



**SÜDOSTEUROPA-  
GESELLSCHAFT**

**STABILITY PACT**  
FOR SOUTH EASTERN EUROPE



Stabilitätspakt für Südosteuropa  
Gefördert durch Deutschland  
Stability Pact for South Eastern Europe  
Sponsored by Germany

### **International Workshop**

## **“Regional Co-operation in South Eastern Europe – Prospects and Challenges for the Regional Co-operation Council”**

**28/29 April 2008**

**Hotel Holiday Inn Sarajevo, Zmaja od Bosne 4, 71000 Sarajevo**

On 27 February 2008 the Stability Pact for South Eastern Europe (SP) handed over the baton to the Regional Co-operation Council (RCC) and passed the leadership for co-operation processes in South Eastern Europe into regional ownership. The Regional Co-operation Council Secretariat, the main operative body of the RCC, has since taken up its work in Sarajevo. The RCC will from now on foster and support regional co-operation networks and processes in South Eastern Europe and facilitate the region’s Euro-Atlantic integration. The RCC Secretariat, led by Secretary General Hido Bišcević, will increasingly take over responsibilities from the current Secretariat of the Stability Pact in Brussels. An overlap period is envisaged until the end of June 2008 to ensure a thorough handover, with the Stability Pact fully closing its doors on 30 June 2008.

At this important point in time, the Southeast Europe Association (Südosteuropa-Gesellschaft), based in Munich/Germany, in close co-operation with the Stability Pact Secretariat, the RCC Secretariat and the German Federal Foreign Office, convened a workshop in Sarajevo, on 28 and 29 April 2008, to discuss the lessons

**learnt from the work of the Stability Pact and the challenges and way ahead for the future work of the Regional Co-operation Council. The organizers intended to critically assess the achievements and shortcomings of the Stability Pact's work and to draw some lessons for the work of the RCC and for future regional cooperation in South Eastern Europe.**

**The conference provided a forum for more than 60 representatives of the South East European Governments, experts from leading South East European think tanks, key international partners as well as representatives of the outgoing Stability Pact Secretariat and the incoming RCC Secretariat for an open debate in a discussion oriented workshop.**

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### **Background**

The workshop took place

- about 9 years after the Stability Pact for Southeast Europe (SP) was established in 1999 in Cologne during the German EU presidency,
- at a time that the SP hands over the "baton" to the Regional Cooperation Council for Southeast Europe (RCC), thus reflecting the increased ownership of SEE countries as regards regional cooperation efforts.

The SOG expressed satisfaction to have supported the SP over the years, including through workshops and dialogue forums; it confirmed its intention to do the same in support of the RCC. The current workshop came at the right time to discuss lessons learnt from the SP and challenges ahead for the RCC.

Representatives of the EU and the international community participating in the workshop expressed appreciation for the Bosnia and Herzegovina (BiH) government having agreed to offer Sarajevo as RCC headquarter. RCC's international partners confirmed their determination to provide all necessary support to the RCC to continue the successful work by the SP for the benefit of countries of the region and its partners.

The workshop participants reiterated their gratitude to Dr. Erhard Busek, the outgoing SP Special Coordinator, for the tremendous efforts he had made towards regional cooperation efforts and bringing SEE and EU countries closer together.

### **Session I – Regional Co-operation as a Political Process – Achievements and Lessons Learnt**

SEE regional cooperation is now seen by both EU and non-EU partners, including the US, as well as the international financial institutions (IFIs) and organizations as an important factor contributing to regional stability and bringing the SEE countries into the EU or closer to the EU.

Some participants noted with some regret that too often regional political leaders do not yet show enough “vision” in speaking out publicly in favor of regional cooperation and thus contributing to a better “image” of the region.

It was also pointed out that past regional cooperation efforts in SEE have rightly not tried to solve all the “big” problems confronting the region but to focus pragmatically on what makes a difference on the ground.

Nevertheless, it was necessary to recognize that there are still a number of shortcomings and many areas where cooperation within and between the SEE region and EU and member states must be further improved, with the RCC having to play a key role from hereon. The following challenges were cited:

- there are still many unfinished investments in the infrastructure sector, especially as regards several of the road corridors; also, the railway sector was as yet very little touched upon
- SEE countries have to make greater efforts when preparing projects for EU funding. “Nice ideas” are not good enough. There is a great risk that available EU funding under the Instrument for Pre-accession (IPA) will not be fully utilized
- regional air connections need much improvement
- the Danube river cooperation process is not much advanced
- there are many unresolved problems concerning migration, with statistical data being often incomplete or missing
- brain drain represents a great challenge for some SEE countries while in the case of Bulgaria and Romania trained people are often returning home
- the human development sector – education and health – need a lot more attention
- more investments are also required in the Research and Development (R&D) area
- social insurance schemes in many SEE countries are inadequate, thus contributing to further “social exclusion” of the unemployed and the elderly
- more efforts are required for crime fighting
- more needs to be done to promote civil society organizations (CSO) while CSOs need to cooperate better and have better distribution of labor among themselves
- too often there is still too much competition among SEE countries rather than that they look for the “common cause”
- too many SEE governments are changing too frequently. The RCC faces the challenge to “educate” incoming administrations
- SEE countries and the RCC have to come across more as a “family”. This would improve their interactions with the EC and other partners
- more needs to be done to develop better communication strategies so that “success stories” rather than “bad news” hit the media headlines. This also applies increasingly to the electronic media
- the RCC should also make better use of the media to spread its agenda

- to this end, the RCC should reach out to CSOs and launch a major consultation process on its programs and activities
- regional cooperation would also benefit from more cultural exchanges among SEE countries
- SEE governments can learn a lot from the private sector where cooperation is often much better than among governments

Workshop participants recognized that there are still some lingering conflicts among some SEE countries for which solutions will have to be found. However, time and patience are required which should not distract from the overall common goal that regional cooperation is key.

### **Panel Discussion on the Future of Regional Co-operation in South Eastern Europe**

There was wide recognition that there has to be a greater awareness that regional cooperation does not take place in a political vacuum. One of the RCC's key challenges will be to come up with a "vision" for the region's future and to increasingly seek cooperation with neighboring countries. At no point in the recent SEE history have so many SEE countries agreed to take their destiny in their own hands. This is an important achievement when compared with earlier periods when decisions for/in the region were taken by countries or institutions from outside the SEE region.

Still, there is hardly a pair of SEE countries without bilateral problems: it will be important to find common solutions.

The RCC needs to be cognizant of and build upon recent achievements and existing political realities, such as:

- a large pillar of positive achievements in the SEE region, with the economy growing 5-7% p.a. during recent years
- the open sky agreement which was recently signed
- the Central European Free Trade Agreement (CEFTA) is functioning
- Serbia signed the Stabilization and Association Agreement (SAA) on April 29; Bosnia and Herzegovina (BiH) was expected to sign its SAA later in May;

Macedonia is expected to get an invitation to open EU accession negotiations in the fall; Croatia is advancing with EU membership aspirations. These developments have positive spill over effects for the entire region

- but there remain many open issues, in particular the unresolved relations between Serbia and Kosovo. Both have to live for some time with legitimate differences. Still, it is essential to avoid new divisions within Europe
- 2008 and 2009 is/will be a decisive period for the Western Balkans, with Serbia the key country which will need to show which political choices it will make
- in this regard, regional cooperation is essential to move the region ahead. The SP and now the RCC offer(ed) great opportunities for countries to dialogue with each other
- the EC considers RCC as a key partner to help foster the EU agenda and also to help SEE countries to make efficient and timely use of EU (IPA) funds
- the EU/EC will provide strong support to assist programs in the environment sector, natural disaster prevention/mitigation, help Western Balkan societies in efforts towards national/regional reconciliation, etc.
- the EC looks at the RCC as the key regional interlocutor when deciding how best to support the SEE countries through regional programs in the EU accession efforts. The EC does not look at the RCC as “consultant” but rather as a key source of inspiration which should “bombard” it with new ideas and programs
- the SP’s key advice to the RCC: “have patience”; on the other hand, the RCC would be well advised to look primarily for “answers”, “problems” are known
- it is important to remember that the region has overcome four recent wars and that there is a new Western Balkan map; most Western Balkan countries can largely be considered as sustainable democracies and fairly well functioning market economies; many have shown much improvement on the human rights front; they all have a true EU perspective; this is particularly important for the younger generation since they have to be given a true “hope” to join the EU in the not too distant future

## **Session II – Regional Co-operation to Address Substantial Challenges in SEE in the Field of Democracy, Economy and Security**

The session discussed five priority areas which the SP and, subsequently the RCC, decided are essential to allow the SEE countries to converge over time with the EU countries. The RCC secretariat is structured accordingly. The point was made that the RCC “national coordinators” play a key role to ensure that member countries take true “ownership” of these priorities. Both the RCC and the national coordinators see as their greatest challenge that projects promoted within the five priority areas are well prepared and effectively and timely implemented.

### **1. Economic and Social Development**

With “stability” issues largely addressed, economic and social development of the SEE region is becoming the greatest challenge. The focus will have to be on social cohesion and inclusion, especially of potential losers. The agenda should also address the issue of possible “futureless growth” which is especially affecting young people. The social cohesion agenda should also touch upon labor policy issues. Related thereto is the need for greater dialogue among social partners. There is also a considerable need to take into account the emerging regional labor markets.

