



**CENTRE FOR CO-OPERATION WITH NON-MEMBERS**

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CENTRE FOR CO-OPERATION WITH NON-MEMBERS  
CENTRE POUR LA CO-OPERATION AVEC LES NON-MEMBRES

# **BALTIC REGIONAL PROGRAMME**

## **ANNUAL REPORT**

**2003**



ORGANISATION DE CO-OPERATION ET DEVELOPPEMENT ECONOMIQUES  
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## **OECD CENTRE FOR CO-OPERATION WITH NON-MEMBERS**

The Centre for Co-operation with Non-Members (CCNM) promotes and co-ordinates the OECD's policy dialogue and co-operation with non-OECD members. The CCNM operates under the overall guidance of the Committee on Co-operation with Non-Members, a subsidiary intergovernmental body of the Council. Currently, the OECD maintains contact with a large number of non-members.

The CCNM ensures that this dialogue remains relevant, effective and forward-looking and it serves as a focal point for relations between the OECD and non-member economies. Essentially, the CCNM brings together reformers from around the world to share policy experience and analysis contributing to global economic growth, social development and good governance.

While overseeing and providing coherence to over 120 activities, the CCNM monitors and analyses developments in non-member economies, adapting the Organisation's co-operative activities accordingly. The CCNM's programmes cover the major policy areas of OECD expertise that are of mutual interest to OECD countries and non-members alike. These include: economic monitoring, statistics, structural adjustment through sectoral policies, trade policy, competition policy, international investment, financial sector reform, international taxation, environment, agriculture, labour market, education and social policy, as well as innovation and technological policy development.

With its global perspective, wide range of experience, the CCNM is well-positioned to help non-members to contribute to the OECD's work and benefit from it.

## FOREWORD

In 2003, growth rates in the dynamic and expanding Baltic economies were among the highest in Europe. Lithuania, Latvia and Estonia have fostered economic development and attracted foreign direct investment by major reforms. They also have the most highly educated population among the new EU entrants.

For more than six years, the Baltic Regional Programme (BRP) has successfully assisted the three Baltic countries to complete their transition to market economies. Through joint work in key policy areas, the BRP has been an instrument for the Baltic region's stable integration into the global economy.

These countries have incorporated the outcomes of BRP activities into their policies and practices as they continue to build up their national legislations and administrations. The programme has encouraged the use of OECD best practices in the development of policies and strategies in the region.

The Baltic Regional Programme's medium-term objectives 2001-2003, assessed in this report, represent the priorities and results sought by the Governments of Estonia, Latvia and Lithuania.

In 2003, the Programme covered numerous policy areas: agriculture, anti-corruption, insurance and pensions reform, taxation, trade in services, public debt management, government securities markets, competition policy, social and labour market policy, and education. In addition, the Baltic countries have increased their participation in OECD bodies and have enhanced their association with the OECD's legal instruments.

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. The Baltic Regional Programme has received considerable financial and intellectual support from the Baltic countries themselves and from OECD member countries. This support will continue to be essential to complete and sustain the BRP in 2004.

With the accession of the Baltic countries to the European Union, as of May 2004, it is expected that the Programme will run with its current arrangements until the end of 2004. Therefore, the 2004 activities of the BRP will be geared to help ensure the long-term sustainability of the results achieved over the course of the Programme (since 1998). In all respects, the BRP has worked effectively to complement and supplement the countries' EU accession efforts.

This report is published on 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. CO-OPERATION BETWEEN OECD AND THE THREE BALTIC COUNTRIES

### 1. *The Purpose of the Baltic Regional Programme*

The Programme has worked successfully over the past six 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 the 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 the Baltic countries an important platform for sharing and exchanging experience with OECD member countries. Since its inception, the CCNM's Baltic Regional Programme has engendered intensive co-operation between the OECD and Lithuania, Latvia and Estonia.

In some activities, there has been participation by a few north-western Russian regions, including Kaliningrad, Karelia, Novgorod and Saint Petersburg. In the field of Competition Policy for instance, several Russian neighbouring regions participated in June 2003 in a workshop on "Competition Policy in the Baltic Region" held in Lithuania.

The Baltic countries are also invited to participate in the eight OECD Global Forums and in the CCNM Common Programme for Transition Economies of Europe and Central Asia. To widen scope of co-operation with OECD, the Baltic countries have also developed their participation in OECD subsidiary bodies.



#### 4. *Meeting the Objectives*

Detailed medium-term objectives have provided guidance for the direction and implementation of the Baltic Regional Programme. Formulated among the donor countries, the Baltic countries and the OECD Secretariat, these objectives have indicated the priorities of the three Baltic countries and the sponsoring countries, and prescribed 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 2001.

These objectives were voluntary commitments or benchmarks agreed among the OECD and the Baltic countries, *i.e.* not a form of conditionality. Their existence was meant to strengthen the commitment by all parties involved in the continuation of the Programme and the achievement of its goals. This was 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.

A common thread of the Medium-Term Objectives was to provide analyses, which pointed 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 Medium-term objectives have made it easier to put a meaningful evaluation process into operation by providing benchmarks to gauge the performance of the activities over time. The evaluation of the OECD's co-operation with non-members (1999) confirmed the importance of appropriate evaluation mechanisms.

These objectives also have helped to avoid duplication of activities conducted by other international organisations, in particular 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/dataoecd/60/41/1899408.doc>.

#### 5. *The Organisational Context: OECD Co-operation with Non-Members*

The OECD assists its 30 member countries in achieving the highest sustainable economic growth, employment and a rising standard of living 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 groups of non-OECD members.

To manage this policy dialogue with non-members, the OECD has established a Centre for Co-operation with Non-Members (CCNM). The Baltic countries participate in some of the OECD "Global Forums" which cover eight fields: sustainable development, governance, the knowledge economy, international investment, trade, taxation, agriculture and competition.

Before 1998, OECD co-operated with Estonia, Latvia and Lithuania in the context of its general work with the transition countries in Central and Eastern Europe. In order to widen the scope of co-operation with OECD, the Baltic countries have also developed their participation in the work of OECD Committees and other subsidiary bodies.

## II. HIGHLIGHTS

### 1. Baltic Regional Programme Accomplishments in 2003

Outstanding work was particularly performed in 2003 in anti-corruption, insurance and pensions or labour and social policies. In other sectors, such as financial markets, taxation, competition, agriculture or education, ongoing work produced sustainable results.

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

The exchange of experience between OECD and Baltic counterparts on market development and promoting “best practice” assist the Baltic governments in reforming their pension schemes and in drafting appropriate regulatory frameworks and supervisory oversight to ensure the implementation and development of sound and sustainable insurance and private pension markets.

– **Building debt management capacity in the run-up to EU accession**

The Baltic-Nordic Forum on Public Debt Management dealt with some of the key implications and risks of accession to the euro-zone for the debt management strategy in Baltic jurisdictions, with special emphasis on the various risks prior to and during the transition to the euro.

– *Improved management of interest and currency risk*

Baltic debt managers need to move away from *ad hoc* risk control procedures by integrating better the management of interest and currency risk into the overall debt management framework. Recent advances in risk management by OECD debt managers provide important guidance.

– *The increased importance of creating benchmark loans*

Debt management within the euro-zone (even for those still formally outside, but with an orientation on the euro-zone) differs considerably from issuing and managing debt in a (smaller) domestic currency market. Increased competition means that the importance of creating benchmarks has increased. This in turn means that Baltic debt managers need to adopt euro-zone market conventions.

– **The Baltic countries attach a high value to analysis and exchange of best practices on competition law enforcement**

Profound analysis and exchange of best practices on law enforcement against cartels and abuses of dominance, merger control, and vertical restraints help the Baltic authorities build know-how and experience in competition law enforcement, and strengthen links and networks internally and internationally. The participation of Russian neighbouring regions is essential for improving capacity and enforcement in the wider region.

– **Baltic countries’ strong interest in the Baltic Anti-Corruption Initiative (BACI) technical workshops**

Both the Baltic states and donor countries rate the BRP anti-corruption activities as a very high priority. There is strong mutual support of the BACI analytical process. Technical workshops are part of this effective method.

A conference on Corruption and Public Procurement, organised in co-operation with the Council of Baltic Sea States (CBSS), was a major contribution to the overall public procurement reform efforts in the Baltic countries. It has enabled Baltic policy makers to explore essential procurement policy issues that they have to take into account. The Conference has also strengthened the links between anti-corruption policy makers, procurement policy makers and experts.

A subsequent workshop, on Ethics in the Public Sector, was of high importance insofar as it helped Baltic officials to identify needed changes and to discuss recommendations for improvement of the public sector ethics infrastructure in the Baltic countries.

– **OECD’s technical expertise on taxation is unique**

OECD expertise in the taxation field is highly rated, as it cannot be provided by any other international institution. A wide range of technical issues, which are essential to the Baltic countries, was covered in 2003 through meetings and workshops: international tax policy, transfer pricing and international issues in value added tax (VAT).

– **Ensuring a vibrant and sustainable rural economy in the Baltic countries**

This was the focus of the OECD’s meeting with the Baltic countries held in June 2003. Needed structural and policy reforms in rural areas were discussed by Baltic policy makers and OECD experts.

– **Impressive progress has been made by the Baltic countries since the early 1990s in the field of labour market and social policies**

The much-awaited OECD Policy Review analyses the key issues facing each Baltic country in this area. The review report provides detailed information and policy recommendations in five topical sectors: labour law; “active” and “passive” labour market policies; pension reform; long-term care of the elderly; and social assistance benefits.

– **The Estonian Ministry of Education and Research gave a warm reception to the OECD Education Review of Estonia**

On the occasion of the conference with the Ministry of Education held in November 2003, the Estonian Minister and several other presenters eulogised the review, underlined its impact on national policy and its influence on positive developments in the sector.

## **2. Looking Ahead**

With the accession of the Baltic countries to the European Union in view, the BRP activities during 2004 are geared to help ensure the long-term sustainability of the results achieved over the course of the Programme. The Baltic Regional Programme for 2004 is therefore concentrated on the following priority topics:

- Taxation;
- Social and Labour Policy;
- Anti-corruption and combating bribery;
- Trade.

Furthermore, work will be completed in the fields of:

- Insurance and pensions Competition Policy;
- Education;
- Competition;
- Agriculture;
- Debt and Securities Management.

The Baltic Regional Programme 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.

### III. EVALUATION OF THE MEDIUM-TERM OBJECTIVES

#### 1. Overview

The medium-term objectives of the Baltic Regional Programme were endorsed by the governments of Estonia, Latvia and Lithuania in 2001.

The establishment of the medium-term objectives has raised the expectation that they:

- would give a sense of direction and longer-term purpose to the Programme, which was less evident with a shorter planning horizon;
- make the Programme's evaluation process easier by providing benchmarks to gauge the performance of the activities over time;
- strengthen the commitment of all parties involved in the Programme; and
- help to avoid duplication of activities conducted by other international institutions.

The medium-term objectives have been considered as voluntary commitments or benchmarks agreed by the Baltic countries and OECD. They constituted a mutual understanding, but should not be seen as a form of conditionality.

The medium-term objectives 2001-2003 have been described per activity. They were assessed at the end of 2003 by the activities managers.

#### **Public Debt Management and Government Securities Markets**

The medium-term objective is to discuss best or good practices developed by the OECD working party on public debt management. More specifically, this means focusing on best practices in Baltic primary and secondary public debt markets, as well as in developing sufficient capacity in managing financial market volatility and risks.

Against this backdrop, it can be noted that the Baltic-Nordic Forum on Public Debt Management contributed to the following medium-term objectives. The discussion on *debt management implications of accession to the euro-zone* enhanced the understanding of Baltic debt managers in adjusting the overall strategic (longer-term) debt management framework (including the integration of funding policies and risk management) to the new euro-zone environment. Specific risk management issues were discussed in the session on *the management of interest- and currency risk* against the background of recent advances in OECD jurisdictions. The improvement of primary market practices were discussed in the session on *the creation of benchmark loans*.

#### **Development of Private Capital Markets in the Baltic Region**

The discussions during 2002 and 2003 focused on best (or good) practices in the areas of primary and secondary capital market operations, including clearing and settlements, legislation, regulatory responsibilities and supervision. The work on legislation and regulations by the Nordic Council of Ministers and the European Federation of Exchanges on market practices provided important input to these discussions.

## **Insurance and Pensions**

Policy dialogues on private pension and insurance with the Baltic states have been closely linked over the last three years through a common aim to develop these markets in the context of an adequate regulatory and supervisory framework. The pension workshops and meetings have indeed assisted the Baltic countries in reforming their pension systems and in drafting appropriate new regulations for the development of privately funded pension plans. However, further assistance was requested by Baltic policy makers to implement these reforms and take adequate measures to ensure the soundness and sustainability of these new schemes on the long run and particularly as regard to the investment regulation of pension funds and insurance companies, or the management and administration of private pension schemes.

As regards the insurance sector, policy dialogue and the recommendations of guidelines and best practices have certainly promoted the enforcement of key regulatory improvements related to the insurance legislative framework in the Baltic countries, such as the introduction of compulsory insurance for motor third party liability in Lithuania in 2001 (after Estonia and Latvia), the gradual amendment and completion of special legislation dedicated to insurance activities, including liberalisation, the insurance contract and reinsurance legislation (Lithuania issued a specific legislation in 2003, which provides criteria for choosing a reinsurer). The organisation of the supervisory framework of insurance and pension activities has also evolved along the lines of many OECD countries with the convergence of financial supervisory authorities in Estonia and Latvia in 2002. Meanwhile, insurance markets have steadily developed in the Baltic states over the last couple of years. Even though the non-life sector retains the higher share of premiums (more than 80% of gross premiums in each Baltic market) largely thanks to the introduction of compulsory insurance, the life insurance market is increasing at a faster rate (more than 25% in Estonia and Lithuania over the last three years) and should extend its potential market with the implementation of the Pension Reform. However, as underlined in the forthcoming publication, some gaps in the regulations are still to be filled such as the improvement of the protection of policyholders' rights, on reinsurance regulations. The insurance market and particularly the life and reinsurance activities could be developed further through appropriate regulation, especially in light of the development of a sustainable privately funded pension regime. More should also be done in terms of insurance and pensions awareness and education of the population and of financial governance policy issues in Baltic (and OECD) countries.

