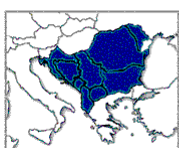


# **INVESTMENT COMPACT FOR SOUTH EAST EUROPE**

## **REPORT OF ACTIVITIES**

**Paris, France**

**November 2007**



**INVESTMENT COMPACT  
FOR SOUTH EAST EUROPE**

## TABLE OF CONTENTS

1. FOREWORD.....	3
2. MACRO-ECONOMIC INDICATORS.....	4
3. INVESTMENT COMPACT ACTIVITIES BY AREA OF FOCUS.....	5
<b>3.1 Monitoring and Evaluation</b> .....	6
Investment Reform Index.....	6
SME Policy Index.....	7
<b>3.2 Support in Implementation</b> .....	8
Targeting Investment Promotion Activities in the Western Balkans.....	8
Development of regional guidelines through the SEEIC working groups.....	9
FDI Moldova project.....	10
<b>3.3 Private Sector Support</b> .....	11
<b>3.4 Political Support</b> .....	12
<b>ANNEX 1</b> .....	14
Cooperation with the Bulgarian Ministry of Economy on Investment Legislation.....	14
<b>ANNEX 2</b> .....	17
Investment Compact Regional Offices Activity Report.....	17

### Tables

Table 1.	Real GDP Growth Rate (%) in SEE Countries.....	4
Table 2.	FDI Net Inflows (EUR million).....	4
Table 3.	Available Credit Ratings of SEE Countries.....	5

## 1. FOREWORD

South East Europe (SEE) has been going through major changes in the last twelve months: Romania and Bulgaria became members of the European Union. Albania signed a Stabilisation and Association Agreement (SAA) with the EU in June 2006 followed by Montenegro in October 2007. FYR Macedonia and Croatia have been granted the status of candidate countries. Bosnia and Herzegovina and Serbia are in process of negotiating an SAA with the EU. Countries from the Western Balkans and Moldova ratified a new CEFTA Treaty, which should help improve intra-regional trade and investment flows.

The Investment Reform Index, published in November 2006 identified four priorities for reform to improve the business climate in South East Europe at regional level: Anti-corruption, Regulatory Reform, Human Capital and Investment Promotion.

At the first meeting of the SEE Investment Committee, in April 2007, the SEE countries agreed to support reform by establishing four working groups:

1. Anti-corruption (chaired by Romania)
2. Investment Promotion (chaired by Bulgaria)
3. Human Capital (Chaired by Croatia)
4. Regulatory Reform (Chaired by Serbia)

The focus of each working group is to develop guidelines on how to implement reforms in a targeted area of policy that is agreed upon by working group participants.

SEE needs to continue its efforts both at country and regional level. A programme such as the OECD Investment Compact, which draws on the experience of OECD member countries, can provide SEE countries with expertise and support that are complementary to the EU agenda. Regional institutions such as the Regional Co-operation Council, CEFTA and the SEE Investment Committee help ensure that SEE countries follow a strategy and process for reform that is sustainable and driven by the region.

## 2. MACRO-ECONOMIC INDICATORS

**Table 1. Real GDP Growth Rate (%) in SEE Countries**

Country	2005	2006 <sup>1</sup>	2007 <sup>2</sup>
Albania	5.5	5.0	6.0
Bosnia and Herzegovina	5.8	6.0	5.0
Bulgaria	6.2	6.1	6.0
Croatia	4.3	4.8	4.7
FYR Macedonia	3.8	4.0	4.0
Moldova	7.1	4.0	5.0
Montenegro	4.1	6.3	6.0
Romania	4.1	7.7	6.0
Serbia	6.3	5.7	6.0
<b>AVERAGE<sup>3</sup></b>	<b>5.9</b>	<b>5.2</b>	<b>5.3</b>

