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Sida Country Report
October 2003–June 2004

The Republic of Macedonia



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1. Summary

The bilateral Swedish support to Macedonia is focusing on the three areas outlined in the Country strategy, i.e. democratic governance, economic development and environment. Democratic governance includes both support to civil society and institution building efforts on central and local level. Support to the NGO sector is still dominant, but with an increased attention paid to EU integration and the needs for supporting administrative reforms, Sida is trying to direct support to capacity development of the public administration. Some cooperation projects on central level are ongoing, most of them still in an initial phase (statistics, food quality, cadastre and land management, ombudsman, prison administration). In the area of economic development, various measures to support the development of the SME sector and financing instruments are conducted. However, the largest input is provided to the agricultural sector, with two new projects this autumn, one on strengthening the farmer's organisations and one focussing on improving the state advisory services. Environment cooperation projects are still in the initial stages.

Donor coordination or briefings on local level is conducted, however still mostly at the initiative of the donor community.

2. Strategic Country Development Trends

Macedonia continues its strive towards the European and transatlantic structures. The implementation of the SAA and the Ohrid Framework Agreement (OFA) are of highest priority. This process was however delayed by the tragic death of President Trajkovski on 26 February 2004, the very same day a Macedonian Government delegation intended to hand over an application for EU membership to the Irish EU Presidency.

A state funeral followed by a presidential election in which the Prime Minister decided to run for office took much precious time from other pressing issues but did not create instability in the country. This indicated that Macedonia has attained a certain level of democratic maturity and stability.

The fact that the country remained focus on its own issues during the crisis in neighboring Kosovo in March was another positive sign.

After the former Prime Minister Branko Crvenkovski was installed as President of the Republic the former Interior Minister Mr. Hari Kostov was appointed as the new Prime Minister of Macedonia.

The first priority for the new Government under the leadership of Mr. Kostov was to agree on the law package relating to the decentralization reform, a part of the Ohrid Framework Agreement (OFA). The discussions within the Government coalition got however stalled over the new municipal boundaries. The eventual proposal created numerous protests all over the country and the parliamentary process started only in mid July. The decentralization reform is the last remaining part to be implemented from the OFA and will be followed by local elections.

Macedonia eventually applied for EU membership on 22 March and the main focus for the Governments efforts during the next coming years will be to meet the expectations of the EU and eventually obtain candidate status. The application will have a great positive influence on stability in the country. The prospect of EU integration will be the main motivation for future reforms and changes.

During the period very little progress was made on the economic and social side and deep concerns also remain about the effectiveness of the rule of law. The Government has so far concentrated on stabilizing the security and political situation and not been able to spend the necessary time on economic issues. The unemployment rate remains high. There is however good prospects for a continuing co-operation with the IMF.

Some efforts have been seen when it comes to combating of corruption and economic fraud. A number of arrest have been made of both lower and higher ranked government official as well as police officers. Fiscal cash machines can nowadays be found in most shops.

With the help of some major donors the government has decided on and has taken the first steps towards a reform of the judicial system. A lot remains to be done but it seems like funds now are available for this needed reform. The almost non-functioning court system in particular needs a substantial overhaul.

The political parties have during the period proved to be a weak link in the democratic system. The major opposition party VMRO-DPMNE faced an internal struggle and the leadership vacuum in SDSM following the former party leader Branko Crvenkovskis elevation to the presidential office illustrates that there is a lack of mechanisms for real democratic inclusion.

3. Swedish Development Co-operation – overview

3.1 General orientation of the Programme

The Country Strategy for Macedonia state that support should focus on three sectors: economic development, democratic governance and environment. The current programme in Macedonia covers all the three areas, of which environment is the most recent with only two undertakings ongoing. The overall goal of poverty reduction together with the support for EU rapprochement is the basis for decisions regarding Swedish support.

Macedonia being one of the poorest countries in the region, still facing a recession and a high unemployment, indicates that a poverty focus is still highly relevant. How best to tackle this problem is a continuous question. The Swedish programme tries to include various dimensions of poverty. Supporting economic development, including the essential area of agriculture, is one way. Encouraging transparent and fair public administration and rule of law practices as well as supporting non-discrimination and minority issues are other examples addressing the power dimension of poverty.

