

**SENIOR REVIEW GROUP ON THE STABILITY PACT
FOR SOUTH EASTERN EUROPE**

FINAL REPORT

BRUSSELS, 06 MARCH 2006

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EXECUTIVE SUMMARY

The original objectives of the Stability Pact (SP) were to contribute to the stabilisation of the region after the violent conflicts of the previous years, to support the reconstruction process and economic development, to foster regional co-operation and to support the Euro-Atlantic integration of the countries of the region. In the course of the past seven years the main objective of stabilising the region has certainly been achieved as far as the SP could support it. The concept of regional co-operation is now firmly embedded in the region at all levels of government and society. The remaining tasks are thus to ensure long-term sustainability of these co-operation processes by enhancing regional commitment and ownership and to support the countries of the region on their path towards European and Euro-Atlantic integration.

As regional co-operation is regarded as one of the preconditions for the further EU integration of the SEE countries, all available support mechanisms should be used to ensure further progress in this field. But regional co-operation must also be seen on its own merits. A number of the problems facing SEE can be addressed more efficiently on a regional basis. In a more general fashion, regional co-operation in different thematic fields should also be considered a 'training ground' for future everyday co-operation within the EU, not to forget the important side-effect of bringing people together on different professional, business and societal levels thus providing ground for fostering confidence building. Having a dedicated framework for these activities will facilitate them being kept on the political agenda of the governments of SEE. The question therefore is, what should be the composition of such a framework for regional co-operation and European integration and what issues it should focus on.

When addressing the question of which areas of regional co-operation will be of relevance in the years to come, two criteria need to be applied: What are the areas that the countries of the region consider of particular importance; and what are the areas crucial for European and Euro-Atlantic integration. Based on these criteria, the following have been identified as long-term priority areas for regional co-operation: Economic Development, Infrastructure, Justice and Home Affairs, Security co-operation, and Building Human Capital. Parliamentary Co-operation should be treated as an overarching theme, supporting activities in all of the above areas.

Based on this assessment of the continuing need for regional co-operation in SEE, the question arises as to how the required co-operation can be facilitated. There is an urgent need to better organise and utilise regional ownership for regional co-operation activities. The temporary nature of the SP makes the current considerations on the future of the co-operation processes initiated under the auspices of the SP timely.

In order to ensure sustainability of regional co-operation process initiated under the auspices of the SP and thus preserve the positive legacy of the Pact, a number of principles for a future regional framework for co-operation should be kept in mind – these are the guiding principles for the recommendations below: (i) Strong involvement of both the South East European countries and the EU through a close relationship to the Stabilisation and Association Process and aligning regional co-operation even more closely with EU integration; (ii) A clear focus on priority areas to ensure full political commitment by the countries of the region and to prevent duplication; (iii) Continued involvement of non-EU donor countries, the international financial institutions and key international organisations; and (iv) High-quality, sustainable structures, which can serve as efficient regional networks.

The South East European Co-operation Process (SEEC) is the principle political forum established by the region itself bringing together most of the countries of the SP target region and could therefore be the natural partner for the SP to hand over responsibility for these co-operation processes. The fact that the countries of the region regularly come together on the highest political level shows the importance the countries themselves place in this forum. Nevertheless, the present lack of institutional structures and limited operational capacities put in question the ability of the SEEC to take over current activities of the SP at this stage. For such an option to be feasible, the SEEC would have to undergo a substantial institutional reform, which is strongly recommended by this report.

After careful consideration, this report recommends the establishment of a South East Council (SEC), which at a later stage can develop into the operational component of a reformed SEECP. Establishment of such a South East Council should be based on a phased evolution of the current Stability Pact structure into a more focused and streamlined regional set-up, increasingly owned by the countries of the region. It should be able to support the whole region on its path towards EU integration, with the option of providing a framework for co-operation even after all or most countries are EU members.

Such a phased evolution would require substantial streamlining on three levels: (i) A streamlining of the existing 25 SP initiatives and task forces to the five long-term priority areas for regional co-operation identified above; (ii) A subsequent streamlining of existing support structures; and (iii) A streamlining of membership to those continuously engaged in the region and who are willing to share the costs of the required supportive set-up. The eight countries of the SP target region Albania, Bosnia and Herzegovina, Bulgaria, Croatia, The former Yugoslav Republic of Macedonia, Moldova, Romania, Serbia and Montenegro and UNMIK/Kosovo as well as the EU-Troika should be members 'ex officio', with everyone paying a share of the financial burden based on their capacity. All other SP partners would be invited to continue their involvement, but would have to agree to contribute to the costs, while consideration will have to be given to their exact status.

