STABILITY PACT

MINISTERIAL DECLARATION

ATTRACTION INVESTMENT TO SOUTH EAST EUROPE

COMMON PRINCIPLES AND BEST PRACTICES

July 2002
Ministers representing the Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Republic of Croatia, the Republic of Macedonia, Moldova, Romania, and the Federal Republic of Yugoslavia: Serbia and Montenegro, (hereafter the Participating Countries).

Reaffirming and building on the commitments contained in the South East Europe Compact for Reform, Investment, Integrity and Growth (Investment Compact);

Having regard to the pledge, made by signatories to the Stability Pact in Cologne on 10 June 1999 to foster "economic co-operation in the region and between the region and the rest of Europe and the world, including free trade areas";

Affirming that sustainable development crucially depends on private sector investment both from foreign and domestic sources;

Considering that the Investment Compact provides a comprehensive framework of commitments designed to mobilise investment and promote private sector development;

Welcoming the progress achieved by all participants in implementing these commitments;

Noting that despite promising investment opportunities investment flows to and within the region fall short of needs and expectations;

Recognising the primacy of the multilateral trading system as compared with regional initiatives, the importance of liberal investment regimes and the relevance of the EU Stabilisation and Association Process and the EU enlargement process as the overall framework for closer integration into European structures;

Acknowledging that sustained and intensified efforts are needed within the framework of the Investment Compact to implement economic, legal and administrative reforms and to provide for good governance structures which are essential for creating confidence in public administration and the efficient functioning of markets and enterprises;

Considering that the prospects for attracting and sustaining investment can be significantly improved by regional co-operation and the harmonisation of investment policies based on a high level commitment to the key principles and best practices for successful investment policies;

Convinced that such commitment will enhance the ability of Participating Countries to attract investment, help them attain international standards and further their integration into the global economy;

Have adopted the following Declaration:

**Key Principles and Best Practices**

The Participating Countries recognise the following principles which, to the extent applied, contribute to a favourable climate for both international and regional investment:

- Transparency of national policies, laws and regulations and administrative practices affecting foreign and domestic investment;

- Coherence and stability of these laws, regulations and administrative practices; changes made in light of evolving circumstances should respect the rights of investors established by that time;

- National treatment for foreign investors at both the pre and post establishment stage; exceptions should be clearly and precisely formulated and periodically reviewed with a view to phasing them out;
• Timely and unrestricted transfer of the proceeds of the investment and guarantee for the repatriation of
the capital when the investment is terminated;

• Fair and equitable treatment of domestic and foreign investments with full protection of property rights
including intellectual property; high standards on expropriation and compensation;

• Unrestricted access of investors to effective dispute settlement mechanisms including international
arbitration;

• Movement of key personnel for the investment and simplification of visa regulations;

• Transparency of incentive measures;

• Simplification of administrative procedures for the establishment of new companies, the take-over of
existing companies, the granting of permits, concessions and licenses as well as for other operations or
transactions needed for the establishment or development of private investment;

• Transparent and equitable regulations and procedures for privatisation and de-monopolisation;

• Respect of internationally agreed principles of corporate social responsibility including the OECD Guidelines
for Multinational Enterprises;

• Good corporate governance and integrity in public administration;

• Removal of barriers to trade, which have a negative effect on investment, through increased regional co-
operation;

• Promotion of investment policies and measures consistent with their commitments to sustainable
development, protection of the environment and the observation of internationally recognised core labour
standards.

**Implementation**

In line with the above principles, Participating Countries will:

• Review their policies and rules affecting investment and private sector development with a view to
improving the investment climate in the region;

• Consider adhering to relevant international rules and instruments such as the OECD Declaration on
International Investment and Multinational Enterprises and OECD Principles on Corporate Governance;

• Notify and publish lists of national measures providing exceptions to national treatment and the rationale
for maintaining these measures;

• Take effective measures to combat bribery and corruption, money laundering, organised crime and
commercial fraud and engage in exchange of information and mutual legal assistance on these matters;

• Complete their network of bilateral investment treaties and double taxation treaties within the region and
further expand their treaty network with other countries, which are sources of investment;

• Review the costs and benefits of investment incentives and exchange views and experience on their use
and economic impact;
• Intensify action to remove obstacles to business development, in particular regulations and administrative practices that obstruct or delay investment;

• Enhance partnership in building human capacities and skills necessary for acquiring and spreading the benefits of investment in the region;

• Disseminate timely information on public procurement and ensure the opportunity for all enterprises to participate in bidding procedures under fair and transparent procedures;

• Develop a framework for the competitive functioning of their markets which would include effective competition laws and the reform of economic regulations;

• Strengthen the capacities of investment promotion agencies to disseminate information and to provide services to investors and encourage co-operation among these agencies at regional and international levels; in this context, build on the successful work of the South East Europe Regional Roundtable on Investment Promotion;

• Support small and medium sized enterprises and encourage their co-operation in regional projects;

• Consult business groups, private sector associations, social partners and civil society organisations to explore the development of investment opportunities and to provide input to the decision making process on investment policies, laws and regulations.

Follow-up

The Participating Countries will meet at Ministerial level once a year to review progress achieved in implementing the above Declaration with a view to improving the environment for investment and domestic enterprise development and enhancing the capacity of the region to attract foreign investment. They will make use of the Country Economic Teams and the Monitoring Instruments, established under the Investment Compact, to follow-up and further the implementation of this Declaration. For this purpose, they may decide on additional measures and institutional arrangements.

The Participating Countries call upon the international community to provide technical and financial assistance to help them meet the objectives of this Declaration. They request the Investment Compact Project Team to include this Declaration in the Monitoring Process and to prepare reports on the progress of implementation of the above principles and best practices as a basis for the Ministerial Review.