

FOR DISCUSSION PURPOSES ONLY

A REVIEW OF INVESTMENT POLICY AND PROMOTION IN THE WESTERN BALKANS

**Prepared by the OECD Investment Compact for South East Europe for the Western Balkans
Working Group on Investment Policy and Promotion**

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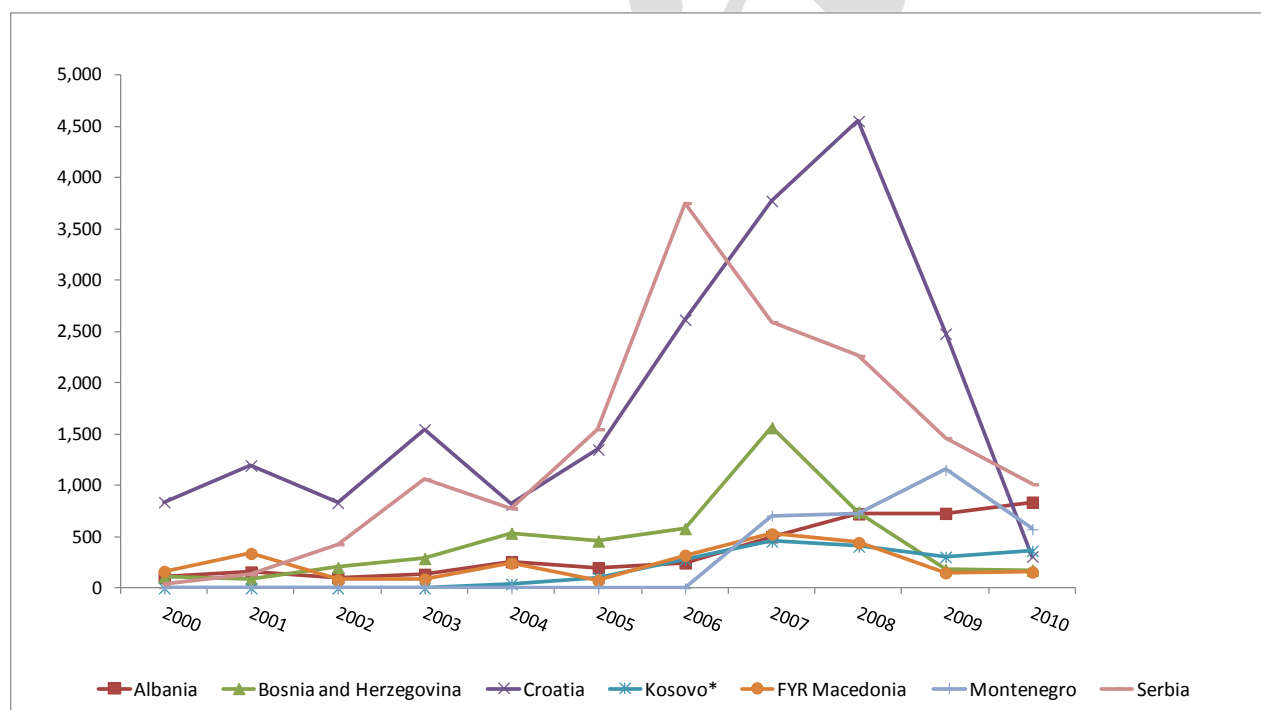
Introduction

The purpose of this paper is to support the deliberations of the Working Group on Investment Policy and Promotion (WGIPP) and its efforts to contribute to the elaboration of the SEE2020 strategy with a specific emphasis on the integrated growth pillar. One of the headline targets contained in the integrated growth pillar targets is an increase in overall foreign direct investment (FDI) inflows to the Western Balkans region by at least 120% by 2020. This is an ambitious target and meeting it will require efforts at both national and the regional-level to improve the climate for investment.

This paper has two components which should assist the Western Balkan economies in orienting strategies and actions to improve the climate for FDI, they are: i) recent FDI statistics; and ii) a review of the investment climate for FDI as summarised by the last Investment Reform Index (IRI) prepared by the OECD Investment Compact for South East Europe. The latter is augmented by updated reports from foreign investor councils, chambers of commerce, and other international organisations active in the region. The paper concludes with options for closer regional co-operation in both investment policy and investment promotion.

Foreign Direct Investment Statistics

Figure 1. FDI Net Inflows (EUR mn)



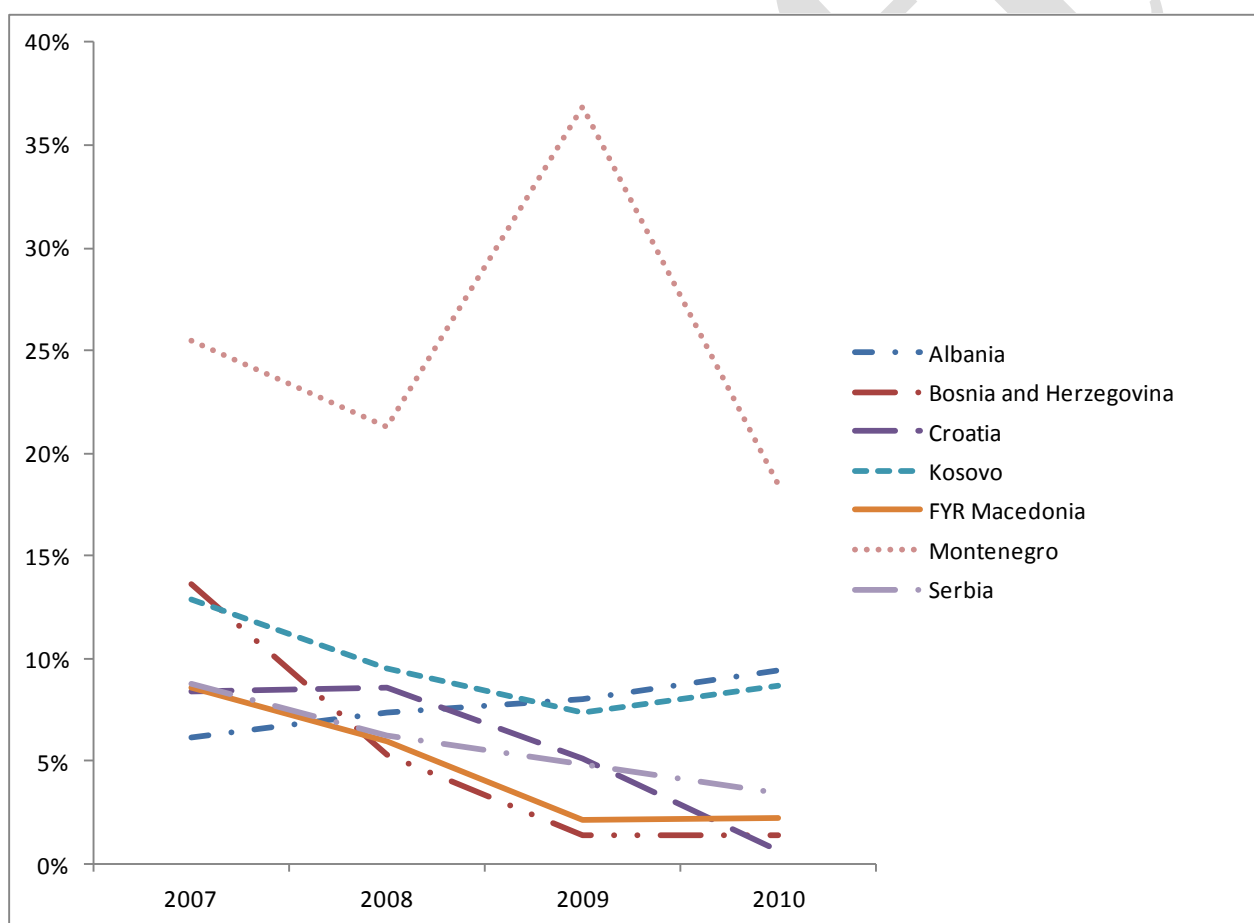
Source: World Bank, 2012. The official OECD conversion rate for 2010 of 1.324 USD/ euro is used.

Prior to the onset of the global financial crisis in 2008, FDI inflows in the Western Balkans (WB) increased nearly seven-fold from nearly EUR 950 mn in 2000 to EUR 7.6 bn in 2007. The onset of the financial crisis saw a 2.6% decrease in FDI to the region in 2008 followed by subsequent contractions in

2009 by 34.5%. FDI inflows in 2010 came in at EUR 2.6 bn (World Bank, 2012) or a nearly two-thirds of the value in inflows from peak levels in 2007.

In 2010 recoveries of FDI inflows were seen in Albania, Kosovo* and to a lesser extent the Former Yugoslav Republic of Macedonia, however Bosnia and Herzegovina, Croatia and Serbia witnessed further declines, as illustrated in Figure 1. FDI data obtained from the United Nations Conference on Trade and Development (UNCTAD) shows that in 2011, FDI inflows were higher than in 2010 in Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia and Serbia but decreased further in Montenegro. Albania is the only economy which saw its FDI inflows in 2011 exceed pre-crisis levels in 2007. As a percentage of GDP, inward direct investment flows decreased in nearly all Western Balkan economies with the exception of Albania and Kosovo.

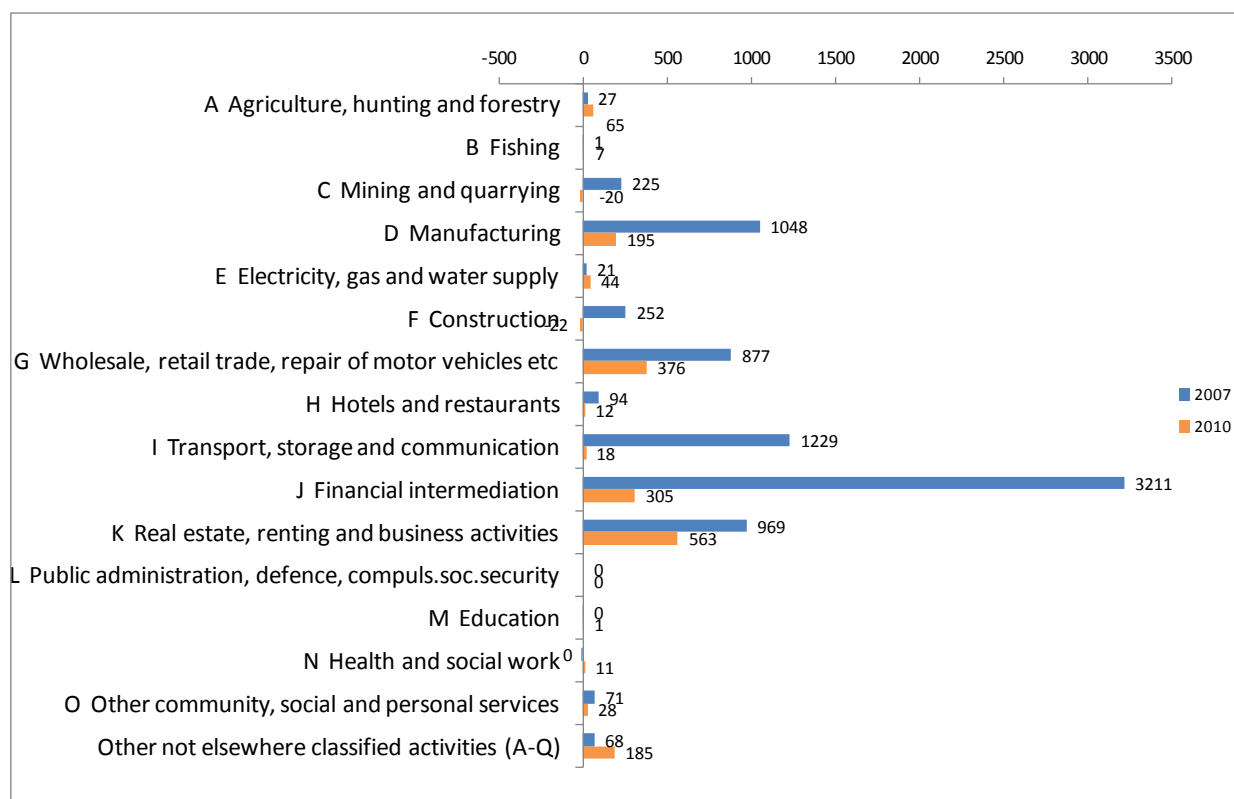
Figure 2. FDI Net Inflows (% of GDP)



Source: World Bank, 2012

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

Figure 3. FDI Inflows by Activity in the Western Balkans¹ (mn EUR)

