Baltic Regional Programme

ANNUAL REPORT 2001
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FOREWORD

In mid-2001, the Baltic Regional Programme (BRP) marked its third year of operations directed and co-ordinated by the OECD Centre for Co-operation with Non-Members (CCNM). This year was characterised by the launching of several new initiatives, fruition of others, implementation of policy recommendations in the different fields of activity under the BRP, and the Baltic countries; efforts to associate more closely with OECD instruments and bodies.

Two of the milestones during 2001 were the signing by Estonia and Lithuania of the Declaration on International Investment and Multinational Enterprises and the publication of their FDI Reviews. The Latvian review is nearly complete. Creating favourable conditions for the FDI has been a key element of the economic strategies of Estonia, Latvia and Lithuania. This is an important development for OECD country actors, who are the main investors in the Baltic countries.

A new activity, the Baltic Anti-Corruption Initiative (BACI), was launched in spring 2001. Its aim is to improve institutional and policy capacity in the fight against corruption and work towards meeting international standards. New and additional funding enabled the BACI to go forward and constituted a significant increase in the overall budget of the Baltic Regional Programme.

Other activities under the BRP in 2001 covered taxation, financial markets, insurance and pension reform, enterprise development, trade, agricultural policies and statistics.

At the beginning of 2001, the Governments of Estonia, Latvia and Lithuania endorsed a comprehensive set of Medium-Term Objectives, 2001-2003, developed jointly by the Baltics and the OECD Secretariat, based on the priorities in the countries and the comparative advantages of the OECD. These voluntary objectives indicate a strong commitment by the Baltic countries and the OECD.

Further progress has been made by all Baltic countries in their process of accession to the European Union. The Baltic countries consider that integration into the EU and in the global economy are related processes. The BRP is both complementary and supplementary to other bilateral and multilateral programmes in which the Baltics are engaged.

The CCNM is grateful for the considerable intellectual and financial support received for this Programme from the sponsoring countries including OECD Member countries and the Baltic States, the European Commission and other international organisations. This support has been of vital importance for securing its achievements and will continue to be essential for successful implementation of the Programme.

This report is published under the responsibility of the Secretary-General of the OECD. It does not necessarily represent the opinion of the Governments of OECD Members or any other countries.

Eric Burgeat

Director
I. THE VISION OF THE BALTIC REGIONAL PROGRAMME

1. THE MANDATE

The OECD Council established the Baltic Regional Programme (BRP) at its meeting on 12 March 1998 and the programme became fully operational in October 1998. The Programme responded to the call from the Governments of Lithuania, Estonia, and Latvia, in their joint declaration issued on 22 October 1996, appealing to the Council of the OECD to examine the possibility of establishing a Special Regional Programme for these three Baltic States. This declaration also contained a statement of the States’ intention to become Members of the OECD (although their Governments did not formally apply for membership). The BRP is an important component of the OECD’s Centre for Co-operation with Non-Members (CCNM).

The programme is formulated to meet three basic objectives:

1. To assist the Baltic countries in the completion of their transition to market economies;
2. To promote the stable integration of the Baltic region into the global economy;
3. To encourage the use of best practices of OECD in developing policies and strategies in the Baltic region, in order to promote long-term sustainable economic growth and political stability.

Detailed Medium-Term Objectives provide guidance for the direction and implementation of the Baltic Regional Programme. They indicate the priorities of the three Baltic countries and prescribe the focus of the BRP. The Governments of Latvia, Estonia and Lithuania endorsed the Medium-Term Objectives in January and February of 2001.

2. PARTICIPATION

All activities under the Programme are open to participation by Estonia, Latvia and Lithuania, all OECD Member countries and the European Commission. Other relevant international organisations can be invited to participate in individual activities. The activities of the Baltic Regional Programme cover all three Baltic countries, Estonia, Latvia and Lithuania, all of which participate actively. These countries use the Programme to reform their national legislation and administrations. The Baltic Regional Programme offers an important platform to the Baltic countries to share and exchange experience with the OECD Member countries and one another.

In some activities, there has been participation by a few north-western Russian regions, including Kaliningrad, Karelia, Novgorod and Saint Petersburg. These activities included the Baltic Forum on Entrepreneurship and Enterprise Development (FEED) and Competition Policy.

The Baltic countries are also invited to participate in the eight OECD Global Forums and the CCNM Common Programme for Transition Economies of Europe and Central Asia.
3. **THE OECD ORGANISATIONAL CONTEXT**

*Co-operation with Non-Members at the OECD*

The OECD assists its 30 Member countries in achieving high sustainable economic growth by providing multilateral surveillance as well as a forum for discussion and peer review of macroeconomic and structural policies. Given the increasing economic interdependence between Members and non-Members, the Organisation has developed its co-operation with non-Member economies, creating platforms for policy dialogue with various groups of non-OECD Members.

*The Centre for Co-operation with Non-Members (CCNM)*

To manage this policy dialogue with non-Members, the OECD has established a Centre for Co-operation with Non-Members (CCNM). The CCNM has incorporated the former Centre for Co-operation with Economies in Transition (CCET). Its work programme includes country programmes for Russia, China and Brazil, as well as regional programmes in Asia, South America, South-Eastern Europe and the Baltic countries. As of 2001, these regional and country programmes have been supplemented with a substantial thematic programme in the form of eight “Global Forums”, covering sustainable development, governance, the knowledge economy, international investment, trade, taxation, agriculture and competition.

Before 1998, the CCET co-operated with Estonia, Latvia and Lithuania in the context of its general work with the transition countries in Central and Eastern Europe.


Since its inception, the CCNM’s Baltic Regional Programme has engendered intensive co-operation between the OECD and Lithuania, Latvia and Estonia and, for some activities, a number of contiguous Russian regions. Medium-term objectives for the Programme were formulated among the donor countries, the Baltic countries and the OECD Secretariat. “Medium term” was initially set forward as a three-year period.

The objectives are voluntary commitments or benchmarks agreed among the OECD and the Baltic countries, *i.e.* not a form of conditionality. Their existence is meant to strengthen the commitment by all parties involved to the continuation of the Programme and the achievement of its goals. They demonstrate the way in which the Baltic countries use the Baltic Regional Programme to achieve their own policy aims.

A common thread of the Medium-Term Objectives is to achieve the Baltic countries’ closer association with OECD standards and legal instruments; in a number of cases implying formal adherence. The objectives also help to avoid duplication of activities of other international organisations, in particular with those of the European Union, and the Baltic countries’ bilateral programmes with the Nordic countries.

The full text of the medium-term objectives is available on the website of the Baltic Regional Programme: [http://www.oecd.org/sge/ccnm/about/baltic.htm](http://www.oecd.org/sge/ccnm/about/baltic.htm).
### RATIONALE FOR ESTABLISHING MEDIUM-TERM OBJECTIVES

First, such objectives afford a sense of direction and longer-term purpose to the Programme, which might be less evident if the planning horizon were short.

Second, they make it easier to put a meaningful evaluation process into operation by providing yardsticks to gauge the performance of the activities over time. The evaluation of the OECD’s co-operation with non-Members (held in 1999), confirmed the importance of appropriate evaluation mechanisms.

Third, the establishment of medium-term objectives helps to strengthen the commitment by all parties involved in the continuation of the Programme and the achievement of its objectives. This is particularly important for a grant-funded Programme, for which the budget has to be determined annually on the basis of bilateral discussions with each of the donors. It is hoped that a medium-term commitment to the programme’s objectives will also imply a moral commitment to ensure that the resources are provided to make the achievement of these objectives possible.

Fourth, the medium-term objectives provide detailed information on how the Baltic countries intend to use the activities to reform and develop their administrative capacities.

Fifth, the establishment of these objectives helps to avoid duplication of activities through co-ordination with other international organisations and sponsoring countries’ bilateral programmes.

The Baltic countries actively contributed to the preparation of the medium-term objectives. In each of the Baltic capitals there is a Working Group, co-ordinated by the Ministry of Foreign Affairs, which was regularly consulted during the development of the objectives. These Working Groups are also actively involved in the planning, implementation and evaluation of the annual activities of the Baltic Regional Programme. Members of the Working Groups share the responsibility for the implementation of the objectives. They represent different ministries, governmental organisations and institutions, and also tend to be involved in co-operation with other international organisations, such as the EU and WTO.

The objectives are voluntary commitments or benchmarks agreed among the OECD and the Baltic countries, and not a form of conditionality. However, the Baltic countries’ active participation in the Baltic Regional Programme and their interest in developing the Programme, including the Medium-Term Objectives, demonstrate their interest in a closer integration with OECD standards, practices and instruments. The objectives are adaptable, in the light of changing circumstances; assessments at evaluation meetings indicate whether any changes are required.
II. MEETING THE GOALS

1. BALTIC REGIONAL PROGRAMME ACCOMPLISHMENTS IN 2001

The Baltic Regional Programme has been particularly active in 2001 with the launching of several key initiatives and the fruition of others.

- Baltic Regional Programme Medium-Term Objectives Endorsed

The Ministers of Foreign Affairs of Latvia and Estonia and the Deputy Minister of Foreign Affairs of Lithuania endorsed the Baltic Regional Programme Medium-Term Objectives, confirming the priorities and the common goals for the Programme.

- Prime Ministers of Latvia and Lithuania Met with OECD Secretary-General Donald J. Johnston

They discussed the progress, aspirations and challenges in their countries, Latvia and Lithuania; the desire to have the Baltic Regional Programme extend beyond 2003 and the Baltics interest in OECD Membership.

- Estonia and Lithuania Adhered to the Declaration on International Investment and Multinational Enterprises; the CIME Examination of Latvia Has Neared Completion

Adherence constitutes official recognition of the important steps that these countries have taken in liberating their FDI policies and their ability contribute to OECD’s broad policy dialogue on FDI issues.

- OECD Reviews of Foreign Direct Investment Published

FDI growth in the region has been impressive. It has played a catalytic role in the transformation of Estonia, Latvia and Lithuania and given great impetus to economic transition, especially in view of the scarcity of capital in these countries at the time of independence

- The Baltic Anti-Corruption Initiative (BACI) Launched

It is providing an analytical process for assessing gaps in legislation and identifying technical assistance needs; a community based survey process to diagnose corruption in key service sectors and to recommend remedial action; and a visiting experts programme.

- Publication of Education Reviews

Estonia, Latvia and Lithuania show marked progress in reform of education and human resource development as part of the transition to democratic societies and market economies.
• **Labour Market and Social Policies Study Launched in the Baltic States**

High levels of unemployment, relatively low labour supply in certain age groups, a tendency to work informally that reduces social tax revenues, pension systems, social assistance benefits, and long term care of the elderly are some of the issues being addressed.

• **The Third Annual Evaluation Meeting of the Baltic Regional Programme**

At this meeting in June, the “OECD Members and the Baltic countries gave a positive evaluation of the BRP. The Programme is considered a great success. …” From the Chairman’s summary.

• **All Funding Pledges from Sponsors Met in 2001**

Ongoing support this year ensured the continuation of the Programme. Sponsors included Denmark, Estonia, Finland, Iceland, Ireland, Latvia, Lithuania, Norway, Poland, Sweden, and the EC, joined in 2001 by the United States, the newest sponsor.

• **Funding Recorded the Biggest Year-on-Year Increase since the First Year of the Programme**

This increase was in large measure the result of new project funding earmarked for the Baltic Anti-Corruption Initiative.

• **Trade in Services: The Baltic Country Experience**

OECD and Baltics launched work to identify trade trends and possible external and internal obstacles that inhibit the full exploitation of comparative advantages of the service sector in these countries.

• **Competition Policy – Merger Control**

As the Baltic countries begin to have more experience in the area of merger control (Estonia has just begun enforcing the merger control provisions of its new law), the case studies and seminars provide a unique forum for exchange of experience.

• **Producer and Consumer Support Estimates (PSEs/CSEs)**

The PSEs/CSEs continues to be a powerful tool for analysing the composition and evolution of support of Baltic agriculture.
2. **LOOKING AHEAD TOWARDS 2002**

The Baltic Regional Programme will continue to be highly productive in 2002. These are some of the expected outputs:

- **The Report on Baltic Social and Labour Market Policies** is to be presented at the Ad hoc Employment, Labour and Social Affairs Committee meeting, and finalised in 2002.

- **The publication, Economic and Regulatory Business Environment for Trade in Services in the Baltic States**, will be a synthesis of OECD work undertaken in 2001-2002, and will be issued at the beginning of 2003.

- A report on the **Development of Baltic-Nordic Capital Markets** will be issued.

- The publication of the **OECD Review of Foreign Direct Investment Latvia** should be forthcoming.

- **Merger Control in the Baltic Countries** will be published.

- The OECD will publish a report on **How Statistical Offices in the Baltic States Try to Cover the Non-Observed Economy** in their national accounts (second quarter of 2002).

- **A statistical time-series analysis for the Baltic States will be published.** It will covering seasonal adjustment methods and measurement of growth cycles, in the second quarter of 2002.

- A book examining the combined **Anti-Corruption Experience of the Baltic States** will also outline good practices in the regional context.

- A series of **workshops on tax policy** will be held.

- **Baltic visiting experts on trade, taxation, anti-corruption and other topics** will work at the OECD to the mutual utility and interest to the OECD and the Baltics,

- **A publication on Enterprise Development in the Baltic States** is foreseen in 2002, as well as a possible monograph on **enterprise financing**.

- **Insurance and pension reform workshops and expert meetings** will help promote needed policy development in these areas.
DONALD J. JOHNSTON, OECD SECRETARY-GENERAL’S MESSAGE

1. On behalf of the OECD and its Member countries, I would like to thank the Baltic Sea Region E-Business Forum and the Government of Latvia for arranging and hosting this important and timely event. It is a great honour and pleasure for me to be associated with this conference, and we have been pleased to contribute to the event, in particular by hosting the session on Financing e-Business.

2. The Internet and other new information and communication technologies (ICT) offer significant opportunities for “e-Business” (and thus for higher growth and expanded international trade), for improved public governance, for global education opportunities and for scientific advances in many areas. The new technologies also pose a major challenge: how to make sure that all countries -- developed and less developed alike – use and benefit from them? Within countries, how can we enable and encourage each individual to take advantage of these opportunities? How can we -- government, business and consumers and civil society stakeholders -- create the right framework for e-Business and e-Government to flourish? These are questions that I hope the conference will address.

3. The OECD’s expertise in this area is well recognised and our 30 Member countries want to share this experience and expertise as widely as possible. Because OECD is a permanent intergovernmental conference with advisory bodies from business and labour, and because we co-operate actively with some 70 countries outside our membership, OECD can facilitate an open and informed dialogue among policy makers, scientists, business, and other stakeholders, across and beyond our membership.

4. Finally, I would like to note that through its Baltic Regional Programme, the OECD supports the efforts of the Baltic counties in the completion of their transition to market economies; promotes their stable integration into the global economy; and encourages their use of the policies and practices that the OECD has developed.

We see this Conference as an important part of this process.
III. RESULTS OF THE 2001 ACTIVITIES

1. DATA ASSESSMENT AND DISSEMINATION – BALTICS DEVELOP CRUCIAL ELEMENTS FOR ANALYSIS AND MONITORING ECONOMIC DEVELOPMENTS

Project Manager: Fenella Maitland-Smith, Statistics Directorate, Non-Member Economies Division

National quarterly accounts - Accelerating estimates of GDP

The overall objective of OECD’s statistical work in the Baltic countries is to accelerate improvement in the quality of quarterly estimates of gross domestic product (GDP). Since the Baltic national statistical offices (NSOs) view satisfying the acquis communautaire in the field of statistics as a high priority, and have extensive programmes of technical co-operation with the EU’s statistical agency, Eurostat, OECD’s work must complement the countries’ progress towards EU statistical compliance. The main focus of OECD’s programme is on the development of quarterly national accounts (QNA), an area not yet covered by Eurostat in any depth, but crucial for analysis and monitoring of economic developments.

OECD’s co-operation with the Baltic NSOs takes several forms:

- Workshops – the main example is a series of week-long workshops, which started in 1999 and look at practical solutions to the problem of measuring quarterly GDP; however, workshops are also held in related areas, such as the construction of deflators, and seasonal adjustment;
- Technical consultancies in the NSOs, and “remote” consultancy via e-mail – technical advice is provided for priority topics identified by the NSOs, and by users such as OECD economists. In all countries, the current priorities are the use of short-term indicator data in compiling quarterly GDP, seasonal adjustment, and updating the base year of constant price estimates;
- Funding for NSO staff to attend other OECD meetings and workshops;
- Publications describing data sources and compilation methods.

