

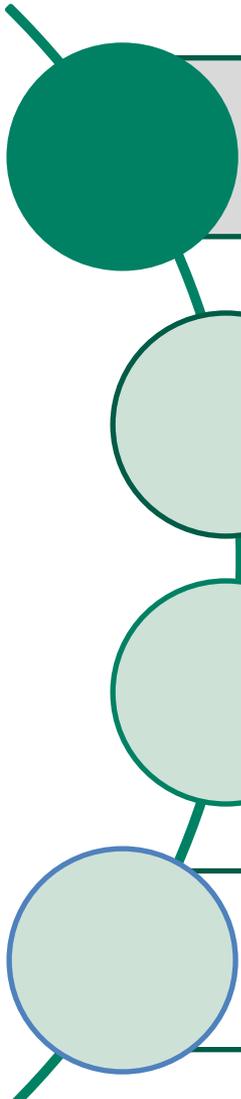


OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

FRIENDS OF SOUTH EAST EUROPE MEETING

30 November 2022

Agenda



1. Programme's key activities and achievements over the last 6 months

2. Key tenets of the upcoming work

3. Recent economic developments

4. Zoom-in on «*SME Policy Index: Western Balkans and Turkey 2022*»

1. Key achievements

High-level representation and policy dialogue

2022 SEE High-level Conference: *Human Capital Flight – Shaping the Future Together*

- **200 high-level participants**, incl. OECD Secretary General, EC Commissioner, 1 Deputy PM, 13 Ministers and Vice Ministers/State Secretaries; 18 Ambassadors from OECD member states and SEE partners
- **Unique platform for sharing OECD's work**, policy experiences and good practices on making SEE's labour markets fit for future
- **Launch of the OECD report on *Labour Migration in the Western Balkans*** and **2 ministerial panels**
- **6 bilateral meetings to advance OECD work in SEE:** OECD SG with EU Commissioner Várhelyi; Bulgarian Deputy Minister of FA; OECD DSG with North Macedonian DPM; Kosovo* Minister of Industry; informal dinner with Swiss State Secretary and Austrian Vice Minister for Development and Cooperation



High-level representation and policy dialogue

- The **Berlin Process** Leader's Summit and Meeting of Energy Ministers: GRC Director Schaal shared policy insights on increasing investments in renewables.
- The **2022 Dubrovnik Forum**: DSG Knudsen launched the *2022 SME Policy Index* with EU Commissioner Várhelyi.
- The **Economic Conference Montenegro**: GRC Director Schaal delivered opening remarks on addressing the challenges of labour migration in the Western Balkans.
- **Forum Sur Les Balkans Occidentaux**, organised as part of the French EU Presidency: The Acting Head of SEE Regional Programme Richter focused on the businesses' green transition in the Western Balkans.



1. Key achievements

Labour Migration

OECD report

- **Analyses labour migration patterns** of the WB6 economies, **investigates their root causes, potential consequences**, and examines the WB6's current migration and diaspora policies
- Provides **targeted policy recommendations** for alleviating emigration factors and leveraging diaspora resources strategically
- **1 report** and **6 economy-specific 2-pagers**

“Reports like this help us policy makers to create quality policies” (Deputy Prime Minister Bytyqi, North Macedonia)



In-country stakeholder roundtables

- **6 roundtable meetings**, one in each WB6 capital, between June and September 2022
- **Attracted high-level government speakers** (1 DPM, 2 Ministers, 3 Deputy Ministers/State Secretaries)
- **Generated large public interest** (250+ in-person and 150+ virtual participants) and **diverse participation** (policy makers; business representatives; IOs; NGOs; return migrants)
- **Enabled to discuss the report's findings and how each WB6 could implement the recommendations** in its specific local context



“Full commitment of the Government to follow all essential measures to utilise the diaspora as development agents” (Minister Hajdari, Kosovo)

1. Key achievements SME Policies

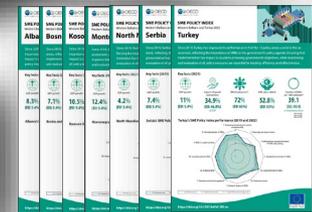
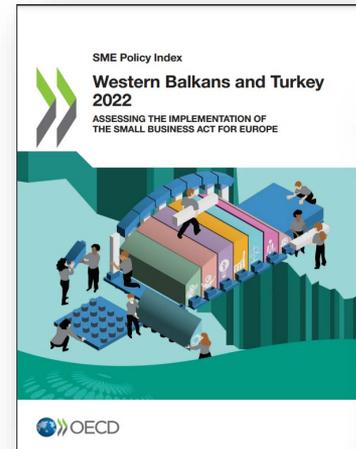


