

WBIF Steering Committee Meeting

## Regional Overview

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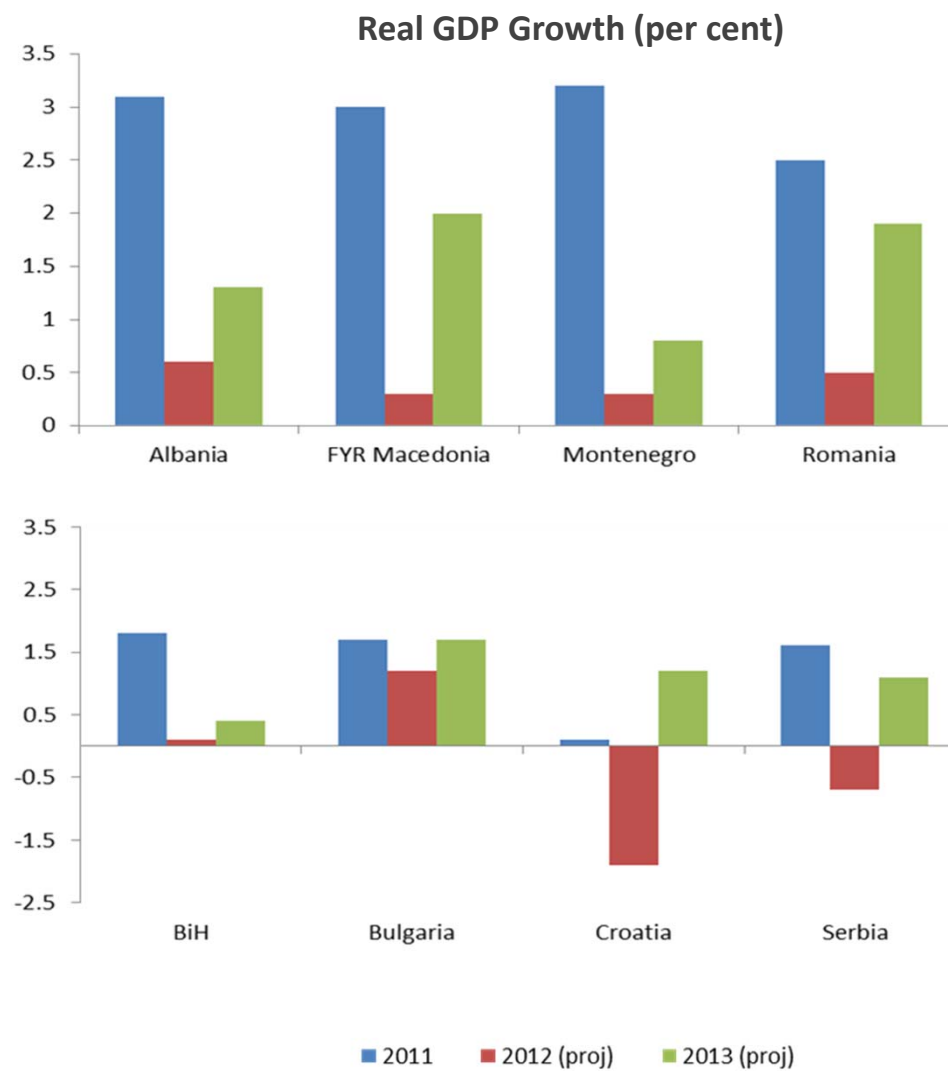
The macro-economic situation of the Region remains negative, with several elements affecting it:

- **Increasing public debt** → reduced borrowing capacity
- **Decreasing GDP growth** → reduced spending capacity
- Stable banking system (relatively liquid), but still **limited lending** to real economy because of reduced risk appetite and deleveraging needs
- Complete **lack of investment appetite** from FDIs
- Impact of **Euro zone crisis** → reduced remittances flows and return of migrants

