



ANNUAL REPORT 2003

OECD CENTRE FOR PRIVATE SECTOR DEVELOPMENT

ISTANBUL, TURKEY

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Preface

Over the past ten years, the OECD Centre for Private Sector Development in Istanbul has provided valuable guidelines and assistance to countries moving towards market economy structures. The Centre concentrates on the design and effective implementation of policies and programmes that strengthen evolving private sectors and it has served as a unique platform for sharing reform experiences and promoting best practices.

More than that, however, the Centre has become a forum for enhanced co-operation between OECD member countries, bilateral and multilateral organisations and transition economies. Its meetings and seminars – numbering 11 in 2003 – have drawn representatives from all these spheres as well as providing a setting where the private and public sectors can work constructively together. What began in 1994 as a training facility has developed into a major knowledge base and meeting point for the wider region. With each passing year the Centre gains in stature as a focal point for practical work on issues of immediate relevance to transition economies.

The year 2003 was very successful for the Centre. In response to demand its activities dealt with topics ranging from commercial arbitration, the role of foreign investor councils in promoting reform and reviewing world-wide trends in the textile/clothing sector. These meetings produced concrete outputs.

For example:

- A regional roundtable on the experience of capital account liberalisation in Eastern European countries provided knowledge and insights based on case studies. It is intended to continue such co-operation with the central banks of Poland, the Czech Republic, Hungary and Slovakia in order to share their valuable transition experience with representatives from the Caucasus and Central Asia.

- Within the framework of the Investment Compact for South East Europe the network of competition authorities in South East Europe was launched, with excellent support from the Turkish Competition Authority and other competition experts from the EC, Slovenia and Italy.
- The productive co-operation with the Istanbul Stock Exchange continues, and preparations are well under way to conclude with a model framework to facilitate financing for growth companies within the Federation of Eurasian Stock Exchanges.
- With the World Bank as a key partner, the Centre conducted a high-level meeting on the launch of a new benchmarking database that comparatively benchmarks countries' regulations and measures the impact on their business climates.
- At the fifth annual meeting of the Anti-Corruption Network for Transition Economies, six countries (Armenia, Azerbaijan, Georgia, Russians Federation, Tajikistan and Ukraine) endorsed the new regional Anti-Corruption Action Plan.
- The Istanbul Centre's co-operation with NGOs and private sector organisations in Turkey and abroad expanded. These efforts will continue and attract additional new partners for future activities.
- Finally, the Centre was instrumental in establishing a fully resourced OECD Depository Library in the Istanbul Chamber of Commerce (adjacent to the Centre), which can be used by the public, including all attendees who participate in the Centre's events.

These are just a few of the Centre's progressive achievements in 2003.

However, formidable challenges remain. There is a real demand and continued need to reach out, even more intensively, to governments, policy makers, business and non-public organisations in each participating country. Our international institutional partner organisations with local offices in the region have begun to provide stronger support to our efforts

in this direction and the network is being gradually expanded. Discussions are under way to streamline the work programme so as to maximise the policy impact of the Centre's activities.

We will intensify our efforts to attract more private sector representatives, especially from international firms as they provide valuable input to policy dialogue and "reality check" on proposed reforms. Finally, the Centre's activities must be matched by a broader financial resource base to ensure the maintenance of high-quality events with corresponding outputs on a sustainable basis. With the support of all stakeholders and through collective effort, the Centre will be in a position to meet these challenges. As 2004 is the tenth anniversary of the Centre, it is an appropriate time to recognise the achievements in those ten years and to review future directions. The Management Board is confident that the funding base and partnership that will enable the Centre to build on progress to date and to sustain future work programmes will be secured.

The pages that follow provide an overview of the workshops, meetings, roundtables and seminars that took place in the OECD Istanbul Centre over the course of 2003. They also include a summary report of each event and a vision of the Centre's strategic direction in the coming years.

I would like to express our deep appreciation and thanks to everyone who has supported the work of the OECD Istanbul Centre. We highly value your partnership and engagement. We look forward to building on the progress of the past decade and continuing to work with you in the future.

Rainer Geiger
Chairman of the Executive Board

A Decade of Guidance and Fruitful Exchange

The Need for Policy Expertise and Sharing of Experience

Following the collapse of the Soviet Union, a number of countries found themselves presented with major transformation challenges but equally a historic and unprecedented opportunity: a chance to realise true economic growth by making the transition to a successful and vibrant market economy. Steps were taken in this direction but almost immediately, those involved, for example, in the privatisation and restructuring process had questions, and in many areas. What models would furnish a basis for making the right decisions for a smooth, rather than chaotic, process? To whom could they turn for the expertise? What methodologies and processes can assist successful implementation of policy reform?

The Turkish Government saw how this gap could be filled. It approached the best possible source of guidance in private sector development: the Organisation for Economic Co-operation and Development. The wealth of experience available from its member countries (see p. 28), combined with its reputation for astute, finely tuned economic and structural policy analysis, and methodologies honed over many years, made the OECD the perfect choice to provide guidance and a training ground for these countries.

And so, in 1994, the OECD Centre for Private Sector Development began operations in Istanbul as a joint project between the OECD and the Turkish Government, receiving financial support from the Turkish International Co-operation Agency (TICA), the Turkish Ministry of Finance, and the German Technical Co-operation Agency (GTZ).

