ABOUT

The Competitiveness Outlook (CO) assesses reform progress across multiple **policy areas crucial to competitiveness** in the six Western Balkan economies.

Competitiveness Outlook 2024 is the 4th edition of this assessment, following the publication of the [Competitiveness Outlook 2021](#).

APPLICATION

➢ **Guiding policy reform** and acting as a <u>change management tool</u> through government self-evaluation methodology

➢ **Benchmarking performance** between peer economies using internationally comparable databases

➢ **Providing a source of information** on international standards, databases and other tools across several policy areas

➢ **Enabling gradual adherence** to the OECD standards

➢ Supporting monitoring of **Sustainable Development Goals'** implementation.

The Competitiveness Outlook supports the Western Balkan governments' EU integration efforts by providing analytical contributions supporting the Economic Reform Programmes and the EU progress reports and recommendations.
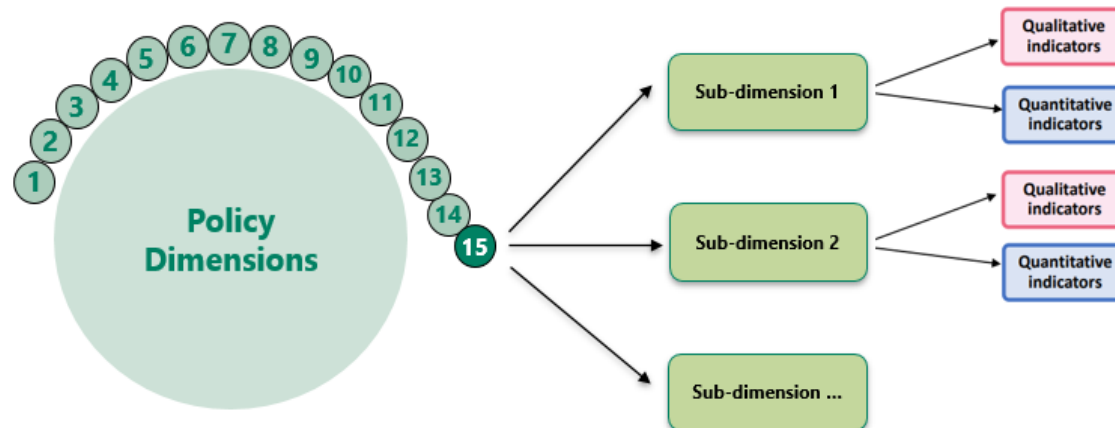
Assessment Approach and Methodology

The CO 2024 methodology is designed to provide an evidence-based assessment of progress in the design, implementation and monitoring across **15 policy dimensions** key to economic competitiveness.

Each of the 15 policy dimensions is split up into **several sub-dimensions**, reflecting the key areas of that policy dimension

Sub-dimensions are composed of both **qualitative** and **quantitative indicators**

Policy Dimensions

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

Sub-dimension 1 → Qualitative indicators / Quantitative indicators

Sub-dimension 2 → Qualitative indicators / Quantitative indicators

Sub-dimension ...

INVESTMENT POLICY & PROMOTION

TRADE POLICY

ACCESS TO FINANCE

TAX POLICY

STATE-OWNED ENTERPRISES

EDUCATION & COMPETENCIES

EMPLOYMENT POLICY

SCIENCE, TECHNOLOGY & INNOVATION

DIGITAL SOCIETY

ANTI-CORRUPTION POLICY

ENVIRONMENTAL POLICY

ENERGY POLICY

TRANSPORT POLICY & PERFORMANCE

AGRICULTURE

TOURISM

According to the level of policy development and implementation, the qualitative indicators are assigned a **numerical score between "0" and "5"** to permit comparison of performance across WB6 economies.

5
An **independent impact evaluation** of policy measures is executed.
Results of monitoring and impact evaluation inform policy framework design and implementation updates towards **OECD and international good practices**.

4
The policy framework is **monitored** and, if necessary, adjusted accordingly.
The policy framework includes **more advanced features** to increase its impact.

3
The adopted policy framework is effectively being **implemented.**
The policy framework **includes key features** which make it impactful.

2
A policy framework specifically addressing the policy area concerned has been **officially adopted** by the government or parliament (where applicable).