## **Taxation**

The programme in 2003 is part of the continuing efforts in encouraging and assisting the Baltic states to modernise their tax systems and to adopt or be associated with OECD standards and guidelines. The medium term objectives of the programme have largely been achieved as all three Baltic countries are now working in the context of OECD instruments such as the Model Tax Conventions and Transfer Pricing Guidelines. In the last ten years, the Baltic countries have negotiated over 100 tax treaties based on the OECD model and have stated their positions in the 2003 update of its Model Tax Convention. All three countries have also used the materials developed during the policy dialogue events to improve their own transfer pricing guidelines/regulations.

To varying degrees, the Baltic countries are now following approaches which reflect the work of the OECD's Committee on Fiscal Affairs on harmful tax practices and electronic commerce, and Lithuania has reported adopting property tax rules that are based on market valuation.

## **Competition Policy**

The primary medium term objective for this activity is to assist the Baltic competition authorities in implementing enforcement and advocacy activities in a manner that reaches or approximates international "best practice" standards as reflected in OECD documents. A second medium-term objective is to improve

competition law and policy implementation in Russia's contiguous territories and improve international co-operation in the area. These objectives were furthered in 2003 with respect to the investigation and prosecution of hard-core cartels.

### **Agriculture**

In line with the medium-term objectives, defined in 2001, the work on agricultural trade and fisheries has:

- provided an improved understanding of how the agricultural trade policy interests of the Baltic states converge and diverge with those of other transition economies and their prospective partners in the European Union. From there, the work has assessed how these concerns might be accommodated within a future WTO agreement;
- assisted the Baltic states in adapting their agricultural policies to a more liberal overall trading environment, ensuring that already liberal trading regimes are maintained or that more liberal policies are introduced, as appropriate;
- assessed the progress towards market orientation of agriculture in the Baltic countries using the OECD's methodology to quantify and evaluate producer and consumer support levels (Producer and Consumer Support Estimates - PSE/CSEs);
- assessed the Baltic states' agricultural outlook;
- assessed the policy issues and challenges faced by the agro-processing sector in the Baltic states;
- undertaken work for the fisheries sector, complementary to that on agricultural trade policy through a similar analysis for fisheries products. Through this, the work has contributed an important new aspect to the OECD study on market liberalisation in the fisheries sector, with emphasis on the problems with which the Baltic fishing nations are confronted;
- Provided, to the extent possible, analysis that can also be drawn upon by other transition and emerging economies.

### **Trade**

In line with its medium-term objectives, the activity has allowed to identify remaining obstacles for trade in services in the Baltic countries and further improve trade and investment climate for services in these countries. The active participation of Baltic trade officials and experts in the OECD meetings has facilitated the sharing of experience among transition economies on successful strategies for development of the service sector, and the best practices for promoting trade in services at the regional and multilateral level.

### **Labour Market and Social Policy**

The policy review *Labour market and social policies in the Baltic countries*, published in 2003, was the product of fruitful co-operation between the OECD and the Baltic Ministries of Labour and Social Affairs, and its recommendations have been reflected in subsequent policy decisions on several points, for example concerning reforms of unemployment benefits in Lithuania and social assistance in Latvia. The report also formed the basis of extended analysis of Latvian policy questions as contribution to a World

Bank Country Economic Memorandum entitled *Latvia: The quest for jobs and growth* (published in January 2004).

## **Education**

### *General*

The OECD's education policy reviews of each of the three Baltic countries were deemed important by the authorities of these countries on national, regional and international levels. National, because the reviews address specific domestic policy issues which vary widely between the countries. Regional, as they offer recommendations on issues that are common to all three. And international, as they offer an overview of the system to the international community, address issues that are of concern to all countries and allow the three countries to gauge their systems *vis-à-vis* OECD countries. In 2004, these reports are still consulted by successive governments and the Estonian Minister of Education and Research expressed interest in a second policy review. Estonia will participate in the Tertiary Education Thematic Review being undertaken in 2004-05. Estonia became an observer on the OECD Education Committee in 2003 and Latvia has applied for observer status.

The OECD team's site visits and ensuing discussions led to reinforcing policy initiatives and in some cases initiating policy. However, many of these are contingent on reforms in other sectors. The individual national reports and recommendations highlighted these and assisted the governments in setting medium term goals:

- Public administration reform to reduce the number of administrative units for an effective regional structure for delivery of services to local schools;
- Optimisation in the areas of student teacher ratio, an increase of the percentage of graduates among pre-service graduates entering the profession, evidenced by a decrease in the average age of teachers and increases in the percentage of teachers participating in in-service training;
- Implementation of new, more efficient and equitable financing policies that provide institutions with incentives to respond to developing elements of the economy. Funding policies and raising teacher salaries to the average median wage, and commitment to a minimum percentage of GDP for education, are linked to overall fiscal reform and economic growth;
- Increasing the number of multi-profile schools offering general and vocational education options more closely linked to labour market needs;
- Measurable horizontal relationships between the non-university tertiary sector and social partners (*e.g.* increased evidence of apprenticeships) and with the developing economy (*e.g.* numbers of new programmes related to labour market needs);
- Higher education links with the national economy can be enhanced by indicators of the percentage of research output dedicated to emerging sectors versus traditional ones and student majors related to these same areas;
- Policies to increase the percentage of adults in tertiary education as a measure of lifelong learning.



Following the review meeting in June 2000, which ended the first phase of the activity with discussions on specific policy issues, a series of events was launched. The review meeting provided not only an opportunity for the three Baltic countries to share views and concerns with OECD partners, but also an occasion for them to cover regional issues. The first follow-up activity was a presentation of the review and discussion at the annual meeting of Latvian educators in August 2000, opened by President Vaira Vike Freiberga with 1 500 participants and extensive media coverage. Two smaller seminars were organised with the Estonian authorities in 2002.

In November 2002, a joint conference with the Parliament of the Republic of Lithuania, on the theme of the role of parliamentary committees in policy formulation was held in Vilnius. 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 OECD Secretariat. Among the presenters were Members of Parliament from Belgium, Finland and Slovenia, the Deputy Prime Minister of Croatia and experts from member countries.

The reviews were a discussion point at the 2002 meeting of the Baltic Regional Programme at the OECD 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.

In Tallinn, in November 2003 a joint conference with the Estonian Ministry of Education and Research on 'From Forward Thinking to Action' was held. The Estonian presenters underlined on several occasions the importance of the review: its impact on national policy and its influence on positive developments in the sector. Issues were addressed such as the role of the Ministry and Parliamentary Committee in leading and implementing reforms; continuing reform of general education; the reform of vocational education and applied higher education in relation to the needs of the labour market; retraining of the adult population; and lessons from Estonian and international perspectives on implementing and sustaining reform.

#### *EU Accession*

All three reviews can be described as both supplementary and complementary to the issue of EU accession. The *acquis communautaire* has largely been accomplished for the education sector *per se*, but close co-operation with EU agencies during the review process has ensured that recommendations reinforce EU policy objectives. On issues such as regionalisation of management and finance responsibilities and student mobility, the reports offer recommendations that are complementary to accession requirements.

#### *Participation in Other OECD Initiatives*

Although there are no OECD instruments in the field of education, there are programmes that all OECD member states adhere to such as indicators and statistics. One example is the Programme for International Student Assessment (PISA) which has been established collaboratively by OECD countries. Latvia has worked with the OECD on implementing PISA since 1997 and, so far, implemented two successful survey rounds resulting in indicators on the performance of 15-year-olds in key subject areas as well as individual, institutional and systemic factors associated with that performance.

Estonia and Lithuania joined PISA in 2003 and are now working on the development and implementation of the 2006 assessment.

Based on PISA data, all countries are involved in comparative analytic work concerning the quality of learning outcomes and their social and economic relevance, issues of equity in the access to educational

opportunities in light of increasingly diverse learner populations and the adequacy and effectiveness of resource management.

Continued participation in PISA will enable these countries to examine their relative standing *vis-à-vis* other countries at a particular point in time: How student motivation and learner characteristics evolve as students progress through different education systems; how variables relating to the instructional context evolve that account for variation in student performance among countries; how countries differ in the ways in which they sequence content and processes and how these differences relate to performance patterns; the extent to which schools and teachers moderate the relationship between students' performance and the economic, social and cultural capital of their families; and how the proportion of variation in proficiency between (rather than within) programmes, tracks and schools, as well as differences in these values, evolve over time in different countries.

## **2. Conclusions**

The medium-term objectives were met and in fact even exceeded the expectations initially set out. As the work evolved, the Baltic countries, the OECD Secretariat and the member countries understood what they could achieve and were able to mould the work to fit the needs.

In line with the medium-term objectives, it will be necessary in 2004 to complete the work and ensure the sustainability of the results achieved.

## IV. RESULTS OF THE 2003 ACTIVITIES

### 1. Baltic Anti-Corruption Initiative (BACI)

*Project Manager: Nicola Ehlermann-Cache, Anti-Corruption Division, Directorate for Financial and Enterprise Affairs*

#### Background

The Baltic Anti-Corruption Initiative (BACI) was launched in 2001 as a sub-regional initiative of the Anti-Corruption Network for Transition Economies.

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 (“*the 1997 Anti-Bribery Convention*”).

A grant from the United States for 2001-2002 made it possible to add a major new priority in the anti-corruption area. This voluntary contribution was earmarked for anti-corruption only and in 2001-02 supported the creation of the Baltic Anti-Corruption Initiative. This was subsequently supported by other sponsors for 2003-04.

Estonia, Latvia and Lithuania, which had applied to adhere to the Convention, wished to strengthen their institutional capacity in fighting corruption and work towards meeting international anti-corruption standards, including the Convention.

The first two-year commitment involved an analytical process, community-based surveys in the health sector and in the licensing area<sup>1</sup>, as well as a visiting expert programme<sup>2</sup>. As an important part of the analytical process, the Baltic countries engaged in self-reviews of jointly determined key elements of a legal and institutional framework for combating bribery as well as for ensuring accountability and integrity in business transactions. These reviews were submitted to a mutual assessment process conducted by experts from both the Baltic and OECD countries (Norway, Finland and Poland) in order to identify gaps

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<sup>1</sup> The community-based surveys, launched in 2001 and implemented by the non-for-profit organisation CIET International, were successfully completed. The domestic corruption problems identified through these surveys and recommendations for possible remedial actions were presented to the Baltic governments in December 2002.

<sup>2</sup> Each of the Baltic states were invited to place a government representative, for a period of three months, to work as an expert in the OECD’s Anti-Corruption Division-based secretariat of the OECD Anti-Corruption Network.

in domestic anti-bribery legislation and practices<sup>3</sup>. To assist in the adoption of appropriate remedial actions, technical assistance workshops were held in 2002<sup>4</sup>.

*After completion of the first BACI phase in December 2002, both the Baltic states and donor countries strongly supported the continuation of the initiative's analytical process through technical assistance workshops. Themes identified but not addressed during the first phase were to be taken up in 2003-2004. They include: (i) mechanisms to strengthen the prevention of fraud and corruption in public procurement; (ii) ethical standards in public administration; (iii) the private sector's role and actions in the fight against corruption.*

#### **Technical workshops in 2003-2004**

Two workshops were held in 2003. A first one, organised in co-operation with the Council of Baltic Sea States Working Group on Economics and involving many divisions of the OECD, focused on Transparency in Public Procurement. The second workshop on Ethics in the Public Sector was organised by the Anti-Corruption Division of the OECD's Directorate for Financial and Enterprise Affairs (DAF) together with the Governance Directorate and its Role of the State Division (GOV) and SIGMA. In 2004, Estonia, Latvia and Lithuania asked for a follow-up workshop on public procurement. However, before this issue is addressed, a workshop will be organised to discuss the private sector's role and actions in the fight against corruption. This workshop should aim at increasing the involvement of non-governmental groups as active anti-corruption players, to strengthen their role *vis-à-vis* their governments and lead to coalition building with governmental departments. Consideration is also given to organising a meeting at the end of 2004 to assess progress made over the 2001-2004 period.

In addition, the Baltic Regional Programme responded positively to a request by Poland to participate in a Council of the Baltic Sea States (CBSS) Seminar on "Licenses and permissions as well as public procurements endangered by the corruption" in November 2004.

#### ***Joint OECD-CBSS workshop on transparency in public procurement***

A first workshop on Corruption and Public Procurement was held in Vilnius, Lithuania, in May 2003, as a joint BACI-CBSS initiative (co-financed by the OECD, Sweden and Lithuania).

This workshop was a contribution to the overall public procurement reform efforts in the Baltic countries which aim at identifying mechanisms to strengthen prevention of fraud and corruption in public procurement.

Conflict of interest, as a policy issue, is indeed a focus of attention in the public sector, where integrity in official decision-making and public institutions is increasingly a cause for concern.

In the public sector, conflict of interest policy may become more problematic because of changing approaches to public management, changes in the traditional roles of governments and government organisations, and changing community expectations.

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<sup>3</sup> These self-assessment reviews and the corresponding assessments are called "status reports". These reports are public and can be found on the website of the Anti-Corruption Network for Transition Economies under [www.anticorruptionnet.org](http://www.anticorruptionnet.org).

<sup>4</sup> Workshops addressed: 1. Denying Tax Deductibility of Bribes to Foreign Public Officials, 2. State Audit and Financial Control Contribution to Fighting Corruption, 3. The 1997 Anti-Bribery Convention, 4. Involvement of the Private Sector, Trade Unions and Civil Society in the Fight Against Corruption.

Moreover, conflict of interest situations on the part of public officials, if unresolved, can undermine legitimate decision-making, distort the rule of law, compromise the development and application of policy, disrupt the functioning of markets, affect the allocation of public resources, and ultimately damage public confidence in public institutions.

In this context, the objective of the meeting was to explore essential procurement policy issues which anti-corruption policy makers have to take into consideration and to strengthen the links between anti-corruption policy makers, procurement policy makers and experts. With this in view, control mechanisms to avoid corruption in public procurement and sanction systems were discussed at the seminar, in particular, question of exclusion sanctions was raised.

Besides OECD countries, the experiences of Latvia, Lithuania and Russia in the field of government procurement markets were assessed. Recently, the three Baltic states have indeed adopted new public procurement laws in conformity with EU requirements. Baltic officials generally underlined the difficulties they meet in implementing these new laws.

Finally, EU and OECD approaches in this area were compared.

