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**PABSEC**

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# LEGAL AND POLITICAL AFFAIRS COMMITTEE

## REPORT*

## "The Role of Parliaments in Stimulating Foreign Investments in the BSEC Member States"

Rapporteur: Ms. Tulay KAYNARCA, Vice-Chairperson of the Committee (Türkiye)

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## I. INTRODUCTION

1. The main goal of any country is to achieve a sustainable economic growth. In today's world, the important factor affecting economic growth is investment. To become competitive in the world market, it is necessary to enhance economic diversification, introduce high-tech processes and upgrade the existing production. To achieve these goals, a state needs to determine the sectors of the economy where to bring investments, as quickly as possible. The effective use of investments contributes to the socio-economic development, competitiveness and modernization. An important precondition for the development of the investment sphere of the economy, is foreign investment. Foreign investments play a significant role in financing the social and economic development and in enhancing the investment potential. In this regard, the effective investment policies and legislation are priorities for every country.

2. The outbreak of the Covid-19 pandemic, lockdowns and restrictions affected dramatically the investment projects. The Global Foreign Direct Investment flows, in the first half of 2020, were down by 49 %, compared to 2019. However, according to the United Nations Conference on Trade and Development (UNCTAD), the direct investments flows reached a strong rebound in 2021, up to 77% of an estimated 1.65 trillion US Dollars, from 929 billion US Dollars in 2020, surpassing their pre-Covid-19 level. According to the Global Economic Outlook (2021–2023), the global economy in 2020, contracted by 3.7 % (the highest decline since the World War II) and the volume of global trade in goods and services reached 9.5 %, in 2021.

3. In the beginning of 2022, the recovery from the pandemic-induced recession has been slowing as new coronavirus variants emerged and the governments reined in spending. The rising inflation has prompted the central banks to raise interest rates sharply. Disruptions in world trade hinder socio-economic development and investment activity. The prospects for the global economy have deteriorated after the outbreak of the Russian military aggression against Ukraine on 24 February, which, in addition to human sufferings, brought enormous damage to the global economy at a difficult moment for it. The most direct economic impact of the crisis has been a sharp rise in commodity prices, as Russia and Ukraine are key suppliers of essential commodities, including food, energy and fertilizers. Also, grain deliveries through the Black Sea ports have been delayed, which can have serious consequences for the food security of many countries.

4. Given the importance of the foreign investments in the Black Sea region and the important role of the legislation, the 58th Meeting of the PABSEC Legal and Political Affairs Committee decided to take up "The Role of Parliaments in Stimulating Foreign Investments in the BSEC Member States", as the main topic of its 59th Meeting. At its 59th Meeting, the Committee took a decision to revise the Report and asked the National Delegations to send their updated contributions until the next 60th Meeting in Athens.

5. The PABSEC has always attached a particular importance to the investment issue and the legislative support in this area, as a precondition for enhancing the economic development of the Member States. In Recommendation 38/1999 on "Promotion and protection of investments in the Black Sea region", Recommendation 101/2008 "Foreign Investments and Economic Growth of the BSEC Member States" and the Recommendation 152/2016 on "International Investments in the BSEC Member States", the Assembly encourages the parliaments of the Member States to improve the legal framework, for ensuring a favourable investment climate.

6. The present Report examines the role of the parliaments in stimulating foreign investments in the BSEC Member States. The Report uses the information provided by

the national delegations of the Republic of Azerbaijan, the Republic of Bulgaria, the Hellenic Republic, the Republic of Moldova, the Republic of North Macedonia, Romania, the Russian Federation, the Republic of Serbia, the Republic of Türkiye and Ukraine. Additionally, the national delegations of the Hellenic Republic, Romania, the Republic of Türkiye and Ukraine have sent additional information. In addition, the reference material has been obtained by the PABSEC International Secretariat, from the relevant Internet sources.

## II. FOREIGN INVESTMENTS IN THE BSEC MEMBER STATES

7. Investments represent tangible and intangible assets in a variety of activities. They expand and increase production capacities. With the expansion of production, new jobs appear and the state budget increases. The economic growth of a country can be measured by the indicator of the net investment. A negative net investment in a country's economy indicates that the productive capacity is decreasing. If the net investment is positive, there is an upturn in the country's economy. As a result of investments, the enterprises become re-equipped and new high-tech processes are installed. Modernization and renewal of production allows companies to improve the quality and increase the volume of goods and services, which in turn, raises competitiveness in the market. New management methods are introduced, thus increasing the productivity and efficiency of the enterprises. Investments promote the export of domestic goods and services as well as the import substitution. In social terms, investments help to reduce unemployment, increase the income of the population and improve their quality of life.

8. The need for imperative recovery from the consequences of the coronavirus pandemic, has increased the role of the trade and investment flows. The pandemic has brought massive disruptions to all the aspects of the economic, financial and social spheres. Unprecedented pandemic shocks and delays in supply chains, acted as a massive 'stress test', both for the world trade and for the investment activities. The support measures taken by the countries, to mitigate the effects of the pandemic, have induced large budget deficits and an increase in the debt levels. According to the World Investment Report for 2021, the COVID-19 pandemic caused a dramatic fall in global Foreign Direct Investment (FDI) in 2020, bringing the FDI flows, back to the level seen in 2005. The crisis has had a strong negative impact on the most productive types of investment in industrial and infrastructure projects. This means that the international production, an engine of global economic growth and development, has been seriously affected.

