



SOUTH EAST EUROPE INVESTMENT COMMITTEE

OPTIONS FOR SEE 2020 HEADLINE TARGETS: DISCUSSION PAPER

15 May 2012

Prepared by the OECD Investment Compact for South East Europe

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Introduction

1. At the South East Europe (SEE) Ministerial Conference held in Paris, France on 23-24 November at OECD headquarters, ministers and high-ranking officials from SEE endorsed a common regional vision to support continued economic reforms (see attached annex I) . The *SEE 2020 Vision* takes inspiration from the European Union's *Europe 2020 Growth Strategy* and calls for consistent implementation of economic reforms in five growth pillars:

i. **Integrated growth** to deepen regional trade and investment linkages;

ii. **Smart growth** to support a greater commitment to innovation and competition based on value-added rather than labour costs in the long run;

iii. **Sustainable growth** to raise the level of private sector competitiveness, entrepreneurship and a commitment to greener and more energy-efficient development;

iv. **Inclusive growth** to improve skills development, employment creation and labour market participation by all, including vulnerable groups and minorities; and

v. **Governance for growth** to improve the capacity of public administrations to strengthen the rule of law and reduce corruption alongside balanced development at the territorial level.

2. Section II (2) of the Statement by the Chair issued at the conclusion of the SEE Ministerial Conference tasks the South East Europe Investment Committee (SEEIC) to identify ambitious headline targets for a regional 2020 Strategy taking into account the specificities of SEE economies. The headline targets are to be endorsed by ministers at a follow-up conference in November 2012.

3. This paper is meant to assist the SEEIC in its efforts to identify headline targets for a regional 2020 Strategy. The paper provides several indicators which could be used to develop SEE 2020 headline targets. The indicators are grouped using the SEE 2020 thematic pillars, and where possible three data points are presented under each indicator: i) the relevant EU 2020 target; ii) the most recent data available on aggregated EU performance for that target; and, iii) most recent data available for aggregated SEE performance.

4. Some of the indicators presented in this paper are directly inspired by the Europe 2020 headline targets, while others are more specific to the SEE region. In the following tables, the most recent figures and statistics were used.

5. Progress in meeting the SEE 2020 headline targets will be monitored by the OECD as part of the Investment Reform Index (IRI). The existing IRI assessment framework will be modified to ensure its coherence with the SEE 2020 Vision and its five pillars (i.e. integrated growth, smart growth, sustainable growth, inclusive growth and governance for growth). The IRI will include recommendations on priority actions at the regional and national level to assist SEE economies in their efforts to meet the headline targets.

6. Each SEEIC member is invited to give their views on: i) which indicators are appropriate for the SEE region; and, ii) what numeric value should be attributed to a possible headline target.

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Integrated Growth

7. The indicators under the integrated growth pillar are intended to measure trade and investment integration, both intra-regionally and with the rest of the world. The former is a primary goal of SEE 2020 while the latter is relevant as the region becomes increasingly integrated with the EU.

8. The total value of trade in goods in the region is proposed as the main headline indicator for the integrated growth pillar (see table 1). This indicator measures the total value of exports and imports within SEE and would provide a benchmark measure of regional trade integration.

Table 1. Integrated Growth Main Indicator

		Latest available data	2020
Total value of trade in goods in the region (Mill. EUR) <i>This is the sum of the value of imports and exports in goods amongst the economies in the SEE region.</i> <i>Latest available year: 2009</i>	EU	4, 036, 344	NA
	SEE¹	19, 121	?

¹ Comparable data are unavailable for Kosovo*

Smart Growth

9. Indicators identified under the smart growth pillar are meant to measure the extent to which SEE is intensifying its knowledge-based economic activities. The table below covers several types of indicators including: expenditures on R&D, tertiary education attainment, labour productivity, and exports of high technology manufactured products. These indicators were selected as they can shed light on the degree to which innovation is occurring and the extent to which human capital is being used.

10. Business expenditure on R&D (BERD) as a share of GDP is proposed as the main headline indicator for the smart growth pillar (see table 2). This indicator measures the share of private sector expenditures on R&D and would be a helpful benchmark for gauging private sector innovation.

Table 2. Smart Growth Main Indicator

		Latest available data	2020
Business expenditure on research and development (BERD) as (% of GERD) <i>This measures only private sector or business expenditure on research and development (BERD) as a % of GERD</i> <i>Latest available year: 2008</i>	EU	54.8%	NA
	SEE²	33.0%	?

² Comparable data are unavailable for Bosnia Herzegovina, Kosovo*, Montenegro, the Republic of Moldova and Serbia.

Sustainable Growth

11. Indicators identified under the sustainable growth pillar are meant to measure the extent to which policies encourage entrepreneurship, trade diversification, and environmentally sustainable growth.

*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.

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Indicators under this pillar include those measuring trade balances, business start-up success rates, and various measures of energy consumption.

12. The proposed headline indicator in table 3 is the entrepreneurship rate which measures the percentage of respondents who tried and succeeded in setting up a business. The headline target would be a useful benchmark for assessing the sustainability of new businesses.

Table 3. Sustainable Growth Main Indicator

		Latest available data	2020
Entrepreneurship <i>This indicator measures the % of respondents to the Life in Transition EBRD survey who tried and succeeded in setting up a business.</i> <i>Latest available year: 2011</i>	EU ³	14%	NA
	SEE	9%	?

³The EU average comprises of France, Germany, Great Britain, Italy, Poland and Sweden.

Inclusive Growth

13. Indicators identified under the inclusive growth pillar are meant to address skills development, employment creation and broad labour market participation. The indicators for this pillar cover: employment data, gender ratios, poverty headcounts, data on people at risk of social exclusion, and those individuals leaving school early.

14. The proposed headline indicator in table 4 is share of the working age population over the age of 15 as a percentage of the total population. This headline indicator would measure the ability of SEE economies to generate inclusive employment growth.

Table 4. Inclusive Growth Main Indicator

		Latest available data	2020
Employment (15+) <i>This indicator measures the share of the working age population (those 15 or over) as percentage of the total population.</i> <i>Latest available year: 2008</i>	EU	53.5%	NA
	SEE ⁴	44.2%	?

⁴Comparable data are unavailable for Montenegro

Governance for Growth

15. Indicators for the governance for growth pillar measure the extent to which policies strengthen the rule of law and reduce incidence of corruption. The indicators in this pillar are selected for their relevance to private sector development and improvements in the business climate.

16. The proposed headline indicator in table 5 measures the frequency of bribes. This indicator would track the extent to which respect for the rule of law and anti-corruption measures are making a difference in the business climate.

Table 5. Governance for Growth Indicators

		Latest available data	2020
Percentage of firms saying unofficial payments are frequent <i>This indicator measures bribe frequency.</i> <i>Latest available year: 2008</i>	EU10	7.4%	NA
	SEE	11.3%	?

17. In addition to the potential headline target indicators described above, annex I contains more technical indicators which could be used to measure broader policy reforms related to the five SEE 2020 growth pillars.

ANNEX I –INDICATORS

Table 6. Integrated Growth Indicators

		Latest available data	2020
Total value of trade in goods in the region (Mill. EUR) <i>This is the sum of the value of imports and exports in goods amongst the economies in the SEE region.</i> <i>Latest available year: 2009</i>	EU	4, 036, 344	NA
	SEE ¹	19, 121	?
Foreign direct investment (FDI), net inflows, (Mill. Current US\$) <i>This indicator measures the net inflow of foreign direct investment, new investments minus the flows of disinvestment.</i> <i>Latest available year: 2010</i>	EU	426076.9	NA
	SEE	10027.0	?

¹ Comparable data are unavailable for Kosovo*

Table 7. Smart Growth Indicators

		Latest available data	2020
Business expenditure on research and development (BERD) as (% of GERD) <i>This measures only private sector or business expenditure on research and development (BERD) as a % of GERD</i> <i>Latest available year: 2008</i>	EU	54.8%	NA
	SEE ²	33.0%	?
Gross expenditure on research and development (GERD) (% of GDP) <i>This includes both public and private expenditures on research and development as a % of GDP.</i> <i>Latest available year: 2008</i>	EU	1.92%	3%
	SEE ³	0.51%	?
Tertiary education attainment <i>This indicator measures the share of the population aged 30-34 years who have successfully completed university or tertiary-level education.</i> <i>Latest available year: 2010</i>	EU	33.6%	40%
	SEE ⁴	21.8%	?
GDP per person employed <i>This indicator measures GDP per person employed (in constant 1990 PPP US dollars)</i> <i>Latest available year: 2008.</i>	EU	41,901	NA
	SEE ⁵	17,391	?
High-technology exports (as a % of manufactured	EU	15.3%	NA

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exports) <i>This indicator measures high-technology exports as a % of manufactured exports. Latest available year: 2009.</i>	SEE ⁶	5.5%	?
Internet users (per 100) <i>This indicator tracks the number of individuals per 100 that have access to the internet. Latest available year: 2010</i>	EU	70.9	NA
	SEE ⁷	48	?
Estimated software piracy rates <i>This indicator is a proxy for assessing the extent to which intellectual property is protected. It measures the estimated percentage of pirated software for personal computers. Latest available year: 2010</i>	EU	35%	NA
	SEE ⁷	70%	?

² Comparable data are unavailable for Bosnia Herzegovina, Kosovo*, Montenegro, the Republic of Moldova and Serbia.

³ Comparable data are unavailable for Albania, Bosnia Herzegovina, Kosovo* and Montenegro.

⁴ The average is calculated based on data available for Bulgaria, Romania, the Former Yugoslav Republic of Macedonia and Croatia.

⁵ Comparable data are unavailable for Kosovo* and Montenegro.

⁶ Comparable data are unavailable for Kosovo*, Montenegro and Serbia

⁷ Comparable data unavailable for Kosovo*

Table 8. Sustainable Growth Indicators

		Latest available data	2020
Entrepreneurship <i>This indicator measures the % of respondents to the Life in Transition EBRD survey who tried and succeeded in setting up a business. Latest available year: 2011</i>	EU ⁸	14%	NA
	SEE	9%	?
Trade balance in goods (% of GDP) <i>This indicator measures the sum of the value of combined exports in the region minus the sum of the value of combined imports in the region, as a % of total SEE GDP. Latest available year: 2009</i>	EU	-0.4%	NA
	SEE	-14.9%	?

⁸ The EU average comprises of France, Germany, Great Britain, Italy, Poland and Sweden.

18. The EU aims to reduce its 1990 green gas emission levels by 20%. Considering that the EU has already brought down its CO₂ emissions from 4,134,264 to 3,906,818, a reduction of 5.5%, the EU still needs to decrease its 2009 emissions by 15.3% to reach its 2020 target. The energy efficiency target aims to increase energy efficiency by 20% from its 2010 levels. The EU measures energy intensity as a proxy for efficiency, the EU target here is taken to be decreasing energy intensity by 20% from 2010 levels.

Table 9. Sustainable Growth Indicators: Green Growth

		1990	Latest available data	2020
CO₂ emissions (in kilotons) <i>This indicator measures CO₂ emissions in kilo tons.</i>	EU	4,134,264	3,906,818	3,307,411 ⁹
	SEE ¹⁰	NA	272,429	?

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<i>Latest available data: 2008</i>				
Energy efficiency <i>This indicator measures energy use (or kilogram of oil equivalent) per \$1,000 GDP in 2009 (in constant 2005 PPP)</i> <i>Latest available data: 2009</i>	EU	168	122	97 ¹¹
	SEE¹²	NA	173	?
Fossil fuel energy consumption <i>This indicator measures fossil fuel energy consumption (as a % of total energy consumption)</i> <i>Year: 2009</i>	EU	82.3%	75.8%	NA
	SEE¹²	91%	80.9%	?

⁹ The Europe 2020 target is to reduce greenhouse 1990 gas emissions by 20 % by 2020. The data here only includes CO₂ emissions

¹⁰ Comparable data are unavailable for Kosovo*

¹¹ The Europe 2020 target is to increase energy efficiency by 20% from 2010 to 2020.

¹² Comparable data are unavailable for Kosovo* and Montenegro.

Table 10. Inclusive Growth Indicators

		Latest available data	2020
Employment (15+) <i>This indicator measures the share of the working age population (those 15 or over) as percentage of the total population.</i> <i>Latest available year: 2008</i>	EU	53.5%	NA
	SEE¹³	44.2%	?
Employment (20-64) <i>This indicator measures the share of the working age population (between 20-64 years) as percentage of the total population.</i> <i>Latest available year: 2008</i>	EU	70.3%	75% ¹⁴
Gender- Ratio of estimated female to male income <i>This indicator measures the so-called “gender gap” of the ratio of female to male earnings.</i> <i>Latest available year: 2006</i>	EU¹⁵	61.9%	NA
	SEE¹⁶	61.9%	?
Poverty headcount <i>This indicator measures the share of the total population which lives on less than \$5 a day (PPP).</i> <i>Latest available year: 2008 (2007 for Bulgaria and Bosnia Herzegovina)</i>	SEE¹⁷	26.8%	?
People at risk of poverty or social exclusion <i>This indicator used in Europe 2020 is composed of three sub-indicators which include: People living in households with very low work intensity, people at-risk-of-poverty after social transfers, and severely materially deprived people.</i> <i>Latest available year: 2010</i>	EU	115,790, 000	95,790,000 ¹⁶
Early Leavers <i>This indicator measures the % of 18-24 year olds in the population with at most lower secondary education and not in further education or training.</i> <i>Latest available year: 2010</i>	EU	14.1%	10%
	SEE¹⁸	12.9%	?

¹³ Comparable data are unavailable for Montenegro

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¹⁴ The Europe 2020 target is to increase employment of the population between the age of 20 and 64 to 75%. Comparable employment data for this age group were not available for SEE. In the absence of such data, the figure represents employment for people aged 15 and above.

¹⁵ Comparable data was not available for Cyprus.

¹⁶ Comparable data are unavailable for Kosovo*.

¹⁷ The EU target is to reduce the number of people at risk of poverty or social exclusion by 20 million by 2020. Comparable data is not available for SEE.

¹⁸ The SEE average was calculated using available data for Bulgaria, Romania, the Former Yugoslav Republic of Macedonia and Croatia.

Table 11. Governance for Growth Indicators

		Latest available data	2020
Percentage of firms saying unofficial payments are frequent <i>This indicator measures bribe frequency.</i> <i>Latest available year: 2008</i>	EU10	7.4%	NA
	SEE	11.3%	?
Government debt (% of GDP) <i>This indicator measures the national debt as a percentage of total GDP.</i> <i>Latest available year: 2009</i>	EU	58%	NA
	SEE¹⁹	33%	?
Rule of law (-2.5 to 2.5) <i>This is a composite indicator which captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.</i> <i>Latest available year: 2010</i>	OECD²⁰	1.51	NA
	SEE	-0.24	?
Regulatory quality (-2.5 to 2.5) <i>This is a composite indicator which captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.</i> <i>Latest available year: 2010</i>	OECD²⁰	1.44	NA
	SEE	0.20	?

¹⁹ Comparable data are unavailable for Kosovo*

²⁰ As the World Bank does not calculate a score for the EU-27, the OECD regional score is used as for comparison.

ANNEX II – SEE 2020 VISION

BUILDING A 2020 VISION FOR SOUTH EAST EUROPE

- STATEMENT BY THE CHAIR -

On the occasion of the conference on “A 2020 Vision for South East Europe” held in Paris on 24 November 2011, co-organised by the Organisation for Economic Co-operation and Development (OECD) and the Government of the Republic of Slovenia, the Chair issues the following Statement on behalf of participating Ministers and high-ranking officials from the economies of South East Europe.