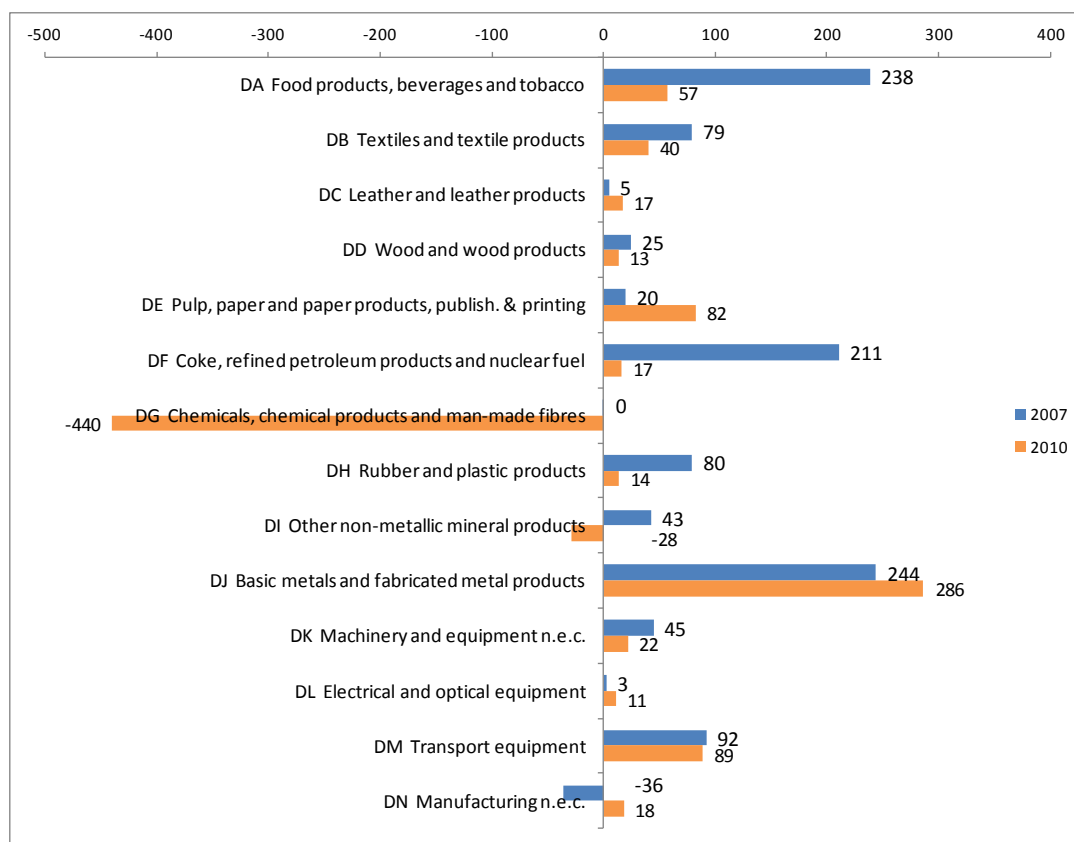


Source: Vienna Institute for International Economic Studies, 2012

The effects of the financial crisis on inward FDI were felt in nearly all sectors of the Western Balkans. This is illustrated by comparing inflows in 2007 against those in 2010 (figure 2), with notable decreases in inflows to financial intermediation; manufacturing; transport, storage and communication; construction; wholesale, retail trade and repair of motor vehicles; mining and quarrying and hotels and restaurants.

1. No data available for Albania, Montenegro and Kosovo based on NACE classification. Data for the Former Yugoslav Republic of Macedonia is classified under the NACE Rev. 2. They were adjusted to correspond to the NACE Rev. 1 classification.

Figure 4. FDI Inflows by Manufacturing Activities in the Western Balkans² (mn EUR)

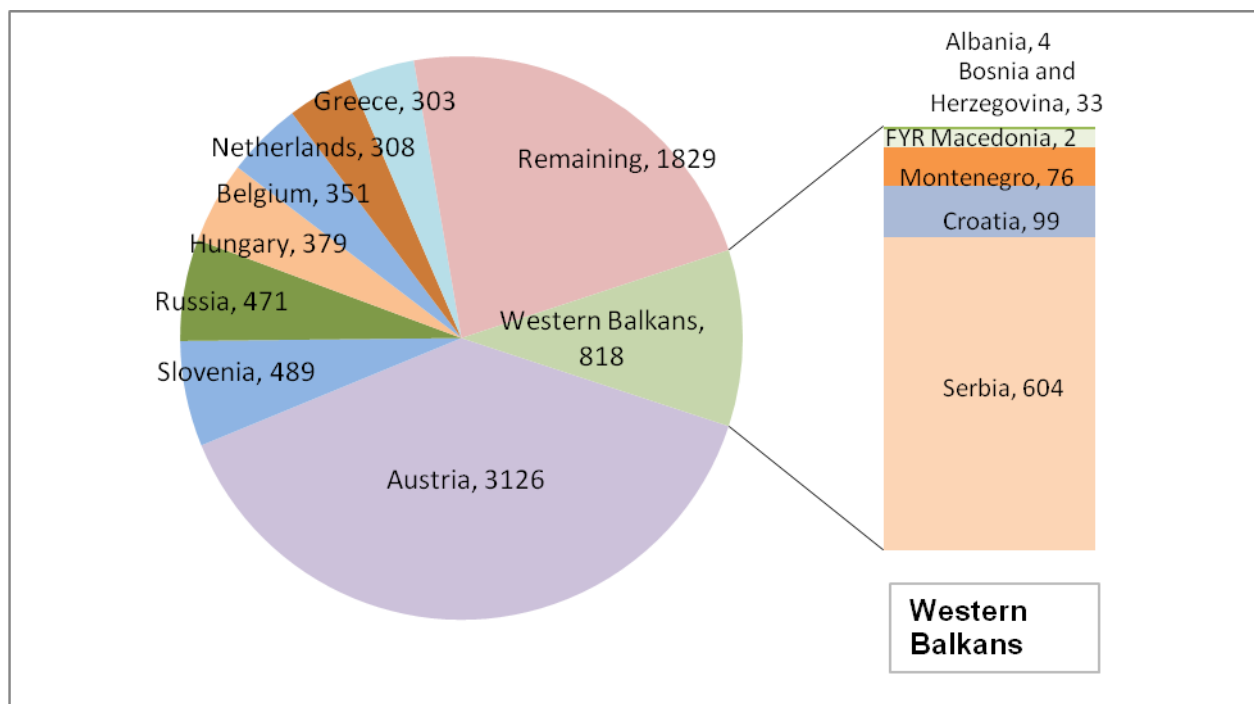


Source: Vienna Institute for International Economic Studies, 2012

An analysis of FDI inflows in manufacturing sectors in the Western Balkans as illustrated in figure 3, saw significant reductions from 2007 to 2010 in coke and petroleum products; food products, beverages and tobacco; textiles and textile products; wood and wood products; and rubber and plastic products. A large negative FDI inflow was witnessed in 2010 in the chemicals and chemical products sub-sector (exclusively registered in Croatia) which is either the result of a large disinvestment of assets or payments or transfers made outside of Croatia. FDI inflows in 2010 increased compared to pre-crisis levels in: basic metals and fabricated metal products; leather and leather products; pulp and paper products; and other manufacturing and recycling. FDI inflows rebounded to near pre-crisis levels in transport equipment.

2. No data available for Albania, Montenegro and Kosovo. Data for the Former Yugoslav Republic of Macedonia classified under the NACE Rev. 2, but adjusted to correspond to the NACE Rev. 1 classification.

Figure 5. FDI Inflows into the Western Balkans by Source in 2007³ (EUR mn)



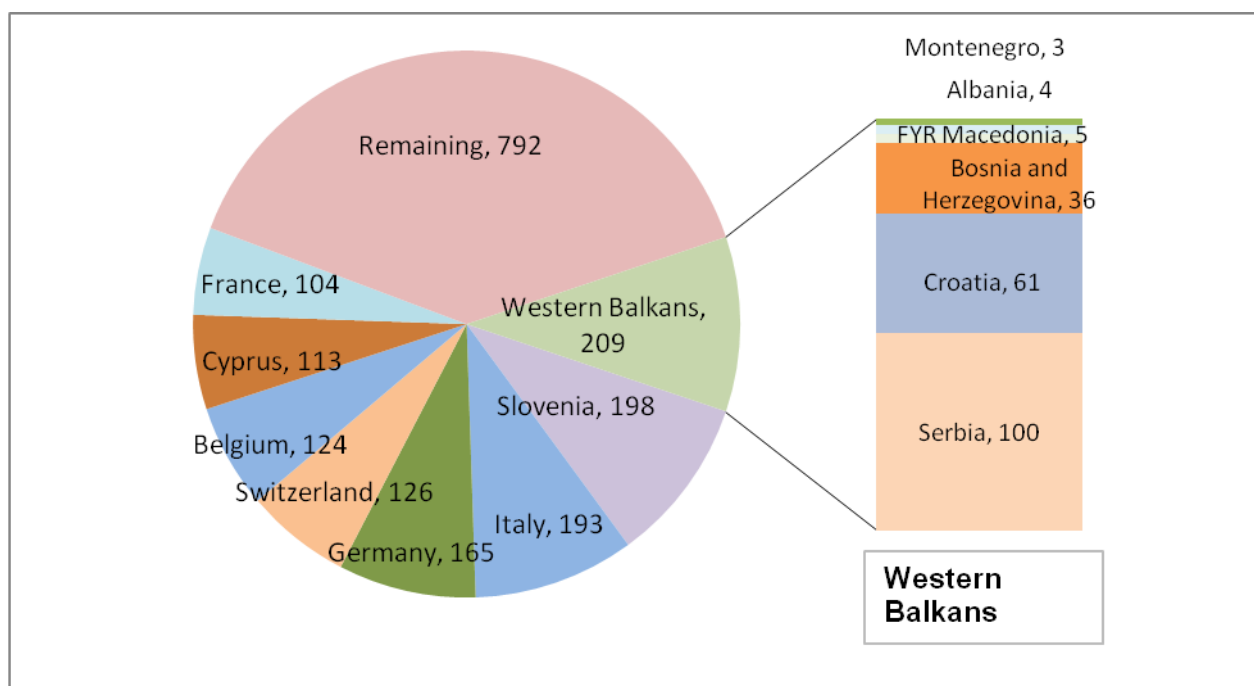
Source: Source: Vienna Institute for International Economic Studies

The geographic sources of inward FDI to the Western Balkans are primarily EU countries. In 2007, Austria was the single largest source of inward FDI to the Western Balkans with EUR 3.1 bn, see figure 4. Slovenia came in second with nearly 6.5 times less inward FDI inflows at EUR 489 mn. The intra-regional component of inward FDI flows in 2007 amounted to EUR 818 mn or 11% of total inward FDI with the largest sources coming from Serbia and Croatia.

The picture in 2010 remains the same in terms of the importance of FDI inflows originating from EU countries, however, FDI flows from Austria shrank to EUR 71.5 mn from EUR 3 bn, see figure 5. The single largest country source in 2010 was Slovenia with EUR 198 mn followed closely by Italy with EUR 193 mn and Germany with EUR 165 mn. Intra-regional inward FDI fell by 74% from EUR 818 mn to EUR 209, representing 10 % of total FDI inflows, with the largest sources being Serbia and Croatia.

3. No data available on FDI inflows by source to Albania and Kosovo.

Figure 6. FDI Inflows into the Western Balkans by Source in 2010⁴ (mn EUR)



Source: Vienna Institute for International Economic Studies

4. Vienna Institute data did not include statistics on FDI inflows by source to Albania and Kosovo.

The Climate for Foreign Direct Investment

This section of the paper summarises the findings of the OECD's Investment Reform Index (IRI) 2010 and of the white papers produced by Foreign Investors Council in the region. The IRI assesses the climate for foreign investment by reviewing policies such as the treatment accorded to investments, whether compensation for expropriation is provided and the ability of businesses to transfer capital in and out of the host country. The IRI also looks at the kinds of strategies and services provided by investment promotion agencies, the level of transparency associated with policy design and the degree to which institutions are in place to support privatisations and public private partnerships.

Overall, Western Balkan economies demonstrated progress regarding their policies for treating FDI in a non-discriminatory manner and for improving their strategies and activities for promoting themselves as attractive destinations for FDI. Nevertheless, IRI 2010 revealed that issues remain to be addressed to further improve the climate for foreign investment. While much of the legislation in the Western Balkan economies is aligned with international good practice and or / the European *acquis*, efforts are necessary to strengthen the implementation of the legislation, especially in fields such as intellectual property rights. Backlogs in courts hamper the enforcement of many laws. Other concerns include lengthy procedures to approve temporary workers, restrictions on the purchase of agricultural land and some other types of real estate, up-to-date registers of physical property and opacity in the design and implementation of regulations at the sub-national level. On the investment promotion side, activities that promote commercial linkages between FDI and domestic companies are advanced in some economies while in their infancy in others. The ability of investment promotion agencies (IPAs) to provide services more in-line with one-stop-shops could also entice FDI to the region.