The result would be a streamlined regional co-operation framework focused on a few priority areas, with a lean support structure and a membership based on those partners active in the region. The main aim would be to facilitate regional co-operation and support the EU integration of the whole region. Like the Council of the Baltic Sea States, membership would bridge the gap between EU member states and those not in the EU. Such a solution would provide for an increasing degree of ownership by the countries of the region, politically, personnel-wise and financially. Furthermore, with a more focused membership base, the SEE countries would have a stronger voice in this new forum. At the same time, through the full membership of the EU-Troika and the association of interested donor countries and organisations, the legacy of the SP as a forum not only for regional co-operation but also Euro-Atlantic integration would be preserved.

The current close co-operation between the SP and the SEECP could either continue as now on an informal basis, or preferably it could be developed into a more formal link between the SEC and the SEECP. Depending on the necessary institutional reforms, the SEECP could over time become the political forum, incorporating the SEC as its operational component.

The feasibility of these recommendations and timelines depend on a number of factors, in particular the upholding of the enlargement perspective on the side of the EU as the key reform motor for SEE and the commitment of the SEE countries to increasingly take ownership of these co-operation processes. Ultimately, the outcome of this process as well as the speed depends on the commitment of the countries of the region and the decision should thus primarily be taken by the SEE countries themselves.

The transition outlined above should start with the Regional Table in May 2006, with the year 2007 being the main year of transition for the SP – the three streamlining processes mentioned above should be fully underway – allowing for the resulting new framework to come together in its new form for its founding session in the course of 2008. Taking into consideration possible delays due to political and practical uncertainties, a new setup should be in place at the latest on the tenth anniversary of the Stability Pact in 2009.

1. INTRODUCTION

The aim of the First Report of the Senior Review Group* of 07 November 2005 was to provide a basis for the discussions at the Regional Table in Prague 16 November 2005 on enhancing regional ownership of Stability Pact (SP) activities. Based on this first assessment of the achievements and remaining challenges in the area of activity of the Stability Pact and subsequent consultations with SP partners, this Final Report provides recommendations on the future of the Stability Pact and regional co-operation activities in South Eastern Europe (SEE).

While it is agreed that the SP has achieved much of its original purpose in contributing to the stabilisation of the region, enhancing regional co-operation and supporting the EU integration process of the countries of the region, it is equally clear that there is continuing need for a framework for further promoting and developing regional co-operation that would facilitate e.g. Euro-Atlantic integration. Significant problems in parts of the region remain in the areas of democratisation, economic development and security. Ensuring sustainability of the regional co-operation processes started in the framework of the Stability Pact is the joint responsibility of both the countries of the region and the international community, in particular the EU and the European Commission.

Two issues are of particular relevance in this context: firstly, regional co-operation is continually stressed as a pre-condition for EU integration by the European Commission and the EU in general. The recent EC Communication on the Western Balkans is a case in point. Secondly, while the European perspective of South Eastern Europe has been strengthened with the decisions of the EU in autumn 2005 moving most of the countries ahead on their path towards EU integration, the prevailing enlargement fatigue within the EU has led to enlargement criteria being evaluated and scrutinised with greater care. The most likely result of this will be a more demanding and rigid accession processes and thus well co-ordinated support along the way will be of even greater importance.

This Report will, as requested by the Regional Table in Prague, provide the basis for "the Regional Table in May 2006 ... to come to conclusions on the future priorities and corresponding set-up for implementation". The guiding principles were spelled out by the Regional Table: "Strong leadership by the countries of the region; strong involvement of the EU; and involvement of the non-EU donor community during the transition process towards regional ownership."

The Senior Review Group would like to thank all partners for their participation in the various consultation meetings during the past six months. Their valuable input has significantly influenced the preparation of this report.

