



OECD
SOUTHEAST ASIA
REGIONAL PROGRAMME



OECD Southeast Asia Regional Regional Competitiveness for Sustainable Growth

25-26 March 2014, Bali



THE OECD AND THE SOUTHEAST ASIA REGIONAL PROGRAMME



High-level representatives from ASEAN and OECD countries at the opening of the OECD Southeast Asia Regional Forum, hosted by the Government of Indonesia in Bali on 25-26 March 2014.

The OECD and Southeast Asia have a longstanding and mutually beneficial relationship that has steadily developed since the late 1990s. In 2007, OECD Ministers identified Southeast Asia as a region of strategic priority for the Organisation and Indonesia became a Key Partner along with Brazil, China, India and South Africa.

In recent years, Indonesia and the other Southeast Asian countries (Brunei Darussalam, Cambodia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam) have intensified their participation in OECD committees and working groups, peer reviews and studies and have increasingly contributed to statistical data collection and international benchmarking exercises such as the *Programme for International Student Assessment* (PISA). Several Southeast Asian countries have adhered to international standards and norms developed by the OECD, in such areas as tax, chemicals, and development co-operation. In order to further strengthen the OECD's engagement with the region, in 2014 the OECD is establishing a comprehensive Southeast Asia Regional Programme.

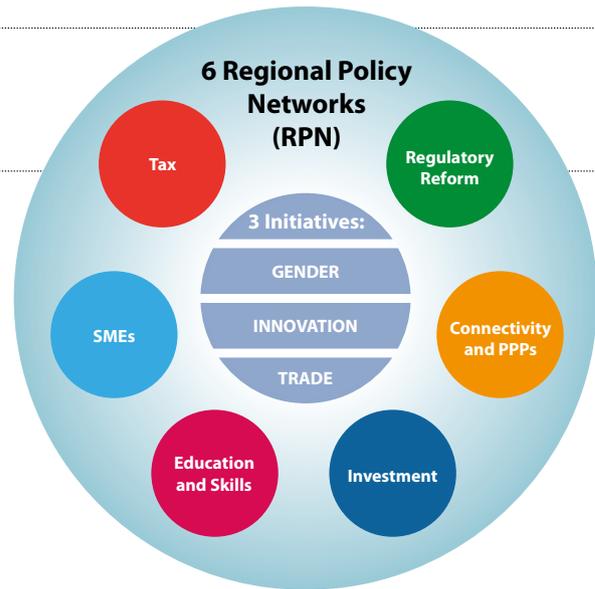
To enhance and broaden the OECD's engagement with the region, in 2013 at the Ministerial Council Meeting (MCM), OECD Ministers called for the establishment of a comprehensive **Southeast Asia Regional Programme**. The Programme, to be officially launched at the 2014 MCM, aims to strengthen engagement with the region with a view to support the regional integration process and national reform priorities. The creation of the Programme will take place as ASEAN economies strive to build the ASEAN Economic Community (AEC) by the end of 2015.

The Southeast Asia Regional Programme will aim to foster the exchange of good practices and mutual learning between policy makers in Southeast Asia and OECD countries, bringing perspectives from the region to enrich the policy debate at the OECD. The Programme will help bring participating countries closer to OECD standards and practices, facilitate access to the expertise of OECD bodies and adherence to its instruments. Building on the substantial existing work with the region, an intensive consultation process was launched to shape the Programme, including with OECD Committees, Southeast Asian governments and regional stakeholders.

“In order to remain at the forefront of global governance, the OECD needs to develop its relations with the rest of the world and especially with its most dynamic regions. The Southeast Asian countries, which are playing an increasingly key role in the global economy, are thereby important partners for the OECD. As such, we are delighted at the launch of the Southeast Asia Regional Programme during the 2014 MCM which will allow our Organisation to establish the foundations of a powerful and sustainable partnership with this region.”



Pascale Andreani, Ambassador of France to the OECD, Chair of the External Relations Committee (which oversees the Organisation's overall global relations)



The Programme's structure is designed to encourage a systematic exchange of experience to develop common solutions to regional and global challenges. It is comprised of thematic Regional Policy Networks, which will build on the work programme of substantive OECD and Southeast Asian bodies and dialogue processes. The initial areas of focus for the Networks are **tax, investment, education and skills, small and medium-sized enterprises, regulatory reform, and connectivity and public-private partnerships (PPPs)** to support connectivity for infrastructure development. Further work will be developed in trade, innovation and gender. Each Regional Policy Network will be composed of policy experts from Southeast Asia and OECD countries, who will jointly decide on its work programme:

- **TAX POLICIES AND ADMINISTRATION:** The OECD has co-operated with Southeast Asian countries on tax issues since the launch of the OECD-Korea Tax Centre in 1997. In 2013, all Southeast Asian countries were involved as hosts or participants in some of the 22 technical events in the region organised by the Committee on Fiscal Affairs on international tax issues, tax administration, and tax policy. The Regional Policy Network on Tax policies channelled and expanded on this fruitful co-operation to build up a community of best practices.

