25 Years of Transition Reforms and Growth

New Ideas For Belarus
Minsk, April 23, 2015

James Roaf
Senior IMF Resident Representative
Central and Eastern Europe
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Overview

IMF membership
Growth and convergence

Overview

Available as of 1990

1989 - 1995
1990 - 1995
1995 - 2000
2000 - 2007
2007 - 2009
2009 - 2014
2011 - 2013

Income convergence to EU15 level (percent)

CE5
SEE EU
SEE xEU
CIS
Baltics

Overview
Exchange rate regimes

Overview

Floating
Managed and crawling
Peg and currency board
Eurozone and no separate legal tender

Albania
Poland
Czech Republic
Moldova
Romania
Serbia
Hungary
Ukraine
Russia
Macedonia
Croatia
Belarus
Lithuania
Bosnia and Herz.
Bulgaria
Slovenia
Slovak Republic
Estonia
Latvia
Montenegro
Kosovo

Real appreciation

Stabilization

<table>
<thead>
<tr>
<th>Year</th>
<th>BGR, EST, LVA, LTU.</th>
<th>ALB, CZE, MDA, POL, ROU</th>
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<tbody>
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<td>1995</td>
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<td>2013</td>
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</tbody>
</table>

Average Range CEE average

fixed exchange rate countries\(^1\)

floating exchange rate countries\(^2\)
IMF-supported programs

IMF programs in CEE - lending volume and output declines

Technical assistance (person years)

Staff training (number of participants)

Percent change in real GDP

Lending volume=100 percent of quota

1/ Maximum cumulative decline in three years from program inception (or lowest growth if no decline).
2/ Only non-concessional arrangements.
Post-transition banking crisis

Overview
Foreign bank participation
(percent of banking sector assets)

- Baltic States
- SEE EU
- SEE xEU
- CIS
- BLR

Overview
Overview

1/ Maximum cumulative decline in three years from program inception (or lowest growth if no decline).
2/ Only non-concessional arrangements.

Lending volume = 100 percent of quota

Percent change in real GDP

1987 1989 1991 1993 1995 1997 1999

IMF programs in CEE - lending volume and output declines

Overview

IMF involvement
Outline

Overview
Reforms
Legacies & Challenges
Privatization

Private sector shares in GDP

percent of GDP

* The latest data for Czech Republic is 2007.
Structural transformation

Reforms

1.0 1.5 2.0 2.5 3.0 3.5 4.0

SEE EU
Baltics
CE5

Competition policy
Large-scale privatization
Small-scale privatization
Trade and forex
Price liberalization
Governance and enterprise restructuring
Belarus

Average EBRD transition indicator
max
Reform and convergence, 1990-2014

PPP income per head, percent of EU15

Note: Baltics, SEE xEU, CIS from 1992. Excludes CZE, MDA.
Reforms and real GDP growth per capita in 2000-13

Real GDP per capita growth (2000-13)

EBRD score (average of six transition indicators)

(2.0, 6.7)
Reforms and real GDP growth per capita in 2000-13

Real GDP per capita growth adjusted for convergence effect (2000-13)

EBRD score (average of six transition indicators)
Reforms and growth

<table>
<thead>
<tr>
<th>Determinants of GDP per capita growth (2000-13)</th>
<th>Coefficient</th>
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</thead>
<tbody>
<tr>
<td>Initial income (percent of EU15)</td>
<td>-0.08***</td>
</tr>
<tr>
<td>Tertiary education enrollment (percent)</td>
<td>0.03*</td>
</tr>
<tr>
<td>General government expenditure (percent of GDP)</td>
<td>-0.06</td>
</tr>
<tr>
<td>Average EBRD score</td>
<td>1.52**</td>
</tr>
</tbody>
</table>

Adjusted $R^2 = 69\%$

*, **, *** denotes p-values below 10, 5 and 1 percent, respectively.
Outline

Overview

Stabilization

Legacies & Challenges
Convergence

Legacies & Challenges

Percent of advanced economy average GDP per head at PPPs

CEE average
Fiscal outcomes for 2014 (percent of GDP)

Fiscal outcomes

Legacies & Challenges

Estonia
Russia
Belarus
Lithuania
Latvia
Czech Rep.
Montenegro
Bosnia and Herz.
Kosovo
"Maastricht zone"
Moldova
Bulgaria
Macedonia
Poland
Slovakia
Ukraine
Albania
Serbia
Croatia
Slovenia
NPLs and financing

Nonperforming loans
(percent of gross loans)

Baltics

SEE xEU

SEE EU

CE5

CIS

BLR
Labor markets

Labor market trends, 1991-2012

Unemployment rate (percent)

Employment rate (percent of population 15+)

Belarus

CIS

EU15

CE5

SEE EU

SEE xEU

1993

Baltics
Demographics

Shrinking working age populations
(share of people aged 15-64 in population)

CEE
BLR
China

Less developed countries

Japan
USA
Germany

Legacies & Challenges

Forecasts

2000 2010 2020 2030 2040 2050 2060
Business climate

Ease of Doing Business Ranking, 2014

Global Competitiveness Ranking, 2013-2014

Transparency International – Corruption perceptions, 2014

Position in ranking, normalized (1-100)
Convergence

Legacies & Challenges

Percent of advanced economy average GDP per head at PPPs

Note: Reform scenario assumes 0.5 point improvement in EBRD score each year.
Thank you