BUILDING BLOCKS
FOR REFORM AND RECOVERY

Mid - Term Report
2002-2003
Serbia and Montenegro

Belgrade, September 2003
Building Blocks:

“Building” – used as an adjective, describes what the blocks are for, namely for use in constructing a building. “Building” – used as a verb, describes the process of making blocks, involving design, technology, labour and cost, to make a product which will serve the builder’s purpose. “Building blocks” as used in this report can be policies, programmes, communities, people, institutions, changed attitudes, laws, activities, and overall capacity, which can help an institution, a sector, an area, or a region achieve longer-term political, social and economic objectives.

Building blocks are not static items, but instruments to be used. UNDP’s role is to work with all stakeholders, (government, civil society, the private sector, and donors) to use and refine the building blocks for the longer-term building of sustainable development in Serbia and Montenegro.

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The year 2002 was a landmark year for the UN system throughout the world, as well as in Serbia and Montenegro. Following the award to the United Nations Secretary-General, Kofi Annan, of the Nobel Peace Prize for 2001, he continued the process of fundamental change that had been embarked upon as part of the programme of reform for the organisation. Of particular significance was his visit to Serbia and Montenegro on 19 – 20 November 2002, an important event in the UN system’s continuing support to the peace-building and development efforts of the new governments of the Federal Republic, Serbia and Montenegro.

Within the overall framework of the UN system reforms, and under the leadership of the Administrator Mark Malloch Brown, UNDP set out in 1999 to build a global development network for a new millennium, and to reform itself in the process. During 2001, UNDP overhauled 116 of its country offices to make sure its staff and services were in line with country needs. The rest of the network was due to follow by mid 2002. The unprecedented reform process has served to better align human and financial resources with developing countries’ needs. In Serbia and Montenegro, the challenge was to build almost from scratch, an entirely new country office, with two satellite offices, and a vibrant programme across the country. Staffing reforms and re-directed resources throughout the world enabled UNDP to unify its policy, advocacy and resource work around six thematic “practice areas”, all of relevance to Serbia and Montenegro:

Democratic Governance
Poverty Reduction
Crisis Prevention and Recovery
Energy and Environment
Information and Communications Technology
HIV/AIDS

For UNDP one of the manifestations of these changes was the adoption of a new UNDP logo. The new UNDP logo connects UNDP with the United Nations more closely than the previous one, while giving UNDP a strong identity of its own. The “Building Blocks” of UNDP’s initials, together with the well-known UN emblem, and new blue - as opposed to green – suggest how the different parts of UNDP form one worldwide organisation supporting the values and goals of the United Nations. As part of its restructuring efforts, UNDP established nine sub-regional resource facilities (SURFs) as hubs for its new knowledge networks – bringing in new partners, promoting regional and global best practices and expanding expertise on a broad spectrum of subjects. Supported by major investments in global Internet and e-mail connectivity, UNDP country offices are seeking out and sharing knowledge and experience about what works and what does not work as never before. The Bratislava SURF which serves Europe and the CIS region has deployed several regional policy advisors on short missions to Serbia and Montenegro during 2002.
Years of conflict, political turmoil and international isolation have devastated the economic and social fabric of Serbia and Montenegro, and especially Serbia, and adversely affected the operations of key institutions of government.

The events of October 2000 which gained the Federal Republic its transition from authoritarian to democratic rule did not lead to a total consolidation of stability: Peace remains fragile in some parts of the country, especially in southern Serbia and political convergence remains elusive even amongst the increasingly fragmented reformist coalitions. As a result the country is facing major challenges of peace-building, consensus-building, social cohesion, inter-communal harmony, economic recovery and institutional reform. Recovery and human development will depend primarily on the country’s ability to restore the rule of law, to embrace and cultivate the principles of democratic governance and to deliver sound and equitable economic and social policies. During 2002 the country continued to make gradual but significant changes to restore confidence and to bring peace and recovery, and to lay the foundations for sustainable development along democratic lines, consistent with international and particularly European norms.

In Montenegro, further consolidation was achieved of the political situation, and in establishing the necessary foundations for the greater autonomy that will be obtained under its new status as part of the State Union of Serbia and Montenegro.

UNDP is in the human development business – building capacity to promote self-sufficiency of individuals and institutions to contribute to the reform and recovery process in Serbia and Montenegro. The building blocks are locally made, but can be strengthened through the use of improved technology and global best practice. These elements need to be used to make a solid and durable structure that will serve the purposes for which it is built. UNDP’s role is to facilitate the capacity-building process, through:

- technical advice and dialogue with stakeholders;
- promoting an enabling environment;
- strategic planning and management;
- the promotion of participatory processes;
- serving as a catalyst in the political and decision-making process;
- establishing institutions which can implement change;
- showing what is possible by widening the range of options.

This first UNDP Mid-Term Report for Serbia and Montenegro attempts to document some of the building blocks being established and used with UNDP support, in collaboration with its international and national partners, and their role in promoting a democratic and sustainable future for the “State Union of Serbia and Montenegro” founded in February 2003.

Francis M. O’Donnell,
UN Resident Coordinator and
UNDP Resident Representative
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UNDP activities depend on partnership, dialogue and the development of good working and personal relationships. UNDP would like to thank the following for their support and assistance during the year, without which the results highlighted in this report would not have been possible:

The Federal Government 2002

The President of the Federal Republic of Yugoslavia
The Federal Prime Minister
The Federal Deputy Prime Minister
Federal Ministry of Foreign Affairs
Federal Ministry of International Economic Relations
Federal Ministry of National and Ethnic Communities
Federal Ministry of Defence
Federal Secretariat for Science and Development
National Bank of Yugoslavia

The Council of Ministers of Serbia and Montenegro 2003

The President of the Union of Serbia and Montenegro
Ministry of Defense
Ministry of Human and Minorities Rights
Ministry of International Economic Relations
Ministry of Internal Economic Relations
Ministry of Foreign Affairs

The Government of Serbia

The Prime Minister’s Office
Ministry of International Economic Relations
Ministry of Finance and Economy
Ministry of Social Affairs
Ministry of Mining and Energy
Ministry of Health
Ministry of Education and Sports
Ministry of Social Affairs
Ministry of Labour and Employment
Ministry of the Interior
Ministry for Public Administration and Local Self-Government
Institute of Public Administration
Agency for Public Administration Development

Civil Service Council
Ministry of Economy and Privatisation & Privatisation Agency
Ministry of Justice
The Supreme Court of Serbia
National Assembly of Serbia
City Assembly of Belgrade
Serbian Association of Judges
Mayors and Municipalities in south and west Serbia
The Joint Coordination Body for Southern Serbia
Serbian Republic Committee for HIV/AIDS
Serbian IT and Internet Agency
University of Belgrade, Faculty of Organisational Sciences

The Government of Montenegro

The President
Prime Minister
Ministry of Foreign Affairs
Ministry of Economy and Energy
Ministry of Labour
Ministry of Environment and Urban Planning
Ministry of Tourism
Ministry of Interior
Ministry of Education
Ministry of Health
Ministry of Agriculture
Secretary for Information of the Government
Municipalities of Montenegro

NGO Partners

Association of Cities and Municipalities
Association of Distribution and Haulage companies
Association of Natural Gas Distributors
Catholic Relief Services (CRS)
Centres for the Development of the Non-Profit Sector, Serbia and Montenegro
Charles Mott Foundation
Civic Initiatives (Serbia)
Community Habitat Finance (CHF)
CRNVO, Montenegro
Economics Institute
Fund for an Open Society
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G17+ Institute
International Management Group (IMG)
MANS, Montenegro
NGO Centre for Policy Studies (CePS)
Norwegian People’s Aid (NPA)
Rockefeller Brothers Fund
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School of Policy, Planning and Development
Zeleni, Montenegro
The Economic Institute, Belgrade
The Center for Policy Studies

International partners

Austria
Belgium
Canada
Denmark
Finland
France
Germany
Greece
Ireland
Israel
Italy
Luxembourg
Netherlands
Norway
Sweden
Switzerland
United Kingdom
USAID Office of Transition Initiatives
European Agency for Reconstruction
European Commission
International Energy Agency
Organisation for Security and Co-operation in Europe
Stability Pact

UN Agencies

Food and Agriculture Organisation
International Criminal Tribunal for the former Yugoslavia
International Finance Corporation
International Labour Office
International Monetary Fund
International Organisation of Migration
Office of the Coordinator of Humanitarian Affairs
Office of UN High Commissioner of Human Rights
UN High Commissioner for Refugees
UNAIDS and UNAIDS Theme Group

United Nations Children’s Fund
United Nations Economic Commission for Europe
United Nations Environment Programme
UN Centre for Human Settlement
United Nations Industrial Development Organisation
UN Liaison Office
United Nations Office on Drugs and Crime
UN Office for Project Services
Universal Postal Union
World Bank
World Food Programme
World Health Organisation
World Tourism Organisation
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EXECUTIVE SUMMARY

After over two years of democratic reforms in Serbia and Montenegro, progress has been made in establishing the necessary foundations for longer-term peace, stability and economic growth.

The “Year of Preparation” of 2001 enabled UNDP to lay the basis of the future country cooperation framework, approved in January 2002, and to establish the necessary dialogue and relationships with partners – government, civil society and donors. It also enabled the newly reopened country office to start recruiting the necessary staff and to develop operational capacity.

The year 2002 has been an impressive “Year of Delivery”, that enabled UNDP to build on these foundations in a way which exceeded all expectations in terms of resource mobilisation, project approval and implementation, as well as involvement in high level policy dialogue. The purpose of this first mid-term report is to articulate the preliminary results obtained so far.

UN system coordination

During 2002, an important milestone for the UN system was the appointment of Mr Francis O’Donnell as the first UNDP Resident Representative and UN Resident Coordinator for Serbia and Montenegro after the fall of Milošević’s Regime. Mr O’Donnell had already been in the country since October 2000 and had led the development of UNDP’s programme since that time. As the designated representative of the UN Secretary-General, and team leader of the United Nations system organisations in Serbia and Montenegro, the Resident Coordinator assumes overall responsibility for, and coordination of, the operational activities for development carried out at the country level, in conformity with the objectives and priorities of the Government and mandates and objectives of the UN system organisation.

One of the fruits of increasing UN inter-agency collaboration during the year was the preparation of a “United Nations Compendium: Activities undertaken by the UN in the Federal Republic of Yugoslavia, (currently Serbia and Montenegro) for the visit of the UN Secretary General, Mr Kofi Annan, on 19 – 20 November 2002.

The Foreword situates this Report in the context of the Secretary General’s visit to Serbia and Montenegro in November 2002, as well as the changes in UNDP orientations, its “rebranding”, and the evolution of its global development knowledge networks.


Part II introduces UNDP as a “Global Network for Development”, for which a new support structure has recently been put in place in Belgrade, Vranje and Podgorica. Also described is the policy framework taken into consideration in the programming of UNDP assistance, namely:

• The two Poverty Reduction Strategy Papers (PRSP), currently under preparation respectively for Serbia and for Montenegro, are essentially the governments’ strategies to address key poverty and sustainable development issues

• The UN Millennium Development Goals (MDGs), comprising eight main targets, and corresponding sub-targets

• The five global concerns of the UNDP Administrator’s Business Plans for 2000 – 2003

Part III summarizes the results achieved in 2002 and 2003 in relation to the three areas of priority of the Country Cooperation Framework and to the Strategic Results Framework.

The Country Cooperation Framework: Reflecting the priorities of the Government for UNDP assistance, the CCF for Yugoslavia was
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approved in New York in January 2002. During 2002, “programme frameworks” have been prepared to provide a conceptual and operational tool to facilitate linkages and coordination among all projects under a given CCF priority or cluster areas. With regard to UNDP’s activities under the CCF, Part III highlights some key events of the year, for instance:

In the areas of **Democratic Governance**: UNDP facilitated some major “policy dialogue” events, with important implications for the transformation of Serbia and Montenegro, particularly through the organisation in July 2002 of the Strategic Roundtable on Governance Transition in the former Federal Republic of Yugoslavia (Serbia and Montenegro);

UNDP consolidated the work started in 2001 on supporting government institutions under the Capacity Building Fund (CBF), which by mid 2003 involved 16 sub-projects in nine ministries (1 one Union Ministry, 8 Serbian), and 4 agencies, with support to date of $5 million from eight donors, including UNDP. Proposals for a further twelve pipeline sub-projects have been prepared, for submission to donors. In the CBF Donors Meeting on 28 November, Serbian Minister of Finance, Mr Božidar Djelić, told donors that their “support to the Capacity Building Fund would probably be the best investment they can make in Serbia today”.

In the area of **judicial reform**, UNDP supported a major programme of training of judges, prosecutors, and other legal professionals.

As UNDP’s main contribution to the preparation of the Poverty Reduction Strategy Papers (PRSP), UNDP focused on the strengthening of **NGOs and civil society** role in the formulation of the PRSP. UNDP is also co-chairing the Advisory Committee of International Development Partners which is providing Policy Advice to the PRSP process.

In the area of local governance, initial activities have been started during 2002 and 2003 in developing partnerships between six cities in Serbia, and cities and municipalities in Italy, under the **City-to-City partnerships** project financed by the Italian Government, through UNOPS.

In the area of **Crisis Prevention and Recovery**, UNDP strengthened its role in southern Serbia through the establishment, with other UN agencies (UNICEF, UNHCR, UNOCHA, UNHCHR, IOM and FAO) of an Inter-Agency Support Office, and the promotion of a number of important projects aimed at strengthening municipal government, employment promotion, capacity building for crisis prevention and recovery, and economic recovery. A second area where local economic development activities are being carried out is in the region of south-western Serbia and northern Montenegro.

In order to accelerate the transformation of military capacity and facilities for peaceful use, UNDP organised a Fact-Finding Mission at the request of the Federal Government in June 2002 on “Military Conversion as an Element of Security Sector Reform”. The former Federal Government has adopted several of the mission’s recommendations and discussions continue on further assistance in the area of demobilisation and conversion for 2003. In partnership with the **Stability Pact for South-Eastern Europe**, UNDP launched the regional South Eastern Europe Clearinghouse on Small Arms and Light Weapons, (SEESAC), based in Belgrade, and covering the nine countries of the Pact. A Small Arms and Light Weapons (SALW) project has been developed for south Serbia, and advocacy activities will also begin in Montenegro in 2003.

In the area of **Energy and the Environment**, UNDP has carried out initial work to mobilise resources and to coordinate donor efforts to rehabilitate the country’s energy infrastructure, particularly through the sponsoring of an Energy Sector Rehabilitation – Technical Coordination Conference in March 2002. Efforts to reduce the impact on the environment of
inefficient energy technology and plant, including through funding from the Global Environment Facility (GEF) have also been initiated. GEF support for biodiversity is also being sought.

In a number of cross-cutting areas, UNDP is in the early stages of developing activities relating to:

**Gender**: UNDP supported the former Federal Commission on Gender Mainstreaming to formulate a gender mainstreaming strategy, so as to raise awareness of the need to promote increased involvement of women in all areas of economic and social development, civil service, Parliament, national and local government. In 2003 UNDP has engaged in a thorough analysis of the Gender situation and is expected to publish a report on this issue.

**Information and Communications Technology (ICT)**. UNDP has been active in Serbia in strengthening ICT activities in individual institutions through the Capacity Building Fund (CBF), while in Montenegro the UNDP global Thematic Trust Fund for ICT has approved funds to help develop an ICT for Development (ICT for D) strategy.

**HIV/AIDS**: UNDP has played an active role in the UNAIDS-assisted process of developing a comprehensive national strategy for HIV/AIDS prevention and control, and in mobilising $3.5 million from the Global Fund against HIV/AIDS, Malaria and Tuberculosis;

**National Human Development Reports (NHDR)**. UNDP has made substantial progress in the preparation of the NHDRs for Serbia and for Montenegro which are due to be published in 2003. An important process of policy dialogue also took place with the stakeholders involved, and more is scheduled in connection with the launching of the two reports.

In Montenegro, some valuable work has taken place to strengthen capacity in the area of socio-economic analysis and poverty reduction, through the preparation of a National Human Development Report (NHDR) for Montenegro; surveys under the Early Warning System project for the drafting of a report on “Employment, labour market and standard of living in Montenegro”; and a poverty reduction strategy.

In the area of environment and energy, UNDP has been active in launching of activities for the Global Environment Facility (GEF), and providing advice and policy inputs to mainstream the concepts of sustainable development, including, for Montenegro, in the context of establishing an “ecological state”. Furthermore, it has supported efforts to improve policies and practices linked to physical planning and development, and for the promotion of eco-tourism and to develop a renewable energy strategy for Montenegro.

In the area of Governance, UNDP has been supporting the strengthening of the capacity of NGOs for developing a strategy for information and communications technology for development (ICT for D). With regards to efforts to promote coordination of the UN system in Montenegro, UNDP has led inter-agency efforts in preparatory work for the establishment of UN shared services and premises in Podgorica. UNDP also co-chairs the Montenegro inter-agency initiative on HIV/AIDS, and has laid the foundations for future work there of the SEESAC project for the reduction and elimination of small arms and light weapons.

Starting with UNDP core resources of $3.3 million for the period 2001 – 2004, this “seed money” enabled additional funds to be mobilised so that total approved budgets rose from $2.18 million in 2001, to $10.65 million in 2002 (an increase of nearly five times), with total budgets for the period 2001 – 2004 reaching $35.5 million.

Twenty donors, of which five from the UN system (UNHCR, UNICEF, UNOCHA, World Bank and WHO), twelve bilateral donors (Austria, Canada, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Sweden, Switzerland, UK and USA), one
Executive Summary

non-UN multilateral (EAR), and four NGOs (FOSYU, Rockefeller Brothers Fund, C.S. Mott Foundation, Friedrich Ebert Foundation) channelled their funds through UNDP under cost sharing or Trust Fund arrangements.

Total cost sharing commitments from 16 donor/partners (Austria, Canada, FOSYU, Germany, Ireland, Luxembourg, the Netherlands, Rockefeller Brothers Fund, Sweden, Switzerland, UNHCR, UNICEF, UNOCHA, World Bank, WHO) amounted to $ 8.1 million in December 2002, while Trust Fund commitments from three donors (European Agency for Reconstruction, Sweden and Italy) amounted to $ 6.8 million, and one regional project (SEESAC) received $ 1.0 million from a Trust Fund from Canada, Netherlands, Norway, Switzerland, and UK/DFID.

The delivery rate of approved budgets was 95.8% in 2001 (of $ 2.18 million), and 86.3% in 2002 (of $ 10.65 million).

Part IV of this Mid-Term Report describes the context and provides a brief historical background for current UNDP assistance efforts.

Annex 1 presents key Data and Figures

Annex 2 presents the Belgrade Agreement signed on March 14, 2002. The Belgrade Agreement represents the basis for the restructuring of relations between Serbia and Montenegro.

Annex 3 presents the Millennium Development Goals (MDGs): Adopted by the UN General Assembly, these global goals are long-term, with the perspective of 2015 as the time frame for their realisation. Some of UNDP’s activities in Serbia and Montenegro can be seen to provide opportunities to contribute to them. Initial monitoring has been carried out in Serbia through the preparation of the report “The Millennium Development Goals – How Much is Serbia on Track” in November 2002.
Part 1

Key Achievements of UNDP in Serbia and Montenegro
KEY ACHIEVEMENTS OF UNDP IN SERBIA AND MONTENEGRO

UNDP delivered approximately US$ 10 million worth of assistance in 2002, a five-fold increase over 2001. The current programme cycle period covers 2002-2004, and has a resource target of US$ 38.5 million (incuding Kosovo), of which US$ 35.5 million (without Kosovo) has already been raised from donors, and is being implemented. However, since its original elaboration, the programme needs and demands from national partners have substantially increased to an additional unmet pipeline of approximately US$ 42 million (which would bring the total programme value to US$ 60 million). The details of these unmet needs can be seen on UNDP’s website www.undp.org.yu where a special appeal to donors has been launched. Most of the un-funded projects are at an advanced stage of planning with national partners, with project documentation elaborated, and can be launched immediately once needed funding is secured.