1
A **draft / pilot policy framework** with government activity exists addressing the policy area concerned.

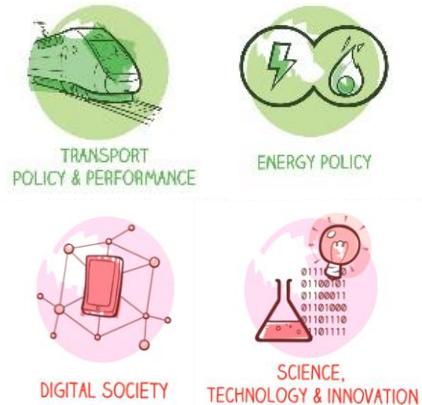**No framework** (e. g. law, institution, project, initiative) exists addressing the policy area concerned.

The CO 2024 will introduce an **enhanced regional profile methodology**, built around **five distinct clusters**, to effectively encompass and show the policy landscape of the Western Balkans.
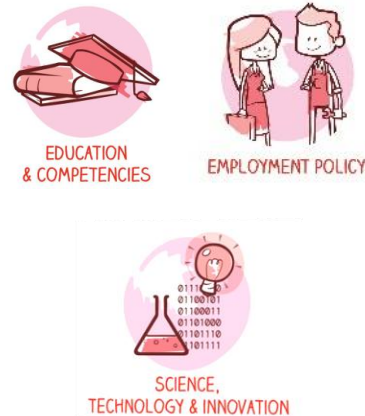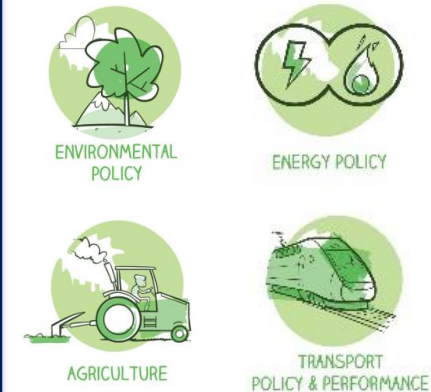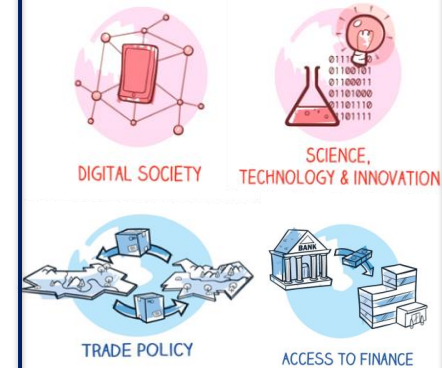
Business Environment

- INVESTMENT POLICY & PROMOTION
- TRADE POLICY
- TAX POLICY
- ACCESS TO FINANCE
- STATE-OWNED ENTERPRISES
- ANTI-CORRUPTION POLICY