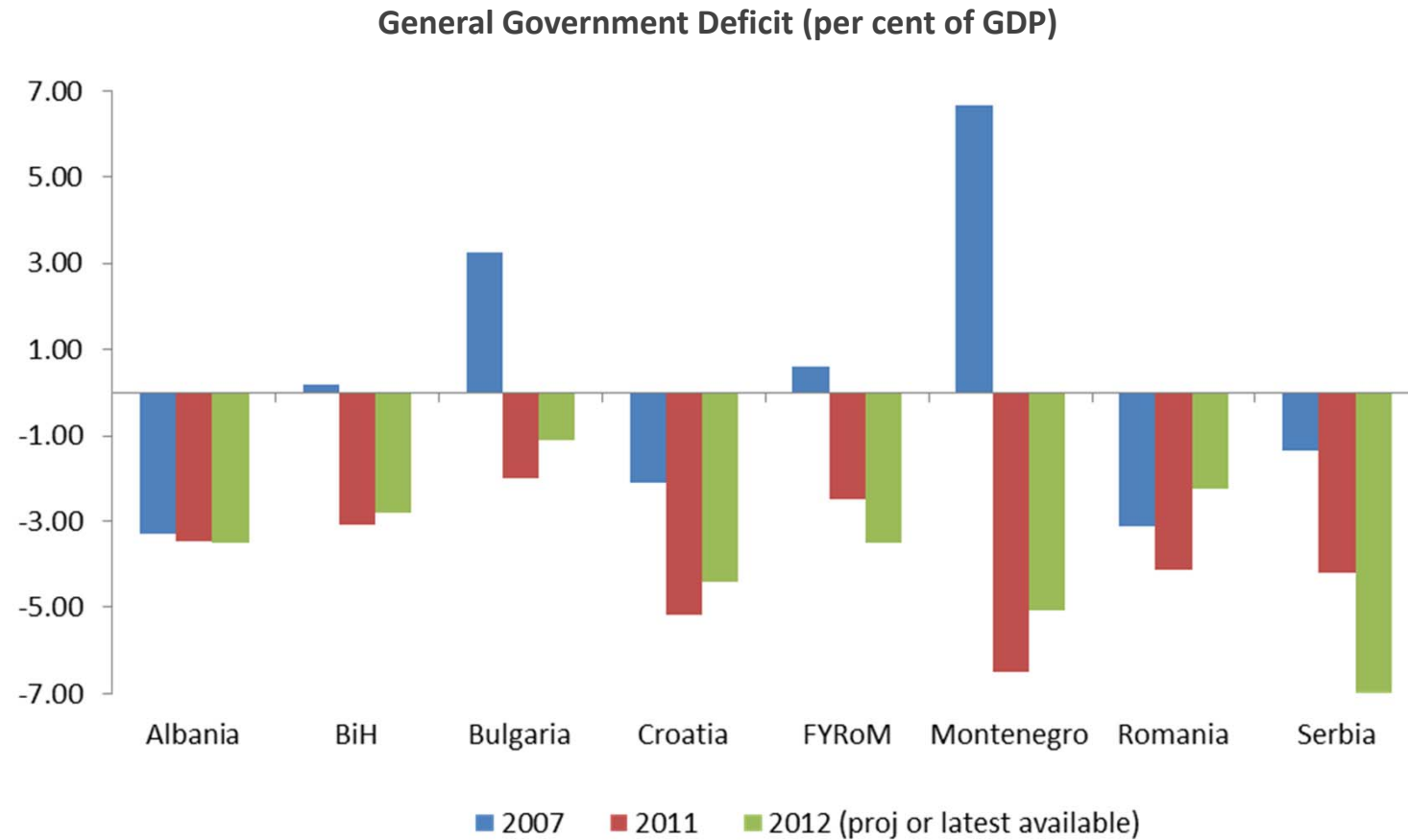
Recovery at the regional level is achievable but requires some time:

- **Short-term outlook is very weak**
- **No scope for fiscal/monetary levers**
- **Banking system still vulnerable** – cannot drive growth as in pre-crisis years
- Need to focus on **long-term reform and growth agenda**
- If gaps are addressed, **sustainable growth can be achieved**