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SME Policy Index 2022 publication

- **1 regional publication**
- **7 economy-specific profiles**
- **Additional materials** for time-constrained readers (pocket book, 2-pagers)

“For more than 15 years the SME Policy Index has been a key instrument to help policy makers identify progress and prioritise SME reforms” (EU Commissioner Várhelyi)



Stakeholder engagement

- **600+ stakeholders involved across the region**
- **35+ virtual policy roundtables**
- **Pre-launch at WBIF Board Meeting in Rome**
- **High-level launch at the Dubrovnik Forum**
- **7 economy-specific launches** at ministerial level with wide public interest (400+ participants)

“A main tool to support the region’s policy makers cushion SMEs from the impact of current and future crises and strengthen their resilience to future shocks” (OECD DSG Knudsen)



1. Key achievements

Anti-corruption & Integrity

Country-specific reports

- **3 country reports for Bosnia and Herzegovina, Croatia and Serbia** co-developed with +200 regional stakeholders offering tailor-made policy advice
- Each report **identifies bottlenecks to fair competition** and provides **reform recommendations** and **good practice implementation advice**

*“Croatia is strongly committed to level the competitive playing field. Our collaboration with the OECD in the project on Fair Market Conditions makes a great contribution”
(State Secretary Josip Salapić, Croatian Ministry of Justice and Public Administration)*



Stakeholder engagement

- **Collaboration with Collective Action Communities of Bosnia and Herzegovina, Croatia and Serbia** (+200 members) in awareness raising and capacity building in support of a level playing field
- **3 meetings of the Collective Action Communities as unique fora to address key constraints to fair competition**, adopting tailor-made project recommendations and discussing main requirements for effective implementation
- **>30 technical meetings with government officials in Bosnia and Herzegovina, Croatia and Serbia** to discuss policy options and requirements for successful reform making



2. Key tenets of the upcoming work

2. Key tenets of the upcoming work in 2023

Competitiveness Outlook 2024

- Continue to provide Western Balkan policy-makers with a **multi-dimensional benchmarking tool** to compare their performance across **16 policy dimensions**.
- Support the region to achieve sustainable growth in line with **OECD standards**, the **EU enlargement strategy** and the **UN SDGs**.
- Focus on **green and digital transition** of the region.
- Feature key findings on a **digital data platform**, increasing visibility and accessibility of the results.
- Publication foreseen in **2024**.



Circular Economy

- New work stream to support the **preparation and implementation of circular economy (CE) roadmaps** in the Western Balkans.
- Direct contribution to the **Economic and Investment Plan** and the **Green Agenda** for the Western Balkans.
- Support for the design of **CE roadmaps** to those economies that lack them – to serve as **blueprint for their CE transition**.
- Support for implementation include **workshops, capacity building** and other peer-learning exercises.
- Involvement of a wide range of stakeholders to create **inclusive platforms**.
- Strong focus on **regional knowledge-sharing**.

2. Key tenets of the upcoming work in 2023

SME Policy

- Continue to **engage in the region's SME policy dialogue**, leveraging the *SME Policy Index 2022*.
- New project to assist Bosnia and Herzegovina in **facilitating businesses' digital transformation**, based on the policy recommendations of the *SME Policy Index 2022*.
- Mapping of currently available **business support services** (BSS) and analysis of mismatch with SME needs.
- Support for implementation includes **workshops and policy dialogue activities** to strengthen institutional capacity and to tailor policy responses.



Anti-corruption & Integrity

- Continue the collaboration with Croatia and Serbia on priority topics such as **competition policy enforcement, SOE compliance, alternative dispute resolution mechanisms**.
- Organise of a **series of policy seminars and workshops** to build capacity and promote OECD tools (e.g. on Anti-Bribery Convention in International Business Transactions, Recommendation on Fighting Bid Rigging in Public Procurement, Competition Assessment Toolkit).
- Develop a **set of practical manuals** for policy makers on topics such as whistleblower protection, public procurement and fighting bid rigging.
- Continue **support to pilot universities** in adapting **curricula** and introduce **innovative practices** (e.g. legal anti-corruption clinics)

