



Improving SOCIAL *Policy*

in South Eastern Europe



WORKING TABLE II:
ECONOMIC RECONSTRUCTION,
DEVELOPMENT AND CO-OPERATION

SECOND EDITION
NOVEMBER 2004



THE INITIATIVE
FOR SOCIAL COHESION

 **STABILITY PACT**
FOR SOUTH EASTERN EUROPE

Foreword

As we see a definite move away from post-conflict reconstruction in South Eastern Europe, tangible economic and social development is getting underway, enhanced by the prospect of EU accession for most of the beneficiary countries of the Stability Pact for South Eastern Europe.

The second edition of this brochure on Social Cohesion in South Eastern Europe provides an overview of the work undertaken in this region, aimed at the development of modern social policies and the establishment and strengthening of relevant institutions.

This publication attempts to outline the various activities undertaken in the five sectors of the Initiative for Social Cohesion:

- Health • Housing • Employment Policy • Social Dialogue • Social Protection

It lists the political processes put in motion through focused Ministerial and other high-level conferences, as well as the regional projects under implementation or about to be launched. This brochure also underlines the result-oriented approach of the Initiative which works on the basis of annual plans discussed and approved by all partners in a spirit of true ownership.

We hope that its contents will stimulate debate, both at national and international level, on the need to keep the focus on the social issues within the broader reform agenda of the countries of South Eastern Europe.

Special thanks go to the Swiss Agency for Development and Co-operation who made possible the publication of this brochure.

Miet Smet

Chair of the Initiative for Social Cohesion

Jela Bacovic

Co-chair of the Initiative for Social Cohesion



1. INTRODUCTION

What is Social Cohesion?

The Council of Europe defines it as:

“The capacity of a society to ensure the welfare of all its members, minimising disparities and avoiding polarisation”.

Making lives better



| 1 |

Many of the people in the eight Stability Pact countries in South Eastern Europe lived through ethnic and civil conflicts in the 1990s. They have known loss of life, loss of property, deep economic crisis and a lack of democracy. Even in the countries spared by conflict there have been other problems such as runaway inflation and embedded corruption. Essential market reforms and restructuring brought with them inevitable hardships. These are societies lacking social cohesion.

The Stability Pact's Initiative for Social Cohesion (ISC) was launched in 2000 to address social issues which affect the daily lives of the people in the countries of South Eastern Europe (SEE), paying particular attention to the vulnerable groups.

As post-war economic reconstruction got underway in the region, we knew it was important to tackle also social development. People need jobs, better housing and higher living standards. Spending in the social sector should not be seen as a cost, but as a necessary basis for economic development. This is an investment for the future. Building stable societies where people want to live. Making lives better.

How is it done?

Social development needs to be approached on both a national and a regional level to be truly successful. Which is why ministers in the field of Health, Employment and Social Affairs, as well as social partners, from all eight countries who are beneficiaries of the Stability Pact are deeply engaged in our work. Their political commitment provides the framework on which to build social reforms.

Within the framework of the Stability Pact for South Eastern Europe, the Initiative for Social Cohesion (ISC) provides a platform for sharing experiences, launching regional projects and promoting best practice in social policy. We stimulate constant dialogue between South East European (SEE) governments, as well as with relevant international organisations, and ensure as wide as possible use of SEE expertise in our regional projects.

The SEE governments work together with EU and other governments and international players such as the World Health Organisation, the World Bank, the Council of Europe, the Council of Europe Development Bank, the European Investment Bank, the European Trade Union Confederation, the International Organisation for Employers or the International Labour Organisation, who provide expertise and funding to realise initiatives.

Boosting the ISC profile

The Initiative for Social Cohesion (ISC) seeks greater recognition of the need to underpin political and economic reforms with actions to enhance social cohesion.

We recently launched a Mid-Term Review of our activities.

To build on our ongoing work, and to strengthen it, we have agreed a new ISC Mission Statement.

ISC Mission Statement

- **Draw attention** of decision makers to challenges in the social sphere
- Promote better understanding of the **interdependency** between social challenges and sustainable economic development
- Offer a **platform for regional co-operation** to promote successful application of policies, good practices and investments in the social fields
- **Foster synergies** among actors working on development issues

What matters most

The Initiative for Social Cohesion focuses on five key sectors.