1. Democratic Governance

Institutional reforms underway: a legacy to be protected

Parliament and public finance
In a significant move to improve democratic governance and align with European best practice, the Serbian National Assembly, with the financial support of the Netherlands (through UNDP), has developed a draft legislative framework for establishing a supreme audit institution that would guarantee effective parliamentary oversight of public finances and reduce the risks of mismanagement and corruption in the executive branch. The framework will be specific to the Serbian context, but its preparation took account of experiences in other European countries such as Canada, Croatia, France, Germany, and Slovenia. It is expected that the European Agency for Reconstruction (EAR) will follow-on with support for the establishment of the institution once the legislation is passed.

Judiciary
In Serbia, a Judicial Training Center (JTC), which has embarked on an ambitious programme supporting judicial reforms, has been established with the support of the Governments of the Netherlands and Sweden/Sida through UNDP. Training of judges, prosecutors and support staff in the Republic of Serbia has been, to date, sporadic, unsystematic and focus more on information transfer than on development of personal competencies. The project launched a first comprehensive training for judiciary. Intensive training curriculae, tailored to the needs of the Serbian judiciary, have been developed in the areas of criminal, civil and commercial law. Following the tragic assassination of Prime Minister Džindžić, the JTC has embarked on developing training in the area of organized crime. Given the ongoing and planned initiatives of other players in the field, the JTC will also be the central coordination body for judiciary training. The Reform Council for the Judiciary, established by the Serbian Government in 2001, and its sector commissions, have been supported by the JTC and UNDP, as well as by OSI, UN/OHCHR, and others to develop a reform strategy for the judicial sector.

Economic Institutions
On the economic front, the Netherlands has financed the establishment in the Serbian Ministry of Finance of special units for change management, economic reforms, Municipal Infrastructure Agency and the restructuring of public utilities, thus helping Serbia meet IMF expectations of public wage restraint whilst promoting reform and recovery of these enterprises. In the words of the Finance Minister, this assistance (through UNDP) has saved billions of dinars for the country, and is the best investment in capacity-building made so far.

The Serbian Agency for Foreign Investment and Export Promotion has been established with the support of the Netherlands, the Fund for an Open Society through UNDP, producing business and investment guides, a draft law on concessions, and promoting study tours abroad. The same project also supported the establishment of the Department for European Integration and the WTO Accession Unit in the Serbian Ministry of International Economic Relations. The ministry is also assisted bilaterally by UK/DFID and Sweden.

An auction department of the Serbian Privatisation Agency has been established with the support of Germany also through UNDP, and is now leading the process of privatization of several thousand socially-owned enterprises, and the attraction of
strategic foreign investors. So far nearly 1,000 enterprises have begun the privatization process. Other donors have since joined forces to support the SPA.

Social cohesion
Sweden/Sida (through UNDP) has supported the Serbian Ministry of Labour and Employment to initiate internal restructuring, and establish a change and project management unit, promote labour law reforms and harmonisation of legislation with EU and ILO standards, and embark on a strategy of employment promotion to offset the negative aspects of enterprise downsizing or closures.

Serbia is facing high unemployment rate. The fight against unemployment, the integration of refugees and IDPs and Roma constitute major challenge to the national authorities. There is an urgent need for temporary measure to alleviate the unemployment impact of the reforms until the conditions of a rapid and sustained economic growth are established. With the financial support of CIDA (Canada) UNDP has launched a “Beautiful Serbia” project together with the Ministry of Labour and the City Assembly of Belgrade. Beautiful Serbia will demonstrate an efficient, highly visible and very popular active labour market policy. The project is also expected to have a positive impact on the appearance of 10 Serbian cities and to contribute to an improved living environment for their citizens.

It is expected that after the demonstration phase the project will be expended and adopted by the Government of Serbia as part of its package of national active labour market policies. The project will provide vocational training in construction skills to long term unemployed who will be hired by construction firms contracted by the project to refurbish buildings, parks and squares in 10 Serbian cities.

The restructuring of social protection, pension system, and welfare services is being supported by the Netherlands and the Fund for an Open Society through capacity building (by UNDP) in the Serbian Ministry of Social Affairs. This also includes promoting pension reforms (in partnership with UNICEF), and improving social welfare benefits to poor families, de-institutionalization and alternative care for children with special needs, and developing strategies to support the elderly, the handicapped, and marginalized groups such as the Roma. It also includes the development and implemention of an IT strategy for the social sector toward a more effective delivery of social services.

Public administration
A contribution from the Fund for an Open Society to UNDP has enabled capacity building in the new Serbian Ministry of Public Administration and Local Self-Government where diagnostic analyses of the functioning of the public administration have been conducted through the work of several task forces supported. The Civil Service Council was also supported by the Fund for an Open Society to support advisory services to government, including on functional review and a strategy for reform of the public administration and the mainstreaming of IT. The EAR will now expand the Ministry’s scope with a major package of bilateral support.

Recently, UNDP received the support of the Serbian Prime Minister in turning the Capacity Building Fund into a strategic vehicle for Public Administration Reform. The Prime Minister decided to establish a Ministerial Council for Administrative Reform to be serviced by a secretariat placed in the Ministry of Public Administration and Local Self Government. Through the CBF, UNDP will provide substantive support to such Secretariat.

Capacity Building
Most of the institutional reform projects are implemented under the Capacity Building Fund (CBF) created by Government and UNDP on 12 March 2001, which now assists 9 ministries, 4 agencies and the Executive Council of Vojvodina, through 14 projects worth 5.5 million US$. During the course of its existence, the CBF has deployed 250 experts in the various institutions, under UNDP contracts. The Executive Office of the CBF assists institutions in recruitment and contracting, provides policy advice on institutional reforms and helps develop new projects and mobilize corresponding resources.

Recently the CBF has started a project to support the Standing Conference of Towns and Municipalities in Serbia. The project aims at making the fullest possible short-term impact compatible with the creation of capacity that is sustainable in the longer term, and after external assistance is completed.
The CBF relies for the greater part on national expertise of international caliber, and tapping the diaspora, with very selective support from international consultants only where such advice is cost-effective. The initial phase of the CBF was marked by tight procedures to ensure adequate levels of accountability in institutional environments that were characterized by serious deficiencies. With time, this induced a gap between expectations of immediate support and the actual delivery often seen to be suffering from bureaucratic delays. The answer has been to ensure that institutions acquire project management expertise and skills, and a new programme to spread such capacities across government has begun an ambitious agenda to spread Results-Based Management (RBM). Through a Management Training project funded by UNDP approximately 120 civil service staff were trained in project management and RBM. In fact, a network of RBM trainers has also been created throughout the public service, with the support of Austria and Switzerland, as the core for a new community of expertise in performance management. These changes, as well as a boosting of the CBF’s own Executive Office, have enabled a new streamlining of procedures, recognizing too that these early steps have succeeded in laying basic foundations of capacity in institutions which in consequence can assume greater ownership over project implementation, and speeding up actual delivery in the process.

UNDP has recently received a request from various institutions at the Union level, including from the office of the President of the Union to support them with a Capacity Building project. UNDP has responded immediately by allocating a portion of its core resources for this purpose. A project has been elaborated which will support several Union Institutions through the Union Council of Ministers.

UNDP has also been approached by the Government of Montenegro to support it with Capacity Building programme. A programme formulation mission has been undertaken and a Capacity Building Programme will start in the fall of 2003.

In Montenegro, a separate capacity building programme for NGOs has been launched with a contribution from the Government of Ireland, the Government of Netherlands and the Rockefeller Brothers Fund. This programme is aimed at strengthening Montenegrin civil society so that it becomes an effective agent in consolidating democratic practices in particular in creating a more accountable, transparent and effective government system at all levels. Participating NGOs, working in two strategically important areas- environment and poverty reduction - benefited from a range of training workshops and conferences, as well as 22 small grants for six months advocacy related initiatives.

In the field of Information and Communication Technology for Development (ICT for D), the Government of Montenegro benefited from a UNDP Thematic Trust Fund contribution to develop an ICT for D strategy. The strategy will focus on the importance of ICT for promoting good industry capacity and planning in a sector related to the Ecological Sustainable State Strategy.

**Poverty reduction**

Since 2002, Serbia and Montenegro have been engaged in preparing Poverty Reduction Strategy papers (PRSP) that will enable access to IDA credits. The governments of Serbia and Montenegro agreed to divide the responsibility for debt repayment between the two republics. Consequently, each republic government individually engages in the PRSP. Both documents should be completed by the end of 2003. The Serbian Government plans to finalize its PRSP by the end of July while the Government of Montenegro should have it done by the end of November. In addition, the PRSPs should identify targets and public actions that would allow Serbia and Montenegro to make progress towards the agreed UN Millennium Development Goals by 2015. The central objective of the country-owned PRSPs is to ensure that policy actions that aim at increasing economic growth and reducing poverty are integrated into a macroeconomic framework after consultations with national stakeholders, amongst which civil society represents a key set of stakeholders. Participation of civil society in preparation of the PRSPs is being supported by a contribution from the Government of the Netherlands (for Serbia) through UNDP.

In March 2002, following the World Bank’s lead in launching the PRSP process, UNDP started a project on inclusion and participation of the Civil Society in the PRSP process in Serbia. The project provides...
assistance to selected twenty local NGOs, partners of Catholic Relief Services. Given UNDP experience in engaging in PRSP processes worldwide, which proves that civil society efforts significantly affected the PRSP content, for example by drawing attention to problems of social exclusion or by pointing out the ruining effects of bad government, the Government of Serbia nominated UNDP to facilitate further inclusion and participation of Civil Society in the PRSP process. The process is formally structured around committees, and UNDP is engaged in helping the establishment and facilitating the work of the Civil Society Advisory Committee (CSAC). The CSAC was established on December 8, 2002 and consists of representatives of trade unions, NGOs and CBOs (Community Based Organisations).

UNICEF, UNDP and UN/OHCHR constitute the core UN agencies representing the UN country team in the Development Partners Advisory Committee (DPAC) which also includes INGOs, and multi/bilateral donors. The consultation process started in mid February and so far the CSAC and DPAC provided valuable input on the PRSP Table of Content and different sectoral issues, such as education, health, local governance, monitoring and evaluation, macroeconomic issues etc. The discussions, which included a number of stakeholders, were organized by the Serbian government with the aim of broadening agenda set by experts and thus ensuring that some issues are taken care of in the PRSP layout. Consultations will continue throughout April, May and June through two more consultation rounds. The first draft of PRSP in Serbia has been elaborated and as envisaged, CSAC and DPAC contributed their comments to it. The final PRSP in Serbia should be formulated by October 2003, when actually the implementation of the strategy will start.

Based on the successful experience of Civil Society Development and involvement in the PRSP, and the need to put in place mechanisms for supporting the Government to implement the PRSP recommendations, UNDP has been negotiating with the EAR a new project for one million Euros to assist the Ministry of Social Affairs in setting up a Social Innovation fund which will ensure the proper delivery of social services through a well-established network of NGOs. Given the crucial role of civil society in the PRSP process, UNDP in Montenegro, with a support of Dutch funding, also decided to facilitate the process of NGO participation in the PRSP. In summer 2002 UNDP engaged an international NGO, Catholic Relief Services (CRS) to train and support 5 local NGOs, whose main task has been to mobilize communities across Montenegro so that communities’ input in PRSP process is provided. The first phase of the project, namely the training of NGOs has been completed. Although the process of drafting of the PRSP in Montenegro has not started yet (the Montenegrin government plans to launch the process by the end of March 2003), NGOs under this (and other UNDP projects) have been involved in mobilizing public and media on the various aspects of poverty in the republic.

The overall PRSP process in Montenegro, including the Government’s effort, is being supported through contributions to UNDP from DFID/UK and the World Bank. UNICEF, UN/OHCHR and other UN agencies are also partnering the PRSP process in Montenegro. The Poverty Reduction Strategies Process Fund (PRSPF), established by the World Bank and DFID/UK will support specific areas of PRSP development (such as poverty diagnostic), assist government to identify, classify and match the stakeholders with key poverty issues and aspects of the participatory process, stress the importance of country ownership, stimulate comprehensive policy approach, and focus on results as a prerequisite to effective poverty reduction. UNDP, at the request of the Government of Montenegro, is designated by the World Bank and DFID/UK to provide operational and financial management of the PRSPF. Complementary to this, UNDP’s Poverty Trust Fund has supported civil society inclusion in the PRSP in order to strengthen and support civil society so that, non-government organizations as well as specialized institutions have a quality input into PRSP.

2. Energy and Environment

UNDP interventions in environment and energy sectors are targeting three areas: Environmental Governance to address institutional capacity building needs; promote clean industries principles; introduce integrated approaches to the protection of environment and energy generation; Global environmental concerns and national development
planning to enable access to GEF funding for climate change, biodiversity and national capacity self-assessments, and Reconstruction & Rehabilitation to provide Country Office services to donors and national counterparts in large-scale infrastructure projects.

Energy
A wide-scope reform of the energy sector on a scale rarely seen before has, in the words of the Serbian Minister of Energy and Mining, been enabled with the support of a contribution from the Netherlands, through UNDP. The assistance follows on UNDP’s succession from UN/OCHA’s lead in humanitarian coordination of the energy sector two years ago. The new support helped launch restructuring of public energy utilities, and develop the district heating system in a framework bringing together local municipalities, banks, suppliers and contractors in 40 cities and municipalities, draft a new energy law, and harmonise energy legislation with EU standards. It also sponsored a national technical energy conference and a later international energy sector regional policy conference with the International Energy Agency. Both of these have helped provide benchmarks for strategic change in the sector, leading to the establishment of the Serbian Energy Efficiency Agency in late 2002. In addition the Ministry itself was re-structured with new units for industrial, communal, and renewable/alternative energy and public sector restructuring and is currently undergoing a functional review, to provide a basis for full organizational change. The project team has also tackled and improved energy system stabilization, power generation and capacity, public relations for price reforms, oil industry restructuring, Russian gas imports, coal production, international pipelines and integration. An important social element of the project was the alleviation of high electricity costs for disadvantaged families, by supporting a scheme of government subsidies that benefited 33,000 households.

Environment
A GEF (Global Environment Facility) National Capacity Self Assessment Enabling Activity is in the final stages of its preparatory work. In addition, preparatory work has been completed for the GEF climate change and biodiversity enabling activities. In Serbia, an air pollution monitoring system has been installed in the city of Pancevo. Straddling both Serbia and Montenegro, the municipalities in the Sandzak area have been trained in environmental management and Local Environment and Action Plans preparation.

In Montenegro itself, a contribution from the Government of Netherlands and the Rockefeller Brother’s Foundation provided the Ministry of Environmental Protection and Spatial Planning with the necessary technical support (including Biodiversity preservation, in this case related to the Pelican species in lake Skadar) and policy advice linked to meeting their sustainable development concerns. The Environmental Assessment Report was prepared and presented at the World Summit on Sustainable Development (WSSD) in Johannesburg. A National Council on Sustainable Development was also created with this support. The Ministry also benefited from a high level consultant, Dr. Rene Castro, former Minister in Costa Rica, and who had played a key role in the implementation of Costa Rica’s aspirations to becoming an ecological state. Findings of the second visit of Dr. Castro and his team of international consultants were first presented to the Environmental NGO Network, and then to the National Council for Sustainable Development (NCSD). The NCSD gave full support to the outlined framework for a Sustainable/Ecological State Strategy as well as concrete “Early Success” projects, in the context of local needs and evolving global concerns. Complementary to this, the same project is providing high-level policy advice in developing a new legal framework for a physical planning system in Montenegro. The Government working group, representatives of environmental NGOs and Mayors of four municipalities benefited from an intensive programme of planning education and a study tour to Ireland, to review best practice there.

Recently Charles Mott foundation contributed funds through UNDP for a project aimed at building institutional capacities of NGOs working on sustainable development in Montenegro.

3. Crisis prevention and recovery

Refugees
In order to support the Government in its efforts to mitigate the negative impact of the economic and social situation on the Refugees and IDPs, UNDP, with the support of the Italian Government has
started a project which will support the Ministry of Social Affairs and related line Ministries and partner Agencies - at Central and Local level - to provide better and sustainable social care support services to elderly Refugees and IDPs. The project started in May 2003 and will continue until mid 2004.

**HIV/AIDS**
Together with WHO and UNICEF, UNDP is the co-founder of the UNAIDS Group in Serbia and Montenegro, now comprising nine UN System Agencies operating in the country. UNAIDS has been the main forum for coordination/cooperation on HIV/AIDS issues involving government(s), public sector, civil society as well as international organizations/NGOs. UNDP has played an active role in the UNAIDS-assisted process of developing a comprehensive national strategy for HIV/AIDS prevention and control, and in mobilising $3.5 million from the Global Fund against HIV/AIDS, Malaria and Tuberculosis.

**Security Sector**
In the area of the security sector, at the request of the former Federal Government and as part of a multi-donor consultative process, UNDP launched a study on military conversion as an element of security sector reform in mid-2002, within the framework of working table III of the Stability Pact for South East Europe. Several of the recommendations that emanated from the study were adopted, and further consultations have broadened to include other actors in civil society. Following the transition to the new Union of Serbia and Montenegro, and recent consultations with the UN Secretariat and UNDP in New York, further assistance will focus on capacity-building in the Union Government for strengthening effective civilian and democratic controls, as well as eventual further structural reforms and demobilization.

In this context UNDP has launched a project with the Ministry of Defense. This project will establish an institutional structure that supports the reform process, while also building the capacity of the civilian staff and officials of the Ministry to provide proper oversight of the military forces and the processes of financial and resource management. The project objectives are: 1) to facilitate the Ministry of Defense (MoD) reform programme through the establishment of an internal MoD Change Management Team (CMT), containing national and international consultants and experts. 2) To conduct an independent functional review of the MoD and identify, design and propose project, through which longer-term reform objectives can be achieved. 3) To help enable MoD civilians to exercise oversight of all MoD business and administration. And 4) to assist the MoD to become a model of excellence for promoting public administration reform within the Serbia and Montenegro joint State and Republic level governments.

Assistance on arms law reform has been provided under the auspices of the joint UNDP-Stability Pact’s Regional Clearinghouse for Small Arms and Light Weapons (SEESAC), which was also established based in Belgrade and under the administration of UNDP in May 2002. The project has so far supported many activities related to a) weapons and ammunition destruction in many countries of the region; b) supporting the Government of Serbia and Montenegro in implementing its recent law providing amnesty for those who surrender their weapons voluntarily; c) supporting a public campaign aimed at raising awareness about the danger of the proliferation of small arms and light weapons in the South-East European Region. A new initiative for small arms and light weapons (SALW) collection and disposal has been launched in Montenegro under the SEESAC, with initial funding form UNDP’s Trust Fund for Support to Prevention and Reduction of Small Arms, and to carry out several critical first phase activities. A similar initiative is planned for a Weapons for Development exchange programme in southern Serbia.

**Southern Serbia**
In southern Serbia, UNDP is implementing two programmes from its office in Vranje, to support political stability and the peace process, which ended the inter-ethnic conflicts in the region, following the Kosovo war. As part of the negotiations for the withdrawal of ethnic Albanian guerrillas from the Ground Safety Zone, along the administrative boundary line with Kosovo, the Serbian government made promises for political reform and development investments in municipalities neglected by the previous regime. In this context, UNDP has supported a UN inter-agency support office (IASO) and the government Coordination Body for...
Southern Serbia (CB). The CB has been provided with new offices and equipment, financial support to a development coordination unit and has been assisted with regular consultations and monitoring of the political and security situation in and around the former Ground Safety Zone.

