



SEE Competitiveness Outlook 2021

Key Findings

Friends of South East Europe Meeting
25 October 2021

OECD South East Europe Regional Programme

What is the Competitiveness Outlook (CO)?



Key Features of the CO2021 Edition



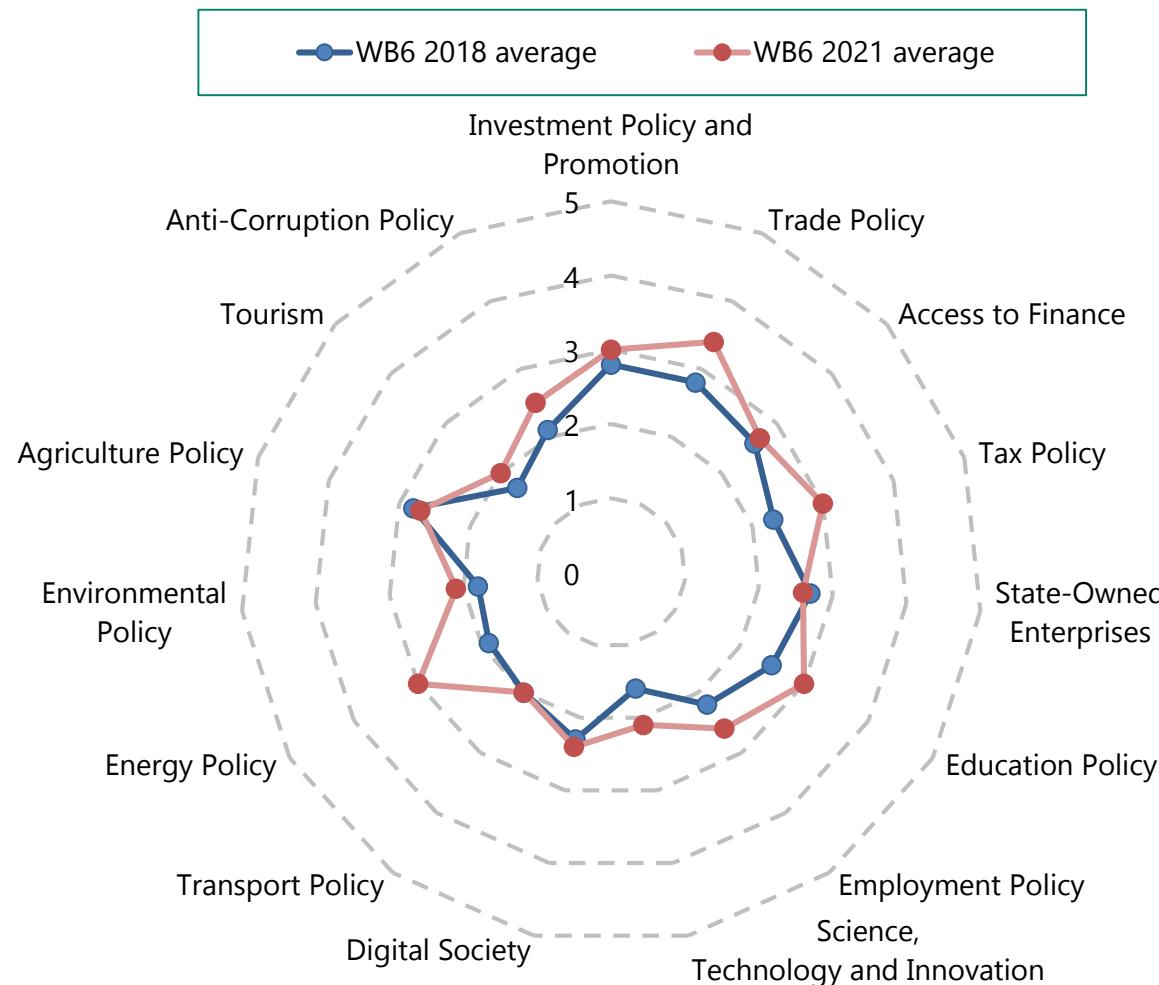
- Assessment of competitiveness-enhancing policies across **16 policy areas**
- **Benchmarks policy performance** against regional peers, OECD and EU averages using latest relevant **OECD tools** and good practices
- Actionable **policy recommendations**, accompanied by **good practice examples** from OECD/EU/WB6 economies to guide policy design and implementation
- **Implementation tracking** of CO2018 recommendations
- Information on the **impact of COVID-19** on relevant policy areas
- Supports the region's Sustainable Development Agenda by **informing on progress with SDGs**
- Supports the implementation of **regional agendas** (EU Economic and Investment Plan; Digital Agenda; Green Agenda; Common Regional Market Action Plan)
- **6 economy profile publications** with economy-specific analysis, policy recommendations and the most relevant good practice examples

