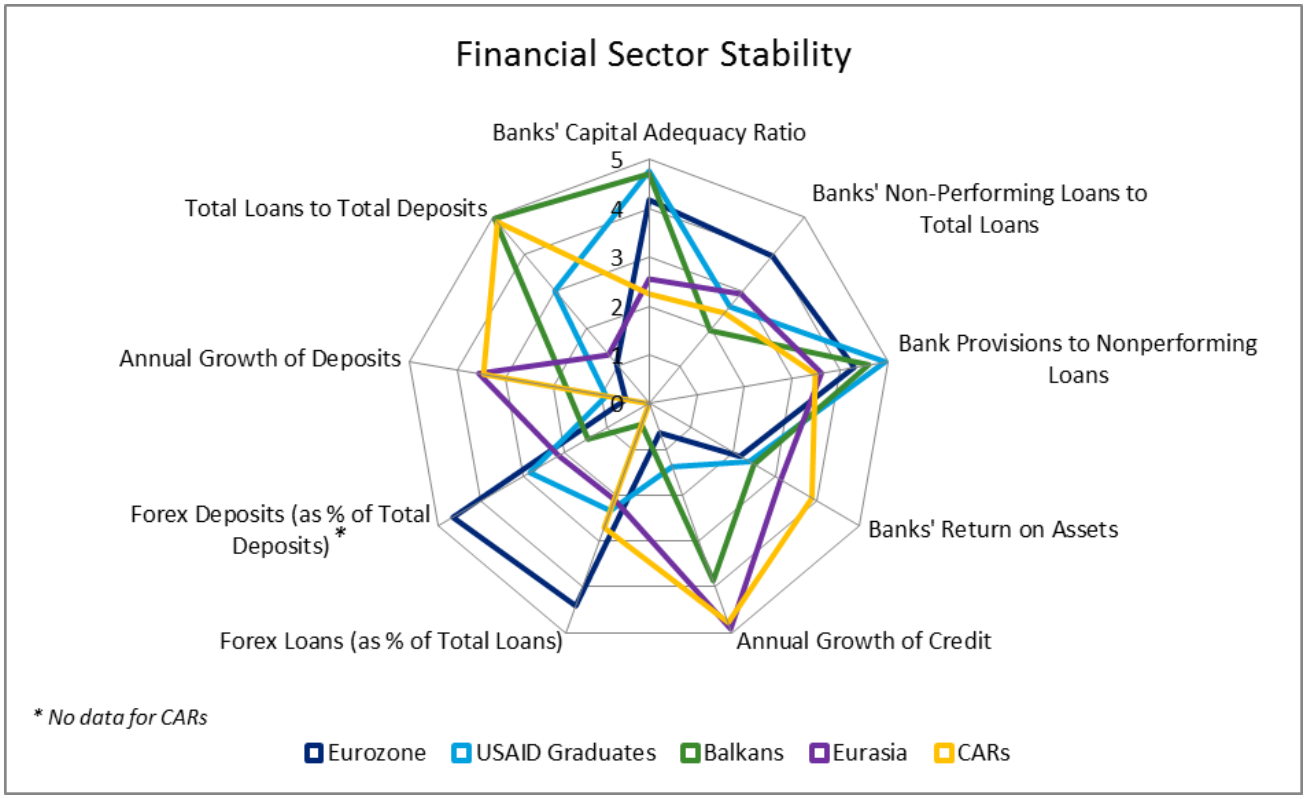
## 6.1. Macroeconomic and Financial Sector Stability

