



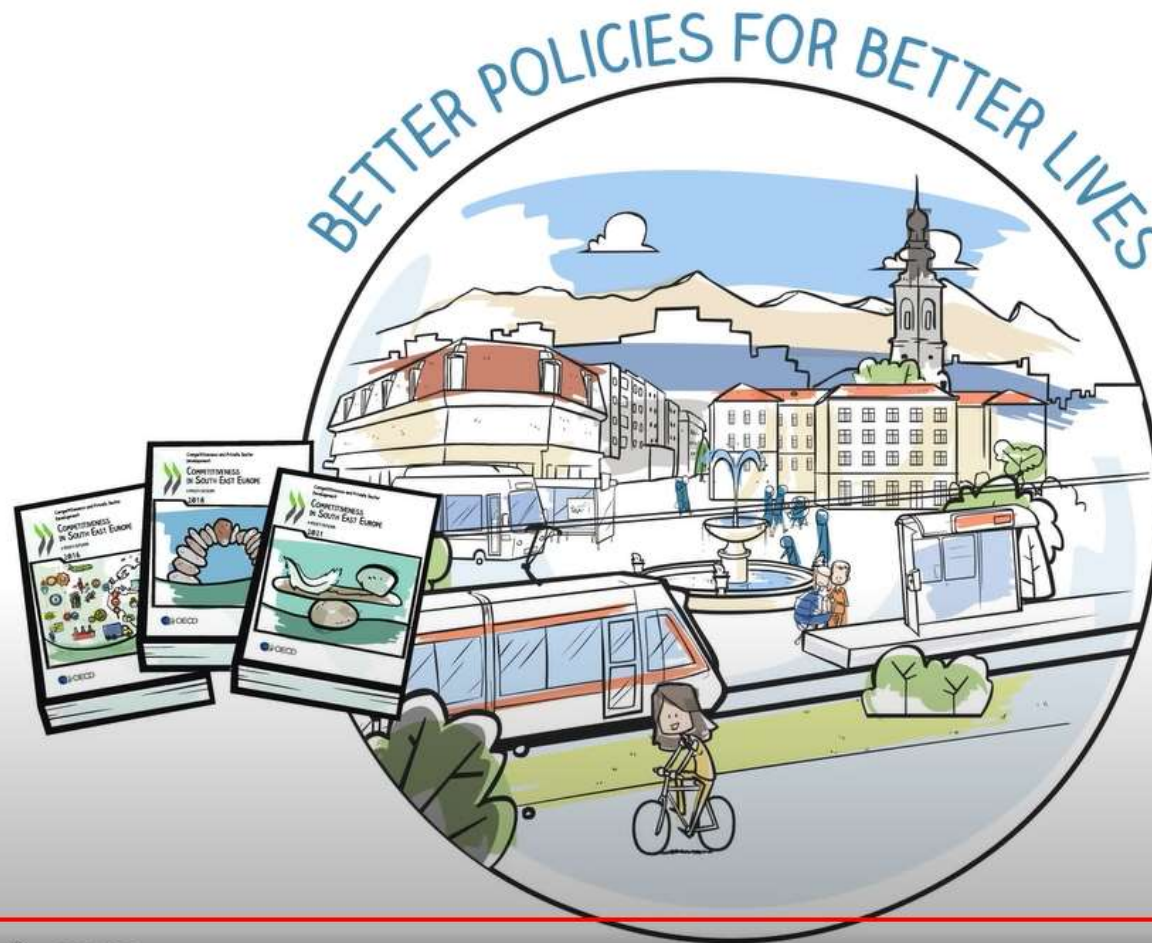
SEE Competitiveness Outlook 2021

Key Findings

Friends of South East Europe Meeting
25 October 2021



What is the Competitiveness Outlook (CO)?



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Key Features of the CO2021 Edition