2. Key tenets of the upcoming work

Calendar of events in 2023

	Date	Place	Event
Competitiveness Outlook	Q2	Paris	Kick-off meeting in Paris between the OECD and Western Balkan policy makers to launch the new cycle.
	Q2	Virtually	A set of roundtable meetings to explain the updated assessment frameworks to the government officials in each Western Balkan economy.
	Q3-Q4	Western Balkan region	Series of a fact-finding missions to clarify information gaps, and discuss preliminary findings with local government representatives.
Circular Economy	Q1	Virtually	Regional kick-off meeting with main circular economy stakeholders to introduce the new project.
	Q2-Q4	Virtually and in-person	Series of roundtable meetings with key circular economy stakeholders as part of the support for design and implementation processes.
SME Policy	Q2-Q4	Virtually and BiH	Series of workshops and policy dialogue activities , drawing on OECD tools and best practices, to support of SME digitalization in Bosnia and Herzegovina
Integrity	Q1-Q4	Virtually and in-person	Series of policy seminars and workshops to build capacity and promote OECD tools (e.g. Anti-Bribery Convention in International Business Transactions, Recommendation on Fighting Bid Rigging in Public Procurement, Competition Assessment Toolkit)

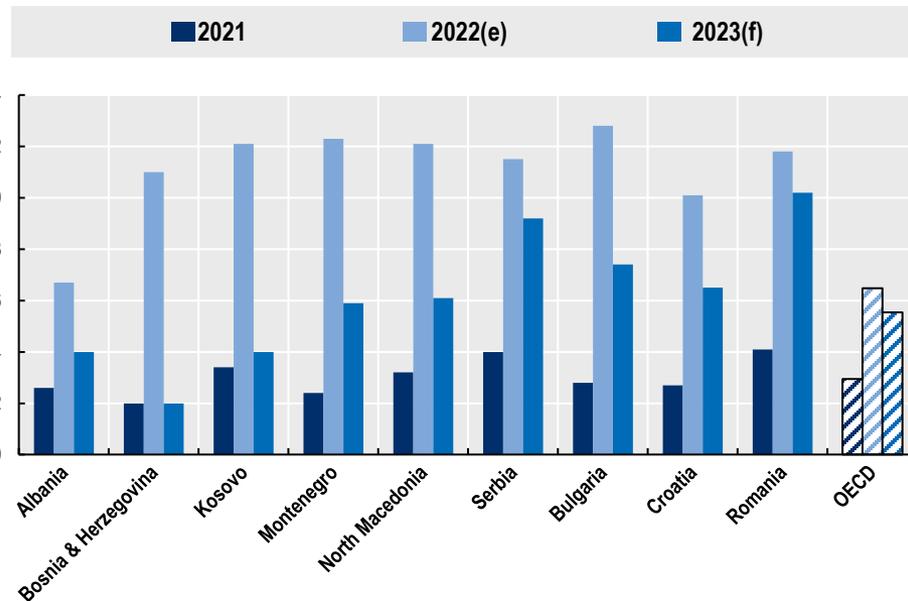
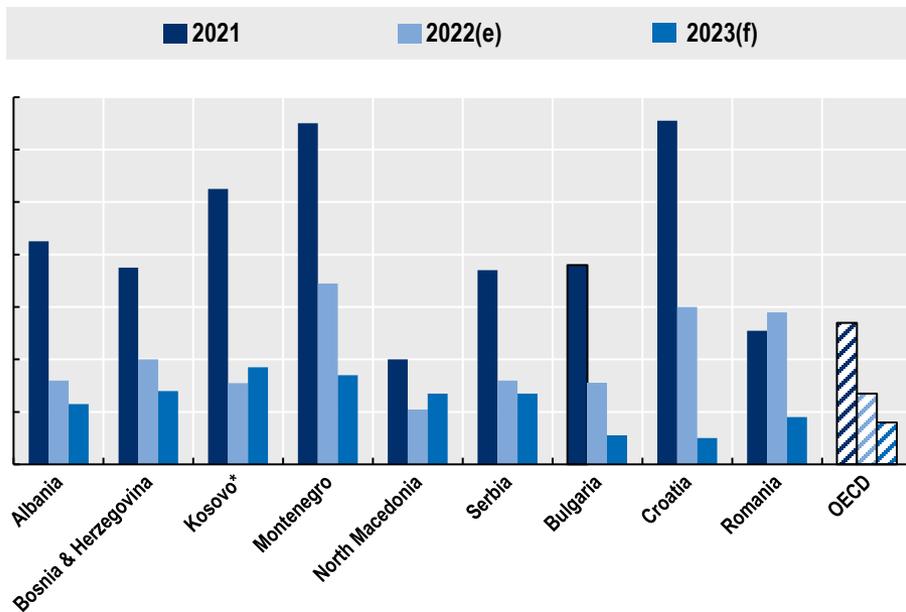
3. Recent economic developments in South East Europe

3. Economic Developments in South East Europe

The Russian aggression against Ukraine, and the resultant sharp increases in commodity and energy prices and slowdown in EU growth, is weighing on economic performance in the region.