During the conference, delegates:

1. **Recalled** that economic prosperity is essential to long term stability and democracy in the region and part of the European stabilisation and association process, as expressed in the EU-Western Balkans Summit Declaration in Thessaloniki on 21 June 2003 and as declared by the South East Europe Cooperation Process (SEECP) Summit of Heads of States and Governments in Zagreb, on May 11th 2007;
2. **Affirmed** the importance of regional co-operation, dialogue, openness, and good-neighbourly relations as expressed in the SEECP Bucharest Charter on good Neighbourly Relations, Stability, Co-operation and Security, signed on February 12 2000 and noted in the Budva Declaration on 30 June 2011;
3. **Highlighted** the positive impact of economic reforms, market liberalisation and cross-border co-operation on growth and investment for all economies of the region in the past decade and the need to pursue structural reforms whatever the external economic environment;
4. **Underscored** the contribution of international, regional and domestic investment toward broader economic and social development and of open trade and investment policies;
5. **Took note** of the valuable contribution of the OECD Investment Compact and the South East Europe Investment Committee (SEE IC) to improving the investment

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environment in the region and expressed their gratitude to the OECD and the supporting institutions and governments;

6. **Welcomed** the handover of the SEE IC to the Regional Co-operation Council (RCC) as a sign of progress and of enhanced regional ownership;
 7. **Recognised** the progress of the countries of the region towards European integration, as evidenced by the successful accession of Bulgaria and Romania, soon to be followed by Croatia, and of the importance of further alignment with the EU *acquis* as expressed by the European Commission Enlargement Strategy 2011-12;
 8. **Underlined** the impact of the global economic crisis in South East Europe and the inherent economic vulnerabilities it has revealed, especially with regard to regional competitiveness and future growth prospects;
 9. **Emphasised** the value of continued private-public sector dialogue and co-operation towards growth and development;
 10. **Acknowledged** the progress made by the Parties to the Central European Free Trade Agreement (CEFTA 2006) to create an open, liberal and integrated regional market;
 11. **Stressed** the importance of good governance in the pursuit of sustainable economic growth;
 12. **Noted** the Chair's statement following the High-Level Meeting on the Western Balkans in Sarajevo on 2 June 2010, stating that a regional recovery and development strategy should follow the main parameters of the Europe 2020 growth strategy and take into account the specific characteristics of the Western Balkan countries;
 13. **Endorsed** a common regional vision for South East Europe as outlined in sections I, II, and Annex I of this statement;
- I. Conference participants agreed that continued economic reforms should be based on a common regional vision for South East Europe. The vision calls for the consistent implementation of economic reforms to foster integrated, smart, sustainable and inclusive growth underpinned by good governance and the rule of law. The specific elements contained in the vision include the following:

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- i. **Integrated growth** through deeper regional trade and investment linkages and policies that are non-discriminatory, transparent and predictable and enhance the flow of goods, investment, services and persons within the region.
 - ii. **Smart growth** through a commitment to innovate and compete on value-added rather than labour costs in the long run. Retaining the best and brightest talent that the SEE region has to offer is inextricably linked to raising the absorptive capacity of business and research communities to use existing technologies and develop new ones.
 - iii. **Sustainable growth** through raising the level of private sector competitiveness, entrepreneurship and a commitment to greener and more energy-efficient development.
 - iv. **Inclusive growth** through skills development, employment creation and labour market participation by all, including vulnerable groups and minorities.
 - v. **Governance for growth** through improving the capacity of public administrations to strengthen the rule of law and reduce corruption so as to create a business-friendly environment. Good governance practices should also include promotion of balanced development at the territorial level to overcome internal disparities of SEE economies.
- II. Participants agreed that greater alignment and convergence with the Europe 2020 strategy will be important for the region as it moves forward with a new economic vision. Participants requested that the SEE IC, under the auspices of the RCC and with the support of the CEFTA Secretariat, OECD, European Training Foundation (ETF) and other relevant regional partners, and in close consultation with the European Commission, report back to Ministers and high-level officials by November 2012 with:
1. A detailed assessment of the degree of economic convergence between South East Europe and the EU-27 on the basis of targets used in the Europe 2020 Strategy.
 2. A proposed set of ambitious headline targets for a regional 2020 Strategy taking into account the specificities of SEE economies.
 3. The results of eliminating non-tariff barriers, including the removal of remaining horizontal and sector-specific barriers to deeper regional trade and investment integration in the SEE region, with an emphasis on those barriers holding back value-chain development.

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4. A map of existing and potential centres of industrial agglomeration and knowledge creation accompanied by recommendations on measures which will support:
 - i. strengthening regional business networks
 - ii. fostering clustering activity between industry and academia
 - iii. development of academic centres of excellence.

Participants invited the SEECP Chairmanship in Office and the RCC to build support for the implementation of the principles included in this Chair's Statement (see proposed Action Plan in Annex I) among SEECP members and within the framework of cooperation amongst them.

Action Plan for Implementation of a SEE 2020 Strategy

To transform the vision outlined in sections I and II of this statement into reality, conference participants agreed that the following Action Plan should be pursued at regional and national levels:

1. **Integrated growth** underpinned by deeper trade and investment linkages should be pursued by:
 - i. Removing trade distortive non-tariff barriers and facilitating cross-border movement of goods in a timely fashion;
 - ii. Undertaking concerted efforts for the liberalisation of trade in services, under the auspices of CEFTA;
 - iii. Creating a regional strategy for investment promotion that builds on the work that has already been conducted by the regional working groups under the auspices of the Investment Compact and the SEEIC;
 - iv. Enforcing laws and regulations to protect intellectual property;
 - v. Supporting the work of all CEFTA bodies and structures to fulfil their respective mandates; and
 - vi. Developing a single regional capital market;

2. **Smart growth** should be built on knowledge and innovation by:
 - i. Promoting ‘triple helix’ linkages between academia, industry and policy makers;
 - ii. Promoting free flows of talent in the region by encouraging SEE economies in achieving bilateral/multilateral universal recognition of diplomas and abolishment of unnecessary visas and permits for students, academia and the business community;
 - iii. Encouraging “brain gain” through targeted networking with the diaspora and creating conditions favourable to eventual return, in particular through the establishment of a supportive entrepreneurial environment;
 - iv. Supporting private and public sector investment in R&D via coherent and regionally co-ordinated policies to enhance innovation and promote the knowledge economy and society;
 - v. Facilitating the participation of enterprises and scientific institutions from SEE in EU programmes and EUREKA and developing effective linkages with European institutions fostering innovation and knowledge (e.g., the European Institute for Innovation and Technology);
 - vi. Raising the level of knowledge absorption via policies that support existing clusters, networks, and centres of excellence to establish a regional cooperation framework fostering knowledge communities;

- vii. Promoting natural science, maths and engineering studies while enhancing the quality of education provision and existing quality assurance mechanisms;
 - viii. Using available resources and private sector expertise to substantially increase the level of combined public-private sector investment in R&D as a percentage of GDP; and
 - ix. Considering measures to support business investment in R&D.
3. **Sustainable growth** which raises competitiveness, entrepreneurship, and promotes greener and more energy efficient technologies should be supported - among others – by policy priorities conducive to doing business and investment by:
- i. Diversifying export markets, and promoting regional co-operation whenever possible to help businesses access those markets;
 - ii. Developing measures such as export guarantee schemes to support the private sector;
 - iii. Supporting private sector competitiveness by helping firms, and in particular SMEs, find niches in which they can be successful in global terms (e.g. through support of strategic consulting services);
 - iv. Strengthening regional value chains by actively supporting the creation of transnational clusters and business networks;
 - v. Promoting venture capital and business angel networks;
 - vi. Reducing the tax wedge on labour to improve competitiveness;
 - vii. Accelerating the development of critical infrastructure;
 - viii. Helping businesses develop and adopt renewable & green technologies;
 - ix. Encouraging education and training systems to deliver ‘green’ and ‘white’ skills; and
 - x. Integrating green development priorities into long-term policy making, utilising available European and international expertise, and interacting with all stakeholders of the economy on the national level.
4. **Inclusive growth**, centred on skills development, should be enhanced by:
- i. Monitoring and tracking skills needs at the regional level;
 - ii. Developing mechanisms for regional dialogue between employers and policy makers on ways to minimise skills gaps and address skills mismatches through customised training and curricula reform;
 - iii. Raising the attractiveness of vocational training and increasing employment opportunities for younger workers and promoting early contact with the labour market, including through measures for facilitation of school-to-work transitions and removing obstacles to internships in particular;
 - iv. Promoting in-company training and up-skilling of employees;
 - v. Promoting the inclusion and retraining of older workers in the labour market;

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- vi. Promoting women's employment and entrepreneurship and employment of vulnerable groups, in particular the Roma;
 - vii. Developing regional strategies to support continuous education and lifelong learning and recognition of non-formal and informal educational paths;
 - viii. Developing entrepreneurial learning as one priority for education reform;
 - ix. Increasing high quality tertiary education levels;
 - x. Providing opportunities for student exchanges enabling students to study in the region and in OECD countries; and
 - xi. Reducing the number of individuals who leave school early, with a special focus on students with disabilities, learning disabilities and socio-economic, cultural and/or linguistic disadvantages.
5. **Governance for growth** stresses the importance of good corporate and public governance as a basis for achieving the goals of smart, sustainable, inclusive and integrated growth through:
- i. Supporting the capacities of public administrations to design and implement development policies;
 - ii. Finding complementarities and synergies with other regional initiatives and mechanisms such as the Western Balkan Investment Framework and the Western Balkan Regional Competitiveness Initiative;
 - iii. Promoting the effective implementation of existing legislation governing competition, including improvement of judiciary capacities and giving high priority to enforcing the rule of law and anti-corruption measures; and
 - iv. Responsible fiscal and monetary policies.

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ANNEX III - Sources of Indicators

1. Integrated Growth

Total value of trade in goods in the region

Source: OECD ICTS (International Trade by Commodity Statistics) Database

Foreign direct investment

Source: World Bank

2. Smart Growth

Business expenditure on research and development (BERD) as a % of GERD

Source: UNESCO data for SEE, Eurostat data for the EU and Erawatch data for the Former Yugoslav Republic of Macedonia

Gross expenditure on research and development (GERD) as a % of GDP

Source: UNESCO data for SEE, Eurostat data for the EU

Tertiary education attainment

Data based on 1997 ISCED (International Standard Classification of Education) levels of 5-6.
Source: Eurostat

GDP per person employed

Source: World Bank

High-technology exports (% of manufactured exports)

Source: World Bank

Internet users per 100

Source: International Telecommunication Union, World Telecommunication/ICT Development Report and database, and World Bank estimates

Estimated software piracy rates

Source: Eighth Annual Business Software Alliance Global Software Piracy Study

3. Sustainable Growth

Entrepreneurship

Source: EBRD Life in Transition Survey

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Trade balance in good

Source: World Bank (for GDP data) and OECD ICTS (International Trade by Commodity Statistics) Database. Kosovo National Statistical Office for Kosovo.

CO₂ emissions

Source: World Bank

Energy efficiency

Source: World Bank

Fossil fuel energy consumption

Source: World Bank

4. Inclusive Growth

Employment (15+)

Source: World Bank

Employment (20-64)

Source: Eurostat

Gender: ratio of estimated female to male income

Source: OECD

Poverty headcount ratio at \$5 a day (PPP) (% of population)

Source: World Bank

People at risk of poverty or social exclusion

Source: Eurostat

Early Leavers

Source: Eurostat

5. Governance for Growth

Percentage of firms saying unofficial payments are frequent

Source: EBRD and World Bank Business Environment and Enterprise Performance Survey (BEEPS) 2010 report

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Government debt

Source: World Bank (for the EU and the Republic of Moldova) the Vienna Institute for International Economic Studies for all other SEE economies in 2009 and the EBRD for SEE economies in 2000.

Rule of law

Description: Composite indicator compiled by the World Bank. Scores can range from -2.5 to 2.5

Source: World Bank

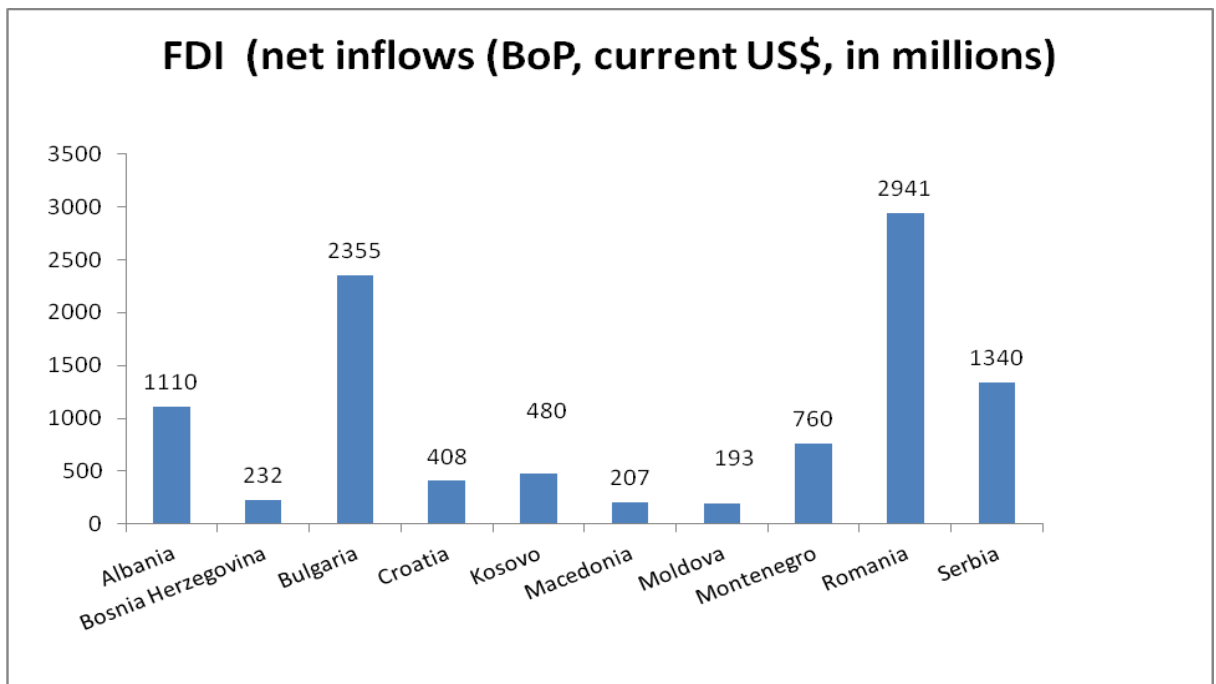
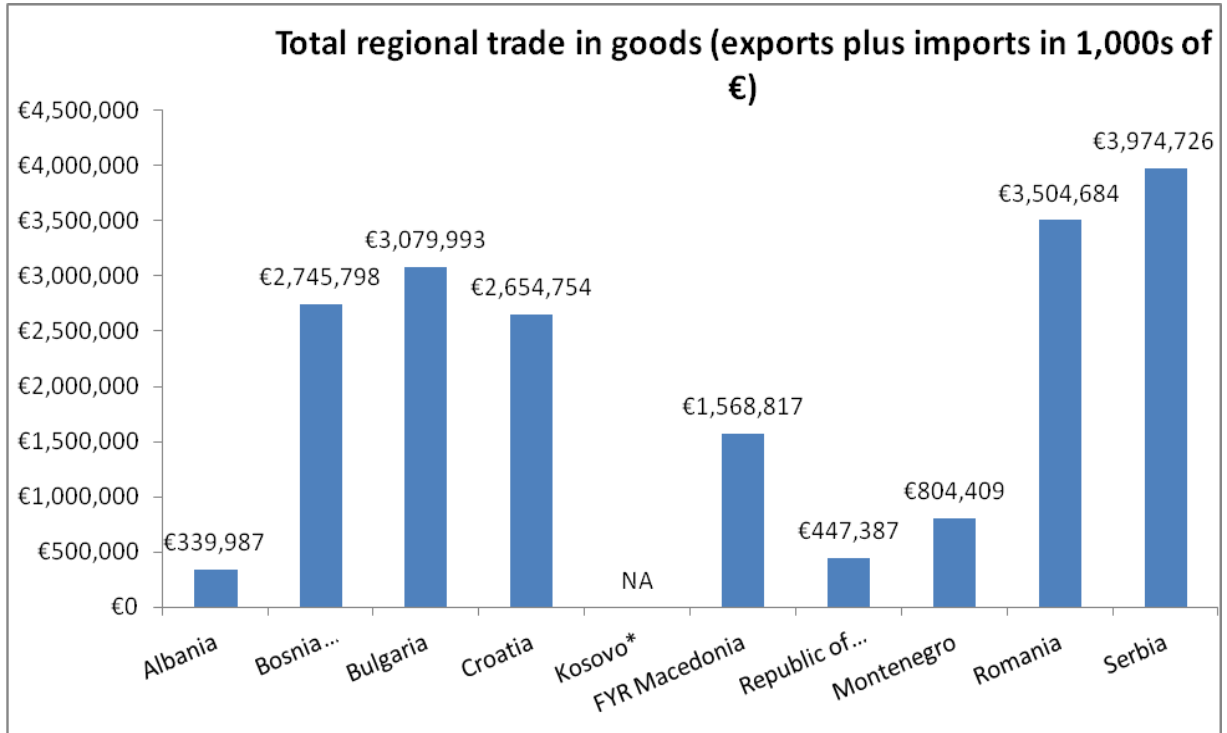
Regulatory quality

Description: Composite indicator compiled by the World Bank. Scores can range from -2.5 to 2.5

