

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

**FIRST REPORT FOR DISCUSSION AT THE REGIONAL TABLE
IN PRAGUE, 16 NOVEMBER 2005**

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EXECUTIVE SUMMARY

The objective of this first report of the Senior Review Group is to provide a basis for discussion at the Regional Table in Prague, 16 November 2005. At this stage the report aims to provide a general assessment of the role and impact of the Stability Pact, and to consider the impact of the changing international environment for regional co-operation and Euro-Atlantic integration on the work of the Stability Pact. Furthermore, the report seeks to assess the challenges in enhancing the necessary regional ownership of the Pact's activities and to identify the future priorities for regional co-operation in South Eastern Europe. Finally the report outlines a strategy on how the Stability Pact could evolve into a new, more regionally owned framework for co-operation and Euro-Atlantic integration and includes preliminary considerations on the possible components of such a framework.

The Stability Pact has contributed substantially to the stabilisation and reconstruction of South Eastern Europe as well as its Euro-Atlantic integration, even though some of the original objectives and expectations may not have been met. After six years of work, the environment both in the region and internationally has changed significantly. A thorough assessment of the lessons-learned from the Stability Pact as well as the current relations among the countries of South Eastern Europe as well as between the region and the EU is thus necessary to define what kind of regional co-operation forum is still required and how and within what time frame the Stability Pact and/or other existing regional fora such as the South East European Co-operation Process could evolve into such a new setup.

On the political level the SEECP, often described as the 'voice of the region', has an important role to play in this endeavour. On the operational level an assessment is necessary on what areas of regional co-operation are of continued relevance and what form of regional ownership is feasible and necessary. Different activity areas require different kinds of ownership from the side of the countries of the region. Considering the limited administrative and financial resources of the South East European countries, clear priority setting by the region will be required to make ownership feasible and sustainable. This prioritisation will provide the basis for streamlining regional co-operation activities.

Considering the continued relevance of regional co-operation for South Eastern Europe the question is, what are the key elements of a framework for regional co-operation and European integration. Three criteria should be considered: a strong involvement of both South Eastern Europe and the European Union as well as other key partners; full political commitment by countries of the region; and sustainable structures, which can deliver on the priorities of the region and on the requirements for Euro-Atlantic integration. Any regional framework will require a high-level political forum to give guidance to regional co-operation activities and to provide a forum for exchange between the countries of the region on one side and the EU on the other. SEECP and the EU-Western Balkans Forum are existing structures, but their composition might make a newly developed and tailored forum more feasible.

Further to the discussions at the Regional Table on 16 November and extensive consultations in the following months, a second and final report of the Senior Review Group, including specific recommendations on the future of the Stability Pact, will be made available for consideration in advance of the next Regional Table in May 2006. The acceptance of these recommendations by all parties demands that the process is fully transparent and extensive consultations are held in particular with all South East European countries regarding their needs and interests. Any decision based on the recommendations of the Report could subsequently be endorsed by the Regional Table in May and the Summit of the Austrian EU Presidency in June 2006. Implementation could then take place in the course of the Finnish and German EU Presidencies, with 2007 being the main year of transition. Taking into consideration possible delays due to political and practical uncertainties, a new setup should thus be in place at the latest with the tenth anniversary of the Stability Pact in 2009.

1. INTRODUCTION

The Stability Pact (SP) was launched in July 1999 as a first serious attempt by the international community to replace the previous, reactive crisis intervention policy in South Eastern Europe with a comprehensive, long-term conflict prevention strategy. As such the SP was a unique innovation in conflict management, addressing the full breadth ranging from post-conflict confidence building and reconstruction to future conflict prevention. Through the SP the international community committed itself to a broad based political and economic reconstruction of the war-ridden regions in South Eastern Europe (SEE). Equally it challenged the beneficiary countries of the region to regional reconciliation and renewal. Its legacy constitutes an important contribution to the efforts of the SEE countries to fulfil standards regarding European Union (EU) membership.

