

Phase-out strategy for Swedish support to

Macedonia

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REGERINGSKANSLIET

Government Offices
of Sweden

Phase-out strategy for Swedish support to Macedonia, 2010–2012

Summary

Sweden's reform cooperation with Macedonia is to be concluded by 31 December 2012. The overall objective of reform cooperation in 2010–2012 is *continued development of closer relations with the EU, strengthened democracy and equitable and sustainable economic development*. Cooperation will continue to focus on three sectors:

- Agriculture and forestry
- Democracy, human rights and gender equality
- Sustainable social development

The total volume during the phase-out period will amount to approximately SEK 80 million. The process objective is to conclude the reform cooperation in a responsible manner that as far as possible promotes and safeguards long-term sustainable outcomes.

In this process, Sweden will promote the efforts of cooperation partners to obtain alternative donor financing and also initiatives to strengthen the robustness of the Macedonia's institutions. As part of its efforts to promote sustainable outcomes, Sweden will continue to work for better aid effectiveness.

The dialogue will primarily focus on reforms for closer relations with the EU, gender equality and national ownership.

1. Overarching objective and priorities, objectives and priorities for aid effectiveness, and overarching dialogue issues

Considering that Macedonia can be expected to begin accession negotiations with the EU in the foreseeable future, reform cooperation with Macedonia is to be concluded by 31 December 2012 at the latest. The objective of reform cooperation with Eastern Europe is strengthened democracy, equitable and sustainable development, and closer relations with the EU and its basic

values. The overall objective of Sweden's cooperation with Macedonia during the phase-out period 2010–2012 will be continued development of closer relations with the EU, strengthened democracy and equitable and sustainable economic development. This cooperation will support the overall objective of Sweden's Policy for Global Development: promoting equitable and sustainable development from a rights perspective and the perspective of the poor.

Cooperation will focus on final support efforts in the three cooperation sectors with ongoing projects: *a) agriculture and forestry, b) democracy, human rights and gender equality, and c) sustainable social development.* Cooperation will be based on Macedonia's own priorities, as reflected in the Stabilisation and Association Agreement (SA Agreement) between the European Commission and Macedonia, which entered into force in 2004, and in overall national strategic policy documents such as the annually updated *National Programme for the Adoption of the Acquis (NPAA), the National Development Plan (2007)*, and relevant sector policies and strategies. The Swedish Government's thematic priorities – democracy and human rights, environment and climate, and promoting gender equality and the role of women in development – are reflected in the cooperation sectors.

The process objective is to conclude reform cooperation in a responsible manner, and thereby as far as possible promote and safeguard long-term sustainable outcomes. Aspects of particular importance during the phase-out period are compliance with and fulfilment of agreements already entered into, ownership, responsibility and long-term sustainable solutions, as well as measures to promote alternative donor financing, e.g. through dialogue with the European Commission. In-depth performance monitoring, results analysis and experience reports should be given priority in connection with the phase-out.

Sweden will continue to promote harmonisation, alignment and ownership in accordance with the Paris Declaration, the Accra Agenda for Action and the EU Code of Conduct. Support will be given to the Macedonian Government's initiative for more effective coordination and promotion of programme-based approaches. Where possible, Macedonia's own structures will be used to coordinate, channel and plan Swedish support.

Swedish actors are expected to be able to provide important contributions to developments in Macedonia and to its rapprochement with the EU, with the support of the European Commission's instruments, including TAIEX and

the Twinning programme. In addition, support can be given via regional and international Sida programmes, e.g. through international courses, and through the Swedish Institute.

Close dialogue will be conducted with the Macedonian Government, cooperation partners and other donors, including the European Commission, aimed at achieving the overall objectives of the concluding cooperation, with focus on the country's EU integration. The dialogue will primarily focus on reforms for closer relations with the EU, gender equality and local ownership. In addition, particular importance will be given to ensuring long-term sustainability for the results of Swedish development cooperation with Macedonia.

2. Sector 1: Agriculture and forestry

Sector objective

Agriculture in Macedonia will become better aligned with EU regulations. During the phase-out period, this objective will be achieved by providing concluding support to:

- higher education and research in agricultural economics, and strengthening of associated policy and analysis capacity;
- the Federation of Farmers of the Republic of Macedonia (FFRM);
- the national agricultural advisory and agricultural development system – particular emphasis will be placed on local ownership and institutional integration, as well as the capacity to make use of the special EU Instrument for Pre-Accession Assistance for Rural Development (IPARD);
- sustainable energy usage and renewable energy sources in rural areas; and
- the role of women in economic development.

