



**Organization for Security and Co-operation in Europe**

**Co-ordinator of OSCE Economic  
and Environmental Activities**

**Vienna, 3 March 2004**

## **CONSOLIDATED SUMMARY**

**SECOND PREPARATORY SEMINAR FOR THE TWELFTH OSCE ECONOMIC FORUM:  
STIMULATING FOREIGN AND DOMESTIC INVESTMENT**

***DUBLIN, IRELAND, 16 – 17 FEBRUARY 2004***

OFFICE OF THE CO-ORDINATOR OF OSCE ECONOMIC AND ENVIRONMENTAL ACTIVITIES  
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## **EXECUTIVE SUMMARY**

### **Introduction**

The Second Preparatory Seminar for the 12<sup>th</sup> OSCE Economic Forum was held on 16-17 February in Dublin, Ireland. The topic of the seminar was “Stimulating Foreign and Domestic Investment”.

This seminar was the second in a series of three preparatory seminars for this year’s Economic Forum (“New Challenges for Building up Institutional and Human Capacity for Economic Development and Co-operation”, Prague, 31 May – 4 June 2004). The first seminar took place in Yerevan, Armenia, on 17-18 November 2003 and focused on supporting SME development. The third and last preparatory seminar will be organized in Bishkek, Kyrgyzstan, on 29-30 March 2004 and will focus on professional skills needed for developing a market economy.

The event was organised by the Office of the Co-ordinator of OSCE Economic and Environmental Activities (OCEEA) in close co-operation with the Bulgarian Chairmanship of the OSCE and in collaboration with the Ministry of Foreign Affairs of Ireland/EU Presidency. Ireland also provided additional financial support for the organization of the seminar.

The seminar was opened by H.E. Mary Harney, Deputy Prime Minister of Ireland/EU Presidency, Minister for Enterprise, Trade and Employment and H.E. Lubomir Ivanov, Deputy-Minister of Foreign Affairs of the Republic of Bulgaria/OSCE Chairmanship and Marcin Swiecicki, Co-ordinator of OSCE Economic and Environmental Activities, who also addressed the seminar during the opening session.. Their interventions are included in the Consolidated Summary.

Over 180 representatives from 43 OSCE participating States, 10 International and Non-Governmental Organizations, 15 OSCE Field Offices, as well as academic and business community representatives participated in the seminar and engaged in discussions.

30 keynote speakers and speakers, experts from OSCE participating States, International Organisations and NGOs, business and academic community, presented their inside knowledge and their views thereby stimulating the discussion. Throughout the deliberations all the participants freely expressed their views and contributed to formulating concrete suggestions for further consideration by the OSCE Economic Forum in Prague.

Numerous documents and presentations have been circulated. A list of these documents is included as an annex in the Consolidated Summary. They are available upon request from the OCEEA.

### **Structure of the Seminar.**

The seminar consisted of both plenary sessions and parallel sessions of the working groups.

The first plenary session focused on risks, security and investment. Mr. Peter D. Sutherland, Chairman, Goldman Sachs International, Chairman, BP p.l.c., Mr. Sean Dorgan, Chief Executive of the Irish Development Agency, Mr. Alexander Italianer, Director, DG ECFIN, European Commission and H.E. Djoomart Otorbaev, Deputy Prime Minister of the Kyrgyz Republic addressed this session.

The two parallel working groups were dedicated to creating necessary conditions for investment (Working Group A) and maximizing benefits from investment (Working Group B).

The second plenary session on strengthening the partnership of governments, private sector and international organizations for good governance, conflict prevention and post conflict rehabilitation was held in the second day of the event. Mr. Daniele Ganser, Center for Security Studies, Swiss Federal Institute of Technology, Ms. Eleonore Kopera, Managing Director, Business Humanitarian Forum , Mr. Conrad Eckenschwiller, Consultant, Institute de L’Entreprise, member of the Business Advisory Council for South Eastern Europe, Ms. Susan Simpson, Director, Europe and Regional Learning Network, International Business Leaders Forum, and Mr. Dzevad Sehic, Associate Professor, Faculty of Economy, Sarajevo, Bosnia and Herzegovina addressed this session.

The overview of the discussions and the recommendations were presented by the rapporteurs in the closing plenary session. Rapporteurs' Reports are included in the Consolidated Summary.

### **Objectives of the Seminar**

The seminar tried to address a number of issues such as:

- legal and institutional framework and financial infrastructure needed for stimulating investment;
- ways and means to promote international and regional co-operation;
- key policies and measures to attract investment in areas;
- the impact of foreign investments on the domestic private sector development;
- the role of FDI in human resources development;
- the role of FDI in promoting higher environmental standards and environmental responsibility.

### **Recommendations**

This seminar has accomplished its main goal of putting forward many useful recommendations regarding stimulating foreign and domestic investment. These recommendations provide valuable input for further discussion and consideration by OSCE participating States in the Economic Forum in 2004.

The list of recommendations for the OSCE/OCEEA and the OSCE participating States, presented below, summarizes those from the Rapporteurs' Reports.

It is envisaged that the next Sub-Committee discusses the suggestions included in the Consolidated Summary, in order to streamline the preparatory process for the Forum.

#### **I. Recommendations for OSCE participating States**

1. Participating States should first and foremost **address the security risks posed by economic discrepancies**, including divergence in investment levels between countries and regions and implement the relevant provisions of the Strategy Document for the Economic and Environmental Dimension.

2. Participating States should continue to further **improve the domestic conditions for investments**. In particular, countries with economies in transition should implement effective political, economic and institutional reforms in order to be better prepared to incorporate FDI. In general, the same policies needed for economic reform and development are also instrumental for stimulating investment and maximizing the benefits from investment. Though no universal solutions can be applied, due to local particularities, a number of policy areas are considered essential. Participating States should aim at:

- achieving macroeconomic stability and enhancing the consistency, over time, of economic policies related to investment;
- strengthening public and corporate governance and combating corruption;
- enhancing the stability of financial system and banking sector;
- improving and simplifying administrative procedures for FDI (entry approvals, access to land and utilities, land ownership, profit repatriation etc.) and abolishing unnecessary administrative barriers by promoting of appropriate stimulative legislation;
- improving and accelerating judicial procedures;
- establishing and strengthening the institutional capacity of investment promotion agencies and adopting a pro-active style in attracting investment;
- continuously developing the human capital by implementing consistent, long term policies in this field; with regard to human capital development, participating States should try to diversify the range of skills, recognize the crucial role of investment in primary and secondary education and take gender aspect into account;
- strengthening the linkages between foreign investment and domestic-owned business, reducing the gap between foreign investment and domestic enterprises and encouraging FDI that have beneficial effects for the economy;
- keeping privatization process transparent;

- designing incentives measures to cover the whole country rather than some special economic zones only;
- adopting as much as possible equal treatment for both foreign and domestic investors and paying due attentions to the needs of domestic investors and focusing on strengthening the capacity of small domestic companies;
- adopt and implement effective regulations in order to achieve an improvement of the domestic economic environment and more effectiveness as a result of FDI (incentives for ecologically friendly behaviour, sanctions).

**3.** At national level, participating States should **promote a comprehensive dialogue and partnership with all the stakeholders** involved in order to achieve a consensus on priorities, objectives, strategies and policies, by:

- establishing a permanent dialogue with the business community including by creation of joint boards/councils;
- promote public private partnership initiatives;
- promoting stakeholder dialogue and private sector involvement in fields such as human capital development, environment protection, etc.

**4. Increase political and economic co-operation** with regard to investment at bilateral, regional and international levels, by:

- exchanging of information sharing experiences and best practices with each other;
- developing and strengthening co-operation initiatives that should focus on practical issues;
- improving statistical data and methodology related to investment;
- participating in multilateral trade agreements;
- adopting and implementing international guidelines and legislation with regard to FDI;
- enhancing regional co-operation, adopting international standards, ratifying and implementing international agreements to address environmental matters;
- supporting the “UN Global Compact” initiative.

## **II. Recommendations for further OSCE involvement**

**1.** In working with governments of the participating States, OSCE should:

- continue to advocate and **promote the rule of law, good governance**, market economy, the development of an open society and a free press to ensure transparency;
- continue to promote and **raise awareness on the importance of a multi stakeholders dialogue**, particularly between government bodies and the business community;
- **support the development of legislation to promote favourable conditions for investment** in areas such as: labour, protection of property rights, land ownership, good governance, anti corruption, anti money laundering, as well as in the field of environment, including by mobilizing expertise from other relevant international organizations and provide assistance to improve law enforcement and judicial system;
- **support institutional capacity building at national and local levels** in the field of investment and develop appropriate programmes, in co-operation with other international actors, including training programmes; OSCE should work with other specialized IOs to encourage and support establishing and development of national investment promotion agencies.

**2.** At national and local levels, in working with other relevant actors, OSCE should:

- **play a facilitating role in promoting stakeholder dialogue**, between governmental institutions, business community, NGOs, and support the dissemination of information;

- **support the work of national business associations** and other bodies and enhance its dialogue with such associations, including by inviting them to attend the seminars and the Economic Forum and developing capacity building programmes;
- **emphasize the importance of human capital development through education and training** and support stakeholders dialogue (government bodies, universities and the business sector) in these fields;
- **support entrepreneurship** by developing and implementing its own training activities to **promote empowerment of women, youth, vulnerable and economically disadvantaged groups** and complement these activities with micro-credit programs, where appropriate, in co-operation with other actors.

3. As a forum for dialogue and co-operation, OSCE has a role to play in promoting regional and international co-operation. To this aim:

- OSCE should continue to **promote a stable security environment**, prevent conflicts and promote and facilitate good neighbouring relations, cross border co-operation, regional co-operation. In doing so, OSCE should adopt a result oriented approach and focus on practical issues that enhance co-operation;
- OSCE should **play a facilitating role in promoting and supporting regional programmes and co-operative initiatives**;
- In the context of the EU enlargement, OSCE may look for arrangements that equally accommodate the interest of members and non-EU members;
- **Promote regional co-operation in the field of environment**, and continue to develop the Environment and Security Initiative and other relevant programmes;
- OSCE should have a role in **advocating international guidelines and legislation relevant for investment and trade** and in promoting their ratification and implementation by the participating States, in co-operation with other organizations such as OECD, WTO etc.;
- OSCE should **promote the ratification and implementation of international agreements and adoption of international standards** in the field of environment protection;
- OSCE can **facilitate information sharing related to investment**, including on experiences of some countries outside the OSCE region, within the framework of the Economic Forum process.