Connectivity & infrastructure

- TRANSPORT POLICY & PERFORMANCE
- ENERGY POLICY
- DIGITAL SOCIETY
- SCIENCE, TECHNOLOGY & INNOVATION

Skills system

- EDUCATION & COMPETENCIES
- EMPLOYMENT POLICY
- SCIENCE, TECHNOLOGY & INNOVATION

Greening

- ENVIRONMENTAL POLICY
- ENERGY POLICY
- AGRICULTURE
- TRANSPORT POLICY & PERFORMANCE

Digitalisation and tech

- DIGITAL SOCIETY
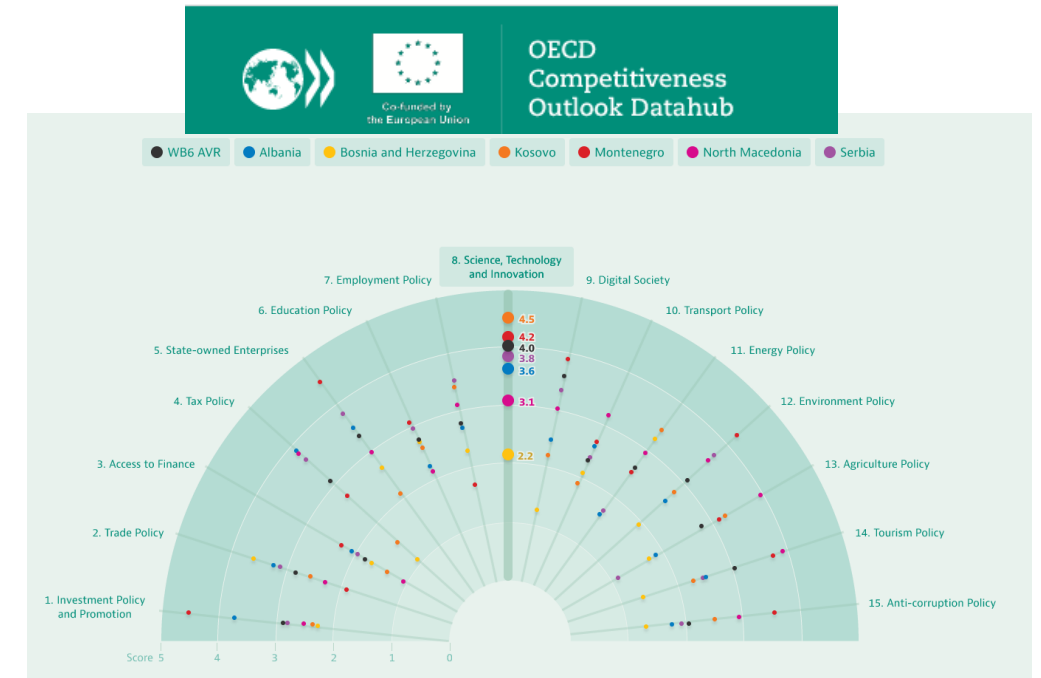- SCIENCE, TECHNOLOGY & INNOVATION
- TRADE POLICY
- ACCESS TO FINANCE

Datahub

Complement the publication with the underlying **wealth of qualitative and quantitative data** in a visual and easily accessible way

Economy-specific profiles

Access an **economy-specific set of policy recommendations** and source of information on international standards, databases and other tools across several policy areas

OECD Competitiveness Outlook Datahub

WB6 AVR · Albania · Bosnia and Herzegovina · Kosovo · Montenegro · North Macedonia · Serbia

*The image shown is for illustration purposes only and will not be the exact representation of the final product.

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OECD Competitiveness Outlook Datahub

● WB6 AVR ● Albania ● Bosnia and Herzegovina ● Kosovo ● Montenegro ● North Macedonia ● Serbia

1. Investment Policy and Promotion — 3.8
2. Trade Policy — 3.2
3. Access to Finance — 3.9
4. Tax Policy — 3.5
5. State-owned Enterprises
6. Education Policy
7. Employment Policy
8. Science, Technology and Innovation — 3.6
9. Digital Society
10. Transport Policy
11. Energy Policy
12. Environment Policy
13. Agriculture Policy
14. Tourism Policy
15. Anti-corruption Policy

