

The South East Europe Investment Compact

Launched in 2000, the OECD Investment Compact for South East Europe is designed to increase regional stability by helping policy makers find sound policy solutions to improve the business climate for domestic and foreign investment.

The main donors to the Investment Compact for South East Europe are: Austria, Belgium (Flanders), Bulgaria, Czech Republic, Germany, Hungary, Ireland, Italy, Netherlands, Norway, Romania, Slovenia, Switzerland, the United States, the European Commission, and the Central European Initiative.

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4th Meeting of the South East Europe Investment Committee Assesses Regional Impact of Economic Crisis

Hosted by the Regional Cooperation Council, the fourth meeting of the South East Europe Investment Committee (SEE-IC) was held on 7 April 2009 in Brussels, Belgium, with a special focus on the impact of the global economic crisis on the region.

Participants agreed that the global crisis is taking its toll on the economies of the region, exposing weaknesses of a growth model that has been highly dependent on foreign capital inflows and rapid credit growth. According to the latest data, South East Europe has registered a steady drop in industrial production over the last year. Export growth has slowed considerably, with the region's total trade with the European Union down by almost a third from its peak of about EUR 3.8 billion in July 2008. Consumers have

curbed spending, and international investment appears to have slowed.

In line with countries around the world, SEE governments are employing different mechanisms to try to increase economic activity in the face of the global crisis. A combination of measures in the areas of monetary policy and fiscal policy are being developed and implemented. However, in some cases the effectiveness of measures or the ability to use certain policy tools are limited by issues such as exchange rate policy, existing high levels of public debt, the fact that fiscal stimulus is likely to increase imports, and constraints for some governments to borrow on international financial markets in order to pay for expansionary fiscal policies.

Participants stressed that the region's medium-term economic prospects now hinge on the ability to raise economy-wide productivity. This requires continued structural reforms, a range of productivity-enhancing public investments, such as in increased regional economic integration, and human capital and infrastructure. The OECD Investment Compact strongly encouraged governments to resist any slowing of business climate reforms or calls for protectionist measures, and to pursue co-ordinated policy responses on a regional level.

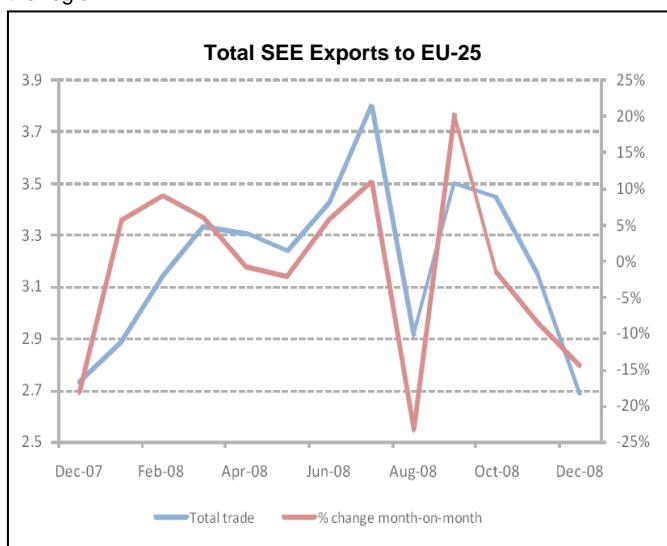
OECD Investment Compact Initiates 2009 Investment Reform Index Process

The OECD Investment Compact (IC) initiated the 2009 Investment Reform Index (IRI) process in September 2008 at the Regional Cooperation Council headquarters in Sarajevo. The 2009 process builds on the 2006 IRI report, with the overall objective of monitoring, evaluating and prioritising business climate reforms in South East Europe.

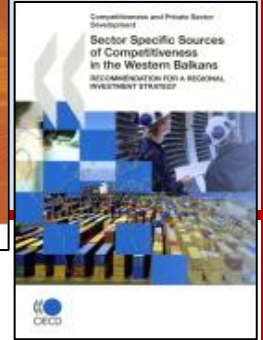
Assessment frameworks have been developed and sent to governments in the region to monitor policy and institutional settings across several policy dimensions relevant to the environment for direct investment. The 2009 process adds entirely new dimensions, such as access to finance, infrastructure for investment, and the role of parliaments in economic reform, and introduces new analyses in existing dimensions such as tax policy and administration.