Growth has been slowing
GDP growth (annual %)

Inflation remains high, but will moderate
Consumer price inflation (annual %)



Source: [World Bank Data](#) (for the Western Balkan economies), [Eurostat data](#) (for Bulgaria, Croatia and Romania), [OECD data](#) (for OECD average); (e): expected; (f): forecasted.

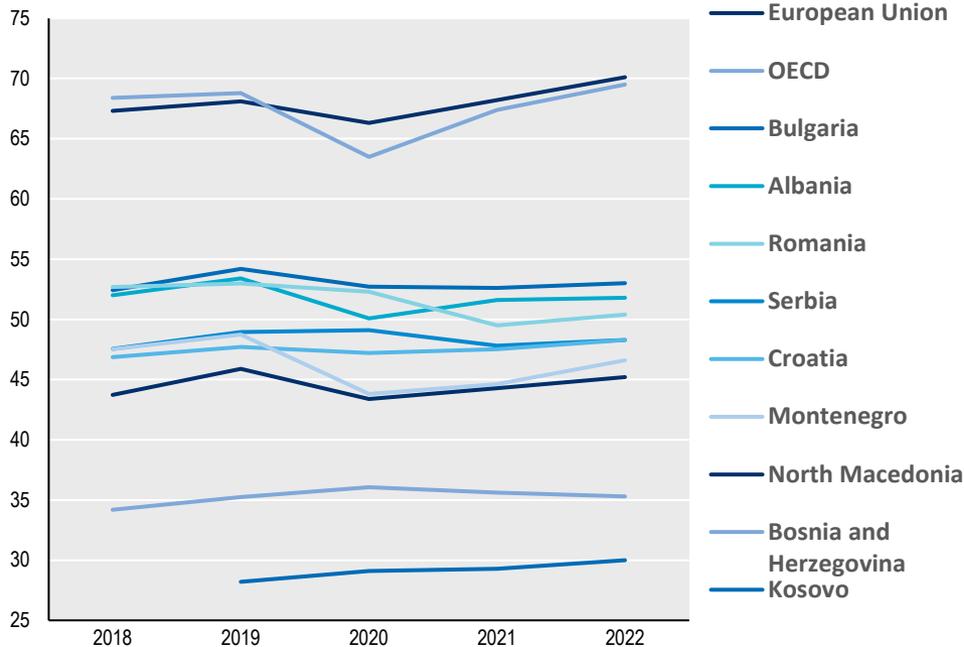
*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

3. Economic Developments in South East Europe

Despite slowing down, the region's economies demonstrate resilience, supported by robust private consumption and exports.

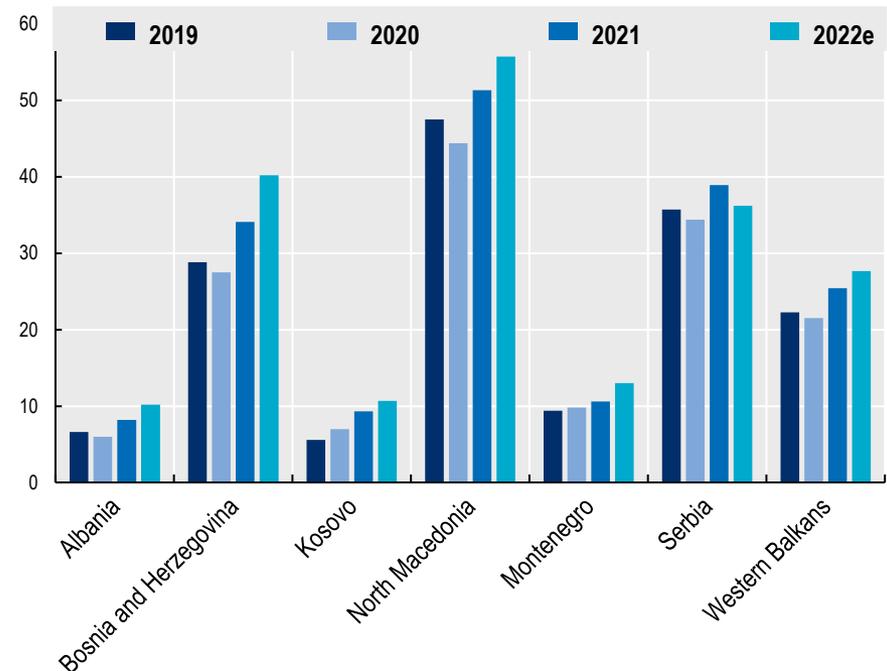
Employment rates increase, but remain low compared to OECD and EU states