4. OSCE should **define its role in fostering and facilitating foreign and domestic investment** in its region, in co-operation with other relevant actors. OSCE should complement the work done by other specialized international/regional actors in promoting a friendly investment climate.

5. OSCE should **enhance its co-operation with the private sector** and:

- **advocate for a stronger involvement of business community in promoting good governance, conflict prevention and post conflict rehabilitation** as well as a stronger co-operation between international organizations, governments and the business sector and international NGOs;
- **develop joint activities in co-operation with relevant partners representing the private sector**, including by targeting their assistance to vulnerable regions/groups, strengthening local capacity, improving the investment climate at local level, etc.;
- **support public private partnership initiatives** ;
- **support and promote the principles of the UN Global Compact**;
- **further study the idea of supporting the establishment of a Private World Fund** of multinational enterprises to promote the improvement of investment climate conducive to FDI;
- **encourage self regulation initiatives of investors** to promote good governance, protect environment, etc..

6. OSCE should **involve more the OSCE Parliamentary Assembly and parliamentarians** from participating States in the discussion on fostering the investment climate, including in the framework of the Economic Forum process.

### **Annexes**

A number of annexes has been attached to complete your picture of the Second Preparatory Seminar. For further reading, please note that background documents from this seminar can be found on the OSCE web site under [www.osce.org/eea](http://www.osce.org/eea) or requested at the Office of the Co-ordinator of OSCE Economic and Environmental Activities ([gabriel.leonte@osce.org](mailto:gabriel.leonte@osce.org) or [andrea.gredler@osce.org](mailto:andrea.gredler@osce.org)).

At the request of the Republic of Azerbaijan a document on proposals for further OSCE involvement is also attached to the Consolidated Summary (Annex 3).

## **WELCOMING ADDRESS**

**by H.E. Mary HARNEY  
Deputy Prime Minister of Ireland/EU Presidency,  
Minister for Enterprise, Trade and Employment**

On behalf of the Irish Government I would like to welcome you to Dublin and to the Second Preparatory Seminar for this year's OSCE Economic Forum.

I particularly welcome Mr. Lubomir Ivanov, Deputy Minister of Foreign Affairs of Bulgaria, representing the Bulgarian Chair-in-Office of the OSCE. The Bulgarian government knows that it has Ireland's and the EU's fullest support in its important responsibilities as Chair of the OSCE in 2004.

I would also especially like to welcome my counterpart as Deputy Prime Minister of the Kyrgyz Republic, Mr. Djoomart Otorbaev.

I am very pleased to welcome the Economic Co-ordinator of the OSCE, Mr. Swiecicki and all his team to Ireland.

And above all, I warmly welcome all of the delegations who have travelled to this important meeting this morning from United States, Canada, Central Asia and from all over the European region.

This is the first time an OSCE meeting has been held in Ireland. I am very pleased that this Seminar coincides with Ireland's Presidency of the European Union. It gives us an opportunity to demonstrate in a practical way both Ireland's support, and the European Union's support, for the OSCE and its important work.

### **Our goal for our new neighbourhood**

Ireland has always based its foreign policy on the principles of the rule of law and a multilateral approach to security, economic and political issues. We have always been strong supporters of the United Nations. For the same reason we support the work of the OSCE as being crucial to extending stability, prosperity and freedom in the OSCE neighbourhood.

I know that the OSCE has recently held an important Ministerial meeting in Maastricht at which important new policy documents were agreed - including for the OSCE's Economic work. The European Union looks forward to the implementation of those policies in 2004. We attach particular importance to pressing ahead with the work to promote good governance and economic reform as essential factors in economic development. We also have to press ahead to implement the Action plans on Trafficking in Human Beings, so that we can redouble our efforts to combat what essentially is the modern form of human slavery.

As EU Presidency, and OSCE participating State, we recognise the need for greater and better international co-operation if we want our shared neighbourhood to be an area of freedom, democracy, prosperity and security. This is our goal within the European Union, before and after the accession date on May 1<sup>st</sup>, when ten new Member States join the Union. It is also the goal which drives our Presidency in terms of the EU's external relations policy.

May 1<sup>st</sup>, will be the highlight of Ireland's Presidency of the EU. It will be an historic event that dovetails very well with the goals and the work of the OSCE on a continental level. It will contribute to greater stability, prosperity and freedom in the whole of Europe and in neighbouring regions. It certainly has nothing to do with creating a so-called 'fortress Europe', or new dividing lines, of 'ins' and 'outs' on the European continent.

Any fair examination of the EU's external relations, both political and economic, will show that we are fully engaged in working towards our shared goals of security, prosperity and freedom across our whole region. And with accession, that work will be all the more relevant to all of us.



## **Migration flows**

Some recent media attention on the accession of the ten new Member States has focused almost exclusively on the question of the migration of peoples from economically-deprived areas in south-eastern Europe to wealthier countries in the EU. This has been painted in negative and threatening terms.

There has been an attempt to stir up fears and anxieties about waves of poor immigrants taking welfare and jobs in wealthy countries.

Ireland and, I am confident, other EU Member States, intend to manage any potential new migration in a way that is consistent with our obligations, and rights, under European Union and international law.

But more importantly, we will be addressing this issue consistent with our overall vision of what economic development and solidarity means for all of Europe.

Our commitment to economic development and solidarity is most of all about lifting standards of living and prosperity for people in their home countries.

All the evidence, and all our experience, tells us that this is what people most want.

Easier migration and labour market access in wealthy countries can never be as powerful for meeting human needs as strong, well-grounded economic, political and social development in people's home countries.

I think that this is an approach which is very much in line with OSCE thinking on how political, economic and human security are all interlinked. We certainly believe that real and sustainable solutions will only come from integrated policies and co-operation built on freedom, human rights, the rule of law and good Governance. This certainly influences our approach to this issue at national and international level.

Like all States, Ireland will deal with migration and security issues. But we will not be doing so outside the context of the bigger picture of how we intend to promote and achieve economic prosperity and security for the whole continent. Nor will we lose sight of the need to strengthen co-operation and solidarity with our neighbours, near and far.

## **Ireland's experience**

Ireland's experience in the European Union over the last thirty years bears this out. Good governance and a rock solid commitment to democracy and the rule of law was the basis for our EU membership. We have received tremendous support from the EU in structural funds, cohesion funds and agriculture payments. At the same time, for many years, we did not get the domestic conditions right to maximise the value of this support.

We lost control of public finances in the 1980s. Investment conditions were poor. The incentives for work, risk-taking and innovation were smothered. We were not sufficiently open and competitive.

As a result, emigration featured to a large degree in our country in the 1980s.

But we came to a political turning point and a determination that we could not, and should not, build our economic development on the basis of a permanent safety valve of emigration.

The cost of involuntary emigration was very high, socially and economically. It was unsustainable. And our experience was that, when we started developing better economic conditions at home, many Irish people returned to Ireland.

## **Role of Foreign Direct Investment**

This is where the role of foreign direct investment has been very important.

Foreign direct investment, by itself, was not the solution, just as transfers from the EU were not the solution on their own.

By creating the conditions in which foreign direct investment would flourish, we were creating the conditions where domestic enterprise, investment and initiative could also flourish.

We developed a strong public service. We stood by our constitutional principles and upheld the rule of law. We worked to resolve the conflict in Northern Ireland by peaceful means. We invested in education.

We lowered taxes radically. We made national agreements with trade unions and employers on wages and economic policy. And yes, we competed vigorously for foreign direct investment.

We became more open, more attuned to international markets, more willing to adapt.

The most important thing we have learnt over the years is that a radical divide between the domestic and the international sectors in an economy won't work. What is good for investment works irrespective of the nationality of the owners of capital.

We see our job now as to create an economic environment where ideas can be turned into products and services that deliver high economic returns.

As we have sought to attract and to generate investments with higher value added, we have seen that the issues around people, research and innovation, and our legal and physical infrastructure are more and more important.

We are clear that a country like Ireland has to focus on certain types of investment. We are not trying to do everything. As part of your programme you will visit the Dublin docklands area where we have developed a thriving international financial centre. Many aspects of policy had to be brought together to achieve this - tax, regulation, law, and investment promotion. Government and industry worked together. And most of all we needed good people to make it work. It is a success for Ireland and for European Union too.

In this way, we see a European economy that contains a great many diverse clusters of special competitive advantage, with policy tuned at national and regional level to foster those clusters.

This is why we see the economic development of EU accession states and OSCE states positively for both Ireland and the European Union. The flows of trade and investment work in both directions.

There is tremendous scope in the years ahead for increased investment and trade within the OSCE region. We look forward to working together in the OSCE to help develop the conditions where investment can flourish to the benefit of us all.

If we can work together to support democracy and the rule of law, leading to increased levels of trade and investment, we could see the creation of zone of peace, prosperity and freedom in the OSCE region, which would realise the founding vision of the OSCE as set out in the Helsinki final act.

I am very pleased that Dublin can host your seminar and a meeting of the OSCE for the first time. And I wish you every success for the full OSCE Economic Forum later this year.

## **WELCOMING ADDRESS**

**by H.E. Lubomir IVANOV**  
**Deputy Minister of Foreign Affairs of the Republic of Bulgaria,**  
**OSCE Chairmanship**

Thank you very much, Mr. Chairman,  
Ms. Deputy Prime Minister and Minister for Enterprise, Trade and Employment,  
Ladies and Gentlemen,

It is an honour for me to address participants in the seminar on “Stimulating Foreign and Domestic Investments”. We are particularly pleased that this event takes place in Ireland where an impressive inflow of foreign investments has been attracted over the last years. I would like to express our profound gratitude to the Irish Government which despite its preoccupation with the agenda of the EU Presidency has accepted to host this OSCE gathering. I wish to note with high appreciation the presence of H.E. Ms. Mary Harney, Deputy Prime Minister of Ireland/EU Presidency, Minister for Enterprise, Trade and Employment. Allow me to thank the Office of the Co-ordinator of OSCE Economic and Environmental Activities for its valuable input in the preparation of the seminar.

