

Strategy for development cooperation with

# Serbia

January 2009 – December 2012



REGERINGSKANSLIET

Government Offices  
of Sweden

## **COOPERATION STRATEGY FOR SERBIA, 2009–2012**

### **SUMMARY**

The objective of Sweden's development cooperation with Serbia is to strengthen democracy and promote sustainable development in a way that improves the prospects for membership in the European Union (EU).

Swedish support for Serbia will encourage reforms required for future EU membership by means of initiatives that take account of the Swedish Government's objectives for reform cooperation in Eastern Europe and Sweden's thematic priorities.

Since 2000, Serbia has experienced major changes while its development has been inhibited by recurring political instability. Economic development has been relatively strong. However, extensive reform work is still needed in order to strengthen the economy, democracy and human rights. Extensive reform work is called for in the environmental area as well. An ongoing effort is required if Serbia is to become a modern democratic state characterised by sustainable development based on the EU's fundamental values.

Swedish support will focus on the sectors of democratic governance and human rights, as well as natural resources and the environment. Sweden should be prepared to support cross-border projects between Serbia and its neighbouring countries. Cooperation will strengthen Serbia's democratic structures and ability to carry out requisite changes prior to EU membership, as well as its ability to achieve sustainable development. The sectors have been chosen on the basis of Serbia's own priorities, primarily its National Plan for Integration with the EU (NPI), as well as its strategy for sustainable development.

A principal point of departure is that Serbia's impending application for EU membership dictates that the cooperation strategy accommodate flexibility. If Serbia attains candidate status, the strategy should be alignable with any new needs.

The cooperation strategy reflects the fact that development cooperation with Serbia is entering a new phase that will focus on capacity development and knowledge sharing. The process objectives for greater development assistance effectiveness are to limit and concentrate initiatives, as well as to use Serbia's own structures as much as possible. The dialogue issues will be gender equality and women's participation in the democratic development of society, sustainable development and expanded EU integration.

Swedish development cooperation with Serbia will amount to approximately SEK 110 million in 2009, rising to approximately SEK 130 million per year in 2010–2012. Cooperation will be regulated by a cooperation agreement.

## **Part 1. Objectives and direction of cooperation**

### **1. Objective and priorities**

The objective of Sweden's development cooperation with Serbia is to strengthen democracy and promote sustainable development in a way that improves the prospects for EU membership.

Swedish cooperation will thereby contribute to the objective of reform cooperation in Eastern Europe: strengthened democracy, equitable and sustainable development, and closer ties with the EU and its fundamental values. Cooperation will also contribute to attaining 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.

The strategy proceeds from the Government's three thematic priorities: democracy and human rights, promotion of gender equality and the role of women in development, and climate and the environment. The sectors have been chosen on the basis of Serbia's own priorities, primarily its NPI, as well as its strategy for sustainable development. A principal point of departure is that Serbia's impending application for EU membership dictates that the cooperation strategy accommodate flexibility. If Serbia attains candidate status, the strategy should be alignable with any new needs.

The process objectives for greater assistance effectiveness are to limit and concentrate initiatives in coherent programmes, as well as to increase Serbia's ownership by using its own structures as much as possible when planning, implementing and monitoring development initiatives.

The dialogue issues are to be gender equality and women's participation in the democratic development of society, sustainable development and expanded EU integration. Among the premises of the dialogue are Serbia's strategies for gender equality and sustainable development. The dialogue is linked to initiatives that Sweden finances.

### **2. Direction and scope**

#### ***2.1 Sectors***

Swedish support will focus on the sectors of *democratic governance and human rights*, as well as *natural resources and the environment*. Within the framework of the two sectors, civil society may be supported in order to strengthen its role in the development of society. Swedish development cooperation will contribute to Serbia's integration with the EU through support of the stabilisation and association processes, as well as the commitments and reform priorities established by the European Partnership. National priorities will also provide guidance when working with local cooperation partners. Sweden should be prepared to support cross-border projects between Serbia and its neighbouring countries.

