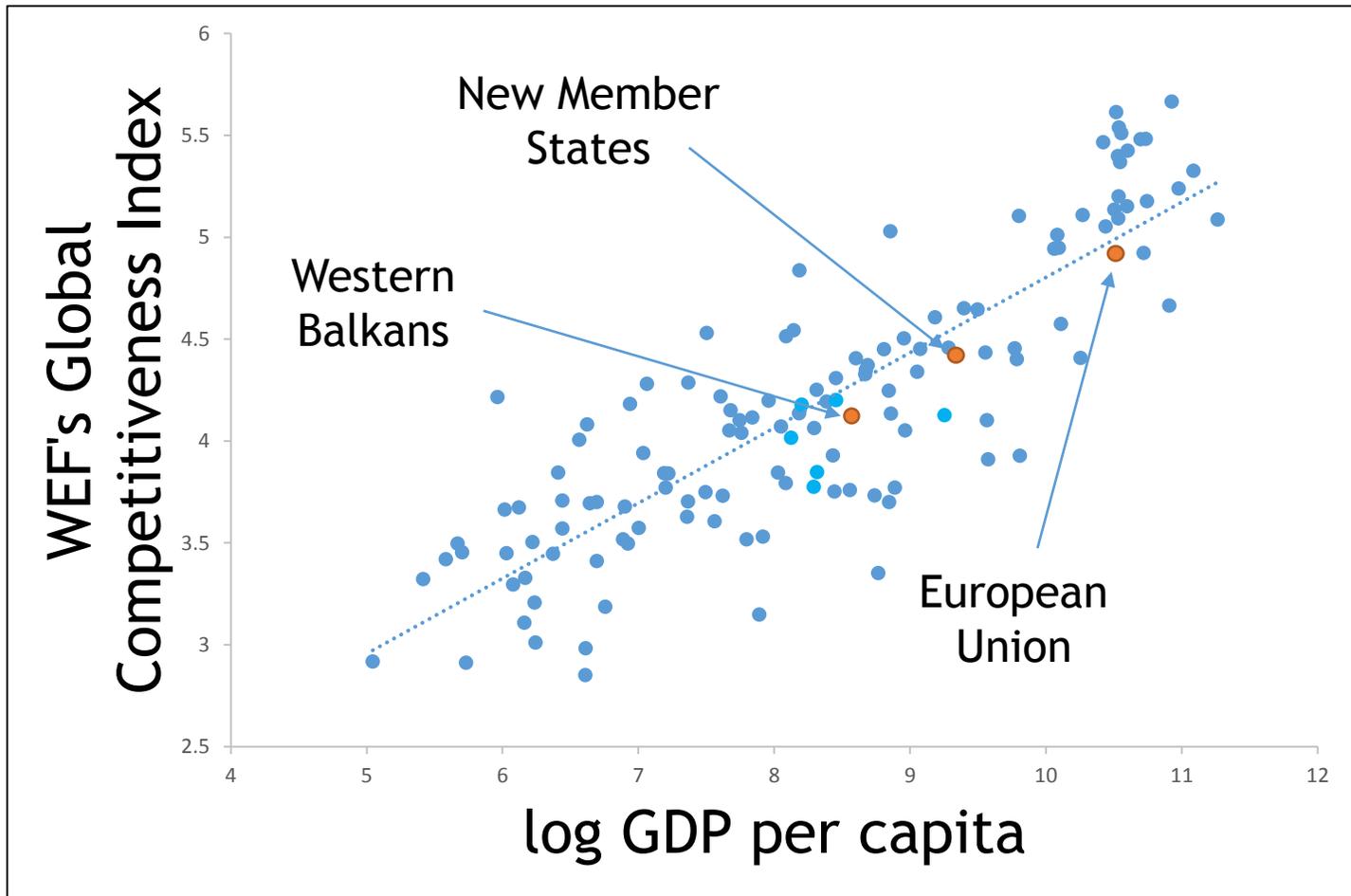


RANKING STRUCTURAL REFORM PRIORITIES FOR FASTER GROWTH IN THE WESTERN BALKANS

Norbert Funke and Maksym Ivanyna, Joint Vienna Institute

The views expressed in this presentation are those of the authors and do not necessarily represent those of the Joint Vienna Institute (JVI) or the International Monetary Fund (IMF) or JVI policy or IMF policy.

