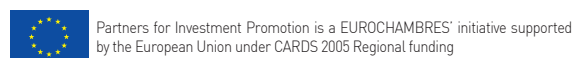




OBSTACLES TO INVESTING IN THE WESTERN BALKANS
THE VIEW OF THE PRIVATE SECTOR



Partners for Investment Promotion is a EUROCHAMBRES' initiative supported by the European Union under CARDS 2005 Regional funding

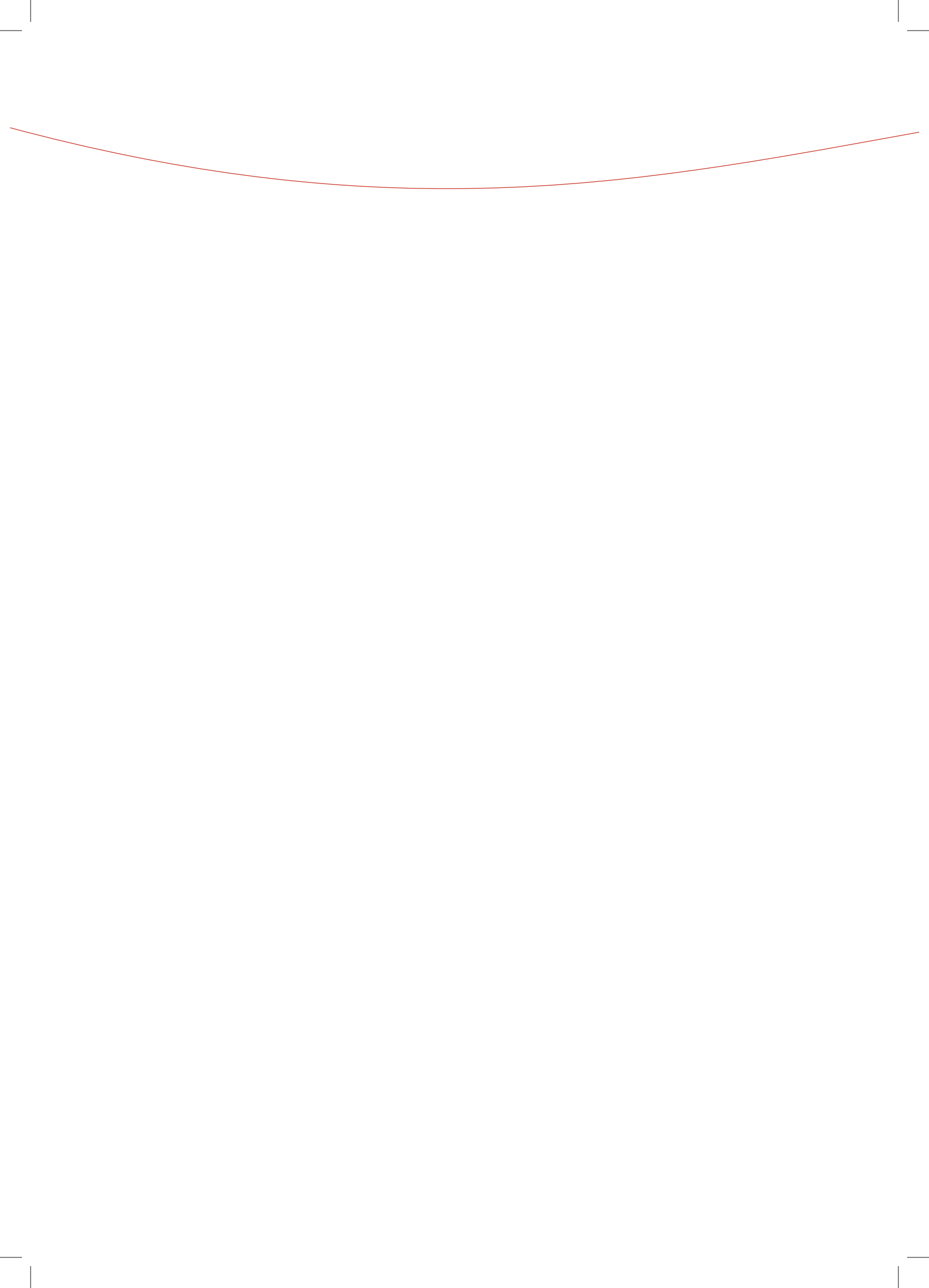


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INTRODUCTION

The region of the Western Balkans benefits from various advantages such as its geographic and cultural proximity to the European Union and a preferential trade system offering almost unlimited access to the Single Market.

In spite of an increasingly positive appraisal of the overall climate for foreign direct investments (FDI) in the region, the present survey will try to demonstrate that significant gaps remain between the current situation and the potential for investments.

The report gathers the views of both the EU private sector and the domestic private sector in Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, and Serbia and, as such, it is part of the “Partners for Investment Promotion” project, a EUROCHAMBRES’ initiative co- financed by the European Union to develop a favourable environment for attracting and retaining foreign investments in the Western Balkans.

This report aims to provide for a comprehensive and up-to-date overview of the perceptions shared by current and potential investors in the region and by no means to supply an additional piece of statistics to the reputable analyses already available.

The survey results are also intended to make a contribution to the efforts by the countries in the region to significantly improve their respective investment environment.



PART I: PERCEPTIONS IN THE WESTERN BALKANS

A number of policies and factors were surveyed with regards to their respective influence in the investment environment of the region.

These are:

- *Investment policy*
- *Trade policy*
- *Human capital*
- *Economic reforms*
- *Access to finance*
- *Tax policy and administration*

INVESTMENT POLICY

When the Western Balkan entrepreneurs were asked to assess the general framework for investments, they generally proved to be quite critical of their public authorities.

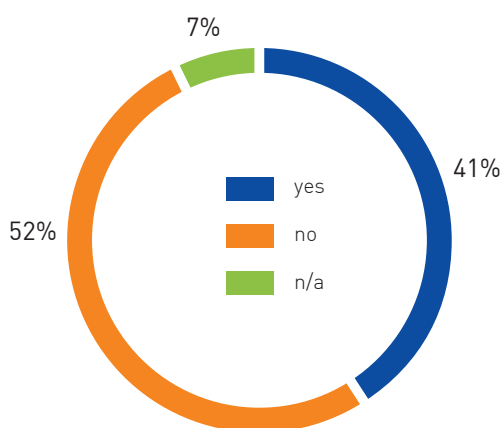
Below is the list of perceived obstacles by order of importance.

Investor-State dispute settlement mechanisms

The majority of investors interviewed in the region claimed that the existing disputes settlement system between business and public authorities was not efficient enough.

Such system is considered by its critics as arbitrary or even corrupt, mostly bureaucratic / administratively burdensome, excessively long and state monopolistic: these are considered as the main factors jeopardizing its good functioning.

ARE THE COMPANIES THAT YOU HAVE INTERVIEWED SATISFIED THAT THE EXISTING LEGAL FRAMEWORK PROVIDES A MEANS OF RESOLVING DISPUTES BETWEEN THEIR BUSINESS AND THE PUBLIC AUTHORITIES FAIRLY AND EFFICIENTLY?



A clear deviation from the above general results emerges for Montenegro and the FYR of Macedonia where respectively 75% and 67% of the companies interviewed considered the existing dispute settlement system as satisfactory.

Conversely in Albania, companies mostly regret the fact that the draft law to establish administrative courts did not pass the parliamentary vote.

When asked how the legal framework could be improved, the entrepreneurs recommended:

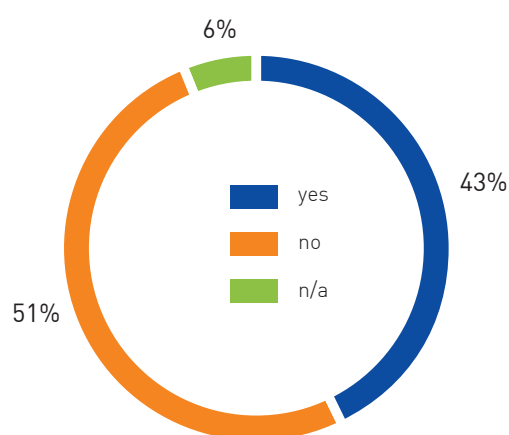
- to guarantee equal treatment between companies and public administration;
- to intensify the fight against corruption, delays and maladministration;
- to ensure full implementation of the legal system and its endurance / predictability.

Information: availability and communication

The evaluation of the transparency factor shows diverging results.

The majority of entrepreneurs in Croatia, Montenegro and Serbia are rather satisfied with the way public authorities communicate changes in the regulatory environment, whereas the opposite is true for their peers in Albania, Bosnia and Herzegovina and fYR of Macedonia. This explains why the overall picture is an almost 50-50 one.

