

Serbia and Montenegro

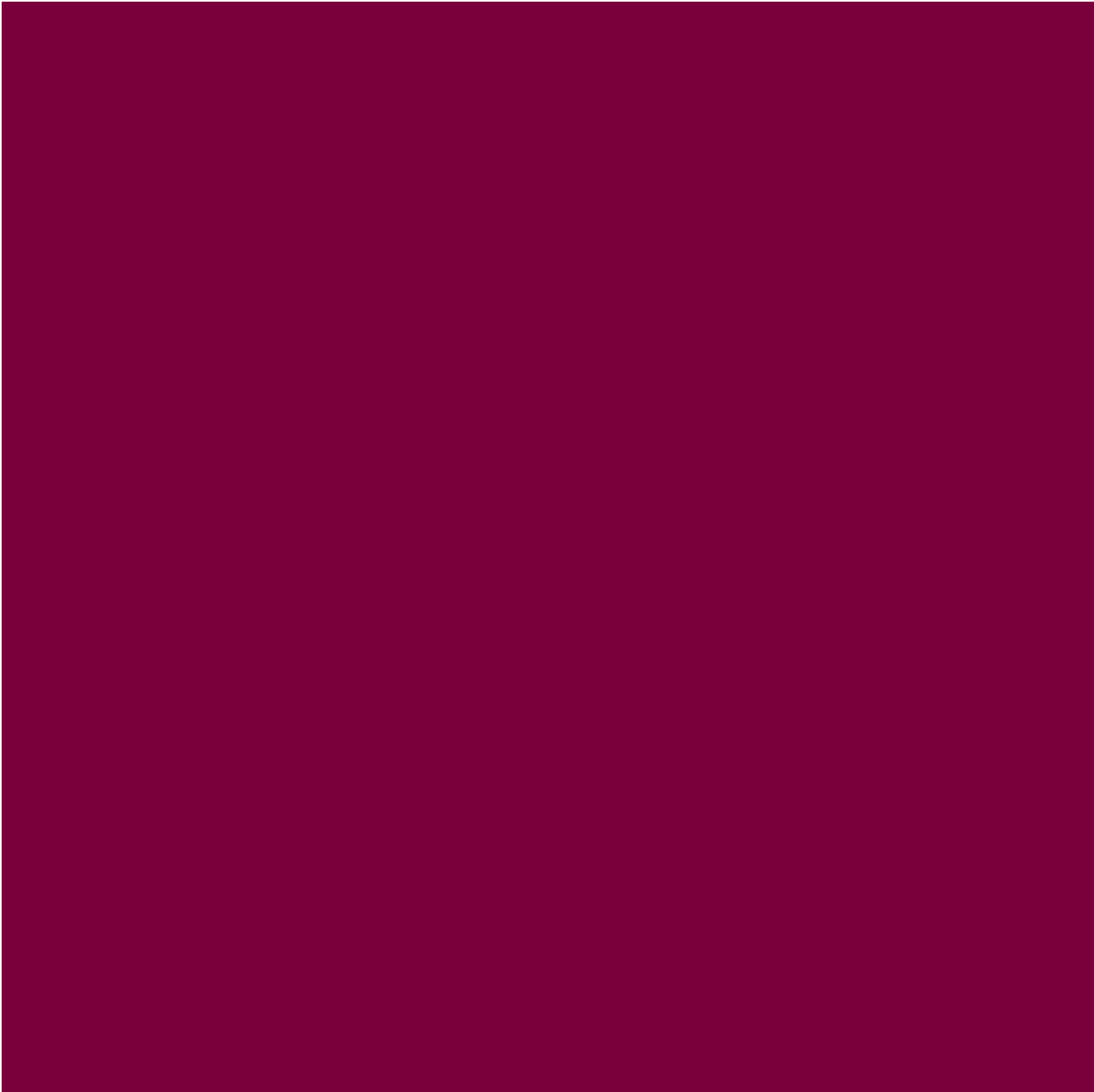


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List of Abbreviations

BTD	Balkan Trust for Democracy
CSI	Crime Scene Investigation
DACU	Development Assistance Coordination Unit
DFID	Department for International Development
DIA	Deposit Insurance Agency
EAR	European Agency for Reconstruction
ECMI	European Centre for Minority Issues
FDI	Foreign Direct Investment
HRM	Human Resource Management
ICTY	International Criminal Tribunal for the former Yugoslavia
IOM	International Organisation for Migrations
IPA	Instrument for Pre-accession Assistance
JTC	Judicial Training Centre
MIA	Municipal Infrastructure Agency
MIER	Ministry of International Economic Relations
MIPD	Multi Indicative Policy Document
MIPD	Multi-Annual Indicative Planning Document
MONSTAT	Statistical Office of the Republic of Montenegro
NES	National Employment Service
NGO	Non-Governmental Organisation
NIPAC	National IPA Coordinator
PAR	Public Administration Reform
PFM	Public Finance Management
PRSP	Poverty Reduction Strategy Paper
RIA	Regulatory Impact Analysis
SAA	Stabilization and Association
SCTM	Standing Conference of Towns and Municipalities
SHC	Swedish Helsinki Committee
SME	Small and Medium Enterprises
SNPB	Swedish National Police Board
SORS	Statistical Office of the Republic of Serbia
ToR	Terms of Reference
UNDP	United Nations Development Programme

1. Summary

The overall progress for Swedish cooperation in Serbia and Montenegro is very good. MSEK 196 was disbursed in 2006, one the largest amounts since cooperation started. Several projects achieved commendable results, such as the Business Registration Agency Project, the anti-corruption project Nikolai in Serbia, and the Juvenile Justice project in both Serbia and Montenegro. Absorption capacity remains an obstacle for progress with reforms. Most progress depends on the extent to which cooperating government institutions and ministries act as driving forces.

Overall, Swedish assistance supports Serbia's and Montenegro's striving towards EU accession. Projects are in line with EU partnerships and Governments priorities for their rapprochement towards the EU. The current strategy for development cooperation remains relevant for both Serbia and Montenegro, although it is very wide in scope and needs concentration. The 2006 work plan has been followed, with few exceptions. Measures foreseen by the Poverty Reduction Strategy and the measures of the European Partnerships should go hand-in-hand to achieve the medium term goal of bringing back the countries to the European mainstream.

Coordination and harmonisation with other donors still needs improvement. Sida has developed a particularly strong working relationship with DFID, not least between the representatives of the two organisations in Belgrade, and discussions continue with other donors. The Serbian government has recently shown interest in improving donor coordination and harmonisation, and the donor communities have started to work towards more coherence and harmonisation.

2. Political and Economic Development and Poverty Alleviation

The death of Slobodan Milosevic on 5 March was followed by renewed demands from the ICTY, that the Serbian government arrest General Ratko Mladić and transfer him to the Tribunal by 30 April. This failed and prompted the EU to announce the suspension of negotiations on the Stabilisation and Association Agreement (SAA) between the EU and Serbia and Montenegro in early May. Technical and expert consultations are still taking place through the regular sessions of the Enhanced Permanent Dialogue, but more strategic discussions have been postponed until further notice.

Following a referendum on 21 May, Montenegro declared its independence and was subsequently recognised as an independent state by the international community. The State Union of Serbia and Montenegro was subsequently dissolved. On 5 June 2006, the Serbian National Assembly decreed Serbia to be the successor state of the State Union of Serbia and Montenegro. The Republic of Serbia thus remains party to all international agreements, treaties and conventions of the dissolved Union.

