

## Sweden's Support to the Transition of the Baltic Countries 1990–2003





# Foreword

With the entry of Estonia, Latvia and Lithuania into the European Union Swedish governmental development cooperation with these countries will be phased out. This is a summary of a report commissioned by Sida which has the aim to present an overall picture of what has been done and achieved. In view of the fact that the Swedish support has involved thousands of projects in most sectors of the society, the report does not provide the entire picture. However, the ambition has been to shed light on the important parts of the support provided, as well as the experience gained – not least in order to learn lessons that we can use in our development cooperation with other countries.

The report has been written by Krister Eduards of the Stockholm Group of Development Studies. The work has been done in close cooperation with an editorial committee consisting of Peeter Horm, Sida, Anders Bengtén, Ministry for Foreign Affairs, and Hans Lepp, Swedish Institute.

A handwritten signature in black ink, reading 'Maria Norrfalk'. The script is fluid and cursive, with the first name 'Maria' and last name 'Norrfalk' clearly distinguishable.

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# Summary

The Swedish Government's development cooperation programmes in Central and Eastern Europe prior to, and as a consequence of, the fall of the Soviet system commenced in 1989 with the support to the transition process in Poland. In the following years the first projects were started in the Baltic countries, which at that time were still republics in the Soviet Union. With the dissolution of the Soviet Union and the reindependence of the Baltic countries in 1991, an extensive Swedish programme was initiated in support of their sovereignty, their process of transition to democratic market economies, and to their integration in European and other forms of international cooperation. The governmental support program has covered most sectors and has involved Swedish society at large.

The Swedish Government saw the paradigm shift in Central and Eastern Europe at the beginning of the 1990s – and the subsequent structural changes there – as one of the critical issues of our time and judged it to be strongly in the interest of Sweden to provide broad political, economic and technical support to the process. A social democratic government, followed by a non-socialist

government, and then once again a social democratic government have all been in agreement on giving high priority for support to the transition process in the countries of Central and Eastern Europe –where particular priority was attached to the Baltic countries.

During the first few years, the support for reforms in the Baltic region focused on the sovereignty of the three countries, on their adjustment from a one-party system to parliamentary democracies, from centrally planned economies to market economies, and on the Baltic Sea environment. The reform process proceeded more rapidly than expected – by 1995 the three objectives for cooperation were to a large degree already met. Sovereignty was no longer questioned, and therefore support for sovereignty was replaced by cooperation for common security, which also was extended to the whole Baltic Sea area. Democracy had been established in a convincing manner, which made it possible to focus cooperation on deepening democracy. The transition to market economies was not questioned and therefore the social aspects of the reform process were given an increasingly stronger position in the support program. Environmental cooperation continued within the framework of the international action programs focussed on the Baltic Sea.

At that time the governments of the Baltic countries also strived for closer relations with the EU. When they decided to apply for membership of the EU in 1996, the main focus of cooperation was adjusted in order to support that aspiration. Since then Swedish support for reforms in the Baltic countries has had the main objective of contributing to their integration into the EU. At the same time the development cooperation has always had a second main mission of strengthening the ties with Sweden. These two goals have specifically governed the programmes of cooperation and it has been assessed that, in terms of results achieved, they have been fulfilled to a



great extent. There has also been the general guideline that a gender equality perspective should permeate the programmes of cooperation. However, this has been more complicated to achieve in the activities and operations supported.

The governmental guidelines for the development cooperation have been modified over the course of time. The goals have been reformulated and supplemented. Nevertheless, the overall impression is one of permanency – the goals have basically remained the same over time, but have been modified and adjusted to meet new conditions. The overall impression is therefore one of continuity. All in all, Swedish Government support to the reform process in the Baltic States amounted to approximately SEK 4 billion during the period 1990–2003.

## **Sovereignty and security**

Cooperation for the promotion of common security in the Baltic Sea region was started in 1991 as support to the sovereignty of the Baltic States. Early programmes of cooperation focused on, among other things, surveillance of borders and coastlines, police and customs activities, capacity building in the field of security policy, and civil defence and rescue services. At the end of the 1990s there were three principal areas: 1) security policy development, democratic total defence and peace promotion; 2) border surveillance and control, and 3) international and organised crime, asylum and migration policy expertise, and accident and emergency preparedness. In the year 2000 the so-called army support project was started, in which the costs on the Swedish side were shared by the programme for development cooperation with Central and Eastern Europe with funds from the defense budget.

