

The Republic of Macedonia



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List of Abbreviations

ALKA	NGO 'Association for Sustainable Development and Cooperation'
CAP	Common Agriculture Policy
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CEE	Central and Eastern Europe
CEFTA	Central European Free Trade Agreement
DUI	Democratic Union for Integration (BDI)
DPA	The Democratic Party of Albanians in Macedonia (PDSh)
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
ECMI	European Centre for Minority Issues
EIA	Environmental Impact Assessment
EP	Council Decision on Principles, Priorities and Conditions Contained in the European Partnership with the Republic of Macedonia (2006/57/EC)
FDI	Foreign direct investment
FFRM	Federation of Farmers in the Republic of Macedonia
GPD	Gross domestic product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HACCP	Hazardous Analysis of Critical Control Points
HR	human rights
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IOM	International Organisation for Migration
IPA	Instrument for Pre-Accession
IPARD	Instrument for Pre-Accession Rural Development
IPPC	Integrated Pollution and Prevention Control
JHA	Justice and Home Affairs
KtK	NGO 'Woman-to-Woman' (Kvinna-till-Kvinna)

LDP	Liberal Democratic Party
LEAP	Local Environmental Action Plan
LGBT	lesbian, gay, bi- and transsexual
LRF	Swedish Federation of Farmers (Lantbrukarnas Riksförbund)
MAASP	Macedonian Agricultural Advisory Services Project
MDG	Millennium Development Goals
MSEK	Million Swedish kronor
MEURO	Million Euros
NEA	National Extension Agency
NGO	Non-Governmental Organisation
NPAA	National Program for the Adoption of the Acquis
NPO	National Program Officer at the Embassy of Sweden
OFA	Ohrid Framework Agreement
OPC	Olof Palme International Center
OSCE	Organisation for Security and Cooperation in Europe
PEP	People's Empowerment Program
PRS	Poverty Reduction Strategy
REACH	EC Regulation on Registration, Evaluation and Authorisation of Chemicals
REC	Regional Environment Centre
RERep	Regional Environmental Reconstruction Programme in South East Europe
SAGW	State Agency for Geodetic Works
SCB	Statistics Sweden (Statistiska Centralbyrån)
SDC	Swiss Agency for Development and Cooperation
SDSM	Social Democratic Alliance of Macedonia
SEA	Secretariat for European Affairs, Government of the Republic of Macedonia
SEE	South East Europe
SHC	Swedish Helsinki Committee
SLU	Swedish University of Agricultural Science (Sveriges Lantbruksuniversitet)
SME	Small and medium-sized Enterprises
SPS	Sanitary and phyto-sanitary measures
SSO	State Statistical Office of the Republic of Macedonia
SWEDAC	The Swedish Board for Accreditation and Conformity Assessment
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VMRO-DPMNE	Internal Macedonian Revolutionary Org.- Democratic Party for Macedonian National Unity
WB	World Bank
WTO	World Trade Organisation

Summary

2006 was marked by the parliamentary elections held in July 2006, both in terms of a regular slow-down of the work of the administration, before, during and after elections, but also in terms of the staff changes it brought with it as well as the subsequent deteriorated relations on the political scene. With the change of government, the EU focus has been somewhat replaced by a strong focus on economic revival. However, the economic situation remains troublesome. In all, a marked slow-down of reform activities was noticed, which also influenced the Swedish funded development cooperation initiatives.

The bilateral development cooperation programme largely follows the Sida Country Plan for 2006, which is drawn up in accordance with the current Cooperation Strategy. Some delays have occurred, primarily due to the election and the change of government. The aim of concentration, together with an ambitious planning of the Sida-funded portfolio and a tight budget allocation, resulted in a halt in preparations for some planned initiatives and an early phase-out of some projects. Currently, the portfolio has its main focus on agriculture, where the portfolio is well-balanced and where commitments made, are kept. With regards to the environment, the portfolio is now covering central and local levels as well as civil society and no further projects are foreseen. Within human rights and social cohesion, the portfolio is primarily covering support to civil society, children and youths, women, victims of trafficking, minorities and non-discrimination, most of them with the underlying purpose of promoting interethnic dialogue and tolerance. A consolidation and down-sizing of these support activities is taking place.

The office moved to new premises in June 2006 and the official opening of the Embassy was held in November 2006. One full-time post in the section for development cooperation was withdrawn.

1. Political, Economic and Poverty Related Development

The most important political event of the year was the *parliamentary elections* held in July 2006, both as a test of the political maturity of the country and in that it resulted in a change of government. The elections themselves were deemed to be more or less in line with international standards. However, limited violence occurred, before, during and after the Election Day and irregularities in various forms were reported. A new Election Code, drafted with support from the Swedish Helsinki Committee and their partner MOST, was passed just before the elections. A coalition of conservative VMRO-DPMNE and the ethnic Albanian party DPA, together with a range of small parties was formed. Consequently, the other Albanian party, DUI, who was in the former government coalition, was left out in the cold, even though they won some 60% of the votes in Albanian areas. This gave rise to widespread mistrust and discontent and DUI said they did not recognise the PM designate. Tensions rose during and after the formation of the government, resulting in a worsened inter and intra-ethnic situation. Deep animosity between the leaders of the two major Albanian parties was revealed. For the rest of the year, the *lack of political dialogue* and its consequences for the reform process was widely cited as the main problem of the country.

The consequences of the change of government for the Swedish development cooperation activities are essentially that some interlocutors and partners were changed and some delays occurred. Also, the work of the public administration was slowed down, due to a habitual pre- and post-election decision-making moratorium and a relatively early election campaign.