“Southeast Asia has become a growth engine of the world economy and a strategic region in the global value chain. The OECD has expertise which can further promote prosperity and stability in the region by, for example, strengthening connectivity and innovation. The resulting dynamism of the region further contributes to the OECD’s work in enhancing its global relevance. Japan, as the 2014 MCM Chair, is honoured to be engaged in launching the OECD’s Southeast Asia Regional Programme and continues to support the relationship with the region based on mutual Liking, Listening and Learning at a time when ASEAN is reaching for integration in 2015.”



Kazuo Kodami, Ambassador of Japan to the OECD
Chair of the 2014 Ministerial Council Meeting

● **INVESTMENT POLICY AND PROMOTION:** The OECD’s work on investment policy in Southeast Asia is well-established. The OECD has been co-operating with the ASEAN Secretariat on Investment Policy Reviews (Viet Nam 2009; Indonesia 2010; Malaysia 2013; and Myanmar, Lao PDR, the Philippines, and a second review of Viet Nam, in 2014). Through these country-level reviews, officials from the region participate in OECD Committees, such as the Investment Committee and the Advisory Group on Investment and Development, to engage in a peer review and exchange best practices with OECD Delegates. The Regional Policy Network will work to strengthen co-operation on investment policies and promotion.

● **EDUCATION AND SKILLS DEVELOPMENT:** The Regional Policy Network on Education and Skills will co-ordinate and streamline a host of ongoing activities through which the OECD aims to help the region to benefit from a better qualified workforce. Since 2000, the OECD has been

evaluating the knowledge and skills of the world’s 15-year-olds through its Programme for International Student Assessment (PISA). Results of the PISA 2012 survey were published on 3 December 2013, with five Southeast Asian countries participating: Indonesia, Malaysia, Singapore, Thailand and Viet Nam.

● **SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)**

POLICIES: The OECD and the ASEAN Secretariat are working together on a comparative assessment of SME policies in the ten ASEAN member countries, with the objective of supporting policies aimed at promoting enterprise development in the ASEAN region and enhance the dialogue and co-operation on SME policies. In March 2014, the results of the first OECD-ASEAN SME Policy Index were presented and priorities for future work were discussed. The Regional Policy Network on SME Policies will support the design and implementation of SME policies and enterprise development.

● **REGULATORY REFORM POLICIES:** The OECD has been engaged in issues of regulatory reform in Southeast Asia for over a decade. In 2000, the OECD and APEC signed an agreement to co-operate in order to improve regulatory practices in the region, resulting in the 2005 APEC-OECD Integrated Checklist on Regulatory Reform. Bilateral

“ASEAN will benefit from learning the best practices of economic integration as experienced by other regions. In that regard, co-operation with the OECD, with its rich experience and expertise on the issue of economic integration, would be highly beneficial for ASEAN’s own effort.”

H.E. Mr. Muhamad Chatib Basri, Minister of Finance
Republic of Indonesia



Policy Reviews were conducted for Viet Nam (Review on Administrative Simplification, 2010) and Indonesia (Regulatory Reform, 2012). A country specific project with Malaysia on Good Regulatory Practices was launched in 2012. The OECD will also conduct a Product Market Regulation survey in 2013-2014 with Brunei Darussalam, Malaysia, Myanmar, the Philippines, and Thailand. The Regional Policy Network on Regulatory Reform Policies will work with regional and OECD partners to improve government capacities for efficient and effective regulations.

● **CONNECTIVITY AND THE ROLE OF PUBLIC-PRIVATE PARTNERSHIPS FOR INFRASTRUCTURE DEVELOPMENT:**

The needs for infrastructure investment in Southeast Asia can only be met if traditional forms of public investment are supplemented with private financing of infrastructure, for example via the use of PPPs. The Regional Policy Network for Connectivity will support the regional efforts to establish a well-connected ASEAN Community by 2015. The network's activities will include diagnostic work, tailored advice, comparative data collection, training and other capacity-building activities relating to PPPs, capital investment and regional connectivity.

The OECD Southeast Asia Regional Forum, co-hosted in March 2014 in Bali by the Indonesian Ministry of Finance, brought together over 300 high level officials and representatives from OECD and Southeast Asia governments, regional institutions, policy experts and the private sector to discuss how the Programme can most effectively foster regional competitiveness for sustained growth in the region. The event created strong momentum for the Programme's official launch at the OECD Ministerial and for its work moving forward to support the region's ambitious development goals.

www.oecd.org/globalrelations/seaprogramme.htm

“Southeast Asia is a dynamic region with a vibrant economy, enormous potential and a population of about 600 million people. It is therefore not surprising that the OECD has identified this region as a region of strategic priority. At the 2013 Ministerial Council the Members of OECD further called for an establishment of a comprehensive OECD Southeast Asia Regional programme.