A referendum on a new *Serbian* constitution was held 28–29 October 2006, and it was approved by the electorate. The new constitution contains some positive provisions on human rights and the protection of minorities. The new constitution caused international concern as it contains an ambiguous reference to the status of the province of Kosovo, and many civil rights groups voiced concern, not least because of the rapid process and lack of consultations. Following the endorsement of the constitution by the Serbian parliament on 9 November, new parliamentary elections were called for January 2007. One effect appears to be that the Serbian government does not function fully, which has caused concern in the development cooperation.

The position of the ruling coalition in *Montenegro*, that strongly advocated independence, was strengthened after the referendum. General elections were held on September 10 and gave a renewed mandate to the ruling coalition led by the Democratic Party of Socialists, DPS. This was followed by the unexpected departure from the PM post of Milo Djukanovic, who has been in power since the 1980's. On 10 November Parliament elected a new cabinet, headed by former Justice Minister Zeljko Sturanovic. Membership in the World Bank and IMF was approved by the Boards of Governors to take effect on 18 January 2007.

Serbia has ratified the majority of human rights-related international conventions. The authorities have made some progress in implementing relevant commitments, such as establishing 'Minority Councils' for most of the main ethnic groups, which provide a more effective means for minorities to raise issues of concern with authorities; adopted a government strategy for tackling discrimination and better integration of the Roma community; and taken steps to address the inter-ethnic related problems in South Serbia. Problems in the justice system have not been adequately addressed. The notion of political manipulation in rule of law remains problematic and the general understanding of human rights concerns remain limited.

Following independence, *Montenegro* is expected to respect human rights commitments made while part of the State Union, to ratify relevant international conventions and ensure that they are fully implemented. The new constitution, foreseen in 2007, is expected to affirm Montenegro's commitment to defend human rights and implement international human rights legislation. National legislation on the protection of national minorities was adopted in May 2006, but further efforts are needed to implement it. Establishing freedom of the media, an independent judiciary, police reform, better accountability mechanisms for treatment of detainees by prison and law enforcement agencies, and combating human trafficking are all areas that need to be addressed.

Serbia and Montenegro ratified the UN convention on corruption and signed the Council of Europe Law on Corruption in 2005. Some measures have been taken against corruption, and the situation has somewhat "improved". Despite some progress in adopting strategic and planning documents and investigating corruption cases, the situation requires considerably more action to achieve results on the ground in Montenegro; and the anti-corruption strategy in Serbia needs to be implemented without further delays.

The SAA negotiations with *Serbia* are still suspended. Negotiations for visa facilitation and readmission agreements with Serbia were opened in November 2006. Together with other countries in the region, Serbia signed the Central European Free Trade Agreement (CEFTA), replacing bilateral free trade agreements in the framework of the Stability Pact for South Eastern Europe, and thus complying with the EU recommendations that prospective member states shall be prepared for EU membership by establishing free trade areas. Montenegro has made some progress in approximating legislation and policies with European standards, but is still at an early stage of preparations. Considerable resources need to be allocated to deal with the challenges of introduction and full implementation of legislation. Serbia on the other hand has made good progress in approximating its legislation and policies in most areas, and has overall strengthened its administrative capacity to be able to implement the SAA properly.

After independence, an evaluation of *Montenegro's* cooperation with the ICTY stated that it was satisfactory, and negotiations towards an SAA resumed in September. The government submitted its first Economic and Fiscal Programme (2006–2008) in the framework of enhanced economic policy cooperation with the EU. On 18 December Montenegro and the EU completed the last technical round on the SAA. The Agreement will be signed in early 2007. The country signed the Central European Free Trade Agreement (CEFTA) on 19 December 2006. The ratification of the agreement is expected during the first half of 2007.

IPA support has been approved with € 180 million annually for Serbia and € 30 million for Montenegro for the next three years. A major concern is the programming of IPA funds as neither of the Governments have the capacity. Both Governments are very concerned that IPA programming is far more complex than the CARDS programming. Phasing in of the EU Delegation, expected to take over from EAR, is also a major concern. Staff was needed already in 2006, but hiring will not be completed until 2008.

The risk of external armed conflicts during 2007 must be considered very low. However, a plausible catalyst for political unrest in Serbia is the completion of the Kosovo status process where inter-ethnic violence cannot be excluded. In September 2006, President Tadic signed a Status of Forces Agreement (SOFA) with the US concerning US forces on the territory of Serbia. The agreement also envisaged increased military co-operation with the US.

A positive step towards further international integration was taken when both Serbia and Montenegro were invited to join the Partnership for Peace on 29 November 2006. In August 2006, Montenegro decided to abolish the compulsory military service and to replace it with a professional army of 2500 troops.

Serbia's economic structure continues to shift gradually away from agriculture and industry towards services. The annual average real GDP growth in 2006 remained strong, 6%, and growth of about 5.5% in 2007–08 is forecast. The growth is driven by the influx of direct investments and an increasing domestic demand, but a major concern is lack of green field investments. A National Investment Plan (NIP) with € 1.7 billion funds from the privatization process was passed by the Government, which has caused concern, especially as it is not included as part of the government's regular budget and planning. The unemployment rate remained relatively high at 21.5% and is estimated to increase by 2% annually during the next couple of years, mainly due to the country's economic transition.

As *Montenegro* was separated from Serbia, there were fears for negative economic effects. However, the shift has proved smooth for the Montenegrin economy due to a higher degree of industrialisation and better employment rates. GDP grew by 6% in 2006. During the second half of 2006, the Montenegrin Parliament decided upon a wide-ranging reform agenda, including a law on voluntary pension funds, a bill amending the current insurance law as well as amendments that foresee a flat tax rate of 15% for 2007 to be further reduced to 9% from 2010. According to the Employment Agency of Montenegro, the unemployment rate remained at 14.7% by mid-December.

Despite a low HIV/AIDS infection rate in both Serbia and Montenegro, there are more registered cases than in all other countries in the region (except Romania). A concern is that the number of cases is increasing rapidly, partly because of improved registration, partly because of an actual increase. The increase can be seen especially in marginalised and vulnerable groups.

The Poverty Reduction Strategy (PRS) adopted in 2005 will be revised during 2007 in Serbia. The strategy is overseen by the PRS Focal Point, headed by the Office of the Vice-Prime Minister. It forms part of the Government Action Plan, which combines the PRS, the EU Partnership and the Strategy for EU Integration. Despite the advances of the economy, there is no reduction in unemployment. Poverty is still estimated at 9%, with an additional 10–20% just above the margin.

There is still much to improve in donor coordination, although the risk of overlapping seems manageable. Coordination information is scattered in Montenegro. In Serbia, the Development Assistance Coordination Unit (DACU) in the Ministry of International Economic Relations (MIER) plays a key role with a regularly updated database. There are several very positive signs in Serbia to improve the coordination. MIER arranged two donor meetings during the fall 2006 to discuss coordination and harmonisation. The second meeting was a combined effort of MIER with four other ministries, the PRS office and the EU Integration office to present employment generation as a cross-sector issue, and to discuss how to coordinate this with donors. The donor communities have also met, led by the WB and UNDP, to discuss development of sector cooperation issues that should be raised jointly with the new government.

3. Swedish Development Cooperation – Overall Assessment of the Country Programme

The strategy and the cooperation sectors remain relevant for both Serbia and Montenegro, and for the countries further development and integration into the EU. Swedish assistance is well in line with EU partnerships, and work within areas mentioned in the draft IPA MIPDs. However, there is more focus of international assistance in certain areas whereas other areas are lagging behind, such as health and education. A major concern is absorption capacity at central level, and also increasingly highlighted at local level, as a hindrance for development. Absorption capacity is a major cause for implementation delays. A key development is the focus by the Serbian government on cross-cutting themes, including employment generation, where Sweden is involved.