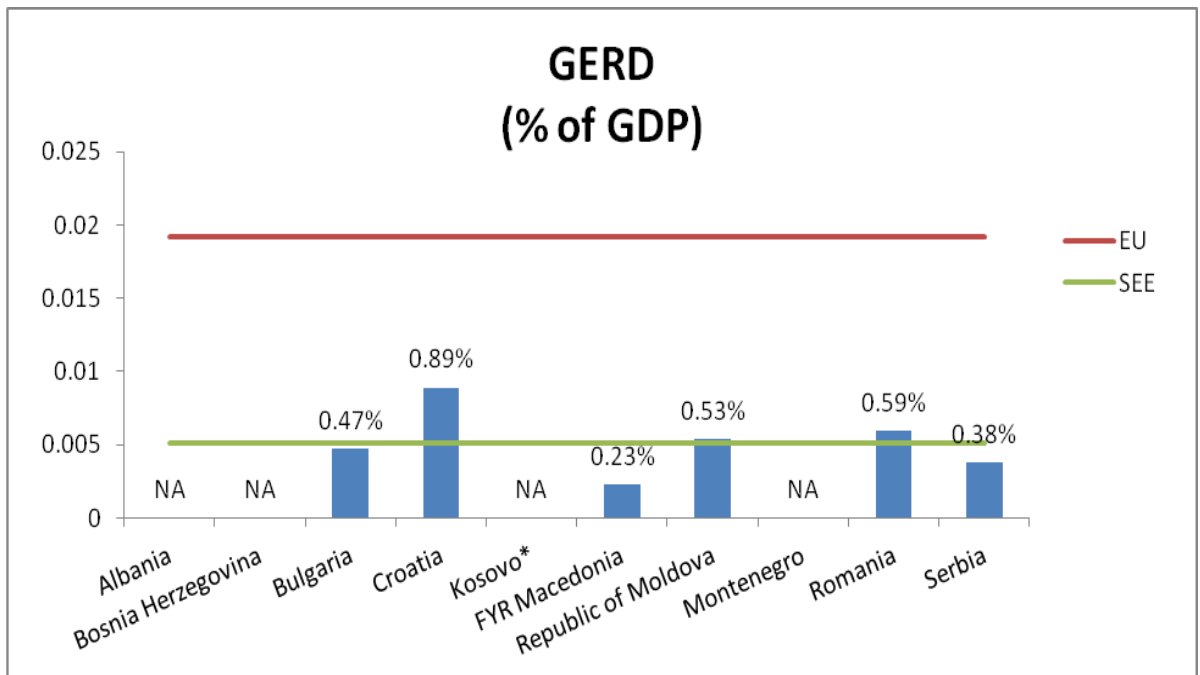
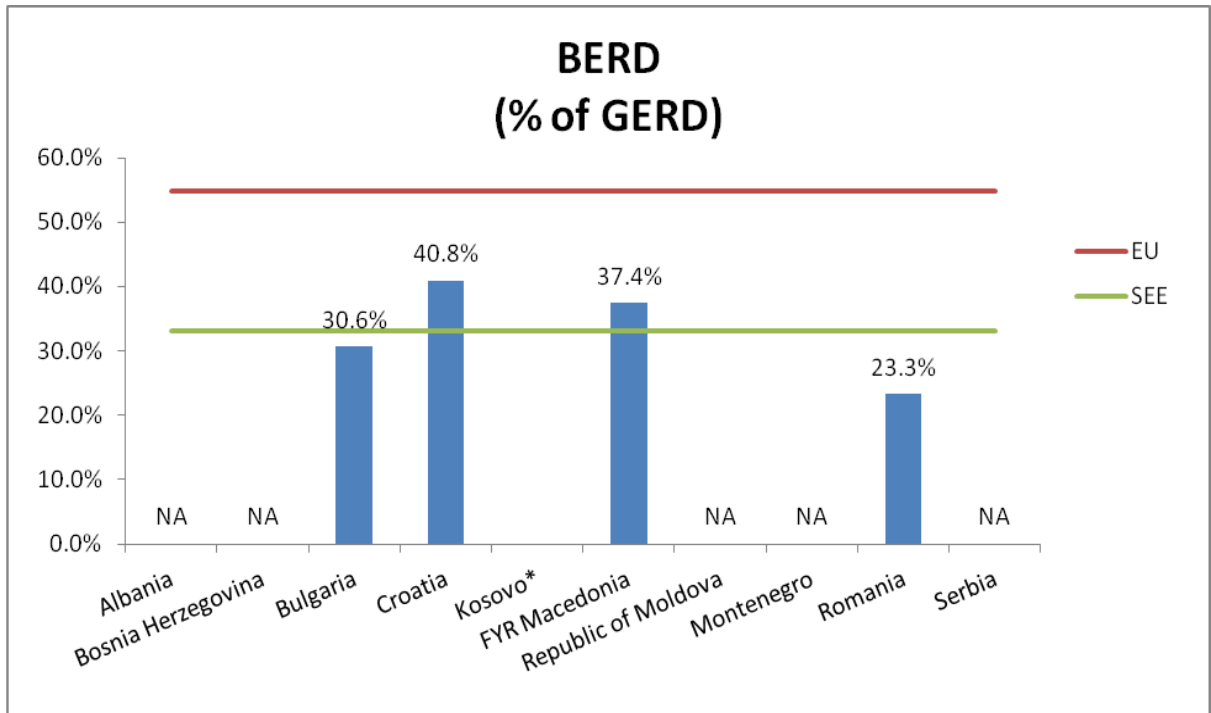
Source: World Bank

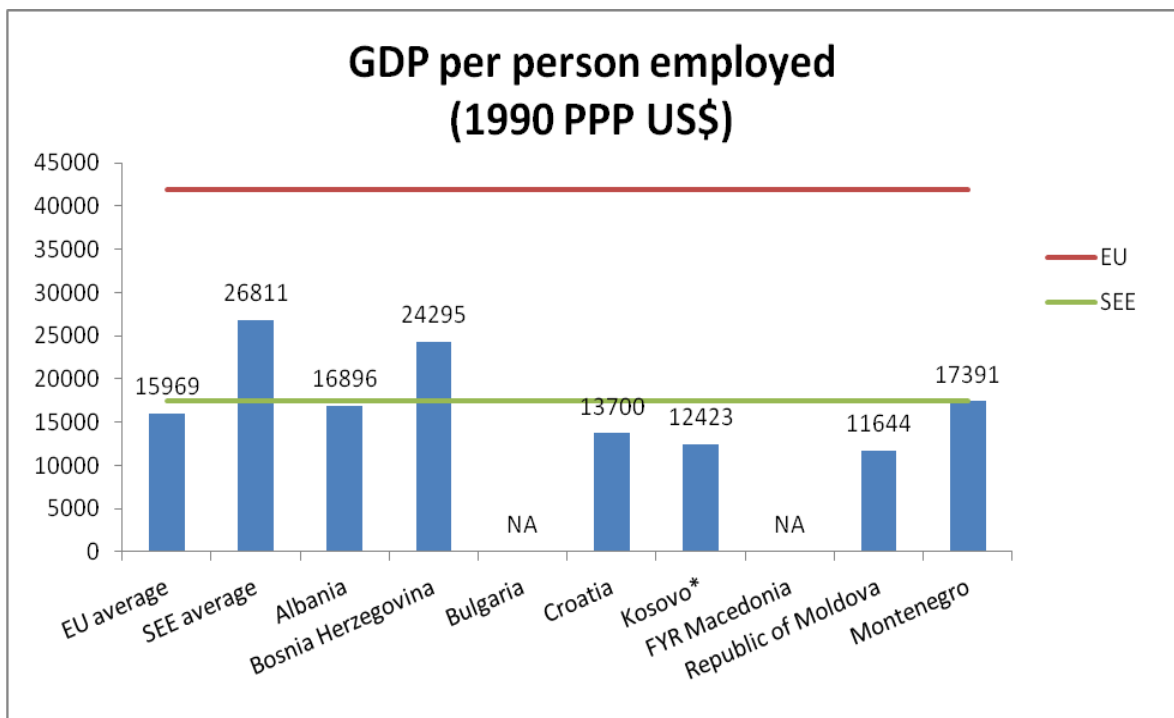
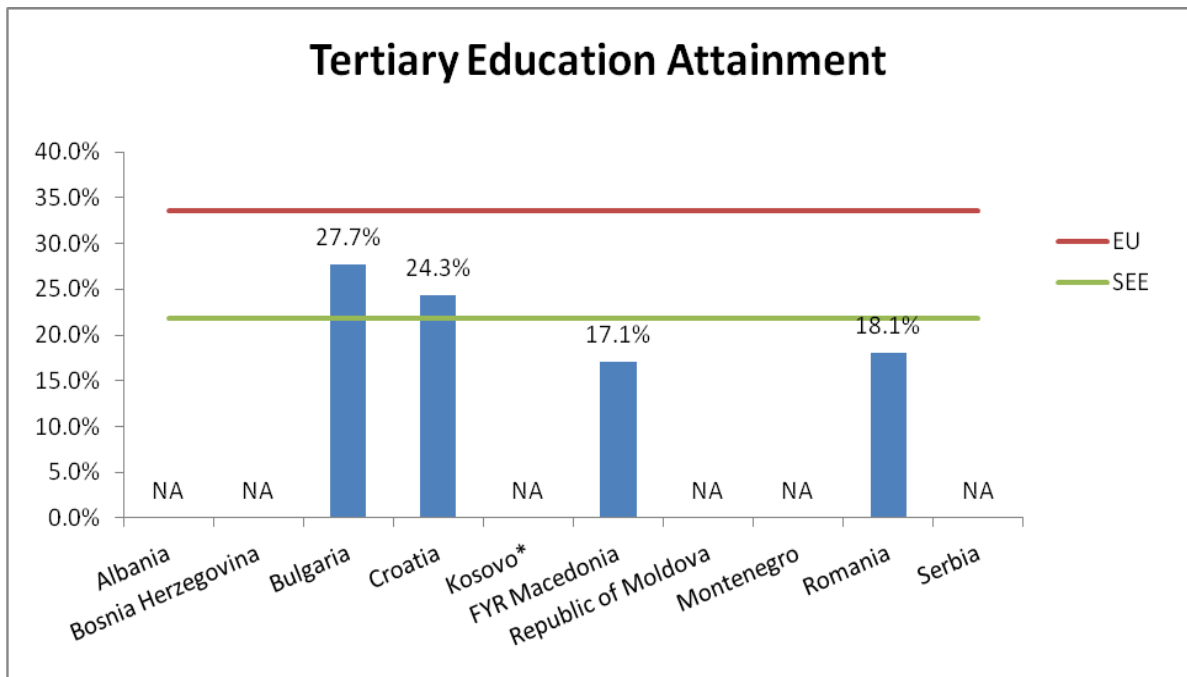
ANNEX IV – Indicators by SEE Economy

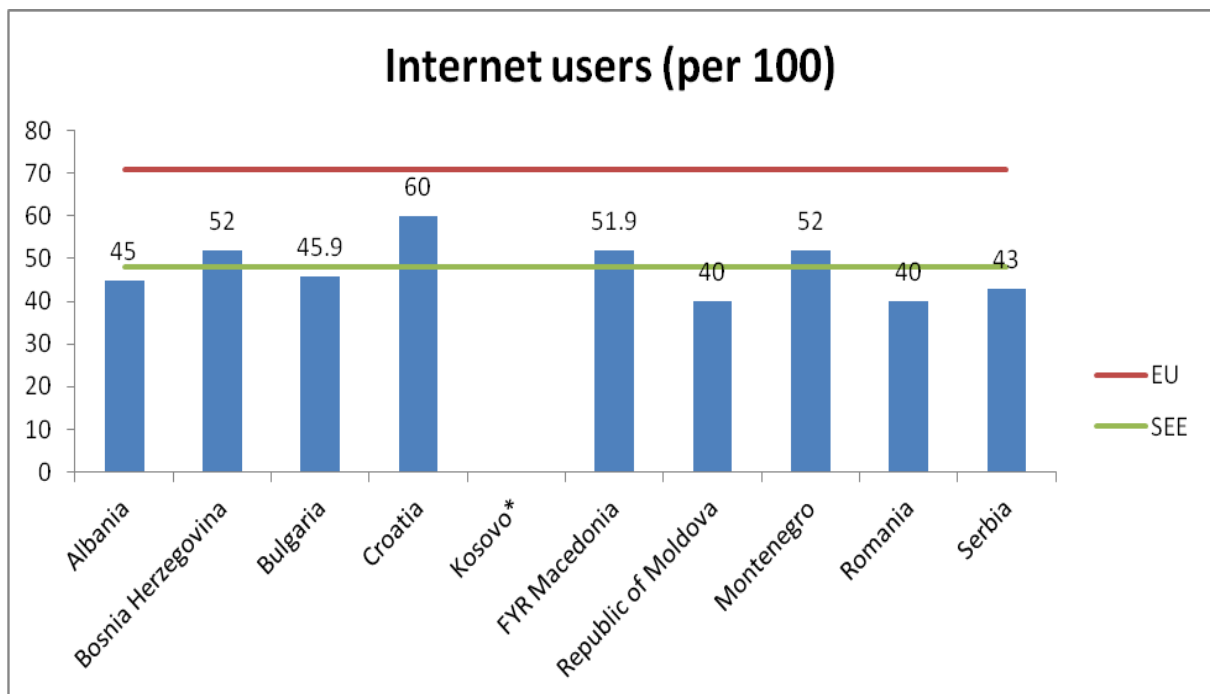
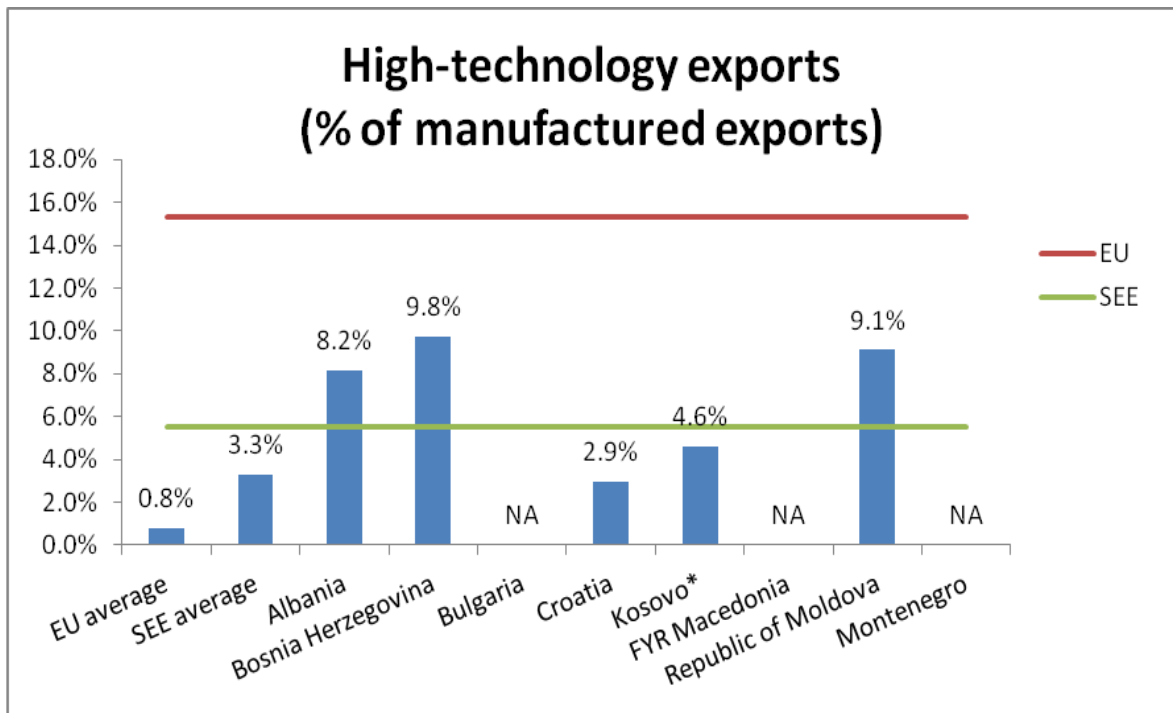
Section 1. Integrated growth

