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The Stability Pact is at its crossroads. We have embarked on a difficult but necessary road of transforming the internationally led Stability Pact into regionally owned Regional Co-operation Council. There is no way back.

Fostering regional co-operation is what can be best described as the Stability Pact's a mandate - mandate that was given to us by the EU and the international community, including the IFIs. We initiate and monitor regional co-operation projects and we report about the level of commitment in this area back to the EU and our other partners. And our successor - the RCC - must have the same political weight as the Pact. It needs to ensure that the successes of the projects initiated by the Pact are sustained in the future and built on the legacy of the Pact.

Discussing the transition of the Pact at the **EU - Western Balkans Forum of Foreign Ministers** is a clear sign of the importance the EU puts on this topic in relation to the EU accession process of the region.

Why is regional co-operation necessary?

While the foundations of the EU itself are built upon the notion of regional co-operation, it is also a condition for further integration of SEE into the EU. Regional co-operation should thus be seen as a practicing ground for future EU membership. In the existing EU, we see several examples of regional co-operation frameworks, some bringing together only EU Member States, some including countries as far as Russia or Iceland.

Moreover, **it is also a necessity** in South Eastern Europe in itself - quite a few issues can only be addressed on a regional basis.

Regional co-operation is both a **prerequisite and a tool for the European integration** of SEE. Therefore, regional co-operation should not be mistaken for a substitute for EU integration.

The new streamlined and regionally-owned RCC will tackle these issues as well - and at the same time bring in also experiences of two countries that have recently joined the EU - Bulgaria and Romania - who by their continued commitment and engagement in the RCC show how far can a country proceed on its EU integration path.

In order to meet the very tight time lines we have set for ourselves - **to have the RCC in place by February 2008** - we need the full commitment of all of us in the coming months: the countries of SEE, the EU in collaboration with other donor countries, as well as the Stability Pact.

There are **important decisions before us**: the decision on who will be the Secretary General of this new RCC, the decision on the location of its Secretariat, as well as decisions on the concrete relationship between the RCC and the SEECP.

South Eastern Europe is challenged but so are all of us in the EU: the aim is to close the Pact by handing over to a serious and efficient successor scheme which is much more in the hands of the region itself.

Stability Pact to Transform Itself into an RCC



The ambitious plan to transform the Stability Pact for South Eastern Europe into a regionally owned Regional Co-operation Council (RCC), as agreed by the region and the international community last year, is on schedule for completion by early 2008. The Pact was established in 1999 as a temporary instrument for conflict prevention and confidence building in the region. The RCC will be the forum for fostering regional co-operation in South Eastern Europe thus building on the legacy of the Pact.

The transformation of the Stability Pact began in 2005 when **Erhard Busek, Special Co-ordinator of the Stability Pact for South Eastern Europe** - in close co-ordination with Enlargement Commissioner Olli Rehn - asked a group of prominent experts and politicians (Alpo Rusi of Finland as the Chairman and former Deputy Special Co-ordinator between 1999 and 2000, Goran Svilanovic, former Foreign Minister of Serbia and Montenegro and current Chair of the Pact's Democracy Working Table, Vladimir Drobnyak, Chief EU Negotiator for Croatia, and Franz-Lothar Altmann of the German Institute for International and Security Affairs), the so-called **Senior Review Group**, to undertake an independent review of the Pact and its achievements, as well as examine other current frameworks of regional co-operation in Europe (e.g. Council of the Baltic Sea States) and their applicability in South Eastern Europe.

Based on the reports of the Senior Review Group, the Belgrade meeting of the Stability Pact's Regional Table (the SP's highest decision making body), resulted in a wide consensus among both the South Eastern European countries and the international community on the need for a new framework for regional co-operation in the region - to known as the Regional Co-operation Council (RCC).

It was agreed that **the main task of the RCC is to facilitate regional co-operation and support European and Euro-Atlantic integration**, while ensuring continued involvement of the donor community and preserving the legacy of the Pact.

The countries and territories of the region have committed themselves politically to the new framework, as has the European Commission, several EU member states and other non-EU members of the donor community.

It has been agreed that the **South Eastern Europe Co-operation Process (SEECP)**, a political organisation that brings together both EU Member States from SEE and the region's countries wishing to join the EU, will be in a unique situation to enhance its role and effectiveness through the RCC which will be able to provide operational capacity to what is a largely political organisation. The RCC is currently reviewing its charter with a view to ensuring an appropriate relationship with the RCC.

The RCC will be led by a **Secretary General** from the region. He or she will head the **Secretariat of the Regional Co-operation Council located in the region** and also provide **support to the SEECP Chairmanship**. Considering the importance of close relations with EU institutions, the countries agreed that a **Brussels-based representation or liaison office of the Secretariat** would also be required.