Concentration efforts continue, which will be a central part of the discussions for a new country strategy. The phasing-out of Montenegro is another issue. The combination of limited government absorption capacity, substantial international assistance and the need for a local Sida representative in Montenegro are issues for discussion for phasing-out of most sectors, except human rights.

Coordination and ownership are dialogue areas that remain a concern. Here, several positive events indicate changes in Serbia. MIER in Serbia is taking a lead in coordination with donors, strongly supported by Sida and DFID. UNDP and the WB have initiated donor discussions on policy issues that should be jointly presented to the Serbian government and Sida is active in those discussions. Close contact has been held with EAR, and much time is devoted to EU programmes and strategies. A very strong working relationship has been developed with DFID.

Substantial results have been achieved, such as in the judiciary and anti-corruption, support within the sector of economic development and environment. Some programmes encounter particularly slow progress, such as public administration, mainly related to absorption capacity and ownership.

Several programmes of regional cooperation, such as the PACO Impact anti-corruption programme, SEED Net which establishes a regional gene bank, REC Environmental programmes, the Serbia Cadastre project and regional statistics, contributes to establishment of regional networks, and confirm the interest of professionals to share experiences and knowledge.

Additional financing became available in late 2006 compared to the budget, and the total disbursement was MSEK 196. Although 2007 is considerably over budget, delays in disbursements are expected in several Serbian projects due to the elections, hence necessitating this high forecast. 75% of the budget for 2008 is already allocated to agreed projects.

4. Specific Country Programme Overview of the Swedish Development Cooperation

4.1 Democracy and Good Governance

Interventions have concentrated on building capacities and strengthening the administration of ministries and agencies in accordance with the strategy. Several projects have worked as planned with good results, such as within the *Judiciary and Anti-corruption*. Strong support has also been given within the judiciary, as stated in the country plan, which also mentions *combating of organised crime*, which is linked to the strong efforts within anti-corruption. To this should be added the extensive work in the police sector, both in Serbia and Montenegro. The latter programme will be evaluated during 2007.

Support in this sector remains highly relevant for both Serbia and Montenegro. The country plan has been well aligned with the strategy and the sector is a major area for current, and also future, development cooperation.

Despite its relevance it is also perhaps one of the most challenging sectors, where absorption capacity and lack of staff are common constraints. Thorough reforms require considerable efforts and resources from the Government. There has been intensive legislative work, but the challenge is implementation.

All projects contribute towards EU integration and are in line with European partnerships, as well as with the MIPDs for each respective country. Further integration into the EU will depend on the capacities of the Governments of Serbia and Montenegro and reforms they can implement in this sector.

Support to reforms of the *security sector* in Serbia and Montenegro, apart from the work with the police, is pending changes in the international guidelines for development assistance. This is however an area where Norway has expressed an interest to co-operate with Sweden.

Two project reviews of the *Joint Programme for Support to the Development Assistance Coordination Unit (DACU)*, conducted by Sida and DFID during 2006, showed positive development both in terms of DACU's internal organisation and its relations to other ministries and donor agencies. One recommendation was that DACU work more on profiling its mandate in order to be able to respond efficiently to its responsibilities. DACU plays a key role in discussions with the European Institutions (EU Delegation and EAR), and is the National IPA Coordinator (NIPAC). DACU's contribution in the process of developing the Multi-Annual Indicative Planning Document (MIPD) for Serbia was acknow-

ledged by the DG Enlargement of the EC who are very satisfied with its progress.

The *Development of Modern Human Resources in the Civil Service of the Republic of Serbia* project, now in its final year, gave institutional support to the new Office for Human Resource to implement the new Law on Civil Servants. During training in HRM, a group of future trainers was created to continue this process. Relevant data on all the employees in the Serbian civil service have been entered into the Human Resource Information System developed within this project, for future personnel planning and decision-making. The autumn evaluation concluded that the critical mass of HRM professionals has been created during project implementation. HRM units in some ministries function well but the situation differs across the public administration.

The second phase of the *institutional support to the Standing Conference of Towns and Municipalities (SCTM)* was delayed by extensive discussions between the Ministry of Public Administration Reform and Local Self Governance (MPALSG) and UNDP related to the mandates of the Ministry and SCTM at the local level. Implementation started in October after receiving silent approval on the project document from the Ministry. Project activities focus on developing strategy and business plans so the association achieves self-sustainability within three years.

In 2006 *Partnership in Statistics* programme with the Statistic Sweden (SCB) entered a new phase. The Statistical Office of Serbia and Montenegro ceased to exist after the Montenegrin referendum, and the project now works with two offices: Statistical Office of the Republic of Serbia (SORS) and the Statistical Office of the Republic of Montenegro (MONSTAT). Both offices lack human resources. This problem, along with deficiencies in the managerial system was especially a serious threat to the implementation of the project in MONSTAT. After a joint Sida-SCB intervention in the summer of 2006 the situation has improved, but further engagement on this issue is essential. Both offices are developing well when it comes to quality of the work performed in programme components such as agricultural statistics at MONSTAT, statistical business registers at SORS or energy statistics and energy balances in both offices. The programme is very well coordinated with the programme funded by the EU.

The Sida and DFID supported project on the implementation of the *Serbian Public Administration Reform Strategy (PAR)* was finally launched in 2006. Full implementation of the project goals and the PAR Strategy will strongly depend on the political leadership of the Ministry (MPALSG) and commitment by the Serbian Government to prioritise reforms in this sector. The Ministry is centralised and fragmented with poor internal coordination and high staff turnover, and serious discussions have been held with the Ministry regarding project implementation.

The *Juvenile Justice Reform Initiative in Serbia and Montenegro* Project has achieved very good results, in all aspects of the plan, such as internal reorganisation at institution level, introduction of new working methods and development of new programmes for the inmates. These changes were welcomed both by children and professionals working in the juvenile correctional institute in Kragujevac. Another achievement is the inter-ministerial Juvenile Justice Committee which for the first time gathered representatives of the five ministries and representatives of judiciary and prosecution. The committee was active in 2006 on coordinating policies of different ministries with special focus on children in conflict with the law. In Montenegro, project activities were focused on

providing training on the restorative justice concept to juvenile justice professionals.

In the final year of its implementation the project *Strengthening the System of Misdemeanours and Magistrates' Courts in Serbia* has achieved important results in all three project components (e.g. training of the magistrate judges, development of the reform strategy for misdemeanours' courts and functional review of the Ministry of Justice).

The project contributed to the harmonisation of the reform agenda within the judiciary. The partnership between Association of Magistrates and relevant ministries (Ministry of Justice and Ministry of Finance) has been strengthened. One of the most important project outcomes is the incorporation of the misdemeanours and magistrates' courts into the mainstream judiciary which was defined in the new Law on Misdemeanours and Magistrates' Courts. In relation to this, a strategic partnership has been established with the Judicial Training Centre (JTC) which takes over responsibility for the full training programme of magistrates. As part of the exit strategy the training curriculum, training materials and programmes developed through the project have been transferred to the JTC.

Serbia's *cadastre programme* started its second phase during 2006, and is now running very well. Other projects linked to this area have had difficulties with delays (especially aerial photography financed by the EAR), but this has not affected the Sida financed part. The programme to improve the institutional capacity of the Republic Geodetic Authority of Serbia (RGA) and to bring the Serbian cadastre and registration systems in line with international standards is a key area for property rights security, development of a transparent property market and the economic growth of Serbia. The project increases the effectiveness of the ongoing large-scale World Bank land administration and cadastre project, and is well coordinated with other actors.