The Government of Macedonia has produced a National Poverty Reduction Strategy. However, as Macedonia ‘graduated’ from IDA eligibility to IBRD status in June 2001 – meaning that loans on IDA terms are no longer available – the PRSP consequently lost part of its relevance. The Strategy is nevertheless used for the policy work of the Ministry of Finance and for the Ministry of Labour and Social Welfare.

The EU integration aspect is central within e.g. institution building projects, which are found on both central and local level. Presently, Sida aims at shifting focus from the previous emphasis on civil society support to institution building in the public sector. The period of immediate crisis handling and reconstruction work has passed and more focus may thus be put on the functioning of the state and its services in a transition economy. The EU integration aspect may serve as a driving force to overall reform of the public sector and it is imperative that these strivings are upheld. The application for EU membership of this spring indicates a political will of the government to bring about reforms.

Reform is however not an easy task. As one example of this complexity, Macedonia faces a general requirement to down-size a large public administration while at the same time meet the requirements of the

Ohrid Framework Agreement, stipulating increased possibilities for minorities to work within the public administration. Adding to this are the present intense discussions on decentralisation and restructuring of municipalities as well as the now postponed local elections, which is a situation that occupies almost all resources and attention for the moment. Avoiding ethnically biased tensions in the country thus remains a challenge.

The consequences of the above for the bilateral assistance programme are several. One being that if the debate on decentralisation is not solved and local elections postponed, the political issues and the election campaigns in the country will take precedence over the reform and development agenda for quite some time. In general, Sida's ambition to increase emphasis on institution building efforts, involving government structures on both Macedonian and Swedish side, means more time consuming and cumbersome project preparations and a more complex implementation of development cooperation projects (in comparison with the usually more flexible and project experienced NGOs).

Other priorities in the Swedish country strategy are e.g. gender awareness, regional cooperation, conflict and tolerance. As to gender awareness, Sida organised a workshop on this theme for its local partners, an appreciated initiative which we plan to follow up during late autumn. Tolerance and non-discrimination aspects are included in almost all activities dealing with youth and children as well as civil society in general.

3.2 Planning and Disbursement

Planned and committed amounts are slightly higher than last year. Disbursements are also slightly higher than last year and may be some 10–15% higher than last years disbursement of MSEK 47,2.

3.3 Donor Co-ordination

The Macedonian Government has not yet fully taken up the task of donor coordination. Some efforts do exist with the aid coordination function at the Sector for European Integration under the PM's office. This includes for example the creation of a database for all foreign aid, a Committee of Ministers for co-ordination of foreign aid, which is reviewing development projects before official request for support is submitted. However, not all donors respect and support these efforts, which of course undermines the whole undertaking.

From the donors' side, the European Agency for Reconstruction (EAR) regularly arranges donor information/coordination meetings with the Member states, where briefings on current affairs of the EU assistance are given. The EAR initiated a EU Assistance Matrix early summer, where EU support and member states bilateral projects, both ongoing and planned, will be presented together.

Other major actors, such as the World Bank, OSCE and the other EU institutions arrange donor information/coordination meetings. Furthermore, thematic meetings are also held locally, e.g. on Roma (on the initiative of Sida), on Justice and Home Affairs, on cadastre and land reform, on economic development etc.

3.4 Administrative issues

The Office for Cooperation in Skopje recruited an additional National Programme Officer during spring 2004. Furthermore, the coordinator for development cooperation as well as the bilateral expert position was also changed during summer, leading to some reorganization of the work.

4. Sectors and Projects

4.1 Democratic Governance

Democratic governance includes both institution building and civil society support. Efforts to launch institution building projects in the public sector have been made during the reporting period, but the overall development in the sector is in general slow and project preparations tend to be lengthy. The major part of the Swedish cooperation with Macedonia as concerns democratic governance still remains with the civil society sector. The main focus here is children and youth, women, media, minorities and victims of trafficking and almost all supported activities within the civil society sector include a component of interethnic dialogue and tolerance.

