

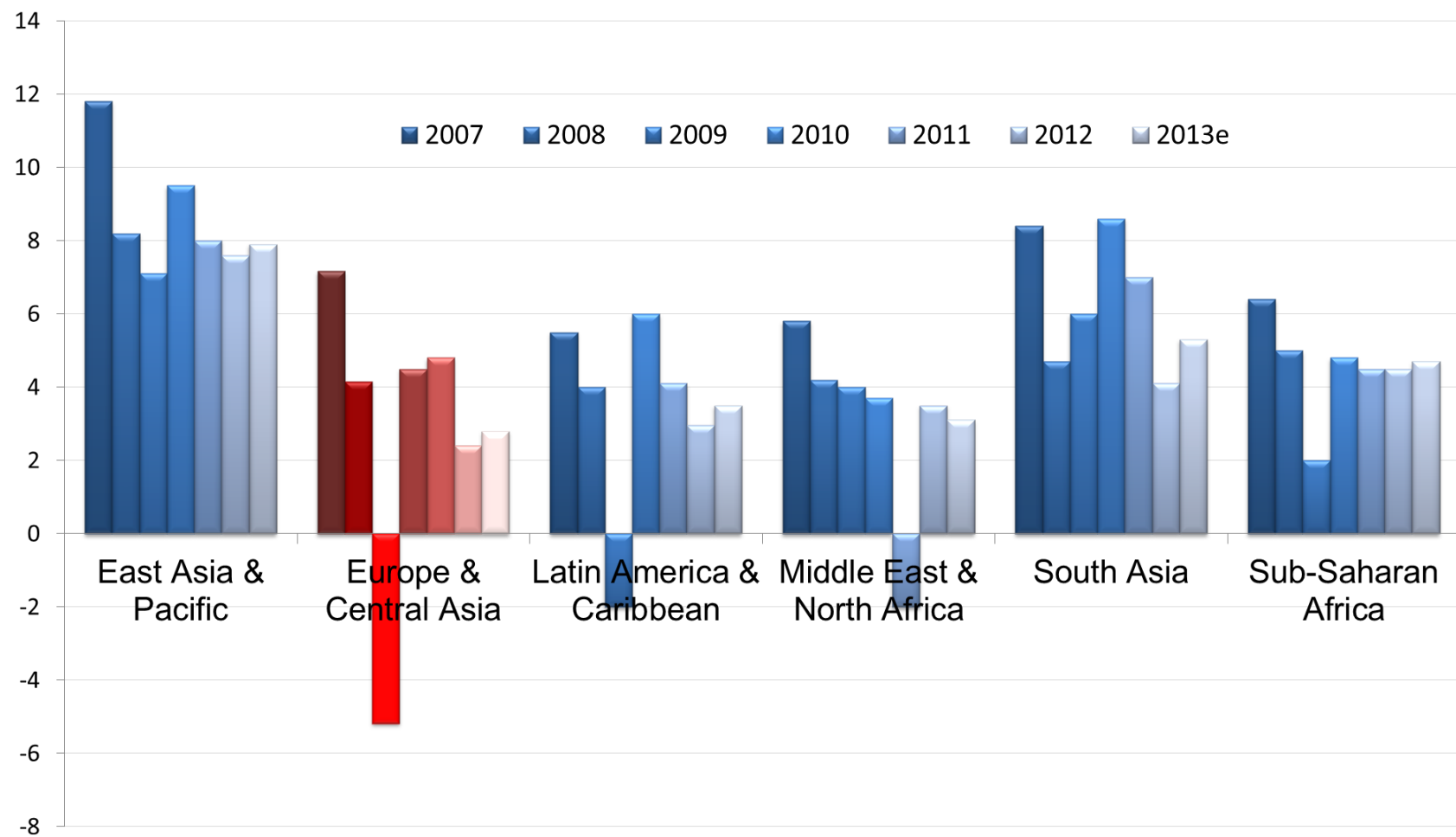
The background features a blue gradient with a faint world map and a large globe grid. Three circular icons containing upward-pointing arrows are positioned at the top of the slide.

Europe and Central Asia Region

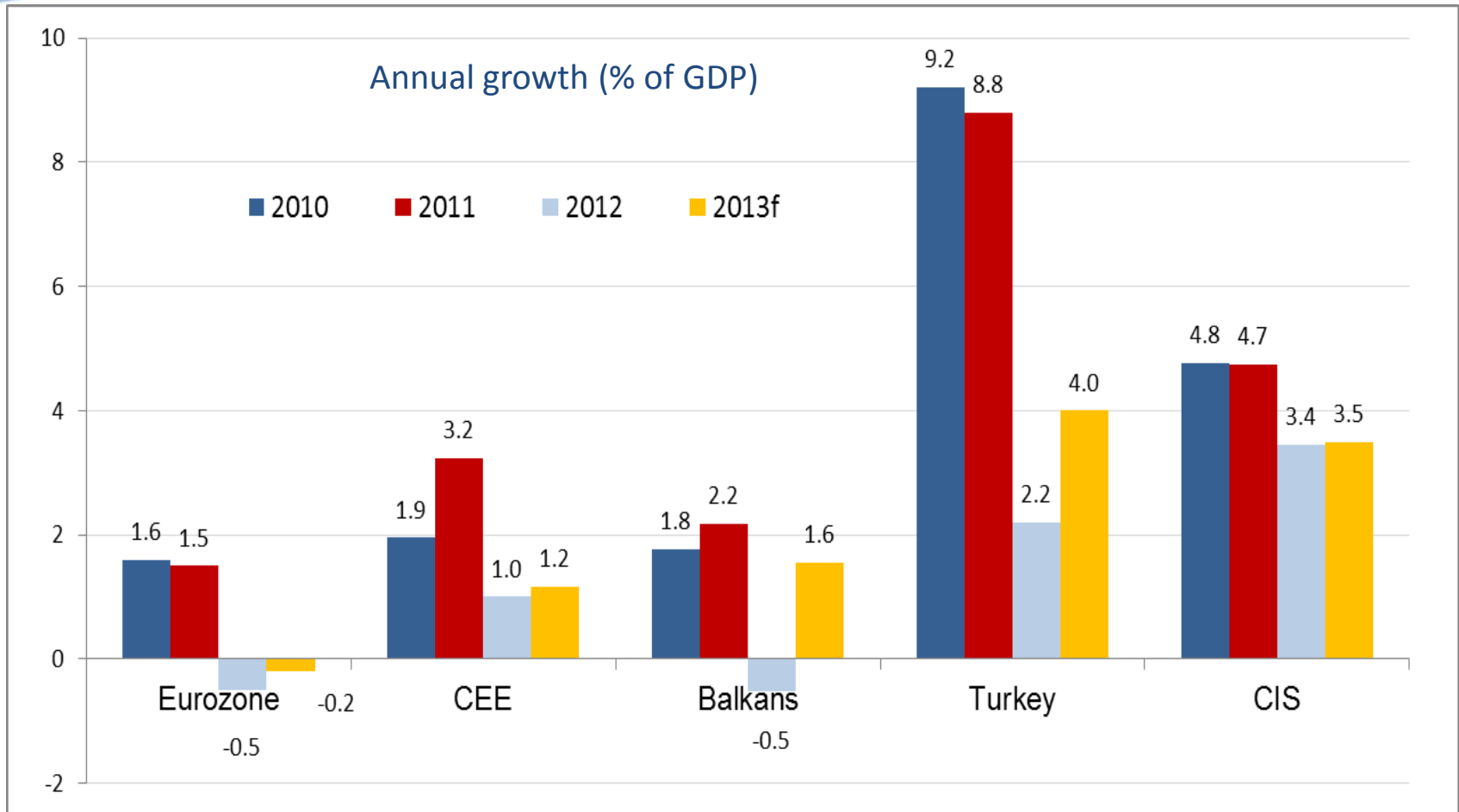
“ECA Economic Outlook”
By Philippe Le Houérou
Vice President, ECA Region
Spring Meetings
April 19, 2013