During 2006, the Serbian government took measures to make the long-awaited national anti-corruption strategy operational by introducing sound anti-corruption services based on sector action plans. However, there is still a long way to go before the institutional, legal and societal mechanisms for suppressing corruption are fully functional. There is little evidence of law enforcement and only a few cases of investigation, prosecution and conviction on corruption charges.

The fight against corruption is important in Swedish development cooperation in Serbia with a cross-sector perspective throughout the portfolio. Projects have been highly relevant to nationally identified priorities and in full accordance with the stipulations of the European Partnership.

The overall impression is that the *Consolidated Anti-Corruption Training and Publication Programme* is a far greater success than anyone had ever hoped. The main reason is the overwhelmingly responsive attitude of the government, which recognised the importance of training their employees in anti-corruption methodology and embraced the opportunity by putting the best professionals through the programme. The project can be said to have had an invaluable qualitative and quantitative impact, both in terms of the number of officials trained and the quality of the training delivered. Sida's partner, the Management Centre, made a few decisive steps towards sustainability by integrating into the government-funded Institute for Criminological and Sociological Research. They have therefore become eligible for government subsidies.

The Evaluation Report concludes that *Project Nikolaj* has built up the capacities among public administration for anti-corruption work, based on awareness raising, training and publication, commonly accepted as the most practical way to reach results. The project has managed to build up the capacities of a special group, the leaders of tomorrow. A testimony to its success is the impact the project has had on the career advancements and daily work of course graduates. The Report cautions that the full ownership and sustainability of this project depends on a variety of factors, some of which are outside of its immediate context, e.g. development of clear and holistic strategies on how to ensure the impact and further work in the area of anti-corruption on behalf of different organisations.

PACO Impact: Implementation of Anti-Corruption Plans in South-Eastern Europe. Under the auspices of PACO Impact and during its implementation, dramatic legislative and institutional changes towards a more systemic effort against the phenomenon of corruption took place. National anti-corruption policies were established or revised and the groundwork laid for the corresponding institutional mechanisms to support their implementation. Even though it is impossible to provide empirical evidence, at least a part of this progress can be attributed to the Sida-funded programme, primarily in terms of generating the initial impulse for change. The Evaluation Report finds that this project has provided the initial impetus for placing anti-corruption to the forefront on the list of government priorities.

Sida has continued the dialogue with the *Swedish National Police Board (SNPB)*, the main implementing partner in the area of police reform in Serbia and Montenegro, regarding their internal reorganisation and the capacities to keep up with the expanded portfolio. Even though it had been agreed that the SNPB would establish a project office in Belgrade in the autumn of 2006, the SNPB postponed this action to the beginning of 2007. Sida's position on the need of a permanent presence in the region is that it is essential to facilitate the co-operation between the SNPB and the national partner institutions under an expanding portfolio.

Delays in the delivery of the first project activity (development of the CSI Policy and Quality Management System (QMS)) for the *Strengthening of Crime Scene Investigations in Serbia* project was overcome during 2006, primarily by introducing staff changes in the CSI Unit. Ministry officials have indicated their interest in extending the co-operation into a second phase, where they would expand the use of QMS to the entire area of forensics.

The first year of the *Enhancing the Capacity of Modern and Democratic Policing in Montenegro* project was evaluated and the main conclusion was that it was developing according to plan. Trained people had been deployed to perform their tasks in accordance with the newly acquired skills and proficiency and the delivered equipment had been put to use.

One of the biggest problems within the *Anti-trafficking Programme* continued to be the lack of an integrated database for the victims of trafficking, as well as divergent standards and methodologies of gathering data on trafficking. The focus of the State services is on the perpetrators of trafficking in human beings and their crimes, rather than on the victims of trafficking themselves. NGOs possess data on the victims in the reception of assistance, yet lack a codified methodology for data collection, monitoring and follow up. What needs to be established is a mechanism of following up and monitoring the issues of trafficking, based on the institutionalised cooperation between the state and civil society sector. IOM can play a valuable role in this process.

Disbursements during 2006 amounted to MSEK 63.6 or 32.5% of disbursements. Sida remains committed to this sector and it is likely to remain a priority in the years to come, absorbing more than 30% of the budget.

4.2 Respect for Human Rights and Gender

Sida's human rights programme has a value which is double-sided in its nature: on the one hand it provides support to local, grass-roots civil society organisations in line with the first *Copenhagen Criteria* "Stability of institutions guaranteeing democracy, the rule of law, human rights and the respect for and protection of minorities". On the other hand it also has relevance for membership in the Council of Europe (CoE). Work with civil society is also an area highlighted in the EU's draft MIPDs: "Civil society plays a major role in transition societies".

Sida is often engaged in broad strategic issues high on a national agenda through funding in vital areas of human rights protection, such as Roma issues. Sida also cooperates closely with other international donors and state authorities, ensuring a more effective and harmonised delivery of aid.

Despite progress in both Serbia and Montenegro, human rights issues remain highly relevant. Sporadic incidents of harassments and intimidation, such as those involving two local recipients of Sida assistance, the Youth Initiative for Human Rights and Lingua, reflected the social and political framework within which many human rights non-governmental organisations, so-called "human rights defenders" are operating in Serbia, especially those whose focus is on facing the recent past. What is particularly alarming is that the perpetrators of such wrongdoings are encouraged as they are rarely brought to justice. The passivity of the state sends a very disturbing message for all civil society organisations focused on past human rights abuses and the crimes committed in the past. In terms of gender equality measure (GEM), the GEM value for Serbia is lower than all the countries in the region, comparable only to Ukraine. Gender issues have mainly been addressed through the work of Kvinna till Kvinna (KtK) and are also mainstreamed in all projects.

Most projects in this sector are implemented through Swedish NGOs with extensive experience from the countries and have an emphasis on strengthening of civil society. The country plan is well harmonised with the strategy, and activities have followed these two documents. The portfolio for both Serbia and Montenegro has substantially been increased on *Roma and Minority Issues* during 2006. Support to *Sustainable Return of Refugees* has been phased-out, as the Sida financed return programmes in Croatia were completed during 2006. Efforts in *Anti-trafficking* have continued as underlined in the strategy. Projects for *Improving the Rights of Children* have been addressed both through the Juvenile Justice Project (see 4.1), and the project on adoptions through "Adoptionscentrum".

The protection of the *rights of minorities* in Serbia is an important benchmark for the compliance with the EU accession agenda. Sida has been particularly involved in the protection of *Roma rights* and the improvement of their overall situation as they continued to be gravely affected by economic hardship and unemployment. Although there were a number of initiatives taken within the framework of the Decade of Roma, there was still a notable scarcity of funds and there were very few donors active in this field. The Government of the Republic of Serbia still showed ambiguity and lacked synchronization in the implementation

of the Roma National Action Plans. Sida has negotiated with the *UNDP* regarding a new project to support the implementation of national Roma strategies designed to decrease the vulnerability of Roma in Serbia, Montenegro and Kosovo. A final decision on support to the project was made in late 2006.

Support has just recently been approved for the *Free Legal Aid* project, in accordance with the country plan. Work on support to the *Ombudsmans Office* has however not materialised due to political problems, although listed in the strategy. This is however an area where the Swedish resource base is particularly weak.

