



OCDE ORGANISATION DE COOPÉRATION ET
DE DÉVELOPPEMENT ÉCONOMIQUES



Regional Competitiveness Initiative for the Western Balkans

May 18, 2010

Presentation by OECD

at the

**5TH ANNUAL REGIONAL EVENT
COMPETITIVENESS, FINANCE AND
ECONOMIC GROWTH**



with the financial
support of the
European
Commission

What is the RCI?

Why now?

What are the RCI's objectives?

What are the expected outputs?

Who will benefit?

What is expected from the beneficiaries

How will it operate?

What are timelines for implementation?

An EUR 3.8 M, 3-year project supported by the European Commission from 2010-2013.

Beneficiary economies: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Kosovo under UNSCR 1244.

Objectives:

- **Supporting long-term competitiveness through 3 pillars of work:**
 1. **Human capital development** – addressing major skills gaps in the region.
 2. **Innovation** – strengthening the innovative capacities and support for the absorption of technology by the private sector.
 3. **Sector specific policy reform** – expediting reforms in sectors deemed to possess comparative advantages.
- **Capacity building for Western Balkan public administrations through pilot projects.**

Implementation: responsibility of the OECD.

RCI will have oversight structures to:

- ❖ **avoid duplication with other international donor initiatives;**
- ❖ **build synergies with existing projects; and**
- ❖ **allow beneficiaries to drive the process.**

Why now?



- **The global economic crisis exposed weaknesses of economic model in the Western Balkans.**
- **Economic growth in the 2000s based on:**
 - ❖ credit expansion
 - ❖ consumption
 - ❖ privatisation-related investment
- **Key structural challenges in the economies of the Western Balkans:**
 - ❖ **small private sector**
 - ❖ **low levels of innovation by domestic firms** – mostly limited to process rather than R&D
 - ❖ **weak linkages between business and tertiary education institutions and skills gaps**
 - ❖ **export profile dominated by low-skill services and natural-resource intensive products**
- **Result: Western Balkan firms are poorly placed to compete in European and global markets.**

Improving **long-term competitiveness** by increasing **productivity and output** through **human capital development** and **innovation** in the domestic business sector.

Human capital development

- Address skills gaps by improving institutional structures and capacities.
- Provide analytical and policy management tools based on OECD and international best practice.
- Stimulate policy dialogue between private sector and government on HCD.

Innovation

- Promote policies to foster innovative capacities based on international best practice.
- Identify actions to improve absorption of new technologies by domestic firms.
- Enhance co-operation between government, research institutions and industry at national and regional level.

Sector-specific policy reform

- Expedite development and implementation of reforms for sectors with comparative advantage.
- Actions at regional level will build ties with similar EU sector-specific working groups.

What are the expected outputs?



Human capital development

- Transfer of know-how in skills gap measurement and development of policies.
- Tailored institutional design arrangements so skills gap analysis is embedded in government processes.

Innovation

- Mechanisms to facilitate adoption of existing process and product technology.
- Capacity to implement innovation-enhancing policies based on OECD and international best practices.
- Closer relationship between university research institutes and business sector.

Sector-specific policy reform

- Application of experiences and methodologies in HCD and innovation pillars to circumstances in specific-sectors with comparative advantage.

- **Improved inter-ministry policy development.**
- **Mechanisms for regional review and sharing of experience.**
- **Identified synergies between national strategies leading to more regional collaboration.**

Examples of possible pilot projects - Innovation

- Reinforcing university – SME linkages through the introduction of measures to lower barriers between academia and business
 - Voucher scheme to encourage SMEs to use academics for research activities at a discount (or even for free)
 - Co-location – creating incubators near university research centers
 - Lowering barriers to entrepreneurship for academics – creating leave of absence for academics wishing to start up a company, guaranteeing return to previous position
- Establishment of industrial extension services
 - Assistance by academia to companies in applied research and development (R&D), industrial design, production engineering, product testing, process automation, systems integration, quality management (ISO and Six Sigma), environmental management, operations (lean enterprise), etc.
 - Enabling legal and institutional framework: academics should be able not only to get paid consulting fees for assistance to enterprises, but participation in these services should also be taken into account as a contribution towards the advancement of their careers.
- Creating a business angel network in order to improve access to finance for start-up companies.
 - Ex: The UK Ready2Invest programme encourages high-worth individuals to consider becoming business angels and joining investor networks

Examples of possible pilot projects – Human capital

- Implement networks and processes to improve the match of education programmes to labour market needs
 - Institutionalize skills gap assessment
 - Create a network and a process ensuring constant quality feedback loop linking
- Create a network for labour market information improvement:
 - The OECD-IC could map the existing information available on the labour market, career opportunities and educational requirements.
 - Based on this analysis, the OECD-IC could work with governments and the private sector to set up a network and a process to improve the quality and quantity of information on the labour market.
 - Workshops could be held on OECD good practices in data collection (e.g. survey methods) and dissemination.