Institution Building

In the field of Justice and Home Affairs, reform needs are extensive and many donors are present, however mainly focusing on police and courts. A somewhat neglected part of the legal chain is the *penitentiary system* where Sida will support the Swedish Prison and Probation Administration and its Macedonian counterpart in a long-term cooperation, starting this fall. An initial survey was made in Macedonia during spring and further joint planning will take place during autumn.

The *Ombudsman office* in Macedonia has received an extended mandate and will establish regional offices in the country. However, the appointment of the six new deputy Ombudsmen has not yet taken place, which is linked to a possible reappointment of the Ombudsman and appointment of the remaining members of the Republic Judicial Council and the Constitutional Court. This incurs further delays in establishing the regional offices and also in the start-up of the support, which Sida and OSCE are planning. The process has been sluggish for several reasons. As a first step in a long-term cooperation between the Ombudsman Office and the Swedish JO, a needs assessment study of the Ombudsman institution will be carried out during the autumn 2004.

Request for institutional support in the field of *data inspection*, where unfortunately rejected, due to limited capacity at the Swedish Data Inspection Board. The Sector for European Integration at the PM's office (aid coordinator) was informed.

The dialogue on possible areas of support for the sector of *decentralization* has continued. However, this far the Ministry of Local Self-Government has not managed to produce any structured requests for support. Via OSCE, a request for support for implementing a communication strategy on decentralisation was presented. Due to several reasons (unfocused strategy, uncertain overall situation regarding the decentralisation process and the risk of a politicized implementation of the strategy), Sida decided not to support the activities. The number of active donors within the field of decentralisation is fairly large and Sida continues to be involved in the dialogue on present and future needs for cooperation within the area.

The so-called *mobilisation* programmes, ACTED/IRDU and AMPEP, focus on the grassroots level and aim at increasing the interaction between local communities/villages and local authorities, usually around a common local infrastructure problem. Both programmes were subject to evaluations during spring 2004 and a comparative analysis and exchange of experiences between the programmes were made. The ACTED/IRDU-programme was described as being highly relevant with professional and committed staff members and Sida has been in close dialogue with the local IRDU-team in developing their follow-up project, which includes a local project take-over by a local NGO.

The case of *AMPEP* has been comparably more negative, the programme lacks in efficiency and has shown few results. There is a need for revising the basic project idea and for trying to improve efficiency, which Sida has requested the project to do by January 2005, in order to continue cooperation.

The legal status of ownership and land use in Macedonia is often unclear and confidence in the *registration and cadastre* is generally low, due to inadequate records and slow and costly service. This situation brings negative effects on the economic development of the country and directly affects the possibilities for people to mortgage and transact their property. Together with the State Agency for Geodetic Works, Sida is planning bilateral support under the aegis of the World Bank Real Estate Cadastre Project in the area of capacity building and training, so as to improve all aspects of cadastre management and operations of the agency. Project activities are planned to start in January 2005.

Civil society support

The three Swedish NGOs with annual agreements with Sida – the *Swedish Helsinki Committee*, the Foundation *Woman to Woman (KtK)* and the *Olof Palme International Center (OPIC)* – works with local NGOs according to their annual planning. All three have at least part-time representation in Macedonia. During the reporting period, KtK reduced their presence in Macedonia and the Swedish Helsinki Committee posted one person in Skopje, something that initially was erroneously perceived of as undermining the position of the Macedonian HC in the country.

Sida has taken an active role on the *Roma* issue among donors in the country. Following a needs assessment carried out by ECMI in late 2003, Sida initiated a donor coordination meeting on Roma issues, where the study was presented. This initiative was much appreciated locally and subsequently; other donors have hosted additional coordination meetings

in cooperation with relevant Government agencies. The Government of Macedonia is presently developing a National Strategy on Minorities, a process Sida closely follows. The formulation of the strategy is facilitated by the Project on Ethnic Relations (PER), financed first by the Swedish Foreign Ministry and thereafter by Sida.

