



REPUBLIC OF SLOVENIA
GOVERNMENT OF THE REPUBLIC OF SLOVENIA



Regional Cooperation Council

Directorate for Financial and Enterprise Affairs
Private Sector Development Division

INVESTMENT COMPACT FOR SOUTH EAST EUROPE
CO-CHAIRLED BY AUSTRIA, SERBIA AND THE OECD

STATEMENT BY THE CHAIR

MINISTERIAL CONFERENCE: BUILDING A 2020 VISION FOR SOUTH EAST EUROPE

23-24 November 2011

Co-organised by
The OECD and the Government of the Republic of Slovenia

Location:
OECD Headquarters
Conference centre, 2 Rue André Pascal, Paris



BUILDING A 2020 VISION FOR SOUTH EAST EUROPE

- STATEMENT BY THE CHAIR -

On the occasion of the conference on “A 2020 Vision for South East Europe” held in Paris on 24 November 2011, co-organised by the Organisation for Economic Co-operation and Development (OECD) and the Government of the Republic of Slovenia, the Chair issues the following Statement on behalf of participating Ministers and high-ranking officials from the economies of South East Europe.

During the conference, delegates:

1. **Recalled** that economic prosperity is essential to long term stability and democracy in the region and part of the European stabilisation and association process, as expressed in the EU-Western Balkans Summit Declaration in Thessaloniki on 21 June 2003 and as declared by the South East Europe Cooperation Process (SEECP) Summit of Heads of States and Governments in Zagreb, on May 11th 2007;
2. **Affirmed** the importance of regional co-operation, dialogue, openness, and good-neighbourly relations as expressed in the SEECP Bucharest Charter on good Neighborly Relations, Stability, Co-operation and Security, signed on February 12 2000 and noted in the Budva Declaration on 30 June 2011;
3. **Highlighted** the positive impact of economic reforms, market liberalisation and cross-border co-operation on growth and investment for all economies of the region in the past decade and the need to pursue structural reforms whatever the external economic environment;
4. **Underscored** the contribution of international, regional and domestic investment toward broader economic and social development and of open trade and investment policies;
5. **Took note** of the valuable contribution of the OECD Investment Compact and the South East Europe Investment Committee (SEE IC) to improving the investment environment in the region and expressed their gratitude to the OECD and the supporting institutions and governments;
6. **Welcomed** the handover of the SEE IC to the Regional Co-operation Council (RCC) as a sign of progress and of enhanced regional ownership;
7. **Recognised** the progress of the countries of the region towards European integration, as evidenced by the successful accession of Bulgaria and Romania, soon to be followed by Croatia, and of the importance of further alignment with the EU *acquis* as expressed by the European Commission Enlargement Strategy 2011-12;

8. **Underlined** the impact of the global economic crisis in South East Europe and the inherent economic vulnerabilities it has revealed, especially with regard to regional competitiveness and future growth prospects;
9. **Emphasised** the value of continued private-public sector dialogue and co-operation towards growth and development;
10. **Acknowledged** the progress made by the Parties to the Central European Free Trade Agreement (CEFTA 2006) to create an open, liberal and integrated regional market;
11. **Stressed** the importance of good governance in the pursuit of sustainable economic growth;
12. **Noted** the Chair's statement following the High-Level Meeting on the Western Balkans in Sarajevo on 2 June 2010, stating that a regional recovery and development strategy should follow the main parameters of the Europe 2020 growth strategy and take into account the specific characteristics of the Western Balkan countries;
13. **Endorsed** a common regional vision for South East Europe as outlined in sections I, II, and Annex I of this statement;

I. Conference participants agreed that continued economic reforms should be based on a common regional vision for South East Europe. The vision calls for the consistent implementation of economic reforms to foster integrated, smart, sustainable and inclusive growth underpinned by good governance and the rule of law. The specific elements contained in the vision include the following:

- i. **Integrated growth** through deeper regional trade and investment linkages and policies that are non-discriminatory, transparent and predictable and enhance the flow of goods, investment, services and persons within the region.
- ii. **Smart growth** through a commitment to innovate and compete on value-added rather than labour costs in the long run. Retaining the best and brightest talent that the SEE region has to offer is inextricably linked to raising the absorptive capacity of business and research communities to use existing technologies and develop new ones.
- iii. **Sustainable growth** through raising the level of private sector competitiveness, entrepreneurship and a commitment to greener and more energy-efficient development.
- iv. **Inclusive growth** through skills development, employment creation and labour market participation by all, including vulnerable groups and minorities.

- v. **Governance for growth** through improving the capacity of public administrations to strengthen the rule of law and reduce corruption so as to create a business-friendly environment. Good governance practices should also include promotion of balanced development at the territorial level to overcome internal disparities of SEE countries.

II. Participants agreed that greater alignment and convergence with the Europe 2020 strategy will be important for the region as it moves forward with a new economic vision. Participants requested that the SEE IC, under the auspices of the RCC and with the support of the CEFTA Secretariat, OECD, European Training Foundation (ETF) and other relevant regional partners, and in close consultation with the European Commission, report back to Ministers and high-level officials by November 2012 with:

1. A detailed assessment of the degree of economic convergence between South East Europe and the EU-27 on the basis of targets used in the Europe 2020 Strategy.
2. A proposed set of ambitious headline targets for a regional 2020 Strategy taking into account the specificities of SEE economies.
3. The results of eliminating non-tariff barriers, including the removal of remaining horizontal and sector-specific barriers to deeper regional trade and investment integration in the SEE region, with an emphasis on those barriers holding back value-chain development.
4. A map of existing and potential centres of industrial agglomeration and knowledge creation accompanied by recommendations on measures which will support:
 - i. strengthening regional business networks
 - ii. fostering clustering activity between industry and academia
 - iii. development of academic centres of excellence.