ECA has seen the slowest recovery since the 2009 crisis

Real GDP Growth, %, weighted average by region

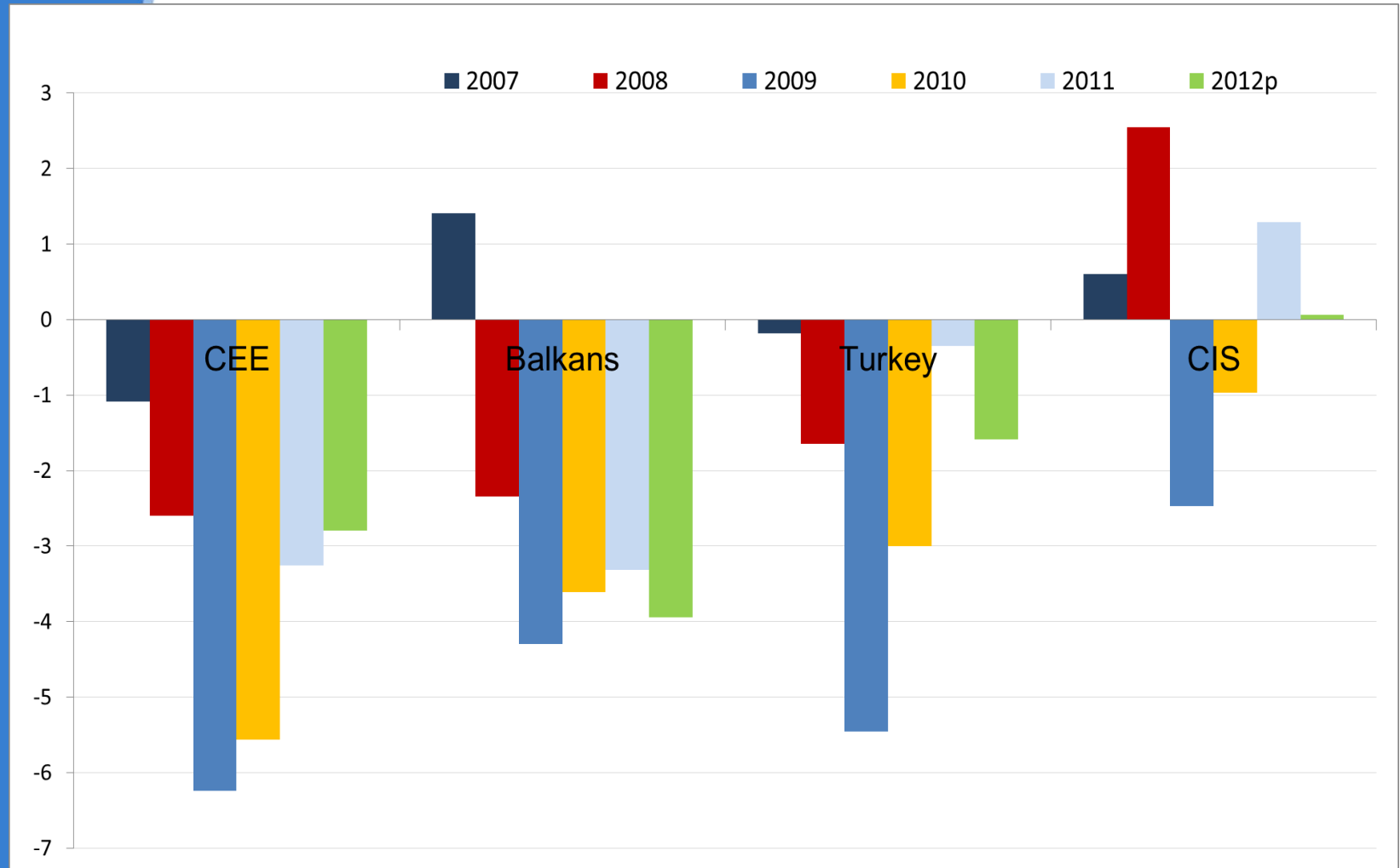


The recovery has been weaker in the Central Europe and the Balkans