Who will benefit from the RCI?



- ❖ Senior and mid-level civil servants (in ministries of economy, education and training, investment policy, labour market policies, finance, science and research).
- ❖ Officials in public agencies (investment promotion, economic development, training, employment, research).
- ❖ University academics and researchers.
- ❖ Business organisations and domestic firms.
- ❖ Citizens of the Western Balkans (from better employment opportunities).

To maximize the impact of the RCI, Western Balkan beneficiaries should:

- ❖ Identify key officials to work with the OECD project team.
- ❖ Provide data as requested during implementation of pilot projects.
- ❖ Actively participate in regional meetings.
- ❖ Share lessons and outcomes of pilot projects with others.

What is expected from the beneficiaries?

The ambition of the beneficiary will drive the pilot projects

For example...

Multi-ministerial mechanism to improve coordination of human capital development policies

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Training to support skills gap analysis

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Improving national data and statistical systems

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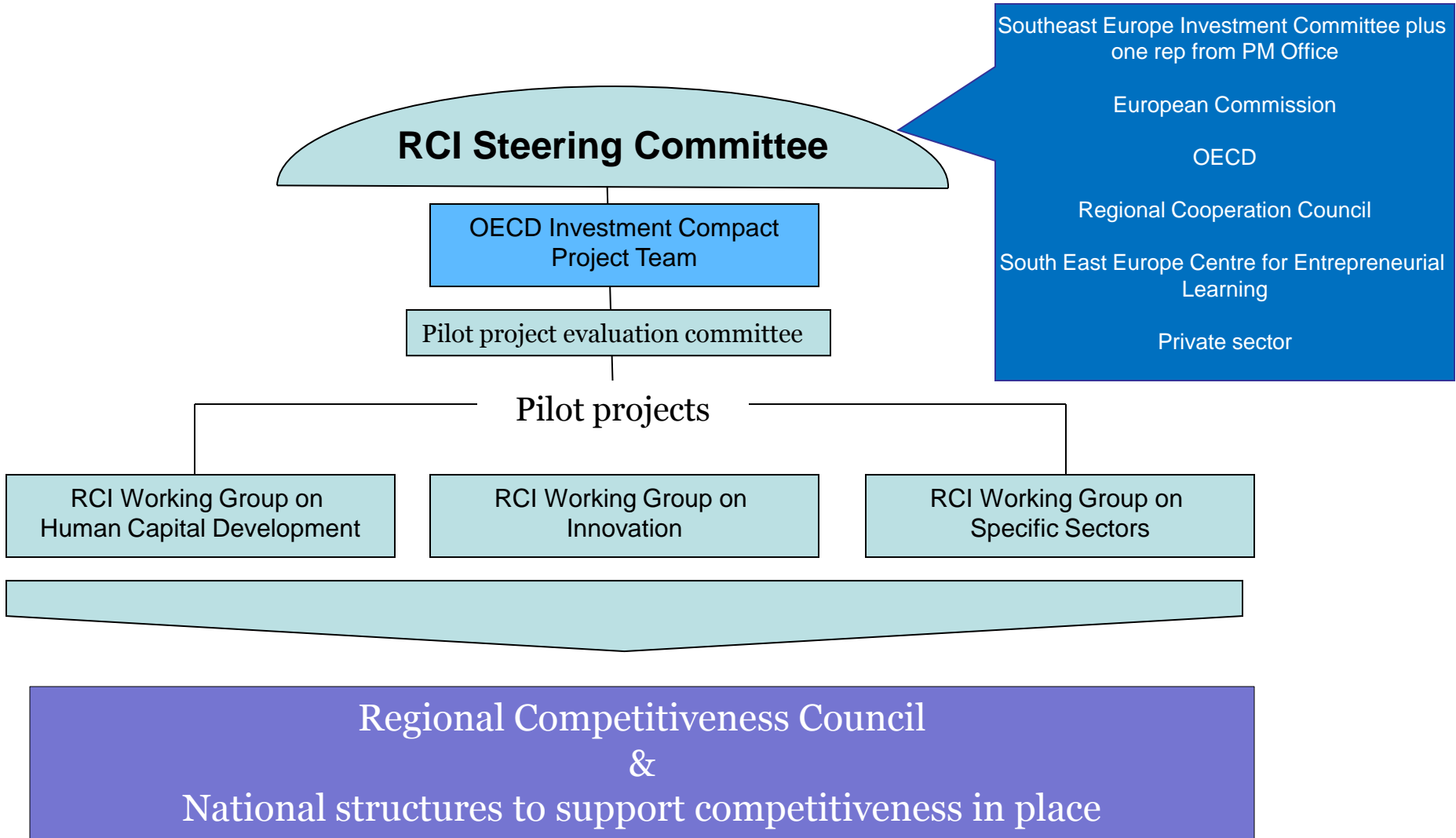
Moderate time and staff commitment

Greater time and staff commitment

How will the RCI operate?



