



NPL Resolution Challenges and impediments

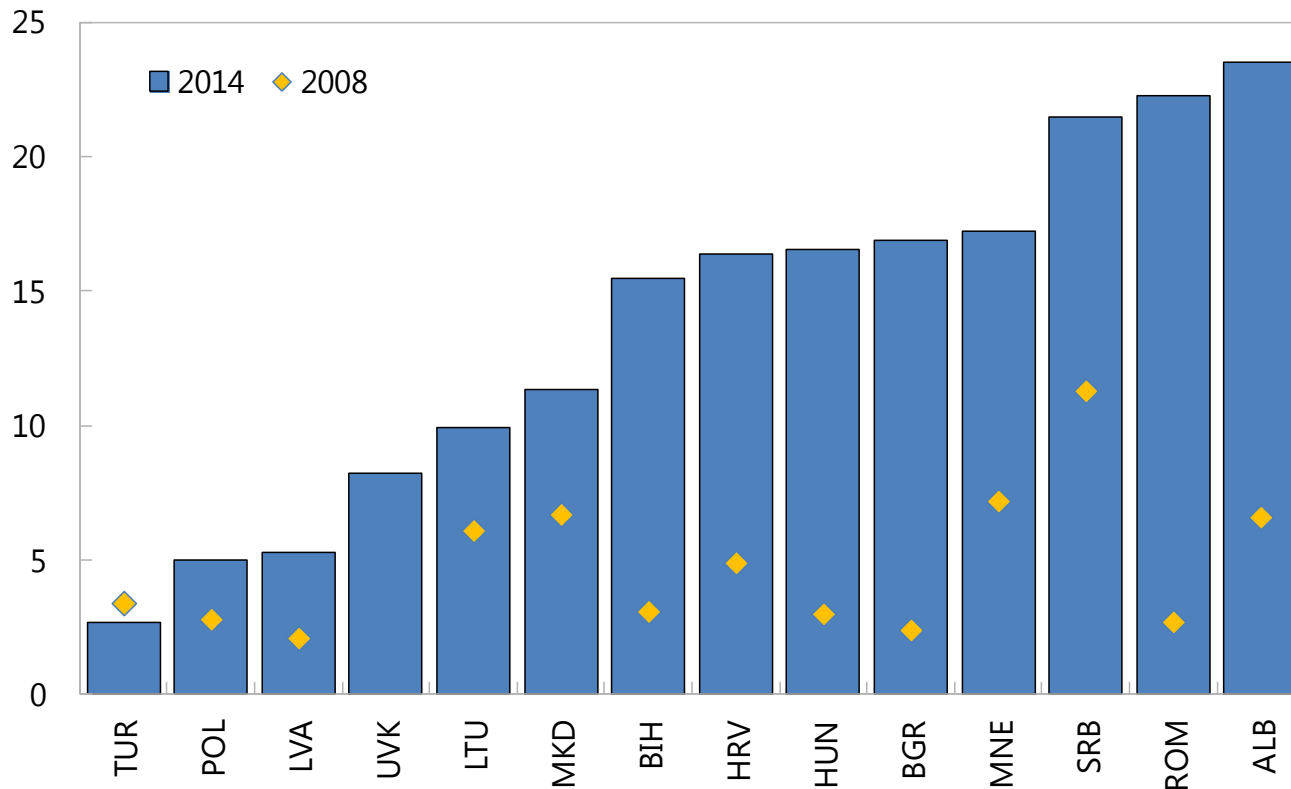
- preliminary results -

Belgrade, April 28, 2015

- Significant rise in NPLs across the region

Nonperforming loans to total loans

(Percent)