In the course of the past six years the SP has gone through a number of readjustments, adapting to changes in the region and internationally. Compared to more established institutions, its flexibility and ability to adjust to changing needs is one of its clear advantages. Recent progress in several South East European countries, in particular with a view to their EU and NATO integration, has increased the political momentum for a further reassessment of the role of the Stability Pact and its fields of activity. With the EU integration process becoming more and more a reality in the region, the SP as one of its facilitators has to adapt its priorities and mechanisms accordingly.

All SEE countries, leaving Moldova as the eighth SP beneficiary country aside for the moment, are expected to take important steps on their EU integration process in the course of the next few years. With Serbia and Montenegro as well as Bosnia and Herzegovina commencing negotiations on a Stabilisation and Association Agreement (SAA) and Albania about to finalise one, this will give all the countries of the so called Western Balkans a contractual relationship with the EU. Croatia already has candidate status and has commenced negotiations on EU accession, while the former Yugoslav Republic of Macedonia is awaiting the avis of the European Commission (EC) on its membership application. Bulgaria and Romania will become EU member states during this period. . Although on a different track, Moldova has also seen its relationship towards the EU considerably upgraded through the European Neighbourhood Policy and the Moldova Action Plan. This has led to a completely different relationship between the EU and the SEE countries. In addition to the regular contacts between the SEE countries and the EU, and in particular the EC, will there still be a need for a forum such as the SP? If yes, what kind of functions should such a forum perform? And, considering the different geometries of EU and NATO membership aspirations and prospects, who should participate in such a forum?

A thorough assessment of the lessons-learned from the SP as well as the current relations between SEE and in particular the EU is necessary to address these questions. This would allow us to come to a conclusion on what kind of regional co-operation forum is still required and how and within what time frame the SP and/or other existing regional fora such as the South East European Co-operation Process (SEECF) could evolve into such a new setup.

From the very beginning, the SP was considered a temporary arrangement with a specific task to fulfil. In recognition of this temporary nature and the changed environment referred to above, the SP Regional Table in Sofia in May 2005 initiated a discussion on the way ahead for the SP. The discussions concluded, that ensuring sustainability of the regional co-operation processes established within the SP by enhancing the degree of regional ownership has to be the clear priority in the upcoming period. Furthermore, after years of heavily donor-driven co-operation and in light of still limited regional capacities in SEE, there is a clear need for prioritisation and focus on those areas of most crucial importance to the development of the region and to European and Euro-Atlantic integration.

Taking this as a starting point, the Senior Review Group has elaborated this first report for Special Co-ordinator Busek as a basis for discussion at the Regional Table in Prague, 16 November 2005.

1.1. MANDATE OF THE GROUP

In order to support this evolution process, Special Co-ordinator Erhard Busek established in close co-ordination with the Commissioner for Enlargement Olli Rehn, a Senior Review Group to make recommendations on future SP priorities, ways to enhance regional ownership of the processes initiated by the SP and how to achieve this on the way ahead. 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 Drobnjak, Chief EU-Negotiator for Croatia, and Franz-Lothar Altmann of the German Institute for International and Security Affairs.

1.2. DESCRIPTION OF THE WORK PROGRAMME

The Senior Review Group commenced its work with a series of consultations with the European Commission, EU member states, the US as well as other members of the donor community and the countries of South Eastern Europe. The Group met in Brussels 10 October 2005 and 27 October 2005 to prepare this first report for consideration at the Regional Table in Prague. Based on the discussions at the Regional Table and further consultations in the upcoming months, a final report including recommendations on the way ahead will be prepared for consideration during the Austrian EU Presidency and well in advance of the next Regional Table in late spring 2006. It is envisaged that a number of workshops with the key stakeholders of the SP will be held in the course of the next months to discuss the proposed components of the final report.

2. ROLE AND IMPACT OF THE STABILITY PACT

In the aftermath of the conflicts of the 1990s the European Union, the G8 and all other interested partners came together in Cologne in June 1999 to agree on a comprehensive conflict prevention strategy for the region, to address the democratisation process, the needs for economic reconstruction and development as well as security issues. The resulting Cologne Document establishing the SP was subsequently endorsed by the Sarajevo Summit in July 1999.