The relationship with the EU will probably be made more intense and concrete during the strategy period by a Serbian application for EU membership. As a result, flexibility and alignment will be needed when it comes to the strategy's current direction and scope.

#### ***Democratic governance and human rights***

Serbia has a number of strategies in the sector, the most important of which is its NPI. Within the framework of the sector, Sweden will contribute to attainment of

Serbia's objectives in the following areas: 1) democratic governance; 2) human rights and gender equality; 3) security sector reform.

Following are Sweden's objectives for the sector:

**1. Democratic governance:** Effective and democratic national government administration in the service of citizens at both the central and local level.

Support will be given for administrative reforms, development assistance coordination, decentralisation and statistics. Swedish initiatives will support increased citizen participation in, and influence on, national government administration. Projects to compile gender-disaggregated statistics, as well as initiatives against corruption in national government administration, should be supported. Support will be channelled through a few ministries in order to strengthen their capacity and increase democratic dialogue between the state and citizens. Support should be available to improve the Serbian administration's ability to receive additional funding from the Instrument for Pre-Accession Assistance (IPA). Support in building up a Decentralised Implementation System (DIS) should be offered.

**2. Human rights and gender equality:** Greater respect for, and compliance with, human rights and gender equality.

Support for human rights will include both cooperation with state institutions and strengthening of civil society. The interaction among these actors will also be strengthened. Swedish initiatives will support active civil society that enables citizen participation in, and influence on, the development of society. The focus will be on civil and political rights, particularly gender equality and the participation of minorities in the development of society. Sweden, which has a leading role with respect to gender equality, will support the implementation of Serbia's gender equality strategy through the Serbian Gender Equality Directorate. Special support will be given for implementation of national action plans for Roma rights. The role of civil society in monitoring gender equality and other human rights – including those of children, the LGBT community and minorities, particularly the Roma – will be strengthened by support through Swedish NGOs and other organisations.

**3. Security Sector Reforms (SSR):** strengthening of a democratic and transparent security sector.

SSR commitment will represent an integrated and unified component of Swedish development cooperation with Serbia. Reform of the security sector is a key issue in Serbia's pre-accession process. Civil rights and the ability of citizens to demand responsibility from security actors are to be strengthened. Among the ways that Sweden will contribute to Serbia's objectives in the area are to build further on current police cooperation and strengthen the justice system, focusing particularly on police effectiveness, support anti-corruption initiatives and gender equality, and promote increased access to equity by civil society. In addition, the possibility of implementing additional initiatives in the broader SSR area will be taken into consideration for the purpose of strengthening democratic development while integrating, reducing and aligning the security sector with civil society. That may be accomplished by retraining of military personnel, training and advice to support transparent, democratic total defence, and other initiatives. Minority representation and the gender equality perspective should be strengthened throughout the security sector. The focus should be on support for greater democratic and parliamentary control and monitoring. That may entail training and advice initiatives for Serbia's parliamentarians, ministries and Ombudsman institution for the purpose of

improving their governance and control. Options for cooperation through the Folke Bernadotte Academy should be considered.

### ***Natural resources and the environment***

As indicated in Serbia's strategy for sustainable development, natural resources are a priority area.

Following are Sweden's objectives for the sector:

**1. The environment:** Improvements in waste management, water purification and sewage treatment.

Sweden will contribute to sustainable development through environmental infrastructure for waste management, water purification and sewage treatment, including associated support for energy efficiency in these areas. Contributions will be made to strengthen the capacity of the Serbian Ministry of Environment and Spatial Planning, the Ministry of Agriculture, Forestry and Water Management, the Ministry for the Protection of Natural Resources and Environment and related state-owned enterprises. Sweden will also support civil society in its interaction with local authorities. Furthermore, support will be provided to increase the cooperation of civil society with the authorities, particularly when it comes to water purification, sewage treatment, waste management and chemical management. Implementation of Serbia's strategy for sustainable development will be supported as well. Provided that the Swedish Government decides on a new loan and guarantee system that includes a facility for climate and the environment, it can be used in Serbia by means of environmental investment initiatives through the European Bank for Reconstruction and Development (EBRD). Civil society organisations will be supported in strengthening their ability to promote environmental issues, involving more women in the effort and incorporating a gender equality perspective into their activities.

