



## **7<sup>th</sup> EU-Balkans Discussion Group Luncheon**

**The Residence of the Turkish Ambassador to the UK**

**69 Portland Place, London, W1B 1QS, 21 November 2012**

Ambassador of the Republic of Turkey, His Excellency Mr Ahmet Ünal Çeviköz, and the Chief Executive of the International Business and Diplomatic Exchange (IBDE), Mr Rudi Guraziu hosted the 7th luncheon for the EU-Balkans Discussion Group at the Residence of the Ambassador of Turkey in London on 21 November 2012.

Forty senior participants from the diplomatic and business communities enjoyed a delicious lunch whilst listening to presentations and then engaged in a lively discussion about opportunities for infrastructure development in South Eastern Europe. The event was the seventh in a series organised by IBDE in cooperation with the EU and Balkans Embassies.

Strengthening regional economic and political cooperation and enhancing foreign direct investment in Southeast Europe, two key objectives of the EU-Balkans Discussion Group, are necessary for further integration of the local economies of the Western Balkans into the European economic and political structures. The group over the past meetings had agreed that one of the key aspects of economic growth in Southeast Europe is the provision of good quality infrastructure - essential for economic and social development. In light of this we were delighted to welcome Mr Ozger Inal a senior executive of ENKA responsible for infrastructure projects to present ENKA's infrastructure projects in the region as well as provide an overall assessment on business opportunities in the much needed investment in the region's infrastructure networks. The meeting also benefited from the comments by Dr Oleg Levitin, Senior Political Counsellor at the European Bank for Reconstruction and Development, who provided an overview of EBRD's commitment to the region and the Bank's future plans in support of South Eastern Europe.

Following a gracious welcome of the guests at his residence, the Ambassador of Turkey H.E. Mr Ünal Çeviköz noted that the Balkan region is a priority for Turkey not only from the political, economic and geographical perspectives, but also due to its historical and cultural ties with the region. He further stated that the region has achieved considerable progress in the last 15 years, although, there is still unfinished business, elaborating that this could be achieved through full integration of the region within European and Euro-Atlantic structures. The Ambassador further outlined that European integration will secure a lasting peace in the region and will serve as a good catalyst for

economic development. He went on to point out that Turkey supports strongly the integration of all Balkan countries with the EU and NATO at the earliest possibility and without any discrimination.

Given that Turkey is a Balkan country itself, Ambassador Cevikoz, outlined that utmost economic integration and the preservation of the multi-ethnic and multi-cultural social structures in the region constitute the main objectives of Turkey's Balkan policy, which is shaped by the principles of "regional ownership" and "inclusiveness". In terms of trade and economic cooperation, Turkey's trade volume with the Balkans have reached 18.5 billion USD in 2011. He noted that 1075 Turkish companies have already invested in the Balkans and that Turkish companies are contributing to the infrastructure of the region by building motorways, airports. Turkey is not the biggest investor in the region, but it is the only country that continues to increase its investments.

Following an extended assessment of Turkey's policy towards the region and each individual state, Ambassador Cevikoz concluded that his country strongly supports the Balkans in becoming a hub for infrastructure, transportation and energy projects as well as financial transaction.

IBDE CEO Rudi Guraziu discussed his participation at the "9<sup>th</sup> Vienna Economic Forum" which took place on 18-19 November 2012 in Vienna and stated that IBDE with its partners are working hard in making Southeast Europe more appealing to the business community. He went on to point out that "governments were doing their homework" on the issues of improving infrastructure, putting in place the necessary legislation and that all countries in the region had improved their doing business indicators. Rudi also discussed briefly the impact of the Eurozone crisis in the region and the importance that governments continue to seek for new ways of economic growth. He particularly emphasised the opportunities that public-private partnership could offer given that governments across the region are hesitating in increasing their borrowing to financing their infrastructure projects. It was his view that the private sector could fill the financial gap.

Dr Oleg Levitin, Senior Political Counsellor, representing the European Bank for Reconstruction and Development spoke of the new "joint action plan" involving three International Financial Institutions (IFIs) aimed at supporting economic recovery and growth in the region. EBRD expects to invest 4 billion Euros over the next 2 years, focussing on export-led growth and regional integration. He stressed that EBRD has been maintaining the same level of investment since 2009, when it doubled its investment in the region as a response to the financial crisis. Dr Levitin noted that besides improved coordination the new joint plan sends an important message to investors that IFIs have confidence in the regional economy. The Bank remains committed to the region because it believes in the high long-term potential of the region. He also noted that the Governors of EBRD had approved the application of Kosovo to become its 66th member and a new country of operations. Dr Levitin talked about the importance EBRD attaches to development of the regional infrastructure and emphasised that all-inclusive regional cooperation is indispensable both for the economic prospects of the region and for its political stability.

