

# newsletter

## OECD Investment Compact for South East Europe

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### 1. FOCUS:

#### OECD INVESTMENT COMPACT FOR SOUTH EAST EUROPE

#### A LEADING PROGRAMME MAKING INVESTMENT HAPPEN FOR EMPLOYMENT AND GROWTH IN SOUTH EAST EUROPE

Established in 2000 under the Stability Pact for South Eastern Europe (Working Table II on Economic Reconstruction, Development and Cooperation) and the OECD (Directorate for Financial and Enterprise Affairs), the OECD Investment Compact programme aims **to improve the investment climate and encourage private sector development in SEE**. Concrete projects are built on four areas:

1. **Evaluation and monitoring of progress** in investment reform, including concrete case studies of how to improve.
2. **Support in implementation of investment reform** through coaching and peer review.
3. **Support in structuring the dialogue between public and private sector** through the Regional Network of Foreign Investors Councils and the regional White Book.
4. **Political support** through an Annual Ministerial Conference focused on a specific theme of investment reform.

The Investment Compact programme has a focused and pragmatic approach stressing the responsibility of the region for its own future. The Compact works closely with both SEE governments and the private sector and other international organisations. It is actively supported by a group of donor countries and organisations.

#### THE INVESTMENT REFORM INDEX: AN INNOVATIVE TOOL TO COACH SEE COUNTRIES IN IMPROVING THEIR POLICIES TO SUPPORT THE BUSINESS CLIMATE

The OECD Investment Compact has developed a tool to evaluate where the SEE countries stand with policy reforms to improve the investment climate: the Investment Reform Index (IRI).

The IRI provides a comparative assessment of the investment environment structured along key policy dimensions in line with the OECD standards: investment policy and investment promotion; tax policy; anti-corruption; competition policy; trade policy; regulatory reform; human capital. It is a collaborative process that takes into account feed-back from both governments and private sector at several different stages.

Currently, the IRI process has been accepted by all SEE governments which have started a self-evaluation as of January 2006.

For more information on the IRI, please see [www.investmentcompact.org](http://www.investmentcompact.org).

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## 2. UPDATE ON KEY PROJECTS

### ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT IN WESTERN BALKANS: IMPLEMENTATION OF EUROPEAN CHARTER FOR SMALL ENTERPRISES

At the Meeting of the National Co-ordinators of the European Charter for Small Enterprises in Istanbul on 7-8 February 2006, the SEE governments accepted to renew the European Charter for Small Enterprises process for 3 years. The Charter process will apply the Investment Reform Index approach of evaluation to SME policy and will involve direct collaboration among four international organisations: the European Commission, the European Bank for Reconstruction and Development, the European Training Foundation and the OECD Investment Compact.

### SPECIFIC SUPPORT FOR MOLDOVA TO IMPROVE THE INVESTMENT ENVIRONMENT

The Ministry of Economy of Moldova, the Moldovan Export Promotion Organisation (MEPO) together with the OECD Investment Compact for South East Europe hosted the official launch of the Swiss-funded Project on Increasing Foreign and Local Investment in Moldova, in Chisinau on 8 December 2005. Working closely with the Moldovan Government and private sector, the Investment Compact will evaluate the FDI opportunity, identify and prioritise key obstacles to FDI and define recommendations to remove the main barriers to investment.

The Investment Compact's 18-month-long project (2006–2007) in Moldova is structured around four key priority actions:

- 1. Help Moldova develop and enhance its investment strategy** by promoting reform combined with practical actions leading to concrete outputs.
- 2. Ensure close and joint partnership with the Moldovan authorities**, Ministry of Economy and the Moldovan Export Promotion Organisation and other public institutions in Moldova.
- 3. Build co-operation with private sector** and International Organisations and Financial Institutions and maximise co-ordination and complementarities.
- 4. Monitor and measure progress** on all activities regularly.