Generally speaking, some progress has been made on the broader economic front:

- the signature of the Central European Free Trade Agreement (CEFTA); however, there are still some lingering bilateral trade disputes among signatory countries
- the adoption of the Investment Compact for SEE; to be successful, it requires close interaction with the private sector and further development of financial markets
- small and medium enterprise (SME) promotion; CEFTA should help
- e-SEE; e-See cuts across all sectors, including public administration, business, education, health, pensions, etc.

The following challenge for the RCC and national governments were noted:

- ensure that national institutions and parliaments are fully on board to support these initiatives

- in particular, they need to address continued administrative weaknesses and insufficient political will which often still prevails so as to ensure that regional cooperation programs are nationally owned and effectively implemented
- similarly, accelerated legal and judiciary reforms should help boost private sector development and foreign direct investment (FDI)
- get IFIs and other concerned international financial institutions on board
- start reflection process on how to better place the region in Europe and the broader world market
- address emerging issues of the growing economic divide in the region and the growing proximity or distance towards the EU
- consider the potential which cross border industrial zones might offer to boost regional cooperation
- exploit the region's substantial water resources: its rivers, five seas and related harbors
- take advantage of its good human capital
- exploit its geographical position: all major transport and energy corridors pass through the region
- for some of the areas which are mentioned above the EU's IPA program should provide important financial and capacity building support. The RCC needs to closely cooperate with the EC to maximize the use of these funds

## 2. Infrastructure, Energy and Environment

The meeting reached consensus that this particular priority area should not be limited to "infrastructure and transport" but also include "environment", a sector with obvious cross country and regional implications.

The RCC should take the place of the SP in the International Financial Institutions (IFI) Advisory Group (AG) which, under the leadership of the European Commission (EC), includes the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the World Bank (IBRD), the Council of Europe Development Bank (COEB) and the Black Sea Development Bank (BSDB). The Joint Office of the EC and IBRD (JO) in Brussels assumes the IFI AG secretariat. IFI AG has three

working groups for the three sectors who meet regularly to coordinate activities and investments of regional implications among themselves, in the EU candidate countries (Croatia, Macedonia and Turkey) as well as in the potential candidate countries of the Western Balkans. Recently, at the EC's request, the IFI AG also included "human development" as a sector to include in its work program.

The IFI AG's main purpose is to exchange information and provide advice to concerned countries on the design of new initiatives/programs in the concerned sectors. It reviews progress made by countries on regional strategies for developing the infrastructure, energy and environment programs and effectively implementing them (such as the Energy Treaty, the future Transport Community for SEE Treaty, the Danube and Black Sea Strategy). It also addresses horizontal issues such as fiscal space constraints, public indebtedness capacity, potentials for Private Public Partnerships (PPP), etc.

The IFI AG working group for transport met on April 14. During its meeting it reviewed the Southeast Europe Transport Observatory's (SEETO) multi-annual plan 2009-2013 and the preparation of the next ministerial meeting focusing on cross border issues. It also addressed the SEE railway agenda, one of the key transport sector challenges. Finally, it reviewed the status of the treaty to establish a Transport Community for SEE.

The IFI AG working group for energy will meet on May 6. On the agenda: review of the pipeline of investment projects in the electricity and gas sectors; the regional perspective of the EU energy policy as well as of energy efficiency programs.

The IFI AF working group for environment met on April 17. It reviewed current financial instruments for the sector, especially regarding waste water and climate change implications. It also reviewed national financing strategies for environment sector.

With support of the SP, the RCC should establish early contact with the EC and the JO so as to become fully familiar with the IFI AG agenda and be included as a regular participant in future IFI AG meetings.

### 3. Justice and Home Affairs

The focus of the presentation and discussion was on “organized crime”. The point was made that there is a plethora of institutions dealing with organized crime, money laundering, drug smuggling, human trafficking and other crimes in SEE without proper coordination among them. There are also no efficient systems to effectively fight and cut back these criminal activities; recovery efforts are minimal. On the other hand, some progress is being made on the adoption of various pieces of legislation and standards to comply with EU directives and legislation in this area.

It is considered important to note that SEE countries are major conduit for

- transit of criminals and criminal activities
- migrants smuggling
- human trafficking
- counter-fitting and other economic crimes
- Islamic radicals

The fight against organized crime must substantially pick up with enhanced involvement of European institutions. In this regard, it is essential that Europe speaks with “one” voice.