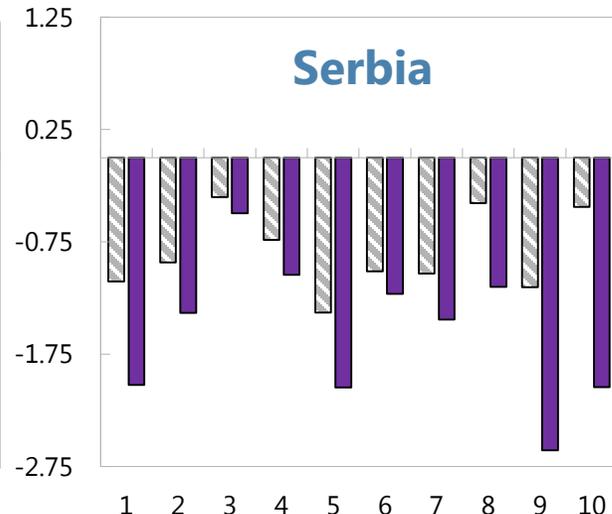
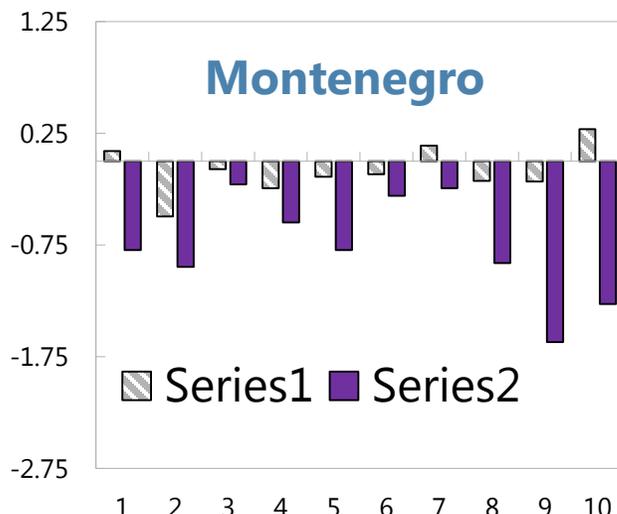
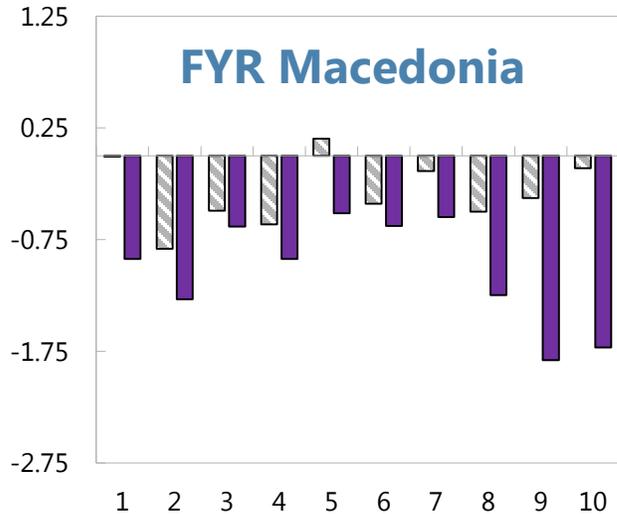
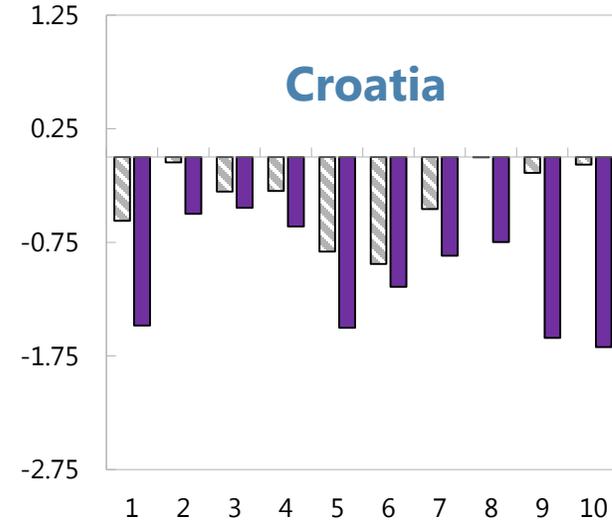