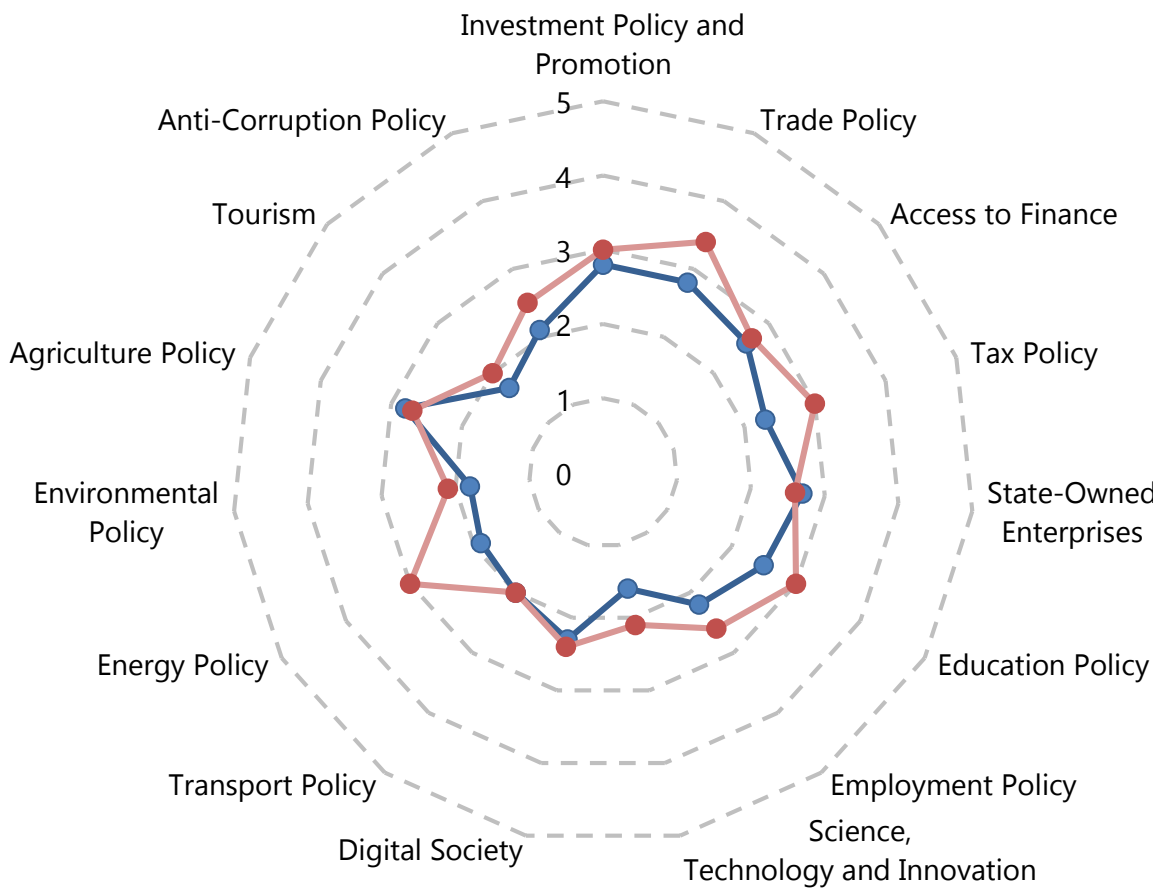
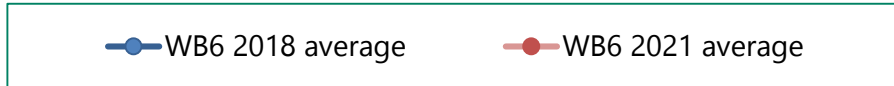
- Assessment of competitiveness-enhancing policies across **16 policy areas**
- **Benchmarks policy performance** against regional peers, OECD and EU averages using latest relevant **OECD tools** and good practices
- Actionable **policy recommendations**, accompanied by **good practice examples** from OECD/EU/WB6 economies to guide policy design and implementation
- **Implementation tracking** of CO2018 recommendations
- Information on the **impact of COVID-19** on relevant policy areas
- Supports the region's Sustainable Development Agenda by **informing on progress with SDGs**
- Supports the implementation of **regional agendas** (EU Economic and Investment Plan; Digital Agenda; Green Agenda; Common Regional Market Action Plan)
- **6 economy profile publications** with economy-specific analysis, policy recommendations and the most relevant good practice examples

Strong outreach:

- **700 stakeholders** (government and non-government) participated in the **assessment process**
- More than **450 participants** attended **the virtual road show** across the region
- **5000 downloads** from the OECD ilibrary since July

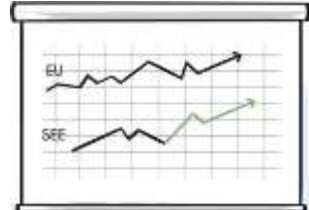


Competitiveness Outlook Performances: 2018 vs. 2021



The Western Balkan region made notable progress since the previous assessment in:

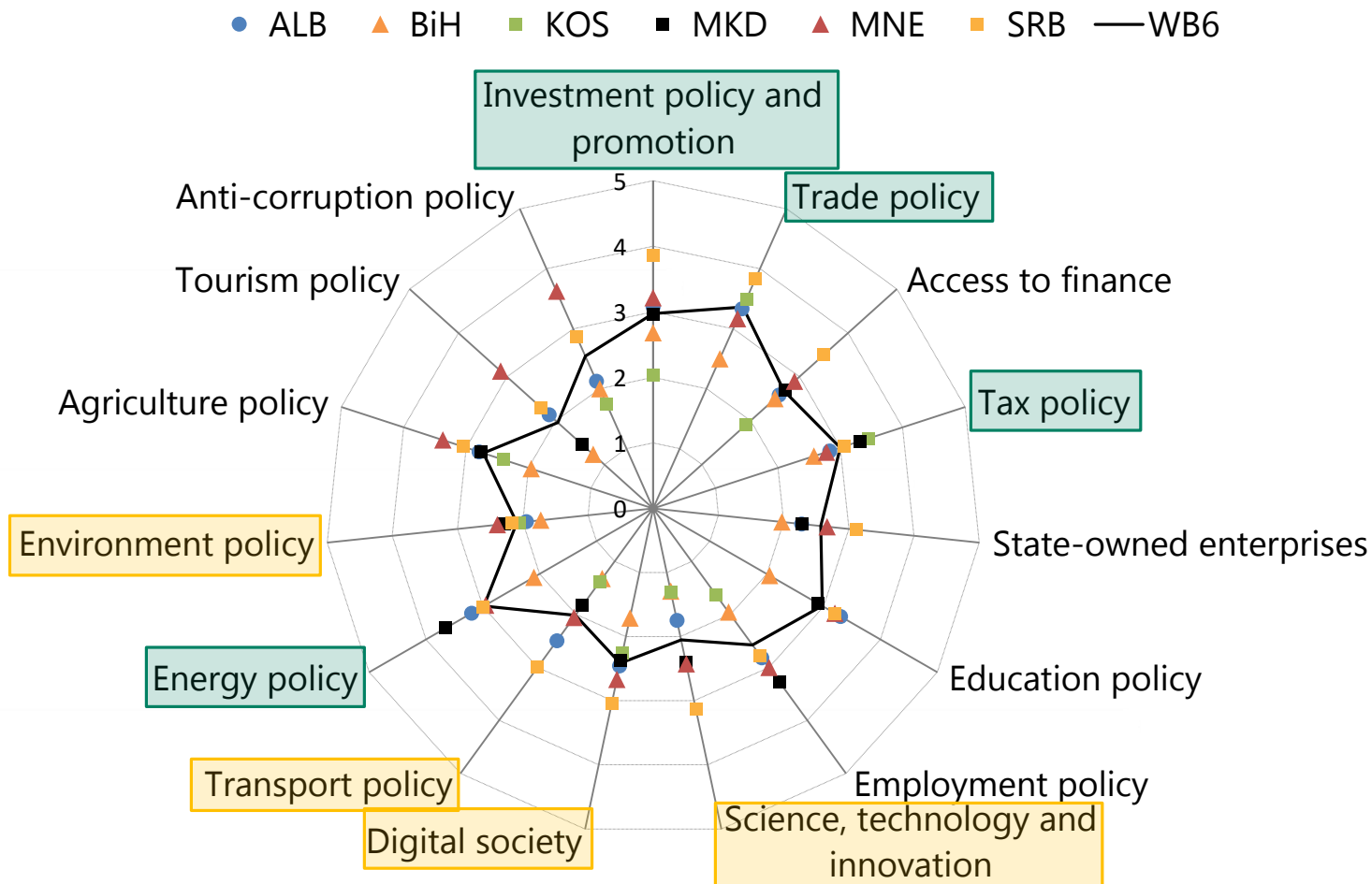
- Energy Policy
- Tax Policy
- Education Policy



... some progress was also observed across a number of policy areas:

- Trade Policy
- Science, Technology and Innovation
- Environmental Policy
- Anti-corruption Policy

WB6 economies' Competitiveness Outlook 2021 Performance



Key achievements (strongest performances):

- Investment policy and promotion
- Tax policy
- Trade policy
- Energy policy

Key priorities (weakest performances):