A Steering Committee, which includes the Moldovan Ministry of Economy, the OECD Investment Compact, MEPO, the Foreign Investors Association and the National Chamber of Commerce of Moldova will closely monitor the project implementation. Following the Investment Compact approach of collaboration with international organisations, an Advisory Committee was also set up. It gathers the OECD Investment Compact, EBRD, World Bank, UNDP, USAID, GTZ and the European Commission Delegation in Moldova. The first meeting of the Steering Committee will take place on 7 April 2006.

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## 3. DONORS NEWS

**United States** has pledged a specific contribution for the Investment Reform Index in 2005 and has doubled its 2005 contribution for 2006.

**Norway** has recently confirmed its contribution to the Investment Compact activities for 2006.

**Central European Initiative** has expressed interest in funding two specific projects in 2006 (SME development and administrative barriers to greenfield investment in SEE).

**Slovenia** and **the Czech Republic** are in active discussions to become new donors to the Investment Compact in 2006.

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#### 4. ZOOM IN: SOUTH EAST EUROPE

SEE REGION

##### **EU EYES FREE TRADE ZONE IN BALKANS**

The European Commission has proposed replacing the existing web of bilateral trade agreements in the Balkans with a regional free trade agreement -- a move it says would boost economic prospects. However, the idea has met with opposition in Croatia. Regional trade remains below EC expectations, in part because the existing agreements have not been implemented fully. A free trade zone would "strengthen the region's position," EU Enlargement Commissioner Olli Rehn told Croatian television on 1 February.

Source: *SETimes* - 14/02/2006; ([www.setimes.com](http://www.setimes.com))

ALBANIA

##### **SIGNS OF CHANGE IN ALBANIA'S BANKING SYSTEM**

Albania's banking market has developed over the past two years, with more and more services being offered to consumers. Recently, the country registered its 17th commercial bank. The firm, Union Bank, will be run by the money transfer agency Western Union. It is expected to open a network of branches across Albania, using the infrastructure established through Western Union's money transfer activities. The banking market has developed over the past two years, with more and more services being offered -- including debit and credit cards as well as Internet banking.

Source: *Southeast European Times in Tirana* -- 26/01/06; ([www.setimes.com](http://www.setimes.com))

BOSNIA AND HERZEGOVINA

##### **EU LAUNCHES SAA TALKS WITH BOSNIA AND HERZEGOVINA**

Bosnia and Herzegovina could complete its talks on a Stabilisation and Association Agreement with the EU within a year. As the first round of talks on a Stabilisation and Association Agreement (SAA) between the EU and Bosnia and Herzegovina (BiH) began in Sarajevo on 25 January 2006, a high-level EU official expressed optimism that the process could be completed within a year. "After the first negotiation round today, I am very confident that we will be able to stick to the timetable," said Reinhardt Priebe, the bloc's chief negotiator for the BiH talks.

Source: *EurActiv, OHR Morning Media Brief* - 26/01/06; *AFP, AP, VOA, RFE/RL, DTT-NET, Xinhua, FENA* - 25/01/06; ([www.setimes.com](http://www.setimes.com))

BULGARIA

##### **BULGARIA LAGGING BEHIND IN MEETING EU REQUIREMENTS**

Bulgaria is making very slow progress in meeting the EU membership criteria in the critical areas of agriculture and justice and home affairs, the Open Society Institute (OSI) in Sofia warned in an interim report (29 January 2006). The paper, whose final version is due at the end of March, focuses on five areas outlined by the European Commission (EC) as being of "serious concern". Delays in the fulfillment of commitments in the fields of company law, services, regional policy, agriculture and justice and home affairs require "immediate and decisive action," the EC said in its latest monitoring report on Bulgaria, issued in October. A new EC report on Bulgaria's preparedness for EU membership is due in May, when the bloc's executive arm will also recommend whether the country should join the Union on 1 January 2007, as planned, or should have its entry delayed by one year.

