



OCTOBER 2004

Sida Country Report
October 2003–June 2004

Serbia and Montenegro



Content

1. Introduction	3
2. Strategic Country Development Trends	4
2.1. Political Development	4
2.2. Economic and Social Development	4
3. Swedish Development Cooperation	6
3.1. General orientation of the programme	6
3.2. The aggregate status regarding commitments and disbursements	6
3.3. Donor co-ordination with EU and other donors	6
4. Sida Programmes and Projects	8
4.1. Human Rights	8
4.2. Democracy, Good Governance and Gender	9
4.3. Sustainable Management of Natural Resources and Environmental Protection	13
4.4. Economic Growth	16
4.5. Social Development and Cultural Sector	18
5. Concluding Remarks	21
Annex: Project List	22

Published by Sida 2004

Department for Europe

Printed by Edita Sverige AB, 2004

Art. no.: SIDA4276en

This publication can be downloaded/ordered from www.sida.se/publications

1. Introduction

October 2003–June 2004 has seen many changes on the political scene in Serbia, which has affected our activities since many of our counterparts and contacts were replaced. The new government is not very strong and problems of ownership and fulfilment of commitments and undertakings are expected to continue. As a result disbursements within projects and planning for future projects are not satisfactory. On the local level the situation may improve in some places after the local elections in September. In Montenegro our commitments have a different and limited structure, less central Government and more civil society, and Swedish support is therefore also less vulnerable.

Several problems have arisen during the period of this report. Most have been dealt with on an early stage and resolved in a satisfactory way. Some difficulties resulted from political weakness. An example of this is the cooperation with the ITIA, which was a major disappointment as this specific cooperation was seen as important and ground breaking.

Overall development in Serbia and Montenegro has slowed down compared to the first few years, but still remain rapid. Therefore, the demand for donors to be flexible and having capacity to respond quickly is high, particularly in the present unstable political environment. Sida remains one of the most responsive and quick donors in Serbia and Montenegro. Our involvement in EU related assistance (EAR/EC) has resulted in overall improved communication and cooperation between relevant donors and the EU structures, hopefully resulting in improved and more efficient development cooperation generally.

2. Strategic Country Development Trends

2.1. Political Development

The reporting period has been characterized by political transition, following the parliamentary elections in Serbia on December 28, 2003. The elections were triggered by a failure of the incumbent DS-led minority government to retain parliamentary support. After the elections, the DS Government was replaced by a democratic four-party coalition consisting of DSS, G 17+, NS and SPO. The head of DSS, Vojislav Kostunica, became Prime Minister.

At the end of June, presidential elections in Serbia resulted in a victory for the new leader of the DS, Boris Tadic, ahead of the candidate of the nationalist party SRS, Tomislav Nikolic and the business tycoon and leader of the movement “Srbija ima snage”, Bogoljub Karic. The representative of the DSS-led Government, economics minister Dragan Marsicanin, came only fourth.

In Montenegro and at the level of the State Union, no elections have taken place during the period. The political opposition in the Montenegrin Parliament continued its boycott of Parliamentary work.

Regarding the Serbian relations to Kosovo, the riots against minorities in Kosovo on March 17 represented a setback for the dialogue process between Pristina and Belgrade, which had by then just begun in areas such as energy and transport. The dialogue has yet to continue.

Work on a new Serbian constitution has remained slow due to disagreement on issues such as regional autonomy.

Harmonisation of the economic systems of Serbia and Montenegro (which constitutes approximately five per cent of the combined GDP of Serbia and Montenegro) had remained slow despite EU pressure in the form of a suspension of the SAP Feasibility Study launched in September 2003. Montenegro is asking for a separate track towards EU integration. A referendum on Montenegrin independence – accepted but not encouraged by the EU – is likely to occur in 2006 at the latest.

2.2. Economic and Social Development

GDP growth this year is estimated to approximately 6%, due to a turnaround in industrial production which grew by 7,5% during the first six months of 2004. The exchange rate remains fairly stable (a managed float, currently about 70 Dinars per Euro and depreciation approxi-

mately in line with the amount of inflation – hopefully below 10 percent this year. Unemployment is around 30% and GDP per capita about 2000 USD.

The social situation in Serbia and Montenegro remains difficult for large segments of the population, with real income still substantially below – and price levels above – the pre-war levels of the late eighties. Large structural problems remain in the form of high unemployment. This is to some extent compensated for by the large economic activity in the informal sector. Roughly one quarter of the population can be characterised as poor, and extreme poverty (income less than 1 USD/day) affects perhaps 10 percent.

The government still has major problems with pensions, the health sector and other social welfare programmes that need extensive restructuring and reform. Above all, there is a need for a strategy for sustainable growth once foreign aid flows diminish.

3. Swedish Development Cooperation

3.1. General orientation of the programme

The on-going development programme is well in line with the Swedish government appropriation letter for 2004 as well as the draft Country Strategy for Serbia and Montenegro. Future plans and pipeline activities has also been elaborated according to the vision and guiding principles of the draft Country Strategy. However, certain slowness in implementation of the programme might be expected as long as the political environment does not improve.

3.2. The aggregate status regarding commitments and disbursements

Disbursements are too low (presently 30% of committed funds). A higher disbursement rate would require an improved situation with regard to the political environment.

Committed funds are satisfactory, while planned and project/programme pipeline need to be increased.

