TEN YEARS OF DEVELOPMENT ASSISTANCE TO THE REPUBLIC OF SERBIA
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International community started significantly supporting the Republic of Serbia at the end of 2000, after the years of isolation of the country and economic degradation, destroyed infrastructure and population impoverishment. One of the major tasks of the Government was to bring the country on the map of foreigner investors and development partners worldwide. In the first years of donors’ support, the aim was to secure the basic needs of the country which resulted in humanitarian assistance, clearing of arrears towards population in need, providing support for electricity import and recovery of country energy systems, supplying missing medicines and generally supporting efforts of the country to reinstate normal flows of economic and social life. Already in 2002 and following years, international assistance to Serbia shifted towards the support to structural reforms, increasing efficiency of the economy and reforms in legal framework of the country.

Major turning point in international assistance to Serbia was after the Thessaloniki Summit of the Heads of State or Government of the Member States of the European Union and the acceding and candidate countries in June 2003, when the EU reiterated its unequivocal support to the European perspective of the Western Balkan countries and concluded that the future of the Balkans is within the European Union. Ever since, donors’ support to Serbia is tailored to meet the challenges of European Integration process, structural reforms and socio-economic development.

Development assistance consists of grants (including humanitarian assistance) and concessional loans. In this regard, in the past 10 years several tendencies have been profiled:

- In the total grant funding provided, humanitarian aid has diminished and development assistance increased;
- There is a trend of decline of grants in favour of concessional credits, which are a prevailing form of development assistance (while concessional loans accounted for around one third of total disbursed assistance in 2001, 2002 and 2003, in 2009 and 2010 that percentage is well beyond 50%);
- Technical assistance is a specific and growingly dominant type of grant support, while the concessional loans are to a large extent used for financing the investments in infrastructure (with the exemption of structural adjustments and loans provided to support the budget).

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1 Concessional credits are intended exclusively for development assistance with the emphasis on structural alignment, rehabilitation of infrastructure, etc; whereas the grants may be intended both for development and for humanitarian assistance, i.e. intended for finding solutions for acute social problems.
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Aid flows

According to the ISDACON database\(^2\), in the period 2001-2010, it is estimated that disbursed international assistance to Serbia amounted to €6,966.78 million (see the following diagram), out of which grants account for €3,692.65 million.

Provision of humanitarian aid intended for the most vulnerable population groups is considerably and quickly diminishing throughout the period from 2000 to date. The highest level of humanitarian aid was reached in 2000 and 2001. More than 230 million EUR were allocated in 2000 and implemented in the following two years. Humanitarian aid has shown a declining trend from 2001 to 2004. At the same time, shift has been moved to supporting the reform processes through grants (capacity building and investments) and concessional loans. With the achievement of macroeconomic stability and economic activity becoming more animated, international assistance became more oriented towards supporting the structural reforms and sustainable development.

Donor coordination

In the early stages of planning and implementation of development assistance in the Republic of Serbia, support has been donor driven. Projects, initiatives and donor coordination mechanisms were based mainly on donor proposals.\(^2\)

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\(^2\) ISDACON Information System for aid planning and monitoring, administered by the Serbian EU Integration Office, contains database of aid flows to Serbia. Data is obtained from development partners. Disbursement refers to actual implementation of donor assistance provided in goods, services, works and money.
However, from the beginning of the transition process, the Government of Serbia showed political commitment in using provided international assistance effectively in order to speed up the reforms. The shift from emergency to development assistance required more structured planning and coordinated programming. To this end, the focal point for coordination of international support to Serbia, the Development and Aid Co-ordination Unit (DACU) was established within the Ministry of International Economic Relations in November 2000 and tasked with promotion of national priorities through close cooperation with development partners. From May 2007 to July 2010, DACU was located in the Ministry of Finance and since July 2010 is in the Serbian European Integration Office (SEIO). It is formally established as the Department for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance in the organisational structure of the SEIO, but is still widely called DACU.

Need for more systematic approach to the management of assistance within sectors and building capacities in line ministries resulted in increasing the mandate of units dealing with international cooperation so as to include international assistance coordination and management over relevant donor-funded projects.

ISDACON (Inter Sector Development and Aid Co-ordination Network) was formally established through the Government Decision from September 2003. The purpose of the Network was to facilitate communication and the flow of information on development and international assistance within the public administration. ISDACON consisted of representatives from all line ministries (operational level) with the task and capacity to proactively programme, coordinate, manage and monitor international assistance within the respective sector. ISDACON was accompanied with establishment of ISDACON information system (September 2004) as a managerial tool for improvement of programming and monitoring of international assistance (www.evropa.gov.rs).

In order to further improve effectiveness and efficiency of international development assistance, Government of Serbia developed two medium term aid planning documents defining priorities for international support in 2001 (The Reform Agenda of Serbia – the Needs for International Financial Assistance) and 2003 (Serbia on the Move – Three Years Later). Since 2007, strategic priorities for international assistance are defined in a three-year planning document Needs of the Republic of Serbia for International Assistance (Needs Assessment Document - NAD), which is revised annually to include one additional year.

In February 2005, at the High-Level Forum in Paris, Serbia together with 100 other signatories from donor and developing-country governments, multilateral donor agencies, regional development banks and international agencies, signed the Paris Declaration on Aid Effectiveness. The Declaration is focused on five mutually reinforcing principles: ownership, alignment, harmonisation, managing for results and mutual accountability.

In practical terms, aid coordination is ensured through regular meetings with donors and the establishment of 8 national sectoral working groups that involve con-
sultations with the donor community, local self-governments and civil society. Since 2008 consultations with CSO and social partners have been organised regularly on an *ad hoc* basis. Recently, the SEIO established a formal consultation mechanism with civil society organisations to allow their participation in decisions on programming of EU and other development assistance. This mechanism will subsequently be used and managed by the Government Office for Cooperation with Civil Society once it becomes operational.