A Regional Steering Committee (RSC), composed of the mayors, district presidents and chaired by the CB has also been established with UNDP support. The RSC meets every two months to decide on development strategies and the management of all externally assisted programmes in southern Serbia. UNDP has contributed to the implementation of these strategies with a Rapid Employment Programme (REP) and the South Serbia Municipal Improvement and Recovery Programme (SSMIRP). These are mutually supportive post conflict and post emergency transitional programmes. The strategic aims are to increase employment opportunities for ex-combatants and unemployed youth in all ethnic groups; involve communities and municipalities in the planning, cost-sharing and implementation of projects; rehabilitate war-damaged and neglected infrastructures such as schools, public and historic buildings, clinics, roads, water supplies, sewerage systems, sports and recreation facilities and the environmental management of solid and liquid waste; to promote social cohesion and dialogue between ethnic groups; to improve the managerial capacities of local government and civil society organisations and to assist in building an enabling environment for economic recovery.

The Rapid Employment Programme, funded through UNDP by the European Agency for Reconstruction (EAR), is a post conflict and post-emergency transitional programme with matching funds provided by the participating municipalities. Its strategic aim is to provide a practical solution to some thorny issues affecting local communities, such as disparities in allocation of funds, rampant unemployment affecting all categories of the population, neglect with regard to the maintenance of infrastructures, environment and lack of basic infrastructures. The REP programme originally had a short time span of one year to spend 4 million Euro on the implementation of labour intensive infrastructure projects in the four southern Serbian municipalities of Presevo, Bujanovac, Medvedja and Vranje. In order to reach the target disbursements and execution levels, the project team played a proactive role in sub-project identification, planning, costing and implementation. It helped to overcome the traditional mistrust of all population groups towards public institutions, which had provoked ethnic conflict mainly between the Serbs and Albanians communities in the municipalities of Presevo, Bujanovac and Medvedja.

The programme has generated 5,500 temporary jobs for an average duration period of 9 weeks. Albanian, Roma and Serb ethnic groups worked together in project implementation. It has helped, inter alia, in renovation of schools, clinics, playgrounds, etc. and removal and disposal of solid waste from uncontrolled dumpsites and from river beds, water courses and river banks; rehabilitation of waste dump sites, construction of earth dams to stop erosion and provision of grass cover, plantation of trees, repair to water supply tanks, water supply pipeline, etc. The duration of the programme was extended for six months in order to coincide with the start up of an extended local government capacity-building programme (MIR) to be funded by EAR. By the end of June 2003 REP will have completed 130 sub-projects in 80 villages. It is expected that MIR will start as of 1 July.

The SSMIRP programme aims at improvement of local municipal government, and expansion of economic development. It has been funded through UNDP by the World Bank, Norway, Sida/Sweden, Luxembourg, and the Netherlands. In order to strengthen the consultative and managerial capacities of municipalities, SSMIRP has established municipal technical units, municipal development committees and municipal development funds in all six municipalities. SSMIRP has provided support over a wide range of human development activities in six municipalities. It has held summer and winter camps for ethnically mixed groups, supported community leadership and English language courses, established computer and business training centres, initiated agricultural production, processing and marketing groups, held essay and drawing competitions in all primary and secondary schools, and supported local NGOs and other civil society organisations in project planning and implementation. Training has been provided at all levels in community participation, project identification, formulation
and implementation for municipal officials and local Chambers of Commerce. Training courses have also been given for municipal staff in local government finances, planning, local government reform and the management of public utility companies. In partnership with the World Bank, an operations manual has been drawn up as the blue print for current and future municipal development programmes in southern Serbia. Agreements have been reached with each municipality to provide matching funds for the $100,000 provided by SSMIRP to each municipal development fund. Disbursements from the municipal development funds require project approval from municipal development committees, mayors and UNDP. In western Serbia and northern Montenegro, an area also known as the Sandzak, the establishment and efficient operations of critical public sector economic development institutions and non-governmental support institutions, is being supported through a contribution from the Netherlands government, in order to promote local sustainable economic development. The economic situation in the region is continuing to deteriorate and could aggravate the already fragile political accommodation reached after years of tensions. Much of current economic activity is in the informal and illegal economy, and therefore likely to be unsustainable as Serbia and Montenegro open up once more to the global economy and normal business laws, regulations and codes of conduct, with UNDP’s support.

Decentralized city-to-city cooperation
In order to involve local authorities in providing assistance to the most vulnerable population of Serbia, Italy and the United Nations Development Programme have launched and promoted the City-to-City programme. The City-to-City programme aims at providing assistance to the most vulnerable population in six cities in Serbia through the strengthening of decentralized cooperation links with Italian cities in the areas of: library, culture in general, urban planning; textile enterprises established by women entrepreneurs; environment protection, setting-up air pollution monitoring system; social services to vulnerable groups; elderly people, local economic development; and town planning.

4. Donor support and coordination
All of the donor countries and agencies mentioned above have chosen to channel the mentioned assistance through the UN system (mainly UNDP, which in some instances has added its own modest resources as well). This is taken a vigorous affirmation of the role and effectiveness of multilateral development cooperation, and a clear expression of confidence in this dimension of the work of the United Nations system and its agencies. It is equally a reflection of the value of harnessing global best practice in adapting institutions and policies to the new reform environment now prevailing. The assistance has in many instances led on to new forms of parallel and complementary bilateral cooperation as donors establish a more solid presence on the ground in the country. Whilst this may tax the coordination capabilities both of donors and of government, it is hoped that the competition it often generates promotes higher standards of programme performance, and not wasteful duplication of effort in a country that has been resource-starved for too long.

5. Cooperation with Government: present and future
The UNDP approach has been consultative, proactive, and entrepreneurial, in some cases pioneering.

From here, based partly on the agreement with the late Prime Minister Djindjic of Serbia, as well as on agreement with the Prime Minister Djukanovic of Montenegro, the UN System Resident Coordinator (who is also the Resident Representative of UNDP) and the UN Country Team of agencies are embarking on a common country assessment (CCA) of Serbia and Montenegro in the coming months of 2003 leading to a common UN development assistance framework (UNDAF) for Serbia and Montenegro for 2004 and beyond. This is a major exercise of the United Nations system, symptomatic of reform within the UN system itself, and never before carried out in Serbia and Montenegro.

It will chart out for the next years to come, the main areas where the combined strength of the UN system can best be brought to bear in enabling major development change in the country, complementary
to the efforts of other actors and in full partnership with government at all levels and with civil society. The exercise will make special reference not just to the United Nations Millennium Development Goals (MDGs), but also to the other salient elements of the Millennium Declaration and the Millennium Roadmap, that are of acute importance at this time, to this country’s stability, recovery, and international integration, dealing as they do with peace and security, governance, human rights, and economic management. It is earnestly hoped that this will enable and promote the achievement of the global United Nations Millennium Development Goals, and the fulfillment of all international commitments deriving the Millennium Declaration and from the country’s membership of the United Nations.
Part 2 - UNDP:
A Global Network for Development
2.1 UNDP – A GLOBAL NETWORK FOR DEVELOPMENT

“UNDP’s value derives from being a trusted adviser and partner to more than 174 developing countries and territories. Its closeness to governments and the civil society in those countries gives it an opportunity to provide objective expert advice and to be listened to and heard on many issues’” Mark Malloch Brown, UNDP Administrator (pictured)

The United Nations Development Programme is the UN’s global development network, advocating for change and connecting countries to knowledge, expertise and resources to help people build a better life. UNDP’s mission is to help countries in their efforts to achieve sustainable human development by assisting them to build their capacity to design and carry out programmes in democratic governance, pro-poor policies, crisis prevention and recovery, energy and the environment, information and communications technology and HIV/AIDS. This means working to improve people’s lives on an enduring basis: their work, their education, their health, their surroundings and the use of natural resources.

UNDP’s commitment to a universal presence has proven especially useful in crisis prevention and post-conflict situations.

UNDP also seeks to ensure alignment between activities on the ground, policy support, partnership and resource mobilisation activities and its global advocacy work. To achieve this UNDP is redeploying substantive policy capacity to the country level to respond rapidly to country needs. UNDP is funded mainly by contributions from UN member states, and all funding is voluntary. Ninety percent of core funding goes to the low income countries that are home to 90% of the world’s people in absolute poverty. This means that for those countries with higher levels of human development, notably in the Europe and CIS region, funding is required from donors to complement modest core resources from UNDP used as seed money to initiate and develop projects.

The UNDP office in Serbia and Montenegro is one of the 27 offices in the East and Central Europe and the CIS, under the responsibility of the Regional Bureau for Europe and the CIS (RBEC).

Many of UNDP’s services are provided through a network of sub-regional Resource Facilities (SURFs). For Europe and the CIS, the SURF is based in the UNDP Regional Support Centre in Bratislava, Slovakia. Through the SURFs, the UNDP promotes the exchange of best practices and innovative development approaches across regions and provides substantive leadership and back-up to country-based specialists within programme countries.

2.2 UNDP SUPPORT STRUCTURE IN SERBIA AND MONTENEGRO

Up to 1992, UNDP maintained a regular office in Belgrade, under a Resident Representative, responsible for the implementation of successive country programmes. As the former SFRY disintegrated UNDP transferred its programme coordination support from Belgrade to Vienna in 1992. Following the influx of a large number of refugees from Croatia and Bosnia & Herzegovina, and with the signing of the Dayton Peace Agreement in 1995, UNDP opened a liaison office in Belgrade in April 1996, with three national staff. In October 2000, UNDP deployed a senior international staff member to head an advance team leading a post-crisis transition strategy. The team quickly...
established a new UNDP Country Office by January 2001 (pictured below).

The international Officer-in-Charge was subsequently confirmed as UNDP Resident Representative in 2001 and as UN Resident Coordinator in March 2002.

During 2001 two sub-offices were established: The UN Inter-Agency Support Office (IASO) in Vranje, southern Serbia, under a UNDP Area Coordinator, which housed UNDP, UNICEF, UNHCR and UNOCHA, FAO, IOM, and UNOHCHR, and the UNDP Liaison Office in Montenegro, based in Podgorica, headed by a UNDP Liaison Officer.

During 2001, UNDP embarked on a transitional support and strategy and developed the core elements and conceptual base for longer term support to the Federal Republic. During 2002, this was consolidated and donor resources were mobilised to provide support for a programme which had increased rapidly from approved budgets of $30,000 in 1999, to $380,000 in 2000, $2,180,000 in 2001 to $10,650,000 in 2002. In 2002, expenditure reached $9,190,000 or 86.3%.

At the same time, the number of UNDP employees in project activities rose to nearly 400, mostly advisors, of which 120 were in projects implemented under the Capacity Building Fund. Most projects are being executed under the Direct Execution modality (DEX), with UN agency support from funds from the budget lines for Support to Programme and Project Development (SPPD) services and Support Technical Services (STS).

The UN Resident Coordinator (RC) is responsible for promoting coordination and synergy between the different agencies of the UN system, and also acts as the designated representative of the UN Secretary-General.

UNDP works closely with the UN agencies with resident offices in S&M (FAO, IFC, IMF, UNHCR, UNICEF, UNOCHA, UNOPS, UNEP, UNOHCHR, World Bank, WFP and WHO), as well as UN offices established in the light of the particular circumstances of recent history, namely the ICTY, the UN Liaison Office in Belgrade, and the UN Interim Administration in Kosovo (UNMIK/Belgrade).

Furthermore, the UNDP Country Office also represents and provides programme support services to other UN agencies not stationed in the country, but with activities in the country (IAEA, ILO (regional office in Budapest), ITU, UNIDO, UNODC, UPU, etc. UNDP also works closely with the Council of Europe, EAR, EBRD, ICRC and IFRC, IOM, OSCE and bilateral missions in the country.

2.3 UNDP POLICY FRAMEWORK

UNDP’s operations are guided by a number of agendas, established by different fora and organisations. At the country level, UNDP activities should contribute to the attainment of a number of their goals.

The challenge to UNDP is to design a set of activities, in the form of programmes and projects, mobilise the necessary resources to implement them in a coordinated way, and to assist all stakeholders to make a measurable impact on these goals, and monitor them over time.

The global frame of reference for development activities worldwide consists of the Millennium Development Goals (MDGs), derived from the Millennium Declaration adopted by 191 UN member states at the UN General Assembly Summit in September 2000. Targeted on goals to be achieved by 2015, with quantifiable and verifiable indicators, it provides a template of reference for all UN system development activities for Serbia and Montenegro.
Montenegro, and in particular for UNDP’s Country Cooperation Framework (CCF).

As for UNDP, the main inspiration for the current CCF, drawn up based on consultations with Government in 2001, has been the new Reform Agenda and orientations of the democratic governments at federal and constituent republic levels, combined with the short-term measures needed to consolidate good governance, promote crisis prevention, post-crisis stabilisation and further recovery. A special UNDP mission in November 2000 prepared a report on the main orientations concerned, under the title “Governance for Human Development”, which served as a preparation for the CCF.

Monitoring the implementation of the CCF requires the use of several instruments. At the global level, UNDP now prepares a corporate Strategic Results Framework (SRF) against which a Results-Oriented Annual Report is compiled. These form two essential elements of the corporate compact with donor member states that constitutes the Multi-Year Funding Framework for UNDP worldwide. In Serbia and Montenegro, UNDP has prepared a country-specific SRF as an indispensable planning tool to translate the objectives of the CCF into measurable results and indicators and enable the tracking of performance achievement over time. On the management end, country-based implementation follows the guidance provided by the UNDP Administrator’s Business Plan.

Subsequent to the adoption and launching of the CCF in January 2002, UN agencies have become engaged in supporting the new Poverty Reduction Strategy Process (PRSP) at the republic levels in Montenegro and Serbia. The PRSP has particular relevance to MDG Goal 1, dealing with Poverty Reduction. However MDG Goal 1 expresses poverty reduction targets in terms of income increase and hunger reduction, whereas, the PRSP approach will also touch on several other aspects of poverty, e.g. related to other MDG goals, such as empowerment, equality, education, health, etc. As such, the PRSP process is likely to lead to a revision of development targets in Serbia and Montenegro, in tandem with the new State Union of Serbia and Montenegro that superseded the Federal Republic of Yugoslavia in February 2003.

In 2003, the UN system agencies, including UNDP, will be assessing the extent to which current activities adequately address the MDGs in Serbia and Montenegro, and the emerging priorities of the respective PRSPs – to this end, a Common Country Assessment will be carried out, leading to a UN Development Assistance Framework for 2004 and beyond.

Further information on the MDGs, the PRSPs, the SRFs, and the UNDP Administrator’s Business Plan can be found in the Annex.

In order to monitor the implementation of strategies, programmes and projects which can help countries attain MDG goals and targets, responsibility for facilitating and supporting the preparation of annual MDG Reports has been given to UNDP, in consultation with, and with the participation of national counterparts, and relevant stakeholders.

The MDG Reports are designed to raise political awareness, build alliances and renew commitments to implement difficult policy reforms, institutional changes and budget re-allocations.

They have two roles. On the one hand the information they contain can inform key policy instruments from the PRSP to national budgets to social and political frameworks; on the other, they will act as a key catalyst for public mobilization and political debate around national priorities that will drive tough choices around well-defined policies.

A first MDG baseline Report for Serbia has been prepared for 2002 with the support of UNDP. The results have been fed into the PRSP and other reform and recovery processes, so that over time, progress made in pursuit of MDG goals and targets can be consolidated, and integrated into national policies and priorities. From this first report it became clear that the MDGs need to be adapted to the national context. This is important for it to be relevant and meaningful.
Part 3

The Country Cooperation Framework
2002-2004: Key Projects Results
THE COUNTRY COOPERATION FRAMEWORK, 2002 - 2004

The primary objective of the CCF is:

“To consolidate democracy and social equity through reform and recovery with special focus on governance and policy advocacy.”

UNDP’s development cooperation in Serbia and Montenegro received a new boost at the beginning of 2002 when the UNDP Executive Board approved the country’s first UNDP Country Cooperation Framework (CCF) for 2002 – 2004. The CCF anticipates funding of US$ 38.5 million over three years, covering all Serbia and Montenegro, including Kosovo. Of this, UNDP will contribute a modest $ 2.2 million of its own resources for use as seed funding to start up new programmes to which it is hoped that interested donors will contribute. To date UNDP in Serbia and Montenegro has secured US $ 35.5 million of donor’s funding (without Kosovo).

The portion of the CCF allocated to Kosovo is managed by the UNDP office in Pristina, which reports directly to the UNDP Regional Bureau for Europe and the CIS countries (RBEC) in New York.

The primary objective of the CCF is to consolidate democracy and social equity through reform and recovery with special focus on governance and policy advocacy.

The strategy to implement this objective has been developed on the basis of the reform agenda of government, consultations within the context of the South-East Europe Stability Pact, and with the World Bank, the European Commission/European Agency for Reconstruction, multi- and bilateral donors, NGO and civil society representatives.

The CCF identifies three priority substantive clusters for UNDP support:

- Democratic Governance
- Crisis Prevention and Recovery
- Energy and Environment

Cutting across these clusters are four primary themes:

- Human rights and gender equity;
- Policy reform and consensus-building;
- Constituency empowerment;
- E-governance using information technology.

KEY RESULTS TO DATE

The results in 2002-2003 are presented in the order of: the Millennium Development Goals (MDG), the Administrator’s Business Plan, the Strategic Results Framework, the UNDP CCF, and the PRSP, as follows:

3.1 RELATING TO THE MILLENNIUM DEVELOPMENT GOALS (MDGS)

UNDP Belgrade prepared in December 2002 “The Millennium Development Goals – How Much is Serbia on Track?” in the light of the request of the UN Secretary General to the UNDP Administrator for UNDP to work as both “campaign manager” and “scorekeeper” on the MDGs. This constitutes a snapshot of the situation in Serbia. A more adapted report will be produced in late 2003. A similar report is being prepared for Montenegro. Results of the first MDG report for Serbia are summarised below:

SERBIA

Serbia’s most important goal – the eradication of poverty – seems to be now further away than in 1990. The share of the poor population in 1990 was only 7.3%, but during the 1990s has increased dramatically and reached 40.9% in 1999. In 2000 the situation improved slightly. Still in 2000, approximately one third of the population of Serbia (2.8 million) was poor, with an average monthly income of $30 (PPP – Purchasing Power Parity). Among them, more than 18% (1.4 million) lived in extreme poverty with less than $20 (PPP) per month. The recent draft of the PRSP estimated that approximately 10% of the population live below the poverty line set at 4,500 YUD and another 10% just close to it. This does not include the vulnerable segments of society, e.g. Refugees and Roma. The situation is even worse as almost 700,000 refugees and IDPs are not included in this data. The poverty index increased from 14.1% in 1990 to 36.5% in 2000, while in the same period the poverty gap ratio increased from 1.0% to 3.1% in 2000.
Through its support to civil society and NGO involvement in the PRSP process, UNDP has been involved during 2002 in supporting the process of preparing the Interim Poverty Reduction Strategy Paper (iPRSP) and most recently the PRSP, which in the longer run should enable appropriate policies, programmes and projects to be put in place which can progressively reduce poverty levels.

All indicators measuring universal primary education show that this goal has already been achieved in Serbia, with net enrolment in primary education at 95% and literacy rates of those between 15 – 24 years old at 99%. On the other hand, drop out rates are high and the quality of education is declining due to financial constraints associated with transition, resulting in poorly equipped schools, including a lack of textbooks and modern educational methods. A large difference exists between standards in urban and rural schools, particularly with regard to accessibility for ethnic minorities, including Roma children.

