

This version: 18 February 2005



**Hellenic Business Council**



## **REGIONAL FORUM**

### **PRIVATE SECTOR DEVELOPMENT IN THE BLACK SEA REGION: WHAT ARE THE PRIORITIES?**

**Organised jointly by**

**THE HELLENIC BUSINESS COUNCIL**

**AND**

**THE OECD DEVELOPMENT CENTRE**

**UNDER THE AUSPICES OF THE GREEK MINISTRY OF FOREIGN AFFAIRS,**

Thessaloniki, 24-25 February 2005

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## REGIONAL FORUM

### PRIVATE SECTOR DEVELOPMENT IN THE BLACK SEA REGION: WHAT ARE THE PRIORITIES?

#### Motivation

1. The Black Sea Region (BSR) is strategically located at the crossroads between Europe and Asia, and is endowed with abundant natural resources and skilled labour. Individually and as part of a regional grouping, namely the Black Sea Economic Cooperation (BSEC) that aims at fostering economic and political co-operation, BSR countries are taking decisive steps towards improving their competitive position and business climate. The process of mutual learning put in place by BSEC is currently being reinforced by the involvement of intergovernmental organisations and international institutions such as the European Commission (EC), the World Bank (WB), the European Bank for Reconstruction and Development (EBRD), the Black Sea Trade and Development Bank (BSTDB) and the Organisation for Economic Co-operation and Development (OECD), which are sharing good practices on how to strengthen the private sector in the region. Some BSEC countries have already made significant progress with economic reforms and institution-building; efforts are starting to pay off in terms of higher export to and investment from OECD countries.
2. There is a growing consensus on the importance of fostering private sector development as a condition for boosting growth and achieving greater social cohesion. Unlocking this potential requires actions to improve the business climate, establish meaningful partnerships between government, enterprises and civil society, improve the coherence between the growth and social policy agenda and enhance the competitive endowment of the country (education, infrastructure, institutions, etc.).
3. Despite these positive developments, not all of the countries in the Black Sea Region have managed to transform extant economic opportunities into long-term and sustainable development. At the moment, low-income BSEC countries remain heavily dependent on few primary commodities and their private sector is often fragile and disconnected from international production networks. In fact, with the transition to a fully-fledged market economy still incomplete, the low-income countries of the region face a double challenge. On the one hand, they have to find the means to turn the opportunity provided by their endowments into domestic and foreign direct investment initiatives that stimulate growth and reduce poverty. On the other, appropriate governance measures must be put in place so that these very same resources do not become a curse.
4. Since its institution, the BSEC has intensified co-operation amongst Members States and the European Union in priority areas including energy, institutional building and good governance, trade and economic development. These are areas where the OECD has developed a significant expertise and conducted important outreach activities. For example, the OECD has played a key role within the South East Europe Compact for Reform, Investment, Integrity and Growth (“The Investment Compact”), starting a fruitful co-operation with some of the countries in the region.

5. In light of these commitments, the Hellenic Business Council and the OECD Development Centre are co-organising, under the auspices of the Greek Ministry of Foreign Affairs, a regional forum on private sector development in the BSEC region. The Development Centre has a long standing tradition of policy analysis and dialogue in the area of development and has recently expanded its activities in the region, also thanks to the accession of Romania to its Governing Board. The Hellenic Business Council, part of the BSEC Business Council, has worked since its inception to strengthen co-operation between the business communities of the member states and to ensure that they can make a substantial contribution to the economic and social development of the region. In particular, it has contributed to inform policies aimed at creating a favourable climate to promote commerce and investment.

6. The regional forum will provide an opportunity for regional stakeholders to discuss major opportunities and constraints facing the development of the private sector in these countries. It would also follow up and expand on the experts' meeting on trade and investment inter-linkages in Caucasus and Central Asia organised by the Development Centre in Istanbul in February 2004. The OECD and the BSEC institutions would act as facilitators and, based on their expertise in these fields, share with local participants lessons learned and good practices on promoting private sector development, improving governance and enhancing energy co-operation. Large and high-profile private sector participation is encouraged to ensure the concerns of the business community are adequately reflected in the debate and to provide an additional input to the on-going public-private dialogue taking place within the BSEC.