The project implemented by the *European Centre for Minority Issues (ECMI)* successfully built capacities of local Roma coordinators and their counterparts on the municipal administration structures in 13 municipalities in Serbia. The project is well aligned with the Decade of the Roma Inclusion encompassing the area of employment, education, housing and health, but also addressed the requirements of the European partnership, namely the improvement of the conditions of the Roma population.

One-year cooperation with the *Balkan Trust for Democracy (BTD)*, conceived of as a new model of cooperation with civil society, ended in May 2006. Support to the BTD was not renewed, partly due to Sida's budgetary constraints and partly because the Sida saw that the Swedish resource base covered this type of work in a more suitable way.

Apart from the final phase of the Adoption Project, during the first half of 2006, no specific activities funded by Sida in the area of children's rights were implemented. However, children's rights are a cross-cutting theme in many of the Sida supported activities in other areas within the human rights portfolio. In the country strategy it is stressed that efforts towards improving the state of children's rights have to be continued. This specific thematic line should be further explored for future cooperation.

In the field of anti-discrimination, Sida's engagement was reflected through the *Swedish Helsinki Committee for Human Rights*, which invested notable efforts into the field of anti-discriminatory legislation in Serbia. An Anti-discrimination Law against persons with disabilities was passed by the Serbian Parliament during spring 2006. The State has so far failed to produce a comprehensive and all-inclusive anti-discrimination legislation, which would prevent discriminatory actions towards other minority categories, such as LGBT population for example. In terms of the general anti-discriminatory legislation, the Draft Law against discrimination (General Law) was done by the Centre for the Advanced Legal Studies in 2001, and during the first half of 2006 the SHC was still advocating its adoption.

Sida has placed high value on cooperation with the local civil society as a way to strengthen the position of women in the society. Sida was active in the field of gender equality and strengthening the role of women in general, through KtK. They started the process for a National Plan for Gender Equality with local NGOs and continuously monitor the PRSP implementation from a gender perspective. Structured cooperation with institutions has increased, as well as women's organisations as watchdogs towards institutions and local governments.

In order to strengthen its commitment to gender equality, Sida organised gender training for its cooperation partners in Serbia and Montenegro in May. The driving force behind the event was to improve the understanding of Sida's Policy on Gender Equality and Gender Mainstreaming. The training also covered key concepts and tools and

presented some of the methods in working with gender equality. The result was to improve understanding of the international framework for gender equality, both through own reflections and participant's statements. This training was highly praised by the participants, which included other donors.

The Re-admission Office project has faced many administrative problems during implementation caused by the transfer of responsibilities from the State Union level to the level of the Republic of Serbia. Despite these problems, the Re-admission Centre was quoted as a very important initiative in the implementation of the readmission process by the European Commission in the report of the European Commission on the progress made by Serbia in the stabilization and association process. It is the only institution of this kind in the region and the Committee of Experts for Migration issues of the Council of Europe consider it a best practice in the field of the migration management. The Office for Human and Minority Rights that has taken over the responsibilities of the former Ministry for Human and Minority Rights has ensured the sustainability of the Re-admission Centre after the end of Sida funding.

Disbursements during 2006 amount to MSEK 46.4 or 23.7% of disbursements. Continued work with strengthening of civil society, minority/Roma issues and gender makes this a continually strong sector also for 2007 and 2008.

4.3 Economic Growth

This sector has perhaps shown some of the best results of our cooperation in Serbia. The country plan has been more concentrated compared with the strategy, and activities have focused on two sub-sectors. The first has been to improve the enabling environment in Serbia, and the second to strengthen the legal and regulatory framework, including standards and norms according to the EU acquis. Both sub-sectors have been highly relevant for Serbia's economic development. Efforts have been intensified to increase the strategic coherence of the cooperation. Measures have been taken to lift up the issue of pro-poor growth and an ambitious preparation process has been launched in order to streamline our interventions in line with the two perspectives, particularly the perspective of the poor.

Support has been carefully aligned with the strategic priorities defined by the government and highly relevant in terms of EU approximation, as identified in the European Partnership document (e.g. continued implementation of the new company registration system, introduction of RIA, restructuring of the banking sector and support to continued implementation of the European Charter for Small Enterprises). Close coordination has been maintained with the most important bilateral and multilateral actors, particularly with the World Bank as one of the main agents of institutional and structural reforms. The Serbian government sees economic growth and employment as a key issue, and has managed to establish macro-economic stability. Cooperation with the Serbian Ministry of Economy has been very good.

Support to the *Business Registration Agency* for the business registration reform has been highlighted by the WB as a big success. The support has now been completed. This reform has been evaluated in both national and international circles as very successful and essential for the alignment with the European Company Law Directives. Mainly due to this reform, the World Bank *Doing Business in 2006* report ranked Serbia among the top reformer countries in a comprehensive comparison on

regulations that enhance or constrain investment and growth in 155 countries.

The *Regulatory Impact Analysis (RIA), Improvement of Efficiency and Transparency in the Legislative Process in Serbia*, implemented by the WB, started in 2006. While significant progress has been made in advancing the agenda of regulatory reform and setting up the institutional framework for RIA, the capacities of the Council and relevant ministries to implement RIA are quite limited.

The privatisation of banks has continued at a rapid pace during this year and has entered its final stage. Sida has assisted this process through the project *Technical Assistance to the Serbian Deposit Insurance Agency (DIA) for Bank Management Oversight and Pre-privatisation Advice*. As a result of the unexpectedly fast progress the DIA made with bank privatisation, the resources committed by Sida to pre-privatisation advice could not be fully absorbed. However, DIA was critically short of resources in two areas, liquidation of assets in 17 bankrupt small insurance companies and liquidation of non-core assets of the largest insurance company in Serbia. Sida agreed to DIA's request that one of the advisers should finish the work in the pre-privatisation bank restructuring portfolio, while the other two were reassigned to support the liquidation of insurance companies. A comprehensive needs analysis will be performed by Sida's independent Quality Group in March 2007.

In May 2006, Sida signed a grant agreement with *MikroFinS*, transferring the ownership of the micro credit funds to them and thereby consolidating and phasing out our support in the area. The decision was a result of an assessment of MikroFinS's performance and organisational maturity, which shows that the organisation has gained experience and successfully accomplished significant growth since its establishment. Sida will continue to monitor MikroFinS's overall performance through regular contacts and semi-annual reports, which the recipient has undertaken to produce for a period of three years.

During the first months of this year, Sida reviewed the ToR for the "*Quality and Regulatory Infrastructure Development for Food Safety and Quality in South East Europe*" programme, with the intention to make a shift towards a regional programme with tailor-made activities for each beneficiary country. The programme is essential for strengthening the food safety systems and structures related to the export of food based on the WTO SPS requirements and the EU rules and regulations. Sida is currently expecting a project proposal from UNECE, but has been advised by the EAR officials in Belgrade not to get involved until the new government is in place, since the current authorities are struggling over the issue of mandate over the inspection system and the legislation is not yet in place.

Disbursements during 2006 amount to MSEK 21.1 or 10.7% of disbursements. Allocations for 2007 and 2008 remain at about the same level as part of the budget, but much will depend on the new strategy and focus on employment generation.

4.4 Sustainable Use of Natural Resources and Concern for the Environment

All activities follow the country strategy as well as the country plan. Projects are well in line with the European Partnerships, such as the *Sustainable Development Strategy* for Serbia, and *district heating in Belgrade* which has substantially reduced pollution. It is possible that Sida's efforts have influenced EAR, EBRD and the WB to pay more attention to the issue of connecting planning with development of linkages to financial

instruments. Great emphasis has been placed on institutional and capacity building. A major risk in this sector is that Serbia and Montenegro will continue to play down environmental issues and sustainable development. Although absorption capacity is a constraint, there is neither qualified staff employed nor relevant competence in the labour market. Cooperation involving the Swedish resource base is substantial. The electrification project in Southern Serbia has contributed to stabilising the area, and the district heating work in Belgrade has considerably reduced emissions.