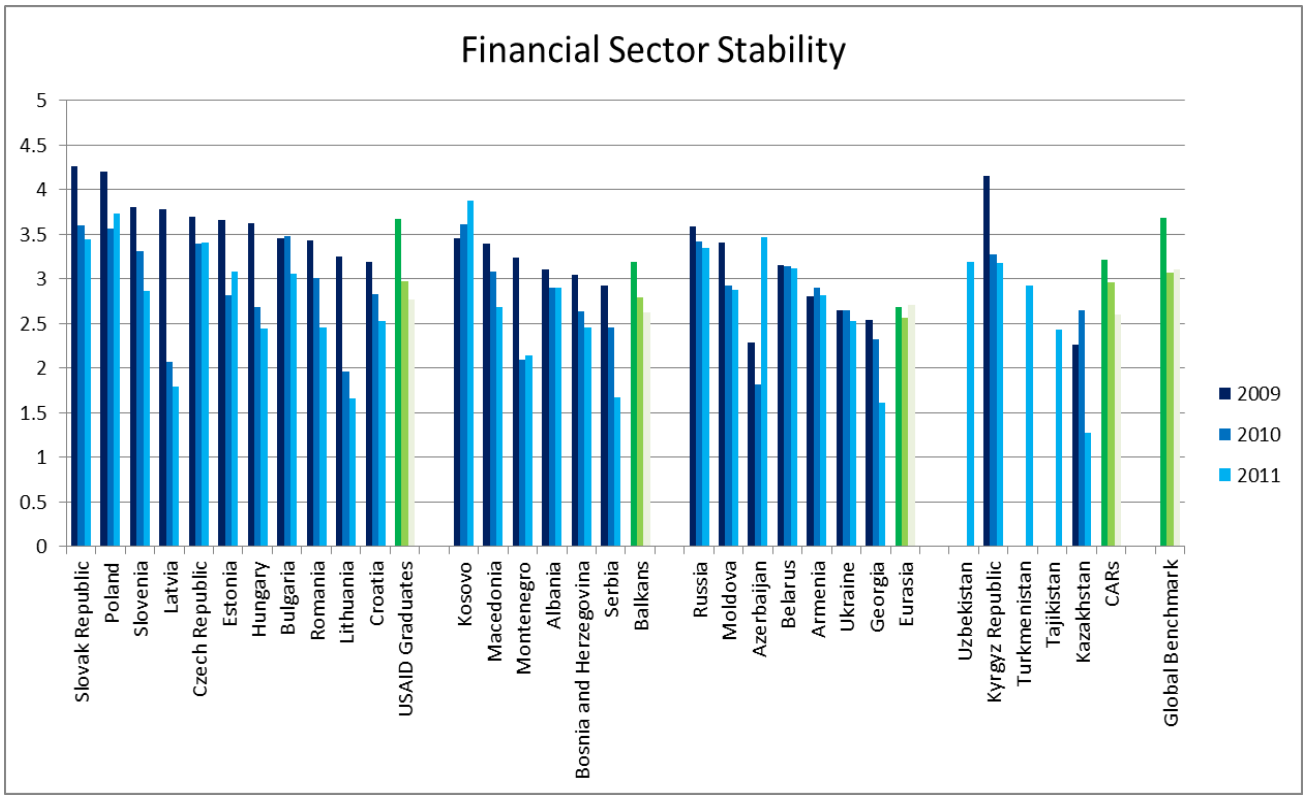
### 2.2.1. Macro Stability



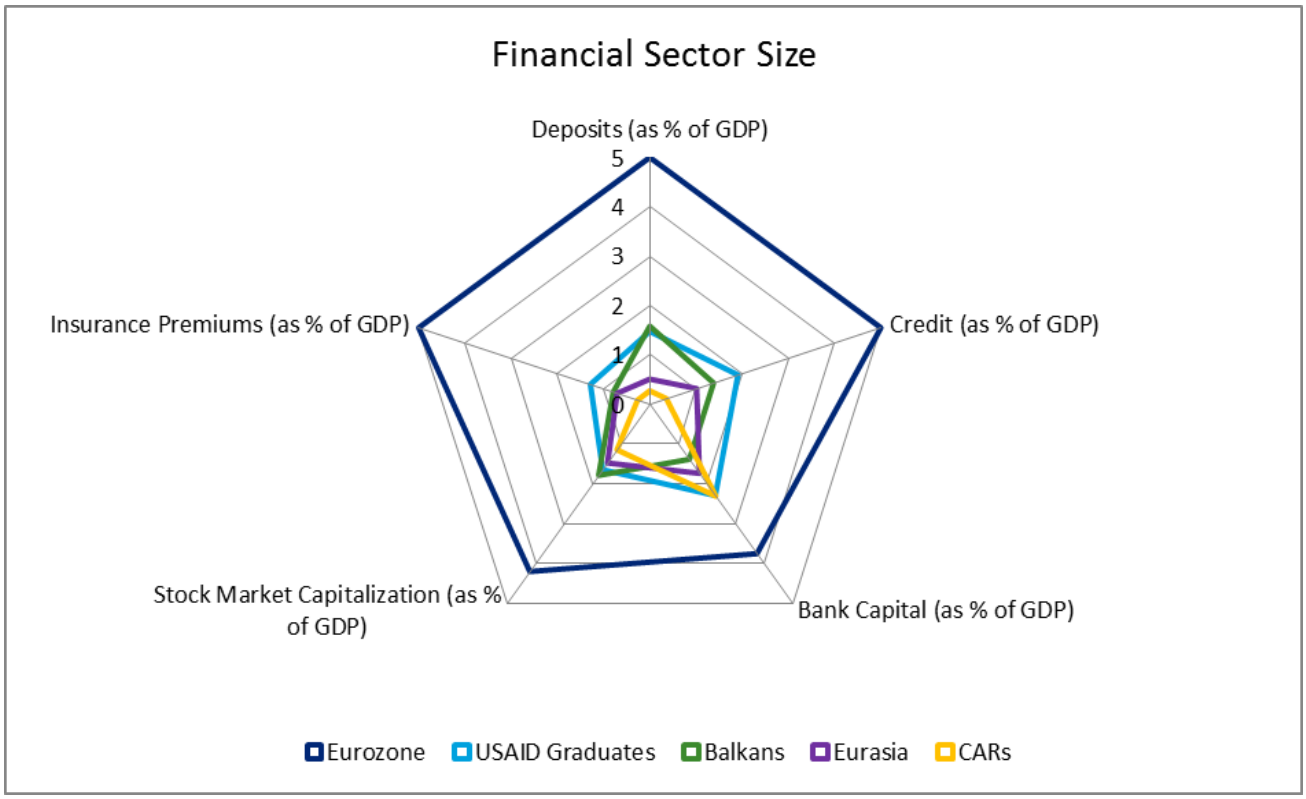



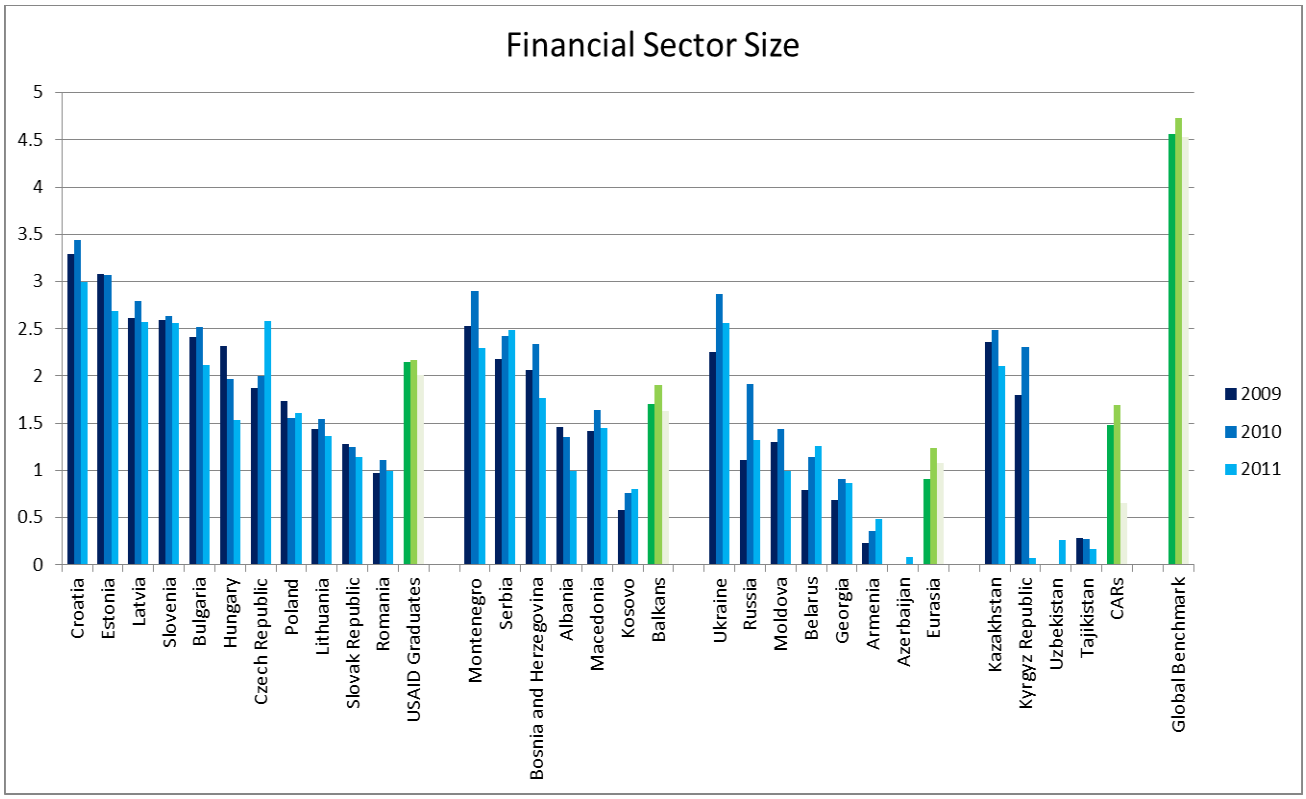
### 2.2.2. Financial Sector Stability



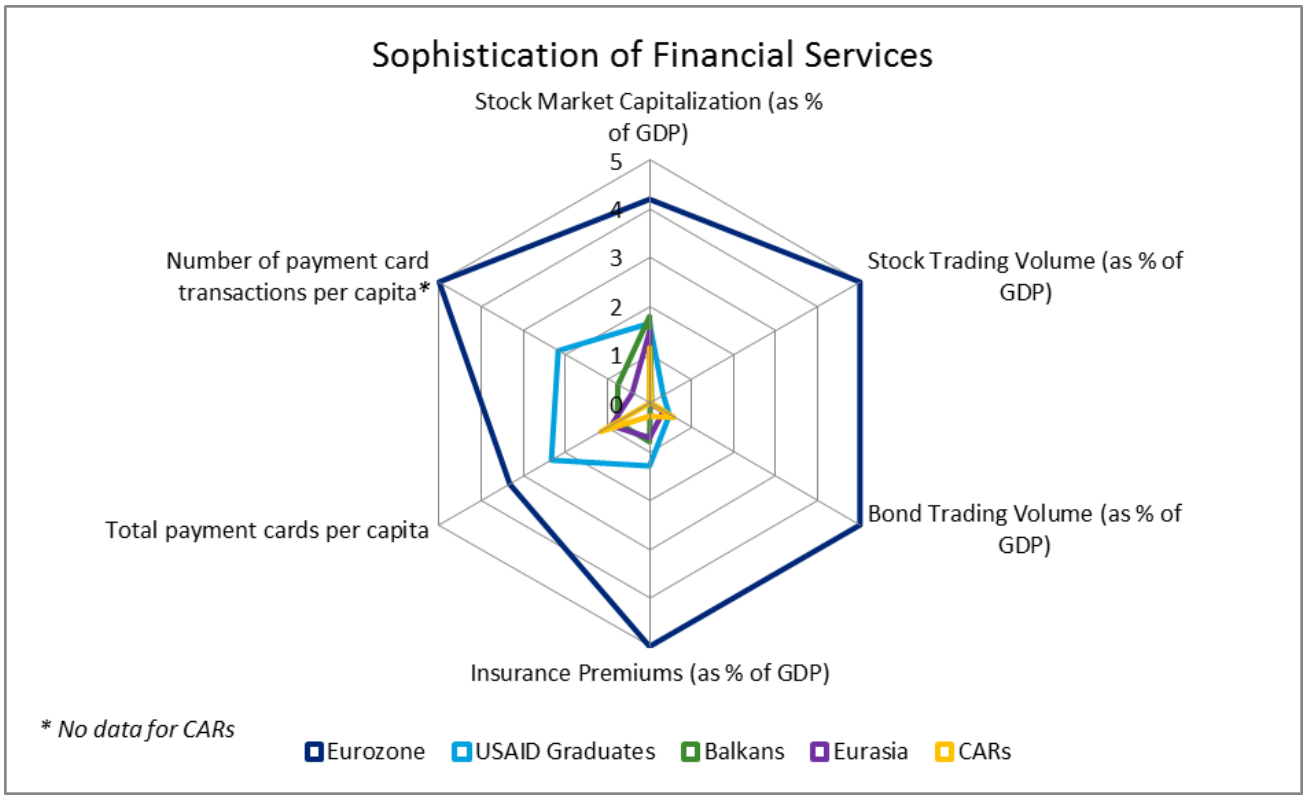



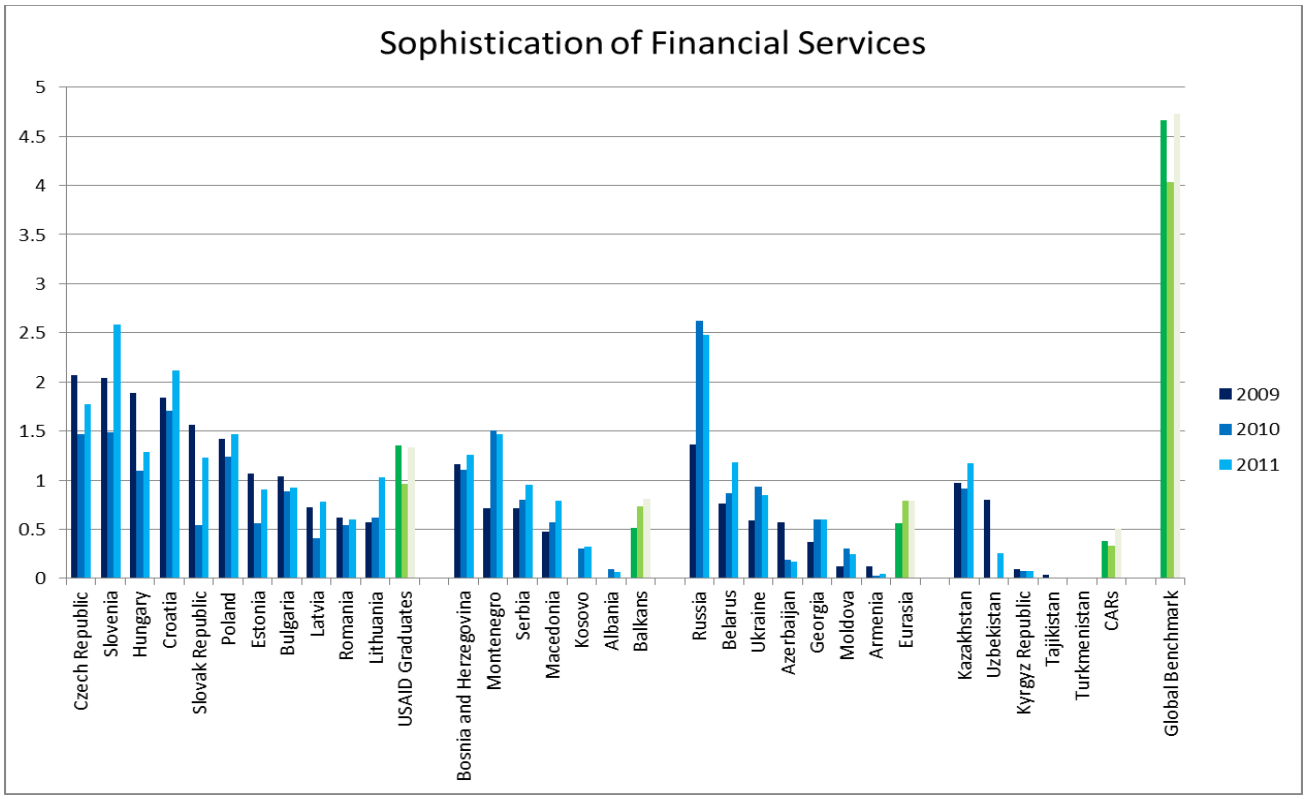
## 6.2. Financial Sector Size



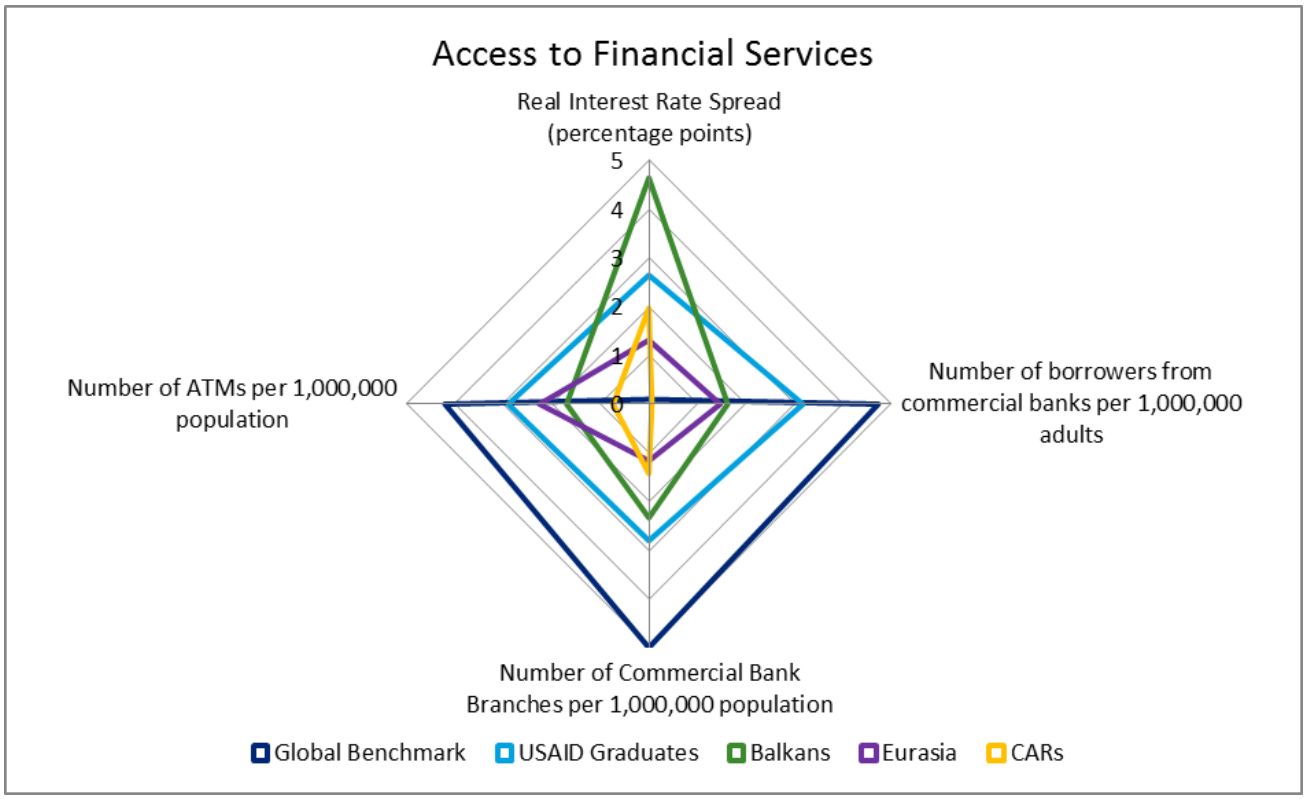



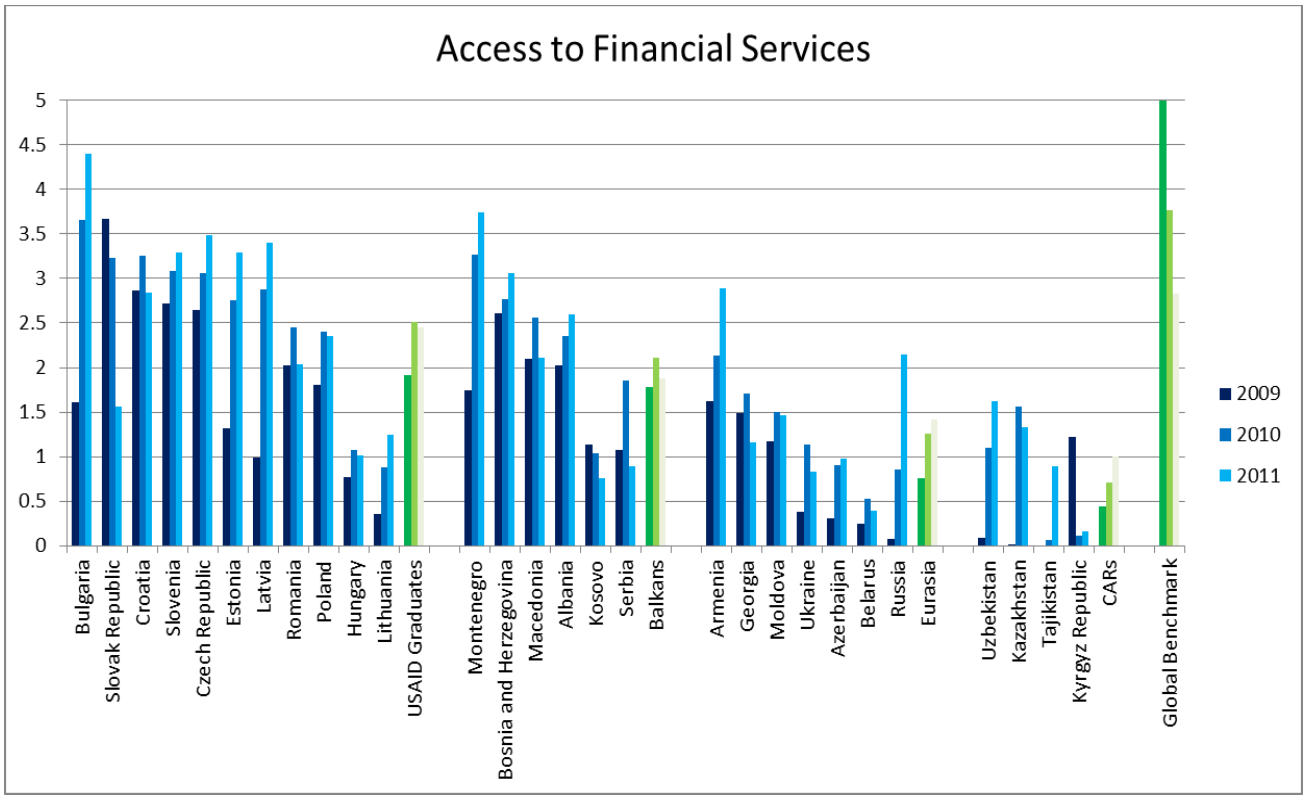
## 6.3. Financial Sector Sophistication



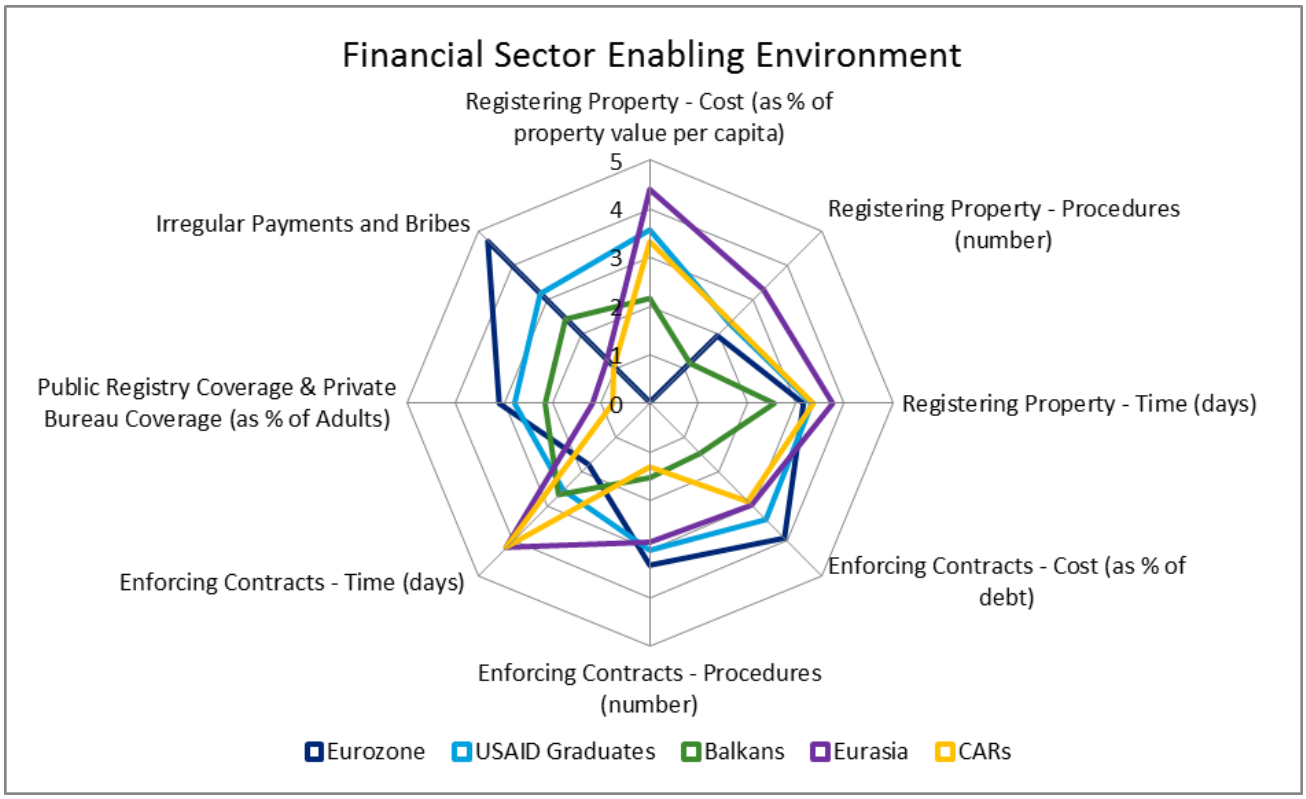



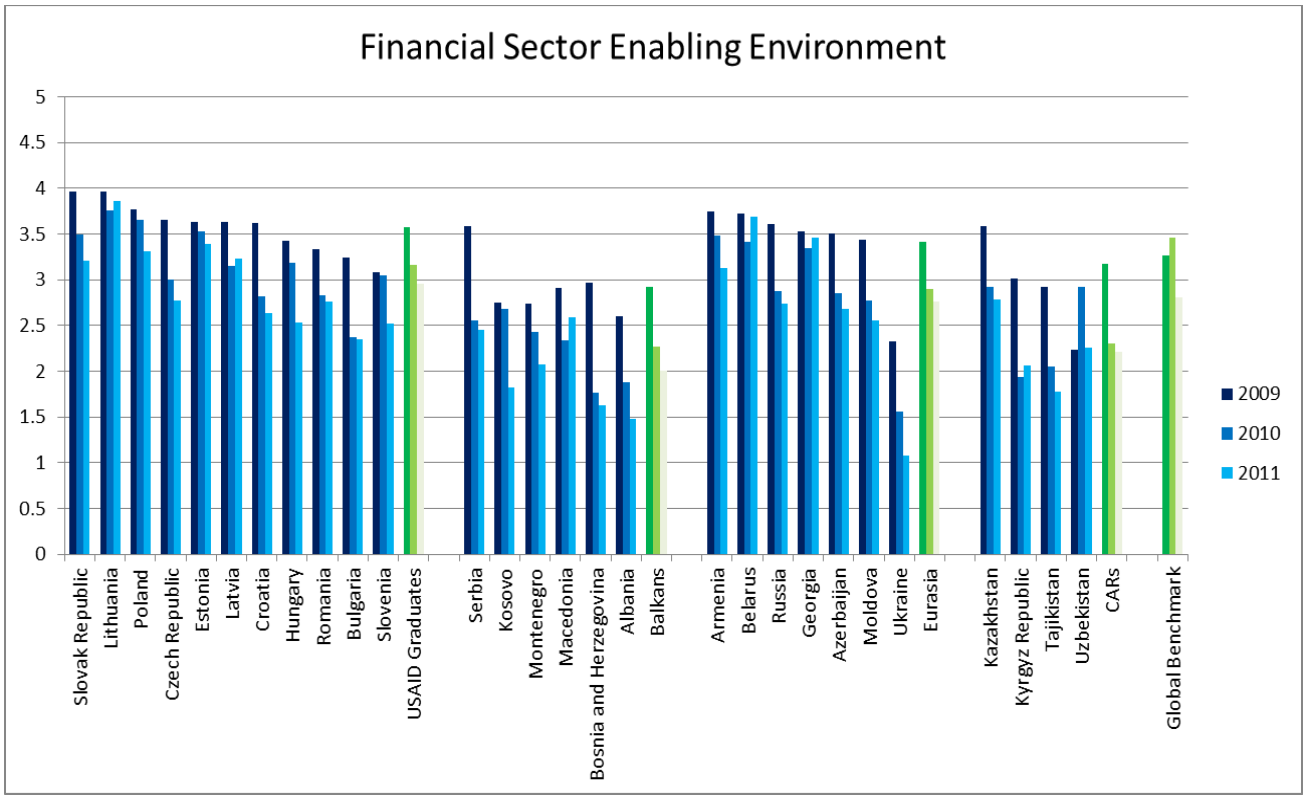
## 6.4. Access to Financial Services



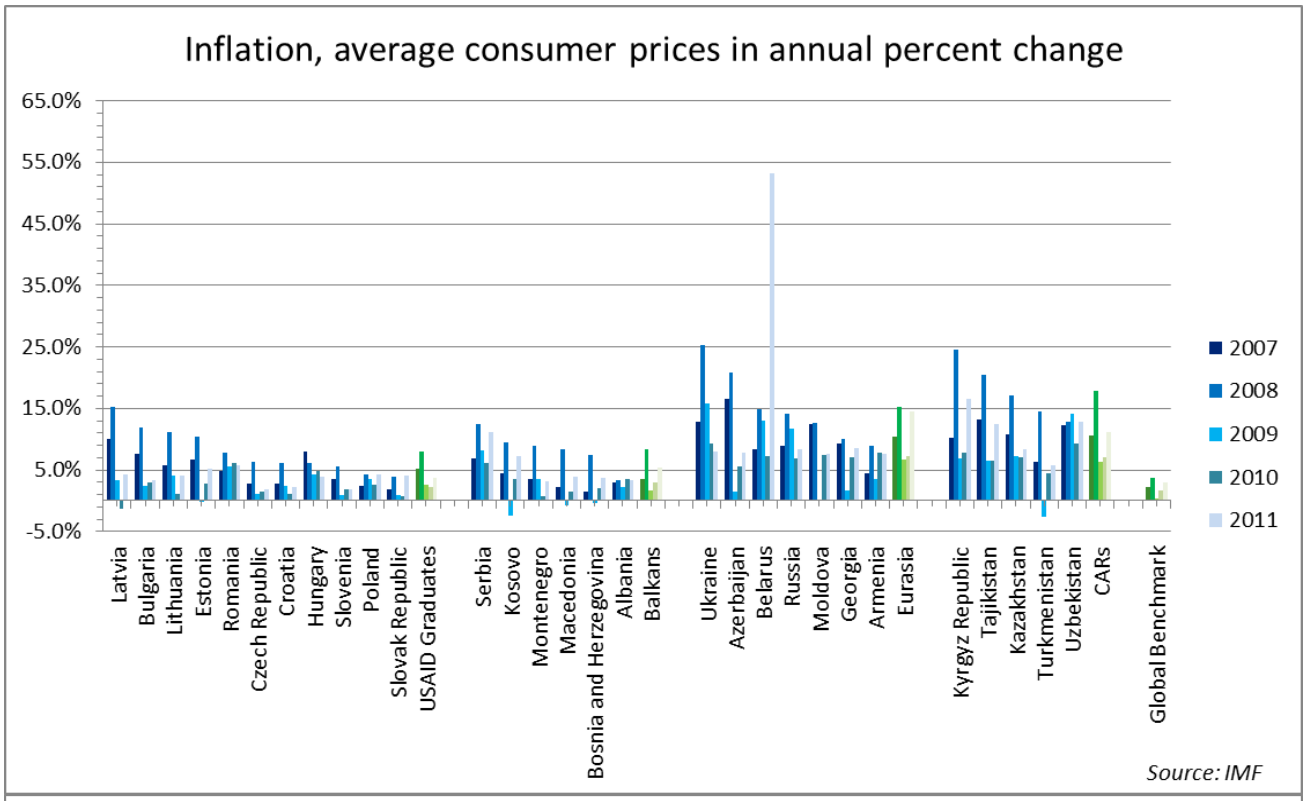
## 6.5. Financial Sector Enabling Environment

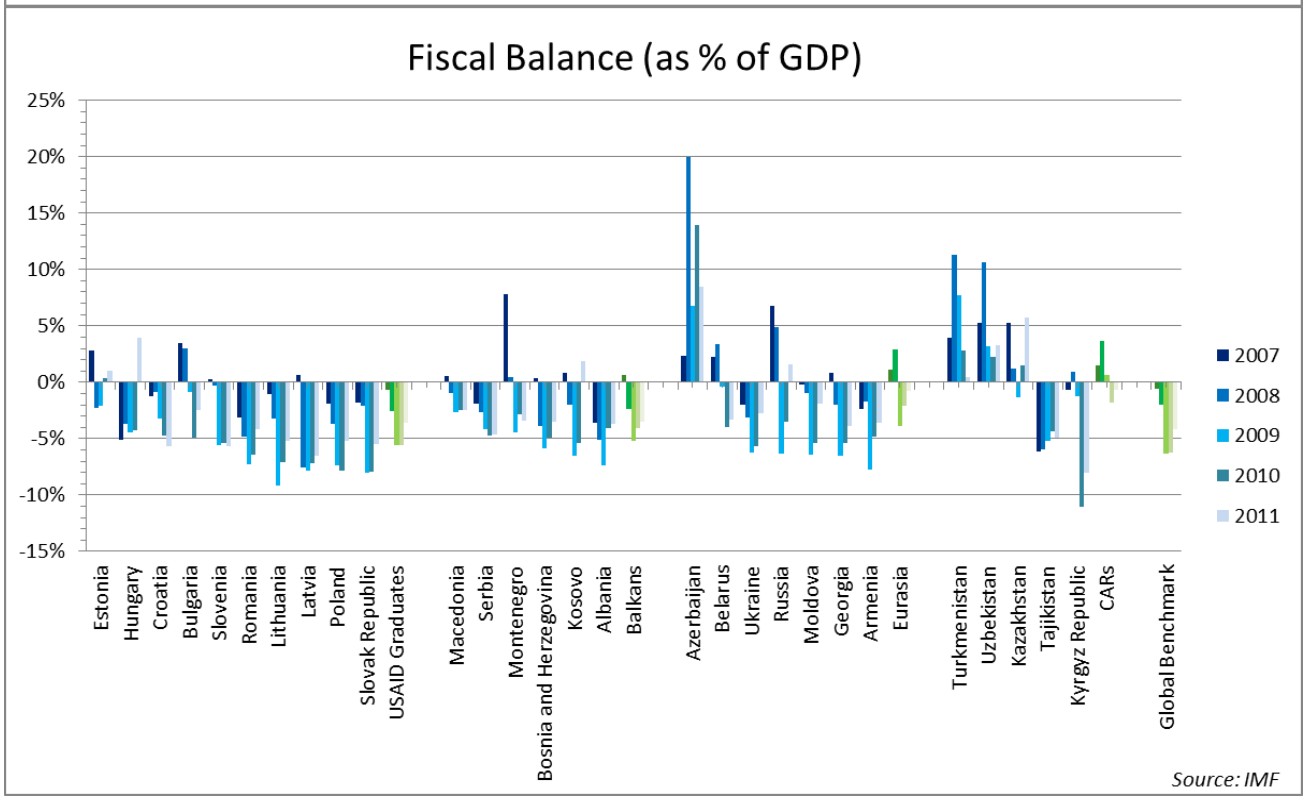


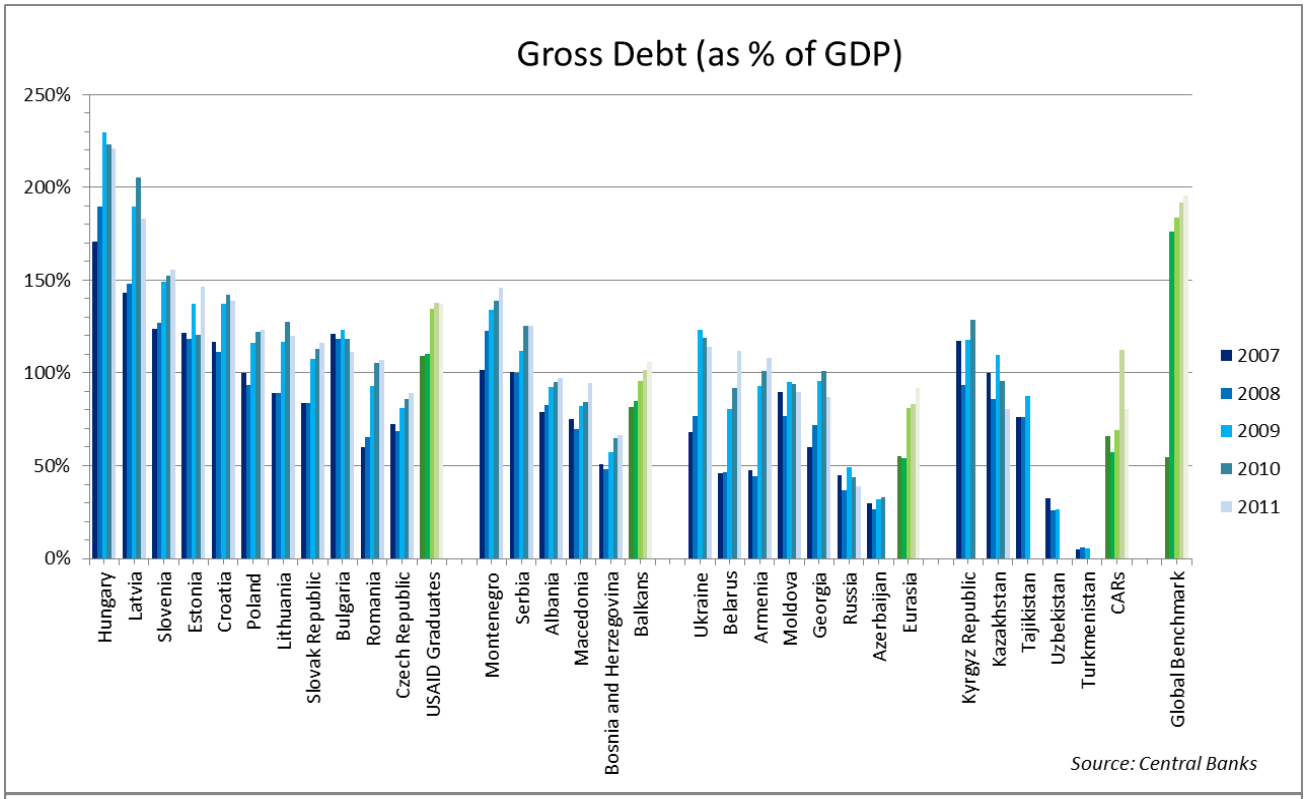



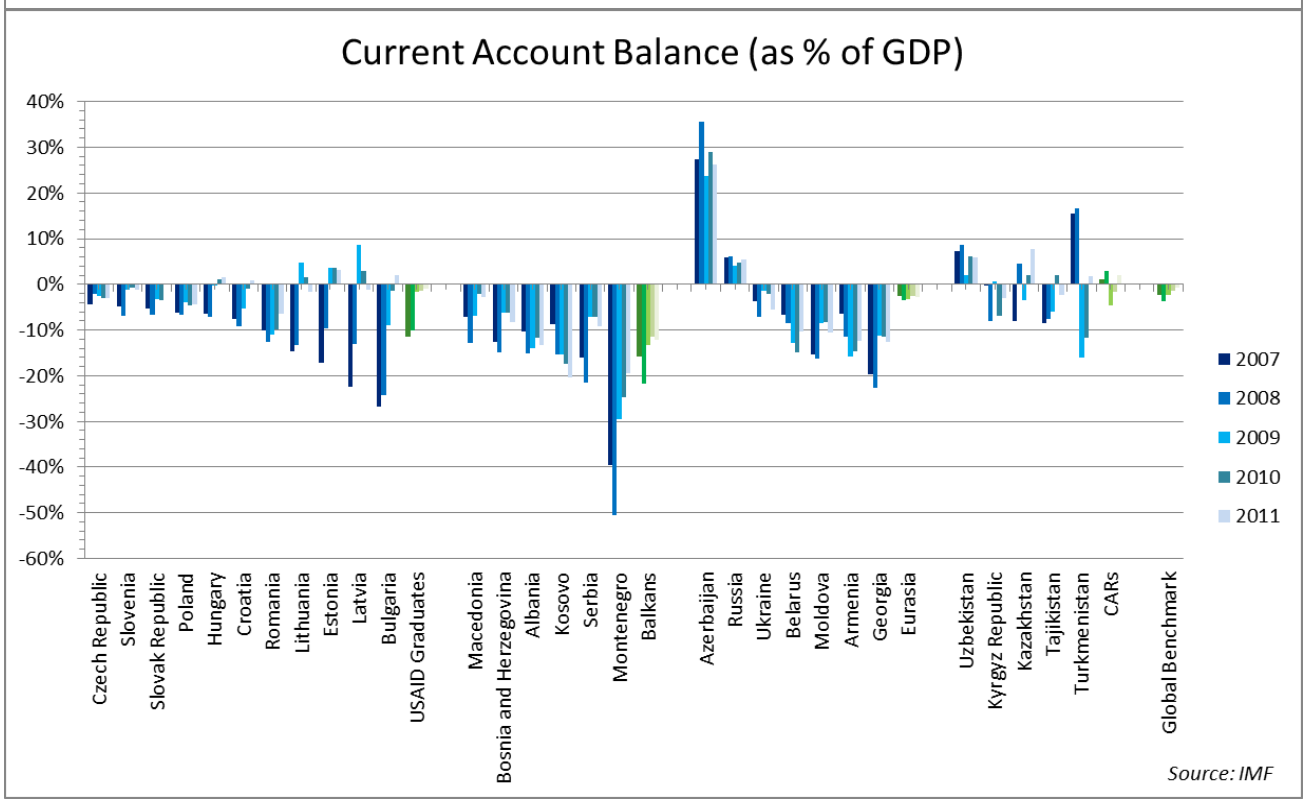
# ANNEX – Detailed Benchmarking Data

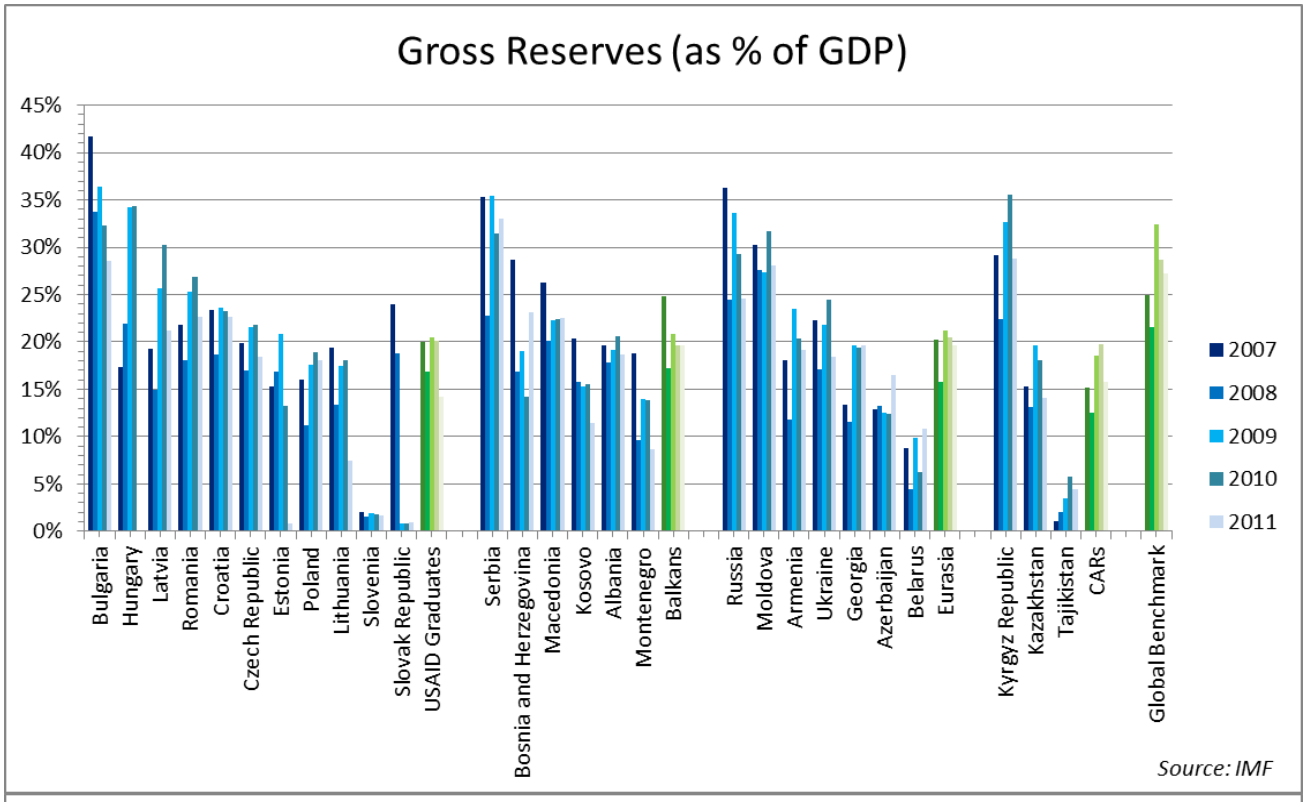
## Macro Stability Benchmarking Indicators

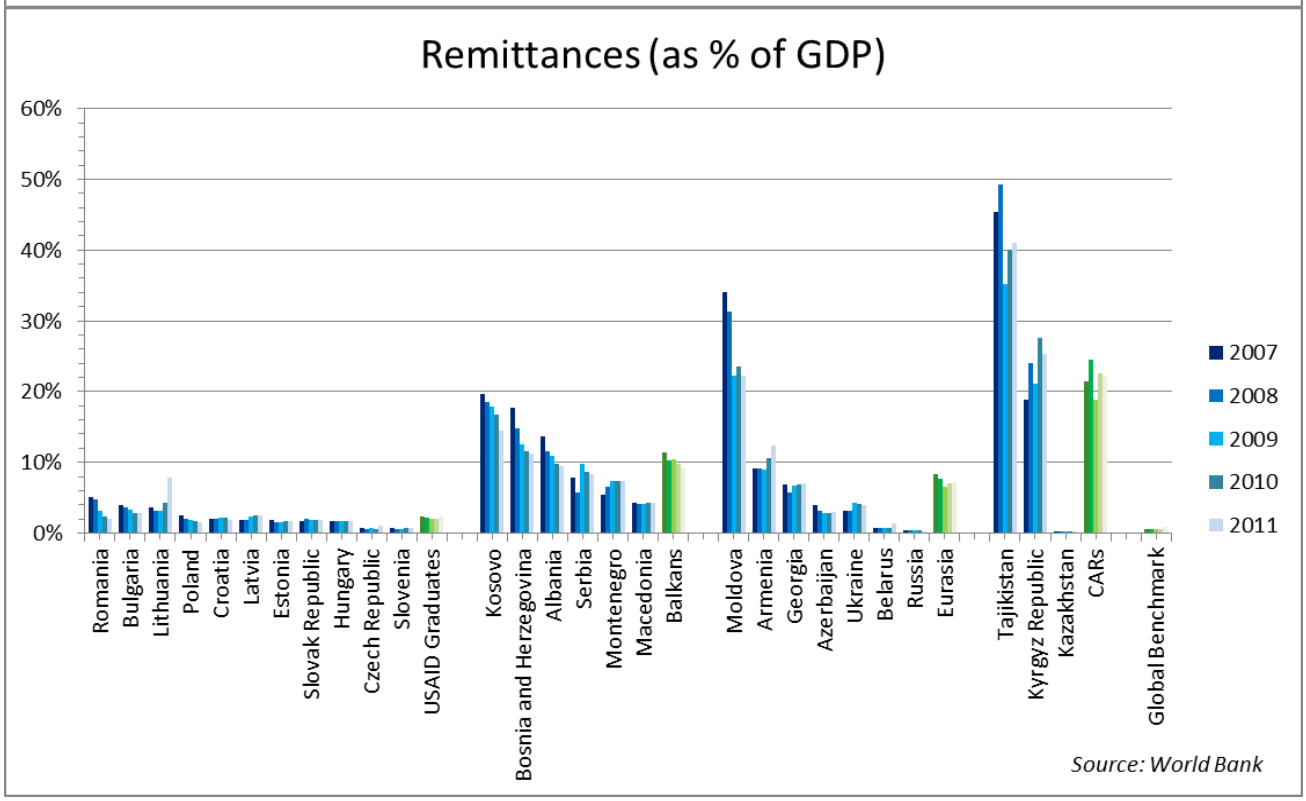



Gross Debt (as % of GDP)
250%
200%
150%
100%
50%
0%
Hungary
Latvia
Slovenia
Estonia
Croatia
Poland
Lithuania
Slovak Republic
Bulgaria
Romania
Czech Republic
USAID Graduates
Montenegro
Serbia
Albania
Macedonia
Bosnia and Herzegovina
Balkans
Ukraine
Belarus
Armenia
Moldova
Georgia
Russia
Azerbaijan
Eurasia
Kyrgyz Republic
Kazakhstan
Tajikistan
Uzbekistan
Turkmenistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: Central Banks


Current Account Balance (as % of GDP)
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-60%
Czech Republic
Slovenia
Slovak Republic
Poland
Hungary
Croatia
Romania
Lithuania
Estonia
Latvia
Bulgaria
USAID Graduates
Macedonia
Bosnia and Herzegovina
Albania
Kosovo
Serbia
Montenegro
Balkans
Azerbaijan
Russia
Ukraine
Belarus
Moldova
Armenia
Georgia
Eurasia
Uzbekistan
Kyrgyz Republic
Kazakhstan
Tajikistan
Turkmenistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF


Gross Reserves (as % of GDP)
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Bulgaria
Hungary
Latvia
Romania
Croatia
Czech Republic
Estonia
Poland
Lithuania
Slovenia
Slovak Republic
USAID Graduates
Serbia
Bosnia and Herzegovina
Macedonia
Kosovo
Albania
Montenegro
Balkans
Russia
Moldova
Armenia
Ukraine
Georgia
Azerbaijan
Belarus
Eurasia
Kyrgyz Republic
Kazakhstan
Tajikistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF


Remittances (as % of GDP)
60%
50%
40%
30%
20%
10%
0%
Romania
Bulgaria
Lithuania
Poland
Croatia
Latvia
Estonia
Slovak Republic
Hungary
Czech Republic
Slovenia
USAID Graduates
Kosovo
Bosnia and Herzegovina
Albania
Serbia
Montenegro
Macedonia
Balkans
Moldova
Armenia
Georgia
Azerbaijan
Ukraine
Belarus
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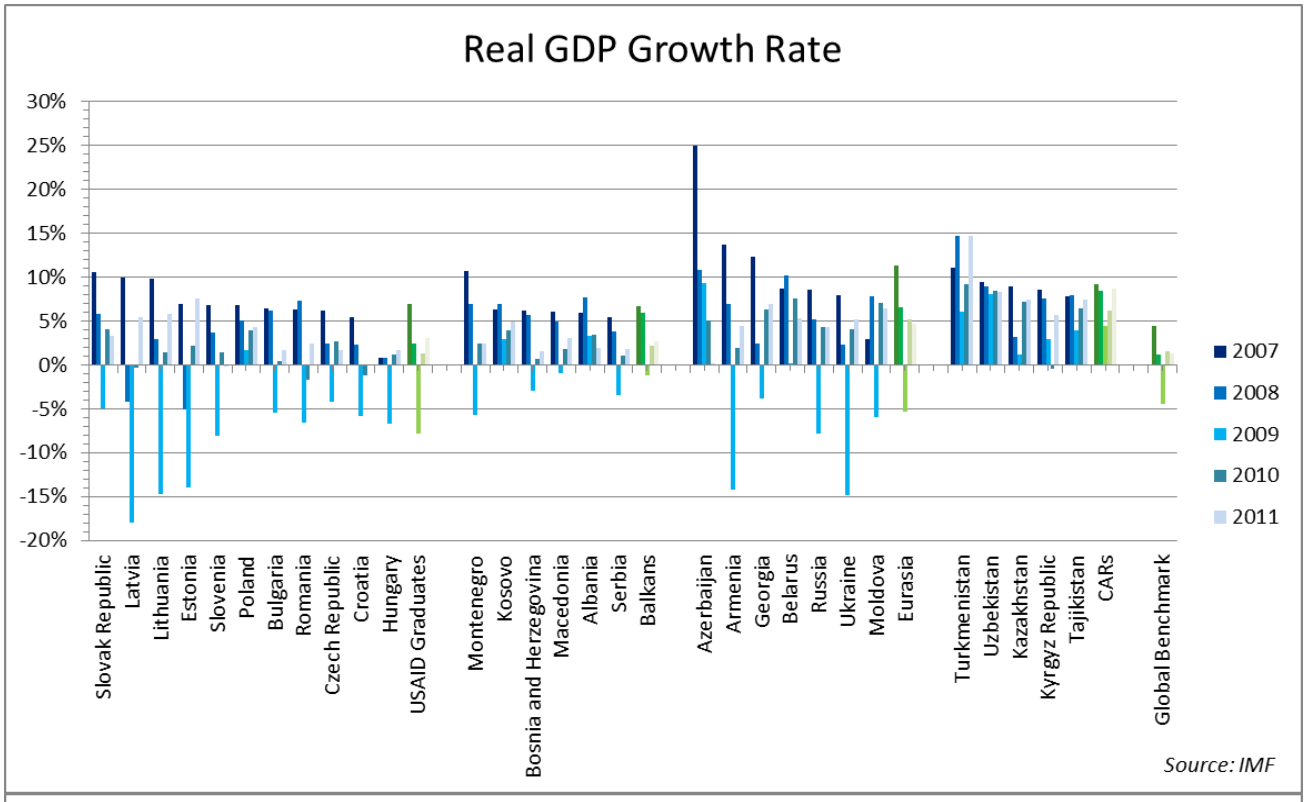
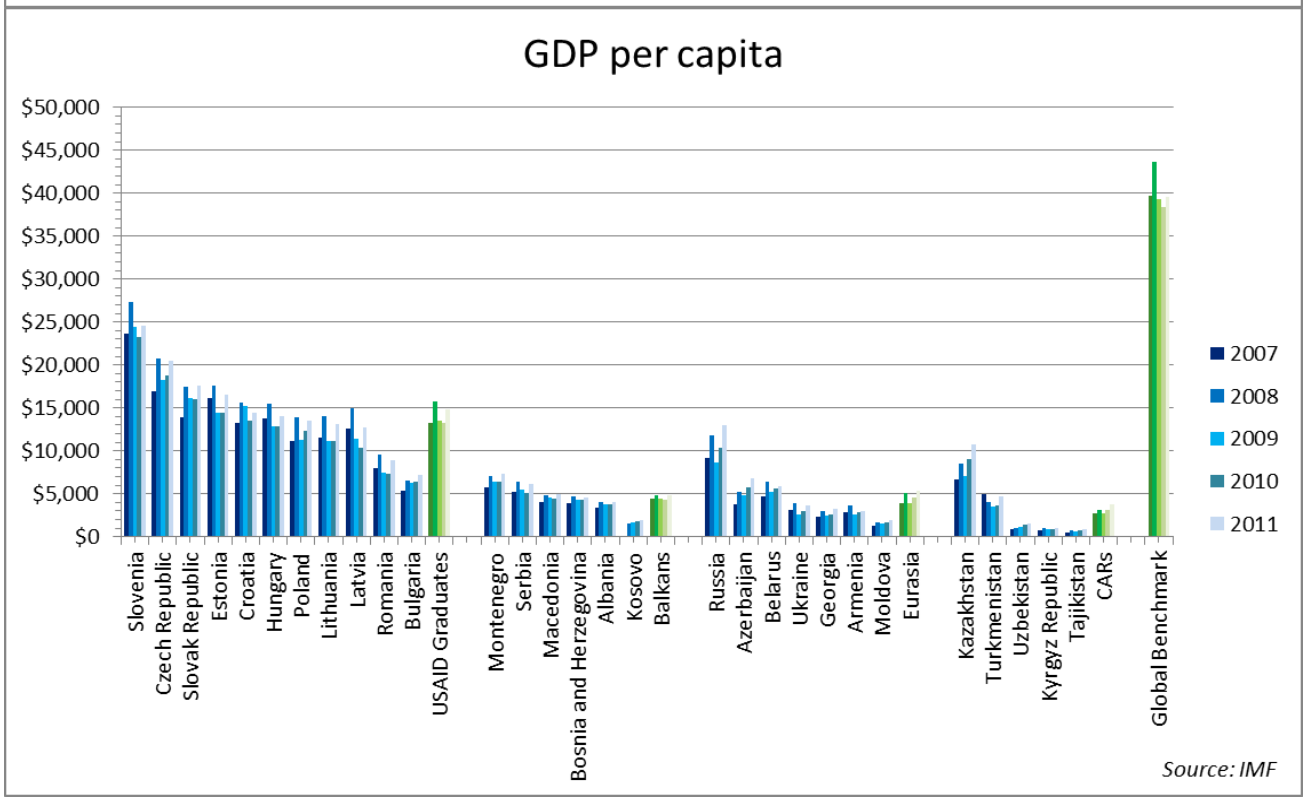
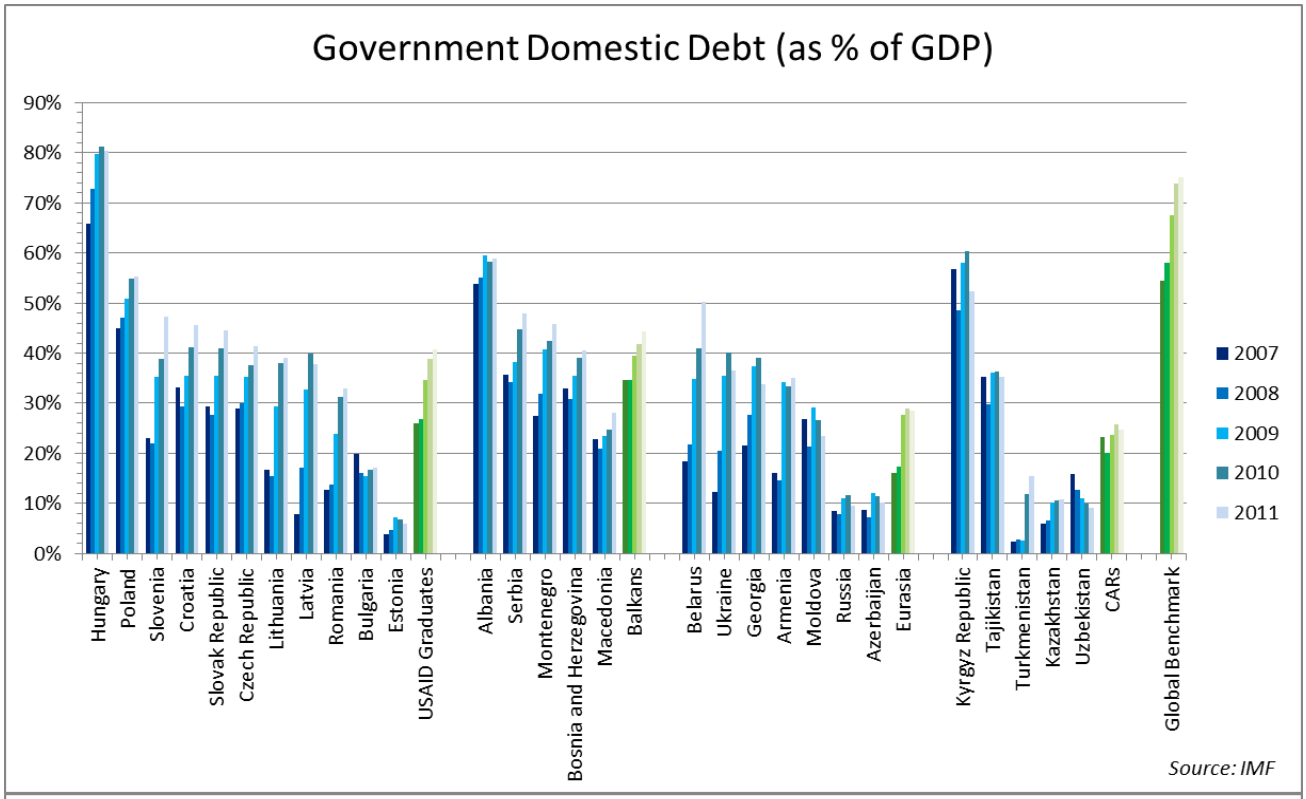
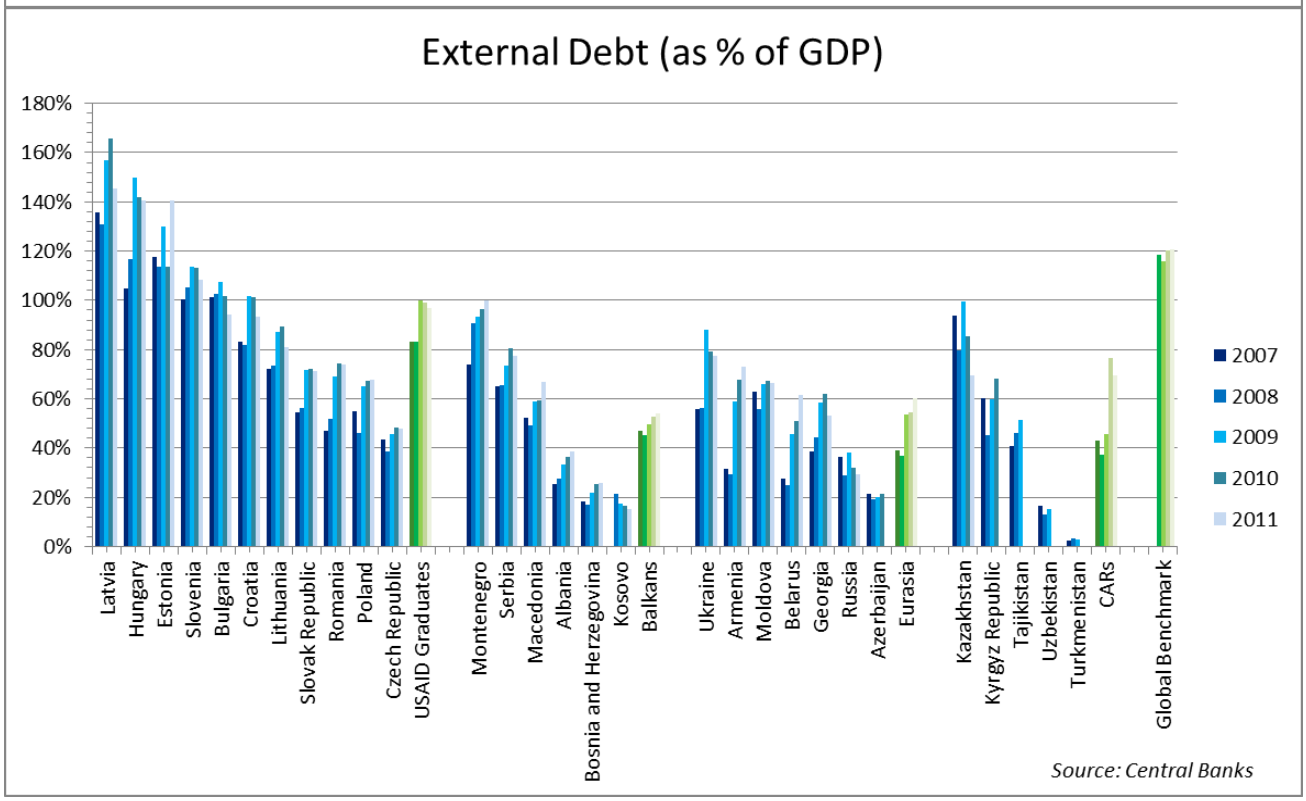
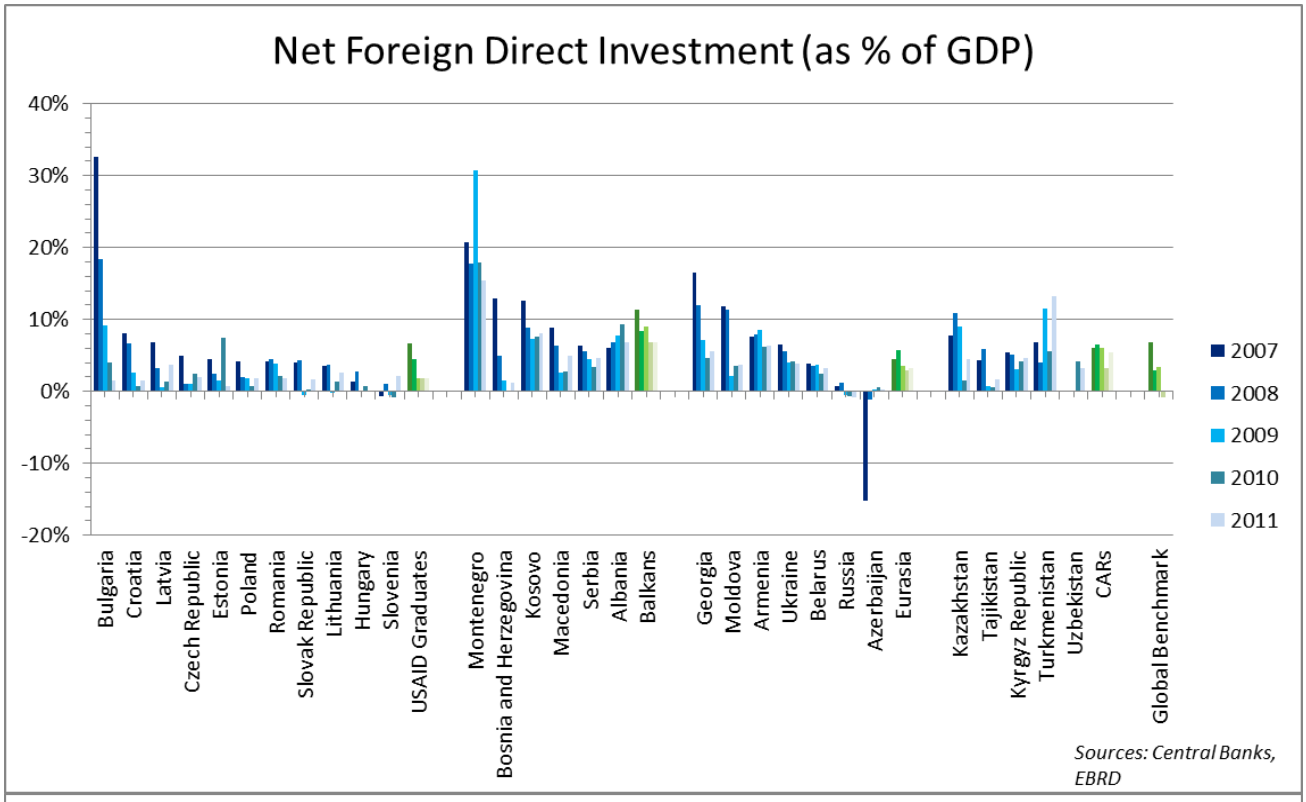
Global Benchmark
2007
2008
2009
2010
2011
Source: World Bank

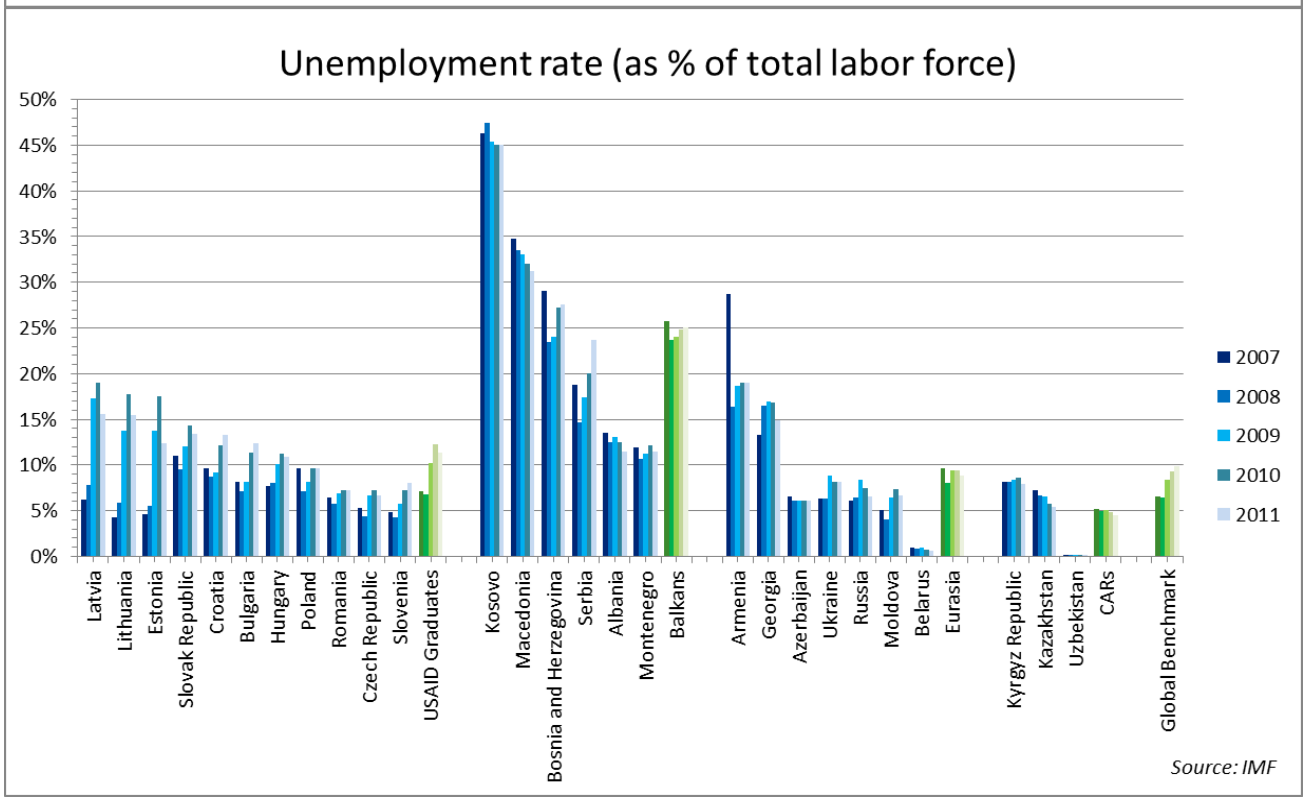

Real GDP Growth Rate
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
Slovak Republic
Latvia
Lithuania
Estonia
Slovenia
Poland
Bulgaria
Romania
Czech Republic
Croatia
Hungary
USAID Graduates
Montenegro
Kosovo
Bosnia and Herzegovina
Macedonia
Albania
Serbia
Balkans
Azerbaijan
Armenia
Georgia
Belarus
Russia
Ukraine
Moldova
Eurasia
Turkmenistan
Uzbekistan
Kazakhstan
Kyrgyz Republic
Tajikistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF


GDP per capita
$50,000
$45,000
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
Slovenia
Czech Republic
Slovak Republic
Estonia
Croatia
Hungary
Poland
Lithuania
Latvia
Romania
Bulgaria
USAID Graduates
Montenegro
Serbia
Macedonia
Bosnia and Herzegovina
Albania
Kosovo
Balkans
Russia
Azerbaijan
Belarus
Ukraine
Georgia
Armenia
Moldova
Eurasia
Kazakhstan
Turkmenistan
Uzbekistan
Kyrgyz Republic
Tajikistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

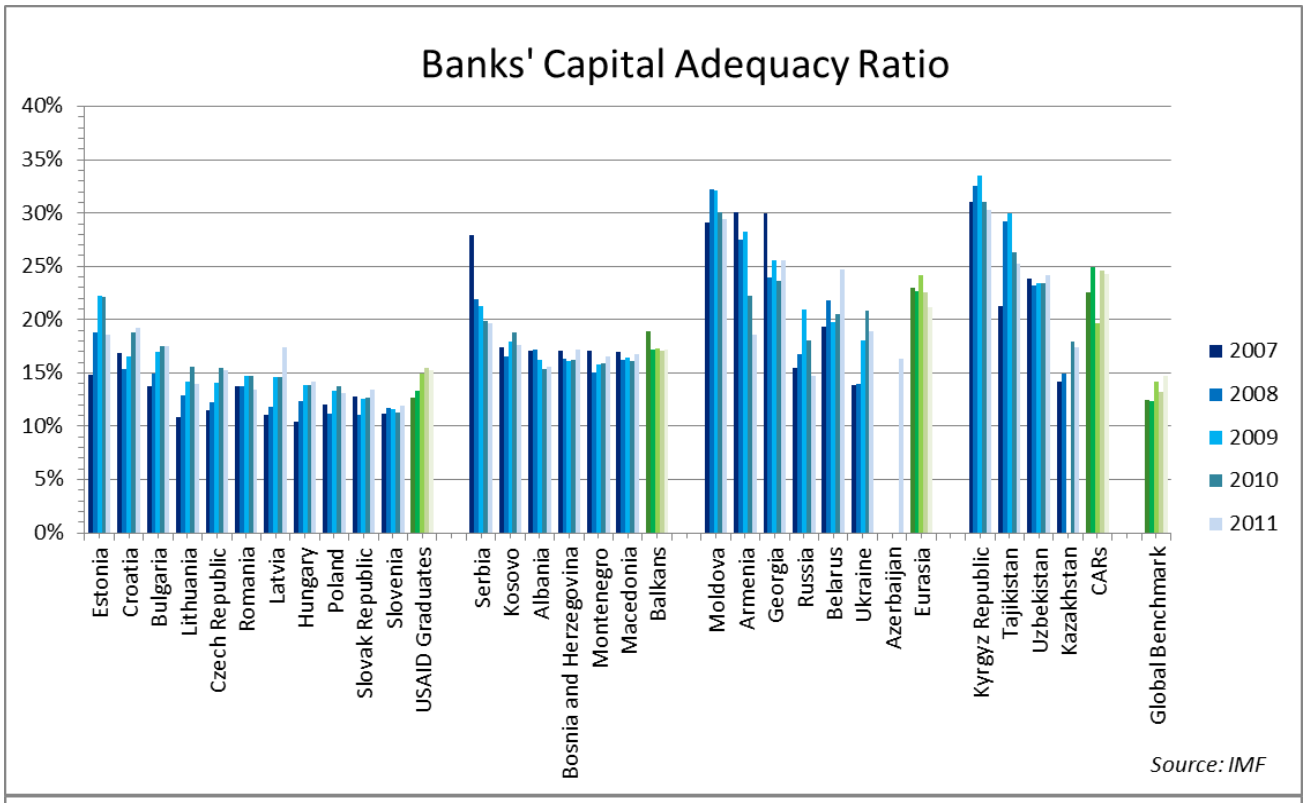

Government Domestic Debt (as % of GDP)
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Hungary
Poland
Slovenia
Croatia
Slovak Republic
Czech Republic
Lithuania
Latvia
Romania
Bulgaria
Estonia
USAID Graduates
Albania
Serbia
Montenegro
Bosnia and Herzegovina
Macedonia
Balkans
Belarus
Ukraine
Georgia
Armenia
Moldova
Russia
Azerbaijan
Eurasia
Kyrgyz Republic
Tajikistan
Turkmenistan
Kazakhstan
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

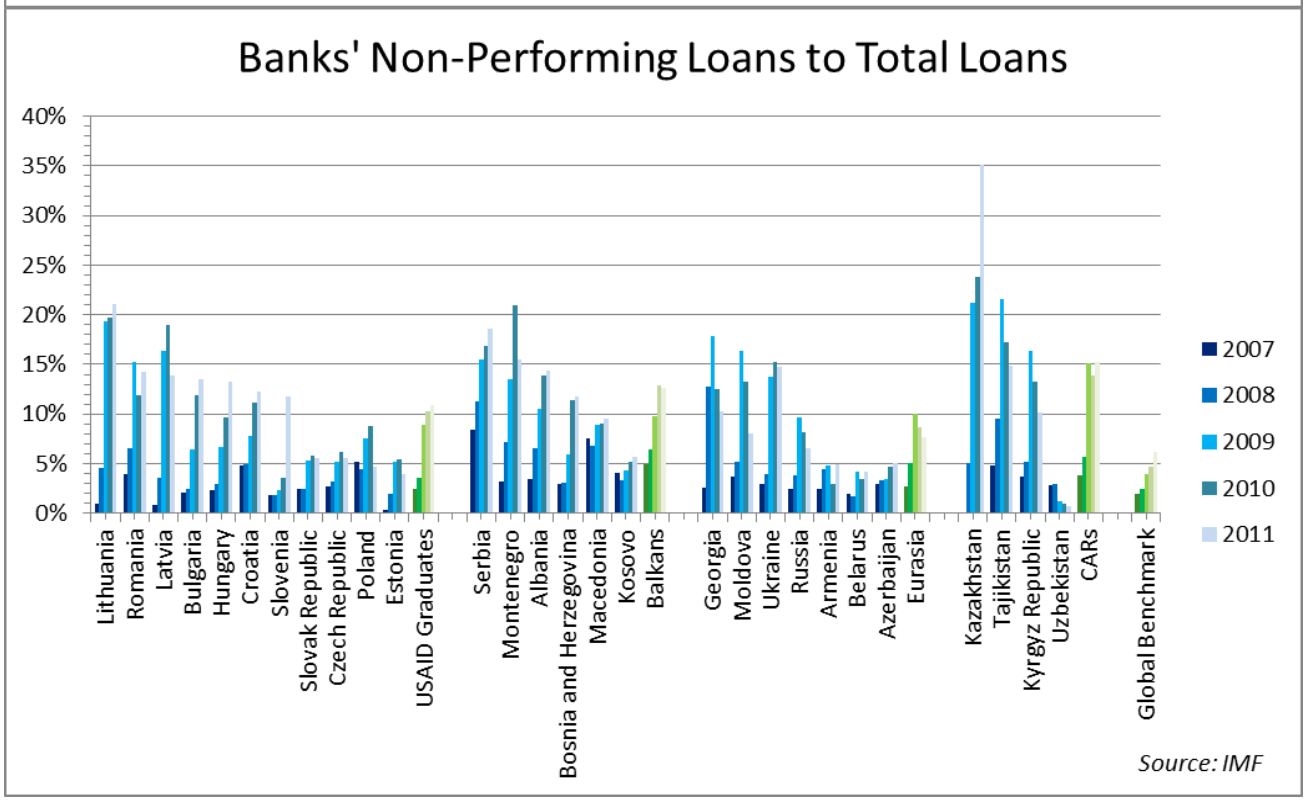

External Debt (as % of GDP)
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
Latvia
Hungary
Estonia
Slovenia
Bulgaria
Croatia
Lithuania
Slovak Republic
Romania
Poland
Czech Republic
USAID Graduates
Montenegro
Serbia
Macedonia
Albania
Bosnia and Herzegovina
Kosovo
Balkans
Ukraine
Armenia
Moldova
Belarus
Georgia
Russia
Azerbaijan
Eurasia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Turkmenistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: Central Banks

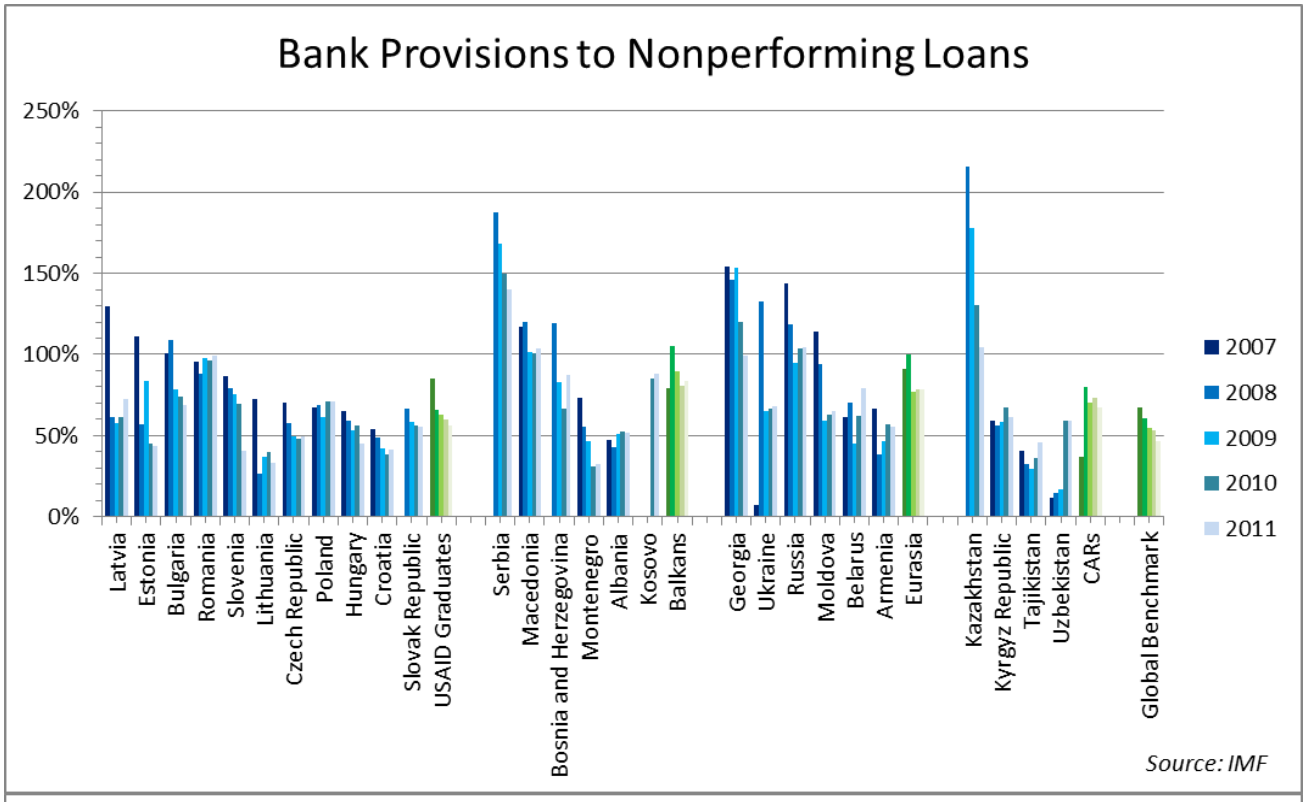

Net Foreign Direct Investment (as % of GDP)
40%
30%
20%
10%
0%
-10%
-20%
Bulgaria
Croatia
Latvia
Czech Republic
Estonia
Poland
Romania
Slovak Republic
Lithuania
Hungary
Slovenia
USAID Graduates
Montenegro
Bosnia and Herzegovina
Kosovo
Macedonia
Serbia
Albania
Balkans
Georgia
Moldova
Armenia
Ukraine
Belarus
Russia
Azerbaijan
Eurasia
Kazakhstan
Tajikistan
Kyrgyz Republic
Turkmenistan
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Sources: Central Banks, EBRD

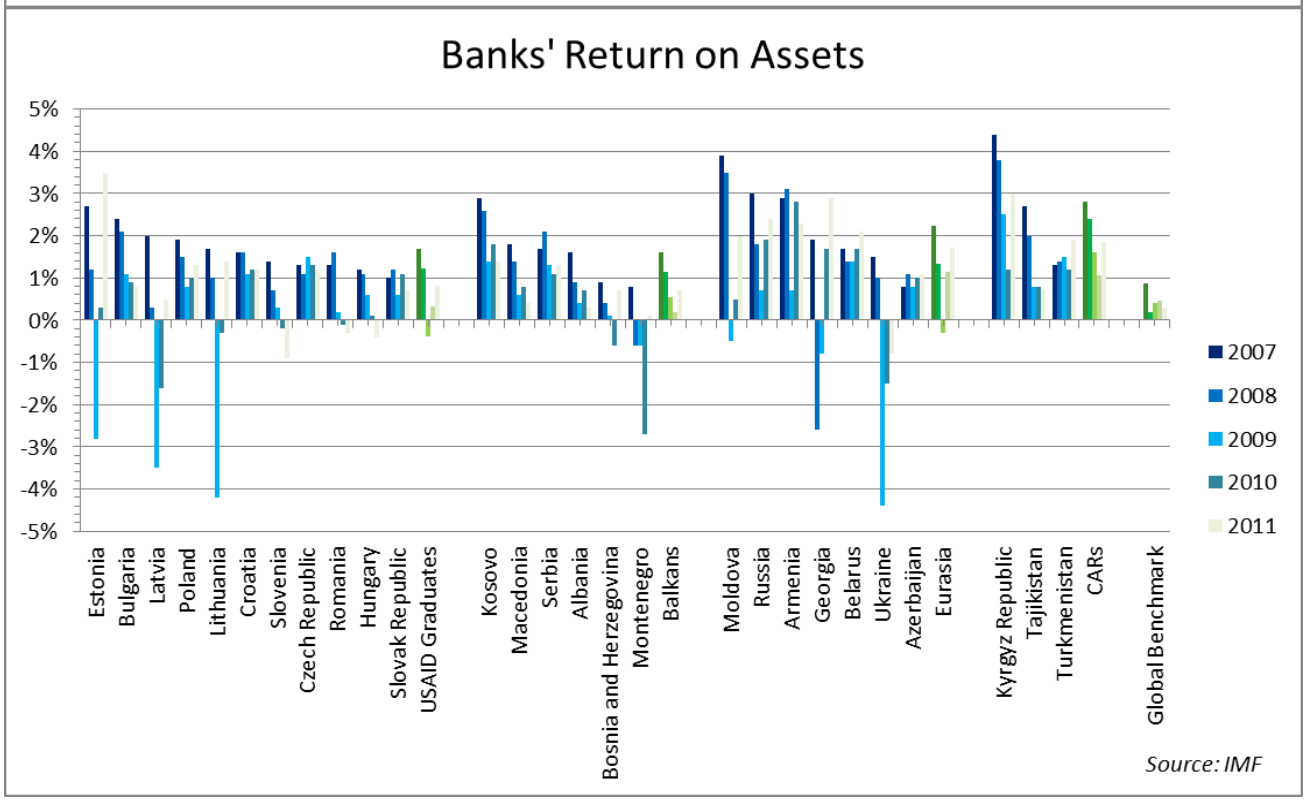

Unemployment rate (as % of total labor force)
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Latvia
Lithuania
Estonia
Slovak Republic
Croatia
Bulgaria
Hungary
Poland
Romania
Czech Republic
Slovenia
USAID Graduates
Kosovo
Macedonia
Bosnia and Herzegovina
Serbia
Albania
Montenegro
Balkans
Armenia
Georgia
Azerbaijan
Ukraine
Russia
Moldova
Belarus
Eurasia
Kyrgyz Republic
Kazakhstan
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