## Western Balkans Short term growth outlook is weak

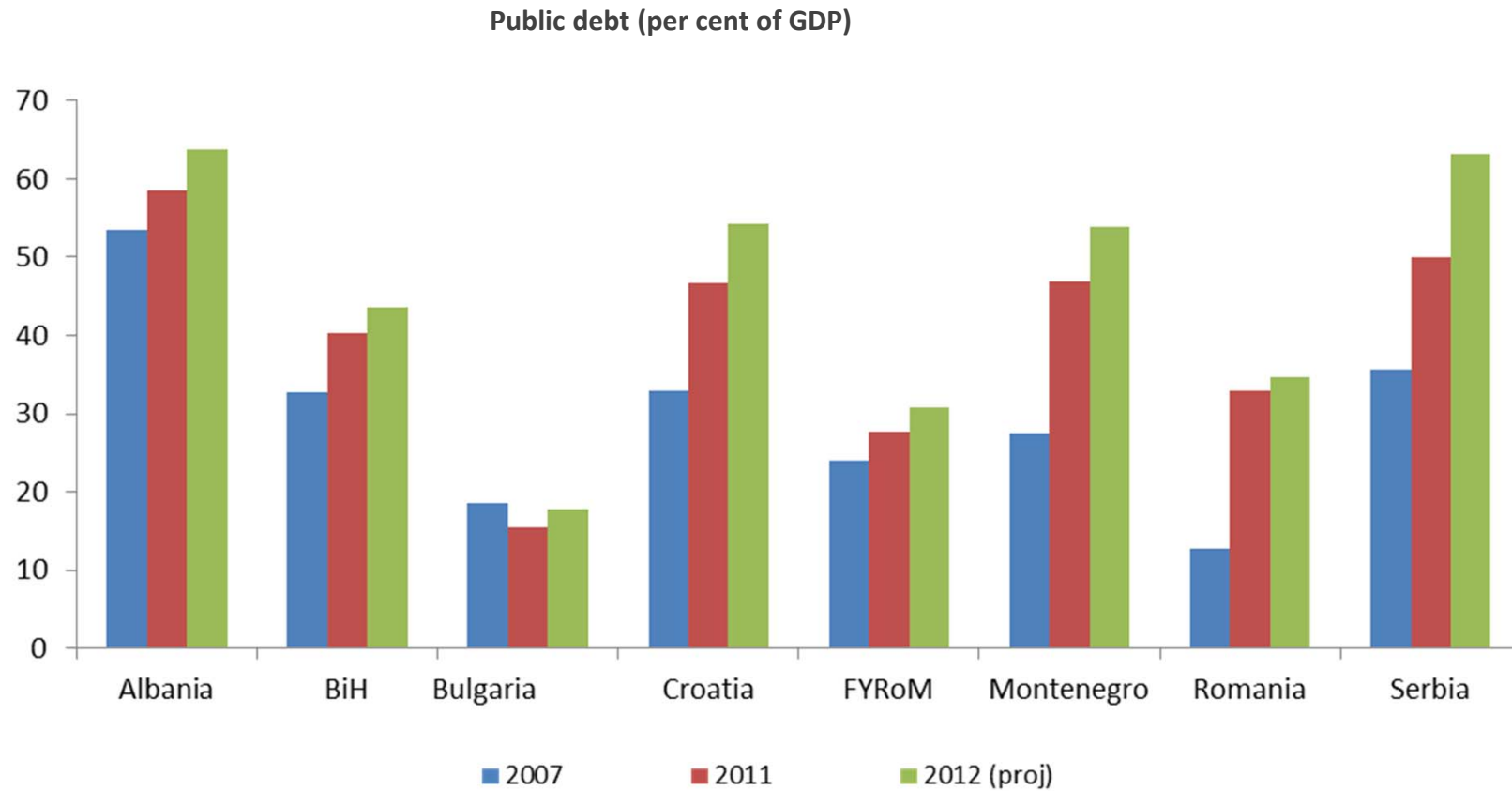


## Government deficits are broadly acceptable...