Recent White Papers written by Foreign Investment Councils in the region also point out to more general weaknesses in the investment climates of the Western Balkan economies. These are weaknesses related to the fight against corruption, enforcement of rule of law, and more specific issues such as construction permits and bankruptcy procedures.

Foreign Direct Investment Policy

The Western Balkan economies have made significant progress over the past years in developing open, transparent and predictable investment policies. The principle of national treatment is reflected in most investment laws (OECD, 2010). Few restrictions to foreign investment remain in the region. These pertain mainly to the ownership of land and real estate and restrictions to ownership in specific sectors.

Restrictions to national treatment

Restrictions to foreign ownership only exist in specific sectors. In most economies in the Western Balkans, there is a 49% ownership limitation in industries related to arms manufacturing (OECD, 2010).

In some instances clarity on the application of national treatment by the business community is sought; for example, the White Paper of the Foreign Investors Council of Montenegro recommends that the Law on Foreign Investment state clearly that national treatment applies whenever not specified otherwise.

Admitting foreign business personnel

There are few restrictions to the admittance and work of foreign personnel. Albania, Croatia, Montenegro, Serbia and Kosovo do not have nationality requirements for board of directors and on temporary staff assisting the management of foreign businesses (OECD, 2010).

However, in Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia and Montenegro, there are concerns about the burdensome administrative procedures to approve temporary workers. The White Paper (2011) for Bosnia and Herzegovina points out that work permits are not always issued if an employment contract with an employer based in Bosnia and Herzegovina has not been signed⁵ and that in the Federation and in the Republika Srpska, authorities fail to comply with the regulations of the procedure to approve and extend temporary residence. In Croatia, procedures for business visas can also be long and cumbersome according to the US Department of State (2012). In Montenegro, obtaining temporary residence and work permits also entail lengthy procedures and the obligation to meet with the relevant authorities in person (Montenegrin Foreign Investors Council, 2011).

Incentives for FDI

The Western Balkan economies use incentives to attract FDI. In Croatia, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia, these incentives are subject to sunset clauses, are not discriminatory and are publicly available. These economies also assess the impact of these incentives. In Albania, Bosnia and Herzegovina, and Kosovo it is unclear whether the incentives to FDI are subject to cost-benefit analysis (OECD, 2010).

Land ownership

Foreign controlled companies in the Western Balkans are generally allowed to own industrial and residential land, despite some restrictions on the purchase of agricultural land and on the purchase of real estate for non-EU citizens. Land ownership is more restricted in Albania where foreign individuals and foreign juridical persons can buy state-owned non-agricultural land if the investment is at least three times the land's value (OECD, 2010).

There are restrictions to the purchase of agricultural land in all the economies of the region, with the exception of Kosovo. In Bosnia and Herzegovina, foreign legal entities cannot own certain assets such as natural resources, though concessions are occasionally granted. In Croatia, agricultural and protected areas cannot be owned by foreign investors (OECD, 2010). In addition, rules restrict coastal construction and commercial use within 70 meters of the coast (US Department of State, 2012). In the Former Yugoslav Republic of Macedonia, foreign residents cannot own agricultural land, even though they can sign long term lease contracts under the terms of reciprocity, provided that the Ministry of Justice, in consultation with the Ministry of Agriculture and the Ministry of Finance, agree (PriceWaterhouseCoopers, 2012). Bylaws with more detail on the procedures are not adopted yet, which potentially hinders the ability of foreign investors to purchase land. In Montenegro, there are also restrictions to the ownership of agricultural land and border zones as well as to forests and cultural landmarks. In Serbia, foreign legal entities cannot own agricultural land. (OECD, 2010)

5. According to the paper, other countries grant work permits for temporary posting to workers based in another country and with a work contract from that country.

There are also some restrictions on the purchase of real estate, in particular for non-EU citizens. In Croatia, the purchase of real estate by non EU investors⁶ is subject to consent by the Ministry of Justice and based on reciprocity (US Department of State, 2012 and OECD, 2010). In the Former Yugoslav Republic of Macedonia, non-EU and non-OECD residents can acquire buildings, apartments and office premises only under the terms of reciprocity under the amendments on the Law on Ownership and Other Real Rights of July 2008 (PriceWaterhouseCoopers, 2012). According to amendments to the same law (of November 2009 and March 2010), non-EU and non-OECD residents can obtain the right to ownership or long term leases only under reciprocity rights. The Ministry of Justice is responsible for granting reciprocity rights. (PriceWaterhouseCoopers, 2012)

Land titling, cadastre and restitution

Reforms have been implemented to simplify the registration of property. However, there are still a number of issues with property rights in the region; the ownership of property remains unclear in many economies and registration procedures could be further improved. In Albania, incidence of overlapping property titles occur and the process of restitution has been hindered due to illegal construction and corruption (US Department of State, 2012). In the Former Yugoslav Republic of Macedonia efforts to improve land cadastres have been made but inaccuracies remain (US State Department, 2012). In Kosovo, there are numerous property disputes notably due to unofficial purchases, poor records of property transfers and purchases and a backlog of property cases in the court system (US State Department, 2012)

Intellectual Property Rights

Intellectual property rights (IPR) legislation is generally in place in the region. Kosovo has begun efforts to align its IPR legislative framework with European standards. The Former Yugoslav Republic of Macedonia has ratified most of the international frameworks for IPR such as the Trade Related Aspects of Intellectual Property agreement. In Serbia, IPR laws are in place and the legislative alignment with EU acquis is progressing (OECD, 2010). According to the White Paper (2012), Serbia has enacted a new law on patent which further aligns the legislation with international standards, including the relevant regulations of the World Trade Organisation and the European Union.

However, the enforcement of intellectual property rights remains weak. In Albania, the limited resources of the Albanian Copyright Office hinder IPR enforcement capacity. In Kosovo, standards, enforcement and the accessibility of courts in cases of infringement continue to be a challenge. Counterfeiting and piracy also remain issues of serious concern (European Commission, 2011). In Serbia, enforcement similarly remains a problem and, despite a decrease in estimated software piracy from 80% in 2005 to 72% in 2011, the figure remains one of the highest in the region (Business Software Alliance, 2012).

Compensation for expropriation

Western Balkan economies have constitutional provisions or legislation to ensure appropriate compensation for expropriation. In addition, decisions to expropriate can be subject to judicial review and appeal (OECD, 2010). In some cases the inefficiency of commercial courts to process judicial reviews create delays to processing compensation cases.

6 . According to the US Department of State (2012), a foreign investor incorporated as a Croatian legal entity may purchase or own property without the ministry's approval.

International Investment Agreements

Many of the economies have signed a number of international investment agreements to add a further layer of predictability and security for investors. For instance, the Central European Free Trade Agreement, of which all the Western Balkan economies are parties, also includes an investment chapter (OECD, 2010). Kosovo, however, is not a party to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards and Montenegro has yet to ratify the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ISCID Convention)⁷, according to the latest IRI.

Investment Promotion and Facilitation

Regarding the promotion and facilitation of investment, the main areas for improvement in the region include facilitating linkages between foreign and domestic businesses and facilitating administrative procedures to obtain licenses and permits by enabling IPAs to act as one-stop-shops. (OECD, 2010)

All the economies have IPAs with fixed annual budgets and political support, however, the capacity of some of these agencies should be strengthened (OECD, 2010). This also includes putting in place monitoring and evaluation mechanisms to track the effectiveness of investment promotion activities.

The IPAs in the Western Balkans do not have the legal mandates to approve licenses and business permits in essence acting as one-stop-shops for foreign investors.

All of the IPAs are working to improve their systems of client relationship management (CRM), however those in the Former Yugoslav Republic of Macedonia and Serbia are most advanced (OECD, 2010).

Transparency

The main challenges related to the transparency of investment laws and regulations is related to the opacity of procedures to obtain permits and licenses at the sub-national level as well as the consultation procedures related to investment.

Private sector representatives have signalled that prior consultations on new laws and regulations are short and do not provide stakeholders with sufficient time to consider proposals and feedback and, in some economies, the consultations are not available to all the stakeholders (OECD, 2010). In Albania, businesses find it difficult to obtain copies of draft laws and regulations (US Department of State, 2012). The American Chamber of Commerce in Kosovo also expresses concerns on the transparency of secondary legislations. More specifically, the Chamber of Commerce claims that a significant volume of secondary legislation is passed and that it is difficult to access information about these laws (American Chamber of Commerce, 2010).

7. Montenegro signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention) on July 19, 2012. However the treaty has yet to be ratified.

Privatisation and Public Private Partnerships

For most of the Western Balkans the process of privatisation has been well underway for over a decade. Foreign investors have participated actively in these processes, however, due to the onset of the financial crisis many privatisation efforts have stalled or been delayed. Private sector representatives have at times noted consultations held prior to privatisation were not always open to all stakeholders. (OECD, 2010)

The economies in the region have also started to put in place frameworks for PPPs, however many of the accompanying laws and regulations are not always in line with international good practice.

Wider Investment Climate Issues

While Western Balkan economies have implemented reforms to attract greater flows of FDI, weaknesses in the more general business climate nevertheless continue to hamper investment. The following is a synthetic overview of the main issues not necessarily covered by the IRI but nonetheless highlighted by foreign investor councils, chambers of commerce, and other international organisations monitoring investment climate reforms in the Western Balkans.

In Albania, several stakeholders identified areas for reforms to further increase investment. According to the business community, simplifying administrative procedures, including those to obtain licenses, improving the rule of law, reforming the tax administration and improving infrastructure should be priorities. More specifically, stakeholders from the private sector pointed out to the uneven enforcement of tax laws and the informal economy. (UNDP Albania and UNCTAD, 2012).

In Bosnia and Herzegovina, the White Paper for 2010/2011 favours prioritising reforms to make the labour market less rigid and ensuring that workers have the relevant skills for the labour market. The White Paper also contains recommendations to improve liquidation procedures. These include better defining these procedures, making a list of companies under liquidation available in the Court Registry and harmonising court practices for the submission of documents for liquidation. The White Paper further recommends imposing penalties for company managers who fail to file for bankruptcy on time. With respect to facilitating construction, the White Paper notes that the Republika Srpska should clarify unclear urban planning and construction laws while in the Sarajevo Canton, laws should address the conditions for transferring a construction permit from one investor to another. In addition, the Federation and the Republika Srpska should process construction permits more efficiently and post relevant information on the registration procedure on the internet pages of all the institutions involved in the process, making contact details available.

The American Chamber of Commerce in Kosovo advocates more transparent and fairer public procurement activities. Concerns are also raised about the fairness of how tenders are organised (American Chamber of Commerce, 2012)

The US State Department report on the investment climate in the Former Yugoslav Republic of Macedonia notes that, while the economy has taken many steps to reduce the regulatory burden, reflected by progress on the World Bank's Doing Business Index, some reforms are not implemented due to problems with administrative capacity while, in other cases, excessive red tape and corruption continue to affect the business climate (US Department of State, 2012).

In Montenegro, the Foreign Investors Council 2011 white paper cites areas for greater attention by policy makers related to contract enforcement, reducing labour market rigidity, and easing property registration. The fight against corruption should continue in earnest. The Council also notes that Montenegro should work to ease the delivery of construction permits. The procedures for obtaining construction permits are particularly uneven across localities, despite improvement as some municipalities seek to facilitate these procedures to attract investment.

The Serbian White Paper (Foreign Investors Council of Serbia, 2012) provides the following recommendations to improve the investment climate in that economy:

- Accelerating the pace of reforms with the dual goal of improving business conditions and bringing Serbia closer to the European Union;
- Reducing and simplifying bureaucratic procedures at both the national and local level;
- Creating conditions for market competition in a well-regulated market by providing equal rights to all competitors, as well as a proper regulation of monopolies; and
- Intensifying the fight against corruption, since this is seen as one of the most problematic factors for doing business in Serbia;

The White Paper similarly provides recommendations to improve bankruptcy proceedings. For instance, the paper recommends encouraging bankrupt entrepreneurs to initiate bankruptcy proceedings and enacting the amendments to the Insolvency Law to regulate automatic bankruptcy in the eventuality of prolonged insolvency. It further suggests promoting creditors to be more active in the bankruptcy procedure, notably by submitting proposals to initiate bankruptcy procedures, and encouraging mediation in bankruptcy procedures.