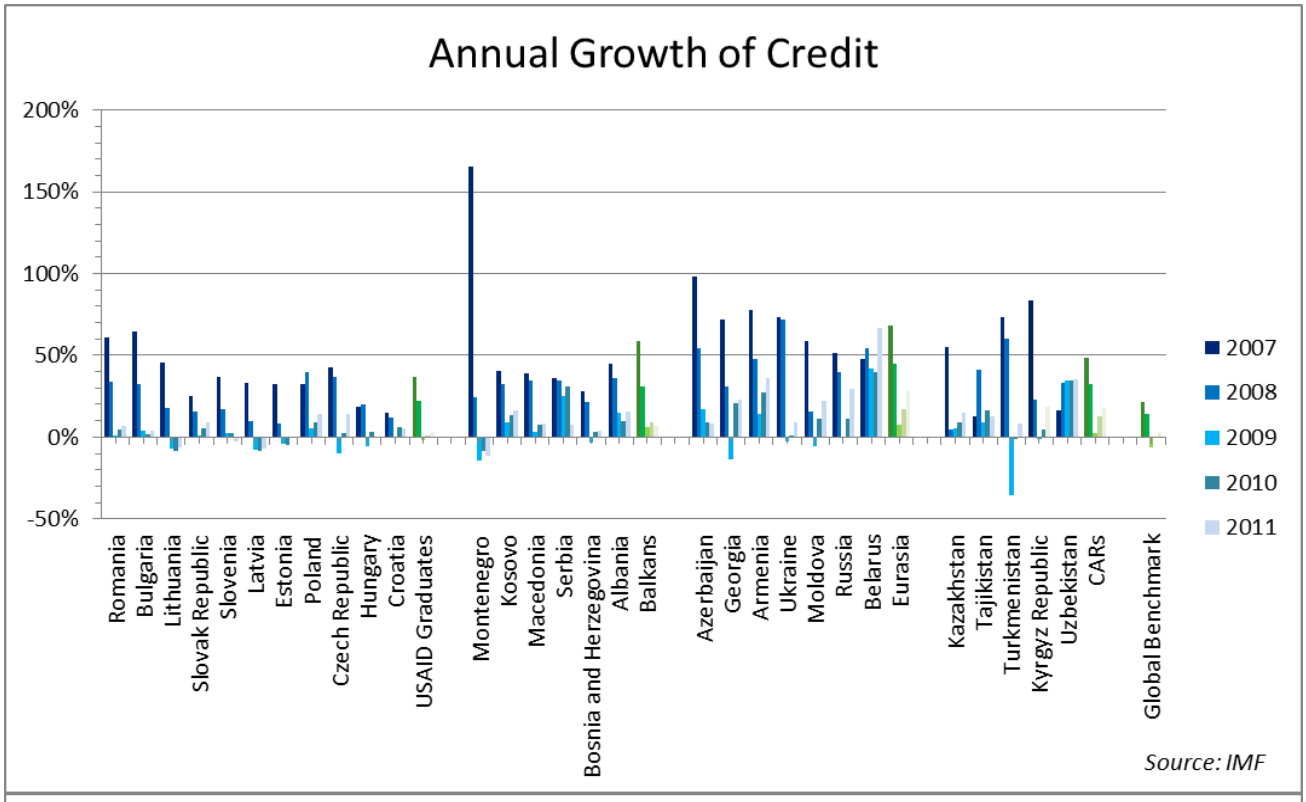
**Financial Sector Benchmarking Indicators**

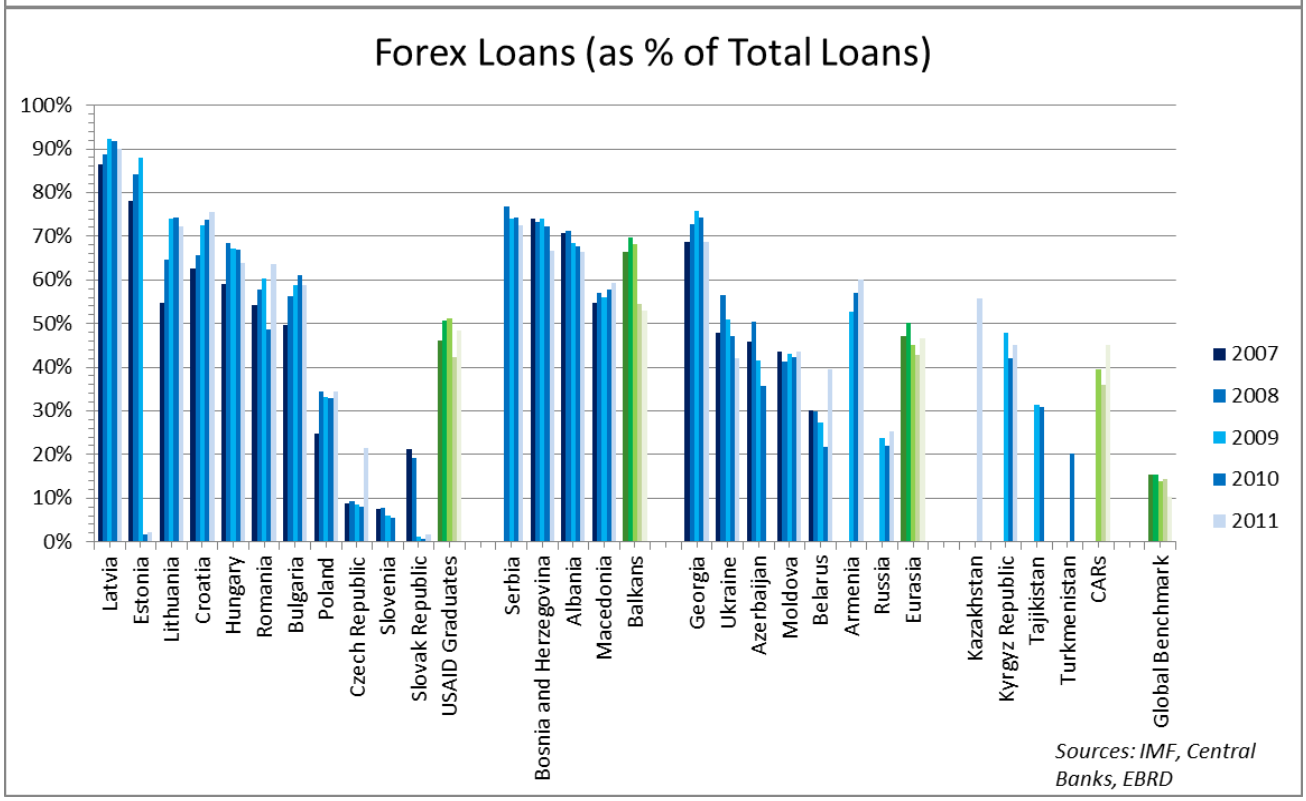


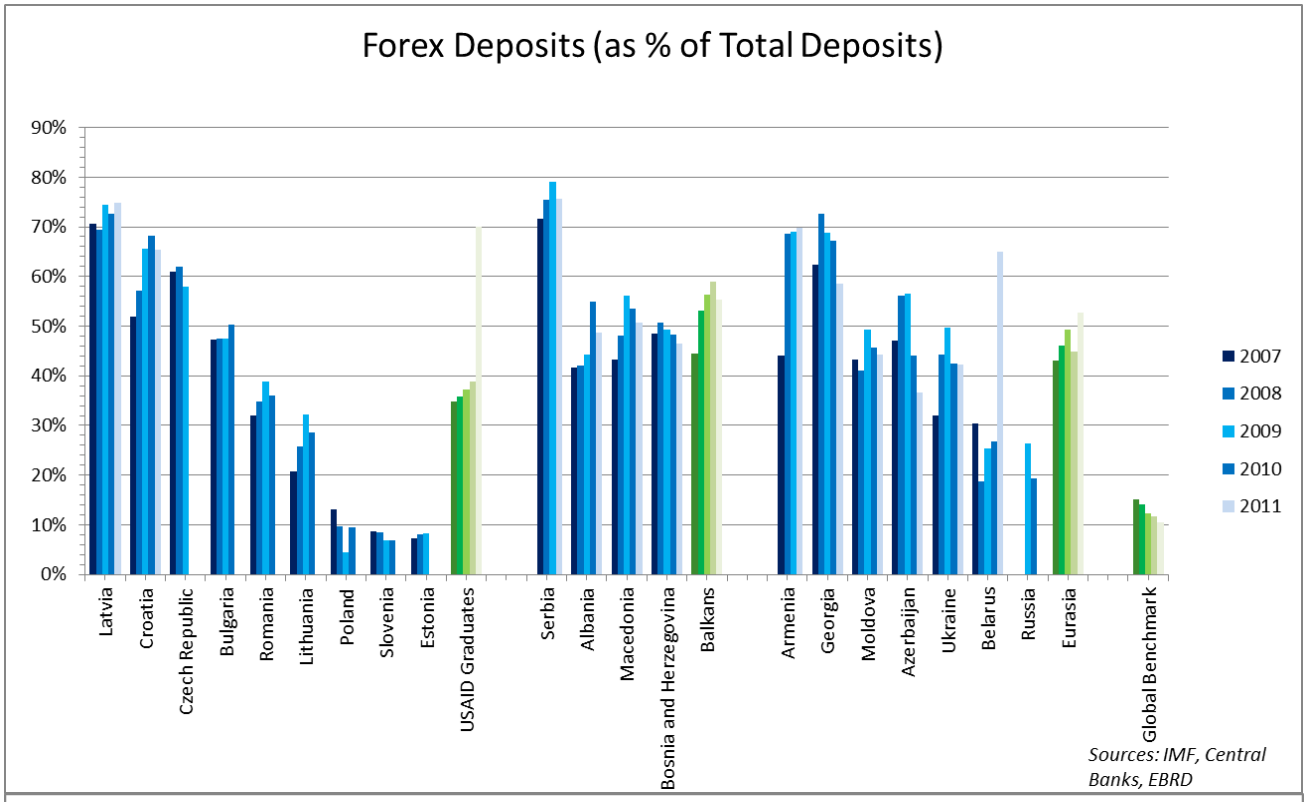



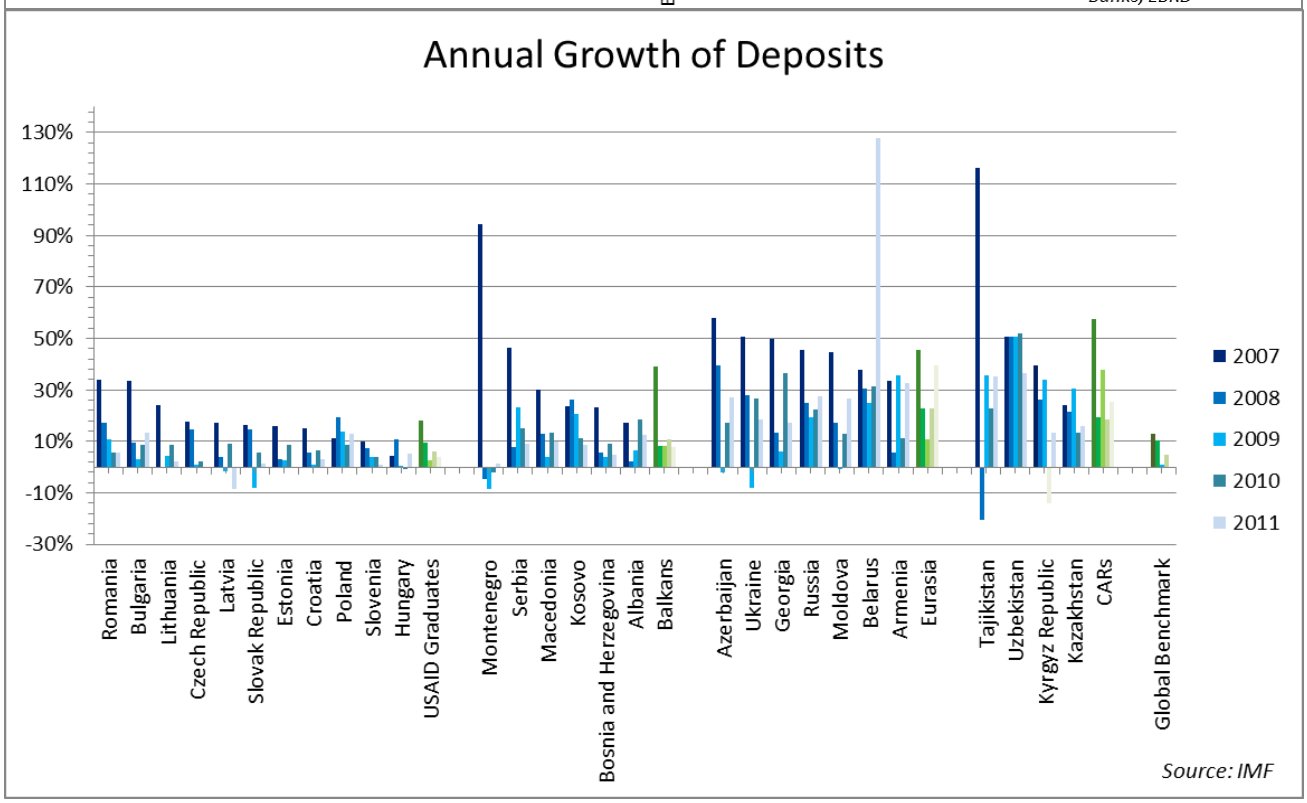

Bank Provisions to Nonperforming Loans
250%
200%
150%
100%
50%
0%
Latvia
Estonia
Bulgaria
Romania
Slovenia
Lithuania
Czech Republic
Poland
Hungary
Croatia
Slovak Republic
USAID Graduates
Serbia
Macedonia
Bosnia and Herzegovina
Montenegro
Albania
Kosovo
Balkans
Georgia
Ukraine
Russia
Moldova
Belarus
Armenia
Eurasia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

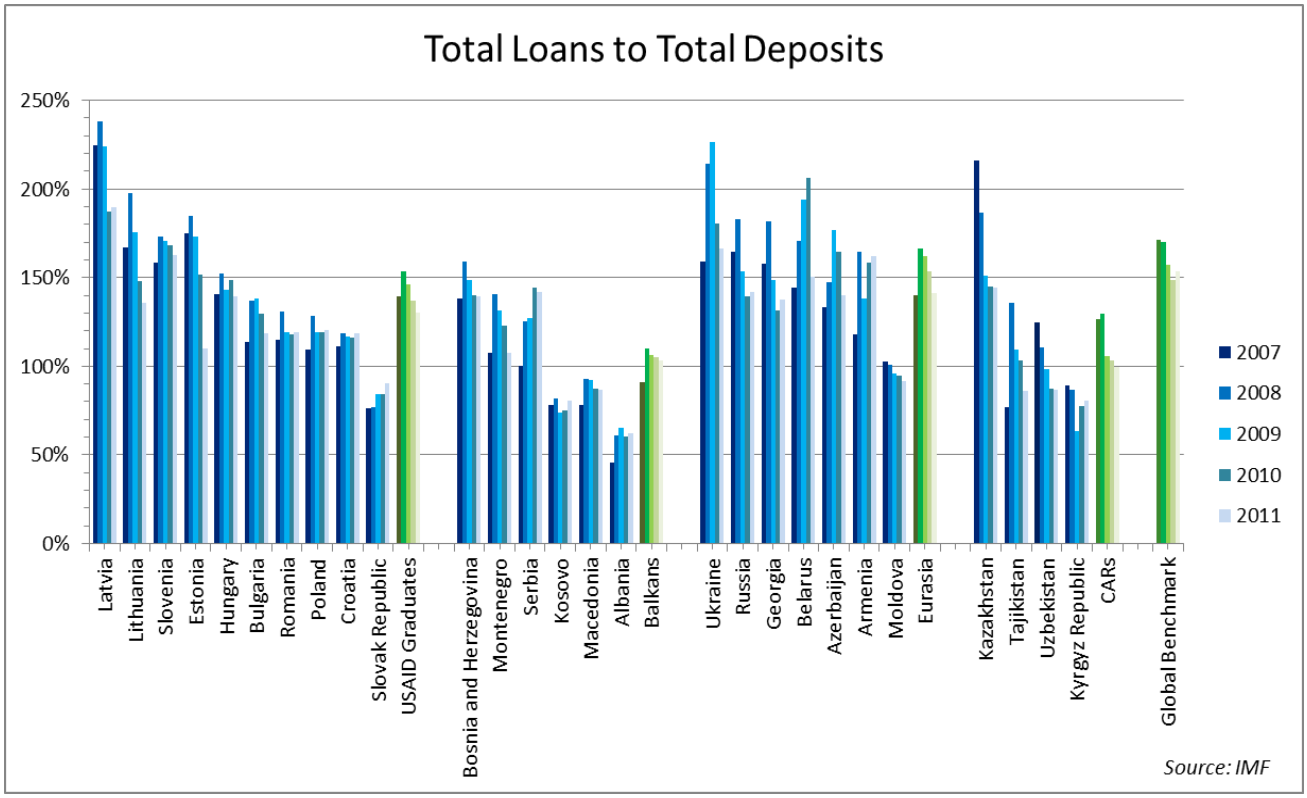

Banks' Return on Assets
5%
4%
3%
2%
1%
0%
-1%
-2%
-3%
-4%
-5%
Estonia
Bulgaria
Latvia
Poland
Lithuania
Croatia
Slovenia
Czech Republic
Romania
Hungary
Slovak Republic
USAID Graduates
Kosovo
Macedonia
Serbia
Albania
Bosnia and Herzegovina
Montenegro
Balkans
Moldova
Russia
Armenia
Georgia
Belarus
Ukraine
Azerbaijan
Eurasia
Kyrgyz Republic
Tajikistan
Turkmenistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF


Annual Growth of Credit
200%
150%
100%
50%
0%
-50%
Romania
Bulgaria
Lithuania
Slovak Republic
Slovenia
Latvia
Estonia
Poland
Czech Republic
Hungary
Croatia
USAID Graduates
Montenegro
Kosovo
Macedonia
Serbia
Bosnia and Herzegovina
Albania
Balkans
Azerbaijan
Georgia
Armenia
Ukraine
Moldova
Russia
Belarus
Eurasia
Kazakhstan
Tajikistan
Turkmenistan
Kyrgyz Republic
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

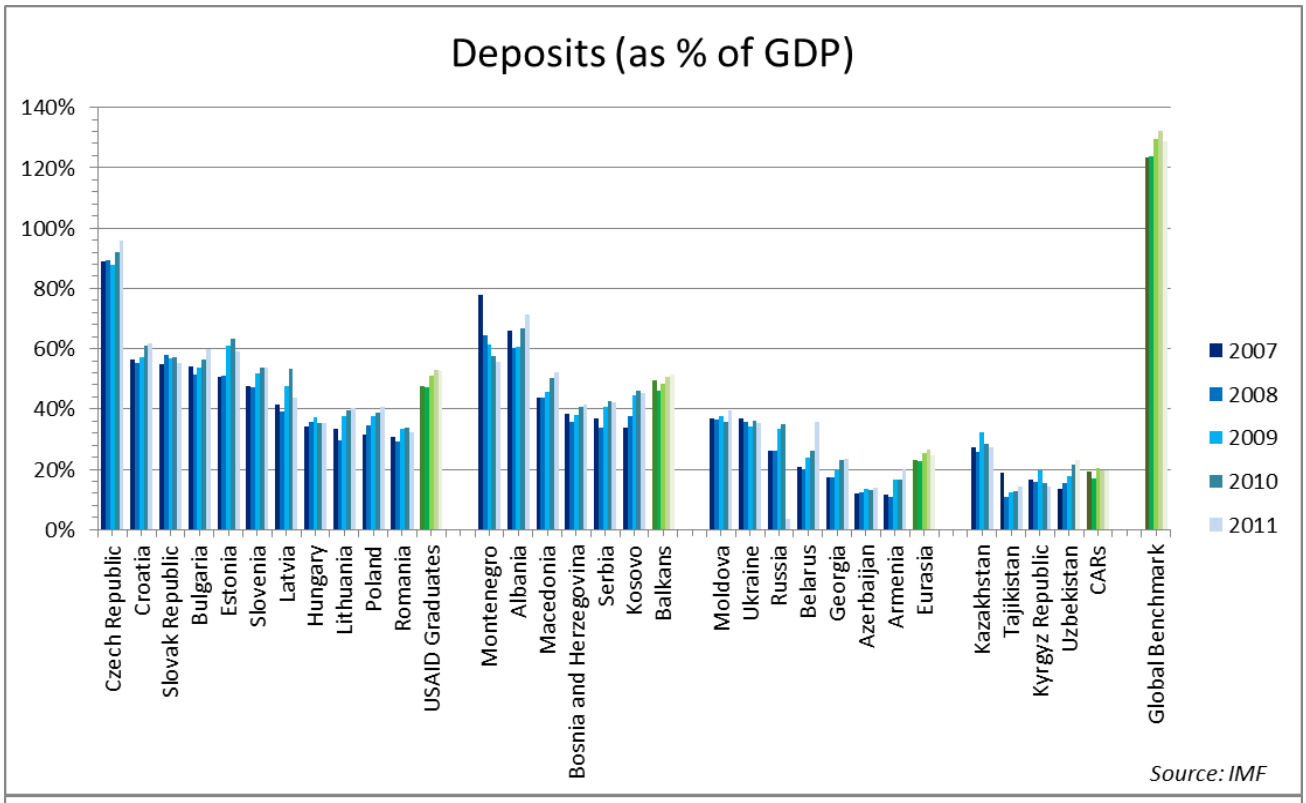

Forex Loans (as % of Total Loans)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Latvia
Estonia
Lithuania
Croatia
Hungary
Romania
Bulgaria
Poland
Czech Republic
Slovenia
Slovak Republic
USAID Graduates
Serbia
Bosnia and Herzegovina
Albania
Macedonia
Balkans
Georgia
Ukraine
Azerbaijan
Moldova
Belarus
Armenia
Russia
Eurasia
Kazakhstan
Kyrgyz Republic
Tajikistan
Turkmenistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Sources: IMF, Central Banks, EBRD

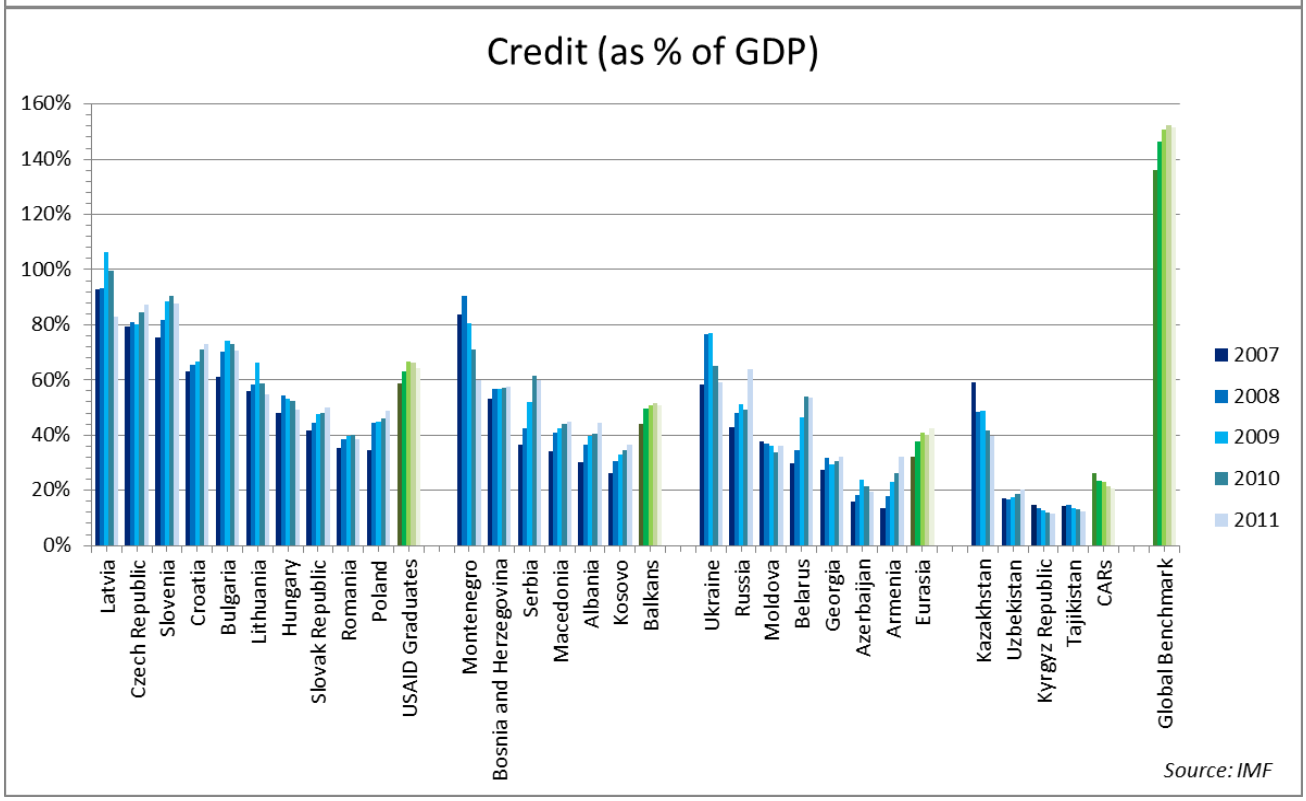

Forex Deposits (as % of Total Deposits)
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Latvia
Croatia
Czech Republic
Bulgaria
Romania
Lithuania
Poland
Slovenia
Estonia
USAID Graduates
Serbia
Albania
Macedonia
Bosnia and Herzegovina
Balkans
Armenia
Georgia
Moldova
Azerbaijan
Ukraine
Belarus
Russia
Eurasia
Global Benchmark
2007
2008
2009
2010
2011
Sources: IMF, Central Banks, EBRD

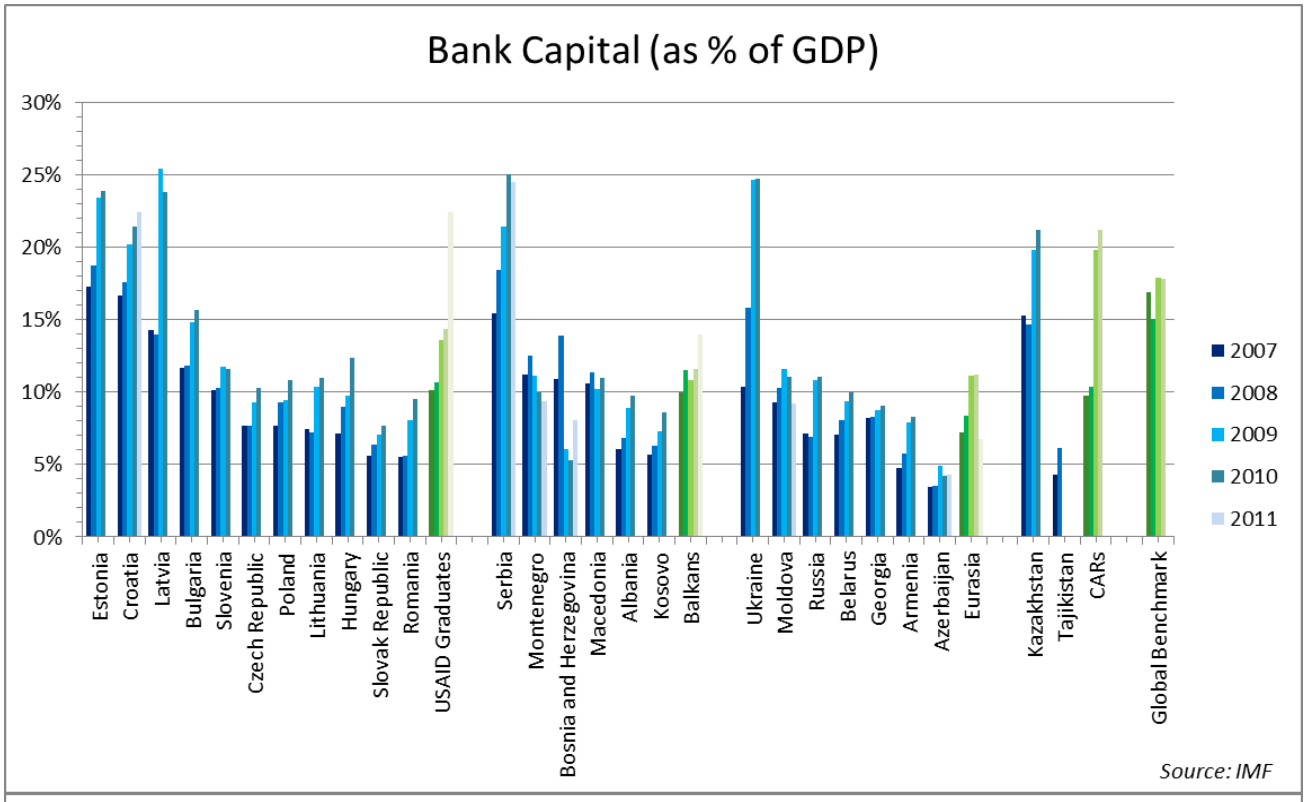

Annual Growth of Deposits
130%
110%
90%
70%
50%
30%
10%
-10%
-30%
Romania
Bulgaria
Lithuania
Czech Republic
Latvia
Slovak Republic
Estonia
Croatia
Poland
Slovenia
Hungary
USAID Graduates
Montenegro
Serbia
Macedonia
Kosovo
Bosnia and Herzegovina
Albania
Balkans
Azerbaijan
Ukraine
Georgia
Russia
Moldova
Belarus
Armenia
Eurasia
Tajikistan
Uzbekistan
Kyrgyz Republic
Kazakhstan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

