



Highlights and Transition Challenges for Working Table II

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Check against delivery

Mr Chairman, excellencies, ladies and gentlemen,

I have the honour of presenting the highlights of Working Table II to you today as unfortunately, our chairman, Fabrizio Saccommani could not join us. At the last minute, he has had to replace the Governor of Banca d'Italia at another meeting. He has asked me to convey both his apologies and his strong support for the evolution of the Stability Pact into the Regional Co-operation Council.

As this meeting is concentrating on the creation of the Regional Cooperation Council and the overall framework for monitoring and facilitating regional co-operation processes, I have been highly selective regarding WT II's activities. I apologize in advance to those initiatives that I will not mention: it is not a reflection on their level of importance. We will have more time to review what has been achieved under Working Table II and to identify the issues which will require the attention of the RCC when we gather for the final meetings of the Working Tables in December of this year.

- One of the most significant events of the past six months for WT II has been the successful completion of the negotiations and the signing of the CEFTA 2006 Agreement in Bucharest last on 19th December 2006 by all SEE parties. I had the honour to chair these negotiations and I wish to place on record my appreciation for the dedication and professionalism with which the negotiating teams approached the intensive negotiation schedule that resulted in a modern, ambitious and inclusive agreement. Political leadership and vision also played a major role and inspired the necessary compromises which made it possible to have all parties on board. I would like to acknowledge the very constructive and helpful role played by the international advisers to these negotiations, particularly the EC's DG Trade. Through the implementation of this agreement, which is fully compatible with and complementary to their WTO and EU obligations, the SEE parties will take full responsibility for regional trade policy. CEFTA 2006 should lead to greater trade among the countries of the region and it should also stimulate investment. The priority now is for speedy ratification of the Agreement - to date, Albania, Montenegro and UNMIK/Kosovo have completed the necessary procedures. The agreement allows for entry into force when five of the eight parties have completed ratification and we expect this to happen in July.
- Over the coming weeks and months, the parties under the Chairmanship of the former Yugoslav Republic of Macedonia and supported by the Stability Pact's Trade Working Group, will have to put in place adequate procedures and support frameworks to ensure that CEFTA 2006 can be effectively implemented. This includes securing technical and financial contributions from the EC, donors and CEFTA parties. The EC has already announced it will provide both financial support for the secretariat and technical assistance for implementation issues and I would like to thank Commissioner Olli Rehn for this further evidence of his commitment to this process.

- The CEFTA process will complement the activities of our Investment Compact Initiative, where the main milestone has been the creation on 2 April, of the SEE Investment Committee. This committee, comprising deputy ministers of economy from the region will mirror the OECD Investment Committee and should expedite improvements in the regional investment climate through better co-ordination, peer reviews and common actions. Future challenges include ensuring that the 4 initial working groups set up under the Investment Committee are staffed by appropriate experts from the SEE countries and have access to appropriate expertise in addition to that being provided by the dedicated team at the OECD. This will allow them to adequately tackle the priority reform areas identified under the Investment Reform Index. A further challenge will be securing the necessary political and technical commitments to common actions to promote the region as a whole as an attractive investment destination.
- In the energy sector, the SEE countries are making progress, albeit to varying degrees, in implementing the Energy Community Treaty. A number of critical deadlines are due this year, such as the implementation of the energy *acquis communautaire* by July 1st 2007. In this respect, we welcome the EC's decision to expand the staff at the Energy Community Secretariat in Vienna as the availability of assistance will be vital for proper implementation. The growing importance of the Energy Community Treaty is reflected by the fact that Moldova and Ukraine have requested to be admitted as members while Azerbaijan and Georgia have asked for the status of observers. The strategic geo-political issues at stake in this sector for both SEE and the EU, mean that regional co-operation in the energy sector will remain a priority for the RCC.
- In the field of infrastructure, we welcome the decision by the EC to transform the Infrastructure Steering Group into an IFI Advisory Group with a slightly wider remit. There is no doubt that we need a smooth and effective coordination among IFIs and we look forward to the development of close links between the IFI Advisory Group and the regional sectoral bodies such as the SEE Transport Observatory, the Permanent High Level Group that monitors implementation of the Energy agreement and the Regional Environmental Centre. The need for enhanced co-ordination is even more obvious when set against the backdrop of huge investment needs in infrastructure and the limited capacity of most SEE countries to borrow further. It is equally crucial to optimise synergies between the technical assistance and capacity building that will be shortly available under the Commission's Instrument for Pre-Accession and funding by the IFIs.
- Under the Housing and Urban Management initiative, two pilot projects in Albania and Montenegro have been started in the frame of the Regional Capacity Building Programme. While we have secured donor funding for this inception phase, additional financial support for the main phase between 2008-2010 is crucial.
- Within the Initiative for Social Cohesion, concrete action plans for setting up the long-term regional cooperation in the fields of employment, health and social dialogue have been finalized.
- WT II continues to promote the integration of social issues into broader economic issues including for example the development of the MoU on Social Issues under the Energy Community Treaty, which will hopefully be signed during the next Ministerial Council in Plivat (Montenegro) end June 2007. We are very pleased to see that all the parties to the RCC have explicitly recognised in the RCC Statute the importance of incorporating the social dimension into the overall economic development of the region.

- In the field of air navigation safety, the adoption of the Functional Airspace Block approach - an element of the European Common Aviation Area Agreement signed by the SEE parties in 2006, could ensure efficient investments in air control equipment while enhancing safety. Unfortunately, the SEE FAB initiative could stall due to the re-emergence of a competing initiative (Central European Air Transport Services) and erratic attendance in working groups. We sincerely hope that the European Commission, which leads the overall process, can clarify the issue of competing initiatives so that members are forced to finally make a choice and that several SEE members will realise that timely contributions to the working groups are vital.
- Concerning the Danube, the Stability Pact has made a last attempt to infuse the Danube Cooperation Process with more dynamism by proposing a strengthening of the coordination mechanism within each of its six sub-dimensions as well as across these sub-dimension. The principle of enhancing effectiveness and coordination was endorsed on the occasion of the Ministerial meeting held on April 18th in Belgrade and Senior Officials of the Danube Cooperation Process have now been asked to outline operational details for this in June. I would urge participants to support giving a new impetus to regional cooperation in the Danube basin, since developments over the past decade have fallen dramatically short of the huge potential of the river.

Mr Chairman, ladies and gentlemen, in concluding, I am pleased to say that most of the initiatives under Working Table II have moved decisively on their transition path in the past six months, towards regional ownership and sustainability. Many of them will be priority areas under the RCC and in general, the SEE parties are stepping up to assume their responsibilities in terms of leadership and also where necessary, financial support. But for the majority of our initiatives, their ability to consolidate results will crucially depend on the continuation of donors' support both technically and financially. This provides me with opportunity to thank donors for the support they have provided to date, but also to express the wish that their valuable support will not cease at this crucial juncture!

I thank you for your attention.