The objectives of the SP were to stabilise the region after the violent conflicts of the past years and 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. Remaining status issues such as the future of the Union of Serbia and Montenegro, the future status of Kosovo and the discussions within Bosnia and Herzegovina about the future of the Dayton Agreement to a certain extent have an impact on the work of the Stability Pact but should be addressed in a different framework.

The concept of regional co-operation is by now firmly embedded in the region at all levels of government and society. The remaining task is to make these co-operation processes sustainable on a long-term basis 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 should be as well.

Given the range of partners active within the framework of the SP and having in mind the complexity of these issues, it is difficult to clearly assign success to specific actors. But two general lessons can clearly be drawn from the past six years.

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 required but difficult reform processes. It provided a framework where countries, which were at war with each other only a few years ago, could cautiously re-engage on the larger regional level at a time when bi-lateral links were in an early stage of development.

Most recently this has been the case with Kosovo. Due to the less formalised nature of the SP, it has been possible in the course of the past years to involve Kosovo, always in line with UN Security Council Resolution 1244, in regional activities and thereby step-by-step lower the threshold also for direct contacts between Belgrade and Pristina.

On the other side, the SP has not lived up to the task of providing a framework for donor co-ordination. While two donor conferences have been organised in 2000 and 2001 with €3.5 billion being pledged in total, overall donor co-ordination was a task that was not met. While the establishment of the Infrastructure Steering Group in the framework of the SP – bringing together the EC and the international financial institutions to co-ordinate their activities in SEE – was a success story and is unique worldwide, overall donor co-ordination outside the field of regional infrastructure was not achieved.

2.1. FUNCTIONS OF THE STABILITY PACT

When assessing the role of the SP in the past six years, a number of different functions it has performed can be distinguished:

Promoting a regional approach to addressing common problems in the region has obviously been the most prominent one. The notion of improved regional co-operation has made inroads in all beneficiary countries, encouraged as a precondition for further European and Euro-Atlantic integration. It is interesting to see that the international organisations and international financial institutions are also increasingly applying a regional approach for large parts of their programming.

In particular in the early years, this was not an easy task. The SP's pioneering role as a confidence building mechanism is often forgotten today. While contacts on every level of government and society are a matter of everyday life today, this was certainly not the case in the beginning. RACVIAC, the Regional Arms Control Verification Implementation Assistance Centre close to Zagreb can serve an example, where army officers from Croatia, Serbia and Montenegro and Bosnia and Herzegovina, which fought against each other only a few years before, started working side-by-side for the first time again in their respective uniforms and on an everyday basis.

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. As an example, in the SP Investment Compact this form of incentive has led to significant progress in improving the investment climate in South Eastern Europe.

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 is still ahead, a good foundation has been laid.

Matchmaking is another area, where the SP has been quite successful. Bringing together donors and beneficiary countries, available funds and possible projects, in a forum where all players interested in a particular topic can jointly set priorities is a new development, which has proven its usefulness. While overall donor co-ordination was an aim difficult to meet, the various thematic task forces under the SP have been a successful instrument for focused donor co-ordination, bringing together donors particularly interested in a specific sector, the countries of the region as well as some of the implementing partners active in the sector to coordinate activities, jointly discuss priorities as well as match funds and projects.

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 bring organisations, which do not usually work together, to engage in joint projects to the benefit of South Eastern Europe. An excellent example is the Ohrid Process on Border Management and Security, where NATO, the EC, OSCE and the Western Balkan countries came together under the umbrella of the SP to modernise the border regime in SEE.

2.2. THE STABILITY PACT IN RELATION TO THE STABILISATION AND ASSOCIATION PROCESS

The prospect of EU integration has clearly been the key reform motor for the 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 SP, later to be further elaborated within the SAP.