There have been delays, such as with the Strategy for Sustainable Development. Support to the Environmental Directorate to arrange the Environment for Europe conference in October 2007 was not foreseen in the country strategy but was nonetheless approved in December 2006.

Increased awareness of environmental issues will hopefully propel governments to prioritise these issues, not least when they realise the accumulated cost of environmental inaction. For Serbia this is estimated at 5% of GDP, or equal to the current economic growth. Capacity building at government level is still also a challenge.

Due to political events the project *Sustainable Development Strategy for the Republic of Serbia* has suffered several standstills, the latest caused by the call for new parliamentary elections following the resignation of the government in November 2006. In spite of such unscheduled events, materials and a plan for a continued participatory process are now ready for handover to a new government for continued processing. It is hoped that the strategy will be adopted in time for presentation at the Environment for Europe Conference in October 2007. The most striking impact of the project is that sustainable development are now widely referred to as the guiding concept for various environmental actions, in stark contrast to the situation not long ago.

The Serbia Danube River Enterprise Pollution Reduction Project has experienced a response from the agricultural sector that was much stronger than anticipated. Confrontation of unforeseen, lengthy and cumbersome administrative procedures detailing construction interventions in general, has pointed at a need both for streamlining of procedures and for project redesign. The project has clearly demonstrated how positive economic development can go hand in hand with interventions to protect the environment.

The Swedish TA support to the implementation of the *Solid Waste Management Strategy* together with EBRD, EAR and the Municipal Infrastructure Agency, MIA has laid the basis for the implementation of Solid Waste Management in three municipal regions. In addition to advancing of project preparations, it has also lead to improved communication and cooperation between local governments, central state authorities as well as financial institutions and donors. The contribution has clearly demonstrated both the need for and good value for money of institutional support to local governments to strengthen their capacity to take on and carry the responsibility for the SWM, beyond the mere construction of landfills.

During 2006 two Memorandums of Understanding were signed between SEPA (Naturvårdsverket). One was signed with the Directorate of Water (Ministry of Agriculture), and one with the Directorate of Environment (Ministry of Science and Environment Protection), proposing 'twinning' cooperation in the area of River Basin Management and the area of Nature Reserve Protection.

Swedish support to *electricity generation/distribution along with district heating and solid waste management* has proved to be a strategic choice, as it concentrates on improving internal management and technical efficiency. In a longer term perspective, however, structural issues with much wider implications will have to be addressed, such as co-generation of heat and electricity, use of alternate fuels like biomass, of recycling (incineration or composting) of solid waste, etc.

The regional support to improve *local government's capacity for planning* for sustainable use of land and for environmental actions has started to show results. A number of local governments in each country have established Local Environmental Action Plans (LEAP) and are now, to the extent that funds permit, implementing part of those plans. A second phase of the LEAP programme has been proposed, which is highly relevant considering that the cost of continued environmental degradation is estimated to equal Serbia's current economic growth of 5%.

In Montenegro, Sweden supports a programme through UNDP aiming at *enhancing the capacity for physical planning* in 14 municipalities in the poor northern part of the country. Common for all these and many other initiatives is that plans produced, impressive as they are, stand the risk of not being implemented as funds for investment cannot be accessed.

A regional programme has been funded through REC to promote development of "a vibrant and democratic environmental civil society within SEE countries, in order to positively influence society towards a sustainable development and in improving living conditions in urban areas". An elaborated data base on NGOs engaged in sustainable development and environmental issues has been established, and selected NGOs have submitted proposals for local environmental projects that will be implemented during 2007 with Sida funds.

Disbursements during 2006 amount to MSEK 53.7 or 27.4% of disbursements. Allocations for 2007 remain high, but the volume depends on the future focus of assistance in this sector for 2008.

4.5 Social Development and Security

This sector concentrates on HIV/AIDS prevention through two regional programmes, in line with the strategy and the country plan. According to the latest published figures by the Institute of Public Health of Serbia, the number of cumulative cases has increased three times in the period 2000–2006 and according to the Montenegrin Institute of Public Health it has increased six times in Montenegro. These figures are based only on the registered cases.

One of the major problems identified in the spread of HIV/AIDS spread is that the epidemic is occurring among the population 25–49 years of age with the increase of new cases especially among youths between 19–25 years of age. In that context prevention activities that are being implemented by UNICEF and Partnerships in Health are highly relevant.

Development of social administrative structures has been addressed to some extent through support to the *Adoptionscentrum*, which has been very successful, and partly included in the Juvenile Justice project. Both projects are listed in the country plan and have achieved good results.

One could note that cooperation in this sector seems to give good results, with very engaged and involved counterparts. These sectors, including health and education, are areas that often lack support. They are mentioned as important in the draft MIPD. Education is

stressed as a major factor for employment generation and a highly relevant area for poverty reduction.

Disbursements during 2006 amount to MSEK 3.1 or 1.6% of disbursements. Allocations for 2007 and 2008 remain at about the same level.

5. Office and Administrative Issues

Quality assurance issues have been addressed through regional conferences, one on Agriculture held by the Embassy in Skopje, and one on PAR arranged by the Belgrade Embassy and where key staff from SEE as well as the SEE field staff participated together with DFID. A Local Project Assessment Committee was developed and discussed seven projects during 2006. Programme officers have increasingly become responsible for developing project memoranda.

Three staff members took part in the two-day combined EU and influencing training in Brussels, and all cooperation staff participated in a two 2-day influencing workshops, held in Belgrade, together with DFID. Apart from influencing, a major part was to learn about how DFID work, and how to work best together.

Gender training including our implementation partners and a few donors was arranged by the Embassy, and all staff took part in the regular SEE planning week.

Several administrative changes or decisions happened. One was the change of Counsellor for development cooperation in August, which was done with some overlapping with the departing counsellor. A major issue has been the decision to phase out the regional programme officer post for Environmental and Infrastructure projects as of August 2007. As most projects are located to Serbia and Montenegro, this has been a major setback. This is a sector the Embassy further sees as a strong area for future development cooperation. The decision came at the same time as the NPO holding the portfolio of HR & Democracy resigned. The Embassy therefore decided to recruit an NPO to take over the portfolio for the Environmental and Infrastructure projects. The HR & Democracy portfolio will be taken over by the NPO for Economic Development, and the latter sector will be handed over mid-2007 to the NPO who used to have that portfolio and is currently on maternity leave. This means the development cooperation section at the Embassy will be somewhat understaffed and partially overloaded during the phasing in of a new staff member as well as shifting of portfolios, in addition to the preparations underway for a new cooperation strategy.