9. According to the United Nations definition, the Foreign Direct Investments (FDI) are made in order to acquire a long-term share or an effective control over an undertaking which operates outside the territorial borders of the investor country. They constitute a source for expanding the capital and implementing investment programs and projects that lead to the revival of the economy. The enhancement of a favourable investment climate in the national economies, stimulates the activity of both local and foreign investors and fosters the economic development in a long run.

10. The inflow of foreign investments highly depends on several factors, including the economic conditions, national legislation, social and political conditions, positive economic dynamics, low inflation rate, efficient banking system, modernization of infrastructure, sound regulatory system, advanced technologies, etc. A sound investment policy directed towards attracting the FDI, stimulating domestic investment and developing the SME sector, is a solid foundation for a sustainable economic growth.

11. The political stability is an essential factor for attracting the FDI and promoting the entrepreneurship. The investors are deterred by the risks posed by insecurity and

instability and are attracted to a greater transparency in decision-making and good governance. Any country or region seeking to attract investment, needs to create a credible, stable and predictable environment. The political stability is important for the investment and business, as it affects the investor and consumer confidence, thus having a wider impact on the economy. Stability, therefore, is an important precondition for investment, consumption and economic growth. Political stability also encompasses the strength of the institutions and the rule of law.

12. One of the most important conditions in the process of attracting foreign investment, is the improvement of national legislative framework with concrete mechanisms and rules of interaction between the state and the foreign investor. In the formation of the investment policies, it is important to analyse the major macroeconomic indicators, such as the level and structure of the GDP and the volume of the investments, specific economic criteria, etc. The legislative changes aim to regulate the relation between the public sector and the foreign investor, the property relations, the mechanisms of public and private partnerships, the rights of the citizens and of the foreign investors. All the countries of the Black Sea region have taken steps to create and apply the regulatory and institutional framework, underlying the business conduct. Yet, more efforts are needed to strengthen this base and ensure that relevant laws and obligations are enforced and monitored.

13. Important measures to facilitate investment flows include transparent policies and legislative regulations, streamlined administrative and procedural requirements, sharing of best practices, and coordination between the actors, ensuring that the policies and the regulations are implemented effectively. The need for transparency relates both to the actions taken by authorities and to the broader business environment of the host country. Uncertainties about legislative action and rules enforcement, act as major impediments, giving rise to risks.

14. The main obstacles in the process of attracting foreign investments are corruption and a less developed business environment. Investing in a foreign country with a high level of corruption increases the cost of the investments. In this regard, it is important that the parliaments elaborate effective anticorruption laws and a serious punishment of the corrupted authorities. The enhanced control of the process, at all levels – governmental, local and individual - may reduce the level of corruption and provide attractive environment for investments. On the other hand, the foreign direct investment may decrease corruption, as the high levels of international capital mobility make foreign investors more likely to exit the market, if a corrupt behaviour is not kept in check. Given the importance of the foreign investment to local economies, high standards of probity may have an impact on local officials and their behaviour. Despite a significant progress in reducing corruption, it continues to remain a major barrier in doing business, in some countries.

15. A well-organized institutional framework is also vital for the successful attraction of the foreign investment. It includes the effective work of the respective ministry and/or specialised department, agency and structure. Good practices are identified among the successful investment agencies, which can be summarised in several main categories: optimising investor service, ensuring successful private sector practices, gaining in-depth knowledge of priority sectors and fields; working in a wide network of partners, at national and regional levels.

16. The establishment of industrial parks is also a very important instrument. These are potential industrial sites for the relocation of companies from other countries, in order to diversify the supply chains that solve the issue of reducing the work time of companies.

The liberal legislative policy of the country to support the development of the industrial parks is an important stimulus for the investors. The parliaments promote a special legislation to ease the procedures and attract more investors.

17. The foreign investments legislation comprises the provisions of international treaties, and the general civil and specific legislation which aims to provide the most efficient and integrated environment for attracting international investments. The ratification of International Investment Agreements is an integral part of the national legislation and aims: to encourage the establishment of an investment climate that will attract foreign investment and to protect outward investors in foreign markets. The international investment treaties prohibit unfair, discriminatory or expropriator measures towards foreign investors. If any part of the government – at the central, regional or local levels – violates any obligation contained in an investment agreement, a foreign investor may be able to sue the host economy in international arbitration.

18. For the BSEC Organization, investments are one of the priority directions. The BSEC Economic Agenda: Towards an Enhanced BSEC Partnership, states that one of the major goals of the BSEC is to ensure a friendly business environment, especially by providing a stable, predictable, non-discriminatory and transparent regulatory framework. It calls for closer, balanced and mutually beneficial cooperation for increased inflows of foreign investment, through the intensification of intra-regional trade and setting up an efficient mechanism for the prompt exchange of information and data on intra-regional trade and investments.