*Employment to population, 15+ years
(% of total)*



Exports remain strong amid the global slowdown in merchandise trade

Export of goods (% of GDP)



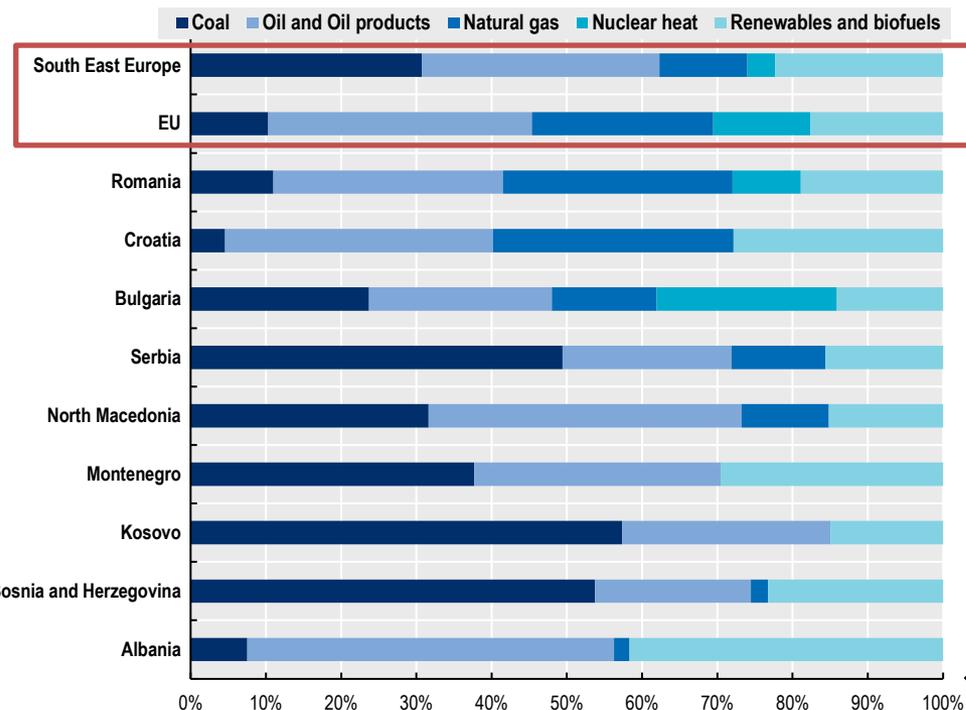
Source: (1) ILO data, except for Kosovo (National Statistics Office). The employment-to-population ratio shows the ratio of employed persons to the working-age population (i.e., persons aged 15 and above) (2) World Bank data

3. Economic Developments in South East Europe

Building resilience against energy supply and price shocks remains priority for the region.

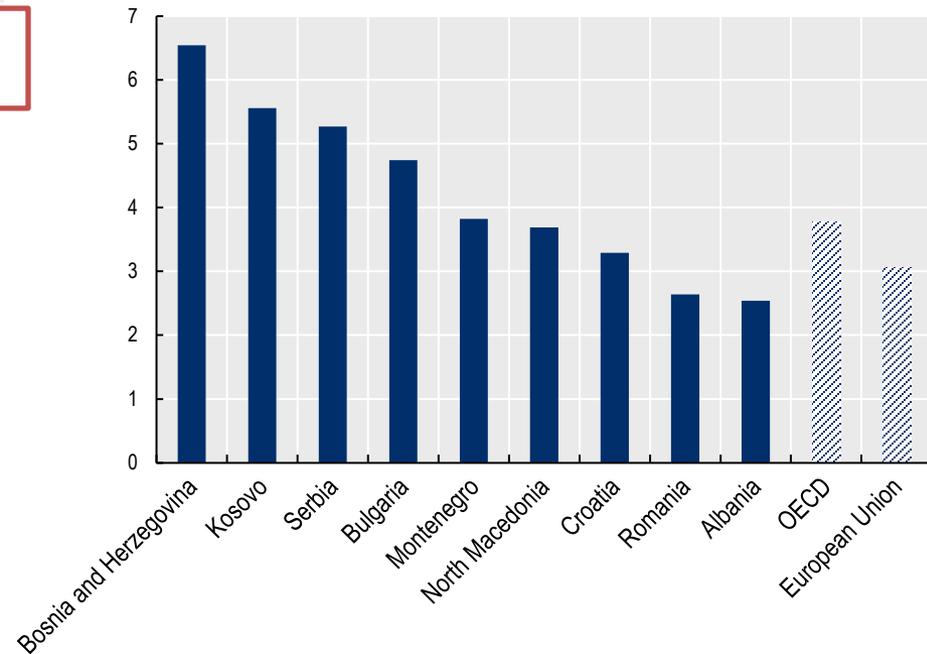
Fossil fuels represent a large share of the total energy supply

