



Competitiveness in South East Europe: A Policy Outlook 2016



“Since it was established in 2000, the OECD South East Europe Regional Programme has supported economies in the region, harnessing OECD expertise on a broad range of policy areas. The publication Competitiveness in South East Europe: A Policy Outlook follows this tradition, providing policy makers in the region with a holistic set of recommendations tailored to the specific needs of the South East European economies. We look forward to working closely with the economies of the region to boost competitiveness and well-being of its citizens.”

Marcos Bonturi, Director, Global Relations Secretariat, OECD



“South East Europe has undergone a profound economic transformation in the last decade, but a number of challenges still persist. The European Commission has repeatedly reiterated its commitment to this part of Europe and is committed to support reforms aiming at improving competitiveness, economic governance and stronger economic links among the economies of the region. In that context, we consider the work carried out in the South East Europe Regional Programme to have significantly helped the region move closer towards the European Union and to have improved regional co-operation.”

Simon Mordue, Director for Enlargement Policy and Strategy, Directorate General for Enlargement, European Commission



Competitiveness in South East Europe: A Policy Outlook 2016



SOUTH EAST EUROPE TRENDS	2
OECD SOUTH EAST EUROPE REGIONAL PROGRAMME	
A partnership for prosperity and stability	4
COMPETITIVENESS IN SOUTH EAST EUROPE: A POLICY OUTLOOK	
A tool for monitoring progress in building competitive economies	5
A HOLISTIC VIEW OF COMPETITIVENESS	6
PARTICIPATORY NATURE OF THE ASSESSMENT PROCESS	7
DEVELOPMENT MILESTONES	8
REGIONAL EXPERT ORGANISATIONS AND NETWORKS	9
Investment policy and promotion	10
Trade policy and facilitation	11
Education and competences	12
Research, development and innovation (RDI)	13
Digital society	14
Cultural and creative sectors	15
Transport	16
Environmental policy	17
Access to finance	18
Tax policy	19
Competition policy	20
Employment policy	21
Health policy	22
Effective public services	23
Anti-corruption policy	24



South East Europe trends

THE EFFECTS OF THE FINANCIAL CRISIS ON SOUTH EAST EUROPE

The financial crisis hit the economies of South East Europe hard and its effects are still being felt across the region today. Economies of South East Europe continue to struggle with **low growth rates and high levels of unemployment**. They also have not fully recovered from other impacts of the crisis: the contraction of foreign credit to local banks, a sharp decline in FDI inflows and a decrease in both exports and remittances.

SEE economies had **limited resources to mitigate the crisis**. The euro-isation of their economies limited competitive devaluation and at the same time, strained government finance and low debt ratings reduced the scope for fiscal stimulus through government spending and investment.

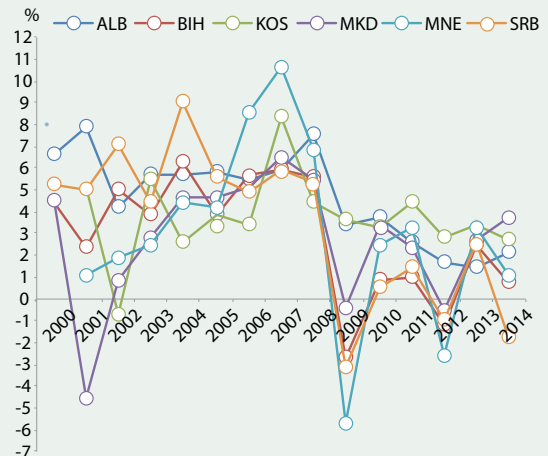
The crisis also exposed structural weaknesses in the growth model of South East Europe, which was based on credit expansion and consumption, rather than productive investment and exports. **A major shift is needed to help the region achieve a new growth model based on innovation and skills.**

Annual GDP growth

Note: Data for Albania and Bosnia and Herzegovina for the year 2013 are estimates. Data for Albania, Bosnia and Herzegovina and Kosovo* for the year 2014 are estimates.

Source: IMF (2015), World Economic Outlook, April 2015 Edition (database), www.imf.org/external/pubs/ft/weo/2015/01/weodata/index.aspx.

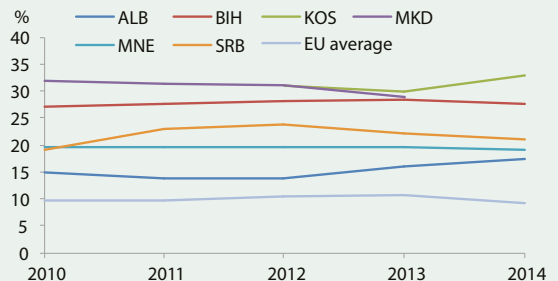
*This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.



Unemployment rates of 15 year-olds and over

Note: Data for Kosovo for the years 2010 and 2011 and for the Former Yugoslav Republic of Macedonia for 2014 not available.

Source: EC (2015), Employment and unemployment (Labour force survey, Eurostat database), <http://ec.europa.eu/eurostat/web/lfs/data/database>; ILO (2015), Key Indicators of the Labour Market (database), www.ilo.org/empelem/what/WCMS_114240/lang-en/index.htm; Kosovo Agency of Statistics (2015), Labour Market (database), <https://ask.rks-gov.net/ENG/labour-market/tables>.





CHALLENGES AND OPPORTUNITIES

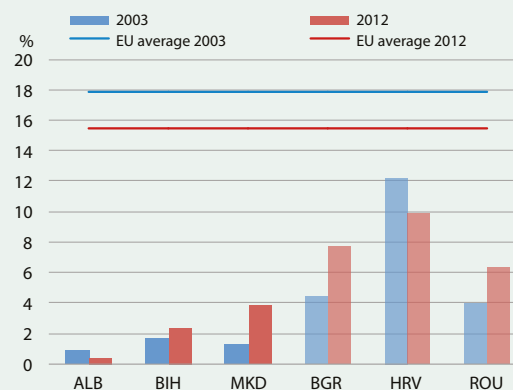
Building a new growth model for the region which will generate strong and sustainable prosperity hinges on raising the competitiveness of SEE economies. Boosting competitiveness will be essential to help the region move up the value chain, connect with regional and global markets and escape the “middle income trap”.

In order to support this transition, SEE governments will need to tackle some common **structural economic challenges** such as:

- low levels of innovation
- an export profile dominated by low-skilled services and low value-added products
- pervasive skills gaps exacerbated in a number of economies by significant emigration of skilled workers
- non-tariff barriers to trade
- labour market rigidities
- fragmented capital markets and limited access to finance
- high incidence of corruption and informal economic activity

Reforms should focus on two key priorities for the region: **enhancing human capital and improving the business environment** to attract FDI and facilitate trade.

High-technology exports (% of total manufactured exports), 2003 and 2012



Note: Data for Kosovo, Montenegro and Serbia not available.

Source: World Bank (2015), *World Development Indicators* (database), <http://data.worldbank.org/data-catalog/world-development-indicators>.

WINDOWS OF OPPORTUNITY

In seeking to raise competitiveness, SEE governments can also leverage several important resources such as:

- Proximity to the world’s largest market, i.e. almost 500 million consumers.
- A well educated workforce (at the secondary level).
- Access to EU structural funds to support the integration process.

The path towards EU accession presents a common window of opportunity for SEE economies to jointly address challenges within the **framework of a regional growth strategy**.



OECD South East Europe Regional Programme

A partnership for prosperity and stability

The OECD SEE Regional Programme is part of the Global Relations Secretariat, which supports the Secretary-General in advancing the Organisation's global reach.