In 2003, UNDP will provide capacity-building support to the Ministry of Education under the Capacity Building Fund in close consultation and collaboration with UNICEF and UNESCO. The broader mandate of UNICEF for the education sector has meant that UNDP’s involvement in it has been relatively modest during 2002 with regards to Education Policy. However in 2003 a project has been formulated to support the Ministry in reorganizing its structure supported by OSI.

While there is no gender disparity in primary and secondary education, the inequality of women is more prevalent in the area of employment, particularly at the managerial and higher paid positions; in public and political life; in wages and salaries, and in rural areas.

UNDP in collaboration with UNICEF and OSCE has supported the establishment and work of a Gender Working Group during 2002, to establish a National Strategy for Gender Mainstreaming in the then FRY, as well as initial activities to raise public awareness on gender-related issues.

While a UNICEF study (Reference: Ten Years of Child Rights in Yugoslavia, 1990 – 2000) shows that Serbia is on track with this goal, it noted that the steady decline in mortality rates in the 1990s was not continuous, and that in the last three years, no serious improvements were noted, with even some deterioration observed instead.

Since UNICEF and WHO have a closer mandate to address child mortality issues, UNDP’s role in this goal has been significant in providing technical support for Functional Review during 2003.

Indicators of maternal mortality rates and the proportion of births attended by skilled health personnel show that improvement of maternal health in Serbia is on track due to an extensive maternal health programme.

While the number of reported AIDS cases until mid-2002 is 1,189 it is estimated that in Serbia alone some 10,000 inhabitants are infected by HIV, with only 6.06 new AIDS cases per million inhabitants in the last 3-4 years, and deaths falling from 55 in 1997 to 39 in 2001. Nevertheless, from the experiences in other countries, continuing risks exist, and improvements in information, data, and public-awareness are still required.

UNDP has played a leading role during 2002 in the UNAIDS inter-agency Theme Group on HIV/AIDS responsible for preparing a national AIDS prevention and control strategy, and has helped mobilise $3.5 million from the Global AIDS Fund.

Environmental sustainability in Serbia remains a major challenge, but improvements are taking place as the closure of inefficient plant, privatisation and restructuring of the Serbian economy takes place, particularly in the energy and manufacturing sectors.

UNDP has been involved in this process by assisting national and sectoral authorities to introduce environmental governance concepts, incorporate global environmental and sustainable development concerns and commitments into national development planning and policy as well as and by taking part in the reconstruction and rehabilitation efforts in the Environment and Energy sectors.

At the World Summit on Sustainable Development, held in Johannesburg, the Prime Minister of Montenegro announced the re-launch of the
Building Blocks for Reform and Recovery  
UNDP Mid-Term Report 2002-2003 for Serbia & Montenegro

Sustainable/Ecological State Strategy. UNDP, at the request of the Government and in conjunction with civil society, had been working closely through out 2002 to support this effort and help build consensus across all sectors of society.

This process has been endorsed and supported by the Montenegrin National Council for Sustainable Development, the President of Montenegro, as well as Kalman Mizsei, Assistant Administrator and Regional Director for UNDP Regional Bureau for Europe and CIS, who pledged to help develop a South/South co-operation Model. Consequently a team led by Dr. Rene Castro, former Costa Rican Minister of Environment and senior advisor to UNDP was organized. In his initial visit Dr. Castro recognized Montenegro’s potential and three areas of key importance for Montenegro were identified: Eco-tourism, Energy Efficiency /Renewable Energy as well as Sustainable Forestry.

For the second visit Dr. Castro and a team of international consultants experienced in the three key areas previously identified, studied materials, visited numerous sites, met with ministers, local experts, NGOs and representatives of the donor community. An initial analysis was carried out in each area and short form project proposals written, in close cooperation with the ministries. Findings were first presented to the NGOs, and then to National Council for Sustainable Development (NCSD) and representatives of international institutions and donor community at the NCSD second session.

The NCSD gave full support to the outlined framework for a Sustainable/Ecological State Strategy as well as concrete early success projects, in the context of local needs and evolving global concerns. In a former follow up debriefing by UNDP’s team of experts to the then President, Milo Djukanovic, Government’s involvement in the project was restated and the then President not only supported but gave priority to the project of Sustainable Development.

The new democratic Governments of Serbia and Montenegro, with the support of the international community have initiated activities within a number of fields to develop a solid platform for further economic and social development. These include for instance in the areas of privatisation, restructuring the financial sector and the legislative framework, signing free trade agreements and removing administrative barriers for establishing small and medium scale enterprises (SME).

Given the responsibilities of the IMF and the World Bank for the target areas of trade and financial systems, and debt, UNDP has not been closely involved in these areas. However with regard to employment promotion, it has been active, with the European Agency for Reconstruction in launching the Rapid Employment Programme (REP), which has provided short-term employment for 5,500 people, as well as in supporting the Serbian Ministry of Labour and Employment through the CBF.

3.2 VIS-À-VIS THE ADMINISTRATOR’S BUSINESS PLAN, 2000 – 2003

POLICY: To strengthen the position of UNDP as a trusted and leading partner of programme countries in overcoming their development challenges through swift, high-quality support in proven areas.

UNDP has played an active and leading role in:

- Mobilising substantial support from national, non-governmental and donor partners for the priorities identified in the CCF;
- Facilitating policy dialogue at the highest level, and most notably in relation to the creation of the future “State Union of Serbia and Montenegro” through the Strategic Round Table on Governance Transition on 19 – 20 July 2002 and other conferences and workshops;
- Elaboration of a socially sensitive energy policy with minimal environmental degradation to harmonize energy market prices with social and ecological endurance.
- Swift and high quality delivery of support to new projects during 2002 and 2003.

PARTNERSHIPS: To transform UNDP into a highly networked organisation which creates new development opportunities through strategic partnerships;

UNDP has played a catalytic role in:

- Formulating strategies in critical areas, and in mobilising partnerships which are of value to all
Concerned, with particular reference to the following areas:

(i) Capacity Building Fund
(ii) Southern Serbia Municipal Improvement and Recovery Programme (SSMIRP)
(iii) Southern Serbia Rapid Employment Programme (REP)
(iv) Development of a comprehensive national strategy for HIV/AIDS
(v) Poverty Reduction Strategy Paper both in Serbia & in Montenegro
(vi) Judicial reforms through the JTC
(vii) Security Sector Reform
(viii) Local Economic Development
(ix) National Strategy for Refugees and subsequently the Refugees project
(x) Sustainable Development

• Establishment of a website www.undp.org.yu which receives an average of 6,000 hits per month.

• Establishment of an active public relations policy, through the publication of:
  (i) Fact Sheets on on-going projects;
  (ii) New Developments – a bi-monthly newsletter, 6 issues produced in 2002

PEOPLE: To align the staff profile with the evolving needs of UNDP by creating conditions that will attract, develop and motivate talented people to excel.

Since the re-opening of a full UNDP Country Office in late 2001, UNDP has appointed an Officer-in-Charge, and later full Resident Representative, who was confirmed by the UN Secretary-General as UN Resident Coordinator in March 2002, a Deputy Resident Representative, programme staff, project staff, administrative and financial staff.

PERFORMANCE: A culture of accountability for results in which performance is systematically measured and improved and resources strategically managed;

UNDP has made progress in:
• Developing the necessary monitoring and evaluation tools to facilitate full accountability for results.
• Maintaining close financial monitoring on project implementation
• Ensuring a high delivery rate in 2002 of 86.3%

RESOURCES: To achieve the resource target established in the Multi-year Funding Framework (MYFF), and to promote cost-effectiveness throughout the organisation. Half-way through the CCF cycle, UNDP is very close to achieving its MYFF target.

3.3 RESULTS RELATING TO THE STRATEGIC RESULTS FRAMEWORK

3.3.1 DEMOCRATIC GOVERNANCE

In December 2000, the World Bank and the European Union organised a Donors’ Co-ordination Meeting in Brussels on assistance to the former Federal Republic of Yugoslavia (FRY).

Two major reports were submitted by the UN system to this meeting:


• An Overview of Key Issues, Governance for Human Development by UNDP and the former Federal Republic of Yugoslavia (Belgrade, December 2000)

What is Governance for human development?

The system of values, policies and institutions by which a society manages its economic, political and social affairs through interactions with and among the state, civil society and private sector, which act at every human level

It is how a society organises itself and implements decisions, mediates differences, and exercises legal rights and obligations; It comprises the rules, institutions and practices that set limits and provides incentives.
Developing capacities for good governance is a primary means to promote human development:

It fosters an enabling environment and the equitable distribution of resources in dealing with poverty and inequality;
Emphasis for development cooperation moves upstream, to the level of policy dialogue and institutional development in helping countries meet the complex challenges of change;
Empowers voice and participation of the poor in the governance and decision-making processes;
Promotes women’s advancement through empowerment, an economic base, education and legal rights;
Enables three types of governance actors to work collectively in finding broad-based consensus-building solutions to poverty and inequality;
Promotes the principles of good governance.


The former report elaborates on urgent humanitarian needs and illustrated the social consequences of sector dysfunction in energy, health, education, social welfare etc, arising from complex causes, and inferred needs beyond the humanitarian dimension, for policy and institutional reforms.

The latter report picked up on the key challenges facing the new Government from a governance and human development angle. It identified a number of key areas that needed to be addressed in the more immediate future in order to reform and revitalise key institutions, enable capacities to be rebuilt, and promote enabling policy and economic frameworks for longer-term recovery. It also focused on the needs for developing the institutional capacity, particularly at the Federal and constituent Republic levels, to support reform programmes. This report also identified the priority areas for institutional capacity building, in five main areas.

The report noted that on most of the fronts identified, the country regressed during the 1990s, especially in recent years, on gains made in previous times. Basic principles of good governance, increasingly espoused by the growing number of new and restored democracies in the last decade of the 20th century, were reversed or abandoned in practice, by a regime which was increasingly disconnected not only from its external environment, but from its own people.

To address the above in an effective and coordinated way, the preparation of a “Strategic Framework for Governance Programming” was launched in 2002 to facilitate the selection, design and implementation of governance interventions, to ensure that results defined in the CCF and SRF are achieved. The following major areas for intervention or entry points, are identified in the Strategic Framework:

- Legislatures
- Access to justice and human rights
- Public administration
- Information and Communications Technology
- Decentralisation and local governance
- Civil society strengthening
- Gender

To date, UNDP interventions have been grouped into three main areas:
- Capacity Building Fund (18 projects in different stages, plus 6 pipelines.)
- Support to the Judiciary (1 project)
- Support to Civil Society (1 project)

A. Capacity Building Fund for institutional reform

Following broad-based consultations with national institutions and the donor community, the CBF was established in March 2001, as a partnership mechanism designed to channel resources in order to meet the critical needs faced by government at all levels for institutional development. The Fund’s initial four target beneficiaries -- three ministries, all in the government of Serbia, and the Civil Service Council – have grown in number and scope to a current total of 9 ministries including two at the State Union level (MoHMR and UMIER) , four agencies and the Diplomatic Academy. Meanwhile, UNDP’s partner in the CBF’s establishment, the Fund for an Open Society in Serbia and Montenegro, has now been joined by a large number of other donors: the Governments of Germany, The Netherlands, Sweden, Switzerland and Austria, as well as the Rockefeller Brothers Fund.
The CBF has been so far, governed by a steering committee, which is chaired by a Government representative, and consists of representatives of all the contributing donors. All proposals for funding require approval of this committee, and are also sent for an opinion to the Civil Service Council and Agency for Public Administration Development. Assistance to beneficiaries with formulation of proposals, as well as initial vetting, is provided by the CBF’s own executive office, which, as a branch of UNDP’s office in Belgrade (within the cluster for Democratic Governance), oversees the process of project implementation and management in recipient institutions, ensures provision of adequate support services such as expert policy advice and training, and also ensures delivery of regular workplans and reports, monitoring and evaluation, in accordance with UNDP’s results-based framework and systematic performance indicators.

CBF is currently undergoing a substantive restructuring, according to the findings and recommendations of a Mid-Term Review and the subsequent conclusions of the Sixth (extraordinary) Steering Committee. The establishment of a working group is envisaged as a formation of a team, to represent government, UNDP and other donors, with the task to formulate proposals for transformation of CBF into ‘a strategic vehicle’ of the State’s strategy for public administration reform, as also stated by the Prime Minister of Serbia.

The chief programme objective of the CBF is to enable governments at all levels within Serbia and Montenegro to fulfill their own objectives of reform, especially by supporting projects designed to increase efficiency and effectiveness of the public administration, establish by gradual steps a professional, de-politicised civil service, and provide the legal basis for governance in accordance with normal European standards.

The main common characteristics of the CBF projects are:
- Provision of expertise, consultancy & advice
- Diagnostic analyses
- Change management
- Attention to environmental and social consequences of economic reforms
- Raising human capital: professional standards of public servants & training in project management.

Recently UNDP has allocated a major part of its core resources to launch a similar exercise at the Union level as well as in Montenegro. It has been reported that the newly established Council of Ministers did not possess adequate structures and human resource to adequately perform its duties. In consultations with the President of Serbia and Montenegro, Minister for International Economic Relations and a number of officials it has been agreed to launch a preparatory/pilot activities that will assess the existing institutional capacity and provide for creation of a broader programme for 2004. The process is ongoing and by the end of 2003 UNDP plans to gather all stakeholders, to present perspective of the institutions of Serbia and Montenegro and propose development strategy. The initial funding of U$ 200, 000 from UNDP core resources is expected to be matched and excelled in the latter phases of the programme.

Recognizing the weak capacities of local municipalities, and the need to improve their organizational aspects, UNDP supports the Standing Conference of Towns and Municipalities (SCTM), with the financial support from Sida (Sweden). SCTM is an association of local governments. The aim of the project is to build the capacity of this body through the establishment of a project management unit, development of new management systems in order to improve the operational efficiency and increase the capacity of the Standing Conference, establishment of a Municipal Training Unit and a Project Planning and Evaluation Unit within the Standing Conference, provision of policy advice to the committees on local self-government and local finances, local economic development and environmental protection as well as advisory support in local public administration development.

Provision of expertise, consultancy & advice

The main contribution so far has been in terms of projects designed to enable the Serbian government assume new functions required by transition to a market-based economy. These include most notably the provision of additional specialised personnel to enable, respectively:
- The Serbian Ministry of International Economic Relations established and made operational a special Agency for the Promotion
of Exports and Foreign Investment (SIEPA), and created European Union (EU) unit and World Trade Organization (WTO) unit to prepare the country for the accession to the EU/WTO. Both units made a substantial contribution in preparing various documents as a first stage towards the EU/WTO as: Methodology for Impact Assessment of the Stabilization and Association Agreement with the EU; Strategy of Training and Education of Civil Servants on the EU and the Accession Process; brochure on The European Union – Basic Concepts and Information, etc. Substantial advice was given to Law on Leasing, Law on Donations and Draft of Foreign Trade Law, which are pending Parliament’s approval.

**The Ministry of Social Affairs** modernized the delivery of social services and introduced

a) new legislation for a reform of pension system. The reform of the pension system and the legal framework in which it operates will provide better care for pensioners. The goal of the reform of the social welfare system is to transform welfare into a development tool. Reforms in both sectors should lead to social justice.

b) CBF enables the Ministry to develop mechanisms for poverty alleviation, assist the families and individuals in providing minimum of social assistance/security, develop the main principles of alternative forms of social care and protection, provide support for families and protection of children, the elderly and disabled persons.

c) New Law on Financial Support of Families with Children and the new Pension Law enacted; Law on Social Assistance and Social Protection, changes of Law on Social Benefits, new Law on Family and Marriage in preparation. In addition to this, CBF assists the Ministry of Social Affairs to develop mechanisms for prevention and suppressing of human trafficking, which is a very significant problem area in the countries in transition.

**The Serbian Ministry of Mining and Energy** initiated crucial projects to increase the institutional capacity of the Ministry; restructure public energy utilities; develop the district heating system; draft new energy law and harmonize energy legislation in accordance with EU standards.

a) The social component of the project carries out the support to low-income households whereby some 33,000 households in Serbia were able to reduce their monthly payments due to excellent strategy implemented by the CBF consultants.

b) Thanks to debt restructuring project, 65% of total Serbian population was able to either repay its debt to EPS (Electric Utility) or to re-programme its outstanding payments in a satisfactory manner.

c) The CBF project increased institutional capacity of the Ministry that remained intact despite two labor strikes (in December 2002 and June 2003) and change of Minister and Deputy Minister, all in less than two months.

**The Ministry of Finance and Economy** is at the forefront of the reform processes in Serbia. Three important units were created in order to increase the capacity of the Ministry and smoothen the transition towards market-based economy.

a) The Change and Project Management unit supports the delivery of policies through building ministerial capacity to identify and implement donor-funded reform programmes. The main goal of the unit is to provide efficient Human Resource Management, capable of training and coaching employees absorbed from the Federal Administration (some 15,000 employees).

b) The Public Utility Restructuring Unit (PURU) was established to provide expert technical support to the Government’s Public Enterprise Commission. The Commission is a ministerial-level body established to ensure the coherence and complementarily of policies regarding large and local-level public utilities as well as to coordinate their restructuring. The Minister of Finance is Co-coordinator of the Commission with the Head of PURU providing specialist advice. Under an agreement between the Government of Serbia and the IMF, payrolls of public utilities are to be reduced by June 2005. On behalf of the Minister of Finance, PURU is responsible for reporting to IMF Washington on a quarterly basis the progress of restructuring seven largest public utilities. The unit also collects and processes data on the Public Utilities and coordinates activities with responsible Ministries.
The Economic Reform Management Unit (ERMU) initiates and coordinates economic reform projects in the Ministry. Some of the most important achievements are: Debt Sustainability Analysis of the Republic of Serbia, Strategy on privatization of Banks (in association with National Bank of Serbia) and advisory role on proposed amendments to the Law on the Central Bank; Strategy for the London Club Preparation (including the draft of negotiating platform for the Republic of Serbia) etc.

d) Establishment of the Municipal Infrastructure Agency (MIA) to help municipalities finance their infrastructure investment projects and to provide technical assistance and capacity building to Municipalities.

e) In addition, the project provides highly qualified experts who are contributing policy advice in specific areas where the Ministry lacks critical capacity, such as: budget execution, harmonization of domestic regulations with EU, treasury and assistance with the local government reform processes.

- The Ministry of Economy and Privatization is overseeing the work of the Serbian Privatization Agency, which is carrying out the privatization process in the Republic of Serbia. The project’s development objective is to create in the Republic of Serbia a viable private sector, increased investment and productivity and growing medium and long-term employment opportunities, through supporting by auctioning method transparent privatization of 4,000 small and medium sized socially owned enterprises. Anticipated outcome of the privatization process will lead to:
  a) new employment opportunities,
  b) economic growth,
  c) realization of social program,
  d) stimulation of the local development and ultimately improved standard of living
  e) The main accomplishments of the project are: 68 public Auction was held with 673 enterprises offered and 567 privatized. The current total revenue from privatization through auction method generated $232,000,000.

- The Union Ministry of Human and Minorities Rights – CBF enabled the Ministry of Human and Minority Rights to conduct a review of a long-term strategy, which included strategies for law reform, education for minorities, intensifying inter-ministry cooperation, engagement of minority communities bilateral agreements, and Roma specific issues. This led to increased activity in area of:
  a) education of minorities,
  b) raised awareness of ethnic tolerance,
  c) adoption of strategy for Roma integration,
  d) promotion of international legal aid, promotion of migration policy and readmission, and
  e) promotion of awareness of human rights in the State Union.