As I could witness myself as the Chair of the Informal Reflection Group on Southeast Asia at the OECD Southeast Asia Forum on Bali on March 25 and 26, the countries of the region showed great interest in an increased exchange on standards, best practices and their implementation. The further economic integration of the ASEAN region would be of benefit to the member countries but also to the world economy as a whole.

By strengthening its engagement with this important region, the OECD will promote policies designed to achieve the highest sustainable economic growth and employment and thus contribute to the development of the world economy.”

Dr Hans-Jürgen Heimsoeth, Ambassador of Germany to the OECD
Chair of the Informal Reflection Group on Southeast Asia

“The OECD’s Global Relations Strategy seeks to make the Organisation a more effective and inclusive global policy network, in particular through close co-operation with five Key Partners (Brazil, China, India, Indonesia and South Africa) and strengthened engagement with dynamic regions such as Southeast Asia. The newly-created OECD Southeast Asia Regional Programme will build on two decades of co-operation and dialogue between OECD and SEA countries.”



Marcos Bonturi, OECD Director of Global Relations

Enhancing cooperation on international investment

International investment has been a driver of Southeast Asia's economic dynamism and integration into the global economy. Some countries in the region were among the first to welcome foreign direct investment (FDI) as part of a strategy of export-led development.

The OECD promotes investment policy reform and international investment co-operation, with a view to enhancing the contribution of international investment to growth and sustainable development. In particular, the OECD monitors investment protectionism in the context of the G20, produces statistics on foreign direct investments, and develops international instruments and tools which are used worldwide. The OECD also hosts the inter-governmental Freedom of Investment (FOI) Roundtable, through which governments exchange information and experiences on investment policies and emerging issues – for instance, recipient countries' policies towards sovereign wealth funds, international investment law and the investor-state dispute settlement system.

The OECD is deepening its co-operation with Southeast Asia on investment through **Investment Policy Reviews** conducted in collaboration with the ASEAN Secretariat and through regular regional investment policy dialogue and training for government officials using the Policy Framework for Investment (PFI). Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines and Viet Nam participate in the Investment Policy Reviews.

The regional component of the OECD's investment co-operation with ASEAN effectively links strengthening national investment policy frameworks to regional investment policy development and harmonisation. This has given individual ASEAN member states a platform to showcase their reforms and to learn from peers, while at the same time strengthening regional integration initiatives and national reforms.

Southeast Asia was the host of the first meeting of the Task Force to update the Policy Framework for Investment - a cornerstone of OECD investment work - at the margins of the 2014 OECD Southeast Asia Regional Forum in Bali.

“The recommendations from the Reviews are candid, impartial and highly practical.”

Aung Naing Oo, Director General at the Ministry of National Planning and Economic Development of Myanmar

“The Reviews provide the necessary impetus for countries within the region to work towards realising the ASEAN Economic Community in 2015.”

YB Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry of Malaysia

www.oecd.org/investment/
www.oecd.org/investment/seasia.htm
www.oecd.org/investment/countryreviews.htm



Supporting SME development and entrepreneurship

Governments around the world, including Southeast Asian economies, have recognised the importance of small and medium-sized enterprises (SMEs) and their contribution to economic growth, employment and social cohesion. They are stepping up efforts to provide a more enabling business environment and to promote entrepreneurship and SME development.

Access to finance for micro and small companies in particular remains difficult. Moving beyond microfinance to longer-term financial products and services remains a major challenge and is critical to achieving greater growth. The OECD monitors closely the situation of SMEs' access to finance around the world. **Financing SMEs and Entrepreneurs 2013: An OECD Scoreboard** analyses trends in access to financing in 25 countries, including Thailand, based on annual and quarterly data from central banks and national statistical agencies. Participation in this exercise is free of charge and is open to all Southeast Asian economies.

The OECD has recently developed a partnership with the Asian Development Bank in SME finance. In 2013, a joint project on "Enhancing financial accessibility for SMEs: Lessons from Asian and OECD Areas' Crises" was launched, which analyses policies and experiences to improve bank lending efficiency and to broaden the range of financing instruments available to SMEs and entrepreneurs. The results of the project were discussed at the joint OECD-ADB workshop held in October 2013 in Paris.

The official OECD body responsible for policy advice on SMEs and entrepreneurship is the OECD Working Party on SMEs and Entrepreneurship (WPSMEE). The WPSMEE enables an exchange of views, lessons and analysis among SME policy makers from across the world on ground-breaking issues of importance to SMEs and entrepreneurs. Policy makers from Member

and partner economies to come together to discuss policy experiences and to identify best practices for the promotion of entrepreneurship and SME development. Topics reviewed include the business environment and regulatory framework, innovation, financing, taxation, skills and internationalisation. Thailand participates regularly in the WPSMEE, and Indonesia will be invited to join this group as a participant.