This support is judged to have clearly contributed to promote common security and stability in the entire neighbouring region to Sweden. It has also facilitated EU

membership for Estonia, Latvia and Lithuania and contributed to the establishment of national defence capacities in the three countries. Military representatives of the Baltic countries express great appreciation of the contributions, both the supplies of defence materiel and the training opportunities provided. At the same time they are also well aware that the support is in Sweden's interest. Close ties with Sweden have been created.

## **Democracy**

It has been a central ambition of the Swedish Government to contribute to the process of transition to parliamentary democracies. The main programmes of support have focused on the legal sector and judiciary, decentralisation and local democracy, civil society, media, gender equality and development of the public administration. To illustrate the cooperation a presentation is made below of the Swedish Institute's programmes of cooperation in the fields of culture and society, the municipal twinning programme, support to civil society via Sidas's NGO-programme, and cooperation in the legal field.

*The Swedish Institute* (SI) had a programme of cooperation in the Baltic region even before independence. During the 1990s this programme was expanded. It covered exchange programmes focussed on democracy, film, ICT, literature, culture, environment, music, society, social issues, theatre and dance. The support mainly provided for travel expenses of Swedes visiting the countries, and the travel and living costs of foreign visitors to Sweden. The Swedish institutions involved have among others been the National Heritage Board, the National Archives, the National Historical Museums, the Royal Armoury, and the National Council for Cultural Affairs. SI has also supported major projects and programmes, such as the Partnership for Culture, a film network – Transit Zero, child culture days in Tallinn, Riga and Vilnius in 2001, and

Présence Balte in London, Paris, Lisbon and Athens. Matters relating to children's rights have a prominent place in SI's activities.

*The Municipal Twinning Programme for Development Projects* has involved more than 200 Swedish municipalities in development projects with Baltic municipalities: 91 Estonian, 44 Latvian, and 33 Lithuanian municipalities have had ongoing development projects with their counterparts in Sweden. During the first few years most of the programmes of cooperation had a pronounced focus on democracy, but the projects have over the years developed to be more sector-specific, with an emphasis on social sectors, education, democracy and the environment.

Several Swedish *country councils* have also participated in programmes of decentralised cooperation with their counterparts in the Baltic countries. The largest number of projects have been in Estonia. The principal fields of activity have been public administration, trade and industry, environment and gender equality.

Support via Sida's programme for *non-governmental organisations (NGOs)* for the transition process in Central and Eastern Europe was started in 1989/90, initially in the form of consignments of material and projects with a humanitarian focus, but it has increasingly focused on organisational development. The predominant share of NGO support was allocated to the Baltic States during most of the 1990s. Today it has the aim of strengthening the local partner organisations and thereby contributing to making civil society stronger. The largest project contributions to the Baltic countries have been made via Forum Syd (Swedish NGO Centre for Development Cooperation), the LO/TCO Council of Trade Union Cooperation, and the Olof Palme International Center. The many voluntary inputs have contributed to making cooperation cost-efficient.

*Cooperation in the legal sector* with the Baltic States was started in light of the assessment that shortcomings in the

rule of law could constitute an obstacle to the countries' EU membership. Four Swedish government agencies in the so-called "chain of justice" – the National Police Board, the Office of the Prosecutor General, the National Courts Administration and the National Prison and Probation Administration – were involved in this work. They were joined at a later stage by the National Council for Crime Prevention and the Swedish National Economic Crimes Bureau. The agencies have gradually assumed more responsibility for the preparation and implementation of the different specific projects, while the political dialogue and policy support on overall priorities and linkages, not least to the EU, has been provided by the Swedish Ministry of Justice.

## **Economic transition**

Support for the Baltic States' transition from centrally planned economies to market economies has been the largest field of cooperation. It has included macroeconomic support, normalisation of trade, institutional support and transfer of know-how, and private sector development. A special guarantee framework was provided at an early stage via the Export Credits Guarantee Board, as was balance of payments support and support for structural lending, as well as courses, seminars and other forms of education and training for teaching the elements of the market economy. Gradually, institutional issues of considerable significance for trade and industry and the market economies were taken up, for example land reform and cadastre system development, restructuring of the banking system, organisation of business associations and trade promotion institutions, standardization, labour market institutions, statistics and management training institutions.