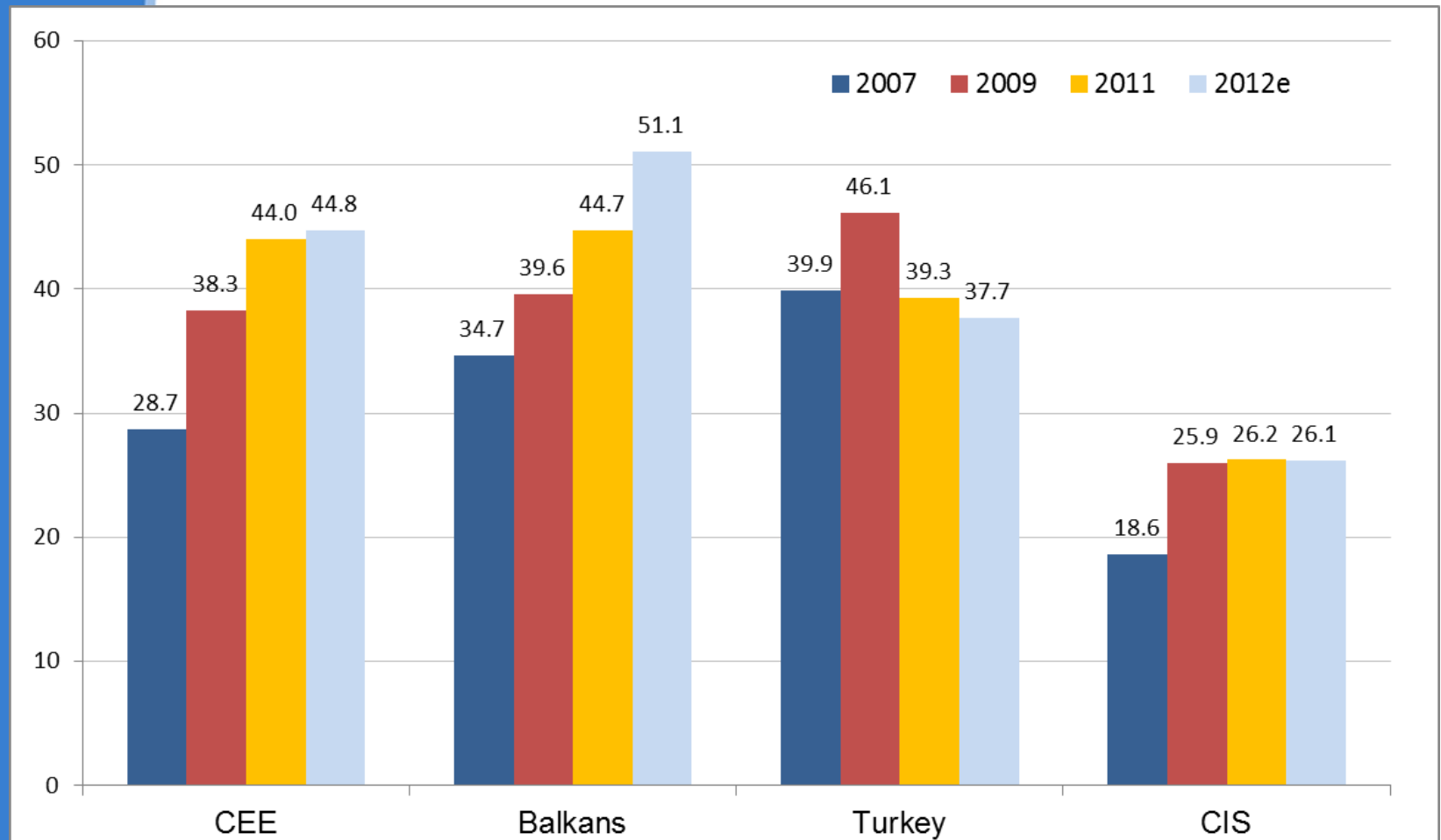
Fiscal aspects of the crisis and post-crisis period

Fiscal balances (% of GDP)



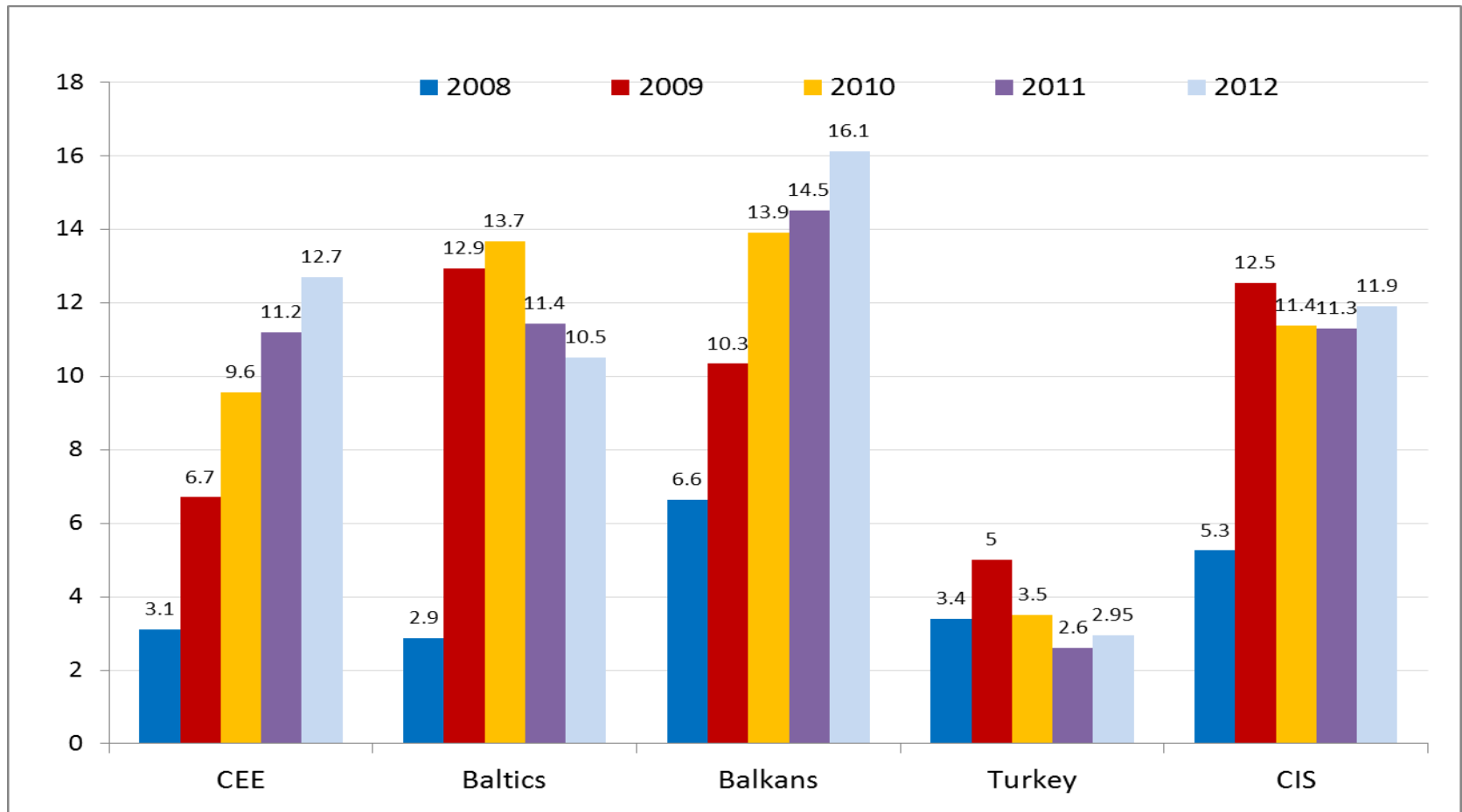
Legacy of the crisis: Public debt levels have risen (except for Turkey)