The Zagreb Summit of November 2000 converted the EU's regional approach into the SAP, which envisages SAAs to be concluded under a principle of conditionality between the EU and the five countries of SEE involved, aiming to bring them closer to EU standards, e.g. meet the Copenhagen Criteria concerning democratic, economic and institutional reforms, the precondition for eventual EU membership. The SAP has since developed into the main policy framework of the European Union to guide the countries of the region on their paths towards European integration. Readiness to engage in regional co-operation is considered an essential condition for further European integration. Supporting the countries of the region in meeting this requirement has since been one of the main aims of the SP in its efforts to complement the 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 as well as in a number of specifically mentioned areas.

While this overall relationship has been established, a closer linkage on the substantial level still needs to be strengthened. CARDS funding for regional co-operation activities is limited and the allocation rate is even lower according to the independent CARDS evaluation of 2004. Positive examples such as CARDS funding for the South East European Transport Observatory (SEETO) to assist the implementation of the MoU on Core Transport Networks in SEE should be considered in other areas as well. A closer co-operation on future regional programming would be important, establishing a clear link between the political aim of the SAP and co-operation initiatives in support of it.

2.3. THE STABILITY PACT IN RELATION TO NATO AND THE PARTNERSHIP FOR PEACE

While the question of EU integration has of course been the priority for SEE countries, joining the NATO Partnership for Peace (PfP) and subsequently graduating to NATO membership has been an important aim of most SEE countries. NATO has been a partner within the SP from the very beginning and relations between SEE countries and NATO have formed an important part of the work of the SP. Much has been achieved since 1999, with Bulgaria and Romania joining NATO and Albania, Croatia and the Former Yugoslav Republic of Macedonia joining the PfP and being part of the Membership Action Plan. The SP has made significant contributions in the field of post-conflict confidence building, demilitarisation and defence conversion. In addition to the complementarity to the SAP, the professed aim of the SP to facilitate Euro-Atlantic integration by supporting SEE countries on their path towards PfP and NATO membership needs to be addressed. What are the continued needs and the role of a regional framework for co-operation in this field?

2.4. GEOMETRY OF REGIONAL CO-OPERATION IN SOUTH EASTERN EUROPE

The SP has eight beneficiary countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, Moldova, Romania, and Serbia and Montenegro. In addition, the SP has been asked to support UNMIK/Kosovo in integrating into regional activities.

While this constellation has to be the starting point for considerations, there is a variable geometry of regional co-operation in SEE, which needs to be considered. While all countries may aspire to EU membership, their status in relation to the EU is and may remain for some time to come very different. Most of the countries also hope for NATO membership and their status in relation to NATO are just as varied. The SEECP membership includes, besides the aforementioned majority of SP beneficiary countries, Turkey and Greece, while Moldova only has observer status. Similarly other regional initiatives such as the Central European Initiative, the Adriatic Ionian Initiative, the Danube Co-

operation Process, the Black Sea Economic Cooperation or GUAM (Georgia, Ukraine, Azerbaijan, Moldova) again have different overlapping sets of membership.

This opens up the question of which set of countries should be considered when addressing a possible regional framework for co-operation. Considering the experiences of the SP and the EU and NATO integration processes in general, it is important to find a solution that can bridge these differences and bring together those countries which have moved further ahead towards Euro-Atlantic structures with those still outside some of these frameworks – support and experience sharing being the ultimate aim.

3. SUSTAINABILITY THROUGH ENHANCED REGIONAL OWNERSHIP

The Sarajevo Summit Declaration stresses that "the countries of the region are the owners of the stabilisation process and their full efforts in and commitments 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 longer-term sustainability of co-operation processes initiated within the SP framework.

A stronger degree of regional ownership and 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. On the political level the SEECP has an important role to play in this endeavour. As a political forum it has often been described as the 'voice of the region'.

On the operational level an assessment is necessary whether a stronger degree of ownership is feasible and can be expected initiative by initiative, and what form this ownership should take – providing political guidance or ensuring political commitment, co-ordination efforts, providing financial or personnel resources etc. Different activity areas will require different kinds of ownership from the side of SEE countries.