### ***Ethics in the Public Sector***

The second 2003 workshop, held in Vilnius in October, focused on ethics and integrity in the public sector – an issue identified, including during the 2002 assessment process, as an essential preventive measure to curb corruption. The main objectives of this workshop were to: (i) show that establishing ethical rules are an integral part of the fight against corruption; (ii) provide participants with an understanding of the main elements of a sound public service ethics infrastructure; (iii) consider the existing ethics standards and systems for public officials in Estonia, Latvia and Lithuania and; (iv) identify possible needed changes and develop recommendations on how to improve the public sector ethics infrastructure in the Baltic countries.

Expert presentations by the OECD Secretariat, the Netherlands and Poland aimed at illustrating major ethical challenges facing the public sector and practical approaches to improve ethics systems in OECD countries. Against this background, the ethics laws and practices of Estonia, Latvia and Lithuania were analysed by over 30 Baltic participants. Discussions within country groups led to the development of national “Action Plans”, which aim at determining key elements to improve countries’ current ethical infrastructures. The “Actions Plans”, presented and discussed in plenary, illustrated progress by the three countries in their legislative and institutional ethical frameworks; they also revealed the need of further attention on implementing pro-integrity and anti-corruption measures.

*The OECD BACI financed the translations of relevant background documents, such as the summary of the OECD report Trust in Government: Ethics Measures in OECD countries and the questionnaire of the OECD survey on managing ethics in the public. The assessments by the Baltic countries of their ethics frameworks were translated and have been made available on the web.*

### Main BACI Contributions

- **Peer review in the field of anti-corruption.** Through the assessment and subsequent peer review of the three countries' anti-corruption framework, the Baltic states had the possibility to familiarise themselves with working methods of the OECD. The experience and method has since been adapted to all technical assistance workshops and participants have learned to provide feedback on strengths and weaknesses of the respective national systems.
- **Targeted technical assistance in identified problem areas.** Through participation of representatives from a wide range of line ministries, these workshops contribute to a broader understanding of issues at stake and to awareness raising and intra-governmental dialogue. Follow-up discussions among national experts might lead to the revision of the domestic legal provisions and their domestic anti-bribery programme.
- **Fostering regional co-operation.** The initiative fostered and strengthened a regional identity and regional co-operation, through the provision of a platform in which the three countries' counterparts could meet, discuss and assess their relative progress in the reform of the anti-corruption frameworks.
- **Provision of comprehensive model to fight corruption: top-down and bottom-up.** The BACI has provided the Baltic states with a model how to tackle corruption from different angles: through legislative and institutional reform from the government level and, through an inclusive, bottom-up approach, involving large strata of society in comprehensive household surveys, implemented by civil society. This might contribute to a strengthened, sustainable dialogue between government and civil society in the three countries.
- **Experience transfer to other Anti-Corruption Network participants,** in particular the *Action Plan for Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, the Russian Federation, Ukraine and Tajikistan*, under which the Baltic country experts will act as examiners to assess countries' reviews the legal and institutional frameworks for the fight against corruption.

## 2. Labour Market and Social Policy

*Project Manager: Anders Reutersward, Non-member Economies and International Migration Division, Directorate for Employment, Labour and Social Affairs*

### Review of labour market and social policies in the Baltic countries

The policy review *Labour and Social Policies in the Baltic countries* was published in 2003. The results were discussed at a seminar in Palanga, Lithuania, in July 2002 and the draft was revised by the Employment, Labour and Social Affairs Committee at an *ad hoc* meeting in Helsinki in September 2002.

The review underlines the impressive progress made by the Baltic countries in the field of Labour Market and Social policies since 1991. It indicates that important reforms have been adopted or are being prepared. The three Baltic countries have 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.

However, certain questions still need to be addressed in these areas or have to be adjusted: under-employment, modest living standards, and relatively unequal income distributions. Moreover, as in most European transition economies, the combined burden of taxes and insurance contributions tends to be

too heavy and contributes to the persistence of an important informal economy and under-reporting incomes, particularly in Lithuania and Latvia. Policy makers also need to improve the institutional framework for innovation and job creation. A key difficulty resides at last in the appropriate timing of various reforms, which must harmonise with developments in the economy and the labour market.

If the review report identifies the remaining difficulties that the Baltic countries will have to face, it also seeks to give some indication of which reform elements deserve to be treated with the highest urgency (see box).

## **Labour Market and Social Policies in the Baltic countries**

### SUMMARY AND CONCLUSIONS

This report begins, in Chapter I, by an analysis of the current economic and labour market situation. Chapter II considers labour market policy, focusing first on the institutional framework for employment and then on active and passive labour market programmes. Chapters III-IV subsequently highlight key issues in three topical areas of social policy, selected in view of the importance of on-going reform activity: pension policy, long-term care of the elderly and means-tested social assistance benefits.

*Chapter I* shows that the three Baltic countries have considerable human resources that are not fully utilised. Moreover, despite intense economic restructuring, the job-creation process until now has been far from sufficient to provide productive employment for everybody. Not only is unemployment substantial, at around 12% in Estonia, 13% in Latvia and 18% in Lithuania in 2001. The employed populations in Latvia and Lithuania include large numbers of subsistence farmers, most of whom contribute only marginally to GDP and cannot pay taxes or social insurance contributions at normal rates.

*Chapter II* first discusses the institutional framework for employment, which has been reformed by new labour legislation that follows OECD practice in all essential respects. As concerns most types of labour market regulation, the key challenge for the future is not so much to introduce additional laws as to enforce those that exist. Labour Inspectorates play an important role, but they cannot regularly inspect all small enterprises. There is also a need to develop institutions and procedures for resolution of individual labour conflicts.

Latvia has a moderately generous unemployment insurance (UI) programme, while Estonia is currently phasing-in a similar scheme. Lithuania, by contrast, pays very low unemployment benefits, so some increase will probably be justified in the near future if it can be afforded. OECD experience shows that an effective implementation of UI depends crucially on the capacity of the public employment service (PES) to provide job counselling and job-search assistance. Therefore, any additional resources that may become available for labour market policy in the Baltic states should be used primarily for job counselling, job clubs and related activities, which should be tightly targeted and linked to the needs of local labour markets.

*Chapter III* finds the Baltic pension systems reasonably effective in preventing poverty in the present old generation. The lowest pensions fall short of conventional poverty limits, but most pensioners receive more. However, this apparently favourable result is achieved in part because current pensions take account of work recorded in the Soviet period, when almost all working-age citizens were employed. Today, the combination of lower employment and an often unsatisfactory contribution discipline means, on the one hand, that the financing of pensions is too expensive for those who do contribute, and, on the other, that many in the present working-age generation are at risk becoming poor after retirement.

Important reforms, adopted in the 1990s, have created stronger incentives to contribute to the pension insurance. Latvia's notional defined contribution (NDC) scheme has become internationally renowned as one of the most radical reforms with such a purpose. Estonia and Lithuania opted for less radical changes, adding certain income-related elements to their inherited pay-as-you-go (PAYG) pension systems.

The statutory pension age has been increased in the three countries, and existing legislation will raise it further in the years to come, especially for women. Further policy action to push up the effective retirement may soon be justified.

To varying degrees, the Baltic countries have begun to introduce *funded* pension systems. All three countries have legislated about a voluntary “third pension tier” based on private saving. This option has until now been followed by less than 10 per cent of the workers in Estonia and Latvia, while, in Lithuania, hardly any such pension plans have begun to operate.

Much more complex, however, are the plans to phase in compulsory “second-tier” pension saving. Estonia and Latvia have begun to switch part of the mandatory pension contributions towards a second tier, to which the younger workers and their employers now pay 6 per cent of their wages in Estonia, and, initially, 2 per cent in Latvia. But Lithuania’s Parliament recently rejected a similar proposal, which, if adopted, would have involved the transfer of 5 percentage points of the contributions to a second tier.

Taking all these difficulties into account, this report argues that, to the extent that a second pension tier is introduced, the switch from pay-as-you-go (PAYG) to funding should be implemented relatively slowly, at least until it is more clear how rapidly the administrative problems can be resolved. The part of pension contributions devoted to the second tier should be kept at a modest level, in view of the short-term possibilities of financing the transitional cost.

*Chapter IV* finds that gradually more old people will require long-term care services. This appears inevitable in view of both demographic trends and developments in the labour market, with higher labour-force participation in the age groups that currently provide much of the care informally. In this situation, public policies should aim to ensure that old people can obtain the care they need. But to make this objective realistic, it will be essential to promote new forms of service provision and financing that do not rely too much on public spending.

To improve the functioning of the markets for care services, the governments should quickly dismantle or restructure a number of relatively large institutions, which do not appear cost-efficient. It will also be important to continue the recent efforts to develop quality standards, so that the care provided by different bodies can be more easily compared. When care services are provided by public bodies, the main rule should be to charge fees that cover the costs, while allowing for reductions when recipients cannot pay.

*Chapter V* recommends that the move from categorical social assistance benefits – targeting certain groups or types of expenditure – towards means-testing based on the principle of a “guaranteed minimum income” (GMI) should be pursued. The relevant income limits – and, hence, the benefit amounts – must in foreseeable future remain modest compared with conventional poverty limits. This appears necessary not only in view of budgetary considerations, but also because higher benefits could distort work incentives, given the presence of significant proportions of relatively low-paid jobs in the Baltic labour markets.

However, it must be recognised that means-testing is often difficult. Benefit administrations need to develop better methods for assessing households’ actual incomes and assets.

### **Contribution to the World Bank’s Country Economic Memorandum (CEM on Latvia, entitled “The Quest for Jobs and Growth”)**

Anders Reutersward participated in the World Bank team which produced the CEM. He provided background material drawing on the OECD review *Labour market and social policies in the Baltic countries* and other sources, and contributed a chapter about Latvia’s recent reforms and current policy issues of relevance to the labour market.

Anders Reutersward presented the main policy conclusions of the CEM at a seminar in Riga on the 24 October 2003, organised by the World Bank and Latvian authorities.



### 3. Insurance and Pensions Reform

*Project Manager: Flore-Anne Messy, Financial Markets Division, Directorate for Financial and Enterprise Affairs*

#### **Results achieved**

The main objective of the programme is to contribute to the development of modern, sound and open insurance and private pension markets in the Baltic countries. The programme aims at facilitating the exchange of expertise between OECD countries and their counterparts on markets and at promoting best practices to assist Baltic governments in shaping adequate regulatory treatment and supervisory oversight of insurance and pension activities.

In 2003, the policy dialogue had two orientations. The first was on the priority issues identified by the Baltic authorities with respect to the ongoing pension reform. These included pension politics at EU level, pension reform processes in the Baltic countries, the management of pension funds in the long run, pension outcomes and guarantees, investment regulation and regulation of the benefit-payment phase.

Second, emphasis was given to the overall assessment and achievements of this programme as regards pension reform and the improvement of insurance regulation. This was done by means of comparative analysis of the Baltic markets, as well as by specific studies on key policy issues. These issues included compulsory insurance, taxation of life insurance products, liberalisation of markets, environmental insurance and financial convergence.

#### ***Progress of the Pension Reform and Management of private pension schemes (Tallinn Conference, 23-25 April 2003)***

According to the first above-mentioned objective, the central issue of the 2003 Tallinn Pension meeting organised in co-operation with the European Commission and the Ministry of Finance of Estonia. On its agenda, which was prepared in consultation with each Baltic state, was the assessment and sustainability of pension schemes, including a large private component. In this perspective, lessons were drawn from experiences in other Central and Eastern European countries or other OECD members. The rationale for this choice lies in the fact that Latvia and Estonia have already implemented reforms to establish private pension funds (voluntary and mandatory) to complement a reduced and reformed pay-as-you-go system. Lithuania is also considering reforms of its public social scheme and has allowed the development of voluntary private pension plans as from 2003. Therefore, Baltic requests for assistance have turned to an actual implementation, administration and management of these new private schemes. The five topics of the Tallinn conference mirror these concerns, as well as the implication of the future integration in the European Union.

The first session particularly dealt with this latter issue. The representatives of the European Commission highlighted the issues underlying the pension reforms in the enlarged Europe, and particularly the co-operation at the EU level, and provided an overview of a comparative analysis recently carried out by the Commission on the pension reform experiences of EU member countries faced to increased public pension expenditure in the light of aging.

The second session focused on pension reform in the Baltic countries. A first study was presented sketching the retirement income systems that are set up in a similar way by the Baltic pension reforms. Some suggestions in order to overcome some possible drawbacks of these schemes and particularly to enhance their redistributive component and reshape the tax system were also proposed. A debate followed

this overview and experts from each Baltic countries informed participants on the recent developments of pension reforms in their respective country.

The three subsequent sessions were devoted to the different ways to finance and manage sustainable pension funds through the transition period, the accumulation phase and the benefit-payment phase, respectively. Specific issues such as institutional costs and fees, pension indexation, guarantee schemes, investment regulation, AL management, annuities were addressed in particular from a theoretical point of view and then illustrated by concrete experiences in several European countries (Sweden, Finland, Poland, Hungary, Estonia, Lithuania and Latvia). The last session was dedicated to wrap up discussions that highlighted the importance and usefulness of these exchanges of views especially in the context of EU accession.

***Assessment of insurance and private pension markets development and adequacy of the regulatory and supervisory framework in the Baltic countries. (Publication on Insurance and Pension Reforms in the Baltic countries)***

The second aspect of the programme has been achieved through the preparation of a comprehensive and extensive two-volume publication which comprises the private pension policy issues discussed and presented at the 2003 Tallinn conference, as well as comparative Baltic insurance market analysis and selected insurance topics debated throughout the Baltic Regional Programme. These issues are increasingly relevant for the development of stable insurance markets in these countries.

Accordingly, the first volume of the publication is devoted to pension reforms issues in the Baltic states. A first section focuses on the description of the new Baltic pension schemes, their benefits, remaining weaknesses or possible future shortcomings. A comparative analysis introduces this part, followed and elaborated on by three studies prepared by Baltic experts dealing with pension reform and its progress in their country. A second section presents selected private pensions policy issues in the Baltic countries: The expected consequences of investment regulation of pension funds in the Baltic states, the case for annuities and the role of pension funds in private equity in the Baltic countries.