Since April 2011, the OECD, the ASEAN Secretariat and the Economic Research Institute for ASEAN and East Asia (ERIA) have been collaborating on assessing SME policies in the ten ASEAN member countries to support enterprise policy development and enhance the dialogue among policy makers in the ASEAN region. The **OECD-ERIA ASEAN SME Policy Index 2014: Towards Competitive and Innovative ASEAN SMEs** was



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launched at the 2014 OECD Southeast Asia Regional Forum in Bali. The report measures convergence towards the policy guidelines of the ASEAN Strategic Plan for SME Development (2010-2015) and illustrates a substantial disparity in SME policy performance between the CLMV (Cambodia, Lao PDR, Myanmar and Viet Nam) and the ASEAN-6 countries. While Singapore and Malaysia exhibit high standards in SME policy (e.g. access to finance for SMEs, support services for start-ups), further efforts are needed in CLMV countries to reduce development

gaps. Structural reforms have been identified to enhance productivity, human capital and enterprise performance and will be supported through workshops to exchange good practices in SME policy between ASEAN-6 and the OECD, capacity building events for CLMV countries and country-specific policy initiatives.

www.oecd.org/cfe/smes

www.oecd.org/cfe

www.oecd.org/globalrelations/regionalapproaches/aseansme.htm



Fostering skills through education and training

Skills are the new global currency. Investment in education and training helps drive economic growth, alleviate poverty and enhance social cohesion. Education and training also develops the skills base which is necessary for the integration of Southeast Asian countries in the regional and global economy.

The OECD helps policy makers foster human and social capital skills, and leverage education and training systems for dynamic and sustainable economies. Through comparative data and policy analysis it strives to promote efficient and effective systems and improve learning outcomes. SEA countries have made significant investment in education and have facilitated access of young people to learning opportunities from early childhood to tertiary education: in most countries in the region, primary and lower-secondary attainment is relatively high. However, major challenges remain in both quality and equity.

While students in Singapore lead the world in problem solving and Viet Nam's 15 year-old students perform at levels above the OECD average, in Indonesia, Malaysia and Thailand significant numbers of students do not attain minimum skill levels. The disparity among countries may hinder regional economic integration. While in some countries a very high proportion of students continue to study beyond compulsory education, less than a third of students who entered primary schools go on to secondary level in Cambodia, for example.

Qualified teachers are the key to success and shortages of teachers in secondary schools are severe in some parts of the region, especially in remote areas. More than 85 per cent of teachers in Malaysia have bachelor degrees or post graduate diplomas in education, but Lao PDR has many teachers with low levels of formal schooling – 37 per cent of them have had no more, and sometimes even less, schooling than the level of students they teach. The capacity of education systems to respond to the economy's current and future skills needs is crucial. There should be a good match between the skills required by industry and

those provided by schools, colleges and universities. In Southeast Asia training systems are often outdated and the region is facing a growing demand for higher skills in global value chains, in particular in middle income ASEAN countries.

The current and planned work of the OECD in Southeast Asia has three pillars: promoting participation in international education surveys; country education policy reviews; and regional policy peer-learning.

Through the **Programme for International Student Assessment (PISA)**, the OECD has been evaluating the knowledge and skills of the world's 15-year-olds since 2000. The recent PISA for Development initiative has adjusted and enhanced the existing survey instruments to make them more relevant to emerging and developing countries. PISA for Development is well placed to to help countries set national learning targets, monitor progress towards them, and analyse the factors that affect student outcomes, particularly among poor and marginalised populations.

Countries can also participate in the **Teaching and Learning International Survey (TALIS)** and the **Survey of Adult Skills (PIAAC)**.

TALIS studies teaching practices and environments in order to improve teaching and teachers' capacities to provide quality education, while the Survey of Adult Skills measures the key cognitive and workplace skills needed for individuals to participate in society and to be active in the labour market. Indonesia will participate in the third round of the survey.

OECD **Education Policy Reviews** provide countries with tailored policy advice and support for the design and implementation of reforms. Country education policy reviews cover a wide range of aspects of education systems, depending on the priorities of the country. Based on an in-depth analysis of a country's strengths and weaknesses, reviews draw upon policy lessons and



recommendations supported by international best practices. The OECD is currently conducting education policy reviews for Thailand (jointly with UNESCO) and Indonesia.

“Ultimately, education is not what we do to our children. Rather, it is what we do with them, and for them, to bring out the best in each of them, so that they grow up to embrace the best of the human spirit – to strive to be better, to build deeper wells of character, and to contribute to society.”