HAS THE BUSINESS OF THE COMPANIES THAT YOU HAVE INTERVIEWED EVER BEEN SURPRISED BY A SIGNIFICANT LEGAL OR REGULATORY CHANGE IMPLEMENTED BY THE PUBLIC AUTHORITIES (I.E. A CHANGE ABOUT WHICH THE COMPANIES HAD NO PRIOR NOTIFICATION)?



As for the priority actions that the public authorities should adopt in the communication field, though, companies in all 6 countries tend to agree. Namely:

- ensure timely and efficient consultation of the private sector (in particular SMEs) on any regulatory reform, both in the preparation phase and in the implementation phase;
- transpose any new piece of regulation in a more accessible language to entrepreneurs;
- use more informal communication tools (e.g. e-mails) in this respect and in both ways (i.e. government to business and business to government);
- ensure that public authorities be more receptive to instances for new regulations or regulation changes originating from the private sector and conveyed via Chambers of Commerce and sectoral associations;
- ensure that public administration officials be fully knowledgeable on the new changes in the legal / regulatory environment;
- cover the costs related to the participation of entrepreneurs in conferences / seminars about regulatory changes.

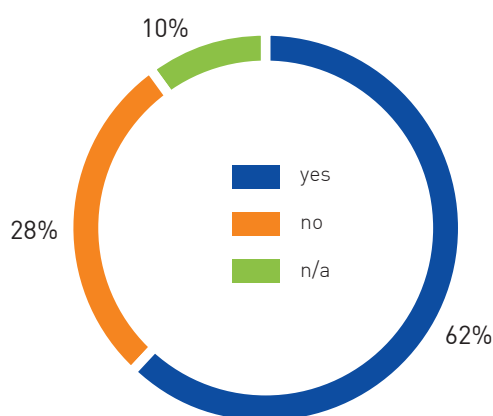
TRADE POLICY

Technical barriers to trade

1) Standards

Both at the regional level and the individual-country level, the majority of companies agree on their government's adoption of voluntary international and EU technical standards for industrial goods. The more enthusiastic business communities are in Albania (82%) and Montenegro (80%).

ARE THE COMPANIES THAT YOU HAVE INTERVIEWED SATISFIED THAT THE GOVERNMENT HAS ADOPTED AND IMPLEMENTED VOLUNTARY INTERNATIONAL AND EU TECHNICAL STANDARDS FOR INDUSTRIAL GOODS?



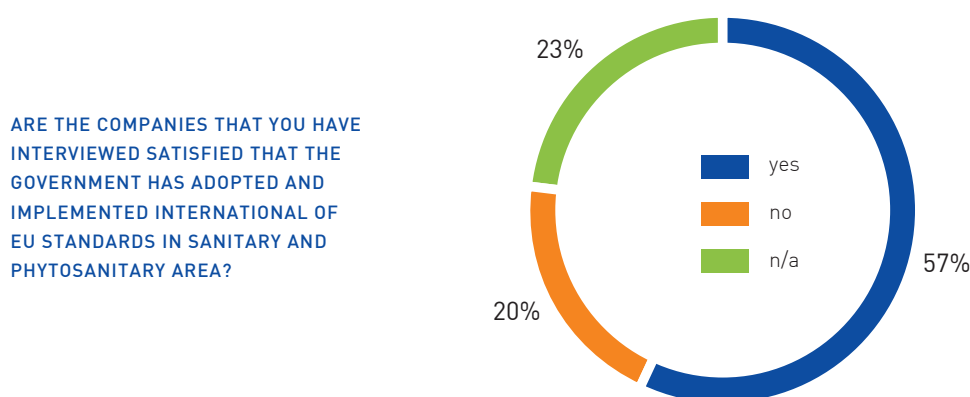
On the other hand, detractors of the actual application of such standards have identified several reasons.

- In Albania, they are mostly concerned with the incongruence arising with regards to previously existing national regulations.
- In Bosnia and Herzegovina, entrepreneurs regret the only partial and/or very slow implementation of EU standards and the lack of a certification body thus obliging them to have their products certified in the country(ies) where they export to.
- Croatian companies mostly call for the technical standards to be translated in the national language, for a more knowledgeable / up-to-date / less bureaucratic administration dealing with this and for more effective oversight of declarations which can be incorrect or manipulated.
- The lack of laboratories dealing in particular with CE marking is especially regretted in the former Yugoslav Republic of Macedonia.
- In Montenegro the private sector seeks the consolidation of a public-private partnership in the field with an ex ante consultation process and an in-depth training of the administration dealing with standards and certificates.

- Finally, in Serbia the biggest concern is the serious delay both in harmonizing technical standards and in issuing marketing authorisations, followed by the consideration that EU standards have only been partially adopted.

2) Sanitary and phytosanitary measures

As for the above, companies in the region generally approve of their governments' adoption of EU or international standards in the sanitary and phytosanitary areas, although as many as roughly one fourth of them (23%) either do not know or have no opinion.



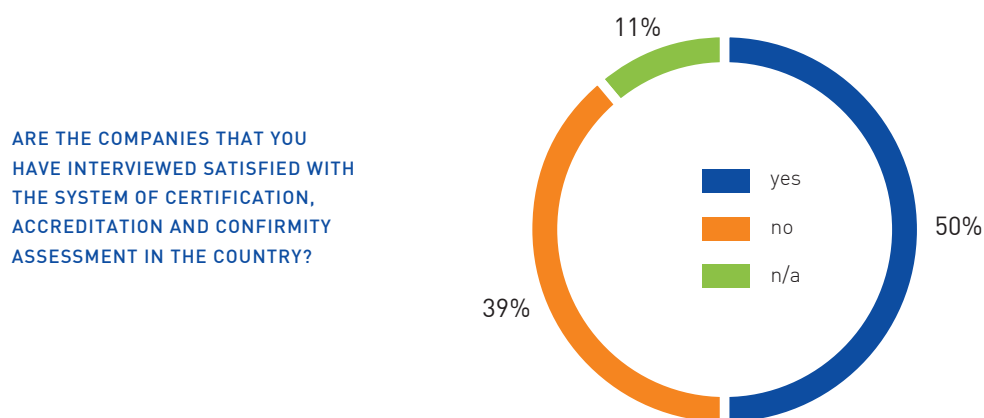
The lack of accredited laboratories and of recognition of certificates issued nationally, together with the insufficient information provided by and inadequate training of the national administrations are the factors that are mostly criticized.

The private sector's view is that the partial or inadequate adoption of sanitary and phytosanitary measures have slowed down export procedures and created an additional financial burden on them. This implies a de facto barrier to trade with the EU countries in particular.

Even for sanitary and phytosanitary standards the comment was made that the same level of protection is not ensured with regards to products that are imported to the Western Balkans, thereby endangering the life / health of their consumers. For instance, while Croatian producers of foodstuffs are requested to adopt the HACCP system, the same is not true for Croatian importers of foodstuffs.

3) Certification, accreditation and conformity assessment

With the exception of Bosnia and Herzegovina, private sector members in the Western Balkans seem generally satisfied with the existing certification, accreditation and conformity assessment systems.



In spite of this, those 39% of them expressing criticism have highlighted a few major shortcomings:

- excessive costs related to certification and testing procedure (which would increase the price of the product thus making it less competitive in the international market);
- insufficient transparency on “who does what” and insufficient information / update on the regulations;
- slow procedure and excessive administration;
- lack of services provided at home (e.g. conformity assessment), thus obliging companies to look for such services abroad (meaning increased costs);
- lack of internationally recognized accreditation / certification bodies at home;
- fraud (e.g. certificate “for sale”).

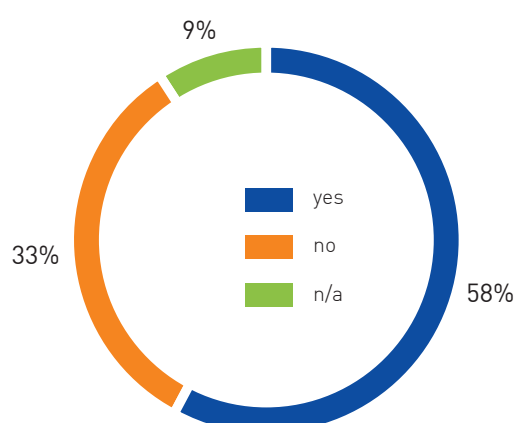
All the above explains why SMEs in the Western Balkans find it particularly difficult, and as a consequence often desist, to seek and obtain the certification, accreditation or conformity assessment required to do business in the EU and other international markets.