In the Beginning

The Centre's original mission was to train government officials from transition economies in Eastern Europe, Central Asia and Trans-Caucasus. Courses dealt mainly with the privatisation and restructuring of state owned enterprises; the role and structure of public sector enterprises; competition policy and de-monopolisation; foreign investment; banking and insurance; accounting; development of small and medium-sized enterprises; and legal reforms.

Over the years, the training centre evolved into a regional OECD centre with Turkey as co-partner, providing a forum for policy dialogue and regional co-operation on key OECD issues of interest to transition economies. Since its opening, the Centre has organised more than 150 diverse meetings and workshops with in excess of 5,000 high-level participants.

The Setting

It made perfect sense to locate the Centre in Istanbul. For one thing, the city is easily accessible to representatives of OECD member countries and partner countries in Eastern Europe, Central Asia and the Caucasus through favourable air and land connections. Moreover, Istanbul is a world metropolis connecting continents and civilisations, and one of the major business centres of the region.

Participating Beneficiary Countries

Afghanistan, Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Former Yugoslav Republic of Macedonia, Moldova, Mongolia, Romania, Russian Federation, Serbia and Montenegro, Slovenia, Tajikistan, Turkmenistan, Uzbekistan, Ukraine

Core Activity Areas

While the range of policy areas has been diverse and wide, in response to demand the strategy has been to increasingly focus on the following:

- ❖ Foreign Direct Investment-Policies and Promotions
- ❖ Enterprise Development and Private Domestic Investment
- ❖ Financial Sector Development
- ❖ Rule of Law and Governance

Management Structure

The OECD Istanbul Centre is overseen by a Supervisory Board chaired by the President of the Turkish International Co-operation Agency. The Board includes international organisations, bilateral institutions, government officials from OECD member countries and representatives from partner countries.

The Centre is guided by an Executive Board comprised of the OECD Secretariat and Turkish Government ministries and agencies. The Executive Board's Chairman is Mr. Rainer Geiger, OECD Directorate for Financial and Enterprise Affairs; its Vice-Chairman is Mr. Andre Barsony, OECD Centre for Co-operation with Non-members.

A Broadened Vision

From its inception, the Centre for Private Sector Development has served as a focal point for co-operation between the OECD and transition economies. It was founded on the firm belief that sharing knowledge and real experiences is the best way to assist countries seeking to strengthen their private sectors. But those in a position to guide must also be in a position to listen, and care was taken to cater to the specific needs of the partner countries, and to maintain awareness of what they needed to know at any given point in their transition.

Although a decade ago transition economies seemed to face similar challenges and hopes, the progress with reforms in various regions has been unequal. Central Europe and the Baltics have undergone far-reaching structural transformation and are poised to join the European Union in 2004. Challenges nonetheless remain, such as structural rigidities in industry and agriculture, high unemployment and intra-country regional disparities.

The countries of the Western Balkans have a new vista of economic and social reform, given the democratic political changes in the region. However, bold steps focused on improving the business climate and public administration need to continue and be intensified. Such reforms strengthen economic development and closer association and integration with the rest of Europe. The OECD is strongly supporting these countries' efforts through its leading role, as co-chair (with Austria and Romania now as regional co-chair) of the Investment Compact¹ within the Stability Pact framework for South East Europe.

Russia, Ukraine and Kazakhstan have all gone through an arduous and protracted transition period, but economic recovery and reductions in poverty are clear indications that reforms have begun to pay off. Sustained implementation of substantial structural and institutional reforms will continue to be vital to future growth and development.

¹ See www.investmentcompact.org and www.stabilitypact.org

The countries in the Caucasus and Central Asia still face major policy and transition challenges with only gradual change in many policy areas that are vital for private sector growth. Risks of conflict, widespread poverty, high levels of state involvement in business activity, minimum levels of incoming FDI (apart from FDI into the energy sectors in Azerbaijan and Kazakhstan) and limited opportunities of market access remain formidable issues to be solved.

The OECD Istanbul Centre has adjusted and adapted over the years to the changing environment in the partner countries. It has provided a unique Centre to bring together representatives from OECD member countries, including more advanced Eastern European countries, and less developed transition economies to benefit mutually from each other's experiences, to foster peer review and to make available OECD processes and tools on policy development. Indeed, it is in a unique position to facilitate this exchange of knowledge and experience.

An ambitious strategy for the future...

The year 2003 brought a broader role to the Centre along with a further shift in emphasis from training to policy dialogue and peer review. While continuing to be a driving force in economic reform, its new mission is to:

Promote sustainable development and poverty alleviation through private sector development, with a focus on investment, enterprise development and governance.

To that end it seeks to:

- Use to the fullest extent the strength of the OECD multidisciplinary and co-operative approach and encourage expert input by various Directorates of the Organisation
- Increase co-operation and create lasting partnerships with other multilateral and bilateral institutions on assignments related to private sector development
- Increase the level of regional co-operation between governments, institutions and the private sector, and support the development and linking of regional networks
- Strengthen co-operation with business and civil society organisations, and seek their ongoing involvement in the design of programmes and the implementation of activities
- Aim for clear and practical outputs in the field of investment and/or private sector development that can be widely used by public and private entities, and search for more efficient modes of delivery
- Support a favourable business/investment climate in the region and promote the competitiveness of the private sector at global and regional level
- Promote dialogue between government and private sector institutions in partner countries

The Centre's agenda will continue to be action-oriented *and demand-driven* in order to cater for the needs of partner countries. It will also feed into

programmes of other multilateral organisations, serving as a focal point for complementarities and synergies.