Before the elections, several public actions of discontent took place. Most notable were the continuous road blocks in Skopje and other towns, protesting against an ongoing privatisation of the electricity distribution company, rallies that were allegedly arranged by the then opposition party VMRO. Farmers also staged several protests regarding low or non-payment of their produce.

The *security situation* is regarded as stable, but somewhat fragile. Thus far, no spill-over effects from events in neighbouring Kosovo have been noted or are foreseen.

The legal agenda of the peace agreement from 2001, the *Ohrid Framework agreement* (OFA), is more or less finalised, except for the language law. However, the application of the double majority voting procedure in

parliament (the Badinter) has been disputed, as the government tends to approach the OFA and the voting procedure in a purely technical sense. The new government has increased the budget for OFA implementation, but at the same time, it is being criticised for not following the spirit of the agreement.

The process of *EU integration* remains high on the agenda, but the reform pace has slowed down considerably during 2006. As expected, no date for the start of negotiations was delivered at the EC summit in December. A revised European Partnership was adopted early 2006 and a National Program for the Adoption of the Acquis (NPAA) was presented to the international donor community in February 2006. Further, a National Development Plan was adopted early 2007 which is to form a coherent strategic frame for all IPA components (although not an EC requirement anymore). Preparations for IPA's first year 2007 have been cumbersome, partly due to the late adaptation of the IPA regulatory framework¹, but also due to the transfer to a decentralised mode of operations, something which the administration is not really prepared for yet. The formerly strong EU-secretariat under the deputy PM is weakened, which comes to the fore in, for example, the IPA preparations, deficient inter-ministerial coordination and some negligence in regard to preparations for SAA sub-committees. In early 2007, the EC Enlargement Commissioner, Mr. Rehn, delivered an unusually frank message about the lack of progress that hopefully will lead to some change of approach.

The crucial *judicial reform process* is continuing in accordance with the Judicial Reform Strategy. Important amendments of the constitution were adopted, enabling core changes in the structure and functioning of the judicial system. Measures for increasing the independence as well as the efficiency of the judiciary are being taken. A range of other important legal acts have been revised and adopted. However, no tangible effects can be seen until all new laws are in force. Legislation aside, there is on the whole an 'implementation gap' necessary to overcome quickly, in order to bring confidence in the legal system. *Anti-corruption* policies and a regulatory framework are largely in place, but enforcement is still weak. The new Law on Public Access to Information helps improve transparency. The 2005 Corruption Perception Index of TI ranked Macedonia 105, which is lowest in the region, save Albania. Some high-profile cases have been brought up recently, involving for example former ministers, directors, judges, etc. On the other hand, the acquittal this year of four policemen in the so-called Rastanskij Lozja case (former Interior minister Boskovski ordered the killing of six alleged terrorists, who were most likely six economic migrants from Asia) was seen by many as a severe blow to the independence of the judicial system. Further, the recent acquittal of a known criminal belonging to the DPA party and accused of terrorist activities in Kondovo, was yet another drawback.

The current government emphasises *economic revival* and tries to attract FDI's, to the extent that the WTO regulations and the SAA is at risk of being violated. As previously, the macro-economic context remains good, and both London club and Paris club debts are being bought out prematurely. This will give budget savings in 2007 and might increase credit ratings. Inflation is slightly higher than previous years, as well as the budget deficit. The financial market is still underdeveloped and lacks competition, but confidence in banks is on the rise and private savings

¹ A special report on IPA in the Macedonian context was prepared by Sida in August 2006.

are increasing (23% as compared to 2005). The new government is introducing lower taxes, hoping it will increase the interest of FDIs and also pull informal businesses into the formal sector. Macedonia is ranked 32 out of 41 European countries, according to the Heritage foundation 2007 Index of Economic Freedom.

In 2006, Macedonia joined CEFTA and ratified a FTA with Kosovo. However, non-tariff barriers to trade remain high. A record high trade deficit was recorded in 2006. Deficient regulatory framework, corruption, rigid labour markets and non-competitive human capital are often stated as being the main obstacles to economic growth. A partly irrelevant and non-modernised education system is increasingly being pointed out as a special weakness of the country. Estimated GDP growth for 2006 is set at 4%, which is too low to make an impact on the labour market or living standards. The average per-capita GDP in purchasing power standards is about a fourth of the EU25 average. The statistics are disputed though, and many believe that the situation is not as gloomy as the figures say.

According to a World Bank study of last year, 22% of the population is living below the poverty line, defined as inability to cover the cost of basic needs. Poverty in urban areas is on the rise whereas rural poverty saw a relative decrease. Other aspects of poverty, such as access to adequate education and health services, have not shown any significant improvements during the year. Unemployment is closely linked to poverty in Macedonia, and the official figure remains high (36%). The area of education is in need of comprehensive reforms and modernisation, as the country is lagging behind, also as compared to the wider region, in terms of human capital development. This negatively affects competitiveness and the ability to attract FDIs and produce sustainable growth.

The *decentralisation* process moves on. The inherited debt situation remains problematic and threatens service delivery in some smaller communes. At the same time, the temporary regulation that de facto hinders municipalities from borrowing impedes necessary investments in local infrastructure. Troubles with competencies and financing, especially in the education sector, led a responsible minister to threaten – but never realising – the withdrawal of educational responsibilities from some municipalities. How the next phase of the decentralisation, which involves further fiscal decentralisation and management of state owned property, will be realised and when, is being questioned. The municipal tax revenues will be further reduced by the recently introduced tax cuts. Also, the effectiveness of tax collection is a general concern.