19. The key priorities for the BSEC activity in the field of trade and economic development are carried out by the specialized BSEC Working Group. The BSEC Working Group on Trade and Economic Development aims to identify priority areas for the further cooperation on simplifying the procedures of regional trade and investments, harmonizing customs procedures and exchanging information on the current state of trade and economic affairs, in the BSEC region. Recently, the Working Group has been working on the Project Proposal entitled "Setting up an Information Exchange Mechanism on trade and economic issues in the BSEC Region" and the "Framework for BSEC E-commerce Cooperation". Considering the important role that the E-commerce and the information exchange play in increasing the trade and investments ties, the BSEC attaches a great importance to the trade and investment facilitation, which ensures economic growth and promote supply chain efficiency.

20. The activities of the BSEC Business Council (BC) are directed towards the improvement of the business environment in the Black Sea region, to the benefit of the local business people and to assist in the attraction of foreign investments. The BSEC BC has initiated the process of elimination of obstacles to business and investments, creating equal opportunities for businesses and the establishment of a favourable climate for local enterprises and foreign investors. In this regard, the BSEC Business Council collaborates with the business communities of the BSEC Member States. It also works with the state authorities in the process of the regional economic cooperation, by promoting individual and collective business initiatives. The BSEC Business Council aims to strengthen the cooperation with the international community and ensure a broader participation to regional and international initiatives.

21. The Black Sea Trade and Development Bank (BSTDB) supports economic development and regional cooperation in the Black Sea Region, through trade and project finance lending, guarantees and an equitable participation in the private enterprises and public entities, in the member countries. The Bank operates as a sound, independent financial institution, which mobilizes the resources from within and outside the region, for the

provision of products and services tailored to regional business needs. Throughout its existence, the BSTDB has pursued a dual mandate to promote regional cooperation and to support economic development in the Member States, principally via financing the operations in the private and public sectors.

***Regional Trends***

22. The economic potential of the Black Sea region, the rich natural resources, the large market, the high scientific potential, make it possible to attract significant amounts of foreign investment. At the same time, the steady growth of the economies of the countries, the stability of the socio-economic situation and the growing ratings of the investment attractiveness create separate sectors of the economy that are competitive for external investments. A noticeable influx of foreign capital as well as an increase in the investment activity of national investors, entails the formation of a competitive environment and an increase in investment volumes.

23. The Black Sea Region entered 2020 poised to reverse the slowing growth of the previous two years and achieve a moderately higher real GDP growth of +2-2.5%. The onset of the pandemic halted this prospect, and like the rest of the global economy, the Region experienced a lockdown, which induced a reduction of -2.4%. All the BSEC countries experienced a lower GDP growth than in 2019, and the most experienced recession since the global crisis in 2008 (negative growth).

24. In 2021 the GDP growth rates among the BSEC Member States varied from 3.4% to 13.9% and almost all of them recovered from losses inflicted in 2020, and by the last quarter of 2021, their GDP was above the pre-pandemic levels. It is worth noting that the BSEC Region growth exceeded global growth in 2021 and as such has fared better than in the post-2009 period, when recovery in the Region was slower and below the global growth rate. Since that crisis, authorities in the Region followed relatively conservative policies, which, at the expense of the faster growth, helped to build external and fiscal buffers. So, the Region encountered pandemic-related challenges better prepared than in 2008. According to the latest official data, the Region received 81.0 billion US Dollars (2.3% of GDP) in foreign direct investment inflows in 2021, up from 30.4 billion US Dollars (1.0% of GDP) in 2020 and a record high level since 2014.

***Main economic indicators of the BSEC Member States in 2020 and 2021 according to the BSTDB and World Bank Data***

| Country | Real GDP Change Real GDP | | Inflation | | FDI, % of GDP | |
|---|---|---|---|---|---|---|
| | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** |
| Albania | -3.50% | 8.5% | 1.60% | 2.0% | 6.7% | 6.4% |
| Armenia | -7.40% | 5.7% | 1.20% | 7.2% | 0.6% | 2.6% |
| Azerbaijan | -4.20% | 5.6% | 2.80% | 6.7% | -0.7% | -3.3% |
| Bulgaria | -4.40% | 4.2% | 1.70% | 3.3% | 4.6% | 1.7% |
| Georgia | -6.80% | 10.4% | 5.20% | 9.6% | 3.6% | 6.2% |
| Greece | -9.00% | 8.3% | -1.20% | 1.2% | 1.4% | 2.2% |
| The Republic of Moldova | -7.4 % | 13.9% | 3.80% | 5.1% | 1.3% | 1.7% |
| North Macedonia | -6.1% | 4% | 1.20% | 3.2% | 28% | 33% |
| Romania | -3.7% | 5.9% | 2.60% | 5.1% | 1.4% | 3.0% |
| Russia | -2.7% | 4.7% | 3.40% | 6.7% | 0.2% | -1.4% |
| Serbia | - 0.9 % | 7.4% | 1.90% | 3.4% | 6.4% | 6.5% |
| Türkiye | 1.8 % | 11% | 12.30 % | 19.6% | 0.6%* | 0.9%* |
| Ukraine | -3.8 % | 3.4% | 2.70 % | 9.4% | 0.0% | 3.4% |

*** Net FDI, % of GDP**

25. After a solid recovery in 2021, it was expected that the growth rates would follow positive trend in 2022 and 2023. The Russian military aggression against Ukraine, in

addition to a humanitarian catastrophe and direct harm to both economies, amplified uncertainties regionally and globally, undermined growth prospects, and further intensified the already existing challenges. Due to it, the food and commodity prices are projected to increase further, as Ukraine and Russia are major providers of wheat, sunflower seed, crude oil, natural gas, and various metals. This, in turn, increased inflation in the region and beyond and reflected negatively on the investment field.

