



**Plenary Meeting of Working Table II, 17 May, 2005**  
**Key Points of Report to the Regional Table of the Stability Pact for SEE**  
**Fabrizio Saccomanni, Chair**

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*Check against delivery*

The Working Table II meeting focused on theme of infrastructure development in SEE.

Comprehensive summary of progress on all WTII initiatives as well as detailed information on individual initiatives are available in hardcopy and on the SP website.

WT had not had a detailed discussion on infrastructure for some time. This was a useful opportunity to take stock of what has been achieved to date and to identify the future challenges. Main infrastructure activities take place under the auspices of the Infrastructure Steering Group. The Chair, M Peretti (EC) and different members reported to the meeting.

Much has been achieved both in terms of actual project implementation as well as the development of the necessary strategies for transport and energy including the institutional structures and market structures required for sustainable infrastructure development.

While we still monitor the progress of individual regional projects, the Stability Pact's role in infrastructure has evolved since its original involvement in pledging conferences and the focus is now on developing and implementing regional strategies for the different infrastructure sub-sectors.

The forthcoming Treaty on the Energy Community is the most advanced example of such strategy development; this is followed by the MoU on the Core Transport Network while the preparation of a more comprehensive approach to environmental infrastructure is really just beginning.

Attention is now focused on creating the necessary regional institutional frameworks for implementing these and we heard from the Deputy Chairman of the Steering Committee overseeing the Core Transport MoU, the Presidency of the Athens Process which supervises the work on regional energy and the executive director of the Regional Environmental Centre on their activities and the challenges they face.

While SEE countries are becoming more involved in the development and implementation of strategies through participation in Steering Committees and in chairing several fora, further assistance will be required from the international community to allow the countries develop the necessary capacities to fully manage these complex processes. (e.g. implementation of EU directives as required by the Energy Treaty).

Several countries raised concerns regarding the potential impact of the proposals outlined by the high level group chaired by Mrs De Palacio, on the priority investments within the Trans European Corridor network. The European Commission representative will convey these views to the appropriate officials in Brussels.

In terms of infrastructure financing (originally known as the Quick Start Projects), the list of current projects numbers 54 with a value of € 5.19 billion. Of these, 45 projects are under implementation and a further 6 projects will get underway by the end of 2005. Since 2001, 11 infrastructure projects have been completed and therefore removed from the list.

(Detailed information on the sub-sectors and individual projects can be found on the website of the Joint Office of the EC and World Bank or via the Stability Pact website.)

Progress is good but much remains to be done. Infrastructure projects are large, complex and very costly. They have substantial environmental and social implications. Financing packages are difficult to assemble especially when trying to co-ordinate the different regulations applied by different donors/financial organisations and to ensure an appropriate funding schedule. Preparation costs for feasibility studies and environmental impact analyses are high. Infrastructure projects cannot be implemented in a vacuum, their implementation must be accompanied by economic and legal reforms. While these take time they are vital.

The availability of finance for infrastructure projects was a key topic. The limited fiscal space available to the governments of the region to borrow for investment was noted. Purely commercial funding is simply not feasible yet for this region, therefore the need for official co-financing and in particular grants remains and will do so for some time.

Securing more private involvement in infrastructure (as in all sectors of the economy) is necessary. While pointing out that Public Private Partnerships cannot be a universal panacea, the EBRD highlighted the key principles that must be observed for eligible projects including the need for legal certainty clear rules and transparency. These requirements were echoed by the representative of the Business Advisory Council

The Investment Compact representative noted that in order to secure more private sector participation the region needed to propose specific project proposals.

Other items raised in our meeting include:

Spotlight placed on the preparations for the SEE Health Ministers Forum that will take place in Skopje in November. Meeting will reaffirm the SEE countries commitment to health reforms as originally set out in the Dubrovnik Pledge of 2001 as well as providing evidence of the economic gains to be made by investing in the health sector.

All the SEE signatories to the Vienna Declaration on Informal Settlements have presented their action plans regarding fulfilment of the commitments made. Under WTII's Housing and Urban Management Initiative, representatives of donors and the SEE signatories are preparing a regional programme to enhance capacity building in this sector.

The next meeting of WT II in November in Prague will focus on the overall business environment in SEE. It will provide us with an opportunity to take stock of what has been achieved to date under our various private sector development initiatives including the Investment Compact, the Trade Working Group, the Business Advisory Council, electronic South Eastern Europe and the various SME and trade facilities provided by the EBRD.

I am looking forward to a good discussion as among other things we can review the outcome of the Joint Investment and Trade Ministerial here in Sofia on 9 and 10 June, the Ministerial Meeting on the Information Society in Thessaloniki at the end of June and the Ministerial Meeting on Employment in October.

I hope the region will take the opportunity of these Ministerial meetings to commit itself to intensifying their reform efforts as the reform process has been proven to stimulate investment and in turn create much needed employment.