Baltic Regional Programme

Second Annual Evaluation Meeting, 5 May 2000 -- Summary of the Discussion
BALTIC REGIONAL PROGRAMME: SECOND ANNUAL EVALUATION MEETING

5 MAY 2000

SUMMARY OF THE DISCUSSION

1. This second evaluation meeting was held, just over a year after the first one, in response to a request from both the sponsoring countries as well as the Baltic countries themselves, that the Baltic Regional Programme be regularly and thoroughly evaluated. The meeting was chaired by Mr S. Kondo, Deputy Secretary-General of the OECD, and attended by representatives from 18 Member countries, from Estonia, Latvia and Lithuania and from the Secretariat of the Nordic Council of Ministers (see the participants’ list in annex 2).

1. Key policy issues dealt with under the programme

2. Secretariat members from three Directorates – DAFFE, STI and DEELSA – presented their ongoing work in the Baltic region and the medium-term objectives for their work on five different topics: (i) competition policy, (ii) foreign direct investment, (iii) statistics, (vi) education policy, and (v) insurance and pension reform.

**Competition policy**

3. The work on competition policy, conducted by the Directorate for Financial, Fiscal and Enterprise Affairs, has resulted in a report: _Competition Law and Policy in the Baltic Countries_, published in 1999. This comprehensive review contains specific recommendations for each Baltic country. Future work will be more narrowly focused than this initial, diagnostic review, and is likely to deal with:

- Improving rule enforcement against hard-core cartels;
- Collection and analysis of evidence to define markets and assess market power;
- International law enforcement co-operation;
- Competition advocacy to improve government, business and public awareness of competition issues.

4. The activity is now in the second year of a five-year programme. The Baltic competition authorities are taking a very active role in the design of this new work, which makes a real policy dialogue possible. The next high-level meeting will be held in the Baltics later this year.
Foreign direct investment

5. The work on foreign direct investment has comprised assessments of trends and policies of FDI in the Baltic countries. The resulting policy reviews have been discussed at a seminar and will be published in three separate publications later this year. FDI in the Baltics has a strategic importance, not only by balancing the current account deficits, but also by attracting foreign management know-how and technology transfer to the recipient countries. The strategic importance has been recognised by the Baltic authorities and they have now all implemented policy reforms with a view to attracting FDI.

6. Much of recent FDI has come as a result of the privatisation process. Since this process is now well advanced, it will become more important to attract greenfield investment.

7. The Baltic States have been observers in discussions on international investments at the OECD Committee on International Investment and Multinational Enterprises and have expressed their interest in becoming more closely associated with the CIME. On 30 May 2000, Lithuania would host the OECD conference on Tax Incentives and Competition on FDI in Vilnius.

Statistics

8. The work on statistics in the Baltic region started with a meeting with Eurostat to determine areas of OECD involvement and to avoid duplication. Subsequently, meetings were held in the Baltics with National Statistics Offices, to determine priorities and meet specific requests from the Baltic experts. As a result, Quarterly National Accounts (QNA) have been identified as a priority subject of further work by the OECD Secretariat, which has a particular expertise in this area. In July 1999, a workshop was held on QNA, which will be followed up by a new workshop in July this year. Later, a report will be published on QNA Sources and Methods in the Baltic countries.

9. The overall objectives of the OECD programme on statistics are:

− To assist in the development of macro-economic statistics to meet the needs of policy-makers;
− To accelerate the improvement of the quality of priority statistics, notably GDP;
− To help the Baltic countries accelerate compliance with the statistical acquis communautaire.

Education policy

10. The work on education policy began in 1997 with visits to Latvia, followed by those to Estonia and Lithuania during the subsequent year. It is carried out with the support of EU-Phare, and extensive contacts have been made with the World Bank, EU, UNDP and different NGOs active in the Baltic countries. The work on education policy by the OECD has kept as broad a perspective as possible, and the reviews have tried to show each educational system in its context as an integral part of the economy, particularly economic development and social well-being. The reviews on the Baltic national education policies will be published by the end of this year.

11. All three Baltic countries faced similar problems in the early days of their independence, in transforming the Soviet-style education system to a curriculum with more emphasis on social science, core skills, finance and management. The reviews have helped the Baltic countries in developing their national
education systems. A Lithuanian visiting expert from the Ministry of Education is currently working on the project.

12. Future work will involve studies on students with special needs and ethnic minorities, to see how governments can provide them with adequate training and find ways for students graduating from rural schools to go on to higher education. School management is also an important issue, which will be examined more closely.

**Insurance and pension reform**

13. The Baltic insurance market has developed alongside the economic restructuring, although its penetration is not as strong as in the western markets.