Considerations for closer regional co-operation

The range of investment climate issues confronting the Western Balkan economies requires reforms and actions at the national and sub-national level. However, there is scope for exploring forms of co-operation at the regional level to find efficiencies, exchanging best practices, and improving the image of the region as a whole to potential foreign investors. The following are suggestions to be considered by the WGIPP.

Investment Policy

Given the range of experiences of with investment reforms, Western Balkan governments could initiate under the guise of the South East Europe Investment Committee (SEEIC) ***peer learning exercises*** on several topics, for example:

- Experiences with investor-state arbitration
- Restitution processes and procedures
- Digitisation of cadastres and land registers
- Experiences with FDI incentive schemes and programmes

A concern expressed by business associations and investors is the issue of transparency and prior consultation mechanisms. Western Balkan governments could use the SEEIC and the WGIPP to ***enhance the transparency of investment policy design***. For example, upcoming laws, regulations or administrative

procedures could be presented and discussed at the SEEIC or WGIPP. This would allow policy makers to receive comments from investment policy experts from the region prior to enacting legislation.

Based on the two suggestions above, Western Balkan governments could develop **regional best practice guidelines** for specific areas of policy, such as updating land registries or even evaluating the costs and benefits of investment attraction programmes.

Investment Promotion

The types of regional co-operation activities under the investment promotion theme could focus on helping improve the region's image and facilitate more visits by foreign investors to the Western Balkans. Examples of potential regional activities could be the following:

- ***Development of a regional investment promotion strategy*** – a tailored regional strategy/approach targeting international investors in sectors or niches who could fit into Western Balkan value chains.
- ***A regional exhibition*** – a touring exhibition which would visit foreign markets and highlight a specific sector or niche area in each of the seven Western Balkan economies.
- ***Organisation of visits to the Western Balkans*** – Western Balkan IPAs could organise joint visits of foreign investors to the region, with a stop in each economy. This would save time and money for the foreign investor instead of potentially making multiple visits to the region.
- ***Co-location in foreign markets*** – Western Balkan IPAs could identify cities where they could save resources and build on information synergies (e.g., the Scandinavian Tourist Board in Asia-Pacific has joint offices in Tokyo and Beijing).

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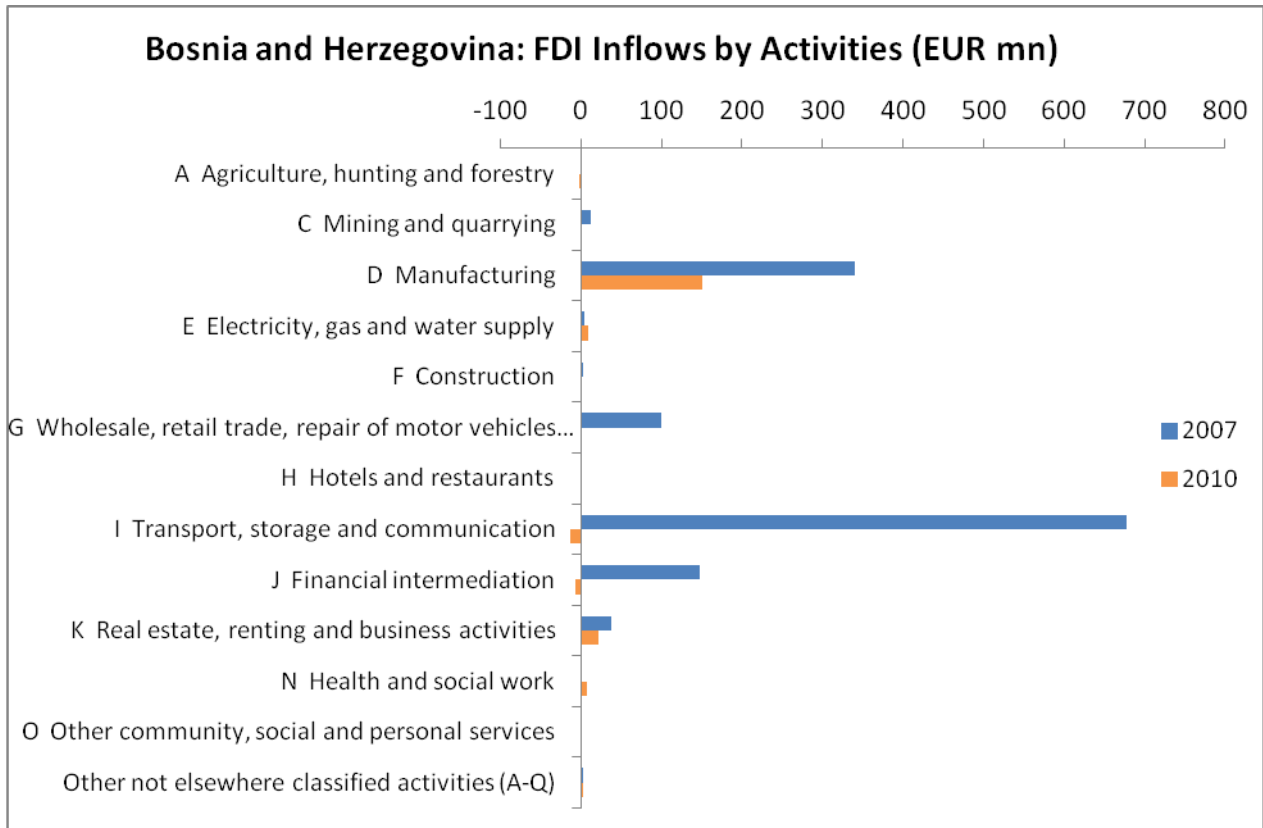
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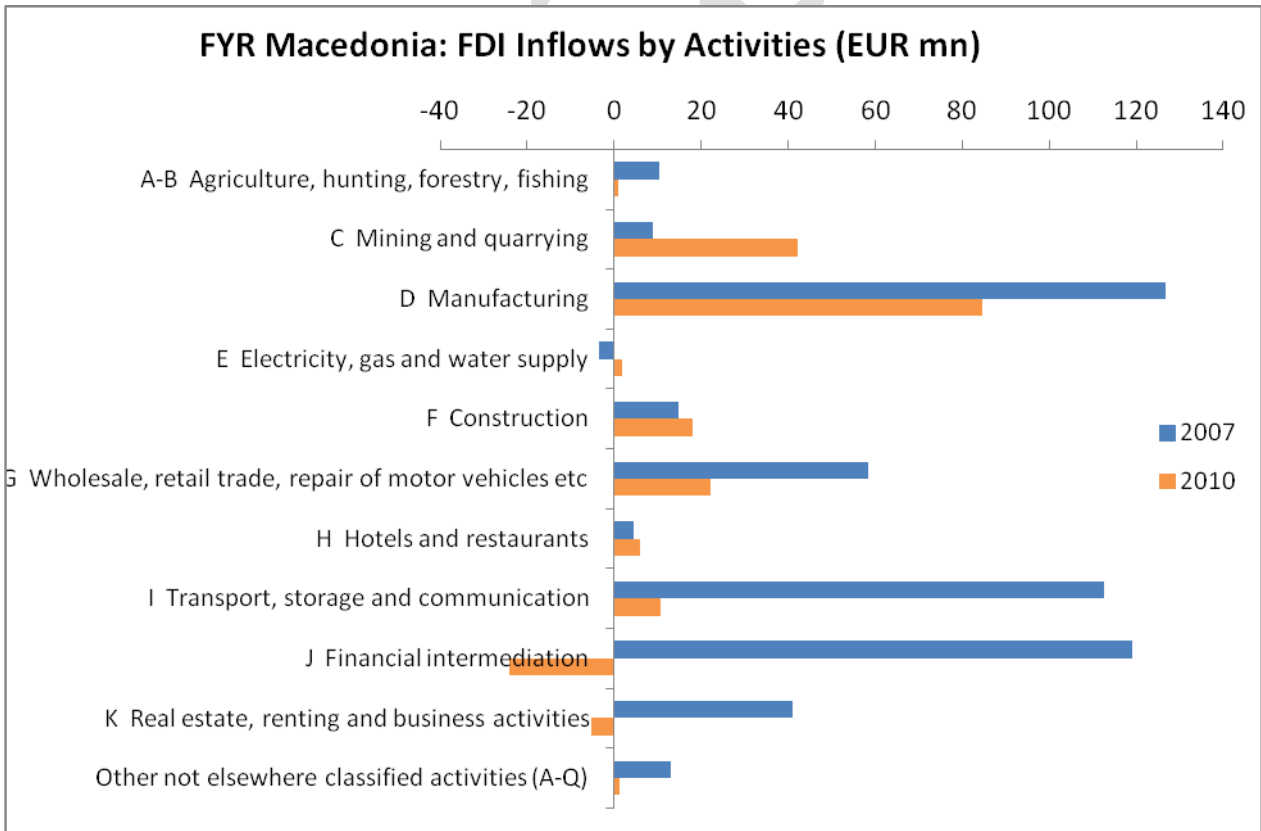
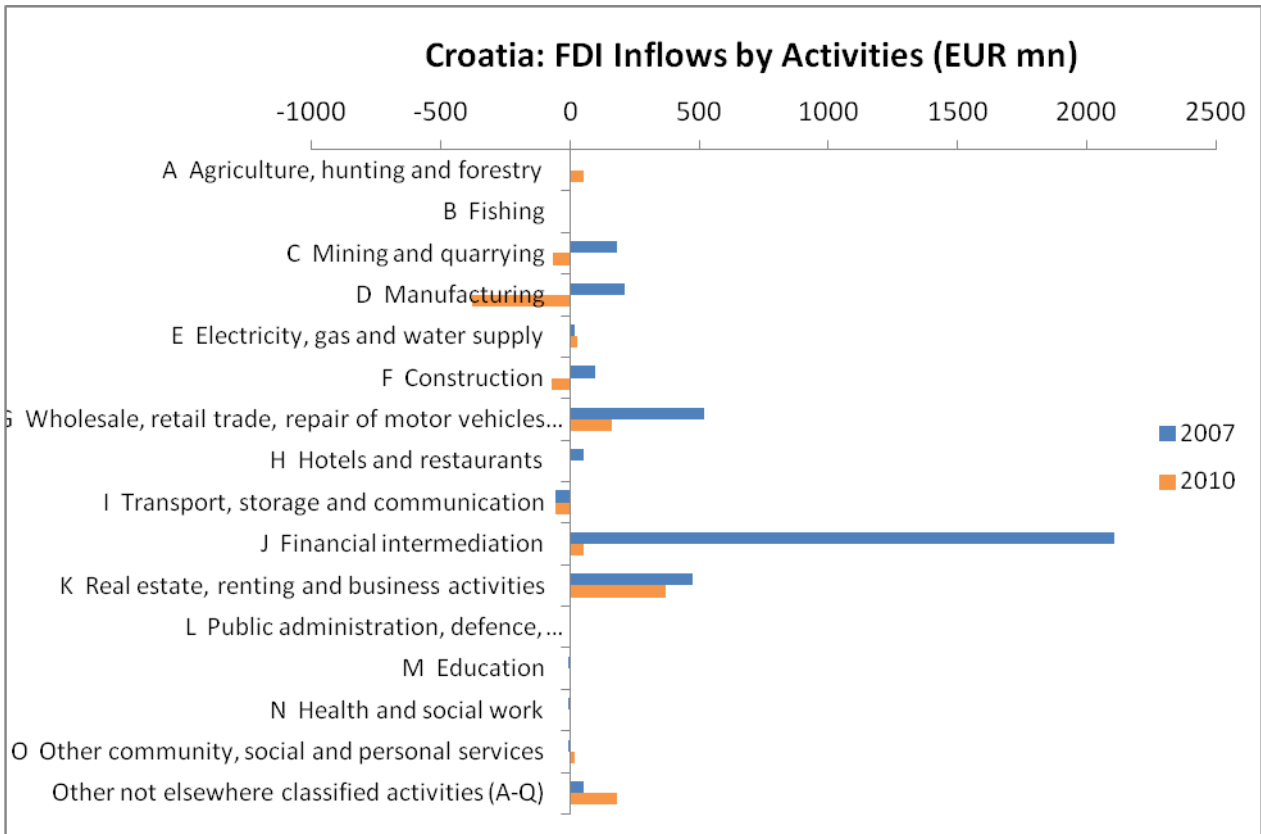
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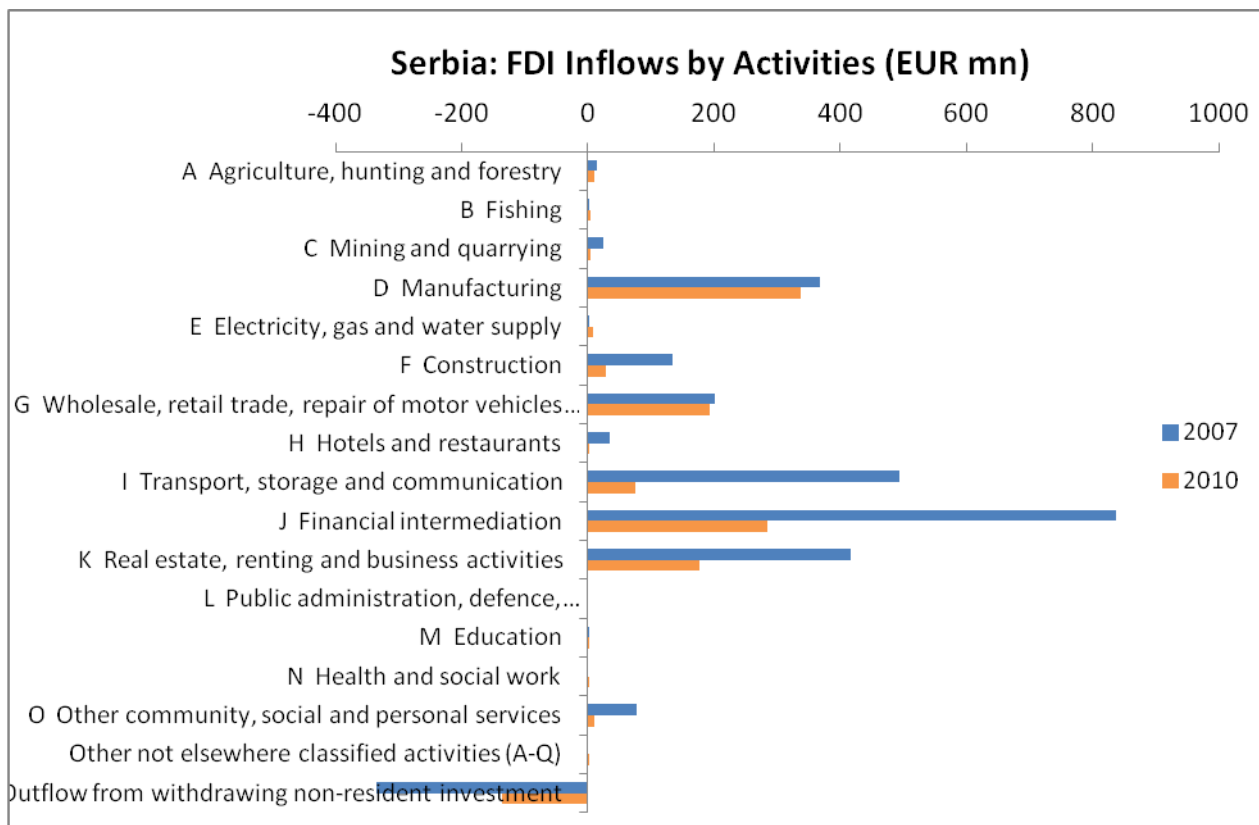
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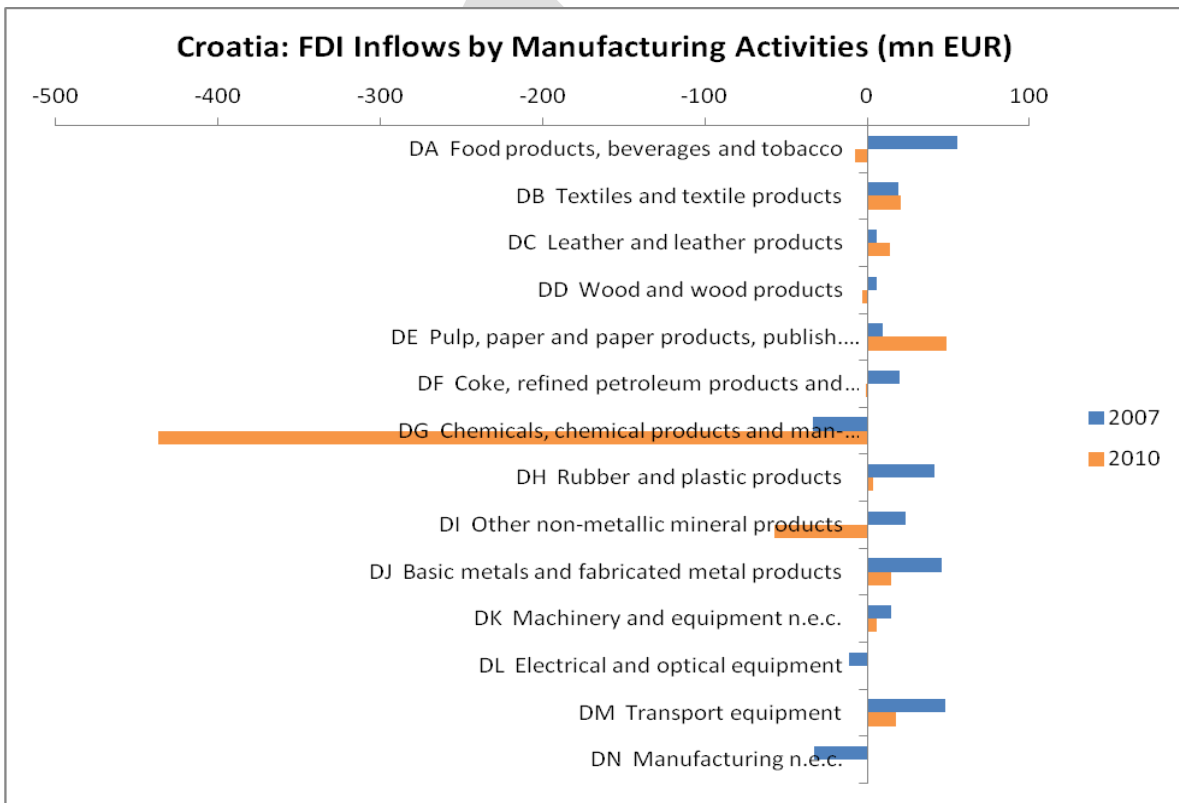
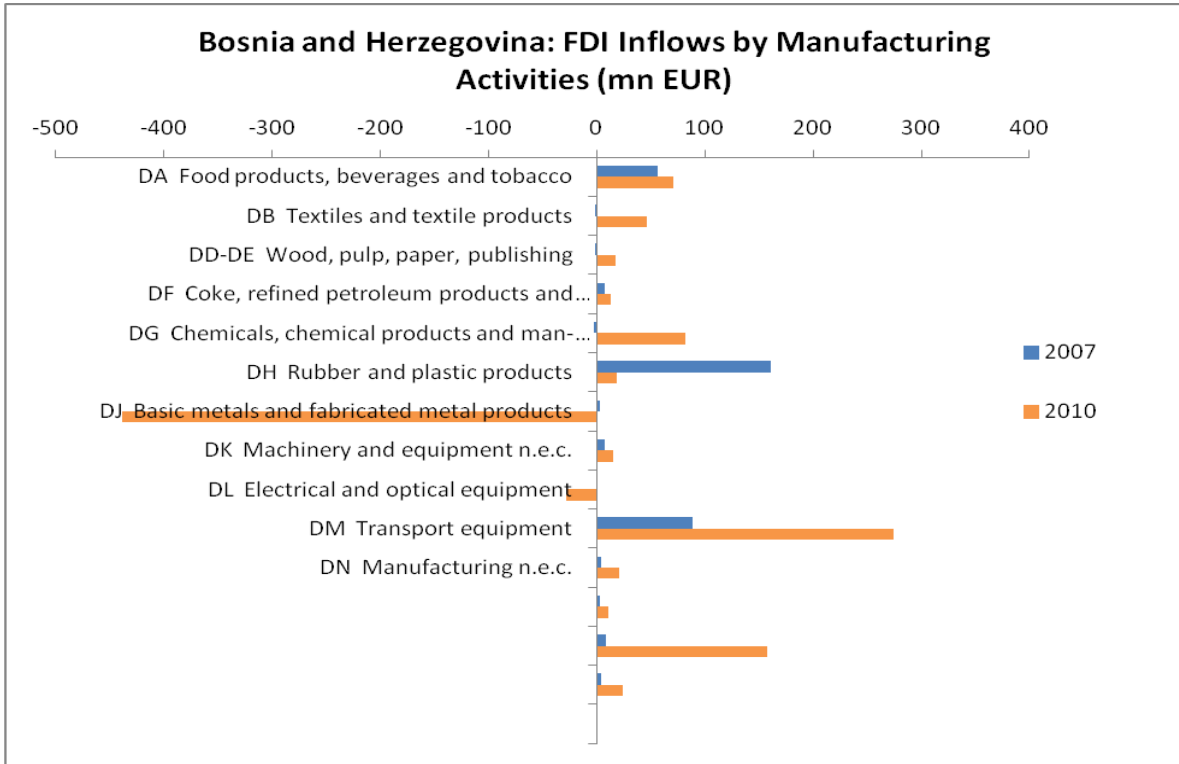
ANNEX A- FDI INFLOWS BY ACTIVITIES

