

SOUTH EAST EUROPE INVESTMENT COMMITTEE

**TWO-YEAR ROLLING WORK PROGRAMME
FOR THE PERIOD OF 2012 – 2013**

April 2012

I. Introduction

Launched in 2007 by the countries of South East Europe to enhance regional leadership for common investment strategies, South East Europe Investment Committee (SEEIC) has entered a new stage of its evolution. With the management of the SEEIC being assigned to the Regional Cooperation Council (RCC) from the OECD and with a mandate renewed by the SEE Ministers of Economy during the Ministerial Conference: Building 2020 Vision for South East Europe, held in Paris on November 24, 2011, the SEEIC now stands ready to help address the shared challenges facing SEE economies. Building upon the achievements made so far in the implementation of the Regional Framework for Investment¹, SEEIC intends to develop this work further into a regional response to the Europe 2020 Strategy process. Addressing the region's economic development priorities, SEEIC will lay out a long-term reform framework, driven by clear commitments and quantifiable targets, with the ultimate objective of making all SEEIC members more competitive while bringing the enlargement countries closer to EU membership.

Closer linkages will be sought, not just between the SEE economies, but also between the Investment Committee and other regional initiatives, public, private and donor task forces and structures, ensuring synergies in achieving the above stated goal. CEFTA 2006, Western Balkans Investment Framework, Social Agenda 2020, e-SEE Initiative, to name a few, all have goals that are complementary to the SEEIC's objectives and the Investment Committee will seek a modus operandi to enable more effective linkages with these regional structures and processes.

The SEEIC Co-Chairs, the Government of Albania and the Regional Cooperation Council Secretariat, in consultation with the OECD, propose this rolling two-year Work Programme to cover the period of 2012-2013, with a planned revision at the beginning of 2013 by the incoming Co-Chair. The Work Programme aims to translate political priorities and guidelines noted in the Statement of the Chair of the Ministerial Conference: Building 2020 Vision for South East Europe into action. The SEEIC Work Programme 2012-2013 gives a multiannual overview providing an outline for the SEEIC's work while assisting stakeholders and other regional and international partners in framing their interactions with the SEEIC.

II. Objectives

The main objectives, as set by the Co-Chairs and members of the SEEIC, entail the following:

Objective 1: Create a common regional vision for economic development in South East Europe – SEE 2020

1.1. Commit to time-bound regional headline targets consistent with the Europe 2020 Strategy and relevant to the SEE region

The SEEIC will agree on a set of regional headline targets, as mandated by the Statement of the Chair of the November 24, 2011 Ministerial Conference, backed by a

¹ Adopted by the Investment Compact for South East Europe Ministerial Conference on 27 June 2006 in Vienna

set of policy objectives to support the implementation of these targets. Regional targets would be transposed into national development strategies and their attainment will be measured through an on-going monitoring mechanism. The targets will be set in areas consistent with the Europe 2020 priority areas, and those specific for the SEE region, while respecting the somewhat narrower mandate of the SEEIC in respect to the Europe 2020 Strategy areas. Work being done in other RCC-backed regional processes (such as the e-SEE Initiative, Regional R&D Strategy for Innovation in the Western Balkans, Social Agenda 2020, Regional Strategic Document on Justice and Home Affairs, etc.) should also be considered in carving out the SEEIC's role. Also, wherever possible, leverage will be sought with other regional mechanisms, institutions and structures (such as CEFTA 2006 Secretariat, Western Balkans Investment Framework, Enterprise Development and Innovation Facility and others) that can provide substantial support both in determining and implementing these regional commitments. As the region aligns itself more closely with Europe 2020 processes, partnership with the European Commission will remain crucial, as substantial support will be needed to implement the region's commitments successfully.

1.2. Introduce a new governance method of policy coordination and cooperation between the governments in the region

Since economic policy remains the sole domain of national administrations, a governance model should be considered to successfully implement regionally agreed reforms. The model would mimic the open method of coordination as an inter-governmental means of governance and enable setting broad policy targets at the highest (ministerial) level, which would, in turn, be reflected into national policies. This process would be coupled with identifying an array of indicators and benchmarks to measure the implementation of set policy targets at the regional and national level.

1.3 Establish a new review mechanism to reflect the regional targets and support the policy reform process

With the introduction of a long-term reform programme with policy targets spanning the end of the current decade, there is a need to introduce a review mechanism that would measure and monitor progress in the implementation of this programme and support the overall policy reform process. In addition to providing the actual monitoring and review function, this mechanism will be instrumental in the first phase as well, assisting the countries establish regional headline targets and transposing these into national economic reform deliberations.

Objective 2: Increasing competitiveness of the region through joint targeted action

2.1 Identify existing and/or potential regional value chains

Concentration on development and support to regional value chains, as mandated by the Ministers of Economy of the region, would provide additional focus to SEEIC's activities. Taking into account the current body of work and analysis on mapping linkages between the economic operators in the region and the European and global

industry trends, the SEEIC will work to identify existing regional value chains and those with a strong competitive advantage. A small number of priority sectors and/or technologies would be earmarked for support through targeted interventions aimed at removing trade and investment barriers, and increasing competitiveness. These priority sectors would be deemed to hold most potential in terms of achieving the targets set out by the SEE 2020 Vision.