Following the abovementioned needs assessment, ECMI recently received Sida support to a follow-on project, focusing on the establishment of Roma expert groups within four core areas identified in the assessment (children and youth, the Roma minority, environment, education). These Roma expert groups are intended to contribute with qualified input on policy level within their respective area of expertise. The elaboration of the National Roma strategy being one such policy exercise, where the Roma experts thus may enhance the quality of the input from the Roma groups.

Regarding *disability* issues, there has been a standstill in the discussions on potential activities. The previous local coordinator for the Swedish Helsinki Committee was positive to entering into the disability sector and saw it as fitting well into the newly developed and more focused strategy of SHC (rule of law and anti-discrimination).

In May, Sida hosted a coordination meeting for its local partners on the issues of *Children and Youth* where also a representative from the State Agency for Youth and Sports was present. New contacts were established and a number of actors expressed willingness to participate in the work on the national youth policy, lead by the Agency. This is currently ongoing and a newly formed Coalition of Youth NGOs are now consulted for revising the draft national strategy.

A new collaboration between two local Sida-partners – the NGO Search for Common Ground and the Children's Theatre Center – started during the spring. The idea is to stage the popular children's TV-show *Nashe Maalo* (Our Neighborhood) into a theatre play and take it on a countrywide tour, whereby children can become more actively involved in the show and the issues raised (tolerance, interethnic dialogue, etc.). Furthermore, a proposal on bilingual kindergartens, constituting a part of the national education system, has been proposed by the NGO *Search for Common Ground*.

Gender equality

Sida has established a good contact with Elena Grozdanova from the Unit for Development of Gender Equality at the Ministry of Labor and Social Policy. She attended a gender training workshop on gender equality, which Sida organized for its local partners in February. An interest for gender training within the ministries was expressed, which Sida is most interested in accommodating. A follow-up exercise of the workshop for Sida partner is further foreseen.

Anti-trafficking

Trafficking in human beings has received a lot of attention during the spring. Sida has contributed by arranging two screenings of the film *Lilja 4-ever*. The screenings, followed by panel debates were held in Skopje, aimed at the political level, civil society organisations, the judiciary and the general public. The phenomenon has earlier been continuously

neglected by the state institutions due to lack of statistical evidence of the trade. However, a number of civil society actors presented their experiences, arguing for that this is something that already exists in Macedonia. In June, a number of DVD copies of the film were sent to the Sida Cooperation office, thus making the film available for wide use. OSCE/Skopje arranged three screenings in June and the EU Police Mission Proxima in Kumanovo has requested to use the film for seminars on trafficking for the police and the border police. Furthermore, several NGOs have approached the Embassy for the purpose of screening the film.

Culture

The Swedish Concert Institute in co-operation with the Macedonian Ministry of Culture and Ministry of Foreign Affairs, with a purpose to promote non-commercial music and to contribute to the development of interest in the world about other people and their cultures, has selected several performers and recorded two CDs of Macedonian traditional music. One thousand and seven hundred copies of the CD's are symbolically handed over by the Ambassador of Sweden to Macedonia, to the representatives of the Ministry of Culture and Ministry of Foreign Affairs, at the occasion of the celebration of the Swedish National Day. Additional copies are widely spread to various other parties, in Macedonia and outside the country.

4.2 Economic Development

Private Sector Development

The Republic of Macedonia as relatively small and economically weak country, faced with the difficulties of a transition process and the consequences from badly implemented economic reforms, is seeking for a way to heal the economy through extension of the *foreign-trade exchange* with countries from the region and further. Liberalisation of the economic relations with other countries, achieved through signing free trade agreements with almost with all neighbouring countries, signing of the SAA and becoming a member of the WTO, have provided wide possibility to intensify the economic co-operation and trade relations above all. The foreign-trade exchange of Macedonia shows continued tendency of decreasing, especially for the Macedonian production. The reasons for this situation are to be found both in internal factors and restraints, and with regard to external factors, as well as a change of behaviours. All of the above have contributed to an essential decrease of economic activities in the country and to shrinking of the space for intensifying foreign trade exchange.