The initiatives in both sectors are to focus particularly on alignment with EU legislation.

Sweden will phase out support for the area of economic cooperation in 2010 as the current agreements expire.

### ***2.2 Forms of cooperation***

Most of the Swedish initiatives will support Serbian administration at the central and local level. To strengthen the prospects for democratic, sustainable development, ongoing support will also be given to civil society development through Swedish NGOs and other organisations.

A programme-based approach will be strived for when preparing Swedish initiatives, such as by using the country's or organisations' planning, implementation and monitoring systems when possible or by coordinating the efforts of multiple donors to jointly support an institution or programme. Budget support is not expected to come into question during the strategy period.

Cooperation among Swedish and Serbian actors may be provided as a complement to project support. The purpose of the support is to preserve and expand long-term relations between Sweden and Serbia in both sectors of the strategy.

Development loans and guarantee instruments, particularly for environmental initiatives, may be used, provided that they are deemed relevant. The EBRD may

become a cooperation partner, primarily when it comes to environmental investment.

### ***2.3 Dialogue issues***

Proceeding from Serbia's Stabilisation and Association (SA) Agreement, gender equality strategy, NPI, etc., Sweden will promote three strategic dialogue issues as a complement to financial support:

- Expanded EU integration.
- Gender equality and participation by women in the democratic development of society.
- Sustainable development.

In order to be more effective, dialogue and financing in these areas may be coordinated. Dialogue with the European Commission locally and in Brussels will also be conducted within the framework of cooperation aimed at receiving additional IPA funding. In addition, the Swedish Government's three thematic priorities will be a premise of all dialogue with Serbia during the strategy period. With regard to targeted development assistance initiatives, dialogue will be conducted with relevant Government and civil society representatives.

### ***2.4 Scope (volume)***

Swedish development cooperation with Serbia will amount to approximately SEK 110 million in 2009, rising to approximately SEK 130 million per year in 2010–2012, i.e., in line with the volume paid in 2007.

## **3. Implementation**

Implementation of the strategy is closely linked to sustainable political stability. That may be counterbalanced by increased support for civil society, as well as an ability to expand cooperation within the framework of the strategy's two sectors.

### ***3.1 Cooperation with other donors, including multilateral actors***

Swedish development cooperation will be implemented in close dialogue with other donors, particularly the European Commission, and coordinated with IPA. Cooperation with the European Commission locally and in Brussels will be developed further and guided by the Paris Declaration on Aid Effectiveness and the EU Code of Conduct for Complementarity and Division of Labour in Development Policy. Sweden will conduct an active dialogue with the European Commission in both Belgrade and Brussels concerning an effective direction for IPA and how it can best be complemented by Swedish development cooperation. Cooperation with long-term donors will continue and deepen. Sweden will continue to identify opportunities for cooperation with multilateral organisations when the proper conditions exist, given the direction of Swedish support. Cooperation with the World Bank, United Nations and EBRD is expected to continue.

Regional cooperation is necessary for continued economic stability and development of society, as well as being a formal requirement for EU membership. The Balkan countries have established the Regional Cooperation Council (RCC). The political priorities have been formulated through the South East European Cooperation Process (SEECP), which has given the RCC a mandate to implement them.

Sweden attaches great importance to regional cooperation with the Balkans and regards the RCC as the main actor to coordinate it. Sweden will cooperate with the RCC on the basis of the region's priority areas (economic and social development, infrastructure, legal and domestic issues, security cooperation and capacity building). Parliamentary cooperation is an overall priority for the SEECP. Moreover, Swedish bilateral support should be designed on the basis of the priorities set through the SEECP and in cooperation with the RCC secretariat in Sarajevo. Serbia's participation in regional projects may be financed within the sectors included in bilateral cooperation.

### ***3.2 Alignment, harmonisation and coordination***

The strategy's process objectives for greater development assistance effectiveness are a more programme-based approach, as well as using Serbia's own structures as much as possible when planning, implementing and monitoring development initiatives.