The second volume focuses on insurance developments and perspectives in the Baltic states. It opens with a section dedicated to the state of the insurance market and regulatory framework in these countries, their strengths and weaknesses, the prospects for future development and some policy recommendations. This section is articulated around three reports, each of which sketches out the particularities of a branch of the insurance business in the Baltic states: life, non-life and reinsurance activities, respectively. The second section of the insurance volume deals with selected policy issues that were the object of particular requests from the Baltic states. Each topic is thoroughly analysed, taking into account OECD experience in the field concerned and the development of best practices. A series of recommendations addressed to Baltic governments and market players are concluding each report. These issues include: compulsory insurance, taxation of life insurance products, liberalisation of insurance markets, environmental risks and insurance and financial convergence.

The combination of analytical reports and high-level Baltic and OECD experts' points of view on private pensions and insurance issues are bound to make this publication a reference book for Baltic countries' policy makers and market players. The publication, entitled *Insurance and Private Pensions Reform in the Baltic countries*, was released in early 2004.

**Co-operation with other international organisations' programmes**

The OECD meetings and policy dialogue on pension and insurance in 2003 have been prepared in close collaboration with the EU and co-operation with other international organisations has also been

productive. The Tallinn conference was organised in close co-operation with the European Commission in the establishment of the agenda, the selection of topics and financing arrangements. The work of the OECD has proved highly valuable in complementing European Commission assistance to Baltic countries on pension reform issues. Actually, EU member countries' pension reforms are often still at a preliminary stage of development. Therefore, OECD comparative analysis on a wider scope of countries and the development of guidelines and best practices provide additional policy tools for Baltic states.

The organisation of the Tallinn conference has also permitted to open a forum of discussion for experts coming from other international organisations such as the World Bank. For instance, a representative from the World Bank shared his expertise with participants on the situation of the pension reform in the Baltic states and presented his work on the various pension indexation options offered to policy makers.

#### **4. Competition Policy**

*Project Manager: Ms. Sally Van Siclen, Competition Division, Directorate for Financial and Enterprise Affairs*

##### **Background**

This activity provides policy dialogue and capacity building for the three Baltic countries to promote their approximation of international "best practice." Representatives of the Russian Ministry for Antimonopoly Policy ('MAP') participate in the annual workshop, thereby promoting enforcement, convergence and co-operation in the region. The activity promotes best practices in line with: (i) OECD Recommendations issued in 1995 (on International Co-operation), 1998 (on Effective Action against Hard-Core Cartels) and 2001 (on Structural Separation in Regulated Industries); (ii) OECD regulatory reform reports on competition policy in OECD member countries; and (iii) reports by the OECD Competition Committee. In its first year (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 (2000), merger control (2001), vertical restraints (2002), and investigative techniques for fighting hard-core cartels (2003).

##### **Fighting hard-core cartels**

The fifth annual workshop was held in Vilnius, Lithuania on 11-13 June 2003. Investigative techniques for fighting hard-core cartels were the principal topic; the second was that of the effective relationships between competition and regulatory authorities, with applications in the electricity and telecommunications sectors. As in the previous workshops, ten competition officials from each of the three Baltic states participated. The Russian MAP sent one representative. In addition, two members of the Lithuanian Telecommunications Authority actively participated in the relevant session. OECD member countries (Denmark, Finland, Germany, Norway and Sweden) were well represented at the seminar in addition to a panellist from the OECD Secretariat.

This workshop, in contrast to the earlier ones, was organised more along themes – the various tools for effective investigation of secret cartels – than case studies as such. Participating countries had responded in writing to a questionnaire about their powers and practices of cartel investigation, as well as providing brief cases studies to illustrate their use. The responses to the questionnaire formed the bulk of the background information for the seminar. OECD experts gave in-depth presentations on the use of the various investigative techniques, which formed the bases for subsequent discussions. Discussions were

quite lively, with many people participating with comments and questions on a variety of levels, from policy-oriented to practical. Participants rated the cartel sessions of the seminar highly, 14 of 24 respondents giving the highest possible score, and nine the second highest.

In general, the three countries have adjusted their law to follow the European Union competition law. Thus, for example, agreements that have the intent or effect to harm competition are caught, and the *de minimus* exemptions do not extend to hard-core cartels such as price fixing, market division, and bid rigging. In addition, the countries do not allow for exemption, under the *de minimus* rubric, of vertical minimum price setting.

The countries face a variety of law enforcement issues, however.

- The distinction between cartels or “concerted practices” on the one hand and undertakings independently adjusting prices on the other hand, can be difficult to draw.
- Evidence of a cartel can be difficult to gather, resulting in a low ratio of proving the existence of cartels as compared with investigating them. While this may be due to a possible lack of correspondence between the powers and procedures for gathering evidence and the standard of proof required, it may also simply be a reflection of the universal difficulty of proving the existence of a secret agreement, exacerbated by the small size of the countries.
- The presentations and discussions on obtaining evidence in dawn raids revealed differences in what can be searched, what can be done with documents, and what questions can be posed during the raid. Potentially, these differences could affect the ability to co-operate in gathering information to prosecute international cartels.
- Fines or other sanctions may be too small in the Baltic states to be likely to deter cartelisation. The changes made in the Estonian law in 2002 greatly increased the maximum sanctions to three years imprisonment of natural persons and fines up to EEK 250 million (about EUR 16 million) for legal persons.
- Once a pattern of large sanctions has been established, the Baltic states may find it useful to consider leniency programmes to provide incentives to firms or individuals to help prove the existence of cartels.
- The advantages and disadvantages of prosecuting cartels as a criminal offence were discussed. Among the three Baltic states, only Estonia has criminalised cartels (as from 1 September 2002), while it has also criminalised all antitrust offences. The initial assessment was that criminal procedures are more complex and costly. Settlement would be less flexible, being now overseen by the court. However, criminal procedures would be more efficient for gathering evidence and proving the existence of a cartel.

Discussion under the second topic centred on competition issues in the electricity and telecommunications sectors. The substantial monopolisation of these sectors in the Baltic countries implies that most competition issues relate to access to essential facilities and various forms of abuses of dominances as the incumbents try to preserve their market positions.

### **Overall assessment**

Participants are enthusiastic about this part of the Baltic Regional Programme. Its singular feature is that it enables officials from the three authorities to talk and work together and thereby see the differences

and co-operation practiced by several OECD members, notably those in Northern Europe. Participants urged an extension of the competition component of the Baltic Regional Programme.

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 several of the workshops. 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.

This activity is consistent with and complementary to the EU accession process. Some topics are not covered by the EU *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*.

#### **Meetings:**

- Workshop on Competition Policy in the Baltic Region, Vilnius, Lithuania, 11-13 June 2003
- Workshop on Competition Policy in the Baltic Region, Riga, Estonia, 2004 (date to be announced)

## **5. Trade in Services**

*Project Manager:* Blanka Kalinova, Trade Policy Dialogue Division, Trade Directorate

### **Integration of the Baltic countries into the multilateral trading system**

In its initial stage, the OECD analytical work and discussions with Baltic trade officials focused on the external and internal obstacles that inhibit the full exploitation of comparative advantages in the services sector, and were based notably on business surveys carried out by the OECD in the region. In order to take into account the sectoral diversity of services, specific studies have been undertaken on the economic and regulatory environment in four strategic network and trade-enabling sectors, namely telecommunications, banking, electricity and air freight. In assessing the Baltic countries’ reforms and trade liberalisation strategy in services, this activity has addressed the role of autonomous liberalisation efforts and the contributions of multilateral disciplines and regional commitments in developing internationally competitive services. The project has highlighted the growing importance of regulatory issues in services, and the responsibility of national regulatory agencies in the Baltic countries.

One important component of the activity was the analysis of the EU impact on the service regulatory framework and regional co-operation in the area of services within the Baltic region. Notwithstanding their impressive progress in overcoming the weakness of their service sector and expanding their international trade in services, the Baltic countries face new challenges stemming from their EU accession and the emergence of knowledge-based services. In this context, different policy options to further enhance the services development were discussed with Baltic trade officials in Paris, in December 2003.

Although the activity adopts primarily a country and sector-specific perspective, it deals with issues that are critical for many other countries, including for transition economies at the early stages of their reform process. The Baltic countries' experience provides valuable insights into the modalities of autonomous liberalisation and the interaction between multilateral and regional external openings in the service sector that have been implemented simultaneously and in a very short time period. These issues are also debated in other international forums, including in the World Trade Organisation, and are subject to intensive research.

#### Trade documents and publications:

- CCNM/TD/A(2003)4: Meeting on strategies for developing regional and multilateral trade in services in transition economies: The experience of the Baltic states, Russia and South East Europe: Draft annotated agenda and issues for discussion.
- CCNM/TD(2003)5: Trade in services in the Baltic states: Past, present and future.
- CCNM/TD(2003)7: The EU impact on the service regulatory framework in the Baltic states.
- CCNM/TD(2003)8: Regional co-operation within the Baltic states: institutional, business-driven and sectoral initiatives.
- CCNM/TD/RD(2003)1: Promoting trade in services: Experience of the Baltic states. (This document draws on OECD work and various studies prepared by Baltic consultants on trade in services in the region. After discussions and written comments by Baltic trade officials, it will be issued as the OECD publication.)

#### Meetings

- Bucharest, 24-25 June 2003: OECD Forum on trade in services.
- Paris, 3-4 December 2003: Informal meeting of the Working Party of the Trade Committee on "Strategies for developing regional and multilateral trade in services in transition economies: The experience of the Baltic states, Russia and South East Europe".

**Table: Selected indicators of services trade in the Baltic states, 1995-2001**

	1995	1998	2000	2001
<b>Estonia</b>				
Exports of services (in US\$ mln)	877	1 480	1 499	1 643
Imports of services (in US\$ mln)	498	910	959	1 065
Net services trade (in US\$ mln)	379	570	540	578
<i>Total services trade/total trade (%)</i>	28	24	22	21
<i>Total services trade/GDP (%)</i>	50	49	42	41
<b>Latvia</b>				
Exports of services (in US\$ mln)	720	1 108	1 212	1 189
Imports of services (in US\$ mln)	246	806	770	693
Net services trade (in US\$ mln)	474	302	442	496
<i>Total services trade/total trade (%)</i>	40	16	22	26
<i>Total services trade/GDP (%)</i>	31	32	27	23
<b>Lithuania</b>				
Exports of services (in US\$ mln)	485	1 109	1 059	1 157
Imports of services (in US\$ mln)	498	868	679	700
Net services trade (in US\$ mln)	- 13	241	380	457
<i>Total services trade/total trade (%)</i>	0.2	12	22	25
<i>Total services trade/GDP (%)</i>	16	18	15	16

Source: Statistical offices of the Baltic countries

## 6. Taxation

*Project Manager: Richard Parry, Unit for Co-operation with Non-OECD Economies, Centre for Tax Policy and Administration*

The OECD Baltic Regional Programme on taxation is an essentially demand-driven programme that targets the taxation policy areas identified by the Baltic countries as a priority in these countries' drive to modernise their taxation systems to a standard comparable to other countries in the European Union. Since 1998, the OECD Baltic Regional Programme on taxation has organised, in co-operation with officials from the Baltic countries, an extensive range of programme of co-operation in taxation. The programme focused on realigning and modernising the tax policy and administration of the Baltic countries in line with international standards and drawing on OECD's position as a world leader in developing good practices on international tax policy and administration.

This activity, drawing on the expertise of the Committee on Fiscal Affairs in international taxation policy and administration issues, focuses primarily on international taxation issues that the Baltic countries have to face when entering the global economy. Technical expertise on OECD Model Tax Convention and OECD Transfer Pricing Guidelines offered through the Baltic Regional Programme cannot be found elsewhere either in the EU or other international organisations such as the IMF. As such, the Baltic Regional Programme complements the assistance offered by the EU with respect to EU accession (which deals primarily with the implementation of EU Directives) and it complements programmes offered by the IMF intended to improve the domestic fiscal framework of the countries.

The OECD programme on taxation, through the policy dialogue events held in the Baltic region, contributes significantly to this taxation reform process. To date, a significant number of tax rules and regulations in the Baltic countries have been based on the OECD models such as the OECD Model Tax Convention and the OECD Transfer Pricing Guidelines.

The regional programme is a significant part of the overall programme of co-operation with the Baltic countries which also includes their participation in Global Forums on Taxation. This participation has helped these countries identify tax policy issues that are further developed and tailored within the context of the Baltic Regional Programme. The Programme thus complements the Global Forum on Taxation by providing a platform for the Baltic countries to share regional experience and expertise on taxation matters.

The programme in 2003 covered a wide range of technical tax issues such as international tax policy, transfer pricing and international issues in value-added tax (VAT). These topics for dialogue were chosen by the Baltic countries, thus ensuring that the programme is driven by their current policy concerns.

### **Meetings and workshops:**

- International Tax Policy, May 2003, Riga
- Transfer Pricing, September 2003, Vilnius
- International VAT Issues, September 2003, Tallinn

## 7. Financial Market Reform

*Project Manager: Hans Blommestein, Financial Markets Division, Directorate for Financial and Enterprise Affairs*

### 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 whereby Baltic debt managers indicate topics for discussion based on their policy priorities.

The OECD meetings in this area create a forum for a direct policy dialogue among Baltic and OECD debt managers. Insights and experiences are directly being shared. This approach makes the OECD activity complementary to the bilateral technical assistance work by IMF and World Bank. 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.

The third Baltic-Nordic Forum on Public Debt Management was held in Copenhagen on 7-8 April 2003. It was hosted by the Danish Central Bank, chaired by Ove Sten Jensen (Chair of the OECD Working Party on Debt Management) and well attended. About 20 documents were distributed.

The first session focused on the risks related to some of the *key debt management implications of accession to the euro-zone*. This part of the discussion was considered of great immediate value for the Baltic debt managers, leading to a better understanding of the issues involved. The different insights from debt managers from Finland (inside the euro-zone), Denmark and Sweden (both prepared for entry, which was nevertheless rejected in referendums), and Norway (outside the EU but having a strong policy orientation on the euro-zone) were of great importance in addressing the various problems, policy considerations and strategies.

The second session focused *on the management of interest and currency risk*. Many OECD countries have made great progress in this policy area. It became clear that the Baltic countries still face major challenges in designing and implementing modern systems for interest rate and currency risk management. To different degrees, efforts need to be undertaken to integrate risk management systems better into the debt management framework.

The third and final session focused *on the creation of benchmark loans*. It was concluded that the Baltic countries have made some progress in this area. However, policymakers are facing challenges in the following two areas. First, to improve the relationship of benchmarks with risk management. Ideally, issuing decisions should be the result of a benchmark strategy based on cost-risk trade-off. Second, the implications of (accession to) the euro-zone. Nordic debt managers pointed out that operating within the euro-zone (even for those formally outside the euro-zone) differs strongly from issuing and managing debt in a (smaller) domestic currency market. This has a major impact on issuing strategies and market conventions.

