

CONTENTS

Introduction	1
Part I: Overview	3
1. Overview	4
1.1. SUMMARY AND CONCLUSIONS	4
1.2. BACKGROUND	5
1.3. THE 2011 PROGRAMMES	6
1.4. THE PEPS AND PRE-ACCESSION STRATEGY	8
1.5. FOLLOW-UP	8
Part II: Country analysis	9
1. Croatia	10
1.1. EXECUTIVE SUMMARY	10
1.2. INTRODUCTION	11
1.3. KEY CHALLENGES	12
1.4. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM SCENARIO	12
1.5. PUBLIC FINANCE	16
1.6. STRUCTURAL REFORMS	22
1.7. OVERALL ASSESSMENT OF FORMAL REQUIREMENTS	23
2. The former Yugoslav Republic of Macedonia	26
2.1. EXECUTIVE SUMMARY	26
2.2. INTRODUCTION	27
2.3. KEY CHALLENGES	27
2.4. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM SCENARIO	28
2.5. PUBLIC FINANCE	32
2.6. STRUCTURAL REFORMS	38
2.7. OVERALL ASSESSMENT OF FORMAL REQUIREMENTS	40
3. Iceland	42
3.1. EXECUTIVE SUMMARY	42
3.2. INTRODUCTION	43
3.3. KEY CHALLENGES	43
3.4. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM SCENARIO	44
3.5. PUBLIC FINANCE	48
3.6. STRUCTURAL REFORMS	56
3.7. OVERALL ASSESSMENT OF FORMAL REQUIREMENTS	57
4. Montenegro	59
4.1. SUMMARY AND CONCLUSIONS	59
4.2. INTRODUCTION	60
4.3. KEY POLICY CHALLENGES	60
4.4. ECONOMIC DEVELOPMENTS AND OUTLOOK	60
4.5. PUBLIC FINANCE	63
4.6. STRUCTURAL REFORMS	70
4.7. OVERALL ASSESSMENT OF FORMAL REQUIREMENTS	72
5. Turkey	73
5.1. EXECUTIVE SUMMARY	73
5.2. INTRODUCTION	74
5.3. KEY CHALLENGES	75
5.4. RECENT ECONOMIC DEVELOPMENTS AND MEDIUM-TERM SCENARIO	75

5.5.	PUBLIC FINANCE	78
5.6.	STRUCTURAL REFORMS	84
5.7.	OVERALL ASSESSMENT OF FORMAL REQUIREMENTS	86

LIST OF TABLES

II.1.1.	Comparison of key macroeconomic and budgetary projections	11
II.1.2.	Comparison of macroeconomic developments and forecasts	12
II.1.3.	Composition of the budgetary adjustment (% of GDP)	17
II.1.4.	Composition of changes in the debt ratio (% of GDP)	19
II.1.5.	Net direct budgetary impact of key reform commitments (in million EUR)	20
II.1.6.	Annex: Structural indicators	23
II.2.1.	Comparison of key macroeconomic and budgetary projections	24
II.2.2.	Comparison of macroeconomic developments and forecasts	26
II.2.3.	Composition of the budgetary adjustment (% of GDP)	30
II.2.4.	Composition of changes in the debt ratio (% of GDP)	32
II.2.5.	Net direct budgetary impact of key reform commitments (in EUR million)	35
II.2.6.	Annex: Structural indicators	36
II.3.1.	Comparison of key macroeconomic and budgetary projections	38
II.3.2.	Comparison of macroeconomic developments and forecasts	39
II.3.3.	Composition of the budgetary adjustment (% of GDP)	44
II.3.4.	Composition of changes in the debt ratio (% of GDP)	47
II.3.5.	Annex: Structural indicators	51
II.4.1.	Macroeconomic developments	54
II.4.2.	Composition of the budgetary adjustment (% of GDP)	58
II.4.3.	Net direct budgetary impact of key reform commitments (in EUR million)	59
II.4.4.	Composition of changes in the debt ratio (% of GDP)	61
II.5.1.	Comparison of key macroeconomic and budgetary projections	66
II.5.2.	Comparison of macroeconomic developments and forecasts	67
II.5.3.	Composition of the budgetary adjustment (% of GDP)	71
II.5.4.	Composition of changes in the debt ratio (% of GDP)	72
II.5.5.	Net direct budgetary impact of key reform commitments (in EUR million)	74
II.5.6.	Annex: Structural indicators	77

LIST OF GRAPHS

II.2.1.	Budgetary developments (general government balance, % of GDP)	29
II.3.1.	Budgetary developments (general government balance, % of GDP)	43
II.4.1.	Debt dynamics	61
II.5.1.	Budgetary developments (general government balance, % of GDP)	70

LIST OF BOXES

II.1.1.	The Fiscal Responsibility Law	16
II.2.1.	The labour market: A persistent challenge	28
II.3.1.	New fiscal measures in the 2011 budget	45
II.4.1.	The budget for 2011	58
II.4.2.	The reform of the pension system	60