

INVESTMENT COMPACT FOR SOUTH EAST EUROPE: UPDATE

1. Background

- 1.1. The Investment Compact for South East Europe (South East Europe Compact for Reform, Investment, Integrity and Growth) is a regional programme designed to improve the investment climate and to encourage private sector development in South East Europe (SEE).¹
- 1.2. It operates under the umbrella of the Stability Pact for South Eastern Europe and falls under output area 4.1.1 (Investment) of the OECD Programme of Work and Budget. It is entirely funded by voluntary contributions.

2. Evolution of the Stability Pact into the Regional Cooperation Council

- 2.1. The Stability Pact for South East Europe is evolving into a new Regional Cooperation Council (RCC) that is a “more regionally owned, streamlined and effective regional co-operation framework in South Eastern Europe.”²
- 2.2. The new RCC secretariat will be based in Sarajevo and will be headed by a Secretary General from the region appointed for a period of 3 years.
- 2.3. Building on the work of the Stability Pact, the RCC will focus on six core areas:
Economic and Social Development; Infrastructure; Justice and Home Affairs; Security Co-operation; Building Human Capital; and Parliamentary Cooperation as an overarching theme.
- 2.4. South East European Foreign Ministers should formally sign the Statute of the RCC as part of a Memorandum of Understanding at the first meeting of the RCC in February 2008.
- 2.5. Article 8 of the RCC Statute stipulates that international organisations that are actively and substantially engaged in support of regional co-operation in SE Europe can become members of the RCC, provided that the existing members give their consent. Stability Pact partners, including the OECD, have been requested to make their intentions known before 15 November 2007. This point will be on the ERC’s agenda in the near future.

3. Launch of a new South East European Investment Committee

- 3.1. Anticipating the evolution of the Stability Pact towards a more regionally owned RCC, the Investment Compact launched a new South East European Investment Committee (SEE IC) on 2 April 2007.
- 3.2. As the “Investment arm” of the new RCC, the SEE IC will be responsible for evaluation and support in implementation of policies related to investment in SEE. Headed by Ministers of Economy in SEE, the work of the SEE IC will be driven by regionally-owned Working Groups focusing on policy priorities as identified in the Investment Reform Index evaluation process. The Working Groups, composed of experts from SEE and OECD countries, will be responsible for developing specific “how to” guidelines to improve policy design and implementation in

¹ Countries covered by the Investment Compact include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Moldova, Montenegro, Romania and Serbia.

² Chairman’s conclusions of the Regional Table of the Stability Pact, 10 May 2007, Zagreb.

priority areas. To reinforce regional ownership, each Working Group is chaired by a country from the region.

- 3.3. As noted by the Chairman's conclusions of the Regional Table of the Stability Pact held on 10 May 2007, the new SEE IC "should expedite improvements in the investment climate through better coordination, peer reviews and common actions."
- 3.4. In addition to acting as the "Investment arm" of the RCC, the SEE IC has also proposed to specifically monitor the Investment related clauses of the Central European Free Trade Agreement (CEFTA) adopted by the countries of the region in December 2006. Decisions on the formal relationship between the SEE IC and CEFTA should be taken before end 2007.

4. Investment Compact regional offices

- 4.1. Regional presence has always been an important success factor for the Investment Compact. Small regional offices, staffed by one or two consultants, have raised the profile of the Investment Compact, strengthened communications with governments, the private sector and donors, and helped ensure quality output results. This point was underscored in the ERC document C(2006)168 "Regional Approaches: Synthesis and Strategic Guidance."
- 4.2. The evolution of the Stability Pact into the RCC and the establishment of the SEE IC have reinforced the need for a local presence. The Investment Compact has two offices in operation (Sofia, Zagreb) and would like to open two new offices (Belgrade, Chisinau) very soon. These four offices should allow the Investment Compact to cover the SEE region effectively.
- 4.3. Investment Compact regional offices are established in accordance with procedures established under Council's decision on "establishment and management of OECD facilities located outside OECD headquarters" [C/M(2005)22].
- 4.4. The Investment Committee is regularly briefed on Investment Compact activities and the development of its regional offices.

5. Going forward

- 5.1. The annual Ministerial remains the key decision making body for the Investment Compact and the SEE IC.
- 5.2. The next Ministerial, to be held on 12 February 2008, will review the first results of four Working Groups established under the SEE IC and set further policy orientations to ensure a successful next wave of reforms to improve the investment climate in SEE, with the support of the Investment Compact.