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LEGAL AND POLITICAL AFFAIRS COMMITTEE

**REPORT** \*

**“Role of Parliaments in Strengthening Legislative Framework for Economic Growth  
and Social Integration”**

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## I. INTRODUCTION

1. Economic growth, economic development and social integration are topics that are in the centre of the attention of economists and politicians today. The process that affects dynamics and levels of economic growth and the changes in national economic development determine the flow of life of a country and its future prospects. Economic growth and its social consequences occupy an important place among the factors and conditions that affect the welfare of the population.
2. Economic growth allows realization of important tasks directed towards improving the living standards, setting up of resources for supporting health care, education and other development goals set forth in the Millennium Declaration, to which the whole world declared its commitment. However, the market economy potential is not yet fully realised to ensure high living standards for the majority of the population. Moreover, there is a concern about the growing social inequality and the high differentiation of the population in terms of income. Therefore, it is very important to ensure the sustainability and inclusiveness of economic growth.
3. Taking into account the fact that the main goal of the economic development in most of countries and regions in the world at present is improvement of quality of life and progressive development of the economy, the Legal and Political Affairs Committee, at its 48<sup>th</sup> Meeting in Antalya on 5-6 October 2016 has decided to discuss “Role of Parliaments in strengthening legislative framework for economic growth and social integration” at the 49<sup>th</sup> Meeting of the Committee in Chisinau on 17-18 May 2017 and to prepare a Report and Recommendations for further submission of these documents to the 49<sup>th</sup> Plenary Session of the General Assembly in Istanbul in July 2017.
4. In the preparation of the present Report the information provided by the national delegations of Azerbaijan, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine was used. The necessary reference material has been obtained by the PABSEC International Secretariat from the relevant Internet sources and other publications.

## II. ROLE OF PARLIAMENTS IN STRENGTHENING LEGISLATIVE FRAMEWORK FOR ECONOMIC GROWTH AND SOCIAL INTEGRATION

5. The main strategic goal of the development of countries today is to direct their economy towards innovative development, sustainable economic growth and improvement of quality of life. The essence of economic growth lies in the fact that it enlarges the opportunities for improving people’s well-being and social integration. It prepares ground for implementation of social programs, development of science and education, solution of environmental problems, and strengthening of innovative activities.
6. Improving welfare as the main goal of economic growth is constituted in the increase in per capita income. The achievement of this goal is reflected in the rate of growth of per capita national income and the improvement of the distribution of this income among different segments of the population. Therefore, it is important that in the process of economic development the principles of social protection and social integration are observed.
7. In accordance with the principles and objectives set out in the BSEC Charter and with a view to making more efficient use of human, natural and other resources, the BSEC

Organization has identified the overall strategic approaches of the Member States in the Summit declarations and at the ministerial level, as well as in intergovernmental agreements, Action plans and other policy documents and has initiated major projects and initiatives that are of common interest to the Member States. The Member States have to use the great potential of the Organization as a platform for dialogue in order to play more active, effective and constructive role in achieving the shared goal of economic development in the BSEC region in the interests of all stakeholders within the spirit of partnership.

8. The BSEC Economic Agenda: Towards an Enhanced BSEC Partnership is a roadmap that defines the framework for joint actions necessary to give a new impetus to economic growth in the region and emphasizes the importance of sustaining development. This document puts forth the following objectives<sup>1</sup>:
  - Considering the principle of sustainable development within the Black Sea Region and the BSEC Member States, aimed at ensuring the rational balance between economic growth, social responsibility and environmental protection, with the view to further strengthen economic cooperation in the region.
  - Recommending continuation of adopting the principles and practice of sustainable development into the national legislation, public policies and institutional mechanisms of the Member States as long term objectives.
  - Ensuring the sustainable development of human resources with due consideration to the prevailing demographic trends in the region and their impact on employment, education and training, health and social services, gender equality, child protection, migration and social inclusion.
  - Involving civil society and business organizations as well as media and the scientific and academic community, to increase public awareness and understanding about sustainable development.
  - Promoting environmentally friendly innovative technologies to support sustainable growth and economic development.
9. Economic growth is one of the indicators of the standards of living in the country. One of the most important long-term goals of the economic policy of any country is to stimulate economic growth and maintain its pace at a stable and optimal level. Economic growth today is a development in which the long-term growth rates of production are higher than growth rates of population. The population of the Planet is increasing. The success of medicine and healthcare prolongs average life expectancy and ensures high birth rates. At the same time, people's needs are growing and becoming more diverse. Today, people require modern modes of transportation and communication, health services, education and training, quality and meaningful leisure, etc. Economic growth is a long-term increase in the volume of potential gross domestic product (GDP), both in absolute terms and in the average for every resident of the country. However, real production conditions do not always allow the realization of the growth potential. Under these conditions, there is an economic downturn, which can be caused by both internal and external economic factors (for example, wars, changes in domestic or international politics, etc.).

