



OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

FRIENDS OF SOUTH EAST EUROPE MEETING

20 June 2023



Agenda



1. Programme update: focus areas and key activities in 2023

2. Deep dive: Green Transition in the Western Balkans


South East Europe Regional Programme:

Focus areas and key activities in 2023

South East Europe: Key Deliverables for 2023

Objectives:

- Building a competitive, integrated, resilient and sustainable South East Europe by drawing upon OECD standards and evidence-based analysis.
- Contribute to strategic initiatives and platforms and create partnerships for new projects for highly demanded topics



Competitiveness Outlook 2024 – initiate the next benchmark assessment of the region, covering 15 policy domains based on a variety of OECD standards and tool

Circular Economy Roadmaps – start of the new project supporting green transition and sustainability in the Western Balkans

SMEs and Digital Transformation – leveraging the recommendations of the SME Policy Index 2022

Fair Market Conditions – continue supporting the Collective Action community in Croatia and Serbia

Monitor developments in **Bulgaria, Croatia and Romania** and scale up their engagement in the Regional Programme

South East Europe: Thematic coverage

Competitiveness



Fair Markets & Integrity



Private Sector Development



Labour Migration



Green Transition



Digital Transition



Focus areas 2023:

(1) Competitiveness, Resilience and Recovery

Competitiveness Outlook 2024

Impact to date

- Informed the design and implementation of **economic reform agendas** across 6 Western Balkan economies
- Served as the **analytical knowledge base** for the EU accession process (enlargement packages) and regional platforms (e.g. Berlin Process)
- Fostered **inclusive policy-making**, with more than **750+ stakeholders** involved across the region (last cycle)
- Improved **public sector capacity** to design and implement evidence-based policy-making and reforms

Key new features

- Embedding **green and digital transition** as a cross-cutting theme in the assessment of 15 policy areas
- Establishment of a **digital data platform**, increasing visibility and accessibility of the findings
- Showcasing **policy performance/impact at the regional level**
- Growing co-operation with the **OECD line directorates**, with 13 OECD divisions directly involved



Latest OECD tools and standards transposed

- Going Digital
- Sustainable Investment - FDI Qualities
- Future of Work
- Digital Services Trade Restrictiveness
- Green Growth Framework

Milestones 2023

- **27 April:** Regional kick-off launch
- **May:** 15 Regional policy dimension meetings
- **Jul.-Oct.:** 6 Fact-finding & policy dialogue meetings in the Western Balkans
- **Dec:** Regional meeting at the OECD Istanbul Centre (Presentation of draft findings)

Publication foreseen in July 2024. ⁶

Focus areas 2023:

(2) Level-playing field and fair market conditions

Anti-corruption & Integrity

- Continue collaboration with Croatia and Serbia on priority topics, e.g., **competition policy enforcement, SOE compliance, alternative dispute resolution mechanisms.**
- Organise **series of policy seminars and workshops** to build capacity and promote OECD tools.
- Develop **set of practical guides** for policy makers, SOE compliance officers and academia

Selected Key Achievements

- **>300 members Collective Action Community** established in region and driving project work
- **Deepened multi-stakeholder dialogue**
- **Government commitment** to implement project's **reform recommendations**
- **Several universities updating curricula** and creating legal clinics



Milestones 2023

- **July:** Workshop with SOE compliance experts
- **July:** Workshop on Business Ombudsman introduction
- **Nov:** Collective Action event to promote competition policy reform and enforcement practices

Focus areas 2023

(3) Green transition and sustainability

Circular Economy

- Building on the **greening work undertaken under the Competitiveness Outlook & SME Policy Index** assessments and identified WB needs.
- New work stream to support the **preparation and implementation of circular economy (CE) roadmaps** in the Western Balkans.
- Contribution to the **Economic and Investment Plan** and the **Green Agenda** for the Western Balkans.
- Support for the **design of CE roadmaps** to Albania and North Macedonia, using the OECD/ENV methodology – to serve as **blueprint for their CE transition**.
- Establishment of the **Regional CE Peer Dialogue** to support the **CE roadmaps implementation**, through provision of expertise, regional knowledge exchange and good practice sharing among the region and with OECD members.