1. Estimate

2. Projection

3. Average weighted by GDP

Source: EBRD Transition Report – Update May, 2007

**Table 2. Foreign direct investment, net, in millions of EUR**

	2000	2001	2002	2003	2004	2005	2006*	2007**
Albania	157	224	135	142	232	212	240	320
Bosnia and Herzegovina***	165	143	266	306	343	534	578	632
Bulgaria	1098	883	876	1656	1944	1838	4013	2472
Croatia	1187	1297	586	1546	610	1238	2813	1890
FYR Macedonia	193	485	78	77	109	78	280	120
Moldova	140	112	132	57	104	159	178	168
Montenegro	0	11	84	35	44	379	440	129
Romania	1156	1269	1080	1725	4458	5270	9144	7680
Serbia	28	182	475	1088	676	1185	3520	2400
<b>TOTAL</b>	<b>4124</b>	<b>4606</b>	<b>3712</b>	<b>6632</b>	<b>8520</b>	<b>10893</b>	<b>21206</b>	<b>15811</b>

\* Estimate

\*\* Projection

Source: EBRD Transition Report – Update, May, 2007

**Table 3 Available Credit Ratings of SEE Countries**

Country	Fitch			Moody's			Standard & Poor's		
	Rating <sup>1</sup>	Date	Outlook	Rating <sup>2</sup>	Date	Outlook	Rating	Date	Outlook
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bosnia and Herzegovina	n/a	n/a	n/a	Ba3	24-05-07	Stable	n/a	n/a	n/a
Bulgaria	BBB-	26-07-07	Stable	A1	24-05-07	Positive	BBB+	26-10-06	Stable
Croatia	BBB-	28-08-07	Stable	A1	24-05-07	Stable	BBB <sup>3</sup>	22-12-04	Stable
FYR Macedonia	BB+	14-08-07	Positive	n/a	n/a	n/a	BB+ <sup>3</sup>	23-08-05	Stable
Moldova	B-	18-06-07	Positive	B3	24-05-07	Stable	n/a	n/a	n/a
Montenegro	n/a	n/a	n/a	n/a	n/a	n/a	BB+	01-05-07	Stable
Romania	BBB	28-09-07	Stable	A1	24-05-07	Stable	BBB- <sup>3</sup>	01-04-07	Stable
Serbia	BB-	02-08-07	Stable	n/a	n/a	n/a	BB-	26-04-07	Stable

1. Long Term Issuer Default Rating.
2. Country Ceiling for Foreign Currency Bonds – Long Term.
3. Credit rating foreign currency.

Source: Fitch, Moody's, Standard & Poor's.

### 3. INVESTMENT COMPACT ACTIVITIES BY AREA OF FOCUS

#### 3.1 Monitoring and Evaluation

##### *Investment Reform Index (IRI)*

The Investment Reform Index (IRI) is a tool for SEE countries to measure and communicate progress on policy reform to improve the business climate. The IRI, which had a timeframe between November 2005 and September 2006, allows SEE countries to benchmark progress relative to their peers in SEE. It also provides direction on how to make improvements within each policy dimension<sup>1</sup> through adopting OECD good practices. Specifically, the objectives of the IRI are to:

1. Structure evaluation;
2. Target support for improvement;
3. Encourage regional collaboration and peer review;
4. Promote public and private sector involvement.

The 2006 IRI is structured to assist governments in evaluating and improving policies to promote private direct investment. It incorporates the expertise of the OECD, relevant research from other organisations, government self-evaluations and on-the-ground input from local consultants and the private sector. In order to achieve this, numerous country missions, meetings with governments and the private sector and extensive desk research have been conducted by both the Investment Compact and relevant ministries in the region.

The Investment Reform Index was launched in Paris in November 2006; a series of national launching events followed throughout the first six months of 2007. The second phase of the Investment Reform Index is the Support in Implementation through the launch of the SEEIC and the development of “how to guidelines” (See section II – Support in Implementation).

The OECD Investment Compact is currently preparing an improved version of Investment Reform Index which will be conducted between 2008 and 2009.

The improved version of the IRI will:

- Evolve from an index to a process and strategy for reform;
- Expand the number of policy dimensions (financial markets development, regional integration, corporate governance, corporate social responsibility, infrastructure and labour policy);

---

1 . The IRI policy dimensions are: (i) Investment Policy; (ii) Investment Promotion; (iii) Tax Policy; (iv) Anti-corruption and Business Integrity; (v) Competition Policy; (vi) Trade Policy; (vii) Regulatory Reform; and (viii) Human Capital.

