



# Sector Specific Sources of Competitiveness in the Western Balkans

KEY CONCLUSIONS AND NEXT STEPS

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Funded by the European Commission, the **Sector Competitiveness Project** examines the potential sources of and obstacles to competitiveness in the Western Balkans.

The project analyses 3 sectors:

- ❖ **APPAREL MANUFACTURING**
- ❖ **AUTOMOTIVE COMPONENTS, AND**
- ❖ **INFORMATION AND COMMUNICATION TECHNOLOGY**



# The Sector Competitiveness Project

## ❖ APPAREL MANUFACTURING

## Strong regional presence

- ❖ Second largest export category in the region.
- ❖ Sector with the largest regional trade surplus.
- ❖ Significant FDI inflows.
- ❖ Cost competitive and close to key EU markets.

## Recommended strategy

- ❖ Raise awareness on opportunities to move up the value chain, e.g. improve time to market through Electronic Data interchange, team based production, etc.
- ❖ Improve access to finance to facilitate needed technology and business process upgrades.

### IMPROVING ACCESS TO FINANCE – PROJECT DELIVERABLES

- ❖ **Distil OECD good practices governments can follow to improve access to finance:** review schemes, institutions and legislation in place to help countries of the region find ways to reduce credit rationing. Specific OECD expertise includes: credit guarantee schemes, improved credit information sharing, stronger creditor rights, more flexible collateral definitions, etc.
- ❖ **Assess Western Balkan implementation:** evaluate how institutions in Western Balkan countries compare against these good practices
- ❖ **Recommend reform priorities:** provide country specific recommendations and next steps to support governments in implementing policies to improve access to finance. Promote these reforms amongst key ministries
- ❖ **Inform firms about ways to overcome operational and policy barriers:** provide firms with information about areas where operational improvements are needed to increase competitiveness and how they can tap into potential sources of financing
- ❖ **Provide a venue for regional learning:** hold a regional workshop on access to finance to encourage cross-country dialogue on key issues affecting the financing environment



# The Sector Competitiveness Project

## ❖ **AUTOMOTIVE COMPONENTS**

## Strong regional presence

- ❖ **Cost competitive** compared with neighbouring manufacturing locations
- ❖ **Geographical proximity** to Western Europe and the new automotive hub in Central and Eastern Europe
- ❖ **Strong historical legacy** of supply base for automotive components with metalworking, mechanical and electrical engineering skills

## Recommended strategy

- ❖ **Raise awareness** on the importance of industry-specific quality standards and upgrade innovation and design and development capabilities
- ❖ **Improve information** on the advantages for OEMs and tier 1 suppliers to collaborate with Western Balkans suppliers

### PROMOTION – PROJECT DELIVERABLES

- ❖ **Map capabilities of Western Balkans suppliers:** produce a regional investment promotion tool to highlight specific sector activities (design, R&D, automotive components manufacture, capital intensive production or labour intensive production) that could be integrated into existing automotive promotional materials, such as websites and used widely by investment promotion agencies
- ❖ **Provide recommendations on how to improve regional co-operation in promoting the automotive industry:** work together with beneficiaries and partners to implement recommended improvements at the regional level
- ❖ **Support the organization of a Western Balkans Automotive Industry Conference:** Provide a forum for discussion on how to improve existing investment promotion activities, and promote the region as a supply base for automotive components and as a destination for FDI in the automotive sector



# The Sector Competitiveness Project

## ❖ **INFORMATION AND COMMUNICATION TECHNOLOGY**

## A competitive position

- ❖ The ICT sector is still limited in the Western Balkans, but growing fast
- ❖ Geographical proximity to the European market represent an important potential for services near-shoring
- ❖ Cost of labour in services in the Western Balkans is significantly below that in Eastern Europe countries
- ❖ ICT companies need to increase the value of their services to remain competitive in the long-term

## Recommended strategy

- ❖ Address human capital gaps.
- ❖ Specific actions should target tertiary education as well as on-the-job training.
- ❖ Develop ICT infrastructure, in particular outside major cities

### DEVELOPING HUMAN CAPITAL – PROJECT DELIVERABLES

- ❖ **Define international good practices governments can follow to develop internship programmes:** review legislation, support schemes, and institutions that have been set up in OECD countries to develop internship programmes.
- ❖ **Assess initiatives being undertaken in the Western Balkans:** collect basic information on the existing programs, such as number of participating institutions and, when available, number of students
- ❖ **Review legal framework for internships in the Western Balkans:** In certain cases, internships are not covered by labour laws. The current situation has been assessed and reforms that need to be made have been highlighted
- ❖ **Develop a guide for policy makers:** identify gaps in the legislation and potential for policy actions in each Western Balkan country. The guide will give an overview of the situation on internships and provide guidance on the policies steps that need to be made
- ❖ **Provide a venue for regional learning:** hold a regional workshop on human capital development that will focus specifically on the issue of internships

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