2. ASSESSMENT OF ACHIEVEMENTS OF THE STABILITY PACT AND REMAINING CHALLENGES

The objectives of the SP were to contribute to the stabilisation of the region after the violent conflicts of the past years, to support the reconstruction process, to foster regional co-operation and to support the Euro-Atlantic integration of the countries of the region. The main objective of stabilising the region has certainly been achieved as far as the SP could support it. The concept of regional co-operation is now firmly embedded in the region at all levels of government and society. The remaining tasks are to ensure these co-operation processes are sustainable in the long-term by enhancing regional commitment and ownership and to support the countries of the region on their path towards European and Euro-Atlantic integration. This is where the focus of the countries of the region is and where the priority of the SP has to be as well.

* The Senior Review Group was established by Special Co-ordinator Erhard Busek in close co-ordination with the Commissioner for Enlargement Olli Rehn to make recommendations on future SP priorities, ways to enhance regional ownership of the processes initiated by the SP and how to achieve this. The Group comprises Alpo Rusi of Finland as the Chairman, former Deputy Special Co-ordinator in 1999-2000, Goran Svilanovic, former Foreign Minister of Serbia and Montenegro, Vladimir Drobnyak, Chief EU-Negotiator for Croatia, and Franz-Lothar Altmann of the German Institute for International and Security Affairs.

The prospect of EU integration has been the key reform motor for SEE governments. Most of the success achieved within the framework of the SP would not have been possible without this overwhelming incentive. The European perspective for SEE was first proclaimed by the EU as part of the launch of the SP and later elaborated within the Stabilisation and Association Process (SAP). This complementary relationship was further defined at the Thessaloniki Summit in June 2003, when the Stability Pact was requested to support the regional component of the SAP in general and in a number of specific areas. This complementary relationship is of great importance as evidence of the importance of regional co-operation as an accession criterion and should be enhanced in the future.

While the question of EU integration has been the priority for SEE countries, joining NATO's Partnership for Peace (PfP) and subsequently graduating to full NATO membership has also been an important aim of most SEE countries. NATO has been a partner within the SP from the very beginning and developing relations between SEE countries and NATO has formed an important part of the work of the SP. The SP has made significant contributions in this field of post-conflict confidence building, considerable downsizing of military arsenals and defence conversion.

Even though some of the high expectations of the early years could not be met, politically the SP is an overwhelming success story. At a time when the whole region was trying to come to terms with the difficult legacy of the past decade, the SP provided the necessary political incentive – Euro-Atlantic integration as a light at the end of the tunnel – to engage in the necessary but difficult reform processes. It provided a framework where countries, which were at war with each other only a few years ago, could step by step re-engage on the larger regional level at a time when bi-lateral links were only in the very early stage of development.

This was achieved by providing a number of different functions, such as *promoting and instigating a regional approach to addressing common problems in the region* - the most prominent function performed by the SP. The concept of improved regional co-operation has made inroads in all the beneficiary countries, encouraged as an important precondition for further European and Euro-Atlantic integration. Contacts on every level of government and society are a matter of everyday life now. This was certainly not the case in the beginning and owes much to the pioneering role of the SP as a *confidence building mechanism*.

Matchmaking is another function, which has been used successfully by the SP. Bringing together donors and beneficiary countries, available funds and possible projects, in an overarching forum where all players interested in a particular topic can jointly set priorities is a new development, which has proved very useful. The Pact has also successfully functioned as an *honest broker* and *neutral forum* for the different organisations and countries involved. Through this forum it has been possible to have organisations, which do not usually work together, engage in joint projects to the benefit of South Eastern Europe. This unique forum has allowed the development of strategies that meet best international practice but are tailored to the specific circumstances of SEE.

The concept of *peer-review* and *peer-pressure* has had a significant impact on the success of many SP activities. Seeing your neighbour move ahead faster than you is a strong incentive to intensify your own reform efforts. In the course of the past years, *effective networks for exchange of experience and capacity building* between SEE countries have been established in the framework of the different thematic task forces and initiatives of the SP. While the challenge of making these sustainable still remains, a good foundation has been laid.

The Sarajevo Summit Declaration (1999) stresses that "the countries of the region are the owners of the stabilisation process and their full effort in, and commitment to this undertaking are critical to its success." While enhancing the degree of ownership has been a guiding principle of the SP since then, it has never been fully taken up nor elaborated in substance. Due to the temporary nature of the SP, the importance of regional ownership has grown, as a means to ensure the longer-term sustainability of co-operation processes initiated within the SP framework. A stronger degree of regional ownership and resulting commitment by the countries of the region is a precondition for ensuring sustainability. But when looking at the different activity areas of the SP, individual approaches will be necessary. Different activity areas will require different kinds of ownership from the side of SEE countries and different types of support from the international community.