Macedonian authorities and producers are challenged to solve problems related to the low level of production and of competitiveness of domestic products, the need to expand the assortment of goods in response to the requirements of the market, low level of standardisation and of quality of products, inadequate presence on foreign markets, low level of promotion of domestic products as well as inappropriate marketing. The Ministry of Economy took an active role through adopting a new Law on Trade, which includes EU standards and requirements, and

a new Law on Consumers Protection. Lacking effective services from the existing Chamber of Commerce, many alternative solutions are emerging. The latest initiative comes from successful Macedonian exporting enterprises and entrepreneurs together with companies from EU, working in Macedonia, which established an European Business Association, EBA, in Skopje. EBA will assist the companies in their trade and business relations with companies from the EU countries, and will work in attracting more foreign investments in the country.

Sida received a request to support the development of a system for food safety and quality. As focal point and co-ordinator for this assignment is the Ministry of Health under which there is a newly established Food Directorate. Institutional support to this is needed.

In line with the newly adopted Laws for trade and for consumer protection, the strengthening and reorganisation of the Market Inspection in Macedonia is a necessity. EAR is also planning to support the market inspection function, why close coordination is vital. An initial assessment of needs and possibilities of concerned parties is necessary.

According to the latest data by the Ministry of Economy, there are over 387 000 unemployed people. The unemployment rate goes over 36,7% and only among the female population, unemployment is reaching 36,3%. The poverty rate in Macedonia has increased from 19% in 1997 to 22,6% in 2000. These figures do not include so called "latent unemployment", which refers to people whose remuneration arrives late or is not received at all.

The main job creation instrument in Macedonia will be the *SME sector*. According to some findings the indicators are that there is already some increase in the number of SMEs which significantly softens the negative trend of the employment rate, but a large number of SMEs are working in the non-formal sector, why they are not included in official records.

Support to *SEED – South East Enterprise Development programme*, has been one of the few projects supporting the SME sector in Macedonia. The support is approaching a final phase and local offices have presented a new concept paper to donors for the next period of implementation. SEED in Macedonia has had a positive impact in the SME sector, why Sida Skopje may consider continued support, provided some necessary changes are made.

After a long period of little interest for Macedonia in Sweden, three projects for business co-operation within the Sida funded *Start East programme* have been put forward.

The *financial sector* is characterised by minimal level and low quality of loan portfolio (bad loans are 19% of the credit). The banks are also not very active in supporting the use of the credit lines provided by the donors, because the interest rate margin of those loans is lower then the interest rate margin on their own finances. On the other side the real-estate property market is not developed yet, and the court system is extremely slow, which increases the problem of mortgage realisation. There is a need to form a service for credit information that will provide better information to the banks for credit files of individuals. As a consequence, the banks prefer to invest in low risk state bonds. Nevertheless, the situation is slowly changing to better. According to the newest infor-

mation by the Ministry of Finance for the last seven years, savings in the banks have increased by 20%, which shows that lost trust by the citizens in the banking system is returning.

On the other side, only the banking system is favoured by the Government as a source of financing for the SMEs, so the potential entrepreneurs are still faced with the strict banking rules and procedures that make the access to credits for the entrepreneurs almost impossible. This one-sided understanding and preferences is limiting the possibilities to use the non-formal sector for micro-credits.

After a longer delay and a slow start up of the project on *Agricultural Financial Services Project (IFAD II)* it has finally embarked on implementation. An extension of the activity period was agreed upon (30th of June 2007 with closing date 31 December 2007). The project has been part of the "Promotion caravan to present possibilities for SME development in Macedonia", initiated by the Ministry of Economy. By end of June, 40% of the annual credit portfolio has been used and 200 credits were approved. Due to the late start and granted grace period, it is not yet possible to evaluate the repayment rate.

The *Collateral Guarantee Fund* provides guarantees for SMEs and is also introducing new instruments and services. It has introduced the possibility for unsecured guarantees and it increased the maximum amount of a guarantee to up to 60 000 EURO. It further extended the network for co-operation with two more banks and one Savings house, Moznosti. In January this year Sida signed a Conditional Loan Agreement for the principal amount of the Fund with an additional 1 meuro. Resulting from good co-operation and mutual trust developed between the Fund and the depositing bank Tutunska banka, the bank will now allow for a multiplier of 30% of the total principal amount of the Fund.