*Infrastructure cooperation* was one of the early fields of cooperation with contributions through the Swedish Civil

Aviation Administration, the Swedish Maritime Administration and the National Road Administration, including training programmes and practical contributions in respect of, for example, the rehabilitation of airports, shipping lanes and road network analyses. Comprehensive contribution has been made for the institutional development of the counterparts in the Baltic States of the Swedish agencies, which has resulted in a pronounced improvement of capacity in the infrastructure field and in effective regional cooperation between the neighbouring states.

A long-term and major financial contribution has been made for the Stockholm School of Economics in Riga (SSER), which was established on the initiative of the Stockholm School of Economics in 1993.

Extensive support has also been provided for the reform and restructuring of the *banking sector*. This combined equity capital from Sweden via Swedfund Financial Markets with programming support from the World Bank and technical support through BITS/Sida. The contribution promoted the development and consolidation of the banking sectors in the three countries and thus facilitated the acquisition of foreign strategic partners/ owners, not least Swedish and Nordic banks.

In order to promote trade and industrial development with a focus on small and medium sized enterprises Swedecorp/Sida started the *Start-East Programme* in 1994. The aim was to contribute to productive investments and development of business by offering small and medium-size Swedish enterprises loans for joint venture projects with partners in the Baltic countries. Over one hundred projects were implemented. Start-East has had a clear impact on private sector development mainly as a result of its training component.

Sweden has from the early 1990's provided substantial support to *land reform* related activities through land surveying and cadastre development in all the three Baltic

countries. Projects relating to aerial photography and production of aerial photographs have been undertaken in all countries. The programme of institutional cooperation has resulted in considerable capacity and agency development in areas such as land survey and land information systems.

An important area of cooperation has also been the *public administration*. In Estonia, support has been provided, for example, for a computerised budget and accounting system for the public administration, for statistics including a national accounts system and for EU adjustment. In Latvia, management training programmes have been directed towards public sector officials, parliamentarians and members of the government, and special projects have also been supported, for example in the fields of debt management and public procurement. In Lithuania, public debt management and development of an information system to the Lithuanian parliament can be mentioned as examples. The public administration projects have in general been many but relatively small but have nonetheless been essential for the reform process and for EU adjustment.

## **Social sectors**

As a result of the Swedish Governments guidelines from 1995, the social sector was given a prominent position in the cooperation with the transition countries. During the following years thereafter there was a considerable expansion of support to this sector in the Baltic countries particularly for reform of basic social services, social insurance systems as well as health and medical care systems.

Many different Swedish institutions have been involved but one of the main channels for the support has been the *East Europe Committee of the Swedish Health Care Community*, a joint organization for most parties in the Swedish health

and medical services. Its cooperation programmes in the Baltic Sea region cover the entire health sector and contain special programmes for psychiatry and for combating infectious diseases. The Committee has been involved in mother and childcare and in psychiatry and combating infectious diseases in all three Baltic States. Initially the contributions had an emphasis on clinical cooperation, often in the form of institutional cooperation between two institutions, but they have increasingly taken up issues relating to systems, structures and methods at a policy level.

Together with the World Bank, the Department of Social Work at the University of Stockholm has participated in developing needs-oriented and efficient *municipal social services in Lithuania*. The Department of Social Work has been responsible for providing advisory services to the project, while the World Bank loan has financed necessary investments. The main component has been the training of social workers. Target group have been the disabled, children in institutions and other vulnerable groups.

Another example of a major project has been the rather substantial Swedish support provided for the development of a new *pension system in Latvia*. Swedish advisers from the National Social Insurance Board, the Social Insurance Offices, the National Board of Health and Welfare and other Swedish consultants have assisted the Latvian government in developing a new system, an integrated administration for pensions and social insurance, and a computerised budget model for decision-making purposes. Also here The World Bank has contributed with loan financing for the necessary investments.

## **Environment**

The Swedish Government has since the beginning of the 1970's very actively supported international efforts to restore the ecological status of the Baltic Sea. Cooperation

in environment was therefore given the highest priority from the very outset in the development cooperation with the Baltic countries. Also from a financial point of view environment was given a unique position as it was possible here to finance investments and not only the transfer of know-how. Most of the support has been directed to water and wastewater projects, solid waste projects, district heating and fuel conversion, nuclear safety and radiation protection, as well as cooperation between authorities and institutions to transfer knowledge and enhance capacity.