3.1. PROGRESS TO DATE

Over the past years a number of centres for co-ordination of regional co-operation activities have been moved to the region and include operations in Sarajevo, Zagreb, Belgrade, Skopje, Sofia and Bucharest. This was an important first step to take, but should not yet be considered as a sign of substantial regional ownership. There are clear limitations: It has to be noted that staffing of these centres, in particular the leadership, has remained international in many cases. Similarly, the centres are mostly financed through international contributions and only to a limited degree by the countries of the region. Most importantly, the political guidance of the centres is still predominantly with international partners and not with the region. The Transborder Crime Fighting Centre (SECI Centre) in Bucharest is an example of the countries of the region taking ownership and, through growing co-operation with Europol, establishing links with existing international institutions on the path towards European integration.

In addition, close co-operation between the SP and the SEECP has been developing over the past years beyond the political level. The SEECP's assumption of political leadership of the Regional Forum of the Migration, Asylum, Refugee, Regional Initiative (MARRI) is an example, even though it also shows the operational limitations of the current setup.

3.2. CHALLENGES FOR ENHANCING REGIONAL OWNERSHIP

Enhancing regional ownership is a process, which has started, but of course cannot end with the transfer of centres to the region. This process has to be continued by making the centres fully operational and effective and by subsequently handing over operational and political responsibility to executives and experts from the region. In order to make this process successful, a number of key challenges need to be met. The countries of the region must, step-by-step, take on more political leadership of the different co-operation processes; the limited administrative capacities in the SEE

governments need to be addressed in order to ensure that the necessary personnel resources are available, keeping in mind the considerable demands inherent in the overall SAA process and the actual needs of the countries concerned. More generally, the real financial and personnel constraints themselves must be recognised when asking the SEE countries to do more. Considering these limitations, a clear priority setting by the countries is required, leading to a streamlining of regional co-operation activities.

These challenges clearly show that international support is still necessary. It is crucial to define exactly what kind of support is required in each individual activity area in order to build and encourage successful regional ownership.

An overall problem is the limited administrative capacity, which prevents the countries of the region to effectively make use of existing support. A precondition for support in many other areas thus has to be administrative capacity building in order to address this problem of absorption capacity.

Considering the strong focus of the SAP and CARDS on institutional capacity building, the link with the SAP needs to be strengthened in SP activities. This implies a 'mind shift' from building stability in SEE to building institutional capacities.

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

While it is agreed that the SP has achieved much of its purpose in stabilising the region, enhancing regional co-operation and supporting the EU integration of the countries of the region, it is equally clear that there is continued need for a regional framework for co-operation and Euro-Atlantic integration.

The EU accession process and the Stabilisation and Association process (SAP) are primarily bi-lateral processes between the EU and a specific country, however the SAP also has an important regional dimension. Specifically, the SAAs call for regional co-operation in a number of areas, in particular calling for bi-lateral agreements on co-operation between all the SAP countries.

Of course regional co-operation must also be seen on its own merits. Many of the problems facing SEE can only be addressed jointly on a regional basis. 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. Organised crime is clearly a problem without borders, which can only be fully addressed through cross-border co-operation. Recent natural disasters in SEE have also shown quite dramatically that regional co-operation is vital to address these problems in a timely and efficient manner. 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.

While regional co-operation has improved significantly over the past years, many of these processes are still largely driven from the outside and not enough for their own sake. Considering the fact that the EU has repeatedly stressed that regional co-operation is a precondition for 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, how such a framework for regional co-operation and European integration should look.

4.1. CRITERIA FOR ANY FUTURE FRAMEWORK

A number of general criteria can be outlined, which are preconditions for the success of any future set-up:

- Strong involvement of both SEE countries and EU.
- Continued involvement of non-EU donor countries, IFIs, and key international organisations.

- Full political commitment by countries of the region through clear focus on priority areas, while retaining necessary flexibility to address all areas requiring attention.
- High-quality, sustainable structures, which can serve as efficient regional networks (such as existing SP regional centres), integrated within the larger European structure.