26. Supply disruptions of key energy commodities severely affect a wide range of industries, including food, construction, petrochemicals and transport. Ensuring the energy security of countries and the effectiveness of energy policies aimed at increasing energy self-sufficiency and reducing energy prices for consumers has become a subject of particular concern. The increase in energy prices is likely to weigh on global economic activity. High energy prices will reduce activity in energy-importing economies by lowering real incomes, raising production costs, tightening financial conditions, and constraining macroeconomic policy.

27. The Black Sea countries should implement prudent economic and financial policies to enhance their economies, reduce the vulnerability, stabilize banking systems, and achieve greater resilience and stability. Even though, the pandemic and the uncertain economic and stability prospects in the countries of the region cause a capital outflow and a decline of international investment, the governments are developing appropriate policies and taking urgent measures to eliminate the negative effects of the pandemic and the situation in the Region as well as to revive the investments in order to boost their economies.

**Doing Business Legacy of the BSEC Member States in 2020**[1]

| Country | Ease of doing business rank | Starting a business rank | Trading across borders rank |
|---|---|---|---|
| Albania | 82 | 53 | 25 |
| Armenia | 47 | 10 | 43 |
| Azerbaijan | 28 | 9 | 71 |
| Bulgaria | 61 | 113 | 21 |
| Georgia | 7 | 2 | 45 |
| Greece | 79 | 11 | 34 |
| The Republic of Moldova | 48 | 13 | 38 |
| North Macedonia | 17 | 78 | 32 |
| Romania | 55 | 91 | 1 |
| Russia | 29 | 39 | 99 |
| Serbia | 44 | 73 | 23 |
| Türkiye | 34 | 77 | 44 |
| Ukraine | 64 | 61 | 75 |

28. The ease of doing business ranking ranges from 1 to 190. The ranking of economies is determined by sorting the aggregate ease of doing business scores. Doing Business measures the time and cost associated with three sets of procedures of exporting and importing goods - documentary compliance, border compliance and domestic transport - within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of starting a business, is determined by sorting their scores. The score for trading across borders is the simple average of the scores for the time and cost of documentary compliance and border compliance to export and import.

***Situation in the BSEC Member States***

29. Attracting foreign investments is an important part of the economic development strategy of the ***Republic of Azerbaijan***. The Law “On Protection of Foreign Investments” (No. 57 of 15 January 1992) defines the legal and economic principles for the implementation of foreign investments on the territory of Azerbaijan. It aims to attract and effectively use foreign resources and modern foreign technology, as well as to guarantee protection of

[1] *Doing Business Legacy, Doing Business 2020, World Bank data*

the foreign investors' rights. The Law "On Investment Activity" (No. 952 of 13 January 1995) is aimed at attracting investments and their effective leverage for socio-economic development, as well as international economic cooperation and guarantees equal protection of the rights of all investors, regardless of the form of ownership.

30. The Law on the Protection of Foreign Investments and the Law on Investment Activities need to be revised since they have lost their relevance and were not adequately promoted and enforced. Due to the changing legal and economic framework of the investment activities, it became appropriate to adopt a new draft law. The Economic Committee is currently discussing a new law that combines the above-mentioned laws, as well as the national treatment for foreign investors ensuring equitable protection with local investors and the most favorable environment.

31. "Azerbaijan 2030: National Priorities for Socio-Economic Development", approved by the relevant Decree of the President of the Republic of Azerbaijan, defines steadily growing competitive economy as one of the national priorities. The Document underlines the achievement of high-level sustainable growth for the effective implementation of this priority, as well as the attraction of foreign direct investment in the country's economy, including infrastructure and strategic investors. It should be noted that the present reforms initiated by President Ilham Aliyev and the signing of the Decree "On a number of measures to stimulate investments and protect the rights of foreign investors" in 2018 were met by foreign investors with great interest.

32. The main provisions concerning foreign investments in ***the Republic of Bulgaria*** are contained in the Investment Promotion Act and its Implementing Regulations. Among other laws that are relevant to foreign investments and investors, can be mentioned the Foreigners in the Republic of Bulgaria Act and the tax legislation (mainly the Corporate Income Tax Act and the VAT Act). The legal framework is complemented by the bilateral and multilateral treaties on investments, to which Bulgaria is a party and to which the European Union is a party as well as the commitments made in the World Trade Organisation (WTO) and the treaties concluded between the European Union and the third countries, containing investment liberalisation clauses.

33. The main objectives of the Investment Policy of the Republic of Bulgaria are: increasement of investments for technological development in high value-added industries and services and creation of new high-performance jobs; integrated counteraction to negative trends in investment activity and employment, development of industrial zones; reducing regional disproportions in socio-economic development. The responsibilities of the various bodies involved in the development and implementation of the investment promotion policy in Bulgaria are outlined in the Investment Promotion Act and these are: the Minister of Economy (Minister of Innovation and Growth); regional governors; municipal mayors; the Bulgarian Investment Agency.

