

# Meeting of the OECD Council at Ministerial Level

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**THE OECD SOUTHEAST ASIA  
REGIONAL PROGRAMME**

# **The OECD Southeast Asia Regional Programme**



1. In 2007, OECD Ministers identified Southeast Asia as a region of strategic priority and called on the Secretary-General to explore ways to expand the OECD's relations with the region, with a view to identifying countries for possible membership [C/MIN(2007)4/FINAL]. At the 2013 Ministerial Council Meeting (MCM), OECD Ministers followed up by calling for the establishment of a comprehensive OECD Southeast Asia Regional Programme [C/MIN(2013)14]. The main objective of the Programme is to strengthen engagement with the region with a view to support the regional integration process and national reform priorities.

2. The Southeast Asia Regional Programme will bring participating countries closer to OECD standards and practices, facilitate access to the expertise of OECD bodies and adherence to its instruments. The Programme will aim to foster the exchange of good practices and mutual learning between policy makers in Southeast Asia and OECD countries, bringing perspectives from the region to enrich the policy debate at the OECD. The Programme is being designed to encourage a systematic exchange of experience to develop common solutions to regional and global challenges.

3. Building on the substantial existing work with the region, an intensive consultation process was launched, including with OECD Committees, Southeast Asian governments and regional stakeholders. This process has ensured that the new Programme is of mutual benefit and interest, and makes the best use of existing structures and networks in the OECD and in the Southeast Asian region.

#### **Structure of the Southeast Asia Regional Programme**

4. The consultation process has identified four clusters for the first phase of the Southeast Asia Programme:

- **Connectivity:** boosting infrastructure development, facilitating the flow of goods and services and promoting international investment;
- **Enhancing the business climate:** regulatory reform, tax policy and SMEs;
- **Inclusive growth:** skills and education;
- **Cross-cutting work on statistics.**

#### ***I. Regional Policy Networks***

5. It was further decided that the substance of the Programme will be developed by thematic Regional Policy Networks (RPNs), which will build on the work programme of substantive OECD and Southeast Asian bodies and dialogue processes. Each Regional Policy Network will be composed of policy experts from Southeast Asia and OECD countries, who will jointly decide on its work programme. The key operating principle for the Networks is "flexibility", as they are meant to adjust their functioning as policy discussions evolve while continuing to provide a platform for the Programme's engagement in Southeast Asia. This flexibility will allow each Network to define its activities, establish the frequency and venue of its meetings and identify the relevant stakeholders to engage.

6. Importantly, the Regional Policy Networks will provide value added not only to the countries in Southeast Asia, but also to Committees and OECD Members by offering a fresh perspectives on issues of common interest and joint challenges. They will allow the identification and discussion of best practices and create the space needed for their dissemination, including possibly through peer review processes. In this context, the Networks will be supportive of national reform processes. Sequencing of reforms is important to all economies and can be one of the most difficult policy actions to effectively implement. The Regional Policy Networks will be able to recommend to Participants how to sequence reforms within the regional and country-specific context and support their implementation.

7. Consultations led to the identification of six initial areas to focus the Programme's Regional Policy Networks: (i) tax, (ii) investment, (iii) education and skills, (iv) small and medium-sized enterprises, (v) regulatory reform, and (vi) connectivity and public-private partnerships (PPPs) to support connectivity for infrastructure development. In addition, co-operation is expected on other policy areas, in particular trade, through a variety of mechanisms, including a Southeast Asia seminar series, without at this stage involving the creation of a Regional Policy Network. Innovation is another policy area which will draw on the recent *OECD Review of Innovation Policy: Innovation in Southeast Asia* and on ongoing country-specific innovation reviews, e.g. Vietnam and Malaysia. An OECD Southeast Asia gender initiative will also be proposed, and the existing co-operation in the context of the *Economic Outlook for Southeast Asia* will be intensified to ensure that it plays a major role in the shaping of the overall Programme. Other long established activities of the OECD in Southeast Asia, e.g., in such areas as corporate governance and anti-bribery, can contribute to the OECD's strategy towards Southeast Asia, particularly in relation to the four clusters of policy areas, even if they do not form Regional Policy Networks at this time.

8. The six Regional Policy Networks will focus on the following areas:

#### *Tax Policies and Administration*

9. The OECD has co-operated with Southeast Asian countries on tax issues since the launch of the OECD-Korea Tax Centre in 1997. In 2013, all Southeast Asian countries will be involved as hosts or participants in some of the 22 technical events in the region being organised by the Committee on Fiscal Affairs on international tax issues, tax administration, and tax policy. The Regional Policy Network on Tax policies will channel and expand on this fruitful co-operation to build up a community of best practices. The network's activities could include the discussion of issues such as Base Erosion, Profit Shifting (BEPS); transfer pricing guidelines; VAT; and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

#### *Investment Policy and Promotion*

10. OECD work on investment policy in Southeast Asia is well-established. The OECD has been co-operating with the ASEAN Secretariat on Investment Policy Reviews (Vietnam 2009; Indonesia 2010; Malaysia 2013; and Myanmar, Lao PDR, the Philippines, and a second review of Vietnam, in 2014). Through these country-level reviews, officials from the region participate in OECD Committees, such as the Investment Committee and the Advisory Group on Investment and Development, to engage in a peer review and exchange best practices with OECD Delegates. In addition, the regional component of the OECD's investment co-operation with ASEAN member countries links national investment policy frameworks to the regional investment policy harmonisation initiatives in support of establishing the ASEAN Economic Community in 2015. This has given individual ASEAN members a platform to showcase their reforms and to learn from peers, while at the same time strengthening the regional integration initiatives and national reforms. These activities also support the work of the ASEAN Secretariat.

