

**Outlook for Macroeconomic Development
in the Western Balkans:**

**Data Update
IFI Coordination Office**

May 2013

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This brief report provides WBIF stakeholders with an update of the macro-economic data originally presented in the "Food for Thought" paper prepared for the WBIF Steering Committee in June 2012 and the subsequent first Data Update prepared for the WBIF Steering Committee in December 2012. See www.wbif.eu/Macro-economic+Issues

It is intended to contribute the on-going discussions under the WBIF regarding how best to address the dynamic and challenging environment for investment in the region, particularly under the WBIF.

The data used are the latest available from independent secondary sources (including IMF April 2013 World Economic Outlook and latest country reports by IMF for macro-fiscal data on Western Balkans countries¹, EUROSTAT for macro-fiscal data on the EU countries, and Statistics Agencies and/or Central Banks of the Western Balkans countries for unit labour productivity, exports, and employment). The same source was used for each indicator for all countries where possible, in order to preserve data comparability.

The data on the WBIF pipeline are derived from the WBIF MIS Monitoring Table on May 1, 2013.

1. ECONOMIC GROWTH AND FISCAL SPACE

New growth projections published in the IMF's World Economic Outlook in April 2013 show a further decrease for the euro zone area (EU 17) in comparison to the autumn 2012 estimates - from -0.3% to -0.6% for 2012 and from +0.2% to -0.3% for 2013. The EU 27 is now also estimated to be in recession, with projections downgraded from 0% to -0.2% for 2012 and from +1.3% to +0.5% in 2013. The main reasons for the further downgrades for the EU are both continued weaknesses in so called "euro area periphery" (mostly Italy and Spain) and slow down in the largest core EU economies (including Germany and France), resulting from still weak demand of private consumption, fiscal adjustments and financial fragmentation. The IMF projects a very gradual recovery of the euro area activity.

Turning to transition economies and specifically those of the Western Balkans (WB), Table 1 compares the latest 2012-2014 projections for the WB to the projections made in autumn 2012. Macroeconomic trends in the WB are still significantly more negative than those of the overall Central and Eastern European region (CEE).

¹ IMF is used as the main source of macro-fiscal data due to most detailed coverage of the fiscal sector and issues of inter-country comparability.

Table 1: Economic Growth

<i>Real GDP Growth, %</i>	April 2013 Projections			October 2012 Projections			% point difference between projections in October 2012 and April 2013		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Albania	1.3	1.8	2.5	0.5	1.7	2.5	0.8	0.1	0.0
BiH	-0.7	0.5	2.0	0.0	1.0	2.5	-0.7	-0.5	-0.5
Croatia	-2.0	-0.2	1.5	-1.1	1.0	1.5	-0.9	-1.2	0.0
Kosovo*²	2.1	2.9	4.3	3.8	4.1	3.2	-1.7	-1.2	1.1
FYR of Macedonia	-0.3	2.0	3.1	1.0	2.0	3.5	-1.3	0.0	-0.4
Montenegro	0.0	1.2	2.0	0.2	1.5	2.0	-0.2	-0.3	0.0
Serbia	-1.8	2.0	2.0	-0.5	2.0	2.5	-1.3	0.0	-0.5
WB simple average	-0.2	1.5	2.5	0.6	1.9	2.5	-0.8	-0.4	0.0
WB weighted average (using 2012 population estimates for weights)	-0.8	1.4	2.2	0.1	1.8	2.4	-0.8	-0.4	-0.2
EU 27	-0.2	0.0	1.3	-0.2	0.5	1.5	0.0	-0.5	-0.2
EU 17	-0.6	-0.3	1.1	-0.4	0.2	1.2	-0.2	-0.5	-0.1
CEE	1.6	2.2	2.8	2.0	2.6	3.2	-0.4	-0.4	-0.4

Source: IMF, World Economic Outlook (October 2012 and April 2013)

Due to the negative external environment and internal structural weaknesses, the 2012 weighted average growth rate for the WB is now estimated to have fallen by -0.8% as compared to previous forecasts of broad stagnation. The 2012 growth estimates are lower for all countries in comparison to previous projections. As a result, the WB GDP in 2012 is estimated to have still been below the 2008 level. The downgrades in the estimates are for Croatia, Kosovo, Bosnia and Herzegovina (BiH) and Montenegro. According to current estimates for 2012, only Albania and Kosovo showed some growth (at 1.3% and 2.1% respectively), Montenegro's economy stagnated, while all other economies saw reductions in GDP (between -0.3 and -2.0%), with Croatia and Serbia each showing the decrease at around 2% each.

Projections for 2013 have also been downgraded, from +1.8% to +1.4% on average. Current 2013 projections are weakest for Croatia, which is now expected to record a further GDP fall of -0.2%. Bosnia and Herzegovina is expected to show slight growth at 0.5%, Montenegro is expected to grow at 1.2%, while Serbia, FYR Macedonia and Albania are expecting growth of around 2% each. The economy of Kosovo is again seen to record the strongest growth at +2,9%.

² * This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and ICJ Advisory opinion on the Kosovo declaration of independence.

Projections for 2014 remain broadly unchanged, with all economies expected to grow (with weighted average growth at 2.2% in comparison to previous projection of 2.4%), in line with the growth expectations in the EU. At +4.3%, Kosovo has the highest growth projections, while all other economies are expected to grow at a rate between +1.5% and +3%, with Croatia at the lower end of the scale.

However, it should be noted that the most recent data published by the national Statistics Agencies of the Western Balkans show positive trends in the first quarter of 2013 in terms of growth of exports and industrial production for most of the countries, which may result in higher than expected economic activity in 2013.

The fiscal position remained broadly the same (increase of expenditure by 0.2% of GDP), noting that the autumn 2012 projections already reflected increase in 2012 expenditure (mostly current expenditure) in the 2012 budget rebalances for most countries. Table 2 compares the latest 2012-2013 general government expenditure projections to the projections made in autumn 2012. Most of the countries' actual 2012 execution shows expenditure slightly below previous projections (Albania, BiH, Kosovo and Montenegro all show expenditure level reduction in the amount of around 1% of GDP, stemming mostly from current expenditure reductions). However Croatia, Serbia and FYR Macedonia show expenditure higher than previously estimated (increase of 1.5% of GDP in FYR Macedonia, 0.8% in Croatia and 0.6% in Serbia, all stemming from current expenditure increases, rather than stronger capital expenditure).

Expenditure projections for 2013 are also on average broadly unchanged in comparison to previous projection, with (mostly slight) decreased projected expenditures for Albania, BiH and Montenegro and slight further increases projected for Croatia, Kosovo, FYR Macedonia and Serbia.

Table 2: General Government Expenditure

<i>General Government Expenditure, % GDP</i>	April 2013 Projections		October 2012 Projections		% point difference between projections in October 2012 and April 2013	
	2012	2013	2012	2013	2012	2013
Albania	27.2%	27.4%	28.4%	28.8%	-1.2%	-1.4%
BiH	48.5%	46.1%	49.8%	49.7%	-1.3%	-3.6%
Croatia	42.2%	42.4%	41.4%	41.5%	0.8%	0.9%
Kosovo	29.9%	31.4%	30.9%	30.5%	-1.0%	0.9%
FYR of Macedonia	32.8%	32.1%	31.3%	31.3%	1.5%	0.8%
Montenegro	41.6%	40.9%	42.7%	41.0%	-1.1%	-0.1%
Serbia	48.9%	48.5%	48.3%	47.5%	0.6%	1.0%
WB simple average	38.7%	38.4%	39.0%	38.6%	-0.2%	-0.2%
WB weighted average (using 2012 GDP for weights)	42.2%	41.9%	42.0%	41.7%	0.2%	0.1%
EU 27	48.5%	48.5%	48.3%	47.9%	0.2%	0.6%
EU 17	49.8%	49.4%	49.3%	49.1%	0.5%	0.3%
CEE	39.3%	40.0%	38.9%	38.3%	0.4%	1.7%

Source: IMF, World Economic Outlook (October 2012 and April 2013)

In 2012, the projected fiscal balance remained the same on average, in line with broadly unchanged average levels of expenditure (the slight increase on average expenditure by 0.2% of GDP was offset by an increase of revenues in the same amount). Country-based data shows a worsening fiscal position for 2012 in comparison to previous 2012 estimates for the FYR Macedonia and Serbia.

For 2013, fiscal deficit projections (shown in Table 3) are improved in comparison to previous projections, with an expected average deficit of 4% of GDP (a reduction from 4.5% in 2012).