- Reinforce and complement the broader overview of business climate with sector specific analysis;
- Broaden the depth and scope of the original 2006 IRI indicators through increased co-operation and collaboration of experts both within the OECD and outside in each of the dimensions;
- Improve the applicability of IRI policy recommendations, based on step-by-step “how to” instructions on implementing reforms.

*Activities to be conducted in the next six months:*

- Develop new version of existing indicators (January – March 2008)
- Kick-off the first Round, presenting the tool kit to the countries (March 2008)
- Organize first round of country missions – April 2008
- Draft the first analysis results – June 2008

***SME Policy Index***

Evaluation of SME policy is the object of a separate evaluation process built around the SME Policy Index, which is based on the European Charter for Small Enterprises.<sup>2</sup> The SME Policy Index allows countries and entities to benchmark their progress relative to peers in the region and provides directions on how to make improvements in each dimension. The objectives of the SME Policy Index are to:

1. Measure SME policy development using the European Charter for Small Enterprise framework, on the basis of inputs from government, private sector and SME policy experts;
2. Allow a comparative, independent evaluation of progress on policy implementation on the same set of policy dimensions included in the European Charter for Small Enterprise, across the SEE countries and with reference to good practices;
3. Support SEE countries in setting targets on SME policy development that are measurable, comparable, relevant and consistent with the European Charter for Small Enterprise policy framework;
4. Promote exchange of experiences and cross-country policy evaluation among the SEE countries and the donor countries.

---

2. In 2003, all SEE countries endorsed the European Charter for Small Enterprises, the main policy framework for SME development elaborated by the European Union. In parallel, they actively promoted entrepreneurship and innovative SMEs through the Bologna Process, co-ordinated by the OECD. During this first phase, the IC supported the endorsement process by providing an independent assessment of SME policies through the development of the Enterprise Policy Performance Assessment (EPPA). At the end of 2005, the SEE countries launched a second phase (2006-08) of the European Charter process and agreed to adopt the SME Policy Index as a common tool to measure and communicate progress on the ten action lines of the European Charter for Small Enterprises.

### *Activities conducted over the past six months*

Since the submission of the last Investment Compact Activity Report at the Project Team Meeting held in Paris on 2 April 2007, the following SME Policy Index activities have been conducted:

- The Charter Report was disseminated and discussed in all the participating countries and UNMIK/Kosovo during June and July of 2007
- The Charter Report was distributed and discussed to the Annual Charter Conference in Berlin on June 4<sup>th</sup> and 5<sup>th</sup>

### *Activities to be conducted in the next six months*

The following activities related to the SME Policy Index will be conducted in the next six months:

- Two peer reviews and seven focus group interviews will be conducted in October-December 2007 based on the findings on the Charter Report. The peer reviews and focus groups will examine SME innovation in Albania and Serbia.
- The results of the peer reviews and focus groups will be summarised in a report in March 2008 and will include guidelines on how to foster SME innovation in the region of the Western Balkans.
- A second phase of the evaluation process will start in July 2008, which will result in a regional report.
- Between October 2007 and July 2008, an interim assessment will take place, where key progress on SME policy development will regularly be published in a newsletter.

## **Support in Implementation**

### ***Targeting Investment Promotion Activities in the Western Balkans TIPA Project ( Supported by the European Commission)***

The OECD Investment Compact, in conjunction with the World Bank Invest in the Western Balkans Programme (IIWB) and supported by the EC CARDS Programme, is implementing the TIPA project. TIPA aims to promote FDI and foster economic growth and political stability in the Western Balkans specifically with the objectives to:

- Identify, prioritise and determine market dynamics and establish key success factors in 4-6 sectors of the Western Balkans.
- Contribute to the systematic reduction of region-wide, industry-specific barriers that hamper trade and investment both intra-regionally and with other European states.