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<sup>1</sup> *The BSEC Economic Agenda: Towards an Enhanced BSEC Partnership, Istanbul, 2012*

10. Economic growth does not always bring relief to the social burden and is almost always accompanied by increased inequalities. This uneven situation leads to an increased social differentiation, affects economic development results, stimulates inequality in opportunities, which are closely related to weak social protection. Hence, it is necessary to observe basic principles of achieving economic growth that lead to increased social integration and welfare.
11. It is not an easy task to achieve sustainable high growth rates. A consistent growth strategy sets priorities that are extremely important and must take into account the specificities of a country, the present circumstances, the number of necessary reforms and the amount of expenditure under government planning.
12. Traditionally the economic theory describes economic growth as a result of national economic development within a specific period of time, measured either by the growth rate of real GDP or by the rate of increase in indicators per capita. The indicator by which economic growth is measured is usually a gross national product (GNP) or gross domestic product (GDP). Real GNP may increase, but may also decrease. The zero value of the compared GNP values means that there is no economic growth. Economic growth rate is the annual GDP growth rate in percentage terms. GNP growth rates for several years can indicate the direction of economic development. In combination with other economic data these indicators are used by analysts to elaborate and adopt decisions at the state level, as well as to judge and monitor effectiveness of government economic policies.
13. According to the forecasts the economic growth rate in the EU countries remains modest and in case of aging population and weak investment activities they increasingly will depend on productivity growth. Despite the slowdown in global economic growth, which led to a reduction in demand for products in the first half of 2016 growth in the EU countries was 1.9%, which is 2.1% less than in the second half of 2015. The economic growth was recovered in all EU countries except Greece. It is expected that economic growth in the EU countries will drop to 1.4% in 2017. The European Commission in its strategy “Europe 2020” underscores the importance of inclusive growth, including full use of labour potential, reduction of poverty and its consequences, development of social integration and elimination of regional disparities.
14. The World Bank forecasted the global economic growth in 2017 by 2.7% and in 2018 by 2.8%. The World Bank forecast for 2019 assumes the growth of the global economy as 2.9%. According to the same forecasts, the growth of advanced economies, including the United States, the Euro Area countries and Japan will be 1.8% in 2017 and 2018 with a slight deceleration to 1.7% in 2019. At the same time according to the World Bank the developing countries in 2017 will show an increase in aggregate GDP by 4.2% in 2017 followed by acceleration to 4.6% in 2018 and to 4.7% in 2019<sup>1</sup>.
15. On the basis of tentative macroeconomic indicators in the long-term the table has been drawn showing the average annual GDP growth of the countries throughout the world for 2017-2020, including the BSEC member states: <sup>2</sup>

Country	Q4/2017	Q1/2018	2020
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<sup>1</sup> *Global Economic Prospects, The World Bank, January 2017*

<sup>2</sup> *Statistics from the Internet publication “Trading Economics 2017”*

Albania	2.2	2.3	2
Armenia	3.9	2.8	4.3
Azerbaijan	0.9	1.3	4
Bulgaria	3	3.2	2.5
Georgia	4.2	5.3	4.9
Greece	1	1.2	2.1
Moldova	2	2.1	2.6
Romania	4.8	4.4	3.2
Russia	1.1	1	2.2
Serbia	2.3	2.5	2.9
Turkey	3.2	3.4	3.8
Ukraine	3	2.4	2.2

16. In the definition of economic growth its qualitative and quantitative aspects are involved. The first reflects the dynamics of changing production volume (gross, national), the second - the ability of the economic system to meet the growing needs. These aspects are very much interrelated and this relation is rather complex.
17. The essence of economic growth is to resolve and reproduce the new level of the main contradiction between the limits of production resources and endless increase in social needs. Therefore, it is necessary to increase and at the same time efficiently use production capacity.
18. The efficiency of economic growth implies the improvement of all components of the multifaceted concept of production efficiency, including improving the quality of goods and services, increasing competitiveness at domestic and global markets, mastering the production of new goods that allows to meet previously failed needs, deepening specialization and coproduction with due regard to the advantages of the country, overcoming inefficiencies by increasing managerial skills and using effective motivation to spur productivity growth and development of new technologies.
19. The qualitative aspect of economic growth in economic theory is associated with the strong social component. The qualitative aspect of economic growth mainly implies: improvement of well-being, enhancement of social infrastructure, increasing investment in human capital, ensuring safe working and living conditions, social protection of unemployed and disabled and maintaining full employment at labour market.
20. It should be noted that there is a certain contradiction between the economic growth, on the one hand, and the qualitative growth, on the other. High growth pace can be achieved through decrease in quality, or on the contrary, low or even negative growth pace may bring about high consumer satisfaction by means of more quality production. Hence, many economists believe that low but stable rates of economic growth are preferable. It is believed that the country is developing normally if in the long run the annual economic growth is not less than 3-4%.
21. Considering the economic growth from the point of view of the interests of the society, its main goal is high material well-being and increased national wealth. Higher the production potential of a country and higher the rate of economic growth, higher is the level and quality of life. The problem of social justice in recent years became particularly topical. This is due to the fact that modern society strives for sustainable development and enhancement of overall well-being. Building an equitable society means prevention of high poverty and crime rates, income equity, ensuring access to public and social

benefits for different groups of the population, and favourable conditions for living. Such a society paves the way towards more effective development of a state.