Table 3: General Government Fiscal Balance

<i>General Government Balance, % GDP</i>	April 2013 Projections		October 2012 Projections		% point difference between projections in October 2012 and April 2013	
	2012	2013	2012	2013	2012	2013
Albania	-3.1%	-3.1%	-3.5%	-3.8%	0.4%	0.7%
BiH	-2.8%	-1.6%	-2.8%	-3.2%	0.0%	1.6%
Croatia	-4.1%	-4.0%	-4.4%	-4.5%	0.3%	0.5%
Kosovo	-2.7%	-3.9%	-2.8%	-3.4%	0.1%	-0.5%
FYR of Macedonia	-3.8%	-3.6%	-2.5%	-2.5%	-1.3%	-1.1%
Montenegro	-4.0%	-3.6%	-5.1%	-3.4%	1.1%	-0.2%
Serbia	-7.0%	-5.5%	-6.6%	-5.9%	-0.4%	0.4%
WB simple average	-3.9%	-3.6%	-4.0%	-3.8%	0.0%	0.2%
WB weighted average (using 2012 GDP for weights)	-4.5%	-4.0%	-4.5%	-4.4%	0.0%	0.5%
EU 27	-4.1%	-3.4%	-3.9%	-3.2%	-0.2%	-0.2%
EU 17	-3.6%	-2.9%	-3.3%	-2.6%	-0.3%	-0.3%
CEE	-2.4%	-2.7%	-2.5%	-2.5%	0.1%	-0.2%

Source: IMF, World Economic Outlook (October 2012 and April 2013)

The latest public debt data (Table 4) point to some further shrinkage of fiscal space, with the 2013 figures now being 1.3 percentage points higher than the projections from autumn 2012.

While increasing continuously (and almost doubling at the regional level in absolute values since 2006), total public debt of the WB region is still relatively moderate at around 55% of GDP (weighted average). However, there are considerable variances among the countries. The debt levels of Serbia, Albania and Croatia are at or above 60% of GDP and Montenegrin debt now reaches 53% of GDP. The data for Croatia exclude government guarantees amounting to 15.2% of GDP. If these are included Croatian debt reaches 75% of GDP. More generally speaking all analyses of public sector debt in the region must be taken with care due to possible consistency issues and differences in data coverage. For example debt could include internal obligations such as restitutions, which are not included in the debt figures for all countries (e.g. Bosnia and Herzegovina), or it could include – or not – guarantees for state-owned enterprises and/or arrears of the payments.

Levels of public debt in the Western Balkans combined with the pressures on public finance due to increased demand for social assistance and sluggish revenue growth further limit the fiscal space on the budget for further expanding infrastructure in-

vestments. At the same time, the region is still lagging behind in terms of its capital stock, both private and public, so further investment is needed.

Table 4: General Government Public Debt

<i>General Government Debt, % GDP</i>	April 2013 Projections		October 2012 Projections		% point difference between projections in October 2012 and April 2013	
	2012	2013	2012	2013	2012	2013
Albania	60.6%	61.8%	63.8%	65.1%	-3.2%	-3.3%
BiH	44.3%	42.1%	43.7%	41.3%	0.6%	0.8%
Croatia³	56.3%	59.5%	54.3%	57.0%	2.0%	2.5%
Kosovo	17.0%	17.4%	15.0%	17.9%	2.0%	-0.5%
FYR of Macedonia	33.3%	34.3%	30.9%	29.7%	2.4%	4.6%
Montenegro	51.1%	52.9%	53.9%	53.6%	-2.8%	-0.7%
Serbia	63.7%	64.7%	63.1%	63.9%	0.6%	0.8%
WB simple average	46.6%	47.5%	46.4%	46.9%	0.2%	0.6%
WB weighted average (using 2012 GDP for weights)	53.8%	55.3%	52.9%	54.0%	0.9%	1.3%
EU 27	87.0%	89.0%	87.2%	88.7%	-0.2%	0.3%
EU 17	92.9%	95.0%	93.6%	94.9%	-0.7%	0.1%
CEE	45.4%	45.6%	45.3%	45.0%	0.1%	0.6%

Source: IMF, World Economic Outlook (October 2012 and April 2013)

2. WBIF PIPELINE

The following update of the implications of the deteriorating economic outlook on the pipeline of investments developed under the WBIF is based on the publicly available WBIF Management Information System as of May 1st, 2013. The WBIF MIS comprises data and information received from the IPF and from relevant IFIs responsible for implementing the various WBIF supported grants.

Table 5 demonstrates the importance of WBIF financed investments for the individual countries in terms of their contribution to GDP (although the investment volume is accumulated over several years, so its share to annual GDP hinges on the number

³ Excluding government guarantees amounting to 15.2% of GDP.

of years)⁴. Moreover it has to be kept in mind that the total potential investment volume indicated in the MIS includes substantial additional resources expected from the beneficiaries. Approximately 37% of the projects that have received WBIF grant assistance have signed loans attached to them, up from 35% in June 2012⁵ and thus 25% of the total investment value of the WBIF supported projects (i.e. 2,985 million EUR out of 11,731 million EUR) has been secured through grants and signed loans. This assumes that signed loans, contrary to planned loans in the pipeline, are already included in the public debt figures.

Table 5: WBIF Projects by Country

	Number of projects (out of which 15 projects which have multiple grants)	Value of signed loans	Value of grants awarded (WBIF grants and other)	Total Estimated WBIF Investment Value ⁶		Percentage of projects with signed loans
				In million EUR		
					In percent of GDP	
Albania	25	190	92	1,098	11%	28%
BiH	32	677	82	1,793	14%	38%
Croatia	8	0	8	1,790	4%	0%
Kosovo	14	34	53	824	17%	29%
FYR of Macedonia	12	248	17	1,416	18%	67%
Montenegro	20	154	15	980	29%	35%
Serbia	27	1381	34	3,828	13%	48%
TOTAL	138⁷	2,684	301⁸	11,731	10%	37%

Source: WBIF Monitoring Table from the IPF MIS (as of May 1st, 2013)

⁴ In addition, the distribution of projects over the years plays a role in assessing the importance of WBIF project financing. If we, for illustrative purposes, assume an even distribution over 4 years, the average of 8 percent of GDP listed in the table collapses to an indicative 2 percent of GDP per year.

⁵ The analysis of the fiscal space in this paper assumes that the signed loans are already reflected in the public debt stock data, so estimates regarding the implications on future fiscal space of a fully approved WBIF pipeline shown in Table 5 (columns 4,5 and 6) use only unsigned loans.

⁶ It should be noted that total investment value as projected in the MIS may be underestimated in some cases (e.g. for highway investment in Bosnia and Herzegovina).

⁷ Excluding 14 regional projects (thus the total number of WBIF projects is 152), since they are difficult to assign to individual countries in terms of future co-financing commitments.

⁸ The amount is composed of WBIF country-specific grants (207 million EUR), and other identified grants (94 million EUR). In addition, WBIF grants for the 14 regional projects amount to 72 million EUR.

Clearly implementation of investments needs time given that the loans are usually given with conditionalities that include policy reforms, feasibility studies, cost-benefit analyses, environmental impact studies and the like. A full picture of the effectiveness of the WBIF would require information on disbursements, i.e. at the stage of project implementation. Such information would allow for a better assessment of the capacity of the region to absorb such investments and to determine if this capacity is being constrained by common issues in the policy and regulatory environment.

Table 6 shows the beneficiary countries' ability to absorb their concomitant financial commitments under the assumption that all planned investments in the WBIF pipeline were to be implemented as foreseen. Planned but still unsigned signed loans, are not reflected in the data presented on the fiscal space, as they are not yet included in public debt figures. However, it is useful to have some idea on the potential impact of the pipeline on public sector debt, albeit purely indicative.

Table 6: Implications of WBIF Project Implementation for Fiscal Space⁹

	In % GDP				
	Additional WBIF loans needed (identified loans minus signed loans)	Total additional financing needed (total investment minus signed loans and secured grants)	Government debt including new loans (sum of current public debt and column 2)	Government debt including all additional financing (sum of current public debt and column 3)	Alternative financing from budget
1	2	3	4	5	6
Albania	3.3%	8.1%	65.1%	69.9%	4.8%
BiH	5.8%	7.1%	47.9%	49.2%	1.3%
Croatia	2.0%	3.9%	61.5%	63.4%	1.9%
Kosovo	2.5%	14.1%	19.9%	31.5%	11.7%
FYR of Macedonia	10.2%	14.5%	44.5%	48.8%	4.3%
Montenegro	15.0%	23.5%	68.0%	76.5%	8.5%
Serbia	0.7%	7.4%	65.4%	72.1%	6.6%

Source: WBIF Monitoring Table from the IPF MIS (as of May 1st, 2013) and IMF, World Economic Outlook (April 2013)

The picture is mixed for the different countries. Croatia, which has to date relatively few WBIF supported investments under preparation due to constraints on candidate countries to apply for support for certain sectors, remains virtually unaffected by the

⁹ This table has to be read with care: both additional loans needed, i.e. "yet to be signed", and other additional finance needed, i.e. "unidentified resources" (such as own contributions) are project related cumulative. There are methodological limitations to compare stock figures with flows (GDP, or aggregate tax and spending ratios).

pipeline. For Kosovo and FYR Macedonia, WBIF financing requirements can be absorbed due to lower levels of debt.