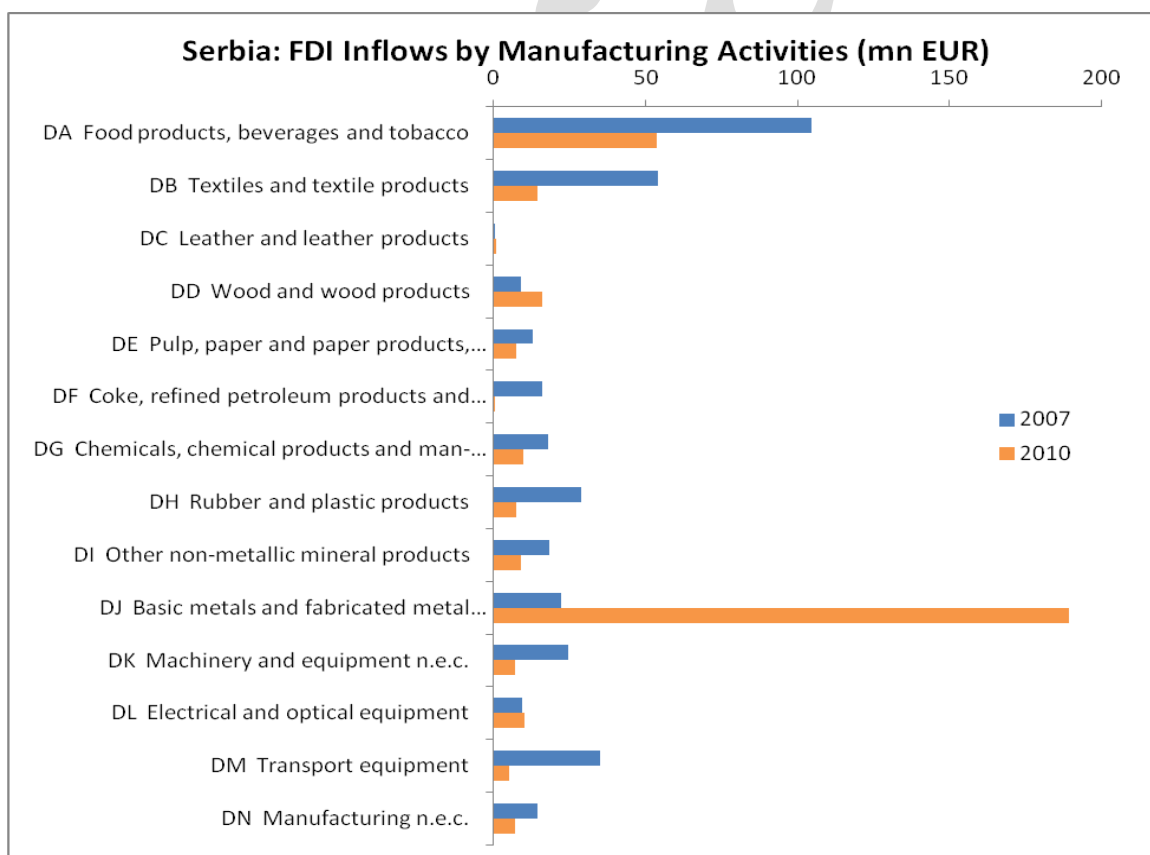
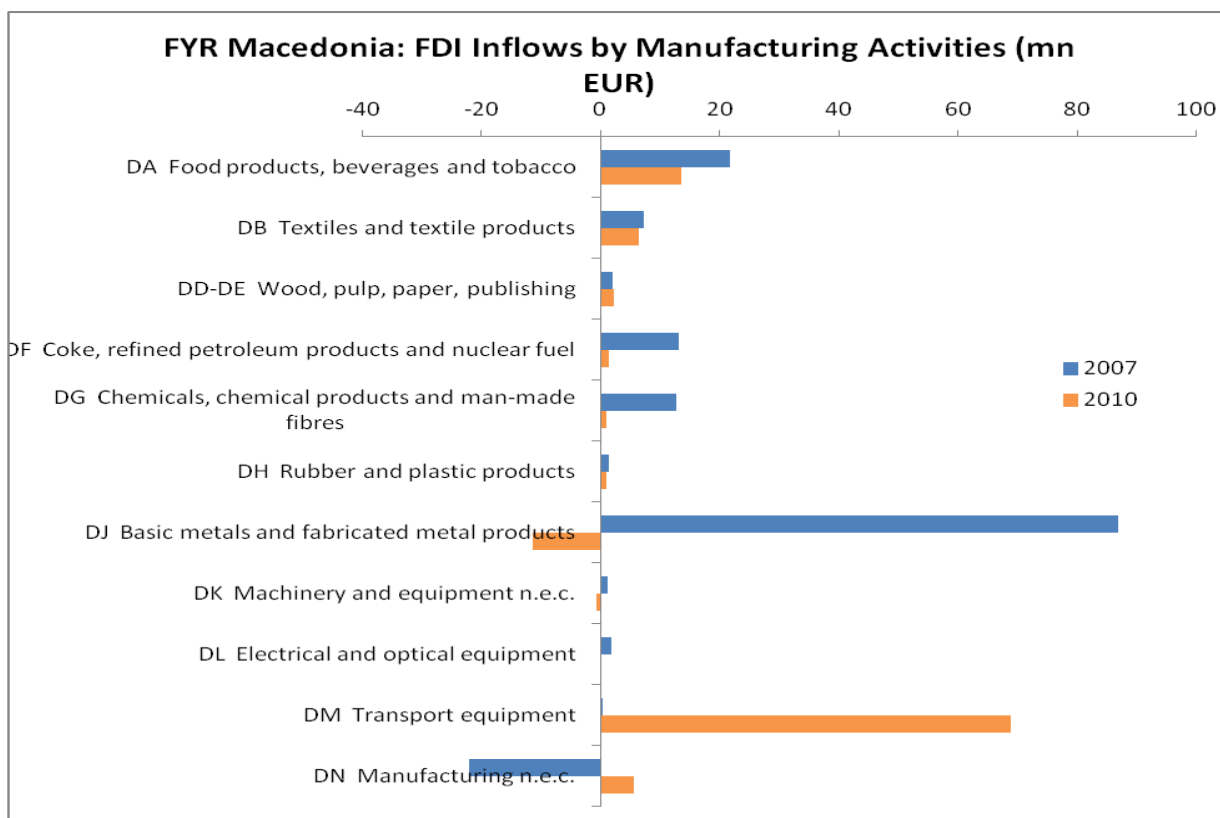