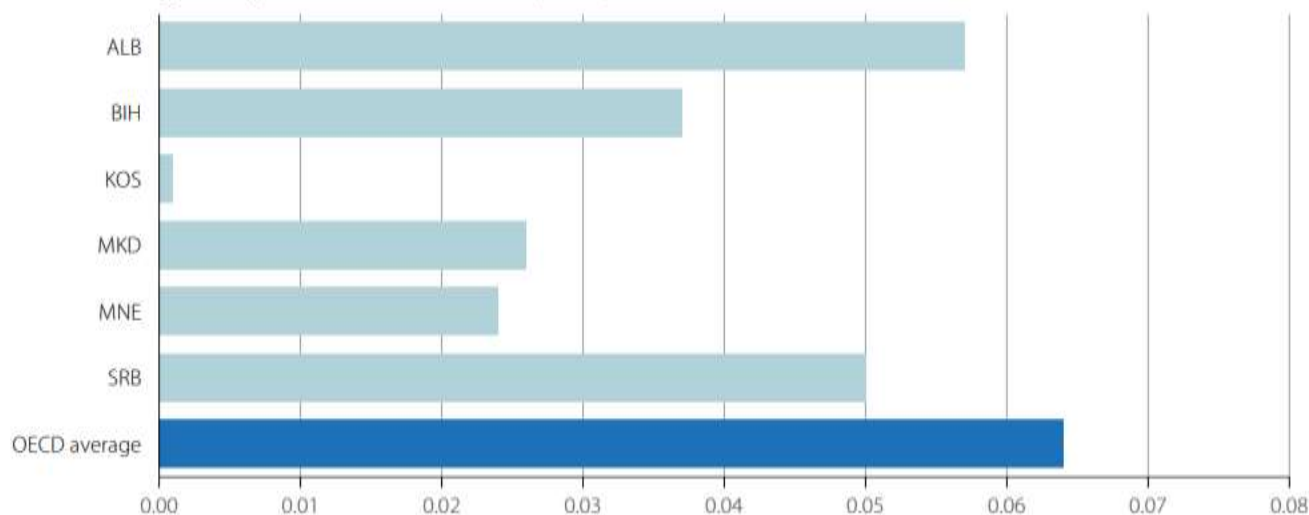
- Environment policy
- Digital society
- Science, technology and innovation
- Transport policy

Key Achievements (1/4): Investment Policy and Promotion



- The WB6 economies are **open to FDI** with limited exceptions to national treatment of foreign investors. Most economies have reinforced the capacities and resources of their authorities in charge of **intellectual property rights**.
- Several WB6 economies have substantially **increased funding** and **human resources** of their **Investment Promotion Agencies (IPAs)**. IPA's mandates were expanded, all of which now include dedicated **aftercare services**.
- All WB6 economies have developed dedicated approaches to **investment targeting** for key economic sectors and most have strategies for targeting special economic zones.
- Although the efficiency of **commercial procedures** has improved in several WB6 economies and **judicial reforms** have substantially reduced backlogs for commercial court cases, the use and awareness for **Alternative Dispute Resolution (ADR) mechanisms remains very low**.

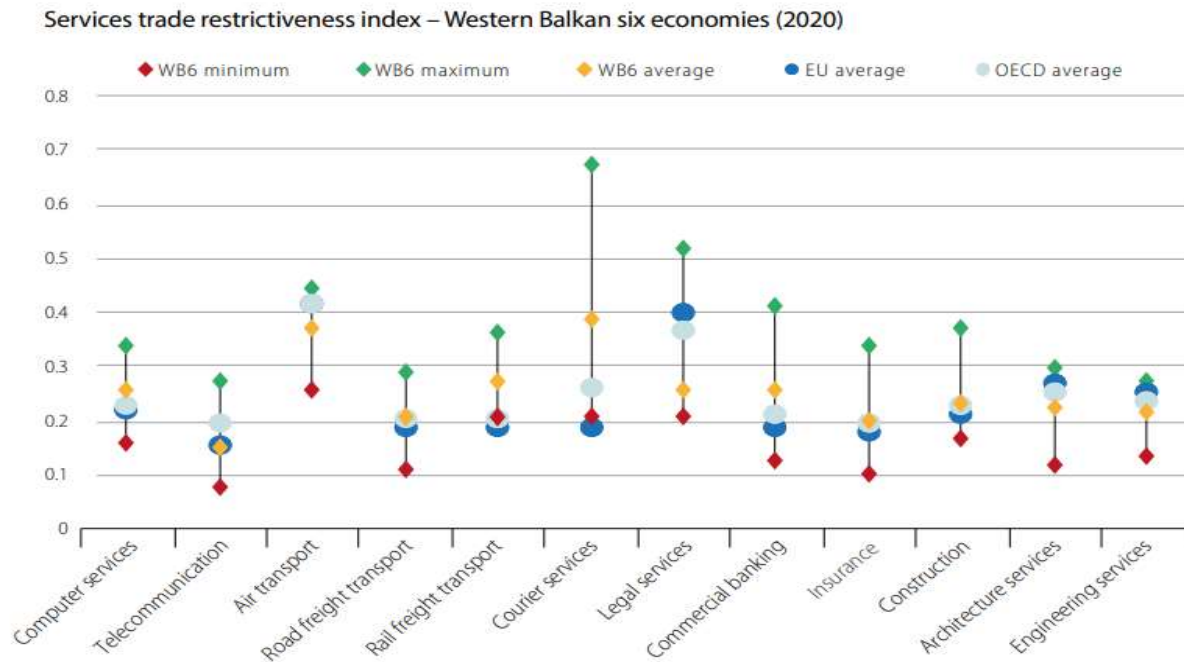
OECD FDI Regulatory Restrictiveness Index (2020)