For BiH, the MIS data indicates that public debt would increase from 42% to a still relatively moderate 49% of GDP under the assumption that the entire WBIF investment value is financed through debt.

The remaining three countries require more attention. Albania's public debt is now reaching 62%, so additional financing for WBIF supported projects may have to come from increasing taxes equivalent to 5% of GDP rather than borrowing (technically, there may be fiscal space for higher tax levels in Albania). Serbia, and to some extent Montenegro may be at a critical junction. With their tax burden already high (65% of GDP in Serbia and 53% of GDP in Montenegro), it is unreasonable to expect these countries to finance all of the necessary additional financing from the budget. It would mean raising taxes (or lowering expenditures) by the equivalent of 7-9% of GDP. The alternative, loan financing, would bring public debt to 77% in Montenegro and 72% in Serbia. Most of the regional Finance Ministries have indicated that they aim to reduce debt levels substantially over medium term (for instance, in Bosnia and Herzegovina and in Serbia, in line with their discussions with the IMF).

Therefore it is recommended that new projects for Albania, Montenegro, Serbia and to some extent BiH be considered with special care.

ALBANIA COUNTRY SHEET

I GENERAL ECONOMIC FRAMEWORK

A. Growth Dynamics

GDP per capita, in EUR	2,888	GDP per capita, in EUR, PPP	5,638
GDP per capita relative to EU 27, in EUR	11%	GDP per capita relative to EU 27, in EUR, PPP	22%
GDP per capita relative to EU NMS, in EUR	30%	GDP per capita relative to EU NMS, in EUR, PPP	36%
GDP per capita relative to WB average, in EUR	60%	GDP per capita relative to WB average, in EUR, PPP	66%

Average past real growth performance over 2 cycles (2005-2012)	4.5	Average growth 2004-2008	6.1
Average past real growth performance over 2 cycles relative to EU 27	446%	Growth 2009	3.3
Average past real growth performance over 2 cycles relative to EU NMS	146%	Average growth 2010-2011	3.3
Average past real growth performance over 2 cycles relative to WB	182%	Growth 2012	1.3

Growth outlook	2013	2014	Unemployment	2012
Growth outlook relative to WB average	1.8	2.5		15.0%
	132%	111%		

Unit labour productivity (GDP/employments in hours) in EUR

Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU 27 average	17%
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU NMS average	40%
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to WB average	51%

Average investment as a share of GDP in 2009-2012

Average investment as a share of GDP in 2009-2012 relative to EU 27	26.7	FDI, 2009-12 average in % GDP	
Average investment as a share of GDP in 2009-2012 relative to EU NMS	144%		7.8%
Average investment as a share of GDP in 2009-2012 relative to WB average	122%		

B. External Exposure

Current deficit, 2012	-10.1%	Inflation	2009-2012	2.8%	International reserves, in mil EUR	2012	1,976
Export dependency, 2012							
Export to EU in % GDP	12%	Export to EU in % total exports				75%	
Exports to Croatia in % GDP	0%	Exports to Croatia in % total exports				0%	

External financing dependency, 2012

Total (public and private) external debt as a share in GDP	37.1%			
		Austria	Greece	Italy
Claims of banks from selected countries in % GDP (data from Dec 2012)		0%	15%	9%

S&P Credit Rating B+ stable (highly speculative)

C. Fiscal Space

Tax potential, 2012

Share of total revenues from taxes and social contribution in GDP	22.7%
Share of total revenues from taxes and social contribution in GDP relative to EU 27	56%
Share of total revenues from taxes and social contribution in GDP relative to EU NMS	70%
Share of total revenues from taxes and social contribution in GDP relative to WB	71%

Current general government expenditure in % GDP, 2012

Current general government expenditure in % GDP relative to EU 27	22.8%
Current general government expenditure in % GDP relative to EU NMS	48%
Current general government expenditure in % GDP relative to WB	60%
	59%

Flexibility in adjusting current expenditure	2012/2008	Public Debt Service, in % revenue	2012
Current expenditure elasticity relative to nominal GDP	0.91		4.3%

Public wage bill as a share in GDP

	2010	2011	2012	2013
Fiscal balance in % GDP	-4.2%	-3.4%	-3.0%	-3.1%

Public debt in % GDP	2010	2011	2012	2013
	58%	59%	61%	62%
of which internal	33%	33%	34%	34%
of which external	25%	25%	27%	27%

D. Business Climate/Institutional Setting Rankings		
	Overall Rank	Western Balkans Rank
Investment Reform Index 2010		
Investment Policy and Promotion	8 out of 10 SEE countries	5 out of 7 Western Balkans countries
Human Capital Development	7 out of 9 SEE countries	5 out of 7 Western Balkans countries
Trade Policy and Facilitation	2 out of 8 SEE countries	2 out of 7 Western Balkans countries
Access to Finance	9 out of 10 SEE countries	6 out of 7 Western Balkans countries
Regulatory Reform and Parliamentary Processes	6 out of 9 SEE countries	4 out of 7 Western Balkans countries
Tax Policy Analyses	Sharing places 5-7 out of 9 countries	
Transition Report 2012		
Energy: Natural Resources	Sharing places 13-16 out of 33 countries	Sharing places 2-3 out of 6 WB countries
Energy: Sustainable Energy	Sharing places 1-5 out of 33 countries	1 out of 6 Western Balkans countries
Energy: Electric Power	Sharing places 13-20 out of 33 countries	Sharing places 1-3 out of 6 WB countries
Infrastructure: Water and Wastewater	Sharing places 14-19 out of 33 countries	Sharing places 2-4 out of 6 WB countries
Infrastructure: Urban Transport	Sharing places 15-19 out of 33 countries	Sharing places 3-5 out of 6 WB countries
Infrastructure: Roads	Sharing places 10-21 out of 33 countries	Sharing places 3-5 out of 6 WB countries
Infrastructure: Railways	Sharing places 25-28 out of 33 countries	6 out of 6 Western Balkans countries
Doing Business 2013	85 out of 185 countries	4 out of 7 Western Balkans countries
Global Competitiveness Index 2012-2013	89 out of 144 countries	5 out of 6 Western Balkans countries
Global Innovation Index 2012	90 out of 141 countries	6 out of 6 Western Balkans countries

Registering Property: Cost; Protecting Investors: Strength of investor protection index; Protecting Investors: Extent of director liability

Three potential indicators for reform identified in Doing Business

Top three Identified Constraints to Firm Investment in Enterprise Survey (2007)

Electricity; Informal sector; and Corruption

II COUNTRY POSITION WITHIN CURRENT WBIF PIPELINE (as of May 1, 2013)

A. Overall Statistics

Number of Projects	25	(22 excluding projects with multiple grants)
% of Projects for Which Loans Are Signed	28%	
% of Total Value Identified as Loan	48%	
% of Total Value with Unidentified Financing	44%	
% of Total Value - Grants (including WBIF and other)	8%	

B. Implications for fiscal space

	in mil EUR	in % GDP
Total Estimated WBIF Investment	1,098	11%
Necessary Additional Loans	332	3%
Necessary Total Additional Financing	823	8%
Public Debt Including Additional Loans	6,600	65%
Public Debt Including All Necessary Financing	7,091	70%
Share of Additional Government Revenue Needed If Remaining Financing Is to Come from Budget	20%	5%

III SOME CONCLUSIONS/IMPLICATIONS

1. High GDP performance in 2008-2013 in comparison to other WB countries.
2. Low GDP per capita in comparison to WB average.
3. Low labour productivity in comparison to WB average.
4. Somewhat higher investment in comparison to WB average.
5. High dependency on EU exports (albeit low when expressed in share of GDP), with no impact expected from Croatia joining the EU.
6. Low credit rating among WB countries.
7. Large unused tax potential.
8. Low current expenditure, has further decreased somewhat since 2010.
9. Low overall general government sector.
10. Low share of wage bill.
11. Somewhat high and growing public debt, may increase to 70% under assumption that all of the additional financing for existing WBIF pipeline will increase debt.
12. Low rankings, especially for investment policy and promotion, access to finance, infrastructure reform, and innovation.
13. Lower share of signed loans for WBIF investments in comparison to WB average.
14. Necessary total additional financing is significant.