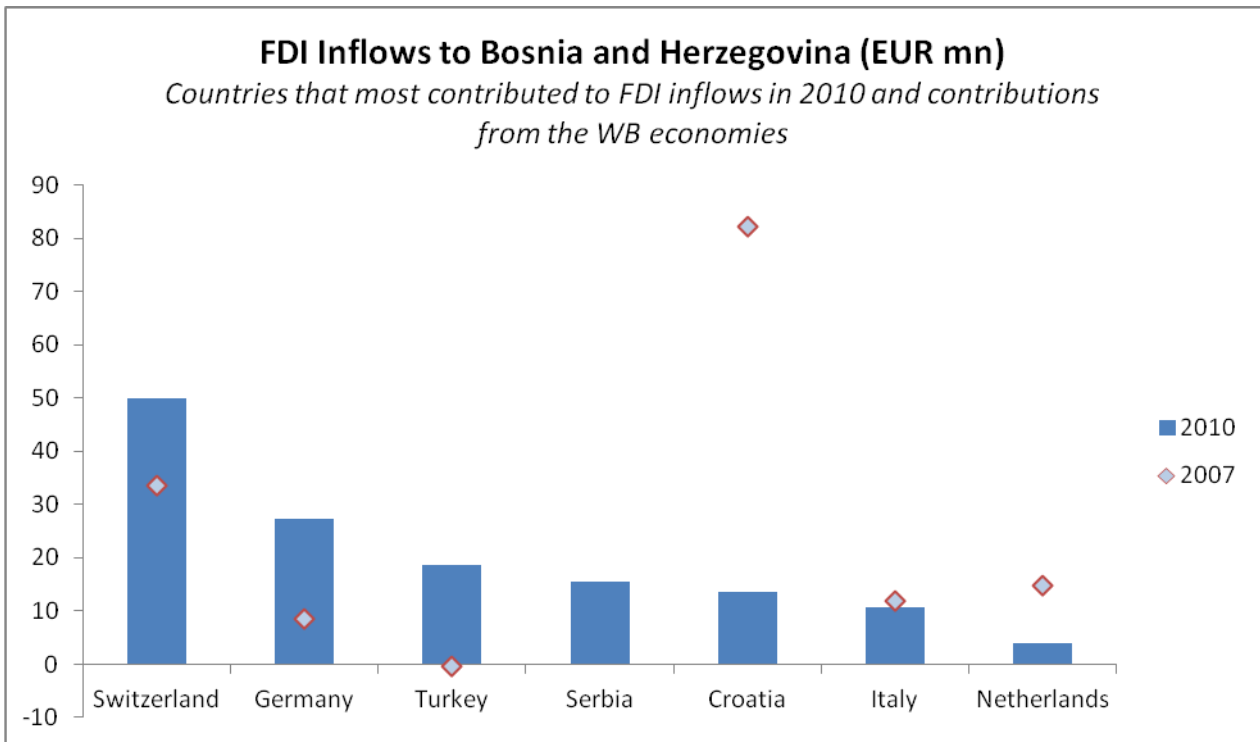


ANNEX B- FDI INFLOWS BY MANUFACTURING ACTIVITIES

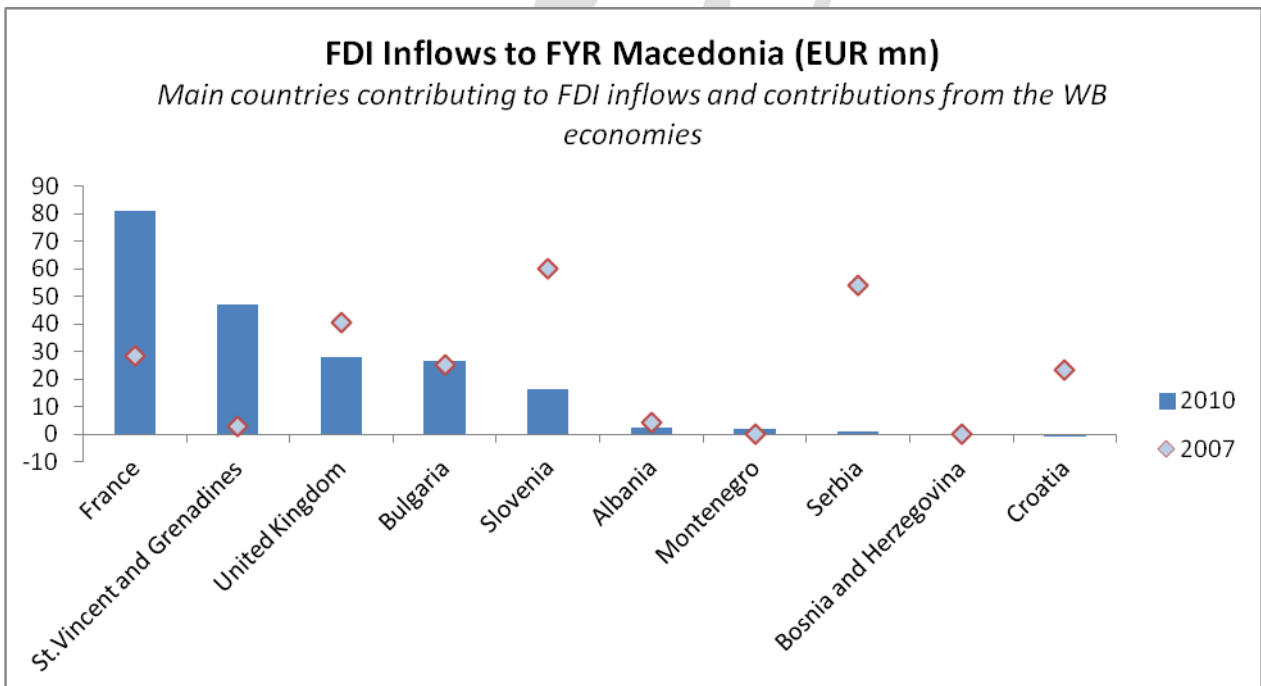
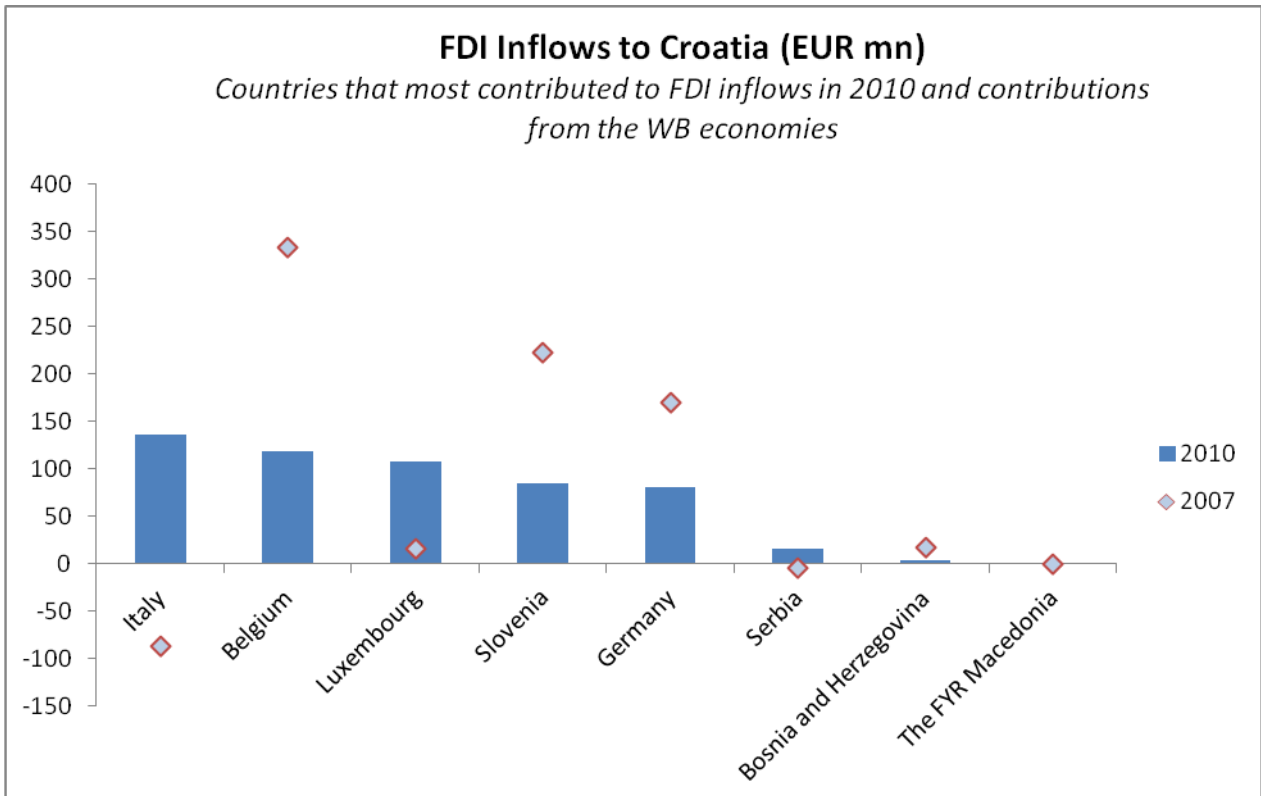


