

Seminar at the Headquarters of the Regional Co-operation Council to Initiate the Investment Reform Index (IRI) 2009

Sarajevo, 16-17 September 2008

Summary

The Investment Reform Index 2009 - Overview

The IRI is the South East Europe Investment Compact's flagship publication, providing a comprehensive assessment of policy reform, institutional settings and achievements in key dimensions of policy that impact the business climate, from infrastructure to human capital development. The *IRI 2009* builds on the *IRI 2006*, but also contains entirely new dimensions - for instance on SME policy – as well as new analyses in existing dimensions – as in tax policy and administration. A hallmark of the IRI process is a series of consultations with governments, the private sector and independent experts. Independence and consensus building during the analytic work is an essential feature of the IRI (and a key to facilitating the progress of reform).

The IRI process will last from October 2008, when assessment frameworks will be sent to governments, to a publication date in July-August 2009.

Queries about the IRI 2009 can be addressed to Mr. Alistair Nolan (email: Alistair.Nolan@oecd.org).

Aims of the Opening Seminar

The seminar was attended by representatives from throughout South East Europe. The aims of the event were to:

- To ensure a clear understanding of what the texts are saying.
- To receive countries' feedback on any aspects of the assessment frameworks.
- To agree the frameworks to be used.
- To clarify procedures and timing.

Significant media attention was given to the seminar (see media summary, on the Investment Compact Website, produced by the media unit of the Regional Co-operation Council).

Proceedings

The seminar was opened by Mr. Hido Biscevic, Secretary General of the Regional Co-operation Council, who underlined the RCC's support for the IRI process and the importance of the results it will yield. The seminar was moderated by Emira Tufo, Senior Expert on Economic and Social Development at the RCC.

From the Investment Compact Secretariat, Alistair Nolan, Milan Konopek and Antonio Fanelli made substantive presentations on the IRI's goals, methodology, process and proposed timelines as well as the assessment frameworks for the following policy dimensions: Investment Policy and Promotion, Trade Policy, Human Capital Development, Infrastructure for Investment and SME Policy.

Information was also conveyed regarding development work being undertaken on the assessment of Tax Policy and Administration, as well as the work on the role of Parliaments in Economic Reform, and Anti-Corruption.

On human capital development (HCD) presentations were also made by Ms.Jelica Minic, Deputy Secretary-general of the RCC and Head of the RCC's Expert Pool, as well as by Ms.Madlen Serban, Chair of the RCC Task Force on Building Human Capital (and Director of the National Center for TVET Development, Ministry of Education, Research and Youth, Romania).

In her presentation Ms.Minic highlighted the importance of developing a strategic regional approach to HCD (for instance through a described internship initiative supported by Austria). She described efforts to build a steering platform on research for the Western Balkans and noted a prospective World Bank study on the development of a regional labour market. She likewise noted that HCD is a priority area of work for the RCC.

Ms.Serban noted that the RCC's Human Capital Task Force intends to operate as a network of networks, bringing together policymakers in the spheres of education and training from throughout the region. OECD involvement is already had through the OECD's Directorate for Education. This Task Force is willing to serve as a forum for advancing the HCD work of the IRI.

The following remarks highlight a range of comments received on the assessment frameworks from seminar participants.

Investment Policy and Promotion

- Some countries would be interested in including further indicators relevant to privatisation policy, such as Private Public Partnerships. For some SEE countries complex privatisation transactions lie ahead.
- One country enquired whether a policy dimension on corporate governance could be included.

Infrastructure for Investment

- It was noted that concessions in infrastructure are rare in the region. Serbia noted that only 4 have occurred there and queried whether there might be some deficiency in the regulatory or legal contexts that explains this paucity and that might be captured in the assessment framework.
- Serbia also noted that when looking at the time and costs required to establish energy connections, a distinction might need to be drawn between different types of enterprise.

It was also proposed to consider the inclusion of indicators on:

- Mobile phone and Internet service cost (in addition to the proposed indicator on fixed-line charges).

- The costs of telephone services within the region (not just to Germany).
- Annual road expenditure as a share of GDP/pc (not just as a per capita figure).
- Forecast expenditure on roads and infrastructure plans (as investors interested in a future perspective).
- National plans for energy development.

Human Capital Development

Ms.Minic brought attention to the need for data harmonisation and development and stressed the usefulness of IRI analyses pointing to concrete policy and technical assistance solutions (such as common collection across the region of EU benchmark data).

It was also proposed to consider the inclusion of indicators on:

- The early school leaving rate.
- Spending data for tertiary education.
- A wider range of strategic skills, possibly beyond “engineering and science graduates”.
- All sources of spending on pre-primary, but disaggregated into their private and public shares.
- Gross labour costs (and give background on overall evolution of labour market conditions).
- Population health status.

Anti-corruption

Attention was drawn to the work of Romania’s Anti-Corruption Directorate General which has main functions involving the prevention and combating of corrupt practices. The work of this new unit, established in 2005, might hold lessons of relevance to the rest of the region.

Conclusion

Brief debates ensued around all of the above proposals. The IC Secretariat will reflect on the practicability of including the proposals, taking into account the feasibility of measurement and the need to keep the response burden for governments low.

The IC staff informed the seminar that follow-up missions will be fielded in most if not all of the countries covered by the IRI during October with a view to presenting the assessment frameworks to the line Ministries concerned.

The approximate timeline for distribution of the evaluation grids to governments is the second half of October. It was agreed that 3 months should be given for completion of the evaluation grids by governments.