Practice has shown that when beneficiary country demonstrates significant political and socio-economic development, as well as progress made in the process of EU integration, donors start their gradual phasing out. In the Republic of Serbia this process has started. DFID closed its office in December 2010, while some other donors are planning to phase out in mid-term period. At the same time this phasing out process is closely followed by beneficiary preparations for management of EU funds which will be up to ten times larger after accession to the EU. Preparations for introduction of the Decentralised Implementation System for management of EU funds are well ahead.

**Conclusions**

- **Development assistance has been supporting sustainable capacity development.** Donors’ assistance was directed towards development of national capacities and systems, including support to newly established institutions, as well as necessary technical support, experts, equipment, trainings, etc. to public institutions on all levels. Transfer of knowledge, know-how and experience to Serbian institutions was one of the most valuable outcomes of development assistance.

- **Aid was responsive to national needs, with a varying degree of flexibility.** It can be concluded that in general donors’ assistance was targeting national priorities and needs, starting from urgent one-off support to emergency needs, to budgetary support, specifically in the beginning of reform processes and then, in the period of the economic crises in 2009. Support to the EU integration process that is at the core of majority of donor funding is well in line with the GoS commitment to this process. Main reasons that have, in some cases, been limiting factors in timeliness and responsiveness to needs are specific administrative procedures and rules of donors, as well as lack of national capacities for project preparation and implementation.

- **There are no efficient tools to measure the impact of aid.** It is difficult to assess the impact of donors support provided to Serbia due to the fact that the systems for monitoring and evaluation of the effects and progress are underdeveloped and where they exist are performed on the level of particular projects.

- **Aid coordination and delivery.** National capacities for aid coordination have improved over time, resulting in improved ownership in all phases
of aid delivery – role of national institutions in planning and programming of aid has increased significantly, while the use of national systems for implementation has increased but is still rather limited. There are examples when the improved cooperation of stakeholders has lead to designing more efficient aid delivery mechanisms, such as pool funding, joint financing, etc. It is also important to mention that complementarity among donors’ programmes has improved; one of the examples is financing of large scale investment projects when grant funds are used for preparing the necessary project documentation and supervision of works, while soft loans are used for financing the actual works and equipment procurement.

- **Aid absorption has been satisfactory.** In the past ten years, there have been over 30 donors (bilateral, multilateral and international financial institutions) supporting Serbia. Significant efforts have been put in ensuring that Serbia is using all the available funding, and although there have been some cases of slow implementation, degree of actual disbursement of committed funds can be assessed as satisfactory. In particular, good example were the EU support instruments – CARDS programme (Community Programme for Reconstruction, Development and Stabilization), in the 2000-2006 period and IPA (Instrument for Pre-accession), in the 2007-2013 period.

The following chapters present main characteristics of international assistance, trends, best practices and examples according to the sectors as defined in the document “Needs of the Republic of Serbia for International Assistance in the period 2011-2013”, published by the Serbian European Integration Office in February 2011.
The Rule of Law sector encompasses justice, security, crime prevention, defence system reform and protection of fundamental rights. It covers policies related to judiciary reform, home affairs issues, including border management and control, as well as anti-corruption policy and protection of human and minority rights from political and civil, economical and social to cultural rights and protection of minorities.

According to the ISDACON database, in the period 2001-2010, it is estimated that a total amount of €208.66 million was actually disbursed in assistance from the international donor community to the rule of law sector in Serbia (see the following diagram).

In the past 10 years the main donors supporting the rule of law sector are the EU, USA, Sweden, Norway, UK, Germany etc.

The situation faced by the Government of Serbia upon assuming power in 2001 was as follows: obsolete practice and equipment, low skill and productivity, coupled with the low salaries of those employed in the Government administration. In this regard, the greatest problem was lack of professionalisation and inadequate information systems.

The need for the reform in this sector originated from a serious conflict between the out-dated political and legal system based on the 1990 Constitution and the new social relations, founded on totally different principles and values. It was no longer possible to keep adopting modern legislation so as to make compensation for out-dated principles of the old Constitution, under which has been created a deficient
judicial system open to improper influence. Working in such conditions has led to a decline in the reputation of the rule of law institutions and negative influence on the normal functioning of the economy. Following the results of the census in 2001, there were 377,000 registered refugees in the Republic of Serbia.

The Government has demonstrated readiness for the introduction of serious reforms in the rule of law sector. In the past 10 years important reform objectives in this area have been achieved with international support and assistance. Most of the projects implemented dealt with upgrading professional, material and technical capacities of the law enforcement institutions, such as advice, drafting and revision of legislation, by-laws and regulations in the area of fight against corruption, economic and/or organised crime, establishment of Judicial Training Centre, court modernisation/IT support programme, assistance to the Organised Crime Directorate, support to the Border Police, including procurement of IT network solutions enabling real time, on-line communication between border crossings, establishment of new institutions, such as the Special Court for Organized Crime and War Crimes, Agency for fight against corruption and Ombudsman institution. Significant support has been ensured to resolve problems of refugees and IDPs and promotion of minority rights and gender equality.

In the recent period the EU ensured support towards improvement of efficiency and transparency of the judicial system, the introduction of case management system in the courts and prosecution, criminal asset confiscation, reform of the penitentiary system and strengthening of alternative sanctions, the fight against corruption, prevention and suppression of illegal migrations and strengthening of the Ministry of Interior internal control. Other donors, such as SIDA, Italy and Norway, have supported improving Roma access to social services at a local level, implementation of anti-discrimination legislation as well as combating sexual and gender-based violence, policy development and legislative reforms to ensure fulfilment and respect of the rights of the children without parental care or with special needs, and settlement and integration of refugees. The second group of projects focused on economic or social rights of individual targeted groups resolving the problem of refugees and IDPs by finding durable solution to address their situation, enhance their livelihood and ensuring full access to their rights, assuring availability and quality of education for children from marginalised groups, social inclusion and poverty reduction among the most vulnerable groups in the society, and improvement of the quality of life and access to rights of the Roma, Ashkalj and Egyptian communities.