CBF assists the Ministry in establishing inter-ethnic dialogue and tolerance between national and ethnic communities and the majority population. It enables the Ministry to guarantee that the rights and obligations of national and ethnic communities are met and implemented. The support from the CBF enabled the Ministry to open regional sub-offices in the ethnically tensed regions in order to better serve those communities.

- Support to Public Administration Reform Agenda in Serbia:

In the first days of the new democratic government in the Republic of Serbia, UNDP has initiated programmes and projects to support to public administration reform, namely capacity development of Civil Service, Ministry for Public Administration and Local Self-Government and, later in 2002, Government Agency for Public Administration Development. In total UNDP provided more than 800, 000 USD for the support in this area. In the previous period UNDP helped Serbian Government to develop Strategy for Public Administration reform, draft key laws, attempt to develop civil service training institute, implement first activities related to functional reviews of ministries and agencies and deliver training programmes to civil servants in project and change management and similar areas.

- The Ministry of Labour and Employment - The CBF assists the restructuring of the Ministry of Labor and Employment, which will increase its operational efficiency. The restructured ministry should be able to create conditions for a) revival of the economy by establishing new labor legislation, which is required to bring
employment law in line with the requirements of a market economy and to incorporate appropriate employment protection
b) supporting the private sector in creating new employment opportunities;
c) The CBF assists the Ministry in improving its relationship with the Labor Market Bureau, which will be one of the most important tools for the implementation of the National Employment Strategy.
d) This Ministry plays a very significant role in the process of reduction of unemployment rate, and alleviating social impact of privatization.

- The Ministry of Education and Sports and Ministry of Health – The capacity building interventions in the Ministry of Education Health entails
  a) institutional development
  b) performance improvement within the Section for Education and International Educational Relations (in the Ministry of Education)
  c) improvement of the Department of Internal Control and the group for Information Technology and the Minister’s Cabinet. (in the Ministry of Health).

The CBF assistance in these Ministries has enhanced:
  d) a wide-ranging programme of education reform, and
  e) implementation of a comprehensive action plan in health sector.

This support has provided ministries with more coherent and strategic framework to guide investments in health and education sector. The CBF has increased the efficiency of the organization if these ministries and their capacity to meet their strategic priorities. The key-note of these developments has been cost-effectiveness combined with consumer-friendly delivery of vital services at an adequate level in terms of both quality and quantity. The education system is also fundamental to the development of human resources that are needed as the driving force for economic recovery and social change in the country.

- Support to the Standing Conference of Towns and Municipalities:
  Knowing that the decentralization and regionalization process has been given political support, but at the same time, realizing the lack of institutional capacity and administrative framework for this process, UNDP was advised from the Serbian government to provide assistance to the only association of local self-government in Serbia. The project is about to be launched and, by 2004 it is expected that the project management unit will become operational and that first activities in the area of capacity building will take place. Total budget is 750, 000 USD.

- Preliminary support to the Executive Council of Vojvodina

  Upon the request from the Executive Council of Vojvodina UNDP created a project for preliminary assistance to the provincial government with the intention to build foundation for the future, more substantial, institutional development. To date, a project management unit became operational, 160 civil servants were trained in project and change management and by the end of 2003 it is expected that a preliminary functional review will be conducted.

As a contribution to the Government’s campaign against corruption in the public service, the CBF provided support to the preparation of the legislation necessary to establish a Supreme Audit Institution. This is the only project that links the Serbian Parliament and the Executive Branch, as it is designed to exercise democratic control over public spending.

- The Establishment of Supreme Audit Institution (SAI) aims at preparing the ground for a future Supreme Audit Institution in the Republic of Serbia. The project targeted at helping the Serbian National Assembly members to properly select and prepare a SAI model and to prepare a draft law for the creation of the SAI, taking into consideration the contemporary and transitional political, economic, institutional and social context of Serbia. This would lead to an effective and efficient legislative oversight body dealing with public finances. This initial support was important as such institution did not previously exist neither Serbia nor in the former Yugoslav Republic. The initial support has helped in preparing preliminary draft law, which has been reviewed by the Serbian National
Assembly's Finance and Budgetary Committee and submitted to the Serbian National Assembly for debate. It is expected that the final text will be adopted before the end of 2003.

In the second phase of support, once the law is adopted, the actual institution must be created. Its constructive role in the proper management of public finances through proper accountability and transparency will not be assured unless the proper foundations are present. For the institution to be effective and play fully its oversight role it will need to:

a) create acceptance within the government entities to be audited
b) create awareness amongst the electorate, civil society as well as all stakeholders, such as the international donor community
c) identify its needed finance and human resources
d) properly identify its substantive involvement

e) define its human capacity development programme
f) properly establish its reporting and information mechanisms. The national counterparts have shown their capacity and political will to make the future SAI constructive for the Democratic Governance process.

Diagnostic analyses & change management

The CBF’s interventions are widely recognised as having made it possible, especially by their ability to respond quickly and flexibly, for the Government of Serbia to meet a wide range of new economic and social demands arising from transition. The main challenge remains that of making the benefits from assistance sustainable and effective in the longer term by means of genuine reforms in the structure and process of governance, and lasting improvements in the quality and performance of the public administration. Progress in these respects has been hampered by the lack of an agreed strategy for public administration reform, and the excessive fragmentation, and sometimes duplication, of responsibility within government itself. Under the circumstances it has been difficult for donors to make a sufficiently concerted response to the challenge of reform. A disturbing trend has developed for donor interventions in capacity building, and especially in management and development of human resources, to become dispersed among different recipients, often for similar or related objectives, and without overall strategic direction and consolidation on the part of government.

Nevertheless, the CBF’s interventions so far can be seen as having potentially established a pattern that could be developed into a set of agreed strategic directions to be pursued in general partnership with donors and government:

Most CBF projects have in common a core element of change management, including especially provision of expertise in diagnostic and functional review, project management, and in the development of human resources through training of trainers. Special units for change management and restructuring, as well as high-level policy advice, including the upgrading of legislation to meet European and international standards, have been manned in three ministries so far; special units have been set up (in the Ministry for International Economic Relations) to prepare for adaptation of Serbian administration and law for membership of the World Trade Organisation and for the effects of European integration; special training programmes and study visits have been conducted under the aegis of the Civil Service Council. Following completion of a pilot functional review in the Ministry of Health, a crosscutting functional review is commencing to assess the provision of special services to ministers across several ministries and recommend improvements in core services at the level of Serbian central government.

Attention to environmental and social consequences of economic reforms

An increasingly prominent and distinctive purpose of the management of CBF projects is to build the capacity to recognise and address the environmental and social consequences of economic reforms. This constitutes an important element of the assistance given to the Serbian Privatisation Agency, as well as to the Public Utilities Re-structuring Unit (PURU) in the Ministry of Finance. A recently inaugurated project in the Ministry of Finance provides directly for a specialised advisor to develop policy for management of the labour market and employment promotion, who is in regular contact with his counterparts in those other projects, in order to take into account the effects on levels of employment of reforms in existing public utilities and enterprises, including disposal of assets.
Raising human capital: professional standards of public servants

Also cutting across all projects supported by the CBF, as well as the two objectives mentioned above, is the objective of raising the professional competence, standards and performance of the public service. To this end the CBF has supported the efforts of the Civil Service Council to develop a proper legal basis for public administration, including an adequate law on the civil service, and provided for a project of training for improved management of reform policies and programmes involving several Serbian state institutions. As a contribution to the government’s campaign against corruption in the public service, the CBF provides means for a project to prepare legislation necessary to establish a Supreme Audit Institution, designed to exercise democratic control over public spending.

In fact, the staff employed by CBF in different parts of the State Union and Serbian administrations in which it supports individual projects now amounts to about 120 in number. Although some of these are serving as consultants on a short-term basis, and all are appointed in connection with specialised tasks arising from specific projects, they nevertheless provide a potentially significant means of pursuing these general strategic goals. In particular, they offer a means of influencing through their own professional qualifications and conduct the standards and customs observed in the areas of the public service where they themselves work. In line with the original intention, the CBF has thus become an important means of enabling highly qualified young Serbian nationals to return to their native land for employment in the public service, and encouraging others to remain. This contribution in human resources cannot substitute for a thorough-going reform of the civil service, including reduction of numbers to appropriate levels combined with increased remuneration and improved conditions, and depoliticisation combined with upgrading of qualifications, skills and motivation. However, pending completion of such reforms, the maintenance of such a pioneering group of change agents throughout different ministries could be seen as providing the embryo of a professional higher civil service of the future.

The pursuit of strategic objectives by the CBF will also henceforth be greatly enhanced as a result of the establishment of the new Serbian Ministry for Public Administration and Local Self-Government. The CBF executive office and network will be seen increasingly now as providing a support to this Ministry in its task of coordinating both public administration reform efforts within government and of the supportive interventions of donors.

The need to pursue these general strategic directions energetically has been intensified by the decisions and actions taken subsequent to the Belgrade Agreement of March 2002 (see Annex 1), envisaging a fundamental constitutional revision that will re-distribute powers and functions extensively in favour of the governments of Serbia and Montenegro in a new State Union of Serbia and Montenegro that would replace the Federation. It was with this development largely in mind, as well as the need to strengthen support for the strategy of public administration reform, that UNDP decided to augment its own support for the Executive Office of the CBF, thus enabling it to expand substantially from September 2002 with addition of five new personnel: an international chief technical adviser; a programme manager; and three programme specialists. The reinforcement of the CBF executive office is expected both to enable an enlargement of tasks in terms of new projects and to improve the management of existing projects.

At its fourth meeting in April 2002 the Steering Committee of the CBF resolved to develop its role further by amending the structure of its management and promoting greater national ownership over CBF...
implementation and creating a wide forum for stakeholder consultation. An external Review of the CBF has been finalized and the measures to upgrade strategic focus and transform CBF into a strategic vehicle of the Government’s Strategy for Public Administration Reform, will be discussed and identified by a Working Group comprised of Government officials, UNDP representatives and Donors in early fall of 2003.

B. Judicial Reform -- Judicial Training Centre

The Judicial Training Centre (JTC) is a vital instrument in carrying out the process of judicial and legal reform in the Republic of Serbia toward restoring the rule of law and confidence in the judiciary. Thus it also complements the support of the CBF in legislative development. The project assists in setting up the necessary structures and training of the Centre’s staff. Given the ongoing and planned initiatives of other players in the field, the JTC will also be the central coordinating body for training of judges, prosecutors, and legal and administrative support staff. The JTC will maintain a database with broad-ranging information on judicial training. This database will be available to any interested representative of a particular target group as well as NGOs and the international donor community. In addition to the necessary infrastructure and staffing, the project assists the process of development and implementation of core curricula. Finally, the project assists the JTC in elaborating a Research Strategy, necessary to support future training activities.

The objectives of the JTC are to:

- Strengthen the establishment of the Rule of Law through establishing the JTC as an institution
- Increase the level of judicial skills essential for a reform process as it relates to their availability and capabilities (education and training)
- Create coordination mechanisms for judicial education

Inauguration: The Serbian Minister of Justice and the President of the Serbian Supreme Court opened the JTC in September 2002 and stressed the essential role of the Judicial Training Centre in Serbia’s judicial reform process, particularly for improving the skills of both judges and prosecutors.

The results to date:

- establishment of the JTC as an institution
- creation of coordination mechanisms and advisory structures
- development and implementation of core curricula for all target groups
- development of a JTC research capacity
- development and implementation of training chart for criminal, civil and commercial law
- 90 seminars conducted for more than 2000 participants including Judges, prosecutors and legal workers
- support to the Annual Conference of Judges of Republic of Serbia 2002 for more than 1,000 judges

Planned activities and networking: For its activities the JTC is creating a network with both national and international organizations and institutes that are active in the field of training in judiciary. Apart from the agencies mentioned above in respect of urgent courses, other major counterparts are the Council of Europe, ICTY, OSCE, Belgrade Law Centre, Centre for Advanced Legal Studies, Centre for Antiwar Action and Humanitarian Law Centre. The JTC is coordinating different organizations’ programmes and also organizing several training programmes together with these organizations. The programmes in co-organisation with the Council of Europe focus on essential provisions of the European Convention on Human Rights, while the cooperation with ICTY and local NGOs focuses on human rights and war crimes. Also one of the counterparts in the aforementioned cooperation is the American Bar Association & the Central & Eastern European Law Initiative in respect of training needs in the field of gender issue, and IBM in respect of commercial law. Furthermore, the different pillars within the judiciary – the Association of Judges, the Association of Prosecutors, the Supreme Court, the Prosecutor General and the Ministry of Justice, are closely involved in designing the JTC’s activities. In the aftermath of the assassination of the Prime Minister Djindjic the JTC became involved in training in the area of organized crime. An evaluation is planned to take place in September 2003.
C. Civil Society Development Programme –

1 Development of State-Civil Society Partnerships in Serbia and Montenegro

Many factors have combined in S&M to discourage grassroots participation in public life: lack of transparency, corruption, inefficient businesses, mistrusted banks, and over-committed and a poorly functioning social safety net, etc. Many NGOs in S&M are at an early stage of development and need to build their capacity in order to respond more effectively to the complex social and economic environment. The legal status of NGOs is still undetermined and tax regulations that may prompt the development of the third sector are not favourable. Despite some efforts of the public administration at the local and national levels to increase participation of civil society in policy- and decision-making, this cooperation is still random. In the new climate of liberalisation, the NGO community can play a crucial role in promoting democratic values and reform, bringing about participation and being intellectually creative in the search for solutions to political problems, including poverty. The project also aims at supporting the participation of CSOs in the PRSP process.

Objectives:

1) To support the process of governance in Serbia and Montenegro by strengthening the role of civil society, so that it becomes involved effectively in government’s policy-making, oversight and delivery of services.
2) To participate in the process of elaborating the PRSP in an informed way.

Results to date:

• The provision of quantitative and qualitative data on the NGO sector in Serbia (in-depth survey and analysis entitled “Third Sector in Serbia: Status and Prospects”), the first comprehensive survey of NGOs in Serbia
• Third Forum of NGOs aimed at identifying a new strategy for NGO development in S&M, with recommendations to NGOs, state bodies and international agencies and donors
• Capacity of NGOs in southern Serbia increased due to provision of grants and technical assistance, and their participation in communal life increased through participation in local government and civil society organisations, such as Municipal Technical Committees on economic development, education, health, media and infrastructure rehabilitation.
• Number and capacity of NGOs in northern Montenegro increased due to provision of grants and technical advice in the field of environmental advocacy and poverty alleviation, and cooperation between local authorities and civil society established.
• Conference on partnership development between the state and civil society in poverty alleviation in May 2002.
• UNDP & CSOs are full partners in the PRSP process.
• Poverty publication from the Civil Society perspective with a review of regional specific characteristics.
• Direct input to the PRSP process.

Partnerships:

The Centres for Development of non-profit sector from Serbia and Montenegro, Civic Initiatives (Serbia), Catholic Relief Services, Government of Netherlands, Charles Mott Foundation, G17 Institute, Canada CIDA, Norwegian People’s Aid (NPA), Government of Ireland - Ireland Aid, Rockefeller Brothers, and NGO Partners CRNVO, MANS, Zeleni. The Serbian Ministries of Social Affairs and Labour, the Montenegrin Ministries of Social Care and Labour, and Finance. The trade unions Nezavisnost, Association of Free and Independent Unions and Samostalni Sindikat Srbije.

2 Capacity Building of NGOs for Civil Society Development in Montenegro

This programme is aimed at strengthening Montenegrin civil society so that it becomes an effective agent in consolidating democratic practices in particular in creating a more accountable, transparent and effective government system at all levels. This objective will be achieved through assisting NGOs working in two strategically important areas: environment and poverty reduction. NGOs will have access to a range of training workshops and conferences, will obtain on-going
guidance and support from UNDP’s implementing partner and will have access to funding for 6 months of advocacy related initiatives. NGOs working on the same thematic issues will form informal coalitions and work both independently at the local level and through the coalition at the Republican level to promote both policy and practice advancement and change in terms of the problem they are trying to address.

3 Support to the Poverty Reduction Strategy Paper (PRSP)

UNDP in Serbia and Montenegro has played an important role in supporting the PRSP process. In addition to the substantive input, such as organization of workshops on poverty-related issues, and participation in various consultative meetings, UNDP is playing a key role in facilitating the participation of the PRSP both in Serbia and Montenegro. UNDP will use its own resources to support also the monitoring and evaluation component of the PRSP in Serbia. The WB and DFID have made available resources through Trust Funds for the PRSP management team in Montenegro and UNDP is managing this Trust Fund as requested by the Government of Montenegro. In Serbia UNDP was supported by the Government of Netherlands and the EAR.

4 City-to-City Programme - Decentralised Cooperation in Serbia and Montenegro

In order to involve local authorities in providing assistance to the most vulnerable population of Serbia, Italy and the United Nations Development Programme have launched and promoted the City-to-City Programme. The programme aims at providing assistance to the most vulnerable population in six cities of Serbia and Montenegro, through the strengthening of decentralised cooperation links for human development between S&M and Italian cities and regional authorities.

Many Italian local authorities, in recent years, have carried out a number of humanitarian and development cooperation activities in different countries, frequently undertaken in the framework of UN implemented programmes. For the City-to-City programme, decentralised cooperation means sustainable partnerships between local actors of Serbia, Italy and other countries.

Beneficiaries:

The Programme operates in six Serbian cities: Belgrade, Kragujevac, Nis, Novi Sad, Pancevo and Smederevo. These towns host a considerable number of refugees and IDPs.

The presence of refugees and IDPs in the six cities is between 10% and 25% of the resident population. The total population of the six cities amounts to 2,533,143 according to the 2002 census.

The City-to-City programme responds to the needs of the most vulnerable population of the six cities following a multi-sectoral, non-discriminatory and participatory approach. The City-to-City programme focuses, in its first phase, on the implementation of a number of development activities, covering various dimensions of social and economic recovery, including health, education, income, and environmental risks.

Partnerships:

The City-to-City programme is funded by the Government of Italy and coordinated, in Italy, by the General Directorate for Development Cooperation (DGCS) of the Ministry of Foreign Affairs. UNDP is the implementing agency and the United Nations Office for Project Services (UNOPS) is the executing agency.

The Ministry of Foreign Affairs in Serbia and Montenegro is the institutional facilitator at the Union level, while the national working group focal point is located in the Republic of Serbia’s Ministry of Social Affairs.
Coherent planning and monitoring of the programme activities is ensured by the City Working Groups (CWG) composed of representatives of local authorities, civil society and private/industrial sectors. CWGs are focusing on cooperation with Italian cities in the areas of:

- Belgrade & Florence Libraries, culture, and urban planning;
- Zemun & Cabri support a group of women entrepreneurs;
- Pancevo with Ravena & Venice environment protection, setting-up an air pollution monitoring system;
- Novi Sad & Modena: Local Economy Development Agency; support to social services to vulnerable groups;
- Nis & Empoli local economic development;
- Kragujevac with Imola & Carara social services, elderly people and local economic development;
- Smederevo & Pisa town planning and local development.

Southern Serbia has been affected by ethnic tensions in three municipalities since the end of the conflict in Kosovo in 1999. Remarkable progress has been made during the last two years in consolidating peace and stability in war-affected municipalities along the Kosovo Administrative Border Line (ABL). This has been made possible through the determination of the Federal and Republic governments to honour promises made in April 2001 to the ethnic Albanian community in what has become known as the “Covic Plan”. This was accepted by the rebel forces, operating from the former Ground Safety Zone along the ABL, as a basis for the peace agreement reached in May 2001.