Gross Public Debt, % of GDP, Average



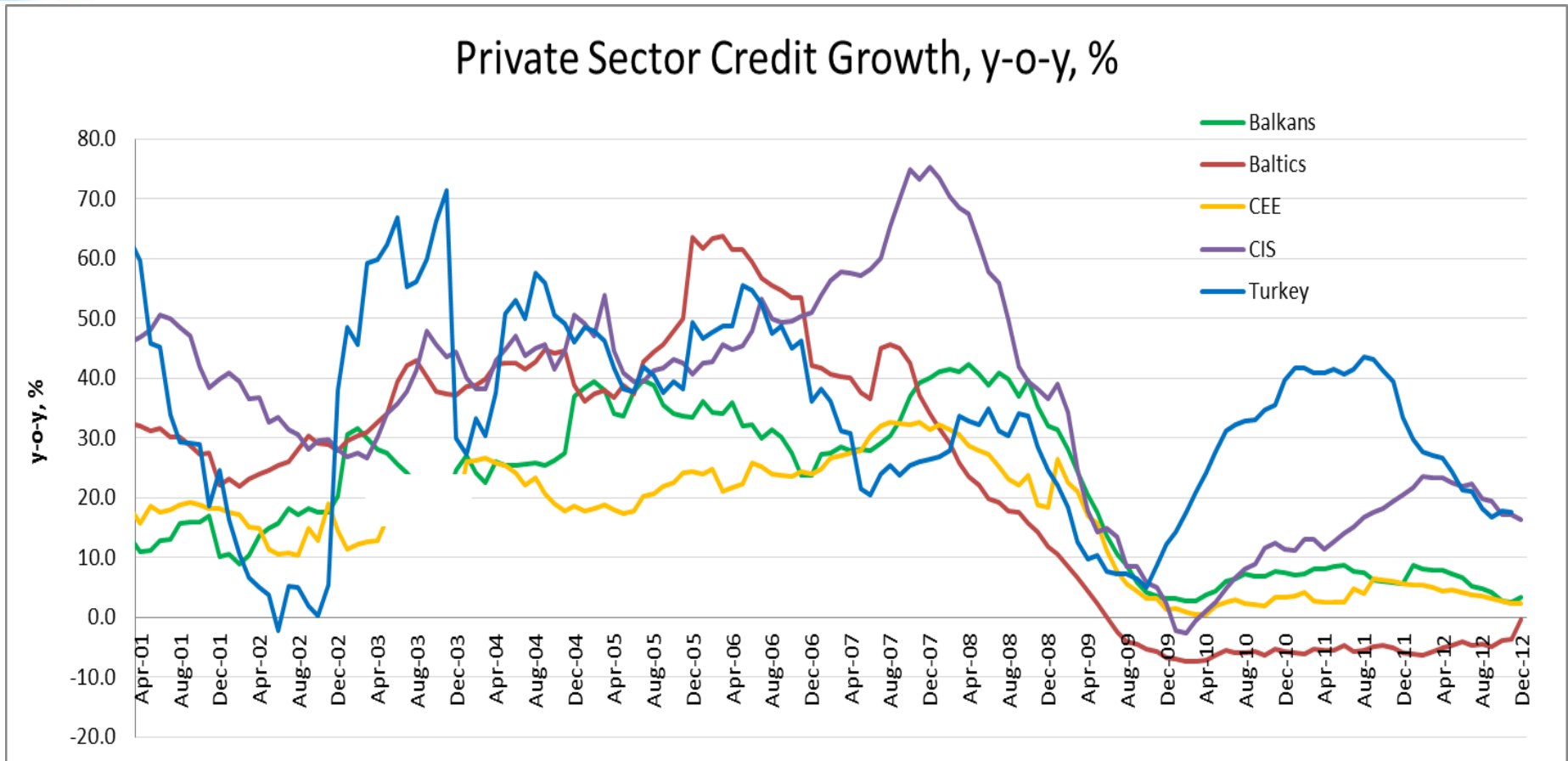
NPLs continue to rise in the Balkans and CEE

NPLs (% of total loans)



