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FOREWORD

As we enter 2003, the Baltic Regional Programme (BRP) will soon complete a pivotal fifth year. As it reaches a mature phase, this joint OECD-Baltics Programme can claim to have achieved much of its mandate. The BRP has been assisting the three Baltic countries to complete their transition to market economies; with EU accession on the horizon, progress on this goal is evident. Through joint work in key policy areas, the BRP has been one instrument for the Baltic region's stable integration into the global economy. The BRP regional approach continues to improve and intensify contact among Baltic government representatives and experts, and their counterparts in OECD member countries. And, it has encouraged the use of OECD best practice in the development of policies and strategies in the region.

The economic growth, political stability and democratic record in the region is impressive and the prospects for sustainability appear strong. The reports of the Baltic countries to the Fourth Evaluation Meeting of the BRP in June 2002 show that these countries have undertaken major reform efforts and have incorporated the outcomes of BRP activities into their policies and practices as they continue to build up their national legislations and administrations. In addition, the Baltics are seeing some increase in their participation in certain OECD bodies or instruments. In all respects, the BRP has worked effectively and consistently to complement or supplement EU accession efforts.

In 2002, the BRP worked in numerous policy areas: agriculture, anti-corruption, insurance and pensions reform, taxation, trade in services, statistics, debt management, government securities markets, foreign direct investment, enterprise development, competition policy, social and labour market policy and education. Publications and reports include valuable analyses and policy recommendations.

One flagship BRP activity in 2002 has been the review of labour market and social policies in Estonia, Latvia and Lithuania, which points to a strong link between economic and social developments in each Baltic country. The Baltic Anti-Corruption Initiative (BACI) – new in 2001 – continued to work intensively on its aims to improve institutional and policy capacity in the fight against corruption and to work towards meeting international standards.

Estonia, Latvia and Lithuania and the OECD member countries have continued to indicate their strong commitment to this Programme, and consider it a model of co-operation and partnership. It continues to attract 80-85 per cent of its support from voluntary contributions from its sponsors, which includes the Baltics themselves, when only 75 per cent is required by its mandate. Financial resources alone could not do the job without the intellectual and moral support from all parties concerned. This support will continue to be essential for successful implementation of the Programme in 2003.

This report is published under the responsibility of the Secretary-General of the OECD. It does not necessarily represent the opinion of the Governments of OECD members or any other countries.

Eric Burgeat
Director
Centre for Co-operation with Non-Members

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I. MAINTAINING THE VISION-ACHIEVING AGREED GOALS

1. THE PURPOSE OF THE BALTIC REGION PROGRAMME

The Programme has worked successfully over the past five years to meet three basic objectives:

1. To assist the Baltic countries in the completion of their transition to market economies;
2. To promote the stable integration of the Baltic region into the global economy;
3. To encourage the use of best practices of OECD in developing policies and strategies in the Baltic region, in order to promote long-term sustainable economic growth and political stability.

2. THE MANDATE

The Governments of Lithuania, Estonia, and Latvia, in their joint declaration issued on 22 October 1996, appealed to the Council of the OECD to examine the possibility of establishing a Special Regional Programme for these three Baltic States. This declaration also contained a statement of the States' intention to become Members of the OECD (although their Governments did not formally apply for membership). In response, the OECD Council established the Baltic Regional Programme (BRP) at its meeting on 12 March 1998. The programme became fully operational in October 1998. The BRP has become an important and often a model component of the work programme of the OECD's Centre for Co-operation with Non-Members (CCNM).

3. PARTICIPATION

All activities under the Programme are open to participation by Estonia, Latvia and Lithuania, all OECD member countries and the European Commission. Other relevant international organisations can be invited to participate in individual activities. The activities of the Baltic Regional Programme cover all three Baltic countries, Estonia, Latvia and Lithuania, all of which participate actively. These countries use the Programme to reform their national legislation and administrations. The Baltic Regional Programme offers an important platform to the Baltic countries to share and exchange experience with the OECD Member countries and one another.

In some activities, there has been participation by a few north-western Russian regions, including Kaliningrad, Karelia, Novgorod and Saint Petersburg. These activities included the Baltic Forum on Entrepreneurship and Enterprise Development (FEED) and Competition Policy.

The Baltic countries are also invited to participate in the eight OECD Global Forums and the CCNM Common Programme for Transition Economies of Europe and Central Asia.

4. MEETING THE OBJECTIVES

Detailed Medium-Term Objectives provide guidance for the direction and implementation of the Baltic Regional Programme. They indicate the priorities of the three Baltic countries and the sponsoring countries, and prescribe the focus of the BRP for the period 2001-2003. The Governments of Latvia, Estonia and Lithuania endorsed the Medium-Term Objectives in January and February of 2001.

Since its inception, the CCNM's Baltic Regional Programme has engendered intensive co-operation between the OECD and Lithuania, Latvia and Estonia and, for some activities, a number of contiguous Russian regions. Medium-term objectives for the Programme were formulated among the donor countries, the Baltic countries and the OECD Secretariat. "Medium term" was initially set forward as a three-year period.

The objectives are voluntary commitments or benchmarks agreed among the OECD and the Baltic countries, *i.e.* not a form of conditionality. Their existence is meant to strengthen the commitment by all parties involved to the continuation of the Programme and the achievement of its goals. They demonstrate the way in which the Baltic countries use the Baltic Regional Programme to achieve their own policy aims.

A common thread of the Medium-Term Objectives is to provide analyses, which point to policy reforms needed and sequencing of reforms, and to achieve closer association by the Baltic countries with OECD standards and legal instruments, in a number of cases implying formal adherence. The objectives also help to avoid duplication of activities of other international organisations, in particular with those of the European Union, and the Baltic countries' bilateral programmes with the Nordic countries. The full text of the medium-term objectives is available on the website of the Baltic Regional Programme: <http://www.oecd.org/sge/ccnm/about/baltic.htm>.

These objectives have provided sense of direction and longer-term purpose to the Programme, which might be less evident with a shorter planning horizon.

They have made it easier to put a meaningful evaluation process into operation by providing yardsticks to gauge the performance of the activities over time. The evaluation of the OECD's co-operation with non-Members (held in 1999), confirmed the importance of appropriate evaluation mechanisms.

The establishment of medium-term objectives has strengthened the commitment to the Programme by all parties involved. This is particularly important for a grant-funded Programme, for which the budget has to be determined annually on the basis of bilateral discussions with each of the donors. To date, the medium-term commitment to the programme's objectives has successfully implied a moral commitment, which has ensured the provision of resources to make the achievement of these objectives possible.

The medium-term objectives provide detailed information on how the Baltic countries intend to use the activities to reform and develop their administrative capacities.

Their establishment has ensured the avoidance of duplication of activities through co-ordination with other international organisations and sponsoring countries' bilateral programmes

The Baltic countries actively contributed to the preparation of the medium-term objectives. In each of the Baltic capitals there is a Working Group, co-ordinated by the Ministry of Foreign Affairs, which was regularly consulted during the development of the objectives. These Working Groups are also actively involved in the planning, implementation and evaluation of the annual activities of the Baltic Regional Programme. Members of the Working Groups share the responsibility for the implementation of the objectives. They represent different ministries, governmental organisations and institutions, and also tend to be involved in co-operation with other international organisations, such as the EU and WTO.

The objectives are voluntary commitments or benchmarks agreed among the OECD and the Baltic countries, and not a form of conditionality. However, the Baltic countries' active participation in the Baltic Regional Programme and their interest in developing the Programme, including the Medium-Term Objectives, demonstrate their interest in a closer integration with OECD standards, practices and instruments. The objectives are adaptable, in the light of changing circumstances; assessments at evaluation meetings indicate whether any changes are required.

5. THE OECD ORGANISATIONAL CONTEXT

Co-operation with Non-Members at the OECD

The OECD assists its 30 member countries in achieving high sustainable economic growth by providing multilateral surveillance as well as a forum for discussion and peer review of macroeconomic and structural policies. Given the increasing economic interdependence between members and non-members, the Organisation has developed its co-operation with non-member economies, creating platforms for policy dialogue with various groups of non-OECD members.

The Centre for Co-operation with Non-Members (CCNM)

To manage this policy dialogue with non-members, the OECD has established a Centre for Co-operation with Non-Members (CCNM). The CCNM has incorporated the former Centre for Co-operation with Economies in Transition (CCET). Its work programme includes country programmes for Russia, China and Brazil, as well as regional programmes in Asia, South America, South-Eastern Europe and the Baltic countries. In 2002 exploratory work was launched to develop the co-operation with African countries in the context of NEPAD. In 2001-2002 these regional and country programmes were supplemented with a substantial thematic programme in the form of eight "Global Forums", covering sustainable development, governance, the knowledge economy, international investment, trade, taxation, agriculture and competition.

Before 1998, the CCET co-operated with Estonia, Latvia and Lithuania in the context of its general work with the transition countries in Central and Eastern Europe.

II. HIGHLIGHTS

1. BALTIC REGIONAL PROGRAMME ACCOMPLISHMENTS IN 2002

Progress in several new areas is notable this year, with outstanding work on anti-corruption and social and labour policy. Fighting corruption and bribery is a high priority for OECD Member countries and the Baltics. Social and labour policy reforms has been shown to be closely linked with economic development, and therefore of special importance in the region.

The Programme continues its flagship analyses, providing the analytical bases for policy recommendations. Ongoing work is producing sustainable results in such fields as agriculture, trade, statistics, investment and enterprise development, competition policy, insurance and pensions, financial markets, and education.

- **The 2002 Evaluation Meeting Highlights Strong and Dynamic Baltic Economies**

The impressive economic growth of the three Baltic countries convinced the Fourth Annual Evaluation Meeting in June 2002 of the dynamism of the region. Positive results on both the economic and social fronts have been largely due to the opening up to international markets and the implementation of a large number of difficult and complex market-oriented structural reforms. Because these countries are still confronting challenges in completing their transition and in implementing their newly established legislation, they and member countries reasserted their support of the BRP and its objectives.

- **Labour Market and Social Policy Review Strongly Links Economic and Social Developments**

The three Baltic States have reformed most of their labour market and social policies. Nevertheless, continued reform will be necessary to respond to rapidly changing conditions. Proper sequencing of reforms is critical--and the analysis indicates which policy elements should be treated with urgency.

- **Baltic Anti-Corruption Initiative – Status Reports Assess Legal and Institutional Framework**

Drafted by the Baltic countries and reviewed by Baltic and OECD experts in Spring 2002, these reports provide a comprehensive overview of the domestic legal and institutional framework as well as measures taken by each country to combat active and passive bribery of domestic and foreign public officials and to promote accountability and integrity in business transactions.

- **Network assists modern, sound and open insurance and private pension markets**

Exchange of experience between OECD and Baltic counterparts on market development and promoting “best practices” assists Baltic governments in shaping adequate regulatory treatment and supervisory oversight of insurance and private pensions activities.

- **The Baltics continue to negotiate Tax Treaties Based on OECD Model**

In the last 10 years, the Baltic countries have negotiated over 100 tax treaties based on the OECD model. Ongoing policy dialogue facilitates the adoption of OECD models by providing useful information on the negotiation and application of treaty provisions.

- **Macroeconomic Statistics Crucial for Analysis and Monitoring of Economic Developments**

Co-operation on statistics has focussed mainly on the development of quarterly national accounts (QNA), an area not yet covered by Eurostat in any depth, but crucial for analysis and monitoring of economic developments. The co-operation has accelerated the improvement in the quality of quarterly estimates of gross domestic product (GDP).

- **Building Capacity and Expertise in Competition Law Enforcement**

Deep analysis and exchange of best practices on law enforcement against cartels and abuses of dominance, merger control, and vertical restraint is appreciated by the Baltic authorities, because it helps them build capacity and expertise in competition law enforcement, and also to strengthen their links and networks internally and internationally. Several neighbouring Russian regions participate, as well, which is critical to capacity building and enforcement in the wider region.

- **The Region Improves Efficiency in Trade in Services**

This year work focused on developing efficient services in four industries: telecommunications, banking, electricity and airfreight. Consideration of concrete experience of the Baltics with intra-governmental co-ordination and consultation with domestic stakeholders contributed to the OECD Trade Committee's ongoing project on managing multilateral negotiations on trade in services. Valuable insights resulted for the Baltics and other transition economies regarding the role of FDI, appropriate regulatory frameworks and institutional settings, as well as competition policies for efficient services.

- **Producer and Consumer Support Estimates -- Analysing Support to Agriculture**

The Producer and Consumer Support Estimates (PSE/CSEs) continue to be a fundamental tool for analysing the composition and evolution in support to Baltic agriculture. The application of the methodology has contributed a greater understanding of policies, as well as enhancing policy-making capacity and expertise. The Baltic countries have benefited from wider use of the PSE/CSEs for international comparisons of levels of and trends in agricultural support.

- **Enterprise Development**

The joint meeting on credit guarantee schemes resulted in the creation of an association of credit guarantee agencies, with the Secretariat located in the Estonian Kredex (Credit Guarantee and Export Credit Organisation).

- **Education**

Senior Education Ministry officials and Parliamentarians from member and non-member countries met to consider the role of parliamentary committees in the implementation of education policy, thus reinforcing and extending the results of the OECD *Reviews of Education Policy in Estonia, Latvia and Lithuania* [OECD, 2001 and 2002]. OECD published *The Role of Parliamentary Committees in the Implementation of Education Policy* in 2002.

- **High Level Interest and Engagement Continues**

- The Secretary-General met with the Prime Minister of Latvia and with the Prime Minister of Lithuania in September 2001.

- Mrs. Asta Skaisgriryté-Liauskienė, Lithuanian Ambassador to France, in a letter to the OECD Secretary-General, Mr. Donald Johnston, requested OECD Membership (September 2002).
- Mrs. Krsitiina Ojulang, Minister of Foreign Affairs, Estonia, met with OECD Secretary-General, Mr. Donald Johnston, at the World Economic Forum in Davos in 2003 and Mr. Seiichi Kondo, Deputy Secretary-General at OECD. She expressed her country's satisfaction with the results of Baltic Regional Programme and interest in OECD instruments and bodies.

2. LOOKING AHEAD TOWARD 2003

In 2003, The Baltic Regional Programme will be working to complete its 2001-2003 medium-term objectives. OECD activity managers and Baltic officials will be exploring ways and means to ensure that the Baltic Regional Programme is sustainable over time. The BRP will continue to conduct a range of analyses, conferences, seminars and workshops. A number of new publications are already in preparation, and will become available during the year.

The Baltic Regional Programme will cover the following topics in 2003:

- Anti-Corruption;
- Financial Market Reform: Public Debt Management and Government Securities;
- Financial Market Reform: Insurance and Pensions;
- Taxation;
- Competition Policy;
- Agriculture;
- Trade in Services;
- Foreign Direct Investment;
- Statistics;
- Labour and Social Policy;
- Education.

III. RESULTS OF THE 2002 ACTIVITIES

1. MACROECONOMIC STATISTICS

Project Manager: Fenella Maitland-Smith, Statistics Directorate, Non-Members Economies Division

National quarterly accounts -- crucial for analysis and monitoring of economic developments

The overall objective of OECD's statistical work in the Baltic countries is to accelerate improvement in the quality of quarterly estimates of gross domestic product (GDP). Since the Baltic national statistical offices (NSOs) view satisfying the *acquis communautaire* in the field of statistics as a high priority, and have extensive programmes of technical co-operation with the EU's statistical agency, Eurostat, OECD's work must complement the countries' progress towards EU statistical compliance. The main focus of OECD's programme is on the development of quarterly national accounts (QNA), an area not yet covered by Eurostat in any depth, but crucial for analysis and monitoring of economic developments.

OECD's co-operation with the Baltic NSOs takes several forms:

- Workshops – the main example is a series of week-long workshops, which started in 1999 and look at practical solutions to the problem of measuring quarterly GDP; however, workshops are also held in related areas, such as the construction of deflators, and seasonal adjustment;
- Technical consultancies in the NSOs and “remote” consultancy via e-mail – technical advice is provided for priority topics identified by the NSOs, and by users such as OECD economists. In all countries the current priorities are the use of short-term indicator data in compiling quarterly GDP, seasonal adjustment, and updating the base year of constant price estimates;
- Funding for NSO staff to attend related OECD meetings and workshops;
- Publications describing data sources and compilation methods.

Eurostat has selected several priority topics for their work with candidate country NSOs, including measurement of the non-observed economy (NOE), measurement of dwelling services, capital stock estimation, and the construction of supply-use tables. OECD also considers these to be priorities and is complementing the work of Eurostat by looking at these issues specifically in a *quarterly* context.

Activities during 2002

A week-long workshop on the compilation and use of price statistics for national accounts, in Paris in July 2002, aimed at both national accountants and price statisticians. Participants from several South-East European countries were also invited to attend. The agenda covered four main topics -- import and export price indices, construction price indices, revising the base year of national accounts, and producing faster estimates of quarterly GDP.

A joint OECD/Eurostat workshop (three days) was organised in July in Luxembourg for all EU candidate countries. The workshop addressed rebasing of national accounts estimates, and seasonal adjustment. The workshop was a follow-up to a similar seminar held in 2001, and was a joint event at the request of Eurostat. As in the past, Eurostat funded participation by the candidate countries and OECD provided the substantive papers and led the discussions.

Two joint meetings were organised with UNECE, in Geneva (April) and Paris (October), for national accountants from transition economies. The issues discussed included the alignment of quarterly and annual national accounts, the estimation of the NOE, and the use of revisions analysis to improve early estimates of GDP.

OECD missions to all Baltic countries in May 2002 provided country-specific technical consultancy in seasonal adjustment, compilation of composite leading indicators for growth cycle analysis, and updating the base year of constant price estimates.

Two technical reports were drafted during 2002 for publication in early 2003. First, a discussion of *The Challenges Facing Compilers of Quarterly National Accounts in the Baltics and Other Transition Economies*, aims primarily at users of national accounts data. Second, *Growth Cycle Analysis in the Baltics* presents the results of the OECD work on seasonally adjusting quarterly GDP and on producing leading indicators for GDP in the Baltic countries. This work draws on the OECD Statistics Directorate's experience in determining growth cycles in OECD Member countries and provides a framework for analysts from Baltic countries to estimate business and growth cycles in the region. Two versions of this publication will be made available – a long version with full methodological detail, for statisticians and specialist users, and a short version for the more general user.

Composite leading indicators

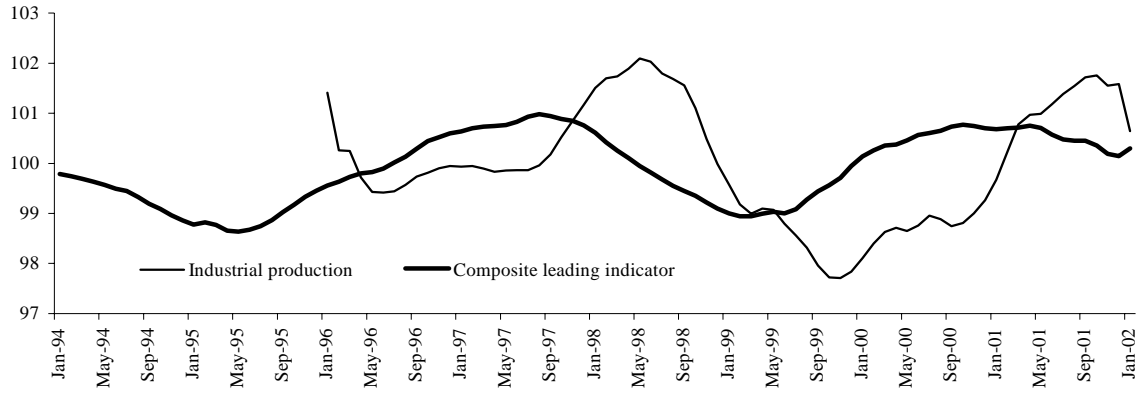
One of the main areas of statistical work has been the construction of composite leading indicators (CLIs) for the Baltics. CLIs are compiled for most OECD member countries, using the OECD methodology, and are used to predict the growth cycles of key macro-economic indicators, typically industrial production as a proxy for GDP. They are made up of component series covering the key sectors of the economy.