22. State plays an important role in building a just and equitable society and designs social policies to take care of its citizens. The level and quality of the country's social policy depends on the level of its economic development, which is manifested by its economic growth. Therefore, construction of a fair and equitable society is impossible without sustained economic growth and also qualitative economic growth is impossible without proper social policies and the commitment to achieve social equality.
23. The problem of achieving balances between the socially just society and economic growth is rather topical in developing countries where more attention is paid to boosting economies towards higher quality of life and more rapid economic growth at a time. Increase of these indicators allows a country to reach a new level of economic development and thus the sound social policy is necessary to support economic growth.
24. For the successful achievement of the objectives an effective state policy is vital, which stimulates functioning of development institutions. It is equally important to elaborate conceptual approaches to analyse effective state regulatory frameworks. Successful and sustainable development at high pace requires strong political leadership. Politicians have to choose growth strategy, introduce it to the public and ensure inclusive nature of economic growth. Each country has its own specific characteristics and its own historical experience that are reflected in their growth strategies. For sustainable growth it is important to have a long-term political commitment along with patience, responsibility and pragmatism.

### ***Role of National Parliaments***

25. National parliaments, as legitimate representatives of the peoples, bear the constitutional responsibility to protect the interests of the electors. Their duty is to voice the problems and hopes of the voters, including strengthening of economic growth and social integration and improvement of respective regulatory framework.
26. The important task of national parliaments is to control the government's activities in the field of solving complex socio-economic problems, improving the quality of economic growth and ensuring its inclusive nature.
27. Parliaments have to carefully and efficiently identify priority areas for socio-economic development based on the principles of public-private and social partnership, in order to reach the balance between economic growth and sustainable development.
28. Parliaments have to ensure that reforms are strengthened and structural deficiencies are eliminated in order to improve governance and to develop broader financial system and promote economic growth and social integration through promoting favourable conditions for investors.
29. There is a great potential for improving regulatory framework and simultaneous decision-making in several countries in the region can have an important synergy effect. Deeper integration can pave the way towards innovation, stimulate necessary investments and revitalize the process of bringing national systems closer together.

30. Parliaments should actively participate in the ratification of international instruments related to sustainable development and inclusive growth and to incorporate these provisions into national legislation.
31. Parliaments can initiate discussions on the establishment of an international policy centre for the development and exchange of social policy experiences between the countries, which includes representatives of government and civil society organizations.
32. The Parliamentary Assembly of the Black Sea Economic Cooperation has to provide support to the BSEC activities to expand multilateral cooperation in the field of economic development and social integration within the framework of the BSEC specialised working groups.

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

33. The Milli Majlis of the Republic of Azerbaijan, enjoying special place within the national state system, plays an important role in successful achievement of important goals of the country. Within its competences, the Milli Majlis assists the Head of the Azerbaijani State in progressive development of the country. The Parliament brings valuable contribution to the implementation of successful reforms in the country, the further strengthening of democracy and application of progressive global experience in the field of law-making.
34. The Milli Majlis played the unique role in realizing the far-reaching ideas of the great leader and architect of Azerbaijani independence Heydar Aliyev, as well as in pursuing this policy by President Ilham Aliyev in the context of contemporary requirements and formation in a short period of time of the civil society based on its national and moral values.
35. Development of entrepreneurship is one of the most important parts of economic policy of the Republic of Azerbaijan. The positive trend of economic development and entrepreneurship sector, which is its basic component, creates opportunities for diversification and expansion of the economy. Necessary measures are taken to this end in accordance with the roadmap announced by the Head of State “The development of the country depends on the development of entrepreneurship”, including improvement of legislative framework, simplification of administrative procedures, tax reduction and enhancement of state support to entrepreneurship.
36. The Milli Majlis adopted the Law of the Republic of Azerbaijan “On anti-dumping, compensatory and protective measures”, which is aimed at supporting local production. This law protects the economic interests of the Republic of Azerbaijan by preventing threats to local production caused by dumped or subsidized imports and regulates the application of anti-dumping and protective measures against sharp increase in imports.
37. The Milli Majlis also adopted a number of laws and decisions with the aim of improving the activities of municipalities and ensuring compliance of legislation in this area with the contemporary requirements. In general, the laws, amendments and additions to the laws and normative acts recently adopted by the Milli Majlis serve to strengthen the country’s economy.
38. **Georgia** maintains one of the best growth rates among neighbours and in a wider region. In 2016 according to the preliminary estimate GDP growth rate was 2.7%. According to the Government projections, economic growth for 2017 will be around 4%.