3.3. Donor co-ordination with EU and other donors

From a Swedish point of view, the most important donor to work with is the European Agency for Reconstruction (EAR), since EAR by far is the largest financial donor to Serbia. As a contributing Member State, Sweden obviously also has a stake in EAR implementation performance. There have been several instances during the reporting period where Sweden has found low interest from the EAR to coordinate with Swedish support, even when overlap has been imminent. Strong efforts have been made by Sida both with the EAR office in Belgrade, EAR Governing Board in Thessaloniki and through the CARDS program in Brussels to improve coordination with Sweden and other donors and towards the end of the reporting period the situation had improved. The interest from EAR to host sector wide donor meetings has also increased.

Following the change of government in the spring, the Serbian authorities also showed renewed interest in coordinating donors. This coincided with improved efforts by the Swedish important MIER database project to develop the capacity for foreign-aid management. This development has been strongly supported by EAR and other donors.

Several Swedish projects are implemented by the UNDP and Sida has had both quite positive and some negative experiences from this cooperation. UNDP's standing as a major donor in Serbia, e.g. in capacity building and public administration reform (PAR), is somewhat unclear because of the organization's internal reorganization efforts. Cooperation with the World Bank has also had its ups and downs.

A general impression is that bilateral donors, particularly those of a "medium" size, find it easier to coordinate and cooperate than the multilateral ones. Whereas the World Bank and the EAR keep in touch and do some coordination in the field (they have also had a joint office in Brussels), their contacts with the UNDP seem to be scarce.

The work over the past nine months together with Sida Stockholm and the Swedish Ministry for foreign affairs shows great progress in terms of our increased influence and standing among donors in regard to EU support. This coordination and information sharing should continue in order to facilitate Swedish support in various sectors as well as to make EU support more efficient, owner oriented, sector wide, etc.

In addition, the Swedish support for a database of donor assistance to Serbia is now rapidly developing into capacity Building for using the database within various institutions and ministries and could further develop into foreign aid management support. Already today, close links are being made in this endeavor and within the project to EU coordination units within the ministries. A few months ago this project – in combination with vitalized efforts by the Serbian recipient Ministry MIER – was eventually recognized by the EU as the donor coordination project.

Risks: we may not have the time and energy to develop coordination further, considering other duties. Advantages: more coordination will inevitably come up after EU evaluation recommendations and Sida pushing sector policy. Sida could definitely make a difference in continuing the support.

4. Sida Programmes and Projects

Projects that are developing according to plans are not mentioned. The “Comments” section contains reference only to deviations.

4.1. Human Rights

4.1.1. The Sector

Although many analyses and reports show that the protection of human rights in Serbia and Montenegro is improving a number of problems need to be solved. Problems related to minority rights (especially Roma), right to fair trials, right to work, right to fair working conditions are just some of the burning issues. Lack of awareness and weak knowledge among the majority of citizens about their rights is also a major problem. Improvements in this sector are not only one of the conditions for EU integrations but also one of the most important issues that has to be solved in a proper way in order to reduce poverty.

The situation of refugees in Serbia reflects the general neglect by the authorities. The new Commissar for Refugees has announced the closing of collective centres, but failed to present structured solutions and alternatives. The Governments of Croatia, Bosnia and Herzegovina and Serbia and Montenegro have all agreed to improve bilateral relations and in general the environment for refugee return has improved. Swedish support to sustainable refugee return is in line with the EU SAP.

4.1.2. Comments

Swedish Helsinki Committee for Human Rights (SHC).

31 organisations were supported in Serbia and Montenegro, in 2003. SHC has initiated audits of several of its partners. Some audit reports showed unsatisfactory results and in two cases this led to the termination of agreements with local partners. From the 2004 applications, agreements were signed with 15 organisations and related grants have been transferred.

“All different all equal” media campaign.

The Ministry for Human and Minority Rights of Serbia and Montenegro has implemented the second phase of the “Tolerance” media campaign. Special focus was put on the International Day of Human Rights (December 10) when different initiatives were organised

in schools, social institutions, collective centres as well as multi-ethnic communities. The Sida support to this project expired in January 2004 and similar initiatives will in future be part of the Ministry's everyday activities.

Refugee Return from Vojvodina, Serbia and Montenegro.

The Interim Report for January–April has been submitted and shows a big interest in return, which the LWF concludes is due to their continued involvement during the winter period. Until April 30th, 198 families applied to return to Croatia and 65 to Bosnia. Compared to the expected 200 families returning to Croatia and 115 to Bosnia, this is a good trend. During the first months of project implementation, the LWF were also actively informing refugees on LWF and CRI (Crossroads International) projects in Bosnia and Croatia. The information campaign covered all the municipalities in Vojvodina and some in central Serbia (Topola).

4.2. Democracy, Good Governance and Gender

4.2.1. The Sector

Institution building and improved efficiency of government institutions is at the heart of most donor financed programs. A prerequisite for success in this is a public administration reform (PAR) supported and implemented by the central government. Efforts to achieve this have not been successful so far despite efforts by both bilateral donors and the UNDP. However, as the need for reform becomes more apparent donors are coordinating their efforts to support the development of a PAR strategy by the new Government.

