UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/ECE/1420
20 December 2004

Original: ENGLISH

ECONOMIC COMMISSION FOR EUROPE

Sixtieth session
(22-25 February 2005)
(Provisional agenda item 3)

FINANCING FOR DEVELOPMENT IN THE UNECE REGION: THE ISSUES FACING SOUTH-EAST EUROPE AND THE CIS

Note by the Executive Secretary *

Executive summary

This note contains an overview of financing for development in the UNECE region. The globalization of the world economy has brought significant benefits over the past two decades. However, not all countries and regions have shared in the gains from globalization in equal measure. Within the UNECE region, economic policy and systemic issues related to financing for development are relevant to many emerging market economies of south-east Europe and the CIS. This note addresses some issues pertaining to the mobilization of financial resources for transformation and development that are of importance to the countries in these two subregions. It also analyses financing for development issues that are relevant to these economies.

Introduction

1. The globalization of the world economy has brought significant benefits over the past 25 years.[1] The economies of the developing countries have grown more rapidly on average than those of the developed countries in the 1990s, and per capita incomes in developing countries have grown on average by 3.5 per cent per annum. The number of poor people in the world has declined by 375 million. The share of population in developing countries living on less than $1 a day has been reduced by half. Income inequality across the world has declined, albeit only slightly. These trends have been strongest in those developing and emerging market economies where integration into the world economy has been the most rapid.

* Late submission due to clearance delays

2. However, not all countries and regions have shared in the gains from globalization in equal measure. Performance has been uneven in Latin America, many countries in sub-Saharan Africa have fallen even further behind, and Eastern Europe has experienced a profound crisis in the wake of the collapse of communism, from which some countries have been much slower to emerge than others.

3. Many of the countries and regions that have been left behind suffer from a lack of the requisite financial resources to make the investments in human and physical capital, public infrastructure, basic health care and social safety nets that are necessary for successful development. Problems exist both at the level of mobilizing domestic resources and at the level of access to international financial and goods markets. In some instances the problems are self-inflicted, as in the case of armed conflicts or corrupt and incompetent public administrations. However, poverty and underdevelopment can also breed conflicts and corruption, creating a vicious circle from which it can be difficult to emerge. Moreover, some countries are suffering from the sins of the past in the form of unsustainable external debt burdens, and rich countries have erected formidable barriers to protect some of their markets from perceived competition from the poorer countries.

I. Monterrey Consensus

4. At the International Conference on Financing for Development held at Monterrey, Mexico in 2002, the United Nations member states agreed to a set of six leading actions to be taken in an effort to "eradicate poverty, achieve sustained economic growth and promote sustainable development" while "advancing to a fully inclusive and equitable global economic system".[2] The major actions to be taken include (i) mobilizing domestic resources, (ii) foreign direct investment (FDI) and other private international capital flows, (iii) promoting international trade and market access, (iv) increasing international financial and technical cooperation, (v) solving external debt problems, and (vi) enhancing the coherence and consistency of the international monetary, financial and trading system, all with a view to fostering development.

5. At the global level, the follow-up to the Monterrey Conference consists mainly of biannual High-Level Dialogues at the United Nations General Assembly, the first of which was held in 2003, annual Special High-Level Meetings of the Economic and Social Council (ECOSOC) with the international financial and trade institutions, annual progress reports by the Secretary-General to the General Assembly, and three multi-stakeholder consultations. The regional commissions have been invited to address the regional and interregional aspects of the follow-up to the Monterrey Conference and to provide inputs to the High-Level Dialogue and to the spring meetings of ECOSOC.

6. At the High-Level Dialogue at the fifty-eighth session, it was noted that while some progress had been made, there was also some slippage due to a lack of political will, most notably in the areas of trade and financial transfers. It was recommended that both developing and developed countries report regularly on the steps they have taken to implement the Monterrey Consensus.

7. The Special High-Level Meeting of ECOSOC with the Bretton Woods institutions and the World Trade Organization in 2004 covered three themes: the impact of private investment and trade-related issues, the role of multilateral institutions in achieving the Millennium Development Goals, and debt sustainability and debt relief.

8. The multi-stakeholder consultations are on systemic issues (enhancing the coherence of the international monetary, financial and trading system), on building an inclusive financial sector and on sovereign debt.

