



**Talking Points of the Secretary General of the Regional Cooperation Council (RCC),
Goran Svilanovic at the**

Sarajevo Business Forum

14 May 2014

Excellencies,

Ladies and Gentlemen,

- It's my great pleasure to participate at the Sarajevo Business Forum today and I embrace the opportunity to discuss with you the vital topic of doing business and investments in the Western Balkans. I am truly encouraged by the number of business leaders present here today, hoping that they will embrace the abundance of investment opportunities in Southeast Europe region.
- I would also like to extend compliments to Bosna Bank International, for the efforts invested into what has become an eminent regional business event. When deliberating on the important economic recovery drivers such as business, trade, and investments, the circumstances in our economies simply impose us to go beyond national borders.
- Allow me first to note that, up until recently, the matter of commercial and economic integration of the region – would be followed by a question mark. Well, not anymore. We are increasingly relying on each other. Just during 2012, we sold each other in the Western Balkans around EUR14 billion worth of goods, which is almost 16% of our overall trade. Even if we look at the FDI this is quite apparent – in 2010, the regional FDI stock (meaning the FDI originating from the region, being invested in the region) stood at around EUR 2.5 billion.
- So, economic integration is here to stay, but how do we maximize the synergies of this regional market? How do we turn this closer integration to our full advantage? Finally, and probably most importantly, how can we help our companies internationalize and move from national to regional, and then from regional to European or global players? These are some of the questions that we in the Regional Cooperation Council want to

address through a better structured and more focused cooperation framework. And this is where a new regional growth Strategy – South East Europe 2020 – comes in.

- This Strategy, adopted by the Western Balkans governments in November last year, represents the most recent example of moving the focus of regional cooperation in the Balkans from stability and peace building to economic growth. The idea of the SEE 2020 is to use the various regional agreements and cooperation frameworks – such as CEFTA, the Energy Community, SEE Investment Committee and others – to promote economic growth and increased competitiveness.
- The logic for this is rather simple and it boils down to the economies of scale. We are a collection of small, middle-income countries in a very rich neighborhood. In a rapidly changing world where companies are constantly rethinking their production and supply networks, we want to make sure that we're positioning the region on the radar of foreign investors.
- There are several ways through which we propose doing this. The first area of intervention – or pillar as we call it – is **integrated growth** and it builds on the need for closer trade and investment integration. Free flow of goods, services, capital and people is at the centre of SEE2020 Strategy and the measures put forward are already being implemented. I'll give you an example: we are one of the few regions in the world where the trade in goods, including agricultural products, is fully liberalized, with no tariffs. This is a no small feat, but we are pushing forward – SEE 2020 envisions an ambitious agenda of further trade facilitation (such as elimination of non-tariff barriers or facilitation of trade through economic corridors), further liberalization (including liberalization of services in some sectors) and investment integration (such as access to third markets through the integration of the region in global supply chains).
- While integration is important, we see it only as one of the ingredients necessary for increased competitiveness. Shifting the economic structure towards higher value-added products and services, and increasing our productivity is another important avenue, this one being addressed in the **smart growth** pillar of the SEE 2020 Strategy. Measures here target better and more cost-effective financing of research & development and innovation, strengthening education qualification frameworks, and alleviating skills gaps and skills mismatches in the labor markets. A good example of a regional intervention in this area is the Enterprise Development and Innovation Facility - a EUR145 million fund currently being structured by the countries, the EU and the IFIs, EBRD included. This fund is intended to provide equity and credit guarantees to high-growth SMEs with technological content.
- Access to adequate infrastructure and efficient use of resources underpins the **sustainable growth** pillar of the SEE 2020 Strategy. This is an area requiring the

greatest prioritization, as the infrastructure development needs are immense, but the fiscal space allows only so much to be done in the near term. While constraining the governments, this might prove a good opportunity to involve the private sector more closely into the process through innovative financing models such as PPPs. However, this will not happen without solid regulatory frameworks, transparent public procurement and strong institutions capable of carrying out projects of such complexity. This is currently also one of the topics being discussed within the Western Balkans Investment Framework, a joint initiative that is bringing together the EU, IFIs, bilateral donors and the governments in the region to help with financing of projects in energy, transport, environment, social sector and private sector development.

- Finally, spreading the benefits of growth remains a priority as does building strong institutions and predictable business environments. In both of these areas – inclusive growth and good governance – we have put forward some 27 measures spanning from labor mobility, labor market governance to the introduction of alternative dispute resolution to cut back on lengthy court proceedings and address judicial backlog.

Ladies and Gentlemen,

- The Strategy contains 86 measures, policy actions and instruments in 16 policy areas. In other words, a handful. The RCC believes that the way to prioritize this further in the implementation is to take a sectoral approach. This is not something unique for our thinking or for this region. Virtually any type of regional economic integration effort has used sectors as a way of making cooperation concrete and tangible. With this in mind, our governments have reached a consensus on two first sectors for prioritization: (i) food and beverage processing and (ii) tourism. These sectors will be seen through the lens of the five pillars of the Strategy – integrated, smart, sustainable and inclusive growth, underpinned by good governance - through prioritizing removal of trade barriers and promoting investment in the given sector, upgrading skills and promoting labor mobility, prioritizing infrastructure investment to support supply chains related to the sector, and ensuring an enabling governance framework.
- In other words, we want to make sure that most of the things we do in the implementation of SEE 2020 in the next few years addresses these sectors primarily. As a first step, RCC has formed two sector working groups on food and beverage and tourism, which are already working on detecting those main barriers hindering the development of these sectors and developing policy responses on a regional level to deal with those barriers. In this approach, the integration of businesses is crucial and we have thus expanded our participants' base from the government to the representatives of the private sector.

- It is very fortunate that on this conference agenda we have the presentation of potentials and prospects for investments in the priority and other sectors across the SEE. I believe that we have a great deal to offer to the global investment community and I will look forward to a strengthened cooperation among all of the involved stakeholders and to the benefit of the region.
- Thank you