A number of networks established throughout the region have used the Centre for strengthening their dialogue and regional interaction and conducted meetings in the Istanbul Centre. These include the Anti-Corruption Network, the Investment Compact in the framework of the Stability Pact, Foreign Investor Councils and commercial arbitrators.

The means to implement that agenda

The Centre benefits from a formidable range of assets. To begin with, it is a joint venture between the OECD and the Turkish Government. It has the support of the Turkish International Co-operation Agency, the Ministry of Finance and other government departments. Its demand-driven annual programme is endorsed by partner countries and international and bilateral organisations. It enjoys a close relationship with the Istanbul Stock Exchange, and receives input from OECD member and non-member countries as well as the private sector. It has developed a strategic partnership with international organisations, and continues to forge links with civil society groups in the wider region.

Targeted Output Areas

- Investment policy reviews of partner countries
- Strong support for capacity and institution building based on policy dialogue, sharing of successful practice, peer review and guidance on implementation and monitoring progress
- Handbooks, guideline manuals, expert commentary on policy, legal and institutional issues and research papers as guiding tools for policy implementation
- Monitoring of progress in partner countries in activity areas
- Peer reviews conducted in areas regarding private sector development and investment climate

- Flagship events (i.e. events designed to seek practical steps on implementation of reform) and flagship publications on a regular basis
- On request by partner countries and other donors, specific training in areas of private sector development

Reporting on 2003 Achievements

Overview

Despite a difficult international economic climate, 2003 was another progressive year for the OECD Istanbul Centre. A total of eleven meetings were conducted with various partner organisations, covering the areas of foreign direct investment, finance, enterprise development, anti-corruption, and competition policy. These meetings attracted over 500 delegates from 28 countries. In addition there was a high level of participation from bilateral and multilateral institutions and increasingly from the private sector.

Many new contacts have been established with private sector associations such as the Istanbul Chamber of Industry (ISO), the Istanbul Chamber of Commerce (ITO) and the Turkish Foreign Investors Association (YASED).

At the same time there are continuing efforts to extend the reach to other national and international organisations. The Centre's close relationship with the Black Sea Economic Cooperation, **especially** with the Business Council in Istanbul, has provided valuable input from and contact with the countries of the region.

In co-operation with the OECD Development Centre, work is under way to establish a network of economic research institutions throughout the Black Sea and Caspian region.

The OECD finalised arrangements with the Istanbul Chamber of Commerce (ITO) to open an OECD Depository Library, which was inaugurated by the Secretary General of ITO and the Chairman of the Executive Board on 8 October 2003. The Centre has a new interactive homepage (www.oecdistanbul.org) and a newsletter informing partners, the international community and media on a regular basis of our activities.

Key Events and Highlights in 2003

Supervisory Board Meeting, 20 February, 2003

The first Board meeting this year discussed the latest trends and policies in investment and private sector development in the Balkans, Caucasus and Central Asia, as well as the OECD's Investment Policy Reviews and the OECD's Peer Review Process.

The experience and challenges of the Balkan countries, in particular Slovenia², in building the essential policy framework in line with OECD investment instrument standards and in promoting FDI was outlined by Mrs. Slavica Penev, Chief Foreign Investment Advisor, Ministry of International Economic Relations from Serbia and Montenegro. She provided examples of how Slovenian authorities had managed to create a favourable investment climate for international and domestic investors.

Georgian Deputy Minister of Foreign Affairs Beruchashvili briefly outlined the achievements of the Caucasus region, especially its success in attracting large investments into the energy exploration and transportation network.

² "Putting the Policy Frameworks in Place: Experiences from Slovenia and South East Europe" (December 2002), published by the OECD Investment Compact Team in co-operation with the Ministry of Economy, Slovenia.

The challenges in the coming years would be to decrease the dependency on the energy sector and further improve the regional investment climate to attract FDI into other sectors.

The OECD Peer Review Process will be a major part of the investment reviews planned for countries in the Caucasus and Central Asia once funding has been secured. The procedure ensures that the review is not a desktop report but a dynamic process actively involving the key stakeholders and based on ownership by partner countries. The principal input for the investment reviews would come from the inter-ministerial task force through submissions and interviews. These tentative findings would then be reviewed by the country authorities, the OECD Secretariat and OECD member countries. It is intended to present the report and recommendations at a roundtable forum and reflect on the necessary changes. Funding efforts are progressing and it is hoped to start the process in the very near future.

Foreign Direct Investment in Transition Economies: Challenges, Policies and Good Practices, 5-6 May 2003

This meeting was the first joint activity between the OECD and the Consumer Unity & Trust Society (CUTS), an internationally respected civil society group based in India. The purpose of the meeting was to raise awareness of the benefits of foreign direct investment (FDI) in transition economies and to explore ways of enhancing investment capacity-building activities. Delegates from the roundtable included members of various international organisations, governments, business interests and civil society. Three sessions focused on i) the importance of attracting FDI as a tool for economic development; ii) the role of international business and policy makers in this endeavour; and iii) how to benefit from foreign corporate presence.

