

Regional Approaches to Stabilisation: Stabilising the Neighbourhood – Europe's Stability Pact for South Eastern Europe

Christian Dick,¹ Dominik Meier²

Today we have a region which is well on track to Euro-Atlantic integration. [...] The region is starting to leave the bloody conflicts of the 1990s behind and is focused on a common European future.³

The dissolution of the former Soviet Empire in Eastern Europe in 1989/90 confronted the West with the emergence of a number of new nation states in its own backyard, all very keen to assert their respective "national rights" and, moreover, often very ethnically diverse and fragile. In the case of the former Federal Republic of Yugoslavia, the break-up of the country saw four bloody wars fought in the following decade. Only then did a new – albeit still fragile – order emerge, although this had to be closely supervised by the UN, NATO, the EU, the Organization for Security and Co-operation in Europe (OSCE) and several other organisations. The paramount objective of the international community ever since has thus been to avoid any relapses into violence and to stabilise the new situation in South Eastern Europe (SEE). Considerable progress has been achieved in some respects: Slovenia acceded to the EU in 2004, Bulgaria and Romania will follow in 2007, Croatia and the former Yugoslav Republic of Macedonia (FYROM) are now official candidates for EU membership, and most recently a Stabilisation and Association Agreement (SAA) was concluded between the EU and Albania. On the other hand, the Federation of Bosnia and Herzegovina is still far from being a stable and well-integrated state, and the armed conflict between the Albanian minority and the Slav majority in FYROM in 2001, as well as the recent rise of nationalism on both sides, clearly indicates that the region has by no means completely lost its potential for ethnic tensions. The question of the future of Kosovo, finally, remains one of the most urgent and crucial problems to be addressed by the international community and the government directly involved. Unless these ethnic and religio-cultural predicaments are resolved it will be impossible to transform the fragile states in SEE into stable and democratic entities.

In spring 1999, during the Kosovo war, EU leaders came to an agreement for the first time on the need for a coherent long-term approach towards their neighbours in SEE. This new strategy was to be based on two main pillars: (1) the transformation of the already planned Association Agreements with several countries in the region into Association and Stabilisation Agreements, with an individual long-term EU accession perspective embedded into the larger, targeted Stabilisation and Association Process for South Eastern Europe (SAP), which has since become the EU's main policy framework for guiding the SEE countries on their path to European integration⁴, and (2) the creation of a new instrument for crisis prevention and peaceful cooperation in the region – the Stability Pact for South Eastern Europe (SP), which was launched in July 1999. The latter has currently reached a turning point: its planned transformation into a more regionally owned new Co-operation Council.

This paper examines whether the Stability Pact has proven to be a successful instrument for stabilising a region as fragile and ethnically, religiously and culturally diverse as SEE. The first section provides a brief overview of both the history and the organisation of the SP. The second section includes the Stabilisation and Association Process in the analysis in order to determine the relationship of the SP to the SAP within the twofold stabilisation strategy adopted by the EU for the region. In this context, the crucial issue of donor coordination within the region needs to be addressed. Additionally, the dangers for SEE that could arise from the direct link between the stabilisation process and prospective membership of the EU are examined. The third section then looks at the German contribution to the SP and the specific development objectives pursued by the German government with regard to SEE. Furthermore, it describes the activities of the two main German governmental development organisations, the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and the KfW development bank. The final section presents some conclusions as well as the most recent developments towards greater regional ownership of this process, a process that is likely to end with the transformation of the SP into a new entity.

1. *The Stability Pact for South Eastern Europe*

The initiative for establishing the SP was formally adopted under Germany's presidency of the EU at the European Council in Cologne on 10 June 1999, and officially launched the following month in Sarajevo. The Pact's main objectives are to "strengthen the countries in South Eastern Europe in their efforts to foster peace, democracy, respect for human rights and economic prosperity, in order to achieve

¹ Freelande consultant

² Freelande consultant

³ E. Brändt (2006), "Speech at the 2006 Regional Table of the Stability Pact", *Rekordar*, 2006.

⁴ For more information on SAP, see section 2 of this paper.

After a decade of ethnic violence and chaos, the creation and stabilisation of strong democratic civil societies in SEE became one of the pivotal preconditions for achieving enduring peace and prosperity in the region. At the outset of the SP, the confederation of Serbia and Montenegro was still controlled by the regime of Slobodan Milošević, while Croatia was subject to the similarly authoritarian tendencies of Franjo Tuđman. The democratic transfer of power in Zagreb after the death of Tuđman and the peaceful revolution in Belgrade in 2000, however, opened up new opportunities for promoting human rights and for democratising the whole region – a challenge that is extremely complex. WI comprises five task forces, each dealing with a specific issue.⁸ Let us briefly examine selected development initiatives coordinated by two of these task forces: Local Democracy and Cross-Border Cooperation, and Parliamentary Cooperation.

Strengthening local democracy and cross-border cooperation necessitates a strong commitment to the local level, in particular to local authorities. Over the last three years, all the SEE countries have succeeded, with the assistance of bilateral and multilateral donors, to create a National Association of Local Authorities, gathering together a large number of municipalities on a voluntary basis. These associations have already begun to play a significant role in the development of democratic life in their respective countries, and will continue to do so in the future. They provide services for their municipality members and also cooperate with the central governments while representing and defending municipal interests.