Direction

The most extensive support during the previous strategy period targeted agricultural development. Cooperation in this sector must now ensure that this support achieves sustainable results. Agriculture continues to have major importance both to closer relations between Macedonia and the EU and economic growth – and thus also to poverty reduction in the country – and remains the largest sector. The ongoing projects will help improve opportunities for the country and farmers to benefit from IPARD. Stronger

national ownership and the assumption of responsibility for relevant projects represent important challenges in this sector.

Collaboration with other donors

Where deemed appropriate, collaboration with other donors will be sought. This should primarily aim at ensuring sustainable results of the Swedish development cooperation that will now be concluded. The European Commission is an important actor in this regard, considering its considerable pre-accession assistance and the opportunities available to farmers to continue to receive support through this to facilitate alignment with EU regulations.

Sector 2: Democracy, human rights and gender equality

Sector objective

Better opportunities for individual citizens to exercise their human rights. This will be achieved through concluding support that:

- promotes gender equality;
- increases the country's institutional capacity to comply with human rights standards;
- supports the participation of underprivileged groups in economic and political development; and
- strengthens civil society.

Direction

As before, part of the support will be channelled through Swedish framework organisations. Macedonia's largest farmers' organisation and the ombudsman institution are particularly important cooperation partners. Support to civil society up until now, channelled through Swedish framework organisations and focused on organisation and capacity building, has contributed to better compliance with human rights standards and to strengthening the role of civil society in Macedonia. At the same time, experience shows that such organisations are particularly vulnerable during a phase-out period. Particular importance will be attached to the sustainability of these organisations and to alternative donor financing.

Collaboration with other donors

Efforts will be made to promote alternative funding opportunities, partnerships and capacity development while Swedish support is being phased out. In this respect, the European Commission with its special channels and appropriations for support to civil society offers important opportunities.

Sector 3: Sustainable social development*Sector objective*

Macedonia's environmental policy and environmental administration will become better aligned with EU standards and regulations. With a focus on environmental policy and administration for sustainable development, the support will target:

- bringing support to local environmental planning to a conclusion;
- conclusion of ongoing cooperation in the area of chemicals;
- concluding support to EU alignment, environmental legislation and related negotiation capacity based on corresponding experiences in Sweden, Slovenia and elsewhere;
- concluding support to Macedonia's National Strategy for Sustainable Development (NSSD); and
- bringing ongoing support to environmental NGOs to a conclusion.

Direction

Most of the cooperation will focus on institution and capacity-building. As before, Swedish support will essentially be given as project support in which Swedish actors and cooperation with institutions play a significant part.

Collaboration with other donors

Cooperation with the World Bank and possibly other donors may be appropriate regarding concluding support to the NSSD. This support will be limited to capacity building aimed at contributing to Macedonia's implementation of the strategy.

3. Funding amount

The financing amount during the phase-out period will not exceed SEK 80 million.

4. Risk management

The phase-out may entail special risks of waning interest and reduced financial and staffing resources on the part of Macedonia. It is important that the Macedonians assume the ownership of development in order to counter this. In addition, there is a risk of irregularities and corruption on the part of recipients, which requires corresponding attention on the part of Sweden. Continuous follow-up, careful controls and annual auditing ahead of the conclusion of support are important elements. Information and communication activities regarding cooperation to date, the phase-out process and future prospects are to be implemented in accordance with a special communication plan to be drawn up by Sida.

5. Development scenarios in the country

The European Commission's mainly positive progress report of October 2009 recommends initiating accession negotiations. However, the Council could not reach agreement in December 2009 and instead referred the issue for discussion. It is hoped that a decision concerning a date on which to commence the negotiations can be taken in 2010, a goal that the Belgian Presidency explicitly states in its work programme. Sweden is working actively so that the Council can take a decision as soon as possible.

The conflict with Greece concerning the country's name continues to affect both the foreign and the domestic policy dialogue, which is having a negative influence on Macedonia's road towards membership of NATO and the EU. At the same time, there are signs indicating that ethnic tensions and segregation in Macedonian society are deepening, which runs against the Ohrid Agreement of 2001.

The international financial crisis had a negative impact on the Macedonian economy in 2009. During that year, the country's GDP fell by 0.7 per cent. The financial and economic situation in the country and in the region remains unstable.

In all, close to half the population live in various forms of poverty. Poverty is growing in urban areas, while it appears to be decreasing somewhat in rural areas. Income poverty among Albanian and Roma ethnic minority groups is as high as 35 per cent, compared with just over 12 per cent among ethnic Macedonians. The growing segregation related to social and educational conditions between ethnic groups is striking. Women are overrepresented among the poor, and youth unemployment is a major problem. For many people, the social safety net from the Yugoslav era still represents an important chance for survival. Regarding the Millennium Development Goals, it is unlikely that the poverty objective will be reached, whereas the outlook for the areas of education and health is somewhat brighter. Environmental sustainability faces special challenges, with the possible exception of water and sanitation.