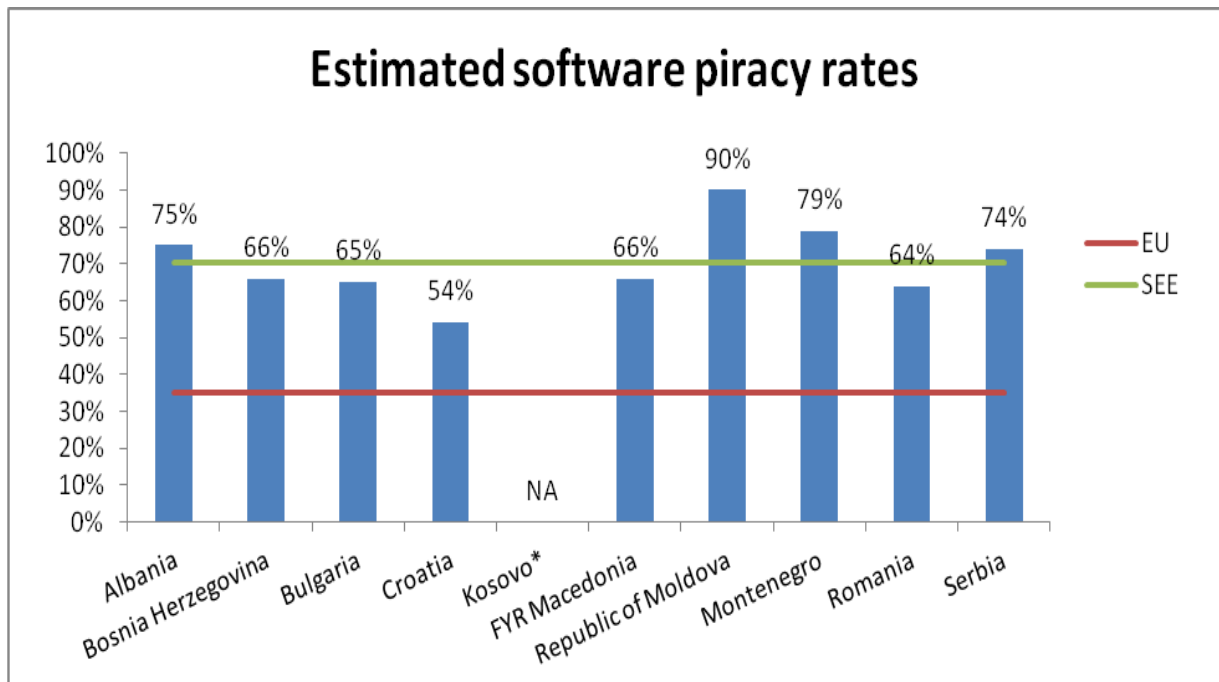


Section 2. Smart growth

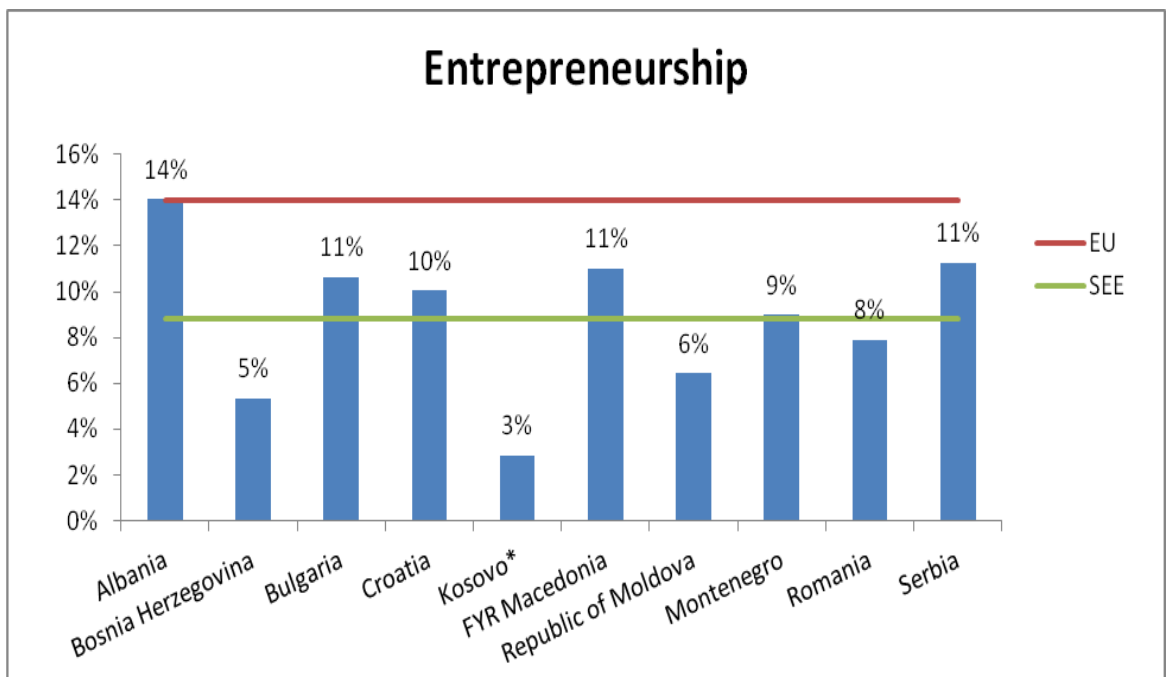


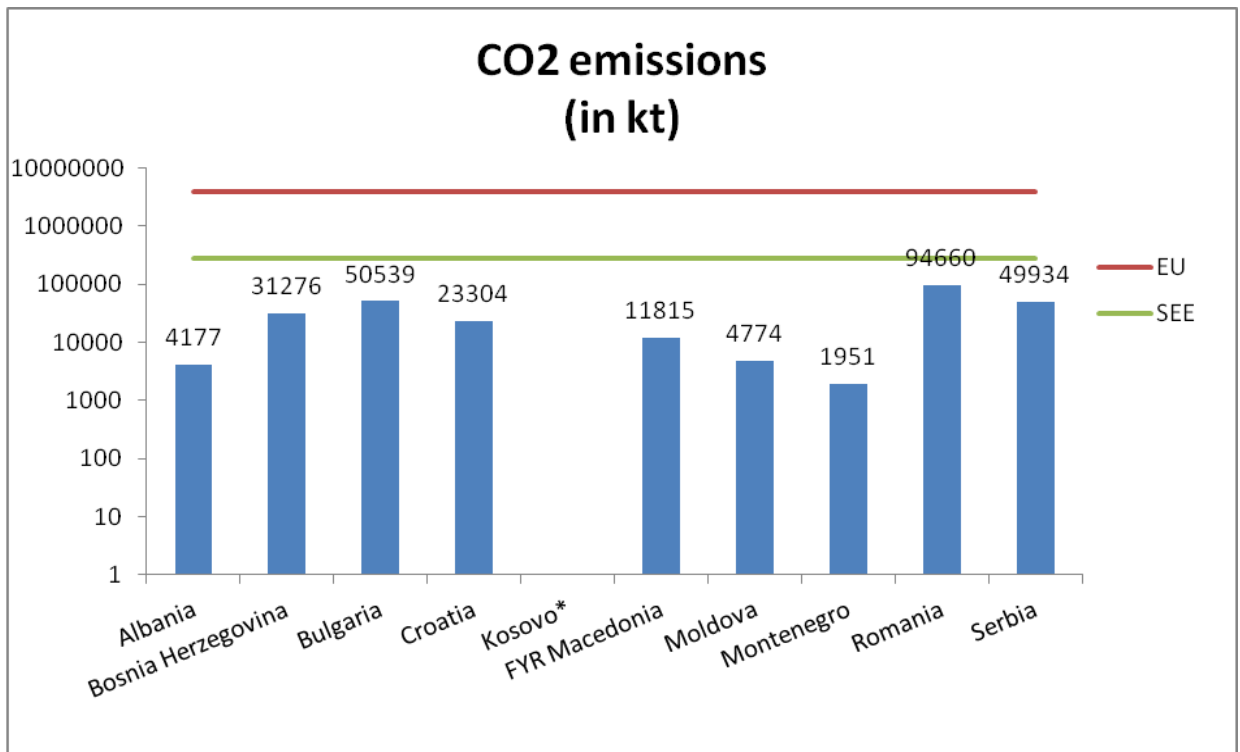
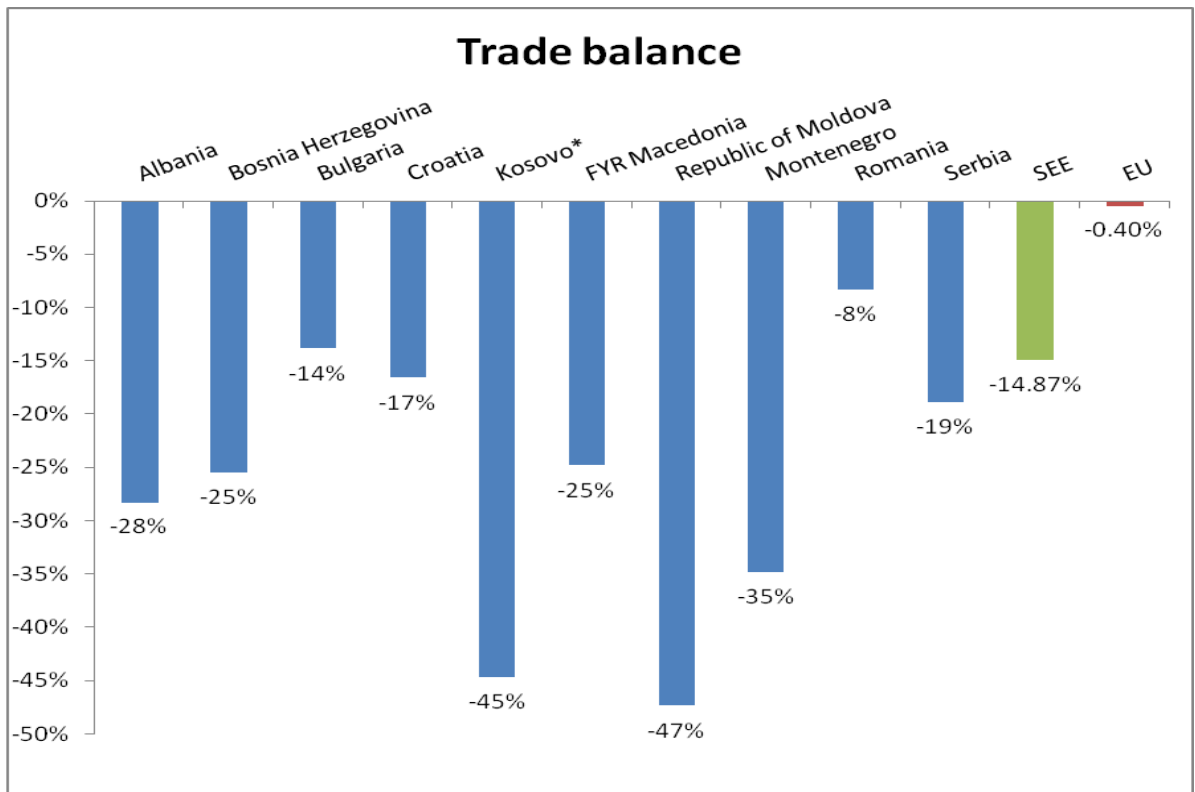


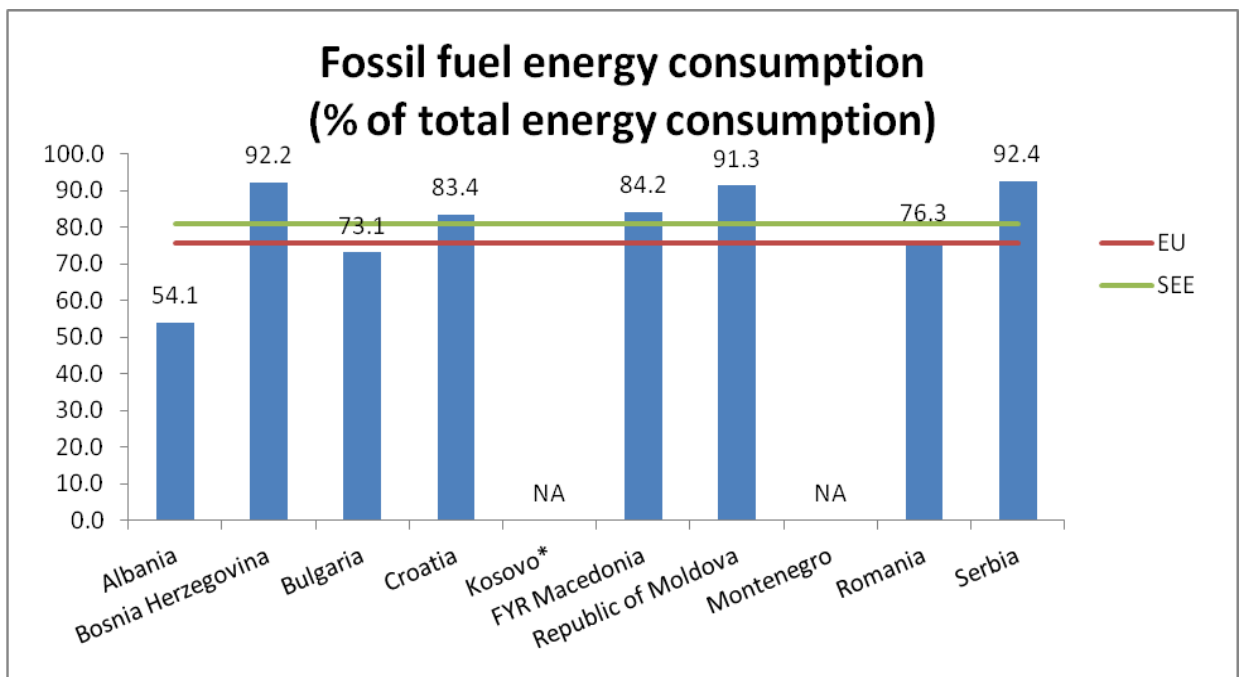
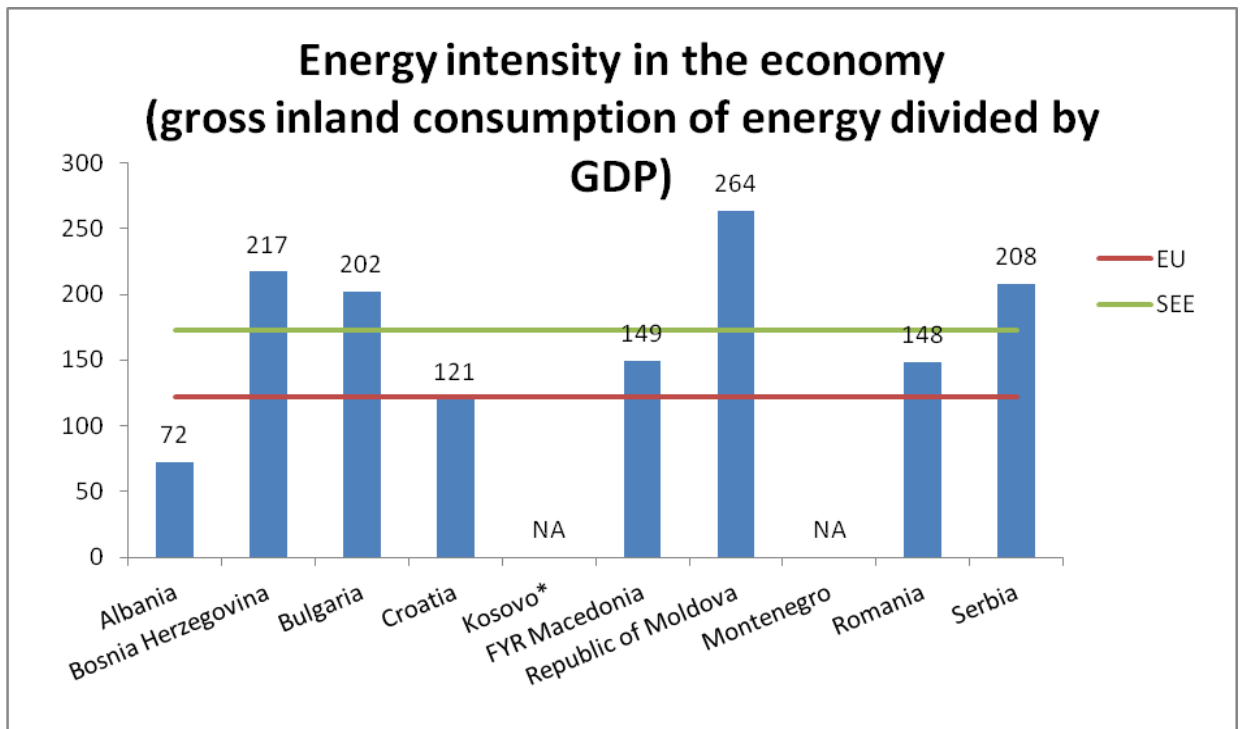