A strategy was articulated to redress grievances about past neglect and discrimination and, with the strong support of the international community, to invest in the repair and renovation of the neglected infrastructure. Since then there have been great improvements in the security situation and, consequently, in the relations between the security forces and local population. Other achievements include: fewer complaints and prompt government action on human rights abuses; good progress in the formation of the multi-ethnic police force; new municipal elections in Presevo, Bujanovac and Medvedja.
municipalities; the facilities to assist the return of IDPs from Kosovo; compensation for war-damaged properties and a steady return to political stability. The continued political stability of this area will, however, depend on events in neighbouring Kosovo and the former Yugoslav Republic of Macedonia (FYROM). It is also crucially important for the Serbian Government to maintain the momentum of the “Covic Plan” for political and administrative reform, investment in public infrastructures and the strengthening of institutional capacities. There is still a long way to go for the creation of an enabling environment for the region’s economic recovery.

Since the democratic change in government of late 2000, the new Government authorities have embarked on a process of redress and recovery with local community leaders, and especially with the local ethnic Albanian leadership. In response to this new policy, a UN Inter-Agency Assessment Mission studied the humanitarian, social and development needs in southern Serbia in February 2001. The mission highlighted the root causes of the crises and made recommendations for immediate and longer-term peace-building actions to be undertaken by the international community in partnership with the Serbian Government and the communities. The strategic multi-disciplinary recommendations of the mission included:

- Cross-cutting issues (including: governance, human rights, security, social inclusion and gender);
- Social service delivery (including: health, education, social welfare, public utilities);
- Economic development (including: poverty eradication, employment, sustainable livelihood, SME development, agriculture and food security, prevention of illegal trafficking and drug control).

Based on the Inter-Agency mission recommendations, a UN inter-agency support office (IASO) was established in Vranje in May 2001 to support the efforts of the Government Coordination Body for southern Serbia in implementing the peace agreement reached in May 2001 with the ethnic Albanian guerrillas. Six UN agencies (UNDP, UNICEF, UNHCR, UNOCHA, FAO and UN/OHCHR) have participated in IASO, implementing various programmes. IASO has also played a key role in the coordination of international efforts to provide humanitarian and development assistance to war affected communities. In addition, in 2001 UNDP developed two complementary area-based recovery and development programmes, namely the Rapid Employment Programme (REP) and the Southern Serbia Municipal Improvement and Recovery Programme (SSMIRP).

The UN IASO office in Vranje was managed by UNDP as a common services project under the leadership of the UNDP Area Coordinator for southern Serbia. It brought together almost all of the international development agencies and NGOs working in southern Serbia. Monthly meetings were convened to coordinate agency activities on refugees/IDPs, education, health, SMEs, and infrastructure. In addition regular meetings were held with EUMM, OSCE, ICRC and the Serbian Government’s Joint Coordination Body for southern Serbia to share information on the political and evolving security situations. UNDP acted as the Area Security coordinator responsible for approving travel by UN staff to the former Ground Safety Zone along the Administrative Boundary Line with Kosovo. As the security situation improved, it was possible to relax and eventually remove travel restrictions. The IASO office closed at the end of 2002, by when most UN agencies, except for UNDP and FAO, had decided that they could cover their programmes from Belgrade. UNDP will continue to support municipal governments in southern Serbia from Vranje, through REP until end of June 2003, SSMIRP and MIR, which is planned to start in July 2003, programmes. It will also continue to support the Coordinating Body, Regional
Development Coordinator and Regional Steering Committee.

The two UNDP programmes in south Serbia produced significant results during 2002 and 2003. They helped to restore a measure of security and confidence of the population in the government’s willingness to address some of the critical political, ethnic, economic and social issues faced by the area.

Substantial government cost-sharing has been received, a manifestation of the high priority being given to the area.

2. Rapid Employment Programme in Southern Serbia

Southern Serbia is one of the poorest regions of S&M due to years of neglect and low investment in all the communities living there – Albanians, Roma and Serbs, especially in the municipalities of Presevo, Bujanovac and Medvedja. Southern Serbia suffers from poverty, unemployment (60% for Presevo), poor infrastructure, and a weak private sector with redundant employees remaining on the payrolls of socially-owned companies. Remittance income has also dropped. A legacy of discrimination with regards to human rights, ethnicity and educational qualifications characterises the region, while disparity in the allocation of official resources was also prominent. A level of violence has persisted, making for insecurity, further weakening of the local economies and endangering the social fabric. The Government of Serbia has released funds for public services but the capacity to manage them and produce development plans is limited.

Objectives

- To carry out a joint needs identification and to implement labour-intensive public works.
- To provide employment, for approximately three months, over one year for 3,000 people
- To strengthen municipal authorities in repairing infrastructure and environments.
- To facilitate small-scale development projects to build confidence and create an incentive for those displaced to return home.
- To remove employment disparities by providing practical examples in fair allocation of funds, and job creation without prejudice.
- To restore confidence in local authorities through co-funding to Rapid Employment Programme (REP) sub-projects from the municipalities and Serbian Government
- To increase participation of local populations in deciding on such initiatives.

UNDP-EAR Response

In partnership with the European Agency for Reconstruction (EAR), UNDP instituted the Rapid Employment Programme (REP) to provide temporary employment and thus income, in intensive public works designed to rehabilitate basic infrastructure such as roads, water supplies, sewerage, drains, retaining walls, bus shelters and school playing fields. On the environmental side, re-afforestation, creation of green spaces and parks, removal of rubble and management of solid waste was undertaken. The programme has provided for up-grading the financial and technical competence of staff in municipal departments of labour, employment and public works. The groups who benefited in particular include unemployed rural and urban poor of different ethnic backgrounds; internally displaced persons, refugees and war-affected communities; municipalities and mesna zajednica (village committees), youth and ex-combatants.

Results to date

- REP has provided temporary jobs to 5,500 unemployed ex-combatants and vulnerable persons for an average duration of 8.5 weeks;
- 130 sub-projects in the target municipalities of Presevo, Bujanovac, Medvedja and Vranje, worth US$ 1.8 million have been completed; 40 sub-projects are on-going.

Rubbish collection in Presevo
• REP has injected US$ 2 million into the local economy and has successfully generated micro-economic activities in the area with a multiplier effect, relating to the rehabilitation of basic infrastructures, environmental protection activities such as green area, parks, water and sanitation, and health and education. Direct payments made to the workers involved, thus providing much needed employment-related incomes.

The Partners

The Joint Coordination Body for the region led by a Deputy Prime Minister of Serbia, and the Yugoslav Federal Minister for National and Ethnic Communities; International organizations such as UNHCR, USAID/OTI, Community Habitat Finance (CHF), and Swiss Development Cooperation (SDC); The Municipalities, which have spontaneously put up 30% of the funds needed to cover costs.

As REP will be winding down by June, and based on the success of the project, EAR will be investing another Euro 6.5 million for two years through UNDP.

3. South Serbia Municipal Improvement and Recovery Programme (SSMIRP)

Past systematic human rights discrimination and exclusionary policies have combined with social and economic disparities to fuel an insurgent movement. This has destabilised southern Serbia and risked doing the same for the neighbours of Serbia and Montenegro. The crisis has been aggravated by poor infrastructure, high unemployment and the emigration of skilled workers. There is particular concern for youth and young adults, who have never entered the workforce and could be tempted into trafficking of people and drugs. Agriculture and livestock have declined as a result of the crisis in Kosovo and the resultant loss of markets.

The objectives

UNDP initiated a post-conflict assistance programme in the area in April 2001. It helped to establish an Inter-Agency Support Office, based in Vranje, to house the offices of UNHCR, UNICEF, FAO, UNOCHA and UNDP. This demonstrated to ethnic Albanians in particular that the international community was concerned about their safety and welfare. Later in 2001, the World Bank approved support for the Municipal Improvement and Recovery Programme.

Results to date

• Signature of a Memorandum of Understanding between UNDP and the Serbian Deputy Prime Minister, Mr Nebojsa Covic, to support the expansion of the remit of the Joint Coordination Body to other municipalities in southern Serbia, and to promote economic recovery, following a Serbian Government Cabinet decision to endorse such an approach.
• Municipal Technical Units and Municipal Development Funds established in six municipalities with Government-Municipality cost-sharing.
• More than 400 young people in Presevo and Bujanovac have been learning English and Computing in ethnically mixed Community Leadership classes.
• 100 municipal authority staff, and 50 SME representatives have been trained in public administration best practices,
Building Blocks for Reform and Recovery
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- More than 40 Albanians, Serbs and Roma individuals have been involved in setting development priorities of the Municipalities through municipal development committees.
- Over 30 development projects have been implemented to address the needs of the entire population in areas such as vocational training, economic development, education, infrastructure and health;
- 30 municipal staff have been trained in public administration best practices, i.e. public finance, spatial planning, management of public utilities companies, IT training and public information campaigns;
- 30 computers, 5 Local Area Networks and other IT assistance has been provided to the municipalities;
- 1,200 community leaders, out of which 500 women, from the three ethnic groups, have been trained in identifying priorities, selecting projects, and writing them up;
- 100 Roma parents have received training in improved health and education practices.

The Partners

- The Joint Coordination Body for southern Serbia, led by a Serbian Deputy Prime Minister
- Mayors and municipal administrations who have shared costs
- Mesna zajednica committees which have proposed small projects
- UNHCR, UNICEF, UNOCHA, UNOHCHR, FAO and IOM
- The following donors:
  - World Bank
  - Government of Sweden/SIDA
  - Government of Luxembourg
  - Government of Netherlands

Municipalities have contributed with 30% of funds as matching funds to the Municipal Development Fund established in each of the six Municipalities. Based on the success of REP and SSMIRP, and recognizing the need to contain to invest in this highly unstable and poverty-ridden region, UNDP and EAR reached and agreement to continue to and extend the support to 11 municipalities in the region through a newly formulated Municipal Improvement and Recovery (MIR) project which will benefit from Euro 6.5 million by EAR, channeled through UNDP. Sida also increased its support to SSMIRP and allocated a further US$ 650,000.

B. LOCAL ECONOMIC DEVELOPMENT PROGRAMME (LED), SANDZAK

The Western Serbia and Northern Montenegro area, sometimes referred to as Sandzak, is one of the least developed regions of Serbia and Montenegro. The situation is deteriorating and could aggravate the already fragile political accommodation reached in this region in the wake of the Kosovo conflict. Ethnic composition of municipalities varies and is of multi-ethnic character. Much of current economic activity is in the informal and illegal economy, and therefore likely to be unsustainable as Serbia and Montenegro opens up once more to the global economy and normal business laws, regulations and codes of conduct. Since 1991, without proper institutional support, market forces operating within the specific market-driven context have tended to be largely destabilising. The unsustainable economic development path now requires urgent attention in order to preclude further economic decline and social collapse.
**The Objective**

To support the establishment and efficient operations of critical public sector economic development institutions and non-governmental support institutions dedicated to the promotion of local sustainable economic development. To underpin the delicate inter-ethnic accommodation achieved over the last few years, as well as the capacity of the region itself to promote sustainable local economic development in the post-donor scenario.

**UNDP Response**

UNDP has analysed the main obstacles to development in the adjoining regions and has recognized that a key factor is the institutional weakness that has developed over the last decade. The Local Economic Development Programme in Western Serbia and Northern Montenegro, is based upon UNDP supporting the strengthening of a number of critical institutions in both the public and non-state domain. The programme focuses on a pro-active role for local authorities in local economic development planning, restructuring of the agricultural sector and environmental issues. The involvement of the central governments of the respective republic is a key element of the programme, and improved communications between central and local authorities will be fundamental to its implementation.

**Results to date**

The project has:

- Identified key priority areas according to local authorities, through a UNDP-assisted initial needs assessment.
- A workshop on Local Sustainable Economic Development was organised on 2-3 December 2002, aimed at launching a programme and sharing experiences from the region on local economic development initiatives, involving both central and local government representatives; and
- Identification of follow-up needs with particular respect to (i) local economic planning; (ii) strengthening SMEs and spreading business entrepreneurship; (iii) support to the formalization of the informal sector; (iv) organising the agricultural sector, and (v) environmental management.

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### C. SECURITY SECTOR REFORM PROGRAMME

#### 1. Mission for Military Conversion as an element of Security Sector Reform

The ten years of civil conflict in the former Socialist Federal Republic of Yugoslavia left a costly legacy of a disintegrated state and economy, a demoralised and impoverished population, as well as a military-industrial complex which had no further justification during a period of peace. As Serbia and Montenegro recovered from the consequences of the former regime, and moved forward with greater confidence to a new era, it was admitted to the United Nations and other world and regional bodies, and was in a better position to reintegrate itself into the international community, and comply with its norms.

Within the context of the Stability Pact for South East Europe, the FRY Government set up a mechanism for defence and security, which encompasses arms control, non-proliferation and military contacts, defence reform and economics, humanitarian de-mining, small arms and light weapons, disaster prevention and preparedness. Several of these relate to the area of defence reform (security system reform and weapons control) and defence industry conversion.

Globally, UNDP’s involvement in conflict and security issues involves reducing the incidence and impact of armed conflict, through a number of activities. These include (a) developing national capacities to reduce the impact of land mines on international, social and economic development targets; (b) developing and implementing policies and programmes that incorporate conflict prevention and peace-building and strengthening international collaborative systems for peace-building and
conflict prevention; (c) strengthening governance institutional frameworks, the rule of law and human security; and (d) reducing the humanitarian and development impact of illicit small arms proliferation and availability.

In order to address some of the issues facing Serbia and Montenegro, UNDP organised a Fact-Finding Mission to review issues relating to “Military Conversion as an Element of Security Sector Reform”, which took place in June 2002. Under the two main areas of its concern, it made recommendations relating to a number of courses of action, namely:

1. **Military Conversion**: (i) technical assistance office for industrial conversion; (ii) establishment of a conversion agency; (iii) demobilisation, reintegration and training assistance programme; (iv) establishment of a Regional Peace-Keeping Training Centre; (v) establishment of a Conversion Trust Fund;

2. **Security Sector Reform**: (i) Establishment of a Commission on Human Security and engaging civil society; (ii) Enhancing capacity among civil society organisations; (iii) Legislative reform of the Defence Budget/Security Sector management processes; (iv) Creation of greater civilian capacity in the Defence Ministry and other executive institutions; and (v) Creation of a capacity for statutory audit of security sector management and expenditures and other statutory commissions.

A series of consultations had been held by the end of 2002 with government, civil society and international donors to determine UNDP’s comparative advantages in working in the security sector. The discussions focused on the recommendations outlined in the June 2002 report “Military Conversion as an Element of Security Sector Reform”. The former Federal Government has developed a concept of recycling the income from the sales of non-lethal assets (land and buildings). The existing plan is that 70% of the funds would be used to address the housing issues of pensioned military staff and 30% for reconstruction of the war-damaged infrastructure. It is hoped that this concept could be expanded also to include the retraining of demobilised military and industrial staff.

The emerging Security Sector Reform Programme is built on the existing SEESAC and CBF programmes, including the addition of two additional projects. The following are emerging as Security Sector areas that UNDP will focus on in 2003:

- **SEESAC Technical Assistance to the Ministry of Defence and Parliament. Utilize existing capacity of SEESAC to provide technical assistance in drafting and implementation of reform legislation relevant to export and import controls; domestic handling, storage and disposal; and other policy reforms for small arms and light weapons control.**

- **Capacity Building of Civilian Staff at the Ministry of Defence. Through the existing Capacity Building Fund deploy targeted assistance to Ministry of Defence directed at the efficient reorganization of the Ministry as well as building the skills of civilian staff within the Ministry.**

- **Conversion Task Force and Trust Fund. Design a new project that will support the establishment of a Multi-Ministerial Conversion Task Force that would be empowered through a Conversion Trust Fund. Possible UNDP support would assist in developing the Task Force structure; assist with military demobilization & retraining; utilisation of revenues from non-lethal military assets, retraining of displaced military industry staff, etc. Retraining, employment creation, and inter-ministerial communication and coordination would be the primary focus.**
• Civil Society and Public Information. A new project will support the Ministry of Defence, civil society and media efforts to inform public and government offices about Security Sector Reform issues and advantages. The project will support civil society efforts to engage in the Security Sector Reform debate and to ensuring improved human security within Serbia and Montenegro.

The programme outlined above is now dependent on the new State Union of Serbia and Montenegro. SEESAC’s bi-annual report can be read on the website at www.undp.org.yu/seesac/

2. Regional Project: south-eastern Europe clearinghouse for the control of small arms and light weapons (SEESAC)

A legacy of recent conflicts, instability and uncontrolled trafficking has resulted in widespread proliferation of small arms and light weapons (SALW) in the region. This makes for a culture of acceptance of violence that hampers social and economic development. It also subverts the rule of law and democratic government, fuels crime and insecurity, exacerbates conflict and undermines peace building.

The Stability Pact for South Eastern Europe, whose members are Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, Moldova, Romania and Serbia and Montenegro, has produced a Regional Implementation Plan to combat this situation entitled “Combating the Proliferation of Small Arms and Light Weapons”.

The Objectives

To assist the countries in South Eastern Europe to put into practice the Stability Pact for South Eastern Europe’s Regional Implementation Plan by establishing a Clearinghouse for small arms and light weapons (SEESAC) to provide support for efforts to control the proliferation and trafficking of small arms and light weapons. The SEESAC is implemented and administered by UNDP, under the authority of the Resident Representative in Belgrade. The Plan aims to provide a framework of agreed approaches to tackle small arms issues which can be formally adopted by the Governments concerned and supported by international organisations and bilateral donors.

Results to date

The official inauguration of SEESAC took place on 8 May 2002 in Belgrade, as a joint initiative of the Stability Pact and UNDP, accompanied by a symbolic crushing of a number of small arms and light weapons (above picture).

The SEESAC team has now visited all the countries in the region and prepared various mission reports, as well as a Progress Report, including a matrix outline of all ongoing and planned SALW-related activities for 2003.

In Montenegro, under the auspices of a joint UNDP-SEESAC/Stability Pact Initiative, the UNDP liaison office in Podgorica will soon become home to a Small Arms and Light Weapons initiative aimed at increasing public awareness and support for issues related to the ending of the proliferation of light weapons in South Eastern Europe.

The Partners

• Governments and civil society organisations in the region;
• Small Arms & Demobilisation Unit of UNDP’s Bureau for Crisis Prevention and Recovery (Geneva); Szeged Small Arms Process;
• Organisation for Security and Cooperation in Europe (OSCE),
• UN Department of Disarmament Affairs
• The following donors:
The Government of Canada
The Government of Norway
The Government of Switzerland
The Government of Netherlands
DFID
EU
3. Beautiful Serbia

Serbia is facing high unemployment rate. The fight against unemployment, the integration of refugees and IDPs and Roma constitute a major challenge to the national authorities. There is an urgent need for temporary measure to alleviate the unemployment impact of the reforms until the conditions of a rapid and sustained economic growth are established. With the financial support of CIDA (Canada), UNDP has launched a “Beautiful Serbia” project together with the Ministry of Labour and the City Assembly of Belgrade. Beautiful Serbia will demonstrate an efficient, highly visible and very active labour market policy. The project is also expected to have a positive impact on the appearance of 10 Serbian cities and to contribute to an improved living environment for their citizens. It is expected that after the demonstration phase the project will be expanded and adopted by the Government of Serbia as part of its package of national active labour market policies. The project will provide vocational training in construction skills to long term unemployed who will be hired from 10 Serbian cities.

3.3 ENERGY AND ENVIRONMENT

1. Energy and Transition, Poverty and Environmental Impact

(a) The Environment

Serbia does not yet have an environmental strategy. However, the new draft Environment Law is likely to lead to such a strategy. The Parliament resolution on the new draft law is expected in the first quarter of 2003.