Prepared by the IFI Coordination Office. Sources: IMF April 2013 WEO and IMF individual country reports for macrofiscal data on Western Balkans countries, EUROSTAT for macrofiscal data on EU countries, Statistics Agencies/Central Banks of the Western Balkans countries for unit labour productivity and/or exports, Bank for International Settlements for claims of banks, Standard & Poor's for credit ratings, OECD for Investment Reform Index, EBRD for Transition Report, World Bank for Doing Business, World Economic Forum for Global Competitiveness Index, INSEAD for Global Innovation Index, and WBIF Monitoring Tables as of May 1st 2013 for WBIF pipeline data.

BOSNIA AND HERZEGOVINA COUNTRY SHEET

I GENERAL ECONOMIC FRAMEWORK

A. Growth Dynamics

GDP per capita, in EUR	3,370		GDP per capita, in EUR, PPP	5,830
GDP per capita relative to EU 27, in EUR	13%		GDP per capita relative to EU 27, in EUR, PPP	23%
GDP per capita relative to EU NMS, in EUR	34%		GDP per capita relative to EU NMS, in EUR, PPP	37%
GDP per capita relative to WB average, in EUR	70%		GDP per capita relative to WB average, in EUR, PPP	68%
Average past real growth performance over 2 cycles (2005-2012)		2.5	Average growth 2004-2008	5.6
Average past real growth performance over 2 cycles relative to EU 27		250%	Growth 2009	- 2.9
Average past real growth performance over 2 cycles relative to EU NMS		82%	Average growth 2010-2011	1.0
Average past real growth performance over 2 cycles relative to WB		102%	Growth 2012	- 0.7
	2013	2014		2012
Growth outlook	0.5	2.0	Unemployment	28.0%
Growth outlook relative to WB average	37%	89%		
				2012
Unit labour productivity (GDP/employments in hours) in EUR				7.8
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU 27 average				26%
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU NMS average				61%
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to WB average				77%
Average investment as a share of GDP in 2009-2012			17.4	FDI, 2009-12 average in % GDP
Average investment as a share of GDP in 2009-2012 relative to EU 27			94%	2.0%
Average investment as a share of GDP in 2009-2012 relative to EU NMS			79%	
Average investment as a share of GDP in 2009-2012 relative to WB average			79%	

B. External Exposure

Current deficit, 2012	-9.6%		Inflation	2009-2012	1.9%		International reserves, in mil EUR	2012	3,245
Export dependency, 2011									
Export to EU in % GDP	17%		Export to EU in % total exports				58%		
Exports to Croatia in % GDP	4%		Exports to Croatia in % total exports				15%		
External financing dependency, 2012									
Total (public and private) external debt as a share in GDP		49.4%		Austria	Greece	Italy			
Claims of banks from selected countries in % GDP (data from Dec 2012)				31%	0%	21%			
S&P Credit Rating	B stable (highly speculative)								

C. Fiscal Space

Tax potential, 2012									
Share of total revenues from taxes and social contribution in GDP									38.7%
Share of total revenues from taxes and social contribution in GDP relative to EU 27									96%
Share of total revenues from taxes and social contribution in GDP relative to EU NMS									120%
Share of total revenues from taxes and social contribution in GDP relative to WB									120%
Current general government expenditure in % GDP, 2012									41.8%
Current general government expenditure in % GDP relative to EU 27									89%
Current general government expenditure in % GDP relative to EU NMS									110%
Current general government expenditure in % GDP relative to WB									108%
Flexibility in adjusting current expenditure		2012/2008		Public Debt Service, in % revenue					2012
Current expenditure elasticity relative to nominal GDP		0.70							7.7%
Public wage bill as a share in GDP									2012
									13.0%
Fiscal balance in % GDP				2010	2011	2012			2013
				-3.9%	-2.6%	-2.8%			-1.6%
Public debt in % GDP				2010	2011	2012			2013
				39%	40%	44%			42%
of which internal				14%	14%	15%			15%
of which external				26%	26%	29%			30%

D. Business Climate/Institutional Setting Rankings		
	Overall Rank	Western Balkans Rank
Investment Reform Index 2010		
Investment Policy and Promotion	9 out of 10 SEE countries	6 out of 7 Western Balkans countries
Human Capital Development	9 out of 9 SEE countries	7 out of 7 Western Balkans countries
Trade Policy and Facilitation	7 out of 8 SEE countries	6 out of 7 Western Balkans countries
Access to Finance	8 out of 10 SEE countries	5 out of 7 Western Balkans countries
Regulatory Reform and Parliamentary Processes	8 out of 9 SEE countries	6 out of 7 Western Balkans countries
Tax Policy Analyses	Not ranked	Not ranked
Transition Report 2012		
Energy: Natural Resources	Sharing places 20-27 out of 33 countries	Sharing places 5-6 out of 6 WB countries
Energy: Sustainable Energy	Sharing places 25-30 out of 33 countries	Sharing places 5-6 out of 6 WB countries
Energy: Electric Power	Sharing places 21-28 out of 33 countries	Sharing places 4-6 out of 6 WB countries
Infrastructure: Water and Wastewater	Sharing places 20-26 out of 33 countries	Sharing places 5-6 out of 6 WB countries
Infrastructure: Urban Transport	Sharing places 20-25 out of 33 countries	6 out of 6 Western Balkans countries
Infrastructure: Roads	Sharing places 4-9 out of 33 countries	2 out of 6 Western Balkans countries
Infrastructure: Railways	Sharing places 5-9 out of 33 countries	1 out of 6 Western Balkans countries
Doing Business 2013	126 out of 185 countries	7 out of 7 Western Balkans countries
Global Competitiveness Index 2012-2013	88 out of 144 countries	4 out of 6 Western Balkans countries
Global Innovation Index 2012	72 out of 141 countries	5 out of 6 Western Balkans countries

Three potential indicators for reform identified in Doing Business

Getting Credit: Public registry coverage; Getting Electricity: Procedures; and Dealing with Licenses: Cost

Top three Identified Constraints to Firm Investment in Enterprise Survey (2009)

Political instability; Tax rates; and Informal sector

II COUNTRY POSITION WITHIN CURRENT WBIF PIPELINE (as of May 1, 2013)

A. Overall Statistics

Number of Projects	32	(28 excluding projects with multiple grants)
% of Projects for Which Loans Are Signed	38%	
% of Total Value Identified as Loan	61%	
% of Total Value with Unidentified Financing	34%	
% of Total Value - Grants (including WBIF and other)	5%	

B. Implications for fiscal space

	in mil EUR	in % GDP
Total Estimated WBIF Investment	1,793	13%
Necessary Additional Loans	827	6%
Necessary Total Additional Financing	1,012	7%
Public Debt Including Additional Loans	6,844	48%
Public Debt Including All Necessary Financing	7,030	49%
Share of Additional Government Revenue Needed If Remaining Financing Is to Come from Budget	3%	1%

III SOME CONCLUSIONS/IMPLICATIONS

1. Weaker GDP performance in 2008-2013 in comparison to most other WB countries.
2. Lower labour productivity in comparison to WB average.
3. Lower investment in comparison to WB average.
4. High dependency on EU exports, with strong impact expected from Croatia joining the EU (Croatia and EU account for 73% of exports).
5. Lowest credit rating among WB countries.
6. Tax potential exhausted.
7. High current expenditure, broadly stagnating in 2008-2011. Slight decrease projected for 2013, under assumption of fulfillment of the requirements of the Stand By arrangement with the IMF: There are likely data constraints in terms of over-estimated capital expenditure data for BiH.
8. High overall general government sector.
9. High share of wage bill.
10. Medium but growing public debt (however, restitution not captured).
11. Low rankings (on average lowest in the region), especially for human capital development, doing business, competitiveness, and innovation.
12. Public debt would increase from moderate 42% of GDP to 48% of GDP under assumption that only planned additional IFI loans will increase debt and to still moderate 49% of GDP under assumption that all of the additional financing for existing WBIF pipeline will increase debt. However, WBIF projections for total investment is likely underestimated in terms of full cost of Corridor Vc projects.
13. Fiscal space exhausted. Given large government expenditures and difficulties BiH with decreasing current expenditure, it is likely that most of the remaining financing will come from additional debt.