Administrative barriers to trade

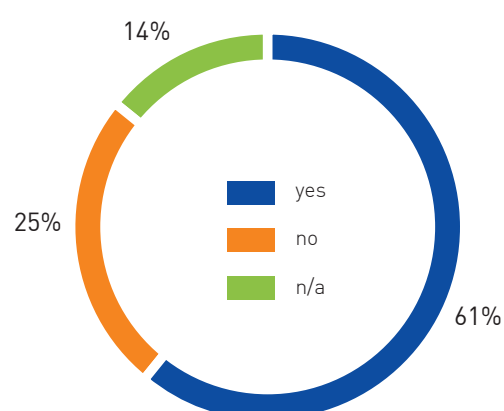
1) Import / export procedures

As it can be grasped from the charts below, the majority of companies interviewed consider satisfactory both the existing system of import procedures and of export procedures (respectively 58% and 61%).

ARE THE COMPANIES THAT YOU HAVE INTERVIEWED SATISFIED WITH THE SYSTEM OF IMPORT PROCEDURES (INCLUDING DOCUMENT PROCESSING, LICENSING AND CUSTOMS CLEARANCE)?



ARE THE COMPANIES THAT YOU HAVE INTERVIEWED SATISFIED WITH THE SYSTEM OF EXPORT PROCEDURES (INCLUDING DOCUMENT PROCESSING, LICENSING AND CUSTOMS CLEARANCE)?



Despite such general satisfaction, Western Balkan businessmen still consider that import / export procedures take too long and they not only call for simplified administration and more efficient customs officers but also for extended working hours of these latter ones.

The proposal is also made that all procedures be completed in one place only and that the customs system be fully computerised and centralised, in order to avoid arbitrary treatment.

Additionally, the delay by which exporters are granted VAT rebates is considered a serious issue across the region.

The private sector in Croatia seems the most vocal in asking for full alignment with EU standards in the field of customs procedures.

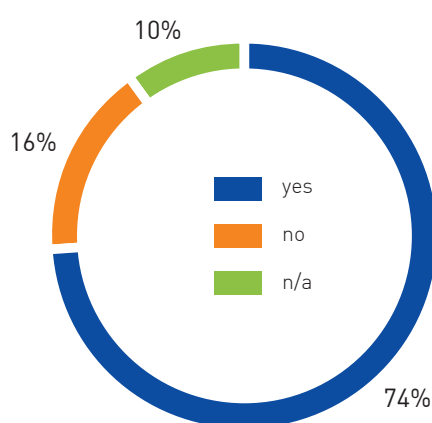
In Albania and Croatia, the ceiling reference prices for imports are considered too high.

In Bosnia and Herzegovina and in Serbia the difficulty to obtain certificates of origin and EUR forms for exporting are particularly lamented.

2) Accessibility of customs laws and regulations

The assessment of the way customs laws and regulations are currently publicized is overall positive, especially in FYR of Macedonia (86%), Montenegro (85%) and Croatia (82%). However in Albania the majority of participating companies (53%) claimed that they were not satisfied with the current system, and in particular with the insufficient information available on the web.

ARE THE COMPANIES THAT YOU HAVE INTERVIEWED SATISFIED THAT INFORMATION ON CUSTOMS LAWS AND REGULATIONS SUCH AS TARIFFS, GOODS CLASSIFICATION AND CUSTOMS PROCEDURES, IS GENERALLY ACCESSIBLE AND AVAILABLE ON WEBSITES AND IN THE OFFICIAL GAZETTE?



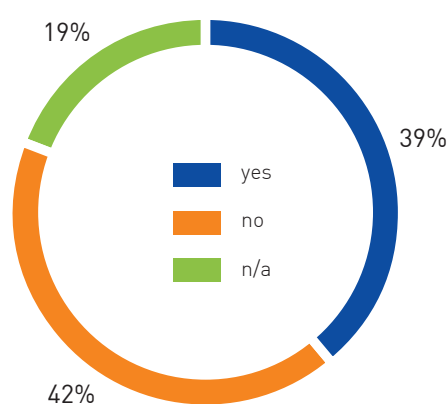
When asked what changes they would introduce, the entrepreneurs interviewed identified the following upgrades:

- *website information is regularly updated;*
- *information is easily accessible in one place only (e.g. establishing an info desk within the customs administration);*
- *regular updates are sent by email to the entrepreneurs operating in foreign markets.*

Export promotion agencies and export promotion programmes

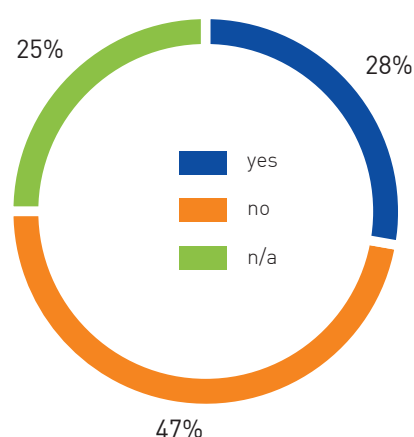
The effectiveness of Export Promotion Agencies appears to be a divisive issue, giving that roughly the same share of respondents expressed an appreciative and, conversely, a disapproving opinion.

ARE THE COMPANIES THAT YOU HAVE INTERVIEWED SATISFIED WITH THE SERVICES OFFERED BY THE EXPORT PROMOTION AGENCY?



Notwithstanding that, only 28% of the companies interviewed were able to identify the need for an additional export promotion programme which is not currently offered in their respective countries.

IS THERE PARTICULAR EXPORT PROMOTION PROGRAMME THAT WOULD PROVIDE VALUE TO THE BUSINESS OF THE COMPANIES THAT YOU HAVE INTERVIEWED AND THAT IS CURRENTLY UNAVAILABLE?

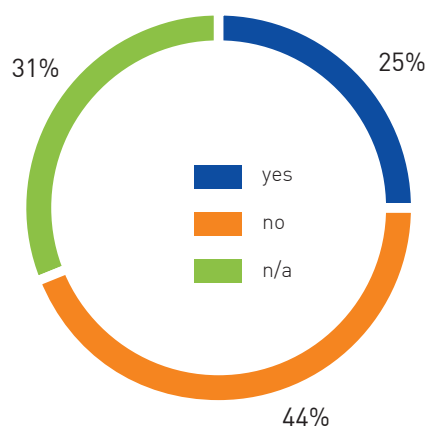


HUMAN CAPITAL

Human capital (i.e. labour supply and flexibility, education policy and skilfulness) is an essential factor determining incoming investment flows.

Chambers of Commerce in the region consider that they are not adequately consulted during the preparation of the national education and training strategies.

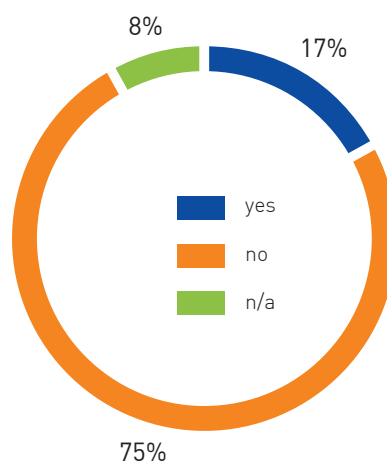
ARE CHAMBERS CONSULTED ON THE PREPARATION OF NATIONAL EDUCATION AND TRAINING STRATEGIES?



Even more so, their member companies (72%) claim that they are ignored by governments when it is the time to develop education and training strategies.

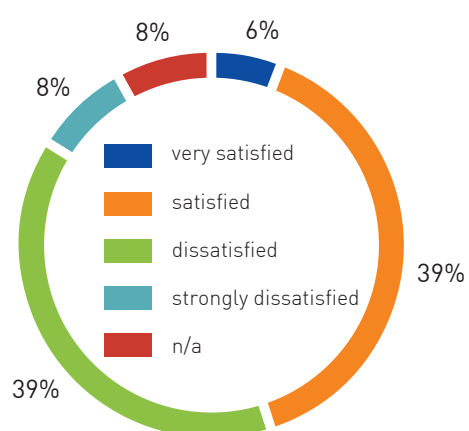
In addition to this, two thirds of the companies interviewed asserted not to have received any public incentive to provide work-related education and training.

DO THE COMPANIES THAT YOU HAVE INTERVIEWED RECEIVE INCENTIVES FROM GOVERNMENT TO PROVIDE WORK-RELATED EDUCATION AND TRAINING?



This is particularly unfortunate if one looks at the results of the question on whether the labour supply meets the market demand. Here, almost half of the entrepreneurs maintained that they were either dissatisfied (39%) or even strongly dissatisfied (8%) with the skills of the recent graduates entering the labour market.

IN GENERAL TERMS, THE COMPANIES THAT YOU HAVE INTERVIEWED ARE VERY SATISFIED, SATISFIED, DISSATISFIED OR STRONGLY DISSATISFIED WITH THE SKILLS AND EMPLOYABILITY OF RECENT GRADUATES WHO APPLY WORK?