Since its establishment in 2000, the Programme supports SEE economies in elaborating and implementing policies for investment and private sector development in order to promote competitiveness and growth. In its joint work with regional counterparts, the Programme draws on its

strong relationships with key stakeholders, on its deep understanding of a broad scope of policy areas in SEE, and its capacity for high quality, impartial analyses.

These advantages help to produce actionable policy reports with recommendations for future policy actions, and to hold capacity building and high level meetings bringing diverse stakeholders together to move regional processes forward.



Ministerial conference: Building a 2020 Vision for South East Europe, November 2011. © OECD/Benjamin Renout



Competitiveness in South East Europe: A Policy Outlook

A tool for monitoring progress in building competitive economies

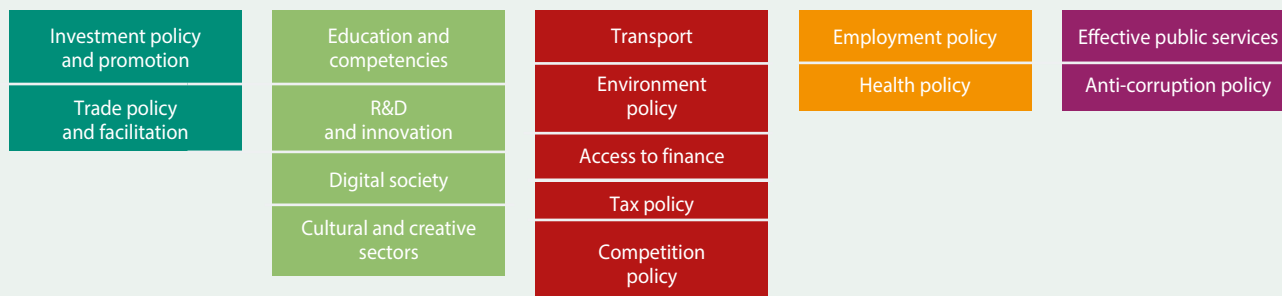
The OECD South East Europe Regional Programme published the **Competitiveness in South East Europe: A Policy Outlook** in February 2016. The report:

- Assesses reform progress across 15 policy areas key to competitiveness in South East Europe: Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia
- Analyses 336 quantitative and qualitative indicators across 15 policy dimension assessment frameworks
- Benchmarks performance between peer economies and OECD good practices
- Provides guidance for further policy reform
- Leverages a highly participatory evaluation process – including regional policy networks and organisations, policy makers, independent experts and the private sector – to create a balanced view of performance
- Tracks progress towards SEE 2020 Strategy growth goals.



A holistic view of competitiveness

Comprehensive coverage of 15 policy dimensions impacting competitiveness



Quantitative impact data complement qualitative policy setting scores

Qualitative indicators	Quantitative indicators												
<p>Assess the development of policy settings, process and institutions – whether they exist, and if so, whether they are adopted, implemented, monitored and regularly updated</p> <table> <tr> <td>Level 0</td><td>No framework</td></tr> <tr> <td>Level 1</td><td>Draft or pilot framework</td></tr> <tr> <td>Level 2</td><td>Framework in place and operational</td></tr> <tr> <td>Level 3</td><td>Implementation of policy framework is advanced</td></tr> <tr> <td>Level 4</td><td>Evidence of framework monitoring and readjustment</td></tr> <tr> <td>Level 5</td><td>Independent impact evaluation; good practices</td></tr> </table>	Level 0	No framework	Level 1	Draft or pilot framework	Level 2	Framework in place and operational	Level 3	Implementation of policy framework is advanced	Level 4	Evidence of framework monitoring and readjustment	Level 5	Independent impact evaluation; good practices	<p>Measure policy inputs, policy making processes, institutional conditions and policy outputs relevant for the implementation of the SEE 2020 Strategy and achievement of its goals.</p>
Level 0	No framework												
Level 1	Draft or pilot framework												
Level 2	Framework in place and operational												
Level 3	Implementation of policy framework is advanced												
Level 4	Evidence of framework monitoring and readjustment												
Level 5	Independent impact evaluation; good practices												



Participatory nature of the assessment process

ASSESSMENT PROCESS FOR THE QUALITATIVE INDICATORS

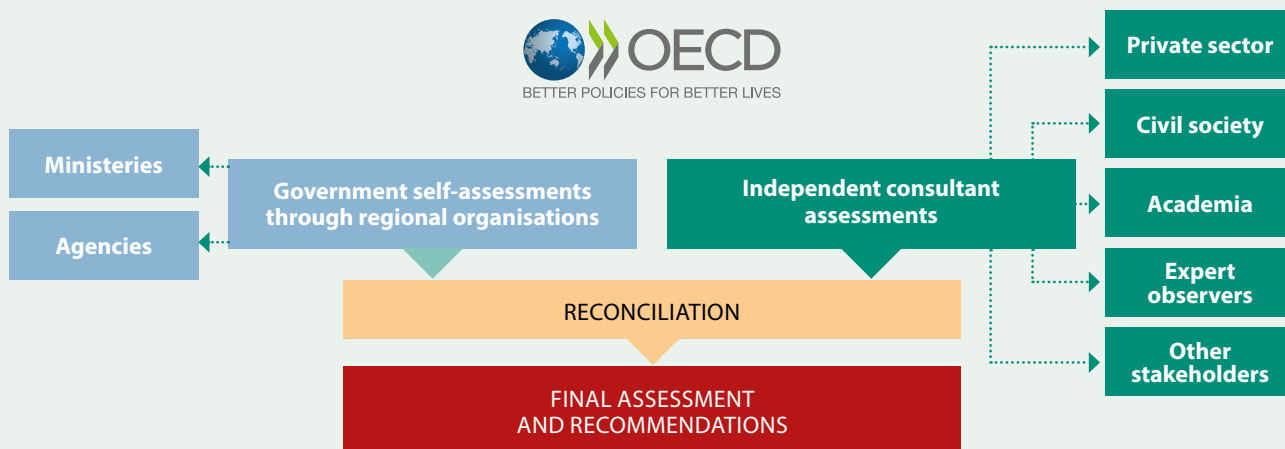
The scores of the qualitative indicators were determined through **two parallel but complementary assessments** (one by the government and one by independent experts).

The **government self-assessment** was completed by different agencies and ministries involved in policy development and implementation of each dimension. This assessment was co-ordinated by regional organisations.

The **independent assessment** (carried out by country consultants) serves as a framework of checks and

balances against the government assessment. It also ensures inclusiveness by taking into account the views of all stakeholders involved, especially the private sector, civil society, academia, expert observers and other relevant stakeholders. This assessment is co-ordinated by the OECD.

The reconciliation phase allows the participants to learn from each other through both formal and informal exchanges, create a consensus, finalise the assessments and generate recommendations.





Development milestones

Assessment framework development

1

The OECD South East Europe Regional Programme in consultation with regional organisations and networks, and OECD experts from specialised directorates, develops an assessment framework composed of qualitative and quantitative indicators.

Assessment

2

Government self-assessments, co-ordinated by regional organisations and the OECD, and independent assessments, co-ordinated by the OECD takes place in parallel. The OECD collects quantitative indicators in co-ordination with the RCC.

Reconciliation

3

The OECD organises meetings in each economy to reconcile discrepancies between the draft government self-assessments and the draft OECD independent assessments and to fill any remaining information gaps. Participants include regional organisations, government representatives, the private sector, academia and independent experts. These meetings are followed by the SEE Competitiveness Outlook Week, which brings stakeholders from across the region to the OECD in Paris to discuss findings at the regional level.

Final analysis and drafting

4

OECD analyses information and drafts *Competitiveness in South East Europe: A Policy Outlook* with input from regional organisations and OECD experts.