The charts below show the composite leading indicators (CLIs) for the Baltic economies, calculated using the OECD method. These CLIs were the result of an initial study completed in 2002, and thus use data available in early 2002. The CLIs are being updated, however, and will be released in early 2003 in a publication discussing use of the OECD methodology in the Baltics.

The CLIs show varying leads over the industrial production indicators for each country. In the case of Latvia the lead of the CLI is seven months, for Lithuania is ten months, and for Estonia four months. All three charts clearly show the effects of the Russian crisis and the subsequent recovery.

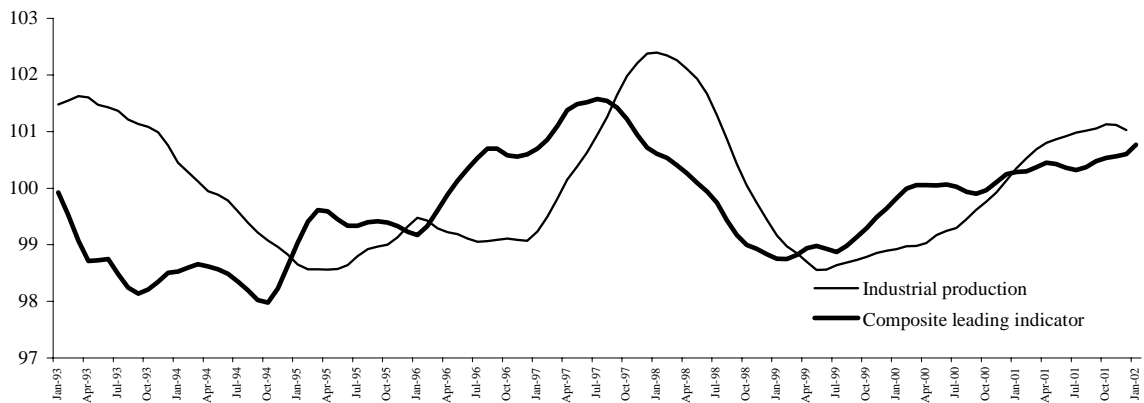
ESTONIA

Industrial production and composite leading indicator

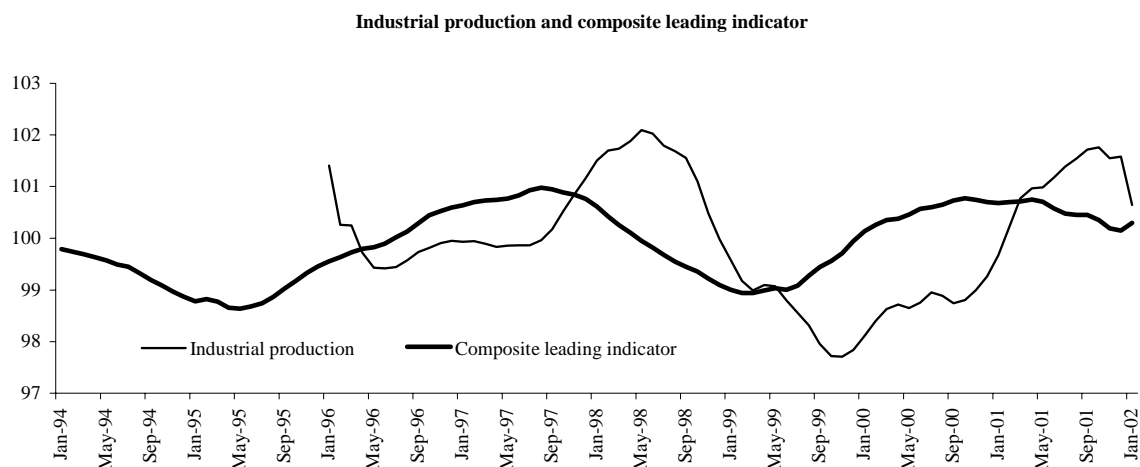


LATVIA

Industrial production and Composite leading indicator



LITHUANIA



2. THE SUPPORT FOR THE INTEGRATION OF THE BALTIC COUNTRIES INTO THE INTERNATIONAL TRADING SYSTEM

Project Managers: Blanka Kalinova and George Holliday, Trade Directorate, Trade Policy Dialogue Division

Liberal trade strategies

This activity has been a follow-up to the work initiated in 2001 on the role of trade in services in the Baltic States, in particular with the policy meeting organised in December 2001 in Tallinn on "The economic and business environment for trade in services in the Baltic States". In 2002, the work focussed on the impact of multilateral trade disciplines and regional commitments on the development of the service sector in these countries, with an emphasis on four service industries—telecommunications, banking, electricity and airfreight. In addition to this specific sectoral perspective, a range of horizontal issues—the interface between trade liberalisation and domestic regulations, the role of national regulatory agencies and the contribution of foreign direct investment—were addressed. By considering the concrete experience of the Baltic States with intra-governmental co-ordination and consultations with domestic stakeholders, this activity has also contributed to the Trade Committee's ongoing project on managing multilateral negotiations on trade in services.

Several studies, prepared mainly by experts from the Baltic States, were discussed in a meeting held in November 2002 in Paris with the participation of the Baltic States and several other non-OECD countries, such as Russia and South East European countries. The studies analysed the liberalisation strategies adopted by the Baltic States in selected sectors and assessed the contribution of multilateral commitments, especially under the General Agreement on Trade in Services (GATS) and regional disciplines embodied in the Europe Agreements. Discussions provided valuable insights also for other transition economies, in particular as regards the role of FDI, the need for an appropriate regulatory framework and institutional setting as well as competition policies in developing efficient services. The experience of the Baltic States in conducting trade negotiations in the context of limited administrative

capacities has also proved to be useful for many participating transition economies. The dialogue among trade policy makers and regulators has thus contributed to the current general debate on trade-related regulatory issues and how they should be addressed within the international trading system.

Trade publications and documents:

The following documents were prepared:

- CCNM/TD/A(2002)11: Meeting on the economic and regulatory environment for trade in services in the transition economies: Draft annotated agenda and suggested issues for discussion;
- CCNM/TD/(2002)6: Assessing the commitments of the Baltic States and Slovenia in services trade liberalisation: The perspective of the GATS and regional agreements;
- CCNM/TD(2002)12: The liberalisation process and regulatory developments in telecommunications in the Baltic States;
- CCNM/TD(2002)13: The liberalisation process and regulatory developments in the banking sector in the Baltic States;
- CCNM/TD(2002)14: The liberalisation process and regulatory developments in the electricity sector in the Baltic States;
- CCNM/TD(2002)15: The liberalisation process in air transport, with a focus on airfreight, in the Baltic States;
- CCNM/TD(2002)16: Experience of the Baltic States in managing multilateral negotiations on trade in services;
- CCNM/TD/M(2002)17: Meeting on economic and regulatory environment for trade in services in the transition: Report of the meeting.

Meetings, seminars, workshop, conferences:

- Paris, 13-14 June 2002: Informal meeting of the Working Party of the Trade Committee;
- Paris, 14-15 November 2002: Meeting on the economic and regulatory environment for trade in services in the transition economies.

The Baltic trade publication under preparation

In 2003, the Secretariat expects to prepare a publication based on the material presented in the meetings organised within the Baltic Regional Programme in 2001-2003.

Main characteristics of the Foreign Trade of the Baltic States

CHARACTERISTICS	ESTONIA	LATVIA	LITHUANIA
Trade regime	Liberal	Liberal (70% of turnover under free trade regime)	Rather liberal (67% of turnover under free trade regime, 29% under MFN)
Main export partners	1. Finland 2. Sweden 3. Latvia 4. Germany	1. Germany 2. United Kingdom 3. Sweden 4. Lithuania	1. United Kingdom 2. Russia 3. Germany 4. Latvia
Main export articles	Machinery & equipment wood and wooden products textile agricultural products and foodstuffs	Wood & wooden items textile, fabric base metal articles of base metal prepared foodstuffs	Minerals chemicals textile machinery
Main import partners	1. Finland 2. Germany 3. Sweden 4. China 5. Russia	1. Germany 2. Lithuania 3. Russia 4. Finland 5. Sweden	1. Russia 2. Germany 3. Poland 4. Italy 5. France
Main import articles	Machinery & equipment textile wood and items of wood agricultural products & foodstuff transport equipment	Machinery and mechanical appliances chemicals transport vehicles mineral products	Minerals chemicals textile machinery
WTO membership	1999	1999	2001

3. FOREIGN DIRECT INVESTMENT POLICY

Project Manager: Marie-France Houde, Principal Administrator, Capital Movements, International Investment and Services (CMIS) Division, Directorate for Financial, Fiscal, and Enterprise Affairs

In mid-2001, Estonia and Lithuania adhered to the OECD Declaration on International Investment and Multinational Enterprises. In 2002, Estonia and Lithuania participated in the Working Party on the Declaration of the Committee on International Investment and Multinational Enterprises (CIME). They have also been invited to attend some sessions of the Committee. The examination of Latvia is in progress; and an updating of the 2001 draft is planned.

Creating favourable conditions for FDI and openness to foreign trade have been key elements of the economic strategies of all three Baltic countries.

The OECD Declaration promotes national treatment of established foreign controlled enterprises, recommends voluntary standards of corporate responsibility, encourages moderation and restraint in the use of investment incentives as well avoidance or minimisation of conflicting requirements by governments on multinational enterprises.

FDI structure in the Baltic States in 2001

	ESTONIA	LATVIA	LITHUANIA
Main investor countries	Sweden Finland USA Netherlands, Denmark, UK	Sweden Germany Denmark USA Russia	Denmark Sweden Estonia Germany USA
Main sectors of FDI	Finance Transport, storage and communications Manufacturing Wholesale and retail	Transport & communications Trade Manufacturing	Manufacturing Financial intermediation Trade Communications

4. FINANCIAL MARKET REFORM

Project Manager: Hans Blommestein, Financial Markets Division.

Public debt management and government securities markets

The medium-term objective of this activity is to focus on the specific issues and problems formulated by policy makers from the Baltic countries, with the view of adopting recommended best practices. This activity is carried out under the aegis of the OECD Working Party on Public Debt Management. The agenda of policy meetings in this area are put together via a consultative process. The activities of this year were two-fold: (1) selection of the topics with high priority for the next meeting of the forum via consultations among the OECD Secretariat and Baltic and Nordic debt managers; and (2) preparation of these topics. Two major topics selected and supporting background material were prepared on risk

management (and the related issue of institutional structure of debt office) and the role of electronic systems in primary and secondary markets. The next meeting will be held in March 2003 in Copenhagen. The Vice-Chair of the OECD Working Party on Public Debt Management will moderate this meeting.

The OECD meetings in this area create a forum for a direct policy dialogue among Baltic and OECD debt managers, with insights and experiences directly being shared. This approach makes the OECD activity complementary to the bilateral technical assistance work by IMF and WB. A second consideration is that the level of sophistication of Baltic debt management has increased significantly. This means that the OECD-style of delivering policy advice via peers has become even more effective and useful than before.

Consultations also took place with the Secretariat of the Nordic Borrowers Forum in order to assess whether it would be feasible or useful to organise OECD policy meetings back-to-back with meetings of this Forum.

Development of private capital markets in the Baltic region

The focus of this activity is discussions on the development of Baltic capital markets, with the emphasis on equity markets. The general objective is to formulate a development programme, and to draft a report, with clear and operational recommendations. A Working Group (WG) is carrying out the activity with experts from the Baltic and Nordic countries. Also, experts from the Nordic Council of Ministers and the European Federation of Exchanges participate in this activity.

In 2002, members of the working group were requested to provide information on the following areas for the draft report (the requested information was drawn from the agreed outline of the report as per the meeting of 10th December 2001): 1) Market Structure and Development; 2) Law and Regulation; 3) Previous Regional Initiatives for the Integration of Financial Markets; 4) Barriers to Development; 5) Options for the Future; and 6) Policy Recommendations.

During electronic discussions among WG members, a number of questions were raised about the earlier agreed outline of the report. On the basis of these comments, it was suggested to narrow the scope of the report on the development of Baltic capital markets by focusing on selected key obstacles to more efficient markets and market structures; in this context, a few members mentioned clearing and settlement structures. It was pointed out that, conceptually, this information on “obstacles” could serve as input into a follow-up study on “transaction costs”. Against this backdrop, it was decided to postpone the planned December 2002 meeting to the first half of 2003.

Publications and documents

Conclusions were prepared of the second meeting of the OECD Working Group on capital markets development in the Baltic region, held on 10 December 2001 in Helsinki. An OECD report on *Capital Market Development in the Baltic Region*, will be published in 2003.

The activity is carried out with experts from the Baltic and Nordic countries. Its objectives are complementary to those of other organisations, since experts from relevant other organisations (Nordic Council of Ministers and the European Federation of Exchanges) also participate in this work.

5. TAXATION POLICY

Project Manager: Richard Parry, Head of Unit, Unit for Co-operation with Non-OECD Economies, Directorate for Financial, Fiscal, and Enterprise Affairs

The taxation programme for the Baltic countries has been in place for four years. The programme provides a transfer of knowledge on technical tax issues, with which the Baltic countries have little accumulated experience, and answers specific questions that they raise. The topics for policy dialogue are chosen by the Baltic countries, which ensures that the programme is driven by the current policy concerns in the Baltic countries.

In 2002, three seminars were held for the Baltic countries on domestic tax policy, international tax policy and bribery awareness issues. In addition, the programme hosted an expert from Lithuania for two months to deal with technical issues related to the application of the OECD transfer pricing guidelines in Lithuania.

There has been a noticeable drive in the Baltic countries in recent years to modernise their taxation systems against international benchmarks. The OECD programme on taxation, through the policy dialogue events held in the Baltic region, contributes significantly to this taxation reform process.

In 2002, an outcome questionnaire was distributed to the Baltic countries to ascertain the impact of this programme. The responses from the Baltic countries are summarised in Table 1. All three Baltic countries have adopted OECD guidelines such as the Model Tax Conventions, Transfer Pricing Guidelines and Principles on Exchange of Information.

In the last 10 years, the Baltic countries have negotiated over 100 tax treaties based on the OECD model. The policy dialogue events in the past years have facilitated the adoption of OECD models by providing useful information on the negotiation and application of the treaty provisions. All three countries have also used the materials provided during the policy dialogue events to develop their own transfer pricing guidelines/regulation and are actively applying the OECD approach to exchange of information.

Meetings and workshop:

- Domestic Tax Policy, May 2002, Tallinn
- International Tax Policy, June 2002, Riga
- Bribery Awareness, August 2002, Riga
- Visiting Experts from Lithuania, May-July 2002

This programme complements those offered by the EU with respect to EU Accession, by providing a forum to discuss changes in tax law by the countries that are consistent with those in place in the EU. It complements programmes by the IMF intended to improve the fiscal framework of the countries (for example in Latvia) by offering an overview of taxation practice in OECD countries as well as providing critical analysis of taxation issues currently facing the Baltic countries.

Lithuanian taxation Visiting Expert

Ms. Gitana Albaityte, the Head of International Taxation Section in the Ministry of Finance of the Republic of Lithuania, spent several months at OECD this year. The International Taxation Section is responsible for drafting and updating taxation legislation in Lithuania.

The purpose of Ms Albaityte's visit was primarily to establish, with the assistance of a transfer pricing expert in the CTPA, an appropriate legal framework for transfer pricing issues under the new Law on the Profits of Legal Entities that is coming into force in Lithuania in 2003. While visiting the OECD, Ms. Albaityte was also able to keep pace with the developments and updates of the OECD Model Tax Convention, which is used as a basis for Lithuanian tax treaties.

Summary of Outcomes for the Baltic Regional Programme on Taxation

Summary of Outcomes for the Baltic Regional Programme on Taxation

Countries	Tax Treaties		Transfer Pricing	Exchange of Information	Other Areas
	No. based on OECD Model	Impact of OECD courses on Treaty Management	<ul style="list-style-type: none"> • Transfer Pricing based on OECD Model <p style="text-align: center;">Impact of OECD courses on TP policy and administration</p>	Adoption of OECD approach to Exchange of Information (with which countries)	Impact of OECD courses
ESTONIA	43	<ul style="list-style-type: none"> • OECD courses provided useful information to formulate our tax treaty draft provisions • OECD explanatory notes and commentaries affect our negotiating strategies and help find suitable solutions for problems 	<p>Yes</p> <ul style="list-style-type: none"> • MOF has issued a regulation on application of transfer pricing that is comparable with OECD Guidelines 	<p>Yes (with Belarus, Denmark, Finland, Germany, Ireland, Kazakhstan, Latvia, Lithuania, Netherlands, Norway, Poland, Russia, Sweden, Ukraine, UK, US)</p>	<p>Estonian officials have taken into account the experiences of other countries shared during the OECD seminars when</p> <ul style="list-style-type: none"> - introducing CFC rules - providing more detailed regulations concerning pension contributions and benefits - setting up limits for tax incentives - changes in principles of auditing - introducing the substance over form principle in tax administration - improving electronic filing services
LATVIA	26	<ul style="list-style-type: none"> • The Latvian Model Tax Convention was elaborated in close co-operation with OECD experts • In developing tax treaty policy Latvia has used the courses given at the OECD multilateral tax centres • OECD practice and experience studied during the courses was also used in drafting of the regulations on application of treaty benefits • Explanations received during the courses have been used to prepare materials on application of tax treaties for taxpayers 	<p>Yes</p> <ul style="list-style-type: none"> • The elaboration of the regulations on price adjustment in transactions between related parties was based on materials and knowledge obtained at courses on transfer pricing and other OECD materials 	<p>Yes (1600 in total correspondence for 2001, no exchange with China, Uzbekistan, Malta, Moldova, Slovakia and Singapore)</p>	<ul style="list-style-type: none"> • The following legislative changes were made based on materials and knowledge obtained in OECD seminar <ul style="list-style-type: none"> - Introduction of indirect methods of income determination - Introduction of "tonnage tax" - Introduction of new regulations for application of tax treaty benefits - Progressive reduction of enterprise income tax rate - Introduction of valuation methods • Tax Administration reform was carried out since 1998 and the background for the reform was experience and knowledge obtained in various OECD courses

Summary of Outcomes for the Baltic Regional Programme on Taxation (Continued)

Countries	Tax Treaties		Transfer Pricing	Exchange of Information	Other Areas
	No. based on OECD Model	Impact of OECD courses on Treaty Management	<ul style="list-style-type: none"> Transfer Pricing based on OECD Model <p>Impact of OECD courses on TP policy and administration</p>	Adoption of OECD approach to Exchange of Information (with which countries)	Impact of OECD courses
LITHUANIA	36, 24 in effect	<ul style="list-style-type: none"> The information introducing schemes of combating international tax avoidance presented during the OECD courses have been taken into account in making decisions on the tax treaty partners as well as in improving the Lithuanian tax treaty model Information provided during the various OECD courses and workshops on international taxation is taken into account in the process of preparing the Lithuanian commentary on tax treaty 	<p>Yes</p> <ul style="list-style-type: none"> Taking into account information provided during the OECD courses as well as various material made available by the OECD, we established the right of the tax administrator to adjust the value of the transactions between the associated persons in new legislation The information provided during the OECD courses in particular with the view to the practical experience of the OECD countries will to the great extent contribute to the efficiency of the training in transfer pricing The information provided during the OECD courses and workshops as well as OECD guidelines on transfer pricing will considerably contribute to the preparation of the explanatory notes on transfer pricing 	<p>Yes (99 requests received and 403 requests made – detected 38 cases of fraudulent transactions and 8 cases of bogus entities)</p>	<ul style="list-style-type: none"> The information provided as well as best practises of the OECD countries presented during the OECD courses and the yearly OECD Global forums was taken into account when <p>- introducing in the new Law on Profit Tax basic provisions dealing with harmful tax competition and international tax avoidance.</p> <p>- improving the concept of the “permanent establishment” and incorporating the basic provisions of transfer pricing and controlled foreign companies legislation</p> <p>- drafted the new <u>Law on Real Estate Tax</u></p> <p>- contributed to the process of incorporating the provisions incorporating substance over form and auditing of multinationals in the new Law on Tax Administration</p>

6. COMPETITION

Project Manager: Mr. Lennart Göranson, Principal Administrator, Competition Division, Directorate for Financial, Fiscal and Enterprise Affairs

Background

This activity provides policy dialogue and capacity building for the three Baltic countries. In addition, representatives of different territorial offices of the Russian Antimonopoly Ministry ('MAP') participate in the annual workshop in the region, thereby promoting enforcement, convergence and co-operation. The activity promotes best practices in line with: (1) OECD Recommendations of 1995 (on International Co-operation), 1998 (on Effective Action against Hard Core Cartels) and 2001 (on Structural Separation in Regulated Industries); (2) OECD regulatory reform reports on competition policy in OECD Member countries; and (3) reports by the OECD's Competition Committee. In its first year in 1999, the activity involved a substantial review of all aspects of the work of the three Baltic competition authorities. Thereafter, building on that base of knowledge, the activity has been focused on more specific topics, enforcement against cartels and abuses of dominance (in 2000), merger control (2001) and vertical restraints (2002).

