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GENERAL OF THE
REGIONAL COOPERATION
COUNCIL ON REGIONAL
CO-OPERATION IN SOUTH
EAST EUROPE

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Foreword

Delivery time, even in hard times

Looking back over the period from the last Annual Report, there are many reasons for confidence.

South East Europe continued to move forward towards durable stability through enhanced regional cooperation on the path towards European and Euro-Atlantic integration and in spite of many constraints. There is a growing recognition within the EU institutions that completing peace in this part of Europe, to the benefit of completing the project of a united, free, undivided and globally relevant Europe, calls for a reinvigorated persistency of the enlargement process, as it was reconfirmed at several important instances during the recent period. At the same time, by the way of reciprocity, the region itself has exercised a new sense of responsibility, nurturing a new spirit of rapprochement and reconciliation-aimed dialogue, so as to put off the image of instability and unpredictability, and lay ground for the resolution of remaining issues.

This synergy of strategic vision, coming together from both the EU and the region's ends, stands out as the greatest achievement over the recent period.

It helped alleviate many of the concerns related to the credibility of the enlargement process and the impact of potential enlargement slowdown on the national political agendas. Last but not least, it put aside the most serious concern – the one about the unwanted status quo or unwanted strategic vacuum in this part of Europe against the backdrop of the worst economic crisis that hit the region.

Within this political, economic and social environment, the Regional Cooperation Council (RCC) has marked its second anniversary.

We have profiled ourselves as an efficient non-political platform for cooperation among our members from the region. We have preserved the principle of all-inclusiveness to the benefit of a balanced development of the entire region. We have put forward notions of pragmatism, flexibility and mutual appeasement regarding many delicate issues and complexities in the region. We have kept the spirit of cooperation and necessity to abide by the principles of mutual openness, coexistence and dialogue even against the variety of differences. We have worked with a wide range of partners in order to foster collaboration and influence economic and social advancement of the region and of our members in the region.

The RCC is now at the point where it wants to reassess its position, taking upon itself a more strategic leadership role in moving the region forward by building upon the existing strategic synergy of interest between the EU and the region itself.

In the period ahead, we will work to assist in translating this synergy into a set of comprehensive political steps and actions to be taken in order to make a present trend an irreversible policy, by

way of providing the international community with a greater understanding of the region and by generating recommendations for policy makers.

We will at the same time work to translate this new synergy into devising concrete economic and social development projects and initiatives.

In doing so, we will work vigorously with our members from the region, as they need to make the best use of the RCC as an additional charger to the improvement of their national development strategies. We will work on raising awareness that there is a strategic need to develop a regional approach to address the long-standing economic underdevelopment in the countries of the region. We will work with our members from the region and our international partners, primarily the EU and the international financial institutions, to elaborate, generate and pool trans-national development projects in the priority areas of RCC activities, so that the improvement of infrastructure, energy sector, transportation and other vast natural and human potentials of the region may add value to the broader European context. We will reach out to wider audiences in the region, in particular in the area of civil society, culture and education, with an aim to foster knowledge and innovation as driving tools of development, to the benefit of future generations. We will engage in streamlining the task forces and initiatives in the region to enhance efficiency of regional cooperation.

The period ahead must be the period of delivery.

For this purpose, we have designed our new, three-year strategy and work programme 2011-2013, to be adopted in June 2010, as the basis for all our future activities. You will be able to read about the first year of its implementation in the next Annual Report.

Hido Biscevic
Secretary General

1) Introduction

Over the period covered by this Annual Report, the situation in South East Europe was characterized by several outstanding and interrelated developments. Inevitably, they influenced the dynamics of regional cooperation that was also reflected in the work of the Regional Cooperation Council (RCC).

In general, South East Europe continued to advance in terms of consolidation of peace and stability in the region and, institutionally, also in terms of gradually moving closer to European and Euro-Atlantic integration, with the countries advancing on the individual merit, pursuing reforms, even though the effects of the global financial crisis that hit South East Europe brought about a serious economic slowdown, additionally straining social stability in the region still burdened with sensitive political issues.

Although there is a need to persist on the enlargement policy of the European Union (EU), as a vital glue and impetus for the advancement of the region – in particular in light of deliberations within the EU, as it was the case during the period covered by this report – it is by now evident that the re-enforced EU enlargement policy needs to be complemented by the reaffirmed commitment within the region to resolve outstanding issues. In many cases, the period behind testified to the renewed readiness and responsibility by the countries of the region, bringing about the rapprochement and new openings in the relations among neighbours and partners with complex and difficult recent past.

However, progress of the region is still somewhat overshadowed by several outstanding issues that need to be addressed in order to avoid prolonged stagnation in parts of the region, unnecessary delays in the advancement on the path to European and Euro-Atlantic integration and unwanted strategic vacuum.

In this light, it is important to note that over the past year there was a growing recognition within the region that South East Europe must seize the opportunity and, despite numerous constraints and complexities, contribute to the completion of peace so that the region irretrievably embraces durable stability, security and common European values of dialogue, tolerance and mutual respect, building on the richness of its diversities.

The region also advanced in terms of commitment to regional cooperation by increasing genuine ownership – thus, by now, regional cooperation has moved from the realm of being perceived as part of the EU accession criteria to a realm of genuine recognition that regional cooperation is complementary segment of national European policy agenda. In the period behind, this may be considered as the greatest added value of the RCC activities, allowing it to translate its role of the “voice of the region” into a platform to add regional perspective to the economic and social development of South East Europe through concrete and deliverable, regionally agreed, development-oriented initiatives and projects addressing the long standing and current needs of the region in the priority areas.

Over the past period, the RCC profiled itself as a non-political platform for cooperation among its members from the region, preserving the principle of all-inclusiveness, in accordance with the RCC Statute, by pragmatic approach and in the interest of a balanced development throughout the region as an investment in general stability and security of the entire South East Europe.

The RCC has worked in particular to raise awareness that the region vitally needs the accelerated economic and social development on the basis of its vast human and natural resources and its geo-economic position by elaborating regional development muster complementary to national strategies.

The RCC also worked to provide international community with a greater understanding of the region and generate recommendations for policy makers, whilst providing a platform to project and transfer the interests of the region to the international community, acting as a main hub of regional cooperation and a bridge to the European and Euro-Atlantic institutions.

2) General trends in regional cooperation in South East Europe

The period since the last Annual Meeting of the RCC held in June 2009 in Chisinau was a period of consolidation of regional cooperation in South East Europe as well as strengthening of the functioning of the RCC, as a key regionally owned all-inclusive framework for the development of concrete and targeted regional cooperation in South East Europe.

The RCC structures (Secretariat in Sarajevo and Liaison Office in Brussels) were consolidated so as to enable full commitment to the realization of the tasks and objectives contained in the Strategic Work Programme 2009-2010. The RCC kept up and deepened sound working relations with a variety of stakeholders active in regional activities, ranging from government bodies, international organizations and financial institutions, institutions of the EU, to donor community, regional initiatives and taskforces, academia, private sector and civil society.

In this period, the RCC encountered challenges arising from bilateral interactions of its stakeholders and the remaining open or unresolved issues in the region.

In 2009, the discussions started on the future direction of regional cooperation, and the accompanying new three-year financial arrangement reflected that the economic downturn could likely affect the future financial pledges and commitments of all the stakeholders.

Without presuming to provide an exhaustive analysis of trends in bilateral relations, this report relates to some of the recent developments.

There have been several important events in the realm of bilateral relations and cooperation that have put a more positive perspective on the situation in South East Europe. Croatia and Slovenia have mended their relations by agreeing on the model and mechanism to resolve the border problem that was effecting the EU accession negotiations of Croatia. Croatia's completion of its EU accession negotiations within the foreseen 2010-beginning of 2011 timeframe would have an

additional stimulation effect to the other EU candidate and potential candidate countries from the region. Their mutual support and concrete assistance through enhanced cooperation on the EU path reflects not only the political requirements of the accession process itself, but also a strong and genuine recognition that regional cooperation based on European values is a prerequisite for lasting stabilization of the region and advancement of each individual country's interests and aspirations.