Support for *water and wastewater management* has mainly focused on improvements in places identified as "hot spots" in the Joint Comprehensive Action Plan for the Baltic Sea adopted by the concerned countries in 1992. During recent years a number of major investment projects have been completed in the Baltic countries. Sida has financed part of investments in wastewater treatment, pre-investment studies, technical support and twinning cooperation between municipal Water companies, while the development banks (The World Bank, EBRD and NIB) have usually financed the water supply components. The Swedish contributions have been appraised in various evaluations to be relevant and effective and to have contributed the institutional changes that have taken place at the Baltic water administrations and companies.

Part of the Swedish programme for environmental cooperation focused at an early stage on the *energy sector*. These projects primarily aimed at reducing energy losses and improving the efficiency of existing district heating plants. Consulting services for feasibility studies and for design and supervision, twinning cooperation between Swedish and Baltic energy companies, demonstration projects with competitive Swedish technology and training programmes for specific target groups have been the main content of the support.



Sweden decided at an early stage to improve levels of *nuclear safety at the Ignalina nuclear power station* in Lithuania. The goals were to reduce the risk of a nuclear accident, to ensure that nuclear waste was taken care of properly and stored in an acceptable way, to ensure that the physical protection was secure, and to strengthen the Lithuanian inspection authorities. In an assessment made by the Swedish Nuclear Power Inspectorate, the conclusion is that the large amount of international support provided to Lithuania, in which Sweden has been the leading bilateral donor, has raised the safety level of the Ignalina nuclear power station substantially and it is now regarded as the safest of all nuclear power stations that, like Chernobyl, are equipped with so-called RBMK reactors.

The National Environmental Protection Agency's programme in the Baltic Sea region has supported the environmental agencies in the region in their work of developing effective environmental programmes and meeting their international commitments. The project work in the Baltic region has, among other things, included the fulfilment of EU requirements for candidate countries, transboundary rivers and lakes, environmental impact assessments and controls of chemicals. The application of the EU's regulations in respect of the environment has been the focus of cooperation in all three countries in recent years.

## **Education and research**

The support channelled via the Swedish Institute for exchange and scholarship programmes in research and higher education and for teaching of Swedish language has been a separate area in the development cooperation with Central and Eastern Europe. These programmes (The Visby and Baltic Sea scholarships) have mainly been oriented towards higher education and research, adult education, and upper secondary education. The provision

of support to projects and networks in which Swedish and Baltic academics cooperate has also been a major component in the Visby programme. Support for the teaching of Swedish abroad has been another part of SI's activities for many years. For several years the SI financed seven lecturers in Swedish, teaching aids and books, as well as programmes of further education and summer courses in Sweden. In addition to this the SI also financed five teachers of Swedish at Baltic upper secondary schools. Between five hundred and one thousand students studied Swedish each year in the three countries. All in all, thanks to SI's programmes, between 8,000 and 9,000 persons have studied Swedish in one form or another on the other side of the Baltic Sea.

## **Technical Assistance funds**

In order to facilitate the phasing out process, Sida has in recent years introduced technical Assistance (TA) funds in the cooperation with the three Baltic countries. The aim is to promote the process of transition to regular cooperation, i.e. cooperation that is not financed by development cooperation funds. The funds, which are intended to supplement the EU programmes, can be used for short-term advisory services from the Swedish public administration institutions to their counterpart institutions in the Baltic countries.

Characteristic features of development cooperation with the Baltic States

The development cooperation with the Baltic countries has had some specific features which partly explain the good results. The cooperation has been a cooperation between developed countries. There has also been a clear ambition to strengthen the ties between the countries and Sweden. The context has been the fundamental process of departure and transition in the three countries from fifty-years of enforced membership in the Soviet system to

national independence, parliamentary democracies and market economies, and subsequently to closer relations with and finally membership of the EU. EU membership has been a driving force and a goal of the process of change. And the partners in cooperation have been neighbouring countries.

The transition process in the Baltic countries has had strong Swedish political support. It has also been unexpectedly rapid – which has necessitated equally rapid adjustments to the Swedish support programme. The development cooperation has over the period 1990–2003 been guided by four special Government bills adopted by the Swedish Parliament. A third characteristic feature has been that a very large part of the Swedish society has participated. This is not least reflected in the public sector with a very large number of agencies and institutions involved – and on a much broader scale than in the Swedish development cooperation in other regions.

Development cooperation with the Baltic States has also had access to several instruments for cooperation, of which some were specially designed such as the consolidated programme for the legal sector support, the StartEast and Municipal Twinning Programmes, the TA-Funds, the environment investments linked to Baltic Sea Action programme and also the Baltic facility at the Swedish Export Credits Guarantee Board. The project set-up has also had special features, for example the rapid process from the multitude of short-term projects of ad hoc character to long-term institutional support combined with a strong ownership for project responsibility on the recipient side.