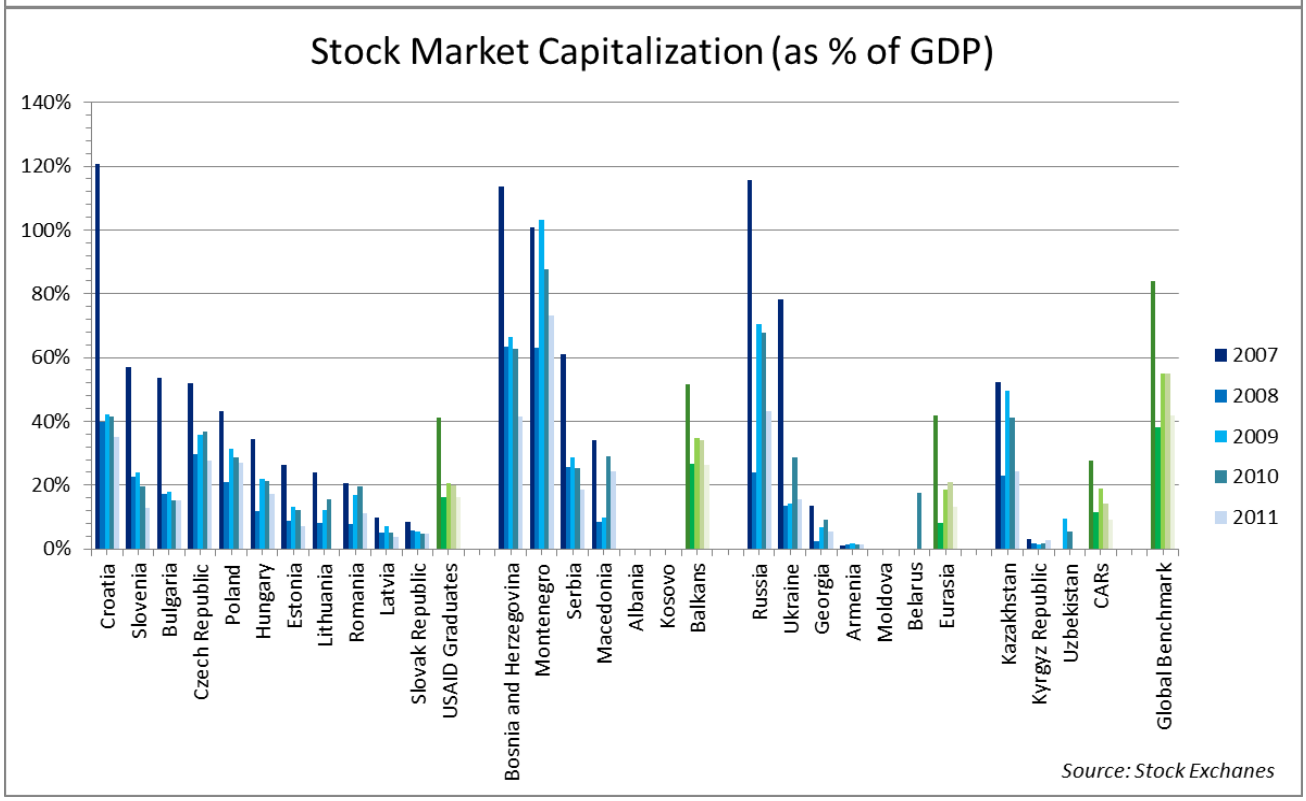

Total Loans to Total Deposits
250%
200%
150%
100%
50%
0%
Latvia
Lithuania
Slovenia
Estonia
Hungary
Bulgaria
Romania
Poland
Croatia
Slovak Republic
USAID Graduates
Bosnia and Herzegovina
Montenegro
Serbia
Kosovo
Macedonia
Albania
Balkans
Ukraine
Russia
Georgia
Belarus
Azerbaijan
Armenia
Moldova
Eurasia
Kazakhstan
Tajikistan
Uzbekistan
Kyrgyz Republic
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

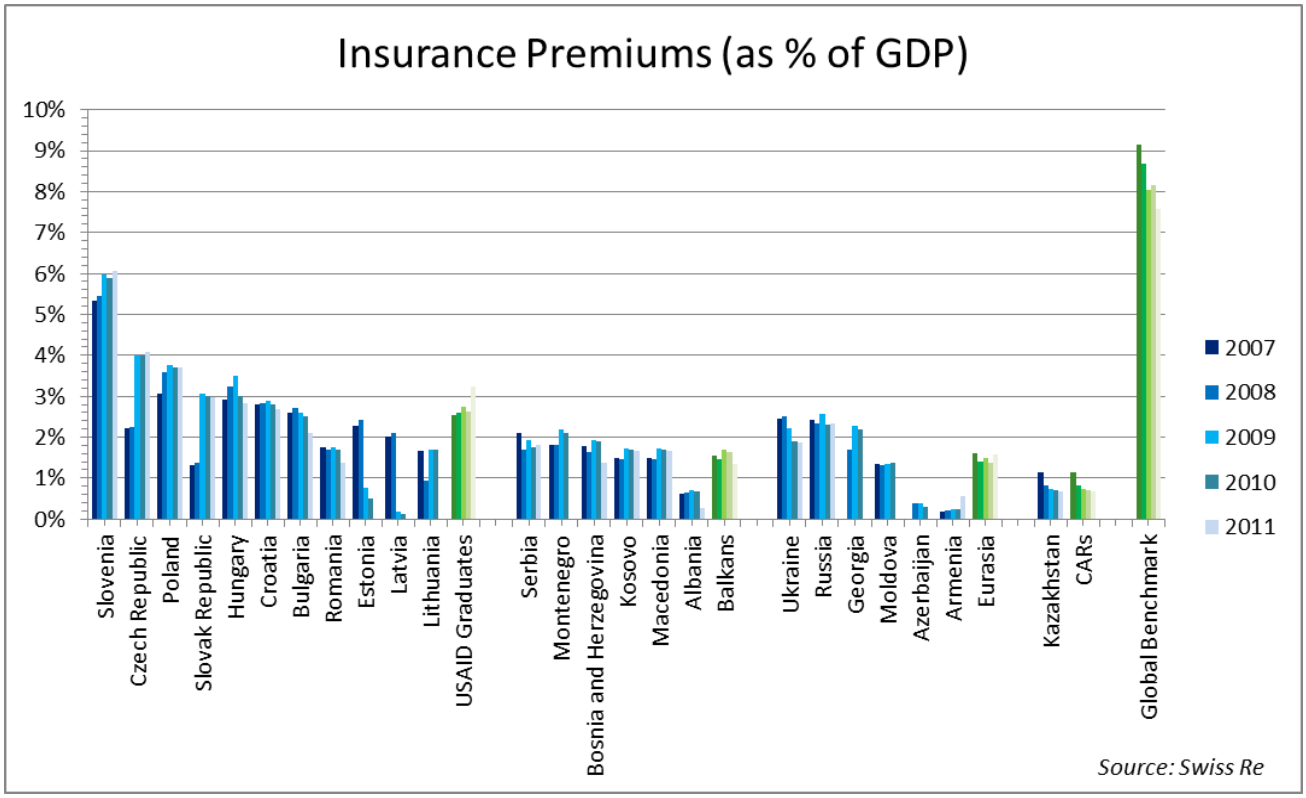
## Financial Sector Size



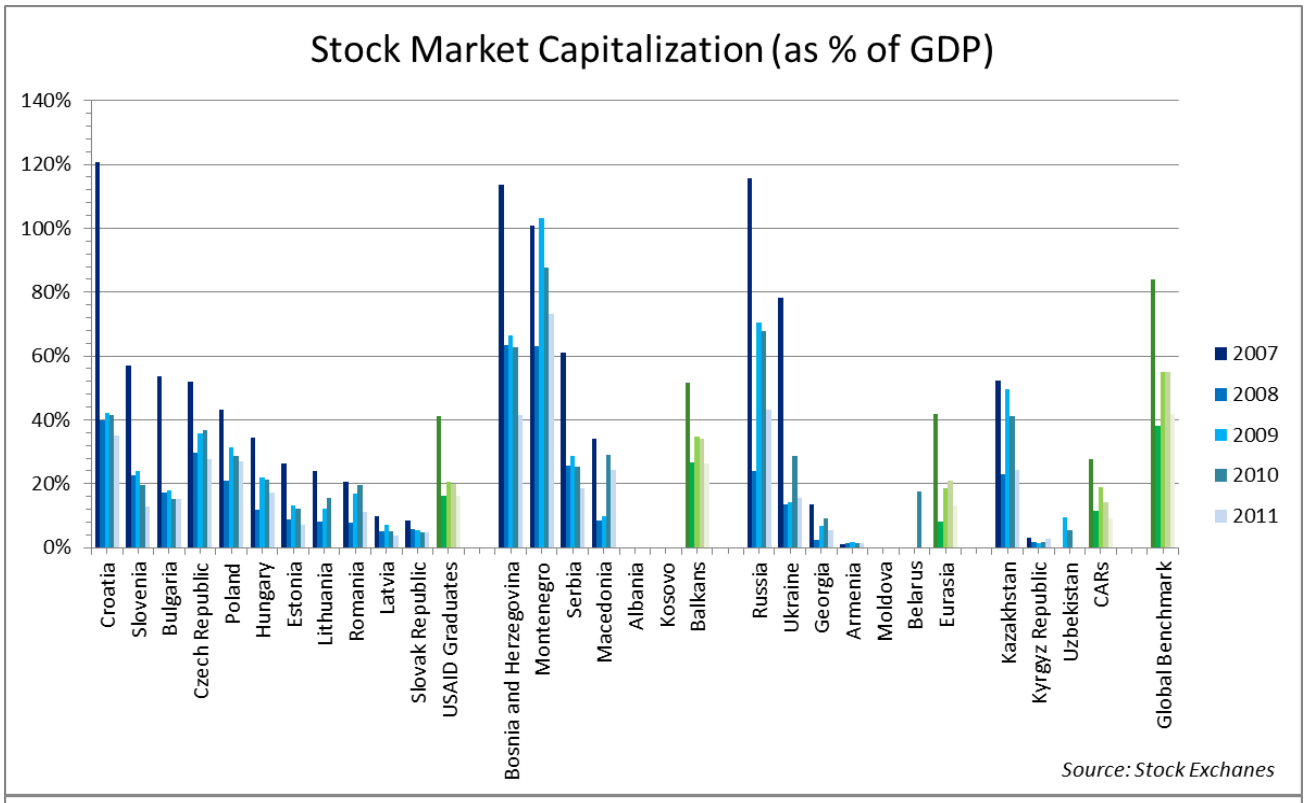



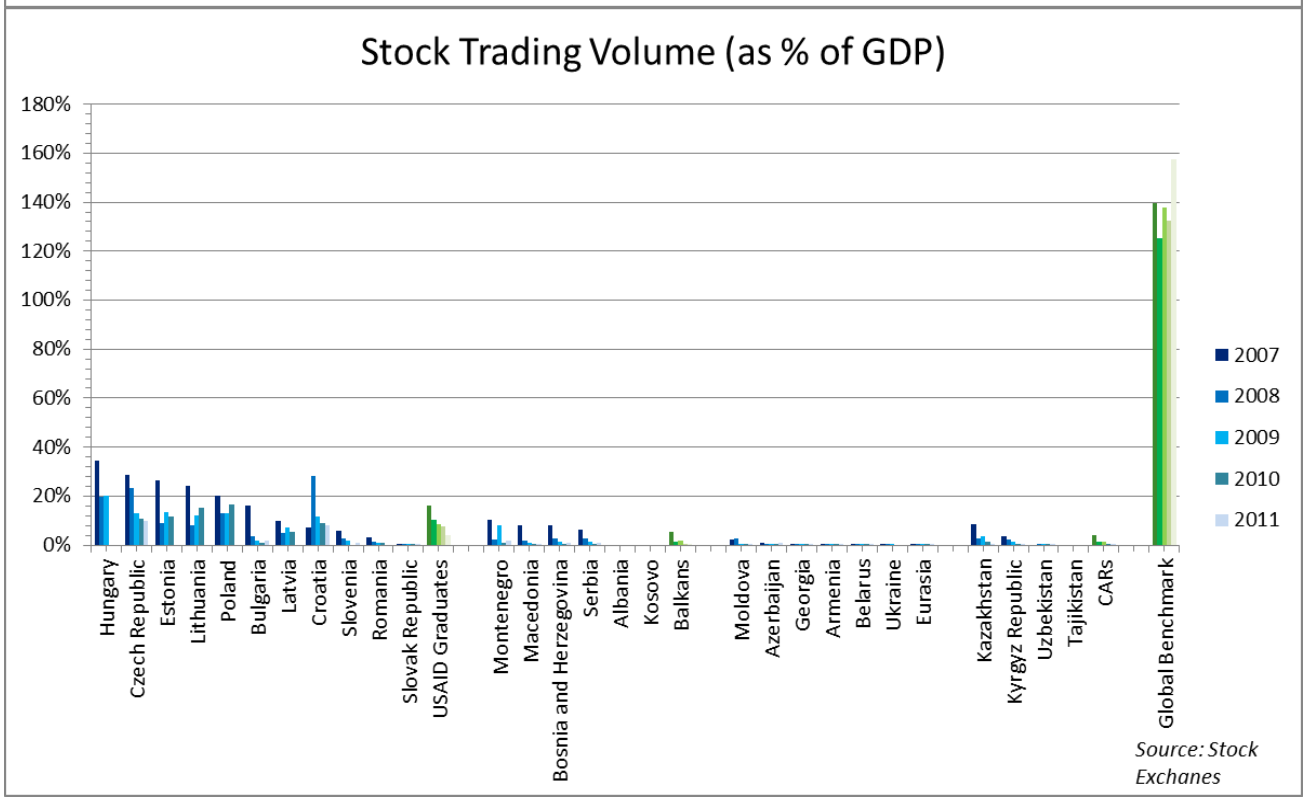

Bank Capital (as % of GDP)
30%
25%
20%
15%
10%
5%
0%
Estonia
Croatia
Latvia
Bulgaria
Slovenia
Czech Republic
Poland
Lithuania
Hungary
Slovak Republic
Romania
USAID Graduates
Serbia
Montenegro
Bosnia and Herzegovina
Macedonia
Albania
Kosovo
Balkans
Ukraine
Moldova
Russia
Belarus
Georgia
Armenia
Azerbaijan
Eurasia
Kazakhstan
Tajikistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

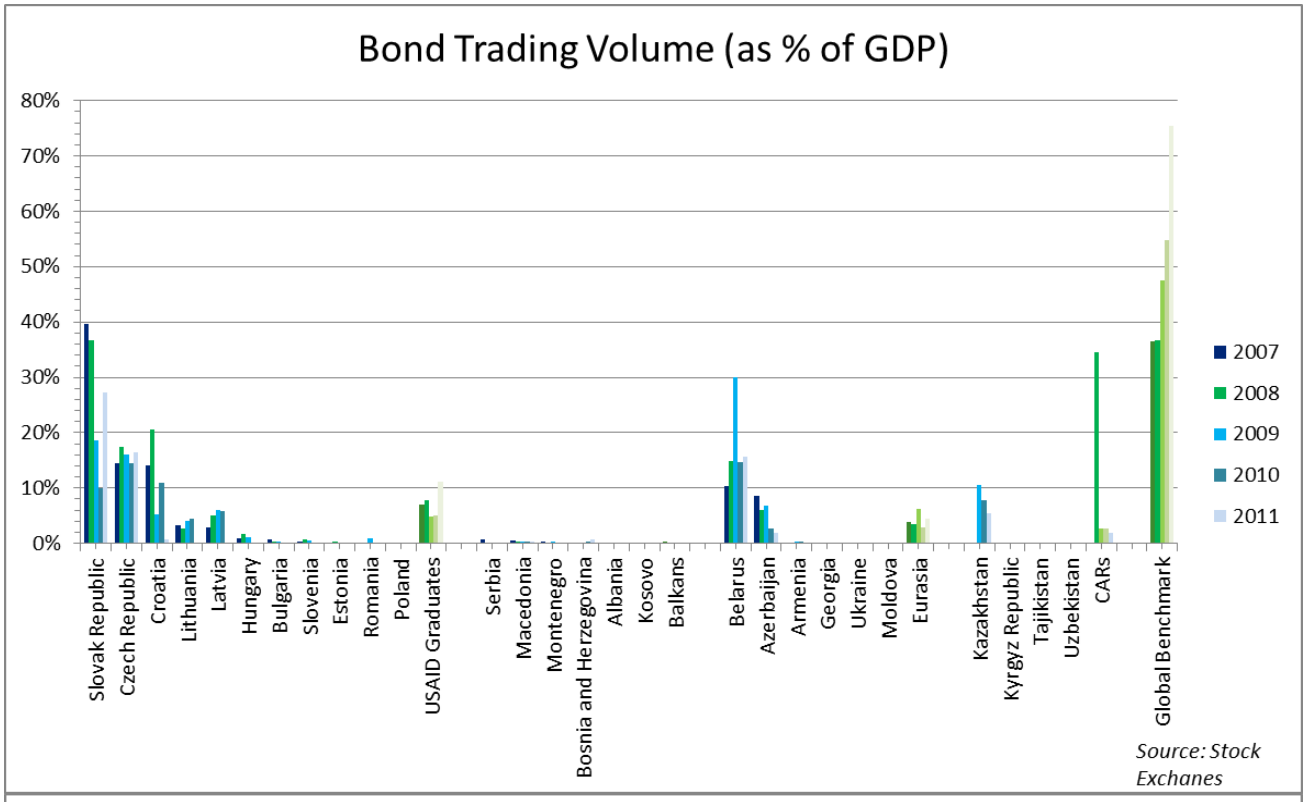

Stock Market Capitalization (as % of GDP)
140%
120%
100%
80%
60%
40%
20%
0%
Croatia
Slovenia
Bulgaria
Czech Republic
Poland
Hungary
Estonia
Lithuania
Romania
Latvia
Slovak Republic
USAID Graduates
Bosnia and Herzegovina
Montenegro
Serbia
Macedonia
Albania
Kosovo
Balkans
Russia
Ukraine
Georgia
Armenia
Moldova
Belarus
Eurasia
Kazakhstan
Kyrgyz Republic
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: Stock Exchanes

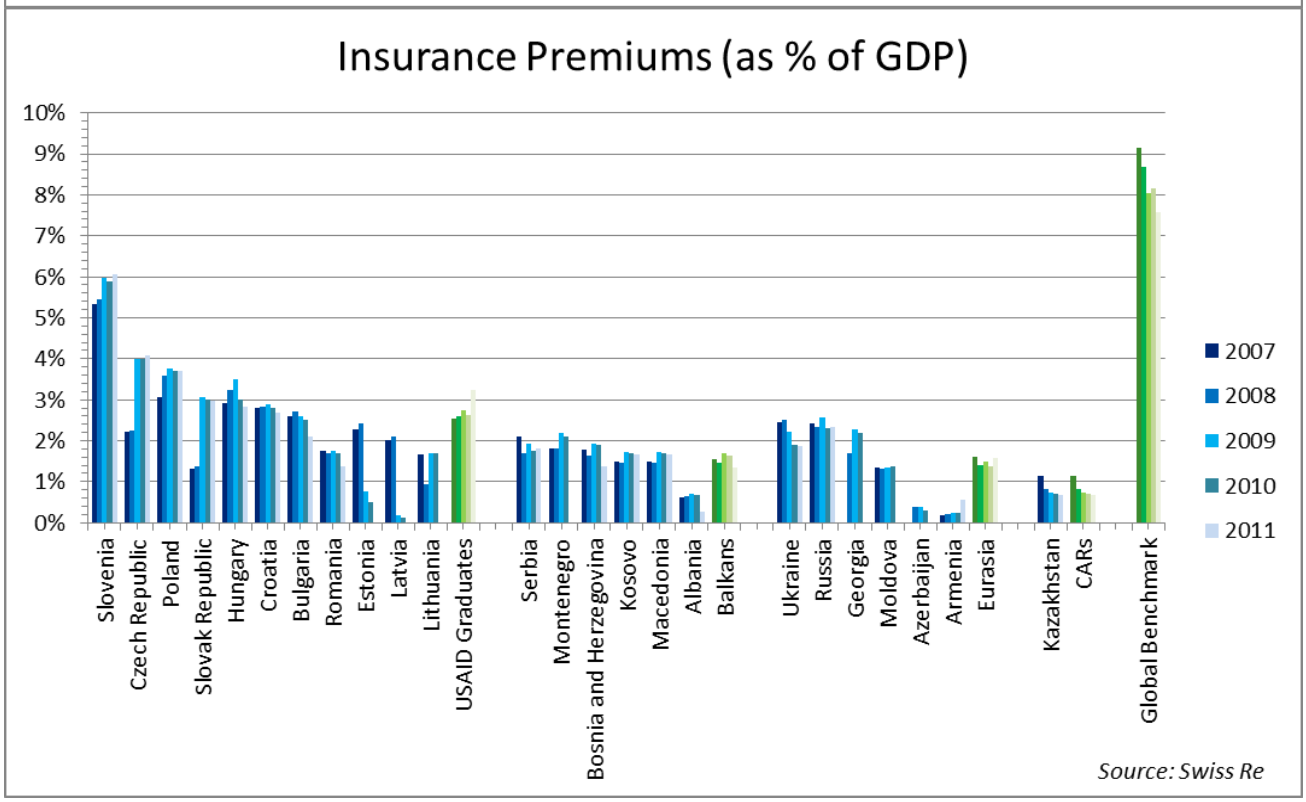

Insurance Premiums (as % of GDP)
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
Slovenia
Czech Republic
Poland
Slovak Republic
Hungary
Croatia
Bulgaria
Romania
Estonia
Latvia
Lithuania
USAID Graduates
Serbia
Montenegro
Bosnia and Herzegovina
Kosovo
Macedonia
Albania
Balkans
Ukraine
Russia
Georgia
Moldova
Azerbaijan
Armenia
Eurasia
Kazakhstan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: Swiss Re

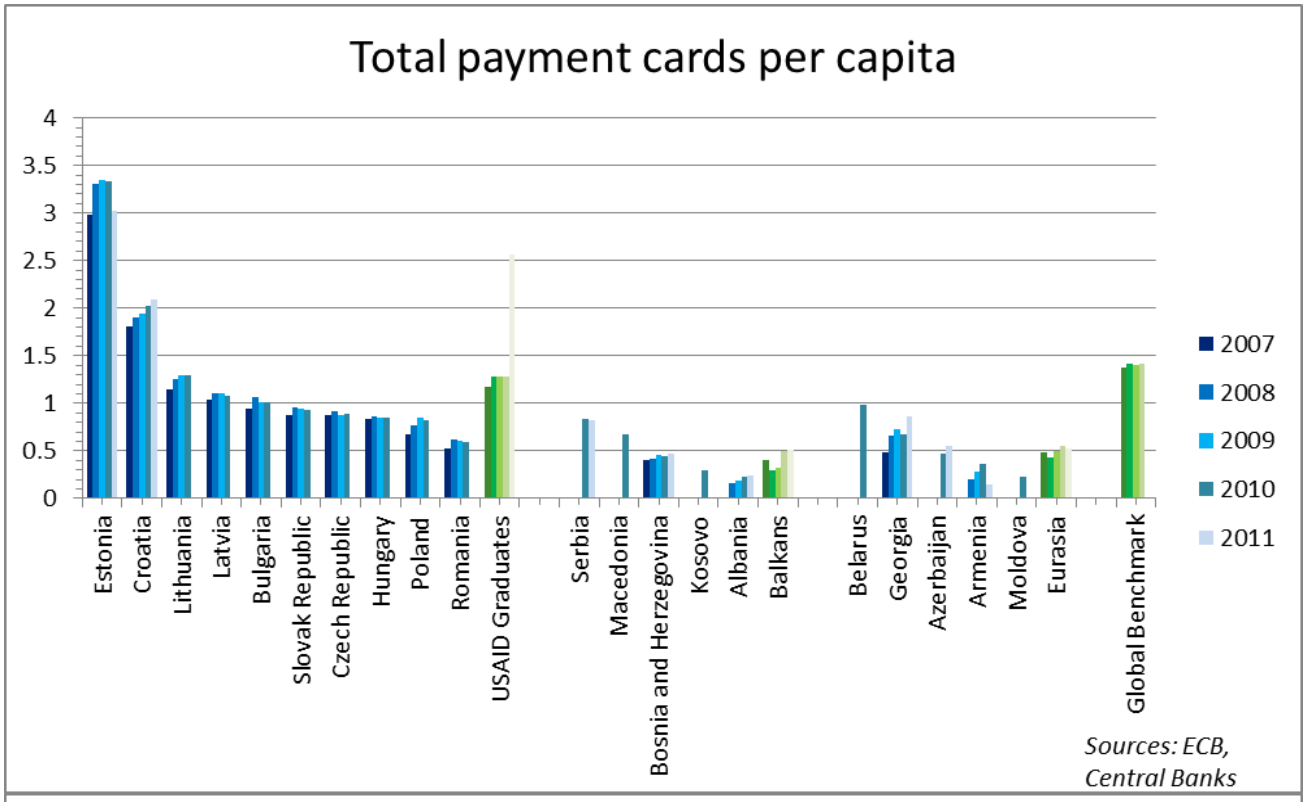
**Sophistication of Financial Services**

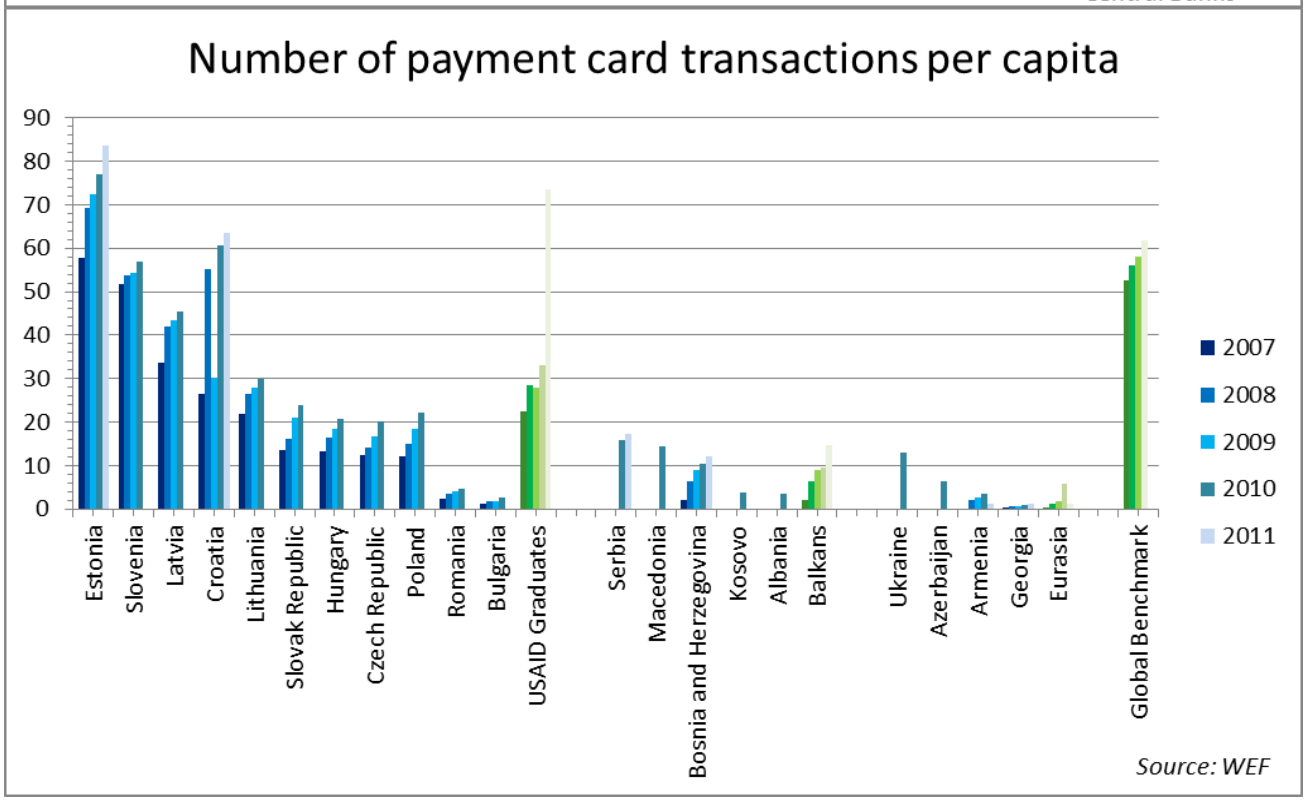


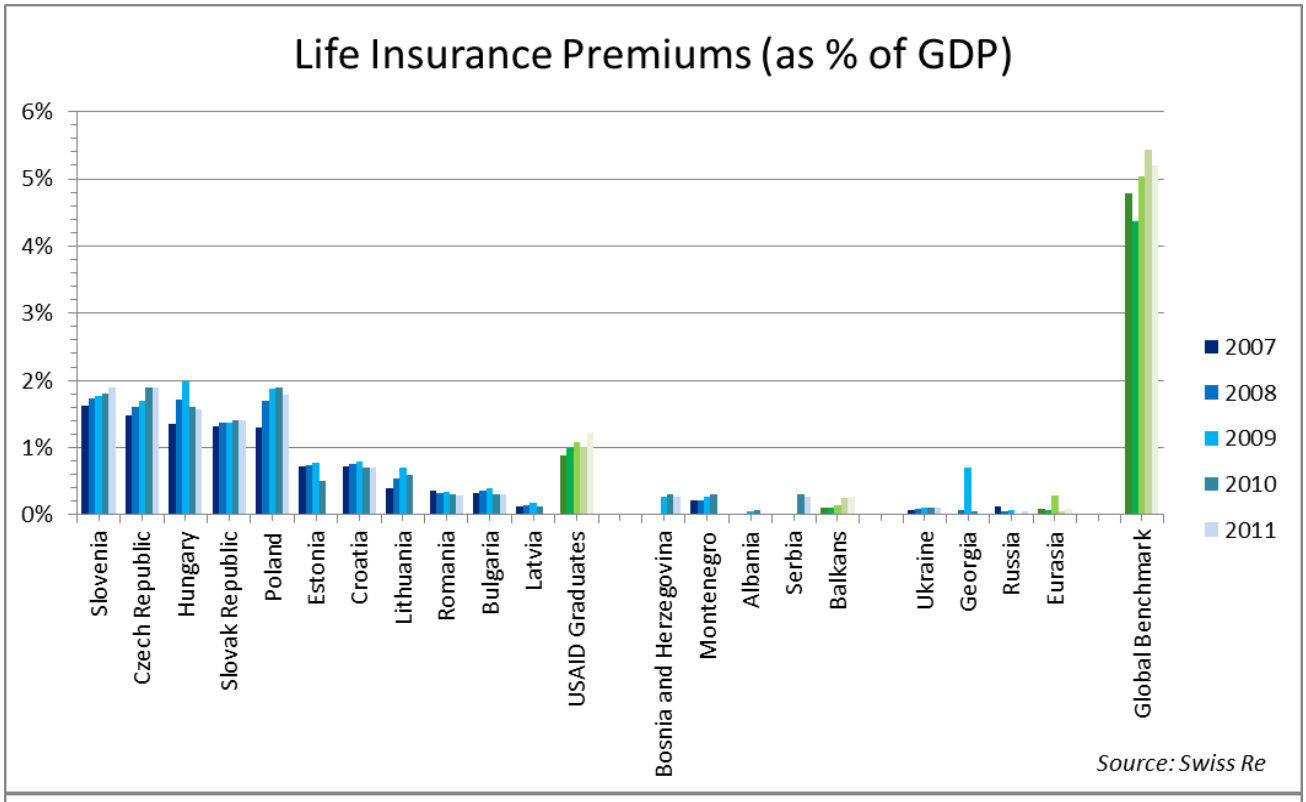



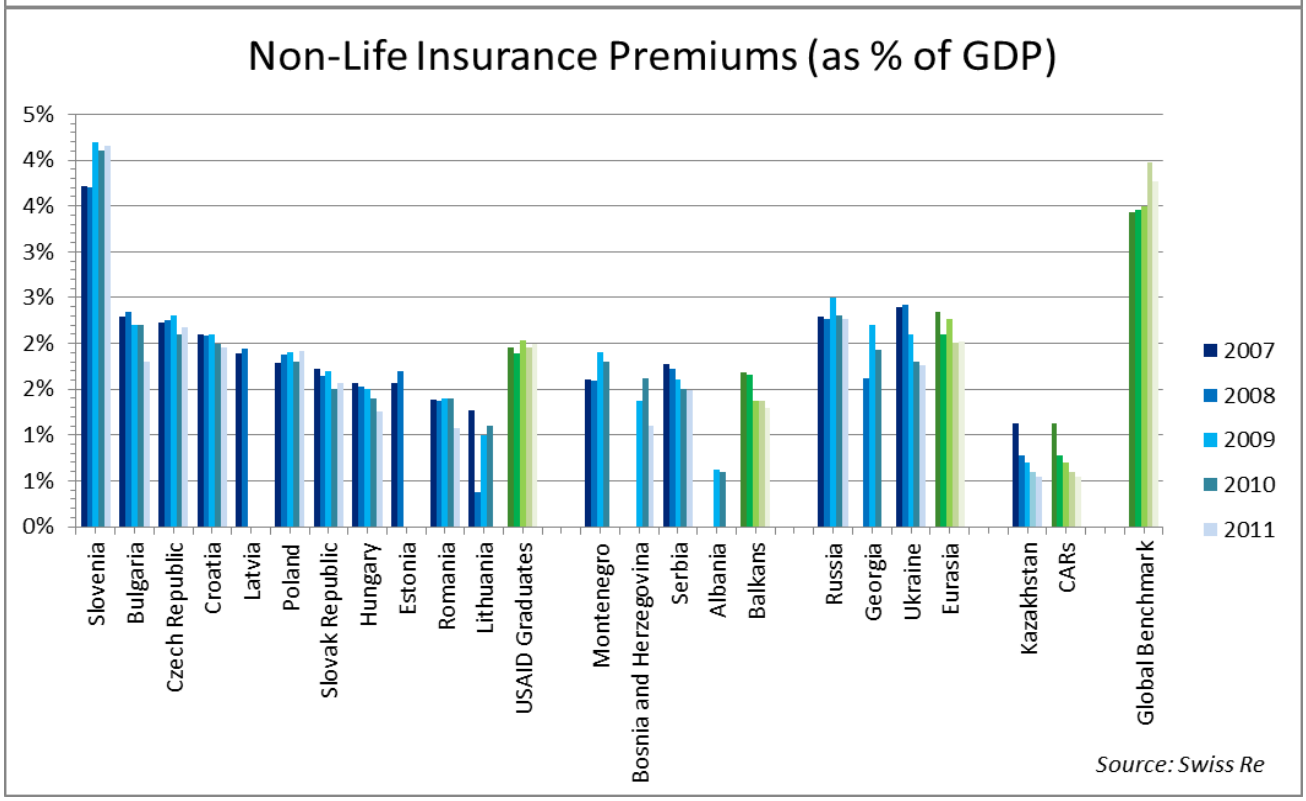

Bond Trading Volume (as % of GDP)
80%
70%
60%
50%
40%
30%
20%
10%
0%
Slovak Republic
Czech Republic
Croatia
Lithuania
Latvia
Hungary
Bulgaria
Slovenia
Estonia
Romania
Poland
USAID Graduates
Serbia
Macedonia
Montenegro
Bosnia and Herzegovina
Albania
Kosovo
Balkans
Belarus
Azerbaijan
Armenia
Georgia
Ukraine
Moldova
Eurasia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: Stock Exchanges