The fourth of the annual workshops was held in Riga, Latvia, on 14-16 October 2002. In addition to the principal topic, vertical restraints, the workshop also included sessions on competition issues in the telecommunications sector, competition policy in a small economy, and international co-operation. The workshop was characterised by lively discussion and broad participation. As in the previous three, ten competition officials from each of the three Baltic States participated. The Russian Federation MAP participated with six heads/deputy heads from territorial offices. OECD Member countries (Finland, France, Germany, and Norway) were well represented at the seminar in addition to two panellists from the OECD Secretariat. Participating countries reported in writing and/or orally on the national approaches to the different themes of the workshop and OECD experts gave in-depth presentations of legal and economic aspects as a basis for following discussions.

As in earlier workshops, the centre of gravity was on case discussions and each country had submitted three cases on vertical restraints from their jurisdiction. As demonstrated in the following table, the number of restrictive agreements cases remains limited in the Baltic countries. As for cases on vertical agreements, none of the three countries had as much as ten such cases in one year, and typically the number of vertical restraints cases has been around one to three per country and year.

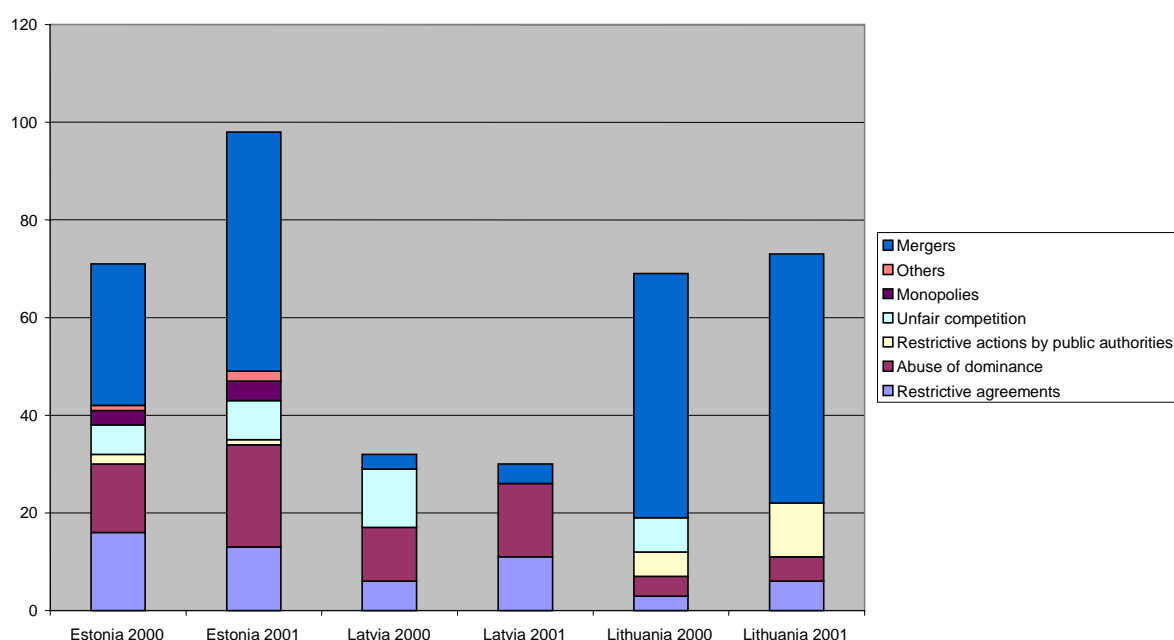
In the final session of the workshop, participants discussed topics for future events, considering that the Competition Policy Workshop in 2003 is foreseen to be the last under the Baltic Regional Programme. Proposals put forward included the methodology for fighting cartels, a broader approach to the telecommunications topic, and restrictive actions of governmental bodies; the latter inspired by a discussion initiated by the Russian Federation.

This series of workshops has been very much appreciated by the Baltic competition authorities, allowing them not only to build capacity and expertise in competition law enforcement but also to strengthen their links internally and in relation to neighbouring countries in Northern Europe. The opportunity to include competition officials from the Russian Federation has been appreciated, both by Russian and Baltic country participants.

This activity also contributes more broadly to the realisation of policies contained in OECD Recommendations, in addition to promoting best practices in competition policy in the Baltic States. For example, the Nordic competition authorities have been at the forefront of recent reforms concerning information-sharing and other forms of co-operation, and these Nordic experiences were discussed in the 2002 workshop. The ongoing participation of those countries in this activity has highlighted the usefulness and importance of OECD work product both within the Baltic region and beyond.

The programme provides a unique opportunity for policy dialogue on a variety of topics that are important in the broader context of facilitating an effective and timely transition to a market economy in each of the Baltic States. This includes the specific objective of preparing for accession to the European Union.

Decisions 2000-2001



Meeting: Workshop on Competition Policy in the Baltic Region, Riga, Latvia, 14-16 October 2002

This activity is consistent with and complementary to the EU accession process. Some topics are not covered by the EU's *acquis* (e.g., international co-operation), and where it touches on topics that are covered (e.g., merger control), the activity (like OECD meetings) focuses not on "rules" but on underlying policy issues, investigation techniques, and economic analysis that are not part of the *acquis*.

7. REVIEW OF LABOUR MARKET AND SOCIAL POLICIES IN THE BALTIC STATES

Project Managers: Anders Reutersward, Principal Administrator, Labour and Social Policies and Peter Whiteford, Principal Administrator, Social Policies, Non-Member Economies and International Migration Division, Directorate for Employment, Labour and Social Policies

Background

Over the course of 2002, the Non-Member Economies and International Migration Division has carried out a range of activities on the Baltic States. The major activity has been the review of labour market and social policies in Estonia, Latvia and Lithuania. This policy review was carried out under the auspices of the Centre for Co-operation with Non-Members (CCNM). It is part of a series of similar reviews devoted to Central and Eastern European countries designed to permit comparison with other countries in the region as well as with Member countries.

The Review concentrated on four important areas of policy:

- Labour market and employment programmes;
- Pension policy;
- Long-term care and services for older people;
- Social assistance policies.

A strong linkage between economic and social developments in the Baltic countries

The study concluded that following their rapid transition into market economies in the early 1990s, the three Baltic States have thoroughly reformed most of their labour market and social policies. But continuing reform activity will be required in response to rapidly changing conditions. The report points to a strong linkage between economic and social developments in each country, underlining that economic factors largely determine not only the need for social programmes but also the possibilities to implement and finance them. On several specific points, the report finds reason to draw negative as well as positive lessons from OECD experience.

The report also gives recent examples of Baltic policy initiatives that are more advanced than those adopted until now in most OECD countries, notably in the area of pension reform. In sum, this report finds that important reforms have been adopted or are being prepared in all policy areas it covers. To varying degrees, each of the three countries have thus developed their labour legislation, adopted programmes for unemployment compensation and employment services, reformed their pension systems, initiated a modernisation of their provisions for care of the elderly and established social assistance benefits for the poorest. While much of this reform activity is parallel to the corresponding developments elsewhere, a key difficulty resides in the appropriate timing and sequencing of various reforms, which must harmonise with developments in the economy and the labour market. The report seeks to give some indication, in each policy area, of which reform elements deserve to be treated with the highest urgency.

The draft report was discussed at the ad hoc meeting of the ELSA Committee

A draft of the report was discussed with experts and representatives of the Ministries of Labour and Social Affairs of the three Baltic countries at a Workshop held in Palanga, Lithuania, in July 2002. An ad hoc meeting of the ELSA committee was held in Helsinki on 30 September 2002 to discuss the report.

The Conference on pension reform in Central and Eastern Europe was held in Warsaw on 27-28 May 2002. From 14 to 18 November 2002, OECD (CCNM/DEELSA) organised the seminar "Implementing Social Assistance Schemes" at the Joint Vienna Institute. This seminar was aimed at senior officials and experts from transition countries in Central, Eastern and Southern Europe and Asia and constituted the second seminar on the topic of "social assistance" (the first one was held in December 2001). Officials from the Ministry of Social Affairs of Estonia and the Ministry of Welfare of Latvia participated in the seminar.

Co-operation with the international organisations

The review of labour market and social policy in the Baltic States has involved co-operation with the World Bank, the International Labour Office, the International social security association and the European commission. As a result, the ELS/NEIM Division has been asked to contribute to a World Bank study of the Latvian labour market. A follow-up to the review of labour market and social policies is planned for 2004.

Publications and documents:

The review report "Small Open Economies, Lean Welfare States: Strategies for Labour Market and Social Reform in Estonia, Latvia and Lithuania" is to be published in February 2003.

The Conference proceedings "Practical Lessons in Pension Reform: Sharing the Experiences of Transition and OECD Countries" is to be published in the beginning of 2003, and includes chapters on pension policies in Latvia and Lithuania.

Coverage of the elderly population by social care and related provisions in 2000

Per 1000 persons over the pension age

	Places in nursing homes	Places in social care homes	Service flats	Recipients of home help	Home nurses	Day-care places
Estonia	11	16	0	22	very low	some
Latvia	0	13	1	26	none	some
Lithuania	7	9	2	8	none	some
Norway	51	14	46	43		some
Sweden	18	29	40	72	some	some
Denmark	53	11	32	some	some	5
Finland	21	32	20	17	9	1
Germany	13	11	32	9	some	some
Netherlands	26	64	23	20	6	6
Austria	25	21	10	10	some	10
Ireland	22	25	4	26	3	some
UK	18	31	50	80	60	50
Portugal	over 16		Very low	some	some	some
Spain	28		Very low	some	some	some

Source: Calculations from Howe, 2001, Pacolet et al, 2000, and national statistics.

**Comparison of the lowest pensions with various poverty limits.
First quarter 2002**

Monthly amounts

	Estonia	Latvia¹	Lithuania
Minimum pension for persons reaching retirement age	800 EEK (\$129)	30 LVL (\$122)	None
Minimum pension for persons with minimum contribution records (EE and LT 15 years LV 10 years)	800 EEK (\$129)	33 LVL (\$134) with 10 to 20 contribution years up to 45 LVL (\$183) with 30+ contribution years	69 LTL (\$45) with 15 contribution years up to 138 LTL (\$91) with 30+ contribution years
Income limit for subsistence benefit	500 EEK (\$81) after paying for housing	21 LVL (\$85) after housing costs of up to 7 LVL	135 LTL (\$89) after paying for heating and water
Poverty line (50% of average household income per capita) ¹	1 162 EEK (\$187)	36.5 LVL (\$148)	211 LTL (\$139)
Minimum wage after tax	1 444 EEK (\$233)	45 LVL (\$183)	338 LTL (\$222)

1. For Latvia: 2001.

Source: Same as above. Dollar amounts refer to PPPs.

An ad hoc meeting of the ELSA Committee

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8. REVIEWS OF EDUCATION POLICY IN ESTONIA, LATVIA AND LITHUANIA

Project Manager: Ian Whitman

At the special meeting of the Education Committee in Helsinki in June 2000, the Ministers of Education of Estonia, Latvia and Lithuania expressed their satisfaction with the reports and emphasised the positive impact that the reports have already had on education policy in the region. It was further agreed that the Secretariat would undertake follow-up activities based on the recommendations. The first of these took place in Riga on 10-11 August 2000 when the review was presented and issues discussed at the annual congress of Latvian educators (1500 participants) with extensive media coverage. Two smaller seminars were organised with the Estonian authorities in 2002. The reviews were discussed during the 2002 evaluation meeting of the Baltic Regional Programme and all three countries reiterated that they had played an important role in policy reform and that they hoped further follow-up activities could be envisaged for 2003.

The role of parliamentary committees in the Implementation of Education Policy Conference

On 25-26 November 2002 in Vilnius, a joint conference with the Parliament of the Republic of Lithuania was held on the theme of the role of parliamentary committees in policy formulation. This meeting was attended by senior Education Ministry officials and parliamentarians from both member and non-member countries; members of the OECD examining team; and the Secretariat. Among the presenters were members of Parliament from Belgium, Finland and Slovenia, the Deputy Prime Minister of Croatia and experts from Member countries.

Co-operation with the World Bank and European Training Foundation

Ms. Indra Freiburga, a Latvian graduate student at the Faculté Jean Monnet of the Université Paris Sud, worked with the OECD Secretariat for five months to prepare the meeting and its documentation as part of her university programme. Her contribution was important for the implementation of the work on education policy of the Baltic Regional Programme in 2002.

The World Bank and European Training Foundation participated in the policy reviews and follow-up activities. The recommendations have had an impact on some of their programmes as well as on bilateral partnerships with OECD countries in the region. In addition, the reviews were helpful for the countries in the *acquis communautaire* process for European accession.

Role of parliamentary committees in the formulation of Baltic education policy

The formulation of education policy in a political system is a complex process involving the input of multiple actors, namely the State, the Ministry of Education, municipal government, higher education institutions such as universities and colleges, secondary level institutions, vocational education schools, technical schools, public organisations, professional corporations and associations, private entities, and non-governmental organisations.

Education committees have traditionally been an integral part of the legislative process in parliamentary democracies. However, the structure, procedures and powers of education parliamentary committees vary in scope and dimension, from country to country. Any analysis of the role of parliamentary committees in the formulation of education policy must first, therefore, be understood within this context. For comparative analysis purposes, our study will limit itself to the Baltic countries of Estonia, Latvia and Lithuania. These countries, as new democracies of Central and Eastern Europe, have undergone a rapid period of change and reform in their education systems.

The three Baltic countries have placed education as a central governmental priority since regaining their independence in 1991, recognising that human capital is their most important asset in competing in the global economy, given the small size of their natural resources. All three Baltic countries understand that progressive education reform and training policies are essential pre-requisites for accession to the European Union and have undertaken efforts to develop the basic legal framework for education reform.

Parliamentary committee roles in the formulation of education policies

A parliamentary committee can play a role in the formulation of education policy by engaging all the principal parties in the basic principles and concepts underlying reform. The long-term success of education reform depends on broad understanding and support among the various dimensions of civil society. Society can be seen as the driving force of committee work and, according to one Lithuanian parliamentarian, has the most influence on the committee. Although there may not be full agreement on details, agreement on basic concepts and principles can be seen as necessary for the implementation of education policies.

Lithuania, for example, has made a deliberate effort to sustain reform consistent with the 1992 General Concept of Education adopted by the Ministry of Education and Science, which included strategies to be implemented through 2002 and this despite frequently changing ruling majorities and Governments. Some analysts argue that the political influence of the General Concept of Education is diminishing and consequently, some decisions are emerging that are questionable. This reflects to some, the indeterminate nature of educational policy and a lack of clear fixed guidelines for educational reform.

In order to counter this negative trend, a presidential expert group was created that has led an effort over the past two years to develop a new strategy statement which will extend the early concept and set forth new strategies. Critics argue that the reform is losing its momentum and that short-term goals are favoured instead of long-term ones, as the long-term goals have not been renewed. The presidential elections which will take place in December 2002 in Lithuania may influence the continuity of the long-term strategies outlined by the presidential expert group.

Another critical role of parliamentary committees is to question and challenge the government to present the evidence necessary to justify proposed laws. Parliamentary committee members may address the following questions:

- What problems is the proposed law intended to address?
- What information is available to substantiate the problem? How does the nature of the problem in this country compare with other countries?
- What goals should the country establish in overcoming the problem, for example, increasing the participation of young children in pre-school education? How will the country measure progress toward these goals and how will this information be shared with the parliament, the education community and the public?
- Is the proposed law consistent with the framework Law on Education?
- What are the implications of the proposed law for accession to the EU or other international agreements?
- Is the proposed law consistent with "best practice" in other countries? How does the proposed law reflect the recommendations of organisations such as OECD, UNESCO, UNDP, for example?

A parliamentary committee can serve as a forum for discussion studying the impact of a proposed law on end users. Among the questions to be addressed:

- How will the proposed law affect significantly different parts of the country? Urban schools vs. rural schools? Different ethnic or language minorities?
- What provisions are being made to provide training and support for those who must implement the law at the local level?
- Will there be an opportunity for people at the local level to provide feedback to the Ministry on implementation problems?
- What communications strategies will the Government use to insure that people throughout the country know what is happening in the implementation process?

Source: The role of Parliamentary Committees in the Implementation of Education Policy -- Issues Paper (November 2002).

9. BALTIC FORUM FOR ENTERPRISE DEVELOPMENT AND FINANCE

Project Manager: Martin Forst, Head of Unit, Enterprise Development and Finance Unit.

Strengthen the enterprise policy framework and to promote better conditions for entrepreneurship

The Baltic Forum for Finance and Enterprise Development was established with the objective to strengthen the enterprise policy framework and to promote better conditions for entrepreneurship in Estonia, Latvia, Lithuania and the Russian Federation regions of Kaliningrad and Saint Petersburg. The achievement of these objectives are contributing to job creation, economic integration and growth and underpin the development of civil and democratic societies in the Baltic region.