We want to:

- Improve **health** policy
- Strengthen **social protection** systems
- Develop **social dialogue**
- Enhance **employment policies**
- Stimulate new **housing** policies

How we are structured

The ISC is established under the framework of the Stability Pact for South Eastern Europe and operates within Working Table II on Economic Reconstruction, Development and Co-operation. The ISC maintains a constant dialogue with representatives of the region, with international organisations, international financial institutions and donors, to keep the focus on the importance of social policy development in transition countries.

The light structure of the Initiative provides for a co-chairmanship representing the donor countries and the Region. An Advisory Group plays a steering and coordination role in the initiative.

Each sector has its own Expert Group. For instance, in the Health sector, experts from the World Health Organisation and the Council of Europe draw up action plans and projects in close consultation with SEE governments and civil society representatives.

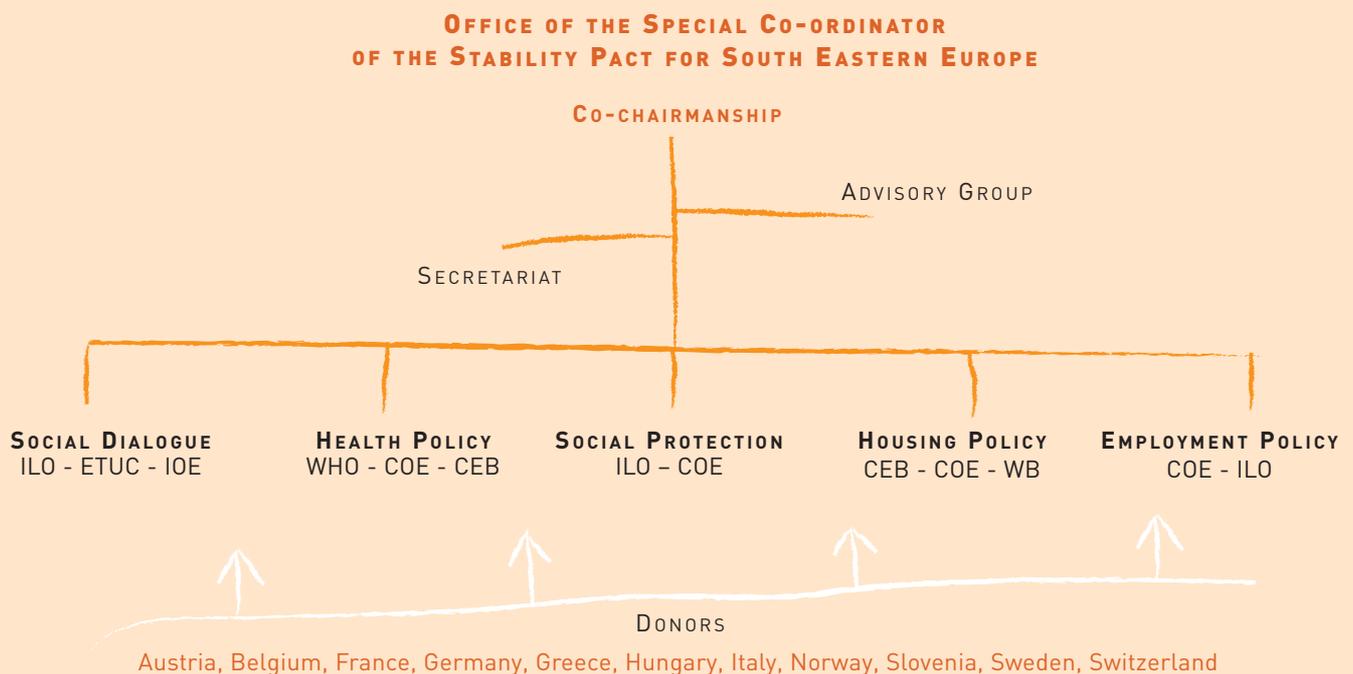
In some reform areas, a particular country might opt to guide the reform initiative. For instance, Slovenia expressed an interest in leading pension reform plans.