Milestones 2023

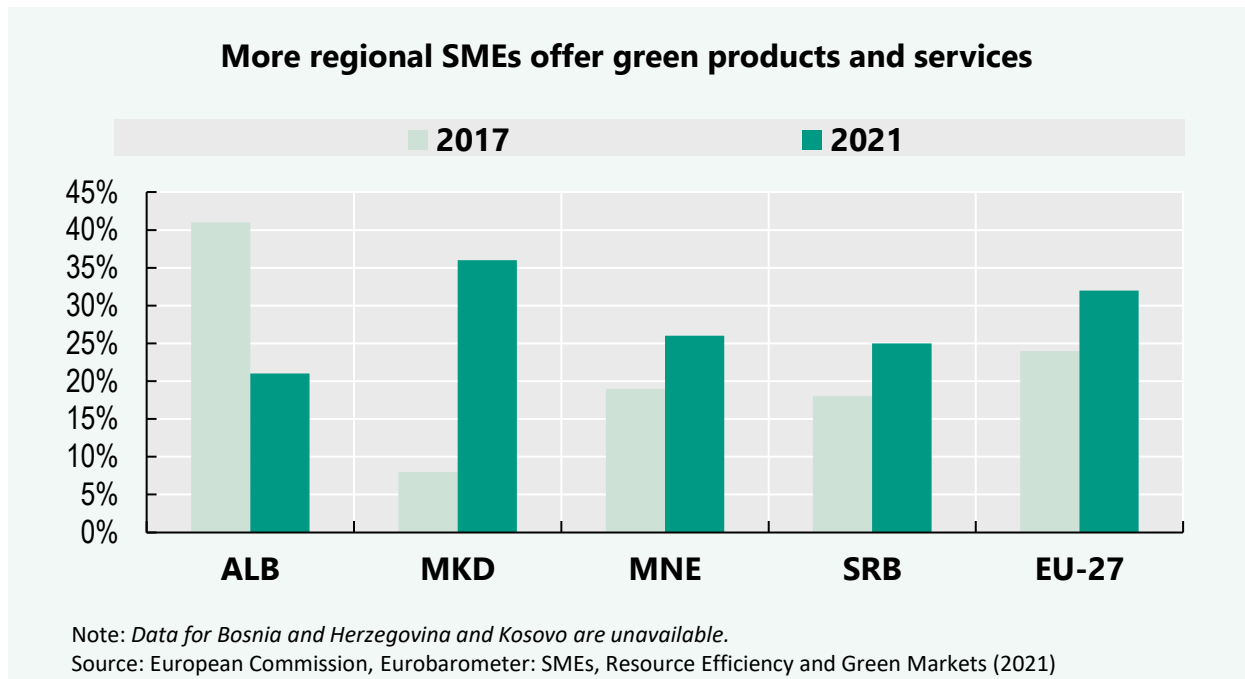
- **January-March:** CE coordination mechanism, meetings with WB6, stakeholder meetings in ALB & MKD
- **19 April:** Regional Kick-off event in Istanbul
- **May-July:** Diagnostics and stakeholder meetings
- **September:** Stakeholder dialogue to prioritise areas for CE transition
- **Nov.-Dec.:** 2nd Regional CE Meeting
- **December:** Presentation of draft CE roadmaps

Deep dive: Green transition

The Western Balkan governments have made strides in supporting green transition...

The greening momentum has been reinforced, underpinned by strong EU support.

- **Proliferation of strategic documents that mainstream greening aspects:** sectoral (e.g. energy, industry), SME, innovation policy frameworks
 - More ambitious climate change and clean energy goals set
- **Increased public support to greening:** institutional and financial support for greening multiplied (e.g. eco funds with increased scope and outreach)