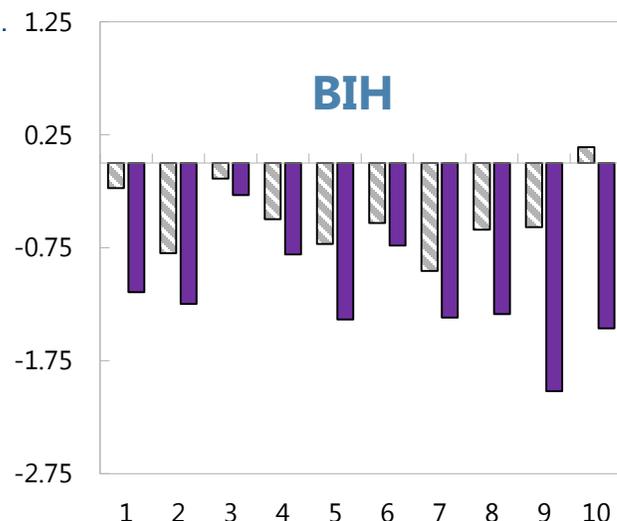
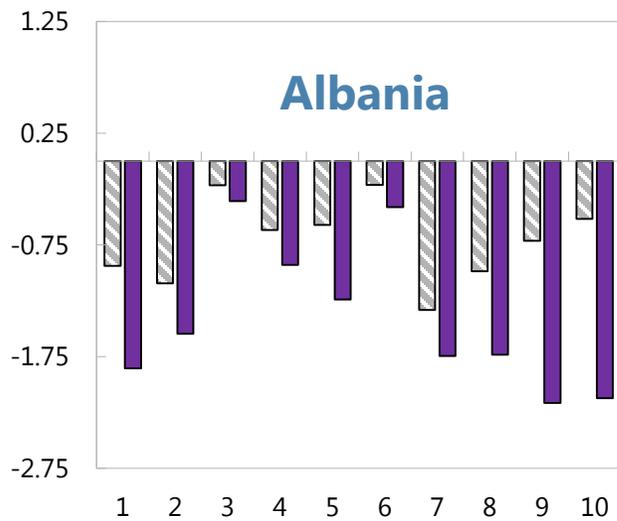
Structural Reforms Boost Growth... But Which Ones Will Deliver The Strongest Dividend In The Western Balkans?