9. UNECE has contributed to the follow-up to the Monterrey conference through its analytical work and through various initiatives to exchange best practices on issues relevant to financing for development. A detailed list of activities is included in the background document on achieving the internationally agreed development goals, including those contained in the Millennium Declaration (E/ECE/1424).

II. Financing for development in the UNECE Region

10. Within the UNECE region, the economic policy and systemic issues relating to financing for development are relevant to many of the emerging market economies (EMEs) of south-east Europe (SEE) and the Commonwealth of Independent States (CIS).[3] As Table 1 shows, only a few of these countries have surpassed their aggregate output and investment levels of 1990. The level of real consumption declined less dramatically and was restored earlier than real GDP; to some extent this reflects inflows of workers' remittances, which enhanced the consumption possibilities of the resident populations as well as aid, for example, in Bosnia Herzegovina. Nevertheless, the disintegration of the former Soviet Union and former Yugoslavia resulted in a serious decline of average living standards and the emergence of widespread poverty in large parts of South-east Europe and the CIS.[4] The subsequent performance of the individual EMEs in the UNECE region shows that improvements in the domestic environment for doing business through structural reforms of financial, labour and product markets, sound macroeconomic management, investment in infrastructure, health and education, and adherence to democratic principles and political freedoms have been key preconditions for the successful development towards a dynamic market economy.

11. Private inflows of FDI should increase the likelihood of success, provided that there is a sound environment for doing business to allow such inflows to be absorbed successfully. A gradual evolution of modern economic and legal institutions in some EMEs has resulted in increased inflows of credit and equity from multilateral institutions such as the European Bank for Reconstruction and Development (EBRD) (Table 2). Tables 1 and 2 reflect the uneven pace of transition across south-east Europe and the CIS. The three EU-candidate countries (Bulgaria, Croatia, Romania) have received significantly larger credit and investment as well as official aid and technical assistance than the remaining four SEE economies (SEE-4) in the western Balkans (Albania, Bosnia and Herzegovina, The former Yugoslav Republic of Macedonia, Serbia and Montenegro). Within the CIS, a growing divide has emerged in recent years between the more successful countries such as the Russian Federation, Kazakhstan and Ukraine on one side, and a group of seven low-income economies (CIS-7), consisting of Armenia, Azerbaijan, Georgia, Kyrgyzstan, Republic of Moldova, Tajikistan and Uzbekistan, on the other. Two economies, Belarus and Turkmenistan, averted widespread poverty because of a number of factors, including a special relationship with the Russian Federation (that provides cheap energy to Belarus) and substantial natural resources (Turkmenistan).

12. The remainder of this note consists of two parts. The first part addresses some issues pertaining to the mobilization of financial resources for transformation and development that are of importance to all SEE and CIS economies. The second part focuses on financing for

development issues that are relevant for 11 comparatively poor post-communist economies in the UNECE region (SEE-4 and CIS-7).

13. The following are some general questions, pertinent to the economies examined in the note:

(a) The post-communist economies in SEE and the CIS differ from the typical less developed countries in a number of important respects. They have high levels of literacy, a large proportion of their population with secondary and tertiary education, ample industrial skills, historical experience of 50-70 years of central planning with universal public education and health systems, and a high rate of participation of women in the labour force. How is this reflected in the strategies of international organizations that provide development assistance (the United Nations Development Programme (UNDP), the World Bank and the International Monetary Fund (IMF))?

(b) Why have the economic policies based on the so-called Washington consensus, and entailing price and trade liberalization, the privatization of firms and macroeconomic stabilization, worked much better (albeit imperfectly) in central Europe and the Baltic region than in the majority of the SEE and CIS economies, even when allowances are made for differences in initial conditions?

(c) In the light of the socioeconomic evolution taking place over the past 15 years in the former centrally planned economies in SEE and the CIS, what should the international financial institutions and the international community in general do in addition, or differently, in the future to facilitate the process of economic transformation?

(d) What should be the investment priorities in the strategies for development of the post-communist countries of SEE and the CIS and how should they be financed?

(e) What should be done to alleviate the external debt burden without giving adverse incentives or affecting the future chances of raising private finance?

(f) What are the internal (economic) reasons behind the institutions that influence decisively development in the CIS and SEE countries and how can their understanding improve policymaking?