5



Competitiveness in South East Europe: A Policy Outlook

Regional expert organisations and networks

In preparing this policy outlook, the **OECD has co-operated closely with a range of regional organisations and networks** from the beneficiary economies in the development of indicators, as well as for the final assessment and scoring. These stakeholders provided specific expertise, validated the methodology and coordinated the data collection processes.

- Central European Free Trade Agreement Secretariat
- Education Reform Initiative of South Eastern Europe
- Electronic South Eastern Europe Initiative
- Energy Community
- European Training Foundation
- Global Water Partnership Mediterranean
- Network of Associations of Local Authorities of South East Europe
- Regional Anti-Corruption Initiative
- Regional Cooperation Council
- Regional Cooperation Council – South East Europe Investment Committee
- Regional Cooperation Council Task Force on Culture and Society
- Regional Environmental Centre
- Regional School of Public Administration
- South East Europe Transport Observatory
- South East European Centre for Entrepreneurial Learning
- South Eastern Europe Health Network
- South Eastern Europe Regional Rural Development Standing Working Group
- World Health Organisation, Regional Office for Europe

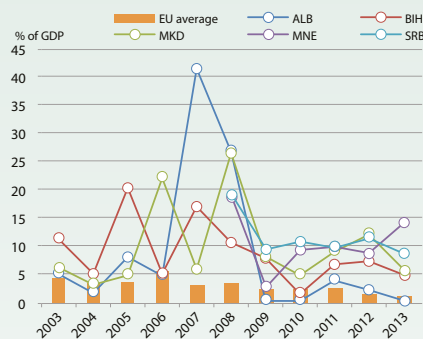


Did you know?

Annual greenfield investment flows in Albania, Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia more than halved from 12.7% of GDP on average in the period from 2003 to 2008, to an average 5.2% of GDP in the period from 2009 to 2013.

In comparison, annual greenfield investment flows in Montenegro and Serbia were almost twice as high in the period from 2009 to 2013 at 9.5% of GDP on average.

Annual greenfield investment flows



Note: Data for Montenegro and Serbia available from 2008. Data for Kosovo not available.

Source: Adapted from UNCTAD (2015), *World investment report 2015: Reforming international investment governance*, www.unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1245; UNCTAD (2015), UNCTADStat (database), <http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>.

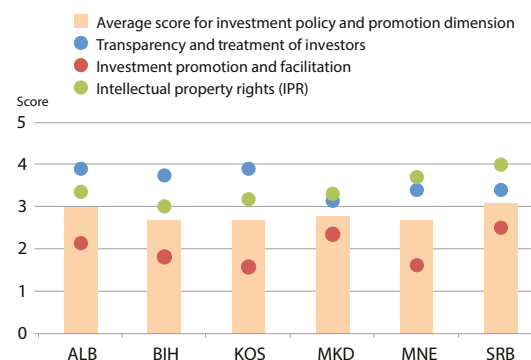
FDI in SEE (as a percentage of GDP) has regularly exceeded the EU average since 2007.

ISO certification rates increased across SEE in 2010 to 2013, peaking in 2011 at an average of 300 certificates per million people, but have stagnated since.

Investment policy and promotion

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

Qualitative score levels	
Level 5	Independent impact evaluation; good practices
Level 4	Evidence of framework monitoring and readjustment
Level 3	Implementation of policy framework is advanced
Level 2	Framework in place and operational
Level 1	Draft or pilot framework
Level 0	No framework



MAIN FINDINGS

ACHIEVEMENTS

- Newly adopted legislation provides for improved treatment of foreign and domestic investors
- Improved access to industrial land for foreign investors
- Decreased barriers to foreign personnel movement and investment related capital transfers
- Strengthened intellectual property rights (IPR) legislation and enforcement

WAY FORWARD

- Further advance the implementation of investment promotion strategies and investment promotion agency services
- Further develop the design and promotion of FDI incentive schemes
- Strengthen practices for linking foreign investors with the local supplier base
- Enhance communication with potential and established investors (through a customer relationship management (CRM) mechanism and one-stop shops (OSS) for single access to all regulations and permits)
- Ease foreign investors' access to land, especially agricultural, by clearly defining land ownership results
- Intensify intellectual property rights (IPR) awareness-raising activities

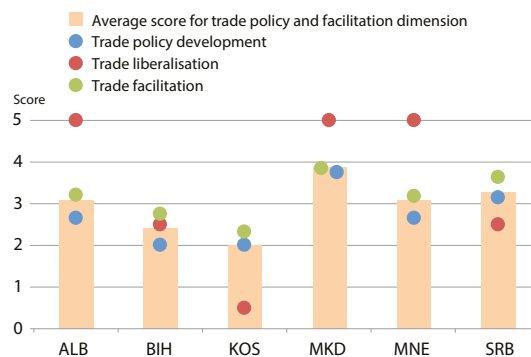
Trade policy and facilitation



Did you know?

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

Qualitative score levels	
Level 5	Independent impact evaluation; good practices
Level 4	Evidence of framework monitoring and readjustment
Level 3	Implementation of policy framework is advanced
Level 2	Framework in place and operational
Level 1	Draft or pilot framework
Level 0	No framework



MAIN FINDINGS

ACHIEVEMENTS

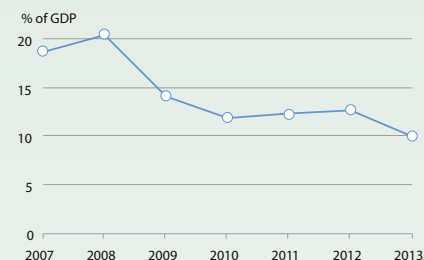
- Improved integration into the world trading system through increased trade agreements and tariff reduction
- Strengthened trade policy institutional frameworks through designated single bodies to co-ordinate policy

WAY FORWARD

- Further reduce non-tariff barriers to trade - especially in sanitary and phytosanitary measures
- Address regulatory barriers to trade in services
- Strengthen trade policy formulation based on analysis and impact evaluations

The SEE trade deficit has halved from just over 20% in 2008 to 10% in 2013. This reflects a steep fall in consumer goods imports due to reduced demand during the crisis.

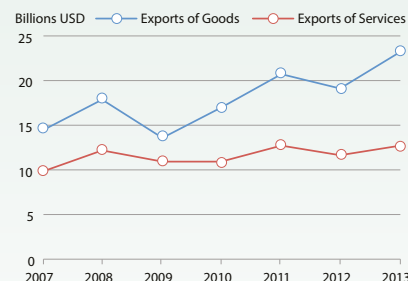
SEE trade deficit



Source: Adapted from World Bank (2015), *World Development Indicators* (database), <http://data.worldbank.org/data-catalog/world-development-indicators>.

In 2013, goods accounted for 65% of aggregate exports, against 35% for services. From 2009 to 2013, the average annual growth rate in regional exports of goods was 15%, while in services it was only 4%.

SEE regional exports of goods and services



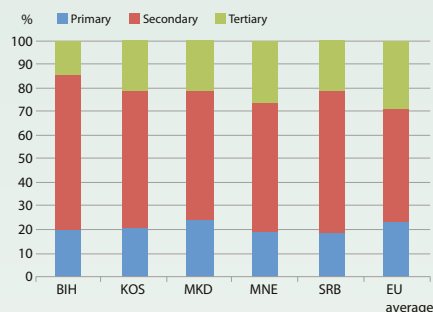
Source: World Bank (2015), *World Development Indicators* (database), <http://data.worldbank.org/data-catalog/world-development-indicators>.



Did you know?

Compared to the EU, the share of highly educated individuals is lower in SEE with the exception of Montenegro, where the share is close to the EU average.