2.2 Work towards removing barriers to regional value chain development and help introduce policies to create conditions for their enhanced competitiveness

SEEIC intends to identify and roll-out interventions that are most likely to remove obstacles for development of dynamic regional value chains. These interventions would be targeted at eliminating investment barriers and promoting stronger linkages between the economic operators in the region while helping integrate them into European and global value chains. Actions to promote investment into these value chains, to enable restructuring, and to increase value added through innovation and human capital-related interventions would be developed and rolled out. Working on specific sectors/sub-sectors/technologies selected under 2.1 will enable tailored policy interventions and easier monitoring of progress and attribution of impact in SEEIC's work.

Objective 3: Present the region as an attractive investment destination

3.1 Development of regional investment promotion mechanisms

In addition to creating an investment enabling environment, promoting and facilitating investment is considered to be one of the highest priorities for all of the SEEIC members. Acting in a coordinated, cooperative manner to present and promote specific industries and sectors that are of common interest to the countries in the region will come into the focus of SEEIC activities over the next two years.

3.2 Developing communication aspects of SEEIC

To enhance the outreach of the SEEIC activities, the Investment Committee will work on advancing the communication aspect of its work, and developing communication tools that would effectively convey the objectives, activities and achievements of the SEEIC. Moreover, SEEIC will dedicate part of its communication efforts to reaching out to the investor public.

III. Activities

To reach the objectives set forth by this Work Programme, the SEEIC envisions the following activities:

<i>I. Create a common regional vision for economic development in South East Europe – SEE 2020</i>

- **Activity 1.1 - Identify priority policy areas for the achievement of SEE 2020 targets:**
During the first half of 2012 the SEEIC will discuss and determine the key priority areas

within the SEE 2020 Vision in which to establish regional headline targets. The main rationale in making this decision will be to select those policy areas that are: (i) relevant to all SEEIC members; (ii) in line with the SEEIC mandate and its focus on competitiveness; (iii) demonstrate sizeable policy gaps; and (iv) are consistent with the Europe 2020 priority areas. A discussion paper for the 10th meeting of the SEEIC will be prepared to inform its proceedings and help guide the decision-making process.

- **Activity 1.2 - Set regional targets in line with SEE 2020 Vision:** A number of regional headline targets will be proposed by the SEEIC in the second half of 2012 and will be offered to the Ministers of Economy in SEE for adoption by the end of 2012. These regional targets would be quantifiable wherever possible, controllable, measurable, and time-bound by the 2020 limit. In proposing these targets, the SEEIC will need to assess the current level of convergence of SEEIC members with the EU in key policy areas selected in Activity 1.1 and establish targets that are both challenging (ambitious) and realistic. All targets set would be backed by a number of policy objectives. The SEEIC will rely on the CET Leaders from each of the countries in compiling and verifying the data necessary for the successful completion of this process. It is envisioned that the regional headline targets would be proposed by the SEEIC at its 11th meeting planned for September 2012, with the intention of these targets being adopted at the Ministerial conference on investment planned for November 2012. Should the SEEIC consider it necessary, a separate working group dedicated to SEE 2020 targets proposals would be established during 2012.
- **Activity 1.3 – Roll-out of monitoring instruments:** In response to the targets set during 2012, a monitoring instrument will be deployed to measure progress of attainment of targets set, as well as follow-up activities that will be produced to ensure endurance of achieved targets. SEEIC will review the possibilities of adjusting the existing monitoring instruments (such as the Investment Reform Index) to gauge the transposition of the regionally agreed reforms into national development strategies and their implementation at the national level. Support in this area will be sought from the OECD Investment Compact team, both in selecting the regional targets and indicators during 2012, as well as embedding them into the IRI monitoring process starting with 2013.

The monitoring instrument will be defined in parallel with the development of targets during 2012, and the grid with agreed targets and indicators would be offered to the Ministers during late 2012 for adoption. The monitoring instrument with the agreed indicators would be deployed during 2013 with the first full review ready for 2014.

- **Activity 1.4 – Implement policy peer reviews:** The SEEIC envisions the implementation of at least one peer review during 2013 whereby one host country from the region would present a selected “good practice” – a new programme, a policy reform or an institutional arrangement to experts from the peer countries and relevant stakeholder organisations. The aim is to evaluate the policy, see if it is effective in a national context, to establish how it contributes to SEE 2020 objectives, suggest areas for improvement – notably by learning from good practices in other countries – and to determine whether it could be

effectively transferred to other countries in the region. A potential host for a peer review and the potential policy topic would be identified during 2012. Depending on the results of this process, the peer review mechanism would become a permanent instrument for sharing experiences with new policy initiatives going forward.