III. Mobilizing investments for development in SEE and the CIS

14. Economic transformation in SEE and the CIS has involved a fundamental reallocation of resources and deep structural changes, including market reforms. Such reforms have been ongoing in most EMEs in the UNECE region. However, in recent years they have stalled in a number of CIS countries at a comparatively early stage of transition from a planned to a market economy.[5] The government sector still accounts for a relatively high share of GDP in the post-communist economies, ranging from 30 per cent in the Russian Federation to 75 per cent in Belarus and Turkmenistan in the CIS, and from 25 per cent in Albania to 50 per cent in Serbia and Montenegro in SEE (EBRD, 2004).[6]

15. Lack of friendly business environment, ineffective government regulation, underdeveloped infrastructure and lack of provision of essential public services seem to be the key development bottleneck facing SEE and the CIS. In SEE, the effectiveness of economic policies is improving in the three EU candidate countries (Bulgaria, Croatia and Romania) as they implement gradually the *acquis communautaire* (the body of EU law), continue to sell state-

controlled firms and provide incentives for FDI. Elsewhere in SEE, the ongoing consolidation of the banking sector with the aid of foreign capital, and the reforms driven by the process of stabilization and association agreements with the EU, have led to a similar tendency for the economic role played by the government to be enhanced, albeit at a slower pace. In the CIS, however, the quality of the regulatory environment and economic policy instruments of the state continues to need further modernization.

16. The country-specific environment for doing business is reflected in the size and structure of FDI inflows. In SEE, such inflows have picked up in recent years in both the goods-producing and service sectors (Table 1). FDI in the CIS has increased as well (although it is still much lower in per capita terms) but continues to be dominated by the natural-resources sector in a few countries (Azerbaijan, Kazakhstan, the Russian Federation and Turkmenistan), and thus has contributed less to industrial restructuring than FDI in other post-communist economies. Wise utilization of the tax revenues from the natural-resources sector and economic diversification conducive to sustainable growth remain key policy issues in the resource-rich countries of the CIS.

17. In the past, private domestic savings provided the principal source of investment and growth in the western industrialized economies. The situation is similar in SEE and the CIS, where the bulk of business investment continues to be financed from retained earnings. Despite some recent expansion, the financial system remains comparatively underdeveloped, in particular in the poorest CIS countries, which constrains the mobilization of internal savings. Moreover, private savings tend to flee from some transition economies. For instance, net private capital outflows from the Russian Federation averaged some $17 billion per annum over the period 1996-2003. The authorities project this to reach $12 billion in 2004, amounting to some 15 per cent of the value of fixed capital formation.[7]

18. Investment in the infrastructure sector (electricity, gas, transport and water) and its efficient regulation should underpin sustainable economic development. The experience of SEE and the CIS with both traditional and innovative financing and operating of their infrastructure services has been far from satisfactory; it indicates an urgent need for further restructuring of these sectors. Private sector participation in infrastructure financing and operations has been noteworthy in some SEE countries but comparatively small in the CIS, with the exception of mobile telephony. Tariffs that reflect long-term costs and incorporate an appropriate rate of return are necessary to generate sufficient internal resources or attract external investment. However, this may have social implications, particularly for disadvantaged groups, that need to be addressed. Despite some improvements, the energy efficiency of the countries of SEE and the CIS remains significantly below that of western Europe. The quality of regulation has been limited by lack of experience and insufficient transparency.[8] Commercial and regulatory roles are not always clearly defined. General uncertainty regarding the rule of law and respect for contract obligations acts as a deterrent to the involvement of the private sector.

19. The above discussion raises a number of interesting questions:

(a) Does government-controlled investment crowd out private business investment in these economies?

(b) Which factors have driven FDI into SEE and the CIS in recent years, and what are the relevant policy lessons?

(c) How relevant is the experience of the more advanced UNECE economies with the management of resource-linked revenues (e.g. the Alberta Heritage Trust Fund in Canada or the National Oil Fund in Norway) in the CIS context?

(d) What can be done to reverse or reduce capital flight and enhance remittance inflows so that national private savings can be channelled to domestic investment?