International coordination with other donors has been vital in many areas of cooperation. At the operational level there has sometimes – particularly in early years – been a certain degree of competition among donors. However, over time this has been overtaken when the

administrative capacity on the recipient side has become stronger. Important partners in cooperation have been the European Commission and the international financing institutions, particularly the World Bank, the European Bank for Reconstruction and Development and the Nordic Investment Bank.

## **The contribution to the transition**

The impact of the Swedish contribution has varied between sectors. Where sovereignty is concerned, it is considered that the early Swedish support to the three countries' border and coast surveillance together with the political support played a consolidating role. In the field of democracy major contributions have been made for the decentralization process with municipal development and development of the civil society, the support in the legal sphere as well as the cultural cooperation via the Swedish Institute.

In the economic field early support for infrastructure and development of market economy have provided clear contributions. Other programmes of a long-term character such as land reform, Start-East and public administration support have also been important in this context. In the social field, the programmes of the East Europe Committee of the Swedish Health Care Community have resulted in a considerable transfer of knowledge and know-how and development in health care and modern medical care. Swedish experience and systems for social care, social services and social insurance have contributed to reforms in the Baltic countries.

With regard to environment the implementation of a large number of major projects in the fields of water and wastewater management, district heating and solid waste has had immediate impact on reducing pollution and improving efficiency – not least to mention the substantial support extendend for the improvement of nuclear safety

at Ingalina. Long-term institutional cooperation has contributed to capacity development and to successful negotiations for EU membership. The results in the field of research and education include a number of individual research findings and permanent networks in various disciplines. Over 8 000 Baltic citizens and Swedes have studied on the other side of the Baltic Sea.

Where gender equality is concerned, the results are weaker. This theme was early regarded by many in the Baltic Sea region as being associated with the old regime and therefore compromised. It has been difficult for the Ministry for Foreign Affairs, Sida and SI to give enough prominence to the issue in the dialogue with the partner countries. However, in recent years activities and the number of contributions have increased considerably.

An important goal with the development cooperation programme has been to contribute to bring the Baltic countries (together with other countries in Central and Eastern Europe) into both global and European cooperation. Where the Baltic countries are concerned, the Swedish support for the transition process, has in practice – once again together with the Swedish political support – made a considerable contribution to the Baltic countries' efforts to be integrated into European structures..

## **Regular cooperation**

The development cooperation has been an important platform for promoting regular cooperation between Sweden and the Baltic countries. Support to private sector development has had a clear, positive effect on establishing commercial relations. The funds in the development cooperation have to a very large extent been used for the supply of services and equipment from Sweden. A large number of Swedish government agencies now have regular close relations with their counterparts in the Baltic countries – relations that have sprung from Sida-financed

projects. Decentralised cooperation between municipalities and NGO cooperation have, in general, not the same conditions for regular cooperation, but are nonetheless deemed to have strengthened neighbouring relations and to have created a valuable network of contacts for the future.

The capacity and skills of the partners in cooperation combined with the distinct reform ambitions have been of decisive importance for the process of transition from development cooperation into regular cooperation. The positive result can be explained by the situation that Sweden and the three countries are neighbours, by the political attitudes and the support of public opinion, and by the strong personal involvement of the parties concerned.

## **Phasing out**

The Swedish Government has decided that the bilateral development cooperation programme shall be phased out in connection with their attainment of membership in the EU, and that future needs have to be covered by the instruments of EU.

In order to facilitate the phasing out of programmes of cooperation the Ministry of Foreign Affairs and Sida have taken certain measures. One is the above-mentioned Technical Assistance funds that are intended to promote a process of transition to regular cooperation. Another is to try to establish a neighbourhood programme within the EU corresponding to the existing Interreg programme. A third is to actively support the efforts of the parties concerned to continue cooperation. A fourth is to engage Baltic parties in development cooperation with third parties.

The development cooperation with the Baltic countries has also provided experience of interest for development cooperation in other regions. This is the case, for example,

of mobilizing the Swedish society at large directly in the development cooperation, of being able to use EU adjustment as a guide for cooperation and of creating special instruments for broader cooperation and for the phasing out of support. This experience is primarily relevant for development cooperation in other parts of Europe, but could also be partly of interest in other regions.







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