34. Successful good investment promotion practices include the implementation of the incentive measures provided for in the Investment Promotion Act. Investors who meet the conditions of the Act receive a certificate, which entitles the investors to benefit from administrative incentives, such as individual administrative and shortened time frame services as well as financial incentives. The financial measures include acquisition of ownership or restricted property rights, without tender or competition; financial support for the construction of elements of the technical infrastructure; financial support for training for the acquisition of professional qualification, for the employees of the new jobs; additional compulsory pension insurance and compulsory health insurance for the newly recruited workers and employees, for the implementation of the investment project.

35. Highlighting Greece’s commitment to the objective of reinforcing growth, a new institutional framework for the planning and application of the investment policy in ***the Hellenic Republic*** has been recently enacted, integrating all aspects of extroversion in the Ministry of Foreign affairs, therefore placing the Ministry at a central role, also serving the purpose of linking foreign policy with economic diplomacy. This has been followed by recent organizational overhauls at the Ministry and the introduction of the “National Strategy for Extroversion” in 2021 and 2022 for the systematic and targeted promotion of the country's economic objectives in terms of exports and investment attraction, structured around three strategic axes: (i) promoting the country's economic and commercial position at regional and international level (ii) upgrading extroversion and strengthening economic diplomacy activities and (iii) enhancing the country’s role and presence in the context of multilateral economic relations. Implementation of the first National Strategy for Extroversion in 2021 has rendered spectacular results, recording an increase in the value of exports by 29.5% in 2021, according to current Hellenic Statistical Authority Data.

36. The “National Strategy for Extroversion” is a practical tool prepared jointly by public and private bodies with an extrovert character, in order to increase synergies and achieve more effective coordination. It serves as a blueprint for the country’s diplomats, trade officials and business leaders, to engage with the international market and enhance the foreign relations of the Hellenic Republic, through commerce and investment. The plan details some 458 initiatives in 2021 and 670 in 2022, ranging from new branding strategies to new inter-ministerial committees, focusing on economic and diplomatic policies. Building on the positive experience of National Strategy for Extroversion 2021 and the active contribution of state and private stakeholders, ambitious goals are preserved in the Plan of 2022 as well: by 2023, the Hellenic Republic aims to double its inflows of Foreign Direct Investment to the equivalent of 4% of the GDP (1.8% in 2019) – in line with the European average, increase exports of goods and services to 48% of the GDP (37% in 2018) and ensures the Greek ranking among the 20 top brand names worldwide.

37. At the same time, a new institutional tool for investment policy planning - the National Extroversion Council – held its first meeting on 20 December 2021. The Council plays an advisory role to the official promotion investment agency in Greece “Enterprise Greece”, under the auspices of the Ministry of Foreign Affairs. There have also been Business Reforms in the Hellenic Republic (within the last 6 years), in the fields of starting a business: it became easier to start a business by reducing the time to register a company with the commercial registry and removing the requirement to obtain a tax clearance, by creating a unified social security institution and by lowering registration costs. The minority investor protection has been strengthened, by requiring a greater disclosure and an independent review before the approval of related-party transactions as well as by requiring a greater corporate transparency of the executive compensation. In addition, the Hellenic Republic made enforcing contracts easier, by amending its rules of civil procedure, that is: introducing tighter rules on adjournments, imposing deadlines for key court events and limiting the recourses that can be lodged during enforcement proceedings.

38. The investments in ***the Republic of Moldova*** are regulated by the Constitution, by a number of laws and normative acts, as well as by international treaties, including the Republic of Moldova-European Union Association Agreement. Law 81/2004 on investment in entrepreneurship activity establishes the legal, social and economic principles of development of investment activity, the rights and obligations of investors, the powers and competence of public authorities in the investment activity field, the

guarantees granted by the state to domestic and foreign investors, the method of settling investment disputes, as well as regulations on the activity of enterprises with foreign investment. Law 278/2018 establishes several legislative amendments to further reduce the number of papers and the time for granting work and residence permits for foreigners from 10 to 6.

39. According to the Law 440/2001 on free economic zones (FEZ), the FEZ are a part of the customs territory of the Republic of Moldova, strictly delimited on their perimeter, in which local and foreign investors are allowed, on a preferential basis, to various types of entrepreneurship activity. Investments in FEZs of some automotive component manufacturers, for example, contributed to the development of the automotive industry in Moldova - creation of about 16 thousand jobs, increasing export volume (+30% in 2019). Investments in Moldova IT Park stimulated the development of the IT sector in the Republic of Moldova - sales of USD 380 million in 2019 (3.1% of GDP).

40. The Investment Agency of the Republic of Moldova is the central administrative authority subordinated to the Government, which implements state policy aimed at promotion of the country's image to attract foreign investment; supporting investment activity and protecting investments. The Investment Platforms, created during the last decade, have succeeded in stimulating the attraction of local and foreign investment and facilitating the development of new economic sectors.