Highest educational attainment of people 15 years old and over, 2012



Note: Data for Albania not available.

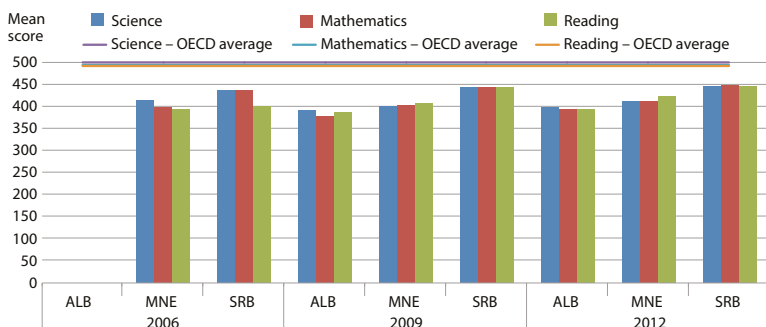
Source: Adapted from ILO (2015), *Key Indicators of the Labour Market* (database), http://www.ilo.org/empelm/what/WCMS_114240/lang-en/index.htm.

A high proportion of the labour force has a secondary school degree, as in the EU. The share, however, is relatively greater in SEE economies, particularly in Bosnia and Herzegovina, where two-thirds have completed secondary education as their highest level of educational attainment.

The proportion of workers educated only to primary level is lower in SEE economies than in the EU with the exception of the Former Yugoslav Republic of Macedonia.

Education and competences

OECD PROGRAMME FOR INTERNATIONAL STUDENT ASSESSMENT (PISA) MEAN SCORES



Note: Data for Albania for the year 2006 not available.

Source: OECD (2014), *PISA 2012 Results: What Students Know and Can Do (Volume I, Revised edition, February 2014): Student Performance in Mathematics, Reading and Science*, <http://dx.doi.org/10.1787/9789264208780-en>.

MAIN FINDINGS

ACHIEVEMENTS

- Improved strategies on education quality and labour force competencies
- Advanced implementation of national qualifications frameworks
- Increased efforts to draw up policy frameworks that support equity in education

WAY FORWARD

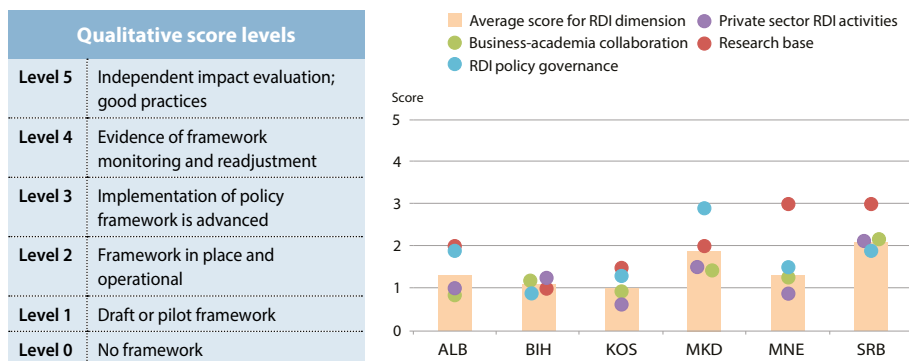
- Prioritise the teaching profession through continued professional development
- Make vocational education and training (VET) more attractive and relevant through increased co-operation and work-based learning schemes
- Further address drop-out and early school leaving in policy measures
- Further develop career guidance services
- Increase participation in lifelong learning

Research, development and innovation (RDI)



Did you know?

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

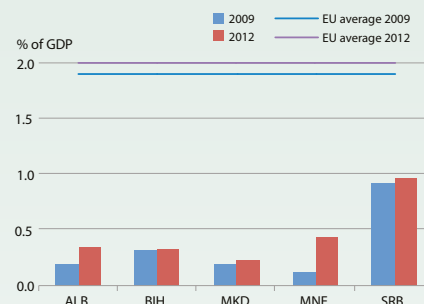


MAIN FINDINGS

ACHIEVEMENTS	WAY FORWARD
<ul style="list-style-type: none"> Increased R&D expenditure efficiency Improved RDI policy frameworks Recognised international RDI co-operation as a priority 	<ul style="list-style-type: none"> Improve RDI policy governance through adopting dedicated innovation strategies, establishing national level co-ordination bodies, setting up independent implementing agencies and increasing policy monitoring and evaluation Increase overall R&D expenditure and the number of researchers Incentivise private sector R&D through indirect instruments (i.e. tax credits) and direct measures (i.e. grants, matching grants, loans) Encourage research excellence through competitive R&D grant schemes Facilitate business-academia collaboration in RDI

Between 2009 and 2012 no economy in the region has invested more than 1% of GDP in R&D compared to the EU average of about 2%. Gross domestic expenditure on R&D (GERD) has been less than 0.5% of GDP in all the economies except for Serbia which approaches 1%.

Gross domestic expenditure on R&D (GERD), 2009 and 2012



Note: Data for Albania for the year 2012 as of 2013. Data for the Former Yugoslav Republic of Macedonia for the year 2012 as of 2011. Data for Kosovo not available.

Source: Adapted from EC (n.d.), *Erawatch annual country reports* (webpage), http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/reports/country_rep/index.jsp?country=-1&count_rep=337f19ee-7d20-11e3-8b01-3b1a37daf5b5; EC (2015), *Sciences and Technology* (Eurostat database), <http://ec.europa.eu/eurostat/web/science-technology-innovation/data/database>.

However, R&D expenditure in the SEE region did not decrease during the economic crisis, and has not decreased since.

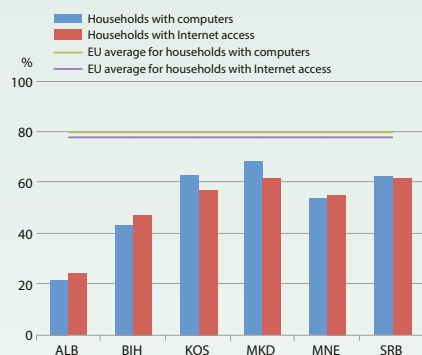


Did you know?

In 2013, Serbia, the Former Yugoslav Republic of Macedonia and Kosovo had above SEE average computer penetration in households. However, their rates of Internet access were lower than computer ownership but still above the SEE average.

In Montenegro, more than one in two households have a computer and Internet access.

Households with a computer and access to internet, 2013



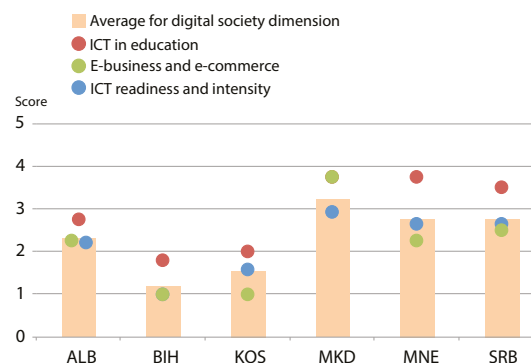
Note: Data for Kosovo as of 2011 due to a lack of more recent data.

Source: ITU (2014), ITU World Telecommunication/ICT Indicators Database 2014 (database), www.itu.int/pub/D-IND-WTID.OL-2014; Kosovo Agency of Statistics.