11. During the consultations held in Bangkok,<sup>1\*</sup> Southeast Asian representatives expressed strong interest in further co-operation with the OECD in investment issues and highlighted a few priority areas. Based on these consultations, the Regional Policy Network on Investment policies will aim to build a community of best practices, with a special focus on investment policy reform, private investment in infrastructure development, and the collection and analysis of suitable statistics for foreign direct investment (FDI).

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\* Consultations were conducted in parallel with the UNESCAP Trade and Investment week held on 19 November 2013 with representatives from all ten ASEAN member countries.

### *Education and Skills Development*

12. The Regional Policy Network on Education and Skills will co-ordinate and streamline a host of ongoing activities through which the OECD aims to help the region to benefit from a better qualified workforce. Since 2000, the OECD has been evaluating the knowledge and skills of the world's 15-year-olds through its Programme for International Student Assessment (PISA). Results of the PISA 2012 survey were published on 3 December 2013, with five Southeast Asian countries participating: Indonesia, Malaysia, Singapore, Thailand and Vietnam. Discussions with other countries are ongoing, for example, Cambodia is considering its participation in the *PISA for Development* project, which enhances the survey by addressing a broader range of country contexts.

13. In March 2013, Southeast Asian ministers approved a joint proposal by the OECD and the Southeast Asian Ministers of Education Organization (SEAMEO) to co-operate to improve the efficiency of resource use in schools. In the context of current fiscal pressures, demographic shifts and increasing attention to the quality of education, the proposal seeks to help countries improve the distribution and use of resources to achieve greater efficiency and equity in the education systems, by ensuring resources are channelled to where they are most needed. In consultations with the ASEAN Secretariat held in November 2013, regional qualification frameworks were mentioned as a key area of potential further co-operation. This is an important topic for ASEAN countries in their efforts for further regional integration. Consultations are also ongoing the SEAMEO to identify additional areas of cooperation.

### *Small and Medium-Sized Enterprises (SMEs) Policies*

14. The OECD and the ASEAN Secretariat are working together on a comparative assessment of SME policies in the ten ASEAN member countries, with the objective of supporting policies aimed at promoting enterprise development in the ASEAN region and enhance the dialogue and co-operation on SME policies. In November 2013, the results of the first OECD-ASEAN SME Policy Index were presented and priorities for future work were discussed. The OECD is currently collaborating with the Asian Development Bank on enhancing access to finance for SMEs and entrepreneurs. Thailand is already participating in the OECD Scoreboard on Financing SMEs and Entrepreneurs, and other countries have expressed interest.

15. The Regional Policy Network on SMEs policies will promote the further exchange of knowledge on policies to support SMEs development to strengthen the competitiveness of Southeast Asian economies and to foster co-operation within the region and between OECD and Southeast Asian countries.

### *Regulatory Reform Policies*

16. The OECD has been engaged in issues of Regulatory Reform in Southeast Asia for over a decade. In 2000, the OECD and APEC signed an Agreement to co-operate in order to improve regulatory practices in the region, resulting in the 2005 APEC-OECD Integrated Checklist on Regulatory Reform. Bilateral Policy Reviews were conducted for Vietnam (Review on Administrative Simplification, 2010) and Indonesia (Regulatory Reform, 2012). A country specific project with Malaysia on Good Regulatory Practices was launched in 2012. The OECD will also conduct a Product Market Regulation survey in 2013-2014 with Brunei Darussalam, Malaysia, Myanmar, the Philippines, and Thailand. The resulting report will be presented to the ASEAN Ministers meeting in 2014.

17. The Regional Policy Network on Regulatory Reform policies will help build up a community of best practices based on the realisation that good regulatory practices are instrumental in achieving open and competitive markets, as well as improving economic efficiency and consumer welfare.

## *Connectivity and the Role of Public-Private Partnerships for Infrastructure Development*

18. The needs for infrastructure investment in Asia are enormous. According to the Asian Development Bank, Asia requires USD 750 billion in infrastructure investment annually. This can only be accomplished if traditional forms of public investment are supplemented with private financing of infrastructure, for example via the use of PPPs. The Regional Policy Network for Connectivity will support the regional efforts to establish a well-connected ASEAN Community by 2015. The network's activities will include diagnostic work, tailored advice, comparative data collection, training and other capacity-building activities relating to PPPs, capital investment and regional connectivity.