The SP task force on Parliamentary Cooperation aims at strengthening the collaboration and networking between SEE parliaments. It organises a great number of interparliamentary meetings among representatives from different countries in the region and between them and members of parliament (MPs) from EU countries. More than thirty of these events have been scheduled for 2006 alone. Thanks to these initiatives the democratic efficiency of and cooperation between the different parliaments in SEE countries have been intensified, and regular contacts between members of parliament from different countries have been established. One of the main future objectives in addition to furthering this cooperation is the closer coordination of activities with the Pact's parliamentary trinka of the EU Parliament, the assemblies of the Council of Europe and the OSCE.

All these initiatives and instruments have significantly contributed to stabilising the young democracies in SEE. Over the last six years a remarkable development towards more democracy has taken place in the region: all national governments now enjoy democratic legitimacy, power was transferred peacefully in Croatia in 1999/2000, and in 2006 even the separation of Montenegro from Serbia was achieved without any violence at all, a feat hardly imaginable without the preceding SP

stability in the whole region” as well as to “advance their integration, on an individual basis, into Euro-Atlantic structures.”

The SP thus represents the first serious attempt by the international community to replace the previous, merely reactive crisis intervention policy in SEE with a comprehensive, long-term crisis prevention strategy. The SP currently comprises nine regional partner countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYROM, Moldova, Montenegro, Romania and Serbia. Further signatories to the Pact are all the EU member states and the EU Commission as well as several other countries (Canada, Japan, Russia, the US, etc.), international organisations (the UN, the OSCE, NATO, the Council of Europe, the Organisation for Economic Cooperation and Development (OECD), the United Nations High Commissioner for Refugees (UNHCR), international financial institutions (the World Bank, the International Monetary Fund, IMF, the European Bank for Reconstruction and Development, EBRD, etc.) and regional initiatives (Black Sea Economic Cooperation, the South-East European Cooperation Process, etc.). The Pact was never conceived as an international organisation but rather as a political initiative, and was always intended to be only a “temporary instrument” with a specific task to fulfil.⁹

The EU Commission coordinates the SP in collaboration with the World Bank. The crucial person for the Pact's organisation is its Special Coordinator, presently Erhard Busek, who aims to bring the participants' political strategies into line with one another and to coordinate existing and new initiatives in the region. He also chairs the supreme political body of the SP, the Regional Table, which convenes biannually and defines the priority areas on the Pact's agenda. The Regional Table has created three Working Tables (W Ts), each of them responsible for one key issue of any development agenda: democratisation and human rights; economic reconstruction, cooperation and development; and security issues. The three W Ts in turn comprise altogether twenty-five task forces. All projects within the SP framework are administered by the respective implementing partners (international organisations, development agencies non-governmental organisations, NGOs) – the Pact itself has neither implementing structures nor independent funds.

Each year, the Regional Table identifies a number of core objectives. For 2006, they are: local democracy and cross-border cooperation; parliamentary cooperation; energy and other regional infrastructure, trade, investment and employment, fighting organised crime and corruption, and managing and stabilising population movements.

In the following section, we will examine the progress made so far by the SP and its partners in these areas by analysing selected development initiatives pertaining to each of the W Ts.

8. See SP (1999), *Stability Pact for South-Eastern Europe: Consultative Document on Objectives*, June 1999, 29.

9. See SP (1999), 25.

10. See SP (2005), *Stability Pact for South-Eastern Europe: Annual Report 2005*.

8. Media, Education and Youth; Local Democracy and Cross-Border Cooperation; Parliamentary Cooperation; and Gender Issues.

measures.⁹ However, despite the general improvement in the functioning of democratic institutions, the partner countries still have to intensify their reform efforts in the fields of electoral law, public administration, the judicial system as well as the police services.¹⁰ There still remains much to be done in order to ensure lasting peace and stability in SEE, and recent unrest in FYROM and of course the unresolved problem of the status of Kosovo serve as serious reminders of this fact.

1.2 Working Table II: "Economic Reconstruction, Cooperation and Development"

The second WT of the SP deals with the promotion of economic growth and prosperity in SEE. The instruments applied by its twelve task forces focus on the development and implementation of regional strategies regarding infrastructure, trade and investment, and also include measures to ensure that economic reforms are flanked by adequate social policies.¹¹ This section briefly examines the key sectors of energy and trade. The former is an excellent example of the significant difference effective regional cooperation within the SP can make. In October 2005 a major breakthrough was achieved with the signing of an Energy Treaty between the EU and nine SP partner countries in SEE, thus creating the legal framework for a fully integrated energy market.¹²

Another vital objective of WT II is the reduction of trade barriers. In this process the SP has played a central role: under the auspices of the SP Trade Working Group (TWG) and based on a Memorandum of Understanding from June 2001, the nine SEE partner countries have finalised and enacted no less than thirty-one free trade agreements (FTAs). The FTAs foresee a gradual lowering of tariffs: by 2008, trade in industrial goods in the region should be fully liberalised. Moreover, in April 2006 the SEE Prime Ministers and the Special Representative of the UN Secretary-General in Kosovo initiated negotiations for a single FTA through the simultaneous enlargement and amendment of the Central Europe Free Trade Agreement (CEFTA). The new regime will include modern trade policy provisions on competition rules and state aid, government procurement and the protection of intellectual property.

9. Bosacki (2006) rightly calls this development "a clear indicator of progress" – see also Schacht (2004). Regional Cooperation as the Road to the European Union: The Future of the Stability Pact", p. 35 also concludes that "the process of democratic change in South Eastern Europe already firmly established".