There was a convergence of opinion among the panellists that FDI contributes positively to economic growth and sustainable development in developing and transition economies, whether through privatisation or by greenfield investment. However, CUTS experts also stressed that

developing country experiences have shown that FDI sometimes fails to generate the expected positive impact on the host economy. The net effect on gross domestic investment, employment creation, environment and sustainable growth and development of the host economy, they maintained, depends largely on FDI-related policies of the host government, regulatory oversight and attractiveness of the investment climate offered.

Multinational enterprises account for one-third of world output and two-thirds of world trade. Delegates discussed the role of the *OECD Guidelines for Multinational Enterprises* in promoting development. The primary goals of the Guidelines are to ensure that business community adheres to universal values and principles with respect to human rights, labour standards, and the environment, and to support host governments in adhering to good governance and fighting against corruption. The dimensions of corporate social responsibility were explored, including the new power of stakeholders; the direct and indirect impact of business on labour and the environment; corporate governance; and business ethics, both real and perceived. The reported benefits from these measures include an improved image for the industry, diminished regulatory pressure, improved performance of laggards (peer pressure), and the creation of a useful forum for open social dialogue.

Regional Roundtable on Capital Account Liberalisation: Benefits and Challenges for Transition Countries in South Eastern Europe and Central Asia, 12-13 May 2003

This roundtable was a joint activity between the OECD Secretariat and the National Banks of the Czech Republic, Hungary, Poland and Slovakia to discuss the benefits and challenges of capital accounts opening to global financial markets, and to develop recommendations for good regulatory policies in this field.

The discussions were based around case studies from recent OECD Members from Central and Eastern Europe, Turkey and Moldova, Croatia and Armenia. Particular focus was directed towards the recent experience of its new members from Central and Eastern Europe in adhering to the

principles of the OECD Code of Liberalisation of Capital Movements, which remains the only multilateral instrument in existence under which obligations of liberalising capital movements are agreed and enforced.

The benefits of capital account liberalisation have proved to be substantial; the risks can be managed if the liberalisation process is accompanied by adequate supporting policies and development of appropriate institutional governance systems. Issues such as the impact of initial conditions and policy contexts faced at the start of liberalisation on the pace and order of liberalisation measures were considered.

This was the first time the subject had been discussed at the Centre, and by necessity much time was spent developing mutual understanding among participants of the respective policy considerations and stances taken by the non-OECD members in the area of capital account liberalisation. Questions from non-member country representatives – stimulated by the presentations of Czech, Hungarian, Polish and Slovak officials – confirmed the particular relevance of these recent liberalisation processes for non-members in emerging market economies, especially in the context of increasingly globalised and integrated international financial markets.

Non-members were also keen to learn about the policy approaches and considerations with respect to short-term capital flows as experienced by Turkey during its recent financial market crisis. Participants considered this initial exchange of views very useful and saw merits in developing a concrete list of principles and best practices at some future meeting, possibly through an informal peer review of participating countries based on the OECD Codes of Liberalisation.

Meeting with South East Europe Competition Policy Leaders – Progress in Building Competition Law and Policy, 26-27 May 2003

Leading representatives of South East Europe competition authorities met to assess progress in the competition policy area and to identify needs for future action. This event was conceived as a follow-up to the meetings organised under the regional flagship initiative 'Competition Law and

Policy in South East Europe'. The latter, launched in June 2001, led to three thematic meetings on different aspects of competition law and policy in Autumn 2001 and Spring 2002.

One objective of the initiative was to support closer co-operation between competition authorities of the region, and to that end the group of participants remained, to the extent possible, the same in all meetings. Following the last of the three meetings at the end of March 2002, a report entitled "Competition Law and Policy in South East Europe - A Programme of Action" was prepared by the OECD Competition Division in co-operation with the team of the Investment Compact for South East Europe.

Delegates to this meeting were high-level representatives of the competition institutions of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, and Serbia and Montenegro. Officials of the Turkish Competition Authority and representatives of TICA also attended. Four panel experts represented competition institutions of the European Union, Italy, Slovenia and Turkey.

The participating SEE countries had prepared written reports on developments in their country with concrete examples of competition problems, action taken in order to deal with those problems, and the final outcome.

In the concluding statement, participants highlighted the following issues:

- The need to build a strong competition culture.
- The need for sufficient institutional capacity and appropriate priorities in the use of existing resources.
- The need for effective investigation and sanctioning powers.
- The need for a more developed regional co-operation.
- The need for independent competition authorities free from undue interference.

Participants agreed to launch, and confirmed their participation in, a network of competition authorities in SEE; the competition authorities of Turkey and Slovenia also expressed their desire to participate.

Enterprise Development and Finance Project with the Istanbul Stock Exchange, 4 June 2003

This meeting was the continuation of a project that will lead to a model environment for Enterprise Development and Finance in Turkey (and other emerging markets), with a focus on easier access to financing. These results will then be shared with authorities to lobby for an improved environment for SMEs. The outcome will also be shared with member countries of the Federation of Eurasian Stock Exchanges (FEAS).