### ***II. Strengthening Collaboration on Trade***

19. Over the last several decades, trade has played a central role in supporting growth and development in Southeast Asia. ASEAN member countries have made significant progress in lowering barriers to intra-regional trade. ASEAN has also finalised a number of trade agreements with other partners, including OECD Members, to enhance the flow of goods, services and investment, in order to promote a more inclusive growth. Enhancing connectivity through trade continues to be an important priority in the region.

20. OECD work in a number of areas of trade policy is highly relevant to the region's efforts to improve connectivity and enhance the business climate and can form the basis for a deepened dialogue. This is the case for factors that shape successful engagement in global and regional value chains. The OECD/WTO Trade in Value-Added (TiVA) database covers several Southeast Asian countries. Detailed analytical work is now underway on the participation of developing countries in regional and global value chains which will also cover ASEAN member countries. This could be another area of interest, specifically trade facilitation and services in support of integration into global value chains.

### ***III. Strengthening Collaboration on Innovation***

21. Innovation – which fosters competitiveness, productivity growth, and job creation – is important to promote sustainable growth and well-being. Southeast Asia is increasingly focused on enhancing its innovation performance. The *OECD Review of Innovation Policy: Innovation in Southeast Asia* covered Cambodia, Indonesia, Malaysia, Singapore, Thailand and Vietnam, and provided a platform for more in-depth reviews. Such reviews are currently underway for Vietnam and Malaysia. A review on how Indonesia's system of intellectual property rights can best support its innovation and development objectives was also recently completed.

22. The OECD's work on innovation benefits from strong collaboration in the region, including from the ASEAN Committee on Science and Technology (ASEAN COST), and from a range of national experts and Delegates to OECD bodies. The innovation reviews could explore how countries can enhance their competitiveness in global value chains through innovation, which could help them avoid a middle-income trap. Further work could also draw on ongoing work on inclusive innovation and green innovation, which aim to ensure that future growth is more inclusive and sustainable.

### ***IV. Toward an OECD-SEA Regional Gender Initiative***

23. In a recent statement, H.E. Le Luong Minh, Secretary-General of ASEAN, remarked that “the goal of gender equality should be central to all three pillars of economy, political-security and socio-cultural (development) of ASEAN”. In parallel with the activities discussed above, an OECD-Southeast Asia Gender Initiative will be proposed. To help women realise their entrepreneurial potential as drivers of innovation, job creation, and economic growth, and to ensure equal economic opportunities and level the

playing field for women-led businesses. In this respect, there is interest that the Southeast Asia Regional Programme considers also the establishment of a Southeast Asia Regional Gender Initiative.

24. Consultations between the OECD and the ASEAN Secretariat showed strong interest in such an initiative in support of existing work streams in ASEAN. Further consultations will be necessary. Potential activities during a first phase could focus on women entrepreneurship, and address issues such as: how to enhance access to finance and business development services for women-owned businesses; and, how to improve related economic policy responses, building on better gender-disaggregated statistics and indicators.

## **V. *The Economic Outlook for Southeast Asia***

25. First launched in 2010, the *Economic Outlook for Southeast Asia, China and India* is a joint effort with the ASEAN Secretariat that is presented regularly on the occasion of the ASEAN Summit. This annual publication on Asia's economic growth, development and regional integration process, covers broader macro-economic and structural reform themes. The report focuses on the economic conditions of ASEAN member countries and provides an annual update of regional economic trends and policy challenges. The thematic focus varies each year and includes country-specific and structural policy notes. The latest edition (*Outlook 2014*) was released in Brunei, in October 2013. The thematic focus of the *Outlook* is aligned with the ASEAN regional agenda. The 2013 edition focussed on "Narrowing development gaps", and the 2014 edition covered the theme "Beyond the middle income trap". The 2015 Outlook will be released in Myanmar (host country of the ASEAN Summit), in November 2014, and focus on "strengthening institutional capacity".

26. The OECD - ASEAN+3 Macroeconomic Research Office (AMRO) Asian Regional Roundtable was established in 2012 as a follow up activity to one of the OECD Strategy on Development platform. The Roundtable also supports the structural reform approach of the *Outlook*. The Southeast Asia Regional Programme will leverage on this existing network to help identify emerging policy challenges in the region and to better link the work of the six Regional Policy Networks, making them more effective in supporting the development processes in the region.

### **The way ahead 2014-2015**

27. The priorities for each of the six policy areas of the Southeast Asia Regional Programme, as well as the trade, innovation, and gender themes were discussed with representatives from governments and the business community at the OECD Southeast Asia Regional Forum on 25-26 March 2014, in Bali, Indonesia. The Forum was an important opportunity to hear the perspectives from ASEAN member countries on how the Southeast Asian Regional Programme can be most useful to them.

28. Following the launching of the OECD Southeast Asia Regional Programme at the 2014 OECD Ministerial Council Meeting, the focus of the Programme will shift to implementation. Over the course of the year, each of the six Regional Policy Networks (RPNs) will hold at least one meeting in Southeast Asia to select the RPN's co-chairs, define their work programmes, and secure the necessary multi-year funding to ensure the continuity and sustainability of the Network. In parallel, the Secretariat will continue to explore how to advance joint work on policy areas of mutual interest, such as responsible business conduct.

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