The past years of economic development in the Baltic Countries has shown that macroeconomic disciplines alone are not enough to drive market economy development and growth of the private sector in transition economies. There is a need for in-depth structural policy reform. Entrepreneurs are 'agents of change' and play a fundamental role in the transition process from a centrally planned to market economy

There is widespread agreement that the business environment and conditions for private enterprises, notwithstanding progress achieved to date, are less than optimal. This is particularly important for new and small businesses. They need to be improved and the policy and institutional framework for promoting entrepreneurship and private sector development needs to be substantially developed with a focus on the access to finance. OECD research and experience has shown that entrepreneurship needs three broad dimensions working together:

- Conducive framework conditions
- Well-designed government support policies and programmes
- Access to capital

Strengthen the process of Regional Economic Integration

The Baltic Forum for Finance and Enterprise Development, with strong participation and support from the OECD Nordic member countries, the European Commission and the European Bank for Reconstruction and Development, was designed to provide a horizontal and multi-theme approach on a continuing basis to address these issues. There are considerable benefits to be realised through close co-operation between the OECD and the European Commission in relation to the EU accession process the Baltic countries are involved in. Co-operation avoids overlap and unnecessary duplication of resources, whilst at the same time ensuring that the normative policy approaches of both organisations are consistent and mutually reinforcing. More specifically, co-operation at regional levels helps to strengthen the process of regional economic integration.

Reports on Enterprise Development in Estonia, Lithuania and Latvia

In 2002 the OECD finalised Country Assessment and Action Plans (CAAP) for each of the three Baltic countries. The reports, which have been drafted in co-operation with the EU, are a key tool in setting a base line analysis for enterprise development in the Baltic and contribute to designing more effective enterprise promotion policies. In addition, a major conference was held in Estonia on Credit Guarantee Schemes for Enterprise Development, which exchanged experience on best practice from OECD countries, Baltic Countries and selected non-member countries. One of the results of the Conference was the creation of an association of credit guarantee agencies, with a secretariat located in the Estonian Kredex (the Estonian Credit Guarantee and Export Credit Organisation).

Workshop and Seminars:

- Baltic IFED working group meeting, May 2002, Tallinn
- Credit Guarantee Schemes and Enterprise Development, September 2002, Tallinn.

Publications:

- Estonia, Country Assessment;
- Latvia, Country Assessment;
- Lithuania, Country Assessment.

Co-operation with the European Commission:

This activity is run jointly and financed by the EU Enterprise DG.

The European Investment Fund (EIF) Guarantees

- Loan Guarantees to support enterprises with growth potential, with up to 100 employees. Under this window the EIF issues partial guarantees (directly or indirectly) to cover portfolios of loans.
- Guarantees for Portfolios of Micro-loans for very small enterprises with up to 10 employees to encourage financial institutions to become more involved in this area by offering loans of a smaller amount which proportionally involve higher costs.
- Counter- or co-guarantees of eligible guarantee schemes to cover equity investments in SMEs with fewer than 250 employees. The EIF will not provide direct guarantees to venture capital funds.
- ICT guarantees to cover portfolios of loans for the financing of IT equipment, software and training in respect of specific activities to promote the use of the Internet and e-commerce. Priority will be given to small enterprises with up to 50 employees.

Mutual Guarantee Schemes differ from each other by degrees in four ways:

1) *The constitution of associations or societies is based on mutual guarantee principles.* This is the gaining of strength through an association of smaller entities working together to maximise their effect through co-operative risk sharing. However, mutual societies are marginally different from one country to another, taking into account not only the specific statutory, regulatory and tax provisions of each, but also the economic, cultural and social fabric in which they find themselves.

2) *The operational domain of a mutual guarantee society is well established.* The domain can be a specific industrial sector at a national level or multi-sectorial at regional or local level. The domain rationale is constructed around the need to facilitate and strengthen by specialisation the access to credit by entrepreneurs in those cases that do not fulfil the requirements imposed by banks on borrowers.

3) *The providers of capital, which colours the mutual character of a society.* Where there is scarcity of offers or a lack of guarantees, an entrepreneur may join a mutual society. The society will stand surety for a maximum number of borrowers, whether they are risky or otherwise, and they are able to mitigate the good and bad risks. Those companies whose risks are difficult to assess may have access to a loan via a guarantee: the solidarity amongst the borrowers usually achieve success. Where there is an abundance of loan offers, the competition between banks is such that the good risk exposures not only negotiate their rates but also the terms of their guarantees, this activity becomes an element of competition. The deals passing through mutual societies are loan applications whose risks are insufficiently structured. The absence of direct banking/mutual society participation can restrict the mutual society operating limits, which should either be backed by public funds; or become part of a banking network which will mutualise good and bad risks within the network and develop privileged links with its professional clients.

4) *The build up of links between guarantor societies and financial or public institutions.* There are degrees of difference between those mutual societies with loose ties that work with several types of bank from which they obtain credit under preferential conditions; and those which are dependent on a banking network which, in general, is of a shareholding nature. In this context mutual societies are participating structures within the banking establishment. As far as the bank is concerned, mutual society involvement is ideal: it benefits from the technical advice of professionals and also sees it as a guarantee for repaying outstanding amounts and the conclusion of the loan agreement. Strong links can also be found in the nature of the relationship between state structures and independent societies.

10. BALTIC INSURANCE AND PRIVATE PENSION REFORM

Project Manager: Cécile Vignial, Administrator, Financial Markets Division

Priorities of the Baltic Pension Reforms

The aim of the program is to contribute to the development of modern, sound and open insurance and private pension markets in the Baltic countries. The program aims at facilitating the exchange of expertise between on OECD countries and their Baltic counterparts on market development and at promoting “best practices” to assist Baltic governments in shaping adequate regulatory treatment and supervisory oversight of insurance and private pensions activities. In 2002, the dialogue focused on the priority issues identified by the Baltic authorities with respect to the ongoing pension reform and improvement of the insurance regulation, among which: administration of the funded pension systems, investment regimes, consumer protection issues, reply to the development of the e-commerce in the insurance sector regulation of fund managers, financial education, etc.

Comparing the new Pension Systems of the Baltic States

Pension systems are complex, and comparing them is consequently difficult. On the occasion of the *Conference on Pension system perspectives*, co-organised by the OECD in Vilnius on 5-6 December 2002, a paper entitled: *The New Pension Systems of the Baltic States Compared* was presented. The author of this paper is Edward Whitehouse. This paper uses a consistent method to compare the pension systems of the Baltic States. The three nations have moved in a similar direction in pension reform, albeit it at very different paces.

First, they have already established or will shortly introduce mandatory contributions to funded pensions. These are based on individual retirement-savings accounts, known in pensions jargon as 'defined contribution plans', where the value of the pension depends on contributions made and investment returns earned. Secondly, they have reformed their pay-as-you-go public schemes, typically in an attempt to reduce their burgeoning cost. The paper adopts a microeconomic approach to comparing pension systems, looking at individual entitlements under the reformed retirement-income regimes. It provides estimates of pension entitlements of full-career workers, based upon various earnings scenarios using several different proportions of economy-wide earnings. Using a model of the tax position of pensioners and workers, net replacement rates are also computed.

Finally, the paper looks at how pension entitlements vary with retirement age, which shows how the pension system affects the incentive to retire. All of the results for the Baltic States are compared with the experience in 15 OECD member countries.

Development of private pensions and life insurance markets: publication under preparation

A publication entitled "The development of private pensions and life insurance markets in the Baltic States" will be issued in 2003. This publication will include a selection of analytical reports on a wide range of private pension and insurance policy issues, based on the presentations and discussions held at the occasion of the four conferences organised in Baltic countries between 1999-2002 in the framework of the OECD Baltic Regional Programme.

Insurance and private pension events

A workshop on insurance and private pensions in the Baltic States was held on 6-7 February 2002, in Tallinn, Estonia. A regional meeting of pension regulators and supervisors for the Central and Eastern European countries was organised back to back with the Tallinn Workshop on 7–8 February 2002. The regional INPRS meeting focused on pension fund governance and legal form, options for supervisory models, cost of pension fund administration and disclosure rules.

Lastly, a conference on pension reform in Vilnius has been jointly organised by the Ministry of Social Security and Labour of Lithuania and the OECD on 5-6 December 2002. The objective of the conference was to analyse the various aspects of the reform of pension system currently undertaken by the Lithuanian government, including both the public social security scheme and privately managed funded pension plans. The OECD also provided an analysis of the pension reform in the three Baltic countries, using a tax incentive model. Follow up is expected to assist Lithuania in the design of implementation decrees of the recent pension law.

11. AGRICULTURE

Project Manager: Michael Ryan, Directorate for Food Agriculture and Fisheries, Division for Agricultural Policies in Non-Member Economies

Background

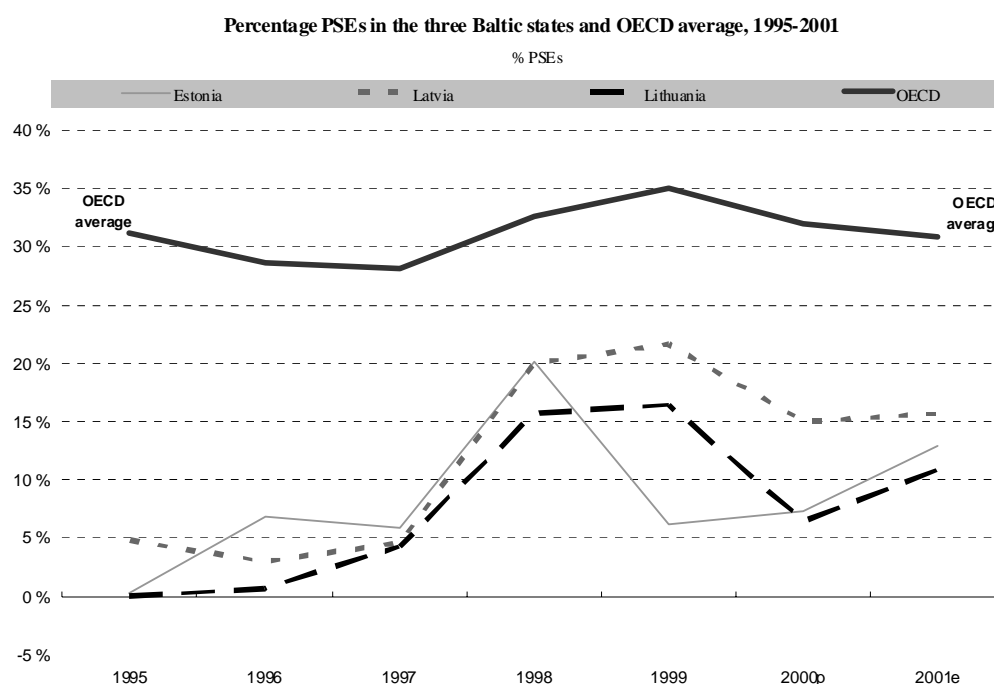
The annual monitoring of agricultural and trade policies with Estonia, Latvia and Lithuania continues to form the basis for policy dialogue between Baltic policy makers and OECD Members in this field. Discussions on agricultural and trade policy developments have taken place in the context of the Global Forum on Agriculture. The last meeting of the Forum was held in June 2002. Recent changes in Estonian, Latvian and Lithuanian agricultural policies have been published in the OECD's *Agricultural Policies in Transition Economies: Trends in Policies and Support 2002*. The proceedings of the *Workshop on the Baltic dairy industry*, held in Vilnius in December 2001, *Global Trends in the Dairy Industry: Outlook for the Baltics*, was published in April 2002. Preparation of the Agenda and logistics for the forthcoming *Seminar on agricultural incomes, labour mobility and rural development policies in Estonia, Latvia and Lithuania*, to be held in Estonia in June 2003, started in the fall of 2002.

Policy developments in the agro-food sector

The three Baltic countries continued to forge ahead with the implementation of policy instruments compatible to EU measures. Direct payments for both crops and livestock have been introduced and form a growing share of total support to agriculture. Moreover, investment and credit supports play an important role in farm restructuring and modernisation across the region. All three countries made significant progress in implementing the Special Accession Programme for Agriculture and Rural Development (SAPARD) in 2002.

Support to agriculture, as measured by the *Producer Support Estimate (PSEs)*, increased in all three Baltic countries in 2001 (see below Fig. 1, Table 1). There was a marked increase in support in Estonia and in Lithuania in 2001, with the PSE rising to 13% and 11%, respectively. In Latvia, the PSE rose marginally to 16% in 2001. However, the percentage PSE remains considerably lower than the OECD average. In Latvia and Lithuania, market price support, accounts for well over half of total support, while in Estonia, with its liberal market policies, market price support accounts for less than two-fifths of total support. In Estonia, budgetary payments are the main instrument used to support agriculture. The distribution of support across the different commodities in the Baltic countries reflect the general trends in commodity prices, specific budgetary assistance to commodities and the relative importance of these commodities in

overall agricultural production. Across the region, the livestock sector, especially milk, accounted for the bulk of support in 2001.



Source: OECD PSE/CSE database.

The application of the PSE methodology to the quantification of policies has contributed significantly to a better understanding of agricultural policies, and has enhanced policy making capacity and expertise in Estonia, Latvia and Lithuania.

Proceedings of the Workshop on the dairy industry

The report, *Global Trends in the Dairy Industry: Outlook for the Baltics*, brings together the papers presented, discussions and conclusions from the Workshop that took place in Vilnius in December 2001. While the dairy industry continues to be the backbone of the agro-food sector in the three Baltic countries, nevertheless, it faces an enormous challenge to modernise and to improve competitiveness. The industry structure in the Baltic States is quite different from in EU member states, insofar as the structure of milk production is bipolar. With the small and fragmented farm size, low productivity and seasonality of milk production, considerable adjustments in farm structures are essential to develop a competitive farm sector, especially in Latvia and Lithuania. Improvement in milk quality and farm structures are a high priority in all three Baltic countries. With impending EU membership this offers the Baltic countries a unique window of opportunity to accelerate the process of consolidation at both the farm and processing levels and to create a more economically viable and sustainable dairy sector. Further integration into global markets and price alignments with the EU will make milk and beef production more competitive in the Baltic States. Further modernisation will depend on the ability to identify and adopt the appropriate technology at farm and industry level taking into account the relative costs of labour and capital. The development of a regional or pan-Baltic dairy industry may go some way towards resolving certain problems in the sector.

Seminar: Trends in agricultural/rural incomes, labour mobility and rural development policies in the Baltic States.

In the second half of 2002, some initial preparations for this seminar have taken place. The seminar is scheduled to take place in Estonia in June 2003. The purpose of the seminar is threefold; first, to discuss the low and volatile agricultural income situation across the region, second, to debate the issue of high and rising levels of registered unemployment in rural areas, and third, to identify suitable and workable policies for enterprise development in rural areas. While these issues are very complex, a key objective of the work is to get a better understanding of the underlying causes and linkages in the Baltic States with a view to identifying appropriate policy instruments. With changes in the sources of farm household incomes, traditional agricultural policies are becoming less and less effective, therefore, better targeting of policies is essential to resolve the farm/rural income problem. High and rising unemployment in rural areas is a central problem in all three Baltic countries, and there is growing awareness of the need to develop a more comprehensive policy framework to resolve this pressing issue. Part of the solution to resolving this dual problem of low incomes and high unemployment rest with developing sustainable off-farm employment activities in rural areas.

12. BALTIC ANTI-CORRUPTION INITIATIVE (BACI)

Project Managers: Nicola Ehlermann-Cache, Administrator, Anti-Corruption Division, Vera Gündel, Administrator, Anti-Corruption Network for Transition Economies, Anti-Corruption Division

Background

At the 2001 Annual Meeting of the Anti-Corruption Network for Transition Economies, Estonia, Latvia and Lithuania agreed to launch a regional Anti-Corruption Initiative to continue capacity and institution-building in fighting corruption and work towards meeting international standards, including those set by the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (hereafter “*the 1997 Anti-Bribery Convention*”).

The US Agency for International Development, the Norwegian Ministry of Foreign Affairs and the OECD pledged financial support for this initiative, the main parameters and components of which were discussed and agreed upon over the summer 2001 with the governments of Estonia, Latvia, and Lithuania.

The Initiative, which came to an end in December 2002, involved three, mutually reinforcing components:

- An analytical, government process which, as a first step, analysed and assessed the domestic legal and institutional framework to fight corruption in each participating country; building on the assessments, technical assistance and follow-up workshops were organised;
- Community-based surveys in the health sector and the area of licensing and permissions aimed at identifying domestic corruption problems and at providing recommendations for possible remedial actions; and
- A visiting experts programme.

The analytical process

In autumn 2001, following joint agreement on which themes to address, the three countries compiled status reports reviewing their domestic legal and institutional framework to combat corruption as well as the measures taken to promote accountability and integrity in business transactions.

These status reports were reviewed by experts from OECD Member States (Norway, Finland and Poland) and by peers from the Baltic States themselves during a meeting hosted by the government of Estonia in February 2002 in Tallinn.

The experts commended all three countries for the progress made over the last decade to create a sound legal basis and to set up strong institutional mechanisms to fight corruption. However, challenges lying ahead were also identified. These concern the legal framework as well as implementation and enforcement of laws, notably through better inter-institutional co-ordination, co-operation and capacity building in the structures responsible for the fight against corruption. The final status reports are public and can be found on the website of the Anti-Corruption Network for Transition Economies under www.anticorruptionnet.org¹

Several themes emerged as calling for further technical assistance in the three Baltic countries. Three follow-up workshops were held in 2002 to address some of these themes:

- Denying Tax Deductibility of Bribes to Foreign Public Officials;
- State Audit and Financial Control contribution to fighting corruption; and
- The 1997 Anti-Bribery Convention.

1) *Workshop on Denying Tax Deductibility of Bribes to Foreign Public Officials on 27-28 August 2002 Riga, Latvia:*

The purpose of this workshop was threefold: (1) to raise awareness on the OECD Anti-Bribery instruments and particularly provisions on denying the tax deductibility of bribes as well as the OECD countries' experiences in implementing relevant legislation; (2) to present participants with ways to detect bribes disguised as legal payments and to introduce the *OECD Bribery Awareness Handbook for Tax Examiners* (which for the purpose of this seminar was translated into the three Baltic languages) as a tool to identify bribes; and (3) to assist the Baltic States in developing provisions on the denial of tax deductibility of bribes.

Over 28 participants from different Baltic governmental departments involved in the fight against corruption signalled that the seminar had contributed to their understanding of the need to have legislation in place that clearly denies tax deductibility of bribes. They also indicated that, as a follow-up to the workshop, they would consider organising intra-governmental discussions to contemplate the need to revise their current tax provisions.

2) *Workshop on State Audit/Financial Control on 22 – 24 October 2002, Vilnius, Lithuania*

The aim of this workshop was to raise awareness amongst representatives of different ministries involved in the fight against corruption about bases and concepts of state audit and financial control

1. <http://www.anticorruptionnet.org/acncgi/userside/projects.cgi?lang=en&sitetype=graphics&comefrom=projects&search=1&country id=14>.

systems and their role in reducing corruption. Based on case studies from OECD member states, the workshop explained different models of supreme audit institutions and internal audit structures and management systems. It further highlighted the importance of the role of the media and civil society in facilitating the functioning of state audit and financial control systems.

3) *Workshop on the 1997 Anti-Bribery Convention on 4-6 December 2002, Tallinn, Estonia*

The event was divided into two workshop sessions. The first session on “The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions” addressed around 25 government officials from different ministries and Special anti-corruption agencies of the three Baltic States. The second session on “The Baltic Anti-Corruption Initiative” brought government representatives together with representatives from business, trade unions and civil society from the OECD and three Baltic States.