Laws have recently been adopted in Parliament develop an independent judiciary, which is a prerequisite for EU integration and the fight against poverty. The EU has highlighted the need to address corruption, which is today present at all levels of society. According to the PRSP corruption holds back foreign investments and contributes to deepen the poverty of common citizens. Newly formed anti-corruption agencies and units have contributed to more resources to fight organised crime in Serbia and Montenegro. The country has joined international mechanisms for fighting corruption, such as GRECO and the Council of Europe in view of adopting European standards on legislation.

However, the anti-corruption institutions in Serbia and Montenegro need to have their mandate reviewed. Clear guidelines on how to increase their capacity and jurisdiction to follow-up the implementation of anti-corruption strategies need to be worked out. Otherwise, the enforced legal framework will not be supported by adequate institutional capacity to implement it. Moreover, the perceived lack of communication and understanding between the Anti-corruption Council in Belgrade and the Government regarding the methods to reach the country strategy might stand in the way of all efforts to tackle this issue in a sound way.

The organisational structure of police systems in Serbia and Montenegro are being reviewed, needs assessments are being made in many areas of police operations and new departments introduced. Crime scene investigations constitute the basis of functioning police and

judiciary systems. Most reports on trafficking show a decrease in number of identified victims, but the reasons for this is still not clear. However, frequent changes in all management levels threaten to stifle the momentum of development assistance. Therefore, one should focus on the institutionalisation of the crime scene investigations policy and quality management system, the expected output of Swedish intervention, with an accent on accountability.

A working group has been formed in the Serbian parliament to prepare draft legislation on gender equality. In Montenegro the Office for Gender Equality is now recognised as an important political actor. Adoption and implementation of advanced international standards in this field are important both for the EU integration process and the fight against poverty.

In addition to the latest changes of set of laws that strengthened the independence of judiciary and the commitment to support implementation of ongoing projects in this sector, the Government of Serbia and the Ministry of Justice have expressed their plans to take a leading role in planning and coordinating new projects/programs. If this rather promising trend will continue, Sida and other donors could consider wider support to this sector. Risk: a strong political will is one of the important factors for the implementation of planned reforms in this sector. Still present political instability (minority Government and so on) could endanger this process.

Several projects within the Ministry of public administration and local self government (supported by EAR, British, French) have encountered problems. Sida in Belgrade is getting the message from the Ministry that only the Swedish project (HRM) is working well.

In the sector, generally, several attempts have been made over the past few years by the UNDP to push for reforms of the public administration in Serbia, the latest of which (to produce a strategy for PAR before the end of 2004) was launched last May following a discussion that the Minister had with the head of UNDP.

Also this initiative, however, seems to have stalled. The reasons for this may lie both in the centralization that has taken place within the Ministry after the new government took over and the fact that the need for PAR is not pushed by the Government itself at central level – where, of course, the UNDP with little money and low credibility as to its EU perspective has very little leverage.

The World Bank has pushed for a strategy for PAR for almost over a year now as a precondition for payment of loans to Serbia. The World Bank has not had much success and the deadline for the completion of the strategy has repeatedly been push forward.

The third important donor actor in this game is EAR who has not really been interested in taking the lead, despite the fact that it is the only donor that probably could do this and be successful. This is probably due to the EU “project rather than sector” approach and the fact that policy pressure at country level should be exercised by the EU-delegation in Belgrade, not by the EAR. But – the EAR has projects connected to PAR, such as support for payroll reform.

Sida is consequently left with a situation where Sida is the most important donor in the Ministry of Public Administration, potentially

could support the UNDP PAR strategy project mentioned above and is seen as a donor interested in coordinating the donors towards a sector wide approach in the sector. Sida could invite the donors and government to talk about a sector wide approach and that could turn out to be very well timed this fall, following up with “talk” at the CARDS and EAR meetings in Brussels and Thessaloniki respectively.

The Swedish support for the standing conference on towns and municipalities (SCTM)- a project that is quite ably implemented by the UNDP – seems to be developing at good speed. Having a national perspective, where also capacity building at the local level plays a part, is definitely contributing to public administration reform, efficiency and transparency in Serbia. This, of course, is a prerequisite for EU integration.

The risks involve an unpredictable political situation, centralisation of all main decisionmaking into the hands of the minister and assistant minister at the ministry. Also, what does the Ministry really want? And what does the Government want? PAR cannot succeed without its strong support. New mayor elections this month may bring another perspective of what is needed at local level.

Labour market: The capacity building projects within NES (the Serbian AMS) could instead also be viewed as efforts to strengthen the government's capacity to deal with labor market issues, something that is true of the the previous project Sweden supported at the Ministry of Labor through the UNDP (which incidentally to a large extent capsized because of the much delayed evaluation by the UNDP earlier this year!) Some aspects of it could be revived, however, if carefully negotiated with other donors and the government.

Sida might develop a Swedish sector approach to labor market activities including the NES activities, support to the Ministry (where AMS is now active as a consultant through the starting EAR project) and also the possible addition of support for social law and mediation at the Ministry. (See separat project idea sent in yesterday!) Through the previous conflicts we had with EAR last April on the NES support Sida could, if we have time to spare, become an active – if not the lead – agency, for support within the sector.

Risks as above, but Sida first needs to find out the potential for whole-hearted Ministry ownership.

4.2.2. Comments

Database for the Republican Ministry of International Economic Relations (MIER).