Inclusion in OECD Main Economic Indicators

In addition, the economic statistics published regularly in OECD’s Main Economic Indicators\(^1\) have been reviewed to ensure comparability with those published for Member countries. The range of series published was expanded significantly in 2001.

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Convergence of OECD and Eurostat priorities

Eurostat has selected several priority topics for their work with candidate country NSOs, including measurement of the non-observed economy, measurement of dwelling services, capital stock estimation, and the construction of supply-use tables. OECD also considers these to be priorities and is complementing the work of Eurostat by looking at these issues specifically in a quarterly context. In early 2002, in consultation with other agencies, OECD will produce a manual on *Measurement of the Non-Observed Economy*.

Figure 1. Total GDP at constant prices 1993-2001

Seasonally adjusted

Events, publications and working visits during 2001

A week-long workshop on estimating quarterly GDP took place in Paris in July 2001, attended by three national accountants from each Baltic NSO. The agenda covered a wide range of topics, including the use of short-term indicators as a data source for QNA (extrapolation techniques), seasonal adjustment, quarterly supply and use tables, and quarterly estimation of gross fixed capital formation (GFCF).

A joint OECD/Eurostat workshop (three days) for all EU candidate countries, on quarterly national accounts and seasonal adjustment, was organised in July in Luxembourg. The workshop was well received and Eurostat has requested that this co-operation should continue and that a similar event should be organised in 2002.

The Baltic countries participated in a joint OECD/UNECE/CIS-STAT meeting on national accounts in St. Petersburg. Topics covered included measurement of the non-observed economy, measurement of capital stocks and depreciation, seasonal adjustment and the reconciliation of estimates of quarterly GDP from different sources.

2. Information on this publication, and how to order it, will be made available in due course on the Internet, at http://www.oecd.org/std.
In order to help users of QNA data better understand the basis on which they are compiled, and to provide source material for NA compilers in other transition economies, a detailed description of *QNA Sources and Methods in the Baltic Countries* was published in 2001.

OECD missions to Estonia in May, and to all Baltic countries in November 2001, provided country-specific technical consultancy in seasonal adjustment, the use of indicator data for estimating quarterly GDP, and updating the base year of constant price estimates.

**Figure 2. Total GDP at constant prices 1993-2001**

(not seasonally adjusted)

![Total GDP at constant prices 1993-2001](image)

**Plans for 2002**

**Workshops**

A workshop will be held in Paris in March/April 2002 on construction price statistics, and the price statistics needed for re-basing national accounts estimates. The workshop will be aimed at both national accountants and price statisticians. Participants from several South-East European countries will also be invited to attend.

In July 2002, a week-long workshop on QNA for the Baltic countries will take place in Paris, with a provisional agenda including measurement of the non-observed economy, estimating the capital stock of government, ‘flash’ estimates of GDP, and leading indicators for GDP.

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3. Information on this publication, and how to order it, is available at http://www.oecd.org/std.
A joint OECD/Eurostat workshop for EU candidate countries on QNA and seasonal adjustment is planned for the second half of 2002. This is a follow-up to the OECD/Eurostat workshop for EU candidate countries held in July 2001. As in the past, Eurostat will fund participation by the candidate countries and OECD will provide the substantive papers and lead the discussions.

Consultancy

Technical consultancy will be provided via missions and e-mail. As a part of the May/June mission to all three countries, seminars will be organised inviting all main users of QNA data in each country to discuss their requirements and in particular, their use of seasonally adjusted data.

Publication

Finally, a publication will be issued on methods of estimating business cycles in the Baltic countries. It will draw on STD experience in determining business cycles in Member countries and will provide a framework for analysts from Baltic countries to estimate growth cycles in the region.

2. THE SUPPORT FOR THE INTEGRATION OF THE BALTIC COUNTRIES INTO THE INTERNATIONAL TRADING SYSTEM

_Economic, business and regulatory environment for trade in services: The Baltic countries experience_

This activity examined the economic and business environment for trade in services in the Baltic countries, with the aim of identifying possible external and internal obstacles that inhibit the full exploitation of comparative advantages of the service sector in these countries. The OECD commissioned three business surveys, based on a common questionnaire drafted by the OECD Secretariat, with a view to drawing a clear picture of the current situation of the service sector in the Baltic countries. The surveys, carried out in early 2001 by local consultants, collected responses from 56 companies in Estonia, 70 firms in Latvia and 65 firms in Lithuania. The findings of these three business surveys have been analysed in a special report on Economic and regulatory environment for trade in services: The Baltic states' experience. These different studies, together with some other OECD recent work on trade in services, served as background material for a policy meeting on Economic and business environment for trade in services in the Baltic States, organised in December 2001 in Tallinn, Estonia.

The meeting brought together trade officials from OECD Member countries, the three Baltic States and several other non-OECD countries, in particular the Russian Federation (including from Russia's north-western regions, such as St. Petersburg and Kaliningrad), Romania and Slovenia. The active participation of businessmen operating in the region helped to focus discussions on the concrete experience of service providers. Participants also examined the role of regional and multilateral disciplines in improving the legal and regulatory framework and enhancing the development of the service sector and trade in services in the region. The OECD project is closely related to the ongoing activities and negotiations on trade in services in the WTO. This work also contributes to discussions and analysis by other international organisations concerning the role of the service sector and trade in services in the modernisation of transition economies. Although focussed on the situation in the Baltic States, the project is also relevant for other countries, especially other transition economies, and is considered integral with the Trade Directorate's activities on the benefits of services trade liberalisation.
Table 1. **Major sectors share of GDP in the Baltic countries, 1993-2000**

(per cent of GDP at current prices)

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<td><strong>ESTONIA</strong></td>
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<tr>
<td>Agriculture</td>
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<td>7.2</td>
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<td>Industry</td>
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<td>22.6</td>
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<td>22.3</td>
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<td>- Construction</td>
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<td>6.4</td>
<td>6.3</td>
<td>6.3</td>
<td>6.7</td>
<td>6.0</td>
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<tr>
<td>- Wholesale and retail sale</td>
<td>16.6</td>
<td>15.2</td>
<td>16.1</td>
<td>17.1</td>
<td>16.4</td>
<td>16.2</td>
<td>15.8</td>
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<tr>
<td>- Transport and communication</td>
<td>12.9</td>
<td>11.9</td>
<td>10.9</td>
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<td>12.8</td>
<td>14.3</td>
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<tr>
<td>- Financial services, real estate</td>
<td>11.6</td>
<td>13.0</td>
<td>13.9</td>
<td>13.9</td>
<td>14.6</td>
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<td>- Other services</td>
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*Source: National statistical offices, OECD.*
Two Baltic visiting experts on trade launch work with OECD Secretariat

During 2001, two visiting experts (one from Lithuania and one from Estonia, each spending three months in the Trade Directorate) assisted the Secretariat in developing this project. Trade in services is one of the priorities of trade policymakers in these countries. The collaboration of these two visiting experts was essential to the launching of this work, which expanded the range of non-Member European countries dealt with by the Trade Directorate, Division for Non-Member Economies. It also helps closely associate the Baltic States with ongoing mainstream activities of the Trade Directorate.

Table 2. Service sector share of foreign trade in the Baltic countries, 1993-1999

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<td>3421</td>
<td>4142</td>
<td>4715</td>
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Meetings and publications


- OECD policy meeting on "The economic and business environment on trade in services in the Baltic States": Tallinn, Estonia, 13-14 December 2001 [CCNM/TD(200)19 Draft annotated agenda and suggested issues for discussions].

3. CAPITAL MARKETS REFORM

Project Manager: Hans J. Blommestein, Directorate for Financial, Fiscal, and Enterprise Affairs, Enterprise Development Unit

3.1 Working Group on Capital Markets Development in the Baltic-Nordic Region

The second meeting of the OECD Working Group on Capital Markets Development in the Baltic-Nordic Region was held in Helsinki on 10 December 2001. The meeting was hosted by the Nordic Investment Bank. The meeting on 10 December 2001 focused on a detailed and in-depth discussion of the outline and content of the planned OECD report on “Capital market development in the Baltic-Nordic region”.

It was decided that this report would focus on the development aspects (including the required policies) of the three Baltic capital markets, with the emphasis on equity markets. The links with the Nordic capital markets will be explicitly taken into account. The purpose is to make the report as operational as possible. To that end, participants (regulators, supervisors and stock exchanges from the Baltic and Nordic countries) will provide input into the report. The OECD’s role in this process is that of an editor and honest broker. It was also agreed that the project would be undertaken in close co-operation with the Nordic Council of Ministers. The chapter on legislation related to securities markets in the Baltic countries will draw, in large measure, on work to be carried out by the Council.

The report will consist of the following parts:

- **Market structure and development**

  Where possible, the major differences and similarities between the market structures in each country will be identified. This section will be prepared by the operators of the markets from each of the Baltic-Nordic countries.

- **Legislation and regulation**

  This section will contain brief descriptions of the legal and regulatory structures of the markets. It will be prepared by the supervisors of the markets from each of the Baltic-Nordic countries. Where possible, the OECD Secretariat, together with the market supervisors, will identify the major differences and similarities between the legislative and regulatory frameworks in each country.
<table>
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<tr>
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**Memorandum item:**

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**Table 3. Net capital flow into Eastern Europe, the Baltic states and selected members of the CIS, by type of capital, 1999-2001**

(Billions dollars)

**Source:** UNECE Secretariat estimates, based on national balance of payments statistics.

1. Excludes Bosnia and Herzegovina and Yugoslavia.
2. Belarus, Republic of Moldova and Ukraine.
3. Including errors and omissions.
4. Includes short-term funds for Belarus.
5. Portfolio investment, short-term funds and errors and omissions.
• **Previous regional initiatives for the integration of financial markets**

Brief descriptions of past and current market initiatives aim at enhancing regional integration of the Baltic-Nordic capital markets, prepared by representatives (including the operators of the markets) from each of the Baltic-Nordic countries.

• **Barriers to development**

All members of the Working Group will identify the barriers to capital market development in the Baltic-Nordic region. These will then be collated by the OECD Secretariat. To the extent possible, the opinions of market participants will be sought in identifying such barriers.

• **Options for the future and policy conclusions**

The Working Group will put forward the policy options they believe appropriate to promote capital market development in the region. The Working Group, together with the OECD Secretariat, will decide on the appropriate policy recommendations/conclusions that the report should adopt to promote capital market development in the Baltic-Nordic region.

• **Two capital market events**

- *Second Annual OECD Baltic-Nordic Forum on Public Debt Management, 11-13 October, 2001*

**Annual OECD Baltic-Nordic Forum on Public Debt Management**

**The Second Annual OECD Baltic-Nordic Forum on Public Debt Management**

This Forum was held at the Norges Bank, in Oslo on 11-12 October 2001. This year it was organised jointly with the Norwegian Ministry of Finance and the Norwegian Central Bank. The Forum focused on the following topics:

- Recent developments in the organisation of debt management offices (including the risk management function);
- Electronic trade;
- Swaps and investor relations;
- Impact of electronic systems on primary and secondary markets.

The debt managers from the three Baltic countries provided overviews of recent developments in the organisation of debt management in the Baltic area. These overviews showed that a lot of progress has been made in this area, specifically concerning the implementation of the risk management functions. Nonetheless, the organisational structure of the debt management offices (DMOs) among the three Baltic countries differs significantly. The presentations by Nordic debt managers on recent developments in the organisation of debt management in their jurisdictions underlined this diversity. At the same time, we are witnessing the trend that the operational arm for debt management is becoming more independent.
This trend to more autonomous DMOs is accompanied by an increased emphasis on risk assessment and risk management. In parallel with this development, governments are giving greater importance to transparency and accountability in the debt management process.

Electronic trading system

The discussion of the impact of electronic systems on primary and secondary markets demonstrated that the Baltic and Nordic debt managers are subject to similar technological trends. For that reason, they are facing similar challenges in implementing policies, which best deal with electronic systems in primary and secondary public debt markets.

Several forces shaping the greater use of electronic trading systems (ETS) in Baltic and Nordic markets can be observed. The first is technological change. This is forcing globalisation of the markets and allowing the creation of cheaper communications networks. It is enhancing pricing engines and security, and also making the transfer of information cheaper and more timely. A second driving force is transparency. Previously, fixed-income markets were not highly transparent as dealers preferred having privileged access to information. ETS improve access to information, reduce information asymmetries, and allow market-wide integration of real-time trading information. A third important driving force is cost-reduction. ETS cut resource costs of all parties - sales, trading and back-office. They are most attractive in commoditised securities markets, such as those for government bonds where access can be offered at minimal cost.

This is a fast moving policy area in which it is not yet clear which business model will prevail. What is clear, though, is that electronic systems will transform public debt management and the functioning of primary and secondary public debt markets. The advance of electronic trading systems is inevitable and will reshape the fixed income markets. They could improve national markets by extending access to and awareness of the markets. These considerations and conclusions concerning ETS demonstrate that the policy dialogue between OECD debt managers and their colleagues from the Baltic area is of increasing importance, hence the meeting was held for the first time under the aegis of the OECD.

Another event, this one of the Working Party on Debt Management, was held jointly with the Nordic Borrowers Forum. (This Forum is a long-standing body for co-operation among the Nordic debt managers.) Accordingly, the debt managers from the Baltic countries were invited for the first time as observers. Electronic trade, swaps and investor relations and the Norwegian Petroleum Fund were among the issues discussed at the session of the Nordic Borrowers Forum.

4. BALTIC INSURANCE AND PRIVATE PENSIONS

Project Manager: Cécilia Vignial, Directorate for Financial, Fiscal, and Enterprise Affairs, Financial Markets Division

Contributing to the development of modern, sound and open insurance and private pension markets in the Baltic countries.

This activity on insurance and private pensions promotes policy dialogue and OECD best practices with a view to enforcing adequate regulatory treatment and supervisory oversight of insurance companies and private pension schemes. It supports regulatory reform of private pension schemes.
Summary of activities

Pension reform is among the most urgent policy issues in the Baltic countries. Meanwhile, insurance (life in particular) penetration, although gradually increasing, remains low. Delays in undertaking pension reform, among other factors, have constrained the expansion of the insurance sector.

The Baltic Regional Programme work on insurance and private pensions assists Baltic countries in filling regulatory gaps in key areas, such as those concerning implementation decrees of private pension legislation, establishment of appropriate supervisory framework; private health insurance; insurance intermediation, (distribution of insurance products, supervision of intermediaries); accounting rules for insurance and pensions; supervision of financial conglomerates; and compulsory insurance.

Other much needed improvements are to extend private pension coverage and increase the financial security of private pension schemes; to improve the investment regulation of insurance companies and pension schemes; to manage the reform of supervisory structures; to develop appropriate regulation regarding the management of insolvency; to increase the financial security of reinsurance treaties; and to promote the development of life insurance markets.

Events in 2001

This year two workshops responded to requests for assistance in improving insurance and private pension issues regulation and supervision:

- Workshop have on Insurance in the Baltic States, 14-15 December 2000, Riga, Latvia;
- Workshop on Pension Reform in the Baltic States, 24 April 2001, Sofia, Bulgaria. This workshop was organised within the framework of the First Conference of the International Network of Pension Regulators and Supervisors (INPRS), held on 23-26 April 2001.

The insurance workshop focused on: risk and solvency management; means to develop Baltic life insurance markets; opportunities in the area of private health insurance; and financial convergence with a special emphasis on regulatory and supervisory convergence. This later issue is a core priority for the Baltic States in light of the recent convergence of supervisory authorities in Latvia; Estonia will go through the same process during the first months of 2002. The workshop on private pensions was specifically relevant in the context of the transition towards funded occupational pension plans. Discussions covered cost-benefit analysis of the establishment of “funded tiers”, issues related to the affordability and adequacy of various types of pension systems, as well as core principles underlying portfolio investment strategies.

Network

Integration into the Network of Pension Regulators and Supervisors was an important goal for this work, as set out in the Baltic Regional Programme medium-term objectives. Baltic countries have now been integrated in the International Network of Pension Regulators and Supervisors (INPRS), which held its first conference in April 2001. Mechanisms for the work include:

- Policy dialogue;
- Targeted technical assistance;
- Promotion of OECD insurance and private pensions principles and best practices;
• Comparative studies on selected priority issues (e.g.: cross-country analysis of the development and regulation of life insurance markets in the Baltic States);
• Proceedings of the private pension workshop.