Heng Swee Keat, Minister of Education of Singapore



EMPLOYMENT AND SKILLS STRATEGIES IN SOUTHEAST ASIA

The Employment and Skills Strategies in Southeast Asia (ESSSA) initiative is led by the OECD’s Local Economic and Employment Development (LEED) Programme, in collaboration with the International Labour Organisation (ILO), ASEAN, the Asian Development Bank, and supported by the European Commission. Since 2008, ESSSA aims to help countries within the Southeast Asia region design policies, which tackle cross-cutting labour market issues, build the capacity of practitioners in implementing effective employment and economic development strategies, and develop governance mechanisms, which foster greater policy coordination and integration.

ESSSA gathers policy makers, practitioners and researchers from both developed and emerging economies, including Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, the People’s Republic of China, Chinese Taipei, Mongolia, India, Japan, Korea, Australia and New Zealand. Key outcomes from ESSSA include identifying best practices of national and local initiatives, surveys on employment and skills development policies in the region and other policy research to provide guidance on ways to build sustainable job creation and employment at the local level.

The ESSSA initiative builds on the work of the OECD Local Economic and Employment Development Programme (LEED), which provides guidance to government and communities since 1982 on how to respond to economic change and tackle complex problems in a fast-changing world. It builds on comparative analysis of policy experiences from some 50 countries from the five continents in fostering economic growth, employment and inclusion. LEED has been increasingly present in Southeast Asia to learn from the region’s innovative skills development strategies. In exchange the region has learned from the OECD’s experience in building effective partnerships and breaking down policy silos. The LEED Committee, the Programme’s governing board, invites Southeast Asian countries to join as full participants in its regular activities.

www.oecd.org/edu

www.oecd.org/pisa

www.oecd.org/cfe/leed

www.oecd.org/cfe/leed/employmentesssa.htm



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Strengthening connectivity, capital investment and public-private partnerships

Infrastructure gaps present a major challenge for deepening regional economic integration and establishing the ASEAN Economic Community in 2015.

The OECD *Economic Outlook for Southeast Asia, China and India 2014* identified infrastructure investments as a critical component for ASEAN countries to foster economic growth and reduce poverty. According to ADB estimates, ASEAN Member countries need to invest USD 60 billion annually until 2020 to maintain and expand the existing infrastructure. To raise the required resources, public funds need to be complemented by privately-financed infrastructure investments including public-private partnerships (PPPs).

PPPs are an important tool for decision makers to strengthen economic and social development. By harnessing private sector expertise and allocating risks to the parties, governments can make great strides in ensuring value for money. The OECD Network of Senior PPP Officials was established to ensure that PPPs and capital investment projects bring value for money and that potential risks are managed properly. The Network

has developed the OECD *Principles for Public Governance of PPPs*, which examine institutional capacities, selection of PPP projects based on value for money and use the ordinary budget process to ensure fiscal sustainability.

The OECD has also developed conceptual frameworks on how to manage fiscal risks through good capital budgeting, ensure value for money from capital procurement and set up dedicated PPP units.

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Regulatory reform and administrative simplification

Regulatory reform is a cross-cutting theme for ASEAN economic integration and regulatory coherence, as well as for individual ASEAN member state's structural and rule of law reforms.

Regulations are indispensable to the proper function of economies and societies. They underpin markets and their integration protects the rights and safety of citizens and ensures the delivery of public goods and services. At the same time, regulations are not costless. Businesses complain that red tape holds back competitiveness while citizens complain about the time that it takes to fill out government paperwork. Regulations can also have unintended costs if they become outdated or inconsistent with the achievement of policy objectives.

The OECD has a long standing engagement with Southeast Asia on regulatory reform, both regionally through APEC and ASEAN and bilaterally with individual ASEAN member states. Highlights of this engagement include the **2005 APEC-OECD Integrated Checklist on Regulatory Reform**, **2011 Review of Administrative Simplification in Viet Nam** and **2012 Regulatory Reform Review of Indonesia**. In 2013-14 the OECD has been assisting Malaysia to build institutional capacity on regulatory impact analysis (RIA), a new requirement under the “National Policy on the Development and Implementation of Regulations”.

In Viet Nam, regulatory reforms between 2007 and 2010 resulted in 10 000 administrative procedures at the communal level and 700 at the district level being standardised and simplified into 63 at both levels. These and other regulatory reforms were estimated to provide annual compliance cost savings for businesses and society of USD 1.4 billion. In Indonesia, regulatory reforms have included efforts to strengthen coherence between national and subnational regulations, with 37% of 13 200 subnational regulations invalidated between 2010-12. Following the **2012 Regulatory Reform Review of Indonesia**, the OECD is supporting the government's efforts to develop guidelines on public consultation in regulatory processes.

Discussions are underway between ASEAN and the OECD to develop **Product Market Regulation** and **Regulatory Management Systems** indicators to support reforms in Southeast Asia. This work supports ASEAN member states adherence to the 2009 ASEAN Good Regulatory Practice Guide and 2011 APEC Leaders' (Honolulu) Declaration: *Toward a Seamless Regional Economy*. It also encourages coherence with the **2012 Recommendation of the OECD Council on Regulatory Policy and Governance**.