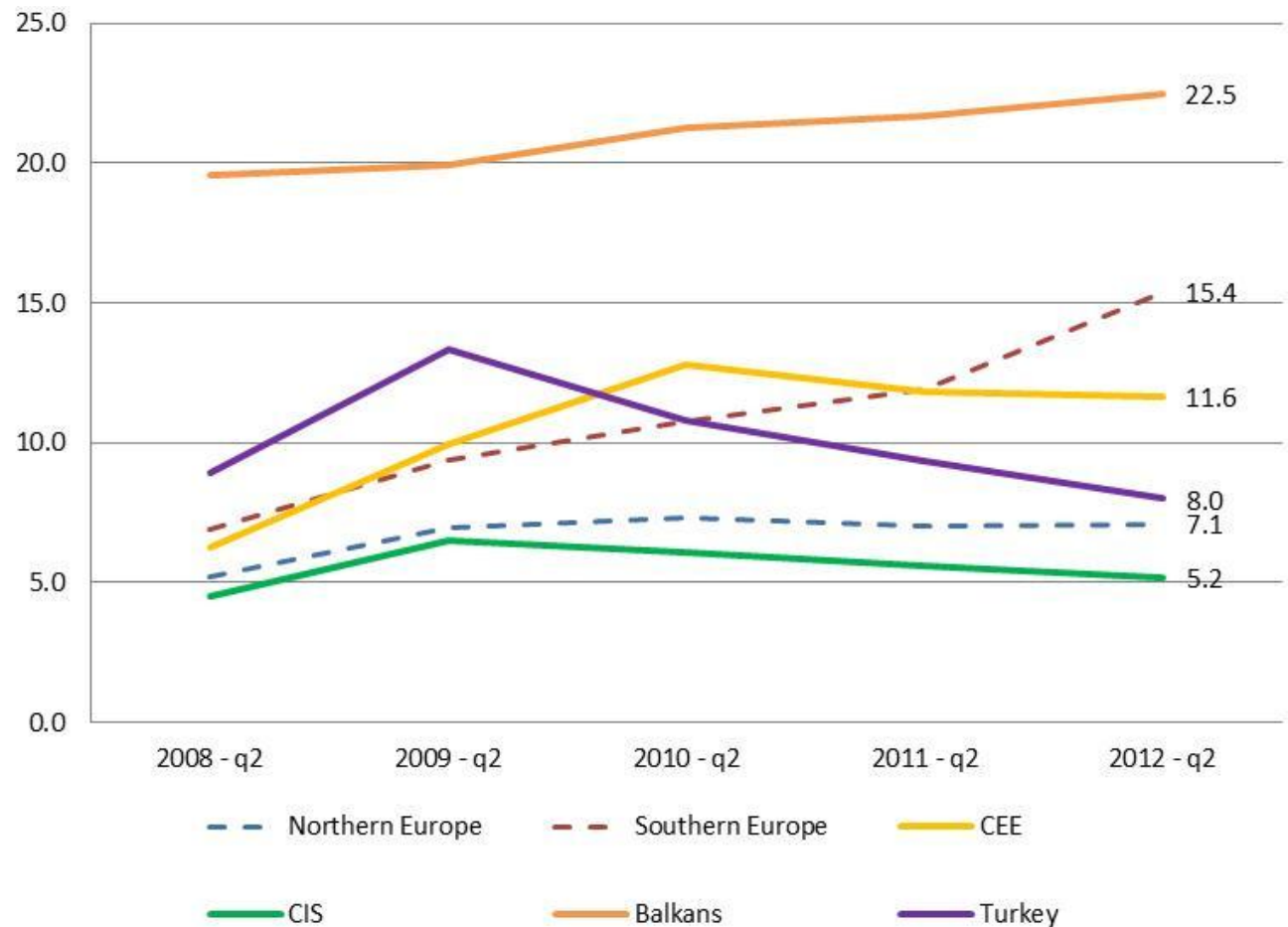
Credit for the private sector is going down in the Baltics and stagnating in CEE and the Balkans

New credit issuance (% change)

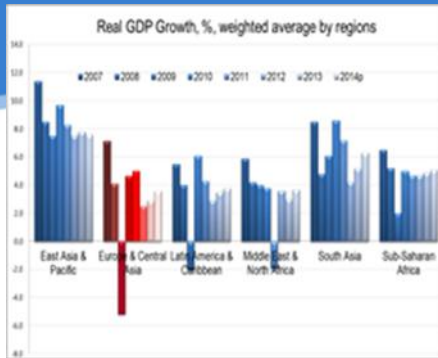


Unemployment remains stubbornly high and is still rising in the Balkans

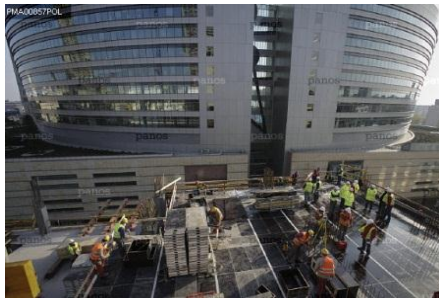
Unemployment rate (% of workforce)



Jobs in ECA: Three priority challenges



1. Resuming sustained growth:
Ensure macro fundamentals for economic recovery and regain pre-crisis reform momentum



2. Enabling private sector-led job creation:
Eliminate impediments to business expansion and entrepreneurship

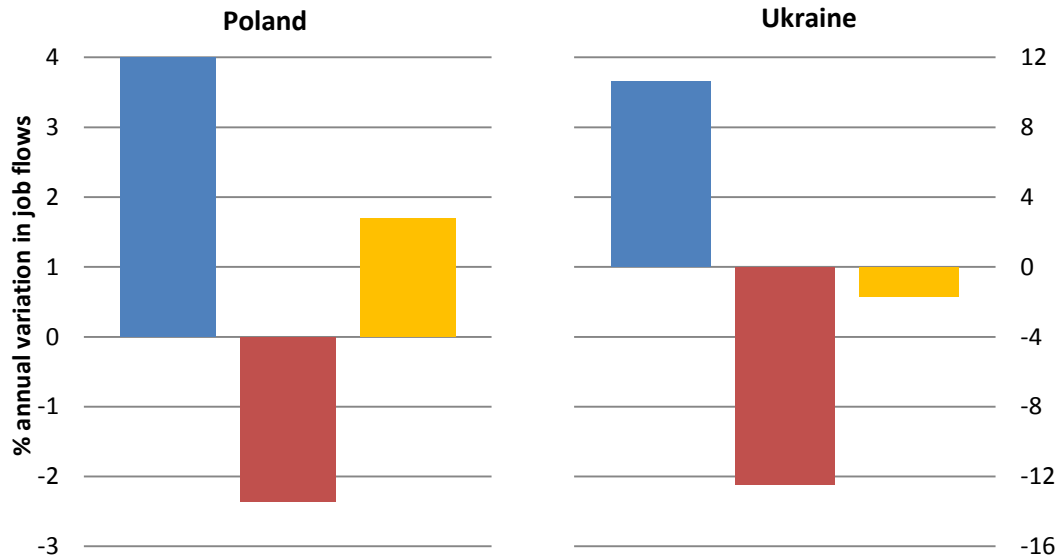


3. Preparing workers for new jobs:
Helping workers acquire skills for the modern workplace and making (formal) work pay by removing disincentives and barriers to work