5. FOREIGN DIRECT INVESTMENT POLICY

Project Manager: Marie France Houde, Directorate for Financial, Fiscal, and Enterprise Affairs, International Investments, Multinational Enterprises and Non-Member Economies

Adhering to the Declaration on International Investment and Multinational Enterprises

The Declaration on International Investment and Multinational Enterprises promotes treatment of foreign investors by host country’s governments so that it is no less favourable than that applied to domestic enterprises, as well as a set of voluntary standards of appropriate business conduct for multinational enterprises. The Baltic States’ adherence to the Declaration will mean significant synergies with ongoing work in other international organisations concerning these countries. Some of the liberalisation commitments the Baltic States have undertaken in the WTO (notably under the GATS and TRIMS Agreements), or are contemplating as candidates for EU accession, with respect to the treatment of foreign enterprises, are also part of the Declaration. In the case of the OECD Guidelines for Multinational Enterprises, the Baltic States’ commitments to encourage responsible corporate behaviour through "national contact points", present unique features that go beyond those prescribed by other international investment instruments, but which nonetheless complements them in a constructive way.

At the beginning of 2001, the OECD Council invited Estonia, Latvia and Lithuania to adhere to the OECD Declaration on International Investment and Multinational Enterprises, subject to a full review of their respective foreign direct investment (FDI) policies by the Committee on Investment and Multinational Enterprises (CIME). Thus the main thrust of this year's Baltic Regional Programme activity on FDI was the preparation of the CIME examinations of the three Baltic States, the Council’s approval of the CIME recommendations, the signature ceremony to give effect to Estonia's and Lithuania's adherence to the Declaration, and the publication of the OECD FDI policy reviews of Estonia and Lithuania. The whole process was concluded in mid-September 2001 in the case of Estonia and Lithuania. The CIME examination of Latvia is still in under way.

Estonia's and Lithuania's adherence to the OECD Declaration on International Investment and Multinational Enterprises constitutes an official recognition of the important steps that these countries have taken in liberalisation of their FDI policies and their ability to make a distinct contribution to the OECD’s policy dialogue on FDI issues.

Publications

The recent publications on Estonia and Lithuania describe in detail these two countries' economic and policy achievements concerning FDI, since their independence in early 1990's. Adherence to the Declaration by all three Baltic countries will conclude an important element of the Baltic Regional Programme.
FDI stock in Estonia FDI stock abroad, end of year, 1996-2000, EEK million

Source: Bank of Estonia.

FDI Stock in Lithuania *
(US$ million)

* 4 LTL = 1 US $ from April 1994 on.
Source: Statistics Department of Lithuania website.
The national contact points

As adherents to the Declaration, Estonia and Lithuania will participate in OECD work related to the instrument as an integral part of the obligations undertaken under these instruments. Their national contact points on the Guidelines will expand the influence of the existing network of national contact points for the implementation of the Guidelines. Estonia and Lithuania will also share policy experiences with the 30 Member countries of the OECD, as well as with the other adherents to the Declaration. Argentina, Brazil Chile and Slovenia are the four non-OECD countries, which had previously adhered to the Declaration. Thus the Baltics constitute an important new non-Member addition.

Working Party on the Declaration


Publications during 2001

- OECD Reviews of Foreign Direct Investment : Estonia
- OECD Reviews of Foreign Direct Investment : Lithuania
- OECD Reviews of Foreign Direct Investment : Latvia (in preparation)

6. TAXATION POLICY

Project Manager: Richard Parry, Directorate for Financial, Fiscal, and Enterprise Affairs, Unit for Co-operation with non-OECD Economies

Assisting the Development of Tax Policy

The year 2001 was the third year of a programme of tax policy assistance offered to the Baltic countries. The programme consisted of four policy workshops bringing together senior tax policy and tax administration officials from the three Baltic countries, officials from the OECD countries and the Secretariat. To maximise Baltic country participation and reduce costs, all events were held in facilities supplied by the Baltic countries on a rotational basis. The programme is directed at current policy concerns in the countries.

At the end of each workshop the topics to be covered at the next workshop are selected by the Baltic countries. Workshops were offered in:

- Domestic Income Tax Policy (two)
- International Tax Policy (one)
- Property Tax (one).

The topics were investigated through presentations by the OECD on the main policy and administrative questions raised by the topic, presentations by Member countries on how their tax systems deal with the problems raised to provide concrete examples of how OECD countries approach the topics in their law, and presentations by the Baltic countries on their law, the principal problems that they face and any questions that they have. Significant amounts of time were given to discussion.
**Technical Tax Issues**

The programme provides a transfer of knowledge on technical tax issues, with which the Baltic countries have little accumulated experience, and answers specific questions that they have. A further significant accomplishment of the programme has been the increased confidence and sophistication of the Baltic countries in discussing these complex issues in a public forum.

Examples of topics covered:

<table>
<thead>
<tr>
<th>Domestic Tax Policy</th>
<th>International Tax Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlled Foreign Corporations (CFCs)</td>
<td>Entitlement to Tax Treaty Benefits</td>
</tr>
<tr>
<td>General Anti-Avoidance Rules</td>
<td>Determining Beneficial Ownership</td>
</tr>
<tr>
<td>Charitable Contributions</td>
<td>Taxation of Internationally Mobile Activities</td>
</tr>
<tr>
<td>Corporate Reorganisations</td>
<td>E-Commerce</td>
</tr>
<tr>
<td>Taxation of Professionals</td>
<td>Foreign Tax Credits</td>
</tr>
<tr>
<td>Representation Costs</td>
<td>Taxation of Artists and Sportsmen</td>
</tr>
<tr>
<td>Taxation of Shipping</td>
<td></td>
</tr>
<tr>
<td>New Financial Instruments</td>
<td></td>
</tr>
<tr>
<td>Taxation of Pension Contributions and Benefits</td>
<td></td>
</tr>
<tr>
<td>Transfer Pricing</td>
<td></td>
</tr>
</tbody>
</table>

*Tax work complements EU and IMF efforts*

This programme complements those offered by the EU with respect to EU Accession, by providing a forum to discuss changes in tax law by the countries that are consistent with those in place in the EU. It complements programmes by the IMF intended to improve the fiscal framework of the countries (for example in Latvia) by offering an overview of taxation practice in OECD countries as well as providing critical analysis of taxation issues currently facing the countries.

The Baltic countries already use the OECD Model Tax Treaty as the basis for their treaties. The sessions on international taxation issues allow them to apply their provisions more effectively. The sessions on domestic taxation allow countries to align themselves more closely to the norms of taxation in the OECD countries.

*Meetings held in 2001*

- Domestic Tax Policy, Riga, February 5-9, 2001
- International Taxation, Tallinn June 11-15, 2001
- Domestic Tax Policy, Vilnius, September 17-21, 2001
- Property Taxation, Tallinn, October 8-12, 2001
7. **COMPETITION POLICY**

*Project Manager: John Clark, Directorate for Financial, Fiscal, and Enterprise Affairs, Competition Policy Division*

**Merger Control focus in 2001**

The activity in this, the third year of the Baltic Regional Programme on competition policy, focused on merger control. In the two previous years the activities involved institutional and legal issues, anti-cartel enforcement and abuse of dominance. Merger control was especially appropriate this year, as Estonia had just begun enforcing the merger control provisions of its new law.

A three-day seminar on this topic was held in Tallinn, Estonia, on 24-26 October. Ten competition officials from each of the three Baltic states participated, along with eight officials from the Baltic territorial offices of the Ministry for Antimonopoly Policy of the Russian Federation (Kaliningrad, Karelia and St. Petersburg/Leningrad), from the Moscow territorial office, and from the central office of MAP in Moscow. OECD countries were also well represented at the seminar; in addition to two experts from the Secretariat, Finland, Germany and Sweden sent experts from their competition agencies.

The first session of the seminar featured reports from the three Baltic states and Russia on their recent activities in merger control. Lithuania has been active in this area for several years, and reviews dozens of mergers each year. While Latvia’s law has provided for merger control for almost as long as Lithuania’s, Latvia has been much less active, reviewing only a few cases each year. Latvia’s law has certain provisions that interfere with effective enforcement in this area, which were discussed extensively during the meetings. Estonia has just begun merger control, as noted above. Russia has many merger investigations each year, but only a relatively few involve substantive issues. The majority deals with failures to notify under their law’s merger notification requirements.

The second session of the seminar dealt with merger notification procedures. These procedures are an important part of every country’s merger control regime. Competition agencies need to be informed in advance of as many potentially anticompetitive mergers as possible, but they must also avoid requiring too many notifications, which impose wasteful burdens on both the agency and the business community. In the seminar, each country, including the OECD countries represented, gave a brief description of its notification rules and procedures. Issues of reducing burdens and enforcing the rules were discussed.

**Case study method**

The remainder of the seminar was devoted to discussing merger cases that had been handled in the four countries. This “case study method” has proven very popular in past competition policy seminars, and this event was no exception. The quality of the cases that were presented was uneven. Lithuania is the most experienced and best qualified of the four countries in merger review. The decisions of its Competition Council were well reasoned and reached what appeared to be the correct result. Latvia is less sophisticated, and Estonia has had no cases yet. Russia is not doing as well in this field as might have been hoped. There are probably several reasons for this, including inadequate and non-transparent corporate governance rules and inadequate resources available to the Ministry for Antimonopoly Policy, especially for the territorial offices.
All participants considered the seminar to be highly successful. The non-Member Baltic countries found it useful to exchange experiences that each has gained in merger control, which is a difficult and technical area. In this regard the seminar was especially timely for Estonia, which has just begun merger control. The experts from Member countries were highly qualified and provided helpful insights for their Baltic neighbours. The seminar pointed up the usefulness of co-operation among the competition agencies in the region. Two of the cases that were discussed involved mergers of multinational enterprises headquartered in nearby EU countries (Sweden and Denmark). The mergers had effects both within the EU and in one or more of the Baltic states. Thus, the event contributed to improving and harmonising merger law enforcement in the Baltic area. The activity is complementary to the EU accession process. Estonia, Latvia and Lithuania are actively working toward accession to the EU. They meet regularly with their counterparts in the European Commission on matters of competition policy, and their competition laws are based on those of the EU. This activity focuses on economic principles, investigation skills, and policy issues that underlie or relate to the acquis but are not a part of it.

In 2002, in part because the Nordic countries are the leaders in Europe with respect to sharing confidential information during international co-operation, next year’s event will focus in part on that topic. In the seminar in Tallinn it was suggested that the next event in 2002 be held in St. Petersburg, rather than returning to Riga (as would be the case if we rotate among the Baltic countries). Doing so would further integrate the Russians into the programme, which would be beneficial. In this regard, a joint event combining the resources of the OECD Baltic Regional Programme and the Russia Programme, may be pursued.

**Visiting expert**

The OECD Competition Division had a visiting expert for three months from the Lithuanian competition authority, who worked with the Secretariat in connection with the Baltic seminar and the OECD Global Forum on Competition. Both the Division and the visiting expert found this experience very beneficial.

**Lithuania Observer in the Competition Committee**

Lithuania is an observer in the Competition Committee. Lithuania applied for the observership in the Committee on Competition Law and Policy on 15 January 1999. The chairman of the Competition Council of Lithuania made a presentation of the Lithuanian situation to the Committee on Competition Law and Policy Development in June 2000. The Council decided to invite Lithuania to participate as an observer in the Committee on Competition Law and Policy on 23 November 2000. (N.B. the name of the Committee was changed in 2001, to the Competition Committee.)

Latvia and Estonia have also applied for observership in the Competition Committee.

**Publication on merger control in preparation**

It is expected that a publication on merger control in the Baltic region will be prepared in 2002, based upon the Tallinn seminar experience.
8. BALTIC ANTI-CORRUPTION INITIATIVE (BACI)

Project Manager: Helené Holm-Pederson, Directorate for Financial, Fiscal, and Enterprise Affairs, Anti-Corruption Division (Nicola Ehlermann-Case with Vera Güinde as of 6 December 2001)

Co-operation leading to the BACI - Spring 2001

At the 2001 Annual Meeting of the Anti-Corruption Network for Transition Economies in Istanbul on 20-22 March 2001, Estonia, Latvia and Lithuania agreed to launch a regional Anti-Corruption Initiative to continue capacity and institution-building in fighting corruption and work towards meeting international standards, including those set by the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

BACI launched

With USAID, Norwegian and OECD funding confirmed during the summer and early autumn of 2001, and with detailed agreement reached with Estonia, Latvia, and Lithuania on the components of the Initiative during the same period, the implementation of the activity started. The Baltic Anti-Corruption Initiative held its first meeting in Vilnius on 5 September 2001, organised by the OECD and hosted by the Lithuanian Ministry of Justice. At the meeting, senior government experts from Estonia, Latvia and Lithuania agreed to compile “status reports” by November 2001, covering measures taken to combat active and passive bribery of public officials, and to promote accountability and integrity in business transactions. The meeting also provided participants with the opportunity to discuss possible diagnostic activities involving civil society.

The three mutually reinforcing components of the BACI

- Analytical process for assessing gaps in individual country legislation and identifying technical assistance needs;
- Community-based survey process intended to diagnose corruption in key service sectors and provide recommendations for remedial action;
- Visiting experts programme, of Baltic officials at OECD.

Public awareness campaigns will be designed to assist in the implementation of the Initiative and to educate the general public on its activities. The analytical process for assessing gaps in individual country legislation and identifying technical assistance needs is well underway. The three Baltic States have completed comprehensive status reports to assist in the process, and a review meeting to assess the Baltic status reports will be held on 26-27 February 2002 in Tallinn, hosted by the Estonian Ministry of Foreign Affairs and the Ministry of Justice. The meeting will agree on follow-up in the form of “Action Plans” summarising areas for further work or reform and outlining related technical assistance needs.

The community-based diagnostic surveys are focusing on licensing issues in all three countries. In Latvia, at the government’s request, a limited survey will also be devoted to indicative issues in the health sector, to illustrate the sort of findings that might emerge in a fully funded social audit of that sector. These surveys were started in early 2002.

The BACI visiting expert programme started in mid February 2002. Estonia provided the first visiting expert from Ministry of Justice to work at the OECD for three months. Lithuanian and Latvian visiting experts will follow later.

A special session on the Baltic Anti-Corruption Initiative (BACI) is planned at the next ACN Annual Meeting, as a potential model for cross-border work in other regions on 26-28 March 2002 in Istanbul.
Contributing to justice and home affairs criteria of the “acquis communautaires”

The BACI builds on earlier work carried out in the framework of the OECD Anti-Corruption Network (CAN), the Council of Baltic States (CBSS); the OECD’s Baltic Regional Programme; the joint EC-OECD “SIGMA” programme; and in connection with other anti-corruption initiatives organised by others, including UNDP and the World Bank. The Baltic states have identified this project, with its specific emphasis on domestic and international bribery, as a valuable contribution meeting a “gap” in ongoing assistance efforts. The Baltic Anti-Corruption Initiative was mentioned in the European Commission 2001 Regular Reports on Progress Towards Accession for Estonia, Latvia, and Lithuania as a contribution to progress made by the three countries in meeting the justice and home affairs criteria of the acquis communautaire.

The Baltic Countries interest in participating in OECD’s core anti-bribery activities

Subsequent to the formal application by Estonia (2000), Latvia (2000) and Lithuania (2001) to the OECD Secretary-General to accede to the Bribery Convention and become a full participant in the OECD Working Group on Bribery in International Business Transactions, the Council mandated the Working Group to provide a technical opinion on each application. Preliminary reports, aimed at assisting the Working Group in formulating a technical opinion on the applicants willingness and ability to comply with the accession criteria, were submitted for consideration at the November 2001 Working Group meeting. As information was considered insufficient to assess certain issues of relevance for the Working Group, the three countries were invited in December 2001 to provide further clarifications.

9. REVIEW OF LABOUR MARKET AND SOCIAL POLICIES IN THE BALTIC STATES

Project Manager: Anders Reutersward, Directorate for Education, Employment, Labour Market and Social Affairs, Division for Non-Member Economies and International Migration

A forthcoming policy review by the ELSA Committee


The transformation of the Baltic States into market economies is essentially complete, but living standards remain lower than in western Europe. Evidently, a long period of rapid market-driven economic growth would be the best solution to many social problems. Old enterprises need to be restructured and new ones created, a process that primarily requires macroeconomic stability, rule of law and a competitive market environment. Economic restructuring gives rise to insecurity for many individuals and this must basically be accepted, but labour market and social policies can reduce hardships and help people respond to new opportunities.
These policy goals are fundamentally the same in all market economies, so policy makers can draw many lessons from international experience. But institutions and traditions in the Baltic states often differ from those of leading OECD countries. Thus, absolute poverty is more widespread while households in general have more limited capacity to contribute to social programmes. On the other hand, populations are ageing at about the same rate, so many of the same fiscal and social challenges are present. [See chart on age dependency rate.] With respect to the labour market, policy needs to address both high levels of unemployment and relatively low labour supply in middle-age and higher age groups, together with a tendency to work informally that reduces social tax revenues. A key policy challenge is to facilitate mobility from under-employment and low-productive forms of employment towards higher paying jobs. [See chart on agriculture, industry and service employment.]

