

**Report and Conclusions of the  
First Meeting of the Task Force on South East Europe 2020 Strategy  
South East Europe Investment Committee**

**Bled, 3 July 2012**

In line with the conclusions and agreement on the development of the SEE 2020 Strategy, reached at the 10th South East European Investment Committee (SEEIC) held in Sarajevo on 24-25 April 2012, the Task Force on SEE 2020 Strategy held its first meeting on 3 July 2012 in Bled, Slovenia, with the goal to formulate regional headline targets consistent with the strategic needs of the region.

Mr. Bashkim Sykja, Director of Competitiveness Policy Department of the Ministry of Economy, Trade and Energy of the Republic of Albania, and Mr. Sanjin Arifagic, Head of Economic and Social Development Unit within the RCC, co-chaired the meeting.

Participants at the meeting included representatives of the members of the South East Europe Investment Committee (SEEIC), delegated by the respective Country Economic Team Leaders, as well as representatives from the OECD, European Commission (DG Enterprise and Industry), European Training Foundation, CEFTA Secretariat and IFI Coordination Office. Representatives of the DG Enlargement and DG Employment and the Energy Community Secretariat, sent their apologies.

The main goal of the meeting was to identify the main regional headline targets for the SEE 2020 Strategy for the consideration of the SEEIC and eventual adoption by SEE Ministers of Economy at the forthcoming Ministerial Meeting in November. The participants sought to determine those targets that best capture the strategic needs of the region in the areas of integrated, smart, inclusive, and sustainable growth within a good governance framework.

**Review and Adoption of the Task Force Mandate, Procedures, Deliverables and Timetable**

Following the introductory remarks of the co-chairs, the agenda, mandate, and structure of the Task Force was reviewed and endorsed. The mandate provides a clear framework, organisation and timetable for developing the SEE 2020 Strategy, including establishment of agreed regional headline targets, determining policy objectives, putting forward indicators to measure the attainment of aforementioned targets and developing measures to help achieve strategic objectives in the five growth pillars over the period 2012-2013. It was noted that while the SEE Investment Committee comprises a number of countries from the Balkan region, the SEE 2020 Strategy directly pertains to the development of the Western Balkan economies (Albania, Bosnia and Herzegovina, Croatia, Kosovo\*, FYR Macedonia, Montenegro, and Serbia). Other SEEIC members are welcomed

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

as supporters to this process. Finally, it was noted that the process of identifying regional strategic objectives, coincides with, and will be highly relevant for the preparation of IPA II and can facilitate greater synergy between the reform and EU accession agendas in the region, which will be to the benefit of all countries of the SEE region.

During the meeting, it was clarified that the first tasks for the Task Force to be achieved by October 2012 include the identification of a set of regional headline targets within aforementioned growth pillars, quantification of the selected headlines targets, based on the aggregation of national targets and the utilization of the proper sources of statistical information. Detailed identification of policy measures for their attainment and agreement on more detailed indicators of achievement will be undertaken during 2013.

### **Formulating SEE 2020 Headline Targets**

To guide the discussion and inform the decisions of the Task Force, OECD representatives presented an initial set of proposals for possible targets in the 5 main pillars of the Strategy. A lively and constructive discussion among the SEE representatives and other participants followed, not only on the development of targets, but also on the challenges of identifying reliable, up-to-date sources of relevant and comparable statistical information on SEE (international and national) in order to achieve a sound and coherent regional overview matrix. Mr. Jose Becerra from DG Enterprise and Industry also presented the EU 2020 perspective on development of objectives, indicators and policies in the area of smart growth and competitiveness.

The discussion of the Task Force can be summarized as follows:

- Within the pillar of **integrated growth**, potential targets that were reviewed and considered by the participants included: trade of goods and services within the region and externally (expressed in terms of absolute value, percentage of GDP, and growth rates), inflow of foreign direct investments (expressed as total investment into the SEE and more specifically as investment within the region), overall GDP (expressed in terms of per capita and growth rates), and standards and technical regulations in the region (as measured by the OECD surveys). Two main targets, (i) growth of intra-regional trade in goods and services and (ii) growth of total FDI inflows into the region were selected as the targets that best capture the dimension of integrated growth.
- In the context of **smart growth**, potential targets that were reviewed and considered by the participants included: GDP per person employed, high-technology exports, tertiary education attainment, gross expenditure on research and development, and business expenditure on research and development. Given the limitations in availability, comparability and frequency of data capture, (i) overall growth of productivity as measured by GDP per person employed was recommended as a strategic target within this pillar.
- Within the area of **sustainable growth**, the Task Force selected (i) growth of enterprise creation and (ii) growth of exports of goods and services per capita as the main headline targets in the area. The Task Force also reviewed net job creation, trade balance, high growth enterprises, fiscal deficit, bank lending to business and entrepreneurial learning. The Task Force was informed of the on-going efforts on the development of a Regional Energy Strategy being undertaken under the framework of the Energy Community Treaty and has agreed to discuss with the Energy Community Secretariat appropriate commitments relating to energy sustainability for this pillar.
- In regard to **inclusive growth**, the Task Force discussed potential targets relating to overall employment and employment of specific groups (such as youth, female, disabled, vulnerable etc.), as well as brain drain, formal training, vocational education and training, poverty/child mortality rate, percentage of generation with tertiary degree, and skills gap. Meeting the demographic and migration challenges was also noted as one of the potential areas for a regional strategy. Based on the relative