2. Swedish Development Co-operation Programme – An Overall Assessment of the Country Programme

The development co-operation programme is largely following the country plan for 2006. Deviations from the plan are mainly due to the situation of a tight budget allocation coupled with an ambitious planning, which led to a halting of discussions and preparations for some planned undertakings. Delays have also occurred in some projects, mainly owing to the election and the subsequent change of government and administration staff.

The *country programme* is being adjusted to the overall aim of concentration and to the priorities set out in the current Cooperation Strategy. The tight budget situation has not allowed for any new initiatives during the year and has also led to an early phase-out of some projects. Commitments made in the main focus area, agriculture, are being kept, and only a small but strategically important new project was initiated. In the field of environment, some projects that have been planned for some time are now entering implementation stage. The environmental portfolio is now well balanced, covering central and local levels as well as the civil society and it is not foreseen to expand further. In the area for human rights and social cohesion, the down-sizing of the Sida-funded portfolio continues and many initiatives are now in an exit phase. The cut back was however accelerated due to the tight budget situation, but this will not show clearly in disbursement volumes until next year, or the year after.

The support programme increasingly includes institutional reform projects, which involve public institutions and agencies and therefore, the exposure to political forces and administrative flaws grows. As the level of complexity increases, preparations and monitoring become more labour intense.

Regional cooperation, in terms of joint trainings and seminars, networks, study trips and exchanges of experiences, is taking place in varying degrees within a number of projects, for example in statistics, local environmental action plans in municipalities, anti-corruption, ombudsman support, youth work and education by Forum Syd and anti-trafficking. Furthermore, the experience gained in the *new member states* is being used. There are for example two advisers from Slovenia engaged in projects (cadastre and agriculture) and several study trips involve Slovenia. Also, the Baltic countries are used as examples in projects, such as the support to the farmers' movement, cadastre reform and anti-trafficking. Where suitable, the experience of the NMS is also foreseen to be

used in some recently initiated cooperation projects, such as institutional support to the environment administration and chemicals management.

Total *disbursements* for 2006 were MSEK 94.6, which is higher than any previous year and also exceeds the budget allocation for 2006 (75 MSEK). It was made possible due to internal reallocation of funds at Sida at the end of 2006. This also includes some advance payments, which then will slightly alleviate next year's allocation, as the stock of agreed undertakings is still high. An estimated distribution of the 2006 disbursements between the three main strategy sectors would approximately look as follows; 52% for agriculture, 10% for environment, 30% for human rights/social cohesion and 8% for others (culture, HIV, election monitoring, twinning preparations, staff, etc). For the coming 1–3 years, with a continued active concentration policy, we foresee that agriculture and economic development will remain at about half of the annual budgetary allocation. Environment is foreseen to increase to some 25–30% and the third cooperation area will decrease to about 15–20%.

The gradual hand-over of responsibility for *donor co-ordination* to the host country has continued during 2006. The monthly meetings were led by the Secretariat for European Affairs (SEA) and the respective line ministry with the assistance of a 'lead donor'. Themes covered during 2006 were the NPAA, judicial reform, agriculture and environment. Sweden was responsible for assisting in agriculture and it was the first attempt of the Ministry of Agriculture to have a structured dialogue with the whole donor community. After this, gatherings on IPARD progress and coordination meetings at project levels have been arranged in the sector of agriculture. The overall process of handing over the coordination was however halted because of the elections and has not picked up speed since. Technical level follow-up meetings on the various themes have not taken place as foreseen. Besides these broad meetings of the government, sectorial donor meetings are being arranged more or less regularly on various topics, however, mostly led by various international agencies. The Paris Declaration is not often mentioned in the donor dialogue, and donor harmonisation efforts are few and far in-between. As to alignment, the EU integration agenda remains the main focus that directs the support provided.

The *dialogue* during the year, with partners and in the general donor co-ordination context, has mainly been focusing on the importance of local ownership and sustainability, EU integration, poverty, good governance and gender. Poverty issues are raised in the regular and continuous dialogues on projects and priorities but need to be linked to the EU reform agenda. The regular gender workshop for Sida partners was held in early 2007, focusing on gender statistics and gender sensitive indicators. Also, a one-day beginner's course was arranged. The continuity of the gender training offered by the Embassy is highly appreciated by the partners.

3. Specific Country Programme Overview of the Swedish Development Cooperation

3.1 Agricultural and Economic Development

The change of government during the year did not change the overall aim of EU approximation. It can be noticed that the agricultural sector has slowly moved up the political agenda. Incoming IPA-funds might be a reason and the appointment of a new and energetic minister could be another. According to the Ministry of Agriculture, Forestry and Water Economy (MoAFWE), the agricultural budget for 2007 was significantly increased and the allocation for subsidies to farmers was tripled. MoAFWE strengthened its structure through a partial, internal reorganisation. In the EC report from 2006 on agriculture, it is however stated that uneven progress has been made and that aligning with the EC *acquis* is still in an initial phase. The lack of a general act covering this area is also noted. The Law on Agriculture and Rural Development as well as a five-year Strategy on these themes are now prepared, albeit not yet adopted.

Regarding the preparations for receiving IPARD funds, about 20 new employees intended for the IPARD paying agency were recruited and are being trained. An internal IPARD action plan is developed, outlining necessary steps for receiving an EU accreditation by mid-2008. However, IPARD funds allocated for 2007 is seriously at risk, as preparations are not conducted in a proper or timely manner.