Today, the EC Progress Report for 2010 identifies the large backlog of pending cases as a matter of concern, especially in the context of time and resources needed for the new courts’ network to become fully operational and efficient. The effectiveness of the law enforcement and judicial authorities remains low. Political party financing and conflicts of interest remain serious causes for concern. Serbia needs to step-up its efforts to address important differences between individual border crossings. According to the UNHCR there are approximately 86,000 refugees and 205,000 internally displaced persons (IDPs) in Serbia.
Public Administration Reform Sector comprises the current process of public administration reform in the Republic of Serbia, i.e. the whole range of areas which provide efficient management and efficient state functioning at all management levels, as well as financial management and control and other areas enabling undisturbed functioning of the executive power, such as public procurement, information provision, human resources management, e-government etc.

According to the ISDACON database, in the period 2001-2010, it is estimated that a total amount of €1,731 billion was disbursed in assistance from the international donor community to the Public administration reform sector in Serbia (see the following diagram).

Public administration as the sector of international assistance in the early days of support to Serbian Government was not fully in focus of donors’ activities in the first years of support from donors’ community, due to the fact that during these years majority of support was earmarked for humanitarian assistance and covering emergency needs of the country. In the period from 2000 to 2002 support to the public administration sector accounted only about 10 per cent of the total assistance provided to the Republic of Serbia (excluding macro financial assistance provided as direct budgetary support, also categorized under this NAD sector). In spite of that, the Government of Serbia recognized the need to identify public administration on the top of the priority since this sector was accountable to carry out crucial reforms necessary for economic recovery towards modern European society.
Reform Agenda of Serbia 2001 recognized the need to meet the challenges of redesigning government functions in order to meet the extensive process of the reforms lying ahead, restructuring of the public administration, jurisdictions of ministries and other government bodies, simplification of administrative procedures and limited professional skills of civil servants. One of the priorities presented at the Donor conference held in June 2001 in Brussels was implementation of civil service reform, as well as human resource management in central government and corresponding changes of legislation and regulations governing public administration. These priorities were reiterated in the second document for the next donors’ conference Reform Agenda – Three years later, presented in July 2003, where the Government once more showed firm commitment to carry out improvement of government organisation, modernisation of equipment, skill upgrading through personnel training and increased work efficiency, coupled with introduction of new values into government administrations, such as transparency and responsibility, respect for clients and high quality services. A major push towards public administration reform was the establishment of the new Ministry of Public Administration and Local Self-government in May 2002 and announcement of the European Partnership on Thessaloniki Agenda in June 2003 and its adoption in June 2004 which firmly shaped the paths of the reforms of public administration in Serbia.

Priorities presented on the donors’ conferences were later on recognized by several development partners who initiated support programmes of larger scale to public administration reform. These donors are still today most active in this sector. However, general conclusion of major donors active in this sector is that public administration is the most challenging area and highly dependent on the existence of clear and strong political will to support reforms, sensitive to political situation in the country in terms of the changes of the Government structures.

In the past 10 years the main donors supporting public administration are European Union, Sweden, Germany, United States, Switzerland, Norway, United Kingdom, etc. The most active donor in this sector is the European Union (both in terms of grants assistance and macro financial assistance).

During the implementation of the CARDS programme (2000-2006) European Union financed a number of projects which provided baseline for the EU integration process in Serbia. Some of the key projects in this sector cover the establishment of Human Resource Management Service (in corporation with SIDA), establishment of the new Treasury model and its related institutional and IT arrangements, supporting modernisation of the Tax administration, etc.

Support to local self-governments was a common theme and point of cooperation and partnership of bilateral donors (Switzerland, USA, Germany, IFIs – KfW, EIB, EU) and Serbian authorities. Almost all major donors in the country had programmes supporting local self-governments, creation of local economic development plans, redesigning local administrative services, improving the efficiency of public utilities at the local level and investing in urgent rehabilitation of municipal infrastructure. From 2003 till today these sectors of support are dominant in annual programmes of donors still active in the country.
In the first years of donors’ support to Serbia, UNDP developed and implemented jointly with national partners the programme called “Capacity Building Fund” through which various projects for the Ministry of Public Administration and Local Self-Government, Ministry of Finance, Serbian European Integration Office, Public Procurement Office and Serbian Parliament. This programme was financed by the bilateral donors, in particular the Netherlands.

In the recent years, USA, Germany, Sweden and Norway can be quoted among the most relevant development partners in the public administration sector (including local self-governments). In the last three years, Government of Sweden supported the development of statistics and implementation of the Public Administration Reform Strategy, German Government continued support to the reforms of the financial sector and the Norway has channelled funds for the continuation of the reforms in the public administration.

Focus of support to public administration reforms under the Instrument for Pre-accession Assistance until 2010 annual programme was strengthening of a stable and transparent public procurement system in the Republic of Serbia, improvement of work of the Ombudsman’s Office in line with standards of the European Ombudsman, development of public internal financial control, institution capacity building of the Serbian Customs Administration and support to the public administration reform in the area of efficiency, civil service recruitment, career development, training and e-Government. Similar to the CARDS period, IPA annual programme had a component dealing with development and implementation of policy reforms on the decentralisation of local government leading to improved local governance, better management of municipal infrastructure services, and the capacity of municipalities to programme and absorb EC investment funds for new and rehabilitated assets.

In addition to municipal support programmes, Project Preparation Facility programme was designed to support the IPA programming process in the preparation of appropriate project fiches, tendering documentation and preparation of Serbian administration for the usage of funds from IPA components III and IV (Regional Development and Human Resources Development) which are available for candidate countries.

According to the EC Progress Report for 2010 there has been some progress in public administration reform, but the legislative framework is still incomplete. The capacity of the public administration in certain sectors is weak and coordination is not fully ensured. In view of an intensification of the EU integration process in the coming years, Serbia needs to further strengthen capacity on EU integration, in particular the central coordination between the General Secretariat, the Serbian EU Integration Office and the Ministry of Finance. As regards local self-government, decentralisation has continued and a number of competencies have been transferred to the local level. However, there has been insufficient consultation with local authorities in the decision-making process relating to the development of new legislation or amendments to existing laws that have implications at the local level.
The civil society, media and culture sector covers a wide number of issues, such as: institutional strengthening, the establishment of a suitable legal framework and the presence of conditions enabling development of civil society; the functioning of those instruments aimed at ensuring freedom of expression, first of all related to media; and the enforcement of cultural rights in terms of accessibility, integration, dialogue, respect and tolerance.