During the first, one-and-a-half days’ session, different provisions of the 1997 Anti-Bribery Convention were explained by OECD participants. Government representatives from the Baltic States examined their national legislation in light of the standards set by the 1997 Anti-Bribery Convention in national break-out groups. They then reported back to the workshop participants, who discussed shortcomings that countries might wish to reconsider in order to move closer to the international standards set by the Convention.

During the subsequent two half days, government and civil society representatives discussed different models to monitor anti-corruption measures. They also addressed possible future steps to fight against corruption. Finally, they heard and discussed the findings of the community-based surveys in the health service sector of the three Baltic States.

Community-based diagnostic surveys

This component of the Baltic Anti-Corruption Initiative – implemented by the non-for-profit organisation CIET International, specialised in social audits - aimed at diagnosing corruption in the health sector, and, to a lesser extent, in the issuance of licenses in the three Baltic States. After extensive household surveys, carried out by representatives of local civil society who have been specifically trained for this purpose, recommendations were provided to the Baltic governments for remedial action. The findings of the social audits in the health sectors were discussed in a public hearing organised by the new Anti-Corruption Bureau of Latvia in Riga on 9 December 2002 and the hearing of the parliamentary committee on health of the Lithuanian Seimas in Vilnius on 11 December 2002.

The OECD BACI financed the translations of the surveys into the three Baltic languages in order to make them more accessible to the public. All three countries had press conferences and/or major PR events on the project. The surveys were made available on the websites of the respective anti-corruption agencies of Latvia (in Latvian) and Lithuania (in Lithuanian and English). The project primarily aimed at providing the Baltic governments with a possible model to fight corruption which involves civil society and to put at their disposal a resource (as a set of hard data) that would help them to better target their anti-corruption efforts.

Visiting Experts Programme

Each of the Baltic States were invited to place a government representative, for a period of three months, as a visiting expert in the OECD’s Anti-Corruption Division-based secretariat of the OECD Anti-Corruption Network.

The first visiting expert from the Estonian Ministry of Justice's Criminal Law Department completed her stay at the OECD in mid-May 2002. The second visiting expert from the Lithuanian Special Investigation Service, the national anti-corruption agency, came to the OECD over the summer of 2002. Latvia's visiting expert, who represented his country's customs administration, completed his stay in December 2002.

All three Baltic visiting experts had an opportunity to contribute to the work of the Anti-Corruption Division, demonstrate their ownership of the BACI and learn about the OECD initiatives in the area of fighting corruption.

IV. BALTIC STATES' PARTICIPATION IN OTHER CCNM PROGRAMME WITH NON-MEMBERS

1. GLOBAL FORUMS 2002

The OECD Global Forums provide a unique opportunity for Baltic State officials to exchange information with member and non-member economies from across the world on key, newly emerging global policy issues. In 2002, representatives from Estonia, Latvia and Lithuania continued to take part in a variety of events implemented within the framework of the Global Forums focusing on six of the eight Global Forum themes, namely Agriculture, Competition, Governance, Knowledge Economy (including Biotechnology and the Digital Economy), Sustainable Development, and Taxation (Annex III, table 1). In addition, Baltic State officials regularly attended workshops on more specific tax policy matters at the OECD Multilateral Tax Centres in Vienna and Budapest, as part of the OECD Global Forum on Taxation (Annex III, table 2). All these activities serve to complement the more specific regional activities carried out under the auspices of the Baltic Regional Programme.

Further information on the six Global Forum thematic areas and 2002 events in which the Baltic States participated is given below.

Global Forum on Sustainable Development

At the annual OECD Council Ministerial meeting in May 2001, Ministers declared that, "sustainable development is an overarching goal of OECD governments and the OECD ... We recognise the urgency of the challenge and the gap between policy design and implementation. We are committed to closing this gap and will work energetically with countries outside the OECD's membership to achieve our joint sustainable development goals". In January, Latvia was represented at an International Conference on Territorial Development in Paris. In April 2002, a Conference on Financing the Environmental Dimension of Sustainable Development helped to further disseminate the results of work on sustainable development to date bringing together representatives from some 22 non-member economies, including Lithuania.

Global Forum on the Knowledge Economy

The Global Forum on Knowledge Economy has two main branches, *i*) biotechnology, and *ii*) the digital economy both of which cover a broad area of work and policy issues.

Biotechnology

During the past few years, biosafety has become an important global topic as a number of products of modern biotechnology, mainly crops and foods, have been commercialised. In this area, officials from Estonia, Latvia and Lithuania benefited from the work of the OECD's Task Force for the Safety of Novel Foods and Feeds through their participation in a workshop on the health safety assessment of novel foods and feeds, hosted in Moscow in September 2002.

The Digital Economy

OECD's work on policy frameworks for the digital economy and e-commerce covers a multitude of issues related to the knowledge-based economy and e-commerce such as action by governments to enhance the benefits of information technology; access, trust and regulatory frameworks; and capacity development and other human resource issues. Through the Global Forum on the Knowledge Economy - Digital

Economy, the OECD also contributes to the work of the DOT Force (Digital Opportunities Task Force, set up by the G8 following the Okinawa summit). In January 2002, Latvia was one of 21 non-member economies present at the OECD Global Conference on Telecommunications Policy for the Digital Economy, hosted in Dubai.

Global Forum on Governance

The objectives of the OECD Global Forum on Governance are threefold: 1) to promote public sector management reforms for better transparency and accountability of public administrations; 2) to encourage transparency and integrity in business operations, through anti-bribery laws, transparent conditions for investment, corporate responsibility, and internationally accepted statistical and disclosure standards; and 3) to foster good corporate governance by promoting better laws, regulations and institutions, and by offering suggestions for policy reform to government regulators, stock exchanges, investors, and corporations. Within the framework of this Forum, Estonia attended the second Asia-Pacific Economic Co-operation (APEC) - OECD Workshop on Regulatory Reform in Merida in April 2002.

Global Forum on Taxation

The Global Forum on Taxation provides the framework for tax policy-makers and administrators to discuss the challenges facing countries in dealing with the implications of globalisation on taxation. The objective of the Forum is to encourage an on-going dialogue among tax officials in OECD member and non-member economies, allowing for the development of models, standards and guidelines on international tax issues in the mutual interest of all parties. In addition to specific policy dialogue workshops held at the OECD multilateral tax centres (Annex III, table 2), other ad-hoc events are also organised to broaden the dialogue among a wider range of countries. In September 2002, all three Baltic States attended a Global Forum meeting on tax treaties and transfer pricing, held in Paris.

Global Forum on Agriculture

In addition to questions related to the reduction of trade distortions caused by OECD members' domestic agricultural policies, the OECD Global Forum on Agriculture also addresses the effects of multilateral trade liberalisation on domestic agricultural policies in non-member economies. In May 2002, Estonia was represented at a meeting on linkages between agricultural trade reform, adjustment and poverty. All three Baltic States participated in a workshop on agricultural policies and support in non-member transition economies, hosted in Paris in June.

Global Forum on Competition

International awareness of the important role competition policy can play in promoting economic growth and development has rapidly increased. Moreover, the OECD has long been a leading consensus-builder on international standards in this area. The Global Forum on Competition was created in recognition of the fact that the active involvement of important non-members is essential for effectively combating hard-core cartels and achieving consensus on substantive and procedural approaches to cross-border mergers. It meets at least once a year to help foster consensus on global front-burner issues in competition policy among members and non-members. Officials from Estonia, Latvia and Lithuania attended the February 2002 meeting of the Global Forum on Competition in Paris which focused on (a) the role of competition policy in economic development, and (b) the needs of developing economies for capacity building and the best means of meeting those needs.

2. COMMON PROGRAMME FOR TRANSITION ECONOMIES OF EUROPE AND CENTRAL ASIA 2002

Estonia, Latvia and Lithuania are eligible to participate in and do take part in events organised within the framework of the Common Programme for Transition Economies of Europe and Central Asia.

Common Programme for Transition Economies of Europe and Central Asia - some background

For the past ten years, the OECD has assisted the economies of Central and Eastern Europe and the New Independent States (NIS) in their transition from a command to a market-based economy system through policy dialogue activities covering a variety of issues ranging from competition policy to financial sector reform and environmental policy.

During this period, two general patterns of transition have materialised. For a number of countries, rapid liberalisation, progress in large-scale privatisation and sustained macroeconomic stabilisation have been coupled with gradual structural reform and institutional change. For others, the transition process is not yet complete and they continue to seek OECD's support to help ensure macroeconomic stabilisation and policy reforms.

The Common Programme for Transition Economies of Europe and Central Asia continues this process enabling transition economy and OECD Member country policy-makers to share experiences, lessons learned and "best practices" through discussion at meetings, workshops and other focused events. Activities implemented within the Common Programme include statistics, trade, competition policy, corporate governance, accounting reform, environment and anti-corruption.

Participation by the Baltic States

The Baltic States have taken part on a continual basis in activities organised within the framework of the Programme for Central and Eastern Europe and the NIS since its launch in 1992. In the early years, officials from Estonia, Latvia and Lithuania participated in most of the activities offered covering policy issues ranging from agricultural statistics; accounting reform; financial sector reform; and education; to privatisation; and science and technology statistics and indicators.

However, over the past 5 years, in line with the implementation of policy reforms and a move towards more market-oriented policies, participation by the Baltic States in the OECD's general work programme for transition economies has lessened and evolved as they no longer require general support on such an extensive number of topics.

Estonia, Latvia and Lithuania regard the Common Programme for Transition Economies of Europe and Central Asia as complementary to their own Baltic Regional Programme, established in 1998, and to the OECD Global Forums, introduced in 2001; and their involvement in activities within the Common Programme reflects this. Since 1998, participation by Baltic States in this Programme has covered only a few key policy areas such as environmental issues, trade, pensions reform, private sector development, and specific training on competition policy and tax modelling offered by OECD at the Joint Vienna Institute (JVI). This trend continued in 2002

Trade Policy

Through meetings of the Working Party of the Trade Committee, trade policy dialogue is maintained with non-Member economies on issues of mutual interest such as market access problems, experience with regional integration and the contribution of multilateral trade disciplines to the reform process.

In June 2002, Estonia and Lithuania attended the first of two informal meetings of the Working Party of the Trade Committee held for transition economies in 2002. The second informal meeting, which took place in Paris in November 2002, was organised as a follow-up to the Policy Meeting on the Economic and Business Environment for Trade in Services in the Baltic States, organised in Tallinn under the auspices of the Baltic Regional Programme in December 2001. In addition to representatives of the Baltic countries, the meeting brought together participants from 18 OECD countries and 12 non-member countries. It aimed at assessing recent developments in trade in services of the Baltic States with a focus on several specific sectors, namely telecommunications, banking and electricity and airfreight. Through this sectoral analysis, more general issues were addressed, in particular the influence of regional and multilateral disciplines on market opening and liberalisation of the service sector, the institutional aspects of regulatory policy and the process of preparations for negotiations in the General Agreement on Trade in Services (GATS).

Seminars at the Joint Vienna Institute - Competition Policy, Tax Modelling and Implementing Social Assistance Schemes

Within the framework of events held at the Joint Vienna Institute (JVI), representatives from Estonia, Latvia and Lithuania regularly take part in the OECD's seminars on competition policy and tax modelling, hosted in Vienna.

The *Competition Policy Case-Study Seminar* is designed for officials from national and regional competition authorities and covers topics such as the economic and legal concepts of competition policy, abuse of dominant position, vertical and horizontal agreements, and de-monopolization and mergers.

The *Tax Modelling Seminar* provides participants with a solid knowledge of principles and techniques of micro-economic tax models used to establish the likely effects of changes in the tax system and main problems associated with their construction and use.

In 2002, officials from all three Baltic States took part in the Tax Modelling Seminar, held in April; and representatives from Latvia and Lithuania attended the Competition Policy Seminar, in March.

Officials from Estonia and Latvia also took part in an OECD seminar at the JVI on *Implementing Social Assistance Schemes*, which focused on questions such as the interaction between social assistance provisions and other benefits, or the policy measures required to promote independence and reduce welfare dependence.

Environmental Issues

In the field of environment, officials from Estonia, Latvia and Lithuania have participated in the Environmental Action Programme (EAP) for Central and Eastern Europe and its Task Force since its launch in 1993. The overall goal of the EAP and its Task Force is to support the development and application of environmental policy and institutional reforms in Central and Eastern Europe and the NIS and to promote environmental co-operation. In 2002, attendance by Baltic officials at EAP Task force and other environment events has continued, notably by Latvia which hosted an expert meeting on environmental inspection criteria in the NIS in Riga in June. The Baltics were also represented at a meeting concerning the implementation of the 1998 Aarhus Policy Statement on Environmental Management in Enterprises (EMEs) in CEECs and the NIS, held in Almaty in October 2002.

Financial Sector Reform

A programme of co-operation on financial sector issues has been maintained with transition economies since 1994. Although some countries in the region have established a basic framework for the financial sector, most still face challenges in several aspects of financial sector development including

insurance, housing finance and pension reform. In December 2002, Latvia and Lithuania attended the third OECD workshop on housing finance in transition economies, held in Warsaw. Baltic State officials also participate in events related to pension reform (see below).

Pension Reform

Policy dialogue on pension reform is maintained with a view to strengthening the private pensions systems in transition economies through efficient regulatory and supervisory processes. The first conference of the International Network of Pension Regulators and Supervisors (INPRS), organised in Sofia in April 2001, resulted in agreement by participants, including the Baltic States, on the 15 Principles for the Regulation of Private Occupational Pensions. In February 2002, a regional meeting of the INPRS for Central and Eastern European Countries was hosted in Tallinn. Representatives from Estonia, Latvia and Lithuania also took part in a further regional INPRS seminar on pension fund governance in Ljubljana in November 2002.

Practical Lessons in Pension Reform

In May 2002, a seminar on "Lessons of Pension Reform in Central and Eastern Europe", organised in Warsaw, brought together officials from OECD member and non-member economies, including from the Baltic States, to identify and assess the practical lessons of public pension reforms and provide a comparative assessment of these reforms over the past 10 years.

Anti-Corruption Network for Transition Economies

The Anti-Corruption Network (ACN) for Transition Economies was created in 1998 by national governments, civil society organisations and international donor agencies. It aims to promote knowledge sharing, improved donor co-ordination and enhanced collaboration between governments and civil society in combating corruption and work towards meeting international standards, including those set by the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Baltic officials participate in the annual meetings of the Anti-Corruption Network for Transition Economies, as well as in their own Baltic Anti-Corruption Initiative (BACI), launched in March 2001, following the Baltic regional session held at the annual meeting of the Transition Economies Anti-Corruption Network. The fourth annual meeting of the Network was hosted in Istanbul in March 2002.

Private Sector Development

Activities on implementing private sector development policies are carried out at the OECD Multilateral Centre for Private Sector Development (Istanbul Centre). Events held at the Centre focus on developing the framework conditions for competitive markets and business development in transition economies. Workshops and working groups bring together high-level officials from non-member economies and experts from OECD member countries as well as private sector representatives. In 2002, representatives from Estonia, Latvia and Lithuania, together with officials from 19 other non-member economies, attended a meeting of the Centre's Executive Board, held in Istanbul in July. In November, Estonia, Latvia and Lithuania participated in a meeting on international investment incentives, hosted at the Centre.

Support for Improvement in Governance and Management (SIGMA Programme)

In 2002, the SIGMA Programme targetted towards the 10 European Union (EU) Candidate Countries² focused on assisting the countries concerned to improve financial control and external audit, civil service and administrative reform, and formulate institution-building needs.

Enterprise Clusters and Business Networks

Of particular note in 2002, was the participation by Lithuania in two of a series of five seminars on enterprise clusters and business networks, organised by the OECD Local Economic and Employment Development (LEED) Programme. Further information on these and other events attended by Estonian, Latvian and Lithuanian officials in 2002 is provided below.

From 2001 to 2002, in conjunction with the Central European Initiative and the European Bank for Reconstruction and Development, the OECD LEED Programme organised five seminars in Slovenia, the Slovak Republic, Poland, the Czech Republic and Hungary, on the subject of clusters in transition economies. This work builds on LEED expertise on local clusters and industrial districts. The seminars were attended by government representatives, entrepreneurs and NGOs from the host country as well as from neighbouring countries, and international experts. They served to map enterprise clusters and to discuss means to create an environment conducive to cluster development.

Lithuania attended the March 2002 cluster seminar, hosted in Prague, and the April 2002 seminar organised in Warsaw. The seminars culminated in an East-West Cluster Summit conference, which took place in Grado and Udine in October 2002. All three Baltic States were present at this event which also united participants from 10 other non-member economies.

2. Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia

V. CO-OPERATION WITH OTHER ORGANISATIONS

The OECD Baltic Regional Programme (BRP) conducts highly productive information exchange with several international organisations to ensure that BRP activities exploit synergies and avoid duplication. The Baltic capitals have highlighted that the Baltic Regional Programme provides good analysis and exchange of information on the “best practices”, which have been useful in their co-operation with the other international or regional organisations, such as the International Monetary Fund, the European Bank for Reconstruction and Development, the World Bank, the European Commission, the Council of the Baltic Sea States, the Council of Europe and the Baltic Development Forum.

In some cases there have been joint projects (already complete or ongoing) with the BRP activities:

- Baltic Sea Region Anti-corruption Initiative in co-operation with the Council of Baltic Sea States;
- Baltic Forum for Entrepreneurship and Enterprise Development (European Commission);
- Statistics (European Commission, Eurostat);
- Baltic Social and Labour Policy Review (European Commission, World Bank).

1. COUNCIL OF BALTIC SEA STATES (CBSS): HIGH LEVEL SUPPORT TO FIGHT AGAINST CORRUPTION

Economy and Trade Ministers in the Baltic Sea States, meeting in the framework of the CBSS, have repeatedly raised the issue of corruption in the region and the need to systematically fight it. The Bergen Action Plan (February 2000) advocated three actions one within the Task Force on Organised Crime, a second called for co-operation between the CBSS and the OECD and a third was work on integrity of customs services within the Baltic Sea Customs Conference.

In the Moscow Action Plan (March 2002) the Ministers welcomed the co-operation with the OECD and considered the interest expressed by Russia and the Baltic States to join the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions as an encouraging sign”. The Convention entered into force in 1999. All OECD Members in the CBSS have ratified the Convention. A regular monitoring mechanism is a part of the Convention.

At the Chairman's Conclusions of the 4th Baltic Sea States Summit, in June 2002, in St. Petersburg, the Heads of Governments requested that a special report be prepared for next Baltic Sea States Summit which will take place in Estonia in Spring of 2004. The report would focus on achievements in several crucial cross-sectoral area:

- Reduce to a maximum of two hours the wait for border crossings for goods;
- Combating corruption, which constitute a hindrance to trade and investment;
- Establishing the Baltic Sea Region as an investment area, which is characterised by transparency, predictability, and the rule of law.

Corruption is harmful to trade and investment in the Baltic Sea Region

The Status Report of “Growth and Development” was published by the CBSS Business Advisory Council (BAC) in 2002. The report underlined that the present level of corruption is clearly detrimental to the Baltic Sea economic development in several ways:

- Undermining the respect of rules and regulation;
- Increasing the costs for the enterprises;
- Creating unnecessary obstacles for foreign investors.