The Paris Declaration on Aid Effectiveness and the EU Code of Conduct for Complementarity and Division of Labour in Development Policy will provide guidance for Swedish development initiatives in Serbia and action within the donor community.

The Serbian strategies for development will be a starting point. The sectors have been selected after dialogue with the Development and Aid Coordination Unit (DACU) of the Ministry of Finance.

Serbia's development assistance coordination has improved recently, and Sweden will provide ongoing support to strengthen the effort. Sweden will also more strongly promote i.a. joint meetings and visits by delegations, as well as joint reporting with other donors.

## **4. Follow-up**

Monitoring of the cooperation strategy will be based on EU progress reports, Serbia's NPI, national statistics and data from DACU. The conclusions will be presented as an updated results matrix and an annual report. Within the framework of the cooperation agreement, an annual progress review of results and planning for Swedish development cooperation will be conducted with Serbia. Important questions to be monitored are the risk factors of corruption and high staff turnover in public administration, both of which can undermine long-term results.

Corruption in Serbia has a negative impact on not only development and democratisation processes, but also the implementation and effectiveness of development cooperation. Among the measures that Sweden will adopt to combat corruption and its negative effects are to perform regular audits as part of Swedish development cooperation and to take any action that is required. Strategies and plans to combat corruption will be implemented in the sectors in which Sweden is involved.

## Part 2. Background

### 1. Summary country analysis

As a result of the 2008 presidential and parliamentary elections, Serbia currently has a reform-minded Government whose primary objective is EU integration. Thus, the focus on an expanded pre-accession process has also intensified. Serbia signed an SA agreement with the EU in April 2008 with the proviso that it not be enforced until full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) is in place. Therefore, Serbia has no interim agreement, which is why EU Member States have not yet begun the process to ratify the SA agreement.

The Government adopted an ambitious and relatively extensive NPI for the purpose of identifying reforms in the economic, environmental and agricultural sectors that are needed for continued EU integration. Serbian public administration is expected to proceed from the NPI when drawing up annual work plans for the EU integration effort. In connection with Serbia's expanded EU integration, the NPI is expected to transition to a long-term national plan for alignment with EU legislation. The European Commission's 2008 progress report noted that Serbian's administrative capacity is fairly strong.

Despite the expanded reform processes of recent years, Serbia's expanded pre-accession process faces a number of challenges. The negotiations to form Governments that have followed the many elections of recent years have delayed both reform work and democratic development. Limited resources in public administration and inadequate cooperation in the parliament have delayed ratification of many laws and international agreements relevant to EU integration. The Governments formed in recent years have included parties with nationalistic tendencies, thereby limiting Serbia's cooperation with ICTY. Serbia's relationship with the tribunal is still influencing its politics and complicating its EU integration process, particularly with respect to enforcement of the SA agreement. Shortly after the new Government was formed in July 2008, former Bosnian Serb politician Radovan Karadžić was arrested in Belgrade. ICTY has not yet confirmed full cooperation, partly due to the fact that the two remaining wanted persons, one of whom is Ratko Mladić, have not yet been arrested.

Kosovo's February 2008 declaration of independence and its recognition by over 50 countries have had a heavy impact on political debate in Serbia. But the new Government is adopting an increasingly pragmatic attitude to Kosovo. The Kosovo issue has been referred to the International Court of Justice (ICJ).

Serbia still has no effective audit authority. Extensive reform work is still needed in the security area, justice sector and national government administration. Administrative inadequacies include both a lack of resources and implementation ability. Staff turnover at agencies and state-owned enterprises as a result of the change of Government has also hampered implementation of reforms.

Following the sharp economic decline after the war in former Yugoslavia, Serbia has carried out extensive reforms toward a market economy, leading to increased foreign investments. According to the EU progress report, Serbia's ongoing economic integration with the EU has gone in a positive direction. Even compared with other countries in the region, Serbia has good administrative and political prerequisites for expanded cooperation with the EU. Since the end of 2008, Serbia has unilaterally applied the trade-related provisions of the interim agreement, including exemption from duty on goods imported from the EU. That is a way for



the Government to demonstrate its willingness to reform as part of the pre-accession process even though the implementation implies an economic loss. The Government expects privatisation of state-owned enterprises to be fully implemented in 2009.