Prepared by the IFI Coordination Office. Sources: IMF April 2013 WEO and IMF individual country reports for macrofiscal data on Western Balkans countries; EUROSTAT for macrofiscal data on EU countries; Statistics Agencies/Central Banks of the Western Balkans countries for unit labour productivity and/or exports; Bank for International Settlements for claims of banks; Standard & Poor's for credit ratings; OECD for Investment Reform Index; EBRD for Transition Report, World Bank for Doing Business, World Economic Forum for Global Competitiveness Index, INSEAD for Global Innovation Index, and WBIF Monitoring Tables as of May 1st 2013 for WBIF pipeline data.

CROATIA COUNTRY SHEET

I GENERAL ECONOMIC FRAMEWORK

A. Growth Dynamics

GDP per capita, in EUR	10,073	GDP per capita, in EUR, PPP	12,941
GDP per capita relative to EU 27, in EUR	40%	GDP per capita relative to EU 27, in EUR, PPP	52%
GDP per capita relative to EU NMS, in EUR	103%	GDP per capita relative to EU NMS, in EUR, PPP	83%
GDP per capita relative to WB average, in EUR	211%	GDP per capita relative to WB average, in EUR, PPP	151%
Average past real growth performance over 2 cycles (2005-2012)	0.6	Average growth 2004-2008	4.1
Average past real growth performance over 2 cycles relative to EU 27	59%	Growth 2009	- 6.9
Average past real growth performance over 2 cycles relative to EU NMS	19%	Average growth 2010-2011	- 1.4
Average past real growth performance over 2 cycles relative to WB	24%	Growth 2012	- 0.7
	2013	2014	2012
Growth outlook	-0.2	1.5	Unemployment
Growth outlook relative to WB average	-15%	67%	15.0%
			2012
Unit labour productivity (GDP/employments in hours) in EUR			15.4
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU 27 average			51%
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU NMS average			119%
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to WB average			152%
Average investment as a share of GDP in 2009-2012	22.4	FDI, 2009-12 average in % GDP	
Average investment as a share of GDP in 2009-2012 relative to EU 27	121%		2.2%
Average investment as a share of GDP in 2009-2012 relative to EU NMS	102%		
Average investment as a share of GDP in 2009-2012 relative to WB average	102%		

B. External Exposure

Current deficit, 2012	-0.1%	Inflation	2009-2012	2.3%	International reserves, in mil EUR	2012	10,476
Export dependency, 2011							
Export to EU in % GDP	13%	Export to EU in % total exports			58%		
Exports to WB in % GDP	5%	Exports to WB in % total exports			21%		
External financing dependency, 2012							
Total (public and private) external debt as a share in GDP	101.9%						
Claims of banks from selected countries in % GDP (data from Dec 2012)			Austria	Greece	Italy		
			52%	0%	54%		
S&P Credit Rating	BB+ stable (non-investment grade speculative)						

C. Fiscal Space

Tax potential, 2012							
Share of total revenues from taxes and social contribution in GDP					33.1%		
Share of total revenues from taxes and social contribution in GDP relative to EU 27					82%		
Share of total revenues from taxes and social contribution in GDP relative to EU NMS					102%		
Share of total revenues from taxes and social contribution in GDP relative to WB					103%		
Current general government expenditure in % GDP, 2012					40.6%		
Current general government expenditure in % GDP relative to EU 27					86%		
Current general government expenditure in % GDP relative to EU NMS					107%		
Current general government expenditure in % GDP relative to WB					105%		
Flexibility in adjusting current expenditure	2012/2008				Public Debt Service, in % revenue	2012	
Current expenditure elasticity relative to nominal GDP	- 0.79					11.0%	
						2012	
Public wage bill as a share in GDP						10.6%	
					2010	2011	2012
Fiscal balance in % GDP					-5.1%	-5.2%	-4.1%
					2010	2011	2012
Public debt in % GDP (including state guarantees in the amount of 15% of GDP)					61%	65%	72%
of which internal					11%	13%	18%
of which external					50%	53%	54%

D. Business Climate/Institutional Setting Rankings	Overall Rank	Western Balkans Rank
Investment Reform Index 2010		
Investment Policy and Promotion	Sharing places 1-5 out of 10 SEE countries	Sharing places 1-3 out of 7 Western Balkans countries
Human Capital Development	Sharing places 3-4 out of 9 SEE countries	2 out of 7 Western Balkans countries
Trade Policy and Facilitation	1 out of 8 SEE countries	1 out of 7 Western Balkans countries
Access to Finance	1 out of 10 SEE countries	1 out of 7 Western Balkans countries
Regulatory Reform and Parliamentary Processes	5 out of 9 SEE countries	3 out of 7 Western Balkans countries
Tax Policy Analyses	4 out of 9 SEE countries	2 out of 6 Western Balkans countries
Transition Report 2012		
Energy: Natural Resources	Sharing places 2-4 out of 33 countries	1 out of 6 Western Balkans countries
Energy: Sustainable Energy	Sharing places 11-16 out of 33 countries	2 out of 6 Western Balkans countries
Energy: Electric Power	Sharing places 13-20 out of 33 countries	Sharing places 1-3 out of 6 WB countries
Infrastructure: Water and Wastewater	Sharing places 4-9 out of 33 countries	1 out of 6 Western Balkans countries
Infrastructure: Urban Transport	Sharing places 5-11 out of 33 countries	1 out of 6 Western Balkans countries
Infrastructure: Roads	3 out of 33 countries	1 out of 6 Western Balkans countries
Infrastructure: Railways	Sharing places 15-19 out of 33 countries	Sharing places 3-4 out of 6 WB countries
Doing Business 2013	84 out of 185 countries	3 out of 7 Western Balkans countries
Global Competitiveness Index 2012-2013	81 out of 144 countries	3 out of 6 Western Balkans countries
Global Innovation Index 2012	42 out of 141 countries	1 out of 6 Western Balkans countries

Three potential indicators for reform identified in Doing Business

Registering Property: Time; Dealing with Licences: Time; Getting Credit: Private bureau coverage

Top three Identified Constraints to Firm Investment in Enterprise Survey (2007)

Access to finance; Inadequately educated work force; and Tax rates

II COUNTRY POSITION WITHIN CURRENT WBIF PIPELINE (as of May 1, 2013)

A. Overall Statistics

Number of Projects	8
% of Projects for Which Loans Are Signed	0%
% of Total Value Identified as Loan	51%
% of Total Value with Unidentified Financing	49%
% of Total Value - Grants (including WBIF and other)	0%

B. Implications for fiscal space

	in mil EUR	in % GDP
Total Estimated WBIF Investment	1,790	4%
Necessary Additional Loans	914	2%
Necessary Total Additional Financing	1,782	4%
Public Debt Including Additional Loans	34,930	77%
Public Debt Including All Necessary Financing	35,798	79%
Share of Additional Government Revenue Needed If Remaining Financing Is to Come from Budget	5%	2%

III SOME CONCLUSIONS/IMPLICATIONS

1. Lowest GDP performance in 2008-2013 in WB, with low growth outlook.
2. Highest GDP per capita in comparison to WB average.
3. High labour productivity in comparison to NMS and WB averages.
4. Low current account deficit.
5. High dependency on EU exports and significant impact expected from joining the EU (since exports to other WB countries account for 21% of total exports).
6. Highest credit rating among WB countries.
7. Limited tax potential.
8. Somewhat high current expenditure, was difficult to contain.
9. Somewhat high share of wage bill.
10. Public debt is growing and is currently high at 75% of GDP if state guarantees in the amount of 15% of GDP are included. High total external debt (public and private).
11. Overall high rankings in comparison to other WB countries. Improvement could be made in terms of regulatory reform, tax policy and Doing Business indicators.
12. WBIF data on Croatia reflect the fact that Croatia has joined WBIF at a later stage, as well as the fact that Croatia is more advanced than other WBIF countries in terms of past investment.