The BAC pointed out that further efforts are still needed to strengthen the legislation and develop adequate investigating and prosecuting agencies. Furthermore, several administrative reforms should be implemented in order to better increase transparency and reduce the number of different types of permits required of companies.

The BAC underlined corruption is particularly harmful for trade and investment, such as that linked with the following activities:

- Public procurement;
- Permits for investors (licensing);
- Tax authorities;
- Customs clearance.

Corruption in *public procurement* has a negative impact, since it distorts sound market competition, as well as reduces value for money for the customer. A frequent remark from business people is that their companies participate in tendering in certain Baltic Sea countries, other than their own, only if the project is financed by an international financial institution which has control mechanisms against corruption. Tendering for projects financed by national sources is often regarded as too corrupt to make it possible for foreign companies to compete.

The Corruption Perceptions Index developed by Transparency International includes rankings of the Baltic Sea States. While this ranking is considered controversial by some, it is none-the-less, an interesting reflection of public perceptions (Rank 1, index 9.9 is "highly clean").

<u>Rank</u>	<u>Country</u>	<u>Index</u>
1	Finland	9.9
2	Denmark	9.5
4	Iceland	9.2
6	Sweden	9.0
10	Norway	8.6
20	Germany	7.4
28	Estonia	5.6
38	Lithuania	4.8
44	Poland	4.1
59	Latvia	3.4
79	Russia	2.3

OECD-CBSS anti-corruption co-operation

Anti-corruption continued to be a high priority at both the OECD as well at the CBSS. The representative of the CCNM (Centre for Co-operation with Non-Members) participated in several in the CBSS Economic Working Group meetings in 2002.

The OECD implemented the Baltic Anti-Corruption Initiative (BACI) for Estonia, Latvia and Lithuania in 2001-2002. The BACI was financed by the voluntary contributions by the USA and Norway, focusing on the three Baltic countries. The OECD published *Baltic Anti-Corruption Status Reports* in Spring 2002. Several technical BACI workshops were held in the Baltic capitals. The OECD submitted a new project proposal on the Baltic Anti- Corruption Initiative II for 2003 to the CBSS Economic Working Group in September 2002.

Sweden expressed interest in co-financing a joint OECD-CBSS Conference Anti-Corruption an public procurement hosted by Lithuania, in Vilnius in 2003.

2. EUROPEAN COMMISSION (EC) AND EUROSTAT

The Baltic Regional Programme supplements and complements the Baltic countries EU accession processes. The “demand driven” nature of the BRP ensures that the Programme avoids duplication with the European Commission Programmes (“accession driven”).

EC representatives are invited to all Baltic Regional Programme seminars and workshops, which are mostly held in the Baltic capitals. The European Commission has jointly financed the Baltic Forum for Entrepreneurship and Enterprise Development activity in 2000-2002. Over the last three years the OECD has worked with national statistical offices of the Baltic countries to help them to introduce quarterly national accounts. This project was agreed with Eurostat and the countries concerned. This work forms part of the statistical component of *the acquis communautaire*. The statisticians from the Baltic countries have been invited to attend national accounts meetings on relevant topics at the OECD and Eurostat.

3. WORLD BANK

The review of Labour and Social Policy in the Baltic countries has involved co-operation with the World Bank. The World Bank has expressed interest on continued exchange of information and has asked the OECD to contribute to their report on Latvian’s labour market, to be finalised in spring 2003. The World Bank will conduct a joint mission with the OECD in the beginning of 2003 to meet with the Latvian government officials from various ministries and agencies and other local stakeholders.

VI. DIRECTION AND CO-ORDINATION

1. LIAISON WITH THE BALTIC COUNTRIES AND DONOR GOVERNMENTS

Working together, interlocutors in the Baltic countries, the member sponsors and the OECD Centre for Co-operation with Non-Members (CCNM) develop the strategy of the Baltic Regional Programme. The Baltic officials in specific policy areas, the CCNM and OECD specialists then prepare and implement the Programme, in consultation. This successful process, year-after-year, creates a well focussed set of activities that responds to OECD and Baltic country priorities.

The Baltic Regional Programme is “demand-driven”, which means that it is based on proposals from the Baltic countries, with due regard to the OECD’s overall priorities and areas of comparative advantage, the views of the donors and the need to avoid duplication with work carried out elsewhere.

The Secretariat, the Baltic countries and the donors liaise both by formal and informal means to design the work programme, monitor its implementation and to evaluate the outcomes. The main formal elements of this liaison and communications mechanism are: *(i)* working groups in each of the Baltic capitals; *(ii)* annual evaluation meetings; and *(iii)* annual statements to the donors on the disbursement of their financial contributions. In addition, the Secretariat prepares and publishes annual reports, like the present one. More informally, there are regular meetings with, and Programme missions to, the donor countries, the Baltic countries, and several international organisations, such as the European Commission, the Council of Baltic Sea States and in prior years, the Nordic Council and the Nordic Council of Ministers.

2. BALTIC WORKING GROUPS

In each of the Baltic capitals there is a Baltic Regional Programme Working Group which advises on and oversees the implementation of the Programme. The Ministry of Foreign Affairs in each country co-ordinates its Working Group. The members of these Groups represent the different ministries, governmental organisations and institutions, which have a specific interest in one or more of the activities of the Programme. In Lithuania, the group has been established by a resolution of the Prime Minister. The Groups vary in size from ten to eighteen persons. Their purpose is to participate in the activities, to follow the programme implementation and to make proposals on future priorities. The members of these groups are also involved in co-operation with other international organisations like the European Union, the World Trade Organisation and the Council of the Baltic Sea States. Among the Baltic countries, the Ministries of Foreign Affairs maintain informal contacts to exchange information and views concerning the Programme. Furthermore, there are permanent contact persons in each of the Baltic embassies in Paris for the Programme.

3. EVALUATION

Annual evaluation meetings are a core element of the evaluation mechanism for this Programme. Other components of the evaluation process include: participation in the overall Centre for Co-operation with Non-Members (CCNM) programmatic evaluations; the publication of annual reports; and frequent exchanges amongst the OECD Secretariat, the Baltic countries and the sponsoring countries of this largely grant-funded programme. The results of the 2002 evaluation meeting are contained in Chapter VIII.

4. FUNDING OF THE PROGRAMME

The Council of the OECD approved the establishment of the Baltic Regional Programme on the condition that at least 75 per cent of this Programme's budget would be funded by voluntary contributions [C(97)203/ADD5/APP2, par. 9].

This funding condition has been met each year. From the CCNM 2002 Part 1 budget, 164,000 euros were allocated to the Programme, through staff costs, overheads, equipment, mission costs, and other items. This is approximately fourteen percent of the total budget. Details on the budget can be found in Chapter IX.

Donors have responded generously to the OECD's request for financial resources. For 2002, Finland, Iceland, Ireland, Norway, Sweden and the United States made annual voluntary contributions. As of 1999, Estonia has provided annual grants. As of 2000, Latvia, Lithuania and Ireland joined the list of donors. In 1998, the European Commission provided a grant towards the *Review of National Policies for Education of Latvia*. In 2001 and 2002, the Commission made a grant for the Baltic FEED. In prior years, Denmark and Poland were also important contributors.

The United States of America joined the list of sponsors in 2001, when it made a voluntary contribution for the period 2001-2002 to support the Baltic Anti-Corruption Initiative. This grant was earmarked for anti-corruption only, and in 2001-2002, this new and additional funding raised the resources available by approximately one-third. As a result, it became possible to add a major new priority in the anti-corruption area.

With this exception and some minor ones, contributions have been made towards the Programme without earmarking to individual activities. This has provided the Secretariat with a flexibility that has been essential for ensuring smooth implementation of the Programme. Earmarking has generally been avoided. However, in the case of anti-corruption, there was overall agreement on the importance of adding this activity to the programme of work. Efforts in this direction had been ongoing for several years and sponsors and the Baltics agreed to add the activity, if new and additional funding for it was made available. Otherwise, it is considered that earmarking might lead to "lobbying" with donors by special interests, with the result that the overall co-ordination of the Programme is thwarted and that its priorities are dictated by the effectiveness of the various lobbying efforts rather than by policy considerations and mutual interest.

In addition to their grants for activities under the Programme, Finland and Sweden provided supplementary resources in the form of their direct sponsoring of one project staff member at the CCNM each, in 2001. This arrangement continued with Swedish SIDA through mid-2002.

5. STAFF

The Baltic Regional Programme activities are implemented by the staff of the OECD situated in the substantive Directorates of the house. This staff has expertise in many different disciplines, including economics, statistics, trade, finance, insurance and pensions, taxation, competition policy, anti-corruption, enterprise development, agriculture, labour and social policy, and education. Because the Baltic countries are invited to participate in the activities of the Global Forums and the Common Programme for Transition Economies of Europe and Central Asia, access is thus expanded to additional areas of expertise. These include, for example, financial disclosure and audit, corporate governance, environment, digital economy and e-commerce, biotechnology, knowledge economy, sustainable development and international investment.

OECD experts

OECD experts and assistants may be permanent staff, designated project staff members, full-time consultants, single-task consultants or auxiliary staff. Most of them work for the Baltic Regional Programme for only part of their time.

The day-to-day management of the Baltic Regional Programme is in the hands of a Unit in the CCNM, which is also responsible for other CCNM Regional and Country Programmes, the Global Forums on Knowledge Economy (Digital Economy and Biotechnology) and Sustainable Development and for Co-ordination of Non-Members activities on Anti-Corruption. The Head of Unit has overall management responsibility for the Baltic Regional Programme. One project staff member in this unit has been assigned full-time to the administration of this Programme.

Project staff

The OECD Council creates project staff positions for a limited period and for one or more specific tasks. These positions provide benefits that cannot be offered to consultants or auxiliaries; hence, the creation of project posts facilitates the recruitment of highly qualified staff with limited resources. Several project staff posts have been created in whole or in part for the Baltic Regional Programme.

From 1998 through 2001, Finland sponsored a full-time programme administrator. Sweden had been sponsoring a junior professional officer, who was employed on various assignments under the Baltic Regional Programme, in particular, various policy reviews of the Baltic countries. The Swedish arrangement was completed in mid-2002.

6. EXPERTS FROM BALTIC NON-MEMBERS

The objective of this expert programme has been to familiarise a small number of officials seconded from the Baltic countries with the approaches of the OECD and, through them, to raise the awareness of the OECD's *modus operandi* among Baltic officials. Conversely, they provide subject matter expertise and deep knowledge of specific policy areas in the Baltic region, and often beyond. Each year, each Baltic country has the opportunity to send several experts to the OECD. Positions are usually for three months, since the visiting experts cannot be spared for much longer than that from their demanding positions at home. Experts work on selected activities of the Baltic Regional Programme in various OECD Directorates.

Visiting experts invited to the OECD, financed by the Baltic Regional Programme 1999-2002

2002 Ms. Gitana Albaityte, Head of International Taxation Section in the Ministry of Finance, Lithuania, worked for two months during Summer 2002 in the Directorate for Financial, Fiscal and Enterprise Affairs at the OECD. Her main responsibility was to draft the transfer pricing tax legislation of Lithuania.

Mr. Tomas Valiukas, Third Secretary, Lithuanian Ministry of Foreign Affairs, worked for three months in the Trade Directorate in Autumn 2002. Mr. Valiukas participated in the preparation of the meeting on the "Economic and Regulatory Environment for Trade in Services in the Transition Economies" held on 14-15 November 2002.

Ms. Ginta Uzulina, Deputy Director, Department of Agricultural Strategy, Latvian Ministry of Agriculture, worked for three months in the Agricultural Policies in the Non-Members Economies Division of the Directorate for Food, Agriculture and

Fisheries at the OECD. Ms Uzulina assisted in the preparation of the draft agenda and organisation of the seminar on “Trends in Agricultural Incomes and Labour Mobility in Rural Areas in Estonia, Latvia and Lithuania”, to be held in June 2003 in Tallinn.

- 2001** Mr. Mati Murd, Third Secretary, Estonian Ministry of Foreign Affairs, worked during October-December 2001 in the Trade Directorate. He drafted the *Economic and Regulatory Environment For Trade in Services: the Baltic States’ Experience*, which was discussed in the trade meeting in Tallinn December 2001.

Ms. Viktorija Aleksiene, Head of the Competition Policy and Foreign Relations Division at the Competition Council, Lithuania, worked in the Directorate for Financial, Fiscal and Enterprise Affairs from September to December 2001. She drafted documents and contributed to the organisation of the Baltic Annual Workshop on Competition Law and Policy, Tallinn, October 2001 and the First Global Forum on Competition, particularly with regard to the Baltic States and the Russian Federation

Ms. Piret Hein, Chief Specialist at the Department of Agro-Food and Trade at the Estonian Ministry of Agriculture, worked on the Baltic agriculture issues in the Directorate for Agriculture, Food and Fisheries from January to April 2001.

- 2000** Mr. Andrius Kalindra, Second Secretary at the Economics Department of Ministry of Foreign Affairs of Lithuania, worked on Baltic trade issues at the Trade Directorate between September and December 2000.

Ms. Jurga Strumskienė, Head of the International Co-operation and European Integration Department at the Lithuanian Ministry of Education and Science, joined the Directorate for Education, Employment, Labour and Social Affairs to work on Education Policy Reviews of Baltic countries, from April through June 2000.

- 1999** Ms. Maija Krešlina, Senior Desk Officer at the Ministry of Foreign Affairs of Latvia, worked on the Baltic insurance and pension reform in the Directorate for Financial, Fiscal and Enterprise Affairs during September 1999 to May 2000.

Mr. Reimo Pettai, Second Secretary at the Estonian Ministry of Foreign Affairs, was the visiting expert at the Directorate for Financial, Fiscal and Enterprise Affairs, working on corporate governance and foreign direct investment policy.

Visiting experts invited to the OECD, financed by the Baltic Anti-Corruption Initiative in 2002

Ms. Ülle Raig, Adviser, Ministry of Justice, Estonia, contributed for three months to the Directorate for Finance, Fiscal and Enterprise Affairs, Anti-Corruption Division’s preparation and the follow-up of the Second Baltic Anti-Corruption Initiative meeting in Tallinn on 26-27 February 2002.

Ms. Elena Konceviciute, International Relation Officer, Special Investigation Service, Lithuania, worked for three months in the Directorate for Finance, Fiscal and Enterprise Affairs, Anti-Corruption Division. She assisted the organisation and follow-up of the Baltic Anti-Corruption Initiative Tax Treatment of Bribes seminar held on 27-28 August 2002 in Riga

Mr. Normunds Rudzitis, Head of Internal Audit Division, State Revenue Service, National

Customs Board, worked for two months in Autumn 2002 in the Anti-Corruption Division. Mr. Rudzitis worked on the preparation of a workshop on Public Procurement to be held in Spring 2003.

Baltic Regional Programme trainee

Ms. Indra Freiberga, a graduate student studying in France, from Latvia, completed an unpaid traineeship for five months in the Directorate for Education, Employment, Labour and Social Affairs at the OECD. Her traineeship was a part of her study Programme at the University of Paris XI. During her stay she assisted the preparation of seminar on *The role of Parliamentary Committees Formulating Education Policy* held on 25-26 November 2002 in Vilnius. Her contributions included meeting organisation, liaison with Latvia and drafting of documents.

7. MISSIONS AND VISITS

Each year there have been several high level visits, either to the OECD or by the OECD Secretary-General, Deputy Secretary-General or Director of the Centre for Co-operation with Non-Members. Several Baltic Ministers visits are expected to the OECD in 2003.

Mrs. Kristiina Ojuland, the Estonian Minister of Foreign Affairs met with the OECD Secretary-General, Donald J. Johnston, at the Annual Meeting of the World Economic Forum in Davos, on 26 January 2003. The Minister of Foreign expressed Estonia's continued interest in closer integration with the OECD's instruments and bodies, as well as in OECD Membership.

Mrs. Kristiina Ojuland, also met Mr Seiichi Kondo, Deputy Secretary-General of the OECD, on 7 October 2002, at the OECD. The Minister expressed her satisfaction with the results of the OECD Baltic Regional Programme. However, she was concerned about the slow progress on the response to Estonia's interest in signing the Bribery Convention. The Minister stated that Estonia hopes to be invited to become an OECD member after it becomes a member of the EU.

Lithuanian Ambassador, Mrs. Asta Skaisgrityté-Liauskien, met Mr. Johnston on 12 September 2002 at the OECD. The Lithuanian Ambassador gave a letter signed by Mr. Antanas Valionis, Lithuanian Minister of Foreign Affairs, in which Lithuania expressed interest in OECD Membership.

On 28 September 2001, the OECD Secretary-General, Donald J. Johnson, gave a keynote address at the e-Business Forum in Riga, in which the OECD was the organisational partner. Mr. Johnson then met with Latvian Prime Minister Andris Berzins and Lithuanian Prime Minister Algirdas Mykolas Brazauskas. The discussions centred on economic progress, aspirations and challenges of their respective Governments. Both Prime Ministers expressed their satisfaction with the Baltic Regional Programme, asked that it be continued into 2004 and indicated their countries' interests in membership in the OECD.

After participating in the Baltic Development Forum conference in Malmö, Sweden, on 17 and 18 September 2000, Mr Seiichi Kondo, Deputy Secretary-General of the OECD, made a three-day visit to Latvia, Estonia and Lithuania. He met and with other Ministers, Ambassadors of several OECD Member countries and high-level government officials. During the mission, the progress achieved in implementing the Baltic Regional Programme and its orientations for the near future were discussed, and the Baltic countries reaffirmed their political support for the Programme and its objective of associating the countries more closely to the OECD standards and instruments. All countries expressed a strong desire to become OECD Members in the foreseeable future.

On 10 April 2000, the Prime Minister of Estonia, Mr Mart Laar, visited the OECD's Secretary-General, Mr Donald J. Johnston.

From 18-21 October 1999, Mr Eric Burgeat, Director of the OECD's Centre for Co-operation with Non-Members, led a programme review and planning mission of the Secretariat to Estonia, Latvia and Lithuania. Other Secretariat missions were made to Denmark, Finland, Norway and Sweden, to discuss the programme implementation and planning with officials of these donor countries.