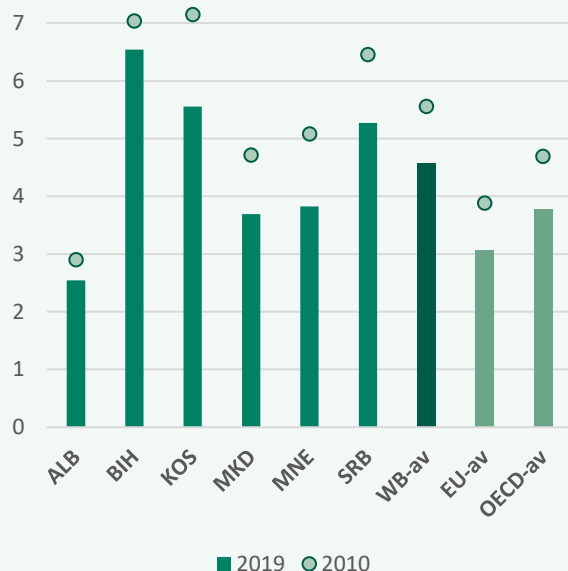
...However, progress has been rather incremental and important environmental concerns persist

Decarbonisation:

- **Carbon and energy intensity high:** electricity and heat production account for majority of CO₂ emissions (from 61% in Montenegro to 75% in Kosovo)
- **Low energy diversification:** high dependence on fossil fuels (esp. coal), untapped potential for REN, which is dominated by hydro power and biomass (fuel wood)
- **Limited** advancements in increasing **energy efficiency**

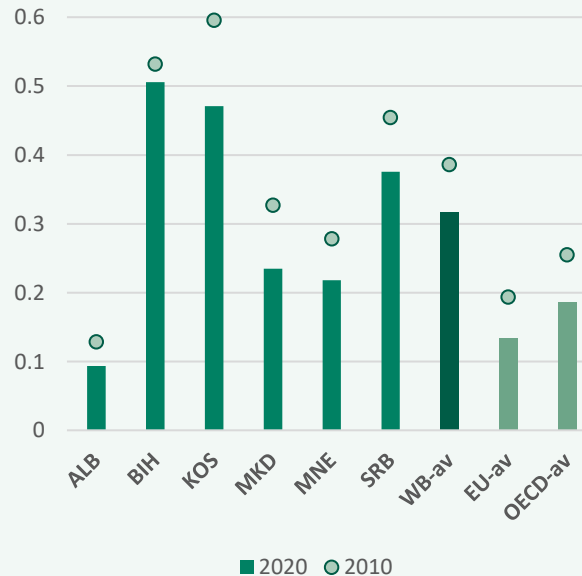
Energy intensity of GDP

(total energy supply per GDP)
Unit: toe/USD 1000 2015 PPP

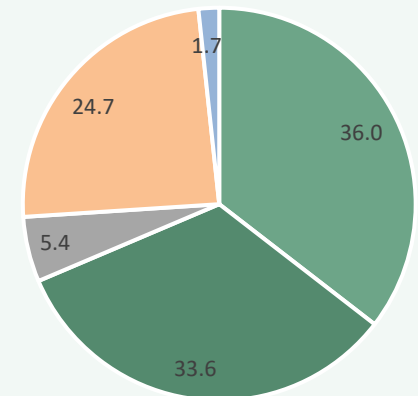


Carbon intensity of GDP

(CO₂ emissions per unit of GDP)
Unit: kg/USD 2015 PPP



WB6 Energy mix (2021)