“We are fortunate to have OECD as our strategic partner to assist us in this journey towards the implementation of good regulatory practices in our country. I would also like to urge all ministries and agencies to leverage on OECD's expertise in providing advisory services and assistance.”

Tan Sri Dr Ali Bin Hamsa, Chief Secretary to the Government of Malaysia

“High quality regulation and simple, transparent and public administrative procedures, together with accountability shall create a favourable environment for investment, remove corruption and waste and remarkably contribute to overall competitiveness of Viet Nam economy.”

Nguyen Tan Dung, Prime Minister of Viet Nam

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Improving tax transparency and compliance

The rapidly increasing integration of Southeast Asian countries into the global economy highlights the importance of continuing and strengthening co-operation between Southeast Asia and the OECD on taxation issues. Such co-operation has already helped countries in the region to design and implement taxation and administrative measures that reflect international best practices.

The OECD plays a lead role in the development of international tax standards and guidelines. In response to the G20 leaders' call to address base erosion and profit shifting (BEPS), the OECD is currently working on adapting the current international tax system to meet the challenges of globalisation and develop approaches to counter BEPS issues.

As the OECD/G20 BEPS Project will have a global impact, the OECD is working directly with countries in the Southeast Asia region to ensure that the revised international tax rules reflect their needs. A regional consultation on BEPS among countries in the Southeast Asia region was held in February 2014 in Korea as a start of an ongoing engagement between the region and the OECD on BEPS and other issues of significance in the international tax policy landscape including, for example, wasteful tax incentives and transfer pricing comparability data. Indonesia is an Associate in the OECD/G20 BEPS Project and participates on an equal footing with OECD and other G20 countries. Malaysia and Singapore participate in the Committee on Financial Affairs (CFA) and engage in the discussions of the CFA and its subsidiary bodies. The Directorate General of Taxes of the Ministry of Finance of the Republic of Indonesia and the OECD signed a Memorandum of Understanding (MoU) for a three-year project on taxation. The project will provide a framework for collaborating in a focused and flexible way and enhance co-operation between Indonesia and the OECD.

The OECD organises approximately 20 tax seminars and policy dialogue events per year for the Southeast Asian countries, which are hosted by Malaysia, Singapore, Thailand and the Korean Policy Centre (Tax Programme). The events bringing together tax officials from the region as well as OECD countries to share experiences and expertise on technical, policy and administrative issues such as tax treaties, transfer pricing, exchange of information, tax administration and other important tax matters. The OECD, through its Tax and Development programme, is also working with tax administrations in the region to carry out in-depth programmes on issues including tax incentives and transfer pricing, and its Tax Inspectors Without Borders project will soon begin work in partnership with countries in the region.

Indonesia, Malaysia, the Philippines and Singapore play a key role as members of the Global Forum on Transparency and Exchange of Information for Tax Purposes. The Forum, gathering about 120 OECD and non-OECD jurisdictions, monitors the implementation of internationally-agreed tax transparency standards through country peer reviews. Peer reviews of the legal and regulatory framework for transparency and exchange of information for tax purposes were conducted in Singapore, the Philippines and Indonesia. These reviews published in the phase report shows that all four countries have endorsed and substantially implemented international standards for transparency and exchange of information for tax purposes. Phase 2 reviews look at the exchange of information in practice.

www.oecd.org/tax

www.oecd.org/tax/beps.htm

www.oecd.org/tax/transparency

Promoting trade and upgrading in global value chains

Trade liberalisation has played a key role in the economic transformation of Indonesia and other countries in Southeast Asia. International production, trade and investment are increasingly organised within global value chains (GVCs) in which the different stages of the production process are located across different countries.

Today, trade in intermediate inputs makes up over 50% of goods and 70% of services trade. This change presents new opportunities for those emerging and developing countries that can reduce their trade costs. By reducing the costs of importing as well as exporting, and by deepening connectivity with the global market, they can tap into GVCs to accelerate their trade, jobs and income growth. However, the emergence of GVCs poses new challenges. Countries without adequate infrastructure or with trade related policy barriers to integration may not reap full benefits from GVCs.

The ASEAN framework, and its core goal of establishing the ASEAN Economic Community by 2015, has promoted trade and investment liberalisation which in turn has facilitated GVCs throughout the Southeast Asia region. To help countries reap the full benefits of GVCs, the OECD is currently undertaking work along a range of different dimensions to address the new challenges GVCs create for policy makers in Southeast Asia and beyond. More broadly, the OECD is actively working with other international agencies to improve the effectiveness of aid for trade, and welcomes the active engagement of Southeast Asian countries in the OECD/WTO Aid for Trade Initiative. Current data show that Asia is now the largest recipient of Aid for Trade.