41. The Law on Financial Support of Investments of ***the Republic of North Macedonia*** regulates the types and amount of the financial support of investments, the conditions, the manner and the procedure for granting financial support to the business entities. The Law on Establishment of the Agency for Foreign Investments and Export Promotion of the Republic of North Macedonia, regulates the establishment, organization and operation of the Agency. It aims to provide an increased inflow of foreign direct investment and export promotion. The "Economic Growth Plan" on rapid economic development for 2022-2026, stipulates the measures to support the economy, divided into three pillars, whose main goal is to encourage investment, technological development and increase the competitiveness of the companies.

42. “Invest North Macedonia” is an official governmental promotion agency responsible for attracting foreign investments and supporting the export promotion of the Republic of North Macedonia. The North Macedonia Free Zones Authority, the governmental managing body responsible for developing the FEZs throughout the country, currently supervises fourteen zones, in various stages of development. The Government is committed to provide the most cost and operationally efficient environment for doing business in South-eastern Europe. During 2006, with the implementation of the Strategy for rapid economic development, the inflow of foreign direct investment was set as a top priority, and the Technological-Industrial Development Zones (TIDZ) gained a major role in accelerating the economic progress of the Republic of North Macedonia.

43. The TIDZs regulate the establishment of a service centre in each zone, through which the administrative departments of the TIDZs and the offices of the Customs Administration of the Republic of Northern Macedonia provide administrative consultations and services and efficient customs clearance for investors. The TIDZ undertake the development of the Zones according to the needs of the investors and in practice strives to raise the quality of services to the highest level, in order to ensure the success of the investor.

44. ***Romania*** is an attractive destination for business, which can offer a competitive return on investments and, in this respect, has the objective of attracting foreign investment, at the regional level. Starting with 2020, the Romanian economy reached a positive trend, and

registered a sustainable economic growth: in the first half of 2021, reached the level before the pandemic (7.0%, on the gross series and 6.6% on the seasonally adjusted series). At the same time with the recovery of the Romanian economy, in 2021, compared to 2020, the foreign direct investment recorded increases. Romania's GDP increased by 5.8% in the first half of 2022, on gross and seasonally adjusted series. In the first quarter of 2022, Romania recorded the second highest economic growth in the EU compared to the previous quarter, respectively 5.1%. In the period January – June 2022 the foreign direct investments amounted to 4379 million Euros, up by 21.5% compared to the same period of last year.

45. Romania offers state aid schemes to support the inflow of foreign capital on the domestic market, for investments of at least 1 million Euros or generating over 100 new jobs (extended validity until 2023), which include eligible costs for: construction of new buildings; expenses with the rental of buildings related to the initial investment; investment expenditures for new technical installations, machinery and equipment; acquisition of intellectual property rights. Romania offers tax exemption for land, construction and urban planning for investments in industrial, science or technology parks.

46. Romania aims to become a regional research and development (R&D) centre, harnessing its enormous innovation capacity, with the Extreme Light Infrastructure Nuclear Physics (ELI) laser being built there. Romania offers 0% income tax for the IT and R&D employees. The automotive sector represents a key sector, with a contribution of over 14% to the GDP, with a turnover of more than 26.4 billion Euro, in 2020. The turnover from the production of automotive components was 19.2 billion Euros, representing 73% of the total turnover of the industry. Romania is looming as one of the regional hubs in the automotive field and it has the highest levels of quality, in terms of production of auto parts. Main suppliers: Bosch, Continental AG, Magna International, Faurecia, Adient, Delphi, Valeo, TRW, Lear Co., Yazaki Corp, Sumitomo, Calsonic Kansei, Autoliv. Research and development in the Romanian automotive sector continue to register progress through new investments and through relocation of high-tech activities (Continental, Renault, Bosch, Porsche, Delphi, Siemens, Hella. Schaeffler).

47. The military conflict between the Russian Federation and Ukraine has led to the interruption of the economic activity in the neighbouring countries, leading to the interruption of the flow of raw materials (import-export) and of the transit on all transport routes, thus creating significant malfunctions in the supply chains and generating a major impact on the production units both in Romania and in the other EU Member States. The relocation of companies coming from conflict zones involves the transfer of their production to units in Romania or the opening of new production capacities in the country. This will generate both short- and medium-term and long-term effects: infusion of capital, know-how and technology, reducing unemployment by creating new jobs, reducing economic disparities between different regions of Romania, development of regions.

48. The Government of ***the Russian Federation*** has been implementing system solutions aimed at ensuring economic growth (targeting at least 3 % of the GDP). One of such solutions is the restart of the investment cycle, envisaging implementation of a set of measures, including attraction of foreign investments. The basic guarantees of the rights of foreign investors to investment and the earnings and profit gained of them, as well as the conditions for entrepreneurship activities of foreign investors are established by Federal Law No. 160-FZ of 9 July 1999 "On Foreign Investments in the Russian Federation". The Law guarantees that the legal treatment of the activities of foreign

investors and the use of profit received from investments shall not be less favorable than the legal treatment granted to Russian investors.

49. At the same time, Russia, like any other state, is interested in protecting its national interests. To this end, the Law No. 57-FZ of 29 April 2008 “On the Procedure for Making Foreign Investments in Economic Companies which are of Strategic Importance for Ensuring the Country’s Defense Capacity and State Security” establishes withdrawals of restrictive nature, which are of strategic importance for ensuring the country’s defense capacity and state security. The Law requires authorization to establish control over the companies engaged in the activities of the strategic importance. The Federal Law establishes a list of 46 types of activities that are under the direct protection of the state.