CHRONOLOGY OF HIGH LEVEL VISITS

- | | |
|----------------------|---|
| 30 April 2003 | • Mr. Antanas Valionis, Lithuanian Minister of Foreign Affairs is scheduled to Mr. Seiichi Kondo, OECD Deputy Secretary-General at the OECD [Foreseen] |
| 26 January 2003 | • Mrs. Kristiina Ojuland, Estonian Minister of Foreign Affairs met with the OECD Secretary-General, Donald J. Johnston, at the World Economic Forum in Davos |
| 7 October 2002 | • Mrs. Kristiina Ojuland, Estonian Minister of Foreign Affairs met Mr. Seiichi Kondo, OECD Deputy Secretary-General, at the OECD |
| 12 September 2002 | • Mrs. Asta Skaisgrityté-Liauskienė met with OECD Secretary-General, Donald J. Johnson at the OECD |
| 28 September 2001 | • OECD Secretary-General, Donald J. Johnson met with Latvian Prime Minister Andris Berzins and Lithuanian Prime Minister Algirdas Mykolas Brazauskas on the occasion of the E-Business Forum, in Riga |
| 11 June 2001 | • Mr. Aigars Kavitis, Minister, Ministry of Economics, Latvia, opened the Third Annual Evaluation Meeting of the Baltic Regional Programme in Riga |
| | • Ambassador Anders Ferm, Permanent Representative of Sweden to the OECD and Chairman, Committee on Co-operation with Non-Members, chaired the Third Annual Evaluation Meeting of the Baltic Regional Programme |
| | • Mr. Burgeat, Director, CCNM, presided for the CCNM |
| 10 April 2000 | • Mr. Mart Laar, Prime Minister of Estonia, visited the OECD |
| 19-21 September 2000 | • Mr. Kondo, OECD Deputy Secretary-General, visited Latvia, Estonia & Lithuania |
| 18-21 October 1999 | • Mr. Burgeat, Director, CCNM, visited Estonia, Latvia & Lithuania |
| 9 September 1999 | • Mr. Ucaskas, Vice-Minister of Foreign Affairs of Lithuania, visited the OECD |
| 11 March 1999 | • Mr. Jaak Leimann, Minister of Economic Affairs, visited the OECD |
| 18 February 1999 | • Mr. Raul Mälk, Minister of Foreign Affairs, visited the OECD |
| 26 January 1999 | • Mr. Adamkus, President of Lithuania, visited OECD |
| 15-22 October 1998 | • Mr. Shigehara, OECD Deputy Secretary-General, visited Lithuania, Latvia & Estonia |
| 22 July 1998 | • Mr. Saudargas, Minister of Foreign Affairs of Lithuania, visited OECD |
| 10 July 1997 | • Mr. Brazauskas, President of Lithuania, visited OECD |
| 14 February 1997 | • Mr. Lennart Meri, President of Estonia, visited the OECD |
| 17-19 October 1996 | • Mr. Tuveri, Director, CCET, visited Latvia, Estonia & Lithuania. |

8. OLIS-ONLINE INFORMATION SERVICES AND THE BALTIC REGIONAL PROGRAMME WEBSITE

Background

The purpose of the OLIS is to improve and broaden information flows between the OECD, Member countries, International Organisations and participating non-member countries. The OLIS increases the effectiveness of business communications and information exchange amongst national administrations, their Permanent Delegations, the Secretariat and enhances the productivity of OECD Committees and subsidiary bodies.

OLISnet is an online information and interaction facility for Member country administrations and other authorised government organisations and agencies. It provides Committee delegates and other authorised officials with relevant information in support of meetings, and the ability to interact with other delegates on Committee-related issues. It is based on Internet technologies and thus can be used by any authorised official equipped with a browser - OLISnet is accessed over the private OECD network - accessed in capitals at the cost of a local call - which ensures quality of service, performance and security.

OLISnet provides authorised officials with one-step access to documents, e-publications, statistics, Committee discussion groups and to public information on the OECD Web site. Officials can access information as and when they require, and delegates are better prepared for meetings and can contribute to the debate more effectively. Overall, there is better and more efficient circulation of OECD information in capitals.

Client numbers

OLISnet has now over 9000 registered clients 7 720 (86 %) are from officials from over 1400 OECD country ministries, 51 International Organisations are represented by 1053 clients (12%), and 190 clients (2%) come from 28 non-Member economies. Each month around 200 national officials apply for access to OLISnet.

Activity indicators

During the last twelve months, officials downloaded some 800 000 documents and publication, and 90 000 statistical files, accessing OLISnet up to 1000 times every 24 hours and accounting for up to 1200 hours of usage per day.

OLIS access for Non-Members

Non-Members may be given a variety of different access configurations depending on their relation with the OECD:

- **General horizontal access** - all unclassified documents including access to e-publications and statistics;
- **Specific codes** - access to all documents with specific code(s) as well as publications and statistics, useful in the case of a meeting or related to a specific Programme;
- **Vertical access** - to the restricted documents of one or more committees as in the case of an observership;

- **Any combination of the above**, for example, general horizontal plus one or more specific cotes plus access to the restricted documents of one or more committees.

Baltic countries and the OLISnet

The Baltic countries are well advanced in e-government and information society issues. The Baltic countries have expressed on several occasions an interest to have better access to electronic information of the OECD. The Centre for Co-operation with non-members (CCNM) and the OLIS team have together launched an effort to increase the number of the Baltic country officials who have access to OLISnet. A wide range of e-publications, statistics and unclassified documents have been made available to the Baltic countries via OLISnet. In the case of Baltic observerships in Committees, wider access to OLIS documents have been authorised. The OLISnet clients in the Baltic countries have been limited to a few government agencies and some key Ministries. Until this year, the number of OLIS clients in Autumn 2002 were: in Estonia: four; Latvia: one; and Lithuania: seven. These figures are expected to increase in 2003.

OLISnet access to the Members of the Baltic Working Groups

The Ministries of Foreign Affairs in the Baltic capitals are working with the CCNM to co-ordinate a joint application to the OLISnet for members of the Baltic Working Groups. These groups have 15 to 19 members from different Ministries, governmental organisations and institutions. All members of these Working Groups already actively participate in the implementation of the Baltic Regional Programme activities.

During Autumn 2002, the OLIS team made two presentations particularly addressed to the Baltic countries. An introductory, short OLISnet presentation was held for the Baltic Embassy contacts in Paris in October 2002. A comprehensive OLISnet presentation with power point display was well received by many Baltic officials, when they were in Paris to participate in the seminar on “Economic and Regulatory Environment for Trade and Services in the Transition Economies” in November 2002. Individual OLISnet training sessions in the Baltic Embassies in Paris and a possible OLIS team mission to Baltic capitals are planned for 2003.

Baltic Website

The new Baltic Regional Programme (BRP) website was launched in 2001. The Baltic web includes: background of the Programme; Medium-Term Objectives 2001-2003; Programme of Work 2002; Programme of Work 2003-2004; Annual Reports (2000, 2001, 2002); an events list of seminars and workshops; publications; policy briefings and press releases; web links from Estonia, Latvia and Lithuania; and links to international and regional organisations working with the Baltic countries (Council of Baltic Sea States, European Commission, World Bank, EBRD, IMF, Nordic Council of Ministers).

The Secretariat regularly updates information on the Baltic Website. More information on the Baltic Regional Programme can be found at: www.oecd.org/ccnm/baltics. For information on the OECD's activities with non-members visit: www.oecd.org/ccnm.

VII. FOURTH ANNUAL EVALUATION MEETING

A high number of participants

The meeting was chaired by Ambassador Francesco Olivieri, Permanent Representative of Italy to the OECD and Chairman of the OECD Committee on Co-operation with Non-Members. The results of the Programme were assessed in the light of Baltic countries' progress in the transition process and their integration into the global economy. Twenty-three OECD Member countries and the European Commission were represented alongside Estonia, Latvia, Lithuania and the International Monetary Fund.

The objectives of the meeting

In response to the request by the Sponsors, which includes the Baltic countries, the Baltic Regional Programme is built on a basis of thorough evaluation. The Annual Evaluation Meeting functions as ex-post evaluation, and is also structured to impact the ongoing and future objectives and programme of work and budget.

Participants were invited to engage in open, transparent dialogue to review:

- The state of the Baltic economies, progress in the transition process and integration into the global economy;
- The evaluation of the BRP during the past year, including participation in bodies of the OECD;
- Selected Baltic Regional Programme activities with the experts involved;
- The benefits and impact of the various Baltic Regional Programme activities;
- The utility of the Programme to reform Baltic countries' legislation and administration;
- Baltic Governments' priorities with respect to the Programme and how the Baltic Regional Programme should respond to them;
- The relationship of the Baltic Regional Programme to the EU programmes and, where relevant, the work of other intergovernmental organisations;
- The benefits and added value of a regional Programme covering three Baltic countries and the lessons learned from this regional approach;
- Participation in the bodies of the OECD;
- The funding of the Programme;
- The future of the Programme.

The presentations of the economic situation in the Baltic countries

Representatives of the Baltic countries made presentations setting forth that the strong and dynamic economic position of their countries had been the result of their opening to international markets and the implementation of a large number of difficult and complex market-oriented structural reforms. However, the countries are still confronting some challenges in completing their transition and in implementing their newly established legislations.

The summary of the Baltic countries Implementation Notes

The Chairmen of the Baltic Working Groups, from the Baltic Ministries of Foreign Affairs, presented their "Implementation Notes", providing their evaluations of the various activities under the Baltic Regional Programme, and their views on future Programme priorities. The Baltic countries Implementation Notes were all signed by the Minister of Foreign Affairs. The highlights of the presentations and the ensuing discussion can be summarised as follows:

- Numerous reform measures in each Baltic country have incorporated, or otherwise benefited from, the outcomes of BRP activities, as well as the countries' participation in certain OECD subsidiary bodies and their association with OECD instruments. Concrete examples were presented. Each country indicated that this work had contributed to the countries' successful transition towards a market economy and had promoted their integration into the global economy.
- At the time of the Evaluation Meeting both Estonia and Latvia had completed 24 chapters out of the 31 *acquis communautaire* and Lithuania 26 chapters. The Baltic countries' aim is to complete their adaptation to the *acquis* by the end of 2002. Estonia, in particular, expressed the opinion that the Programme objectives should be revised in the light of the impending EU accession.
- The Programme continued to correspond to the Baltic Governments' reform priorities in 2001-2002, covering major policy areas. For 2002, this had been particularly so for taxation, trade, competition, financial markets, insurance and pensions, labour market and social policy, education and the combat of corruption. BRP analyses and recommendations are used by the Baltic countries when reforming their national legislations and administrations.
- The Baltic countries highly appreciate the visiting experts programme and wished to increase the months available to each of them. Visiting experts are offered an opportunity to become familiar with OECD methods and know-how. They contribute to BRP policy reviews, documents and seminars.
- The BRP regional approach continues to improve and intensify the contacts among the Baltic Governments and experts and their exchange of information with the OECD Members.
- Latvia and Lithuania supported the continuation of all activities implemented under the Baltic Regional Programme. However, Estonia suggested that any future association by the Baltic countries to OECD instruments and subsidiary bodies would eliminate the need to continue the corresponding activities in the Programme itself.

- The Baltic countries suggested several new activities for inclusion into the Programme: e-commerce, science and technology policy and a new Baltic Regional Economic Assessment. Estonia expressed the wish to be more closely involved with the OECD combat of money laundering and the OECD's work on development co-operation.
- There were many signals of interest in closer involvement with OECD Committees and related subsidiary bodies. The Baltic countries expressed the view that an effective implementation of the Baltic Regional Programme would lead to their OECD Membership.

Future of the Programme

The purpose of this agenda item was to obtain views on the future evolution of the Baltic Regional Programme, although no definite conclusions were expected. This discussion would be used as a basis for the preparation of the 2003-04 work programme, to be discussed in greater detail later between the Baltic capitals and the Secretariat. The following points were made:

- The Baltic countries and the sponsoring Members expressed their continued support for the BRP medium-term objectives for 2001-2003 as a tool for planning the Programme and bolstering its evaluation mechanism. The Programme comprised 14 thematic activities in 2002, each based on the agreed 2001-2003 objectives.
- The Implementation Notes and attendant presentations identified the activities that the Baltic countries wish to see continued and those that are to be wound up. There is a strong convergence of views on the top seven or eight activities to be retained, while there are some indications of what is to be phased out.
- The tighter budget has made it necessary to focus the activities more narrowly in 2003. The evaluation meeting made a good start in showing the way; future meetings between the Working Groups in the Baltic capitals and the Secretariat would help to narrow down the range of priorities further.
- The future of the programme beyond 2003 was addressed, with due consideration of the timetable for the Baltic countries' EU accession and the availability of other forms of co-operation, including the countries' possible participation in activities of OECD Committees and other bodies. The Baltic countries and OECD Members expressed their wish to continue with the Programme in 2003, while some of them expressed support for continuation thereafter.
- The Baltic countries' undertaking to more closely associate with OECD bodies and instruments, and to apply selectively for a number of observership positions, was detailed in the Implementation Notes. In this regard, the participants raised the issue as to whether the existing observership criteria might be interpreted in a way that recognises the progress achieved by the Baltic countries and their competence as prospective observers. The Baltic countries reiterated their interest in meeting the standards of OECD instruments and best practices, with the ultimate aim of OECD Membership.
- The Baltic countries noted that they had all become WTO members and would soon be invited to join NATO and the EU, but had not yet had any indication from the OECD Members on a possible enlargement of the Organisation, nor any recognition of their interest in OECD Membership.

Sustainability

The concept of sustainability was introduced as a potentially useful tool for focusing the Baltic Regional Programme and locking in its results. Sustainability, it was noted, is often a requirement of co-operation initiatives and part of their evaluation. Given the current state of play of the Programme, it is important to consider ways of ensuring the sustainability of the results, meaning that the positive impact of the BRP on policy and practices would stand the test of time. Sustainability takes into consideration that, at some point in the future, the BRP will have run its course. Whatever the route chosen towards sustainability, it will be necessary to work on each activity with its managers, the Baltic countries and the sponsors, to define the concept and the way to realise it.

The conclusion of the Chairman

The Chairman underlined the remarkable economic growth of the Baltic countries and their interest in continuing their reform programme with a view to completing their transition process. However, he stressed that further work is still needed on the development of social policy, on unemployment and on the effective implementation of the established legislation. The chair recognised the Baltic countries' active political and financial support for the Baltic Regional Programme and their indications of priorities for 2003. He took note of the Baltic countries' interest in closer integration with the OECD's bodies and instruments.

Implementation Note for Estonia

“Mutually beneficial co-operation with the OECD is continuing to be one of the constant priorities of Estonia’s foreign policy. Recognising the major role of international organisations, such as the OECD, in promoting economic and social welfare, sustainable development, and global integration, the Government of Estonia continues to adopt the OECD’s standards and best practises. In this process, Estonia forges ahead on an equal footing with the members of the OECD, concentrating on the areas where the OECD is most effective.

Estonia has successfully implemented the Baltic Regional Programme (BRP) activities since the establishment of the Programme in 1998. The Programme helps to carry out policy dialogue with the OECD member countries and helps to bring Estonia closer to the OECD’s main legal instruments. The Programme has made a valuable contribution to Estonia’s efforts by investing heavily in the development of economic conditions and the legal and institutional framework. As the Baltic Regional Programme is *“demand-driven”*, it is designed to meet the Baltic countries’ specific needs, and covers major policy areas of OECD expertise that are of mutual benefit. In this context, the high-level and equal policy dialogue in the form of the Evaluation Meeting and the ongoing consultations between Estonia and the OECD are crucial elements of successful implementation of the Programme. The positive self-correction factor of *“demand-driven”* works in favour of making the Programme more effective.”

Implementation Note for Latvia

“The Inter-Ministerial Advisory Board for co-ordination of the OECD BRP established by the Cabinet of Ministers in September 1998 was subsequently renewed last year in order to ensure proper implementation of the medium-term objectives of the BRP. The Inter-Ministerial Board is composed of representatives from different ministries, governmental organisations and institutions and is chaired by the Ministry of Foreign Affairs. ***The main goal of the board is to ensure a regular review of the BRP implementation process and to identify areas of priority in co-operation with the OECD.*** A majority of the members of the Board are those also involved in the co-operation with the other international organisations like the EU, the World Trade Organization, the International Monetary Fund, the World Bank etc, thus securing the supplementary or complementary nature of different programmes and activities.

Latvia highly appreciates the financial contributions to the BRP by the Nordic countries, as well as Poland and Ireland, as that ensures the sustainability of the activities. We also express the highest appreciation for the USA grant for the BACI initiative, an indispensable means to undertake measures in fighting corruption in Latvia. Latvia has also made financial contributions to the BRP and intends to do so in the future.”

Implementation Note for Lithuania

“With the aim of ensuring successful implementation of the BRP objectives, a resolution of the Prime Minister, which endorsed the Programme and the Working Group for the co-ordination of the BRP activities, was established in Lithuania. This Working Group, co-ordinated by the Foreign Ministry, comprises representatives from key ministries and governmental agencies. Moreover, it can be stated that the Lithuanian Government defines co-operation with the OECD as one of its economic priorities. Adherence to certain internationally recognised OECD documents and instruments have recently been placed high on the agenda of the Government’s Action Plan.

As a conclusion, based on the above statements, it can be said that, as in the years before, in 2001 the Baltic Regional Programme has clearly met its medium-term objectives. ***The Lithuanian administrative system on a large scale throughout the whole year has contributed to and benefited from the policy dialog.*** This was successfully reinforced through carefully prepared and focused meetings between Baltic officials and their OECD counterparts, as well as through Lithuania’s participation in formal OECD bodies.

Since the interest expressed towards the BRP by Lithuanian authorities has been consistently strong, and although the Programme has covered a very wide area, it is welcomed that the Programme progressively focussed on one unifying theme *“domestic policy challenges of Lithuania’s integration into the global economy and the EU in particular”*. Moreover, multilateral dialog through OECD helped Lithuania to design and improve its bilateral partnerships especially with their counterparts in the Baltic States and other neighbouring countries.”

**VIII. BALTIC REGIONAL PROGRAMME BUDGET
VOLUNTARY CONTRIBUTIONS AND
DISBURSEMENT REPORT**

BALTIC REGIONAL PROGRAMME BUDGET VOLUNTARY CONTRIBUTIONS AND DISBURSEMENT REPORT

VOLUNTARY CONTRIBUTIONS
(in 000s FF)

Programme funding received	1998	1999	2000
Denmark	527	528	517
EC Phare (<i>Education Review Latvia</i>)	364	--	--
Estonia	--	120	155
Finland	1,320	1,112	1,000
Finland (<i>Foreign direct investment</i>)	--	308	--
Iceland	50	60	60
Ireland	--	--	250
Latvia	--	--	130
Lithuania	--	--	130
Norway	816	800	800
Poland	200	200	250
Poland (<i>Education Review Lithuania</i>)	--	30	--
Sweden	1,127	1,095	1,200
Sweden (<i>Capital markets workshop</i>)	--	--	57
Total	4,404	4,253	4,549
Earmarked for project staff			
Finland	217	178	477
Sweden (SIDA)	--	460	524
Poland (in-kind)	--	P.M.	--
All grants	4,621	4,891	5,549

DISBURSEMENTS

1. Missions	615	762	550
2. Meetings	1,450	1,350	1,355
3. Consultants/auxiliaries/visiting experts	1,870	1,384	634
4. Project staff	679	1,388	2,738
5. Other	6	0	0
6. To be disbursed	1	8	272
Total	4,621	4,891	5,549

VOLUNTARY CONTRIBUTIONS	2001 In FFs	2001 In EUROS	2002 In EUROS
Programme funding received			
Denmark	528,444	80,561	0
EC Phare (<i>Education Review Latvia</i>)	0	0	0
EC Phare (<i>Baltic FEED</i>)	98,394	15,000	16,954
Estonia	155,000	23,630	25,000
Finland	1,000,000	152,449	152,449
Finland (<i>Foreign direct investment</i>)	0	0	0
Iceland	60,000	9,147	10,214
Ireland	250,000	38,112	38,000
Latvia	144,000	21,953	22,424
Lithuania	144,000	21,953	33,636
Norway	798,700	121,761	135,071
Poland	250,000	38,112	0
Poland (<i>Education Review Lithuania</i>)	0	0	0
Sweden	1,070,370	163,177	163,634
Sweden (<i>Capital markets workshop</i>)	0	0	0
Sub-total	4,498,908	685,855	597,382
Funding Earmarked for Project Staff			
Sweden (SIDA)	454,970	69,360	21,517
Finland	478,900	73,008	0
Sub-total	5,432,778	828,223	618,899
Funding Earmarked for Baltic Anti-Corruption Initiative (BACI)			
Norway	99,273	15,134	
USAID (multi-year funding 2001-2202)	1,206,154	183,877	367,756
Total	6,738,205	1,027,234	986,655
Disbursements of Programme Funding Received			
1. Missions	803,000	122,418	59,977
2. Meetings	1,189,788	181,382	117,992
3. Consultants/Auxiliaries/Visiting Experts	1,663,745	253,636	74,437
4. Project staff	2,862,144	436,331	178,218
5. Other	34,082	5,196	277,375
6. To be disbursed	185,446	28,271	278,656
Total	6,738,205	1,027,234	986,655

Comparison of funding amounts and sources of the Baltic Regional Programme from Part I of the Budget and Voluntary Contributions

	Part I of the OECD Budget	Voluntary contributions (VCs)	Total Part I + VCs	Per cent of Part I/Total Part I + VCs
	<i>In 000s FF</i>			
1998	762	4,621	5,383	14.2%
1999	856	4,891	5,747	14.9%
2000	910	5,549	6,459	14.1%
2001	1,643	6,738	8,381	19.6%
	<i>In 000s Euros</i>			
2001	250	1,027	1,277	19.6%
2002	164	987	1,151	14.3%

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 Merger Control in the Baltic Countries, 2003
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CCNM 2003-2004 Integrated Programme of Activities

CCNM 2002 Integrated Programme of Activities

CCNM 2002 Timetable of Events

CCNM 2001 Integrated Programme of Activities

CCNM 2001 Timetable of Events

ANNEX I.