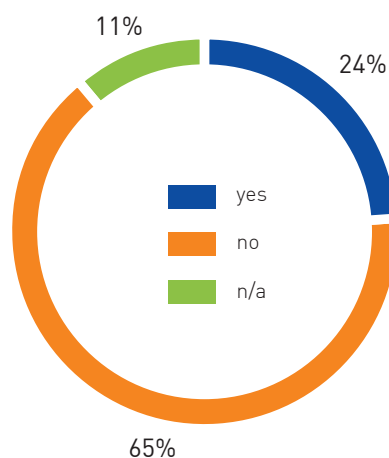
ECONOMIC REFORM PROCESS

A specific law on lobbying either does not exist or is not yet implemented, as it appears in Montenegro and FYR of Macedonia.

Some Chambers of Commerce (e.g. Chamber of Economy of Sarajevo Canton) are active in initiating draft amendments to legislation in the economic field.

Overall, though, the business community in the region perceive that they are excluded from the legislative process and related consultation.

ACCORDING TO THE COMPANIES THAT YOU HAVE INTERVIEWED, DOES THE BUSINESS COMMUNITY ENGAGE IN CONSULTATION WITH PARLIAMENTARY REPRESENTATIVES OF DRAFT LEGISLATION?

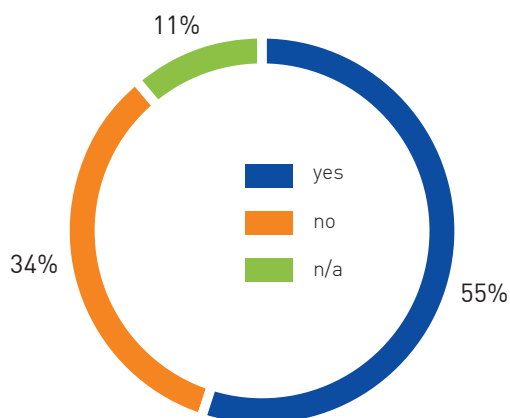


When considering the country-specific situations, the private sector in FYR of Macedonia and Montenegro seems mostly successful in promoting changes to draft legislation in the economic field.

ACCESS TO FINANCE

The ability to obtain bank loans emerges as a problem principally in Serbia, where 46% of companies admitted being unsuccessful, and the fYR of Macedonia, where as many as 63% of respondents stated they had given up because of the too bureaucratic procedures related to lending.

ARE THE COMPANIES THAT YOU HAVE INTERVIEWED GENERALLY ABLE TO ACCESS TO THE BANK LENDING THEY NEED?



Among the main obstacles to access to finance identified by the private sector in the Western Balkans, it is recurring: interest rates and guarantees are considered too high, and banking procedures too long, complicated and/or restrictive.

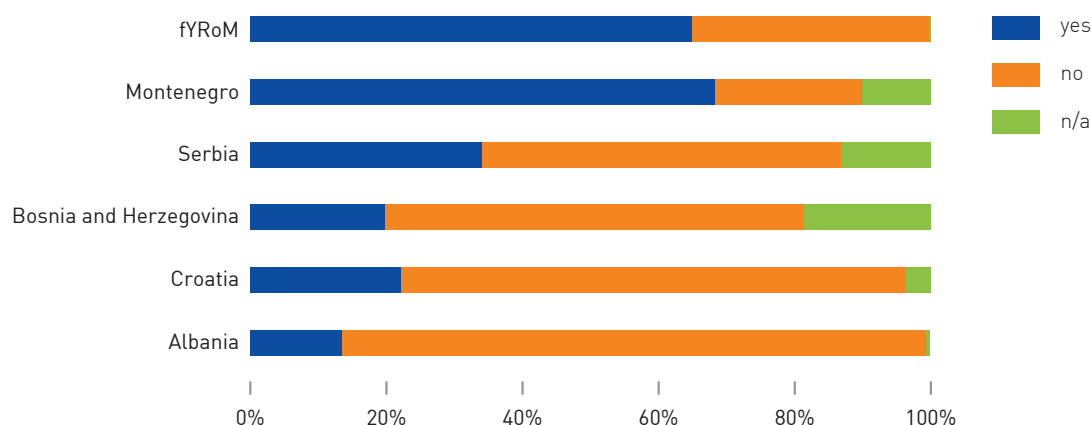
TAX POLICY AND ADMINISTRATION

Globally, companies are quite critical of the tax incentive system in their respective countries, with 62% of them considering it unfair, unclear or inefficient.

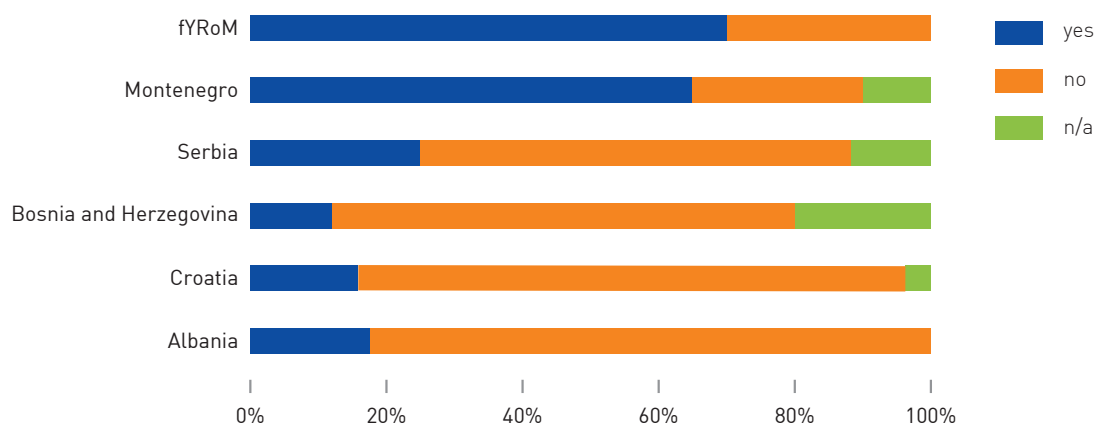
The same is true with regards to the efforts by the tax administration to assist with the compliance, as these are rated as insufficient by 65% of respondents.

Some country-specific differences emerged here, whereby the feedback collected in FYRoM of Macedonia and Montenegro turns out to be more positive about tax incentives and administration than in Albania, Croatia, Bosnia and Herzegovina and Serbia.

DO THE COMPANIES THAT YOU HAVE INTERVIEWED FEEL THAT TAX INCENTIVES ARE GRANTED AND MANAGED IN A FAIR, TRANSPARENT AND EFFICIENT WAY?



DO THE COMPANIES THAT YOU HAVE INTERVIEWED BELIEVE THAT THE TAX ADMINISTRATION HAS ADEQUATELY ADDRESSED THE COMPLIANCE COSTS OF DEALING WITH TAXES IN YOUR COUNTRY?



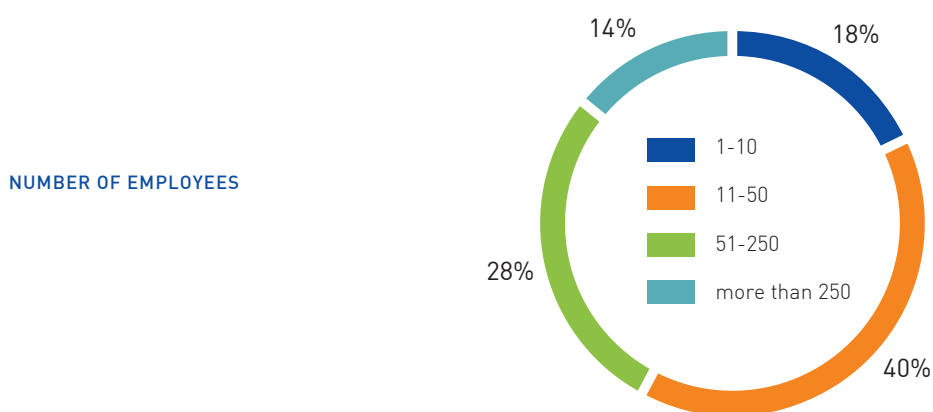


PART II: PERCEPTIONS IN THE EU COUNTRIES

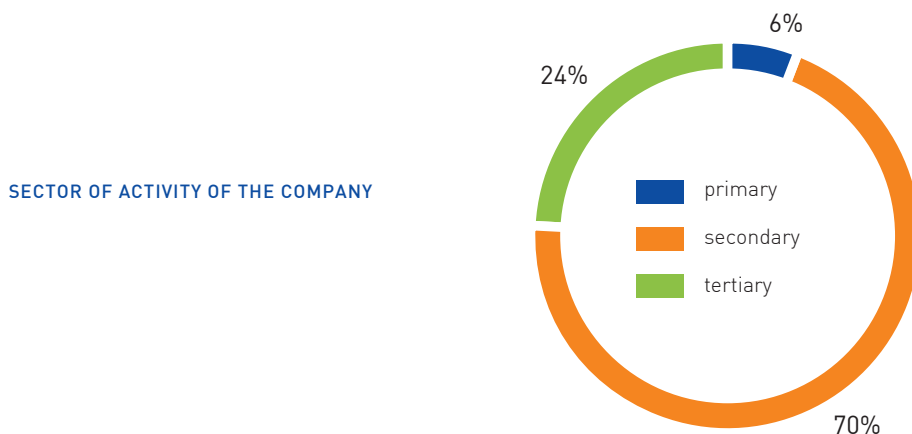
COMPANIES PROFILE

Companies from Belgium, the Czech Republic, Greece, Italy, Slovakia, Spain, Sweden, and the United Kingdom participated in the survey exercise.