10. See Commission of the European Communities (2005a), "2005 Enlargement Strategy Paper", November 2005, 8ff.

11. Regional Energy Market, Trade Liberalisation and Facilitation, Private Sector Development Investment Compact, Environmental Issues, SWV Basin Initiative, e-SI Europe, Initiative for Social Cohesion, Business Advisory Council, Housing and Urban Management, Enterprise Development, Employment Generation.

12. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYROM, Romania, Serbia and Montenegro and the Special Representative of the Secretary-General of the United Nations Mission in Kosovo (UNMIK, www.unmilk.org).

Ever since the introduction of the SP in 1999, economic growth in the region as a whole has averaged between 4% and 5% each year. These growth rates can partly be attributed to post-conflict and post-depression recovery, and partly to lower political risks and improved opportunities for trade and investment.¹³ A positive sign is moreover the fact that financing through aid (which is decreasing anyway) is increasingly being substituted by foreign investment (Overall, the countries have succeeded in restructuring their foreign debts and entering into private financial markets).¹⁴

Yet SEE continues to struggle with significant macroeconomic imbalances, such as ever-widening goods trade deficits. Though the positive trends in growth and trade have influenced the labour markets, the key problems are the external imbalances and current account deficits – and, even more important, high and persistent unemployment rates. A further major problem is the unequal pace of economic progress within SEE: for example in Montenegro and in the Serbian Republic within Bosnia and Herzegovina. Some subregions have profited more from trade liberalisation than others.¹⁵ As a result of the limited size of the countries and the fragmentation of the economic space in SEE, progress in vital economic issues such as energy and trade can only be achieved by intensive regional cooperation, ultimately aiming at reconnecting this area with the EU and its neighbouring states.¹⁶ Hence, by its very nature, the SP remains both an apt and a necessary means for improving general economic and commercial conditions in SEE and therefore for stabilising the fragile states in that region.

1.3 Working Table III: "Security Issues"

WT III is responsible for questions of both internal and external security. This is reflected by its organisation into two sub-tables, each in turn consisting of four task forces.¹⁷ The WT aims to create a stable security environment in the region and to promote cooperation on migration issues as well as to fight organised crime and corruption. Improving the security situation in SEE is indeed a central precondition for the development of long-term confidence and trust, the re-establishment of state

13. See V. Cizgorov (2006), "Western Balkans Economic Development since the 1990s", p. 1.

14. V. Cizgorov (2004a), Database on Foreign Direct Investment in Central, East and Southeast Europe, p. 59.

15. Albania, Moldova and Romania participate little in regional trade (Cizgorov (2005), "Western Balkan Free Trade Area", p. 17, concludes that "given the patterns of intraregional trade, it is unrealistic to expect a significant positive contribution to trade from the creation of the free trade area".

16. See Pradic (2004), "The European Perspective of the Western Balkans: Its Regional Dimension and the Contribution of the Stability Pact", p. 44.

17. (1) Sub-table on Defence and Security Issues: Defence Conversion, Small Arms and Light Weapons, Regional Arms Control Verification and Implementation Assistance Centre, Border Preparedness and Prevention; (2) Sub-table on Justice and Home Affairs: Organised Crime, Violent Corruption, Migration, Custom Revenue; Regional Initiative: Police

interpretations of the past and perspectives for the future. Only the prospect of EU accession seems to be able to prevent a further rupture; nevertheless, at the same time these tensions hinder the necessary political progress being made.¹⁸

2 The secrets of success: Complementarity and regionalism

Because of the geographic proximity between the EU member states and SEE, coupled with their shared political history, the stabilisation of this region does not represent a model for conflict solution that can easily be transferred to other regions. Since 1999 the EU alone has invested more than €25 billion of financial aid in SEE. At the outset of the regional stabilisation process the donor community, and especially the EU, agreed on two main strategies: the SAP and the SP.

The SAP is founded on the conclusion of bilateral Stabilisation and Association Agreements (SAA) between the EU and each SEE state. The long-term objective of these agreements is the country's accession to the EU, as agreed upon with Romania and Bulgaria for 2007-8. So far, three SAAs have been concluded: with Croatia (October 2001, in force since February 2005), FYROM (April 2001, in force since April 2004) and, most recently, with Albania (June 2006). Each of them contains two principal conditions for the partner countries on the road to EU accession: (1) increased regional cooperation, and (2) the commitment to fulfil certain democratic, constitutional and economic principles.

Given the twofold strategy of the international community, the actual coordination of donor funds for the region represents a major challenge. Only if these funds are carefully managed will it prove possible to minimise the wasteful use of precious financial resources. Because of the open nature of the group of donors, the SP does not itself administer funds, but merely coordinates the distribution of money provided by international donors. Individual donor countries are also responsible for selecting projects for funding. This procedure, however, runs the danger of rendering help less effective than it might be if all countries were to channel their funds, as the risk remains that several countries could support the same type of projects at the same time.¹⁹ However, establishing such an administration would mean adding to a bureaucracy that even in its current form has been heavily criticised. While overall donor coordination has therefore not been achieved, the various SP task forces have proven themselves to be a successful instrument for focused donor coordination. In the field of regional infrastructure, moreover, the Pact has successfully established an Infrastructure Steering Group within its framework that coordinates all funds from the EU and the international financial institutions – a feat that is still unique worldwide.²⁰

functions and for the peaceful coexistence of the various ethnic groups. A stable security environment is crucial because corruption and organised crime greatly influence other connected problems, such as the reintegration of the thousands of refugees who fled during the wars of the 1990s. Moreover, a lack of security diminishes the prospects for a stable democracy and economy (a dependence that exists in both directions). In short: without physical security, there can be no lasting peace or development. The following paragraphs briefly examine two core areas of WT III: the return of refugees, and the battle against organised crime and corruption.