Bosnia and Herzegovina, Croatia and Serbia have worked together to alleviate the grievances from the past and set a stage for a desirable new supportive platform for self-sustainability of Bosnia and Herzegovina. Among these three countries, but also in the region as a whole, there has been an evident strong cooperation in further curbing criminal activities and organized crime and increasing cooperation in judicial matters. The Parliament of Serbia passed a declaration condemning the serious crime committed in Srebrenica. This is a positive step that needs to be supported and sustained in order to tackle the complexities in the relations between Serbia and Bosnia and Herzegovina with a new vigour and vision. There is also an encouraging upward trend in relations between Croatia and Serbia as well as a fresh impetus in the relations between Croatia and Bosnia and Herzegovina emanating from the recent contacts between the highest state officials. There were several highly important state visits and meetings at the highest level between the RCC members from South East Europe, in particular the Western Balkans, that set ground for a rapprochement and opening of new pages in their relations, contributing in general to the relaxation of relations in the region.

The EU dedication to the region remained active and focused even though the Union was in particular concentrated on its institutional issues until the adoption of the Lisbon Treaty. Needless to say, the financial and economic crisis has also had a profound effect on the EU policies towards the region. In these circumstances, it is the most encouraging that the Union's enlargement policy remained a strategic asset and a persistent policy.

However, the old complexities (such as institutional stalemate in Bosnia and Herzegovina, the Kosovo status issue, the name issue between Greece and The Former Yugoslav Republic of Macedonia) persisted. The EU as well as the United States of America joined efforts to initiate and facilitate discussions on the constitutional reform in Bosnia and Herzegovina that would allow the country to make progress. In view of the approaching general elections in Bosnia and Herzegovina, these efforts still have to bear fruit. Granting of the Membership Action Plan (MAP) status to Bosnia and Herzegovina by the North Atlantic Treaty Organization (NATO) should also sustain a positive momentum for the country.

In addition, several individual countries sought to make their contribution to improving the situation in the region. Turkey undertook a strong cooperative initiative with Bosnia and Herzegovina, Croatia and Serbia, with the primary aim to assist Bosnia and Herzegovina and relax the overall situation in the region. Slovenia partnered with Croatia in organizing a regional conference aimed to review regional cooperation in light of the realization of the European perspective of the region. Austria and Greece jointly initiated the idea to reaffirm the European perspective of the Western Balkans by promoting the Agenda 2014.

In anticipation of its EU Presidency as of 1 January 2011, Hungary initiated trilateral dialogue with Croatia and Serbia on the European future of these two countries. As the current EU Presidency, Spain was instrumental in preparing a High Level Meeting on 2 June 2010 in Sarajevo to mark the tenth anniversary of the Zagreb Summit and to reconfirm, on part of the EU, the European perspective of the Western Balkans. With its accumulated experience and track record as a hub for regional cooperation, the RCC contributed its value added capacities to these and similar efforts.

From the perspective of the regional RCC framework, the importance of improving overall bilateral relations in the region is critical. From the point of view of European and Euro-Atlantic integration, outstanding bilateral issues need to be addressed not to hold back progress on this path. By improving good-neighbourly relations and demonstrating their ability to work together in solving common problems, regional partners demonstrated their maturity and ability to function well within a larger European or Euro-Atlantic framework.

With its activities on the level of sectoral cooperation and political dialogue, the RCC sought to provide a level playing field for sparking cooperation and dialogue among its members. The RCC raised awareness among its members from South East Europe that addressing the remaining and unsettled issues of different nature in a timely and pragmatic manner is of a paramount importance not only for developing genuine regional cooperation but also for relaxing the relations in the region with a view to advance European and Euro-Atlantic integration.

This interconnection and complementarity between regional cooperation and the European agenda directed the RCC to seek ways to underpin the Stabilisation and Association Process (SAP), benefiting from the experience of its members from South East Europe which are already members of the EU. This guiding principle was fitted in the rationale behind the events that the RCC organized in the course of the last year.

Fostering European integration of the region remains an overarching goal of the RCC.

Steps forward in this direction, such as liberalization of the EU visa regime for the citizens of Montenegro, Serbia and The Former Yugoslav Republic of Macedonia, represent a milestone. Albania and Bosnia and Herzegovina are expected to fulfil conditions and join this group of countries as quickly as possible.

The state of institutional relations with the EU of the RCC members from the region has also been upgraded. Croatia is well advanced in its accession negotiations. In the annual strategy on enlargement made public in October 2009, the European Commission commended the progress of Turkey, especially the historic steps it has taken to normalize relations with Armenia. The European Commission also recommended opening of accession negotiations with The Former Yugoslav Republic of Macedonia on the basis of progress this country had made. A pending bilateral issue is, however, holding back the opening of the EU accession negotiations as well as NATO membership.

Albania and Montenegro not only submitted EU membership applications, but have already sent their replies to the European Commission's questionnaire on the preparation of the opinion of

these two countries' application for the EU membership. The Stabilisation and Association Agreement with Montenegro entered into force on 1 May 2010, representing a further step in strengthening institutional relations between the EU and Montenegro. The Interim Agreement between the EU and Serbia is now implemented by both parties. The European aspirations of the Republic of Moldova are being realized within a different institutional framework, that of the European Neighbourhood Policy. The country recently completed a second round of negotiations on the Association Agreement with the EU. The agreement targets political association and economic integration between the EU and Moldova.

There is a challenge for the RCC arising from the varying stage of institutional relationship with the EU of its members from South East Europe. Some are EU members, some are candidates or potential candidates and the European perspective of some is related to through different instruments. They all bring specific value and input into the RCC. In this respect, the RCC has an opportunity to develop an inclusive framework catering to the differing needs and experiences of its members and mobilize their potential for solidarity and peer benchmarking.

The continuity and all-inclusiveness of the RCC cooperative framework in the past year proved that the existing differences in views do not represent an obstacle to tackling issues of common concern.

By sending the appropriate messages and working in a flexible, all-accommodating manner, the RCC encouraged all members to take pragmatic steps with regard to their bilateral issues within the framework of regional cooperation. These differences however affected the work of the RCC, on technical and substantial levels. The participation in RCC-related meetings and activities of members of delegation of the United Nations Interim Administration Mission in Kosovo on behalf of Kosovo in accordance with the United Nations Security Council Resolution 1244 (UNMIK/Kosovo), who are holders of passports issued by Kosovo authorities, is the case in point.

Still, due to joint efforts within the RCC framework, there are also positive developments in this regard – Bosnia and Herzegovina, as the host country to the RCC Secretariat, found a lasting solution to enabling the entry of members of UNMIK/Kosovo delegation with passports issued by Kosovo authorities to its territory. There is a legal obligation stipulated in the Host Country Agreement binding the host country to the RCC Secretariat to ensure its unhindered functioning.

On the other hand, there is no firm legal obligation for South-East European Cooperation Process (SEECP) Participating States to enable presence of members of RCC delegations, with whom they may have a similar issue (non-recognition of passports), at RCC Annual Meetings held back to back with SEECP Summits. This vulnerability may again present itself.

The relationship between the RCC and the SEECP proved crucial in promoting regional cooperation, given their specific roles firmly embedded in the SEECP Charter and the RCC Statute. The RCC exercised its function under the political guidance of the SEECP. Its representatives participated in political and sectoral SEECP events, and consulted and coordinated its activities as well as preparations of the RCC Board meetings with the SEECP Chairmanship-in-Office. In order to further affirm the principle of regional ownership, the

synergy of the SEECP as “the political umbrella” and the RCC as “its operational arm” needs to be enhanced. Past experience has proven that close cooperation between the two levers of regional cooperation is indispensable in achieving complementarity of the RCC work programme and the programme of activities of the SEECP Chairmanships-in-Office. To maximize effects, the two programmes need to underpin each other by providing political support and guidance on the one hand and on the other, by translating political guidance into practical regional cooperation and concrete results.

The prospect of European integration is an indispensable tool in securing economic development and stability of the region as well as in motivating reforms implementation. Close cooperation with presidencies of the EU was instrumental in keeping the European integration process of the Western Balkans as well as the importance of regional cooperation on the agenda of the EU.

In this vein, the EU General Affairs Council in its conclusions of 7 December 2009 welcomed the RCC’s initiative to strengthen regional cooperation under the political umbrella of the SEECP and to work towards the adoption of a new comprehensive and operational strategy with the view of improving its efficiency. These conclusions were endorsed by the European Council of 11 December 2009.