To achieve the first objective, a thorough evaluation of industries within the Western Balkans is taking place to determine which are most competitive at the regional level, taking into account government priorities and the strengths and weaknesses of each country. The end result will be an investment promotion agenda for the entire Western Balkans, to be endorsed by the individual countries. The second objective involves formulating individual projects to address key success factors and barriers to investment in the identified sectors, e.g. improving VAT reimbursement mechanisms for export-oriented sectors.

Activities conducted over the past six months:

- Created an industry prioritisation tool which was used to help identify four sectors to focus on: automotive components, information and communication technology, business process outsourcing and textile and garments
- Discussed and agreed upon the sectors with the World Bank Invest in the Western Balkans (IIWB) Programme and the countries and regions of the Western Balkans
- Notified all Western Balkan countries and regions of the project, sectors selected and next steps via official letter
- Conducted preliminary primary and secondary research on the four sectors, including identification of end-customer requirements and market dynamics in each sector
- Created a sector-specific questionnaire to target Western Balkan firms in each sector, with the main aim of determining the capability of current firms to meet the requirements of end-customers and identifying current policy barriers that hinder their growth
- Following a price comparison, selected the company Prism, located in Bosnia and Herzegovina, to conduct the survey
- Built a database of company names, contact details, sectors and revenues
- Completed a pilot survey of 30 companies
- Reviewed the results of the pilot survey, adjusted and finalised the questionnaire and launched the official survey

*Activities to be conducted in the next six months:*

The following activities related to the TIPa Project will be undertaken in the next six months:

- Conduct interviews with selected surveyed firms for more in-depth qualitative analysis
- Submit a draft report to the World Bank IIWB, the EC and the investment promotion agencies and ministries of economy in the Western Balkans for review and input
- Present a draft report at the OECD Ministerial Conference in February 2008
- Finalise and publish report incorporating all input received
- Present final report to governments and press of the Western Balkans
- Finalise sector-specific initiative plans to ensure key success factors are established and policy barriers reduced for Phase II of the project, in conjunction with the World Bank IIWB and the countries and regions of the Western Balkans

*Development of regional guidelines through the SEEIC working groups on how to:*

1. Fight corruption effectively in public procurement in SEE

2. Implement an FDI – SME linkage programme in SEE
3. Assess gaps and develop skills in SEE
4. Improve Regulatory Impact Analysis in SEE

***FDI Moldova Project (Supported by the Swiss Government)***

During 2007, the IC continued implementing the FDI Moldova Project that aims to support Moldova to:

- Draft and promote an FDI and Export Promotion Strategy;
- Implement actions to attract foreign investments to Moldova and promote Moldovan investors abroad.

The Project is currently in its second phase aimed at implementing concrete actions to attract foreign investment and promote Moldovan investors abroad. The implementation phase was developed during the entire year of 2007 with the direct support and co-operation of the Moldovan Government and the Moldovan Investment and Export Promotion Agency. This phase is focused on the ITO/Business Process Outsourcing field, focusing on the following four components: building an FDI database, launching foreign investors' events, defining and establishing an SME linkage programme and conducting a skills gap assessment.

*Activities conducted over the past six months*

Since the submission of the last OECD Investment Compact Activity Report at the Project Team Meeting on 2 April 2007 in Paris, the following activities related to the FDI Moldova Project have been conducted:

- The Investment Compact presented a first version of the FDI database to the Moldovan Export Promotion Agency. MIEPO representatives together with IC representatives restructured the first version in order to reflect input from MIEPO and the Ministry of Economy. The Investment Compact also identified potential partners to be involved in this activity
- A Road Show for the Moldovan Minister of Economy and Commerce, is organized in Paris and London for 5 – 7 December 2007. The purpose of the Road Show is for the Minister of Economy and Commerce
- The Investment Compact interviewed foreign and domestic companies in order to prepare the Skills assessment report between May and July 2007; a second round of questions was disseminated with Foreign Investors in October 2007 in order to complete the results of the assessment
- The Investment Compact is conducting a round of students' interviews to assess students' awareness of the ITO/BPO sector in Moldova. Results are to be included in the final report on skills assessment in Moldova

*Activities to be conducted in the next three months*

The following activities related to the FDI Moldova Project will be undertaken before the end of 2007:

- Investors' missions: OECD Investment Compact will organize a Road Show with the most important ITO/BPO companies for the Moldovan Minister of Economy and Commerce and the Executive Director of the Moldovan Investment and Export Promotion Agency (MIEPO) in Paris and London in December 2007
- Organize one Investors Mission in Italy at the beginning of 2008. The activity will be organized in co-operation with MIEPO and with support from Italian donors
- Launch an FDI database with the Moldovan Government mid November
- Finalize and present a skills' assessment to the Moldovan Government (Ministry of Economy and Commerce and Ministry of Education) in November 2007. The report will contain a detailed analysis of human resources reform/allocation in order to eliminate barriers blocking the development of the ITO/Business Process Outsourcing field in Moldova
- A pilot linkage programme with SMEs is to be launched with the investors mission

### **Private Sector Support**

The objectives of the OECD Investment Compact in encouraging private sector support are to:

1. Contribute to measuring progress on the monitoring and evaluation activities of the OECD Investment Compact (e.g. Investment Reform Index and the SME Policy Index);
2. Give opinions on policy reform issues through dialogue with governments;
3. Share best practices with SEE countries.

#### *Activities conducted over the past six months*

Since the last Project Team Meeting, the following activities have been conducted to encourage private sector involvement in defining and implementing policy to improve the business environment:

- The PTM on 2 April in Paris brought together numerous representatives from SEE countries as well as representatives from international organisations, donor countries and the private sector. At the PTM, the OECD Investment Compact presented the new SEE Investment Committee and definition of new Working Groups (including the participants, timetable and deliverables for each of them); and the countries of the region further endorsed the Regional Framework for Investment in South East Europe
- The OECD Investment Compact attended two meetings of the Business Advisory Council: in June, Belgrade and in Ljubljana and in September, Slovenia
- A regional meeting was held in Belgrade, Serbia, in September 2007 with Foreign Investors Council representatives; the purpose of the meeting was to involve the representatives of the private sector in the organization and preparation of the Ministerial Meeting to be held in Serbia in February 2008
- Representatives of the FICs, BAC and BIAC have been invited and attended the first meetings of the SEE Investment Committee Working Groups:
  - Human Capital Working Group – Zagreb, 10 July 2007

- Anti-corruption Working Group – Bucharest, 11 September 2007

#### *Activities to be conducted in the next six months*

The following activities related to private sector support will be undertaken in the next six months:

- The representatives of the private sector will be invited to attend the second meetings of the SEE Investment Committee Working Groups to take place at the beginning of 2008:
  - SME Linkages – 23/24 January 2008
  - Regulatory Reform – April 2008
  - Anti-Corruption – April 2008
- The representatives of the private sector will be involved in the country assessments to be done for the next generation of the Investment Reform Index in 2008
- The next Ministerial meeting will also involve a ‘Business Day’ and ‘Investor of the Year Awards’ in February 2008. These two activities will bring together the private sector with government representatives to build the regional and country image and awareness within the international business community and promote FDI as a means to boost sustainable economic development and growth

#### **Political Support**

The OECD Investment Compact ensures political support for its initiatives by holding bi-annual meetings of the SEE Investment Committee which bring together key policy-makers in the region from the ministries of economy and the investment promotion agencies to discuss the work plan of the Investment Compact.

The Investment Compact also holds an annual Ministerial meeting to encourage top-level political support and regional ownership of SEE countries in the reform process and Investment Compact activities. Further political support is harnessed via regular country missions to the region to discuss Investment Compact work activities and identified priority areas of reform.

The general objectives of the SEE Investment Committee meetings, Ministerial meetings, country missions and other activities to gain political support are to:

1. Encourage consensus on OECD Investment Compact activities;
2. Discuss policy recommendations and findings from Investment Compact evaluations;
3. Promote regional co-operation in the implementation of reforms;
4. Garner political commitment from relevant policy-makers to implement reforms.