The 11<sup>th</sup> Meeting of the Ministerial Council of the OSCE, held in Maastricht, the Netherlands, on 1 and 2 December 2003 reaffirmed the substantive importance of the economic and environmental dimension within the OSCE concept of comprehensive security and co-operation. The Council approved the OSCE Strategy to Address Threats to Security and Stability in the 21<sup>st</sup> Century, which specified deepening economic disparities, weak governance in public and corporate spheres, poverty and corruption among the factors threatening stability and security. The Organization’s response to contemporary economic and environmental challenges and threats was laid down in the OSCE Strategy Document for the Economic and Environmental Dimension, also adopted in Maastricht. The Strategy Document took due account of the Organization’s capabilities and comparative advantages as well as the economic and environmental developments in the OSCE area during the last decade. Building on 1990 Bonn Document, the Strategy Document set clear priorities and re-enforced the framework for policies and activities designed to enhance economic performance in the OSCE participating States and foster economic co-operation and integration in the OSCE area.

The Strategy Document defined the Economic Forum as the major annual event of the OSCE economic and environmental dimension and insisted on better targeting of its theme on issues of common concern. In conformity with that requirement the 12th Meeting of the OSCE Economic Forum to be held in Prague later this year, from 31 May to 4 June, will consider the new challenges for building up institutional and human capacity for economic development and co-operation. The Bulgarian Chairmanship promotes this theme for the Economic Forum because we started from the premises that viable market economy institutions and adequate human resources are essential factors for sound economic development, regional security and co-operation. We also believe that more efforts are needed to strengthen national institutions and further develop human capacity across the OSCE region.

The Dublin Seminar is the second in a series of three seminars leading up to the 12th Meeting of the OSCE Economic Forum in Prague. The theme of the forthcoming Economic Forum in Prague includes the issue of stimulating foreign and domestic investment with a view to the relationship between investment flows, institution building and human resources. Among the main goals of the Seminar will be clarifying the role of investment for conflict prevention and post conflict rehabilitation in various sub-regions of the OSCE, sharing expertise on establishment of favourable investment environment and preparing proposals that the OSCE bodies could further consider and transform into concrete recommendations and follow-up measures.

Mr. Chairman,

The impact of foreign and domestic investments on sustainable economic growth, internal stability, social development and poverty eradication has steadily increased since early 90s. Foreign investments

represent a major source of long-term capital for host countries and in most cases are accompanied by a package of assets, including advanced technologies, higher managerial capacities and skills, wider access to foreign markets, etc. Investments have catalyzing effect on technological capacity building and development of entrepreneurship.

Foreign and domestic investments substantially facilitate the transformation of society as a whole. Investments enhance converting mentality of people in economies in transition to higher efficiency, competitiveness and self-sustainability.

The enabling environment is a key factor in attracting and maintaining investments. Some of the most significant factors considered by investors as they decide on investment location are a predictable and non-discriminatory regulatory environment, absence of undue administrative impediments to business, stable macroeconomic environment, access to external markets and sufficient resources, including the availability of relevant infrastructure and human capital.

The essential role of foreign and domestic investment in promoting economic growth and development is recognized by the OSCE. By promoting sustainable economic growth, employment and poverty reduction, investments contribute to internal security and stability. They may decrease the potential of conflicts, risks of illegal activities and threats, such as organized crime, trafficking of people, drugs and arms, ethnic and religious controversies. The inflows of foreign investments are much needed for the economies in transition as well as for the countries in post conflict situation and conflict prone subregions of the OSCE area.

The 1990 Bonn Document established commitments of the participating States “to foster a favourable climate for investment, notably by bilateral and multilateral arrangements for investment promotion and protection”. Taking into account the major changes and developments during last decade, the OSCE Strategy Document on Economic and Environmental Dimension provided for further commitments of the participating States to encourage and facilitate foreign and domestic investments.

The Organization has accumulated certain experience in enhancing investments at the Headquarters and in the field. I wish to specifically commend the OSCE recent projects on fostering investment opportunities in Rivne oblast, Ukraine, and assistance to Ukrainian Oblast Administrations in attracting foreign direct investments and promoting investment opportunities. My expectations are that the field missions will propose and implement more new projects on attracting foreign and domestic investments.

The European Union, the United Nations Economic Commission for Europe, UNCTAD, UNDP, OECD, WB (IFC and MIGA), EBRD, USAID, other international and regional organizations and bodies in the OSCE area also regard investment promotion as an issue of highest priority. The seminar provides a good opportunity to learn what other organizations are doing in attracting investments and better evaluate our dialogue and joint efforts with them.

The OSCE has a political potential for enhancing awareness and mobilizing resources with a view to establishing an enabling environment for investments and advocating more active involvement of local administrations, governments or international organizations. The Organization can also facilitate contacts and interaction between civil society, entrepreneurs and public authorities. With 18 field missions situated across its vast area the OSCE can accurately assess the assistance needed and be helpful in initiating projects on attracting investments to disadvantaged and socially vulnerable regions.

Mr. Chairman,

In conclusion, I wish to re-affirm the strong commitment of the Bulgarian Chairmanship to fully implement the decisions of the 11th Meeting of the OSCE Ministerial Council in Maastricht on activities in the economic and environmental dimension.

The significant theme of the Seminar, the admirable facilities, so generously offered by the Irish Government in the Conference Center of the Dublin Castle, provide excellent conditions for an extensive and in-depth consideration of the items included. I wish to all of us fruitful discussions and success.

Thank you, Mr. Chairman.

## WELCOMING REMARKS

by **Mr. Marcin Święcicki**,  
**Co-ordinator of OSCE Economic and Environmental Activities**

Your Excellencies,  
Distinguished colleagues and guests,

- This is the second preparatory seminar of the 12<sup>th</sup> OSCE Economic Forum. The first seminar held in Yerevan last year, in November, concentrated chiefly on small businesses and SME development.
- Foreign direct investment (FDI) is the major focus of this seminar.
- Why such a topic? How does it relate to the OSCE economic and environmental dimension of security?
- Following the "Bonn Document", the OSCE new Strategy Document adopted in Maastricht in December set the frame for our activities to better address economic and environmental threats to security.
- Specifically, the responses and actions listed in the Strategy Document underscore the importance of integrating into the global economy, enhancing the business climate and removing obstacles for both domestic entrepreneurs and FDIs.
- The benefits of FDIs are manifold, multifaceted.
- FDIs have direct positive impacts on growth, exports, employment and income generation.
- FDIs support the transfer of BATs (best available technologies) and managerial skills. They help to upgrade the qualification of the workers and, in some cases, they contribute to the environmental / ecological balance.
- Multinational companies also:
  - mobilise and use local suppliers of goods and services with subcontracting;
  - require and stimulate the building up of modern infrastructures (particularly for transportation and telecom);
  - enhance the content and the quality of national education programmes to meet the - - requirements for competing in the new global economy, etc.
- Such benefits are definitely essential for host countries, rich and less rich, market-based and transition ones.
- FDIs can contribute to reduce the dividing line that appears within the OSCE region between:
  - those who succeeded in building up new dynamic economies (and some of them will soon be EU members) and
  - other countries where start up conditions were perhaps quite harsh and had been unable to complete successfully reforms to set up market-based economies.
- According to World Bank data, with US\$ 900 per capita and more than 80% of the population living under poverty, Tajikistan has the lowest inflows of FDIs (about US\$ 1.5 per inhabitant in 2002 *versus* 930 for the Czech Republic and 1800 for Belgium).
- Such a poor performance has many explanations. Distance from major economies and markets, the state of infrastructures, the lack of skills and competencies in fields that are essential for market economies, and the quality of governance are certainly factors that do matter.

- Nevertheless, I believe that some countries can radically change their economic status and become success stories like, for instance, Ireland and Portugal.
- Within a few decades Ireland became a success story. Not so long ago, the country was still seen as predominantly agrarian and many Irish people had to emigrate to find good jobs and better living conditions, and they were successful in their countries of destination, mainly the US.
- Irish political leaders and policy makers have been able to design policies, build infrastructures and take adequate measure to make the country one of the most attractive ones for multinationals -- they had a vision, a "project", and succeeded. As a result, high tech firms and banks invested in Ireland to make it a modern and one of the richest countries in the OSCE region, in the world even.
- Portugal is another interesting country. When it joined the EC 18 years ago, more than 15% of the adult population was seen as illiterate. Today, it has an income per capita of about 18,000 US\$ and at the end of 2002 cumulated FDIs amounted to 44 billions US\$, representing more than one third of productive capacities in the country, contributing to a significant share of GDP and employment.
- We have to learn from such experiences and make recommendations that may ultimately make our people better off in all our regions. They would be our contribution to security.
- Factors have already been identified as essential for promoting both domestic and foreign investments:
  - Clear and adequate legislation (on contracts and property rights);
  - The rule of law;
  - Good governance in public bodies;
  - Low taxes;
  - Modern infrastructures.
- For FDIs *per se*, there are specific conditions that matter, e.g.:
  - the possibility to transfer back profit to the home country;
  - the convertibility of the host country currency;
  - the authorisation to employ foreigners in MNC branches in host countries, etc.
- More specifically, our seminar is expected to provide answers to very practical questions such as:
  - What is attracting/deterring investments?
  - What is an investment conducive climate?
  - How to maximise the benefits from FDIs?
  - How can States, International Organizations and the private sector better co-operate to promote economic development?
- The seminar will address and discuss into more details these issues.
- I notice with satisfaction the important participation of the business community and business associations. The OSCE is seeking a stronger co-operation with the business sector. We will have the opportunity to further discuss on ways and means to achieve such a co-operation during the seminar and that in Prague, at the Economic Forum.
- I also want to welcome the representatives from 15 OSCE field presences. They are the people implementing our commitments and therefore their participation and contribution is very important.
- I thank the Irish Authorities for their support in hosting our event.
- My office remains at your disposal for any information or support you need during the seminar.

## PLENARY SESSION – RISKS, SECURITY AND INVESTMENT

**Rapporteur: Mr. Oleg Ziborov, Permanent Mission of the Russian Federation to OSCE**

The starting point for the discussions at the Plenary Session were 4 presentations delivered by distinguished keynote-speakers and the introductory statement of the Moderator who reaffirmed the strong commitment of the Chairmanship-in-Office to fully implement the decisions of the 11<sup>th</sup> meeting of the OSCE Ministerial Council on enhancing activities of the Organization in the Economic and Environmental Dimension.