Also,

- there is a need to raise greater awareness amongst the SEE public of the threat of organized crime
- it is important to address both supply and demand issues as regards drugs
- given the potential of up to 15,000 or so unresolved cases of war crimes, one needs to seek ways to find regional approaches to trials which address crimes against humanity
- with the Western Balkan countries not yet bound by EU environment rules, there is a threat that much capital supporting “dirty” investments flows into the region; it is therefore essential to find early remedial measures

#### 4. Security Co-operation

No single state can address security issues exclusively from a national point of view. Like in other priority areas, SEE countries have to demonstrate political commitment and ownership when addressing security cooperation issues. It is essential to identify

concrete security challenges. Security reform – involving both military and police forces – is crucial to avoid some of these forces moving into the organized crime stream. In this regard, both the EU and NATO are key partners. Also, national parliaments have to be brought on board and civil society and media representatives need to be trained to speak out on the issue.

#### 5. Building Human Capital

After years of wars and conflict, human capital in SEE region has much declined. Institution and capacity building is essential to bring SEE human capital institutions up to speed. The “Lisbon Growth and Jobs Strategy” provides the right signals. Huge investments, including in R&D, are required to stimulate knowledge opportunities in SEE.

#### 6. Overarching theme: Parliamentary Co-operation

Getting parliaments on board is another requirement for successful implementation of the above five priority areas, including the ratification of respective international treaties. Moreover, SEE parliaments play a key role to ensure that national legislation is harmonized with EU legislation as these countries get closer to EU accession. Frequent parliamentary turnover and very weak parliamentary support staff, combined with feeble financial support, makes parliamentary strengthening in SEE self evident. As was the case with the SP, the RCC should help

- coordinate parliamentary capacity building in SEE
- assist in parliamentary networking in SEE
- coordinate donor support activities
- ensure upfront involvement of SEE parliamentarians in regional policy and decision making

### **Session III – Regional Co-operation, European Integration and the Role of the Regional Co-operation Council**

In introducing the topic, it was suggested to review

- possible tensions between regional cooperation and EU integration

- whether it was always advisable for the potential candidate countries to already comply with the “full” EU standards while their level of development was still lacking substantially behind
- how much the Western Balkan countries should invest in new programs/projects rather than implementing/completing ongoing ones
- in which way RCC can build on achievements by the SP

The focus of the panel was a presentation on what the EU had to offer to the EU candidate and potential candidate countries, in particular under the Instrument for Pre-accession (IPA). It was noted that

- IPA 2008 programming in a total amount of Euro 140 million for the Western Balkans has been completed
- IPA 2009 programming in a total amount of Euro 160 million is about to start
- also, the EC is starting the 2009-2011 multi-indicative program (MIP)
- the RCC should acquaint itself as quickly as possible with the EC’s programming systems and cycles and increasingly liaise with the EC re the above
- a March 5, 2008 EC communication provides all the details, including on the multi-beneficiary and regional programs
- from the EC’s perspective, regional cooperation/programs are an integral part of the EU integration process
- regional cooperation is also essential to complete national programs and bring about overall improved results
- in carrying out its programming exercise, the EC focuses its attention on candidate and potential candidate countries meeting EU accession requirements, especially as regards EU regulatory needs
- IPA assistance is also focused on improving administrative capacity to help enhance absorptive capacity
- IPA is obviously inadequate to meet the countries’ huge investment requirements
- a 16 million Euro Infrastructure Facility is meant to help finance feasibility studies and advisory services for infrastructure and environment investments which would be suitable for IFI financing

- the EC is fully supportive of existing regional structures such as the Energy Treaty and CEFTA secretariats
- the EC is also assisting customs, tax and statistical services in the region to help them conform with EU rules
- as regards “softer” issues, the EC is ready to support people to people contacts; modernizing/upgrading higher education institutions; including countries in different EU scholarship programs; improving text books, etc.
- the EC is looking to the RCC to come forward with additional proposals re the “softer” sectors.

In response to questions on how to tackle some problematic bilateral relations between EU member and SEE countries as well as among SEE countries, the point was made that the EU can only play a mediating role and try to facilitate communications but had no decision making role.

From the RCC’s perspective, the following was reiterated:

- regional “ownership” implies regional “responsibility”
- to this end, it is essential that national coordinators assume their responsibilities
- the RCC is no substitute for individual countries taking charge and lead the way towards their countries joining the EU nor for ensuring that EU planning meets their needs
- the RCC also sees itself as facilitator of Euro/Transatlantic integration of the region
- the RCC is prepared to make every effort to try to find solutions for ongoing and unresolved regional issues
- the RCC sees itself as “generator” of projects and demonstrating results