- Annexes:
1. Current Planning Overview: L109 Country Report
 2. Disbursements by Strategy Sectors
 3. List of strategic documents

Annex 1: Current Planning Overview

Country report - Serbia & Montenegro

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C (agr end > 200600 or Outcome < 0)

Region/Country: Serbia & Montenegro

Other:

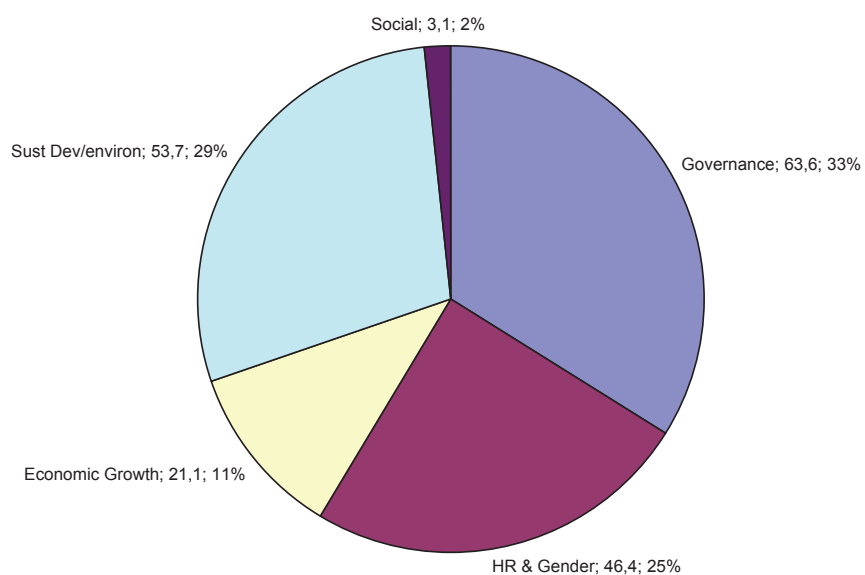
Responsible Unit (All)

Allocation Frame	Allocation Account	Main Sector	Data			
			Outcome 2006	Outcome 2007	Forecast 2007	Forecast 2008
Outside country allocation	155341 Global Dev. Programs, PEO	04 HR & Democratic governance	0		0	
	155341 Global Dev. Programs, PEO	Total	0		0	
	15561 Non-governmental organisations	01 Health	112		0	
		02 Education	377		0	
		04 HR & Democratic governance	2 641	336	929	570
		05 Conflict, peace & security	41		0	
		07 Infrastructure	0		0	
		08 Trade, business & fin. syst	18		0	
		09 Natural resources&environm.	72		0	
		11 Other	141		0	
	15561 Non-governmental organisations	Total	3 404	336	929	570
	15571 Humanitarian assistance	06 Humanitarian assistance	6 012	24	24	
	15571 Humanitarian assistance	Total	6 012	24	24	
	15680 Joint ODA Europe	04 HR & Democratic governance	40	466	941	
		05 Conflict, peace & security	4 919	1 171	4 674	
		08 Trade, business & fin. syst	5 643		6 000	4 500
	15680 Joint ODA Europe	Total	10 601	1 636	11 615	4 500
	15681 Western Balkans	02 Education	54		0	
		04 HR & Democratic governance	1 603		0	
		07 Infrastructure	286		0	
		08 Trade, business & fin. syst	395		0	
		09 Natural resources&environm.	2 492		0	
		11 Other	0		0	
	15681 Western Balkans	Total	4 830		0	
	156815 Kosovo	04 HR & Democratic governance	20 287	1 251	16 695	11 767
		07 Infrastructure	28 399	24	8 030	75
		08 Trade, business & fin. syst	2 200		10 000	15 000
		09 Natural resources&environm.	5 374	659	8 952	2 000
		11 Other	3 355	871	3 445	3 825
		(blank)	0		10 650	3 700
	156815 Kosovo	Total	59 615	2 805	57 772	36 367
	156816 Serbia	02 Education	0	1 500	1 800	2 186
		04 HR & Democratic governance	40 728	1 711	51 748	39 260
		07 Infrastructure	21 272	99	19 914	2 911
		08 Trade, business & fin. syst	13 850		12 432	12 000
		09 Natural resources&environm.	15 191	724	19 914	14 372
		11 Other	7 281	869	5 852	4 850
		(blank)	0		8 350	27 200
	156816 Serbia	Total	98 322	4 903	120 010	102 779
	156817 Montenegro	04 HR & Democratic governance	4 706	534	13 319	13 411
		07 Infrastructure	10 079		400	8 400
		(blank)	0		1 400	2 455
	156817 Montenegro	Total	14 785	534	15 119	24 266
	156819 Regional Western Balkans	01 Health	4 700		7 123	3 307

Allocation Frame	Allocation Account	Main Sector	Outcome 2006	Outcome 2007	Forecast 2007	Forecast 2008
Outside country	156819 Regional	02 Education	7 083		1 336	2 004
		04 HR & Democratic governance	85 144	26 432	79 064	33 696
		07 Infrastructure	0		2 822	4 480
		09 Natural resources&environm.	5 854		7 831	5 546
		11 Other	20		934	
		(blank)	0		1 134	9 740
	156819 Regional Western Balkans Total		102 801	26 432	100 243	58 773
	15794 Conditional loans Start Bosnia	08 Trade, business & fin. syst	0		0	
	15794 Conditional loans Start Bosnia Total		0		0	
	Outside country allocation Total			300 370	36 669	305 712
(blank)	(blank)	05 Conflict, peace & security	0	141	85	
	(blank) Total		0	141	85	
(blank) Total			0	141	85	
Grand Total			300 370	36 811	305 797	227 255

Annex 2: Disbursements by Strategy Sectors

Serbia & Montenegro outcome 2006



Annex 3: List of Strategic Documents

1. Report on International Assistance to the Republic of Serbia for 2005; produced by MIER in March 2006
2. National Judicial Reform Strategy; adopted by the Serbian parliament in May, 2006.
3. UNDP Human Development Report
4. National Investment Plan
5. Investment Reform Index 2006, Progress in Policy Reforms to improve the Investment Climate in South East Europe
6. Republic of Serbia, Government plan for Implementation of the European Partnership Priorities (adopted 7 April 2006)
7. Poverty Reduction Strategy
8. Strategy for EU Integration
9. EU Partnerships for Serbia and for Montenegro

Annex 4: Serbia and Montenegro at a Glance

	Serbia and Montenegro	Europe & Central Asia	Lower-middle-income		
POVERTY and SOCIAL					
2005					
Population, mid-year (<i>millions</i>)	8.2	473	2,475		
GNI per capita (<i>Atlas method, US\$</i>)	3,280	4,113	1,918		
GNI (<i>Atlas method, US\$ billions</i>)	26.8	1,945	4,747		
Average annual growth, 1999-05					
Population (%)	-4.4	0.0	1.0		
Labor force (%)	-3.4	0.6	1.4		
Most recent estimate (latest year available, 1999-05)					
Poverty (<i>% of population below national poverty line</i>)	..	..	..		
Urban population (<i>% of total population</i>)	52	64	50		
Life expectancy at birth (<i>years</i>)	73	69	70		
Infant mortality (<i>per 1,000 live births</i>)	13	28	33		
Child malnutrition (<i>% of children under 5</i>)	2	5	12		
Access to an improved water source (<i>% of population</i>)	93	92	82		
Literacy (<i>% of population age 15+</i>)	96	97	89		
Gross primary enrollment (<i>% of school-age population</i>)	98	104	114		
Male	98	105	115		
Female	98	102	113		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1985	1995	2004	2005	
GDP (<i>US\$ billions</i>)	..	14.4	24.4	27.1	
Gross capital formation/GDP	..	..	16.6	16.6	
Exports of goods and services/GDP	..	..	23.5	28.2	
Gross domestic savings/GDP	..	..	-11.1	-5.5	
Gross national savings/GDP	..	..	4.5	8.2	
Current account balance/GDP	..	..	-12.1	-8.6	
Interest payments/GDP	..	0.0	1.2	..	
Total debt/GDP	..	74.6	65.2	..	
Total debt service/exports	..	..	9.9	..	
Present value of debt/GDP	..	..	63.1	..	
Present value of debt/exports	..	..	154.9	..	
	1985-95	1995-05	2004	2005	2005-09
<i>(average annual growth)</i>					
GDP	..	1.7	8.8	6.0	4.9
GDP per capita	..	5.4	8.9	5.7	2.1
Exports of goods and services	..	12.3	38.2	29.8	15.9