In the course of the ensuing discussion participants welcomed the introductory statement and contributions presented at this Session.

The Plenary Session focused mainly on foreign direct investments in the OSCE region, in particular, Europe and Central Asia. The session revealed consensus that promotion of FDI flows is a crucial factor in ensuring sustainable economic and social development which forms the basis for stability and security in the OSCE area of responsibility.

Keynote-speakers and participants broadly agreed that further improvement of conditions for encouraging and continuous attracting FDI is topical for all participating States. Big divergence in investment levels in various countries and regions is a major problem which needs to be addressed. They also underlined that an increase of FDI in transitional economies is essential for success of market reforms and mitigation of economic and social disparities between OSCE participating States as envisaged in the newly adopted OSCE Strategy Document for the Economic and Environmental Dimension.

However, it was a wide-spread opinion that foreign investment is not a panacea and cannot substitute for an effective implementation of domestic political, economic and institutional reforms. Among such key factors catalyzing FDI were identified, inter alia, reasonable macroeconomic stability, effective structural policies and strong public and corporate governance.

In this context it was stressed that, given the high diversity of economies in the OSCE region, experience cannot be transposed mechanically from one country to another. At the same time, analysis of impressive achievements of the participating State hosting the Seminar led to conclusion that for the purpose of successful attracting FDI all have to learn from such positive experience as:

- establishing a nationwide social partnership, long-lasting political/public consensus and clear strategic vision of development priorities of national economy and society;
- pro-active style in addressing potential foreign investors and systematic building relationships with them;
- creation of linkages between domestic-owned and inward business;
- result oriented "can do" approach;
- promotion of positive demographic and skills development;
- creation of a comprehensive business-friendly environment, including appropriate legislation, consistent public policies and strong informal networks.

Touching issues related to enlargement of integrational groupings it was noted that the process of accession to them leads to a broader FDI flow mainly due to structural improvements and reforms which constitute its integral part.

The issue of impact of geographical location on FDI flows, in particular, distance to most developed regions and the problem of so called landlocked countries, was raised. In this context it was emphasized that, as far as the OSCE region is concerned, under conditions of globalization and rapid development of modern technologies location is not a big obstacle to development and active, long-term and multifold measures aimed at stimulating DFI can outweigh initial conditions.

Furthermore, improvement of statistical data and methodology related to investment activities was proposed.

In conclusion, there was general agreement that the OSCE as an important forum of regional cooperation and integration has to provide its contribution, in cooperation with other international and regional organizations and institutions, to multifaceted efforts to foster investment opportunities and to facilitate foreign and domestic investments in the whole OSCE region.

Participants felt that various issues related to these tasks needed further consideration in the framework of the working groups set up in the course of the Seminar.



## **WORKING GROUP A - “CREATING NECESSARY CONDITIONS FOR INVESTMENT”**

### **SESSIONS 1- Legal and institutional framework and financial infrastructure**

**Rapporteur: Danielius Pivoriunas, Economic and Environmental Adviser,  
OSCE Mission in Bosnia and Herzegovina**

Working group has been focusing on discussing issues related to analysis of financial systems in transitional economies, business infrastructure in various regions, institutional framework, legal and institutional implications and conditions for foreign investments.

Speakers presented their cases on development of financial systems, obstacles and problems developing legal, financial and institutional framework for foreign direct investments. The presenters stressed the importance of political and macro economic stability for security of countries and regions and the inter linkages between security, political stability and foreign and domestic investments.

Presented cases reflected current economic development and investments in South East Europe with analysis of investment environment in Serbia and Montenegro, Macedonia, Kosovo, with comparison to Croatia. Macroeconomic situation in South East Europe has been stabilized and FDI flows are increasing steadily from 206\$ per capita in 1998 to 358\$ per capita in 2002. However, major source for FDI was privatization, most of it sale of SMEs. Inflation rate was stabilized at level of 4-4.6%. The main focus of technical assistance programs is:

- to support good governance, institutional building and rule of law;
- to continue support of market economy and investment into critical infrastructure and environment;
- to support social development and strengthening civil society;

Economic reforms are progressing and increasing steadily. Furthermore, support to governments is planned, to provide credit lines to increase local development, financial assistance to prepare strategies and recommendations for investments and loans for healthcare, education etc., financing project management units and supporting various activities that attract FDI (privatization, capacity building, good governance).

Analysis of financial system was presented showing that high number of banks is not always a supporting factor for FDI. Private ownership of the banks is prevailing in many transitional economies. Not significant part of shares belongs to national investors and over 60% are owned by foreign investors. Therefore stability of financial systems and banking sector is very important for attracting FDI. Banks performance indicators like liquidity, profitability, credit activity and quality, operations efficiency are important for sustainability of financial systems. For fostering FDI in transitional economies it is important that processes of integration of banks into local stock exchange be enhanced. An integrated banking system in a country, the existence of a joint trade platform based on modern technology result in a significant decrease of operational costs and an increasing profits for the banks.

Institutional capacity and policies were also analysed in presentations of the session. Speakers presented data on financial systems and bureaucratic barriers and financial cost for foreign and domestic investments in Caucasus region. A case study of Georgia showed that none of features of well functioning financial systems so far exists in Georgia. Underdeveloped financial system is a major obstacle for foreign and domestic investment stimulation in general.

Good impact of OSCE and other international organizations was presented. OSCE supported development of legislation on labour. Further support is needed on legislation on protection of property rights, anti money laundering, land ownership and good governance.

Administrative barriers for foreign and domestic investments are major obstacle in many transitional economies. Analysis of 32 countries were presented. Administrative procedures should be significantly improved especially for foreign investors with regard to entry approvals and legal frameworks, access to land and utilities, land ownership and operation requirements for investors. These are major factors necessary for stimulating foreign direct investments. Institutional capacities of national governments should be increased through establishment of institutions/ boards that analyzes investment environment, administrative and legal barriers for FDI, etc..

#### **CONCLUSIONS AND RECOMMENDATIONS:**

- Political and macro economic stability plays crucial role in stimulating foreign and domestic investment;
- Fostering regional cooperation and supporting development/upgrade of necessary legislation for more favourable conditions to FDI is needed;
- Integration of financial institutions and banking sectors in country and region would foster investment environment. Co-operation in this field is very important;
- Capacity building through training in national and local institutions as well as promoting good governance would stimulate FDI;
- Establishment of joint boards/councils among governmental institutions and businesses would strengthen institutional knowledge on environment for FDI and speed up abolishment of administrative barriers;
- OSCE/International organizations should focus on supporting governments on legislation development, good governance, money laundering and promoting the rule of law.

## **SESSION 2 - International and Regional Cooperation**

**Rapporteur: Mr. Torbjorn Bjorvatn, Senior Economic Officer, OSCE Center in Dushanbe**

The topic for second session of Working Group A's deliberations was: "Creating Necessary Conditions for Investment – International and regional co-operation".

The discussion reflected the fact that regional conflicts impede foreign direct investments in many regions in the OSCE area. As a result, economic development is hampered in individual states as well as in entire regions.

OSCE has a mandate that makes it particularly suited to address regional conflicts. Moreover, the recently adopted OSCE Strategy Document for the Economic and Environmental Dimension emphasises OSCE's role in securing a stable security environment so that trade and business can prosper. Similarly, economic conflicts are at times the cause of political tension between countries. In this sense, economic and political co-operation go hand in hand. Both are necessary to prevent conflict and to foster democratic societies, human rights and the economic prosperity of the peoples

It was pointed out that the OSCE should facilitate cross-border economic co-operation among interested countries. OSCE could play a facilitating role promoting and supporting regional programmes such as BSEC, GUUAM, TRACECA, SPECA etc.

The OSCE is in a position to ensure that relevant information is shared among participating states about investment opportunities of a national or regional nature.

Sometimes national interests conflict. Whereas one country may want to cooperate regionally, its neighbours may have other priorities. It was underlined that each country's policy choices must be respected. At the same time, the OSCE's general position is that economic co-operation across borders is important, for both economic and security reasons. OSCE needs to continue working on regional economic cooperation issues. The aim must be to develop common attitudes and policies that all member states can support, and that foster economic development, political stability and national and regional security.

The extension of the European Union in May 2004 is a challenge for several OSCE participating states in South East Europe, in Eastern Europe, in the Caucasus and in Central Asia. OSCE may look for arrangements that accommodate the interests of non-EU members on the fringe of the enlarged EU area.

Foreign direct investment often means a deep rooted cultural change. OSCE participating states should share experience and best practices with each other. In this process it is important to recognise the national context and to respect the historical and economic context of each country.

Co-operation initiatives should only involve states with a genuine interest in cooperation, given the topic in question. Also, cooperation initiatives should focus on practical issues where cooperation is possible. The OSCE must appreciate that regional cooperation is a very complex process. As a rule, it takes many years to accomplish results.

When discussing investments, one must not forget the domestic investors. It is necessary to focus also on small domestic companies. Entrepreneurship is a key to development. The OSCE should continue to support entrepreneurship and micro-credit programmes.

Furthermore, in the process leading up to the Economic Forum, it may be very relevant to review the foreign direct investment experience of countries such as Hong Kong, China and South Korea, i.e. countries outside the OSCE area.

A great number of specialised regional and international organisations work to promote business cooperation and foreign direct investments, regionally and globally. OSCE needs to identify its role in this context. The discussion in this particular session generated some general and some specific suggestions. These suggestions will be important input to the Economic Forum later this year.

## **SESSION 3 - Key Policies and Measures**

**Rapporteur: Mr. Torbjorn Bjorvatn, Senior Economic Officer, OSCE Center in Dushanbe**

The topic for the third session of Working Group A's deliberations was: "Creating Necessary Conditions for Investment - Key Policies and Measures".

The local absorbing capacity was stated as a crucial issue. The host country must be prepared to incorporate foreign direct investments. OSCE may find a role for itself in complementing more specialised agencies in enhancing the general level of preparedness of the host country. Important areas in this respect are education and training in order to improve the human capital stock. This question will be at the focus of attention at the 3<sup>rd</sup> Preparatory Seminar in Bishkek in March this year.

Generally speaking, the same policies which are effective for general economic reform or general economic development are also the ones that are most effective in order to attract foreign direct investments. The OSCE should continue to advocate the rule of law, good governance, the virtues of good legislation and law implementation, and the benefits of market economy and free trade. The need to respect national particularities, and for individual approaches to each country, was also emphasised during the discussion.