The Baltic debt managers stressed the importance of a follow-up, in particular in the light of their countries' EU accession. They observed that, even after this accession, many important technical debt management matters would be left to be resolved or further improved. The Nordic debt managers confirmed this by reacting to specific Baltic suggestions that could be discussed at the next meeting.



The fourth Baltic-Nordic Forum on Public Debt Management will be held in Vilnius, Lithuania, in October 2004.

### **Development of private capital markets in the Baltic region**

The focus of this activity is formed by discussions on the development of Baltic capital markets, with an emphasis on equity markets. The general objective is to write a report on capital market development in the Baltic region. In 2002, a Working Group, composed of experts from the Baltic and Nordic countries, was asked to comment on the following possible policy areas (the requested information was drawn from the agreed outline of the report as per the 10 December 2001 meeting): (i) Market Structure and Development; (ii) Law and Regulation; (iii) Previous Regional Initiatives for the Integration of Financial Markets; (iv) Barriers to Development; (v) Options for the Future; and (vi) Policy Recommendations.

During electronic discussions in 2003 among working group 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, although for a variety of reasons it was not possible to reach a consensus on all elements of the report and its follow-up. As a practical solution, it was decided that the Secretariat, supported by a consultant, would draft a concise report. This work was started in 2003. The final draft report would be circulated to the Working Group, to experts from the Nordic Council of Ministers and the European Federation of Exchanges, for comments.

The financial markets reform activity is complementary to those of other international organisations programmes. The work has been carried out by a Working Group with experts from the Baltic and Nordic countries. Its objective is also complementary to that of other organisations, while experts from relevant other organisations (the Nordic Council of Ministers and the European Federation of Exchanges) participate in the work.

## **8. Agriculture**

Project Manager: Michael Ryan

### **Agricultural and Rural Development Policies in the Baltic countries, Workshop, held in Tallinn, 10-12 June 2003.**

Identifying the optimum policy mix to ensure a vibrant and sustainable rural economy in the Baltic countries was the focus of the OECD's fifth meeting with the Baltic countries in the area of agro-food policies, held in Tallinn on 10-12 June 2003 and financed through the Baltic Regional Programme. The Seminar continued the policy dialogue between senior policy makers in Estonia, Latvia and Lithuania and OECD member countries on structural and policy reforms in rural areas. The discussion was set in the context of high rates of unemployment and increasing poverty in many rural areas. Participants included high-level policy makers, parliamentarians, academics, and researchers from the three Baltic countries, OECD member countries, the European Commission and the Food and Agriculture Organisation.

Low and volatile farm incomes and rising unemployment in rural areas has become a central concern for policy makers in most countries. With ongoing changes in the sources of farm household incomes, traditional farm policies are becoming less and less effective and better targeting of policies to rural and farm households is crucial in resolving the farm income problem. High rural unemployment is at the centre of the current debate in all three Baltic countries and there is increasing focus on developing a more comprehensive policy framework to resolving this pressing issue. Greater emphasis on specific targeting of enterprise development is a direct response to the dual concerns of low incomes and high unemployment in rural areas. A better understanding of the complex processes involved and the implications of greater

diversity are crucial for policy makers so that they can respond appropriately to the changing environment. This process involves a complex set of cross-sector policies, including macroeconomic, labour, social, agricultural, regional and rural policies.

The proceedings of the Workshop on Agricultural and Rural Development Policies in the Baltic countries, held in Tallinn, in June 2003, were published in September 2003. Ms Ginta Uzulina, an expert from the Ministry of Agriculture in Latvia, worked with the Secretariat for three months to prepare the logistics for the meeting and documentation.

### **Baltic/OECD Co-ordination Meeting on Agriculture, held on 1 December 2003 in Riga, Latvia.**

The purpose of this forward-looking co-ordination meeting was twofold: First, to identify agriculture-related activities that could be undertaken under the 2004 Baltic Regional Programme, based on the current set of priorities of the three Baltic countries and building on previous work activities under the programme. Second, to discuss possible options for the medium-term integration of the Baltic countries into the OECD of work.

## **9. Education**

*Project Manager: Ian Whitman, Programme for Co-operation with Non-Member Economies, Directorate for Education*

### **Reviews of Education Policy in Estonia, Latvia and Lithuania**

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.

In November 2002, a joint conference with the Parliament of the Republic of Lithuania, on the theme of the role of parliamentary committees in policy formulation was held in Vilnius. 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. The reviews were a discussion point at the 2002 meeting of the Baltic Regional Programme at the OECD 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. In 2003, Estonia became an observer on the Education Committee and Latvia has applied for observer status.

Latvia has worked with the OECD on implementing the OECD Programme for International Student Assessment (PISA) since 1997 and, so far, implemented two successful survey rounds resulting in indicators on the performance of 15-year-olds in key subject areas as well as individual, institutional and systemic factors associated with that performance.

Estonia and Lithuania were among the non-member economies that joined PISA in 2003 and are now working on the development and implementation of the 2006 assessment.

Based on PISA data, all countries are involved in comparative analytic work concerning the quality of learning outcomes and their social and economic relevance, issues of equity in the access to educational opportunities in the light of increasingly diverse learner populations, and the adequacy and effectiveness of resource management.

Continued participation in PISA will enable these countries to examine, beyond their relative standing *vis-à-vis* other countries at a particular point in time:

- how student motivation and learner characteristics evolve as students progress through different education systems,
- how variables relating to the instructional context evolve that account for variation in student performance among countries,
- how countries differ in the ways in which they sequence content and processes and how these differences relate to performance patterns;
- the extent to which schools and teachers moderate the relationship between students' performance and the economic, social and cultural capital of their families; and
- how the proportion of variation in proficiency between (rather than within) programmes, tracks and schools, as well as differences in these values, evolve over time in different countries.

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.

**Joint conference with the Estonian Ministry of Education and Research on “From Forward Thinking to Action” (Tallinn, 27-28 November 2003).**

This seminar was organised as a follow-up activity to the Education Review of Estonia. The Estonian presenters underlined on several occasions the importance of the review, in particular its impact on national policy and its influence on positive developments in the sector.

Many issues were addressed such as the role of the Ministry and Parliamentary Committee in leading and implementing reforms, continuing reform of general education, the reform of vocational education and applied higher education in relation to the needs of the labour market, retraining of the adult population and lessons from Estonian and international perspectives on implementing and sustaining reform.

The presenters also stressed the need to introduce new reforms like modernising vocational education, raising the quality of education in remote areas and obtaining parliamentary agreement on an education strategy for the nation. In his address, the Minister of Education and Research re-emphasised the impact of the review of education policy on reform in Estonia and said that the government should seriously consider a second review in the near future.

**Publication**

“The Role of Parliamentary Committees in the Implementation of Education Policy – Issues Paper” (November 2002).

## 10. Foreign Direct Investment

*Project Manager: Marie-France Houde, Investment Division, Directorate for Financial and Enterprise Affairs*

Creating favourable conditions for foreign direct investment and openness to foreign trade have been key elements of the economic strategies of all three Baltic countries. In mid-2001, Estonia and Lithuania adhered to the OECD Declaration on International Investment and Multinational Enterprises. This Declaration promotes national treatment of established foreign-controlled enterprises, recommends voluntary standards of corporate responsibility, encourages moderation and restraint in the use of investment (dis)incentives, as well avoidance or minimisation of conflicting requirements by governments on 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. Latvia adhered to the Declaration in January 2004.

## 11. Statistics

*Project Managers: Fenella Maitland-Smith and Paul Schreyer, Non-Member Economies Division, Statistics Directorate*

### **Quarterly National Accounts in the Baltic states**

Throughout the transition from centrally planned economies to free-market systems there have been rapid and deep economic changes, and governments, enterprise managers and the general public, as well as international organisations, have required timely macro-economic information to be able to monitor these economic developments. An early development of quarterly national accounts became necessary and work on quarterly national accounts started in the first half of the 1990s, before established national accounts were available.

Over the last three years, the OECD has worked with the national statistical offices of the Baltic countries, helping them to introduce quarterly national accounts. This project has been co-ordinated with Eurostat and the countries concerned and has contributed to the statistical component of the *acquis communautaire*.

The activity has consisted mainly of regional workshops and annual consultancy missions to each country to deal with country-specific issues and difficulties. In addition, statisticians from the Baltic countries were invited to attend general national accounts meetings on relevant topics at OECD and Eurostat.

All three Baltic countries are now compiling quarterly national accounts at current and constant prices, showing both value-added by kind of activity and the final expenditures on the GDP. These accounts are consistent with the international standards of the 1993 System of National Accounts.

In 2003, the activity focused on publishing results and helping to ensure the sustainability of capacities developed to date.

## **Economic Growth and Growth cycles in the Baltic countries**

Another project led by the OECD Statistics Directorate has been to test how short-, medium- and long-term economic growth in the Baltic countries can be most effectively analysed using the techniques employed for OECD member countries and the macro-economic data currently available for the Baltic countries. Short-term economic growth is monitored using quarterly gross domestic product (GDP), adjusted to remove seasonality. Medium- to long-term economic behaviour is characterised by business or economic cycles, and can be analysed using composite leadings indicators (CLIs). A document on *Economic growth and growth cycles in the Baltic states*, published in 2003, presents both the results of the OECD's seasonal adjustments of GDP for each Baltic country, and the first CLIs compiled for these countries.

This work has drawn on the OECD Statistics Directorate's experience in determining growth cycles in member countries and provides a framework for analysts from Baltic countries to estimate business and growth cycles in the region.

### **Publications**

- *Compiling Quarterly National Accounts in the Baltic Countries and Other Transition Economies*, 2003
- *Economic Growth and Growth Cycles in the Baltic States – Methods of Analysis*, 2003

## IV. BALTIC STATES' PARTICIPATION IN OTHER OECD NON-MEMBER PROGRAMMES

### 1. Global Forums

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 2003, representatives from Estonia, Latvia and Lithuania continued to take part in a variety of events implemented within the framework of the Global Forums and focusing on five of the eight Global Forums, namely those on Competition, Knowledge Economy (in the area of the digital economy), Sustainable Development, Taxation and Trade. 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. 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 five Global Forum thematic areas and 2003 events in which the Baltic states participated is given below.

#### **Global Forum on Sustainable Development**

At the 2001 OECD Council Ministerial meeting, 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 March 2003, Estonia, Latvia and Lithuania participated in a workshop on “Emissions trading and Project-based Mechanisms to Mitigate Greenhouse Gas Emissions”, held in Paris.

#### **Global Forum on the Knowledge Economy**

The Global Forum on Knowledge Economy has two main branches, *(i)* biotechnology, and *(ii)* the digital economy. Both cover broad areas of work and policy issues.

In 2003, the Baltic countries participated in digital economy events.

#### **The Digital Economy**

The 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, including 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 2000 Okinawa summit). In January 2003, Estonia attended the Global Forum meeting on “Policy framework for the Digital Economy”.

### **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 (see Annex III, table 2), other *ad-hoc* events are also organised to broaden the dialogue among a wider range of countries. In March 2003, Latvian officials attended a meeting of the “Advisory Group on Co-operation with non-OECD Economies” held in Chonan. Estonia, Latvia and Lithuania were also present at a conference on “Tax Treaties and Transfer Pricing” organised in Paris in September.

### **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. The three Baltic countries participated in the Third Global Forum on Competition organised in Paris in February 2003. A joint Global Forum on Trade and Competition was also held in May in Paris: Estonia, Latvia and Lithuania were present.

### **Global Forum on Trade**

The Global Forum on Trade aims at encouraging dialogue among members and non-members on trade liberalisation and related issues. Trade and investment liberalisation pose challenges for non-members and members alike. Global Forum events can therefore be helpful in promoting mutual understanding of the concerns expressed by various parties and in expanding the areas of agreement. The OECD plays a useful role by producing the results of its analysis on difficult issues, like services and agriculture, and discussing them with non-members in Global Forum events, thus advancing the process of multilateral trade liberalisation.

Work on these subjects can require the competencies of several Global Forums. Horizontal activities of the Global Forum on Trade with other Forums are thus envisaged, especially with those on competition and international investment.

Estonia, Latvia and Lithuania took part in a “Workshop on Maritime Transport Policies” in January 2003. The three Baltic countries also attended a joint Global Forum on Trade and Competition held in May in Paris.

## **2. Common Programme for Transition Economies of Europe and Central Asia**

Estonia, Latvia and Lithuania are eligible to participate 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**

Since the early 1990s, 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 economic 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. And most recently, the Baltic countries have been on the EU accession track, to become members as of 1 May 2004.

The Common Programme for Transition Economies of Europe and Central Asia continues this process enabling policy makers from transition economies and OECD member countries 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 had a continuous presence 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, science and technology statistics and indicators.

However, more recently, 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 the Baltic Regional Programme, established in 1998, and to the OECD Global Forums, introduced in 2001. Indeed, their involvement in activities within the Common Programme reflects this. In 2003, the Baltic states participated in the following activities of the Common Programme for Transition Economies of Europe and Central Asia: trade, specific training on competition policy and tax modelling offered by OECD at the Joint Vienna Institute (JVI), environmental issues, financial sector reform, pensions reform, the Anti-Corruption Network for Transition Economies, the Local Economic and Employment Development (LEED) Programme, and activities organised by SIGMA (see box below).



## Trade Policy

The trade policy dialogue with non-member economies addresses 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 2003, this dialogue focused on the experience of transition economies with services trade liberalisation. Representatives of Latvia and Lithuania actively participated in the OECD Forum on Trade in Services in Transition Economies held in Bucharest in June 2003. High-level trade officials from Estonia, Latvia and Lithuania took part in the informal meeting of the Working Party of the Trade Committee organised in Paris, in December 2003. Referring to the documentation prepared by the Secretariat and consultants from transition countries, participants examined various strategies for developing regional and multilateral trade in services, considering specific experience in this area of the South East Europe, the Baltic countries and Russia.

### JVI Seminars: Competition Policy, Tax Modelling and 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-monopolisation and mergers. In March 2003, the three Baltic countries attended this seminar on Competition Policy.

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. Officials from the Baltic Ministries of Finance took part in the 2003 Tax Modelling Seminar.