The interest for using credit guarantees remains high. The total amount of guarantees issued as well as the ones in process are 695 407 EURO. The repayment of the loans is without delay.

According to analyses conducted by the Fund, with the Funds support through approved guarantees, 625 employments were saved and/or created for the full period. For the period April to June 2004 470 employments, out of which 272 for women.

Agriculture

Agriculture remains the largest potential production and processing resource in the country with 18% of GDP and being the only sector to have increased output since independence. The recently negotiated final version of the Stabilisation and Association Agreement, SAA, provides for gradual liberalisation of agricultural trade between Macedonia and EU from 2004 – 2007, will be followed by removal of all remaining trade protection as of January 2011. These changes will result in a significantly higher level of competition in both domestic and regional markets, and the ability to compete on these markets constitutes the biggest challenge facing Macedonian agriculture. If the producers and processors do not meet the rigorous price and quality requirements they will quickly lose market share on both the domestic and the regional markets and sector output will fall.

The main achievements of this first part of 2004 was a successful finalising of the Sida funded SFARM-project (Support to Farmers Associations in the Republic of Macedonia), which provided an excellent basis for the coming follow-up initiative, which is supposed to work more closely with the Union of Swedish Farmers. The project result was, *inter alia*, a consolidated Federation of Macedonian Farmers, which now enjoys the necessary popularity and infrastructure in the Macedonian agriculture community. Working together, the Swedish Statistics Board, the Macedonian State Statistical Office and the National Extension Agency under the Ministry of Agriculture, for the first time in Macedonia resulted in sending official data to Brussels on Farm Accountancy.

In order to enhance the capacity of Macedonian policy formulation and analysis, in line with the SAP and EU Common Agricultural Policy, an increased need for continued cooperation between the two Agricultural Universities in Sweden and Macedonia is recognised. A proposal for continued co-operation was accepted by Sida.

Besides the support to the local farmers' associations, support to research and to agricultural statistics, Sida is also preparing the support to the national agricultural advisory services (NEA, National Extension Agency). Activities are planned so that the various projects in the field of agriculture can complement each other and, from different perspectives work together towards approximation of the Macedonian agriculture to European practices and legislation.

These long term activities with University, the national advisory services, the agricultural statistics and the Federation of Farmers, will work towards bringing science closer to practice and improve the functioning of institutions like NEA to serve as a tool for the farmers for improved production, processing and trading. The Ministry of Agriculture has recently come up with a strategy for approximation to EU and all Sida funded project activities are in line with the aspirations of the Macedonian government to get closer to EU agricultural standards.

4.3 Environment

Environment remains one of the main priorities in development co-operation of Sida Skopje office in line with the Strategy for development co-operation. As one of the most recently established ministries in Macedonia, the Ministry of Environment and Physical planning is one of the most active and progressive ministries when it comes to implementing reforms and accepting new regulations and EU standards. The ministry has been supported by the CARDS programme, the GTZ and other donors, why, in order to avoid overburdening of the institution with donor requirements, Sida initiated support in the environment field via the NGO sector.

An international NGO, the Regional Environmental Center, REC, first in Albania and then in the whole region, initiated the idea to develop *Local Environmental Action Plans, LEAPs*. During spring, Sida support was agreed upon and the project has been publicly announced. The local ownership of the project is ensured through an active participation of the Ministry of Environment in planning and implementation.

In order to improve the system for water supply and water treatment in Skopje, Skopje city municipality and the local water utility company requested EBRD for a capital investment program. In order to mobilize co-funding EBRD contacted Sida among other donors. After receiving the formal request for support from the Macedonian counterparts in March, Sida assigned a team of consultants to support project preparations and develop ToR. The envisaged project comprises a number of reform oriented components as well as physical investments. The estimated total budget for the project is around 23–25 MEuro, out of which local contribution will be 2–2,5 MEuro, EBRD will provide credit up to max. 15 MEuro and Sida will provide a grant of 2,6 MEuro for institutional development and consultancy services and the balance of 3,5–4 MEuro as credit or grant.