An evaluation last year concluded that the installation of the database has worked very well technically, but that there is a need for more training and awareness building within the government ministries and agencies to use the database for monitoring and planning purposes. Therefore, a specific capacity building project component was launched, which has now presented its inception report outlining concrete measures for developing the use of the database. Implementation is on time and a midterm review is planned for the autumn.

Standing Conference of Towns and Municipalities.

Sida has followed up earlier concerns about the seemingly overambitious and somewhat inflexible approach focussing on developing the Project office in Belgrade, while not sufficiently connecting with the municipalities. Sida has expressed its view that it is important for the efficiency of SCTM as an organization representing the municipalities to reach out to these in a constructive dialogue about their needs and expectations. During spring more attention has been put towards addressing Sida's concern and the project is progressing well. A midterm review is planned for late autumn.

HRM Institutional Development (former APAD project).

The project is targeting twelve ministries in the Republic of Serbia. The first phase has covered six selected pilot ministries and procurement of equipment for the data base. An evaluation mission took place last December. Developments within the Project have since been very good and there is an increasing awareness among the pilot ministries of the potential of HRM. APAD has been dissolved as an agency and integrated into the Ministry for Public Administration and Local Self government and has resulted in excellent contacts with and strong support from the leadership of the Ministry. However, the ongoing French, British and EAR projects in the Ministry have been put on hold, something that emphasizes the strength of the Swedish project within the Ministry.

National Employment Services.

The project aim is to promote employment in Serbia through developing a more efficient and effective National Employment Services, NES. Plans by the EAR to also support the NES, led to considerable confusion and strong efforts had to be made by Sida to negotiate respect from the EAR for the agreement already concluded with the Serbian government. This eventually led to improved cooperation and clarity as to who will support what. A project coordinator took up her post in Belgrade in May. Recently a consortium where the Swedish partner AMS is a member, won the contract for EAR support to the sector.

The Center for Tolerance and Dialogue (CTD) project

was concluded in May 2004 with a seminar in Podgorica. During the implementation of the two-year project, seminars on local self-government legislation were held in all 21 municipalities in Montenegro.

Balkan Analysis.

In May 2004 Sida decided to terminate support to the *Reporter* magazine provided through the NGO Balkan Analysis. The management of the Reporter had failed to meet set conditions and expectations, most important of which were a new internal organisation of the company, a clear division of roles and responsibilities and a transformation of ownership.

PACO IMPACT: Implementation of anti-corruption plans in South-Eastern Europe. Sida supports the project through Council of Europe, as implementing partner.

The first regional conference was held in Budva, Montenegro in July to discuss the Inception Report and fine-tune the outputs envisaged. The Ministry of Justice is creating a Working Group to work on the country strategy and action plan against corruption. The capacities of the Anti-corruption Council need to be strengthened in order to implement this strategy.

The activities and expected outputs envisaged for Montenegro are basically the same. There is a draft Action Plan for the fight against corruption, but it needs expertise.

Strengthening of Crime Scene Investigation (CSI) capacity in Serbia.

The project is implemented through the Swedish National Police Board (SNPB) and contains the element of twinning between the Swedish National Police Board and the Serbian Ministry of Interior. The MoU between the SNPB and the Ministry of Interior has not yet been signed due to administrative delays on Serbian side. Two rounds of Trainer Development Course were completed in May and July for eight CSI officers who, together with another four, will attend the Resource Based Training in September and be the future training resource of the project. A flexible Implementation Plan has been created. The Working Group for drafting the CSI policy is not in place yet, due to recent political and staff changes.

Anti-trafficking project with IOM.

In 2003 IOM provided assistance to 20 victims of trafficking while in the first half of 2004 seven victims were assisted. The trend of more domestic than foreign victims reported to IOM continues. More focus will now be put on reintegration since the number of victims has been lower than estimated.

4.3. Sustainable Management of Natural Resources and Environmental Protection

4.3.1. The Sector

In the new government the Ministry for Science and Environment has the responsibility for environmental issues, which means that environmental issues have been given a lower priority than previously. This hampers the implementation of projects as well as the reforms and EU compliance in the areas of environmental protection, management and services.

The reform and transition process within the energy sector has been slow. The national electricity company EPS is the country's largest employer with its 60 000 employees and closing down mines and outsourcing non-core activities will have far-reaching social impact. The new government has redrafted the energy law proposal and it would, if passed, enable the necessary restructuring of EPS and harmonization with European standards. The government is also preparing a strategy for deregulation of the electricity sector, establishment of a regulatory

body, unbundling of EPS into separate companies and tariff reforms. Support to the energy sector is shifting focus from emergency reconstruction measures to institutional development, EU adjustment and compliance with international agreements and standards. Delays in ongoing Swedish cooperation can partly be linked to the slow reform process, but also to too optimistic time schedules, a lack of institutional capacity and organizational difficulties with the project partners.

Agriculture: The FAO has played an important and appreciated role in many ways here, not least developing strategies in the field. Thus, Sida's single involvement in the sector, the milk project in Nis, should not encourage us to do more in the sector. We should rather work towards integrating this into activities carried out by other donors who possibly keeping a regional approach since Sida is involved in similar activities in other countries in the region.

Risks: trippled budget for agriculture, how will that change development and investments in the field? What happens in the present volatile situation where dairies are being bought and revamped?

Cadaastre: In order to be more active in other sectors of focus for Swedish assistance, Sida would benefit from trying to get this project implemented through the World Bank, who has massive funds for the sector, or other donors involved in the sector. Risks if we leave: too strong dependence on the WB. Risks if we stay: too much stress on the Sida office.