50. The Foreign Investment Advisory Council in Russia (FIAC) is actively working as a platform for dialogue between the Government of the Russian Federation and foreign business. The Advisory Council is a permanent body that preliminary considers and develops proposals on investment attractiveness of the economy of the Russian Federation, as well as on challenges faced by foreign investor organizations in the implementation of investment projects on the territory of the Russian Federation. The working groups of the Advisory Council annually define several priorities of the FIAC activities for the planning period, based on the priorities for the development of the Russian economy and the critical challenges faced by foreign investors (according to their estimates).

51. The general legal framework for investments in ***the Republic of Serbia*** is regulated by the Law on Investment, which entered into force in November 2015 and was amended in 2018. The freedom of investment and the rights of foreign and domestic investors are guaranteed by the law, in line with the best standards of international law. Domestic and foreign investors enjoy the freedom of investment, in line with the Constitution and all the acts of the lesser legal power and the full legal safety and legal protection regarding the rights acquired by investing. Foreign investors enjoy the equal position and equal rights and commitments, as domestic investors. The foreign investor is entitled, in line with the law, after the payment of all taxes and other public revenue fees, to freely make transfers of financial and other assets, regarding investment.

52. Regulation on determining criteria for granting the incentives for the attraction of direct investments, originate from the Law and represent the regional assistance scheme for investments. It is entirely aligned with the legislation on rules for the state aid granting. In accordance with this Regulation, incentives for attracting direct investments can be granted for the realization of the investment project in the production sector and for the projects relating to services provided by service centres, but the funds cannot be used for financing investment projects in the sectors of traffic, software development.

53. The Development Agency of Serbia (RAS) provides a state aid to small and medium enterprises of different industries and sectors, such as: automobile industry, metalwork industry, machine and equipment development sector, rubber and plastic sector, electrical and electronic industry, food processing industry, furniture industry and other industries. Accordingly, the programmes implemented last year by the RAS, for granting “de minimis” state aid to small and medium enterprises, are support programmes for small businesses (support to entering supply chains of the multinational companies contractors); support programme for export promoting enterprises and support programme for small and medium enterprises for equipment procurement.

54. The legislation of ***the Republic of Türkiye***, regulating the principles regarding the promotion of foreign direct investments, the protection of the rights of foreign investors,

in compliance with international standards, and increasing foreign direct investments through identified policies, consists of the “Foreign Direct Investment Law” No. 4875 and the “Foreign Direct Investment Law Implementation Regulation”. According to the “Foreign Direct Investment Law” (FDI) No. 4875, the foreign investors are free to make foreign direct investments in Turkey unless stated otherwise by international agreements and other specific law. The FDI Law also includes provisions on expropriation and nationalization, transfers, dispute settlement through arbitration, and employment of foreign personnel. According to the data of the OECD FDI Regulatory Restrictiveness Index (FDI Index) Turkey has much lower restrictions compared to countries’ average.

55. The Investment Office of the Presidency of the Republic of Türkiye is the official institution for promoting Türkiye’s investment opportunities to the global business community and supporting investors at every stage of their investment in Türkiye. “Türkiye’s Foreign Direct Investment Strategy (2021-2023)”, was elaborated in collaboration with all the relevant public and private sector stakeholders, under the coordination of the Investment Office of the Presidency of the Republic of Türkiye. The strategy aims to increase the share of the country in knowledge-intensive, high value-added investments and create high-quality employment by maintaining Türkiye`s central and competitive position in the Region.

56. The investment climate improvement studies are among the most important policy tools to maintain private sector driven economic development model. In order to attract more FDI, streamline investment related procedures and reduce red tape, Türkiye built its own structure based on a comprehensive reform program. Being active over a decade, the structure and working principles of the Coordination Council for the Improvement of the Investment Environment (YOIKK), were revised and the related Presidential Decree No. 818 was published in Official Gazettte on 14 March 2019. Since 2018, the ongoing efforts to improve the ranking of Türkiye on prominent investment indices have been continuing. Accordingly, in the WIPO’s 2021 Global Innovation Index, Turkey’s ranking was improved by 10 steps, and jumped to 41 out of 132 countries. In the period ahead, YOİKK will continue to work on annual action items that focus on improving Turkey’s competitive advantage and developing policy recommendations to remedy the obstacles that investors face.

57. According to estimates given in the Recovery Plan for ***Ukraine***, presented during the Conference in Lugano (Swiss Confederation), the total economic loss of the country as a result of the full-scale Russian military aggression already exceeds 750 billion US Dollars. Unfortunately, this amount is growing every day because of the war. In total, since the beginning of the war against Ukraine, at least 15.3 thousand high buildings, 115.9 thousand private houses, 388 enterprises, 43.7 thousand units of agricultural machinery, 1991 stores, 511 administrative buildings, 106.1 thousand vehicles, 764 kindergartens, 934 medical institutions, 634 cultural facilities, 119 social facilities have been damaged, destroyed or stolen. Now that the fight continues, Ukraine is losing between 35% and 50% of its economic output. That is why a large-scale Recovery Plan for Ukraine has been developed and presented in Lugano, and includes, in particular, the restoration and development of infrastructure and housing, structural modernization and restart of the economy, measures to overcome unemployment, provision of support to vulnerable groups of the population, persons who found themselves in difficult situation as a result of the war, restoration and preservation of cultural heritage.