(e) What is the most promising approach to financing and operating the infrastructure sector? How relevant is the experience of the EU countries with private sector participation (e.g. Czech water utilities or Estonian railways or French motorway operators) for SEE and the CIS?

(f) What should be the role of FDI in consolidation of the banking sector in a manner that would contribute to successful restructuring of the non-financial business sector and a rational allocation of domestic savings?

IV. Financing development in the economies at an early stage of transition

20. Eleven UNECE economies are at an early stage of transition. They include seven countries of the CIS (Armenia, Azerbaijan, Georgia, Kyrgyzstan, Republic of Moldova, Tajikistan and Uzbekistan) and four SEE countries (Albania, Bosnia and Herzegovina, The former Yugoslav Republic of Macedonia, Serbia and Montenegro). Except for The former Yugoslav Republic of Macedonia, these countries receive financing for development on *concessional* terms (i.e. interest-free loans and grants from the International Development Association (IDA) and/or the low-interest lending facility of the IMF).[9] Most of them are affected by unresolved conflicts. In some of them, ethnic minorities and underprivileged women suffer from discrimination that impedes their access to education, health care and jobs. Widespread poverty and deprivation in this group of UNECE states should be significantly reduced by 2015, provided they achieve their Millennium Development Goals (MDGs) by then. Medium-term Poverty Reduction Strategy Papers (PRSP) have been elaborated by all CIS-7 and SEE-4 countries over the last four years, reflecting a more or less active collaboration of the national authorities with civil society, major donors, and multilateral organizations, including UNDP, the World Bank and the IMF. National PRSPs have been approved by the Board of Directors of the Bank and IMF.[10] They can be considered the principal vehicle for achieving the MDGs.[11]

21. Generally, poverty appears to have declined throughout SEE and the CIS over the last few years. However, the extent of this decline is hard to assess because the available poverty statistics based on international standards are outdated. A comprehensive assessment of the situation on the basis of diverse economic, social and health indicators is provided in the first issue of the *Economic Survey of Europe, 2004* (UNECE 2004, chapter 7). Given the relatively recent adoption of the PRSP approach, it is hard to tell whether it has made a significant contribution to this welcome trend. However, both internal (joint IMF/World Bank) and external evaluations (World Bank, 2004) of the PRSP process in some CIS-7 and SEE-4 countries became available in 2004, and can help us understand better the key issues involved in the mobilization of finance for development in the two regions. Progress reports on the PRSPs prepared by national authorities in the UNECE region (Albania, Armenia, Azerbaijan, Georgia, Kyrgyzstan, Republic of Moldova, Tajikistan) as well as their external assessments have found them to be broadly supportive of economic growth and poverty reduction (Government of the Republic of Tajikistan, 2004; IMF, 2003a; IMF, 2003b IMF, 2004a; IMF, 2004b, IMF, 2004c,

IMF, 2004d). The medium-term PRSPs seem to be broadly consistent with the MDGs in these countries, similar to the most recent PRSP elaborated by the authorities in Serbia and Montenegro. However, a number of improvements have been suggested by outside observers.

22. First of all, national strategies ought to define clearly the spending priorities in key areas such as infrastructure, education, housing, and health care. It would be desirable if such spending were supported by the technical assistance necessary to improve efficiency in key sectors. Capacity building efforts, which enhance the ability of national governments to conceive strategies, and to plan, implement and monitor policies are essential to foster sustainable initiatives with a maximum impact. Without such reforms, improved infrastructure or greater social spending would probably achieve only marginal improvements. Secondly, PRSPs ought to be linked better to both annual budgets and medium-term fiscal programmes. Thirdly, formal approval of national PRSPs by the Boards of the IMF and World Bank seems to be unnecessary and could be counterproductive, given the emphasis on national "ownership" of the medium-term development strategies.[12] Fourthly, the involvement of elected representatives at all levels and of civil society should be more systematic, and include not only discussions of PRSP objectives but also monitoring of their implementation. In the secretariat's view, these are important concerns. However, given the continued erosion of human capital in a number of the CIS-7 (and possibly some SEE-4 countries as well), the international financial institutions and outside donors should do more to stimulate pro-poor economic growth. They should also ensure that public expenditure on education, health and social services is protected from cuts, in case of fiscal pressures in the short term, and enhanced significantly (with respect to levels and targeting) in the longer term. While PRSPs recognize the need for job-creating growth and pro-poor policies to make short-term improvements sustainable, the financing instruments on *concessional* terms such as the IMF Poverty Reduction and Growth Facility seem to be insufficiently supportive of such efforts.