Annual economic growth has been around six per cent since 2001. Although macroeconomic stability has been achieved, the Serbian economy is still heavily dependent on foreign investments and loans. Trade has increased, and inflation is estimated to have been just below 10 per cent in 2008. The goal of halving poverty by 2010 has already been attained, albeit with large regional differences between the richer north and the neglected south. Per capita GDP is estimated to have been around USD 5 400 in 2008. Even greater political stability as the result of the formation of a Government friendly to the EU has improved the prospects for foreign investment. In addition, a number of leading multinational enterprises plan to establish themselves in Serbia.

While estimated at approximately 19 per cent nationally, unemployment is considerably higher among young people and women, as well as the Roma and other minorities. Discrimination when it comes to ownership rights and lending prevents women from participating actively in economic life. Only 2.4 per cent of women own businesses. As the result of a strong patriarchal structure, women are underrepresented in the parliament and among policymakers. Existing legislation in the area has had little impact. Women have approximately 30 per cent higher unemployment and 15 per cent lower wages than men. Violence against women and trafficking in human beings are widespread problems. Population growth is negative. Serbia has the fifth largest percentage of elderly people in the world. The emigration of at least half a million young people in the 1990s contributed to the imbalance. The country has a large percentage of refugees from other countries in the region.

Though generally unsatisfactory, the status of human rights is gradually improving. Nevertheless, representatives of both the media and human rights organisations are often subject to threats. Civil society remains weak and has a poor relationship with the Government. However, it is relatively active compared to the rest of the region. The quality of Serbia's independent press is relatively high. Minorities, particularly the Roma and Albanian minorities in the southern part of the country, are discriminated against. There is a sense of hope that the new Government will accelerate the pace of reform and promote greater respect for human rights.

Extensive reform work and capacity building is needed in the area of climate and the environment, particularly air and water pollution, soil exhaustion and loss of biological diversity. Many problems derive from the centrally planned economy, as well as negligence due to economic crises, isolation and conflicts. The pre-accession process requires an intensive environmental effort.

Quality in the education sector suffers from major inadequacies. International surveys concerning the education level of 15-year-olds place Serbia far behind most other European countries. Serbia still needs an extensive process of change if it is to create the knowledge-based economy it is striving for. As reflected in the almost 50 per cent unemployment rate among young people, the education system and the new labour market are not yet properly coordinated. National budget allocations for the education sector are below average for European countries. The healthcare sector exhibits similar tendencies. Given that discrimination against minorities represents a large problem in both sectors, Serbia is not likely to meet relevant Millennium Development Goals by 2015.

In addition to a number of sector strategies, the Serbian Government has drawn up a strategy for sustainable development but not yet fully implemented it. Serbia has also drawn up a document concerning its development cooperation needs. Updated annually, the document is an instrument to harmonise and coordinate international development cooperation in accordance with the Paris Declaration on Aid Effectiveness. It specifies six cross-sector priorities: job-creating measures and economic development as well as education as a tool to create jobs, development and strengthening of institutional capacity, reconstruction and modernisation of infrastructure, environmental protection, and regional and rural development.

## **2. Summary results assessment**

The previous strategy, which concerns both Serbia and Montenegro, entered into effect in September 2004 and has been extended until December 2008. A total of approximately SEK 615 million have been paid during the strategy period (including approximately SEK 105 million annually in 2004 and 2006, SEK 95 million in 2005 and SEK 128 million in 2007 for Serbia).

Swedish support has focused on democracy and good governance, respect for human rights, gender equality and economic growth, as well as sustainable use of natural resources and environmental protection. Development cooperation has been divided among many initiatives.