The ISC works on a financial platform of about 6 million Euro in grants, raised throughout 2004.



| 1 |

Actors of the ISC : overview



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THE STABILITY PACT FOR SOUTH EASTERN EUROPE

The Special Co-ordinator of the Stability Pact for South Eastern Europe is Dr. Erhard Busek. The Chairman of Working Table II is Mr Fabrizio Saccomanni, and the Director of Working Table II is Mr Bernard Snoy.

THE ISC CO-CHAIRMANSHIP

The Chair of the ISC is Ms Miet Smet, Minister of State, currently a Member of the Flemish Parliament of Belgium and former Belgian Minister of Employment and Labour.

The Co-chair of the ISC is Ms Jela Bacovic, Head of the Serbia and Montenegro Office for European Integration.

THE ISC ADVISORY GROUP

The ISC Advisory Group includes the two Co-chairs (see above), the Director of Working Table II, and one key representative of each of the five key sectors. The Advisory Group prepares action plans, establishes priorities, facilitates financial assistance and expertise, recommends political interventions to the Co-chairs and proposes key events to be organised by the ISC. Its work is supported and co-ordinated by the ISC Secretariat based in Brussels. The key decision-making body is the ISC Regional Meeting. Eight Regional Meetings have been held so far.

THE BENEFICIARY COUNTRIES OF THE ISC:

Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR of Macedonia, Moldova, Romania, Serbia and Montenegro

ISC DONOR COUNTRIES

Austria (A), Belgium (B), France (F), Germany (D), Greece (GR), Hungary (HU), Italy (I), Norway (N), Slovenia (SLO), Sweden (SWE), Switzerland (CH)

INTERNATIONAL ORGANISATIONS AND INTERNATIONAL FINANCING INSTITUTIONS

The Council of Europe (CoE)
 The Council of Europe Development Bank (CEB)
 The European Commission (EC)
 The European Training Foundation (ETF)
 The European Trade Union Confederation (ETUC)
 The International Labour Organisation (ILO)
 The International Organisation of Employers (IOE)
 The World Health Organisation (WHO)
 The United Nations Development Programme (UNDP)
 The United Nations Economic Commission for Europe (UNECE)
 The Food and Agriculture Organisation (FAO)
 The World Bank (WB)

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ISC partners and donors per sector

Sectors	Expert Leaders	Donors/IFIs
Employment Policy	CoE - ILO	Belgium, CoE, Italy
Health	WHO - CoE	Belgium - CEB - France - Germany - Greece - Hungary - Italy - Norway - Slovenia - Sweden - Switzerland - WHO
Housing	CEB - CoE - WB	CEB - CoE - Switzerland - World Bank
Social Dialogue	ETUC - IOE - ILO	Belgium - France - Italy - Switzerland
Social Protection	CoE - ILO	CoE - Italy - France - Slovenia - EC
General Administrative Support to the Initiative		Switzerland - CoE - WHO - Belgium - Norway

The political processes which are driving us

Employment Policy	Ministerial Conference on Employment, Bucharest 2003
Health	Ministerial Forum on Health in SEE, Dubrovnik 2001
Housing	High-level Meeting on Housing in SEE, Paris 2003
Social Dialogue	Joint ETUC/IOE Meetings: Sofia 2002, Zagreb 2003 and Sofia 2004.
Social Protection	Framework for Future Cooperation on Pension System Reform, Ljubljana 2002

Three Ministerial conferences on health, housing and employment are to be held in the course of 2005.

Improving Health Policy

- Life expectancy in some SEE countries is ten years less than in the EU
- Heart disease is three times EU levels
- Infant mortality is three times the rate in the EU

Health systems have all but collapsed as the SEE countries have undergone economic and political transition. Mental health is an important concern, particularly in a region which has suffered the traumas of conflict and war.

The ISC, through its SEE Health Network, has made public health a priority and has made significant strides with concrete projects in areas such as Food Safety, Communicable Diseases and Mental Health. For the first time, legislation has been adopted in the field of mental health, and new policies are being implemented.

The SEE Health Network is made up of 21 leading international experts and more than 100 health policy makers and technical experts from the region.

Our aim is to modernise legislation and improve public health services provision in line with EU and international standards and COE and WHO recommendations.