4.2. REGIONAL CO-OPERATION PRIORITIES FOR THE FUTURE

In addition to an overall political framework for co-operation, what are the areas requiring such a co-operation forum on a more operational level? When deciding what these areas would be, two criteria should be applied: What are the areas that the countries of the region consider important; and what are the areas crucial for European and Euro-Atlantic integration.

An initial assessment by the countries of the region as presented in Belgrade, 02 October, outlined the following activity areas as of priority to the countries of the region: Parliamentary Co-operation, Education and Capacity Building, Trade and Investment, Infrastructure, Visa facilitation, Fighting Organised Crime and Corruption, as well as Defence Conversion. Further consideration will have to be given to the question of which areas still require a regional co-operation forum such as the SP and what kind of international support is still required.

For other fields of current SP activity different options should be considered without endangering the achievements so far. A number of initiatives will have completed their task in the near future, others can be taken over by other international partners (the clear leadership of the European Commission in the Energy Community is an example); still others will be taken over by the countries of the region without any further need for strong international involvement. A stronger degree of ownership by the countries of the region is a clear precondition for the latter.

4.3. REQUIRED STRUCTURAL COMPONENTS OF A FUTURE REGIONAL FRAMEWORK

There is overall agreement that even if the SP has served its purpose and achieved the aims originally set, there is a continued need for a co-ordination/co-operation framework in the region and between SEE and the EU.

Even with several countries of the region graduating to EU membership, there will still be a number of issues which require close co-operation with the non-EU members in SEE.

The prospect of such a co-ordination framework could be to develop into a 'South East European Dimension' within the EU similar to the Northern Dimension, comprising both EU member states such as Denmark, Sweden and Finland and non-EU partners such as Norway, Island and also Russia. As soon as all countries have joined such an SEE Dimension could also develop into a co-ordinating mechanism within the EU such as the Visegrad Group.

4.3.1. A POLITICAL FORUM

There will be a continued need for a high-level political forum to give guidance to regional co-operation activities and – more importantly – provide a forum for exchange between the countries of the region on the one side and the EU on the other. In addition the important role of non-EU donor countries, international organisations and the international financial institutions has to be included.

Any such forum should have to incorporate two tasks: To provide a regional framework for the SEE countries, owned by the countries of the region for political as well as operational co-operation; as well as to provide exchange between the countries of the region and supporting countries, in particular the EU. Any political forum without a strong EU presence will lead to fears in the region that it is only a place-holder for EU membership.

There are two existing fora, which should be taken into consideration when devising such a political forum, even though this will require further detailed elaboration:

- The SEECP has been a close partner of the EU and the SP for some time and serves as a political forum for the countries of the region. The necessary institutional and operational capacities are still limited and would have to be developed. While the SEECP has a clear role to co-ordinate activities in the region, it currently does not – apart from Greece – involve a EU representation capable of developing it into a forum for EU-SEE consultations. On the other side, the SEECP clearly has the potential to develop into a 'SEE dimension' of the EU, once most countries are EU members.
- The EU-Western Balkans Forum was established by the Thessaloniki EU-Western Balkans Summit in June 2003. The idea was to create a forum for regular high-level political exchange between the EU and the Western Balkan countries of the SAP. The forum was to meet annually on the level of Foreign Ministers and JHA Ministers but has not lived up to expectations. Creation of the EU-WB Forum was one of the main political messages coming out of the Thessaloniki Summit in 2003, establishing a clear political link between the EU and the region and thereby addressing the inherent fear of the countries of the region that the EU was not serious about its European perspective. If the EU-WB Forum were to be reinvigorated and filled with more substance of relevance for the region it would provide a significant forum for EU-SEE dialogue.