### **Structure**

7. The meeting is being organised in the framework of the Greek Chairmanship of the BSEC (1 November 2004 – 30 April 2005) and will take place on 24 and 25 February 2005 in Thessaloniki – South-East Europe's busiest port, the location of major companies operating in the region and a place of representation of European and international organisations.

8. An important aim of the meeting is to favour policy dialogue amongst private sector, governments and international organisations. Therefore, a delegation from each BSEC member country is invited to attend the meeting, comprising representatives from government and the business sector. Additional experts and investors from neighbouring countries may also be invited.

9. The OECD delegation will be headed by Deputy Secretary General Kiyo Akasaka. It will also include Development Centre's Director Prof Louka T. Katseli and staff members from the Development Centre (DEV), the Financial and Enterprise Directorate (DAF), the Governance and Territorial Development Directorate (GOV), the International Energy Agency (IEA) and the Trade Directorate (ECH). Additional experts from relevant regional and international organisations will be invited as well.

### **Topics for discussion**

10. The meeting is organised around two days. On the first day, four sessions will address in turn the opportunities for enhancing trade and investment in the region and the necessary policy framework. The second day is devoted to exploring ways to enhancing business co-operation in specific industries, including transport and communication, manufacturing, energy and services. Each session will discuss experiences and plans for developing the private sector in specific sectors of the economy, taking into account the constraints imposed by regional realities and seeking ways around them. A concluding session will summarise the major findings of the forum and suggest the way forward.

## 1. The Policy Framework For Private Sector Development In The BSEC Region

- **Session I – The Economic and Political Outlook for the BSEC Region**, will provide an overview of the economic outlook for the BSEC region and set the stage with a view to scoping the issues, sharing a common understanding of the opportunities and challenges facing private sector development in the region and exploring the potential gains from increased regional co-operation.
- **Session II – Prospects of Business Co-operation in the BSEC Region**, will address the major opportunities and policy priorities to expand trade and investment within the region from a business perspective.
- **Session III – The Business Climate: What Role for Policies to Underpin Trade and Investment?** will focus on policy responses from governments to the challenges identified above. In particular it will focus on how governments are working together to enhance regional cooperation. This will include ways to improve the business climate, infrastructure and trade facilitation.
- **Session IV – Institution building and good governance. Lessons of experience**, will discuss the experience of countries in the region in their efforts to promote institutional renewal and good governance in the area of trade, investment and international co-operation. What can the BSEC countries learn from each other? What lessons from experience can be learned from neighbouring European countries in the area of public governance and regulatory reform? What role can partnership programmes between BSEC and intergovernmental organisations such as the OECD play?

## 2. Enhancing Business Co-operation in specific industries

- **Infrastructure, Transport and Communication.** This session will look at policies and investment in the area of transport and communication infrastructure and their potential to foster intra- and extra-regional trade and investment.
- **The Manufacturing Sector.** This session will consider the trends in manufacturing sector in sectors relevant to the region and highlight emerging issues and necessary policy responses.
- **The Energy Sector.** This session will consider the energy outlook for the region and analyse the opportunities and constraints for improving energy policy and energy co-operation in the region.
- **The Service Sector.** This session will consider the implications of further liberalisation of trade in services, the constraints and opportunities in specific service sector such as tourism and ITC, the instruments available to access finance and mitigate risks.

### *Participants*

11. The meeting is of interest for representatives of the following countries, institutions and organisations:

- Policy makers and business representatives from relevant government agencies from BSEC member countries (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova,

Romania, Russia, Serbia - Montenegro, Turkey, Ukraine). In particular, trade, investment and SME promotion organisations are invited to attend.

- Private sector representatives, including major investors within the BSEC region as well as private sector organisations such as Chambers of Commerce and business associations.
- International organisations such as ADB, BSTDB, EBRD, EC, EIB, UNECE, the World Bank Group and regional co-operation organisations.

12. Overall some 200 people have been invited to the meeting, including:

- delegations from the 12 BSEC countries (policy makers and business representatives);
- a delegation from the OECD secretariat (apart from the organising unit, suggested directorates to be invited are: the International Energy Agency, the Directorate for Financial and Enterprise Affairs, the Directorate for Public Governance and Territorial Development, the Trade Directorate);
- representatives from various regional and international organisations;
- representatives from Greek government agencies and private sector.