According to the ISDACON database, it is estimated that a total of €335.84 million was disbursed to the civil society, media and culture sector in the 2001-2010 period. The following diagram provides information on the level of annual foreign assistance to the sector.

The main donors supporting the sector are the United States, the EC, Italy, Sweden, the Kingdom of the Netherlands, etc.

The first independent CSOs in Serbia emerged in 1990, after adoption of the Law on Citizen’s Associations. Civil society has been developing during the 1990s under the very difficult political and economic circumstances. After the political changes in October 2000, civil society sector in Serbia has been continually strengthening. CSOs were becoming active on the whole territory of Serbia in fields such as fighting discrimination/promotion of human rights, reform of public administration and
local self-government, social inclusion and advancement of social welfare reforms, rule of law, education system reforms, and strengthening democratic institutions.

With regards to media, after the ‘90s, much work needed to be done to help the media to operate effectively, economically and to meet the needs and expectations of a modern democratic society. In 2002, there were 641 print media, 253 TV stations and 504 radio stations serving some eight million people, therefore making it realistic to expect that the regulation of the media scene would lead to the close-down of more than half of the existing media operations. A small and unregulated market, combined with a low purchasing power, made it difficult if not impossible for most media outlets to only survive on commercial revenues.

Since 2001, the largest donors such as USAID, European Union, UN agencies and the World Bank became engaged in strengthening civil society programmes within democracy building projects. Although the status of the civil society sector has progressively changed in the period 2001-2005, cooperation between the Government and non-governmental organisations has been limited. The Ministry of Social Affairs encouraged the participation of civil society organisations in drafting the Poverty Reduction Strategy Paper (PRSP), a major action programme of donor community in Serbia, through setting up of the Civil Society Advisory Committee (CSAC), bringing together a number of prominent NGOs. The 2003 CARDS Programme for Serbia focused on their participation in the consultative process of development of national strategy for alleviating poverty.

Furthermore, EU funds were used to support the establishment of a Management Unit for the Social Innovation Fund (SIF) with the Ministry in charge of Social Affairs. Through the 2004 budget, the Parliament approved new tranche of funds to be disbursed through SIF, amounting to approximately €700,000. The SIF continued to include CSOs and private sector in the social services provision in this way, institutionalising further cooperation between the Government and civil society in the social welfare sector.

Since 2001 the EU has been supporting establishment of the new legal framework in the media sector, participated in the restructuring of the state-run media and helped the independent media to continue their professional work in the transition period. In the framework of 2003/2004 Media Programme, EU has further supported independent media to become self-sustainable businesses, especially the Media Centre and TV station B-92. A new Media Fund was established within the Media Centre aiming to stimulate development of quality programmes and investigative reporting of local media.

In the 2007-2010 period, the EC has financed projects in the civil society, media and culture sector worth around €21.4million. The projects supported civil society in establishing partnership and networking with European and regional counterparts, promoted policy dialogue with Serbian authorities, improved CSOs’ capacities to formulate public policy, policy analyses and advocacy, as well as developing, implementing and monitoring policies and actions that harmonise with EU standards at the local level. Under multi-beneficiary IPA, the civil society facility project (€13.8
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million) has provided technical assistance to CSOs and supported ‘People 2 People’ activities and partnership actions. IPA support to the development of freedom of expression, in terms of media and cultural rights, has been directed mostly to the Ministry of Culture, as the major recipient of a €3 million project supporting media capacities in the area of EU integration. Access to culture and protection of cultural heritage has been financed by non IPA EU Funds in line with the Ljubljana Process via the implementation of the €1.5 million Cultural Heritage Facility in Senjski Rudnik. Other donors have also supported provision of community-based social services, public-civil society partnership, gender mainstreaming in sector policies, and promoting civil society advocacy to improve legal and regulatory framework, such as USAID’s $27.5 million programme Civil Society Advocacy Initiative. Support to media development is currently being provided by USAID through the $8 million Serbia Media Assistance Programme.

The Law on Associations was adopted in July 2009, regulating the legal status of CSOs. The process of CSOs re-registering in line with the new Law is currently underway and will provide data for mapping the CSOs in Serbia in the first half of 2011. The EC Progress Report for 2010 notes that the by-laws to implement the law on citizen’s associations, to prevent possible abuses regarding financing from the state budget, have not yet been adopted.

In April 2010, based on the initiative of the Civil Society Focal Points Network (more than 600 NGOs), the Government adopted a Decision to establish the Civil Society Cooperation Office, showing commitment to improve level of involvement of CSOs in policy and decision making processes and to maintain a permanent dialogue with them. The EC Progress Report for 2010 pointed out that, although the Civil Society Cooperation Office was established, it is still not operational and cooperation between state authorities and civil society is still uneven. The developments that Serbia has achieved in the field of media are considered quite positively by the EC Progress Report for 2010, which states that the general constitutional and legal framework for the protection of freedom of expression is in place and generally respected, and that it allows media to operate freely. The EC Progress Report for 2010 remarks on the good progress that Serbia has made in the field of culture. Serbia’s participation in the EU’s Culture Programme has been increasing steadily.
Competitiveness can be defined as the capacity of the economy to make the most of its assets, bringing value added to its own resources, in order to achieve higher levels of productivity, raise living standards and expand employment opportunities. According to the Communication of the Commission some of the factors determining productivity performance of the country and thus providing the framework for defining the scope of the competitiveness “sector” include the regulation of competition and consumer protection, an integrated market for goods and services, stimulation of investment, including investment in research and development (R&D) and the ability to innovate, transforming new technologies into goods and services; and the reorganisation of working practices through the adoption of information and communication technologies (ICT) and institutional set-up and cooperation of the public and private sectors. Also one of the most important segments of the competitiveness of the economy is the start-up and growth of small and medium-sized enterprises (SMEs).