Digital society

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

Qualitative score levels	
Level 5	Independent impact evaluation; good practices
Level 4	Evidence of framework monitoring and readjustment
Level 3	Implementation of policy framework is advanced
Level 2	Framework in place and operational
Level 1	Draft or pilot framework
Level 0	No framework



MAIN FINDINGS

ACHIEVEMENTS
<ul style="list-style-type: none"> Improved information society institutional and regulatory framework establishment Introduced cybercrime legislation in national penal codes Increased mandatory ICT standards for education Established e-commerce laws

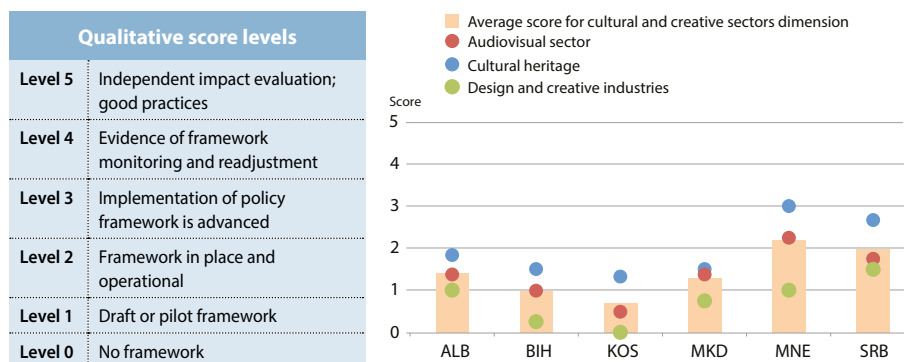
WAY FORWARD
<ul style="list-style-type: none"> Further implement national digital society strategies and monitoring systems Finalise secondary legislation alignment with the EU 2009 regulatory framework for electronic communications Advance broadband development through closer co-operation with the private sector Develop a strategic approach towards e-accessibility Further develop educational information management systems Allocate sufficient budgets to implement ICT curricula in primary and secondary schools Foster the development of e-commerce by analysing non-legal barriers

Cultural and creative sectors



Did you know?

DIMENSION AND SUB-DIMENSION AVERAGE SCORES



MAIN FINDINGS

ACHIEVEMENTS

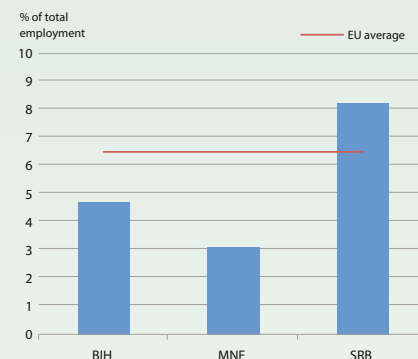
- Prioritised cultural heritage rehabilitation through the Ljubljana Process II
- Increased cultural tourism inclusion in strategy documents
- Established basic institutional structures to support CCS

WAY FORWARD

- Further implement existing legal frameworks
- Develop targeted strategies and action plans to promote CCS
- Increase government support and financing to promote the audiovisual, design and creative sectors
- Promote public-private partnerships Improve the collection of CCS statistics to enable evidence-based policy making and assessments
- Increase efforts to regionally harmonise cultural policies

In 2011, the percentage of the total labour force working in the cultural and creative sectors was 8.2% in Serbia, making it the only SEE economy to surpass the EU average of 6.5%.

Employment in cultural and creative sectors, 2011



Note: No data available for Albania, Kosovo and the Former Yugoslav Republic of Macedonia.

Source: Adapted from Mikic (2013), *Kulturne Industrije i Raznolikost Kulturnih Izraza u Srbiji*, www.kreativnaekonomija.com/wp-content/uploads/2012/08/Kulturne-industrije-i-raznolikost-kulturnih-izraza.pdf; TERA Consultants (2014), *The economic contribution of the creative industries to the EU in terms of GDP and employment: Evolution 2008-2011*, www.teraconsultants.fr/medias/uploads/pdf/Publications/2014/2014-Oct-European-Creative-Industry-GDP-Jobs-full-Report-ENG.pdf; UNESCO (2015), *Culture for Development Indicators Global Database* (database), <http://en.unesco.org/creativity/cdis/toolbox/global-database>.

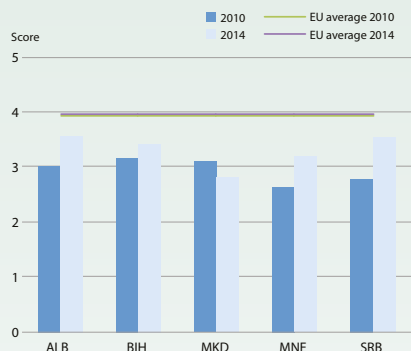


Did you know?

Only 4% of companies across the region considered transport to be a serious impediment to business growth according to the World Bank's 2015 Enterprise Survey.

Almost all SEE economies have been improving their timeliness performance apart from the Former Yugoslav Republic of Macedonia.

Logistics Performance Index – Timeliness indicator, 2010 and 2014



Note: The LPI's timeliness indicator estimates how often shipments reach the consignee within the scheduled or expected time. LPI scores range between 1 (lowest possible score) and 5 (highest possible score). The score of Albania for the year 2014 has been replaced by the score for 2012 due to a lack of more recent data. Data for Kosovo not available.

Source: World Bank (2015), *Logistics Performance Index* (database), <http://lpi.worldbank.org>.

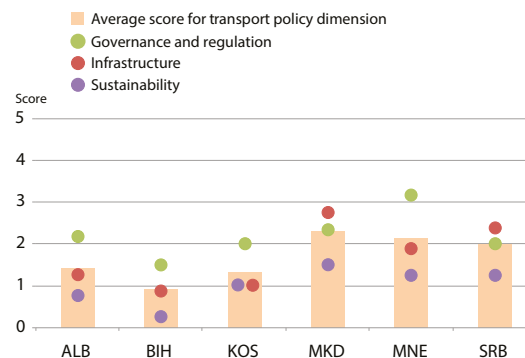
The SEE average cost of importing and exporting one 20-foot container has dropped by 4% from 2012 to 2015.



Transport

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

Qualitative score levels	
Level 5	Independent impact evaluation; good practices
Level 4	Evidence of framework monitoring and readjustment
Level 3	Implementation of policy framework is advanced
Level 2	Framework in place and operational
Level 1	Draft or pilot framework
Level 0	No framework



MAIN FINDINGS

ACHIEVEMENTS
<ul style="list-style-type: none"> Improved physical infrastructure and reduced bottlenecks Increased infrastructure project alignment with the South East Europe Transport Observatory (SEETO) Comprehensive Network, recently defined as the Trans-European Transport Networks (TEN-T) Comprehensive Network in SEE Improved transport regulation and governance Introduced road safety strategies

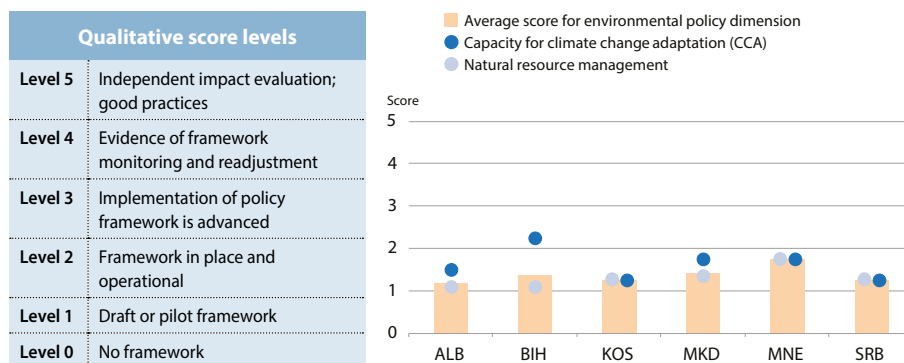
WAY FORWARD
<ul style="list-style-type: none"> Modernise and improve the efficiency of existing infrastructure Prioritise maintenance of the infrastructure network Promote long-term thinking to prioritise strategic action Make transport sustainability an integral part of national transport strategies Address remaining non-physical barriers to the movement of goods and passengers (e.g. border-crossing procedures, administrative obstacles, and regulatory procedures) Further implement national transport strategy co-modal transport solutions Facilitate railway network access for private operators

Environmental policy



Did you know?