What was achieved in 2004

- All eight SEE countries have endorsed national action plans in the field of mental health, and proposed policy reforms
- A Regional Report has been drawn up based on governments' common vision to de-institutionalise psychiatric care and introduce community mental health services
- National Action Plans for Food and Nutrition have been endorsed in all SEE countries
- National Food Safety Strategies have been finalised in Bulgaria and Romania, and will be finalised shortly in Croatia
- Post-graduate public health curricula have been developed



Seven regional projects

Seven major regional projects have now received financing and four are up and running.

The three latest on Blood Safety, Emergency Health Care Services and Tobacco Control will soon be operational - thanks to three new donors: Belgium, Norway and Switzerland.

In line with a pledge taken at the Health Ministers' Forum in Dubrovnik in 2001, the projects, although region wide, are all led by individual countries with locally managed budgets.

- Mental Health led by Bosnia and Herzegovina
- Food and Nutrition led by Serbia and Montenegro
- Communicable Diseases Surveillance led by Albania
- Tobacco Control led by Croatia
- Emergency Health Care Services led by the Former Yugoslav Republic of Macedonia
- Blood Safety led by Romania
- Mental Health Information Systems led by Bulgaria

Action Plan 2005

- Implement harmonised legislation in Food and Nutrition Services and Control of Communicable Diseases.
- Set up pilot Community Mental Health Services in each of the eight SP beneficiary countries
- Provide opportunity for two public health professionals from each SEE to undertake master post-graduate training in selected Schools of Public Health in the region
- Convene a Second Health Ministers' Forum in November 2005 in conjunction with Ministries of Finance. The theme: "Health and economic development in South East Europe in the 21st century".
- Start implementation of newly financed projects

Enhance Employment Policies

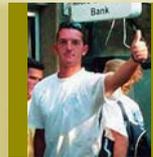
- Market reform, industrial restructuring and privatisation have had an unintended negative impact on employment in SEE.
- The numbers without work in the region rose by around 30% in the past decade.
- Unemployment rates vary from 12% to 70% in certain regions of South Eastern Europe.

While market reforms will eventually enhance growth, investment and employment opportunities, jobs are still being lost in SEE, through economic hardships and restructuring. Of particular concern is the number of young people and women without work.

In 2004, through the ISC, the SEE countries began to draw up reports to assess their own national employment policy, as a way to identify the labour market challenges which still lie ahead. All labour legislation should meet the standards of the EU and other international organisations.

What was achieved in 2004

- Established a Permanent High Level Committee to discuss common employment challenges and country policies
- Began an in-depth assessment of the employment situation in Croatia and Albania, carried out by the ILO and the Council of Europe
- Began to strengthen links between support for entrepreneurship and employment creation



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Action Plan 2005

- Organise tripartite conference in Albania and Croatia to discuss the recommendations contained in the Council of Europe-ILO reports on employment policies of both countries
- Carry out in-depth assessment of employment policies of two more countries
- Organise a Second South Eastern European Ministerial Conference on Employment to take stock of progress achieved
- Continue the peer-review of employment policies
- Enhance activities to promote entrepreneurship and employment

Developing Social Dialogue

Some SEE countries have inadequate traditions of consultation or dialogue between employers and workers, and some governments did not always recognise the need for it. The ISC has played a key role in fostering a climate of communication in the labour market.

Opportunities created by trade and investment, as well as the implementation of critical reforms in SEE require the establishment of a professional workforce. The ISC ensures there is a constant dialogue between partners, such as the International Labour Organisation, the European Trade Union Confederation, the International Organisation of Employers and Ministries of Labour.

What was achieved in 2004

- Creation of an employers' organisation at national level in Bosnia and Herzegovina
- Activities have been undertaken to establish labour courts in Bulgaria, thus introducing a new instrument of labour dispute resolution
- The Labour Law Experts' Network plays a key role in drafting labour related legislation and has already begun its work in Montenegro.
- Cooperation among employers' organizations has been formalised through special twinning programmes, as is the case with Romania and Moldova
- Publication of a report on labour dispute settlement

Action Plan 2005

- Continuous focus on labour dispute resolution within the regional networks of social partners, addressed through tailor-made training and continuation of work to set up labour courts
- Promotion of the concept of EU social dialogue in Bulgaria, Croatia and Romania
- Further development of capacities of the employers' organizations of Montenegro, Macedonia and Bosnia and Herzegovina
- New theme: fight against corruption and shadow economy and identification of available instruments and methods to be used by social partners
- Regular contacts with European Transport Worker's Federation and Federation of European Public Service Unions to ensure their involvement in regional strategies in transport and energy sectors, agreed under the auspices of the Stability Pact.