According to the ISDACON database, it is estimated that a total of €900 million was disbursed to the competitiveness sector in the 2001-2010 period. The following diagram provides information on the level of annual foreign assistance to the sector.
The main donors supporting the sector are the EC, United States, Germany, Italy, the Netherlands, etc. This sector has also received substantial amount of support from international financial institutions: the World Bank and the European Investment Bank.

One of the major challenges in the competitiveness sector after year 2000 was to place Serbia on the map of foreign investors and creditors and therefore making it necessary to develop adequate legal infrastructure for the needs of a modern, market oriented and open economy, conforming to the standards of the economic and legal systems of the European Union members.

Responding to challenges in the economy in the beginning of the decade from year 2000, characterised by large informal economy, inadequate financing, policy and legal framework stimulating growth of small and medium sized companies (SMEs), large number of loss making state and socially-owned enterprises (SOE) and state owned banking sector under the process of liquidation, development partners have designed in cooperation with the Government diverse programmes of support tackling these problems.

In the first half of the observed period (2001-2010) the focus was on the establishment of the legal framework, completion of the privatisation process and assistance to restructuring of SMEs (supported by large number of donors: European Union, Germany, UK, USA, etc). Through the jointly run programme, EBRD and EU designed Turn-Around Management Programme, SMEs in Serbia were supported to prepare and implement new business plans, including restructuring and turn-around management programmes aimed at effective commercial operation and privatisation strategy aimed at attracting strategic investors. Development partners also dealt with the challenges to develop an effective national export development infrastructure; improve human capacities of enterprises with export potential, increase enterprise exposure to international markets, improve the quality of Serbian products for international markets by upgrading them to appropriate technical, design, packaging standards, etc. In addition to these problems Government authorities needed to address the lack of credit lines to the businesses for working and investment capital, due to the fact the banking sector itself was still weak and in the recovering phase. European Union, jointly with other IFIs (EBRD, EIB and KfW) established the Revolving Credit Fund and channelled it to financially and technically viable investment projects presented by SMEs. In the area of establishment of e-government services, particularly G2B establishment of the Agency for Business Registers supported by the World Bank, the Swedish International Development Agency and the United States Agency for International Development contributed to creation of business enabling environment and efficiency of private sector development in Serbia. It ensured the quicker and less costly opening of businesses and registration of companies.

Other bilateral donors, particularly the Netherlands and USA were also active in this sector. Through its Competitiveness Project USAID identified sectors with the greatest potential to compete in international markets and supported policy reforms, workforce development, and communications efforts related to these sec-
tors. The Netherlands implemented the PSOM Programme which stimulated pilot investments in the private sector and promoted long term trade relations between Serbian and Dutch SMEs.

In the recent years of support EU supported implementation of the European Charter for Small Enterprises and development of local/regional business support structures, competitiveness of Serbian enterprises through cluster development, improvement of the quality, range and availability of business support services in Serbia. In order to support Serbian capacities to harmonise with the requirement of the EU Internal market, EU supported conformity assessment structures in Serbia through further development of the relevant legislative and institutions, harmonisation of legislation and strengthening consumer protection in Serbia and adopting and enforcing EU legislations in the area of market surveillance. Focus of the EU assistance in IPA framework (after 2007) was to provide assistance to the priorities defined in the European partnership and accelerate the reforms directly linked with the preparation of Serbia to fulfil the obligations derived from the Stabilisation and Association Agreement.

The EC Progress Report for 2010 recognises the need to further build capacities in the area of consumer protection; continue transposition and implementation of legislation related to the safety of products, work on the implementation and enforcement of the regulation in the area of e-government. The Progress Report for 2010 also notes that excessive red tape and complex legislation remain in place and continue to hamper the business environment.
The sector of Human Resources Development (HRD) encompasses policies which are related to the development of human potential through education and training, better working and living conditions of the citizens and a fairer access to quality services. These policies are directed to the perspective of achieving a more equitable, cohesive and healthy society by at the same time providing an adequate answer to the challenges of a globalised and knowledge-based economy. The HRD sector comprises employment, labour, education, social inclusion, health and youth policies.

According to the ISDACON database, it is estimated that a total of €926.42 million was disbursed to the HRD sector in the 2001-2010. The following diagram provides information on the level of annual foreign assistance to the sector.

The main donors supporting the sector are the EC, EIB, World Bank, ECHO, the United States, the Netherlands, Switzerland, Germany etc.

The health system in the beginning of 2001 found itself in a serious crisis. The share of resources earmarked for health care in GDP fell to 7%, while in real terms, be-
cause of the low level of GDP, actual annual health expenditure per capita was at the low end of international comparisons, estimated between $67 and $107. Medical equipment and building facilities were in a very bad condition. Education also suffered a great damage which needed to be carefully eliminated through a comprehensive reform. In the period 2001-2002, the Government of Serbia managed to settle the outstanding debts arising from various social transfers, whose payments were delayed between 26 and 32 months; the condition and quality of working conditions in the majority of social security institutions were improved; the Government also initiated a better labour market policy, including training, re-training, etc. Despite the progress made, ten years of lagging could not have been made up for within such a short period.

In the health sector, emergency assistance was provided through EU funding in 2000 and 2001 in the form of essential medicines and some medical equipment. This assistance was complemented in 2002 with the support to the reorganisation of blood transfusion services and later with the technical support to the Ministry of Health and Institutes of Public Health in defining the public health strategy. The European Investment Bank also provided emergency assistance loans for refurbishing and modernising 21 health institutions in both infrastructure and technology. The World Bank was the other key donor supporting health reform, supporting the refurbishment and restructuring of four regional hospitals, to complement the first EIB investment.