Officials from Estonia and Latvia also took part in an OECD seminar at the JVI on the topic "Design and Implementation of New Migration Policies", held in April 2003. The purpose of the seminar was to provide an overview of the current state of design, implementation and evaluation of migration policies in OECD countries and transition economies.

### The Joint Vienna Institute

The Joint Vienna Institute (JVI) was established in 1992 at the initiative of a number of international organisations and the Austrian authorities. Its current sponsors are the IMF, the World Bank, the Bank for International Settlements, the EBRD, the WTO and the OECD, which is also on the JVI board.

Its role is to provide, through training, support for the national efforts of the countries of Central and Eastern Europe, countries that used to be republics of the Soviet Union, and other countries, making the transition from centrally-planned to market-based economies.

To this end, the Institute offers a variety of courses in the areas of administration and economic and financial management. The target group for these courses are primarily the public officials and training officers from Ministries of Finance and Economy, and central banks; economic advisors to governments of participating countries; and some private sectors executives, with due regard to the role of the private sector.

## **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 2003, this co-operation has noticeably lessened due to the termination of the Central and Eastern Europe sub-programme at the beginning of 2004. In October 2003, Estonia and Latvia nevertheless took part in the annual EAP Task Force meeting.

## **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. Latvia attended the Fifth Annual OECD-World Bank Bond Market Forum in June 2003. The Forum provided an overview of trends and structural developments in global and local bond markets. Three structural policy areas were also discussed during the Forum: *(i)* Developing an efficient regulatory framework for debt markets, *(ii)* Issuer transparency, and *(iii)* Development of derivatives markets based on public debt instruments.

## **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. The Fourth INPRS Regional Seminar on Private Pensions was held in Zagreb, in May 2003. In December 2003, the Baltic countries were also present at the Fifth INPRS Regional Seminar on Private Pensions in Prague, on the topic “Knowing your own pension – Security of future benefits”.

## **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.

In 2003, Baltic officials participated in the fifth annual meeting of the Anti-Corruption Network for Transition Economies. This meeting confirmed the ACN’s role as the leading anti-corruption forum in the region.

The Baltic Anti-Corruption Initiative (BACI) was launched in March 2001, as a sub-regional initiative of the ACN. Estonia, Latvia and Lithuania had expressed their need for a specific instrument to help them strengthen their capacity in fighting corruption and reaching international anti-corruption standards.

## Support for Improvement in Governance and Management (SIGMA Programme)

In 2003, the SIGMA Programme that targeted the ten European Union (EU) Candidate Countries assisted the Baltic countries to improve their financial control mechanisms, public procurement and civil service.

### **SIGMA: Support for Improvement in Governance and Management (Public Administration Reform)**

The SIGMA Programme – Support for Improvement in Governance and Management – is a joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the European Union, financed principally by the EU. As a joint initiative, governed by Conventions between the Organisation and the European Commission, the Programme has a distinct status, setting it apart from normal OECD grant-funded activities.

Launched in 1992 to support six central and eastern European countries in their public administration reform efforts, SIGMA now works with eleven EU candidate countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and Turkey), assisting decision makers and administrations in their preparations for entry into the EU against baselines set by good European practice and existing EU legislation (*acquis communautaire*). Since 2001, the Programme has been assisting five countries in the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, and Serbia and Montenegro) in building their public institutions and systems in the framework of the Stabilisation and Association Process agreed with the EU.

Depending on the specific needs and priorities of each partner country, SIGMA supports reform efforts in six priority areas: design and implementation of reform programmes; legal framework, civil service and justice; external audit and financial control; public expenditure management; public procurement; and policy making and co-ordination capacities, including regulatory management.

Working within the Public Governance and Territorial Development Directorate (GOV), SIGMA draws on this Directorate's expertise in public management, in particular through its network of practitioners and policy makers (senior civil servants from OECD member countries). SIGMA also promotes the establishment of regional networks of public administration practitioners, including supreme audit institutions (in co-operation with the European Court of Auditors), financial control organisations (in collaboration with the EC), heads of government secretariats and Prime Ministers' offices, directors of civil service departments and directors of Budget and Procurement Departments.

**Co-operation with other directorates:** SIGMA collaborates with ECO, CCNM, DAF, DCD and the Development Centre on anti-corruption and good governance activities, and with the Trade Directorate on trade policy issues.

**Co-operation with other institutions:** In addition to the European Commission, SIGMA works with the European Court of Auditors (ECA), European Anti-fraud Office (OLAF), Council of Europe, European Institute of Public Administration (EIPA), European Organisation of Supreme Audit Institutions (EUROSAI), International Organisation of Supreme Audit Institutions (INTOSAI), World Bank, Organisation for Security and Co-operation in Europe (OSCE), United Nations Development Programme (UNDP) and Transparency International.

### **Local Economic and Employment Development (LEED) Programme**

The LEED Programme co-operates with the Central European Initiative, the European Bank for Reconstruction and Development Bank and the European Commission to conduct a series of activities related to local development in non-member countries, such as work on local governance, entrepreneurship and non-profit sector. An OECD/LEED Centre for Local Development, designed to promote local capacity building in Central and Eastern Europe, was set up in Trento, Italy, in December 2003.

Latvia and Lithuania became full participants in the Co-operative Action Programme on LEED and its Directing Committees in 2003.

In October 2003, officials from Latvia and Lithuania participated in the LEED Conference on Entrepreneurship and Economic Development in Distressed Urban Areas hosted in Rome. Latvia and Lithuania also took part in the 43rd session of the LEED Directing Committee in the Trento Centre in December 2003.

Within the framework of the Trento Centre activities, in 2004 and 2005, these two countries will participate in one-week sessions on entrepreneurship, local governance and the third sector. Two seminars on local governance and partnerships will also be held, in Riga and Vilnius.

## V. CO-OPERATION WITH OTHER ORGANISATIONS

The OECD Baltic Regional Programme conducts highly productive information exchange with several international organisations so as to ensure that the Programme activities exploit synergies and avoid duplication with work done by other organisations. The Baltic governments have underlined that the Baltic Regional Programme provides good analysis and exchange of information on the “best practices”, thus helping them in their co-operation with 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.

Some examples of issues addressed in co-operation with other institutions:

- The fight against corruption, particularly in procurement, in co-operation with Sweden and Lithuania, in the framework of the Council of Baltic Sea States;
- Pension and insurance reforms, with the involvement of the European Commission.

### 1. Council of The 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. On several occasions, they underlined that corruption constitutes a barrier to development of trade and investment, making it difficult especially for SMEs to operate.

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, several of whom participate in the CBSS, have ratified the Convention. A regular monitoring mechanism is a part of the Convention.

The “Pori Communiqué” of the 2003 Ministerial Session of the CBSS indicates that additional efforts for the removal of barriers to trade and investment must be launched with a view to ensuring the full implementation of the Bergen and Moscow Action Plans. A survey on administrative regulations in the CBSS members related to Trade and Investment will probably be organised so as to identify remaining issues in the field of corruption which need further action. Corruption of tax authorities is also a problem that the CBSS is determined to handle in the next future.

In Pori, the CBSS Council also emphasised the importance of “activities with positive synergies and exchange of experience”, particularly with the OECD, and welcomed co-operation between the two organisations, in the form of focused seminars, in the work against corruption in the Baltic Sea region.

The OECD co-operates with the CBSS through active membership in the Working Group on Economic Co-operation. A joint project for a *Baltic Integrity Programme* is presently under discussion.

The two organisations also developed their collaboration by organising a joint CBSS-Baltic Anti-Corruption Initiative (BACI)<sup>5</sup> Conference: a Conference on Anti-Corruption and Public Procurement, co-financed by OECD, Sweden and Lithuania, was held in Vilnius, Lithuania, in May 2003. The objective of this meeting was to explore essential procurement policy issues which anti-corruption policy makers need to take into consideration and to strengthen the links between anti-corruption policy makers, procurement policy makers and experts.

Control-mechanisms to avoid corruption in public procurement and sanction systems were discussed during the Seminar. Besides OECD member countries, the experiences of Latvia, Lithuania and Russia in the field of government procurement markets were assessed. Finally, EU and OECD approaches in this area were compared.

The 2003 Corruption Perceptions Index developed by Transparency International includes rankings of the Baltic Sea States. Although this ranking is considered controversial by some, it is nonetheless an interesting reflection of public perceptions (Rank 1, index 9.9 is “highly clean”).

Latvia slightly improved its position in 2003 (ranked 59 in 2002). Estonia, which has traditionally ranked fairly well (28 in 2002), dropped somewhat in the index, although it remained in the top 20 per cent of all countries ranked. Lithuania (ranked 38 in 2002) was rated slightly lower.

Country rank	Country	2003 score	High-low range
1	Finland	9.7	9.2 - 10.0
2	Iceland	9.6	9.2 - 10.0
3	Denmark	9.5	8.8 - 9.9
6	Sweden	9.3	8.8 - 9.6
8	Norway	8.8	8.0 - 9.3
16	Germany	7.7	4.9 - 9.2
33	Estonia	5.5	4.7 - 6.6
41	Lithuania	4.7	3.0 - 7.7
57	Latvia	3.8	3.4 - 4.7
64	Poland	3.6	2.4 - 5.6
87	Russia	2.7	1.4 - 4.9

## 2. European Commission (EC)

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

European Commission representatives are invited to all Baltic Regional Programme seminars and workshops, which are mostly held in the Baltic capitals.

<sup>5</sup> The OECD launched the Baltic Anti-Corruption Initiative (BACI) for Estonia, Latvia and Lithuania in 2001, in order to help the Baltic countries develop their ability to fight against corruption and reach international anti-corruption standards.

In 2003, OECD meetings and policy dialogue events on pension and insurance were organised with the EC's collaboration. The EC was notably involved in the organisation of the Tallinn Conference on "Progress of the Pension Reform and Management of private pension schemes" in April. Specifically, the European Commission was associated in the selection of the conference topics and provided some in-kind contributions.

### **3. World Bank**

The World Bank has for several years been interested in sharing information on social and labour policy issues with the OECD.

In 2003, the Directorate for Employment, Labour and Social Affairs contributed to the World Bank's Country Economic Memorandum on Latvia entitled "The Quest for Jobs and Growth". OECD assisted the World Bank by conducting a joint mission in the beginning of 2003 to meet with the Latvian government and local agencies or stakeholders.

The World Bank had also participated in the reviews of Education Policy in Estonia, Latvia and Lithuania and, more recently, in the follow-up activities.

## VI. DIRECTION AND CO-ORDINATION

### 1. Liaison with the Baltic Countries and Donor Governments

Working together, the Baltic countries, the OECD and the sponsors of the Baltic Regional Programme develop the strategy of the Baltic Regional Programme. The Baltic officials in specific policy areas and the OECD specialists will then prepare and implement the Programme. This successful process, year after year, creates a well-focused set of activities that responds to OECD and Baltic countries' 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 donors' views and the need to avoid duplication of work carried out through other projects with other international organisations.

The Secretariat, the Baltic countries and the donors liaise both by formal and informal means to design the programme of work, monitor its implementation and evaluate the outcomes. The main elements of the liaison and communication mechanisms are: *(i)* the Working Groups in each Baltic capital, *(ii)* the Baltic contact meetings with the OECD Secretariat, *(iii)* the Programme sponsor meetings with the Secretariat, and *(iv)* the annual evaluation meetings, which are very important since they function like a liaison committee. Through its extensive "Implementation Notes", each Baltic country assesses in writing every aspect of the Programme. There are also regular reports on the disbursement of the donors' 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, or several international organisations, such as the European Commission or the Council of Baltic Sea States and, in previous years, the Nordic Council and the Nordic Council of Ministers.

### 2. Baltic Working Groups

In each Baltic capital, a Baltic Regional Programme Working Group is co-ordinated by the Ministry of Foreign Affairs. Members of these Working Groups come from different Ministries, governmental organisations and institutions, which have specific interests in the Programme activities. 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 such as the European Commission, 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, the OECD Secretariat co-operates closely with the Baltic embassies in Paris.



### **3. Evaluation**

Annual evaluation meetings are a core element of the evaluation mechanism of this Programme. Other components of the evaluation process include the OECD's Programme Implementation Reviews, the publication of annual reports, and frequent exchanges among the OECD Secretariat, the Baltic countries and the sponsoring countries.

### **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.

This funding condition has always been met. From the CCNM 2003 Part 1 budget, 143,540 euros were allocated to fund permanent staff months allocated to the Programme. This represented approximately 21.4 per cent of the total resources for the Programme.

Donors have responded generously to the OECD's request for financial resources. For 2003, Finland, Iceland, Norway, and Sweden provided voluntary contributions. Estonia, Latvia and Lithuania also co-funded the BRP in 2003. Since 1999, Estonia has provided annual grants. In 2000, Latvia, Lithuania joined the list of annual donors. In previous years, the United States, Denmark, Ireland and Poland were also important contributors.

Funds have generally not been earmarked to specific activities. The one exception was specific funding for anti-corruption, because this activity was added after the priorities were agreed. Sponsors decided to provide overall programme funding, rather than project funding. Earmarking, sponsors agreed, could lead to "lobbying", with the result that the overall co-ordination of the Programme could be undermined and that its priorities would be dictated by the effectiveness of the various lobbying efforts rather than by policy considerations and mutual interest.

### **5. Staff**

The Baltic Regional Programme is implemented by the staff of the OECD. 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. Furthermore, project staff positions are created for a limited period and for one or more specific tasks, including several tasks in the Baltic Regional Programme context.

The day-to-day management of the Baltic Regional Programme is in the hands of the OECD Centre for Co-operation with Non-Members, as is the case with the Organisation's other programmes with non-OECD members. One project staff member in the CCNM has been assigned full-time to the administration of this Programme.

## 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 knowledge of specific policy areas in the Baltic region, and often beyond. Every year, the Baltic countries have been offered the opportunity to send experts to the OECD. Experts work on selected activities of the Baltic Regional Programme in various OECD Directorates (see box).

## 7. Missions and Visits

### Missions

In October 2003, an OECD Secretariat delegation conducted the annual consultations with the BRP Working Groups in each Baltic capital to assess their priorities for the 2004 programme of work and the results of the 2003 activities, following up on the June 2003 BRP Evaluation Meeting. The Baltic countries expressed the wish to discuss the prospects for their accession to OECD membership and for an their association with the OECD after 2004.