One of the important problems WT III has to address is the coordination of measures for the return of the huge numbers of refugees and displaced persons. One SP initiative, the Migration, Asylum, Refugees Regional Initiative (MARRI), covers the issues of asylum, legal and illegal migration, border management, visa and entry policies as well as the return and settlement of refugees. The issue of migration in SEE is intrinsically linked to the problems of ethnic tensions, claims to independence and questions of status. All of these aspects were not only at the heart of the violent clashes of the 1990s, but still remain partly unresolved today, and therefore pose severe problems for the safe return of displaced persons. So far, the returning of refugees has been highly successful, with record numbers of returnees between 2000 and 2003 to the triangle of Bosnia and Herzegovina, Croatia and Serbia and Montenegro. MARRI deals with population movements in an integrated way, including aspects such as housing, access to rights, employment and workforce migration.

A second central area of concern for WT III is the battle against organised crime and corruption, both of which undermine the political, economic and social development prospects of the countries in SEE. Fighting organised crime requires sound judicial systems and efficient law enforcement institutions. Effective action against transnational crime depends on cooperation between SEE governments, the EU and other international partners. To this end, the Stability Pact Initiative against Organised Crime (SPOC) was launched in October 2002. The primary task of its Secretariat in Bucharest is to provide expertise on and facilitate regional cooperation between networks of public prosecutors, legislators, courts and law enforcement officials. The mandate of SPOC is to support national and regional strategies and projects concerning capacity development, awareness-raising and legislative reforms.

Overall, the security situation in the SEE countries has improved dramatically since the launch of the SP in 1999. This is underpinned by the lack of major armed conflicts and by the large numbers of refugees that have been able to return to their homes. However, further progress with regard to security issues remains critical in particular regarding the need to control organised crime. The greatest remaining obstacle to a sustainable stabilisation of the region is a permanent solution to the unsettled status of Kosovo and Bosnia and Herzegovina. In the latter case, the population remains deeply split along ethnic lines, with diverging experiences

18. Bosnia and Herzegovina lags behind other SEE states and is making the slowest political progress. See E. Kuperščević, *Crnađa, Srbija i BiH: Partnerstvo u stabilizaciji i razvoju* (The Future Development of the VFR and EU in the Challenged Balkans), p. 10.

19. R. Stankić, 'Comment: Five Years of Stability Pact – Time to Take Stock', 2001.

20. See SP, *Dirište, Novoročnik, Group of the Stability Pact for South Eastern Europe*, 1999, part for Discussion at the Regional Table in Pristina, November 2005, p. 5.

The political relationship between the SP and SAP was clarified by the EU-Western Balkans Summit in Thessaloniki in 2003, when the EU leaders confirmed the Pact's complementary role to the SAP.²¹ Within the "Thessaloniki Agenda", the SP was asked to contribute to the regional cooperation component of the SAP.²² In a way, the SP has become a sort of a project incubator²³ to the SAP, linking together the two acceding states in the region (Bulgaria and Romania), the SEE countries and Moldova. The perspective of EU membership represents a strong incentive and an indispensable prerequisite for ever closer cooperation within the SP.²⁴ In other words: "The two processes – regional cooperation and European integration – are intrinsically linked."²⁵ Although the overall relationship between both entities has therefore been established, an even closer linkage on a more substantial level is still highly desirable.²⁶

Yet the SP's profile remains clearly visible within this twofold strategy: and it can still offer extra value as compared to the SAP in the following respects:²⁷ (1) its profile as a think-tank and forum for regional cooperation enjoys particular political authority, because *all* major donors (not just the EU) have a share in it; (2) it offers a highly flexible forum and a framework which the SEE countries can use as players and partners, i.e. it possesses a high potential for regional ownership; (3) in the sphere of military security and regional disarmament, the SP's mandate goes beyond that of the SAP; and (4) the SP's "soft nature" enables it to make contributions on politically new or sensitive ground (e.g. between the different ethnic groups in Kosovo).

The danger of this strategy of fostering change by offering prospective EU membership to the SEE countries, however, is that this momentum might be lost as soon as each state has firmly joined the accession queue. Already, the special momentum stemming from the post-war desire to maintain balance and to provide short-term compensation is close to being exhausted.²⁸ And donor support is decreasing as the region is no longer particularly newsworthy. Given this situation, it is important to focus even more on intensified regional cooperation and ownership. Because of the strong ethnic, cultural, economic, religious and political differences in the region, the SP is probably unable to achieve its goal of stabilising the fragile states within the region on its own. Only by combining both the SP and the SAP can sustainable development in SEE be secured.