In the course of the past few years, important steps towards stronger regional ownership of SP activities have already been taken. An increasing number of regional centres have been established, functioning as secretariats for different SP initiatives. Furthermore, the SP secretariat as well as regional centres have increasingly been staffed with personnel from SEE, most visibly at the level of Working Table Chairs.

While this is a good foundation, ensuring sufficient regional ownership in order to make the co-operation processes initiated within the SP sustainable is the central remaining task to ensure a positive legacy of the Pact to the benefit of all partners, both in SEE and the EU.

3. REGIONAL CO-OPERATION PRIORITIES FOR THE FUTURE

While regional co-operation as such has improved significantly over the past years both on the bilateral and multilateral level, its effectiveness and substance is still limited and many of these co-operation processes are still largely driven from the outside. As regional co-operation is regarded as one of the preconditions for the further EU integration of the SEE countries, all available support mechanisms should be used to ensure further progress in regional co-operation. Having a dedicated framework for these activities will ensure that they are kept on the political agenda of the governments of SEE. The question therefore is, what should be the composition of such a framework for regional co-operation and European integration and what issues it should focus on.

Regional co-operation must also be seen on its own merits. A number of the problems facing SEE can only be addressed jointly on a regional basis. Just to give a few examples, the limited size of the individual national economies make them less attractive to foreign investors – however together they form a market of 55 million consumers. Similarly, organised crime is clearly a problem that defies borders and can only be fully addressed through cross-border co-operation. In a more general fashion, regional co-operation in different thematic fields should be considered a 'training ground' for future everyday co-operation within the EU, not to forget the important side-effect of bringing people together on different professional, business and societal levels thus providing ground for fostering confidence building.

In the framework of the Stability Pact some 25 regional co-operation processes are covered by different task forces and initiatives. In addition, a number of other co-operation processes have been initiated by countries of the region or other regional or international organisations. Considering the breadth of activities and the limited administrative capacities in most of the SEE countries, streamlining and priority setting is vital.

What are the areas of regional co-operation, which will be of relevance in the years to come? In addressing this question, two criteria should be applied: What are the areas that the countries of the region consider of particular importance; and what are the areas crucial for European and Euro-Atlantic integration.

European and Euro-Atlantic integration is the overall priority of all countries of the region. In order to be successful, to prevent overlap and not to overburden the limited administrative capacities of the countries of the region, regional co-operation activities need to be in line with overall EU priorities for the accession process. While there are areas for regional co-operation that are not necessarily on an EU agenda, the priority for both the countries of the region and the EU is clear.

Based on these criteria, the following have been identified as long-term priority areas for regional co-operation:

- Economic Development: Regional Trade and domestic and foreign investment, in particular the proposed single free trade agreement; this work should also be supported by the private sector, for example via the Business Advisory Council (BAC) and the Foreign Investors Councils, comprised of key business leaders active in the region.

- Infrastructure: Transport Infrastructure with a focus on the main Corridors in SEE, Energy (including Gas), Airspace, electronic SEE; the Infrastructure Steering Group (ISG) has a crucial role to play to facilitate these processes.
- Justice and Home Affairs: notably the fight against Organised Crime and Corruption, including support for an enhanced link between the SECI Regional Centre for Combating Trans-border Crime and Europol;
- Security co-operation: Defence conversion and security sector reform (in particular as part of the RACVIAC structure); co-operation schemes outside the framework of the Stability Pact such as SEDM and SEEBRIG need to be included in these frameworks;
- Building Human Capital: Education, research and science in general as well as capacity building in public administration in particular.

Parliamentary Co-operation should be treated as an overarching theme, supporting activities in all of the above areas.

4. CONSIDERATIONS ON A FUTURE REGIONAL FRAMEWORK FOR CO-OPERATION AND EURO-ATLANTIC INTEGRATION

Based on the assessment of the continuing need for regional co-operation in SEE, the question arises as to how the required co-operation can be facilitated. There is an urgent need to better organise and utilise regional ownership for regional co-operation activities. The temporary nature of the SP makes the current considerations on the future of the co-operation processes initiated under the auspices of the SP timely. The assessment of the remaining challenges indicates that a more sustainable framework for co-operation needs to be developed. Existing regional initiatives such as the Southeast European Co-operation Process (SEECOP), the Central European Initiative (CEI), the Adriatic-Ionian Initiative (AII), the Alps-Adriatic Working Community, the Danube Co-operation Process, the Working Community of the Danubian Regions, the Southeast European Co-operative Initiatives (SECI), the Central European Free Trade Agreement (CEFTA) as well as the EU-Western Balkans Forum need to be kept in mind in these considerations, aiming at streamlining regional initiatives to enhance efficiency and prevent overlap.