Governments often establish national investment promotion agencies, tasked with identifying and serving potential investors. Frequently, these agencies also render support to established foreign companies. Governments generally believe that it is important to incorporate foreign direct investments in the domestic economy, in order to maximise the growth impulses in the national economy. OSCE may choose to work together with more specialised agencies to encourage and support participating states in establishing such national investment promotion agencies.

A remark was made as to the audience that the OSCE addresses in its Economic Forum process. Ministry officials and government specialists are frequently supportive of market economy and foreign direct investments. However, the general public and national parliaments may be more sceptical, thus slowing down important legislative processes. It is important to involve the OSCE Parliamentary Assembly in the discussions on foreign direct investment, free trade and the benefits of a good general business environment. A first step will be made already later this week when the OSCE Parliamentary Assembly convenes. The Secretariat will make sure that the recommendations from the 2<sup>nd</sup> Preparatory Seminar in Dublin will be shared with the Parliamentary Assembly.

In reaction to this proposal, it was pointed out that domestic business communities are often the most effective advocates for a good general business climate. They are generally in a better position to influence national policy-makers than international experts appearing at international conferences. Through OSCE's project activities in its Field Representations the OSCE may choose to support the work of national business associations and other bodies that work to promote a better investment climate in their respective countries. One concrete step is to invite such organisations to OSCE seminars in the Economic Dimension.

OSCE may also play a role in advocating international law with regard to foreign direct investments, such as the OECD 1976 declaration on investment and international dispute settlement conventions. Countries both east and west of Vienna have a history of favouring protectionism as opposed to free trade. It was argued that multilateral trade agreements often give the best protection to small and vulnerable economies.

## **WORKING GROUP B – “MAXIMISING BENEFITS FROM INVESTMENT”**

### **SESSION 1 – Impact of Foreign Investment on Domestic Private Sector Development**

**Rapporteur: Mr. Jörn Beisert, Permanent Mission of the Federal Republic of Germany to the OSCE**

Mr Hunya from the Vienna Institute for International Economic Studies emphasized the importance of indirect effects, in particular spillovers, from FDI to the local economy. He differentiated between horizontal (intra-industry) spillovers and horizontal (inter-industry) spillovers. As foreign investors may consider horizontal spillovers undesirable and even block them, the strengthening of vertical linkages assumes special importance.

Mr Bleyzer from SigmaBleyzer/The Bleyzer Foundation showed that the gap between rich and poor countries has been widening constantly. FDI by the private sector was the key to close this gap and would result in wealth creation and an improved quality of life.

Mr Heymanns from DEG – German Investment and Development Company described their approach to investment in foreign countries and illustrated their experience with examples from Croatia and Montenegro (Serbia and Montenegro).

Finally, Mr Placko, Assistant Minister at the Ministry of Economy of Croatia, presented the FDI policies of his country.

It was generally agreed that the positive effects of FDI outweighed possible negative consequences. Adherence to the following recommendations could lead to an increase in FDI and lead to the strengthening of its positive effects.

- Horizontal linkages are more likely if the gap between foreign investors and domestic enterprises is not too big. Governments and other relevant actors should take measures in order to prevent a widening of this gap and the development of a dual economy.
- Government should especially focus on vertical linkages, e. g. through the implementation of linkage promotion programmes in the fields of information, matchmaking, managerial and technical assistance, training, financial support or incentives.
- The concept of private-public partnerships (PPPs) should be pursued, in particular through trying to pair private capital investments with development assistance. PPPs should contribute to sustainable development and be both environmentally and socially acceptable.
- A Private World Fund of multi-national enterprises could contribute substantially to the improvement of an investment climate conducive for FDI. The OSCE could further study such an approach.
- The necessity of a consistent national FDI policy was underlined. This implies for instance liberal profit repatriation laws. The legal framework for FDI should cover countries as a whole. In general, the establishment of special economic zones was not deemed desirable although there may be circumstances where they are justified. For transition countries a uniform approach to privatisation was preferable to case-by-case solutions.
- Governments should take measures to encourage FDI with particularly beneficial effects for their economy.

## **SESSION 2 - Impact of FDI on Human Resource Development**

**Rapporteur: Mr. Jörn Beisert, Permanent Mission of the Federal Republic of Germany to the OSCE**

Mr Petković of the University of Belgrade looked at the relationship between the business sector and institutions of higher education. The development of human resources increased the opportunities for and the potential of private enterprises. He underlined the need of a close dialogue between universities and private enterprises and stressed the importance of co-operation, e.g. through internships.

Mr Amirov from Samsung Electronics in Kazakhstan described the activities of his company focussing on human capital development in the IT sector.

Mr Fitz Gerald from the Economic and Social Research Institute in Dublin, Ireland, described the Irish experience of human capital development. Increased human capital resulted in a productivity increase and contributed to increased female participation, lower unemployment, higher earnings and could reverse brain drain.

The session came to the conclusion that a high degree of human capital formation increases the attractiveness of a country for FDI. On the other hand, FDI can make a positive contribution to human capital development and skill formation. The following recommendations were made:

- Policies in the field of human capital development have to be consistent over a long period of time.
- Policies in the field of human capital development should take gender aspects into account and promote the empowerment of women and their increased participation in the labour force. The OSCE should continue its related activities.
- Countries should implement policies which are attractive for skilled labour, e. g. through tax incentives, measures to improve the quality of life etc.
- Investment in primary and secondary education is of critical importance. Here the return on investment has an even higher rate of return than in tertiary education.
- Countries should invest into a diverse range of skills in order to reduce vulnerability to external economic shocks.
- Stakeholder dialogue in the field of human capital formation should be encouraged. The OSCE could make a contribution in this field.
- Governments could support private sector initiatives for human capital development.
- The OSCE should intensify its work to empower vulnerable and economically disadvantaged groups.

## **SESSION 3 - Impact of FDI on Environment**

**Rapporteur: Mr. Jörn Beisert, Permanent Mission of the Federal Republic of Germany to the OSCE**

Dr. Andreas Dally from Loccum Protestant Academy in Germany explained the relationship between ecology and political stability. He presented several case studies of large multinational companies which attempt to reconcile economic goals with ecological needs.

Mr Jeyhun Mammadbeyli from the Business Development Alliance in Azerbaijan reported about the ecological problems which FDI may cause in his country and about the approach of the authorities to deal with this problem.

Mr Alket Mancka from the Foreign Investment Promotion Agency of Albania informed about investment opportunities in environmentally friendly businesses in his country.

It became clear that even though FDI can have a negative impact on the environment, through appropriate regulation recipient countries can achieve a significant improvement of the environment. The protection of the environment itself offers interesting business opportunities for foreign investment. Often large multinational companies were more sensitive to environmental concerns than smaller investors. The discussion resulted in the following recommendations:

- Environmental regulation including incentives for ecologically friendly behaviour and sanctions for violations are of significant importance. The OSCE could contribute through legislative assistance and through assistance programmes which would improve law enforcement and the judicial system.
- Self-regulation initiatives of investors should be encouraged.
- The ratification and implementation of international agreements (e. g. Kyoto Protocol) and the adoption of international ecological standards can contribute to the solution of environmental problems.
- Recipient countries should make full use of the possibilities offered by international organizations to address ecological problems.
- Ecological problems are characterized by external effects which may be trans-boundary. Regional co-operation should be encouraged. The OSCE should continue activities in this field, e. g. the Environment and Security Initiative or its projects in the field of river monitoring and management.
- Stakeholder dialogue should be intensified. NGOs and local businesses should participate in such a dialogue. The OSCE might play a facilitating role.
- Measures should be taken to address asymmetric information among the participants of such a dialogue. Again, the OSCE might contribute through awareness raising and dissemination of information.
- The role of an open society and a free press is critical in order to assure transparency. The OSCE should continue to pursue its activities in this field.
- One suggestion was that businesses should contribute to a joint insurance fund to insure against environmental catastrophes caused by their operations.

## PLENARY SESSION: “STRENGTHENING THE PARTNERSHIP OF GOVERNMENTS, PRIVATE SECTOR AND INTERNATIONAL ORGANIZATIONS FOR GOOD GOVERNANCE, CONFLICT PREVENTION AND POST CONFLICT REHABILITATION”

**Rapporteur: Mr. Daniel Linotte, Senior Economic Adviser, OCEEA**

Public and Private Partnership (PPP) and the role of private sector and IOs in conflict prevention and post conflict reconstruction were the main themes of the final plenary.

When introducing the session, Mr. **Frank van Beuningen** underlined that as shown by the Marshall Plan, PPP is far from new. Moreover, referring to Nobel Prize Winner Douglas North, he also underlined that free markets require institutions to function properly. The role of PPP is to build up such institutions.

### Speeches

Mr. **Daniele Ganser** from the Centre for Security Studies of the Swiss Federal Institute of Technology spoke about the potential role of the private sector in preventing conflict and post-conflict reconstruction. Mr. Ganser underlined that the private sector can be involved in conflict prevention, along with States, IOs and NGOs. Such a view is partly new and reflects the fact that businesses require stability. Thus, there is a considerable untapped potential for involving private sector in peace building operations. An interesting example was provided by the initiative of the Swiss-Swedish Company ABB that involved all communities in Bosnia & Herzegovina to restore electricity supply and related infrastructures in the country.

Mrs. **Susan Simpson**, the Director for Europe of the International Business Leaders Forum, presented IBLF. The organisation aims to promote the role that business can play (individually or collectively) in contributing to long-term peace in conflict-prone areas, and to help companies develop and implement policies and practices to this end. The high human, economic and environmental cost of conflicts fully justifies business involvement in post conflict reconstruction. The benefits of peace are also manifold: better investment opportunities, reduced operational costs, reallocation of national share expenditures. IBLF has activities in South Eastern Europe. Lessons learned indicate the importance of the workplace for trust building and reconciliation, etc.

Mrs. **Eleonore Kopera** of the Business Humanitarian Forum insisted on the fact that post-conflict reconstruction requires sustainable initiatives that offer long term perspectives for job creation, not limited to reconstruction *per se*. Domestic entrepreneurs should be the focus of specific supports. Well targeted donations of equipment could help (re-)start the production of essential products such as, for instance, medication, furniture and flour. That requires identifying both donor and beneficiary partners and setting companies without having yet the right legal and institutional environment. In such harsh contexts, creativity and flexibility are essential.