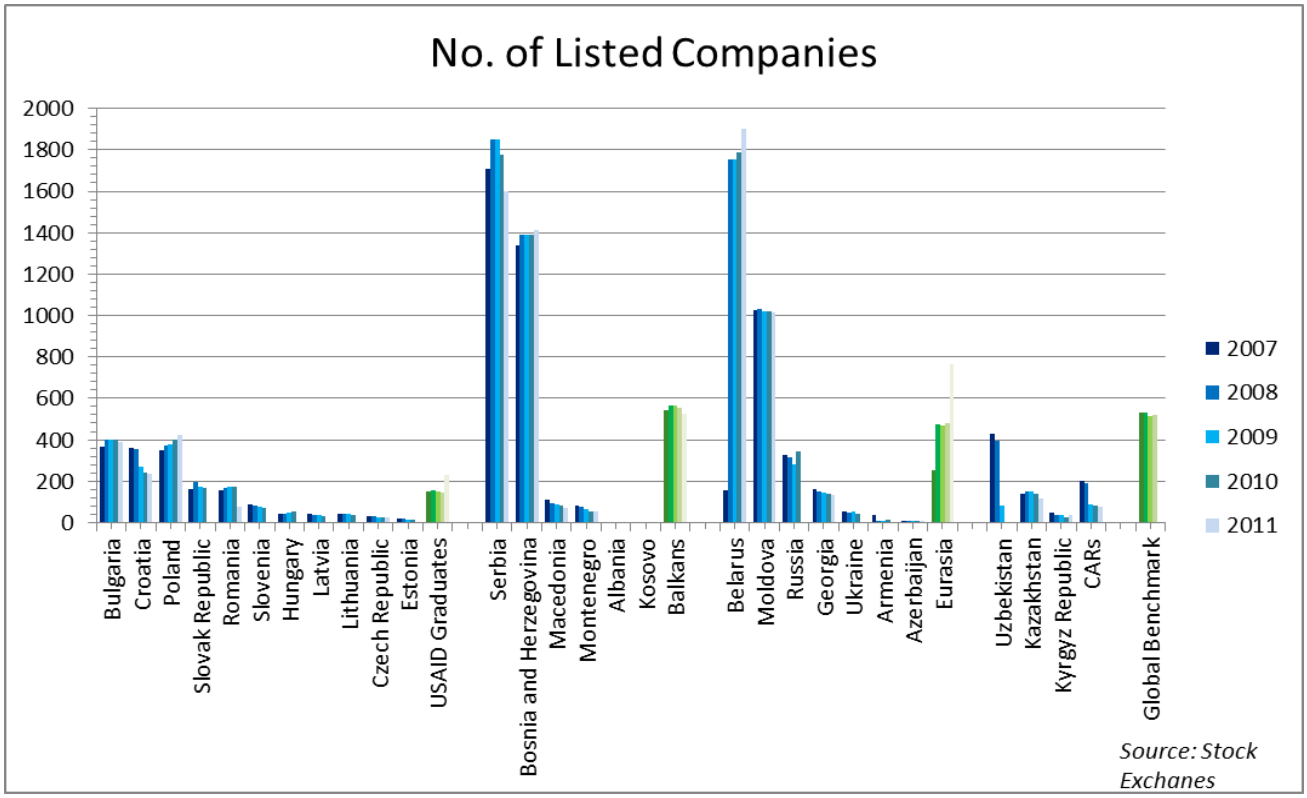

Insurance Premiums (as % of GDP)
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
Slovenia
Czech Republic
Poland
Slovak Republic
Hungary
Croatia
Bulgaria
Romania
Estonia
Latvia
Lithuania
USAID Graduates
Serbia
Montenegro
Bosnia and Herzegovina
Kosovo
Macedonia
Albania
Balkans
Ukraine
Russia
Georgia
Moldova
Azerbaijan
Armenia
Eurasia
Kazakhstan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: Swiss Re


Total payment cards per capita
4
3.5
3
2.5
2
1.5
1
0.5
0
Estonia
Croatia
Lithuania
Latvia
Bulgaria
Slovak Republic
Czech Republic
Hungary
Poland
Romania
USAID Graduates
Serbia
Macedonia
Bosnia and Herzegovina
Kosovo
Albania
Balkans
Belarus
Georgia
Azerbaijan
Armenia
Moldova
Eurasia
Global Benchmark
2007
2008
2009
2010
2011
Sources: ECB, Central Banks

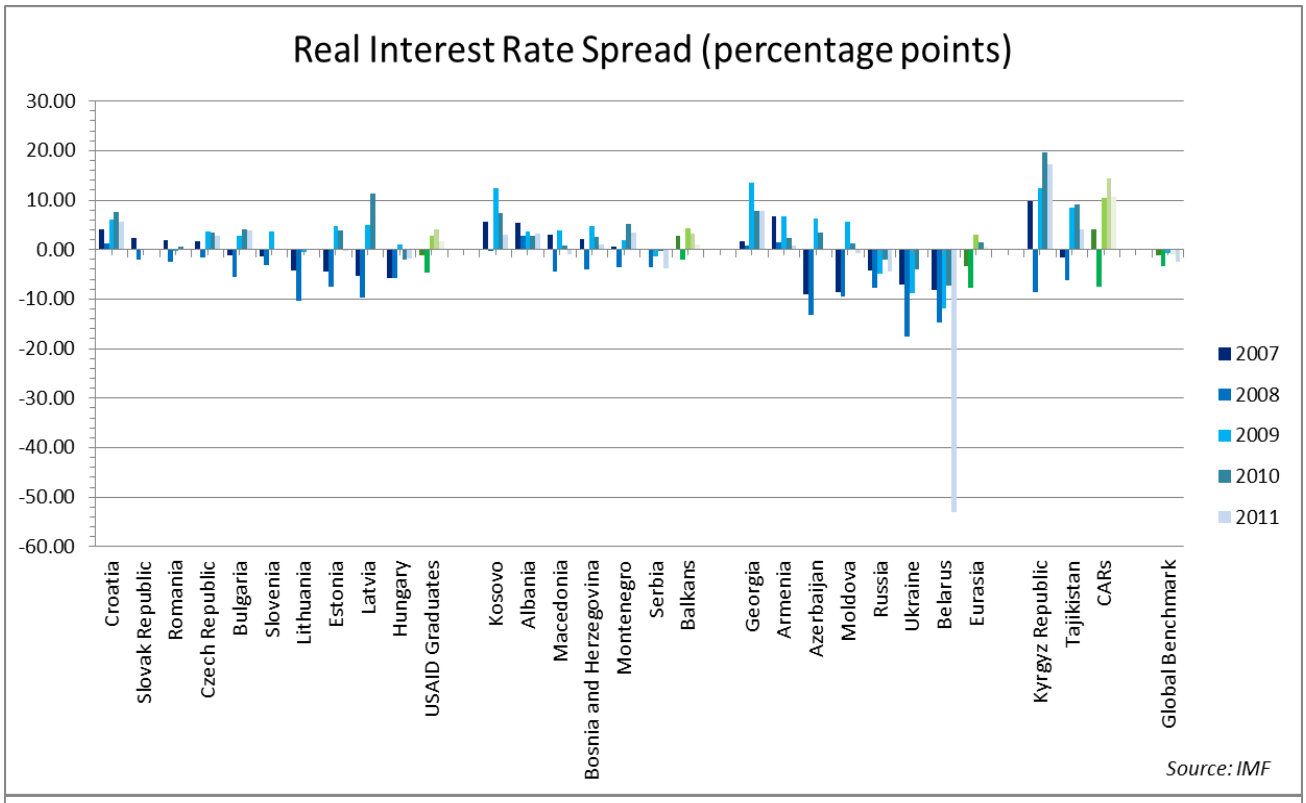

Number of payment card transactions per capita
90
80
70
60
50
40
30
20
10
0
Estonia
Slovenia
Latvia
Croatia
Lithuania
Slovak Republic
Hungary
Czech Republic
Poland
Romania
Bulgaria
USAID Graduates
Serbia
Macedonia
Bosnia and Herzegovina
Kosovo
Albania
Balkans
Ukraine
Azerbaijan
Armenia
Georgia
Eurasia
Global Benchmark
2007
2008
2009
2010
2011
Source: WEF

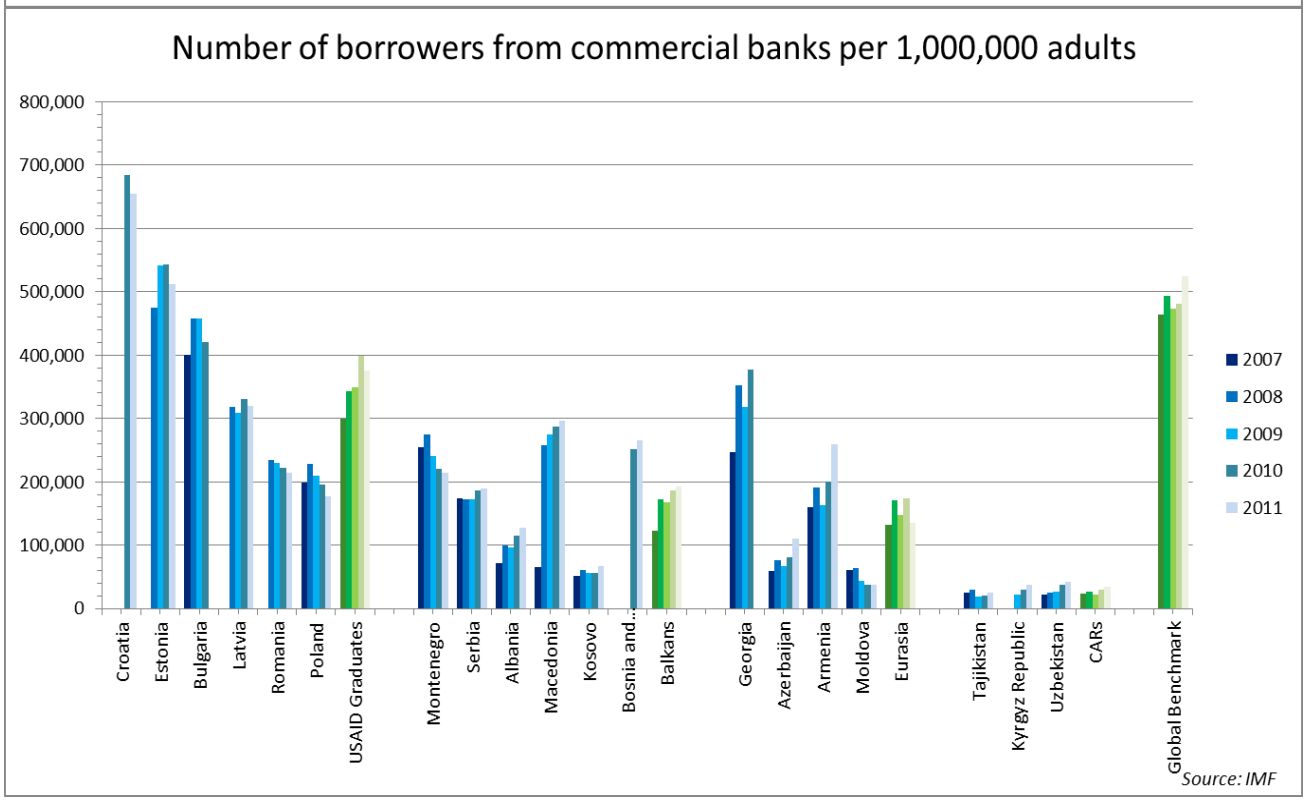

Life Insurance Premiums (as % of GDP)
6%
5%
4%
3%
2%
1%
0%
Slovenia
Czech Republic
Hungary
Slovak Republic
Poland
Estonia
Croatia
Lithuania
Romania
Bulgaria
Latvia
USAID Graduates
Bosnia and Herzegovina
Montenegro
Albania
Serbia
Balkans
Ukraine
Georgia
Russia
Eurasia
Global Benchmark
2007
2008
2009
2010
2011
Source: Swiss Re

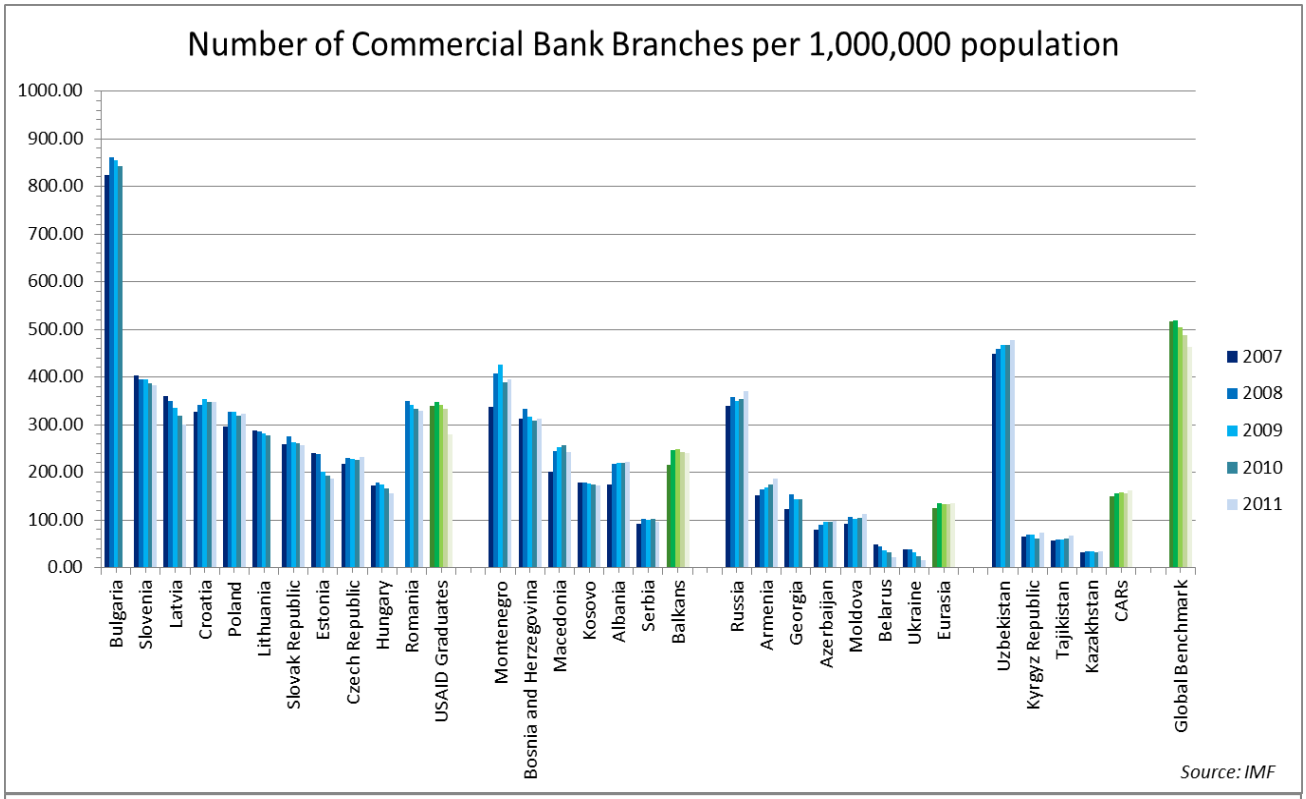

Non-Life Insurance Premiums (as % of GDP)
5%
4%
4%
3%
3%
2%
2%
1%
1%
0%
Slovenia
Bulgaria
Czech Republic
Croatia
Latvia
Poland
Slovak Republic
Hungary
Estonia
Romania
Lithuania
USAID Graduates
Montenegro
Bosnia and Herzegovina
Serbia
Albania
Balkans
Russia
Georgia
Ukraine
Eurasia
Kazakhstan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: Swiss Re

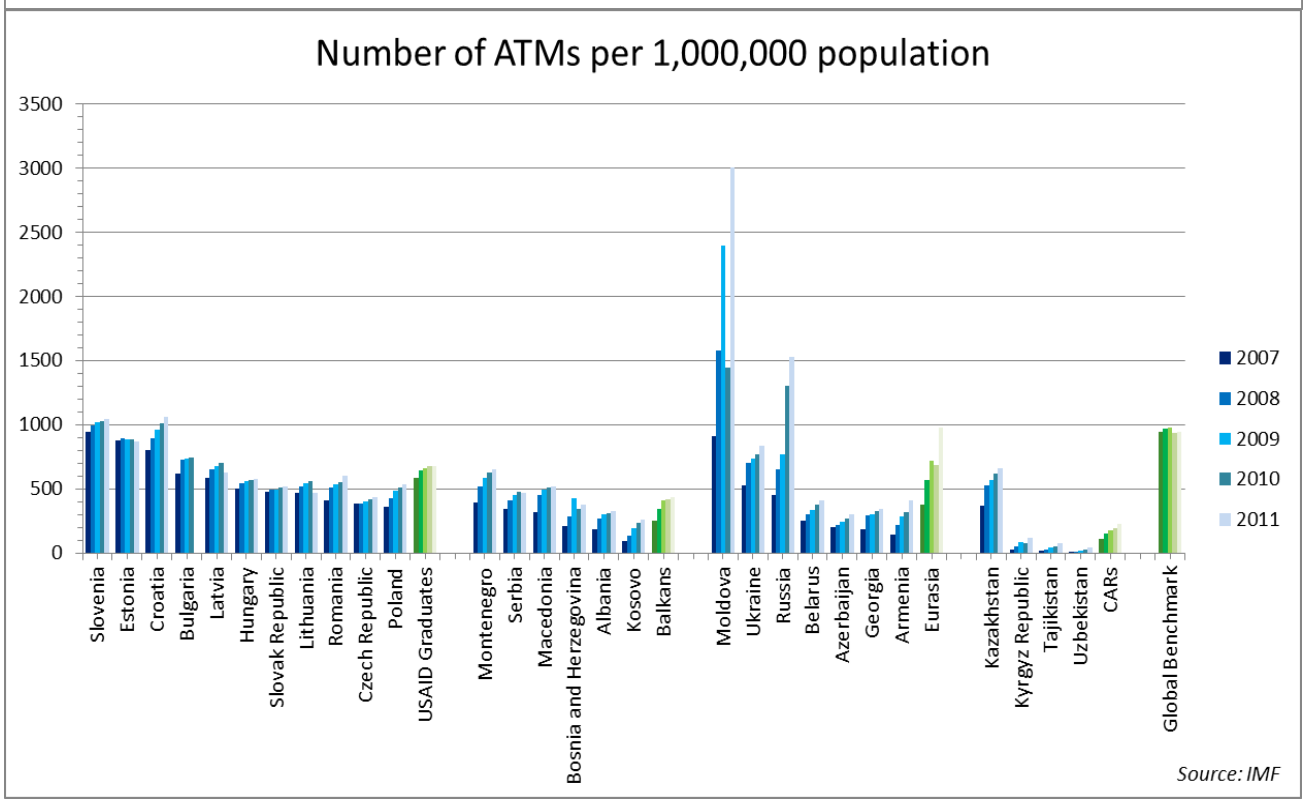

No. of Listed Companies
2000
1800
1600
1400
1200
1000
800
600
400
200
0
Bulgaria
Croatia
Poland
Slovak Republic
Romania
Slovenia
Hungary
Latvia
Lithuania
Czech Republic
Estonia
USAID Graduates
Serbia
Bosnia and Herzegovina
Macedonia
Montenegro
Albania
Kosovo
Balkans
Belarus
Moldova
Russia
Georgia
Ukraine
Armenia
Azerbaijan
Eurasia
Uzbekistan
Kazakhstan
Kyrgyz Republic
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: Stock Exchanes