The long process of developing the IT-system in the ministry resulted in a long-awaited Ministry web site and facilitates the introduction of the various data systems that are mentioned as priorities in the EP06. A web portal for donor coordination purposes has also been developed.

The government passed a law and secured financing for the delayed agricultural census (the last one was made in 1969) to be conducted in June 2007. Due to the delays, the statistics cooperation between Swedish SCB and SSO in this area is on hold since autumn, after that pre- and post census preparations were carried out. Cooperation in gender statistics was finalised, as the SSO is now deemed able to produce gender statistics adequately. In environment statistics, cooperation continues. The bilateral statistics cooperation directly corresponds to the EP 06 priorities in this area.

The Sida supported programme for improving the national *agricultural advisory services* (MAASP) provided support to the MoAFWE in the development of the new law on Agriculture and Rural Development. By carrying out a functional analysis of the national advisory services

(NEA), it supported the MoAFWE in the process of deciding on the future role of the advisory services. However, no final decision has yet been taken, which impedes further progress of the support to institutional reform of NEA. The obstacles are partly political, but may also result from a lack of outside pressure on government decision-makers. The new leadership at MoAFWE and NEA after the elections may be more open to public opinion than its predecessors². One significant outcome of MAASP's work in 2006 has been supporting the MAFWE to take a stronger role in donor coordination. The programme supported the MoAFWE in the dissemination of information in rural areas on the management of the forthcoming IPARD programme. Further, Eurep-GAP standards have been introduced to farmers as well as HACCP and ISO 22000.

Preparations for placing an *adviser* to the Minister of Agriculture, primarily focusing on the EU integration process, were made and a Slovenian adviser is expected in early 2007.

The sector analysis of agriculture in Macedonia, one of the research activities of the *academic cooperation* between SLU and Skopje University, Faculty of Agriculture and Food was expected to be finished by 2006, but, since some of the data are still missing and the Ministry's internal adoption procedure is not finalised, it is now foreseen to be completed during 2007. However, the results of the work so far are recognised and incorporated in the various documents of MoAFWE that are needed for the EU approximation process. Continued activities on curriculum development and the MSc and PhD exchange programmes do not produce tangible results in the short-term.

The *farmer's movement* in Macedonia has received support since 2001 (SFARM-project) and is now in a second phase, implemented by LRF. Achievements of the cooperation can be seen in the status and work of the Federation of Farmers in the Republic of Macedonia (FFRM). The FFRM, which is also probably the largest NGO in Macedonia, has gradually grown in importance and confirmed its position as a respected voice of the farmers in relation to the government, to colleagues in other countries in the region, to the media and to the general public. It has developed towards a more democratic and efficient farmer's organisation with a general assembly, agreed and adopted statutes, a multi-annual development strategy, acts regulating internal governance procedures and division of the executive and governance functions, all the time drawing on LRF experiences. It has also started its internal decentralisation process via four regional centres. The regular newsletter to its members is becoming a popular channel of communication, also used by the MoAFWE for reaching out to farmers. A long-term solution for its future sustainability is needed, however. Although it is something of a role model in terms of gender concerns, ethnic pluralism and political independence, it is still far from becoming completely mature and sustainable³.

Preparations for a Swedish contribution to the establishment of a quality and regulatory infrastructure for *food safety* are still not finalised. This is a commitment Sweden made under the aegis of the Stability Pact and it is also a short-term priority of the EP06 and included in the Macedonian NPAA. The problem lies with Sida-Stockholm and causes problems for donor co-ordination and forecasting.

² Sida support to Natural Resources Development, Quality assurance mission, Jan Erikson, October 2006.

³ Sida support to Natural Resources Development, Quality assurance mission, Jan Erikson, October 2006.

Raising the standard of living for the rural poor and rural small and medium-sized entrepreneurs through increased economic activity is the aim of the *agricultural credit* scheme IFAD II. A total number of 1,052 loans with an average loan size of €6,000 have been approved in the period January–December 2006⁴. The loan size has been decreasing over time, which indicates that the credits are reaching the small farmers. In parallel, training and technology demonstration programmes focused on the needs of the loan beneficiaries, has been carried out.

The Guarantee Fund (GF) has earned a reputation of a successful non-banking financial institution that facilitates loans issuing for small and medium enterprises in Macedonia. According to an independent evaluation made in late 2005⁵, the GF is a very useful instrument for developing SMEs and no other institution is providing the same type of support in Macedonia. During the year, some 38 guarantees have been issued to the total amount of €945,612, which can be translated into the creation and/or saving of about 152 jobs. A new instrument, suppliers' guarantees, has been introduced and quickly met with a high demand. The Fund has by and large reached its maximum capacity for issuing of guarantees based on its existing capital resources. During 2006, Sida has given two bridge financing loans of €300,000 each, which have been added to an earlier loan of 1 million Euros. Further financial support is however needed in order to make a portfolio expansion towards self-sustainability possible. This support shall be given in parallel with further efforts to transform the Fund into a kind of bank or non-bank financial institution under new legislation underway in this area.

Credits to farmers will play an important role in the matching funds required for IPA support. Also, the NEA will have a major role to play in advising and informing farmers on the IPARD scheme. The Embassy consults with DG Agri on the design of the continued support to NEA.