#### *Activities conducted over the past six months*

Since the last Project Team Meeting, the following activities have been conducted to encourage further political support of the OECD Investment Compact:

- ☑ It was decided at the first meeting of the SEE Investment Committee that countries from the region would take the lead of the working groups: Romania, Serbia, Croatia and Bulgaria were already fully involved in organizing the first meetings of the working groups. It allowed a clear development of countries' awareness related to the reform process and also a better transfer of ownership to the region.

*Activities to be conducted in the next six months*

The next annual Ministerial meeting will be held on 12 February 2008 in Belgrade, Serbia. It will involve high-level political support and high level representatives of the private sector. The Ministerial meeting will allow the development of direct dialogue between the private sector and the Ministers of Economy from the SEE countries in order to identify existing burdens hindering the development of the private sector and to jointly work to eliminate them.

## ANNEX I

### Cooperation with the Bulgarian Ministry of Economy on Investment Legislation

#### Project 1

##### Development of Rules for Implementation of the new Law on Investment Promotion

###### *Objective of the project*

Since the entering into force of new Law on Investment Promotion (*Adopted on 16.05.2007 and published into the State Gazette, 42 / 29.05.2007, into force as of 30.08.2007*) that sets up the framework and the general conditions for granting of state aid to investors, the relevant State aid schemes have to be included in the Rules for the Implementation of the Law on Investment Promotion. The latter has to be notified to the European Commission (EC) in order to be approved before its entering into force and subsequent implementation of the aforementioned opportunities.

The purpose of the implementation rules is to elaborate in detail the procedure for granting state aid and to explicitly describe requirements for investors that are to receive those grants. In addition, the rules envisage the possibilities to use the so called block exemption regulations of the EC, where the relevant state aid schemes do not require notification if correspond to all the requirements of a block exemption regulation.

###### *Project Outline*

Having in mind the specifics and complexity of state aid regulations and requirements, the Ministry of Economy and Energy expressed the need for advisory assistance by professionals who not only have the knowledge in state aid issues, but also possess the practical experience related to implementation of state aid regulations, notification and case studies.

Consequently, as from August a team of experts, coordinated by the Ministry of the Economy, the Investment Compact Office of Sofia and ICE <sup>3</sup>Sofia, is providing specific assistance for timely:

- i) development of a chapter on state aid issues in the Rules for Implementation of the Law on Investment Promotion;
- ii) preparation of a Notification of the Rules for Implementation of the LIP and submission for approval by the European Commission.

###### *Project Outputs*

The project, completely financed by ICE, will be completed through the realization of specific rules for the implementation of the new Law on Investment Promotion and their submission for approval to the European Commission, expected by the end of 2007.

---

<sup>3</sup> Italian Trade Commission

## **Project 2**

### **Elaboration of guidelines for the Operational Programme's Priority related to Promotion of Investment in New Enterprises (PPINE)**

#### *Objective of the project*

The Bulgarian Ministry of Economy and Energy has to prepare specific guidelines on the Operational Programmes of the EU Structural Funds for its officers in order to prepare the Ministry to play the role of the Managing Authority of the Programme on Competitiveness.

The project has the final objective of supporting the successful and sound preparation for implementation of the OP, in particular for its priority related to investment promotion.

#### **Project Outline**

In order to develop the **guidelines for the Operational Program's Priority related to Promotion of Investment in New Enterprises (PPINE)** and to both effectively link it with and successfully complement the national funds available for investment promotion, a specific support, totally financed by ICE, is provided for the elaboration of guidelines, as well as preparation, notification and submission to the European Commission.

The project, coordinated by the Ministry of Economy and Energy, the Investment Compact office of Sofia and ICE Sofia, should be completed by March 2008 and include the following actions.

1. Prepare guidelines on the EU Operational Programme Competitiveness's Priority for Promotion of Investment in New Enterprises. Those guidelines should contain internal rules for the Ministry of the Economy and Energy to make operative the priority and its measures and facilitate the preparation of tenders and state aid schemes for applicants.

The guidelines will be designed to help, step by step, the officers of the Ministry in the managing of the PPINE activities/measures. In the same time they will lay the basis for application of enterprises under this priority.

The guidelines will contain all the procedures (state aid schemes) and the criteria for application of enterprises. It will be drafted by taking into account all the EU legislation and, in particular, the rules concerning State Aids and Competition.