Leading representatives of universities, financial institutions, stock exchanges and government authorities from Turkey met to assess the report prepared in conjunction with the project and based on inputs of previous years' work and meetings, by an international expert on support of innovative companies.

The participants were divided into three groups: technology/infrastructure; regulatory framework; and economy/finance. Each presented a short paper on how the current Turkish practices compare to advanced OECD countries, then met to discuss issues related to innovation and entrepreneurial culture and education. Initial findings have been used to construct a matrix for education/culture and technology/infrastructure. The findings of the other two groups are still awaited.

Entrepreneurship and innovation culture in Turkey is not highly developed, and the current educational system in Turkey is not necessarily conducive to creating a better image of entrepreneurs. It was suggested that entrepreneurship courses and degree programmes at Turkish universities should be introduced or strongly expanded. It was also agreed that universities should be more proactive in involving the private sector in their programmes. In conclusion, it was stressed that innovative enterprises face numerous difficulties in the existing education and cultural environment.

SMEs in the high-growth technology sector should receive incentives from government authorities in areas such as research and development, land acquisition and communications systems. It seems that current incentives are focusing too much on capacity increase rather than on quality improvement. It was also emphasised that cost-efficient transportation facilities for SMEs such as rail and waterways are not sufficiently developed.

Doing Business Project, 19 June 2003

This was a joint activity between the OECD Secretariat, the World Bank and the International Finance Corporation. It served as the launching event of a new database introduced by the World Bank Group that benchmarks business regulations in over 130 countries. The database, "Doing Business", focuses on regulations that enhance or constrain business investment, productivity, and growth around the world. The aim of the database is to help countries identify where they are lagging on reform of business regulation and what steps they could take to improve their regulatory performance.

Given that the event took place in Turkey most of the data presented were geared towards the situation in that country.

The meeting was chaired by Michael Klein, Vice President, World Bank/IFC Private Sector Development, who stressed that the Doing Business Project will provide policymakers and the public with quantitative measures for business regulations that will facilitate reform efforts of governments. The OECD and Turkish Government (Undersecretariat of the Treasury and Ministry of Industry and Trade) participated together with representatives from transition countries in the region. The goal of the workshop was to assist governments in evaluating their legal and regulatory climate for business.

Fifth Annual Meeting of the Anti-Corruption Network for Transition Economies, 10-13 September 2003

The overall objective of the Fifth Annual Meeting was to provide a forum for taking stock of anti-corruption efforts in transition economies, to exchange experience and best practices, to learn about developments in key areas, and to discuss possible future activities. The back-to-back events targeted specific audiences and objectives: the Advisory Group discussed practical arrangements for the implementation of the new Action Plan; the Conflict of Interest seminar, the second in a series for the Stability Pact Anticorruption Initiative (SPAI) countries, discussed a new tool-kit for management of conflict of interest in the public service.

The highlight of the meeting was the ministerial-level political endorsement of the new regional Anti-Corruption Action Plan by six transition economies from the former Soviet Union: Armenia, Azerbaijan, Georgia, the Russian Federation, Tajikistan and Ukraine. The implementation of the Action Plan will include a review of legal and institutional frameworks for fighting corruption in these countries, a technical assistance programme, and monitoring of progress made by countries in implementing the recommendations arising from the review process.

The Plenary discussion on Measuring Corruption demonstrated that there has been impressive progress in the development of corruption indices over the last decade, largely led by Transparency International. Existing indicators have primarily an awareness raising function. The discussion stressed the need for global standards for measuring corruption, but also the difficulties in developing such standards.

Various national models exist for monitoring the funding and expenditures of political parties. Since there are as yet no global standards, reducing corruption in this area requires a multidisciplinary approach adapted to the historical, political, cultural and social situation in each country. Discussions within the Council of Europe (COE) demonstrated the difficulty for delegates of regional/international organisations to commit to rules applying at the national level.

However, the COE did agree to a number of key principles covering, inter alia, rules on private donations, account transparency, independent audit authorities, meaningful sanctions and enforcement, etc. The discussion concluded that, despite the difficulties, international organisations must continue to develop and promulgate best practices in legal and institutional standards in this area; and that civil society and the media must continue to have an essential monitoring role at the national level.

South East Europe Enterprise Forum Working Group Meeting, 2-3 October 2003

The 9th South East Europe Enterprise Forum (SEE-EF) meeting was held in co-operation with the Turkish International Co-operation Agency (TICA) and the European Bank for Reconstruction and Development (EBRD). All activity under this Forum is lead by OECD, European Commission and EBRD. The event was hosted and supported by the OECD Centre for Private Sector Development.

The meeting brought together small enterprise policymakers and SME experts from Albania, Bulgaria, Croatia, FYR Macedonia, Romania, Moldova, Serbia and Montenegro. Representatives from international organisations were also present, including the EBRD and TICA.

The SEE-EF Working Group met to focus on the following objectives:

- Discuss the draft Enterprise Policy Performance Assessment (EPPA)³ for the SEE Region and obtain feedback from the ministries/agencies on the research.
- Discuss and agree on the most effective way of disseminating both the individual country EPPA reports and SEE Regional EPPA analysis.
- Highlight progress made with the individual country EPPAs.