14. In November last year, a seminar on insurance was held in Vilnius. At that meeting, it was decided to establish an electronic discussion group on insurance and private pensions in the Baltic countries. Furthermore, it was decided to grant the Baltic countries privileged access to the OECD website on insurance and private pensions (regulatory and statistical data, analytical report). Early this year, a seminar was held in Prague on private pensions where it was decided to create, under the aegis of the OECD, an international network of regulatory and supervisory authorities for private pensions, in order to:

- Promote the development of private pensions as a complement to public schemes;
- Help establish adequate regulatory and supervisory structures;
- Develop best practices in these areas.

15. This project has been set up so as to make sure there is no overlapping with any EU activities. The project is supplementary to the work done by the EU on policy dialogue and analytical studies. It is supplementary with regard to private pensions and other major issues such as: contract law, intermediation, private health insurance, reinsurance, many aspects regarding mandatory insurance, investments by insurance companies and pension funds.

16. Future activities will be focused on:

- The framework for pension reform and its implementation;
- Improvement of the regulation governing investments by insurance companies and private pension funds;
- Development of private health insurance;
- Financial convergence and its regulatory and supervisory implications;
- Improvement of accounting systems;
- Collection and use of statistics in insurance;
- Improvement of the financial security of reinsurance treaties.
2. Programme implementation and objectives

17. The main purposes of this item were to assess the programme implementation to date and to consider the medium-term programme objectives proposed by the Secretariat [CCNM/BALT(2000)1]. The reasons for establishing such objectives are several. First, the objectives will afford a sense of direction and longer-term purpose of the programme. Second, they will make it easier to put a meaningful evaluation process into operation by providing yardsticks to gauge their performance of the activities over time. Third, the establishment of objectives helps to strengthen the commitment to the continuation of the programme and the achievements of its objectives on the sides of all parties involved: the Baltic countries, the Members (in particular the donors) and the Secretariat.

a) Statement by the Baltic delegations

18. The delegations of Estonia, Latvia and Lithuania each presented their strategy papers [CCNM/BALT(2000)3-5] and objectives for the future development of the BRP. The following points were stressed in particular by some or all of the countries.

- The Baltic governments attach great importance to the Programme as their integration process into the EU poses new challenges for their economies. Adopting the OECD best practices is a good way for the Baltic countries to further their integration into the western world and to ensure a sustainable economic development. The programme targets activities where the OECD has the best expertise and also offers a unique multidisciplinary approach. It is complementary, or supplementary to the EU accession programmes.

- This programme helps the Baltic countries to emulate the best practices among OECD Members and to adhere to its instruments. They expressed the wish to be more closely associated with the work of Committees and to become OECD Members, eventually.

- The Programme is truly a demand-driven exercise; the Baltic countries have each created a special co-ordinating body to ensure that the local experts are involved in all areas covered by the Programme. The Secretariat has taken their recommendations into account. The Baltic governments also co-ordinate their positions via the Council of Baltic Ministers and are willing to provide comments on the Programme to its donors via their own channels.

- The programme should be continued for at least three more years.

- The Baltic countries are now financially supporting the Programme and intend to continue doing so.

- The Baltic countries regarded the economic assessment as one of the best comprehensive economic studies ever made on the region. Estonia expressed interest in a follow-up of the assessment in a few years’ time.

- The visiting expert programme has supported the establishment of a network of contacts between the Baltic countries and the OECD and has positively affected the internal co-ordination and implementation of the programme.

- Whereas no suggestions were made to cut any activities, certain additional activities were proposed, in particular trade in services, environmental policy and statistics of population and
housing. The point was also made that it is best to concentrate on a limited number activities, and do these well, than to spread the resources thinly.

b) **Medium-term objectives**

19. Delegates were invited to discuss the activities and proposed medium-term objectives in the note by the Secretariat, with a particular focus on a number of questions posed in the agenda.

**General assessment**

a) *Do the activities address the most relevant issues from an OECD perspective? Do they reflect adequately the OECD’s own priorities and comparative advantage?*

b) *Are the proposed objectives appropriate for the medium-term? Is there a mutual interest for OECD members and Baltic countries in pursuing them?*

c) *Do the activities and objectives adequately reflect the OECD’s working methods (characterised by policy dialogue, peer reviews, emphasis on best practices, multidisciplinary approaches)?*

d) *Is the issue of supplementarity and complementarity of the activities versus operations of other international organisations – in particular those related to the EU accession – adequately addressed?*

20. Delegates answered each of these questions affirmatively. The demand-driven (but interactive) character of the Programme, the policy objectives and the commitment of the Baltic states to implement the Programme all explain its success. Delegates generally seconded the Baltic countries’ praise for the regional assessment, although one Delegate felt it may have been unduly theoretical. Delegates supported the proposed medium-term objectives for the individual activities, which one Delegate proposed as a model for other CCNM programmes to follow. A Delegate suggested that overarching measurable objectives be established for the Programme as a whole. New activities (trade in services, agricultural goods, agricultural reform, labour market policy, environment) could be considered for insertion, but the Programme should not be overburdened and lose its focus, also in view of the budget constraints.