Vocational education and training (VET) were also identified as one of the priority areas for EU intervention. Reform of VET system in Serbia was consistent with and complementary to other related EC funded support, including pilot (re-)training programme for unemployed and redundant workers in the Sumadija district in central Serbia, non-financial support to SMEs including provision of advice, information and training for would-be entrepreneurs and existing business through regional enterprise support centres, support to employment through development of national employment action plans, active labour market measures, and restructuring of the national employment service, regional socio-economic development initiatives in pilot areas in north-eastern, central and south Serbia, and municipal support programmes implemented in eastern and southern Serbia. Other donor activities included the World Bank grant on education decentralisation (decentralisation, education management information system, assessment and evaluation, and school development projects), a GTZ funded VET project (curriculum modernisation in commercial VET school programmes and support to the VET Centre), a British Council quality project, a Canadian Government funded educator development programme, and UNDP assistance for financial planning and control, a School Facilities and Infrastructure unit and a Media unit within the Ministry in charge of Education.

Some of the projects in the 2004-2006 period were the Rehabilitation of the Emergency Health Service worth €1.12 million, Support to the Social Innovation Fund of €1.69 million, School Reconstruction and Equipment Provision in Zajecar county worth €1.34 million, all funded by Norway; Support to return and reintegration of
refugees and internally displaced persons funded by the EC worth €3.37 million, Poverty Reduction through Support to start-up Businesses and socio-economic integration of Refugees and IDPs worth €0.05 million funded by the Netherlands. In the same period, European investment Bank provided soft loans worth €49.50 million in total for financing urgent projects in health, while soft loans provided by the World Bank for the entire HRD sector in the same period reached €41.82 million.

According to the Needs Assessment Document 2011-2013, it is estimated that a total amount of €148.45 million was actually disbursed in assistance from the international donor community to the HRD sector in Serbia in the 2007-2009 period. Out of the total disbursement of international assistance within the HRD sector, the highest level was recorded in health (35.7%), followed by education (27.4%), social welfare (25.2%), labour and employment (9.2%), and recreation and sport (2.5%).

During this period, the EC has financed projects in the HRD sector worth over €125 million (including national co-financing). In the area of education, the assistance has been focused on VET reforms and development of the National Qualifications Framework, design and implementation of quality assurance systems in primary and secondary education, support to early inclusion of vulnerable children in the education system, establishment of a system of ‘second chance’, and improvement of the quality of higher education teaching and infrastructure. In the area of social inclusion, assistance has been directed to support the integration of refugees, internally displaced persons and returnees through housing and income generation support and legal aid. The assistance has been also targeted on the social inclusion of vulnerable groups by strengthening national and local institutions that oversee and provide community-based social services for different target groups. The EC has provided support to health care reforms in Serbia through support to the development of quality standards for health care, improvement of Emergency Medical Service, support to the implementation of the hospital information system, design of the treatment of infectious waste in the primary health care, implementation of organised screening programmes for breast, cervical and colorectal cancer, development of palliative care and improvement of the system for prevention of drug abuse in line with EU standards. For employment and labour market policy, the EC assistance has supported the National Employment Service (NES) to upgrade analysis and forecasting of labour market trends and monitoring and evaluation of active labour market programmes. VET reform is complemented by bilateral support from the German government and Austrian government, while the establishment of the teacher training system is supported by the Swiss government. IPA assistance will include preparation of tender and contract documentation and monitoring of an EIB loan worth €100 million for the modernisation of Serbian schools and professional development of teachers. Next to the EC support, Norway supports the improvement of regulatory mechanisms in social welfare. Several projects supported by ILO, UNDP and the support of the Spanish and Italian governments, which will build the capacity of labour market institutions in designing, monitoring, implementing and evaluating active policies on youth employment and to establish a Youth Employment Fund. The World Bank’s Delivery of Improved Local Services programme,
worth $46.4 million, will increase the capacity of institutional actors to improve access to health, education and social protection services in a decentralising environment.

According to the EC Progress Report 2010, some progress has been made on employment policy. The general budget cuts in response to the economic crisis did not affect the budget allocated to active labour market policies. The Government also continued with start-up loans aimed at generating new jobs. However, Serbia has to face considerable labour market challenges and the policy response is insufficient to deal with the scale of the problem. Concerning discrimination, a comprehensive approach in the field of the anti-discrimination policies remains to be ensured. Some progress has also been made in the field of education, as Serbia has started reforms in primary and secondary levels of education and is continuing Bologna reforms in higher education. However, an overall strategy covering all levels of education, including lifelong learning, needs to be developed. A national qualification framework remains to be adopted.
The agricultural and rural development sector encompasses agricultural production, forestry, fisheries, food safety, animal welfare, and sustainable rural development.

According to the ISDACON database, it is estimated that a total of €192.75 million was disbursed to the Agriculture and Rural Development sector in the 2001-2010 period. The following diagram provides information on the level of annual foreign assistance to the sector.

By far the largest donor in this sector is the European Union followed by the United States and almost equal support from Japan, Denmark, the World Bank and Norway.

In the commencement of support to the Serbian agriculture development partners faced a situation in which agriculture was experiencing a decline in output (still smaller than in other sectors), due to lack of incentives, problems with drought and
flooding, out-dated machinery, shortages of artificial fertilisers and agrochemicals, diesel and other inputs, which all resulted in limited intensification and improvement of yields of agricultural products. This has led the Government of Serbia and donors to create large scale support programmes in agricultural inputs, primarily fertilisers, fuel and renewal of farm machinery. This process was led by the European Union and the Government of Japan. These inputs were offered to farmers with subsidised prices and funds were gathered in the form of the so-called “Counterpart fund” which allowed for the reuse of these funds for the same purposes in the following years.

After responding to the emergency needs, donors shifted to support the creation of the sector policy and legislation. Support was provided in the preparation of a strategic plan for the rationalisation and upgrading of the network of food laboratories, drafting legislation (the Veterinary Law, the Plant Health Law and the law to establish the Food-Chain laboratories Agency), as well as the preparation of veterinary contingency plans (e.g. for Foot and Mouth Disease). Donors which were active in this field were the European Union and the USA. The EU supported the implementation of an animal identification and registration system which is fully compatible with the relevant acquis communautaire, as well as assisting with the reform of the veterinary, phytosanitary and sanitary inspectorates including upgrading veterinary and phytosanitary border inspection points.