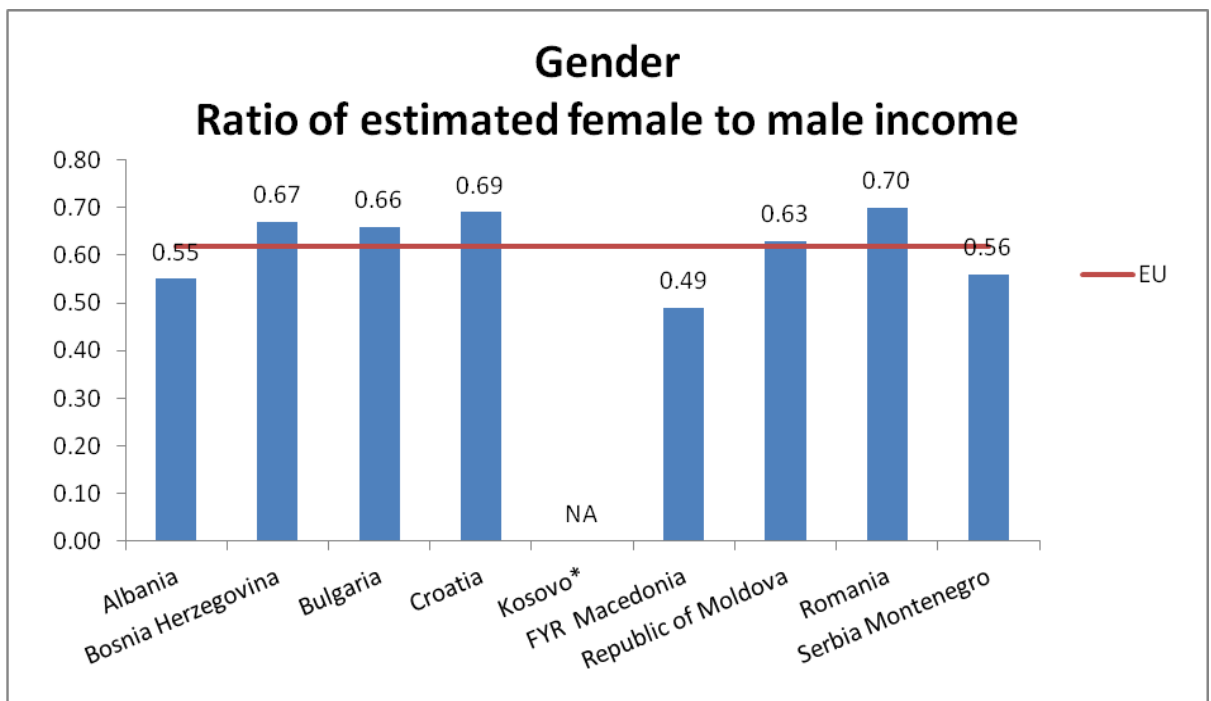
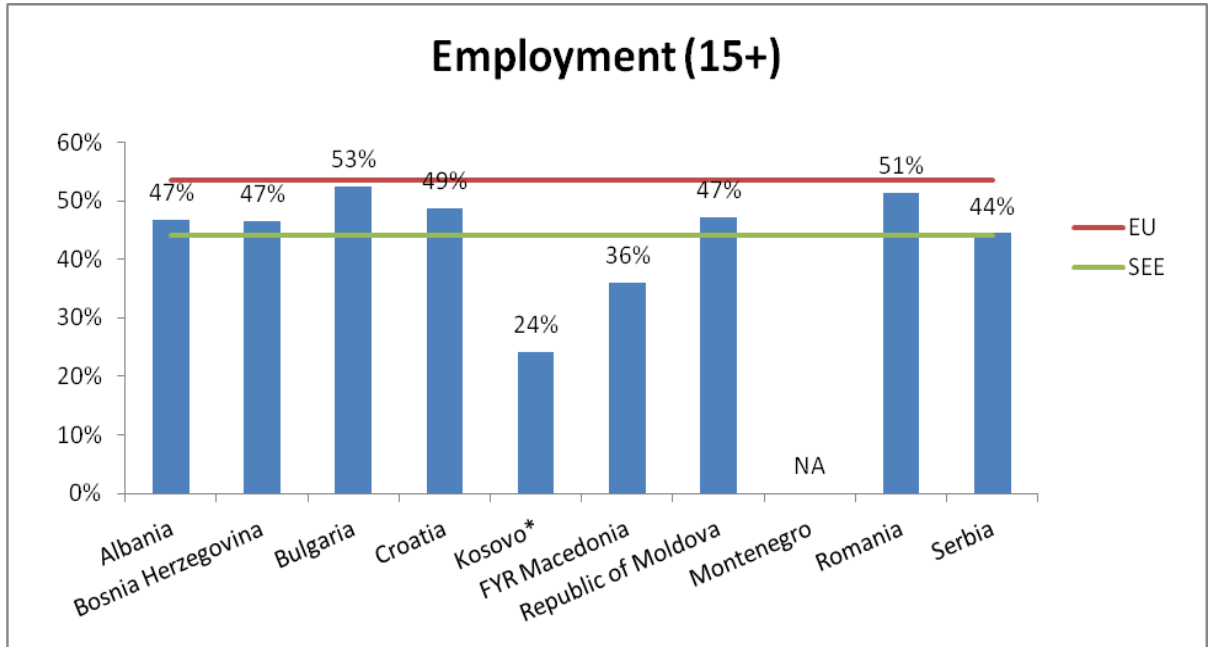
Section 3. Sustainable Growth

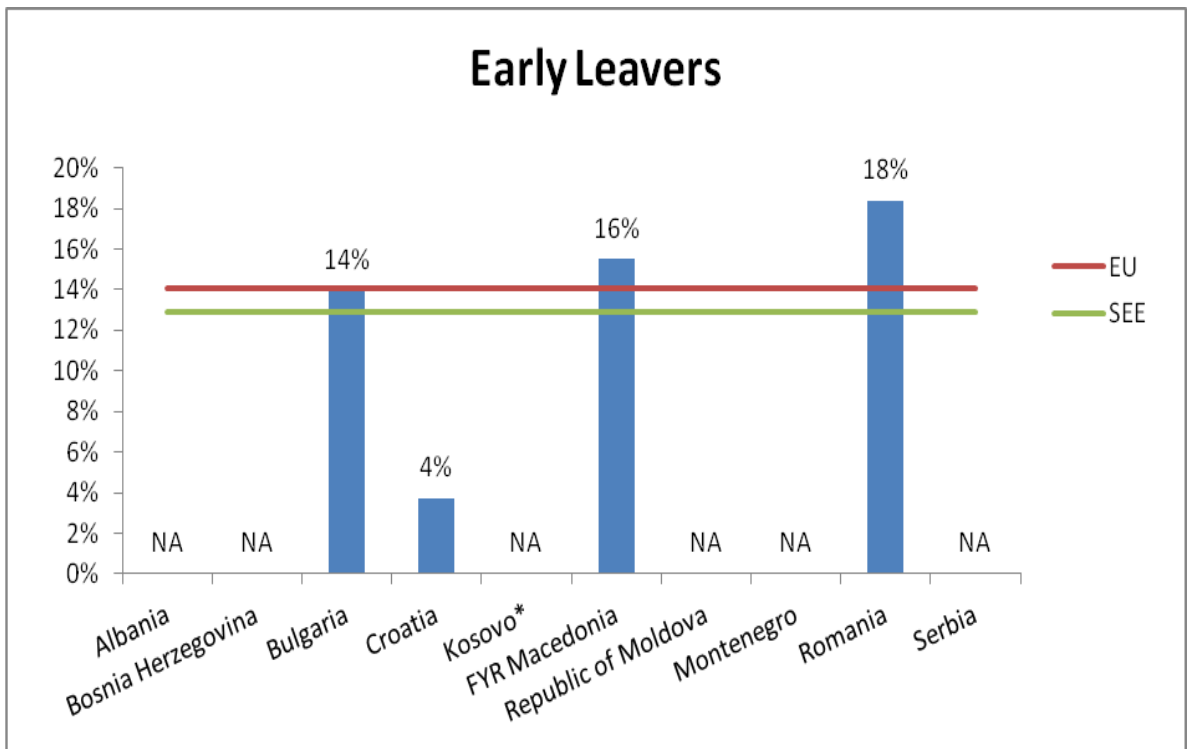
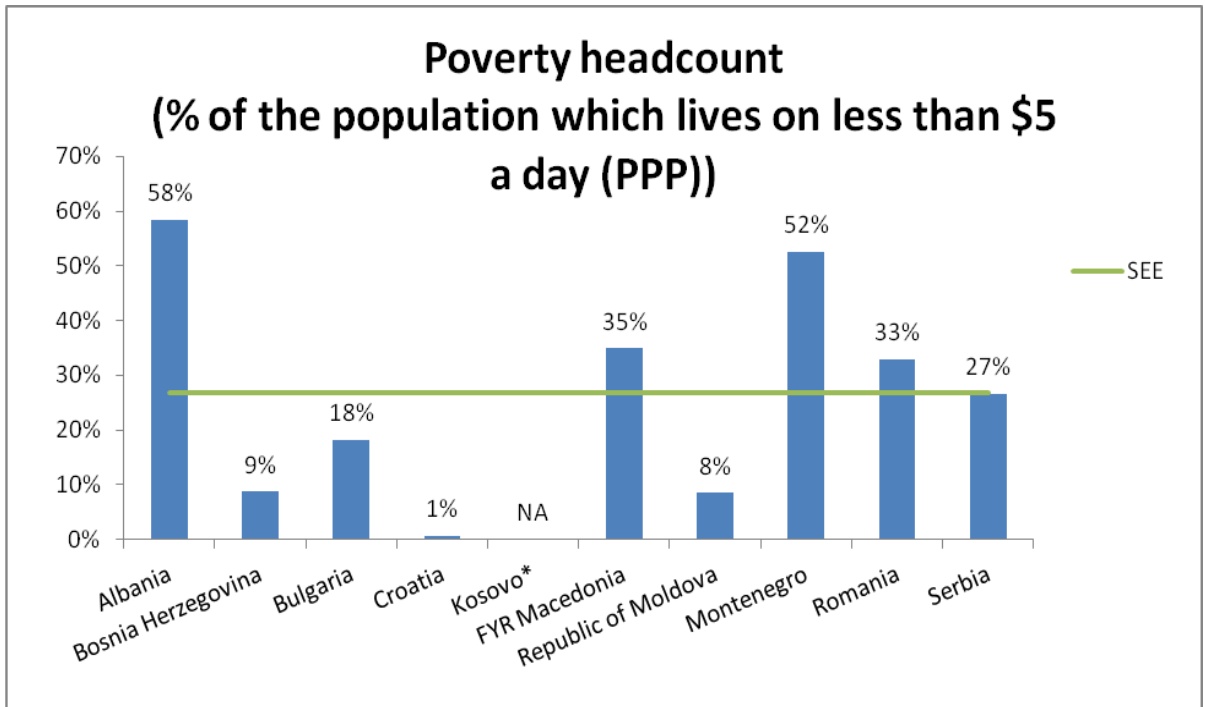




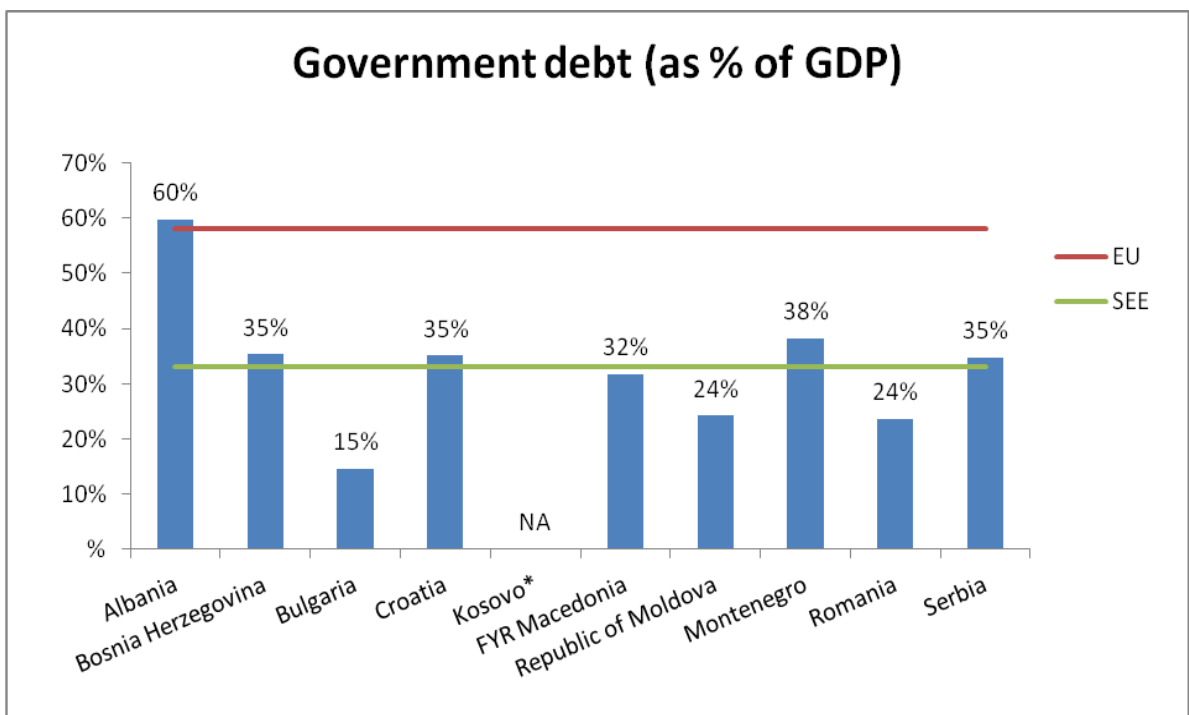
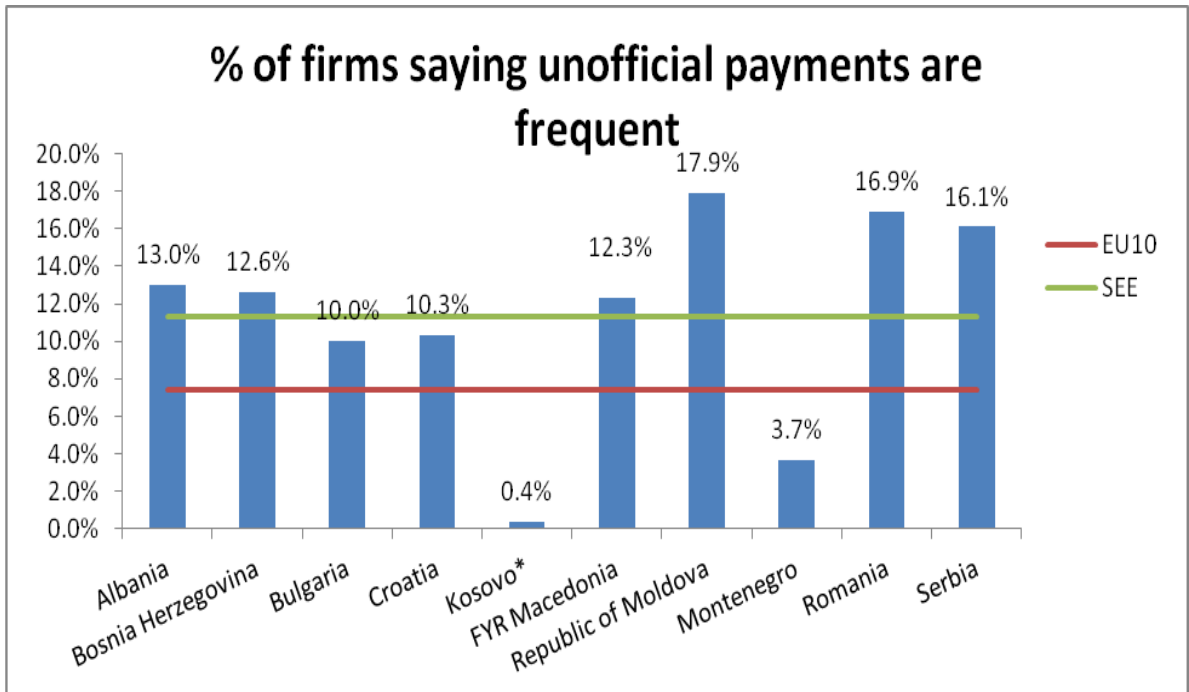