**Pension systems**

The three countries have chosen somewhat different strategies in reforming their pension systems. Their examples have some special interest against the background of the international debate. A principal policy question is to what extent medium-income countries such as the Baltics should strive to maintain a compressed distribution of pensions – with, in the current situation, many pensioners receiving only minimum or near-minimum benefits – or move rapidly towards a greater differentiation according to individual contribution records. Plans for a funded second pension pillar have raised further questions, e.g. concerning the affordability of the transitional cost and the state of capital markets.

**Social assistance benefits**

The review will also consider the effectiveness of means-tested social assistance benefits and addresses questions concerning their financing and administration, which is largely in the hands of municipalities. There seems to be considerable variation in the way eligibility is determined and in the generosity of benefits, and benefits are not always as well targeted as they might be. Proposed reforms concern methods used to identify individual needs as well as the fiscal and administrative responsibilities of various levels of government. Many of these policy issues are similar to those found in western Europe.

**Long-term care of elderly persons**

Long-term care of elderly persons is another area in which developments in the Baltics are mostly parallel to those in OECD countries. Ageing populations imply a greater need for care services. High female labour force participation coupled with increasing numbers of very old people places strains upon a tradition of family-based care. Like many countries, the Baltic states have been trying to develop municipally supported day care and care in private homes to replace care in special institutions. They also seek control the quality of services provided in the market and by NGOs.
10. **Education**

*Project Manager: Ian Whitman, Directorate for Education, Employment, Labour and Social Affairs, Division for Co-operation with Non-Member Economies*

**The Baltic Education Reviews published**

This activity comprises part of the work on Education and the Economy in Central and Eastern Europe which began in 1991 and has built up a considerable network of experts from Member and non-Member countries through policy reviews (8 country reviews, 12 thematic reviews and numerous seminars and conferences). It began with a request from the Latvian authorities, in 1998, for a review of education policy which was financed by a grant from EC-Phare. When the CCNM Baltic Programme began the review, the exercise was enlarged to include Estonia and Latvia. Site visits with experts from fifteen countries, the World Bank and the European Training Foundation (ETF) were conducted in 1999, and the draft reports for all three Baltic republics were discussed in June 2000 at a special session of the Education Committee hosted by the Finnish authorities and attended by the Ministers of Education, numerous OECD countries and representatives from the World Bank, EC, and Nordic Council.

Education has been a central priority of the Baltic countries since regaining independence. As small countries with limited natural resources, they see human capital as an important asset for eventual entry into the European Union and to compete in the global economy. Maintaining high quality education, providing lifelong learning for its citizens and participation in the knowledge economy are priorities for all three countries. The education reviews provide a forum for exchange of experiences and debate on these issues between Member and non-Member countries. Even prior to publication, the reviews were widely circulated and discussed, and had impact on the policy formulation in the three countries. The European Training Foundation (EU agency) and the World Bank participated in the site visits and contributed to the reports. These reports are complementary and supplementary to EU accession and to World Bank work in Latvia and Lithuania. Latvia is adhering to the Programme for International Student Assessment (PISA) and Lithuania has expressed its wish to adhere to PISA, but could not cover the international costs.

**Publications prepared during 2001**

- Review of National Policies for Education: Estonia
- Review of National Policies for Education: Latvia
- Review of National Policies for Education: Lithuania

**Meetings**

While no meetings were held in 2001 -- a period of intensive work of the reviews -- meetings are foreseen in 2002 in Lithuania (the role of parliamentary committees in formulating education policy) and Estonia (a new leadership role for ministries of education). There was a meeting in August 2000 in Latvia.
Recent and projected changes in the age dependency ratio - number of people of working age (20 to 64) to people of pension age (65 and over)

Changes in the economic structure over the 1990s - share of employment in agriculture and in services
Table 1. Human development index component indices in the Baltic and Nordic countries, 1999 report according to 1997 statistical indicators

<table>
<thead>
<tr>
<th>Country</th>
<th>Life Expectancy Index</th>
<th>Education Index</th>
<th>GDP Index</th>
<th>HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>0.73</td>
<td>0.93</td>
<td>0.66</td>
<td>0.773</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.75</td>
<td>0.91</td>
<td>0.62</td>
<td>0.761</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.72</td>
<td>0.90</td>
<td>0.61</td>
<td>0.744</td>
</tr>
<tr>
<td>Iceland</td>
<td>0.90</td>
<td>0.95</td>
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<tr>
<td>Norway</td>
<td>0.89</td>
<td>0.98</td>
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<td>0.927</td>
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<td>Sweden</td>
<td>0.89</td>
<td>0.99</td>
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<tr>
<td>Finland</td>
<td>0.86</td>
<td>0.99</td>
<td>0.89</td>
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</tr>
<tr>
<td>Denmark</td>
<td>0.84</td>
<td>0.96</td>
<td>0.91</td>
<td>0.905</td>
</tr>
</tbody>
</table>


11. BALTIC FORUM FOR ENTREPRENEURSHIP AND ENTREPRISE DEVELOPMENT (BALTIC FEED)

Project Manager: Martin Forst, Directorate for Territorial Development Service, Division of Local Economic and Employment Development Programme

Background

The Baltic Forum for Entrepreneurship and Enterprise Development has been established with the objective to strengthen the enterprise policy framework and to promote better conditions for entrepreneurship in Estonia, Latvia, Lithuania and the Russian Federation regions of Kaliningrad and Saint Petersburg. Achievement of these objectives is contributing to job creation, economic integration and growth and underpin the development of civil and democratic societies in the Baltic region.

The human development index (HDI) has been compiled consistently since 1990. Its components - per capita gross domestic product (GDP) calculated according to purchasing power parity, life expectancy at birth and adult literacy, together with the enrollment ratio data of those in society receiving education - have remained the same, but their statistical content and the methods of using the values have changed over the years. The databanks of international organizations are used as sources. The HDI speaks only as an approximation, as well as regarding the recent past: the index published in 1999 is based on the data of 1997. The Human Development Report 1999 has, besides updating the basic data, also amended the system of calculating the GDP in order to make it more flexible in the case of the economically more developed countries. An example of the corresponding method has been brought in the case of Brazil, Estonia and Botswana (page 128), showing that Estonia’s relatively large leap (22 places) is not based on new methods of calculation (resulting in a shift of five places), but on a significant change in the actual indicators (especially the per capita GDP adjusted according to purchasing power parity). Progress is real rather than based on calculation methods. Based on these we can speak of the Baltic countries’ relative success and the Nordic countries holding on to the high positions they have previously achieved. The economy is the key issue.
The past years of economic development in the Baltic countries has shown that macroeconomic disciplines alone are not enough to drive market economy development and growth of the private sector in transition economies. There is a need for in-depth structural policy reform. Entrepreneurs are “agents of change” and play a fundamental role in the transition process from a centrally planned to a market economy.

There is widespread agreement that the business environment and conditions for private enterprises, notwithstanding progress achieved to date, are less than optimal. They need to be improved and the policy and institutional framework for promoting entrepreneurship and private sector development need to be substantially developed. This is particularly important for new and small businesses. OECD research and experience has shown that entrepreneurship needs to have three broad dimensions working together:

- conducive framework conditions;
- well-designed government support policies and programmes; and
- supportive social and cultural attitudes to entrepreneurs.

Baltic FEED, with strong participation and support from the OECD Nordic Member countries, the European Commission and the European Bank for Reconstruction and Development, was designed to provide a horizontal and multi-theme approach on a continuing basis to address these issues. There are considerable benefits to be realised through close co-operation between the OECD and the European Commission in relation to the EU accession process in which the Baltic countries are involved. Co-operation avoids overlap and unnecessary duplication of resources, whilst at the same time ensuring that the normative policy approaches of both organisations are consistent and mutually reinforcing. More specifically, co-operation at regional levels helps to strengthen the process of regional economic integration.

**Meetings**

The Working Committee Meeting was held on 14-15 June 2001 in Vilnius, Lithuania.

**Publications under preparations**

After publishing the FEED guidelines and drafting the country review on Lithuania in 2001, the Estonia and Latvia country reviews will be finalised in 2002. Several new themes have been identified by the Working Group members as priorities. The area of financial market promotion policies for enterprise support is a key policy area for further work. This issue would also fit neatly into the OECD FEED approach, as it would deepen one of six subject areas that were developed in the Baltic FEED guidelines.

In 2001, the OECD started to prepare a Country Assessment and Action Plan (CAAP) on Latvia. The report acknowledges the considerable progress made by the Latvian Government in streamlining business regulations and creating a taxation framework favourable for SME development. At the same time emphasising the need for further measures to remove outstanding regulatory and administrative barriers and addressing key policy deficits, particularly in relation to support for new business start ups. The CAAP also stresses the necessity of focusing on capacity constraints within the Ministry of Economy with respect to the design and monitoring of the National Programme for SME Development and for reassessing the operations of the Government’s regional development fund. Work on a country assessment for Lithuania and Estonia were also started in 2001, with the final reports expected in early 2002.
12. AGRICULTURE

Project Manager: Michael Ryan, Directorate for Food, Agriculture and Fisheries, Division for Agricultural Policies in Non-Member Economies

Co-operation with Estonia, Latvia and Lithuania has primarily focused on the annual monitoring of agricultural and trade policies as a basis for policy dialogue between Baltic policy makers and OECD Members. Policy discussions take place mainly in the context of the Global Forum on Agriculture, with the last meeting held in April 2001. Recent changes in Estonian, Latvian and Lithuanian agricultural policies have been published in the OECD’s *Agricultural Policies in Emerging and Transition Economies 2001*. A comprehensive agricultural electronic database for the three countries was made available for the second year in 2001. A Workshop on the opportunities and challenges facing the Baltic dairy industry was held in Vilnius in December 2001.

Policy developments in the agro-food sector

Current domestic agricultural policies in the three Baltic countries are driven by prospective EU accession, with the three countries shifting their domestic policies towards more EU-compatible policies and policy instruments. In Estonia, Latvia and Lithuania direct payments, in the form of area and headage payments, have been introduced and now form an important component of agricultural support. In addition, investment grants and credit subsidies are an important part of the overall policy mix in the Baltics. As part of the convergence process, many of the agricultural support and rural development policies are now encompassed under the Special Accession Programme for Agriculture and Rural Development (SAPARD). Approval for the implementation of the SAPARD has been extremely slow in the Baltic region, as in all CEECs, but funding for the first projects is expected in 2002.

In all Baltic countries pre-accession financial support is to be mainly utilised in the development of sustainable agriculture, modernising food production and processing, improving quality control and quality standards, diversification of the rural economy, developing rural infrastructure, as well as promoting environmentally friendly farming methods. Accession negotiations on the agricultural chapter of the *acquis communautaire* are ongoing for Estonia, Latvia and Lithuania.

Trade policy reform is very important in all three Baltic countries, as small open economies with an export oriented agriculture. The three Baltic countries and the European Union progressed further in mutual liberalisation of trade in several agricultural products, with some important product groups subject to the “double-zero” agreement (involving the reciprocal elimination of export subsidies and import tariffs). While trade in agricultural and food products with the EU remained robust in 2001, nevertheless, the volume was less than expected due to a slowdown in trade arising from the outbreak of foot-and-mouth disease in several EU countries, as well as the general economic downturn in the European Union. Trade between the three Baltic countries continued to flourish under the BAFTA, while trade with Russia and the NIS remains depressed and significantly below the pre-1998 crisis level. In common with most other transition economies, the Baltic countries would gain from a more liberal agricultural environment, with resources allocated based on the principal of comparative advantage.

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**Producer and Consumer Support Estimates**

Quantification of agricultural policy developments in the three Baltic states is underpinned by the annual calculation of the *Producer and Consumer Support Estimates* (PSEs/CSEs), which the OECD first calculated in 1996 as part of the comprehensive reviews of agricultural policies in the three countries. In 2000, a marked increase in support was observed in Estonia, with the PSE rising to 10%. This was attributed to a sharp increase in market price support and, to a lesser extent, budgetary support. In Latvia the PSE rose marginally to 18% in 2000, while the PSE estimates in Lithuania fell sharply to about 9%. The fall in PSE in Lithuania was mainly due to a combination of a decline in market price support and budgetary support to agriculture during the period.

**Percentage PSEs in the Baltic States and OECD average (in figures)**

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<td>Estonia</td>
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<td>7</td>
<td>5</td>
<td>19</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Latvia</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>16</td>
<td>17</td>
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<tr>
<td>Lithuania</td>
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<td>1</td>
<td>3</td>
<td>13</td>
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<tr>
<td>OECD</td>
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<td>29</td>
<td>28</td>
<td>33</td>
<td>35</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: OECD PSE/CSE database
The PSE/CSE continues to be a fundamental and powerful tool for analysing the composition and evolution in support to Baltic agriculture. The application of the methodology has contributed significantly to a greater understanding of policies, as well as enhancing policy making capacity and expertise in the three Baltic countries. The Baltics have benefited from the wider use of the PSE/CSEs for international comparisons of levels of and trends in agricultural support by governments, industry, academia, and NGOs.

Policy challenges and continued dialogue

Continuation of the dialogue on domestic and trade policy changes is critical in the lead-up to EU membership. There is growing realisation of the need to further target support to facilitate restructuring and modernisation of the agro-food sector in order to improve efficiency and productivity. In particular investment support is crucial for improving competitiveness and the development of a sustainable sector. Implementation of the SAPARD and full utilisation of the available funds will play a crucial role in the modernisation of agriculture and its integration into the global economy. A key policy concern in Estonia, Latvia and Lithuania is the need to create suitable off-farm employment opportunities to absorb the labour that will be released from further restructuring of the agricultural sector.

Dairy Industry

A Workshop on Agro-Food Policies in Estonia, Latvia and Lithuania: Opportunities and Challenges for the Dairy Industry was held in Vilnius on 4 and 5 December 2001. The purpose of this Workshop was threefold: first, to continue the policy dialogue between policy makers in the Baltic countries and OECD Members on structural and domestic policy reforms; second, to inform producers, processors and consumers and policy makers of major developments and trends in international dairy markets; third, to help policy makers in developing their industry strategies and to improve efficiency and competitiveness of the sector. The Workshop identified many internal and external challenges facing the dairy sector in the Baltic region. Many of the internal challenges have been inherited from the previous system, e.g. the excess processing capacity, obsolete technology, low investment, as well as the poor farm and industry structure, especially in Lithuania. External challenges relate to the global trends in consolidation, concentration and strategic alliances in dairy processing and marketing, as well as the internalisation of the industry and the growing market power of retailers. While the dairy sector would appear to have a comparative advantage in all three Baltic countries, the future of the industry will depend on: improving its overall competitiveness through attracting more FDI; further restructuring at both the farm and processing levels; developing products and markets; as well as ensuring a consistent supply of consistently high quality products to both domestic and export markets. Concerning EU membership, there is considerable uncertainty with respect to the future allocation and implementation of milk quotas in the Baltic countries.
IV. THE BALTIC STATES PARTICIPATE IN OTHER CCNM PROGRAMMES WITH NON-MEMBERS AND IN COMMITTEES

In addition to the activities in the OECD Baltic Regional Programme, Estonia, Latvia and Lithuania also participated in events organised under the auspices of the OECD Global Forums in 2001 and the Programme for Transition Economies of Europe and Central Asia.

1. GLOBAL FORUMS 2001

The OECD Global Forums - their background

Established in 2001, the OECD Global Forums address policy issues common to a wide range of countries and regions where the relevance of OECD work can be enhanced by interaction and policy dialogue with concerned non-Member actors from various parts of the world. They can serve to complement the CCNM’s country and regional programmes, including the Baltic Regional Programme. The Global Forums are centred around eight carefully selected substantive themes.

Participation by the Baltic States

The universal nature of the Global Forums provides an opportunity to exchange views with senior government policy makers, specialists and private sector stakeholders from Member and Non-Member economies across the globe. Moreover, the Forums enable Estonia, Latvia and Lithuania to move beyond the scope of activities within their own Baltic Regional Programme by covering newly emerging policy matters not addressed specifically within the Programme, yet which may be significant for them. Indeed, one of the main raisons d'être of the Global Forums is to complement the more targeted Regional and Country Programmes and address policy issues that are of mutual interest to all participants at the global level.

The Baltic States took part in six of the eight Global Forums in 2001 (see Annex III). An overview of all eight Global Forum thematic areas is provided below.