Forestry is not yet a sector targeted by Sida. Assistance could be given in a regional context of the very little attention could be given by the Swedish Embassy in Belgrade due to other commitments. Risks: involvement might mean too much stress on the Sida office.

Regional:

Sida coordination in the field of environment involves follow-up and dialogue with field officers and HQ regarding ongoing projects and the project pipeline. The LEAPs, co-funding and cooperation with EBRD, regional training courses and EIA training of Sida project officers, have been main activities. The Swedish Environmental Protection Agency initiated preparations for a South Eastern Europe programme in April 2004, with a first mission to Serbia and Albania in July.

4.3.2. Comments

Sustainable development strategies for Serbia and Montenegro.

This policy-oriented project in cooperation with UNDP will require strong political commitment. Start-up was delayed due to the changes in government and administration. Still, the process in itself should be valuable and raise issues of sustainability for open debate in the Serbian society. The involvement of Montenegro in this project is still uncertain, as Montenegrin authorities decline to be involved in joint activities with Serbia as they consider a Sustainable Development strategy to be a sole Republic level concern.

Strengthened urban development planning in Montenegro.

A new project with the Montenegro Ministry for Urban Planning and Environment, implemented through UNDP, aims for participatory

physical planning processes in five municipalities, related to new planning legislation. The Sida support will enable physical planning legislation to be revised through a process of enlarged public participation. A public campaign around the new planning has initiated the process.

Strengthened environmental management at the ministry of environment.

With the changes in administration by the new government, the project activities now focus on the Directorate for Environmental Protection in the Ministry for Science and Environment. However, the project should still be relevant with its focus on more efficient use of human resources, improved decision-making processes and more efficient administration.

Local Environment Action Programmes (LEAPs) in Serbia and Montenegro.

This new support will be channelled through the Regional Environmental Center for Central and Eastern Europe (REC). The program will assist three Vojvodina municipalities in addressing environmental issues through public participation in dialogue with the local government. Similar programmes have been initiated in Albania, Bosnia and Herzegovina and Macedonia and include regional contacts and information exchange about development and implementation of LEAPs.

The environmental hotspots at the Pancevo industrial complex

project has been finalised and the UNEP handed over the project to the Ministry in May. Still, Pancevo remains an urgent hot-spot with large amounts of hazardous waste in storage. Further work and preparations for handling of hazardous waste in Serbia is supported by EAR.

Support to the development of a financial management system for EPS

(through WB Trust Fund agreement) is delayed, mostly due to an overly optimistic time schedule, but also to a lack of capacity at EPS and related organisational difficulties. The system design phase is almost finalized and a tender is ongoing for a system supplier. Still, the project is unlikely to be finalized within the agreement period until the end of 2004, and a further request for extension is expected.

Twinning between Elektroistok and Svenska Kraftnät.

This project is appreciated and has been carried out with good working relations between the project partners. The project, however, was planned to specifically target transitional issues and support Elektroistok in its role as an independent grid operator. As transition yet has to start, the twinning has focused on technical aspects and not on issues originally planned.

District heating improvements in Belgrade.

The EBRD-financed investment programme and compliance with EBRD rules have experienced problems and delays. These have been addressed through an action programme agreed to by financiers and project partners in January and followed up through reviews in April and June respectively. The first tenders for supply of equipment have been announced.

Electricity distribution companies in Southern Serbia.

Further support will focus on capacity building in the companies and on limited investments aiming at reducing commercial losses. A workshop with all stakeholders was organized in May and resulted in a draft project plan for possible Sida support.

Environmental management and improvement of railway operations.

Project preparations have been at a standstill mainly due to changes in the management and re-organisation on the Serbian side.

Twinning between Serbian Roads Directorate and Swedish Road Administration.

This program focuses on road safety, environmental management, institutional capacity building and managing a World Bank loan. The project was launched officially in June and the resident advisor from the Swedish Road Administration has taken up his position.

Support to Milk Production in the Nis area.

The main objective of the project is to support the development of sustainable and profitable milk production and dairy industry in Southern Serbia. The project is implemented by OPTO International. Crucial factors for the success of the project will be the development of the dairy sector in Serbia. The involvement of the Ministry of Agriculture has improved considerably following the December 2003 general elections. The first steering committee meeting of the project took place in May 2004 and reports then indicated that the project was developing very well.

4.4. Economic Growth

4.4.1. The Sector

In order to achieve a significant reduction in the gap between Serbian and EU standards of living in the shortest possible time, substantial changes are needed in the private sector. Privatisation of all Serbian banks is expected to have a positive impact on the economy by encouraging entry of new capital, technologies, and financial products.

While the main precondition for a significant increase in FDI is political stability, the existing administrative barriers have to be removed and other measures taken to improve the business environment and increase inflow of FDI. Attracting investment and creating jobs in the private sector are Serbian top policy priorities, particularly as restructuring and privatisation shed jobs in state- and socially-owned enterprises.

SMEs have a potential to significantly contribute to the economic revival. However, simplification of the existing business environment is of great importance to stimulate business formation and entry, with a positive effect particularly on small and micro enterprises and encouraging formalisation of informal sector. Access to affordable finance for SMEs is one of the major limiting factors. Increased export activity provides jobs and investments.