Energy mix as a share of primary consumption, 2021



Rising energy prices pose a risk for the region's energy-intensive economies

Energy intensity of GDP, 2019

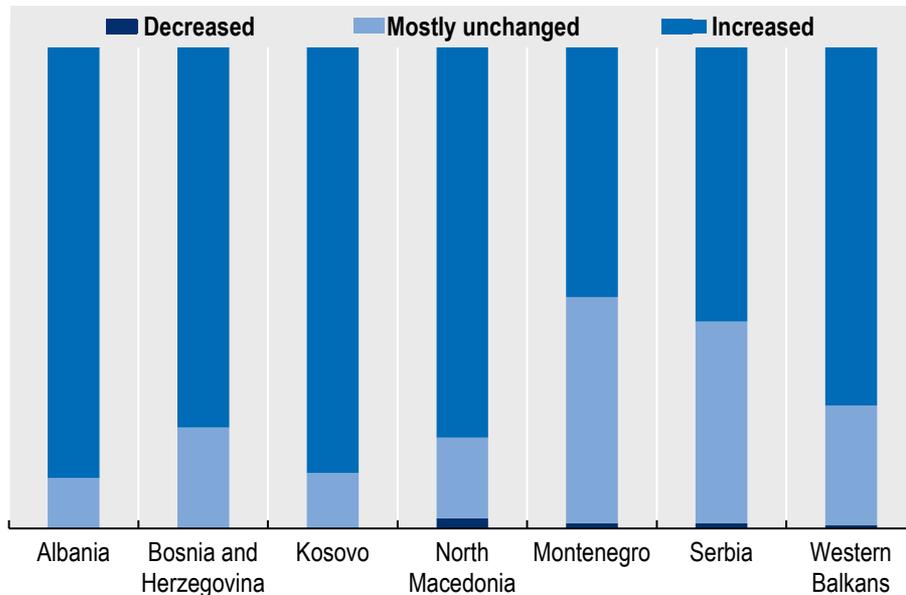


Note: (1) Energy mix reflects primary consumption excluding geothermal and net imported or net exported electricity, (2) Energy intensity is calculated as total energy supply per GDP. Source: (1) Eurostat (2021), Complete Energy Balance, <https://ec.europa.eu/eurostat/web/energy/data/database> (2) IEA data, 2019

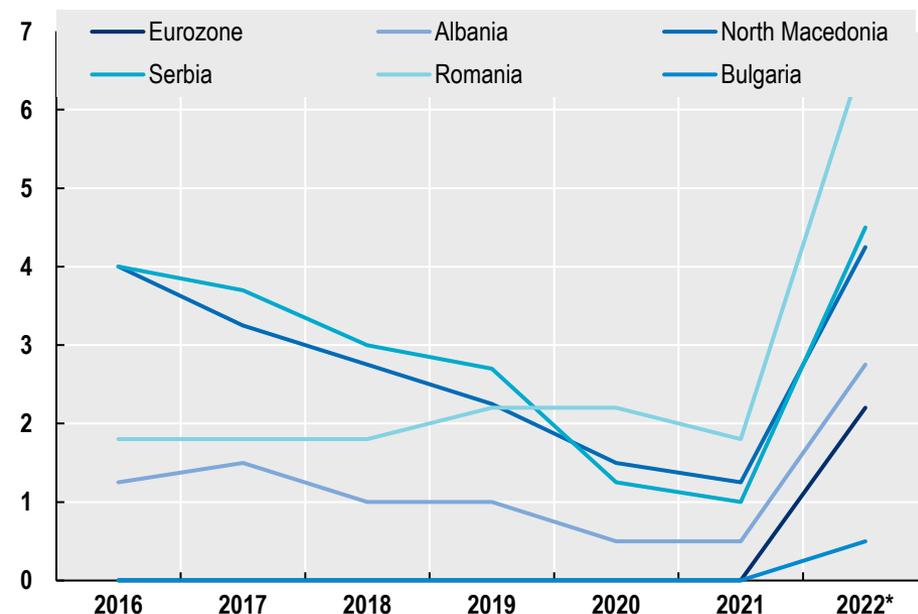
3. Economic Developments in South East Europe

Business recovery remains under threat amid rising operational costs, worsening access to finance and labour shortages.