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

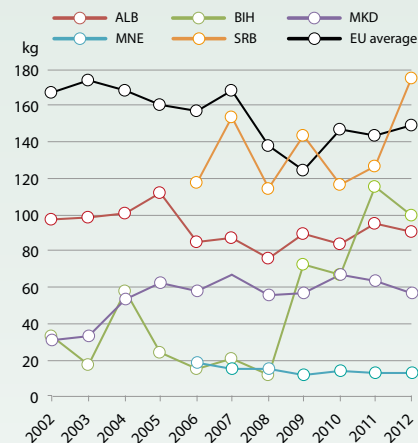


MAIN FINDINGS

ACHIEVEMENTS	WAY FORWARD
<ul style="list-style-type: none"> Introduced sustainable forest management systems Increased education, training and public awareness activities related to climate change adaptation 	<ul style="list-style-type: none"> Further develop environmental frameworks Strengthen agri-environmental measures Develop and implement policy frameworks to increase sustainable irrigation Design and implement strategies to enable private sector participation in water infrastructure Adopt policies to advance the water-energy-food nexus approach Adopt climate change adaptation strategies Further institutionalise the protection of natural resources Address air pollution

SEE economies are generally less fertiliser-intensive than the EU average of 149kg per hectare of arable land per year. In 2012, Serbia's use at 175kg was the only SEE economy to exceed the EU average.

Fertiliser consumption (kg per hectare of arable land per year)



Note: Data for Montenegro and Serbia available from 2006. Data for Kosovo not available.

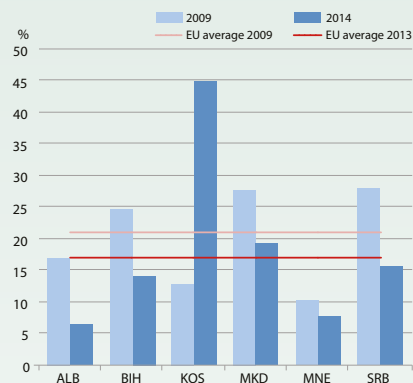
Source: World Bank (2015), *World Development Indicators* (database), <http://data.worldbank.org/data-catalog/world-development-indicators>.



Did you know?

Entrepreneurs from the region often identify access to finance as a major constraint in enterprise development. However, that has been less and less the case since 2009, save in Kosovo, where nearly half of all entrepreneurs still cited it as a major problem in 2014.

Percentage of entrepreneurs citing access to finance as a constraint, 2009 and 2014



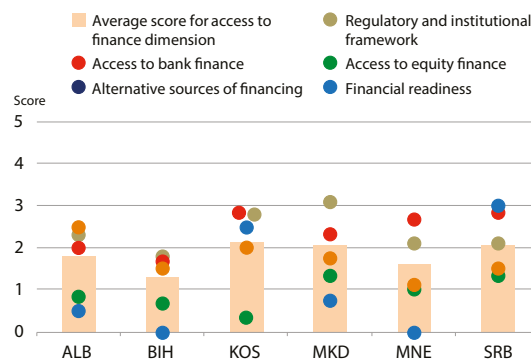
Note: The following EU-28 economies are not included in the calculation: Austria, Belgium, Cyprus, Denmark, France, Italy, Luxembourg, Netherlands, United Kingdom. Data for Albania for the year 2009 as of 2007.

Source: World Bank (2015), *Enterprise Surveys* (database), www.enterprisesurveys.org/data.

Access to finance

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

Qualitative score levels	
Level 5	Independent impact evaluation; good practices
Level 4	Evidence of framework monitoring and readjustment
Level 3	Implementation of policy framework is advanced
Level 2	Framework in place and operational
Level 1	Draft or pilot framework
Level 0	No framework



MAIN FINDINGS

ACHIEVEMENTS
<ul style="list-style-type: none"> Developed institutional and regulatory frameworks underpinning access to finance Reformed banking finance frameworks facilitate access to finance for corporations and individuals Improved insolvency laws

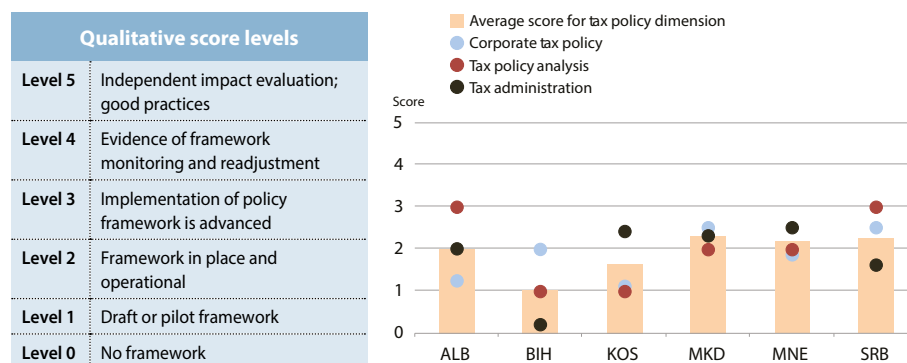
WAY FORWARD
<ul style="list-style-type: none"> Further develop credit and collateral information systems Ensure regular updating of credit register systems, moveable assets registers and cadastres Further develop venture capital to provide new financing opportunities for innovative, high growth enterprises and clarify venture capital activity in regulatory legislation Establish investment-readiness and financial literacy programmes targeting a wide range of enterprises Improve financial consumer protection

Tax policy



Did you know?

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

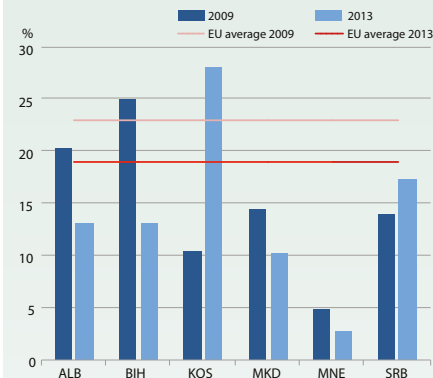


MAIN FINDINGS

ACHIEVEMENTS	WAY FORWARD
<ul style="list-style-type: none"> ● Ratified tax treaties with SEE economies and EU countries to decrease issues of double taxation ● Streamlined and modernised filing and payment procedures ● Introduced transfer pricing rules ● Improved tax analysis capacities 	<ul style="list-style-type: none"> ● Review tax incentives to ensure compliance with the EU acquis as defined by the EU Code of Conduct for Business Taxation ● Further develop taxpayer services throughout the region ● Increase staff capability of tax authorities ● Increase the tax policy analysis capacity of tax authorities ● Improve tax filing and payment procedures ● Increase the autonomy of tax authorities ● Improve the implementation of the transfer pricing regime

In 2013, 14% of companies in SEE cited tax administration as a major constraint, compared to 19% in the EU. All SEE economies have decreasing shares of companies with this challenge except Serbia and Kosovo where it more than doubled from 2009 to 2013. However, this data does not reflect improvements in the ease of paying taxes after 2013.

Percentage of firms identifying tax administration as a major constraint, 2009 and 2013



Note: Data for Albania for the year 2009 as of 2007.

Source: World Bank (2015), Enterprise Surveys (database), <http://www.enterprisesurveys.org/data>.