Source: IMF Financial Stability Indicators



Context – cont'd



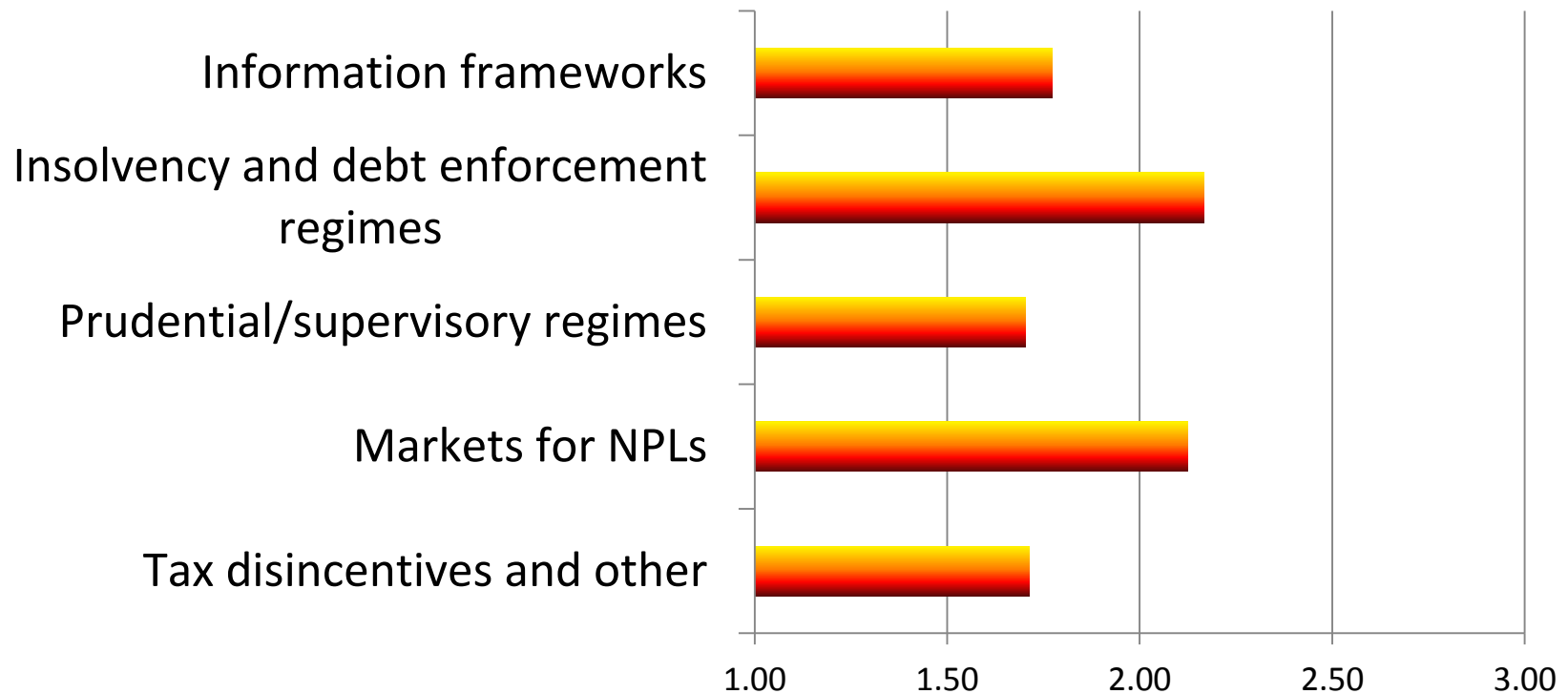
- No single cause for elevated NPL levels
- Multiple, interlinked challenges are mutually reinforcing, e.g.:
 - Information gaps, lack of awareness
 - Shortcomings in debt enforcement and restructuring frameworks
 - Weaknesses in judicial system and institutional setup
 - Reluctance to recognize losses
 - Tax impediments
- Factors contribute to the absence of a functioning market for NPLs in many countries



Obstacles for NPL Resolution



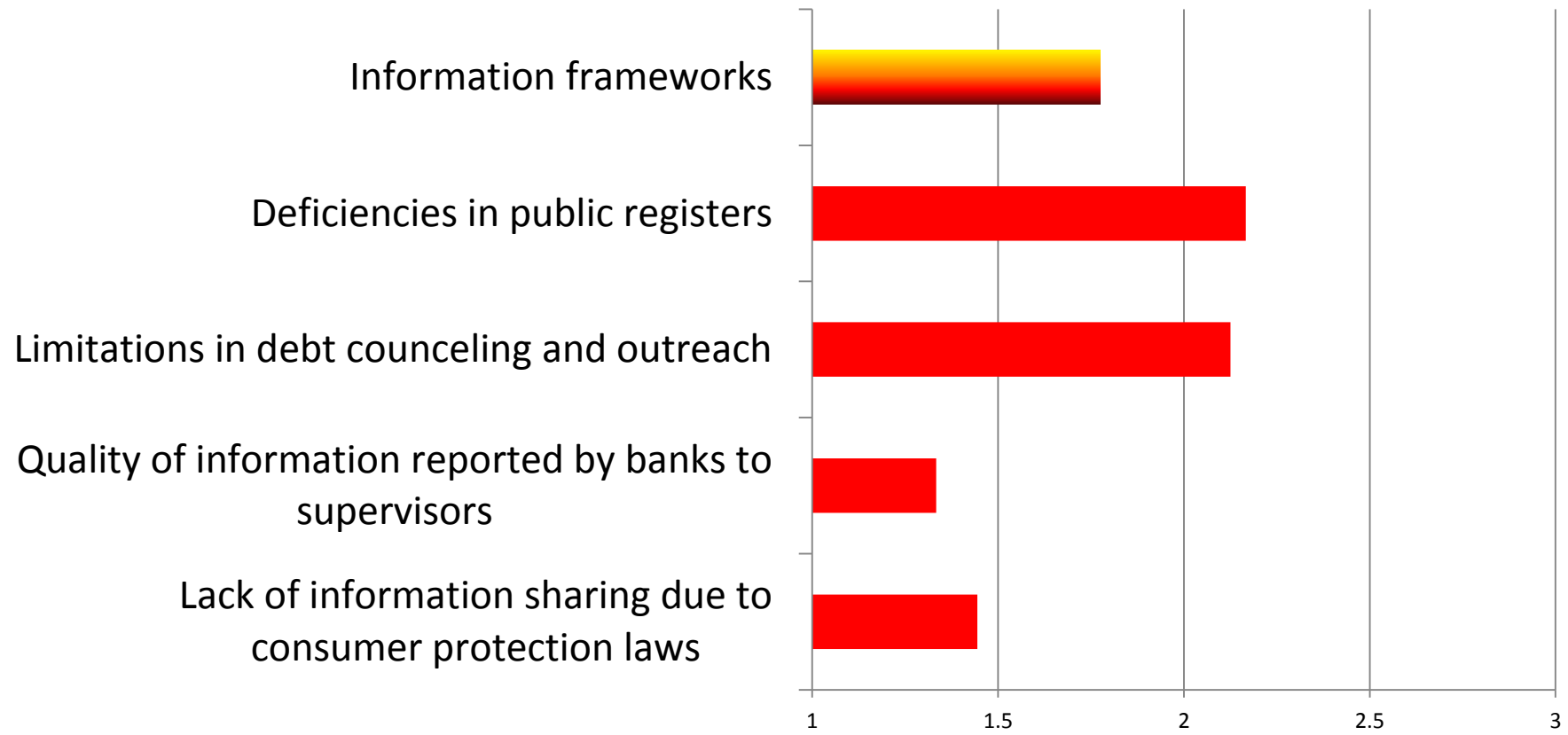
- Broad highlights from a survey of countries with NPL problem (16 responses so far)