Key Achievements (2/4): Trade Policy



- **Trade in services has opened significantly** for all WB6 economies through the signing of CEFTA AP 6 in 2019, spurring reforms to remove restrictions on movement, qualifications and activities of CEFTA service providers.
- The regulatory environments for **digitally enabled services** of all WB6 economies are more open than the OECD average and on par with the best performers among the EU.
- All WB6 economies have made progress in aligning their sectoral regulations on **e-commerce** with the **EU acquis** and increased awareness raising efforts among SMEs.
- To continue improving **public consultation procedures**, WB6 economies should **publish summaries** of consultations on draft legislation more systematically and invite stakeholders to become more involved in the legislative process.



Key Achievements (3/4): Tax Policy

- Most WB6 economies have continued aligning their systems with **international tax trends**:
 - 5 WB6 economies joined the Inclusive Framework on Base Erosion and Profit Shifting (BEPS)
 - 4 WB6 economies signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS
- Significant progress has been made in **strengthening tax administrations**, specifically with regards to taxpayer services, tax filing as well as independence and transparency.
- Most WB6 economies have strengthened their use of **micro-simulation models** to assess the distributive effects of tax reforms and are using models to **forecast tax revenues**.
- To combat **heavy reliance on SSCs** and **taxes on goods and services**, governments should **diversify the tax mix** by strengthening the role of corporate and personal income taxes, environmentally related taxes, and recurrent taxes on immovable property.

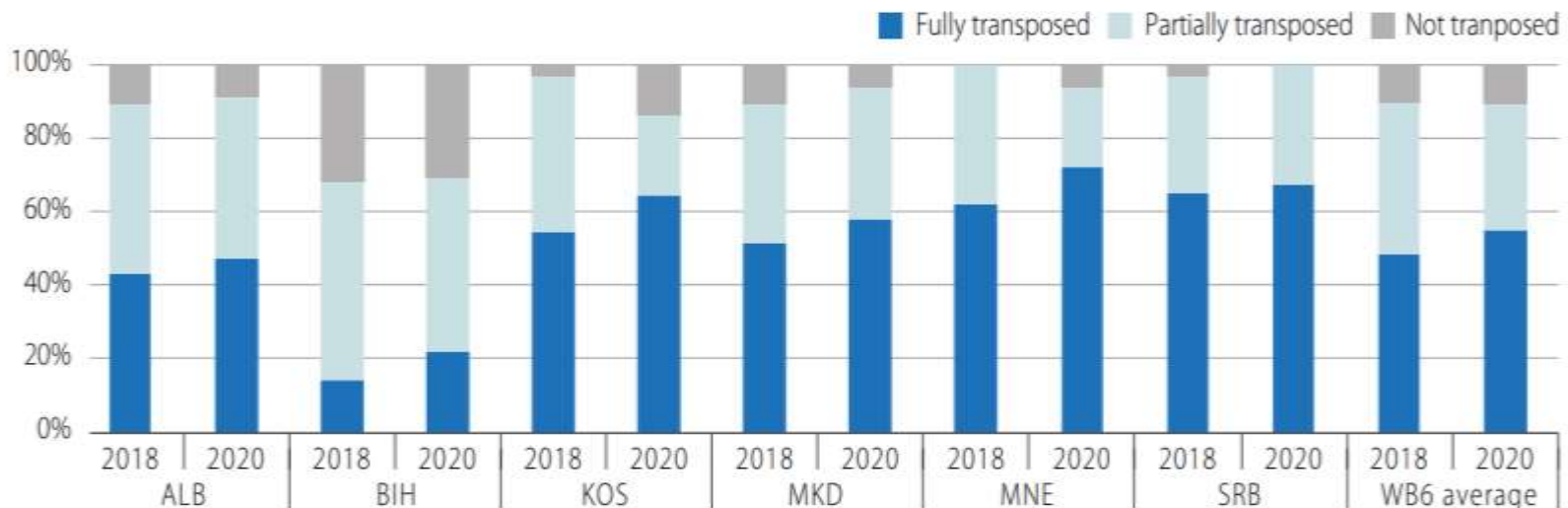


Key Achievements (4/4): Energy Policy



- Progress has been made in aligning the energy sector with the **EU acquis** by transposing a significant share of the **EU's Third Energy Package**.
- Energy infrastructure would benefit from upgrades as all WB6 economies have very **high distribution losses**.
- The WB6 economies face a **heavy reliance on coal** for electricity generation (nearly 60% of electricity generated in 2018) and a tough **transition to non-hydro renewables**.
- **Energy efficiency** is slowly being improved as building certifications are rolled out across the WB6. However, **funding is scarce** and often limited to public buildings.