Rising labour costs and surging inflation increase business cost
% of total, 2022



Tighter monetary policy will have negative impact on debt financing for businesses
Key Interest Rates (%)



Note: (1) The question asked to businesses is «How have your labour and other costs changed over the past 12 months?»

Source: (1) Balkan Barometer 2022, (2) National Central Banks and European Central Bank

4. Zoom-in on «*SME Policy Index: Western Balkans and Turkey 2022*»

4. SME Policy Index for the Western Balkans and Türkiye

Hit hard by the pandemic, the SME sector bounced back quickly, supported by government intervention

- In 2020, the Western Balkans' **GDP contracted by 3.3%** on the back of falling domestic demand, investment and exports.
- **About half of enterprises in the region had to suspend their business activity** temporarily due to COVID-19:
 - 1/3 reported reduced demand for goods and services as the greatest challenge imposed by COVID
 - 82% reported losses in revenue compared to pre-COVID levels.

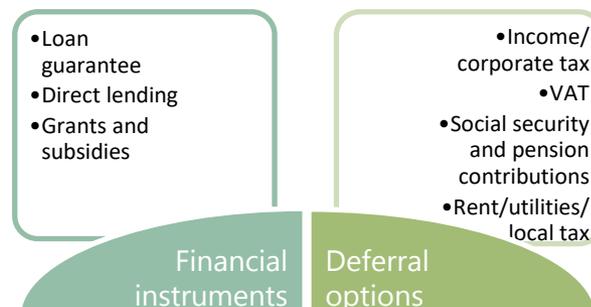


82% of enterprises reported **losses in revenue** compared to pre-COVID levels



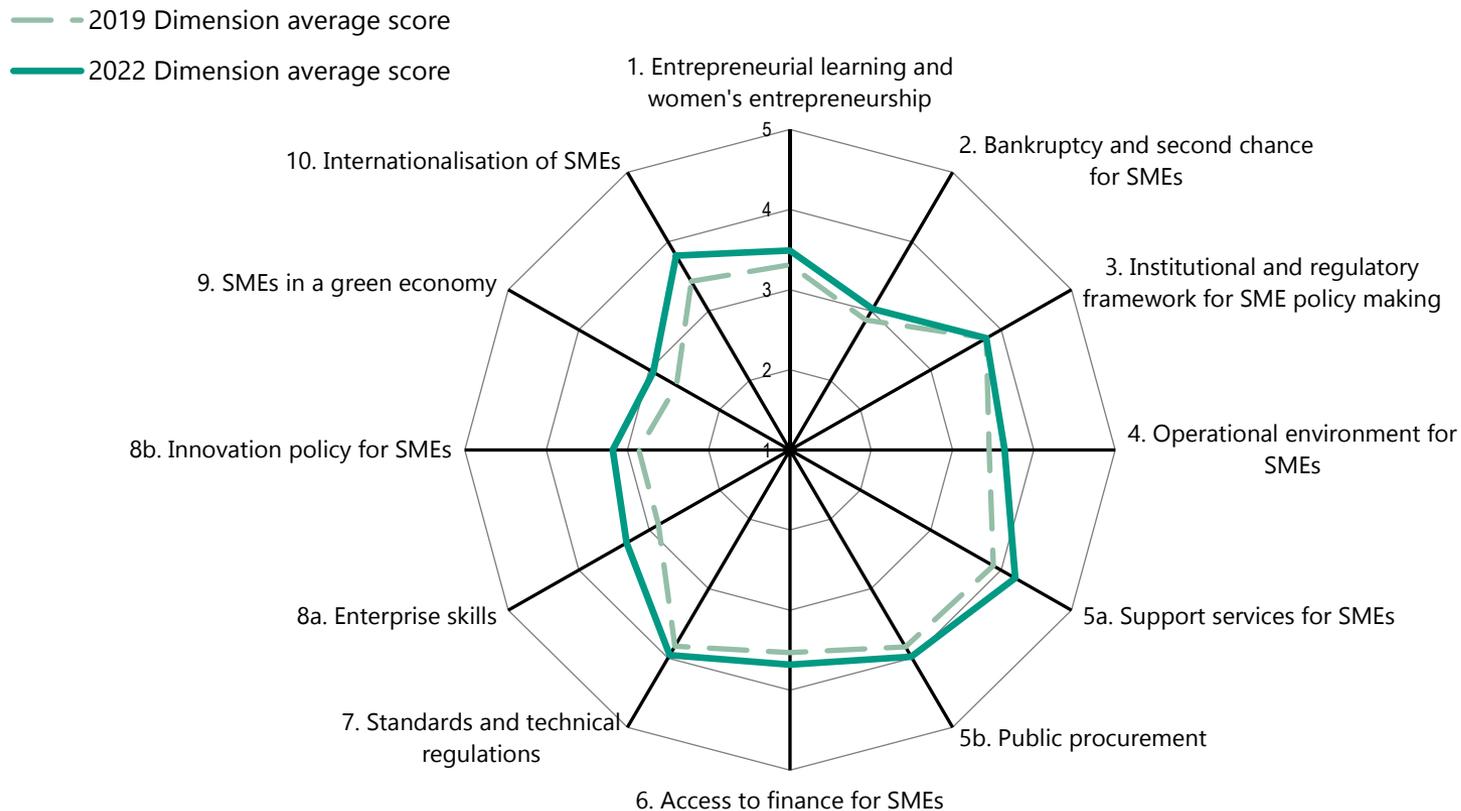
8.4% of decline in **SMEs share in exports** during the assessment period