Based on average scores from several factors (1=no concern; 3=high concern)



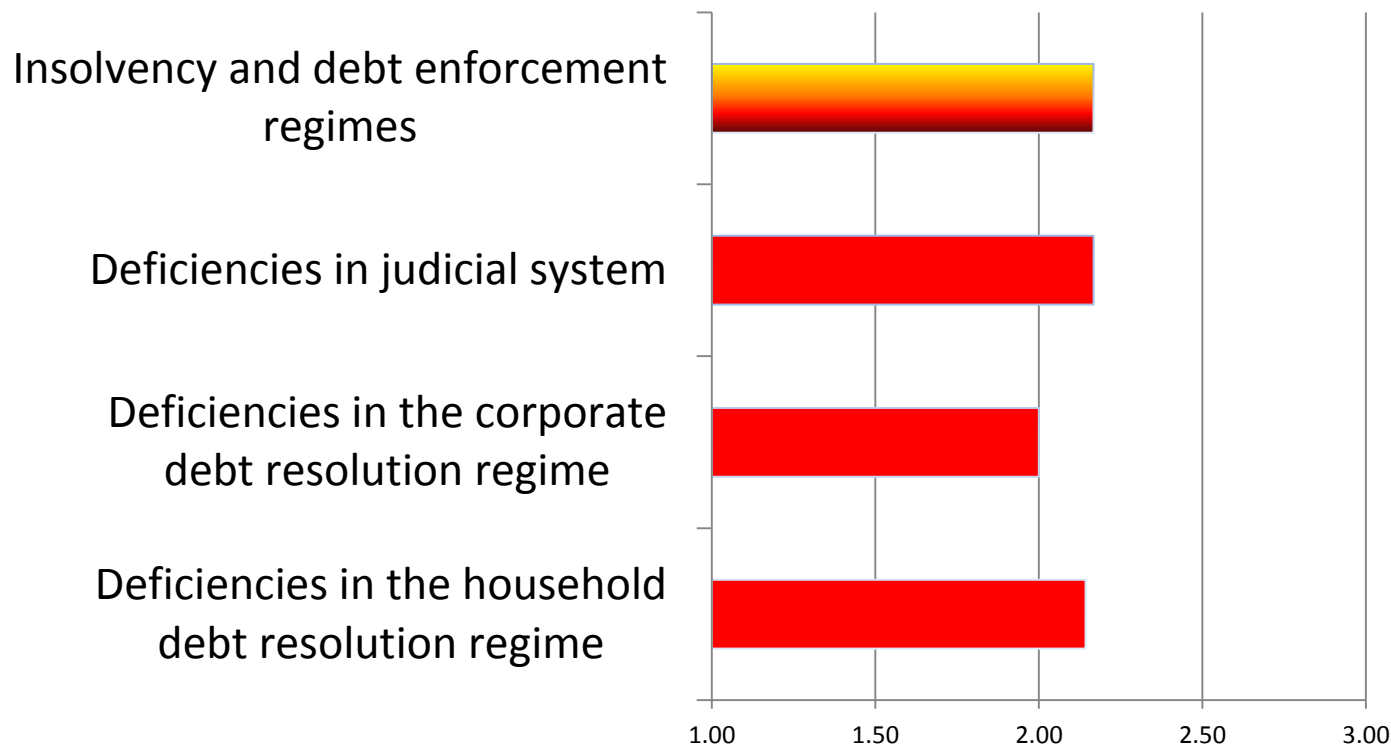
Information frameworks



Based on average scores from several factors (1=no concern; 3=high concern)