Meetings were held with the Directors-General of the Economics Department and/or Multilateral Relations in the Ministries of Foreign Affairs, who are also the Chairs of the BRP Working Groups. Interesting contacts were also carried on with representatives from the numerous Ministries in each capital, who are concerned with the BRP activities.

The OECD delegation also provided an introduction to the OECD's OLIS system for retrieving OECD documents on-line and trained approximately 55 Baltic officials to access a wealth of non-restricted OECD information.

### Visits

Every year there have been several high-level visits, either to the OECD or from the OECD. The Secretary-General, Deputies Secretary-General or the Director of the Centre for Co-operation with Non-Members have visited the Baltic countries and Baltic Presidents, Ministers and Deputy Ministers have visited the OECD (see box).

As a rule, the Baltic governments reaffirm their support for the Baltic Regional Programme and its objectives, and express the wish to become more closely associated with the OECD and its instruments, as well as to be invited to become OECD members.

### Experts invited to work on activities financed by the Baltic Regional Programme 1999-2003

- 2003** Ms Kadi Oorn, Chief Specialist, Department of Financial Services of the Estonian Ministry of Finance, worked for three months in the Directorate for Financial, Fiscal and Enterprise Affairs, organising a conference on “pension reform and management of private pension schemes”, with OECD staff.
- Ms Anita Dzintare, Acting Head of the WTO Division of the Latvian Ministry of Economics, worked in the Trade Directorate for three months. She was mainly involved in the preparation of a publication on “Economic and regulatory environment for trade in services in the Baltic countries”.
- 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”, which would be held in Tallinn, in June 2003.
- 2001** Mr Mati Murd, Third Secretary, Estonian Ministry of Foreign Affairs, worked during October-December 2001 in the Trade Directorate. He drafted the paper entitled “Economic and Regulatory Environment For Trade in Services: the Baltic states’ Experience”, discussed at an OECD trade meeting in Tallinn, in 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.

### Chronology of High-Level Visits

- |                      |   |
|----------------------|---|
| 14 May 2003          | • The President of Lithuania, Mr Roland Paksas, meets with OECD Secretary-General Mr Donald Johnston at the OECD.   |
| 28 April 2003        | • The Lithuanian Minister of Foreign Affairs, Mr Antanas Valionis, meets with OECD Deputy Secretary-General Mr Seiichi Kondo at the OECD.   |
| 26 January 2003      | • The Estonian Minister of Foreign Affairs, Mrs Kristiina Ojuland, meets with the OECD Secretary-General, Mr Donald J. Johnston, at the Davos World Economic Forum.   |
| 7 October 2002       | • The Estonian Minister of Foreign Affairs, Mrs Kristiina Ojuland, meets with OECD Deputy Secretary-General Mr Seiichi Kondo at the OECD  |
| 12 September 2002    | • The Lithuanian Ambassador to France, Mrs. Asta Skaisgrityté-Liauskiené, meets with the OECD Secretary-General, Mr Donald J. Johnston, at the OECD   |
| 28 September 2001    | • The OECD Secretary-General, Mr Donald J. Johnston, meets with the Latvian Prime Minister, Mr Andris Berzins and the Lithuanian Prime Minister, Mr Algirdas M. Brazauskas, on the occasion of the E-Business Forum, in Riga, Latvia.   |
| 11 June 2001         | • The Latvia Minister of Economy, Mr Aigars Kavitis, opens the Third Annual Evaluation Meeting of the Baltic Regional Programme, held in Riga, Latvia.  |
| 19-21 September 2000 | • OECD Deputy Secretary-General Mr Seiichi Kondo visits Latvia, Estonia and Lithuania and meets <i>i.a.</i> with the President of Lithuania, Mr Valdas Adamkus, and the Prime Ministers of Latvia and Estonia, Messrs Andris Berzins and Mart Laar, numerous other Ministers and Ambassadors of OECD countries. |
| 10 April 2000        | • The Prime Minister of Estonia, Mr Mart Laar, visits the OECD.   |
| 9 September 1999     | • The Vice-Minister of Foreign Affairs of Lithuania, Mr Vigaudas Usackas, meets with OECD Deputy Secretary-General Mr Seiichi Kondo, at the OECD.   |
| 11 March 1999        | • The Estonian Minister of Economic Affairs, Mr. Jaak Leimann, visits the OECD.   |
| 18 February 1999     | • The Estonian Minister of Foreign Affairs, Mr Raul Mälk, visits the OECD.  |
| 26 January 1999      | • The President of Lithuania, Mr Valdas Adamkus, meets with the OECD Secretary-General, Mr Donald J. Johnston, at the OECD.   |
| 15-22 October 1998   | • OECD Deputy Secretary-General Mr Kumihara Shigehara visits Lithuania, Latvia and Estonia.   |
| 22 July 1998         | • The Minister of Foreign Affairs of Lithuania, Mr Algirdas Saudargas, visits the OECD  |
| 10 July 1997         | • The President of Lithuania, Mr Algirdas M. Brazauskas, meets with the OECD Secretary-General, Mr Donald J. Johnston, at the OECD.   |
| 14 February 1997     | • The President of Estonia, Mr Lennart Meri, meets with the OECD Secretary-General, Mr Donald J. Johnston, at the OECD.   |

## 8. OLIS-Online Information Services and the Baltic Regional Programme Website

### Background

The purpose of OLISnet (Online Information Services) is to improve and broaden information flows between the OECD, member countries, international organisations and non-OECD members. It is an on-line information and interaction facility for member country administrations and other authorised government organisations and agencies. OLISnet increases the effectiveness of business communications and information exchange among national administrations, their Permanent Delegations and the OECD Secretariat and enhances the productivity of OECD Committees and other subsidiary bodies.

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. It thus supplies 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 can be used by any authorised official equipped with a browser – OLISnet is accessed over the private OECD network – which ensures a high quality of service, performance and security.

### Fast and Easy Access

An increasing number of Ministries provide their officials with easy access to OLISnet via low-cost connections directly from their internal networks. This renders access as easy as accessing any public Web site, except that the officials use the OECD's secure private Internet network.. Depending on individual government networking policies, these connections to the OECD are implemented either via the country's government-wide Intranet (that connects most, if not all, Ministries), or directly from the individual Ministry's network.

### Client Numbers

Of today's 10 834 registered clients, 9 217 (85%) are officials from over 1 400 OECD member countries' Ministries. Furthermore, 56 international organisations are represented by 1 294 clients (12 per cent), and 323 clients (3 per cent) come from 26 non-member economies. Each month around 200 national officials apply for access to OLISnet.

### 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 cotes* – 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.

### **The Baltic Countries and OLISnet**

The Baltic countries are well advanced in e-government and information society issues. They have expressed their interest in a broader access to OECD electronic information on several occasions. The OECD Centre for Co-operation with Non-Members (CCNM) and the Organisation's OLIS team have launched a project to increase the number of Baltic officials with access to OLISnet. A wide array of e-publications, statistics and unclassified documents has been made available to the Baltic countries via OLISnet. As the Baltic countries participate as observers in the work of certain OECD Committees, a wider access to OLIS documents has been authorised. The number of OLISnet clients in the Baltic countries was primarily limited to a few government agencies and key Ministries, but as of 2003, the OLISnet user base has been considerably extended in the region. Thus, the numbers of OLIS clients hugely increased: in autumn 2003, they were: 23 in Estonia (in comparison with four in 2002), 34 in Latvia (one in 2002), and 34 in Lithuania (seven in 2002).

### **OLISnet Access to 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 are composed of 15 to 19 members coming from different Ministries, governmental organisations and institutions. The Working Groups actively participate in the implementation of the Baltic Regional Programme activities.

During the autumn of 2003, the OLIS team held three workshops in the Baltic capitals in order to demonstrate 55 new members access to OECD database. Through this initiative, many of them are now linked to OLISnet. An increasing number of Ministries (Foreign Affairs, Economy, Agriculture, Transport, Education and Science, among others) and government agencies can thus download large volumes of OECD data.

### **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 2003-2004 (and update 2004); Annual Reports (2000, 2001, 2002); publications; policy briefings and press releases; web links to Estonia, Latvia and Lithuania; and links to international and regional organisations working with the Baltic countries (Council of the Baltic Sea States, European Commission, World Bank, EBRD, IMF, Nordic Council of Ministers).

The Secretariat regularly updates information on the Baltic Website. Additional information on the Baltic Regional Programme can be found at: [www.oecd.org/ccnm/Baltic countries](http://www.oecd.org/ccnm/Baltic%20countries). For information on the OECD's activities with non-members, visit: [www.oecd.org/ccnm](http://www.oecd.org/ccnm).

## **VII. FIFTH 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-four OECD member countries and the European Commission were represented alongside Estonia, Latvia, Lithuania, the International Monetary Fund and the Council of Baltic Sea States.

### **The objectives of the meeting**

In response to the request by the sponsors, including 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;
- The implementation of the Baltic Regional Programme;
- Selected Baltic Regional Programme activities with the experts involved;
- The funding of the Programme;
- The future of the Programme.

### **The Economic Situation in the Baltic Countries: An Update on the Reform Progress**

Representatives of the Baltic countries made presentations on their economic situations and progress on their reform processes. These presentations emphasised the countries' strong GDP growth and dynamic economic positions, as a result of their opening to international markets and their having implemented a large number of difficult and complex market-oriented structural reforms. However, the countries are still confronting challenges in ongoing reforms and in implementing their newly established legislation.

The Baltic countries are members of the World Trade Organisation (WTO) and will join the European Union in May 2004.

### **Summary of the Baltic Countries' Implementation Notes**

The Chairmen of the Baltic Working Groups presented their "Implementation Notes", providing their evaluations of the various activities under the Baltic Regional Programme (BRP), and their views on future priorities and interest in close integration with OECD bodies and instruments. They also reported on progress made towards EU accession [CCNM/BALT(2003)2-4]. Highlights of the presentations and the ensuing discussion can be summarised as follows:

- The Baltic countries stressed that they have been pleased with the results of the Baltic Regional Programme, which has been the main vehicle for co-operation with the OECD since 1998. The Programme has corresponded well with the reform priorities of the Baltic countries due to the “demand driven” nature of the Programme. The adoption of OECD’s best practices have reinforced reform processes in the Baltic capitals and contributed to the Baltic countries’ integration into the global economy.
- The Programme aims at supporting the Baltic countries in completing their transition to market economies, in promoting their stable integration into the global economy and in encouraging them to use best practices and consider policy options, developed by the OECD in various fields. The countries considered that good progress has been made in achieving these objectives, established in 1998, as the Baltic countries have successfully moved from transition to market economies. The Baltic countries expressed their interest in revising these objectives in order to promote a closer co-operation with the OECD in the future.
- The Medium Term Objectives 2001-2003, which were endorsed at the beginning of 2001, have provided useful long-term strategic guidelines to the Programme. Furthermore, they helped to strengthen the commitment of all parties involved in the Programme. The Baltic countries considered that, while many objectives had been accomplished and some of the activities had been completed, there were still activities which needed further support and should continue beyond 2003.
- The Programme has facilitated the Baltic countries integration into the global economy. At the same time, the Programme has supplemented and/or complemented the Baltic countries’ EU accession process. Moreover, the Programme has provided synergy and valuable analyses in the co-operation with other international or regional organisations such as the World Trade Organisation, the International Monetary Fund, the European Bank for Reconstruction and Development, the World Bank, and the Council of the Baltic Sea States. The Baltic countries found that the Baltic Regional Programme does not duplicate any bilateral or multilateral activities with any other organisations.
- The Baltic countries expressed their interest in strengthening their participation in OECD bodies and instruments. As of January 2004, all Baltic countries have joined the OECD’s Declaration on International Investment and Multinational Enterprises. The Baltic countries are working seriously to improve their institutional and policy capacity to fight against corruption and to meet the standards of the Bribery Convention. In February 2003, Estonia was invited to participate for the year as an expert in the Working Group on Bribery. Several Baltic applications are being processed by different OECD Committees. However, some of the Baltic countries mentioned that their participation in the instruments and bodies is limited by the “major player criteria” and commented that observership in some committees is a slow process
- The Baltic countries have participated in some of the OECD Global Forums and in several activities of the Common Programme for Transition Economies of Europe and Central Asia. The Baltic countries mentioned that some of these activities are generally useful, but could not replace the Baltic Regional Programme, which has been build up in close consultation with the Baltic countries and particularly corresponds to their reform needs. Moreover, in some cases, after the Baltic countries’ accession to the EU, they thought they might be too advanced to participate in the CCNM transition economies’ activities.
- Lithuania has started a programme of development co-operation with its neighbouring transition economies, for example, with the Kaliningrad region (Russia), Ukraine and Belarus to transfer its



valuable knowledge of the process of transition from a planned economy to market economy. The purpose of this co-operation is to promote the fight against international terrorism, the protection of human rights, security, trade, economic reforms and international economic integration. Lithuania provided its first development co-operation report to OECD DAC in 2001. Estonia explained, in its Implementation Notes, the nature of its development co-operation which focuses on South-East Europe, Southern Caucasus and Central Asia. Latvia has worked in collaboration with Ukraine.

- The Baltic countries reviewed all the 2002 Baltic Regional Programme's activities in their implementation notes, including statistics, trade, visiting experts, financial market reforms, insurance and pension reforms, foreign direct investment, competition policy, taxation policy, programme co-ordination, agriculture, the Baltic Anti-Corruption Initiative, labour market and social policy, education, and FEED. In some cases, the Baltic countries indicated their interest in new activities. They also attach great importance to work leading to closer integration with OECD bodies and instruments.
- The Baltic countries expressed the view that the Baltic Regional Programme should continue until the OECD has made a decision on its enlargement. The Baltic countries believed that as future EU countries and after successful transition to a market economy, they could effectively contribute to the development of OECD best practices and instruments. The Baltic countries reiterated their interest in meeting the standards of OECD instruments and best practices, with the ultimate aim of becoming an OECD member Country.