- Preliminary evidence shows that **government measures** across the region contributed to prevention of a massive wave of business closures:
 - Expanded range of **advisory services and trainings**,
 - Newly introduced or further **strengthened credit guarantee funds, tax measures and debt moratoria**.



4. SME Policy Index for the Western Balkans and Türkiye

2022 assessment results show improvements across policy areas



The strongest performance is in the areas of:

- Dimension 3: Institutional and regulatory framework for SME policy making
- Dimension 5a: Support services for SMEs
- Dimension 5b: Public procurement
- Dimension 7: Standards and technical regulations
- Dimension 10: Internationalisation of SMEs

The most room for improvement is in the areas of:

- Dimension 2: Bankruptcy and second chance for SMEs
- Dimension 8a: Enterprise skills
- Dimension 8b: Innovation policy for SMEs
- Dimension 9: SMEs in a green economy

4. SME Policy Index for the Western Balkans and Türkiye

Key findings

- SMEs have increasingly **adopted digital tools**, driven by the successive pandemic lockdowns
- **Progress** was made in **SMEs' greening**, through new **financial incentives**
 - Increasingly important role of green funds
 - Greening rarely included in recovery programmes
- SMEs are receiving **more support to help grow exports** and shift to higher value-added activities, but a more systematic approach is needed
 - Provided support often takes form of *ad hoc* educational and training activities
- Focus has been put on enhancing the business environment to offer **opportunities for self-employment and start-ups**



27% of SMEs in Serbia,
18% in Bosnia and Herzegovina
9% in North Macedonia
are using the e-commerce channel for sales.



25% of SMEs on average
offer green products or services, a 5-percentage point increase since 2018



Adoption rate of **EU standards and technical regulations** among WBT economies rose from

91% in 2019 to **94%** in 2022

4. SME Policy Index for the Western Balkans and Türkiye

Way forward

- **Ensure a level playing field for SMEs:**
 - Enhance operational and institutional frameworks for SMEs
 - Improve more fundamental aspects of the business environment
- **Expand SME data collection and ensure regular evaluations:**
 - Address existing gaps in the availability and quality of key SME data, especially for interdisciplinary areas (greening, digitalisation)
 - Enhance control over the data collection process and conduct regular evaluation of programmes
- **Enhance digital transformation efforts and adopt user-driven approaches to service delivery**
- **Reinforce the SME greening momentum for sustainable development:**
 - Step up existing efforts for implementation and cross-sectoral policy co-ordination
 - Scale up incentives and instruments for SME greening
- **Boost entrepreneurial skills to help SMEs grow and contribute to social cohesion:**
 - Enhance government support for entrepreneurial learning and the development of enterprise skills

We thank all our partners for their strong support to the OECD South East Europe Regional Programme



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More information on our work can be found at <https://www.oecd.org/south-east-europe>