importance of these subjects and possible challenges regarding statistics, the group decided to include headline targets on (i) growth of overall employment rate and (ii) growth of rate of population with tertiary education.

- The discussion on the targets for **governance for growth** involved the rule of law, government effectiveness, corruption perception, as well as the assessments provided by the World Economic Forum within Global Competitiveness Index. The Task Force decided to use the World Bank's Governance Indicators for (i) government effectiveness as this composite index reflect the statistical compilation of responses by a large number of enterprise, citizen and expert survey respondents covering key indicators of effectiveness reported each year.
- The Task Force has also agreed to formulate an appropriate overall strategic goal that would unify the five pillars and set the appropriate overall context for the strategy. Issues such as (i) GDP convergence with the EU, (ii) growth of total trade of goods and service and (iii) sustainability of trade balances have all been highlighted as potential elements to be included in this overall strategic "chapeau".
- The availability of accurate, comparable and regularly and timely published data was a key consideration in the discussions regarding the determination of headline targets and in some cases reflects the feasibility of securing accurate data. The Ministerial Statement should contain commitments to further the work at the national and regional level to introduce common methodologies and roll-out efforts to gather data in several areas important for establishing policy objectives and monitoring progress, including data on gross and business expenditures on R&D, value adding productivity, enterprise performance, inequality (e.g. gini coefficient), poverty, and lifelong learning.

## Conclusions

The First meeting of the Task Force on SEE 2020 Strategy concluded with a review of forthcoming activities, determination of a timeline for the milestones of preparing the Strategy and agreement on the frequency, dates for the meetings of the Task Force and the next steps.

The following conclusions of the 1<sup>st</sup> meeting of the Task Force on SEE 2020 were agreed:

1. It was agreed that the following targets be included in the SEE 2020 Strategy:
  - Overall strategic goals: (i) Convergence of GDP per capita with the EU, (ii) Growth of total trade of goods and service, (iii) Improvement of overall trade balance;
  - Integrated growth: (iv) Growth of intra-regional trade in goods and services, (v) Growth of overall FDI inflows into the region;
  - Smart growth: (vi) Growth of GDP per person employed;
  - Sustainable growth: (vii) Growth of enterprise creation and (viii) Growth of export of goods and services per capita;
  - Inclusive growth: (ix) Growth of employment rate, (x) Growth of rate of population with tertiary degree;
  - Governance for growth: (xi) Government effectiveness composite index.
2. The targets (overall strategic goals and headline targets for each of the five pillars as outlined above) should be quantified in the national context, in a manner where each participating SEEIC member would provide baseline data (for 2010) and the target for 2020 for each of the objectives in coordination with the respective national administrations (framework for target setting contained in Annex 1 to this report). The

national targets and data on baseline (for 2010) would be sent to the RCC Secretariat by the end of July 2012.

3. The RCC Secretariat would, in cooperation with OECD and others, prepare a set of proposed regional targets based on the national targets and would reconvene the Task Force at the beginning of September 2012 with the goal of endorsing the regional targets and proposing their adoption to the next SEEIC meeting. At its 2<sup>nd</sup> meeting, the Task Force would also establish the main elements of the Ministerial statement to be considered by the SEEIC.
4. The proposed regional headline targets with disaggregated national targets and the text of the draft Ministerial statement shall be submitted to the SEEIC for approval at its next meeting on 3 October 2012.
5. The agreed regional headline targets and disaggregated national targets shall be submitted for endorsement at the Ministerial meeting on investment on 9 November 2012.
6. The participants have noted the challenge of data-gathering on national levels and have agreed upon the need to involve national statistical offices and to improve the methodologies for data currently available, as well as to establish common methodologies for data gathering in areas that are important for the future development of indicators for establishing policy objectives and monitoring progress, including data on gross and business expenditures on R&D, value adding productivity, enterprise performance, inequality (e.g. gini coefficient), poverty, and lifelong learning.