The reform of the *cadastre* and securing of property rights is often cited as being crucial for economic development. Sida participates in a multi-donor initiative together with the World Bank and some other bilaterals, aiming at modernising real estate registration and management. This endeavour corresponds to the EP06 priority under the economic criteria. The current government is stressing the importance of this task and has recently requested the WB to shorten the time plan for the reform by one year. The Sida-funded part focuses on training and institutional development of the State Agency for Geodetic Works, so that it is able to shoulder the role of an independent and largely self-sustained agency by the end of the project term, which is now by end of 2008. Most of the participants in the training carried out during the year seem to have a sufficient scope for applying the new skills in their daily work and thus justify the investment made in human resource development⁶. Experience from Lithuania's cadastre agency has been used to some extent. Since July, the reform process has slowed down, largely because of the change of government and the consequent change of general manager and other staff. Project plans for 2007 have been submitted to Sida with considerable delay. Due to a deteriorated communication situation within the project in terms of disagreements and lack of communication and co-operation between the team leader and the national project manager (as well as with the General Manager), a change of the expatriate project leader was made in early 2007.

⁴ ACDF/AFSP annual report, January–December 2006.

⁵ The Guarantee Fund- Macedonia, Institutional Assessment 23.10.–04.11.2005, Patrice Prenassi, Ana Nikolovska, Bankakademie International.

⁶ Strengthening Institutional Capacities of SAGW-Monitoring report 3, Åke Sahlin, SIPU International.

Rural Development

Decentralisation is an important political process that started in mid-2005. In this process, it is important to ensure democratic and transparent procedures as well as efficient use of local resources. For a number of years Sida has supported two NGOs, ALKA and PEP, who are focusing on mobilising inhabitants of poor villages and local governments throughout the country, to identify and solve common problems. The two programmes have covered some 16 municipalities and contributed to solving 57 local infrastructure problems, mainly related to water supply, drainage, small roads, community buildings, sport fields etc. During 2006, their work resulted in an unexpectedly high level of mobilised resources and funds from municipalities and communities. For PEP, 2006 was the final year when Sida funds were used for the local infrastructure projects and in 2007, the target municipalities will continue with own resources, to be monitored only by PEP. Both projects are in final phases of Sida support.

3.2 Sustainable Development/Environment

In the EU integration process, the environment chapter constitutes a difficult and costly challenge. Neither the new, nor the previous government, seem to have really understood this and given it appropriate resources and weight. The EC report 2006 clearly states that Macedonia has a very long way to go when it comes to aligning with the *acquis* and attaining EU standards in the field of environment. On the other side, the Ministry of Environment and Physical Planning (MoEPP) enjoys the privilege of having competent and highly devoted personnel.

Upon request from the EC, a progress-monitoring project with Macedonia has been initiated for the first time. This obliges Macedonia to prepare tables of concordance as well as implementation questionnaires for 69 directives in the area of environment, by March 2007. On the basis of this, a report will be prepared by the EC, which will determine the degree of Macedonia's EU environment approximation.

MoEPP has revised its Strategic Plan for the period 2006–2009, which includes inter alia the obligations and recommendations of the SAA, the European Partnership, the National Programme for Adoption of *Acquis* and the Environment Performance Report, etc. Special attention has been given to development planning as well as to definition of the financial resources that enables its realisation.

The 3rd IPA Component on Regional Development will be focused on transport and environment. For the environment part, priority will be given to solid waste management and waste water treatment. However, it is not likely that any IPA environmental projects will occur before 2009, or perhaps even later, as funds firstly will be allocated to transport projects. In the meantime, IPA Component I will be used for institution building in view of handling decentralised funds, both at central and municipal levels.

In view of assisting Macedonia in the EU approximation and the institutional strengthening, a four-year co-operation programme is being prepared between the Swedish Chemicals Inspectorate (KemI) and MoEPP. The programme aims to introduce modern *chemicals management* to the Balkan countries by supporting chemicals legislation⁷ and institution building. This will enable Macedonia to prepare for the new REACH system (EC regulation on Registration Evaluation and Authori-

⁷ The law on Chemicals is planned to be adopted at the end of 2007. Priority will be given to the preparation of new by-laws for regulation on classification and labelling of dangerous substances and safety lists.

sation of Chemicals) for the protection of human health and the environment. The activity is included in the EP Action Plan 05 under Environment.

The first priority of the MoEPP for the coming year is to deepen its cooperation with EU institutions, including DG Environment and European Environment Agency (EEA). Significant progress has been achieved in the performance of the country related to the priority data flows and data submission to EEA-EIONET. It ranked Macedonia in 17th place out of 38 member and collaborating countries. The achieved results and the candidate status are considered to be a solid base for possibilities to becoming a full-fledged member of the EEA.

Responding to an expressed interest from Macedonia and matching the EP06 priority under the Environment chapter, the Swedish Environmental Protection Agency (SEPA) together with MoEPP is initiating a project of *institutional cooperation*, primarily focusing on three subject areas (tentatively IPPC, EIA and waste management). In addition and as requested by MoEPP, SEPA would be ready to provide support on general EU issues and communication with EU structures.