Strong outreach:

- **700 stakeholders** (government and non-government) participated in the **assessment process**
- More than **450 participants** attended **the virtual road show** across the region
- **5000 downloads** from the OECD library since July

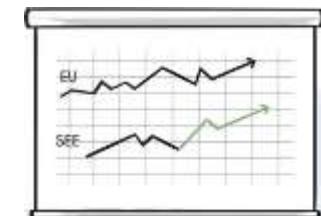


Competitiveness Outlook Performances: 2018 vs. 2021



The Western Balkan region made notable progress since the previous assessment in:

- Energy Policy
- Tax Policy
- Education Policy

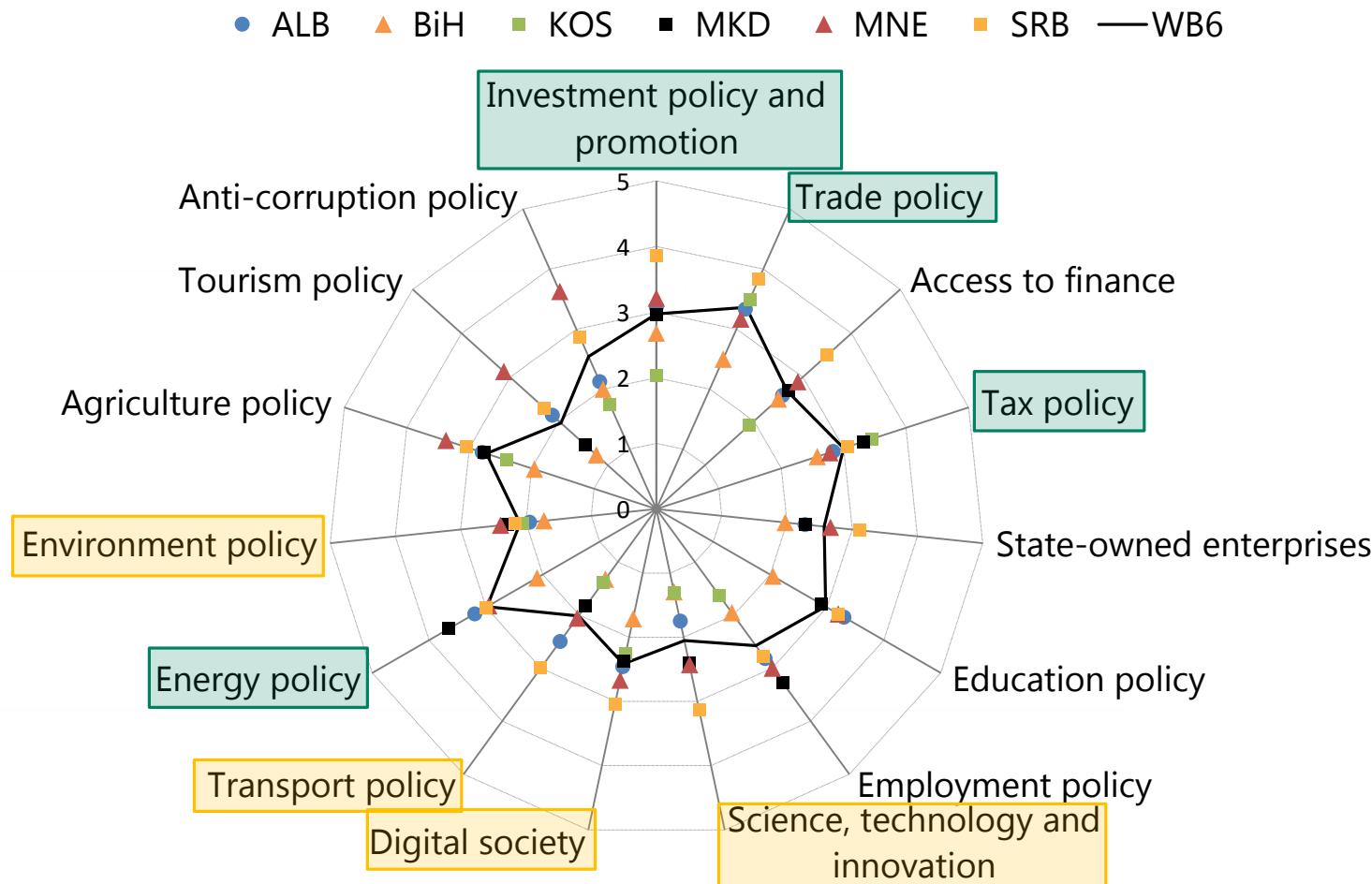


... some progress was also observed across a number of policy areas:

- Trade Policy
- Science, Technology and Innovation
- Environmental Policy
- Anti-corruption Policy



WB6 economies' Competitiveness Outlook 2021 Performance



Key achievements (strongest performances):

- Investment policy and promotion
- Tax policy
- Trade policy
- Energy policy

Key priorities (weakest performances):

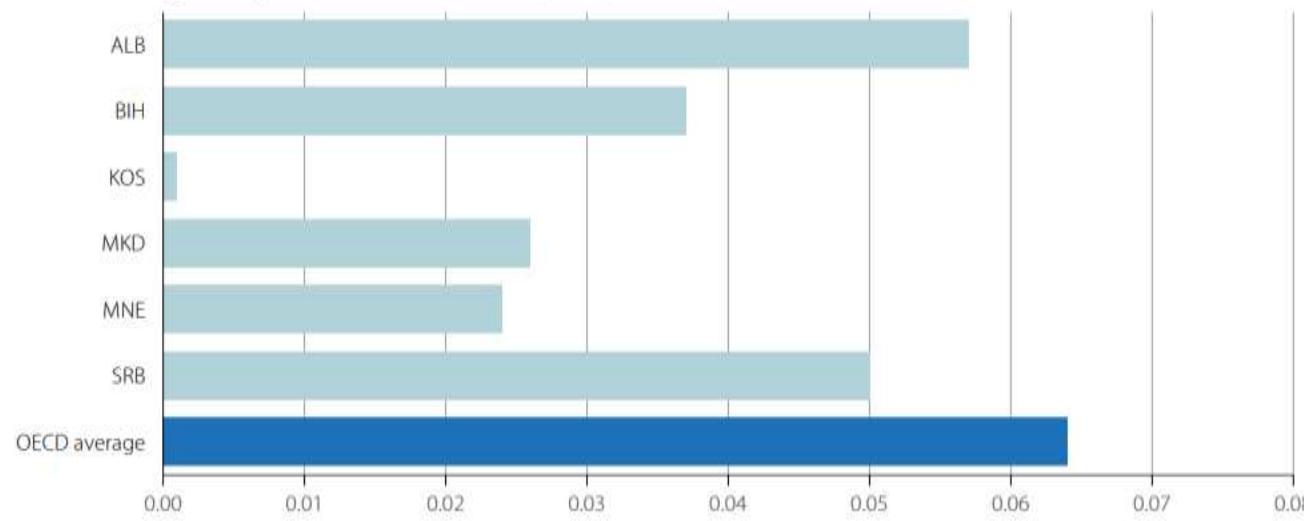
- Environment policy
- Digital society
- Science, technology and innovation
- Transport policy

Key Achievements (1/4): Investment Policy and Promotion



- The WB6 economies are **open to FDI** with limited exceptions to national treatment of foreign investors. Most economies have reinforced the capacities and resources of their authorities in charge of **intellectual property rights**.
- Several WB6 economies have substantially **increased funding** and **human resources** of their **Investment Promotion Agencies (IPAs)**. IPA's mandates were expanded, all of which now include dedicated **aftercare services**.
- All WB6 economies have developed dedicated approaches to **investment targeting** for key economic sectors and most have strategies for targeting special economic zones.
- Although the efficiency of **commercial procedures** has improved in several WB6 economies and **judicial reforms** have substantially reduced backlogs for commercial court cases, the use and awareness for **Alternative Dispute Resolution (ADR) mechanisms remains very low**.