³ “South East Europe: Enterprise and Policy Performance – A Regional Assessment” (October 2003), prepared by the OECD and EBRD in co-operation with the countries of SEE.

- Highlight future elements of the Investment Compact's EPPA activities and synergies and links between the EPPA and the Investment Compact Monitoring Instruments⁴.

Mr Declan Murphy, the Chairman of the meeting, stressed that enterprise policy development is an on-going process requiring persistence over a period of time in order to have the intended impact. The programme of EPPA activities represents a great deal of useful on-the-ground work in benchmarking all SEE countries, with nine individual reports and a regional comparative analysis. This type of in-depth review and regional comparisons is analogous to OECD member country work in this important policy area. The first edition of the SEE Regional EPPA report was completed in October 2003 and disseminated. Work begun in early 2004 for further research on what progress has been achieved on the key issues identified in 2003 and this will provide feedback to all participants through the second edition of the EPPAs scheduled for completion by approx. mid 2004.

International Commercial Arbitration, 7-8 October 2003

This workshop was co-sponsored by the Istanbul Chamber of Commerce. It brought together senior representatives from transition economies, the private sector and the legal community, as well as international arbitration experts. The wide-ranging discussion covered such key issues as the initiation of arbitration proceedings, submission of disputes to international commercial arbitration, appointment of the arbitral tribunal and the enforcement of arbitral awards.

The experiences of transition economies were taken into account and cross country comparisons were conducted. Participants concluded that this exchange of experience was very useful and should be continued. Two follow-up events for 2004 were identified: the settlement of investment disputes under bilateral and regional investment treaties, and the enforcement of arbitral awards in national legal systems.

⁴ "Progress in Policy Reform in South East Europe: Monitoring Instruments", 4th edition (February 2004)

“Conflict of Interest” for Investigative Journalism, 10-11 November 2003

Attending this seminar were 25 experienced investigative journalists and editors from the eight SPAI countries: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Romania and Serbia. Participants represented a wide spectrum: print media, news agencies, radio, TV and NGOs. The level of experience in journalism varied from five to twenty years; on the specific topics of corruption and conflict of interest, experience ranged from a few articles to entire series of investigations. The invited experts were Howard Whitton, from SIGMA; Inese Voika, former investigative journalist and President of the Latvian chapter of Transparency International and member of the TI board; and Professor Josip Kregar, Professor at the Faculty of Law of the University of Zagreb.

The objective of the seminar was threefold: (1) to broaden understanding of the concept and policy framework of public officials’ conflict of interest, (2) to have the journalists share experiences and lessons learned, and (3) to explore techniques of investigative journalism. The overall idea was to enable media in Stability Pact countries to cover conflict of interest situations more effectively.

A series of cases presented by the journalists outlined problems faced by their countries in relation to conflict of interest and corruption, such as lack of restrictions on the private activities of public officials (e.g. a number of government and elected officials are on the boards of private enterprises or own significant businesses); nepotism (appointments, granting credit and procurement to relatives); widespread misuse of state property or enrichment through its privatisation; use of state funds in conferring advantages to friends, relatives or connected political parties; and corruption in education and the health sector.

Participants also pointed out the problems faced by the media in the SPAI countries. There is little follow-up to media allegations, despite repeated coverage. Instead, it is the journalists who often end up in court or receive death threats. It is difficult to continue investigations when no evidence is submitted by law enforcement authorities. It has also been stressed that newspapers, TV and radio channels in the SPAI countries are often owned

or controlled by government officials, and that they are under pressure from political or economic groups. Due to their weak financial situation or lack of independence, the media in the SPAI countries are fragile, vulnerable to outside pressures, and often used to settle accounts with political adversaries.

The point was made that the concept of conflict of interest is closely linked to public trust and transparency. The participating experts believed that even if there is no concrete evidence, it should be enough for the journalist to clearly point out in the media the conflict of interest of the particular official for the latter to be obliged to reply to the story. A number of journalists raised the issue of how to cover cases where qualified specialists are prohibited from working in the same sector or institution as their family members. It has been suggested to promote preventive measures in the media, such as clear and transparent selection processes and exclusion of subordinate relations between relatives as opposed to simply prohibiting relatives from working together. It has also been suggested that in some cases the restrictions would not have been imposed had the officials proactively and openly declared their potential conflict of interest prior to accepting the public function.

Participants took note that the OECD intends to publish a handbook for investigative journalists in SPAI countries on how to cover conflict of interest issues. A first outline of the book, which is planned for publication in Spring 2004, was presented for comments.

Conference on International Trends in the Textile and Clothing Sector and the Impact after 2005 on Turkish Companies, 16 December 2003

This event was organised by the OECD in association with ITKIB (the Istanbul Textile and Apparel Exporters' Association) and the Istanbul Chamber of Commerce. The Director General of Euratex, William Lakin, gave a broad overview of the textile and clothing sector in the European Union, focusing on the implications of the WTO Doha Development Agenda and the meeting in Cancun. OECD Economist, Peter Walkenhorst

provided information about the research that the OECD has been conducting in terms of trade restrictions in the sector.