In December 2009, a landmark conference entitled “The Western Balkans: Overcoming the Economic Crisis – from Regional Cooperation to EU Membership” was organized jointly by the Swedish Presidency of the EU Council, European Commission and the RCC. The conference provided an important opportunity to raise awareness of the potentials and assets of natural and human resources of the region and the necessity to strengthen regional cooperation in order to ensure an accelerated economic and social development of South East Europe, as a background for further advancement of each individual country towards EU membership. The June 2010 high-level EU-Western Balkans event in Sarajevo, organized by the Spanish EU Presidency, is a crucial and welcome opportunity to reinvigorate the European potential of the candidate and potential candidate countries.

The RCC worked closely with the European Commission, the General Secretariat of the EU Council and the European Parliament. It supported all initiatives and activities that rendered the European perspective more tangible and maintained the region high on the EU agenda. The RCC Secretariat’s experts were actively involved in the elaboration of priority activities to be included in the EU Instrument for Pre-Accession Assistance (IPA) Multi-beneficiary Programme 2011-2013 cycle. Furthermore, the RCC was part of the donor coordination process through its participation in the International Financial Institutions Advisory Group (IFI AG) and the Steering Committee of the Western Balkan Investment Framework (WBIF).

In addition, the RCC undertook to address, implicitly or explicitly, EU standards and *acquis* adoption and implementation in its activities. Through different regional activities, the RCC contributed to the adoption of *acquis* at national level. For example, the South East European Public-Private Partnership (PPP) Network initiative, which the RCC launched in September 2009, is meant to tackle legal issues of concern in the respective fields of public investment and procurement, directly addressing *acquis* absorption. The Women Entrepreneurship project, through the development of entrepreneurship indicators, was designed to help measure the

adoption of the Small Business Act in South East European countries. A regional conference, planned in 2010, will target parliamentary committees on poverty reduction and social inclusion and will also aim to adopt the relevant *acquis*.

Since its inception, the RCC has engaged with a wide network of regional structures and initiatives. Some of these structures emerged under the auspices of the former Stability Pact for South Eastern Europe, while others have been established independently as an expression of willingness of the regional actors to find solutions at regional level for common problems. The RCC's role in dealing with these initiatives and structures has been very diverse, from providing political support and expert assistance, to helping these structures achieve long-term sustainability. Coordination with the existing regional initiatives and taskforces was an important contribution to reviving result-oriented regional cooperation.

In connection with regional initiatives and task forces, there was a constant demand on the part of RCC stakeholders for streamlining with a view to eventually achieving a manageable number of efficient and performing initiatives and taskforces. The streamlining has been an ongoing process which proved the best result with regard to exchange of information, coordination and cooperation on concrete projects, including wide networking among different partner initiatives and taskforces as well as mutual support and promotion. The streamlining exercise proved to be a sensitive and challenging horizontal task which could not fully satisfy the demands and expectations of the stakeholders at this point. It has consequently been incorporated into the three-year strategy of the RCC for the period 2011-2013 with a view to further consolidating the framework for regional cooperation and building consensus for establishing new initiatives or streamlining the existing ones.

3) Developments in priority areas of regional cooperation in South East Europe within the RCC framework

3.1. General considerations

In the second year of its full operation, the RCC developed intensive communication and cooperation with different branches of national administrations of its members from South East Europe, over 40 regional taskforces and initiatives, EU institutions, international financial institutions and other donors, as well as representatives of business community, academia and civil society in the region. It became a well-established umbrella organization for regional stakeholders and main regional interlocutor for international partners.

Through different regional projects and activities, the RCC contributed to the improvement of regional cooperation in six priority areas of its operation, opening ground for substantial strengthening of regional functional interlinking as well as to greater security, stability and political cooperation in the region. Important added value of these developments is an increased interest of non-Western Balkan RCC members from South East Europe to become more active players with a greater role and higher impact in the project design and implementation in the scope of RCC activities.

With substantial support of the European Commission and considerable involvement of the RCC Board members, the RCC developed its Strategy and Working Programme for 2011-2013 and also contributed to the IPA Multi-beneficiary Programme 2011-2013, thus providing an insight into the regional agenda for the next three years both from the perspective of beneficiaries and main donors.

In comparison to the former Stability Pact for South Eastern Europe, the greatest incremental development has been provided in the Building Human Capital and Justice and Home Affairs areas with three flagship initiatives: institutionalization of the Novi Sad Initiative on monitoring reforms in higher education in the region, the Regional Strategy for Research and Development for Innovation for the Western Balkans, and the Regional Strategy on Justice and Home Affairs. In the Security Cooperation area, a visible deepening of cooperation has also been recorded. The RCC was given an important role in the development of the Danube Region Strategy. Above all, the RCC initiated Western Balkans 2020 foresight project as the umbrella framework for its most important long-term initiatives.

The overview of participation of the RCC members from South East Europe in the main regional initiatives and taskforces (Annex I) helps in assessing real interest and commitments of each member for the regional cooperation in specific areas.

Analysis of location of the regional initiatives' headquarters (Annex II) indicates that the real commitments do not always correspond to the declarative statements.

In comparison to a year or two ago, the region is even more densely covered with a network of initiatives materializing regional cooperation. In this improved landscape, new initiatives emerged, some of them becoming institutionalized, with others still being in the initial formation stages. The RCC played a role in supporting and promoting their development, streamlining activities and acting as a hub and incubator for regional structures. As a starting point, the RCC provided comprehensive mapping and assessment of their activities in an effort to contribute to a greater coordination and effectiveness of this complex structure.

3.2. Economic and Social Development

During the past year, the socio-economic situation in South East Europe was dominated by the impact of the global economic crisis. Exports, industrial production, private consumption and credit have all plummeted throughout most of the region. Government crisis response measures have been limited in scope given the fiscal restraints and the inability to borrow at a reasonable cost in international markets. However, the combination of these modest government fiscal stimulus programmes, boosts to deposit insurance schemes and central banks' interventions helped sustain economic activity and restore some of the confidence of businesses and individuals alike.

The international community has played a key role in supporting the region throughout this period. The EU and the European and Washington-based international financial institutions (IFIs) have joined forces in several notable crisis response initiatives. The *Vienna initiative*

which brought together all major regional and international stakeholders helped restore financial stability through ensuring continued exposure of European banks in Central, East and South East Europe. The *Crisis Response Package* developed in the framework of the IPA Multi-beneficiary Programme and consequently, the *Western Balkan Investment Framework* launched on 9 December 2009, further contributed to lessening the impact of the economic crises in the Western Balkans.

Throughout this period, the South East European economies maintained trade openness and succeeded in resisting protectionist sentiments, which contributed to faster recovery from the downturn. The *CEFTA 2006* has thus passed its biggest and most serious test so far, proving resilience even under the most difficult circumstances.

Yet, even as the economies of the region started their path of slow recovery, it has become obvious that pre-crisis growth levels are not likely to be repeated in the short term. The South East European economies are struggling to identify new drivers of long-term development and it is becoming evident that a new “growth paradigm” is slow to materialize. In this context, the RCC has initiated the *Western Balkans in 2020* project, which intends to develop a scenario for a concerted regional approach of the Western Balkans economies to help face up to most important development challenges of the next century. The main rationale for a regional approach to development lies in inherent synergies in the region that have remained largely unexplored. The RCC believes that by working together, on economic development, governance reform, educational and social advancement, there are considerable synergetic effects to be harvested. The project idea, initiated during this year, is planned to enter the implementation phase during 2011, and the RCC is currently working with regional partners to identify key actors, priorities and define implementation arrangements.

An instrumental forum for sustaining momentum for reform in the region, the *South East European Investment Committee (SEEIC)* has continued to support the implementation of policies promoting foreign and domestic investment. On top of the regular committee meetings, stakeholder meetings have been organized to determine the operational aspects, financial needs and implementation arrangements of the SEEIC transfer to the RCC, as agreed during late 2009. The European Commission, the Organisation for Economic Co-operation and Development (OECD), and the RCC are currently engaged in developing the necessary arrangements to guide the transition process, envisioned to be finalized during the first half of 2011.