Sida Belgrade organised a Regional Private Sector Development (PSD) seminar in May as the first in a series of similar regional sector initiatives planned to exchange experiences among Sida headquarter and

field staff and to explore future possibilities for PSD processes in the region. The event gathered 19 participants who found the seminar very useful.

4.4.2. Comments

Information Technology and Internet Agency (ITIA).

The project aims to contribute to the establishment of a new system of governance and integrity. ITIA has played a leading role in promoting the e-Europe initiative and thus promoting the European integration in the field of information technology. Due to the ITIA reduced mandate and its internal management problems, which both followed on recent political restructurings, Sida is considering whether the project in its current state can achieve the goals as initially set out for if other ways to proceed should be tried.

Foreign Investment Advisor for Serbian Ministry of International Economic Relations (MIER).

The Action Plan for the Removal of Administrative Barriers to Foreign Direct Investment (FDI) was adopted by the Serbian Government in May, a document which has been developed by the FDI Advisory services and it is the key component in the policy of the National FDI Strategy. At the end of the reporting period, both the international and local project management left the project. A project review was carried out in June. MIER subsequently requested the continuation of the project in order to finalize the National FDI Strategy, which is considered one of the most important project outputs and building blocks for the next stage of reforms.

Micro-crediting

External consultants has made an institutional assessment of the two previously supported micro-crediting organisations to provide Sida with an independent opinion on the capacities of the organisations, their structure and achieved results. Suggestions for possible continuation of Sida support to the organisations were also given.

Based upon the assessment recommendations, both organisations are now expected to present their Business Plans to Sida for further considerations.

World Bank privatisation trust fund.

The support to the World Bank privatisation project has been extended until December to allow enough time for negotiations with creditors. Delays are experienced mainly due to technical and political matters.

The social protection project

(coupons for backlogs in child allowances for 110,000 families) was completed and the final report submitted in April 2003. Sida has requested the WB to produce a more substantial final report, but have not received any yet.

International Finance Corporation (IFC) Special Trust Fund.

The Swedish support is related to preparatory work for privatisation of

state owned banks. The IFC is hoping to sign an agreement shortly with the Serbian Ministry of Finance for settlement of its outstanding claims.

IFC Southeast Europe Enterprise Development (SEED).

The support aims at SME development and improvement of the overall environment for their growth and competitiveness. The Concept Paper for SEED II outlines the rationale and basic structure of the second phase of the project. There will be an initial dialogue with donors on the structure, funding, and initiatives of SEED.

Start East.

Twelve projects have been approved for financing in Serbia and Montenegro, three more were under consideration in April. A presentation of the initiative by the Serbian Chamber of Commerce is planned to place in the autumn.

Establishing Industrial Policy in Serbia.

Serbia plans to develop an Industrial Policy supporting industrial development and promoting development of specific industries and sectors of the economy. The project document is expected to be submitted by the Ministry of Economy shortly.

Yugoslav Accreditation Service (JUAT)

Support for cooperation between JUAT and the Swedish Board for Accreditation and Conformity Assessment (SWEDAC) will continue with the aim to strengthen local capacities in assessment techniques and to develop an efficient structure for accreditation assessment.

Southern Serbia Municipal Improvement and Recovery Programme (SSMIRP).

Additional Municipal Development Funds and Committees have been established in the new project municipalities. The economic aspect of the program has focused on agriculture. The project is at a standstill awaiting the matching funds required from each municipality for project implementation (25% of the donor funding) which have not come forward. During the previous phase of the project, matching funds were provided by the central Government. However, no new such agreement has been reached yet which could be seen as a sign of neglect towards Southern Serbia and generally hampers the implementation of the project. The UNDP has suggested using donor funds for matching (EAR, Sida and Norway) until funds arrive from Belgrade. However, this will not promote programme ownership, since the matching funds should increase during project implementation and not the other way round. Sida has not yet decided whether to support the UNDP proposal or not.

4.5. Social Development and Cultural Sector

4.5.1. The Sector

Sida activities in the social sector are limited to activities regarding HIV/AIDS prevention, a sector mostly neglected by the authorities so far.

Apart from some minor maintenance of cultural institutions and monuments, inadequate capacity building for the professionals involved in museums and monument preservation remains one of the biggest

problems in the field of cultural heritage preservation. Years of isolation had serious implications for the professionals in the field. In addition, decision making is centralised to the Ministry of Culture. These circumstances have brought delays to the implementation of the Sida funded capacity building programme related to the cultural sector.

During the first half of 2004, the Law on Social Protection in Serbia was amended in order to increase the efficiency of the social service system. A reform of the whole sector (decentralization of the social service) and related legislation as well as ways of financing is ongoing. The reforms will be based on the analyses and evaluations performed during work on the PRSP. Risk: The process that was started within this sector is rather ambitious and at the same time depends on the reforms in some other areas like decentralization of the authority and giving more power to the municipalities.

4.5.2. Comments

Western Balkans Programme to Fight HIV/AIDS.

Project HOPE organised a regional conference in Zagreb in May to involve key players in designing the next phase of the project, building on local priorities and identifying new opportunities. Due to limited resources, the project will focus on Serbia, Bosnia and Herzegovina and Macedonia this year. The Trust Fund Manager has been appointed and two Serbian NGOs awarded funds to implement a project on psychosocial counselling and another to provide workshops on HIV/AIDS prevention to vulnerable groups. The needs assessments are being completed. Specialist training will take place in October and November.

