

EIB Forum
Athens, 19-20 October 2006

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South-East Europe – A Region on the Move

The outlook for South-Eastern Europe on the way to the EU

President, Excellencies, Ladies and Gentlemen, I am pleased to be at this year's EIB Forum dedicated to "South East Europe – a region on the move".

The European Investment Bank is a key partner of the European Commission in the region. We are working together to move South-Eastern Europe forward towards growth, dynamism, and a future-oriented perspective. I want to see people in this region talking more about their common European future and less about the divisions of the past.

The next year will see some major challenges in the region. Let me start with the major political event that lies ahead of us in South East Europe - the completion of the fifth enlargement of the European Union. **Bulgaria and Romania** will take on the rights and obligations of EU membership on 1 January 2007. The people of these countries deserve our congratulations for their efforts to prepare for accession. This does not mean that there is no further homework to be done. The Commission will continue to monitor the new members' progress in meeting their commitments in important areas such as judicial reform, the fight against organised crime and combating corruption.

The other countries of South-Eastern Europe on the enlargement agenda have also made progress on their way towards the EU in the past year. Croatia and Turkey are moving forward in their accession negotiations, while the former Yugoslav Republic of Macedonia is now a candidate country. We concluded negotiations on a Stabilisation and Association Agreement with Albania this year, and we are negotiating for such agreements with Bosnia and Herzegovina, and with Montenegro. I hope that we can resume negotiations with Serbia very soon, once Serbia has met its international obligations to cooperate with the International Criminal Tribunal in The Hague.

With all these countries, the EU has a very clear policy: if they make fully meet the conditions for each stage in the accession process, we will reward their progress. Our conditionality is very rigorous, and there are no short-cuts along the way. They have to undertake reforms with determination over many years. But at each stage, the EU will stick to its commitments and let them move from stage to stage once they are ready to do so.

On 8 November, the Commission will set out in a report the work that the future members have to undertake to meet the rigorous requirements for accession, and also the areas that the EU will have to consider over the years ahead to ensure that it can continue to function effectively as it also continues to enlarge. Our concept of absorption capacity – or integration capacity – is functional rather than geographical.

It is in this context that President Barroso clarified recently his view that a new institutional settlement should have been born by the time the next member is going to join the Union. While we prepare internally for further institutional reforms, the carefully managed accession process continues with the countries of South-eastern Europe. It is a simple fact of timing that the EU will have to come to a new institutional settlement before the next likely accession – that of Croatia – takes place.

The preparatory work by the enlargement countries has great value in itself, because it offers them the opportunity to transform themselves while preparing to join. Enlargement has proven to be one of the most important instruments for European security. It reflects the essence of the EU as a civilian power; by extending the area of peace and stability, democracy and the rule of law, the EU has achieved far more through its gravitational pull than it could ever have done with a stick or a sword.

The EU needs to reinforce its "shock absorption capacity" by reforming its policies and institutions to deal with a changing world. But we must keep making progress on these matters in parallel with enlargement, not hold the Western Balkans and Turkey hostage to our internal debates.

The current enlargement countries are chugging along the track to the EU, not rushing towards accession like a high-speed train. But it would undermine our own conditionality and strategic interest if we gave them the impression that they are on the road to nowhere.

Ladies and Gentlemen,

The countries of South-Eastern Europe will need substantial financial support as they strive to prepare for EU membership. Kosovo is at the top of our agenda for the coming period. I hope that we will have a clear view of its future status by the end of this year. **Kosovo** will need a considerable amount of assistance to ensure its political and economic sustainability. The European Union will take a leading role in this process. In particular, the European Commission is planning to organise a donors' conference as quickly as possible after status settlement, in co-operation with the World Bank.

I am confident that the EIB will stand ready to support Kosovo as soon as its status becomes clear. The EIB and other lenders will need to be key supporters actively involved in the preparation of the donors' conference.

For the whole region, the Commission has proposed to create a single **Instrument for Pre-Accession Assistance** – known as "IPA" – which will bring together all the existing financial instruments of the EU.

IPA will offer a total of €11.5 billion for the period 2007-2013. However, for enlargement and pre-accession policy to be successfully implemented, assistance funded by the Community budget is not enough. The needs of the beneficiary countries in the years ahead are enormous. The European Investment Bank is a key partner of the European Commission in this respect. I see the European Investment Bank's role lying in facilitation of large-scale investments in the candidate and potential candidate countries.

The June European Council welcomed the intention of the Commission to extend and to intensify its cooperation with the European Investment Bank and other international financial institutions, particularly in the Western Balkans. The Commission is intensifying its cooperation with the EIB in the pre-accession area on many fronts:

(1) The Commission has proposed to increase substantially the amount reserved in the Community budget to cover for eventual losses of EIB lending operations in the pre-accession area. The amount proposed for the extension of the "**external lending mandate**" under the new financial perspective 2007 to 2013 is €9 billion, an increase of around 80% compared to the amounts guaranteed under the last financial perspective for the same countries. The message is clear: **The Community wants the European Investment Bank to put a strategic focus on South-East Europe and enhance its lending activities in the region.** The Council is now discussing the Commission's proposal, and we hope for a decision before the end of this year.

(2) As the role of the EIB is being re-enforced in the candidate and potential candidate countries, **the role of the European Investment Fund** in the region should be strengthened. I encourage the EIB to support the work going on to ensure that the European Investment Fund will have a clear mandate to support SMEs in all candidate and potential candidate countries in the future.

(3) The Commission is planning to extend its grant-funded co-operation at regional level with the European Investment Bank **to strengthen the financial sector**, to promote **energy-efficient investments** and to support the preparation of **large-scale infrastructure projects** in both the Western Balkans and Turkey.

In view of the financial needs of the region, the Commission welcomes the efforts of all other players that bring additional support to the region. International Financial Institutions such as the European Bank for Reconstruction and Development, the Council of Europe Development Bank and the World Bank Group not only bring additional funding but also valuable expertise to the region. Based on the amended Memorandum of Understanding between the Commission and the International Financial Institutions, **I call on the EIB to step up its efforts to co-ordinate with the International Financial Institutions that are active in the pre-accession region.**

The example of the **European Fund for South East Europe** shows that International Financial Institutions can co operate successfully and also attract the **private sector** to invest. The Commission will continue to support this innovative instrument for supporting micro-enterprises.

Numerous challenges lie ahead for the countries of South East Europe and the European Union. The accession process is vital to encourage the countries to continue with sometimes difficult but necessary reforms. We must keep up the momentum by providing a clear perspective to the people of South-East Europe. This is the only way to secure prosperity, security and stability for Europe in the years to come.

Thank you for your attention.