Participants invited the SEECF Chairmanship in Office and the RCC to build support for the implementation of the principles included in this Chair's Statement (see proposed Action Plan in Annex I) among SEECF members and within the framework of cooperation amongst them.

Annex I

Action Plan for Implementation of a SEE 2020 Strategy

To transform the vision outlined in sections I and II of this statement into reality, conference participants agreed that the following Action Plan should be pursued at regional and national levels:

1. **Integrated growth** underpinned by deeper trade and investment linkages should be pursued by:
 - i. Removing trade distortive non-tariff barriers and facilitating cross-border movement of goods in a timely fashion;
 - ii. Undertaking concerted efforts for the liberalisation of trade in services, under the auspices of CEFTA;
 - iii. Creating a regional strategy for investment promotion that builds on the work that has already been conducted by the regional working groups under the auspices of the Investment Compact and the SEEIC;
 - iv. Enforcing laws and regulations to protect intellectual property;
 - v. Supporting the work of all CEFTA bodies and structures to fulfil their respective mandates; and
 - vi. Developing a single regional capital market;

2. **Smart growth** should be built on knowledge and innovation by:
 - i. Promoting ‘triple helix’ linkages between academia, industry and policy makers;
 - ii. Promoting free flows of talent in the region by encouraging SEE economies in achieving bilateral/multilateral universal recognition of diplomas and abolishment of unnecessary visas and permits for students, academia and the business community;
 - iii. Encouraging “brain gain” through targeted networking with the diaspora and creating conditions favourable to eventual return, in particular through the establishment of a supportive entrepreneurial environment;
 - iv. Supporting private and public sector investment in R&D via coherent and regionally co-ordinated policies to enhance innovation and promote the knowledge economy and society;
 - v. Facilitating the participation of enterprises and scientific institutions from SEE in EU programmes and EUREKA and developing effective linkages with European institutions fostering innovation and knowledge (e.g., the European Institute for Innovation and Technology);
 - vi. Raising the level of knowledge absorption via policies that support existing clusters, networks, and centres of excellence to establish a regional cooperation framework fostering knowledge communities;
 - vii. Promoting natural science, maths and engineering studies while enhancing the quality of education provision and existing quality assurance mechanisms;
 - viii. Using available resources and private sector expertise to substantially increase the level of combined public-private sector investment in R&D as a percentage of GDP; and
 - ix. Considering measures to support business investment in R&D.

3. **Sustainable growth** which raises competitiveness, entrepreneurship, and promotes greener and more energy efficient technologies should be supported - among others – by policy priorities conducive to doing business and investment by:
 - i. Diversifying export markets, and promoting regional co-operation whenever possible to help businesses access those markets;
 - ii. Developing measures such as export guarantee schemes to support the private sector;
 - iii. Supporting private sector competitiveness by helping firms, and in particular SMEs, find niches in which they can be successful in global terms (e.g. through support of strategic consulting services);
 - iv. Strengthening regional value chains by actively supporting the creation of transnational clusters and business networks;
 - v. Promoting venture capital and business angel networks;
 - vi. Reducing the tax wedge on labour to improve competitiveness;
 - vii. Accelerating the development of critical infrastructure;
 - viii. Helping businesses develop and adopt renewable & green technologies;
 - ix. Encouraging education and training systems to deliver ‘green’ and ‘white’ skills; and
 - x. Integrating green development priorities into long-term policy making, utilising available European and international expertise, and interacting with all stakeholders of the economy on the national level.

4. **Inclusive growth**, centred on skills development, should be enhanced by:
 - i. Monitoring and tracking skills needs at the regional level;
 - ii. Developing mechanisms for regional dialogue between employers and policy makers on ways to minimise skills gaps and address skills mismatches through customised training and curricula reform;
 - iii. Raising the attractiveness of vocational training and increasing employment opportunities for younger workers and promoting early contact with the labour market, including through measures for facilitation of school-to-work transitions and removing obstacles to internships in particular;
 - iv. Promoting in-company training and up-skilling of employees;
 - v. Promoting the inclusion and retraining of older workers in the labour market;
 - vi. Promoting women’s employment and entrepreneurship and employment of vulnerable groups, in particular the Roma;
 - vii. Developing regional strategies to support continuous education and lifelong learning and recognition of non-formal and informal educational paths;
 - viii. Developing entrepreneurial learning as one priority for education reform;
 - ix. Increasing high quality tertiary education levels;
 - x. Providing opportunities for student exchanges enabling students to study in the region and in OECD countries; and
 - xi. Reducing the number of individuals who leave school early, with a special focus on students with disabilities, learning disabilities and socio-economic, cultural and/or linguistic disadvantages.

5. **Governance for growth** stresses the importance of good corporate and public governance as a basis for achieving the goals of smart, sustainable, inclusive and integrated growth through:
- i. Supporting the capacities of public administrations to design and implement development policies;
 - ii. Finding complementarities and synergies with other regional initiatives and mechanisms such as the Western Balkan Investment Framework and the Western Balkan Regional Competitiveness Initiative;
 - iii. Promoting the effective implementation of existing legislation governing competition, including improvement of judiciary capacities and giving high priority to enforcing the rule of law and anti-corruption measures; and
 - iv. Responsible fiscal and monetary policies.