OECD's work underscores that GVCs impact an economy's competitiveness and shows that in addition to openness to trade and investment, investment in knowledge-based capital (KBC) - and innovation more generally - has an important role to play in increasing productivity and helping countries move up the value chain (see section on *Innovation and Industry*).

The OECD is compiling a regulatory database of services regulations – Services Trade Restrictiveness Index (STRI) – encompassing 17 services sectors and sub-sectors in 40 countries, including Indonesia. The project is developing a toolkit that contains two distinct but complementary instruments, which allows countries to consider specific regulatory provisions that may be restrictive and may reduce sector efficiency in their economy, and to contrast their own situation in a given sector with that in less restrictive and more efficient jurisdictions. It provides the core information for countries to pursue desirable policy reforms, whether on a unilateral, plurilateral or multilateral basis. The STRI will be released in May 2014 at the OECD Ministerial Conference in Paris.

A critical issue for many countries today is the importance of reducing trade costs through trade facilitating measures. Following the conclusion of the WTO Trade Facilitation Agreement 2013 December in Bali, the OECD re-estimated the potential trade costs reductions from the full implementation of this Agreement to be as high as 15% for many individual developing countries. The indicators allow individual countries to benchmark their performance relative to best practice in their region and globally and to highlight priority areas for action. The OECD also tracks donors' efforts targeted towards assisting countries to implement trade facilitation reform.



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Tackling gender inequality

There is now widespread consensus that gender equality matters for development, economic growth and poverty reduction.

Although the gender gap is narrowing in areas such as education and employment, gender equality remains an issue in the Southeast Asia region. According to UNESCO statistics, the gender gap in education attainment in secondary education has narrowed from 2002 to 2012. However, across countries, women are more likely to engage in unpaid work and work in the informal sector and less likely to be in leadership roles.

Improving women's education, employment and health outcomes not only delivers benefits for women but for whole communities and economies. However, there remain significant obstacles to achieving equal outcomes for women and men on key economic and social indicators. The OECD Development Centre's research on discriminatory social norms covers all Southeast Asian countries through the Social Institutions and Gender Index (SIGI). The Index highlights the importance of tackling discriminatory social norms to promote gender equality. Also, SIGI data highlights the relationship between discriminatory social norms and key development outcomes, such as maternal mortality, educational attainment, poverty reduction and food security. The specific country profiles reflect the performance of the Southeast Asian countries. The SIGI helps policy-makers and researchers understand what drives gender inequality and make better-informed policies to enhance women's health, education and employment in their countries.

Gender equality in public life has been recognised as a driver for inclusive growth. This was reaffirmed by the discussions at the 2014 **OECD Global Forum on Women's leadership in Public Life**, which brought together a global network of leading gender equality actors from the government, parliaments, justice institutions, civil society and businesses from over 60 countries, including Indonesia, Thailand and the Philippines.

The path-breaking 2014 OECD publication on **Women, Government and Policy-Making in OECD countries: Fostering Diversity for Inclusive Growth** presented comparative data and policy benchmarks on women's access to decision-making roles. The report showed that lower levels of inequality in countries are correlatively linked with a greater share of women in legislatures. It also underlines that gender mainstreaming and strategic government capacities to adopt a co-ordinated and whole-of-government approach were crucial to promote gender equality, and integrate gender into all stages of policy-making and service delivery cycles and close remaining gaps in public and economic life. This work provides the foundation for the upcoming OECD Guidelines on Gender Equality in Public Life and contributes to the OECD Gender Initiative and the OECD Development strategy.



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A report on **Closing the Gender Gap: Act Now** was published in December 2012 as part of the OECD Gender Initiative, together with the new **OECD Gender Data portal** that covers OECD members and Brazil, China, India, Indonesia, Russia and South Africa. The report examined latest trends on gender equality in the three “Es” and discussed ways to best close the remaining gender gaps in these areas.

www.oecd.org/gender/equality

<http://genderindex.org/>

www.oecd.org/dev/poverty/genderatthedevelopmentcentre.htm

☉ Cambodian Minister of Women’s Affairs, **H.E. Dr Kantha Phavi Ing**, speaking at the 2014 OECD Southeast Asia Regional Forum on the importance of tapping women’s potential to drive jobs and growth, March 2014, Bali.



☉ *Left to right:* **Ms Flaminia Bussacchini**, Head of Unit, Equal opportunities and Working Conditions, DG Human Resources and Security, European Commission; **Ms Helen Silver**, Chief General Manager, Allianz Australia; former Secretary of the Victorian Department of Premier and Cabinet, Head of the Victorian State Public Service, Australia; **Ms Geraldine Byrne-Nason**, Second Secretary General, EU Affairs and Coordination Division, Department of the Taoiseach (Prime Minister), Ireland;

Mr Robert Cloarec, Chair, OECD Public Employment and Management Network, Swedish Agency For Government Employers; **Ms Uschi Schreiber**, Global Leader, Ernst and Young, United States; **Mr Areepong Bhoocha-oom**, Secretary-General, Office of the Public Sector Development Commission, Thailand; and **Ms Nathalie Loiseau** (*not pictured*), Director, École nationale d’administration (ENA), France at the OECD Global Forum on Public Governance, April 2014, Paris.