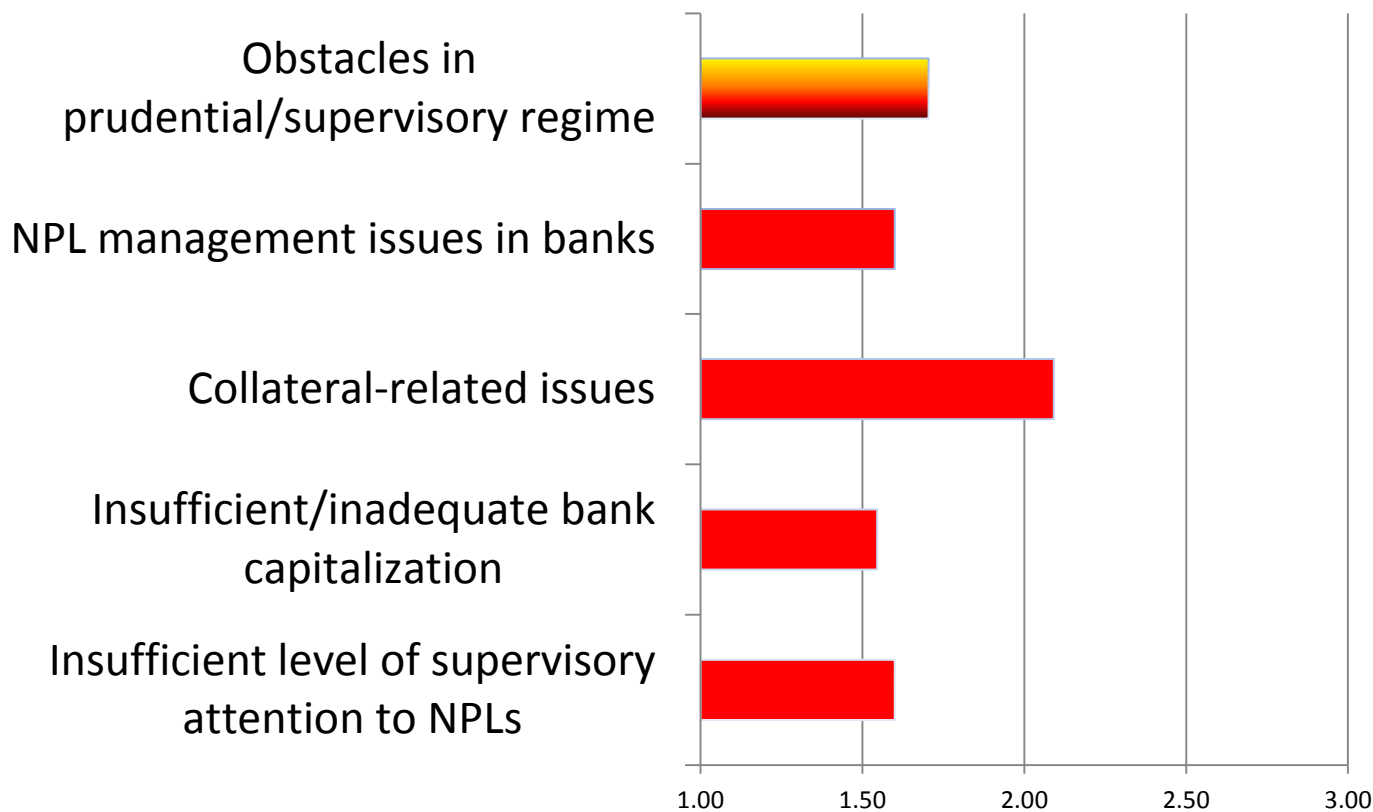
Insolvency and Debt Enforcement



Based on average scores from several factors (1=no concern; 3=high concern)



Prudential & supervisory regime



Based on average scores from several factors (1=no concern; 3=high concern)



NPL Markets



“While there are no formal obstacles, the market does not in fact exist.”



To conclude



- Comprehensive strategy needed, addressing all dimensions of NPL problem
- Requires engagement of all relevant stakeholders
- Success hinges on providing proper incentives for debt restructuring...
...while effecting needed “structural reforms”
- High-quality implementation required – extensive coordination and robust oversight are indispensable



Thank you for your attention