23. Within the group of 11 UNECE economies at the early stage of transition, the SEE-4 countries are characterized by higher per capita income levels, and, as they are located on the EU periphery, they receive more financial and technical assistance (through the SEE Stability Pact and other arrangements) than the CIS-7.[13] These countries have also opened up to FDI, allowing foreign ownership and control of major banks and industrial firms. On the whole, economic transition in SEE seems to have progressed in the right direction in recent years.

24. Reforms have also progressed in five CIS-7 countries (Armenia, Georgia, Kyrgyzstan, Republic of Moldova, Tajikistan); although, according to EBRD, there has been little advance in Azerbaijan and Uzbekistan.[14] The recent EBRD-led Early Transition Countries (ETC) initiative reflects the concerns of the international financial institutions (IFIs), donor governments (including the EU and the United States) and international organizations (such as Organization for Security and Cooperation in Europe and UNDP) with the lack of progress in the CIS-7 countries.

25. Debt sustainability remains an important policy issue in five low-income CIS countries (CIS-5: Armenia, Georgia, Kyrgyzstan, Republic of Moldova and Tajikistan). While much has been accomplished in these five economies in terms of macroeconomic stability, fiscal consolidation, institutional development and resumption of growth, one area that has seen continuous deterioration is public debt, which is approaching or exceeding unsustainable levels in a number of them. From a situation of virtually no debt in 1992, these countries have seen a rapid increase in their external debt problem. The nominal stock of government and

government-guaranteed external debt of the CIS-5 grew from near zero in 1992 to about $7 billion by end 2003. By the end of 2003, the debt service to exports ratio ranged from a low of 7.5 per cent in Armenia to a high of 20.9 per cent in Kyrgyzstan.[15] Unlike elsewhere in eastern Europe and the CIS, debt accumulation in these five countries is similar in nature to that of the poorer highly indebted countries in other parts of the world.

26. Debt accumulation in the CIS-5 has a number of common characteristics:

- The share of the public and publicly guaranteed external debt in total external debt has been, on average, about 80 per cent, and is comparable to the share in the heavily indebted low-income countries. It is much higher than that found in other transition economies. This indicates that private sector entities in the CIS-5 economies have substantially less access to international capital markets than those of the other economies of the region. The share of debt owed to private creditors in the CIS-5 is lower, while the share of the CIS-5 debt to bilateral official creditors is larger than that of comparable countries in Eastern Europe and the CIS.
- The external debt is mainly long term in nature, as the maturities of new external financial commitments exceed 30 years.
- A large and increasing share of debt is to multilateral institutions, especially the IMF and the World Bank.
- While initially the debt profile of the CIS-5 was similar to that of the other countries in Eastern Europe, over time it has become similar to that of other heavily indebted low-income countries.

27. Although these countries need to continue investment in the areas of health, education, and infrastructure, without strong fiscal adjustment, the external debt of a number of these countries, especially Kyrgyzstan and the Republic of Moldova, will continue to be unsustainable. The government needs to initiate a debt reduction strategy which should include, among others,

- A substantial fiscal adjustment, including tax policy changes with a view to broadening the tax base and strengthening and simplifying the tax and customs administration to improve compliance and governance;
- An acceleration of structural reforms that support growth and poverty reduction;
- An ongoing work with IFIs and bilateral donors to attract technical assistance, as well as *concessional loans* and grants, while not contracting any new *non-concessional* debt.

28. Even successful implementation of such a debt strategy programme may not be enough. Kyrgyzstan and the Republic of Moldova will probably require additional assistance in the form of debt rescheduling and highly *concessional* financing in order to achieve debt sustainability and sustained economic growth. A Paris Club rescheduling on Naples Terms may not be enough.[16] They will continue to have debt indicators that are persistently above the thresholds established under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank and IMF.

29. What are the issues implied by the discussion in this section?

(a) What are the relevant lessons of the Stability Pact (SP) for South-Eastern Europe for the six countries of the CIS-7 that cannot participate in the SP framework?