Depending on the feasibility of adapting these existing fora to the changing needs, a newly developed SEE Cooperation Council (SEECC), which would bring together SEECP and a EU representation (Troika or other) could be envisaged to overcome the limitations of either of the above options. This would have to be further elaborated, in particular with the SEECP countries and the EU. In any of these options a supportive secretariat as well as a rotating chairmanship should be envisaged, possibly a joint chairmanship of a country of the region and the EC/EU-Presidency.

4.3.2. SUPPORTING INSTRUMENTS

In addition to the political forum, a number of supporting or preparatory bodies for specific purposes are required and could be developed out of existing structures. A secretariat for overall co-ordination of the Political Forum as well as other instruments would be necessary. It would be responsible for the preparation of the meetings of the political forum, co-ordination of other preparatory bodies and everyday operational requirements. The SP Secretariat in Brussels could form the initial basis for this secretariat. Consideration would have to be given on whether to keep it in Brussels as a liaison office to the EU or move it to the region, possibly with a sub-office in Brussels.

In order to keep the resources developed to date in specific thematic areas a number of thematic preparatory or supportive bodies would need to be established or developed out of existing structures. The role of the three SP Working Tables needs to be considered. With a more limited number of issue areas to deal with the division into three different fora might not be feasible anymore. On the other hand, the existing expertise in the Working Tables and the contribution of the Working Table Chairs are of great importance and a valuable asset. SP task forces and initiatives of continued relevance as well as the existing Regional Centres of the SP should be considered thematic bodies providing input for the Political Forum and receiving guidance from it.

Consideration could also be given to establishment of a smaller and more operational steering body, bringing together key partners in the region, the EU-Troika as well as key donors in preparation of the meetings of the Political Forum. Considering the broad membership in the other bodies, this would ease discussion and decision-making.

Based on the experiences in other regions such as the Nordic or the Baltic Sea Council, a number of additional institutions for regional co-operation could be envisaged such as a parliamentary assembly, or a regional bank or development agency. The future of the European Agency for Reconstruction (EAR) will have to be considered in this context. Consultations will be required in the coming months to determine the need for and the feasibility of these options, in particular with the countries in the region. It is important to achieve solution that clearly reflect the needs in the region and not be perceived as a pre-fabricated solution imposed on the region from the outside.

5. CONCLUSIONS

This first report is meant to be a basis for the discussions of the Regional Table in Prague. The aim therefore is not to give clear indications of where the process should be going, but outline the criteria on which a decision on the future of the SP should be taken as well as provide options for the future enhancement of regional co-operation in SEE.

A precondition for success of any framework for regional co-operation and co-ordination is an enhanced role of the countries of the region. A clear political commitment to such a process is required, including the willingness to invest financial and personnel resources while acknowledging the obvious limitations.

Considering the focus of all the SEE countries on European integration, a second precondition for this endeavour to succeed is a strengthened engagement regarding regional co-operation of the EU and in particular the EC, politically, technically and financially.

The discussions ahead leading to the final report will have to focus on:

- An assessment of future regional co-operation needs in SEE;
- An outline of a regional framework for co-operation and European integration capable of addressing these needs;
- Considerations on a memorandum of understanding for such a future regional framework for co-operation and European integration, building on the Cologne and Sarajevo documents and the SEECP charter;
- An assessment of the feasibility of possible future institutions of such a regional framework based on the experiences in other regional fora.
- An outline of the transition from the current, heavily donor driven framework to a future, more regionally owned co-operation scheme in collaboration with international partners;
- A definition of an overall time frame for the transition process of the Stability Pact;

The second and final report of the Senior Review Group will be available for consideration at the next Regional Table in May 2006. It will be crucial for the success of this endeavour to ensure full transparency and frequent consultations in particular with all SEE countries regarding their needs and interests. Any decision based on the recommendations of the Report could thus be endorsed by the Regional Table in May and the Summit of the Austrian EU Presidency in June 2006.

Implementation could then take place in the course of the Finnish and German EU Presidencies with 2007 being the main year of transition. Taking into consideration possible delays due to political and practical uncertainties, a new setup should thus be in place at the latest with the tenth anniversary of the Stability Pact in 2009.