



FOR IMMEDIATE RELEASE

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Ministers from South East European Countries Endorse a Common Framework for Investment

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On 27 June, Ministers from across South East Europe unanimously adopted a Regional Framework for Investment (RFI). The event is groundbreaking: SEE is the first region to adopt such a Framework which provides a reference for the elaboration, implementation and evaluation of national policies related to investment in the region.

Implementation of the RFI will be spearheaded by a newly created SEE Regional Investment Committee composed of senior government officials and private sector representatives from SEE and OECD countries that will undertake peer reviews and develop recommendations to improve policies for investment.

The adoption of the Regional Framework for Investment by SEE countries demonstrates that SEE countries are now entering a new phase of cooperation. It is also a testimony to the commitment of the region to increase its competitiveness, maximize new investment and further enhance access to European markets.

The sixth annual Ministerial Conference on a Regional Investment Framework was hosted by the Austrian Federal Ministry of Economics and Labour and organised by the co-chairs of the Investment Compact for South East Europe – Austria, Bulgaria and the OECD – as well as the Working Group on Trade Liberalisation and Facilitation within the framework of the Stability Pact for South East Europe.

The Ministerial Conference was opened by the Federal Minister of Economics and Labour of Austria, Mr. Martin Bartenstein, Mr. Erhard Busek, Special Co-ordinator of the Stability Pact for South Eastern Europe, Mr. Ruman Ovcharov, Minister of Economy and Energy of Bulgaria and Mr. Richard Hecklinger, Deputy Secretary-General of the OECD. Ministers from South East European countries and business representatives also attended the conference.

Opening the Ministerial Conference, Mr. Martin Bartenstein, Austrian Federal Minister of Economics and Labour, stated:

"Over the last years the countries of the SEE region have, assisted by initiatives like the OECD Investment Compact for SEE, considerably improved their regulatory and institutional framework to attract urgently needed investments, both domestic and from abroad. The more than 10 billion Euro in FDI the region received last years are a sign of this progress. But more needs to be done, remaining obstacles to trade and investment need to be tackled, requiring committed action not only by each individual country but also on a regional basis as envisaged in the Regional Framework for Investment endorsed by Ministers today."

Mr. Richard Hecklinger, Deputy Secretary-General of the OECD, added:

“The Regional Framework for Investment consolidates into a single Framework the good practices and policy principles that have emerged through the work of the OECD and the Investment Compact under the Stability Pact.

The RFI does not only provide a comprehensive reference for good practice and policy principles to further improve the investment environment in SEE; it is also lays down a process to continuously improve the investment environment in SEE through peer review, definition of priorities and joint action.

The newly created SEE Investment Committee which is based on the OECD model will ensure that recommendations to improve the business climate are formulated and implemented at the country and regional level.

The adoption of the Regional Framework for Investment demonstrates the commitment of the region to increase its competitiveness, maximize new investment and further enhance access to European markets.”

The Ministerial Conference also concentrated on the preliminary results obtained from the Investment Reform Index (IRI), a comparative policy evaluation exercise conducted by the OECD Investment Compact in close collaboration with SEE governments and private sector over the last 9 months. Final IRI results will be published end of September 2006. Based on preliminary results of the IRI process, several regional priorities can be identified. A few examples include:

- **Investment Policy and Promotion:** While SEE countries have made tremendous progress in investment policy including national treatment, bilateral investment treaties and protection of property, Investment Promotion is still very weak. In particular, most countries do not have a comprehensive IP strategy, and IP agencies have very limited capacity. The insufficient emphasis on a proactive investment promotion approach translates into a weaker image for the region and more limited contacts with potential new investors.
- **Trade:** Despite extensive trade liberalisation with the elimination of most quantitative restrictions and the signing of bilateral trade agreements, there are still numerous non tariff barriers (NTBs) to trade. These barriers include technical standards for products, certification and complex customs administrative procedures. NTBs to trade limit the export competitiveness of the region and risk diluting the concrete impact of the Regional Trade Agreement to be signed before the end of the year.
- **Tax:** The countries of SEE have all introduced low single corporate tax rates which have attracted investors. The big challenge now will be to improve tax administration – ensuring tax inspections are based on objective criteria, enforcing the rights of taxpayers and streamlining the number of steps required to comply with tax obligations. Without effective tax administrations, the benefits of a low corporate tax rate are diminished for investors.

South East European Ministers also welcomed the Business Statement presented at the Ministerial Conference by the Business Advisory Council for Southeast Europe and the Foreign Investors Council of Serbia. The Ministers recognised the important contribution the private sector has made to improving the quality of government policies and securing better policy implementation, thus maximising the benefits of private investment.

The Ministerial Conference was preceded by the Regional Reality Check on Progress in Policy Reforms and Implementation in South East Europe at the Federation of Austrian Industry and the 2006 Investor of the Year Awards Ceremony at the Upper Belvedere. Both events were held on 26 June. The Investor of the Year

Awards highlighted successful examples of international investment in South East Europe and contributed to promote the image of the Region.

A Press Conference took place on 27 June 2006 at Hofburg, Gardesalon, Josefsplatz, 1010 Vienna, Kleiner Redoutensaal.

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OECD Investment Compact

The South East Europe Compact for Reform, Investment, Integrity and Growth (“The Investment Compact”), launched in 2000, is a key component of the Stability Pact under Working Table II on Economic Reconstruction, Development and Co-operation. The work of the Investment Compact is co-ordinated by the OECD, which provides the secretariat. The Investment Compact promotes and supports policy reforms to improve the investment climate in South East Europe and thereby encouraging private direct investment and the development of a strong private sector. The Programme contributes to improving the business climate through a collaborative regional process that involves structured evaluation, definition of priorities and coaching in implementation at the country and regional level. Political commitment to reform on the key priorities is obtained through an annual Ministerial Given the importance of a liberal trade regime for the investment climate, the Investment Compact closely liaises with the Working Group on Trade Liberalisation and Facilitation in SEE that also operates under the auspices of Working Table II of the Stability Pact.

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