The International courses in the area of environment are appreciated and proves a good possibility for providing knowledge that is lacking in the country and in the relevant institutions. However, even though the participation fee is covered by Sida, very often travel costs poses a problem for possible participants, more often with applicants coming from the public institutions (ministries).

Sida has established a good communication and co-operation with the Ministry for Environment and Physical planning. An interest has recently been expressed by the Ministry to extend the co-operation to involve direct support to the Ministry in the process of adjustment to the EU standards and regulations and in preparing a “*Strategy for sustainable development*”. Another proposal which is directly linked to the requirements of a new law on Environment, concerns training in Environmental Impact Assessment for future consultants. The project idea has tentatively been discussed with EAR and positive signals were given about possibility to co-finance the project.

4.4 HIV/AIDS

Fighting HIV/AIDS is part of the global undertakings by Sweden. Centered in a region of transition, Macedonia has itself experienced some of the worst impacts of economic, political and social transition. These includes internal conflict, refugees from neighbouring conflicts, economic hardship as well as deterioration in the standards of everyday services such as education, health, employment and law and order. In addition, Macedonia’s geographical position at the cross roads of major (legal and illegal) trade routes between Eastern and Western Europe has brought about materialist lifestyles as well as greater accessibility to drugs and trafficked sex workers. These conditions have increased the vulnerability of young people in particular, to risk prone behaviours such as drug use, unsafe sex and therefore, to the risk of HIV/AIDS infection. Although the number of the HIV/AIDS cases in Macedonia is low, low prevalence might be hiding possible epidemics among vulnerable groups. The trend to under-report the incidence of HIV/AIDS and sexually transmitted infections, STIs, on the one hand, and limited data and weak policies on reproductive health, family planning and risk behaviour on the other, calls for appropriate measures in the field of prevention and services.

UNICEF launched the project “*What every adolescent has the right to know*”, a regional project, focused on sending efficient messages about HIV/AIDS prevention and reducing young people’s risky behavior, as well as support state offices in providing adolescents with information and life skills for HIV/AIDS prevention. Sida is supporting this project and the financing was extended until December 2004. The programme has achieved a good acceptance within the target group and with other stakeholders.

Another programme on HIV/Aids which Sida just started supporting is the “*Western Balkans Programme to fight HIV/AIDS*” implemented by the Swiss project HOPE. The main objective is to increase the focus on high-risk groups and improve the knowledge, attitudes and practices of high-risk population regarding prevention of HIV/AIDS as well as improve diagnosis and the quality of the clinical services for individuals infected by HIV. The programme consists of two major components, prevention (assist NGOs through an NGO Trust Fund) and care and support (focus on the clinical components, surveillance systems for STIs etc). The project started off well and raised an interest within the NGO sector as well as with governmental authorities involved in the project.

5. Conclusions

The political tensions and disputes regarding the territorial reorganisation and the decentralisation efforts have implications for the general reform pace of the country and for several parts of the Sida interventions. Support in capacity building on various levels in the public administration is in great need, but due consideration has to be given to the potential effects the current situation might have on the planning and implementation of the projects and, of course, to the many other donor interests. The relative weakness of the state and the politicised public administration adds to the difficulties. However, Sida shall continue to be a dialogue partner and offer support where it is possible, as our willingness to support the reform process in general should be obvious.

In the field of Rule of Law/Justice and Home Affairs there are extensive needs for supporting a reform. It is also an area where many donors are involved and the scope for bilateral activities needs to be carefully selected, so as not to duplicate or over-burden the recipients.

The overall framework of EU integration seems to be able to provide a driving force for change. However, the process creates expectations, which might not be fulfilled, and a backlash might be around the corner.

How to design the support to civil society in general should be considered at Sida, and the possible entering into the social sector needs to be further discussed after the initial study is finalised. The outcome of the 'East Study' will also have implications for our further work and planning.

