

Foreword

In an increasingly interconnected world where competition for markets is more intense than ever before, countries around the globe need to address structural reform challenges to boost their economic competitiveness. By designing, adopting and implementing the right economic reforms and building functional institutions, governments can shape their citizens' future and contribute to their countries' productivity, prosperity and resilience.

In the last two decades, South East Europe (SEE) has emerged as a constellation of small but open economies that are making progress in liberalising investment and improving business conditions. However, slow annual growth rates and an average gross domestic product per capita of only one-third of the European Union's indicate that the region still has a significant gap to close. Despite growth in key manufacturing sectors, wage increases in the export sector are outpacing productivity growth, thus blunting the region's competitive edge. Innovative growth strategies are needed to ensure the region can circumvent the middle-income trap, while structural reforms can help pave the way for more inclusive and sustainable growth in knowledge-based sectors. Moreover, the conditions for long-term investment to enhance economic performance and citizens' well-being can also be improved. Here, an important driver of reform is the prospect of accession to the European Union (EU), where the Western Balkan economies can benefit from the recent experience of Bulgaria, Croatia and Romania. In view of the drive towards EU accession, the OECD has been working in partnership with South East Europe to provide the relevant expertise and evidence-based analysis required to support the reform process, and to ensure the inclusion of stakeholders in public consultations.

In this context, this second edition of the *Competitiveness in South East Europe: A Policy Outlook* offers a comprehensive account of the economic governance, regulation and investment in six SEE economies, forming a critical body of work to support structural reforms. It draws on qualitative and quantitative information in 17 key policy dimensions, and is broken down into over 600 individual indicators that allow SEE policy makers to directly compare one another's economic performances, and benchmark themselves against OECD and EU averages. It also enables policy makers to track performance over time, by comparing outcomes against those reported in the first edition, published in 2016. This 2018 edition clearly highlights that progress – albeit uneven and incomplete – is being made across all dimensions, accompanied by increasing intergovernmental co-operation. For example, greater efforts have been made towards digitalisation and the adoption of e-commerce across the six economies, as well as the implementation of new support structures for business development.

Above all, the study emphasises the benefits of a strategic approach to policy making, informed by in-depth evidence-based analysis. The publication was drafted in close co-operation with the SEE governments and regional stakeholders. The six regional economies provided rigorous qualitative self-assessments and statistical data. I would like to thank all those who have contributed to this work. *Competitiveness in South East Europe: A Policy Outlook* is a resource to be shared for all those interested in forging more inclusive, prosperous and resilient economies for the people of South East Europe.

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