21. Delegates agreed with the Secretariat’s aim of ensuring the complementarity or supplementarity of the Programme’s activities and objectives versus those of other international organisations, including in particular the EU accession programmes. Some Member countries expressed concern about a possible duplication of the BRP with programmes of other international organisations and bilateral programmes. It is therefore important that the Programme be closely co-ordinated with the EU and with bilateral donors, both by the Secretariat and by the Baltic countries themselves. The Baltic countries are fully aware of this need.

**Programme operation**

e) *What role in the Programme do participants envisage for the contiguous regions of the Russian Federation?*

f) *Do delegates have suggestions to enhance the effectiveness of the future evaluation process?*
g) Do delegates wish to have future evaluation meetings on a 12-months cycle, as at present, or would they prefer an 18-months cycle?

22. The Baltic countries asked for a careful approach of the possible involvement of Russian regions, although none of them was opposed to Russian participation on a case-by-case basis. Work on the Russian regions could be conducted in a co-operation between the Baltic Regional Programme and the CCNM’s Russia programme. Lithuania maintains a good relationship with Kaliningrad and is open to further co-operation with this oblast within the framework of the OECD, but not at the expense of the Baltic Regional Programme. A Delegate suggested that the impact of the Baltic reform process on Northwest Russia be studied.

23. A preference was expressed to keep the current 12-month cycle for evaluations. The rapid economic changes in the region make annual programme evaluations useful.

3. Funding of the programme

24. The Baltic Regional Programme has to cope with financial constraints. The delayed payment from sponsoring countries has made the budget difficult to manage. The Secretariat outlined the difficulties in a note [CCNM/BALT(2000)2], and suggested some solutions, which delegates discussed. Some possible solutions would be to seek more donors and/or to solicit in-kind contributions (i.e. staff). A Delegate suggested an increase in the part 1 share of the budget. However, this money would have to come from another CCNM programme, unless the overall CCNM budget is increased.

25. The Secretariat will discuss the matter further with Delegations, in particular the donors, to find appropriate solutions.
ANNEX 1: CONCLUDING REMARKS BY THE CHAIRMAN

26. I think today’s meeting has been very successful. This success is the result of the commitment and strong support by the Baltic countries and the Delegates from OECD Members, the donor countries and the Secretariat. The high representation of the Baltic countries is very much appreciated.

27. The corporate culture of the OECD is to have policy discussions rather than to pursue conditionality. The demand-driven nature of the Programme, the interest and commitment among the partners involved is the key to its success in this respect. I am happy to hear how the Baltic countries appreciate this Baltic Regional Programme. Over the years, the OECD have accumulated best practices on issues that are very relevant for the Baltic countries and I am glad they have come to us.

28. As the topics discussed today are common to all countries in the world, everyone, not only the Baltic States but also OECD Member countries, can learn from this dialogue. The rapid progress of globalisation and the interdependence between countries mean that no single country can solve its problems alone. I am happy to hear that the Baltic States co-operate closely among themselves and are committed to solving their common problems together.

29. Strong support was registered for the medium-term objectives set out in the paper prepared by the Secretariat. These objectives serve as yardsticks and ensure the long-term commitment of the partners involved. These objectives have proven to be right.

30. On the funding issue, I have noted a strong support and sympathy for the concerns expressed by the Secretariat. We need to be innovative and try to find adequate solutions to the problems.

31. It is my impression that the Baltic States are fully aware of the need to avoid duplication. They have indeed taken steps to co-ordinate our programme with programmes of other international organisations, as well as of bilateral donors.

32. Several new activities have been suggested for the future programme, including in the areas of agriculture, fisheries, and trade in services. The Secretariat will explore the possibilities of including these in the programme and see how effectively OECD can contribute in these areas. However, it is important to bear in mind, considering the limited resources available, that we should not be overambitious. We have to concentrate on selected areas where the OECD has a comparative advantage.

33. Considering the rapid economic development in the Baltic region, I find strong support from the Delegates to continue to hold these meetings on a twelve-months cycle. There is an obvious need for constant evaluation of the Programme.

34. On the question of participation by Russian regions in the activities, there was a consensus that a thematic or case-by-case approach would be the most appropriate.
ANNEX 2: LIST OF PARTICIPANTS

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