3. *The German contribution to the Stability Pact and the perspectives of development cooperation in the region*

For Germany, it is crucial to stabilise SEE permanently, and this is explicitly stated in high-ranking governmental documents, including the Coalition Agreement between the Grand Coalition partners (the CDU, CSU and SPD) dating from November 2005.²⁹ The SP was itself conceived while Germany held the EU Council Presidency, and the German Federal Government has made significant bilateral financial contributions to the Pact over the last few years,³⁰ as well as transferring large amounts of funds to the region via the EU and other international organisations. Stabilising the still somewhat fragile SEE states fits in well with the German government's comprehensive security concept, which unites aspects of foreign, security, economic and development policies. The responsibility for German activities that take place under the Stability Pact is principally assigned to the Federal Ministry for Economic Cooperation and Development (BMZ) and the German Federal Foreign Office. BMZ is primarily responsible for economic reconstruction (WT II) and thus administers by far the largest share of German SP funds. Through its main development organisations, GTZ (providing Technical Cooperation) and KfW development bank (providing Financial Cooperation), BMZ pursues a coherent and multi-layered approach to SEE. In 2005 BMZ defined three key areas of German bilateral development cooperation with SEE:³¹ (1) fostering the economy and employment; (2) supporting reforms in the administration and the judicial sector; and (3) rehabilitating and expanding the public infrastructure.

Through GTZ, German development cooperation in SEE has placed considerable emphasis on developing and strengthening individual and institutional capacity. GTZ's services generally consist of: (1) providing advisory services to individuals, organisations and institutions; (2) providing training and other capacity development measures; and (3) extending financial support to partners through subsidy contracts. Way back in the early 1990s, GTZ – on behalf of the German government – became active in the region. Naturally, in the immediate aftermath of the Kosovo war in 1999, German development cooperation within the SP was at first largely motivated by considerations of foreign and security policy: not only was the region directly in the EU's own backyard, but Germany was also among those countries most affected by the refugee crisis following the break up of the former Republic of Yugoslavia. Even before the end of hostilities, GTZ had, in cooperation with national and local partners,

21. Commission of the European Communities (2003), "EU-Western Balkans Summit Declaration", (press release 10229/03), Thessaloniki, 21 June 2003.

22. SC/SP (2005a), p. 3.

23. See G. Frier (2004), "The Stability Pact, the Stabilisation and Association Process and the New EU Strategy: An Attempt to Set out the Political Context", p. 17.

24. See I. Brisek (2005), "Blat and Home – Österreich und der Balkan", p. 13.

25. Brisek (2006), Brisek (2004), p. 23 and Brisek (2005), p. 11.

26. Regarding the funding, limited to date, of regional cooperation projects by CVRFS, the SAP financial instrument, see SC/SP (2005b), p. 5.

27. See Schacker (2004), 36ff.

28. See Frier (2004), p. 17.

29. German Federal Government (2005), *Working together for Germany – High Contract and Coalition Condition Agreement between the CDU, CSU and SPD*, 11 November 2005, p. 131.

30. Between 2000 and 2003 alone, the Federal Republic of Germany made available a total of about 645.1 million of special funds for projects and programmes under the SP, see BMZ (2007), *Die Maßnahmen der Bundesregierung im Rahmen des Stabilitätspaktes*, p. 15.

31. See BMZ (2005b), *Mehrheit hat in Europa – Die Partnerschaften des Bundesministeriums für Wirtschaft und Arbeit*, p. 16.

implemented a range of emergency relief projects, with the objective of ensuring the survival of people affected by war as well as providing or rehabilitating basic infrastructure. The projects included the reconstruction of vital railway bridges, the delivery of food and seeds to central Bosnia, as well as the reconstruction of public institutions in Kosovo, such as hospitals and schools.³³ Resulting from its ability and capacity to plan, manage and steer development-oriented emergency relief projects even in times of actual conflict – GTZ was able to make a valuable contribution towards political, economic and social stability.

Building on these rather short-term support measures, the German government then commissioned GTZ to move towards long-term orientation support: thus moving from addressing the immediate needs of people to institutional development assistance geared towards creating a more enabling environment for better economic perspectives in the region. Despite facing a range of complex challenges, GTZ, in its role as development service provider, pursued some basic principles in SEE that are at the core of sustainable development; namely participation, ownership, shared responsibility, subsidiarity and transparency. However, the very nature of the fragile environment required GTZ to develop a special profile in order to accomplish its work successfully. This profile is characterised by (1) a high degree of flexibility in planning and management in order to be able to (re)act adequately in the dynamic environment, using emerging “windows of opportunity” whenever possible; (2) a clear partner focus in terms of the partner’s interests, capacities and constraints; (3) a balance between providing longer-term institutional support and measures with more immediate benefit as a visible “peace dividend” for the wider population; (4) a strategy of incorporating its direct advisory services and financial support provided to its (often weak governmental and non-governmental) partners into emerging structures and capacities, thus avoiding becoming a substitute for them; and (5) the ability to establish and carefully manage relations, and to negotiate working agreements with a variety of state and non-state actors in SEE, so as to deliver useful services that do not exacerbate existing tensions (something that cannot be taken for granted, looking at the experiences of development cooperation in conflict-prone environments).

In developing its SEE context-related profile, GTZ followed the principles outlined in the 2005 Paris Declaration on Aid Effectiveness and its recommendations on “and effectiveness in fragile states”, in particular, namely to focus on state-building by helping to establish resilient institutions that can withstand political and economic pressure.