(b) Given the linkage between the PRSPs and the UN's MDGs, how could the UNECE and the other regional commissions contribute best to the Financing for Development process?

(c) Do the loans and equity injections provided by the development banks "crowd in" FDI and domestic investment?

(d) How can the countries of SEE and the CIS that are in the early stage of transition best reduce administrative and other barriers to private sector participation in the financing and operating of critical infrastructure?

(e) How can the new EU member countries target ODA to the most disadvantaged states in the SEE and CIS?

30. The objective of this report has been to highlight and generate discussion on a number of issues relating to financing for development faced by the emerging market economies in South-east Europe and the CIS.

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Table 1: Selected economic indicators in SEE and the CIS

	Real GDP			**Real consumption**			**Real investment**			**Current account balance**		**FDI inflows**	
	Indices, 1990= 1000	**Growth rates**		**Indices, 1990= 100**	**Growth rates**		**Indices, 1990= 100**	**Growth rates**		**$million**		**$million**	
	2003	**2002**	**2003**	**2003**	**2002**	**2003**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**
South-East Europe	**93.7**	**4.6**	**4.2**							**-8481.6**	**-11666.2**	**4130.1**	**7272.4**
Albania	137.8	**3.4**	**6.0**	..	..	..	..	..	..	**-420.8**	**-406.7**	**135.0**	**178.1**
Bosnia and Herzegovina	**317.2**	**3.7**	**3.2**	..	..	..	..	..	..	**-1692.9**	**-2038.1**	**267.6**	**381.8**
Bulgaria	95.7	**4.9**	**4.3**	**92.5**	**3.6**	**6.6**	**128.4**	**8.5**	**13.8**	**-826.7**	**-1675.8**	**904.7**	**1419.4**
Croatia	98.2	**5.2**	**4.3**	**129.8**	**4.9**	**3.0**	**249.6**	**12.0**	**16.8**	**-1917.8**	**-2084.7**	**1124.0**	**1998.2**
Romania	98.1	**5.0**	**4.9**	**115.5**	**2.4**	**6.9**	**140.5**	**8.2**	**9.2**	**-1534.6**	**-3254.5**	**1146.0**	**1840.5**
Serbia and Montenegro	54.5	**3.8**	**1.5**	..	..	..	..	..	..	**-1731.0**	**-1928.0**	**475.0**	**1360.0**
The former Yugoslav Republic of Macedonia	90.8	**0.9**	**3.4**	**117.0**	**6.3**	**0.0**	**75.5**	**17.6**	**10.0**	**-357.8**	**-278.5**	**77.8**	**94.6**
CIS -12	**76.6**	**5.2**	**7.7**	..	..	..	..	..	..	**30377.4**	**36989.2**	**8982.3**	**15711.9**
Armenia	97.4	**15.1**	**13.9**	**117.9**	**8.2**	**9.0**	**26.3**	**33.1**	**33.7**	**-148.0**	**-190.6**	**110.7**	**120.9**
Azerbaijan	79.4	**10.6**	**11.2**	**126.8**	**9.2**	**11.7**	**1479.0**	**84.0**	**61.5**	**-768.4**	**-2020.6**	**1392.4**	**3285.1**
Belarus	104.0	**5.0**	**6.8**	**121.9**	**8.1**	**5.3**	**74.5**	**6.7**	**17.7**	**-311.2**	**-527.4**	**247.1**	**171.8**
Georgia	46.1	**5.5**	**11.1**	..	..	..	..	..	..	**-230.6**	**-398.2**	**165.4**	**337.9**
Kazakhstan	94.6	**9.8**	**9.3**	**75.5**	**9.1**	**19.8**	**31.2**	**10.2**	**8.9**	**-843.4**	**-39.0**	**2590.2**	**2088.4**
Kyrgyzstan	74.8	**0.0**	**6.7**	**54.6**	**3.7**	**8.5**	**49.6**	**-7.4**	**-1.4**	**-25.0**	**-23.8**	**4.7**	**45.5**
Republic of Moldova	42.3	**7.8**	**6.3**	**139.9**	**9.7**	**13.4**	**65.1**	**5.7**	**13.3**	**-51.8**	**-142.1**	**116.6**	**58.5**
Russian Federation	79.4	**4.7**	**7.3**	**103.7**	**7.3**	**6.6**	**25.2**	**3.5**	**12.2**	**29115.9**	**35844.7**	**3461.1**	**7958.1**
Tajikistan	47.6	**9.5**	**10.2**	..	..	..	..	..	..	**-15.1**	**-4.8**	**36.1**	**31.7**
Turkmenistan	89.3	**1.8**	**6.8**	..	..	..	..	..	..	..	..	..	..
Ukraine	54.3	**5.2**	**9.4**	**71.6**	**5.0**	**12.8**	**22.1**	**3.4**	**15.8**	**3173.0**	**2891.0**	**693.0**	**1424.0**
Uzbekistan	111.9	**4.2**	**4.4**	..	..	..	..	..	..	..	..	..	..

