



B 43592

# **Progress Toward the Unification of Europe**

# Table of Contents

<b>Executive Summary</b>	3
<b>I. Introduction</b>	11
<b>II. The Transition of Central Europe and the Baltics (CEECs) and the Role of EU Accession</b>	12
A. Economic Performance since Transition	13
(i) The Transition Recession	13
(ii) The Transition Recovery	14
(iii) Emergence of Groups at Risk and Rise in Income Inequality	18
B. Role of EU Accession in Economic Performance	20
(i) Opening Export Markets	20
(ii) Attracting Foreign Direct Investment	22
(iii) Spurring Trade Liberalization	24
(iv) Conclusions	25
C. Other Key Factors Explaining Economic Performance	25
(i) Initial Conditions	25
(ii) Political Regime Changes	26
(iii) Macroeconomic Stabilization and Structural Reforms	27
(iv) Other Institutional Factors	36
D. Conclusions	39
<b>III. Income Convergence</b>	39
A. Experience of Income Convergence of Previous EU Members	40
B. Income Convergence for the CEECs	41
<b>IV. Agenda for the CEECs for a Successful Integration</b>	42
A. Addressing the Fiscal Challenge	43
B. Addressing the Challenge of Global Financial Integration	46
C. Strengthening Administrative Capacity	48
(i) Building Institutional Infrastructure for Policy Formulation and Coordination	49
(ii) Strengthening Institutional Arrangements and Administrative Processes for Policy and Program Implementation	50
(iii) Professionalizing the Civil Service	51
(iv) Creating Effective Feedback Mechanisms on Policy Implementation and Impacts	53
(v) Building Capacity to Efficiently Use Structural Funds	53
D. Raising Living Standards of the Groups at Risk	54
(i) Reducing Unemployment	54
(ii) Social Protection Programs	56
(iii) Social Inclusion Policies	59
<b>V. Challenges for the EU to Facilitate a Successful Integration</b>	59
A. The “Pan-European Framework” for Commercial Integration	60
<b>VI. Partners in the EU Accession Process</b>	61
<b>Bibliography</b>	63