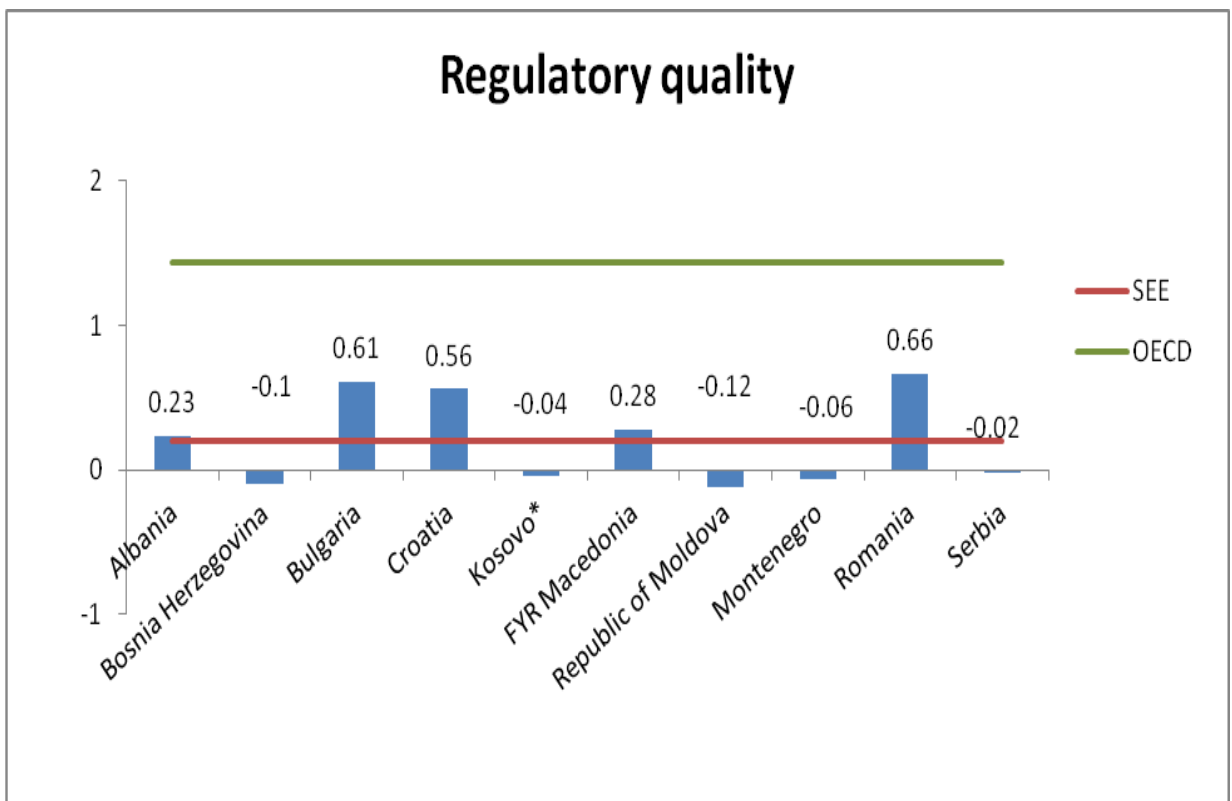
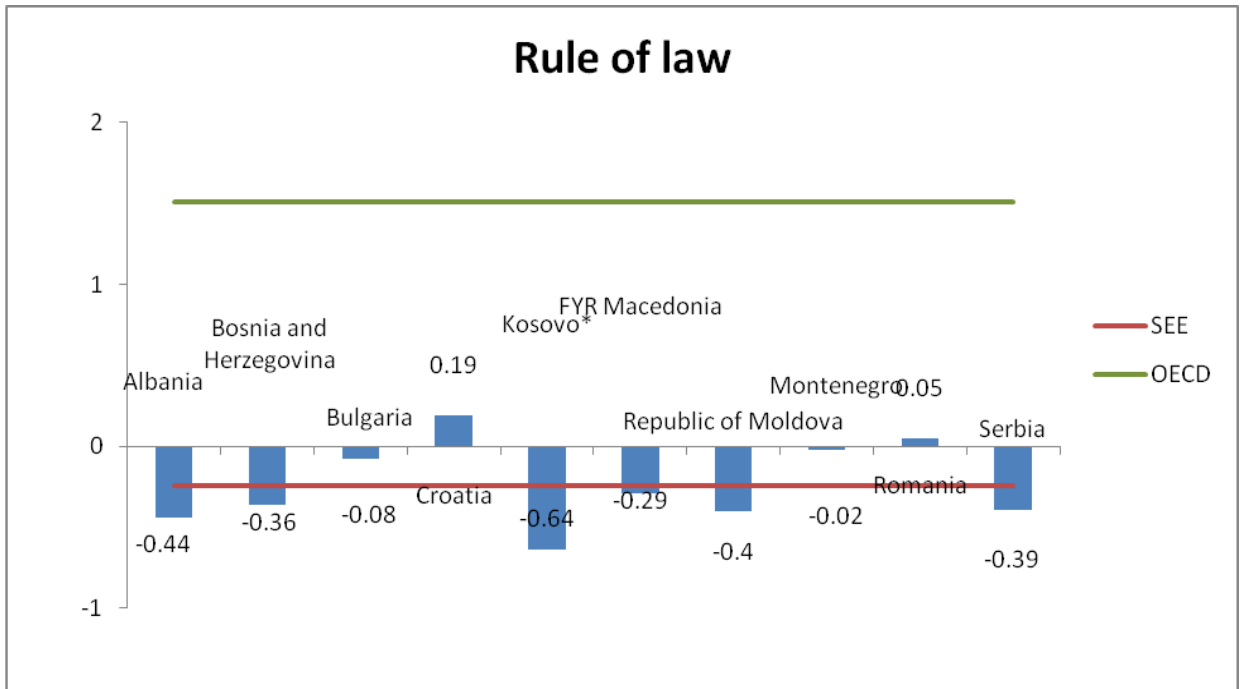
Section 4. Inclusive growth





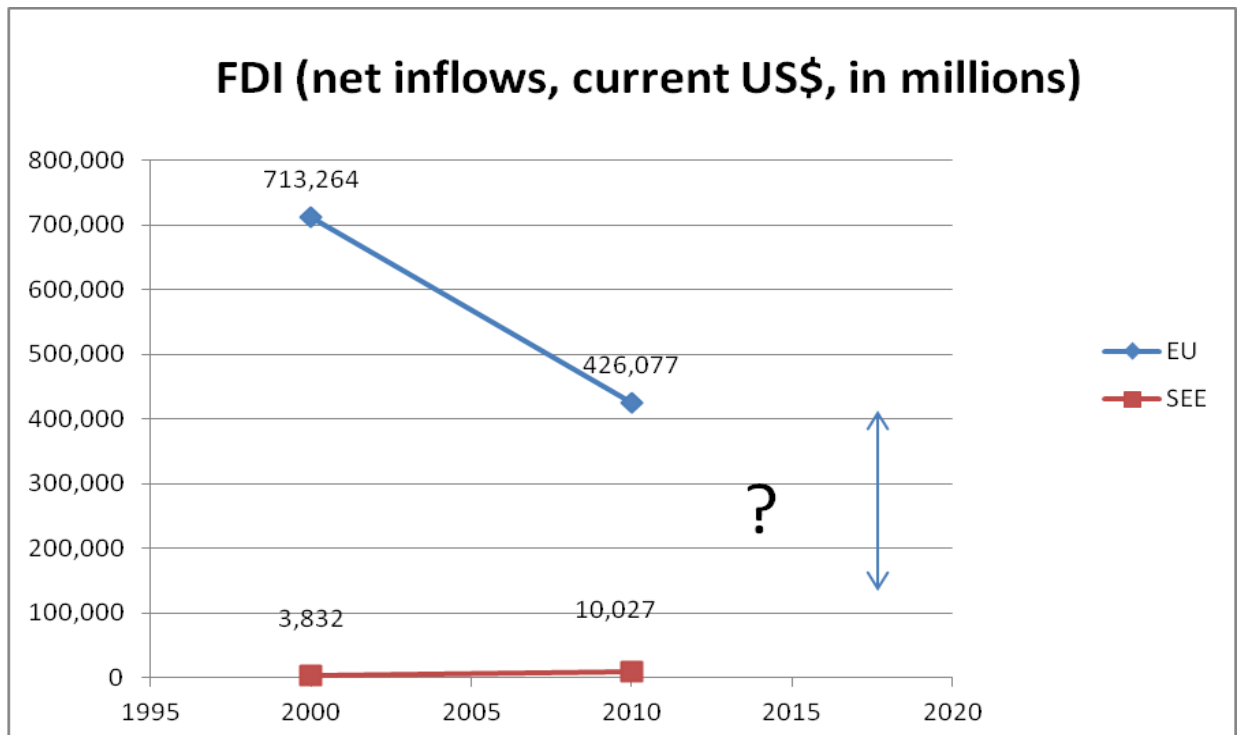
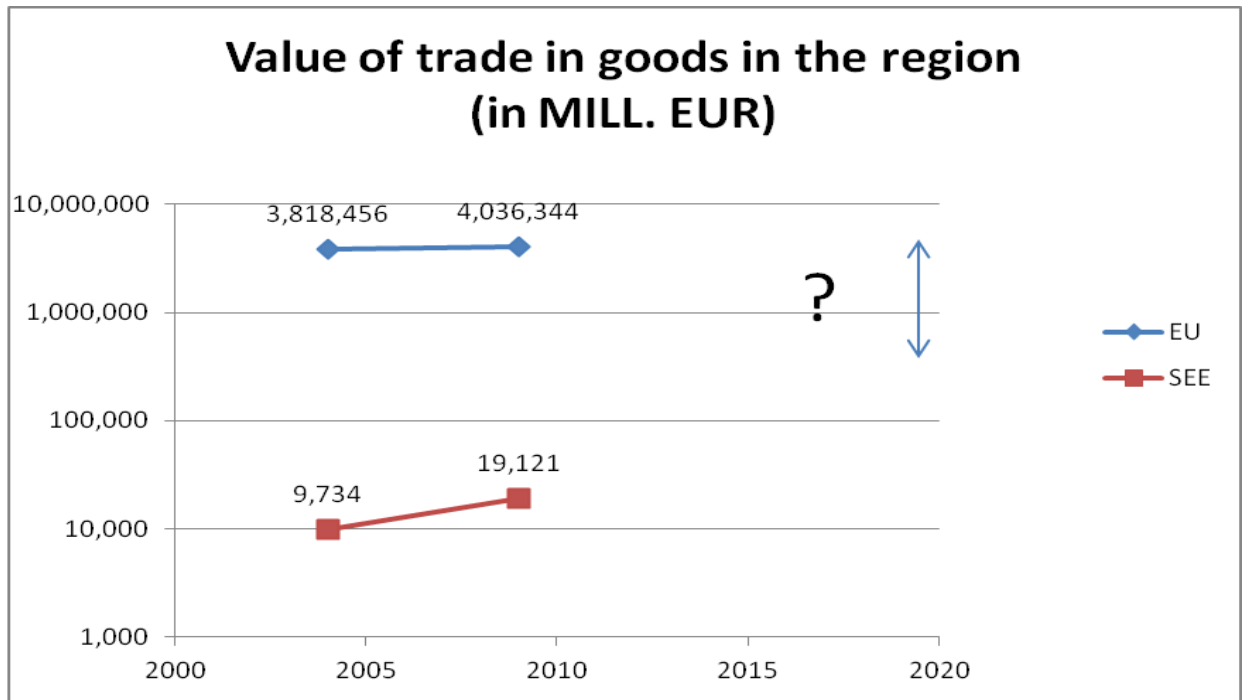
Section 5. Governance for growth



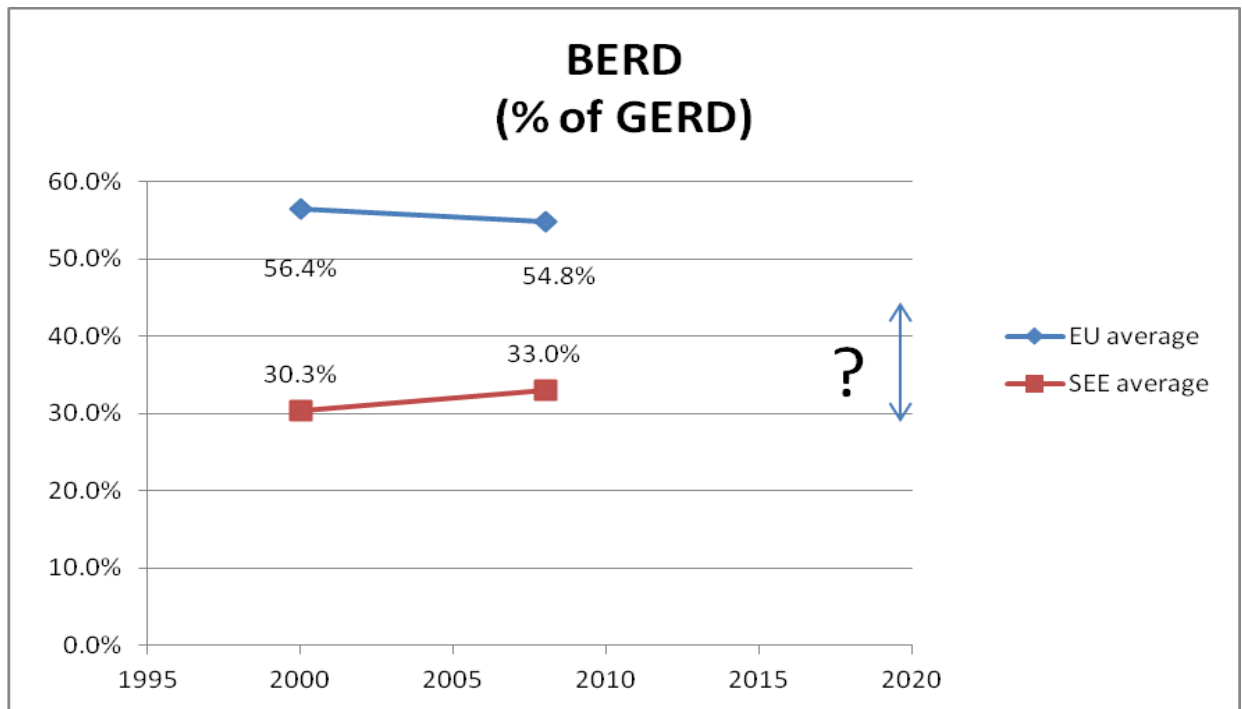


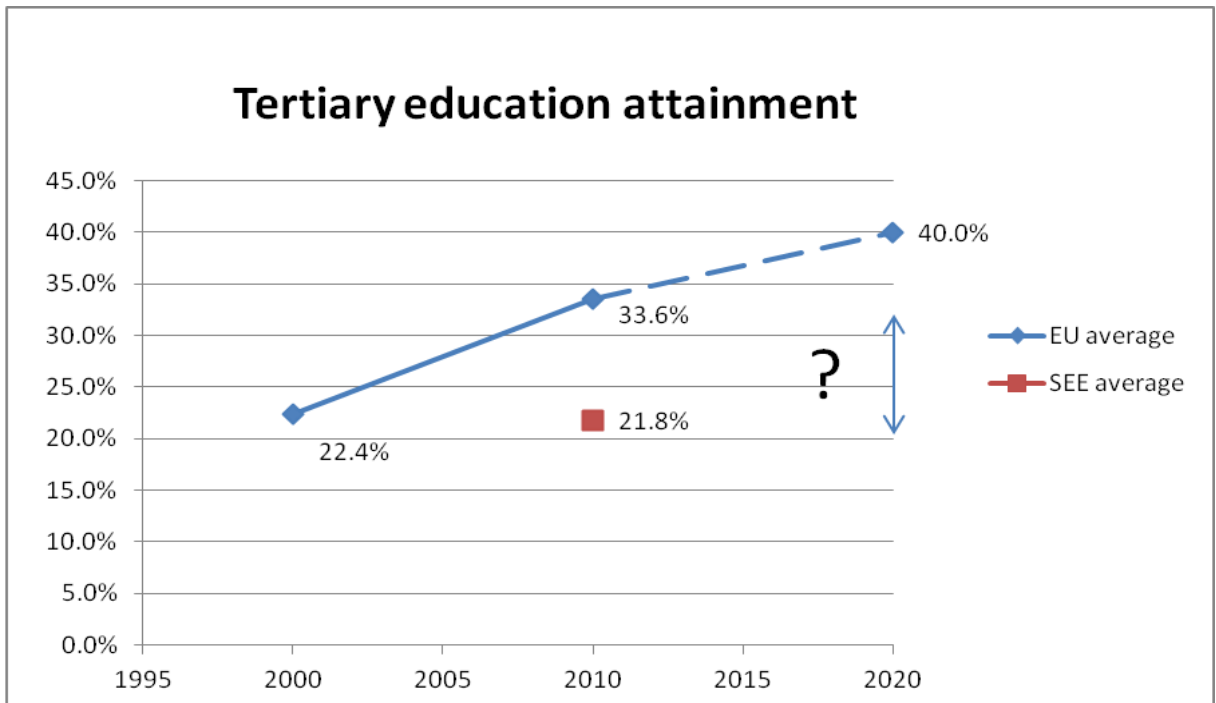
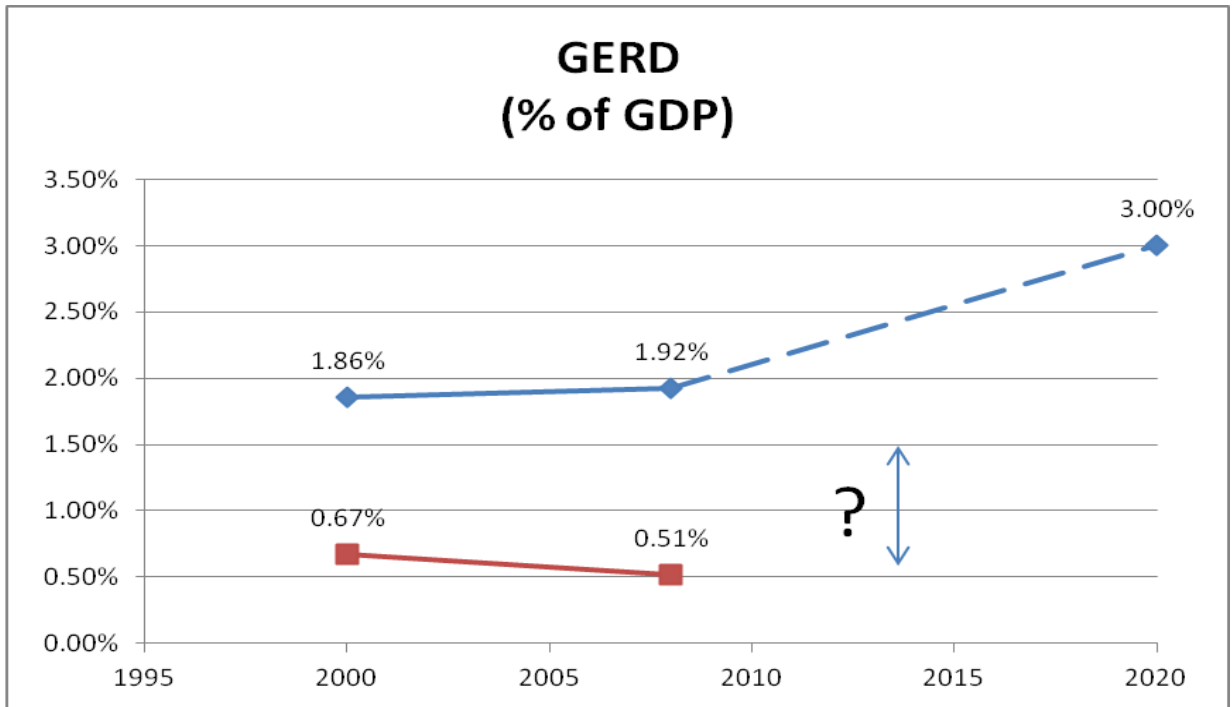
ANNEX V – EVOLUTION OVER TIME