4.1. PRINCIPLES FOR A FUTURE REGIONAL FRAMEWORK FOR CO-OPERATION

In order to ensure sustainability of regional co-operation process initiated under the auspices of the Stability Pact and thus preserve the positive legacy of the Pact, a number of principles for a future regional framework for co-operation have to be observed – these are the guiding principles for the recommendations below:

- Strong involvement of both the South East European countries and the EU through a close relationship to the Stabilisation and Association Process and aligning regional co-operation even more closely with EU integration;
- A clear focus on priority areas to ensure full political commitment by the countries of the region and to prevent duplication;
- Continued involvement of non-EU donor countries, the international financial institutions and key international organisations;
- High-quality, sustainable structures, which can serve as efficient regional networks.

4.2. TASKS OF A FUTURE REGIONAL FRAMEWORK FOR CO-OPERATION

While keeping in mind the changing environment and the need for adaptation, the following functions that the SP has provided in the past six years will also need to be addressed by any future regional framework:

- Provide the region with a political forum, which would guide and promote the implementation of regional co-operation;
- Provide a forum for exchange between SEE and the EU, in addition to the existing bilateral level, on questions of EU integration;
- Provide a forum for exchange between SEE and the broader donor community;
- Provide political guidance for and receive substantive input from relevant current SP task forces and regional centres.

4.3. OPTIONS FOR A FUTURE REGIONAL FRAMEWORK FOR CO-OPERATION

A number of options were analysed when discussing the future framework for co-operation, ranging from a fully-fledged regional organisation to a more decentralised network of tailor-made sectoral co-operation arrangements. The outlined options demonstrate the scope of theoretical solutions to the issue.

While none of the existing frameworks for co-operation in SEE can at present stage adequately meet all the principles and address all the tasks mentioned above in their current set-up, their ability to adapt to these challenges was assessed. Considering their geographical scope and political aims, the SEECF as well as the EU-Western Balkans Forum were of particular interest in this context and were extensively discussed in the course of the consultation process. While it is always preferable to work with existing institutions and adapt them to changing environments, institutional restraints have to be kept in mind. Based on the current needs and required tasks careful consideration thus also had to be given to establishing a new co-operation framework, such as a South East Council (SEC). Finally, a more 'substance-oriented' approach was considered focusing on tailor-made sectoral arrangements to address current needs.

In the course of the consultations, the EU has shown reluctance to enhance the EU-Western Balkans forum in order to enable it to meet the above principles and tasks to make this option feasible. Furthermore, the 'substance-oriented' approach of tailor-made sectoral arrangements without a political forum to provide overall guidance has been dismissed as not ambitious enough by most interlocutors. Therefore the range of feasible options for a future regional framework for co-operation was reduced in the consultations.

5. RECOMMENDATION ON A FUTURE REGIONAL FRAMEWORK FOR CO-OPERATION

The SEECF is the principle political forum established by the region itself bringing together most of the countries of the SP target region. The fact that the countries of the region regularly come together on the highest political level shows the importance the countries themselves place in this forum. Nevertheless, the present lack of institutional structures and operational capacities put in question the ability of the SEECF to take over current activities of the SP. For such an option to be feasible, the SEECF would have to undergo a substantial institutional reform, which is strongly recommended by this report.

After careful consideration this report thus recommends the establishment of a South East Council (SEC), which at a later stage can develop into the operational component of a reformed SEECF. Establishment of such a South East Council should be based on a phased evolution of the current Stability Pact structure into a more focused and streamlined regional set-up, increasingly owned politically, personnel-wise and financially by the countries of the region. It should be able to support the whole region on its path towards EU integration, with the option of providing a framework for co-operation even after all or most countries are EU members.