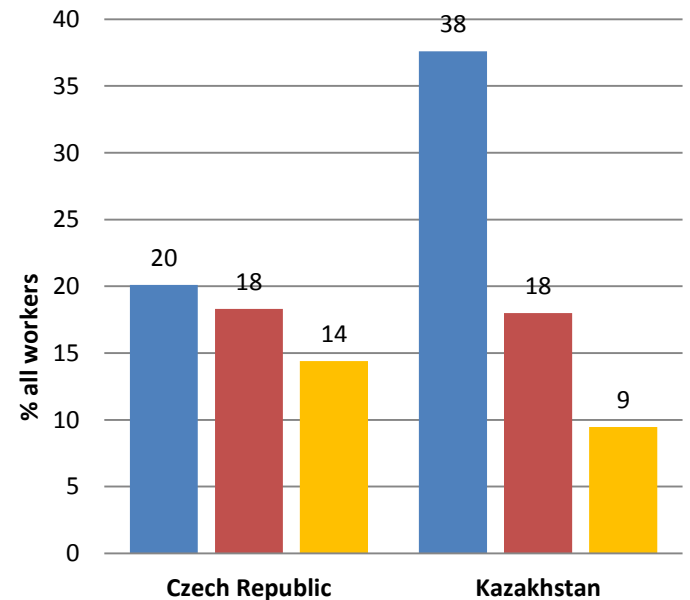
Enabling private sector-led job creation

Average annual rate of jobs destruction and creation, 2002-2008

■ Job Creation ■ Job Destruction ■ Net Job Creation

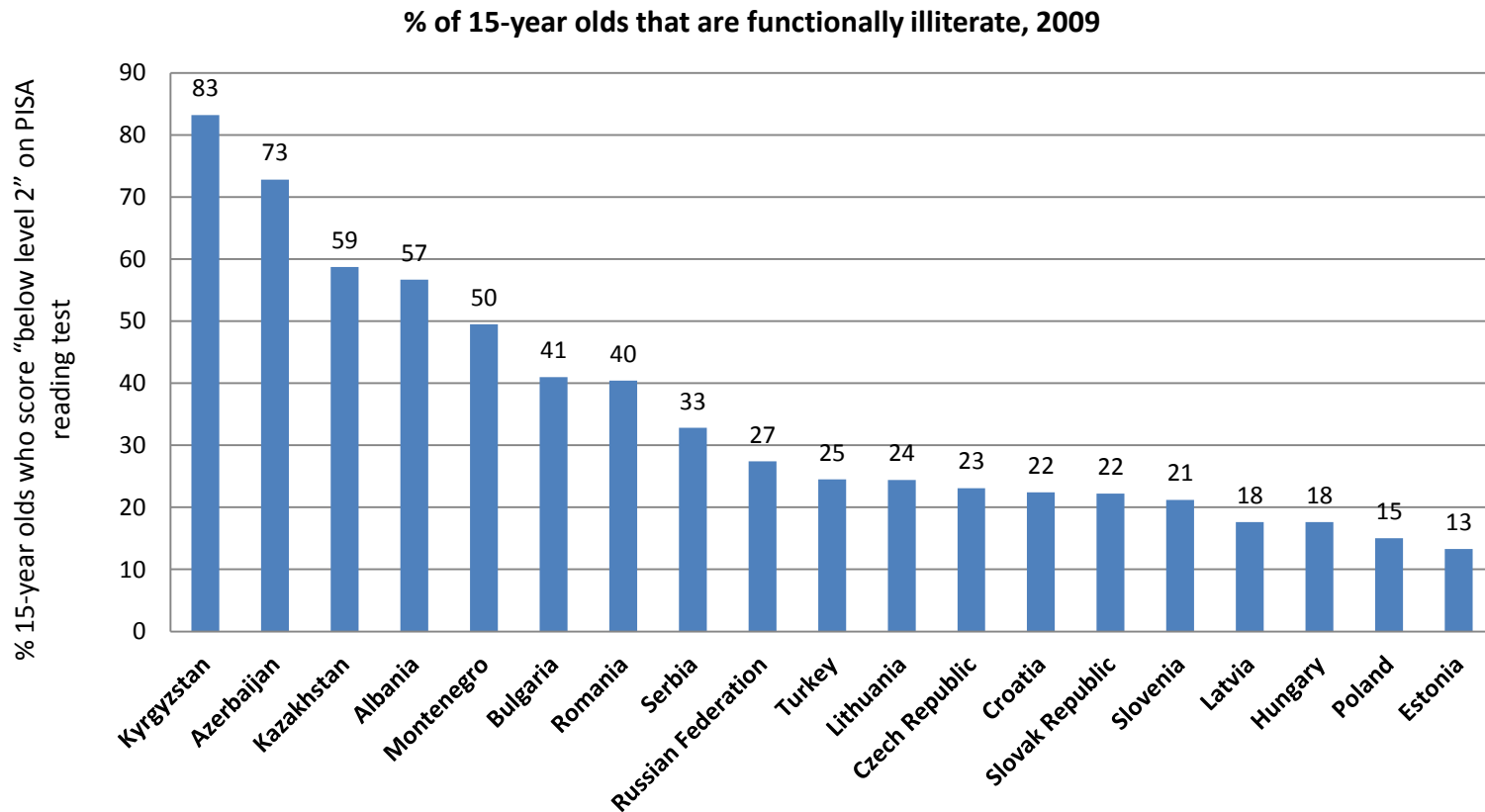


% of workers who want to be self-employed, took steps, and actually started a business, 2010



