

**The Western Balkans: 15 Years of Economic Transition
IMF and Oesterreichische Nationalbank
in cooperation with the JVI**

**Conference Program
Vienna, Austria**

March 10, 2015

Conference (at the OeNB)

Otto-Wagner-Platz 3, 1090 Vienna

- 8:15 – 8:45 **Registration**
- 8:45 – 9:00 **Welcome remarks** (Peter Mooslechner, Executive Director, OeNB)
- 9:00 – 9:15 **Introductory remarks on the region** (Poul Thomsen, EUR Director, IMF)
- 9:15 – 9:40 **Presentation of the IMF book** (Aasim Husain, EUR Deputy Director, IMF)
- 9:45 – 11:00 **Session 1: Growth, Convergence and Inclusiveness - 75 min – Moderator Aasim Husain, IMF**

Presentation by IMF (Ivanna Vladkova Hollar) – 10 min

The WBS economies have improved living standards after the dislocations of the 1990s. However, the pace of convergence has been slower than in the NMS, and has stalled since the onset of the crisis. What factors have affected the speed of convergence? How important was factor accumulation relative to the growth of total factor productivity? How do these findings compare with those of NMS? What policies should foster growth?

Presentation by World Bank (Gallina Vincelette) – 10 min

Has growth in the WBS been inclusive? Did the 2008 global crisis take a bigger toll on poverty in the WBS than in NMS? To what extent are the social insurance systems in the WBS capable of dealing with shocks? How to enhance inclusiveness going forward?

Presentation by OeNB (Isabella Moder) - 10 min

To what extent have the business cycles of the Western Balkans economies converged to the business cycle of the Euro area? To what extent are business cycles synchronized within the Western Balkans region? To what degree are demand and supply shocks synchronized? Are cyclical fluctuations in external trade synchronized? To what extent have idiosyncratic macroeconomic policies promoted (or reduced) business cycle convergence? Since the onset of the financial crisis in 2008, has the convergence process halted or even reversed into a decoupling of business cycles?

Roundtable Policy Discussion – 45 min

Discussants: *Avdullah Hoti (Minister of Finance, Kosovo), Maja Ivanović (Special advisor, Montenegro), Prof. Michael Landesmann (Scientific Director, The Vienna Institute for International Economic Studies)*

Open Discussion

11:00 – 11:30 **Coffee Break**

11:30 – 12:45 **Session 2: Macroeconomic and Structural Policies – 75 min – Moderator Ellen Goldstein, World Bank**

Presentation by IMF (Zuzana Murgasova) – 10 min

What progress in macroeconomic stabilization was achieved over the last 15 years? To what extent were high inflation and large public debt tackled successfully? How fast was external sustainability strengthened? What policy tools were applied? What are the key macro challenges going forward and how should they be addressed?

Presentation by EBRD (Peter Sanfey) – 10 min

What structural challenges has economic transition posed for the WBS? Did the WBS inherit bigger (or different) problems than the NMS at the start of the transition process? How have the WBS progressed in the structural transformation of their economies since 2000?

Presentation by JVI (Maksym Ivanyna and Norbert Funke) – 10 min

How do the WBS compare to NMS in implementing structural reforms? How do WBS compare to the average EU country? In which areas are the reform gaps largest? What are reform priorities at the aggregate level? Which reforms are key at a more disaggregated level?

Roundtable Policy Discussion – 45 min

Discussants: *Arben Ahmetaj (Minister of Economic Development, Albania), Dusan Vujović (Minister of Finance, Serbia), Peter Bekx (ECFIN, DIR D, International Economic and Financial Relations)*

Open Discussion

12:45 – 14:00 **Lunch**

14:00 – 15:15 **Session 3: Financial Sector Development and Stability – 75 min – Moderator Doris Ritzberger-Grünwald, OeNB**

Presentation by IMF (Nadeem Ilahi) – 10 min

Median credit-to-GDP ratios in the WBS have nearly doubled since 2000. The deposit base has also expanded rapidly. Have financial access and efficiency also expanded as fast? Have the WBS been successful at maintaining financial stability? How did the credit boom and bust in the WBS compare to that of the NMS? How was this affected by a different starting point, or pursuit of different policies? What explains the rapid recent run up in NPLs? To what extent does it indicate financial instability, and how should it be addressed?

Presentation by World Bank (Johanna Jaeger) – 10 min

Has financial inclusion matched financial deepening? What are the factors constraining access to finance for enterprises, in particular SMEs? What role does the availability of external financing sources play for firms' growth possibilities? How have SMEs been affected by the credit crunch since the crisis and what policies have been used to enhance access to finance for enterprises?

Presentation by OeNB (Elisabeth Beckmann) – 10 min

How did demand and supply of foreign currency loans evolve over time in WBS? How does this compare to CESEE EU MS? How are households' preferences for foreign currency loans related to individual expectations about inflation and the exchange rate? To what extent is foreign currency borrowing a legacy of past financial crises and historically high ratios of deposit substitution? Does foreign currency borrowing explain high and increasing NPLs of households in WBS?

Roundtable Policy Discussion – 45 min

***Discussants:** Dimitar Bogov (Governor, National Bank of the Republic of Macedonia), Boštjan Jazbec (Governor, Bank of Slovenia), Francisco Ramon-Ballester, ECB*

Open Discussion

15:15 – 15:30 **Coffee Break**

15:30 – 16:30 **High Level Panel Discussion – Policy Challenges and Solutions Ahead - 60 min**

Moderator: Poul Thomsen

Panelists: Božidar Djelić (Managing Director, Lazard), Ewald Nowotny (Governor, OeNB), Jeffrey Sachs (Director Earth Institute, Columbia University), Zoran Stavreski (Minister of Finance, FYR Macedonia), Boris Vujčić (Governor, Croatian National Bank),

16:30 – 16:45 **Closing Remarks**