Such a phased evolution would require substantial streamlining on three levels:

1. Streamlining of SP task forces and initiatives from the current approx. 25 to those long-term priorities identified above. This process was already initiated at the Regional Table in Prague in November 2005 and is led by the Special Co-ordinator and the SCSP Secretariat. Some activities can be concluded because the task has been fulfilled, others should be handed over to

appropriate international partners or to regional centres established in SEE, resulting in a set-up focused on those areas of co-operation of continued priority in SEE defined above.

2. A streamlining of the support structures would have to follow on from the streamlining of task forces and initiatives. With a focus on five areas for regional co-operation as identified above, the structure of individual Working Tables would have to be reconsidered and so would the Secretariat in its current format.

The current SP Secretariat should be taken as the basis and adapted in its structure and size to the remaining tasks, developing in due time into the Secretariat of the SEC. It should gradually take on more personnel from SEE countries, including in senior positions. The SEE countries will in due time need to take a decision whether to keep the Secretariat in Brussels or come to agreement where in the region it should be based. In any case, a liaison office should be kept in Brussels to ensure close liaison with EU institutions and NATO. In addition to the secretariat, the existing and possible future regional centres can function as thematic hubs for co-ordination and expertise.

This secretariat should in future be headed by a Special Co-ordinator or Secretary-General, who should not be just an administrator but continue to be a political figure able to intervene with Governments at the highest political level. Serious consideration should be given at the appropriate time to fill this position with a person from SEE through a selection process among the countries of the region.

3. In order to ensure sustainability of such a regional co-operation framework including the necessary support structures, it would be necessary to move from the current all-inclusive participation to a membership principle of the SEC. The eight countries of the SP target region Albania, Bosnia and Herzegovina, Bulgaria, Croatia, The former Yugoslav Republic of Macedonia, Moldova, Romania, Serbia and Montenegro and UNMIK/Kosovo as well as the EU-Troika should be members 'ex officio', with everyone paying a share of the financial burden based on their capacity.

All other SP partners would be invited to continue their involvement, but would have to agree to contribute to the costs, while consideration will have to be given to their exact status. Some EU member states might opt to be represented by the EU-Troika, while others may prefer to stay involved directly. A special solution might have to be found for the international financial institutions and a limited number of international organisations, which should remain involved, but cannot be expected to contribute financially to the structures.

This would not only establish a more sustainable financial basis and ensure a stronger involvement of SEE countries themselves, but most likely also reduce the number of partners to those who have a continued engagement in the region.

This would also result in a more focused political forum than the current Regional Table. This new political forum replacing the Regional Table should become the main political decision-making body for regional co-operation and provide relevant task forces and initiatives with political guidance. Each Government should dedicate a specific Minister for regional co-operation as a direct point of contact, who would then form the SEC and meet on the appropriate level depending on the issues to be discussed. This Minister, ear-marked for regional co-operation, would be responsible for co-ordination within his Government and ensuring representation of his country at SEC meetings on an appropriate level.

The result would be a streamlined regional co-operation framework focused on a few priority areas, with a lean support structure and a membership base limited to those partners active in the region. The main aim would be to facilitate regional co-operation and support the EU integration of the whole region. Like the Council of the Baltic Sea States, membership would bridge the gap between EU member states and those not in the EU.

Such a solution would provide for an increasing degree of ownership by the countries of the region, politically, personnel-wise and financially. Furthermore, with a more focused membership base, the SEE countries would have a stronger voice in this new forum. At the same time, through the full

membership of the EU-Troika and the association of interested donor countries and organisations, the legacy of the SP as a forum not only for regional co-operation but also Euro-Atlantic integration would be preserved.

The current close co-operation between the SP and the SEECP could either continue as now on an informal basis, or preferably it could be developed into a more formal link between the SEC and the SEECP. Depending on the necessary institutional reforms, the SEECP could over time become the political forum, incorporating the SEC as its operational component.

A precondition for this recommendation to be feasible is the willingness of the EU, and in particular the European Commission, to support the transition period politically and financially by continuing the current financing of the SP for a set period. At the same time the commitment of the countries of the region has to be strong enough to over time take on more financial responsibility for the costs of the required structures such as the secretariat.