Following the period of immediate emergency relief assistance, the focus of GTZ’s support was especially directed at the areas of economic rehabilitation and development (including capacity development through vocational training), local

development, youth cooperation and the rehabilitation or establishment of a judicial system. In this context GTZ supported a range of projects that closely linked the objectives of economic and judicial reform. Examples of this are the support to reforming business laws as well as land and cadastral systems on the one hand, and advisory services to privatisation efforts as well as direct assistance to the implementation of projects in the fields of vocational training and communal development on the other. The overall aim of any GTZ measures designed to support economic growth was always to increase employment so as to ensure sustainability.

Two examples from Albania and Bosnia and Herzegovina clearly illustrate the concept and practice of German Technical Cooperation. In northern Albania, GTZ is assisting in the implementation and supervision of measures designed to intensify the dialogue between politics and local business. GTZ’s support mainly focuses on measures to increase location marketing, start-up initiatives, tourism and agriculture as well as measures to improve the efficiency of the public service sector. Since the project started, the functional cooperation between district administrations, local authorities and the chambers of commerce and industry has been decisively strengthened. Furthermore, the first draft of a regional development plan in compliance with EU specifications has been drawn up, and successful cooperation networks in the agrarian sector have been established. At the same time, GTZ has supported the Albanian government in its efforts to increase the institutional, political and economic conditions for the conclusion of a SAA with the EU. It has also coordinated the drafting for the first time of a structured annual report by several governmental institutions on the country’s administrative reform process; this report forms the basis for future negotiations with the EU. Moreover, GTZ’s expertise has been used to expand and strengthen vocational training in the public and judicial sectors. With this concept of closely interlinking administrative, judicial and economic reforms, GTZ has contributed to fostering employment as well as strengthening the private sector. This in turn represents a key contribution to the long-term process of economic growth.

In any conflict-prone environment, the younger generation is of key importance, since youth represent and often shape the post-conflict future of a country. If there is no visible “peace dividend” in economic, social but also political terms – youth can easily contribute to the derailment of any post-conflict reconstruction process. This obviously applies to SEE, too. An important starting point in SEE was to address the mindset of the younger generation: a world-view shaped by mistrust, prejudices and experiences of violence. Thus, fostering tolerance and cooperation among young people as well as offering them life perspectives was seen as an indispensable prerequisite for a lasting peace in a region so troubled by ethnically and religiously motivated violence. Accordingly, this field played, and continues to play, a significant role within the German government’s, and thus GTZ’s, strategy in SEE. In Bosnia and Herzegovina, for instance, GTZ cooperates with public institutions, NGOs and youth representatives in developing and implementing youth support programmes. Activities include establishing and advising a national body in charge of organising a

³³ See C. Reier (2005), “Entwicklungsmaßnahmen im Wandel Südosteuropas”, paper at the symposium “Development and Transformation in a Globalised World”, 12ff.

nationwide policy to support youth, and the teaching of principles and strategies of modern youth work to instructors working for state and non-state actors. It is envisaged that as a next step, these instructors will then be able to develop new youth programmes independently.

In the second major field of German development cooperation with SEE, financial cooperation, the KfW development bank aims at increasing investment in both economic and social infrastructure. In cooperation with other donors, the bank has, for instance, been able to contribute to the improvement of living conditions, and to support a return to sustainable economic growth within the region. The main areas of activity are microfinance and the promotion of small and medium-sized enterprises as well as the banking sector. Together with the European Agency for Reconstruction (EAR), for example, KfW development bank is helping to reconstruct the Serbian energy sector and the water sectors in Kosovo, Albania and Montenegro.³³

All German development efforts in SEE must be seen within the larger framework of the Paris Declaration, which has so far been adopted by more than 120 countries, international organisations and civil society organisations, in order to increase the efficiency of today's development cooperation. One of the most important stipulations of this agreement is the call for more regional ownership of the development process. Without such a takeover of responsibility by the respective partner countries, no sustainable development can be achieved. The concept of "local ownership" has, as mentioned above, been one of the key elements of German development cooperation for many years. The SP itself, moreover, is also presently increasingly moving in this direction.

Yet some crucial challenges remain on the way to achieving lasting results from development cooperation in SEE. The SP's successes in the area of coordinating the various donors from within the international community increase the danger that political decisions might not be taken by the governments of some of the receiving partner countries themselves, but that they are rather driven by interventions or external pressure (i.e. from the EU and the international community). Regular democratic changes of government in the different partner countries represent another albeit rather structural and general limitation to the degree of effectiveness of sustainable development assistance. For these often not only entail a change of personnel at the political level, but also at the level of key administration officials. This, in turn, can sometimes make it more complicated to achieve a continuous and coherent development cooperation process. But of course, the latter phenomenon is a normal part of any democratic process. Moreover, the SP has in many cases managed to ensure remarkable smoothness and continuity in the cooperation process, even during governmental transitions.

4 *Opening up a new chapter: Regional ownership*

2005 marked a significant turning point in the history of the SP: its administration launched a regional ownership process in an effort to increase the share of SP-led governments in initiatives under the SP umbrella. Upon completion of this process current estimates suggest this will be by early 2008 – the SP in its present form will cease to exist and will be replaced by a new framework for regional collaboration called the Regional Cooperation Council (RCC). This new entity will unite representatives of SEE, including the United Nations Mission in Kosovo (UNMIK) and the international community. This should ensure that the unique composition of the SP's Regional Table, where all countries participate on an equal footing, is maintained. The proposal aims at preserving the quality of the regional cooperation processes undertaken in recent years. Only if the benefiting countries are strongly involved in the decision-making process can the legitimacy of the influence of the SP be secured. The Pact's decision-making procedures therefore increasingly include the South-East European Co-operation Process (SEECp), the "voice" of SEE.