39. Economic growth in the country is private sector driven. The government expects that current positive trends of business performance will be maintained and further improved in the future, thus boosting economic growth, investments and employment. Economic growth in the country is supported by structural reforms and appropriate economic policy. Introduction of the new tax reform will encourage private investments and consequently positively affect economic growth.
40. Today Georgia is a one of the leading country in terms of attractive investment environment that is mainly caused by important reforms. Also due to implemented measures tangible results are in place on the labour market. Unemployment data has been permanently decreasing in 2009-2015.
41. Economic development of the country is grounded by relevant legal framework (incl. laws, strategies, programs, etc.). Among basic laws, regulating different directions of economic development process, should be mentioned: Tax Code, Law on Entrepreneurship, Labour Code of Georgia, Law on Investment Support and Guarantees, etc. During the last few years, several strategy documents were adopted by the Government of Georgia aiming at achieving the long- term, fast, sustainable and inclusive economic growth in the country.
42. “Socio-Economic Development Strategy of Georgia - Georgia 2020” is the strategic document adopted by the Government of Georgia in 2014. Strategy outlines key targets as well as approaches for the long-term, sustainable development and inclusive growth. SME Development Strategy of Georgia 2016-2020 and related Action Plan (2016-2017) were adopted by the governmental decree on February, 2016. The strategy covers five Strategic Directions that are crucial to be addressed to provide promotion of the development of the small and medium businesses, facilitate their growth and competitiveness, which is vital for employment growth and creating new employment opportunities, also for strengthening SMEs position on local and international markets.
43. The Government of Georgia took several important steps in order to create opportunities for business activities: Entrepreneurship Development Agency (EDA) - Enterprise Georgia is the first governmental institution in Georgia mandated to facilitate private sector; and “Georgian Innovation and Technology Agency” (GITA) is mandated to support the enhancement of SMEs competitiveness. In line with the SME Development Strategy the Private Sector Development Advisory Council was established in February 2016, which facilitates public-private dialogue and private sector development.
44. Georgia is a small open economy and its development is mostly influenced by the external factors, economic situation in the region and main trade partner countries. The 4-point reforms’ plan was elaborated with the aim to ensure strong private sector in Georgia. Reforms plan includes structural reforms such as tax reform, capital market reform, pension reform, education reform, elaboration of PPP framework, support to start-ups and SMEs, etc.
45. In **Greece** according to the first annual National Accounts estimates for 2016, GDP in volume terms remained unchanged in 2016 versus 2015. Growth is expected to return strongly in 2017 supported by the short term debt relief measures adopted in January, the soon to be completed second review of the stability support programme, the gradual relaxation of capital controls and the implementation of investment plans as part of the privatization program.

46. Prospects for 2017 remain high based on factors such as: (a) the implementation of the short-term debt relief measures (b) the return of economic confidence and (c) the speeding up of the privatization program with further relaxation of capital controls.
47. Early data from January-February 2017 indicate a moderate setback in economic climate. In 2016, the balance of goods showed an amelioration of €649 million, which is attributable to the reduced deficit of the oil balance (down by €1.4 billion) and to lower net payments for purchases of ships (down by €290 billion) in comparison with 2015. Based on the available data for 2016 on a modified cash basis, there is a significantly ameliorated performance of the State Budget execution against target within the year, in terms of both the expenditure side (by €0.79 billion) and the revenue side (by €1.69 billion). This results in a State Budget headline deficit of just above €1.1bn against the target for a €3.6bn deficit. Likewise, the primary State Budget surplus amounts to €4.44bn in the entire year, against the State Budget's estimate for a primary surplus of €1.98bn. In fact, in December 2016 the overachievement of fiscal targets under the ESM program has created fiscal space for the disbursement of supplementary allowance to low income pensioners.
48. Provisional data on the two-month period of 2017 of the State Budget, show primary surplus overshooting, as primary surplus stands at €2.1 billion against a €0.8 billion target. This is based both on the performance of ordinary budget revenues (€409 million above target) as well as on ordinary budget expenditure retrenchment (€336 million below target). As regards the labour market, in 2016 there was a further decrease of the unemployment rate compared to 2015 and 2014, while the annual employment rate increased by 1.7pp on average compared to 2015.
49. Pursuing economic recovery as of 2017 requires: ensuring capital adequacy and liquidity in the banking system, as through the already successful recapitalization of the Greek banks in December 2015, and through the management of non-performing loans; ensuring the implementation of the approved investment projects and adding more projects to be financed through the Investment Plan of Europe; implementing structural reforms in the Greek economy in order to eliminate market distortions and increase productivity; ensuring stability in the political environment in order to normalize the expectations for the Greek economy consolidating improvements in budget balances, so as to gradually regain access to financing through international markets; strengthening the social cohesion network, by redistributing the weight of the fiscal adjustment efforts among social groups in a socially fair manner.
50. Despite showing certain signs of reinvigoration in 2016, the economy of the **Republic of Moldova** remained vulnerable to several internal and external factors: the mutual sanctions between the Russian Federation and the European Union, the restrictions imposed on the import of some Moldovan agricultural products by the competent authorities from the Russian Federation, the Ukrainian crisis, the banking sector issues, the further decrease of remittances by individuals from abroad, etc. The Gross Domestic Product (GDP) in 2016 totalled MDL 134.5 billion, by 4.1% higher as compared to 2015.
51. In December 2016, the inflation rate reached 2.4%, showing an 11.2 p.p.-decrease versus the inflation rate in the same period of 2015. Lower consumer prices were generally determined by the stability of the exchange rate as well as by the decline in the world prices for energy resources and agricultural products. The yearly average Consumer Price Index (CPI) amounted to 106.4%.

