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**Speaking note for A. de Lecea
JVI Policy Research Conference
“Economic Governance and
Sustained Growth in the
Balkans”; jointly organized by
DG ECFIN and the JVI;
15-16 March 2007 – JVI, Vienna**

Opening remarks

Ladies and gentlemen,

It is a great pleasure to be here today and to open the Conference on "*Economic Governance and Sustained Growth in the Balkans*".

I am particularly grateful to the Joint Vienna Institute for having been the driving force behind setting up this conference and playing the host for the next two days.

1. ROLE OF BALKANS FOR EU POLICY

The JVI and DG ECFIN chose to organize this conference that brings to the forefront the Balkans, in particular the Western Balkans, and their economic progress for two important and closely linked reasons:

- first, the Western Balkans are not just any neighbours to the EU. Their future holds the prospect of eventual EU accession; and
- second, one of the biggest challenges in the accession process is the need for a rapid catching-up with EU incomes.

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Croatia and the former Yugoslav Republic of Macedonia are candidate countries, and with the former accession negotiations are already ongoing. The other Western Balkans are so called potential candidates. The distinction between the two groups is a question of how far a country has progressed towards meeting the accession criteria or not.

The EU has therefore a vivid interest in this region, and foremost in their political stabilisation and reconciliation as well as their economic developments and reforms. The EU is committed to, and heavily engaged in, supporting the countries to bridge the gap with the EU and make accession happen.

In particular, the EU

- firstly, offers the *acquis*, **as an important blueprint** for regulatory and institutional reform;
- **secondly, gives technical and financial assistance** to the countries, which has helped them revamp their public governance and institutions suitable for functioning market economies,
- thirdly, applies the **accession criteria**, as an impartial and pragmatic device to foster transition and reforms; and more generally
- lends the **prospect of accession**, as a catalyst for reform and anchor for political and economic stability.

2. CHALLENGES

Yet, EU support and an EU perspective are not sufficient to make either economic prosperity or accession happen. Countries need to press ahead with reforms, stabilisation and institution building.

The countries in the region share the common challenges of any transition economy. On top of that, there has been a very difficult process of redefining the role and boundaries of states in the region. Partly linked to this legacy, the quality of public sector governance and the process of institution-building are less advanced in the Western Balkans. This has tangible bearings on the growth potential in the region and the degree of economic and financial stability surrounding the process of reform and catching up.

Developing governance in the public sector is therefore a cornerstone of a successful reform strategy in all countries in the region. Without further deepening and strengthening institutions, building a supportive public administration or ensuring property rights via an independent judiciary system, it will not be possible to achieve a sustainable growth path which is living up to the real potential of the region and to the expectation of its citizens for improved income and social conditions.

3. ROLE OF JVI

The JVI lends the most appropriate framework for this conference, as it has been particularly successful in fostering dialogue and knowledge transfer between economic policy makers from market and transition economies.

In training thousands of officials from transition economies since its start of operations in 1992 of, the JVI has made a valuable contribution not only to transition in general, but also to the successful accession of ten transition economies to the EU.

4. CONCLUSION

In this sense I am looking forward to a fruitful conference. I hope this event will allow us to share our views and insights very frankly in order to deepen our understanding and to advance a common base for reforms and progress in the region.

[I will now pass the floor to Eduard Hochreiter, the Director of the JVI, for his introductory remarks.]