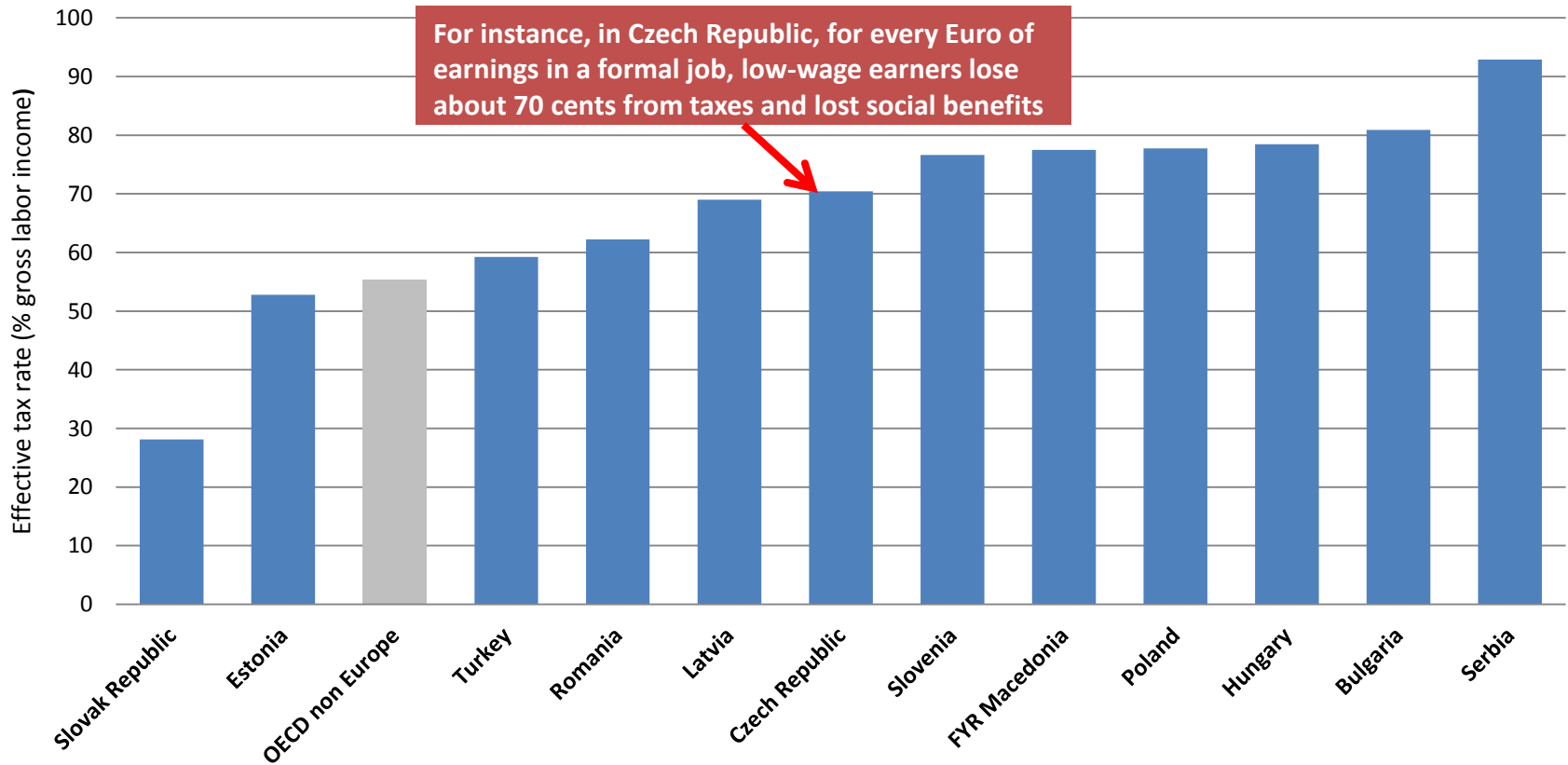
Preparing workers for new jobs: acquiring new skills

Too many youth in ECA fall behind in basic cognitive skills



Removing disincentives and barriers to labor force participation and formal employment

"Unemployment trap": Average tax wedge for low-wage earners:
% earnings lost from taxes on earnings and withdrawn social benefits, 2010