52. Since the beginning of 2016, the national currency depreciated by 1.6% against the US dollar in nominal terms (from MDL 19.66 per USD 1 as of 01.01.2016 to MDL 20 as of 31.12.2016). The Moldovan leu appreciated by 1.6% against the Euro. The main factors that determined the national currency fluctuations were the declining exports and currency remittances from abroad, US dollar oscillations on international currency markets and the severe monetary policy of the National Bank of the Republic of Moldova.
53. In 2016 exports increased by 4% and imports – by 0.8%. The negative balance of the trade balance amounted to USD 1975 million versus USD 2020 million in 2015. The monthly average nominal earnings of an employee in the national economy for December constituted MDL 6003.7, increasing by 14.8% as compared to December 2015.
54. Currently, a number of medium and long-term policy documents, whose objectives aim at economic growth and social integration, are in force. The sectorial/ inter-sectorial/ national strategies and programs are in line with the national priorities, and reflect, at the same time, the commitments assumed towards the development partners, in the light of the implementation of the Republic of Moldova – EU Association Agreement. The Policy Documents reflecting the priorities and objectives of the Ministry of Economy are the following: National Development Strategy “Moldova 2020” (Law no.166 of 11.07.2012); Government Activity Program 2016-2018; Government Action Plan 2016-2018; National Action Plan for the implementation of the Republic of Moldova – EU Association Agreement for 2017-2019; Small and Medium Enterprise Sector Development Strategy 2012-2020 and the Action Plan on the implementation of the Strategy for 2015-2017; *Strategy of the Reform of the Regulation Framework for Entrepreneurship Activity 2013-2020* and the Action Plan on the implementation of the strategy for 2016-2017; National Strategy on Investment Attraction and Export Promotion 2016-2020 and the Action Plan on the implementation of the strategy; Development Strategy of the Internal Trade in the Republic of Moldova 2014-2020 and the Action Plan on the implementation of the strategy; Innovation Strategy 2013-2020 “Innovations for Competitiveness” of the Republic of Moldova; Roadmap for Competitiveness Enhancement in the Republic of Moldova; Energy Strategy 2030 of the Republic of Moldova; National Energy Efficiency Program 2011-2020; National Energy Efficiency Action Plan for 2016-2018; Roadmaps in the energy area for 2015-2030.
55. **Romania**’s economy is currently set on a solid growth path that is expected to maintain its’ pace throughout 2017 and beyond. The GDP growth for 2016 reached 4.8% compared with the previous year and, overall for 2017, we expect the GDP rate to exceed 5%, one of the fastest in the EU. The most important macroeconomic estimated results for 2016 are promising - a budget deficit under 3% (inside the Maastricht limits), an inflation that is within the target set by the National Bank (1,4%) and an annual unemployment rate of around 6,4%, which represents a decrease compared with the previous years. These figures prove once again the consolidation of the stabilization tendency of the Romanian economy.
56. Romania’s economy recorded a steady growth over the last six years and a strong one for the last two years, in 2016 registering the highest growth rate among the EU Member States (4.8%). Romania has one of the highest investment rates in the EU (above EU average). In 2016 private investments have benefited from low interest rates and a stable level of investor confidence, while public investment decreased due to low absorption of EU funds. Financial stability has improved and the general state of the banking sector

continued to improve in 2016. The medium-term forecasts estimate economic growth will remain solid during 2017-2020, with strong growth rates.