At the moment most international donors and agencies seem to be focusing on particular niche areas without an overall view of the environmental situation. Of major interest to donors are environmental education and capacity building. Serbia has a newly established environment body on the republican level, the Ministry of the Protection of Natural Resources and the Environment with its structure yet to be established. Within the Ministry, both fisheries and forestry departments have recently been incorporated. These entities were previously under the Minister of Agriculture.

In Montenegro, basic institutional and legal arrangements for the protection of the environment are in place. In 1991, the Parliament of the Republic of Montenegro adopted a “Declaration on Ecological State”, the commitment for which was included in the 1992 Constitution. However, weaknesses typical to a post-conflict and early transition period can be identified in Montenegro, including low institutional capacity, poor law enforcement, lack of comprehensive environmental policy and baseline data on the state of the environment. As the Republic moves forward in its reforms and transition processes, the need to improve the overall environmental performance and manage the natural environment in a sustainable way becomes ever more apparent.

The Ministry of the Environment and Physical Planning is the key institution with competencies in the environmental field, while management of water and forest resources fall outside the scope of the Ministry’s work. The framework Environment Law of 1996 lays down the basic principles for environmental protection.
Serbia and Montenegro have considerable energy potential (primary energy forms) characterized by the dominant share of lignite and significant water power: annual coal production capacity is 50 million tons, hydro potential is 12 Twh, oil over 1 million tons and natural gas around 1 billion cubic meters - making a total of 12 million TOE (tons of oil equivalent). Installed power plants power: 10,000 MW, of which 65% thermal power plants and 35% hydropower plants.

However, the Energy sector struggles to maintain its basic function – the provision of energy to the population, priority institutions and basic industry/agriculture. Due to low productivity, low employment and low incomes, the available structure of energy services is not affordable to most consumers. Rehabilitation efforts carried out during the last two years are not sufficient in magnitude and character to secure sustainable energy supply, to provide a basis for sustainable development and reverse adverse environmental impact. Frequent technical failures, with harmful environmental consequences, continue to be one of the main characteristics of the energy sector. The lack of a comprehensive, contemporary and applicable energy strategy in Serbia and Montenegro is to be considered as a possible threat to regional stability and development.

The country faces the challenge of restructuring its energy sector in parallel with restructuring of other industries, its employment structure and its social system. This challenge is even more complicated if environmental risks are taken into account.

Objectives

UNDP interventions in environment and energy sectors will target three areas:

- **Environmental Governance**
  to address institutional capacity building needs; promote clean industries principles; introduce integrated approaches to the protection of environment and energy generation.

- **Global environmental concerns and national development planning**
  to enable access to GEF funding for climate change, biodiversity and national capacity self-assessments

- **Reconstruction & Rehabilitation**
  to provide Country Office services to donors and national counterparts in large-scale infrastructure projects

Results to date:

**Environmental Governance**

- A capacity building programme for the Ministry of Environment in Serbia is prepared and currently under discussions for strategic partnerships.
- Training of judges in environmental law at the Judicial Training Centre (established through UNDP assistance) is planned to take place in late 2003.
- Environmental management training is being provided to the municipalities in the Sandzak region.
- UNDP provides the Ministry of Environmental Protection and Urban Planning with the necessary technical support and policy advice linked to ensuring their sustainable development concerns obtain the necessary support across ministerial sectors and government departments. As part of this objective UNDP has assisted the Ministry in the preparation of the Environmental Assessment Report which was presented at the World Summit on Sustainable Development (WSSD) in Johannesburg, funding a workshop on a key sustainable development issue (Energy & the Ecological State) to promote debates at the national level and assisting in the foundation of a National Council on Sustainable Development (Established August 2002).

UNDP has also employed a consultant - a former Costa Rican Minister of Environment - who assisted in the implementation of Costa Rica’s aspirations to becoming an ecological state to advise the Montenegrin government on the same issue. The consultant returned to Montenegro in December 2002 to advance this work towards concrete project proposals.

- Following the recommendations of the sustainable development consultant mentioned above, the Government wishes to promote the development of eco-enterprise/tourism as a priority area in Montenegro through specific projects which: a) support innovative initiatives as catalysts in promoting eco-tourism and b) build the capacities of
institutions which need to take a pro-active approach in promoting this environmentally friendly economic activity. These institutions include: the Ministry of Tourism, the Ministry of Environmental Protection and Spatial Planning, the Public Company of National Parks, the Agency for the Development of Small and Medium Sized Enterprises, Tourism Agencies and selected municipalities. The first project within this programme centres on the Skadar Lake National Park and is aimed at creating conditions to encourage the return of pelicans nesting on the Lake, given that the population of these birds has been decreasing. This particular thematic issue will be used as a concrete example of how to promote eco-tourism and as a starting point in organizing a training and conference on promoting eco-tourism in the Skadar Lake National Park.

- UNDP has, in tandem with its Energy work on preparation for the World Summit on Sustainable Development (WSSD), retained a consultant to examine the potential for the use of Renewable Energy sources in Montenegro and to make policy recommendations for protection of the most vulnerable — in energy terms — to the hardship imposed by transition. Given that adequate access to energy is one of the most important criteria for sustainable development, Montenegro’s constitutional commitment to become the first ‘ecological state’ in the Balkans necessitates careful thought in relation to restructuring of its energy sector. This implies increased attention to the use of renewable energy technologies for meeting the country’s energy needs, and stimulating economic growth. Building strong relationships with both major commercial manufacturers of renewable energy facilities, as well as the development of local expertise and networks of small renewable technology suppliers could be attractive elements in a long-term, sustainable energy strategy for Montenegro. In addition UNDP has contributed to the drafting of the new Energy Law and is developing Energy Efficiency Projects for application to GEF.

- Assistance provided to the Ministry of Environmental Protection and Spatial Planning in Montenegro in mainstreaming sustainable development within the context of an ecological state, and in improving policies and practices linked to physical planning and development.

- Support to the environment-oriented NGO sector in Montenegro through the NGO capacity building Republic-wide programme. This project is a follow-up to the recommendations of the UNDP sponsored “Energy Sector Rehabilitation — Technical Coordination Conference” held in Belgrade in March 2002.

The Government of Serbia and the Government of Montenegro struggle to set up appropriate policies to secure reliable energy supply to the population and industry while at the same time preserving minimal welfare levels and minimizing environmental impact. Significant amounts of international assistance flow to the energy sector to prevent further deterioration of energy services, however, beyond this preventive role, there is little impact of these resources on environmental and poverty issues. The complex relationship between the energy sector, its capacities, the population and environment remains largely unexplored in this country of transition. In particular, project surveys will target local communities in order to reflect the correlation between energy related environment issues and the incidence of poverty. The project results are expected to facilitate public discussion including contributing to the Poverty Reduction Efforts in Serbia and Montenegro, empower local players and contribute to strategy building processes in the areas of energy and poverty, taking into account environmental issues.

- Inputs for an Energy Strategy are being prepared through the project on Energy and Transition, Poverty and Environmental Impact.
Global environmental concerns and national development planning

- Preparatory work is completed for the GEF climate change enabling activity and submitted to the GEF Secretariat.
- A GEF biodiversity enabling activity project has been formulated and is with Government of Serbia and Montenegro for review and comments.
- National Capacity Self Assessment project formulation is ongoing.

Reconstruction & Rehabilitation

- Air pollution monitoring system installed in the city of Pancevo.
- Support in negotiating rehabilitation grants for the Heat and Power Plant in New Belgrade and the Clinical Centre heating system.
- In partnership with UNOCHA and IEA (International Energy Agency) UNDP organized in March and October 2002 two international conferences to help formulation of rehabilitation action plans and to focus on the need for the elaboration of a strategy for the energy sector.

The Partners

- Government bodies: Republic ministries of energy/economy, health care, social welfare, spatial planning institutions and hydro meteorological institutions, selected municipal administrations;
- Non-governmental bodies: Association of Cities and Municipalities, Association of District Heating companies, Association of Natural Gas Distributors, NGO Centre for Policy Studies (CePS);

2. Support to Ministry of Environmental Protection and Spatial Planning -- Physical Planning and Development

Unplanned and illegal building in Montenegro which has characterized the last decade, has led to problems of water supply and waste water treatment, solid waste disposal and electricity supply all of which first and foremost have an impact on the poorest segments of the population. The practices also have serious environmental consequences as well as hamper the implementation of long-term development plans, particularly in the area of tourism, Montenegro’s strategic priority. UNDP’s consultants have worked with the Ministry on devising a work plan for the development of a new Legal Framework on improving policies and practices linked to physical planning and development.

UNDP continues to provide high-level policy advice in this area, and is also in the process of seeking additional funds for implementing an intensive programme of planning, education and improvement of protection/enforcement, that will provide key players in Montenegro with an exposure to modern European planning practice.
3.4 CROSS-CUTTING AREAS

Gender

The former Federal Commission for the Advancement of Women and Gender Equality was the government mechanism for addressing gender concerns, and for implementing the platforms of action of the International Women’s Conference in Beijing in 1995, and other relevant policies.

Under the auspices of this Commission, a Working Group was established in September 2001, for the Development of a National Strategy for Gender Mainstreaming, which would have two main parts: The first part will address and ensure that both women’s and men’s concerns and experiences become an integral part of political decision-making processes; The second part will increase the number and quality of women’s participation in political life, self-sustainable livelihoods, as well as provide a legal framework to address these issues.

The main task of the Working Group was to provide strategic guidance to the then Federal Commission and other federal agencies in introducing gender equality mechanisms. It prepared a “National Strategy on Gender Mainstreaming” which was presented at the Conference on Gender Equality

Mechanisms for FRY, held in February 2001 in Belgrade, and at which European, Balkan and Yugoslav experts and political leaders participated.

They provided contributions on gender equality mechanisms, all of which would go towards preparing a political declaration for gender equality mechanisms in the region of South-East Europe. UNDP supported the Working Group and the Federal Sub-Commission. It met on a weekly basis from October 2001 to February 2002, and benefited from the technical advice of an OSCE Gender Issues Adviser.

A draft national strategy was prepared, comprising a set of supporting project proposals to address:

- Violence against women;
- Draft legislation on Gender Equality;
- Building a common platform, in cooperation with women’s NGOs;
- Economic empowerment of Women.

As the Federal Commission ceased to exist after the transition of the country from a federal to a Union state, UNDP directed its support to the republican levels as well as Civil Society organizations. Recently, UNDP organized training workshop for Government officials and Civil Society organizations in the area of Gender-sensitive budgetting.

Information and Communications Technology (ICT) for Development (ICT for D)

UNDP, following a request for support from the office of the Montenegrin Prime Minister, has recently approved a Thematic Trust Fund Grant to assist the Government of Montenegro to develop an ICT4D strategy. The strategy will focus on the importance of ICT for promoting good governance practices, particularly in increasing efficiency, levels of transparency and accountability in government institutions.


Serbia’s incomplete official data suggest a low incidence of HIV/AIDS. Partial data collected by the City of Belgrade Institute of Public Health show that the cumulative number of people tested HIV positive was 1,234 in 2000 but for a country of 10 million, this was considered too low, particularly since the country does not have a formal, mandatory system of reporting and surveillance. Recent estimates by UNDP research on human development indicators put the number as high as 12,000, somewhat higher than the 10,000 estimated by WHO. Other countries in the region have
experienced epidemics in the wake of the turmoil of the last decade, poor economic conditions, drug and human trafficking, increased use of intravenous drugs especially, and lack of preventive programmes.

Together with WHO and UNICEF, UNDP is the co-founder of the UNAIDS Group in Serbia and Montenegro now comprising nine UN System Agencies operating in the country. Until recently and before the establishment of the Country Cooperating Mechanisms in both Serbia and Montenegro, UNAIDS was the main forum for coordination/cooperation on HIV/AIDS issues involving government(s), public sector, civil society as well as international organizations/NGOs.

Results to date

Major achievements of in Serbia and Montenegro during the last two years:
• A situation analysis was carried out on HIV/AIDS in Serbia and Montenegro as part of the South East European Report on HIV/AIDS;
• Support provided to the former Federal Government in the preparation for the UN General Assembly Special Session on HIV/AIDS in June 2001 as well as for the HIV/AIDS Barcelona 2002 Conference;
• The successful campaigns organized during World AIDS Day (theme: live & let live) supported training of peer educators on HIV/AIDS and empowering of their network throughout Serbia and Montenegro.

• UNAIDS Group advocated and supported the establishment of the National Aids Commissions now operational in both Serbia and Montenegro. These Commissions are responsible for the preparation of the national HIV/AIDS strategies and action plans;
• The Global Fund to Fight Aids, Malaria and Tuberculosis (GFATM) granted $3.5 million for the Programme “Controlling of HIV/AIDS in Serbia: A Comprehensive Country Strategic and an Emergency Action Plan” prepared with active support and engagement of UNDP Group in Belgrade;

Partnerships

WHO
UNICEF
National Committee on HIV/AIDS Prevention and Control

In Montenegro, UNDP is the co-chair of the Montenegro UN interagency initiative on HIV/AIDS. The establishment of a Republican Committee on Aids (RCA) by the Ministry of Health – with the inclusion of NGOs – and the recently completed Rapid Assessment & Response (RAR) Report for Montenegro are positive advances in the struggle to understand and deal with this issue.

A detailed strategy for Montenegro to address this issue, and avoid the kind of epidemic as experienced in Russia and other transition countries, was drafted at a workshop led by an expert from the Canadian Public Health Association during 2002. Following the successful completion of that activity the CPHA consultant returned in August to assist in the drafting of a Global Trust Fund Application on HIV/AIDS.

National Human Development Reports

In 1990 UNDP launched its first Human Development Report, with the goal of putting people back at the centre of the development process in terms of economic debate, policy and advocacy. In this respect, it went well beyond the measurement of GDP, but tried to assess the overall level of people’s long-term well-being, and their scope for choice, by incorporating additional indicators relating to education and life-expectancy.

In 1990, the former Socialist Federal Republic of Yugoslavia ranked as number 34 among the high-level industrialised counties on the Human Development Index (HDI). Since then Serbia and Montenegro faces massive debt, widespread poverty (over a quarter of the population in Serbia and Montenegro) and unemployment of over 35%, with serious deficiencies in every sector of the state administration and economy. Gross Domestic Product (GDP) is less than half its 1989 level. Serbia and Montenegro is now estimated to have fallen to 0.74 on the HDI, or down to the category of medium human development.
In the mid 1990s, the countries of the UNDP Regional Bureau for Europe and the CIS were encouraged to prepare national human development reports. Two such reports on Yugoslavia were prepared in 1996 and 1997. These documented HDI trends, but in view of the internal problems faced by the country, the government was not in a position to address them seriously.

Objectives

With the new prospects for change since the democratic transition of late 2000, the need for an updated review of the human development situation in Serbia and Montenegro became more urgent. This also needed to be linked to a broader capacity to monitor the security issues facing the country.

Results to date

A multi-disciplinary team of national experts in Serbia has finalised the NHDR 2002 for Serbia, which is expected to be launched in July 2003.

In Montenegro, UNDP is working in close cooperation with the Institute for Strategic Studies and Prognosis on preparing the inputs for the NHDR on Montenegro specific data and analysis and draft the NHDR is expected to be developed in late 2003 and serve as a policy and analytical tool and promote add to a national debate on how best to incorporate human development objectives into the reform policies.

Relating to the PRSP

Since April 2002, Serbia and Montenegro has been involved in the preparation of a framework for assistance to its development – Poverty Reduction Strategy Paper (PRSP). The governments of Serbia and Montenegro agreed upon the division of responsibility for debt repayment between Serbia and Montenegro and thereby joined the PRSP process. Both republics completed their Interim PRSPs in June 2002. Formulation of PRSPs in Montenegro and Serbia began in November 2002, while the final strategies should be completed by August 2003, when their implementation will start.

The experience has shown that the overall PRSP process in most countries has tended to concentrate on narrow economic issues. Proper social impact analysis and wide-ranging local consultations that should reflect proper national ownership are quite often out of the PRSP scope. In the majority of cases, what is lacking is the direct participation of the representatives of the poor, and engagement of local non-governmental organizations, trade unions and women’s associations.

It has also been observed that the influence of participation was limited and vague, inter alia because the government did not participate in a true dialogue. On the other hand, the experience of development programmes in some countries shows that non-governmental organizations usually do not have sufficient capacity for effective participation and that the media is insufficiently used in informing the broad public on these topics.

In March 2002 UNDP launched a project that fosters Civil Society Organisations (CSOs) participation in the formulation of the PRSP in Serbia with the Catholic Relief Services (CRS) and its 20 local partners implement the project. These NGOs, apart from mobilizing other Civil Society organizations, will also raise awareness among media professionals, and local government representatives on poverty related issues in their communities. Furthermore they regularly carry out poverty assessments in their 20 municipalities and publish News bulletins on poverty and the progress of the PRSP process in Serbia and Montenegro.

Given the UNDP experience in the PRSP processes worldwide and the ongoing project in Serbia, the Serbian Government nominated UNDP to take the lead role in facilitating wider inclusion of civil society in the process. Apart from organizing consultations on Interim PRSP with NGOs and representatives of the poor all around Serbia, UNDP together with its partners CRS, Civic Initiatives and Centre for Development of Non-profit Sector facilitated the nomination and composition of
CSOs in the Civil Society Advisory Committee (CSAC). The function of CSAC is to carry out regular consultations, provide input and comment on the PRSP, lobby for the civil society, the “third sector” interests with Government but also with other Advisory Committees, which are composed of Parliamentarians, Ministers, Private Sector, Local Government, and Development Partners.

The Civil Society Advisory Committee consists of representatives of the three key national trade unions in Serbia, representatives of the two national media associations and representatives of 10 NGOs, including those associated with the poor. The NGOs come from all over Serbia, so that criteria for regional representation has been fully met. Out of 10 NGOs, members of three organizations are representatives of different vulnerable groups in Serbia (Roma, single parents and refugees/IDPs). Seven other organizations cover different issues such as economic development, community development, self-government and decentralization, human rights (with emphasis on minorities and gender), education, and health.

The consultations between civil society and government have been carried out in three rounds, from November 2002 to June 2003. In order to include the highest possible number of CSOs, consultation meetings with the help of resource centres were organized in ten towns in Serbia. Each resource centre invited approximately 30-50 local NGOs. At the same time, trade unions are responsible for organizing debates with their members at local level in 10-15 towns in Serbia.

Representatives of the media have been invited to participate in all meetings and separate discussions were organized for journalists and editors from most important national, regional and local media on PRSP matters. In addition, focus groups were organized throughout each consultation round on subjects that are recognized as key and/or critical by CSOs. In this way CSOs ensured good quality input was provided to the PRSP and that the goal to develop poverty reduction policies and strategies with the participation of all key national and local interest groups was achieved.

Apart from playing the key role in facilitating consultations between government and civil society UNDP played an important role in coordinating other UN agencies and their input into the PRSP process. UNDP is also playing a lead role in facilitating the participation of the international development partners mainly through the international NGO, bi-lateral and other multi-lateral donors in the PRSP process. In this way UNDP has helped to ensure that real alternative views or analysis are offered to Government and partners. For example, emphasizing that equity matters for poverty reduction because high inequality inhibits economic growth, contributes to poor-policy making and often delays pro-poor policy reforms.

In October, UNDP actively participated and contributed to the PRSP policy debates that were organized in Serbia and Montenegro as a prelude for the Baden Poverty Forum jointly organized by the World Bank, IMF and UNDP, which took place in Austria, from 28 October to 1 November and gathered countries from the region that are involved in formulating PRSPs. Apart from FR Yugoslavia, three other Balkan countries were represented in Baden: Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Albania.