Mr. Robin Anson of Textiles Intelligence delivered profound insight into the current situation of the US textile and clothing sector, and discussed the latest implications of measures introduced by the current administration. Representatives of the Turkish private sector described the current situation of the Turkish textile and clothing sector and the potential strategies it could adopt to overcome the challenges after 2005, when substantial changes to the international tariff structures will come into effect. The second day gave about 300 private company representatives the chance to put questions to international textile and clothing experts from the United Kingdom, the Netherlands, Germany, Sweden and Turkey.

Among the countries and groups participating in this year's programme were:

Albania:

**Bank of Albania, Boga & Associations,
Council of Ministers, Erdaf Regional Development
Agency, Human Development Promotion Centre,
Ministry of Economy, Public Private Finance Institute,
Regional Development Business Agency, SME
Development Agency, TV Klan**

Armenia:

**Armenian Arbitration Tribunal, Association for
Foreign Investment and Cooperation, Central Bank of
Armenia, Centre for Regional Development,
Government of Armenia, Ministry of Trade and
Economic Development**

Austria:

Andreas Reiner & Partner, Austrian National Bank

Azerbaijan:

**Entrepreneurship Development Foundation,
General Consulate of the Republic of Azerbaijan,
Ministry of Economic Development, Ministry of
Foreign Affairs, Republic of Azerbaijan Chamber of
Commerce and Industry, Transparency International
Azerbaijan**

Belarus:

**Belarus Prosecutor's Office, Belarus Security Council
State Secretariat, Independent Institute of Socio-
Economic and Political Studies, National Bank of
Belarus**

Bosnia and Herzegovina:

**Election Commission, Foreign Investment Promotion
Agency, Magazine "Kontakt" and "Prizma," Ministry
of Foreign Trade and Economic Relations, Ministry of
Justice, Prosperitet-International Consulting Partners,
Television of the Republika Srpska, Transparency
International Bosnia and Herzegovina**

Bulgaria:

**Agency for Small and Medium-Sized Enterprises,
BIBA, Council of Ministers, Center for Economic
Development, Commission on the Protection of
Competition**

Canada:

Canadian International Development Agency

Croatia:

**Agency for the Protection of Market Competition,
Croatian Embassy in Czech Republic, Croatian
National Bank, Croatian News agency HINA,
Institute for International Relations, Law Office of
Cirkvewi, Ministry of Foreign Affairs,
Ministry of Justice, Transparency International
Croatia, University of Rijeka**

Czech Republic:

**Consulate General of the Czech Republic,
Czech National Bank, Ministry of Trade and Industry**

Estonia:

**Corruption Analysis Centre, E-Governance Academy,
Ministry of Justice**

**Former Yugoslav
Republic of Macedonia:**

Channel 5 TV Skopje, Economic Weekly "Kapital,"

Monopoly Authority, State Anti-Corruption Commission, TED Consulting, Transparency International

Germany:

German Agency for Technical Co-operation, University of Duisburg

Georgia:

Anti-Corruption Bureau, Centre for Enterprise Restructuring and Management Association, Chamber of Commerce, Ministry of Foreign Affairs, State Chancellery, Stock Exchange, Transparency International Georgia

Greece:

Greek Consulate in Istanbul

Hungary:

Institute for World Economics, Ministry of Justice National Bank of Hungary

India:

Consumer Unity and Trust Society, National Council of Applied Economic Research

Kazakhstan:

Association of Entrepreneurs, Chamber of Commerce and Industry, Foreign Investors Council, Institute of Private Law, Ministry of Foreign Affairs, Ministry of Industry and Trade, Transparency International Kazakhstan

Kyrgyz Republic:

Chamber of Commerce and Industry, Republican Party of Kyrgyz Republic

Latvia:

Corruption Prevention and Combating Bureau, Transparency International Latvia

Lithuania:

Special Investigation Service, Transparency International Lithuania

Moldova:

Academy of Economic Studies, Centre for Fighting Corruption and Economic Crime, Centre of Investigative Journalism, Ministry of Economics & Reforms, Moldovan Export Promotion Organisation, National Bank of Moldova, Newspaper “Flux,” Panoramic TV, Small Business Association of Moldova, Transparency International Moldova, Turcan and Turcan

Montenegro:

Agency for Anti-Corruption Initiative, Center for Monitoring, Independent Daily “Vijesti,” News agency “Mina” TV Montenegro

Poland:

Association of Polish Consumers, Centre for Social and Economic Research, National Bank of Poland

Romania:

BNS, Chamber of Commerce and Industry, Competition Council, Muscat & Asociatii, Ministry of Justice, National Agency for Small and Medium- Sized Enterprises and Cooperatives, National Radio, News TV Channel “Realitatea TV,” Newspaper “Evenimentul Zilei,” Romanian Association for Consumer Protection, The Institute for Public Policy

Russian Federation:

Center for Anti-Corruption Research and Initiative Chamber of Commerce and Industry, General Council of Russian Federation in Istanbul, Ministry of Foreign Affairs, Saint Petersburg Center of Humanities and Political Studies

Serbia and Montenegro:

Antimonopoly Commission of Serbia & Montenegro, Beta News Agency, Council for Regulatory Reform, Economics Institute, Legislation Board of the Serbian Parliament, Magazine “Ekonomist,” Ministry of Finance and Economy, Ministry of International Economic Relations, “Politika Daily,” Serbian Investment and Export Promotion Agency