The World Bank had two large scale projects supporting Serbian Agriculture and Rural Development Sector. Irrigation and Drainage Rehabilitation project addressed problems and financed infrastructure related to flood control, irrigation, and drainage, and also provided support for raising the technical capacity of the weather-forecasting institutions and financing the activities related to the provision of better conditions for flood forecasting. It also supported preparation of water-related legislation. The second project, Transitional Agriculture Reform, was aimed at improving Government’s system for delivering rural development investment grants and evaluating their impact and the capacity of agricultural producers and processors to make use of these funds, as well as the management of the Stara Planina Nature Park in partnership with local communities.

In the period of support 2007-2010 the focus was on the harmonisation with EU legislation, implementation of new legal provisions and controls on plant protection products and support for marketing; support for the control and eradication of classical swine fever in Serbia; capacity building and technical support for the renewal of viticulture zoning and control of the production of wine with designation of origin; establishment of the Serbian Farm Accountancy Data Network; and the supply of equipment and a courier service and capacity building for the Serbian National Reference Laboratories Directorate. Technical assistance has also been provided for institutional capacity building and support to agriculture and rural development in Serbia, in anticipation of IPA Component V.

Nowadays bilateral donors are still active in contributing to the adoption of agri-environment and agri-business schemes, and in the area of rural development, with
support from Japan, the Netherlands, Norway, Romania, Spain, Sweden, the United Nations and the United States.

According to the EC progress Report 2010 progress is recorded in this sector. However, implementation of the Law on agriculture and rural development remains to be completed, as well as the adoption of the National strategy for agriculture and rural development, the National programme for agriculture, the National programme for rural development and creation of the inter-ministerial mechanism for coordinating rural development. Area with little progress is food safety and according to the EC observations implementation of the Law on food safety needs to improve and substantial implementing legislation needs to be enacted and enforced. In the veterinary area it is necessary to further align the legislation with the EU acquis on border issues and simplify the current system of import licences. Phytosanitary area requires further implementing legislation for the Law on Plant Protection Products.
Transport should establish conditions for the free movement of people and goods within Serbia, as well as internationally. Transport performance and effectiveness depends strictly on the capacity and quality of infrastructure, and the quality of transport services, including the interoperability of different modes, networks and systems. The transport sector in Serbia includes road, rail, inland waterways and air modes, and intermodal transportation.

According to the ISDACON database, in the period 2001-2010, it is estimated that a total amount of €1.362 billion was actually disbursed in assistance from the international donor community to the transport sector in Serbia (see following diagram).

In the past 10 years the main donors supporting transport sector are the EIB, EBRD, EU, World Bank, Spain, Japan, etc.

The lack of clear property titles, weak legal systems, a shortage of domestic finance, underdeveloped transport and telecommunications and a lack of effective planning capacity all add to the characteristics of transport sector in 2001. Even in 2001 Serbia had an extensive transport infrastructure, but the network has suffered from the lack of funds over the nineties and has been severely affected by war damage,
which destroyed or rendered unusable important components of the infrastructure in the country, including roads, railway network and inland waterways. Only 30% of roads were in satisfactory conditions\textsuperscript{3}.

In 2001 and 2002 there was some progress: several contracts on reconstruction of transport infrastructure were concluded, several arrangements with EIB and EBRD were concluded for financing the reconstruction of the railway and road networks, laying special emphasis on Corridor X and the Law Amending the Law on Transport was adopted\textsuperscript{4}. The EIB had greatly contributed to the financing of roads rehabilitation under Quick-Start Package loans of € 37 million, € 95 million loan for the 2\textsuperscript{nd} phase of roads rehabilitation programme and € 70 million for upgrading of railway track. The EBRD provided € 76 million loan for roads rehabilitation and € 57 million to the railway sector for supply of track maintenance machines and refurbishment of electric locomotives. The World Bank provided € 15 million loan for roads maintenance. Some of the projects financed by the EU were reconstruction of Sloboda Bridge in Novi Sad with € 41 million and construction of border crossings Horgos and Batrovci.

Whilst the recovery was in progress through development of the highway infrastructure and, thereby, improvement of the country’s potential for attracting investment and international trading capacity, in July 2003 the Serbian Government adopted an Action Plan for the harmonisation of Serbia’s legislation with EU regulations. This committed Serbia to introduce the guiding principles of the EC’s Directive on Transport and aligning its domestic legislation accordingly. This step ensured support to reform activities in transport sector as well.

Based on the 2003 Regional Balkans Infrastructure Study (REBIS), on June 11, 2004 the western Balkan countries signed in Luxembourg a Memorandum of Understanding on the Development of the South-East Europe Core Regional Transport Network, whose aim is developing infrastructure and improving policies in the area of transport and which anticipates close co-operation between participants in the process of harmonising procedures and technical standards, regulatory and administrative provisions concerning transport, in accordance with EU standards and directives. For the purpose of implementing the Memorandum of Understanding, the South-East Europe Transport Observatory (SEETO) was formed with permanent Secretariat located in Belgrade.

In the recent period the EU has increased support for capacity-building activities including the harmonisation process through projects, such as the implementation of the European Common Aviation Area Agreement in air transport and twinning with regard to the \textit{acquis communautaire}. Substantial funds were allocated to improvement of the navigation conditions on the Danube, to the railway track condition analysis, the development of technical documentation for intermodal terminal establishment, the railway line modernisation, as well as support to project management and supervision of construction works on the road corridors, including the construction of Žeželj bridge on the Danube River in Novi Sad, co-financed by IFIs.