Albania, the Former Yugoslav Republic of Macedonia, Kosovo and Montenegro saw an average 21% increase in tax revenue between 2010 and 2014. The rise was, in part, the result of modernised systems for filing tax returns that cut paperwork and the introduction of electronic e-filing and e-payment.



Did you know?

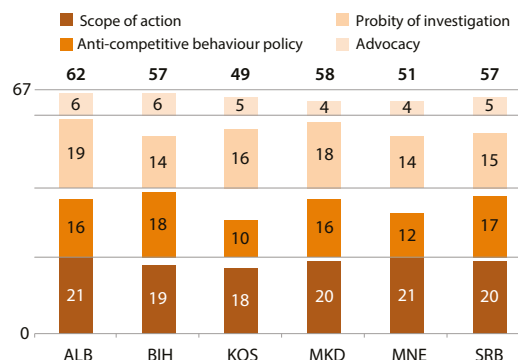
- The size of the budgets in the six competition authorities appears to be in line with those of its peers in the OECD area with similar levels of GDP. However, in absolute terms, staff numbers are often very low, which may make enforcement difficult
- In all SEE economies, apart from Bosnia and Herzegovina and Kosovo, the competition authorities can settle voluntarily with the parties under investigation for an alleged antitrust infringement and thus close the investigation.
- All competition authorities can impose a sanction on a firm that hinders an investigation on an alleged antitrust infringement and all, except Kosovo's authority, have done so in the last five years.
- All six SEE jurisdictions prohibit exclusionary conduct by dominant firms and all carry out economic analysis to determine whether it is likely to jeopardise competition or produce efficiency gains.
- In the last five years, all the jurisdictions except Kosovo have imposed a sanction on at least one firm for exclusionary conduct.
- All competition authorities can investigate mergers and all analyse them to consider any efficiency gains that they may generate. However, only Bosnia and Herzegovina and Serbia have blocked or otherwise remedied a merger in the last five years

Competition policy

ADOPTED CRITERIA BY POLICY AREA

METHODOLOGICAL APPROACH

- The methodological approach is different from other dimensions. It draws on a questionnaire developed by the OECD Competition Division.
- The questionnaire is composed of four policy areas for which there is broad OECD-wide consensus on their importance to the foundations of a competition policy regime.
- 67 questions address the four policy areas. Each question corresponds to a foundational competition policy criterion.



MAIN FINDINGS

ACHIEVEMENTS

- Established policies that prohibit anti-competitive behaviour
- Formally independent competition authorities

WAY FORWARD

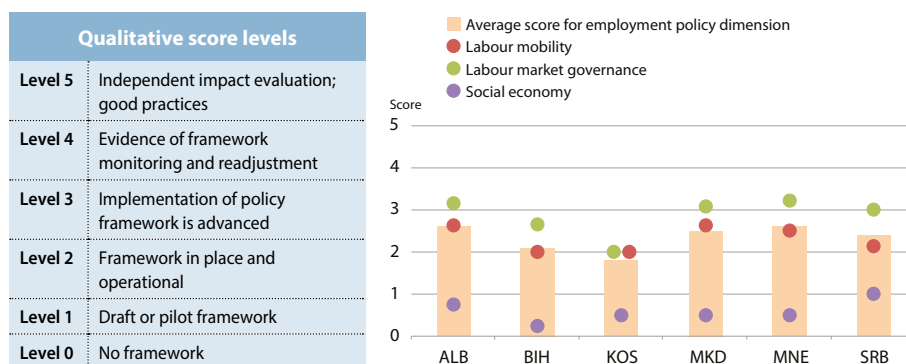
- Develop guidelines for stakeholders on the competition authorities' enforcement practices
- Expand the use of market studies in co-operation with government bodies
- Reinforce intra-regional co-operation on competition policy
- Strengthen the enforcement record of competition law

Employment policy



Did you know?

DIMENSION AND SUB-DIMENSION AVERAGE SCORES



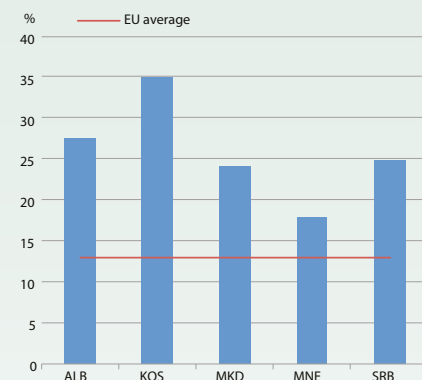
MAIN FINDINGS

ACHIEVEMENTS	WAY FORWARD
<ul style="list-style-type: none"> Developed comprehensive employment strategies through consultative processes Addressed structural unemployment, particularly youth unemployment in strategies 	<ul style="list-style-type: none"> Further promote active labour market policies (e.g. youth employment programmes, self-employment programmes, additional training opportunities for long-term unemployed etc.) Increase the capacity and improve the infrastructure of Public employment services (PES) Align labour statistics with Eurostat norms Improve detection and enforcement measures in addressing informal employment Develop a legislative framework for social businesses

Expanding the focus to young people not in employment, education or training (NEET) could afford clearer insight into the challenges that young people face and inform policies that contribute to a better future for them and society.

With the exception of Montenegro, the NEET rate in the SEE economies is almost double the EU average.

NEET rate of 15-24 year-olds, 2013



Note: Data for Bosnia and Herzegovina not available.

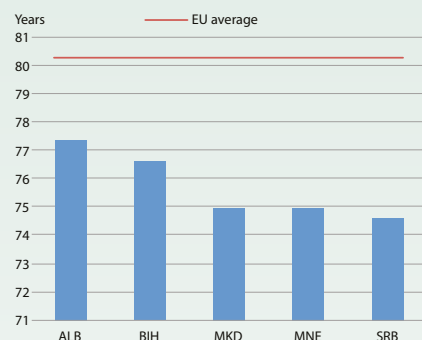
Source: EC (2015), *Education and Training* (Eurostat database), <http://ec.europa.eu/eurostat/web/education-and-training/data/database>; Ministries of Labour of Albania, Kosovo, Montenegro, and Serbia.



Did you know?

On average, life expectancy at birth reaches around 75 years in SEE. This remains five years below the EU average, indicating that the health status of SEE economies still lags significantly behind that of the EU, although the gap has narrowed slightly from six and a half years in 2002.

Life expectancy at birth in years, 2011



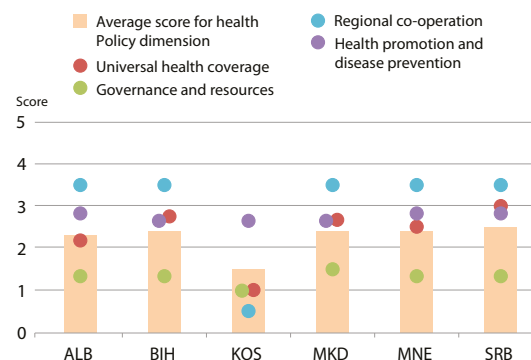
Note: Data for Kosovo not available.

Source: Albanian Ministry of Health; WHO Regional Office for Europe (2015), *European Health for All Database* (database), www.euro.who.int/en/data-and-evidence/databases/european-health-for-all-database-hfa-db/national-health-indicator-databases; World Bank (2015) *World Development Indicators* (database), <http://data.worldbank.org/data-catalog/world-development-indicators>.