One of the objectives for progressing from the SP to the RCC is to streamline the organisation, to make it more effective and to place it more firmly into the framework of regional ownership.³⁴ Against the background of still limited regional capacities, there is a "clear need for prioritisation and focus on those areas of most crucial importance to the development of the region."³⁵ While the SP is currently working on twenty-five different areas via task forces and secretariats located in the region, the RCC will focus on just five priority areas: economic and social development; infrastructure, justice and home affairs; security cooperation; building human capital and parliamentary cooperation – an overarching supporting theme.³⁶ By increasing regional ownership, the general expectation is that the SEECp will play a central role in supporting the RCC, both financially and politically. In order to seize this opportunity, the SEECp would be well advised to nominate a strong political figure from the region as Secretary-General to ensure that the regional cooperation process moves in the right direction.³⁷

³³ Busack (2006).

³⁴ See SP (2006b), p. 4.

³⁵ See SP (2006), SEE Countries Agency for Establishing Regional Cooperation (draft), p. 15. See also

³⁶ See SP (2006), SEE Countries Agency for Establishing Regional Cooperation (draft), p. 15.

³⁷ See Busack (2006).

Conclusion

The fragility of the state system in SEE that is a result of the break-up of the former Federal Republic of Yugoslavia poses a special challenge to the international community, in terms of both its national and its regional dimensions. The emergence of several new states led to a number of long and bloody conflicts driven by power interests and fuelled by ethnic tensions, and in turn prompted the EU, the UN and several non-European governments (notably the US) to join forces in 1999 to make a comprehensive effort to stabilise the region.

The two main strategies selected for this stabilisation process were the SP and the SAP. The SP's three Working Tables examining "Democratisation and Human Rights", "Economic Reconstruction, Cooperation and Development" and "Security Issues" were seen as suitable focuses of activity in efforts to stabilise the region because they addressed the main causes of state fragility. A central precondition for the success of these measures was the close cooperation between actors from politics, the economy and civil society. The prospect of being accepted as a candidate for EU membership provided crucial support for the stabilisation process in the region.

Such wide-ranging stabilisation efforts go well beyond the normal extent of development cooperation.⁴⁸ In SEE, defence, foreign affairs and development policies needed to be closely interlinked. The required measures ranged from military interventions via subtle diplomatic talks to the reconstruction of whole cities and villages. It was only through the persevering commitment of a large number of players that the current state of regional stability could be realised. However, any transfer to other fragile state systems is complicated because of the financial dimension of the donor community's involvement in SEE, as well as the range of instruments employed.

Given the magnitude of the challenge, certain mistakes in the programme structures of the SP and the SAP were unavoidable. Some important issues concerning the political framework also still remain unsettled, and the open status of Kosovo and persistent ethnic tensions in Bosnia and Herzegovina are the most pressing. Another problem is the lack of full cooperation of some governments with the war crimes tribunal in The Hague. A full integration of SEE into Europe's foreign trade structures also remains to be achieved. Migration pressure to the EU remains high. Finally, the EU membership option has been put on hold for the time being in the case of some SEE countries.

All in all, however, one can hardly ignore the significant political achievements, economic growth and relative security in an ethnically and religiously problematic environment.⁴⁹ The restoration of state functions in central areas such as

parliamentarism, public administration, jurisdiction and law enforcement, financial management, schools and education has strengthened the positive stabilisation results and placed a sustainable development of the region within reach. Therefore Heidemarie Wiecezorek-Zeul, the Federal Minister for Economic Cooperation and Development, was right to conclude in 2005 that, after its first six years, "the Stability Pact has been successful."⁵⁰

Putting emphasis on institutional and individual capacity development has proven to be a necessary, and thus appropriate, cornerstone of the strategy of German development cooperation in SEE. GIZ, with its experience and expertise in capacity development, and its commitment to supporting sustainable development, continues to be well-placed to become a major development service provider in the region. The specific profile developed by GIZ to ensure that it "does no harm" but rather makes constructive contributions towards stability and development has proven to be both necessary and appropriate. However, in more general terms, a fragile region such as SEE poses a challenge in regard to the attainment of development policy goals. Progress in this regard is at times only gradual, and can even suffer from setbacks. This is an experience which needs to be considered and reflected upon by those at the political as well as the implementation level with regard to providing development assistance in fragile states or regions.

Looking to the future in SEE, simply being content with what has been achieved and not pressing on would have fatal consequences. A premature withdrawal of the donor community from SEE could weaken the people's confidence in the reform process and endanger the legitimacy of state institutions. Stabilisation is a process that requires endurance until it finally becomes irreversible.⁵¹ To ensure that the basis of new statehood becomes permanent, both the international community and the EU have to firmly commit themselves to ongoing support and cooperation. The German government strongly backs the concept of achieving this aim by means of greater regional ownership. In order to perpetuate the process of stabilising the region, Germany concurs with the EU Commission's objectives for SEE to foster trade, economic development, the movement of persons, education and research, regional cooperation and civil society dialogue.⁵² If all partners continue to strive towards achieving these ends, the stabilisation and development of the fragile states in SEE will move a little closer still, as will full EU integration.

40 „Der Stabilitätspakt ist erfolgreich“ [The Stability Pact has been successful], (BMZ press release), 4 August 2005.