Global Forum on Sustainable Development

Building on work already undertaken through the OECD’s horizontal project on sustainable development, the Global Forum on Sustainable Development extends policy dialogue in this area beyond the bounds of OECD Member countries into emerging, transition and developing countries. The principal focus of the Global Forum on Sustainable Development is on financing environmentally sustainable development, since this has emerged as one of the most difficult issues associated with sustainable development. Analytical work carried out in 2001 will be discussed at a conference on Financing the Environmental Dimension of Sustainable Development to be organised jointly with the United Nations Department of Economic and Social Affairs and the World Bank, in Paris in April 2002. It is expected that representatives from all three Baltic States will participate.
Global Forum on the Knowledge Economy

In 2001, the Global Forum on the Knowledge Economy comprised principally two specific areas, centering on biotechnology, including life science and biotechnology, and electronic commerce. Other issues covered within this Forum included education indicators, science and technology indicators, the Forum for Entrepreneurship and Enterprise Development (FEED), and innovation.

Biotechnology

In the biotechnology area, Estonia, Latvia and Lithuania attended two key international events in 2001 organised by the OECD in Raleigh-Durham in collaboration with the United States government. The first, an international Conference on "Living Modified Organisms and the Environment", examined the environmental implications of using living modified organisms (LMOs) with particular focus on transgenic crops, the use of transgenic trees in forestry and fish in aquaculture. The second event, held in December back-to-back with the conference on LMOs, covered biosafety and biotechnology. Other work carried out in the biotechnology field in 2001 focused on biotechnology in the agro-food sector; biotechnology resource centres (BRCs); and biotechnology and sustainable development.

Electronic Commerce

In January 2001, more than 300 participants from OECD Member countries and some 33 non-Member economies, including the Baltic States, took part in a major international Forum, the Emerging Market Economy Forum (EMEF) on Electronic Commerce, hosted in Dubai. The E-Commerce Forum provided for an informal exchange of views on progress to date, longer-term visions for electronic commerce and the need for coherence between policies for electronic commerce and those covering economic, social and development policies.

Global Forum on Governance

This Global Forum reflects widespread interest in the lessons that can be gathered in the reform and modernisation of government. It promotes a better understanding of the issues and challenges facing public administrations, review and share experiences between Member and non-Member economies on implementing reform and modernisation programmes and identify the future direction of such programmes. In 2001, four meetings were convened in the framework of this Forum covering e-government (Naples, March), modernising government (Paris, November), the governance of public agencies, (Bratislava, November) and social equity, growth and governance (Pretoria, November). Representatives from the Baltic States took part in three out of the four event.

Global Forum on Taxation

The OECD Global Forum on Taxation enables tax officials from OECD Member and emerging market economies to maintain an ongoing dialogue on tax matters of mutual interest as well as allowing for the development of models, standards and guidelines in respect of international tax issues. Forum meetings are held within the framework of the OECD Committee on Fiscal Affairs (CFA). In 2001, they addressed the topics of, i.a., "Tax Administrations in the Electronic World" and "Counteracting Harmful Tax Practices".
The OECD runs four centres located in Ankara, Budapest, Chonan and Vienna, to ensure as wide a geographic coverage as possible. Representatives from Estonia, Latvia and Lithuania took part in workshops hosted at the Budapest and Vienna Centres which, in 2001, covered a variety of topics such as income tax, transfer pricing and application of tax treaties (See Annex, Table 4).

**Global Forum on Trade**

This Global Forum encourages trade policy dialogue among OECD Member and non-Member economies in order to help: 1) create agreement on the effects of trade liberalisation; 2) support the integration of emerging market economies into the multilateral trading system; and 3) identify opportunities for non-Member economies to undertake future liberalisation.

**Global Forum on International Investment**

In the field of investment, the Global Forum promotes policy discussion on emerging global investment issues; networks of investment policy makers; consensus building on open and balanced policies for foreign direct investment; and encourages broader adherence to the OECD Declaration on International Investment and Multinational Enterprises. The inaugural conference in Mexico City in November and attracted more than 300 participants, including Baltic State officials, who examined the "New Approaches and Policy Challenges for Foreign Direct Investment in the 21st Century".

**Global Forum on Agriculture**

Through meetings of its "Forum on Agricultural Policies in Non-Member Countries", the OECD Global Forum on Agriculture enables agricultural experts and policy makers from emerging and transition economies and OECD Member countries to share information and experiences on agricultural policy issues and related concerns. In particular, recent work carried out by the Global Forum on Agriculture has centred on three areas covered by the Uruguay Round Agreement on Agriculture, namely market access; export competition and domestic support for agriculture. At the April 2001 meeting, Forum participants discussed the policy concerns of emerging and transition economies on the technical barriers to trade.

**Global Forum on Competition**

The Global Forum on Competition aims to reduce the drain on the global economy by hard-core cartels and other anti-competitive conduct by firms and anti-competitive government regulation. It builds on the work carried out by the OECD Competition Committee for its Member countries and extends this dialogue to the emerging market economies who recognise the need to look at competition policy from an increasingly global perspective and the importance of sharing experiences and reaching international agreement on competition law and policy.
2. COMMON PROGRAMME FOR TRANSITION ECONOMIES OF EUROPE AND CENTRAL ASIA

Estonia, Latvia and Lithuania are eligible to participate in and do take advantage of events organised within the framework of the Common Programme for Transition Economies of Europe and Central Asia.

Common Programme for Transition Economies of Europe and Central Asia - some background

For the past ten years, the OECD has assisted the economies of Central and Eastern Europe and the New Independent States (NIS) in their transition from a command to a market-based economy system through policy dialogue activities covering a variety of issues ranging from competition policy to financial sector reform and environmental policy.

During this period, two general patterns of transition have materialised. For a number of countries, rapid liberalisation, progress in large-scale privatisation and sustained macroeconomic stabilisation have been coupled with gradual structural reform and institutional change. For others, the transition process is not yet complete and they continue to seek OECD’s support to help ensure macroeconomic stabilisation and policy reforms.

Participation by the Baltic States

Over the last decade, the Baltic States have taken part basis in activities organised within the framework of the Programme for Central and Eastern Europe and the NIS. However, the nature and extent of this participation has evolved over the years reflecting changing needs.

In the early years of co-operation with the Central and Eastern European Countries (CEECS), officials from Estonia, Latvia and Lithuania took part in most of the activities carried out through the Transition Economy Programme (TEP). These included, for example, events organised within the Joint Working Group on Accounting Reform (established in 1992 to address accounting issues in the Baltic States), trade policy dialogue meetings focusing on barriers to trade in Central and Eastern Europe (1994), workshops on the development of agricultural statistical databases in co-operation with the IWG.AGRI (1994), or activities organised under the auspices of the Environmental Action Programme (EAP), created in 1993.

However, as the Baltic States gradually implemented policy reforms and moved towards more market-oriented policies, their participation in the OECD’s general work programme for transition economies lessened and changed as they no longer needed general support on such a wide range of issues. Annex IV shows how participation by Estonia, Latvia and Lithuania in Common Programme activities in 2001 covered only a few key policy areas such as environmental issues, trade issues, pensions reform, tourism, and specific training on competition policy and tax modelling offered by OECD at the Joint Vienna Institute (JVI).

The evolution of participation in this programme by Estonia, Latvia and Lithuania can be explained by three factors, namely that 1) they have moved on from the “transition” phase with more market-oriented policies, 2) many of their specific policy requirements are addressed through the Baltic Regional Programme, established in October 1998 and 3) they have recognised the need to look at policy issues from a much more global perspective as demonstrated by their participation in the OECD Global Forums (see the previous section).
Seminars at the Joint Vienna Institute - Competition Policy and Tax Modelling

Within the framework of events held at the Joint Vienna Institute (JVI), representatives from Estonia, Latvia and Lithuania regularly take part in the OECD’s seminar on "Competition Policy" and "Tax Modelling", held in Vienna. Officials from Estonia, Latvia and Lithuania attended both seminars in 2001.

The competition policy case-study seminar is designed for officials from national and regional competition authorities and covers topics such as the economic and legal concepts of competition policy, abuse of dominant position, vertical and horizontal agreements, and de-monopolisation and mergers.

The tax-modelling seminar provides participants with a solid knowledge of principles and techniques of micro-economic tax models used to establish the likely effects of changes in the tax system and main problems associated with their construction and use.

Environmental Issues

In the field of environment, officials from Estonia, Latvia and Lithuania have participated actively in the Environmental Action Programme (EAP) for Central and Eastern Europe and its Task Force since its launch in 1993. The overall goal of the EAP and its Task Force is to support the development and application of environmental policy and institutional reforms in Central and Eastern Europe and the NIS and promote environmental co-operation.

Trade Policy

Through meetings of the Working Party of the Trade Committee, trade policy dialogue is maintained with Non-Member economies on issues of mutual interest such as market access problems, experience with regional integration and the contribution of multilateral trade disciplines to the reform process. Officials from all three Baltic States participated in an informal meeting of the Working Party, held in Paris in June, where participants discussed the role of the service sector and trade in services in the Baltic States and other issues.

Pension Reform

Policy dialogue on pension reform is maintained with officials from Member and non-Member economies with a view to strengthening the private pensions systems in transition economies through efficient regulatory and supervisory processes. On 23 April, a conference on private pensions in CEECs and the NIS was hosted in Sofia, back-to-back with the first conference of the International Network of Pension Regulators and Supervisors (INPRS). The highlight of the INPRS conference was the agreement by participants, including the Baltic States and 10 other non-Member economies, on the 15 Principles for the Regulation of Private Occupational Pensions.
Tourism and Economic Growth

Tourism, a substantial and expanding economic activity, although affected by the events of 11 September 2001, is in large measure international in nature. The growth of tourism represents an opportunity for countries across the globe. At a seminar hosted in Berlin in March 2001, officials from the Baltic States and other transition economies discussed the role of tourism in Member and non-Member economies as well as the economic and political factors affecting growth.

Anti-Corruption Network for Transition Economies

The anti-corruption network has two objectives: 1) To facilitate the exchange of information and experience on national, regional and international anti-corruption initiatives. Co-operation will be facilitated through an Anti-Corruption Network website, managed by OECD and linking major regional initiatives with governments, donors, NGOs, the business community, trade unions and the media. 2) To assist Network countries in strengthening and implementing anti-corruption programmes.

At the 2001 Annual Meeting of the Anti-Corruption Network for Transition Economies in Istanbul Spring 2001, Estonia, Latvia and Lithuania agreed to launch a regional Anti-Corruption Initiative (BACI) to continue capacity and institution-building in fighting corruption and work towards meeting international standards, including those set by the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

SIGMA

In 2001, SIGMA focused on civil service and administrative reform, internal financial control and external audit in the Baltic countries. In addition SIGMA prepared the regular assessment of progress in such areas, and an assessment of the arrangements in place in each country to combat fraud in the use of public funds, particularly those coming from EU budget (this one-off assessment was carried out at the request of OLAF).

Participation in OECD Instruments and Committees

As mentioned previously, Estonia and Lithuania signed The Declaration on International Investment and Multinational Enterprises in 2001. Lithuania is also an ad hoc Observer in the Nuclear Energy agency Group of Governmental Experts on Third Part Liability (since 1997); a full participant in two Seed Schemes: Varietal Certification and Cereal Seed Moving in Trade and an observer in the Competition Committee (since 2000).
V. CO-OPERATION WITH OTHER ORGANISATIONS

The OECD Baltic Regional Programme has been active with the European Commission, the Council of Baltic Sea States, the Baltic Development Forum, and the Institute for Strategy and Competitiveness of Harvard University. Co-operation with other organisations is particularly important to ensure that OECD activities exploit synergies and avoid duplication of effort.

1. EUROPEAN COMMISSION

The OECD Baltic Regional Programme supplements and complements the Baltics EU accession processes. The “demand driven” nature of the BRP ensures that it avoids duplication of EC and other programmes of international organisations. This is done by establishing the BRP on the basis of recommended priorities put forward by the Baltic countries themselves with the OECD Secretariat, taking into account the comparative advantages of the Organisation.

European Union Delegations in the Baltic capitals often participate in the Baltic Regional Programme seminars and workshops. Consultations are conducted and relations maintained with EU Delegations in the Baltic capitals, in Brussels and in Paris. In some cases the European Commission has contributed financially (through Phare) to the Programme activities. This has occurred in the fields of education, statistics and small and medium sized enterprises -- the latter in conjunction with the OECD Baltic Forum for Entrepreneurship and Enterprise Development (FEED).

2. COUNCIL OF BALTIC SEA STATES

In 2001, the Council of Baltic Sea States renewed its invitation to the OECD to continue participating as an observer. The Council’s mission to intensify co-operation and co-ordination among its members in various sectors shares a number of interests with the OECD.

There have been regular contacts between OECD and CBSS at Secretariat level and between the OECD Secretariat and the CBSS, for exchange information and, where possible, joint activities.

The Bergen Action Plan for 2000-2001 of the CBSS and the Moscow Action Plan of 2002, stress the joint interest of OECD and the CBSS in fighting corruption. While it was not possible to implement the anti-corruption proposal made by the OECD and the CBSS in 2000, the OECD was able, with Estonia, Latvia and Lithuania, to develop and implement an alternative in 2001-2002 -- the Baltic Anti-Corruption Initiative (BACI). OECD has welcomed CBSS participation in this work. Both the Baltic Regional Programme and the CBSS membership are looking for workable modalities for co-operation on the BACI for the future. In the Moscow Action Plan Ministers noted that:

6. The European Commission participates in all OECD committees and has a special status among 30 OECD Members.

7. Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, the Russian Federation, Sweden and the European Commission.
The common objective to fight corruption, money laundering, prevention of drug trade and other forms of organised crime needs to be pursued with determined and renewed national effort in the Baltic Sea region. The Ministers welcomed that all OECD members of the CBSS now have ratified the “International Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The Ministers welcomed co-operation the OECD and the OECD Baltic Anti-Corruption Initiative and considered the interest expressed by Russia and the Baltic States to join the Convention as an encouraging sign.

3. BALTIC DEVELOPMENT FORUM

The Baltic Development Forum represents a unique platform for networking and dialog among the countries of the Baltic Sea Region, and is regarded by the Organisers as a regional equivalent to the World Economic Forum. The Third Baltic Development Forum Summit was held on 24 September 2001, in St. Petersburg, despite the tense international situation and increased security measures necessary. The Summit’s mission is to close existing gaps and create a win-win situation in region as a whole.

The Chairman, Uffe Ellemann-Jensen reported that the Summit showed that the:

Baltic Sea Region is moving ahead towards its aim – to become one of the most dynamic and prosperous regions in the world, with integration, partnership and mutual benefit at the top of its regional agenda. What is needed is continued support and involvement by governments and the resolve of the business community to participate through investments, expansion and the creation of new market opportunities. To main this momentum, it is time to move from words to action. The Baltic Development Forum sees its role and mission to keep this process on track.

The Head of the OECD Baltic Regional Programme was invited to address the special members’ dinner of the Forum. She spoke about the climate for investment in Estonia, Latvia, Lithuania and to a much lesser extent on Russia. Her remarks were based on the just completed, updated information about foreign direct investment (FDI) in the region available in the FDI Reviews by the OECD Directorate for Financial, Fiscal and Enterprise Affairs. The next years’ Summit (2002) will be in Copenhagen, and the Baltic Development Forum Director has already signalled that OECD will once again be welcome.

4. INSTITUTE FOR STRATEGY AND COMPETITIVENESS, HARVARD BUSINESS SCHOOL

In 2001 the Institute for Strategy and Competitiveness approached the Baltic Regional Programme to explore mutual interests and exchange of information. As a result, over the past twelve months there have been several meetings and periodic electronic exchanges beneficial to both parties. In 2001, the Institute conducted its “Baltic Rim Agenda Study”, which focused on five industry clusters -- e-banking, software programming, mobile telephony and telecommunications, financial markets, logistical infrastructure for cross-border trade and mobility. The thesis was that national boundaries matter less, in some respects, in a global economy, while the clusters of firms and industries concentrated at the regional level matter more. A regional strategy is considered a powerful tool to enhance competitiveness in each of the Baltic countries. There are gains to be had from internal trade and investment. Policy co-ordination resulting from a regional approach creates mutual benefits of productivity and innovation in all countries.
This study indicated that intergovernmental organisations, such as the OECD, foster policy co-ordination, and therefore are beneficial influences for the economic growth of the Baltic Region. The Institute has identified only a few organisations (OECD and the Council on Baltic Sea States, for example) that have a regional approach, whereas the World Bank, EBRD, EU/EC and individual aid organisations tend not to do so. The Institute and the Baltic Regional Programme have been discussing intensifying their interaction in the future.
VI. DIRECTION AND CO-ORDINATION

1. LIAISON WITH THE BALTIC COUNTRIES AND DONOR GOVERNMENTS

The OECD Centre for Co-operation with Non-Members (CCNM), develops the strategy, prepares and implements the Baltic Regional Programme, in consultation with its interlocutors in the Baltic countries and the donor country governments. This could not be done successfully without the Baltic countries’ interest in developing the programme together with the OECD and their active participation.