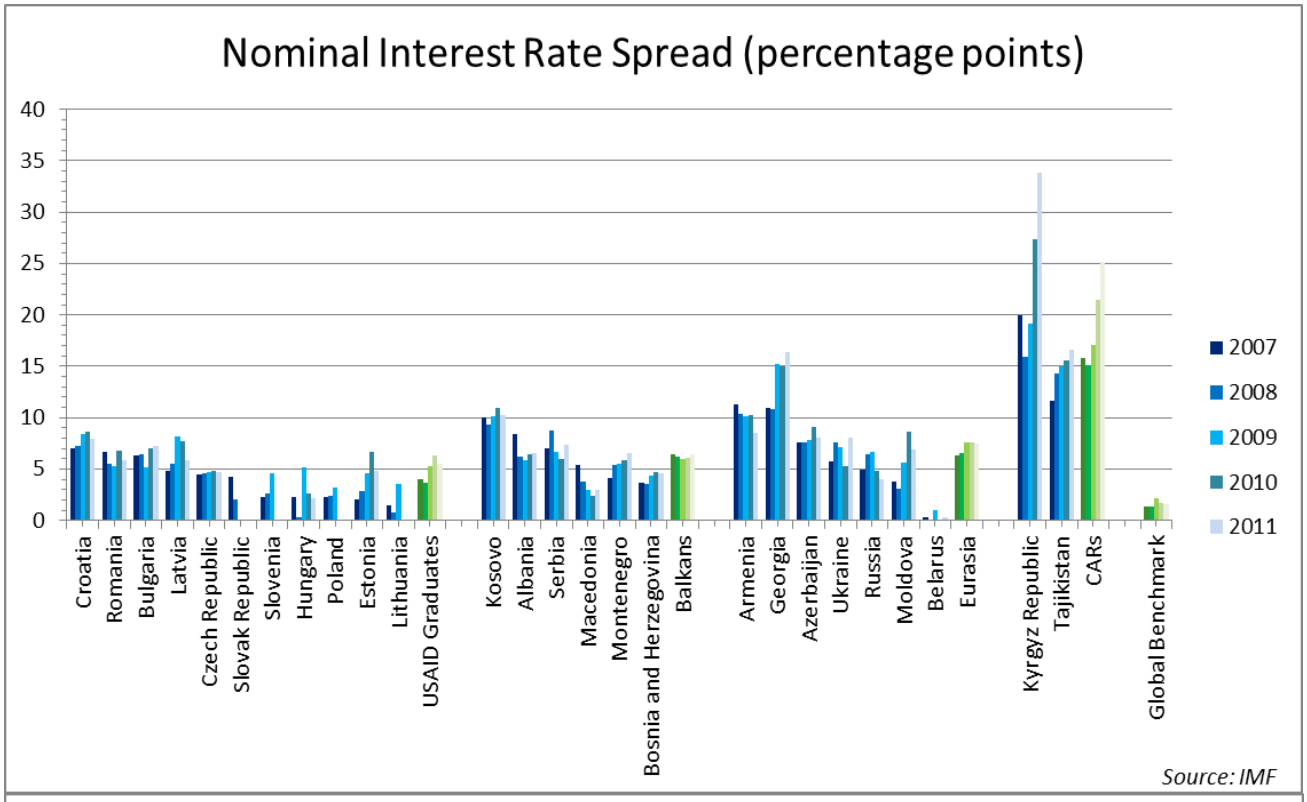
## Access to Financial Services

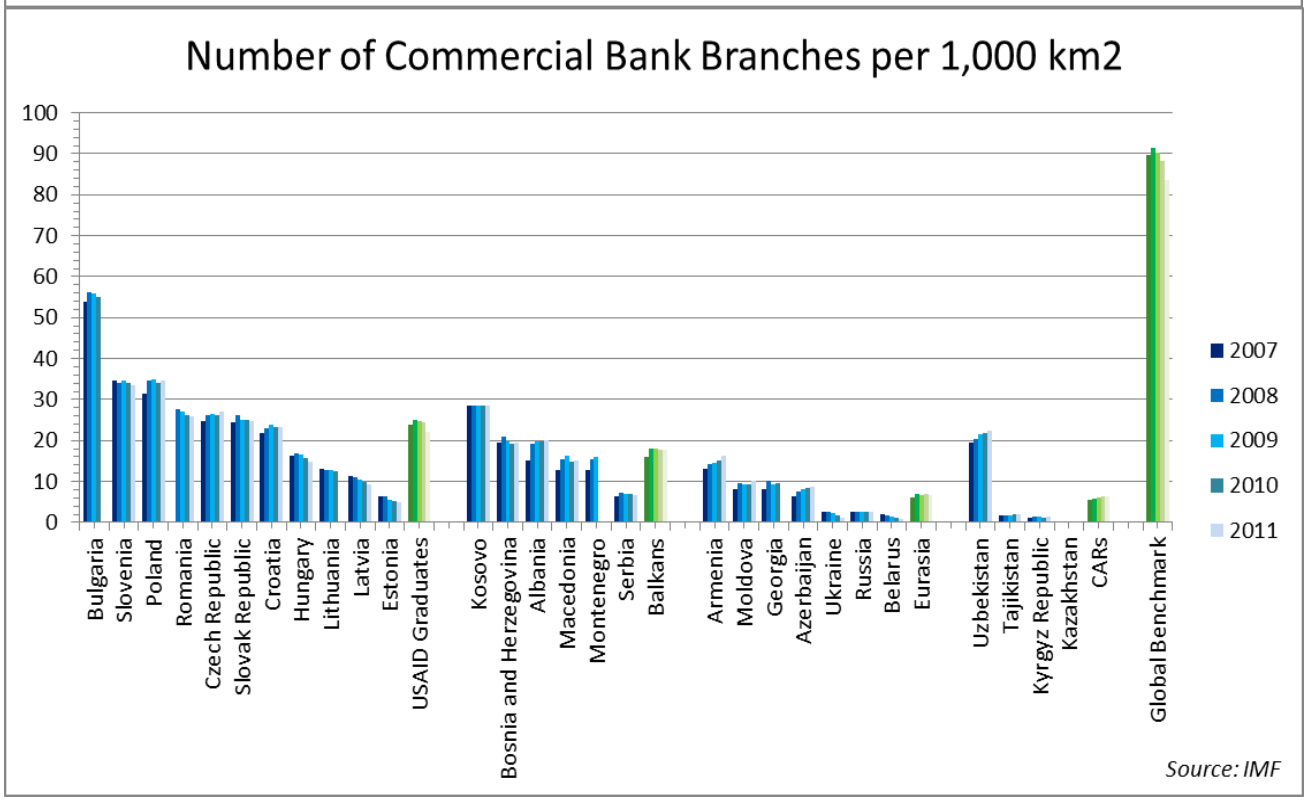


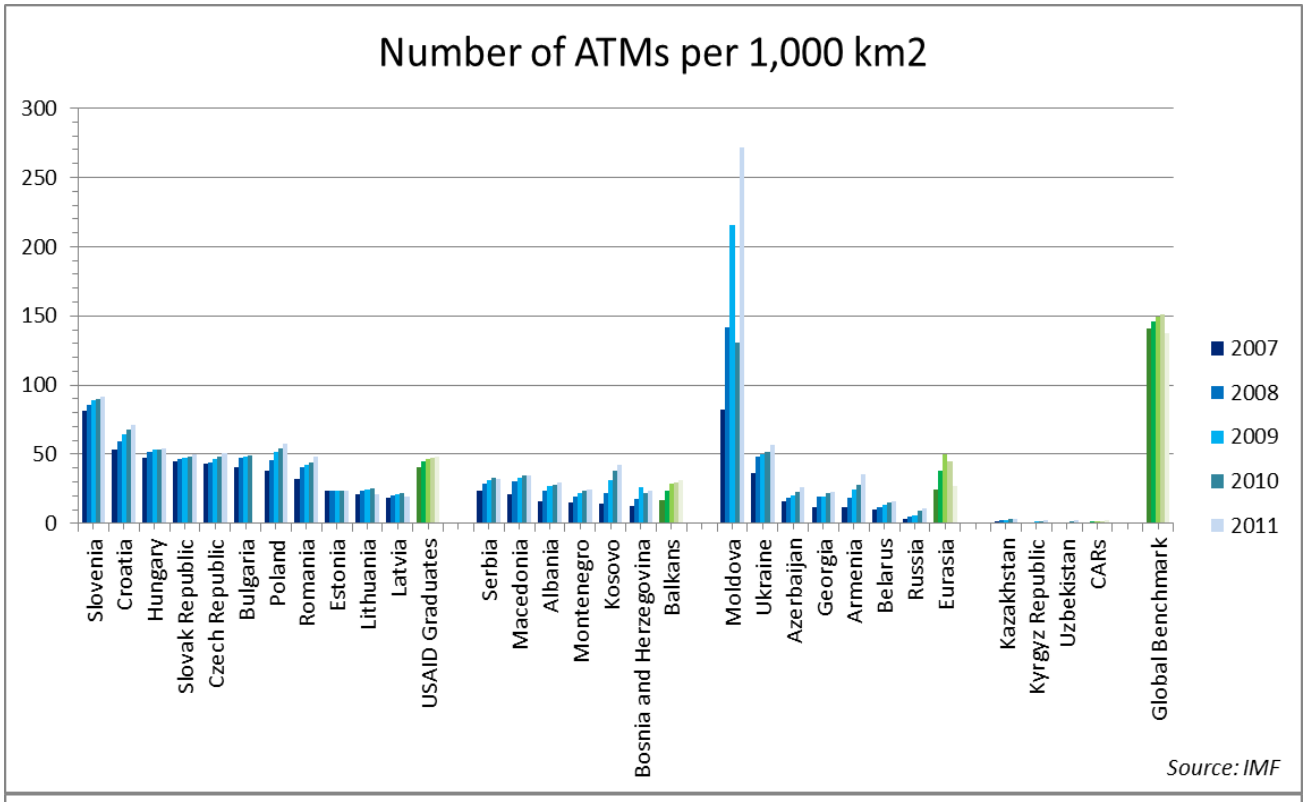



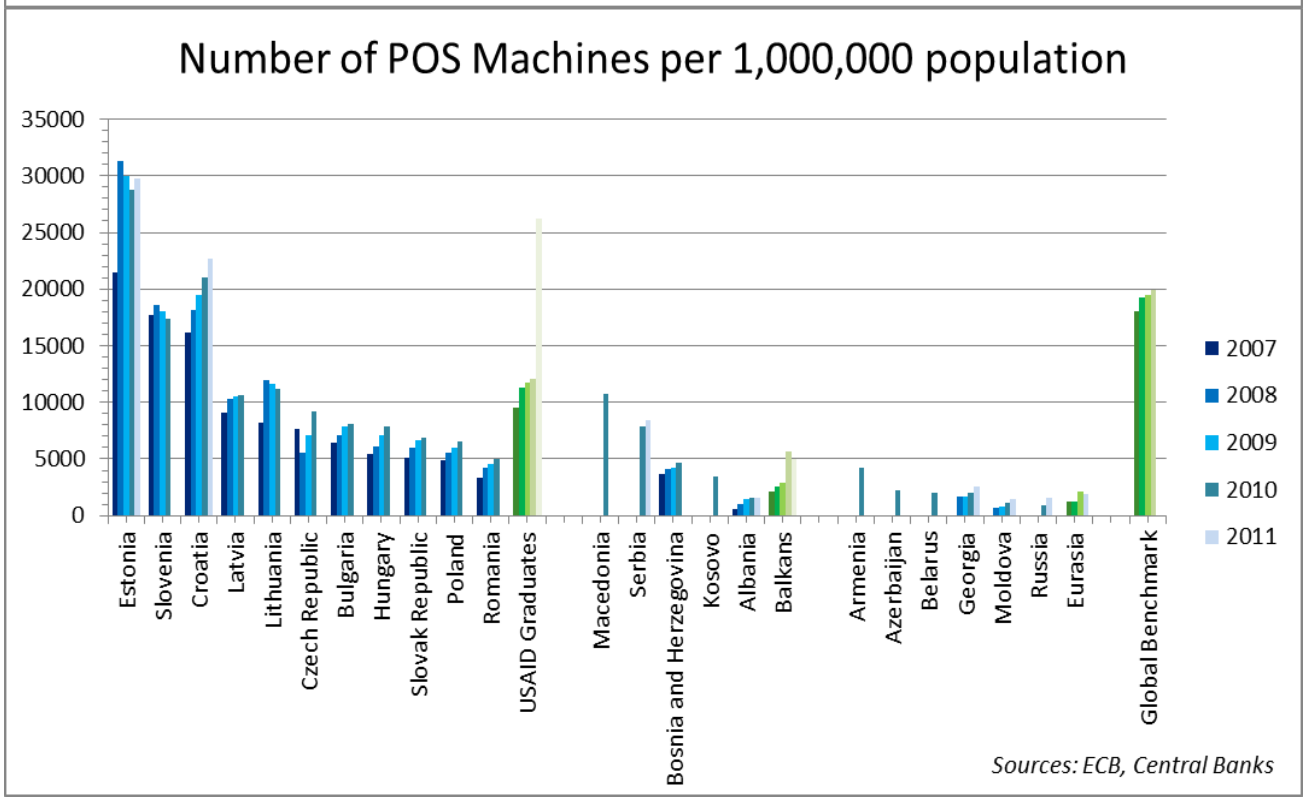

Number of Commercial Bank Branches per 1,000,000 population
1000.00
900.00
800.00
700.00
600.00
500.00
400.00
300.00
200.00
100.00
0.00
Bulgaria
Slovenia
Latvia
Croatia
Poland
Lithuania
Slovak Republic
Estonia
Czech Republic
Hungary
Romania
USAID Graduates
Montenegro
Bosnia and Herzegovina
Macedonia
Kosovo
Albania
Serbia
Balkans
Russia
Armenia
Georgia
Azerbaijan
Moldova
Belarus
Ukraine
Eurasia
Uzbekistan
Kyrgyz Republic
Tajikistan
Kazakhstan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF


Number of ATMs per 1,000,000 population
3500
3000
2500
2000
1500
1000
500
0
Slovenia
Estonia
Croatia
Bulgaria
Latvia
Hungary
Slovak Republic
Lithuania
Romania
Czech Republic
Poland
USAID Graduates
Montenegro
Serbia
Macedonia
Bosnia and Herzegovina
Albania
Kosovo
Balkans
Moldova
Ukraine
Russia
Belarus
Azerbaijan
Georgia
Armenia
Eurasia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

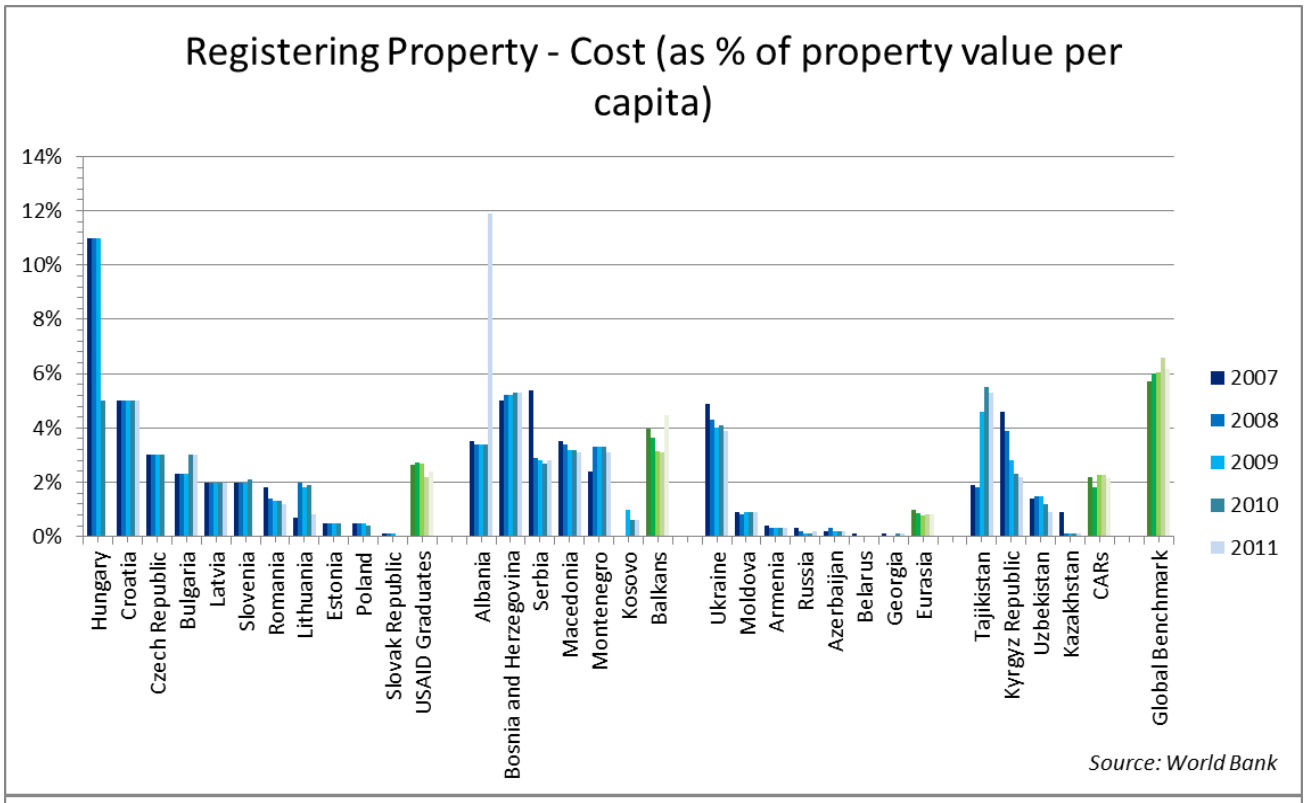

Nominal Interest Rate Spread (percentage points)
40
35
30
25
20
15
10
5
0
Croatia
Romania
Bulgaria
Latvia
Czech Republic
Slovak Republic
Slovenia
Hungary
Poland
Estonia
Lithuania
USAID Graduates
Kosovo
Albania
Serbia
Macedonia
Montenegro
Bosnia and Herzegovina
Balkans
Armenia
Georgia
Azerbaijan
Ukraine
Russia
Moldova
Belarus
Eurasia
Kyrgyz Republic
Tajikistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

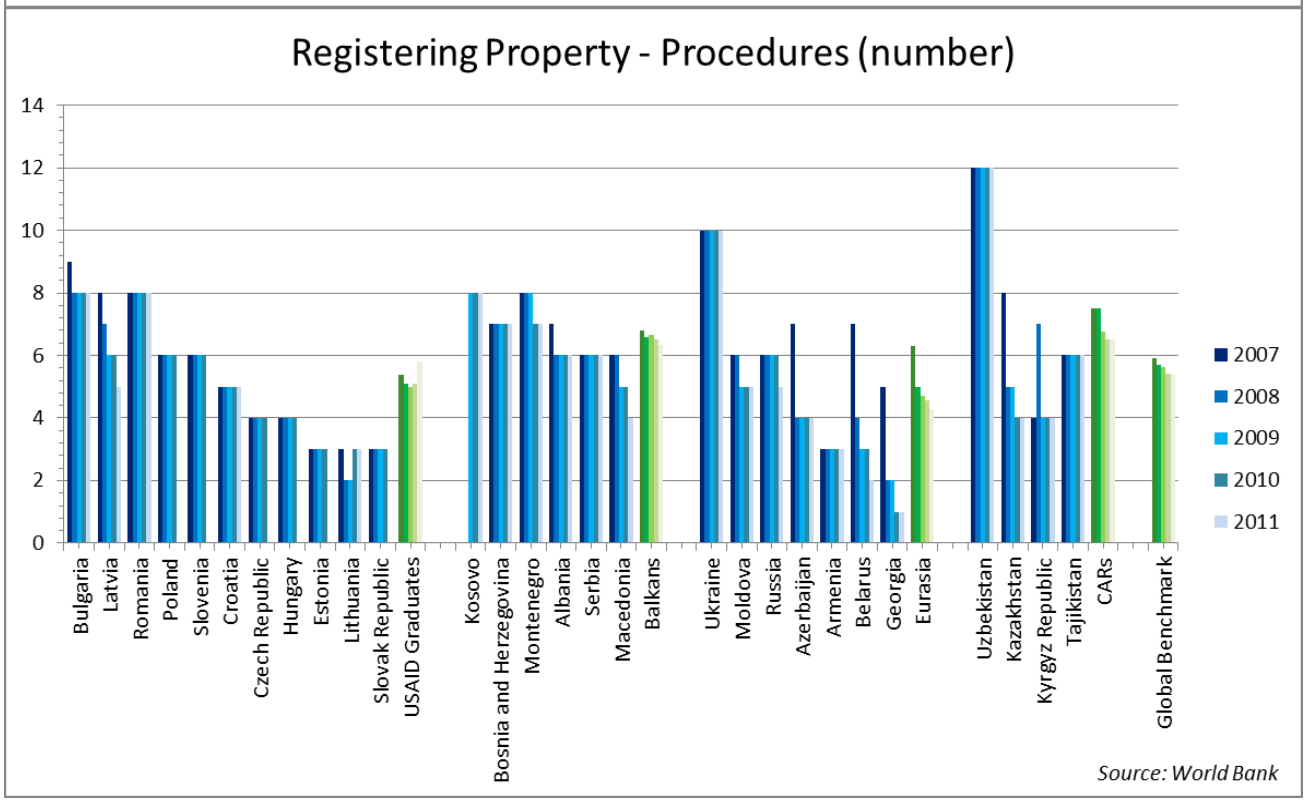

Number of Commercial Bank Branches per 1,000 km2
100
90
80
70
60
50
40
30
20
10
0
Bulgaria
Slovenia
Poland
Romania
Czech Republic
Slovak Republic
Croatia
Hungary
Lithuania
Latvia
Estonia
USAID Graduates
Kosovo
Bosnia and Herzegovina
Albania
Macedonia
Montenegro
Serbia
Balkans
Armenia
Moldova
Georgia
Azerbaijan
Ukraine
Russia
Belarus
Eurasia
Uzbekistan
Tajikistan
Kyrgyz Republic
Kazakhstan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

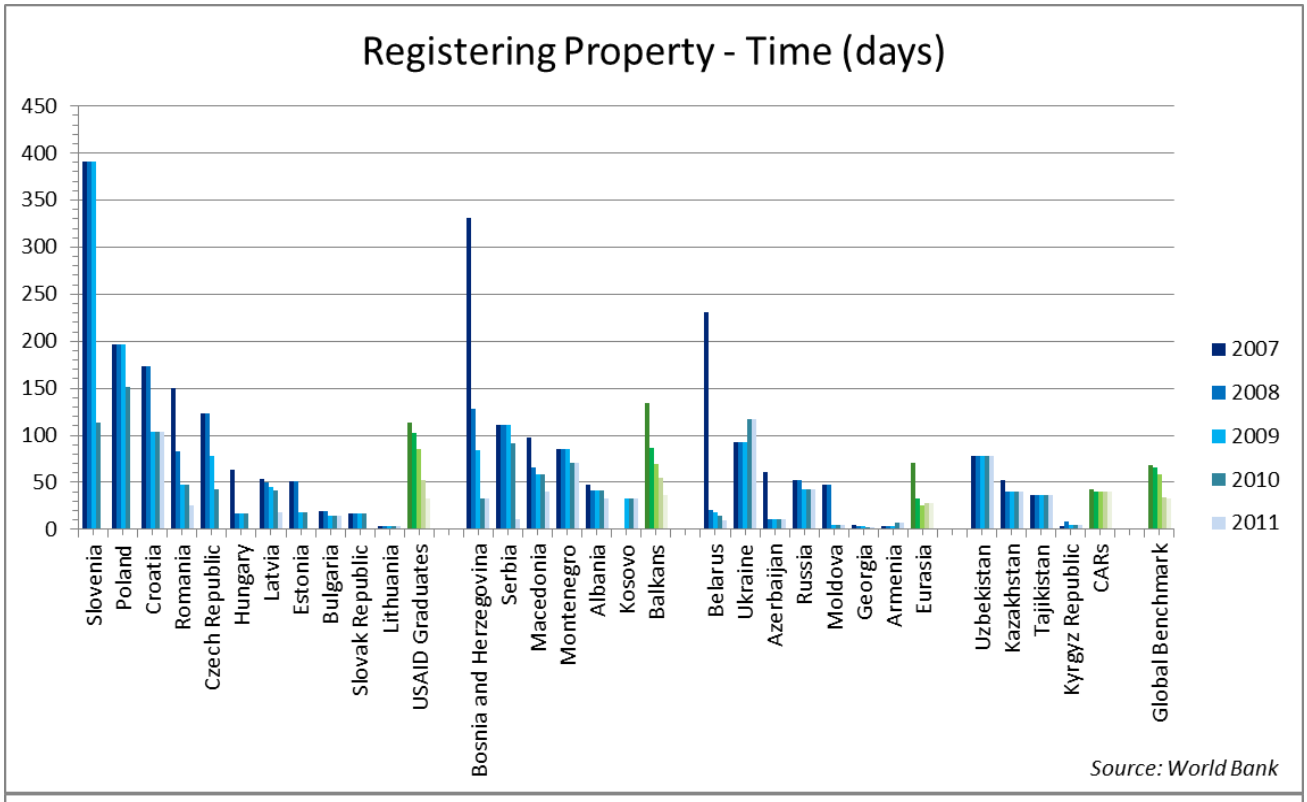

Number of ATMs per 1,000 km2
300
250
200
150
100
50
0
Slovenia
Croatia
Hungary
Slovak Republic
Czech Republic
Bulgaria
Poland
Romania
Estonia
Lithuania
Latvia
USAID Graduates
Serbia
Macedonia
Albania
Montenegro
Kosovo
Bosnia and Herzegovina
Balkans
Moldova
Ukraine
Azerbaijan
Georgia
Armenia
Belarus
Russia
Eurasia
Kazakhstan
Kyrgyz Republic
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: IMF

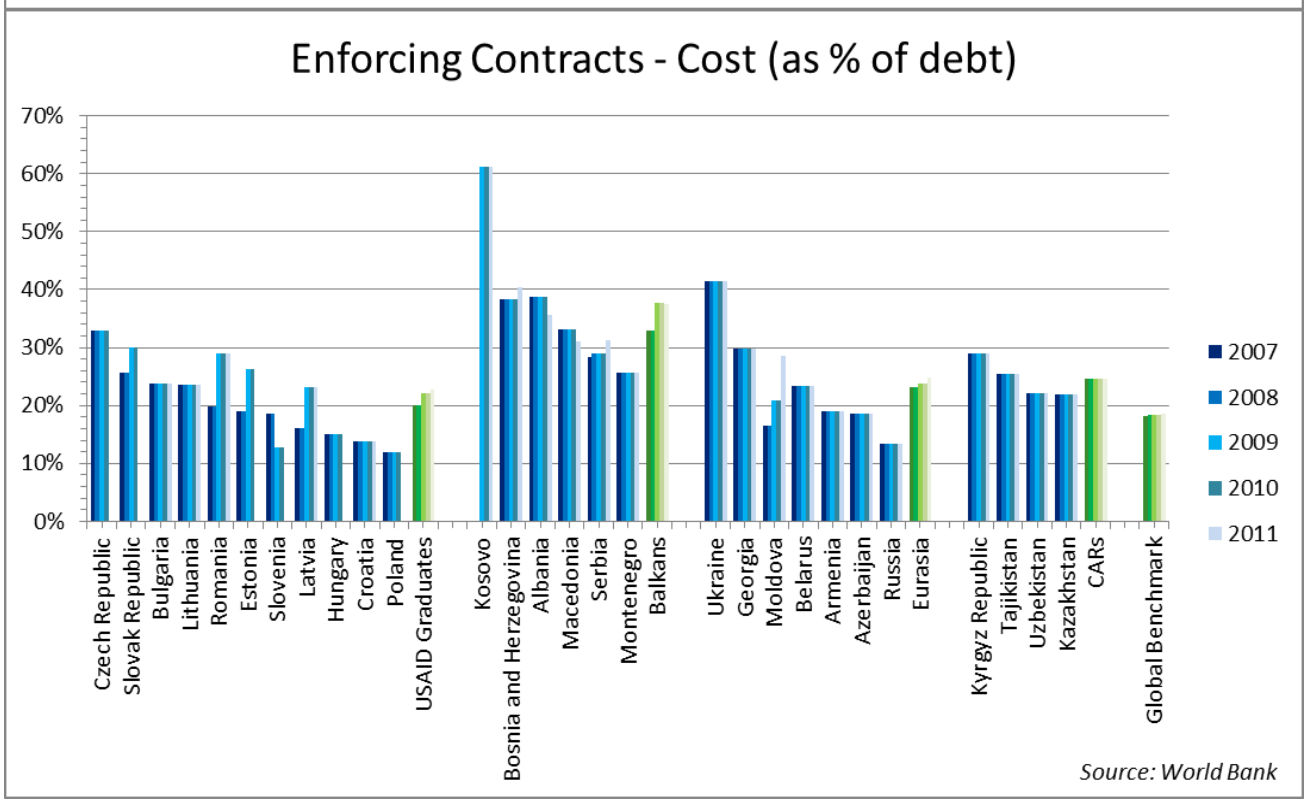

Number of POS Machines per 1,000,000 population
35000
30000
25000
20000
15000
10000
5000
0
Estonia
Slovenia
Croatia
Latvia
Lithuania
Czech Republic
Bulgaria
Hungary
Slovak Republic
Poland
Romania
USAID Graduates
Macedonia
Serbia
Bosnia and Herzegovina
Kosovo
Albania
Balkans
Armenia
Azerbaijan
Belarus
Georgia
Moldova
Russia
Eurasia
Global Benchmark
2007
2008
2009
2010
2011
Sources: ECB, Central Banks

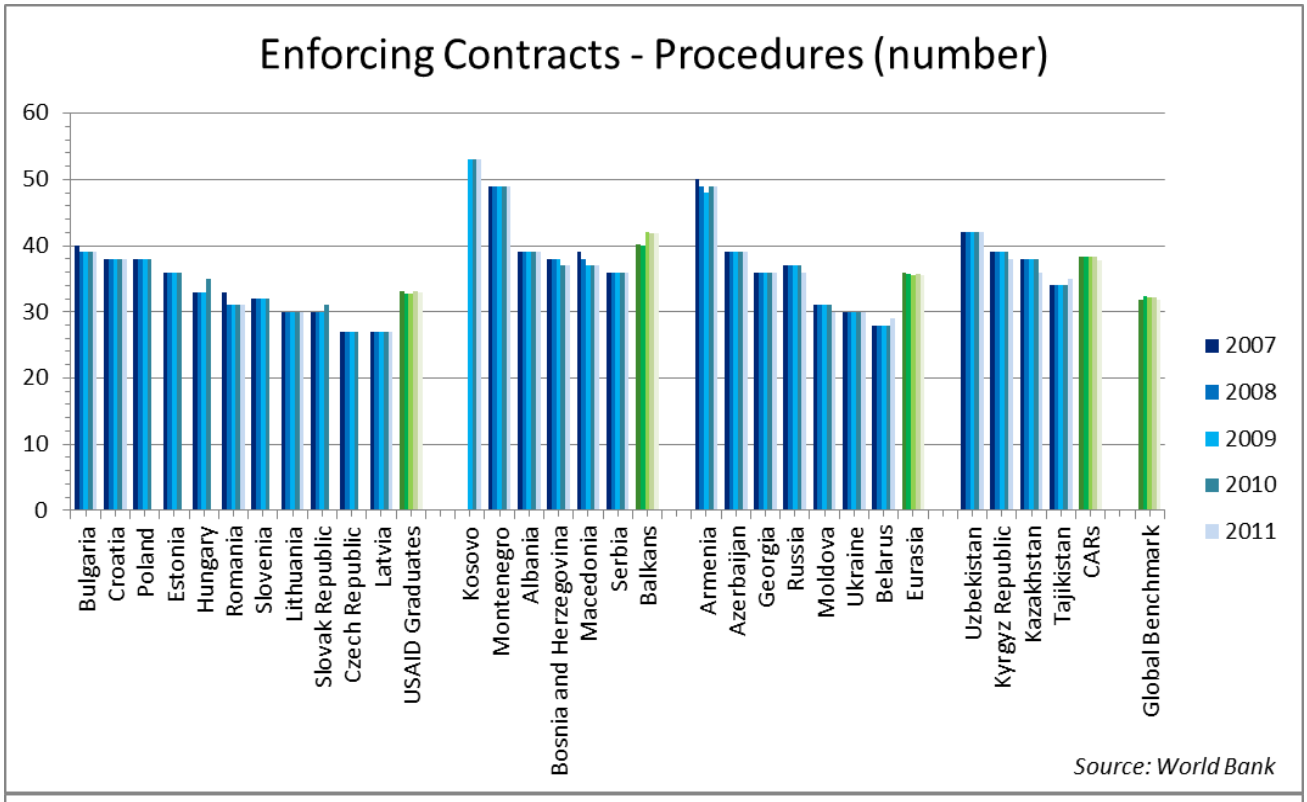
**Financial Sector Enabling Environment**