“Cultural Heritage without Borders (CHwB).

This regional programme has provided capacity building seminars for the National Museum in Belgrade and the Institute for the Protection of the Monuments. A study visit to Sweden was organized for the staff of the National Museum in June. Implementation of some of the planned activities has been delayed due to weak management within the Museum and its strong dependence on the Serbian Ministry of Culture.

The Balkan Children and Youth Foundation (BCYF).

Three NGOs from Serbia and Montenegro have received grants and several other organisations have received capacity building training. An evaluation of the programme in the region was performed in June.

The EWI Trans-frontier Cooperation Dubrovnik-Trebinje-Herceg Novi

project within the *Trans-frontier Initiative Southern Adriatic* aims to establish cross-border cooperation in the area that was affected in armed conflicts during 90s. Last period in the project implementation was followed by several delays. According to information from the East West Institute (EWI), implementation has slowed down because of the resistance within local government structures and within the communities.

The EWI Trans-frontier Cooperation Kumanovo-Presevo-Gnjilane.

The EWI has launched a series of mayor meetings in order to create a contact forum for the mayors of this area. Three cross-border municipal Working Groups have been set up to cover: 1) culture, education, youth,

sports, media and public information, 2) infrastructure, public utilities and environment, and 3) economic development/SMEs respectively. So far, several small projects have been implemented.

Open Fun Football Schools in the Balkans 2004.

This year a joint Nordic platform will be created to strengthen the regional grassroots football structure and the local/national implementing agency, CCPA (Cross Cultures Project Association) structure. The preparations for this year's schools are far advanced as the schools have been identified and seminars for instructors, leaders and trainers already completed. The school activities will be implemented throughout August until mid-September.

5. Concluding Remarks

As the previous Swedish Country Strategy expired in December 2003, no new strategy had been approved. In the coming months, the cooperation was therefore guided by the Swedish Government appropriation letter for 2004 as well as the then existing draft for a new Country Strategy which is expected to be approved by the Swedish Government in September 2004.

It can be concluded that all support committed so far remains well in line with both the previous and the current Country Strategies. Projects in pipeline and plans for the future are following the spirit and visions of this draft. As the work was adjusted early to be in line with the coming Strategy no major obstacles or dramatic changes are foreseen for the future.

The Belgrade Sida office has reached maturity and all staff is able to perform very well within their fields of responsibility. Due to our quite knowledge-intensive work, it is important that the high level of ongoing competence development is allowed to continue as long as Sida is present in Serbia and Montenegro, in order to maintain the necessary level of professionalism towards all our partners.

One of the programme assistants is today more or less performing the work of a NPO. This has been necessary and could only be done thanks to her skills and ability. However, the existing formal allotment of only two NPOs to the office is not satisfactory and should be reviewed. The position of one person responsible for cross sector EU issues has resulted in improved awareness at the office regarding EU related development matters as well as improved communication between the office and the local EU development structures.

In addition to the general and on-going development programme coordination, Sida Belgrade intends to give priority to the following three activities in the near future:

- Participate in the Embassy move to new premises
- Fine-tuning of the office and its development programme activities, to be in line with the new Country Strategy for Serbia and Montenegro
- Strategic field visits to on-going and on-going projects and programs, in certain cases in cooperation with the other departments at the Embassy

Annex: Project List

Projectlist containing ongoing projects, disbursement statistics and
implementary partners. Currency: Swedish kronor.