The law on Local Self-Government stipulates that the municipalities are responsible for environment, municipal services and physical planning. In the course of last year, as part of the decentralisation process, municipalities have prepared new formalised organisational charts and out of 84 LSG units, 75 have positions for environment. Development of *Local Environment Action Plans* (LEAPs) is an obligation of the municipalities deriving from the law on Environment. Sida finances the Regional Environmental Center (REC) in their support for developing LEAPs in six municipalities (Vinica, Tearce, Ilinden, Debarca, Gorce Petrov and Dojran). All six LEAPs were completed during the year, using a participatory and highly pedagogical approach. In addition, one priority investment in each of the municipalities was co-financed by Sida and the concerned municipality⁸. Results of the project can be seen in institutional strengthening of the municipalities in the field of environment, raised awareness among citizens, improved communication between the municipality and the citizens as well as improved exchange of experiences among the benefiting municipalities. Based on the good experience and results, Sida is currently considering a follow-up initiative. Building capacity at local level in the field of environment is among the priorities of EP06.

NGOs can be important community development drivers and strong lobbying forces, but in Macedonia there is still no vigorous green movement. A regional programme run by REC was therefore initiated this year, targeting *NGOs and urban environment* problems. An overall assessment of the environmental civil society has been finalised and a grants programme was launched where 6 developed project proposals on key urban environmental issues will eventually be selected. Regional co-operation in this area is also included.

Subsequent to the Johannesburg 2002 World Summit for Sustainable Development and in accordance to the European Partnership 2004, the Macedonian Government requested support from Sida in the preparation of a *National Strategy for Sustainable Development*. The MoEPP is the assigned coordinating ministry on behalf of the Government, but the newly appointed Steering Committee is to be chaired by the deputy PM on Economic affairs. The strategy will provide an effective framework

⁸ Seed-financing for identified priorities consisted of Sida grant up to €50,000 and €25,000 financial or in-kind participation by the benefiting municipality.

for sustainable development, and based on reviews of current policies and sector strategies, it will provide practical guidelines for the public and private sectors as well as represent a basis for domestic and foreign investments. The project faced delays, initially because of problems with office space and then, the pre- and post election standstill and the change of government. It is, however, now deemed to be 'on track'. Possible negative effects of the delays were avoided as the time was efficiently used for capacity building and training of local experts, which instead strengthened the project and the local ownership of the process⁹. It is further more important to keep to the timetable so as to incorporate the Strategy into the Pre-accession Economic Programme that should be submitted to the EC Commission next autumn.

Due to many difficulties in the preparatory work and a much delayed response from the Macedonian government, together with constraints on the budget allocation for Macedonia, Sida decided to finally cancel the support, planned together with EBRD, to the water supply and wastewater treatment rehabilitation project in Skopje municipality (Vodovod).

3.3 Human Rights and Social Cohesion

Sida's work in this sector involves support via/to civil society and a couple of institution-building projects. Activities supported are all, to some extent contributing to one or more of the three sub-areas of the EU political criteria: democracy and the rule of law, human rights and the protection of minorities, and regional cooperation. Promoting active participation of civil society is also stated as a medium-term EP06 priority. There is a plethora of NGOs in the country, albeit not that many are active and/or taking the role of watchdog. A general feature in the NGO sector is also that it is still, to a large extent, imitating the hierarchical and centralised structure of the public sector.

The reform and development of the *Ombudsman* office was a short-term priority in the EP 2004 and Swedish support to this is implemented by the OSCE. The first phase was concluded in 2006 and discussions regarding the second, and possibly final, phase is ongoing. Results from the first phase include for example fully-equipped and functional regional offices, improved knowledge and skills on human rights issues, contacts established with other Ombudsman institutions in the region and improved efficiency due to IT upgrading. However, further need for more practical training as well as enhanced awareness of the obligations towards the institution among other government agencies was acknowledged¹⁰. The second phase will *inter alia* address the EP06 priority of improving the co-operation with state institutions.

Support to the State *Anti-corruption commission* via CoE contributes to the overall EP priorities of fighting corruption and increasing transparency in public administration. Results achieved by the project cannot be measured in fewer corruption cases, but in terms of establishing some of the basic instruments in the field of anti-corruption: strategic documents, legal basis and operational mechanisms, as well as a regional network with similar institutions. This enables the A-C Commission to better tackle the inherent problems of corruption in the country. Sida is now ending targeted support to anti-corruption measures in Macedonia. However, within all projects, the issue of good governance and transparency is emphasised.

⁹ Monitoring of Sida support to the National Sustainable Development Strategy/MK, Johan Holmberg, 07. 02.01.

¹⁰ Macedonian Ombudsman Support project, phase 1, External Evaluation Report (draft), Gwen Jones, February 2007.

The initiated bilateral discussion between the Swedish and the Macedonian *Prison Administration's* focusing on alternative sentencing was cancelled, due to a low level of beneficiary commitment and Sida budget constraints. Likewise, a discussion on possible Sida support to a UNI-CEF-proposal on Juvenile Justice was closed.

The Swedish *Helsinki Committee* continues promoting rule of law, freedom of expression and non-discrimination by supporting various local NGOs. Their partner MOST promotes the law on Access to Public Information by their comprehensive, open, legal database. Requests for legal aid, including a special programme for Roma, have increased, which might indicate an increased awareness among citizens about their rights. The LGBT-community has been active in lobbying, but faces more difficulties after the new conservative government is in place. The media support is being consolidated and targeted support to minority media is being phased-out.

According to UNDPs Early Warning Reports, inter-ethnic tensions are being perceived of as gradually improved, or less bad, and above all less important, as compared to other problems such as unemployment, poverty and corruption. However, the change of government and its poor management of the communication with the opposition, resulting in a lack of dialogue, contributed to heightened inter and intra-ethnic tensions. On the whole, segregation is fairly apparent in the country, and neither the political system nor the education system is presently of any help in this respect.

