

91. **The Bank and IFC’s knowledge programs are also helping to advance FYR Macedonia’s regional integration in the Western Balkans.** IFC will continue implementation of its mainly regional program of advisory services. These are aimed at helping FYR Macedonia meet *acquis* requirements to accelerate EU accession and strengthen the business environment and capacity of the local private sector to compete in a more integrated European market; the program also supports integration within the sub-region of the Western Balkans through the formal sharing of reform experiences and best practices. The Bank will also carry out more regional sector work, including two the ongoing programmatic series – Western Balkans Poverty Assessment, and Western Balkans Financial Sector TA. In addition, the Bank will carry out a Western Balkans Regional Study on Innovation and continue the Regional REPARIS program (Regional Road to Europe Program of Accounting and Reform and Institutional Strengthening) to strengthen corporate financial reporting.

## V. RISKS

92. **Implementation of the CPS is subject to the following risks:**

- **FYR Macedonia’s growth outlook is subject to uncertainties on the timing, speed and shape of the recovery from the global crisis.** ECA has been the hardest hit of all regions, and its recovery is expected to be the most protracted. Lower than expected growth could also impact debt sustainability and may require further policy adjustment. This is particularly true given the ongoing instability in Greece and in the eurozone more broadly. The Bank will help analyze the risks through continued monitoring and dialogue with the authorities on the overall macroeconomic context, as well as through analysis of options for remedial measures and program adaptation, contingent on need and government request.
- **Failure to resolve negotiations with Greece on the “name issue” could continue to slow EU accession and dampen public support for reforms.** The Bank will continue to monitor developments closely, including any impact a delay in EU accession might have on political and macroeconomic stability as well as on the Bank’s program.
- **Continued high unemployment may directly affect the social balance in the country, provoke social tensions and undermine Government support to the reform program.** The CPS is focused on employment generation, and supports interventions in social protection and skills development with the aim of translating economic growth and the recent increases in labor participation into more and better jobs for all FYR Macedonians.
- **FYR Macedonia is vulnerable to natural disasters, including, increasingly, severe climate pressures.** The country has suffered devastating earthquakes in the past and seismic activity remains common. Severe droughts are projected and aridity could affect agriculture. The Bank is engaged in analytical work in both the water and energy sectors and will be supporting the country through the regional Catastrophic Risk Insurance Facility.