3.1 2.7 2.5 2.7 2.3 1.7 2.6 1.9 2.5 1.8

Score 5 4 3 2 1 0

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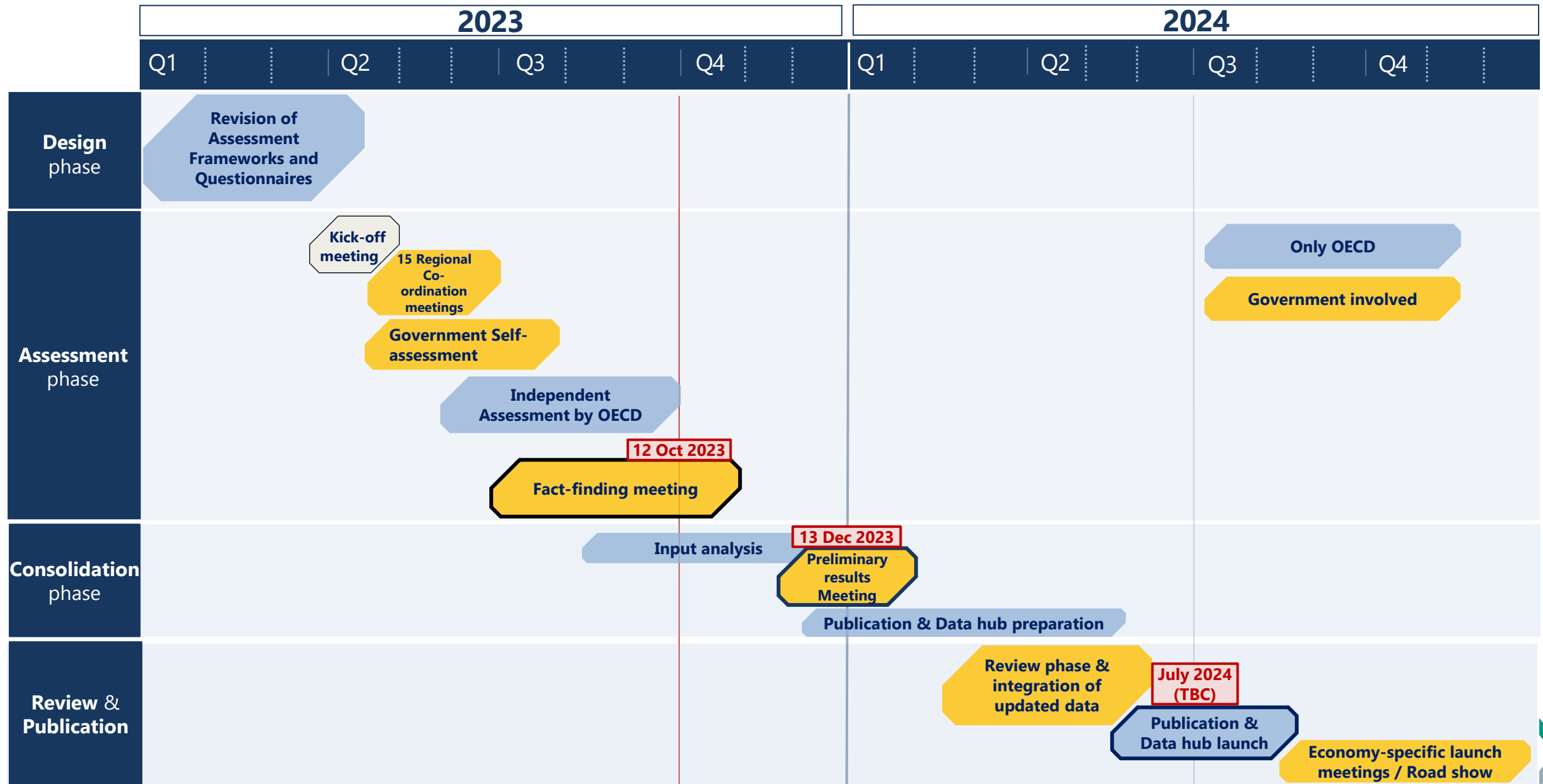
Economy-specific profiles

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Competitiveness Outlook 2024 **Next Steps**

14 July 2023
Second round of input collection

12 October 2023
Fact-finding meeting

13 December 2023
Presentation of preliminary findings

March 2024
Draft publication shared

- ❑ **Respond** to OECD comments and update the demanded information
- ❑ **Send** the final qualitative and quantitative questionnaire

- ❑ Contribute to **closing information gaps** in greening cluster dimensions by sharing additional information
- ❑ **Identify** achievements, challenges, and policy priorities

- ❑ Contribute to **discussion and validation** of the preliminary results
- ❑ Provide **updated data** if available
- ❑ **Comment** on initial OECD policy recommendations

- ❑ Provide **updated data** if available
- ❑ Provide **final comments** on the draft outputs

Publication & Datahub release in July 2024 (TBC)
&
Economy-specific launch meetings in Q3 2024

Data gaps across 15 assessed policy dimensions as of 4 October 2023

Dimension	Questionnaire	Statistical sheet	Remarks
Investment Policy and Promotion	Minor gaps	Partial gaps	Large parts of 2 indicators unanswered.
Trade Policy	Major gaps (only 1st round received)	Not received	Several indicators empty.
Access to Finance	Minor gaps	Major gaps	
Tax Policy	Minor gaps	N/A	
Environment Policy	Major gaps (only 1st round received)	Major gaps	6/10 indicators missing.
Agriculture Policy	Partial gaps	Minor gaps	Some questions unanswered or could be further clarified.
Tourism Policy	Minor gaps	Minor gaps	
State-owned Enterprises	Minor gaps	Partial gaps	
Education Policy	Minor gaps	Partial gaps	
Employment Policy	Major gaps (only 1st round received)	Partial gaps	Several indicators empty.
Science, Technology and Innovation	Minor gaps	Not received	
Digital Society	Minor gaps	Major gaps	Some questions unanswered or could be further clarified.
Transport Policy	Minor gaps	Not received	Some questions unanswered or could be further clarified.
Energy Policy	Minor gaps	Not received	
Anti-Corruption	Not received	Not received	