Strengthen Social Protection Systems

- Millions of workers in SEE countries are without adequate social protection. They have insufficient pensions or sickness and disability cover.
- As a consequence of the war, refugees and displaced persons lost their pension rights.
- Social protection is vital to boost economic recovery and encourage job creation.
- In some SEE countries, monthly pension payments start from 40 Euro.

Many SEE countries have inherited social policies which are often financially unsustainable. Improved management can save resources for use elsewhere in the economy. There remains a very real problem of a funding shortfall for those pension schemes which do exist.

The economic situation also means that workers and their families should be able to move freely around the region to find work. To do this they must have adequate social protection - in particular, cross border pension schemes. This is essential for refugees and displaced people, who are now living in a new environment but should be entitled to their pension rights.

What was achieved in 2004

- The regional centre for co-ordination of social policy, set up jointly by the European Commission and the Council of Europe, should be up and running in Skopje in the next few months
- Capacity for social security coordination has been strengthened through a series of meetings of the Social Security Experts' Network and tailor-made training
- The basis for conclusion or update of existing bilateral agreements between the SEE countries on exchange of social security benefits has been firmly laid
- Organisation of tailored training sessions and workshops on pension reform



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Action Plan 2005

- A joint Council of Europe and European Commission (EuropeAid) project will continue to focus on coordination mechanisms for social security in the CARDS countries, with special attention to capacity building of existing social institutions
- The ISC will continue to ensure the smooth functioning of the Social Security Experts' Network, with special focus on the involvement of Bulgaria, Romania and Moldova.

Stimulate New Housing Policies

- There are 18 million dwellings in SEE for a population of 58 million people.
- Experts say the deterioration of family housing has reached a “critical” stage.

It remains a key task to restore the damaged and deteriorating housing stock and to improve living conditions for people in the region.

In countries which have experienced conflict, the displacement and return of refugees have worsened an already weak housing infrastructure. Economies of scale in housing can be achieved by sharing costs and applying lessons learnt.

Under the auspices of the ISC, a regional network of housing experts works on an exchange of ideas and best practices related to housing policy.

What was achieved in 2004

- The ISC Housing Expert Network is currently assessing a report “Trends and progress in housing in SEE” drawn up by UNECE, in collaboration with the Council of Europe and the Council of Europe Development Bank.
- Besides the activities within the ISC, a Housing and Urban Management Unit operates within Working Table II. It organised in September 2004 a Ministerial Conference on the regularisation of informal settlements and on capacity building in the area of urban planning. Its activities are fully coordinated with those of the regional housing experts network.

Action Plan 2005

- The Housing Experts Network will complete its **Regional Study of Trends and Progress in Housing Reforms**, which will assess housing policy and market performance in eight countries of South Eastern Europe.



3 | WHAT LIES AHEAD IN 2005?

We are starting to see a definite move away from post-conflict reconstruction in SEE. Today there is economic and social development underway, enhanced by the prospect of EU membership for most of the SEE countries.

More than ever we need to see the efficient use of scarce resources, financial sustainability and regional co-operation.

The huge reform efforts needed in the SEE countries can be sustainable only if the economic and social dimensions are addressed together.

The five sectors covered by the ISC all have vital contributions to make:

Without a **healthy** population, the countries of South Eastern Europe can not move ahead. Housing is a key sector of every economy, and access to affordable housing is linked also to access to jobs, health services and important civil rights such as the right to vote. Proper **social protection** can support economic recovery by encouraging job creation and delivering benefits across national borders to assist displaced persons and boost labour mobility. The improvement of **employment** policies and the development of **social dialogue** are crucial to enable the SEE countries to start out on the road to the EU.