The Baltic Regional Programme is “demand-driven”, which means that it is based on proposals from the Baltic countries, with due regard to the OECD’s overall priorities and areas of comparative advantage, the views of the donors and the need to avoid duplication with work carried out elsewhere.

The Secretariat, the Baltic countries and the donors liaise both by formal and informal means to design the work programme, monitor its implementation and to evaluate the outcomes. The main formal elements of this liaison and communications mechanism are: (i) working groups in each of the Baltic capitals; (ii) annual evaluation meetings; (iii) annual statements to the donors on the disbursement of their financial contributions. In addition, the Secretariat prepares and publishes annual reports, like the present one. More informally, there are regular meetings with, and programme missions to, the donor countries, the Baltic countries, and several international organisations, such as the European Commission, the Council of Baltic Sea States and in prior years, the Nordic Council and the Nordic Council of Ministers.

2. BALTIC WORKING GROUPS

In each of the Baltic capitals there is a Baltic Regional Programme Working Group which advises on and oversees the implementation of the Programme. The Ministry of Foreign Affairs in each country coordinates its Working Group. The members of these Groups represent the different ministries, governmental organisations and institutions, which have a specific interest in one or more of the activities of the Programme. In Lithuania, the group has been established by a resolution of the Prime Minister. The Groups vary in size from ten to eighteen persons. Their purpose is to participate in the activities, to follow the programme implementation and to make proposals on future priorities. The members of these groups are also involved in the co-operation with other international organisations like the European Union, the World Trade Organisation and the Council of the Baltic Sea States. Among the Baltic countries, the Ministries of Foreign Affairs maintain informal contacts to exchange information and views concerning the Programme. Furthermore, there are permanent contact persons in each of the Baltic embassies in Paris for the Programme.
3. EVALUATION

Annual evaluation meetings are a core element of the evaluation mechanism for this Programme. Other components of the evaluation process include: participation in the overall Centre for Co-operation with Non-Members (CCNM) programmatic evaluations; the publication of annual reports; and frequent exchanges amongst the OECD Secretariat, the Baltic countries and the sponsoring countries of this largely grant-funded programme. The results of the evaluation meeting are contained in Chapter VIII.

4. FUNDING OF THE PROGRAMME

The Council of the OECD approved the establishment of the Baltic Regional Programme on the condition that at least 75 per cent of this Programme’s budget would be funded by voluntary contributions [C(97)203/ADD5/APP2, par. 9].

This funding condition has since been met. In the OECD’s own 2001 Part 1 budget, 1,643,000 French francs were allocated to the Programme, through staff costs, overheads, equipment, mission costs, and other items. This is nearly twenty percent of the total budget, not including the earmarked project funding for anti-corruption. Details on the budget can be found in Chapter IX.

Eleven donors have responded generously to the OECD’s request for financial resources. From the outset, Denmark, Finland, Iceland, Norway, Poland and Sweden have made annual voluntary contributions. As of 1999, Estonia has provided annual grants. As of 2000, Latvia, Lithuania and Ireland joined the list of donors. In 1998, the European Commission provided a grant towards the Review of National Policies for Education of Latvia. In 2001, the Commission was considering a grant pending for the Baltic FEED.

The United States of America joined the list of sponsors in 2001, when it made a voluntary contribution for the period 2001-2002 to support the Baltic Anti-Corruption Initiative. This grant is earmarked for anti-corruption only, and in 2001, raises the amount of programme funding by slightly more than 25%.

With this exception and some minor ones, contributions have been made towards the Programme without earmarking to individual activities. This has provided the Secretariat with a flexibility that has been essential for ensuring a smooth implementation of the programme. Earmarking has generally been avoided, however, in the case of anti-corruption, there was overall agreement with the importance of adding this activity to the programme of work, and efforts in this direction had been ongoing for several years. Otherwise, it is considered that earmarking might lead to lobbying with donors by special interests, with the result that the overall co-ordination of the Programme is thwarted and that its priorities are dictated by the effectiveness of the various lobbying efforts rather than by policy considerations and mutual interest.

In addition to their grants for activities under the programme, Finland and Sweden provided supplementary resources in the form of their direct sponsoring of one project staff member at the CCNM each, in 2001.

5. STAFF

The Baltic Regional Programme activities are implemented by the staff of the OECD situated in the substantive Directorates of the house. The staff has expertise in many different disciplines, including economics, statistics, trade, finance, insurance and pensions, taxation, competition policy, anti-corruption, enterprise development, agriculture, labour and social policy, and education. Because the Baltic countries are invited to participate in the activities of the Global Forums and the Common Programme for Transition
Economies of Europe and Central Asia, access is thus expanded to additional areas of expertise. These include, for example, financial disclosure and audit, corporate governance, environment, digital economy and e-commerce, biotechnology, knowledge economy, sustainable development and international investment.

**OECD experts**

OECD experts and assistants may be permanent staff, designated project staff members, full-time consultants, single-task consultants or auxiliary staff. Most of them work for the Baltic Regional Programme for only part of their time.

The day-to-day management of the Baltic Regional Programme is in the hands of a Unit in the CCNM, which is also responsible for other CCNM Regional and Country Programmes, the Global Forums on Knowledge Economy (Digital Economy and Biotechnology) and Sustainable Development and for Coordination of Non-Members activities on Anti-Corruption. The Head of Unit has overall management responsibility for the Baltic Regional Programme. One staff member in this unit has been assigned full-time to the administration of this Programme.

**Project staff**

The OECD Council creates project staff positions for a limited period and for one or more specific tasks. These positions provide benefits that cannot be offered to consultants or auxiliaries; hence, the creation of project posts facilitates the recruitment of highly qualified staff with limited resources. Several project staff posts have been created in whole or in part for the Baltic Regional Programme.

From 1998 through 2001, Finland sponsored a full-time programme administrator. Sweden has been sponsoring a junior professional officer, who has been employed on various assignments under the Baltic Regional Programme, in particular, various policy reviews of the Baltic countries.

The Project staff assigned full-time or near-full time in 2001 to the Baltic Regional Programme, paid for by the voluntary contributions for this programme, are: (i) an expert on macroeconomic statistics; (ii) an expert for the Baltic FEED; (iii) a member of the administrative staff for the Baltic FEED. Another expert works for half of her time under the Baltic Regional Programme on the reviews of insurance and pension reform. Finally, an expert works for three months a year in the area of taxation under the Baltic Regional Programme.

6. **VISITING EXPERTS**

The objective of this visiting expert programme is to familiarise a small number of officials from the Baltic countries with the approaches of the OECD and, through them, to raise the awareness of the OECD’s *modus operandi* among Baltic officials. Each year, each Baltic country has the opportunity to send a visiting expert to the OECD. Over the three-year period that the Visiting Expert Programme has been running, positions are usually for three months, although at least one six-month position has been granted. Three months is usually preferred, since the visiting experts cannot be spared for much longer than that, from their demanding positions at home. Visiting experts work on selected activities of the Baltic Regional Programme in various OECD Directorates.
Visiting Experts Invited to the OECD, financed by the Baltic Regional Programme 1999-2002

2002
Ms. Gitana Albaityte, Head of International Taxation Section in the Ministry of Finance, Lithuania, will work for three months on transfer pricing in the Directorate for Financial, Fiscal and Enterprise Affairs (spring-summer 2002).

Ms. Olga Geitus-Eitvina, Latvian Ministry of Foreign Affairs, will start to work in the Trade Directorate in Autumn 2002 for three months, preparing the Baltic Trade meeting with Baltic officials, foreseen for November 2002.

Latvia will provide a second visiting expert for three months in Autumn 2002 (the sector to be defined in the co-operation with Latvian Ministry of Foreign Affairs).

2001
Mr. Mati Murd, Third Secretary, Estonian Ministry of Foreign Affairs, worked during October-December 2001 in the Trade Directorate. He drafted the Economic and Regulatory Environment For Trade in Services: the Baltic States’ Experience, which was discussed in the trade meeting in Tallinn December 2001.

Ms. Viktorija Aleksiene, Head of the Competition Policy and Foreign Relations Division at the Competition Council, Lithuania, worked in the Directorate for Financial, Fiscal and Enterprise Affairs from September to December 2001. She drafted documents and contributed to the organisation of the Baltic Annual Workshop on Competition Law and Policy, Tallinn, October 2001 and the First Global Forum on Competition, particularly with regard to the Baltic States and the Russian Federation.

Ms. Piret Hein, Chief Specialist at the Department of Agro-Food and Trade at the Estonian Ministry of Agriculture, worked on the Baltic agriculture issues in the Directorate for Agriculture, Food and Fisheries from January to April 2001.

2000
Mr. Andrius Kalindra, Second Secretary at the Economics Department of Ministry of Foreign Affairs of Lithuania, worked on Baltic trade issues at the Trade Directorate between September and December 2000.


1999
Ms. Maija Krešlina, Senior Desk Officer at the Ministry of Foreign Affairs of Latvia, worked on the Baltic insurance and pension reform in the Directorate for Financial, Fiscal and Enterprise Affairs during September 1999 to May 2000.

Mr. Reimo Pettai, Second Secretary at the Estonian Ministry of Foreign Affairs, was the visiting expert at the Directorate for Financial, Fiscal and Enterprise Affairs, working on corporate governance and foreign direct investment policy.

The launching of the Baltic Anti-Corruption Initiative in 2001, has enabled the addition of three visiting experts, funded under the Initiative.
Visiting Experts Invited to the OECD, financed by the Baltic Anti-Corruption Initiative in 2002

Ms. Ülle Raig, Adviser, Ministry of Justice, Estonia will contribute, for three months, to the Directorate for Finance, Fiscal and Enterprise Affairs, Anti-Corruption Division’s preparation and the follow-up of the Second Baltic Anti-Corruption Initiative meeting in Tallinn on 26-27 February 2002.

Ms. Ausra Bernotiene, Deputy Director, Ministry of Justice, Lithuania, will contribute to work on selected anti-corruption issues, for a period of three months, also in the Directorate for Finance, Fiscal and Enterprise Affairs, Anti-Corruption Division, in spring-summer 2002.

Latvia will also send a visiting expert to work on the Baltic Anti-Corruption issues for three months in the Anti-Corruption Division.

7. MISSIONS AND VISITS

Each year there have been several high level visits, either to the OECD or by the OECD Secretary-General, Deputy Secretary-General or Director of the Centre for Co-operation with Non-Members.

On 28 September 2001, the OECD Secretary-General, Donald J. Johnson, gave a keynote address at the E-Business Forum in Riga, in which the OECD was the organisational partner. Mr. Johnson then met with Latvian Prime Minister Andris Berzins and Lithuanian Prime Minister Algirdas Mykolas Brazauskas. The discussions centred on economic progress, aspirations and challenges of their respective Governments. Both Prime Ministers expressed their satisfaction with the Baltic Regional Programme, asked that it be continued into 2004 and indicated their countries’ interests in membership in the OECD.

After participating in the Baltic Development Forum conference in Malmö, Sweden, on 17 and 18 September 2000, Mr Seiichi Kondo, Deputy Secretary-General of the OECD, made a three-day visit to Latvia, Estonia and Lithuania. He met and with other Ministers, Ambassadors of several OECD Member countries and high-level government officials. During the mission, the progress achieved in implementing the Baltic Regional Programme and its orientations for the near future were discussed, and the Baltic countries reaffirmed their political support for the Programme and its objective of associating the countries more closely to the OECD standards and instruments. All countries expressed a strong desire to become OECD Members in the foreseeable future.

On 10 April 2000, the Prime Minister of Estonia, Mr Mart Laar, visited the OECD’s Secretary-General, Mr Donald J. Johnston.

From 18-21 October 1999, Mr Eric Burgeat, Director of the OECD’s Centre for Co-operation with Non-Members, led a programme review and planning mission of the Secretariat to Estonia, Latvia and Lithuania. Other Secretariat missions were made to Denmark, Finland, Norway and Sweden, to discuss the programme implementation and planning with officials of these donor countries.

28 September 2001  •  OECD Secretary-General, Donald J. Johnson met with Latvian Prime Minister Andris Berzins and Lithuanian Prime Minister Algirdas Mykolas Brazauskas on the occasion of the E-Business Forum, in Riga
11 June 2001  •  Mr. Aigars Kavitis, Minister, Ministry of Economics, Latvia, opened the Third Annual Evaluation Meeting of the Baltic Regional Programme in Riga

•  Ambassador Anders Ferm, Permanent Representative of Sweden to the OECD and Chairman, Committee on Co-operation with Non-Members, chaired the Third Annual Evaluation Meeting of the Baltic Regional Programme

•  Mr. Burgeat, Director, CCNM, presided for the CCNM

10 April 2001  •  Mr. Mart Laar, Prime Minister of Estonia, visited the OECD

19-21 September 2000  •  Mr. Kondo, OECD Deputy Secretary-General, visited Latvia, Estonia & Lithuania

18-21 October 1999  •  Mr. Burgeat, Director, CCNM, visited Estonia, Latvia & Lithuania

9 September 1999  •  Mr. Ucaskas, Vice-Minister of Foreign Affairs of Lithuania, visited the OECD

11 March 1999  •  Mr. Jaak Leimann, Minister of Economic Affairs, visited the OECD

18 February 1999  •  Mr. Raul Mälik, Minister of Foreign Affairs, visited the OECD

26 January 1999  •  Mr. Adamkus, President of Lithuania, visited OECD

15-22 October 1998  •  Mr. Shigehara, OECD Deputy Secretary-General, visited Lithuania, Latvia & Estonia

22 July 1998  •  Mr. Saudargas, Minister of Foreign Affairs of Lithuania, visited OECD

10 July 1997  •  Mr. Brazauskas, President of Lithuania, visited OECD

14 February 1997  •  Mr. Lennart Meri, President of Estonia, visited the OECD

17-19 October 1996  •  Mr. Tuveri, Director, CCET, visited Latvia, Estonia & Lithuania.
8. **NEW BALTIC WEBSITE LAUNCHED**

The Baltic Regional Programme (BRP) website is a part of the new OECD Internet site. The OECD launched its new Internet site in September 2001. The site welcomes close to 7 million visitors a year, and over 4 million pages are consulted each month. The economic and social issues covered in the Organisation’s pages range from biotechnology to macroeconomics, trade, education, governance, e-commerce, money laundering and sustainable development, to name but a few of the fields. The site has recently been evaluated as the third best institutional website for its wealth of resources. Information can easily be found by country; topic (OECD work has been organised into an alphabetical list of themes); Directorate, Department, Agency or Centre; document type (i.e., news release, policy brief, report, case study or best practice) or by using the search engine.

The Baltic Web includes:

- Background of the Programme
- Medium-Term Objectives 2001-2003
- Programme of Work 2002
- Annual Report 2001
- Annual Report 2000
- Seminars and workshops
- Publications Policy briefings and press releases
- Web links from Estonia, Latvia and Lithuania
- Links to international and regional organisations working with the Baltic countries (Council of Baltic Sea States, European Commission, World Bank, EBRD, IMF, Nordic Council of Ministers).

The Secretariat is in the process of collecting information on the OECD Members’ bilateral programmes with the Baltic countries and Baltic research institutions. This information will be included in the near future in the Baltic Web.
VII. THIRD ANNUAL EVALUATION MEETING

Evaluation is a sine qua non of the Baltic Regional Programme. In response to the request by the sponsors, particularly the Nordic countries, the Programme has built in thorough evaluation. The Annual Evaluation Meeting functions as ex-post evaluation, and is also structure to impact the Programme objectives and activities. The meetings involve the sponsors, the Baltic countries (who are also sponsors), the Secretariat, other Member countries and intergovernmental organisations. In 2001, the Evaluation Meeting was held in Riga, Latvia, making it the first Evaluation meeting to take place in the Baltic region.

Ambassador Fern, Permanent Representative of Sweden to the OECD and Chair of the OECD Committee on Co-operation with Non-Members chaired the meeting. The Latvian Minister of Economic Affairs, Mr. Aigars Kalvitis, gave the opening address. Delegates from 15 OECD Member countries, high-level Delegates from Estonia, Latvia, Lithuania and the Secretariat attended. [For the complete meeting report see CCNM/BALT(2001)8].