#### **Funding for 2004 and the future of the Programme**

The following points were made by the participants concerning the future of the Programme and its funding for 2004:

- The Baltic countries expressed their intent to continue their financial support to the Programme in 2004. The representatives of Latvia and Lithuania mentioned that they could increase their contribution to the Programme in the future. The Baltic countries would like to continue the Programme especially because they fear that without the Programme, they could be deprived of any effective mechanism to interface with the OECD.
- Sweden stated that it has been pleased with the results of the Programme, particularly since 2001, but is obligated to phase out its technical assistance to the Baltic countries, since the EU accession makes the Baltic countries eligible for funding from the EU's structural funds. The Swedish Delegation asked that a sixth Baltic Regional Programme evaluation meeting to be held in 2004 assesses the use of the financial contributions in 2003.
- Iceland underlined the need to continue the Programme in order to help prepare the Baltic countries for deeper integration with the OECD, and eventually membership. Iceland will continue to support the Programme.
- Norway expressed its interest in the continuation of the programme. However, it will have to phase out bilateral assistance to the Baltic countries. Nevertheless, there might be a possibility to use EEA (European Economic Area) funding to finance the BRP in the future.
- Japan mentioned that it is pleased with the results of the BRP. However the Programme should not be linked with OECD accession as it has different objectives. Moreover, the OECD is a global organisation, but not a regional one.

- The European Commission’s delegate described the various financial instruments available to new member countries and concluded that it was unlikely that EU funds would be able to co-finance the programme. However, if Estonia, Latvia and Lithuania, themselves, consider that some OECD Baltic Regional Programme activities could benefit from co-funding from European Commission’s “Transitional Facility”, they should take up the issue with the Commission when programming these funds.
- Finland mentioned that it would be a pity to end the successful Baltic Regional Programme. The resulting vacuum could be harmful to the Baltic countries and to the OECD. There should be a possibility to speed up the Baltic countries’ closer integration with the OECD instruments and bodies and to prepare them for membership. Finland mentioned that its technical assistance to the Baltic countries will be phased out after the Baltic countries’ EU accession. However, different Finnish Ministries other than the Ministry of Foreign Affairs could continue to finance individual BRP activities. Finland will still maintain regional co-operation activities involving the Baltic countries, northwest Russia, Kaliningrad, Ukraine and Belarus. This co-operation will focus on border related issues, such as diseases, drugs, traffic and environment.
- Several other members expressed the view that it would be important to continue the dialogue, in an appropriate form, with the Baltic countries.

### **Sustainability**

Co-operation between the Baltic countries and the OECD members has been referred to as a model. During the past six years, the Baltic Regional Programme has achieved a lot and no one wishes to relinquish the achieved results of the Programme. This is the view heard from the Baltic countries, the sponsors and a number of other members and the activities managers, who see areas where reforms are not yet complete. Given the current situation of the Programme, it is important to consider ways of ensuring the sustainability of the results, so that the positive impact of the BRP on policy and practices is sustained and not lost. It will be necessary to work on each BRP activity with its managers, the Baltic countries and the sponsors, to define the concept and the way to realise it.

### **The Chairman’s Conclusions**

The Chairman recognised the achievements of the Baltic countries in their successful transition to market economies and their efforts to integrate into the global economy. He noted however that some reforms and challenges still remain to be completed, in particular concerning catching-up with Western Europe. Moreover, the Chairman recognised the Baltic countries’ interest in reviewing the established Baltic Regional Programme objectives and also their interest in closer integration with OECD bodies and instruments.

Most of the main sponsors of the Programme will phase down their funding after the Baltic countries accede to the EU. The Chairman stressed the need to continue the dialogue with the Secretariat, the Baltic countries and the sponsors to prioritise the activities remaining to be completed. He noted the need to have a bridging level of activity and to check alternative financial instruments in order to ensure the sustainability of the BRP achievements and to keep alive the established dialogue. The chair mentioned that the OECD Working Group on Enlargement (Heads of Delegation Informal Group 4) is scheduled to finalise a strategy document.

## VIII. THE BALTIC REGIONAL PROGRAMME BUDGET

<b>Programme Funding Received</b>	2001 in euros	2002 in euros	2003 in euros
Denmark	80 561	0	0
EC Phare	15 000	16 954	0
Estonia	23 630	25 000	30 000
Finland	152 449	152 449	130 000
Iceland	9 147	10 214	10 214
Ireland	38 112	38 000	0
Latvia	21 953	22 424	30 000
Lithuania	21 953	33 636	30 000
Norway	121 761	135 071	120 517
Poland	38 112	0	0
Sweden	163 177	163 634	163 696
Sweden (contribution to Vilnius Meeting)			11 716
<b>Sub-Total</b>	<b>685 855</b>	<b>597 382</b>	<b>526 143</b>
<b>Funding Earmarked for Project Staff</b>			
Sweden (SIDA - Young Professional)	69 360	21 517	0
Finland	73 008	0	0
<b>Sub-Total</b>	<b>828 223</b>	<b>618 899</b>	<b>526 143</b>
<b>Funding earmarked for the Baltic Anti-Corruption Initiative (BACI)</b>			
Norway	15 134	0	0
USAID: USD 500,000 (multi-year funding for 2001-2002)	183 877	367 756	0
<b>Sub-Total</b>	<b>199 011</b>	<b>367 756</b>	<b>0</b>
<b>Total voluntary contributions and grants</b>	<b>1 027 234</b>	<b>986 655</b>	<b>526 143</b>
Contribution from OECD part I budget	266 000	207 000	143 540
 <b>TOTAL</b>	 <b>1 293 234</b>	 <b>1 193 655</b>	 <b>669 683</b>
<b>DISBURSEMENTS OF PROGRAMME FUNDING RECEIVED</b>			
1. Missions	122 418	77 246	19 483
2. Meetings	181 382	141 106	44 516
3. Consultants/Auxiliaries/Visiting Experts	253 636	141 044	49 735
4. Project Staff	436 331	237 018	125 546
5. Other	5 196	368 716	283
6. To be disbursed	28 271	21 525	286 823
<b>Total</b>	<b>1 027 234</b>	<b>986 655</b>	<b>526 143</b>

## BIBLIOGRAPHY

*This is a list of documentation related to the Baltic countries produced by the OECD through its Centre for Co-operation with Non-Members (CCNM). Many of the publications are available through the OECD's online bookshop: [www.oecd.org/bookshop/](http://www.oecd.org/bookshop/)*

### **Baltic Regional Programme Publications or Reports**

Labour Market and Social Policies in the Baltic countries, 2003  
Agricultural and Rural Development Policies in the Baltic countries, 2003  
Economic Growth and Growth Cycles in the Baltic states, 2003  
Compiling Quarterly National Accounts in the Baltic countries and Other Transition Economies, 2003  
Insurance and Pension Reform in the Baltic states (2 volumes), 2004  
Status Report of Estonia in the framework of the Baltic Anti-Corruption Initiative (BACI), 2002  
Status Report of Latvia in the framework of the Baltic Anti-Corruption Initiative (BACI), 2002  
Status Report of Lithuania in the framework of the Baltic Anti-Corruption Initiative (BACI), 2002  
Estonia Country Assessment, 2003 (Entrepreneurship and Enterprise Development)  
Latvia Country Assessment, 2003 (Entrepreneurship and Enterprise Development)  
Lithuania Country Assessment, 2003 (Entrepreneurship and Enterprise Development)  
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Agriculture and Rural Incomes, Labour Mobility and Rural Development Policies in Estonia, Latvia and Lithuania  
Promoting Trade in Services: Experience of the Baltic states  
L'expérience des pays baltes de promouvoir les échanges de services

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International Direct Investment Statistics Year Book, 1999

### **OECD Centre for Co-operation with Non-Members Activities and Events Information (Available on Website)**

CCNM 2003-2004 Integrated Programme of Activities – 2004 Update

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 2003

<b>BALTIC REGIONAL PROGRAMME 2003</b>					
<b>DATE</b>	<b>ACTIVITY NO.</b>	<b>TITLE OF EVENT</b>	<b>LOCATION</b>	<b>IMPLEMENTING DIRECTORATE/ DIVISION</b>	<b>CONTACT</b>
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. J. Yermo Mr. D. Lindeman
12 - 16 May 2003	II.A.2.3	WORKSHOP International Tax Policy	Riga	DAF/ CTPA	Mr. R. Parry
19-20 May May 2003	II.A.2.8	SEMINAR Anti-Corruption and Public Procurement Seminar in co-operation with the Council of the Baltic Sea States (CBSS)	Vilnius	CCNM (Dir. & Co-ord)  DAF/ ACD	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 Competition Policy	Vilnius	DAF/ COMP	Ms. S. Van Sieten
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**

<b>DATE</b>	<b>ACTIVITY NO.</b>	<b>TITLE OF EVENT</b>	<b>LOCATION</b>	<b>IMPLEMENTING DIRECTORATE/ DIVISION</b>	<b>CONTACT</b>
13-14 October 2003	II.A.2.8	WORKSHOP Ethics in the Public Sector	Vilnius	DAF/ ACD	Ms. V. Gündel Ms. N. Ehlermann- Cache
27-28 November 2003	II.A.2.10	SEMINAR Follow-up Seminar Review of Education Policy in Estonia	Tallin	EDU	Mr. I. Whitman
1 December 2003	II.A.2.2	MEETING Baltic countries Co-ordination Meeting on Agriculture	Riga	AGR	M M. Ryan
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

## ANNEX II

## Participation by the Baltic states in OECD Global Forums 2003

<b>OECD GLOBAL FORUMS 2003</b>					
<b>DATE</b>	<b>ACTIVITY NO. GLOBAL FORUM</b>	<b>TITLE OF EVENT</b>	<b>LOCATION</b>	<b>IMPLEMENTING DIRECTORATE/ DIVISION</b>	<b>PARTICIPATING COUNTRIES</b>
8 - 9 January 2003	I.E.3 OECD Global Forum on Trade	WORKSHOP Workshop on Maritime Transport Policies	Paris	STI/ DOT	Estonia; Latvia; Lithuania.
14 - 17 January 2003	I.B.2.4 OECD Global Forum on Knowledge Economy - The Digital Economy	MEETING OECD Global Forum on Policy Frameworks for the Digital Economy	Honolulu	STI/ ICP	Estonia
10 - 11 February 2003	I.H.1 OECD Global Forum on Competition	MEETING Third Global Forum on Competition	Paris	DAF/ COMP	Estonia; Latvia; Lithuania.
17 - 18 March 2003	I.A.3 OECD Global Forum on Sustainable Development	WORKSHOP Emissions Trading and Project-based Mechanisms to Mitigate Greenhouse Gas Emissions	Paris	ENV/ GSP	Estonia; Latvia; Lithuania.
15 - 16 May 2003	I.E.1 OECD Global Forum on Trade / I.H.1 OECD Global Forum on Competition	MEETING OECD Joint Global Forum on Trade and Competition	Paris	DAF/ COMP  ECH/ TPL	Estonia; Latvia; Lithuania
19 - 23 May 2003	I.D.1 OECD Global Forum on Taxation	WORKSHOP Transfer Pricing Guidelines	Vienna (Multilateral Tax Centre)	DAF/ CTPA	Estonia; Latvia; Lithuania.
20 - 24 October 2003	I.B.2.6 OECD Global Forum on Knowledge Economy - The Digital Economy	WORKSHOP Taxation on Electronic Commerce	Vienna (Multilateral Tax Centre)	DAF/ CTPA	Estonia, Latvia, Lithuania



*ANNEX III***Participation by the Baltic states In OECD Global Forums on Taxation Events (Multilateral Tax Centres)**

<b><i>OECD GLOBAL FORUMS ON TAXATION 2003 (MULTILATERAL TAX CENTRES)</i></b>				
<b>DATE</b>	<b>ACTIVITY NO. GLOBAL FORUM</b>	<b>TITLE OF EVENT</b>	<b>LOCATION</b>	<b>IMPLEMENTING DIRECTORATE/ DIVISION</b>
24 - 28 March 2003	I.D.1 OECD Global Forum on Taxation	WORKSHOP Auditing Multinational Enterprises	Budapest (Multilateral Tax Centre)	DAF/ CTPA
12 - 16 May 2003	I.D.1 OECD Global Forum on Taxation	WORKSHOP International Tax Evasion and Avoidance (including Harmful Tax Practices)	Budapest (Multilateral Tax Centre)	DAF/ CTPA
19 - 23 May 2003	I.D.1 OECD Global Forum on Taxation	WORKSHOP Transfer Pricing Guidelines	Vienna (Multilateral Tax Centre)	DAF/ CTPA
2 - 6 June 2003	I.D.1 OECD Global Forum on Taxation	WORKSHOP Tax Treaties	Vienna (Multilateral Tax Centre)	DAF/ CTPA
8 - 10 July 2003	I.D.1 OECD Global Forum on Taxation	WORKSHOP Exchange of Information and Bank Secrecy	Budapest (Multilateral Tax Centre)	DAF/ CTPA
24 - 26 September 2003	I.D.1 OECD Global Forum on Taxation	CONFERENCE Global Forum on Tax Treaties and Transfer Pricing	Paris	DAF/ CTPA
20-24 October 2003	I.D.1 OECD Global Forum on Taxation	MEETING Seminar on taxation of Electronic Commerce	Vienna (Multilateral Tax Centre)	DAF/ CTPA
17 - 21 November 2003	I.D.1 OECD Global Forum on Taxation	WORKSHOP Income Tax	Budapest (Multilateral Tax Centre)	DAF/ CTPA
1 - 5 December 2003	I.D.1 OECD Global Forum on Taxation	WORKSHOP International Tax Evasion and Avoidance	Vienna (Multilateral Tax Centre)	DAF/ CTPA

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**BLURB****Baltic Regional programme****Annual Report 2003**

The Baltic Regional Programme, established in 1998, is the OECD's main vehicle for co-operation with Estonia, Latvia and Lithuania. Several north-western regions of the Russian Federation also participate in some of the activities. The Annual Report 2003 contains information on the implemented Baltic Regional Programme activities, evaluations of the activities' medium-term objectives 2001-2003, and information on the Baltic countries' participation in the OECD's Global Forums and Common Programme for Transition Economies of Europe and Central Asia.

The overall aims of the Baltic Regional Programme are to support the Baltic countries in completing their transition to market economies, to promote their stable integration into the global economy and to encourage them to use best practices developed by the OECD in various areas. The Programme also seeks to associate the Baltic countries more closely with OECD instruments in areas including foreign investment, competition, bribery, taxation and insurance.

Policy reviews and policy dialogue are major contributions of the Baltic Regional Programme to the process of the reforms in the Baltic countries. The Programme conducted work in numerous sectors in 2003 on: anti-corruption; debt management and private securities markets; insurance and pension reform; taxation; competition law and policy; agriculture; trade; labour and social policy; and education.

Since the establishment of the Programme, the Baltic countries have made significant progress in aligning their policies with OECD instruments and standards.