58. The restoration of Ukraine will take place in three stages. The first stage is the operational restoration during the hostilities, including the repair of roofs, windows, doors in damaged houses. Also the restoration of critical infrastructure, when destroyed

bridges are replaced with pontoon bridges, roads are temporarily patched up, and the railway are restored. The second stage will be implemented after the end of hostilities and will provide for a detailed inventory of losses, the development of design estimates, coordinated with foreign partners who express the desire and readiness to join the process of post-war recovery of Ukraine. The third stage provides for a change in the paradigm of the state as a whole - restoration together with partners on a regional and parametric principle. In each city there should be a waste processing plant, qualitatively restored networks, there should be high-quality drinking water and drainage, sewage treatment facilities. According to the Plan, the recovery will take place in two waves. The first wave will occur in accordance with the so-called Fast Recovery Plan, which will begin in 2023 and will be completed in 2025 and will require 3 billion US Dollars for its implementation. The second will last until 2032 and will require 400 billion US Dollars for its implementation.

59. The Government of Ukraine is also working on other sources for Ukraine's recovery, in particular, grants and soft loans from international financial organizations and partner countries. These can be private sector investments, extra-budgetary contributions of individuals and corporations and funds of the state budget of Ukraine. Upon the initiative of the President of Ukraine, the United 24 platform was launched as the main platform for collecting charitable donations in support of Ukraine. Within the framework of the United 24 project, funds are transferred to the official accounts of the National Bank of Ukraine and allocated by designated ministries to cover the most pressing needs: defence and de-mining; medical assistance, restoration of Ukraine.

## III. CONCLUDING REMARKS

60. Foreign investment can not only increase assets but also bring other benefits to national economies. Under favourable conditions, foreign investment stimulates growth and innovation, promotes the creation of quality jobs and the development of human capital, improves the living standards and the environmental sustainability. The FDI has the potential to generate positive socio-economic and environmental impacts that contribute to the progress towards the Sustainable Development Goals (SDGs). One of the main priorities of the post-pandemic economic recovery programmes is represented by the improvement of the investment rating of the states. The implementation of proper investment strategies and effective policies is of utmost importance in this process.

61. Foreign investments cannot be successfully accomplished without an effective legislative and well-established institutional framework. By providing a comprehensive state approach that addresses and eliminates the legislative, regulatory, procedural and institutional barriers, affecting all the phases of the investment life cycle, the countries establish a competitive investment climate that is favourable for attracting, retaining and expanding sustainable investments.

62. Investment promotion refers to all the activities that the parliaments, together with the respective governmental institutions and investment promotion agencies undertake, in order to attract investments and to encourage foreign investors. The successful institutional mechanism for attracting investors corresponds to: high levels of coordination between the parliaments and the governments; simplified legislative procedures for facilitating investment projects; strategically targeting specific sectors or companies; comprehensive investment strategy; monitoring and evaluating investment promotion activities, etc.

63. Given that the successful implementation of investment policies requires the coordinated effort of many different actors, such as parliaments, ministries and agencies, the institutions should elaborate investment programs, in the context of a broader competitiveness agenda, strengthening the institutional capacity of the public-private sector and the inter-ministerial bodies. A transparent, predictable and business-friendly environment, as well as the political and legislative support, are the keys for the development of trade and investment. The states of the BSEC region have made a significant progress in reducing regulatory barriers to the FDI, creating an attractive regulatory framework for foreign investors to enter the market and sustainably participate. It is important to improve the investors' access to the laws governing the market access and operations, which can make foreign direct investment regimes more transparent for the potential investors.

64. Strengthening the foreign investment activities in the Black Sea region remains a priority. The BSEC Member States have mobilised their legislative and institutional capacity in elaborating effective measures directed to the creation of the most favourable conditions for boosting investment flows in the BSEC Region. The promotion and mutual protection of investments, based on bilateral and multilateral agreements, contribute to the development of integration processes, mutually beneficial trade and beneficial competitiveness, among the Member States. To this end, expanding investments and strengthening economic resilience require facilitation of trade and investment cooperation at the national, regional and international levels.

65. Conflicts and political insecurity affect the economic development, raise tension among the stakeholders, create confidence crisis in the investment field and retard safety assurances. Insecurity, in turn, undermines investor confidence, encourages the exit of foreign companies and a massive outflow of foreign investment. The lack of security and the presence of conflicts hinder the full development of domestic and international economic activities. Therefore, building up regional cooperation and strengthening socio-economic potential remains a priority for the countries in the region, which should join efforts to ensure peace, stability and sustainable development.

66. It should be noted that foreign investment in the economies of the countries of the region, has increased significantly and today is more associated with the innovation sphere, although it remains below its potential level. The prospects for further development of this sector, depends upon the recovery process from the health crisis, as well as the effectiveness of political measures for addressing topical geopolitical and regional challenges.