Provision of infrastructure remains a regional priority to address the growing needs of the private sector and its citizens, and increase foreign direct investments (FDI) inflow in the region. The establishment of a *South East European Public Private Partnership (PPP) Network* has been the starting point towards achieving harmonization of the PPP environment in the region. It constitutes the basis for exploring alternatives to traditional approaches to infrastructure development.

Notwithstanding the strong economic growth and the improved living conditions of the majority of the population in South East Europe over the past few years, the region has failed to create a substantial number of new jobs in the formal sector. The global economic crisis exacerbated this

phenomenon, and while economic growth is expected to resume, the full lagged social impact of the crisis is expected to last longer.

The scope for regional cooperation in the area of employment includes exchange of information, knowledge and expertise, given the similar social profiles of the countries in the region. The *Employment and Social Policy Network (ESPN)* is the main forum for promoting regional cooperation in the area of employment, labour market and social policies. Following the declining involvement of international partners, there is a pressing need for the ESPN to assume regional ownership of its future. The ESPN has met under the RCC umbrella in June 2009, but has since been mostly inactive. The financial and technical support of the international community is needed for implementing the recommendations of the studies on national employment policies and the possible development and implementation of regional project ideas identified by the members of the network.

The *Centre of Public Employment Services of South East European countries (CPESSEC)* has acted as a forum for exchange of information and experiences in service provision to employers and job seekers as well as contributing to building the capacities of public employment services in the region. Meetings take place both at the managerial and expert level.

The *Regional Programme on Social Security Reforms and Social Security Co-ordination* has entered its final year of implementation. Through the implementation of a number of activities, this joint programme between the European Commission and the Council of Europe has contributed to the regional coordination of the social security systems, while facilitating reforms in the field of social protection.

Since the onset of the global financial and economic crisis, the need arose to bring regional employers' and trade union organizations around the idea of direct dialogue. The organization of a regional bipartite meeting in 2009, together with the Friedrich-Ebert-Stiftung and the Swiss Development Agency, contributed to sharing ideas and concerns and set the stage for establishing a permanent dialogue at the regional level. The RCC is currently exploring the possibilities and interest of institutionalizing social and civil society dialogue at the regional level.

The past year was one of transition for the *South-eastern Europe Health Network (SEEHN)*, all of which members signed a Memorandum of Understanding (MoU) on the future of the Network. The MoU paves the way for full regional ownership via a secretariat, hosted in Skopje. In order to ensure sustainable cooperation in different public health areas, Regional Health Development Centres have been established in Bosnia and Herzegovina, Croatia, Romania and The Former Yugoslav Republic of Macedonia. Other countries are working towards the designation of national institutions as Regional Health Development Centres.

The *Electronic South East Europe (e-SEE) Agenda Plus* has been reinvigorated during the past year. The RCC and the e-SEE Secretariat recognized a strong need to revise the current deadlines and re-define some of the content, aligning it to the current EU strategies and regional development needs. A revised e-SEE Agenda Plus has been prepared by the e-SEE Secretariat and is currently under consultations with government representatives from South East Europe.

Upon completion, the RCC and the e-SEE Secretariat plan to organize a Ministerial Conference where the revised e-SEE Agenda Plus would be endorsed.

Through its activities, the *Centre for e-Governance Development (CeGD)* in Ljubljana has established itself as a focal point for training, education, consulting and research related to e-Governance topics that serve the region.

3.3. Infrastructure and Energy

The *Energy Community Treaty (ECT)* is the major platform for energy cooperation between the countries in the region and between them and the EU. Implementation of the ECT evolved into the Energy Community (EnC) process which is expanding the Treaty's original scope on the ground of substance as well as geographically. The Republic of Moldova has become a contracting party to the Treaty in 2010. This process, assisted by a well established EnC Secretariat, facilitates transfer of experience and harmonization with the EU requirements in the field of energy and other related areas.

On the ground of substance, the initial EnC legal framework has been widened with a few key EU directives in the field of security of electricity and gas supply and energy efficiency, while further expansion is under consideration in relation to new EU Renewable Energy Directive; new Security of Supply Regulation in Gas; EU Emergency Oil Stocks requirements as an integral part of the region's security of energy supply concept; and 3rd Energy Package which introduces new elements and improves existing framework related to the development of energy markets in the EU.

Implementation of the ECT *acquis* is work in progress in each field but continuous efforts are still required to significantly improve approximation in all relevant areas. The difference between the parties to the ECT in the process of implementation of different *acquis* elements has widened. Therefore, a major challenge will be to close this gap as much as possible. Of particular importance will be the establishment of a regionally coordinated congestion management facility and the progress in implementation of the Coordinated Auction Office. In spite of evident progress, the institutions dealing with energy efficiency should be properly staffed and have enough financial resources to achieve energy efficiency targets. Additionally, the technical assistance offered currently by many donors, although very important, should be better coordinated to make it more effective and complementary for the EnC.

Within the EnC process, the Security of Supply Coordination Group was established to support regional cooperation in the area of securing energy supply. The EnC Social Forum has addressed the social implications of the EnC process. Support to construction of energy facilities of major regional impact will be another important activity of the EnC.

The RCC cooperation with the EnC of an all-encompassing nature primarily aims to plug recognized gaps (cooperation with parliaments and promotion of relevance of "bottom-up" approach for the overall energy sector development primarily by mobilizing civil society and local authorities). Additionally, the RCC role will be complementary in "greening" the economy as a tool for structural changes.

Cooperation and communication with variety of regional energy stakeholders is fundamental for the RCC in order to appropriately represent the region, profile its cooperation with the EnC Secretariat, support new IPA Multi-beneficiary programming cycle and apply the all-inclusiveness principle.

Regional cooperation in the transport sector has been reinforced in the last year as it is seen essential for successfully tackling trans-boundary issues and key common challenges in this field. It will be substantially intensified and improved by the implementation of a *Treaty establishing the Transport Community (TCT)* with the RCC members from South East Europe, currently under negotiation. This legally binding instrument is expressly designed to fully integrate the region into the European transport family and complement the enlargement policy of the EU. It will be the essence of the efforts of the RCC members from South East Europe to improve their transport infrastructure and services compliant to EU requirements. The Transport Community process that will emerge after TCT related negotiations, signature and ratification, could highly benefit from the experience gained in the Energy Community.

During 2009, the European Commission has initiated a broad revision process of the trans-European transport network policy (TEN-T) that should set up objectives and options for the future TEN-T development in a way to enable further economic growth, as well as social and economic cohesion. The TEN-T connections with South East European Core Network as a precursor for the TEN-T comprehensive network in South East Europe need to be developed in accordance with the Community's relevant ongoing policy in order to provide efficient and functional link between the EU and South East Europe.

In the aviation sector, RCC members from South East Europe have undertaken an important step towards integration of South East Europe into the EU Internal Aviation Market by signing an agreement on the establishment of the *European Common Aviation Area (ECAA)*. The ECAA is needed to assist the RCC members from South East Europe in their efforts to fully adopt Single European Sky requirements which will have positive effects mostly on the reduction of the fragmentation of airspace, i.e. on the decrease in air traffic costs and the cut of CO₂ emissions.

Inventories of priority projects in the transport sector are developed and updated on regular basis through the *South East Europe Transport Observatory's (SEETO)* Multi Annual Plans as a sound platform to ensure consensus among the RCC members from South East Europe aimed to attract the interests of financial institutions and private sector.

Common "regional" transport policy must be agreed upon and implemented by national governments in order to address issues such as facilitation of transport through borders, coordinated infrastructure development along the major transport axes and liberalization of transport within the region, restructuring of railway system, and development of multimodal transport services.

The RCC will assess ongoing and planned activities within the above mentioned frameworks in order to adequately cover and fill the gaps in close coordination with the existing structures. In the field of aviation, the RCC has already taken certain steps with an aim to explore the potential

for further development of air services within the region. It will work to mobilize expertise and liaise with relevant authorities as well as the European Commission in order to prepare a feasibility study on this issue.

In the field of road safety, the RCC will promote multi-sectoral approach alongside the inclusion of different level stakeholders encouraging the RCC members from South East Europe to implement the relevant EU directives and, in particular, the UN General Assembly Resolution in South East Europe. Due to the gap between the existing infrastructure and available financial resources to ensure a sustainable development, the RCC intends to promote new financing schemes through the PPP model for infrastructure projects. Additionally, the RCC will explore the possibility to contribute and facilitate cooperation by all transport means in accordance with identified needs of the RCC members from South East Europe.