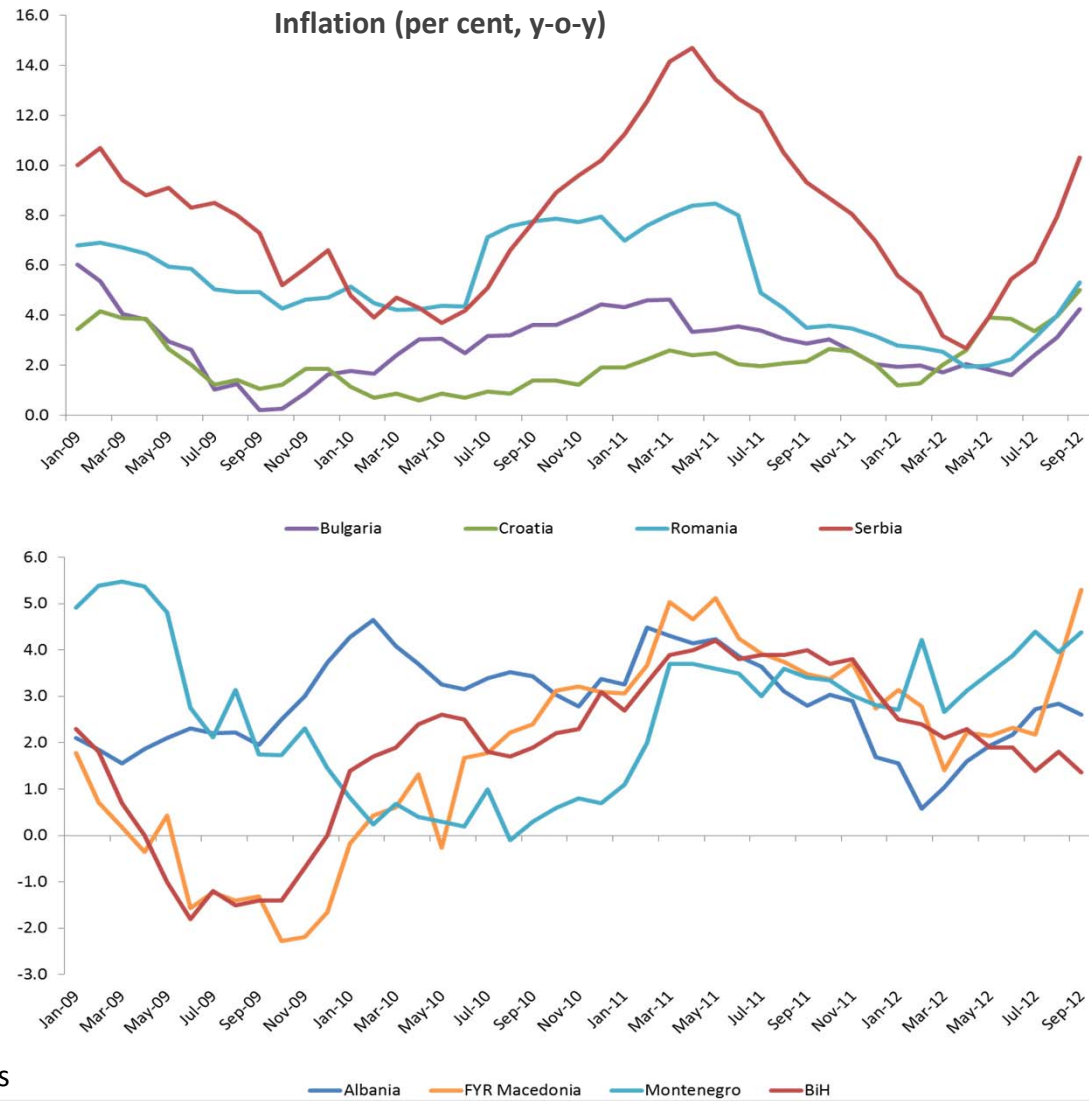


Source: National sources; IMF WEO October 2012

...but public debt is rising...