Greening cluster - **Data gaps**

	Minor information gaps	Partial information gaps	Largely incomplete
Environment Policy			
Sub-dimension 1: Climate Action			■
Sub-dimension 2: Circular Economy		■	
Sub-dimension 3: Protection of Ecosystems		■	
Sub-dimension 4: Depollution			■
Energy Policy			
Sub-dimension 1: Governance and Regulation	■		
Sub-dimension 2: Energy Security	■		
Sub-dimension 3: Sustainability	■		
Sub-dimension 4: Energy Markets	■		
Transport Policy			
Sub-dimension 1: Planning and Management	■		
Sub-dimension 2: Governance and Connectivity	■		
Sub-dimension 3: Sustainability		■	
Agriculture Policy			
Sub-dimension 1: Rural Development and Infrastructure	■		
Sub-dimension 2: Agriculture Support System		■	
Sub-dimension 3: Food Safety and Quality			■

Environment Policy

- Climate change framework
- Biodiversity and protected areas
- Fighting air pollution
- Wastewater treatment

Energy Policy

- Fossil fuel subsidisation
- Schemes to incentivise RES
- Refurbishment of coal power plants

Transport Policy

- Legislative alignment with relevant EU Directives on environmental sustainability

Agriculture Policy

- Policy framework for sustainable agriculture
- Irrigation
- Land consolidation and productivity
- Food quality

Economic Convergence Scoreboard for the Western Balkans 2023 (Draft Regional Version)

- New **OECD scoreboard** to assess **economic convergence with EU and OECD standards**

- To be presented at the **Berlin Process Western Balkan Summit 2023** in Tirana

- Scoreboard highlights each economy's convergence relative to **EU policy outcomes** and **OECD good practices across five clusters:**

1. Business environment
2. Skills
3. Connectivity & infrastructure
4. Digitalisation
5. Greening

0   1/3   2/3   1

".." denotes complete data unavailability

Policy outcomes	Performance relative to the EU			Change	OECD good policy practices, standards, and tools	Performance relative to the OECD			Change
	2008-2012	2013-2017	2018-2022	2008-12 to 2018-22		2016-2017	2018-2019	2020-2022	2016-17 to 2020-22
Greening									
CO2 emissions (kg per 2017 PPP $ GDP)	0.30	0.33	0.32	+0.02	CO Environment policy	0.25	0.36	0.42	+0.17
Mean population exposure to PM2.5 (micrograms per m3)	..	0.54	0.59	+0.05					
Waste generation (kg per capita)	3.25	2.55	1.24	-2.01					
Municipal waste disposed in landfills (% of municipal waste)	..	0.27	0.24	-0.03					
Energy productivity (output produced per unit of gross available energy)	0.24	0.27	0.26	+0.02	CO Energy policy	..	0.46	0.60	+0.14
Renewable energy consumption (% of gross final energy consumption)	1.28	1.18	1.15	-0.1					
Water exploitation intensity	2.98	0.99	0.85	-2.12	CO Agriculture policy	..	0.48	0.48	0.00
Fertilizer consumption (kg per hectare of arable land)	..	..	..						
					CO Transport policy	0.26	0.36	0.28	+0.02

Convergence with OECD good practice:

- **Progress** towards OECD standards has been recorded **in environment and energy policy**

- However, while these **advancements** are promising, they **remain modest**; as of 2021, none of the four examined policy areas had achieved more than 60% convergence with OECD standards

Convergence of policy outcomes:

- **Renewable energy consumption** surpasses the EU average in all assessed periods, but **progress** in the reduction of CO_2 **emissions and boosting energy productivity is slow.**