The guidelines will be prepared by the first quarter of 2008 by experts in management of the EU Structural Funds and with specific knowledge of the EU legislation.

2. Notification and submission of the guidelines to the European Commission.
3. After the finalization of the guidelines, one or two specific training sessions will be organized in order to illustrate to the officers of the Ministry the content of the guidelines and facilitate the application during the management of the Operational Program.

The training sessions will focus on all the stages of the program life cycle, from program management, programming and implementation to monitoring and evaluation, financial management and control.

## **Project Outputs**

The project should allow improving the quality of the interventions to be carried out by the Managing Authority of the Ministry of Economy and Energy and increase the effectiveness of the absorption of Structural Funds in Bulgaria through the efficient realization of the Operational Program.

It is expected in particular to provide the Managing Authority with the competences needed to prepare the first tenders for granting EU funds.

## ANNEX 2

### INVESTMENT COMPACT REGIONAL OFFICES ACTIVITY REPORT

The objective of the regional offices is to support the Investment Compact Programme through country specific and regional programmes in SEE. 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. The establishment of the SEE Investment Committee has reinforced the need for a local presence. The Investment Compact has three offices in operation (Sofia, Zagreb and Chisinau) and would like to open a new office in Belgrade soon. These offices should allow the Investment Compact to cover the SEE region effectively.

#### **Zagreb**

##### **Key facts**

- Opened in July 2007
- Supported by the Austrian government through Austrian Development Agency
- Local manager: Igor Zagrecki
- Office location: within the Ministry of Economy, Labour and Entrepreneurship

##### **Main areas of focus**

- Evaluate ICT markets in the Western Balkans region and identification of key barriers and areas for investments in the ICT sector (2007-2008)
- Assess skill gaps for ICT sector in Croatia (2008)
- Develop a project on “How to involve parliaments in regulatory reform” in Croatia (2008)
- Perform research for the Investment Reform Index Survey for 2008
- Assist the Investment Compact team on the SME Policy Index
- Co-ordinate Human Capital Working Group (2007-2008)
- Ensure regular communication and co-ordination with the Croatian government and other key stakeholders (e.g. international organisations, private sector, etc.)

#### **Bulgaria:**

##### **Key facts**

- Opened in September 2006
- Supported by the Italian government
- Local manager: Tindaro Paganini
- Office location: within the InvestBulgaria Agency

##### **Main areas of focus**

- Launch specific projects financed by the Italian Institute for Foreign Trade (ICE) designed to support the Bulgarian Ministry of Economy and Energy in the implementation of the new law on investment promotion and the Competitiveness Operational Programme of the new EU Structural Funds (see Annex 1 of this report)
- Support the development of a Bulgarian export promotion strategy, officially presented to the Ministry of Economy and Energy (July 2007) and currently under evaluation by the offices of the Ministry

- Provide support for the preparation of the CEI Forum (20-21 November 2007), with particular attention to the session organized by the Investment Compact\*
- Provide support to the Ministry of Economy in its activities as a leader of the Working Group on Investment Promotion
- Develop guidelines on how to design and implement SME-FDI linkages through the Investment Promotion Working Group of the SEE Investment Committee
- Perform research for the Investment Reform Index Survey for 2008
- Ensure regular communication and co-ordination with the Bulgarian government and other key stakeholders (e.g. international organisations, private sector, etc.)

### **Moldova:**

#### **Key facts**

- Opened in March 2006
- Supported by the Swiss government and the Investment Compact
- Local manager: Romanitsa Revenko

#### **Main areas of focus:**

- Work on the implementation of the FDI Moldova project with the aim of elaborating:
  - Database of foreign companies,
  - Skills gap assessment,
  - SME-FDI Linkage building
- Road show for the Minister of Economy and Commerce of Moldova
- Develop the Moldova SME sector support proposal and ensure Government back-up
- Perform research for the Investment Reform Index Survey for 2008
- Ensure regular communication and co-ordination with the Moldovan government and other key stakeholders (e.g. international organisations, private sector, etc.)