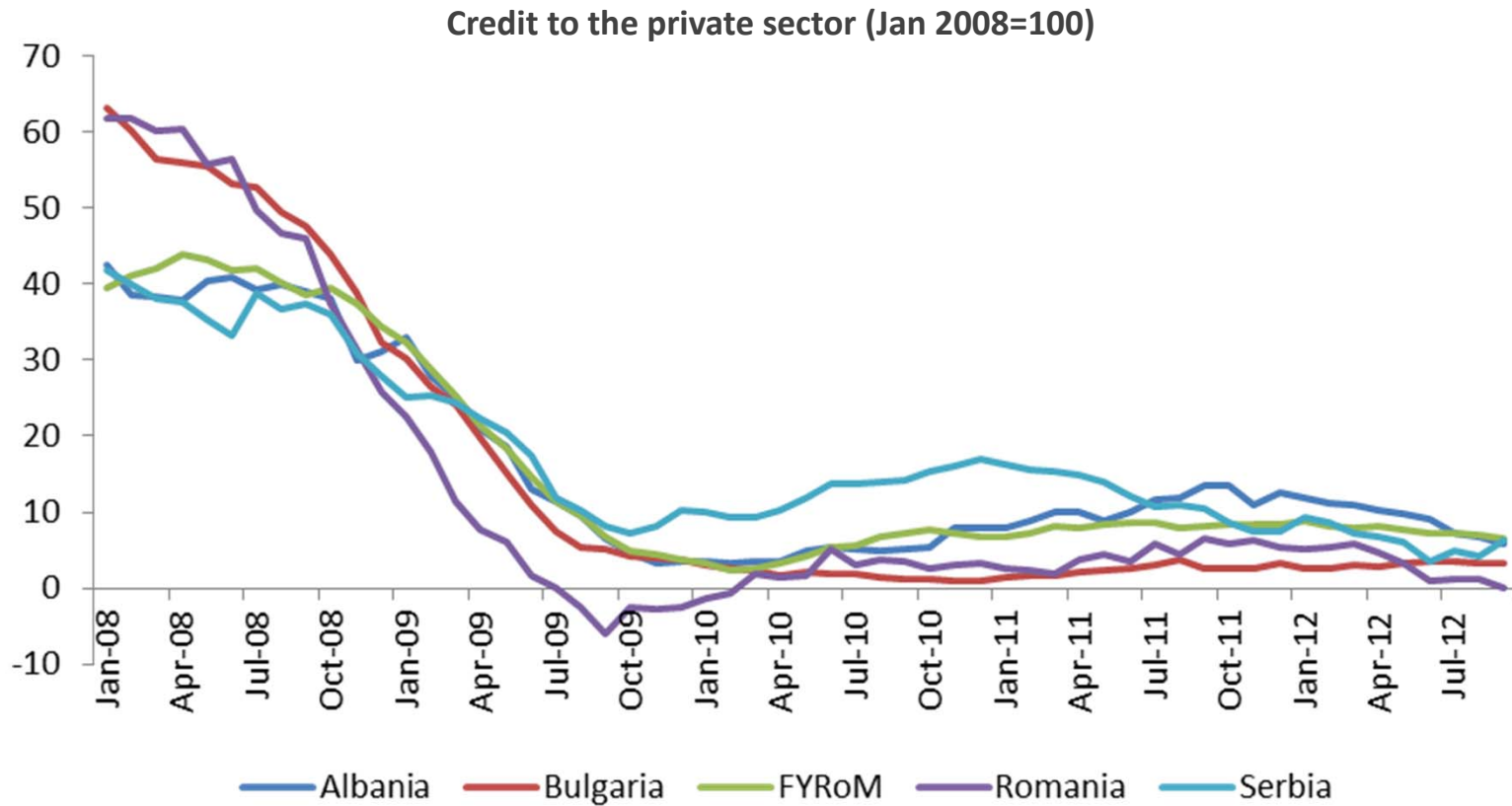


# ...as is inflation



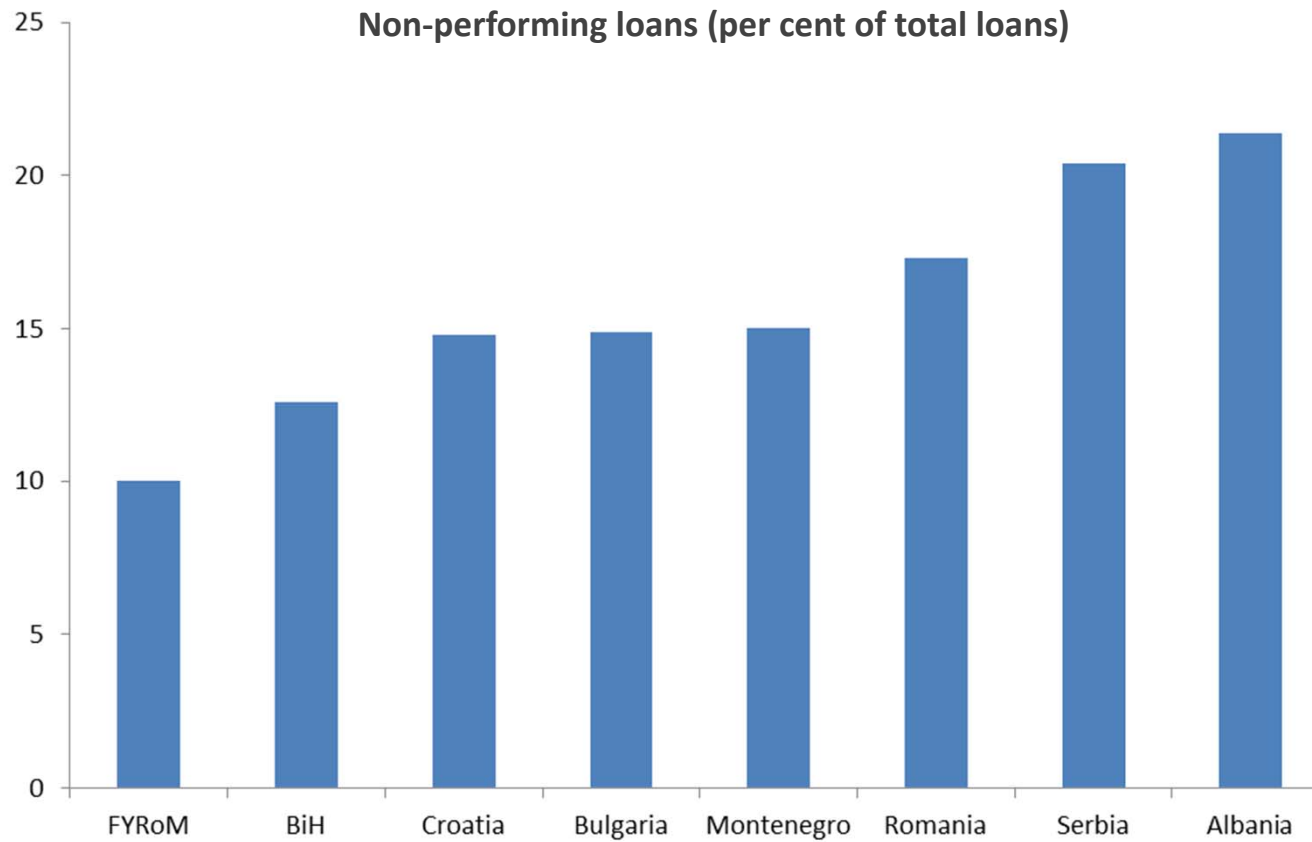
Source: National statistical offices

# Credit growth is feeble...



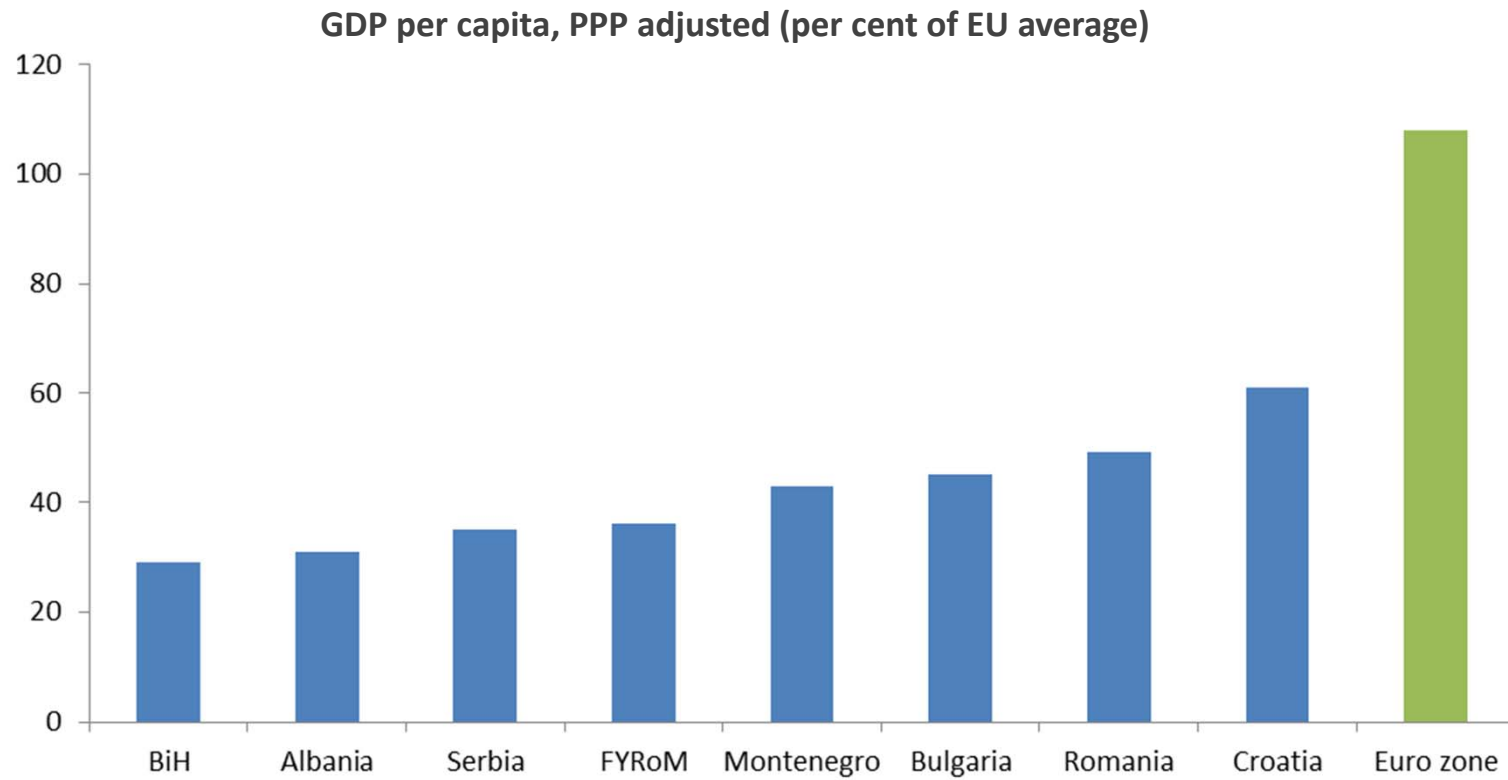


... and non performing loans are still a worry



\* Latest available

## Living standards are well below EU norms...

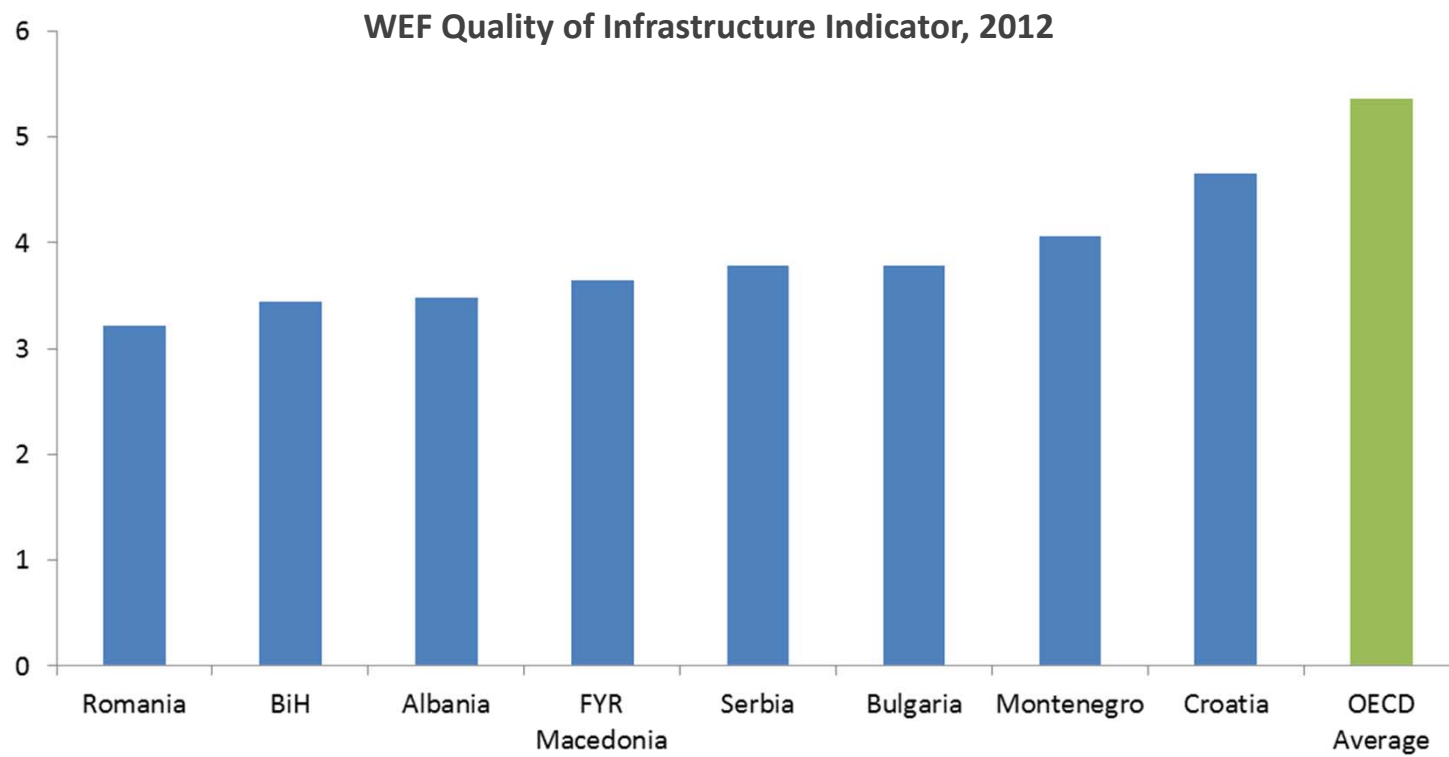


...because of different factors including trading difficulties...



Countries rank from 1 to 183, with 1 being the highest ranked country

## ...and infrastructure gaps

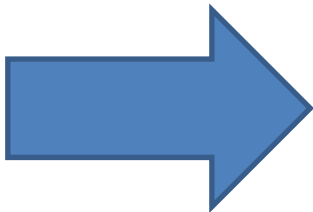


Scores rank from 1 to 7, with 7 representing the highest score possible.