Slovak Republic:

National Bank of Slovakia

Slovenia:

**Chamber of Commerce and Industry,
Office for the Prevention of Corruption**

Sweden:

Ministry for Foreign Affairs

Switzerland:

State Secretariat for Economic Affairs

Tajikistan:

General Prosecutors Office

Turkey:

**Ata Yatirim, Birsell Law Office,
Black Sea Economic Cooperation Business Council
Capital Markets Board, Competition Authority,
Credit Bureau of Turkey, Eczacibasi Holding,
EFES Beverage Group, Elver Law office,
Esin & Co. Law Firm, Eskisehir Chamber of Industry,
Foreign Economics Relations Board, Iron FT Kalip ve
Makina San., Istanbul Chamber of Commerce,
Istanbul Chamber of Industry, Istanbul Readymade
Garments Exporters Association, Istanbul Stock
Exchange, Istanbul Textile & Rawmaterials Exporters
Association, Istanbul Textile and Apparel Exporters'
Association, Istanbul University, Karsu Tekstil A.S,
Koc Holding AS, Konrad Adenauer Foundation,
KOSGEB, Logo Business Systems, Ministry of
Economy, Ministry of Finance, Ministry of Industry
and Trade, Nurol Holdings AS, Ozsunay Law Office,
Payzin Danismanlik, Pekin Law Offices,
Sabanci University, Salans Law Firm,
Sariibrahimoglu Law Office, State Planning
Organization, Tangram, The Union of Chambers and
Commodity Exchanges of Turkey, TICA, TOSYOV,
TTGV, Turkish Clothing Manufacturers Association,
Turkish Exporters Assembly, Turkish
Industrialists'and Businessmen's Association
(TUSIAD), Turkish Textile Employers' Association,
Undersecretariat of Treasury, Vakif Risk, Yapi Kredi
Yatirim Menkul Degerler A.S., Yonetim Danismanlik**

United States:

Department of State

Ukraine:

Anti-Corruption Forum, Chamber of Commerce and Industry, Civil Initiatives Foundation, Coalition “Freedom of Choice,” Consulate General of Ukraine in Istanbul, Ministry of Economy, State Department for Financial Monitoring

Uzbekistan:

Ministry of Finance, Ministry of Internal Affairs

International Organisations:

Council of Europe, Council of Europe, European Bank for Reconstruction and Development, European Commission, International Finance Corporation, OECD, OSCE, UNCTAD, UNECE, UNDP, UNIDO, USAID, World Bank, World Bank Institute

The Centre's Facilities

The Centre offers....

- 1,400 square metres within a convenient building in the centre of Istanbul
- An air-conditioned conference room overlooking the Bosphorus and the Golden Horn that can accommodate up to 100 participants
- Three additional rooms for working group meetings
- An internal library (with access to www.SourceOECD.org – the OECD's online library of book collections by theme, periodicals, and OECD statistical databases)
- A service to photocopy documentation prior to meetings, refreshments during the event, and security

Equipment

- | | |
|-------------------------------|--------------------------|
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About TICA

Established in 1992, the Turkish International Co-operation Agency (TICA) is the main governmental institution responsible for Turkey's technical co-operation activities, and **the OECD Istanbul Centre's main sponsor organisation**. TICA's mission is to support sustainable social and economic development in developing and transition countries; support regional co-operation initiatives; and contribute to international peace and stability and settlement of cross-boundary problems.

TICA has co-operation activities both at bilateral and multilateral levels, and co-operates with the public and private sector as well as international and bilateral development co-operation agencies. For more information, please see www.tika.gov.tr or email tika@tika.gov.tr.

About the OECD

The Organisation for Economic Co-operation and Development⁵, founded in 1961, provides governments with a setting in which to discuss, develop and perfect economic and social policy. The OECD Convention states that the Organisation shall promote policies designed to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy; to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

⁵ Australia, Austria, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States, and the European Commission.

The OECD's members share a commitment to democratic government and the market economy. The Organisation's work covers economic and social issues from macroeconomics to trade, investment, enterprise development, governance, education, the environment, science and innovation.

The OECD produces internationally agreed instruments, decisions and recommendations to promote rules of the game in areas where multilateral agreement is necessary for individual countries to make progress in a globalised economy. Dialogue, consensus, and peer review and pressure are at the very heart of OECD.

Every year the OECD conducts the Global Forum on International Investment, which serves as an open forum for policy dialogue among OECD members, non-members and other stakeholders worldwide. This Forum provides them with a platform for exchanging their expertise and experience in meeting the challenges and opportunities created by international investment. Within this framework and on several fronts, the OECD is promoting investment in developing countries. Efforts are under way to arrive at a better understand of the link between Official Development Assistance (ODA) and the benefits for investment. In addition, as preparation for the eventual drafting of a Framework for Investment Policies, Forum participants are currently engaged in a comprehensive stocktaking of sources of good practice and guidance for improving the investment climate.

Work carried out in the OECD Istanbul Centre actively feeds into the areas above. And there is a busy agenda ahead: a number of events to be held shortly in the Middle East are being scheduled in co-operation with the Centre's partner organizations.

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