- **The proportion** of **waste disposed in landfills** (mostly unsanitary and illegal) remains a persistent challenge. Around 97% of waste generated ended up in landfills in 2021, compared to only 23% in the EU.
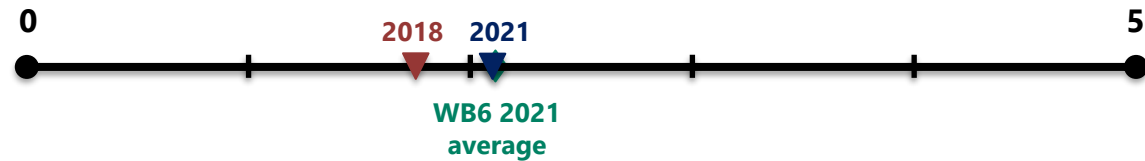
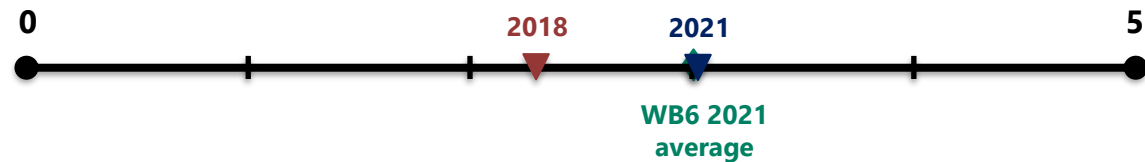# Competitiveness Outlook performance since 2018

- **Improved performance** in Environment, Energy and Agriculture policy between 2018 and 2021. Highest score achieved in **Energy policy.** Lower score in Transport policy.

- **Below WB6 average scores on the Transport and Agriculture policy** dimensions in 2021, while scores for Environment and Energy policy are aligned with the WB6 average.
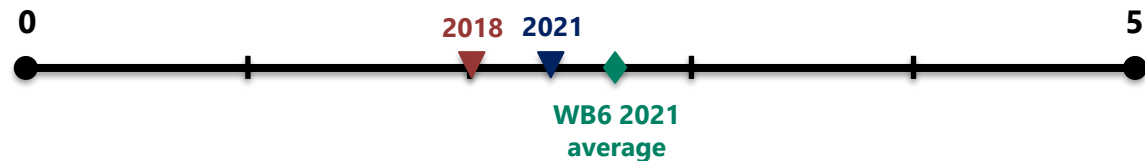
Environment Policy

Progress

Legal and policy **framework for climate change** is being developed.

Circular Economy Roadmap adopted.

Positive developments in **advancing waste management.**

New **Water Strategy** aimed at strengthening freshwater protection and **water cadastre** established.

Strengthened legal **framework for biodiversity.**

Challenges

Overall **emissions reductions targets missing** and limited progress on NECP.

Land-use policies are not aligned with environmental targets.

No continuous and comprehensive **monitoring of biodiversity,** no increase of protected areas.

National and local plans for air quality have not been developed and few programmes implemented to **limit air pollution.**

Wastewater is still dumped untreated into waterbodies.

Greening cluster – Key progress and remaining challenges since CO2021

Energy Policy
only greening related

Progress

New **Energy Strategy**, targeting a 32% reduction of GHG emissions in the power sector.

First competitive **auction for solar power** launched in 2023.

Legal framework on **energy efficiency** being developed and **Monitoring and Verification Platform** established (2022).

Energy audits and trainings conducted at the **Centre for Energy and Sustainability.**

Challenges

Dependance on two aging and highly polluting **lignite fired power plants** for electricity supply.

Despite legal obligation, new **hydropower plants** are not always accompanied by environment impact assessments.

No **GHG pricing mechanism** in place.

Progress

Transport Policy
only greening related

Challenges

New **Multimodal Transport Strategy 2023-2030** covering smart and sustainable transport, incl. emissions reduction targets.

Groundworks laid for **enabling the shift from road to rail** in line with the EU Green Agenda.

Lack of programmes and **incentives** promoting the uptake of zero emission vehicles in the fleet.

Project decisions are not guided by **cost-benefit** analyses and dedicated **procurement** guidelines that include green criteria.

Agriculture Policy
only greening related

Progress

New **Agriculture and Rural Development Strategy** (2022-2028) covers sustainable management of natural resources.

Stronger **legal framework for irrigation** and ongoing investments to rehabilitate and expand the system.

Support measures planned to be developed in case of natural disasters.