Participants engaged in open, transparent dialogue, with the purpose of assessing the Medium-Term Objectives of the Programme, the progress made by the Baltic countries in the transition process, as well as their integration into the global economy. Prepared in co-operation with the Baltic countries, the meeting agenda covered:

1) Reports by the three Baltic country on the state of their economies, their evaluation of the Programme implementation during the past year; programme priorities and objectives; complementarity with other intergovernmental initiatives, particularly those of the EU;

2) Reviews of selected Baltic Regional Programme activities: social and labour policy reform; financial markets reform and Entrepreneurship and Enterprise Development;

3) Experience of the Baltic countries participation in OECD instruments and bodies, to date; and

4) Discussion of the future of the Programme

The Delegates raised numerous issues, for example:

(a) Are the proposed objectives appropriate for the medium term? Is there a mutual interest for OECD Members and Baltic countries in pursuing them?

(b) Whether the activities and objectives adequately reflect the OECD’s working methods (policy dialogue, peer reviews, emphasis on best practices, multidisciplinary approaches)?

(c) Is the issue of supplementarity and complementarity of the activities vis-à-vis other international organisations – particularly concerning EU accession – adequately addressed?
(d) What is the role in the Programme for the contiguous regions of the Russian Federation?

(e) Whether Delegates had suggestions for enhancing the effectiveness of the evaluation process?

(f) Whether the activities addressed the most relevant issues from an OECD and Baltics perspective, and whether they adequately the OECD’s priorities and comparative advantage?

The Baltic Implementation Notes, presented by the Head of each Baltic delegation, are carefully considered and prepared by the Baltic country Working Groups, which evaluate the progress and implementation of the Programme, each year. Their preparation is co-ordinated by the Ministries of Foreign Affairs. The following points were raised by some, any in many cases all of the Baltic countries:

- The importance of the "demand-driven" approach of the Baltic Regional Programme. Active participation of the Baltic countries in the Programme’s development and implementation ensures its correspondence with the priorities of each of the three Baltic Governments.

- The BRP is supplementary and complementary to initiatives of other international organisations (e.g. the EU, WTO, IMF and World Bank). The BRP Working Groups ensure regular review of the BRP implementation and priorities in co-operation with the OECD.

- The BRP promotes effective exchange of experience and opinion between the three Baltic countries, as well as with OECD Member countries. By taking account of similarities as well as differences in the Baltic States, the BRP regional perspective provides additional value to the development of domestic policies;

- The BRP generates dialogue among Baltic and OECD experts, as well as with the private sector. It increases the awareness of global rules among Baltic policy-makers and experts; and thereby helps to integrate global policy guidelines into national policies.

- Policy recommendations in several OECD BRP publications have been useful in promoting discussion and generating policy formulation, strategic planning and implementation in the Baltic. (BRP publication distribution has been thorough and effective in this context.)

- In the context of the BRP, extending activities to the northwest Russia is sometimes desirable, but not always, given different levels of transition, at present.

- Regular BRP evaluations and priority-setting are important in ensuring an effective BRP, and also raises OECD members’ awareness of the reforms and achievements in Baltic countries.

- Baltic countries new BRP activities such as environment, e-business and anti-corruption.
**Looking ahead – the advice of the Evaluation Meeting:** An important role of the Evaluation Meeting is to express views and pose questions concerning the Programme future. In this regard, a number of points guided the preparation of the BRP Programme of Work for 2002. Here is a summary of some of the key points made:

- The Baltics want the BRP to continue beyond 2003.

- A comprehensive analysis, ensuring sustainability, should be accomplished in conjunction with the completion of the 2001-2003 Medium-Term Objectives.

- The OECD should interpret observership criteria, in a manner more favourable for the Baltics.

- The Baltic countries could engage more in the OECD Global Forum activities.

- The BRP should avoid possible duplication, particularly with EU and Sponsors bilateral Programmes.

- The Committee on Co-operation with Non-Members should be advised to accord the Baltic Regional Programme a greater share of Part 1 funding, which to date had no Part 1 activity funding.

- The impact of EU enlargement on the OECD BRP would be discussed when it was closer to becoming a reality. In this context, the Baltic countries indicated their strong interest in becoming OECD Members, following their joining the EU.
CONCLUDING REMARKS BY THE CHAIRMAN, AMBASSADOR ANDERS FERM

“Today we have participated in an important high-level meeting in Riga. The Baltic countries had the opportunity to share their experiences in a dialogue with OECD Member countries during this Third Baltic Regional Programme evaluation meeting, held for the first time in the Baltic region. In the context of the Baltic Regional Programme, contacts and networks have been built up and experiences and policy advice have been exchanged. The Baltic Regional Programme has been practical in its efforts and its methods.

The Baltic countries strongly support co-operation in the Baltic Regional Programme. The Latvian Minister of Economic Affairs, Mr. Kalvitis, was the first to underline his political support for the Baltic Regional Programme in his opening speech this morning. The other Baltic delegations followed his example on several occasions later in the day.

We heard the Baltic Head of Delegations’ presentations of the implementation notes. The Implementation of the Programme is going well. Each of the Baltic countries has, of course, its own different emphasis in the activities, but there are also common themes in relation to the EU and the use of the Programme in this context. The Baltic countries have made progress in becoming more closely integrated in some of the OECD instruments and bodies, such as The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and the Declaration on International Investment and Multinational Enterprises. Furthermore, Lithuania obtained observership in the Committee on Competition Law and Policy on 23 November 2000.

A panel presentation was organised on three selected Baltic Regional Programme activities: Baltic Forum for Entrepreneurship and Enterprise Development (Baltic FEED), Social and Labour Policy Review, and Financial Issues. The Secretariat made the activity presentation, which the Baltic experts completed. In the Baltic countries many of the activities are “moving targets”, as all the Baltic countries are in the process of reforming their administrative and legal systems. The situation changes quickly. All the BRP activities presented had “a horizontal policy link”. Baltic FEED reforms have an impact on the financial and security market, which is related to pension reforms and the social and labour policy area.

We had an interesting discussion on two observership criteria: ‘major player’ and ‘mutual interest’. It is not necessary to be as large as China in order to be a major player in a specific field. We heard about Lithuania’s positive experience as an observer in the Committee on Competition Law and Policy, even though it took nearly two years to obtain observership status. The ‘mutual interest’ criterion is usually easier for Non-member countries to meet, but it is already more complicated to define the correct ‘interpretation’ of ‘major player’, for example in the field of SME (small and medium-size enterprises). OECD Committees have some flexibility in the interpretation of observership criteria for Non-Members, but the Council makes the final decision.

The discussion on the future of the Programme was very productive. There was high-level political support for the Baltic Regional Programme's medium-term objectives 2001-2003, with no proposals to change these objectives. However, different subjects were highlighted by some of the delegations for the future: statistics, insurance, education, labour and social policy, etc. OECD Members and the Baltic countries gave a positive evaluation of the BRP. The Programme is considered a great success. Several delegations expressed an interest in continuing to finance the Baltic Regional Programme through voluntary contributions. Some delegations suggested increasing Part 1 funding for the Programme. There was a general feeling that the future of the Programme after 2003 and the impact of the Baltic countries’ EU membership on the OECD Baltic Regional Programme should be reconsidered at a later stage in the light of existing circumstances.”
VIII. BALTIC REGIONAL PROGRAMME BUDGET
VOLUNTARY CONTRIBUTIONS
AND DISBURSEMENT REPORT

VOLUNTARY CONTRIBUTIONS
(in 000s FF)

<table>
<thead>
<tr>
<th>Programme funding received</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>527</td>
<td>528</td>
<td>517</td>
</tr>
<tr>
<td>EC Phare <em>(Education Review Latvia)</em></td>
<td>364</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Estonia</td>
<td>--</td>
<td>120</td>
<td>155</td>
</tr>
<tr>
<td>Finland</td>
<td>1,320</td>
<td>1,112</td>
<td>1,000</td>
</tr>
<tr>
<td>Finland <em>(Foreign direct investment)</em></td>
<td>--</td>
<td>308</td>
<td>--</td>
</tr>
<tr>
<td>Iceland</td>
<td>50</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Ireland</td>
<td>--</td>
<td>--</td>
<td>250</td>
</tr>
<tr>
<td>Latvia</td>
<td>--</td>
<td>--</td>
<td>130</td>
</tr>
<tr>
<td>Lithuania</td>
<td>--</td>
<td>--</td>
<td>130</td>
</tr>
<tr>
<td>Norway</td>
<td>816</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Poland</td>
<td>200</td>
<td>200</td>
<td>250</td>
</tr>
<tr>
<td>Poland <em>(Education Review Lithuania)</em></td>
<td>--</td>
<td>30</td>
<td>--</td>
</tr>
<tr>
<td>Sweden</td>
<td>1,127</td>
<td>1,095</td>
<td>1,200</td>
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<tr>
<td>Sweden <em>(Capital markets workshop)</em></td>
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<td>--</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,404</td>
<td>4,253</td>
<td>4,549</td>
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</table>

Earmarked for project staff

<table>
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<tr>
<th>1998</th>
<th>1999</th>
<th>2000</th>
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<tbody>
<tr>
<td>Finland</td>
<td>217</td>
<td>178</td>
</tr>
<tr>
<td>Sweden <em>(SIDA)</em></td>
<td>--</td>
<td>460</td>
</tr>
<tr>
<td>Poland <em>(in-kind)</em></td>
<td>--</td>
<td>P.M.</td>
</tr>
</tbody>
</table>

**All grants**

| 4,621 | 4,891 | 5,549 |

Disbursements

1. Missions
   | 615  | 762  | 550  |
2. Meetings
   | 1,450| 1,350| 1,355|
3. Consultants/auxiliaries/visiting experts
   | 1,870| 1,384| 634  |
4. Project staff
   | 679  | 1,388| 2,738|
5. Other
   | 6    | 0    | 0    |
6. To be disbursed
   | 1    | 8    | 272  |

**Total**

| 4,621 | 4,891 | 5,549 |
## VOLUNTARY CONTRIBUTIONS

### Programme Funding Received

<table>
<thead>
<tr>
<th>Country</th>
<th>2001 (In FFs)</th>
<th>2001 (In EUROs)</th>
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</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>528,444</td>
<td>80,561</td>
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<tr>
<td>EC Phare (Education Review Latvia)</td>
<td>0</td>
<td>0</td>
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<tr>
<td>EC Phare (Baltic FEED)</td>
<td>98,394</td>
<td>15,000</td>
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<td>Estonia</td>
<td>155,000</td>
<td>23,630</td>
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<td>Finland</td>
<td>1,000,000</td>
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<tr>
<td>Finland (Foreign Direct Investment)</td>
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<td>0</td>
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<tr>
<td>Iceland</td>
<td>60,000</td>
<td>9,147</td>
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<tr>
<td>Ireland</td>
<td>250,000</td>
<td>38,112</td>
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<tr>
<td>Latvia</td>
<td>144,000</td>
<td>21,953</td>
</tr>
<tr>
<td>Lithuania</td>
<td>144,000</td>
<td>21,953</td>
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<tr>
<td>Norway</td>
<td>798,700</td>
<td>121,761</td>
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<td>Poland</td>
<td>250,000</td>
<td>38,112</td>
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<tr>
<td>Poland (Education Review Lithuania)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sweden</td>
<td>1,070,370</td>
<td>163,177</td>
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<tr>
<td>Sweden (SIDA)</td>
<td>454,970</td>
<td>69,360</td>
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<tr>
<td>Sweden (Capital markets workshop)</td>
<td>478,900</td>
<td>73,008</td>
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<tr>
<td><strong>Sub-total</strong></td>
<td><strong>4,498,908</strong></td>
<td><strong>685,855</strong></td>
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</table>

### Funding Earnmarked for Project Staff

<table>
<thead>
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<th>Country</th>
<th>2001 (In FFs)</th>
<th>2001 (In EUROs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden (SIDA)</td>
<td>454,970</td>
<td>69,360</td>
</tr>
<tr>
<td>Finland</td>
<td>478,900</td>
<td>73,008</td>
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<tr>
<td><strong>Sub-total</strong></td>
<td><strong>5,432,778</strong></td>
<td><strong>828,223</strong></td>
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### Funding Earnmarked for Baltic Anti-Corruption Initiative (BACI)

<table>
<thead>
<tr>
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<th>2001 (In EUROs)</th>
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<tbody>
<tr>
<td>Norway</td>
<td>99,273</td>
<td>15,134</td>
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<tr>
<td>USAID (multi-year funding 2001-2002)</td>
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<tr>
<td>2001: €183,877</td>
<td>1,206,154</td>
<td>183,877</td>
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<tr>
<td>2002: €367,756</td>
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<td><strong>Total</strong></td>
<td><strong>6,738,205</strong></td>
<td><strong>1,027,234</strong></td>
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### Disbursements of Programme Funding Received

<table>
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<th>Category</th>
<th>2001 (In FFs)</th>
<th>2001 (In EUROs)</th>
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<tr>
<td>1. Missions</td>
<td>803,010</td>
<td>122,418</td>
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<tr>
<td>2. Meetings</td>
<td>1,189,788</td>
<td>181,382</td>
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<tr>
<td>3. Consultants/Auxiliaries/Visiting Experts</td>
<td>1,663,743</td>
<td>253,636</td>
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<tr>
<td>4. Project Staff</td>
<td>2,862,144</td>
<td>436,331</td>
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<td>5. Other</td>
<td>34,082</td>
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<td>6. To be disbursed</td>
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<td>28,271</td>
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<td><strong>Total</strong></td>
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<td><strong>1,027,234</strong></td>
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<tr>
<td>Year</td>
<td>Part I of the OECD Budget</td>
<td>Voluntary Contributions (VCs)</td>
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<tr>
<td>--------</td>
<td>---------------------------</td>
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<tr>
<td>1998</td>
<td>762</td>
<td>4,621</td>
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<td>1999</td>
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<td>2001</td>
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<td>6,738</td>
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<tr>
<td>2001</td>
<td>250</td>
<td>1,027</td>
</tr>
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</table>
BIBLIOGRAPHY

**OECD BALTICS PUBLICATIONS ON KEY SECTORS**

OECD Reviews of Foreign Direct Investment, Latvia (forthcoming in 2002)
OECD Reviews of National Policies for Education, Lithuania, 2002
OECD Reviews of Foreign Direct Investment, Estonia, 2001
OECD Economic Surveys -- The Baltic States: A Regional Economic Assessment, 2000
OECD Policy Briefs on The Baltic States: A Regional Economic Assessment, 2000
Baltic Agro-Food Policies: Proceedings of the OECD Meeting at Ministerial Level, 1999
Competition Law and Policies in the Baltic Countries
Investment Guide for Lithuania, 1998
Regional Integration and Transition Economies: The Case of the Baltic Rim, 1996
Review of Agricultural Policies, Latvia, 1996
Review of Agricultural Policies, Lithuania, 1996

**BALTIC REGIONAL PROGRAMME INFORMATION**

Baltic Regional Programme - Medium-Term Objectives 2001-2003
Baltic Regional Programme - Annual Report 2000
Baltic Regional Programme - Annual Report - October 1998 - September 1999

**RELATED OECD PUBLICATIONS ON SPECIFIC SECTORS**

Agricultural Policies in Emerging and Transition Economies: Special Focus on Non-Tariff Measures 2001
Agricultural Policies in Emerging and Transition Economies
Agricultural Policies in Emerging and Transition Economies, 1999
Agriculture at a Glance in Emerging and Transition Economies, 1999
OECD Principles of Corporate Governance, 1999
Insurance Guidelines for Economies in Transition, 1997
Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, 1998
International Direct Investment Statistics Year Book, 1999
OECD CENTRE FOR CO-OPERATION WITH NON-MEMBERS INFORMATION (AVAILABLE ON WEBSITE)

CCNM 2002 Integrated Programme of Activities
CCNM 2002 Timetable of Events
CCNM 2001 Integrated Programme of Activities
CCNM 2001 Timetable of Events
### ANNEX I. PROGRAMME OF EVENTS: BALTIC REGIONAL PROGRAMME 2001