57. Romania considers that policy implementation would be better driven around the development needs of local communities. This approach would allow public authorities to define appropriate solutions to meet local emerging challenges. Implementing the 2015-2020 National Strategy on Social Inclusion and Poverty Reduction is a priority of the Romanian Government. As part of integrated solutions identified by public authorities, the Government invests in increasing the quality of public social services, the social and economic integration of people, the development of integrated community teams in disadvantaged areas and the infrastructure of social services without a residential component hosting people in needs - elderly persons, children or disabled people. Romania adopted an employment legislation that is expected to contribute to the improvement of internal labour mobility and the reduction of territorial employment and social disparities. Social measures are directly correlated to the employment policy that is focused on ensuring equal opportunities in the labour market to the most disadvantaged groups. The Government aims at stimulating job creation and reducing unemployment.
58. Implementing the National Strategy on Tertiary Education for 2015-2020 creates the framework to ensure an open, qualitative and competitive higher education adapted to labour market needs. With the view of supporting students from rural areas, disadvantaged groups and non-traditional students to participate in tertiary education social programmes are being carried out: scholarships, grants for board and lodging, partial reimbursement of transportation costs.
59. The Youth Guarantee represents an important instrument for promoting equal treatment and real opportunities for Romanian youth. In this respect under this instrument until 2020: 400,000 young people aged between 16 and 24 years will benefit from personalized services, such as training programs, assessment and certification of skills acquired in informal and non - formal context; subsidizing employers will create jobs and organize traineeships for young people; Romania pays special attention to activating young people not included in education or training (NEET) and is recognized as an example of good practice at EU level on integration of young people into the labour market.
60. The economy of the **Russian Federation** has experienced two consecutive shocks almost similar in their magnitude from the point of view of falling oil prices and the devaluation of the Ruble – the end of 2014 – the beginning of 2015 and the end of 2015 – the beginning of 2016. And if the first “wave” was painful for the economy, the second one proceeded without worries. The main factor of this development is accumulated safety margin of the economy itself, high adaptability and the adequate market reaction to the opportunities opening during the crisis. The framework for the new economy is formed - several new enterprises are built; many sectors of the economy are modernized. The second factor is the adequate anti-crisis policy of the Government of the Russian Federation, which softened the settlement of the economy and created the conditions for using the existing advantages and creation of the new competitive ones.
61. Capitalization of credit institutions has helped to prevent the threat of a full-scale banking crisis. Banks have not lost the confidence of the population. The outflow of deposits from the banking system was replaced by an inflow, as the banks adapted to more complex business conditions and are increasing credits into economy although with lower rates.

62. The measures for the support to the real sector of the economy gave results. Only within the framework of the project financing program 42 projects in more than 20 regions were supported, and for these projects 59 billion Rubles were allocated as the state guarantees, which allowed attraction of 240 billion Rubles as long-term credit resources. The measures were introduced to alleviate the tax burden – already 64 subjects of the Federation have already used the right granted to them last year to introduce 2-year “tax holidays” for newly registered individual entrepreneurs in the sphere of household services.
63. Against the background of a general decline in certain spheres of economy, there are quite positive trends, for example, in agriculture, food-processing, chemical industry and engineering. In general, it can be noted that the situation was not only stabilized but also there is a capacity-building for further development. Russia got several new opportunities. In the short term, the negative factors have already been reversed. At the same time, the benefits that the Russian business received, primarily as a result of devaluation, are not yet fully utilised.
64. It is now important to make a right choice with regard to the ideology of economic policy for the medium term, which has to ensure structural reorganization of the economy and the new model for growth. Economic growth in the long term will be determined by use of labour, capital and the combined productivity of these factors. An additional component in the production function in the used models is the export component. The full use of these factors determines the potential growth. Now it is at the level of 2% and by 2018 Russia will return to this pattern. However, these rates for the Russian economy are unacceptable since they lead to a decrease in its share in the world economy, lower competitiveness, decrease in the living standards of the population compared to other countries.
65. Russia’s economic policy should be aimed at increasing potential growth, which can be achieved through more comprehensive use of labour resources, accumulation of capital through increased investment and increased productivity of labour and capital. Doubling of potential growth, i.e. reaching a 4% GDP growth pace, is a very realistic challenge.
66. It is obvious that Russia needs a new paradigm for economic development that has to be worked out by the joint efforts of all interested parties. The new model of economic development should ensure dynamic and sustainable growth of the Russian economy, based on internal factors of the country’s competitiveness, and, above all, on increasing labour productivity and economic efficiency.
67. In order to reduce the gap in the level and quality of socio-economic development that separates Russia from the developed countries in the world, it is necessary that the national economy develop at an accelerated rate (above the world average). At the same time, the main goal of the economic growth has to be human well-being, and the living standards of citizens, the quality of education and healthcare should be comparable with the level of the leading world economies, so that population lives in comfort in Russia.
68. The solution of such a complex task requires a systemic integrated approach that allows solving the current problems of ensuring social and economic stability and at the same time carrying out structural reorganization of the Russian economy.
69. The **Republic of Serbia** is determined to increase the competitiveness of the national economy and its integration into international economic flows, achieve an increase in investment and improve the business environment for development of private

entrepreneurship. In order to achieve these objectives appropriate strategies and policies are adopted, based on which incentive measures are undertaken.

