



Plenary Meeting of Working Table II
Tirana 4 December 2007
Draft Chairman's Conclusions
Fabrizio Saccomanni

Working Table II (WTII) of the Stability Pact for South Eastern Europe (SP) held its final plenary meeting in Tirana, Albania on 4 December 2008. The meeting objectives were to review and discuss the main achievements and lessons learnt from the past eight years, as well as to outline key challenges for future regional co-operation on socio-economic development in SEE, in the framework of the upcoming successor of the Pact, the Regional Co-operation Council (RCC).

As highlighted by Albanian Minister of Trade, Energy and Economy, Mr. Genc Ruli in his opening address, despite having to overcome initial overblown expectations, the unique forum provided by the Stability Pact – bringing together regional and international bodies to devise strategies for common issues – has resulted in several major achievements in the socio-economic area particularly in the fields of energy, trade and investment promotion.

The promotional video at the start of the meeting provided a good illustration of the many activities that have been launched and developed under Working Table II and the summary progress report circulated to all provides a comprehensive update on all of these activities as well as enumerating specific challenges in each field.

The very focused address of the Special Co-ordinator was complemented by the structure of the meeting, which revolved around two discussion panels: one on socio-economic development, and another one on regional infrastructure development. These allowed experts in the different fields to highlight specific aspects of the work completed under the Stability Pact and the issues that should be tackled by the RCC. I would like to thank the moderators and panellists for their active contribution.¹

Considerable advancements have been made in South Eastern Europe in the area of economic and social development and the evolution of regional co-operation processes has contributed to this. I would like to pay tribute to all the delegations participating in the meeting as they share the credit for the progress made: the SEE parties, for taking ambitious and challenging political decisions regarding economic reforms and the officials from ministries of economy, transport, energy, communication, labour, health and other government agencies for their hard work under the different initiatives and taskforces, as well as the international community, bilateral governments, the EC and international organisations who have provided political, technical and financial support.

The political and economic value of regional co-operation is increasingly recognised by both the countries of the region. Several regional structures are in place, or are being put in place, by the WTII initiatives to oversee the implementation of the various treaties,

¹ For the full list of names of panellists and moderators please see the Working Table II meeting agenda

agreements and memoranda of understanding. Most of these are jointly funded by the SEE parties and the international community, which is another good signal regarding the commitment and ownership of all sides.

There is also a distinct move towards putting regional structures in place within the international organisations. The EBRD's Western Balkan's Initiative, the World Bank's Adaptable Lending Program for energy projects and the increased emphasis on the regional programme under the European Commission's Instrument for Pre-Accession are all positive indications.

Do not underestimate the critical importance of adequate implementation. If political, technical, human and financial resources are not invested in implementation, the ambitious political commitments will not be met and the economic and social benefits that are inherent in the processes will not flow. This would damage economic and social confidence in reforms, which will in turn impact on political and social stability.

In terms of attracting foreign investment, SEE is becoming increasingly competitive but it must pay attention to issues such as rule of law and a fully functioning judiciary. It will not remain a low cost base for assembly or manufacturing and therefore ensuring an adequately trained workforce should be a top priority. The ability of Information and Communication Technology (ICT) to boost competitiveness across many aspects should not be ignored.

The recent entry into force of CEFTA 2006 is seen as good for both regional economic growth and as a training ground for eventual EU membership. A lesson from the Visegrad countries is that the potential of CEFTA should be clearly promoted to the business community to ensure that the countries generate the maximum benefit from this agreement.

The recent Greek initiative to establish a Regional Development Centre in Thessaloniki to provide an institutional framework for private sector initiatives such as the Business Advisory Council is a positive step in enhancing much needed public private dialogue.

WT II initiatives have pro-actively integrated the social aspect of reform into the more traditional economic areas; the most recent example being the adoption of the Memorandum of Understanding on the Social Aspects of the Energy Community Treaty. EU integration implies the adoption of a substantial body of social policy related directives and the impetus given to this process by the various regional networks such as the Bucharest Process on Employment will prove very valuable in the longer-term. In the meantime, while it has improved – as evidenced by the establishment of regional offices of the European Trade Union Confederation (ETUC) and the International Organisation of Employers (IOE) in Zagreb – social dialogue needs to be strengthened further.

While there is funding available for the social sector both in terms of grants (EC-IPA and bilateral donors and loans (e.g. via the Council of Europe Development Bank), the pipeline of adequately prepared or suitable projects remains weak. The problem of inadequate urban management, particularly in respect of social housing is one area that needs strengthening in this respect.

This problem of properly prepared projects also spans the more traditional infrastructure areas – energy, transport and the increasingly important environment sector. The capacity of the countries to borrow (fiscal space) certainly remains an issue but developing a clear set of priority projects that are economically feasible is vital. Progress has been made in regional infrastructure but sustainable economic growth requires much more investment. This is a challenge for the both the countries of the region and the IFIs. The newly created IFI Advisory Group should pay considerable attention to this. Public Private Partnerships (PPPs) can play a role in alleviating the demands on the public purse but international experience highlights that PPPs should be used in very specific circumstances and that the contracts need to be very carefully elaborated.

As the experience of the SP has shown the process of implementing infrastructure projects is anything but quick. Designing, financing and developing road, railway and energy projects requires considerable time and resources. Such projects can be very complex and involve many sectors, multiple players and a range of legislation. For example a project to improve energy efficiency in a hospital involves energy, health, environmental and fiscal aspects.

The relative lack of genuine regional projects as noted by the Bulgarian Chair in Office of the SEECP, is something that should raise concern given the substantial need for energy generation and transmission and improved transport infrastructure. The region was encouraged to make further progress on Danube co-operation and on regional air links.

An intriguing question raised during the meeting was what defines the region as a region. No clear answer was forthcoming as the countries share many common features but also have very distinct and unique aspects. There are also many different criteria that can be used geography, shared history, stage of transition process, membership of different bodies etc. However there was a plea to restore a more positive connotation to the term “Balkan”.

Looking to the future, the Regional Co-operation Council has a firm basis on which to commence its work. Unlike the start of the Stability Pact, it has concrete issues to work on and can make further progress in the various initiatives bequeathed to it by WTII. The role of the RCC will be seen as that of a political persuader and trouble-shooter. It has to assure partners that it has the relevant political and technical know-how to add value to their efforts.

For the SEE and the international community, the RCC can be a valuable interlocutor. One that provides a unique overview of regional developments in infrastructure, trade, investment and social issues – along with key areas such as building human capital and the security environment. Ensuring constant flows of communications and facilitating co-ordination among the various taskforces and initiatives - the network of networks - will be vital if the total is to exceed the sum of the individual parts

In this way it can make a tremendous contribution to ensuring that SEE fully exploits the political, economic and social benefits of regional co-operation and is well prepared for participating in the biggest regional co-operation club – the European Union.

As Chair of WT II, I stand ready to support the RCC Secretariat and in particular the Secretary General as necessary.