



**Stability Pact Initiative for Social Cohesion, 3<sup>rd</sup> Advisory Group Meeting,  
Brussels, 10 October 2005**

**Brief Overview**

The third Meeting of the Advisory Group of the Initiative for Social Cohesion took place on 10 October 2005 in Brussels. The meeting took on a slightly different format, in an attempt to facilitate discussion on the current social situation in South Eastern Europe, and also to inform the partners of the ongoing efforts of the Stability Pact to increase regional ownership of its initiatives, as well as the new structure of the Secretariat of the Initiative for Social Cohesion.

**Presentation on the Social Situation in SEE and the Imminent Needs and Challenges**

Mr. Dimovski, Professor at the University of Ljubljana and Advisor to the Prime Minister of the Republic of Macedonia, gave an overview of the social situation in SEE and the challenges which still lie ahead in the areas of employment, social security and social dialogue. Although countries of SEE are experiencing higher economic growth rates, this process is failing to generate sufficient employment, and problems related to long-term and hidden unemployment, substantial informal economies and outward migration of the labour force are alarming. Considering the direct link between unemployment and poverty, issues such as high the concentration of unemployment in certain regions and disadvantaged social groups, as well as the gaps between the current skills of the labour force and those required in today's innovation-based economy, require particular attention. Health trends in SEE must also be improved, in view of the fact that they are below the EU average and the relatively limited proportion of national wealth devoted to health care. In relation to social dialogue, the deep social consequences of the reform process in SEE make the need for tripartite social agreements crucial. Although countries have established the institutional framework to facilitate such dialogue, social partners are still weak and lack a structured agenda.

In order to confront the challenges mentioned above, several proposals and recommendations were made. In general, although reforms are underway to address all these issues, they need to be further developed, take on a regional approach, and ensure the participation of social partners. Greater efforts should concentrate on completing the restructuring process, with attention to improving the overall investment and regulatory environment, and accelerating the speed of decision-making within national bodies. Projects designed to facilitate these processes should focus on implementation and monitoring, with sufficient attention devoted to related social consequences. The need for investment in human capital through education and training, and further development and implementation of existing active labour market policies was also highlighted. In this context, it is important that efforts to promote labour market flexibility and worker mobility go hand in hand with labour protection and security. Mr. Dimovski also mentioned the need to improve social dialogue and trust-building among social partners, and to co-ordinate employment policies with poverty reduction strategies and programmes to reintegrate marginalised social groups.

The discussion which followed the presentation raised the need for a deeper analysis of the unemployment situation in SEE, including the reason why economic growth is not accompanied by higher job creation. Also taking into consideration the social issues related to unemployment, the discussion focused on how policies should be devised to effectively address these problems. Besides investing in human capital, priorities could



include focusing on sectors that are likely to generate employment in the future, especially the products and services sectors. In this context, the issues of migration and the existence of the informal economy were mentioned. For example, although migration and 'brain drain' are detrimental to efforts to improve the education of the work force, remittances provide a much larger inflow than either foreign direct investment or development assistance. Meanwhile, efforts to stimulate employment creation and improve social conditions cannot ignore the existence of a large grey economy. As such, it was emphasised that employment policies should not neglect the importance of improving the investment climate, reducing administrative barriers to business development and re-evaluating social security systems.

Considering that labour and economic development policies need to incorporate the wide range of issues mentioned above, there is a need to ensure effective co-ordination of activities; the Bucharest process was mentioned as an example of an effective tool. More resources need to be devoted to assist countries in developing comprehensive employment plans and ensure deeper inter-ministerial co-operation and involvement of social partners. In this context, the discussion focused on donor involvement in employment reduction strategies and social programmes. Donor activities may not always be well-coordinated, with the danger of overlap and creation of various social infrastructures within the same country. The need for an overview of all relevant players in the countries of SEE was mentioned.

Participants also touched upon the issue of social dialogue, and concern was raised over the legitimacy of models that place Chambers of Commerce in charge of collective bargaining, as was the case in Slovenia. This highlights the dilemma faced in most transition countries, namely balancing the need to ensure social dialogue with voluntary organisations, with the political reality of compromise and negotiation in the policymaking process. A solution to this problem is strengthening social partners so that they can adequately and efficiently defend their members. Doubts were also raised as to the efficacy of social pacts. A lack of policy or vision within a sector, combined competition between companies, often means that sectoral dialogue is ineffective. It was suggested that a 'bottom-up' model, which begins at the lowest levels and places pressure upon the sectors from below, is perhaps a more effective form of social dialogue.

### **Presentation by the Stability Pact on Regional Ownership**

Mr. Laurent Guye, Director of Working Table II and Mr. Bjoern Kuehne, Political Advisor to the Cabinet, gave an overview of progress made to date on the issue of regional ownership, which was triggered at the Regional Table in Sofia, in May 2005. Given the fact that the SEE region has made considerable progress towards the EU in the past five years, and considering the limited financial and administrative resources of the countries of the region, the Stability Pact is in a process of streamlining its activities based on priorities, spelled out by the countries themselves, that are crucial to ensure sustainable progress and development of the region.