Challenges

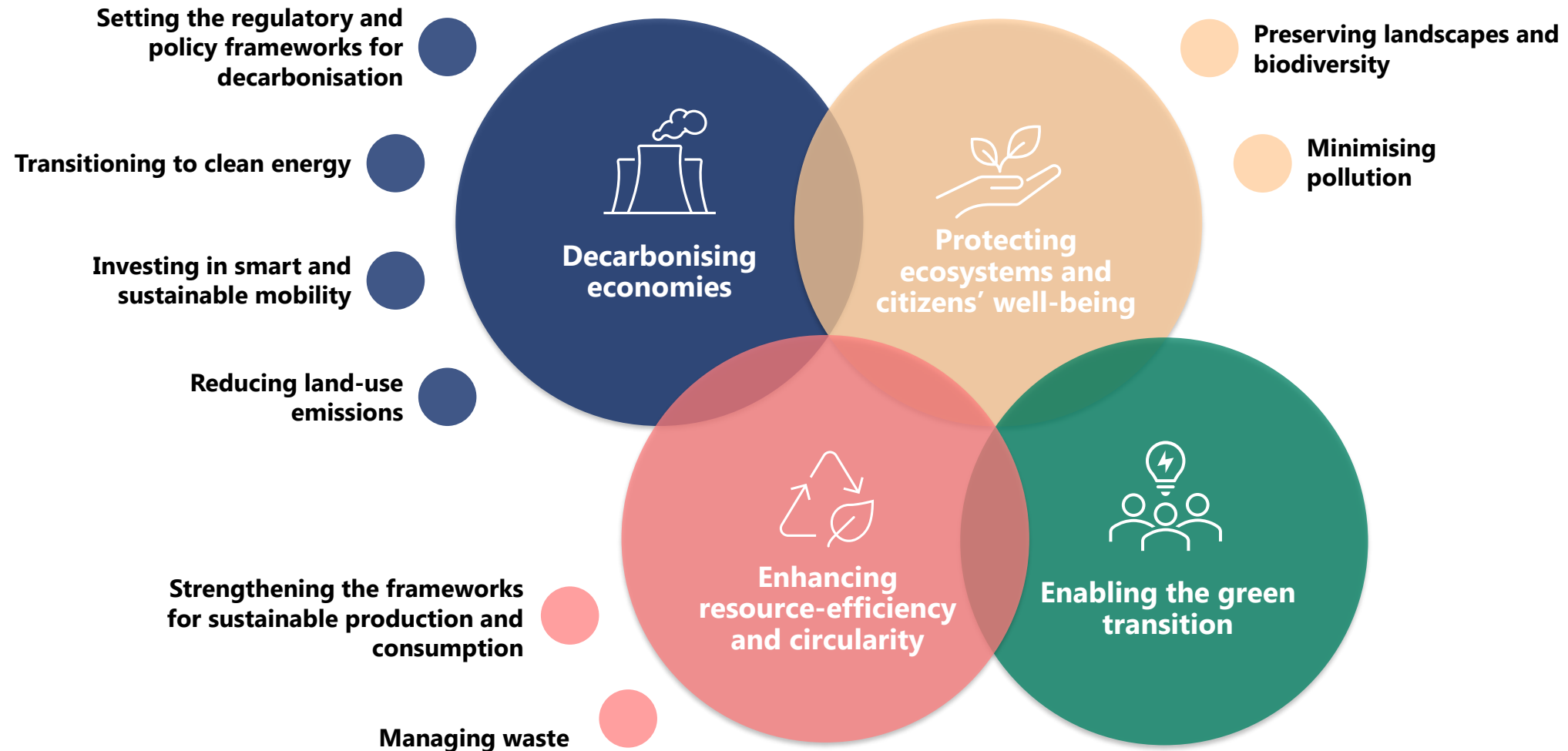**Irrigation user associations** are no longer functional due to financial constraints.

Lack of a Land Parcel Identification System and data on farm structure evolution.

Lack of support for **organic production and certification.**

Decarbonising economies

Setting the regulatory and policy frameworks for decarbonisation

What should be the priorities when integrating just transition measures in the decarbonisation framework?

How does the government plan to support relevant industries in coping with the CBAM?

Transitioning to clean energy

What measures should be taken to boost the untapped renewable energy potential?

How can energy efficiency investments be better supported?

Investing in smart and sustainable mobility

What are the necessary steps to modernise and decarbonise transport infrastructure?

Reducing land-use emissions

Are there any agriculture measures taken to reduce land-use emissions?

