



**BACKGROUND PAPER FOR
the ISC Strategy**

This paper aims to set the basis for discussion on the future of the Stability Pact Initiative for Social Cohesion (ISC). It analyses the key achievements and challenges in the Initiative as a whole over the past five years. It also looks into the structure and set up of the Initiative and into how these support the achievement of ISC's Mission Statement and Guiding Principles. Finally, the paper sets forth thoughts on the sustainability and long-term relevance of the work done so far.

The content of this paper is based on answers to the questionnaire to ISC partners and beneficiaries distributed prior to the workshop. It also draws on the knowledge and history accumulated in the ISC Secretariat.

I Stability Pact Initiative for Social Cohesion – Achievements and Challenges 2001 – 2006

When the Stability Pact for South Eastern Europe (SP) was established on 1999, its original goals set out in the Sarajevo Document included “regional cooperation on democracy, respect for human rights, economic development and enhanced security”. Upon reaction by the ILO and the ETUC, “social development” was added to the overall goal of economic development. From the first concept on social cohesion developed in September 2000 to the first Action Plan of the Initiative for Social Cohesion presented at the Working Table II meeting in Tirana in May 2001, a wide forum of international organizations, bilateral donors and SEE countries agreed to work toward the overall objective of “addressing the social issues that affect the daily lives of citizens of South Eastern Europe through regional approaches in the field of health, social protection, employment policy and vocational training, social dialogue and housing”.

Key results to date

The basis of the work in the five aforementioned areas of the ISC is firm political commitment by the SEE countries, as well as international partners, to jointly address selected social policy issues. Since its establishment in 2001, the ISC managed to secure this political commitment through various Memoranda of Understanding, Declarations and high-level statements, signed by the SEE countries at Ministerial meetings (e.g. Dubrovnik Pledge on Health, 2001; Conclusions of the high-level meeting of Ministers in charge of Housing, 2003; Bucharest Declaration on Employment, 2004; Sofia Conclusions on Employment Cooperation 2005; Skopje Pledge on Health, 2005). These documents spell out the framework for regional cooperation; they set forth concrete priorities and request action in selected fields of regional relevance. They have enabled the creation of several networks of regional experts (e.g. the SEE Health Network, the Permanent High Level Committee on Employment, regional networks of trade unions and employers, SEE Housing Experts' Network, Labour Law Experts' Network etc.). The work in these networks is focused on two priorities: policy development in line with European and international standards in the selected areas and capacity building of the appropriate institutions and administrations. Through implementation of a dozen regional projects in the various areas, the SEE countries have made excellent progress in, for example, upgrading their employment policies and building up the capacities of their employment administrations; in improving public health legislation and provision of health care services (mental health); in drafting and implementing new, up-to-date labour legislation. The peer-review exercise under the Bucharest Process has been acknowledged both by the governments and social partners as an excellent tool for screening the employment policies in the different countries, for learning from best practices as well as from mistakes. The social partners, in several cases, have taken action to influence labour or social policies in their countries. Through the ISC, they have been able to participate and contribute to the work on the reform of social policies in SEE, but also to other issues of economic development, such as the set up of the

Energy Community of SEE, the fight against corruption, building up human capital, entrepreneurship promotion, development of a regional transport network etc.

The recognition of the notion that economic development must be underpinned by the development of appropriate social policies by the relevant actors has been another aim towards which the ISC has been working. Reforms in the social field are an important part of the EU integration process and have the potential of increasing mobility and domestic/foreign investment. In the past two years, the ISC has also succeeded in keeping social policy development high on the agenda of Working Table II, which is traditionally very much economy-oriented. The economic and social dimension of development in SEE is being addressed in a complementary manner. The various other initiatives in Working Table II (e.g. Trade and Investment, Energy and Infrastructure, Housing and Urban Management) integrate selected aspects of the ISC in order to achieve more comprehensive results in the general socio-economic reforms in SEE. For example, one of the ISC sectors, "Employment", was added as one of the Core Objectives of Working Table II in 2004, alongside "Trade and Investment". The Working Table II has also devised an umbrella theme "Enterprise Development and Employment Generation", which has, since mid-2003, brought together on several occasions the networks from the economic and the social fields - two groups that do not meet often, in order to jointly discuss and agree on priorities for further socio-economic development in SEE.