1. Reform gaps in the WB compared to NMS and EU...
2. Growth regressions to rank reforms...
3. Large gaps + large impact on growth \Rightarrow high reform priority

Sources: World Economic Forum; IMF WEO, and IMF staff calculations.

Reform Gaps In Main Areas: Larger vis-à-vis Average EU than NMS, Some Heterogeneity

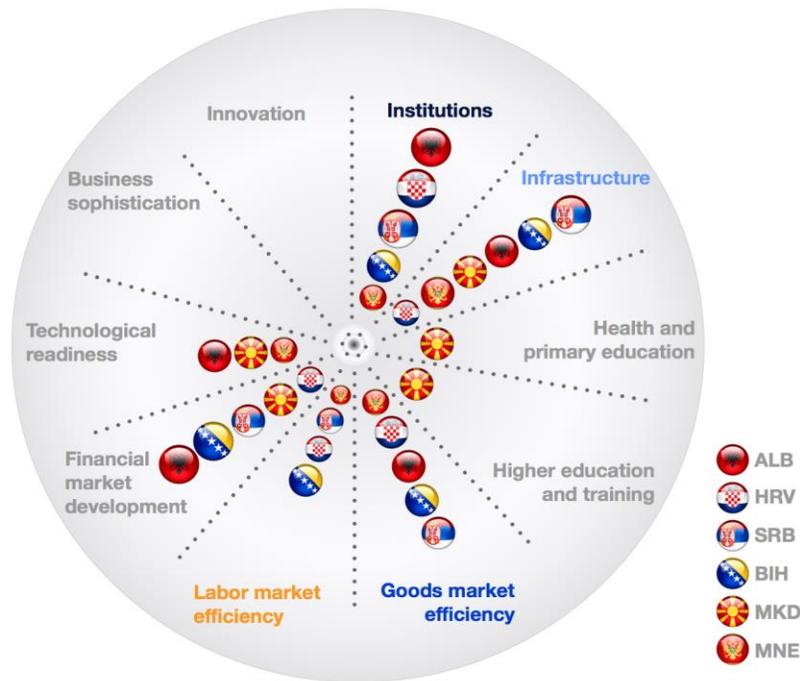


Reform areas:

- 1** - Institutions,
- 2** - Infrastructure,
- 4** - Health and Primary Education,
- 5** - Higher Education and Training,
- 6** - Goods Markets Efficiency,
- 7** - Labor Markets Efficiency,
- 8** - Financial Markets Development,
- 9** - Technological Readiness,
- 11** - Business Sophistication,
- 12** - Innovation.

Gaps Combined With Growth Regressions: Most Reforms High Priority, Some Areas More Important

Top 5 Reform Priorities for Each of the WB States ^{1/2/}



- Larger gap + larger growth impact \Rightarrow higher reform priority
- Compared to EU Average:
 - Almost all reforms are high priority
- Compared to NMS Average - most important areas are:
 - Institutions (high in all countries)
 - Infrastructure (high in all countries)
 - Fin. Markets Development
 - Goods Markets Efficiency
 - Labor Markets Efficiency

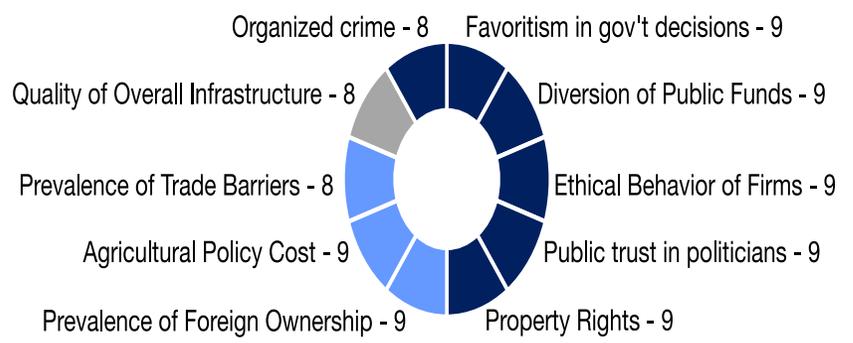
1/ These are assessed relative to the NMS in each of the 10 main pillars of the Global Competitiveness Index.

2/ Larger bubbles represent reform areas that receive a higher rank ordering.

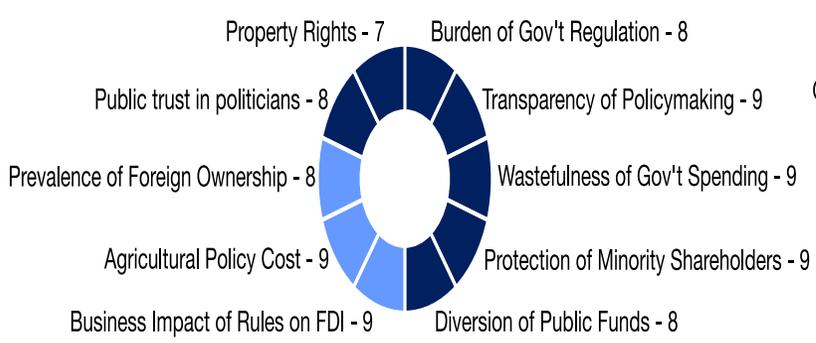
Note: Analysis for Kosovo not included as the relevant data are not available.