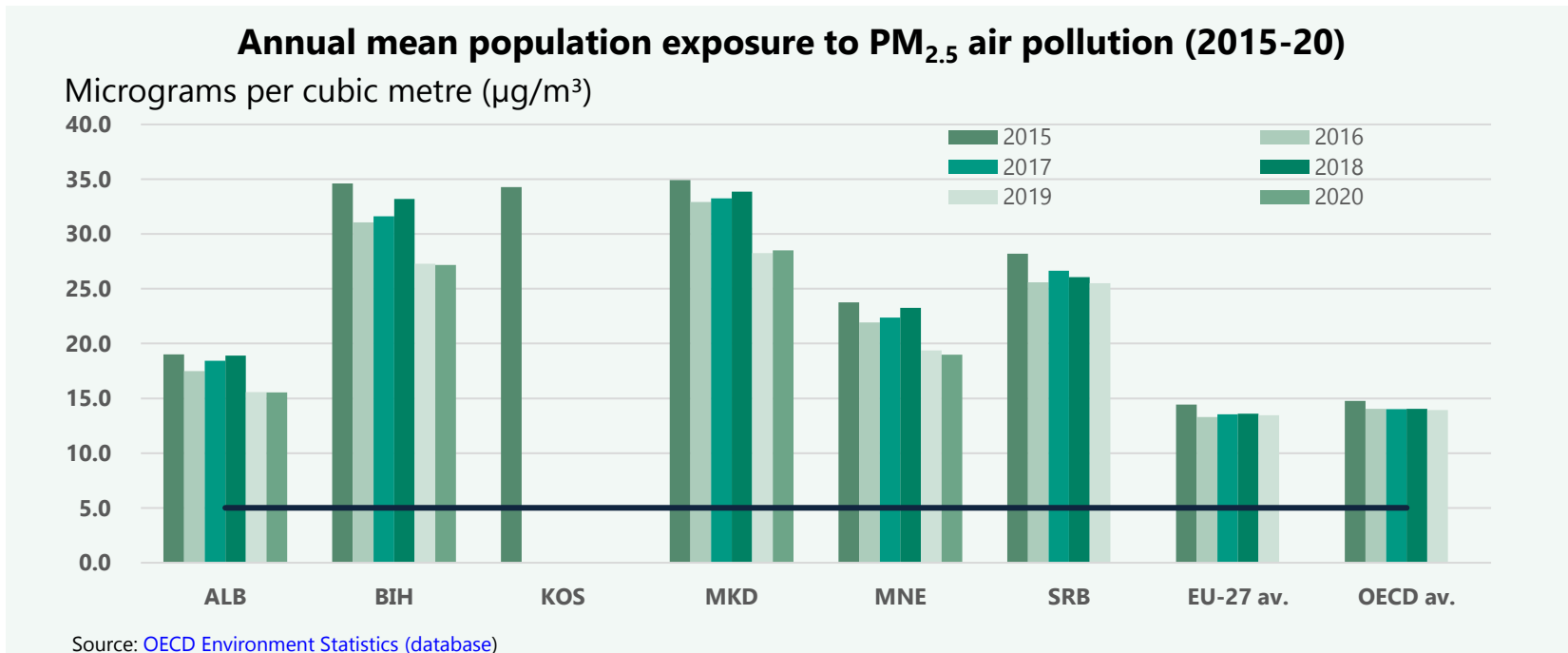


- Solid fossil fuels
- Oil and petroleum products
- Natural gas
- Renewables and biofuels
- Electricity

... However, progress has been rather incremental and important environmental concerns persist

Pollution of air, water and soil:

- **Air pollution is a predominant environmental issue:** pollution levels ranking among the highest in Europe, with PM_{2.5} levels several times above the WHO recommended maximum
- **Condition of water bodies and state of soils is worrying:** 44.5 % of the assessed water bodies failed to reach a good status during the EC chemical assessment; soil erosion and land use degradation
- **Continued prevalence of unregulated burning and illegal dumping of waste**
- **Threatened region's rich biodiversity and forestry resources**



Key policy recommendations

Reinforce decarbonisation through accelerated clean energy transition

- **Diversify the energy supply**, by focusing on renewables beyond hydropower: gradually phasing out fossil fuel subsidies and introducing carbon pricing, strengthening legal and regulatory frameworks for energy sector investments
- Step up **implementation of energy efficiency measures**, by improving legislative and regulatory frameworks for energy efficiency, introducing public support programmes and associated financing for energy efficiency

Step up depollution efforts & ensure biodiversity protection

- **Improve waste management**, through educational and awareness raising activities and by enforcing measures to separate and reduce waste, increase recycling and recovery and combat illegal dumping in line with **circular economy principles**
- **Combat land degradation and protect water bodies**, by developing comprehensive land-use and soil protection policy frameworks, increasing investments in wastewater treatment plants and enforcing the implementation of the polluter pays principles
- **Enhance nature-based solutions and biodiversity conservation**

Scale up public support to facilitate private sector's green transition

- Scale up **awareness raising activities and provision of advice and guidance** to help businesses identify greening possibilities and access resource
- Enhance **regulatory and financial instruments** to boost green business models, such as performance standards, reduced inspection frequency for low-risk facilities, favorable tax policies or environmental checklist for loan approval
- **Introduce green public procurement** measures to impose a direct supply chain pressure on environmentally friendly goods and services

We thank all our partners for their strong support to the OECD South East Europe Regional Programme



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