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Update on activities

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Overview of the OECD Investment Compact for South East Europe¹

Background

1. Established in 2000, the OECD Investment Compact for South East Europe (SEE) is a regional programme supporting the governments of the region in enhancing competitiveness and fostering private sector development. The work has had considerable impact in the region helping identify reform priorities, fostering implementation and bringing SEE economies closer to both OECD and EU standards.

Current activities

2. The programme is actively supporting policy monitoring and assessment by considering 17 policy dimensions of the SEE2020 Strategy. A new publication titled *Competitiveness in South East Europe – a Policy Outlook* will summarize this work. The Outlook outlines 10-15 reform priorities and was prepared in close co-operation with several regional organisations, governments and social partners in the Western Balkans. The Outlook will be published in December 2015 and will be launched during a high – level conference in early 2016. Other aspects of the SEE2020 Strategy related work focus on identifying policy actions to boost competitiveness in sectors related to food and beverage processing and tourism. These efforts will result in pilot projects in these high-potential sectors and in two policy handbooks with concrete recommendations including on ways to address trade barriers and stimulate regional integration.

3. In order to give clearer guidance on the structural reforms needed to support long-term growth and competitiveness, both the accession candidates and potential candidates from the Western Balkans were asked by the EU Council to follow processes similar to those of the European Semester and Europe 2020. They were thus required to produce annual Economic Reform Programmes (ERPs) with two distinct parts: II.1 macroeconomic and fiscal issues; and II.2 structural reforms related to competitiveness and growth. The OECD was invited to assist the economies in the preparation of part II.2 of the Programmes and its involvement comprised of pre-defining possible reform priorities as well as analysing and revising the submitted draft ERPs. After successful completion of the ERPs 2015 pilot phase, the OECD will continue to support the process in the coming years.

4. Partnering with the Enterprise Development and Innovation Facility (EDIF), a SME fund created by the EC, EBRD and the European Investment Fund, the programme focused on prioritising policy reforms for innovative and high-growth SME development. The results of the work will be brought together in the *SME Policy Index 2016*², a flagship publication, which has become a reference for enhanced compliance of the Western Balkans and Turkey with the Small Business Act for Europe. The next edition will benefit from a strengthened methodology, which both deepens the assessment in terms of focusing more on policy implementation and widens it by including monitoring and evaluation.

5. Since the last report to the ERC, the programme has also delivered other reference tools for the economies from the region, namely the results of monitoring non-tariff trade barriers (NTBs) used by CEFTA parties in multilateral negotiations and in their broader efforts to promote free trade in the region, as well as the Industrial Policy Toolkit which offers a brief road-map of how to navigate the process of (re)designing industrial policy in SEE economies.

1 This note is an update on developments in the OECD Investment Compact for South East Europe since November 2014. A previous overview was provided in [ERC\(2014\)23](#). A more comprehensive overview was provided in [ERC\(2014\)8](#).

2 Similar flagship publications were issued in 2006, 2009 and 2012.

6. The Programme is also helping countries in the region tap into OECD expertise on Innovation policies, in co-operation with the Committee for Scientific and Technological Policy. In this context, it helped the Former Yugoslav Republic of Macedonia formulate its first-ever Innovation Strategy, resulting in a new Innovation Law and an Innovation Fund. The programme is currently helping the governments of Croatia, Albania and Kosovo* create a policy framework for industry-academia-government co-operation focused on innovation.

Way ahead

7. To efficiently face the new challenges, the regional programme will seek to enhance its role as a platform for strategic dialogue and exchange of policy perspectives, with a view to supporting economic reform priorities in the region. The creation of a mechanism for high-level, whole-of government policy dialogue would be very helpful in contributing to setting strategic directions for the programme.

8. The programme is also designing an all-of-OECD mechanism to advance support for the identification and implementation of comprehensive growth-enhancing reforms developed in the framework of the Economic Reform Programmes. Important outcomes would include a mechanism for setting reform priorities with the highest impact on growth, a system for monitoring the implementation and impact of structural reforms and the formulation of recommendations to foster sound economic governance, competitiveness and long-term growth. This work will be carried out in close co-operation with the relevant OECD bodies.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.