Ongoing projects are running more or less smoothly, but the change of Sida staff will of course mean that contacts and ongoing dialogues have to be restarted.

Annex: Project List

Budget containing ongoing projects, disbursements statistics and implementing partners. Currency: Swedish kronor.

Partner	Project name	PLUS	Officer	Country	Sector	Data		
						Committed for 2004	Disbursed for Planned for 2004	Planned for 2005
Children's Theatre	Children's Theatre	76002679	GU	MKD	HCY	300 000	-	800 000
ECMI	NGO network	76002993	JB	MKD	HRD	3 450 000	-	1 725 000
KPMG	Roma Needs Assessment	76002785	JB	MKD	HRD	75 000	-	75 000
KPMG	Audit of IRDU	76003101	EW	MKD	MSC	119 000	-	-
KIK	Women's projects, framework	76002942	EN	MKD	HRD	2 310 000	-	-
Mosaik	Multicultural Bilingual Pre-school	76003147	EN	MKD	HCY	660 000	-	660 000
Rikskonserter	(blank)	76002725	GU	MKD	HCY	186 349	-	-
SHK	Democratisation regional, framework 2004	76002989	PB	MKD	HRD	3 850 000	-	1 925 000
UNICEF	Democratisation regional, framework 2003	76002803	PB	MKD	HRD	60 000	-	-
EWI	Health projects "The right to know"	76002546	UHe	MKD	HCY	1 225 000	-	-
ACTED/IRDU	Euroregion Prespa	76002867	EW	MKD	LDE	1 100 000	-	-
Devfin Advisers	Transfrontier Kumanovo	76002524	EW	MKD	LDE	766 667	-	-
Granti Fond	Integrated Rural Development	76002303	EW	MKD	LDE	3 900 000	-	-
SCB	TA Credit guarantee fund	76002642	ALO	MKD	PSD	784 836	-	220 537
Field Admin.	Credit guarantee fund	76001826	ALO	MKD	PSD	3 685 000	-	85 000
REC	Agricultural statistics	76002527	BO	MKD	PF	10 738 976	-	1 791 660
PRONI	YUG-SAK-02	21250007	GK	MKD	MSC	1 600 000	-	763 588
OFFS	MKD-NPO	21259008	GK	MKD	MSC	310 000	-	200 437
OPIC	LEAPs in Macedonia	71001567	HH	MKD	ENV	2 062 000	-	1 000 000
SCG	Youth Work	76002594	GU	MKD	HCY	1 336 000	-	-
Ramcomp AB	Open Fun Football Schools	76003021	GU	MKD	HCY	646 000	-	646 000
SLU	HR and democracy, framework 2004	76002983	PB	MKD	HRD	1 100 000	-	1 100 000
LRF	Nashe Maalo	76002988	GU	MKD	HCY	783 000	-	783 000
Ernst & Young AB	Preparation WWTP Skopje	71001425	HH	MKD	ENV	719 464	-	292 383
Christophilos Cons.	University Co-operation Macedonia	73004821	PHe	MKD	RUR	-	-	2 500 000
Devfin AB	Farmers Organisations	73000570	PHe	MKD	RUR	3 830 000	-	3 240 000
Foundation Together	Audit of SSO and NEA	73004712	PHe	MKD	RUR	6 555 059	-	5 300 000
Minority Rights Group	Agicultural Advisory Services	76003110	BO	MKD	PAR	208 086	-	-
Project on Ethnic Relations	Review ECMI	73004859	PHe	MKD	RUR	207 703	-	200 063
Facilitator HB	Together	76002904	JB	MKD	MSC	145 000	-	141 633
	Regional Minority Project	76002910	GU	MKD	HCY	480 000	-	480 000
	Government Strategy Roma	76002895	JB	MKD	HRD	1 000 000	-	1 000 000
	Review of ACTED/IRDU	76003144	JB	MKD	HRD	610 000	-	-
Grand Total		76003025	EW	MKD	MSC	115 000	-	115 000
						54 918 140	-	20 454 301
								25 779 701

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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