OECD FDI Regulatory Restrictiveness Index (2020)

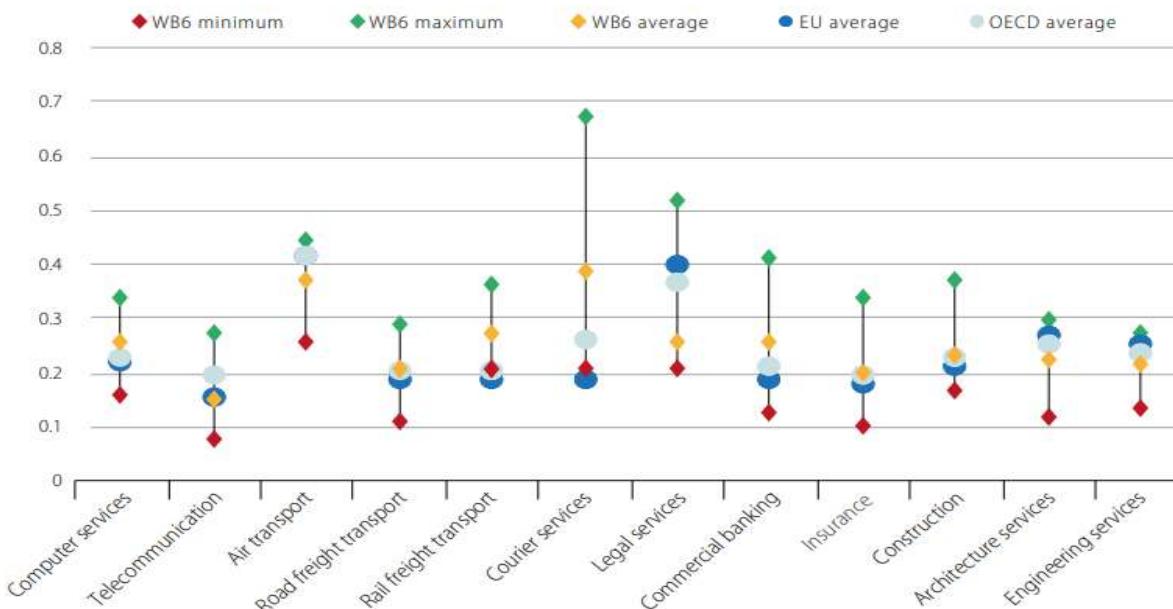


Key Achievements (2/4): Trade Policy



- **Trade in services has opened significantly** for all WB6 economies through the signing of CEFTA AP 6 in 2019, spurring reforms to remove restrictions on movement, qualifications and activities of CEFTA service providers.
- The regulatory environments for **digitally enabled services** of all WB6 economies are more open than the OECD average and on par with the best performers among the EU.
- All WB6 economies have made progress in aligning their sectoral regulations on **e-commerce** with the **EU acquis** and increased awareness raising efforts among SMEs.
- To continue improving **public consultation procedures**, WB6 economies should **publish summaries** of consultations on draft legislation more systematically and invite stakeholders to become more involved in the legislative process.

Services trade restrictiveness index – Western Balkan six economies (2020)



Key Achievements (3/4): Tax Policy

- Most WB6 economies have continued aligning their systems with **international tax trends**:
 - 5 WB6 economies joined the Inclusive Framework on Base Erosion and Profit Shifting (BEPS)
 - 4 WB6 economies signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS
- Significant progress has been made in **strengthening tax administrations**, specifically with regards to taxpayer services, tax filing as well as independence and transparency.
- Most WB6 economies have strengthened their use of **micro-simulation models** to assess the distributive effects of tax reforms and are using models to **forecast tax revenues**.
- To combat **heavy reliance on SSCs** and **taxes on goods and services**, governments should **diversify the tax mix** by strengthening the role of corporate and personal income taxes, environmentally related taxes, and recurrent taxes on immovable property.

