

Regional Conference

The Role of Parliaments in Promoting Competitiveness and Economic Growth by Improving the Business Environment in Western Balkan Economies, Belgrade, March 6-7, 2009

DECLARATION

Current financial crisis has originated as a USA mortgage market crisis, only to develop into global financial and economic crisis spreading over, both developed western countries, and developing and countries in transition. We had a slowdown of economic growth at the global level, even a real fall of GDP. Markets of developing and countries in transition were almost immediately hit by a sudden cessation of capital influx, because the investors were unwilling to expose themselves to investment risks in the time of crisis. The shock was particularly intense for countries in transition, including the Western Balkan countries, as they are highly dependent on the import of capital and experiencing high balance of payment deficits.

Besides difficulties related to the influx of capital, the impacts of the crisis have manifested in the Western Balkan countries even in falling exports because of weakening foreign demand for products coming from the region, and this in turn has resulted in reduced production, increased economic illiquidity, higher unemployment and smaller growth rates, even in fall of real GDP.

In this important moment in time for the world, Europe, and even this region as a part of Europe, it is necessary to raise the awareness, among the parliaments of the region, on the magnitude, depth and duration of the crisis and everything the crisis may bring with it. This crisis has hit the region in the worst possible moment. It is realistic to expect that the international community, even the European Union will not be involved in the region, to the extent as it was in the previous 20 years, because almost entire political energy of the European political landscape will be directed to solving the crisis within the EU. This definitely requires greater political accountability and self-responsibility of political leaders and leaderships in the countries of Western Balkans.

The crisis is gradually, but unavoidably coming to our region, and this year will be decisive for the entire historic and strategic perspective of the region. This crisis should be confronted with a sense of solidarity, jointly and in coordinated manner from the aspect of the region as a whole, through joint activities of all the governments and parliaments of the region. It is also necessary to preserve the European perspective of the countries in the region, accelerate the reforms and start working, as soon as possible, on solving unresolved conflicts in the region.

Parliaments should play an important role in facing the economic crisis and in taking necessary measures to overcome it, bearing in mind that the era of regulation is awaiting us, both at global and national levels this fact just reiterates the importance of parliaments in the time ahead of us. In these hard times, even more so than in ordinary ones, it is important to promote regulations that are favorable for development of entrepreneurship and private sector. Promotion of business friendly environment is not just the responsibility of the governments, but to the same extent, of the parliaments.

The parliament and parliamentary committees, in this time of crisis, should be more proactive and take on significant portion of responsibility for overcoming the crisis. We are not thinking here just about legislative role of the parliaments, which relates to adoption of adequate regulations, but also about their control function, in order to be able to monitor the implementation, strengths and weaknesses of adopted regulations.

Development of a quality legal and regulatory framework shall be one of the most important prerequisites for attracting foreign capital in the countries of the region. The influx of capital is severely reduced in this time of crisis. In that process, *legislative role of the parliaments* shall gain on importance, both in terms of harmonization of domestic legislation with the European Union legislation, and in adoption of regulations as a measure for overcoming the crisis. In order to have as quality as possible this legal and regulatory framework, when harmonizing national regulations with the EU legislation, we must take into account the fact that in that process national legislation should be harmonized within as well, otherwise we would encounter problems in the implementation of laws, something foreign capital is extremely sensitive off.

On the other hand when harmonizing national legislation with the *acquis*, the countries in the region are harmonizing their legislations within the region, thus establishing a harmonized regional legal and regulatory framework, which is an additional advantage for attracting large regional investment.

In the process of transition, countries in the region have significantly liberalized their economies, and now when developed western countries, including the USA and EU member states are reintroducing certain prerogatives that are limiting market freedoms, even the countries of the region would have to implement changes of the regulations in order to confront negative impacts of the crisis.

Control function of the parliament was rather neglected so far, but in the time of crisis, this function is gaining on importance. Parliaments of Western Balkan countries are characterized by a lack of parliamentary and democratic tradition, and this fact is inducing executive power in the countries of the region to permanent spreading of their competences and leverage in terms of its relation with the parliament. However, in the time of financial and economic crisis the parliament cannot accept a passive role and let the government to prepare package of measures, to rule through decrees and bylaws, and to solely take responsibility for its activities and for the future of the country. This would actually mean that both the ruling and opposition MPs would be free of any responsibility for whatever happens.

In that regard, it is necessary to improve the coordination within the parliaments and their parliamentary committees, as well as the cooperation of all parliamentary parties, aiming to overcome the crisis quickly and efficiently. Even so far, the parliaments in the region were the only barrier between quite natural tendency of the executive power to slip into authoritarianism and some kind of attempt to establish more or less accountable democracies.