The regional cooperation in the field of environment takes place under the *Regional Environmental Network for Accession (RENA)* which emerged due to a need to further strengthen pre-accession element in regional cooperation. Its predecessor, the Regional Environmental Reconstruction Programme (REReP), played an important role in improving environmental situation in the post-conflict context and re-establishing and facilitating an environmental dialogue in the region.

The RENA represents a new regional environmental cooperation framework aimed at establishing tools to assist region in harmonizing legal frameworks, improving capacity and designing appropriate intervention mechanisms in compliance with the EU *acquis*. At the political level, regional environmental cooperation is achieved through Ministerial meetings ensuring political commitment and setting priorities for actions. At the working level, the cooperation is implemented through the RENA and four Working Groups (WG): WG1 on Strategic Planning and Investments, including Progress Monitoring and Compliance Check; WG2 on Climate Change; WG3 on Cross-Border Cooperation on water, nature, EIA and SEA; WG4 on Environmental Compliance and Enforcement Network for Accession (ECENA).

A Regional Forum on Climate Change, political platform for the exchange of experience and strengthening regional cooperation in the area of climate change, was established in 2009, based on the Joint Ministerial Statement adopted at the 2008 Ministerial Conference organized by the RCC and the *Regional Environmental Center for Central and Eastern Europe (REC)*. The statement officially adopted the South East European Climate Change Framework Action Plan for Adaptation and reaffirmed establishment of Sub-Regional Virtual Climate Change Centre for enhancement of the sub-regional cooperation in the field of climate change. Adequate cooperation of these instruments with the RENA WG2 on Climate Change is very important.

The *DABLAS (Danube and Black Sea) Task Force* is a valuable instrument to provide platform for cooperation in the area of protection of water and water-related ecosystems in the Danube and the Black Sea. The *International Sava River Basin Commission (ISRBC)*, with its comprehensive scope including both navigation and environmental dimensions, is emerging in a success story of regional cooperation with significant potential to replicate its achievements to some other regional sub-basins.

Important component of regional environmental cooperation is a non-governmental organizations' (NGO) Environment Forum aimed to support NGOs in their active and constructive role in the enlargement process as well as to develop capacities of environmental NGOs to establish a productive dialogue with national authorities.

Among a few regional projects supported by the bilateral donors, it is worth to mention the Regional Programme on Environment supported by the Dutch Government to tackle regional environmental hot spots.

Effective cooperation of the RENA, the DABLAS and the ISRBC and communication with the *International Commission for Protection of Danube River (ICPDR)* is expected to result in valuable inputs for the *Danube Region Strategy (DRS)* currently under preparation. The RCC role in the DRS will be complementary to bringing an integrated "holistic" regional perspective into various sectoral initiatives; mobilizing the local authorities, civil society and media; and ensuring adequate inclusion of the region.

Due to different levels of regional RCC members' transposing of environmental legislation, huge complexity and capital intensity of necessary environmental improvements requested by the most rigorous EU environmental standards, enhanced regional cooperation in terms of transfer of experience of more advanced regional members to the ones facing problems and delays, is of great importance.

In order to provide conditions for sustainable development, the RCC members from the region should integrate environmental concerns into their national policy frameworks and other sectoral policies. A lack of comprehensive analysis of legal gaps between existing national legislation and the corresponding EU legislation, needed to support the task of prioritization and drawing up realistic timetables for the transposition work, is most evident. Shortage of legal expertise in relation to environmental *acquis* and even language barriers are still a problem in almost all of the RCC members from South East Europe although to a varying degree.

It is necessary to take into account developing and growing needs and continuous changes in the countries in order to be able to cope with specific changing needs to the extent feasible. Once identified, the priority areas should be subject to further adjustments as a result of consultations with the RCC members from the region. Taking into account vast accumulated experience and knowledge of the region by the REC, the RCC signed an MoU on cooperation with the REC in order to complement the existing and planned regional environmental frameworks.

3.4. Justice and Home Affairs

The EU enlargement process and the progressive adoption of the EU *acquis* engaged South East European countries in major reforms in the area of rule of law, particularly in fighting organized crime and corruption. The United Nations Office on Drugs and Crime (UNODC) and the Organization for Security and Co-operation in Europe (OSCE) activities, the Geneva Centre for the Democratic Control of Armed Forces (DCAF) programmes, donors from EU countries, United States agencies, Norway, Switzerland, other partners and developmental agencies are addressing the region's key strategic priorities from the international perspective.

These efforts are especially visible through the work of the *Prosecutors' Network of the Western Balkans*, which is creating direct linkages among the prosecutorial services of the countries of the region, the setting up of the *International Law Enforcement Coordination Units (ILECUs)*, and the strengthening of national platforms for international police and law enforcement cooperation.

At the same time, regionally owned SEECP and its operational platform RCC, have contributed to the upgrading and streamlining of the institutional dimension of regional cooperation. With joint efforts, six regionally owned organizations and initiatives were set up to counter trans-border organized crime, corruption and illegal migrations, with effective operational mechanisms, common policies and proceedings on police and law enforcement cooperation, implementation of projects on anticorruption and combating illegal migration all in place.

In this context, the *Southeast European Cooperative Initiative's Regional Center for Combating Trans-border Crime (SECI)*/ the *Southeast European Law Enforcement Centre (SELEC)* (operational police and customs cooperation), the *Police Cooperation Convention for South East Europe (PCC* – addressing the security of borders) and the *Southeast Europe Police Chiefs Association (SEPCA* – creating a framework for strategic cooperation at the highest levels of police) are particularly worth highlighting. Operational activities of the SECI/SELEC are supported through the *Southeast European Prosecutors' Advisory Group (SEEPAG)* facilitating prosecutorial part of cooperation and giving advice. The *Regional Anti-Corruption Initiative (RAI)* focuses on promotion of anti-corruption and good governance, sharing best practices and promoting relevant international instruments. The *Migration, Asylum, Refugees Regional Initiative (MARRI)* aims at strengthening cooperation and information exchange among the members in respective areas.

The RCC established close relations with the mentioned initiatives, concluded MoUs on cooperation and determined other regional initiatives to do so. Each regional organization includes several RCC members from the region, as well as members outside of South East Europe, depending on the format of the initiative.

Since 2009, the RCC has created the organisational platform in justice and home affairs area, establishing direct links with national authorities and regional structures and networks, together with international organizations, in order to allow for close coordination of activities and periodic exchange of information.

Such vigorous cooperation enabled the creation of a regional normative framework for improved police and judicial cooperation, as well as preconditions for a more efficient and effective fight against trans-border organized crime.

Against this background certain sectors have been addressed, both at national and regional level, by multiple programmes and numerous donors, but without appropriate coordination. A clear distinction should be drawn between the different issues managed at national or at regional level. South East Europe is often viewed as a group of RCC members from the Western Balkans, which are at different stages of the EU accession process. Consequently, the visibility and

participation in regional processes by other RCC members from South East Europe, which are already EU members, or which are currently not granted the European perspective, has to be enhanced. To correct this fragmentation, the RCC has initiated a coherent and consolidated approach, through a clear multiannual regional strategy, assuming the regional role of monitoring and evaluating the overall cooperation process.

As a result of the fragmentation, the RCC Secretariat has noted the discrepancy in the attention given to police cooperation on one hand and the disadvantaged development of prosecutors' and judges' cooperation on the other. This inconsistency affects coordination in fighting organized crime and dangerous forms of criminality. Bearing in mind that there are no regional structures on judiciary cooperation, improvement can be achieved through an exchange of liaison magistrates and the creation of a regional judicial network. The RCC addresses these needs through consultations with all partners, including associations of legal professionals, preparing, organizing and guiding regional meetings of the South East European General Prosecutors and High/Superior Judicial Councils.

Corruption must be addressed simultaneously, from both perspectives, regionally and nationally. The regional approach is coordinated by the RCC Secretariat and the RAI and includes cooperation among national structures, joint training and exchanges of best practice. As a response to corruption in the private sector and regional economies, the RCC will support the RAI in focusing its activities on sharing good practices from the operational perspective and addressing corruption at local and regional level. The RAI coordination with the Group of States against corruption (GRECO) is also envisaged.