Reflecting the structure of the European economy, the vast majority (86%) of the companies interviewed were small and medium – sized enterprises (SMEs)¹. Within this category, small-sized enterprises were the most numerous.



Participating companies mostly belong to the industrial sector.



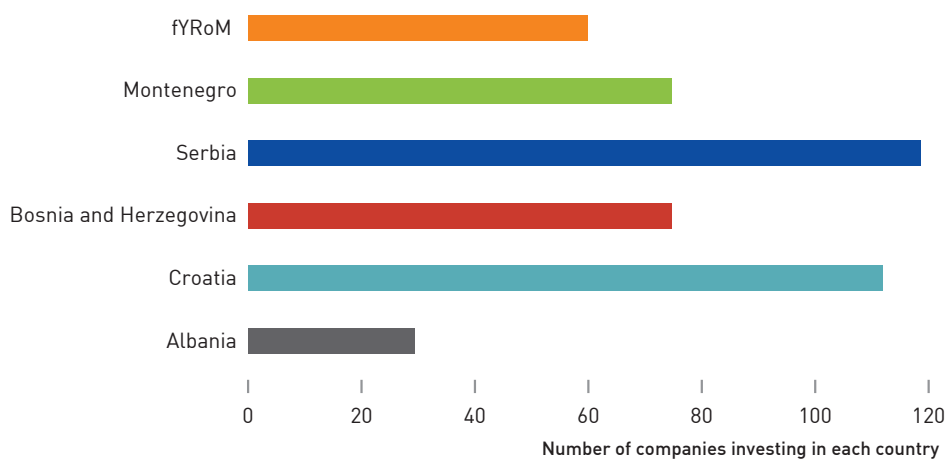
¹ According to the European Commission definition mentioned in Recommendation 2003/361/EC

PROFILE OF FDI TO THE WESTERN BALKANS

The slight majority of respondents (55%) claim to be already operating in at least one Western Balkan country and almost 40% of them are considering investing in the region.

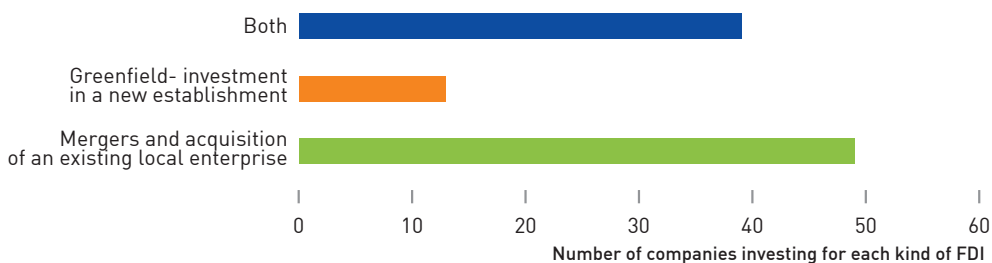
As for the preferred FDI destination, it appears that Serbia, closely followed by Croatia, is considered more attractive than, in order of importance, Montenegro, Bosnia and Herzegovina, FYR of Macedonia and Albania.

IN WHICH COUNTRIES DO THE COMPANIES THAT YOU HAVE INTERVIEWED OPERATE?



The greatest part of the companies interviewed claim that they are investing in the Western Balkans through mergers and acquisitions; 49 % of them are doing such type of investment exclusively while 39% are also embarked in greenfield investments. The remaining ones operate through greenfield investments only.

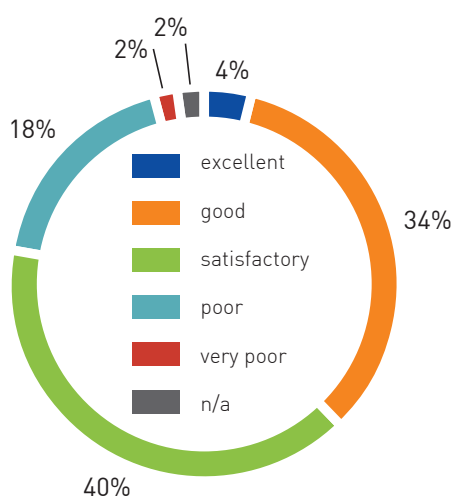
FOR WHAT KIND OF FDI DO THE COMPANIES THAT YOU HAVE INTERVIEWED OPERATE?



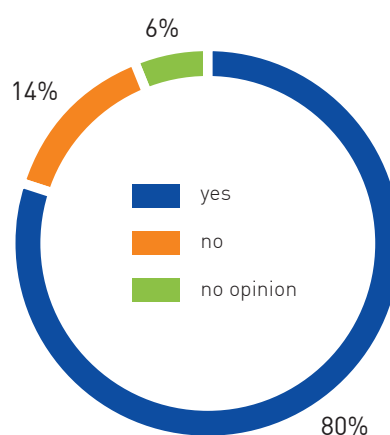
INVESTMENT CLIMATE

Overall, the feedback collected from the EU entrepreneurs who were interviewed is positive with regards to the current climate for FDI in the region. For the greatest part, they believe that such climate has gotten better in the last decade.

HOW DO THE COMPANIES THAT YOU HAVE INTERVIEWED JUDGE THE CLIMATE FOR FDI OVERALL IN THE WESTERN BALKANS TODAY?



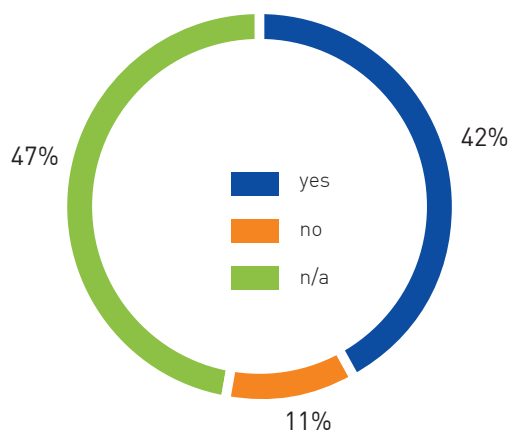
DO THE COMPANIES THAT YOU HAVE INTERVIEWED THINK THAT THE CLIMATE FOR FOREIGN INVESTMENTS IN THE WESTERN BALKANS HAS GOTTEN BETTER OVER THE PAST 10 YEARS?



Such optimism might be connected with the way entrepreneurs perceive the political and economic climate in the region. As a matter of fact, the greatest majority (91%) acknowledge that the Western Balkan countries are politically more stable than in the past few years.

Finally, among the companies already investing in the region, only 11% wished they had not invested there.

FOR THE COMPANIES THAT YOU HAVE INTERVIEWED WHICH ALREADY INVESTED IN THE WESTERN BALKANS: IF THEY WERE TO RECONSIDER THEIR INVESTMENT WOULD THEY STILL HAVE ENTERED THE REGION?