In Montenegro, UNDP is to support the Government of Montenegro, as the lead agency designated by World Bank & DFID to manage the PRSP Trust Fund, in developing a Poverty Reduction Strategy Paper (PRSP). This strategy is a requirement from the World Bank in order that Montenegro can gain access to more favourable loans. UNDP is to provide technical expertise in setting up the PRSP process, devising a cross-sectoral government team, identifying the areas in which research needs to be conducted, as well as proposing solutions to reducing the levels of poverty. UNDP also aims to support an implementing partner to strengthen and support civil society in order that, primarily non-government organizations as well as specialized institutions have a quality input into PRSP.

Apart from playing the key role in facilitating consultations between government and civil society UNDP, and the UN system, has begun the promotion of the concept of the Millennium Development Goals (MDGs) and their linkages to the PRSP process (see Annex 2). The first national MDG report for S&M was published in late 2002, supported by UNDP. Currently, UNDP is supporting the Resident Coordinator in his effort
to launch a campaign, together with other UN Agencies, to raise awareness about the MDGs and put them high on the National Agenda. It is expected that a MDG Report will be produced at the end of 2003. This report will act as a key catalyst for public mobilization and political debate around national priorities that will drive tough choices around well-defined policies.
Part 4

Brief Historical Background
4.1 Background

After the defeat of the Axis powers in World War II, the former Socialist Federal Republic of Yugoslavia (SFRY) (consisting of the six republics of Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia, and the two autonomous provinces of Kosovo and Vojvodina) was aligned to the eastern bloc under Marshal Josep Broz Tito. The country enjoyed relative stability and growth during the forty years of its existence, and was an active member of the non-aligned bloc of developing countries.

But after the death of President Tito in 1980 and particularly during the rule of President Slobodan Milosevic from 1990 – 2000, the pressures for renewed autonomy made themselves felt among the member republics, which waged a series of fierce and costly wars.

Even before President Tito’s death, growing nationalist tendencies, due as much to new economic and political rivalries as to old ethnic and religious tensions, were causing strains between the six constituent republics. Following his death, the political and constitutional system with its rotating federal presidency, which had been arranged to succeed him, proved incapable of lessening these strains. Furthermore, after years of relatively well-managed economic growth under President Tito, the new leadership now found itself unable to grapple effectively with the protracted economic difficulties plaguing the federation in the wake of the oil shocks of the 1970s, and their global effects.

Yugoslavia was already disintegrating but the process was accelerated by the collapse of the communist regimes in Central and Eastern Europe in 1989. Democratic change in these regions spurred on the demands for similar change in most of the six Yugoslav republics. In 1990 free elections were held in all the republics, resulting in the return of nationalist governments. The following year efforts by the republican presidents to negotiate a new federal or con-federal structure ended in failure and mutual recrimination. Early in 1991, the first skirmishes of the Yugoslav wars were fought in the Krajina region of Croatia between local Serbs and Croats.

The last decade of the 20th century saw four Balkan wars: Slovenia (1991), Croatia (1991 – 95), Bosnia (1992 – 95) and Kosovo (1998 – 99). The former Yugoslav Republic of Macedonia (FYROM) had declared independence in September 1991 but continuing friction was experienced between the Macedonian majority (66.5%) and the Albanian minority (23%) until agreements were reached on issues under dispute in August 2001, and even then only after a brief civil war and the ensuing intervention of NATO.

The residual Federal Republic of Yugoslavia, comprising only Montenegro and Serbia (including the provinces of Kosovo and Vojvodina), came into being in 1992, claiming to be the unique successor state to the former SFRY - a claim that was not accepted by the United Nations.

In the province of Kosovo, after the departure of Yugoslav forces in June 2000, a UN Interim Administration (UN Mission in Kosovo – UNMIK) was established, under a Special Representative of the Secretary General, together with a NATO-led force (KFOR). Elections were held in November 2001, and a new Provisional Interim Self-Government was eventually confirmed in Kosovo in March 2002.

In March 2002, the remaining republics of the FRY, Serbia and Montenegro, agreed to become the “State Union of Serbia and Montenegro”, whereupon the name of Federal Republic of Yugoslavia would no longer be used.

The 1990s for the Federal Republic of Yugoslavia was thus a decade of deep economic, social and political crisis. As the International Crisis Group has put it, the people of former Yugoslavia have “lost a precious ten years of opportunity for reform, modernisation and integration with the structures of Europe.” The war and collapse of former Yugoslavia in the first half of the 1990s, the 1999 NATO intervention in Serbia & Montenegro, the economic sanctions of the UN Security Council against FRY, as well as the mistakes of domestic economic and social policies, resulted in the sharp decline of economic activity and a dramatic increase of unemployment and poverty. In 2000, the level of real GDP per capita was half that of 1990. One third of the population were estimated to...
be poor and another third estimated to live on less than US$2 per day.

The federal presidential electoral defeat of Slobodan Milosevic in September 2000, and the election of Vojislav Kostunica ushered in a new democratic Government at the beginning of 2001. The FRY was able to regain full membership of the main international organisations and joined the United Nations in November 2000 as a new country, recognised as one of several, but not the only successor state to the former SFRY. Since then, the international community, through grants and concessional loans, have given strong support to the economic recovery process during 2001 and 2002.

4.2 YUGOSLAVIA AND THE UNITED NATIONS

The Socialist Federal Republic of Yugoslavia originally joined the United Nations in 1948. However, with the break-up of the country during the 1990s, and the establishment of Croatia, Bosnia & Herzegovina, Slovenia and the former Yugoslav Republic of Macedonia (FYROM), as independent countries, the re-defined FRY consisting of Serbia and Montenegro, and including Kosovo, was not allowed to take the old Yugoslav seat in the UN as its claim to be the unique successor to the SFYR was not accepted. The FRY was finally admitted to the UN on 1 November 2000 as one of several successor states to the SFYR, and hence as a new member state.

Yugoslavia in UNDP

UNDP has maintained an office in Belgrade since 1966 and under its predecessor entity, since 1952.1 It was closed in 1992 and re-opened with its staff reduced, as a Liaison Office until January 2001 when a new country office was opened.

Membership of UN agencies

With the dissolution of the former SFYR, the FR of Yugoslavia, reapplied in its own right to a large number of international organisations and agreements, and is now a member of seventeen UN agencies, listed below, with dates of accession.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Date of Accession</th>
</tr>
</thead>
<tbody>
<tr>
<td>UN</td>
<td>November 1, 2000</td>
</tr>
<tr>
<td>ILO</td>
<td>November 24, 2000</td>
</tr>
<tr>
<td>WHO</td>
<td>November 28, 2000</td>
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<tr>
<td>UNIDO</td>
<td>December 6, 2000</td>
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<tr>
<td>IMO</td>
<td>December 11, 2000</td>
</tr>
<tr>
<td>IMF</td>
<td>December 20, 2000 (FRY succession effective from 14 December 1992)</td>
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<td>UNESCO</td>
<td>December 20, 2000</td>
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<td>ICAO</td>
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<td>WMO</td>
<td>March 23, 2001</td>
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<td>World Bank</td>
<td>May 8, 2001</td>
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<td>FAO</td>
<td>November 2, 2001</td>
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<td>IOM</td>
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4.3 UNDP IN YUGOSLAVIA, 1966 – 2000

The United Nations provided technical assistance to the former SFYR from the early 1950s. On the establishment of UNDP with the merger in 1966 of the former UN Expanded Programme of Technical Assistance (EPTA) and the UN Special Fund, it received UNDP support under a series of country programmes from the mid-1970s to 1996. The UNDP office was also responsible for providing local support to the activities of other UN agencies.

The last country programme for the SFYR concentrated on four projects addressing refugee-related problems and the provision of support to humanitarian and human rights activities. In September 1997, UNDP presented a draft Country Cooperation Framework (CCF) to its Executive Board but it was turned down on the continuing grounds that the SFYR’s claim to be the only successor state of the former Yugoslavia could not be entertained. From 1997 to October 2000, UNDP operated in the FRY in a purely humanitarian support mode using special donor Trust Funds to provide support to victims of conflict (refugees and IDPs) in cooperation with other UN agencies, such as UNHCR, UNICEF, WFP and various NGOs.

1 UNDP came into existence on 1 January 1966, following the decision of the UN General Assembly under its resolution 2029 of 22 November 1965, to consolidate the previously existing EPTA (Expanded Programme of the Technical Assistance) and the Special Fund, into a new United Nations Development Programme.
4.4 A VISION FOR THE FUTURE

1. **People**
   A Human Development Index (HDI) progressively restored to its former levels:
   - Reduced levels of poverty, particularly in the most depressed areas, and those affected by the conflicts and ethnic tensions of the recent past;
   - Increased access to education at every level, for both boys and girls, and a restoration of the education system to former levels, while up-grading it to the needs of the 21st century, and future accession into the European Union;
   - Improved levels of health care for men, women and children;
   - Increased roles and equity for women, in gender-sensitive institutions and economic activities
   - Employment, which can provide the means for people to satisfy the needs of their families.

2. **Infrastructure**
   - A rehabilitated and strengthened economic infrastructure for energy, transport and communications, which can facilitate the production of goods and services;
   - A social infrastructure, which can provide for the education, health and social welfare needs of the people;

3. **Institutions**
   - Government institutions, progressively adapted to European norms, which are able to provide the necessary enabling environment for sustainable human development
   - A civil service, suitably trained and structured, for the effective functioning of these institutions.

4. **Legislation**
   - Legislation which is progressively revised and up-graded to European norms, to facilitate subsequent entry into the European Union.
   - Parliament, which is able to provide the leadership and vision for national development.

5. **Peace and security**
   - Where men and women can live and work in peace, regardless of ethnic origin, in the full enjoyment of their human rights

6. **Integration into regional and international activities**
   - Participation as an active member in regional and international fora and organisations
   - Movement towards the satisfaction of criteria for accession to the European Union.

7. **Environment**
   - Where the environment is conserved and maintained for the good of future generations.

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*International Day for the Eradication of Poverty Soup Kitchen event with Yugoslav basketball star Predrag Danilovic (2002)*
ANNEXES
Annex 1: Key Data and Figures

UNDP Programme Allocation per CCF Cluster 2002-2003

Energy and Environment

- Energy and Environment
- Urban Environment (City to City)
- Urban Environment (Beautiful Serbia)

Democratic Governance

- Crisis Prevention and Recovery
- SSMIRP SEE Small Arms Clearinghouse
- Rapid Employment Programme
- Support to Vulnerable Groups, Local Economic Development and Security Sector Reform
- Judicial Training Center
- Capacity Building Fund

Democratic Governance

- Crisis Prevention and Recovery
- Municipal Improvement and Recovery
- Energy and Environment
- Support to Vulnerable Groups
- PRSP/Civ. Soc. Development

Democratic Governance

- PRSP/Civ. Soc. Development
- Energy & Environment
- Crisis Prevention and Recovery
- Capacity Building Fund

Democratic Governance

- SSMIRP SEE Small Arms Clearinghouse
- Rapid Employment Programme
- Support to Vulnerable Groups, Local Economic Development and Security Sector Reform
- Democratic Governance

Democratic Governance

- Crisis Prevention and Recovery
- Municipal Improvement and Recovery
- Support to Vulnerable Groups
- Energy and Environment
Delivery in 2001, 2002 and 2003 (estimation) - all Sources of Funds
(in $ million)

Delivery per Cluster - in 2002
(in $ million)
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<td>18,248</td>
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</table>

* Estimation in 2003 refers to the period September-December
Proceeding Points for the Restructuring of Relations Between Serbia and Montenegro

Agreement on Principles: The Agreement on Principles of relations between Serbia and Montenegro within the state union shall be signed by participants in the talks: the President of the Federal Republic of Yugoslavia, the Deputy Federal Prime Minister, the President of the Republic of Montenegro, the Serbian and Montenegrin Premiers and, as a witness, the EU High Representative for Common Foreign and Security Policy. The document shall be submitted for debate to the Parliaments of member states and the Federal Parliament.

Constitutional Charter: On the bases of opinions put forward in parliamentary debates, that is, parliamentary conclusions, a constitutional commission whose members shall be delegated by the Parliaments of the Federal Republic of Yugoslavia (FRY), Serbia and Montenegro, shall draft the Constitutional Charter, the highest legal act of the state union of Serbia and Montenegro. The text of this act shall be adopted by the republican parliaments first, and than submitted to the Federal Parliament. Such procedure would reaffirm the elements of Serbian and Montenegrin statehood, stemming from the present-day factual situation and the historic rights of the two member states.

Provision on Reconsideration: Upon the expiration of a three-year period, the member states shall be entitled to instituting proceedings for each change of the state status, that is, withdrawal from the state union. If Montenegro withdraws from the state union, international documents related to the FRY, the U.N. Security Council Resolution 1244 in particular, shall relate to and fully apply on Serbia as its successor.

A member state that uses this right, shall not inherit the right to international and legal status, and all debate issues shall be regulated specifically between the state successor and the newly established state. If in a referendum process both member states declare themselves in favor of a change of the state status (independence), all debatable issues shall be resolved in succession proceedings, as was done in the case of former Yugoslavia.

The Laws on Referendum shall be adopted by the member states, taking full account of internationally recognized democratic standards.

The name of the state: Serbia and Montenegro.
Institutions of Serbia and Montenegro: the Parliament, the President, the council of Ministers and the Court.

Parliament: A unicameral parliament providing certain positive discrimination for Montenegrin representatives. The Laws on the election of Representatives to the Parliament of Serbia and Montenegro shall be adopted by the member states, in compliance with the principles defined by the Constitutional Charter. Mechanisms to protect against outvoting of member state shall be provided for.

President of Serbia and Montenegro: The President, elected by the Parliament of Serbia and Montenegro, shall propose the composition of the Council of Ministers and direct its work.

Council of Ministers: The council of Ministers shall be composed of five departments: foreign affairs, defence, international economic relations, internal economic relations and protection of human and minority rights. The competences of the ministries shall be defined in detail subsequently.

The Court of Serbia and Montenegro: The Court shall have constitutional-court and administrative court functions, and shall deal with harmonization of court practice. The administrative court function shall be exercised in relation with administrative acts of the ministries of the council of Ministers. The court shall take legal views and give opinions related to the harmonization of court practice. The Court is not an appellate court and has an equal number of judges from the member states.

The Army: The Army of Serbia and Montenegro shall be under command of the Supreme Defense Council, composed of three presidents. The supreme Defense Council shall make decisions by consensus. Conscripts shall serve the army on the territory of their respective member states, with the possibility of serving on the territory of the other member state, if they wish so.

Elections and Appointments: Upon the promulgation of the Constitutional charter under the specified procedure, elections shall take place, the Parliament of Serbia and Montenegro shall be constituted, the President of Serbia and Montenegro shall be elected, as well as members of the Council of Ministers and judges of the court of Serbia and Montenegro. It shall also be possible to provide for rotating during a term in office. (In the Ministry of foreign affairs and the Ministry of Defense, the minister and his/her deputy from different member state shall take turns when one half of the term in office expires).

In representing the member state in international organizations (UN, OSCE, EU and the council of Europe), parity shall be provided for through rotation,
whereas special models for representation shall be defined for international financial organizations. In diplomatic and consular representative offices of Serbia and Montenegro abroad, a special agreement shall be made on proportionate representation of the member states.

The constitutional charter shall be submitted to the Parliament for deliberation by the end of June 2002 at the latest.

**Dislocation of federal institutions.** Some federal institutions can be headquartered in Podgorica.

**Constitutional reconstruction of the member state:** Within the activities aimed at the promulgation of the Constitutional charter of Serbia and Montenegro, the member shall amend respective constitutions in compliance with the Constitutional Charter of Serbia and Montenegro or promulgate new constitutions by the end of 2002 at the latest.

**Economic sphere:** The level of economic reforms reached in Serbia and Montenegro shall be a proceeding point for regulating mutual economic relations.

The member state shall be responsible for unhindered operation of a common market, including the free flow of people, goods, services and capital.

Harmonization of the economic systems of the member states with the EU economic system shall overcome the existing differences, primarily in the spheres of trade and customs policies.

In both regards, economic reforms that have already been carried out in the member states shall be taken into full account, while solutions that would provide for the quickest integration into European Union shall be accepted. Transitional solutions in harmonizing trade and customs policies should take into account the interests of the member states.

The European Union shall assist in the accomplishment of these objectives and monitor the process on a regular bases.

The modalities for the achievement of these objectives shall be elaborated in parallel with the Constitutional Charter.

If one of the member states believes that other does not live up with commitments under this agreement concerning the operation of a common market and the harmonization of trade and customs policies, it shall reserve the
right to raise the matter with the EU in the context of the stabilization and Association Process with the view to the adoption of appropriate measures.

The EU shall guarantee that, if other conditions and criteria for the stabilization and Association Process are fulfilled, the agreed principles of constitutional organization shall not be an obstacle to a rapid conclusion of the Agreement on Association and Stabilization.

President of the federal republic ugoslavia
Vojislav Kostunica

Deputy Federal Prime minister
Miroljub Labus

President of the Republic of Montenegro
Milo Djukanovic

Premier of the Republic of Serbia
Zoran Djindjic

Premier of the Republic of Montenegro
Filip Vujanovic

Witnessed by
EU High Representative for Foreign and Security Policy
Javier Solana

Belgrade, March 14, 2002
### Annex 3: The Millennium Development Goals

<table>
<thead>
<tr>
<th><strong>Goal 1</strong></th>
<th><strong>Goals and Targets</strong></th>
<th><strong>Indicators</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Poverty reduction</strong></td>
<td>Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day</td>
<td>Proportion of population below $1 per day (PPP values); Poverty gap ratio (incidence x depth of poverty); Share of poorest quintile in national consumption</td>
</tr>
<tr>
<td><strong>Goal 2</strong></td>
<td><strong>Achieve universal primary education</strong></td>
<td><strong>Net enrolment in primary education</strong></td>
</tr>
<tr>
<td><strong>Goal 3</strong></td>
<td><strong>Promote gender equality and empower women</strong></td>
<td><strong>Ration of girls to boys in primary, secondary and tertiary education</strong>;</td>
</tr>
<tr>
<td><strong>Goal 4</strong></td>
<td><strong>Reduce child mortality</strong></td>
<td>Under five mortality rate; Infant mortality rate Proportion of 1 year-old children immunised against measles</td>
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<tr>
<td><strong>Goal 5</strong></td>
<td><strong>Improve maternal health</strong></td>
<td>Maternal mortality ratio Proportion of births attended by skilled attendant</td>
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<tr>
<td><strong>Goal 6</strong></td>
<td><strong>Combat HIV/AIDS, malaria and other diseases</strong></td>
<td>Prevalence and death rates associated with malaria Prevalence and death rates associated with tuberculosis (TB) Proportion of TB cases detected and cured under Directly Observed Treatment Short (DOTS) course</td>
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<tr>
<td><strong>Goal 7</strong></td>
<td><strong>Ensure environmental sustainability</strong></td>
<td>Proportion of land area covered by forest Land area protected to maintain biological diversity (%)</td>
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<tr>
<td><strong>Goal 8</strong></td>
<td><strong>Develop a Global Partnership for Development</strong></td>
<td>Net ODA (in million SUS) Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</td>
</tr>
<tr>
<td><strong>Goal 9</strong></td>
<td><strong>Address Special Needs of the Least Developed Countries</strong></td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Goal 10</strong></td>
<td><strong>Address Special Needs of landlocked countries</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Goal 11</strong></td>
<td><strong>Deal comprehensively with debt problems</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Goal 12</strong></td>
<td>In co-operation with developing countries, develop and implement strategies for decent and productive work for youth.</td>
<td>Unemployment rate of 15 — 24 year olds</td>
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