70. During forming and preparation of policies and instruments related to the improvement of industrial competitiveness, Serbia is mainly guided by provisions of Article 173 of the Treaty on the Functioning of the European Union and with full respect for the principles of openness and competitiveness of the market, is trying to speed up the necessary structural adjustment of its industry, create the environment conducive to the development of private entrepreneurial initiative and small business, encourage cooperation among companies and is trying as much as possible to improve competitiveness based on better utilisation of the research potentials and innovations.
71. In order to prepare the economic and fiscal surveillance, the Republic of Serbia, as the EU candidate country in the pre-accession period has been preparing a document titled “Economic Reform Programme” (ERP). ERP contains medium-term macroeconomic and fiscal policies, with special emphasis on assessing external sustainability and the major structural impediment to the growth, as well as specific structural reforms that directly support macro-fiscal policy framework, remove obstacles to growth and increase competitiveness of the national economy.
72. Structural reforms are primarily related to changing legislative and administrative framework of doing business aimed at improving the business environment, as well as the measures that are directly aimed at the promotion of new investments and the development of private entrepreneurship.
73. The Republic of Serbia, according to the Doing Business Report by the World Bank, has moved up 46 positions in the last three years and is in a group of ten countries which are the fastest on track. From position 93 in 2014, the Republic of Serbia in 2016 progressed to position 47.
74. The Republic of Serbia will remain consistent with the principles of sustainability and transparency in the process of developing policies and consultations with the private sector and other stakeholders during all phases in the development of policies. Such an approach will induce implementation of the policies and the process of monitoring and evaluation will be promoted.
75. The Republic of Serbia has contributed to creating a more favourable business environment for domestic and foreign companies that intend to invest within the territory of Serbia. The general legal framework for investment in the Republic of Serbia is regulated by the Law on Investment (“Official Gazette of the Republic of Serbia”, No. 89/2015), which entered into force in November 2015. This law regulates the investment support for efficient providing of services to investors, operations of the Economic Development Council and operations of the Serbian Development Agency. In accordance with this law the Regulation on Terms and Conditions for Attracting Direct Investments (“Official Gazette of the Republic of Serbia”, No. 110/2016) was passed and came into force on 31 December 2016. It regulates criteria for attracting direct investments in accordance with the regulations that regulate investing and the provision of state aid, or allocation of financial incentives for investment projects in the Republic of Serbia. In order to demonstrate its commitment and promote entrepreneurship, in February 2016, the Government of the Republic of Serbia officially launched the “Year of Entrepreneurship 2016”, and in January 2017 the “Decade of Entrepreneurship” through

which the continuous support to small and medium-sized enterprises, both financial and non-financial, will be provided.

76. According to the latest data the economy of **Turkey** grew by 7.4 percent on average in the post-crisis period in 2010-15. Geopolitical tensions in the region, weak demand in main trade partners and the volatility in global financial markets continue to persist since 2015. In the first half of 2016 Turkish economy grew by 4.5 percent. However, GDP shrunk by 1.8 percent in the third quarter especially due to unfavourable weather conditions on agricultural production, declined tourism revenues and negative impact of failed coup attempt on market expectations.
77. Annual inflation rate followed a volatile course and concluded the year above the target at 8.5 percent in 2016. Tax adjustments particularly in tobacco products and automobiles, pass-through effects of the recent exchange rate volatility, partial deterioration in food inflation and increasing energy prices were the main drivers underlying the elevated inflation. As of February 2017, annual inflation increased to 10.1 percent mainly due to escalated exchange rate pass-through effects and high food inflation.
78. As of August 2016 Turkey put into force a new law to improve investment climate in Turkey. This law aims to reduce tax burden on investments improve investment climate; support innovative, high-tech investments; deepen capital markets; strengthen economy.
79. The law supporting innovative, high-tech investments on project-basis has become effective on 7 September 2016. Within this framework, the aim is to reduce bureaucratic burden, cover insurance premium share of the investor employers up to 10 years, Decrease energy cost of investor companies, Support employees who are important for strategic investments, reduce project-specific tax incentives including corporate tax and introduce exemptions.
80. In November 2016 Turkey took measures to enforce an important regime to support domestic production through public procurement. Within this scope it aimed at: supporting regional development, developing domestic production based on strategic sectors and technology transfer, giving incentives to research, development and innovation through project based investment.
81. Within the framework of the decisions taken in Economy Coordination Board; the loan volume of treasury guarantee scheme has increased to TL 250 billion from TL 20 billion in order to relieve cash needs of the real sector. A new loan program for small enterprises with a term of three years with no payment in the first year has also been introduced. Additional support is provided to increase and protect employment by deferring employer's minimum wage premium payments from first quarter to the fourth quarter of 2017, further improving on-the-job training programs and entrepreneurial programs, and continuing the work for the benefit of society program. As stated in the indicators that define social integration in the human development report, it is thought that it is incomplete to evaluate social integration only as an economic benefit such as employment, unemployment. In a society, it is evaluated that promoting basic rights such as life standard and quality, job satisfaction, individual and social values, education and health as a whole, makes a positive contribution to economic and human development. Social disintegrations may occur not only among individuals but among different segments of society including young people and children.
82. The legal basis for economic growth in **Ukraine** is provided by the laws aimed at creating favourable and competitive conditions for business development, effective