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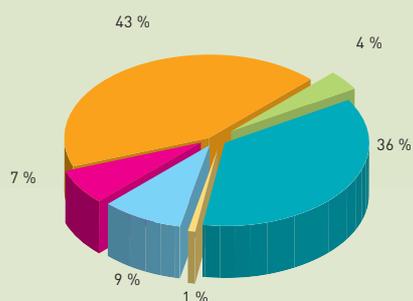
Continued support for social cohesion activities in the region is still very strong. That is clear from the number of donors from EU member States- both new and old. Donors include: Austria, Belgium, France, Germany, Greece, Italy, Slovenia and Hungary. Outside the EU, donors include Norway and Switzerland. It's also encouraging to see the support given by specialised international organisations as well as IFIs and the European Commission. Other potential donors have recently indicated their interest.

Most encouraging is the ownership and commitment showed by the region's representatives to address the social problems and participate in the various expert networks.

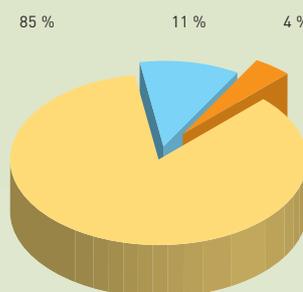
The Initiative for Social Cohesion is a unique
and efficient platform for addressing social
sector reforms from a regional perspective.

4 | THE INITIATIVE FOR SOCIAL COHESION: FACTS AND FIGURES

Grants in 2004 – per sector



Loans in 2003/2004 – per sector



4



Table with overview of grants, loans and pledges – per sector
Status of Funding 2002/2003

Sectors	Grants (EURO)	Loans (EURO)	Pledge (EURO)	Financial Institutions/Donors
Health	3.740 M	8.8 M	1.42 M	CEB, CoE, France, Germany, Greece, Hungary, Italy, Slovenia, Sweden, WHO, Switzerland
Housing Policy	128,000	204 M		CEB, CoE, Switzerland
Employment	115,000	25 M		Belgium, CEB, CoE, Romania
Social Dialogue	1.255 M			France, Italy, Switzerland
Social Protection	1.205 M		2 M	CoE, EC, France, Italy
General Administrative Support to the Initiative	908,000		300,000	CoE, Switzerland, WHO
Total	7.351 M	237.8 M	3.72 M	

Funding of regional projects – per sector
Status of Funding 2004 and beyond

Sector	Regional Project	Funding 2004 (EURO)	Total per sector (EURO)
Health	> Development of Community Mental Health Services	Greece 600,000 Italy 300,000 Belgium 150,000 WHO 150,000 Switzerland 100,000 Slovenia 50,000 Hungary 7,000	2.617,000
	> Trauma and Reconciliation		
	> Strengthening of Institutional capacity and inter-sectoral collaboration for Access to Safe Food Products	Greece 150,000 WHO 50,000	
	> Strengthening of Control and Surveillance of Communicable Diseases	Greece 150,000 France 200,000 WHO 60,000	
	> Renovation and Modernisation of a School of Public Health and design curricula on public health	CEB 100,000	
	> Information Systems for Community Mental Health Services	Greece 150,000 OSI 15,000 WHO 15,000	
	> Building up public health capacities for efficient tobacco control in SEE	Norway 200,000	
	> Increasing regional self sufficient of safer blood and blood products	Switzerland 100,000 WHO 40,000	
	> Scholarship programme for public health training in co-operation with WHO	CoE 30,000 CEB 100,000	
	Housing Policy	> Strengthening of the Housing Policy Network	
> Study on progress in reforms in the housing sectors		CEB 25,000	
Social Dialogue	> Developing social dialogue systems by enhancing the role of social partners and governments in SEE	Switzerland 150,000	225,000
	> Strengthening social dialogue and tripartism and enhancing technical expertise in labour law in the countries of South Eastern Europe		
	> Promoting a sound policy of non-discrimination in employment and occupation	Belgium 75,000	
Social Protection	> Promoting the Co-ordination of National Security Schemes	EC 2 M CoE 200,000	2.200,000
	> Strengthening of Social Protection and Pension Systems		
	> Regional Coordination Centre on Social Policy Issues		
Employment	> Cooperation on employment policies and reforming labour market institutions	CoE 35,000 Belgium 334,000	519,000
	> Labour Market Intelligence in the Western Balkans	Italy 150,000	
General Administrative Support to the Initiative	> ISC Regional Meeting	Switzerland 438,000	443,000
	> ISC Secretariat	Norway 5,000	
Total			6.044,000



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