Western Balkan six progress on transposing the EU's Third Energy Package (2018-20)



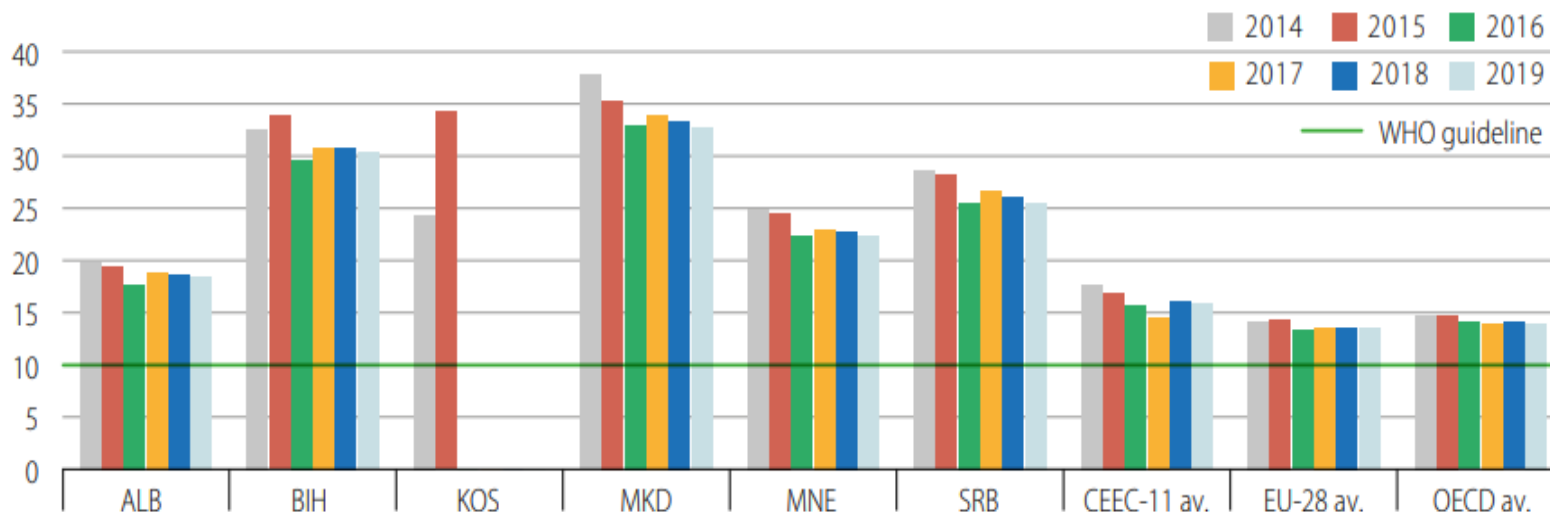
Key Priorities (1/4): Environment Policy



- **Climate change adaptation** policy frameworks are gradually being introduced, but all WB6 economies still need to decrease their dependence on **fossil fuels**, upgrade household **heating systems**, and reduce **transport** and **industry emissions**.
- Although WB6 economies have fairly well-developed legislative frameworks and local air quality plans, **air pollution** remains a key issue with **PM_{2.5} levels two to three times above** the WHO recommended maximum.
- While the WB6 economies are rich in natural resources, **water sources** are unevenly distributed, **biodiversity frameworks** are not enforced, and **land-use systems** are outdated.

Annual mean population exposure to PM_{2.5} air pollution (2014-19)

Micrograms per cubic metre (µg/m³)