Mr. **Conrad Eckenschwiller**, Consultant, Institute de L'Entreprise, member of the Business Advisory Council for SEE presented a paper, on behalf of Mr. **Pierre Daures**, Chairman of BAC/SEE.. The speaker summarised the actions of Business Advisory Council for South Eastern Europe. BAC SEE has several functions, including: to advise on business matters in SEE within the framework of the Stability Pact, to advise governments and business communities in recipient countries, to ensure an effective follow-up of recommendations, to attract investment to SEE and to increase trade with and among SEE-countries, etc. Thus, the building up of infrastructures, free trade, SME development and the rule of law / judicial system are seen as priorities. One key-issue is political risk for which the private sector must receive support. A sharing of risk between the private and public sectors is thus recommended. Two major proposals were also made: 1) developing tests on infrastructure projects and 2) supporting the so-called "UN Global Compact" on Public Private Partnership.

Professor **Dzevak Sehic** spoke about local economic development in Bosnia & Herzegovina. He underlined that sustainable development requires the combination of at least four dimension: economic, social, environmental and institutional. In that context, local development is essential. It refers to venture capital, training and skill building, employment services, youth entrepreneurship, women business initiatives, diversification and local regulatory reforms.



## Discussion

Many issues were raised during the discussion: how to identify partners, the importance of good governance, the difficulties for parties to meet their commitments, etc.

Furthermore, key-recommendations were made:

### Dialog among stakeholders

The OSCE should facilitate the dialog between government officials and business representatives. Public Private Partnership initiatives also require dialog and flexibility and the OSCE should support this dialogue, leading to a better understanding between the parties involved.

### Institutional framework

Effective PPP requires institutions. OSCE should support the capacity building of state institutions. On the other hand, following the SEE experience, Business Councils could be established in other OSCE regions with OSCE support. Such an approach would also be instrumental for enhancing the dialogue and stimulating the co-operation between stakeholders.

### Enhancement of PPP

PPP must be developed further. For that purpose it might be useful to consider the development of a unified common framework for PPP. The elaboration of a *White Book* that would include a common basic terminology, standard procedures and regulations, as well as practical examples and so-called "best practices" might be considered.

### Follow up

The OSCE should envisage follow up activities in order to facilitate a better understanding and assessment of existing experiences and with a view to developing further concrete proposals on PPP.

### Strengthening co-operation

The OSCE should advocate a stronger involvement of business community in promoting good governance, conflict prevention and post conflict rehabilitation and should seek a stronger co-operation with business sector and a stronger involvement of the private sector representatives in its activities, including in the framework of the annual Economic Forum. Furthermore, the OSCE should envisage developing co-operation with the private sector in programmatic implementation in relevant areas.

### Monitoring

In order to fill the gap between commitments and implementation, a monitoring mechanism for assessing the implementation of commitments should be designed. The monitoring exercise may involve OSCE field presence.

## **CONCLUDING REMARKS**

**by Mrs. Biserka Benisheva**  
**Ambassador, Embassy of the Republic of Bulgaria in Dublin**  
**OSCE Chairmanship**

Thank you very much, Mr. Chairman,

The presentations of Rapporteurs of the Working Groups allow us to more accurately focus on the major factors affecting the facilitation of foreign and domestic investments in the OSCE area. In order not to repeat what has been already stated or to give rise to expectation of drawing extensive conclusion I would like to bring to your attention some general remarks.

The seminar was one of the best attended international gatherings within the OSCE economic and environmental activities in recent years. More than 180 participants from participating State and Partners for co-operation, international government and non-government organizations, business community and academia were present in the Conference Center of the Dublin Castle. The great interest in the seminar was due to its venue in Ireland, the European country most successful in attracting foreign investments, high technology and services, the highest priority attached to theme by all OSCE participating States and well selected key note speakers.

The seminar underscored the significant role of foreign and domestic investments for internal and regional security, social development and sustainable economic growth. It emphasized that countries need to establish favourable investment climate including macroeconomic stability, good governance, and appropriate legislative and institutional framework. The participants noted that the partnership of governments with the private sector and business associations is instrumental for attracting of sustained investment flows.

The seminar has shown that the OSCE, as an organization committed to the comprehensive security concept, has accumulated certain experience in investment promotion. The Organization has a significant political potential for enhancing awareness and mobilizing resources with a view to establishing favourable environment for investments and advocating more engagement of local administrations, governments and international organizations. The OSCE is in a strong position to facilitate contacts and interaction between civil society, entrepreneurs and public authorities on issues related to investments.

The seminar emphasized that in the process of implementing its Strategy Document on Economic and Environmental Dimension and capitalizing on its comparative advantages the OSCE needs to further expand its activities on facilitating foreign and domestic investments such as programs aimed at institutional capacity building, enhancing public-private partnership, improving access to expertise and advise on legislation, policies related to foreign investment, addressing environmental problems of regional character, encouraging of international agreements on investment promotion, etc. We believe that field missions have the potential to assess the feasibility, prepare and implement more new projects on promoting foreign investments.

In conformity with the Platform for Co-operative Security, the OSCE is strongly committed to further synergy at various levels and enhance established co-operation with other international organizations and institutions involved in investment promotion.

Mr. Chairman,

This seminar has accomplished its main goal of clarifying the role of investment for conflict prevention and post conflict rehabilitation in various sub-regions of the OSCE, considering best practices in attracting investment to the impoverished regions and sharing expertise on establishment of enabling investment environment. It has elaborated proposals that the OSCE bodies could further consider and transform into concrete recommendations and follow-up measures. I believe that the large majority of proposals have a direct bearing to the discussions during the forthcoming Economic Forum.

In order to extend more detailed information about this significant seminar to our capitals and to the wider business and academic audience, including beyond the OSCE area, we have suggested to the Office of the Co-ordinator for the OSCE Economic and Environmental Activities to subsequently release on its web site in Internet along with the Consolidated Summary of the seminar the texts of all available key note addresses and other interventions.

I would like to express profound gratitude to the Irish Government for its warm hospitality and exceptional care during our stay in Dublin. I wish to commend the excellent facilities in the Conference Center of the historic Dublin Castle. All participants highly appreciate the opportunity offered by the Irish Government to visit Dublin Docklands Development Authority and the Digital Hub Initiative and get direct impressions from the outstanding achievements in investment promotion and most advanced technology of Ireland. The visit to the Chester Beatty Library, although not directly connected to the topic of the seminar, allowed us to better feel the sincere respect for other nations' and religion values, noble spirit and generosity of Irish people.

Allow me to express highest appreciation of the relentless efforts of the Office of the Co-ordinator for the OSCE Economic and Environmental Activities for the thorough preparation, excellent organization and smooth proceedings of the event. I would also like to note how grateful we are to the moderators, rapporteurs, key-note speakers and other participants for their contribution. And last but not least my special words of thanks go to the organizers, the translators, the members of the logistic team who so admirably performed during these two days.

Finally, let me invite you to the Third Preparatory Seminar on "Professional Skills Needed for Developing a Market Economy" in Bishkek, Kyrgyzstan, on 29 and 30 March.

Thank you, Mr. Chairman.

## CONCLUDING REMARKS

**by Mr. Marcin Świącicki,  
Co-ordinator of OSCE Economic and Environmental Activities**

Excellencies,  
Ladies and Gentlemen,

I would like to welcome you all to the Closing Plenary Session. Over the last two days we have heard very interesting presentations on a wide range of issues related to stimulating investment and we had fruitful debates.

I have the pleasure to start this session by giving the floor to the rapporteurs of the working groups and sessions. They will summarize the discussions and concentrate on the suggestions formulated during the seminar.

The report on the first plenary session “Risks, Security and Investments” will be presented by Mr. Oleg Ziborov, Permanent Mission of the Russian Federation to the OSCE.

The report on Working Group A, session 1 - Legal and institutional framework and financial infrastructure will be presented by Mr. Danielius Pivoriunas, Economic and Environmental Adviser, OSCE Mission in Bosnia and Herzegovina.

The report on Working Group A, sessions 2 and 3 – International and regional co-operation and Key policies and measures will be presented by Mr. Torbjorn Bjorvatn, Senior Economic Officer, OSCE Center in Dushanbe.

The report on Working Group B, Maximising benefits from investments will be presented by Mr. Jörn Beissert, Permanent Mission of the Federal Republic of Germany to the OSCE.

The report on the second Plenary session - Strengthening the partnership of Governments Private Sector and International Organizations for good governance, conflict prevention and post conflict rehabilitation will be presented by Mr. Daniel Linotte, Senior Economic Adviser, OCEEA.

I would like to thank the rapporteurs for all their work and give the floor to Ms. Biserka Benisheva, Ambassador of the Republic of Bulgaria in Dublin, representing the OSCE Chairmanship, for her summarising remarks.

I would now like to give the floor to Mr. Stephen Dawson, representing the Irish Mission to the OSCE.

Ladies and Gentlemen,

It is not easy to summarise everything that has been said these days, but we heard many different views and good proposals. These too proves the added value of this seminar, held at the right time and in the right place. Before closing I would like to share with you a few final comments.

During our seminar we had an opportunity to listen to outstanding speakers. I want to thank all of them as well as the excellent moderators, rapporteurs, discussants. All of you contributed to the success, as I deem, of this seminar.

We learned about the importance of investment for economic growth, prosperity, about spillovers in education and to improvement in environment, if proper policies are in place. We also learned about dramatic differences between countries in attracting investors. This is not good for security.

A lot of attention was devoted to conditions conducive for investment. There are many of them:

- political stability and macroeconomic stability;
- solid financial institutions;

- size of the market – it matters and that is why regional integration is so important;
- rule of law, independent and expeditious judiciary,
- national treatment for foreign investors;
- some tax incentives but not overdone since this might be counterproductive.

No single condition can guarantee the success, but a single condition missing guarantees failure.

Interestingly enough, many of those conditions do correspond with commitments taken by participating States in the recently adopted OSCE Strategy Document.

We learned about the best practices at source, from the first hand Irish experience. We could see with our own eyes how active search for investors works. I am grateful for Irish hosts for sharing with us their experiences and for the contribution the Government of Ireland made to the meeting.