Select priorities

Protecting ecosystems and citizens' well-being

Preserving landscapes and biodiversity

To what extent has the implementation of the framework for biodiversity resulted in better protection of natural resources?
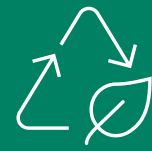
Minimising pollution

Based on the new Law on Air Protection from Pollution (2022), what will be the key measures to improving air quality?

What are concrete steps the government is taking to address water quality depletion and health challenges related to a high share of untreated wastewater?

Select priorities

Enhancing resource-efficiency and circularity

Strengthening the frameworks for sustainable production and consumption

Following the adoption of the Circular Economy Roadmap, what are the next steps for its implementation?

Managing waste

What are the main challenges in introducing separate collection of waste?
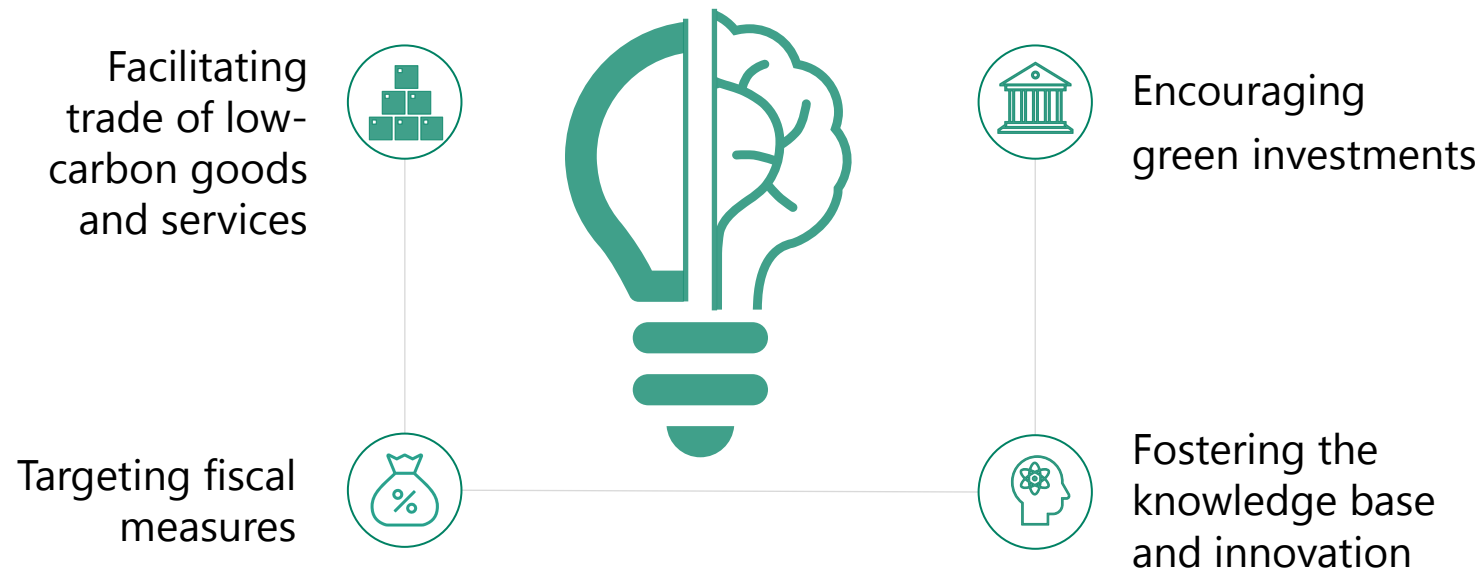
Select priorities

Thank you for your attention!

For further information please contact:

Mr. Umur GOKCE
Economic Advisor at the OECD South East Europe Division

e-mail: umur.gokce@oecd.org

Mr. Martin KOHTZE
Project Manager of the SEE Competitiveness Outlook
OECD South East Europe Division

e-mail: martin.kohtze@oecd.org

Mr. Ali-Fuad TURGUT
Project Manager of the SEE Competitiveness Outlook
OECD South East Europe Division

e-mail: alifuad.turgut@oecd.org

Ms. Clémence GIRIN
Policy Analyst
OECD South East Europe Division

e-mail: clemence.girin@oecd.org

OECD South East Europe Regional Programme