<table>
<thead>
<tr>
<th>DATE</th>
<th>PROGRAMME</th>
<th>TITLE OF EVENT</th>
<th>LOCATION</th>
<th>IMPLEMENTING DIRECTORATE</th>
<th>CONTACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 - 9 February 2001</td>
<td>Baltic Regional Programme</td>
<td>WORKSHOP: Domestic Tax Issues</td>
<td>Riga</td>
<td>DAF</td>
<td>Mr. R. Parry</td>
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<tr>
<td>27 April 2001</td>
<td>Baltic Regional Programme</td>
<td>WORKSHOP: Workshop on Private Pensions Reform in the Baltic Countries</td>
<td>Sofia</td>
<td>DAF</td>
<td>Ms. C. Vignial</td>
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<td>7 - 11 May 2001</td>
<td>Baltic Regional Programme</td>
<td>WORKSHOP: Property Tax</td>
<td>Vilnius</td>
<td>DAF</td>
<td>Mr. L. Jensen</td>
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<tr>
<td>11 June 2001</td>
<td>Baltic Regional Programme</td>
<td>MEETING: Evaluation Meeting for the Baltic Regional Programme</td>
<td>Riga</td>
<td>CCNM</td>
<td>Ms. M. Yakowitz Ms. S. Siikamaki</td>
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<tr>
<td>11 - 15 June 2001</td>
<td>Baltic Regional Programme</td>
<td>WORKSHOP: International Taxation</td>
<td>Tallinn</td>
<td>DAF</td>
<td>Mr. D. Partington</td>
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<td>2 - 6 July 2001</td>
<td>Baltic Regional Programme</td>
<td>MEETING: Quarterly National Accounts</td>
<td>Paris</td>
<td>STD</td>
<td>Ms. F. Maitland-Smith</td>
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<td>09 – 12 July 2001</td>
<td>Baltic Regional Programme</td>
<td>WORKSHOP Estimation and Seasonal Adjustment of Quarterly GDP</td>
<td>Luxemburg</td>
<td>STD</td>
<td>Ms. F. Maitland-Smith</td>
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<td>17 - 21 September 2001</td>
<td>Baltic Regional Programme</td>
<td>WORKSHOP: Domestic Tax Policy</td>
<td>Vilnius</td>
<td>DAF</td>
<td>Mr. R. Parry</td>
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<td>11 – 13 October 2001</td>
<td>Baltic Regional Programme</td>
<td>FORUM Second Annual OECD Baltic-Nordic Forum on Public Debt Management</td>
<td>Oslo</td>
<td>DAF</td>
<td>Mr. H. Blommestein</td>
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<td>24 – 26 October 2001</td>
<td>Baltic Regional Programme</td>
<td>SEMINAR Seminar on Merger Control</td>
<td>Tallinn</td>
<td>DAF</td>
<td>Mr. T. Winslow Mr. J. Clark</td>
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<td>04 – 05 December 2001</td>
<td>Baltic Regional Programme</td>
<td>MEETING Workshop on the Food Processing Sector in the Baltic States: Opportunities and Challenges</td>
<td>Vilnius</td>
<td>AGR</td>
<td>Ms. A. Trzeciak-Duval</td>
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<tr>
<td>DATE</td>
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<td>TITLE OF EVENT</td>
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<tr>
<td>10 December 2001</td>
<td>Baltic Regional Programme</td>
<td>MEETING Second Meeting of the OECD Working Group on Capital Market Developments in the Baltic Nordic Region.</td>
<td>Helsinki</td>
<td>DAF</td>
<td>Mr. H. Blommestein</td>
</tr>
<tr>
<td>13 – 14 December 2001</td>
<td>Baltic Regional Programme</td>
<td>SEMINAR Policy meeting on the Economic and Business Environment for Trade in Services in the Baltic States</td>
<td>Tallinn</td>
<td>ECH</td>
<td>Ms. B. Kalinova Mr. G. Holliday</td>
</tr>
</tbody>
</table>
## ANNEX II. PROGRAMME OF EVENTS: BALTIC REGIONAL PROGRAMME 2002

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACTIVITY NO.</th>
<th>TITLE OF EVENT</th>
<th>LOCATION</th>
<th>IMPLEMENTING DIRECTORATE/DIVISION</th>
<th>CONTACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 - 7 February 2002</td>
<td>II.A.2.5V</td>
<td>WORKSHOP Insurance and Private Pensions Reform in Baltic Countries</td>
<td>Tallinn</td>
<td>DAF/FIN</td>
<td>Cecile Vignial</td>
</tr>
<tr>
<td>7 - 8 February 2002</td>
<td>II.A.1.4 / (Common Elements Programme) II.A.2.5V</td>
<td>WORKSHOP Pensions Reforms in Transition Economies</td>
<td>Tallinn</td>
<td>DAF/FIN</td>
<td>Juan Yermo, Cecile Vignial</td>
</tr>
<tr>
<td>26 - 28 March 2002</td>
<td>II.A.1.8 (Common Elements Programme)/ II.A.10V</td>
<td>MEETING Fourth Annual Meeting of the Anti-Corruption Network</td>
<td>Istanbul (Private Sector Development Centre)</td>
<td>DAF/ACD</td>
<td>Steven Bate, Vera Gundel, Winnie Marshall</td>
</tr>
<tr>
<td>April 2002 (Dates to be determined)</td>
<td>II.A.2.1V</td>
<td>WORKSHOP Workshop on Measuring the Prices of Construction Work</td>
<td>Paris</td>
<td>STD/DNM</td>
<td>Fenella Maitland-Smith</td>
</tr>
<tr>
<td>6 – 10 May 2002</td>
<td>II.A.2.7V</td>
<td>WORKSHOP Direct Taxation and Code of Conduct</td>
<td>Tallinn</td>
<td>DAF/CTPA</td>
<td>Richard Parry</td>
</tr>
<tr>
<td>3 June 2002</td>
<td>II.A.2.9V</td>
<td>MEETING Annual Baltic Regional Programme Evaluation Meeting</td>
<td>Paris</td>
<td>CCNM/Dir &amp; Coord</td>
<td>Marilyn Yakowitz, Sirkka Siikamaki</td>
</tr>
<tr>
<td>10 – 14 June 2002</td>
<td>II.A.2.7V</td>
<td>WORKSHOP Property Tax</td>
<td>Vilnius</td>
<td>DAF/CTPA</td>
<td>Richard Parry</td>
</tr>
<tr>
<td>10 – 14 June 2002</td>
<td>II.A.2.7V</td>
<td>WORKSHOP International Tax</td>
<td>Riga</td>
<td>DAF/CTPA</td>
<td>Richard Parry</td>
</tr>
<tr>
<td>June 2002 (Dates to be determined)</td>
<td>II.A.2.11V</td>
<td>MEETING Labour Market and Social Policy in the Baltic States</td>
<td>Vilnius</td>
<td>ELS/NEIM</td>
<td>Anders Reutersward</td>
</tr>
<tr>
<td>July 2002 (Dates to be determined)</td>
<td>II.A.2.1V</td>
<td>WORKSHOP Joint OECD/Eurostat Workshop on quarterly GDP Estimation and Seasonal Adjustment in EU Countries</td>
<td>Luxemburg</td>
<td>STD/DNM</td>
<td>Fenella Maitland-Smith</td>
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<tr>
<td>July 2002 (Dates to be determined)</td>
<td>II.A.2.1V</td>
<td>WORKSHOP Workshop on Practical Solutions for Measuring Quarterly GDP in the Baltic Countries</td>
<td>Paris</td>
<td>STD/DNM</td>
<td>Fenella Maitland-Smith</td>
</tr>
<tr>
<td>DATE</td>
<td>ACTIVITY NO.</td>
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<tr>
<td>September 2002</td>
<td>II.A.2.11V</td>
<td>MEETING Meeting of the Employment, Labour and Social Affairs (ELSA) Committee to discuss the review report</td>
<td>Paris</td>
<td>ELS/NEIM</td>
<td>Anders Reutersward</td>
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<tr>
<td>October 2002</td>
<td>II.A.2.8V</td>
<td>WORKSHOP Workshop on Competition Policy</td>
<td>To be determined</td>
<td>DAF/COMP</td>
<td>John Clark</td>
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<tr>
<td>November 2002</td>
<td>II.A.2.2V</td>
<td>MEETING Trade Meeting with Baltic State Officials</td>
<td>To be determined</td>
<td>ECH/TPD</td>
<td>Blanka Kalinova George Holliday</td>
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<tr>
<td>December 2002</td>
<td>II.A.2.14V</td>
<td>SEMINAR Seminar on Agricultural Incomes and Labour Adjustment in Rural Areas in Estonia, Latvia and Lithuania</td>
<td>To be determined</td>
<td>AGR/NME</td>
<td>Michael Ryan</td>
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<tr>
<td>Second Half of 2002</td>
<td>II.A.2.4V</td>
<td>MEETING Third Annual Forum of Debt Managers</td>
<td>To be determined</td>
<td>DAF/FIN</td>
<td>Hans Blommestein</td>
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<tr>
<td>Last Quarter 2002</td>
<td>II.A.2.12V</td>
<td>MEETING A New Leadership Role for Ministers and Ministries of Education</td>
<td>Tartu</td>
<td>ELS/NEIM</td>
<td>Ian Whitman</td>
</tr>
<tr>
<td>Last Quarter 2002</td>
<td>II.A.10V</td>
<td>MEETING Review Meeting with Governmental and Civil-Society Representatives on the Preliminary Findings of the Community-based diagnostic Surveys</td>
<td>To be determined</td>
<td>DAF/ACD</td>
<td>Vera Gundel</td>
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<tr>
<td>Last Quarter 2002</td>
<td>II.A.2.12V</td>
<td>MEETING The Role of Parliamentary Committees in Formulating Education Policy</td>
<td>Vilnius</td>
<td>ELS/NEIM</td>
<td>Ian Whitman</td>
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<tr>
<td>Last Quarter 2002</td>
<td>II.A.10V</td>
<td>MEETING Baltic Anti-Corruption Initiative Workshop</td>
<td>Riga</td>
<td>DAF/ACD</td>
<td>Vera Gundel Nicola Ehlermann-Cache</td>
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<tr>
<td>Last Quarter 2002</td>
<td>II.A.10V</td>
<td>MEETING Baltic Anti-Corruption Initiative Workshop</td>
<td>To be determined</td>
<td>DAF/ACD</td>
<td>Vera Gundel Nicola Ehlermann-Cache</td>
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<tr>
<td>2002</td>
<td>II.A.2.4V</td>
<td>MEETING Working Group on Capital Markets</td>
<td>To be determined</td>
<td>DAF/FIN</td>
<td>Hans Blommestein</td>
</tr>
<tr>
<td>2002</td>
<td>II.A.2.5V</td>
<td>WORKSHOP Private Pensions Reform in Baltic Countries</td>
<td>To be determined</td>
<td>DAF/FIN</td>
<td>Cecile Vignial</td>
</tr>
<tr>
<td>2002</td>
<td>II.A.2.5V</td>
<td>MEETINGS Two Experts Meetings on Insurance and Pensions Reform</td>
<td>To be determined</td>
<td>DAF/FIN</td>
<td>Cecile Vignial</td>
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</table>
## ANNEX III. PARTICIPATION BY THE BALTIC STATES IN OECD GLOBAL FORUM EVENTS 2001

### OECD GLOBAL FORUMS 2001

<table>
<thead>
<tr>
<th>GLOBAL FORUM</th>
<th>EVENT DATES</th>
<th>EVENT</th>
<th>LOCATION</th>
<th>IMPLEMENTING DIRECTORATE</th>
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</thead>
<tbody>
<tr>
<td>OECD Global Forum on Knowledge Economy</td>
<td>28 - 29 March</td>
<td>Measurement of Innovation Activities in OECD Member and non-Member Economies</td>
<td>Pretoria</td>
<td>CCNM/DSTI</td>
</tr>
<tr>
<td>OECD Global Forum on Taxation</td>
<td>4 - 6 June 2001</td>
<td>Meeting on Tax Administrations in the Electronic World</td>
<td>Montreal</td>
<td>CCNM/DAF</td>
</tr>
<tr>
<td>OECD Global Forum on Competition</td>
<td>17 - 18 October 2001</td>
<td>Global Forum on Competition</td>
<td>Paris</td>
<td>CCNM/DAFFE</td>
</tr>
<tr>
<td>OECD Global Forum on Governance</td>
<td>6 - 7 November</td>
<td>Forum on Modernising Government</td>
<td>Paris</td>
<td>CCNM/PUMA</td>
</tr>
<tr>
<td>OECD Global Forum on Governance</td>
<td>22 - 23 November 2001</td>
<td>Conference on the Governance of Public Agencies</td>
<td>Bratislava</td>
<td>CCNM/PUMA</td>
</tr>
<tr>
<td>OECD Global Forum on Knowledge Economy – Biotechnology</td>
<td>1 December 2001</td>
<td>Biosafety and Biotechnology: A Dialogue between OECD Countries and non-Member countries</td>
<td>Raleigh-Durham</td>
<td>CCNM/ENV</td>
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</tbody>
</table>
**Participation by the Baltic States in OECD Global Forum on Taxation Events at the Multilateral Tax Centres**

<table>
<thead>
<tr>
<th>EVENT DATES</th>
<th>EVENT</th>
<th>LOCATION</th>
<th>IMPLEMENTING DIRECTORATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 - 26 January 2001</td>
<td>Workshop on Transfer Pricing Guidelines</td>
<td>Vienna (Multilateral Tax Centre)</td>
<td>CCNM/DAFFE</td>
</tr>
<tr>
<td>5 - 9 March 2001</td>
<td>Workshop on Auditing Multilateral Enterprises</td>
<td>Budapest (Multilateral Tax Centre)</td>
<td>CCNM/DAFFE</td>
</tr>
<tr>
<td>3 - 4 May 2001</td>
<td>Workshop on Income Tax</td>
<td>Budapest (Multilateral Tax Centre)</td>
<td>CCNM/DAFFE</td>
</tr>
<tr>
<td>8 - 12 October 2001</td>
<td>Workshop on Application of Tax Treaties</td>
<td>Vienna (Multilateral Tax Centre)</td>
<td>CCNM/DAFFE</td>
</tr>
<tr>
<td>1 - 2 November 2001</td>
<td>Workshop on Income Tax</td>
<td>Budapest (Multilateral Tax Centre)</td>
<td>CCNM/DAFFE</td>
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<tr>
<td>5 - 9 November 2001</td>
<td>Workshop on Tax Incentives</td>
<td>Budapest (Multilateral Tax Centre)</td>
<td>CCNM/DAFFE</td>
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<tr>
<td>19 - 23 November 2001</td>
<td>Workshop on Taxing Electronic Commerce</td>
<td>Vienna (Multilateral Tax Centre)</td>
<td>CCNM/DAFFE</td>
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</table>
### COMMON PROGRAMME FOR TRANSITION ECONOMIES OF EUROPE AND CENTRAL ASIA 2001

<table>
<thead>
<tr>
<th>EVENT DATES</th>
<th>EVENT</th>
<th>LOCATION</th>
<th>IMPLEMENTING DIRECTORATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 February - 10 March 2001</td>
<td>Seminar on Competition Policy</td>
<td>Vienna</td>
<td>CCNM/DAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Joint Vienna Institute)</td>
<td></td>
</tr>
<tr>
<td>6 - 7 March 2001</td>
<td>Seminar on Tourism Policy and Economic Growth</td>
<td>Berlin</td>
<td>CCNM/STI</td>
</tr>
<tr>
<td>9 - 13 April 2001</td>
<td>Seminar on Tax Modelling</td>
<td>Vienna</td>
<td>CCNM/DAF</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Joint Vienna Institute)</td>
<td></td>
</tr>
<tr>
<td>23 April 2001</td>
<td>Conference on Private Pensions in Central and Eastern European countries and the NIS</td>
<td>Sofia</td>
<td>CCNM/DAF</td>
</tr>
<tr>
<td>24 - 25 April 2001</td>
<td>First Conference of the International Network of Pension Regulators and Supervisors</td>
<td>Sofia</td>
<td>CCNM/DAF</td>
</tr>
<tr>
<td>18 - 19 June 2001</td>
<td>Informal Meeting of the Working Party of the Trade Committee with Transition Economies</td>
<td>Paris</td>
<td>CCNM/ECH</td>
</tr>
<tr>
<td>10 - 11 September 2001</td>
<td>First Meeting of the Group of Senior Officials on Urban Water Sector Reform in the NIS</td>
<td>Kiev</td>
<td>CCNM/ENV</td>
</tr>
<tr>
<td>17 - 19 September 2001</td>
<td>Third Meeting of the NIS Environment Enforcement and Compliance Network</td>
<td>Saint Petersburg</td>
<td>CCNM/ENV</td>
</tr>
<tr>
<td>22 - 23 October 2001</td>
<td>Thirteen Environmental Action Programme (EAP) Task Force Meeting</td>
<td>Paris</td>
<td>CCNM/ENV</td>
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<tr>
<td>17 - 18 December 2001</td>
<td>Environmental Permitting Expert Meeting</td>
<td>Paris</td>
<td>CCNM/ENV</td>
</tr>
</tbody>
</table>
OECD CENTRE FOR CO-OPERATION WITH NON-MEMBER
BALTIC REGIONAL PROGRAMME

OECD SECRETARIAT CONTACT INFORMATION

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00 331 4524 9177