\textsuperscript{3} Reform Agenda of the Republic of Serbia, 2003, Ministry of International Economic Relations
\textsuperscript{4} Reform Agenda of the Republic of Serbia, 2003, Ministry of International Economic Relations
Significant investment and construction works are currently going to completion of roads within Corridor X, the road sections Belgrade - Novi Sad - Horgos - Hungarian border and Niš - Dimitrovgrad, the bypass in Belgrade and the Žeželj bridge in Novi Sad, as well as the railway line reconstruction and modernisation works for completion of the Corridor X, specifically in the sections between (Belgrade) – Batajnica - Golubinci, and Niš - Dimitrovgrad - Bulgarian border. Substantial support has been ensured for rehabilitation of railway lines (€60 million loan from EBRD, a World Bank loan worth €80 million and ‘Loan for the Railway Reconstruction’ of €80 million from EIB).

Today, according to the EU Progress Report for 2010, Serbia is relatively advanced in the area of transport and has progressed well in the implementation of the requirements of the SAA and the interim agreement. However in the area of air transport problems with the implementation of the ECAA Agreement have arisen and must be resolved to allow for market access. Further alignment with the acquis is still necessary. The administrative and structural reform of the relevant departments is still pending. In addition, Transport sector is faced with a lack of continuous financing and insufficient capacity for infrastructure project documentation development.
The environment and energy (including waste, waste water, water supplies, mining etc.) sector covers growing energy and mineral resources demand and contribution to Serbia’s development through the creation of employment and introduction of new technologies. This sector has a direct impact on the quality of life of citizens, through the essential provision of power and heating, through the benefits of protecting the natural habitat and resources, land, forests, rivers and Serbia’s biodiversity, and by minimising the damaging effects on natural and human resources from economic development and everyday life. The careful management of scarce environmental and energy resources is vital for the economy’s future growth and competitiveness.

According to the ISDACON database, it is estimated that a total of €1.2482 billion was disbursed to the environment and energy sector in the 2001-2010 period. The following diagram provides information on the level of annual foreign assistance to the sector. The main donors supporting the sector are the EC, EBRD, Germany, EIB, the World Bank, etc.
Political changes at the end of 2000 found the energy supply sector on the brink of collapse, totally unregulated oil sector from a fiscal and market viewpoint and almost exhausted mining industry. After two years of intensive work on the rehabilitation of the system and radical and socially burdensome rise in the process of energy products, especially electric power, the supply of energy products was stabilised. During the winter season 2000/2001, the international community provided about USD 100 million for imports of electric power, energy products for municipal heating stations, as well as for the acquisition of spare parts for coal mines, thus easing pressure on the energy supply system.

By 2003, power supply has been normalised to a significant extent, the level of consumption has been stabilised, imports have been reduced by almost half a billion KWh, while the pattern of consumption has been returning to a more normal level.

As for the environmental protection, the indicators of environmental pollution and degradation in the beginning of 2001 were evident, especially so after the bombing in 1999. As part of its ecological reform strategy, in 2002 the Government formed the new Ministry to deal with these issues and an active environmental protection policy became an integral part of the country’s reforms and support to its economic development. By 2003, Serbia (Yugoslavia) had ratified more than 50 international agreements on environmental protection, and started implementing the programme of solving the inherited cases of pollution, the programme of ecological support to poverty control measures through the programmes of sustainable consumption, as well as provision of ecological conditions for specific infrastructural projects.

Serbia signed the “Memorandum of Understanding on the Regional Electricity Market in South East Europe and its Integration into the European Union Internal Electricity Market” in November 2002, thereby accepting the policy of regional energy market integration, harmonisation with the relevant electricity/gas single market Directives while respecting relevant EU directives concerning environmental protection. The Energy Law, enacted in August 2004, enabled restructuring of Serbia's electricity sector, such as the establishment of the Energy Regulatory Agency and preparations for establishing Independent Transmission, System and Market Operator. Some of the projects financed by the EU were Reducing pollution of coal fired power plants worth approximately €29 million, Major Rehabilitation and Overhaul of Thermal Power Plants with approximately €63 million, while the project Support to the Energy Sector Reform worth approximately €25.5 million was implemented in parallel with KfW providing approximately €20.0 million for investment in the district heating sector as well as approximately €2.0 million for management assistance of the District Heating companies.

Under the CARDS 2003 programme the EU also supported capacity building of the Directorate for Environmental Protection of the Ministry in charge of Environmental Protection and the Environmental Protection Agency. This programme included support to prepare a national environmental strategy and a National Environmental Action Plan (NEAP) in line with the acquis. A number of bilateral donors provided specific assistance to the upgrading of the water sector in Serbia: Greece supported
the strengthening of a dam; Germany supported the rehabilitation of water supplies and wastewater treatment; the Czech Republic supported technical assistance for the improvement of water resources in Valjevo and a risk assessment of the danger of oil intrusion to the River Ibar; Norway supported the protection of water quality in the Grand Canal at Vrbas. The Government of the Republic of Serbia together with the World Bank also prepared three initiatives within the water sector of Serbia: the Serbia Danube River Enterprise Pollution Reduction Project, the Water Resource Management Project, and the Municipal Water and Sanitation Project.

In the 2007-2010 period, the EC has been financing projects in the environment and energy sector worth around €100 million, mainly focused on energy and air quality, and preparations for hazardous waste management, which together account for almost 80% of funding. EBRD (€24.3 million loan) and the World Bank ($6.6 million loan) have supported regional development in Bor district, including environmental clean-up. The German Government has been most active in the water sector, with €92 million of subsidised loan and grant finance (actual and committed) for water supply projects in 17 municipalities to date. According to the EC Progress Report for 2010, progress can be reported in the area of air quality, where IPA supported projects aimed at reducing emissions from thermal power plants in Serbia in line with EU directives, by decontaminating facilities and replacing equipment.

The EC Progress Report for 2010 concludes that Serbia is moderately advanced in the area of environmental protection towards fulfilling European standards and the implementation of the SAA and European standards in energy. However, the capacity to implement and enforce environmental legislation remains to be strengthened, while in energy, further efforts are needed to achieve unbundling and real market opening, together with a pricing policy offering a sustainable tariff which reflect costs. The Energy Law needs to be amended and the role and independence of the Energy Agency strengthened.
ISDACON Database, www.evropa.gov.rs

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