Development diamond*

Life expectancy

GNI per capita

Gross primary enrollment

Access to improved water source

— Serbia and Montenegro

— Lower-middle-income group

Economic ratios*

Trade

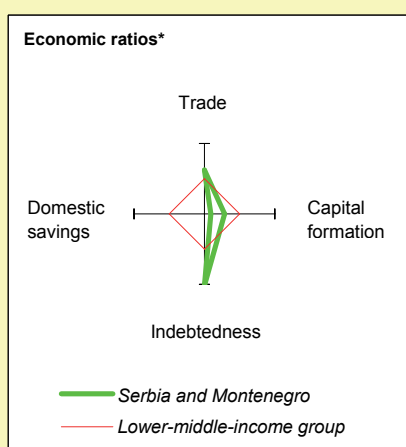
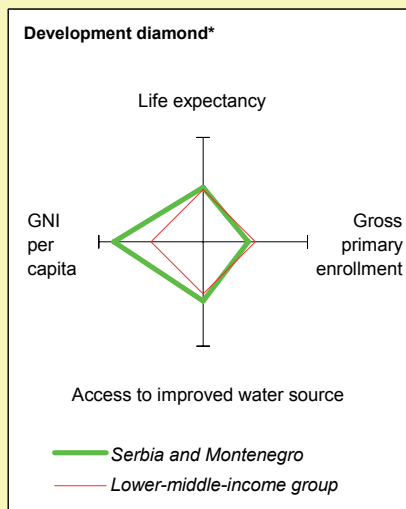
Domestic savings

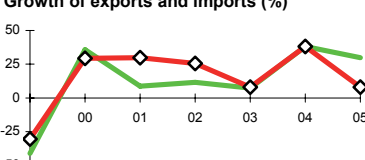
Capital formation

Indebtedness

— Serbia and Montenegro

— Lower-middle-income group



STRUCTURE of the ECONOMY					
	1985	1995	2004	2005	
(% of GDP)					
Agriculture	..	..	18.6	16.0	
Industry	..	..	36.4	32.3	
Manufacturing	..	..	22.2	19.8	
Services	..	..	45.0	51.7	
Household final consumption expenditure	..	..	93.3	87.8	
General gov't final consumption expenditure	..	..	17.9	17.7	
Imports of goods and services	..	..	51.2	50.3	
(average annual growth)					
Agriculture	..	-2.9	18.2	2.0	
Industry	..	1.9	7.5	3.5	
Manufacturing	..	..	..	..	
Services	..	6.2	1.8	2.6	
Household final consumption expenditure	..	7.7	15.2	0.7	
General gov't final consumption expenditure	..	-0.2	7.4	2.7	
Gross capital formation	..	10.4	23.6	8.3	
Imports of goods and services	..	17.7	38.1	7.9	

Note: 2005 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

Domestic prices

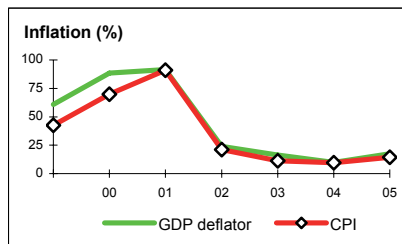
(% change)

	1985	1995	2004	2005
Consumer prices	..	74.1	9.5	14.3
Implicit GDP deflator	..	89.9	9.8	17.4

Government finance

(% of GDP, includes current grants)

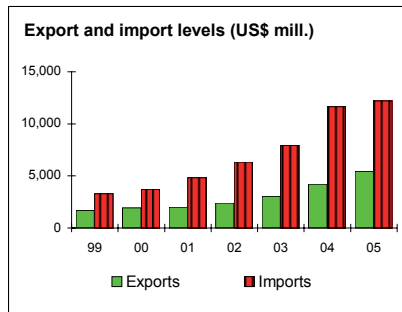
Current revenue	..	..	44.2	42.3
Current budget balance	..	..	2.3	4.1
Overall surplus/deficit	..	..	-0.2	1.3



TRADE

(US\$ millions)

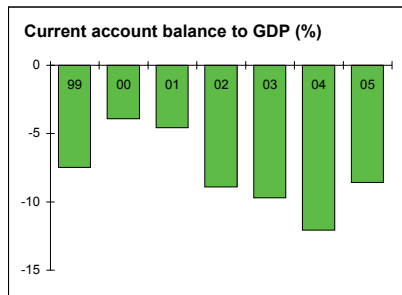
	1985	1995	2004	2005
Total exports (fob)	..	..	4,219	5,443
Food	..	..	..	..
Petroleum products	..	..	..	..
Manufactures	..	..	2,850	3,728
Total imports (cif)	..	..	11,653	12,199
Food	..	..	343	..
Fuel and energy	..	..	409	..
Capital goods	..	..	4,000	4,428
Export price index (2000=100)	..	..	106	109
Import price index (2000=100)	..	..	144	145
Terms of trade (2000=100)	..	..	74	75



BALANCE of PAYMENTS

(US\$ millions)

	1985	1995	2004	2005
Exports of goods and services	..	..	5,718	7,621
Imports of goods and services	..	..	12,459	13,606
Resource balance	..	..	-6,741	-5,985
Net income	..	..	-293	-529
Net current transfers	..	..	4,093	4,195
Current account balance	..	..	-2,941	-2,319
Financing items (net)	..	..	3,652	3,549
Changes in net reserves	..	..	-711	-1,230



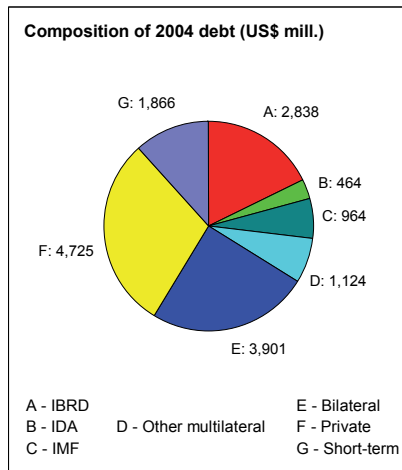
Memo:

Reserves including gold (US\$ millions)	..	..	4,302	5,739
Conversion rate (DEC, local/US\$)	..	2.9	58.4	65.4

EXTERNAL DEBT and RESOURCE FLOWS

(US\$ millions)

	1985	1995	2004	2005
Total debt outstanding and disbursed	..	10,785	15,882	..
IBRD	..	1,252	2,838	2,466
IDA	..	0	464	518
Total debt service	..	47	981	..
IBRD	..	0	121	133
IDA	..	0	3	4
Composition of net resource flows	..	..	..	..
Official grants	..	487	737	..
Official creditors	..	0	472	..
Private creditors	..	0	1,191	..
Foreign direct investment (net inflows)	..	45	966	..
Portfolio equity (net inflows)	..	0	0	..
World Bank program	..	..	..	..
Commitments	..	0	181	..
Disbursements	..	0	162	88
Principal repayments	..	0	0	20
Net flows	..	0	162	69
Interest payments	..	0	124	118
Net transfers	..	0	38	-49



The World Bank Group: This table was prepared by country unit staff; figures may differ from other World Bank published data.

8/13/06

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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