A September 2007 analysis of Swedish development assistance during the strategy period reveals that the initiatives have been relevant for both reducing poverty and promoting Serbia's EU integration. The initiatives more than adequately meet the priorities of the strategy (for instance, a number of human rights initiatives have been highly relevant). However, the programme has lacked concentration, as well as well-defined sectors and objectives.

Most projects, including anti-corruption initiatives that have contributed to development of Serbia's anti-corruption strategy, have produced good results. However, reforms in national government administration and other areas have often proved difficult to implement.

The effectiveness of initiatives has varied with the implementing party. NGOs and procured consultants have often been more effective than Swedish government agencies. More systematic use of local consultants and resources in project implementation has benefited cost-effectiveness.

Generally speaking, the initiatives have complemented those of other donors, and coordination with EU programmes has been the norm. Co-financing has been used but too sporadically. Harmonisation and coherence in accordance with the Paris Declaration on Aid Effectiveness have been difficult to implement. A number of donors appear to believe that only certain parts of the Paris Declaration are relevant to Serbia. Many Serbian ministries are not acquainted with the content of the Declaration. The Serbian Government has now adopted a strategy for greater development assistance effectiveness. Sweden will actively support the effort to implement the strategy. Many projects have been implemented with support of Swedish actors.

Many unsuccessful attempts have been made to cooperate with new EU Member States. A number of them currently provide limited development assistance to Serbia. Communication has not worked well, and the fact that their assistance has appeared to be wholly conditional has hampered cooperation.

Sweden will phase out support for the area of economic cooperation in 2010 as the current agreements expire. The reform processes that Sweden has supported are expected to be fully owned and integrated by Serbia when the projects end.

Swedish support for Serbia will be based on previous cooperation but concentrated in fewer sectors. Support will focus on greater development assistance effectiveness and Sweden's comparative advantages.

Summing up, Swedish development cooperation with Serbia has produced good results. A reform-minded Serbian Government offers good opportunities for expanded initiatives in the environmental and other areas.

### **3. Summary analysis of other donors' contributions and role in Serbia, including multilateral actors and the European Commission**

Serbia needs continued support for its reform work. The Serbian Government has reported its total annual development cooperation needs at EUR 400 million, which represents approximately 4.5 per cent of its 2008 budget. It is requesting knowledge rather than resource transfer. Much remains to be done in accordance with the European Partnership Agreement and EU progress reports. Serbia's strategic and planning effort has evolved and the conditions for effective initiatives should be amenable to improvement.

The EU is Serbia's largest donor. IPA totalled more than EUR 180 million in 2008. The European Commission's support was concentrated in key areas deemed essential for Serbia to meet the Copenhagen Criteria and prepare for EU membership. Strengthening of the judicial sector and building up of democratic institutions, strengthened civil society and implementation of EU standards and guidelines in key areas, as well as capacity building for Serbia to assume responsibility for administering EU funds, weigh heavily in the programme. Great importance is also attached to supporting economic development and reducing any negative social consequences of the privatisation and restructuring of enterprises. The programme also includes reform of vocational schools. Although coordination between the EU and other donors in Serbia has been limited, sector coordination meetings have avoided overlapping. Maintaining the rule of law is central to Serbia's EU integration. The European Partnership stresses the importance of increased effectiveness and professionalism in the justice system, as well as reforms to combat organised crime and corruption. Serbia is partly lacking in strategies, including police activities, for this area.

The World Bank's strategy (2008–2011) is oriented toward economic growth in the private sector, expanded participation in economic development, and dealing with environmental and natural disasters.

A total of 17 different UN bodies, the most active of which are the United Nations Development Programme (UNDP) and United Nations High Commissioner for Refugees (UNHCR), operate in Serbia. Sweden has contributed a number of initiatives to the broad UNDP portfolio. The UNDP administers policy and technical support to combat poverty and support democratic administration, crisis management and integration of refugees, as well as sustainable use of natural resources and the environment.

The Organization for Security and Co-operation in Europe (OSCE) focuses on questions concerning democratic governance, legal security, ownership rights, anti-corruption measures and constitutional amendments.