Ohrid Border Process Receives One-Year Extension

The Ohrid Process on Border Security and Management, a joint initiative by the European Commission, OSCE, NATO, Stability Pact and the six countries of the Western Balkans, which was supposed to be completed by the end of 2006, received a one-year extension. The extension follows an assessment by partner organisations that some "Ohrid commitments" had not been fully implemented. Specifically they noted that despite considerable achievements since 2003, further progress is still needed in the fields of demilitarising the borders, implementing the Integrated Border Management (IBM) National Strategy and Action Plans and developing cross-border co-operation. This decision was supported by the Ministers of Interior of the countries concerned and was formalized at the Fourth Review meeting held in Podgorica on 8-9 November 2006 by the representatives of all parties.

CABINET: Alessandro Rotta replaced Zsófia Szilágyi last year as the Political Advisor. He joined the Pact from the Rome-based CeSPI where he worked as the Balkans researcher, where he headed and co-ordinated studies on organised crime in SEE.

Sina Frank took over as Mr Busek's Personal Assistant in October 2006 following the departure of Bettina Scheurer. Sina has gained work experience in Brussels working for the European Commission and the Friedrich Ebert Foundation.

Mimika Loshi has become Political Transition Assistant. She will support the SP Transition Team and the Senior Management during the period of transformation with special responsibility for monitoring transition of Task Forces and Initiatives and their levels of regional ownership.

New Portal on Scholarships and Grants for SEE to be launched

This week will see the launch of a new database that provides information on available **Postgraduate Scholarships and Grant Opportunities for South Eastern Europe students in Social Sciences**. This pilot project is part of a work plan under the Stability Pact's core objective on Fostering and Building Human Capital, one aim of which is to enhance academic circulation between South Eastern Europe and the European Union universities. Initial coverage of the field of social sciences will gradually be expanded towards covering all fields of study. Having in mind the overall process of transformation of the Stability Pact, the goal is to transform this pilot project into an established regionally-owned, constantly updated information service.

What has been agreed to far?

Following extensive consultations with the region in 2005 and 2006, it was agreed that the RCC and its Secretariat should focus its activities on six areas, which the countries of the region have already identified as those where regional co-operation will be beneficial to all:

- Economic and Social Development
- Infrastructure
- Justice and Home Affairs
- Security Co-operation
- Building Human Capital

Parliamentary Co-operation will be an overarching theme that is linked with each of the above areas.

The political work of the RCC in these six core areas will be supported on a technical and expert level by the network of Stability Pact's initiatives and task forces. As part of the Stability Pact transformation strategy, all of the SP initiatives and taskforces have been reviewed to determine their relevance for the future RCC and to outline appropriate individual transition strategies. The Special Co-ordinator presented this overview at the Bucharest Regional Table in November.

Since September 2006, considerable work has been undertaken to develop the institutional, legal and financial basis for the RCC. While **membership of the Regional Co-operation Council will include all members of the SEECP** (Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Greece, Moldova, Montenegro, Romania, Serbia, The Former Yugoslav Republic of Macedonia and Turkey), as well as UNMIK/Kosovo and the European Union, the membership of other participants in RCC still needs to be defined – politically, legally and financially. The SEE countries and UNMIK Kosovo have agreed to party finance the RCC Secretariat in the amount of €1 million per annum. This significant commitment on behalf of the region should be matched by the European Commission and the donor community. A **Donors Working Group (DWG)** has been established to facilitate agreement on this.

In parallel, the **Institutional Working Group (IWG)** has started the painstaking work of defining the legal base of the Regional Co-operation Council. Specifically, this group has until 2 March (when the SEECP Foreign Ministers meet next in Zagreb) to come up with drafts of the *mandate of the Secretary General* (including the nomination procedure), the conditions to be met by any party competing to host *the seat of the RCC Secretariat*, the *mandate and the structure of the RCC*, as well as to define clearly the *relationship between the RCC and individual Stability Pact Task Forces and Initiatives*.

On **11 May 2007 that the SEECP Summit and the Regional Table Meeting of the Stability Pact in Zagreb will take the formal decisions** on who will be RCC Secretary General and where the seat of the RCC Secretariat will be. For the first time, the meeting of the Stability Pact's Regional Table will be organised back-to-back with the SEECP Summit, something that will be more of a common practice for the future Regional Co-operation Council.

The Regional Co-operation Council will fully take over from the Stability Pact at the beginning of 2008. Between May 2007 and spring 2008, the Secretary General of the RCC will work closely with the Special Co-ordinator of the Stability Pact to ensure transfer of knowledge and contacts between the SP Secretariat in Brussels and the RCC Secretariat in the region, as well as ensuring that the legacy of the Pact is maintained.



CEFTA 2006 Signed

After seven months of intense negotiations and last minute talks, all the countries of South Eastern Europe, as well as UNMIK/Kosovo, signed a new and improved Central European

Trade Agreement (CEFTA) on 19 December in Bucharest, creating a free trade area in South Eastern Europe. "This is the culmination of six years work under the auspices of the Stability Pact's Trade Working Group starting with the Memorandum of Understanding in 2001, through the negotiation of 32 bilateral FTAs and now a single regional agreement. The new CEFTA is a tremendous economic and political achievement for South Eastern Europe. It demonstrates the region's capacity to work together for its own development and towards its European future" **Special Co-ordinator Erhard Busek** said at the signing ceremony in Bucharest.