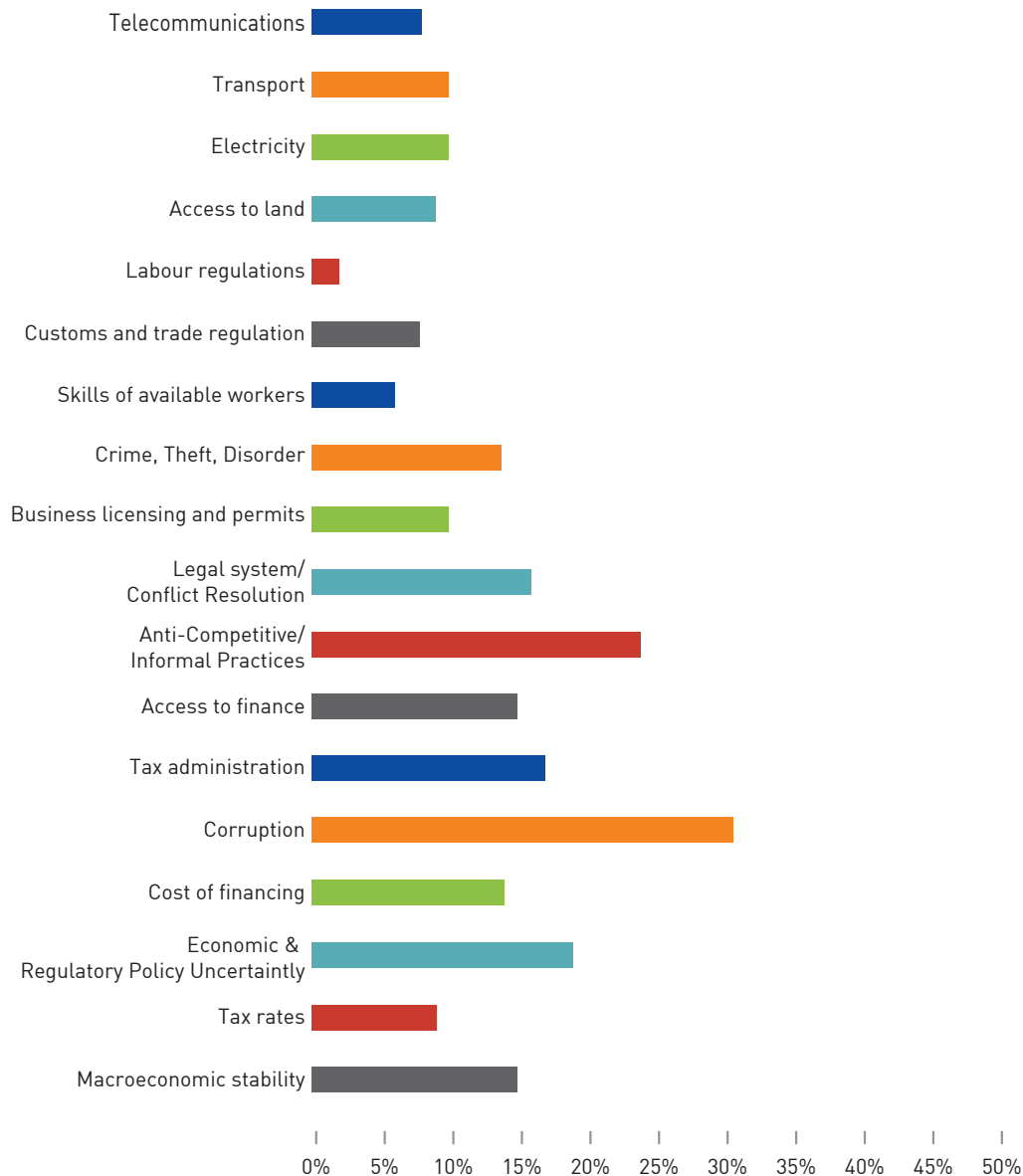
MAIN OBSTACLES TO FDI

Globally, the EU entrepreneurs who were interviewed identified as main obstacles for FDI in the Western Balkans (by order of importance):

- 1. The level of corruption;*
- 2. The existence of anti-competitive/ informal practices;*
- 3. The uncertainty of economic / regulatory policies.*

MOST IMPORTANT OBSTACLES TO FDI

Marked as either 5 or 6 with 6 being the most important obstacle.



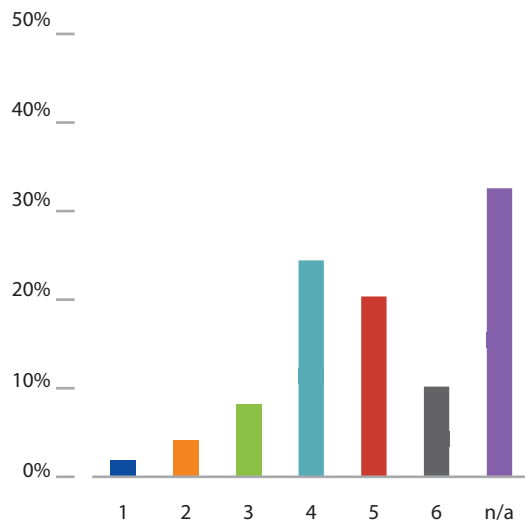
1. Level of corruption

Corruption is perceived by both EU and domestic enterprises as being the chief hurdle to investing in the region and doing business efficiently.

Asked to assess this obstacle on a scale from 1 to 6 (6 being the most important obstacle) 54% of the investors evaluated the level of corruption in the Western Balkans from 4 to 6.

CORRUPTION

1= the least important obstacle, 6= the most important obstacle



Three main factors are identified as being the source of such situation:

- *not enough developed anti-corruption strategy and legal framework;*
- *not reliable enough public administration;*
- *lack of adoption of international conventions.*

2. Existence of anti-competitive/ informal practices

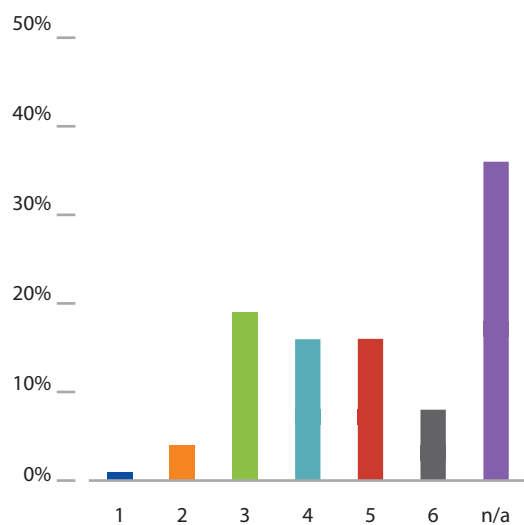
Entrepreneurs in the EU are also concerned about the poor application of the non-discrimination principles, namely the National Treatment and Most Favoured Nation Treatment principles.

On a scale from 1 to 6 (6 being the most important obstacle), the anti-competitive or informal practices were marked from 4 to 6 by 51% of the companies interviewed.

Considering that 36% of respondents were not able to answer this question, these results underline even more clearly that the missing application of internationally recognised rules precludes the perception of the Western Balkans as a favourable FDI location.

ANTI-COMPETITIVE PRACTICES

1= the least important obstacle, 6= the most important obstacle



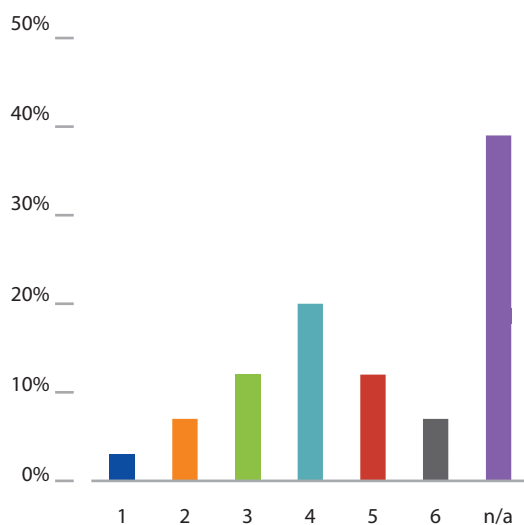
3. Regulatory policy uncertainty

The participating EU companies also seem to regret the insufficient protection and transparency characterizing the climate for investment in the Western Balkans.

Those entrepreneurs who highlighted this as an important obstacle (39% marked it from 4 to 6- with 6 being the most important obstacle- 1 the least important one), elaborated on the related factors:

- insufficient protection (for instance the protection of transfer of funds or of Intellectual Property rights);
- lack of transparency (e.g. public/ private consultations, information access).

ECONOMIC & REGULATORY POLICY UNCERTAINTY
 1= the least important obstacle, 6= the most important obstacle

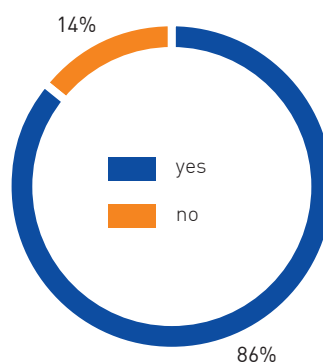


As it emerged in the first part of the report, this same perception is shared by the domestic companies themselves. Many of them indeed wish that their administration functioned in a more efficient, transparent and sometimes less arbitrary way.

OTHER OBSTACLES TO FDI

Although to a lesser extent, additional hurdles seem to preoccupy EU investors in the Western Balkans. Among them, macroeconomic instability is considered by 38 % of the respondents as a significant obstacle. Nevertheless, it is also considered that the macroeconomic environment in the Western Balkans is evolving positively. As a matter of fact, 86% of respondents claimed that they considered such environment as more stable than in the past few years.

DO THEY THINK THAT THE
MACROECONOMIC ENVIRONMENT IN THE
WESTERN BALKANS REGION TENDS TO BE
MORE STABLE (GDP GROWTH, INFLATION...)
THAN IN THE PAST FEW YEARS?



Transport infrastructure and the cost of financing are also considered by a similar share of entrepreneurs (37 %) as elements inhibiting the climate for FDI in the region.

Finally, the existing business licensing and permits, the legal system of conflict resolution and the level of tax rates were also mentioned as medium-level impediments.