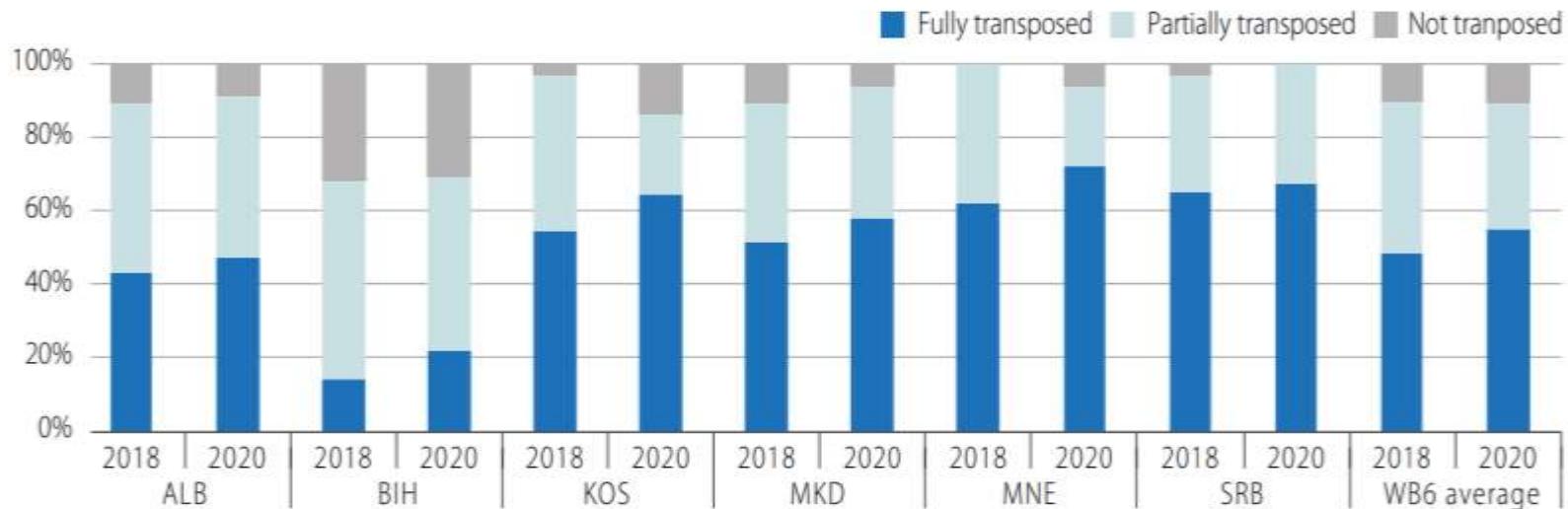


Key Achievements (4/4): Energy Policy



- Progress has been made in aligning the energy sector with the **EU acquis** by transposing a significant share of the **EU's Third Energy Package**.
- Energy infrastructure would benefit from upgrades as all WB6 economies have very **high distribution losses**.
- The WB6 economies face a **heavy reliance on coal** for electricity generation (nearly 60% of electricity generated in 2018) and a tough **transition to non-hydro renewables**.
- **Energy efficiency** is slowly being improved as building certifications are rolled out across the WB6. However, **funding is scarce** and often limited to public buildings.

Western Balkan six progress on transposing the EU's Third Energy Package (2018-20)