Partner	Project name	PLUS	Officer	Country	Sector	Committed for 2004	Planned for 2004	Disbursed for 2004
Adoptionscentrum	Foster care	76002859	GU	SCG	HCY	2 216 300	-	2 216 300
AMS	Labour market, SCG	76003012	ALO	SCG	PAR	2 426 000	-	-
Balkan Analysis	Support to Reporter Magazine	76002701	PB	SCG	HRD	665 000	-	665 000
CTD	Local Selfgovernment	76002317	PB	SCG	HRD	613 000	-	500 000
ECMI	Roma Needs Assessment	76003139	JB	SCG	HRD	960 000	-	-
IMG	Donor co-ordination, MIER/DACU	76002828	ALO	SCG	PAR	6 045 000	-	2 847 844
	Electrical Distribution	71800010	JA	SCG	INF	744 790	-	8 280
KIK	Women's projects, framework	76002942	EN	SCG	HRD	2 940 000	-	2 940 000
LWF	IAP Novi Sad return 2003	76002577	JB	SCG	RR	-	-	89 764
	IAP Novi Sad preparation for return 04	76002940	JB	SCG	RR	1 650 000	-	1 000 000
PLEY	Support ITIA Serbien	76001305	PB	SCG	PAR	5 618 223	-	1 705 431
Rikskonserter	Sw Conserts Institution	72500212	LL	SCG	HCY	570 000	-	570 000
RPS	Crime scene investigation PHASE 2	76002934	SB	SCG	JHA	2 030 000	-	200 026
	Feasibility Study Montenegro	76003073	SB	SCG	JHA	145 000	-	-
SHK	Democratisation regional, framework 2004	76002989	PB	SCG	HRD	13 300 000	-	6 650 000
	Democratisation regional, framework 2003	76002603	PB	SCG	HRD	345 000	-	-
Svenska Kraftnät	Twinning Elektroistok	71800066	JA	SCG	INF	4 800 000	-	683 689
Transport Ministry	Transport Adviser	71800006	JA	SCG	INF	159 907	-	-
UNDP	Capacity Building of Standing Conf. Towns & Munic.	76002729	EW	SCG	LDE	2 800 000	-	-
	Judicial training centre	76002132	SB	SCG	JHA	1 987 250	-	-
	S Serbia Municipal Recovery	76002600	EW	SCG	LDE	2 500 000	-	-
	Sustainable Development	71001428	HH	SCG	ENV	4 645 000	-	-
	Urban Planning Montenegro	71001424	MÖ	SCG	RUR	3 150 000	-	-
	Magistrates' Court	76003128	SB	SCG	JHA	4 000 000	-	-
UNICEF	Juvenile justice reform	76002794	SB	SCG	JHA	15 750 000	-	-
	Health projects "The right to know"	76002546	UHe	SCG	HCY	1 295 000	-	-
WB	Business registration reform	76002750	ALO	SCG	PSD	7 000 000	-	-
AF International	Monitoring APAD	76002916	BO	SCG	PAR	246 675	-	206 978
(blank)	Dairy project (Reka Mleka)	73004820	MBr	SCG	RUR	11 967 693	-	3 525 373
	LFA seminar	76002398	ALO	SCG	PSD	204 814	-	88 661
	Adviser Energy Programmes	71800011	JA	SCG	INF	422 918	-	276 595
	Advisory Services Railway	71800014	JA	SCG	INF	369 546	-	87 500
	Roma Needs Assessment Prep	76002991	PB	SCG	HRD	26 000	-	22 563
	Limited SCG projects 2003	76002809	PB	SCG	MSC	293 946	-	-
EWI	Transfrontier Kumanovo	76002524	EW	SCG	LDE	775 500	-	-
	Transfrontier S Adriatic	76002783	EW	SCG	LDE	500 000	-	-
SIPU International	Development of APAD	76002171	BO	SCG	PAR	17 561 033	-	7 735 138
OSCE	Election supervisors 2004	78000164	LH	SCG	MSC	308 000	-	76 380
Management Centre	Consolidated anti-corruption training	76002690	SB	SCG	JHA	2 060 000	-	-
Univ. Stockholm	Quality group: Juvenile justice	76002901	SB	SCG	JHA	217 000	-	-
IDI	Foreign Direct Investment TA	76002789	ALO	SCG	PSD	1 700 045	-	323 094
SDA	Assessment AI & MicroFinS	76002980	ALO	SCG	PSD	383 450	-	-
Göteborg Energi Int.	Belgrade District Heating Implementation	71800016	IS	SCG	INF	31 207 603	-	8 430 703
SCB	LFA seminar in Belgrade	76002228	BO	SCG	PAR	1 044 095	-	482 501
Vägverket	Twinning Swedish Road Authorities	71500114	JA	SCG	INF	3 000 000	-	-
Field Admin.	BALK-SAK-07	21250012	GK	SCG	MSC	1 750 000	-	837 517
	YUG-SAK-08	21250011	GK	SCG	MSC	1 800 000	-	945 850
	YUG-SAK-04	21250010	GK	SCG	MSC	1 600 000	-	889 037
	NPO-SCG	21259010	GK	SCG	MSC	900 000	-	517 088
REC	LEAPs in Serbia-Montenegro	71001568	HH	SCG	ENV	1 837 500	-	1 000 000
Swedish Institute	Swedish Institute	76002223	GU	SCG	HCY	450 000	-	-
MPNRE	Ministry of Environment	76002386	HH	SCG	ENV	2 070 000	-	771 832
UNECE	UNECE Env Rev	76002230	HH	SCG	ENV	18 591	-	10 246
BlomInfo AB	Training Cadastre	73004873	OM	SCG	RUR	4 000 000	-	424 797
OPTO International AB	Topola Rural Development fas 2	76002818	EW	SCG	LDE	16 152 698	-	6 621 608
	Topola 4 components	76002694	EW	SCG	LDE	1 424 493	-	1 132 907
	Topola Rural Development	76002231	EW	SCG	LDE	987 257	-	15 604
	Topola Prep Water Supply Study	76002720	EW	SCG	LDE	120 700	-	-
PRONI	Youth Work	76002594	GU	SCG	HCY	3 874 400	-	-
Culture without Borders	Regional projects for culture preservation	76002651	GU	SCG	HCY	3 352 426	-	3 982 574
Foundation Together	Together	76002910	GU	SCG	HCY	960 000	-	960 000
SGDS	Topola QG II	76002526	EW	SCG	LDE	280 941	-	294 801
	Country Strategy SCG	76002755	PB	SCG	MSC	239 284	-	-
OFFS	Open Fun Football Schools	76003021	GU	SCG	HCY	1 292 000	-	1 292 000
Linköpings universitet	Audit of TOL	76000639	PB	SCG	HRD	8 750	-	8 750
OPIC	HR and democracy, framework 2004	76002983	PB	SCG	HRD	5 720 000	-	5 720 000
	HR and democracy, framework 2003	76002520	PB	SCG	HRD	-	-	3 568
AF International AB	Assessment Industry Policy	76002807	ALO	SCG	PSD	-	-	19 800
Grand Total						209 482 828	159 907	66 561 927

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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