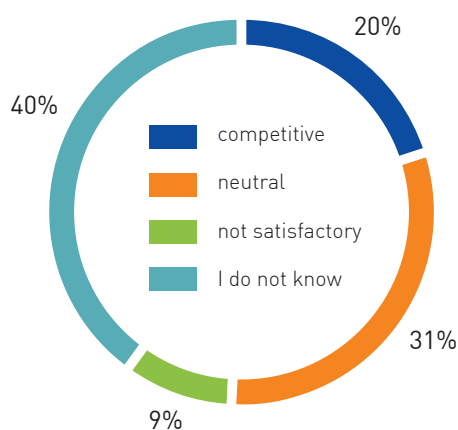
ADDITIONAL FACTORS

1. Electricity and physical infrastructure

A high number of companies, particularly those interested in investing but not yet investing, claimed not to be aware of the costs and quality of the infrastructure existing in the Western Balkans.

In general, the available infrastructure (including electricity, water, gas...) is considered as presenting no particular competitive advantage.

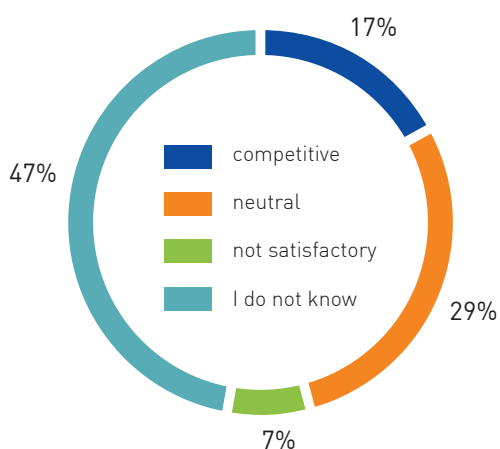
HOW DO THE COMPANIES THAT YOU HAVE INTERVIEWED EVALUATE THE COSTS, QUALITY AND AVAILABILITY OF UTILITIES (WATER, GAS, ELECTRICITY, INFRASTRUCTURE) IN THE REGION?



As for the quality of existing infrastructure, a few companies claimed that great differences existed between the operating conditions in the capitals or other big urban centers on the one hand and in the country outskirts on the other. Additionally, the lack of electricity supply in the region was lamented by some experienced investors.

Rating of the telecommunication infrastructure in the Western Balkans proved also to be difficult, where as many a 47% of participating companies claimed they were not able to assess this:

HOW DO THE COMPANIES THAT YOU HAVE INTERVIEWED EVALUATE THE COSTS, QUALITY AND AVAILABILITY OF TELECOMMUNICATIONS INFRASTRUCTURES IN THE REGION?

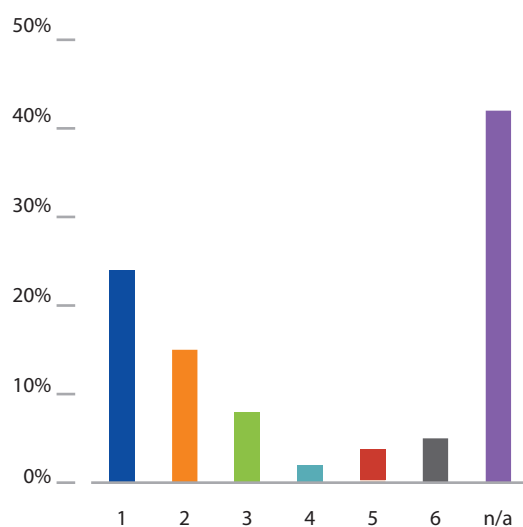


2. Access to land, property and building costs

On the basis of the chart below, it emerges that access to land is also an unknown factor regarding its influence on the investment climate in the Western Balkans:

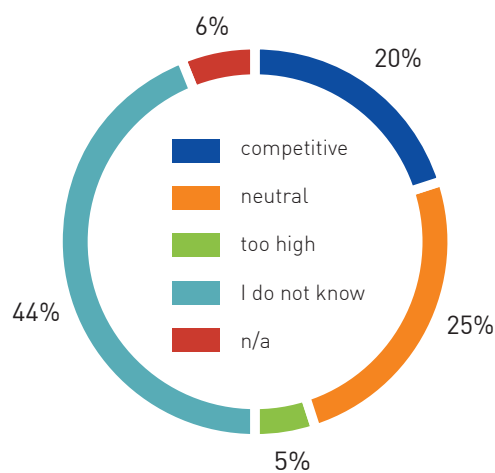
ACCES TO LAND

1= the least important obstacle, 6= the most important obstacle



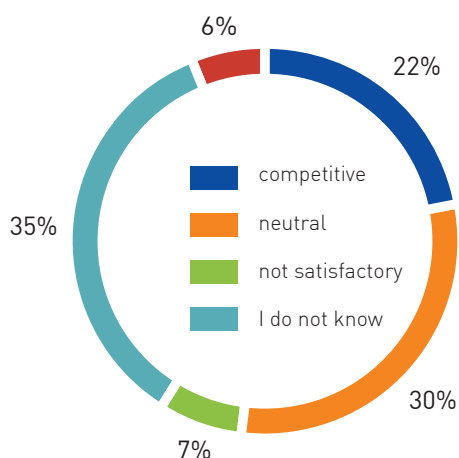
As for the costs to acquire a land, only 20% of EU entrepreneurs consider them competitive, whereas the vast majority either does not know or is indifferent.

HOW DO THE COMPANIES THAT ARE INVESTING IN THE WESTERN BALKANS (OR CONSIDERING TO INVEST) ASSESS THE COSTS TO ACQUIRE A LAND



The same figures appear concerning for the costs to acquire an industrial site in the Western Balkans:

HOW DO THE COMPANIES THAT ARE INVESTING IN THE WESTERN BALKANS (OR CONSIDERING TO INVEST) ASSESS THE COSTS TO ACQUIRE AN INDUSTRIAL SITE?



Construction-related expenditures represent an additional information gap, whereby as many as 58% of respondents claimed not to be aware about the costs to build offices, hotels, etc. in the region.

3. Labour regulations and human capital

Labour regulations were not considered as a major obstacle to investments by the majority of those who had an opinion (i.e. 38% who marked this factor as either 1 or 2, with 1 being the least important obstacle).

As for the cost of labour, EU entrepreneurs do not see great differences between skilled and unskilled labour in the Western Balkans: the majority “in the know” consider salary wage and employment costs of both skilled and unskilled workers as competitive.

EU companies are also generally satisfied with the availability of labour in the region as well as the skilled-unskilled labour balance. A minority of respondents, instead, explained that although there were more unskilled workers than skilled workers this was in conformity with their needs. Finally, one fifth wished there would be more skilled workers in the region.



CONCLUSION

Investors in the region and EU investors tend to agree that two factors above all hinder the establishment of a healthy environment for FDI in the region. The first one relates to existing corruption practices and the second is the uncertainty or unpredictability of the legal and regulatory framework. In addition to these, their opinions converge as for the lack of transparency and the difficulty to obtain information from the public administration.

Investors in the region are more critical than their EU peers with regards to the labour market and skill matching in the Western Balkans and they lament the lack of private sector consultation in the education reform process.

Access to finance and tax incentives are also challenges in the region, although they seem to be more significant in certain countries relatively to others.

In the wish list of Western Balkan investors towards their public authorities a full alignment with EU and international standards, together with more efficient and up-to-date customs procedures, are a matter of priority, particularly in Croatia, where the complete adherence to EU standards is often evoked.

Finally, the survey revealed that many entrepreneurs in the EU had limited knowledge about business opportunities and investment-related issues in the Western Balkans. This finding clearly calls for a reinforced communication strategy on the part of the relevant actors (Investment Promotion Agencies Chambers of Commerce, etc.) concerning all the factors deemed to influence the attraction and retention of FDI in the region.



METHODOLOGY AND ACKNOWLEDGEMENTS

This survey report is based on the results of interviews conducted by the participating Chambers of Commerce with their member companies during the months of July, August and September 2009.

The questionnaire that was circulated in the Western Balkans was prepared by the OECD-Investment Compact Unit in the efforts to compose the Investment Reform Index 2009, to which EUROCHAMBRES and its network have contributed. The questionnaire that was circulated within the EU was prepared by EUROCHAMBRES instead.

The number of enterprises that participated in the exercise was 860 in the Western Balkans and 259 in the EU.