II. Increase the competitiveness of the region through joint targeted action

- **Activity 2.1 – Implement actions in support of Smart Growth:** Beginning in 2012, the SEEIC could explore regional initiatives based on the experiences with the Regional Competitiveness Initiative, for example:
 - A regional pilot project supporting Triple Helix partnerships between science, business and local government across the region in order to foster innovation
 - A regional set-up supporting networking with the diaspora, including a portal, a contact database, events, matchmaking.
 - Regional centres of excellence in specific areas such as nanotech, biotech, or other highly specialized domains which would benefit from economies of scale.
- **Activity 2.2 - Identify and select priority sectors:** During 2012, SEEIC will review the recommendations stemming from the efforts to gauge activities of regional economic operators. The mapping of industrial agglomerations and regional value chains that has been prepared by the OECD Investment Compact team for CEFTA 2006 could provide valuable input in looking into sectoral approaches. Outputs from the Regional R&D Strategy for Innovation in the Western Balkans will also be considered in this process, as well as the Smart Specialization strategic approach to economic development which will form the basis for Structural Fund investments in research and innovation as part of the Europe 2020 agenda. Existing regional value chains and regional industries with most potential would be cross-checked with national priorities and the private sector representatives to determine the right focus for action.

The timeline of this activity will largely rely on a new regional project currently being prepared – New Generation Competitiveness Initiative. The EU-supported and OECD-implemented project would provide inputs to the SEEIC decision-making process, both in the early stages of identification of industries and sectors, as well as at a mature stage when appropriate support measures would be devised.

- **Activity 2.3 – Support actions to remove or alleviate barriers for development of regional value chains:** By focusing on sectors identified under Activity 2.2, the SEEIC would review and endorse actions to remove or alleviate trade and investment barriers hindering development of regional value chains. The SEEIC could develop a framework, prepared with the national administrations, private sector representatives and relevant regional institutions to enable monitoring of progress. Assuming that activity 2.2 would be completed by the end of 2012, the framework would be finalized by end 2013.

- **Activity 2.4 – Agree on a set of tailored actions to support further development of regional value chains:** Depending on the priority sectors selected, the SEEIC could prepare a set of actions tailored to increase the competitiveness of selected sectors through innovation or human capital-related interventions. Assuming that activity 2.2 is completed by the end of 2012, the interventions to foster regional value chains would be developed throughout 2013.

<p>III. Develop and roll-out instruments to promote the region as an attractive investment destination</p>

Activity 3.1 Review available investment promotion mechanisms and agree on a set of regional instruments: During 2012, SEEIC will review the available instruments for regional investment promotion with an objective to identify the most feasible options for a regional promotional mechanism. Background documents will be prepared for the 10th meeting of the SEEIC to inform the discussion on the topic. By the end of 2012, it is envisioned that SEEIC would agree on the best means for regional investment promotion, with a plan to roll-out any such instrument during 2013. The investment promotion efforts would be limited to the priority sectors identified in Action 2, thus contributing to the development of regional value chains.

This action would also build on the experiences of the Investment Promotion Agencies in SEE and would engage the Regional Network of Investment Promotion Agencies. SEEIC will explore the possibilities of revitalizing this network and mobilizing support from donors for a targeted regional investment promotion effort by the end of 2013.

Activity 3.2 Establish a communication strategy and communication platform: In order to enable better sharing of experiences between the SEEIC members, as well as to communicate the activities of the SEEIC to the wider public, the SEEIC will develop a communication strategy during 2012 and will establish a communication platform by the end of 2013. The platform would be used to communicate the SEE 2020 Vision to a wider regional audience, monitor progress, and exchange information within the region. Depending on the progress of Activity 3.1, the platform could also be used to disseminate investment promotion tools, and this will be reviewed within the strategy.

IV. Roles and responsibilities

SEEIC's Work Programme is envisioned to be implemented through the proceedings of SEEIC plenary and ministerial meetings, working group sessions, and implementation of the decisions of the SEEIC on the ground. Successful execution of the Work Programme will require commitment and concerted effort from a number of stakeholders directly involved in the process. The main stakeholders with their roles and responsibilities are listed below:

- **Regional Cooperation Council Secretariat** will act as the Co-Chair of the SEEIC and the Secretariat for its activities. The main responsibilities will include providing political

support, organizing and hosting SEEIC meetings, organizing and hosting Working Group meetings, commissioning the background documents to facilitate decision making, liaising with the governments to ensure that priority needs are being met, maintaining a regular communication with the donor community, and ensuring smooth transition of the regional Co-chairs.

- **CET Leaders** will act as main contact points of their governments with the SEEIC. The main responsibilities will include participating at the SEEIC meetings, communicating their governments' views and priorities, helping transpose decisions and recommendations of the SEEIC into national domains, and delegating relevant staff members to working groups.
- **OECD Investment Compact for South East Europe** team will act as the main provider of policy analysis to the SEEIC. Responsibilities will include supporting identification of priority reforms, providing analytical support to help SEEIC fulfil its role and assisting the Co-chairs in managerial issues related to the effective functioning of the SEE Investment Committee.