With a programme for economic development, democracy and civil society, the United States is Serbia's largest bilateral donor. Italy's support is primarily oriented toward private sector development and decentralisation, administrative reforms and civil society. Germany provides extensive support for the energy sector, mining industry, economic development and decentralisation.

Sweden and Norway provide the most extensive support among the Nordic countries. Norway's development assistance, which is almost twice as great as Sweden's, focuses on the budgetary system, judicial issues, administrative reforms, job-creation measures, private sector development, energy and agriculture. Norway also supports security sector reforms and is discussing cooperation with Sweden. Denmark is oriented toward regional economic development. Finland has a few small projects that support civil society. A few countries, including the United States, plan to maintain their commitment. The Netherlands, UK and other countries plan to terminate their bilateral support during the strategy period.

Summing up, other major donors focus primarily on support for economic growth through private sector development and infrastructure investment. Some bilateral donors are phasing out their support to Serbia. Development assistance through the World Bank, UN and other multilateral donors is harmonised with the EU agenda.

#### **4. Summary analysis of Sweden's role in Serbia**

##### ***4.1 Conclusions of Sweden's and the EU's political decisions and processes of relevance for the cooperation***

The pre-accession process is the central driving force for Serbia's development. The European Partnership Agreement between the EU and Serbia, as well as the 2008 SA agreement, which is not being enforced yet, specify the requirements that must be met for EU integration. IPA provides financial contributions for implementation of these needed reforms.

Swedish support for Serbia will encourage reforms required for future EU membership by means of initiatives that take account of the Swedish Government's objectives for reform cooperation in Eastern Europe and Sweden's thematic priorities.

Sweden plans to sign an agreement with Serbia on development cooperation. The two countries already have a procedural agreement.

##### ***4.2 Policy coherence for development***

Bilateral relations between Serbia and Sweden are fairly extensive. Because Serbia is an important factor for stability in the Western Balkans, coordination between Swedish foreign policy and development cooperation is central. In addition to development cooperation and political dialogue, cooperation is under way in the areas of defence, culture and migration. The Swedish business sector is interested in Serbia, and a number of large enterprises plan to establish themselves there.

At the regional and global level, there are a number of points of contact in other policy areas. For instance, discussions are being held about how EU agricultural and trade policy affects non-EU countries, migration, corruption, organised crime, sustainable use of natural resources and climate change. Sweden's actions in international forums and the EU can affect Serbia's development.

Regional cooperation is necessary for continued economic stability and development of society, as well as being a formal requirement for EU membership. The Balkan countries have established the RCC. The political priorities have been

formulated through the SEECF, which has given the RCC a mandate to implement them. Sweden attaches great importance to regional cooperation with the Balkans and regards the RCC as the main actor to coordinate it.

Serbia participates in regional cooperation with the Western Balkans, which involves coordination of political processes with investment and development cooperation. The RCC plays an important role in promoting such regional coherence. Serbia is the dominant country in the region, and regional issues are of great significance for Sweden's overall political and economic actions in the country.

#### ***4.3 Other Swedish relationships***

Many Swedish enterprises have long been established in Serbia, and trade is relatively extensive compared to other countries in the region. As a result, the Swedish business sector possesses knowledge and experience when it comes to both policy issues and practical implementation that may be an asset for Sweden's development cooperation. Sweden has worked actively through the Swedish Trade Council and other organisations to increase interest among both Swedish and Serbian enterprises. Reforms that improve the business climate are probably a prerequisite for significantly increased investment and trade.

Within the initiatives that it finances and through the EU Twinning Programme, Sweden encourages cooperation between Swedish and Serbian agencies.

#### ***4.4 Sweden's comparative advantages***

Sweden's biggest comparative advantage in its development cooperation with Serbia is its great credibility. Serbian actors and other partners regard Swedish cooperation for capacity development as valuable, long-term and balanced.

Sweden has a clear profile in gender equality issues. Swedish expertise and support are sought in both national government administration and civil society. Swedish environmental technology and environmental expertise is also sought. The presence of Swedish organisations in Serbia and their support for strong civil society are important contributions to democratic development there.