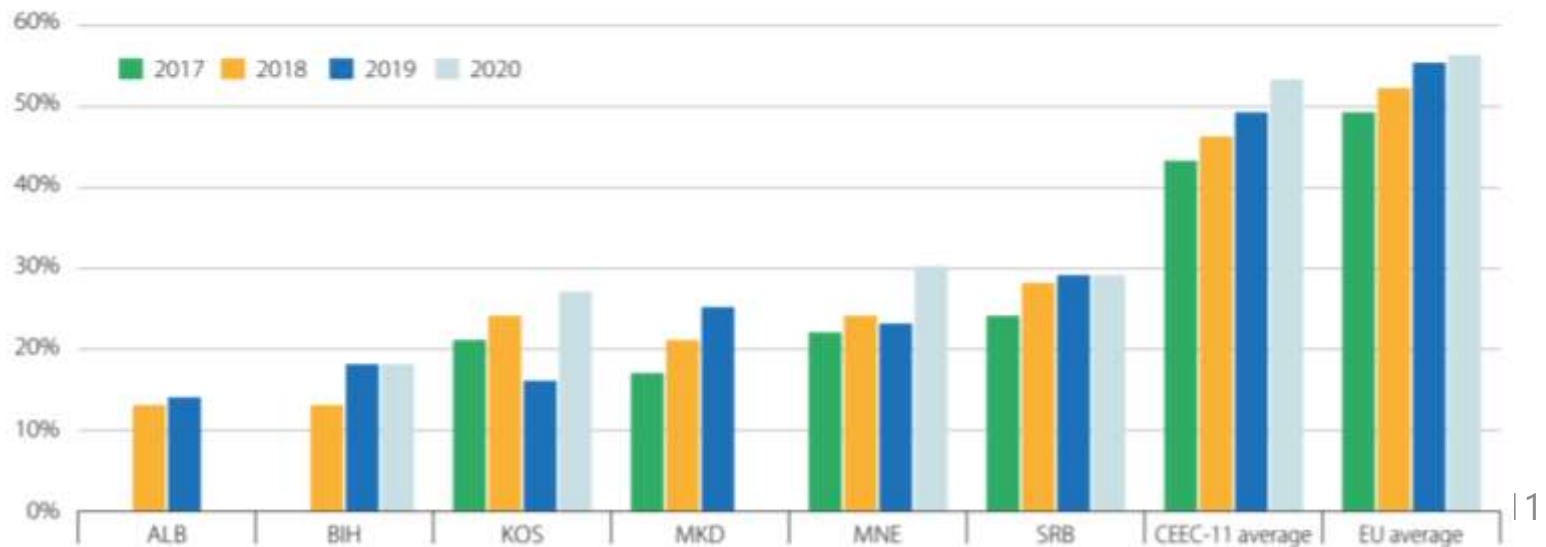


Key Priorities (2/4): Digital Society



- **Fixed broadband penetration** has been on the rise in all WB6 economies, but remains below the OECD average.
- Despite accelerating **digitalisation** of **government services**, usage rates continue to be low and limited **digital literacy** remains prevalent in the region, threatening to deepen a digital divide.
- As **digital skills gaps** persist for both students and adults in the WB6, **greater co-operation** with the ICT community is needed to support the proliferation of **ICT skills**.
- Support for **private sector ICT adoption** is underdeveloped in most WB6 economies. Scaling up programmes and policies to **support SMEs' digitalisation** and boost **e-commerce** take-up would help local firms stay competitive.

Rate of Internet use when interacting with public authorities (2017-20)