41 See BMZ (2005), 37ff.

42 See Commission of the European Communities (2006) "The Western Balkans on the Road to the EU - Consolidating Stability and Raising Prosperity" (Communication of the Commission of the European Communities), 17 January 2006.

48 BMZ (2005a), *Überwindendes Konzept zur Krisenprävention, Konfliktlösung, Friede und Entwicklung in den Westbalkanstaaten* (Office Working Paper), 6ff.

49 As rightly concluded by BMZ (2005), the "subsequent implementation can only be regarded as highly successful" (translated by author), p. 16.

References

- Beyer, C. (2005). "Entwicklungszusammenarbeit im Wandel Südosteuropa", paper at the symposium "Development and Transformation in a Globalised World", held by the Geographical Institute of the University of Tübingen, 29 April 2005.
- BMZ (2005a). *Übersichtliches Konzept zur Krisenprävention, Konfliktbearbeitung und Friedensförderung in der deutschen Entwicklungspolitik*. Bonn: BMZ.
- BMZ (2005b). *Stabilität durch Integration Die Entwicklungspolitische Zusammenarbeit mit Südosteuropa*. Bonn: BMZ.
- BMZ (2005c). *Der Stabilitätspakt für Südosteuropa. Weichenstein der Entwicklungszusammenarbeit und Wegweiser zu neuen Handlungsformen*. Bonn: BMZ.
- BMZ (2001). *Konzept für die Förderung der gleichberechtigten Beteiligung von Frauen und Männern am Entwicklungsprozess*. Bonn: BMZ.
- Bussek, E. (2006). "Speech at the 2006 Regional Table of the Stability Pact". Belgrade, 30 May 2006.
- Bussek, E. (2005). "Blut und Honig – Österreich und der Balkan". *Der Donauraum*. Vol. 45 (3/4), pp. 9-15.
- Bussek, E. (2004). "The Stability Pact: Adapting to a Changing Environment in South Eastern Europe – Successes and Remaining Challenges". *Südosteuropa-Mitteilungen*. Vol. 44 (4), pp. 20-25.
- Commission of the European Communities (2006). "The Western Balkans on the Road to the EU: Consolidating Stability and Raising Prosperity". (Communication of the Commission of the European Communities, 27 January 2006.
- Commission of the European Communities (2005). "2005 Enlargement Strategy Paper". 9 November 2005.
- Commission of the European Communities (2003). "EU-Western Balkans Summit Declaration", (press release 10229/03), Thessaloniki, 21 June 2003.
- Erlert, G. (2004). "The Stability Pact, the Stabilisation and Association Process and the New EU Strategy: An Attempt to Set out the Political Context". *Südosteuropa-Mitteilungen*. Vol. 44 (4), pp. 11-19.
- German Federal Government (2005). *Handing together for Germany – With Courage and Compassion Coalition Agreement between the CDU, CSU and SPD*. 11 November 2005
- Gligorov, V. (2006). "Western Balkans Economic Development since Thessaloniki 2003". Note at the informal Meeting of Ministers of Foreign Affairs, Gymnich, Salzburg, 10-11 March 2006. Available from <http://www.wm.ac.at/balkan/files/WB-nemo.doc>
- Gligorov, V. (2005). "Western Balkan Free Trade Area". *European Balkan Observer*. Vol. 3 (3), 16th
- Gligorov, V. (2004a). "Database on Foreign Direct Investment in Central, East and Southeast Europe". (press release) 1 June 2006, p. 59. Available from: http://www.wm.ac.at/pdf/ldb_maf/06_press_eng.pdf
- Gligorov, V. (2004b). "The Economic Development in Southeast Europe after 1999-2000". *Südosteuropa-Mitteilungen*. Vol. 44 (4), pp. 54-77.
- Kapferschmid, F. (2006). *Strategies in Fragments: A Study in the Re-arranging of the Fragments of the Former Yugoslavia*. Berlin: Stiftung Wissenschaft und Politik. Available from http://www.wsp-berlin.org/de/common/get_document.php?id=1644
- Prache, R. (2004). "The European Perspective of the Western Balkans: Its Regional Dimension and the Contribution of the Stability Pact". *Südosteuropa-Mitteilungen*. Vol. 44 (4), pp. 40-47.
- Schaefer, M. (2004). "Regional Cooperation as the Road to the European Union: The Future of the Stability Pact". *Südosteuropa-Mitteilungen*. Vol. 44 (4), pp. 34-39.
- SC-SP (2006). "SEI Countries Agree to Establish Regional Cooperation Council". (SP press release), 30 May 2006.
- SC-SP (2005a). *Stabilität Pakt für South Eastern Europe*. Annual Report 2005. Available from <http://www.stabilitypact.org/RI%20Prague-AR2005%20final.pdf>
- SC-SP (2005b). *Senior Review Group of the Stability Pact for South Eastern Europe*. (Final Report for Discussion at the Regional Table in Prague), 7 November 2005.
- SC-SP (1999). *Stabilität Pakt für South Eastern Europe: Constituent Document*. Cologne, 10 June 1999. Available from <http://www.stabilitypact.org/constituent/990610-cologne.asp>
- Stimmer, R. (2004). "Comment: Five Years of Stability Pact – Time to Take Stock". *Südosteuropa-Mitteilungen*. Vol. 44 (4), pp. 48-52.