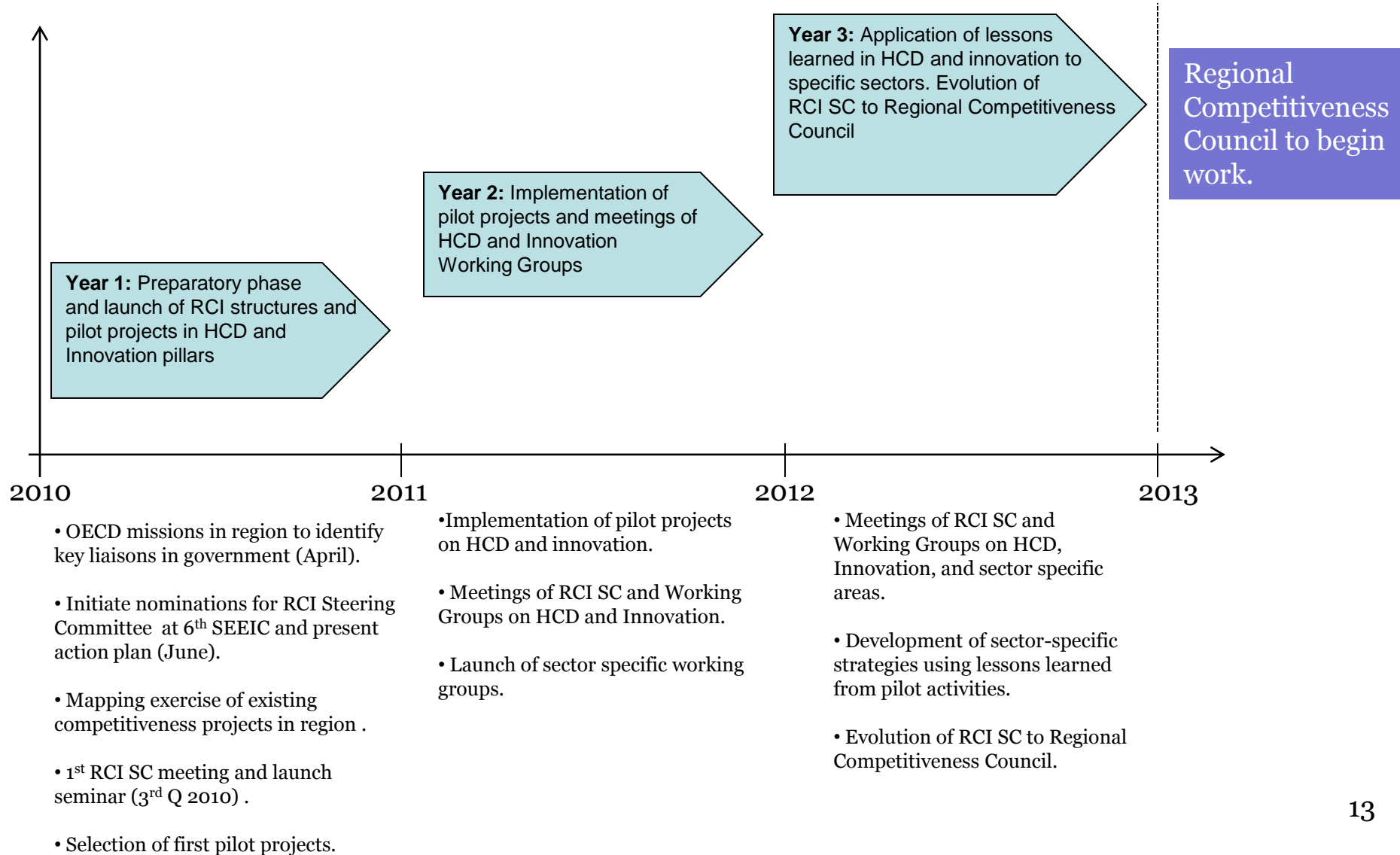
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What are the timelines for implementation?



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Next steps: April - June 2010

- ❑ Western Balkan beneficiaries to identify:
 - who will sit on RCI Steering Committee along with SEE IC country economic team leaders;
 - identify for OECD team who in your government is responsible for international donor coordination.
- ❑ OECD project team to present RCI action plan at next SEE IC meeting on 14 June 2010 for discussion.
- ❑ OECD to propose date for 1st RCI Steering Committee – likely autumn 2010.



Thank you for your attention.

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