Sida is supporting a number of initiatives that aim at overcoming ethnic stereotypes and barriers, especially among young people. These are all in a final phase of Sida support and sustainability of the efforts is being sought. The bilingual kindergarten *Mozaik*, co-funded with Switzerland, is being promoted as a model for professors at Teacher's training faculties, and is also promoted locally as an effort to implement the OFA. There are currently 9 groups in the country and a relatively wide-spread interest for introducing new groups. Stakeholders at both central and local levels are currently in favour of taking on the model and paying for Mozaik teachers' salaries. However, current uncertainties regarding devolving of fiscal competencies foreseen for the 2nd phase of the decentralisation creates questions. The project *School of Tolerance* in Gostivar Secondary School, run by the Macedonian Helsinki Committee, is providing results in terms of increased tolerance and interaction among students of different communities as well as among teachers and school staff. The spreading of the model, is being less successful this far. In the current final phase of Sida-support, this issue will be more emphasised.

The Forum Syd youth programme was initiated in Macedonia in 2002 and is gradually entering into its final phase of Sida support. Thus far, over 150 young people have been attending University of Jönköping courses and, via students and volunteers of the programme, over 3,000 young people have been reached by youth work and practical placements. The programme cooperates with the National Youth Council and runs a small grants programme, which supports the Youth Strategy's implementation. Two well-visited youth clubs in Tetovo and Skopje, co-funded with the municipality, were inaugurated during the year and interest from other municipalities to open or run similar places are being expressed. Recognition and institutionalisation of youth leader education, and the youth leader profession as such, took a few steps forward this year. The non-formal education is being introduced to the social work and educational programme of Skopje University, and A-level

education is recognised by the SEE University, where students now can include parts of the training in their university education.

Due to the concentration efforts and limited funds, it was decided to phase-out the support via the Olof Palme International Centre, who had a framework agreement with Sida. Also, support to the regional fund Balkan Trust for Democracy ended this year, primarily due to a lack of focus and strategic direction of their activities.

As a result of the parliamentary elections, the Roma minority increased its representation from one to two MPs. Regarding the executive powers, the parallel processes of implementing the national Roma strategy and the global Roma Decade are sluggish and even less attended to, following the election. Sida support to the Roma Expert Groups, run by the ECMI ended this autumn. The members of the groups are, to a large extent, still active in the ongoing work of promoting Roma issues and involved in various other donor initiatives. Discussions regarding Sida support to the Roma Secretariat at the Ministry of Labour and Social Policy were stopped, due to limited Swedish resources both in terms of funds and in terms of staff. Instead, only regional efforts, such as the World Bank Education fund and the Roma Rights Centre in Budapest are receiving Swedish support.

In late May, the Parliament adopted the law on Equal Opportunities between Men and Women, the same law that previously was postponed several times. It caused no debate, perhaps since it was passed very close to the parliamentary recess. Kvinna-till-Kvinna (KtK), as the only support organisation targeting *women empowerment* in the country, continues providing long-term support for local women's organisations. A high priority for their local partners in the first half of 2006 was the equality law and the election law for the purpose of increasing female participation in politics. The new election code included a 30% gender equality quota, which resulted in an increase of female MPs from 17.5% to 31%. During the year, an evaluation and an audit of the KtK partners were made. Improved organisational skills leading to democratic procedure, transparent management of funds and a better profiling of the organisation, as well as ability to attract young women and volunteers and other donor funds, were found to be much needed for the future¹¹. KtK decided to withdraw its support for two partner organisations, mainly due to lacking results and dubious organisational and administrative deficiencies.

The number of referred international victims of *trafficking* is currently very low in Macedonia. This is most likely due to lack of a proper identification procedure, which leaves out a considerable number of potential victims. The relevance of the approach of the IOM programme, which has received Swedish support for a number of years, has therefore diminished. However, internal trafficking is on the rise. The support to the programme is now entering an exit phase and a concrete hand-over of skills and responsibilities to local authorities and structures are to be made. The programme has made use of their wide network in the CEE region for sharing of experiences.

During 2006, the *cross-border-cooperation* project implemented by East West Institute finalised a business study of the Ohrid-Prespa region, identifying sectors suitable for cross border cooperation. This as economic development is one of the areas that may receive EC CBC funding in the future. A similar study conducted in the region of Gnjilane, Presevo, Kumanovo, Trboviste resulted in a business, NGO and donor

¹¹ Kvinna-till-Kvinna, Interim report 2006.

directory and a trader's guide for cross-border cooperation. The Ohrid-Prespa project is facing major difficulties in moving on with some formal parts of the establishment of a Euro-region, due to the name dispute with Greece and a possible early closure of the programme is being considered.

The health sector in Macedonia remains one of the weakest sectors of the country and is still not given high priority by the government. As to HIV/AIDS, the prevalence is still considered as being low, but an inadequate HIV/AIDS/STI surveillance system is likely to mask real figures. Many believe that the number of people infected is a lot higher and continuously rising. In 2006, the number is twice that of 2005. Most cases are heterosexual with age span of 30–39. More worrying is that there are cases of vertical mother-to-child transmissions. Sida is the only donor in this field and currently supports UNICEF who is working with prevention targeting, especially vulnerable young people. Due to the budget restraints at Sida, the long-term support to another regional HIV/AIDS programme focusing more on primary health care providers and testing and counselling were cancelled.