#### ***4.5 Conclusions about Sweden's role***

A consistent effort to strengthen Serbian ownership has improved the results of Swedish development cooperation and created respect among both Serbia's cooperation partners and other donors. The dialogue with DACU remains intensive. Swedish support plays a proactive role in the dialogue with the European Commission and donor coordination.

### **5. Considerations concerning objectives and the direction of future cooperation**

Despite a clear political focus on EU integration, the country analysis shows that the pre-accession process has been insufficient up to now due to the slow pace of reform. Large reform commitments are still needed if Serbia's institutions and public administration are to be democratised and modernised. Reforms are needed in the security, judicial and other areas to increase the effectiveness of national government administration. Gender equality is another area in which much work remains to be done. Serbia's environmental policy is far behind EU commitments to protect the environment and use natural resources prudently. Strong economic development accompanied by extensive foreign investment is increasing the need for environmental awareness and sustainable development. Furthermore, support for civil society has been identified as a catalyst for democratic development.

Security sector reforms have been chosen because Swedish initiatives in the area up to now have created credibility for building up a justice system that is democratic and compatible with the EU. In accordance with the analysis, Swedish support will focus on the sectors of democracy and human rights, as well as natural resources and the environment. The results assessment stresses the importance of more concentrated development cooperation. Swedish cooperation will be strengthened through fewer and more robust interfaces among Serbian representatives, improving the prospects for development assistance effectiveness and promoting dialogue issues. The experience of previous cooperation demonstrates that the status of civil society has weakened and implementation of reform cooperation has become more difficult when Serbia's situation has substantially deteriorated due to political instability. Swedish support for civil society is expected to increase if Serbia experiences political instability again. Under such circumstances, experience also shows that reform cooperation can continue with individual ministries, provided that there is flexibility in the selected sectors. The Paris Declaration is deemed to have had an insufficient impact, and programme-based approaches have been difficult to realise. Projects will be supplemented by dialogue, for which Serbia's own strategies provide the basis for argumentation, in the areas of gender equality and the environment.

Swedish development cooperation with Serbia will focus on strengthened democracy and sustainable development. In view of Serbia's impending application for EU membership, development cooperation should accommodate flexibility and be alignable with any new needs. Concentration in two sectors creates prospects for strengthening the complementarity of Swedish support with other donors by means of broader initiatives to take more programme-based approaches. By the same token, concentration in the selected sectors is deemed to ensure the flexibility required for effective Swedish support even if political instability returns.

In addition to democratic governance and human rights, as well as natural resources and the environment, the prospects for support to other sectors have been explored. Though in particular need of reform and commitment, the education sector has not been accorded priority by the Serbian Government commensurate with the breadth of initiatives that is required. The option of support for the agricultural sector within the framework of Swedish development assistance and Sweden's comparative advantages has been rejected due to limited experience of working that sector. Continued support for Serbia's economic development and reforms has been considered. Serbia has made significant progress in the sector, and many donors – including the United States, Germany, Italy, Austria, Norway and Switzerland – are already represented through extensive programmes. The cooperation strategy with Serbia takes account of the high unemployment rate among young people, women and minorities through the active programmes of other donors, as well as the intention of the strategy proposal to strengthen the status of women and minorities from a rights perspective. Given the combination of many donors and the progress that has already been made and is expected in the near future, along with Sweden's comparative advantages and the need for concentration, Swedish cooperation will focus on strengthening democracy and realising sustainable development.

In various ways, the Serbian diaspora represents a major potential asset for Serbia's development. Thus, the best means of drawing on the development potential that the diaspora represents will be considered within the framework of future Swedish development cooperation.



REGERINGSKANSLIET

**Ministry for Foreign Affairs  
Sweden**

103 39 Stockholm

Telephone: Int+46-(0)8-405 10 00, fax: Int+46-(0)8-723 11 76, web site: [www.ud.se](http://www.ud.se)

Cover: Editorial Office, The Ministry for Foreign Affairs

Printed by XGS Grafisk service, 2009

Article no: UD 09.071