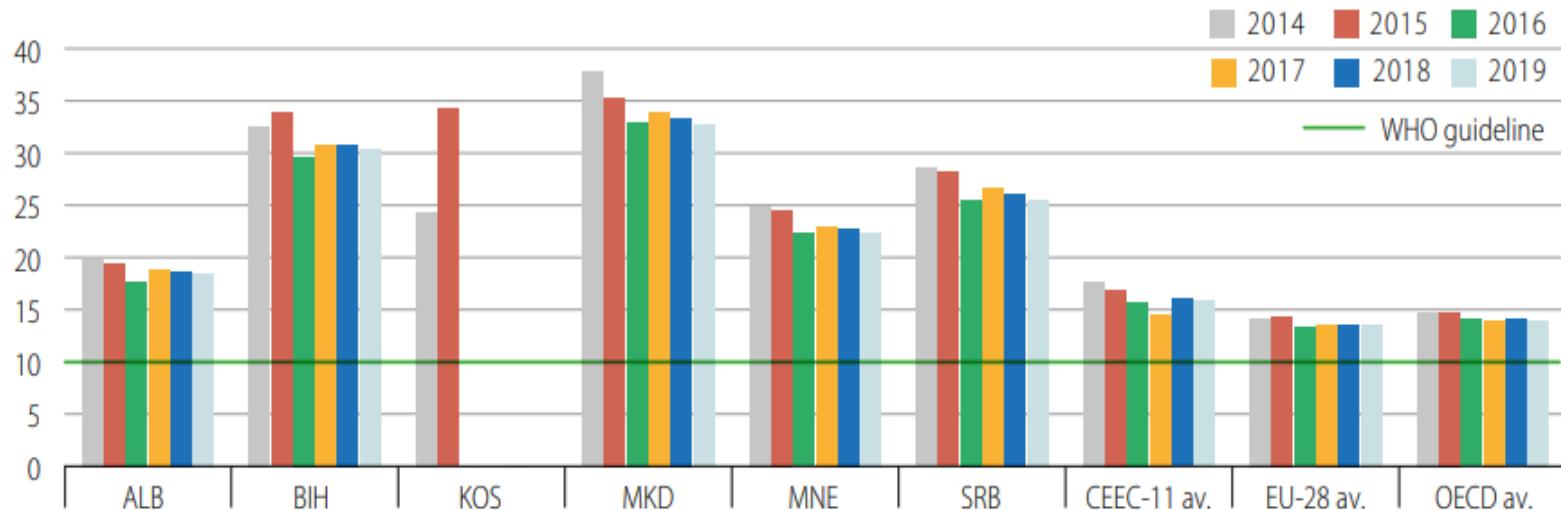
Key Priorities (1/4): Environment Policy



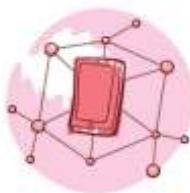
- **Climate change adaptation** policy frameworks are gradually being introduced, but all WB6 economies still need to decrease their dependence on **fossil fuels**, upgrade household **heating systems**, and reduce **transport** and **industry emissions**.
- Although WB6 economies have fairly well-developed legislative frameworks and local air quality plans, **air pollution** remains a key issue with **PM_{2.5} levels two to three times above** the WHO recommended maximum.
- While the WB6 economies are rich in natural resources, **water sources** are unevenly distributed, **biodiversity frameworks** are not enforced, and **land-use systems** are outdated.

Annual mean population exposure to PM_{2.5} air pollution (2014-19)

Micrograms per cubic metre ($\mu\text{g}/\text{m}^3$)