4. Office and Administrative Issues

The Embassy of Sweden to Macedonia inaugurated its new premises together with Norway and UNDP in November 2006. The move took place in June 2006 when new Embassy routines and a new technical platform were introduced and new staff was recruited. The visa section started operating in September. The Embassy now employs 15 staff (5 expatriates and 10 locally employed). In the development co-operation section, there was a reduction of one staff member and it now consists of one expatriate coordinator, two NPOs and one part-time assistant. This reduction in staff led to a diminished possibility of monitoring the areas of human rights and social cohesion.

The upgrading to an Embassy has not yet implied any major changes for the regular work of the development cooperation section, but the increased involvement of the Ambassador in the bilateral development cooperation work has improved its visibility. As Skopje is an integrated Embassy, all employees are however expected to increasingly contribute to the overall work of an Embassy. During spring and summer, the Ambassador was absent for extended time periods, when the Sida coordinator served as chargé d'affaires a.i. The coordinator took on some additional political monitoring this year, partly because the political and commercial officer was absent for several months during spring and thereafter the post was vacant for about five months.

Competence development conducted during the year included for example a regional workshop on agriculture and EU-integration arranged by the Skopje office, seminars on EU-related issues in Skopje and in Brussels, LFA-training for NPOs, English classes for all staff, Swedish classes for local staff (including a 2-week course in Uppsala for one NPO) and brief IT-training for the new platform. The BBE attended courses on gender and on human rights in Stockholm and in Finland and the coordinator attended consular training at the MFA.

Annexes: 1. Current Planning Overview: L109 Country Report
2. MK pie chart
3. List of strategic documents

Annex 1: Current Planning Overview

Country report - Macedonia

Outcome and forecast in TSEK

Delimitation:

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

Region/Country: Macedonia

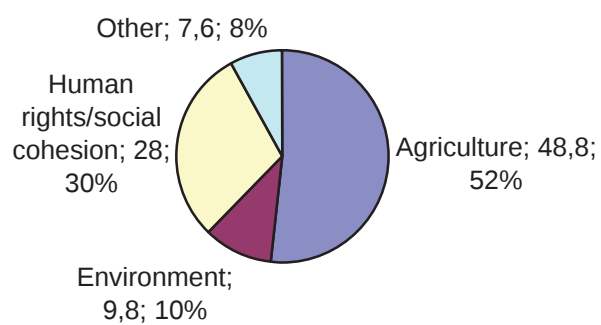
Other:

Responsible Unit (All)

			Data			
Allocation Frame	Allocation Account	Main Sector	Outcome 2006	Outcome 2007	Forecast 2007	Forecast 2008
Outside country allocation	15561 Non-governmental organisations	01 Health	35		0	
		02 Education	0		0	
		04 HR & Democratic governance	828		0	
		05 Conflict, peace & security	15		0	
		08 Trade, business & fin. syst	0		0	
		09 Natural resources&environm.	0		0	
		11 Other	11		0	
		15561 Non-governmental organisations Total		889		0
	15680 Joint ODA Europe	05 Conflict, peace & security	588	149	390	
		08 Trade, business & fin. syst	752		800	600
	15680 Joint ODA Europe Total		1 341	149	1 190	600
	15681 Western Balkans	01 Health	0		0	
		04 HR & Democratic governance	93		0	
		08 Trade, business & fin. syst	-62		0	
		09 Natural resources&environm.	0		0	
		11 Other	0		0	
		15681 Western Balkans Total		31		0
	156814 Macedonia	02 Education	650	500	500	
		04 HR & Democratic governance	20 147	8 893	23 892	15 790
		08 Trade, business & fin. syst	5 800		100	
		09 Natural resources&environm.	31 219	683	32 967	3 080
		11 Other	2 396	143	3 238	2 965
		(blank)	0		14 320	37 470
	156814 Macedonia Total		60 211	10 219	75 017	59 305
	156819 Regional Western Balkans	01 Health	2 400		2 070	
		02 Education	3 898		668	1 002
		04 HR & Democratic governance	23 643	8 549	22 339	7 543
09 Natural resources&environm.		2 204		5 586	5 750	
11 Other		5		0		
(blank)		0		1 690	3 795	
156819 Regional Western Balkans Total		32 151	8 549	32 353	18 090	
Outside country allocation Total			94 623	18 918	108 560	77 995
Grand Total			94 623	18 918	108 560	77 995

Annex 2: Outcome Pie Chart

Macedonia outcome 2006



Annex 3: List of Strategic Documents 2006

1. Commission Staff Working Document – The former Yugoslav Republic of Macedonia 2006 Progress Report (EN)	Commission on the European Communities, Nov 2006
2. Council Decision on the Principles, Priorities and Conditions Contained in the European Partnership with FYROM (2006/57/EC)	Commission on the European Communities, Jan 2006
3. European Partnership Action Plan	Secretariat for European Affairs of the Government of the Republic of Macedonia, Jan 2006
4. Draft National Program for the Adoption of the Acquis Communautaire, March 2006	Secretariat for European Affairs of the Government of the Republic of Macedonia, March 2006
5. PM 'EG:s kommande stöd, IPA, till Makedonien och dess konsekvenser för det svenska bilaterala samarbetet'	Sida/SEE and Embassy of Sweden/Skopje, Aug 2006
6. FYR Macedonia Agriculture and EU Accession – achieving FYR Macedonia's Agricultural Potential	World Bank, Nov 2006
7. At Risk: Roma and the Displaced in Southeast Europe	UNDP, 2006
8. National Millennium Development Goals: A framework for action, Europe and the CIS region MDG Report	UNDP, 2006
9. Blue Ribbon Report (FYR Macedonia)	UNDP, September 2006

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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