Three possible tracks can be taken in this process of regionalisation. Some initiatives will simply be completed, with goals achieved and their mission accomplished. Others could be handed over to the responsibility of other institutions, as has for example been done with the Energy Community. A third alternative is handing over issues to the region, so that their work continues within regional centres or structures. Criteria used in the process of streamlining and enhancing regional ownership include ensuring well



developed, flexible and sustainable structures and networks in the region, and ensuring donor commitment.

Since Sofia, the Regional Ownership Process has been pursued on three different levels. Firstly, all countries of the region have been requested to assess their own involvement in regional co-operation and their priorities with regard to regional activities. At the meeting of the regional Co-ordinators in Belgrade on ....October , countries were consulted on the areas which they perceive as priorities for regional co-operation. Participants mentioned economic development as the main priority, including related issues such as trade facilitation, improvement of the investment climate and improvement of infrastructure. Parliamentary co-operation, the need to build human capital through education and research, visa facilitation and defence conversion were other issues that were highlighted. The work of the Initiative for Social Cohesion feeds into this list through its work in the field of employment.

Secondly, a Senior Review Group has been set up, chaired by Ambassador Alpo Rusi of Finland, which has been asked to make recommendations on the process of enhancing regional ownership and readjusting the priorities of the SP. The Senior Review Group held its first meeting on 10 October 2005, where it was suggested to continue the work of the Stability Pact until 2009. Until such a date, continued streamlining and transfer of initiatives and activities to other actors will take place. Thirdly, an internal review of the degree of regional ownership in the different SP task forces and initiatives has begun focusing on strategies to enhance the political leadership of the countries of the region in the different initiatives as well as the financial and personnel contributions from SEE. An internal review of the Stability Pact task forces took place in June and July, and in this regard the ISC is far ahead, with strong involvement of the countries of SEE. As a result of consultations at all these different levels, a concrete mid-term strategy on regional ownership and a readjusted set of priorities for the work of the Stability Pact will be presented for further discussion and approval at the upcoming Regional Table in Prague. The European Commission is very supportive of the process, and close co-ordination with Commissioners and donors will take place in order to ensure that the process is an inclusive one.

In the discussion that followed the presentation, concern was raised over the fact that certain issues that are dealt with under the Initiative for Social Cohesion, such as health and housing, are not mentioned as priorities. The need to consider the social aspects crucial to sustainable economic development was stressed, without which there is a danger of a vacuum developing in certain sectors. What must be avoided is an enlarging gap between resources devoted to economic issues on the one hand, and social matters on the other. It was mentioned that in certain cases, it should be the responsibility of the international community to voice certain long-term priorities which may not currently be at the top of national agendas. Another suggestion was to take on the question of regional ownership into each individual initiative of the Stability Pact, thereby ensuring that entire sectors are not left out. During this discussion, Mr. Kuehne stressed that the streamlining process does not mean that an activity area will be completely 'dropped.' The idea is to ensure a sustainable regional network to continue work on these issues, or to transfer the co-ordination of certain activities to another international institution. It was also stressed that this process not only focuses on the priorities set by the countries of the region, but also on factors which are needed to ensure EU membership.



Doubts were raised as to whether countries, even if they have identified certain priority areas, will be willing and able to fund initiatives. Meanwhile, the willingness of international donors to continue funding once initiatives have left the Stability Pact was questioned. In this context, the Stability Pact stressed that the regional ownership process will take on a step-by-step approach, and that several aspects of regionalisation must be considered, including political, financial and human resources factors. Already a number of regional centres exist, and although they may still be in need for financial support or political intervention, these should be seen as first steps towards regionalisation. Furthermore, the ownership process should be seen as a means to keep the donor community on board, as they are keen to see progress and a gradual phasing out of the need for international assistance.

### **Information on the Prague Working Table II 15 November Regional Table Meeting, and the Regional ISC Meeting, 5 December**

The agenda of the Working Table II Meeting, which will take place in Prague on 15 November was briefly discussed. The topic of the meeting will be "Business Climate in SEE- progress and outlook." Ms. Miet Smet will hold a presentation on employment policies in SEE and steps that will be taken in the future. There will be an opportunity to raise other ISC-related issues which will not be discussed *per se* during the presentation, during the time allowed for discussion and participation from the floor.

It was decided that the discussion on regional ownership in the ISC sectors will be postponed until the Regional ISC Meeting in December. Here, the various ISC sectors will have the opportunity to give their views and plans for the activities in the various ISC sectors, with special focus on how to increase the beneficiary countries' ownership in employment, health, social dialogue, social protection and housing.

### **Information on the new set up of the ISC Secretariat:**

The Swiss Agency for Development Co-operation has agreed to continue its support to the ISC Secretariat until the end of 2006. Based on the current scope of activities and plans for 2006 in the various ISC sectors, the ISC Secretariat will be set up as follows: Ms. Frosina Georgievska will remain in her position of Programme Officer, based in Brussels, and in charge of labour and employment issues. A new programme officer is currently being sought, who will be specifically in charge of health. This officer will be recruited and based in one of the Ministries of Health in SEE, with a mandate to help the SEE Health Network and its Secretariat (WHO/COE) in the process of transferring full ownership of the cooperation process to the region. The ISC Secretariat in Brussels has also been reinforced by a Project Officer, Ms. Frederike Jansonius, who will assist the Programme Officers in their daily tasks. Ms. Bonsile Dube remains in the Brussels office as the Administrative Assistant. The efforts put into ISC by Mrs. Patrizia Maura were acknowledged.