Accelerated movement of people requires a clear identification of migration pressures and specific regional migrations routes, together with the development of uniform regulation regarding legal migration. The effectiveness of fighting illegal migration depends on the extent of trust between law enforcement agencies, from the EU and the region, and within the region itself. The RCC will include in the regional agenda periodic bilateral or multilateral intelligence exchange meetings. As the MARRI is limited to only six members from the region, the RCC Secretariat envisages as a comprehensive solution the organization of MARRI-SECI/SELEC Center task force operational meetings, and multilateral cooperation under the PCC umbrella.

As a consequence of the growing movement of people, goods and services, cooperation in South East Europe has to be developed in both the private and the civil law domains (family law, labour law, administrative law) which are not covered by other partners. Environmental crimes, crime scene investigation and forensic examination, victim protection and mutual transfer of offenders, mutual recognition of evidences are emerging issues. Due to its limited resources, the RCC will focus on cooperation in civil matters and on creating a platform for the regional exchange of best practices and lessons learnt.

An efficient fight against organized crime and terrorism has to be balanced against individual fundamental rights (liberty and security, access to justice, due process, the right to a fair trial, free legal aid, alternative dispute resolutions, assistance and redress mechanisms for crime victims). It is in the best interest of the people of the region that the judicial dimension of the protection of fundamental human rights, minorities and vulnerable groups become a part of

enhanced regional cooperation. In partnership with civil society, the RCC Secretariat has to be active in political advocacy, networking and supporting the implementation of the legal framework on human rights issues connected with justice and judicial reforms.

The general situation presented by judicial cooperation in criminal matters is clearly dynamic and in progress. The regional dimension of police and law enforcement cooperation became effective, permanent and functional. However, current institutional and legal developments dealing exclusively with criminal law issues are fragmented and not sufficiently known. The RCC's overall role is to ensure the coherence and consistence of judicial cooperation in both criminal and civil law matters and enhance the protection of human rights, minorities and vulnerable groups which are linked to justice and judicial reforms.

3.5. Security Cooperation

The region of South East Europe has considerably improved the overall security and political stability in the past decade.

Within the Euro-Atlantic format, six RCC members from South East Europe are North Atlantic Treaty Organization (NATO) members, and five have signed and implemented the Partnership for Peace programme. Also, three RCC members from South East Europe are members of the EU and participate in relevant security structures.

Due to its specific issues, the process of multinational security cooperation is still rather fragmented at this stage and it is concentrated mainly on the activities of the acting regional initiatives and taskforces, as well as in bilateral programmes. The lack of sufficient resources for regional security cooperation activities has had a direct effect on the level of involvement of the national security establishments in regional cooperation activities, both at bilateral and multilateral levels, as well as on the level of transparency. There are regional organizations and initiatives that experience lack of adequate resources for their activities. The same can be said with some already implemented projects where this phenomenon has been reflected in the sustainability of the follow-up activities. There is also an indication of, in some cases, shrinking, and in others, refocusing of donors' contributions to activities of regional taskforces and initiatives – with short and medium negative effects on regional cooperation in security area.

In the area of security and defence, the RCC cooperates with six¹ regional taskforces and initiatives fostering synergy and avoiding duplication. Each of these six includes several RCC members from South East Europe as well as those outside of South East Europe, depending on the format of the initiative and the region covered. These regional taskforces and initiatives have also developed relevant security cooperation projects and mechanisms.

The challenges and the status of regional cooperation in the security sector indicate that it is segmented in several layers – such as politically driven, European and Euro-Atlantic integration

¹ Disaster Preparedness and Prevention Initiative (DPPI SEE), South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons (SEESAC), South East Europe Defence Ministerial (SEDM), The United States-Adriatic Charter, South Eastern Europe Clearinghouse (SEEC) and Centre for Security Cooperation (RACVIAC).

motivated, thematically based, etc. The countries' regional priorities differ from focus on bilateral cooperation to active participation in multilateral cooperation.

The regional dialogue and cooperation mechanisms can and should be enhanced. Without the necessary support from the political environment, the security cooperation has been operating in thin air. Shrinking defence and security establishments' budgets have had direct influence on the further execution of the security sector reforms, defence conversion and disaster risk reduction.

In this respect, the RCC has been recognized as the regional platform for direct support to bilateral and multilateral cooperation initiatives through ensuring the so much needed common regional political will. Security challenges should be discussed openly and the RCC secures the necessary inclusiveness. The regional taskforces and initiatives in South East Europe can provide regional security policy execution support. The general understanding is that there is no real duplication of efforts, but there is the issue of weak coordination among regional initiatives that needs efficient complementary tools. And this is where the important role of the RCC in coordinating and linking the existing regional taskforces and initiatives among each other – and complementing them if need be – has to be provided with more political support from its members. The RCC Secretariat addresses the need for more coherent and consolidated regional approach, paying full attention to the main stakeholders' programmes, plans and their different resources available. A continuous analysis of the current regional cooperation is on-going, mapping the existing assistance activities, identifying the lessons learned and redefining priorities when necessary.

The role and the value added of the RCC in regional security cooperation has been targeted to preserve, develop, further stabilize and expand the level of confidence, by: a) establishing a sustainable, integrated and transparent regionally owned cooperation mechanism among governmental security sectors; b) preserving and streamlining the effective and value added regional taskforces and initiatives that prove their capabilities to deliver tangible results; c) initiating new low cost initiatives, with high impact of confidence building and transparency; and d) further streamlining with international financial institutions and donor community the scarce out-of-the-region resources in activities with obvious added value to security building measures and effective influence on defence conversion and security sector reform. In this respect, the RCC has initiated and developed regional mechanisms of cooperation, notably the *South East European Defence Policy Directors Forum*, the *South East European Defence Intelligence Forum* and the *Regional Registry of NGOs* working in the security domain.

The sequence of RCC activities comprised preparatory work executed by the RCC Secretariat in cooperation with identified stakeholders and partners; it went through initial phases in logical succession depending on the stakeholders' readiness and willingness (as numbers, formats and timeframe). The expected results are envisaged to close the cycle by addressing challenges, developing common approach to common problems, deepen confidence and increase efficiency through a regionally acceptable mechanism of cooperation. The RCC role in the processes is to initiate, oversee regional approach, monitor the implementation and ensure that expected results are achieved within the timeframe. Special attention has been given to providing the inclusion and participation of civil society organizations across the region in security cooperation activities.

South East Europe is extremely vulnerable to natural and, in many cases, manmade crisis with cross-borders impact in most of the cases. Some threats, such as floods and forest fires, tend to be seasonal in nature and thus present opportunities for immediate preparedness measures and mutual cooperation between neighbouring nations. However, the capacities of the RCC members from South East Europe to respond to natural and manmade disasters are unevenly spread. The levels of preparedness and prevention vary considerably from one member to another. The experience of last years has shown that the RCC members from South East Europe are quite exposed economically and fiscally to natural disasters. Additionally, there is no regional approach to secure the reduction of the effects of these major challenges, especially at the population level.

Natural disasters are increasingly affecting the ability of the RCC members from South East Europe to satisfactory implement national fiscal programmes. With the growing frequency and severity of catastrophic events it is more and more difficult to cover their economic costs from recurring national budgets. It becomes necessary to develop the governments' ability to reduce the fiscal liabilities to natural disasters through risk transfer to private insurance and reinsurance industry. There is also a strong need for regional approach to insuring disaster risk in the RCC members from South East Europe in the very near future through securing the opportunity to reduce the level of economic and fiscal exposure to natural disasters.

In disaster risk reduction, the RCC closely cooperates with the *Disaster Preparedness and Prevention Initiative for South Eastern Europe (DPPI SEE)*. This Initiative brings together donors, national and international organisations aimed at fostering regional cooperation and coordination in disaster preparedness and prevention. Further to that, the RCC is developing the *South-Eastern and Central Europe Catastrophe Risk Insurance Facility (SECE CRIF)* and the *South East Europe Firefighting Regional Centre (SEEFREC)* projects together with the World Bank – both projects were further elaborated in the reporting period, including the preparation of the legal instruments and additional animation of the RCC members from the region to participate, given the restrictions imposed by the effects of the financial crisis.