## Annex 1: Agreed framework for quantifying national targets

NARRATIVE TARGET	VALUE FOR 2010 (BASELINE YEAR)	POSSIBLE DATA SOURCE	QUANTIFICATION OF TARGET FOR 2020
<b>OVERALL STRATEGIC TARGETS</b>			
1. INCREASE OF GDP PER CAPITA EXPRESSED IN PURCHASING POWER PARITY TERMS RELATIVE TO EU <sup>1</sup>	<i>Expressed as percent of EU27 GDP per capita; and percent of New Member States GDP per capita</i>	<i>Eurostat</i>	<i>Expressed as percent of EU GDP per capita; and New Member States GDP per capita</i>
2. GROWTH OF TOTAL TRADE OF GOODS AND SERVICES	<i>Expressed as total value of trade of goods and services in 2010 EUR</i>	<i>National/ Central Bank data  (Please provide methodological notes for data used)</i>	<i>Expressed as percent of increase of total trade of goods and services compared to baseline</i>
3. REDUCTION OF TRADE DEFICIT (IMPROVEMENT OF TRADE BALANCE)	<i>Expressed as overall trade balance as a percent of GDP in 2010</i>	<i>Balance of payment data (National/ Central Bank)  (Please provide methodological notes for data used)</i>	<i>Expressed as percentage point decrease of overall trade balance as a percent of GDP</i>
<b>INTEGRATED GROWTH</b>			
4. GROWTH OF INTRA-REGIONAL TRADE IN GOODS AND SERVICES	<i>Value of trade in goods and services with the Western Balkans region in 2010 EUR</i>	<i>National/ Central Bank  (Please provide methodological notes for data used)</i>	<i>Expressed as percent of increase of value of trade in goods and services with the region compared to baseline</i>
5. GROWTH OF OVERALL FDI INFLOWS	<i>Total value of net FDI inflows in 2010 EUR</i>	<i>Data from National/ Central Bank  (Please provide methodological notes for data used)</i>	<i>Expressed as growth rate of total FDI inflows</i>
<b>SMART GROWTH</b>			
6. GROWTH OF GDP PER PERSON EMPLOYED	<i>Value of GDP per person employed expressed in 2010 EUR</i>	<i>Eurostat, Labour Force Survey (Please provide methodological notes for data used)</i>	<i>Expressed as percent of increase of GDP per person employed</i>
<b>SUSTAINABLE GROWTH</b>			
7. GROWTH OF ENTERPRISE CREATION	<i>Number of companies registered during 2010</i>	<i>National statistics offices</i>	<i>Percent of increase of companies registered</i>
8. GROWTH OF EXPORT OF GOODS AND SERVICES PER CAPITA	<i>Expressed as value of exports per capita in 2010 EUR</i>	<i>Balance of payment data (National/ Central Bank)</i>	<i>Expressed as percent of increase of export per capita</i>

### Notes:

<sup>1</sup> Measure of convergence - GDP per capita expressed in purchasing power standards (PPS) as compared to EU average.

Data (including on Western Balkans countries) available from Eurostat

([http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/GDP\\_per\\_capita\\_consumption\\_per\\_capita\\_and\\_price\\_level\\_indices](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/GDP_per_capita_consumption_per_capita_and_price_level_indices))

		<i>(Please provide methodological notes for data used)</i>	
<b>INCLUSIVE GROWTH</b>			
9. GROWTH OF OVERALL EMPLOYMENT RATE	<i>Expressed as ratio of the employed in the total working age population in 2010</i>	<i>Labour Force Survey  (Please provide methodological notes for data used)</i>	<i>Expressed as ratio of the employed In the total working age population</i>
10. INCREASE OF RATE OF POPULATION WITH TERTIARY EDUCATION	<i>Expressed as percent of population that completed third level education</i>	<i>Education statistics from National Statistics Offices  (Please provide methodological notes for data used)</i>	<i>Expressed as percent of population that completed third level education</i>
<b>GOVERNANCE FOR GROWTH</b>			
11. INCREASE GOVERNMENT EFFECTIVENESS	<i>Expressed as the value of the "Government effectiveness" indicator<sup>2</sup> for the baseline year</i>	<i>World Bank Institute – Worldwide Governance Indicators</i>	<i>Expressed as a percentage of increase in value of the government effectiveness indicator</i>

<sup>2</sup> Aggregate indicator that reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies ([http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp)).