KOSOVO* SHEET

I GENERAL ECONOMIC FRAMEWORK

A. Growth Dynamics

GDP per capita, in EUR	2,674		GDP per capita, in EUR, PPP	4,813
GDP per capita relative to EU 27, in EUR	11%		GDP per capita relative to EU 27, in EUR, PPP	19%
GDP per capita relative to EU NMS, in EUR	27%		GDP per capita relative to EU NMS, in EUR, PPP	31%
GDP per capita relative to WB average, in EUR	56%		GDP per capita relative to WB average, in EUR, PPP	56%
Average past real growth performance over 2 cycles (2005-2012)		4.3	Average growth 2004-2008	4.8
Average past real growth performance over 2 cycles relative to EU 27		429%	Growth 2009	2.9
Average past real growth performance over 2 cycles relative to EU NMS		140%	Average growth 2010-2011	4.5
Average past real growth performance over 2 cycles relative to WB		174%	Growth 2012	2.1
	2013	2014		2012
Growth outlook	3.0	4.3	Unemployment	n/a
Growth outlook relative to WB average	219%	192%		
				2012
Unit labour productivity (GDP/employments in hours) in EUR				n/a
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU 27 average				n/a
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU NMS average				n/a
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to WB average				n/a
Average investment as a share of GDP in 2009-2012			33.1	FDI, 2009-12 average in % GDP
Average investment as a share of GDP in 2009-2012 relative to EU 27			179%	6.7%
Average investment as a share of GDP in 2009-2012 relative to EU NMS			151%	
Average investment as a share of GDP in 2009-2012 relative to WB average			152%	

B. External Exposure

Current deficit, 2012	-20.4%		Inflation	2009-2012	2.7%		International reserves, in mil EUR	2012	702
Export dependency, 2011									
Export to EU in % GDP	2%		Export to EU in % total exports				39%		
Exports to Croatia in % GDP	0%		Exports to Croatia in % total exports				1%		
External financing dependency, 2012									
Total (public and private) external debt as a share in GDP		15.0%							
			Austria	Greece	Italy				
Claims of banks from selected countries in % GDP (data from Dec 2012)			n/a	n/a	n/a				
S&P Credit Rating	n/a								

C. Fiscal Space

Tax potential, 2012									
Share of total revenues from taxes and social contribution in GDP							23.3%		
Share of total revenues from taxes and social contribution in GDP relative to EU 27							58%		
Share of total revenues from taxes and social contribution in GDP relative to EU NMS							72%		
Share of total revenues from taxes and social contribution in GDP relative to WB							72%		
Current general government expenditure in % GDP, 2012							18.2%		
Current general government expenditure in % GDP relative to EU 27							39%		
Current general government expenditure in % GDP relative to EU NMS							48%		
Current general government expenditure in % GDP relative to WB							47%		
Flexibility in adjusting current expenditure	2012/2008					Public Debt Service, in % revenue		2012	2012
Current expenditure elasticity relative to nominal GDP	1.30							1.7%	1.7%
							2012		
Public wage bill as a share in GDP							8.4%		
						2010	2011	2012	2013
Fiscal balance in % GDP						-2.6%	-1.9%	-2.7%	-4.0%
						2010	2011	2012	2013
Public debt in % GDP						17%	15%	17%	17%
of which internal						0%	0%	2%	2%
of which external						17%	15%	16%	15%

D. Business Climate/Institutional Setting Rankings		
	Overall Rank	Western Balkans Rank
Investment Reform Index 2010		
Investment Policy and Promotion	10 out of 10 SEE countries	7 out of 7 Western Balkans countries
Human Capital Development	8 out of 9 SEE countries	6 out of 7 Western Balkans countries
Trade Policy and Facilitation	8 out of 8 SEE countries	7 out of 7 Western Balkans countries
Access to Finance	10 out of 10 SEE countries	7 out of 7 Western Balkans countries
Regulatory Reform and Parliamentary Processes	Sharing places 7 and 8 out of 9 SEE countries	Sharing places 5 and 6 out of 7 Western Balkans countries
Tax Policy Analyses	3 out of 9 SEE countries	1 out of 6 Western Balkans countries
Transition Report 2012	n/a	n/a
Doing Business 2013	98 out of 185 countries	6 out of 7 Western Balkans countries
Global Competitiveness Index 2012-2013	n/a	n/a
Global Innovation Index 2011	n/a	n/a

Three potential indicators for reform identified in Doing Business

Starting a Business: Time; Enforcing Contracts: Cost; and Enforcing Contracts: Procedures

Top three Identified Constraints to Firm Investment in Enterprise Survey (2009)

Electricity; Corruption; and Informal sector

II COUNTRY POSITION WITHIN CURRENT WBIF PIPELINE (as of May 1, 2013)

A. Overall Statistics

Number of Projects	14	(13 excluding projects with multiple grants)
% of Projects for Which Loans Are Signed	29%	
% of Total Value Identified as Loan	28%	
% of Total Value with Unidentified Financing	65%	
% of Total Value - Grants (including WBIF and other)	6%	

B. Implications for fiscal space

	in mil EUR	in % GDP
Total Estimated WBIF Investment	824	16%
Necessary Additional Loans	127	2%
Necessary Total Additional Financing	727	14%
Public Debt Including Additional Loans	1,022	20%
Public Debt Including All Necessary Financing	1,622	32%
Share of Additional Government Revenue Needed If Remaining Financing Is to Come from Budget	43%	12%

III SOME CONCLUSIONS/IMPLICATIONS

1. Highest GDP performance in 2008-2012 in comparison to other WB countries, with lowest GDP per capita.
2. No data on labour productivity (no labour force surveys).
3. Higher investment in comparison to WB average.
4. High current account deficit.
5. Lower dependency on EU exports in comparison to other WB countries, with no impact expected from Croatia joining the EU.
6. Strong unexploited tax potential.
7. Low current expenditure.
8. Small overall general government sector.
9. Low public debt, almost entirely external. Local capital market needs development.
10. Low share of wage bill.
11. Rankings missing for most surveys/indices. Lowest rankings (on average lowest in the region when ranked), especially for investment policy and promotion, trade policy, and access to finance.
12. WBIF investments represent a high share of GDP.
13. Necessary total additional financing is high, with unidentified financing for 65% of total investment value.
14. Public debt is low and would remain low even if all unidentified financing were to come from debt.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

Prepared by the IFI Coordination Office. Sources: IMF April 2013 WEO and IMF individual country reports for macrofiscal data on Western Balkans countries, EUROSTAT for macrofiscal data on EU countries, Statistics Agencies/Central Banks of the Western Balkans countries for unit labour productivity and/or exports, Bank for International Settlements for claims of banks, Standard & Poor's for credit ratings, OECD for Investment Reform Index, EBRD for Transition Report, World Bank for Doing Business, World Economic Forum for Global Competitiveness Index, INSEAD for Global Innovation Index, and WBIF Monitoring Tables as of May 1st 2013 for WBIF pipeline data.

FYR MACEDONIA COUNTRY SHEET

I GENERAL ECONOMIC FRAMEWORK

A. Growth Dynamics

GDP per capita, in EUR	3,695		GDP per capita, in EUR, PPP	7,521
GDP per capita relative to EU 27, in EUR	15%		GDP per capita relative to EU 27, in EUR, PPP	30%
GDP per capita relative to EU NMS, in EUR	38%		GDP per capita relative to EU NMS, in EUR, PPP	48%
GDP per capita relative to WB average, in EUR	77%		GDP per capita relative to WB average, in EUR, PPP	88%
Average past real growth performance over 2 cycles (2005-2012)		3.2	Average growth 2004-2008	5.0
Average past real growth performance over 2 cycles relative to EU 27		315%	Growth 2009	- 0.9
Average past real growth performance over 2 cycles relative to EU NMS		103%	Average growth 2010-2011	2.9
Average past real growth performance over 2 cycles relative to WB		128%	Growth 2012	- 0.3
	2013	2014		2012
Growth outlook	2.0	3.1	Unemployment	31.3%
Growth outlook relative to WB average	146%	138%		
				2012
Unit labour productivity (GDP/employments in hours) in EUR				5.8
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU 27 average				19%
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU NMS average				45%
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to WB average				57%
Average investment as a share of GDP in 2009-2012			25.5	FDI, 2009-12 average in % GDP
Average investment as a share of GDP in 2009-2012 relative to EU 27			137%	2.8%
Average investment as a share of GDP in 2009-2012 relative to EU NMS			116%	
Average investment as a share of GDP in 2009-2012 relative to WB average			116%	

B. External Exposure

Current deficit, 2012	-3.9%		Inflation	2009-2012	2.0%		International reserves, in mil EUR	2012	2,402
Export dependency, 2011									
Export to EU in % GDP	25%		Export to EU in % total exports				58%		
Exports to Croatia in % GDP	1%		Exports to Croatia in % total exports				3%		
External financing dependency, 2012									
Total (public and private) external debt as a share in GDP		66.7%		Austria	Greece	Italy			
Claims of banks from selected countries in % GDP (data from Dec 2012)				5%	19%	0%			
S&P Credit Rating	BB stable (non-investment grade speculative)								