Source: UNECE Common Database.

Table 2: EBRD commitments (loans and equity)

	2003 € million	2003 % of total	Cumulative € million	Cumulative % of total
South-east Europe	1084	29.1	5686	25.1
Bulgaria	240	6.4	848	3.7
Croatia	125	3.4	1232	5.4
Romania	385	10.3	2361	10.4
Serbia and Montenegro	149	4.0	509	2.2
The former Yugoslav Republic of Macedonia	102	2.7	307	1.4
Bosnia and Herzegovina	36	1.0	259	1.1
Albania	47	1.3	170	0.7
CIS	1593	42.8	9004	39.7
Russian Federation	1100	29.6	5174	22.8
Ukraine	116	3.1	1279	5.6
Kazakhstan	264	7.1	872	3.8
Belarus	19	0.5	158	0.7
Turkmenistan	1	0.0	125	0.6
Uzbekistan	26	0.7	527	2.3
Azerbaijan	25	0.7	280	1.2
Georgia	17	0.5	185	0.8
Republic of Moldova	15	0.4	162	0.7
Kyrgyzstan	2	0.1	123	0.5
Armenia	5	0.1	90	0.4
Tajikistan	3	0.1	29	0.1
EBRD-27	3722	100.0	22669	100.0

Source:EBRD

NOTES

[1] See, for instance, D. Dollar (2004). , Globalization, Poverty and Inequality Since 1980, World Bank Policy Research Working Paper 3333, Washington DC, June 2004.

[2] See Report on the International Conference on Financing for Development, Monterrey, Mexico, 18-20 March 2002 (“Monterrey Consensus”), UN Document A/CONF.198/11.

[3] Eight former centrally planned economies from central Europe and the Baltic region recently joined the European Union and are therefore not covered in this note, as it focuses on financing for development in the UNECE countries which are in the intermediate and early stages of post-communist transformation.

[4] See, for example, UNECE (2004), chapter 7.

[5] See EBRD (2004), chapter 1.

[6] Due to lack of data on the shadow economy, the allocation of production by ownership is a difficult statistical exercise. For example, estimates of the private sector share in GDP in Tajikistan range from one-third to one-half (Government of Tajikistan, 2004, p. 15).

[7] The propensity of Russian individuals and businesses to invest abroad, reflected in persistent current account surpluses since 1991, is related to poor protection of property rights in their home country (for details, see UNECE, 2004, pp. 108-9).

[8] For progress on infrastructure reform in eastern Europe, see EBRD (2004), part II.

[9] The International Development Association, part of the World Bank, provides special assistance to the world’s poorest countries. These countries also qualify for special low-interest loans from the IMF Poverty Reduction and Growth Facility (PRGF).

[10] These documents have provided, since July 2002, the framework for concessional development assistance by both the IMF and the World Bank.

[11] Not only in the CIS-7 and SEE-4 economies but also in a number of other countries (for details, see UNESCAP, 2004).

[12] This point was made by an independent evaluation team, based on an assessment of PRSP processes in 10 countries, including Albania and Tajikistan (World Bank, 2004).

[13] With the possible exception of the Republic of Moldova, that is eligible for participation in the SEE Stability Pact programmes since 2002. However, the EU assistance received by the Republic of Moldova has been modest to date.

[14] See EBRD (2004), chapter 1.

[15] See IMF and the World Bank (2004).

[16] The Paris Club is the name given to the meetings between government creditors, mainly OECD countries, and debtor countries under the auspices of the French Government.