In his keynote speech Mr Ozger Inal, a senior executive of ENKA responsible for infrastructure projects, elaborated on the extensive statistical detail contained in the informative brochure provided to participants. He spoke of the beginnings of ENKA involvement in the Balkan region with a 1998 contract with Croatia. He updated the situation, telling the audience that 26 November will see the opening of another section of their major motorway project in Kosovo.

Mr Inal pointed out that the experience with noncompletion of a Romanian motorway project highlights the need for encouraging nations to undertake government borrowing to fully engage financial institutions in major infrastructure projects. He cited the completion of the Kosovo motorway project within 18 months as a success story. He emphasised the need that international financial institutions encourage governments to borrow the necessary funding for projects of scale.

A projected motorway scheme from Nis (Serbia) to the Kosovo border as discussed recently between Kosovo and Serbia's Prime Ministers would be a good example of regional cooperation. This could have the potential to connect all of Serbia, bringing people all the way to the coast and enhancing peace in the region. The goal would be to connect all of the Balkans, starting with the eastern border with Greece. He cited some interesting examples that small businesses are now doing much better as a result of the improved infrastructure.

**The speeches were followed by an opportunity for questions and comments.**

The meeting noted that motorway projects have changed a way of living for many members of the population who had insufficient access throughout the region. With traffic of 15 thousand cars on the new Albanian motorway there is a big flux of tourism and other commercial activities. Between Albania, Kosovo, Macedonia and Serbian communities the old dream of access to the shoreline may be becoming a reality despite borders.

In terms of financial engagement in the region European Investment Bank was a lead in volume on Turkish investment in infrastructure. The Bank was committed to the region as a whole and felt that infrastructure investment was crucial in improving connectivity in all its aspects.

During the discussion many participants were of the opinion that myriad, potentially profitable, opportunities could be realised through public-private partnerships (PPP) and in particular in the areas of airports, waste management, hospitals and ports. PPP's were a valuable opportunity to encourage development without significantly increasing government debt. Some participants felt that PPP projects in motorways, nonetheless, were very difficult to attract, and that in most cases unfeasible.

The meeting further noted that the world is littered with unprofitable and even bankrupt PPP projects. The UK's M6 motorway, for example, is losing money. There is a great need for some way to "guarantee a secure funding stream". Nonetheless there was a broad agreement that PPPs could be the way forward and that other sectors such airports, waste management, energy, to name a few, provide many opportunities for successful PPP projects. Hybrid PPP schemes of guaranteed government funding together with PPPs can take some of the perceived risk out of projects.

The meeting noted that given that Turkey has been very successful in its approach towards PPPs, perhaps the Turkish model provides a good template for working success on projects in the Balkans PPPs, too. For example, projects in the Bosphorus had obtained government guarantees. Some participants felt that engagement of PPPs in procurement methods are vital and that legislative frameworks are necessary. Although, PPPs are not the answer to all problems, gradual risk allocation to the private sector is perhaps a solution for reluctant investors. Participants noted that different variations of PPP models are not discussed actively enough. Financiers need to grasp that in these

projects everything needs to be done from scratch. However, business will make the difference in the long run.

Finally, the need for more regional co-operation was re-emphasised at the end of the meeting, given that there is a sense of fragmentation and lack of co-ordination. A striking example is the bridge that was constructed in the region with no highways to serve it.

Rudi Guraziu pointed out that IBDE is organising a regional conference in partnership with South East European Studies (SEESOX), Oxford University on 14 February 2013 which will put an emphasis on regional co-operation, particularly from the perspective of how business will see benefits.

Ambassador Çeviköz brought the formal proceedings to a close; emphasizing the importance of regional co-operation, thanking Rudi Guraziu for the leadership from IBDE and underscoring that Turkey will continue to demonstrate its willingness to co-operate in the Balkans.

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The luncheon was attended by the Ambassadors and other senior representatives of EU-Balkans, European Commission, Republic of Turkey Prime Ministry, European Investment Bank, London Stock Exchange, HSBC, EBRD, Morgan Stanley, UBS, E&Y, Clifford Chance, Mott MacDonald, Baker & McKenzie, Huawei, Economist Intelligent Unit, BBC, LAD, UEA etc.

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*Ambassadors and businesses will be notified in due course about the timing and the agenda of the forthcoming 8<sup>th</sup> meeting in this series. For more details, and if you wish to propose items for the next meeting agenda, please contact IBDE at: [events@ibde.org](mailto:events@ibde.org)*