C. Fiscal Space

Tax potential, 2012									
Share of total revenues from taxes and social contribution in GDP							25.5%		
Share of total revenues from taxes and social contribution in GDP relative to EU 27							63%		
Share of total revenues from taxes and social contribution in GDP relative to EU NMS							79%		
Share of total revenues from taxes and social contribution in GDP relative to WB							79%		
Current general government expenditure in % GDP, 2012							28.9%		
Current general government expenditure in % GDP relative to EU 27							61%		
Current general government expenditure in % GDP relative to EU NMS							76%		
Current general government expenditure in % GDP relative to WB							74%		
Flexibility in adjusting current expenditure		2012/2008					Public Debt Service, in % revenue	2012	
Current expenditure elasticity relative to nominal GDP		- 0.85						3.8%	
Public wage bill as a share in GDP							2012		
							4.8%		
Fiscal balance in % GDP				2010	2011	2012	2013		
				-2.4%	-2.5%	-3.9%	-3.6%		
Public debt in % GDP				2010	2011	2012	2013		
				24%	28%	33%	34%		
of which internal				7%	7%	8%	12%		
of which external				17%	21%	25%	23%		

D. Business Climate/Institutional Setting Rankings		
	Overall Rank	Western Balkans Rank
Investment Reform Index 2010		
Investment Policy and Promotion	Sharing places 6 and 7 out of 10 SEE countries	4 out of 7 Western Balkans countries
Human Capital Development	1 out of 9 SEE countries	1 out of 7 Western Balkans countries
Trade Policy and Facilitation	Sharing places 3 and 4 out of 8 SEE countries	Sharing place 4 and 5 out of 7 Western Balkans countries
Access to Finance	5 out of 10 SEE countries	3 out of 7 Western Balkans countries
Regulatory Reform and Parliamentary Processes	Sharing places 1 and 2 out of 9 SEE countries	1 out of 7 Western Balkans countries
Tax Policy Analyses	8 out of 9 SEE countries	5 out of 6 Western Balkans countries
Transition Report 2012		
Energy: Natural Resources	Sharing places 16-19 out of 33 countries	4 out of 6 Western Balkans countries
Energy: Sustainable Energy	Sharing places 17-24 out of 33 countries	Sharing places 3-4 out of 6 WB countries
Energy: Electric Power	Sharing places 13-20 out of 33 countries	Sharing places 1-3 out of 6 WB countries
Infrastructure: Water and Wastewater	Sharing places 14-19 out of 33 countries	Sharing places 2-4 out of 6 WB countries
Infrastructure: Urban Transport	Sharing places 15-19 out of 33 countries	Sharing places 3-5 out of 6 WB countries
Infrastructure: Roads	Sharing places 10-21 out of 33 countries	Sharing places 3-5 out of 6 WB countries
Infrastructure: Railways	Sharing places 15-19 out of 33 countries	Sharing places 3-4 out of 6 WB countries
Doing Business 2013	23 out of 185 countries	1 out of 7 Western Balkans countries
Global Competitiveness Index 2012-2013	72 out of 144 countries	2 out of 6 Western Balkans countries
Global Innovation Index 2012	62 out of 141 countries	4 out of 6 Western Balkans countries

Three potential indicators for reform identified in Doing Business

Protecting Investors: Strength of investor protection index;
Protecting Investors: Extent of disclosure index; and
Getting Credit: Public registry coverage

Top three Identified Constraints to Firm Investment in Enterprise Survey (2009)

Informal sector; Access to finance; and Political instability

II COUNTRY POSITION WITHIN CURRENT WBIF PIPELINE (as of May 1, 2013)

A. Overall Statistics

Number of Projects	12	(11 excluding projects with multiple grants)
% of Projects for Which Loans Are Signed	67%	
% of Total Value Identified as Loan	75%	
% of Total Value with Unidentified Financing	24%	
% of Total Value - Grants (including WBIF and other)	1%	

B. Implications for fiscal space

	in mil EUR	in % GDP
Total Estimated WBIF Investment	1,416	18%
Necessary Additional Loans	807	10%
Necessary Total Additional Financing	1,151	15%
Public Debt Including Additional Loans	3,525	44%
Public Debt Including All Necessary Financing	3,869	49%
Share of Additional Government Revenue Needed If Remaining	15%	4%
Financing Is to Come from Budget		

III SOME CONCLUSIONS/IMPLICATIONS

1. Higher growth projections in comparison to WB and NMS averages.
2. Low labour productivity in comparison to WB average.
3. High dependency on EU exports, with mild impact expected from Croatia joining the EU.
4. Tax potential can be exploited more fully.
5. Low current expenditure.
6. Low wage bill.
7. Low public debt.
8. Good rankings in comparison to other WB countries (in particular Doing Business and Global Competitiveness Index), with improvements needed in tax policy and investment promotion.
9. WBIF investments represent a high share of GDP.
10. Lowest share of unidentified financing in WB and highest share of signed loans.
11. Public debt would remain moderately low even if all necessary additional financing would come from debt.

Prepared by the IFI Coordination Office. Sources: IMF April 2013 WEO and IMF individual country reports for macrofiscal data on Western Balkans countries, EUROSTAT for macrofiscal data on EU countries, Statistics Agencies/Central Banks of the Western Balkans countries for unit labour productivity and/or exports, Bank for International Settlements for claims of banks, Standard & Poor's for credit ratings, OECD for Investment Reform Index, EBRD for Transition Report, World Bank for Doing Business, World Economic Forum for Global Competitiveness Index, INSEAD for Global Innovation Index, and WBIF Monitoring Tables as of May 1st 2013 for WBIF pipeline data.

MONTENEGRO COUNTRY SHEET

I GENERAL ECONOMIC FRAMEWORK

A. Growth Dynamics

GDP per capita, in EUR	5,215	GDP per capita, in EUR, PPP	8,294	
GDP per capita relative to EU 27, in EUR	21%	GDP per capita relative to EU 27, in EUR, PPP	33%	
GDP per capita relative to EU NMS, in EUR	53%	GDP per capita relative to EU NMS, in EUR, PPP	53%	
GDP per capita relative to WB average, in EUR	109%	GDP per capita relative to WB average, in EUR, PPP	97%	
Average past real growth performance over 2 cycles (2005-2012)		3.8	Average growth 2004-2008	7.0
Average past real growth performance over 2 cycles relative to EU 27		380%	Growth 2009	- 5.7
Average past real growth performance over 2 cycles relative to EU NMS		125%	Average growth 2010-2011	2.9
Average past real growth performance over 2 cycles relative to WB		155%	Growth 2012	0.0
Growth outlook	2013	2014		2012
Growth outlook relative to WB average	1.2	2.0	Unemployment	19.7%
	88%	89%		
Unit labour productivity (GDP/employments in hours) in EUR			2012	
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU 27 average			7.8	
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to EU NMS average			26%	
Unit labour productivity (GDP/employments in hours) in EUR in 2011, relative to WB average			60%	
			77%	
Average investment as a share of GDP in 2009-2012			22.4	FDI, 2009-12 average in % GDP
Average investment as a share of GDP in 2009-2012 relative to EU 27			121%	19.2%
Average investment as a share of GDP in 2009-2012 relative to EU NMS			102%	
Average investment as a share of GDP in 2009-2012 relative to WB average			102%	

B. External Exposure

Current deficit, 2012	-17.6%	Inflation	2009-2012	2.8%	International reserves, in mil EUR	2012	218
Export dependency, 2011		Export to EU in % total exports			29%		
Export to EU in % GDP	3%	Exports to Croatia in % total exports			23%		
Exports to Croatia in % GDP	3%						
External financing dependency, 2012							
Total (public and private) external debt as a share in GDP		99.9%	Austria	Greece	Italy		
Claims of banks from selected countries in % GDP (data from Dec 2012)			26%	1%	0%		
S&P Credit Rating	BB- stable (non-investment grade speculative)						

C. Fiscal Space

Tax potential, 2012							
Share of total revenues from taxes and social contribution in GDP						34.4%	
Share of total revenues from taxes and social contribution in GDP relative to EU 27						85%	
Share of total revenues from taxes and social contribution in GDP relative to EU NMS						106%	
Share of total revenues from taxes and social contribution in GDP relative to WB						107%	
Current general government expenditure in % GDP, 2012							
Current general government expenditure in % GDP relative to EU 27						38.0%	
Current general government expenditure in % GDP relative to EU NMS						81%	
Current general government expenditure in % GDP relative to EU NMS						100%	
Current general government expenditure in % GDP relative to WB						98%	
Flexibility in adjusting current expenditure	2012/2008				Public Debt Service, in % revenue		2012
Current expenditure elasticity relative to nominal GDP	-	0.16					12.8%
Public wage bill as a share in GDP						2012	
						11.1%	
Fiscal balance in % GDP			2010	2011	2012		2013
			-4.9%	-5.5%	-4.0%		-3.6%
Public debt in % GDP			2010	2011	2012		2013
			41%	46%	51%		53%
of which internal			12%	13%	15%		17%
of which external			29%	33%	36%		36%