Representatives of international organizations, business community, NGOs, academia, my colleagues from OSCE field presences, shared with us their views, experiences, observations. We count on future co-operation with you in promoting the best practices, streamlining legislation, building investment promotion agencies, training. My Office stands ready to assist states, that would request our assistance, in creating conducive conditions for investment.

In order to absorb all these bright ideas expressed during seminar we need trained people. Let me, therefore, invite you to our next preparatory seminar that will be held in Bishkek on March 29-30 and will be devoted to building human capital for market economy. I am looking forward to seeing a number of you there.

My Office will prepare the Consolidated Summary of the Seminar that will be available soon to the Delegations in Vienna and to the participants . It will be also available on our web site. At the 12<sup>th</sup> Economic Forum we will debate the suggestions for follow up actions by the OSCE, participating States and my Office.

Before closing I would once again like to express my gratitude to our Irish hosts, represented here by Mr. Stephen Dawson. Special words of thanks go to the Irish logistic team, for their excellent job, and last but not least to interpreters.

I would also like to thank the Bulgarian Chairmanship for the efficient co-operation in preparing this Seminar.

In addition I want to thank the staff of my Office, present here and in Vienna, for their dedication and hard work, in particular to Gabriel Leonte and Andrea Gredler.

Our deliberations would of course not have been possible without all the participants in the event, and I would like to thank you all for your support and contributions. All the OSCE Delegations taking part, the many Field Missions, the International Organizations, the business community, NGOs and Academics, thank you very much. I wish all of you a safe journey to your home country.

Let me finish with the old Irish wish “May our glasses be ever full”.



Organization for Security and Co-operation in Europe

The Secretariat

Office of the Co-ordinator of OSCE Economic and  
Environmental Activities

Vienna, 12 December 2003

## Second Preparatory Seminar for the Twelfth OSCE Economic Forum

“Stimulating Foreign and Domestic Investment”

Dublin, Ireland, 16-17 February 2004

### Introductory Note

According to the OSCE Permanent Council Decision No. 558, the theme of the Twelfth Meeting of the Economic Forum, that will take place in Prague from 31 May to 4 June 2004, will be “New Challenges for Building up Institutional and Human Capacity for Economic Development and Co-operation”.

**The seminar in Dublin, second in a series of three preparatory seminars leading up to the Economic Forum, will take place on 16-17 February 2004 and will focus on “Stimulating Foreign and Domestic Investment”.**

Investment, as well as trade, represents an important link between economies and countries, stimulating and consolidating co-operation in other areas. Investments accelerate economic growth, contribute to generating prosperity and stability, therefore being an important element of conflict prevention.

As investors look for stability and try to avoid unnecessary risks, lack of investments should be considered as an early warning indicator. When private companies or individuals do not invest it means they perceive present or future risks; they do not trust the environment is stable or predictable enough; they do not see prospects for economic development.

Despite a general improvement of the investment climate since the early ‘90s, countries’ performances in the field of stimulating investments have varied across the OSCE region. Statistics reflecting the level of foreign investments in different countries and regions show numerous discrepancies and indicate that these discrepancies are aggravating with time. According to the Transition Report 2003, recently published by the EBRD, the cumulative Foreign Direct Investment (FDI) inflows per capita over the period 1989-2002 have totalled 1767 USD in Central eastern Europe and the Baltic States, 358 USD in South-eastern Europe and 242 in CIS. This new polarisation, the existence of countries and regions with relatively modest or fluctuating levels of investments may have serious security implications. Deepening economic disparities between and also within countries is recognized as a threat and a challenge by the new OSCE Strategy Document for the Economic and Environmental Dimension.

Other statistics and indicators, ranking countries according to their performances in implementing market oriented reforms, rule of law, fighting corruption, or according to the incidence of negative phenomena such as organized crime and various forms of trafficking also indicate a certain polarization. There is a direct strong statistical correlation between lack of investments and lack of rule of law and poor market reforms, between lack of investments and corruption, organized crime and trafficking.

To no surprise, the amount of investments, both foreign and domestic, in times of open conflict, political turmoil and instability, or even if such a risk is only perceived, is extremely limited, if not zero. Moreover, in such situations capital is leaving the country, which might destabilize even more a fragile economic situation. Once that occurs, investors' confidence has to be again regained – requiring considerable time and effort. Widespread corruption or the proliferation of organized crime have often the same negative impact on investments as open conflicts.

Attracting foreign investments as well as creating a transparent local environment to encourage domestic savings and investments have been considered top priorities by many countries in transition. Both foreign and domestic investments need a favourable business environment. This behoves transition countries to pursue policies of good governance and rule of law to attract investments.

A number of transition countries are still undertaking difficult economic reforms, including the privatization of state owned enterprises, and attempting to address serious infrastructure and environmental concerns. In some countries conflict situations have exacerbated these challenges.

International assistance is not sufficient to address the development needs of transition countries and does not provide for sustainable economic growth. Long term growth and socio-economic stability can not be achieved without stimulating private sector investments. Foreign direct investment (FDI), Diaspora remittances, and local savings and investment are all critically important sources of capital to foster economic development and growth.

The Yerevan seminar on SME development touched upon the necessary conditions for stimulating domestic investors. SMEs are a driving force for economic growth but their capacity is limited. Foreign capital is needed to fill the gap.

The seminar in Dublin will continue to discuss the necessary conditions for stimulating investments, both in foreign and domestic, yet focus on what attracts foreign direct investments (FDI) in particular.

To this aim, a first plenary session will try to assess the investment climate by looking into a series of determinant factors for the investment decision, such as good governance and the rule of law, predictability and stability, and consequently, those of corruption, instability, organized crime etc.. The session will try to highlight the relationship between risks, stability and security on the one hand and investments on the other. Once the challenges are identified, the seminar will focus on shaping possible responses and solutions.

One Working Group will deal with creating the necessary conditions for both foreign and domestic investment and will discuss topics such as:

- legal and institutional framework and financial infrastructure – reducing barriers to investment, non-discriminatory legislation, development of the banking sector, role of investments promotion agencies, partnership with business associations, etc;
- international and regional co-operation - the importance of relevant conventions, harmonizing practices, trade liberalization, regional infrastructure, creation of integrated regional markets, facilitating cross-border movement of people and goods etc;
- policies and measures in key areas - free trade zones, special investments areas, tax incentives, business incubators, industrial sites, etc;

The other Working Group will focus on the qualitative benefits foreign investments can bring to an economy, and therein identify the measures needed to maximize these benefits. The working group will focus on topics such as:

- the impact of foreign investments (including diaspora remittances) on the domestic private sector development - increase competitiveness, spill over effects, development of SMEs, development of local supply and sub-contracting networks, technology transfer, industrial restructuring, how to diversify FDI, to invest more outside extracting industries, etc;

- the role of FDI in human resources development - job creation and skills development, professional reconversion, know how transfers, improving managerial skills, creating opportunities for youth, including internships and employment opportunities, etc;
- the role of FDI in promoting higher environmental standards and environmental responsibility – promotion of environmental friendly investments and effect on domestic economy, etc.

Furthermore, a second plenary session will focus on the co-operation between governments, private sector, and international organizations in promoting good governance, conflict prevention and post conflict situations. The session will discuss, *inter alia*, the added value the private sector can bring in addressing the socio-economic aspects of conflict prevention and post conflict rehabilitation as well as how to direct/attract FDI in specific regions (rural areas, depressed areas, areas posing environmental risks, etc) and how to target socially vulnerable groups. The UNECE's concept for a regional compact and the presentation, on 3 October 2003, in the Economic and Environmental Sub-Committee, of the book "Conflict Prevention – the untapped potential of the business sector" will serve as a starting point for the discussion.

The seminar will provide an opportunity for sharing of experience and lessons learned in the field of stimulating investments, in line with the new commitments stipulated in the newly adopted OSCE Strategy Document for the Economic and Environmental Dimension.

The seminar will bring together representatives of governments and state institutions, international organizations, business sector, civil society and academic community. A substantial contribution from representatives of the business sector would be highly appreciated. The OSCE participating States are strongly encouraged to include in their respective national delegations representatives of the private sector. OSCE field presences will also have an important contribution to the discussions.

All participants are expected to present concrete proposals on how the OSCE/OCEEA could be instrumental in the field of stimulating investments. Recommendations and suggestions emerging from the seminar will be further discussed in the Economic and Environmental Sub-Committee of the Permanent Council.

**Please find attached a draft agenda and the organizational modalities of the seminar.**

Further updates of the agenda and organizational modalities will be circulated to the delegations and participants in due time. Information on the seminar – including registration forms, a regularly-updated program and organizational modalities – are also available on the OSCE web site: <http://www.osce.org/eea>

**For further information please contact the Office of the Co-ordinator of OSCE Economic and Environmental Activities:**

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Organization for Security and Co-operation in Europe

The Secretariat

Office of the Co-ordinator of OSCE  
Economic and Environmental Activities

Dublin, 16 February 2004

Twelfth OSCE Economic Forum  
“New Challenges for Building up Institutional and Human Capacity for Economic Development  
and Co-operation”

**Second Preparatory Seminar:  
“Stimulating Foreign and Domestic Investment”  
Dublin, 16-17 February 2004**

**ANNOTATED AGENDA**

**Sunday, 15 February 2004**

- 18.00** Registration of participants – Hotel Alexander, Dublin
- 19.30** Welcoming Reception hosted by the Co-ordinator of OSCE  
Economic and Environmental Activities, Aston Suite, Hotel  
Alexander, Dublin

**Monday, 16 February 2004**

**09.00 – 09.45** Opening Plenary Session (open to Press)

- Welcoming Addresses and Introductory Speeches by:
  - ❖ H.E. Mary Harney, Deputy Prime Minister of Ireland/EU Presidency, Minister for Enterprise, Trade and Employment
  - ❖ H.E. Lubomir Ivanov, Deputy-Minister of Foreign Affairs of the Republic of Bulgaria/OSCE Chairmanship
  - ❖ Mr. Marcin Świącicki, Co-ordinator of OSCE Economic and Environmental Activities

**10.00 – 11.30** Plenary Session: Risks, Security and Investment

Keynote Addresses: assessing the investment climate from a risk/security perspective; what is attracting/detering investments; the link between security risks and investment; good governance and the rule of law; challenges and opportunities;