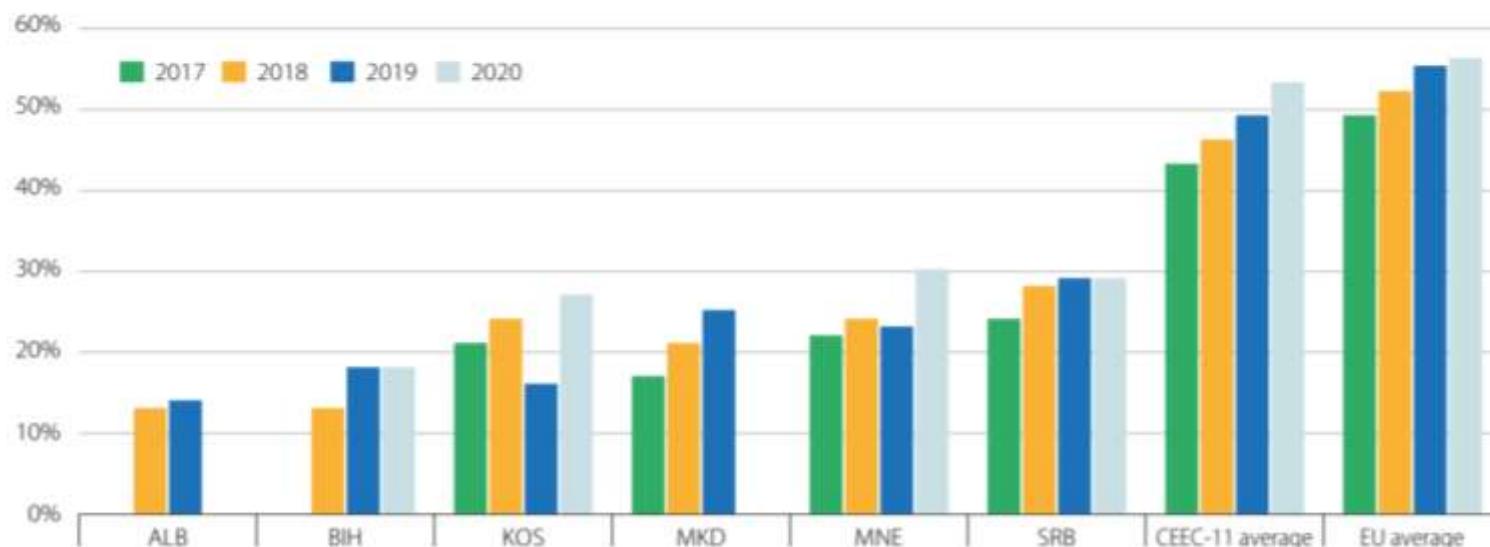


Key Priorities (2/4): Digital Society



- **Fixed broadband penetration** has been on the rise in all WB6 economies, but remains below the OECD average.
- Despite accelerating **digitalisation of government services**, usage rates continue to be low and limited **digital literacy** remains prevalent in the region, threatening to deepen a digital divide.
- As **digital skills gaps** persist for both students and adults in the WB6, **greater co-operation** with the ICT community is needed to support the proliferation of **ICT skills**.
- Support for **private sector ICT adoption** is underdeveloped in most WB6 economies. Scaling up programmes and policies to **support SMEs' digitalisation** and boost **e-commerce** take-up would help local firms stay competitive.

Rate of Internet use when interacting with public authorities (2017-20)