Top 10 Reform Priorities At a More Disaggregated Level: Institutions Most Represented, Many Common Areas

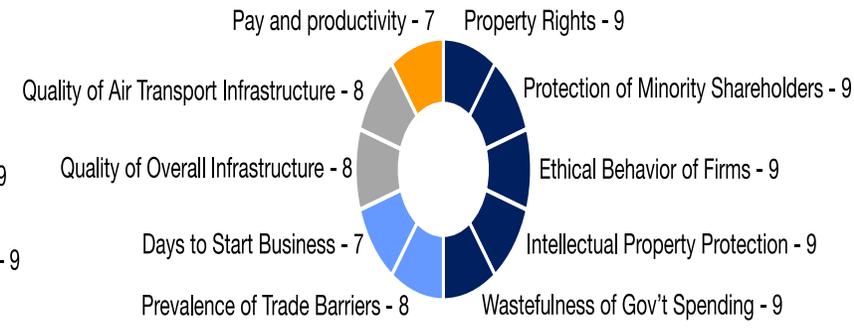
Albania



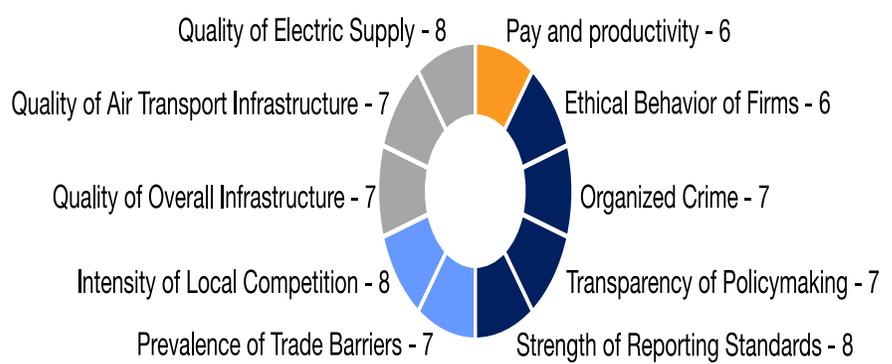
Croatia



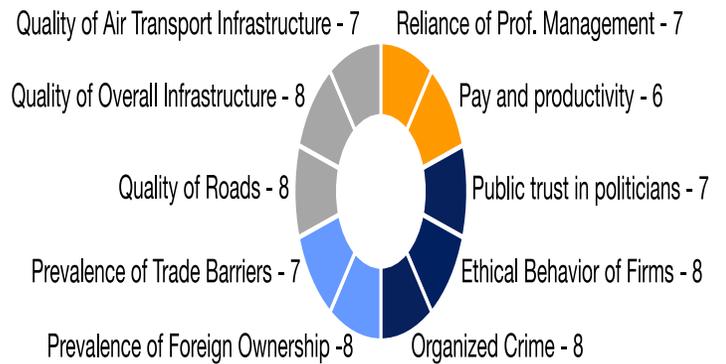
Bosnia and Herzegovina



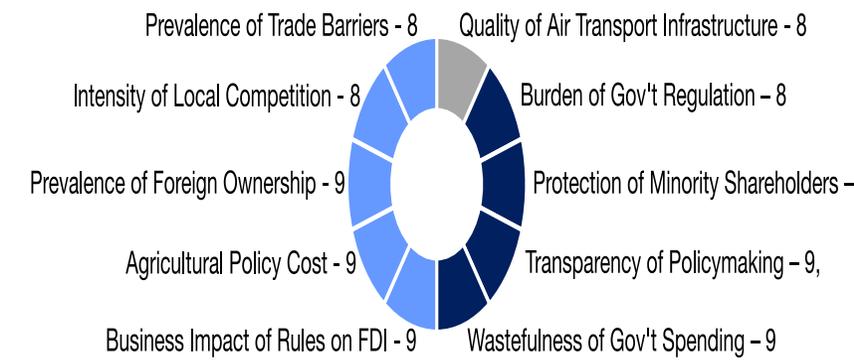
Montenegro



Macedonia



Serbia



■ Institutions
 ■ Goods market efficiency
 ■ Infrastructure
 ■ Labor market efficiency