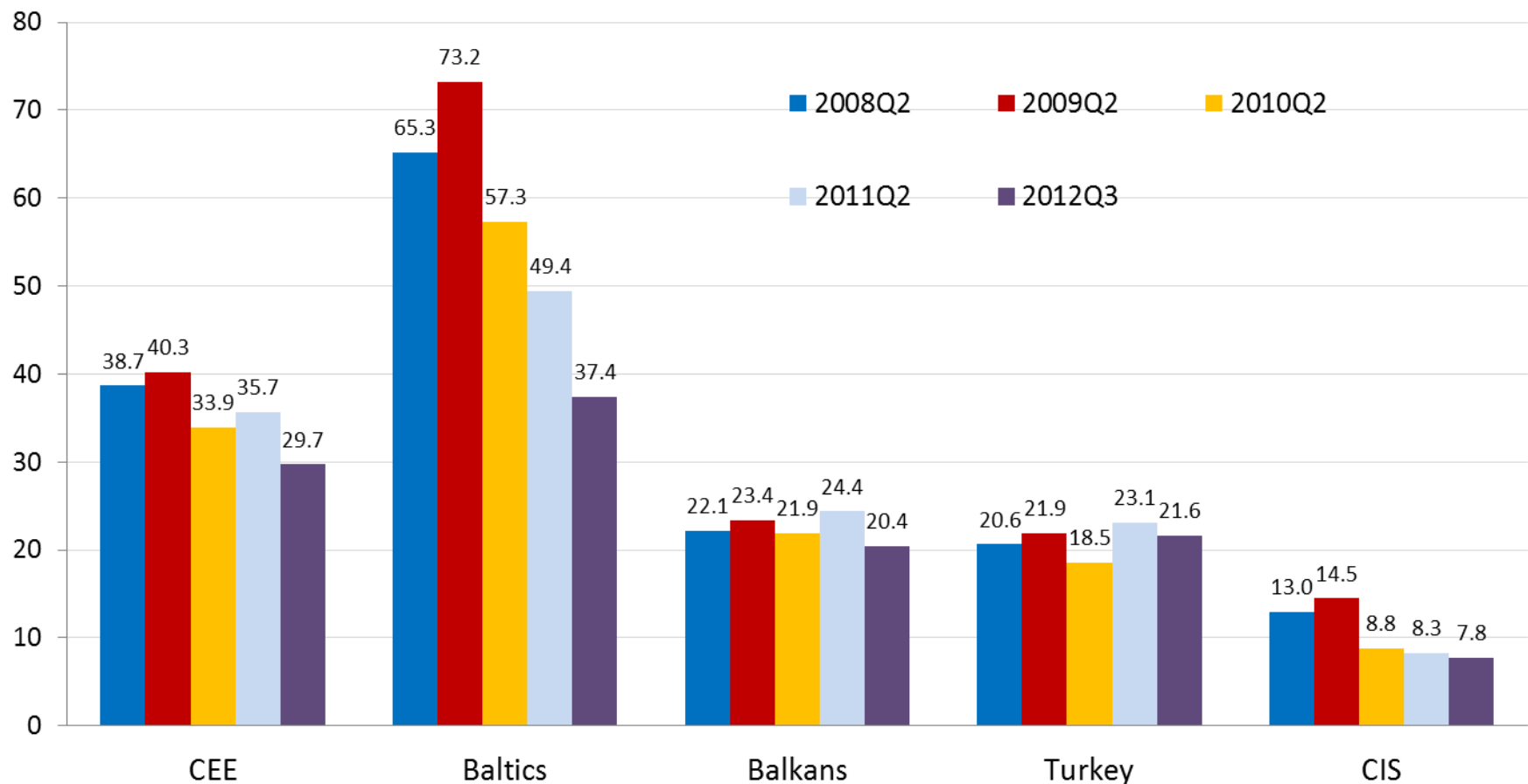


Thank you for your attention!

Question time

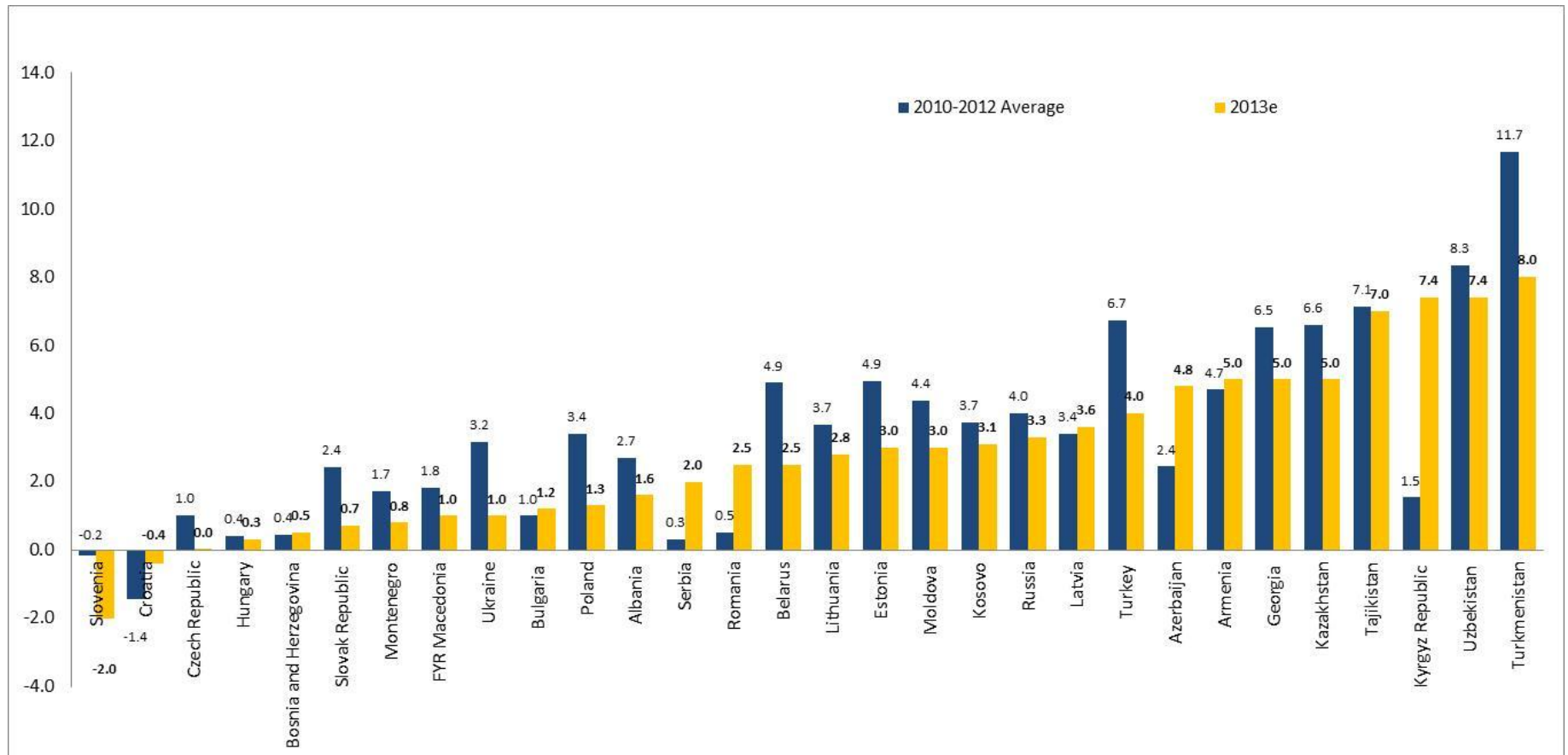
Annex I: Deleveraging has accelerated in CEE (especially in the Baltics) in the past year

External positions by BIS-reporting banks
(% of GDP)



Annex II: ECA -- a multi-speed recovery

Annual growth rates: 2010-2012 average, 2013 projection (% of GDP)



Annex III: World Bank strategy to reduce poverty and boost shared prosperity in ECA

3 Main Pillars



• **Competitiveness:**

- Sound macro-fiscal policy
- Quality education, skills, and lifelong learning
- Well-regulated financial systems
- Improved business environment and innovation policies; diversification
- Investments in energy and transport infrastructure

Governance

Sound public financial management

Impartial and effective application of laws and regulations

Gender

Policies for boosting women's labor force participation (labor market reforms, skills development, childcare provision, access to finance)



• **Social Inclusion:**

- Dynamic labor markets and active labor market policies for job creation
- Quality public services in health and education
- Well-targeted social safety nets
- Fiscally sustainable pension systems
- Financial inclusion and financing for women entrepreneurs

Targeted social assistance to cushion impact of energy price liberalization

Gender-informed agriculture and energy projects to boost employment



• **Climate Action:**

- Policy incentives and investments in energy efficiency
- Financing for renewable energy
- Climate change mitigation (e.g. re-forestation)
- Climate adaptation investments (climate-smart agriculture, hydro-metrology, disaster risk mitigation)