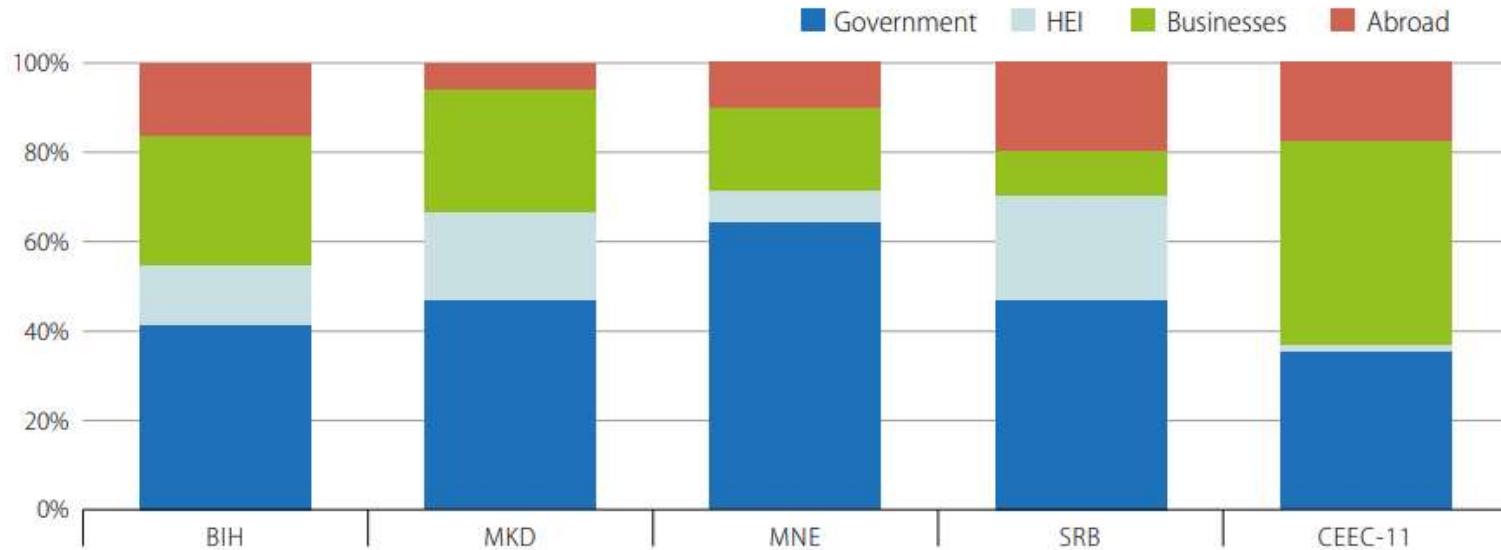


Key Priorities (3/4): Science, Technology and Innovation (STI) Policy



- Most WB6 economies have a comprehensive **STI strategy framework** in place, but implementation is hindered by **limited co-ordination** and a **lack of policy prioritisation** and **monitoring**.
- While most WB6 economies are beginning to operate or set up **innovation funds** for implementing STI policy, **business-academia collaboration** opportunities to promote private funding through grants or partnerships are overlooked and underutilised.
- As public research remains systemically **underfunded**, increasing resources for R&D and promoting scientific research as an attractive profession can help develop human capital and counteract brain drain.

Funding sources for research and development (2017)

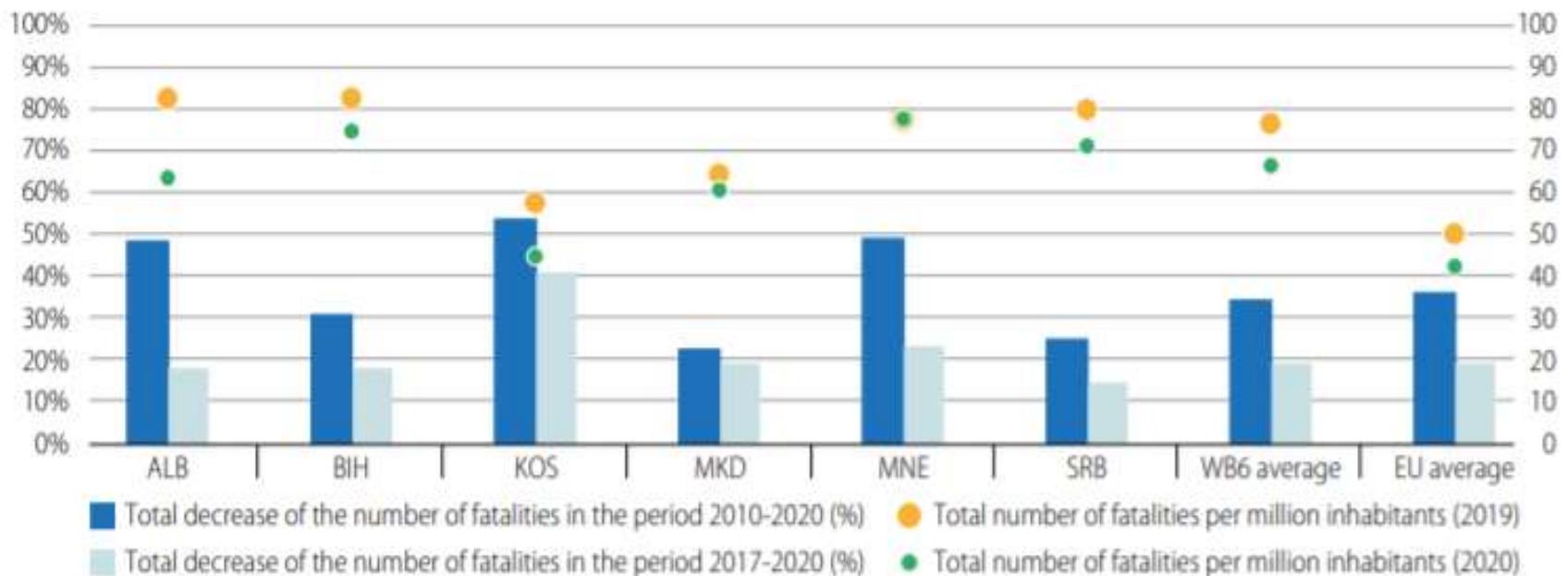


Key Priorities (4/4): Transport Policy



- While the WB6 economies could reduce **road fatalities**, their number remains much higher than in the EU.
- An **asset management** system is still in the early phases of development, with most economies taking steps primarily in the road sector. Transport **project selection** remains inefficient in most WB6 economies.
- While most WB6 economies have long-term transport strategies, **combined transport strategies** should be developed to boost cost efficiency, reduce environmental pollution, and increase freight company co-modality and co-operation.

Road safety trends (2010-2020)



Thank you for your attention!

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