Building a knowledge economy

Southeast Asia is among the most dynamic regions in the world. It is also in a period of transition as its national economies become more strongly integrated into global knowledge networks. Science and technology offer opportunities for countries to “move up the value chain” and can help address social and environmental challenges.

The OECD develops evidence-based policy advice on the contribution of science, technology and innovation to well-being and economic growth. The OECD **Review of Innovation Policy: Innovation in Southeast Asia** assesses regional science, technology, and innovation capabilities through detailed country profiles of Cambodia, Indonesia, Malaysia, Singapore, Thailand, and Viet Nam. This work covers the performance and institutional profile of the innovation system and takes account of the economic environment and framework conditions for innovation. An in-depth review of innovation policy in Viet Nam, produced jointly with the World Bank, will be released in 2014. An in-depth review of Malaysia will begin in 2014.

Boosting innovative capacity – including intellectual property rights (IPRs) – plays a pivotal role in economic development. The National Intellectual Property Systems, Innovation and Economic Development project aims to support countries in strengthening the contributions their national intellectual property (IP) systems can make to their socio-economic development, notably through their impacts on innovation performance. Country studies, including one for Indonesia that was prepared in collaboration with Indonesia's Ministry of State for Research and Technology (RISTEK), provide concrete policy recommendations.

Other work includes analysis to better understand how to make innovation more inclusive. This project, which is on-going, will study how innovation policies can support developing and emerging countries' quest for competitiveness without compromising industrial, social and territorial inclusiveness. It will also explore some concrete policy solutions to support countries in reconciling their innovation and inclusive development agendas. Several emerging economies, including Indonesia, are participating in this work.

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Maintaining economic resilience



How can economies increase resilience to soften economic shocks or recover quickly from them? Does structural reform positively impact a country's economic resilience?

Through four series of publications, the OECD examines macroeconomic and structural policies and developments. The **Economic Outlook**, released twice a year, analyses recent developments in the global economy and provides economic projections for 41 economies, including Indonesia. The **Going for Growth** publication provides a comparative overview of structural policy developments in Member and key non-OECD countries. The 2013 edition highlights the potential gains Indonesia can reap from improving the quality of education, promoting infrastructure, reforming stringent labour market regulations and capping the minimum wage. Indonesia would also benefit from reducing energy subsidies, easing barriers to entrepreneurship and investment, and strengthening institutions to fight corruption.

The annual **Economic Outlook for Southeast Asia, China and India**, jointly produced by the ASEAN Secretariat and the OECD Development Centre, monitors short-term macroeconomic

challenges and medium-term economic trends in the Southeast Asian region. The 2014 edition contains an assessment of national structural policy reforms, a medium-term plan and an in-depth look at how Emerging Asia can grow beyond the “middle income trap” by unleashing productivity through investment in human capital and innovation and shifting towards a technology-intensive economy. The 2015 edition of the Outlook will include a special focus on building strong and effective institutions – from rule of law to government regulation, administration and implementation together with appropriate medium-term development plans – which are needed to realise the region's long-term potential.

“The collaboration with the OECD based on the ‘Economic Outlook for Southeast Asia, China and India’ has proven to be an intellectually stimulating venture. The Outlook itself and the ASEAN-OECD Narrowing Development Gap Indicators have become undeniable policy reference tools for the region.”

Rony Soerakoesomah, Assistant Director of the Economic Community Department, ASEAN Secretariat



Maintaining economic resilience

The **Economic Surveys**, published biennially for each OECD member and Key Partner country, analyse major economic challenges in those countries and propose reform options drawing on international best practices. The forthcoming **Economic Survey of Indonesia**, to be released September 2014, will include in-depth chapters on “Getting the Most Out of Natural Resources” and “Making Growth More Inclusive and Sustainable”.

OECD **Multi-Dimensional Country Reviews** evaluate how countries are performing with regards to meeting the multiple objectives of growth, sustainability and equity, looking not just at the absolute levels which a country has achieved but also at how the underlying dynamics of a country’s development process affects these objectives. The **Multi-dimensional Review of Myanmar**, released in July 2013, identified key existing constraints to economic development in Myanmar and provided recommendations to ignite growth and embark on a higher, more sustainable and equitable development trajectory.

“Myanmar is a country under challenging conditions of triple transitions—guided to multiparty democracy, planned to market economy, and war to peace—requiring the Government of Myanmar to design multi-dimensional and comprehensive reforms to transform the country. OECD’s Multi-dimensional Review of Myanmar is one of essential guidebooks for our reforms.”



H.E. U Soe Thane, Minister of the President’s Office of Myanmar

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