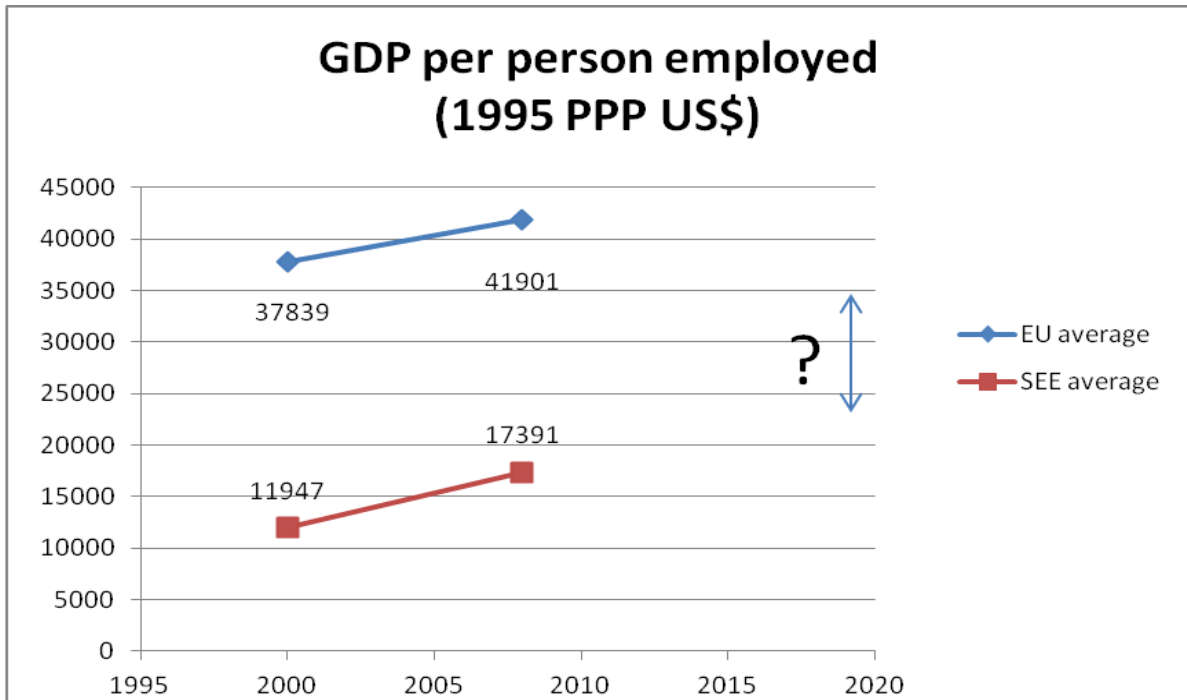
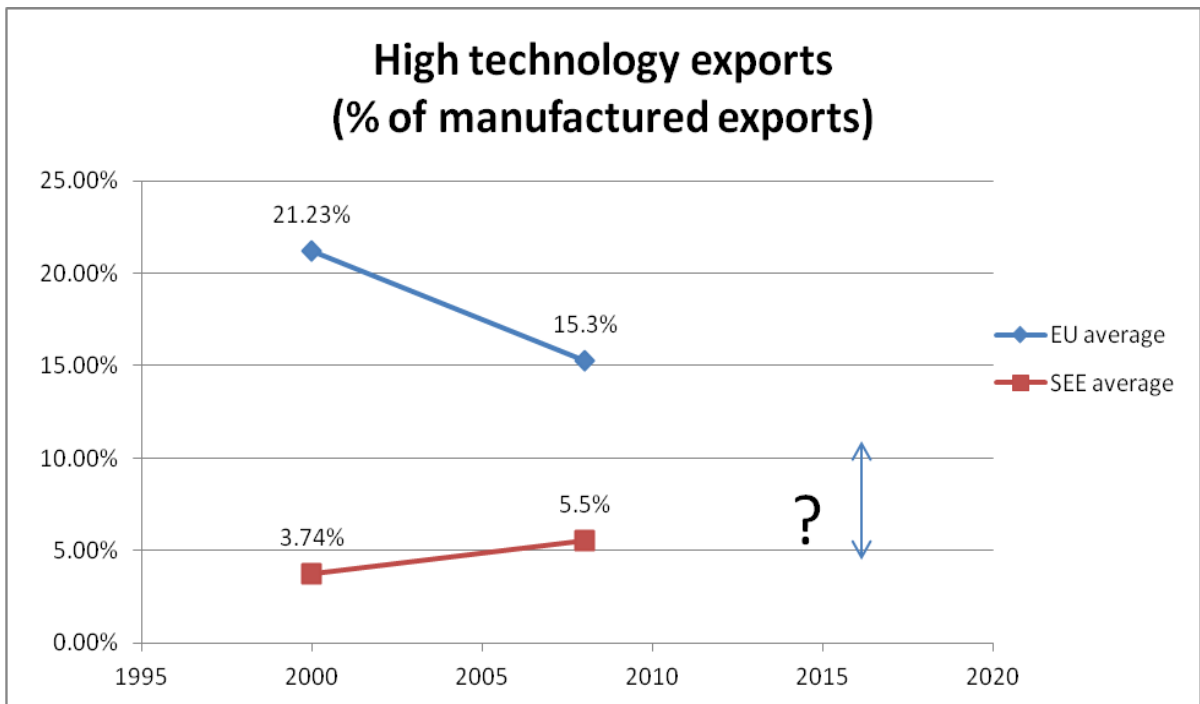
Section 1. Integrated growth

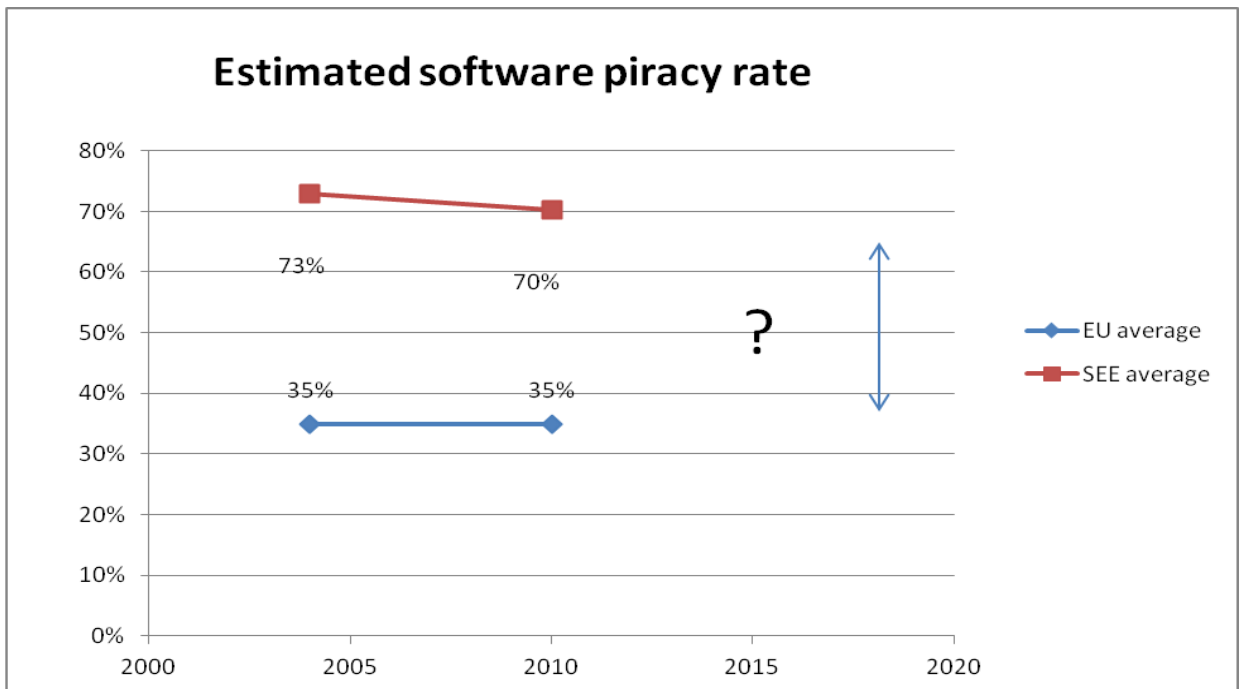
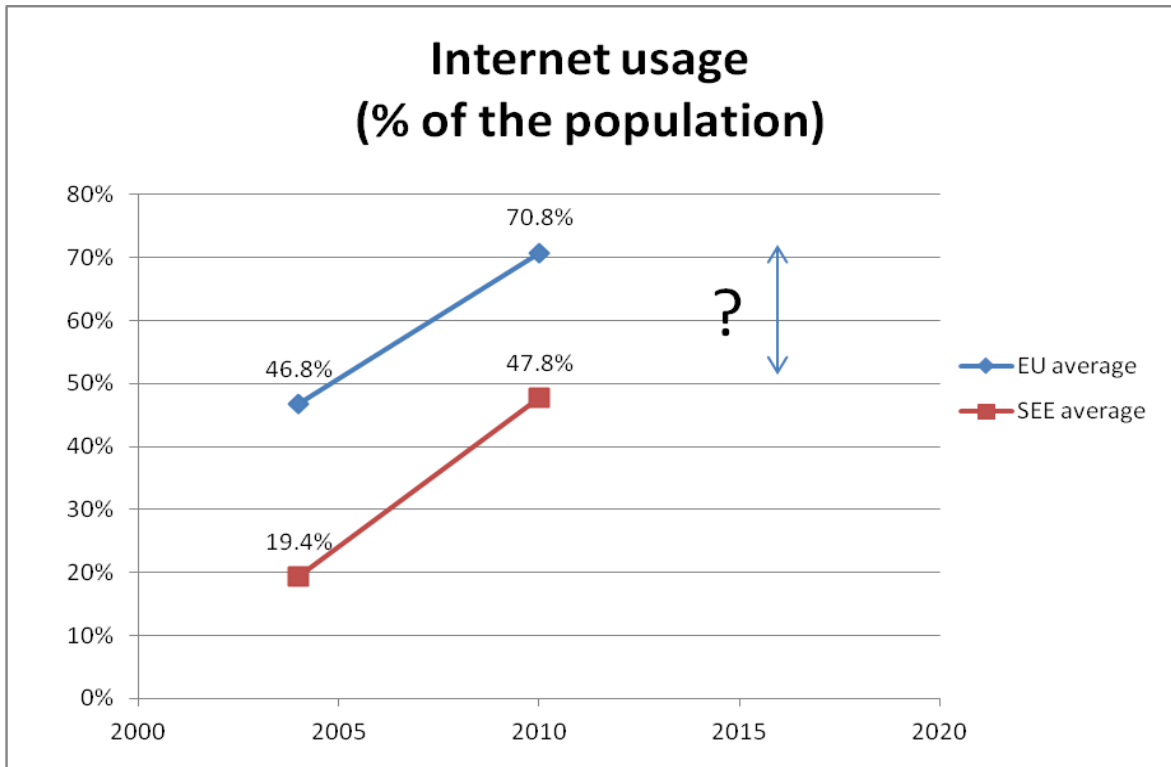