A hallmark of the IRI process is a series of consultations with governments, the private sector and independent experts. These consultations will take place during May, June and early July.

The IRI is intended for publication by December 2009.



Source: Eurostat



Upcoming events

June

17 · Launch of SME Policy Index, Brussels, Belgium

16-19 · 1st meeting of the Working Group on Taxation, Dubrovnik, Croatia

19 · 3rd meeting of the Working Group on Investment Promotion, Belgrade, Serbia

July

9-10 · 3rd meeting of the Working Group on Human Capital Development, Vienna, Austria

September

24 · 3rd meeting of the Working Group on Regulatory Reform, Zagreb, Croatia

29 · Meeting of the Working Group on SMEs, Istanbul, Turkey

SME Policy Index 2009 Report Launches

The 2009 SME Policy Index will be launched at a high-level meeting on 17 June 2009, in Brussels, Belgium. The meeting is followed by a workshop on high-growth SMEs.

Based on the principal policy framework for SME development elaborated by the European Union, known as the European Charter for Small Enterprises, this 2009 report builds on its 2007 edition to monitor, evaluate and prioritise business climate reforms targeted at small and medium-sized enterprises.

One of the key regional weaknesses identified is the lack of progress in supporting innovative SMEs and strengthening technological capacity. The OECD IC has thus identified good practices to promote the development of high-growth SMEs in the Western Balkans based on OECD and EU experience. The findings are summarised in this report.

Pilot Project in Serbia Assesses SME Development

With the support from the Irish government and in co-operation with the OECD Local Economic and Employment Development (LEED) programme, a pilot project was launched 25-27 March 2009 to encourage the development of SMEs in Serbia outside the capital region. The two participating regions selected for this project are Banat in Serbia's northern province of Vojvodina, and Zlatibor in western Serbia. The project identifies policy barriers to SME development using a modified version of the SME Policy Index tailored to the circumstances of sub-national authorities, and makes recommendations on priority areas for reform.

The project is expected to be completed in November 2009, in time for a conference on SME development in Belgrade hosted by the Serbian Ministry of Economy and Regional Development.

OECD IC Adds Non-Tariff Barriers Project to Implementation Support for Central European Free Trade Agreement

In January 2009, the OECD Investment Compact initiated an additional project to support implementation of the Central European Free Trade Agreement (CEFTA 2006): the Aid for Trade Project – Implementing CEFTA: Overcoming Non-Tariff Barriers. With the support from the Hungarian government, this project aims to assist CEFTA parties in deriving full benefits from the agreement by reducing or eliminating non-tariff barriers. To do so, non-tariff barriers will be identified, classified and prioritised based on their impact on trade flows, and particularly on trade and investment with neighbouring EU members and Turkey. Special emphasis will be placed on barriers identified by the business community.

The Investment Compact is now involved in two CEFTA support projects. The second project, on monitoring investment-related clauses in CEFTA 2006, aims to contribute to the CEFTA 2006 agreement with a view to creating jobs and growth in the region.

Regional Investment Strategy to Increase Competitiveness in Western Balkans

The OECD IC study "Defining and Strengthening Sector Specific Sources of Competitiveness in the Western Balkans – Recommendation for a Regional Investment Strategy" was presented in Sarajevo on October 9, 2008. The publication of this study marks the completion of the first of two phases of a European Commission-funded project examining the potential sources of and obstacles to competitiveness in the region.

The project analyses sectors with significant employment potential, such as: Apparel manufacturing, automotive components, and business process and technology outsourcing. The analysis suggests that policy makers should exploit their advantages in these sectors, and advance reforms increasing the region's capacity to compete for markets. Specific recommendations include addressing gaps in human capital, increasing links between research and business communities, and developing value-added services and innovation.

With continued co-operation from the Croatia Investment Compact Office, the project is now in its second phase, focusing on implementation of co-ordinated initiatives for each sector as part of a regional investment strategy.

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