We wish to acknowledge the fundamental contribution of the following business organizations:

Serbian Chamber of Commerce

Economic Chamber of (fYR of) Macedonia

Chamber of Economy of Montenegro

PROMOS- Special Agency of Milan Chamber of Commerce (Italy)

Czech Chamber of Commerce

Kikinda Regional Chamber of Commerce and Industry (Serbia)

Leskovac Regional Chamber of Commerce and Industry (Serbia)

Pancevo Regional Chamber of Commerce and Industry (Serbia)

Zajecar Regional Chamber of Economy (Serbia)

Zrenjanin Regional Chamber of Commerce and Industry (Serbia)

Chamber of Economy of Una Sana Canton (Bosnia and Herzegovina)

Trenčín Regional Chamber, Slovak Chamber of Commerce and Industry

Promofirenze- Special Agency of the Chamber of Commerce of Florence (Italy)

Karlovac County Chamber- Croatian Chamber of Economy

Rijeka County Chamber- Croatian Chamber of Economy

Split County Chamber- Croatian Chamber of Economy

Liverpool Chamber of Commerce (United Kingdom)

Special Promotion agency of Udine Chamber of Commerce (Italy)

VOKA Chamber of Commerce West Flanders (Belgium)



Zagreb Chamber - Croatian Chamber of Economy

Chamber of Economy of Sarajevo Canton (Bosnia and Herzegovina)

Chamber of Commerce and Industry of Republika Srpska (Bosnia and Herzegovina)

Foreign Trade Chamber of Bosnia and Herzegovina

Chamber of Economy of Vojvodina (Serbia)

Chamber of Commerce Mälardalen (Sweden)

Chamber of Commerce, Industry and Navigation of Gipuzkoa (Spain)

Aries- Special Agency of the Chamber of Commerce of Trieste (Italy)

Union of Hellenic Chambers of Commerce

Chamber of Commerce and Industry of Kragujevac (Serbia)

Chamber of Commerce and Industry of Tirana (Albania)

Chamber of Commerce, Industry and Navigation of Oviedo (Spain)

Chamber of Economy of Zenica Dobož Canton (Bosnia and Herzegovina)

Sisak County Chamber- Croatian Chamber of Economy

Regional Chamber of Economy of Nis (Serbia)



ANNEX - Partners for Investment Promotion Partnerships Results

I. Network of Centers for Project Development and Management

Serbian Chamber of Commerce

Economic Chamber of (FYR of) Macedonia

Chamber of Economy of Montenegro

Promos- Special Agency of the Milan Chamber of Commerce (Italy)

Czech Chamber of Commerce

Objectives:

To establish a network of Centers for project development and management in the Western Balkans in order to:

- strengthen the institutional and administrative capacity of the Western Balkan Chambers in particular in the area of project management
- provide information and support to national and international potential investors

Activities:

- Personnel trainings and case studies
- Study visits
- Exchange of best practices in the field of cooperation with relevant stakeholders

Results:

- Established Chamber teams for projects development & management
- Improved services for those who want to realize projects focusing on regional development / investment
- Enhanced cooperation with institutions on joint project proposal / implementation

II. Serbian-Bosnian Spa Adventure

Kikinda Regional Chamber of Commerce and Industry (Serbia)

Chamber of Economy of Una Sana Canton (Bosnia and Herzegovina)

Trenčín Regional Chamber, Slovak Chamber of Commerce and Industry

Promofirenze- Special Agency of the Chamber of Commerce of Florence (Italy)

Objectives:

To increase the existing tourism offer (spas) and create investment opportunities in the Serbian and Bosnian regions involved.

Activities:

- Strengthening of the institutional network and sensibilisation of the involved territory
- Rating of the territory, market research and identification of priority market potential
- Training activities for specialized staff to be in charge of developing the sector
- Tourist destination promotion, investments research and assistance

Results:

- Inventory of tourist associations and agencies, attractions and accommodation, quality standard definition
- Capacity building and know-how transfer, tourist strategy benchmarking, acquisition of new active role for the Chambers in tourism management and promotion
- Creation and dissemination of comprehensive and internationally competitive promotional material (i.e. web site implementation, promotional prints diffusion, fairs participation, etc.)

III. BILIV KlaSteR

Karlovac County Chamber- Croatian Chamber of Economy

Rijeka County Chamber- Croatian Chamber of Economy

Split County Chamber- Croatian Chamber of Economy

Bilbao Chamber of Commerce (Spain)

Liverpool Chamber of Commerce (United Kingdom)

Objectives:

To develop adequate Chamber services against the economic challenges linked to the impact of the decline of heavy industry in the participating regions.

Activities:

- Study visits centered on successful examples of business incubators, Centers of excellence/ Clusters (shipbuilding Industry), technological parks
- Personnel training on: attracting FDIs, marketing the region and identifying stakeholders
- Networking and developing clusters

Results:

- Improved services in the field of FDI promotion
- Better company awareness of the need to collaborate and the possibilities offered by clustering
- Synergies between Chambers, local authorities and other institutions to ease clustering processes in the region



IV. P.A.S.E.P. Promoting Agrifood Sources for Export Performances

Special Promotion Agency of Udine Chamber of Commerce (Italy)

VOKA Chamber of Commerce West Flanders (Belgium)

Zagreb Chamber - Croatian Chamber of Economy

Chamber of Economy of Sarajevo Canton (Bosnia and Herzegovina)

Objectives:

To develop Zagreb and Sarajevo Canton Chambers capacities to help their businesses promoting and exporting their products towards the EU through the share of best practices and technical assistance from Udine and West Flanders Chambers.

Activities:

- Benchmarking on agrifood promotion events
- Trainings on EU relevant legislation and promotional activities for agrifood sector
- Testing on new services on selected SMEs from agrifood sector

Results:

- Increased support for agrifood direct investments
- Strengthened Chambers' innovative promotional activities in the agrifood sector and cooperation with relevant actors

V. FDI Opportunities in the Field of Renewable Energies, Waste Management & Recycling

Chamber of Commerce and Industry of Republika Srpska (Bosnia and Herzegovina)

Chamber of Economy of Vojvodina (Serbia)

Chamber of Commerce Mälardalen (Sweden)

Chamber of Commerce, Industry and Navigation of Gipuzkoa (Spain)

Objectives:

To launch a work programme in the field of renewable energies, waste management and recycling in order to increase the amount of FDI in the Western Balkan through best practices and information share.

Activities:

- Identifying existing and potential companies through study research
- Sharing best practices through study visits in Spain and Sweden
- Presenting opportunities for FDI in Vojvodina and Republika Srpska
- Organising matchmaking between EU and Western Balkan companies



Results:

- Strengthened role of Western Balkan Chambers through the development of new services as well as improved visibility
- New business opportunities and possibilities for FDI
- Raised awareness of environmental protection and needs for using renewable energies, waste management and recycling

VI. Prespa Lake Region: Investment Destination

Economic Chamber of (fYR of) Macedonia

Union of Chambers of Commerce and Industry of Albania

Union of Hellenic Chambers of Commerce

Aries- Special Agency of the Chamber of Commerce of Trieste (Italy)

Objectives:

To raise a common awareness of the Great Prespa Lake region's potential as FDI destination especially in the sectors of tourism and food.

Activities:

- Capacity building through implementation of Local Quality Standards
- Transfer of know - how to potential/actual operators in rural tourism
- Creation of a common Prespa Lake web portal

Results:

- Cross-border shared development policies and integrated promotion strategies (fYR of Macedonia, Albania and Greece)
- Common brand 'Prespa Lake'

VII. Establishment of Western Balkans Automotive and Supplier Industry Excellence Centre

Leipzig Chamber of Commerce and Industry (Germany)

Chamber of Commerce and Industry of Kragujevac (Serbia)

Chamber of Commerce and Industry of Tirana (Albania)

Objectives:

To raise the level of competitiveness of the automotive industry in the Western Balkans by establishing a Western Balkans automotive and supplier industry Excellence Centre in Kragujevac Chamber of Commerce and Industry with a correspondent Center in Tirana Chamber of Commerce and Industry, with the support of partner chambers, local governments, companies and other relevant stakeholders.

**Activities:**

- Coaching modules: education of skilled workforce & management of the centres; co-operation management and network creation; marketing and distribution of services; ICT platform.
- In-site visits and share of best practices

Results:

- Improved regional competitiveness / FDI framework
- Strengthened Chambers' role in representing the interests of the regional economy
- Job creation

VIII. Developing a Cluster of Metal Manufacturers

Sheffield Chamber of Commerce and Industry (UK)

Chamber of Commerce, Industry and Navigation of Oviedo (Spain)

Chamber of Economy of Zenica Dobož Canton (Bosnia and Herzegovina)

Sisak County Chamber- Croatian Chamber of Economy

Regional Chamber of Economy of Nis (Serbia)

Objectives:

To develop a cluster of businesses operating in the metal industries (manufacturers and processors supplying) in order to create a favourable environment for attracting FDI.

Activities:

- Identify businesses and include them within the cluster work programme
- Workshops (strategic business model)
- Study visits (in Sheffield and Oviedo- showcase of leading examples)
- Creation of a website

Results:

- Establishment of a Western Balkans Metal Producers Forum
- Increased competitiveness of firms operating within the cluster
- Improved ability of domestic firms to market their services
- Development of "green initiatives"
- Strengthened cooperation between the private and public sectors.



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