Health policy

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

Qualitative score levels	
Level 5	Independent impact evaluation; good practices
Level 4	Evidence of framework monitoring and readjustment
Level 3	Implementation of policy framework is advanced
Level 2	Framework in place and operational
Level 1	Draft or pilot framework
Level 0	No framework



MAIN FINDINGS

ACHIEVEMENTS
<ul style="list-style-type: none"> Recognised health as a human right and key for social cohesion and economic development Strengthened institutional arrangements to implement joint actions for health across the government Established health intelligence systems Committed to regional health co-operation through the South-Eastern Europe Health Network (SEHN)

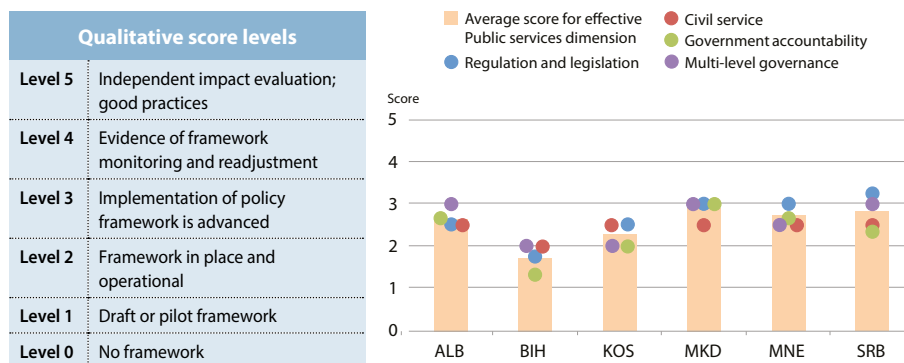
WAY FORWARD
<ul style="list-style-type: none"> Improve holistic governance for health (reflecting whole-of-government and whole-of-society responsibility) Strengthen national health system management and organisation to achieve effective universal health coverage Introduce fiscal policies, legal frameworks and marketing controls to decrease the adverse health effects of modifiable behaviour Strengthen health service delivery in primary healthcare facilities and hospitals Strengthen health intelligence systems Introduce health equity impact assessment

Effective public services



Did you know?

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

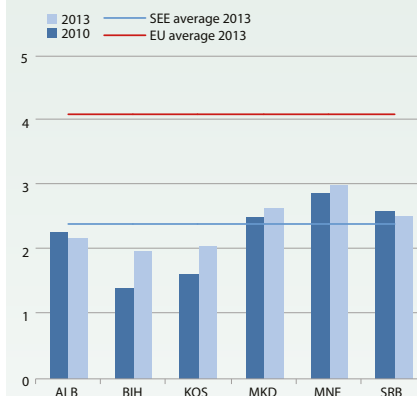


The government effectiveness indicator looks at perceptions of the quality of public services, the civil service, and policy development and implementation, as well as government credibility of policy commitment.

From 2010 to 2013, government effectiveness has remained almost at the same level for four economies and has marginally improved in two, although the level is below the EU average.

Montenegro leads the region, with Kosovo and Bosnia and Herzegovina having the lowest level but the most improvement.

Government effectiveness, 2010 and 2013



Note: The RCC adapted the WGI percentile rank scale of 0 - 100 to a scale of 0 - 5 for the SEE 2020 Strategy.

Source: World Bank (2015), *Worldwide Governance Indicators* (database), <http://info.worldbank.org/governance/wgi/index.aspx#reports>; OECD assessment conducted in SEE economies (2015); see Methodology chapter for further information.

MAIN FINDINGS

ACHIEVEMENTS	WAY FORWARD
<ul style="list-style-type: none"> Simplified administrative and regulatory frameworks Mandated public-private consultations in policy making Expanded scope of e-government services Increased merit-based recruitment in the civil service 	<ul style="list-style-type: none"> Facilitate institutional co-ordination through better planning of intended legislative activity Improve quality of new legislation through regulatory impact assessments Increase the use of online portals for public consultations Strengthen civil service human resources management capacities Fully implement open government partnership action plans Further implement fiscal decentralisation frameworks Work towards full compliance with the European Charter of Local Self-Governance Increase the provision and use of e-government services

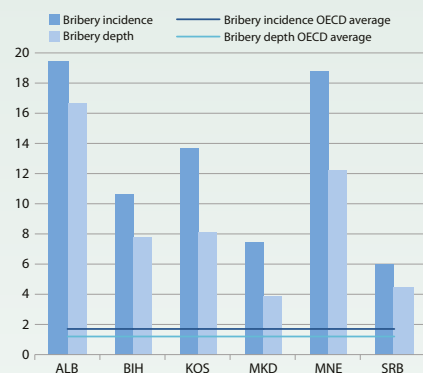


Did you know?

Bribes and informal transaction payments remain common in the region, eroding investor trust and hampering the business environment.

In Albania, 19.5% of firms reported having experienced at least one bribery request over the last six transactions (bribery incidence) and in 16.7% of the last six public transactions (bribery depth) a gift or informal payment has been requested.

Bribery incidence and depth (%), 2013



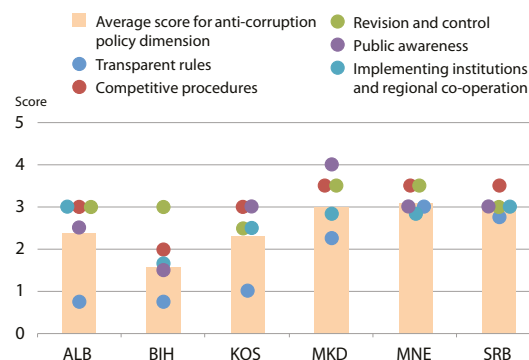
Note: Bribery incidence refers to the percentage of firms experiencing at least one bribe payment request during six transactions, dealing with utilities access, permits, licences, and taxes. Bribery depth refers to the percentage of transactions (out of six transactions dealing with utilities access, permits, licences, and taxes) where a gift or informal payment was requested

Source: World Bank (2015), *Enterprise Surveys* (database), www.enterprisesurveys.org/data.

Anti-corruption policy

DIMENSION AND SUB-DIMENSION AVERAGE SCORES

Qualitative score levels	
Level 5	Independent impact evaluation; good practices
Level 4	Evidence of framework monitoring and readjustment
Level 3	Implementation of policy framework is advanced
Level 2	Framework in place and operational
Level 1	Draft or pilot framework
Level 0	No framework



MAIN FINDINGS

ACHIEVEMENTS
<ul style="list-style-type: none"> Established legal and institutional frameworks in the fight against corruption Introduced e-procurement systems

WAY FORWARD
<ul style="list-style-type: none"> Complete national legal frameworks governing anti-corruption instruments and ensure effective implementation Ensure systematic monitoring and evaluation of public procurement Support capacity building of anti-corruption institutions Increase co-ordination between institutions involved in fight against corruption on the national and regional level Consistently apply corruption proofing tools (e.g. legislation proofing and risk assessment)



The Organisation for Economic Co-operation and Development (OECD) is a unique forum where 34 member governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and help governments address emerging policy issues such as finding new sources of growth, building skills, and restoring public trust in government and business. The OECD provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies. It increasingly engages with a number of non-members who have become important actors in today's global economy.

The OECD Global Relations Secretariat works to enhance the Organisation's impact and relevance by strengthening relations with partner countries. It promotes and facilitates partner country participation in OECD activities in support of the Secretary-General's Strategic Orientations and according to member countries' vision of the OECD as a global policy network. Ultimately, the OECD's Global Relations strategy seeks to create a global community of economies committed to finding joint solutions for common challenges, guided by evidence-based policy advice and standards.





Ms Marzena KISIELEWSKA

Head of the OECD South East Europe Division

e-mail: Marzena.KISIELEWSKA@oecd.org

Mr Alan PAIC

Head of the South East Europe Investment Compact

e-mail: Alan.PAIC@oecd.org

Mr Jakob FEXER

Project Manager of the SEE Competitiveness Outlook

e-mail: Jakob.FEXER@oecd.org