D. Business Climate/Institutional Setting Rankings		
	Overall Rank	Western Balkans Rank
Investment Reform Index 2010		
Investment Policy and Promotion	Sharing places 1 to 5 out of 10 SEE countries	Sharing places 1 to 3 Western Balkans countries
Human Capital Development	5 out of 9 SEE countries	3 out of 7 Western Balkans countries
Trade Policy and Facilitation	Sharing places 4 and 5 out of 8 SEE countries	Sharing place 4 and 5 out of 7 Western Balkans countries
Access to Finance	Sharing places 7 and 8 out of 10 SEE countries	Sharing place 4 and 5 out of 7 Western Balkans countries
Regulatory Reform and Parliamentary Processes	9 out of 9 SEE countries	7 out of 7 Western Balkans countries
Tax Policy Analyses	Sharing place 5-7 out of 9 SEE countries	Sharing places 4 and 5 out of 6 Western Balkans countries
Transition Report 2012		
Energy: Natural Resources	Sharing places 13-16 out of 33 countries	Sharing places 2-3 out of 6 WB countries
Energy: Sustainable Energy	Sharing places 25-30 out of 33 countries	Sharing places 5-6 out of 6 WB countries
Energy: Electric Power	Sharing places 21-28 out of 33 countries	Sharing places 4-6 out of 6 WB countries
Infrastructure: Water and Wastewater	Sharing places 20-26 out of 33 countries	Sharing places 5-6 out of 6 WB countries
Infrastructure: Urban Transport	Sharing places 12-14 out of 33 countries	2 out of 6 Western Balkans countries
Infrastructure: Roads	Sharing places 22-27 out of 33 countries	6 out of 6 Western Balkans countries
Infrastructure: Railways	Sharing places 20-24 out of 33 countries	5 out of 6 Western Balkans countries
Doing Business 2013	51 out of 185 countries	2 out of 7 Western Balkans countries
Global Competitiveness Index 2012-2013	72 out of 144 countries	1 out of 6 Western Balkans countries
Global Innovation Index 2012	45 out of 141 countries	2 out of 6 Western Balkans countries

Three potential indicators for reform identified in Doing Business

Enforcing Contracts: Procedures; Dealing with Licenses: Cost; and Getting Credit: Strength of legal rights

Top three Identified Constraints to Firm Investment in Enterprise Survey (2009)

Electricity; Access to finance; and Informal sector

II COUNTRY POSITION WITHIN CURRENT WBIF PIPELINE (as of May 1, 2013)

A. Overall Statistics

Number of Projects	20	(18 excluding projects with multiple grants)
% of Projects for Which Loans Are Signed	35%	
% of Total Value Identified as Loan	69%	
% of Total Value with Unidentified Financing	30%	
% of Total Value - Grants (including WBIF and other)	2%	

B. Implications for fiscal space

	in mil EUR	in % GDP
Total Estimated WBIF Investment	980	28%
Necessary Additional Loans	519	15%
Necessary Total Additional Financing	812	23%
Public Debt Including Additional Loans	2,353	68%
Public Debt Including All Necessary Financing	2,646	76%
Share of Additional Government Revenue Needed If Remaining	23%	8%
Financing Is to Come from Budget		

III SOME CONCLUSIONS/IMPLICATIONS

1. Weaker GDP performance in 2008-2012 in comparison to most other WB countries.
2. High current account deficit.
3. Dependency on EU exports, with impact expected from Croatia joining the EU.
4. High external (public and private debt)
5. Tax potential exhausted.
6. High current expenditure, with some decreases.
7. High share of wage bill.
8. Moderate public debt, but increasing.
9. Mid-range rankings in comparison to other WB countries, with improvements needed in regulatory framework, infrastructure reform and competitiveness.
10. WBIF investments represent highest share of GDP of the region.
11. Low share of unidentified financing in WB, but also low share of signed loans (so necessary additional financing is high).
12. Public debt would increase from moderate 53% of GDP to high 68% of GDP under assumption that only planned additional IFI loans will increase debt and to even higher 77% of GDP under assumption that all of the additional financing for existing WBIF pipeline will increase debt.
13. Given large government expenditures and low tax potential, it is likely that most of the remaining financing will come from debt.

D. Business Climate/Institutional Setting Rankings		
	Overall Rank of Serbia	Western Balkans Rank
Investment Reform Index 2010		
Investment Policy and Promotion	Sharing places 1 to 5 out of 10 SEE countries	Sharing places 1 to 3 Western Balkans countries
Human Capital Development	6 out of 9 SEE countries	5 out of 7 Western Balkans countries
Trade Policy and Facilitation	3 out of 8 SEE countries	3 out of 7 Western Balkans countries
Access to Finance	Sharing places 2 and 3 out of 10 SEE countries	2 out of 7 Western Balkans countries
Regulatory Reform and Parliamentary Processes	Sharing places 3 and 4 out of 9 SEE countries	2 out of 7 Western Balkans countries
Tax Policy Analyses	9 out of 9 SEE countries	6 out of 6 Western Balkans countries
Transition Report 2012		
Energy: Natural Resources	Sharing places 20-27 out of 33 countries	Sharing places 5-6 out of 6 WB countries
Energy: Sustainable Energy	Sharing places 17-24 out of 33 countries	Sharing places 3-4 out of 6 WB countries
Energy: Electric Power	Sharing places 21-28 out of 33 countries	Sharing places 4-6 out of 6 WB countries
Infrastructure: Water and Wastewater	Sharing places 14-19 out of 33 countries	Sharing places 2-4 out of 6 WB countries
Infrastructure: Urban Transport	Sharing places 15-19 out of 33 countries	Sharing places 3-5 out of 6 WB countries
Infrastructure: Roads	Sharing places 10-21 out of 33 countries	Sharing places 3-5 out of 6 WB countries
Infrastructure: Railways	Sharing places 10-14 out of 33 countries	2 out of 6 Western Balkans countries
Doing Business 2013	86 out of 185 countries	5 out of 7 Western Balkans countries
Global Competitiveness Index 2012-2013	95 out of 144 countries	6 out of 6 Western Balkans countries
Global Innovation Index 2012	55 out of 141 countries	3 out of 6 Western Balkans countries

Three potential indicators for reform identified in Doing Business

Getting Credit: Private bureau coverage; Dealing with Licenses: Cost; and Paying Taxes: Payments

Top three Identified Constraints to Firm Investment in Enterprise Survey (2009)

Political instability; Informal sector; and Access to finance.

II COUNTRY POSITION WITHIN CURRENT WBIF PIPELINE (as of May 1, 2012)

A. Overall Statistics

Number of Projects	27	(23 excluding projects with multiple grants)
% of Projects for Which Loans Are Signed	48%	
% of Total Value Identified as Loan	43%	
% of Total Value with Unidentified Financing	57%	
% of Total Value - Grants (including WBIF and other)	1%	

B. Implications for fiscal space

	in mil EUR	in % GDP
Total Estimated WBIF Investment	3,828	12%
Necessary Additional Loans	238	1%
Necessary Total Additional Financing	2,392	7%
Public Debt Including Additional Loans	21,252	65%
Public Debt Including All Necessary Financing	23,406	72%
Share of Additional Government Revenue Needed If Remaining	15%	7%
Financing Is to Come from Budget		

III SOME CONCLUSIONS/IMPLICATIONS

1. Weakest GDP performance in 2008-2012 in comparison to other WB countries with exception of Croatia.
2. Low labour productivity in comparison to WB average.
3. High dependency on EU exports, with mild impact expected from Croatia joining the EU.
4. Low tax potential.
5. High current expenditure, had somewhat decreased in 2009-2010 but increased in 2012.
6. Increasing public debt.
7. Mid-range rankings in comparison to other WB countries, with improvements needed in tax policy, human capital development and infrastructure reform.
8. High percentage of signed loans in comparison to WB average.
9. High unidentified financing.
10. Fast increasing public debt since 2010.
11. Public debt would increase from somewhat high 65% of GDP to 72% of GDP under assumption that all of the additional financing will increase debt.

Prepared by the IFI Coordination Office. Sources: IMF April 2013 WEO and IMF individual country reports for macrofiscal data on Western Balkans countries, EUROSTAT for macrofiscal data on EU countries, Statistics Agencies/Central Banks of the Western Balkans countries for unit labour productivity and/or exports, Bank for International Settlements for claims of banks, Standard & Poor's for credit ratings, OECD for Investment Reform Index, EBRD for Transition Report, World Bank for Doing Business, World Economic Forum for Global Competitiveness Index, INSEAD for Global Innovation Index, and WBIF Monitoring Tables as of May 1st 2013 for WBIF pipeline data.