## Western Balkans: Regional Overview

The negative macro-economic scenario brings along several consequences:

- Slow-down of economic recovery
- Social unrest
- Lack of long-term capability for public investments



**HOW CAN WESTERN BALKANS RECOVER ?**

## How to tackle effects of the crisis in the Western Balkans?

- **Address institutional gaps** – no quick solutions but long-term gains
- **Tackle barriers to trade** – enhanced regional trade can provide a boost
- **Develop infrastructure** – short- and long-term growth benefits
- **Enhanced IFI support** – joint EBRD-EIB-World Bank action plan designed with this region in mind

## How to tackle effects of the crisis in the Western Balkans?

- **Prioritise public sector investments:** due to scarcity of resources available, it is particularly important to be able to prioritise investment needs (regional integration, social impact, etc.)
- **Continue blending of financial resources from IFIs and Donors** to rationalise use, increase impact and profit by synergies
- **Help the market to resume lending,** particularly to MSMEs through dedicated facilities and instruments
- **Provide long-term capital to local banks** that need to strengthen their capital base (Greek banks)

How to tackle effects of the crisis in the Western Balkans?

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**WBIF and EDIF are effective mechanisms to carry out the actions described above, by supporting socio-economic development and EU accession across the Western Balkans through the provision of finance and technical assistance.**



## How to tackle effects of the crisis in the Western Balkans?

What other areas will need our attention in the near future?

- **Municipal Projects**
- **Energy Efficiency/Climate Change**
- **Energy Security**



**WBIF and EDIF are useful resources for the beneficiaries to help them address these issues.**