The important issues, such as whether to give priority to cutting public spending or to stimulate the economy, to the growth of the national economy or to social issues, as well as issues related to the quality of judiciary, could be reviewed even at the parliamentary sessions.

It is hardly expectable that any country in the region can overcome the crisis on itself without the rest of the region doing the same. The crisis can be seen as an opportunity for reaching an adequate and responsible policy and consensus of the government and other institutions. The crisis is not just an opportunity but it also points to necessity of stronger regional cooperation, thus enabling faster sharing of experiences in order to avoid mistakes.

Sharing similar problems, similar heritage, parliamentarians of the countries in the region can also share joint efforts for creating better future for all of us in the region, for the benefit of citizens who are electing them to their national parliaments. The context of financial and economic crisis, in this relatively poor region, must be seen through prism of human rights protection and fight against the poverty. If not, it can happen that great many people, in the countries of the region, are brought to a hopeless situation. In that context, members of parliaments have the responsibility to tell the citizens they represent that reforms are still possible and that better life is possible that crisis will pass, and this will happen thanks to the net of regulations that will be adopted in the parliaments.

Setting up a Network of Parliamentary Committees for Economy of the Western Balkan countries

Final conclusion at the Conference was that it is in the best interest of the countries in the region to formalize the cooperation between the Parliamentary Committees for Economy of the Western Balkan countries, as such, through establishment of a Regional Network of Committees.

The benefits of having this kind of Network are, based on the following facts:

- All the countries in the region, except Albania, share the common heritage and experience coming from ex Yugoslavia, including the common market, common regulations and similar language;
- All the countries in the region are in the process of European integrations, and in parallel to harmonizing their national legislations with the European one, they are also

mutually harmonizing the legislations among themselves, thus creating harmonized legislative framework at the level of the region.

In that regard it has been agreed that the area of cooperation should cover:

- Sharing the information in area of economy and economic legislation;
- Monitoring the methodology of proposing the regulations, and the role of Committees and working bodies in that process;
- Harmonization of, already adopted regulations, with the European legislation;
- Monitoring the procedure of proposing the laws, especially those referring to harmonization of regulations with the European legislation.

Because of unequal staffing and expert capacities in Committees and in general, the experience of those more advanced would be of great benefit for the countries lagging behind in the process.

We value the cooperation to date and support of IFC and GTZ and hope that it will continue in the future, as it would be extremely important for the more efficient functioning of this Regional Network.

Maybe it is too early for detailed elaboration of the future functioning of the Network, but we do have some alternative options: (i) setting up a Joint Cooperation Office; (ii) exercising cooperation through parliamentary expert bodies; (iii) organizing meetings of the Committee representatives twice- three times a year in some of the parliaments in order to share the information and experiences on the spot; (iv) through some other form of communication, including exchange of annual work plans, possibility to participate in the work of other parliaments' (countries) committees, (v) possibility to be present when decisions are reached in the committees, as well as by organizing joint sessions within bilateral and multilateral parliamentary cooperation when discussing key infrastructural projects and issues of importance for the entire Region.

Creation of this Network would initiate a cooperation process that, later on, could evolve in some higher form of cooperation, not just between Parliamentary Committees for Economy, but cooperation between the parliaments in general.

Conclusions and Recommendations of the Conference

1. Strengthening the legislative function of the parliaments, in order to improve the quality of the laws, through:

- Building expert and financial capacities of the parliaments in terms of law drafting;
 - Introducing transparent law adoption procedures;
 - Strengthening the role of parliamentary committees within the process of law reviewing and adopting.
 - Improving the quality of legislation regulating the work of parliaments in the countries of the region.
2. Improving the control function of the parliaments in order to improve the implementation of laws, through stronger parliamentary control over the executive branch.
 3. The importance of preserving European perspectives for the countries in the region, in the time of global financial and economic crisis.
 4. Strengthening regional parliamentary cooperation in order to share knowledge and experience in areas of common interest, including:
 - European Union accession process, and harmonization with the European legislation;
 - Facing the global financial crisis that is developing into recession of global proportions.
 5. Creating a regional platform for fight against the impacts of the crisis in the region, through:
 - Cooperation of the parliamentary committees for economy and finances, within network created at this conference;
 - Sharing the information on the activities of committees;
 - Joint work of the committees' network in finding optimal solutions in the process of creating a favorable investment and legal environment in the countries of the region.
 6. Exploiting the experiences of the countries in the region, through:
 - Education and training programs for MPs and parliamentary staff;
 - Sharing of relevant publications and organizing study visits;
 - International assistance programs.