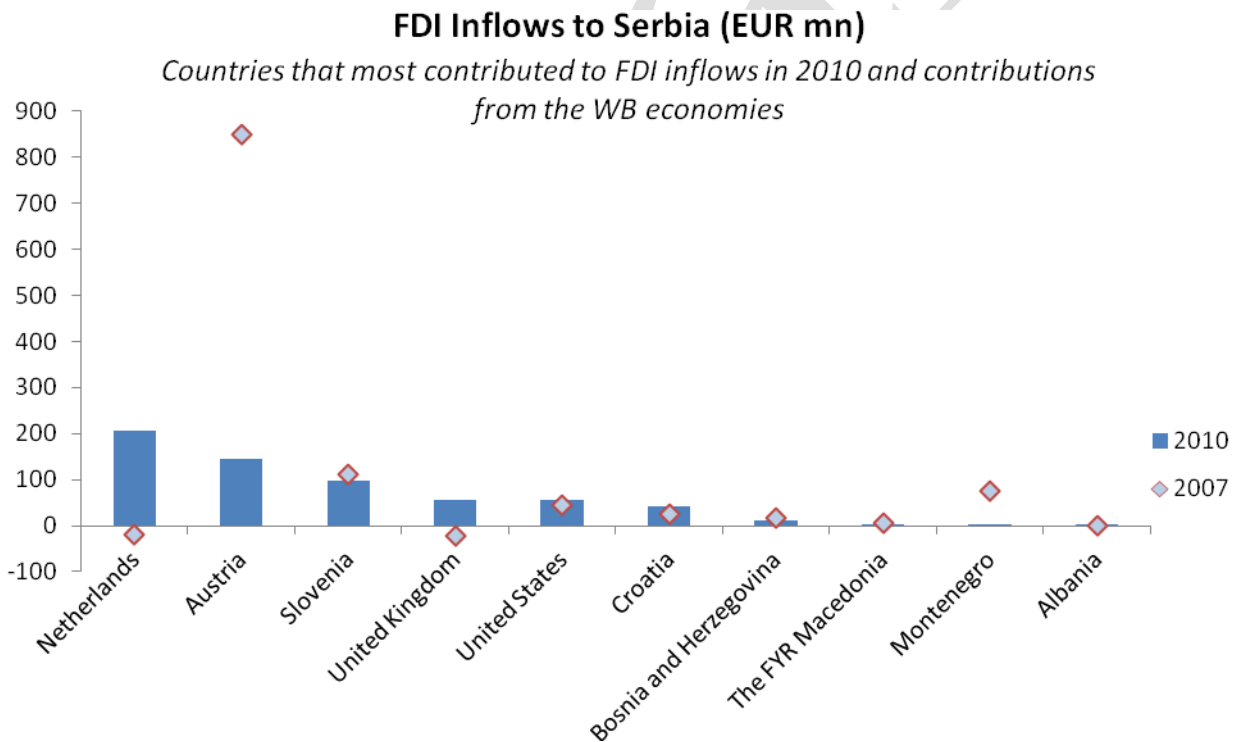
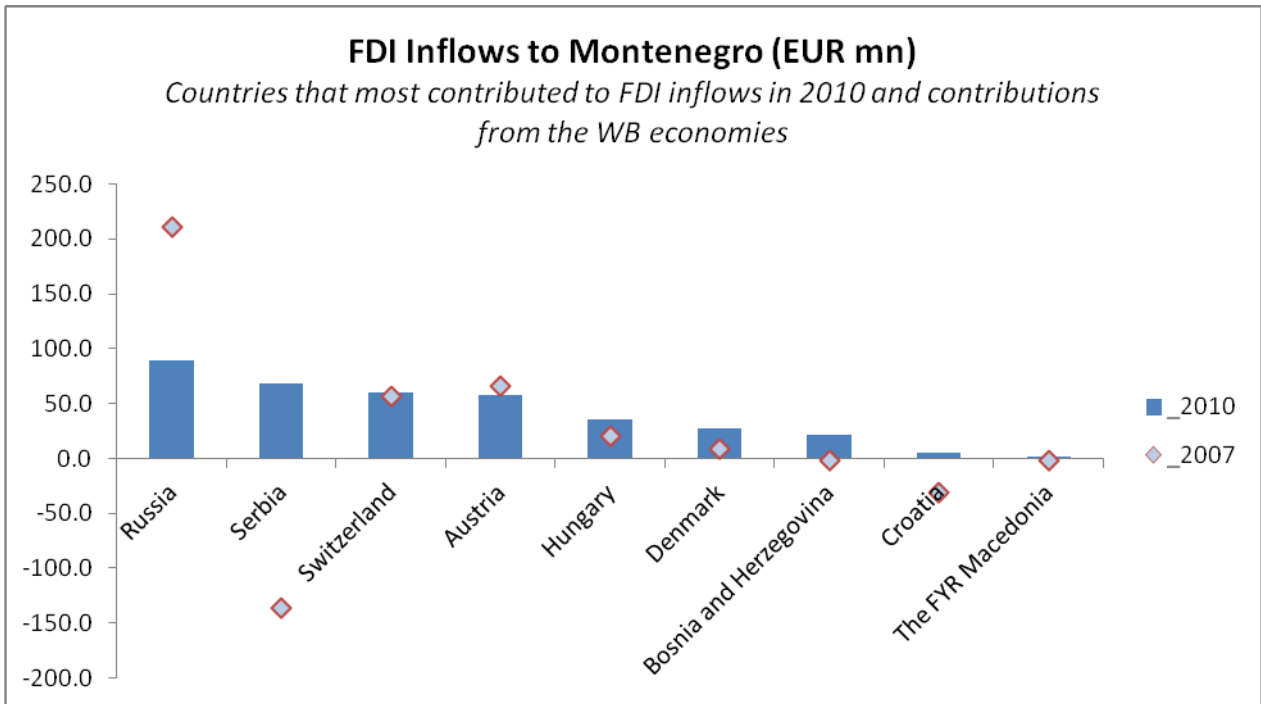


ANNEX C- SOURCES OF FDI



The data point for Serbia in 2007 does not appear on the graph. In 2007, Serbia invested 691 EUR mn in Bosnia and Herzegovina.





ANNEX D- FDI INFLOWS BY FORM (EUR MN)

reporter	FDI form	_2004	_2005	_2006	_2007	_2008	_2009	_2010
Albania	Total	278.4	212.6	258.6	481.1	665.2	716.9	793.3
	Total by form	278.4	212.6	258.6	481.1	665.2	716.9	793.3
	Equity capital	278.4	208.5	199.0	487.3	420.4	515.6	600.3
	Reinvested earnings					181.7	228.6	186.0
	Other capital (loans)		4.1	59.6	-6.1	63.0	-27.2	7.1
Bosnia and Herzegovina	Total	411.7	282.2	442.2	1329.2	683.8	180.5	173.7
	Total by form	411.7	282.2	442.2	1329.2	683.8	180.5	173.7
	Equity capital	341.2	227.2	335.2	1119.8	394.9	156.9	186.0
	Reinvested earnings	26.0	26.5	93.2	130.1	11.9	-278.6	-137.6
	Other capital (loans)	44.6	28.5	13.8	79.4	277.1	302.3	125.3
Croatia	Total	949.6	1467.9	2764.8	3651.3	4218.6	2414.8	295.3
	Total by form	949.6	1467.8	2764.8	3651.3	4218.6	2414.8	295.3
	Equity capital	319.7	793.0	1743.4	2204.8	2199.5	669.8	382.1
	Reinvested earnings	291.7	570.4	717.5	483.3	508.5	314.1	495.2
	Other capital (loans)	338.2	104.4	303.8	963.2	1510.6	1430.9	-582.1
FYR Macedonia	Total	260.7	77.2	344.8	506.0	399.9	145.0	159.1
	Total by form	260.7	77.2	344.8	506.0	399.9	145.0	159.1
	Equity capital	123.6	78.7	288.8	185.7	206.7	159.3	124.1
	Reinvested earnings	0.8	44.9	15.6	183.5	16.7	-113.7	25.6
	Other capital (loans)	136.3	-46.4	40.5	136.8	176.6	99.3	9.3
Montenegro	Total	52.7	402.6	495.8	682.7	655.7	1099.4	574.2
	Total by form	52.7	402.6	495.8	682.7	655.7	1099.4	574.2
	Equity capital	52.7	384.5	450.6	526.2	419.6	964.1	429.1
	Other capital (loans)		18.1	45.2	156.5	236.1	135.3	145.1
Serbia	Total	771.9	1268.1	3392.4	2512.6	2017.5	1410.1	1003.1
	Total by form				2512.6	2017.5	1410.1	1003.1
	Equity capital				1467.3	1303.0	1063.6	610.5
	Reinvested earnings				245.3	156.3		
	Other capital (loans)				800.0	558.2	346.4	392.6

ANNEX E- FDI INFLOWS BY ACTIVITIES (EUR MN) (NACE REVISION 1 CLASSIFICATION)

Bosnia and Herzegovina								
digit	NACE description	_2004	_2005	_2006	_2007	_2008	_2009	_2010
	Total by activities	411.7	282.2	442.2	1329.2	683.8	180.5	173.7
	A Agriculture, hunting and forestry	-0.1	1.1	1.2	0.4	2.1	3.8	-0.1
	C Mining and quarrying	11.1	22.7	11.8	12.5	13.2	2.7	1.1
	D Manufacturing	229.2	98.2	182.7	340.8	270.7	9.5	150.4
	E Electricity, gas and water supply		0.8	4.0	4.0	12.1	8.7	8.3
	F Construction	4.5	0.4	5.0	3.4	-1.6	-1.1	0.4
	G Wholesale, retail trade, repair of motor vehicles etc	60.0	30.6	51.7	99.8	138.6	104.0	0.4
	H Hotels and restaurants	24.3	0.8	-1.4	0.8	18.0	6.1	0.8
	I Transport, storage and communication	15.0	11.2	6.7	677.7	87.2	-7.9	-12.5
	J Financial intermediation	70.6	97.6	160.3	148.2	113.1	41.1	-6.9
	K Real estate, renting and business activities	3.5	27.0	18.1	37.3	17.7	11.5	22.2
	N Health and social work					5.9	1.1	7.3
	O Other community, social and personal services			1.8	1.7	4.5	0.7	0.1
	Other not elsewhere classified activities (A-Q)	-6.3	-8.2	0.2	2.6	8.4	1.3	2.2
	D Manufacturing	229.2	98.2	182.7	340.8	270.7	9.5	150.4
	DA Food products, beverages and tobacco	26.4	32.7	61.8	56.1	12.6	26.6	-2.9
	DB Textiles and textile products				-0.8	9.1	2.3	-1.0
	DC Leather and leather products	3.8	5.7		-1.3	2.8	1.8	1.8
	DD Wood and wood products	2.2	3.2	2.7	7.8	7.1	-4.2	-2.0
	DE Pulp, paper and paper products, publish. & printing				-2.6	11.8	-5.6	25.8
	DF Coke, refined petroleum products and nuclear fuel				161.3	110.0	23.7	15.8
	DG Chemicals, chemical products and man-made fibres	10.7	13.6	29.7	3.0	9.7	18.5	-13.3
	DH Rubber and plastic products	1.5	1.4	1.4	7.6	6.5	0.7	2.5

DI Other non-metallic mineral products	10.8	7.1	25.2	0.2	47.6	11.7	19.7
DJ Basic metals and fabricated metal products	136.7	1.6	35.3	89.1	21.3	-76.3	93.2
DK Machinery and equipment n.e.c.	1.3	4.2	0.1	4.3	11.3	4.7	9.3
DL Electrical and optical equipment			0.5	3.1	9.6	1.0	0.7
DM Transport equipment	12.0	9.4	6.5	8.5	10.8	7.8	-2.8
DN Manufacturing n.e.c. Other not elsewhere classified industries (DA-DN)	4.3	1.6		4.5	-0.3	-3.2	4.0
	19.5	17.7	19.5	0.0	0.6	0.0	-0.5