Another important aspect to the work of the ISC has been the opportunity that the various international organizations, international financial institutions and bilateral donors have had to cooperate in this field, despite their sometimes very different approaches and strategies. Although the primary focus of the ISC has been to facilitate the EU integration of the SEE countries, non-EU countries have played a very active role by technically and financially supporting the work of the ISC.

Key challenges to date

Addressing social policy reform is a complex and challenging task. The reforms are perceived as costly; the short-term impact is painful, since positive effects of government policies can only be seen on a medium/long-term basis and they usually create internal political tensions. Other economic and fiscal reforms take priority- often pushed by the international community, e.g. the World Bank. These are some of the reasons why there has been relatively low interest in social reform issues by the key players from SEE and the international community. Taking on a regional approach to project design and implementation of social issues has in certain cases been time-consuming, and securing of adequate funding difficult. In addition, some of these issues, such as social security, social dialogue and social housing, are best approached on a national level.

The political will of the SEE Governments to address social policy reforms has been low. Also, their capacity, financial and human resources-wise, to invest in the regional cooperation processes (which is very important for the sustainability of the achieved results) has been weak. The slow process of ratification by national Parliaments of the updated and revised policies and national action plans in the various social fields hampers their effective implementation. The frequent turnover of staff in the administrations negatively affects the continuity of the work and capacities that have been acquired. The weak organizational structures of the social partners, and the lack of coordination among them, do not contribute to transparent and consensus-based decision-making. Also, the share of state budgets allocated to social reforms is often minimal. Finally, much political sensitivity (e.g. inter-ethnic; related to the different pace of EU integration of the different countries; related to the future of Kosovo, Serbia/Montenegro) still exists in the region, which makes regional cooperation difficult or even undesired.

The lack of policy coherence between financial and economic policies and social policies often seen in the approach of the main international players has affected the priority setting and the

project design in some of the fields. Matching donor preferences with priority needs of the SEE countries has often led to lengthy negotiations which at times result in the watering down of the original objectives. Further difficulties to secure funds for social topics stem from continued reductions in financial aid for the region of South Eastern Europe. Also, the European Commission, with its relevant Directorates General (e.g. Enlargement, Employment and Social Affairs, Health and Consumers' Affairs) and different support instruments (CARDS, TAIEX etc) has so far played the role of a quiet observer, rather than an active participant.

Finally, the different perceptions of the role of the SP by its beneficiaries, the too high expectations which were not met and the decreasing relevance of the SP as a political umbrella for regional cooperation in SEE have also affected the relevance and the capacity of the ISC to maintain its role as a unique forum for exchange and facilitation of support for social policy development in SEE.

II Set-up and functioning of the ISC in view of its Mission Statement and Guiding Principles

The main actors within the ISC network consist of Ministries of Health, Labour and Social Affairs, employment agencies, social partners, and relevant experts. Organisations involved in the ISC include the Council of Europe, the Council of Europe Development Bank, the European Community, the European Trade Union Confederation, the International Labour Organisation, and the World Health Organisation. They aim to ensure capacity building and the strengthening of institutions on the basis of regional networking. To date, donor governments that have been active in the various ISC sectors are Austria, Belgium, France, Greece, Hungary, Italy, Luxembourg, Norway, Slovenia and Switzerland. Previously co-chaired by Ms. Jela Bacovic from Serbia and Montenegro and Ms. Miet Smet from Belgium, since March 2005 the ISC has been presided over by Ms. Smet. Since 2001 the ISC Secretariat, funded by the Swiss Development Co-operation Agency and located in Brussels, has been in charge of supporting and coordinating the work of the ISC.

Key activities under the ISC since its establishment have been diverse and manifold. With its core aim of fostering linkages between the social and economic issues that confront the region, it seeks to build on existing activities by governments and international organisations in the social field, and complement other Stability Pact Initiatives that deal with economic issues related to trade, investment and infrastructure. Clearly, advocacy with donors and maintaining dialogue between them and beneficiaries are crucial elements of ISC work, thereby seeking to ensure that programmes in its various sectors receive adequate support and funding. Linked to these activities are efforts to build and maintain dialogue with relevant EU bodies, thereby assisting countries in their efforts to harmonise laws and policies in line with EU standards, and preparing them for eventual EU membership.