Section 2. Smart growth

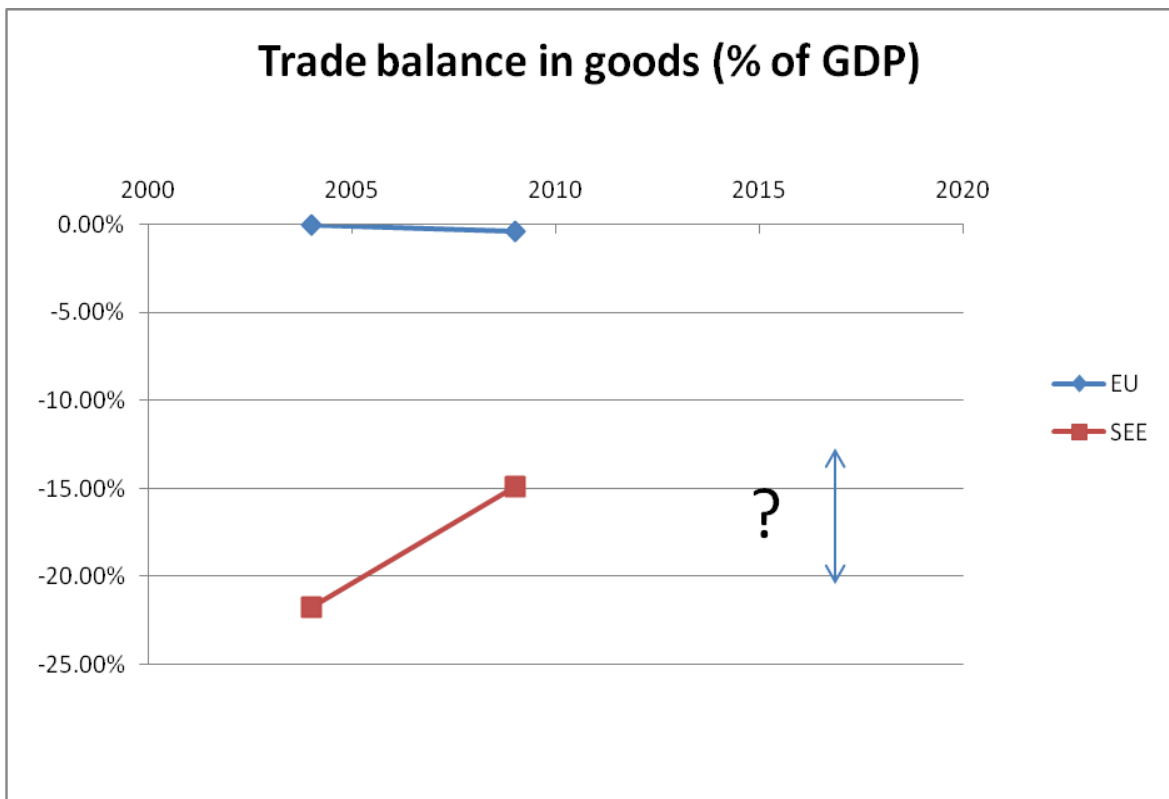
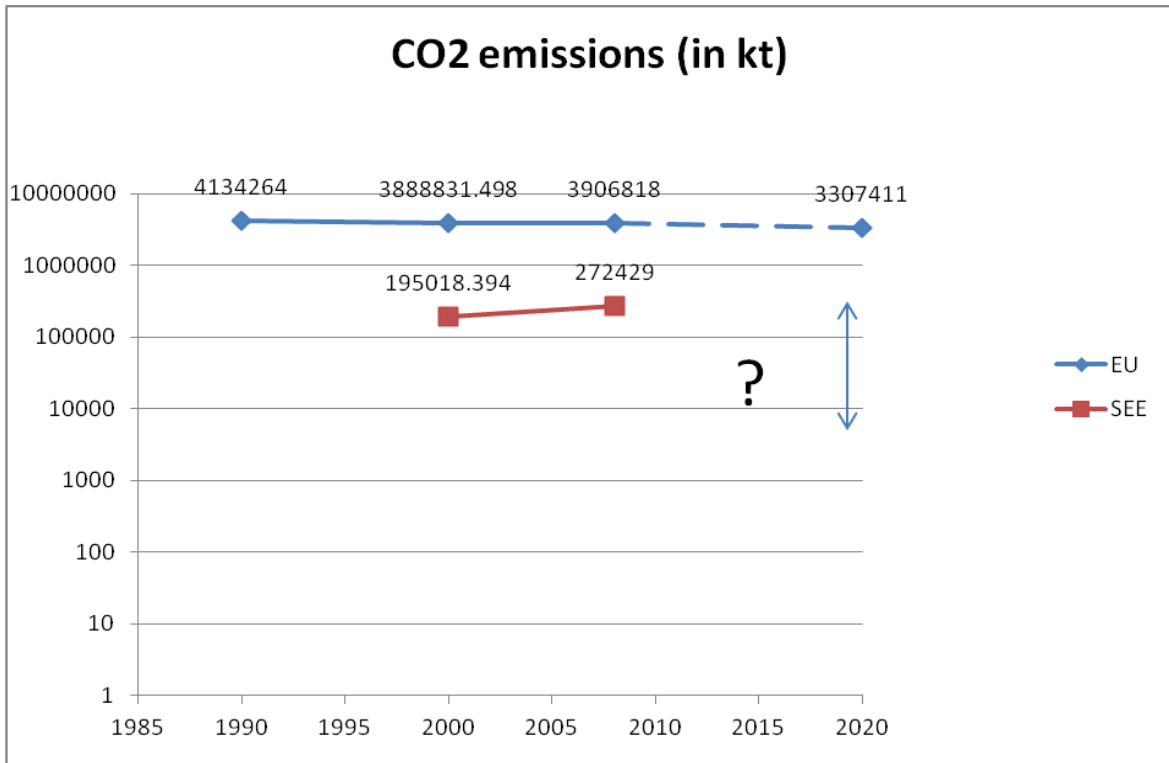


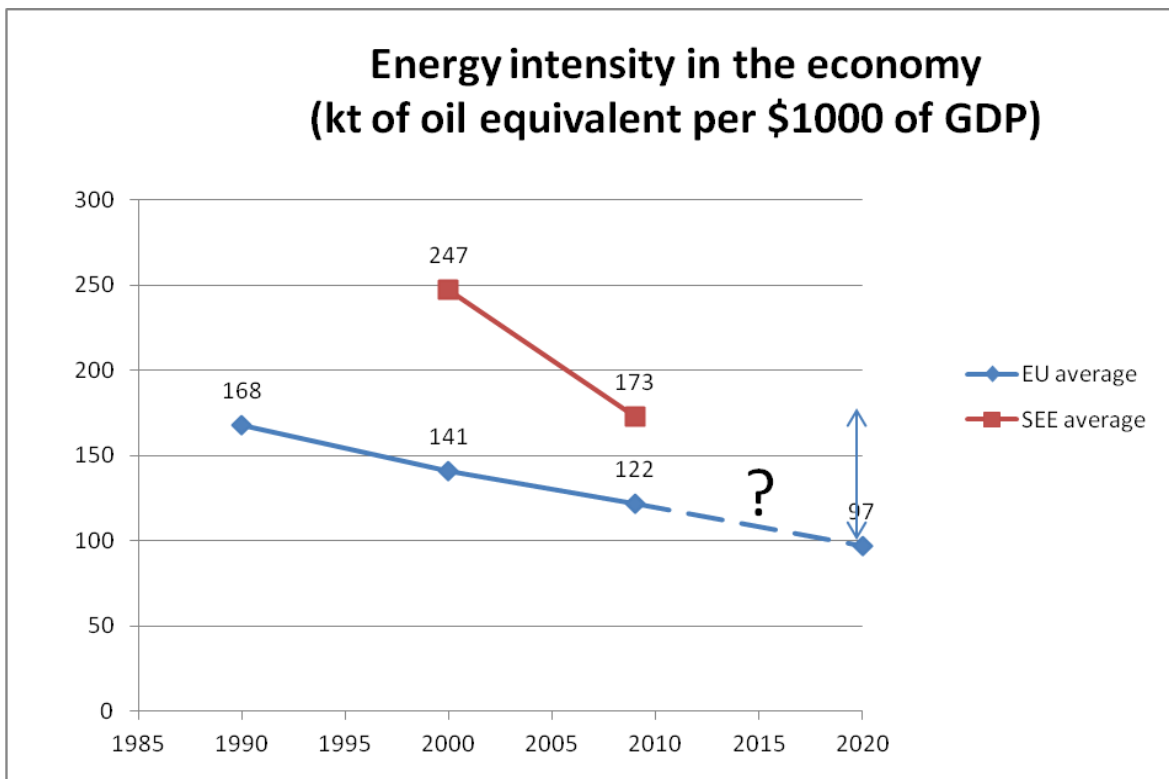
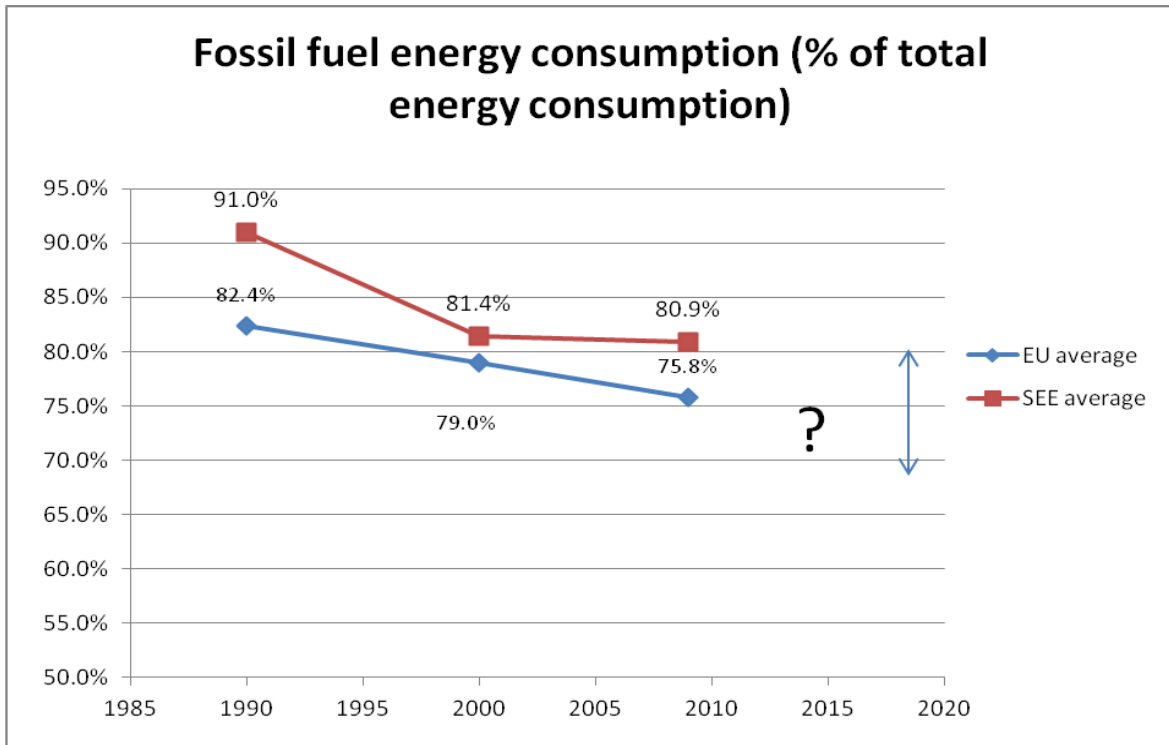




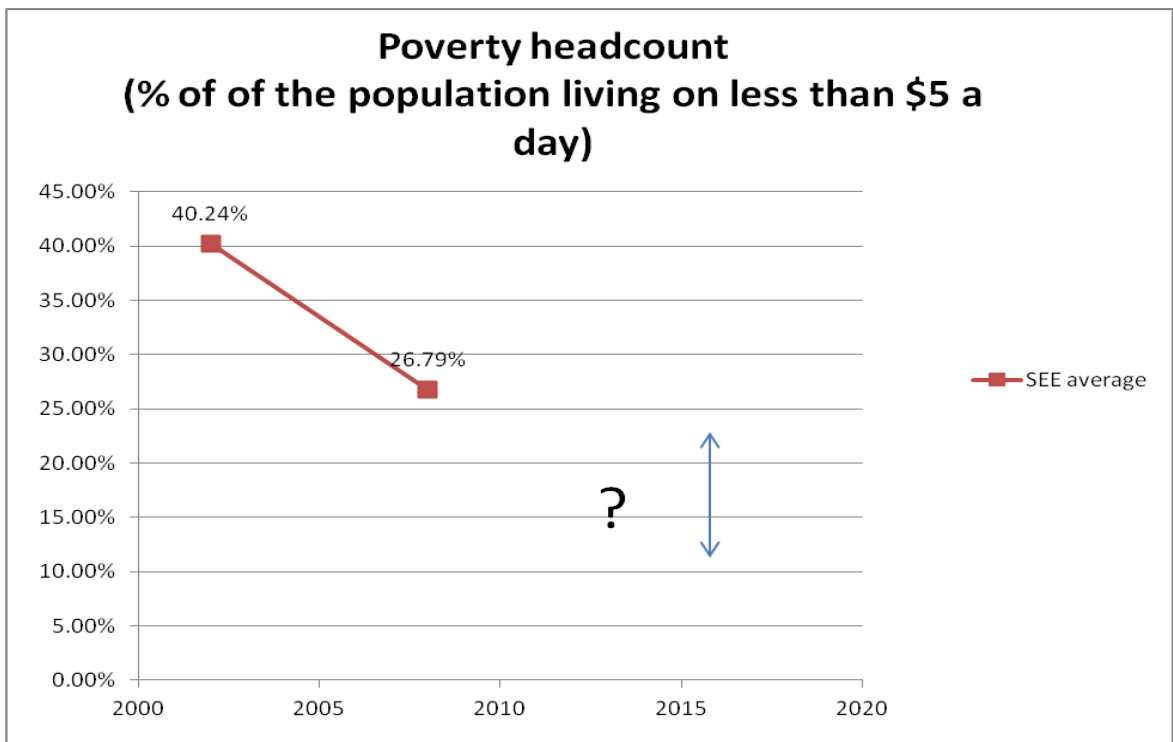
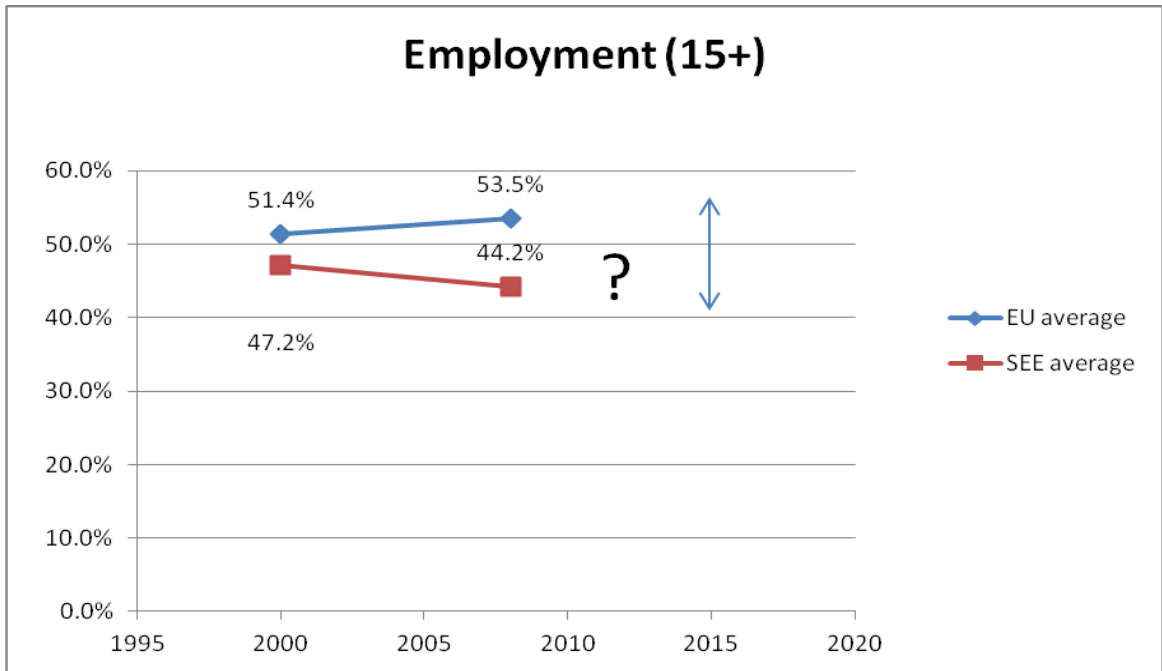


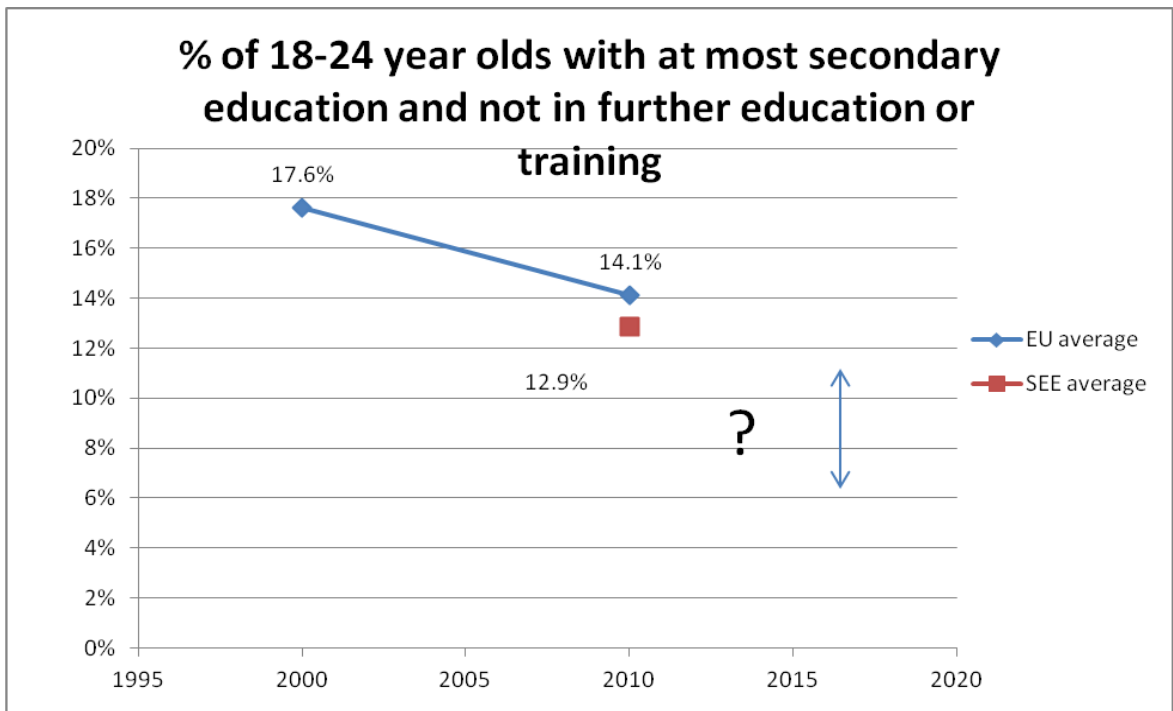
Section 3. Sustainable Growth





Section 4. Inclusive growth





Section 5. Governance for growth