PROGRAMME OF EVENTS: BALTIC REGIONAL PROGRAMME 2002

BALTIC REGIONAL PROGRAMME 2002					
DATE	ACTIVITY NO.	TITLE OF EVENT	LOCATION	IMPLEMENTING DIRECTORATE/ DIVISION	CONTACT
7 - 8 February 2002	II.A.1.4	MEETING International Network of Pension Regulators and Supervisors (INPRS) Regional Meeting for Central and Eastern European Countries (CEECs)	Tallinn	DAF/ FIN	Mr. J. Yermo Ms. C. Vignial
26 - 27 February 2002	II.A.10V	MEETING Review of the Baltic Status reports Baltic Anti-Corruption Initiative (BACI)	Tallinn	DAF/ ACD	Ms. V. Gundel Ms. N. Ehlermann-Cache (DAF) Ms. S. Siikamaki (CCNM)
26 - 28 March 2002	II.A.1.8	MEETING Fourth Annual Meeting of the Anti-Corruption Network	Istanbul (Private Sector Development Centre)	DAF/ ACD	Ms. V Gundel
2 - 3 May 2002	II.A.2.13V	MEETING Baltic Forum for Enterprise Development and Finance Working Group I	Tallinn	DAF/ IFED	Mr. M. Forst
6 - 10 May 2002	II.A.2.7V	WORKSHOP Domestic Tax Policy - Direct Taxation and Code of Conduct	Tallinn	DAF/ CTPA	Mr. R. Parry
3 June 2002	II.A.2.9V	MEETING Annual Baltic Regional Programme Evaluation Meeting	Paris	CCNM/ Dir & Coord	Ms. M. Yakowitz Ms. S. Siikamaki
10 - 14 June 2002	II.A.2.7V	WORKSHOP International Tax Policy	Riga	DAF/ CTPA	Mr. R. Parry
13 - 14 June 2002	II.A.2.2V	MEETING Informal Meeting of the Working Party of the Trade Committee with Baltic State officials	Paris	ECH/ TPD	Ms. B. Kalinova Mr. G. Holliday
5 July 2002	II.A.2.11V	MEETING Labour Market and Social Policy in the Baltic States	Palanga	ELS/ NEIM	Mr. A. Reutersward

BALTIC REGIONAL PROGRAMME 2002					
DATE	ACTIVITY NO.	TITLE OF EVENT	LOCATION	IMPLEMENTING DIRECTORATE/ DIVISION	CONTACT
22 - 25 July 2002	II.A.2.1V	WORKSHOP Compiling Price Statistics for the National Accounts	Paris	STD/ DNM	Ms. F. Maitland- Smith
27 - 28 August 2002	II.A.10V II.A.2.7V	MEETING Baltic Anti-Corruption Initiative: Tax Treatment of Bribes to Foreign Public Officials	Riga	DAF/ ACD DAF/ CTPA	Ms. V. Gundel Ms. N. Ehlermann-Cache Mr. R. Parry
25 - 27 September 2002	II.A.2.13V	MEETING Baltic Forum for Enterprise Development and Finance Working Group Meeting	Tallinn	DAF/ IFED	Mr. M. Forst
30 September 2002	II.A.2.11V	MEETING Ad hoc meeting of the Employment, Labour and Social Affairs (ELSA) Committee to discuss the Review of Labour Market and Social Policy in the Baltic States	Helsinki	ELS/ NEIM	Mr. A. Reutersward
14 - 16 October 2002	II.A.2.8V	WORKSHOP Workshop on Competition Policy	Riga	DAF/ COMP	Mr. L. Göranson
21 - 22 October 2002	II.A.10V	MEETING: Baltic Anti-Corruption Initiative: State Audit and Financial Control	Vilnius	DAF/ ACD	Ms. V. Gundel Ms. N. Ehlermann-Cache
14 - 15 November 2002	II.A.2.2V	MEETING Economic and Regulatory Environment for Trade in Services in Transition Economies	Paris	ECH/ TPD	Ms. B. Kalinova Mr. G. Holliday
21 - 22 November 2002	II.A.2.5V	MEETING Expert Meeting on Pension Reform in Baltic Countries	Vilnius	DAF/ FIN	Ms. C. Vignial
25 - 26 November 2002	II.A.2.12V	MEETING The Role of Parliamentary Committees in Formulating Education Policy	Vilnius	ELS/ NEIM	Mr. I. Whitman
3 - 4 December 2002	II.A.10V	MEETING: Baltic Anti-Corruption Initiative: Elements of the Bribery Convention	Tallinn	DAF/ ACD	Ms. V. Gundel Ms. N. Ehlermann- Cache

ANNEX II

PROGRAMME OF EVENTS: BALTIC REGIONAL PROGRAMME 2003

BALTIC REGIONAL PROGRAMME 2003					
DATE	ACTIVITY NO.	TITLE OF EVENT	LOCATION	IMPLEMENTING DIRECTORATE/ DIVISION	CONTACT
7 - 8 April 2003	II.A.2.7	MEETING Third Annual Forum of Debt Managers	Copenhagen	DAF/ FIN	Mr. H. Blommestein
23 - 25 April 2003	II.A.2.6	MEETING Conference on Private Pensions in the Baltic Countries	Tallinn	DAF/ FIN	Mr. D. Lindeman
12 - 16 May 2003	II.A.2.3	WORKSHOP International Tax Policy	Riga	DAF/ CTPA	Mr. R. Parry
May 2003 (Dates to be determined)	II.A.2.8	SEMINAR Anti-Corruption Public Procurement Seminar in co-operation with the Council of the Baltic Sea States (CBSS)	Vilnius	CCNM (Dir. & Coord) DAF/ ACD GOV/ GRS ECH/ TLR	Ms. M. Yakowitz (CCNM) Ms. V. Gündel Ms. N. Ehlermann- Cache (DAF)
10 - 12 June 2003	II.A.2.2	SEMINAR Seminar on Agriculture and Rural Incomes, Labour Mobility and Rural Development Policies in Estonia, Latvia and Lithuania	Tallinn	AGR/ NME	Mr. M. Ryan
11 - 13 June 2003	II.A.2.5	WORKSHOP Workshop on Hard Core Cartels	Vilnius	DAF/ COMP	Ms. S. Van Sicken
16 June 2003	II.A.2.12	MEETING Annual Baltic Regional Programme Evaluation Meeting	Paris	CCNM/ Dir & Coord	Ms. M. Yakowitz Ms. S. Siikamaki
1 - 5 September 2003	II.A.2.3	WORKSHOP Transfer Pricing Guidelines	Vilnius	DAF/ CTPA	Mr. R. Parry
15 - 19 September 2003	II.A.2.3	WORKSHOP Indirect Methods of Taxation	Tallinn	DAF/ CTPA	Mr. R. Parry

BALTIC REGIONAL PROGRAMME 2003					
DATE	ACTIVITY NO.	TITLE OF EVENT	LOCATION	IMPLEMENTING DIRECTORATE/ DIVISION	CONTACT
3 - 4 December 2003	II.A.2.1 / II.A.1.2 (Common Programme for Transition Economies of Europe and Central Asia) / II.A.4.4 (Russia Programme) / II.A.3.4 (South Eastern Europe Regional Programme)	MEETING Informal Meeting of the Working Party of the Trade Committee - Relations with Economies in Transition	Paris	ECH/ TPD	Ms. N. Dihel Ms. B. Kalinova
2003 (Dates to be determined)	II.A.2.7	MEETING Working Group on Capital Markets (Transaction Costs)	Helsinki	DAF/ FIN	Mr. H. Blommestein
2003 (Dates to be determined)	II.A.2.8	WORKSHOP Role of Tax Administrations in the Fight against Corruption	To be determined	DAF/ ACD	Ms. V. Gündel Ms. N. Ehlermann- Cache
2003 (Dates to be determined)	II.A.2.8	WORKSHOP Effective Monitoring of Anti-Bribery Measures	To be determined	DAF/ ACD	Ms. V. Gündel Ms. N. Ehlermann- Cache
2003 (Dates to be determined)	II.A.2.10	SEMINAR A New Leadership Role for Ministries of Education	To be determined (Estonia)	EDU	Mr. I. Whitman
2003 (Dates to be determined)	II.A.2.6	MEETINGS Expert Meetings on Insurance in Baltic Countries	To be determined	DAF/ FIN	Ms. C. Vignial

ANNEX III

1. PARTICIPATION BY THE BALTIC STATES³ IN OECD GLOBAL FORUMS 2002

<i>OECD GLOBAL FORUMS 2002</i>				
GLOBAL FORUM	EVENT DATES	EVENT	LOCATION	IMPLEMENTING DIRECTORATE
OECD Global Forum on Knowledge Economy - The Digital Economy	21 - 23 January 2002	OECD Global Conference on Telecommunications Policy for the Digital Economy (participation by Latvia)	Dubai	CCNM/DSTI
OECD Global Forum on Sustainable Development	28 - 30 January 2002	International Conference on Territorial Development (participation by Latvia)	Paris	CCNM/GOV
OECD Global Forum on Competition	14 - 15 February 2002	Meeting on Competition Policy	Paris	CCNM/DAFFE
OECD Global Forum on Governance	24 - 25 April 2002	Second APEC ⁴ -OECD Workshop on Regulatory Reform (participation by Estonia)	Merida	CCNM/GOV
OECD Global Forum on Sustainable Development	24 - 26 April 2002	Conference on Financing the Environmental Dimension of Sustainable Development (participation by Lithuania)	Paris	CCNM/ENV
OECD Global Forum on Agriculture	23 - 24 May 2002	Meeting on Linkages between Agricultural Trade Reform, Adjustment and Poverty (participation by Estonia)	Paris	CCNM/AGR
OECD Global Forum on Agriculture	21 June 2002	Workshop on Agricultural Policies and Support in Non-Member Transition Economies	Paris	CCNM/AGR
OECD Global Forum on Knowledge Economy – Biotechnology	16 - 18 September 2002	OECD Workshop for the Assessment of Novel Foods and Feeds	Moscow	CCNM/ENV
OECD Global Forum on Taxation	19 - 20 September 2002	Global Forum on Tax Treaties and Transfer Pricing	Paris	CCNM/DAFFE

3. Unless otherwise indicated, participation in CCNM 2002 Global Forum events included representatives from all three Baltic States (Estonia, Latvia and Lithuania)
4. APEC - Asia-Pacific Economic Co-operation

OECD GLOBAL FORUMS 2002				
GLOBAL FORUM	EVENT DATES	EVENT	LOCATION	IMPLEMENTING DIRECTORATE
OECD Global Forum on Governance	2 - 3 December 2002	Meeting on Public Sector Modernisation (participation by Latvia)	London	CCNM/GOV
OECD Global Forum on Knowledge Economy - Common Elements	10 December 2002	Meeting of member and non-member economies on the progress of the "Bologna Process" (participation by Estonia)	Paris	CCNM/DSTI

2. PARTICIPATION BY THE BALTIC STATES IN OECD GLOBAL FORUM ON TAXATION EVENTS (MULTILATERAL TAX CENTRES)

OECD GLOBAL FORUM ON TAXATION 2002 (MULTILATERAL TAX CENTRES)				
GLOBAL FORUM	EVENT DATES	EVENT	LOCATION	IMPLEMENTING DIRECTORATE
OECD Global Forum on Taxation	18 - 22 March 2002	Workshop on Tax Avoidance (Part 1) (participation by Estonia and Latvia)	Vienna (Multilateral Tax Centre)	CCNM/DAFFE
OECD Global Forum on Taxation	11 - 12 April 2002	Workshop on Income Tax	Budapest (Multilateral Tax Centre)	CCNM/DAFFE
OECD Global Forum on Taxation	3 - 7 June 2002	Workshop on Exchange of Information and Bank Secrecy	Budapest (Multilateral Tax Centre)	CCNM/DAFFE
OECD Global Forum on Taxation	17 - 21 June 2002	Workshop on International Tax Evasion and Avoidance (part III)	Vienna (Multilateral Tax Centre)	CCNM/DAFFE
OECD Global Forum on Taxation	1 - 5 July 2002	Workshop on Tax Treaty - Special Issues	Vienna (Multilateral Tax Centre)	CCNM/DAFFE
OECD Global Forum on Taxation	28 - 29 November 2002	Workshop on Income Tax	Budapest (Multilateral Tax Centre)	CCNM/DAFFE
OECD Global Forum on Taxation	2 - 6 December 2002	Workshop on Tax Incentives	Budapest (Multilateral Tax Centre)	CCNM/DAFFE
OECD Global Forum on Taxation	9 - 13 December 2002	Workshop on Taxation of Financial Institutions	Vienna (Multilateral Tax Centre)	CCNM/DAFFE

ANNEX IV

PARTICIPATION BY THE BALTIC STATES IN THE OECD COMMON PROGRAMME FOR TRANSITION ECONOMIES OF EUROPE AND CENTRAL ASIA 2002

COMMON PROGRAMME FOR TRANSITION ECONOMIES OF EUROPE AND CENTRAL ASIA 2002				
DATE	ACTIVITY NO.	TITLE OF EVENT	LOCATION	IMPLEMENTING DIRECTORATE/ DIVISION
6 - 7 February 2002	II.A.1.4	MEETING International Network of Pension Regulators and Supervisors (INPRS) Regional Meeting for Central and Eastern European Countries (CEECs)	Tallinn	DAF/ FIN
4 - 5 March 2002	II.A.1.3	MEETING Trade Committee: Services Experts Meeting (participation by selected non-Member economies)	Paris	ECH/ TPL
4 - 15 March 2002	II.A.1.11	SEMINAR Competition Policy	Vienna (Joint Vienna Institute)	DAF/ COMP
26 March 2002	II.A.1.18V	SEMINAR Enterprise Clusters and Business Networks	Prague	TDS/ LEED
26 - 28 March 2002	II.A.1.8	MEETING Fourth Annual Meeting of the Anti-Corruption Network	Istanbul (Private Sector Development Centre)	DAF/ ACD
11 - 12 April 2002	II.A.1.4	SEMINAR Seminar on Private Pension Fund Investment	Budapest	DAF/ FIN
15 - 19 April 2002	II.A.1.12	SEMINAR Tax Modeling	Vienna (Joint Vienna Institute)	DAF/ CTPA
22 April 2002	II.A.1.18V	SEMINAR Enterprise Clusters and Business Networks	Warsaw	TDS/ LEED
27 - 28 May 2002	II.A.1.19V	SEMINAR Lessons of Pension Reform in Central and Eastern Europe	Warsaw	ELS/ NEIM
6 - 8 June 2002	II.A.1.10V	MEETING Expert Meeting on Environmental Inspection Criteria in the NIS	Riga	ENV/ NMC
13 - 14 June 2002	II.A.1.3	MEETING Informal Meeting of the Working Party of the Trade Committee: Trade Relations with Economies in Transition	Paris	ECH/ TPD

COMMON PROGRAMME FOR TRANSITION ECONOMIES OF EUROPE AND CENTRAL ASIA 2002				
DATE	ACTIVITY NO.	TITLE OF EVENT	LOCATION	IMPLEMENTING DIRECTORATE/ DIVISION
26 July 2002	II.A.1.7	MEETING OECD Multilateral Centre for Private Sector Development Executive Board Meeting	Istanbul (Centre for Private Sector Development)	DAF/ IFED
7 October 2002	II.A.1.10V	MEETING Expert Meeting on the Draft Report Assessing the Implementation of the Aarhus Policy Statement on Environmental Management in Enterprises (EME) in Central and Eastern Europe Countries (CEECs) and the New Independent States (NIS)	Almaty	ENV/ NMC
7 - 9 October 2002	II.A.1.10V	MEETING Fourth Meeting of the NIS Environment Enforcement and Compliance Network	Almaty	ENV/ NMC
14 - 18 October 2002	II.A.1.14	SEMINAR Seminar on Implementing Social Assistance Schemes	Vienna (Joint Vienna Institute)	ELS/ NEIM
28 - 31 October 2002	II.A.1.18V	MEETING East-West Cluster Summit	Grado and Udine	TDS/ LEED
7 - 8 November 2002	II.A.1.4	MEETING: Central and Eastern Europe Regional INPRS Seminar on Pension Fund Governance	Ljubljana	DAF/ FIN
11 - 15 November 2002	II.A.1.13	COURSE Social Policy Segment of the Applied Economic Policy Course	Vienna (Joint Vienna Institute)	ELS/ NEIM
14 - 15 November 2002	II.A.1.3	MEETING Informal Meeting of the Working Party of the Trade Committee: Economic and Regulatory Environment for Trade Services in Transition Economies	Paris	ECH/ TPD
25 - 26 November 2002	II.A.1.7	MEETING International Investment Incentives	Istanbul (Private Sector Development Centre)	DAF/ IFED
3 - 4 December 2002	II.A.1.10V	EXPERT GROUP Advancing Coherent Reforms of Environmental Policy Instruments in the NIS: Experience and Roadmap for the Future	Paris	ENV/ NMC
5 - 6 December 2002	II.A.1.4	WORKSHOP Third Workshop on Housing Finance in Transition Economies	Warsaw	DAF/ FIN

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OECD SECRETARIAT CONTACT INFORMATION

Mrs. Marilyn YAKOWITZ, Head, South America, Brazil, Baltics and Exploratory Programmes
Sustainable Development and Knowledge Economy Forums
E-mail: marilyn.yakowitz@oecd.org

Ms. Sirkka SIIKAMÄKI, Administrator, Baltic Regional Programme
E-mail: sirkka.siikamaki@oecd.org

Mr. Hervé BOURCE, Assistant
E-mail: herve.bource@oecd.org

POSTAL ADDRESS

OECD, Centre for Co-operation with Non-Members
Baltic Regional Programme
2 Rue André-Pascal
75775 Paris, cedex 16
France

FAX

00 331 4524 9177