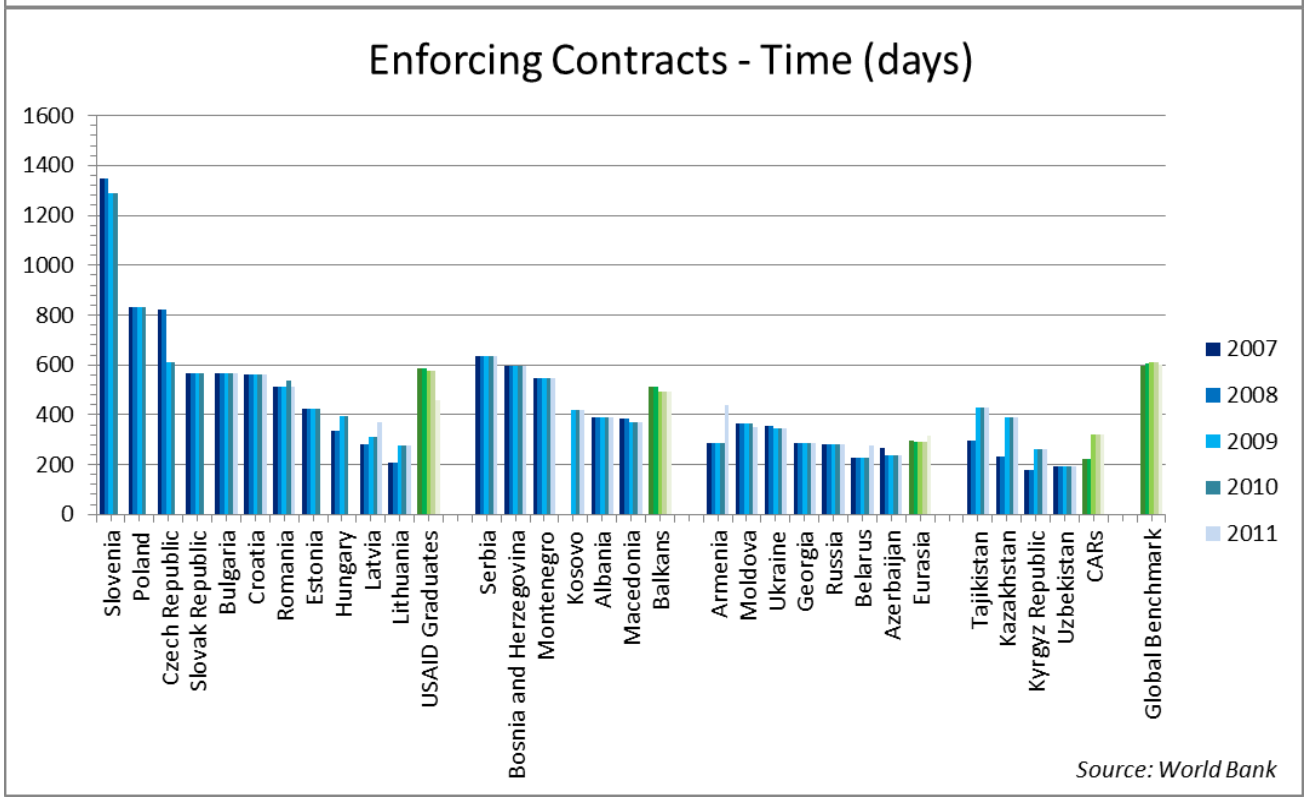


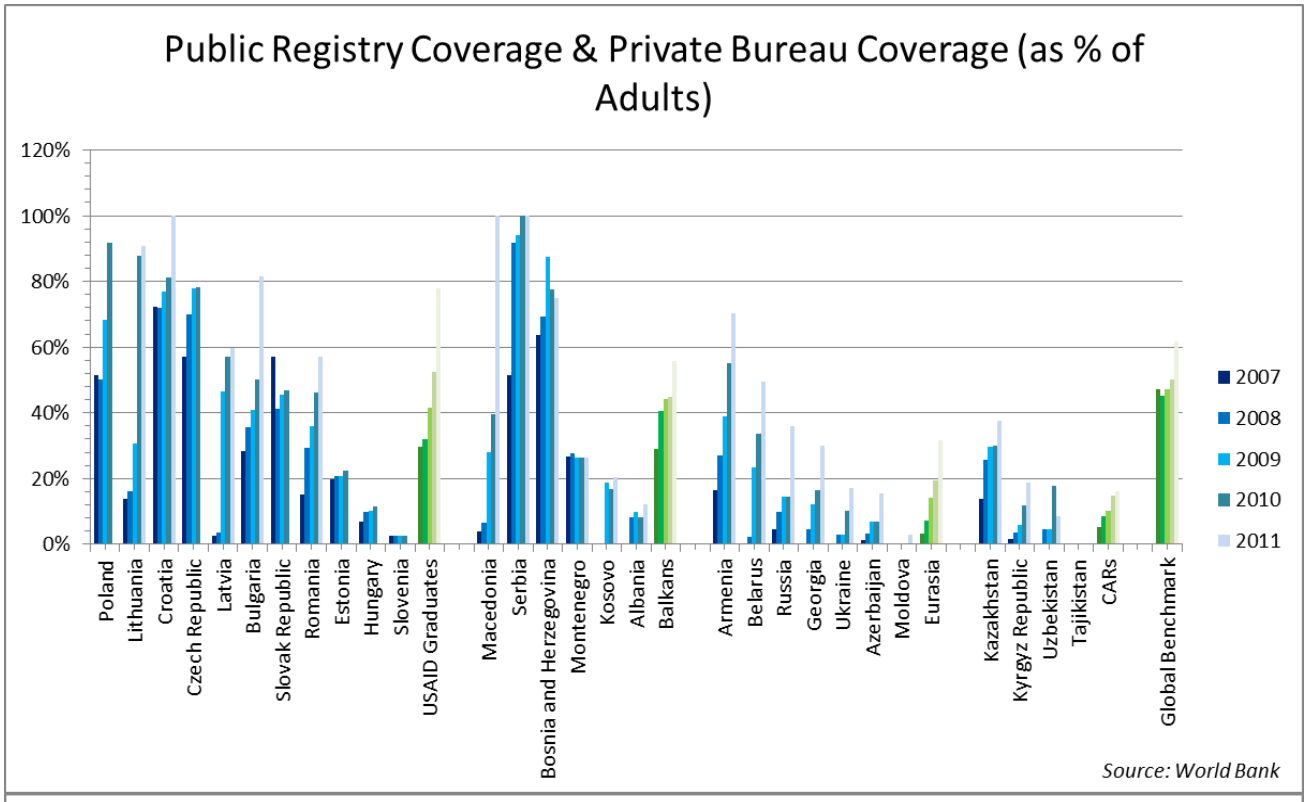



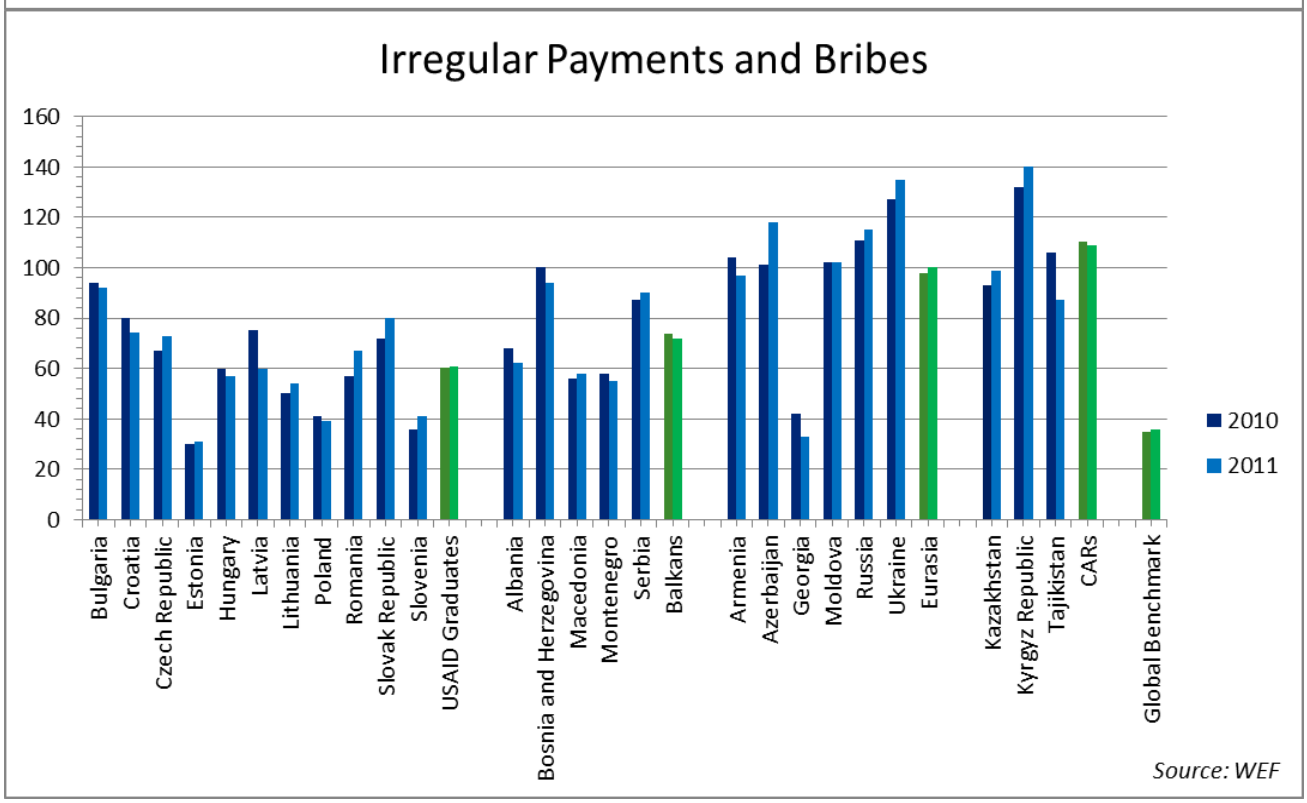

Registering Property - Time (days)
450
400
350
300
250
200
150
100
50
0
Slovenia
Poland
Croatia
Romania
Czech Republic
Hungary
Latvia
Estonia
Bulgaria
Slovak Republic
Lithuania
USAID Graduates
Bosnia and Herzegovina
Serbia
Macedonia
Montenegro
Albania
Kosovo
Balkans
Belarus
Ukraine
Azerbaijan
Russia
Moldova
Georgia
Armenia
Eurasia
Uzbekistan
Kazakhstan
Tajikistan
Kyrgyz Republic
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: World Bank

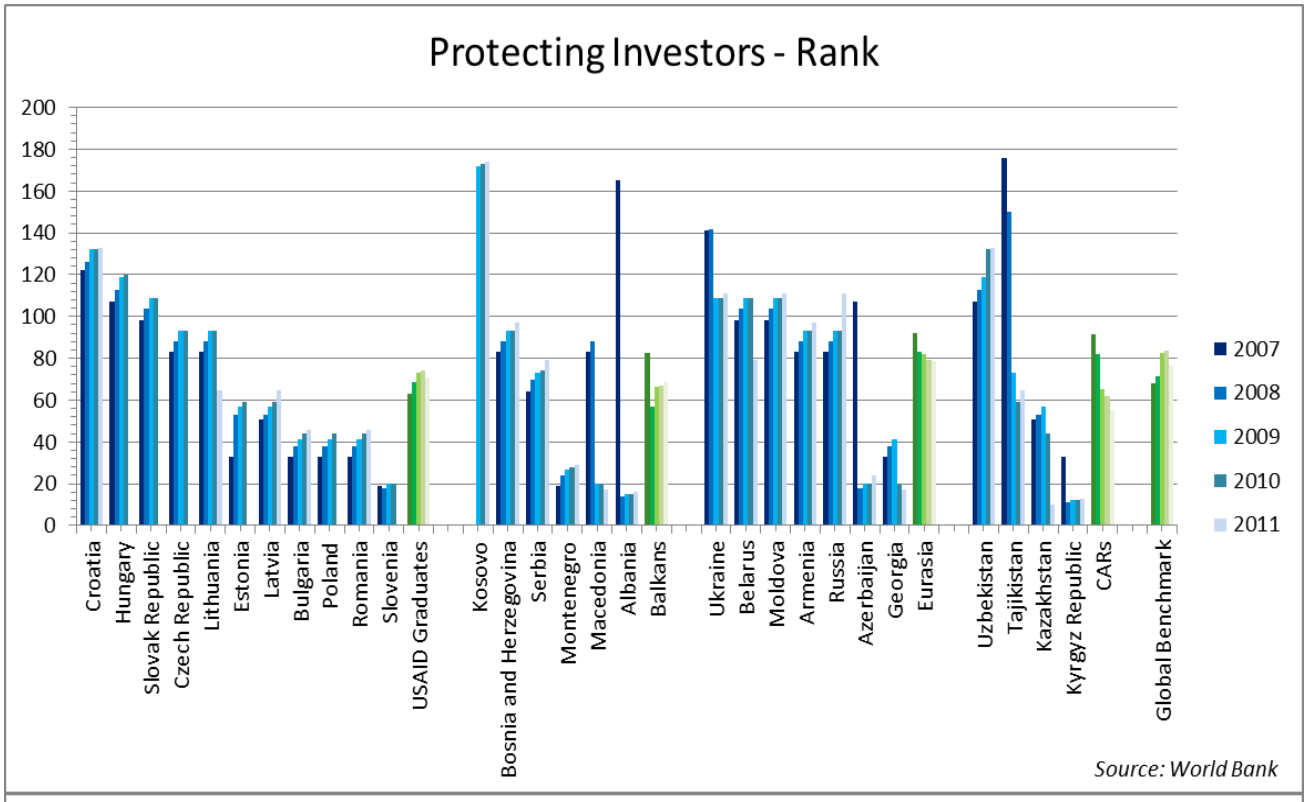

Enforcing Contracts - Cost (as % of debt)
70%
60%
50%
40%
30%
20%
10%
0%
Czech Republic
Slovak Republic
Bulgaria
Lithuania
Romania
Estonia
Slovenia
Latvia
Hungary
Croatia
Poland
USAID Graduates
Kosovo
Bosnia and Herzegovina
Albania
Macedonia
Serbia
Montenegro
Balkans
Ukraine
Georgia
Moldova
Belarus
Armenia
Azerbaijan
Russia
Eurasia
Kyrgyz Republic
Tajikistan
Uzbekistan
Kazakhstan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: World Bank

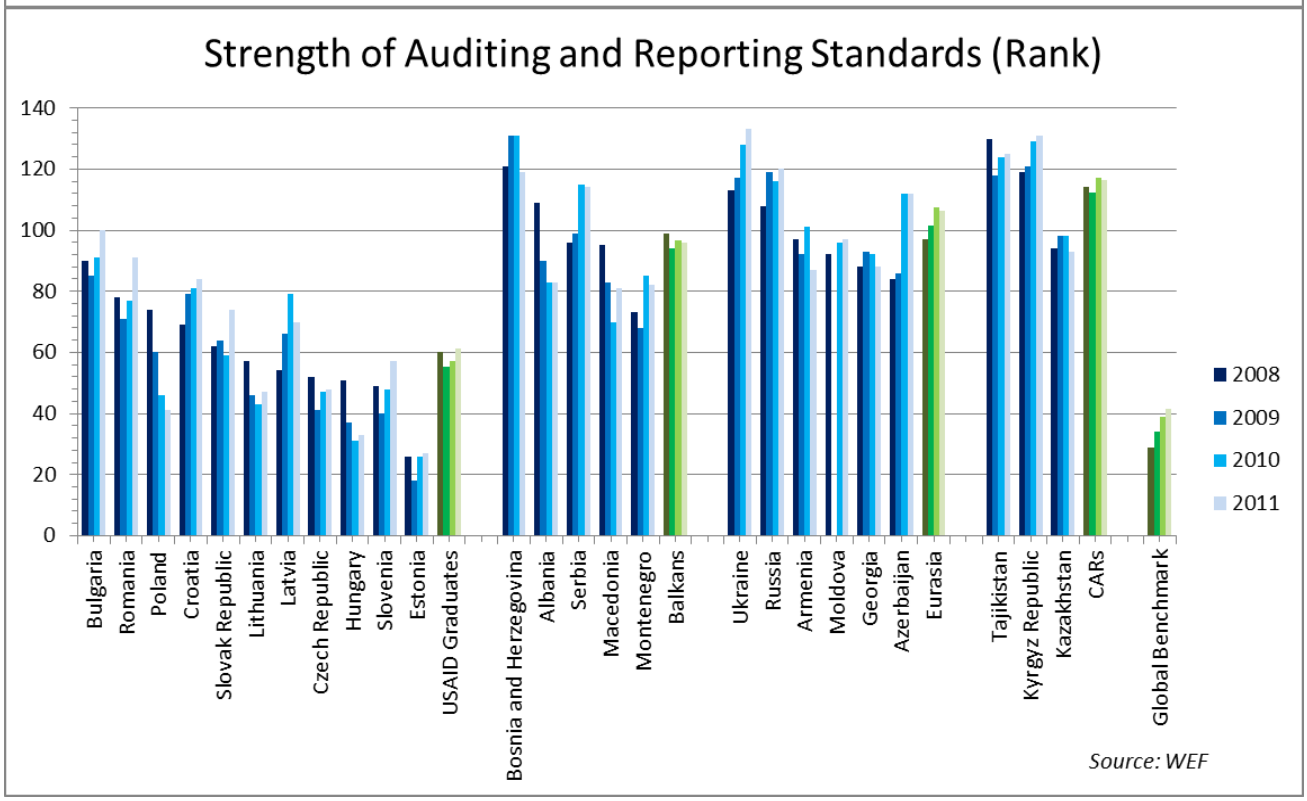

Enforcing Contracts - Procedures (number)
60
50
40
30
20
10
0
Bulgaria
Croatia
Poland
Estonia
Hungary
Romania
Slovenia
Lithuania
Slovak Republic
Czech Republic
Latvia
USAID Graduates
Kosovo
Montenegro
Albania
Bosnia and Herzegovina
Macedonia
Serbia
Balkans
Armenia
Azerbaijan
Georgia
Russia
Moldova
Ukraine
Belarus
Eurasia
Uzbekistan
Kyrgyz Republic
Kazakhstan
Tajikistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: World Bank


Enforcing Contracts - Time (days)
1600
1400
1200
1000
800
600
400
200
0
Slovenia
Poland
Czech Republic
Slovak Republic
Bulgaria
Croatia
Romania
Estonia
Hungary
Latvia
Lithuania
USAID Graduates
Serbia
Bosnia and Herzegovina
Montenegro
Kosovo
Albania
Macedonia
Balkans
Armenia
Moldova
Ukraine
Georgia
Russia
Belarus
Azerbaijan
Eurasia
Tajikistan
Kazakhstan
Kyrgyz Republic
Uzbekistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: World Bank


Public Registry Coverage & Private Bureau Coverage (as % of Adults)
120%
100%
80%
60%
40%
20%
0%
Poland
Lithuania
Croatia
Czech Republic
Latvia
Bulgaria
Slovak Republic
Romania
Estonia
Hungary
Slovenia
USAID Graduates
Macedonia
Serbia
Bosnia and Herzegovina
Montenegro
Kosovo
Albania
Balkans
Armenia
Belarus
Russia
Georgia
Ukraine
Azerbaijan
Moldova
Eurasia
Kazakhstan
Kyrgyz Republic
Uzbekistan
Tajikistan
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: World Bank


Irregular Payments and Bribes
160
140
120
100
80
60
40
20
0
Bulgaria
Croatia
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Poland
Romania
Slovak Republic
Slovenia
USAID Graduates
Albania
Bosnia and Herzegovina
Macedonia
Montenegro
Serbia
Balkans
Armenia
Azerbaijan
Georgia
Moldova
Russia
Ukraine
Eurasia
Kazakhstan
Kyrgyz Republic
Tajikistan
CARs
Global Benchmark
2010
2011
Source: WEF


Protecting Investors - Rank
200
180
160
140
120
100
80
60
40
20
0
Croatia
Hungary
Slovak Republic
Czech Republic
Lithuania
Estonia
Latvia
Bulgaria
Poland
Romania
Slovenia
USAID Graduates
Kosovo
Bosnia and Herzegovina
Serbia
Montenegro
Macedonia
Albania
Balkans
Ukraine
Belarus
Moldova
Armenia
Russia
Azerbaijan
Georgia
Eurasia
Uzbekistan
Tajikistan
Kazakhstan
Kyrgyz Republic
CARs
Global Benchmark
2007
2008
2009
2010
2011
Source: World Bank


Strength of Auditing and Reporting Standards (Rank)
140
120
100
80
60
40
20
0
Bulgaria
Romania
Poland
Croatia
Slovak Republic
Lithuania
Latvia
Czech Republic
Hungary
Slovenia
Estonia
USAID Graduates
Bosnia and Herzegovina
Albania
Serbia
Macedonia
Montenegro
Balkans
Ukraine
Russia
Armenia
Moldova
Georgia
Azerbaijan
Eurasia
Tajikistan
Kyrgyz Republic
Kazakhstan
CARs
Global Benchmark
2008
2009
2010
2011
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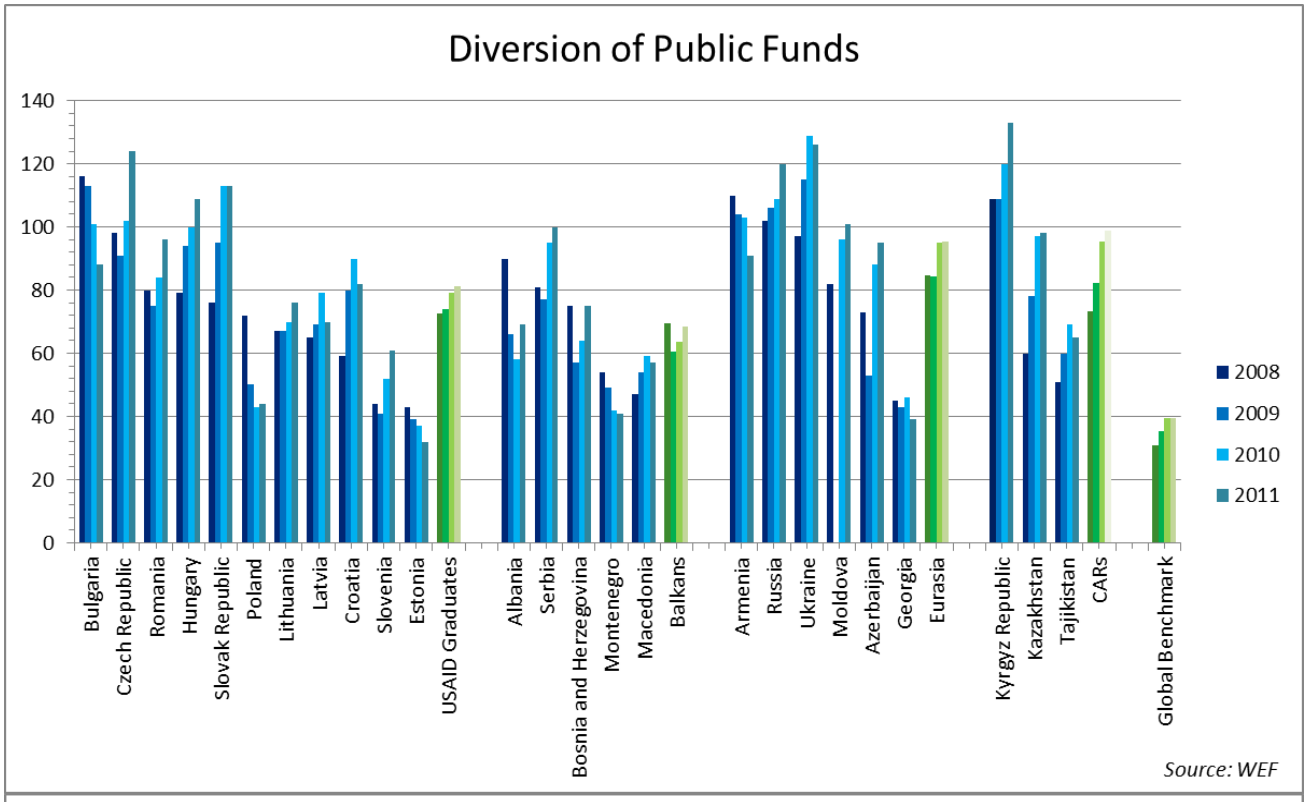
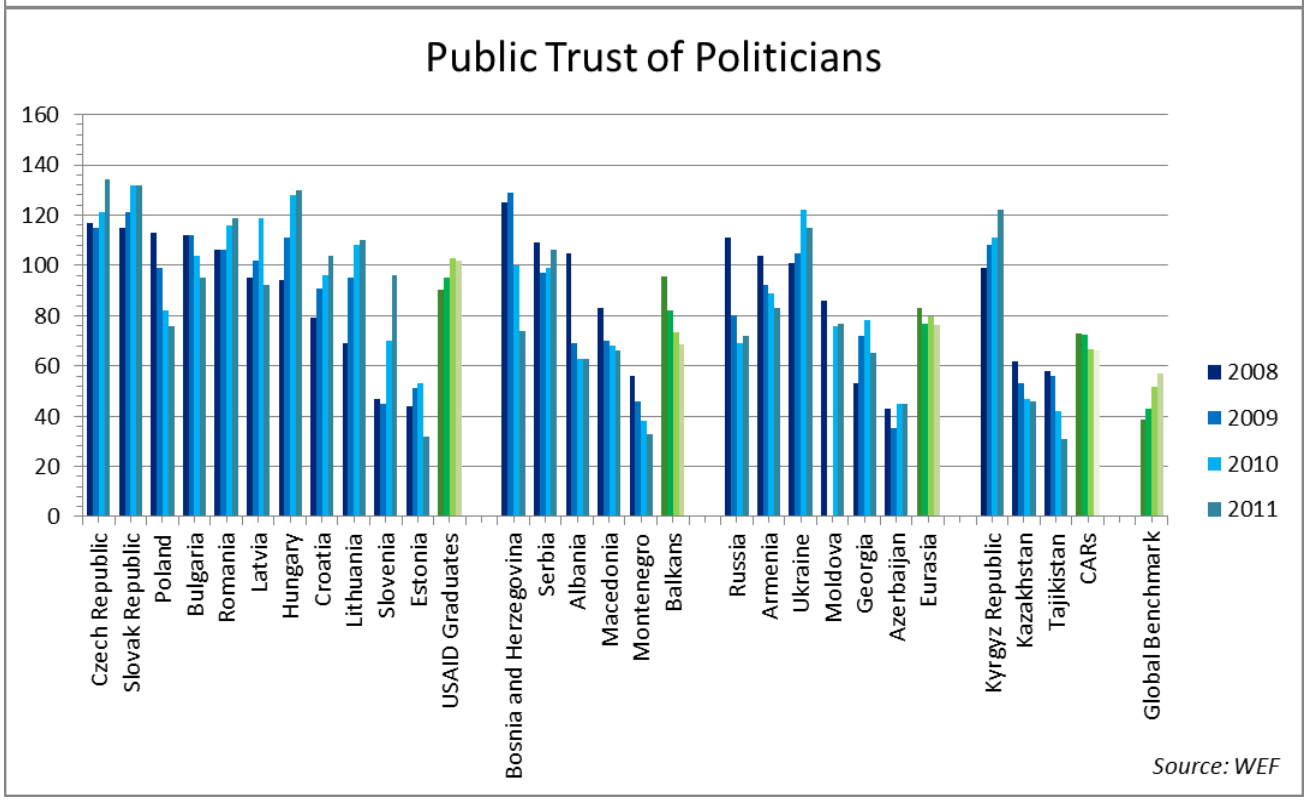
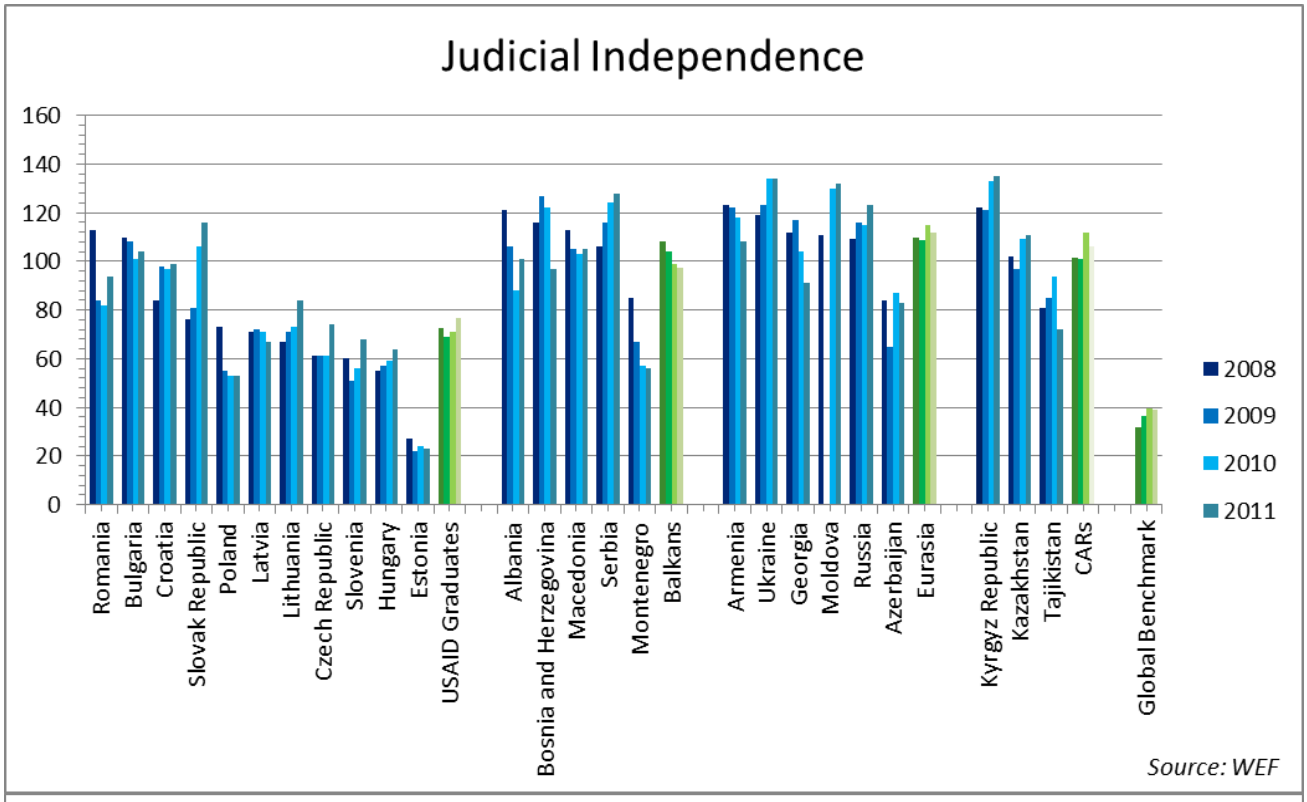
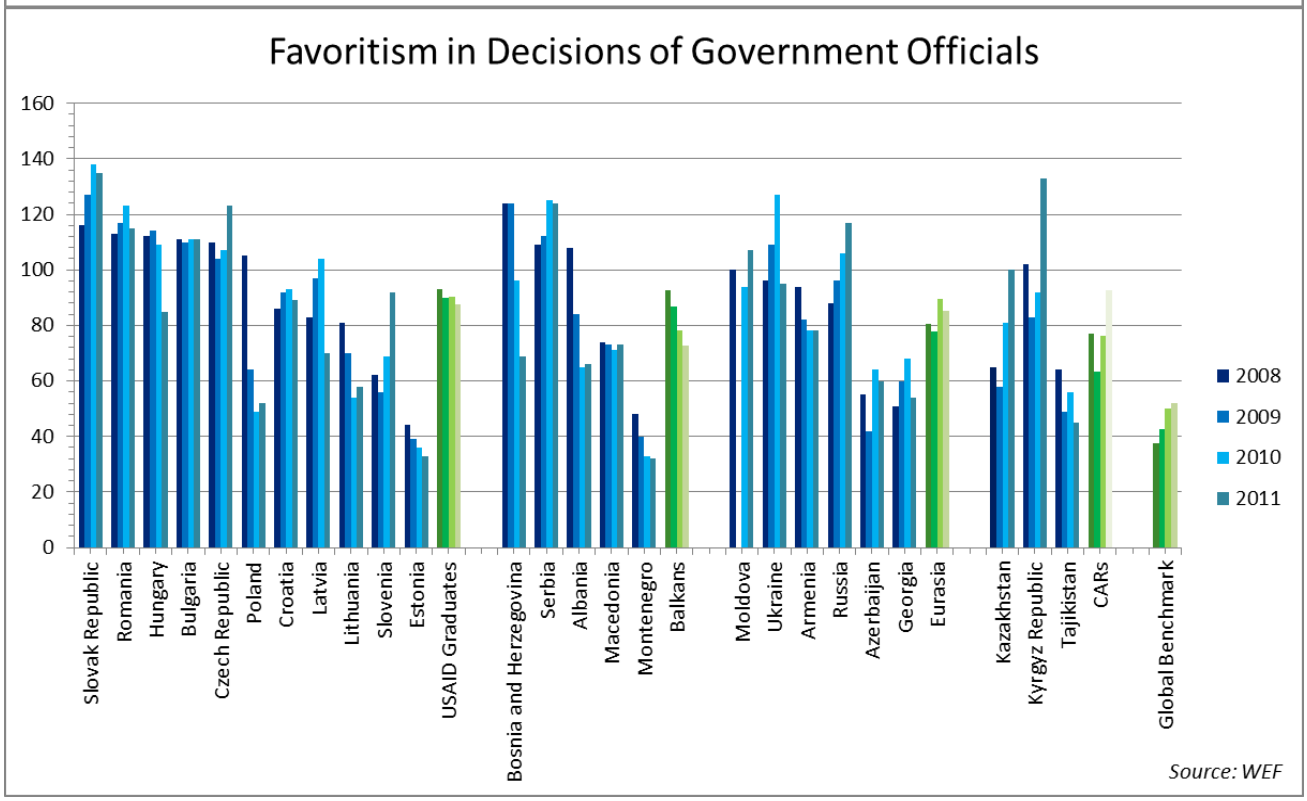

Diversion of Public Funds
140
120
100
80
60
40
20
0
Bulgaria
Czech Republic
Romania
Hungary
Slovak Republic
Poland
Lithuania
Latvia
Croatia
Slovenia
Estonia
USAID Graduates
Albania
Serbia
Bosnia and Herzegovina
Montenegro
Macedonia
Balkans
Armenia
Russia
Ukraine
Moldova
Azerbaijan
Georgia
Eurasia
Kyrgyz Republic
Kazakhstan
Tajikistan
CARs
Global Benchmark
2008
2009
2010
2011
Source: WEF


Public Trust of Politicians
160
140
120
100
80
60
40
20
0
Czech Republic
Slovak Republic
Poland
Bulgaria
Romania
Latvia
Hungary
Croatia
Lithuania
Slovenia
Estonia
USAID Graduates
Bosnia and Herzegovina
Serbia
Albania
Macedonia
Montenegro
Balkans
Russia
Armenia
Ukraine
Moldova
Georgia
Azerbaijan
Eurasia
Kyrgyz Republic
Kazakhstan
Tajikistan
CARs
Global Benchmark
2008
2009
2010
2011
Source: WEF


Judicial Independence
160
140
120
100
80
60
40
20
0
Romania
Bulgaria
Croatia
Slovak Republic
Poland
Latvia
Lithuania
Czech Republic
Slovenia
Hungary
Estonia
USAID Graduates
Albania
Bosnia and Herzegovina
Macedonia
Serbia
Montenegro
Balkans
Armenia
Ukraine
Georgia
Moldova
Russia
Azerbaijan
Eurasia
Kyrgyz Republic
Kazakhstan
Tajikistan
CARs
Global Benchmark
2008
2009
2010
2011
Source: WEF


Favoritism in Decisions of Government Officials
160
140
120
100
80
60
40
20
0
Slovak Republic
Romania
Hungary
Bulgaria
Czech Republic
Poland
Croatia
Latvia
Lithuania
Slovenia
Estonia
USAID Graduates
Bosnia and Herzegovina
Serbia
Albania
Macedonia
Montenegro
Balkans
Moldova
Ukraine
Armenia
Russia
Azerbaijan
Georgia
Eurasia
Kazakhstan
Kyrgyz Republic
Tajikistan
CARs
Global Benchmark
2008
2009
2010
2011
Source: WEF

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