management in the public sector of the economy, including the creation of effective conditions for the privatization of state and municipal property, transparent and high-quality use of budgetary funds through an effective procurement system. An important prerequisite for creating favourable conditions for business development is the improvement of activities of limited liability companies and societies with an additional responsibility - the most common forms of doing business, and the improvement of corporate governance mechanisms.

83. To this end, the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On Limited and Additional Liability Companies”. Currently, a new draft law “On Limited and Additional Liability Companies” is being prepared for the second reading. The bill improved in the following areas - deregulation, improving corporate governance mechanisms and improving the investment climate. The law implies improvement of Ukraine’s position in the ratings of doing business easily and attracting investment by improving investment climate in Ukraine, creating jobs and, increasing revenues to the state budget of Ukraine. The Verkhovna Rada of Ukraine adopted the Law of Ukraine “On the Management of State-Owned Property”, the Law of Ukraine “On the List of Objects of State Property Rights that Are not Subject to Privatization”. In order to create favourable conditions for optimizing the structure of the public sector and introducing market-based methods for managing economic entities in the public sector, the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine on State Property Management”.
84. An effective social policy of the country is a guarantee of decent living standards for its entire population. One of the strategic and priority areas of social policy in Ukraine is a constant upgrade of social integration of the groups with limited opportunities for different reasons. The Verkhovna Rada of Ukraine adopted a number of laws on the ratification of international agreements in this field: the Law of Ukraine No. 117 “On the Ratification of the Convention of the International Labour Organization concerning Basic Aims and Standards of Social Policy” (adopted 16 September 2015); The Law of Ukraine No. 102 “On the Ratification of the Convention of the International Labour Organization concerning Minimum Standards of Social Security” (adopted on 16 March 2016); The Law of Ukraine “On Amending the Law of Ukraine “On Ratification of the Convention on the Rights of Persons with Disabilities and its Optional Protocol” (adopted on 7 September 2016). Also, the Verkhovna Rada of Ukraine adopted the following legislative acts that improve the level of social integration of particular social groups: the Law of Ukraine “On Amending Certain Laws of Ukraine on Enhancing the Social Protection of Internally Displaced Persons” (adopted on 5 March, 2015). The Law of Ukraine “On Amendments to Article 18 of the Law of Ukraine “On State Social Assistance to Persons with Disabilities from Childhood and Children with Disabilities” (adopted on 2 June 2015); The Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine on Enhancing the Social Protection of Children and Supporting Families with Children” (adopted on 26 January, 2016); The Law of Ukraine “On Amendments to Article 14 of the Law of Ukraine “On Employment of the Population” regarding additional guarantees to facilitate the employment of combats who took part in the antiterrorist operation” (adopted on 7 July 2016).

### III. CONCLUDING REMARKS

85. Sustainable economic growth is the main target of economic policy in many countries of the world including also the BSEC Member States. Economic growth is a key factor for improving living standards in the long term and ensuring social integration.

86. The number of population on the Earth is growing every year and their needs are increasing. The economy has to ensure continuous increase in benefits in order to meet these needs. Therefore, the desire for economic growth is always present no matter what level of development is achieved by the society.
87. Economic growth on its own cannot solve social and economic problems of a state. Realization of opportunities for economic growth is largely determined by the economic systems and policies pursued by states. Transformations occurring in the world economy and emergence of new global challenges lead to revision of priorities and development strategies.
88. One of the main lessons of the global financial and economic crisis is the fact that the opportunities, brought about by globalization and liberalization, are accompanied by risks of increased inequality within societies. Therefore, the concept of inclusive growth envisages that all segments of population share the benefits of economic development and that the gap in income and welfare are reduced.
89. Sustainable economic growth and sustainable social integration imply that the needs of the present generation are met without reducing this opportunity for future generations. Parliaments and parliamentarians have to make every effort to contribute to solving the social and economic problems faced by the society today at national and international levels.