3.6. Building Human Capital and Cross-Cutting Issues

The RCC placed significant efforts in developing science, research and education, as it recognised the building of human capital as the main pillar for strengthening administrative capacities and increasing long-term innovative competitiveness of the region.

These efforts include realisation of related reforms and improved infrastructure. The region needs to make better use of existing human, institutional and financial resources in line with the high-prioritization of human capital development in compliance with defined national priorities. More effective regional response is necessary in order to increase investment in research, education and innovation (the “knowledge triangle”), and the compliance with the four priority areas of the Lisbon Strategy. Building a knowledge-based society through developing human potential and competence is a challenge and a priority for the region, especially for the Western Balkans on their path towards the EU accession.

One of the main challenges facing the cooperation in South East Europe in the area of building human capital is a need for a coherent regional strategy, in compliance with the stakeholders' plans, programmes, and activities. Such coordination is needed not only by the beneficiaries, but also by various donors. One of the main tasks of the RCC in the past year was to strengthen existing networks and connect regional cooperation mechanisms, which remains of crucial importance for achieving common objectives in the region. To that aim, the RCC focused and will continue to focus its activities towards development of specific programmes and projects in respective areas.

Education is crucial to the future for all citizens in the region, and it is therefore a matter of extreme importance to draw attention to the quality of individual, organizational and institutional capacities of governmental structures. There is an obvious need to modernize education systems in the region, with an emphasis on further involvement of the democratization and reconciliation elements in teaching methodologies. The following areas have identified shortcomings in the region and need to be approached in a coherent manner: evidence-based policy making, societal debate on education policy, stakeholder participation in decision-making, educational institutions' autonomy as well as professional administration.

Bearing in mind common background and similarities between the educational systems, especially in the Western Balkans, there is a clear benefit for strengthening regional cooperation. Regional projects in the field of education would foster knowledge transfer and exchange of best practices, but also lower the project realisation costs in comparison with development of individual programmes. Universities are seen as having a particularly important role to play in the development of knowledge based societies, because of their twofold traditional vocation of teaching and research and their increasing role in the complex process of innovation.

The RCC supported the initiative devoted to institutional reform and cooperation in higher education, bringing together a range of universities from the Western Balkans. It has also been involved in the work of regional and European organisations (the *European Training Foundation – ETF*, the *Education Reform Initiative for South Eastern Europe – ERI SEE*) and independent experts involved in the creation of respective policies on higher education.

The RCC co-organized and chaired the Sarajevo Conference of October 2009, which strongly recommended that by targeting additional financing on sustainable cross-region reform measures, the overall efficiency of funding will be greatly enhanced, and both the quality of education and the overall prosperity in the region will steadily improve. It was agreed to launch a project that will be addressed at the regional level, possibly financed through the regional dimension of the Tempus project, and developed under the umbrella of the RCC. The role of the RCC will be to coordinate such activities, by chairing the Steering group for guiding and monitoring the progress. Ongoing and future programmes will allow for sharing experiences on qualification frameworks and qualification systems development; identification of common qualifications; promotion of cooperation with the EU member states and shared standards among the RCC members from the region. It will lead to improving transparency of qualifications, which would allow for better mobility of students and academics within the region.

In the majority of the RCC members from the region there is a lack of investment in the “knowledge triangle”. Low share of national income devoted to science and research in some regional members is a cause for serious concern. The global economic slowdown is aggravating this trend. Most of the development projects with a regional character are financed by the international donors, i.e. through the IPA Multi-beneficiary Programme funds. However, higher level of financial commitment by the regional RCC members will provide for more active participation.

Developing *Regional Strategy for Research and Development for Innovation for the Western Balkans (RSRDI)* is the key strategic aim of the RCC in this area. The project will be financed from the EU IPA Multi-beneficiary Programme from 2011, through the World Bank as the implementing agency. Until the beginning of the project implementation, the RCC Secretariat will continue establishing and promoting project idea by using the existing resources. The following activities have been undertaken so far:

Together with the Czech Republic Presidency of the Council of the EU, a Ministerial Conference was organised in Sarajevo on 24 April 2009 (adopting the Joint Statement, the ministers of the region showed a strong support to foster the process of regional research integration). A follow-up meeting to the Ministerial Conference, held in Sarajevo in September 2009, agreed on the establishment of the RSRDI Coordination Body (comprised of representatives of national ministries and research institutes, as well as representatives of the European Commission, the World Bank and the Steering Platform on Research for the Western Balkans).

In cooperation with the EU Joint Research Centres, the Foresight Training has been organized for members of the RSRDI Coordination Body (Seville, 21-22 January 2010, Bucharest 22-23 March 2010).

Together with the Scientific and Technological Research Council of Turkey (TUBITAK), under the auspices of Turkish Chairmanship-in-Office of the SEECF, the Workshop on the Role of Public Research Institutes in Development of Countries was organized in Istanbul, on 8-9 March 2010. Members of the Coordination Body participated in it as well.

Until the project reaches its implementation phase, the RCC will continue to facilitate the work of the Coordination Body with the aim of further developing specific project areas, including establishment of a benchmarking system of the regional innovation system.

The RCC members from the region have a rich and diverse cultural heritage. In order to contribute to the rehabilitation of this cultural heritage, the European Commission and the Council of Europe (CoE) launched the Integrated Rehabilitation Project Plan – Survey on Architectural and Archaeological Heritage in South East Europe (IRPP/SAAH) programme. This, so-called Ljubljana Process, aims at making a major contribution to the Western Balkans cultural heritage rehabilitation and management through the elaboration of projects in their cultural, economic and social context. It aims at general improvement of social relations in the region, thus contributing to positive profiling of South East Europe as a region of tolerance and human capital wealth. The European Commission and the CoE expressed their intention to

transfer further activities of Ljubljana Process to the region. It was agreed by the ministers of culture from South East Europe and international interested parties that the RCC will take the role of key coordinator of the new phase of regionally owned Ljubljana Process after 2010.

The transfer objective will be accomplished by the creation of an *RCC Task Force on Culture and Society*, comprised of high level officials from the respective ministries of beneficiaries, representatives of the European Commission and the Council of Europe, and chaired by the RCC. The Task Force will meet at least two times a year to give political impetus and discuss regular progress reports. A permanent structure of two-three experts (the Task Force Secretariat), based in a country of the region, will undertake the work to foster successful transfer of Ljubljana Process to the region. The experts will work under the RCC umbrella and benefit from the support of the CoE and the European Commission.

3.7. Parliamentary Cooperation

The RCC concentrated its work on two dimensions of the parliamentary cooperation as an overarching theme: the SEECP parliamentary cooperation dimension, and the Western Balkans cooperation, which has been driven primarily by the legislative requirements of RCC members from the Western Balkans vis-à-vis the EU *acquis* SAP requirements.

The SEECP parliamentary cooperation milieu faced difficulties due to the cancellation of the 7th annual Conference of the Speakers of Parliament under the auspices of the Moldovan SEECP Chairmanship-in-Office in 2009. The latter caused the conglomeration of the agenda for the 8th Conference of the Speakers of Parliament in June 2010 in Antalya, under the Turkish SEECP Chairmanship-in-Office. In this respect, the RCC Secretariat, in cooperation with the Grand National Assembly of Turkey, co-organized a Preparatory Meeting for the Conference. The event prepared a draft agenda and the main points of the final declaration for the Antalya annual meeting of the SEECP Speakers of Parliament. It was an excellent opportunity for discussion on the optimal models for strengthening cooperation among the parliaments of the region.

Parliamentary cooperation involving the RCC members from the Western Balkans was active in several settings. When it comes to regional initiatives, the most important development revolves around the activities of the Cetinje Parliamentary Forum (CPF) and the European Integration Parliamentary Committees of countries participating in the Stabilisation and Association Process (COSAP).

The 9th CPF was held in Cetinje on 26-27 April 2010, marking the continuation of this important regional activity in the parliamentary cooperation area involving the countries of the region and the Central European Initiative (CEI) parliamentary dimension on the topics of combating organized crime and corruption under the Montenegrin CEI Parliamentary Dimension Presidency. The Fifth Conference of the Western Balkans COSAP was also held on 23-24 November 2009 in the Serbian National Assembly encouraging the SAP countries to continue with the progress in the process of EU integration and carry out the necessary reforms which will strengthen the democratic and institutional capacity in their countries. The importance of regional parliamentary cooperation was the key point in both those activities and in that light, the

support was articulated to future activities and further institutionalization of the Cetinje Parliamentary Forum.