5.1. SUPPORTIVE ELEMENTS OF A REGIONAL FRAMEWORK

In addition to the above outlined set-up and based on an assessment of the continued needs in SEE, additional consideration should be given to establishment of supportive arrangements in three specific areas:

The importance of Parliaments in the ongoing process of EU integration is growing significantly. Enhancing *Parliamentary Co-operation* is a way to build necessary capacities in parliaments – both among parliamentarians and parliamentary staff – as well as to facilitate networking between parliaments in the region and between SEE and the EU. Dedicated structures should be considered to provide frameworks for such co-operation. While a fully fledged parliamentary assembly could be the ultimate aim, co-operation on the level of parliamentary committees in the region, such as the regional COSAC established in 2005 as a venue for EU Affairs Committees of SEE countries to meet, could be an intermediate step. Co-operation between parliaments in SEE would also support activities in other thematic areas.

All the SEE countries, for whom EU integration is a strategic goal of paramount importance, are short of the administrative capacities required for efficient accession negotiations. Equally they lack the absorption capacity to utilise fully and effectively EU pre-accession assistance. Therefore, *the development of efficient public administrations in order to increase absorption capacity* is of paramount importance for fulfilling their long-term ambitions of EU integration. A Public Administration School in the region offering post-graduate courses (duration could range from three months to a full academic year) in association with prominent European universities such as the College d'Europe in Belgium and Natolin in Poland would be an important substantial and visible step towards European integration in the region. The primary goal of the school would be strengthening public administrations in SEE with an emphasis on specialised training courses in the field of administration building, programme management and negotiating techniques.

The region will require substantial financial support from IFIs and the overall donor community for some time to come. With the Infrastructure Steering Group (ISG) a good co-operation framework exists bringing together the relevant IFIs, the European Commission and the SP. But the mandate of the ISG is limited to infrastructure matters. No overall co-operation framework dedicated to SEE exists. A number of options can be considered to address this gap. A *Balkan Development and Investment Bank* is the most far reaching one. While such a bank would be an important political signal to the region, which is of relevance considering the political situation, the financial and economic feasibility of such an option would have to be carefully assessed. A second option would be the development of *institutionalised dedicated co-operation schemes between existing IFIs active in SEE*. Similar arrangements between the EIB, the EBRD and to a degree the CEB in co-operation with the European Commission already exist for the new EU member states in Eastern Europe, focusing for example on capacity building regarding access to EU structural funds (JASPERS as well as JEREMIE). As already mentioned, the need for capacity building in SEE in this field would certainly merit a similar approach, even though the funds available for most of the SEE countries are of a

different kind. The EBRD is currently shifting its activities from the new Central European EU member states to other regions including SEE. Similarly the EIB has shown its willingness to enhance its activities in SEE. The basis for enhanced activities in SEE is therefore available and *a Memorandum of Understanding between the EU/European Commission, the EIB and the EBRD for co-financing of specific projects by the EIB and the EBRD in SEE*, which is being practiced in other regions already, could be the way forward. Consideration could then also be given to opening up *regional offices of IFIs dedicated to SEE on the regional level*.

6. CONCLUSIONS

Safeguarding the achievements of the SP and ensuring sustainability of the regional co-operation processes initiated under its auspices by enhancing regional ownership while keeping the donor community involved has been the guiding principle of this report.

While the SEECF is seen as the forum, which best represents the regional ownership principle, its operational capacities have to be questioned at this stage. The recommendation of this report is therefore two-fold, calling on the SEECF to swiftly develop operational capacities in order to take over regional co-operation processes from the SP, while establishing the necessary regional set-up in the form of the SEC to take over from the SP in the meantime. The SEC needs to be able to stand alone, or could be absorbed into the SEECF as its operational component.

Within the scope of this report it was only possible to outline the regional co-operation framework. The details of a charter for the SEC to replace the Cologne and Sarajevo Documents of the SP and the required financial arrangement amongst other things will still have to be elaborated in the coming months.

The feasibility of these recommendations and timelines depend on a number of factors, in particular the upholding of the enlargement perspective on the side of the EU as the key reform motor for SEE and the commitment of the SEE countries to increasingly take ownership of these co-operation processes. Ultimately, the outcome of this process as well as the speed depends on the commitment of the countries of the region and the decision should thus primarily be taken by the SEE countries themselves.

The transition outlined above should start with the Regional Table in May 2006, with the year 2007 being the main year of transition for the SP – the three streamlining processes mentioned above should be fully underway – allowing for the resulting new framework to come together in its new form for its founding session in the course of 2008. Taking into consideration possible delays due to political and practical uncertainties, a new setup should be in place at the latest on the tenth anniversary of the Stability Pact in 2009.