To ensure a cohesive and sustainable approach to social policy development, the Initiative for Social Cohesion has furthermore from its inception sought to build, strengthen and support networks within, and between, its five sectors. Through networks such as the Bucharest Employment Process, the Health Network, and the social partner networks, the ISC provides a platform which allows for the exchange of information and good practice. To keep all its partners informed of activities undertaken, and to decide on future plans of the initiative, ISC partners are brought together on a regular basis through conference organisation. Updated information is furthermore relayed via its website. Asked about the significance of the various ISC activities mentioned above, respondents to the questionnaire rated the following activities as being of key importance: advocacy with donors and policy makers, networking between members, fund raising and maintaining dialogue with relevant EU bodies.

III Looking into the future

Regional cooperation in SEE remains vital both for intra-regional and European integration. It has improved significantly over the past five years, but much still remains to be done. Therefore, the SP has initiated a process of streamlining of its activities and defining a modus for support to regional cooperation in SEE in the years to come. The two main criteria for defining the priorities of such regional cooperation are: the areas that the countries of the region consider of particular importance; and the areas that are crucial for European and Euro-Atlantic integration¹.

As far as regional cooperation on social policy development is concerned, and as mentioned earlier, it has never explicitly been highlighted as a priority by the SEE Governments. However, a significant portion of the European *acquis communautaire* contains requirements related to social policy issues (e.g. employment, social dialogue, occupational health and safety, public health etc). Furthermore, given the similar structural landscape of the SEE countries, the continuous exchange of know-how and experience make the reform process more cost-effective.

If we take the current status of play in the various ISC sectors and their outlook for the near future, a general conclusion can be made that the political commitment by the SEE Governments has been secured, work on the jointly defined priorities is ongoing and there are certain visible results (e.g. the Bucharest Process; the SEE Health Network; the social partners' networks). Some have even taken a step further and institutionalized the cooperation, as well as defined priorities and mechanisms for long-term cooperation (e.g. the SEE Health Network). Considering:

- the commitments already undertaken by the ISC, most notably under the Sofia Conclusions of the 2nd Ministerial Conference on Employment Cooperation (Sofia, 2005) and the Skopje Pledge on regional cooperation in health (Skopje, 2005);
- the current streamlining process within the SP and
- the importance attributed by respondents to continued regional co-operation on social policy issues,

the question of sustainability and consolidation of the results and of the cooperation process is timely. It includes the issue of the readiness and willingness of the SEE countries to assume greater ownership and leadership in this exercise, as well as availability of adequate support by the international community.

In this sense, the role of a forum such as the ISC remains relevant. In particular, the

1. awareness raising role - to draw the attention of decision makers to challenges in the social sphere in order to ensure access to social rights, creating inclusive and participatory societies;
2. the advocacy role - to promote the strengthening of the interdependency between social challenges and sustainable economic development, and
3. the facilitation role - to offer a platform for regional co-operation, to promote successful application of policies, good practices and investments in the social fields consistent with national, European Union and international standards, opening the way for integration of SEE into European and international structures)

need to be preserved in order to build on the results achieved and overcome some of the aforementioned challenges. Furthermore, if the SEE countries are to preserve peace and stability, it is fundamental to ensure the provision of adequate welfare services, especially during the transition process. Finally, but equally importantly, most of the economic reforms aiming at introduction of a market economy call for radical reform of the social system and its different sectors. It is high time

¹ See Final Report by the Senior Review Group of 6 March 2006

that these two types of reforms caught pace with each other, if the transition is ever going to be successfully completed.

The Final Report of the Senior Review Group also proposes priorities for future regional cooperation, based on the aforementioned criteria. These include: economic development, infrastructure, justice and home affairs, security cooperation and building human capital. In the meanwhile, there is a transition period of two years to be used for streamlining of the various SP initiatives in their current form. This would effectively allow for the aforementioned commitments undertaken by the SP ISC to be fully realized until the end of 2007.

Looking beyond this medium term, consideration could be given to mainstreaming the topics of employment and labour (including occupational health and safety and social dialogue) in the priority referring to "Economic Development" and health into the "Building Human Capital" field. This would basically imply that the work of the ISC in the coming two years (the transition period of the SP) would be streamlined down to these two key topics. During this transition period, efforts could be invested in incorporating the results of these two processes into the priorities of economic development and of building human capital.