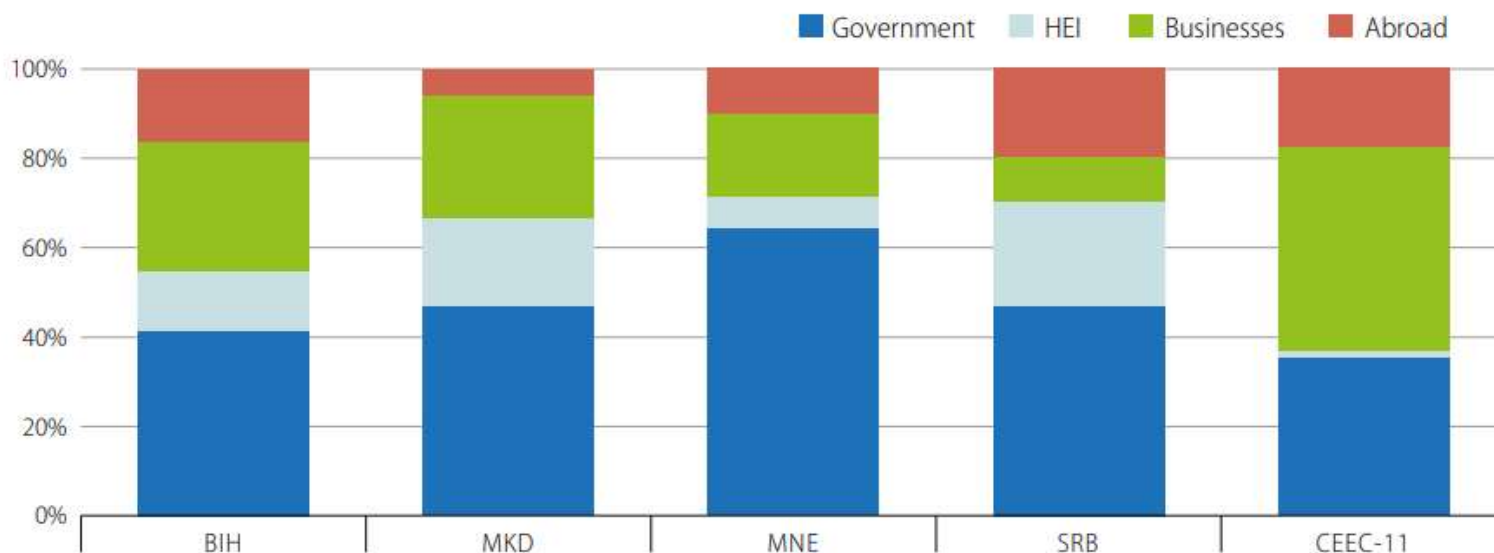


Key Priorities (3/4): Science, Technology and Innovation (STI) Policy



- Most WB6 economies have a comprehensive **STI strategy framework** in place, but implementation is hindered by **limited co-ordination** and a **lack of policy prioritisation** and **monitoring**.
- While most WB6 economies are beginning to operate or set up **innovation funds** for implementing STI policy, **business-academia collaboration** opportunities to promote private funding through grants or partnerships are overlooked and underutilised.
- As public research remains systemically **underfunded**, increasing resources for R&D and promoting scientific research as an attractive profession can help develop human capital and counteract brain drain.

Funding sources for research and development (2017)

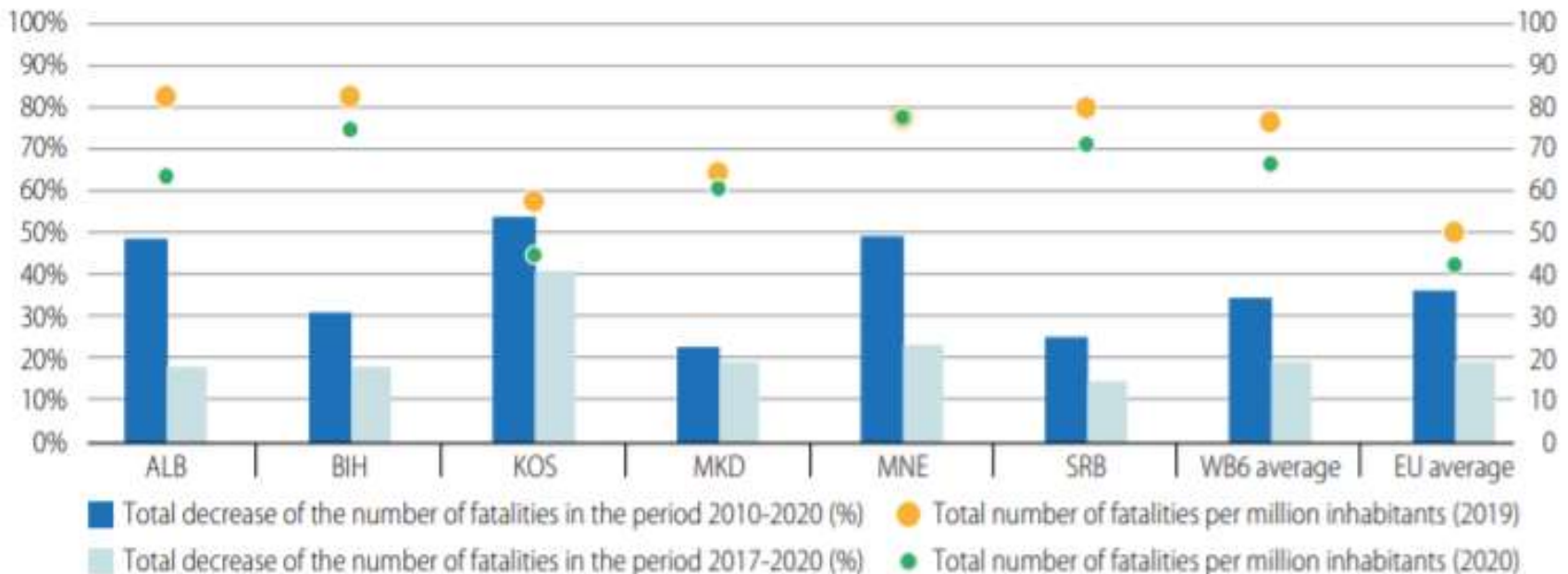


Key Priorities (4/4): Transport Policy



- While the WB6 economies could reduce **road fatalities**, their number remains much higher than in the EU.
- An **asset management** system is still in the early phases of development, with most economies taking steps primarily in the road sector. Transport **project selection** remains inefficient in most WB6 economies.
- While most WB6 economies have long-term transport strategies, **combined transport strategies** should be developed to boost cost efficiency, reduce environmental pollution, and increase freight company co-modality and co-operation.

Road safety trends (2010-2020)



Thank you for your attention!

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