Source: *Sofia News Agency, Mediapool, Dnevnik, Vseki Den* - 29/01/06; ([www.setimes.com](http://www.setimes.com))

CROATIA

**CROATIA AND ALBANIA CONFIRM WILL FOR  
CO-OPERATION VIA CEFTA, SEECP**

Prime Minister Sali Berisha met with visiting Croatian counterpart Ivo Sanader on 27 February, with both leaders agreeing that their countries sought active co-operation via the Central European Free Trade Agreement (CEFTA) and the Southeast European Co-operation Process. Berisha and Albanian President Alfred Moisiu also voiced support for Croatia's initiative to expand CEFTA, which had included just Bulgaria, Croatia and Romania, until Macedonia was accepted Monday.

Source: *SETimes* - 28/02/2006; ([www.setimes.com](http://www.setimes.com))

FYR OF  
MACEDONIA/MOLDOVA

**MACEDONIA, MOLDOVA AGREE TO BOOST  
ECONOMIC CO-OPERATION**

President Branko Crvenkovski and visiting Moldovan counterpart Vladimir Voronin agreed on 21 February that bilateral economic co-operation must be enhanced. Though located in the same region, the two countries do not collaborate as they much as they could, the two agreed during Voronin's daylong visit to Skopje. They discussed efforts to promote the Macedonian economy in Moldova and vice versa, and signed a series of agreements, including one on mutual avoidance of double taxation.

Source: *Makfax, A1 TV, Telma TV* - 21/02/06; ([www.setimes.com](http://www.setimes.com))

ROMANIA

**ROMANIAN LOWER HOUSE APPROVES CRUCIAL ANTI-CORRUPTION  
BILL AGAIN**

The Romanian Parliament's chamber of deputies on 27 February approved for the second time a crucial anti-corruption measure proposed by the government. The bill now moves to the senate for passage. The measure was resubmitted at the request of President Traian Basescu, after it was unexpectedly defeated in the senate due to a high number of supporters missing the vote. Both Basescu and Prime Minister Calin Popescu Tariceanu want parliament to pass it by 6 March, when an EU mission visits Romania to assess judicial reforms.

Source: *Nine o'clock* - 28/02/06; ([www.setimes.com](http://www.setimes.com))

SERBIA

**IGNORING COPYRIGHTS STILL A PROBLEM IN SERBIA**

Although copyright protection laws are on the books, enforcement is haphazard. As a result, Serbia is home to a flourishing trade in pirated materials. Despite legislation and government promises, efforts to curb the distribution of pirated materials in Serbia have not borne fruit. Copyrights continue to be grossly infringed upon -- a problem that could ultimately lead to sanctions from international institutions. Last year was Serbia's worst for cinema attendance, even though blockbuster films were being shown. The music industry is suffering similar woes. Although occasional police raids are conducted, these are hardly enough to halt the flow of illegal DVDs and CDs -- a trade which brings considerable profits to those involved in it.

Source: *Southeast European Times in Belgrade* - 16/02/06; ([www.setimes.com](http://www.setimes.com))

MONTENEGRO

**MONTENEGRO SEEKS TO FOSTER IMPROVED BUSINESS CLIMATE**

Montenegro has enormous human resource potential and could see major improvements if it adapts to the needs of the global marketplace, according to Prime Minister Milo Djukanovic. Institutional reform is a key step along that path. Montenegro's improving business climate has been highlighted by the establishment of new institutions designed to promote entrepreneurship and build a competitive, knowledge-based economy. In 2005, the Montenegro Business School in Podgorica opened. Together with the Faculty of Tourism, Hotel Management and Trade, based in Bar, it forms the basis of what will eventually become Montenegro's first private university.

Source: *Southeast European Times* - 06/02/06; ([www.setimes.com](http://www.setimes.com))

KOSOVO

## **KOSOVO: BUSINESS PEOPLE WARY OF A TROUBLED REGION**

Kasabank, the largest locally owned bank in Kosovo, is going from strength to strength in what is probably the most difficult business environment in Europe. Founded shortly after 1999 war, it started with one branch in the main city of Pristina, inconspicuous amid an untidy row of run-down shops. Today it is expanding rapidly with 66 branches, 460 staff, EUR120m in assets and high hopes that resolving Kosovo's final status will stimulate further growth.

Source: *Financial Times* - 20/02/2006 ([www.news.ft.com](http://www.news.ft.com))

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