Croatia								
digit	NACE description	2004	2005	2006	2007	2008	2009	2010
NACE 1- letter	Total by activities	949.6	1467.8	2764.8	3651.3	4218.6	2414.8	295.3
	A Agriculture, hunting and forestry	15.0	7.8	6.4	1.3	4.4	6.1	52.7
	B Fishing	0.5	-2.1	0.1	0.7	-4.9	0.4	1.9
	C Mining and quarrying	64.5	110.9	111.4	179.2	142.7	24.5	-67.5
	D Manufacturing	128.6	132.9	840.7	212.7	1379.5	0.7	-377.9
	E Electricity, gas and water supply	3.7	18.5	19.5	19.8	38.4	2.5	25.9
	F Construction	12.3	34.4	9.6	98.4	-28.5	10.6	-69.4
	G Wholesale, retail trade, repair of motor vehicles etc	160.5	267.2	200.4	516.9	1262.3	902.4	159.8
	H Hotels and restaurants	39.7	91.6	30.4	53.8	137.9	10.7	2.8
	I Transport, storage and communication	84.8	-180.9	73.4	-56.3	65.3	294.4	-55.2
	J Financial intermediation	236.0	796.8	1072.9	2106.6	1216.6	710.8	51.7
	K Real estate, renting and business activities	154.5	159.8	368.0	474.3	-24.5	329.2	369.0
	L Public administration, defence, compuls.soc.security							
	M Education	-0.1	0.0	0.0	-0.1	0.0		
	N Health and social work	-0.1	-0.3	-0.2	-0.2	0.4	0.1	1.7
O Other community, social and personal services	49.6	31.3	32.2	-8.3	-27.0	13.8	18.1	
Other not elsewhere classified activities (A-Q)				52.5	56.1	108.5	181.8	
NACE 2- letter - Manufac turing	D Manufacturing	128.6	132.9	840.7	212.7	1379.5	0.7	-377.9
	DA Food products, beverages and tobacco	19.7	-4.9	180.0	55.8	85.3	-184.0	-7.5
	DB Textiles and textile products	9.5	17.7	12.0	18.9	16.4	12.2	20.6
	DC Leather and leather products	1.2	6.2	11.5	5.9	17.7	16.0	14.4
	DD Wood and wood products	1.9	24.1	4.6	5.9	-0.8	-4.5	-2.7
	DE Pulp, paper and paper products, publish. & printing	22.6	2.3	8.2	9.7	7.4	1.9	49.1
	DF Coke, refined petroleum products and nuclear fuel	27.6	47.1	37.8	20.1	915.9	110.0	-0.7
	DG Chemicals, chemical products and man-made fibres	-15.3	-52.4	524.4	-33.7	-47.2	-22.0	-437.3
	DH Rubber and plastic products	4.4	-2.6	1.2	41.7	51.2	2.1	3.4
	DI Other non-metallic mineral products	33.9	64.6	3.2	24.0	290.9	11.4	-57.1
	DJ Basic metals and	-2.9	9.6	8.4	45.9	17.2	22.5	14.9

fabricated metal products								
DK Machinery and equipment n.e.c.	0.9	13.4	1.0	14.4	12.6	9.8	6.0	
DL Electrical and optical equipment	36.4	31.3	39.1	-11.5	3.1	8.9	0.3	
DM Transport equipment	-11.4	-43.6	3.9	48.2	13.3	13.4	17.8	
DN Manufacturing n.e.c.	0.2	20.1	5.4	-32.6	-3.5	2.9	0.9	

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The Former Yugoslav Republic of Macedonia								
digit	NACE description	_2004	_2005	_2006	_2007	_2008	_2009	_2010
NACE 1- letter	Total by activities	260.7	77.2	344.8	506.0	399.9		
	A-B Agriculture, hunting, forestry, fishing	8.4	-0.8	2.1	10.5	4.1		
	C Mining and quarrying	6.8	16.4	0.6	8.9	70.2		
	D Manufacturing	158.3	19.5	99.4	126.8	-15.5		
	E Electricity, gas and water supply	2.1	0.0	119.2	-3.6	26.2		
	F Construction	-0.3	-1.6	3.3	14.8	20.5		
	G Wholesale, retail trade, repair of motor vehicles etc	8.2	13.7	53.8	58.5	37.4		
	H Hotels and restaurants	3.6	3.4	15.3	4.5	15.0		
	I Transport, storage and communication	36.0	-17.6	-6.4	112.7	48.1		
	J Financial intermediation	28.4	29.1	41.0	119.0	143.8		
	K Real estate, renting and business activities	7.4	13.6	12.9	41.0	21.7		
	Other not elsewhere classified activities (A-Q)	1.7	1.6	3.6	12.9	29.2		
	Private purchases & sales of real estate					-0.9		
NACE 2- letter - Manufac turing	D Manufacturing	158.3	19.5	99.4	126.8	-15.5		
	DA Food products, beverages and tobacco	7.3	10.5	5.5	21.8			
	DB Textiles and textile products	2.9	5.1	3.7	7.3			
	DD-DE Wood, pulp, paper, publishing	-1.0	-0.2	3.9	2.1			
	DF Coke, refined petroleum products and nuclear fuel	22.2	9.1	11.8	13.2			
	DG Chemicals, chemical products and man-made fibres	6.0	5.4	9.1	12.7			
	DH Rubber and plastic products	0.2	-0.1	0.6	1.4			
	DJ Basic metals and fabricated metal products	90.5	-1.0	41.1	86.9			
	DK Machinery and equipment n.e.c.	0.2	0.6	1.5	1.3			
	DL Electrical and optical equipment	0.0	0.2	1.6	1.8			
	DM Transport equipment	6.5	0.7	1.1	0.3			
	DN Manufacturing n.e.c.	23.4	-10.7	19.6	-22.0			

Serbia								
digit	NACE description	_2004	_2005	_2006	_2007	_2008	_2009	_2010
NACE 1- letter	Total by activities		1265.3	3515.7	2269.9	1841.6	1410.1	1003.1
	A Agriculture, hunting and forestry		9.3	9.0	15.3	38.2	21.0	11.0
	B Fishing			0.0	0.0	0.1		5.1
	C Mining and quarrying		0.2	2.0	24.2	19.6	404.9	4.2
	D Manufacturing		252.2	794.4	367.7	388.5	532.9	337.9
	E Electricity, gas and water supply		0.5	0.8	1.0	2.3	4.7	8.1
	F Construction		10.8	26.0	135.2	55.6	28.1	29.1
	G Wholesale, retail trade, repair of motor vehicles etc		286.5	372.3	201.5	275.9	222.2	193.5
	H Hotels and restaurants		0.2	3.3	35.1	15.7	5.0	2.5
	I Transport, storage and communication		9.4	1260.8	494.6	168.1	118.5	74.9
	J Financial intermediation		503.5	1607.3	837.3	861.0	156.3	284.7
	K Real estate, renting and business activities		150.8	287.9	416.0	408.8	239.8	176.6
	L Public administration, defence, compuls.soc.security		73.8	0.3		2.2		
	M Education			0.2	0.2	0.0	0.3	1.4
	N Health and social work							0.0
	O Other community, social and personal services		3.4	1.4	77.7	18.4	18.3	9.7
	Other not elsewhere classified activities (A-Q)						58.5	0.0
Outflow from withdrawing non-resident investment			-35.2	-850.1	-335.8	-412.9	-400.4	-135.6
NACE 2- letter - Manufac turing	D Manufacturing		252.2	794.4	367.7	388.5	532.9	337.9
	DA Food products, beverages and tobacco		87.9	97.4	104.7	101.6	228.8	53.9
	DB Textiles and textile products		9.2	34.5	54.0	38.4	28.2	14.5
	DC Leather and leather products				0.6	0.2	0.2	0.9
	DD Wood and wood products		0.1	5.6	8.9	17.8	28.2	16.0
	DE Pulp, paper and paper products, publish. & printing		10.2	10.6	12.8	11.0	3.6	7.5
	DF Coke, refined petroleum products and nuclear fuel		0.6	0.0	16.1	11.7	6.8	0.0
	DG Chemicals, chemical products and man-made fibres		15.5	527.2	17.8	11.3	4.7	9.9
	DH Rubber and plastic products		21.6	16.8	28.8	19.7	36.8	7.3
	DI Other non-metallic		19.2	11.8	18.5	9.0	5.6	9.2

mineral products							
DJ Basic metals and fabricated metal products	63.1	26.5	22.2	132.3	69.6	189.1	
DK Machinery and equipment n.e.c.	2.7	21.5	24.6	6.3	4.6	7.0	
DL Electrical and optical equipment	4.4	31.0	9.3	2.8	10.2	10.2	
DM Transport equipment	0.7	6.4	35.0	18.2	102.3	5.1	
DN Manufacturing n.e.c.	17.1	5.1	14.4	8.3	3.3	7.2	

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ANNEX F- FDI INFLOWS BY SOURCE (EUR MN)

The first five countries per reporter are the five countries that most contributed to FDI inflows from 2004 to 2010.

reporter	partner	_2004	_2005	_2006	_2007	_2008	_2009	_2010
Bosnia and Herzegovina	Serbia				690.8	109.1	0.8	15.6
	Austria	85.7	80.8	120.2	149.5	124.2	43.6	-3.7
	Russia				170.1	173.5	66.4	-12.6
	Croatia	55.3	41.8	93.1	82.1	52.7	54.6	13.6
	Slovenia	36.9	56.6	59.2	67.9	107.5	33.3	-20.9
	Germany	32.2	12.1	19.0	8.6	14.7	-2.4	27.4
	Italy	15.4	13.3	21.4	11.9	24.4	5.7	10.7
	Serbia and Montenegro	3.1	19.9	19.8				
	Other	110.8	131.7	193.5	332.0	358.1	160.0	-9.2
	Western Balkans total	37.8	17.9	19.1	17.4	25.7	-0.8	40.7
Croatia	Austria	248.6	543.6	-519.7	2051.6	1054.5	432.6	-117.1
	Netherlands	71.1	173.9	1964.8	268.1	289.0	724.3	-288.6
	Hungary	43.5	329.0	52.1	257.4	959.4	163.0	-10.3
	France	22.6	-8.4	1039.8	105.9	11.4	38.9	6.1
	Germany	190.5	-132.1	222.3	170.4	428.1	159.5	80.8
	Bosnia and Herzegovina	14.0	6.3	7.6	17.7	9.0	-3.8	3.5
	FYR Macedonia	0.7	-2.2	0.5	-0.5	-0.4	0.1	0.6
	Other	5831.8	8748.7	18599.1	22022.3	27141.9	13782.6	441.3
	Western Balkans total	0.7	18.0	5.5	-31.9	-8.4	3.3	2.8
	The Former Yugoslav Republic of Macedonia	Slovenia	5.9	8.8	10.5	60.0	79.2	134.1
Austria		16.7	-6.7	130.9	10.8	95.7	30.1	-11.9
Netherlands		34.7	12.2	14.7	26.5	2.3	65.1	-2.3
Bulgaria		-1.1	5.0	11.7	25.4	38.9	10.5	26.7
Greece		40.3	17.6	40.7	44.6	6.7	-57.2	14.6
Croatia		4.8	5.0	6.0	23.5	17.9	5.0	-1.0
Serbia					54.1	3.4	-1.3	1.1
Albania		2.4	-0.2	5.7	4.2	14.2	3.7	2.3
Serbia and Montenegro		0.4	5.2	15.2				
Montenegro					0.0	1.2	0.0	1.8
Bosnia and Herzegovina		0.3	-0.2	-0.1	0.2	0.2	-1.8	0.0
Other		72.1	82.5	81.7	225.8	135.5	-47.0	80.3
Western Balkans total		7.9	9.8	26.7	82.1	37.0	5.7	4.2
Montenegro		Russia	0.7	14.0	82.0	210.6	122.5	64.5
	Italy	0.3	6.3	5.2	8.0	0.1	459.8	4.0

	Switzerland	6.6	14.6	85.5	56.7	92.5	53.5	60.5
	Hungary	2.4	147.7	98.3	20.2	27.1	30.3	35.9
	Austria	2.3	73.5	27.2	65.8	45.7	78.0	57.7
	Bosnia and Herzegovina	0.2	4.5	-1.0	-2.0	-9.3	-0.1	21.7
	FYR Macedonia		0.1	0.4	-2.0	-0.1	0.6	1.3
	Croatia	0.1	0.8	-1.1	-30.8	6.2	6.0	5.7
	Serbia	1.8	7.3	-23.0	-136.8	-35.5	18.7	67.7
	Other	38.3	101.0	208.6	476.2	374.3	381.1	208.5
	Western Balkans total	2.1	12.6	-24.7	-171.6	-38.8	25.1	96.4
Serbia	Austria	117.5	161.5	414.6	848.5	325.0	235.0	146.4
	Greece	42.6	200.7	735.3	246.0	33.7	46.7	24.9
	Norway		0.0	1233.6	1.9	4.2	-0.9	1.5
	Germany	41.8	152.1	721.9	47.5	60.0	41.9	34.2
	Italy	8.2	17.2	43.7	113.9	330.3	167.5	41.7
	Croatia	8.7	22.2	14.3	24.0	96.4	19.4	42.5
	Montenegro				75.9	29.8	7.2	1.4
	Bosnia and Herzegovina	1.7	1.2	3.4	17.6	21.4	5.8	10.6
	FYR Macedonia				4.5	3.2	1.6	2.8
	Albania				0.0	0.0	-0.1	0.0
	Other	287.5	604.9	165.6	738.6	869.9	814.5	649.4
		Western Balkans total	10.4	23.4	17.7	121.8	150.8	33.9