The RCC has fostered regional cooperation through the existing regional initiatives – the Regional Secretariat for Parliamentary Cooperation in South East Europe, the Cetinje Parliamentary Forum and the COSAP structure.

The European Parliament continued to be an important actor, regularly organising parliamentary seminars for Western Balkans on the topics related to the EU *acquis*. For its part, the European Commission has included the strengthening of parliamentary cooperation in its IPA Multi-beneficiary strategy 2011-2013, which marks another positive development encouraging further strengthening of parliamentary cooperation dimension in the region.

Since the existing regional initiatives lack adequate coordination and streamlining in their activities, the RCC plans to mitigate this by further strengthening the SEECP parliamentary network on one hand and by developing the Cetinje Parliamentary Forum for strengthening parliamentary support for candidate and potential candidate countries on the other.

4) The way ahead

Despite some bilateral differences and outstanding issues, the regional cooperation in South East Europe achieved its further consolidation and development over the past year. The RCC as a format proved successful in keeping the project-oriented cooperation and dialogue in South East Europe going and bringing together all the interlocutors around the same table. However, there is a need for the region to fully undertake the use of regional cooperation fora, in particular the SEECP and the RCC framework, as its own instruments of achieving economic and social development, strengthening stability and establishing dialogue.

With the continuation of the effects of the economic and financial crisis, additional constraints on the governments of the region and their capacity to address and contain them, the structures of regional cooperation, including the RCC, will be additionally put to the test. It is, therefore, crucial to reinforce the commitment to regional cooperation and explore the possibilities for common action for South East Europe.

The role of the RCC in this context remains important as it provides for an all-inclusive framework for regional cooperation as well as a platform for meetings of regional actors and international partners.

During the past year, the efforts of the RCC focused on key priorities for further economic and social progress in South East Europe; further promotion of democratic values and reforms; support to the realization of the European perspective, including the consolidation of institutional dialogue with the EU; promotion of the region of South East Europe as a reliable partner on the international arena; and consolidation of the RCC structure and role. Consolidation and greater efficiency of regional processes and initiatives in joint cooperation of the RCC members from South East Europe, EU and its institutions, relevant international organizations and international financial institutions as well as other interested partners lay at the core of RCC activities.

As for the future, given the objective development needs of the region and broader political considerations, the necessity for the RCC to take a more strategic role in fostering regional cooperation presented itself after the period of inception and consolidation. In order to prepare the RCC Secretariat to operate in line with the changing environment in the region for the coming period, an in-depth discussion was opened among its members, in particular those from the region and with strong involvement of the European Commission, with the aim to define a comprehensive vision of the role and mandate of the RCC for the future and to outline modalities of translating this strategic outlook into concrete deliverable initiatives. These deliberations mainly focused on comprehensive and realistic identification of cooperation areas and initiatives of practical benefit where the RCC can genuinely bring value added in the three-year period from 2011 to 2013.

The intention of the RCC Strategy and Work Programme 2011-2013, to be adopted in June 2010, is to outline, in a clear and focused manner, envisaged directions of the activities of the RCC in the next three years period, on the basis of the needs of the region, added value of development of specific projects and cooperation within the RCC framework in each of the priority areas of the RCC's work as well as objective capacities of the RCC Secretariat. Besides its strategic outline, the document, in the form of an Action Plan, also sets the concrete timeframe for the realization of specific targeted activities of the RCC within the organization's priority areas in the course of the next three years.

While the RCC Strategy and Work Programme 2011-2013 will form the basis for the activities in the period ahead, its goal, *inter alia*, is to provide a fresh strategic outlook at the implementation of the mandate of the RCC. It remains clear that the full implementation of this mandate and further development and strengthening of regional cooperation in South East Europe remains a task for all the stakeholders involved in the RCC framework, requiring coherent, focused and targeted efforts and energy.

Taskforces and Initiatives in SEE

	Regional Initiative	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	Greece	Republic of Moldova	Montenegro	Romania	Serbia	The Former Yugoslav Republic of Macedonia	Turkey	UNMIK/ Kosovo	Others
Building Human Capital and Cross-cutting Issues	RCC Task Force Fostering and Building Human Capital (TF FBHC)	x	x	x	x	x	x	x	x	x	x	x	x	All members of RCC Board
	RCC Gender Task Force (GTF)	x	x	x	x	x	x	x	x	x	x		x	Slovenia
	Education Reform Initiative of South Eastern Europe (ERI SEE)	x	x	x	x		x	x	x	x	x		x	TFFBHC
	Regional School of Public Administration (RESPA)	x	x		x				x		x		x	
	South East European Centre for Entrepreneurial Learning (SEECEL)	x	x		x				x		x		x	
Parliamentary Cooperation	Regional Secretariat for Parliamentary Cooperation in South Eastern Europe (RSPC SEE)	x	x	x	x	x	x	x	x	x	x	x		
	Conference of the European Integration Parliamentary Committees of States participating to the Stabilization and Association Process (Western Balkans COSAP)	x	x		x			x		x	x			
	CETINJE Parliamentary Forum	x	x	x	x			x	x	x	x			

Total: 41	Per RCC SEE member:	37	39	23	38	8	19	38	24	38	38	12	15	
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Regional Initiatives' Headquarters

	Regional Initiative	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	Greece	Republic of Moldova	Montenegro	Romania	Serbia	The Former Yugoslav Republic of Macedonia	Turkey	UNMIK/ Kosovo	Others	
Economic and Social Development	SEE Investment Committee (SEEIC)													Paris, France	
	Central European Free Trade Agreement (CEFTA)													Brussels, Belgium	
	Business Advisory Council (BAC)					Thessaloniki									
	Regional Network of National Investment Promotion Agencies in SEE (RNIPA)													rotating	
	SEE Regional Network of Policy Makers (IFC)									Belgrade					
	Regional Rural Development Standing Working Group (SWG)										Skopje				
	SEE Employment and Social Policy Network (SEESPN)														
	Centre for Public Employment Services of SEE Countries (CPESSC)														rotating
	SEE Trade Union Forum (SEETUF)			Sarajevo		Zagreb									
	Adriatic Region Employers' Centre (AREC)					Zagreb									
	SEE Health Network										Skopje				
	Centre for eGovernance Development (CeGD)														Ljubljana, Slovenia
	eSEE Initiative and bSEE Task Force														
	Energy and Infrastructure	Energy Community Secretariat (ECS)													Vienna, Austria
South East Europe Transport Observatory (SEETO), expected future Transport Community										Belgrade					
ISIS Programme Secretariat														Brussels, Belgium	
International Sava River Basin Commission (ISRBC)						Zagreb									
Regional Environmental Centre for Central and Eastern Europe (REC)														Szentendre, Hungary	
Network Associations of Local Authorities of SEE (NALAS)											Skopje				

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		Regional Initiative													
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Building Human Capital and Cross-cutting Issues	RCC Task Force Fostering and Building Human Capital (TF FBHC)													Vienna, Austria	
	RCC Gender Task Force (GTF)				Zagreb										
	Education Reform Initiative of South Eastern Europe (ERI SEE)				Zagreb										
	Regional School of Public Administration (RESPA)							Danilovgrad							
	South East European Centre for Entrepreneurial Learning (SEECEL)				Zagreb										
Parliamentary Cooperation	Regional Secretariat for Parliamentary Cooperation in South Eastern Europe (RSPC SEE)			Sofia											
	Conference of the European Intergation Parliamentary Committees of States participating to the Stabilization and Association Process (Western Balkans COSAP)													rotating	
	CETINJE Parliamentary Forum							Parliament of Montenegro, Cetinje							
Headquarters total:		0	3	2	7	1	0	2	2	3	4	0	0		

South East Europe: 24 + 4 rotating

Other:

- Paris, France – 1
- Brussels, Belgium – 2
- Ljubljana, Slovenia – 2
- Vienna, Austria – 2
- Szentendre, Hungary – 1