As is evident from the EU progress reports, much remains to be done regarding good governance, a society based on the rule of law and respect for human rights in Macedonia. Discrimination, exclusion and segregation between ethnic groups follow a negative trend. Regarding gender equality, patriarchal structures and values still exist, but considerable progress has been made with regard to education, public sector employment and political representation. A Law on Equal Opportunities was adopted in 2008, but follow-up and implementation remain relatively weak.

Macedonia is facing major environmental challenges that include serious industry-related pollution and toxic emissions, major shortcomings regarding water, sewage treatment and waste management, as well as other growing urban challenges and traffic-related problems. Added to this are a lack of environmental awareness, weak institutions and weak follow-up. The European integration agenda places high demands on legal and institutional reforms. While most of the EU-aligned legislation has been adopted, much still remains to be done regarding capacity building and institutional development to guarantee its implementation and impact.

6. Policy Coherence for Development

In order to strengthen the overall contribution to development, coherence must be sought with other Swedish policy areas in accordance with the policy for global development.

It is important to strive for a situation where Swedish actors have a stronger presence, in Macedonia for example, which in the long run will contribute to

economic growth, more jobs, higher tax revenue, reduced poverty and the spread of Swedish values. During the phase-out of development cooperation with Macedonia, it is important in this context to identify alternative forms of collaboration financed outside the country budget, such as actor-driven cooperation, in order to achieve self-supporting relationships between Swedish and Macedonian actors.

7. Considerations regarding the strategy direction

Swedish development cooperation with Macedonia was begun in 1999. The current cooperation strategy covers the period 2006–2010. Its objective is to reduce poverty, which is to occur through changes in society based on closer ties with the EU as a driving force for development. Cooperation has concentrated on agricultural development, human rights and social integration, as well as environmentally sustainable development. The volume of contributions has been SEK 70–75 million per year. Based on the evaluations and in-depth studies already carried out, as well as the performance assessment conducted in 2008, it is considered that cooperation to date and its direction have been relevant for Macedonia's overall ambition to achieve EU membership, as well as the country's social and economic challenges. This cooperation has thus contributed to the implementation of the European integration agenda as expressed in the SA Agreement, and towards Macedonian development priorities.

Sweden's contributions have been identified, formulated and implemented in a way that reflects the long-term objectives of the strategy, and they have contributed to the results achieved. Sweden's comparative advantages have been used to a considerable extent, whilst complementarity in relation to EU aid has been taken into account. On the whole, therefore, this cooperation is considered to have been reasonably effective. Long-term concentration on specific sectors and continuity have fostered the effectiveness of aid. Several factors have weakened this effectiveness, however. National ownership has generally been weak and coordination capacity low. It has been possible to use national systems only to a very limited extent. Cooperation has been project-based and based to a great extent on cooperation with Swedish agencies and other actors with limited experience of the principles and methods of aid effectiveness. The portfolio of contributions has been fragmented, with up to 25–30 ongoing contributions. Growing pre-accession support from the European Commission has placed increasing demands on the time and resources of the administration. However, Swedish support and the projects and programmes it has contributed to have essentially been feasible and realistically designed.

Agriculture with a focus on sustainable economic development

The relevance of Swedish support to the agricultural sector and its importance for economic growth and poverty reduction are considered to have been fairly substantial. Support to date has been very much in line with the priorities in the country's 'Strategy for agriculture and rural development'.

Although support to the agricultural sector has been broad and comprehensive, it has not had the same character as sector programme support. It is considered that the majority of ongoing support can be carried on and concluded with sustainable results. Special efforts are needed for FFRM and the Guarantee Fund. IPARD and IPA components I and III are possible financing alternatives once Sweden has phased out its cooperation.

Human rights and social collaboration

Macedonian civil society has major tasks ahead of it when it comes to helping to ensure that human rights are respected and that Macedonia develops into a state under the rule of law. Much remains to be done to build capacity and greater collaboration in civil society, so as to increase its impact in priority areas. At the same time, support to civil society is the most vulnerable area when cooperation is phased out. Considerable efforts are required to promote new partnerships, alternative sources of financing and strategies for greater organisational viability.

Environmentally sustainable development

With the exception of cooperation in the area of chemicals – where unclear institutional ownership on the part of Macedonia risks undermining sustainability – experiences have been positive and sustainable conclusions are expected for the majority of ongoing support. Transitional support and the mobilisation of alternative donor partners will be necessary concerning support to NSSD and sustainable energy supply in rural areas (agroenergy). Other forms of continued collaboration with the Swedish Environmental Protection Agency covering EU rapprochement and negotiations in the area of the environment may be considered once bilateral development cooperation has been phased out.



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