**Moderator:** H.E. Lubomir Ivanov, Deputy-Minister of Foreign Affairs of the Republic of Bulgaria/OSCE Chairmanship

**Rapporteur:** Mr. Oleg Ziborov, Permanent Mission of the Russian Federation to the OSCE

- ❖ Mr. Peter D. Sutherland, Chairman, Goldman Sachs International, Chairman, BP p.l.c.
- ❖ Mr. Sean Dorgan, Chief Executive of IDA Ireland
- ❖ Mr. Djoomart Otorbaev, Deputy Prime Minister of the Kyrgyz Republic
- ❖ Mr. Alexander Italianer, Director, DG ECFIN, European Commission

- Discussion

**11.30 – 12.00 Coffee Break**

*WG A and WG B sessions will meet in parallel-*

**- Working Group A – Creating necessary conditions for investment**

Moderator: Mr. Alexander Italianer, Director, DG ECFIN, European Commission (session 1)  
Mr. Eero Vuohula, Advisor, DG RELEX, European Commission (sessions 2 and 3)  
Rapporteurs: Mr. Danielius Pivoriunas, Economic and Environmental Adviser, OSCE Mission in Bosnia and Herzegovina (session 1)  
Mr. Torbjorn Bjorvatn, Senior Economic Officer, OSCE Center in Dushanbe (sessions 2 and 3)

**- Working Group B – Maximising benefits from investment**

Moderator: Mr. Richard Ryan, former Manager of the Planning Division and Secretary of the Board, IDA Ireland  
Rapporteur: Mr. Jörn Beisert, Permanent Mission of the Federal Republic of Germany to the OSCE

**12.00 – 13.30 Session 1 of WG A and WG B**

**WG A – Legal and institutional framework and financial infrastructure**

- ❖ Mr Francois Etori, Lead Economist, Economic Unit, European Agency for Reconstruction
- ❖ Mr. Adnan Rovcanin, Ph.D., Faculty of Economics, University of Sarajevo, Bosnia and Herzegovina
- ❖ Mr. Tigran Sukiasyan, Head of Department, Investment Policy and Market Infrastructure Development, Ministry of Trade and Economic Development, Armenia
- ❖ Ms. Natia Natsvlishvili, Economic and Environmental Assistant, OSCE Mission to Georgia

**WG B - Impact of foreign investments on domestic private sector development**

- ❖ Mr. Gabor Hunya, Economist, Vienna Institute for International Economic Studies
- ❖ Mr. Michael Bleyzer, President & CEO, SigmaBleyzer, The Bleyzer Foundation, Ukrainian Growth Funds, Southeast European Growth Fund
- ❖ Mr. Berndt Heymanns, Vice President, Europe/Middle East/Central Asia, DEG - German Investment and Development Company
- ❖ Mr. Krunoslav Placko, Assistant Minister, Investment Promotion Department, Ministry of Economy, Croatia

**13.30 – 15.00 Lunch break**

**15.00 – 17.00 StudyVisit to:**

**Dublin Docklands Development Authority (investment site, special economic zone) /  
The Digital Hub (pilot project for developing high tech industries)**

**17.00 – 18.35 Session 2 of WG A and WG B**

**WG A – International and regional co-operation**

- ❖ Ms. Yuejiao Zhang, Resident Director General, European Representative Office, Asian Development Bank
- ❖ Dr. Costas Masmanidis, Secretary General, Business Council, Black Sea Economic Co-operation
- ❖ Mr. Declan Murphy, Programme Director, Investment Compact for South East Europe, OECD

## **WG B – Impact of FDI on human resources development**

- ❖ Mr. Goran Petkovic, Associate Professor, Economic Faculty, University of Belgrade, Serbia and Montenegro
- ❖ Mr. Serik Amirov, Marketing Director, Samsung Electronics, Almaty, Kazakhstan
- ❖ Mr John Fitz Gerald, Research Professor, Economic and Social Research Institute, Dublin, Ireland

**19.00 - State Reception hosted by the Department of Foreign Affairs of Ireland at the Chester Beatty Library.**

### **Tuesday, 17 February 2004**

**09.00-10.30 Session 3 of WG A and WG B**

#### **WG A - Key policies and measures**

- ❖ Mr. Alan Bevan, Principal Economist, Office of the Chief Economist, EBRD
- ❖ Mr. Brian Whitney, Assistant Secretary, Department of Enterprise, Trade and Employment, Ireland
- ❖ Ms. Oksana Slusarenko, Economic Advisor to the Vice Prime Minister, cabinet of Ministers of Ukraine
- ❖ Mr. Jan Atteslander, Federation of Swiss Industrial Holding Companies, Vice-Chairman of BIAC Committee on Multinational Enterprises and Foreign Investment

#### **WG B – Impact of FDI on environment**

- ❖ Dr. Andreas Dally, Director of Studies, Loccum Protestant Academy, Germany
- ❖ Mr. Jeyhun Mammadbeyli, Executive Director, Business Development Alliance, Azerbaijan
- ❖ Mr. Alket Mancka, Expert, Client Service Department, Foreign Investment Promotion Agency, Albania

**10.30 – 11.00 Coffee break**

**11.00 – 13.00 Plenary session: Strengthening the partnership of Governments, Private Sector and International Organizations for good governance, conflict prevention and post conflict rehabilitation**

Moderator: Mr. Frank van Beuningen, Policy Co-ordinator, OSCE Desk, MFA, the Netherlands

Rapporteur: Mr. Daniel Linotte, Senior Economic Adviser, OCEEA

- ❖ Mr. Daniele Ganser, Center for Security Studies, Swiss Federal Institute of Technology
- ❖ Ms. Eleonore Kopera, Managing Director, Business Humanitarian Forum
- ❖ Mr. Conrad Eckenschwiller, Consultant, Institute de L'Entreprise, member of the Business Advisory Council for South Eastern Europe
- ❖ Ms. Susan Simpson, Director, Europe and Regional Learning Network, International Business Leaders Forum
- ❖ Mr. Dzevad Sehic, Associate Professor, Faculty of Economy, Sarajevo, Bosnia and Herzegovina

**13.00 – 14.30 Lunch break**

**14.30 - 15.30 Closing Plenary: Reports and Recommendations**

- **Reports by the Rapporteurs of the working sessions**
- **Discussion**
- **Closing remarks**

Ministry of Foreign Affairs,  
Republic of Azerbaijan

**Second Preparatory Seminar for the Twelfth OSCE Economic Forum,  
16-17 February 2004, Dublin, Ireland**

**PROPOSALS**

for further OSCE involvement

Working Group A – Session 1: Legal and institutional framework and financial infrastructure

OSCE should strengthen its cooperation with government authorities of interested countries to assist in:

- upgrading FDI legislation;
- improving legal and institutional framework to attract significant FDI through privatization programs;
- promoting good-governance and transparency;
- eliminating administrative and institutional impediments, in particular in the areas of customs and tax;
- reducing tariff barriers to investment;
- reforming process of banking sector;
- developing a comprehensive set of specific incentives to attract foreign investments in the non-oil sectors;
- adapting national legislation to expedite accession to the WTO;
- promoting public-private partnership dialogue to improve legislation, remove barriers, address and solve emerging problems, and thus to contribute to establishment of favorable investment climate, SMEs development, elimination of regional disparity and successful implementation of poverty alleviation programs;
- awareness-raising among local and foreign investors on present and new legislation in the relevant field;
- increasing the role of investment promotion agencies and other similar structures;
- capacity-building through training programs and seminars, and publishing relevant handbooks and studies on best-practices, FDI barriers, FDI attraction ways, investment opportunities and etc.

Ministry of Foreign Affairs,  
Republic of Azerbaijan

**Second Preparatory Seminar for the Twelfth OSCE Economic Forum,  
16-17 February 2004, Dublin, Ireland**

**PROPOSALS**  
for further OSCE involvement  
Working Group A – Session 2: International and regional co-operation

OSCE should strengthen its co-operation with public and private sector of interested countries to assist in:

- adopting and implementing relevant international conventions;
- intra- and interregional trade facilitation;
- trade liberalization and elimination of trade barriers;
- facilitation of cross-border economic co-operation among interested countries;
- promoting regional initiatives and projects within regional organizations, structures and programs, such as BSEC, GUUAM, TRACECA, SPECA and etc;
- bringing in expertise and financial support of relevant international and regional organizations and financial institutions to implement or contribute to implementation of regional projects and initiatives,
- facilitating information sharing on existing investment opportunities of national or regional nature, resources and assistance available and publicizing information through different networks;
- addressing and solving environmental problems of regional character.

Referring to recently adopted OSCE Strategy Document for Economic and Environmental Dimension it is important to note that Inter-State and intra-State conflicts impede regional economic co-operation and development and undermine the security in the region. So, regional co-operation in South Caucasus with involvement of all countries of the region is possible only upon resolution of existing conflicts in this region. Besides, it should be stressed that unresolved conflicts impede not only regional co-operation but also FDI flow in the region and consequently hamper economic development of individual State and a region as whole. Therefore, OSCE, being a political organization of a relevant profile and having necessary mandate, should play an essential role in resolution of all conflicts in the OSCE area to create required environment for economic co-operation.



Organization for Security and Co-operation in Europe

**Second Preparatory Seminar for the Twelfth OSCE Economic Forum  
“Stimulating Foreign and Domestic Investments”  
Dublin, 16-17 February 2004**

Dublin, 16 February 2004

**DRAFT LIST OF PARTICIPANTS**

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Mr. Genti BENDO	Permanent Mission of Albania to the OSCE, Deputy Head of Mission
Mr. Alket MANCKA	Albanian Foreign Promotion Agency, Investors Services, Expert

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Mr. Sean DORGAN  
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### **ITALY**

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### **KAZAKHSTAN**

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### **KYRGYZSTAN**

H.E. Djoomart OTORBAEV	Deputy Prime Minister of the Kyrgyz Republic
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### **LUXEMBOURG**

Ms. Beatrice KIRSCH	Permanent Mission of Luxembourg to the OSCE, Deputy Permanent Representative
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Mr. Oleg ZIBOROV

Permanent Mission of the Russian Republic to  
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**Twelfth OSCE Economic Forum**  
**Second Preparatory Seminar: Stimulating Foreign and Domestic Investment**  
*Dublin, Ireland, 16-17 February 2004*

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